



INNOVATION

2013 ANNUAL REPORT



Wake Electric
Membership Corporation
A Touchstone Energy Cooperative



Jim Mangum | General Manager & Chief Executive Officer

A YEAR IN REVIEW: HIGHLIGHTS OF 2013

Here at Wake Electric, we work hard to deliver safe, affordable, and reliable electricity to our members every day.

But we don't stop there. Because we're a cooperative, we strive to provide real value to you and the communities we serve.

NEW TECHNOLOGY

Today, new technologies present us with unprecedented opportunity. Twenty years ago, none of us could have imagined a smartphone. Now, even the electric grid is smart. To keep up with the changing times, Wake Electric continues to identify new state-of-the-art technology to help members manage their electric usage, and keep the cooperative at the forefront of an ever-changing energy market.

In March 2013, Wake Electric concluded the initial portion of its advanced metering infrastructure (AMI) meter exchange project, which included 35,000 residential and non-demand metered accounts. AMI meters store electric use, outage and voltage information, as well as communicate it back to the co-op office through a secure, wireless communication network. Deploying solutions like our AMI system allows us to pinpoint outages and improve service reliability. This investment reduces our operational costs not only during outages but throughout our day-to-day operations.

AMI meters also made possible the Monitor & Manage program now known as "My Usage." It is an online energy monitoring system that utilizes Wake Electric's smart grid communications network to collect monthly, daily and hourly energy data reports from each home. Interval data reports are available through SmartHub, our online bill payment system, under the "My Usage" tab. These reports allow members to better evaluate and manage their energy consumption.

PREPARING FOR OUR FUTURE

To prepare for future growth, Wake Electric announced in 2013 plans to build a new office in downtown Wake Forest that will provide better customer facilities with moderate construction costs at favorable, long-term financing. The new building will have a customer service office for our members and will have meeting space available that local organizations can use as well.

It boasts plenty of disaster recovery space and a robust building design, including space designated for employee meetings, assemblies and meals during system emergencies. The cooperative anticipates the grand opening will occur in 2015.

SAFETY AND TRAINING

Wake Electric provides education and training for our employees so they can contribute effectively to the development of their cooperative and provide exceptional customer service to our members.

Safety is also a top priority that's



Wake Electric's new office building in downtown Wake Forest will open in 2015.

part of our everyday culture, both in the field and in the office. I'm proud to say that Wake Electric did not have any "cases with days away from work" or "cases with job transfer or restriction" reportable on our Occupational Safety and Health Administration Form 300A in 2013, demonstrating our ongoing commitment to safety. Also, in 2013, 93 percent of our employees received safety awards, meaning these employees worked one year full time with no lost time/restricted days or recordable accidents and no write-ups for safety violations. Wake Electric also held many important safety programs, including Pole Top Rescue recertification and Bucket Rescue training, and all our participating climbers met the requirements for recertification.

In all areas of our operations, we want to go farther and do better, from providing superior member service through highly trained and skilled employees, to offering technology that helps you save time and money.

Whether it's a smarter grid, training our work force, or preparing for the future, we're controlling costs through innovation because we want to be good stewards of your resources. We don't want to simply provide you with affordable, safe and reliable service—we want to develop new ways to make a valuable difference for our members and our communities.



Jeff Garrett, operations technician, participates in the Pole Top Rescue competition.

Roy Ed Jones, Jr. | President, Board of Directors



POWER OF COMMUNITY

One of the seven guiding principles of cooperatives is “concern for community.” Wake Electric takes that charge seriously. The cooperative serves as a vibrant force in the local economy—partly because we are local. We care about improving the communities we serve because they are our communities, too.

At Wake Electric, we provide a wide variety of programs that benefit youth of all ages, teachers and nonprofit organizations, as well as individual members in need. From giving scholarships to local students to supplying grant money to deserving teachers, we care about the people and the towns we serve.

The Wake Electric Care Foundation is at the center of our many community relations efforts. The Wake Electric Care Foundation is primarily funded by Wake Electric’s Operation RoundUp program. Through the Operation RoundUp program, Wake Electric members agree to round their electric bill to the nearest whole dollar, with the extra pennies going to local non-profits and community initiatives. For example, if the electric bill is \$190.91, through the Operation RoundUp program, it will be rounded up 9 cents to \$191. Thanks to the members who participate in this worthwhile program, the pennies add up to major dollars that truly make a difference in the lives of so many in our service area.

In 2013 alone, Wake Electric Care

Foundation awarded more than \$21,000 in grants to enhance economic infrastructure and job creation, promote service or charitable organizations, and meet emergency needs of individuals within the service area of Wake Electric.

Also in 2013, Wake Electric Care Foundation awarded more than \$49,100 in Bright Ideas education grant monies and more than \$19,000 in Classroom Technology Awards grants to K–12 public school teachers in our seven-county service territory. These education grants help fund creative classroom projects that otherwise would not be funded. Wake Electric Care Foundation also awarded \$25 Visa gift cards to 120 local students through the “Give Us an A” program to motivate

students to continue to do their best.

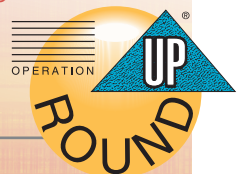
And our community efforts are not always financial. Wake Electric also teaches children through electric safety demonstrations at local schools and community events. There’s no better way to get an electrical safety message across than to show a group of second graders what happens when a plastic figurine touches a live electric line.

As a not-for-profit cooperative owned by the people we serve, Wake Electric’s core values center on giving back to our local communities. Most people think their electric company just charges them for electricity—it’s nice to know Wake Electric is more than that. When it comes to Wake Electric, community comes first.

WAKE ELECTRIC FOUNDATION REPORT

2013 SUMMARY, January 1, 2013 to December 31, 2013

BEGINNING BALANCE 1/1/13	\$200,350
NET CONTRIBUTIONS AVAILABLE	143,889
	\$344,239



Community Grants

Special Olympics of NC	Remnant Community Development
NC Hunters for the Hungry	Safe Space, Inc.
Durham County Health Department	A Blessing, Inc.
Building 323 Food Pantry	Kerr Bots-Vance County 4H Robotics
Bridges of Hope/Helping Hands	Granville County Extension Volunteer Association
Autism Society of NC	Isaiah 58:12 Project, Inc.
Brassfield Fire Department	Mercy for America’s Children
Franklin-Granville-Vance Smart Start	Vance County 4H
Meals on Wheels of Wake County	

COMMUNITY GRANTS TOTAL (\$21,050)

Educational

Bright Ideas Teacher Grants
Classroom Technology Grants
2013 Rural Electric Youth Tour
Wake Electric Scholarships
Give Us An “A”

EDUCATIONAL GRANTS TOTAL	(103,189)
MEMBER ASSISTANCE	(19,000)
ENDING BALANCE 12/31/13	\$201,000



Chloe Bowman of G.C. Hawley Middle School in Granville County was awarded the 2013

Touchstone Energy Sports Camp scholarship to attend the Wolfpack Women’s Basketball Camp, sponsored by Wake Electric. She met North Carolina State University women’s basketball coach Wes Moore (pictured) during her weeklong camp experience.

PUTTING IDEAS INTO ACTION

GROWTH AND SALES

Wake Electric has come a long way since those first miles of line were energized in 1941, when we served 600 members. Ten years ago, the co-op served 25,831 members. By 2013, we served 37,474 consumers. After experiencing an economic slowdown from 2008–2011, our growth rate is again on the rise. The 2013 growth rate was 3.4 percent, up from 2.4 percent in 2012. We had a net gain of 1,249 new accounts in 2013, which shows our service territory remains a vibrant, growing community.

In 2013, Wake Electric's total sales were 674 million kWh, up 2.9 percent from the kWh sold in 2012.

OPERATIONS AND MAINTENANCE

Wake Electric now has 58 miles of transmission lines and 3,026 miles of distribution lines. Thirty-eight percent of our power lines are underground.

In 2013, Wake Electric invested more than \$11.62 million in new poles, overhead and underground lines, transformers, meters, substation and general plant upgrades. The total utility plant investment is now

more than \$204.8 million.

In addition, we invested \$1.3 million in right-of-way maintenance to help reduce the damage to our lines caused by trees and secure access to them for repairs and normal maintenance to the system.

Wake Electric's total operation and maintenance expenses for the electric system were \$5.9 million.

Wake Electric's service territory was fortunate to suffer no major storms in 2013. Our average consumer outage time was 140 minutes per customer for the year. Power supplier outages accounted for 11.1 of those minutes and scheduled maintenance accounted for 13.2 minutes. Excluding power supply outages and scheduled outages, our average was 115.7 minutes per consumer.

INVESTING IN TOMORROW'S FUTURE THROUGH TECHNOLOGY

Wake Electric rolled out several new cutting-edge programs in 2013, including SmartHub, a convenient two-way communication app that allows members to access their account information through personal computers, smartphones and tablets.

Members can pay their bill instantly with secure online payments, view monthly, daily and hourly electricity usage and history, report an outage, sign up to receive notifications from the cooperative, and contact our office.

We also unveiled Green Button, a U.S. Department of Energy-sponsored effort to develop a national standard for downloading detailed electric usage data. Members can share their data with family and neighbors to compare usage. Also available are third-party applications (apps) which give you meaningful ways to use and understand con-



sumption data. Wake Electric was the first electric utility in North Carolina to offer Green Button.

Wake Electric also installed battery back-up systems for the 20 traffic signals in our service territory, a unique initiative that improved both public safety and service restoration at minimal cost. Adding back-up systems on traffic lights also allows crews to focus on restoring critical community services first, such as nursing homes, schools, and fire departments before addressing the traffic lights.

In 2013, Wake Electric began a real-time distribution feeder automation pilot project. This technology allows us to sense the problem on the line, isolate it by opening and closing the appropriate switches, and provide power from alternative sources to make sure as few members as possible are affected. This entire process can occur in less than one-half of a second.

Through all these investments, Wake Electric strives to build and maintain a reliable electric system while introducing new technology that improves the lives of our membership.

Wake Electric line crews work to install the back-up system on a traffic light in Wake Electric's service territory.



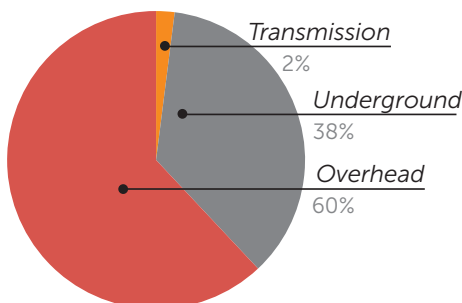
In 2013,
Wake Electric's
 consumer base
grew
 to 37,474.

Wake Electric provides service to 37,474 primarily residential consumers in parts of seven counties in north central North Carolina, including: Durham, Franklin, Granville, Johnston, Nash, Vance and Wake counties.

Originally funded with federal REA loans, those loans have been repaid and Wake Electric is now privately financed.

Wake Electric has 19 substations, which includes the new Heritage Substation that came online in June 2013. There are approximately 3,085 miles of distribution and transmission lines (1,851 miles overhead, 1,176 miles underground and 58 miles of transmission lines.) In the past 10 years, Wake Electric nearly doubled its miles of underground power lines.

TYPE OF LINE USED



NEW SERVICE CONSTRUCTION	2013	2012	2011	2010
Overhead services added	19	17	24	18
Underground services added	1,201	839	762	812
Lights added	362	272	237	258
Miles underground added	34	26	24	30

REPORT RATIOS	2013	2008	2003
Period ending December 31			
Number of consumers	37,474	33,611	25,831
Residential consumers*	35,234	31,638	24,394
Period: January 1–December 31			
Residential kWh sales*	510,874,182	472,115,122	348,590,325
Total kWh sales	674,268,845	619,180,177	457,447,842
Avg. monthly kWh/residential member	1,228	1,254	1,216

*excluding seasonal

MILES OF LINE	2013	2008	2003
Transmission	58	58	58
Overhead	1,851	1,857	1,861
Underground	1,176	1,042	634
Total	3,085	2,957	2,553

MEMBER SERVICES

KEEPING YOU CONNECTED



Jim Mangum addresses members at a 2013 MAC meeting.

Wake Electric's Member Services team knows the importance of keeping you connected to our co-op, our programs and our community. Cooperatives have a charge to keep their members informed—not just about cooperative business, but also about topics like energy efficiency, safety, and community relations programs.

HOW WE COMMUNICATE



One of the best ways to get news on Wake Electric is through our monthly member newsletter, *ElectricConnection*. Our newsletter provides pertinent

co-op information on programs and services, as well as energy efficiency tips and safety articles. Our website is also a great place to get to know Wake Electric even better. We keep our website, www.wemc.com, up to date for our members.

Members can also expect to hear from Wake Electric through member emails, advertising, messages on the digital billboard located on Highway U.S. 1, and news

releases to local media. Wake Electric also has a presence on social media. Our Facebook page continues to grow, and is a great way for us to communicate with members in a quick and efficient manner.

GET TO KNOW US ON A MORE PERSONAL LEVEL

Every year on the fourth Friday in

March, Wake Electric holds its annual meeting. In 2013, 588 members, plus their guests, attended the annual meeting in the Louisburg College Auditorium. Attendees heard Jim Mangum, general manager and CEO, discuss energy efficiency and renewable energy, leveraging member equity to access the debt capital markets, and how Wake Electric empowers its members with technology.

At this meeting, members also elect fellow members to our board of directors to represent their best interests. It is a night of fun and fellowship, where members in attendance receive a free gift from Wake Electric, as well as have a chance to win cash prizes in a drawing at the close of the business meeting. If you haven't joined us in the past, we hope you will in the future.

Twice a year, the co-op also holds Member Advisory Committee (MAC) meetings where members are invited to our office to talk with the Wake Electric management team about co-op business and other important industry-related topics. In 2013, topics covered at these meetings included how electricity generation in North Carolina from older, coal-fired power plants

is ending, proposed EPA regulation of carbon dioxide emissions under the Clean Air Act and how that will affect the co-op, and taxes Wake Electric must pay. These casual, open-forum meetings are an excellent way to discuss the current plans and progress of Wake Electric with its senior management team, as well as enjoy a catered dinner with fellow members.

We took the MAC one step further in 2013 and launched the new Member Advisory Community via email to encourage even more members to join the dialogue. These emails let the members get further involved in important cooperative and electric utility industry topics. Wake Electric was delighted at the response we got from this new community and all the lively discussion generated in this online forum. This community continues to grow today.

Wake Electric continues to strive to keep you connected and find new and exciting ways to communicate with our members. After all, it's your cooperative, so keeping the lines of communication open is just as important as keeping the lights on.

From: Wake Electric - mac@wemc.com
Subject: News from Wake Electric

News from Wake Electric: [Click here](#) to view this message in your web browser.

New Electric Meter Technology

Over the past 18 months, Wake Electric has replaced nearly every residential electric meter.


Our information technology systems can now communicate with each meter about every 4 hours. The primary data transferred is your hourly usage data or how much electricity you used each hour. You can see your hourly usage data for yesterday on-line today.

To view your usage data, simply go to www.wemc.com and click on "Pay/View Bill" located on the left-hand side of the homepage under "Online Services." You will see the SmartHub portal, where you can pay your bill, access usage data and much more. If you have yet to sign up for the FREE SmartHub service, click on the "New User" link and follow the prompts to sign up. Once you are able to view your account, click on the My Usage tab to observe monthly, daily and hourly usage intervals.

To download the FREE SmartHub app for your mobile device or tablet, click on the App Store icon on your iPhone/iPad or the Google Play icon on your Android phone/tablet and search for the SmartHub application.

In addition to hourly usage data, the meter also reports operational data such as power outages and restoration events and voltage highs and lows. In the past, we depended on members to call in to report these operational events. Now we know almost immediately.

If you have questions or comments or suggestions for future topics, please e-mail us at MAC@wemc.com.



Wake Electric
400 E. Main Street
Wake Forest, NC 27588

Here's an example of our Member Advisory Community emails. Just email us at MAC@wemc.com to be added to our distribution list.

FINANCIALS

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31

	2013	2012
Assets		
Utility Plant		
Property, Plant, & Equipment	\$200,676,092	\$192,212,792
Less: Accumulated Depreciation	(45,136,957)	(42,778,147)
Net Plant	155,539,135	149,434,645
Construction Work in Progress	4,157,848	4,231,024
TOTAL NET UTILITY PLANT	159,696,983	153,665,669

OTHER ASSETS

Investments in associated organizations	18,007,097	17,158,264
Other investments	1,876,879	1,876,879
Nonutility Property	1,496,277	1,485,688
TOTAL OTHER ASSETS	21,380,253	20,520,831

CURRENT ASSETS & DEFERRED CHARGES

Cash & cash receivables	422,775	267,473
Accounts receivable	10,264,478	8,815,133
Other current assets	3,151,146	3,314,368
Deferred charges	1,392,179	828,866
TOTAL CURRENT ASSETS & DEFERRED CHARGES	15,230,578	13,225,840
TOTAL ASSETS	\$196,307,814	\$187,412,340

Equities & liabilities

Equities		
Membership fees	\$163,750	\$158,460
Patronage capital	55,986,607	52,137,236
Other equities	4,345,749	4,224,639
TOTAL EQUITIES	60,496,106	56,520,335
TOTAL LONG-TERM DEBT	112,291,774	99,716,545

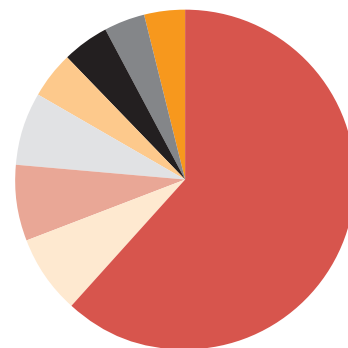
CURRENT LIABILITIES

Current portion of long-term debt	941,000	410,061
Operating line of credit	9,226,189	18,088,531
Accounts payable & deferred credits	9,912,109	9,213,165
Other accrued liabilities	1,921,603	1,886,051
Consumer deposits	1,519,033	1,577,652
TOTAL CURRENT LIABILITIES	23,519,934	31,175,460
TOTAL EQUITIES & LIABILITIES	\$196,307,814	\$187,412,340

CONSOLIDATED STATEMENT OF OPERATIONS

AS OF DECEMBER 31

	2013	2012
OPERATING REVENUE	\$80,505,145	\$73,046,957
OPERATING EXPENSES		
Cost of purchased power	49,835,654	44,547,162
Operations & maintenance	5,946,529	5,513,678
Consumer accounting	2,591,990	3,134,058
Consumer service & information	453,282	474,883
Administrative & general	3,650,257	3,488,110
Depreciation	5,763,856	5,360,102
Taxes	3,561,940	3,288,335
TOTAL OPERATING EXPENSE	71,803,508	65,806,328
OTHER INCOME/EXPENSES		
Interest expense on debt	(5,620,516)	(5,382,080)
Patronage capital from other cooperatives	1,788,513	1,507,015
Other income/(expenses)	235,494	402,823
TOTAL OTHER INCOME/EXPENSES	(3,596,509)	(3,472,242)
NET MARGINS	\$5,105,128	\$3,768,387



HOW YOUR CO-OP DOLLAR WAS SPENT IN 2013

Cost of purchased power	61.9%
Operations & maintenance	7.4%
Depreciation	7.2%
Interest expense	7.0%
Administrative expense	4.5%
Taxes	4.4%
Customer service	3.8%
Margins	3.8%

Wake EMC's financial records were audited by McNair, McLemore, Middlebrooks & Co., LLP, of Macon, Georgia. The reports for the fiscal years ending December 31, 2013 and 2012 are available for review at the Cooperative's facility in Youngsville, N.C.

ENERGY

BOARD OF DIRECTORS

THE POWER OF LOCAL CONTROL

You might not realize it, but Wake Electric isn't just another electric utility company. It's a cooperative, and that means you are a member, not just a customer. Every home or business that receives power from an electric cooperative owns a portion of the utility.

There are many benefits to being a member of a cooperative. First, cooperatives operate on a not-for-profit basis. Because of this, Wake Electric has no need to increase revenues above what it takes to run the business in a financially sound manner. This structure keeps your electric bill affordable.

In fact, any excess revenues, called margins, are returned to members in the form of capital credits based on their electric use. In 2013 alone, we returned more than \$1 million in capital credits. We are proud to support our communi-

ties by putting money back into the pockets of those we serve. It makes our business model special.

Another benefit to being a member of an electric cooperative is you have a say on how the co-op is governed. Each year in March at Wake Electric's annual meeting, you can elect fellow members to represent you on the board of directors. And because members make up the board that oversees how Wake Electric operates, providing safe, reliable and affordable electric service remains top priority.

Your directors constantly consider policies affecting the co-op. For example, how much must we spend on maintenance? If we need a new substation, how will we build it? How often do we update our technologies and facilities to stay efficient? It's not an easy task. But rest assured, because you elect fellow

members to the board, we have the best interest of the entire cooperative in mind.

Wake Electric is also a key part of our local economy. We strive to improve quality of life in the communities we serve, from awarding Operation RoundUp grants to local nonprofit organizations, to providing advice on how you can make your home or business more energy efficient. Wake Electric invests in the areas where you live and work because our community matters.

The power of local control—that's what makes Wake Electric different. Cooperatives aren't like other businesses. Wake Electric is here to provide affordable, reliable, environmentally responsible electric power while also giving back to the communities we serve. That's the cooperative difference.



Roy Ed Jones, Jr.
President
Wake Forest
District 6

Reuben Matthews
Vice President
Middlesex
District 9

Joe Eddins
Secretary
Zebulon
District 8

Howard Conyers
Treasurer
Franklinton
District 7

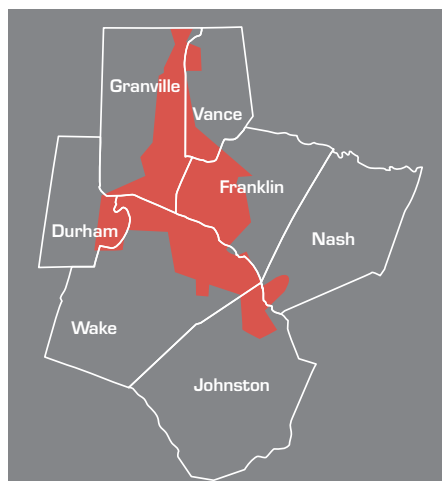
Bill Bailey
Wake Forest
District 2

Joe Hilburn
Raleigh
District 4

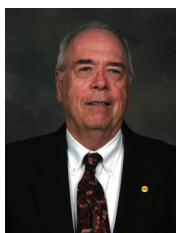
Suzy Morgan
Wake Forest
District 5

Allen Nelson
Stovall
District 1

Mike Dickerson
Oxford
District 3



Wake Electric is headquartered in Youngsville and has more than 37,400 consumers across its service territory.



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www.wemc.com