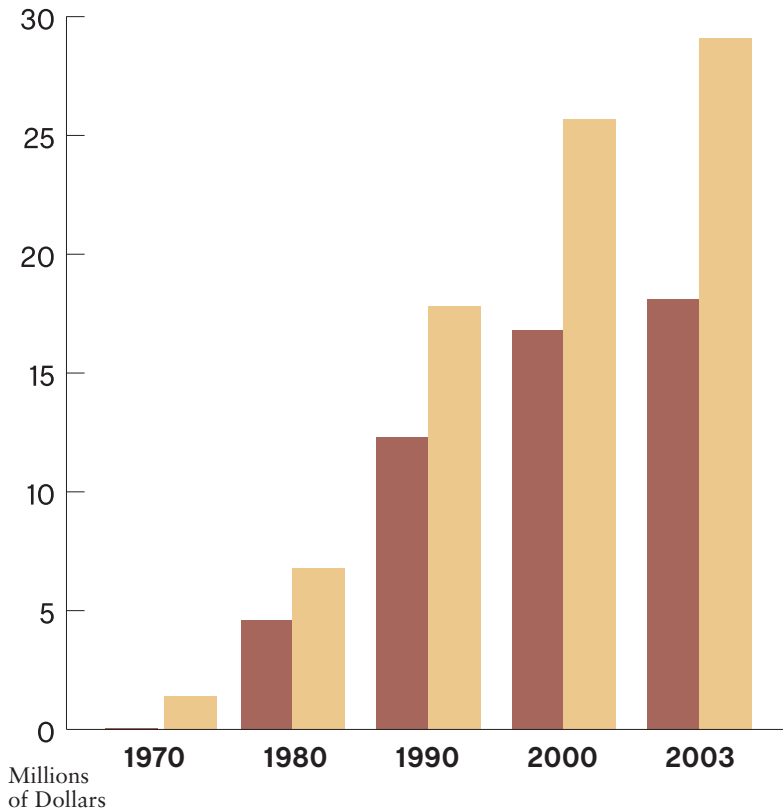


How Your 2003 Operating Dollars Were Used



Energy Sales vs. Power Costs



Power Costs

1970	\$0.6 million
1980	\$4.6 million
1990	\$12.3 million
2000	\$16.8 million
2003	\$18.1 million

Energy Sales

1970	\$1.4 million
1980	\$6.8 million
1990	\$17.8 million
2000	\$25.7 million
2003	\$29.1 million

Members Served		
<u>1950</u>	<u>1980</u>	<u>2003</u>
5,566	12,596	19,987
<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>2003</u>
104	943	1,377
<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>2003</u>
\$5.0	\$24.3	\$55.5
<u>1980</u>	<u>2000</u>	
\$12.4	\$43.9	

Pee Dee Membership Corporation



Millard E. Russell
District 1
Years of Service: 29



Benjamin R. Lybrand
District 2
Years of Service: 6



J. Harold Moore
District 3
Years of Service: 16



Richard H. Johnson
District 4
Years of Service: 32



Donald A. Thompson
District 5
Years of Service: 6



Marcia A. Lambeth
District 6
Years of Service: 4



Benjamin F. McCallum, Jr.
District 7
Years of Service: 14



Charles D. Smith
District 8
Years of Service: 24



Neal D. Hicks, Jr.
Director at Large
Years of Service: 19



Craig W. Ratliff
Director at Large
Years of Service: 26



Winnie M. Bennett
Director at Large
Years of Service: 3



Pee Dee Electric Membership Corporation



Touchstone Energy
The power of human connections



Pee Dee Electric Annual Report 2003

☼ You Have Friends in High Places

A supplement to Carolina Country

President and CEO's Report

Pee Dee Electric has a long and proud tradition of providing reliable and affordable electricity and quality customer service to its cooperative members. Therefore, it is with great pleasure that we present to you, the member-owners of Pee Dee Electric Membership Corporation, this 2003 Annual Report on the activities and financial condition of your electric cooperative.

Cooperative Activities

Your cooperative has been very busy these past 12 months developing and implementing strategies to further improve the electric service reliability and customer service quality we provide our members. During the fall of 2003, the cooperative completed its Three-Year Construction Work Plan. The work plan identified the major areas of line construction for the next three years. The plan was then used as a basis to apply for RUS financing. Highlights of the plan include:

- \$5.7 million - build lines to serve new consumers
- \$2.1 million - upgrade the Wadesboro substation
- \$1.8 million - complete the installation of the Automated Meter Reading (AMR) system
- \$1.3 million - upgrade the East Rockingham Substation
- \$1.3 million - replace 36 miles of old copper lines

The cooperative also has an aggressive right-of-way clearing program that includes the side trimming of trees with our Skytrim trimming machine, bucket truck trimming of yard trees, right-of-way mowing, and chemical spraying of our rights of way. The Skytrim machine has been particularly effective in improving our service reliability by reducing tree-related outages. Pee Dee Electric is committed to continuously maintaining and upgrading the electric distribution system to provide reliable electric service to our members.

During the past 12 months, Pee Dee Electric has focused on providing quality customer service to our members through the use of new technologies, including two major ongoing projects.

The first ongoing project is the Automated Meter Reading (AMR) project. The cooperative continues to install the TWACS AMR system throughout our system. We have completed approximately 90% of the residential meter installations. The cooperative is utilizing AMR readings in the Wadesboro District, and will soon begin using the AMR readings in the Rockingham District. We plan to begin the installation of the commercial AMR meters soon.

The benefits of the AMR system are tremendous. This system will allow the cooperative to provide quality customer service through accurate and timely meter readings, "blink" counts and voltage readings to identify power quality problems, and daily meter readings to identify meter tampering and possible high bill issues.

The second ongoing project involves the development of a Geographical Information System (GIS). Once the project is complete, GIS will provide superior data to identify areas of the electric distribution system starting to show signs of overloading, voltage problems, or reliability issues. We will then use this data to guide our line construction plans for upgrades. Plus, our customer service representatives will have a graphic-based informational database in addition to our consumer database to provide better service to our members.

In the future, we plan to tie our GIS, Porche Outage Reporting, and TWACS AMR systems together to help us predict the location of outages, which will improve service restoration time.

One of the most interesting developments during the past 12 months has been Pee Dee Electric's involvement in Sandhills Utility Services (SUS). SUS, owned by Central Electric, Lumbee River EMC, Pee Dee Electric and South River EMC, successfully bid to own and operate the electric distribution system on Fort Bragg, Pope Air Force Base, and Camp MacKall military bases. We are proud of the accomplishments that have been made during the past year by SUS. This investment has proven to be beneficial to the Sandhills member cooperatives during the first year of operation on base and we are confident the return on our investment will significantly benefit Pee Dee Electric's members, both now and in the future.

Financial Results

During 2003, operating revenues totaled \$28.7 million, a 2.4% decrease from 2002. The cooperative experienced slow growth during 2003. The cooperative had a net gain of only 76 new electric accounts during the year, which resulted in 19,987 meters being served by the end of 2003. Your cooperative sold more than 329 million kWh of electricity to our members, a decrease of 1% from the previous year.

Purchased Power Costs totaled \$18.1 million during 2003, a decrease of 2.4% from 2002. Purchased Power Costs represent 63.9% of the total expenses of the cooperative.

Total Margins totaled \$605,000 during 2003. The decrease in kWh sales, revenues and margins were due to the mild summer and slow member growth we experienced during the year. Total Member Equities, which represents the members' ownership interest in Pee Dee Electric, totaled \$19.4 million as of December 31, 2003. This means cooperative members own 35% of the cooperative's \$55.5 million worth of assets.

Pee Dee Electric refunded more than \$200,000 in a capital credit general retirement to cooperative members and approximately \$173,000 to the estates of deceased members. The cooperative has retired capital credits totaling more than \$5.9 million to current and former members throughout the history of the organization.

Thank You

Lastly, we would like to thank you, our member-owners, for your interest in this wonderful organization and the tremendous support we receive from you. We promise to continue our mission of providing reliable electric service to our members and focusing on value, quality customer service, and enhancing the quality of life in the communities we serve.



Richard H. Johnson
President
(Left)

Donnie Spivey
CEO & Executive
Vice President
(Right)

Consolidated Statement of Income and Expense

	2001	2002	2003
TOTAL OPERATING REVENUE (What We Took In)	\$27,721,881	\$29,800,943	\$29,057,355
OPERATING EXPENSES			
Cost of Purchased Power	\$16,706,793	\$18,511,586	\$18,067,039
Internet Access Expense	380,619	342,323	334,645
Transmission Expense	0	967	1,009
Distribution Expense - Operations	1,161,639	1,295,022	1,216,269
Distribution Expense - Maintenance	1,530,937	1,346,557	1,549,521
Consumer Accounts Expense	1,006,766	979,158	1,010,979
Customer Service and Information Expense	72,725	79,161	194,376
Sales Expense	41,070	35,340	59,924
Administrative and General Expenses	2,011,059	2,004,689	2,146,766
Depreciation and Amortization Expense	1,581,179	1,687,255	1,848,299
Taxes	882,157	957,037	925,646
Interest on Long-Term Debt	1,085,783	1,067,500	1,253,012
Interest Expense - Other	177,960	109,576	41,676
Other	22,458	24,690	21,297
TOTAL OPERATING EXPENSES (What We Paid Out)	\$26,661,145	\$28,440,861	\$28,670,458
OPERATING MARGINS before patronage allocations	\$1,060,736	\$1,360,082	\$386,897
Patronage allocations	124,582	54,641	36,507
NET OPERATING MARGINS	\$1,185,318	\$1,414,723	\$423,404
NON-OPERATING MARGINS			
Interest Income	\$61,818	\$40,616	\$50,288
Gain (loss) on sale of plant	(18,448)	23,092	(23,269)
Miscellaneous	1,051	16,455	12,608
Gain (loss) on investments	(41,725)	(2,219)	142,077
TOTAL MARGINS (What We Had Left Over)	\$1,188,014	\$1,492,667	\$605,108
<i>The above statements are presented on a consolidated basis. The records of Pee Dee Electric were audited for the period January 1, 2003 to December 31, 2003 by Adams, Akin, 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	\$4,758,490	\$3,768,421	\$19,711,659
NCEMC - CP&L Area	268,256,408	283,450,146	269,318,945
NCEMC - Duke Area	71,283,406	76,756,110	72,312,078
TOTAL PURCHASED	\$344,298,304	\$363,974,677	\$361,342,682
KWH Sales:			
Residential and Farm	\$259,959,971	\$268,718,079	\$260,822,723
Commercial	56,740,235	59,299,684	64,695,432
Large Power	7,563,040	4,630,060	4,146,000
TOTAL SALES	\$324,263,246	\$332,647,823	\$329,664,155
Average Monthly KWH Usage	1,376	1,399	1,377
Average Cost per KWH Sold (cents)	\$0.0830	\$0.0866	\$0.0853
Number of Members at Year End	19,734	19,911	19,987