



COOPERATIVES **BUILD**

ANNUAL REPORT
2016



Piedmont Electric
Membership Corporation
Your Touchstone Energy Cooperative

800.222.3107 PEMC.COOP

CO-OPS BUILD A BETTER WORLD

Letter from the CEO



Stephen B. Hamlin

President & Chief Executive Officer

Being part of a cooperative means being part of something special. It all began nearly 80 years ago when the hardworking men and women of our communities banded together to bring electricity to our rural homes and businesses, giving them access to the same opportunities as our urban neighbors.

More than three-quarters of a century later we still want our communities to prosper. We remain steadfast in our commitment to providing safe, reliable and affordable power, but this community-driven business doesn't stop at your light switch.

In addition to having a history of putting people first, providing quality service and delivering affordable electricity at a good value, we are also proud of our strong legacy of innovation. Innovation takes many forms at Piedmont Electric, from our energy efficiency and renewable energy efforts to transforming our electric grid to meet member needs.

"By putting people first and innovating to meet member needs, electric cooperatives build a better world."

We also build the sustainable development of our communities through involvement in local organizations, charitable contributions to community efforts and support for local schools.

Through all of these ways and more, Piedmont Electric builds a better, stronger world and provides a brighter tomorrow for our communities.



Bill Barber

Chairman of the Board

BOARD OF DIRECTORS MESSAGE

The board and I would like to thank you for supporting Piedmont Electric for another fantastic year.

The primary objective of the board is to give the cooperative the guidance it needs to ensure that Piedmont Electric best serves you, our member. We work very closely with co-op staff to evaluate the results of cooperative initiatives and promote ideas and programs that can deliver the best possible service to our members.

The board meets monthly to review the cooperative's progress and make strategic decisions. We also work to

educate ourselves on the ever-changing energy business, so that we are prepared for whatever issues may arise.

The board of your cooperative is elected by and made up of co-op members. This local control ensures that your best interest is always close to home.

We're proud of the work Piedmont Electric members and staff have completed together in 2016, and it is with great pleasure that the Piedmont Electric Board of Directors and staff present the 2016 Piedmont Electric Annual Report.

FINANCIALS

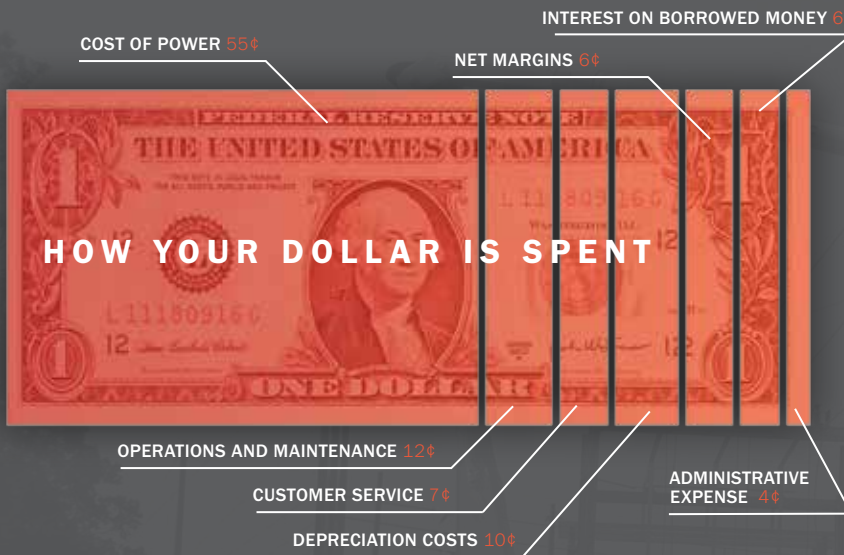


Richal Vanhook
Treasurer

McNair, McLemore, Middlebrooks & Company, of Macon, Georgia, audited the Consolidated Financial Statements as of December 31, 2016 and 2015. 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 as capital credits, our 2016 total margins of \$3,584,170 will be used to upgrade and expand Piedmont Electric Membership Corporation's electric system to provide you, our members, with optimum service.



CAPITAL CREDITS reflect each member's ownership in Piedmont Electric. Any margins or revenues related to the sale of electric service remaining after all expenses have been paid are allocated to the co-op members in proportion to their electrical use. Below is the allocation, which determines your share of the co-op's margin for 2016.

YEAR 2016 ALLOCATION PERCENTAGE 5.924%

Excluding Sales Tax, if Your Total Bills Are	Your Capital Credit Allocation Will Be
\$500	\$29.62
\$1,000	\$59.24

CONSOLIDATED STATEMENTS OF OPERATIONS	2016	2015
Operating Revenues	\$61,249,844	\$62,601,605
Operating Expenses		
Cost of power	\$34,604,441	\$36,234,237
Other operating expenses	14,888,856	14,852,774
Net operating margins	11,756,547	11,514,594
Depreciation	(6,476,472)	(6,293,974)
Interest	(3,922,149)	(4,049,015)
Net non-operating margins	2,226,244	2,082,100
Total Net Margins	\$3,584,170	\$3,253,705

CAPITAL CREDITS*	2016	2015
Capital Credits Retired to Members		
Estate retirements	\$534,038	\$415,368
General retirement	1,256,847	1,269,063
Total Retired	\$1,790,885	\$1,684,431

CONSOLIDATED BALANCE SHEETS	2016	2015
Assets		
Total net utility plant	\$151,868,587	\$145,533,893
Other property and investments	11,524,091	10,495,162
Current assets	10,195,232	9,682,542
Prepaid expenses and deferred charges	4,512,698	4,740,278
	\$178,100,608	\$170,451,875
Members' Equity and Liabilities		
Members' equity	\$57,317,027	\$54,883,305
Noncurrent liabilities	96,222,181	100,087,760
Current liabilities	20,126,835	12,504,014
Deferred credits	4,434,565	2,976,796
	\$178,100,608	\$170,451,875

AT YEAR ENDING...	2016	2006	1996
Miles of line energized	3,528	3,402	2,875
Number of members served	31,688	30,488	23,493
Total kWh purchased	514,613,155	469,749,959	341,520,426
Total kWh sold	480,916,363	436,308,084	320,494,413

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



COOPERATIVES BUILD

HIGHLIGHTS FROM 2016

When the hard-working men and women of this community set out to bring electricity to our rural area, they were doing more than just bringing the power to their friends and neighbors, they were building a better community. Today, Piedmont Electric continues to build a better place to live, work and raise a family.

BUILD A BETTER COMMUNITY



BRIGHT IDEAS

Each year educators in our communities can be awarded grants of up to \$1,500 for innovative classroom projects. Since 1994, Piedmont Electric has awarded nearly \$400,000 in Bright Ideas grants for projects like a biotech mobile lab at Orange High School or a school geography lab in Person County.



COLLEGE SCHOLARSHIPS

With an increasingly competitive workforce, it is more important than ever to help prepare students for their future careers. Piedmont Electric's college scholarships help local students continue their education and prepare for the jobs of tomorrow.



YOUTH TOUR

Leadership, civic duty and a reverence for American history are just a few of the character traits local students build during their week in Washington, D.C. This unique experience immerses students in the sights and sounds of our nation's history.



COMMUNITY LOAN PROGRAM

Working with the USDA, in the past three years, Piedmont Electric has loaned more than \$4.8 million for ambulances, fire trucks, fire stations and schools through Rural Economic Development Loans and Grants from the government. As the funds are repaid, they are re-loaned to assist with future projects in our communities.



BASKETBALL CAMPS

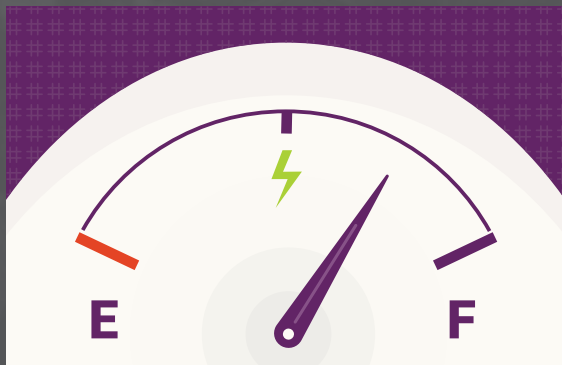
Building future leaders starts at a young age, which is why Piedmont Electric sponsors scholarships for local students to attend basketball camp on college campuses each summer. These sports camps provide a unique educational and athletic opportunity for our local youth.

BUILD CONNECTIONS



RETURNING MONEY TO YOU

Piedmont Electric reduced rates for 2016, which saved our members an average of 5.7 percent spread across their monthly bills. In addition, Piedmont Electric returned \$1.25 million in capital credits to members.



TAKE CONTROL OF YOUR BILL

Piedmont Electric's PrePay program allows you to better control your power costs by becoming more aware of your daily energy use.

Monitor your account online, on your smartphone with our SmartHub app or by calling 877.999.3394 and add funds when you're getting low. Just like putting gas in your car!

INFORMATION AT YOUR FINGERTIPS

Piedmont Electric's SmartHub can help you manage your account, giving you the ability to:

- Pay your bill
- Check your energy usage
- Set up auto bank drafts
- Update account information
- Contact member services
- Start paperless billing



TOOLS TO LOWER YOUR BILL

You can find a variety of calculators and apps designed to improve the way you consume energy online at pemc.coop. Our calculators include:

- **Analyze My Bill** – understand how different aspects of your home affect your usage
- **Heating Calculator** – understand how your current heating costs measure against alternatives
- **Appliance Calculator** – find out how much it costs to run common household appliances
- **Lighting Calculator** – understand how changing a light bulb influences your bill

BUILD A GREENER PLANET



Making solar energy available to everyone with our community solar project and connecting members who install solar panels at their home.



Offering paperless billing and other options to reduce our use of paper.



Adding electric and hybrid vehicles to our fleet to better serve you while still being green.



Shifting your power use to lower demand times can save you money and is good for the environment.

BUILD FOR THE FUTURE

Piedmont Electric is invested in creating a utility that can serve its members today and well into the future. To do this, Piedmont Electric spends time evaluating new systems, ideas and technologies that can prepare the cooperative for tomorrow's power needs while continuing to serve and provide good value to our members.



MEETING THE NEEDS OF OUR GROWING COMMUNITY

In 2017, the cooperative will energize the Mebane Oaks substation and associated transmission lines, which significantly enhances reliability and provides capacity for growth in Mebane, Efland and southwest Hillsborough.

Last year, we were able to keep the lights on for 99.98 percent of the year, and projects like the Mebane Oaks substation will help improve our reliability and meet the needs of our growing communities.



ELECTRIC VEHICLES

As more and more of you are buying electric vehicles, we are exploring ways to help you better utilize your new purchase, including a new electric vehicle rate schedule.

Piedmont Electric is also planning to install a public charging station at our Hillsborough headquarters. When integrated into the electric system properly, electric vehicles can provide benefits to the entire community beyond just great gas mileage!





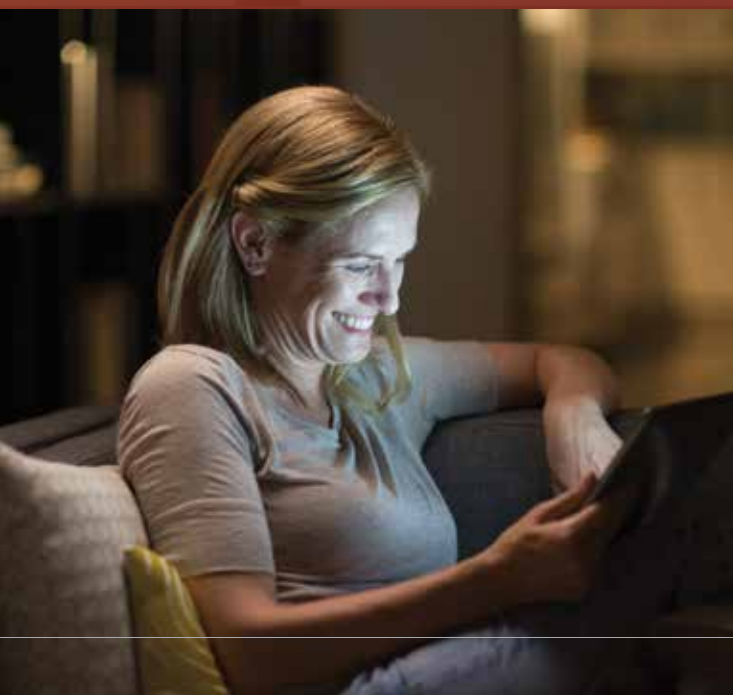
FIBER COMMUNICATIONS ACROSS OUR SYSTEM

We are in the process of installing high-speed fiber optic cable, which will connect each of our offices and substations. The fiber will improve data transfer and provide better backup capabilities for our IT systems. The fiber will also allow us to provide a high-speed communication path for the system, which controls equipment in our substations and also collects data on power use.



LISTENING TO MEMBER NEEDS

As a cooperative, we are owned and controlled by our members. We are continuously asking you for your feedback through online focus groups, member surveys and comments shared with our employees. We've heard what you want and we are using your input to continue to improve our service and provide an even better value.



THE UTILITY OF THE FUTURE

Our lives are becoming more connected every day. Not only are we keeping up with the world on smart phones and tablets, but even devices like our thermostats, washing machines and refrigerators are now connected to the internet.

At Piedmont Electric, we are constantly improving our service so that we can meet your changing and growing electric needs. We strive to provide good value to you, our member, today and into the future.

BOARD OF DIRECTORS



AT-LARGE

CASWELL



4



5

PERSON



6

GRANVILLE



3

ALAMANCE



9

ORANGE



2



1

DURHAM



8



7



DISTRICT 1

David Poythress

DISTRICT 2

Randy Kinley

DISTRICT 3

Cy Vernon

DISTRICT 4

Stephen Long

DISTRICT 5

Paul Bailey, *Vice Chairman*

DISTRICT 6

Talmadge Yancey

DISTRICT 7

Bill Barber, *Chairman*

DISTRICT 8

Glennie Beasley

DISTRICT 9

Sam Woods, *Secretary*

AT-LARGE

Richal Vanhook, *Treasurer*



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