



Our Energy, Our Future

ANNUAL REPORT '07



Roanoke Electric Cooperative

Your Touchstone Energy® Cooperative





executive

SUMMARY

REC encourages member involvement in energy issues

“Our Energy, Our Future”—that is the resounding truth that electric providers and consumers face across the nation. As we seek together to meet the challenges of environmental responsibility and the inevitable growing demand for power, Roanoke Electric is working hard to ensure its members’ concerns about rising energy costs are heard.

Legislative discussions at the nation’s capital and one-on-one conversations with key representatives concerning the worsening fuel crisis and pending climate change legislation serve as a voice for the cooperative and its members with state and federal officials who have the power to determine the direction of energy for the future.

There are some things, however, over which cooperatives have no control. This includes the cost of the resources used to produce power, such as natural gas and coal. Under normal circumstances the cooperative has been able to hold down the cost of energy through its use of very inexpensive hydro power, which supplies approximately 20% of the energy cooperatives use to provide its members with electricity. Unfortunately, in addition to higher costs for natural gas and coal, recent drought conditions have limited our availability of hydro power, forcing us to turn to other, more expensive sources to secure enough power to meet your needs. This translates into higher costs of energy for the consumer.

A recent Carolina Country article stated that experts project that “our nation’s growing electricity needs will soon go well beyond what renewable, conservation and efficiency can provide.” Times dictate that cooperatives walk a tight line between environmental responsibility and the responsibility we have to our consumer-members to maintain service quality and affordability. Recently, in a trend comparison that measured Roanoke Electric’s progress and service against cooperatives of comparable size both in the state and in the nation, your cooperative was found to be doing very well in managing its assets, cutting costs and receiving the most return on investments.

Nevertheless, renewable energy, conservation and efficiency alone will not be enough to offset the supply-demand problem and cooperative members and other utility customers are already feeling the impact in the form of wholesale power cost adjustments and higher electric bills across the nation. It is not in your best interest to stand idly by when legislative proposals currently under consideration in Congress threaten a 40% rate increase over the next 20 years. That is why it is so important for everyone to get involved. We must work

together with our legislators to minimize the drastic impact associated with energy compliance to continue our mission of providing safe, reliable and affordable electricity for you.

If you have not already done so, we encourage you to contact your representatives in the U.S. House and the U.S. Senate and begin the dialogue by asking them:

1. What are their plans to make sure we have the electricity we’ll need in the future?
2. What are they doing to make sure research is fully funded for implementing emissions free, affordable electric plants?
3. How much is it going to increase your electric bill to balance electricity needs and environmental goals and what they are going to do to make it more affordable?

As we seek to be environmentally responsible, we will no doubt be required to maintain compliance with progressive standards dictated by climate change. While your cooperative will continue to fight for policies that protect its mission to provide safe, reliable and affordable electricity to its members, this task cannot be tackled alone. Ultimately it’s “Our Energy, Our Future.”

We, along with your entire board of directors, encourage you to start the dialogue with your representatives today by visiting www.ourenergy.coop.

Curtis Wynn
Executive Vice President & CEO

Allen Speller
President



Curtis Wynn



Allen Speller



work

SUMMARY



Roanoke Electric operates and maintains 12 substations and 2,200 miles of line.

Engineering, Operations, & 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 construction work plan for 2008 is currently under way. The plan preserves the cooperative's electric distribution system while accommodating existing and forecasted growth for the area. Some of the cooperative's accomplishments for 2007 in engineering and operations include:

- Completing extension of network communications to each of the cooperative's 12 substations
- Successfully equipping servicemen with laptops to mitigate radio traffic and improve field communications and customer service
- Installing SCADA (Supervisory Control and Data Acquisition) systems on all cooperative fleet vehicles
- Continued implementation of Automatic Vehicle Location system for various cooperative vehicles
- Completing scheduled work from 2006–2009 cooperative work plan commensurate with the rate of growth in the area

Member Services & Marketing

Providing cooperative members and the general public with the latest information concerning member services and cooperative activities, the department not only administers community youth and marketing programs, but 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 previous year, which helps our members compare and

continued on page 4



work

SUMMARY *continued*

realize their households' highest peak energy times. As a result, the cooperative's service level for processing member inquiries has improved.

In 2007, REC initiated its prepaid metering project. The service, scheduled to be available to all members by the end of 2008, allows members to "pay as they go," monitor energy consumption and maximize their efficiency.

The 2007 member satisfaction survey results reflected very high satisfaction rates with the coop's service level. In 2008, the coop continues to strive towards reaching new heights of satisfaction for its members.

KEY ACCOUNTS & GOVERNMENT RELATIONS

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

The cooperative continues to connect

with local, state, and national legislators about energy issues in rural areas.

COMMUNITY & PUBLIC RELATIONS

REC recognizes the importance of education and economic development and we are committed to supporting our communities. Proactive changes have enhanced the company's existing community relations programs.

REC has also granted funds to area youth and non-profit organizations through programs such as Operation RoundUp, Bright Ideas and the Roanoke Electric Scholarship. All-expense-paid trips for area youth to attend prestigious camps such as the Roy Williams and Kay Yow Basketball camps were also provided, along with an opportunity to attend the all-expense-paid Rural Electric Youth Tour and the Youth Leadership Conference.

REC continues to invest in the community via sponsorships and community and youth programs. Last year our staff raised \$5,304 for Hertford County's Relay for Life to help find a cure for cancer and co-sponsored the annual Josh Lane golf tour-

namment, which raised more than \$39,800 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 the REC office.

REC's Web site 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 to see what's there for you.

Human Resources Department

Human Resources is a service-orientated team that provides expert consultation and support to REC and subsidiary employees, while serving as a resource for the REC Board of Directors. Responsible for developing and carrying out personnel programs, including recruitment efforts, medical and disability insurance programs, policymaking, wage and salary program reviews, training, wellness programs, and all payroll activity, the Human Resources Department is committed to a holistic approach to excellence that includes caring for the people who work to serve you. That is why REC continues to invest in its employees by providing training, seminars and health and wellness programs.

SAFETY TRAINING & SEMINARS

REC takes pride in having a low rate of workplace injuries. This is primarily due to an extensive training program for employees. Safety training made available to employees includes training on office safety, eye safety, home fire prevention and protective grounding.

Other seminars available in 2007 were NRECA's investment workshop, computer classes, and training on customer service and business etiquette. All REC Board of Directors have successfully



Roanoke Electric Cooperative provides local students with an opportunity to attend the all-expense-paid Rural Electric Youth Tour.



completed the Credentialed Cooperative Directors Certification and their Board Leadership Certification.

HEALTH & WELLNESS

REC continues to help improve employees' health by offering a 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 has successfully leveraged lower costs on group medical rates because of our success in maintaining an effective wellness program.

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 them toward solid financial decisions.

Roanoke Electric Cooperative's 2007 Combined Financial Audit was completed by McNair, McLemore, Middlebrooks & Co., LLP.

Roanoke Electric is working closely with its engineering department on the goals laid out in the May 2006–2009 Construction

Work Plan. The \$21 million RUS Loan Application was approved in May 2007 and will provide financing for construction work plan projects, payment of short-term loans with NRUCFC and Co-Bank.

Roanoke Electric Subsidiaries

THE ROANOKE CENTER

www.roanokecenter.org

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

RFQHOSTING

www.rfqhosting.com

RFQHOSTING is a Web-based system that enables companies to purchase products and services more efficiently. It

CISNE Program Coordinator Rosetta Smith reads from a book created by students who participated in one of the area summer reading programs. The book, illustrated and written by the students and volunteers, was part of a creative initiative to engage young people in building literacy.

connects suppliers with new customers and links buyers with quality products and services at the best price.

ROANOKE CONSTRUCTION GROUP

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 promotes business opportunities as well as offers training and business programs.



Cooperative employees undertake training for safety and customer service.

financial SUMMARY



Financial Summary 2007

Statistics of Operations

Fiscal Year ending December 31, 2007

What We The Cooperative Collected:

Total Electric Revenue	\$30,419,769.00
Non-Operating Interest	\$302,394.00
Total Revenues	\$30,722,163.00

What The Cooperative Paid Out:

Cost of Power	\$17,173,641.00
Transmission Expense	\$0.00
Distribution/Operating Expense	\$1,303,891.00
Maintenance Expenses	\$1,711,497.00
Consumer Acct. Expense	\$1,009,031.00
Customer Service and Info.	\$323,275.00
Sales Expense	\$0.00
Admin. and Gen. Expense	\$2,563,192.00
Depreciation	\$1,808,372.00
Taxes	\$963,910.00
Interest on Long Term Debt	\$1,718,814.00
Other Deductions	\$23,652.00
Total Expenses	\$28,599,275.00
Income (loss) from equity investments	(\$197,427.00)
Total Margins	\$1,925,461.00

Balance Sheet as of December 31, 2007

Assets (Membership Patronage Capital and other Equities)

Electric Plant In Service, less depreciated	\$52,296,383.00
Other Property and Investments	\$3,622,020.00
Cash & Cash Investments	\$1,548,952.00
Consumer and Acct. Receivable	\$5,215,965.00
Notes Receivable	\$294,824.00
Materials and Supplies	\$1,340,201.00
Other Assets	\$73,808.00
Deferred Charges	\$1,111,797.00
Total Assets	\$65,503,950.00

Liabilities (What We Owe)

Membership Patronage (Capital Credits and other Equities)	\$20,569,339.00
Long Term Debt to REA and CFC	\$34,065,773.00
Accounts Payable	\$3,827,703.00
Consumer Deposits	\$1,011,851.00
Deferred Credits	\$159,328.00
Other Liabilities	\$5,097,776.00
Other Current & Accrued Liabilities	\$772,180.00
Total Liabilities	\$65,503,950.00

Roanoke Economic Development, Inc.

Financial Summary 2007

Statement of Revenue

Operating Revenues	\$493,221.00
Operating Expenses	
Cost of Goods Sold	0
Customer Service and Information	0
Administrative and General	\$724,305.00
Taxes	0
Total	\$724,305.00
Operating Margins Before Interest Expense	(\$231,084.00)
Interest Expense	0
Operating Margins After Interest Expense	(\$231,084.00)
Net Margins	(\$231,084.00)

Balance Sheet as of Dec. 31, 2007

Assets

<i>Plant</i>	
Nonutility Plant in Service-At Cost	\$5,533.00
Gross Plant	\$5,533.00
Accumulated Provision for Depreciation	\$0.00
Dues from Affiliates	\$22,296.00
Total Utility Plant	\$27,829.00
Other Investments	\$0.00

Current Assets

Cash and Cash Equivalents	\$25,892.00
Notes Receivable Current Portion Accounts	\$0.00
Receivables (Net)	\$111,962.00
Accrued Utility Revenues	\$0.00
Materials and Supplies	\$0.00
Other	\$0.00
Total Assets	\$137,854.00
Deferred Debits	\$0.00
Total Assets	\$165,683.00

Equities and Liabilities

Donated Capital	\$0.00
Capital Stock	\$0.00
Retained Earnings	(\$991,644.00)
Long Term Debt	\$0.00

Current Liabilities

Accounts Payables	\$15,299.00
Due to Roanoke EMC	\$1,126,422.00
Other	\$6,218.00
Total Liabilities	\$9,388.00
Deferred Credits	\$1,157,327.00
Total Equities and Liabilities	\$165,683.00

Roanoke Energy Resources

Financial Summary 2007

Statement of Revenue

Operating Revenues	\$1,117,122.00
Operating Expenses	
Cost of Goods Sold	\$637,327.00
Customer Service Expense and Information	\$466,198.00
Administrative and General	\$163,485.00
Taxes	\$0.00
Total	\$1,267,010.00
Operating Margins Before Interest Expense	(\$149,888.00)
Interest Expense	\$44,478.00
Operating Margins After Interest Expense	(\$194,366.00)
Nonoperating Revenue	(\$3,061.00)
Net Margins	(\$197,427.00)

Balance Sheet as of Dec. 31, 2007

Assets

<i>Plant</i>	
Nonutility Plant in Service-At Cost	\$66,218.00
Gross Plant	\$66,218.00
Accumulated Provision for Depreciation	\$0.00
Total Utility Plant	\$66,218.00
Other Investments	\$0.00

Current Assets

Cash and Cash Equivalents	\$10,243.00
Notes Receivable-Current Portion	\$0.00
Accounts Receivable (Net)	\$904.00
Accrued Utility Revenues	\$0.00
Materials and Supplies	\$21,672.00
Other	\$0.00
Total Assets	\$32,819.00
Deferred Debits	\$0.00
Total Assets	\$99,037.00

Equities and Liabilities

Donated Capital	\$540,000.00
Capital Stock	\$10,000.00
Retained Earnings	(\$3,299,617.00)
Long Term Debt	\$325,000.00
Total	(\$2,424,617.00)

Current Liabilities

Mortgage Notes	\$70,000.00
NRUCFC Line-of-Credit	\$0.00
Accounts Payables	\$18,793.00
Due to Roanoke EMC	\$2,351,772.00
Due to Roanoke Economic Development, Inc.	\$22,296.00
Other	\$793.00
Deferred Credits	\$60,000.00
Total Liabilities	\$2,523,654.00
Total Equities and Liabilities	\$99,037.00



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): Robert "Nat" Riddick, District 4 (Vice President); Millard Lee, District 6; Allen Speller, District 8 (Board President); Curtis Wynn, Executive Vice President & CEO; Ken Jernigan, District 5; Johnnie P. Garner, District 1 (Assistant Secretary-Treasurer); and Darnell Lee, District 7.

Seated (left to right): Everett Winslow, REC's General Counsel; Carolyn Bradley, District 3; Delores Amason, District 2 (Secretary-Treasurer); and Chester Deloatch, District 9.

