

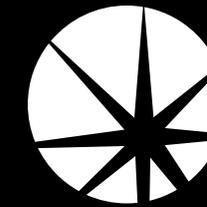


MORE POWER. TO YOU.

DIXIE ELECTRIC MEMBERSHIP CORPORATION

2009 ANNUAL REPORT

# MAPPING A COURSE TO A BRIGHTER FUTURE.



**DEMCO**

DIXIE ELECTRIC MEMBERSHIP CORPORATION

A Touchstone Energy® Cooperative 

## OUR MISSION

DEMCO exists to serve the members/customers through professionally trained employees providing safe, reliable and affordable electricity as well as other high quality products and services.

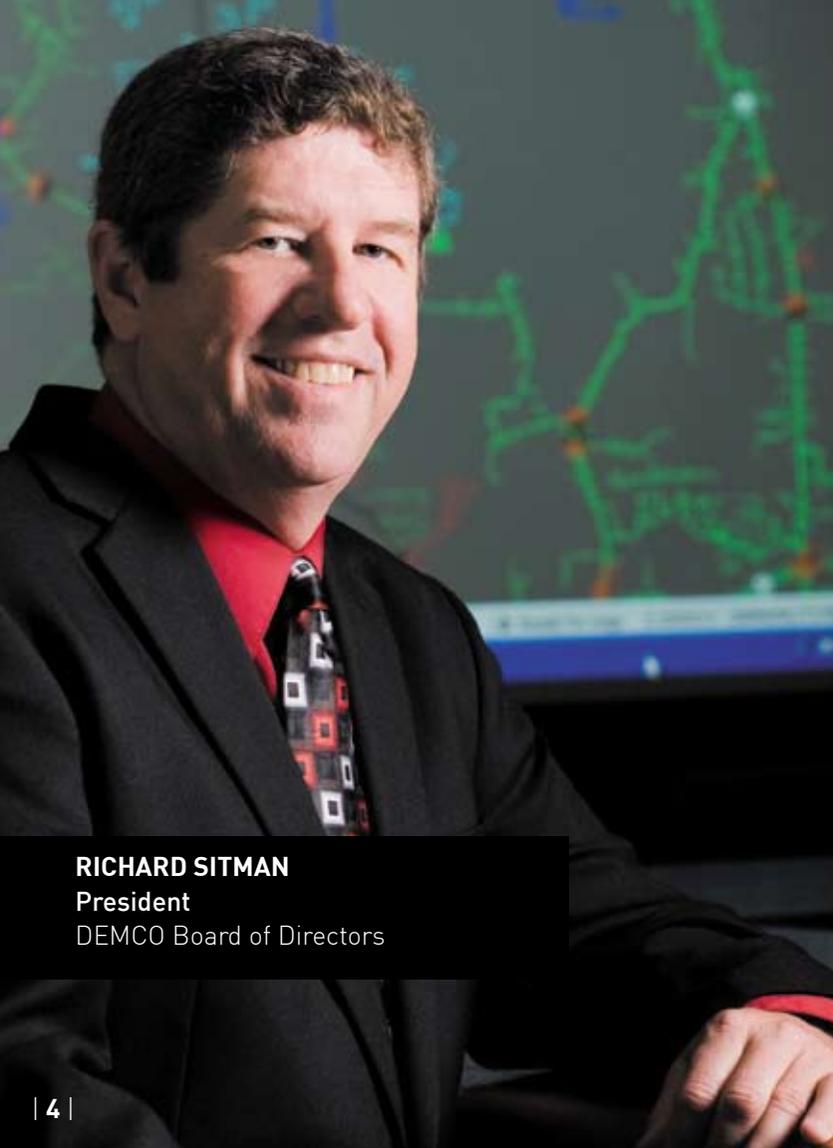
As a good corporate citizen, DEMCO is committed to stimulating the economic growth and prosperity of our area through ethical conduct and sound business principles.



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**GROWING STRONGER TO BETTER SERVE YOU.**



**RICHARD SITMAN**  
President  
DEMCO Board of Directors

In what experts widely consider a particularly volatile economic market, DEMCO, once again, remains financially stable as we made TIER and met our mortgage covenants for the year ending 2009. Much of our success can be attributed to a Board of Directors who has worked hard to keep our utility strong through these difficult economic conditions, at times forced with making tough decisions to ensure a firm financial future for the cooperative. While dedicated, hard-working employees successfully managed the day to day successes of the co-op; we were able to provide our members, with safe, reliable and affordable electricity while assuring that DEMCO remained on a steady financial footing.

## PRESIDENT'S REPORT

The close of 2009 marked the halfway point of an unprecedented, four-year construction work plan that is scheduled to continue through 2011. Begun in 2008, the plan calls for the construction of four new substations and numerous system upgrades that will assure that DEMCO infrastructure grows as our communities grow. These system improvements will assure continued reliability and provide the service that our members have come to expect from this organization. We are excited about the projects that have been completed thus far, including the addition of the new Head of Island substation at French Settlement and the new Airline station in Prairieville, and we anxiously await the many more improvements to come in 2010.

The past year also delivered to DEMCO a much needed break in the weather compared to the serious challenges experienced in 2008. While we once again witnessed a white winter in December of 2009, the year as a whole was significantly milder and far less active than the year before. This welcomed change gave us a chance to repay the favor of assisting our fellow cooperatives in their own times of need. We were proud to send two full line crews, totaling 28 men, to Craighead Electric Cooperative in northern Arkansas to assist them in restoring power to thousands of co-op members after an ice storm devastated the Midwest in early January. We were honored to assist our fellow co-op, clearly demonstrating the cooperative principle of "cooperation amongst cooperatives" and our thoughts remain with those men and women who worked so hard and sacrificed so much during those trying times.

It is important to note that the year's end also marked the completion of our new CEO and General Manager's first year as the leader of our cooperative. At a special board meeting held on

January 12th, John Vranic was unanimously voted into his position, taking on this pivotal role. His 30 years of experienced leadership and dedication to DEMCO have already paid significant dividends as our cooperative continues to forge full steam ahead. John continues our mission of delivering excellent customer service to our membership and in providing safe, reliable, and affordable electricity to the members.

A review of 2009 could not be complete without acknowledging the continued growth of the DEMCO system. DEMCO's kilowatt-hour (kWh) sales increased from 1,871,688,751 in 2008 to 2,031,347,132 kWh in 2009. The number of customers billed increased from 98,133 in 2008 to 99,867 in December 2009. Total miles of line in operation increased from 9,425 miles last year to 9,540 miles at the end of 2009.

I am proud to say that DEMCO is heading in a positive direction. We faced the financial difficulties of this economy and have emerged successfully. We hope to extend that success for years to come. Our

construction work plan has provided immediate benefits to our members and promises long-term power quality benefits for our members.

In closing, I would like to thank the members of the DEMCO Board of Directors for allowing me to serve as President of the Board. I consider it both an honor and a privilege to serve in this position. I also want to thank the members of DEMCO for their continued commitment to this organization and the support they have shown for this board of directors.

Respectively submitted,

**Richard Sitman, President**  
DEMCO Board of Directors



## COMMUNITY

At DEMCO, we cherish the opportunity to be a good corporate citizen. We demonstrate our commitment to community in a variety of ways, most notably through employee volunteerism and contributions to such worthy organizations as the Dream Day Foundation,

Capital Area United Way, Louisiana Resource Center for Educators, the 4-H Foundation, and many more.

As a primary financial sponsor, DEMCO employees donated, from their personal funds,

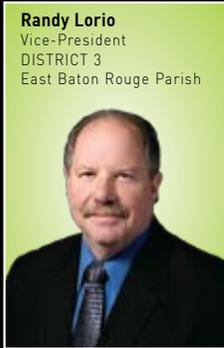
over \$60,000.00 to the annual Dream Day and Capital Area United Way campaigns. The giving spirit is evident throughout DEMCO employees in this campaign. In a time of economic uncertainty, the individuals who make up the DEMCO family have not wavered in

the annual contributions to these worthwhile organizations. This generosity shows our true cooperative spirit.

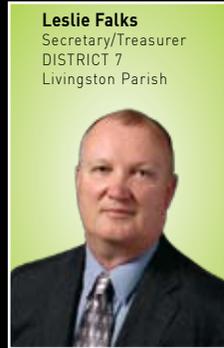
DEMCO shows the utmost respect for individuals who choose to better themselves through higher

education. In 2009 DEMCO awarded four 1-year college scholarships to the children of DEMCO members. Furthermore, DEMCO employees served on the planning committee and cooked for the 2009 Volunteers in Public Schools Annual Picnic as well as the 2009 Young Heroes

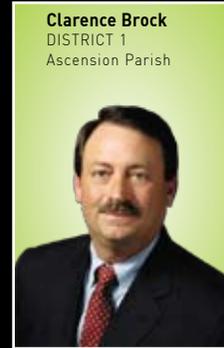
Award Luncheon. DEMCO also sponsored four high school juniors on an all-expense paid trip to Washington, D.C. through its annual Rural Electric Youth Tour and performed numerous electrical safety demonstrations to students of all ages throughout its service region.



**Randy Lorio**  
Vice-President  
DISTRICT 3  
East Baton Rouge Parish



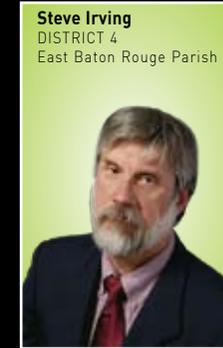
**Leslie Falks**  
Secretary/Treasurer  
DISTRICT 7  
Livingston Parish



**Clarence Brock**  
DISTRICT 1  
Ascension Parish



**Ann Samuel**  
DISTRICT 2  
East Baton Rouge Parish



**Steve Irving**  
DISTRICT 4  
East Baton Rouge Parish



**Alice Faye Morris**  
DISTRICT 5  
East Feliciana Parish

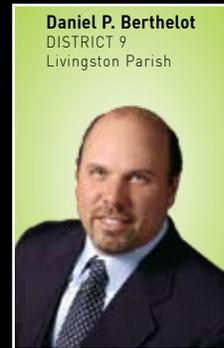
## BOARD OF DIRECTORS



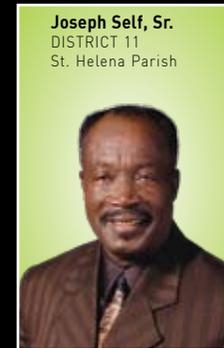
**Amanda Stroughter**  
DISTRICT 6  
East Feliciana Parish



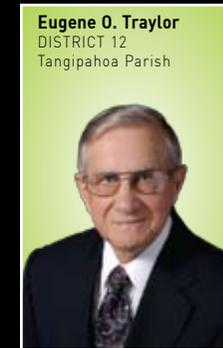
**Dennis Lott**  
DISTRICT 8  
Livingston Parish



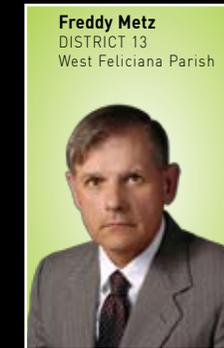
**Daniel P. Berthelot**  
DISTRICT 9  
Livingston Parish



**Joseph Self, Sr.**  
DISTRICT 11  
St. Helena Parish



**Eugene O. Traylor**  
DISTRICT 12  
Tangipahoa Parish



**Freddy Metz**  
DISTRICT 13  
West Feliciana Parish

# 2009 YEAR IN REVIEW



## JANUARY 2009

DEMCO sent two line crews to Jonesboro, Arkansas for two weeks where they assisted Craighead Electric Cooperative in restoring power to its cooperative members after a devastating ice storm moved through the area causing massive damage and widespread power outages.

## FEBRUARY 2009

DEMCO continued its support of efforts to serve communities by cooking for electric cooperative volunteers in New Orleans who committed a full day of labor to the "Rebuild New Orleans Together" campaign. During the 2009 NRECA Annual Meeting representatives from the cooperative cooked and served a free barbeque meal to the participants.

## MARCH 2009

Local high school students Emily Flanders of Zachary High School, Erin Hart of Parkview Baptist High School, David Jones of Central High School and Jacob Jolibois, a home schooled student from Central, each won an all-expense paid trip to Washington, D.C. The four were winners in the 2009 DEMCO Rural Electric Youth Tour essay contest. Also, Director James Lott resigned from the DEMCO Board of Directors after 26 years of dedicated service to the members.

## APRIL 2009

Ascension Parish Director, Clarence Brock; Livingston Parish Director, Leslie Falks; East Baton Rouge Parish Director, Ann Samuel; and St. Helena Parish Director, Joseph Self, Sr.; returned to the DEMCO Board of Directors as each was re-elected for a three-year term.

## MAY 2009

DEMCO served as a major sponsor for the 15th Annual Dream Day Foundation Fishin' Galore event held at the 3 Bar E Ranch in Clinton, Louisiana. DEMCO employees contributed \$53,000.00 through payroll deductions to the cause, all of which benefited St. Jude's Children's Research Hospital.

## JUNE 2009

Marking the start of hurricane season, DEMCO held a strategic planning meeting for the purpose of sharing information with local governments and utilities regarding emergency preparedness. The meeting was held at the DEMCO Headquarters office and included public works department officials from the seven parishes served by the cooperative.

## JULY 2009

DEMCO continued to prove its commitment to safety education by sponsoring and participating in the Louisiana Safety Council's Safetyland Camp. Co-op employees presented numerous electrical safety demonstrations to the camp participants throughout the month-long event.

## AUGUST 2009

DEMCO's economic development team signed an agreement to provide electrical service to a pipeline pumping station in Satsuma, Louisiana. The multibillion dollar parent company, Enterprise Holdings, Inc. signed the agreement under the subsidiary name of Sorrento Pipeline Company.

## SEPTEMBER 2009

DEMCO employees took part in the "Remembering Gustav" ceremony held at City Park in Baton Rouge. The event was intended to commemorate the one year anniversary of Gustav's landfall on the Louisiana coast. The hurricane was the worst storm to ever hit the DEMCO service territory.

## OCTOBER 2009

DEMCO invested in the education of its youth by bringing the electrical safety magic show, "Making Accidents Disappear" to area schools. Scott Davis of Hot Springs, Arkansas presented his popular show to hundreds of elementary students at several schools throughout DEMCO's service area.

## NOVEMBER 2009

The DEMCO Foundation continued to support members throughout its service territory by assisting those in need. November marked a milestone as foundation disbursements totaled over 2.9 million dollars, given to deserving recipients, throughout the organization's twelve years of service.

## DECEMBER 2009

DEMCO finished year two of its four-year construction work plan as the co-op continued to meet the needs of the members. Once completed, the one hundred sixty-three million dollar investment will aid DEMCO in providing continued safe, reliable and cost-efficient power to over 97,000 cooperative members.



## FOUR-YEAR CONSTRUCTION WORK PLAN

**THE CONCLUSION OF 2009** marked the mid-point of DEMCO's monumental effort to upgrade its system, meeting the demand represented by growth of the communities it serves. From the beginning of 2008 the DEMCO Board of Directors chose to invest in a system that will continue to bring the safest, most reliable and cost effective electric power to all of its members.

When DEMCO was founded in 1938, the electric cooperative had 750 members in three southeast Louisiana parishes. Since then, DEMCO—and the region it serves—has experienced significant growth. Today, DEMCO serves more than 97,000 members in seven parishes with over 9,400 miles of powerline, making it one of the fastest growing electric co-ops in the nation. This four-year Construction Work Plan will reinvest \$163 million to improve the cooperative's ability to supply consumers with quality, dependable and cost-efficient power.

Projects in DEMCO's work plan include doubling the capacity of its transmission tie-lines, building new distribution substations, upgrading facilities, adding delivery points and installing two-way—or "smart"—meters throughout the system.

The addition of two new delivery points will bring the total to 10, making DEMCO's high-tech electric distribution system more dependable and ensuring that adequate voltage is maintained at all substations. As electric consumers rely on electronics and appliances more than ever, the expectation is higher to have quality and uninterrupted power.

The improvements to DEMCO's system will be noticeable not only during regular days but especially during abnormal situations, such as storms. Although a system that is totally resistant to extreme weather conditions is unreasonable, the plan will create infrastructure that can reduce the impact on members.

DEMCO is also using Automated Metering Infrastructure (AMI) to address affordability and reliability within its system. The co-op is in the process of replacing every meter in the field with a meter that DEMCO employees can monitor remotely. These state-of-the-art meters will provide DEMCO with information that will allow it to better serve its members. DEMCO can also translate information from the meters into energy efficiencies and savings for its members.



DEMCO's investment into distribution and transmission improvements will ensure that the electric cooperative can meet growing demand, build on its high reliability, reduce system losses

and increase its capacity and its flexibility. Ultimately, this will allow DEMCO's members to receive the quality and affordable power they need, when they need it.

# ECONOMIC DEVELOPMENT

DEMCO showed strength through an economic downturn by continuing efforts to reach out to corporate America and seeking to further business and residential developments within its service territory. DEMCO continues to be committed to helping the seven-parish region reach its economic potential by working to attract these new businesses as well as encouraging existing companies to expand.



## DEMCO Foundation

The DEMCO Foundation is a non-profit charitable organization established to provide financial assistance to DEMCO members/customers in their times of need. Individual assistance as well as college scholarships and emergency assistance are also available.



StrikeSafe™ surge protection is available to all DEMCO members and offers protection from power surges for residential customers for only \$7.49 per month.



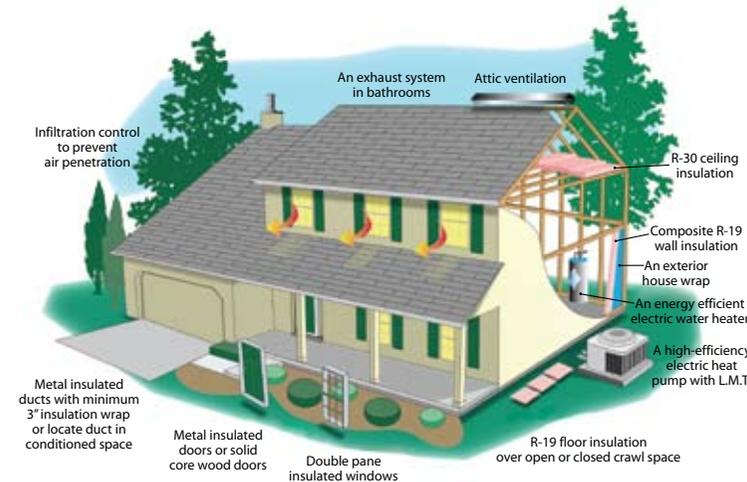
The Dixie Business Center, located in Denham Springs, Louisiana, is a small business incubator which offers consulting, administrative and financing support for new businesses. Office space is also available for long or short-term lease.

# PRODUCTS & SERVICES



DEMCO has always placed a high priority on energy efficiency, and our consumers appreciate the effort. In a recent survey of electric cooperative members throughout Louisiana, responses were overwhelmingly in support of the benefits of a well insulated, all electric home:

- More energy efficient
- Cleaner and safer
- Less expensive to operate
- More comfortable



That's why DEMCO offers the Touchstone Energy Home program, designed to assist our members in building an energy efficient home that is all-electric. The program provides our consumers with a roadmap to building an energy efficient home and helps to offset some of the costs of the program through special incentives.

By joining the Touchstone Energy family five years ago, our goal was to strengthen our mission of providing safe, reliable, and affordable electricity through ethical conduct and sound business principles. Our relationship with Touchstone has allowed us to do that as we continue to demonstrate their core values of innovation, integrity, accountability, and commitment to community. This partnership is strong and will continue to make us better everyday.

For more information on how the program can work for you call DEMCO at 225-261-1221 or visit us online at [www.demco.org](http://www.demco.org). The Touchstone Energy Home program is another way DEMCO brings "more power...to you."

Karl Albritton  
Justin Andrews  
Jacob Arledge  
Hijah Armstrong  
Wendy Armstrong  
Michael Armstrong  
Shinell Aultman  
Lynda Austin  
Kenneth Bailey  
Sean Balfantz  
Jason Ballard  
John Ballard  
Kevin Beauchamp  
Keith Beaucoudray  
Jeff Bellington  
Debra Bennett  
Troy Bergeron  
Jamie Berry  
Trent Bigner  
Jeremy Blouin  
Melody Bourgeois  
Kenneth Bourgeois, Jr.  
Sonya Boyd  
Brent Bradley  
Debra Broadhurst  
Daniel Brooks  
Julie Burns

Chasity Caldwell  
Bobbie Cantu  
Steve Cantu  
Casey Carrier  
Greg Carruth  
Dovie Carter  
Andrew Castello  
Beau Caston  
Todd Chauvin  
Michael Chiasson, Sr.  
Veronica Claiborne  
Jamie Coats  
Donna Cody  
Joseph Cofield  
Kevin Commander  
Josh Conleay  
Bonalee Conlee, II  
Ronald Corkern  
Mark Coston  
Patricia Courtney  
Eric Crain  
Daniel Cross  
Johnathan Crowder  
Rickey Cummings  
Richard Cutrer  
Frederick Dabney, Sr.  
Douglas Dalgo, II

Justin Davis  
Danny Delatte  
Scott DeLee  
Robert DeLee, Jr.  
Paula Dixon  
Darrell Doguet  
Pearlie Dominick, Jr.  
Susan Donley  
Patrick Donohue  
Wade Duplessie  
Martha Durden

## OUR EMPLOYEES

Angela Elsey  
Norman Engler  
Vince Estes  
Jeremy Farriel  
Jamie Fortenberry  
David Fournet  
Penny Fruge  
Hilda Galmon  
Cecil Garaudy  
Rhianna Garon  
Travas Glascock

Cody Glascock  
Calvin Goza  
Andrew Graham  
Vernon Graham  
John Green  
Dusty Guarino  
Heather Guidry  
Lee Guillot  
Cynthia Haisten  
Andy Hall  
Darren Harrell

Phillip Harris  
Darryl Hassell  
Charles Heine  
Raymond Hill, Jr.  
George Hills  
Beverly Hodges  
James Holden  
Avesia Holland  
Thomas Holland  
Billy Holleman  
Austin Hudspeth

Darrell Hughes  
Holly Jackson  
Warren Jefferson  
Larry Jenkins  
David Jewell  
Andrea Johnson  
Dale Johnson  
Kenneth Jones  
Tammy Kelly  
Josh Kilcrease  
Gail Kimball  
Thomas Klein, Jr.  
Michael Knight  
Roy Kyzar  
Chad LaCost, IV  
Devin Landry  
Jan Landry  
Michael Landry, Sr.  
Jake Lane  
Harry Latiolais  
David Latona  
Amanda Lavergne  
Jeff Lea  
Dentory Lee  
Louis Lee  
Shawn Little  
Chanell Lucas

Jeff Lyons  
Cheryl Malbrough  
Diana Martin  
Chanon Martin  
Melanie Mathies  
Ronald May  
Page McClure  
Theodore McCray, Jr.  
Anita McNeal  
Haley Meadows  
Brian Merritt  
Johnny Metz  
Pernell Miles  
Josh Miller  
Scott Miller  
Justin Milton  
Raymond Mizell  
Ben Morein  
Julia Mott  
Marion Munn  
Quanika Muse  
Dennis Neal  
Chad Norred  
Eric Ouber  
Jacob Overhultz  
Russchelle Overhultz  
Phillip Pace

Shawn Parker  
Melvin Parker  
Michael Parker, Sr.  
Mike Parrish  
Shane Pendarvis  
Paula Perry  
Kelli Persac  
Mark Phillips, Jr.  
Gina Pickering  
Jody Picou  
Daniel Poirrier  
Donald Prest  
Joshua Prestridge  
Jackie Purvis, Jr.  
Krystal Raymond  
Matthew Reed  
Terrie Reed  
William Reily  
Donna Roshto  
Sam Rosso  
Rachel Roule  
Randall Rushing  
Linda Sanders  
Nick Saucier  
Asa Scott  
Arthur Selders, Jr.  
Frederick Self

Spring Seymore  
Corey Sharpe  
Levy Sibley  
Brandon Simon  
Donna Sistrunk  
Jared Soileau  
Charles Spikes  
Charles Spillman  
Steven Spring  
Darren St. Pierre  
Rhonda Stanley  
Jeremy Starns  
Wayne Stevenson  
Lori Stewart  
Raymond Stewart, Jr.  
Blake Sullivan  
Dianne Sullivan  
Patrick Tanner  
Charles Tate  
Marcie Templet  
Agra Templet  
Aaron Terrance  
Mason Thacker  
Richie Thomas  
Alvin Thompson  
William Thompson, III  
Russell Todd

Barbara Trisler  
David Tucker  
Kleve Tucker  
Turk Tynes  
Jimmie Varnado  
John Vranic  
Debra Walker  
Jeremy Wascom  
Booker Washington  
Doug Watson  
Carl Watts  
Calton Watts  
Larry Watts  
James Wells  
Carl Westbrook  
Robby White  
Darrel White  
Royland Wicker  
Caleb Wilkinson  
Randall Williamson  
Cynthia Willie  
Shelly Wintz  
Ronnie Woodards  
John Woodburn  
Curtis Yaun  
Joseph Young, Sr.  
Phillip Zito



# FINANCIALS

## ASSETS

		2009	2008
<b>Utility Plant</b>	Electric plant in service	\$439,510,620	\$402,663,053
	Construction work in progress	21,973,652	17,458,315
	Other fixed assets	4,180,810	4,533,027
		465,665,082	424,654,395
	Accumulated depreciation	119,292,159	119,289,570
		<b>346,372,923</b>	<b>305,364,825</b>
<b>Investments and Other Assets</b>	Investments in associated organizations	7,671,290	7,274,003
	Notes receivable, long-term portion	1,053,034	1,285,556
		<b>8,724,324</b>	<b>8,559,559</b>
<b>Current Assets</b>	Cash and cash equivalents	448,713	400,400
	Restricted cash	610,059	588,896
	Current portion of notes receivable	229,752	249,944
	Accounts receivable		
	Consumers		
	<small>(net of allowance for uncollectible accounts of \$541,392 in 2009 and \$449,859 in 2008)</small>	8,491,637	8,148,062
	Unbilled revenue	11,201,144	8,883,181
	Current portion of other receivables		
	<small>(net of allowance of \$605,585 in 2009 and \$533,515 in 2008)</small>	6,405,403	32,283,925
	Materials and supplies	5,207,790	10,521,697
	Deferred fuel adjustment		3,237,931
Prepaid Expenses	1,476,500	1,329,107	
		<b>34,070,998</b>	<b>65,643,143</b>
<b>Other Assets</b>	Deferred charges	27,467,320	25,415,357
	Intangible, net	800	800
	Certificate of Deposit - pledged	150,000	150,000
		<b>27,618,120</b>	<b>25,566,157</b>
		<b>416,786,365</b>	<b>405,133,684</b>
<b>TOTAL ASSETS</b>			

## EQUITIES AND LIABILITIES

		2009	2008
<b>Equities</b>	Memberships	\$404,675	\$400,325
	Patronage capital	65,713,831	59,025,565
		66,118,506	59,425,890
<b>Long-Term Debt</b>	Notes payable, less current maturities	223,230,083	231,299,501
	Deferred interest - RUS notes	6,283,037	7,454,725
		229,513,120	238,754,226
<b>Current Liabilities</b>	Managed overdraft	3,559,203	5,024,051
	Current maturities of notes payable	9,538,888	8,970,623
	Line of credit	64,209,412	43,730,693
	Accounts payable	11,716,913	20,613,004
	Consumer deposits	6,603,748	6,366,370
	Accrued interest	1,041,038	1,053,312
	Deferred fuel adjustment	742,280	
	Customer refund - Cajun	624,336	624,336
		99,439,324	87,213,138
<b>Deferred Credits and Other Liabilities</b>	Accrued post retirement benefits	16,877,600	15,212,300
	Accrued vacation and sick pay	4,837,815	4,528,130
		21,715,415	19,740,430
<b>TOTAL EQUITIES AND LIABILITIES</b>		<b>416,786,365</b>	<b>405,133,684</b>

# FINANCIALS

## OPERATIONS AND PATRONAGE CAPITAL

	2009	2008
<b>Operating Revenue</b>	\$162,171,371	155,489,988
<b>Operating Expenses</b>		
Cost of power	88,634,095	87,198,261
Cost of sales	277,115	334,888
Distribution - operations	6,561,763	5,837,105
Distribution - maintenance	14,625,590	15,752,910
Consumer accounts	5,854,096	6,127,769
Administrative and general	7,531,588	6,721,396
Depreciation and amortization	13,250,904	12,323,001
Taxes	3,851,148	3,437,006
Other	1,283,626	1,318,671
	141,869,925	139,051,067
<u>Operating margins before fixed charge</u>	20,301,446	16,438,921
<b>Fixed Charges</b>		
Interest on long-term debt	12,557,938	12,944,323
Other interest	2,058,337	762,297
	14,616,275	13,706,620
<u>Operating margins after fixed charges</u>	5,685,171	2,732,301
<b>Capital credits</b>	809,815	850,643
<b>Nonoperating Margins</b>		
Interest income	153,931	168,101
Other income	39,349	116,007
	193,280	284,108
<u>Net margins, as restated for 2008</u>	6,688,266	3,867,052
<b>Patronage Capital, beginning of year</b>	59,025,565	55,158,513
<b>Patronage Capital, end of year</b>	65,713,831	59,025,565

## SYSTEM STATISTICS - 2009

<b>Average consumer Billed/Mo.</b>	99,297
<b>Average Consumer/Mile of Line</b>	10.42
<b>Average Miles of Line</b>	9,533
<b>Total kWhs Sold</b>	2,031,347,132
<b>Average kWhs/Month/Consumer</b>	1,705
<b>Average kWhs/Month/Residential Consumer</b>	1,457
<b>Average Monthly Rev./Consumer</b>	\$132.00
<b>Total kWhs Bought</b>	2,136,349,505
<b>System Peak Demand</b>	501,272
<b>Month of System Peak</b>	July





**DEMCO**

DIXIE ELECTRIC MEMBERSHIP CORPORATION

A Touchstone Energy® Cooperative 

[www.demco.org](http://www.demco.org)