

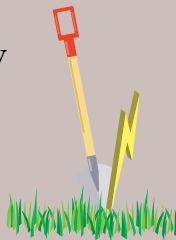


April 2011

Serving 12,000 members of Albemarle Electric Membership Corporation

Dial Before Digging

You never really know what's below the surface when you dig. You may chop right into underground power lines. In addition to causing outages, this is very dangerous. Before digging in your yard, have the underground electric lines located. Please give us three days notice before you dig. Call us at (252) 426-5735.



Building Nears Completion

Albemarle Electric Membership Corporation's new office and warehouse is nearing completion, and the cooperative now has construction cost figures that should be very close to the final total.

At press time, the cost of construction is projected to be \$4,804,807 which is 14.72 percent higher than the initial bid awarded to the building contractor.

The additional construction costs were mainly due to change orders resulting from soil-moisture conditions prior to construction. The extremely wet weather the region experienced during January and February of 2010 resulted in soil conditions that were less than ideal for construction by the spring of 2010. Every effort was made to properly dry on-site fill soil. However, new fill soil had to be hauled in. The cost of the earthwork accounted for 76.95 percent of the total change orders.

"The substrate was scarified to try to dry the soil, but the moisture content could not be reduced," said Zach Bray, interim general manager for Albemarle EMC. "For a building this size, we simply could not build on wetter than allowable substrate, which would have led to structural problems later. Because the soil was replaced, the cooperative now has a quality building that will serve the membership well for many years to come."

Prior to the purchase of the property, the cooperative had soil borings conducted, which determined that some soil would have to be removed and backfilled with more suitable soil

obtained from other parts of the property. Earthwork costs increased beyond that scope when it was determined that some of the on-site fill soil would not be suitable for replacement, and new soil would have to be trucked in.

Even with the additional earthwork, the total construction costs for the building averages a reasonable \$77.69 per square foot. Costs per square foot for commercial construction can often exceed \$100 per square foot, according to RS Means, a company that publishes construction cost data. The cost of the 61,847-square-foot office and warehouse space also is still well below the \$5.7 million cost estimate that the co-op had originally budgeted for the new building.

The co-op will pay for the construction cost with general funds and short-term financing, which will not have an immediate impact on electricity rates.

"Anytime we invest in the co-op, that investment is paid for through electricity rates," Bray said. "Cost of construction will eventually put upward pressure on rates. However, the main driver of electricity rates will continue to be wholesale power costs."

Some of the construction cost will be offset by the sale of Albemarle EMC's old building to Perquimans County. Also, the land for the new building has additional road frontage along Highway 17, which the co-op potentially can develop for sale or lease.

Co-op personnel plan to occupy the new building by late June. To reduce expenses, most of the furniture from the old office will be used in the new building.

The building is located in Perquimans County on the corner of Creek Drive and Highway 17.

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Cooperatives Lobby Legislators

Representatives from Albemarle EMC recently visited the state capital to relay concerns regarding potential legislation.

Meetings were conducted with representatives Bill Owens, Tim Spear, Annie Mobley and senators Stan White and Ed Jones.

Chief among the cooperative's concerns was the planned elimination of the North Carolina Rural Electric Authority (NCREA). Electric cooperatives support the Rural Electric Authority because the board provides documentation and investigation of consumer complaints, mediation and resolution services for issues involving co-ops, and the review, approval and submission of applications for federal financing on behalf of co-ops. The authority also arbitrates, conducts hearings and issues orders regarding complex cases related to interconnection services between cooperatives and non-rural entities.

Early in the budget process, Gov. Beverly Perdue cited the NCREA as an outdated state board that could be eliminated to save the state money. However, the NCREA has no impact on the state budget. NCREA's annual \$210,000 budget is fully fee funded by cooperative consumers, costing each household less than 16 cents a year.

"Albemarle EMC consumers deserve a regulatory body that understands the unique cooperative business model and is responsive to the needs of the community," said Zach Bray, interim general manager of Albemarle EMC. "The knowledge and skill of the NCREA staff is not interchangeable with or duplicated by any other regulatory body."

Albemarle EMC representatives also pressed legislators not to change the pole attachment legislation adopted in 2009. Initially, the cable and telephone industry, lead by Tine Warner Cable, supported the introduction of a bill to require all electric cooperatives and municipalities to allow communications service providers to attach their cable and telephone lines to co-op utility poles. The legislation also authorized the N.C. Utilities Commission to resolve disputes over the pole attachment rates, terms and conditions set by cooperatives and municipalities.

After considerable negotiations, legislation was passed giving the cable companies the ability to attach facilities to co-op and municipal poles, subject to conditions. Those conditions include having pole attachment rate issues heard before the N.C. Business Court, and rates must be reasonable and not discriminatory.

"Looking forward, Albemarle EMC opposes any changes to existing law that would not allow a cooperative to recover all costs associated with a pole attachment," Bray said. "It is not acceptable for cooperative consumers to subsidize for-profit cable companies."

Update Your Phone Numbers



It is important that we are able to contact you. If you have a new phone number, please fill out this form, cut it out and mail it in with your next bill payment.

Name: _____

Address: _____

New Phone Numbers: _____

Mark Your Calendars

The Albemarle Electric Membership Corporation Annual Meeting will be held Sept. 24 at Perquimans High School, in Hertford.

Direct Sprinklers Away from Transformers

If you have a transformer in your yard, please make sure that sprinklers are set up so as to not spray the transformer. Constant spraying of a transformer can cause it to rust. The cost for the co-op to replace a ground transformer is more than \$2,000. In addition, a rusting transformer can also be a safety hazard.



Food Pantry Receives Grant



Volunteers for the Open Door of Perquimans County accept a \$5,000 grant check from the Albemarle Community Trust. The trust is funded by Albemarle EMC members who voluntarily have their bills rounded up to the nearest dollar each month, with the balance going to the trust.

Happy Easter!

Albemarle EMC will be closed Friday, April 22 for Easter.





At Your Service

How Albemarle EMC works to provide its members with the highest-quality service possible.

Transparency Matters to AEMC

by Chris Powell

Billionaire investor Warren Buffett has a famous saying regarding businesses' financial health: "You don't know who's wearing a bathing suit until the tide goes out."

Of course, what Buffett was referring to is that often businesses appear to be financially strong until the economy takes a downward turn. It is only then that we find out which businesses are stable and which ones were barely making it all along. Sadly for employees and investors of companies such as Enron and Lehman Brothers, they are the last to know the businesses to which they had come to depend on were actually ticking financial time bombs.

When it comes to operating Albemarle EMC, the employees and board of directors go to great lengths to ensure that the cooperative is as open as possible to the membership. As with all businesses, we have our share of successes as well as setbacks. We try to keep you informed and do it in timely a manner as possible.

Never before has your electric cooperative had so many ways in which to communicate with its membership. The backbone of this effort is what you are reading right now, the Albemarle Sounds newsletter found inside *Carolina*

Country magazine. By reading the Albemarle Sounds, members can stay up to date on the activities of their co-op. We also work closely with the local media and use press releases when we need to get large amounts of information out quickly. In addition, we routinely post time-sensitive information on the home page of the company's website, located at www.aemc.coop. On the website, members will find our service rules and regulations, bylaws, schedule of charges, key statistics and much more. Most recently we added a Facebook page to our online communications tool box. For those of you who do not use Facebook, it is a convenient method to receive quick up-to-the-minute updates from your cooperative. Members also may attend your Annual Meeting to hear business updates as well as to elect your directors.

We strongly believe that members should be kept abreast of our financial health. To that end, we publish an Annual Report in the *Carolina Country* magazine. In that report, members will find our yearly financial statements, listing our assets, equities and liabilities, operating expenses and patronage capital. The report contains financial information for both the current and preceding years to give members a baseline to compare. In addition, we publish six-year bar graphs for total assets, electricity sales, average rate of kilowatt hours sold, miles of energized line and number of consumers.

Your cooperative's board of directors receives a financial report at every monthly meeting. Among other

information, they receive a report of the co-op's equity ratio, which is currently at a healthy level.

To make sure our own in-house numbers are correct, we are audited each year by an independent accounting firm, and on top of that we are audited every few years by the U.S. Department of Agriculture's Rural Utility Service.

Members have direct access to cooperative personnel and information. You may call us or stop by during business hours. We welcome the opportunity to discuss your due dates, how to calculate your bill, or clarify a service rule. If you are not satisfied with our answers, you have the right to file a complaint with management and after that your board of directors.

Another example of our continuing efforts toward transparency was the recent separation of the facilities charge from the total energy charge on members' power bills. The facilities charge had been lumped in with the total energy charge. By giving it its own line item on the bill, members now can more easily calculate their own bills. A facilities charge is attached to each meter and is necessary to recover service-related costs that Albemarle EMC incurs, regardless of an individual member's electric consumption. Those costs include items such as servicing transformers, wire, meters, billing, accounting and other activities.

Transparency means more to us than just an obligation to our member/owners. It is the right way to do business. And whether the tide is in our out, members will always know if we have swimming trunks on.

