

# Looking out for **You**

ANNUAL REPORT '06



Roanoke Electric Cooperative

Your Touchstone Energy® Cooperative 

# executive summary

## Conserving energy helps keep costs down for all

“We’re looking out for you” is more than just a theme for this year’s Annual Meeting. It is a tenet that we take very seriously here at Roanoke Electric Cooperative. We continue to provide safe, reliable and affordable electricity, while enhancing the quality of life in the diverse communities we serve.

As a result of “looking out for you” your cooperative, along with others nationwide, has made energy conservation a major thrust of its overall operation. This includes consumer education on energy usage that ultimately reduces the overall consumption for homes and businesses on our system.

You may wonder why we encourage you to use your electricity more efficiently through energy conservation. After all, we are in the business of selling kilowatt-hours. Why would we encourage our members to use less electricity?

Roanoke Electric Cooperative isn’t in business to make a profit. We’re in business to serve you in the most efficient, reliable and cost-effective way possible. Roanoke EC is collectively owned by you—our members—and shares your interest in keeping costs down.

We strongly encourage energy conservation for a number of reasons. First, it’s good common sense. Although fossil fuels are still relatively abundant, they are a fixed quantity. Depleting these natural resources means there will be less fuel for future generations.

Conserving energy saves you money in two ways:

- ▲ Your lowered usage saves money on your monthly electric bill.
- ▲ When many members lower their usage, it saves the Co-op money as well. Roanoke Electric must keep enough power (capacity) on hand to supply all of our members’ highest usage (demand). If that demand can be managed effectively, new power sources may not have to be tapped as soon as they would otherwise, and the construction of costly new generating plants can be postponed. As our electric system continues to grow, we must maintain an adequate supply of power. Your conservation efforts, when combined with others’, can ensure that the Cooperative’s growth remains stable.

At Roanoke Electric Cooperative, we are trying to keep your electricity affordable by automating operations where possible and by setting reasonable budgets that do not sacrifice reliability and service. We have no control, however, over the market price of fuels needed to generate electricity. The cost of fuels such as natural gas

and coal are increasing steadily, and many factors affect those prices.

Do we need to conserve electricity? Of course.

Will that alone solve the energy crunch? Absolutely not.

Conservation of energy is just one avenue for managing energy costs. We must all conserve energy in other ways. Does this mean we should all get rid of our SUVs? Not necessarily, but we can save fuel by avoiding unnecessary trips, combining errands, and sharing rides to work.

We’ll continue to offer tips for conserving electricity, even though we’re in the business of selling it. You can count on Roanoke Electric Cooperative to continue looking out for you.

Just remember that we all need to conserve energy of all types—from gasoline to natural gas to propane. Many types of fuel make up our nation’s energy picture and affect our pocketbooks. You can help us keep costs affordable by looking for ways to conserve all types of energy, not just electricity.



Curtis Wynn

*Executive Vice President & CEO*



Allen Speller

*President*



Curtis Wynn



Allen Speller

# work summary



*Roanoke Electric is looking out for you*



*REC's linemen continue to supply the community with electricity as our community grows and grows.*

## Engineering, Operations, and Technical Services Department

Technology, efficiency, and growth drive day-to-day operations here. This department operates and maintains the cooperative's electric system, including 12 substations and 2,200 miles of line. It is also in charge of procurement and maintenance of the cooperative's fleet, tractors, and other rolling stock.

### ENGINEERING/OPERATIONS

The 2006 construction work plan is in progress. The current plan sustains the cooperative's electric distribution system while accommodating existing and forecasted growth for the area.

- ▲ Distribution lines continue to be upgraded from copper to alumi-

num throughout critical areas of the cooperative's territory.

- ▲ The cooperative continues to build services to accommodate system growth, which is approximately 1.5% per year.
- ▲ Field communications have improved with the issuance of laptops for field personnel.

## Member Services and Marketing

This department provides members and the public with the latest information about the cooperative's activities and member services. Its staff administers community, youth and marketing programs.

The department also coordinates the call center, cash register, field collecting and meter reading.

### MEMBER SERVICES

The "Member Care" team is using innovative technology systems to deliver prompt and efficient member services. Customer service representatives can now provide members' comparative figures for the energy they used within the last few months.

This system was implemented to better help our members compare and realize their households' highest peak energy times. The cooperative's service level for processing member inquiries improved with streamlining procedures for staff who work in this area.

### KEY ACCOUNTS AND GOVERNMENT RELATIONS

Our staff maintains a schedule of visits with the co-op's largest consumers to ensure they receive the best, most cost-effective service possible. Key accounts also receive a free, monthly Web-based newsletter that provides cutting-edge business strategies.

The cooperative continues to connect with local, state, and national legislators about actions on energy issues in rural areas.

### ENERGY AND OTHER VALUE-ADDED SERVICES

A popular phrase in 2006 was "high-energy, efficient appliances." REC continued to administer rebate programs for:

- ▲ \$150 toward the purchase of a new electric water heater
- ▲ \$200 for a new high-energy efficient heat pump

Through EC Community Solutions, REC has continued to enroll and train contractors who give quotes and loan applications to homeowners for residential home improvement.

# work summary *continued*



*More than 1,400 high school students attended the annual Rural Electric Youth Tour held recently in Washington, D.C. Students sent by Roanoke Electric were (left) Jarrika Alston and Erica Bazemore.*

Co-op members can use the EC Community Solutions financing programs for both home improvement loans and credit card services.

### **COMMUNITY AND PUBLIC RELATIONS**

REC has continued providing opportunities for area youth and communities through various sponsorships and programs. REC recognizes the importance of education and economic development. We are committed to supporting our communities and assisting area schools to help students and teachers achieve goals.

REC has granted funds to area youth and non-profit organizations through programs such as Operation RoundUp, Bright Ideas and The Roanoke Electric Scholarship.

We also provided area youth with all-expense-paid trips to attend

prestigious camps such as the Roy Williams and Kay Yow Basketball camps. Area youth are given an opportunity to attend an all-expense-paid Rural Electric Youth Tour and the Youth Leadership Conference.

REC awarded a total of \$76,366 through sponsorships, community and youth programs in an effort to implement new innovative programs or sustain existing organizations.

To help the search for a cancer cure, our staff raised more than \$3,700 in 2006 for Hertford County's Relay for Life. The Josh Lane golf tournament, co-sponsored by Roanoke Electric, raised more than \$40,000 toward juvenile diabetes research.

### **REC'S WEB SITE—IT'S FOR YOU**

REC offers members the opportunity to conduct business anytime without having to come into REC offices.

REC's Web site, launched in 2006, allows members to view accounts, pay bills, apply for grant and community programs, and perform a home energy audit through our calculator. Visit [www.roanokeelectric.com](http://www.roanokeelectric.com) and see what's there for you.

### **Human Resources Department**

Human Resources is a service-oriented team, providing expert consultation and support to REC and subsidiary employees, and acts as a resource for REC Board of Directors. In an effort to ensure employees operate at full potential, REC provides employees with training, seminars and health and wellness programs.

### **SAFETY TRAINING & SEMINARS**

REC takes pride in having a low rate of workplace injuries. This is primarily because of extensive training that employees are mandated to undertake. Below is a condensed list of safety trainings and seminars that employees have completed:

- ▲ Hazard Recognition
- ▲ Safety Manual Review
- ▲ Meter Safety
- ▲ Back Safety
- ▲ Fire Safety at Home
- ▲ Pole Top Rescue
- ▲ Work Zone Safety
- ▲ Bloodborne Pathogens & CPR
- ▲ Violence in the Workplace

REC offers several other types of training, but workplace safety is always No. 1 in making our business a success. All REC Board of Directors have successfully completed the Credentialed Cooperative Directors Certification. Seven of the directors have also received their Board Leadership Certification.

### **HEALTH AND WELLNESS**

REC continues to help improve employees' health by offering a

## We're looking out for you



health and wellness program through NRECA. REC also provides employees, directors, and spouses with the means to work out at our on-site fitness center.

REC was able to cut the cost by 6% on group medical rates because of our success in maintaining an effective wellness program.

### EMPLOYEE RELATIONS

Roanoke Electric Cooperative employs 64 full-time employees and three part-time staff.

### Finance & Accounting

The Finance & Accounting Department provides finance and accounting services for Roanoke Electric Cooperative and its affiliate organizations. The department's goal is to provide accurate financial information to the CEO, Board of Directors and department heads to assist solid financial decisions.

Roanoke Electric Cooperative's 2006 Combined Financial Audit was completed by McNair, McLemore, Middlebrooks & Co., LLP.

In 2006, REC consulted with

Bellwether Management Solutions to perform a Cost of Service study. The Finance and Accounting Department played a vital role in providing the necessary information needed to conduct the study. The study revealed that the Co-op needed to raise its electric rates by 6% to generate enough revenue to meet its financial obligations.

In 2006 Roanoke Electric completed its new \$21 million RUS Loan Application. The loan application was approved by RUS in May 2007. These funds will provide financing for construction work plan projects, payment of short-term loans with NRUCFC and Co-Bank. These funds will also provide additional financing for other construction projects.

### Roanoke Electric Subsidiaries

#### THE ROANOKE CENTER

[www.roanokecenter.org](http://www.roanokecenter.org)

The Roanoke Center offers financial literacy, wealth building, business counseling, accounting and administrative services for area organizations.

### ROANOKE ENERGY RESOURCES (RERI)

[www.roanokeenergy.com](http://www.roanokeenergy.com)

RERI offers generators, heat pumps, and water heater installations, along with home energy audits and other services.

### RFQ HOSTING

[www.rfqhosting.com](http://www.rfqhosting.com)

RFQ Hosting is a Web-based system that enables companies to purchase products and services more efficiently. It connects suppliers with new customers and links buyers with quality products and services at the best price.

### ROANOKE CONSTRUCTION GROUP

[www.roanokeconstructiongroup.com](http://www.roanokeconstructiongroup.com)

The Roanoke Construction Group (RCG) was created to grow and support small and historically under-utilized construction and construction-related businesses. It offers training and business programs.



Looking  
out for **You**

**Straight talk about the cost of energy**

**We are keeping our commitment to you**

**Co-ops make a difference because we are different**



# financial summary

## Financial Summary 2006

### Statistics of Operations

Fiscal Year ending December 31, 2006

#### What We The Cooperative Collected:

Total Electric Revenue	\$27,303,929.00
Non-Operating Interest	(\$742,946.00)
<b>Total Revenues</b>	<b>\$26,560,983.00</b>

#### What The Cooperative Paid Out:

Cost of Power	\$16,481,647.00
Transmission Expense	\$0.00
Distribution/Operating Expense	\$1,167,779.00
Maintenance Expenses	\$1,902,392.00
Consumer Acct. Expense	\$1,092,430.00
Customer Service and Info.	\$332,372.00
Sales Expense	\$0.00
Admin. and Gen. Expense	\$2,289,617.00
Depreciation	\$1,476,646.00
Taxes	\$890,345.00
Interest on Long Term Debt	\$1,365,665.00
Other Deductions	\$6,405.00
Total Expenses	\$27,005,298.00
Income (loss) from equity investments	(\$503,268.00)
<b>Total Margins</b>	<b>(\$947,583.00)</b>

## Balance Sheet as of December 31, 2006

### Assets (Membership Patronage Capital and other Equities)

Electric Plant In Service, less depreciated	\$46,695,382.00
Other Property and Investments	\$3,357,635.00
Cash & Cash Investments	\$698,326.00
Consumer and Acct. Receivable	\$5,908,328.00
Notes Receivable	\$361,200.00
Materials and Supplies	\$919,783.00
Other Assets	\$17,619.00
Deferred Charges	\$0.00
<b>Total Assets</b>	<b>\$57,958,273.00</b>

### Liabilities (What We Owe)

Membership Patronage (Capital Credits and other Equities)	\$20,906,108.00
Long Term Debt to REA and CFC	\$24,878,588.00
Accounts Payable	\$3,085,756.00
Consumer Deposits	\$913,994.00
Deferred Credits	\$169,640.00
Other Liabilities	\$7,188,518.00
Other Current & Accrued Liabilities	\$815,669.00
<b>Total Liabilities</b>	<b>\$57,958,273.00</b>

## Roanoke Economic Development, Inc.

### Financial Summary 2006

#### Statement of Revenue

Operating Revenues	\$359,006.00
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#### Operating Expenses

Cost of Goods Sold	0
Customer Service and Information	0
Administrative and General	\$510,120.00
Taxes	0
Total	\$510,120.00
Operating Margins Before Interest Expense	(\$151,114.00)
Interest Expense	0
Operating Margins After Interest Expense	(\$151,114.00)
Net Margins	(\$151,114.00)

### Balance Sheet as of Dec. 31, 2006

#### Assets

##### Plant

Nonutility Plant in Service-At Cost	\$11,729.00
Gross Plant	\$11,729.00
Accumulated Provision for Depreciation	\$22,148.00
Total Nonutility Plant	\$33,877.00
Other Investments	\$0.00

#### Current Assets

Cash and Cash Equivalents	\$185,607.00
Notes Receivable Current Portion	\$0.00
Accounts Receivables (Net)	\$43,892.00
Accrued Utility Revenues	\$0.00
Materials and Supplies	\$0.00
Other	\$0.00
Total Assets	\$229,499.00
Deferred Debits	\$0.00
Total Assets	\$263,376.00

#### Equities and Liabilities

Donated Capital	\$0.00
Capital Stock	\$0.00
Retained Earnings	(\$760,561.00)
Long Term Debt	\$0.00

#### Current Liabilities

Accounts Payables	\$5,625.00
Due to Roanoke EMC	\$991,119.00
Other	\$5,193.00
Total Liabilities	\$1,001,937.00
Deferred Credits	\$22,000.00
Total Equities and Liabilities	\$263,376.00

## Roanoke Energy Resources

### Financial Summary 2006

#### Statement of Revenue

Operating Revenues	\$1,072,418.00
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#### Operating Expenses

Cost of Goods Sold	\$704,350.00
Customer Service Expense and Information	\$507,014.00
Administrative and General	\$322,933.00
Taxes	\$0.00
Total	\$1,534,297.00
Operating Margins Before Interest Expense	(\$461,879.00)
Interest Expense	\$44,808.00
Operating Margins After Interest Expense	\$506,687.00
Nonoperating Revenue	\$3,419.00
Net Margins	(\$503,268.00)

### Balance Sheet as of Dec. 31, 2006

#### Assets

##### Plant

Nonutility Plant in Service-At Cost	\$131,541.00
Gross Plant	\$131,541.00
Accumulated Provision for Depreciation	\$0.00
Total Utility Plant	\$131,541.00
Other Investments	\$0.00

#### Current Assets

Cash and Cash Equivalents	\$16,051.00
Notes Receivable-Current Portion	\$0.00
Accounts Receivable (Net)	\$25,296.00
Accrued Utility Revenues	\$0.00
Materials and Supplies	\$103,769.00
Other	\$0.00
Total Assets	\$145,116.00
Deferred Debits	\$0.00
Total Assets	\$276,657.00

#### Equities and Liabilities

Donated Capital	\$540,000.00
Capital Stock	\$10,000.00
Retained Earnings	(\$3,102,190.00)
Long Term Debt	\$395,000.00

#### Current Liabilities

Mortgage Notes	\$70,000.00
NRUCFC Line-of-Credit	\$0.00
Accounts Payables	\$89,399.00
Due to Roanoke EMC	\$2,177,222.00
Due to Roanoke Economic Development, Inc.	\$22,148.00
Other	\$20,848.00
Deferred Credits	\$54,230.00
Total Liabilities	\$2,433,847.00
Total Equities and Liabilities	\$276,657.00

# board *of directors*



*We represent your interests as a co-op member*

The cooperative's board represents you in safeguarding your assets in the cooperative. The board consists of nine members who are also members of the cooperative and represent each of the co-op's directorate districts. Their responsibilities include determining objectives and setting policies, adopting long-range plans and employing a CEO who oversees daily operations. The board meets monthly to help set guidelines for management decisions. You, as a co-op member, have a responsibility to select and evaluate directors and participate in co-op affairs.

*Standing (left to right): Ken Jernigan, District 5; Everette Winslow, REC's General Counsel; Darnell Lee, District 7; Curtis Wynn, Executive Vice President & CEO; Millard Lee, District 6 (Secretary-Treasurer); Chester Deloatch, District 9; and Johnnie P. Garner, District 1.*

*Sitting (left to right): Robert "Nat" Riddick, District 4; Delores Amason, District 2; Carolyn Bradley, District 3; and Allen Speller, Board President, District 8.*

