

STRONG PAST STRONG FUTURE

Celebrating 80 Years of Service

2019 ANNUAL REPORT



MANAGER'S MESSAGE

On November 14, 2020, Tri-County EMC will host its 80th Annual Meeting of the Members. Unlike in years' past, due to the ongoing pandemic, our annual meeting will be a drive-thru meeting. While I will miss the physical interaction with the membership, this new format does allow the opportunity for members to participate from the safety of their vehicles.

Tri-County EMC continues to deliver value to its members. Our cooperative is now valued at over \$95 million, with almost \$75 million of that being invested in plant facilities to serve the members. At the end of August 2020, member equity or ownership totaled \$31,701,705, or approximately 33.23 percent of total assets. Approximately 74.1 cents of each revenue dollar collected by the cooperative in 2019 was used to pay the wholesale power bill of almost \$43 million.

There are many differences between the cooperative business model and the for-profit model. The cooperative has very high ethical standards. We are governed by a board ethics policy, and the cooperative is not motivated by profit. All of the profits or margins earned by the cooperative are returned to the members. In that spirit, the Tri County Board of Directors has recently approved a capital credit refund of \$1,837,737.29 representing the balance of the margins of 2003-2004.

Our mission statement is that Tri-County Electric Membership Corporation is a member-driven cooperative committed to providing reliable electric power at a reasonable cost, to offering superior service, and to taking an active role in supporting the communities it serves.

Superior Service to our Communities

In a 2019 national survey of electric cooperative members, Tri-County EMC recorded one of the highest scores in the United States among the cooperatives that participated in the survey. Let's remember that there are over 950 electric cooperatives in our nation. We scored an 88 of a possible 100, and the average score of all utilities was a 75, with the Touchstone Energy national average at 82. Reliable service was identified as the single most important factor by which our members judge electric utilities, followed closely by knowledgeable employees and good value for the money.

When I hear good value for the money—Tri-County has the lowest basic facility charge in the state at \$8.98 with the median being at \$25 per month. There are two in our state with a \$35 monthly facility charge.

And value also comes within our staff. Many of our employees are volunteers with the local fire departments, serves as officers with their children's PTA, fund and friends raisers with the Ronald McDonald House of Eastern North Carolina, Kitty Askins Hospice Center, American Cancer Society, and the list goes on.

It's been a pleasure to serve you and lead a dynamic organization powered by the best of the best in our industry. Our membership makes us proud and keeps TCEMC strong!

J. Michael Davis
General Manager



MANAGER'S REPORT TO MEMBERS

Looking Back

Across America in the 1930s, cities had been served with electricity since the late 1800s, but the vast rural areas were still using oil lamps and power from diesel generators. At that time, electricity to sparsely populated rural areas was not economically feasible. During President Franklin D. Roosevelt's administration, the Rural Electrification Administration (REA) was created. This paved the way for the Rural Electrification Act of 1936, which provided federal loans for installation of electrical distribution systems to serve isolated farms, ranches, and other rural areas of the United States.

Tri-County EMC was incorporated on May 8, 1940. Eleven months after Tri-County Electric Membership filed its Certification of Incorporation to become a rural electric cooperative, 70 miles of lines were energized serving 853 members on April 9, 1941.

The first office building was located on North Williams Street in Goldsboro, NC. As the membership grew, the co-op hired new employees and added more equipment to build and maintain the electric lines. In 1977, a new office and warehouse was built in Dudley, NC.

Now in our 80th year of service, Tri-County EMC's 46 employees serve 19,726 members, with 2,625 miles of line and 26,676 electric meters. I can imagine that the group of local farmers who established Tri-County EMC 80 years ago would have never dreamt that their electric cooperative would serve members in seven counties.

This was a humble beginning of what has flourished over the past eight decades. At Tri-County EMC, our heritage was founded on spirit of community, growth and determination—a heritage that continues to thrive today with the same focus on members and our local communities.

Focusing on the Future

Tri-County EMC exists in an era defined by change. Technology, people, society, and our country are all changing quickly, and we are changing too. You can look up your hourly energy usage, receive daily text message usage alerts or pay your bill online. You can even report an outage in seconds on your cellphone. You can view the progress of restoration on our website, in near real time. Modern technology helps us work more efficiently, but it still comes down to the right tools, experience and training to deal with any situation. It comes down to the same mission as always – to provide you with safe, affordable and reliable power, while making meaningful investments in our home communities.

In 2019, Tri-County EMC made major improvements in the backbone of

our networking systems. Our network infrastructure has been upgraded to 10 GB ethernet to improve performance and reliability. Our chosen brand of networking equipment provides a high level of support and reliability as well as much needed improvements in performance. With this new upgrade, we have been able to implement a redundant internet path that will allow for automatic failover for key connectivity failures, which in turn helps us to serve our members more efficiently, even when most issues or scheduled maintenance occurs.

The security of the network and systems is ever present in our minds as we improve our Cyber Security stance with new equipment and protocols, making our Information Technology infrastructure stronger while facing today's ever growing online threats. We also installed cellular boosters at several substations increasing the efficiency and reliability of data transfer from remote field locations to Tri-County EMC headquarters.

Our Engineering and Operations department upgraded the main bus breaker, circuit breakers, and wiring at our Genoa substation. These upgrades help improve capacity and reliability to better serve our members. We have continued our SCADA (Supervisory Control and Data Acquisition) project by adding SCADA connectivity to more substation breakers, substation regulators, and other protective devices on our system. This network allows us to remotely monitor and better control our entire power grid. This provides more information to diagnose the impact or extent of an outage and put our response in action. We are currently communicating with approximately 90% of our major protective devices. SCADA connectivity was also installed to two solar farms in our service area.

Safety also continues to be our top priority. I'm proud to say Tri-County EMC finished another year with no lost-time injuries, for which the cooperative received a No Lost-Time Accident Award from Federated Rural Electric Insurance Exchange that recognizes employees safely working a total of 526,599 hours without have a lost-time accident since July 15, 2013. This award recognizes the employees' dedication to safety and the cooperatives' commitment to cultivating a culture of safety.

As we celebrate our 80th anniversary, we are committed to carrying on the traditions set by the first Board of Directors, employees and members. The goals for our communities today are the same as they were in 1940: reliable electrical service at a reasonable rate. We are proud to do our part in meeting your expectations. Thank you for being a part of our past, and our future!

Our mission is to not only to deliver reliable electric service at an affordable price, but to also go beyond the lines to provide additional opportunities that fulfill the cooperative principles.

FINANCIALS

Balance Sheets October 31, 2019 and 2018

2019

2018

ASSETS

Utility Plant

Electric Plant in service—at cost	\$ 112,791,269	\$ 109,480,782
Construction work in progress	3,198,776	1,940,764
	<u>115,990,045</u>	<u>111,421,546</u>
Less: accumulated provision for depreciation and amortization	(42,441,518)	(40,018,641)
Total Utility Plant (Net)	73,548,527	71,402,905

Other Property and Investments:

Notes receivable	4,492,033	4,293,278
Investments in associated organizations	2,956,363	2,892,802
Total Other Property and Investments (at cost)	7,448,396	7,186,080

Current and Accrued Assets

Cash and cash equivalents	4,384,899	9,310,134
Restricted Cash—USDA	191,523	200,571
Accounts receivable—trade (less provisions for doubtful accounts of (\$953,426 in 2018 and \$948,704 in 2017))	5,078,331	5,291,414
Accounts receivable—other	586,293	2,562,046
Materials and supplies (at average cost)	419,861	802,310
Merchandising inventory (at cost)	8,526	8,608
Prepaid assets	363,105	379,281
Total Current and Accrued Assets	11,032,538	18,554,364

Deferred Charges

43,788

44,654

Renewable energy credits (RECs)

0

0

Total Assets

\$ 92,073,249

\$ 97,188,003

EQUITIES and LIABILITIES

Equities and Margins:

Memberships	\$ 98,900	\$ 98,385
Patronage capital	29,013,943	32,068,228
Total Equities and Margins	29,112,843	32,166,613

Non-Current Obligations:

RUS FFB notes	31,516,986	32,296,752
RUS Cushion of Credits (unapplied payments)	(1,801,183)	(1,757,347)
NRUCFC mortgage notes	4,007,946	4,411,364
CoBank mortgage notes	12,410,111	13,316,753
NCEMC Economic Development Loan	302,333	214,333
Note payable - USDA - REDL Loan	1,912,069	1,779,661
Note payable - USDA - REDG Grants	418,767	418,767
Accumulated provision of pensions & benefits	7,582,555	6,673,788
Less: current maturities—mortgages	(2,358,305)	(2,253,654)
current maturities—accumulated pensions & benefits	(270,200)	(270,200)
Total Non-Current Obligations	53,721,079	54,830,217

Current Liabilities:

Current maturities of long-term debt	2,628,505	2,523,854
Accounts payable	3,506,464	4,545,338
Consumers' deposits	1,815,056	1,798,616
Other current and accrued liabilities	993,879	1,027,942
Total Current Liabilities	8,943,904	9,895,750

Deferred Credits

295,423

295,423

Total Liabilities, Equities and Margins

\$ 92,073,249

\$ 97,188,003

STATEMENTS OF REVENUE AND PATRONAGE CAPITAL

For the Years Ended October 31, 2019 and 2018

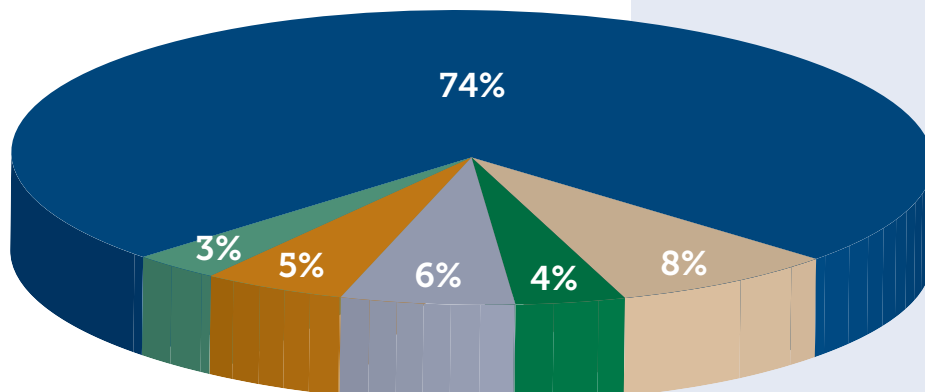
	2019	2018
Operating Revenues	\$ 56,952,610	\$ 57,109,670
Operating Expenses:		
Transmission expense	20,050	17,178
Cost of power	41,958,021	40,578,081
Distribution—operation	1,750,203	1,617,058
Distribution—maintenance	3,030,441	2,813,824
Consumer accounts	1,959,450	1,988,732
Customer service and informational	682,172	707,384
Administrative and general	2,540,454	2,389,091
Depreciation and amortization	3,294,255	3,284,702
Total Operating Expenses	<u>55,235,046</u>	<u>53,396,050</u>
Operating Margins Before Fixed Charges	1,717,564	3,713,620
Fixed Charges		
Interest on long-term debt	<u>1,752,416</u>	<u>1,652,704</u>
Net Operating Margins	(34,852)	2,060,916
Non-Operating Margins:		
Interest income	289,391	241,816
Patronage capital—received from associated organizations	313,867	477,928
Non-operating margins—other	(287)	5,265
Total Non-Operating Margins	<u>602,971</u>	<u>725,009</u>
Net Margins for Period	568,119	2,785,925
Patronage Capital — Beginning of Year	32,068,228	29,169,684
ASC 715—defined benefit plan	(619,427)	3,006,857
Gain (loss) from equity investment	(67,298)	0
Retirement of capital credits	<u>(2,935,679)</u>	<u>(2,894,238)</u>
Patronage Capital — End of Year	<u>\$ 29,013,943</u>	<u>\$ 32,068,228</u>

TRI-COUNTY ELECTRIC MEMBERSHIP CORPORATION

Operating Costs as a Percentage of Operating Revenues

Year Ended October 31, 2019

■	Cost of Power 74%
■	Operating Margin 3%
■	Consumer Accounts and Customer Service 5%
■	Depreciation and Amortization 6%
■	Administrative and General 4%
■	Distribution—Operation and Maintenance 8%



COMMITTED EMPLOYEES SERVING YOU

45 YEARS

J. Michael Davis,
GENERAL MANAGER

31 YEARS

Pete Jones,
WORKING FOREMAN

30 YEARS

Tony Grantham,
MANAGER OF
ENGINEERING

Ronald Outlaw,
EQUIPMENT OPERATOR

28 YEARS

Jeff Kennedy,
WORKING FOREMAN

Dana Lewis,
SERVICEMAN

Denise Simmons,
BILLING SPECIALIST

27 YEARS

Ken Davis,
MANAGER OF FINANCE
AND ADMINISTRATION

26 YEARS

Sean Sullivan,
MEMBER SERVICES
REPRESENTATIVE

25 YEARS

Leonard Person,
RIGHT-OF-WAY FOREMAN

**Kenneth
Willoughby,**
TREE TRIMMER

23 YEARS

**William "BJ"
Jones,**
EQUIPMENT OPERATOR

22 YEARS

**Anthony
Denning,**
WORKING FOREMAN

21 YEARS

Bill Fischer,
WORKING FOREMAN

19 YEARS

Bob Kornegay,
MANAGER OF MEMBER
SERVICES

17 YEARS

Andy Beavers,
LINEMAN

Paula Davis,
MEMBER SERVICES
REPRESENTATIVE/
CASHIER

Brad Thigpen,
TREE TRIMMER

Jeremy Whitfield,
PURCHASING AGENT/
WAREHOUSEMAN

15 YEARS

Todd Harrell,
LINEMAN

Ron Miller,
STAKING FIELD
ENGINEERING
TECHNICIAN

14 YEARS

Jerry Mozingo,
LINEMAN

13 YEARS

David Thornton,
SYSTEM ENGINEER

12 YEARS

Daniel Hood,
LINEMAN

Ralph Kelly,
LINEMAN

Ricky Richardson,
WORKING FOREMAN

11 YEARS

Jo Brown,
ACCOUNTANT

9 YEARS

Mike Wood,
MANAGER OF OPERATIONS

Angela Anderson,
CALL CENTER

Aaron Barwick,
LINEMAN

Taylor Coates,
SERVICEMAN

Lucinda Newell,
CALL CENTER

7 YEARS

John Cozine,
LINEMAN

6 YEARS

Brian Hope, TREE
TRIMMER

Parker Kennedy,
APPRENTICE LINEMAN

Steve Mason,
MEMBER SERVICES
REPRESENTATIVE

Charles Pate,
WAREHOUSEMAN

5 YEARS

Donna Hill,
MEMBER SERVICES
REPRESENTATIVE/
CASHIER

**Kourtney
Humphrey,**
MEMBER SERVICES
REPRESENTATIVE/
CASHIER

4 YEARS

Deidra Grantham,
MANAGER OF MARKETING
AND COMMUNICATIONS

3 YEARS

Dwayne Skinner,
APPRENTICE TREE
TRIMMER

Timothy Wolfe,
APPRENTICE LINEMAN

2 YEARS

Barbara Birkin,
MEMBER SERVICES
REPRESENTATIVE/
CASHIER

Tamah Hughes,
MANAGER OF
INFORMATION
TECHNOLOGY

Lynn Walker,
CALL CENTER

1 YEAR

Marlin Painter,
CALL CENTER



**46 employees
committed to
serving you.**

BOARD OF DIRECTORS



President
Carl Kornegay Jr.
DISTRICT 1—
DUPLIN COUNTY



Vice President
Jennings Outlaw
DISTRICT 1—
DUPLIN COUNTY



Secretary
William H. Farmer
DISTRICT 2—
WAYNE COUNTY



Treasurer
David Vinson
DISTRICT 2—
WAYNE COUNTY



Keith Beavers
DISTRICT 1—
DUPLIN COUNTY



Dallace Grady
DISTRICT 1—
DUPLIN COUNTY



Jeff Henderson
DISTRICT 2—
WAYNE COUNTY



Patrick Lynch
DISTRICT 3—
LENOIR COUNTY



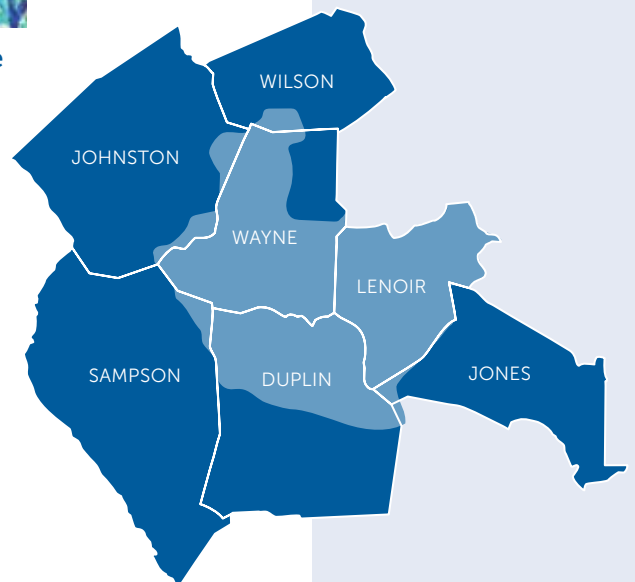
Randy McCullen
DISTRICT 2—
WAYNE COUNTY



Worth Overman Jr.
DISTRICT 2—
WAYNE COUNTY



Brandy S. Rouse
DISTRICT 3—
LENOIR COUNTY



OPERATION ROUND UP: SMALL CHANGE MAKES A BIG DIFFERENCE

It's only small change, 1 cent to 99 cents per month, but when you multiply that by the thousands who participate in Operation Round Up, it makes a big difference! Since Operation Round Up began 20 years ago, \$2,198,048.43 has been given back to individuals and organizations through Operation Roundup.

WHAT IS OPERATION ROUND UP?

Through the year, your pennies raise thousands of dollars to local organizations and individuals in our community who need a hand up, not a hand out. Approximately 95 percent of Tri-County EMC members contribute to the fund by rounding up their monthly bill to the nearest dollar. Did you know that all fire departments in our service area have received grants from Operation Round Up? Thank you to those who make a contribution. If you would like to join, please let us know! The average annual contribution is only \$6 per year.

Your contribution can:

- buy food for families in need
- help with medical emergencies
- necessities for local fire departments

The program's success relies on member's support and the dedication of nine board members. The board members primary duty is to evaluate applications quarterly and determine how to best distribute funds. We thank our board members for the dedication and time to Operation Round Up!

OPERATION ROUND UP BOARD MEMBERS

Linda Hines,
President

LA GRANGE, NC

Michael G. Smith,
Vice President

PINK HILL, NC

Jack Kornegay,
Treasurer

MOUNT OLIVE, NC

Nancy Smith,
Secretary

ALBERTSON, NC

Kelvin Coates
MOUNT OLIVE, NC

Ruby Andres Mojica
PINK HILL, NC

Dawn Stroud
KINSTON, NC

Kathy Creech
PINK HILL, NC

Cheryl J. Oaten
DUDLEY, NC

FINANCIAL STATEMENT

Beginning Balance (1/1/19) \$64,412.73

Checks Issued \$127,121.35

2019 Member Deposits \$132,018.61

Balance (12/31/19) \$69,309.99



2019 AT A GLANCE

2,625 Total miles of lines

199,749 Calls answered, with 25,182 total active service

391 New services connected

1,327 KWH Average monthly residential usage

557,298,535 Total KWH sold

99.91% Average service reliability

2.3 million Capital Credits returned to members

\$27,500 Scholarships awarded to local students

\$80,841.69 Grants funded to Bright Ideas Projects

\$127,121.35 Given from Operation RoundUp

616,781 Continuous hours TCEMC Employees worked without a lost-time injury

7,897 Facebook likes

46 TCEMC employees