

**SMART  
SOLUTIONS**  
for our energy future



 Wake Electric  
Membership Corporation  
A Touchstone Energy Cooperative 

**2011 ANNUAL REPORT**



**JIM MANGUM**  
General Manager & CEO

**GENERAL MANAGER'S MESSAGE**

# Smart Solutions For Our Energy Future



Electric cooperatives are different from many other businesses you deal with.

That's because Wake Electric is a not-for-profit, locally owned and operated electric cooperative. Our consumers aren't customers; they're members, and they each own a part of the co-op. So it's only natural for us to run the cooperative with the best interests of our members in mind.

Wake Electric's mission is to provide our members with safe, reliable and affordable electricity. Through the continuing economic downturn, we have continued to develop smart solutions for our energy future, while investing in the communities we serve.

## Energy Legislation and an Ever-Changing Energy Market

Wake Electric is working hard to keep your electric bills affordable while facing a volatile energy market and new legislative standards. The North Carolina General Assembly 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.

Renewable energy resources are more expensive than traditional generation facilities. Government regulations are going to increase the cost of doing business, but Wake Electric's Board of Directors will continue to utilize new technologies and smart energy solutions to deal with these price pressures.

## Energy Efficiency

Helping our members to use energy more wisely will not only help us meet the REPS mandate, but also help members manage their electric bills. Disseminating energy efficiency

information is a vital part of our business, and we offer low-cost or no-cost energy efficiency tips via brochures, our website, [www.wemc.com](http://www.wemc.com) and our member newsletter, *ElectricConnections*. In 2011, Wake Electric also participated in GreenCo, a not-for-profit company formed by a majority of North Carolina's electric cooperatives, which focuses on energy efficiency initiatives and renewable resources, such as solar and wind power.

## Technology and Innovation

Deploying state-of-the-art solutions and new technologies helps us control operating costs and improve service reliability.

One important way we're controlling costs is through our new Advanced Metering Infrastructure (AMI) meters. In 2011, Wake Electric began deploying new, upgraded AMI meters that help improve reliability, accelerate outage notification and enhance power quality monitoring.

Wake Electric also kicked off the new Monitor & Manage Premier Option in 2011. For \$9.95 a month, this home energy monitoring system utilizes "smart-grid" technology to eliminate energy consumption created by your HVAC, water heater or pool pump when they aren't being used.

## Looking Out for You, Our Members

Costs are rising for all of us, but when it comes to your electric bill, our rates are set simply to cover the cost of doing business, not to generate profits. In fact, as a not-for-profit organization, we give money back to you when our revenues exceed costs. I'm proud to report that in 2011, we returned more than \$1.1 million to our members in the form of capital credits.

Since you control your co-op, we're accountable to you and dedicated to assisting our community. That's why we partner with you on efforts like the

Operation RoundUp program, which has donated more than \$1.2 million to local community programs and initiatives since it began in 1996. It allows members and employees of Wake Electric to voluntarily round up their electric bills to the next dollar to help fund special needs in our communities.

## Safety

Safety training is a top priority at Wake Electric. We believe in conducting regular safety training to sharpen our employees' skills out in the field and in the office. In 2011, Wake Electric held Pole Top Rescue recertification and Bucket Rescue training, and we are proud to report that all participating climbers met recertification requirements.

As you can see, we're different. We're working together to keep your electric bills affordable. We're continuing to put you, our members, first, because membership matters.

*Below, Cory Lawrence, serviceman, completes the Pole Top Rescue certification.*





**ROY ED JONES, JR.**  
President, Board of Directors

**BOARD PRESIDENT'S MESSAGE**

# Concern For Community



Directors and employees of Wake Electric want to see the communities we serve succeed. Why? The answer is simple: we live here, too.

Local people working for local good. That's the essence of "Concern for Community," one of seven guidelines that governs electric cooperative operations.

Our core mission at Wake Electric is to improve the quality of life in the communities we serve—by providing safe, reliable and affordable electricity, and by supporting our friends and neighbors.

We have strong community roots. Wake Electric has been in business for 72 years—we're not going anywhere. Our business was founded here by members just like you, and that's why we support many community programs and initiatives year-after-year, because we know it's important to our members.

This past year, we strengthened our communities by investing in local causes such as Relay for Life and United Way. And to help secure the future of our community, we provided \$22,000 in scholarships to send local students to college through the Wake Electric Scholarship Program. We also send two high school juniors every June on an all-expenses-paid trip to Washington, D.C., through the Rural Electric Youth Tour to learn about electric cooperatives, American history and the United States government. Both students also receive a \$1,000 scholarship for college.

Wake Electric also believes in the power of education. In 2011, Wake Electric awarded \$50,000 in Bright Ideas education grant monies to local teachers, \$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. Wake Electric knows the importance of student success and we

support our local teachers, students and schools, every step of the way.

When it comes to Wake Electric, community always comes first. That's the cooperative difference.

*Teacher Cindy Linton from Centennial Middle School in Raleigh received a 2011 Bright Ideas education grant from Wake Electric. Her "Around the World Short Stories" proposal will allow her students to use computer software to record their own voices reading short stories they wrote about their native countries.*



## Wake Electric Foundation Report

2011 SUMMARY, January 1, 2011 to December 31, 2011

<b>BEGINNING BALANCE 1/1/11</b>	\$187,333
<b>CONTRIBUTIONS AVAILABLE</b>	<u>146,461</u>
	\$333,794

### Community Grants

Bunn Rescue & EMC	Rescue Mission Ministry
Meals on Wheels of Durham	Safe Space Inc.
Outreach Ministries	The Salvation Army of Vance County
Wake Forest PTA	A Blessing Inc.
St. Cyprian's Episcopal Church	Bridges of Hope Ministry, Inc.
Franklin County 4-H	Care & Share of Franklin County
Alice Aycock Poe Center	Changing A Generation Outreach
Durham County Health Department	ChurchNet Foundation, Inc.
Hospice of Wake County	Franklin-Vance-Warren Opportunity
C.C. Spaulding Alumni Association	North Raleigh Ministries
NC Medical Society Alliance	Special Olympics
Remnant Community Development Camp	Youngsville Elementary
<b>COMMUNITY GRANTS TOTAL</b>	<b>(\$27,509)</b>

### Educational

Bright Ideas Teacher Grants	
Classroom Technology Grants	
2011 Rural Electric Youth Tour	
Wake Electric Scholarships	
Give Us An "A"	
<b>EDUCATIONAL GRANTS TOTAL</b>	<b>(99,909)</b>
<b>MEMBER ASSISTANCE</b>	<b><u>15,000</u></b>
<b>ENDING BALANCE 12/31/11</b>	<b>\$191,376</b>



## ENGINEERING & OPERATIONS

# Leveraging Technology to Build a Better Tomorrow



### Growth and Sales

Wake Electric has experienced significant growth over the last decade. In 2001, the co-op served 23,426 members. By 2011, Wake Electric served 35,403 members and our service area is still growing today because of its job opportunities, desirable communities and respected school systems.

However, from 2010 to 2011, our growth was not significant, adding only 623 meters to our consumer base. The main reason for the slower growth rate is a decrease in new construction, due to the slowed economy.

Our usage data indicates that members are becoming increasingly energy efficient. In 2011, Wake Electric's total kWh sales were 673,578,152, whereas in 2010, they were 700,550,363. Energy sales went down 4 percent. However, our consumers' electric usage set a new all-time peak in July 2011 when our temperature escalated to 104 degrees, with the system using 182,102 kW in one hour.

### Operations and Maintenance

Our goal is to provide reliable, safe and affordable electricity to our members, located in parts of Durham, Franklin, Granville, Johnston, Nash, Vance and Wake counties. Wake Electric now has 58 miles of transmission line, 1,853 miles of overhead line and 1,119 miles of underground line.

In 2011, Wake Electric invested more than \$6 million in new poles, overhead lines, transformers, underground lines, meters, substation upgrades and general plant upgrades. The total net utility plant investment now is more than \$145 million.

Wake Electric strives to build and maintain a reliable electric system. For example, in 2011, our right-of-way maintenance budget was \$1.3 million.



*Wake Electric meter technician Grady Perry proudly installs a new AMI meter at a member's home.*

These efforts help reduce the damage to our lines caused by trees and secure access to the lines for making repairs and conducting normal system maintenance.

Wake Electric's total operation and maintenance expenses for the electric system were \$5.1 million.

Wake Electric's service territory suffered two major storms, a tornado in April 2011, when 11,375 members were out of power, and Hurricane Irene in August 2011, when the co-op experienced more than 6,500 power outages. Our average consumer outage time was 293.3 minutes during 2011. Excluding major storms and power supply outages, our average consumer outage time was 108.7 minutes.

### New Technology Gives You the Power

In 2011, Wake Electric began upgrading to Advanced Metering Infrastructure meters across our service territory. These new meters will help improve reliability, accelerate outage

notification and enhance power quality monitoring. Most importantly, these AMI meters give members access to our new Monitor & Manage Program, which uses "smart-grid" technology to generate monthly, daily and hourly energy data reports viewed through a secure online web portal. The Monitor & Manage program will be available to all residential members free of charge by the end of 2012.

Also in 2011, Wake Electric unveiled the Monitor & Manage Premier Option, a home energy monitoring system with automation features that offer members an unprecedented level of choice and control over how they use energy. For \$9.95 a month, members can eliminate energy consumption created by your HVAC, water heater or pool pump when they aren't being used, thus saving money on their electric bill.

Wake Electric continues to look for better ways to serve our members through new technology, ensuring you always have access to safe, reliable and affordable power.

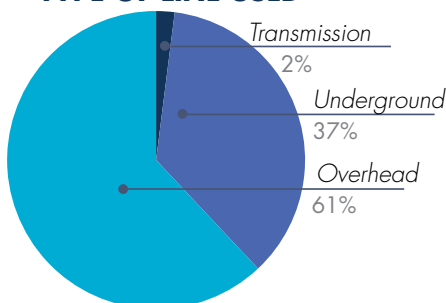
# In 2011, Wake Electric's consumer base **grew** to 35,403.

Wake Electric was organized in 1940 as a non-profit electric cooperative. The co-op provides electric service to nearly 35,500 primarily residential consumers in parts of seven counties in north central North Carolina: 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 3,030 miles of distribution and transmission lines (1,853 miles overhead, 1,119 miles underground and 58 miles of transmission lines.) In the past 10 years, Wake Electric has more than doubled the number of miles of underground power lines.

## TYPE OF LINE USED



## NEW SERVICE CONSTRUCTION

	2011	2010	2009	2008
<i>Overhead services added</i>	24	18	30	14
<i>Underground services added</i>	762	812	690	1,063
<i>Lights added</i>	237	258	382	593
<i>Miles underground added</i>	24	30	23	51

## REPORT RATIOS

Period ending December 31	2011	2006	2001
Number of consumers	35,403	31,038	23,426
Residential consumers*	32,200	29,367	22,110

Period: January 1–December 31	2011	2006	2001
Residential kWh sales*	513,228,787	415,897,967	312,089,768
Total kWh sales	673,578,152	542,497,271	416,129,253
Avg. monthly kWh/ residential member	1,299	1,219	1,202

\*excluding seasonal

## MILES OF LINE

	2011	2006	2001
<i>Transmission</i>	58	58	58
<i>Overhead</i>	1,853	1,860	1,855
<i>Underground</i>	1,119	892	516
<i>Total</i>	3,030	2,810	2,429



## MEMBER SERVICES

# Convenience and Care



Wake Electric's member and customer service teams are focused on providing members with two things: convenience and care.

### Customer Convenience

Wake Electric's goal is to make paying your electric bill as convenient as possible. That's why in 2011, the co-op introduced a new, dedicated pay-by-phone number for bill payment. Members can check their account status, make a payment, and also update phone numbers through this automated phone system. It is an excellent way for members to pay their bill quickly and easily.

There are other convenient ways for members to pay their electric bills:

Online accounts allow you to 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 address, and make service requests.

Automated bank draft, called Handi-Pay, allows monthly payments to be drafted straight from your checking account, so bills are never late and you don't have to mail a check.

Paperless billing saves time and our natural resources. Members receive an email notification each month directing



*Jim Mangum, CEO and general manager of Wake Electric, addresses members at the February 2011 Member Advisory Committee meeting.*



*Serviceman Jamie Wilson helps set up for the 2011 annual meeting at Louisburg College.*

them to view and pay their bill online at Wake Electric's e-Bill website.

Members can also pay their bills by mail or by visiting one of our four offices, located in Youngsville, Wake Forest, Oxford and Zebulon.

### Customer Care

Wake Electric wants to hear from you. Twice a year, the co-op holds Member Advisory Committee (MAC) meetings where members are invited to talk with the Wake Electric management team about co-op business and other industry-related topics. Wake Electric's annual meeting also allows members to hear reports on the current plans and progress of Wake Electric. In 2011, topics covered at these meetings included the transition from coal to natural gas in our generation mix, meeting legislative mandates for renewable energy, horizontal drilling and hydraulic fracturing and new technology coming to Wake Electric to help members conserve energy.

We work to help you save on your electric bill. We strive to educate our members on energy efficiency by including tips and articles in our monthly newsletter, *ElectriConnections*, as well as offering free home energy audit tools and energy efficiency brochures

on our website, [www.wemc.com](http://www.wemc.com).

Through our affiliation with Touchstone Energy, our national brand, members have access to *TogetherWeSave.com*, a website with an unprecedented collection of energy efficiency resources, including how-to videos, a virtual home tour where you will "walk" through different rooms and see actions you can take to save energy, and an energy savings forum where you can connect with other energy-conscious members by sharing your story about what you are doing to be more efficient.



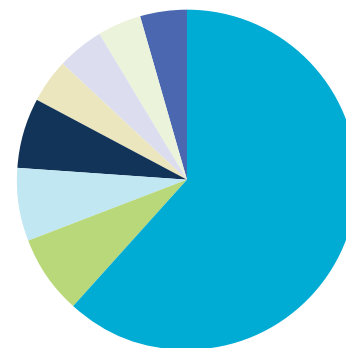
In December 2011, Wake Electric unveiled the Fridge and Freezer Farwell Program, which gives residential members \$50 to let us properly recycle their old, working secondary refrigerator or freezer, and even pick it up for them, free of charge. This program helps members and also the environment.

Your co-op cares about you and we strive to make your life easier through our many programs and services.

## FINANCIALS

### Consolidated Balance Sheets

AS OF DECEMBER 31	2011	2010
<b>Assets</b>		
Utility plant		
Property, plant, & equipment	\$179,013,903	\$173,739,022
Less: accumulated depreciation	(41,622,659)	(39,111,725)
Net plant	137,391,244	134,627,297
Construction work in progress	7,663,825	3,653,514
<b>TOTAL NET UTILITY PLANT</b>	<b>145,055,069</b>	<b>138,280,811</b>
<b>OTHER ASSETS</b>		
Investments in associated organizations	15,969,496	14,759,799
Other investments	1,876,879	1,399,223
Nonutility Property	1,480,834	2,645,228
<b>TOTAL OTHER ASSETS</b>	<b>19,327,209</b>	<b>18,804,250</b>
<b>CURRENT ASSETS &amp; DEFERRED CHARGES</b>		
Cash & cash receivables	213,635	385,559
Accounts receivable	8,684,337	11,002,690
Other current assets	2,995,155	2,959,625
Deferred charges	1,455,924	1,179,467
<b>TOTAL CURRENT ASSETS &amp; DEFERRED CHARGES</b>	<b>13,349,051</b>	<b>15,527,341</b>
<b>TOTAL ASSETS</b>	<b>\$177,731,329</b>	<b>\$172,612,402</b>
<b>Equities &amp; Liabilities</b>		
Equities		
Membership fees	\$154,665	\$151,140
Patronage capital	49,637,054	44,453,478
Other equities	4,147,260	4,037,149
<b>TOTAL EQUITIES</b>	<b>53,938,979</b>	<b>48,641,767</b>
<b>TOTAL LONG-TERM DEBT</b>	<b>100,126,655</b>	<b>100,552,871</b>
<b>OTHER LONG-TERM LIABILITIES</b>	<b>149,300</b>	<b>891,311</b>
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt	451,516	383,761
Operating line of credit	9,353,070	5,484,495
Accounts payable & deferred credits	10,305,404	13,615,161
Other accrued liabilities	1,760,923	1,470,718
Consumer deposits	1,645,482	1,572,318
<b>TOTAL CURRENT LIABILITIES</b>	<b>23,516,395</b>	<b>22,526,453</b>
<b>TOTAL EQUITIES &amp; LIABILITIES</b>	<b>\$177,731,329</b>	<b>\$172,612,402</b>



### HOW YOUR CO-OP DOLLAR WAS SPENT IN 2011

Cost of purchased power	61.0%
Operations & maintenance	6.8%
Interest expense	7.0%
Depreciation	6.9%
Margins	4.7%
Taxes	4.4%
Customer service	4.5%
Administrative expense	4.7%

### Consolidated Statement of Operations

AS OF DECEMBER 31	2011	2010
<b>OPERATING REVENUE</b>	<b>\$75,040,926</b>	<b>\$77,202,002</b>
<b>OPERATING EXPENSES</b>		
Cost of purchased power	45,755,057	47,702,747
Operations & maintenance	5,110,638	5,782,720
Consumer accounting	3,000,521	2,906,905
Consumer service & information	349,006	338,755
Administrative & general	3,599,181	3,296,594
Depreciation	5,144,178	5,011,005
Taxes	3,301,587	3,361,747
<b>TOTAL OPERATING EXPENSES</b>	<b>66,260,168</b>	<b>68,400,473</b>
<b>OTHER INCOME (EXPENSES)</b>		
Interest expense on debt	(5,266,317)	(5,427,055)
Patronage capital from other cooperatives	1,491,208	1,543,805
Other income (expenses)	1,424,497	608,542
<b>TOTAL OTHER INCOME (EXPENSES)</b>	<b>(2,350,612)</b>	<b>(3,274,708)</b>
<b>NET MARGINS</b>	<b>\$6,430,146</b>	<b>\$5,526,821</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, 2011 and 2010 are available for review at the Cooperative's facility in Youngsville, N.C.



## BOARD OF DIRECTORS

# Membership Matters



By and large, we don't get to choose who provides our electric service. Neighbors on opposite sides of the road may be served by different electric providers, some by a stockholder-driven investor-owned utility (IOUs), others by a city-owned municipal electric system. Or like you, people can get their electricity from a not-for-profit electric cooperative owned by its members.

There's one major difference between IOUs and municipalities and Wake Electric. Every home and business that receives power from an electric cooperative becomes a member and consumer, not just a customer, and each owns a portion of the utility.

Being a member matters. Wake Electric doesn't exist to make profits for far-away stockholders. We exist to provide you with safe, reliable, and affordable electric service. Because electric co-ops operate on a not-for-profit basis, they have no need to increase revenues above what it takes to run the business in a financially sound manner. This structure helps keep your electric bill affordable.

Membership matters because electric co-ops care about improving the communities they serve. From giving Bright Ideas education grants to deserving local teachers to providing much-needed Operation RoundUp grants to area nonprofit organizations, Wake Electric invests in the areas where you live and work because our community matters.

Membership matters because you have a voice and a vote in how your co-op is governed. Through democratic control, members like you elected us, your board of directors. Your voice rings loud and clear every year at the Wake Electric annual meeting. That's where you elect people, your neighbors, to represent your concerns on a daily basis.

We work throughout the year to invest in our electric system and keep power reliable. We focus on educating members how to use energy efficiently. We talk to you in the grocery store, at church and on the street, listening to your concerns and ideas. It's important to us because it's important to you.

The bottom line: Membership matters because you matter to Wake Electric.

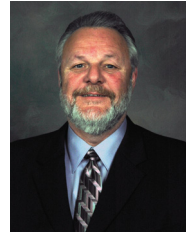
**Top:** Wake Electric is headquartered in Youngsville, NC and has more than 35,400 consumers across its service territory.



**Roy Ed Jones, Jr.**  
*President*  
Wake Forest  
District 6



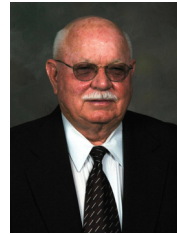
**Reuben Matthews**  
*Vice President*  
Middlesex  
District 9



**Joe Eddins**  
*Secretary*  
Zebulon  
District 8



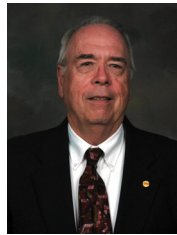
**Howard Conyers**  
*Treasurer*  
Franklinton  
District 7



**Bill Bailey**  
Wake Forest  
District 2



**Mike Dickerson**  
Oxford  
District 3



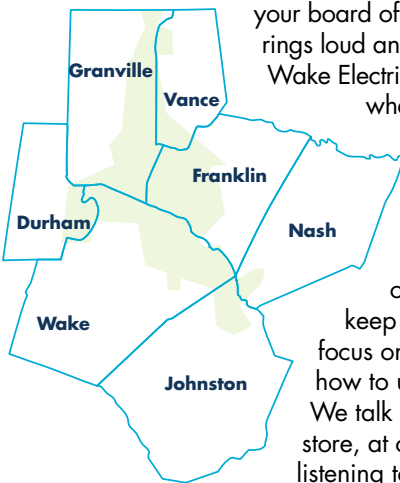
**Joe Hilburn, Sr.**  
Raleigh  
District 4



**Suzy Morgan**  
Wake Forest  
District 5



**Allen Nelson**  
Stovall  
District 1



**Wake Electric**  
**Membership Corporation**

A Touchstone Energy Cooperative

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