

lighting
the way
to a
brighter
future



Wake Electric
Membership Corporation

A Touchstone Energy Cooperative 



GENERAL MANAGER'S MESSAGE

JIM MANGUM
General Manager & CEO

Lighting the Way to a Brighter Future

Wake Electric spent much of 2012 thinking about the future. The question we kept in the forefront was, "How can we make decisions today that will make for a brighter tomorrow?" Much of our time and energy was spent on identifying new, state-of-the-art technology to help members manage their electric usage, as well as how to become more energy efficient ourselves.

Cooperative Innovation

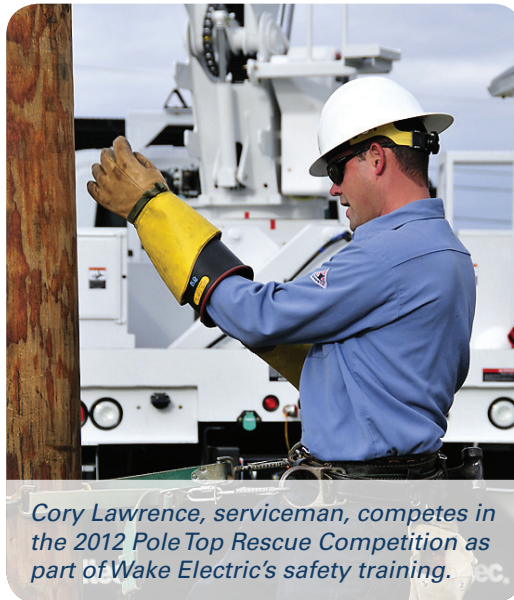
One example of how Wake Electric is lighting the way to a brighter future is through our new Light Emitting Diode (LED) program. In 2012, we began replacing all of our area lights with environmentally friendly and cost-effective LED lighting. Benefits of LED lights include less energy use and better light quality, less upward light pollution, more desirable white color and a longer life, which improves reliability and reduces operating costs. Wake Electric estimates it will save more than 3.5 million kWh per year with these new LED lights, and save more than 35 million kWh over 10 years.

Another emphasis in 2012 was installing new Advanced Metering Infrastructure meters across our service territory. Unlike conventional meters, AMI meters report electric use, outage and voltage information back to the co-op office through a secure, wireless communication network.

Wake Electric is committed to providing safe, affordable and reliable energy and will continue to implement new technologies that offer improved service to our members.

A Changing Energy Market

How We Look Out for Our Members
Because Wake Electric is a not-for-



Cory Lawrence, serviceman, competes in the 2012 Pole Top Rescue Competition as part of Wake Electric's safety training.

profit, locally owned and controlled enterprise, we are well-positioned to make any necessary investments for ensuring safe, reliable and affordable electricity and a brighter future for our members. However, fulfilling our commitment to environmental stewardship in a fiscally responsible manner has become increasingly more challenging. We expect that electric rates will continue to rise over the next several years. Current projections indicate that we could see cost increases over the next five years that match the total amount of increase during the last 15 years. The primary reason for the increased cost is to recover the billions of dollars invested in new generation facilities across the state to comply with state environmental regulations. While air pollution is greatly reduced, the new facilities, transmission and pipeline infrastructure and pollution control equipment are expensive, which increases the cost of electricity for everyone.

Wake Electric's board of directors is finding ways to deal with these

price pressures through new technologies and smart energy solutions. We also help members combat a volatile energy market by offering energy efficiency tips through our member newsletter, *ElectriConnections*, our website, www.wemc.com, and energy efficiency brochures. We are doing our best to control costs and equip our members to make smart energy decisions.

Safety and Training

Another aspect of our work is emphasizing the safety and training of our employees, which ultimately benefits everyone served by our co-op. Safety is a top priority at Wake Electric, and we believe in conducting regular safety training to sharpen our employees' skills both in the field and in the office. Wake Electric officially accomplished 365 days (January-December 2012) of "No Lost Time" from accidents or injuries. Also in 2012, 59 employees from Wake Electric received safety awards, meaning these employees worked one year full time with no lost time/restricted days or recordable accidents and no write-ups for safety violations. Wake Electric also held two important safety drills, Pole Top Rescue recertification and Bucket Rescue training, and we are proud to report that all participating climbers met the requirements for recertification.

Wake Electric has a long history of encouraging the wise use of electric energy and being a good environmental steward. Together, we are all working to light the way to a brighter tomorrow. Know that we at Wake Electric are looking out for you by keeping electric bills affordable, controlling costs through innovation, and putting you, our members, first.

BOARD PRESIDENT'S MESSAGE

ROY ED JONES, JR.
President, Board of Directors



Strengthening Our Communities

One principle that sets us apart from other businesses is our concern for community. As a cooperative, we have a special responsibility to support the areas in which our members live and work. At Wake Electric, we provide a wide variety of programs that benefit youth of all ages, teachers and nonprofit organizations, as well as individual members in need. From sponsoring a local school's baseball team to supporting new jobs and industry through our economic development efforts, we serve as a driving force in our community.

The backbone of our community relations efforts is the Operation Round Up program through which Wake Electric members agree to round up their electric bill to the nearest whole dollar, with the extra pennies going to local non-profits in need. For example, if the electric bill is \$190.91, through Operations RoundUp it will be rounded up 9 cents to \$191. These pennies add up to major dollars. So much good work is accomplished through this program, and we thank our members who participate.

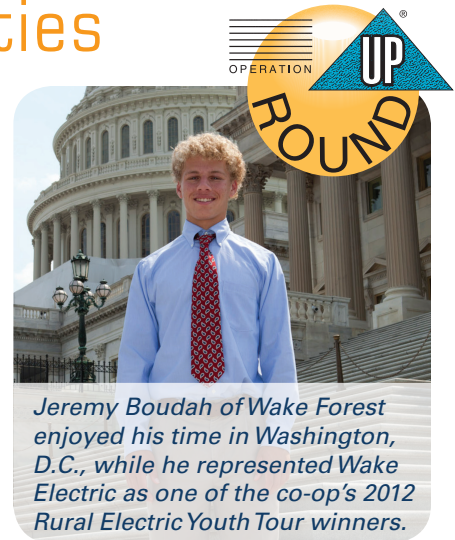
In 2012, Wake Electric awarded more than \$22,000 to local, deserving nonprofit organizations through Operation RoundUp grants. Grants are open to all project and subject areas that enhance economic infrastructure and job creation, promote service or charitable organizations, and meet emergency needs of individuals within the service area of Wake Electric.

Also in 2012, Wake Electric awarded more than \$49,000 in Bright Ideas education grant monies and more than \$19,000 in Classroom Technology Awards grants to K-12 public school teachers and community college teachers in our seven-county service territory. Wake Electric also awarded \$25 Visa gift cards to 120 local students through the "Give Us an A" program, and we awarded two high school juniors an all-expenses paid trip to Washington, D.C. through the Rural Electric Youth Tour. Both

students also received a \$1,000 scholarship for college. We're proud to continue the co-ops' long tradition of supporting educators and students investing in the future of our state.

Last year Wake Electric also provided \$22,000 in college scholarships to local students through the Wake Electric Scholarship Program. These bright young leaders will help keep our community's future strong.

Wake Electric provides more than electricity: It improves the quality of life in the areas we serve. And that kind of power connects us to a better—and brighter—future.



Jeremy Boudah of Wake Forest enjoyed his time in Washington, D.C., while he represented Wake Electric as one of the co-op's 2012 Rural Electric Youth Tour winners.

Wake Electric Foundation Report

2012 SUMMARY, January 1, 2012 to December 31, 2012

BEGINNING BALANCE 1/1/12	\$191,376
CONTRIBUTIONS AVAILABLE	<u>145,690</u>
	\$337,066

Community Grants

East Wake Middle School	Care & Share of Franklin County
Healing with CAARE, Inc.	Alice Aycock Poe Center
NC Hunters for the Hungry, Inc.	Autism Society of NC
YMCA	Center for Child & Family Health
Assistance League of the Triangle	Changing a Generation
Boys & Girls Club of Johnston County	Durham Rescue Mission
Boys & Girls Club	Granville County 4-H
Granville County Extension	Granville County Search & Recovery
Meals on Wheels	Ladies of Valor
Hospice of Wake County	Remnant Community Development
Durham County Health Department	Safe Space, Inc.
North East Wake Backpack Buddies	Vance County 4H Robotics
Life Line Outreach, Inc.	

COMMUNITY GRANTS TOTAL	(\$22,593)
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Educational

- Bright Ideas Teacher Grants
- Classroom Technology Grants
- 2012 Rural Electric Youth Tour
- Wake Electric Scholarships
- Give Us An "A"

EDUCATIONAL GRANTS TOTAL	(98,623)
MEMBER ASSISTANCE	<u>(15,500)</u>
ENDING BALANCE 12/31/12	\$200,350

Forward Thinking, Forward Moving

Growth and Sales

Wake Electric has experienced significant growth over the last decade. In 2002, the co-op served 24,705 members. By 2012, Wake Electric served 36,244 consumers and it is still growing today.

After experiencing an economic slowdown from 2008-2011, our growth rate is again on the rise. The 2012 growth rate was 2.4 percent and in 2011, it was only 1.8 percent. We had a net gain of 841 new accounts in 2012, which gives us hope that the economy is turning around. The fact that new construction in our area is continuing has confirmed this upward trend.

Our usage data indicates that members are becoming more energy efficient. In 2012, Wake Electric's total sales were 655 million kWh, whereas in 2011, they were reaching 673 million kWh. Energy sales went down 2.7 percent. The replacement of old appliances with newer, more energy efficient ones may be part of the reason for this drop. For example, getting rid of an old refrigerator can save members more than \$200 per year on their energy bill. That's why Wake Electric offers the Fridge and Freezer Farewell Program, which allows members to earn \$50 for calling to have their old, working secondary refrigerators or freezers picked up, free of charge, and have them properly recycled.

Another reason for declining kWh sales is the milder weather we experienced in 2012. Our heating and cooling days totaled 8.7 percent less than a normal weather year. However, we did have some extreme weather days, such as in July 2012 when our temperature reached 105 degrees. We hit a new all-time peak with the electric system delivering 187.8 million kWh in one hour.



Wake Electric always chooses state-of-the-art technology to better serve its members. Here, Kerry Freeman, engineering technician for Wake Electric, uses a sophisticated, handheld GPS unit that allows staking technicians to take advantage of digital "stakes" that are completely portable, thus improving efficiency and workflow in the field.

Operations and Maintenance

Wake Electric now has 58 miles of transmission line and 2,994 miles of distribution lines. Thirty-seven percent of our total lines are underground.

In 2012, Wake Electric invested more than \$13 million in new poles, overhead lines, transformers, underground lines, meters, substation upgrades and general plant upgrades. The total utility plant investment is now more than \$196 million.

Wake Electric strives to build and maintain a reliable electric system. For example, in 2012, our right-of-way maintenance budget was \$1.3 million. These efforts help reduce the damage to our lines caused by trees and secure access to them for repairs and normal maintenance to the system.

Wake Electric's total operation and maintenance expenses for the electric system were \$5.5 million.

Wake Electric's service territory suffered no major storms in 2012. Our average consumer outage time was 143.2 minutes per customer that year. Power supplier outages accounted for 36.7 of those minutes. Excluding power supply outages, our average was 106.5 minutes per consumer.

Energy Innovators

In 2012, Wake Electric unveiled two new programs. One was the Monitor & Manage program, an online energy monitoring system that utilizes Wake Electric's "smart grid" communications network to collect monthly, daily and hourly energy data reports from each home. The second was the PowerUp with PrePay program, a prepaid billing option for residential members that optimizes payment flexibility. Both programs allow members to monitor their energy consumption more closely and were made possible through the new Advanced Metering Infrastructure meters that were installed across the service territory.

The Monitor & Manage Program allows members to better evaluate and manage their energy consumption, allowing them to make more informed decisions about energy usage.

The PowerUp program allows members to take control of their account by permitting them to pay for only the amount of electricity they want, when they want to pay for it. By pre-purchasing their electricity, members can plan their budget and monitor their electricity usage more closely.

Wake Electric continues to look for better ways to serve its members by leveraging technology to provide safe, reliable and affordable electricity.



In 2012,
Wake Electric's consumer base
grew to 36,244.

Wake Electric was organized in 1940 as a non-profit electric cooperative. The co-op provides electric service to 36,244 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.

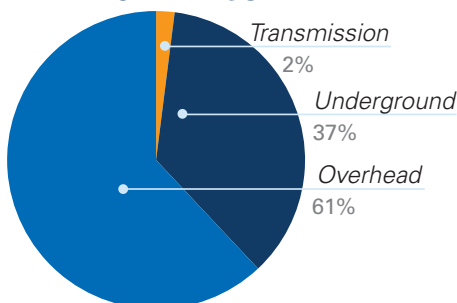
Wake Electric has 18 substations, with one more under construction, and 3,052 miles of distribution and transmission lines (1,853 miles overhead, 1,141 miles underground and 58 miles of transmission lines.) In the past 10 years, Wake Electric has almost doubled the number of its miles of underground power lines.

New Service Construction	2012	2011	2010	2009
Overhead services added	17	24	18	30
Underground services added	839	762	812	690
Lights added	272	237	258	382
Miles underground added	26	24	30	23

Report Ratios	2012	2007	2002
Period ending December 31			
Number of consumers	36,244	32,836	24,705
Residential consumers*	34,030	31,017	23,305
Period: January 1-December 31			
Residential kWh sales*	491,511,384	464,140,239	342,218,850
Total kWh sales	655,067,617	598,633,491	449,241,371
Avg. monthly kWh/ residential member	1,218	1,278	1,242

**excluding seasonal*

TYPE OF LINE USED



Miles of line	2012	2007	2002
Transmission	58	58	58
Overhead	1,853	1,860	1,857
Underground	1,141	991	581
Total	3,052	2,909	2,496

Looking Out For Your Best Interests

Wake Electric's Member and Customer Services teams know the importance of interacting with and advocating for our members. After all, it's your cooperative, so we're looking out for you to the best of our abilities. Our desire is to communicate with you as often as possible and provide a number of forums for your voice to be heard.

Communicating with Members

Our Member and Customer Service teams communicate with the membership in several different ways. In 2012, we distributed a monthly member newsletter, *ElectriConnections*, via *Carolina Country* magazine, which provided pertinent co-op information, such as material on programs and services as well as energy efficiency tips and safety articles. We also communicated with you via our website, www.wemc.com, as well as through member emails, advertising, news releases to local media and messages on the digital billboard located on Highway U.S. 1. In 2012, Wake Electric also created a Facebook business page that provides a new way



More than 550 members, along with their guests, attended Wake Electric's 2012 annual meeting held in the Louisburg College Auditorium.



Wake Electric offers important messages about the co-op's products and services on the digital billboard located on Highway U.S. 1 in Youngsville.

to communicate with members in a quick and efficient manner.

We also spent 2012 letting our members know that communication with us is a two-way street, and you can always contact us with questions and concerns. There are many ways you can contact Wake Electric, including:

- ▶ Calling our dedicated pay-by-phone number for bill payment at 866-999-4593
- ▶ Logging on to your account through SmartHub, our online bill pay application, by visiting wemc.smarthub.coop
- ▶ Emailing us at information@wemc.com
- ▶ Visiting our Wake Forest office, located at 414 E Wait Avenue, Wake Forest, NC, 27587
- ▶ Calling our skilled customer service staff at 1-800-474-6300 or 919-863-6300
- ▶ Writing to us at: P.O. Box 1229, Wake Forest, NC, 27588

Meetings with Members

Come and Be Heard

Communication is key, but nothing is better than face-to-face interaction. Given this, we believe in the importance of meeting with our members.

Every year on the fourth Friday in March, Wake Electric holds its Annual Meeting. During this business meeting, members have the opportunity to hear reports on Wake Electric's current plans. They also elect fellow members to our board of directors to represent their best interests and further facilitate open communication with the co-op. It is a night of fun and fellowship as well, where members in attendance receive a free gift from Wake Electric and a chance to win cash prizes in a drawing at the close of the business meeting.

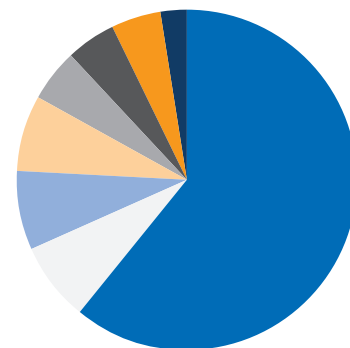
In addition, Wake Electric also hosts Member Advisory Committee (MAC) meetings twice a year, inviting all members to our co-op to learn about electric utility issues. These meetings are a great way to get more involved, as well as ask questions of our senior management team. In 2012, meeting topics included grid modernization and reports on new technology such as the Monitor & Manage program and PowerUp, Wake Electric's new prepay billing option. Other topics included the NC Renewable Standard and how the transition from older coal-fired power plants to new coal and natural gas plants offers important environmental benefits but is significantly more expensive.

Your co-op cares about you, and we are always looking for ways to improve member satisfaction through ongoing communication and contact.

FINANCIALS

Consolidated Balance Sheets

AS OF DECEMBER 31	2012	2011
Assets		
Utility Plant		
Property, Plant, & Equipment	\$192,212,792	\$179,013,903
Construction Work in Progress	4,231,024	7,663,825
Total Utility Plant	196,443,816	186,677,728
Less: Accumulated Depreciation	(42,778,147)	(41,622,659)
TOTAL NET UTILITY PLANT	153,665,669	145,055,069
OTHER ASSETS		
Investments in associated organizations	17,158,264	15,969,496
Other investments	1,876,879	1,876,879
Nonutility Property	1,485,688	1,480,834
TOTAL OTHER ASSETS	20,520,831	19,327,209
CURRENT ASSETS & DEFERRED CHARGES		
Cash & cash receivables	267,473	213,635
Accounts receivable	8,815,133	8,684,337
Other current assets	3,314,368	2,995,155
Deferred charges	828,866	1,455,924
TOTAL CURRENT ASSETS & DEFERRED CHARGES	13,225,840	13,349,051
TOTAL ASSETS	\$187,412,340	\$177,731,329
Equities & Liabilities		
Equities		
Membership fees	\$158,460	\$154,665
Patronage capital	52,137,236	49,637,054
Other equities	4,224,639	4,096,601
TOTAL EQUITIES	56,520,335	53,888,320
TOTAL LONG-TERM DEBT	99,716,545	100,126,655
CURRENT LIABILITIES		
Current portion of long-term debt	410,061	426,216
Operating line of credit	18,088,531	9,353,070
Accounts payable & deferred credits	9,213,165	10,331,803
Other accrued liabilities	1,886,051	1,959,783
Consumer deposits	1,577,652	1,645,482
TOTAL CURRENT LIABILITIES	31,175,460	23,716,354
TOTAL EQUITIES & LIABILITIES	\$187,412,340	\$177,731,329



HOW YOUR CO-OP DOLLAR WAS SPENT IN 2012

Cost of purchased power	61.0%
Operations & maintenance	7.5%
Interest expense	7.4%
Depreciation	7.3%
Customer service	4.9%
Administrative expense	4.9%
Taxes	4.5%
Margins	2.5%

Consolidated Statement of Operations

AS OF DECEMBER 31	2012	2011
OPERATING REVENUE	\$73,046,957	\$75,040,926
OPERATING EXPENSES		
Cost of purchased power	44,547,162	45,755,057
Operations & maintenance	5,513,677	5,110,638
Consumer accounting	3,134,057	3,000,521
Consumer service & information	474,883	349,006
Administrative & general	3,488,109	3,599,181
Depreciation	5,360,102	5,144,178
Taxes	3,288,334	3,301,587
TOTAL OPERATING EXPENSE	65,806,324	66,260,168
OTHER INCOME/EXPENSES		
Interest expense on debt	(5,382,081)	(5,266,317)
Patronage capital from other cooperatives	1,507,015	1,491,208
Other income/(expenses)	402,822	1,424,497
TOTAL OTHER INCOME/EXPENSES	(3,472,244)	(2,350,612)
NET MARGINS	\$3,768,389	\$6,430,146

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, 2012 and 2011 are available for review at the Cooperative's facility in Youngsville, N.C.

Looking Out For Your Best Interests

Electric cooperatives are unique. We are a not-for-profit, member-owned and controlled business model. Anyone who receives electric service from Wake Electric is a member, not a customer, and they own a portion of the utility.

Because we are an electric cooperative, it also means members have a say in how it is run. During Wake Electric's annual meeting, you can vote for fellow members to represent you on the board of directors. You can also voice your concerns to the cooperative at any time. And because our members govern how Wake Electric operates, our top priority remains providing safe and reliable service and keeping your electric bills affordable.

Wake Electric is unique because we aim to operate at cost, so any

excess revenues, or margins, are returned to members in the form of capital credits based on their electric use. We're proud to report that in 2012 we returned more than \$1.2 million dollars to our members in capital credits.

Unlike investor-owned utilities, we do not increase revenues above what it takes to run the business in a financially sound manner. This structure helps keep your electric bill affordable.

Wake Electric is also a key part of our local economy. We provide good jobs to folks who live right here, your neighbors and friends. We deliver electricity that keeps our communities humming. We're happy to lend a hand when we're able, and we enjoy being involved with schools and community organizations.

We are in the business of improving the quality of life in the communities we serve, from offering college scholarships to providing advice on how you can make your home or business more energy efficient.

At Wake Electric, we strive to exceed your expectations, every single day. We want to do more than simply provide you with affordable, safe, and reliable electricity. From superior member service, to programs that help you save time and money, we want to go above and beyond to meet your needs.

Wake Electric truly cares about its members and we serve you to the best of our ability—that's what makes us unique.



Roy Ed Jones, Jr.
President
Wake Forest
District 6

Howard Conyers
Treasurer
Franklinton
District 7

Bill Bailey
Wake Forest
District 2

Mike Dickerson
Oxford
District 3

Reuben Matthews
Vice President
Middlesex
District 9

Joe Hilburn
Raleigh
District 4

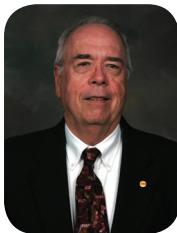
Suzy Morgan
Wake Forest
District 5

Allen Nelson
Stovall
District 1

Joe Eddins
Secretary
Zebulon
District 8



Wake Electric is headquartered in Youngsville, NC, and has more than 36,200 consumers across its service territory.



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