

Financial Highlights

Summary of Financial Performance

Operating revenue	\$180,409,233
Operating expense	164,790,145
Interest expense	6,689,730
Other income	899,179
Net income	13,669,844
Net plant	207,243,848
Total assets	269,365,361
Member equity	144,996,184

Operating Statistics

Total active services	64,264
Kilowatt-hours sold (millions)	1,933
Miles of line	9,950
Members per mile of line	6.5
Number of employees	266

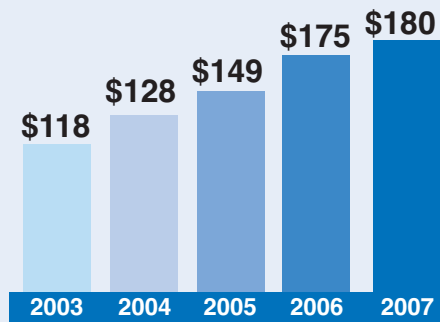
Sources of Revenue

Residential	55%
Large commercial/industrial	27%
Small commercial	18%

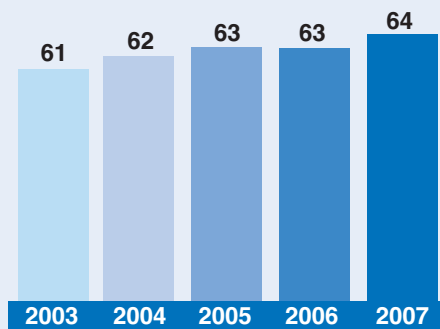
Operating Expense

Purchased power	78%
Other operating expense	10%
Depreciation	5%
Maintenance	6%
Taxes	1%

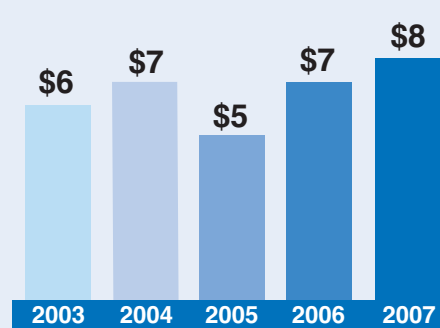
Operating Revenues (millions)



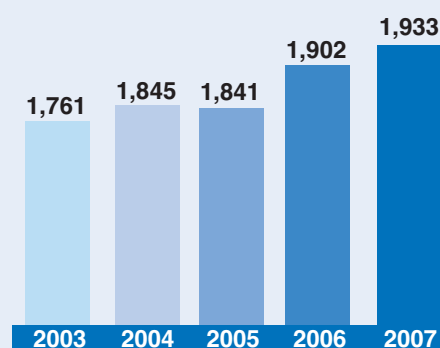
Active Services (thousands)



Net Margins (millions)

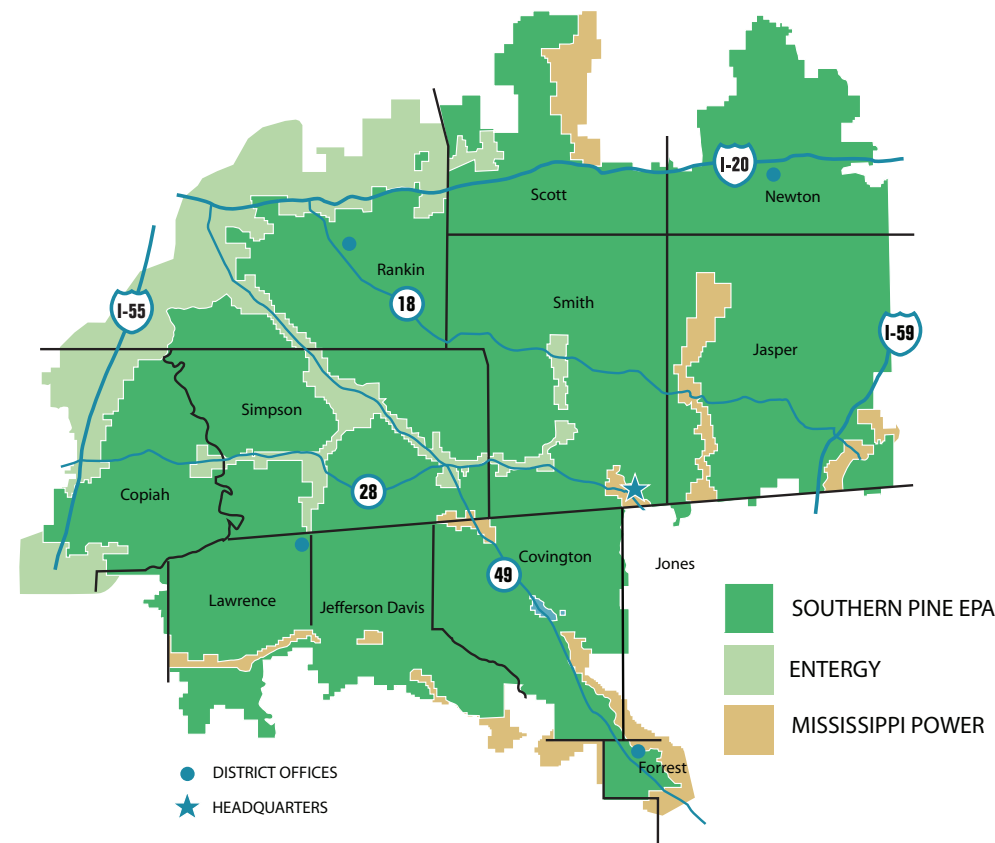


Kwh Sales (millions)



SOUTHERN PINE ELECTRIC POWER ASSOCIATION

"Member-owned and Service-proud"



Southern Pine Electric Power Association serves 14.7 percent of the land mass in Mississippi.

As of September 2008:

- Total miles of lines: 9,929.64
- Meters per mile of line: 6.46

Our Mission

It is the mission of Southern Pine Electric Power Association to provide reliable, safe and efficient services at a competitive price to all customers, whether we are supplying electricity to a poultry farm, an urban subdivision or a multi-million-dollar industry. Our commitment is to set the service standard for the providers of electric service and to remain the power provider for our customers.

Our Values

- We are an advocate for our member/customers.
- The reliable delivery of utility services is essential to our customers.
- Accountability and integrity are fundamental to our business.
- Customers and employees are treated with respect.
- Personal and organizational learning are fundamental to our success.
- Open exchange of ideas is encouraged.
- Individually and collectively, we act with fiscal responsibility.

HEADQUARTERS

P.O. Box 60
110 Risher Street
Taylorsville, MS
(601) 785-6511 or 800-231-5240
www.spepa.com

BRANDON

Highway 18 South
(601) 824-7070 or
800-698-9574
District Manager:
Jackie Mullins

19,532 Meters

NEW HEBRON

Ferguson Mill Road
(601) 694-2711 or 800-698-9571
District Manager:
Charlie Robinson

14,478 Meters

NEWTON

Highway 15 South
(601) 683-2200 or 800-698-9573
District Manager:
Thomas Humphreys

8,958 Meters

TAYLORSVILLE

110 Risher Street
(601) 785-6511 or 800-231-5240
District Manager:
John T. McDaniel

16,928 Meters

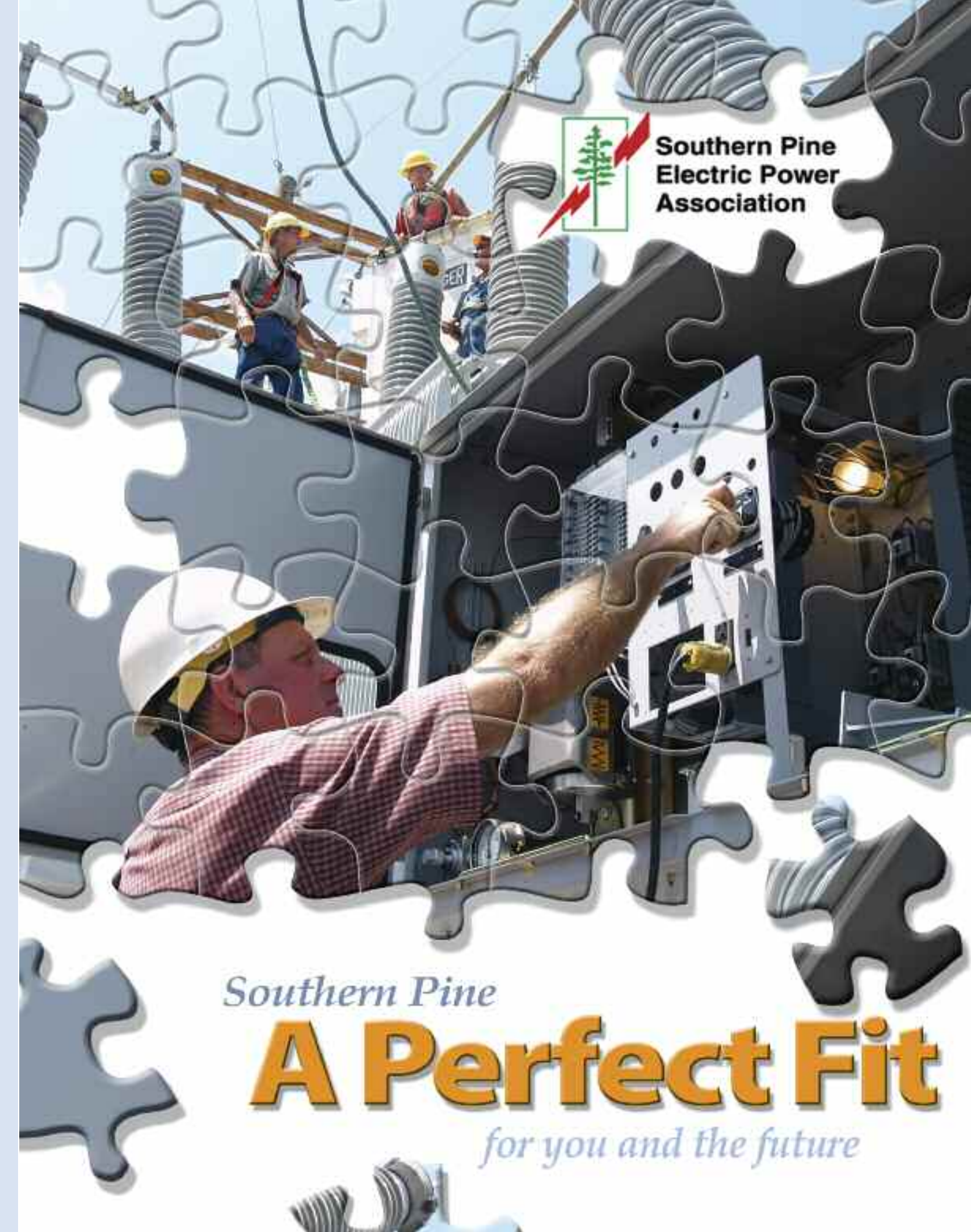
Hattiesburg Office

7848 U.S. Highway 49
(601) 264-0185

4,241 Meters



A Touchstone Energy Cooperative



Southern Pine

A Perfect Fit

for you and the future

BOARD AND MANAGER'S REPORT

The title of this year's annual report, "Southern Pine: A Perfect Fit for You and the Future," serves as a reminder of what people with a shared vision and spirit of cooperation can accomplish when working together. Southern Pine's founders had a vision—to bring affordable power to the rural areas of our counties and to improve the quality of life for themselves and their neighbors. They succeeded. Southern Pine's success and progress through the years are the result of a strong, 70-year partnership among our members, employees, and directors.



Donald Jordan
General Manager



Billy M. Berry
Board President

increased efficiency factored in.

Increased costs for fuel and almost everything else Southern Pine purchases have created challenges, as they have for every other business and household. Climate change, power supply shortages, remarkable growth in energy demand, skyrocketing energy costs—all affect the cost of power. Yet policy makers, environmental groups and many in the industry tend to overlook the people who actually pay the bill. It's up to us to educate policy makers about the consequences of uninformed decisions on ratepayers.

Few in Washington have faced the reality that many of their current proposals are going to sharply raise electric and energy bills. As a member of Southern Pine, you can help by asking your elected officials what they are doing to make sure we have the power we need, what their plans are to help fund the technology we need to meet today's and tomorrow's energy challenges, and what they are doing to make sure our customers can afford the extra costs involved.

In 2007, for every dollar our members paid for their electric service, 74.4 cents was used for the generation and transmission of power to Southern Pine. We are working hard to contain costs wherever we can, while continuing to maintain our electrical system and improve service.

Planning is an essential element in guiding us as we make decisions for the future. Among the projects we've been working on:

- A three-year construction work plan was put into effect Jan. 1, 2008. The plan details \$22.4 million in substation upgrades, \$4.5 million in feeder line upgrades, and \$2.1 million in 25 KV re-insulation upgrades. These items represent a necessary reinvestment in our electrical system due to aging and increasing customer load.
- This year we began installing "smart" meters, which we expect to complete within two years. We can read these meters via the power lines, and their up-to-the-minute readings will enable us to significantly

improve our service to members. They will also provide additional metering data to assist members with billing and service questions. In addition, smart metering promotes energy efficiency by providing real-time customer feedback on energy use patterns.

- In 2007, Southern Pine began a project to improve its material supply capability during a disaster. We packaged and stored line construction materials in weatherproof containers to fully equip line construction crews and speed their response time during a natural disaster. We have many other similar proactive emergency preparations, and we continue to test and fine-tune our emergency response processes year-round.

- We upgraded this year to an IBM iSeries computer that will allow Southern Pine to better process customer information.
- Plans include the addition of more payment options and the implementation of more efficient ways of handling customer calls.

Despite our best efforts to control costs and secure stable energy rates, our cost of doing business has substantially increased. Wholesale power costs have increased within the last few years, as well as costs associated with materials, fuel, labor, and other related items. We are currently involved in a cost-of-service study, and we expect a rate increase to be forthcoming. However, Southern Pine customers will

continue to pay some of the lowest rates in the nation.

The cost of electricity may be rising, but so is the use of electricity. We work hard to keep our customers informed about energy efficiency—through special programs, informational brochures, and articles and tips in *Today in Mississippi*. We also offer energy audits and other services related to energy use.

We have implemented a new Web site design that includes an Energy Calculator, a Kids Korner, and other user-friendly additions to www.spepa.com.

Although the electric industry is growing and changing, and Southern Pine along with it, our values and commitment to customers remain as they have been for 70 years. We are proud of our ability to be a part of the communities in our service area, and to do business the cooperative way. We exist to serve our members with safe, reliable, and affordable electric service—that is our core mission.

Our enthusiastic, dedicated team of employees is up to the task of bringing together the myriad components that make your electric cooperative work for you. With your continued support, we can meet the challenges of the future.



FACTS and FIGURES 2007

- Completed 2,817 new services
- Worked 588,974 employee hours
- Sold more than 1.9 billion kilowatt-hours
- Peak wholesale kilowatt-hours purchased was 210.9 million kilowatt-hours, in August
- Average residential meter used 1,332 kilowatt-hours per month
- Residential bill for 1,000 kilowatt-hours use in 2007 was \$103.37

Southern Pine Electric Power Association had as of December 2007:

- 59,793 residential meters
- 4,447 commercial and industrial services under 1,000 KVA
- 24 commercial and industrial services over 1,000 KVA
- Miles of lines: 9,950
- Total active accounts: 64,264
- Taxes paid: \$631,414
- Members' equity: 54%
- Number of employees: 266

Total Capital Credit Amount
Paid Through 2007

\$28.3 million

In 2007, Southern Pine paid out
\$990,711 in Capital Credits to Estates.



BALANCE SHEET

as of December 31, 2007
(Rounded to nearest dollar)

Assets	
Lines, building, equipment	\$283,563,340
Less reserve for depreciation	(76,319,492)
Total net plant	207,243,848
Cash and equivalents	9,403,318
Investments (including temporary)	31,904,140
Total cash and investments	41,307,458
Accounts receivable	12,324,756
Materials and supplies	6,342,935
Prepayment, other current accrued asset	570,522
Deferred debits	1,575,842
Total Assets	\$269,365,361
Liabilities	
Long-term debt	102,096,018
Current and accrued liabilities	22,273,159
Deferred credits	-
Total Liabilities	\$124,369,177
Net Worth	
Membership fees	324,950
Patronage capital	144,517,739
Other equities	153,495
Net Worth	144,996,184
Total Liabilities and Net Worth	\$269,365,361

STATEMENT OF OPERATIONS

as of December 31, 2007 (Rounded to nearest dollar)

Income	
Operating Revenue	\$180,409,233
Expenses	
Cost of Power	\$134,279,410
Operation Expense	2,679,945
Maintenance Expense	9,372,020
Customer Expense	3,993,592
General Expense	6,131,951
Depreciation Expense	7,701,813
Tax Expense	631,414
Interest on Debt	6,689,730
Total Cost of Electric Service	\$171,479,875
Operating Margin	\$8,929,358

As we reflect on last year and look toward next year and beyond, it seems in many ways we will continue to face many of the same issues as we work to develop the necessary resources to meet our member's energy needs. The

national demand for electricity is forecast to increase by 40 percent during the next 22 years, even with an optimistic projection of a 9 percent reduction in electricity use due to

