

**You & Your  
Cooperative:**

# *Together We Save*



*2010 Annual Report*



**Central Electric  
Membership Corporation**

Your Local Touchstone Energy Cooperative



# You & Your Cooperative:

*You and Your Cooperative: Together We Save...*

As a not-for-profit business owned by its member-consumers, Central Electric is focused on making good choices to provide value for members and support for the communities we serve.

This includes investing in new technologies to save our consumers in the long run.

In October 2010, the Cooperative implemented Mobile Data, wireless technology that connects Field Operators to the office.

This technology allows dispatchers to make work-order assignments for Field Operators near the specified service location—

without returning to the office for additional work-orders.

Office staff can then process the paperwork directly from the electronic reports generated by the Field Operators.

This saves time, effort, gas and employee resources—and more importantly, delivers faster consumer service.

• • •

The Cooperative continued to show the Wholesale Power Cost Adjustment (WPCA) as a credit on consumers' power bills during 2010.

This is directly attributed to cost-saving measures and reductions in wholesale power costs.

In November 2010, capital credits were returned to those who were members during 1985 and 1986. This is the third time in as

many years that Central Electric has made a general retirement of capital credits. This maintains our cooperative business model and distinguishes us from for-profit electric companies.

• • •

Central Electric stayed on target to meet the mandates set by North Carolina Senate Bill 3 which requires all electric utilities to begin the transformation to more efficient and environmentally friendly generation sources.

The Cooperative is also working to meet the mandates by purchasing “green” energy such as solar and wind energy through GreenCo Solutions.

• • •

In 2010 we added 466 new services, bringing the total to 20,505 services, making Central Electric one of only three other electric cooperatives in North Carolina to add members in the last year.

Primarily due to development in the Spout Springs and Fort Bragg areas, our growth is in the top five in

*(Continued on next page)*



*CEO Morris McClellion and Board President Rebecca G. Cogan*

# Together We Save

*(Continued from previous page)*

the state, and we are proud to serve the Fort Bragg community through our investment in Sandhills Utility Services.

• • •

The energy market is continuing to change, but what isn't changing is our commitment to provide safe and reliable electric service at a competitive and fair rate.

To do that it's imperative for us to work together to keep electric bills affordable.

Your electric cooperative remains committed to wise spending, and here's how we're doing it:

■ The largest share of each dollar, 63%, was used to buy wholesale power.

■ Operating costs, such as maintaining power lines and paying for the cost of fuel to operate our vehicles, was 21% of every dollar.

■ 3% of each dollar paid taxes, including property, sales and use taxes and franchise taxes.



■ Another 6% of every dollar went to depreciation—the decline in value of property or equipment over its life.

■ Also, 4% paid for interest on loans necessary to build new lines and services.

■ Total margins (the difference between revenue and cost of service) represented 3% of every dollar.

In 2010, operating margins were 3.53% compared to 7.67% in 2009.

The capital credit general retirement amount was \$1,181,149, and retirements to the estates of deceased members totaled \$203,779 in 2010.

That brings the cumulative amount returned to members and to the estates of deceased members to \$3,184,479 for the years 2008—2010.

• • •

Central Electric is committed to maintaining high safety standards for

the protection of our employees and the communities we serve.

In 2010 the Cooperative received national recognition for our comprehensive safety program. This was the result of an evaluation by technicians from an independent agency.

• • •

It's clear market prices and government regulations will likely increase the cost of doing business.

But whatever the future brings, you and your cooperative, working together, will manage the challenges.

*Rebecca G. Cogan*

*Rebecca G. Cogan*

President, Board of Directors

*Morris McClellion*

*Morris McClellion*

CEO, Central EMC

# Financials

## Balance Sheet

As of December 31

2010

2009

### Assets:

Electric Plant at Original Cost	\$83,041,652	\$79,389,660
Construction Work in Progress	4,035,682	4,071,971
Less Depreciation	(25,896,713)	(23,829,879)
Investments/Association Organizations	5,373,114	5,790,624
Cash	591,091	604,734
Temporary Investments	3,063,915	8,940
Notes Receivable	184,962	161,594
Accounts Receivable	2,944,529	2,353,969
Material and Supplies	684,276	973,466
Prepayments and Accrued Assets	96,712	94,843
Deferred Debits	340,383	1,336,223
<b>Total</b>	<b>\$74,459,603</b>	<b>\$70,956,145</b>

### Liabilities:

Long Term Debt: RUS, FFB, CFC, NCEMC	\$32,264,341	\$29,852,008
Consumer Deposits	1,403,378	1,399,922
Notes Payable	6,420	1,417,502
Accounts Payable	3,615,726	3,459,998
Accumulated Operating Provisions	3,477,022	3,080,500
Current Maturities Long Term Debt	1,131,255	1,150,013
Other Liabilities	2,436,595	1,900,423
Membership Fees	89,976	88,246
Patronage Capital & Other Equities	30,034,890	28,607,533
<b>Total</b>	<b>\$74,459,603</b>	<b>\$70,956,145</b>

## Statement of Operations

2010

2009

**Operating Revenue** \$43,716,293 \$40,663,794

### Expenses:

Cost of Purchased Power	27,608,733	24,338,155
Transmission Expense	4,074	9,208
Distribution Expense-Operations	2,570,019	2,404,403
Distribution Expense-Maintenance	1,605,623	1,376,281
Consumer Accounts Expense	1,651,842	1,594,134
Consumer Service & Information Expense	359,689	266,276
Sales Expense	150,005	150,377
Administration & General Expense	2,515,092	2,125,597
Depreciation & Amortization	2,677,570	2,638,963
Taxes	1,399,115	1,301,646
Interest on Long Term Debt	1,682,970	1,557,903
<b>Total Cost of Electric Service</b>	<b>\$42,224,732</b>	<b>\$37,762,943</b>

### Our Margins:

Operating Margins	\$1,491,561	\$2,900,851
Non-Operating Margins	1,320,726	2,733,780
<b>Total Margins</b>	<b>\$2,812,287</b>	<b>\$5,634,631</b>

# Report of the Treasurer...



**James B. Brooks**  
Secretary-Treasurer

To assist your review of our financial condition we have published a simplified Balance Sheet and Statement of Operations in this report for the 2010 and 2009 calendar years.

The accounting firm of Goodman & Company completed its audit of the Cooperative in March 2011. Copies of the report will be available at the Annual Member Meeting, as well as the Central Electric business office. The report shows your Cooperative is financially sound.

On the Balance Sheet, you will note that total assets increased by more than \$3.5 million during 2010, raising the value of assets to more than \$74.4 million. Central Electric's membership fees, patronage capital and other equities total \$30,124,866. This member-furnished capital represents 40.46% of Central Electric's assets. These funds are invested in Central Electric's utility plant (lines, transformers, poles, trucks, etc).

The Statement of Operations shows operating revenue increased 7.51% over 2009. The total cost of supplying electric service increased 11.82% over 2009. Wholesale power, our largest expense item, represented 65.4% of all expenses.

As a Cooperative, our operating margins (difference between revenue and cost of service) are posted to each member's patronage capital account. In 2010 operating margins were 3.53% compared to 7.68% in 2009.

The average number of consumers served increased from January 1, 2010 to December 31, 2010 by 2.33% as compared with 1.99% in 2009. The 2010 monthly average residential kilowatt-hours (kWh) sold was 1,456 kWh.



## How Your Dollar Was Used in 2010...

Cost of Purchased Power	\$0.63
Depreciation	\$0.06
Interest Expense	\$0.04
Total Operating Margins	\$0.03
Taxes	\$0.03
Operations Expense	<u>\$0.21</u>
	\$1.00



**2,379 Miles of Line Energized**

**Average Residential Use/Month: 1,456 kWh**



**20,505 Consumers Served**

## Comparative Operating Statistics

<i>At Year Ending:</i>	2010	2009	2008	2007
Miles of Line Energized	2,379	2,351	2,331	2,287
Number of Consumers Served	20,505	20,039	19,648	19,447
Average Residential kWh Used/Month	1,456	1,321	1,301	1,363

## Underground Service Is the Trend

In 2010 the billing peak demand for electricity was 117.2 MW, which was set for the year in December, though it did not surpass the overall peak for the Cooperative.

The Cooperative built 25.73 miles of underground facilities and 4.17 miles of overhead facilities.

Nine out of 10 new services continued to be placed underground and was a welcome trend because underground construction has a positive effect in curbing outages during major storms.

The trend continued with underground construction activities for 2010 with 600 new services added.

The load transfer to Doc's Road Substation completed the substation work in 2010. After a few field projects in the first quarter of the year, there were no new projects started.

The primary engineering focus for the remainder of the year was on new consumers being added to the system and design work to

incorporate those into the existing system.

Some preliminary work was done toward a new Construction Work Plan during the last quarter of 2010—primarily information gathering and updating the electrical model for the system, which is an ongoing process.

In 2010, the majority of the new service work was in Harnett County around the Spout Springs and Johnsonville areas along the NC 87 and 24 corridors near Fort Bragg.

Approximately 60-plus new consumers were added in Moore, Chatham and Lee counties with the remaining 540 new services located in Harnett County.

• • •

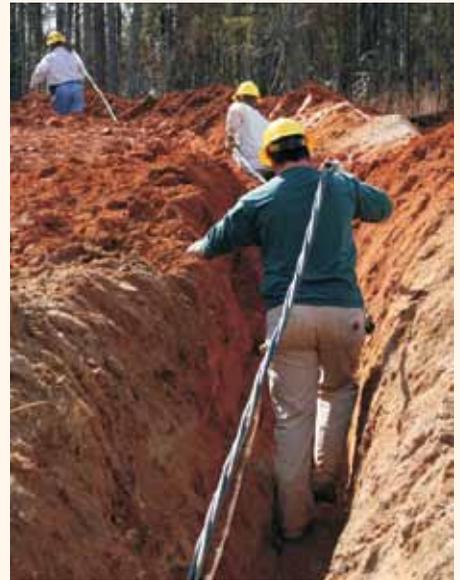
New technology improved service efficiency for the Cooperative as well as its member-consumers. Mobile Data programming was implemented in 2010 to allow Field Operators to maximize their time and costs.

With this program, Central Electric dispatchers became able to view details of work orders, and with a global positioning system (GPS) locations of the Field Operators, assign work to the employees already in the field.

With laptop computers located in their service vehicles, Field Operators are able to view the work orders, check the locations, complete the work and the paperwork—without returning to the Cooperative.

---

*Frank Holder logs on to his laptop computer to get the details of his next work order. The Mobile Data programming allows employees to maximize their work time.*



*Underground construction is the trend for new services.*

Mobile Data makes this process more efficient and helps to deliver faster service to members—as well as saving fuel costs.

• • •

Maintaining right-of-way was another priority during 2010. Because of its importance to service reliability, right-of-way maintenance represents a large budget item for the Cooperative.

The maintenance schedule includes side tree trimming, yard tree trimming, mowing and clearing of underbrush.

During 2010, more than 280 miles of right-of-way was maintained, including 190 miles of sprayed vegetation and 90 miles of cut vegetation. This represents about 12% of the Cooperative's 2,379 miles of overhead line.

Additional right-of-way was also cut for new services, and “danger” trees were removed from the lines.

At more than a \$494,834 in 2010, right-of-way maintenance typically represents one of the largest budget items for the Cooperative.

Because right-of-way for all overhead lines needs to be trimmed every three to six years, this maintenance will continue in the future.



## Member Services

# CO-OP EMPHASIZES ENERGY EFFICIENCY PROGRAMS

The Member Services programs continued to place a great deal of emphasis on helping consumers be more energy efficient in their homes during 2010.

The “FlexPay” program grew in the number of members eligible to monitor their daily use patterns.

“FlexPay” allows members to buy electricity on an “as-needed” basis, much the same as using a pre-paid phone card.

To participate in this program, members must have a “smart meter” installed. Central Electric continued to install these “smart meters” throughout its service territory, and is scheduled to have them available system-wide by 2012.

Members are able to see how much electricity they used in the previous 24-hour period, allowing them to make the connection between their activities and the actual use.

This program also benefits the Cooperative by providing the opportunity for better system load monitoring, which improves service reliability.

It also allows Central Electric to pinpoint power outages more easily,

which improves outage response time.

The ability to read meters remotely with the “smart meters” further adds savings through reduced fuel costs and vehicle maintenance.

***You & Your Electric Cooperative: Together We Save...***

While making new programs available to members, Central Electric continues to promote existing programs and services available to its member-consumers.

Still in play in 2010, the compact fluorescent light (CFL) light program gives a credit on the electric bill of those who replace incandescent bulbs with the more energy-efficient CFLs.

The Cooperative continued to offer free home energy audits, electric heat pump and water heater rebates on units that meeting efficiency ratings.

Low interest loans to finance efficient heat pumps, insulation and windows were also available to members in 2010.

Increased emphasis on internet resources continued to be part of Central Electric’s mission to help consumers make efficient use of the energy they buy.

The website [TogetherWeSave.com](http://TogetherWeSave.com) provides a virtual home tour where members can select options



appropriate for their homes to learn how much they can save annually by applying specific savings techniques.

• • •

Involvement in the community is

part of Central Electric’s mission as a cooperative.

During 2010 there continued to be an emphasis on education—through Bright Ideas Grants and four \$2,000 scholarships to Central Carolina Community College and Sandhills Community College students. The students are served by the Cooperative.

Five Bright Ideas Grants were awarded to area teachers in 2010 totaling \$7,600.

In addition, young people had the opportunity to apply to attend the Kellie Harper Touchstone Energy Basketball Camp at N.C. State University or the Roy Williams Touchstone Energy Basketball Camp at UNC-Chapel Hill.

Central Electric was also active in community projects, including serving as a sponsor for a golf tournament to raise funds for the Lee County 4-H Clubs.

The Cooperative was also a major sponsor of the Small Business Expo to help area businesses promote their goods and service.



*Involvement in the communities it serves is very important to Central Electric. A major sponsor of the Small Business Expo, the Cooperative also participates in the Baby Boomers Expo in Lee County, among other events.*

*You & Your Cooperative:*



*Together We Save*



**Central Electric**  
Membership Corporation

128 Wilson Road, Sanford, North Carolina 27332  
919.774.4900 • 800.446.7752  
[www.centralelectriconline.com](http://www.centralelectriconline.com)

Your Local Touchstone Energy Cooperative 