South River EMC
Communicator
October 2025

How Does A Co-op Work?

October is Co-op Month, and that means we get to celebrate cooperatives and all they stand for, including you, our members.

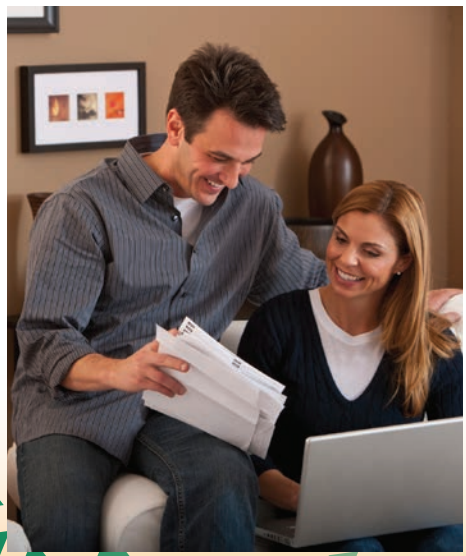
A cooperative is a business owned and operated by its members, who are also the ones that use the service.

Cooperative members elect a board of directors from the membership to govern the organization. The board selects a CEO who is responsible for the day-to-day business of the cooperative to ensure the best service possible.

In order to provide electric service, South River EMC, along with our power provider, North Carolina's Electric Membership Corporation, own some generation assets and meet the remaining energy requirements through contracts with other utilities.

Members then use and pay for this service. Each year, the Cooperative calculates income and compares it to costs. If income exceeds costs, this money (margins) is set aside. It is then reinvested in the business to keep costs down, particularly in relation to borrowing moneyo keep the system reliable.

After reinvesting in the business, the profit is returned to members in the form of capital credits, because we are non-profit, we do not receive the profit. Capital credits are returned using a hybrid approach, a portion of the most recent as well as the remainder from 19 years prior. For example, last year you received 20-25% of the 2024 margins, as well as the remainder of 2005 margins. This is done to show the Cooperative to new and existing members, while also maintaining the financial strength of the Cooperative.



There is no set amount of how much money each member gets back, it varies from year to year, with the total of margins and the amount you pay each month for electric use.

So in short, we are non-profit because profit is returned to you, our members since you use the service.

For more information visit **sremc.com/capital-credits**.

Be Alert

Keep your eyes peeled for trick-or treaters and accompanying cars this month.

CO-OP ENERGY UTILITIES ACSI Customer Satisfaction Award 2024 American Customer Satisfaction Index

South River EMC earns this award based on data modeled by the ACSI® in 2024. Award criteria are determined by the ACSI based on customers rating their satisfaction with South River EMC in a survey independent of the syndicated ACSI Energy Utility Study. For more about the ACSI, visit theacsi.org/badges. ACSI and its logo are registered trademarks of the American Customer Satisfaction Index LLC.

Message from CEO Chris M. Spears

Our Commitment: Competitively Priced Electricity and Reliablility

The mission of South River EMC is to provide safe, reliable, competitively priced electricity and that is a commitment that we take seriously. The cooperative model is based on providing at cost electric service. Consequently, any excess margins left over at the end of the year are allocated to each member, based on their electric consumption. Over time, those allocations are returned in the form of a Capital Credit retirement. Last year we retired $3.66 million.

For many years we enjoyed stable wholesale power costs for the electricity that we purchase on behalf of the members that we serve. Furthermore, we were blessed with low inflation and historically low interest rates. Growth and demand for energy was low as well. Today, we are in a very different environment. We are experiencing substantial organic growth and the demand for electricity has increased across the state and nation. New generation is needed and it has increased more than 40%, in costs, in recent years as well. All of this makes it more challenging to ensure competitively priced electric service that is affordable.

Surveys show that you currently place a higher priority on reliability than the cost of the electricity that we sell. Unfortunately, with the cost of everything going up, it also costs more to maintain the level of service and reliability that you expect and deserve.

Please know that your local electric cooperative does not want to adjust rates and that we all liked it better when our cooperative could issue millions of dollars in member credits and member rebates. The attached graph illustrates how our costs have increased significantly over the last four to five years. Items such as poles have increased 25-40%, the wire/conductor that we use across our system has gone up 30- 50%. Our large bucket and line trucks have gone up 40- 50%. It should be noted that we have been holding off some of the planned replacements and have made some reductions in our fleet. I could go on, but you can see that everywhere we turn costs have increased, no different than at your home, farm and business. If you were to look closely at our expenses, only about 18.5% of our expenses can truly be controlled. As an example, our largest expense, which is something we cannot control, is the power that we purchase on behalf of you, our member owners, and it amounts to more than 60% of our total expense.

Our wholesale power costs for 2025 increased 8%. At the end of August 2025, we learned that wholesale power costs for 2026 will increase by an estimated10.55% or about $7.7 million. Furthermore, South River EMC is responsible for a Wholesale Power Cost Adjustment (WPCA), similar to our Equalizer. In addition to the rate change planned for 2026, your Cooperative is currently facing approximately $3 million in WPCA costs, which will be paid next year. It will most likely be higher by the end of the year.

According to Amadou Fall, COO of NCEMC, our power supplier, the reasons for higher wholesale power include environmental compliance and government regulation, higher fuel costs, and inflation, which has impacted the cost of new generation equipment along with operations and maintenance expense.

Since 2020, the electric utility industry has experienced considerable cost increases due to soaring demand, supply chain challenges, raw materials shortages, the highest inflation in 40 years, and costly regulatory decisions. The impact has resulted in rapid increases in the cost of producing power, longer and more unpredictable project timelines and the need for more financing, all of which have driven up electric rates.

I talked to a friend in one of our western states recently, and he shared with me that his power supplier was expecting to raise rates by 20%. Thankfully, that is not the case with NCEMC, our power supplier. Other electric providers in the state have been raising rates too. While it is not easy to do, we have remained competitive with the Investor-Owned Utility in the state, when you compare the total bill, including a number of riders, to a South River EMC bill.

We will continue to keep you apprised of how market forces are impacting costs on your cooperative.

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CEO continued from page B

I can assure you that any decisions made by your cooperative are made with you in mind, to ensure that we continue to provide safe, reliable and affordable electric service. Regrettably, we are in a higher-cost environment today.

We have been here before, but it has been a while.

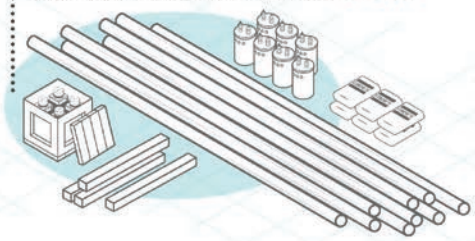
I would love to tell you that costs have stabilized and that we expect a small adjustment in 2026. Unfortunately, it does not appear that it will be possible, and it very well will be higher than the one in 2025. We will continue to be good stewards and seek to minimize the impact on you. Before I close, I would like to encourage you to check out our website for some energy saving tips. You may also want to contact one of our Energy Advisors as they can offer expert advice. I am here to serve you, and I appreciate the opportunity. As always, I welcome input from you. Therefore, you are welcome to email me at CEO@sremc.com and share your comments and suggestions. You may also call my direct phone number, which is 910.230.2990.

Cost Increases

The past five years have been a period of exploding costs for the electric utility industry and for broadband providers, pushed by soaring demand, supply chain challenges, raw materials shortages, increased labor costs and tariffs. The impact has been rapid increases in the cost of producing power, longer and more unpredictable project timelines and the need for more financing, all of which have driven electric rates up for residences, businesses and other end-users. Here's a look at what's contributing to the trend. **Percent increase since 2020:**

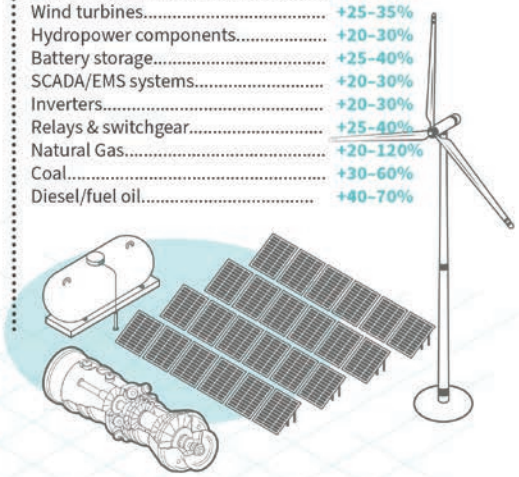
Infrastructure

Utility poles (wood, steel, composite)	+25–40%
Crossarms & braces (steel/wood)	+20–35%
Conductor wire (aluminum/copper)	+30–50%
Transformers	+70–100%
Grain-oriented electrical steel	+80–100%
Oil/dielectric fluids	+25–40%
Copper wiring	+50%
Concrete	+25–35%
Smart meters	+20–35%
Pad-mounted switchgear	+25–40%
Circuit breakers/reclosers	+20–35%



Generation

Diesel gensets	+20–40%
Gas turbines	+20–30%
Solar PV systems	+25–35%
Wind turbines	+25–35%
Hydropower components	+20–30%
Battery storage	+25–40%
SCADA/EMS systems	+20–30%
Inverters	+20–30%
Relays & switchgear	+25–40%
Natural Gas	+20–120%
Coal	+30–60%
Diesel/fuel oil	+40–70%

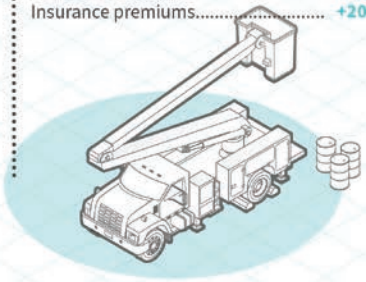


Build-outs

Utility construction labor	+20–40%
Freight/logistics	+30–60%

Fleets

Light trucks	+25–40%
Bucket trucks, digger derricks	+20–50%
Fuel costs (especially diesel)	+20–30%
Maintenance	+15–25%
Insurance premiums	+20%



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AI Tools For Cooperatives

Artificial intelligence (AI) is becoming an increasingly popular tool for many industries and even in our daily lives. It is a hot topic—sometimes exciting, sometimes a little scary, and has the potential to bring many opportunities—and a few challenges—to the electric utility sector. But machine learning takes time, and we're still in the process of determining how AI can really be utilized.

Many electric cooperatives are already exploring emerging technologies like AI, virtual reality (VR) and augmented reality (AR). Most of AI's current applications are task-specific—like using chatbots to answer common questions from co-op members or analyzing data to better understand members' needs.

Contrary to what Hollywood would have you believe, AI can't think for itself. Its abilities depend on how it's programmed, the quality of its training and the data it receives. AI is essentially about learning from patterns and making decisions based on that input—not about having thoughts or opinions of its own.

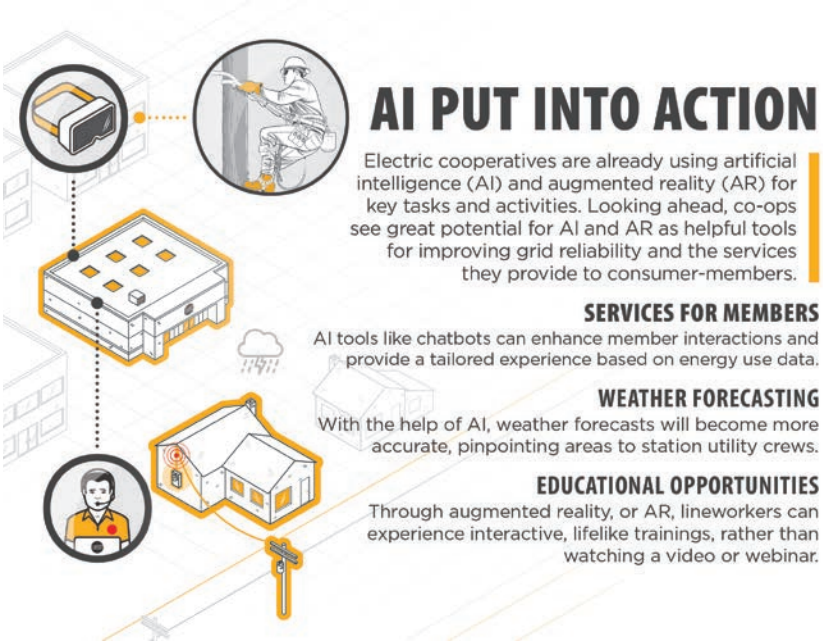
Because AI interacts with both internal systems and external networks, cybersecurity is a top priority. As South River EMC looks to adopt tools powered by AI and other tech, we will ensure our systems are safe from potential cyber threats. Strong digital defenses are essential to using any new technology safely.

As we consider emerging AI tools, our focus won't be so much on the technology itself as on solving real problems. If AI can streamline a process, predict an issue or improve service for our members, it's worth considering.

As technology evolves, AI may eventually be built into smart meters to help members track their energy use more effectively. It could even help our staff better manage the local grid or predict storm damage to deploy crews more efficiently.

Another exciting area is AR and VR. Many electric utilities are currently testing AR for training, giving lineworkers a hands-on experience to prepare for dangerous situations before facing them in real life. In the future, smart glasses may help crews instantly identify and troubleshoot equipment in the field.

Ultimately, AI, AR and VR are tools that can help utilities like South River EMC serve their communities better—making energy more reliable, services faster and operations more efficient.



Challenges

The rapid growth of artificial intelligence, particularly energy-intensive technologies like generative AI and large language models, is presenting several challenges for electric utilities. One of the biggest concerns is the dramatic increase in energy demand. AI relies heavily on data centers, which require massive amounts of electricity to operate. As these technologies expand, power consumption is expected to rise significantly.

This growing demand is also creating a strain on our nation's electric grid, which can lead to instability and a higher risk of outages, especially in areas that are already dealing with high energy use or aging infrastructure.

While AI tools offer great potential in improving utility operations, these challenges highlight the growing tension between AI advancement and the long-term capability of the grid.

Unlock Energy Savings With The HERO Program

South River EMC members have access to the High-Efficiency Residential Option (HERO) home program—a voluntary enhancement to the North Carolina Energy Conservation Code.

Designed to encourage more-efficient homes, HERO-certified residences deliver at least 30% better energy performance than standard code-built homes.

As a homeowner, you may qualify for rebates when purchasing or building a HERO home—and there are two ways to achieve this certification.

For details, scan the QR code.

Heat Smarter: Rebates for Energy-Efficient Water Heaters

South River EMC offers rebates on energy efficient solar and heat pump water heaters.

Both units can be more efficient than a standard electric water heater, which heats water periodically throughout the day.

Deciding which one is best for you might take sometime, so doing research ahead of time could help you make the best decision for your home and family.

By replacing your current water heater when it goes out, with a more efficient option, you could save money, energy and earn a rebate. Scan the QR code for details.

Upgrade Your Comfort, Earn Cash Back

Weatherization can help you save energy and money. It can also improve comfort, but sometimes you don't know where to start.

If you're looking into ways to save, consider speaking with your local community action chapter. They offer a weatherization package for single family or manufactured low-income homes, which includes: air/duct sealing, improved insulation, an HVAC tune-up or replacement, and a programmable thermostat in a home with a heat pump or an electric furnace/central AC.

To learn more about the rebate offered by South River EMC, scan the QR code for details.

Savings That Keep the Comfort In

Replacing your heating and cooling system can be expensive, but so can running a system on its last leg.

If you're in the market for a new heating and cooling system, consider a higher seasonal energy efficiency ratio2, or SEER2, rating.

SEER2 measures the cooling efficiency of a system and the higher the SEER2 rating, the more efficient the system is at keeping you comfortable.

South River EMC offers rebates on efficient heating and cooling systems.

Scan the QR code for full details.

Clear Savings: Rebates on Energy-Efficient Windows

Windows are important to our comfort, and South River EMC offers a rebate if you are looking to replace them.

Replacing windows can be expensive, and you can look at it as a long-term investment. Energy-efficient windows can save money over time through lower heating and cooling costs.

They can also increase the value of your home when it comes time to sell one day. They will help improve natural light and keep out UV rays, which can cause wear and tear that will lead to added expenses over time.

When replacing existing windows you need to aim for quality. Also, stay true to the style of your home.

For information, scan the QR code.

Save Now, Swim Later: Pool Pump Rebates Available

Pool season is at an end and you could score a deal on a more efficient pump in the off season.

By upgrading a single-speed pool pump to a variable, or two-speed pump, you could save energy, water and money next pool season.

A pool pump with options on water and energy use can help you find the appropriate match for the tasks your pool has and help you save. Information on the rebate can be found by scanning the QR code.

Message from Advise Guy Robby Talton

Energy-Efficient Tricks to Keep Vampires Away

How to Stop Phantom Loads from Haunting Your Electric Bill

As the crisp air of fall rolls in, so do the hidden culprits behind rising energy bills—phantom loads. Also known as energy vampires, these sneaky sources of electricity drain occur when appliances and electronics continue to draw power even while in standby mode. If it's plugged in, it's a suspect. And for the average U.S. household, these phantom loads can add up to $100 annually.

With the proliferation of modern technology, stand-by power usage has quietly surged. It may seem counterintuitive—shouldn't smarter devices mean smarter energy use? But the reality is that many of today's most common electronics are designed to remain semi-active, ready to respond at a moment's notice. Devices with remote controls, such as televisions, DVD players, gaming consoles, garage door openers, routers and cable modems, are among the worst offenders.

Standby power—also referred to as vampire power, vampire draw, ghost load, or leaking electricity—is the energy consumed by appliances while they remain plugged in but not actively in use. Fortunately, there are simple and effective ways to make these phantom loads vanish.

One of the most efficient tools in the fight against energy vampires is the smart power strip. These strips feature multiple outlets, including a master outlet. When the device connected to the master outlet is turned off, the strip automatically cuts power to the other outlets, stopping unnecessary energy draw across the board.

If you're ready to take a stab at saving electricity, here are some practical steps to help you slay those energy vampires:

- Unplug appliances and electronics when not in use. Chargers for phones and other battery-operated devices continue to draw power even when not actively charging.
- Use power strips with a single switch. These allow you to disconnect multiple devices at once, making it easier to manage energy use.
- Prioritize high-draw devices. Televisions, DVD players, microwaves and computers are prime candidates for power strip use.
- Opt for rechargeable battery-powered clocks. These reduce reliance on constantly plugged-in devices.
- Choose Energy Star-rated electronics. When replacing or purchasing new devices, look for Energy Star certification. These products consume less power in standby mode, helping to reduce your overall phantom load.

While it may not be practical to unplug every device in your home, being mindful of your energy habits and investing in smarter solutions can make a noticeable difference.

For more energy-saving tips, videos, and resources, visit **sremc.com** or contact the Advise Guys at 910.892.8071.

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