

The Cooperative **ADVANTAGE**

Local people serving you

2019 Annual Report



**LUMBEE
RIVER EMC**



2019 Executive Summary

The year 2019 was a year of change and transition for Lumbee River EMC. At the time of this report, we are also in the throes of the unprecedented COVID-19 pandemic that is impactful to the operation of Lumbee River EMC. We continue to address these impacts as we take this moment to review our 2019 performance.

In 2019, Lumbee River EMC's cost of power was \$1,806,769 or 1.8% more than 2018. During this same time, LREMC showed a net increase of new services of 813 or 1.3%, while kilowatt hours sold decreased by 25,741,744 or 1.9%. What this means to the cooperative is that power costs increased while the amount of energy sold decreased. Like most things, there are positive and negative implications to this scenario.

On a positive note, the decrease in kilowatt hours sold is directly related to homeowners better managing their energy consumption and/or implementing energy efficiency measures. The old adage that the cheapest kilowatt hour is the kilowatt hour you don't use remains true even in these uncertain times.

The negative implication is that costs, such as power and other expenses, are outpacing the limited growth that LREMC services.

Meeting Membership Needs

Each fall, LREMC evaluates what is needed in the coming year to cover expenses while meeting the

needs and expectations of our membership. It would be nice to have a crystal ball that could tell you exactly what to expect in the upcoming year, but that ball does not exist.

Each year, we take into account predicted power costs, capital improvements, operating expenses and kilowatt hour consumption. We utilize the experience and knowledge of in-house resources, but we also consult with other industry professionals to ensure the best development of expected expenses. All those expenses contribute to the generation of the financial ratios required by our lending institutions and USDA's Rural Utility Services (RUS) to measure our financial strength.

In Fall 2019, based on what we knew then, it was determined that a rate increase was needed to meet 2020 financial requirements. As with all permanent rate increases, we strive to ensure the amount will maintain our financial strength for the next several years. What also is important in the process is that we temper the effort by not raising rates higher than what is necessary. Again, a crystal ball would be really beneficial.

When the year began, we implemented a 6.5% TIER (Times Interest Earned Ratio) increase to give us time to complete a rate study to identify those firm rates. Historically, rate increases are done in the spring of the year. Before a permanent rate was known for implementation, the unprecedented event of COVID-19 happened and disrupted the norm that everyone was operating under. LREMC was no different. As 2020 has unfolded, those things such as power costs, capital improvements, operating expenses and kilowatt hour sales did not trend as anticipated. We are revisiting our work on the rate adjustment and will address that with the membership before 2021.

The accomplishment in 2019 that means the most was the safe operations of our employees. Employees have gone two (2) years (2018 and 2019) without a lost-time injury, reaching 500,000 safe hours worked in October 2019. Safety remains the top priority for LREMC as employees serve our members and provide assistance to sister cooperatives when needed.



Preparing for Future Needs

In early 2019, LREMC successfully completed a number of capital projects while maintaining safety protocols. Crews completed the construction of a 14-mile 115kV transmission line from Raeford to Buffalo Springs. This new line will improve reliability from the Buffalo Springs area westward to our service area in Laurinburg. As our system grows and ages, we continue to assess where improvements best serve our membership.

In addition, LREMC successfully negotiated with Piedmont Natural Gas (PNG) to serve a 9.5 MW load in Robeson County. To serve PNG's liquefied natural gas (LNG) facility, construction began this year which includes a new substation, breaker station and approximately 5 miles of transmission line. Once operational in early/mid 2021, this

will be the single largest load served by LREMC.

In May 2019, the difficult and complex task of relocating from Red Springs to the new headquarters office in Pembroke was completed. After 73 years in the facility in Red Springs, the new building provides employees a state-of-the-art work environment, free of the health and safety concerns that are inherent in older buildings.

While preparing and executing for the move, work continued with our day-to-day operations. Those operations are changing as our industry changes. While already embracing sustainable technology such as solar, much more will be required in the years to come. Solar and battery storage solutions are here and as we move forward, LREMC will continue to pivot

efforts to actively embrace more sustainable solutions.

Thank you for your support as we endeavor to work to serve our members. I hope you share in our pride in the men and women who work at the cooperative daily to provide safe, reliable, affordable and sustainable energy. After all, they are at the heart of LREMC's mission to enhance the quality of life for our members and communities.



Carmen Dietrich
CEO



Ronnie E. Hunt
Chairman
Board of Directors

Minutes of the 2019 Meeting of the Members

Pursuant to due notice thereof, the 79th Annual Meeting of the Members of the Lumbee River Electric Membership Corporation was held at the University of North Carolina at Pembroke, Givens Performing Arts Center, beginning at 1:00 p.m. on Thursday, October 17, 2019.

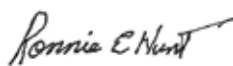
- Registration and voting commenced at 1:00 p.m. and ended at 7:30 p.m.
- Attorney Crystal Graham called the meeting to order and welcomed the members to the meeting. Ms. Graham introduced Pastor Richard Barnes of Clyborn Pines Church of God to give the invocation.
- Attorney Graham introduced the University of North Carolina at Pembroke’s Dean of the College of Arts and Science, Dr. Jeff Frederick, who welcomed everyone to the university campus.
- Attorney Graham introduced Secretary Carl A. Pevia who read the Proof of Mailing for the Annual Meeting Notice and reported that quorum was present. Mr. Pevia reported on September 25, 2019 the Corporation did place 54,258 Annual Meeting member notices in the United States mail with postage thereon duly paid. A copy of the proof of mailing is incorporated herein by reference, made a part of these minutes, and is available for inspection in the Minutes Book of the Corporation.
- Attorney Graham called for the approval of the November 3, 2018 Annual Meeting minutes. Upon a motion duly made and seconded, the membership waived the reading of the minutes of the 2018 Annual Meeting of the Members.
- Attorney Graham reported that according to Section 5.05 of the Cooperative’s Bylaws, candidates are placed into nomination in one of two ways: (1) nomination by the Nominating Committee; and (2) nomination by petition containing at least fifteen (15) or more members’ signatures so nominating the interested members. Attorney Graham reported that the cooperative had received one (1) valid petition for nomination, placing into nomination Douglas Locklear for District 2.
- Ms. Joan Flanagan presented the report of the Nominating Committee, placing into nomination the following names in the following districts:

- District 2** Roger Oxendine, Larry Dean Jacobs
- District 5** Madie Rae Locklear, Ilene Oxendine, Elaine Oxendine-Chavis, Lynn Locklear
- District 6** James Hardin, Rory Eddings

- President & Chief Executive Officer, Carmen E. Dietrich, recognized special guests and gave a special thank you to The Pierce Family and The McNeill’s for providing entertainment and, also to the University of North Carolina at Pembroke for the use of their facility.
- Attorney Graham introduced Mr. Ronnie E. Hunt, Chairperson of the Cooperative’s Board of Directors, who gave an oral report to the membership. A copy of his comments is incorporated herein by reference, made a part of these minutes and is available for inspection in the Minutes Book of the Corporation.
- Ms. Carmen E. Dietrich, President & Chief Executive Officer presented her annual presentation to the membership. A copy of her comments is incorporated herein by reference, made a part of these minutes and is available for inspection in the Minutes Book of the Corporation.
- Attorney Graham opened the floor for comments and questions. General comments from members were provided. At the conclusion of comments from the floor, Attorney Graham closed the open forum of the program.
- Attorney Graham announced the results of the director elections as follows:

District 2	Roger Oxendine	1,175
	Larry Dean Jacobs	1,122
	Preacher Doug Locklear	392
District 5	Madie Rae Locklear	1,430
	Ilene Oxendine	882
	Elaine Oxendine-Chavis	1,232
	Lynn Locklear	1,126
District 6	James Hardin	1,314
	Rory Eddings	1,352

- Attorney Graham introduced Mr. Christopher Locklear, who conducted the drawing and awards of the door prizes and power credits.
- After the drawing of the prizes, the 2019 Annual Meeting of the Members was proclaimed adjourned.
- The 2019 Annual Meeting of Members registered 2,888 members. A file of each member registered is available with these minutes, incorporated herein by reference, made a part of these minutes and is available for inspection in the Minutes Book of the Corporation.



Ronnie E. Hunt,
Chairperson



Carl A. Pevia,
Secretary

2019 Board of Directors



District 3
Ronnie E. Hunt
Chairman



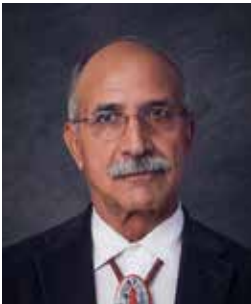
District 5
Spencer Locklear
Vice Chairman



District 6
Brenda O. Jacobs
Secretary



District 6
Carl A. Pevia
Treasurer



District 1
Autry Lowry



District 2
Roger Oxendine



District 4
Lacy Cummings



District 5
Elaine Chavis

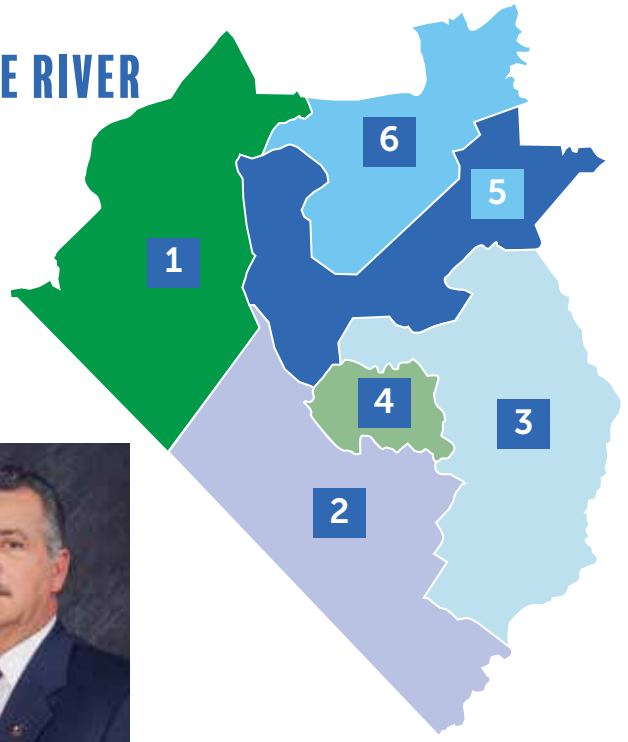


District 6
Larry Jones



District 5
Madie Locklear

LUMBEE RIVER EMC



District 3
Eric Locklear



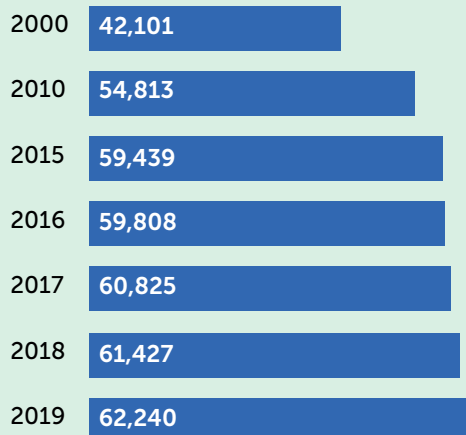
District 6
Sherry Carter



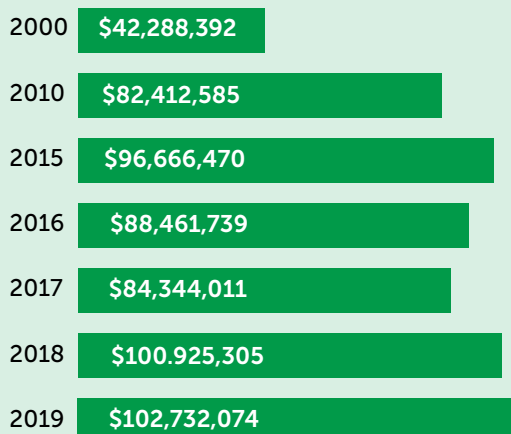
District 6
Rory Eddings

2019 Financial Reporting

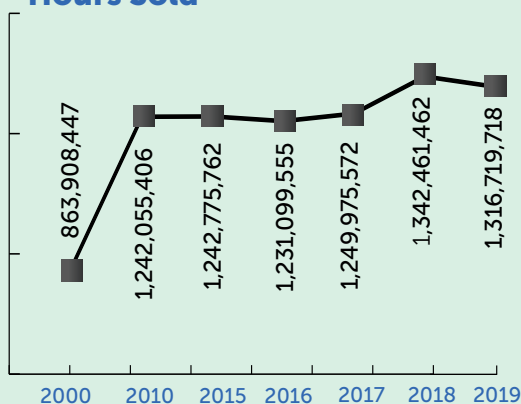
Active Services



Cost of Power



Kilowatt Hours Sold



Balance Sheet as of December 31

	2019	2018
(Consolidated)		
Assets		
Utility Plant	\$256,120,113	\$248,239,331
Investments	47,519,932	43,018,392
Current Assets	34,427,247	52,788,051
Deferred Charges	0	65,207
Total Assets	\$338,067,292	\$344,110,981
Equities and Liabilities		
Membership Fees	\$ 539,765	\$ 533,765
Accumulated Comprehensive Loss	(4,220,973)	(933,647)
Patronage Capital	126,714,518	118,309,428
Other Equities	23,410,259	20,968,984
Total Equities	146,443,569	138,878,530
Long-Term Debt	146,020,093	150,277,663
Current Liabilities	27,563,136	33,512,323
Deferred Credits	18,040,494	21,442,465
Total Equities and Liabilities	\$338,067,292	\$344,110,981

Summary of Financial Performance

	2019	2018
(Consolidated)		
Operating Revenue	\$ 153,138,649	\$ 152,957,490
Operating Expenses	138,940,599	136,963,671
Interest Expense	5,636,327	5,648,024
Net Margins	15,719,925	16,783,283
Net Plant	256,120,113	248,239,331
Total Assets	338,067,292	344,110,981
Member Equity	\$146,443,569	\$138,878,530

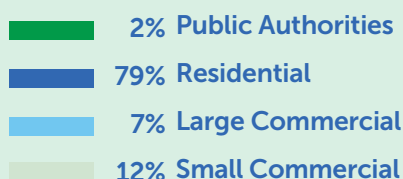
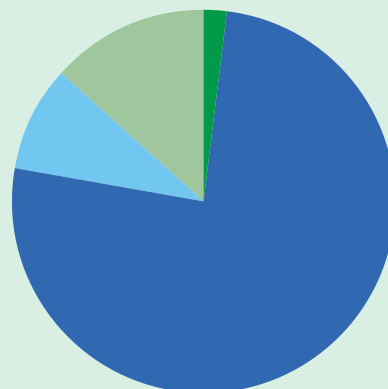
Operating Statistics

Total Active Services	\$ 62,240	\$ 61,427
Kilowatt-Hours Sold	1,316,719,718	1,342,461,462
Miles of Line	5,944	5,869
Estate and General Retirements	5,138,073	5,426,676
Number of Employees	127	125
Cost of Power	\$ 102,732,074	\$100,925,305

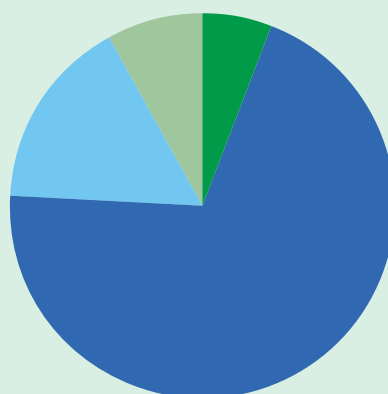
Statement of Operations & Patronage Capital

	2019	2018
(Consolidated)		
Operating Revenue	\$153,138,649	\$152,957,490
Operating Expenses		
Cost of Power	102,732,074	100,925,305
Transmission Expense	22,775	0
Distribution—Operation	2,986,834	2,784,723
Distribution—Maintenance	6,167,977	5,073,997
Consumer Accounts	3,164,977	3,210,636
Consumer Service	1,219,052	1,182,740
Administrative and General	9,686,439	11,050,097
Total Operating Expenses	<u>\$125,980,128</u>	<u>\$124,227,498</u>
Other Expenses		
Depreciation and Amortization	\$ 10,948,364	\$ 10,896,840
Taxes	2,012,107	1,839,333
Interest Expense	5,636,327	5,648,024
Total Other Expenses	<u>18,596,798</u>	<u>18,384,197</u>
Total Expenses	<u>144,576,926</u>	<u>142,611,695</u>
Operating Margins	\$ 8,561,723	\$ 10,345,795
Non-Operating Margins		
Patronage Allocations	\$ 3,947,961	\$ 3,645,324
Interest Income	1,683,950	1,584,018
Income from Equity Investments	1,525,845	1,186,032
Other	446	22,114
Total Non-Operating Margins	<u>7,158,202</u>	<u>6,437,488</u>
Net Margins	<u>\$ 15,719,925</u>	<u>\$ 16,783,283</u>
Consolidated Statements of Comprehensive Income		
Net Margins	\$ 15,719,925	\$ 16,783,283
Other Comprehensive Income (Loss)		
Net Gain (Loss) During Period	(3,287,326)	3,952,893
Amortization of Net Loss	0	196,060
Prior Service Credit	0	(67,900)
	<u>(3,287,326)</u>	<u>4,081,053</u>
Comprehensive Income	<u>\$ 12,432,599</u>	<u>\$ 20,864,336</u>
Patronage Capital—		
Beginning of Year	\$ 138,878,530	\$123,505,522
Margins	15,719,925	16,783,283
Retired Patronage Capital	(4,873,560)	(5,497,053)
Other Comprehensive Income	(3,287,326)	4,081,053
Transfers and Other Changes	6,000	5,725
Patronage Capital—End of Year	<u>\$146,443,569</u>	<u>\$138,878,530</u>

Electric Revenue



Interest and Taxes





**LUMBEE
RIVER EMC**

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