

POWER of COMMUNITY

19



JONES-ONSLOW EMC ANNUAL REPORT

JOEMC
Jones-Onslow Electric
Membership Corporation
A Touchstone Energy® Partner





John Pierce
Chairman of the Board

Jeffery T. Clark
Chief Executive Officer

FROM THE CEO

A look back at 2018 brings one event to mind that stands out above the rest—Hurricane Florence. Disastrous winds and historic rainfall have left a long-lasting impact in our community that, for some, is still being felt today.

Your cooperative faced many challenges during and after the storm; telecommunication issues; flooding of one of our offices; the daunting task of restoring power to close to 71,000 meters; the loss of transmission power to 14 of our substations; and the inaccessibility of many roadways due to the massive amount of rainfall.

Through it all, we adapted and overcame to get the lights back on. We would be remiss if we didn't recognize the hard work of every employee at JOEMC as well as the crews that came from other parts of the United States. Their tireless efforts and dedication to this community were on display and we simply can't say enough about their efforts.

We are proud that we are the local electric company in the community. It remains our mission—every day—to provide our consumer-owners with the most affordable, reliable electric service possible, with an unmatched customer experience.

FINANCIAL HIGHLIGHTS

Providing our members with the best value for your dollar is important to your cooperative and that's why we do everything possible to hold down operating costs. In addition to providing electric service with no rate increase in 2018, JOEMC also took steps during the year to avoid passing additional costs on to our consumer-members in 2019 due to the Duke Energy Coal Ash Management Compliance issue.

While we don't own any coal-fired plants, some of our electricity is purchased through contracts our

power provider (North Carolina Electric Membership Corporation or 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 have been passed down to wholesale power customers like NCEMC as well as Duke's own retail customers. Because of this, in 2019 our wholesale cost of power will be \$7.9 million higher than normal. To avoid passing these additional costs on to you,

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the decision was made to defer some credits we received from NCEMC (in 2017) into 2019, helping offset the increase. Additionally, we will defer part of our operating revenue from 2018 to 2019. These two actions will allow us to absorb the \$7.9 million increase without raising electric rates in 2019.

Another financial highlight of the year was the cooperative assigning capital credits to consumer-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 2018, the cooperative returned \$1.8 million by checks or bill credits.

SYSTEM RELIABILITY & IMPROVEMENTS

In our business, the name of the game is reliability and JOEMC continues to have one of the top reliability ratings in the country. In 2018, we kept the lights on 99.982 percent of the time.

During 2018, our system projects were constructed with one goal in mind, improving reliability. A couple of examples include installing new equipment in growing areas (with increased power demands) to minimize interruptions of power before they occur as well as testing existing infrastructure and identifying equipment that needed to be upgraded. Being proactive and analyzing our system lets us continue to ensure the delivery of reliable electricity.

During the year, we had a string of unexpected substation projects that needed to be addressed. The year started with some emergency repair of our Pleasant Hill Substation during the snow and record-cold temperatures of January. This damage to the substation was so significant that it was decided

to redesign and rebuild the facility using modern and up-to-date substation equipment. Also, the AC Morton and Southwest substations were unexpectedly damaged and had equipment replaced in them as did our Chadwick Acres Substation. In the case of Chadwick Acres, our monthly substation inspection process found failing equipment, and we were able to make repairs avoiding a catastrophic failure. Substation work was also performed at the Wheeler Creek and Bridge substations (Sneads Ferry) and the Swansboro Substation. Finally, our substation crew continued work on a multi-year maintenance program that will impact all of our distribution substations throughout our service area. The purpose of this project? Again, to continue with our goal of system reliability.

Crews continued construction on the multi-year project to upgrade the transmission line tying Haw Branch Substation to West Onslow Substation. Construction also continued on the replacement of the transmission line to the South Beach Substation. Major power line upgrades, relocations, and replacements were made along Wheeler Creek Road as well as Fulcher's Landing Road, Dawson Cabin Road, and Coston Road. Underground cable replacement projects were completed in Country Club Hills, Croom's Rentals, River Reach and Royal Valley Mobile Home Park.

Finally, our Controlled Voltage Reduction project continued with the installation of equipment in the Chadwick Acres, Folkstone, Harman, Morris Landing, Queens Creek, and Swansboro substations. The equipment installed reduces system peak demand and allows your cooperative to save money on power costs during certain times of the year.

We are proud that we are the local electric company in the community.



LOOKING BACK AT 2018

SYSTEM GROWTH

2018 saw steady growth as homes and businesses were added to our system. By the end of the year, crews had built over 1,600 new services which puts the number of electric meters at well over 76,000. Close to 30 residential subdivisions were completed during the year that added some 550 services. In addition, 12 commercial projects were completed including two new schools in the Surf City area of Pender County and one new school in the Richlands area of Onslow County.

JOEMC LEADS THE WAY WITH AN 86 ON THE ACSJ

The American Customer Satisfaction Index measures overall satisfaction on a scale of 1-100. Nationally, Touchstone Energy Cooperatives scored an average of 74 while investor-owned utilities average a 73.

2,454 MILES OF LINE

Stretched straight out, our power lines could reach from Jacksonville to the great northwest and Seattle, Washington, home of the Space Needle, Pike Place Market and Starbucks.

ON THE PHONE, ON-LINE OR IN PERSON

We try our best to make doing business with us fast, easy and convenient. During 2018 our offices received close to 215,000 phone calls, took almost 94,000 electric payments through our automated phone system, had over 34,000 consumer-members registered for online bill pay (they made 218,000 payments) and our two offices saw 10,600 folks walk through the doors.

WEBSITE AND SOCIAL MEDIA

Our company website, joemc.com had just under 500,000 visits during the year including a high of 107,400 during the month of September (yeah, that was Hurricane Florence). In addition, we ventured into the social media sphere (a few days before Florence) and started a Facebook Page. By the end of the year we had over 4,400 followers...keep up with your co-op, come like us!

66 CENTS

The number of cents of EVERY dollar that we collect from consumer-members that is used to purchase wholesale power from our power supplier, North Carolina Electric Membership Corporation.

REBATES AND CREDITS

JOEMC strives to educate consumer-members about energy efficiency to enable wise use of electricity and discourage waste. We offer advice on heating and cooling your home and even provide rebates or credits when you purchase a qualifying heat pump or Energy Star appliance.

\$59,511 was given back to consumer-members in 2018 in energy efficiency rebates/credits.

SAFETY

Safety is a top priority with our cooperative. Line crews attend 10 to 12 in-house safety training sessions each year. Topics range from personal protective equipment training to arc flash safety to pole-top rescue practice. Additionally, all employees attend regular safety training on topics such as CPR, first aid and defensive driving.

Annual Meeting

Jones-Onslow EMC annual meeting of members—a family-friendly event—will be held at the American Legion Building/Onslow County Fairgrounds, 146 Broadhurst Road, Jacksonville, NC on Friday, March 29, 2019. Highlighting this year’s meeting will be special entertainment by the all-female bluegrass band Sweet Potato Pie as well as Byran Sanders who will be wowing members with his magic and slight of hand. And like always, one lucky member in the crowd that evening will win a recently retired fleet vehicle (*see back cover for more information*).

Sweet Potato Pie
*All-Female
Bluegrass Band*



Bryan Sanders
Magician

NOMINATING COMMITTEE

DISTRICT I

Mr. Gary Johnson
Sneads Ferry, NC

Mr. Michael Davis
Sneads Ferry, NC

Mr. Charles Darden
Hubert, NC

DISTRICT II

Mrs. Susan Thomas
Richlands NC

Mrs. Pansy Horne
Beulaville, NC

Mr. Thomas Humphrey
Jacksonville, NC

DISTRICT III

Mrs. Carol Hood
Trenton, NC 28585

Mr. Franklin Andrews
Trenton, NC 28585

Mr. Wayne Smith
Trenton, NC 28585

OFFICIAL NOTICE

At a meeting held on February 21, 2019, the Committee on Nominations nominated the following candidates for Directors of the cooperative for a three-year term.



AT LARGE
Nelson Burgess



DISTRICT I
Douglas Parker



DISTRICT II
John Pierce



DISTRICT III
Robert Daughety

POWER OF COMMUNITY

As Hurricane Florence made its approach to our service area last year, we were all reminded of the tremendous and unpredictable magnitude of hurricanes. Immediately, our thoughts went to family, community and the special places and people that make this such a great part of eastern North Carolina. As we were all aware, storms like this can prove devastating, but they can also do something that is unique—bring people together in amazing ways.

No matter your role in a community our size, a storm such as Hurricane Florence serves as a great equalizer, allowing us to create new bonds that bring us closer together as we collectively respond to the power of Mother Nature. There's an old saying in our industry: "When your lights are out, my lights are out." This speaks to JOEMC's commitment to community and how we all work toward the common goal of reliable and dependable power that helps us weather any storm.

POWER OF TEAMWORK

As the center of Hurricane Florence passed slowly through our community, the storm proved to be one of the most challenging—and destructive—natural disasters that local residents have experienced in decades. Entrances to our homes and businesses were blocked by fallen trees, many roads were under water and power was out throughout our service area.

But when the hurricane-force winds subsided and it was safe to travel, that's when JOEMC employees went into action. From engineers to dispatchers, from consumer representatives to linemen, every JOEMC employee began the daunting task of working to restore electric service to our consumer-members. And, over the next week, despite many obstacles that were simply beyond our control, we did just that—we restored power to our community and hopefully a little normalcy back to many lives.

POWER OF COMMUNICATIONS

In trying to maintain constant communication with our members during the storm, we soon realized the enormous impact of digital communications and social media during a weather event of this magnitude. This was especially true with Hurricane Florence. During the

storm the co-op's landline phone system went down making it impossible to report power outages by calling the office.

Through Facebook, as well as our website, we were able to provide real-time updates, have conversations with members and learn about power outages and service needs. Through this instant communication, members stayed informed and up-to-date but they also became the eyes and ears of the community, helping our employees work more quickly and efficiently... another example of teamwork and innovation that helped us respond before, during and after the storm.

The counties we provide electric service to are such a great part of our community. Our employees embody the heart of our community. This year, we want to celebrate the bond between the co-op and those we serve—

Our employees power our community in many ways through their daily jobs at JOEMC. These "Power of Community" employees as well as your co-op and community. To learn more, visit our website and look for "Power of Community" or follow us on social media.

POWER OF COMMUNITY

Enough can't be said about the co-op members—and the community as a whole—for the support, patience and understanding. The words of encouragement via email, social media, on the phone and in the field (when you saw our crews) was amazing. The many offers of water, ice and food motivated our employees even more and made them want to work even harder to restore the power.

Co-op employees and consumer-members, working together, there for each other, united with one goal—supporting each other in an extreme situation in an effort to restore a little normalcy—that's the POWER OF COMMUNITY!

*h great places to live because of the power of
ur cooperative and, without a doubt, represent
want to focus on sharing their stories and enhancing
you, our consumer-member.*

*ys, through their passions, volunteer work and even
nity" features will showcase what's best about the
To read more stories, go to our website, joemc.com
n social media.*

WILLIAM PREAST
Lead Meter Technician

Meet William Preast, Lead Meter Technician at JOEMC, who ensures your meters are working correctly.

William has been fascinated with flight since he was a child. At the young age of five, he built his first static model aircraft and then at age thirteen, he received his first radio-controlled plane. He's been flying ever since!

When William is not working on electric meters, he can be found operating and navigating JOEMC's drone.

He first heard of drones being used commercially at a club meeting. After extensive research on the use of drones in the electric utility industry, he presented the idea to our cooperative's CEO, Jeff Clark. With William's knowledge, enthusiasm, and 30 years of flying experience, Jeff was on board. William achieved his commercial drone license in 2017.

JOEMC now uses drones to assess storm damage when roads are impassable, or in wet, swampy terrain. Drones are used to inspect right of way corridors or look for potential tree or vegetation problems near power lines. Drones provide inspections that assist with preventative maintenance on distribution lines, transmission lines, and substations.

During his time off, when not flying drones and radio-controlled airplanes, you can find William fishing. He loves to bass fish with his dad and travel throughout North Carolina competing in different tournaments.

To learn more about our other employees who exhibit the Power of Community, go to joemc.com/powerofcommunity.

YOUR BOARD. YOUR NEIGHBORS.

WE LIVE AND WORK IN THE COMMUNITY JUST LIKE YOU

JOEMC is led by a ten-member Board of Directors who live in the communities that the co-op serves. They are active members of civic groups, non-profit organizations, and our local churches. There's a good chance that one of them could be your neighbor.

Directors are elected to three-year terms and represent geographical districts that cover our service territory. Their responsibilities include working with the staff to establish strategic goals and objectives and then reviewing this plan periodically. Also, the board regularly evaluates whether policies and procedures help the co-op successfully further its commitment to serving our consumer-members by providing safe, affordable and reliable electricity with excellent customer service.

NELSON "PETE" BURGESS

Pete thoroughly enjoys interacting with his customers at Chick-Fil-A daily. He is also passionate about helping the children in our community that are less fortunate. In addition to serving on the JOEMC Board, Mr. Burgess is a member of the Board of Trustees at Coastal Carolina Community College and Board of Directors at Branch Banking and Trust. When not working or serving his community, Mr. Burgess enjoys playing golf and reading.

DOUGLAS C. PARKER

Doug comes from the generation that remembers the day when JOEMC brought electric service to his family home on Parkertown Road in rural Onslow County. A graduate of White Oak High School and East Carolina University, Mr. Parker taught 37 years at Lejeune High School and 15 years at Coastal Carolina Community College. He and his wife, Anita, have been married for 54 years and are members of Midway United Methodist Church in Stella.

JOHN PIERCE

Chairman

John was born and raised in Jacksonville and graduated from NC State University with a degree in agricultural engineering. Mr. Pierce obtained his surveying license from Coastal Carolina Community College and owns and operates John L. Pierce & Associates Surveying and Planning. He has served on the Coastal Carolina Community College Funding Committee as well as the Jacksonville-Onslow Economic Development's Committee of 100. Mr. Pierce attends Harris Creek Baptist Church.

THOMAS WALLER

Vice Chairman

Born and raised in Jones County, Thomas feels blessed to be able to make a living for 44 years farming and enjoying the outdoors lifestyle. After graduating from NC State University, Mr. Waller married his high school sweetheart. The two of them have been blessed with three daughters, three son-in-laws and five granddaughters.

CECIL HARGETT

Secretary/Treasurer

A former NC Senate representative (Jones and Onslow counties), Cecil grew up at Hargett's Crossroads in Jones County and graduated from Richlands High School. After serving in the United States Air Force for four years, Mr. Hargett attended and graduated, with honors, from NC State University. The contract-owner of the NC License Plate Agency in Jacksonville, Mr. Hargett was married to the late Annette Gray Hargett for over 53 years.



Did you know that we are a not-for-profit cooperative and that you, our consumer-members, are our only shareholders? That's right! You, through receiving electric service from JOEMC, are an investor in this business and we exist to serve you. Ultimately everything we do is to improve service, increase safety, and maintain affordability for you.

BOBBY DAUGHETY

There's something about the sound that a typewriter makes, something that Bobby can relate to as he was in the family-run business, Daughety's Office Equipment for over 40 years. He and his wife moved back to "God's Country" (Jones County) in 1981 and are active members of Shady Grove Methodist Church where he serves as Finance Chairman. He also served on the Lenoir Community College Board for 18 years.

DALE POWELL

A native of Ocean City, Maryland, Dale came to our community because of his service in the United States Marine Corps. He married a "local" girl (Nancy) and made Sneads Ferry his home. Mr. Powell's love of the outdoors has allowed him to make a living and enjoy his time away from work— he is the owner/operator of Power Marine Outfitters and New River Marina and loves to fish year-round and ride his Harley up and down the east coast.

MICHAEL "CHAD" MEADOWS

After graduating from UNC-Wilmington with a degree in Business Management, Chad came back home to Jones County to work in the family business, Mike's Custom Cabinets. In addition to his service on the JOEMC Board of Directors, he is also an active member of the First Baptist Church of Maysville and serves his community as captain of the Pollockville Volunteer Fire Department. He and his wife, Lauren, have one child.

IRIS HORNE

Iris was born in Duplin County and raised on a farm. After graduating from Harbarger Business College in Raleigh, she returned home to her roots. She chose the insurance industry as her profession and works for Richlands Insurance and Realty. If you are ever out in the Back Swamp community of Onslow County you might run into Mrs. Horne...she works part-time at Mike's Farm & Country Store. And when spring arrives, you can find Iris outdoors doing what she LOVES most, working in the yard.

BRANDON HOWARD

Brandon graduated from NC State University in 1997 and returned home to work on the family farm in Onslow County. Changing times brought other opportunities over the years, and he obtained his general contractor and home inspector licenses. Mr. Howard still owns and operates the farm where his family is currently developing an agritourism project. "I often feel that I wear many hats," Howard said, "but my favorite is being a father." He and his wife, Krystal, have three Children.



FINANCIAL REPORT

BALANCE SHEET

	December 31, 2018	December 31, 2017
ASSETS (What We Own)		
Electric Plant at Original Cost	\$ 361,684,035	\$ 352,167,391
Less Depreciation	(107,557,881)	(105,115,986)
Net Value of Electric Plant	254,126,154	247,051,405
Cash	4,735,189	5,143,577
Investments	31,354,816	28,555,835
Accounts Receivable	27,732,096	21,641,501
Materials & Supplies	2,898,327	3,551,413
Prepaid & Accrued Assets	3,167,970	7,112,507
TOTAL ASSETS	\$ 324,014,552	\$ 313,056,238
LIABILITIES (What We Owe)		
Long Term Debt	\$ 134,611,139	\$ 135,625,256
Consumer Deposits	3,484,463	3,351,754
Accounts Payable	32,357,865	25,886,433
Deferred Credits	13,599,211	17,951,182
Other Liabilities & Credits	3,649,150	3,489,399
Patronage Capital & Other Equities	136,312,724	126,752,214
TOTAL LIABILITIES	\$ 324,014,552	\$ 313,056,238

REVENUE & EXPENSES

WHERE THE MONEY COMES FROM

Gross Electric Sales	\$ 141,866,799	\$ 131,210,476
Net Electric Sales	141,866,799	131,210,476
Miscellaneous Revenue	2,414,346	2,694,427
TOTAL REVENUES	\$ 144,281,145	\$ 133,904,903

HOW THE MONEY WAS SPENT

Purchased Power	\$ 94,991,179	\$ 88,316,490
Operations & Maintenance Expense	7,417,107	6,472,777
Administrative & General	17,228,908	15,616,178
Depreciation	10,834,451	10,459,428
Taxes	1,636,291	1,610,144
Interest Expense	4,403,532	4,075,083
Other Deductions	166,765	168,324
TOTAL EXPENSES	\$ 136,678,233	\$ 126,718,424

Margins Deferred	(3,000,000)	(2,500,000)
Margins Recognized from Previous Year	2,500,000	-
Margins (Capital Credits)	\$ 7,102,912	\$ 4,686,479
Percentage Capital Credits to Income	4.92%	3.50%

Power of Community



LATOYA HOOKER
Consumer Representative

Meet JOEMC Consumer Representative Latoya Hooker. If you've ever called us and spoken to an employee to pay your bill, ask a question about your account or even come into our office for assistance, there is a good chance you spoke with Latoya. She is a people person and loves helping people. Latoya's primary focus is YOU, our consumer-members and it shows!

Latoya started working at the co-op in 2007 and has done her best to provide excellent customer service to each consumer-member whether in person or on the phone ever since.

Latoya's desire to help people doesn't stop when she clocks out and goes home—in fact, it's just beginning. On the evenings and weekends you can find her on the sidelines supporting and cheering for her 4 children at basketball, baseball, football and volleyball games. And if that isn't enough, Latoya also keeps busy helping others by volunteering with the Richlands High School Century Club—a non-profit organization that supports junior high and high school athletic programs.

Latoya's favorite quote is "Do the best you can until you know better. Then, when you know better, do better" by Maya Angelou.

To learn more about our other employees who exhibit the Power of Community, go to joemc.com/powerofcommunity.



Jones-Onslow Electric Membership Corporation

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MARCH 29, 2019

JOEMC ANNUAL MEETING

American Legion Building/Onslow County Fairgrounds • 146 Broadhurst Road • Jacksonville, NC

BBQ SANDWICHES | GIVEAWAYS | MAGICIAN | CLOWN | ALL FEMALE BLUEGRASS BAND SWEET POTATO PIE

- 5:30PM-7:00PM registration begins, bbq sandwiches served, displays, giveaways, magician Bryan Sanders, clown, local entertainment
- 7:00PM-7:45PM business meeting
- 8:00PM-9:00PM Sweet Potato Pie performs, truck giveaway

WIN THIS TRUCK!

One lucky member in the audience will win this 2012 Chevrolet Silverado 1500, regular cab, 2 door, 2 wheel drive truck (recently retired fleet vehicle in "as is" condition).



*** Bring this whole page with you the night of the meeting for our EXPRESS REGISTRATION!**