

# CENTRAL ELECTRIC MEMBERSHIP CORPORATION

## Minutes of the 2024 Annual Member Meeting

October 4, 2024

Sanford, North Carolina

Pursuant to due notice thereof, the 2024 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 4, 2024. President Rebecca G. Cogan presided over the Annual Meeting. Apostle Joseph Green from Try Jesus Ministries gave the invocation. Delores Shaw presented the Pledge of Allegiance.

President Cogan thanked the Membership for their participation in the remote Annual Member Meeting. She explained that if any Members have any questions or comments that the Member should send Central EMC a direct message through Facebook or the Cooperative website. Central EMC will answer each Member individually.

The Annual Meeting was conducted virtually, without objection, due to ongoing issues related 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 83<sup>rd</sup> 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 417 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 720 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 23, 2024. 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 23, 2024.

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 2023 Annual Member Meeting had been posted on the Central EMC website. In accordance with the Membership's standard directives, these Minutes of the 2023 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. **Officers' Report**

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

##### A. **Introduction**

Since Central Electric was founded over 80 years ago, its goal has always been to bring progress and new opportunities to our region.

As a trusted energy partner, Central EMC continues to focus on new energy solutions, enriching communities, and driving economic development.

Central EMC celebrates all that it has achieved and looks ahead to carrying its progress forward.

##### B. **Reliability**

Providing reliable power is and will always be a top priority for Central EMC. Central EMC understands the importance of service to the Members. Updating, upgrading and adding new technology and equipment are all ways Central EMC proactively maintains its system to protect reliability. Central EMC is constantly adding devices and procedures to protect the system against mother nature, as well as the ability to isolate and restore outages as quickly as possible. Keeping power lines clear of overgrown vegetation helps improve service reliability. Central EMC is proud to maintain a 99.9% reliability rating. Central EMC's dedicated employees are prepared and ready to respond in the event of any power outages.

Another part of the cooperative difference will always be grounded in direct connections with Members. Central EMC team members, Board members, and Leadership are located in the Central EMC community, always available to assist the Members. Central EMC is continually expanding the ways it serves the Membership in an effort to provide superior Member service. The Central EMC Energy Advisor App can analyze energy use and help find areas for improvement. Members can instantly view accurate, detailed breakdowns of daily peaks. The Energy Advisor provides recommendations for low-cost or no-cost actions to save money on utility bills. Visit the "Energy Advisor" page under the "Energy-efficiency" section at CEMCPower.com to get started.

In 2023 Central EMC launched several programs to enhance safety and reliability across the Co-op. Central EMC began using upgraded weather monitoring systems to help determine safe working conditions for crews. Central EMC has implemented a fail-safe site at an off-site location which we can use to keep our communities energized in the event of emergency. Central Electric was recognized by the National Rural Electric Cooperative Association for excellence in cyber-security.

It is important for Cooperatives to work together to help maintain affordable energy options for our Members as well as to ensure the reliability and sustainability of the Grid moving forward. This collective spirit is on display with the innovative battery storage technology at Central EMC's Doc's Road substation near Spout Springs. Integrated with existing substation resources, the added batteries provide considerable help for savings during peak demand and reliable backup power. It is part of a state-wide initiative by North Carolina's Electric Cooperatives, collectively delivering 40 megawatts of power. As a not-for-profit Cooperative, Central EMC can pass these savings on to Members.

### **C. Innovation**

Central EMC recognizes the impact this industry has on the environment and so Central EMC has joined electric cooperatives across North Carolina to reduce carbon emissions.

By 2030, Central EMC aims to reduce carbon emissions by 50 percent from its 2005 levels. and by 2050, Central EMC's goal is to achieve net-zero carbon emissions.

Central EMC is keeping its Members at the forefront of innovation in a world of evolving energy needs by planning smart transitions for the energy Grid.

Renewable energy and the transition to the electrification of vehicles, including hybrid-electric models, are part of the overall path to a brighter, sustainable future. Renewable energy resources and increasing varieties of electric vehicle models continue to evolve. For Members considering adopting residential solar or buying an EV model., there are helpful tools available on the Co-op's website, CEMCPower.com, under the Solar/EV tab. No matter your energy needs, Central EMC is here to help each Member make the right choices.

As Central EMC continues to incorporate renewable energy resources and the electrification of vehicles, Central EMC continues to push forward legislation with lawmakers in Raleigh and Washington, D.C. Central EMC strives to ensure the long-term reliability and affordability of electric service. This approach gets Central EMC to a reduced carbon future but more importantly, protects the reliability and affordability of the service to its Members. The Central EMC message is simple: we all must work together to collectively protect safe, reliable, and affordable electric service.

### **D. Accounting/Finance**

One of the many benefits of being a Member-Owner of a not-for-profit electric Cooperative like Central Electric is that each Member enjoys the benefits and shares the financial success of the Cooperative. When financial conditions allow, the Co-op returns profits to Members as capital credits. In 2023, the Co-op paid back \$1.1 million to Members for the 15th consecutive year of capital credit retirements, totaling over \$17 million during this time frame.

In an ideal world, rates would never need to increase. However, the reality is that rates must sometimes be adjusted to ensure the ongoing health of the Cooperative. Despite the sharply increasing costs that Central EMC experienced, Central EMC was able to absorb a majority of these costs without an increase to Members. However, over time, these cost increases slowly caught up with rates.

Effective Sept. 1, 2023, a 5% adjustment to the kWh rate as well as an adjustment of \$2.00 to the basic facility charge was necessary to keep up with the continual rise in operating costs. While a rate adjustment was necessary, the Cooperative is continually seeking ways to provide affordable and reliable power to its members at the most competitive cost, now and into the future. For a full schedule of rates and charges, visit our website CEMCPower.com.

Central EMC will always openly and honestly communicate financial matters with its Member-Owners. Here's how 2023 revenue was allocated: The majority of each dollar, 60 cents, went towards buying wholesale power. Operational costs, including power line maintenance, vehicle fuel, tree trimming, and taxes, constituted of 25 cents of every dollar. Depreciation, reflecting the property or equipment's decreasing value over time, accounted for 9 cents. And 4 cents covered the interest costs from continual borrowing for line construction. The total margins, the revenue, and the service cost difference, were just 2 cents per dollar.

## **E. Community**

Our Commitment to Community support is amplified by programs that provide exceptional opportunities for the next generation.

Local students Fiona Xiao and Ethan Fury were sponsored by Central Electric for a unique trip to Washington, D.C., as part of the Electric Cooperative Youth Tour. They joined over 1,800 students nationwide to explore D.C.'s landmarks, meet with U.S. legislators, and gain insights into American history and the electric cooperative model.

Thanks to Central Electric's Touchstone Energy Sports Camp Scholarships, local students Levi Scott and Alaina Toomer recently attended prestigious basketball camps at UNC Chapel Hill and N.C. State University, respectively. They experienced college life, honed their basketball skills, and learned teamwork under the guidance of coaches and student-athletes.

Another key initiative is Central EMC's annual Bright Ideas grants, awarded to local educators to fund innovative classroom projects. In 2023, Central EMC distributed over \$15,000 to 14 educators selected by an independent judging panel, benefiting nearly 4,000 students in local communities. Since its inception in 1994, North Carolina's electric cooperatives, including Central EMC, have collectively allocated over \$15 million to educators statewide.

Central Electric also awarded \$2,000 scholarships to local students at Central Carolina Community College and Sandhills Community College. Recipients, who are either Cooperative Members or reside in homes Central EMC serves, were selected based on academic performance, activities, financial need, and an essay. Additionally, Central EMC awards a random college scholarship to one student who will be announced during the Annual Meeting.

Central EMC works to be a resource and advocate for bettering and enriching the lives of individuals in our community. The Cooperative's core job is keeping the lights on, and Central EMC strives to uphold that service in the face of new challenges. The Cooperative difference is a reflection of Central EMC community and will power the Central EMC membership into the future.

## **5. General Manager's Report**

General Manager Edward B. Oldham provided a Manager's Report. Mr. Oldham explained that the Annual Meeting is a critical part of the Cooperative's business model. It provides an opportunity to update the members on how the Cooperative is operating to serve the Membership. Central EMC serves its members not only by providing safe, reliable and affordable electricity, but also by being a resource and advocate for improving and enriching the lives of individuals throughout the Central EMC community.

Mr. Oldham gave the following updates:

### **A. Economic Growth**

Central EMC continues to experience strong steady growth, adding several hundred new members each year. Central has grown at an average rate of approximately 1.2% annually. This equates to approximately 6 percent (6%) over the last five (5) years.

There is increasing potential for substantial future growth in the northern portion of the Central EMC Territory. Chatham Park, the live-work-play development in Pittsboro, is one area of significant future growth. There are also several large economic development projects in the Moncure area, as well as projects spilling over from the greater Raleigh-Greensboro-Piedmont Triad Region. While Central EMC may not serve new specific production facilities, new housing based on job creation from these expansions could develop in the Central EMC territory.

Central EMC is preparing now to accommodate this growth, including building a new substation in the Moncure area. This new substation will provide ample system capacity to serve those residential and commercial loads from Chatham Park and other economic developments and projects.

**B. Grid Transition**

In order to ensure reliability and capacity on the Electric Grid, Central EMC works with its Legislators to develop legislative policies. The Cooperative is encouraging its Legislators to work with the Environmental Protection Agency and other government agencies to adopt legislation that protects the future capacity on the Electric Grid. Mr. Oldham encouraged Members to do their part by joining the Voices for Cooperative Power to help support policies that keep energy in North Carolina reliable and affordable. Mr. Oldham explained that every voice counts in the Cooperative's fight for energy policies.

**C. Economic Challenges**

Along with residential and commercial growth, Central EMC is experiencing the impact of sharp inflation rates. Just as Membership has also seen higher prices for groceries, the Cooperative has faced similar price increases for its essential equipment such as cables, transformers, and vehicles. The costs have risen substantially. In addition, the Cooperative has encountered shortages and longer lead times for acquiring the equipment.

Mr. Oldham presented a graphic. The cost of a standard 25kVA pad-mount transformer (serving the majority of members that possess homes) has increased by 77% since fiscal year 2020. The price of primary wire, used atop poles along the roads, has surged by 90% in that same time period. Other items such as crossarms and braces have increased 80% to 100% in cost. Meanwhile, the costs for conduit, insulators, and poles has increased 20% to 30%.

**D. Rate Adjustment In 2023**

In September of 2023, the Cooperative adopted a rate adjustment of five percent (5%) for all general service and residential rates. The Cooperative also approved an increase of \$2.00 to the monthly Basic Facility Charge. These increases were based on recommendations from Central EMC's Financial Lender and Rate Consultant who conducted a "Cost-of-Service Study". These cost increases were driven primarily by the rise in operating costs experienced by Central EMC over the past several years.

Central EMC also adopted charges related to use of credit cards and electronic checks. In Fiscal Year 2023, the Cooperative paid \$534,000 to credit card companies such as Visa, Mastercard and American Express. The Cooperative also pays significant fees for electronic check payments.

Effective September 1, 2023, Central EMC adopted a transaction fee of 2.45% for each Credit Card payment and a flat charge of \$1.00 for each electronic check payment. Members may avoid these charges by setting up a monthly bank draft.

**E. Capital Credits**

Central EMC uses the members' investment of capital to assist with operating costs. Any excess operating margins (the difference between revenue and expenses), are allocated to each Member's account as "Capital Credits." Approximately nineteen (19) years later, Capital Credits are returned directly to the member in the form of the retirement of capital credits.

For the past 15 years, Central EMC has made a capital credit general retirement. During Fiscal Year 2024, Central EMC will continue with this strong commitment by making a capital credit general retirement for its sixteenth (16<sup>th</sup>) year

This general retirement to be made in Fiscal Year 2024 will be based on allocations of the capital credits for Fiscal Year 2006. Total capital credits to be returned to the Central

EMC membership in Fiscal Year 2024 equal approximately \$1.1 million. At the conclusion of Fiscal 2024, Central EMC will have returned over \$18 million in capital credits to its members over the past 16 years.

Members will receive their general capital credit retirement checks between Thanksgiving and December 1, 2024. Amounts less than \$25.00 will be issued as a credit on the member's billing statement for that month.

**F. Tribute to Former Director Frank Comer**

The Cooperative experienced an unexpected loss during the summer of 2024. Central EMC Board Member Frank Comer passed away unexpectedly on June 27, 2024. Mr. Comer was an individual with outstanding character and value. Mr. Comer was one of the most hardworking and caring individuals who ever served on the Board of Directors of Central EMC.

Mr. Comer served as a true champion for Central EMC. Mr. Comer was first elected to the Central EMC Board in 1999. Mr. Comer faithfully represented District 1 in Lee County for 25 years. Mr. Comer, who was a tremendous leader, husband, father and member of the community, will be profoundly missed. His legacy and impact on Central EMC will continue for years to come.

Mr. Oldham thanked the Board for participating in the Annual Member Meeting. Mr. Oldham turned the meeting over to Meg Moss to report on the Commitment to Community.

**6. Commitment to Community**

Meg Moss, the Director of Marketing and Member Programs, reported that at Central EMC, Commitment to the Community is a fundamental principle guiding everything that Central EMC does. Community is not just part of the Central EMC's mission; it is at the very core of Central EMC's identity.

Central EMC provides grants to local nonprofits and charities through Operation Round Up®, a community development program funded by the voluntary contributions of Central Electric Members. These contributions are used to help those in need.

Central EMC also provides scholarships for local youth. In addition, Central EMC employees dedicate time and energy for local service projects.

Over the past year, Central EMC has focused on supporting those in greatest need through partnership with the Boys and Girls Club of Central Carolina, as well as Buddy Backpack in Harnett County. Central EMC is proud to make a tangible impact in the lives of those less fortunate. Ms. Moss then presented two (2) videos to show Central EMC employees in action at local Boys and Girls Clubs and working with Buddy Backpack in Harnett County. Ms. Moss then turned the program back over to General Counsel Cynthia M. Currin.

**7. Ms. Currin provided a list 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 June 3, 2024. The Committee elected Ronnie Lambert as the Chairman and Cathy Cagle Callahan as the Secretary. The nominated the following individuals to stand for election for the Board:

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

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 employed 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 616 votes;
- District 2, W. Phillip Thompson received 561 votes; and
- District 3, Dr. Nancy Holmes 605 votes.

Each of these Directors will serve three (3) year terms as members of the Board. These terms expire at the 2027 Annual Member Meeting.

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

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

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

SIGNED:

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James B. Brooks, Secretary

APPROVED:

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Rebecca G. Cogan, President