

Pee Dee Electric **ANNUAL REPORT**



2017



Pee Dee Electric

A Touchstone Energy® Cooperative 



President and CEO Report

On behalf of the Pee Dee Electric Board of Directors, management and employees, it is with great honor to present to you, the members of your electric cooperative, with the 2017 Annual Report.

The Annual Report provides an update on the financial condition of your cooperative and provides insight into the cooperative's purpose-driven mission of providing safe and reliable electric service, legendary customer service and exceptional value to our membership and the communities we serve.

During 2017, Pee Dee Electric began implementing a new strategic plan developed by the cooperative's Board of Directors. The overarching vision of the strategic plan is the implementation of strategies to improve member satisfaction by providing legendary service to our members.

System Reliability

One of the key initiatives in the strategic plan was to focus on improving the reliability of our electric system. To improve reliability, Pee Dee Electric will invest more than \$28.5 million during the next

four years to serve new accounts, upgrade the distribution system and replace aging infrastructure. This investment will be used to build a new substation in northern Anson County, upgrade from a basic Automated Meter Reading system to an advanced Automated Metering Infrastructure (AMI) system, upgrade our outdoor lighting to LED lighting and implement line construction strategies to reduce outages.

The upgrade to the AMI system is significant. The new system will give the cooperative capabilities to better analyze our distribution system to recognize issues that could potentially cause an outage and correct the issue before an outage occurs. Another important feature of the new AMI system is that meters will notify the cooperative when an outage occurs. This will give us detailed information about outages, allowing the cooperative to make better outage

restoration decisions. We are in the process of installing the backbone communication equipment and plan to start the meter exchange phase of the project in the fall.

Technology Strategies

A second key initiative was focused on technology. Pee Dee Electric continues to utilize cutting-edge technology to provide legendary service to our members. Because of our heavy reliance on technology, we have focused on two critical areas. First, we must protect our systems from cybersecurity threats. Your cooperative uses state-of-the-art hardware, software and other strategies in our efforts to protect our systems and data. Cybersecurity threats have become a major risk to businesses throughout the world and we must remain vigilant in our cybersecurity efforts.

Second, we have developed a disaster recovery plan so we are prepared if disaster strikes. Our ultimate goal is to minimize the impact on our members if a serious issue should occur, whether it is caused by natural disaster or some other occurrence.

Member Services

While implementing the strategic initiatives developed by the Board of Directors, we continue to offer various member-focused services. Our most recent offering to members is the Energy Efficiency Loan Program. This program provides loans to qualified members to improve the energy efficiency of their homes. The savings from the energy upgrades are used to offset the loan payments. The Energy Efficiency Loan Program compliments our other service offerings, such as Prepay Electric Service, the Pee Dee

Community Solar Farm, Customer Service Portal, PeeDeePower mobile app and many others.

Pee Dee Electric continues to evaluate new technologies that will impact our members in the future. Earlier this year, Pee Dee Electric added our first electric car to the cooperative's fleet of vehicles. Evie, as it is affectionately called, will give us the opportunity to learn more about electric vehicles, battery-charging equipment and the effect of vehicle battery charging on our electric system. In addition, the cooperative continues to learn more about battery storage technologies that may impact our homes and businesses in the future.

Community Service

Over 75 years ago, Pee Dee Electric was created by people in our local

communities and we continue the tradition of being community-focused today. This makes us well suited to understand and serve our communities.

One area of success has been our Revolving Loan Fund program. By accessing USDA REDLG funds, we have provided loan funds to the Town of Wadesboro, East Rockingham Fire Department and Lilesville Fire Department to improve the services they provide to the community. As those loan funds are repaid, the cooperative will have a revolving loan fund available to assist in other projects and economic development efforts to strengthen our communities. During 2018, the cooperative will also provide loan funds to the Ellerbe Fire Department for a new fire truck and the

Richmond Economic Development Corporation for the construction of a shell building in the Rockingham West Industrial Park.

These are just a few highlights of the cooperative's accomplishments and activities. Everything we do is grounded in the needs of our members and our communities. The Board of Directors, management and employees thank you for being a member of Pee Dee Electric. We pledge our commitment to providing excellent service to our members.

Member satisfaction is extremely important to your cooperative. We encourage you to engage with us at our Annual Meeting scheduled for October 4 at Cole Auditorium on the beautiful campus of Richmond Community College. We hope to see each of you there!



Board of Directors

BACK ROW, FROM LEFT:

Craig W. Ratliff

Director at Large

Richard H. Johnson

District 4 - President

Craig R. Davis, Jr.

District 8

Donald A. Thompson

District 5 - Vice President

Millard E. Russell

District 1 - Secretary - Treasurer

Benjamin F. McCallum, Jr.

District 7

Donald Spivey, CEO

FRONT ROW, FROM LEFT:

Richard V. Melton

Director at Large

Marcia A. Lambeth

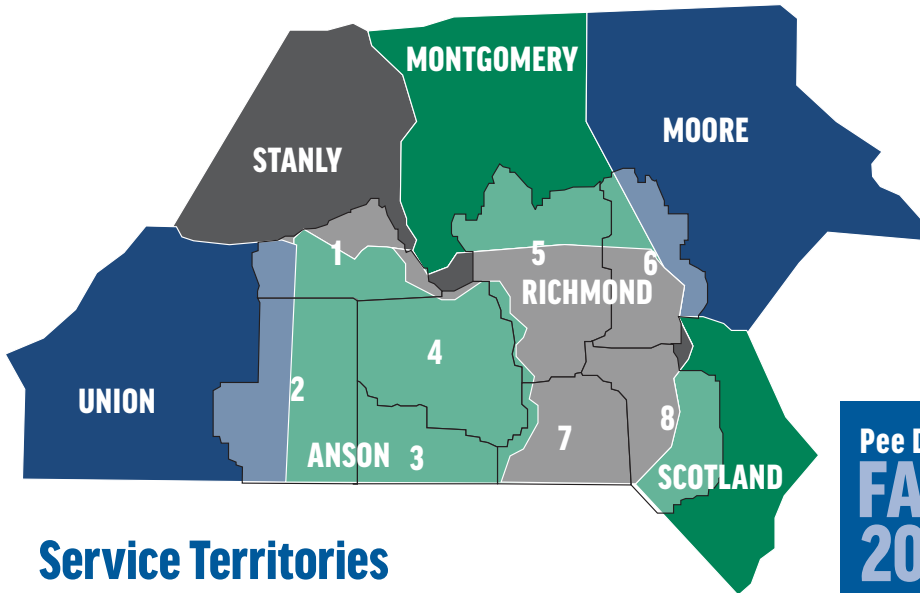
District 6

Winnie M. Bennett

District 3

Benjamin R. Lybrand

District 2



Service Territories

- **Richmond County:** largest service area with 8,580 meters
- **Anson County:** second largest service area with 7,796 meters
- **Scotland County:** third largest service area with 1,964 meters
- **Union County:** fourth largest service area with 1,752 meters
- **Moore County:** fifth largest service area with 1,128 meters
- **Montgomery County:** sixth largest service area with 1,072 meters
- **Stanly County:** seventh largest service area with 588 meters

Our Commitment to YOU

To provide reliable electricity and related services while focusing on value, quality member service, and enhancing life in the communities we serve.

- 60,267 customer service calls answered personally in 2017
- 1,309 members currently participating in our Prepay Electric Service program
- \$48,000 in college scholarships awarded over the last 8 years
- 10 right-of-way crews serviced 1,420 miles of line as part of our vegetation management program
- To date, more than \$270,000 in Bright Ideas grants awarded to teachers for over 200 innovative classroom-based projects

Pee Dee Electric FAST FACTS 2017 vs 2016

66	+3
Employees	
3,120	+3
Miles of Energized Line	
21,037	+77
Members served in 2017	
7	+0
Meters per Mile of Line	
1,497	+20
Average kWh use per month	
10	+0
Delivery Points	
8	+0
Substations	



Capital Credits Allocation for the Year 2017

At the end of the year, after all bills are paid, any remaining funds the cooperative has are called Margins, or Patronage Capital. Each member has a Capital Credits Account, and at the end of the year, Pee Dee Electric allocates our Margins to each account based on the amount of the electricity you used during the year.

Our revenues from the sale of electricity for 2017 were \$43,157,767. Total Margins from our operations were \$1,388,725 or 3.217788% of revenue. Margins allocated from patronage allocations from associated organizations were \$701,503 or 1.625439% of revenue.

You can figure your own Capital Credits by multiplying your total billing for electricity by 4.843227%. For example, if your total billing for 2017 was \$1000.00, multiply \$1000.00 by 0.04843227 and \$48.43 will be the amount of Capital Credits assigned to your account.

HOW DO CAPITAL CREDITS WORK?

Because Pee Dee Electric Cooperative operates at cost, any excess revenues, called margins, are returned to our members in the form of capital credits.



1 Pee Dee Electric tracks how much electricity you buy and how much money you pay for it throughout the year.



2 At the end of the year, we complete financial matters and determine whether there are excess revenues, called margins.



3 Your co-op allocates the margins to members as capital credits based upon their use of electricity during the year.



4 When our financial condition permits, your Board of Directors decides to retire, or pay, the capital credits.



5 We notify you of how and when you'll receive your capital credits retirement.

**PEE DEE ELECTRIC HAS RETIRED
\$12.9 MILLION TO MEMBERS SINCE INCEPTION.**

Source: National Rural Utilities Cooperative Finance Corporation

Balance Sheet

ASSETS AND OTHER DEBIT

	2015	2016	2017
TOTAL UTILITY PLANT	\$115,564,066	\$120,035,988	\$122,714,594
Less Provision for Depreciation	34,153,555	35,831,851	37,693,930

NET UTILITY PLANT	\$81,410,511	\$84,204,137	\$85,020,664
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OTHER PROPERTY AND INVESTMENTS

Non-current accounts receivables	0	2,244,944	2,167,747
Investments in Associated Organizations	12,096,481	13,568,624	14,374,743
Notes receivable	0	352,500	493,500
Restricted Cash	129,745	108,078	178,134

TOTAL OTHER PROPERTY & INVESTMENTS	\$12,226,226	\$16,274,146	\$17,214,124
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CURRENT ASSETS

Cash and cash equivalents	1,704,481	1,504,909	4,133,060
Accounts receivable	4,423,472	5,087,543	6,935,309
Materials and Supplies	1,486,028	1,502,514	1,651,934
Other investments	1,269,934	1,454,229	1,594,386
Other current assets	150,139	121,093	101,973

TOTAL CURRENT ASSETS	\$9,034,054	\$9,670,288	\$14,416,662
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Deferred Charges	3,006,268	2,595,051	2,288,013
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TOTAL ASSETS AND OTHER DEBITS (What We Own)	\$105,677,059	\$112,743,622	\$118,939,463
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LIABILITIES AND EQUITIES

EQUITIES

Patronage Capital	\$47,577,786	\$49,824,943	\$51,167,520
Other Equities	3,959,923	5,357,398	7,004,895
Accumulated other comprehensive income	62,150	267,977	(500,174)

TOTAL EQUITIES	\$51,599,859	\$55,450,318	\$57,672,241
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NONCURRENT LIABILITIES

RUS Mortgage Notes	\$17,182,506	\$18,831,188	\$-
CoBank Mortgage Notes	3,569,749	3,234,499	2,874,411
CFC Mortgage Notes	2,681,909	2,423,815	22,633,164
FFB Mortgage Notes	15,433,868	14,897,632	16,352,083
Other Long-Term Debt	5,644,642	6,375,939	7,621,114

TOTAL NONCURRENT LIABILITIES	\$44,512,674	\$45,763,073	\$49,480,772
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Current portion of long-term debt	1,558,000	1,005,545	1,701,710
Accounts Payable	2,964,434	3,604,013	3,762,303
Line of credit Payable	1,000,000	2,300,000	0
Consumer Deposits	755,125	720,906	669,062
Current portion of deferred credits			1,872,472
Other Liabilities	2,928,374	1,005,809	1,082,627

TOTAL CURRENT & ACCRUED LIABILITIES	\$9,205,933	\$8,636,273	\$9,088,174
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Deferred Credits	358,593	2,893,958	2,698,276
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TOTAL LIABILITIES (What We Owe) AND EQUITIES	\$105,677,059	\$112,743,622	\$118,939,463
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Statement of Income and Expense

	2015	2016	2017
TOTAL OPERATING REVENUE (What We Took In)	\$44,401,007	\$44,344,777	\$43,979,089
OPERATING EXPENSES			
Cost of Purchased Power	28,582,761	26,880,536	27,575,239
Transmission Expense	1,201	1,408	1,993
Distribution Expense - Operations	1,475,125	1,616,827	1,595,301
Distribution Expense - Maintenance	2,675,246	3,627,333	3,046,927
Consumer Accounts Expense	936,282	975,513	982,466
Customer Service and Information Expense	247,611	260,381	251,183
Sales Expense	6,303	2,522	2,476
Administrative and General Expenses	3,354,237	3,590,947	3,760,655
Depreciation and Amortization Expense	3,365,575	3,714,293	4,005,182
Taxes	16,809	38,529	37,759
Interest on Long-Term Debt	1,824,000	1,766,611	1,407,022
Interest Expense - Other	7,529	39,336	67,397
Other	61,672	71,397	54,531
TOTAL OPERATING EXPENSES (What We Paid Out)	\$42,554,351	\$42,585,633	\$42,788,131
OPERATING MARGINS before patronage allocations	\$1,846,656	\$1,759,144	\$1,190,958
Patronage allocations	874,923	903,966	899,272
NET OPERATING MARGINS	\$2,721,579	\$2,663,110	\$2,090,230
NON-OPERATING MARGINS			
Investment Income	423,610	194,204	515,594
Gain (loss) on sale of plant	28,791	57,548	31,621
Miscellaneous	586	691	519
Gain (Loss) on investment	1,230,542	1,663,363	1,221,546
Other Comprehensive loss	(929,188)	205,827	(768,151)
TOTAL MARGINS (What We Had Left Over)	\$3,475,920	\$4,784,743	\$3,091,359

The records of Pee Dee Electric were audited for the period January 1, 2017 to December 31, 2017 by Adams, Jenkins & Cheatham, pc of Richmond, Virginia. A copy of the audit is available for inspection by any member.

ELECTRIC AND OTHER STATISTICS

KWH Purchased:

SEPA	9,279,346	11,582,442	6,717,846
NCEMC	421,608,025	395,564,050	394,885,518
Solar	293,777	312,700	328,508
TOTAL PURCHASED	404,181,148	407,459,192	401,931,872

KWH Sales:

Residential	274,863,598	263,609,708	254,256,911
Commercial	90,800,469	101,660,756	102,571,570
Large Power	12,137,520	11,227,000	16,093,992
TOTAL SALES	377,801,587	376,497,464	372,922,473

Average Monthly KWH Usage	1,508	1,497	1,477
Average Cost per KWH Sold	\$0.112	\$0.110	\$0.115
Number of Members at Year End	20,882	21,011	21,063



575 U.S. Hwy. 52 South
Wadesboro, N.C. 28170
pdemc.com

To report an outage,
call 1-800-693-0190



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