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THE VALUE OF MEMBERSHIP

ANNUAL REPORT 2018



MEMBERSHIP MATTERS

Being a member of a cooperative means being part of something special. We are different in that we are a member-owned, local, not-for-profit organization. This means we put our members first and when you put people over profits that's when the special starts.

Special in that when we make more money than we spend, we return it to our members as capital credits. Special in that when a board member is selected, they are selected from the membership by the membership. Special in that when we offer a new program or service, we design it to be simple, convenient and to save you energy and money.

We'd love for every member to be fully invested in their membership and to understand all the value their membership entails. If you are not up-to-date on what your co-op is doing for you, this report is a good place to start. Let it serve as an update on the financial health of your co-op, the work we started last year, the projects we will be working on this year and as a springboard for better understanding your membership into the future!

STEPHEN B. HAMLIN

President & Chief Executive Officer



LOCAL LEADERSHIP

One of the great advantages of your co-op is that it is local. We are governed, managed and run by people who call the surrounding communities home.

Your board of directors is made up of members from across Piedmont Electric's service area, the linemen restoring power after a hurricane or ice storm often leave their families in the dark too, the member service representative you speak to on the phone might shop at the same grocery store as you.

Piedmont Electric is made up of people who want to see this area continue to be a great place to live, work and raise a family because it is the area they call home too.

As a board, our job is to give the cooperative the guidance it needs to ensure that Piedmont Electric best serves you, our member. This local control ensures that your best interest is always close to home.

We're proud of the work Piedmont Electric completed in 2018, and it is with great pleasure that the Piedmont Electric Board of Directors and staff present the 2018 Piedmont Electric Annual Report.

BILL BARBER

Chairman of the Board



Richal Vanhook
Board Treasurer

FINANCIALS

McNair, McLemore, Middlebrooks & Company, of Macon, Georgia, audited the Consolidated Financial Statements as of December 31, 2018 and 2017. 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 2018 total margins of \$3,038,735 will be used to upgrade and expand Piedmont Electric Membership Corporation's electric system to provide you, our members, with optimum service.

HOW YOUR DOLLAR IS SPENT

COST OF POWER 55%

OPERATIONS AND MAINTENANCE 13%

DEPRECIATION COSTS 10%

MEMBER SERVICE 7%

NET MARGINS 5%

INTEREST ON BORROWED MONEY 6%

ADMINISTRATIVE EXPENSE 4%

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. The allocation factor, which determines your share of the co-op's margin for 2018, is 4.79%.

EXAMPLE

Year 2018 Allocation	4.79%
Excluding Sales Tax, if Your Total Bills Are	\$500
Your Capital Credit Allocation Will Be	\$23.95

CONSOLIDATED STATEMENTS OF OPERATIONS	2018	2017
Operating Revenues	\$64,153,821	\$61,174,274
Operating Expenses		
Cost of power	\$36,455,625	\$34,476,958
Other operating expenses	15,706,239	14,336,901
Net operating margins	11,991,957	12,360,415
Depreciation	(6,914,024)	(6,635,682)
Interest	(4,182,063)	(3,895,450)
Net non-operating margins	2,142,865	1,979,567
Total Net Margins	\$3,038,735	\$3,808,850
CAPITAL CREDITS*	2018	2017
Capital Credits Retired to Members		
Estate retirements	\$540,957	\$541,455
General retirement	954,115	1,376,559
Total Retired	\$1,495,072	\$1,918,014

CONSOLIDATED BALANCE SHEETS		2018	2017
Assets			
Total net utility plant	\$166,910,939	\$159,089,646	
Other property and investments	16,457,154	13,907,740	
Current assets	10,485,961	11,548,536	
Prepaid expenses and deferred charges	2,330,496	3,277,412	
	\$196,184,550	\$187,823,334	
Members' Equity and Liabilities			
Members' equity	\$61,660,197	\$59,904,080	
Noncurrent liabilities	104,681,281	100,573,329	
Current liabilities	26,773,538	24,152,853	
Deferred credits	3,069,534	3,193,072	
	\$196,184,550	\$187,823,334	
AT YEAR ENDING...			
	2018	2008	1998
Miles of line energized	3,562	3,460	3,016
Number of members served	32,288	30,948	25,513
Total kWh purchased	533,988,322	485,710,172	373,504,446
Total kWh sold	502,457,637	449,093,192	349,171,881

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

LOOKING BACK AT 2018

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 grid and communities.

Smart thermostat savings program

Members with a Nest or Ecobee thermostat get paid to allow Piedmont Electric to adjust their thermostat a couple degrees on very hot afternoons in the summer. Members will also receive a \$50 initial rebate upon enrollment. At year end, we had 171 members participating in this energy and money saving program.

Text outage notifications

Piedmont Electric began offering a text outage alert program for our members. This program gives members the ability to use their cell phone to report an outage through text and receive restoration updates. At year end, we had more than 2,800 members enrolled.

Fiber project

In 2018 we completed the cable installation for Phase II of our fiber project. This will provide us a high-speed communication path to control equipment in our substations and the field. Also, we communicated the opportunity to partner on expanding broadband in rural areas to elected officials and other key stakeholders.

Hurricane Michael

The fast-moving hurricane brought down trees and powerlines knocking out power for more than 24,000 Piedmont Electric members. Staff worked around the clock in conjunction with crews from other utilities to make sure power was restored to all members.

Strengthening our grid

We deployed several projects to strengthen our electric grid this year. By strengthening our grid we increase our resiliency when extreme weather events occur. Completed projects this year include the transformer upgrades at the Red Mountain and Dixon Store substations in Durham and Person counties.

USDA/REDLG partnership

We have secured more than \$10 million in USDA funding within Alamance, Caswell, Durham, Orange and Person counties for fire trucks, fire stations, ambulances, schools and a public library. As these federal funds are repaid a large portion is re-loaned to assist with future projects in our local communities.





LOOKING AHEAD TO 2019 AND BEYOND

Rural broadband

We believe access to high speed internet is a key ingredient to the health of our rural community and economy. We will continue to be an advocate for bringing high speed internet access to rural homes, businesses and schools. Our focus will be identifying partnerships that strengthen the rural communities in North Carolina.

Continue fiber project

Our plans for 2019 include the completion of the cable installation for Phase III of our fiber project. Phase III will complete the main fiber loop and connect all 21 of our substations. By mid-2020, we should have all our network equipment installed and all of our substations communicating over fiber.

Annual meeting changes

As a member-owned cooperative, you play a vital role in how Piedmont Electric operates. One of your opportunities as a member is to vote for our board of directors. Our board is made up of members like you, who live in our neighborhoods and work to make the best decisions for our cooperative. This year, voting is even easier with online and mail-in voting.

New advanced meters

The cooperative is embarking on a system-wide project to replace our existing meters. These new advanced meters will provide numerous benefits to members and the cooperative such as faster outage restoration and operational savings.

Continue to support emerging technology

Emerging technologies are helping members save energy and money like never before! As your local, trusted energy advisor, Piedmont Electric wants to help you get the most out of the new technology you are bringing into your home. Whether you're looking to purchase a new smart thermostat, electric vehicle or rooftop solar—we may have special programs and rates to help you save money.

THE SEVEN COOPERATIVE PRINCIPLES

The seven cooperative principles have guided us since we were founded and will continue to guide us as we continue to provide the highest quality service to our members.

1

Voluntary and Open Membership

Cooperatives are open to anyone who is able to use its services, which means that any person who moves into Piedmont Electric's service area is allowed membership. Cooperatives allow membership without discrimination.

2

Democratic Member Control

Democratic member control means members vote for directors from the membership who represent them on the board, which governs the cooperative. This ensures that our board is made up of members just like you who listen to and understand the community.

3

Members' Economic Participation

An electric cooperative belongs to its members, which means that any margins are returned to the members we serve in the form of capital credits. These credits are paid back to members based on their electricity purchases from the cooperative. Since 1975, Piedmont Electric has returned approximately \$26 million in credits to our members.

4

Autonomy and Independence

A cooperative is a self-governing organization controlled by its members. This allows us to offer services, programs and policies that fit our local members' wants and needs.

5

Education Training and Information

Cooperatives understand the importance of keeping their members informed and not just about cooperative business! Piedmont Electric is dedicated to communicating energy efficiency tips, safety precautions and happenings in our community to our members. Stay tuned to our newsletter as well as our Facebook, Twitter and emails for the latest news, information and helpful tips.

6

Cooperation Among Cooperatives

Electric cooperatives often work together to better serve our members. We have mutual-aid agreements that work just as they sound: when Piedmont Electric needs extra hands after a major outage, neighboring co-ops assist us. Likewise, we'll be there to lend a helping hand to other co-ops when they are in need.

7

Concern for Community

The last principle upholds the belief that by empowering our current and future members, we ensure a brighter and stronger future for all. We show our commitment to our communities through a wide range of youth programs and giving opportunities such as Piedmont Electric's Helping Hand Foundation. Together, we have the power to make a cooperative difference!

LENDING A HELPING HAND IN THE COMMUNITY



October 2018 saw the Piedmont Electric Helping Hand Foundation celebrate its first birthday! The foundation celebrated this milestone by giving out more than \$155,000 in grants in 2018 to support aid for members in need, Bright Ideas grants for local educators, college scholarships, youth leadership training programs and more.

We are so grateful to our generous members who support the foundation. Thank you for lending a helping hand!

HELPING HAND FOUNDATION REPORT

BEGINNING BALANCE 1/1/2018	\$33,115
Contributions Received	195,140
Interest Earned	62
TOTAL FUNDS AVAILABLE	\$228,317
GRANTS FUNDED	(157,124)
OPERATIONAL EXPENSES	(6,063)
ENDING BALANCE 12/31/18	\$65,130



Organizations that received a grant in 2018

Book Harvest	Energy Assistance for Piedmont Members	Person County Library
Bright Ideas Education Grants	Habitat for Humanity of Orange County	Piedmont Community College
Caswell County 4-H	Kidzu Children's Museum	Piedmont Electric College Scholarships
Cedar Grove Ruritan Club	NC Burn Center	Piedmont Schools Angel Tree and Pantry Drive
Cedar Ridge FBLA	Orange County 4-H	Town of Yanceyville
Cherry Grove Fire Department	Orange Partnership for Alcohol & Drug Free Youth	Urban Community AgriNomics
Cooperative Council of NC	Person County 4-H	White Cross Volunteer Fire Department
Durham Technical Community College	Person County GREAT Camp	
Electric Cooperative Youth Tour		

BOARD OF DIRECTORS



AT-LARGE

CASWELL



4



5

PERSON



6

GRANVILLE



7



9

ORANGE

DURHAM

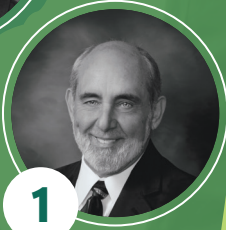


3

ALAMANCE



2



1



8

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 Vacant
DISTRICT 9 Sam Woods, Secretary
AT-LARGE Richal Vanhook, Treasurer



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Piedmont Electric is an equal opportunity provider and employer.