



Human Resources



Accounting Department



Engineering and Operations



Marketing Department



CEO



Customer Service Representatives



Customer Service Representatives



Our Energy, Our Future

We're working
with you for a
balanced solution

Annual Report 2008

President and CEO's Report

On behalf of the Pee Dee Electric board of directors, management and staff, we would like to thank you for your support during 2008. It is our pleasure to present to you this 2008 Annual Report on the cooperative's activities and financial performance.

The cooperative began the year 2008 contemplating how to implement the renewable energy and energy efficiency mandates enacted by the North Carolina Legislature during 2007. After evaluating the complexities and potential costs of complying with the legislative mandates, 23 cooperatives across North Carolina, including Pee Dee Electric, formed a company called GreenCo Solutions LLC. GreenCo Solutions will play a key role in helping member cooperatives meet the goals as set forth in the legislation in the most efficient and cost effective way possible. In cooperation with GreenCo Solutions, the cooperative has already implemented a CFL bulb rebate program for our members, purchased renewable energy certificates for solar energy through a deal with QVC home shopping network, and purchased renewable energy certificates from a wind farm in Story County, Iowa.

By June 2008, the price of fuels used to generate electricity had become quite volatile. Natural gas prices had risen from \$7 per MMBtu to \$13 per MMBtu. The price of coal had risen from \$60 per ton to more than \$130 per ton. The cooperative had also experienced significant price increases in the cost of poles, transformers, wire, aluminum, copper and steel. With these increases, the escalating cost of doing business had reached the point the cooperative could no longer absorb these additional costs and announced a 12% rate increase effective April 2009. To help members offset the higher cost of electricity, Pee Dee Electric began an extensive campaign to educate members on how to reduce their electricity usage through energy efficiency measures.

As Pee Dee Electric began implementing the various programs to meet our renewable energy mandate, the board of directors felt it was

important to communicate to our members the cost of the state mandate and any further federal renewable energy and energy efficiency mandates. In April 2009, the cooperative began showing these costs as a separate line item on electric bills. The line item, titled NC Renewable Energy Charge, reflects the cooperative's costs to purchase renewable energy certificates and implement energy efficiency programs.

One of the most significant challenges our cooperative and our nation faces in the future is how to balance environmental stewardship and electric service reliability while maintaining affordable electric rates for our members. National, state and local cooperatives continue to aggressively lobby Congress for a balanced solution in addressing climate change through the development of renewable energy generation and improving how efficiently each of us use electricity. Cooperatives across the nation are strongly encouraging Congress to set reasonable climate change goals to allow developing technologies to mature. It is vitally important that any federal legislation passed by Congress not increase electric rates to the point rural cooperative members cannot afford electricity. With the current state of the economy, the wrong climate change legislation could weaken our economy further.

Unfortunately, even the most conservative estimates to enact effective climate change legislation will cause electric bills to increase. However, some congressional leaders are pushing for very aggressive mandates. It appears we are headed toward a cap and trade program. A cap and trade program allocates or auctions carbon allowances to utilities. A cap, or maximum amount, of carbon dioxide emitted into the atmosphere would be set. If a utility went above the amount of carbon dioxide cap, they would be required to buy allowances. If a utility's carbon dioxide emissions were less than the cap, then they would have allowances they could sell. The concern for most in the utility industry is whether the

federal government will allocate or auction these allowances. If allowances are auctioned, the federal government is placing the price of carbon allowances in the hands of a trading market whose goal is to make as much money as possible, not reduce carbon emissions. If emission credit prices become unreasonable, utility customers, including cooperative members, will pay unreasonable power bills.

Pee Dee Electric also faces the challenge of providing reliable electric service to our members in an era where demand continues to grow, the availability of electricity is decreasing, and the opportunity to build new baseload power plants is quite challenging. Although renewable energy projects will be an important part of our future energy resources, we must remain aware that renewable energy is not a replacement for traditional baseload power plants with the technology we have in place today. Nuclear and clean coal plants must remain a vital source of electricity if we are to maintain affordable rates and have adequate electricity to meet the demands of providing power 24 hours a day, seven days a week to our members.

Pee Dee Electric's board of directors, management and staff are committed to providing our members with reliable and affordable electricity. We will continue to lobby Congress for climate legislation that balances our need to protect the environment, have an adequate supply of electricity to serve our members and keep electric rates affordable. The task before us is quite challenging, but Pee Dee Electric and cooperatives across the nation are committed to protecting the interests of our members.

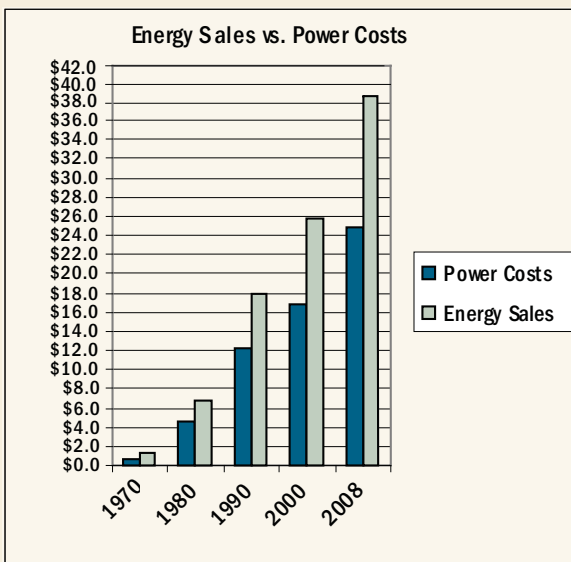


Richard H. Johnson
President



Donnie Spivey
CEO & Executive
Vice President

How Your 2008 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
2008	\$ 24.5 million	\$ 38.7 million

Members Served

1950	1980	2008
5,566	12,596	20,773
1960	1990	
7,680	15,846	
1970	2000	
9,356	19,525	

Average Monthly kwh per member

1950	1980	2008
104	943	1,432
1960	1990	
325	1,099	
1970	2000	
611	1,367	

Total Assets (in millions)

1970	1990	2008
\$5.0	\$24.3	\$76.6
1980	2000	
\$12.4	\$43.9	

Consolidated Balance Sheet

ASSETS AND OTHER DEBITS	2006	2007	2008
TOTAL UTILITY PLANT	\$76,999,584	\$80,533,992	\$87,671,30
Less Provision for Depreciation	18,669,864	20,143,611	21,883,952
NET UTILITY PLANT	\$58,329,720	\$60,390,38	\$65,787,35
OTHER PROPERTY AND INVESTMENTS			
Investments in Associated Organizations	3,341,205	3,393,619	4,004,618
Investments in Economic Development Projects	54,985	0	500,000
Other Investments	93,311	88,219	125,223
TOTAL OTHER PROPERTY & INVESTMENTS	\$3,489,501	\$3,481,838	\$4,629,841
CURRENT ASSETS			
Cash and cash equivalents	1,997,598	1,974,478	383,711
Accounts receivable	2,830,060	2,755,464	3,166,151
Materials and Supplies	1,205,091	1,202,242	1,200,015
Other current assets	73,299	76,137	69,590
TOTAL CURRENT ASSETS	\$6,106,048	\$6,008,321	\$4,819,467
Deferred Charges	1,242,834	1,560,771	1,389,122
TOTAL ASSETS & OTHER DEBITS (What we own)	\$69,168,103	\$71,441,310	\$76,625,78
LIABILITIES AND EQUITIES			
EQUITIES			
Patronage Capital	\$20,099,715	\$21,877,45	\$24,053,23
Other Equities	577,622	275,979	378,566
TOTAL EQUITIES	\$20,677,337	\$22,153,43	\$24,431,79
NONCURRENT LIABILITIES			
RUS Mortgage Notes	\$32,362,906	\$31,603,87	\$33,733,82
CFC Mortgage Notes	6,162,389	5,717,468	5,198,891
Other	1,951,722	3,621,464	4,053,387
Other Long-Term Debt – NCEMC Loan	168,929	0	500,000
Vehicle notes	14,186	0	0
TOTAL NONCURRENT LIABILITIES	\$40,660,132	\$40,942,80	\$43,486,10
CURRENT LIABILITIES			
Current portion of long-term debt	1,316,084	1,278,849	1,343,567
Accounts Payable	4,528,104	4,892,923	5,011,874
Advances on line of credit	0	0	0
Consumer Deposits	1,020,849	1,108,080	1,177,824
Other Liabilities	678,395	763,199	870,789
TOTAL CURRENT & ACCRUED LIABILITIES	\$7,543,432	\$8,043,051	\$8,404,054
Deferred Credits	287,202	302,013	303,831
TOTAL LIABILITIES (What we owe) & EQUITIES	\$69,168,103	\$71,441,310	\$76,625,787

Consolidated Statement of Income and Expense

	2006	2007	2008
TOTAL OPERATING REVENUE (What we took in)	\$37,216,910	\$39,935,435	\$38,651,253
OPERATING EXPENSES			
Cost of Purchased Power	23,507,591	25,420,565	24,459,911
Transmission Expense	1,113	1,162	1,086
Distribution Expense – Operations	1,375,478	1,570,648	1,521,265
Distribution Expense – Maintenance	2,022,073	1,930,425	2,201,216
Consumer Accounts Expense	868,182	796,979	824,883
Customer Service and Information Expense	281,053	276,507	257,509
Sales Expense	84,582	60,669	90,607
Administrative and General Expenses	2,597,381	2,700,527	2,566,751
Depreciation and Amortization Expense	2,318,563	2,455,721	2,601,103
Taxes	1,207,275	1,293,985	1,246,485
Interest on Long-Term Debt	1,944,751	1,999,759	2,022,626
Interest Expense – Other	80,347	28,787	23,881
Other	23,846	618,870	(416,477)
TOTAL OPERATING EXPENSES (What we paid out)	\$36,312,235	\$39,154,604	\$37,400,846
OPERATING MARGINS before patronage allocations	904,675	780,831	1,250,407
Patronage allocations	324,485	236,439	357,732
NET OPERATING MARGINS	1,229,160	1,017,270	1,608,139
NON-OPERATING MARGINS			
Interest Income	94,185	109,730	76,166
Gain (loss) on sale of plant	24,954	20,340	22,139
Miscellaneous	8,307	9,914	24,415
Gain (loss) on investment	585,889	465,780	781,405
Unrecognized postretirement benefit cost			(66,391)
Income tax expense	375,334	0	0
TOTAL MARGINS (What we had left over)	\$1,567,161	\$1,623,034	\$2,445,873
<i>The records of Pee Dee Electric were audited for the period January 1, 2008 to December 31, 2008 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	6,533,550	6,476,336	4,548,829
NCEMC – CP&L Area	299,896,672	313,443,672	308,935,478
NCEMC – Duke Area	71,337,122	74,865,303	73,667,942
TOTAL PURCHASED	377,767,344	394,785,311	387,152,249
KWH Sales:			
Residential and Farm	267,525,106	276,321,599	272,393,062
Commercial	70,231,600	75,011,816	72,556,627
Large Power	11,278,445	11,639,000	11,168,280
TOTAL SALES	349,035,151	362,972,415	356,117,969
Average Monthly KWH Usage	1,421	1,467	1,432
Average Cost per KWH Sold (cents)	\$0.1046	\$0.1081	\$0.1063
Number of Members at Year End	20,586	20,698	20,773

Pee Dee Electric Membership Corporation



Millard E. Russell
District 1
Years of Service: 34



Benjamin R. Lybrand
District 2
Years of Service: 11



Winnie M. Bennett
District 3
Years of Service: 9



Richard H. Johnson
District 4
Years of Service: 37



Donald A. Thompson
District 5
Years of Service: 11



Marcia A. Lambeth
District 6
Years of Service: 9



Benjamin F. McCallum, Jr.
District 7
Years of Service: 19



R. Craig Davis, Jr.
District 8
Years of Service: 1



Neal D. Hicks, Jr.
Director at Large
Years of Service: 24



Craig W. Ratliff
Director at Large
Years of Service: 31



Richard Melton
Director at Large
Years of Service: 4



Pee Dee Electric
Membership Corporation

A Touchstone Energy® Cooperative 