

President and CEO's Report

Pee Dee Electric continued a long tradition of providing reliable electric service and quality customer service to its members in 2010. During the year, Pee Dee Electric received a member satisfaction score of 83 from the American Customer Satisfaction Index (ACSI). Pee Dee Electric's score was well above the average score of 75 for the utility industry across the nation. Your cooperative scored higher than the national benchmark on important areas such as providing reliable service, treating members fairly, handling problems promptly, outage restoration, and providing a good value to members for the money. We are proud of the scores received from our members and remain committed to providing the quality of service our members deserve.

One of the most difficult challenges we continue to face is keeping electric rates affordable in a time of rising operating costs caused by ever increasing government regulations and increasing fuel costs. During 2010, Pee Dee Electric continued its efforts to comply with North Carolina's Renewable Energy and Energy Efficiency Portfolio Standards enacted in 2007. The cooperative offers various energy efficiency programs and remains a member of GreenCo Solutions, which assists the cooperative in purchasing renewable energy certificates from various renewable energy projects that generate electricity from solar, wind, and other renewable energy sources. Even though the U.S. Congress did not pass any type of comprehensive climate change legislation during 2010, the U.S. Environmental Protection Agency (EPA) began regulating greenhouse gases in January 2011 through the Clean Air Act. As EPA regulations become more stringent over time, it will definitely increase the cost of electricity to all users.

During 2010, Pee Dee Electric's service area experienced a fairly cold winter and hot summer. As a result, our members experienced higher than normal electric bills. In addition to working with members for payment extensions to help them through the challenges of paying these bills, the cooperative continues to educate members on ways to reduce electric bills by conserving electricity. One effective tool used by Pee Dee Electric and cooperatives across the nation is Touchstone Energy's Together We Save energy efficiency campaign

(www.togetherwesave.com). The web site is an excellent resource for energy efficiency tips and things you can do around the home to reduce the amount of electricity used. Naturally, reducing the amount of electricity used in the home results in a lower electric bill.

As we mentioned earlier, our area experienced a cold winter and hot summer during 2010. Because of the weather, Pee Dee Electric's kWh sales were 8.3% higher than 2009. Even though kWh sales were significantly higher than the previous year, the Total Cost of Electric Service was only 1.8% higher than 2009. This was accomplished through our employees' commitment to control the operating costs of the cooperative. The weather and cost control measures allowed the cooperative to have a very successful year financially with Total Margins exceeding \$4.2 million.

Although the cooperative continues to control costs, it is very important that we invest in the poles, wires, etc. that deliver electricity to your home. These investments are necessary to maintain reliability and meet the growing demand for electricity. During 2010, Pee Dee Electric invested over \$3.8 million in new poles, overhead and underground lines, transformers, meters, and other equipment. Your cooperative now has over \$95 million in utility plant investment throughout the cooperative's seven-county service area.

Another key area of operation at the cooperative is our right-of-way maintenance program. In 2010, our right-of-way maintenance expenses were just under \$1 million. These efforts effectively reduce the damage to our lines caused by trees and secure access to the lines for repairs and system maintenance. Pee Dee Electric's right-of-way maintenance program has proven very effective in reducing the number of outages our members experience and reducing the length of outages when they occur.

While we are efficient in our efforts to control costs while building and maintaining a reliable electric system, we remain member-focused. No matter what comes our way, whether it is climate change legislation, storms, or other challenges, we will continue to put you, our members, first. As a not-for-profit cooperative, we allocate money to our members when our revenue exceeds costs. We are very proud to

report that in 2010, Pee Dee Electric returned approximately \$500,000 to our members in the form of capital credits. These retirements represent patronage capital for years 1981, 1982, and retirements to the estates of deceased members. In addition, Pee Dee Electric refunded \$300,000 to members through the fuel factor on electric bills during 2010.

Pee Dee Electric continued our commitment to the community throughout 2010 by supporting numerous local charities and community organizations. Two programs cooperative members should be extremely proud of are the Bright Ideas Program and the Care to Share program. Our Bright Ideas educational grant program distributed over \$13,000 in grants to local schools in our seven-county service area to support creative and innovative teaching initiatives designed to enhancing the educational experience of our children.

Through the generosity of Pee Dee Electric's members, the cooperative's Care to Share program had another successful year. By allowing your cooperative to "round up" your electric bill each month and placing the monies in this special fund, the cooperative's Care to Share program donated over \$73,000 to local non-profit organizations serving our members during 2010. Since inception of the fund, Care to Share has donated almost \$500,000 to local non-profit organizations in our service territory. On behalf of the organizations benefiting from your generosity, thank you.

Pee Dee Electric is different. We are working together to keep your electric bills affordable. We continue to control costs through innovation and hard work. We continue to put you, our members, first. We thank you for being a member of Pee Dee Electric. And most of all, we thank you for the opportunity to serve you year after year.



Richard H. Johnson
President



Donnie Spivey
CEO & Executive
Vice President

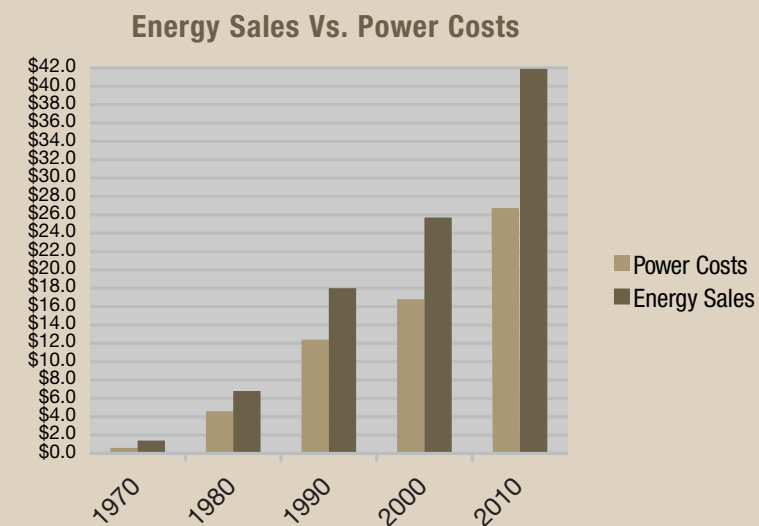
Consolidated Balance Sheet

	2008	2009	2010
ASSETS AND OTHER DEBITS			
TOTAL UTILITY PLANT	\$87,671,309	\$92,340,158	\$95,080,291
Less Provision for Depreciation	21,883,952	23,055,072	24,858,783
NET UTILITY PLANT	\$65,787,357	\$69,285,086	\$70,221,508
OTHER PROPERTY AND INVESTMENTS			
Investments in Associated Organizations	4,004,618	6,031,134	6,482,117
Other Investments	500,000	500,000	500,000
Restricted Cash	125,223	83,248	103,249
TOTAL OTHER PROPERTY & INVESTMENTS	\$4,629,841	\$6,614,382	\$7,085,366
CURRENT ASSETS			
Cash and cash equivalents	383,711	3,342,019	3,243,409
Accounts receivable	3,166,151	3,305,246	3,120,429
Materials and Supplies	1,200,015	1,406,176	1,202,851
Other current assets	69,590	68,226	62,687
TOTAL CURRENT ASSETS	\$4,819,467	\$8,121,667	\$7,629,376
Deferred Charges	1,389,122	1,271,747	1,217,521
TOTAL ASSETS & OTHER DEBITS (What we own)	\$76,625,787	\$85,292,882	\$86,153,771
LIABILITIES AND EQUITIES			
EQUITIES			
Patronage Capital	\$24,053,231	\$28,254,910	\$31,761,527
Other Equities	378,566	2,226,330	2,487,158
TOTAL EQUITIES	\$24,431,797	\$30,481,240	\$34,248,685
NONCURRENT LIABILITIES			
RUS Mortgage Notes	\$33,733,827	\$32,830,982	\$24,671,543
CoBank Mortgage Notes			5,800,714
CFC Mortgage Notes	5,198,891	4,694,774	4,171,965
FFB Mortgage Notes	0	5,956,376	5,856,813
Other Long-Term Debt	4,053,387	3,729,155	3,734,473
NCEMC Loan	500,000	500,000	500,000
TOTAL NONCURRENT LIABILITIES	\$43,486,105	\$47,711,287	\$44,735,508
CURRENT LIABILITIES			
Current portion of long-term debt	1,343,567	1,638,000	844,000
Accounts Payable	5,011,874	2,953,368	3,619,687
Consumer Deposits	1,177,824	1,198,525	1,171,608
Other Liabilities	870,789	973,689	792,581
TOTAL CURRENT & ACCRUED LIABILITIES	\$8,404,054	\$6,763,582	\$6,427,876
Deferred Credits	303,831	336,773	741,702
TOTAL LIABILITIES (What we owe) & EQUITIES	\$76,625,787	\$85,292,882	\$86,153,771

Consolidated Statement of Income and Expense

	2008	2009	2010
TOTAL OPERATING REVENUE (What we took in)	\$38,651,253	\$41,939,485	\$42,955,541
OPERATING EXPENSES			
Cost of Purchased Power	24,459,911	26,238,528	26,558,821
Transmission Expense	1,086	1,078	1,123
Distribution Expense—Operations	1,521,265	1,583,203	1,536,947
Distribution Expense—Maintenance	2,201,216	1,976,539	2,246,706
Consumer Accounts Expense	824,883	856,294	920,888
Customer Service and Information Expense	257,509	231,423	244,623
Sales Expense	90,607	125,213	75,322
Administrative and General Expenses	2,566,751	2,820,370	2,823,061
Depreciation and Amortization Expense	2,601,103	2,727,688	2,854,946
Taxes	1,246,485	1,355,166	1,389,217
Interest on Long-Term Debt	2,022,626	2,184,587	2,131,733
Interest Expense—Other	23,881	27,488	9,555
Other	(416,477)	19,541	34,177
TOTAL OPERATING EXPENSES (What we paid out)	\$37,400,846	\$40,147,118	\$40,827,119
OPERATING MARGINS before patronage allocations	1,250,407	1,792,367	2,128,422
Patronage allocations	357,732	458,519	573,034
NET OPERATING MARGINS	1,608,139	2,250,886	2,701,456
NON-OPERATING MARGINS			
Interest Income	76,166	75,692	104,924
Gain (loss) on sale of plant	22,139	(7,331)	(175)
Miscellaneous	24,415	17,447	2,056
Gain (loss) on investment	781,405	2,234,669	1,480,751
TOTAL MARGINS (What we had left over)	\$2,512,264	\$4,571,363	\$4,289,012
<i>The records of Pee Dee Electric were audited for the period January 1, 2010, to December 31, 2010, by Adams, Jenkins & Cheatham, PC of Richmond, Virginia. A copy of the audit is available for inspection by any member.</i>			
ELECTRIC AND OTHER STATISTICS			
KWH Purchased:			
SEPA	4,548,829	9,311,772	10,489,120
NCEMC—CP&L Area	308,935,478	304,395,571	332,828,099
NCEMC—Duke Area	73,667,942	72,669,409	76,050,742
TOTAL PURCHASED	387,152,249	386,376,752	419,367,961
KWH Sales:			
Residential and Farm	272,393,062	274,132,006	298,229,178
Commercial	72,556,627	67,396,814	73,127,533
Large Power	11,168,280	11,739,810	11,253,800
TOTAL SALES	356,117,969	353,268,630	382,610,511
Average Monthly KWH Usage	1,432	1,419	1,539
Average Cost per KWH Sold (cents)	\$0.1063	\$0.1162	\$0.1098
Number of Members at Year End	20,773	20,761	20,706

How Your 2010 Operating Dollars Were Used



	Power Costs	Energy Sales
1970	\$0.6 million	\$1.4 million
1980	\$4.6 million	\$6.8 million
1990	\$12.3 million	\$17.8 million
2000	\$16.8 million	\$25.7 million
2010	\$26.6 million	\$42.0 million

Members Served		
1950	1980	2010
5,566	12,596	20,706
1960	1990	
7,680	15,846	
1970	2000	
9,356	19,525	

Average Monthly kwh per member		
1950	1980	2010
104	943	1,539
1960	1990	
325	1,099	
1970	2000	
611	1,367	

Total Assets (in millions)		
1970	1990	2010
\$5.0	\$24.3	\$86.2
1980	2000	
\$12.4	\$43.9	

Pee Dee Electric Membership Corporation



Millard E. Russell
District 1



Benjamin R. Lybrand
District 2



Winnie M. Bennett
District 3



Richard H. Johnson
District 4



Donald A. Thompson
District 5



Marcia A. Lambeth
District 6



Benjamin F. McCallum, Jr.
District 7



R. Craig Davis, Jr.
District 8



Neal D. Hicks, Jr.
Director at Large



Craig W. Ratliff
Director at Large



Richard V. Melton
Director at Large

