

ANNUAL REPORT

2015



Pee Dee Electric

A Touchstone Energy® Cooperative 

President and CEO Report to the Members

When we think about the relationship between the Board of Directors, management and employees and Pee Dee Electric's members, the word dedication comes to mind. If you look up the meaning of the word "dedication," it is defined as "to devote wholly and earnestly to some persons or purpose." This perfectly describes your cooperative's commitment to our members and our purpose — providing reliable electricity while focusing on value, quality customer service and community support.

Electric service you can count on

Providing reliable electricity to our members incorporates proper planning, the use of new technologies and old-fashioned hard work by our linemen. During 2015, the cooperative developed a Three-Year Construction Work Plan. This work plan outlined the estimated funds required to serve new members and replace aging infrastructure. The plan also identified power lines to upgrade due to load growth and reliability issues. It also included the completion of the Derby Substation, a state-of-the-art substation built to improve reliability in northern Richmond County, our service territory in Moore County and parts of our service territory in Montgomery County.

The use of new and innovative technologies has improved the cooperative's ability to provide reliable



electric service and quality customer service to our members. Our Supervisory Control and Data Acquisition (SCADA) system allows the cooperative to monitor our substations. Our Automated Meter Reading (AMR) system provides us many tools to better serve our members.

Through the AMR system, we receive accurate and timely meter readings for billing. We also receive daily readings from meters and make the information available to members through our Customer Service Portal at www.pdemc.com. This information allows members access to their daily usage patterns and can help identify ways to reduce electricity usage. Studies have shown electric consumers who use this information reduce their electric bills by 5% - 12%. The cooperative utilizes a Geographical Information System (GIS) to work more efficiently and respond to outages more effectively as well.

According to surveys of our members, our efforts have been successful. Our members, when asked if the cooperative provides reliable service, gave us a score of 9.3 out of 10. This score was significantly higher than the benchmark for that category! While keeping the power

on 99.9% of the time, we continue to look for ways to improve reliability and reduce the number and duration of outages on our system to better serve our members.

Dedicated employees

Our employees are focused on providing quality customer service to our members as well. Our local offices are available to members who want face-to-face service, whether it is getting a meter connected for the first time, signing up for Prepay Electric Service, getting information on how to conserve electricity or anything else relating to the cooperative.

When you call the office, you talk to employees who live in our communities and are there to serve you — the member. Members have access to our website as well, which has an abundance of information about the cooperative, including a Customer Service Portal that provides individualized information on your account and daily electricity usage. Members can also receive information about the cooperative through social media outlets, such as Facebook and Twitter. Our localized service results in excellent customer service to our members.

Support for community

Your cooperative supports the communities we serve and continuously works to improve the quality of life within those communities. Pee Dee Electric's Care to Share Program has been extremely successful thanks to cooperative members who allow us to round up their electric bill each month and use that money to provide grants to local non-profit organizations that serve our communities. Through the generosity of our members, your cooperative has awarded almost \$1 million in Care to Share grants since 2005.

Pee Dee Electric also supports our local teachers and students through programs such as the Bright Ideas Educational grant, which help fund innovative programs in our schools. In addition, Pee Dee Electric's Aware-

ness Committee awards six \$1,000 scholarships each year to the children of cooperative members to help further their education beyond high school.

Pee Dee Electric's commitment to our communities doesn't stop there. Your cooperative is heavily involved in economic development activities throughout our communities to help bring new industry and jobs to our area. We also support local businesses with the Co-op Connections Card, which encourages members to shop local and save money at the same time.

Pee Dee Electric was able to do all of these things while remaining financially strong during 2015. The cooperative refunded over \$700,000 in capital credits to members and former members served during 1988 and 1989 and over \$400,000 to the estates of deceased members. The

refund of capital credits is an important benefit of being a member of Pee Dee Electric.

Pee Dee Electric continues to be one of the leaders in the electric industry because we stay focused on what is most important – keeping our focus on you, our members. Given your cooperative's tremendous history, numerous achievements and strategic vision, we are well-positioned to embrace the future, face the challenges ahead and prosper for the benefit of our members. We thank you for being a member of Pee Dee Electric and for your continuing support and participation.

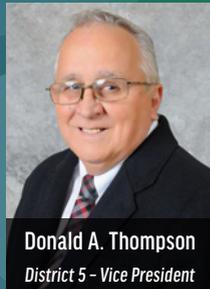
Thank you,
Donnie Spivey,
CEO & Executive Vice President

Richard H. Johnson,
Board President

Board of Directors



Richard H. Johnson
District 4 - President



Donald A. Thompson
District 5 - Vice President



Millard E. Russell
District 1, Secretary-Treasurer



Winnie M. Bennett
District 3



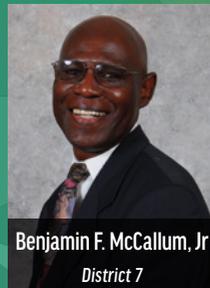
Craig R. Davis, Jr
District 8



Marcia A. Lambeth
District 6



Benjamin R. Lybrand
District 2



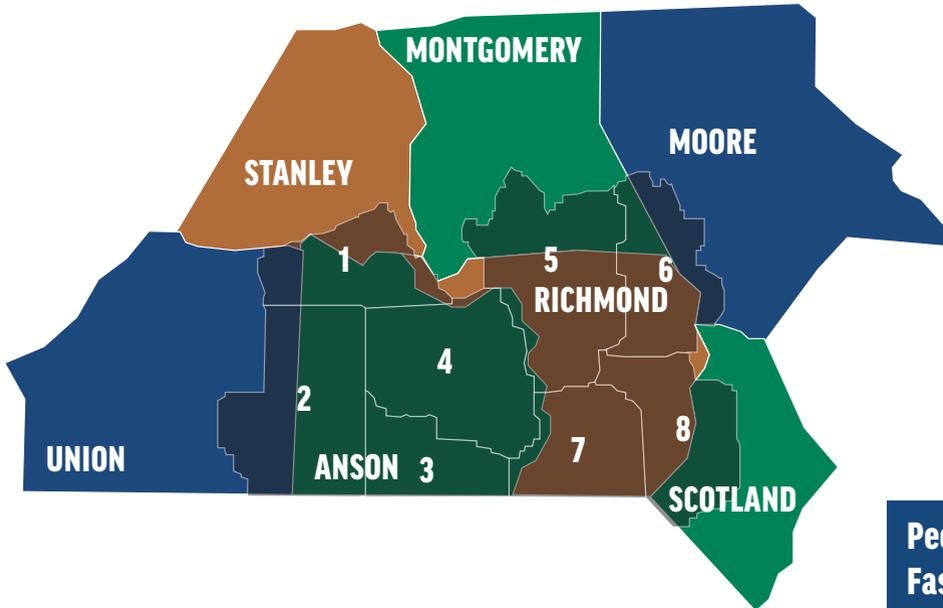
Benjamin F. McCallum, Jr
District 7



Richard V. Melton
Director at Large



Craig W. Ratliff
Director at Large



Pee Dee Electric Fast Facts

- Number of Employees: 64
- Miles of Energized Line: 3,112
- Members served in 2015: 20,878
- Members per Mile of Line: 7
- Residential Average kWh use per month: 1,508
- 10 delivery points
- 8 substations

Service Territories

- **Richmond County:** largest service area with 7,915 meters
- **Anson County:** second largest service area with 7,073 meters
- **Scotland County:** third largest service area with 1,786 meters
- **Union County:** fourth largest service area with 1,634 meters
- **Moore County:** fifth largest service area with 1,109 meters
- **Montgomery County:** sixth largest service area with 876 meters
- **Stanly County:** seventh largest service area with 582 meters

Our Commitment to YOU

To provide reliable electricity and related services while focusing on value, quality customer service, and enhancing life in the communities we serve.

- 66,988 customer service calls taken in 2015
- 1,179 members currently participating in our PrePay Electric Service program
- \$36,000 in college scholarships awarded over the last 6 years
- 11 right-of-way crews serviced 1,405 miles of line as part of our vegetation management program
- To date, more than \$215,000 in Bright Ideas grants awarded to teachers for 180 innovative classroom-based projects

Capital Credits Allocation for the Year 2015

At the end of the year, after all bills are paid, any remaining funds the cooperative has are called Margins, or Patronage Capital. Each member has a Capital Credits Account, and at the end of the year, Pee Dee Electric allocates our Margins to each account based on the amount of the electricity you used during the year.

Our revenue from the sale of electricity for 2015 reached \$42,400,935. Total Margins from our operations were \$921,255, or 2.172723% of revenue. Mar-

gins allocated from patronage allocations from associated organizations were \$659,673, or 1.555798% of revenue.

You can figure your own Capital Credits by multiplying your total billing for electricity by 3.728521%. For example, if your total billing for 2015 was \$1,000.00, multiply \$1,000.00 by 0.03728521 and \$37.29 will be the amount of Capital Credits assigned to your account.

HOW DO CAPITAL CREDITS WORK?

Because Pee Dee Electric Cooperative operates at cost, any excess revenues, called margins, are returned to our members in the form of capital credits.

5 We notify you of how and when you'll receive your capital credits retirement.

5

1 Pee Dee Electric tracks how much electricity you buy and how much money you pay for it throughout the year.

1

2 At the end of the year, we complete financial matters and determine whether there are excess revenues, called margins

2

4

3 When our financial condition permits, your Board of Directors decides to retire, or pay, the capital credits.

3

3 Your co-op allocates the margins to members as capital credits based upon their use of electricity during the year.

Source: National Rural Utilities Cooperative Finance Corporation

PEE DEE ELECTRIC HAS RETIRED **\$12.9 MILLION** TO MEMBERS SINCE INCEPTION.

BALANCE SHEET

	2013	2014	2015
ASSETS AND OTHER DEBITS			
TOTAL UTILITY PLANT	\$104,828,760	\$109,218,261	\$115,564,066
Less Provision for Depreciation	30,977,604	33,095,927	34,153,555
NET UTILITY PLANT	\$73,851,156	\$76,122,334	\$81,410,511
OTHER PROPERTY AND INVESTMENTS			
Investments in Associated Organizations	10,691,696	11,286,814	12,096,481
Other Investments	0	0	
Restricted Cash	145,911	169,825	129,745
TOTAL OTHER PROPERTY & INVESTMENTS	\$10,837,607	\$11,456,639	
CURRENT ASSETS			
Cash and cash equivalents	4,293,053	7,769,449	1,704,481
Accounts receivable	3,184,786	3,277,061	2,616,472
Materials and Supplies	1,469,016	1,511,173	1,486,028
Other investments			1,269,934
Other current assets	108,500	192,947	150,139
TOTAL CURRENT ASSETS	\$9,055,355	\$12,750,630	\$7,227,054
Deferred Charges	3,538,999	3,191,059	3,006,268
TOTAL ASSETS AND OTHER DEBITS (What We Own)	\$97,283,117	\$103,520,662	\$103,870,059
LIABILITIES AND EQUITIES			
EQUITIES			
Patronage Capital	\$40,252,877	\$43,152,483	\$45,770,786
Other Equities	3,578,818	4,141,139	4,022,073
TOTAL EQUITIES	\$43,831,695	\$47,293,622	\$49,792,859
NONCURRENT LIABILITIES			
RUS Mortgage Notes	\$18,047,859	\$17,147,925	\$17,182,506
CoBank Mortgage Notes	4,433,603	3,995,377	3,569,749
CFC Mortgage Notes	4,613,098	3,470,165	2,681,909
FFB Mortgage Notes	11,173,666	15,916,801	15,433,868
Other Long-Term Debt	4,293,491	4,622,727	5,644,642
NCEMC Loan	0	0	0
TOTAL NONCURRENT LIABILITIES	\$42,561,717	\$45,152,995	\$44,512,674
CURRENT LIABILITIES			
Current portion of long-term debt	1,346,000	1,527,000	1,558,000
Accounts Payable	3,962,779	4,290,762	2,964,434
Line of credit Payable			1,000,000
Consumer Deposits	905,918	824,904	755,125
Capital Lease Obligation			
Other Liabilities	1,609,654	2,431,242	2,928,374
TOTAL CURRENT & ACCRUED LIABILITIES	\$7,824,351	\$9,073,908	
Deferred Credits	3,065,354	2,000,137	358,593
TOTAL LIABILITIES (What We Owe) AND EQUITIES	\$97,283,117	\$103,520,662	\$103,870,059

STATEMENT OF INCOME AND EXPENSE

	2013	2014	2015
TOTAL OPERATING REVENUE (What We Took In)	\$41,869,077	\$43,907,189	\$44,401,007
OPERATING EXPENSES			
Cost of Purchased Power	26,156,894	27,351,840	28,582,761
Transmission Expense	1,127	1,158	1,201
Distribution Expense - Operations	1,508,333	1,443,961	1,475,125
Distribution Expense - Maintenance	2,711,805	3,000,004	2,675,246
Consumer Accounts Expense	940,546	985,474	936,282
Customer Service and Information Expense	224,667	233,102	247,611
Sales Expense	1,970	3,637	6,303
Administrative and General Expenses	3,035,327	3,218,183	3,354,237
Depreciation and Amortization Expense	3,133,434	3,242,166	3,365,575
Taxes	1,364,528	741,370	16,809
Interest on Long-Term Debt	2,044,167	1,897,553	1,824,000
Interest Expense - Other	8,769	8,089	7,529
Other	51,290	54,018	61,672
TOTAL OPERATING EXPENSES (What We Paid Out)	\$41,182,857	\$42,180,555	\$42,554,351
OPERATING MARGINS before patronage allocations	686,220	1,726,634	\$1,846,656
Patronage allocations	680,841	689,926	874,923
NET OPERATING MARGINS	1,367,061	2,416,560	2,721,579
NON-OPERATING MARGINS			
Interest Income	367,257	382,205	423,610
Gain (loss) on sale of plant	26,937	61,615	28,791
Miscellaneous	1,392	573	586
Gain (Loss) on investment	4,016,756	1,594,603	1,230,542
Other Comprehensive loss	651,626	(66,391)	(929,188)
TOTAL MARGINS (What We Had Left Over)	\$6,431,029	\$4,389,165	\$3,475,920
<i>The records of Pee Dee Electric were audited for the period January 1, 2015 to December 31, 2015 by Adams, Jenkins & Heatham, pc of Richmond, Virginia. A copy of the audit is available for inspection by any member.</i>			
ELECTRIC AND OTHER STATISTICS			
KWH Purchased:			
SEPA	9,185,677	9,243,112	9,279,346
NCEMC - CP&L Area	302,916,338	318,814,953	314,841,470
NCEMC - Duke Area	73,346,260	78,599,045	79,766,555
Solar			293,777
TOTAL PURCHASED	385,448,275	406,657,110	404,181,148
KWH Sales:			
Residential	269,231,692	284,052,578	274,863,598
Commercial	74,919,754	80,651,673	90,800,469
Large Power	11,511,000	12,411,560	12,137,520
TOTAL SALES	355,662,446	377,115,811	377,801,587
Average Monthly KWH Usage	1,429	1,514	1,508
Average Cost per KWH Sold (cents)	\$0.117	\$0.113	\$0.112
Number of Members at Year End	20,751	20,769	20,882



Pee Dee Electric

A Touchstone Energy® Cooperative 

575 U.S. Hwy. 52 South
Wadesboro, N.C. 28170

www.pdemc.com

To report an outage, call 1-800-693-0190