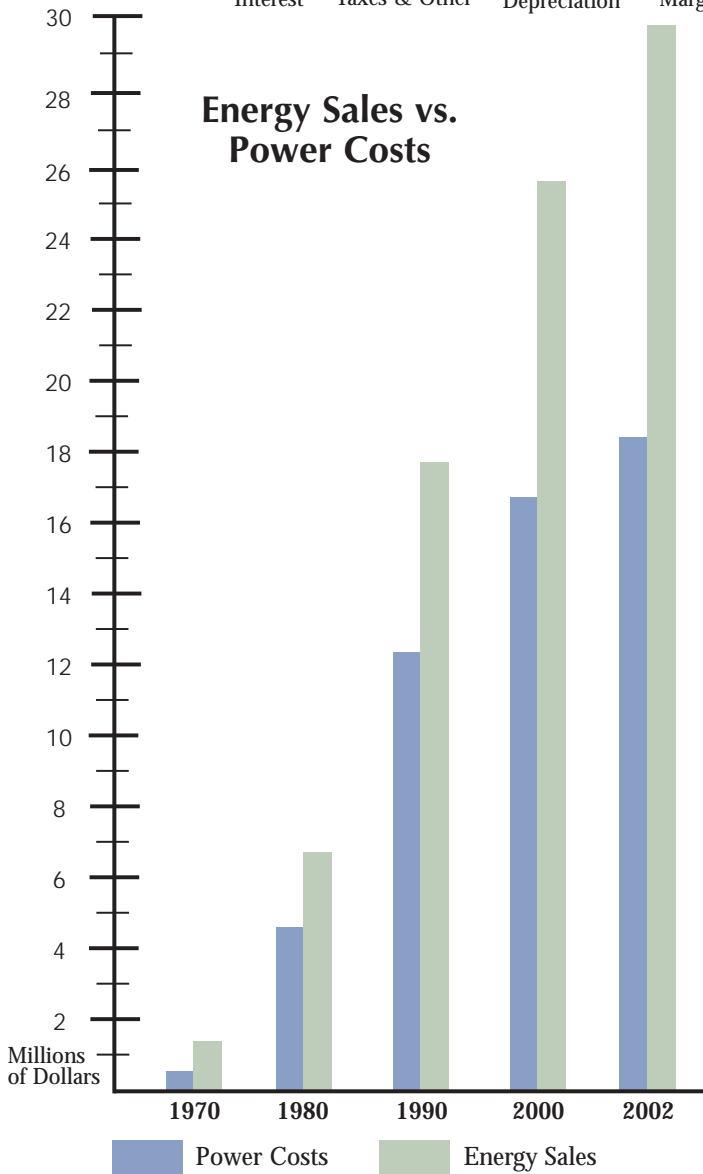


How Your 2002 Operating Dollars Were Used



3.9% Interest 4.8% Taxes & Other 5.6% Depreciation 5% Margins 17.6% General Operations 61.8% Cost of Power 0.1% Other 1.1% Internet

Energy Sales vs. Power Costs



	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
2002	\$18.5 million	\$29.8 million

MEMBERS SERVED

<u>1950</u>	<u>1980</u>	<u>2002</u>
5,566	12,596	19,911
<u>1960</u>	<u>1990</u>	
7,680	15,846	
<u>1970</u>	<u>2000</u>	
9,356	19,525	

AVERAGE MONTHLY kwh PER MEMBER

<u>1950</u>	<u>1980</u>	<u>2002</u>
104	943	1,399
<u>1960</u>	<u>1990</u>	
325	1,099	
<u>1970</u>	<u>2000</u>	
611	1,367	

TOTAL ASSETS (in millions)

<u>1970</u>	<u>1990</u>	<u>2002</u>
\$5.0	\$24.3	\$50.6
<u>1980</u>	<u>2000</u>	
\$12.4	\$43.9	

Pee Dee Electric Membership Corporation

Board of Directors



Millard E. Russell
District 1
Years of Service: 28



Benjamin R. Lybrand
District 2
Years of Service: 5



J. Harold Moore
District 3
Years of Service: 15



Richard H. Johnson
District 4
Years of Service: 31



Donald A. Thompson
District 5
Years of Service: 5



Marcia A. Lambeth
District 6
Years of Service: 3



Benjamin F.
McCallum, Jr.
District 7
Years of Service: 13



Charles D. Smith
District 8
Years of Service: 23



Neal D. Hicks, Jr.
Director at Large
Years of Service: 18



Craig W. Ratliff
Director at Large
Years of Service: 25



Winnie M. Bennett
Director at Large
Years of Service: 2



Pee Dee Electric Membership Corporation



Touchstone Energy[®]

The power of human connections

Pee Dee Electric

Pee Dee Hi-Lite

Pee Dee Electric is proud
to serve the members
of our cooperative where
patriotism, unity and
pride run deep...
As proud Americans we
realize that we don't just
live in America...
AMERICA LIVES IN US.



ANNUAL REPORT 2002

President and CEO's Report

It is with great pride that we present to you, the member-owners of Pee Dee Electric Membership Corporation, this 2002 Annual Report on the activities and financial condition of your electric cooperative.

Cooperative Activities

Pee Dee Electric has a 64-year tradition of providing reliable and affordable electricity, quality customer service, and a commitment to our communities. During 2002, the average outage time per consumer was less than one hour, excluding the December ice storm. We appreciate each member's patience during the outages caused by the December 2002 ice storm. Approximately 35% of our members experienced a loss of power due to the storm. We truly believe our aggressive right-of-way clearing program spared our members the extended outages experienced in Charlotte, Raleigh, Durham, and other major N.C. cities. Pee Dee Electric is committed to properly maintaining our right-of-ways and rebuilding power lines to continue improving the reliability of the electric service we provide our members. The cooperative spent more than \$4.9 million on system improvements, replacing existing power lines, and building power lines to serve 670 new electric accounts.

Pee Dee Electric is committed to providing quality customer service to our members. We currently have two exciting projects underway using technology to improve our service. The first project is the development of a Geographical Information System (GIS). Once the project is complete, we will have superior data for our engineering department to proactively identify areas we need to focus our power line construction efforts on due to excessive loading, reliability issues, etc. Our customer service representatives will have a graphic-based informational database at their fingertips to better serve our members. It is our ultimate goal to tie the GIS system together with our outage reporting system to help us predict the location of outages to improve service restoration time.

The second major project is the implementation of an Automated Meter Reading (AMR) system throughout the cooperative's service territory. The cooperative, through a company called TeamSTS, will replace each meter on the system with a new meter installed with a TWACS (two way automated communication system) meter transponder. Accurate meter readings and other data will be transmitted over our power lines to our substations and back to our offices. Not only will we obtain our meter readings automatically, we will have access to voltage readings, "blink" counts, meter tampering indicators, and other information. This information will give our employees additional tools to better serve our members when a service reliability issue arises. It is our goal to complete the AMR project by mid-2004.

Pee Dee Electric continues to support the communities we serve. The cooperative is very active in economic development activities in our area through our shell building program in Richmond County; as well as employees and directors serving on various boards and committees. Pee Dee Electric is also very supportive of education. During 2002, in cooperation with cooperatives

across the state, we awarded more than \$11,600 in Bright Ideas grants to teachers throughout our service territory. The Bright Ideas Grant Program funds innovative classroom projects that would probably not receive funding by the school system due to very tight budget constraints. In addition the cooperative's Awareness Committee awarded four \$1,000 scholarships to children of cooperative members. These funds were raised through the committee's annual Pee Dee Golf Classic and a raffle at the cooperative's Annual Meeting. The cooperative is also very active in numerous community events throughout the year.

Member and kWh Sales Growth

The cooperative had a net gain of 177 new electric accounts during 2002. Pee Dee Electric served 19,911 meters by the end of 2002. Your cooperative sold more than 332 million kWhs of electricity to our members, which was a 2.8% increase over the previous year.

Operating Revenues

During 2002, operating revenues totaled \$29.5 million, which was a 7.6% increase over 2001. Of that amount, \$28.8 million came from the sale of electricity, while the remainder came from pole attachment rental fees, service charges, Internet Service charges, and other miscellaneous revenues.

Wholesale Power Costs

Purchased Power Costs totaled \$18.5 million during 2002, which was a 6.7% increase over the previous year. Wholesale Power Costs represented 66% of the total expenses of the cooperative.

Capital Credit Retirements

Pee Dee Electric refunded more than \$155,000 in a capital credit general retirement to cooperative members and approximately \$221,000 to the estates of deceased members. Throughout the cooperative's history, more than \$5.5 million in capital credits have been paid to current and former members of the cooperative.

Total Margins

Total Margins during 2002 were \$1.5 million. Total Member Equities, which represents the members' ownership interest in Pee Dee Electric, totaled \$19.1 million as of December 31, 2002. This means the members of the cooperative own 38 percent of the cooperative's \$50.8 million business.

In closing, we would like to take this opportunity to thank you for the tremendous support we receive from our members. It is truly an honor to be associated with such a fine organization with the wonderful purpose of providing electricity to the rural areas of the seven-county region we serve.



(Left) **Richard H. Johnson**
President

(Right) **Donnie Spivey**
*CEO & Executive Vice
President*

Consolidated Statement of Income and Expense

	2000	2001	2002
TOTAL OPERATING REVENUE (What We Took In)	\$26,431,179	\$27,721,881	\$29,800,943
OPERATING EXPENSES			
Cost of Purchased Power	16,803,914	16,706,793	\$18,511,586
Internet Access Expense	313,213	380,619	\$342,323
Transmission Expense	607	0	967
Distribution Expense - Operations	958,925	1,161,639	1,295,022
Distribution Expense - Maintenance	1,501,577	1,530,937	1,346,557
Consumer Accounts Expense	910,203	1,006,766	979,158
Customer Service and Information Expense	77,000	72,725	79,161
Sales Expense	37,404	41,070	35,340
Administrative and General Expenses	1,682,699	2,011,059	2,004,689
Depreciation and Amortization Expense	1,444,520	1,581,179	1,687,255
Taxes	839,895	882,157	957,037
Interest on Long-Term Debt	991,185	1,085,783	1,067,500
Interest Expense - Other	229,540	177,960	109,576
Other	56,502	22,458	24,690
TOTAL OPERATING EXPENSES (What We Paid Out)	\$25,847,184	\$26,661,145	\$28,440,861
OPERATING MARGINS (before patronage allocations)	\$583,995	\$1,060,736	\$1,360,082
Patronage allocations	81,760	124,582	54,641
NET OPERATING MARGINS	665,755	1,185,318	1,414,723
NON-OPERATING MARGINS			
Interest Income	77,521	61,818	40,616
Gain (loss) on sale of plant	17,908	(18,448)	23,092
Miscellaneous	27,039	1,051	16,455
Loss on investment	(90,712)	(41,725)	(2,219)
TOTAL MARGINS (What We Had Left Over)	\$697,511	\$1,188,014	\$1,492,667

The above statements are presented on a consolidated basis. The records of Pee Dee Electric were audited for the period January 1, 2002 to December 31, 2002 by Adams, Akin, Jenkins & Cheatham, pc of Richmond, Virginia. A copy of the audit is available for inspection by any member.

Electric and Other Statistics

KWH Purchased:

SEPA	5,930,953	4,758,490	3,768,421
NCEMC - CP&L Area	271,077,872	268,256,408	283,450,146
NCEMC - Duke Area	72,273,031	71,283,406	76,756,110
TOTAL PURCHASED	349,281,856	344,298,304	363,974,677

KWH Sales:

Residential and Farm	255,668,894	259,959,971	268,718,079
Commercial	53,779,584	56,740,235	59,299,684
Large Power	8,113,600	7,563,040	4,630,060
TOTAL SALES	317,562,078	324,263,246	332,647,823

Average Monthly KWH Usage	1,367	1,376	1,399
Average Cost per KWH Sold	\$0.0809	\$0.0830	\$0.0866
Number of Members at Year End	19,525	19,734	19,911