

*Working
to Find
a Balanced*
ENERGY
Solution

**SOUTHSIDE ELECTRIC COOPERATIVE
2008 ANNUAL REPORT**

CORPORATE PROFILE

Southside Electric Cooperative is a not-for-profit, member-owned electric distribution cooperative serving 53,000-plus meters in portions of 18 counties, six towns and one city in south-central Virginia. Headquartered in Crewe, Virginia, SEC was incorporated in January 1937.

Vision Statement

SEC will be a model of service excellence achieving significant improvements in customer satisfaction and reliability. We put our members first and are known for strong member relations and an engaged membership that respects and understands the value of SEC as a cooperative.

We will continuously strive to achieve a strong financial performance that stabilizes rates and improves the value for our members.

We will strive to be known as a progressive system, with a strong safety culture, high performance standards and best business practices that optimally applies technology to improve service and efficiency.

We are known as good stewards for the environment with an emphasis on providing meaningful conservation programs and economical renewable energy options.

We will achieve high results through a motivated, skilled and knowledgeable workforce that takes pride in ownership of its work and is prepared to take Southside through the future years. We will achieve a positive workplace culture where the Board, Manager and Staff live out its core values.

Mission Statement

SEC strives to provide safe, reliable electricity and related services at the highest value to our member-owners. We exist to enhance the quality of life of the communities in which we serve and live. We achieve this mission by our actions that demonstrate integrity, fiscal responsibility, member engagement, community involvement, and by living out the cooperative principles.

SEC's Core Business Processes



2008 SEC BOARD OF DIRECTORS



Calvin P. Carter
Chairman
District 8



John L. Lewis, III
Vice Chairman
District 6



Quentin E. Wilhelmi
Secretary
District 7



Dr. Frank W. Bacon
Treasurer
District 4



Herbert E. Winn
District 1



Thomas J. McGonigle
District 2



Dr. Earl C. Currin, Jr.
District 3



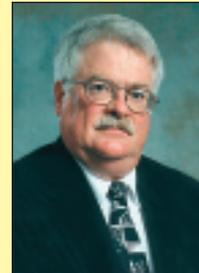
Lillian H. Hicks
District 5



Charles R. Nichols
District 9



Paul S. Bennett
District 10



John M. Boswell
SEC General
Counsel



SOUTHSIDE ELECTRIC COOPERATIVE

Your Touchstone Energy® Cooperative 

**Our business is electric ...
but we get our power from you.**

MESSAGE TO THE MEMBERSHIP



Dr. Frank W. Bacon
*Chairman of SEC
Board of Directors*



Jeffrey S. Edwards
*SEC President &
Chief Executive Officer*

This 2008 Annual Report provides information about the overall operation and financial health to you, the member-owners, of the Cooperative. You are encouraged to read the annual report and direct any questions or comments to the SEC board of directors and management staff.

Fewer New Connections During 2008

The sale of kilowatt-hours for 2008 was 847,466,551 versus 865,224,354 in 2007. The number of new connections the Cooperative made in 2008 was 528 versus 1,283 in 2007.

Work-Plan Activities Completed

Work-plan projects were completed in Amelia, Bedford, Brunswick, Campbell, Charlotte, Cumberland, Dinwiddie, Lunenburg and Nottoway counties. These projects were included in the 2008-2009 construction work-plan and included substation construction, substation upgrades, multi-phase conversions, conductor replacements and pole replacements. These projects totaled 65 miles of distribution construction, one new substation and an additional 365 distribution poles identified during the Cooperative's pole-inspection program. These projects were completed at a combined total of \$3.97 million. Approximately 91 miles of distribution were constructed to serve 1,001 new service locations system-wide.

Capital Credits Refunded

During 2008, SEC paid \$2,720,341 in patronage capital credits to Cooperative members. This refund represented the remaining payment of capital credits earned by the members during 1989. SEC has refunded a total of \$26,082,367 in capital credits since 1983.

Member Support Appreciated

SEC's board of directors and management staff carefully monitors the financial health and operation of SEC. This is done through carefully prepared work plans and budgets and the continued development of personnel. The continued support and understanding of Cooperative members is appreciated.

2008 SEC Board Re-Organizational Activities

At the conclusion of the 71st Annual Membership Meeting held on Saturday, Sept. 27, 2008, the SEC board of directors elected Dr. Frank W. Bacon, District IV, as chairman. He followed longtime chairman and board member, Calvin P. Carter, District VIII, who passed away on Sept. 15, 2008, following a brief illness. Other officers elected during the board re-organizational meeting included Dr. Earl C. Currin, Jr., vice chairman, District III; Quentin E. Wilhelmi, secretary, District VII; and Herbert E. Winn, treasurer, District I. **Note:** Charles J. Friedl was elected director for District II during the 2008 Annual Meeting.

Help Your Cooperative Find a Balanced Solution

This year, Congress likely will vote on legislation that raises energy costs to accomplish a number of environmental goals. Several pieces of legislation have been introduced for consideration by members of Congress. Some estimates indicate that these legislative proposals could raise electric rates by 40 percent.

As one of Virginia's not-for-profit electric providers, Southside Electric Cooperative is committed to environmental stewardship and, in turn, will work with Congress to craft energy policies that balance the costs of legislation with real environmental benefits. We also will educate our members and urge them to contact Congress with their concerns about energy affordability.

Elements of a Balanced National Energy Policy

As a network, electric co-ops are stressing to members of Congress and others in the federal government that any new national energy public policies include the following principles:

- Assure a continuing supply of reliable and affordable electricity to consumers and businesses in Virginia, the mid-Atlantic, and the nation.
- Retain and create American jobs.

Find A Balanced Solution

- Share the costs equitably across all geographic regions and industries that produce greenhouse gas emissions.
- Recognize that greenhouse gas emissions are a global issue requiring an enforceable, global solution.
- Provide access to least-cost financing for mitigation efforts by industries that produce greenhouse gas emissions.
- Allow diversity in power supply fuels, including renewable energy, clean coal, and nuclear energy.
- Accelerate the most critical technological research and development.
- Recognize and support energy efficiency and demand-side management programs.
- Re-evaluate periodically greenhouse gas reduction strategies and their impact on American consumers, businesses, and our nation's ability to compete internationally.

For more information and to
learn how you can help, please visit:

www.FindABalancedSolution.org

TAXES PAID DURING 2007 AND 2008

	<u>2007</u>	<u>2008</u>
Taxes Paid:		
Personal Property	\$ 937,379	\$ 912,084
Payroll	\$ 849,369	\$ 877,101
*Utility Taxes	\$ 1,679,336	\$ 1,702,470
State Consumption Taxes	\$ 775,975	\$ 763,834
Special Regulatory Taxes	\$ 60,099	\$ 59,270
Local Consumption Taxes	\$ 287,260	\$ 282,782

*Note: Utility taxes were collected for the following jurisdictions during 2008: Amelia, Appomattox, Bedford, Brunswick, Buckingham, Campbell, Charlotte, Chesterfield, Cumberland, Dinwiddie, Lunenburg, Mecklenburg, Nottoway, Pittsylvania, Powhatan, Prince Edward, Prince George and Sussex counties, the towns of Altavista, Blackstone, Crewe, Hurt, Kenbridge, South Hill and the city of Petersburg.

SERVICES & PROGRAMS

AWARE Program

AWARE is a SEC-sponsored, member education program that seeks to inform Cooperative members about their member-owned business, how it operates and some of the challenges SEC faces at the local, state and national levels.

Budget Billing

A fixed amount to be paid each month by the individual member is determined based upon the previous year's electric usage. Any previous balances (debit or credit) will be included in this calculation to "true up" the account. The account(s) are then reviewed during the budget year and could be revised every six (6) months to reflect changing weather patterns and other factors that might affect actual usage.

Call Center

Southside Electric Cooperative's Call Center was established to promote consistency in the provision of services to members, as well as provide timely responses to members' concerns from a central, "one-stop-shopping" entity within the Cooperative.

The overall goal of the Call Center is to improve the provision of customer service(s) to SEC members throughout the Cooperative's service area.

eBusiness/Web Site Online Payment

SEC members may view and pay their electric service bill online at the SEC Web site, which can be accessed at www.sec.coop. Members may use a Visa, MasterCard, Discover, or an Electronic Check drawn from their checking account. Members may also view the details of their current bill, view a 12-month usage history, calculate an estimated bill, request security light installations, or report service problems or outages.

Electrical Safety Programs

SEC provides programs to teach children and adults about electrical safety. Contact your nearest district office or the Headquarters Office for details.

Energy Audits/Online Energy Audits

SEC personnel are available to perform energy audits of homes and other facilities at no cost to Cooperative members. The audit consists of an inspection of the home/facility involved to determine the amount of insulation, condition/type of windows and doors, the nature of other conditions and electrical equipment present, as well as to make recommendations to enhance the overall electric energy efficiency and usage.

Check out SEC's online energy audit program at www.sec.coop and click on the home energy suite.

EnergyShare Program

A one-time financial assistance to pay a fuel/energy bill can be obtained by eligible persons after they have either been determined ineligible to secure assistance and/or have exhausted efforts to secure help from other federal/state programs. Applications for assistance under EnergyShare should be made at county departments of social services/welfare or HOPE Incorporated, Farmville, Virginia. Contact SEC's Member and Public Relations department for information on how to donate to the EnergyShare Program.

EZPAY

Under the EZPAY bill payment service, members allow SEC to instruct their bank or credit union to automatically deduct the amount of the electric service bill from a specified account each month. Participating members receive a monthly billing statement and notification as to what day the payment will be deducted from the designated account.

GE Money Financing

This program is sponsored by the Cooperative Finance Corporation (CFC) with financing to be provided by a unit of General Electric. It provides greater financing flexibility to members in purchasing home improvement/weatherization/energy conservation measures and equipment, as well as assists those members who might be looking for "green" solutions to power their homes and offset rising energy costs. The process of certifying contractors continues as SEC awaits approval to implement this program.

Heat Loss/Heat Gain Estimates

Heat loss/heat gain estimates are performed at no cost to assist SEC members in the proper selection, sizing and installation of heating/cooling equipment and systems for homes/facilities.

Interactive Voice Response

Members of Southside Electric Cooperative will now use an updated interactive telephone service when calling the Cooperative. "Telelink," a comprehensive automated Customer Service system that uses "Interactive Voice Response" technology, has been added to our automated telephone system. With VOICE RECOGNITION, members simply may now SPEAK THEIR RESPONSES OR USE A TOUCH-TONE PHONE KEYPAD to enter their information.

SERVICES & PROGRAMS

Member Life-Support Equipment

Members should inform the Cooperative if they have some type of life-sustaining equipment in their homes. The account location will then be identified on SEC's mapping system and the affected member(s) will be notified during instances of planned electric power outages. Priority will also be given to these locations in the event of extended power outages. It is important that members be familiar with the type of life-sustaining equipment being used, e.g. back-up feature included or if some type of standby generation is needed.

Key Accounts Program

This program allows SEC an opportunity to establish a relationship and provide products and services to its key commercial and industrial customers, which, in turn, demonstrates the Cooperative's commitment to meeting their immediate and future power-supply and business needs.

NRECA-Sponsored Group Insurance

This insurance is available to SEC members through the National Rural Electric Cooperative Association.

Other Loan Resources:

United States Department of Agriculture (USDA)

- Targets low to moderate income families.
- Rural Development 502 loans and 504 grants available for home financing, improvement and purchase of energy conservation/weatherization measures. For additional information, contact Jerry Outlaw, area specialist, 100 C Dominion Drive, Farmville, VA 23901, 434-392-4906, ext. 105, or jerry.outlaw@va.usda.gov.

Farm Credit Loan Program (Electric Cooperative Members)

Electric cooperative members are now immediately eligible to apply for energy efficiency loans from their local Farm Credit office. Loans can be used for a variety of projects/purposes including upgrading windows/doors, adding insulation, replacing heating/air-conditioning systems and appliances with more efficient models, as well as many other similar projects. SEC members are encouraged to contact their local Farm Credit office for information on how to apply/obtain financing for energy-efficiency measures under this loan program. Contact Jim Belfield, Farm Credit, at 804-746-1252 or jbelfield@colonialfarmcredit.com.

Security Lighting

SEC will install a security light upon an existing pole at no extra charge upon request of the member. Additional lights are also available. (See Billing Information, Security Lights – Schedule SL for applicable monthly rates and Terms and Conditions.)

Speakers Bureau

Personnel from SEC are available to serve as speakers/presenters on a variety of topics at schools, civic and other community-based organizations.

Standby Generator Program

This service allows SEC to provide advisory/consultative services to members in the installation of portable and stationary generators for emergency electric power, including installation of a double-throw switch. Units are to be installed in accordance with all applicable codes and regulations and maintained according to manufacturer's recommendations.

Third-Party Notification

If you are concerned that you may overlook paying your bill at some point in time and risk having your service disconnected, Third-Party Notification may be for you. With your authorization, the Cooperative will attempt to contact a relative or friend. This third party can then help you arrange payment before any service interruption occurs. Visit our Web site and download a copy of the Third-Party Notification Form.

Virginia Fuel/Crisis/Cooling Assistance Programs

SEC participates in these programs in cooperation with local county departments of social services/HOPE Incorporated. These agencies take applications, determine eligibility of persons seeking financial assistance in paying fuel, e.g. heating, cooling, etc., bills. Approved applications are then forwarded to the Virginia Department of Social Services for payment to the Cooperative and other fuel/energy providers.

Wiring and Electrical Consultative Services

These services are available to SEC members who might be performing various types of new construction, remodeling, upgrading, expanding or relocating existing facilities and equipment and/or who may be purchasing various types of energy-efficient electrical equipment/appliances.

SOUTHSIDE ELECTRIC COOPERATIVE, INC.

CREWE, VIRGINIA

BALANCE SHEETS

AS OF DECEMBER 31, 2007 AND 2008

Assets	<u>2007</u>	<u>2008</u>
Utility Plant:		
Electric Plant in Service	\$ 254,185,733	\$ 264,842,626
Less: Accumulated Provision for Depreciation	<u>73,881,189</u>	<u>80,043,653</u>
Net Utility Plant	180,304,544	184,798,973
Investments:		
Investments in Associated Organizations	28,930,782	30,125,806
Other Investments	<u>1,854,695</u>	<u>1,699,236</u>
Total Investments	30,785,477	31,825,042
Current Assets:		
Cash	954,466	41,589
Accounts Receivable	9,233,635	10,251,543
Materials & Supplies	1,602,799	1,021,429
Other Current and Accrued Assets	<u>4,942,495</u>	<u>4,772,325</u>
Total Current Assets	16,733,395	16,086,886
Deferred Charges	<u>2,125,236</u>	<u>3,179,350</u>
Total Assets	<u>\$ 229,948,652</u>	<u>\$ 235,890,251</u>
Liabilities and Equities	<u>2007</u>	<u>2008</u>
Equities:		
Memberships	\$ 225,555	\$ 228,235
Other Comprehensive Income (Loss)	(1,842,838)	(5,882,208)
Patronage Capital	<u>81,421,101</u>	<u>78,366,150</u>
Total Equities	79,803,818	72,712,177
Long-Term Debt:	109,628,587	116,634,731
Other Non-Current Liabilities:	10,978,510	16,566,087
Current Liabilities:		
Current Maturities of Long-Term Debt	4,738,444	4,453,005
Line of Credit - CFC	13,500,000	13,500,000
Accounts Payable	7,083,133	7,720,399
Consumer Deposits	1,984,762	1,070,158
Taxes Accrued	429,036	320,868
Other Accrued and Current Liabilities	<u>889,510</u>	<u>897,662</u>
	28,624,885	27,962,092
Deferred Credits	<u>912,852</u>	<u>2,015,164</u>
Total Equities and Liabilities	<u>\$ 229,948,652</u>	<u>\$ 235,890,251</u>

SOUTHSIDE ELECTRIC COOPERATIVE, INC.

CREWE, VIRGINIA

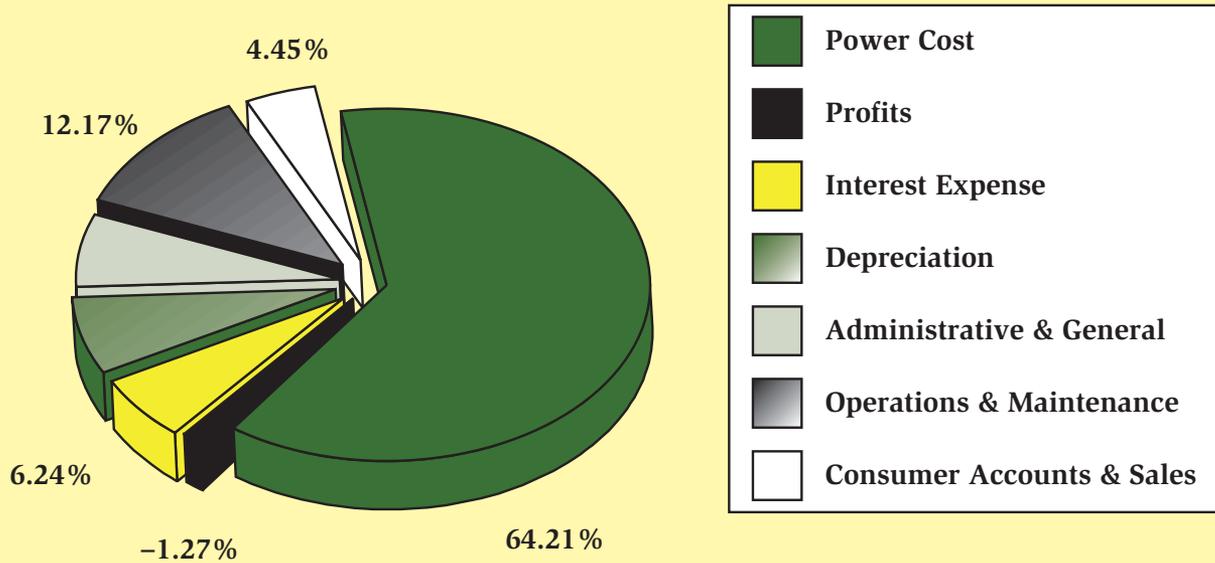
STATEMENT OF REVENUE, EXPENSE, AND PATRONAGE CAPITAL FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2008

	<u>2007</u>	<u>2008</u>
Operating Revenues	\$ 108,265,026	\$ 110,467,260
Operating Expenses:		
Cost of Power	65,976,350	70,934,728
Distribution – Operation	3,434,141	3,504,433
Distribution – Maintenance	8,594,163	9,936,734
Consumer Accounts	3,773,251	3,109,491
Customer Service & Information	1,151,043	1,811,274
Administrative & General	7,475,457	7,625,374
Depreciation & Amortization	7,652,729	8,066,593
Taxes	17,942	21,360
Interest on Long-Term Debt	<u>6,773,303</u>	<u>6,898,087</u>
Total Operating Expenses	<u>104,848,379</u>	<u>111,908,074</u>
Operating Margins (Loss) Before Patronage Allocations	3,416,646	(1,440,814)
Patronage Allocations:		
Generation and Transmission	1,346,289	958,304
Other	<u>361,284</u>	<u>562,988</u>
Total Patronage Allocation	<u>1,707,573</u>	<u>1,521,292</u>
Net Operating Margins	<u>5,124,219</u>	<u>80,478</u>
NON-OPERATING INCOME (EXPENSE):		
Interest Income	170,349	116,927
Other Non-operating Income	<u>(48,374)</u>	<u>(25,643)</u>
Total	<u>121,975</u>	<u>91,284</u>
Net Margins	<u>5,246,193</u>	<u>171,762</u>
Other Comprehensive Income (Loss)		
Unrecognized Post-Retirement Benefit Cost	<u>(1,842,838)</u>	<u>(4,789,319)</u>
Comprehensive Income (Loss)	<u>3,403,356</u>	<u>(4,617,557)</u>
CHANGES IN PATRONAGE CAPITAL		
Patronage Capital – Beginning of Year	76,837,262	80,914,729
Net Margins	5,246,194	171,762
Retirement of Capital Credits	(1,168,727)	(2,720,341)
Patronage Capital – End of Year	<u>\$ 80,914,729</u>	<u>\$ 78,366,150</u>

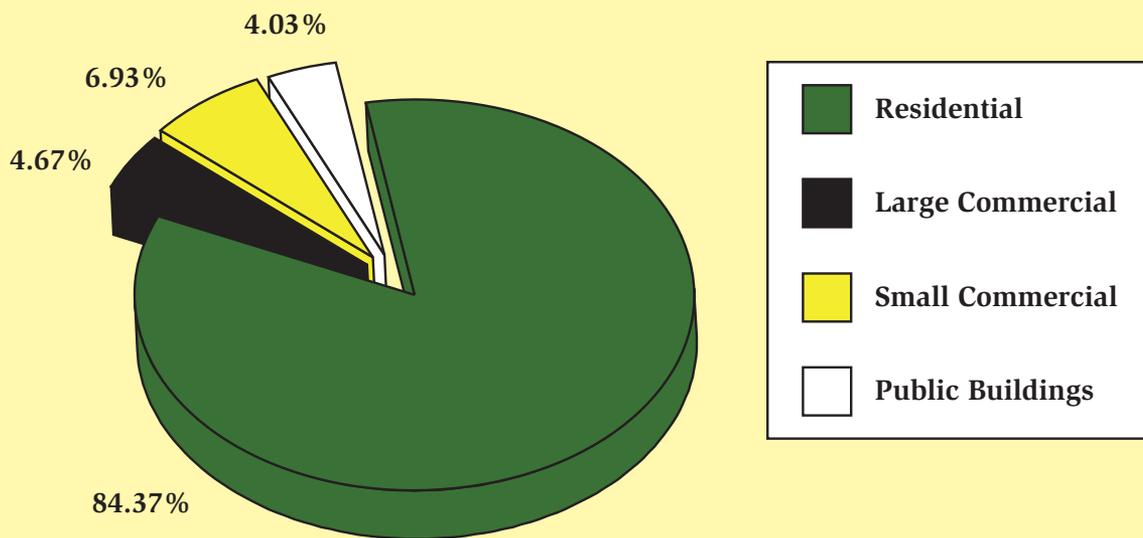
AUDITOR'S STATEMENT

Southside Electric Cooperative was audited for the year ending December 31, 2008, by Adams, Jenkins & Cheatham Certified Public Accountants and Business Consultants of Midlothian, Va. The financial statements of Southside Electric Cooperative were found to present fairly the financial position and results of operations. The complete Accountant's Report is available for inspection at the Cooperative's Headquarters Office in Crewe, Va.

Percent of Expenses & Operating Margins per Revenue Dollar



Sources of Revenue (KWH Sales)





Southside Electric Cooperative

72ND ANNUAL MEMBERSHIP MEETING
SATURDAY, SEPTEMBER 26, 2009,
AT HOOPER PARK, CREWE, VIRGINIA

Registration activities to take place from 8:15 a.m. until 10:30 a.m.

Featured activities include:

- Health Fair Activities from 8:30 a.m. to 11:00 a.m.
Free Health Screening Information/Instructions
- Entertainment
- Lunch Served from 12 noon to 1:15 p.m.
- Reports to Members
- Election of Persons to the Southside Electric Cooperative Board of Directors for Districts VII and X
- Free Registration Gifts for Members –
Periodic Prize Drawings
- Exhibits – Good Fellowship and Much More!

Mark Your Calendar and Plan to Attend!



Headquarters Office & Central District

Located on Highway 460 West

P.O. Box 7, Crewe, VA 23930 1-866-878-5514 (outages only)

VA WATS Toll Free 1-800-552-2118 FAX (434) 645-1147

EASTERN DISTRICT OFFICE

19416 Carson Road
Dinwiddie, VA 23841

NORTHERN DISTRICT OFFICE

2370 Emmanuel Church Road
Powhatan, VA 23139

WESTERN DISTRICT OFFICE

2882 Dearing Ford Road
Altavista, VA 24517

Web site: www.sec.coop



SOUTHSIDE ELECTRIC COOPERATIVE

Your Touchstone Energy® Cooperative

