

Annual Report 2021

Pee Dee Electric



Pee Dee Electric

A Touchstone Energy® Cooperative



Building a Brighter Future

Pee Dee Electric's commitment to community is focused on helping our area thrive and grow.



Board President Richard H. Johnson (left) and CEO & Executive Vice President Donald H. Spivey

Pee Dee Electric is committed to building a brighter future for our members and the communities in which we live and work. Any time you build something, it is critical to start with a firm foundation. Pee Dee Electric's solid foundation is the cooperative's 83-year tradition of providing reliable and affordable electricity to our members.

The building blocks of this foundation are the men and women who have faithfully worked for the cooperative throughout our 83-year history and the dedicated employees who serve you today. In a recent American Customer Satisfaction Index (ACSI) survey, Pee Dee Electric received a customer satisfaction score of 88 from our members. Our score is comparable to companies like Chick-fil-A, Amazon and Apple. Many thanks go out to our employees that do an outstanding job serving our members.

Investing for Reliability

Your cooperative has made several critical investments over the past several years as we continue our journey to build a brighter future for our members. We have constructed several new substations and performed major power line upgrades to improve the reliability of the electric system.

We have invested in a new Automated Meter Infrastructure (AMI) system. Not only does the AMI system provide readings for billing purposes, it also provides important data used to detect issues

throughout the distribution system and notifies the cooperative when your power goes out. This data identifies high electrical usage in homes, which could indicate equipment malfunctions in heating and cooling systems, water heaters, or well pumps. The cooperative has invested in a Supervisory Control and Data Acquisition (SCADA) system to monitor our substations.

The last important investment to mention is the completion of Pee Dee Electric's new headquarters last year (see back cover). By combining our two former offices into a single facility, we have gained numerous operating efficiencies to better serve our members. This modern facility allows us to better utilize the various technologies we have invested in to provide more reliable service to our members.

Commitment to Community

Our path to building a brighter future for our members includes our commitment to the communities we serve. The Care to Share Program, wholly supported by members allowing us to round up their electric bills each month, donated just under \$93,000 to non-profit organizations during the past year that provides important services in our local communities.

Your cooperative supports our local schools in many ways. One special program is the Bright Ideas Program, which provides grants to teachers who want to

implement innovative teaching ideas but lack the traditional funds to do so.

Pee Dee Electric's commitment to community is focused on helping our area thrive and grow. Your cooperative has successfully leveraged our relationship with the United States Department of Agriculture to obtain funds used to provide zero-interest loans to local fire departments, municipalities, and economic development organizations. These loans have been used to strengthen our local communities. As loans are repaid, the cooperative will have the opportunity to use those funds to lend to other non-profit organizations that provide essential services to our area.

Building Sustainable Electricity

Looking toward the energy future, we see numerous opportunities and challenges. Electric vehicles provide the opportunity to reduce carbon emissions while increasing revenues for the cooperative. As electric vehicles become more common in our area, electric utilities will face the challenge of upgrading the transmission and distribution system to handle the additional load. While electric vehicles have the potential to double the electric load of a typical home, there are opportunities to affordably charge the vehicle during off-peak hours.

Our nation is transitioning to more renewable energy sources as part of our electric generation resources mix, joining nuclear, coal, and natural gas. This



Board of Directors

Listed from left to right standing: Benjamin R. Lybrand, District 2, Richard V. Melton, Director at Large, Donald A. Thompson, District 5 – Vice President, Benjamin F. McCallum, Jr., District 7- Sec. /Treasurer, Donald H. Spivey, CEO, Craig W. Ratliff, Director at Large, Richard H. Johnson, District 4 – President, Craig R. Davis, Jr., District 8, Paul L. Turner III, District 1
Listed from left to right sitting: Marcia A. Lambeth, District 6, Winnie M. Bennett, District 3

transition focuses on improving the environment by reducing carbon emissions. The most common renewable energy resources are solar, wind, and hydro.

North Carolina’s Electric Cooperatives have set the goal of reducing carbon emissions by 50% from 2005 levels and reaching net-zero emissions by 2050. One challenge with these technologies is that they generate electricity intermittently, which means these energy sources may not be available when electricity is needed in your homes. Another challenge the electric industry faces is the availability of adequate transmission lines to connect large renewable resources to the electric grid. The construction of new transmission lines is very challenging, but an issue

that must be solved as the growth of renewable energy increases.

Electric cooperatives believe strongly in an “all of the above” strategy as it relates to electric generation resources. This means we should continue to use nuclear, natural gas, and renewable energy to generate electricity. As new technologies are developed to capture carbon from coal generation, we could also return to using more coal in our generation mix.

Pee Dee Electric and electric cooperatives across the nation are committed to providing reliable, affordable, and sustainable electricity. We are confident this “all of the above” strategy is the best way to honor this commitment to our members. We can continue to increase the use of

renewable energy in our generation mix, but it must be done at a measured pace, so reliability is maintained. This measured pace will allow for the development of new technologies designed to improve the environment while maintaining the reliability and affordability of electricity that is so vital to our everyday lives.

As we continue on this journey toward a brighter future, Pee Dee Electric is honored to serve you, our member-owners. As we face opportunities and challenges, we will maintain our steadfast focus on providing reliable, affordable, and sustainable electricity while supporting and strengthening our local communities.

Mission

Pee Dee Electric is a not-for-profit cooperative whose mission is to provide power and other related services while focusing on value, quality customer service, and enhancing life in the communities we serve. Pee Dee provides service to over 20,000 members throughout parts of Anson, Montgomery, Moore, Richmond, Scotland, Stanly and Union counties.

SEVEN COOPERATIVE PRINCIPLES



Concern for Community

We were built by and belong to the communities we serve. Here are a few ways we're making a difference.



We've awarded **\$62,000** in college scholarships over the last 10 years.

\$92,699

donated to local nonprofits throughout our seven-county service area. This is made possible by members rounding up their monthly bills through our Care to Share program.



To date, more than **\$297,000** in Bright Ideas grants awarded to teachers for over 230 innovative classroom-based projects.

Our Board of Directors



Paul Turner
DISTRICT 1



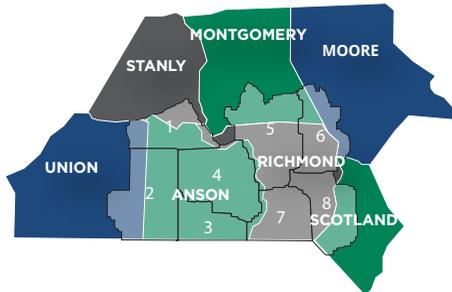
Donald A. Thompson
Vice President
DISTRICT 5



Marcia Lambeth
DISTRICT 6



Benjamin R. Lybrand
DISTRICT 2



Craig Davis
DISTRICT 8



Richard Melton
AT LARGE



Ben McCallum
Sec./Treasurer
DISTRICT 7



Craig Ratliff
AT LARGE



Winnie Bennett
DISTRICT 3



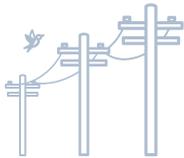
Richard Johnson
President
DISTRICT 4

Powering our Members

CAPITAL CREDITS RETURNED
\$645,591



EMPLOYEES
64



3,461
 miles of energized line



Meters per Mile of Line



1,508 
 Average kWh use per member

21,582
 Meters served



Capital Credits Allocation for the Year 2021

At the end of the year, after 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 we allocate our margins to each account, based on the amount of electricity you used during the year.

Our revenues from the sale of electricity for 2021 were \$46,471,664. Total Margins from our operations were \$1,658,252 or 3.568308% of revenue. Margins allocated from patronage allocations from associated organizations were \$869,845 or 1.871775% of revenue.

You can figure your own Capital Credits by multiplying your total billing for electricity by 5.440083%. For example, if your total billing for 2021 was \$1,000.00, multiply \$1,000.00 by 0.05440083 and \$54.40 will be the amount of Capital Credits assigned to your account.

| | | |
|--|--|--|
|  <p>1. Pee Dee Electric tracks the amount of electricity members use throughout the year.</p> |  <p>2. Each year after paying expenses, Pee Dee calculates excess revenues (margins).</p> | |
| <p>Because Pee Dee Electric operates at cost, any excess revenues, called margins, are returned to our members in the form of capital credits.</p> |  <p>CAPITAL CREDIT PROCESS</p> |  <p>3. Pee Dee uses these margins to pay down debt, invest in facilities and improvement projects, and allocate capital credits to members based on their electricity usage.</p> |
|  <p>4. In 2021, Pee Dee returned capital credits to members who received electric service in 1994.</p> | | |

Balance Sheet

| | 2020 | 2021 |
|---|----------------------|----------------------|
| ASSETS & OTHER DEBITS | | |
| TOTAL UTILITY PLANT | \$146,293,690 | \$159,050,450 |
| Less Provision for Depreciation | 40,413,891 | 38,518,154 |
| NET UTILITY PLANT | \$105,879,799 | \$120,532,296 |
| OTHER PROPERTY AND INVESTMENTS | | |
| Non-current accounts receivables | 1,017,157 | 1,348,045 |
| Investments in Associated Organizations | 17,587,802 | 19,452,951 |
| Notes receivable | 1,890,155 | 1,629,090 |
| Restricted Cash | 429,354 | 925,072 |
| TOTAL OTHER PROPERTY & INVESTMENTS | \$20,924,468 | \$23,355,158 |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 5,147,989 | 2,605,888 |
| Accounts receivable | 7,342,290 | 6,200,140 |
| Materials and Supplies | 1,906,372 | 1,287,753 |
| Other investments | 1,949,201 | 2,286,651 |
| Other current assets | 379,762 | 353,942 |
| TOTAL CURRENT ASSETS | \$16,725,614 | \$12,734,374 |
| Deferred Charges | 444,234 | 311,323 |
| TOTAL ASSETS & OTHER DEBITS (What We Own) | \$143,974,115 | \$156,933,151 |
| LIABILITIES & EQUITIES | | |
| EQUITIES | | |
| Patronage Capital | \$54,751,485 | \$56,168,181 |
| Other Equities | 12,342,790 | 14,937,661 |
| Accumulated other comprehensive income | (341,460) | (341,460) |
| TOTAL EQUITIES | \$66,752,815 | \$70,764,382 |
| NONCURRENT LIABILITIES | | |
| FFB Mortgage Notes | 28,518,256 | 32,738,082 |
| CFC Mortgage Notes | 23,151,456 | 29,396,534 |
| CoBank Mortgage Notes | 1,764,828 | 1,374,515 |
| Other Long-Term Debt | 963,797 | 700,704 |
| Other Noncurrent Liabilities | 8,931,371 | 9,778,653 |
| TOTAL NONCURRENT LIABILITIES | \$63,329,708 | \$73,988,488 |
| CURRENT LIABILITIES | | |
| Current portion of long-term debt | 2,950,079 | 2,936,825 |
| Accounts Payable | 5,828,890 | 4,275,910 |
| Consumer Deposits | 945,756 | 771,103 |
| Current portion of deferred credits | 1,059,281 | 1,017,157 |
| Other Liabilities | 1,374,755 | 1,138,619 |
| TOTAL CURRENT & ACCRUED LIABILITIES | \$12,158,761 | \$10,139,614 |
| Deferred Credits | 1,732,831 | 2,040,667 |
| TOTAL LIABILITIES (What We Owe) & EQUITIES | \$143,974,115 | \$156,933,151 |

Statement of Income & Expense

| | 2020 | 2021 |
|---|---------------------|---------------------|
| TOTAL OPERATING REVENUE (What We Took In) | \$45,914,568 | \$46,877,706 |
| OPERATING EXPENSES | | |
| Cost of Purchased Power | 27,407,347 | 27,648,215 |
| Transmission Expense | 1,996 | 2,087 |
| Distribution Expense - Operations | 1,727,386 | 2,010,866 |
| Distribution Expense - Maintenance | 4,372,751 | 3,648,946 |
| Consumer Accounts Expense | 996,467 | 1,171,878 |
| Customer Service and Information Expense | 300,415 | 346,003 |
| Sales Expense | 2,551 | 1,750 |
| Administrative and General Expenses | 3,745,240 | 4,010,001 |
| Depreciation and Amortization Expense | 4,350,130 | 4,680,429 |
| Taxes | 7,310 | 19,695 |
| Interest on Long-Term Debt | 1,551,393 | 1,878,627 |
| Interest Expense - Other | 6,330 | 6,984 |
| Other | (62,083) | 41,963 |
| TOTAL OPERATING EXPENSES (What We Paid Out) | \$44,407,233 | \$45,467,444 |
| OPERATING MARGINS before patronage allocations | \$1,507,335 | \$1,410,262 |
| Patronage allocations | 1,226,786 | 1,117,835 |
| NET OPERATING MARGINS | \$2,734,121 | \$2,528,097 |
| NON-OPERATING MARGINS | | |
| Investment Income | 386,520 | 349,621 |
| Gain (loss) on sale of plant | 9,729 | 381,171 |
| Miscellaneous | 293 | 328 |
| Gain (Loss) on investment | 733,212 | 1,752,139 |
| Other Comprehensive Gain (Loss) | (913,495) | 0 |
| TOTAL MARGINS (What We Had Left Over) | \$2,950,380 | \$5,011,356 |

Electric & Other Statistics

KWH Purchased:

| | | |
|------------------------|--------------------|--------------------|
| SEPA | 20,374,579 | 11,629,578 |
| NCEMC | 373,064,000 | 398,363,942 |
| Solar | 879,999 | 898,632 |
| TOTAL PURCHASED | 394,318,578 | 410,892,152 |

KWH Sales:

| | | |
|-------------------------------|--------------------|--------------------|
| Residential | 253,423,714 | 266,026,090 |
| Commercial | 103,008,741 | 104,772,627 |
| Large Power | 17,613,253 | 17,597,261 |
| TOTAL SALES | 374,045,708 | 388,395,978 |
| Average Monthly KWH Usage | 1,465 | 1,508 |
| Average Cost per KWH Sold | 12.14¢ | 11.87¢ |
| Number of Members at Year End | 21,341 | 21,537 |

The records of Pee Dee Electric were audited for the period January 1, 2021 to December 31, 2021 by Adams, Jenkins & Cheatham, pc of Richmond, Virginia. A copy of the audit is available for inspection by any member.

2021 New Lilesville Facility Opens



Pee Dee Electric's Board of Directors made the strategic decision to construct a new facility for Pee Dee Electric, merging the Rockingham and Wadesboro locations into a single facility in early 2020. That same year by mid-July, the cooperative purchased a tract of land along Highway 74 in Lilesville, developed a site and floor plan, and began grading the site. By the end of the year, site grading was completed and construction on the new facility had begun.

On October 18, 2021, Pee Dee Electric opened its doors to members at its new centrally located office in Lilesville, NC. On March 24, 2022, the Anson and Richmond Chambers of Commerce held an official ribbon-cutting ceremony and open house in which members of the community and local town, county and state representatives were in attendance. "This significant step in the history of the cooperative strengthens our commitment to all the communities we serve as we grow and plan for a brighter energy future," stated Donald Spivey, CEO and Executive Vice President.



Pee Dee Electric

A Touchstone Energy Cooperative



9825 U.S. Hwy. 74 East | Lilesville, N.C. 28091 | pdemc.com

TO REPORT AN OUTAGE, CALL 1-800-693-0190