

Find A
Balanced Solution



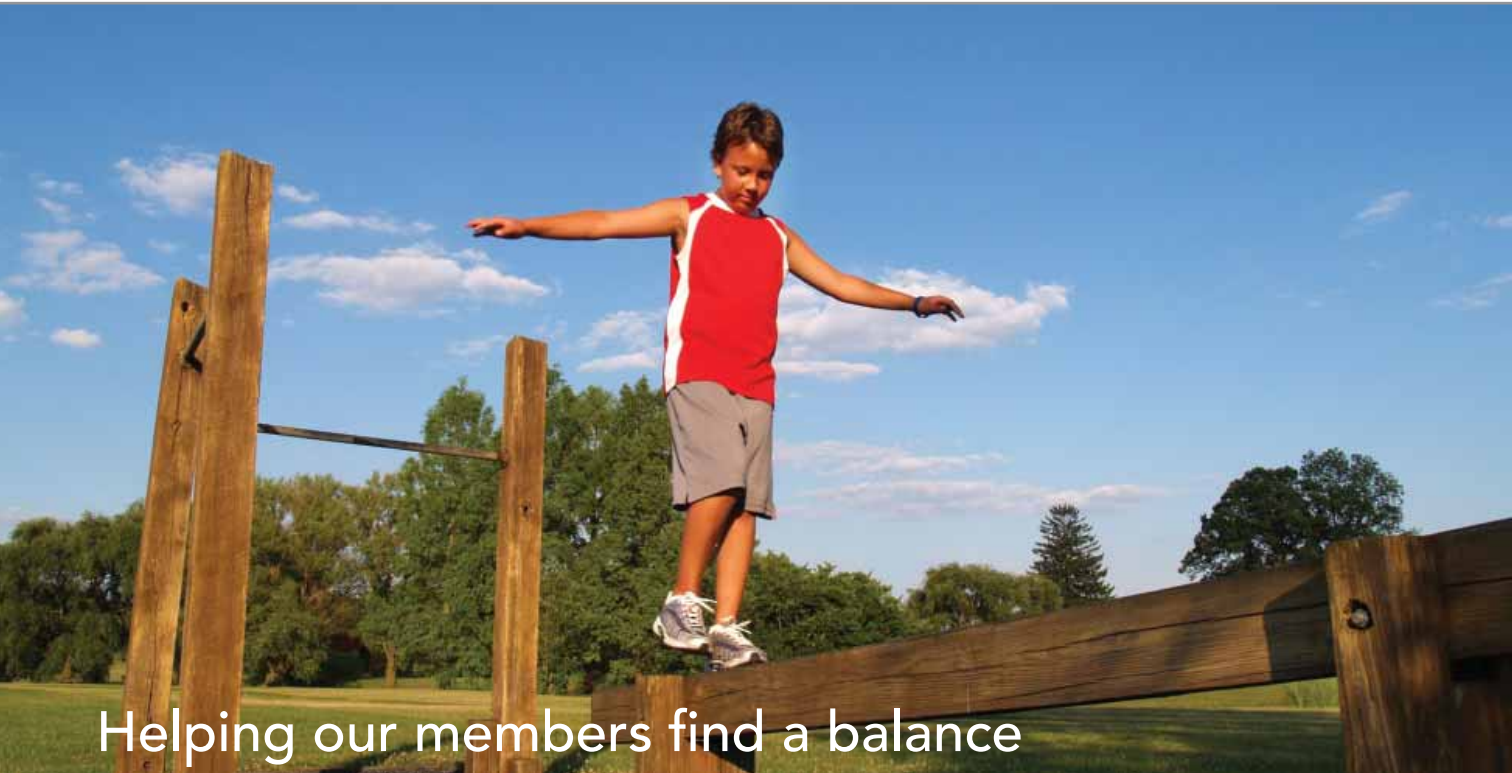
2008 Annual Report

A supplement to Carolina Country



Wake Electric
Membership Corporation

A Touchstone Energy Cooperative 



Helping our members find a balance



*Jim Mangum
Manager & CEO*

There has been a lot of talk about energy and the economy lately.

2008 heralded particularly tough economic times for the United States and across the globe. And it was in 2008, that the word “energy” came to prominence through a marked connection to the word “economy”—suggesting that the utility industry and the electricity it produces

will be considered vital elements of that economy in the future. Last year, the connection of energy to the economy was heavily covered in the media and has been the topic of many speeches in Washington, D.C.

The prominence of energy in today’s economy led to some decisions and some major changes in energy policy on a statewide level in North Carolina that Wake Electric worked quickly and strategically to meet. These requirements called for N.C. utilities to expand their energy portfolios to include more renewable energy and to increase their energy efficiency programs. In response, Wake Electric, along with other N.C. cooperatives invested in a wind farm in Iowa and a solar panel farm near Rocky Mount, N.C. We also distributed hundreds of energy-saving compact fluorescent light bulbs, low-flow shower heads, and hot water heater blankets.

Our main objective in 2008 was to provide reliable and affordable power for our members and our strategic approach to make this happen combined operating our business in a balanced way that was good for members and for the planet and helped us to meet state-required mandates.

At the same time, Wake Electric realized that future federal energy strategy under the new administration could dramatically raise electric rates maybe as much as 40% in the next 20 years in an attempt to quickly implement a new energy policy that will promote energy efficiency programs, reduce carbon emissions, and create badly needed jobs.

Believing that there was a better way to formulate a sound national energy policy, while still meeting our environmental challenges, Wake Electric and other North Carolina co-ops educated members, contacted congressmen, and encouraged members to contact legislators to ask them to consider a balanced approach to new policy. Utilities focused particularly on asking congress not to use electricity as a money-making taxable item for Congress—via CO₂—and as one of main solutions to the concept of global warming/ climate change.

And we asked Congress to consider the ramifications of major cost increases due to these new policies that would show up on our members’ electric bills.

In other words, we called for balanced decisions that take into consideration the economic, social, and environmental consequences.

2008 ushered in a new era where energy, economic, and environmental challenges were all being considered together—with a focus on energy as part of economic recovery. Wake Electric took an active part in assessing how we play a role in that recovery and what burden can reasonably be expected by our members to bear as part of that recovery.

In this report, we will share some examples of how we addressed the issues at hand in 2008 and their role in our energy future. We ask our members to carefully consider those same issues at hand and closely follow energy policy legislation in 2009. So that together, we can find a balanced solution.

Despite changing economic times, Wake Electric's overall performance in 2008 reinforced the cooperative's position as an industry leader among utility service providers. Your co-op's commitment to service was illustrated in national survey results showing significantly higher satisfaction scores than the utility average.

That's because striving to achieve higher levels of member satisfaction is the goal of Wake Electric. Continuously improving in providing reliable service, outage restoration, and handling member concerns are some of our top priorities.

Helping members take action to reduce the amount of electricity used at home was also a major priority. Via on-line energy audits and education through member newsletters, members found ways to implement low-cost or no-cost solutions such as adjusting thermostats, turning off lights, installing compact fluorescent lights, and cutting back on overall use. In addition, these solutions are part of both our members' and our cooperative's commitment to the environment and energy conservation. Part of that commitment manifested itself in our distribution of hundreds of CFLs, low-flow shower heads, and hot water heater blankets to members.

As the recession deepened in 2008, Wake Electric used its community programs to help the communities we serve. These programs strengthened the region and helped to transform our regional economies during an economic downturn.

That transformation is directly tied to our many grant and giving programs. In 2008, Wake Electric 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.
- \$77,875 in grants to area non-profits.

Thanks to an interest-free loan from the N.C. Electric Membership Corporation to Wake Electric, Wake Electric in turn was able to re-loan that same money for the construction of the very first shell building in Triangle North Franklin. The shell building offers 30,000 square feet for light industrial use and 3,900 square feet of office space.

Triangle North Franklin is a high-technology park located in the northern part of the Research Triangle Region of North Carolina, home of The Research Triangle Park and one of the most economically competitive regions in the world. This 252-acre park is located adjacent to Triangle North Executive Airport, an asset for business travelers and aviation companies. Triangle North Franklin is one of four parks in the Triangle North network of parks, all offering the highest level (Tier 1) of state financial incentives available to businesses in North Carolina. This significant tax credit provides a low-cost point of entry for companies ready to locate or expand in the region.

Members were educated about current legislative issues affecting the utility industry at our semi-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.

Giving back to our community and educating our members on issues directly affecting energy costs are defining elements of Wake Electric's culture. Your co-op assures you that we will continue to be a catalyst in helping to transform and strengthen the communities and regions we serve.



*Roy Ed Jones, Jr.
President, Board of Directors*



Creating stronger,
more energy-efficient
communities



Making Wake Electric's power system work for our members

Wake Electric's service area has been one of the faster growing in the country. However, by the last quarter of the 2007, we started experiencing a slow down in new construction of homes and businesses. The slow down has continued into 2009. Our consumer base grew by 3.9 percent in 2008, down from the robust consumer growth of 5.8 percent in 2007 and 7.4 percent in 2006.

Our consumers' electric usage at one time (peak kW demand) did not increase in 2008 over the all time peak we had experienced in the summer of 2007. Sales of kWh grew by 3.4 percent during the year.

Wake Electric is committed to providing reliable electric service to our new neighbors and continuing to provide good service to our existing members.

In 2008, Wake Electric invested over eight million dollars in new poles, lines, transformers, underground lines, meters and substation upgrades. The total net utility plant investment is now \$135 million.

Last year, the Cooperative built over 1,000 new services to homes and businesses. This was down 48 percent from our 2007 level of construction.

We added 50 miles of underground lines to serve new consumers. We increased the capacity of our overhead system by rebuilding 12 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 2.8 hours during 2008. This was up from the 2.1 hours average for the past 5 years.

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

The reliability of an electric system comes from the combined efforts of many people. We have engineers who design and model our electric system; linemen who build, inspect and repair the system, right-of-way workers who keep the lines clear of trees, and servicemen who connect services, repair lights and trouble shoot problems.

In 2008, our right-of-way maintenance budget was nearly 1.5 million dollars. 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 \$4.55 million.

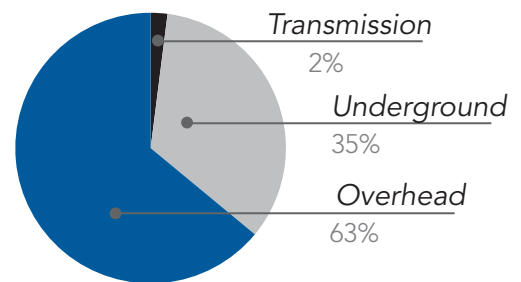
It takes the efforts of many individuals work together to design, build and maintain your electric system. Wake Electric's board, employees and contractors are committed to making Wake Electric's power system work for you.

In 2008,
Wake Electric's
 consumer base **grew**
 to 33,611.

MILES OF LINE

	2008	2003	1998
<i>Transmission</i>	58	58	58
<i>Overhead</i>	1,857	1,861	1,720
<i>Underground</i>	1,042	634	485
<i>Total</i>	2,957	2,553	2,263

TYPE OF LINE USED



NEW SERVICE CONSTRUCTION

	2008	2007	2006	2005
<i>Overhead service</i>	14	20	22	23
<i>Underground service</i>	1,063	2,033	2,181	1,765
<i>Lights</i>	593	929	802	794
<i>Miles underground</i>	51	100	91	98

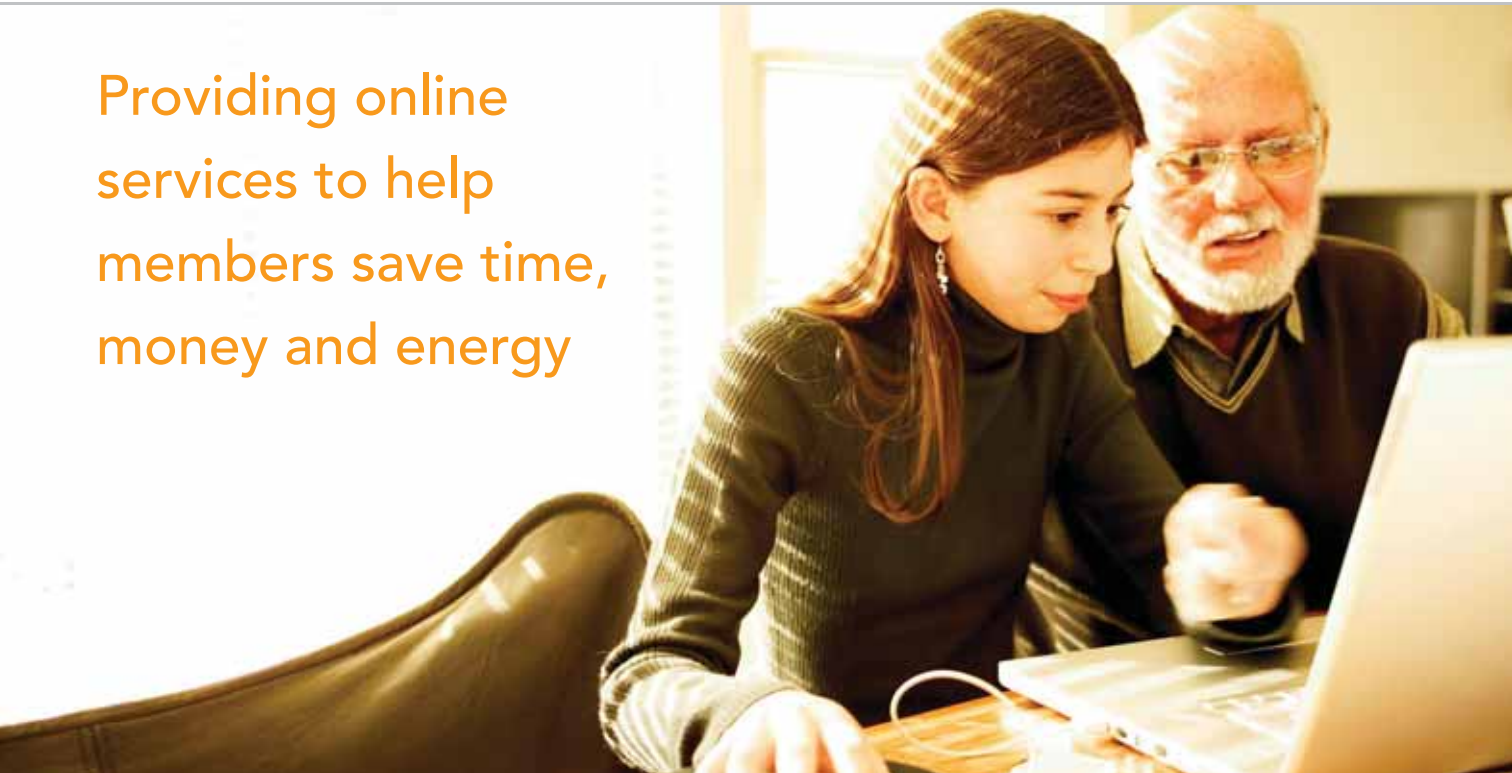
REPORT RATIOS

<i>Period ending December 31</i>	2008	2003	1998
Number of consumers	33,611	25,831	20,037
Residential consumers*	31,638	24,394	19,083

<i>Period: January 1–December 31</i>	2008	2003	1998
Residential kWh sales*	472,115,122	348,590,325	256,705,794
Total kWh sales	619,180,177	457,447,842	329,964,464
Avg. monthly kWh/residential member	1,254	1,216	1,154

*excluding seasonal

Providing online services to help members save time, money and energy



Wake Electric provides a number of programs to help customers manage their energy use. These services proved especially valuable to our members during the economic downturn.

In 2008, we provided billing plans that allowed members to plan their monthly payments and manage their cash flows through levelized and budget billing.

We offered free on-line home energy audits and energy calculators for members to find new ways to save on and conserve energy. The calculator helps members estimate their energy usage and how much they can save by making energy efficiency investments.

As always, as a non-profit electric cooperative, we returned money to the members in the form of capital credits.

In 2008, hundreds of members signed on to save time and money by paying bills on-line, through auto-

matic bank draft, and through paperless billing.

Compact fluorescent light bulbs, low-flow shower heads, and hot water heater blankets were distributed during Member Advisory Meetings in the spring and summer. These energy efficiency items will collectively save our members thousands of dollars over the lives of these products.

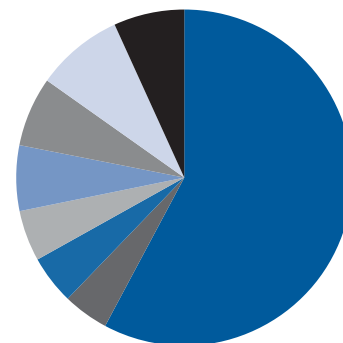
Wake Electric purchased a plug-in hybrid electric vehicle (PHEV) as part of our vehicle fleet. Transportation has been shown to be one of the highest contributors of green-house gases and Wake Electric believes that the widespread adoption of PHEVs will help reduce those green-house emissions by hundreds of millions of tons of CO₂ by 2050. Wake Electric believes that incorporating PHEVs into its fleet also will help further research and understanding of PHEV technology.



Learn about
**new ways to save
on your electric bill**
through two home energy audit tools.

Consolidated Balance Sheets

AS OF DECEMBER 31	2008	2007
Assets		
Utility plant		
Property, plant, & equipment	\$162,775,516	\$156,660,001
Less: accumulated depreciation	(33,688,680)	(32,377,595)
Net plant	129,086,836	124,282,406
Construction work in progress	5,916,706	4,037,278
TOTAL NET UTILITY PLANT	135,003,542	128,319,684
OTHER ASSETS		
Investments in associated organizations	6,660,547	5,766,434
Other investments	3,403,823	2,073,331
Nonutility Plant	2,604,862	1,978,668
TOTAL OTHER ASSETS	12,669,232	9,818,433
CURRENT ASSETS & DEFERRED CHARGES		
Cash & cash receivables	808,385	492,120
Accounts receivable	8,944,632	8,336,141
Other current assets	3,306,440	3,092,619
Deferred charges	1,513,562	1,761,003
TOTAL CURRENT ASSETS & DEFERRED CHARGES	14,573,019	13,681,883
TOTAL ASSETS	\$162,245,793	\$151,820,000
Equities & Liabilities		
Equities		
Membership fees	\$145,170	\$140,505
Patronage capital	36,352,101	32,823,489
Other equities	3,808,525	3,693,558
TOTAL EQUITIES	40,305,796	36,657,552
TOTAL LONG-TERM DEBT	101,181,184	101,421,067
OTHER LONG-TERM LIABILITIES	1,476,746	1,919,522
CURRENT LIABILITIES		
Current portion of long-term debt	295,884	325,423
Operating line of credit	8,000,000	214,392
Accounts payable & deferred credits	7,974,713	8,331,974
Other accrued liabilities	1,520,608	1,509,515
Consumer deposits	1,490,862	1,440,555
TOTAL CURRENT LIABILITIES	19,282,067	11,821,859
TOTAL EQUITIES & LIABILITIES	\$162,245,793	\$151,820,000



HOW YOUR CO-OP DOLLAR WAS SPENT IN 2008

Cost of purchased power	56.7%
Interest expense	8.3%
Operations & maintenance	7.2%
Depreciation	7.0%
Margins	6.8%
Customer service	4.7%
Administrative expense	4.8%
Taxes	4.5%

Consolidated Statement of Operations

AS OF DECEMBER 31	2008	2007
OPERATING REVENUE	\$64,781,936	\$63,067,122
OPERATING EXPENSES		
Cost of purchased power	36,725,709	36,431,395
Operations & maintenance	4,638,686	4,306,070
Consumer accounting expense	2,751,288	2,733,875
Consumer service & information expense	281,482	325,548
Administrative & general expense	3,109,785	3,022,103
Depreciation	4,548,160	4,233,839
Taxes	2,885,312	2,778,082
TOTAL OPERATING EXPENSE	54,940,422	53,830,912
OTHER INCOME/EXPENSES		
Interest expense on debt	(5,409,099)	(5,266,287)
Patronage capital from other cooperatives	1,158,637	1,039,754
Other income/expenses	(1,384,390)	(1,545,078)
TOTAL OTHER INCOME/EXPENSES	(5,634,852)	(5,771,611)
NET MARGINS	\$4,206,662	\$3,464,599

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, 2008 and 2007 are available for review at the Cooperative's facility in Youngsville, N.C.



Balancing the interests of the environment, economy and consumers

In 2008, Wake Electric encountered several challenges and opportunities:

- Monitoring national discussions and pending legislation on clean air, emissions, and renewable energy requirements
- Supplying reliable and cost-efficient power while minimizing our impact on the environment
- Planning for new generation and increasing demand
- Working with Congress to help find a balanced solution to maintaining affordable electric rates and combatting climate change
- Continuing our commitment to energy efficiency programs to help find that balance

As an emitter of carbon dioxide, we recognize our special responsibility to help find solutions to climate change. We realize that in today's energy economy, climate change legislation is imminent. Our commitment in 2008, as your board, was to ensure that legislation passed that equally balanced the interests of the environment, economy and consumers.



Roy Jones
President
Wake Forest
District 6

Howard Conyers
Treasurer
Franklinton
District 7

Joe Hilburn
Raleigh
District 4

Reuben Matthews
Vice President
Middlesex
District 9

Bill Bailey
Wake Forest
District 2

Suzy Morgan
Wake Forest
District 5

Joe Eddins
Secretary
Zebulon
District 8

Mike Dickerson
Oxford
District 3

Allen Nelson
Stovall
District 1



P.O. Box 1229, Wake Forest, NC 27588
919.863.6300 | 800.474.6300 | www.wemc.com