

CEO Report

Walton EMC Annual Meeting

June 18, 2022

Thanks for your attention while I deliver an update on your cooperative's performance during the past year. I'm Ronnie Lee, CEO of Walton EMC. Above all, my commitment is to make decisions that result in the best impact on rates and reliability.

All cooperatives operate according to [core principles](#) that include democratic member control. During our annual meeting, you elect board members in nine districts throughout our 10-county service area that represent you, the customer-owner, in Walton EMC matters. This cooperative difference puts the focus on people, not profit.

As the 18th largest electric cooperative in the nation and the 5th largest in the state, your cooperative continues to raise the standard of service for electrical cooperatives, municipal power providers and investor-owned utilities.



Ronnie Lee, CEO

Your Co-op is Financially Stable

Electricity continues to be one of your household's best values, and we're proud of the financial choices made on your behalf.

According to the latest National Rural Utilities Cooperative Finance Corporation (CFC) report, Walton EMC's economic stability ranks high among co-ops in Georgia and the United States. The times interest earned ratio (TIER) measures a company's ability to pay its debt based on its current income. You should be pleased to know, that Walton EMC's TIER (financial security rating) is twice as good as the national electric co-op average.

As a member of Walton EMC, you're also an owner. One benefit of ownership in a not-for-profit cooperative is sharing funds remaining after expenses are paid and reserves are met for capital improvements and emergencies.

The co-op's directors assess the financial condition of the co-op to determine when and what amount of leftover funds, called capital credits, can be returned to members. Capital credit distributions are based on the amount of electricity each customer-owner uses. Walton EMC returned \$9 million in capital credits in December 2021.



CFC's report also highlights that Walton EMC is nationally in the top 20% of capital credit retirements. We treat your dollars respectfully and aim to be a good manager of your funds.

Rate Outlook

Although we expect our rates to remain stable in relation to the average and to other utilities' rates, there may be some slight increase in what you pay for power. The

explanation is simple. Your co-op is facing the same thing you're facing right now with your personal budget – a sharp increase in fossil fuel prices.

These price increases affect us in two ways. First, the price we pay for what we need to do business costs more.

Directly, the diesel that runs our heavy trucks and equipment costs three times more than it did just a few months ago (and we expect it to go higher). Indirectly, the cost of materials and everything else we buy is higher due to increased manufacturing and shipping costs.

Second, the cost of the fossil fuel used to produce electricity is going up.

Because coal has been replaced by natural gas for generating power (60 to 70 percent of our state's power is now produced with natural gas), it costs more to generate every kilowatt-hour we send to you. The natural gas price for electric generation has tripled since mid-2020.

Walton EMC - The Right Choice

In most states, large commercial and industrial customers don't have a choice for their electric supplier. That's not the case in Georgia.

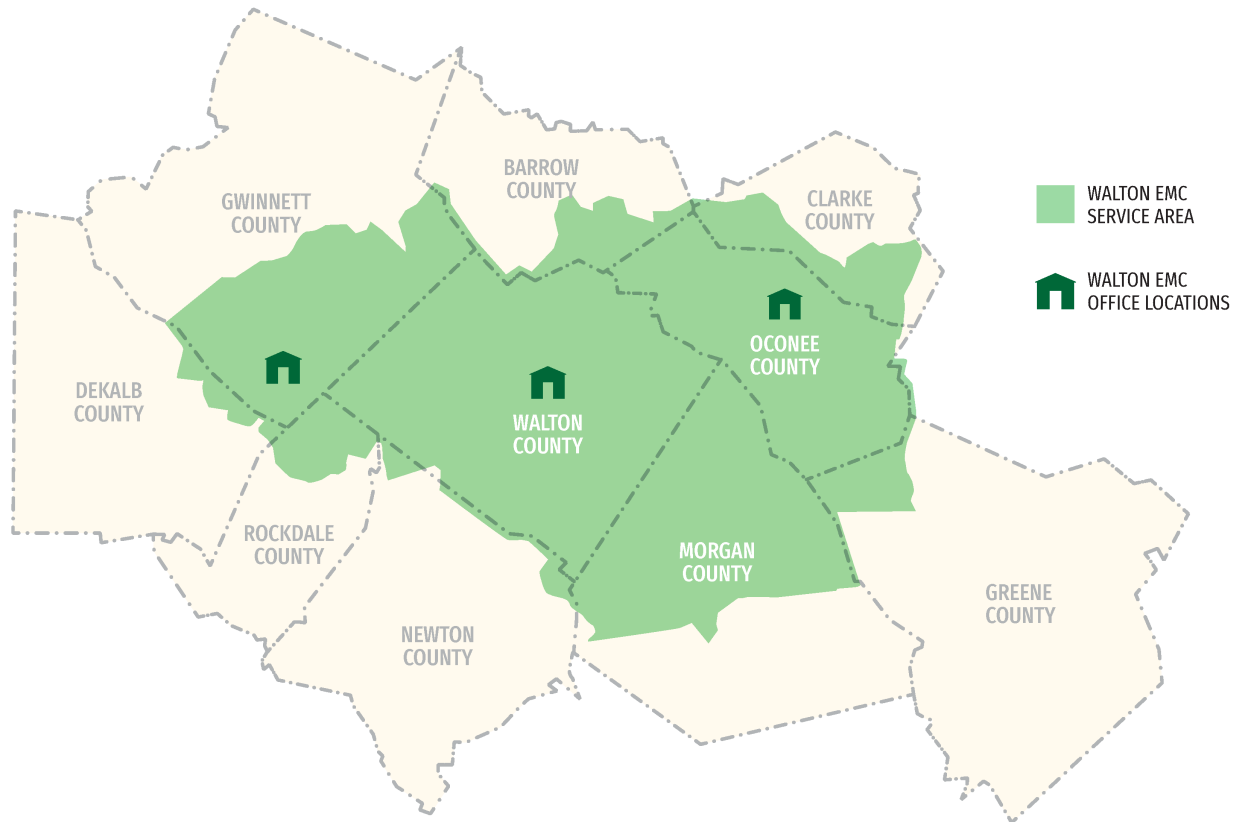
In 2016, 27% of Walton EMC's energy sales came from retail accounts. Today, 40% of our energy sales go to power Georgia businesses. That amount will increase as more large-scale companies arrive in the Peach State.

These numbers tell a story: large commercial and industrial customers continue to see Walton EMC as a flexible and innovative power supplier in Georgia.

Walton EMC is one of the most progressive electric utilities in the country. We're on the cutting edge of technology with a long history of serving large, quality-sensitive electrical loads of some of the [greatest companies in the country](#). We're known for providing unique solutions to customers' needs. And we deliver all of this at extremely competitive pricing.

Growing Population, Growing Co-op

87% of our customer-owners reside in Walton, Gwinnett and Oconee counties. Take a drive through any of these communities and you'll see homes, apartments and businesses going up around every corner. We've experienced a 2% increase in residential account accounts during the past year. We maintain staff, supplies and energy capacity to keep pace with the growing population in our service territory. Rest assured, we are always looking forward and looking out for you.



New Faces to Serve You

Your cooperative performs superior in many areas because of the 270 dependable, honest, and passionate employees that serve three campuses. Like many businesses in America, your cooperative is experiencing a transition in our workforce. Since June 1, 2021, 20 people have retired and 19 new hires are learning cooperative processes and procedures. With an influx of new workers, we must train employees to work safely and efficiently.

The national average for electric co-ops is 310 consumers per employee. Walton EMC ranks third in Georgia co-ops with 547 consumers per employee. Ultimately, that means we do more with less. Contractors and flexible staffing strategies allow us to maintain our position as a top performer while making the best use of the operating budget.

In Conclusion

In my 43 years at Walton EMC, I've had the privilege to add services with you in mind. I'm most proud of our security, natural gas and renewable energy offerings. Walton EMC will continue to listen to the needs of our customer-owners and investigate ways to continue to improve the service from and satisfaction with Walton EMC.