



Changes reflect realities of providing electric service

The electric utility industry is a complex business environment with increasing challenges. Yet most of us take for granted the service provided by our not-for-profit cooperative.

While it's a significant part of the household budget, electricity remains a bargain compared to other standard living costs such as transportation, food, telephone or cable television.

For many years Southern Pine Electric Power Association has kept its rates stable in spite of the volatile economy and increasing regulations that have driven up the cost of doing business.

Due to an ever-changing business environment, we are making changes to better serve our members. In the coming months, you will experience several major changes to your bill:

- A decrease in fuel-related power costs.
- A simplified bill format.
- A new pricing structure.

Decrease in power cost adjustment

South Mississippi Electric Power Association, a generation and transmission cooperative in Hattiesburg, delivers bulk electricity to all 42 of Southern Pine's substations. This wholesale delivery of power makes up 77 percent of Southern Pine's total cost.

The remaining 23 percent of our cost comes from operating and maintaining 10,000 miles of lines to distribute electricity to some 65,000 electric meters throughout our 11-county service area.

The price of fuel (coal, natural gas or other sources) is a significant cost in generating electricity. In recent years, the cost of these fuels has increased significantly, forcing Southern Pine's expenses to rise. We have, however, recently experienced declining fuel costs, which is good news for our members.

In December Southern Pine members will see an approximate 5 percent reduction in their cost per kilowatt-hour, due to a decline in the cost of fuels South Mississippi Electric uses to generate electricity.

New bill format

A new bill format will provide a simplified one-line summary of the energy charges. Charges for other services such as outdoor lighting will be detailed separately.

Some members have called to express concerns about the many different charges making your bill difficult to understand, so we hope you find this change helpful.

Rate changes

It is time for important changes necessary for us to continue serving our members in a financially responsible manner. It has become necessary to adjust our rates to better reflect the actual cost of serving each member.

Southern Pine hired an independent firm to perform a cost-of-service study and to recommend rates for each customer class (residential, commercial and industrial). The goal was to ensure costs are distributed more fairly among all members. Based on the recommendations provided under this group's study, Southern Pine will implement new rates near the spring of 2010.

The first major change will be in the monthly customer charge. The new customer charge will be \$25 for residential members. The new customer charge will eliminate the \$25 minimum bill currently in place. These

charges will help to cover the fixed costs of operating and maintaining 10,000 miles of line, including poles, substations, buildings, vehicles and other equipment.

We will also combine all variable costs of providing service, including wholesale purchased power and daily operating costs, into a new energy charge for all kilowatt-hours used. This charge is 10.048 cents for residential customers.

Some of the lowest residential-use accounts (500 or fewer kilowatt-hours) will see the largest percentage increase; the higher residential-use accounts (2,000 or more kilowatt-hours) will see a decrease.



By Don Jordan
General Manager

The overall effect of these rate changes among all customer classes is an average increase of about 2.5 percent.

As always, we at Southern Pine Electric Power Association are here to serve our members. We appreciate the trust members place in us and take very seriously our responsibility to operate a financial-sound organization.

Southern Pine is adopting these changes so it may continue to provide the kind of service all members have come to expect over the past 70 years. We will continue to keep members informed about the issues and realities of our business in the coming months.

Capital Credits 2009

Southern Pine returns more than \$1 million to members

Southern Pine Electric Power Association is returning \$1 million to its members in the form of capital credits.

Individual capital credit returns of less than \$100 will be issued in the form of credits to the member's account in December or January.

For capital credit returns of \$100 or more, Southern Pine will mail a check to the member in mid-December.

Southern Pine is a cooperative business, meaning that the company is a not-for-profit organization owned by those it serves. The Association's not-for-profit status allows it to return earnings back to its members in the form of capital credits. The amount each member receives is based on the amount of electricity the member purchased during 2008.

Annual Meeting Prize Winners

Congratulations

to these Southern Pine Electric Power Association members who took part in their electric cooperative's election of directors. The winners were chosen in a random drawing at Southern Pine's 2009 annual membership meeting, held Nov. 12 at the headquarters office in Taylorsville.



Paul Craft Wesson
Electric grill



Evelyn Catchings Braxton
DVD player



Paul Sanders
Silver Creek Color TV



Karen Nichols Pearl
\$1,000 of electricity

Annual meeting report: Your co-op geared for change

Southern Pine Electric Power Association members took part in their cooperative's annual membership meeting Nov. 12 at the headquarters office in Taylorsville.

Topping the agenda was the election of directors. A quorum of members voting in person at the meeting or by proxy re-elected the following directors to a three-year term:

- Billy M. Berry, Simpson County
- Haskins Montgomery, Jasper County
- Frank Myers, Forrest County
- David Tadlock, Scott County

The annual meeting also included a business session and a prize drawing. (See winners above.)

The theme of this year's annual meeting, "Challenge, Change, Commitment," highlighted Southern Pine's efforts to prepare for present and future challenges without losing sight of its core values as a consumer-owned cooperative.

When you think about the future of your electric service, what comes to mind? Global warming? Probably. Higher costs? Most likely. A shortage in our electricity supply? Unfortunately. These are the challenges that await us in the future, challenges we are addressing today.

Rising costs

Southern Pine, a not-for-profit cooperative, sets electric rates to recover the costs of providing your electric service. We can control some of these costs, but many we cannot.

In addition, decisions being made in

Washington may affect your power cost in the near future. Climate change legislation may significantly increase the cost of generating and distributing electricity in Mississippi.

Southern Pine's power cost to serve the average customer is only approximately 3 percent more than a year ago. Southern Pine's rates are very competitive with those of other electric cooperatives and power companies across the nation.

Your electric bills may be higher than usual, but that's because you've probably used more kilowatt-hours. Southern Pine members' total kilowatt-hour use has been growing steadily for several years. Extreme weather is a major contributor to higher electric bills.

Southern Pine's Marketing and Member Services Department uses *Today in Mississippi*, our Web site and bill messages to inform you of ways to be more energy efficient at home. Awareness of your electricity use, and the knowledge of how to make modifications to your home to improve its efficiency, will help you control your energy costs.

We will continue to provide you with electricity at the lowest cost possible; it's

what a not-for-profit electric cooperative does. Although we believe our costs will increase over time, planning for the increases helps reduce the impact on your bill.

New technology boosts efficiency

Southern Pine is working more efficiently by installing automated meter reading (AMR) units, or smart meters. These advanced meters allow readings to

be done remotely; the information is transmitted to us through power lines. Smart meters will

yield a consistently accurate bill for consumed energy, improve your quality of service, and allow us to help you better manage your energy use.

Member service is priority

As a 70-year old cooperative, we are adept at meeting challenges and anticipating change. Southern Pine has served more than seven decades in south central Mississippi, each one with its own set of changes and challenges. We've gained the foresight and the experience we need to guide us through the next 70 years.

Despite decades of changes, one thing will never change: our focus on service

for you, our customer. Southern Pine employees take pride in the quality of service they deliver every day. We are home folks serving home folks.

When Southern Pine was formed in 1938, rural Mississippians suddenly had access to a powerful energy source capable of raising their standard of living. Electric service had an immeasurable impact on farm productivity, home comfort and efficiency, and even health.

Our lifestyles today would not be possible without electricity. The power of electricity is an integral part of our lives and livelihoods. Its presence is expected; its absence is disruptive.

Southern Pine is a member-owned, member-focused, not-for-profit cooperative that provides energy and service to our members at cost. Our rates are designed to recover costs to provide electric energy and service to our members. We must, however, generate an adequate margin to be able to keep the lights on come what may. Yet—and this is another advantage of cooperative membership—we return excess margin to members in the form of capital credits. (Learn about this year's capital credit returns on page 10.)

We will always provide you with the lowest cost power possible, because that is what a cooperative does. We expect the challenges of our business to increase in the future, but we are poised to do our best to meet these challenges.

Southern Pine will always work to do our best to serve you. You, our member-owners, are the reason we strive for service excellence.

Electricity remains a bargain for our customers; the average residential customer using 1,316 kilowatt-hours only pays \$4.63 per day for electricity. That's less than the cost of a burger, soft drink and fries.