

Wake ElectriConnection

For members of Wake Electric Membership Corporation



"The power to make a difference"

OCTOBER 2008

Wake Electric helps keep life humming

Electricity is the lifeblood of the American economy. It powers our homes and offices, it allows us to communicate and provides for most of our entertainment, medical services, and technology. This crucial commodity is one that we all take for granted. Wake Electric's mission is to ensure that our members scarcely think about it and that it is always there for you when you flip the switch.

What's more, continuing advances in more efficient electric technologies make electricity cleaner and more valuable. And still, it remains one of the true "bargains" among crucial U.S. commodities. Today, electricity costs are generally inexpensive, comprising a modest part of most customers' monthly expenses.

However, in the face of skyrocketing fuel costs, Wake Electric in the upcoming weeks will need to revisit electricity rates.

Wake Electric's base rates have remained the same since June 1997, and the co-op hasn't had an actual rate increase since July 2006. At that time two years ago, the purchased power adjustment (PPA) did rise to \$0.015 per kWh, but has remained steady. The total PPA is about a 15% increase over the 11 years and less than the rate of inflation. Even with the upward pressures of costs increasing, the co-op's increased sales have helped delay increased rates to our members.

The new rate increases are needed to fund new infrastructure investments and to ensure electric rates cover today's higher fuel and operating costs. The cost of doing business and supplying electricity to you is rising too.

For example since 2004, Wake Electric has faced the following cost increases:

- ★ Poles up 59%
- ★ Transformers up 94%
- ★ Conductors up 77%
- ★ Copper up 300%
- ★ Steel up 100%.

The costs associated with producing and delivering electricity have risen steadily over the last four years and are expected to continue to increase well into 2009 and possibly into 2010.

Recently, our wholesale power provider, N.C. Electric Membership Corporation (NCEMC), informed us they must implement a wholesale rate increase in 2009. *This rate adjustment*

will bring about an increase on the average residential monthly bill. You will soon be notified of the exact amount of that increase. Wake Electric will begin collecting that increase with our January billing cycle.

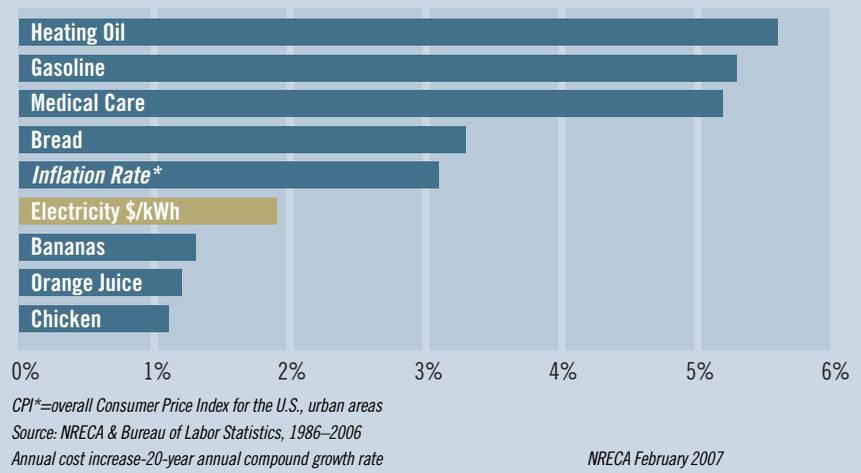
The reasons for increasing costs in providing you electricity include:

- ★ Rising prices of fuels needed to produce electricity (natural gas and coal)
- ★ Inflation and the general state of the U.S. economy
- ★ Increasing market demand for energy resources and continued growth in North Carolina

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Electricity is a good value (1986–2006)

For the consumer, electricity remains a bargain. Below are selected consumer items and their average annual cost increase (adjusted for inflation) over the last 20 years. Even as consumers' reliance on electricity increases, the overall cost has increased less than the rate of inflation.



While electricity still remains a value compared to other U.S. commodities, skyrocketing fuel costs are causing most electric utilities to raise rates in order to continue to provide efficient, reliable service.



Wake Electric
Membership Corporation

A Touchstone Energy® Cooperative



Call to report outages: 919.863.6499 or 800.743.3155

Regular office hours: M–F, 8 a.m.–5 p.m.

Telephone hours: M–F, 7 a.m.–9 p.m., 863.6300 or 800.474.6300

Underground locating service: Call 811

The environment of the electric utility industry

The electric utility industry is among the country's most capital-intensive sectors. Most of its costs stem directly from investments in and maintenance of the power plants, transmission and distribution lines, equipment, and structures that are used to deliver electricity.

Wake Electric typically cannot recover its costs when they are incurred; instead, the co-op spreads out costs to customers over the physical life of the investment—sometimes as long as 30 years—under the assumption that there will be a stable customer base.

Most of the revenue Wake Electric receives is primarily used to pay for purchased power and fuel, the co-op's largest expense. It is also used for operating and maintenance costs. Though as a non-profit, Wake Electric does not have to pay certain taxes, taxes incurred are a large expense overall. The cost of salaries, materials, supplies, services, and a variety of other expenses also must be met.

Today, Wake Electric, like the rest of the electric utility industry is facing steadily increasing costs to generate and deliver electricity to American homes and businesses. Your cooperative makes continuous efficiency improvements and works closely with power providers and regulators to contain costs and to keep electricity prices as low as possible. The bottom line is that rising costs are becoming inevitable throughout the United States.

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- ★ Mining, transportation and construction cost increases
- ★ Significant global economic pressures
- ★ Rising cost of meeting increasingly stringent environmental regulations
- ★ Congressional uncertainty in addressing energy policy and global warming issues.

NCEMC is a power supply cooperative owned by most of the electric cooperatives in the state. Wake Electric and other N.C. electric cooperatives buy power generated from power plants fueled from nuclear, coal, hydro and natural gas resources. NCEMC either owns the plants or buys the power from neighboring utilities. These other utilities are also experiencing significant cost increases that they must pass on to their consumers. Additionally, as required by North Carolina law, the electric cooperatives are working to include renewable resources like solar and wind. These resources are typically more expensive and are limited in our area. Regardless, NCEMC works to produce or buy electricity at the lowest possible price. This is a tremendous challenge into today's marketplace.

Almost half of N.C. electric cooperatives' electricity is generated using coal and natural gas. Since the start of the year, the price of coal has more than doubled from approximately \$60 per ton to more than \$130 per ton. From January through July of this year, natural gas prices increased more than 80% from approximately \$7 per MMBtu to more than \$13 per MMBtu.

Fortunately, most of the other half of the electricity need is met by nuclear power, where costs have remained relatively steady, with zero carbon emissions. Without this nuclear resource, costs would be significantly higher than they are now.

Wake Electric has been communicating with you regularly over the last 3-4 years about rising costs, and has provided you with energy management information to help you keep your costs down. These costs have a big impact on your family budget, and Wake Electric will continue to help you manage your energy usage. We're all in this together.

Wake Electric strives to operate efficiently while adhering to our mission of providing affordable, high-quality and reliable electricity at the lowest possible cost. We've worked hard to minimize increases by managing costs through implementing a number of cost-saving measures at the co-op and in partnership with our wholesale power provider. In fact, Wake Electric, thanks to years of conscientious infrastructure building, has one of the lowest rates of energy loss through power lines of any co-op in the state.

Your cooperative's long-term strategic planning efforts reduce our exposure to run-ups in the fuel markets. These swings can significantly increase your power bill. Even with these measures in place, Wake Electric continues to experience high costs. The cooperative cannot absorb them all, and unfortunately, those increases must be passed on to you.

Your cooperative has a number of programs that can help you lower your electric bill. Log on to Wake Electric's Web site at www.wemc.com for ideas, or call the co-op's energy experts at 919.863.6300 or 1.800.474.6300.

Wake Electric will continue to work hard to minimize these cost increases, but your help is needed as well. To help control energy costs over the long-term, everyone needs to send a message to Congress and tell them consumers want a balanced, sensible approach to energy policy. Without that balanced approach, the country risks the reliability of our electric system and the ability of many Americans to afford electricity.

Two and a half million electric cooperative consumers in North Carolina can make a huge difference. Log on to www.ourenergy.coop and start the dialogue with your elected officials.

Give Us an A deadline is October 31



Four times during the academic year, Wake Electric draws 40 report cards from among entries in the "Give Us an A" contest to receive a \$50 U.S. savings bond.

To enter, students should include:

- ★ A copy of the report card
- ★ Parents' or guardians' names (if applicable)
- ★ Home address
- ★ E-mail address that is checked regularly
- ★ School
- ★ Telephone Number

Students in any grade in Durham, Franklin, Granville, Johnston, Nash, Vance and Wake counties may apply. Funding for scholarships is made possible by Wake Electric's member-consumers through the Operation RoundUp Program.

For more information on upcoming Give Us an A deadlines and how to enter, visit www.wemc.com.

Avoid electrical hazards at Halloween

The decorative lights, fog machines, black lights and animatronics of Halloween make for adventurous, entertaining times for children and adults. With these decorations, though, the risk of fire or electrocution could be lurking around the corner. It is important to check for electrical hazards before accidents happen. Use the following tips to keep electrical hazards from haunting you this Halloween:

- ★ Inspect electrical decorations. Look for cracked or frayed sockets, loose or bare wires, and loose connections.
- ★ Read manufacturer's instructions regarding installation and maintenance. Check the instructions to see how many light strings can be connected together.
- ★ Always unplug light strings before replacing any bulbs.
- ★ Fasten outdoor lights securely to trees, walls or other firm supports. Do not use nails or tacks that could puncture light strings or electrical/extension cords.

★ Provide well-lit walkways and porch lighting for trick-or-treaters and make sure the walkways are clear.

★ Don't overload extension cords or place them near, or in, snow or water.

★ Make sure electrical decorations are approved by a nationally recognized certification organization like "UL" (Underwriters Laboratory) and marked for outdoor use if you are using them outside. Check www.cpsc.gov or www.ul.com for recalls. Many Halloween toys have been recalled in the past by the CPSC (Consumer Product Safety Commission).



Sources: Home Safety Council www.homesafetycouncil.org; Electrical Safety Foundation International www.electrical-safety.org



October is National Cooperative Month

Each October, cooperatives all across America celebrate the role, accomplishments and contributions of our nation's cooperatives. Cooperative businesses generate hundreds of thousands of jobs and billions in income for their communities while also supporting local causes ranging from education to the environment.

Every day, in every sector, through cash contributions and volunteerism, co-ops support local causes ranging from education to the environment. They also invest in new community businesses.

It is no coincidence that co-ops show a special loyalty to their communities. As member-controlled enterprises, co-ops are run largely by the people who live and work in the communities they serve. Cooperatives serve 120 million members, or four in 10 Americans. They operate in virtually every industry and range in size from small storefronts to Fortune 500 companies.

For more information on the National Cooperative Month and co-ops, visit www.coopmonth.coop.



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2008 Member Advisory Committee meetings

Wake Electric members are invited to attend and participate in Member Advisory Committee meetings. These meetings are normally held twice a year and allow members to meet and talk with members of the management team. Dinner is included.

Meetings are relaxed and casual. Members hear about the latest issues facing Wake Electric and are encouraged to engage in open discussion and ask questions.

The meetings for Fall 2008 are scheduled for October at 6:30 p.m. in Zebulon, Oxford, and Youngsville. Details of the exact locations will be posted on the cooperative's Web site at www.wemc.com by October 1.

These meetings are open to all Wake Electric members. As an incentive, the cooperative will have a drawing for a \$25 credit on your next electric bill. You can increase your odds of winning by inviting and bringing another Wake Electric member who has never attended a member advisory meeting. If your guest's name is drawn for the \$25 credit, you also will receive a \$25 credit. Members **MUST** notify the co-op of their intent to attend by October 8.

If you have any questions or would like to attend, please contact Angela Perez, Public Relations/Communications Specialist, at 919.863.6376 or 1.800.474.6300, or send an email to angela.perez@wemc.com.