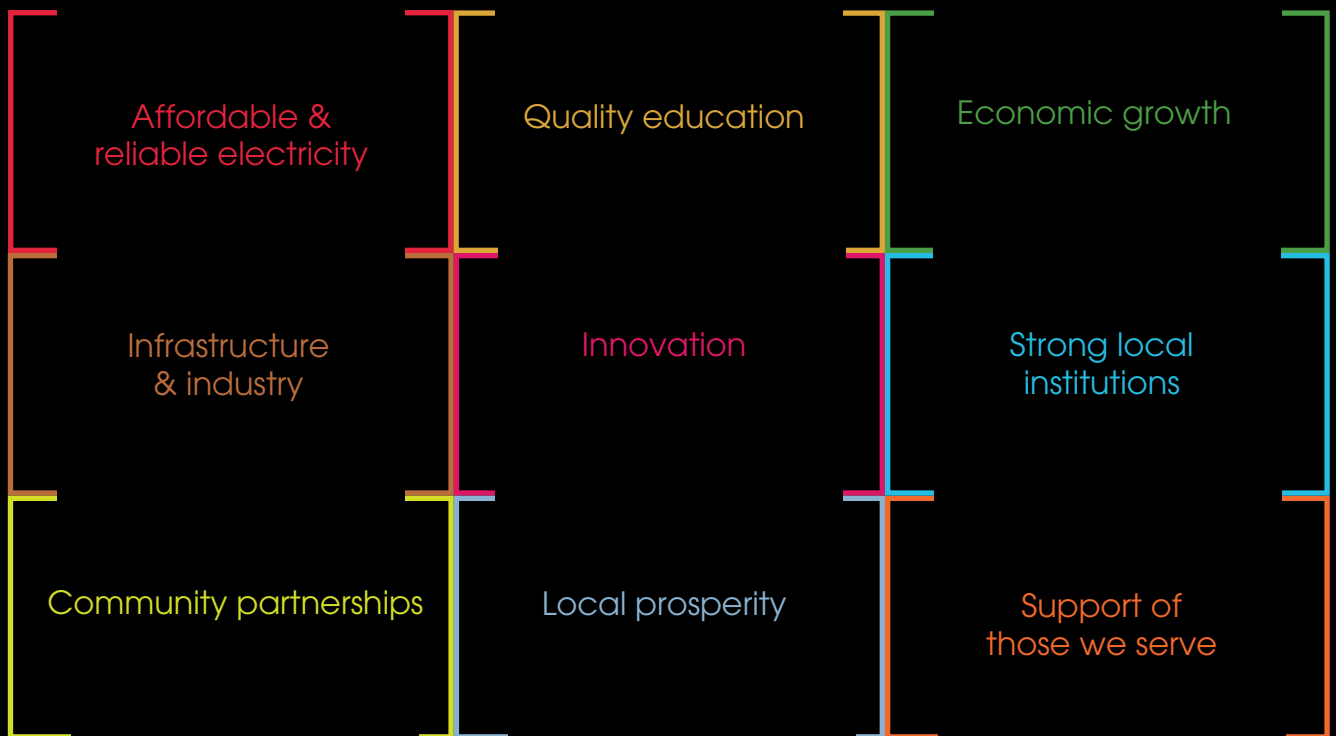


# COOPERATIVES BUILD a better WORLD

You aren't just a customer of an electric utility.  
You are a member of a cooperative.



*Look inside to find out how Wake Electric provided and worked for your community in 2016.*

**Wake Electric**  
2016 ANNUAL REPORT

## The Cooperative Difference

As a Wake Electric member, you are part of an association of people united to meet the common aspirations and economic, social and cultural needs of the local community. The ultimate goal of that association for Wake Electric employees is to provide you with affordable and reliable power.



**JIM MANGUM**  
 CEO



**REUBEN MATTHEWS**  
 Board President

New technology allows us to provide that power to you in more efficient and environmentally friendly ways than ever before. Though it is easy to take the 24/7 availability of power for granted, your electric co-op does not. We are ever cognizant of the economic and societal benefits provided by affordable electricity.

And while electric utility industry operations are undergoing unprecedented technology and regulatory change, this focus never changes, never wavers: To provide you with reliable, economically competitive and environmentally sustainable electric service. Please, take the time to look through this report to discover the many ways we demonstrated cooperative values in 2016.

## Cooperative Principles

As nonprofit businesses driven by values, cooperatives share internationally agreed-upon principles and act together to build a better world through cooperation. Here are the guidelines by which cooperatives put their values into practice.

### 1. VOLUNTARY AND OPEN MEMBERSHIP



Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

### 2. DEMOCRATIC MEMBER CONTROL



Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In cooperatives, members have equal voting rights (one member, one vote).

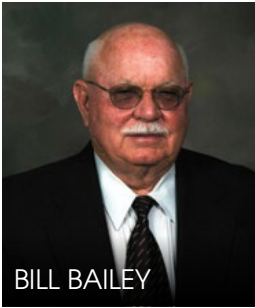
### 3. MEMBER ECONOMIC PARTICIPATION



Members contribute equitably to, and democratically control, the capital of their cooperative. A cooperative does not earn profits. Instead, any margins, or revenues, remaining after all expenses have been paid, are returned to the members in the form of capital credits.

# In Memoriam

The Wake Electric family is saddened by the passing of two board members in 2016. Both served their members with dedication and passion for many decades. Wake Electric will miss the thoughtful and inspired support of both men.

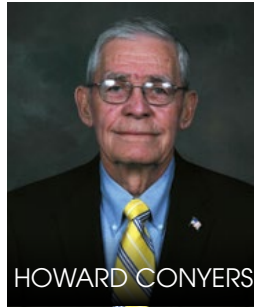


BILL BAILEY

Newman "Bill" I. Bailey, 81, of Wake Forest, passed away on July 21, 2016. Bill and his wife, Suzanne, were members of the Woodland Baptist Church. He was a charter member of the Stony Hill Rural Fire Department in 1958 where he served for more than 35 years. He

served as Fire Chief from 1975 to 1980 and was instrumental in adding a second fire station on New Light Road in 1997.

Mr. Bailey initially served on the Wake Electric Board of Directors from 1978 until 1989 and then again from 1997 until 2016. He was designated as a Credentialed Cooperative Director by the National Rural Electric Cooperative Association in 1998 and further recognized with the Board Leadership Certificate in 2002.



HOWARD CONYERS

James Howard Conyers, 87, passed away November 26, 2016. Mr. Conyers was a retired district director for crop insurance with the USDA. He felt extremely honored that his farm, located in the Pocomoke community in western Franklin County, was listed as a Century Family Farm in

North Carolina. He and his wife, Lorena, were long-time members of Popes Chapel Christian Church.

Mr. Conyers gave more than 42 years of dedicated service to the members of Wake Electric serving on the board from 1974 until 2016. In April 2015, Mr. Conyers was presented with a 40-year service award by the N.C. Association of Electric Cooperatives. NCAEC is the trade association for 26 electric cooperatives in N.C., including Wake Electric. He was designated as a Credentialed Cooperative Director in 2000 and recognized with the Board Leadership Certificate in 2003.

## 4. AUTONOMY AND INDEPENDENCE



Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or

raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

## 5. EDUCATION, TRAINING AND INFORMATION



Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public—

particularly young people and opinion leaders—about the nature and benefits of cooperation.

## 6. COOPERATION AMONG COOPERATIVES



Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

## 7. CONCERN FOR COMMUNITY



Cooperatives work for the sustainable development of their communities through policies approved by their members.

## Serving Our Members

### Community - Sustainability - Technology

Here at Wake Electric, we strive to provide more than affordable and reliable power to our members. We also use the latest technology to give our members more options and ensure fast and efficient service. We also give back to those communities we serve in numerous ways.

**\$10,000**

in Wake Electric  
 & employee  
 contributions  
 to United Way



TM

### PowerUp with PrePay

More than  
**1,600 MEMBERS**  
 in 2016 chose the ease  
 of pre-paying for power.  
 There is no deposit  
 required and members  
 purchase power  
 when convenient.



Wake Electric provided  
 public access to  
**3 electric vehicle  
 charging stations**

at the Youngsville and  
 Wake Forest offices. We  
 also added 2 stations at the  
 Triangle North Executive  
 Airport in Louisburg.



Launched a  
**Time of  
 Use pilot  
 program—**

Members saved up to  
 25% on electric rates.

Returned approximately  
**\$1.4 million**  
 in Capital Credits  
 to members

Offered a special  
 electric vehicle rate  
 to our growing  
 numbers of  
 EV drivers



Sent 2 students to  
 Touchstone Energy  
 Sports Camps at NCSU  
 and UNC-Chapel Hill

**Gave \$35,096**  
 in Operation RoundUp  
 grants to  
 local non-profits

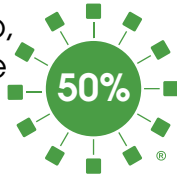


Gave **\$29,625** in  
 scholarships to  
 local students

Gave \$70,000  
in grants  
to area  
teachers



Close to 50% of Wake  
Electric members use  
SmartHub,  
our online  
service.



New technology  
has decreased  
call volume from  
100,000 in 2015  
to 81,000 in 2016



3 members  
installed residential  
SOLAR PANELS,  
bringing the total  
to 64



Granted a  
**\$225,000 REDLG loan**  
to the Creedmoor  
VFD for the purchase  
of a fire truck



Co-ops care about  
the communities  
they serve



## WE Care Recap for 2016

### BEGINNING BALANCE 1/1/2016

Contributions Received	\$204,441
Bank Fees/Check Reorder	146,224
Interest Earned	(47)
Total Funds Available	282
	\$350,900

### COMMUNITY GRANTS

Dillard Drive Middle School	Seby Jones Performing Arts
Granville County Search & Rescue	Zebulon Gifted & Talented Magnet Middle
Special Olympics of NC	Franklinton High School
American Red Cross	Neuse Charter School
Prevent Blindness NC	Brassfield Road Elementary
Alice Aycock Poe Center	East Wake Academy
Autism Society of NC	Wilson's Mills Elementary School
Bunn Fire Department	Rolesville High School
Care & Share of Franklin County	Southern School of Energy & Sustainability
Franklin County 4H	
Meals on Wheels-Wake County	
Remnant Community Dev.	
Safe Space, Inc.	
<b>COMMUNITY GRANTS TOTAL</b>	<b>\$(35,096)</b>

### EDUCATIONAL

Bright Ideas Teacher Grants	(50,506)
Classroom Technology Grants	(19,270)
2016 Rural Electric Youth Tour	(3,300)
Wake Electric Scholarships	(29,625)
Give Us An "A"	(3,248)

### EDUCATIONAL GRANTS TOTAL

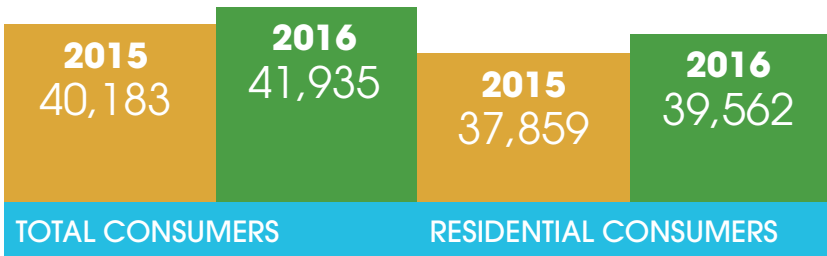
<b>MEMBER ASSISTANCE</b>	<b>(15,000)</b>
<b>ENDING BALANCE 12/31/16</b>	<b>\$194,856</b>

## In the Field

Technology is changing the way Wake Electric operates, making us faster, more efficient and even more reliable than before. Our objective is not to maximize rate of return but to minimize costs to the members. In 2016, some of our innovations included:

- Upgrading two high voltage substations in the Butner and Creedmoor areas with sectionalizing equipment that can reduce the miles of line affected by a transmission outage by up to 75%.
- Saving hundreds of thousands of dollars through conservation voltage reduction (CVR) in all substations.
- Upgrading existing GPS vehicle locating system with new technology in all company vehicles for increased safety and more efficient work scheduling.
- Providing mobile tools that allow linemen to have full visibility of the system in real time to make operations and daily work faster and safer.
- Upgrading over 6,000 residential and commercial street lights to LED.
- Employing new technology in the field, which allowed us to maintain over 250 miles of right-of-way through integrated vegetation management (twice the miles completed in any previous year.)
- Continuing to add devices in the field that communicate across the system to help us pinpoint problems faster and safer than ever before.

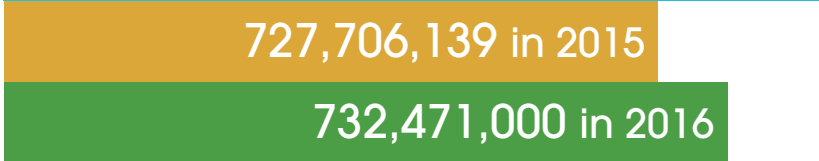
## Our Consumers



### RESIDENTIAL KWH SALES (EXCLUDING SEASONAL)



### TOTAL KWH SALES



### AVERAGE MONTHLY KWH/RESIDENTIAL CONSUMER



## In 2016 we added:

- 25 overhead services
- 1,756 underground services
- 60.8 miles of underground line
- 3 solar installations



## Total miles of line



Transmission	
2015	58
2016	58

Overhead	
2015	1,851
2016	1,850

Underground	
2015	1,255
2016	1,315

Total Miles Energized	
2015	3,164
2016	3,223

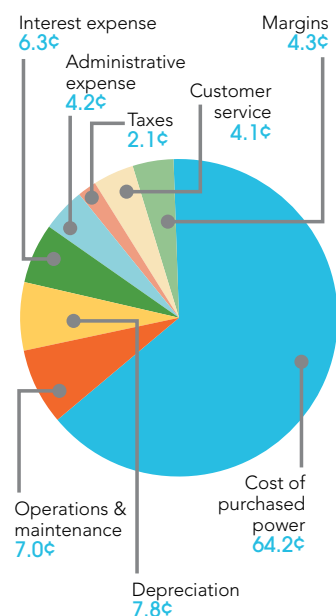
# The Financials

## CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31	2016	2015
<b>ASSETS</b>		
<b>Utility plant</b>		
Property, plant, & equipment	\$233,881,588	\$224,240,538
Less: accumulated depreciation	(55,828,364)	(53,042,844)
Net plant	178,053,224	171,197,694
Construction work in progress	3,832,545	4,299,924
<b>TOTAL NET UTILITY PLANT</b>	<b>\$181,885,769</b>	<b>\$175,497,618</b>
<b>OTHER ASSETS</b>		
Investments in associated organizations	16,643,638	14,838,564
Economic development project investments	1,518,172	1,531,951
Other investments	1,810,879	1,810,879
Nonutility property	1,510,472	1,515,576
<b>TOTAL OTHER ASSETS</b>	<b>\$21,483,161</b>	<b>\$19,696,970</b>
<b>CURRENT ASSETS &amp; DEFERRED CHARGES</b>		
Cash & cash receivables	516,799	428,016
Accounts receivable, net	9,544,003	9,484,937
Other current assets	4,566,471	4,807,313
Deferred charges	757,296	875,452
<b>TOTAL CURRENT ASSETS &amp; DEFERRED CHARGES</b>	<b>\$15,384,569</b>	<b>\$15,595,718</b>
<b>TOTAL ASSETS</b>	<b>\$218,753,499</b>	<b>\$210,790,306</b>
<b>EQUITIES &amp; LIABILITIES</b>		
<b>Equities</b>		
Membership fees	\$183,995	\$176,275
Patronage capital	70,416,351	65,495,948
Other equities	4,780,688	4,597,372
<b>TOTAL EQUITIES</b>	<b>\$75,381,034</b>	<b>\$70,269,595</b>
<b>TOTAL LONG-TERM DEBT</b>	<b>\$117,206,465</b>	<b>\$118,854,469</b>
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt	1,731,000	1,500,000
Operating line of credit	8,983,468	9,754,412
Accounts payable & deferred credits	12,067,633	7,109,972
Other accrued liabilities	1,731,361	1,666,532
Consumer deposits	1,652,538	1,635,326
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$26,166,000</b>	<b>\$21,666,242</b>
<b>TOTAL EQUITIES &amp; LIABILITIES</b>	<b>\$218,753,499</b>	<b>\$210,790,306</b>

Parts of Wake Electric's territory continue to grow rapidly, especially in Wake County. As part of our mission to provide our members with reliable and affordable power, the co-op invested in new technology, services and system updates.

## How your co-op dollar was spent in 2016



Wake Electric's financial records were audited by McNair, McLemore, Middlebrooks & Co., LLP of Macon, Georgia. The reports for the fiscal years ending December 31, 2016 and 2015 are available for review at the cooperative's facility in Wake Forest, NC.

## CONSOLIDATED STATEMENT OF OPERATIONS

AS OF DECEMBER 31	2016	2015
<b>OPERATING REVENUE</b>	<b>\$86,566,286</b>	<b>\$85,965,104</b>
<b>OPERATING EXPENSES</b>		
Cost of purchased power	55,625,038	54,660,515
Operations & maintenance	6,038,434	6,379,409
Consumer accounting	2,998,010	3,064,918
Consumer service & information	534,743	539,979
Administrative & general	3,704,061	3,622,808
Depreciation	6,774,547	6,498,876
Taxes	1,785,328	1,340,202
<b>TOTAL OPERATING EXPENSE</b>	<b>\$77,460,161</b>	<b>\$76,106,707</b>
<b>OTHER INCOME/EXPENSES</b>		
Interest expense on debt	(5,411,904)	(5,326,582)
Patronage capital from other cooperatives	2,542,086	2,346,222
Other income/(expenses)	78,564	(5,587)
<b>TOTAL OTHER INCOME/EXPENSES</b>	<b>(\$2,791,254)</b>	<b>(\$2,985,947)</b>
<b>NET MARGINS</b>	<b>\$6,314,871</b>	<b>\$6,872,450</b>

## Our Board of Directors

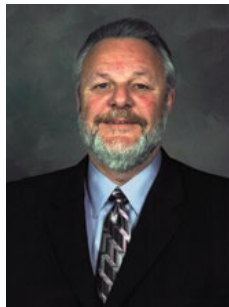
Wake Electric's board is committed to providing members with affordable and reliable power. The board governs all major co-op decisions, offering input and guidance for organizational decisions.



**Reuben Matthews**  
 PRESIDENT  
 Middlesex



**Suzy Morgan**  
 VICE PRESIDENT  
 Wake Forest



**Joe Eddins**  
 SECRETARY  
 Zebulon



**Mike Dickerson**  
 TREASURER  
 Oxford



**Joe Hilburn**  
 Raleigh



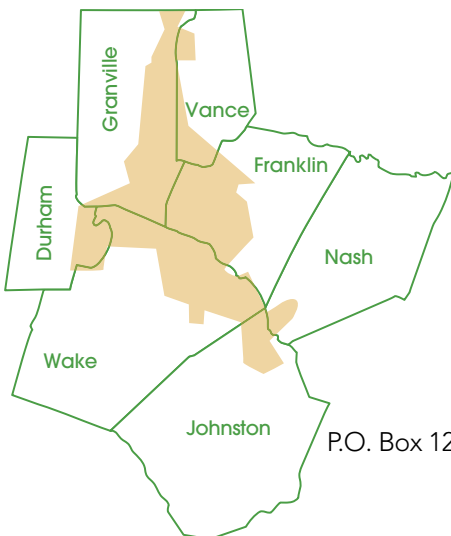
**Bob Hill**  
 Wake Forest



**Allen Nelson**  
 Stovall



**Rodney Privette**  
 Rolesville



Wake Electric is headquartered in Youngsville and serves 42,000 consumers across its service territory. The co-op's Customer Service Center is located in downtown Wake Forest.



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