

JOEMC

**Jones-Onslow Electric
Membership Corporation**

A Touchstone Energy® Partner



2018 Annual Report

THE POWER OF COMMUNITY

2017 by the Numbers

WHOLESALE POWER COST

66 cents of every dollar JOEMC receives from members is used to purchase wholesale power.



REBATES & INCENTIVES

In 2017, \$81,150 was given back to members in Energy Efficiency rebates/incentives.



METERS

At the end of the year, we had 76,035 meters in the field.



RELIABILITY

We kept the power on 99.989% of the time and the average JOEMC member was without power for less than 56.48 minutes during 2017.



CONNECTS & DISCONNECTS

There were 45,300 total connects/disconnects for the year (average of 1,805 connects and 1,970 disconnects per month).



MEMBER USAGE

1,114 KWH was the average monthly residential use for a JOEMC member in 2017.



ONLINE

31,528 active members registered for online bill pay.

214,300 E-Payments received during the year (average of 17,858 per month).



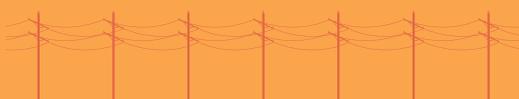
PHONE CALLS

209,646 = total number of phone calls received during the year (average of 17,470 per month).



MILES OF LINES

JOEMC has 2,441 miles of energized lines and a total investment in plant of \$247 million.



OFFICE VISITS

There were 13,482 visits to the JOEMC offices (average of 1,123 per month).



Executive Report



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Technology has spurred big changes to the way we communicate, interact and do business. It's also driving changes to the interconnected electric grid and the way we use electricity.

As your local electric provider, we are excited about these changes because they benefit you, our members. In fact, JOEMC is exploring, researching, and applying technologies that make better use of the grid and serve cooperative members in new ways. Because the impacts of technology on the grid and industry are happening rapidly, we want to be your "local experts", helping you understand them and what new benefits JOEMC is bringing to you.

Whether it's renewable energy sources like solar or other technologies like Conservation Voltage Reduction, battery storage, smart meters, or electric vehicles, be assured we will continue to evaluate trends and incorporate features that will best serve you. We will do this while staying true to our purpose of providing our members with power at the lowest possible cost and with the highest standard of service.

FINANCIAL HIGHLIGHTS

Providing our members with the best value for your dollar is important to the board of directors and employees at JOEMC. That's why we do everything possible to hold down operating costs as we continue to deliver the safe, reliable, and affordable electric service you have come to depend on. With that said, we are proud that during 2017 we were able to operate and provide electric service with no rate increase to members.

In addition to no rate increase in 2017, the cooperative also took steps during the year to avoid passing some additional costs on to our members in 2018 due to the Duke Energy Coal Ash Management Compliance issue. While JOEMC doesn't own any coal-fired plants, some of our electricity is purchased through contracts our power provider, North Carolina Electric Membership Corporation (NCEMC) has with Duke Energy (a portion of that purchased power does come from coal-fired plants). The expenses incurred by Duke to comply with the new regulations are being passed down to wholesale power customers like NCEMC as well as Duke's own retail customers. In 2018, JOEMC's wholesale cost of power will be \$7 million higher than normal because of this. To avoid passing those additional costs on to the members of JOEMC, the decision was made to defer some credits from our power supplier (made available to us in 2017) into 2018, helping offset the increase. In addition, we will defer part of our operating revenue from 2017 to

2018. These two actions will allow us to absorb the \$7 million increase without raising electric rates to members in 2018.

Another financial highlight of the year was the cooperative assigning capital credits to members. After all annual expenses involved in delivering electric service are paid, your share of the remaining money becomes the margins and they are credited back to your account in the form of capital credits. In 2017, the cooperative returned \$2.3 million to customers by checks or bill credits.

SYSTEM GROWTH

In 2017, JOEMC continued a historical trend of steady growth with the addition of many new homes and businesses that were added to our system. This growth in our membership base is something that many areas (served by electric cooperatives) throughout the country can't claim because they are in slow growth or no growth areas. By the end of 2017, crews had built 1,493 new services which now pushes the number of electric meters in our six county service area to just over 76,000. This places JOEMC as the fourth largest electric cooperative in the state of North Carolina.

These additional services were comprised of single-family, custom built homes constructed in new residential subdivisions in Jacksonville, Hubert/Swansboro, Sneads Ferry, Surf City, Richlands and the Southwest area. In addition, over 20 new

commercial/business construction projects were completed during the year bringing new churches, food establishments, retail shops and other service businesses to our community.

RELIABILITY & IMPROVEMENTS

Providing reliable electricity is the name of the game in our business and members have come to expect it. JOEMC continues every year to have one of the top reliability ratings in the country. In 2017, we kept the lights on 99.989 percent of the time (this is based on the Average Service Availability Index). The reliability of your electric service is directly attributed to the dedicated and hard working men and women of your cooperative.

Reliable electric service is at the heart of our commitment to you. In 2017, our system improvement projects were constructed with one thing in mind...improve customer reliability. To minimize interruptions of power before they occur, we installed new equipment in areas of growth with increasing power demands. We also tested existing infrastructure to identify specific equipment in need of upgrades. These actions are a few of our

ongoing analyses of our distribution system and are significant to ensure the delivery of reliable electricity to you.

During the year, concrete work and substation steel construction was completed at the Wheeler Creek Substation on Highway 172 in Sneads Ferry. The renovation of the East Jacksonville Substation, located behind our headquarters on Western Boulevard in Jacksonville, was also finished. All of the needed equipment for the Bridge Substation renovations in Sneads Ferry was received and work continues on this project. Finally, the cooperative's substation crew began work on a regulator maintenance program. This multi-year project will impact all of JOEMC's distribution substations throughout our service area. The purpose of this project is simple...to continue with our goal of system reliability to our members.

Crews continued construction on the multi-year project to upgrade the transmission line tying Haw Branch Substation to West Onslow Substation from 69kV to 115kV. Construction also continued on the replacement of the 34kV transmission line to the South Beach Substation.

Major power line upgrades, relocations, and replacements were made along Queens Creek Road as well as Turkey Point Road, Denise Drive, and William Gurganus Road. In an effort to help power quality and voltage, the cooperative conducted a pilot program involving secondary capacitors on circuits out of the Bridge and Topsail substations. Underground cable replacement projects were completed in Morton Manor and portions of the Brynn Marr subdivision.

Finally, our controlled voltage reduction project continued with installation of equipment in the AC Morton, Archie Horne, Bridge, Haw Branch, Hubert and Southwest substations. The equipment installed reduces system peak demand and allows JOEMC to save money on power costs during certain times of the year.

CUSTOMER SERVICE

Members rate our service among the best in the nation, according to the American Consumer Satisfaction Index (ACSI) results. JOEMC scored a 90 out of a possible 100 on the ACSI during 2017. This score puts us as one of the highest scoring co-ops in the country. As a comparison, other electric cooperatives across the nation scored an average of 76 while investor owned utilities average 75 on the ACSI.

Locally, members gave us a satisfaction score of 9.35 (out of a possible 10). Other scores in the survey included a 9.51 for providing reliable service, a 9.39 for having competent and knowledgeable employees, a 9.35 for restoring electric service when the power goes out and a 9.20 for handling member complaints and problems. ♦



Jeffery T. Clark
Chief Executive Officer

John Pierce
Chairman of the Board

Financial Report

BALANCE SHEET

	DECEMBER 31, 2017	DECEMBER 31, 2016	
ASSETS (What We Own)	Electric Plant at Original Cost	\$ 352,167,391	\$ 341,966,095
	Less Depreciation	(105,115,986)	(103,373,956)
	Net Value of Electric Plant	247,051,405	238,592,139
	Cash	5,143,577	2,637,716
	Investments	28,555,835	26,044,521
	Accounts Receivable	21,641,501	15,093,923
	Materials & Supplies	3,551,413	3,372,265
	Prepaid & Accrued Assets	7,112,507	7,544,931
	TOTAL ASSETS	\$ 313,056,238	\$ 293,285,495

LIABILITIES (What We Own)	Long Term Debt	\$ 135,625,256	\$ 131,208,595
	Consumer Deposits	3,351,754	3,276,764
	Accounts Payable	25,886,433	24,920,136
	Deferred Credits	17,951,182	10,718,861
	Other Liabilities & Credits	3,489,399	3,312,229
	Patronage Capital & Other Equities	126,752,214	119,848,910
	TOTAL LIABILITIES	\$ 313,056,238	\$ 293,285,495

REVENUE & EXPENSES

	DECEMBER 31, 2017	DECEMBER 31, 2016	
WHERE THE MONEY COMES FROM	Gross Electric Sales	\$ 131,210,476	\$ 132,206,499
	WPTA Credit to Customers	-	(7,194,464)
	Net Electric Sales	131,210,476	125,012,035
	Miscellaneous Revenue	2,694,427	2,625,060
	TOTAL REVENUES	\$ 133,904,903	\$ 127,637,095

HOW THE MONEY WAS SPENT	Purchased Power	\$ 88,316,490	\$ 84,824,337
	Operations & Maintenance Expense	6,472,777	6,239,967
	Administrative & General	15,616,178	15,625,010
	Depreciation	10,459,428	10,237,385
	Taxes	1,610,144	1,531,340
	Interest Expense	4,075,083	3,768,577
	Other Deductions	168,324	169,477
	TOTAL EXPENSES	\$ 126,718,424	\$ 122,396,093

Margins Deferred	(2,500,000)	-
Margins Recognized from Previous Year	-	-
Margins (Capital Credits)	\$ 4,686,479	\$ 5,241,002
Percentage Capital Credits to Income	3.50%	4.11%

Board of Directors



Standing, left to right: Brandon Howard, Michael Chad Meadows, Robert Daughety, Nelson Burgess, Iris Horne. *Seated, left to right:* Douglas Parker, Dale Powell, Cecil Hargett (Secretary/Treasurer), Thomas Waller (Vice Chairman), John Pierce (Chairman)

Nominating Committee

DISTRICT ONE

Mr. Charles Darden
Hubert, NC

Mr. Gary Johnson
Sneads Ferry, N.C.

Mr. John Stanley
Swansboro, N.C.

DISTRICT TWO

Mr. Thomas Humphrey
Jacksonville, N.C.

Mr. Ronald Pittman
Richlands, N.C.

Mrs. Susan Thomas
Richlands, N.C.

DISTRICT THREE

Mr. Franklin Andrews
Trenton, N.C.

Mrs. Carol Hood
Trenton, N.C.

Mr. Myron Meadows
Trenton, N.C.

Official Notice

At a meeting held on February 15, 2018, the Committee on Nominations nominated the following candidates for Directors of the cooperative for a three-year term.



DISTRICT ONE
Dale Powell
Sneads Ferry, NC



DISTRICT TWO
Iris Horne
Beulaville, NC



DISTRICT THREE
Michael Chad Meadows
Pollockville, NC



DISTRICT THREE
Thomas Waller
Trenton, NC

2017 COMMUNITY INVOLVEMENT

After 78 years of service, Jones-Onslow EMC and its employees are still serving its members with the neighbor helping neighbor concept—
THE COOPERATIVE WAY OF DOING BUSINESS.

Economic Development

Since 2000, Jones-Onslow EMC has helped to fund over \$2,180,000 in economic development projects in Onslow County, Jones County, the City of Jacksonville, the Town of Maysville and the Town of Trenton.



JOEMC employees contributed over \$31,000 to local charities and spent 1,000's of hours volunteering at various organizations in the community.



Touchstone Energy® Sports Camp Scholarships

JOEMC sponsored two middle school students to participate in the Roy Williams Carolina Basketball Camp and the Wolfpack Women's Basketball Camp.



Bright Ideas



Awarded in Bright Ideas Grants

75	265	26,500
Projects Funded	Educators Awarded	Students Impacted



Youth Tour

Four local high school students were selected to participate in the Rural Electric Youth Tour in Washington, D.C.

Solar in Our Schools

Jones-Onslow EMC partnered with NC Green Power, State Employees Credit Union, and other local businesses to install a new 5kW PV Solar Array at Queens Creek Elementary School. This solar installation will allow for hands-on learning to educate students on renewable energy.



Learn more about our commitment to community at JOEMC.COM.