

You & Your Co-op:



Moving Forward Together

2009 Annual Report



Central Electric
Membership Corporation

Your Local Touchstone Energy Cooperative



A supplement to Carolina Country

Your Co-op & You...

By the very definition of a cooperative, Central Electric epitomizes people working together for a common goal.

During 2009 we faced many challenges as an electric utility—and there are many more ahead of us with new proposed energy legislation on the horizon.

We are all still trying to cope with rising costs coupled with tough economic situations.

As an electric utility, Central Electric began 2009 by making plans to meet the mandates set down by North Carolina's Senate Bill 3.

The mandate is designed to reduce our state's dependence on carbon fuels by focusing on renewable resources for power generation.

It is a complex situation requiring a variety of initiatives to meet the mandates.

We can meet a large portion of our requirement by increasing our energy efficiency—which means you and your cooperative are even stronger allies in energy management.

To measure the amount of “green” energy we buy, we use a tool called a “renewable energy certificate”—or REC.

GreenCo Solutions, the not-for-profit North Carolina coop-



CEO Morris McClellion and Rebecca G. Cogan, President of the Board of Directors

erative Central Electric joined in 2008, buys RECs and records the energy we save through our energy efficiency programs.

To keep down the cost to you, 4,200 RECs can be obtained through energy savings. To this end, your electric cooperative has established 16 programs to meet our requirements.

The most visible of these programs involves replacing incandescent light bulbs with compact fluorescent bulbs, or CFLs.

To date, the Cooperative has invested \$25,000, and given away more than 12,000 CFLs to encourage members to save energy and money. This program is estimated to earn 600 of the 11,600 RECs required annually.

The water heater blanket kit

insulation program has earned us an additional 320 RECs annually, and the FlexPay program, which allows members to monitor their electricity use and to prepay the cost of service, has earned another 350 RECs.

Central Electric has also partnered with the government's Energy Star Program to offer rebates ranging from \$200 to \$500 for new homes built to specific energy efficiency guidelines.

“Moving Forward Together” is more than a theme for 2009.

Central Electric continues to move forward by offering energy efficiency tools through both www.centralelectriconline.com, the Cooperative's website, and the www.TogetherWeSave.com website.

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For the last few years we have asked you to contact to our elected officials and voice your concerns about proposed legislation in both the state and national fronts.

Central Electric's Board of Directors and staff have continued to meet with our legislators to present the Cooperative's stand on issues relevant to our business.

With a new national energy policy on the horizon, it's even more imperative we keep the impact that
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Moving Forward Together

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proposed energy legislation would have on our rates and cost of service before our congressional representatives.

Please join us in contacting our elected officials. A grassroots effort is our best offense in promoting a fair and equitable energy policy.

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In June 2009, Central Electric completed a cost of service study which determined the need for an 11.3% rate adjustment due to the rising costs of coal and natural gas for power generation, as well as basic construction materials.

Once the new rates were in place, the Cooperative removed the wholesale power cost adjustment (WPCA) which had been used to recover the increased cost of service in the interim.

Central Electric continues to track the cost of power purchased to determine if future WPCAs are necessary, for either a credit or an increase.

For example, since November 2009, members have been receiving

a monthly WPCA credit because of lower wholesale power costs.

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In 2009 we added 478 new services, bringing the total to 20,039 services. We remain committed to wise spending, and here's how we're doing it:

■ The largest share of each dollar, 60%, was used to buy wholesale power.

■ Operating costs, such as maintaining power lines and paying for rising fuel cost to operate our vehicles, was 20% 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 7% of every dollar.

In 2009, operating margins were

7.6% compared to 3.07% in 2008.

As a not-for-profit business, Central Electric made a general retirement of capital credits, issuing credits to members who were receiving service from the Cooperative between 1982 and 1984.

The capital credit retirement amount was \$1,440,901, and retirements to the estates of deceased members were \$181,624 in 2009.

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“Moving Forward Together” is the key to making positive decisions that affect our cooperative, and together we will forge a positive future for our Cooperative.

Rebecca G. Cogan
President, Board of Directors

Morris McClellion
CEO, Central EMC



LEFT: Central Electric Board members Edith Cox, left, and Rebecca Cogan, center, meet with N.C. Speaker of the House Joe Hackney in Raleigh. **RIGHT:** Representative Bob Etheridge, left, talks with CEO Morris McClellion about issues affecting the Cooperative during the Legislative Rally in Washington.

Financials

Balance Sheet as of December 31

2009

2008

Assets:

Total Utility Plant in Service	\$79,389,660	\$76,698,227
Construction Work in Progress	4,071,971	559,107
Accumulated Depreciation	(23,829,879)	(21,504,118)
Investments/Association Organizations	5,790,624	3,907,887
Cash	604,734	748,862
Temporary Investments	8,940	608,284
Notes Receivable	161,594	128,177
Accounts Receivable	2,353,969	2,743,029
Material and Supplies	973,466	797,273
Prepayments and Accrued Assets	94,843	96,807
Deferred Debits	1,336,223	141,872
Total	\$70,956,145	\$64,925,407

Liabilities:

Long Term Debt: RUS, FFB, CFC, NCEMC	\$29,852,008	\$27,448,959
Consumer Deposits	1,399,922	1,321,400
Notes Payable	1,417,502	2,000,000
Accounts Payable	3,459,998	4,276,677
Accumulated Operating Provisions	3,080,500	2,822,300
Current Maturities Long Term Debt	1,150,013	1,400,013
Other Liabilities & Deferred Credits	1,900,423	1,107,620
Membership Fees	88,246	83,908
Patronage Capital & Other Equities	28,607,533	24,464,530
Total	\$70,956,145	\$64,925,407

Statement of Operations

2009

2008

Operating Revenue	\$40,663,794	\$37,761,713
Expenses:		
Cost of Purchased Power	24,338,155	23,632,499
Transmission Expense	9,208	5,590
Distribution Expense-Operations	2,404,403	2,442,709
Distribution Expense-Maintenance	1,376,281	1,380,893
Consumer Accounts Expense	1,594,134	1,463,121
Consumer Service & Information Expense	266,276	223,353
Sales Expense	150,377	124,840
Administration & General Expense	2,125,597	2,013,791
Depreciation & Amortization	2,638,963	2,563,788
Taxes	1,301,646	1,205,926
Interest on Long Term Debt	1,557,903	1,579,431
Total Cost of Electric Service	\$37,762,943	\$36,635,941
Our Margins:		
Operating Margins	\$2,900,851	\$1,125,772
Non-Operating Margins	2,733,780	1,231,047
Total Margins	\$5,634,631	\$2,356,819

Report of the 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 2009 and 2008 calendar years.

The accounting firm of Goodman & Company completed its audit of the Cooperative in March 2010.

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 \$6.0 million during 2009, raising the value of assets to nearly \$71 million. Central Electric's membership fees, patronage capital and other equities total \$28,695,779.

This member-furnished capital represents 40.44% 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 7.69% over 2008. The total cost of supplying electric service increased 3.08% over 2008. Wholesale power, our largest expense item, represented 64.4% 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 2009 operating margins were 7.68% compared to 3.07% in 2008.

The average number of consumers served increased from January 1, 2008 to December 31, 2009 by 1.99 percent as compared with 1.03% in 2008. The 2009 monthly average residential kilowatt hours (kWh) sold was 1,321 kWh.



James B. Brooks
Secretary-Treasurer

Comparative Operating Statistics

At Year Ending:	2009	2008	2007	2006
Miles of Line Energized	2,351	2,331	2,287	2,249
Number of Consumers Served	20,039	19,648	19,447	18,770
Average Residential kWh Used/Month	1,321	1,301	1,363	1,367



How Your Co-op Dollar Was Spent in 2009

Cost of Purchased Power	\$0.60
Depreciation	\$0.06
Interest Expense	\$0.04
Total Margins	\$0.07
Taxes	\$0.03
Operations Expense	\$0.20

Cooperative Continues to Grow in 2009

Central Electric continued to move forward in 2009, adding 478 new services and bringing the total to 20,039 active services.

The billing peak demand for electricity in 2009 was 109.5 MW, which was set in March. It was a new record peak.

The trend for underground construction of new services continued with 9 out of 10 new services installed as buried facilities.

The Cooperative built 16.42 miles of underground facilities and only 3.66 miles of overhead construction in 2009.

Underground type construction has a positive effect in curbing outages during major storms.

Major construction began in July of 2009 on the Doc's Road Substation in western Harnett County.

The station was substantially finished by year's end. Load was

transferred to the station in the first week of January 2010, just in time for the coldest weather.

One-third of the load being served from Johnsonville and Spout Springs substations was transferred to Doc's Road at this time.

2009 also saw the completion of conductor rebuild projects for the short term.

As the membership grew, so did the number of automated metering devices on the system, bringing the total number of devices to more than 19,925.

These metering devices allow Central Electric not only to read members' meters, but to track problems that may occur on the system.

Maintaining right-of-way was another priority during 2009. Because of its importance to service



Right-of-way maintenance is the second largest budgeted item for Central Electric. Annual maintenance is necessary for system reliability.

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 2009, more than 260 miles of right-of-way was maintained, including 180 miles of sprayed vegetation and 80 miles of cut vegetation. This represents about one-third of the Cooperative's 2,351 miles of overhead line.

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

At more than a \$420,000 in 2009, 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.



Doc's Road Substation went online in western Harnett County in early January 2010—just in time for the coldest weather.

COOPERATIVE EMPOWERS MEMBERS THROUGH ENERGY EFFICIENCY PROGRAMS

In “Moving Forward Together,” Central Electric emphasized empowering its members to have even more control in managing their energy use.

Central Electric’s commitment was reflected in the programs and services available during 2009.

These programs included the continuation of the electric water heater blanket kit program and the compact fluorescent light (CFL) credit program which began in late 2008.

Both programs provide consumers opportunities to control their energy use for lighting and water heating.

Websites supported by the Cooperative provide additional tools for making the most of the electricity you buy.

TogetherWeSave.com, an interactive website, allows members to see how specific home improvements—such as insulation and energy-efficient appliances—impact energy use.

On the Cooperative’s website, centralelectriconline.com, the “Energy Info” details the programs and ser-

vices offered by Central Electric.

Members are encouraged to take advantage of both of these sites.

Another program offered by the Cooperative allows qualified member-consumers of Central Electric to pay for their electricity through the Cooperative’s “FlexPay” Plan.

This program allows participating consumers to monitor their power use and buy electricity on an “as need” basis.

An additional benefit of FlexPay is that by monitoring electricity use, members can pinpoint the effects of weather conditions and specific use patterns on their bills.

The Cooperative also began a partnership with the national Energy Star® program which offers rebates to consumers and contractors who build homes to higher efficiency standards.

In addition, Central Electric provides rebates to members who choose energy-efficient water heaters and heat pumps that meet specific ratings.

The Cooperative continued to offer energy audits for members with concerns about high bills as

well as energy conservation workshops to educate members.

We continued to help members finance energy-efficient heat pumps, insulation, and storm windows and doors with low-interest loans.

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In our commitment to the communities we serve, Central Electric reached out to those of all ages.

We were a major sponsor of the 2009 Business Expo which features local businesses, and participated in community energy conservation workshops.

During 2009 the Cooperative reached out to young people in our service area through several educational programs.

Central Electric awarded seven grants totaling \$10,000 to area educators for innovative teaching projects in their classrooms through the Bright Ideas grant program.

The grants enabled teachers to provide their students with unique projects not covered through traditional funding.

Four scholarships were also awarded to students attending Central Carolina and Sandhills Community Colleges who live in homes served by the Cooperative.

Two middle school students had the opportunity to attend the Kay Yow and Roy Williams Basketball Camps in partnership with Touchstone Energy.

In addition, Central Electric sponsored events to help raise money for local 4-H Clubs.



The Baby Boomers’ Expo gave the Cooperative an opportunity to talk with consumers about the programs and services Central Electric offers, and to provide tips for managing energy use more efficiently.



You & Your Cooperative: Moving Forward Together...



Jane Yvonne Bullard of Carolina Lakes, left, talks with Central Electric's Janet Trevino about some of the programs offered by the Cooperative to help her better manage her home's energy use.



Central Electric Membership Corporation

Your Local Touchstone Energy Cooperative 

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