



Our Energy, Our Future



08 Annual Report

Palmetto Electric Cooperative, Inc.

Your Touchstone Energy® Partner 

08 Executive Report



From left

G. Thomas Upshaw
President and CEO

Deborah A. Malphrus
Chairman of the Board

Palmetto Electric Cooperative and co-ops nationwide are facing tough challenges. While we have always emphasized energy efficiency and conservation, rapidly rising power costs have made this an even greater concern for the foreseeable future. Our numerous energy efficiency efforts are the focus of this report. In addition, Palmetto continues its dedication to our members and the communities we serve with a number of valuable programs.

In 2008, we awarded over \$30,000 in grants to 40 teachers in Beaufort, Hampton and Jasper counties through our Bright Ideas program. Local teachers use these funds to develop innovative classroom programs. Palmetto also remains involved with the Solar Schools program launched in 2007 at Hilton Head Middle School.



The past year also saw the launch of our monthly e-newsletter. We distribute this to nearly 10,000 members, including all of our e-payment customers, allowing us to communicate with those members who do not receive a paper bill.



2009 will mark the 20th anniversary of two of our most popular programs: Operation Round Up and Safety Days. Since its inception at Palmetto, Operation Round Up has raised more than \$4.5 million and has been adopted by 263 co-ops nationwide. Over the past 20 years, thousands of children have learned about hunting, fire, electrical, water, drug, and bicycle safety during Safety Days.

We pride ourselves on commitment to community and customer service, as illustrated by our score of 88 in the American Customer Satisfaction Index. This ranks Palmetto among the country's leaders in customer satisfaction and loyalty.



We look forward to remaining your community partner by continuing to develop programs that benefit you. We hope you enjoy Palmetto's 2008 annual report.

Deborah A. Malphrus

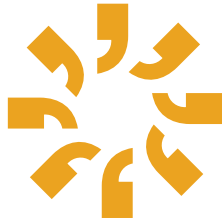
Chairman of the Board

G. Thomas Upshaw

President and CEO

Our GreenPower program continues to grow. Hilton Head Regional Healthcare now purchases GreenPower for all of its facilities, making it the largest co-op served commercial GreenPower Partner in the state. In 2009, we will partner with Santee Cooper and the Verizon Heritage Golf Tournament to make it a "Green Event."





Our Energy, Our Future

Due to drastic increases in wholesale power costs, Palmetto Electric Cooperative renewed its focus on energy efficiency and conservation in 2008. Your cooperative joined a nationwide effort called “Our Energy, Our Future,” aimed at encouraging consumers to contact Congress with concerns about the future of our energy supply. As part of this campaign, Palmetto made numerous presentations to civic and professional groups in our service area, generating more than 25,000 e-mails to Congress locally. To date, more than 1.5 million contacts have been made to Congress at ourenergy.coop. With nationwide demand for electricity growing, energy efficiency is more important than ever.



Rate Increases

In the fall of 2008, Palmetto was forced to raise its rates due to increases in the wholesale cost Palmetto pays for its electricity. Costs worldwide have escalated due to increased demand. The price of coal, which fuels most of the power from your co-op, went up 100 percent from the previous year. Palmetto, along with 19 other South Carolina co-ops, negotiated with our wholesale power providers to prevent a second announced rate increase. We also looked at all opportunities to lower operating costs and delay capital improvements. We are taking a number of additional steps to lessen the impact of future rate increases on our members.





U.S. Postal employee and Palmetto Electric WIRE member Geneva Christopher delivers two CFL bulbs to Palmetto Electric members as part of the "Do the Light Switch" program.

CFL Distribution

Through our "Do the Light Switch" program, Palmetto Electric distributed two compact fluorescent lights (CFLs) to each of its residential households in 2008, for a total of approximately 110,000 CFLs. CFLs use 75% less energy than incandescent bulbs. If all Palmetto members who received the bulbs use them, 50 million pounds of greenhouse gas emissions will be prevented. Palmetto will send each of its residential households another CFL bulb in 2009. By using this one CFL, a home can save \$30 or more in energy costs over the bulb's lifetime.

Deborah Nettles



"The fact that (Palmetto Electric has) low-cost, reliable electricity has attracted many businesses to our state and helped to make it a better place to live."

Jim DeMint
U.S. Senator, South Carolina

U.S. Senator Jim DeMint presented a "South Carolina on the Move Award" to Palmetto Electric Cooperative in August 2008. This award recognized Palmetto Electric for spurring progress in the Lowcountry.



Walter Allread

Our Energy, Our Future



Palmetto Electric Marketing Technician Travis Malphrus installs a load management device on an H₂O Select® water heating system. The H₂O Select program offers an easy and affordable way to get a new, energy-efficient water heater.

Energy Tips Campaign

Palmetto continues to provide its members energy- and money-saving advice through its ongoing energy tips campaign.

This multimedia effort uses broadcast, print, brochures, billboards, and our website to encourage energy efficiency through no-cost, low-cost tips.

We plan to expand this campaign even further in 2009.



Palmetto Electric employee Lewie Davis performs a home energy audit for member-owners Milton and Ella Davis. Energy audits can help our members conserve and save money.



Touchstone Energy®
HOME

Touchstone Energy® Home

Our Touchstone Energy Home program advises consumers who are building a new home on ways to reduce their energy costs and increase their level of home comfort and performance. The program includes a combination of energy-efficiency requirements and recommendations for new homes on ductwork, heating, air conditioning and water heating systems, and insulation for ceilings, walls and floors. More than 600 homes in Palmetto's service area are Touchstone Energy Homes.

With rising costs, economic uncertainty, and increased demand for electricity, 2009 will be a challenging year for Palmetto and electric cooperatives around the country. We remain committed to providing reliable and affordable electricity in an environmentally responsible manner. Rest assured, Palmetto Electric Cooperative will be hard at work finding new ways to save our members energy and money.

08 Palmetto Electric's Board of Directors

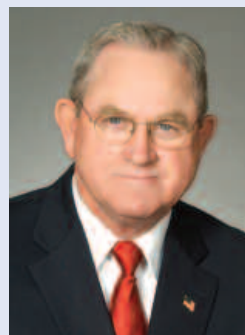
Palmetto Electric Cooperative is governed by a policy-making board of 12 trustees, six of whom reside in Beaufort County, three of whom reside in Hampton County, and three of whom reside in Jasper County. The directors serve terms of three years each, with terms of two directors from Beaufort County and one director each from Jasper and Hampton counties expiring each year. These directors are elected at the Annual Meeting of the members, and exercise all of the powers of the Cooperative, except those reserved to the members, according to the bylaws of Palmetto Electric.



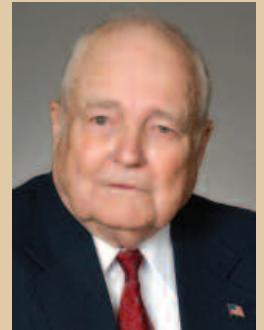
Deborah A. Malphrus
Chairman of the Board
JASPER COUNTY



C. Alex Ulmer
Vice Chairman
BEAUFORT COUNTY



Jeremiah E. Vaigneur
Secretary/Treasurer
JASPER COUNTY



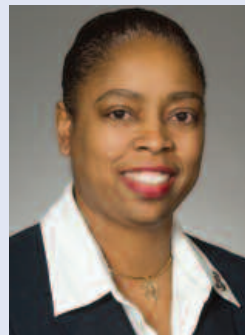
IN MEMORIAM
P. Edwin DeLoach
HAMPTON COUNTY
February 1, 1923 – March 5, 2009
PEC Board Member: 1957-2009



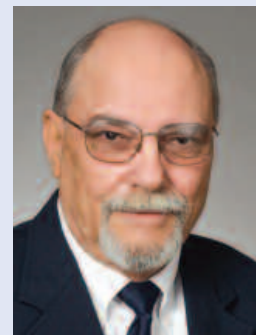
Henry Driessen, Jr.
BEAUFORT COUNTY



James O. Freeman
HAMPTON COUNTY



Carolyn Grant
BEAUFORT COUNTY



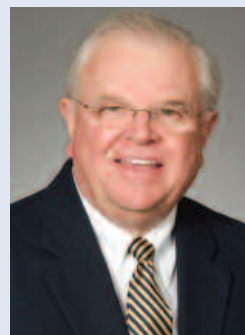
J. Willock Horton
BEAUFORT COUNTY



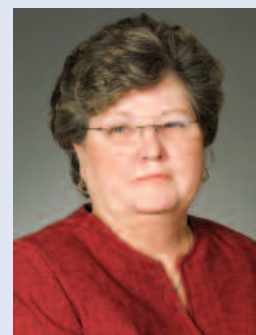
Jimmie D. McMillian
HAMPTON COUNTY



Howard L. Ramsey
BEAUFORT COUNTY



James L. Rowe
BEAUFORT COUNTY



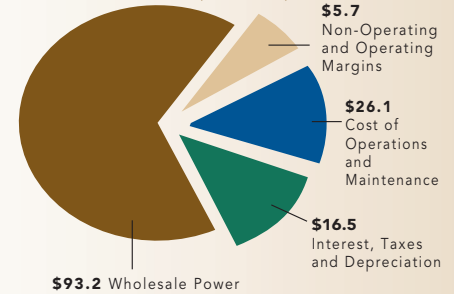
Eunice F. Spilliards
JASPER COUNTY

BALANCE SHEET

AS OF DECEMBER 31,

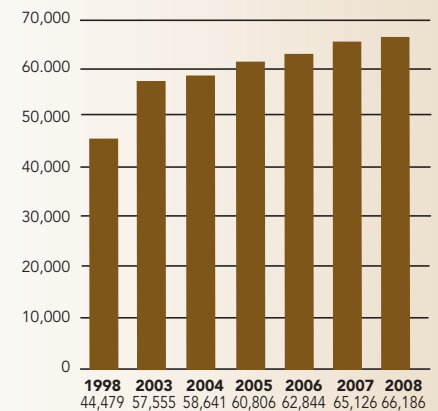
| ASSETS: | 2008 | 2007 |
|--|-----------------------|-----------------------|
| Total Utility Plant..... | \$ 239,117,492 | \$ 227,424,170 |
| Less: Provision for Depreciation..... | 72,177,370 | 67,523,634 |
| Net Utility Plant..... | \$ 166,940,122 | \$ 159,900,536 |
| Other Property & Investments | 11,488,412 | 10,426,679 |
| Cash – General Fund..... | \$ 3,047,508 | \$ 1,637,059 |
| Temporary Cash Investments | 2,100,000 | 100,000 |
| Accounts Receivable..... | 11,304,509 | 7,705,945 |
| Materials & Supplies | 1,966,847 | 2,368,414 |
| Accrued Unbilled Revenue | 9,224,224 | 7,554,868 |
| Prepayments | 592,052 | 636,494 |
| Total Current and Accrued | | |
| Assets..... | 28,235,140 | 20,002,780 |
| Deferred Charges | 7,724,448 | 8,307,172 |
| Total Assets and Other Debits | \$ 214,388,122 | \$ 198,637,167 |
| LIABILITIES: | | |
| Memberships | \$ 255,195 | \$ 251,865 |
| Patronage Capital | 60,513,825 | 55,516,896 |
| Other Equities..... | 25,495 | 25,495 |
| Total Equity | \$ 60,794,515 | \$ 55,794,256 |
| Total Long-Term Debt..... | 125,442,000 | 119,197,901 |
| Accounts Payable..... | \$ 8,036,882 | \$ 6,739,839 |
| Consumer Deposits | 3,249,348 | 3,174,535 |
| Other Current and Accrued | | |
| Liabilities..... | 16,865,377 | 13,730,636 |
| Total Current and Accrued | | |
| Liabilities..... | 28,151,607 | 23,645,010 |
| Total Liabilities and Other Credits | \$ 214,388,122 | \$ 198,637,167 |

HOW YOUR DOLLAR WAS SPENT
IN 2008
(in millions)



TOTAL REVENUE
\$139,869,878

CONSUMER MEMBERS

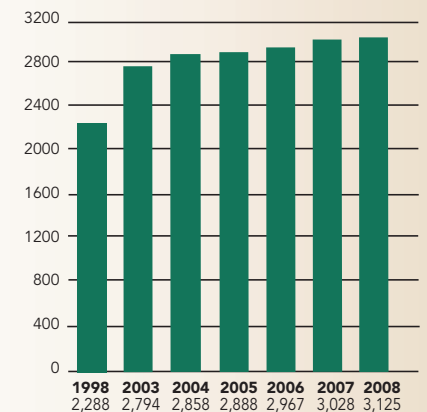


STATEMENT OF MARGINS AND PATRONAGE CAPITAL

AS OF DECEMBER 31,

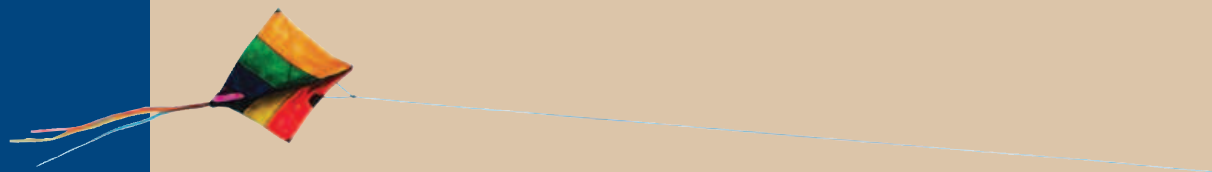
| | 2008 | 2007 |
|--|-----------------------|-----------------------|
| Operating Revenue | \$ 139,869,878 | \$ 126,695,863 |
| Operating Expense | | |
| Cost of Power..... | \$ 93,188,310 | \$ 83,795,083 |
| Operation and Maintenance..... | 10,331,758 | 9,801,450 |
| Consumer Accounts..... | 5,987,660 | 5,738,715 |
| Administrative and General..... | 9,832,777 | 8,519,794 |
| Depreciation..... | 8,004,328 | 7,199,402 |
| Taxes..... | 1,300,645 | 1,276,566 |
| Interest..... | 7,180,486 | 6,739,254 |
| Total Operating Expense | 135,825,964 | 123,070,264 |
| Net Operating Margins..... | \$ 4,043,914 | \$ 3,625,599 |
| Non-Operating Margins | | |
| Interest Income | \$ 113,836 | \$ 177,298 |
| Patronage Capital from Associated Organizations | 1,586,640 | 1,588,507 |
| | 1,700,476 | 1,765,805 |
| Net Margins | \$ 5,744,390 | \$ 5,391,404 |
| Patronage Capital – | | |
| Beginning of Year | 55,516,896 | 50,766,599 |
| | \$ 61,261,286 | \$ 56,158,003 |
| Retirement of Capital Credits | 747,461 | 641,107 |
| Patronage Capital – | | |
| End of Year | \$ 60,513,825 | \$ 55,516,896 |

MILES OF LINE



KWH/SOLD (Millions)

| Year | 1998 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|----------|--------|---------|---------|---------|---------|---------|---------|
| KWH/SOLD | 1028.9 | 1,300.3 | 1,386.2 | 1,437.4 | 1,452.1 | 1,473.9 | 1,473.6 |



Hampton: 803-943-2211 Hilton Head: 843-681-5551
New River: 843-208-5551 Ridgeland: 843-726-5551
Toll Free: 1-800-922-5551 www.palmetto.coop

For power outages call:
PowerTouch 1-866-445-5551

The Touchstone Energy® symbol is your assurance that we're a community-minded electric cooperative providing high standards of service for customers large and small.