



# Power to Make a Difference



**Wake Electric**  
Membership Corporation

2005 Annual Report

Your Local Touchstone Energy® Cooperative



# Working Together Provides Power to Make a Difference

Our biggest challenges during the past few years have centered around escalating energy costs. Decisions made today can affect our members for 30 years or more.

The decisions revolve around the issue of power supply planning, including a look at energy use requirements as well as national trends.

It is projected that about 350,000 megawatts of new electricity generating capacity will be needed during the next 25 years to meet consumers' needs.

We expect coal will be the fuel of choice for generating electricity. The increase from the national average of 50 percent to 57 percent by the year 2030.

By contrast, nuclear generation will decrease from 20 percent to 15 percent of the national average.

One of the primary concerns of using coal and natural gas for generating electricity is the amount of carbon dioxide

that will be put into the air.

The trend of adding increased emissions will have to be limited at some time.

One of the best ways to address environmental concerns is with some forms of renewable energy.

Now, about six percent of all energy used in the United States is renewable—and only three percent of that six percent are the wind and solar resources about which you hear so much.

While any increase in renewable energy would be desirable, we think it will continue to be a very small number compared to the overall energy requirements.

One of the other concerns we have about coal and natural gas is trying to guess how much these fuels will cost in the future.

Looking back three years, we have seen coal

prices go from \$30 per ton to \$60 per ton.

Though prices have moderated somewhat, they are still very high.

The same is true for natural gas. Prices have gone up in recent years from \$2 per million Btus to more than \$12 per million Btus.

Though prices have come down some recently, we really don't

have a good sense of what long-term gas prices will be.

That said, it's difficult to

commit to any long-term generation resource without knowing the price.

Wake Electric's mix of fuels used for generation differ from the national numbers primarily because of the Cooperative's shared ownership of the Catawba Nuclear Plant.

Almost half of the energy used by Wake Electric consumers comes from nuclear energy.

In recent years, the cost of nuclear fuel has remained steady while other fuel prices have increased.

At the moment, this makes nuclear power relatively inexpensive.

As our energy needs grow, we will need additional sources of power.

Because of the time involved in building new facilities, we need to be



*Jim Mangum  
Manager & CEO*

making decisions soon on these power supply resources.

This is particularly true for Wake Electric since we are growing so rapidly.

In the next ten years, we expect the Cooperative's members to use nearly one billion kilowatt-hours per year.

All of this requires long-term planning. We expect some mix of nuclear, coal, natural gas and renewables will be the answer.

As a cooperative, Wake Electric shares alliances with other cooperatives to help manage costs.

Wake Electric continues to advocate for GreenPower to minimize environmental concerns.

We serve as a collection agent for those who wish to volunteer to participate in buying blocks of renewable energy resources.

Finding the right mix is essential to ensuring a dependable and affordable power supply for the future.

*Jim Mangum*

Wake Electric



*Shared ownership in the Catawba Nuclear Plant has helped keep fuel prices more steady.*

# MAKING A DIFFERENCE GOES BEYOND PROVIDING POWER

Wake Electric has the power to make a difference on many levels—and not just in the delivery of electricity to the homes and businesses of its member-consumers.

Over the past several years, the Board of Directors and management have been focused on power supply.

With the rising cost of fuels for generation, Wake Electric has joined with other cooperatives in the state to buy power in bulk to get the best possible power contracts from wholesale suppliers.

This is an ongoing process which requires due diligence to ensure a reliable source of power for the future.

While our core business remains providing reliable electric service, the Cooperative is also dedicated to supporting the communities in which we provide electric service.

Mother Nature was kind to us in 2005. Fortunately, we did not have any major weather events to cause widespread outages.

We did send crews and other resources to sister cooperatives who were hit hard by hurricanes in Alabama and Mississippi.

This spirit of cooperation has benefitted Wake Electric members in years

past when sister cooperatives sent their crews and resources to help us restore your power.

We're grateful to all of our employees who work long hours in extreme conditions to keep the electricity flowing. We applaud their dedication.

Providing reliable electric service has always been the primary objective of Wake Electric. But, the Cooperative is also aware of its responsibility to be a good corporate citizen, helping to improve the quality of life in our communities.

Through educational and safety programs and support of our area's civic organizations, fundraisers and local charities, Wake Electric has taken the lead in many endeavors to make a difference.

Elsewhere in this report is a recap of the Co-op's participation in various educational programs.

The Wake Electric Care Foundation represents another major difference for the Co-op.

It is funded through voluntary donations from the Wake Electric's members and employees to serve special needs in our local communities.

Funds may be used to supplement equipment for our local fire and rescue departments, provide

additional educational grants or to help another member who may be in a crisis situation.

An independent group oversees the distribution of the money.

The Wake Electric Care Foundation, which is supported by members and employees, has helped make our educational programs a reality.

We continue to participate with other electric cooperatives in the state in the "Amber Alert" program.

Wake Electric continues to actively support NC GreenPower in its mission to find renewable energy resources to generate electricity by serving as a collection agent for members who wish to volunteer to participate in seeking environmentally friendly power resources.

One of the most often recognized characteristics associated with the co-op way of doing business is the return of capital credits to the member-consumers.

As a not-for-profit organization, Wake Electric credits accounts of its member-consumers with the money left over after the Cooperative's bills have been paid.

Wake Electric pays



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

capital credits to the estates of deceased members to help clear up estates, and for the eleventh consecutive year, the Board of Directors approved a general retirement of capital credits.

This included a budgeted \$500,000 for the retirement/refund of capital credits for the year.

About \$105,000 of this amount was used to help clear up the estates of deceased members. The remaining \$395,000 was returned in a general retirement/refund.

•••

During 2005, one of the Cooperative's long-time directors

retired from the Board.

Robinette Husketh of Creedmoor served as a director for 16 years, during which time she was elected as secretary of the Board.

We sincerely appreciate the dedication Mrs. Husketh offered to making Wake Electric what it is today. She epitomized the "power to make a difference."



*Robinette Husketh*

# CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31

...2005

...2004

## Assets

Utility Plant		
Property, Plant & Equipment	\$135,506,692	\$125,289,171
Less: Accumulated Depreciation	<u>(26,419,641)</u>	<u>(23,890,420)</u>
Net Plant	109,087,051	101,398,751
Construction Work in Progress	<u>2,239,264</u>	<u>2,861,073</u>

## Total Net Utility Plant

111,326,315

104,259,824

## Other Assets

Investments in Associated Organizations	4,577,495	4,165,650
Other Investments	3,176,769	2,407,119
Nonutility Plant	<u>1,030,308</u>	<u>917,570</u>
<b>Total Other Assets</b>	<b>8,784,572</b>	<b>7,490,339</b>

## Current Assets & Deferred Charges

Cash & Cash Equivalents	135,613	292,139
Accounts Receivable	8,167,157	8,329,520
Other Current Assets	2,433,452	1,925,618
Deferred Charges	<u>2,770,964</u>	<u>3,275,990</u>
<b>Total Current Assets &amp; Deferred Charges</b>	<b>13,507,186</b>	<b>13,823,267</b>

## Total Assets

\$133,618,073

\$125,573,430

## Equities & Liabilities

### Equities

Membership Fees	\$ 122,500	\$ 115,655
Patronage Capital	29,675,922	27,106,761
Other Equities	<u>3,437,377</u>	<u>3,318,866</u>
<b>Total Equities</b>	<b>33,235,799</b>	<b>30,541,282</b>

## Total Long-Term Debt

76,334,903

76,671,627

## Other Long-Term Liabilities

3,033,651

2,982,008

## Current Liabilities

Current Portion of Long-Term Debt	328,598	604,744
Operating Line of Credit	10,710,945	5,647,500
Accounts Payable & Deferred Credits	7,514,175	6,429,747
Other Accrued Liabilities	1,124,017	1,477,075
Consumer Deposits	<u>1,335,985</u>	<u>1,219,447</u>
<b>Total Current Liabilities</b>	<b>21,013,720</b>	<b>15,378,513</b>

## Total Equities & Liabilities

\$133,618,073

\$125,573,430



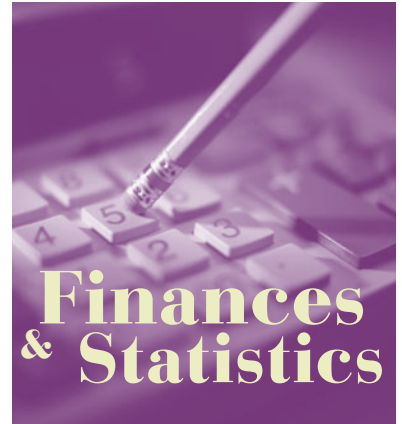
# How Your Co-op Dollar Was Spent in 2005

- Taxes: 4.1¢
- Administrative Expense: 4.8¢
- Customer Services: 5.5¢
- Margins: 6.4¢
- Depreciation: 7.0¢
- Interest Expense: 7.8¢
- Operations & Maintenance: 8.0¢
- Cost of Purchased Power: 56.4¢

## REPORT RATIOS

<b>Period Ending: December 31</b>	<b>...2005</b>	<b>...2000</b>
Number of Consumers	28,906	22,509
Residential Consumers*	27,339	21,183
Avg. Monthly kWh/Residential Member	1,296	1,187
<b>Period: Jan. 1—Dec. 31</b>	<b>...2005</b>	<b>...2000</b>
Residential kWh Sales*	412,828,630	294,046,423
Total kWh Sales	536,755,924	395,588,293

\* Excluding Seasonal



## CONSOLIDATED STATEMENT OF OPERATIONS

<b>AS OF DECEMBER 31</b>	<b>...2005</b>	<b>...2004</b>
<b>Operating Revenue</b>	\$51,803,103	\$47,845,515
<b>Operating Expenses</b>		
Cost of Purchased Power	29,204,630	25,923,924
Operations & Maintenance	4,121,055	3,879,803
Consumer Accounting Expense	2,579,237	2,645,944
Consumer Service & Information Expense	272,159	261,818
Administrative & General Expense	2,497,773	2,307,387
Depreciation	3,631,225	3,430,188
Taxes	2,147,729	2,199,149
<b>Total Operating Expense</b>	<b>44,453,808</b>	<b>40,648,213</b>
<b>Other Income/Expenses</b>		
Interest Expense on Debt	(4,012,700)	(3,775,728)
Patronage Capital from Other Cooperatives	695,112	379,752
Other Income/Expenses	(844,096)	(531,007)
<b>Total Other Income/Expenses</b>	<b>(4,161,684)</b>	<b>(3,926,983)</b>
<b>Net Margins</b>	<b>\$3,187,611</b>	<b>\$3,270,319</b>

*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, 2005 and 2004, are available for review at the Cooperative's facility in Youngsville, NC.*

# Upgrades Made as Growth Continues

Wake Electric's service area continues to be one of the fastest growing in the country.

Our consumer base grew by nearly five percent in 2005. Sales of kWh grew by nearly 10 percent during the year.

In 2005, Wake Electric invested \$10 million in new poles, lines, transformers, underground lines and meters. The total net utility plant investment rose to \$111.3 million.

Last year, the Cooperative built nearly 1,800 new services to homes and businesses.

Wake Electric added 97 miles of underground lines to serve new consumers, and increased the capacity of our overhead system by rebuilding 15 miles of overhead lines with larger conductor to improve service to existing consumers.

In the southern part of the system, we rebuilt 3.2 miles of lines along NC 231 in Johnston County.

In the central part of

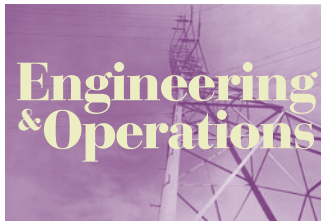
the system, lines were upgraded in Granville and Franklin counties along Lawrence Road, Elm Street, Montgomery Road and portions of US 1.

Projects in Wake County included North White Street, Horton Road, Barham Siding Road, Peebles Road, Jonesville Road and Mitchell Mill Road.

In the northern part of the system we built a transmission line to serve our new Kittrell Station in Vance County. This project has increased our capacity and improved reliability to the nearly 1,400 consumers living in Vance, Granville and Franklin counties who are served by this station.

Wake Electric was not hit by the major storms that affected other areas of the state and the Southeast in 2005.

The Cooperative was



*Crews traveled south to help rebuild service after the hurricanes Dennis and Katrina.*

able to mobilize crews to send to sister co-ops in North Carolina to assist after ice storms and hurricanes. We sent crews to Alabama for Hurricane Dennis and to Mississippi assist in repairs after Hurricane Katrina.

In previous years we have called on help from our sister cooperatives to come to our aid.

Problems on our power suppliers' lines resulted in our consumers being without service for an average of 0.7 hour during the year. All other problems, including wrecks, lightning, animals and people cutting trees which fell into the line, resulted in 1.6 hours of average outage time.

Wake Electric strives to build and maintain a reliable electric system.

Our engineers design and model our electric system; linemen build, inspect and repair the system; right-of-way workers keep the lines clear of trees,

and servicemen connect services, repair lights and trouble shoot problems.

In 2005, our right-of-way maintenance budget was more than \$1 million. These efforts help reduce the damage to our lines caused by trees and help keep access to the lines for making repairs and doing normal maintenance to the system.

Wake Electric's total operation and maintenance budget for the electric system was more than \$4.1 million.

The Cooperative's call center, located in our Youngsville facility, acts as the hub for taking requests for service, receiving trouble calls and answering questions from our members.

This has placed our employees taking calls closer to our dispatch center and the crews working in the field.

We also use automated data from our field equipment and phone calls from hundreds of our meters that call our office if they detect a problem.



*The Kittrell Substation in Vance County was upgraded.*

# POWER TO MAKE A DIFFERENCE CARRIES THROUGH TO COMMUNITIES

From high speed Internet service to grants for local teachers, Wake Electric continues to look for programs and services its member-consumers want.

One of the most visible programs partially funded through the Wake Electric Care Foundation is the Bright Ideas Grant Program.

Together with money from our Statewide organization, the program has awarded approximately \$281,000 since it began in 1994 for local educators to bring innovative teaching projects to their classrooms.

During 2005, the Bright Ideas Grant Program awarded nearly \$50,000 for 44 grants to area teachers.

The Classroom Technology Awards Program, which was established in 2004 with funding through the Wake Electric Care Foundation, funded 20 projects totalling about \$13,500.

Wake Electric also gave \$7,500 in scholarships to local students, and another 80 students each received a \$50 U.S. Savings Bonds in the "Give Us an 'A' Program."

Though educational programs receive considerable support, organizations such as fire and rescue groups also benefit from Wake Electric's commitment to the communities it serves.

The Cooperative continued to promote "Green Power," which allows members who wish to par-



*First grade students of Jeanne Morgan at Baucom Elementary School were among the real winners in the Bright Ideas Grants.*

ticipate voluntarily in using renewable energy sources to generate electricity.

Sold monthly in blocks of 100 kilowatt-hours at \$4 per block, or one-time contributions, green power costs are billed through Wake Electric on behalf of NC GreenPower.

During 2005 the Co-

operative continued its active support of the Amber Alert Program. Field personnel are notified when an Amber Alert is issued for abducted children so they can serve as extra "eyes" looking out for the missing child.

Through Wake Electric and its subsidiary, Triangle Services Group, Inc., consumers have access to a number of products and services.

These include products such as power quality equipment (i.e., surge suppressors) and portable standby generators.

Also available are electrical wiring and repair services, and home security systems.

Satellite speed Internet access with no phone lines, no cable, no dial-up is also being offered as WildBlue through Triangle Services Group, Inc. and touchnc.net.

## Upgrades Made • (Continued from page 6)

The automated phone system enables members to check account balances, update their phone numbers on the Cooperative's system and report outages to the outage management system.

We upgraded our Outage Management System near the end of 2005 and put into use in January 2006. Wake Electric's outage management computers predict the location of problems based on the

calls from members and equipment in the field.

The new system keeps more detailed history of outages on our system and can handle more detail of any problems on our electric system. The Cooperative's dispatchers work with all of this information to make quick and effective decisions of where to send our crews in times of problems.

We added more computers to our trucks working in the field to

give them access to our updated mapping system. The computer-based maps show roads, all of our power lines, how they are fed, protective devices such as fuses and breakers as well as where each consumer is located on the electric system.

The Cooperative's employees and contractors are committed to making Wake Electric's power system work for you.





Are You Ready to **GO?**

**WILDBLUE**  
REACHES YOU | Introducing WildBlue<sup>SM</sup> Satellite Speed Internet for rural America. Now available virtually anywhere you live...from a trusted name in your community.

Imagine getting Internet access via satellite that's up to 30 times faster than dial-up—with packages starting as low as \$49.95 per month.

Are you ready to go? Call us today, and we'll bring WildBlue to you.

**touchnc.net**  
919-863-6350  
or toll free 877-908-6824  
www.touchnc.net

Call us today, or for more information, visit us online.

**WILDBLUE**  
Satellite Speed Internet<sup>SM</sup>

INTERNET THAT'S AFFORDABLE, ALWAYS ON AND AVAILABLE VIRTUALLY ANYWHERE...FAST.

Requires a clear view of the southern sky. Not available in all areas. Usage subject to WildBlue's Fair Access Policy. Speeds not guaranteed. Value Pak is up to 10x faster than dial-up. Downstream speed comparison between Pro Pak and 42Kbps dial-up. Monthly fees refer to Value Pak. Prices subject to change. Equipment, monthly service fees, installation charges, taxes and minimum term commitments also apply. ©2005 WildBlue Communications, Inc. WildBlue, the WildBlue logo and Satellite Speed Internet are trademarks or registered trademarks of WildBlue Communications, Inc.

©2005 NRTC/SSA



# Wake Electric Membership Corporation

919. 863.6300 • 800.474.6300 • www.wemc.com

**Wake Forest—Downtown**

414 East Wait Avenue

**Oxford**

104 Granville Corners

**Zebulon**

901 North Arendell Avenue

**Louisburg**

216 North Bickett Boulevard