

2013
ANNUAL REPORT

Lighting up
the **COMMUNITY**



Piedmont Electric
Membership Corporation

Your Touchstone Energy Cooperative



FRIDAY NIGHT FOOTBALL LIGHTS AT CEDAR RIDGE
HIGH SCHOOL IN HILLSBOROUGH, NC



Letter from the CEO

LIGHTING UP THE COMMUNITY IN SO MANY WAYS

R. G. Brecheisen, President & Chief Executive Officer

First and foremost, Piedmont Electric serves our communities by doing what we do best: providing safe, reliable and affordable electric power. Beyond literally lighting up the community, your co-op plays a significant role in the well-being of the communities we serve.

Together, all of us are a key part of our local economy. Your co-op provides good jobs to local people, your friends and neighbors. We pay our employees fair wages because that in turn helps strengthen the economy when they spend that money locally. These jobs help keep our towns healthy because employees and their families don't have to move away to make a decent living. The more people we keep here paying taxes and contributing to their communities, the more vibrant the area will be.

PEMC delivers goods and services that keep the communities working, and we purchase supplies and services locally whenever it makes good business sense. And we pay taxes to support services provided by local governments. In 2013, we paid more than \$2,920,000 in taxes.

Through our Energy Efficiency Loan program for energy efficiency improvements, in 2013 we loaned more than \$302,000 to members and have rebated more than \$18,400 to members in Heat Pump and Solar Water Heater Rebates.

As a not-for-profit, all excess funds not used during a fiscal year must be returned to our members in the form of capital credits. Since 1975 Piedmont has retired over \$19.5 million in capital credits to our active and deceased members as part of our capital credits program.

One of the key commitments we have made to our members is in safety

and reliability, especially in times of emergency. Piedmont Electric has developed a number of emergency preparedness plans aimed at restoring power as quickly as possible, assisting the community when called upon and getting hazardous downed power lines cleaned up. As a member, you can track outage restoration progress, receive

AS A NOT-FOR-PROFIT CORPORATION, PEMC RETURNS ANY EXCESS MARGINS TO ITS MEMBERS IN THE FORM OF CAPITAL CREDITS. THAT MONEY THEN RETURNS TO THE LOCAL COMMUNITY, AT THE GROCERY STORE, THE BEAUTY SALON, THE CONVENIENCE STORE OR OTHER BUSINESSES, ALLOWING THEM IN TURN TO CREATE MORE JOBS FOR THE LOCAL ECONOMY.

safety information and alerts, as well as review important statements from your cooperative at pemc.coop.

Your board of directors and co-op employees support programs and projects that are good for the community. We are your friends and neighbors and are close enough to be aware of and have an impact on local needs.

Getting to specifics, the Bright Ideas grant program is a great success story. Since PEMC started helping teachers with grants to help fund creative

classroom-based projects in 1994, Piedmont EMC has awarded over \$326,000 to 266 projects, which is just part of the over \$8.5 million North Carolina's electric cooperatives have granted to fund 8,300 projects. More than 1.5 million students statewide have participated in visionary classroom projects funded by Bright Ideas Grants.

We have always placed a high priority on education. We've opened doors of opportunity for outstanding high school seniors with our college scholarship program. To help build well-rounded young people, we provide scholarships to basketball camps for young athletes and support for local athletic programs.

Strengthening our community also means providing support for local organizations in the area of civic and community activities, family services, emergency services, and economic development.

Providing warmth and light on a cold winter's night is yet another way of caring for our community through the Project Helping Hand community heating assistance program.

And there's still more. In the center of this report is an update on other ways we light up the community.

Because we are a cooperative business, owned by those we serve, Piedmont Electric has a deep commitment to improving the quality of life in our communities. Every day we see the local members of this cooperative working hard for local good. That's the true essence of the "Concern for Community" cooperative principal. That's the cooperative difference.



Board of DIRECTORS

PEMC is a locally owned and operated business and following the co-op principle of democratic control, the board of directors is elected by the membership. Your board is comprised of co-op members like you, local people with the best interests of the members, the community and the cooperative always in mind.

The primary functions of an electric cooperative board are planning and policy oversight, establishing the long-term objectives of the co-op and providing resources to meet those objectives.

PEMC's board works closely with the CEO and senior staff to evaluate and measure the results of the co-op to ensure that it is progressing according to plan.

In addition to attending monthly meetings to review progress and make strategic decisions, the directors continuously educate themselves on the increasing complexity of the energy business.



AT LARGE
Richal Vanhook
Treasurer



4
Stephen Long



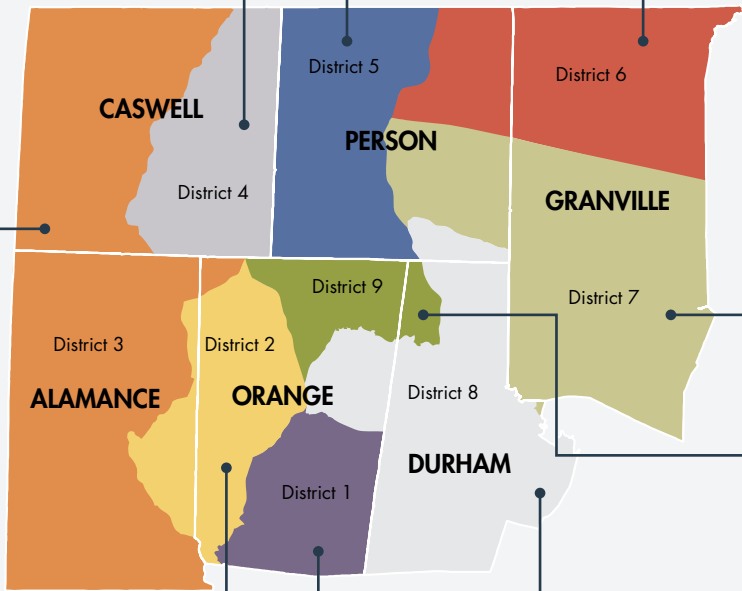
5
Paul Bailey
Vice Chairman



6
Talmadge Yancey



3
Cy Vernon



7
Bill Barber
Chairman



9
Sam Woods
Secretary



IN MEMORIAM

Doug Simmons
(1980–2013)

Doug was Secretary of our Board and board member for over 30 years. His leadership and dedication was fundamental to Piedmont Electric's growth and success.



2
J. Randy Kinley



1
David Poythress



8
Richard Roberts

Commitment to COMMUNITY

Commitment to Community takes many forms at PEMC. It means reaching out to all parts of our service area, to all ages, to families and children, to teachers and students, to community groups, to our chambers of commerce, to businesses, to charitable groups, festival organizers and those in need of a helping hand. If you look around, you'll see and feel the presence of your cooperative touching lives every day, lighting up the community.



CO-OP CONNECTIONS® CARD

The Co-op Connections® card brings thousands of saving opportunities to co-op members, marketing help for local businesses and adds new savings offers often. The most popular benefit is the pharmacy prescription savings. Since we introduced the card in October 2012, PEMC members have saved more than \$17,000 just by showing the card at the pharmacy.



YOUTH SCHOLARSHIPS

Our annual Youth Tour and Basketball Camp scholarships continue to offer once in a lifetime leadership experiences to local students.

ECONOMIC DEVELOPMENT

Economic Development is essential to providing a better quality of life in the communities we serve. PEMC is involved with our counties, cities, towns, fire departments and local Chambers of Commerce to help light up the community.





BRIGHT IDEAS GRANTS

Bright Ideas Grants continue to impact teachers and students in countless ways. Started at PEMC in 1994, the program has awarded more than \$326,000 to teachers for hundreds of grants geared towards hands on learning experiences for children.



CHARITABLE DONATIONS

Charitable donations are key to our commitment to the community. PEMC established a philanthropic giving program as a way to give back to the communities in which we live and serve. In addition, our 4-H and Duke Children's Hospital Charity Golf Tournaments have raised thousands of dollars for these organizations which address a wide range of community needs, including family services, youth educational activities and emergency services. We also support Relay for Life, United Way, and hold annual Red Cross blood drives.



PEMC COLLEGE SCHOLARSHIPS

PEMC awards scholarships to outstanding students of co-op members to help pay for college. We started the program in 2009 and have awarded 18 scholarships totaling \$20,000. Our first recipients graduated in 2013 with great prospects for a bright future.



RESIDENTIAL ENERGY AUDITS

A free home energy analysis is available to all members. The analysis, performed by one of PEMC's experienced Energy Specialists can provide suggestions for home comfort improvements. The energy analysis includes a check of the home's heating and cooling equipment, insulation, and looks for heat loss around windows and exterior doors.



YOUTH LEADERSHIP AND SCHOOL OUTREACH

School Outreach is essential to fulfilling our year-round commitment to educating youths on the importance of electrical safety, energy conservation and leadership. We stay true to that commitment by providing classroom safety demonstrations, Kidsville news publications, school sponsorships, Earth Day Art Contests, career days and field trip hosting.



PROJECT HELPING HAND

Electric co-ops have always been about neighbors helping neighbors. Project Helping Hand gives members an opportunity to help less fortunate members. With consumer permission, we round up their monthly electric bills to the next dollar which will go to a separate fund to help less fortunate PEMC members pay their electric bills. Since 2000, we have raised over \$218,000.

Financials

REPORT FROM THE TREASURER

Richal Vanhook, Treasurer

McNair, McLeMore, Middlebrooks & Company of Macon, Georgia, audited the Consolidated Financial Statements as of December 31, 2013 and 2012. 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.

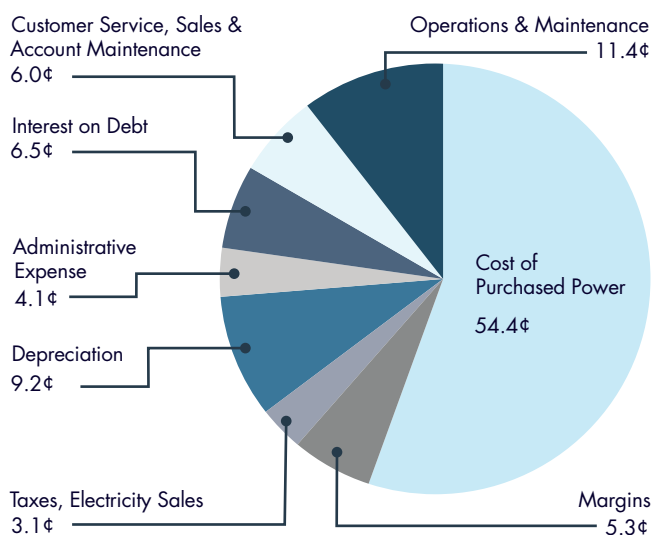
Year 2013 Percentage 5.5%

If Your Total Bills Are	\$500	\$1000	\$1500
Your Capital Credit Allocation Would Be	\$27.50*	\$55.00*	\$82.50*

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

Until retired in the future as capital credits our 2013 Total Net Margins of \$3,427,101 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



CONSOLIDATED STATEMENTS OF OPERATIONS

	2013	2012
Operating Revenues	\$62,910,334	\$62,028,761
Operating Expenses		
Cost of power	35,170,458	34,702,860
Other operating expenses	13,888,062	13,865,509
Net operating margins	13,851,814	13,460,392
Depreciation	(5,936,586)	(5,796,007)
Taxes	(1,992,718)	(1,978,185)
Interest	(4,198,934)	(4,177,821)
Net non-operating margins	1,703,525	1,578,873
Total Net Margins*	\$3,427,101	\$3,087,252

CAPITAL CREDITS

	2013	2012
Capital Credits Retired to Members		
Estate retirements	\$365,921	\$415,266
General retirement	582,475	1,026,077
Total Retired	\$948,396	\$1,441,343

CONSOLIDATED BALANCE SHEETS

	2013	2012
Assets		
Total net utility plant	\$141,047,845	\$139,818,346
Other property and investments	8,079,085	6,534,678
Current assets	10,697,524	10,225,890
Prepaid expenses and deferred charges	5,453,276	1,689,606
	\$165,277,730	\$158,268,520
Members' Equity and Liabilities		
Members' equity	\$51,183,638	\$48,509,715
Noncurrent liabilities	98,729,639	90,801,462
Current liabilities	12,591,331	16,706,241
Deferred credits	2,773,122	2,251,102
	\$165,277,730	\$158,268,520

AT YEAR ENDING...

	2013	2003	1993
Miles of line energized	3,500	3,296	2,698
Number of members served	31,150	28,946	21,380
Total kWh purchased	494,631,508	459,283,893	304,090,506
Total kWh sold	462,587,739	424,920,652	275,974,620

Highlights *from* 2013



Completed construction of New Sharon Substation in February 2013—this station will serve approximately 1,100 consumers in the northeast area of Orange County.

ENGINEERING & OPERATIONS

Our current Work Plan is on schedule, major projects include:

- Construction of New Sharon Substation
- Preliminary analysis and design of the Volt/VAR control system completed in 2013 and plans to continue to expand in 2014.
- Crews built more than 3.75 miles of new lines, bringing the total number of miles energized to 3,500.
- PEMC replaced more than 13.5 miles of copper wire and a 1/4 mile of underground cable.
- The Mebane-Oaks substation has been delayed due to slow growth.

SERVICE RELIABILITY

Electric service 'ON' for 99.9913% of 2013 which means on average customers were out of power less than an hour for the year.

RIGHT-OF-WAY

Crews cleared 631 miles of right-of-way as part of our aggressive maintenance plan to ensure safety and service reliability.

COMMITMENT TO SAFETY

PEMC passed the (RESAP) Rural Electric Safety Achievement Program inspection, a three year certification of PEMC's Commitment to Safety. This program states National Recognition of our dedication to employee and public safety and commitment to regulatory compliance and loss control practices.

ENERGY SERVICES

- Completed the conversion of the obsolete radio load control system to the modern advanced meter Load Control system.
- Began collecting hourly meter data to assist in monitoring the new Load Control switches and assist customers in managing their electrical usage.
- Began installing LED lighting for outdoor residential use and evaluating it for commercial and roadway applications.
- Conducted 441 free in-home and high use energy audits for residential members.

RENEWABLE GENERATION

We continue to promote renewable generation with net-metering rates, purchase power agreements, low-cost loans and rebates. At the end of 2013, PEMC had 69 residential solar producers and 7 commercial solar producers participating in either net-metering, NC GreenPower or buy all-sell all programs generating more than 875kW in solar power.



ELECTRIC VEHICLE

PEMC purchased its first electric vehicle, a 2013 Ford C-MAX Energi Plug-In hybrid. This car delivers maximum efficiency by combining a state-of-the-art rechargeable plug-in battery and electric motor with a gasoline engine. The car's slogan, displayed on the side of the car, reads "Plug In. Save Money. Charge Forward." It is in that spirit that PEMC shows members that electric cars make both environmental and economic sense.

HOME ENERGY SUITE

PEMC added a Home Energy Suite to our website to provide members with answers regarding their home energy use and how they can save on their electric bills. These tools include Analyze My Bill, Home Energy Calculator, Heating Calculator, Appliance Calculator and the Electric Vehicle Calculator. In 2014, there are plans to add three new tools to our website—a Residential Rate Calculator, Lighting Calculator and a Space Heater Calculator. ■



Lighting up *the* **COMMUNITY**



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

Proudly serving 31,000 members in parts
of Alamance, Caswell, Durham, Granville,
Orange and Person counties.

WWW.PEMC.COOP