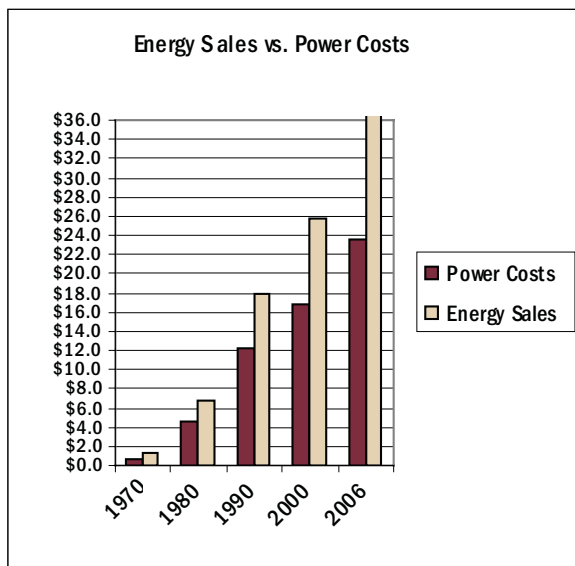


# How Your 2006 Operating Dollars Were Used



	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
2006	\$ 23.5 million	\$ 37.2 million

Members Served		
<u>1950</u>	<u>1980</u>	<u>2004</u>
5,566	12,596	20,148
<u>1960</u>	<u>1990</u>	<u>2005</u>
7,680	15,846	20,326
<u>1970</u>	<u>2000</u>	<u>2006</u>
9,356	19,525	20,586

Average Monthly kwh per member		
<u>1950</u>	<u>1980</u>	<u>2004</u>
104	943	1,436
<u>1960</u>	<u>1990</u>	<u>2005</u>
325	1,099	1,466
<u>1970</u>	<u>2000</u>	<u>2006</u>
611	1,367	1,421

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>	<u>2006</u>
\$12.4	\$43.9	\$69.2

# Pee Dee Electric Membership Corporation



Millard E. Russell  
District 1  
*Years of Service: 32*



Benjamin R. Lybrand  
District 2  
*Years of Service: 9*



Winnie M. Bennett  
District 3  
*Years of Service: 7*



Richard H. Johnson  
District 4  
*Years of Service: 35*



Donald A. Thompson  
District 5  
*Years of Service: 9*



Marcia A. Lambeth  
District 6  
*Years of Service: 7*



Benjamin F. McCallum, Jr.  
District 7  
*Years of Service: 17*



Charles D. Smith  
District 8  
*Years of Service: 27*



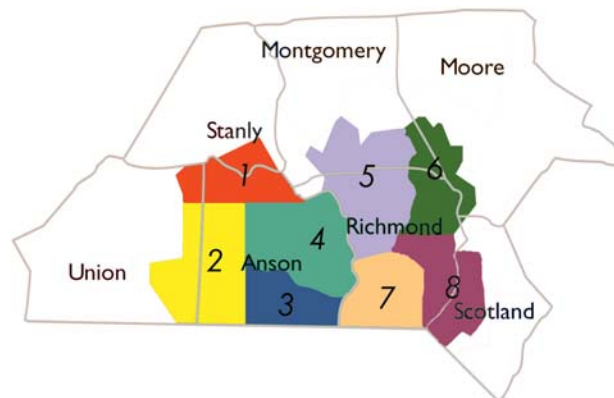
Neal D. Hicks, Jr.  
Director at Large  
*Years of Service: 22*



Craig W. Ratliff  
Director at Large  
*Years of Service: 29*



Richard Melton  
Director at Large  
*Years of Service: 2*



Pee Dee Electric  
Membership Corporation

A Touchstone Energy® Cooperative





**Making a Difference.**

**That's the Cooperative Way.**



**Pee Dee Electric  
Membership Corporation**

A Touchstone Energy® Cooperative 

*Annual Report 2006*

**We're Working for YOU!**

A supplement to Carolina Country

# President and CEO's Report

On behalf of the Board of Directors, management and staff of Pee Dee Electric, we would like to express our appreciation for your business and support. We are dedicated to providing reliable electric service and quality customer service to you, our member-owners. It is our pleasure to present to you our 2006 Annual Report.

Providing reliable electric service to your home is very important to us. Fortunately, your cooperative has not experienced any major storms during the past year. However, we will always have our share of thunderstorms, high winds, icing and other weather events. By keeping our electric distribution system well maintained, we are able to minimize the impact of these storms. Your cooperative has a very effective line maintenance program that includes system inspections and repairs, rebuilding power lines when needed, and most importantly, keeping our rights of way clear of tree limbs and brush. Adequately maintaining our rights of way is critical to providing reliable power to our membership.

Even though Pee Dee Electric experiences slow member growth, we continue to invest in our electric system to maintain and improve reliability. Your cooperative invested over \$3.9 million in additional plant during 2006. Some of these monies replaced old copper lines, heavily loaded conductors and old poles. As we make these improvements, we try to relocate our lines from wooded areas to the road. When lines are located on the road, we do not have as much right-of-way to clear and we can more easily identify the cause of an outage when it occurs.

Pee Dee Electric members have overwhelmingly supported the cooperative's Care to Share Program. More than 80% of our members allow the cooperative to "round up" their electric bill to the next dollar each month and place this money in a separate account to provide funds for special projects in the communities we serve. By April 2007, your generosity has allowed over \$100,000 in Care to Share grants to be distributed to very special and worthwhile projects in our area. We praise our members for their participation in this program.

Two of the biggest challenges we face is having an adequate supply of

power and controlling the cost of the power we buy. Currently, we have an adequate supply of electricity, but that supply begins to tighten in about eight years. Eight years may seem like a long time; however, you must remember it takes several years to build new base load plants. Planning must begin now. When this phase of new construction begins, the impact on electric rates could be significant. Pee Dee Electric will work diligently with our wholesale power supplier, North Carolina Electric Membership Corporation, to have adequate power available for our members and minimize the impact of increasing wholesale power costs. At home, we will continue looking for ways to work more efficiently to control operating costs. As the competition with foreign countries for limited resources (steel, aluminum, copper, concrete and other construction materials) increases, controlling our operating costs will become more challenging.

One piece of the power supply equation receiving significant attention is the focus on renewable energy. Renewable energy is energy generated from solar, wind, hydro and biomass (animal waste, wood waste, landfill methane, etc.) sources. North Carolina's electric cooperatives are working with state legislators to develop a comprehensive energy policy for North Carolina. This policy is expected to include renewable energy sources and energy conservation as a part of a balanced and affordable energy supply for the citizens of our state.

Pee Dee Electric supports efforts to address issues associated with climate change and reduce our nation's dependence on foreign oil. However, we are concerned our members and the general public are not fully aware that the cost of generating electricity with renewable resources is higher than with traditional resources. If utilities are mandated to generate a certain percentage of electricity with renewable resources, the percentage needs to be reasonable so the electric rates of cooperative members are not significantly impacted. The N.C. legislature has done an excellent job involving

all stakeholders in this discussion. As a result of their efforts, our legislature is expected to pass reasonable and effective renewable energy legislation.

## FINANCIAL REPORT

For 2006, Pee Dee Electric had total revenues of \$37.2 million. Your cooperative continues to experience slow growth, which is evident by the net gain of only 260 new services connected during 2006. This represents a growth rate of only 1.3%. Our slow growth makes it difficult to absorb ever-increasing wholesale power and operating costs. Pee Dee Electric provided electric service to 20,586 accounts at the end of 2006. Your cooperative sold more than 349 million kWh of electricity to our members, which was a decrease of 1.9% when compared to the previous year. The decrease in kWh sales is an indication of milder than normal temperatures during 2006.

Purchased Power Costs totaled \$23.5 million during 2006, an increase of 7.6% over 2005. Purchased Power Costs represents over 64% of the cooperative's total expenses. Total Margins for your cooperative were \$1,567,161.

As of December 31, 2006, Pee Dee Electric had assets totaling more than \$69.2 million. Total Equities, which represents the members' ownership interest in the cooperative, totaled over \$20.6 million. In other words, members own about 30% of the cooperative's \$69.2 million business.

Your cooperative has been dedicated to providing electricity to our area for over 68 years. Pee Dee Electric is committed to our mission of providing reliable electric service to our members while focusing on value, quality customer service, and enhancing the quality of life in the communities we serve. We thank you, our member-owners, for your interest in this wonderful organization and the tremendous support we receive from you.



Richard H. Johnson  
President  
(left)



Donnie Spivey  
CEO & Executive  
Vice President  
(right)

# Consolidated Balance Sheet

<b>ASSETS AND OTHER DEBITS</b>	2004	2005	2006
<b>TOTAL UTILITY PLANT</b>	\$68,990,339	\$73,076,349	\$76,999,584
Less Provision for Depreciation	16,313,101	17,673,306	18,669,864
<b>NET UTILITY PLANT</b>	<b>\$52,677,238</b>	<b>\$55,403,043</b>	<b>\$58,329,720</b>
<b>OTHER PROPERTY AND INVESTMENTS</b>			
Investments in Associated Organizations	2,728,224	2,190,149	3,341,205
Investments in Economic Development Projects	265,759	164,954	54,985
Other Investments	0	46,072	93,311
<b>TOTAL OTHER PROPERTY &amp; INVESTMENTS</b>	<b>\$2,993,983</b>	<b>\$2,401,175</b>	<b>\$3,489,501</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	1,130,368	2,642,299	1,997,598
Accounts receivable	2,509,913	1,219,585	2,830,060
Materials and Supplies	1,234,004	812,305	1,205,091
Other current assets	89,879	86,087	73,299
<b>TOTAL CURRENT ASSETS</b>	<b>\$4,964,164</b>	<b>\$4,760,276</b>	<b>\$6,106,048</b>
Deferred Charges	1,088,106	1,070,765	1,242,834
<b>TOTAL ASSETS &amp; OTHER DEBITS (What we own)</b>	<b>\$61,723,491</b>	<b>\$63,635,259</b>	<b>\$69,168,103</b>
<b>LIABILITIES AND EQUITIES</b>			
<b>EQUITIES</b>			
Patronage Capital	\$19,196,123	\$19,410,954	\$20,099,715
Other Equities	749,308	(168,289)	577,622
<b>TOTAL EQUITIES</b>	<b>\$19,945,431</b>	<b>\$19,242,665</b>	<b>\$20,677,337</b>
<b>NONCURRENT LIABILITIES</b>			
RUS Mortgage Notes	25,092,167	28,819,789	32,362,906
CFC Mortgage Notes	7,081,674	6,632,089	6,162,389
Other	1,126,743	1,506,046	1,951,722
Other Long-Term Debt - NCEMC Loan	763,214	212,144	168,929
Vehicle notes	182,510	91,879	14,186
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>\$34,246,308</b>	<b>\$37,261,947</b>	<b>\$40,660,132</b>
<b>CURRENT LIABILITIES</b>			
Current portion of long-term debt	1,532,683	1,198,229	1,316,084
Accounts Payable	4,004,158	4,293,614	4,528,104
Advances on line of credit	600,000	0	0
Consumer Deposits	758,270	811,527	1,020,849
Other Liabilities	636,641	645,230	678,395
<b>TOTAL CURRENT &amp; ACCRUED LIABILITIES</b>	<b>\$7,531,752</b>	<b>\$6,948,600</b>	<b>\$7,543,432</b>
Deferred Credits	0	182,047	287,202
<b>TOTAL LIABILITIES (What we owe) &amp; EQUITIES</b>	<b>\$61,723,491</b>	<b>\$63,635,259</b>	<b>\$69,168,103</b>

# Consolidated Statement of Income and Expense

	2004	2005	2006
<b>TOTAL OPERATING REVENUE (What we took in)</b>	<b>\$31,300,201</b>	<b>\$33,790,468</b>	<b>\$37,216,910</b>
OPERATING EXPENSES			
Cost of Purchased Power	19,894,695	21,850,964	23,507,591
Internet Access Expense	161,163	0	0
Transmission Expense	1,110	1,169	1,113
Distribution Expense - Operations	1,166,180	1,299,744	1,375,478
Distribution Expense - Maintenance	1,662,128	1,637,726	2,022,073
Consumer Accounts Expense	934,285	915,947	868,182
Customer Service and Information Expense	226,642	244,710	281,053
Sales Expense	73,237	73,096	84,582
Administrative and General Expenses	2,148,207	2,416,974	2,597,381
Depreciation and Amortization Expense	2,051,761	2,162,000	2,318,563
Taxes	1,000,007	1,096,297	1,207,275
Interest on Long-Term Debt	1,422,960	1,689,256	1,944,751
Interest Expense - Other	56,365	83,918	80,347
Other	29,006	14,557	23,846
<b>TOTAL OPERATING EXPENSES (What we paid out)</b>	<b>\$30,827,746</b>	<b>\$33,486,358</b>	<b>\$36,312,235</b>
OPERATING MARGINS before patronage allocations	\$472,455	\$304,110	\$904,675
Patronage allocations	70,652	197,801	324,485
<b>NET OPERATING MARGINS</b>	<b>543,107</b>	<b>501,911</b>	<b>1,229,160</b>
NON-OPERATING MARGINS			
Interest Income	38,877	63,511	94,185
Gain (loss) on sale of plant	(31,093)	(5,201)	24,954
Miscellaneous	14,031	9,308	8,307
Gain (loss) on investment	148,853	(230,008)	585,889
Income tax expense	26,000		375,334
<b>TOTAL MARGINS (What we had left over)</b>	<b>\$687,775</b>	<b>\$339,521</b>	<b>\$1,567,161</b>
<i>The above statements are presented on a consolidated basis. The records of Pee Dee Electric were audited for the period January 1, 2006 to December 31, 2006, by Adams, Akin, Jenkins &amp; Cheatham, PC of Richmond, Virginia. A copy of the audit is available for inspection by any member.</i>			
<b>ELECTRIC AND OTHER STATISTICS</b>			
KWH Purchased:			
SEPA	10,214,406	8,072,782	6,533,550
NCEMC - CP&L Area	294,410,394	303,096,728	299,896,672
NCEMC - Duke Area	71,253,086	71,392,552	71,337,122
<b>TOTAL PURCHASED</b>	<b>375,877,886</b>	<b>382,562,062</b>	<b>377,767,344</b>
KWH Sales:			
Residential and Farm	272,695,420	276,956,165	267,525,106
Commercial	69,325,513	74,262,721	70,231,600
Large Power	4,052,726	4,750,425	11,278,445
<b>TOTAL SALES</b>	<b>346,073,659</b>	<b>355,969,311</b>	<b>349,035,151</b>
Average Monthly KWH Usage	1,436	1,466	1,421
Average Cost per KWH Sold (cents)	8.83 cents	9.31 cents	10.46 cents
Number of Members at Year End	20,148	20,326	20,586