



# Lumbee River

*Electric Membership Corporation*



**Annual Report 2005**

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*Electric Membership Corporation*



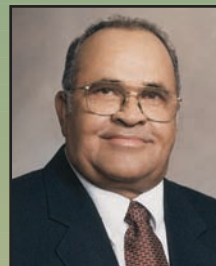
## EMC Board of Directors



**Roger Oxendine**  
*Chairman*  
District 2



**Robert L. Strickland**  
*Vice Chairman*  
District 3



**Broughton Oxendine**  
*Treasurer - District 5*



**Maggie Hunt**  
*Secretary - District 6*

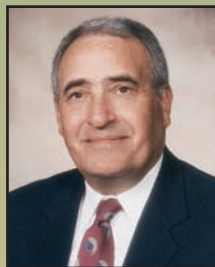
### Credentials and Election Committee Members

**Frank Boyette**  
*Chairman*

**Rose McNeill**  
*Secretary*

**Gene Locklear**  
**David Locklear**  
**Laymon Locklear**  
**Thomas Cooper**  
**Robert Fairley**  
**Earl Wallace**

**Cliff McCormick**  
**Deborah Purcell**  
**Eloise Carter**  
**Robert Brayboy**  
**Brad McMillian**  
**James McRae**  
**Wade Hunt**  
**Freddie Chavis**  
**Bobby Freeman**  
**Joan Balfour**  
**George Lessane**



**Herbert Clark**  
District 1



**Ambrose Locklear, Jr.**  
District 3



**Lacy L. Cummings**  
District 4



**Madie R. Locklear**  
District 5



**Ruth Oxendine**  
District 5



**James Hardin**  
District 6

### Nominating Committee Members

**Jerry Newman**  
*Chairman*

**Douglas Locklear**  
*Secretary*

**Harold Brock**  
**Minnie C. Bullard**

**Melissa Cade**  
**James Galbreth**  
**Betty Grimsley**  
**James Jacobs, Jr.**  
**Lori Lamb**  
**Shirl Rising**  
**Irma Wilson**



**Proctor Locklear, Jr.**  
District 6



**William Hollingsworth**  
District 6



**Wyatt Upchurch**  
District 6

# LUMBEE RIVER ELECTRIC MEMBERSHIP CORPORATION

## Minutes of the 2005 Annual Meeting of the Members - October 13, 2005

Pursuant to due notice thereof, of the 65<sup>th</sup> Annual Meeting of the Members of the Lumbee River Electric Membership Corporation was held at the University of North Carolina at Pembroke, Performing Arts Center, and beginning at 1:00 p.m. on Thursday, October 13, 2005.

1. Registration and voting commenced at 1:00 p.m. and ended at 8:00 p.m.
2. Attorney Arlie Jacobs called the meeting to order and welcomed the members to the meeting. Mr. Jacobs introduced Reverend Terry Cummings of New Bethel Baptist Church who delivered the invocation.
3. Attorney Jacobs introduced Dr. Allen C. Meadows, Chancellor of University of North Carolina at Pembroke. Dr. Meadows welcomed members to the university campus and gave an update on the growth of the University and the various new ventures the University is moving toward.
4. Attorney Jacobs introduced Secretary Ruth Oxendine who read the proof of mailing of notice of the annual meeting and reported that quorum was present. Ms. Oxendine reported on September 26, 2005, the Corporation did place 42,055 annual meeting members' notices in the United States mail with postage thereon duly paid. A copy of the proof of mailing is incorporated herein by reference, made a part of these minutes and is available for inspection in the Minutes Book of the Corporation.
5. Attorney Jacobs called for the approval of the minutes October 14, 2005 Annual meeting. Upon a motion duly made and seconded, the membership waived the reading of the minutes of the 64<sup>th</sup> Annual meeting of Members.
6. Attorney Jacobs introduced Mr. Roger Oxendine, Chairman of the Cooperative's Board of Directors, who presented his report to the membership. A copy of his report is incorporated herein by reference, made a part of these minutes and is available for inspection in the Minutes Book of the Corporation.
7. Betty Grimsley presented the report of the Nominating Committee, placing into nomination the following names in the following districts.
  - District 1** Herbert Clark
  - District 3** Robert Strickland
  - District 5** Ruth Oxendine
  - District 6** Maggie Hunt  
William Hollingsworth
8. Attorney Jacobs reported that according to Section 4.05 of the Cooperative's Bylaws, candidates for Directors are placed into nomination in one of two ways: (1) nomination by the Nominating Committee; and (2) nomination by petition containing at least fifteen (15) or more members' signatures so nominating the interested member. Attorney Jacobs reported that the Cooperative declared acclamation of Directors.
9. President/CEO Ronnie E. Hunt recognized special guests and gave special thanks to The Light of Truth – Carter Family and The Locklear's for providing entertainment and also to the University of North Carolina at Pembroke for the use of their facility.
10. President/CEO Ronnie E. Hunt gave an audiovisual presentation outlining Consumer Price Index, WPCA and TWACS update. A written copy of this annual report is incorporated herein by reference, made a part of these minutes and is available for inspection in the Minutes Book of the Corporation.
11. Attorney Arlie Jacobs opened the floor for comments. Comments were made.
  - **Ronald Williamson** – Rowland area – Will LREMC open an office in the Pembroke area where consumers can pay their bills? President/CEO Ronnie E. Hunt responded that it would be very costly to LREMC and the consumers to operate a small office in the Pembroke area. Mr. Hunt also stated that he would have staff to look at the cost of an alternate business to except payments for LREMC.
  - **Edwin S. Watkins** – Raynham area – Why is PWC's cost less? President/CEO Ronnie Hunt stated PWC is located in Cumberland County which operates in the city. In comparison LREMC has (1) person per mile to PWC's (5) person's per mile as a result PWC receives a higher revenue than LREMC. Therefore, PWC is way ahead of LREMC.
12. Attorney Jacobs introduced Mr. Walter White, who conducted the drawing and awards of the door prizes and power credits.
13. The results of the election, which were certified by Mr. Frank Boyette, Chairman of the Credentials & Election Committee, were announced by Attorney Jacobs as follows:
 

<b>District 1</b>	Herbert Clark	689
<b>District 3</b>	Robert Strickland	709
<b>District 5</b>	Ruth Oxendine	687
<b>District 6</b>	Maggie Hunt	607
	William Hollingsworth	450
14. After the drawing of the prizes, the 2005 Annual Meeting of the Members was proclaimed adjourned.
15. 928 members registered for the Annual Meeting of Members. A list of each member registered is attached to these minutes, incorporated herein by reference, made a part of these minutes and is available for inspection in the Minutes Book of the Corporation.

Signed:

**Roger D. Oxendine**  
Chairman

**Ruth Oxendine**  
Secretary



**Roger Oxendine**  
Chairman  
District 2



**Ronnie E. Hunt**  
President and CEO

*The fact that we are a locally owned company- owned by the members we serve- keeps us focused on our members needs and priorities. The Board of Directors and employees work hard to make certain that Lumbee River EMC continues its two-fold mission of providing its members with reliable service at a good value and improving the quality of life in the communities we serve. With this in mind, we present to our members the 2005 Annual Report.*

## Cost of Power

Like most cooperatives around the country, the rising cost of power was the greatest challenge for Lumbee River EMC in 2005. The price of all fuels-natural gas, oil, propane and coal used to generate electricity for the cooperative members skyrocketed, much like you have seen at the gas pump when you fuel your car.

These fuel price increases are the result of a variety of factors, including market demand, hurricane devastation in the Gulf States, mining and transporting coal to the generating plant and the cost of meeting environmental regulations relating to power plant emissions.

Since our wholesale energy cost make up between 60 and 70 percent of our total operating cost, the impact of continuously high fuel cost has had a significant impact on our operations, however, we have been effectively managing these costs. The cooperative has made adjustments in our operational budget and we continue to effectively manage our resources.

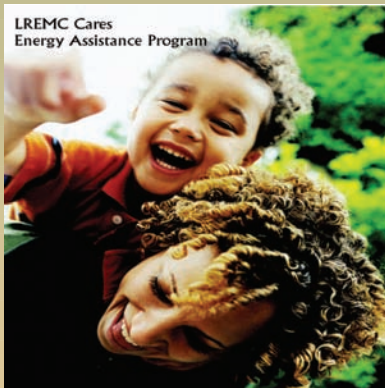
The future is a bit unclear...but Lumbee River EMC is prepared and well positioned for any challenges coming our way. We want our members to know that as we continue to deal with escalating fuel prices, we will continue to look out for your needs and keep you informed well in advance of any changes.

## Concern for Community

Lumbee River EMC, like other cooperatives, operates by a set of seven cooperative principles. Principle No. 7 – concern for the community – is last on that list, but not in importance. Lumbee River EMC takes that principle as seriously as it does its core mission of providing reliable and affordable electricity to its members.

Community is not just where we work; it's *why* we work. Lumbee River EMC is motivated to serve our members, not outside investors. Doing that means we must also serve the communities in which our members live, work and play. At a time of increasing concern about the economy, Lumbee River EMC is helping to create jobs, income and opportunity in our communities.

The accomplishments of our community investment initiatives are impressive. More than 1,000 jobs have been created and more than 100 new businesses have been created. New water and sewer infrastructure development has made possible the construction of more than 1,000 new homes. Our service areas have received more than \$100 million in capital investments.





In 2005, Lumbee River EMC began offering its members the opportunity to purchase green power through the NC GreenPower program. By taking advantage of the option to purchase green energy, members can make a positive environmental choice that can help conserve our natural resources and reduce fossil fuel emissions for future generations.

Our commitment to our communities does not stop there. Lumbee River EMC participates in many activities that have the “co-op commitment”. Activities like providing energy assistance to our less

fortunate neighbors thru our LREMC Cares Energy Assistance Program; sponsoring local fairs, sports teams and events; participating with civic groups in developing and improving various programs; supporting local chambers; contributing resources to local schools and educators; providing scholarships for our youth; the list goes on and on.

In 2005, Lumbee River EMC was presented a National Community Service Community Investment Award by the National Rural Electric Cooperative Association (NRECA) to honor LREMC’s leadership and contributions in both public and private partnership initiatives that spurred economic growth and strengthened the quality of life in its communities.

In closing, we would like to thank our members for your continued support, interest and patience. Our employees also deserve praise and appreciation for their hard work and dedication. In the coming year, we will continue to stay focused on our mission and will continue our commitment to our members and our communities.

**Roger Oxendine**  
*Chairman, Board of Directors*

**Ronnie E. Hunt**  
*President & CEO*

## ADDITIONAL HIGHLIGHTS FROM 2005:

Amended its cooperative bylaws and approved new districts. The bylaws were amended to reduce the number of Directors and adjust the district boundaries. This change reflects shifting member densities toward the northern section of the service territory and an effort to reduce Cooperative expenditures.

Energized the William Sawmill substation located in northern Hoke County off Highway 401.  
Refunded \$2 million in capital credits to its members.

Constructed a new 115kV transmission line from the Scurlock Substation to the Williams Sawmill Substation. This project consisted of 4.3 miles of 115kV transmission with 2.1 miles of single circuit 12.5kV underbuild and 2.2 miles of double circuit 12.5kV underbuild on 80 concrete poles. The average pole length is 85’ and average pole weight is 15,000 pounds.

Celebrated 200,000 hours without a lost time accident. Employees were treated a steak dinner for their achievement. Lumbee River EMC vehicles drive an average total of 98,000 miles a month and employees work a total average of 21,000 man-hours a month.

Employees brought Christmas Cheer to over 118 families. The employees and Directors donate their time and money to those that are less fortunate at Christmas time by putting together baskets that include toys for the children and food for the family.



# STATEMENT OF AUDIT

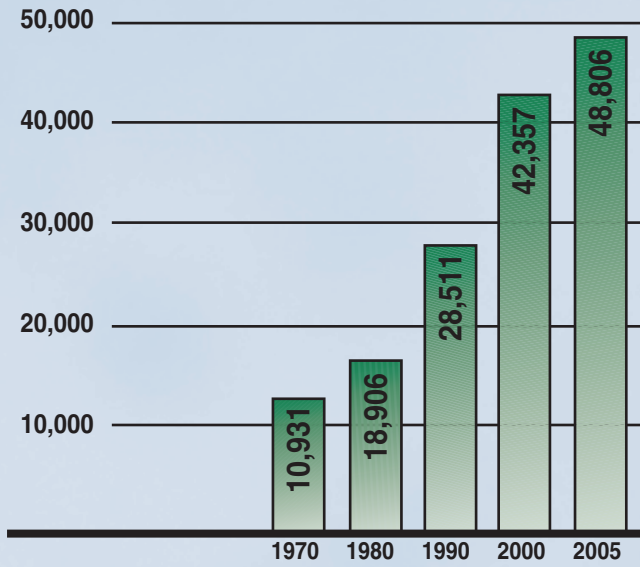
The accounting firm of James F. Baker, CPA PA, Raeford, NC, conducted an audit of the balance sheet and related statements of revenues and patronage capital and cash flows as of December 31, 2004 and 2005. This audit was conducted in accordance with generally accepted auditing standards, including examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presented.

In the opinion of the auditor, the financial statements of Lumbee River EMC present fairly, in all material respects, the financial position of Lumbee River Electric Membership Corporation as of December 31, 2004 and 2005, and the results of its operations and its cash flows for the years then ended to be in conformity with generally accepted accounting principles.

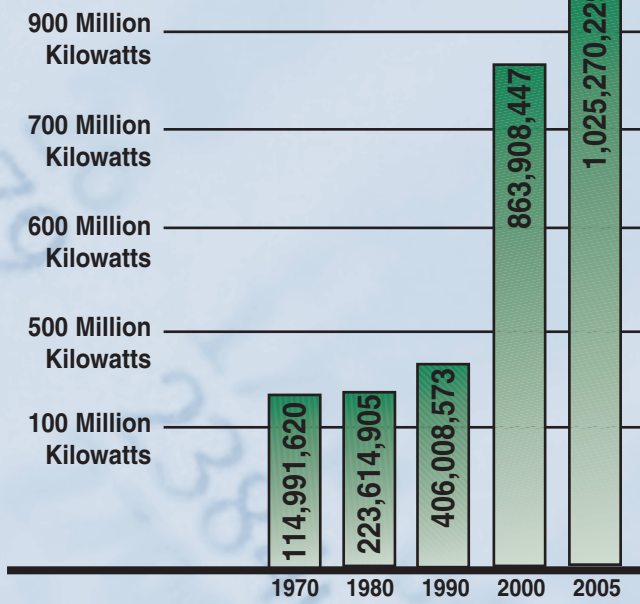
<b>Assets/Deferred Charges</b>	<b>2004</b>	<b>2005</b>
Net Utility	112,535,043	121,372,987
Investments	4,870,161	5,965,433
Cash	154,574	831,064
Notes & Accts. Receivable	14,447,287	17,253,624
Materials & Supplies	272,700	425,428
Other Current & Accrued Assets	244,818	196,044
Deferred Charges	39,182	29,200
<b>Total Assets</b>	<b>132,563,765</b>	<b>146,073,780</b>
<b>Liabilities/Members' Equity</b>	<b>2004</b>	<b>2005</b>
Membership	409,766	421,646
Equities & Margins	58,244,484	58,787,447
Long Term Debt	55,086,249	62,109,461
Accounts Payable	10,432,252	11,961,916
Other Cur. & Accrued Liabilities	8,369,338	12,760,348
Deferred Credits	21,676	32,962
<b>Total Liabilities</b>	<b>132,563,765</b>	<b>146,073,780</b>
	<b>Monies We Collected</b>	
<b>Revenues</b>	<b>2004</b>	<b>2005</b>
Sales of Electric Power	76332893	86262132
Miscellaneous Elec. Revenue	1485687	1487602
<b>Total Electric Revenues</b>	<b>77,818,580</b>	<b>87,749,734</b>
	<b>Cost of Providing Service</b>	
<b>Expenses</b>	<b>2004</b>	<b>2005</b>
Purchased Power	53,024,503	58,427,900
Oper. & Maintenance	4,338,571	4,317,966
Consumer Accounting	2,900,789	4,060,190
Admin. & General Expense	5,873,020	6,259,908
Depreciation	4,557,553	4,895,264
Taxes	3,713,730	4,029,371
Interest	2,680,736	3,222,277
Other Deductions	0	86,087
<b>Total Liabilities</b>	<b>77,088,902</b>	<b>85,298,963</b>
	<b>What We Had Left</b>	
<b>Margins</b>	<b>2004</b>	<b>2005</b>
Operating Margins	729,678	2,450,771
Other Margins	41,796	521,906
Non-Operating Margins	149,481	150,089
Extraordinary Items	0	0
Income (Loss)	31,235	(62,701)
<b>Total Margins Assigned</b>	<b>952,190</b>	<b>3,060,065</b>



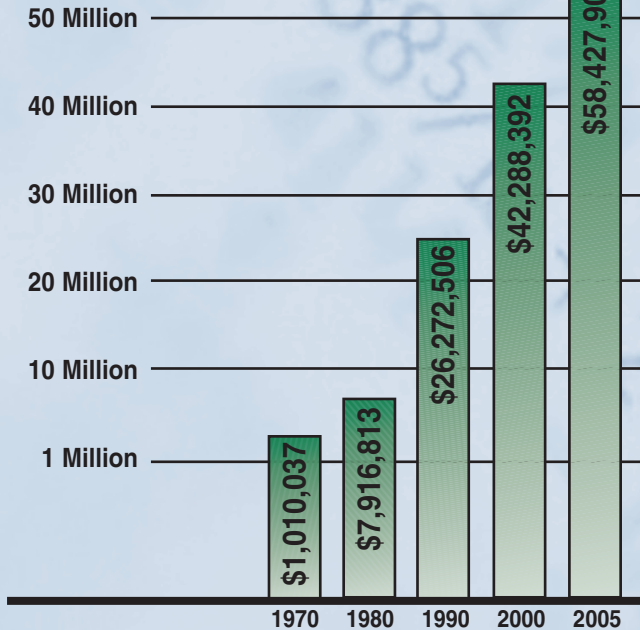
### MEMBER GROWTH



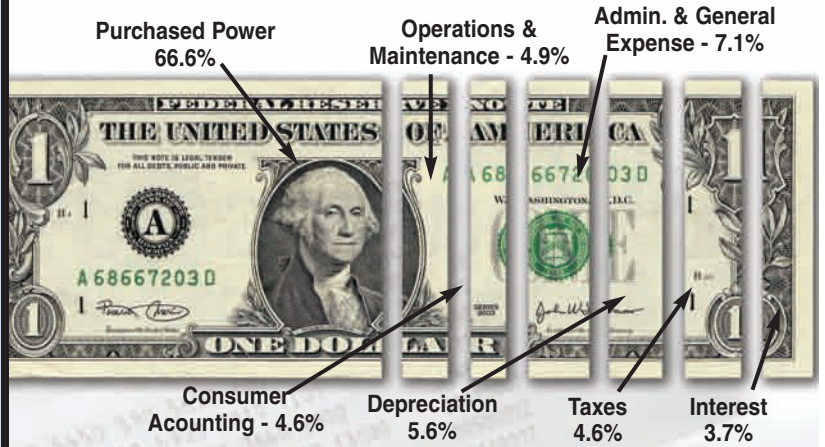
### KILOWATT HOURS SOLD



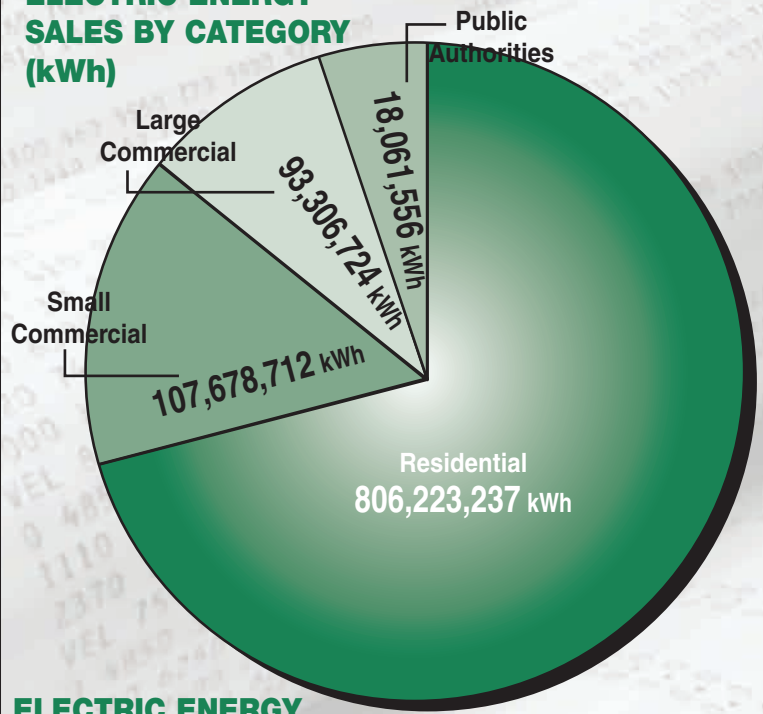
### COST OF POWER



### HOW WAS YOUR REVENUE DOLLAR ALLOCATED IN 2005?



### ELECTRIC ENERGY SALES BY CATEGORY (kWh)



### ELECTRIC ENERGY SALES BY CATEGORY (\$)

