

*Working to
Improve
Service
Reliability*



SOUTHSIDE ELECTRIC COOPERATIVE
2009 ANNUAL REPORT

CORPORATE PROFILE

Southside Electric Cooperative is a not-for-profit, member-owned electric distribution cooperative serving 54,000-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.

On the cover:

This 25MVA 138/25kV substation is located in Bedford County on Dickerson Mill Road in the mountainous terrain of the far northwestern reaches of SEC's service territory. Meads Store Substation was energized in May 2010, and is currently serving a little over 1,800 of our membership's service locations. The Meads Store Substation project had two primary goals:

1. Create addition system capacity to support growth in Bedford County. Prior to the construction of Meads Store Substation, SEC's Whitehouse Substation was operated at 108 percent of the power transformer's thermally rated capacity during winter peak conditions.
2. Increase service reliability for our membership in the Shady Grove and Thaxton areas of Bedford County. Prior to the construction of Meads Store Substation, the Shady Grove Circuit out of Whitehouse Substation was the longest on our system and had produced some of our poorest circuit-reliability statistics.

By creating an additional 25MVA of system capacity the Meads Store Substation project has certainly met goal number one. As we track the reliability indices for both Whitehouse Substation and Meads Store Substation, we are confident that we will meet our second goal of improving service reliability for our membership.

2009 SEC BOARD OF DIRECTORS



Frank W. Bacon
Chairman
District 4



Earl C. Currin, Jr.
Vice Chairman
District 3



Quentin E. Wilhelmi
Secretary
District 7



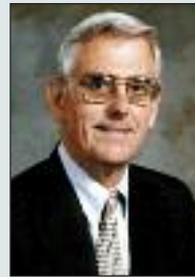
Herbert E. Winn
Treasurer
District 1



Charles J. Friedl
District 2



Lillian H. Hicks
District 5



John L. Lewis, III
District 6



Michael A. Lobue
District 9



Paul S. Bennett
District 10



John M. Boswell
SEC General
Counsel

SEC's Core Business Processes

Keep the Lights On

Treat Members
as Members

Recognize Value ...
Give Value



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*

Dear Members:

This 2009 Annual Report provides information about the overall operation and financial health to you, the member-owners, about 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 continued during 2009

The sale of kilowatt-hours for 2009 was 838,341,266 versus 847,466,551 in 2008. The number of new connections the Cooperative made in 2009 was 841 versus 1,001 during 2008.

Work plan activities completed

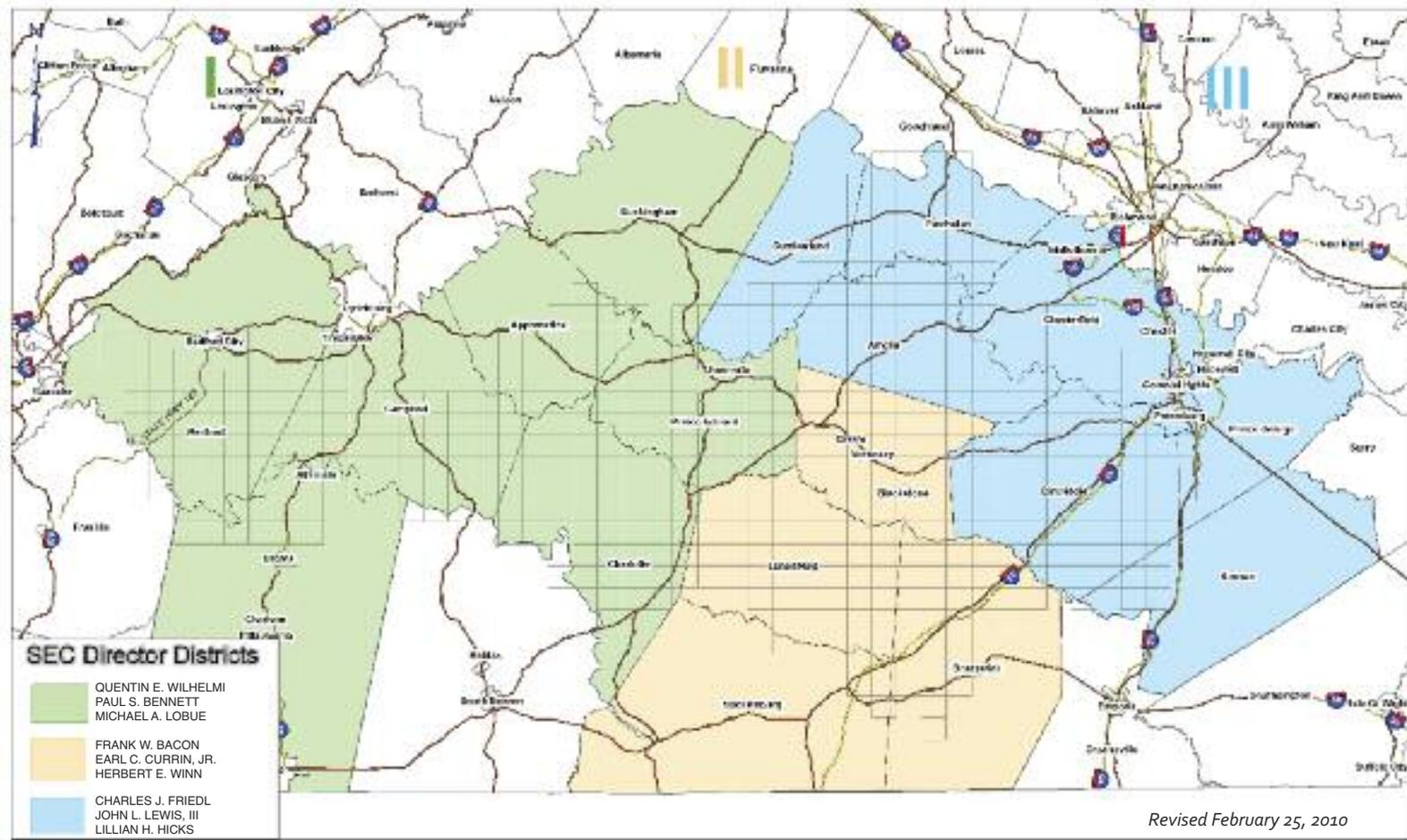
Work-plan projects were completed in Bedford, Brunswick, Charlotte, Dinwiddie, Lunenburg, Nottoway and Prince Edward counties. These projects were included in the 2008-2009 construction work-plan and included substation upgrades, multi-phase conductor replacements and pole replacements. These projects totaled 103.3 miles of distribution construction and an additional 424 distribution pole replacements found during the Cooperative's pole inspection program. These projects were completed at a combined total of \$1.48 million. Approximately 42 miles of distribution were constructed to serve 841 new service locations system-wide.

At its February 25, 2010 meeting, the SEC board of directors appointed Michael A. Lobue to serve the unexpired term of Charles R. Nichols who passed away suddenly on March 25, 2009. During the February 25 meeting, the SEC Bylaws were also revised by the SEC Board. Under the revisions, the number of territorial/director districts was reduced from ten (10) to three (3). The number of persons to serve on the Cooperative's Board of Directors was reduced from ten (10) to nine (9), with three (3) directors representing each district. A copy of the revised system map is included on the adjoining page of this annual report.

\$2.4 million in capital credits paid to approximately 31,000 active SEC members during 2009

Under a "percentage method" approved by the SEC Board of Directors, \$2.4 million in capital credits were paid to approximately 31,000 active members and 17,000 inactive members during December 2009. In prior years, capital credits had been returned to Cooperative members using a "first-in first-out method. This pay-out represented 4.72 percent per member/estate account and meant that a member having accrued a total of \$1,000 in their years with the Cooperative received capital credit pay-out of \$47.20. If SEC had paid capital credit payments using the "first-in first-out" method, only those active/members who received electric service from the Cooperative during 1990 would have received capital credit checks.

Capital credits are paid back to members as the Cooperative is financially able to make the repayments. SEC is, however, limited by the Rural Utilities Service (RUS), its mortgagor, as to the amount it can return annually. The recently adopted "percentage method" seeks to maximize the number of members receiving capital credit retirements from the Cooperative.



TAXES PAID DURING 2008 AND 2009

	<u>2008</u>	<u>2009</u>
Taxes Paid:		
Personal Property	\$ 912,084	\$ 965,466
Payroll	\$ 877,101	\$ 933,308
Taxes	\$ 1,702,470	\$ 1,717,180
State Consumption Taxes	\$ 763,834	\$ 758,262
Special Regulatory Taxes	\$ 59,270	\$ 58,888
Local Consumption Taxes	\$ 282,782	\$ 280,792

Taxes were collected for the following jurisdictions during 2009: 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 website, 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, Va. 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.

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.

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.

SERVICES & PROGRAMS

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.)

Selection of HVAC Systems

SEC personnel will assist Cooperative members in the proper selection, sizing and installation of heating/cooling equipment and systems for homes/facilities at no cost to them.

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 website 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, 2008 AND 2009

Assets	<u>2008</u>	<u>2009</u>
Utility Plant:		
Electric Plant in Service	\$ 264,842,626	\$ 265,680,799
Less Accumulated Provision for Depreciation	<u>80,043,653</u>	<u>80,167,357</u>
Net Utility Plant	184,798,973	185,513,442
Investments:		
Investments in Associated Organizations	30,125,806	36,518,916
Other Investments	<u>1,699,236</u>	<u>1,678,453</u>
Total Investments	31,825,042	38,197,369
Current Assets:		
Cash	41,589	1,627,952
Accounts Receivable	10,251,543	8,859,526
Materials and Supplies	1,021,429	923,075
Other Current and Accrued Assets	<u>4,772,325</u>	<u>5,933,317</u>
Total Current Assets	16,086,886	17,343,870
Deferred Charges	<u>3,179,350</u>	<u>10,904</u>
Total Assets	<u>\$ 235,890,251</u>	<u>\$ 241,065,585</u>
Liabilities and Equities	<u>2008</u>	<u>2009</u>
Equities:		
Memberships	\$ 228,235	\$ 226,965
Other Comprehensive Income (Loss)	(5,882,208)	677,874
Patronage Capital	<u>78,366,150</u>	<u>85,588,392</u>
Total Equities	72,712,177	86,493,231
Long-Term Debt:	116,634,731	126,965,171
Other Non-Current Liabilities:	16,566,087	2,580,372
Current Liabilities:		
Current Maturities of Long-Term Debt	4,453,005	4,471,288
Line of Credit – CFC	13,500,000	8,000,000
Accounts Payable	7,720,399	7,964,151
Consumer Deposits	1,070,158	1,300,488
Taxes Accrued	320,868	343,551
Other Accrued and Current Liabilities	<u>897,662</u>	<u>1,174,620</u>
Total Current Liabilities	27,962,092	23,254,098
Deferred Credits	<u>2,015,164</u>	<u>1,772,713</u>
Total Equities and Liabilities	<u>\$ 235,890,251</u>	<u>\$ 241,065,585</u>

SOUTHSIDE ELECTRIC COOPERATIVE, INC.

CREWE, VIRGINIA

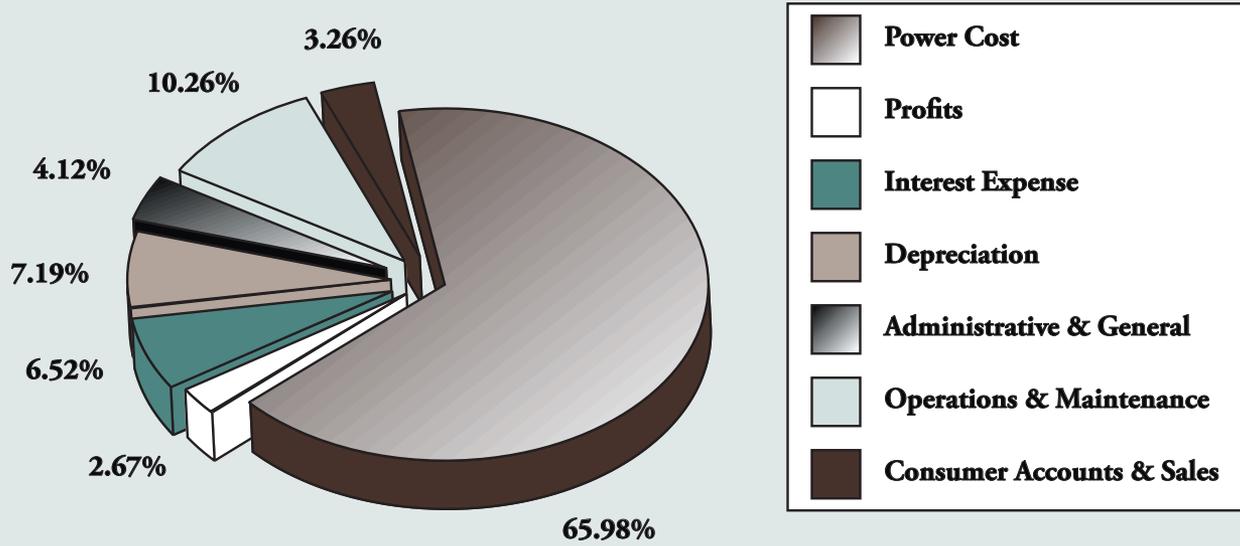
STATEMENT OF REVENUE, EXPENSE, AND PATRONAGE CAPITAL FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2009

	<u>2008</u>	<u>2009</u>
Operating Revenues	\$ 110,467,260	\$112,759,583
Operating Expenses:		
Cost of Power	70,934,728	74,394,841
Distribution – Operation	3,504,433	2,283,327
Distribution – Maintenance	9,936,734	9,288,587
Consumer Accounts	3,109,491	2,262,506
Customer Service & Information	1,811,274	1,341,697
Administrative & General	7,625,374	4,644,966
Depreciation & Amortization	8,066,593	8,113,408
Taxes	21,360	64,781
Interest on Long-Term Debt	<u>6,898,087</u>	<u>7,353,335</u>
Total Operating Expenses	<u>111,908,074</u>	<u>109,747,448</u>
Operating Margins (Loss) Before Patronage Allocations	(1,440,814)	3,012,135
Patronage Allocations:		
Generation and Transmission	958,304	6,323,605
Other	<u>562,988</u>	<u>262,637</u>
Total Patronage Allocation	<u>1,521,292</u>	<u>6,586,242</u>
Net Operating Margins	<u>80,478</u>	<u>9,598,377</u>
Non-Operating Income (Expense):		
Interest Income	116,927	111,146
Other Non-Operating Income	<u>(25,643)</u>	<u>(185,680)</u>
Total	<u>91,284</u>	<u>(74,534)</u>
Net Margins	<u>171,762</u>	<u>9,523,843</u>
CHANGES IN PATRONAGE CAPITAL		
Patronage Capital – Beginning of Year	80,914,729	78,366,150
Net Margins	171,762	9,523,843
Retirement of Capital Credits	(2,720,341)	(2,301,601)
Patronage Capital – End of Year	<u>\$ 78,366,150</u>	<u>\$ 85,588,392</u>

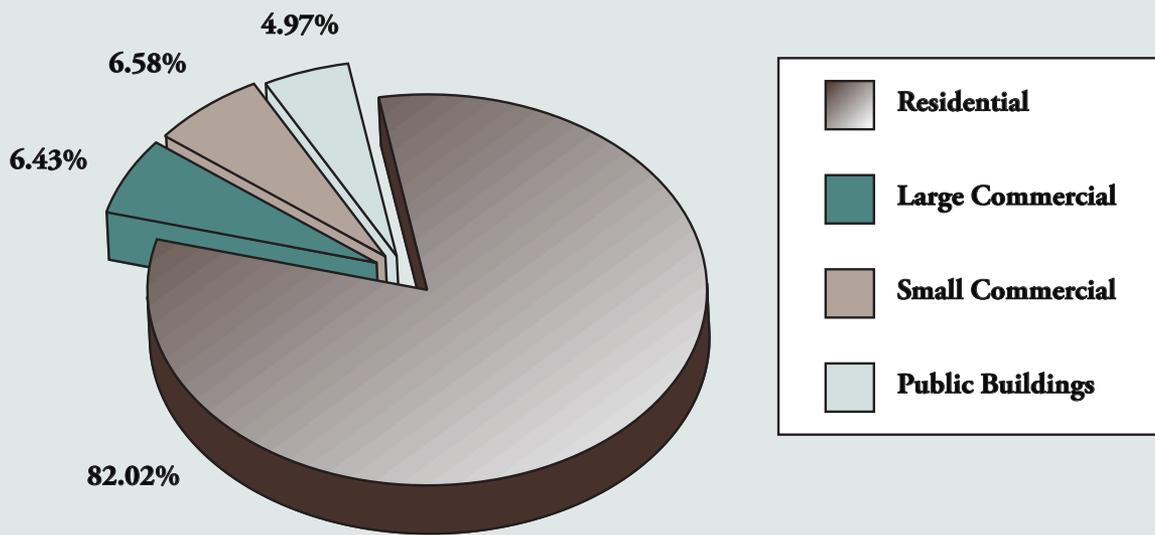
AUDITOR'S STATEMENT

Southside Electric Cooperative was audited for the year ending December 31, 2009, 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

**73RD ANNUAL MEMBERSHIP MEETING
SATURDAY, SEPTEMBER 25, 2010,
AT HOOPER PARK, CREWE, VA.**

Registration activities to take place from 8:30 a.m. until 10:45 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 **approximately 11:45 a.m. to 1:00 p.m.**
- Reports to Members
- Election of Persons to the Southside Electric Cooperative Board of Directors for Districts I, II and III
- 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

