

2020 Annual Report of French Broad EMC

Declaration for the 80th Annual Meeting of the Members Saturday, May 1, 2021

As you are well aware, the State of Emergency, declared by the Governor of North Carolina, remains in effect. Executive order 195 limits the amount of people allowed at an indoor gathering to 25 and, 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.

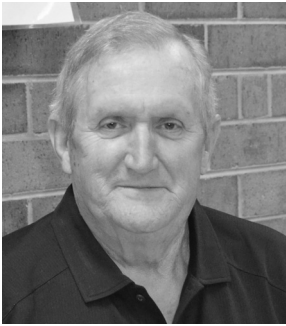
There will be no entertainment or health fair at this year's annual meeting. The meeting will be strictly a business meeting and will be held at French Broad Electric's headquarters at 3043 Highway 213, Marshall, North Carolina at 9 a.m. on May 1st.

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 John Chandler for Madison County, Jerry Griffith for Mitchell County, and Carl Ramsey for Unicoi County, TN.

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, we are allowing members to return their proxy, either 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. Please keep in mind that we will limit the number of attendees to 25 since this is an indoor meeting. If you wish to attend in person, you must contact our main office at 828-649-2051 and register for attendance. Registrations will be granted in the order requested until the maximum capacity is reached.

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 2020

As we look back at 2020, the headline would obviously be COVID-19 and its impact on all of us. There have been various challenges and setbacks, but your Cooperative has been able to adapt and keep the electricity flowing to all our customers. Our sales were essentially flat compared to 2019 while we added 812 new members, the largest single year increase in many years.

Despite the challenges of COVID-19, we once again were able to reap the benefits of lower wholesale power costs and pass those savings onto our members. This was the second year of our new contract with Duke Energy, and it provided substantial 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 \$8.2 million dollars was credited back to our membership in 2020, making our members power cost some of the lowest in the state.

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 though out the winter as

temperatures dropped and it seemed like there was a storm passing thru our service area every week. 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 ways, 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 our SEPA and 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 2020, 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 39,200 meters electricity and maintain over 4,800 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 26 through April 30 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 1, 2021 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 12/31/19	as of 12/31/20
Assets		
Total Utility Plant	\$ 216,088,227	\$ 228,570,258
Less Depreciation	<u>97,383,115</u>	<u>103,465,474</u>
Net Value of Utility Plant	\$ 118,705,112	\$ 125,104,784
Cash	1,965,465	3,288,405
Accounts Receivable	5,719,959	5,940,094
Materials and Supplies	2,573,019	3,371,736
Other Property and Prepaid Expenses	<u>4,882,116</u>	<u>4,532,697</u>
TOTAL ASSETS	\$ 133,845,671	\$ 142,237,716
Liabilities		
Long Term Debt	\$ 60,896,859	\$ 68,083,409
Member Deposits	822,610	863,310
Accounts Payable	4,153,117	4,281,423
Accrued Insurance and Taxes	7,912,955	7,990,144
Deferred Credits	1,186,550	1,962,656
Other Long Term Liabilities	8,729,948	8,769,784
Patronage Capital and Other Equities	<u>50,143,632</u>	<u>50,286,990</u>
TOTAL LIABILITIES	\$ 133,845,671	\$ 142,237,716
Revenue		
Sale of Electric Energy	\$ 61,291,172	\$ 56,669,374
Miscellaneous Electric Revenue	3,470,788	4,863,254
Non-Operating Income	602,068	286,042
Other Patronage Capital and Dividend	<u>144,991</u>	<u>165,535</u>
TOTAL REVENUE	\$ 65,509,019	\$ 61,984,205
Expenses		
Cost of Purchased Power	\$ 33,142,356	\$ 27,964,422
Power Production	482,562	545,905
Transmission Expense	19,568	21,478
Operations Expense	2,384,478	3,627,202
Consumer Accounts Expense	3,543,700	3,419,997
Member Service & Information Expense	129,983	161,340
Administrative and General Expense	3,537,273	3,447,006
Maintenance Expense	8,765,675	8,853,631
Depreciation and Amortization	7,621,296	8,584,393
Taxes	567,555	648,213
Interest	<u>2,681,724</u>	<u>2,373,585</u>
TOTAL EXPENSES	\$ 62,876,170	\$ 59,647,172
Members' Capital Contribution (Margins)	<u>2,632,849</u>	<u>2,337,033</u>
TOTAL	\$ 65,509,019	\$ 61,984,205

Miles of Line Energized

2020.....	4,765
2015.....	4,643
2010.....	4,556
2005.....	4,177
2000.....	3,835

Number of Members Served

2020.....	39,227
2015.....	37,585
2010.....	36,783
2005.....	35,463
2000.....	32,029

Kilowatt Hours Sold

2020.....	523,066,629
2015.....	494,519,321
2010.....	520,436,229
2005.....	462,949,194
2000.....	472,035,849

Where Our Dollar Comes From

Residential Sales.....	72¢
Large Industrial.....	10.5¢
Commercial & Small Industrial.....	17¢
Street Lighting.....	0.5¢

Where Our Dollar Goes

Cost of Power.....	45¢
Taxes & Interest.....	5¢
Operations & Maintenance.....	20¢
Depreciation.....	14¢
Administrative & General Expense.....	6¢
Margins.....	4¢
Consumer Accounts & Information Expense.....	6¢

Please detach and return to French Broad EMC before April 30, 2021.

EXPLANATION OF REGISTRATION CARD

Above is the member registration card.

Official Notice of Annual Meeting

The 80th 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 1, 2021, to take action on the following matters:

1. Reports of the officers, directors and committees;
- and 2. Election of three 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
John Chandler (Incumbent)
PO Box 622
Mars Hill, NC 28754

District 4 - Mitchell County
Jerry Griffith (Incumbent)
135 Miller Road
Green Mountain, NC 28740

District 5 - Unicoi County, TN
Carl Ramsey (Incumbent)
224 Gillis Road
Flag Pond, TN 37657



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.