



Our Energy Our Future



2007 ANNUAL REPORT

A supplement to Carolina Country



Wake Electric
Membership Corporation

A Touchstone Energy Cooperative 



The tools. The models. And the ideas all surround us for building a better energy future.

And Wake Electric is taking bold and innovative steps to utilize those tools, models, and ideas to build an energy future that ensures that our members have reliable and affordable power.



At the same time, in the face of climate change, there are a lot of "what-ifs" surrounding electric power. As a nation, we need to add more generating resources to meet growing electric consumption.

As your power provider, it's our job to make prudent, long-term energy decisions that will benefit you and the communities we serve for decades to come. But today those decisions are mixed up with politics like never before. Every question of supplying power is being impacted by the debate surrounding how best to meet climate change goals. Policy limiting carbon dioxide emissions is becoming more likely, although specifics are still up in the air.

Massive investments in new technology will be required—and soon—to find a balance in meeting both our energy and climate change goals. The Electric Power Research Institute estimates it will take a research investment of \$1.4 billion a year from now until 2030 to develop new technology such as carbon capture and storage for our power plants.

Once we add this advanced technology to the equation, we can develop power plants that burn coal and isolate carbon dioxide emissions. The gas can then be compressed and pumped for permanent storage deep underground. Many experts believe that with the right financial commitment from the federal government, cost-effective carbon capture and storage technology could become commercially available around 2020.



*Jim Mangum
Manager & CEO*

But this is just one potential piece of the puzzle, and until our elected officials agree to increase the necessary funding, uncertainty remains.

At Wake Electric, we are dedicated to keeping you supplied with reliable and affordable electricity. In the end, it will be the pocket-books of our members that are most affected by state and federal action on climate change. In 2007, as Wake's representatives, our national and statewide electric cooperative organizations started a dialogue with lawmakers about critical questions such as technology's role in our energy future. Wake Electric, for the sake of its members, is including you in this dialogue.

And at the same time that we are evolving and embracing change on a national and global scale, we are continuing to focus on improving the quality of life right here in the communities that we serve through programs that have touched your lives for decades. Because at the end of the day, that is what your electric co-operative is all about—*you and your community.*



The cooperative difference means you

At your local electric cooperative, one priority rings through loud and clear—you the member come first! Day in and day out, the men and women at Wake Electric work hard to represent your interests—those of our consumer-owners.



Electric cooperatives are “of, by and for” the people they represent. Being a member-consumer of your co-op means you, along with your neighbors, own the company and have a voice in the decisions made on your behalf. And that is a fundamental difference between your local electric co-op and other energy providers.

That difference manifests itself in positive and dramatic ways every day. It's in the thousands of members who continue to contribute to our Operation RoundUp program and it is in the employees here who continue to work for our members long after the day is done.

Through our many grant and giving programs, we continuously make that positive difference in the communities we serve.

In 2007, the WE Care Foundation, thanks to member and employee donations, gave:

- \$50,000 in grants to area teachers to develop exciting projects for their students.
- \$20,000 in scholarships and youth programs to local students.
- \$50 U.S. Savings Bonds to over 100 students in the “Give Us an ‘A’ Program.”
- \$20,000 in Classroom Technology Awards to help local educators buy special equipment.
- \$75,000 in grants to area non-profits.

Wake also continued to sign up members who volunteer to be part of our “Green Power” program. This program helps fund the use of renewable energy sources like wind and solar power to generate electricity.

The multi-county construction project to build the first shell building in what is to become an industrial center for Granville, Vance, Warren, and Franklin counties is now almost completed. Completion of the project has taken less than a year. Thanks to an interest-free loan from the N.C. Electric



Roy Ed Jones, Jr.
President, Board of Directors

Membership Corporation to Wake Electric, Wake Electric in turn was able to re-loan that same money for the construction of the very first building in the park.

We experienced record attendance at our exciting bi-annual Member Advisory Meetings.

The meetings were open to all Wake Electric Members and gave members an opportunity to meet with board members and the management team to ask questions about matters affecting their electric bills and their electric company.

We encourage all members to attend these important meetings to stay abreast of issues of direct importance to you and your co-op.

Let's face it. Most folks don't have the time or interest to get too involved in the details of providing safe, reliable power. Most are too busy with their own jobs or families to have the time to focus on these issues. So that's where your local co-op comes in. Our job is to be your advocate—to put you first—as we work in the energy industry on your behalf.

The values your local co-op brings to the energy business keep us focused on serving your needs and your needs alone. Our Consumers First focus ensures that we continually look for ways to improve our ability to meet your needs and strengthen the quality of life in your community for you and your loved ones.



Wake Electric's service area continues to be one of the fastest growing in the country. Hundreds of new families and businesses move to the area each year. Wake Electric is committed to providing reliable electric service to our new neighbors and continuing to provide good service to our existing members.

By the last quarter of the year, however, we started experiencing a slow down in new construction of homes. The slow down is expected to continue through much of 2008. Our consumer base grew by 5.8 percent in 2007, down from the robust consumer growth of 7.4 percent in 2006.

Our consumers' electric usage at one time increased by 11 percent, setting an all-time record demand for power in August 2007. Sales of kWh grew by nearly 12 percent during the year.

In 2007, Wake Electric invested over \$12 million in new poles, lines, transformers, underground lines and meters. The total net utility plant investment is now \$128.3 million.

Last year, the Cooperative built over 2,000 new services to homes and businesses. This was down 10 percent from our

2006 level of construction.

We added 100 miles of underground lines to serve new consumers. We increased the capacity of our overhead system by rebuilding 14 miles of overhead lines with larger conductor to improve service to our existing consumers.

Wake Electric was not hit by the major storms this past year. Our average consumer outage time was 1.7 hours during 2007, down from the 3.3 hours average for the past 5 years.

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

In 2007, our right-of-way maintenance budget was nearly \$1.4 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 expenses for the electric system was \$4.3 million.

It takes the efforts of many individuals working together to design, build and maintain your electric system. Wake Electric's board, employees and contractors are committed to making Wake Electric's power system work for you.

Our key priorities:

- **Reliable, affordable power**
- **The communities we serve**
- **Environmental responsibility**

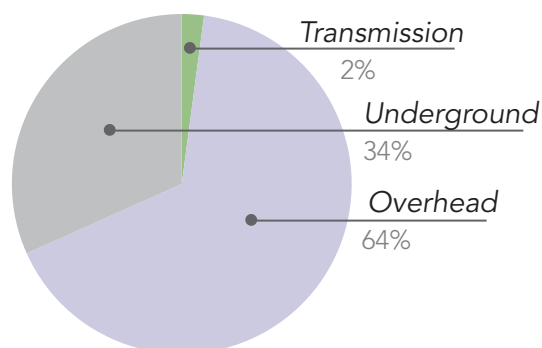


In 2007, Wake Electric's consumer base grew to 32,836.

MILES OF LINE

	2007	2002	1997
Transmission	58	58	52
Overhead	1,859	1,857	1,709
Underground	991	581	474
Total	2,908	2,496	2,235

TYPE OF LINE USED



NEW SERVICE CONSTRUCTION

	2007	2006	2005	2004
Overhead service	20	22	23	35
Underground service	2,033	2,181	1,765	1,500
Lights	929	802	794	715
Miles underground	100	91	98	69

REPORT RATIOS

Period ending December 31	2007	2002	1997
Number of consumers	32,836	24,705	18,908
Residential consumers*	31,017	23,305	17,754

Period: January 1–December 31	2007	2002	1997
Residential kWh sales*	464,140,239	342,218,850	228,863,341
Total kWh sales	598,633,491	449,241,371	315,258,112
Avg. monthly kWh/residential member	1,278	1,242	1,099

*excluding seasonal



When you hear the word local, think of your electric cooperative. The fact that we are a locally owned company—owned by the consumers we serve—keeps us focused on your needs and local priorities.

That means conducting business through a locally elected board of directors and an annual meeting where members can vote on directors. It's the "people" part—the personal involvement, the grassroots activities—that characterizes what electric co-ops are all about.

Your co-op's commitment to you begins with helping you keep your electric bill as low as possible. We deliver service to you at the cost of service. There are no hidden fees and no profits for investors in faraway cities.

Any money that is left over is to be returned to the members in the future as capital credits.

People who know the community resolve questions about service and billing locally.

Wake's commitment to providing outstanding service to its members remain one of our priorities. At the same time, we are always reviewing where changes and improvements can be made to serve you better.

In 2007, thousands of members chose to pay their bills

on-line and through automatic bank-draft. On-line service allows you to review and to pay your electric bill 24 hours a day, 7-days a week.

Wake Electric also encourages members to sign up for bank-draft. If you have your electric bill automatically drafted each month from your account, you'll:

- **Save Time**—No more trips to the Wake Electric office
- **Save Money**—No need to buy stamps or buy gas to drive to the office
- **Have Peace of Mind**—Never a forgotten or missed payment
- **Enjoy Convenience**—Your bill is taken care of, even when you are out of town

During our Member Advisory Committee meetings and our Annual Meeting this year, we distributed free packs of compact fluorescent bulbs and low-flow showerheads. These energy efficient products will collectively save our members thousands of dollars on their electric bill over the life of the product. Throughout the year, at presentations, demonstrations, and expos, we demonstrated our commitment to saving our members money and to educating them on conservation and energy use.

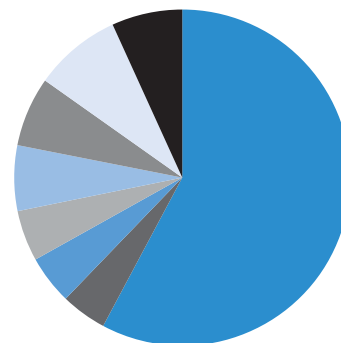


Non-profits throughout Wake Electric's service territory, like the Bunn Fire department, benefited from funds made available through the WE Care Foundation.



Consolidated Balance Sheets

AS OF DECEMBER 31	2007	2006
Assets		
Utility plant		
Property, plant, & equipment	\$156,660,001	\$144,114,505
Less: accumulated depreciation	(32,377,595)	(29,250,006)
Net plant	124,282,406	114,864,499
Construction work in progress	4,037,278	4,716,683
TOTAL NET UTILITY PLANT	128,319,684	119,581,182
OTHER ASSETS		
Investments in associated organizations	5,766,434	5,498,946
Other investments	2,073,331	2,682,331
Nonutility Plant	1,978,668	1,541,317
TOTAL OTHER ASSETS	9,818,433	9,722,594
CURRENT ASSETS & DEFERRED CHARGES		
Cash & cash receivables	492,120	190,635
Accounts receivable	8,336,141	8,175,839
Other current assets	3,092,619	3,627,400
Deferred charges	1,761,003	2,650,667
TOTAL CURRENT ASSETS & DEFERRED CHARGES	13,681,883	14,644,541
TOTAL ASSETS	\$151,820,000	\$143,948,317
Equities & Liabilities		
Equities		
Membership fees	\$140,505	\$131,885
Patronage capital	32,823,489	30,053,366
Other equities	3,693,558	3,574,915
TOTAL EQUITIES	36,657,552	33,760,166
TOTAL LONG-TERM DEBT	101,421,067	88,080,753
OTHER LONG-TERM LIABILITIES	1,919,522	2,473,193
CURRENT LIABILITIES		
Current portion of long-term debt	325,423	447,929
Operating line of credit	214,392	8,218,842
Accounts payable & deferred credits	8,331,974	8,305,456
Other accrued liabilities	1,509,515	1,218,256
Consumer deposits	1,440,555	1,443,722
TOTAL CURRENT LIABILITIES	11,821,859	19,634,205
TOTAL EQUITIES & LIABILITIES	\$151,820,000	\$143,948,317



HOW YOUR CO-OP DOLLAR WAS SPENT IN 2007

Cost of purchased power	57.8%
Interest expense	8.4%
Operations & maintenance	6.8%
Depreciation	6.7%
Margins	6.3%
Customer service	4.9%
Administrative expense	4.7%
Taxes	4.4%

Consolidated Statement of Operations

AS OF DECEMBER 31	2007	2006
OPERATING REVENUE	\$63,067,122	\$55,069,216
OPERATING EXPENSES		
Cost of purchased power	36,431,395	32,524,969
Operations & maintenance	4,306,070	4,406,769
Consumer accounting expense	2,733,875	2,638,421
Consumer service & information expense	325,548	277,326
Administrative & general expense	3,022,103	2,522,091
Depreciation	4,233,839	3,932,769
Taxes	2,778,082	2,470,619
TOTAL OPERATING EXPENSE	53,830,912	48,772,964
OTHER INCOME/EXPENSES		
Interest expense on debt	(5,266,287)	(4,813,089)
Patronage capital from other cooperatives	1,039,754	1,070,809
Other income/expenses	(1,545,078)	(1,394,446)
TOTAL OTHER INCOME/EXPENSES	(5,771,611)	(5,136,726)
NET MARGINS	\$3,464,599	\$1,159,526

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, 2007 and 2006 are available for review at the Cooperative's facility in Youngsville, N.C.



How much are consumers willing to pay for renewable energy, energy efficiency and climate change? That question is emerging in national discussions, particularly as Congress considers legislation aimed at reducing greenhouse gas emissions.

New technologies to reduce the greenhouse gases, specifically carbon dioxide, will cost billions of dollars. The potential exists for significant increases in what we pay for electricity.

Skyrocketing electric bills would be painful for our thousands of electric co-op consumer-members. Wake Electric knows this. That is why, as your board, we question each proposal brought forward by Congress.

Changes in the electric industry are coming, but each change needs to have a real, measurable payoff. As we balance what needs to be done with what it will cost and who will pay that cost, your electric co-op will be looking out for you.

Because it's our energy. Our future.



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



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A Touchstone Energy Cooperative

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