



Central Electric
Membership Corporation



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Windows of Opportunity

Executive Message



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

Here at Central Electric, we are fortunate to be one of the fastest growing electric cooperatives in the state of North Carolina. While this growth does have a price tag, it has also allowed us many windows of opportunity when it comes to investing in a more reliable power delivery system. As we grow, we modernize and upgrade our entire electric system and participate in cutting-edge technology that benefits both member/customer and cooperative.

This was demonstrated in 2013 as we began transitioning to an advanced metering system. New advanced meters will transmit

and receive data automatically and securely to our headquarters, allowing us to monitor daily power use without the costliness and time consumption of having technicians manually read them.

Two-way communication allows real-time or instant monitoring of our power delivery system, and we can correct problems and inefficiencies faster than ever before. Advanced metering also means we can respond to power outages more quickly by showing when and where there is a system disruption. This can now occur before a member reports the outage.

Central Electric began installing these meters in the fall of 2013, and by year-end 1,000 were in place. We are continuing this conversion, and plan to have the process completed by the summer of 2015.

We will be contacting members who have not received their new advanced meter to arrange for the installation of one. After replacing an old meter with an advanced meter, we continue to monitor the new meter and correct any problems that may arise.

Seizing these windows of opportunity has enabled us to again focus squarely on what we're about: providing highly-reliable electric service and value to you, our member-owners. Each day, each call, each transition, we recognize our mission is to serve you. In the future, power supply management during times when people are using the most electricity will require information accessible through these advanced meters. With this information, we'll be able to improve efficiency during peak energy use times and hopefully help to stabilize the cost of electricity for you.

We will also be adding other features that will benefit you, the customer, and the

cooperative. Remote connectivity will allow you to more accurately know how much electricity you use on a daily basis. Through the website, using a link at the top of our homepage, you can view the most current information on power disruptions, as well as outage alerts.

While we cannot predict the future of the power industry, we do know we will continue to grab hold of opportunities like these in order to provide you with reliable service now, tomorrow and well into the future, just as we have for the past 73 years.

Morris McClellion
CEO, Central EMC

Rebecca G. Cogan
President, Board of Directors

You're Invited

As a cooperative, the democratic process is essential. That's why we appreciate your attendance at our **annual member meeting**. By voting and participating, you have input into the operation of the company, as well as finding out more about your electric cooperative.



Financials

Treasurer's Report

To assist your review of our financial condition we have published a simplified Balance Sheet and Statement of Operations in this report for the 2013 and 2012 calendar years.

The accounting firm of Adams, Jenkins, and Cheatham completed its audit of the Cooperative in April 2014. 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.

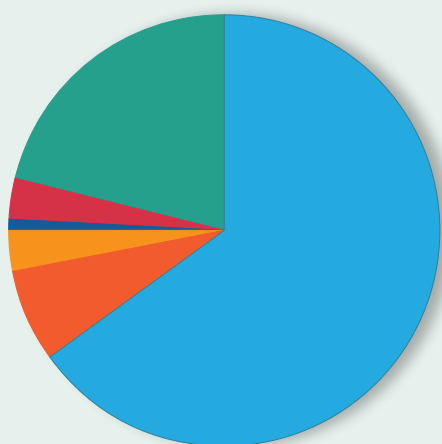
On the Balance Sheet, you will note that total assets increased by more than \$10 million during 2013, raising the depreciated value of assets to more than \$91 million. Central Electric's membership fees, patronage capital and other equities totaled \$37,501,921. This member-furnished capital represents 40.8% 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 9.5% over 2012.







The total cost of supplying electric service increased 9% over 2012. Wholesale power, our largest expense item, represented 66% 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 2013, operating margins were 1.4% compared to 0.9 in 2012.

The average number of consumers served increased from January 1, 2013 to December 31, 2013 by 2.6% as compared with 1.7% in 2012. The 2013 monthly average residential kilowatt hours (kWh) sold was 1,565 kWh.



HOW YOUR REVENUE DOLLAR WAS SPENT IN 2013

	Cost of Purchased Power	\$0.65
	Depreciation	\$0.07
	Interest Expense	\$0.03
	Total Operating Margins	\$0.01
	Taxes	\$0.03
	Operations Expense	\$0.21
		\$1.00

Balance Sheet as of December 31	2013	2012
Assets:		
Electric Plant at Original Cost	\$99,558,379	\$95,701,554
Construction Work in Progress	1,720,798	907,916
Less Depreciation	(31,917,348)	(29,848,005)
Investments/Association Organizations	9,751,564	7,875,958
Cash	1,745,710	488,767
Temporary Investments	325,060	1,481,275
Notes Receivable	89,061	119,108
Accounts Receivable	5,627,542	2,617,575
Material and Supplies	1,075,291	1,030,184
Prepayments and Accrued Assets	95,956	108,597
Deferred Debits	3,855,881	1,378,811
Total	\$91,927,894	\$81,861,740
Liabilities:		
Long Term Debt		
RUS, FFB, CFC, NCEMC	\$39,601,111	\$36,327,526
Consumer Deposits	1,668,539	1,607,817
Notes Payable	1,258,137	0
Accounts Payable	3,153,318	3,024,411
Accumulated Operating Provisions	5,578,346	5,089,899
Current Maturities Long Term Debt	1,380,173	1,192,357
Other Liabilities	1,786,349	1,808,083
Membership Fees	97,430	95,220
Patronage Capital & Other Equities	37,404,491	32,716,427
Total	\$91,927,894	\$81,861,740

Comparative Operating Statistics

At Year Ending:	2013	2012	2011	2010	2009
Miles of Line Energized	2,450	2,427	2,402	2,379	2,351
Number of Consumers Served	21,777	21,219	20,850	20,505	20,039
Average Residential kWh Used/Month	1,565	1,447	1,365	1,456	1,321

Statement of Operation	2013	2012
Operating Revenue	\$46,314,517	\$42,278,838
Expenses:		
Cost of Purchased Power	30,198,308	26,435,518
Transmission Expense	3,661	3,696
Distribution Expense		
-Operations	2,936,947	2,692,192
Distribution Expense		
-Maintenance	1,749,399	1,647,533
Consumer Accounts Expense	1,270,373	1,610,336
Consumer Service & Information Expense	409,352	488,550
Sales Expense	157,141	172,721
Administration & General Expense	2,906,931	2,920,362
Depreciation & Amortization	3,050,754	2,881,618
Taxes	1,427,627	1,353,655
Interest/Long Term Debt	1,560,178	1,702,549
Total Cost of Electric Service:	\$45,670,671	\$41,908,730
Our Margins:		
Operating Margins	\$643,847	\$370,108
Non-Operating Margins	4,872,038	2,837,627
Total Margins	\$5,515,885	\$3,207,735

Capital Credits

Embracing the windows of opportunity offered us has also meant we were able again to **give back to members** through capital credits. The total amount Central Electric retired in 2013 was approximately **\$755,000**, bringing the five-year total to **\$6.5 million**.

Providing Reliable Power



Being able to invest in the maintenance of our power delivery system allows us to serve you even better. That is why in 2013, we continued to make engineering developments and improvements throughout the Central Electric service area.

On Mt. Pleasant Church Road in Chatham County, we replaced the existing power lines with much heavier three-phase conductors to improve reliability. In order to keep our infrastructure up-to-date, we also upgraded several smaller power lines across the system.

In the Spout Springs area, which is one of our fastest growing communities, crews added a new circuit to the substation. They also upgraded an existing circuit there, replacing smaller wires with heavier conductors better able to withstand weather and power load challenges. The changes improve power reliability in that area.

Our region continues to grow every year, and in 2013, we installed electric service to 200 new lots in Lexington Plantation and 90 new homes in the Carolina Lakes subdivision. Central Electric also brought power to several new businesses in that area, including Wendy's, Advance Auto Parts, T's Family Restaurant, and Lakeside Animal Hospital.

Other Programs & Services:

- **Rebates for HERO-built homes**
- **Water Heater Maintenance Program**
- **Flex-Pay Program**
- **Energy Audits to locate potential savings for members**
- **Energy conservation workshops for members**
- **Low-interest loans on energy-efficient heat pumps, insulation, and windows**
- **Web-based energy-efficiency tools at www.cemcpower.com and togetherwesave.com.**

Serving the Community

At Central Electric, we believe everyone should have opportunities to live life to its fullest. That's why in 2013 we continued to invest in community ventures and outreach programs through **scholarships** for local college students, **Bright Ideas** educational grants, and sponsorships for teens to attend **Touchstone Basketball Camps** and the **Washington D.C. Youth Tour**. Another important outreach began, **Operation Round Up**®.

Kicked off in mid-2013, Operation Round Up is a community development program funded by voluntary contributions from Central Electric members to the Central Electric Member Care Trust, Inc. Charitable donations are made by the Trust Board to worthy projects in the Central Electric service territory of Chatham, Harnett, Lee, and Moore counties. The Member Care Trust Board of Directors decides which organizations, groups and charities in these counties should be recipients.

For members who participate in Operation Round Up, Central Electric simply rounds up their bills to the next highest dollar.

A member's monthly bill of \$63.76 would be rounded up to \$64, for example, with 24 cents going into the Operation Round Up Trust Fund. A participant's donation may be as little as a penny or as much as 99 cents, with the average tax-deductible donation at about \$6 per year.

In 2013, the Member Care Trust Board distributed almost \$13,700 to worthy projects. Notably, 100 percent of donations will be used to fund projects.

We also met with state and federal legislators, keeping the interests of Central Electric members on the forefront. Special emphasis was given to keeping electricity affordable, when elected officials considered legislation that would impact power costs.

At Central Electric, we work hard every single day to give back to our community and to you, our members. Strengthening the communities we serve opens windows of opportunity for years to come.



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