

A supplement to Carolina Country

Signs of the Times

2006 ANNUAL REPORT



Wake Electric
Membership Corporation

A Touchstone Energy Cooperative 

Wake Electric's service territory is growing at lightning speed.

Climate change. Power supply shortages. Phenomenal growth in energy demand across the globe. Skyrocketing energy costs.

We've all seen these headlines. And, judging from our own personal costs for energy—be it for our automobile, home, or business, we know that these headlines indicate significant changes in the way we use power.

And not only are we experiencing major changes on a global and national level. Those changes are happening right here in our own backyard. Wake Electric's service territory is growing at lightning speed.

Long gone are the leisurely Saturday morning drives down Highway 1 between Henderson and Raleigh. Any commuter who lives in Wake Forest and areas north can attest to morning and afternoon traffic that is becoming as congested as the Research Triangle Park. Even the most rural parts of Wake, Franklin, Durham, Granville, Franklin, Vance and Nash counties are seeing new housing subdivisions and businesses spring up almost overnight. Global Fortune 500 companies are relocating their headquarters to our region. Wake and the surrounding counties are nationally known as the best places to live in the United States.

But despite all the change, there is something that promises to remain the same.

And that is the promise that energy costs will continue to grow.

But Wake Electric wants you to know that we are moving in new and different directions with energy to keep your costs low. And we want you to join us in making a difference.

Energy supply is a critical issue for Wake Electric due to our tremendous growth. The regions' energy needs from 10 years ago compared to those projected for the next 10 years have quadrupled.

As we look forward to the future, Wake Electric has already started to

make long-term power supply investments and commitments to meet its members' energy demand. As of 2007, we have arranged for our power supply needs for the next five years.

But despite all our planning, we also continuously ask ourselves, what can we do to maintain our rates?

The answer, unfortunately, is that there is no silver bullet. We are facing a national crisis that has taken many years to develop and it is going to take some time for us to work our way out of it.

So how do we even begin to tackle this national problem?

By analyzing our energy sources.

Nearly half, or 49%, of all energy used by Wake Electric members comes from nuclear, 41% from coal, and 8% from natural gas. And the remaining two percent comes from renewables, primarily from hydropower from Kerr Lake. This current energy mix keeps your rates low.

We're also saving you money by deploying advanced meter technology and analyzing how we use power. Our success in the future may not be measured in kilowatt hours sold but in kilowatt hours saved.

In the same way, members can review the areas where you can avoid energy waste. Are you using compact fluorescent bulbs in your home or business? Are your windows caulked and sealed? Do you keep a close watch on the temperature settings of your air conditioner and hot water heater?

Addressing all of these seemingly small questions can add up to big

savings on your electric bill. It's not a question of should you do your part to cut back on energy consumption. It is a fact that you MUST do your part if you want to save money and energy.

For the past several years, as America's dependence on foreign oil has become one of the top concerns of this country, Wake Electric has supported the study of new ways to meet our increased needs for electricity and still keep costs down for you—the member. We support the idea of producing power from local renewable sources such as wind, solar, geothermal, animal waste, and landfill gas. We also are closely monitoring the state of the industry for the current major sources of energy—coal, gas, and nuclear.

We encourage you to keep up with the recent news stories that are flooding the media on alternative and renewable sources of fuel—you have probably heard of the proposal to build a new nuclear plant in Wake County, of the growing trend in owning hybrid and electric cars, of major investments across the United States in wind turbines for wind energy; the list goes on and on.

From all of this continuous news, one thing is clear. All Americans want to see our nation ease out of the energy bind we are in at the moment and gain more control over our energy and economic future.

By working together, we at Wake Electric Membership Corporation are certain that we will find the answers we need. Together, we have the power to make a difference.



Jim Mangum
Manager & CEO

Our programs award students with thousands of dollars in scholarships.

Once again, in 2006, Mother Nature smiled upon us. Hurricane season passed us by with barely a whisper and the weather overall was mild.

Nature's benevolence meant that instead of working hard to fix outages, Wake Electric had more time to focus on two of its other main commitments.

The first is to provide reliable energy to members in the most efficient way possible and at the lowest cost possible.

The second commitment is to improve the quality of life in our communities.

And nowhere was that commitment made more evident than in our Bright Ideas Grant Program. Combining money from our Wake Electric Foundation with money from our statewide organization, we gave over \$50,000 in grants to area teachers.

We also awarded \$7,500 in scholarships to local students, and another 80 students received a \$50 U.S. Savings Bond in the "Give Us an 'A' Program," which rewards students for good grades.

For the third year in a row, the co-op funded \$13,500 in Classroom Technology Awards to help local educators buy special equipment.

The Foundation, which is supported by you, the member, and by our employees, has made these educational programs a reality and has changed the lives of students throughout the region.

In 2006, Wake continued to sign on concerned members who volunteered to be part of our "Green Power" program. This important and timely initiative funds the use of renewable energy sources like wind and solar power to generate electricity.

For more information about any of these programs I've mentioned, be sure to visit our website—which has recently been redesigned and offers a number of new services, including free

energy and home appliance audits.

Save time and money by paying your bills on-line. In the future, we will add even more convenient and value-added services to the site. Visit us today at www.wemc.com.

Through our bi-annual Member Advisory Meetings, members were given the opportunity to meet with board members and the management team to ask questions about the business and about energy use.

The next advisory meetings will be in the fall. Visit the web for dates.

Why do we do commit so much to our members and to the communities they live in?

Because we are working for you. 24-hours a day. 7-days a week. That's why we're here—to serve our members in every way possible. I thank you once again for allowing me to serve you in 2006 and I look forward to another stellar year in 2007.



Roy Ed Jones, Jr.
President, Board of Directors



Students throughout the Wake Electric service area benefitted from funds made available through the WE Care Foundation.

In 2006, Wake Electric's service area remained a high-growth, dynamic area that attracted thousands of new residents and businesses from across the nation and around the world.

As growth skyrocketed, Wake Electric remained committed to providing reliable electric service to both our new neighbors and to our existing members.

Last year:

- Our consumer base grew by 7.4 percent.
- Consumers set an all-time record for electric usage at one time in August 2006.
- Sales of kWh grew by nearly 2 percent despite milder than normal weather.
- We invested over eleven million dollars in new poles, lines, transformers, underground lines and meters.
- The total net utility plant investment is now \$119.6 million.
- We added over 2,200 new services to homes and businesses compared to

the 1,800 we built in 2005.

- We added 91 miles of underground lines to serve new consumers.
- We increased the capacity of our overhead system by rebuilding 10.4 miles of overhead lines with larger conductors to improve service to our existing consumers.
- We doubled the capacity of our Walkers Crossroads station near Wake Forest. This is in the fastest growing part of our territory.
- Our average consumer outage time was 2.2 hours during 2006.

The reliability of an electric system comes from the combined efforts of many people: our engineers design and model the system, linemen build, inspect and repair it, vegetation management workers keep the lines clear of trees, and servicemen connect services, repair lights and trouble shoot problems.

In 2006, our vegetation management budget was more than 1.2 million dollars. 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 \$4.4 million.

We upgraded our Outage Management System near the end of 2005 and put it into use in January 2006. The system predicts the location of problems based on the calls from members and equipment in the field, allowing dispatchers to make quick and effective decisions of where to send our crews in times of problems.

In 2006, we added more computers to our trucks working in the field to give them access to our updated mapping system. The system 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.



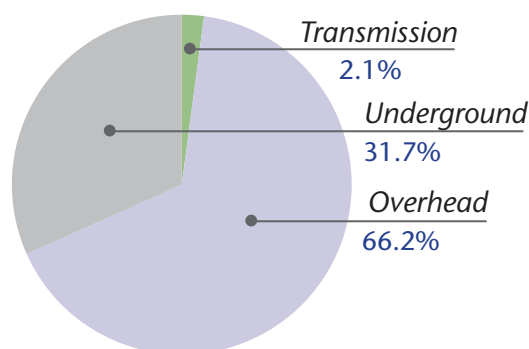
We're upgrading substations to bring more power to you.

In 2006, Wake Electric's consumer base **grew** to 31,038.

MILES OF LINE

	2006	2005
Transmission	58.0	58.0
Overhead	1859.7	1860.2
Underground	891.7	801.0
Total	2809.4	2719.2

TYPE OF LINE USED



NEW SERVICE CONSTRUCTION

	2006	2005	2004	2003
Overhead service	22	23	35	43
Underground service	2181	1765	1500	1282
Lights	802	794	715	452
Miles underground	91	98	69	53

REPORT RATIOS

Period ending December 31	2006	2001
Number of consumers	31,038	23,426
Residential consumers*	29,367	22,110
Avg. monthly kWh/residential member	1,215	1,194
Period: January 1–December 31		
Residential kWh sales*	415,897,967	312,089,768
Total kWh sales	542,497,271	416,129,253

*excluding seasonal

Preserving your planet

Red, white, and blue are no longer the only colors that unite Americans. There's a new color taking hold: green.

Americans are paying attention to the headlines on climate change and global warming. And politicians and lawmakers are taking notice. New regulations mandating the use of solar, wind, and other alternative methods of power generation were drafted throughout 2006.

Wake Electric took notice and continued to sign up members for NC GreenPower.

The program operates upon voluntary participation by members who elect to contribute at least \$4 a month on their utility bill to help support a

cleaner environment through electricity produced from renewable resources. All participating utilities keep none of these funds; all contributions are forwarded by the utilities directly to NC GreenPower for the purchase of renewable energy for the North Carolina electric grid. Contributions are tax free and qualify as a tax deductible contribution for income tax purposes.

24-hour a day service

In 2006, we upgraded our website to include free services to members. At www.wemc.com, you'll find:

- Endless ways to save money. With our interactive tools, savings are just a click away.
- How much are your appliances

costing you? That 20-year old refrigerator? That new dryer? Our appliance calculator can give you the numbers instantly.

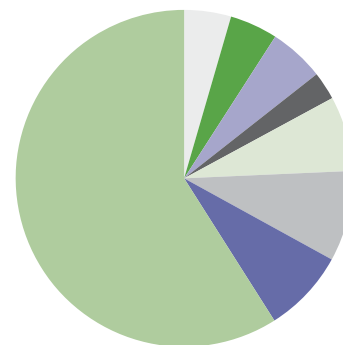
- Interactive games, puzzles, and educational information for children and lesson plans for teachers. The focus is on energy and its uses today.
- You can pay your bills on-line or sign up for bank draft any time—day or night. Last year, our customer service information system was upgraded so that our service representatives can quickly provide you with detailed bill and energy usage information. Our automated phone service is available any time, all of the time for you to check your account information.



We're growing our efforts to educate members to become more efficient with energy use.

Consolidated Balance Sheets

AS OF DECEMBER 31	2006	2005
Assets		
Utility Plant		
Property, plant, & equipment	\$144,114,505	\$135,506,692
Less: accumulated depreciation	(29,250,006)	(26,419,641)
Net Plant	114,864,499	109,087,051
Construction work in progress	4,716,683	2,239,264
TOTAL NET UTILITY PLANT	119,581,182	111,326,315
OTHER ASSETS		
Investments in associated organizations	5,498,946	4,577,495
Other investments	2,682,331	3,176,769
Nonutility Plant	1,544,317	1,030,308
TOTAL OTHER ASSETS	9,722,594	8,784,572
CURRENT ASSETS & DEFERRED CHARGES		
Cash & cash equivalents	190,635	135,613
Accounts receivable	8,175,839	8,167,157
Other current assets	3,627,400	2,433,452
Deferred charges	2,650,667	2,770,964
TOTAL CURRENT ASSETS & DEFERRED CHARGES	14,644,541	13,507,186
TOTAL ASSETS	\$143,948,317	\$133,618,073
Equities & Liabilities		
Equities		
Membership fees	\$131,885	\$122,500
Patronage capital	30,053,366	29,675,922
Other equities	3,574,915	3,437,377
TOTAL EQUITIES	33,760,166	33,235,799
TOTAL LONG-TERM DEBT	88,080,753	76,334,903
OTHER LONG-TERM LIABILITIES	2,473,193	3,033,651
CURRENT LIABILITIES		
Current portion of long-term debt	447,929	328,598
Operating line of credit	8,218,842	10,710,945
Accounts payable & deferred credits	8,305,456	7,514,175
Other accrued liabilities	1,218,256	1,124,017
Consumer deposits	1,443,722	1,335,985
TOTAL CURRENT LIABILITIES	19,634,205	21,013,720
TOTAL EQUITIES & LIABILITIES	\$143,948,317	\$133,618,073



HOW YOUR CO-OP DOLLAR WAS SPENT IN 2006

Cost of purchased power	59.0%
Taxes	4.5%
Administrative expense	4.6%
Customer service	5.3%
Margins	2.7%
Depreciation	7.2%
Interest expense	8.7%
Operations & maintenance	8.0%

Consolidated Statement of Operations

AS OF DECEMBER 31	2006	2005
OPERATING REVENUE	\$55,069,216	\$51,803,103
OPERATING EXPENSES		
Cost of purchased power	32,524,969	29,204,630
Operations & maintenance	4,406,769	4,121,055
Consumer accounting expense	2,638,421	2,579,237
Consumer service & information expense	277,326	272,159
Administrative & general expense	2,522,091	2,497,773
Depreciation	3,932,769	3,631,225
Taxes	2,470,619	2,147,729
TOTAL OPERATING EXPENSE	48,772,964	44,453,808
OTHER INCOME/EXPENSES		
Interest expense on debt	(4,813,089)	(4,012,700)
Patronage capital from other cooperatives	1,070,809	695,112
Other income/expenses	(1,394,446)	(844,096)
TOTAL OTHER INCOME/EXPENSES	(5,136,726)	(4,161,684)
NET MARGINS	\$1,159,526	\$3,187,611

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, 2006 and 2005 are available for review at the Cooperative's facility in Youngsville, N.C.

As your board of directors, we embrace change. At Wake Electric, we're committed to growth. Growth of our region, growth of our company, and growth of the natural world around us.

Why are we so focused on current growth? Because that focus will allow us to continue to provide you with affordable prices, high reliability, and excellent service. That's why we're here—we're looking out for you.



Roy Jones
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

Mike Dickerson
Oxford
District 3

Joe Hilburn
Raleigh
District 4

Suzy Morgan
Wake Forest
District 5

Allen Nelson
Stovall
District 1



Wake Electric
Membership Corporation

A Touchstone Energy Cooperative

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