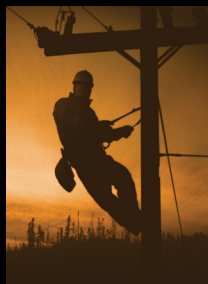


LOOKING OUT FOR

*you*



Wake Electric  
Membership Corporation

A Touchstone Energy Cooperative 

2010 Annual Report

*A supplement to Carolina Country*

# Looking out for *you*



Jim Mangum  
General Manager & CEO

**T**his past year has been one of both great challenge and unique opportunity.

Facing a struggling economy, the members of Wake Electric have come together to help our local community recover and continue to thrive.

Throughout these difficult times, Wake Electric has renewed its commitment to you, our members. We've worked to keep electric bills affordable, found ways to control costs through innovation and new technologies, and invested in programs that enrich the lives of those around us.

## A Changing Energy Market

It's hard to predict the future, but one thing seems certain: government regulations are going to increase the cost of doing business. The state government passed legislation called the Renewable Energy and Energy Efficiency Portfolio Standards (REPS) in 2007, requiring 10 percent of the energy sold by electric cooperatives to be created through renewable energy resources, or in accordance with energy efficiency measures, by 2018. Congress is also pushing for more



Raleigh's Coastal Pines Girl Scouts Sarah and Jazlin of Wake County and Rosa of Orange County have fun at the 2009 Leadership Camp at Camp Mary Atkinson, courtesy of an Operation RoundUp grant sponsored by Wake Electric.

renewable energy sources (primarily wind and solar) that come at a higher cost and have traditionally limited use.

In addition, we are facing a steady growth in electricity demand while it is becoming more difficult and expensive to produce and transmit power. Even with successful energy efficiency programs, our state will experience increased energy demand requiring construction of new power plants and transmission lines.

Wake Electric's Board of Directors is finding ways to deal with these price pressures while keeping your electricity safe, reliable and affordable.

## Innovation

One important way we're controlling costs is through innovation. Wake Electric is deploying state-of-the-art technology that helps reduce operating costs and improve service reliability. For example, our new Monitor & Manage Program uses "smart-grid" technology to eliminate energy consumption created by electric appliances when they aren't being used. In 2009, Wake Electric began its successful pilot programs for smart-grid applications, and more than 300 smart meters have now been installed across our system. After additional testing and board budget approval, we expect to expand these programs to all our members. In 2010, we also updated our mapping system and moved everything online, giving linemen and meter technicians easy-to-access and accurate field information.

## Energy Efficiency

Our energy efficiency programs also help manage energy use. As a Touch-

stone Energy cooperative, we offer members access to TogetherWeSave.com, an energy efficiency website that features more than a dozen interactive web applications linked to a virtual home tour designed to encourage members to take energy-savings actions now.

Whether you're sealing air ducts, replacing old appliances or improving your home's insulation, little changes can add up to big savings on your electric bill. We also offer online home energy audits to help you get the best value out of the energy you use.

## Commitment to Community

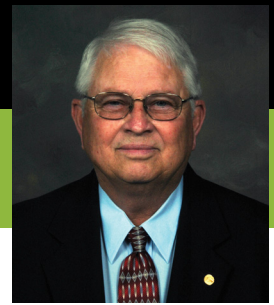
Our rates are set to cover only the cost of doing business, not to generate profits. We give money back to you as capital credits when our revenues exceed costs. This year alone we returned more than \$850,000 dollars to our members.

Since you control your co-op, we're accountable to you and dedicated to assisting our community, especially our young people. That's why we continue to support many community programs, such as the Rural Electric Youth Tour, Touchstone Energy Sports Camps program and Wake Electric's Scholarship program.

We also partner with you on efforts like the RoundUp program, which has donated more than \$300,000 to local non-profits since the program began in 1996. On behalf of the people whose lives have been changed through your generosity, thank you.

We're different. We're working together to keep your electric bills affordable. We're controlling costs through innovation. We're continuing to put you, our members, first. No matter what the future brings, one thing is certain: We're looking out for you.

# Commitment to *community*



Roy Ed Jones, Jr.  
President, Board of Directors

Our country is facing challenging economic times, and it is no different here in North Carolina. Many of our members are struggling to afford the basics, including food, housing and energy. That's why at Wake Electric, we've renewed our commitment to community to help provide reliable, affordable energy, create jobs and power our local economy.

Together we've invested in community institutions like the Special Olympics of North Carolina and the Boys & Girls Club, with donations of more than \$20,000 through the Operation RoundUp program. We also participated in Relay for Life and supported the United Way. And to secure the future of our community, we provided \$24,000 in scholarships to send local students to college through the Wake Electric Scholarship Program and the Rural Electric Youth Tour.

In 2010, Wake Electric also awarded \$50,000 in Bright Ideas education grant monies, \$50 savings bonds to more than 120 local students through the "Give Us an A" program, and more than \$19,000 in Classroom Technology awards grants to deserving local teachers.

As a not-for-profit co-op owned by the people we serve, our core values center on giving back to our local communities and ensuring a high quality of life throughout our region.

## Operation RoundUp and the Wake Electric Foundation



Wake Electric believes in the power of our local nonprofits and shows our support to them by offering quarterly Operation RoundUp grants. Members and employees of Wake Electric can voluntarily round up their electric bills to the next dollar to help fund special needs in our communities through the Operation RoundUp program.

For example, as an Operation RoundUp contributor, if your bill is \$91.85, it would be rounded up to \$92 and the extra 15 cents would be donated to Operation RoundUp.

Each quarter, the board of directors for the program's administrative body, the Wake Electric Foundation, meets to determine which local organizations will be awarded funds. For more information on Operation RoundUp, go to [www.wemc.com/oproundup.aspx](http://www.wemc.com/oproundup.aspx).

Since Operation RoundUp began in 1996, the program has awarded more than \$300,000 to area nonprofits.

## Wake Electric Foundation Report

2010 SUMMARY, January 1, 2010 to December 31, 2010

<b>BEGINNING BALANCE 1/1/10</b>	\$200,513.56
<b>CONTRIBUTIONS AVAILABLE</b>	147,371.71
	347,885.27

### Community Grants

Bunn Rural Fire Department	Durham Rescue Mission
Camp Kanata	Granville County Historical Society Museum
Frances B Dickson Auditorium (Louisburg College)	Harbor, Inc. in Smithfield
Franklinton American Legion Post 52	Meals on Wheels of Wake County
Boys & Girls Club of Johnston Co-Selma Unit	Wake Forest Police Department
NC Coastal Pines Girl Scouts-Raleigh	Special Olympics of North Carolina
Safe Space, Louisburg	Assistance League-Triangle Area
Care & Share of Franklin County in Louisburg	Hands of Hope Food Pantry
Changing a Generation Ministry in Durham	Boys & Girls Club of North Central North Carolina
<b>Community Grants Total</b>	<b>(\$20,958.00)</b>

### Educational

Bright Ideas Teacher Grants	
Classroom Technology Grants	
2010 Rural Electric Youth Tour	
Wake Electric Scholarships	
Give Us An "A"	
<b>Educational Grants Total</b>	<b>(118,522.64)</b>
<b>Member Assistance</b>	<b>(21,000.00)</b>
<b>Other</b>	<b>(71.70)</b>
<b>ENDING BALANCE 12/31/10</b>	<b>\$187,332.93</b>

# Energizing our *future*

## Providing You With Safe, Reliable and Affordable Electric Service

**W**ake Electric's service area experienced significant growth over the last decade. In the year 2000, the co-op served 22,380 members. By 2010, Wake Electric served 34,780 members and is still growing. Hundreds of new families and businesses flock to Wake Electric's service territory each year because of the strong school systems, numerous job opportunities and delightful communities.

Despite this trend, the growth from 2009 and 2010 was not significant, with our consumer base adding only about 645 members. This number is down from the more than 2,100 new consumers that were added in 2006.

The main reason for the decreased growth in Wake Electric's service area over the past few years is that new construction slowed down in our territory, as it has in many parts of the country, due to the national economic downturn.

However, despite this decline in growth, kWh sales at the co-op increased significantly in 2010. People are using more electricity now than ever. Today's members have access to many new appliances and tech-

nologies that require electricity. While energy efficiency increases our standard of living, it does not reduce our demand for electricity.

For instance, in 1985, a member's average monthly residential usage was 937 kWh. In 2000, the average usage increased to 1,184 and in 2010, it increased even more to 1,401 kWh a month for residential consumers. Energy sales grew 10.08 percent during the year.

Wake Electric now has 58 miles of transmission line, 1,855.7 miles of overhead line and 1,094.7 miles of underground line. Our entire system gives reliable, safe and affordable electricity to nearly 35,000 members in parts of Durham, Franklin, Granville, Johnston, Nash, Vance and Wake counties.

In 2010, Wake Electric invested more than \$5 million in new poles, overhead lines, transformers, underground lines, meters, substation upgrades and general plant upgrades. The total net utility plant investment now is over \$138 million.

Wake Electric strives to build and maintain a reliable electric system. For example, in 2010, our right-of-way maintenance expenses were more than



*Wake Electric strives to improve reliability by participating in right-of-way clearing. This maintenance program helps reduce the damage caused to power lines by fallen trees in a storm situation.*



*Wake Electric strives to build and maintain a reliable electric system. Coop employees are constantly thinking of ways to improve how Wake Electric can bring you safe, affordable, and reliable electricity to your homes and businesses.*

\$1 million. These efforts help reduce the damage to our lines caused by trees and secure access to the lines for repairs and system maintenance.

Wake Electric's operation and maintenance expenses for the electric system totaled \$5.61 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 because at our co-op, members come first.

# In 2010, Wake Electric's consumer base **grew** to 34,780.

**W**ake Electric was organized in 1940 as a non-profit electric cooperative. The co-op provides electric service to almost 35,000 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 16 substations, with three more under construction, and more than 3,000 miles of distribution lines (1,900 miles overhead and 1,100 miles underground.)

## NEW SERVICE CONSTRUCTION

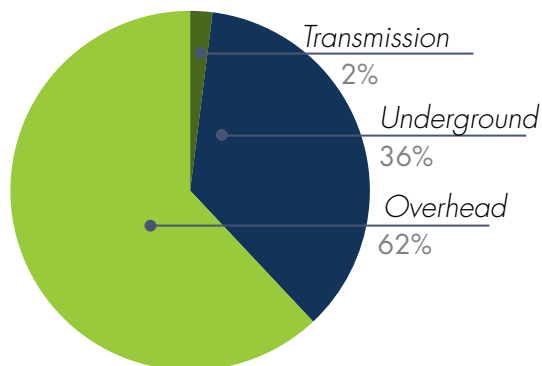
	2010	2009	2008	2007
<i>Overhead services added</i>	18	30	14	20
<i>Underground services added</i>	812	690	1,063	2,033
<i>Lights added</i>	258	382	593	929
<i>Miles underground added</i>	30	23	51	100

## REPORT RATIOS

<i>Period ending December 31</i>	2010	2005	2000
<b>Number of consumers</b>	34,780	28,906	22,380
<b>Residential consumers*</b>	32,579	27,339	21,064
<i>Period: January 1–December 31</i>			
<b>Residential kWh sales*</b>	544,158,016	412,828,630	293,665,384
<b>Total kWh sales</b>	700,550,363	536,755,924	395,161,639
<b>Avg. monthly kWh/residential member</b>	1,401	1,296	1,184

*\*excluding seasonal*

## TYPE OF LINE USED



## MILES OF LINE

	2010	2005	2000
<i>Transmission</i>	58	58	58
<i>Overhead</i>	1,856	1,860	1,810
<i>Underground</i>	1,095	801	505
<b>Total</b>	<b>3,009</b>	<b>2,719</b>	<b>2,373</b>

# You have a *voice*

**S**erving our members is Wake Electric's top priority, and you always have a voice in the way we do business. We strive to make improvements based on your feedback and suggestions.

## Member Advisory Committee Meetings

Twice a year, Wake Electric holds Member Advisory Committee (MAC) meetings where all members are invited to talk with the Wake Electric management team. MAC meetings offer a great opportunity to hear about the latest issues facing Wake Electric, engage in open discussion and ask questions. Topics covered in 2010 included anticipated changes in the federal government's electric energy policy and preferences, as well as renewable energy and energy efficiency measures being taken by the co-op.

## Together We Save

In an effort to bring value to our members, Wake Electric is part of a nationwide energy efficiency campaign known as Together We Save. The campaign's mission is to motivate co-op members to make small changes that add up to big savings.

## **TOGETHERWESAVE.COM**

Together We Save offers an unprecedented collection of resources and advice on simple energy efficiency steps you can take in your home. Flip the light switch. Insulate your attic. Change the setting of your thermostat. These are all easy tasks you can do around the house in just a few seconds to help save on your electric bill.

Visit [TogetherWeSave.com](http://TogetherWeSave.com) to learn easy ways to start saving money. The website's resources include:

- \* How-to videos
- \* Tips for various rooms of the home
- \* An interactive house tour that makes cost saving estimates for particular energy saving ideas.

Energy efficiency is especially important during these difficult economic times, and helping our members save both money and energy continues to be one of our central goals.

## Tools To Make Your Life Easier

Wake Electric has developed some simple and convenient tools, such as online access to bills, automatic bill draft and paperless billing, to help you manage your account and cut down on waste.

### \* Online Accounts

Creating an online account gives you access to your Wake Electric account at your convenience. With your online account, you can:

- \* View and pay your bill online.
- \* View current or past bills.
- \* Stop or transfer your electric service when you move.
- \* Update your mailing address, telephone number and e-mail.
- \* Make service requests.



*Jim Mangum, General Manager and CEO of Wake Electric, addresses members at the 2010 Member Advisory Committee (MAC) meeting. Mangum spoke about co-op business and trends in the electric utility industry. MAC meetings occur a few times a year and give Wake Electric members a chance to meet and talk with the Wake Electric management team about important issues facing the co-op.*

### \* Paperless Billing

Members can also save both time and natural resources by opting to go paperless and receive their monthly bill electronically.

Subscribers opt not to receive a paper bill in the mail and instead receive an e-mail notification each month directing them to view and pay their bill online at Wake Electric's E-bill website. Members can also review current or past bills anytime through their online accounts.

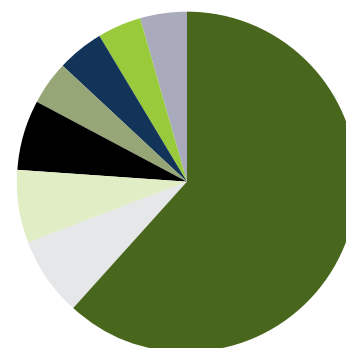
### Automatic Bill Draft

By selecting our bank draft option, also called Handi-Pay, you don't have to worry about paying your bill online—you can choose a draft date that works best for you and save the time and the hassle of keeping up with due dates and paperwork.

With an online account, bank draft and paperless billing, paying bills has never been simpler or more convenient. This is one more way Wake Electric is looking out for you.

## Consolidated Balance Sheets

AS OF DECEMBER 31	2010	2009
<b>Assets</b>		
Utility plant		
Property, plant, & equipment	\$173,739,022	\$171,097,670
Less: accumulated depreciation	(39,111,725)	(37,068,880)
Net plant	134,627,297	134,028,790
Construction work in progress	3,653,514	2,800,724
<b>TOTAL NET UTILITY PLANT</b>	<b>138,280,811</b>	<b>136,829,514</b>
<b>OTHER ASSETS</b>		
Investments in associated organizations	14,759,799	13,573,214
Other investments	1,399,223	1,399,223
Nonutility Property	2,645,228	2,594,345
<b>TOTAL OTHER ASSETS</b>	<b>18,804,250</b>	<b>17,566,782</b>
<b>CURRENT ASSETS &amp; DEFERRED CHARGES</b>		
Cash & cash receivables	385,559	495,543
Accounts receivable	11,002,690	9,695,418
Other current assets	2,959,625	3,395,434
Deferred charges	1,179,467	1,458,810
<b>TOTAL CURRENT ASSETS &amp; DEFERRED CHARGES</b>	<b>15,527,341</b>	<b>15,045,205</b>
<b>TOTAL ASSETS</b>	<b>\$172,612,402</b>	<b>\$169,441,501</b>
<b>Equities &amp; Liabilities</b>		
<b>Equities</b>		
Membership fees	\$151,140	\$148,680
Patronage capital	44,453,478	40,018,724
Other equities	4,037,149	3,922,965
<b>TOTAL EQUITIES</b>	<b>48,641,767</b>	<b>44,090,369</b>
<b>TOTAL LONG-TERM DEBT</b>	<b>100,552,871</b>	<b>100,910,431</b>
<b>OTHER LONG-TERM LIABILITIES</b>	<b>891,311</b>	<b>1,155,629</b>
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt	383,761	297,453
Operating line of credit	5,484,495	10,810,863
Accounts payable & deferred credits	13,615,161	8,889,113
Other accrued liabilities	1,470,718	1,751,050
Consumer deposits	1,572,318	1,536,593
<b>TOTAL CURRENT LIABILITIES</b>	<b>22,526,453</b>	<b>23,285,072</b>
<b>TOTAL EQUITIES &amp; LIABILITIES</b>	<b>\$172,612,402</b>	<b>\$169,441,501</b>



## HOW YOUR CO-OP DOLLAR WAS SPENT IN 2010

Cost of purchased power	61.8¢
Operations & maintenance	7.5¢
Interest expense	7.0¢
Depreciation	6.5¢
Margins	4.4¢
Taxes	4.4¢
Customer service	4.2¢
Administrative expense	4.2¢

## Consolidated Statement of Operations

AS OF DECEMBER 31	2010	2009
<b>OPERATING REVENUE</b>	<b>\$77,202,002</b>	<b>\$72,570,990</b>
<b>OPERATING EXPENSES</b>		
Cost of purchased power	47,702,747	42,751,286
Operations & maintenance	5,782,720	4,617,766
Consumer accounting	2,906,905	3,005,444
Consumer service & information	338,755	347,534
Administrative & general	3,296,594	3,343,172
Depreciation	5,011,005	4,824,003
Taxes	3,361,747	3,178,321
<b>TOTAL OPERATING EXPENSES</b>	<b>68,400,473</b>	<b>62,067,526</b>
<b>OTHER INCOME (EXPENSES)</b>		
Interest expense on debt	(5,427,055)	(5,490,894)
Patronage capital from other cooperatives	1,543,805	1,171,242
Other income (expenses)	608,542	(1,585,790)
<b>TOTAL OTHER INCOME (EXPENSES)</b>	<b>(3,274,708)</b>	<b>(5,905,442)</b>
<b>NET MARGINS</b>	<b>\$5,526,821</b>	<b>\$4,598,022</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, 2010 and 2009 are available for review at the Cooperative's facility in Youngsville, N.C.

# The cooperative *difference*

## A message from Wake Electric's Board of Directors

**I**t's a good time to be a member of an electric cooperative.

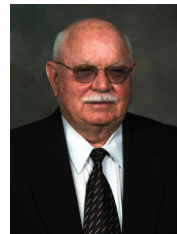
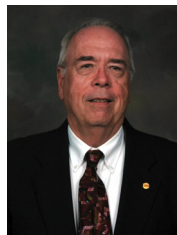
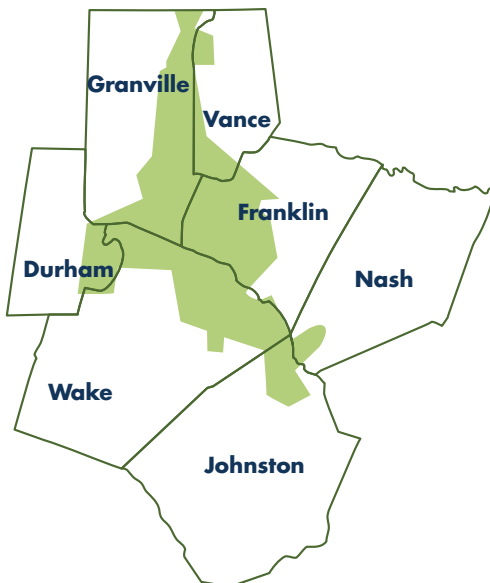
While many North Carolina electricity customers pay power bills to companies that answer to far-away stockholders, local members of Wake Electric call the shots. That's because the co-op is locally owned and controlled by our members.

Wake Electric isn't under pressure to keep rates high enough to generate big profits. Instead, the co-op tries to keep your bill as low as possible. Co-ops invest money in excess of operating costs back into the business locally or return the margins to members in the form of capital credits.

Another difference in the way co-ops do business is each member of Wake Electric is entitled to vote in the affairs of the cooperative. Members maintain democratic control of Wake Electric, which means they elect fellow members to represent them on the board of directors. Your co-op's directors have only one thing in mind: providing safe, reliable and affordable electricity in our local community. That's why you elected them.

In these days of economic turmoil, folks who receive electricity from co-ops are lucky. As locally owned and operated businesses, we share the same values and have the same pride of place as you do because it is our community, too. We act like neighbors because we are neighbors.

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

**Mike Dickerson**  
Oxford  
District 3

**Joe Hilburn, Sr.**  
Raleigh  
District 4

**Suzy Morgan**  
Wake Forest  
District 5

**Allen Nelson**  
Stovall  
District 1



P.O. Box 1229, Wake Forest, NC 27588  
919.863.6300 | 800.474.6300 | [www.wemc.com](http://www.wemc.com)