



Electric Cooperatives & the North Carolina Economy

How Touchstone Energy cooperatives support and sustain economic development

Winter 2006

Produced by the North Carolina Association of Electric Cooperatives, Raleigh

In conjunction with Jud & Associates, Greensboro



Touchstone Energy® Cooperatives
of North Carolina

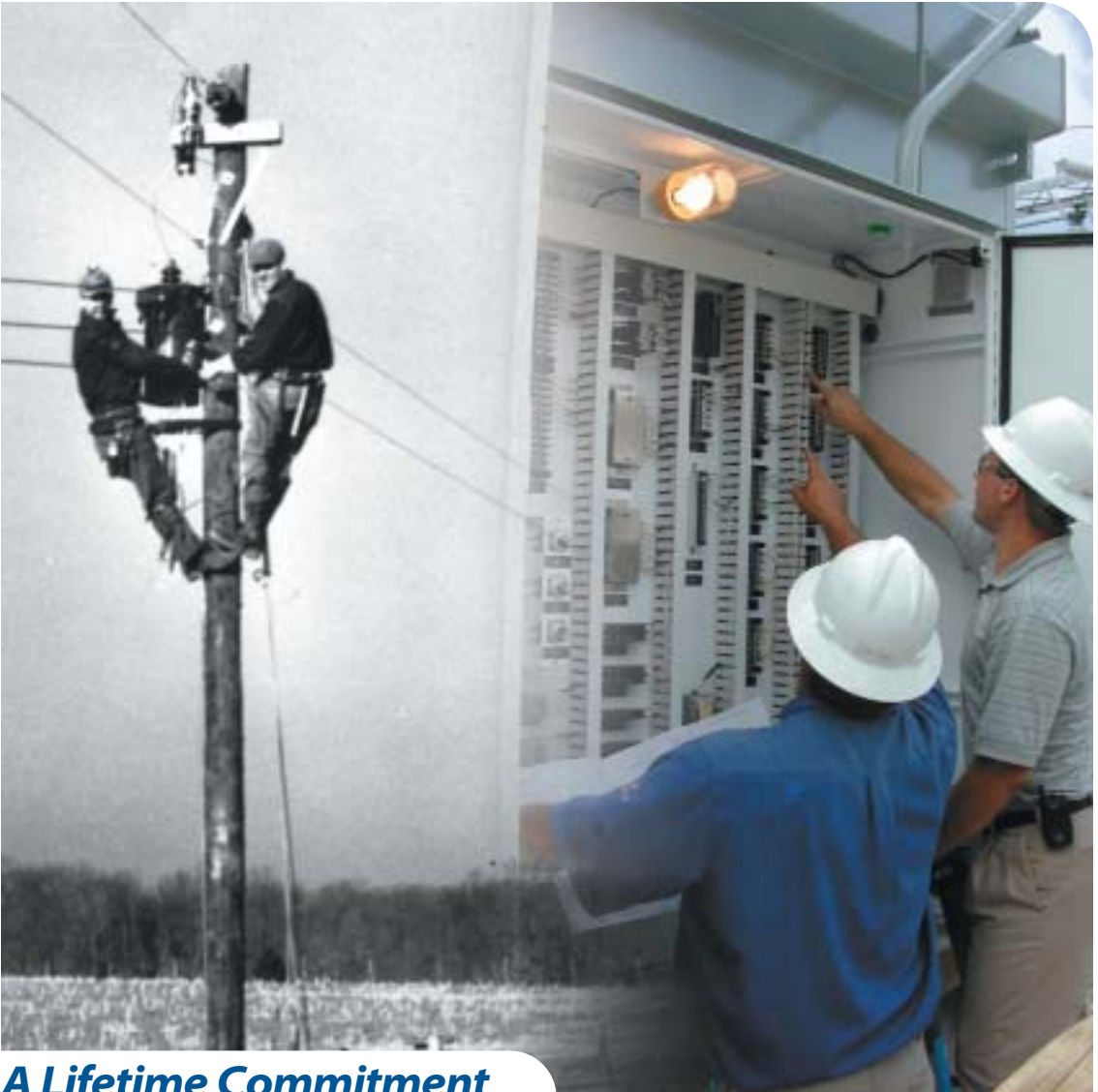
The power of human connections®

Electric cooperatives' direct impact

on the North Carolina economy in

2004 is calculated at

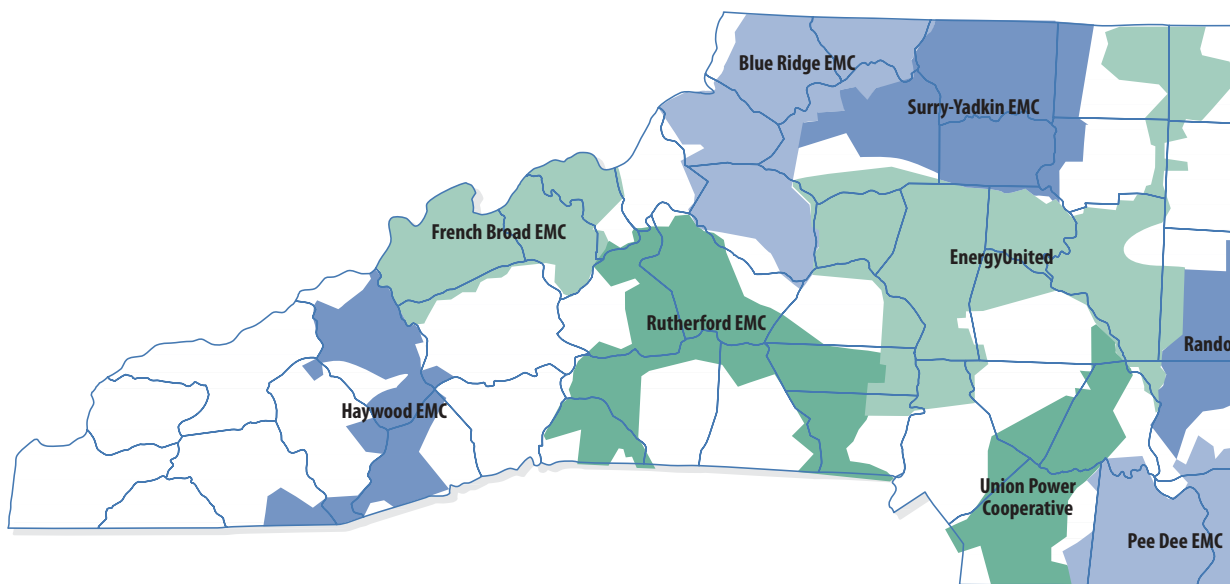
\$1.63 billion.



A Lifetime Commitment

When North Carolina farmers and their neighbors formed cooperatives in the 1930s and 1940s to supply themselves with electric power, they intended to improve more than the quality of their lives and work. They also knew they were contributing to the development of their communities.

Since then, our network of electric cooperatives has become a major force in North Carolina's economy. This report demonstrates the contributions cooperatives make to all sectors of the state's economic growth and our commitment to sustaining progress well into the future.

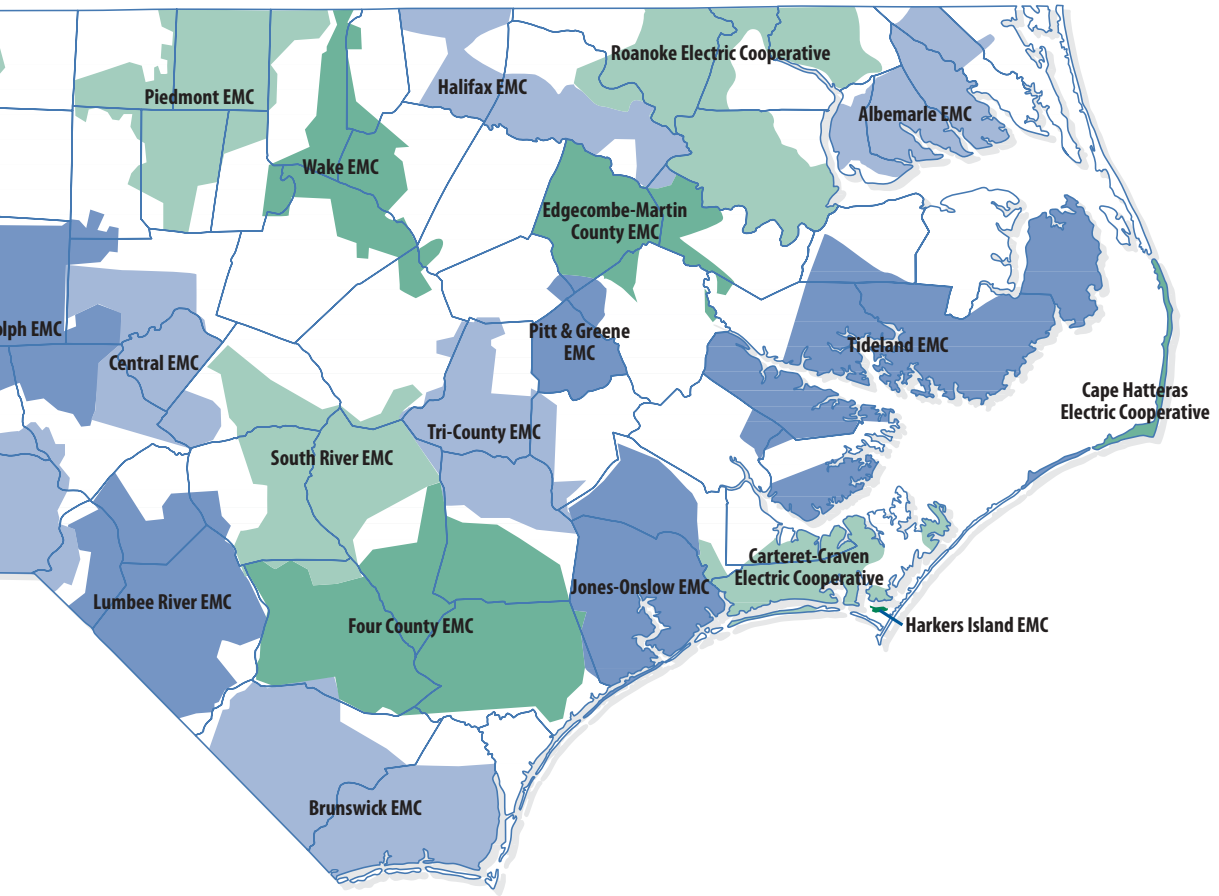


Who We Are

As cooperatives, we are not-for-profit corporations owned by our members — the people and businesses we serve. Like cooperatives worldwide, we operate according to the Seven Guiding Principles [see box]. Members democratically elect their cooperative's board of directors, who set policy and supervise the operations of the business. Revenue that is not required for general operations, infrastructure and system stability is returned to members in the form of capital credits or member dividends. In North Carolina in the 1930s and 1940s, local citizens organized cooperatives to provide safe, reliable and affordable electric power to homes and businesses that other utilities were unable to serve.

Today, our network of 27 electric cooperatives serves nearly 30 percent of the state's population, some 2.4 million people, with more than 860,000 accounts. Our power distribution territory covers approximately 23,800 square miles, nearly half the state's land area, in 93 of the state's 100 counties.

In 1949, we formed a statewide cooperative to acquire and supply wholesale electrical power to cooperatives collectively. The North Carolina Electric Membership Corporation (NCEMC) today helps to meet the power requirements of 26 of the state's 27 cooperatives. NCEMC owns



a 56.25 percent share of the Catawba Nuclear Station in York, S.C., one of the most efficient nuclear generating facilities in the nation. NCEMC also owns two diesel-powered generators that provide peak-load and emergency power to the Outer Banks.

Today, the total assets of the cooperatives combined is \$4.8 billion. We realized approximately \$1.15 billion in revenue in 2004 and paid \$57.8 million in state and local taxes.

Nationwide, 864 electric cooperatives serve more than 39 million members in 47 states. North Carolina's electric cooperatives also are part of the 600-plus electric co-ops who have chosen to join Touchstone Energy, a nationwide coalition of cooperatives who pledge to adhere to our core values of integrity, innovation, accountability, and commitment to community.

Cooperative Principles

Voluntary and Open Membership

Democratic Member Control

Members' Economic Participation

Autonomy and Independence

Education, Training, and Information

Cooperation Among Cooperatives

Concern for Community



Contributing to North Carolina's Economy

Besides providing reliable electric power to members and their communities, North Carolina's Touchstone Energy cooperatives have been heavily involved in overall regional economic development. Activities range from small business assistance to establishing industrial parks, from encouraging local educational and health care initiatives to supporting non-profit social services and neighbors in need.

Our direct impact includes providing local employment, investing in our systems and staffs (which involves day-to-day commerce with other businesses and families), returning capital credits dividends to members, and direct funding of local and regional economic development projects. As calculated by Jud & Associates, a highly respected research consulting firm in Greensboro, this direct impact in 2004 was \$1.63 billion. We employed 2,519 people full-time and paid about \$93.6 million in wages and salaries. Cooperatives in 2004 paid an average annual wage of \$37,157, which is 6.7% higher than the state average.

Collectively in 2004, we returned \$22.5 million in capital credits dividends to households and businesses who have been co-op members. That represented 2.4% of our combined 2004 revenues. (Capital credits are dollars that remain as margins after a cooperative has met its financial requirements.)

We have been growing at a compound average rate of 6.2% since 2002, recording \$1.5 billion in revenue in 2004.

As measured by the Gross State Product (GSP), our operations are responsible for .5% of the state's economy.

in 2004

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| <i>Overall effect on state economy</i> | \$2.18 billion |
| <i>Direct employment impact</i> | 2,519 full-time jobs |
| <i>Wages and salaries to employees</i> | \$93.6 million |
| <i>Average annual employee income</i> | \$37,157 |
| <i>Direct contribution to local projects</i> | \$12.7 million |
| <i>Capital credits dividends returned to members</i> | \$22.5 million |
| <i>Paid in state and local taxes</i> | \$57.8 million |
| <i>Growth rate since 2002</i> | 6.2% |

Each dollar that cooperatives spend, of course, is multiplied in its effect as those dollars make their way through the economy, spurring further productivity, income, employment and investment. Jud & Associates calculates this overall contribution from the cooperatives as \$2.18 billion to the North Carolina economy in 2004 alone. For example, co-op operations added more than 9,000 jobs to the state's employment rolls in 2004.

As not-for-profit corporations, cooperatives are exempt from state and federal income taxes, but we do pay sales, property and other taxes. In 2004, we paid \$57.8 million in state and local taxes, or 3.9% of our total expenses. Applying the multiplier effect, Jud & Associates determined our total tax effect derived from business activity at the state and local levels in 2004 to be \$204 million.

Direct financial support that the state's electric cooperatives convey to business development, education, civic and community projects, and energy-efficiency and housing is detailed in the remainder of this report.

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| <i>Operational expenditures</i> | \$ 1,233,885,211 |
| <i>Investment expenditures</i> | 376,466,127 |
| <i>Capital credits</i> | 22,541,816 |
| <i>Economic development loans</i> | 4,571,349 |
| <i>Total in 2004</i> | \$ 1,637,464,502 |



Business & Economic Development

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| <i>Programs for businesses</i> | \$ | 624,212 |
| <i>Industrial park development</i> | | 227,788 |
| <i>Other lighting management programs</i> | | 23,610 |
| <i>Shell building construction or acquisition</i> | | 505,000 |
| <i>Business incubator activity</i> | | 692,236 |
| <i>Tourism activities & promotions</i> | | 226,145 |
| <i>Business development feasibility studies</i> | | 10,950 |
| <i>Local organizational support</i> | | 244,945 |
| <i>USDA loans & grants</i> | | 445,360 |
| <i>Statewide revolving loan program</i> | | 3,029,574 |
| <i>Other grants & loans</i> | | 585,030 |
| <i>Miscellaneous business support</i> | | 95,380 |
| <i>Commercial & industrial markets</i> | | 125,570 |
| <i>Total in 2004</i> | | \$ 7,071,929 |

About 55% of cooperatives' direct community spending supports local industrial and business development, that provides employment and creates goods and services. Programs include low-interest loans and business opportunity grants, including the zero-interest Rural Economic Development Loans available to us through the U.S. Dept. of Agriculture. More than \$7 million was pumped into general business and economic development projects in 2004 alone. In the past 10 years, cooperatives' contributions have resulted in more than \$570 million in investments in local business and industrial development via these programs.

Cooperatives maintain close relationships with businesses that rely heavily on electric power. Among the assistance co-ops provide to these accounts are energy audit and management services, time-of-use rate structures and special project support. These businesses employ citizens of our communities and we work hard to do our part to make them successful.

Funding and service also goes to county and municipal economic development commission projects, tourism authorities, water and sewer systems, shell buildings, small businesses incubators and activities such as assisting existing business to expand through refitting buildings and direct assistance for expansion of facilities and workforce development.



Education

Electric cooperatives are known for our generous support of education at all levels. In 2004, an estimated \$1.04 million went for such things as college and community college scholarships, as well as general support for K-12, vocational and college programs. A longtime popular program is our Rural Electric Your Tour in which cooperatives each spring select deserving high school juniors to spend an educational week in Washington D.C.

The cooperatives' Bright Ideas grants fund teachers whose innovative instructional projects are not funded by local school boards. Since it began in 1994, we have awarded more than \$4 million in Bright Ideas grant money to North Carolina's teachers to sponsor 3,500 projects teaching more than 700,000 students. Many cooperatives provide direct assistance to local community colleges, and employees and board members serve on their local boards of trustees.

In conjunction with Nash Community College, North Carolina's electric cooperatives developed a training program for our line crews and for students interested in electric lineman technology. The training facility physical investment at the college alone exceeds \$470,000. One result of this program is that North Carolina's community colleges now offer an associate degree program in electric lineman technology.

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| <i>Bright Ideas grants</i> | \$ | 553,938 |
| <i>Academic scholarships</i> | | 153,500 |
| <i>Washington DC Youth Tour</i> | | 101,864 |
| <i>Equipment donation</i> | | 31,400 |
| <i>Community college support</i> | | 56,590 |
| <i>Support for other colleges & universities</i> | | 18,600 |
| <i>Vocational education support</i> | | 1,150 |
| <i>K-12 schools</i> | | 84,977 |
| <i>Other education support</i> | | 46,075 |
| <i>Total in 2004</i> | | \$ 1,048,094 |



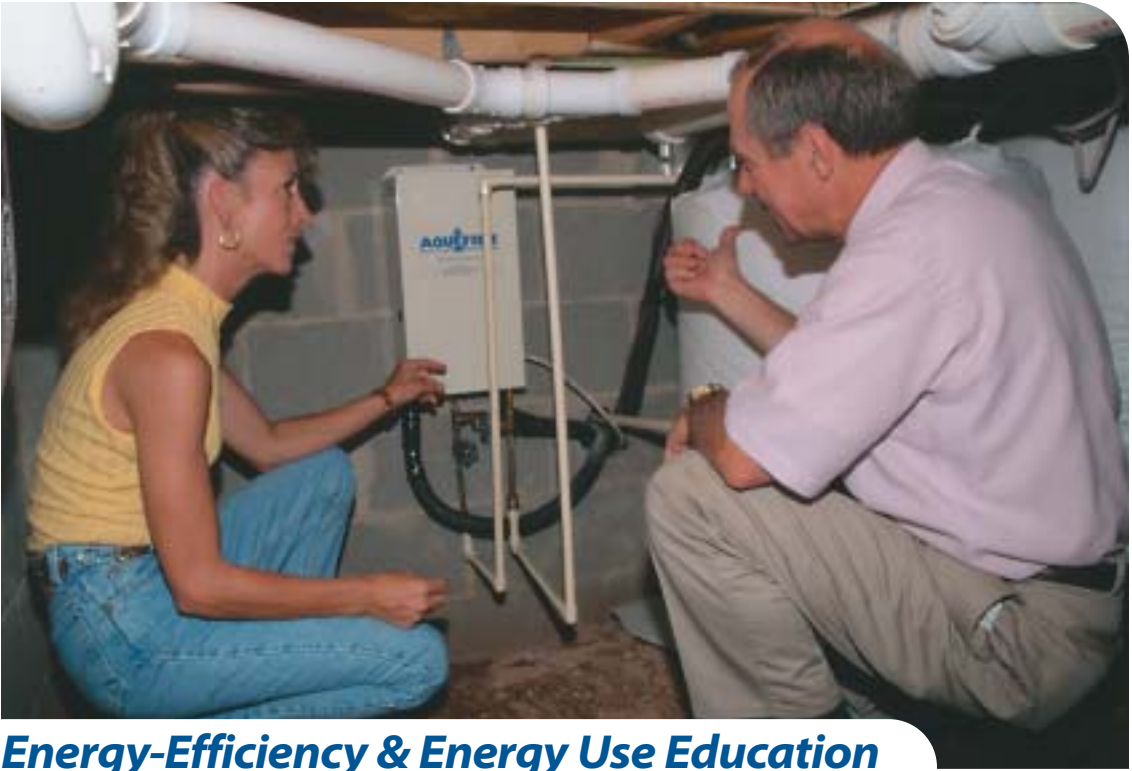
Civic & Community Programs

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| <i>Community Recreation</i> | \$ | 51,148 |
| <i>Police, Fire & Ambulance</i> | | 42,518 |
| <i>Youth organizations</i> | | 71,132 |
| <i>Multicultural awareness</i> | | 18,027 |
| <i>County fair activities</i> | | 32,119 |
| <i>Electric safety awareness</i> | | 57,031 |
| <i>Operation Round-up programs</i> | | 1,155,966 |
| <i>Relay for Life</i> | | 103,321 |
| <i>Other charitable donations</i> | | 325,873 |
| <i>Other civic program support</i> | | 299,438 |
| Total in 2004 | | \$ 2,156,575 |

Community-based programs across the state received some \$2.1 million in direct cooperative support in 2004. The programs include first-responder organizations, recreation, 4-H, multi-cultural awareness, county fairs and local charities.

Many co-ops offer a “round-up” program whereby members may round up their monthly electricity payment to the next highest dollar and designate the difference for an independent fund that routinely accepts applications and makes cash donations to community service organizations and families in need. Co-ops directed more than \$1.1 million to these recipients in 2004.

Our employees donate about 7,000 volunteer hours per year to local organizations and causes. One widespread project that generated over \$100,000 statewide in 2004 are the local Relay for Life events that raise funds for cancer research, while celebrating cancer survivors.



Energy-Efficiency & Energy Use Education

Residential and business members know that their local Touchstone Energy cooperative is their key source for information and assistance on energy-related matters. Cooperatives employ highly-trained staff to advise consumers on construction issues, energy choices, appliances and HVAC systems and conservation. Programs include rebates and loans on selected appliances and systems, weatherization advice and implementation, and general energy use management. We also offer strategic planning and customer analysis of energy usage, as well as energy savings tips, seasonal or time of day rates, green power options and tree trimming and right of way services. Other services include bill consolidation programs, power quality solutions, load monitoring and energy audits.

The cooperatives provide a variety of specific services to large commercial and industrial accounts. We assist them in finding ways to reduce their energy costs by performing energy audits to identify energy efficient equipment retrofits, operation modifications and new technologies to help them operate more efficiently. We also provide electric rate reviews, back-up generation, power quality services and outdoor lighting installation and maintenance. Additionally, we sponsor workshops on topics such as energy conservation and electric motors.

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| <i>Energy efficiency programs</i> | \$ 863,311 |
| <i>Housing rehabilitation & assistance</i> | 41,400 |
| <i>Wiring assistance & advice</i> | 6,100 |
| <i>Power quality & generator programs</i> | 279,784 |
| <i>Rebates & low-interest loans</i> | 1,037,858 |
| <i>Member energy services</i> | 392,073 |
| <i>Environmental</i> | 36,000 |
| Total in 2004 | \$ 2,656,526 |



Touchstone Energy® Cooperatives of North Carolina

The power of human connections®

Albemarle EMC

Blue Ridge EMC

Brunswick EMC

Cape Hatteras Electric Cooperative

Carteret-Craven Electric Cooperative

Central EMC

Edgecombe-Martin County EMC

EnergyUnited

Four County EMC

French Broad EMC

Halifax EMC

Harkers Island EMC

Haywood EMC

Jones-Onslow EMC

Lumbee River EMC

Pee Dee EMC

Piedmont EMC

Pitt & Greene EMC

Randolph EMC

Roanoke Electric Cooperative

Rutherford EMC

South River EMC

Surry-Yadkin EMC

Tideland EMC

Tri-County EMC

Union Power Cooperative

Wake EMC

North Carolina

Electric Membership Corporation

Research Method

Jud & Associates measured economic impact in terms of total additional output of all industries in the state, total number of new jobs created, total value added, total amount of additional personal income, total amount of additional labor income, and total amount of additional state and local tax revenue.

The analysis is conducted using the IMPLAN® (Impact Analysis for Planning) input-output model that divides the economy into sectors, defined by the good or service produced, where the outputs of one sector are inputs of another. IMPLAN analyzes a computer model that contains 509 sectors of the local economy and reflects the existing structure of the economy using data from the U.S. Department of Labor, Bureau of the Census, and the Bureau of Economic Analysis.

The North Carolina Association of Electric Cooperatives surveyed our 27 distribution cooperatives and NCEMC to obtain quantitative data. Capital investments were tabulated to assess funding sources and monetary contributions to local communities across the state.