

Enhancing Our Community *through* Growth Initiatives

PALMETTO ELECTRIC COOPERATIVE, INC.

2022 ANNUAL REPORT



Palmetto Electric supported the Technical College of the Lowcountry's growth through the addition of its new Culinary Institute of the South in Bluffton, S.C.

**Jeremiah E. Vaigneur**

Chairman of the Board

A. Berl Davis Jr.President and
Chief Executive Officer

Community involvement is one of the key components of Palmetto Electric Cooperative's mission, and we strive to enhance the region of southern Beaufort, Hampton and Jasper counties by affecting positive change through our cooperative's involvement in key projects and funding initiatives. Our proud history of community-building leadership is why we focused heavily on growth projects in 2022—our goal was to support our community in any way necessary to develop strong and even more viable neighborhoods, since growth benefits everyone.

What we consider to be one of our biggest community growth projects this past year is the collaborative work we did with the Technical College of the Lowcountry and local government organizations to launch the Culinary Institute of the South. Tourism is a huge part of our area's economic development, and in the past, we lost skilled entrepreneurs, chefs and bakers to other parts of the state or country; we now have the capability to train and retain hospitality and restaurant employees in our local area. With a talented team of hands-on instructors with real-world experience in the hospitality industry, the Culinary Institute of the South has just celebrated its first full year in 2022 teaching students how to operate and manage our local restaurants. Please stop by the new culinary campus and check out the Palmetto Electric Trust lobby and The Bistro fine dining or Clist Café, student-run restaurants on the first floor of the school located at 1 Venture Drive in Bluffton's Buckwalter Place.

For many years, we have supported growth in education through scholarships to students and grants to teachers who apply for funding for educational initiatives they want to pursue. We also continue to support K-12 education by going into the schools and attending career days, where we show students the types of jobs available in their local electric cooperative and teach them about electrical safety. And we continue to send students to participate annually in both the statewide Cooperative Youth Summit and the national Washington Youth Tour, where local students get a chance to meet with legislators and learn about current initiatives affecting our community.

We helped grow economic development by giving the largest ever Utility Tax Credit grant to Hampton County to the tune of \$628,000. This money will help county leaders purchase land to attract new and innovative industries interested in expanding or moving their operations into our area.

And last, but certainly not least, we worked closely with residential builders who are building new housing developments in our service area, working with them to create energy-efficient homes at a variety of price levels to best serve our residents. We can look forward to planned growth that will bring new apartments and houses to our area, providing new opportunities, businesses, jobs and overall increased quality of living. Although these projects were initiated and funded in 2022, we can expect to see future benefits for many years to come from these growth initiatives. And that's good for all of us.

Jeremiah E. Vaigneur

A. Berl Davis Jr.



Enhancing Our Community *through* Growth Initiatives

The Lowcountry has experienced exponential growth in the last few years, and government leaders project continuing population growth in our service area. With many people moving here from other parts of the country, it's important that we are actively involved in supporting responsible growth in Palmetto Electric Cooperative's service area to positively impact our members in southern Beaufort, Hampton and Jasper counties. Here's a look back at our involvement in growth initiatives in 2022, many of which are continuing into 2023.

Growth *in* Education

Tourism is one of the biggest industries in our state, so there is a constant need for people to fill jobs in the restaurants that dot the Lowcountry landscape. In the past, classes were limited to train workers to fill these food service and hospitality positions, and many of our local students registered for classes at Trident Technical College or Savannah Technical College to get certified for employment in the industry. Inevitably, our area lost most of these students to permanent jobs in the cities and towns near those schools, leaving our local industry in need of workers. Dr. Richard Gough, president of the Technical College of the Lowcountry, spearheaded a plan to train and keep travel and tourism workers in our counties by raising capital and working with local government and business leaders to build the Culinary Institute of the South. Palmetto



"The Culinary Institute of the South at the Technical College of the Lowcountry has brought so much to my life. The chefs are amazing, smart and incredible people, and the new dean is a spectacular addition to the Culinary Institute."

— Jojo Arraj, the Culinary Institute of the South student

Electric is proud to be a supporter, through Palmetto Electric Trust's Operation Round Up, of the \$15.3 million Culinary Institute and its training classes in culinary arts, baking and pastry, and hospitality.



"We're a great supporter of what the Technical College of the Lowcountry does in educating students in a variety of trades. The Culinary Institute of the South is a natural fit for our community; Palmetto Electric is all about supporting people through education while also supporting tourism."

— A. Berl Davis Jr., President & CEO, Palmetto Electric Cooperative

Women Involved in Rural Electrification (WIRE) continues to provide an annual student scholarship, while Palmetto Electric Cooperative supports students attending the all-expense paid educational trips, the Washington Youth Tour and Cooperative Youth Summit. Palmetto Electric Trust (PET) has awarded Bright Ideas grants to K-12 teachers each year since 2004; this past year, we awarded \$44,133 in grants divided among 49 elementary, middle and high school teachers in southern Beaufort, Hampton and Jasper counties who developed educational projects to expand learning opportunities for their students.

We are proud of a group of fifth grade students from Hilton Head Island Elementary School for the Creative Arts, whose team won the local EnlightenSC Children's Book Challenge for the writing and illustration of an original book entitled, "Life of a Solar Panel." They went on to win second place in the statewide competition. Students (left to right) Austin Wiedemann, Isaiah Tyson, Jack Cerrati and Kolby Anthony took home certificates, gift cards and cash prizes presented by Palmetto Electric and The Electric Cooperatives of South Carolina.

For the first time in three years, Palmetto Electric was able to sponsor and send three rising high school seniors to participate in person in the 2022 Washington Youth Tour, an all-expense paid trip which previously operated virtually due to COVID-19 restrictions. Our cooperative also sponsored and sent another two high school students to take part in the Cooperative Youth Summit, another all-expense paid trip to the SC State House to learn about legislative advocacy and current issues affecting the local and state community.



A. Berl Davis Jr.

Dr. Richard Gough

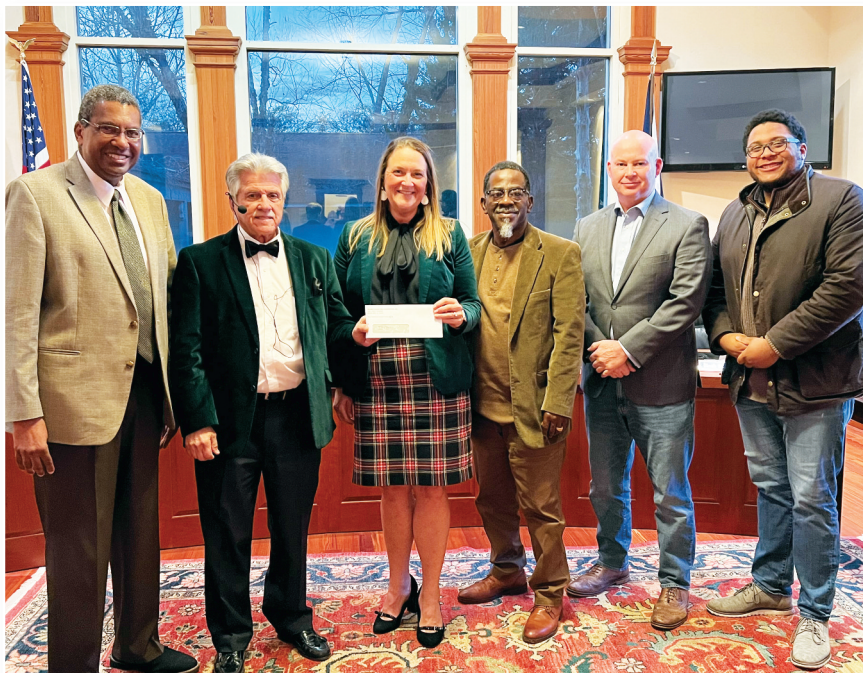
"Palmetto Electric knows the importance of workforce development and that we must have a trained workforce to do effective economic development. We receive financial and other support each year from Palmetto Electric, which has helped to buy furnishings and finish building construction of the Culinary Institute of the South."

— Dr. Richard Gough, President, Technical College of the Lowcountry



Growth in Economic Development

A strong economy is vital to all of us, enhancing job opportunities, attracting new industries, and improving the overall quality of life. Whenever there is an opportunity for Palmetto Electric to participate in improving the local economy, we are on board. We saw such an opportunity in 2022 when the SC General Assembly passed legislation that increased our ability to give larger grants to local counties to help enhance sites suitable for new, relocating or expanding businesses. Enabling legislation created these funds, called Utility Tax Credits (UTC), in 1996, allowing Palmetto Electric the ability to reallocate its state tax expense back into the local communities we serve for the purpose of economic development. Palmetto Electric has been able to grant the maximum allowed by law to help local governments since that time. In 2022, legislators approved, and the governor signed, legislation increasing the maximum UTC funding per year from \$400,000 to \$600,000. These funds are important to help counties and municipalities provide infrastructure, build or enhance industrial sites and acquire land for qualifying economic development projects. Once again, we maxed out our contribution, providing \$600,000 to Hampton County to purchase land on which to develop a new county-owned enhanced industrial site for future large-scale and innovative industries to begin operations. Palmetto Electric was able to add another \$28,000 in funding to the UTC grant, taken from "pool funds" not used by other cooperatives in South Carolina, making a total grant of \$628,000. Benefits to our members include job creation, community investment and a positive impact on the overall price of power.



In December 2022, Ashley Feaster, Palmetto Electric's Manager of Community Affairs & Economic Development, presented the UTC grant check to the Hampton County Council, (left to right) Dr. Roy Hollingsworth, Charles "Buddy" Phillips, Jordan "J.J." Jinks, Clay Bishop and Noah Alexander.

"This UTC grant is our first step in providing a product to fulfill the needs of those businesses coming to Hampton County who are looking for developable sites. UTC funding provides the opportunity to take money we would be giving to the state and invest it back into our community. It is one more way Palmetto Electric is always proactively trying to bring good jobs and capital investment to our area."

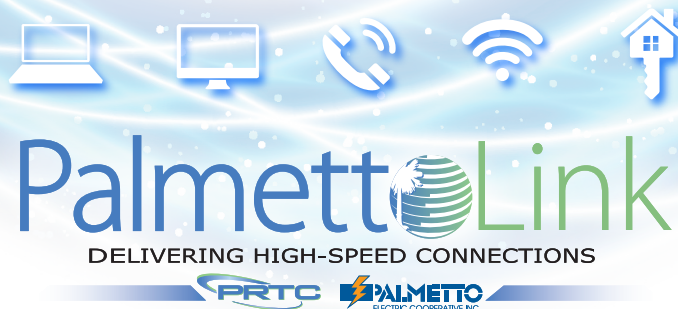
— Ashley Feaster, Manager of Community Affairs & Economic Development, Palmetto Electric Cooperative



"It has been night and day between PalmettoLink and our old provider. Hookup was a seamless process, our bill decreased, and internet dependability is up. We were very confident going into a relationship with PalmettoLink because it's a service offered by two cooperatives."

— Ann Cullen, Jasper County Palmetto Electric member

Throughout the year, we also continued to expand broadband internet access in the rural areas of Jasper and Hampton counties through PalmettoLink's partnership with Palmetto Rural Telephone Cooperative, installing fiber optic cable to bring high-speed web access to those who may not have viable connectivity. As of the end of 2022, more than 3,000 members will have high-speed fiber-to-the-home internet service available to them, and we expect that number to climb in 2023.



We also continue each year to invest in the community by providing funding to the United Way of the Lowcountry. Last year, Palmetto Electric and our employees together pledged \$40,394 to the United Way over the course of the year, money that is used to help a wide range of local organizations in Beaufort and Jasper counties to create lasting change in the areas of basic needs, education, economic mobility and health.



Growth in Housing

Last year we focused heavily on partnering with developers in our service area as they built new houses, apartments and townhomes. We worked with developers to encourage energy-efficient development, as well as promoted Palmetto Electric's load management programs to keep energy costs down for all members. We collaborated to provide both electricity and high-speed broadband connectivity through PalmettoLink in 12 high-profile developments. Although these developments will continue building out in 2023, we made great strides in providing as much information and assistance as possible to improve energy efficiency in all the new homes. Two of the new developments will bring additional housing opportunities to Beaufort County, featuring all-electric utilities and PalmettoLink internet service in a \$115 million investment by the developers. In total, additional developers plan to add more than 7,000 units over the next few years.



Corey Tuten, Palmetto Electric Key Accounts Representative, is discussing all-electric options with Jack Harden, RP Homes Senior Project Manager, on site at the Pepper Hall development in Bluffton, S.C.

"We see the Pepper Hall development as a way of providing residents in Beaufort County brand new high-end living options that feel like a cozy single-family neighborhood but with the effortless living that comes with a rental."

— Dana Severson, Chief of Staff, RP Homes



"We want the member to know when they buy a Palmetto Electric-served home, they are in the Palmetto Electric family."

— Corey Tuten, Key Accounts Representative, Palmetto Electric Cooperative



Palmetto Electric's Engineering Department, (left to right) Garry Richardson, GIS Supervisor; Katie Pittinger, GIS Technician and Matt Loxley, System Engineer; work on plans to provide affordable and dependable energy to the new developments in our service area.



Jeremiah E. Vaigneur
Chairman of the Board
JASPER COUNTY



C. Alex Ulmer
Vice Chairman
BEAUFORT COUNTY



Eunice F. Spilliards
Secretary/Treasurer
JASPER COUNTY



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JASPER COUNTY



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Nicholas T. Gohagan
HAMPTON COUNTY



Carolyn Grant
BEAUFORT COUNTY



Alicia Holland
BEAUFORT COUNTY



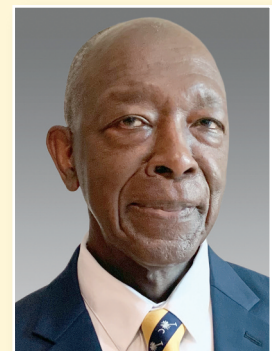
William J. Nimmer
BEAUFORT COUNTY



James L. Rowe
BEAUFORT COUNTY



D. Terrell Smith
HAMPTON COUNTY



David L. White
BEAUFORT COUNTY

Palmetto Electric Cooperative is governed by a policymaking board of 12 directors—six who reside in Beaufort County, three who reside in Hampton County and three who reside in Jasper County. The directors serve terms of three years each, with terms of two directors from Beaufort County and one director each from Jasper and Hampton counties expiring each year. These directors are elected at the Annual Meeting of the members and exercise all of the powers of the Cooperative, except those reserved for the members, according to the bylaws of Palmetto Electric.

BALANCE SHEET

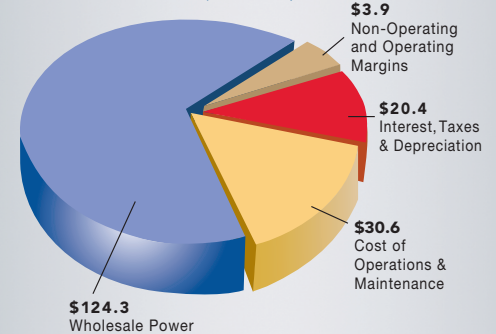
AS OF DECEMBER 31,

ASSETS:	2022	2021
Total Utility Plant	\$ 319,953,931	\$ 299,439,809
Less: Provision for Depreciation	112,370,949	104,313,663
Net Utility Plant	\$ 207,582,982	\$ 195,126,146
Other Property & Investments	20,366,568	18,283,601
Cash—General Fund	5,776,192	11,663,749
Accounts Receivable	7,131,208	4,594,520
Materials & Supplies	17,821,300	5,172,882
Accrued Unbilled Revenue	10,947,083	7,192,295
Prepayments	255,494	232,211
Total Current and Accrued Assets	41,931,277	28,855,657
Deferred Charges	5,576,048	11,305,485
Total Assets and Other Debits	<u>275,456,875</u>	<u>253,570,889</u>
LIABILITIES:		
Memberships	\$ 318,195	\$ 314,905
Patronage Capital	89,836,777	89,872,240
Other Equities	8,867,622	8,835,836
Total Equity	\$ 99,022,594	\$ 99,022,981
Total Long-Term Debt	102,566,459	84,409,158
Accounts Payable	\$ 17,590,401	\$ 10,292,837
Consumer Deposits	5,559,840	5,416,407
Other Current and Accrued Liabilities	50,717,581	54,429,506
Total Current and Accrued Liabilities	73,867,822	70,138,750
Total Liabilities and Other Credits	<u>\$ 275,456,875</u>	<u>\$ 253,570,889</u>

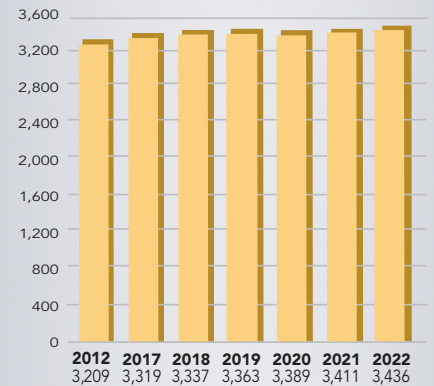
STATEMENT OF MARGINS AND PATRONAGE CAPITAL

AS OF DECEMBER 31,

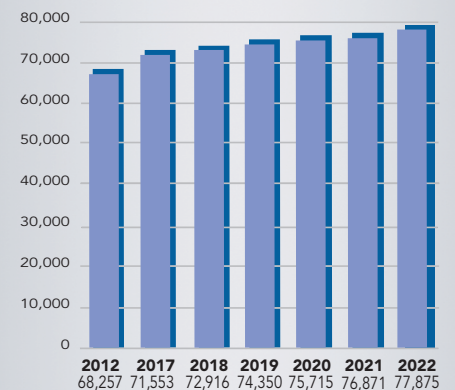
	2022	2021
Operating Revenue	\$ 177,771,237	\$ 167,734,426
Operating Expense	\$ 124,342,436	\$ 114,989,213
Cost of Power	11,643,335	10,808,527
Operation and Maintenance	5,891,662	5,766,238
Consumer Accounts	13,147,084	12,492,932
Administrative and General	10,155,499	9,928,995
Depreciation	6,561,055	6,205,640
Taxes	3,700,457	3,510,664
Interest		
Total Operating Expense	175,441,528	163,702,209
Net Operating Margins	\$ 2,329,709	\$ 4,032,217
Non-Operating Margins	\$ (892,441)	\$ 2,792,453
Patronage Capital from Associated Organizations	2,554,188	1,123,351
	1,661,747	3,915,804
Net Margins	\$ 3,991,456	\$ 7,948,021
Patronage Capital—Beginning of Year	\$ 93,863,696	\$ 94,080,628
Retirement of Capital Credits	4,026,919	4,208,388
Patronage Capital—End of Year	\$ 89,836,777	\$ 89,872,240

HOW YOUR DOLLAR WAS SPENT IN 2022
(in millions)TOTAL REVENUE
\$177,771,237

MILES OF LINE



CONSUMER MEMBER ACCOUNTS



KWH/SOLD (Millions)

2012	2017	2018	2019	2020	2021	2022
1,360.5	1,451.0	1,540.3	1,510.0	1,478.5	1,551.7	1,493.0



Hampton: 803-943-2211 Hilton Head: 843-681-5551
New River: 843-208-5551 Ridgeland: 843-726-5551
1-800-922-5551 palmetto.coop

For power outages, call: **PowerTouch**
1-866-445-5551

