



Piedmont Electric
Membership Corporation
Your Touchstone Energy Cooperative

800.222.3107 PEMC.COOP



OUR LEGACY - OUR FUTURE

LETTER FROM THE CEO

In 1938, hardworking men and women in our community came together to improve quality of life by bringing electricity to our rural homes and businesses.

To do so, they formed Piedmont Electric Membership Corporation and for the past 80 years, our cooperative has remained steadfast in our commitment to providing safe, reliable and affordable power to our members.

Now, more than eight decades later, we continue to have the same goal of helping our communities prosper by delivering quality service at a good value to our members. We are proud of our legacy of putting

people first and working to make our communities a better place to live, work and raise a family.

Our legacy for the past 80 years is what will drive us as we continue to adapt to meet the changing needs and priorities of our membership.

We are committed to building a better, stronger world for our members, and we recognize that we have this opportunity because of the work that was done by those who helped form our cooperative.

We look forward to continuing to be your trusted energy advisor as we strive to build on the successes we have achieved these last 80 years. Our legacy truly is our future.



Bill Barber

Chairman of the Board

Board Of Directors Message

On behalf of the Piedmont Electric board, I would like to thank you for supporting Piedmont Electric for another successful year.

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

As board members, we are looking out for your best interests as we work

toward being your ideal utility. To this end, the board meets regularly to review the cooperative's progress and make strategic decisions.

Each board member is also a member of this co-op and is elected by the membership. This local control ensures that your best interest is always close to home.

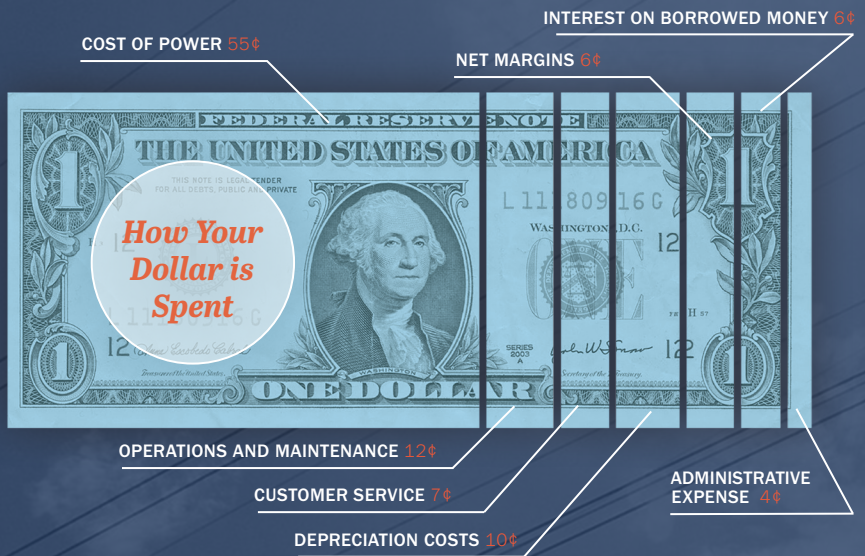
The traits that made us successful 80 years ago are the same traits that your cooperative has today, ensuring our future success. These unique traits, the cooperative difference, continue to build our story as shown in the 2017 Piedmont Electric Annual Report.

FINANCIALS

McNair, McLemore, Middlebrooks & Company, of Macon, Georgia, audited the Consolidated Financial Statements as of December 31, 2017 and 2016. 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 2017 total margins of \$3,808,850 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 2017.



Richal Vanhook
Board Treasurer

Year 2017 Allocation PERCENTAGE 6.38%	
Excluding Sales Tax, if Your Total Bills Are	Your Capital Credit Allocation Will Be
\$500	\$31.90
\$1,000	\$63.80

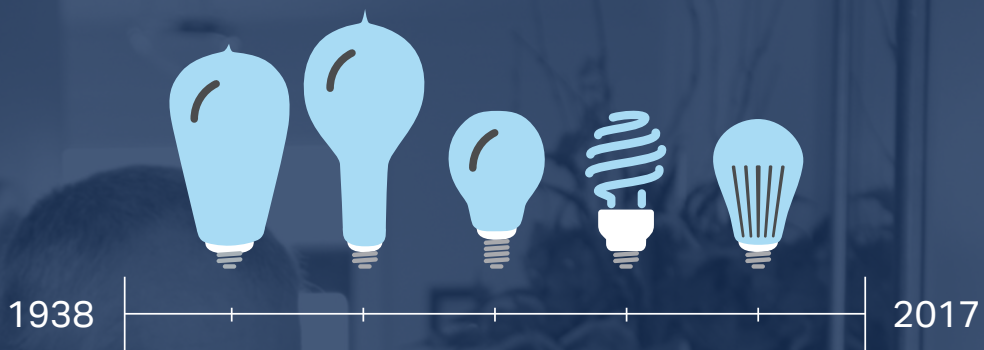
CONSOLIDATED STATEMENTS OF OPERATIONS	2017	2016
Operating Revenues	\$61,174,274	\$61,249,844
Operating Expenses		
Cost of power	\$34,476,958	\$34,604,441
Other operating expenses	14,336,901	14,888,856
Net operating margins	12,360,415	11,756,547
Depreciation	(6,635,682)	(6,476,472)
Interest	(3,895,450)	(3,922,149)
Net non-operating margins	1,979,567	2,226,244
Total Net Margins	\$3,808,850	\$3,584,170

CAPITAL CREDITS*	2017	2016
Capital Credits Retired to Members		
Estate retirements	\$541,455	\$534,038
General retirement	1,376,559	1,256,847
Total Retired	\$1,918,014	\$1,790,885

CONSOLIDATED BALANCE SHEETS	2017	2016
Assets		
Total net utility plant	\$159,089,646	\$151,868,587
Other property and investments	13,907,740	11,524,091
Current assets	11,548,536	10,195,232
Prepaid expenses and deferred charges	3,277,412	4,512,698
	\$187,823,334	\$178,100,608
Members' Equity and Liabilities		
Members' equity	\$59,904,080	\$57,317,027
Noncurrent liabilities	100,573,329	96,222,181
Current liabilities	24,152,853	20,126,835
Deferred credits	3,193,072	4,434,565
	\$187,823,334	\$178,100,608

AT YEAR ENDING...	2017	2007	1997
Miles of line energized	3,544	3,435	2,952
Number of members served	31,816	30,734	24,616
Total kWh purchased	492,541,620	499,273,443	349,536,273
Total kWh sold	466,504,436	463,500,553	319,540,450

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



LOOKING BACK AT 2017

Last year was another busy one as we continued to provide our members with quality service while focusing on programs that will help our members and strengthen our communities.

Fiber Communications Across Our System

Phase I of installing high-speed fiber optic cable across our system was completed in 2017 which will provide us a high speed communication path to control equipment in our substations and the field.

Additionally, we will explore leasing our excess fiber capacity to third party internet providers in an effort to improve access to quality broadband in our communities.

Mebane Oaks Substation Energized

Our newest substation was energized in June and significantly enhances reliability and provides capacity for growth in Mebane, Efland and southwest Hillsborough.

Reliability is incredibly important to us and projects like this new substation help us enhance reliability for our members as we continue to work towards being your ideal utility.

Member Focused Information

Several new initiatives put more information in the hands of our members last year. After gathering member feedback, we launched a redesigned monthly bill to provide members with more information in an easy to understand format.

We also started offering high bill notifications to alert members of unusual usage so they can make changes before they receive their monthly bill.

In addition, we provide personalized emails which explain month-to-month changes in your bill giving you the information you need to better manage your energy use.

Excellent Member Satisfaction

Each month we survey members on their experiences with Piedmont Electric in order to stay in touch with what our members want and continue to improve our service based on your feedback. Last year, you gave us our highest scores ever for satisfaction and engagement! We thank you for the kind comments and we promise to continue to make our service even better.



LOOKING AHEAD TO 2018

Continue Fiber Project

By the end of the year we plan to have completed phase II of our fiber project. When completed, this project will connect our three offices and our 21 substations which will help strengthen our service to you by improving the flow of information across our system.

REDLG

Last year we led the state in bringing federal money to North Carolina through the Rural Economic Development Loan and Grant program.

These funds come from the United States Department of Agriculture and help support economic development in rural areas. This year we will continue to support our communities through this unique partnership.

Listening to Our Members

Piedmont Electric is owned by you and we want to ensure that your best interest is always kept close to heart. We conduct regular phone and online surveys to ensure we understand the wants and needs of our membership. These surveys ensure our members' voices are heard.

We appreciate your participation in these surveys and we look forward to hearing your feedback!

New Outage Notifications

Piedmont Electric already has several great ways members can find out the latest information on an outage including our detailed outage map and social media accounts.

In 2018 we plan to add text messaging, emails and phone calls to our list of options. If members enroll in the program, they can be notified of an outage and receive additional information as we work on quickly and safely restoring power.

Investigate New Technology

Piedmont Electric wants to help you get the most out of the new technology you are bringing into your home. Last year, we implemented a new rate to help electric vehicle owners save money when charging their vehicle after 10 p.m.

This year we will be looking into ways to help further the adoption of electric vehicles. Also, smart thermostats like the Ecobee or Nest are finding their way into more and more homes. We want to partner with our members to help them use these devices to save energy and money and we are investigating a program to give members another way to help minimize our wholesale power costs.

WHAT MAKES US BETTER

THE SEVEN COOPERATIVE PRINCIPLES

The seven cooperative principles have guided us for the past 80 years and will for the next 80 as we continue to provide the highest quality service to our members.

Voluntary and Open Membership

You have choices about where you choose to live. We're proud that you chose one of our communities.

Democratic Member Control

Our board of directors is made up of and elected by our members. Each member has a voice in running the co-op.

Members' Economic Participation

Co-ops are not-for-profit utilities, so when we collect more money than it costs us to provide power in a year, we return that money to members as capital credits.

Autonomy and Independence

Piedmont Electric is owned and run by our members, which allows us the freedom to provide the types and level of service our members desire.

Education Training and Information

We empower our members by providing information and expertise, so they can make informed decisions about their energy use.



Cooperation Among Cooperatives

Piedmont Electric is a member of the Touchstone Energy network of co-ops, which provides ideas and assistance when called upon.

Concern for Community

We work to ensure that our communities continue to be a good place to live, work and raise a family.





**HELPING
HAND
FOUNDATION**

LENDING A HELPING HAND IN THE COMMUNITY

In 2017, Piedmont Electric upgraded Project Helping Hand from a program within the co-op, to a standalone foundation. The newly renamed Piedmont Electric Helping Hand Foundation rounds our participating members' bills up to the nearest dollar amount each month. Members can opt out at anytime and receive a refund of their contribution. The funds provide financial support for community programs such as aid for members in need, Bright Ideas grants for local educators, college scholarships, youth leadership camps and more!

We are very grateful to our generous members. Thank you for lending a helping hand!

HELPING HAND FOUNDATION REPORT*

BEGINNING BALANCE 10/1/2017	\$2
Contributions Received	47,410
Start-up and Operational Expenses	(7,379)
Interest Earned	2
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TOTAL FUNDS AVAILABLE	\$40,035
GRANTS TOTAL	(4,994)
ENDING BALANCE 12/31/17	\$35,041

Grants & Applications

Piedmont Electric is proud to support the community by giving back to those who need it most by funding efforts that help pay electric bills for Piedmont Electric families in need.

Beginning in 2018, the Foundation will also help support local nonprofits and Piedmont Electric's community programs, which include grants to educators, youth leadership camps, college scholarships and the Rural Electric Youth Tour to Washington, D.C.

*Represents first three months of operation for the Helping Hand Foundation.

BOARD OF DIRECTORS



AT-LARGE

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PERSON



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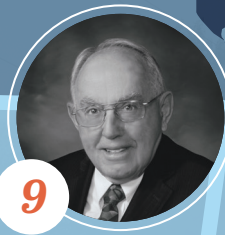
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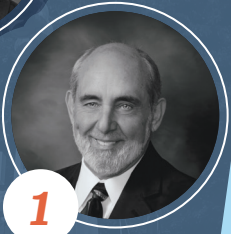
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DURHAM



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ALAMANCE



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- 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

