

2014 ANNUAL REPORT



LOOKING OUT FOR
MEMBERS' BEST INTEREST

PROVIDING MEMBERS
GOOD VALUE

HELPING MEMBERS
MANAGE ENERGY

we are

**CO-OP
STRONG**

RESPONDING TO
MEMBER NEEDS





Letter from the CEO

WHEN WE WORK TOGETHER, WE ARE CO-OP STRONG

R. G. Brecheisen, President & Chief Executive Officer

For over 75 years, Piedmont Electric has maintained a strong relationship with the communities we serve. We empower and partner with our members to provide energy value and enhance their quality of life as we strengthen the communities we serve. Piedmont Electric and its members work together to use energy safely and wisely, and to save money – making us “Co-op Strong.”

Electric cooperatives like Piedmont EMC are committed to working together with our members and other electric cooperatives. In addition to providing safe, reliable and affordable electricity, we invest time, money and expertise in our local economy to strengthen our ties to our service area. We are committed to improving the quality of life in these areas by taking a leadership role in community development projects, educating our youth and donating our resources to schools and charities. We understand that by working together, we can build a brighter tomorrow for our communities. This is what bands us together and makes us Co-op Strong.

The cooperative business structure is designed to benefit our members. This idea stems from the earliest days of Piedmont EMC, when hard-working men and women banded together to bring power to their rural neighbors. This electric cooperative is also a democratically controlled business. By purchasing power, you are a member, and therefore an owner of Piedmont EMC, and have power to elect our board of directors. The board is made up of members like you who have their communities’ best interests at heart. This cooperative dynamic strengthens our ties to the community, and makes us stronger than other business models.

We spend much of our time and effort ensuring that our electric distribution is safe and reliable,

especially during emergency situations. We have developed an emergency preparedness plan aimed at restoring power as quickly and efficiently as possible, while keeping members informed of restoration progress. All outage information, alerts and other resources can be found online at www.pemc.coop and by following us on Facebook and Twitter.

A MAJOR PART OF KEEPING THIS ELECTRIC COOPERATIVE STRONG IS HOLDING DOWN THE PRICE THAT OUR MEMBERS PAY FOR ELECTRICITY. WE ARE CONSTANTLY DEVELOPING PROGRAMS, SUCH AS THE ENERGY MANAGEMENT PROGRAMS, WHERE MEMBERS SAVED \$2 MILLION IN WHOLESALE POWER COSTS, RESULTING IN CREDITS ON ALL ELECTRIC BILLS.

To build the strength of this cooperative and our community, we remain committed to partnering and empowering the communities we serve. In this spirit, we developed the Revolving Community Loan Program in 2014. Partnering with the US Department of Agriculture (USDA) Piedmont EMC is able to offer zero-interest loans to various local entities. These loans fund projects

that support rural areas. A portion of the funds, once repaid, are re-loaned to assist with future community projects in our service area. In effect, we have created a perpetual capital pool that can support projects for years to come. During the 2014 fiscal year, Piedmont EMC was awarded more grants to loan out, both in number and total dollars, than any other participating electric cooperative in the country. As of 2014, five projects have been supported through this program, representing over \$2.4 million loaned by Piedmont EMC to support community projects.

In addition to our community support programs, in 2014, Piedmont EMC collected and paid more than \$7.7 million in local, state and federal taxes. Since Piedmont EMC is a not-for-profit electric cooperative, any additional funds after paying our operating expenses are used to improve or maintain our systems. These margins are then returned to our members in the form of capital credits. Since 1975, Piedmont EMC has returned over \$19.8 million in capital credits to our active members and estates of deceased members as part of the capital credits program.

In the center of this report, you will find an update on the many ways we supported the entire cooperative membership throughout 2014. We are proud to support each and every one of our members, and are thankful for all of the members who contribute to the strength of our cooperative by participating in our programs. Working together we can do great things – that’s what makes us Co-op Strong.



Board of DIRECTORS

PROVIDING PLANNING AND POLICY OVERSIGHT

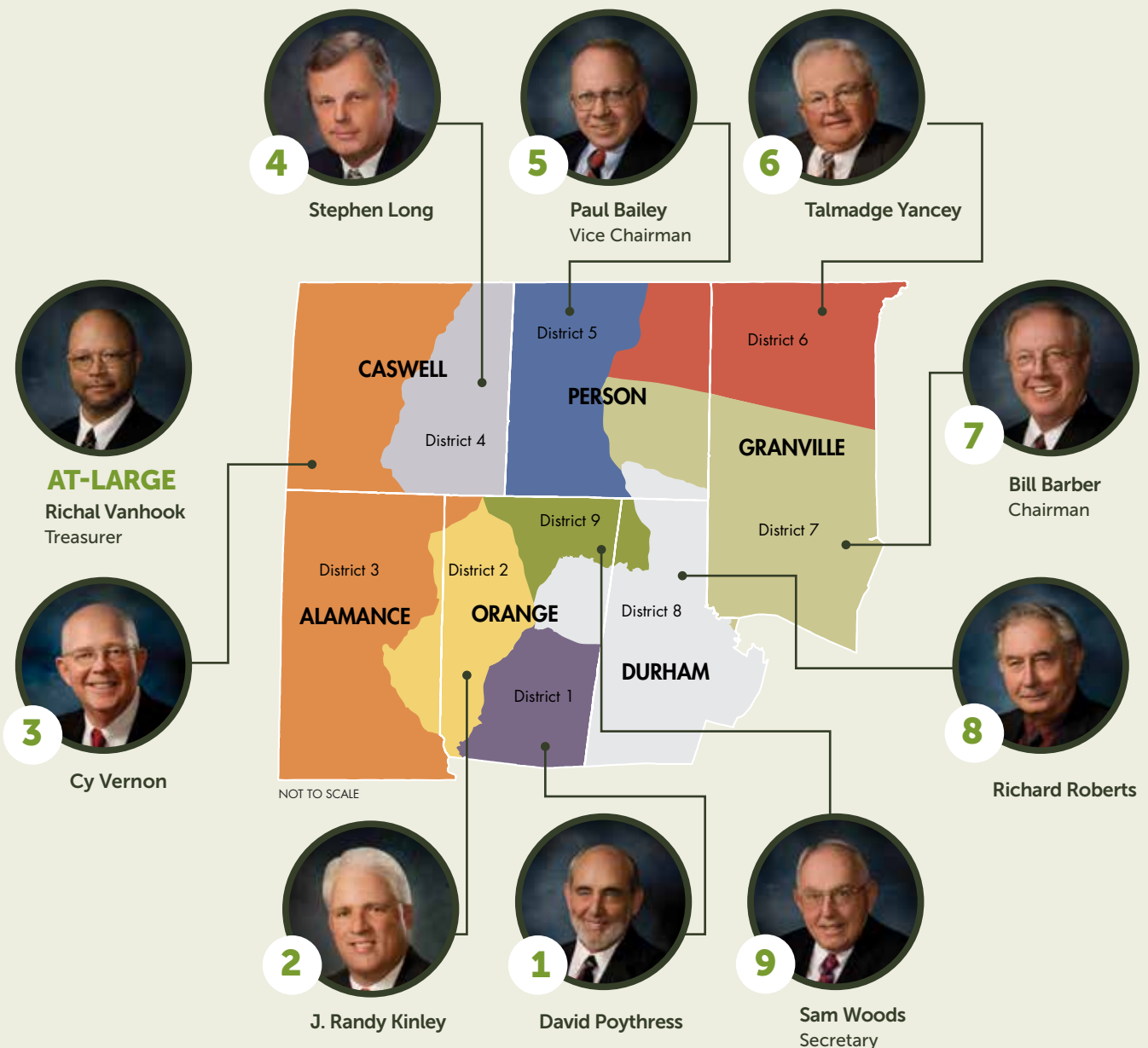
Bill Barber, Chairman of the Board

I am proud to serve as Chairman of the Board for Piedmont EMC, a locally owned and operated business that follows the co-op principle of democratic control. Your electric cooperative board is composed of members like you, local people who keep our members and the cooperative always in mind.

Our primary objective is to provide planning and policy oversight, establish Piedmont EMC's long-term objectives, and provide the resources necessary to be successful.

The board of directors works closely with Piedmont EMC's CEO and senior staff to evaluate and measure the results of this cooperative and ensure that all is progressing according to plan.

In addition to attending monthly meetings to review our progress and make strategic decisions, we continue to educate ourselves on the increasing complexity of the energy business, so we can make the best possible decisions for you and our cooperative.



What makes us CO-OP STRONG

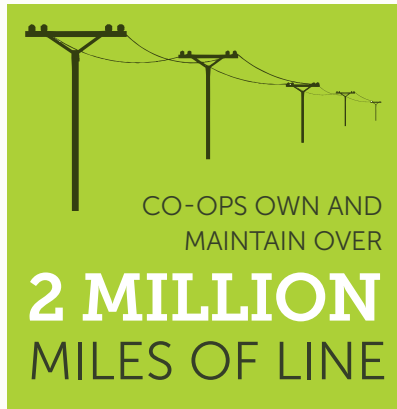
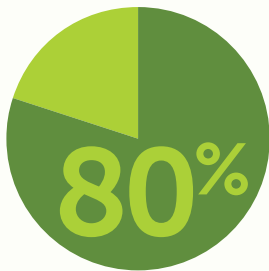
The strength of this cooperative comes from the members who purchase electricity, the hard-working employees who keep the power on and the network of cooperatives across the country who rely on each other for growth and support, especially during emergency situations. As a cooperative member, you are part of a much larger community working together to provide safe, reliable and affordable energy to millions of people across the country.



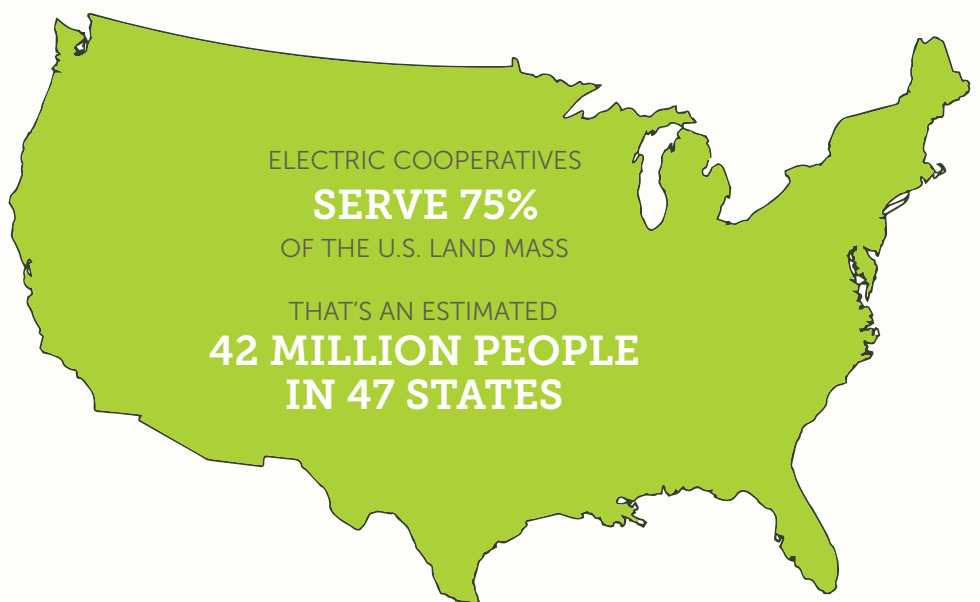
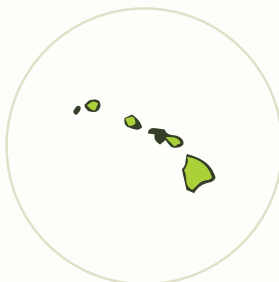
Donald has been at Piedmont EMC for 24 years and is currently serving as a Crew Leader.

STRENGTH IN NUMBERS: NATIONWIDE

CO-OPS ARE LOCATED IN **80%**
OF THE NATION'S COUNTIES



CO-OPS HAVE
42 MILLION
MEMBER-OWNERS



STRENGTH IN NUMBERS: PIEDMONT ELECTRIC AND STATEWIDE



MEMBERS
26,000+



ACTIVE SERVICES
31,000+



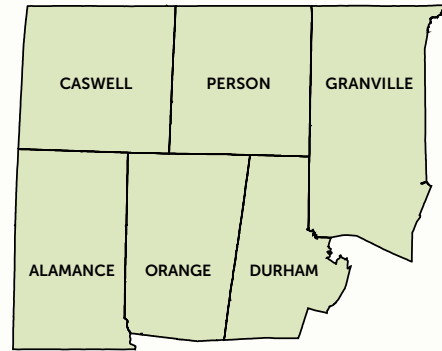
EMPLOYEES
98



ELECTRIC COOPERATIVES IN NC
26



ELECTRIC CO-OP MEMBERS IN NC
950,000+

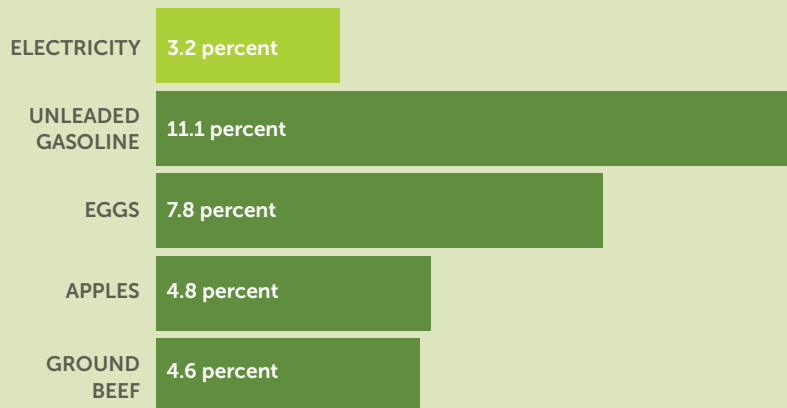


SERVICE AREA

Piedmont Electric serves six counties covering parts of Alamance, Caswell, Durham, Granville, Orange and Person.

ELECTRICITY REMAINS A GOOD VALUE

Electricity fuels your life – your home, your computer, your phone and maybe even your car. Since 2002, the cost of electricity has increased only an average of 3.2 percent annually. Compare the average price increase of these other expenses each year over the span of more than a decade, and the value of electricity shines.



LOOKING OUT FOR YOUR BEST INTEREST

ENERGY MANAGEMENT PROGRAMS

We reduced wholesale power costs by \$2 million with our Volt/VAR, HVAC and electric water heating control programs.

CAPITAL CREDITS

Since 1975, Piedmont Electric has returned over \$19.8 million in capital credits to our active members and the estates of deceased members.

REDLG COMMUNITY LOANS

We loaned \$2.4 million to support 5 community projects.

BRIGHT IDEAS GRANTS

We awarded \$24,940 to 27 teachers.

PROJECT HELPING HAND

1,300 participating members helped area families in need pay electric bills.

CHARITABLE DONATIONS

We donated almost \$12,000 to local organizations that serve our members and community.

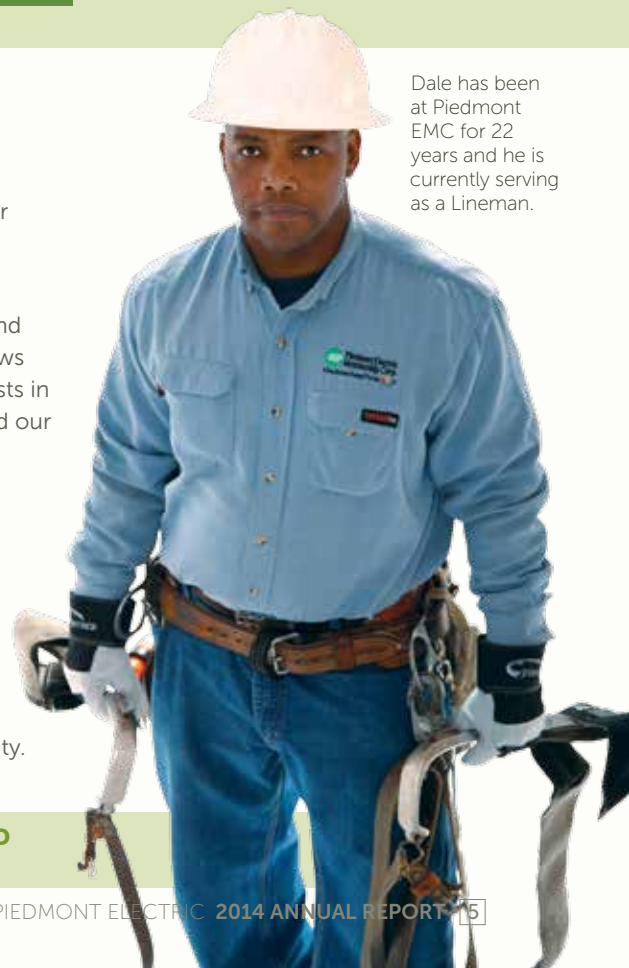
MEMBER ADVOCACY

Meetings held with local, state and federal government to ensure laws reflect our members' best interests in keeping electricity affordable and our employees safe.

SAFETY & RELIABILITY

Power was ON for 99.9836% of the year thanks to the hard work of PEMC employees.

Crews cleared 647 miles of right-of-way as part of our aggressive maintenance plan to ensure safety and service reliability.



Dale has been at Piedmont EMC for 22 years and he is currently serving as a Lineman.

SAFETY IS OUR NO. 1 PRIORITY FOR OUR EMPLOYEES, MEMBERS AND COMMUNITY, WHICH IS WHAT MAKES US CO-OP STRONG.



FINANCIALS

REPORT FROM THE TREASURER

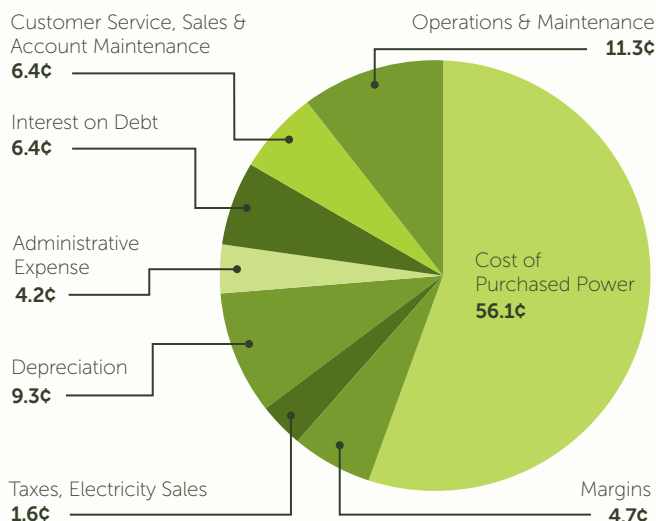
Richal Vanhook, Treasurer

McNair, McLemore, Middlebrooks & Company of Macon, Georgia, audited the Consolidated Financial Statements as of December 31, 2014 and 2013. The auditors have issued an unqualified opinion on those statements. The complete Independent Auditor's Report is available for inspection at the Cooperative's headquarters office in Hillsborough, North Carolina.

The Consolidated Balance Sheets and Consolidated Statements of Operations contained in this report are derived from the audited financial statements and reflect a continued strong financial position.

Until retired in the future as capital credits, our 2014 total new margins of \$3,095,722 will be used to upgrade and expand Piedmont Electric Membership Corporation's electric system to provide you, our members, with optimum service.

WHERE EACH DOLLAR GOES



YEAR 2014 PERCENTAGE 4.9%

If Your Total Bills Are	\$500	\$1000	\$1500
Your Capital Credit Allocation Would Be	\$24.50*	\$49.00*	\$73.50*

CONSOLIDATED STATEMENTS OF OPERATIONS	2014	2013
Operating Revenues	\$63,983,054	\$62,910,334
Operating Expenses		
Cost of power	\$37,040,405	\$35,170,458
Other operating expenses	14,480,444	13,888,062
Net operating margins	12,462,205	13,851,814
Depreciation	(6,115,587)	(5,936,586)
Taxes	(1,038,459)	(1,992,718)
Interest	(4,239,297)	(4,198,934)
Net non-operating margins	2,026,860	1,703,525
Total Net Margins*	\$3,095,722	\$3,427,101

CAPITAL CREDITS	2014	2013
Capital Credits Retired to Members		
Estate retirements	\$401,475	\$365,921
General retirement	898,149	582,475
Total Retired	\$1,299,624	\$948,396

CONSOLIDATED BALANCE SHEETS	2014	2013
Assets		
Total net utility plant	\$141,964,741	\$141,047,845
Other property and investments	8,868,782	8,079,085
Current assets	11,192,649	10,697,524
Prepaid expenses and deferred charges	5,358,167	5,453,276
	\$167,384,339	\$165,277,730
Members' Equity and Liabilities		
Members' equity	\$53,138,269	\$51,183,638
Noncurrent liabilities	97,277,208	98,729,639
Current liabilities	13,320,883	12,591,331
Deferred credits	3,647,979	2,773,122
	\$167,384,339	\$165,277,730

AT YEAR ENDING...	2014	2004	1994
Miles of line energized	3,510	3,325	2,751
Number of members served	31,285	29,403	22,009
Total kWh purchased	514,247,187	475,618,455	305,035,013
Total kWh sold	480,370,608	445,995,052	279,956,360

*These amounts are calculated on historic data and may not reflect future capital credits.

TOGETHER WE SAVED \$2 MILLION DOLLARS

In 2014, we saved almost \$2 million in wholesale power thanks to our members who stepped up to reduce our peak by enrolling in our Energy Management Savings programs, such as Load Control, Time-of-Day Rates and Beat the Peak. These savings are applied as a rate reduction to members through the Wholesale Power Cost Adjustment (WPCA).

Highlights from 2014



REVOLVING COMMUNITY LOAN FUND, EST. 2014

In 2014, Piedmont EMC loaned \$2.4 million to support five community projects in Mebane, Roxboro, Chapel Hill, Rural Orange and Durham Counties. In fiscal year 2014, Piedmont Electric closed more REDLG loans, both in number and total dollars, than any other participating electric cooperative in the country.

CAPITAL CREDITS

Almost \$1.3 million in capital credits distributed to our members in 2014.

ENGINEERING & OPERATIONS

- Started the upgrade of Substation RTU's to improve communications with our substations.
- Made upgrades to the Relays at Carrboro Substation.
- Started testing and configuration of advanced devices for the load-reducing Volt/VAR project.
- Acquired additional right-of-way area and started the permitting process for the new Mebane Oaks Substation.



6 SIX INTERCONNECTIONS WITH COMMERCIAL MEMBERS' SOLAR EQUIPMENT

80 EIGHTY INTERCONNECTIONS WITH RESIDENTIAL MEMBERS' SOLAR EQUIPMENT

850 KW IN SOLAR CAPACITY OWNED BY MEMBERS AND OTHERS. 1,173,823 KWH OF SOLAR GENERATION PLACED ON POWER GRID



HVAC LOAD PROGRAM
6,000+ MEMBERS



TIME-OF-DAY RATES
600+ MEMBERS



ELECTRIC WATER HEATER PROGRAM
4,600+ MEMBERS



FREE ENERGY AUDITS
497



ENERGY EFFICIENCY REBATES
\$22,475 TO 143 MEMBERS



ENERGY EFFICIENCY LOANS
\$312,900 TO 53 MEMBERS

we are

CO-OP STRONG

PROVIDING MEMBERS
GOOD VALUE



LOOKING OUT FOR
MEMBERS' BEST INTEREST



HELPING MEMBERS
MANAGE ENERGY



PROUDLY SERVING MEMBERS IN PARTS OF ALAMANCE, CASWELL,
DURHAM, GRANVILLE, ORANGE, AND PERSON COUNTIES.



RESPONDING TO
MEMBER NEEDS

 **Piedmont Electric
Membership Corporation**
Your Touchstone Energy Cooperative 

800.222.3107 PEMC.COOP