



# 2019 Annual Report of French Broad EMC

## Declaration for the 79th Annual Meeting of the Members

Saturday, May 2, 2020

As you are well aware, Governor Roy Cooper has declared a State of Emergency in North Carolina, which as of this moment would forbid the holding of our upcoming annual meeting in its traditional format. It is our hope that the State of Emergency will expire well before that time, but we must make alternate plans now.

There will be no entertainment or health fair at this year's annual meeting. The meeting will be strictly a business meeting and will be held at French Broad Electric's headquarters at 3043 Highway 213, Marshall, North Carolina at 9 a.m. on May 2nd.

The business agenda will include approval of the minutes of the last annual meeting, election of directors and approval of the financial report. There are two methods for the nomination of directors. One is by the nominating committee and the other is by petition. The nominating committee has nominated for re-election Joe Justice and Gordon Randolph for two Madison Count seats, Jimmy Ray for Yancey County, and Keith Kuhne for Mitchell County.

As the time for nomination of directors by petition has expired, the current directors will be re-elected unopposed. The only other business at this year's annual meeting will be the approval of the financial report and the notice of the meeting.

In order for the meeting to be official, a quorum of two percent of the membership must be represented in person or by proxy. Due to the unusual circumstances and the current declaration in North Carolina of a State of Emergency, this year, members will be allowed to sign their proxy and return it by mail or by dropping it off at any French Broad Electric office which will count towards our required registration number. Members are still welcome to attend in person, however, please keep in mind that it may be necessary to control the number of individuals allowed to enter the room, depending on the current State of Emergency.

The thoughts and prayers of the Board of Directors and employees are with you and your families during this time of unsettled crisis.



# Report to the Members

**Joe Justice**  
**Board President**

**Jeff Loven**  
**General Manager**



## A Look Back on 2019

As we look back at 2019, sales were down about two percent compared to 2018. This was mainly due to a milder weather pattern compared to the previous year. Our growth in members continued to be positive, as we added 263 new members for the year.

In 2019, one of the biggest headlines for French Broad EMC was the reduction in wholesale power costs. This was the first year of our new contact with Duke Energy, and it provided immediate savings to our membership. Last June, FBEMC received a rebate in overpayment of demand charges. Your Board of Directors voted unanimously to give back 100% of this money to the membership. In addition, other savings from lower than expected natural gas prices, along with additional contract credits, were also given back to each member on a monthly basis through the purchase power and fuel adjustment on each bill. In total, over \$3.2 million dollars was credited back to our membership in 2019.

Also, with the new contract, our Board of Directors was able to mitigate the overall impact of coal ash costs, which allows French Broad EMC to spread the coal ash costs over a longer period of time, reducing the overall impact of these costs to our customers.

As they do every year, our crews focused on upgrading and maintaining our electrical distribution system. We continue to maintain our electrical infrastructure by changing out old poles and replacing aging wire with efficient, high capacity conductors. We also upgraded several of our older single-phase lines to three-phase lines. This will allow us to tie feeder lines together, giving us the ability to back feed more areas and improve service. This also improves the capacity of the line as our load grows.

We continued to focus on right-of-way maintenance on our distribution lines. This past winter we have received several comments from our members, thanking us for keeping the power on throughout the winter as temperatures dropped to record lows when it seemed like there was a storm passing through our service area every couple of days. Our crews work

hard to make sure the lines are clear so that our members receive the most reliable electric service possible. Although our right-of-way program is one of the most expensive parts of our overall operation, it is absolutely necessary we stay aggressive in removing the fast-growing vegetation we get under our lines. In addition to our traditional methods of maintaining the right-of-way's, over the past seven years we have added an herbicide program to our list of tools to use for vegetation management. This program is now showing amazing results as many of you witnessed this past winter. Not only is it reducing outages and restoration time, but it is beginning to reduce our annual costs on right-of-way maintenance.

We continued our commitment to establish French Broad EMC as a leader in renewable energy generation and energy efficiency. When you combine SEPA generation with our own generation, we are getting about 30 million Kwh annually from hydroelectric power. We are also interconnected with the Buncombe County landfill methane generator and several small-scale member-owned solar facilities. Our generation members now receive the same price per kilowatt that we pay for energy from our wholesale supplier.

In 2019, FBEMC and its Board of Directors continued to show its strong commitment to the communities it serves. Our Bright Ideas Program provided \$25,000 to schools throughout our service territory to fund various educational projects. We also continued our support of our Mars Hill University scholarship program which provides local students a chance to further their education here at home.

As you can see, it was another busy year for your Cooperative. As we have grown and times have changed, we have also made changes. We now serve over 38,500 meters electricity and maintain over 4,700 miles of power lines. All the employees and your Board of Directors are firmly committed to provide high quality electrical service at a reasonable cost.

Proxy Information

Any FBEMC member who cannot attend the Annual Meeting may choose to complete this proxy authorizing his or her spouse; or another member of FBEMC to vote in his or her absence.

For a proxy to be valid, the Customer Identification Number (CIN) must be on the proxy granted.

Please fill in the appropriate areas and sign. Have the person you designated bring this proxy to the Annual Meeting; or, proxies may be preregistered at either FBEMC district office April 27 through May 1 during office hours.

No member may vote more than five (5) proxies.

Official Proxy Form

As a member of French Broad Electric Membership Corporation, I, the undersigned, hereby appoint

\_\_\_\_\_ as my Proxy, to vote in my absence at the Annual Meeting of Members to be held on Saturday, May 2, 2020 at any adjournment thereof.

I understand that this Proxy is given in accordance with the Provisions of Section 3.07 of FBEMC's Bylaws and that my Proxy can vote in my absence on all matters which may come before such meeting, including the Election of Directors.

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature of Member Giving Proxy

FINANCIAL REPORT

	as of 12/31/18	as of 12/31/19
<b>Assets</b>		
Total Utility Plant	\$ 202,948,736	\$ 216,088,227
Less Depreciation	<u>92,787,110</u>	<u>97,383,115</u>
Net Value of Utility Plant	\$ 110,161,626	\$ 118,705,112
Cash	1,754,347	1,965,465
Accounts Receivable	6,656,783	5,719,959
Materials and Supplies	2,178,412	2,573,019
Other Property and Prepaid Expenses	<u>7,766,127</u>	<u>4,882,116</u>
<b>TOTAL ASSETS</b>	<b>\$ 128,517,295</b>	<b>\$ 133,845,671</b>
<b>Liabilities</b>		
Long Term Debt	\$ 57,115,804	\$ 60,896,859
Member Deposits	783,145	822,610
Accounts Payable	4,147,635	4,153,117
Accrued Insurance and Taxes	8,053,596	7,912,955
Deferred Credits	367,722	1,186,550
Other Long Term Liabilities	11,930,821	8,729,948
Patronage Capital and Other Equities	<u>46,118,572</u>	<u>50,143,632</u>
<b>TOTAL LIABILITIES</b>	<b>\$ 128,517,295</b>	<b>\$ 133,845,671</b>
<b>Revenue</b>		
Sale of Electric Energy	\$ 64,589,204	\$ 61,291,172
Miscellaneous Electric Revenue	4,092,218	3,470,788
Non-Operating Income	571,321	602,068
Other Patronage Capital and Dividend	<u>194,031</u>	<u>144,991</u>
<b>TOTAL REVENUE</b>	<b>\$ 69,446,774</b>	<b>\$ 65,509,019</b>
<b>Expenses</b>		
Cost of Purchased Power	\$ 36,819,532	\$ 33,142,356
Power Production	270,950	482,562
Transmission Expense	1,725	19,568
Operations Expense	3,637,953	2,384,478
Consumer Accounts Expense	3,215,439	3,543,700
Member Service & Information Expense	91,489	129,983
Administrative and General Expense	3,269,524	3,537,273
Maintenance Expense	7,653,936	8,765,675
Depreciation and Amortization	7,115,833	7,621,296
Taxes	581,015	567,555
Interest	<u>2,665,577</u>	<u>2,681,724</u>
<b>TOTAL EXPENSES</b>	<b>\$ 65,322,973</b>	<b>\$ 62,876,170</b>
Members' Capital Contribution (Margins)	<u>4,123,801</u>	<u>2,632,849</u>
<b>TOTAL</b>	<b>\$ 69,446,774</b>	<b>\$ 65,509,019</b>

Miles of Line Energized

2019.....	4,739
2014.....	4,626
2009.....	4,434
2004.....	4,110
1999.....	3,760

Number of Members Served

2019.....	38,693
2014.....	37,308
2009.....	36,633
2004.....	34,692
1999.....	31,369

Kilowatt Hours Sold

2019.....	521,995,324
2014.....	508,278,852
2009.....	467,204,357
2004.....	458,891,622
1999.....	443,028,774

Where Our Dollar Comes From

Residential Sales.....	70¢
Large Industrial.....	11.5¢
Commercial & Small Industrial.....	18¢
Street Lighting.....	0.5¢

Where Our Dollar Goes

Cost of Power.....	51¢
Taxes & Interest.....	5¢
Operations & Maintenance.....	17¢
Depreciation.....	12¢
Administrative & General Expense.....	5¢
Margins.....	4¢
Consumer Accounts & Information Expense.....	6¢

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**Please detach and return to French Broad EMC before May 1, 2020.**

EXPLANATION OF REGISTRATION CARD

Above is the member registration card.



### Official Notice of Annual Meeting

The 79th Annual Meeting of the Members of French Broad Electric Membership Corporation will be held at the headquarters office of French Broad EMC in Marshall, NC, at 9:00am on Saturday, May 2, 2020, to take action on the following matters:

1. Reports of the officers, directors and committees;
- and 2. Election of four directors.

In accordance with the bylaws, the following members have been nominated for three-year terms on the Board of Directors by the Nominating Committee:

District 1 - Madison County

(Incumbent)	(Incumbent)
Joseph G. "Joe" Justice	Gordon Randolph
110 West Road	and PO Box 264
Hot Springs, NC 28743	Mars Hill, NC 28754

District 3, Yancey County

James "Jimmy" Ray (Incumbent)  
1928 Bolens Creek Road  
Burnsville, NC 28714

District 4 - Mitchell County

Keith Kuhne (Incumbent)  
PO Box 61  
Bakersville, NC 28705

John L. Chandler, Secretary

### Your Board of Directors

District 1: Madison County

Joe Justice, President  
John L. Chandler, Secretary  
Gordon Randolph  
Charles Tolley

District 2: Buncombe County

Gary Wilde, Treasurer

District 3: Yancey County

Jimmy Ray, Vice President  
Jill Austin  
Paul Badgley

District 4: Mitchell County

Jerry Griffith  
Keith Kuhne

District 5: Unicoi County, TN

Carl Ramsey



Note: Gray shaded area is  
FBEMC service territory.