

Horry Electric Cooperative, Inc.

www.horryelectric.com

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(to report power outages only)

369-2212

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James P. "Pat" Howle
Executive Vice President and CEO

Eugene Harriott, Jr.
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Marcus E. Gerald

Co-op Connection Editor

Penelope D. Hinson
penelope.hinson@horryelectric.com

Horry Electric Cooperative, Inc. is a non-profit, member-owned organization providing information and energy-related services on a fair and equitable basis.



Your Touchstone Energy® Partner

The generation gap

We're planning for day when gap between supply, demand closes

ELECTRIC CO-OPS HAVE important energy choices to make. Tighter government regulations—and the high cost to comply with new rules—may signal lights-out for many of the nation's



older coal-fired power plants at a time when forecasters predict energy demand will eventually outpace supply. We're approaching crunch time on our ability to keep the lights on. We need to build new power plants.

As the economy rebounds, so will our nation's hunger for electricity. The U.S. Energy Information Administration predicts when the 2010 numbers are tallied, energy use will shoot up 5 percent from 2009.

The North American Electric Reliability Corporation (NERC), a bulk power grid watchdog, estimates 135,000 MW of generation needs to be built by 2017 to meet American energy demand. Generation facilities on the drawing board, though, will only deliver 77,000 MW—leaving a generation gap.

Compounding this issue, a NERC-commissioned report claims new government rules could force utilities to retire or retrofit 33,000 MW to 70,000 MW of generating capacity by 2015. Meanwhile, every year we delay building new plants drives up construction costs. If we wait too long, America could see power shortages by the end of this decade.

Reliability, affordability

At Horry Electric Cooperative, we're focused on two key goals: reliability and affordability. Although Horry

Electric doesn't build and operate power plants—as a distribution cooperative, we focus on delivering power to you—we're working with our wholesale power aggregator, Central Electric Power Cooperative, to find the best fuel mix solution for your future.

We're proactively working to secure the power you need. While continuing to buy most of our electricity from Santee Cooper, the state-owned utility, last year Central signed an agreement to purchase some wholesale power from Duke Energy, an investor-owned utility. The first purchases are scheduled to begin in 2013 and, by 2019, could be as much as 1,000 megawatts of capacity, nearly a quarter of our present needs. That agreement is worth nearly \$2 billion in savings to S.C. co-op members.

Looking out for you

We're also proposing that the Carolinas' major utilities share the cost and power output of building new nuclear reactors. If everybody participates, we can hold down costs and gain flexibility to meet customer demand and new climate change regulations.

We appreciate your support as we make these critical and time-sensitive choices. Balancing your energy needs with electricity reliability and affordability is one more way we're looking out for you.

James P. "Pat" Howle
Executive Vice President/CEO

Official notice of Annual Meeting

THE ANNUAL BUSINESS MEETING of the members of Horry Electric Cooperative, Inc., will be held at the Myrtle Beach Convention Center on Tuesday, April 12, at 7 p.m. The Myrtle Beach Convention Center is located at 2100 21st Avenue North, Myrtle Beach, South Carolina. Action will be taken on the following matters:

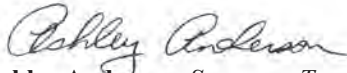
- ▶ The report of Officers, Trustees and Committees
- ▶ The election of Trustees
- ▶ All other business which may come before the meeting of members.

Registration at the Annual

Meeting begins at 12 noon and each Cooperative member is urged to be present and take part in the meeting.

Each member who registers will receive a \$15 credit on his or her electric bill. **ONLY THOSE WHO REGISTER, IN PERSON, AT THE ANNUAL MEETING BETWEEN THE HOURS OF NOON AND 7 P.M. ARE ELIGIBLE TO RECEIVE THE REGISTRATION GIFT.**

Prize drawings for additional gifts will be held following the business meeting. You must be present at the time of the prize drawing in order to win.



Ashley Anderson, Secretary-Treasurer

Grand prize

2000 Chevrolet Silverado pickup w/tool box



Other Prizes:

\$400 First
 \$200..... Second
 \$100 Third

PLUS,
 drawings for more than 50 door prizes!

You **MUST** be present at the time of the prize drawing in order to WIN!

Annual Meeting program

12-7 p.m.Registration and Voting
 2-7 p.m.Entertainment
 7 p.m.Business Meeting
 Prize Drawing
 Adjournment



IMPORTANT! THIS IS YOUR REGISTRATION CARD. Only those who register in person, at the Annual Meeting between the hours of noon and 7 p.m. are eligible to receive the registration gift.

TOGETHER WE SAVE

Bring this notice and a photo ID to the Annual Meeting, April 12, to be eligible to register and receive the \$15 credit on your electric bill.



12 noon - 7 P.M. REGISTRATION & VOTING

Join us at this year's Annual Meeting and take part in the **Loris Healthcare System and HEC's WIRE Chapter Health/Wellness Fair.**

Additional details are available in the April edition of *South Carolina Living* or at www.horryelectric.com

ELECTION OF TRUSTEES

DISTRICT 3
 Johnny Shelley
 (Incumbent)

DISTRICT 8
 Eugene Harriott, Jr.
 (Incumbent)

DISTRICT 9
 Marcus E. Gerald
 (Incumbent)
 Frederick (Freddy) Thompkins
 (Nominee)



This year's lucky grand prize winner will drive away in a 2000 Chevrolet Silverado w/tool box!
 YOU MUST BE PRESENT TO WIN.

OFFICIAL NOTICE OF 2011 ANNUAL MEETING

The Annual Meeting of the members of Horry Electric Cooperative, Inc. will be held at the Myrtle Beach Convention Center at 2101 North Oak St. in Myrtle Beach, SC on Tuesday, April 12, 2011 at 7 p.m., to take action upon the following matters:

1. The Report of Officers, Trustees and Committees.
2. The election of Trustees.
3. All other business which may come before the meeting of members.



Ashley Anderson
 Secretary-Treasurer

IMPORTANT!

Registration lines will be long, but the process will move a lot more quickly if you are prepared with your Official Notice Postcard and a photo ID.

Registration gift

\$15

Credit on Electric Bill

Only those who register, in person, to participate in the Annual Meeting of Members of Horry Electric Cooperative, Inc., between the hours of noon and 7 p.m., on Tuesday, April 12, at the Myrtle Beach Convention Center are eligible to receive the Annual Meeting Registration Gift.

ABSOLUTELY NO EXCEPTIONS!

Horry Financial View

ASSETS

UTILITY PLANT

Electric plant in service—at cost	\$ 280,540,760
Construction work in progress	6,185,555
Gross utility plant	<u>286,726,315</u>
Less: accumulated provision for depreciation	<u>55,982,972</u>

Utility plant — net **\$230,743,343**

OTHER PROPERTY AND INVESTMENTS

Investment in associated organizations	\$ 8,216,068
Other investments	<u>755,996</u>

Total other property investments **\$ 8,972,064**

CURRENT ASSETS

Cash and cash equivalents	\$ 21,453,440
Accounts receivable	7,570,379
Accounts receivable — other	576,526
Materials and supplies	3,074,845
Other	<u>4,151,022</u>

Total current and accrued assets **\$ 36,826,212**

DEFERRED DEBITS **\$ 233,412**

TOTAL ASSETS **\$ 276,775,031**

Horry Electric Cooperative, Inc.

Your Touchstone Energy® Partner
The power of human connections



EQUITIES AND LIABILITIES

EQUITIES

Membership fees	\$ 259,365
Patronage capital	60,509,491
Other equities	6,973,538
Total equities	<u>\$ 67,742,394</u>

LONG-TERM DEBT

RUS	\$ 100,773,125
FFB	51,126,344
CFC	25,125,789

Total long-term debt **\$177,025,258**

OTHER NONCURRENT LIABILITIES

Accumulated operating provision	<u>\$ 599,959</u>
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CURRENT LIABILITIES

Current maturities of mortgage notes	\$ 6,082,618
Accounts payable	16,702,890
Consumer deposits	4,556,712
Accrued and withheld taxes	
Other current and accrued liabilities	<u>4,065,200</u>

Total current liabilities **\$ 31,407,420**

TOTAL EQUITIES AND LIABILITIES **\$276,775,031**

What we took in: \$ 134,274,640
What we paid out: 129,847,401

Patronage capital and operating margins 4,427,239

Other income and equity 981,145

WE HAD LEFT: **\$ 5,408,384**

Comparative operating statistics

GROWTH

	2010	2009	2008	2007
Average kwh per residential member per month	1,343	1,235	1,255	1,284
Average residential bill per month	\$157.96	\$146.97	\$137.62	\$127.26
Consumers on system	65,864	65,173	63,843	62,252
Miles of line	4,893	4,856	4,804	4,689
Average cost per kwh sold (cents)	11.7	11.8	10.9	9.8

EXPENSES

Wholesale power	68%	65%	63%	62%
Operating maintenance and general expenses	16%	18%	19%	20%
Depreciation	7%	8%	8%	8%
Interest	8%	8%	9%	9%
Taxes	<u>1%</u>	<u>1%</u>	<u>1%</u>	<u>1%</u>
Total	100%	100%	100%	100%

Horry Electric Cooperative, Inc.

Statement of nondiscrimination

Horry Electric Cooperative, Inc. is the recipient of Federal financial assistance from the Rural Utilities Service, an agency of the U.S. Department of Agriculture, and is subject to the provisions of Title VI of the Civil Rights Act of 1964, as amended, Section 504 of the Rehabilitation Act of 1973, as amended, the Age Discrimination Act of 1975, as amended, and the rules and regulations of the U.S. Department of Agriculture, which provide that no person in the United States on the basis of race, color, national origin, sex, religion, age, or disability shall be excluded from participation in, the admission or access to, denied benefits of, or otherwise be subjected to discrimination under any of this organization's programs or activities.

The person responsible for coordinating this organization's nondiscrimination compliance efforts is Abigail Lewis, human resources coordinator. Any individual, or specific class of individuals, who feels that this organization has subjected them to discrimination may obtain further information about the statutes and regulations listed above from and/or file a written complaint with this organization; or write USDA, director, Office of Civil Rights, 1400 Independence Avenue, SW, Washington, DC 20250-9410; or call, toll free, (866) 632-9992 (voice). TDD users can contact USDA through local relay or the Federal relay at (800) 877-8399 (TDD) or (866) 377-8642 (relay voice users). USDA is an equal opportunity provider and employer. Complaints must be filed within 180 days after the alleged discrimination. Confidentiality will be maintained to the extent possible.



Your Touchstone Energy® Partner

Board of Trustees



W. T. Johnson Jr.
Attorney



Elaine D. Gore
District No. 1



Bobby E. Jordan
District No. 2



Johnny M. Shelley
District No. 3
President



Franklin C. Blanton
District No. 4



Ronald H. Floyd
District No. 5



Henry W. Boyd
District No. 6



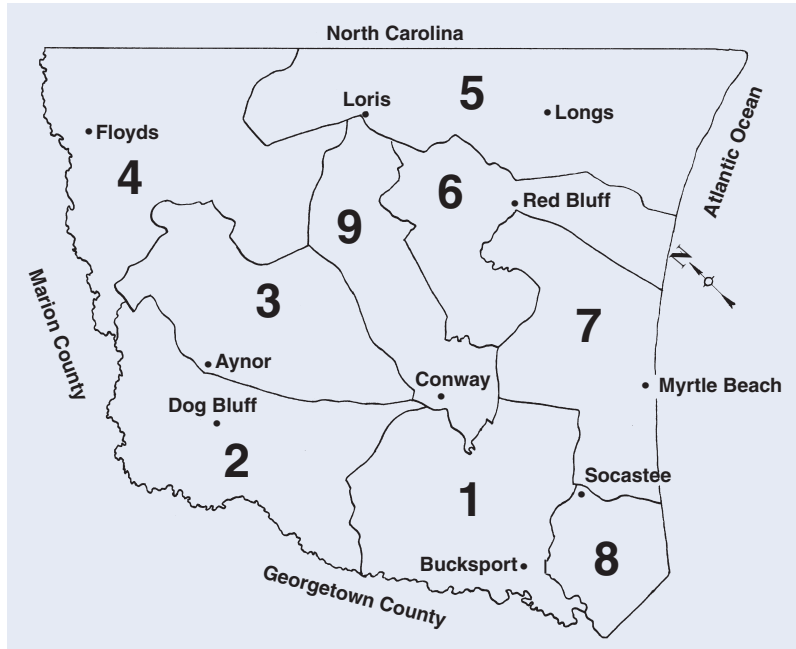
Ashley Anderson
District No. 7
Secretary and Treasurer



Eugene Harriott Jr.
District No. 8
Vice President



Marcus E. Gerald
District No. 9



2011 trustee candidates

THE MEMBERS of the Nominating Committee, duly assembled, after giving full consideration to the district location, did nominate the following members of the cooperative as trustee candidates for a three-year term beginning April 13, 2011. The names also appear on the Official Notice of Annual Meeting, which was mailed Friday, April 1, 2011.

DISTRICT #3

Johnny M. Shelley (incumbent)
7150 Highway 917
Nichols, SC 29581

JOHNNY SHELLEY and his wife, Sonnie, have two children: Kristi and Cam. Kristi is married to Brian Forbus, and they have a son, Cole. Cam and his wife Jill have a daughter, Jaelyn, and a son, Jackson. They live in the Pleasant View community and are members of the Pleasant View Baptist Church.

A farmer, Shelley has also had the experience as a science and physical education teacher.

Shelley is a graduate of Floyds High School and of Campbell University. He plays an active role in Horry County and his community. He currently serves on the steering committee of the AHEAD (Alliance for Health, Economic and Agriculture Development), a Washington, DC-based group. He also serves as president of Jubilee Management Company (a company overseeing the well-being of senior citizens in an assisted-living setting).

Shelley served on Horry County Council representing District 10 from 1987 until 2000. He has served on the East Coast Ethanol Board of Directors and was the 2004 governor's appointee to the Revitalization Phase II Board.

Shelley was elected to the Board of Trustees of Horry Electric in 2002, where he serves as president.

DISTRICT #8

Eugene Harriott Jr. (incumbent)
110006 Freewood Road
Myrtle Beach, SC 29588

EUGENE HARRIOTT has three children and one grandchild. He lives in the Burgess community and is a member of New Bethel Baptist Church.

Harriott is a registered barber. He served in the United States Army for three years as an aircraft hydraulic repairman. He is a Vietnam veteran.

DISTRICT #9

Marcus Gerald (incumbent)
631 Cane Branch Road
Loris, SC 29569

MARCUS GERALD and his wife, Julie, live in the Allsbrook community and are members of the Cane Branch Baptist Church. They have two children, Faith and Lindsey.

An active member of the community, Gerald is a farmer and has interests in construction. He owns and operates Cane Branch Construction, is a member and past president of the Loris Lions Club and serves as president of the Horry-Loris Farm Bureau. He is a former member and past chairman of the Horry County Farm Services Agency and a former member of the Horry County Planning Commission. In 1991, Gerald was named by the South Carolina Jaycees as Outstanding Young American in Agriculture. He was named Conservation Farmer of the Year in 2004.

Gerald has served as a trustee

for Horry Electric Cooperative since 2000. He has successfully completed numerous training courses through the National Rural Electric Cooperative Association and has earned the status of Credentialed Cooperative Director.

Gerald has represented Horry Electric and its members on the statewide boards of the Cooperative Electric Energy Utility Supply and of The Electric Cooperatives of South Carolina.

Freddy Thompkins (nominee)
3955 Long Avenue Extension
Conway, SC 29526

FREDDY THOMPKINS and his wife, Minnieree Allen Thompkins, have lived in the Maple community for more than 20 years. They are members of The Rock Community Church and have two children, Allen Thompkins and Crystal Calhoun, and two grandchildren, Colby Calhoun and Callie Cate Calhoun.

An active member of the community, Thompkins is a member of the Masons and the Shriners. He retired from Horry Telephone Cooperative and is currently employed with Benton Concrete. He is a Vietnam veteran in the First Air Cavalry Division, where he served 13 months as a helicopter door gunner and as a crew chief. At that time, he was awarded the Army Commendation Medal with a V for Valor, a Combat Entry Badge and Flight Wings. While stationed at Fort Rucker in Dothan, Alabama, he was nominated for Soldier of the Year Award with his company.

In his spare time, Thompkins enjoys watching sports, fishing, boating and spending time with his family.

It pays to be a member!

BY PENELOPE HINSON

NOT MANY BUSINESSES pay you for buying something you wouldn't want to live without — but electric cooperatives do.

The 'payment' happens through something known as 'capital credits'. Capital credits come from the money a cooperative has left over after paying all of its expenses in a given year. At the end of the year, that money is allocated to each member's account, according to the amount of electricity the customer bought.

When finances allow, Horry Electric Cooperative returns capital credits to its member/owners in the form of a capital credit check. "Last year, the cooperative disbursed more than \$1,235,000 from the capital credits account," said Jodi Braziel, manager of office services for the cooperative. "This year, we're proud to announce we'll be distributing approximately \$1,500,000."

A different way of doing business

Unlike other types of companies, cooperatives do not have shareholders who expect to make money from the profits generated by the company. Cooperatives are not-for-profit businesses that exist solely to provide their members with a particular service such as electricity.

"In a co-op, the net margins don't belong to the company; they belong to the consumers who paid their monthly electric bills," said Braziel.

In effect, the members of a cooperative are the stakeholders. Because of that, when the cooperative takes in more money than is needed to run the business, the owners are entitled to a portion of it.

How do capital credits work?

A member's 'equity' in the cooperative is based on the amount of power the customer has purchased during the year.

"The more electricity the customer

Capital credit disbursement 2011

This year, member owners will be receiving a portion of the capital credits assignment for 1987 and 2010. The allowable retirement this year is \$1,500,000 less \$500,000 in estate payments. The total amount being distributed is \$1,000,000.

If you were a member in 2010, you will receive 3.5% of your 2010 assignment. If you were a member in 1987, you will receive the remaining unretired balance of your assignment for that year.

Example of 2010 allocation, retirement

You can calculate the approximate amount of your 2010 allocation and disbursement by using this example. Capital credit disbursements are made in the form of a capital credit check, which will be mailed to you by the end of April.

If your 2010 electric bills totaled:	\$200	\$500	\$1,000	\$1,500
The 2010 assignment percent is: (multiply the percentage times your bills)	4%	4%	4%	4%
Your capital credit assignment for 2010 would be:	\$8	\$20	\$40	\$60
We will be paying 3.5% of the 2010 margin assignment; your general retirement refund for 2010 would be approximately:	\$0.28	\$0.70	\$1.40	\$2.10

buys, the higher their share of equity," says Ashley Anderson, secretary and treasurer of the board of trustees of Horry Electric Cooperative. "The co-op sets up a credit account that shows on the books the share of the year's net margins belonging to each member."

Generally, the members don't receive a check the same year they earned the capital credits. "That's because electric cooperatives use their members' equity to fund system improvements," said Anderson.

"If we couldn't get the operating capital from member payments, we'd have to borrow from the bank or some other source, which would cause electric rates to go up," said Braziel.

As new member equity funds come in year after year, the cooperative is able to 'retire' its older capital credit funds, issuing members their share in the form of a capital credit check.

Due to the expense of processing and issuing checks, capital credit refunds below \$3 will be credited to

the individual's electric account. "So if you don't get a check, you'll see a credit on your electric bill," said Braziel.

Capital credit checks are expected to be delivered to members by the end of April. "It's an exciting time for us around here," said Braziel. "Being able to return capital credits is a direct reflection on the financial strength and stability of your cooperative and that's something in which we can all take pride.

"To help members calculate and estimate what their capital credit check might be, we created the chart at the top of the page," said Braziel. "If you still have questions, please don't hesitate to call us." ☎

Member economic participation is one of the seven cooperative principles, and it's another way your cooperative is looking out for you.