



Providing 71 years of unmatched service

This is the fifth annual EMEPA management report I have been privileged to present to you.

During this short five year period we have weathered major hurricanes and endured record fuel cost increases, all the while watching helplessly as the economy came dangerously close to another great depression. In fact, some have pointed out that, because the economy is much larger today, the losses in savings and investments in 2009 are greater than the total losses in the 1930's era depression.

Since we last met, we have seen a change in national governing philosophy from conservative to more liberal ideology. A new Democratic administration and Democratic control of Congress make this a time of great change. Individuals and organizations, including EMEPA, have devoted enormous time to the energy policy changes being proposed in Washington.

I am pleased to report to you that three of our four Congressmen voted to support our position on the critical Cap and Trade programs. These three voted against this highly regressive tax that will unfairly place an even larger financial burden on the lower and fixed income families we serve. All at a time when we can least afford to do so. As this legislation moves through the Senate, we have been assured by Senators Cochran and Wicker that they too will vote to protect the interest of our members by working against and voting against any such unfair legislation in the Senate. I have been privileged to meet with these leaders and their staffs face to face on several occasions to express our concern for our members.

Next comes health care legislation.

While that is not our area of expertise, it will affect every one of our members. It can either help or hurt us all, and I do not envy the politicians who must vote on such important issues. I mention health care because something interesting has emerged in this debate in the Senate. In a committee hearing, the rural electric cooperatives, similar to EMEPA, were praised for the delivery mechanism and our business model we have developed across the country to provide electricity, or as we prefer to say – quality of life. Senator Baccus from Montana told his committee the rural electric cooperative story and explained how we operate as not-for-profit organizations owned and controlled by our members through locally elected boards of directors with a consistent goal to meet or exceed the expectations of those we serve. In fact, he stated that maybe health care cooperatives would better serve the needs of disenfranchised health care recipients.

Be assured that we are not asking for that role. But, his point clearly illustrates the cooperative business model, which we embrace, has been a resounding success. Successful business cooperative models include such companies as Associated Press, Ace Hardware, FTD florists and Land O'Lakes foods. Another that you will begin to hear about is Handy Hardware. This hardware cooperative will soon be a business partner in the area and will be an EMEPA member. They have thrived in this bad economy due to the fact that they are wholly owned by those they serve. And local control works for them as well.

No sooner had the Senator made this address, when *The Washington Post*, one of the most urban biased press out-

lets in America, published an article condemning cooperatives. Usually if *The Washington Post* is against something, I am for it. This is no exception.

Senator Baccus was correct when he pointed out that local decision making trumps national decision making every time. We at EMEPA must look you, our neighbors, in the eye and tell you how we have worked to hold costs down, how we plan to continue to provide for your electric energy needs into the future and how we treat you as you do business regularly with EMEPA. Accountability is the key to this business model. Local accountability is one of the principles we were built upon.

This has been a year of high fuel costs, but I am happy to report to you that beginning this month those costs begin to come down. While we cannot predict the future costs with accuracy, we can tell you that our cost will be dropping to all our consumers. The cost of fuel is very volatile, but the last few months have allowed our wholesale suppliers to move away from the higher cost fuels and take advantage of the declining prices of coal and natural gas. Hydro, which represents approximately 5 percent of our total wholesale supply, has recovered to about 80 percent of normal, and it is now being dispatched consistently. Nuclear continues to play a major role in stabilizing these energy costs.

TVA, our supplier in the Winston, Kemper and Attalla county areas, will be moving to a monthly fuel cost adjustment. That means that the price of power will change slightly each month. Initially, this will cause prices to go down. Southern Company provides a fuel cost for a 12 month period so the prices we charge in the Lauderdale,



General Manager Wayne Henson

Newton, Clarke and Wayne County areas will go down and will stay down for the next 12 months.

You, our members, have been very patient with us during this high cost period, but we know it has been difficult. During this summer, I received two of the highest power bills I have ever received. No one likes that high cost. We have worked diligently to hold operating costs down. However, we only control about 15 percent of the overall cost of services delivered to you. As these laws are being debated now in Washington and the budget deficits grow in Mississippi, we will be watching these costs to do everything we can to minimize the impact to you, our members.

Just as our elected officials are accountable to you, we at EMEPA are also accountable to you. Our goal is to provide you unmatched service. We expect to be the gold standard for service in our area. And we are never satisfied being just good. We expect to be the best. We can't cut your power bill in half; but we can provide you service that goes beyond your expectations.

NAS Meridian Privatization- "A year later"



Metering of NAS facilities will continue into 2010.

In January 2009, Meridian's Naval Air Station became the second base in the nation to privatize its electrical system. The process of privatization began nearly ten years ago, and EMEPA officially took control of the Base's electrical system on Jan. 11, 2009, following a transition period that began on Sept. 11, 2008.

Since Jan. 11, EMEPA crews have

now seeing about a quarter of the outages from before, mostly due to the clearing of rights of way.

"Many of our employees have been and will continue to be involved in making this a successful transition," said Randy Carroll, Staff Assistant to the General Manager. "The Navy privatization is a win-win situation for both us and the Navy."

The Navy is able to utilize a group of trained utility employees rather than re-staff retired employees, and it receives the benefit of the personnel and equipment EMEPA has to offer. EMEPA is able to cover the expenses associated with the equipment and personnel used at the Base with the monthly payments received from the Navy.

"Our partnership really began over a year ago and has been going strong

since," said Lt. Commander Lance Coe of NAS Meridian. "We officially turned over all our electrical services and maintenance in January 2009 and have seen great improvement already. I look forward to many more productive and team-building years ahead."

EMEPA's Brent Lofton is the Navy Facilities Coordinator for the Base and



Clearing rights of way has cut down outage time at NAS Meridian.



Pictured are Danny Cook, Assistant Public Works Officer; Gary Stacey, Electrical Engineer; Wiley Pipkin, Public Works Supervisor; Lt. Commander Lance Coe and EMEPA's Brent Lofton, Navy Facilities Coordinator

serves as the primary onsite contact for all work conducted on the Base. He is the primary responder to service outages and coordinates needed personnel as required. He also stakes line extensions and repair and replacement projects,

reads electric meters and devices, prepares NAS work reports and compliance documents and assists in the mapping of the Base facilities.



Pictured above and at bottom right, EMEPA crews replace defective poles on the Navy Base.

completed mapping of the base facilities and clearing of rights of way. Metering of facilities and replacement of defective poles are still on-going, and transformer change outs are on schedule for the coming year.

"We have cut back on outage time tremendously," said EMEPA Navy Facilities Coordinator Brent Lofton. "I'm





Co-ops a driving force in American economy, study Finds

Cooperative businesses account for more than \$650 billion in revenue and 2 million American jobs, a recent study by the University of Wisconsin found.

"The Research on the Economic Impact of Cooperatives," led by UW's Center for Cooperatives, is the result of several years worth of studies and surveys.

The results confirm what cooperative diehards have known all along—their businesses are part of a greater national movement that drives the American economy. There are 29,000 cooperatives in the U.S., in virtually every industry. The data shows their wide-ranging impact, from the burgeoning sector of biofuels cooperative, to mammoth sectors like farmer supply and marketing cooperatives.

When communicating the economic cooperative advantage to the public and government, co-ops can now support their arguments with hard data.

But co-ops have another advantage, often not reflected in revenue or jobs created. That's their set of shared values that drives their operations and how they operate within their communities.

Honesty, openness, caring for others and social responsibility are values all cooperatives demonstrate through their practices and procedures. These values guide cooperatives worldwide; and in our own community, EMEPA demonstrates this through community involvement in youth and safety programs and continued support for economic development.

It is no coincidence that co-ops show a special loyalty to their communities. As member-controlled enterprises, co-ops are run largely by the people who live and work in the communities they serve. "That gives them a different perspective from businesses owned by distant investors," said EMEPA General Manager Wayne Henson.

Each day, cooperatives live out their values and serve hundreds of millions of Americans in every industry from groceries to electricity.

Despite this diversity, co-ops have some things in common. They are owned and democratically controlled by the people who use their services or buy their goods. They are motivated by service to

their members, not by profit.

These characteristics give co-ops an uncommon loyalty and commitment to the communities in which they are located, said Henson.

"Community is not just where we work; it's why we work," Henson said. "Cooperatives are motivated to serve their members, not outside investors. Doing that means we must also serve the communities in which our members live, work and play."

"At a time when our economy is struggling, it's important to remember that

tens of thousands of cooperatively owned businesses focused on their members, not just profit," Henson added. "Sure, investor-owned businesses have a set of values. But for co-ops it's more personal. It's a critical part of what drives our actions, making us a more integral part of our communities than most other businesses."

To view the study produced by the University of Wisconsin Center for Cooperatives, visit

<http://www.coopmonth.coop>
Source: Coopmonth.coop



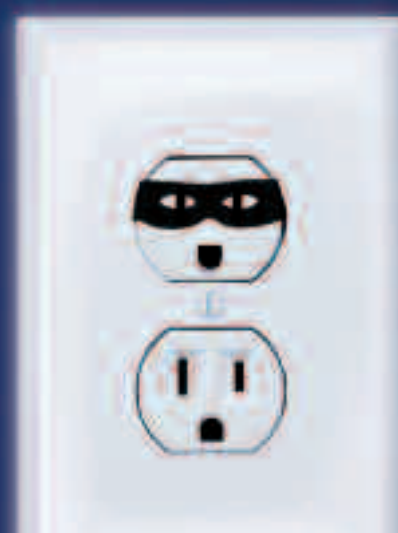
EMEPA demonstrates its cooperative values by giving back to the community. Since May 1998, EMEPA members have donated more than \$458,500 on their monthly power bills to their local volunteer fire departments.

Back to the Basics: Conserve101

You Have the Power to Stop Energy Bandits

Phantom power bandits rob valuable electricity.

Small appliances, cell chargers, MP3 chargers and other electronics use electricity even when they are not powered on. Keep them unplugged when not in use. Conserving today means saving tomorrow.

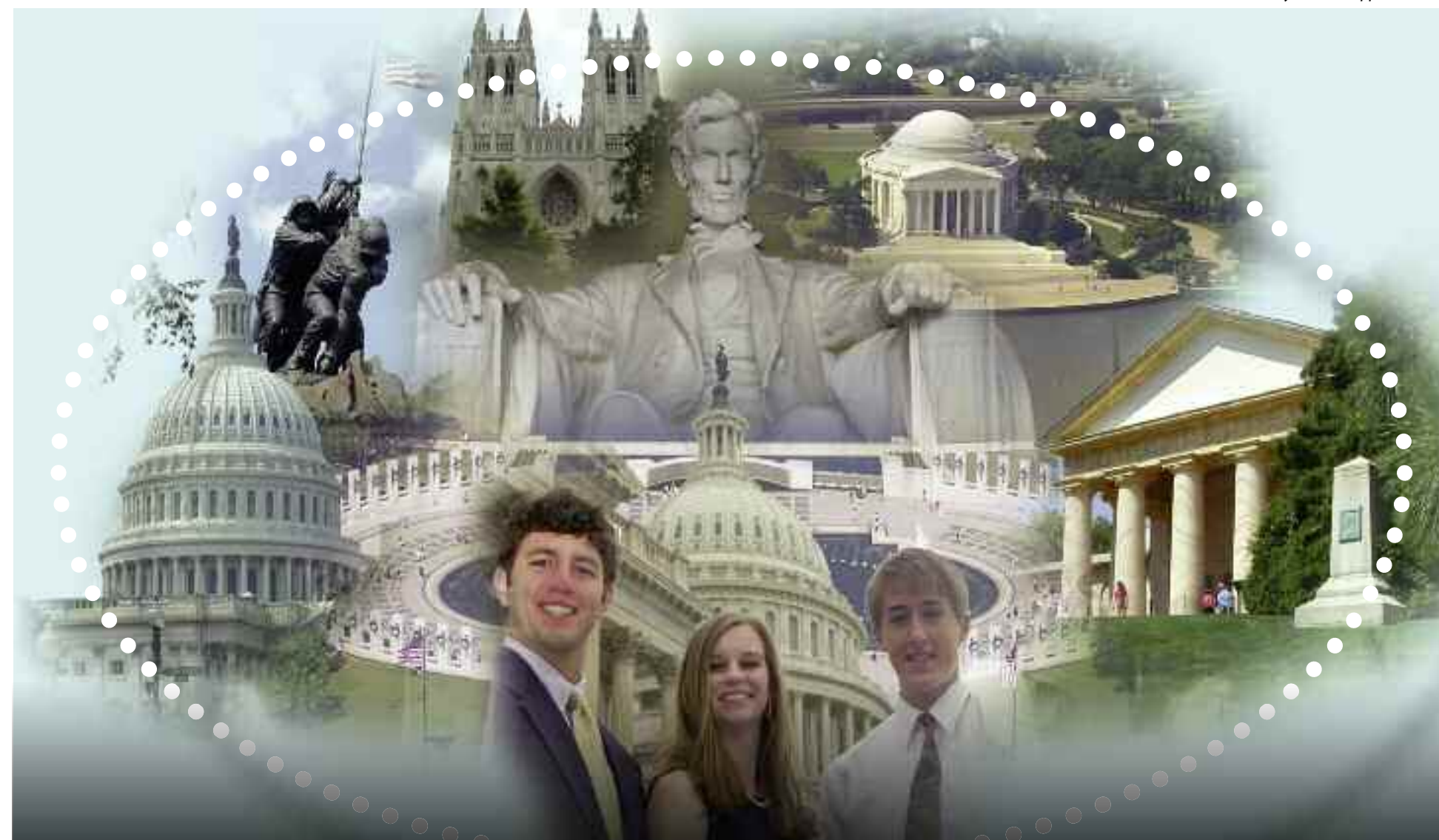


Fact:
The average American household loses up to \$20 per month to phantom power bandits.

Observing National Co-op Month gives electric co-ops yet another reason to tell our members that they are part of something special.

At a time of increasing national concern about the economy, especially rising energy costs, we also must communicate the cooperative difference to decision makers at all levels whose actions affect our members and the communities in which they live and work. The cooperative difference defines who we are and what we can achieve: looking out for our members' best interests.

For more information of National Cooperative Month, visit <http://www.coopmonth.coop>.



WHAT DID YOU DO LAST SUMMER?

Let East Mississippi Electric Power Association help you make this year memorable by participating in the 2010 Leadership Workshop in Jackson and tour of Washington, D.C.



See your Junior Guidance Counselor or call EMEPA for information.

www.emepa.com

Avoid electrical hazards this Halloween

The decorative lights, fog machines, black lights, and animatronics of Halloween make for adventurous, entertaining times for children and adults. With these decorations, though, the risk of fire or electrocution could be lurking around the corner. It is important to check for electrical hazards before accidents happen. Use the following tips to keep electrical hazards from haunting you this Halloween:

- Inspect electrical decorations. Look for cracked or frayed sockets, loose or bare wires and loose connections.
- Read manufacturer's instructions regarding installation and maintenance.

- Check the instructions to see how many light strings can be connected together.
- Always unplug light strings before replacing any bulbs.
- Fasten outdoor lights securely to trees, walls or other firm supports. Do not use nails or tacks that could puncture light strings or electrical/extension cords.
- Provide well-lit walkways and porch lighting for trick-or-treaters. Make sure the walkways are clear for trick-or-treaters.
- Don't overload extension cords or place them near, or in, water.

- Make sure electrical decorations are approved by a nationally recognized certification organization like "UL" (Underwriters Laboratory) and marked for outdoor use if you are using them outside. Check www.cpsc.gov or www.ul.com for recalls. Many Halloween toys have been recalled in the past by the CPSC (Consumer Product Safety Commission).
- Do not overload your circuit breakers or fuses.
- Plug lights and decorations into circuits protected by ground fault circuit interrupters (GFCIs). Portable outdoor GFCIs can be purchased where electri-

- cal supplies are sold.
 - Make sure decorative lighting is well-ventilated, protected from weather and a safe distance from anything flammable like dry leaves and shrubs. Do not coil power cords or extension cords while in use or tuck under rugs or drapes.
 - Turn out all lights and decorations before leaving or going to bed. Always have at least one fire extinguisher available and know how to use it.
- Sources: Home Safety Council www.homesafetycouncil.org; Electrical Safety Foundation International www.electrical-safety.org

South Mississippi Electric signs Letter of Intent on Kemper County IGCC plant

South Mississippi Electric Power Association and Mississippi Power Company jointly announced in September that South Mississippi Electric signed a Letter of Intent to explore the acquisition of an interest in Mississippi Power Company's proposed Kemper County Integrated Gasification Combined Cycle (IGCC) Project. The companies are negotiating a combination of a joint ownership arrangement and a purchase power agreement which would provide South Mississippi Electric with up to 20 percent of the capacity and associated energy output from the plant.

South Mississippi Electric generates, transmits and sells electric energy on a wholesale basis to 11 Member distribution cooperatives. These Member systems own and maintain approximately 54,500 miles of distribution line and provide service to more than 400,000 homes and businesses in 56 of Mississippi's 82 counties. While EMEPA has no official relationship with South Mississippi Electric, both are cooperatively owned not-for-profit electric utilities. "We do recognize their wise and

thoughtful approach to expanding their relationship with Mississippi Power Company," said EMEPA General Manager Wayne Henson.

"We are watching the planning and development of the IGCC proposal closely and with great interest – especially the impact it will have on Mississippi Power's rate base," said Henson. EMEPA purchases wholesale power from Mississippi Power Company for its members in Lauderdale, Clarke, Jasper, Newton and Wayne counties.

Mississippi Power has proposed building a state-of-the-art electric power plant in Kemper County, Mississippi, that will capture 65 percent of carbon dioxide (CO2) emissions. The plant will use Mississippi lignite to fuel the technology.

Construction is slated to begin in 2010 pending approval from the Mississippi Public Service Commission. The proposed generation station is a 582-megawatt power plant that would begin commercial operation in 2014.

Also known as gasification, IGCC is a process that converts coal into a synthesis gas that can generate electricity with

fewer emissions than existing pulverized coal-fired power plants. IGCC is currently the best option for the United States to make the greatest use of our most abundantly available energy source.

The plant will capture 65 percent of carbon dioxide emissions, and the carbon dioxide will be used in the enhanced oil recovery industry. With carbon capture technology, the Kemper County IGCC facility will be equivalent to a new natural gas combined cycle generation resource with respect to CO2 emissions.

Mississippi Power's investment will be approximately \$2.2 billion. Approximately 260 permanent jobs, plus 1,000 jobs during peak construction, will be created.

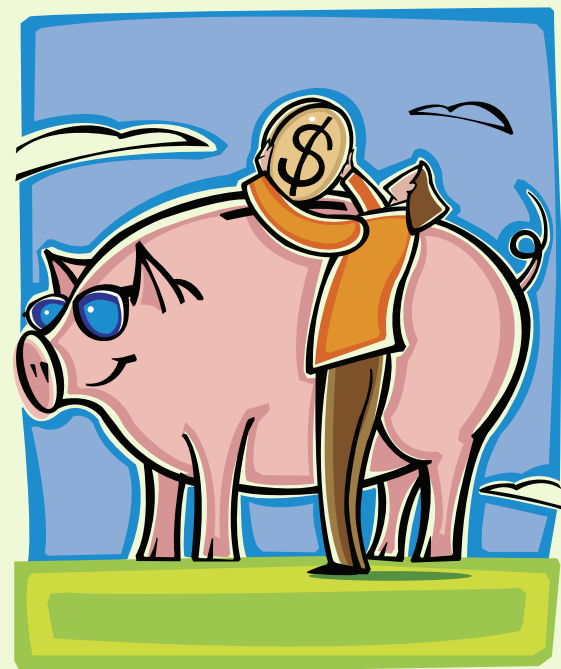
EMEPA members will see decrease in fuel cost adjustment

EMEPA members will see a decrease in the generation fuel cost adjustments in October.

EMEPA members in Lauderdale, Clarke, Jasper, Newton and Wayne counties will see a \$5 per 1,000 kilowatt hour fuel cost decrease on their electric bill beginning in October. EMEPA purchases wholesale power for members in these counties from Mississippi Power Company.

This decreased cost averages 4 percent for 1,000 kilowatt hours. This rate will be in effect from October until March, and could be adjusted again in April 2010 if Mississippi Power Company's generating fuel costs continue to decrease substantially.

Tennessee Valley Authority (TVA) announced a combined 9 percent increase in base rates and an 11 percent decrease in fuel cost also effective in October. Together these two changes net a \$1.82 reduction, or about 1.63 percent, per 1,000 kilowatt hours used by members in EMEPA's North System, which



includes Kemper, Winston, Attala, Noxubee and Neshoba counties. TVA plans to make fuel cost adjustments on a monthly basis beginning in October to minimize impacts to members.

A fuel cost adjustment is an increase or decrease to members' monthly electric bill caused by changes in the cost of fuels to generate electric energy. EMEPA's wholesale providers use a mixture of fuel sources to produce electric energy, including coal, nuclear, natural gas and hydroelectric.



Energy Efficiency

Tip of the Month

Only 20 percent of homes built before 1980 are properly insulated. You can increase the comfort of your home while reducing heating and cooling needs up to 10 percent by investing in proper insulation and sealing air leaks.

Source: U.S. Department of Energy

Protect children and pets from electrical hazards

Accidents around the home result in millions of injuries to the most vulnerable members of your family — young children and pets — each year. For example, approximately 2,400 children receive emergency room treatment annually for injuries caused by inserting objects into electrical receptacles, according to the U.S. Consumer Product Safety Commission (CPSC).

With a few precautions, these and other injuries can be avoided:

- Install tamper resistant outlets (TROs) that protect against small children inserting foreign objects into them. Simple plastic caps typically used can be easily removed by some children.
- Keep electrical cords out of sight.
- Unplug all appliances when they are not being used, such as hair dryers or coffee makers.
- Keep appliances out of children's bathrooms.

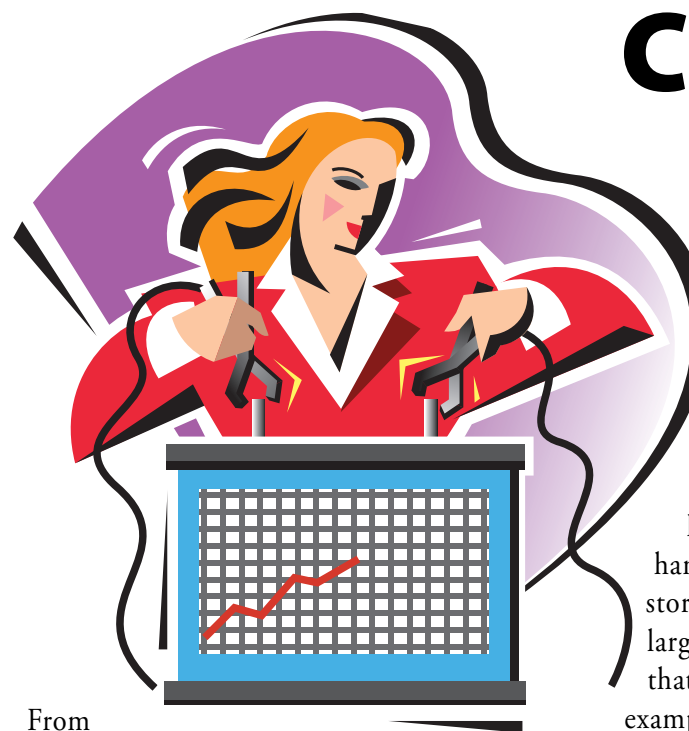
- Teach children not to touch appliances when they have wet hands and to keep appliances away from water.
- Teach children other basic safety tips such as staying away from outlets and not touching electrical cords.

Some of the same tips apply to pets:

- Keep electrical cords away from cats and puppies who love to chew on them.
- Make sure nightlights and appliances are fully plugged in. Partially exposed prongs can be a temptation to curious critters.
- Keep halogen lamps away from pet play areas. If knocked over, they could start a fire.
- Keep appliances in bathrooms away from water. Playful pets can knock radios or curling irons into water, creating a dangerous situation.
- Discourage cats and dogs from curling up for naps behind electrical equipment such as computers.



Co-ops could go far with better batteries



From an outside perspective, generating and distributing electricity may look a little like herding cats. When power is needed, it must be instantly on hand. When it's created, it must be immediately moved to where it can be used. And because it can't be easily stored, supply and demand must be kept in perfect balance—a precise dance where a misstep could lead to an outage.

Unlike other utilities that manage tangible resources like water or natural gas, electric co-ops can't keep extra electricity on hand—power can't be stored in a warehouse or a large tank. It's safe to say that if we could—for example, if massive batteries were designed that allowed us to keep reserve megawatts at the ready—providing power reliably and safely would be significantly easier, and kilowatt-hours would be more affordable.

Stored electricity has several valuable uses. For one, renewable energy sources like wind and solar aren't always at the ready when electricity is needed. Wind often blows strongest

at night when electricity demand is low. But if that unused energy could be stored and put to work the next day, a wind farm would be much more productive and cost effective.

Stored energy could also give the electric grid a needed boost during periods of peak demand—the electric utility industry's equivalent of rush hour traffic, when people come home in the late afternoon and turn on lights, dishwashers and all the other comforts of home. That spike in demand is currently met by switching on natural gas-fired generators, which are expensive to operate. A battery could do the same job for a lot less. And a battery tucked beside the local substation serving your home could keep lights on should a power line leading into that substation fail. The whole process would likely happen without so much as a lightbulb flick-

ering, keeping you warm and comfortable while repairs are made.

Because of these potential benefits, electric co-ops are leading the way in searching for a better battery. The Cooperative Research Network (CRN), an arm of Arlington, Va.-based National Rural Electric Cooperative Association, is looking to put large-scale batteries to the test through three projects (in South Carolina, Alaska and Hawaii) that could win federal funding before the end of the year. Each would demonstrate how batteries could be used in different ways.

Success could lead to major breakthroughs. If the technology proves effective and affordable, electric co-ops could better stabilize the price of electricity and increase reliability.

Herding those cats may one day be a little less complicated.