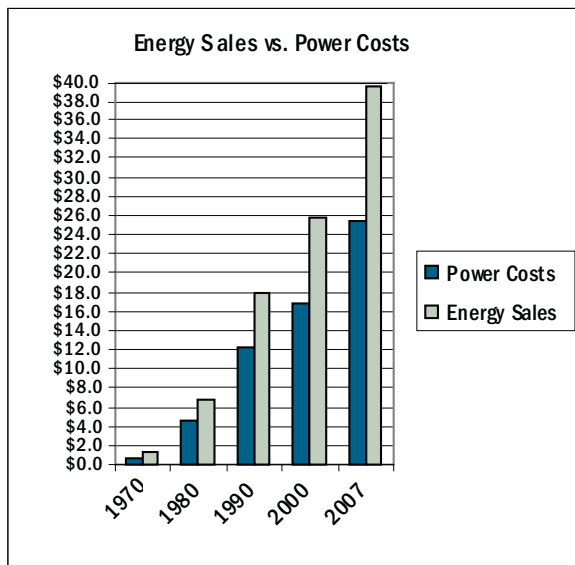


How Your 2007 Operating Dollars Were Used



	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
2007	\$ 25.4 million	\$ 39.9 million

Members Served		
1950	1980	2007
5,566	12,596	20,698
1960	1990	
7,680	15,846	
1970	2000	
9,356	19,525	

Average Monthly kwh per member		
1950	1980	2007
104	943	1,467
1960	1990	
325	1,099	
1970	2000	
611	1,367	

Total Assets (in millions)		
1970	1990	2007
\$5.0	\$24.3	\$71.4
1980	2000	
\$12.4	\$43.9	

Pee Dee Electric Membership Corporation



Millard E. Russell
District 1
Years of Service: 33



Benjamin R. Lybrand
District 2
Years of Service: 10



Winnie M. Bennett
District 3
Years of Service: 8



Richard H. Johnson
District 4
Years of Service: 36



Donald A. Thompson
District 5
Years of Service: 10



Marcia A. Lambeth
District 6
Years of Service: 8



Benjamin F. McCallum, Jr.
District 7
Years of Service: 18



Charles D. Smith
District 8
Years of Service: 28



Neal D. Hicks, Jr.
Director at Large
Years of Service: 23



Craig W. Ratliff
Director at Large
Years of Service: 30



Richard Melton
Director at Large
Years of Service: 3



Pee Dee Electric Membership Corporation

A Touchstone Energy® Cooperative





ANNUAL REPORT 2007

A supplement to Carolina Country



Pee Dee Electric
Membership Corporation

A Touchstone Energy® Cooperative 

President and CEO's Report

On behalf of the Board of Directors and staff of Pee Dee Electric Membership Corporation, we would like to express our appreciation for your patronage and support during 2007. Your cooperative is dedicated to providing reliable electric service and quality customer service to you, our member-owners. It is our distinct pleasure to present to you our 2007 Annual Report.

Pee Dee Electric and electric utilities across the country are entering an era of great challenge and uncertainty. The challenge we face is how to provide for the growing demand for electricity while maintaining affordable electricity rates for our members and protecting our environment. Currently, there is a tremendous amount of debate across the country on how to address these challenges.

Here are the things we believe must occur to meet the challenges ahead:

- **Energy Efficiency**—Basically, energy efficiency is using electricity more wisely. By reducing the amount of electricity we use, we can offset some of the growing demand for electricity, thus reducing our need to build new power plants. Improved energy efficiency includes replacing incandescent light bulbs with compact fluorescent bulbs, buying Energy Star appliances (including heat pumps), using more energy efficient construction methods when building new homes and businesses, and better insulating existing homes. Energy efficiency can even include raising and lowering your thermostat in the summer and winter. It has been estimated improved energy efficiency could reduce our nations demand for energy by 7% to 11% by 2030. These relatively minor improvements are one of the most important ways to address the energy challenge we face.

- **Renewable Energy**—Renewable energy, or green power as it is commonly called, is electricity generated by solar, wind, biomass (i.e. poultry litter, wood waste, swine waste, land-fill methane, etc.), and other developing technologies. Unfortunately, until technology is developed to cost effectively store large amounts of electricity, green power is not practical for base load generation, which is genera-

tion that must be available 24 hours a day, seven days a week. There is no doubt green power will see significant growth in the future, but it is predicted that green power will provide only about 7% of the total kilowatt-hours produced by 2030. Additional research and development is needed to make most renewable energy sources more cost effective. Our nation must make this investment to insure renewable energy sources play a role in meeting our future energy needs.

- **Electric Vehicles**—We believe electric vehicles will play an important role in addressing our nation's future energy needs. You probably are asking yourself, "Why do we want something that uses more electricity?" Electric vehicles can be charged during off-peak times when utilities have excess electricity available. Electric vehicles would reduce carbon dioxide emissions and reduce our dependency on foreign oil. Once again, additional research and development is needed to make electric vehicles a more cost effective technology.

- **Nuclear Power**—When managed properly, nuclear power has proven to be a very clean and very safe source of electricity. Nuclear power generation produces no carbon dioxide emissions. Over 50% of the electricity we provide to our members is generated by nuclear power. Over a dozen new nuclear plants will be needed over the next 20 years to provide the growing base generation needs of our nation. We must move forward in a sensible and responsible manner to ensure nuclear power generation remains an option to meet the nation's increasing demand for electricity that energy efficiency and renewable energy cannot fully meet.

- **Clean Coal Generation**—Currently, our nation has more than 250 years of coal reserves available. Cooperatives support the necessary research and development needed to improve technologies to significantly reduce carbon dioxide emissions from coal plants. Current federal legislation

proposes to reduce carbon emissions; however, a recent Environmental Protection Agency (EPA) report predicts electric rates would increase by at least 44% by 2030 if the current legislation passes Congress. The American people must urge our legislators to invest in our future by providing research and development funds to discover more cost effective methods of generating electricity with coal while reducing carbon emissions to an acceptable level. Cooperatives have a strong history of being good stewards of the environment and will continue to look for solutions that meet environmental concerns as well as keep our member-owners rates affordable.

We are entering one of the most challenging eras in the history of electric utilities. We are faced with a growing demand for electricity, the need to build new generation, the need to address environmental concerns related to coal and nuclear generation, and a volatile natural gas market. Unfortunately, there is no "silver bullet" solution to address the challenges of our energy future. Our federal government must provide visionary leadership by investing in the necessary research and development including challenging our country's brightest minds to make renewable energy more affordable and clean coal technologies achievable. If this does not occur, we will face ever increasing electricity rates unlike we have ever experienced.

Pee Dee Electric's Board of Directors and staff are committed to providing you, our members, with reliable and affordable electricity for the future. We will lobby Congress to fight to keep your electric rates affordable while protecting our environment (we will probably ask you to help us in this effort as well!). We will work to make our communities a better place to live. And last, but certainly not least, we will never forget our commitment to serve you, our members, to the best of our ability.



Richard H. Johnson
President
(left)



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

Consolidated Balance Sheet

ASSETS AND OTHER DEBITS	2005	2006	2007
TOTAL UTILITY PLANT	\$73,076,349	\$76,999,584	\$80,533,991
Less Provision for Depreciation	17,673,306	18,669,864	20,143,611
NET UTILITY PLANT	\$55,403,043	\$58,329,720	\$60,390,380
OTHER PROPERTY AND INVESTMENTS			
Investments in Associated Organizations	2,190,149	3,341,205	3,393,619
Investments in Economic Development Projects	164,954	54,985	0
Other Investments	46,072	93,311	88,219
TOTAL OTHER PROPERTY & INVESTMENTS	\$2,401,175	\$3,489,501	\$3,481,838
CURRENT ASSETS			
Cash and cash equivalents	2,642,299	1,997,598	1,974,478
Accounts receivable	1,219,585	2,830,060	2,755,464
Materials and Supplies	812,305	1,205,091	1,202,242
Other current assets	86,087	73,299	76,137
TOTAL CURRENT ASSETS	\$4,760,276	\$6,106,048	\$6,008,321
Deferred Charges	1,070,765	1,242,834	1,560,771
TOTAL ASSETS & OTHER DEBITS (What we own)	\$63,635,259	\$69,168,103	\$71,441,310
LIABILITIES AND EQUITIES			
EQUITIES			
Patronage Capital	\$19,410,954	\$20,099,715	\$21,877,459
Other Equities	(168,289)	577,622	275,979
TOTAL EQUITIES	\$19,242,665	\$20,677,337	\$22,153,438
NONCURRENT LIABILITIES			
RUS Mortgage Notes	28,819,789	32,362,906	31,603,876
CFC Mortgage Notes	6,632,089	6,162,389	5,717,468
Other	1,506,046	1,951,722	3,621,464
Other Long-Term Debt - NCEMC Loan	212,144	168,929	0
Vehicle notes	91,879	14,186	0
TOTAL NONCURRENT LIABILITIES	\$37,261,947	\$40,660,132	\$40,942,808
CURRENT LIABILITIES			
Current portion of long-term debt	1,198,229	1,316,084	1,278,849
Accounts Payable	4,293,614	4,528,104	4,892,923
Advances on line of credit	0	0	0
Consumer Deposits	811,527	1,020,849	1,108,080
Other Liabilities	645,230	678,395	763,199
TOTAL CURRENT & ACCRUED LIABILITIES	\$6,948,600	\$7,543,432	\$8,043,051
Deferred Credits	182,047	287,202	302,013
TOTAL LIABILITIES (What we owe) & EQUITIES	\$63,635,259	\$69,168,103	\$71,441,310

Consolidated Statement of Income and Expense

	2005	2006	2007
TOTAL OPERATING REVENUE (What we took in)	\$33,790,468	\$37,216,910	\$39,935,435
OPERATING EXPENSES			
Cost of Purchased Power	21,850,964	23,507,591	25,420,565
Transmission Expense	1,169	1,113	1,162
Distribution Expense - Operations	1,299,744	1,375,478	1,570,648
Distribution Expense - Maintenance	1,637,726	2,022,073	1,930,425
Consumer Accounts Expense	915,947	868,182	796,979
Customer Service and Information Expense	244,710	281,053	276,507
Sales Expense	73,096	84,582	60,669
Administrative and General Expenses	2,416,974	2,597,381	2,700,527
Depreciation and Amortization Expense	2,162,000	2,318,563	2,455,721
Taxes	1,096,297	1,207,275	1,293,985
Interest on Long-Term Debt	1,689,256	1,944,751	1,999,759
Interest Expense - Other	83,918	80,347	28,787
Other	14,557	23,846	618,870
TOTAL OPERATING EXPENSES (What we paid out)	\$33,486,358	\$36,312,235	\$39,154,604
OPERATING MARGINS before patronage allocations	\$304,110	\$904,675	\$780,831
Patronage allocations	197,801	324,485	236,429
NET OPERATING MARGINS	501,911	1,229,160	1,017,270
NON-OPERATING MARGINS			
Interest Income	63,511	94,185	109,730
Gain (loss) on sale of plant	(5,201)	24,954	20,340
Miscellaneous	9,308	8,307	9,914
Gain (loss) on investment	(230,008)	585,889	465,780
Income tax expense		375,334	0
TOTAL MARGINS (What we had left over)	\$339,521	\$1,567,161	\$1,623,034
<i>The above statements are presented on a consolidated basis. The records of Pee Dee Electric were audited for the period January 1, 2007 to December 31, 2007, 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	8,072,782	6,533,550	6,476,336
NCEMC - CP&L Area	303,096,728	299,896,672	313,443,672
NCEMC - Duke Area	71,392,552	71,337,122	74,865,303
TOTAL PURCHASED	382,562,062	377,767,344	394,785,311
KWH Sales:			
Residential and Farm	276,956,165	267,525,106	276,321,599
Commercial	74,262,721	70,231,600	75,011,816
Large Power	4,750,425	11,278,445	11,639,000
TOTAL SALES	355,969,311	349,035,151	362,972,415
Average Monthly KWH Usage	1,466	1,421	1,467
Average Cost per KWH Sold (cents)	9.31 cents	10.46 cents	10.81 cents
Number of Members at Year End	20,326	20,586	20,698