

CENTRAL ELECTRIC MEMBERSHIP CORPORATION

Minutes of the 2021 Annual Member Meeting

October 1, 2021

Sanford, North Carolina

Pursuant to due notice thereof, the 2021 Annual Member Meeting ("Meeting") of Central Electric Membership Corporation ("Central EMC" or the "Cooperative") was conducted Remotely and Virtually via Streaming Video (over the Internet) from Central EMC Headquarters in Sanford, North Carolina, beginning at 10:00 a.m. on Friday, October 1, 2021. President Rebecca G. Cogan presided over the Annual Meeting. Pastor Jimmy Brown of the Sandy Branch Baptist Church gave the invocation. Deloris Shaw presented the Pledge of Allegiance.

The Annual Meeting was conducted virtually, without objection, due to the COVID-19 Pandemic in order to ensure the safety of the Cooperative Members and the Cooperative Employees. Members were given the opportunity to vote for the Election of Directors by submitting a ballot by United States Mail or by submitting a ballot electronically. Section 3.09 of the Central EMC Bylaws provides that Management will count each Member who submitted a "Vote" (either electronically or by United States Mail) as attending this Remote Streaming Meeting for purposes of a Quorum.

With Cynthia M. Currin, General Counsel, presiding at the Business Session at the request of the Cooperative's Board of Directors, and with these minutes being transcribed under the direction of Secretary James B. Brooks, the following proceedings were had:

1. President Cogan welcomed the Membership to Central Electric's 80th Annual Meeting and thanked them for their attendance. President Cogan expressed, on behalf of the Board of Directors, appreciation to General Manager Edward B. Oldham and to all Central Electric employees for their dedication and hard work.

2. General Counsel, Cynthia M. Currin provided the following report. The Central EMC Bylaws define a Quorum for the Annual Meeting as 2% of the Membership or 392 Members.

Central EMC Bylaw §3.09 provides that (for purposes of a Remote Streaming Annual Meeting), Central EMC will count each Member who submitted a "Vote" for the Election of Directors (either electronically or via United States Mail) as attending this Annual Meeting for purposes of a Quorum.

Central EMC had 731 Members submit a "Vote" for the Election of Directors. Therefore, the number of Members participating by Vote exceeded the Quorum requirements. The Annual Meeting could therefore proceed as scheduled.

The Cooperative mailed a Notice of the Annual Meeting to each Member by United States Mail on August 25, 2021. This Notice of Annual Meeting was prominently published and displayed on the Cover-Wrap of the Carolina Country Magazine.

Management reviewed the Proof of Mailing from the Carolina Country Publication which certified that the Notice was mailed to all Central EMC Members on August 25, 2021.

Both the Notice and the Proof of Mailing satisfied the Central EMC Bylaw requirements. Each document is a part of the Cooperative's official files.

3. General Counsel Cynthia M. Currin reported that the Minutes of the 2020 Annual Member Meeting had been posted on the Central EMC website. In accordance with the Membership's standard directives, these Minutes of the 2020 Annual Member Meeting will be submitted to the Board of Directors for review and approval.

Ms. Currin reported that the Business Session would continue with the Central EMC Officers' Reports.

4. The Officers' Reports were presented to the Membership in the form of an audio/visual presentation providing the following information:

Fiscal Year 2021 had been unprecedented. The public health crisis (due to the COVID-19 Pandemic) impacted the entire community. At Central EMC, Management and employees never stopped thinking about the Members and how the Cooperative could be a good partner to the entire community. Central EMC's mission is to provide reliable and affordable energy to its Members. Even in these unprecedented and turbulent times, Central EMC remained the Members' Trusted Energy Partner.

To help ease the economic impact of the Pandemic, Central postponed disconnects for nonpayment, waived late payment fees and provided payment arrangement extensions free of charge. These steps were implemented by the Cooperative before mandated by the State.

Central EMC understands that the needs of its Members run deeper than just assistance with utility bills. Therefore, Central EMC partnered with local non-profit organizations to provide funding in the areas of greatest need.

I. **Community**

Central EMC thanked its Members for their continued participation in Operation Round-Up[®]. Through this organization, Central EMC was able to raise over \$99,000.00 to support vital community charities and non-profits. These included the Chatham Outreach Alliance, the Salvation Army of Pittsboro and Carthage United Methodist Food Pantry as well as many other organizations dedicated to improving the lives of those in our community.

Central EMC continued to invest in our community's future by supporting educators through the Bright Ideas Grant Program. In 2020, over \$15,000.00 was disbursed through Bright Ideas. Central EMC also rewarded local students through the "Give Us an A" Program, and through sponsoring scholarships to deserving Members to attend Sandhills Community College and Central Carolina Community College.

Central EMC also partnered with Five N Two Food Pantry to help keep the shelves stocked and aid in their mission to serve food to members of the community.

It was necessary for Central EMC to close its front lobby to "walk-in" traffic during the early days of the Pandemic. Yet, Central EMC worked hard to provide many ways for Members to stay connected. Central EMC offered its mobile app, online service portal and website chat features.

II. **Operations**

Although the headquarters lobby was closed to Members during the Pandemic, the Central EMC dedicated staff continued to provide high-levels of service to the Members. Many of the in-office staff transitioned to remote work. Our Linemen remained in the field. Those Linemen dedicated themselves to ensuring reliability of the electric grid which had become even more essential as stay-at-home orders took effect and required our community to live and work from their homes. Central EMC thanked its employees for their contributions to provide safe, reliable electricity to the Membership.

During the Pandemic, Central EMC Management completed improvements to the front lobby. In June of 2021, in-office employees transitioned back to Central EMC headquarters. These improvements to the front lobby enhance Member safety.

During the Pandemic, Central EMC also gained efficiencies to save costs. Central EMC relied on new ways of serving its Members including the online portal, mobile app,

paperless billing and new customer service options like “online chat” and “online service applications”.

During the Pandemic, the Cooperative remained on the cutting edge with new Green Technologies. Central EMC expanded its Electric Vehicle Program to educate its Members on that new technology. Central EMC installed two (2) Electric Vehicle Charging Stations: one at the Central EMC office headquarters and a second one at the Jordan Dam Mini Mart. Central EMC’s goal is to continue to bring new energy technologies to the Cooperative community.

III. Accounting

Central EMC’s 80-year history of reliable service is a product of careful planning. Central EMC remains committed to transparency regarding the Members’ money. In 2020, it was necessary to adopt a rate adjustment. Effective February 1, 2020, an increase of 2.5% in the kWh rate and an increase of \$1.00 of the basic facility charge was applied to monthly bills. To help offset this increase, a decrease of \$1.00 of the Environmental Compliance Charge was adopted. The net change to each Member’s monthly bill came out to 2.0% or approximately \$3.92. This increase went directly to covering the costs of operations while maintaining the Cooperative mission of operating as close to “at cost” as possible.

The following is a breakdown of how the Central EMC revenue was disbursed in 2020:

- The largest share of each dollar, 59¢, was used to purchase Wholesale Power;
- Operating costs for maintaining power lines, fuel costs for our vehicles, tree trimming and taxes totaled 25¢ of every dollar;
- A total of 8¢ from every dollar, went to depreciation -- the decline in the value of equipment or property over its life;
- A total of 4¢ from every dollar, paid for interest, the cost of borrowing money to continuously build electric lines and electric grid infrastructure, and;
- Total margins (the difference between revenue and cost of service) represented just 4¢ of every dollar.

The Cooperative’s goal is to operate as close to “at-cost” as possible. Whenever possible, Central EMC returns margins back to its Members in the form of Capital Credits. Capital Credits are returned in the form of checks or bill credits. This past year marks the 12th year in a row that Central EMC has retired Capital Credits to its Membership. During the past twelve (12) years, Central EMC has returned \$13.7 Million in Capital Credits to its Members.

IV. Conclusion to Officers’ Report

Fiscal Year 2020 was a stark reminder of how unpredictable the world could be. However, Fiscal Year 2020 also reminded us of the importance of community. The fundamental principles of our Cooperative are just as important today as they were 80 years ago. As Central EMC celebrates its 80th milestone anniversary, Central EMC’s Management and Staff, thank its Membership. Central EMC will remain strong in the future because it is made up of strong Members. Just as the Cooperative’s Members banded together to electrify Central North Carolina 80 years ago, Central EMC will remain committed to serving as the Membership’s trusted energy partner.

5. Edward B. Oldham, the General Manager and Chief Executive Officer of Central EMC, presented the Manager’s Address. Mr. Oldham expressed his appreciation to the Membership for participating in the Annual Meeting and for viewing the streaming video of the Annual Member Meeting.

The Annual Member Meeting is a vital part of the Cooperative Business Model. It provides its Membership an opportunity to hear updates on the Cooperative. Central EMC chose to host a virtual meeting in lieu of a traditional in-person event at the Dennis A. Wicker Civic Center in Sanford. During the planning phase of the meeting, there were still

restrictions and concerns about hosting large events due to the lingering impact of COVID-19. Central EMC looks forward to seeing each of its Members sometime in the future.

- **The Pandemic**

The Pandemic impacted each Member's life in some form or fashion. Central EMC postponed disconnects for nonpayment. Central EMC waived late fees. Outstanding balances which accrued during the Pandemic were automatically set-up for twelve-month repayment plans (interest free). (Central EMC offered these options to continue stretching the economic burden experienced by Members over an extended period of time.

As of August, 2021, Central EMC was pleased to report that it had successfully bridged this difficult time. There are only a few outstanding balances remaining due to the COVID shutdown.

Central EMC made extensive adjustments during the Pandemic. Central EMC adapted to a "new normal" putting the safety of its employees and Members first. The Central EMC front lobby remained closed to "walk-in" traffic. Central EMC employees worked remotely and in staggered shifts. As of June, 2021 the Central EMC front lobby opened to Members and employees. Nevertheless, Management continues to remain cautious due to the lingering impact of the COVID-19 virus. Central EMC has maintained strict safety measures in order to continue to protect the health and safety of members of the community.

- **Members Rank Central EMC High in "Satisfaction" Survey**

Despite the challenges and uncertainties of the Pandemic, Central EMC's goal was to provide superior service to its Members. In 2020, in the face of these unforeseen challenges, the Central EMC "Member Satisfaction" scores ranked Central EMC in the top of Cooperatives surveyed. This survey addressed Members' opinions on reliability, on costs and on the value of service. Central EMC thanked each of the Members for feedback on this survey. Central EMC will continue improving its service to Members and their families.

- **Mutual Aid to Baldwin EMC and Beauregard EMC following Hurricanes**

As a part of a national cooperative network, Central EMC provides mutual aid to Cooperatives beyond the borders of the service territory in Chatham, Harnett, Lee, Randolph and Moore counties. Two (2) hurricanes (Laura & Sally) hit the Gulf Coast in Fiscal Year 2020.

Following Hurricane Sally, a group of Central EMC line workers traveled to Alabama to aid Baldwin EMC to rebuild its electric system. Following Hurricane Laura, Central EMC provided customer service assistance to Beauregard EMC in Louisiana. Beauregard EMC was completely ravaged by Hurricane Laura. In the aftermath, Beauregard's phone system was down for days. The Central EMC customer service team fielded calls from Beauregard EMC Members for days after the storm.

The concept of "Cooperative among Cooperatives" is one of the core principles that sets the Cooperative Network apart from other types of utilities. Central EMC is connected to over 900 electric cooperatives across the country. This core principle is built upon leveraging one of the greatest strengths of the Cooperative network: its people.

- **System Reliability and Resiliency**

Central EMC maintains a continued commitment to system reliability and resiliency. In the past year, the State of Texas experienced an energy crisis due to unusually cold weather. Energy demands in Texas reached record highs. The State's independent grid lacked the necessary capacity to address consumer demand.

Mr. Oldham reported that it is unlikely that this situation would occur in North Carolina. The State of Texas operates on its own independent electric grid. However, the State of North Carolina is part of the Eastern Interconnection, a section of the grid that covers the entire eastern half of the United States. The likelihood of one weather event impacting the entire eastern portion of the electric grid is unlikely. In addition, the Eastern Interconnection is seven times the size of the State of Texas' Independent Grid and provides more resources.

North Carolina does not operate under a deregulated market like the State of Texas. In the deregulated energy market in Texas, electric consumers saw significant rate increases based on wholesale power spikes.

Central EMC is continually investing in system inspections, system updates to replace aging equipment and right-of-way tree trimming management. In addition, Central EMC works with other Cooperatives and utilities to ensure the capacity of the electric grid meets consumers' demand.

Central EMC is proud of its excellent reliability rating of 99.95% in Fiscal Year 2020. This is based on outages of only 257.63 average minutes per Member. Central EMC is proud of that rating. Central EMC is keeping the lights on. Central EMC will continue to work hard to ensure reliability to its Members.

- **Projected Growth on Central EMC System**

Management predicts growth on the Central EMC system based on economic development in Chatham Park (located in Pittsboro, North Carolina) and in surrounding areas including Lee County, Harnett County and Moore County.

- **General Retirement of Capital Credits in Fiscal Year 2021**

For twelve (12) years in a row, Central EMC has made a general retirement of Capital Credits. In Fiscal Year 2021, Central EMC will be making another general retirement of Capital Credits. This will close out the remaining patronage allocated to Fiscal Year 2001 and approximately 35% of the patronage allocated to Fiscal Year 2002. This return of Capital Credits to the Membership is a significant identifying feature of the Cooperative Business Model.

Central EMC rates are set as close to "at-cost" as possible. Central EMC works hard to control its costs. Any revenue left over (margins) after expenses, is returned directly to the Members. The Cooperative stands on sound financial ground.

The 2021, general retirement of Capital Credits will equal approximately \$1.1 Million. Over the past thirteen (13) years, Central EMC will have made general retirements of Capital Credits totaling \$14.8 Million. Each Member should receive a check between Thanksgiving and December 1 of 2021. Any Capital Credits totaling less than \$25.00 will be issued in the form of a credit on the billing statement that month. Capital Credits are the Members' investment in the Cooperative.

- **Conclusion**

Central EMC has learned in the past two (2) years that being prepared for the unexpected is critical. Central EMC is familiar with handling a crisis. Central EMC has responded to countless ice storms, snow storms and major hurricanes over the years. Central EMC Management is proud to say that Central EMC has weathered this Pandemic storm and assisted its Members during a difficult time.

Central EMC will continue to work hard for the Membership. Central appreciates each Member and is grateful to serve as the Members' trusted energy partner.

In closing, Mr. Oldham thanked the Membership for participating in the 2021 Virtual Annual Member Meeting. This concluded Mr. Oldham's report. He turned the meeting back over to General Counsel, Cynthia M. Currin.

6. Ms. Currin provided a summary of the current Members of the Board of Directors.

The Business Session continued with the Election of Directors. Ms. Currin explained the two (2) methods by which an individual can be nominated as a candidate for election to the Cooperative's Board of Directors. These methods include nomination by the Cooperative's Nominating Committee and nomination by written petition.

The Central EMC Nominating Committee met on May 3, 2021 via telephone conference (due to the COVID-19 Pandemic). The Committee elected Richard Williams as the Chairman and Janet Brower as the Secretary. The Cooperative's Nominating Committee nominated the following individuals to stand for election for the Board:

- (1) District 1 (Lee County) – J. Thomas Dalrymple;
- (2) District 2 (Chatham and Randolph Counties) – W. Phillip Thompson, and.;
- (3) District 3 (Harnett County) – Dr. Nancy G. Holmes.

Ms. Currin stated that the Cooperative had received no written petitions nominating additional individuals to stand for elections.

Ms. Currin then provided a report on the Election results. Central EMC had hired an independent third-party Consultant, Survey and Balloting Services ("SBS") to tabulate the Members' Votes. Central EMC Members had voted by either: (1) Returning the ballot through United State Mail, or (2) Voting electronically.

Ms. Currin reported the results of the tabulation of Votes for the Election (as certified by SBS) and the individuals elected for each position as follows:

- District 1, J. Thomas Dalrymple received 618 votes;
- District 2, W. Phillip Thompson. received 585 votes, and;
- District 3, Dr. Nancy G. Holmes received 634 votes.

Each of these Directors will serve three (3) year terms as members of the Board. Such terms expire at the 2024 Annual Member Meeting.

7. Ms. Currin reported that no Member has presented any old business to come before the Membership.

8. Ms. Currin reported that no Member has presented any new business to come before the Membership.

9. There being no further business, the meeting was adjourned.

SIGNED:

James B. Brooks, Secretary

APPROVED:

Rebecca G. Cogan, President