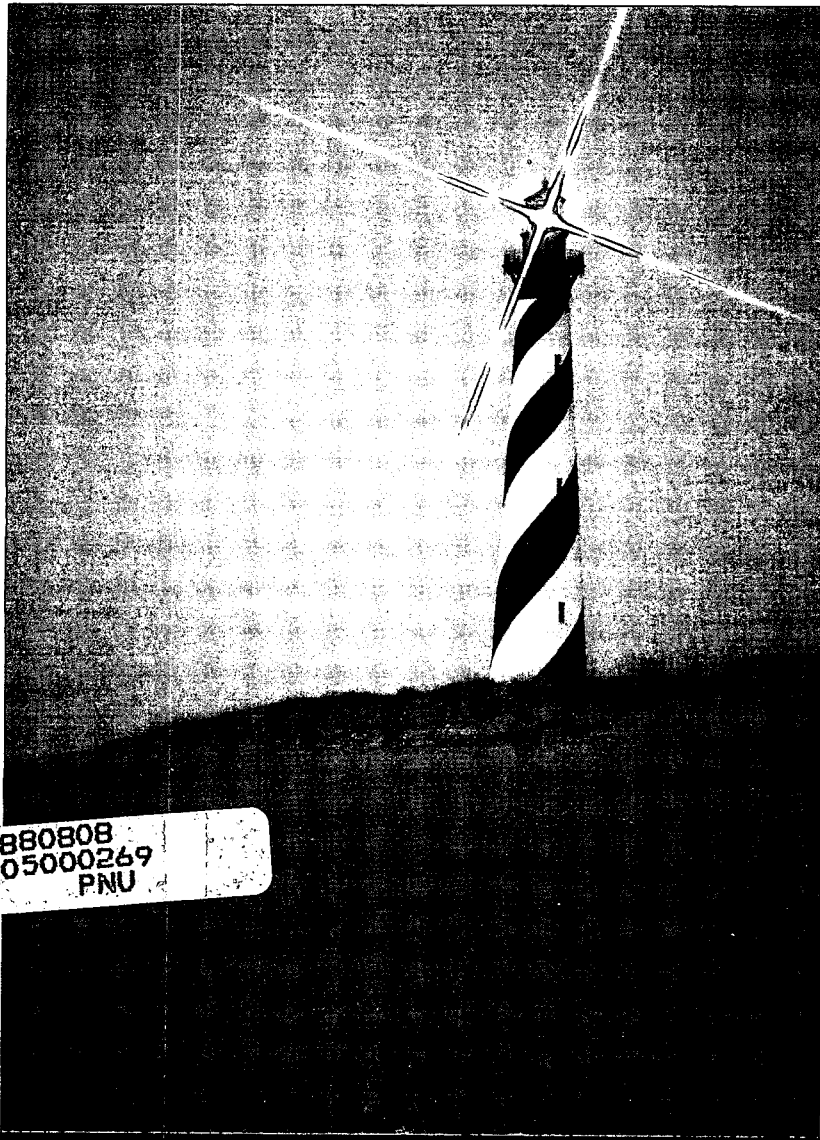


THE EMC ANNUAL REPORT 1987



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Accounting To Our Members



In reviewing plans and goals for 1987, it is evident that significant progress was made and a number of goals were met for the year.

The performance of the Catawba Station during the past year has been well above the industry average. As the plant matures, it is expected that performance levels will be maintained and improved. Since NCEMC has a major investment in this plant, it is absolutely essential that it operate at the highest possible efficiency level.

The NCEMC Load Management system continued to improve in performance during every monthly and annual peak in the Duke and North Carolina Power areas. Efforts continue to further expand the capabilities and cost-effective performance of this statewide system.

The mobile substation program became operational toward year-end with the arrival of the first two units to be purchased for this 14-cooperative mutual aid program.

The most significant disappointment related to NCEMC's inability to finalize an agreement with Carolina Power & Light Company on joint ownership of generation and transmission facilities. CP&L's final position did not comply with the principles outlined in an agreed-upon memorandum of understanding. Consequently, any meeting-of-the-minds between the parties to these negotiations remains only a possibility for the future. In the interim, all other potential avenues for power-cost reduction are being evaluated.

Much progress has been made in meeting a number of difficult power-supply needs. There remains much to be done. By working together on a unified basis, these needs will be met in the years ahead.

Several professional staff members are coordinating to resolve a number of Catawba contract disputes which have arisen between the various owners and Duke Power Company. This represents a major project for our staff and will have significant economic impact on NCEMC and the member systems.

Through the efforts of the General Counsel's staff and members of other divisions, the magnitude of wholesale rate increases in the CP&L and N.C. Power areas was reduced significantly from proposed levels. Monies saved in this manner are savings that are locked in forever. These activities will again be vigorously pursued in the new year.

There was some progress in efforts to protect the territorial integrity of member EMCs against expansion-minded municipal systems. This remains, however, an unsolved problem which will require ongoing attention.

A number of accounting, financial, and data systems were improved, converted, or declared operational during the year. With three separate corporations operating in a complex, changing environment, these tasks are never complete. However, it is management's goal to provide to the Boards and to member systems full and complete information in order that appropriate decisions can be made on a timely basis. Efforts continue to refine and improve the quality of information provided.



The member systems set another all-time record in their support of the material supply program. Member sales through TEMA topped \$28.6 million. These services continue to show to even the casual observer the tremendous potential that exists for cooperatives to work together for the common good. TEMA remains debt-free and, with the payment of \$431,702 in patronage capital in December, has reduced the rotation cycle to seven years.

The quality and selection of statewide services continued to improve throughout the past year. *Carolina Country*® provided a more diversified coverage of topics of interest to rural North Carolinians this past year. The quality of advertising as well as the volume increased. With the magazine's participation in the regional "Sun Rise Consumer Magazine Network" of rural electric publica-

tions, we expect to see even greater marketability among national ad buyers in the future. *Carolina Country* remains the primary vehicle for communicating directly with EMC consumer-members across the state. It is a powerful tool for goodwill at the disposal of member systems and the statewide.

Member Services programs were also strengthened during the year. Training opportunities and services provided to member system personnel improved professionally. A member of the statewide staff served as director of the N.C. Co-op Leadership Camp. Members of the staff were personally involved in providing on-the-job assistance to a distant co-op in Colorado that faced the threat of buy-out. This provided aid to the beleaguered system and gave the staff an opportunity to gain invaluable experience in this critical area.



Several legislative milestones were reached on both the national and state levels. Working with member systems and NRECA, strong support by the North Carolina delegation was given to the REA-insured revolving fund and guarantee loan programs through FFB. These programs were so widely supported that even the *Wall Street Journal* conceded the existence of ongoing congressional support for these worthwhile financial programs. We were not able, however, even with the strong support of our Governor and North Carolina's Senior Senator, to secure the approval of this national administration for FFB financing of the generation and transmission joint-venture arrangement discussed previously in this report.

At the state level, two very significant measures were enacted with overwhelming support from the General Assembly. These were: (1) passage of indemnification legislation that provides a measure of protection for directors and employees acting in good faith in behalf of the cooperative; and (2) enactment of the requirement that any proposal to sell out or dissolve the cooperative must be approved by at least 2/3 of the total membership voting in person.

Well-trained, capable directors, managers, and employees are all essential to the ongoing success of any cooperative. The statewide continued its practice of delivering a wide range of quality education and training programs and professional meetings for EMC personnel.

Apprentice training program participation exceeded all previous records. The JT&S staff developed and conducted the country's first Pole-Top Rescue Competition in which 27 co-ops participated. It met all program objectives and will be an important recurring event in future years.

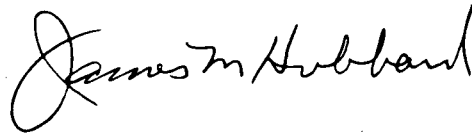
A major marketing effort was launched in 1987 with the objective of having a comprehensive program ready for implementation one year later. This activity, along with increased economic and community development services will be focused on strengthening the quality of life in territories.

Your Statewide staff has grown in professional and technical competence during 1987. We are committed to continual upgrading of our expertise in the future. We count it a privilege to serve the 28 EMCs in North Carolina.

We are *on-line to serve you*—each member system and your ultimate consumers.

Someone has said, "the people of rural America are its most important product." Those rural consumers generally have remained close to the historic, basic values that gave this country its greatness. We must be sure that our cooperatives fulfill their responsibilities in helping to preserve that greatness and in shaping the social ideals of the state and nation. All Americans have a stake in rural America and its values.

We must use our resources and our influence to assure that wherever we live in North Carolina, our common goal is to help provide a healthy, sound, meaningful life for all those for whom we work, both now and in the future.



James M. Hubbard
Executive Vice President

The Directors of NCAEC



NCAEC Officers

Dorris B. White, President

David J. Batten, Secretary-Treasurer

Emmit P. Wood, Vice-President

Albemarle EMC

Dorris B. White

L.A. Harris, Jr.

Blue Ridge EMC

Wayne D. Keller

Johnnie R. Austin

Brunswick EMC

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Cape Hatteras EMC

Clifton E. Austin

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Carteret-Craven EMC

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W. J. Wynne, Jr.

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Henry E. Jones

Crescent EMC

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Henry C. Gabriel

Davidson EMC

H. Wayne Wilkins

Hassel B. Gann

Edgecombe-Martin Co. EMC

James B. Kinghorn

W. Kitchen Benson

Four County EMC

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R. W. Blanchard, Jr.

French Broad EMC

Charles R. Tolley

James W. Ray

Halifax EMC

Michael E. Finney

A. C. Cox Jr.

Harkers Island EMC

E. Travis Davis

Louis Salter

Haywood EMC

John W. Browning

Emmit P. Wood

Jones-Onslow EMC

Alvin C. Morton

Hugh L. Batts

Lumbree River EMC

Ronnie Hunt

Gus Bullard

Pee Dee EMC

Emmett S. Patterson

Richard H. Johnson

Piedmont EMC

Earl J. Ross

Richard C. Roberts

Pitt & Greene EMC

Mark A. Suggs

J. J. Grimsley

Randolph EMC

Bob L. McDuffie

Charles Teague

Roanoke EMC

Eugene W. Brown, Jr.

Matthew Grant

Rutherford EMC

Gary A. Whitener

Joseph N. Quinn

South River EMC

Marvin O. Marshall

Kesler C. Butler

Surry-Yadkin EMC

J. Kelly Hutchens

Grady V. Nichols

Tideland EMC

Glenn A. Carowan

Carroll Austin

Tri-County EMC

Robert S. Holmes

Leslie J. Bell

Union EMC

Philip L. Wally

J. Grant Duncan

Wake EMC

James E. Mangum, Jr.

John M. Ferrell



NRECA Director

Bob L. McDuffie

Randolph EMC



CFC Director

James H. Garner

Randolph EMC



NRTC Director

David J. Batten

Brunswick EMC

The Directors of NCEMC



NCEMC Officers

Ronnie E. Hunt, Vice President

Wayne D. Keller, President

Eugene W. Brown, Jr., Secretary-Treasurer

Albemarle EMC

Dorris B. White

Blue Ridge EMC

Wayne D. Keller

Brunswick EMC

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Cape Hatteras EMC

Clifton E. Austin

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H. Wayne Wilkins

Edgecombe-Martin Co. EMC

Noel Lee, Jr.

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Halifax EMC

Michael E. Finney

Harkers Island EMC

E. Travis Davis

Haywood EMC

John W. Browning

Jones-Onslow EMC

Alvin C. Morton

Lumbee River EMC

Ronnie Hunt

Pee Dee EMC

Emmett S. Patterson

Piedmont EMC

Earl J. Ross

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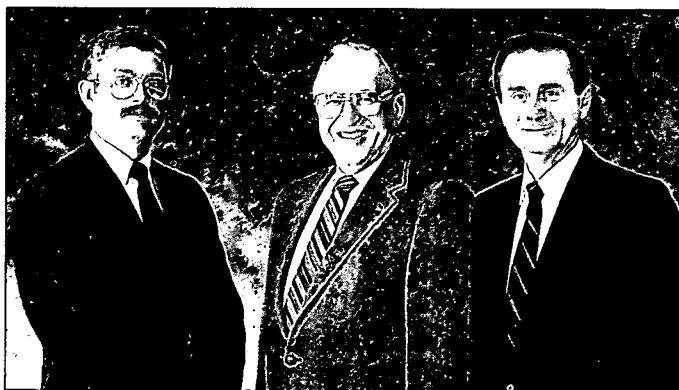
Union EMC

Philip L. Wally

Wake EMC

James E. Mangum, Jr.

The Directors of TEMA



TEMA Officers

James E. Mangum, Jr., Vice President

Thomas Cockerham, President

H. Eugene Clayborne, Secretary-Treasurer

Blue Ridge EMC

Thomas Cockerham

Brunswick EMC

Frederick A. Tedder

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James E. Mangum, Jr.

Power Supply



Doug Leary
Power Supply Manager

The Power Supply Division had a very eventful year in 1987 with significant progress in some areas and setbacks in others. Efforts to deliver power on a reliable and cost-competitive basis to the member EMCs took shape in several projects and activities carried out during the year.

The jointly-owned Catawba Station operations were monitored on a continuous basis by on-site personnel. This was the first full year that both Catawba units were in operation. Their performance, as measured by annual capacity factors and industry standards, was very good. Unit 1 achieved 63.6 percent and Unit 2, 71.5 percent—for a station average of 67.5 percent. Under the Catawba agreement, the 10-year sell-back schedule called for the sale to Duke Power Company of 80 percent of the power output of Catawba 1 and 90 percent of that from Catawba 2.

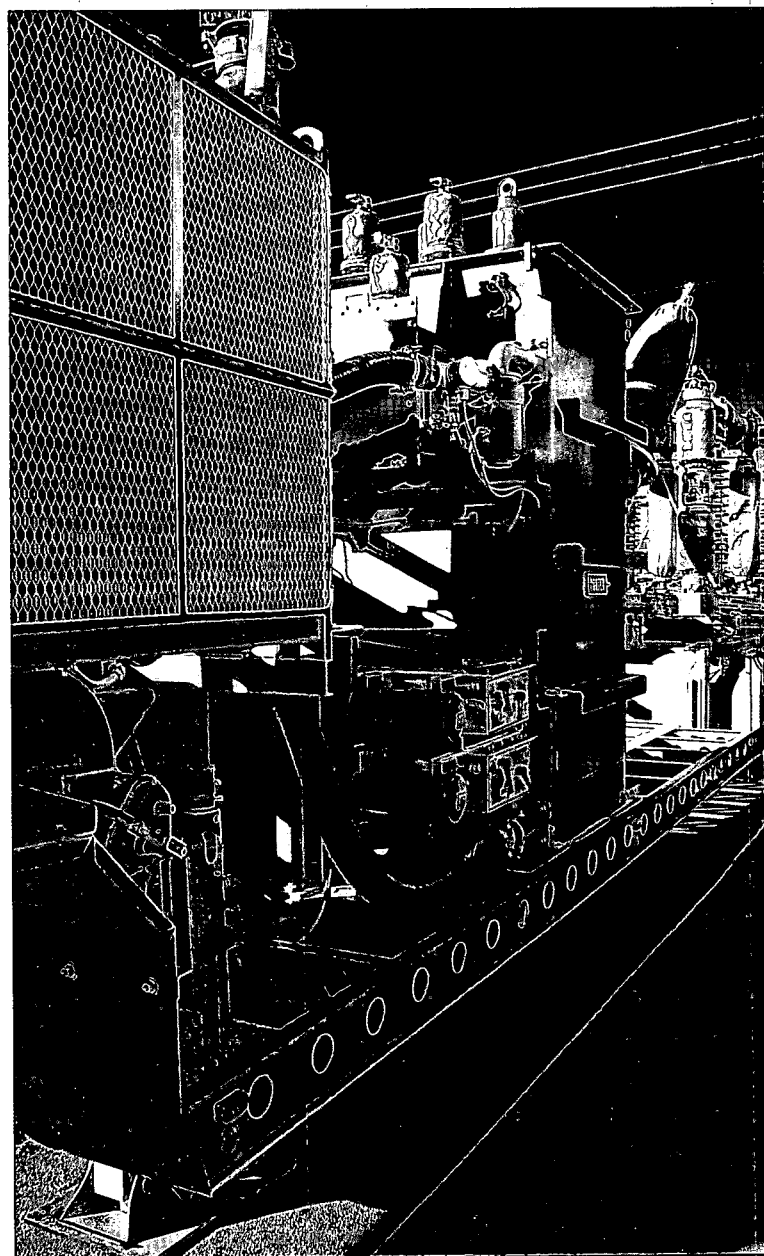
A major effort was put forth to bring to fruition a joint ownership arrangement with CP&L that would have allowed NCEMC to buy portions of three CP&L power plants and a load-ratio share of the company's bulk transmission system. Attempts to reach agreement on detailed contracts failed and all negotiations were suspended.

The Load Management System experienced its first full year of operation with all of its subsystems in service. The Central Coordinating System (CCS), which became operational in December 1986, made a substantial contribution to NCEMC's ability to operate and shed load during monthly peak periods. Load was centrally controlled in the Duke and NC Power rate areas, both of which are billed on a coincident-peak basis. Load was controlled during the peak hours in both the Duke and NC Power areas in all 12 months of 1987.

The EMCs increased the amount of load they are able to shed on-peak through the installation of 36,698 new Load Management switches during 1987. This represented a 36 percent increase in installed switches from 1986, raising the overall total to more than 137,000—that's 74 percent of the 186,000 total allocation of switches.

Two new Load Management projects were initiated in 1987: (1) a research project was implemented to analyze the Load Management System so as to quantify load reduction and aid in developing operating strategies, and (2) work was begun on a load forecast model to help reduce the number of days controlled during the year and to improve our capability for predicting the peak hour in which controlling will be needed.

The Mobile Substation Pool Program became operational in December 1987, when the first of four new units was placed in service to complement three existing units owned by EMC participants. Fourteen EMCs established this pool to provide for a reliable and economical means of restoring service to their member-consumers in the event of an emergency substation outage and to minimize any future outages during routine maintenance.



Participation in industry research took on a new meaning and commitment for the EMCs in 1987. It's our view that one way to effect a lower cost of electricity in the future is to invest in research today. Putting that philosophy into practice, NCEMC joined other electric cooperatives across the country in a commitment to the NRECA Golden ARC Program. This level of participation in research is in addition to the ongoing efforts with the North Carolina Alternative Energy Corporation and the North Carolina State University's University/Industry Center For Electric Power Systems Research.

The kilowatt demand in 1987 grew at the rate of 3.6 percent on a total NCEMC basis. The CP&L rate area experienced an increase of 7.5 percent, the Duke rate area had a decrease of 2 percent, and the NC Power rate area had an increase of 12.6 percent. For this same period, SEPA's KW increased for the Duke rate area, but decreased in the NC Power rate area.

Statewide energy sales grew 5.4 percent compared to 1986. Energy sales in the NC Power rate area experienced a slight decrease from 1986, primarily because of higher SEPA energy output in 1987 due to increased rainfall. The average revenue per KWH supplied to the 27 member EMCs showed essentially no change from previous year's billings, as shown below.

Rate Area	1986	1987	1986	1987	Change From 1986	
	MWD	MWD	GWH	GWH	MWD	GWH
CP&L	798(Jul)	858(Jul)	3,351	3,532	7.5%	5.4%
Duke	747(Jan)	732(Dec)	2,967	3,166	-2.0%	6.7%
NC Power	119(Jul)	134(Aug)	560	551	12.6%	-1.6%
NCEMC	1,664	1,724	6,878	7,249	3.6%	5.4%

Average Cost ¢/KWH		
	1986	1987
CP&L	4.79	4.76
Duke	4.15	4.05
NC Power	3.84	4.35
NCEMC	4.44	4.42

An extended Wholesale Rate Study was completed in early 1987. Except for some minor changes, the Board of Directors decided to retain the existing methodology and rate design.

All in all, some significant steps were taken in 1987 toward achieving our mission to deliver electric power on a reliable and cost-competitive basis.



Finance & Accounting



Orrie Baffi
Finance & Accounting Manager

The Finance & Accounting Division provides overall accounting, budgeting, data processing, finance and tax support to the three Statewide organizations (NCAEC, NCEMC and TEMA). Record sales revenues of \$28,648,010 were achieved by the Tarheel Electric Membership Association, Inc. during 1987. This is an increase of 14.5 percent over the prior year. The NCAEC ended the year with margins of \$113,698 and total income of \$2,202,869. These margins are to be utilized to offset revenue requirements in 1988.

Due to the magnitude of dollars involved, the Finance & Accounting Division spends a major portion of its efforts on matters relating to NCEMC. During 1987, NCEMC had total electric revenues of \$623,769,300. Of that amount, \$333,643,000 was billed to member cooperatives and \$290,126,300 billed to Duke, as provided for in the Catawba contracts.

As a result of the revenues collected from Duke, NCEMC is currently subject to federal income taxes. During 1987, NCEMC invoiced both its member cooperatives and Duke for the normalized taxes associated with NCEMC's taxable status. Duke has taken the position that the Catawba contracts do not specifically provide for such invoicing, and has withheld payment of the tax invoice. As a result, NCEMC has notified Duke that it is in default of the contract and NCEMC will be following with appropriate action.

In connection with the Catawba contracts, arbitration proceedings were initiated against Duke on several items which Duke has handled differently from NCEMC's interpretation of the contracts. The Finance & Accounting Division is assisting the Legal Division in these proceedings.

During 1987, the Statewide began a reorganization of its financial reporting systems. In that regard, new general ledger, accounts payable and accounts receivable systems were installed. In addition, the Statewide installed a fixed asset system and began the process of unitizing its plant records for the Catawba plant, load management and mobile substation equipment, as well as general plant.

As a part of the Statewide's strategic planning efforts, the Finance & Accounting Division has begun the process of identifying the informational requirements necessary to allow the Statewide to better serve the needs of member cooperatives in a competitive environment. This will be an ongoing process requiring the coordinated efforts of Statewide management.

Legal



Tom Bolch
Legal Counsel

1987 proved to be a watershed year for NCEMC, with Carolina Power & Light Company failing to comply with the Memorandum of Understanding covering a proposed joint-ownership arrangement with NCEMC.

In addition, REA Administrator Harold Hunter flatly rejected NCEMC's \$725 million loan request for the CP&L buy-in.

These were major setbacks for our program for this or any other year. Meanwhile, there were a number of positive accomplishments involving the Legal Division.

They include settling a proposed \$27.8 million CP&L wholesale rate hike for an increase of \$10.825 million per year; obtaining \$12 million in refunds from Duke in connection with the Cherokee-Perkins matter, which is presently on appeal by Duke; successful completion of a number of ad valorem tax appeals; obtaining (in conjunction with the Public Affairs Division) passage of legislation providing for indemnification for cooperative directors, officers, employees and agents and of legislation establishing new procedures governing the sale of EMC facilities in North Carolina.

Other accomplishments included settling a territorial dispute with the City of Concord (with able assistance from Union EMC attorney Richard Clark); rolling over TEMA's five-year line of credit; obtaining \$76,500 in nuclear fuel refunds from Duke; completing all the legal details of the Mobile Substation Pool Program and the Cape Hatteras-Tideland wheeling contract; completing the acceptance of the Load Management System.

We also provided an Amicus (Friend of the Court) brief in the N.C. Court of Appeals in a case in which Lumbee River successfully contended that an EMC could require a former member to pay an unpaid account before extending service to that person a second time—after the statute of limitations had run on the original debt.

Legal also conducted a Territorial Law Seminar.

Much of the credit for the accomplishments of the Legal Division in 1987 goes to new employees Thomas K. Austin and Suzanne Allen, both of whom have "hit the ground running."

Looking ahead to 1988, among the objectives that the Legal Division hopes to achieve, are: (1) helping to keep wholesale power costs as low as possible through effective opposition to wholesale rate increases expected to be filed by both CP&L and VEPCO; (2) surviving four motions for Summary Judgment filed by CP&L in the

anti-trust case and proceeding to trial of the case in Greensboro; (3) completion of the first arbitration proceeding against Duke, and initiation of default proceedings against the company in connection with capitalization issues and tax normalization; (4) successfully defending territorial encroachments from municipal and investor-owned systems and, in concert with the Public Affairs Division, beginning legislative initiatives to solve territorial problems.

The territorial legislation is a very significant step that will require substantial effort by every member system, along with significant financing.

Since this problem has been with us for years, it's unlikely that a final solution can be put into place in a single year. But we can begin by establishing a sense of unity among the EMCs in this regard and, then, develop broad-based initiatives toward this end.

Association & Corporate Services



David Williams
Association & Corporate Services Manager

New projects implemented by this division in 1987 were "The Lineman" Newsletter, Pole-Top Rescue Competition, the presentation of the first NCEMC scholarship to North Carolina State University, the Territorial Seminar and the Load Management Conference.

The program previously known as the Office Services Conference became the Human Resources, Finance and Accounting Conference in response to requests that it address more specific needs of EMC employees in those areas. Overhead and Underground Refresher Courses were designed for experienced linemen who needed an update on underground and overhead construction. These projects were successful and will continue to be improved upon in the future.

The Personnel Development Department conducted 15 training programs and conferences attended

by 1,128 employees and directors. For the second consecutive year, all 28 member EMCs subscribed to the NRECA package plan. Activities also included coordinating the Statewide Annual Meeting, NRECA Annual Meeting travel arrangements and other functions sponsored by various divisions in the corporation. The Statewide Wage and Salary program and job placement activities were again conducted by this department.

Personnel Development conducted supervisory training for Statewide employees as part of the Strategic Plan. Additional training programs are being planned for 1988. Employee benefits, personnel records and wage and salary administration are ongoing activities in the department.





This year marked the beginning of a Service Awards Program for Statewide employees. The following awards were presented: 25 five-year awards, six 10-year awards, one 15-year award. Employees have shown much appreciation for this program.

Job Training and Safety conducted six Apprentice Lineman Schools for 128 employees from 25 EMCs, each of which was well received. The continued success of this program is based upon the willingness of experienced EMC employees to teach these courses, and their supervisors' generosity in allowing them time to do it.

"The Lineman" Newsletter was originated on a quarterly basis to share safety information and ideas among member EMCs. Its focus is primarily on safety facts and figures from North Carolina, with general information from other states also included. As always, regular safety visits at member EMCs are the backbone of the JT&S program, and 1987 was no exception.

The Pole-Top Rescue Competition was a highlight of the year in Job Training and Safety. This competition is to be held every other year as part of the annual Job Training and Safety program at each EMC. This year's competition was held at each EMC with patches given to all participants who completed the procedure in less than five minutes. Local EMC winners participated in Statewide competition at Wake Technical College in Raleigh to determine the "best of the best." Randy Smith from Union EMC was first place winner—with a time of two minutes and 19 seconds. Thanks to all participants—and we'll do it again in 1989.

The Association and Corporation Services Division assisted the Power Supply Division in administering the new \$1,000 NCEMC engineering scholarship at NCSU. The recipient of this award was Marvin Watkins, an electrical engineering student from Winston-Salem. During the summer of 1988, Marvin will work at one of the state's 28 EMCs. We hope that this scholarship/internship will interest electrical engineering majors in electric cooperatives in North Carolina.

The Division continued its role of providing administrative and support services to all Statewide divisions.

In 1987, this division oversaw 27 conferences and training programs involving over 1,600 employees and coordinated more than 400 safety visits to member EMCs. In addition, the division was in charge of various ongoing programs and added several new efforts. It was an exciting time, presenting many challenges. As always, our principle challenge was providing the best possible service to our member cooperatives.

Material Supply



Lewis Hobson
Material Supply Manager

The material supply division of the EMCs' statewide association, Tarheel Electric Membership Association, achieved record revenues from the sale of materials, supplies and equipment during 1987. Additionally, the organization refunded patronage from prior months' margins and made a general retirement of patronage from past years' margins.

Sales exceeding \$28,600,000 were accomplished, as major construction of substation and transmission projects kept member systems busy throughout the state. New distribution construction and the upgrading of existing facilities also attributed to our sales.

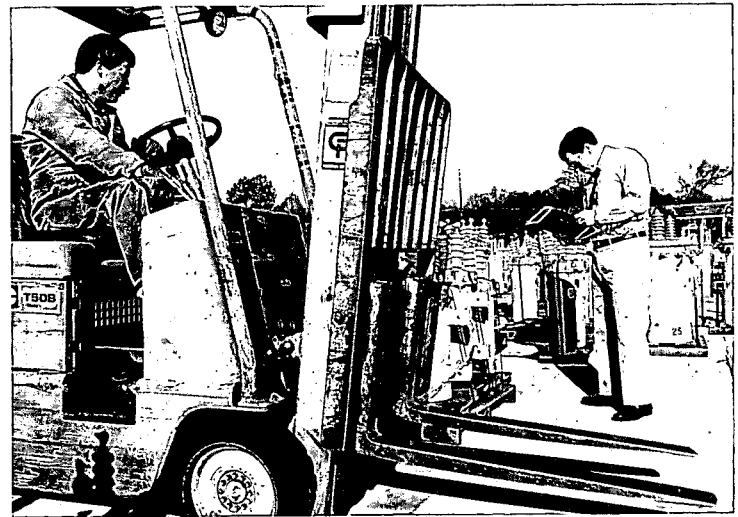
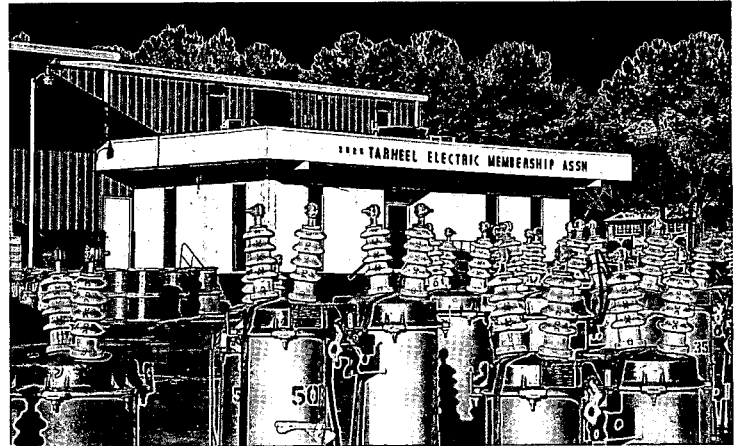
Usage of conductor and other equipment utilized in underground construction facilities increased by 10 percent during the year, compared to 1986 requirements, and distribution transformer sales increased by 17 percent.

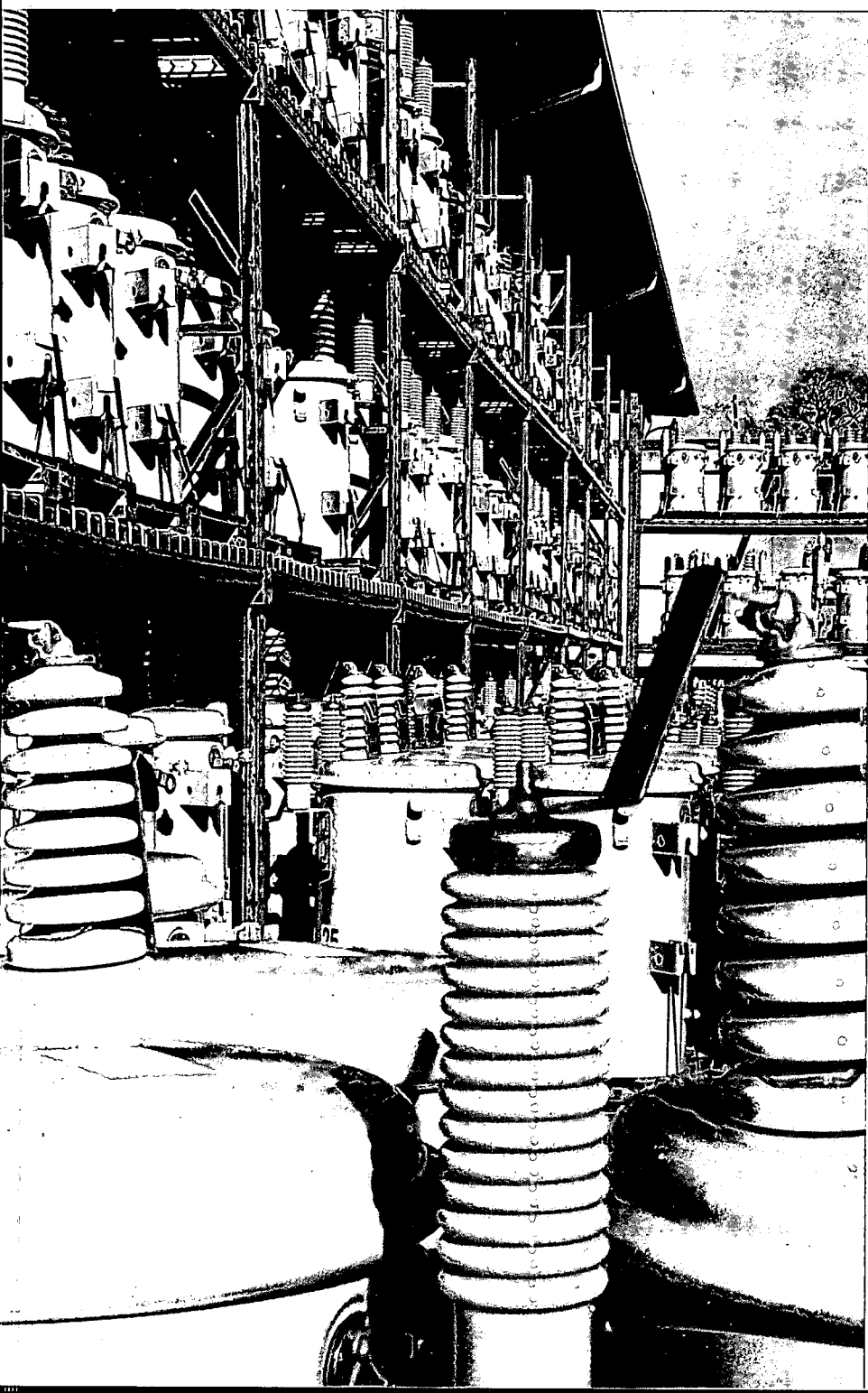
Members drew on the inventory stored at our warehouse to the extent that almost 60 percent of total sales were recorded from those sales. Thirteen million pounds of material were shipped to members from our warehouse in 1987. Effective purchasing practices and a watchful eye on movement of inventory turns on the value of inventory every 63.8 days.

During March of 1987, TEMA refunded \$180,404 to members and nonmembers. This figure represents 20 percent of the total \$904,684 margin production during 1986. Then in December, the Board of Directors authorized the full retirement of patronage retained from the year 1980, which accounted for a \$431,702.86 distribution to members and nonmembers.

We continue to place emphasis on serving our members' needs as efficiently and economically as possible. How effectively we react has direct bearing on our members' service to the member-consumer. During the past year the implementation of the Emergency Work Plan was called upon several times as snow and ice damaged lines across the state.

The increased sales and the added support our member systems have given the material supply division are rewards for which we are most appreciative. Our continued best efforts will be employed in the future for the operation, maintenance, and development of your material supply program.





Public Affairs



James Lee Burney
Public Affairs Manager

In the Public Affairs Division, 1987 proved to be a period of strengthening basic services to member EMCs, while adding programs that provided the cooperatives with new tools for improving consumer relations.

The new program included projects to help local EMC personnel develop new skills:

- A workshop to assist EMC employees in their contacts with elderly consumer-members was offered in three locations across the state, attracting 46 participants from 12 EMCs.
- A two-day workshop on organizing health fairs was offered in cooperation with the National Rural Electric Cooperative Association. Several EMCs, in turn, have conducted health fairs during annual meetings and on other occasions.
- A one-day video workshop was presented for co-op personnel featuring an overview of video production techniques.

Other new programs included development of special promotional materials marking October as Co-op Month, and the revival of a newsletter serving some of the needs of EMC newsletter editors.

The Co-op Month effort included preparation of a series of taped public service announcements citing the role of cooperatives in today's economy. The tapes were distributed to broadcast outlets throughout the state and to the EMCs for further dissemination.

In addition, printed materials explaining the cooperative philosophy were distributed to statewide employees and to the co-ops for use in their observances of Co-op Month.

The revived newsletter was an *AEC News Service*, a monthly compendium of news and feature items—with reproduceable clip art illustrations—for use, as needed, by EMC personnel in co-op newsletters and other publications.

Regular production of *AEC News Service* and many of the efforts to strengthen basic services stemmed in part from the addition of a new information specialist position. With the addition of this employee, writing and editing functions flowed more smoothly for various newsletters and for *Carolina Country*. Photography capabilities were also expanded.



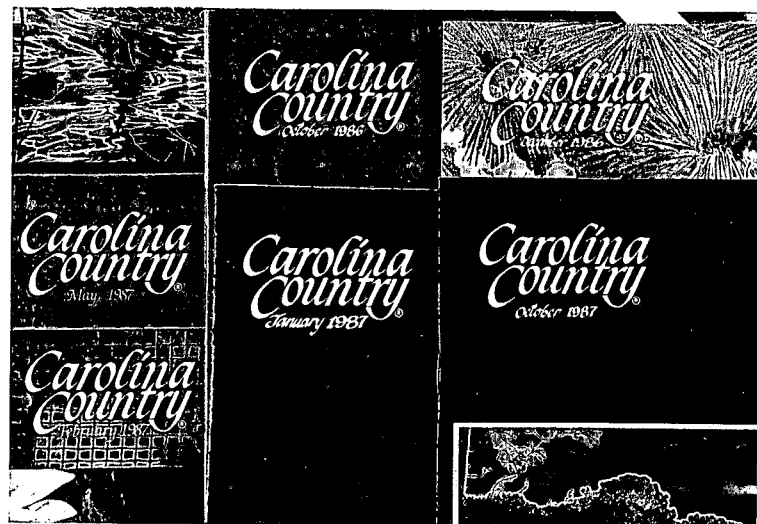
Using glasses that simulate the vision of those afflicted with glaucoma and other eye diseases, employees from 12 EMCs learned new ways to assist our elderly consumer-members.

Other basic services that received renewed emphasis included various training programs:

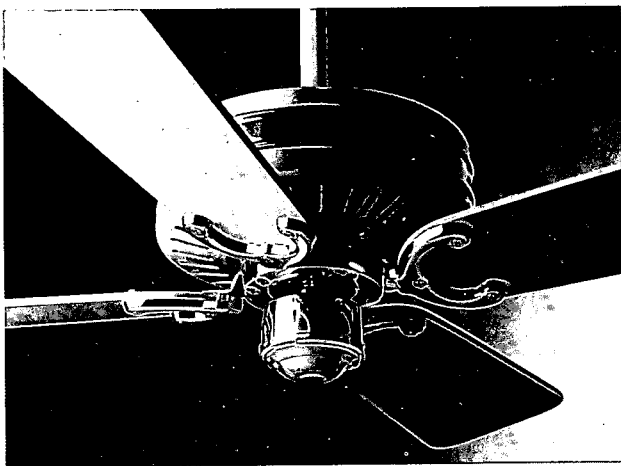
- Mini-conferences focused on new member orientation, ongoing communications activities, employee education and communication, desk-top publishing, job training and safety, handling high-bill complaints and the NRECA Certified Rural Electric Communicator program. A total of 140 co-op employees participated in these 12 sessions throughout the state.
- The 1987 Annual Member Services Conference drew 50 co-op employees from 19 EMCs.
- A workshop on telephone courtesy, which was developed in 1986, was presented to 106 co-op staff members at four EMCs.
- A speaker training program was prepared and presented for the member relations department employees at Four County EMC.
- Volunteers and staff from 10 EMCs across the state participated in the 1987 Women's Fall Forum, which was a three-day conference.

Overall women's activities programs advanced in 1987, with cookbook sales efforts and other projects again providing funding for the Gwyn B. Price Youth Tour Scholarship Award.

In addition, the NCAEC Women's Committee took first-place honors—for the second consecutive year—in the National Rural Electric Women's Association's NOVA Award program. The committee's REA 50th Anniversary Commemorative Quilt, which was assembled from squares provided by the member EMCs, was cited as "the best, most innovative, new or special project" in the national competition. The award was presented at the NRECA Annual Meeting in Dallas in February.



COOL AID.



Ever since the ceiling fan was re-discovered, it seems that every well-dressed home has at least one or two.

But the real beauty of ceiling fans is—they really work! On moderate days, ceiling fans will keep you cool without air conditioning. And on hot days, they circulate cool air to help hold down your air conditioning bill.

And they use about a penny's worth of electricity each hour you operate them. Which is about the most economical kind of cool aid we can think of.

We're All In This Together.



UNSUNG HERO.

You may recognize him as your neighbor across the street. But to us, he's a hero.

As an EMC employee, he often works long hours restoring service when ice, freezing rain and wind storms down power lines.

When he's not battling the elements, you may find him battling a fire as a volunteer fireman. Or working as a rescue squad or hospital volunteer.

Your member-owned EMC is made up of people, working together to make our community a better place to live. After all, that's what cooperative power is all about.

We're All In This Together.



Meanwhile, the annual Rural Electric Youth Tour to Washington continued to provide a learning experience for high school students from throughout North Carolina. In 1987, 36 young people sponsored by 16 EMCs, participated in the tour, which again featured the formation of a "Soda-Pop Co-op." Through that program, the tourists organized their own co-op for the sale of soft drinks during the trip, electing a Board of Directors and hiring a staff to oversee drink sales. At the end of the tour, the co-op was dissolved and capital credits were distributed to the members.

For *Carolina Country*, 1987 was highlighted by two projects that involved months of planning and effort:

- For the first time, the magazine underwent a circulation audit in hopes of strengthening its marketability in national advertising circles. With the assistance of the management and staff of the various EMCs, the required mailing lists were assembled along with other documentation required for this initial audit. The process was completed in December, with the magazine being accepted for full membership in ABC a few weeks later.
- A complete redesign of the magazine's graphics was developed during 1987 with assistance from a professional design service. The final concept, incorporating suggestions from the designers and from staff, was adopted for the first time for the January, 1988, issue.

The magazine continued to enjoy healthy advertising revenues and production costs that held steady or declined.

Local ad sales remained strong as *Carolina Country* and other rural electric statewide publications continued to plan strategy for coordinated group sales on a national level. It was through the negotiations of this group that the Audit Bureau of Circulation accepted rural electric publications for audits for the first time.

The magazine's editorial content maintained its emphasis on issues and developments affecting the rural electric program. In addition, in 1987, *Carolina Country* featured articles on economic development advances in North Carolina, travel attractions in EMC territories and the variety of products offered by Tar Heel vendors through the "Goodness Grows in North Carolina" program of the North Carolina Department of Agriculture.

In the area of government relations, the Public Affairs Division played the role of a vigilant watchdog during the 1987 session of the North Carolina General Assembly, the longest in history.

A record number of bills was introduced during the session, including two that were of particular interest to the EMCs. One measure established a more stringent requirement governing any effort to dispose of co-op facilities by a vote of the member-owners. The proposal, which was adopted into law, established that such votes can be legally binding only with a two-thirds majority supporting the issue.

Also enacted was a bill limiting the civil liability of volunteers who serve on the boards of non-profit corporations in North Carolina, including members of the EMC boards.

Meanwhile, NCAEC joined other rural electric organizations and the National Rural Electric Cooperative Association in monitoring key legislation in Congress and rallying support as needed.

Other achievements in the division for 1987 include:

- Efforts advanced on the preparation of written histories of the various EMCs and on establishing an archives center in the library of the NCEMC headquarters building.
- "Here Come Electricity," NCAEC's audio-visual presentation on the beginning of the rural electric program, was featured at the 1987 Annual Meeting of Piedmont Telephone Membership Corporation.
- Representatives of several EMCs participated in a "task force" session, reviewing NCAEC's information services activities and establishing priorities on various projects in this area of endeavor.
- Two staff members were placed "on loan" to Union Rural Electric Association, Brighton, CO, as NCAEC responded to the co-op's call for help amid a buy-out attempt by an investor-owned utility.

Marketing



Jimmy M. Autry
Marketing Manager

Fifty years ago, persons who lived in rural areas became accustomed to being told that electric service was not available where they lived. And most of those people were rural because they had to be; not because it's what they desired.

Today, people live and work in rural and growing urban areas because they choose to do so. Generally-available electric energy affords them this opportunity to choose.

Energy services today are offered in a competitive arena. Electric suppliers (EMCs, Carolina Power and Light, Duke Power, North Carolina Power and the municipal systems) compete infrequently for customers who have a right to choose according to the laws of North Carolina. But once connected, electricity competes with propane, natural gas, wood, kerosene and solar energy in every residence for water heating and space heating requirements.

The directors of NCEMC have examined the economic factors which surround this competitive environment and in 1987 plotted a new course of action. A marketing committee of that body was formed and a new division created.

The division was built around an existing economic development program, formerly under the Public Affairs Division. After an additional economic development specialist was selected to build upon successes in this area, a division manager was hired.

Along with creation of the division, these highlights occurred in 1987:

- Additional economic development provided employment to 2,211 new employees and a growth of 4.3 megawatts of new load in the period of October 1986 to October 1987.
- Continued progress was made on the Electric Power Research Institute's Customer Preference and Behavior Study, which will provide new marketing tools to the member cooperatives.

New programs will be designed to sell off-peak kilowatt-hours which improve usage of the entire NCEMC system, provide the lowest possible rates to the ultimate consumer and enhance the quality of life and economic strength in member EMC service areas.

By building off-peak load, annual incremental costs will stabilize. This initiative also acts to create positive public awareness and acceptance of the member EMCs and their programs.

The new marketing thrust recognizes that competition among energy suppliers gives each consumer the right and the choice to select and to receive benefits, which occur because of competition.

The EMCs of North Carolina, nonprofit in nature and organization, believe the consumer should make these decisions. We expect them to seek information and knowledge from each of the competing energy suppliers. And we intend to make available the best that North Carolina's EMCs have to offer.



Huntersville Business Park, a new industrial complex, is served by Crescent EMC.

Credit Union



Benjamin W. Hill, III
Credit Union Manager

EMC Employees Credit Union enjoyed another year of solid growth, good member participation, and expanded services. 1987 marked the return to adequate growth of capital and reserves from problems created two years ago during our conversion to Federal Deposit Insurance.

Growth, as measured by statistics, was very good. Assets grew by 10 percent to \$8.8 million, deposits were up 9 percent to \$8.5 million, loans grew an excellent 18 percent to \$7 million, and membership increased by 6 percent bringing total membership in the Credit Union to 3,590 members. The problem with measuring growth by statistics is that it does not explain why the growth took place. We are pleased when growth occurs because it means that our members have confidence in our Credit Union. It means we are meeting their needs and providing them with the services they desire.

One service our members requested was first mortgage loans to purchase homes. This service was introduced in 1987 and is a natural complement to the full line of financial services offered to our members.

Volunteers are the heart of a Credit Union and EMC Employees Credit Union enjoys outstanding volunteer support from its member cooperatives. Concerned and courageous leadership from our Board of Directors and the dedication of our Credit Committee, Supervisory Committee, and loan officers have made EMC Employees Credit Union a leader in the Credit Union Movement. We thank them sincerely.

The Credit Union is especially proud of its staff. This group of dedicated professionals works diligently to bring the services of the Credit Union to the member. We are especially proud of the staff for being awarded the Dora Maxwell Award for social responsibility given by the North Carolina Credit Union League. Not only is the staff committed to the ideals of the Credit Union Movement and service to the members, they are good members of the community also.

As exciting as 1987 was, we look for 1988 to be even better. The Board and staff are continuing to look at new services, ways to attract new members, ways to encourage small savers, and different lending vehicles. As our members' needs change, we hope to meet them as successfully in the future as we have in the past.

The Financial Highlights of NCAEC

NORTH CAROLINA ASSOCIATION OF ELECTRIC COOPERATIVES STATEMENT OF OPERATIONS AND MEMBER EQUITY For the years ended December 31, 1987 and 1986 (Unaudited)

	1987	1986
Operating Income		
Dues	\$1,121,035	1,083,662
Publication Income	1,081,834	975,686
Total Operating Income	<u>2,202,869</u>	<u>2,059,348</u>
Operating Expenses		
Administrative and General	1,279,694	1,239,789
Publication Expense	822,647	814,938
Total Operating Expenses	<u>2,102,251</u>	<u>2,054,727</u>
Operating Income	<u>100,618</u>	<u>4,621</u>
Other Income (Expenses)		
Interest Income	16,101	12,440
Interest Expense	(3,021)	(3,077)
Total Other Income (Expenses)	<u>13,080</u>	<u>9,363</u>
Net Margin	<u>113,698</u>	<u>13,984</u>
Membership Equity - Beginning of Year	421,402	407,418
Membership Equity - End of Year	<u>\$ 535,100</u>	<u>421,402</u>

NORTH CAROLINA ASSOCIATION OF ELECTRIC COOPERATIVES BALANCE SHEET For the years ended December 31, 1987 and 1986 (Unaudited)

	1987	1986
ASSETS		
Current Assets		
Cash	\$ 309,211	182,807
Accounts Receivable (Net)	291,995	326,210
Inventories	2,668	12,774
Prepaid Expenses	17,246	17,411
Total Current Assets	<u>621,120</u>	<u>539,202</u>
Fixed Assets		
Office Furniture and Fixtures	149,527	123,677
Vehicles	80,226	70,125
	229,753	193,802
Less: Accumulated Depreciation	117,446	92,375
Total Fixed Assets	<u>112,307</u>	<u>101,427</u>
Other Assets		
Deferred Charges - Past Service Cost, Pension Plan	23,426	29,283
Deferred Compensation Fund	122,520	99,730
Membership Certificates	200	200
Total Other Assets	<u>146,146</u>	<u>129,213</u>
Total Assets	<u>\$ 879,573</u>	<u>769,842</u>
LIABILITIES AND EQUITY		
Current Liabilities		
Note Payable - Current Portion	\$ 1,050	990
Accounts Payable	91,947	120,499
Accrued Liabilities	37,389	42,520
Unearned Income	38,517	30,600
Total Current Liabilities	<u>168,903</u>	<u>194,609</u>
Long Term Debt		
Note Payable	53,400	54,391
Less: Current Portion	1,050	990
Total Long Term Debt	<u>52,350</u>	<u>53,401</u>
Deferred Compensation Reserve	<u>122,520</u>	<u>99,730</u>
Total Liabilities	<u>343,773</u>	<u>347,740</u>
Equity		
Membership Fees	700	700
Members' Equity	535,100	421,402
Total Equity	<u>535,800</u>	<u>422,102</u>
Total Liabilities and Equity	<u>\$ 879,573</u>	<u>769,842</u>

The Financial Highlights of NCEMC

NORTH CAROLINA ELECTRIC MEMBERSHIP CORPORATION STATEMENT OF OPERATIONS AND PATRONAGE CAPITAL For the years ended December 31, 1987 and 1986 (Unaudited)

	1987	1986
Operating Revenues		
Electric energy revenues	\$623,769,255	484,511,854
Other operating revenue	4,934	2,201
Total Operating Revenues	623,774,189	484,514,055
Operating Expenses		
Production	62,384,068	37,981,359
Cost of purchased power	318,901,861	293,068,510
Transmission expenses	10,274,010	11,876,767
Administrative and general expenses	4,507,047	2,926,775
Maintenance	13,289,372	13,564,563
Depreciation	52,539,556	37,006,788
Taxes	59,779,552	4,021,923
Total Operating Expenses	521,675,466	400,446,685
Operating Margin	102,098,723	84,067,370
Other Income		
Interest	7,812,244	3,425,094
Other	216,218	214,986
Total Other Income	8,028,462	3,640,080
Interest Charges		
Total interest expense	108,356,229	114,838,567
Less: Interest charged to construction	-	(34,713,734)
Amortization of debt expense	1,229,175	731,795
Total Interest Charges	109,585,404	80,856,628
Net Margin	541,781	6,850,822
Patronage Capital - Beginning of Year	15,594,331	8,743,509
Patronage Capital - End of Year	\$ 16,136,112	15,594,331

NORTH CAROLINA ELECTRIC MEMBERSHIP CORPORATION BALANCE SHEET For the years ended December 31, 1987 and 1986 (Unaudited)

ASSETS	1987	1986
Utility Plant		
Property, plant and equipment	\$1,382,182,000	1,370,742,890
Less: Accumulated depreciation	(157,356,000)	(74,658,196)
	1,224,826,000	1,296,084,694
Construction work in progress	34,634,000	17,000,257
Total Utility Plant	1,259,460,000	1,313,084,951
Other Assets		
Investments in associated organizations	7,641,000	7,592,417
Current Assets		
Cash	26,000	144,986
Special deposits	26,857,000	26,857,322
Temporary cash investments	132,573,000	52,056,780
Accounts receivable	107,266,000	44,965,974
Other current assets	69,000	27,793
Total Current Assets	266,791,000	124,052,855
Deferred Charges	22,816,812	21,389,814
	\$1,556,708,812	1,466,120,037
EQUITIES AND LIABILITIES		
Equities		
Membership Fees	\$ 700	700
Patronage Capital	16,136,112	15,594,331
Total Equities	16,136,112	15,595,031
Long Term Debt	1,393,521,000	1,393,620,828
Current Liabilities		
Notes payable	-	-
Accounts Payable -		
Trade	30,409,000	34,751,585
Affiliated Companies	48,560	103,709
Interest accrued	622,000	1,466,102
Other accrued expenses	1,599,440	944,153
Total Current Liabilities	32,679,000	37,265,549
Deferred Credits	114,372,000	19,638,629
	\$1,556,708,812	1,466,120,037

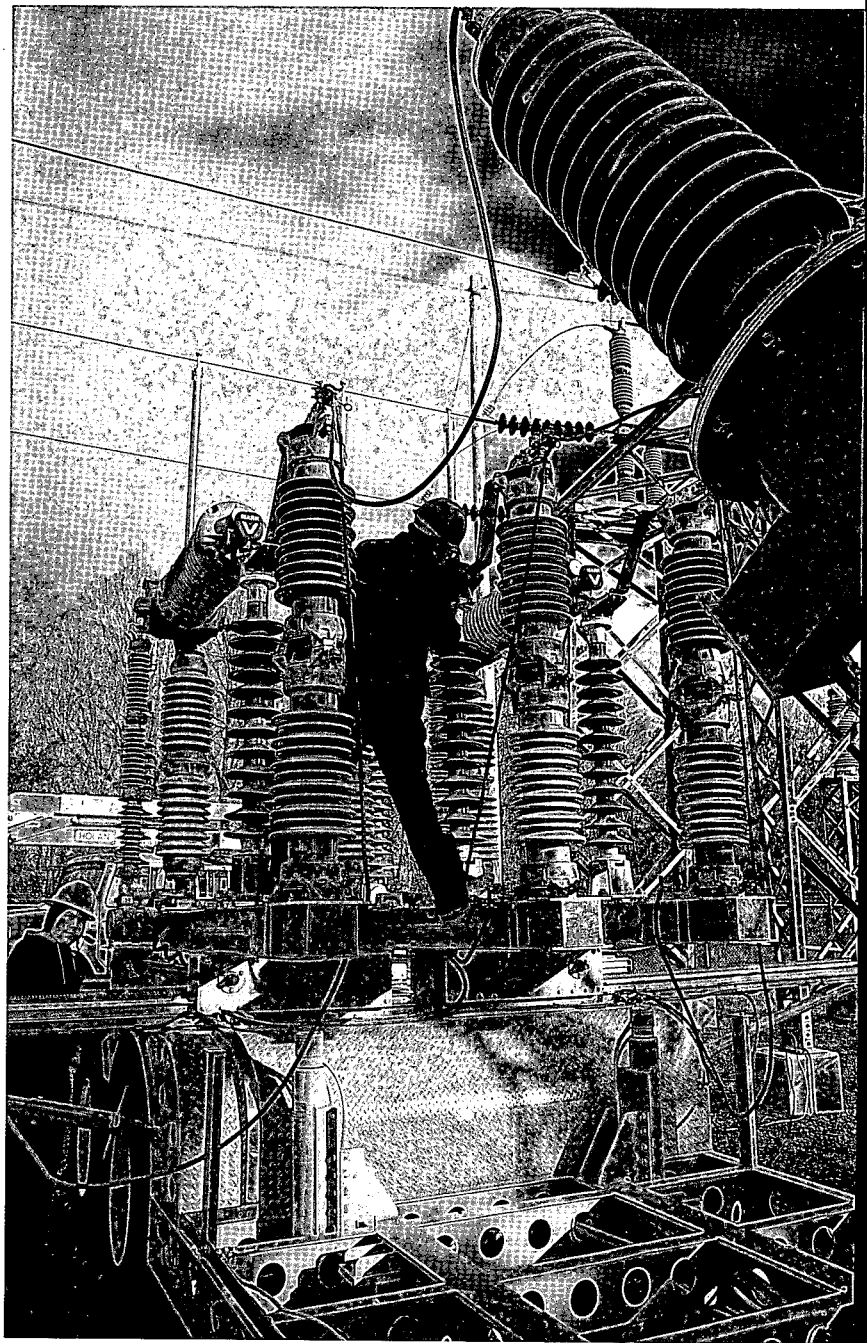
The Financial Highlights of TEMA

TARHEEL ELECTRIC MEMBERSHIP ASSOCIATION, INC.
STATEMENT OF OPERATIONS AND PATRONAGE CAPITAL
For the years ended December 31, 1987 and 1986
(Unaudited)

	1987	1986
Sales (Net)	<u>\$28,648,010</u>	<u>25,020,818</u>
Cost of Goods Sold		
Beginning Inventory	2,095,445	1,838,408
Purchase (Net)	<u>28,575,179</u>	<u>23,879,737</u>
	30,670,624	25,718,145
Less: Ending Inventory	<u>3,489,965</u>	<u>2,095,445</u>
Total Cost of Goods Sold	<u>27,180,659</u>	<u>23,622,700</u>
Gross Margin	<u>1,467,351</u>	<u>1,398,118</u>
Operating Expenses	<u>712,166</u>	<u>665,529</u>
Operating Margin	<u>755,185</u>	<u>732,589</u>
Other Income		
Interest Income	54,768	78,810
Miscellaneous Income	<u>69,233</u>	<u>101,084</u>
Total Other Income	<u>124,001</u>	<u>179,894</u>
Interest Expense	<u>587</u>	<u>7,799</u>
Net Margin	<u>878,599</u>	<u>904,684</u>
Patronage Capital - Beginning of Year	3,645,481	3,666,868
Change in ACRS Depreciation Reserve	(1,797)	(2,777)
Less:		
Retirement of Patronage Certificates	431,702	747,873
Patronage Capital Reclassified to Current Liabilities	<u>205,775</u>	<u>175,421</u>
Patronage Capital - End of Year	<u>\$ 3,884,806</u>	<u>3,645,481</u>

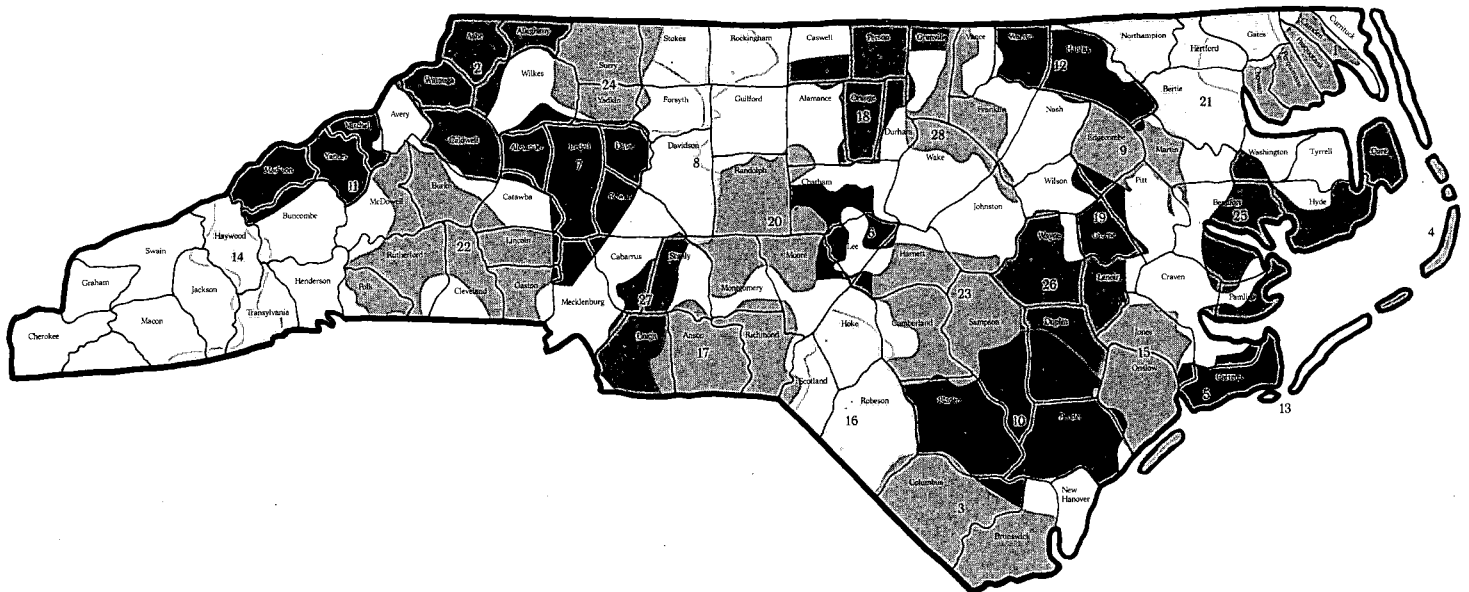
TARHEEL ELECTRIC MEMBERSHIP ASSOCIATION, INC.
BALANCE SHEET
For the years ended December 31, 1987 and 1986
(Unaudited)

ASSETS	1987	1986
Current Assets		
Cash	\$ -	374,006
Accounts Receivable - Trade	2,284,151	1,701,186
Accounts Receivable - Other	9,287	13,688
Inventories	3,501,523	2,095,445
Prepaid Expenses	<u>13,693</u>	<u>22,503</u>
Total Current Assets	<u>5,808,654</u>	<u>4,206,828</u>
Fixed Assets		
Office Furniture and Fixtures	47,173	46,984
Vehicles	38,267	34,552
Warehouse Equipment	103,503	101,403
Buildings	<u>609,833</u>	<u>521,833</u>
	798,776	704,772
Less: Accumulated Depreciation	<u>333,046</u>	<u>295,527</u>
	465,730	409,245
Land	<u>157,250</u>	<u>157,250</u>
Total Fixed Assets	<u>622,980</u>	<u>566,495</u>
Other Assets	<u>161,889</u>	<u>158,512</u>
Total Assets	<u>\$6,593,523</u>	<u>4,931,835</u>
LIABILITIES		
Current Liabilities		
Notes Payable - Current Portion	\$ -	22,000
Accounts Payable	2,437,594	1,022,480
Accrued Liabilities	64,648	62,567
Patronage Capital Payable	<u>205,775</u>	<u>175,421</u>
Total Current Liabilities	<u>2,708,017</u>	<u>1,282,468</u>
Long Term Debt		
Note Payable to Members	-	-
Total Long Term Debt	-	-
Reserve for ACRS Depreciation	-	3,186
Total Liabilities	<u>2,708,017</u>	<u>1,285,654</u>
Equity		
Membership Fees	700	700
Patronage Capital	<u>3,884,806</u>	<u>3,645,481</u>
Total Equity	<u>3,885,506</u>	<u>3,646,181</u>
Total Liabilities and Equity	<u>\$6,593,523</u>	<u>4,931,835</u>



North Carolina's Electric Membership Corporations

1. Albemarle EMC, Hertford
2. Blue Ridge EMC, Lenoir
3. Brunswick EMC, Shallotte
4. Cape Hatteras EMC, Buxton
5. Carteret-Craven EMC, Morehead City
6. Central EMC, Sanford
7. Crescent EMC, Statesville
8. Davidson EMC, Lexington
9. Edgecombe-Martin Co. EMC, Tarboro
10. Four County EMC, Burgaw
11. French Broad EMC, Marshall
12. Halifax EMC, Enfield
13. Harkers Island EMC, Harkers Island
14. Haywood EMC, Waynesville
15. Jones-Onslow EMC, Jacksonville
16. Lumbee River EMC, Red Springs
17. Pee Dee EMC, Wadesboro
18. Piedmont EMC, Hillsborough
19. Pitt & Greene EMC, Farmville
20. Randolph EMC, Asheboro
21. Roanoke EMC, Rich Square
22. Rutherford EMC, Forest City
23. South River EMC, Dunn
24. Surry-Yadkin EMC, Dobson
25. Tideland EMC, Pantego
26. Tri-County EMC, Dudley
27. Union EMC, Monroe
28. Wake EMC, Wake Forest



North Carolina Association of Electric Cooperatives, Inc.
North Carolina Electric Membership Corporation
Tarheel Electric Membership Association, Inc.
3400 Sumner Blvd., P.O. Box 27306, Raleigh, NC 27611

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