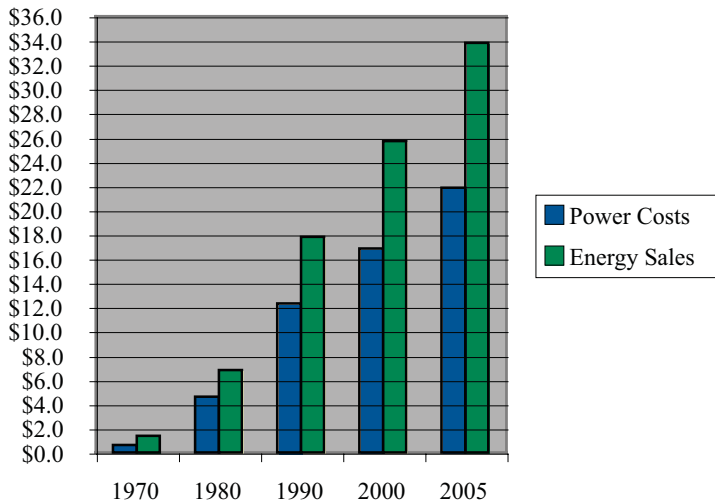


How Your 2005 Operating Dollars Were Used



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
2005	\$21.9 million	\$33.8 million

Members Served

<u>1950</u>	<u>1980</u>	<u>2003</u>
5,566	12,596	19,987
<u>1960</u>	<u>1990</u>	<u>2004</u>
7,680	15,846	20,148
<u>1970</u>	<u>2000</u>	<u>2005</u>
9,356	19,525	20,326

Average Monthly kwh per member

<u>1950</u>	<u>1980</u>	<u>2003</u>
104	943	1,377
<u>1960</u>	<u>1990</u>	<u>2004</u>
325	1,099	1,436
<u>1970</u>	<u>2000</u>	<u>2005</u>
611	1,367	1,466

Total Assets (in millions)

<u>1970</u>	<u>1990</u>	<u>2005</u>
\$5.0	\$24.3	\$64.6
<u>1980</u>	<u>2000</u>	
\$12.4	\$43.9	

Pee Dee Electric Membership Corporation



Millard E. Russell
District 1
Years of Service: 31



Benjamin R. Lybrand
District 2
Years of Service: 8



Winnie M. Bennett
District 3
Years of Service: 6



Richard H. Johnson
District 4
Years of Service: 33



Donald A. Thompson
District 5
Years of Service: 8



Marcia A. Lambeth
District 6
Years of Service: 6



Benjamin F. McCallum, Jr.
District 7
Years of Service: 16



Charles D. Smith
District 8
Years of Service: 26



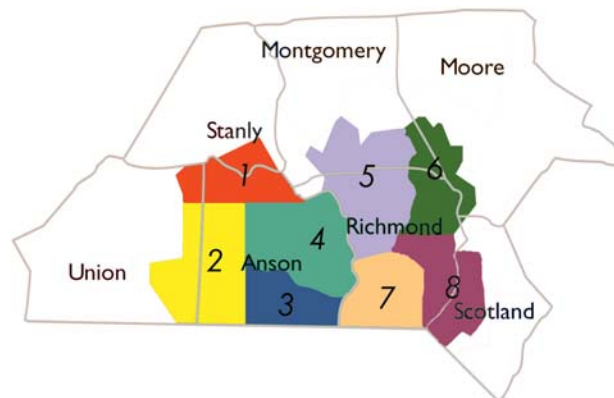
Neal D. Hicks, Jr.
Director at Large
Years of Service: 21



Craig W. Ratliff
Director at Large
Years of Service: 28



Richard Melton
Director at Large
Years of Service: 1



Pee Dee Electric
Membership Corporation

A Touchstone Energy® Cooperative



Integrity



**Pee Dee Electric
Membership Corporation**

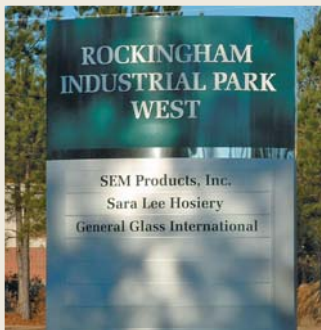
A Touchstone Energy® Cooperative 

Annual Report 2005



Accountability

Innovation



**Commitment
To
Community**

President and CEO's Report

Pee Dee Electric, through our Board of Directors, management and employees, is dedicated to providing our members with reliable electric service while focusing on value, quality customer service, and supporting our communities. With this in mind, we present our 2005 Annual Report.

Last year was very eventful in the energy industry. The most direct impact on cooperative members centered on increased power bills caused by escalating natural gas and coal prices, which are fuels used to generate electricity. Natural gas prices climbed steadily during 2005 and skyrocketed when Hurricanes Katrina and Rita severely impacted the Gulf Coast. We have also seen coal prices climb steadily in recent years.

These higher energy costs forced the cooperative to implement a retail rate increase in April 2006. The increase was mainly driven by higher wholesale power costs, but higher operating costs impacted the rate increase as well. Utilities have seen the price of materials used to build power lines increase significantly in recent years, especially steel prices. Therefore, the rate increase was necessary to preserve the financial integrity of the cooperative.

To offset the impact of higher electricity prices, your cooperative made a concerted effort to better inform members on ways to conserve electricity. Even with the increase, electricity is still an extremely good value in comparison with other energy sources. In fact, electricity remains the most stable energy source to heat and cool your home, heat your water and run your home's appliances.

Certainly, the 2005 hurricane season impacted the entire energy industry. I am sure each of our members felt the impact at the gas pumps due to damages sustained by the oil industry in the Gulf of Mexico. However, out of this adversity, we saw the strength and unity of the American people. Citizens across the nation united to provide support to the devastated region of our country. Pee Dee Electric's operational employees are to be commended for their dedicated service in Mississippi and Louisiana as they helped restore electricity to damaged areas within those states.

During 2005, Congress passed the

Energy Policy Act of 2005, which will have a long-term impact on the U.S. energy industry. The Act included incentives for nuclear plant construction, consumer conservation incentives, and other incentives to reduce the nation's reliance on foreign oil. The Energy Act also included requirements to strengthen the nation's electric transmission system. The Energy Act did not include requirements that would have a significant financial impact on cooperatives, which is a direct result of the grassroots lobbying efforts and the unity of cooperatives across the nation.

Here at home, Pee Dee Electric continues to experience slow growth in new members. The slow growth makes it difficult for the cooperative to absorb increasing operating costs. Even with these financial pressures, Pee Dee Electric remains committed to the reliability of our electric system, which is very dependent on adequately maintaining our power lines and equipment through inspections and repairs, rebuilding lines, and most important, keeping our rights of way clear of tree limbs and brush to prevent power outages.

Pee Dee Electric, through the support of cooperative members, continues to be active in the communities we serve. One of the most commendable ways our members support the community is the Care to Share Program. More than 80 percent of Pee Dee Electric's members allow the cooperative to "round up" their electric bill to the next dollar each month and place this additional money in a special account to provide funds for special projects in our communities. The Care to Share Program has awarded more than \$64,000 to worthy community projects. I praise our members for their participation in this worthwhile program.

As we look forward, Pee Dee Electric will work diligently with North Carolina Electric Membership Corporation, our wholesale power supplier, to control wholesale power costs. This will be a major challenge because external market forces are driving the cost of energy higher each day. Pee Dee Electric continues to look for ways to work more efficiently to control

our operating costs. This too will be challenging as our economy becomes more global and the competition for limited resources, such as the construction materials we use, will be in higher demand as developing countries such as China and India build infrastructure.

However challenging these obstacles may be, there is no doubt American perseverance and ingenuity will prevail and cooperatives and our members will continue to succeed.

FINANCIAL REPORT

During 2005, operating revenues totaled \$33.8 million, which was an 8 percent increase from 2004. As mentioned, the cooperative experienced slow growth during 2005. The cooperative had a net gain of only 178 new electric accounts served during the year, which represents less than 1 percent. At the end of 2005, Pee Dee Electric provided electric service to 20,326 accounts. Your cooperative sold more than 355 million kWhs of electricity to our members, which was an increase of 2.8 percent over the previous year.

Purchased Power costs totaled \$21.9 million during 2005, an increase of 9.8 percent over 2004. Purchased Power Costs represent 65 percent of cooperative's the total expenses. Total Margins were \$409,000 during 2005.

As of December 31, 2005, Pee Dee Electric had assets totaling more than \$64.6 million. The cooperative's Total Member Equities, which represents the members' ownership interest, totaled \$20.2 million, which means cooperative members own 31 percent of the cooperative's \$64.6 million business.

In closing, we would like to thank you, our member-owners, for your interest in this wonderful organization and the tremendous support we receive from you. It is our commitment 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 Balance Sheet

ASSETS AND OTHER DEBITS	2003	2004	2005
TOTAL UTILITY PLANT	\$64,174,472	\$68,990,339	\$73,076,349
Less Provision for Depreciation	15,623,266	16,313,101	17,673,306
NET UTILITY PLANT	\$48,551,206	\$52,677,238	\$55,403,043
OTHER PROPERTY AND INVESTMENTS			
Investments in Associated Organizations	2,563,531	2,728,224	3,159,052
Investments in Economic Development Projects	355,907	265,759	164,954
Other Investments	44,555	0	46,072
TOTAL OTHER PROPERTY & INVESTMENTS	\$2,963,993	\$2,993,983	\$3,370,078
CURRENT ASSETS			
Cash and cash equivalents	380,039	1,130,368	2,642,299
Accounts receivable	2,157,012	2,509,913	1,219,585
Materials and Supplies	894,699	1,234,004	812,305
Other current assets	76,630	89,879	86,087
TOTAL CURRENT ASSETS	\$3,508,380	\$4,964,164	\$4,760,276
Deferred Charges	492,208	1,088,106	1,070,765
TOTAL ASSETS & OTHER DEBITS (What we own)	\$55,515,787	\$61,723,491	\$64,604,162
LIABILITIES AND EQUITIES			
EQUITIES			
Patronage Capital	\$18,872,357	\$19,196,123	\$19,526,479
Other Equities	527,410	749,308	685,089
TOTAL EQUITIES	\$19,399,767	\$19,945,431	\$20,211,568
NONCURRENT LIABILITIES			
RUS Mortgage Notes	21,970,968	25,092,167	28,819,789
CFC Mortgage Notes	5,479,271	7,081,674	6,632,089
Other	1,071,508	1,126,743	1,506,046
Other Long-Term Debt - NCEMC Loan	330,000	763,214	212,144
Vehicle notes	86,158	182,510	91,879
TOTAL NONCURRENT LIABILITIES	\$28,937,905	\$34,246,308	\$37,261,947
CURRENT LIABILITIES			
Current portion of long-term debt	891,945	1,532,683	1,198,229
Accounts Payable	3,590,386	4,004,158	4,293,614
Advances on line of credit	1,500,000	600,000	0
Consumer Deposits	656,166	758,270	811,527
Other Liabilities	491,039	636,641	645,230
TOTAL CURRENT & ACCRUED LIABILITIES	\$7,129,536	\$7,531,752	\$6,948,600
Deferred Credits	48,579	0	182,047
TOTAL LIABILITIES (What we owe) & EQUITIES	\$55,515,787	\$61,723,491	\$64,604,162

Consolidated Statement of Income and Expense

	2003	2004	2005
TOTAL OPERATING REVENUE (What we took in)	\$29,057,355	\$31,300,201	\$33,790,468
OPERATING EXPENSES			
Cost of Purchased Power	18,067,039	19,894,695	21,850,964
Internet Access Expense	334,645	161,163	0
Transmission Expense	1,009	1,110	1,169
Distribution Expense - Operations	1,216,269	1,166,180	1,299,744
Distribution Expense - Maintenance	1,549,521	1,662,128	1,637,726
Consumer Accounts Expense	1,010,979	934,285	915,947
Customer Service and Information Expense	194,376	226,642	244,710
Sales Expense	59,924	73,237	73,096
Administrative and General Expenses	2,146,766	2,148,207	2,416,974
Depreciation and Amortization Expense	1,848,299	2,051,761	2,162,000
Taxes	925,646	1,000,007	1,096,297
Interest on Long-Term Debt	1,253,012	1,422,960	1,689,256
Interest Expense - Other	41,676	56,365	83,918
Other	21,297	29,006	14,557
TOTAL OPERATING EXPENSES (What we paid out)	\$28,670,458	\$30,827,746	\$33,486,358
OPERATING MARGINS before patronage allocations	\$386,897	\$472,455	\$304,110
Patronage allocations	36,507	70,652	197,801
NET OPERATING MARGINS	423,404	543,107	501,911
NON-OPERATING MARGINS			
Interest Income	50,288	38,877	63,511
Gain (loss) on sale of plant	(23,269)	(31,093)	(5,201)
Miscellaneous	12,608	14,031	9,308
Loss on investment	142,077	148,853	(159,767)
Income tax expense		26,000	
TOTAL MARGINS (What we had left over)	\$605,108	\$687,775	\$409,762
<i>The above statements are presented on a consolidated basis. The records of Pee Dee Electric were audited for the period January 1, 2005 to December 31, 2005 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	19,711,659	10,214,406	8,072,782
NCEMC - CP&L Area	269,318,945	294,410,394	303,096,728
NCEMC - Duke Area	72,312,078	71,253,086	71,392,552
TOTAL PURCHASED	361,342,682	375,877,886	382,562,062
KWH Sales:			
Residential and Farm	260,822,723	272,695,420	276,956,165
Commercial	64,695,432	69,325,513	74,262,721
Large Power	4,146,000	4,052,726	4,750,425
TOTAL SALES	329,664,155	346,073,659	355,969,311
Average Monthly KWH Usage	1,377	1,436	1,466
Average Cost per KWH Sold (cents)	8.53 cents	8.83 cents	9.31 cents
Number of Members at Year End	19,987	20,148	20,326