

**Director Selections, Rising Energy Costs
Highlight DREMC Annual Members Meeting
08/22/09**

With near record numbers attending Duck River Electric Membership Corporation's Annual Membership Meeting on Saturday, Aug 22, in Shelbyville's Harris Middle School auditorium, it was apparent electric consumers are interested in their cooperative and its future.

Add to the more than 170 members that registered for the meeting almost 700 others that participated in the early voting for Director elections and member participation was the highest in recent history.

Elected to serve three-year terms on the cooperative's Board of Directors were Brent Willis, representing Zone 1, Coffee and Warren counties; Nelson Crouch, Zone 2, Franklin, Grundy and Marion counties; Wayne Tucker, Zone 4, Bedford and Rutherford counties; and Kenneth Stacey, Zone 5, Marshall and Giles counties. Willis and Stacey were running unopposed for their respective seats and were re-elected. Crouch was also running unopposed to fill the seat vacated by the retirement of Terry Holder. Tucker was opposed by William F. (Bill) Neese and Tracy Vannatta to fill the seat vacated due to the resignation and retirement of Bobby Vannatta.

Recognized for their years of service and dedication to Duck River Electric, Vannatta and Holder were each presented plaques recognizing their 21 years and 12 years of service respectively.

For the first time in Duck River Electric's history members were asked to cast their ballot for director candidates during the week preceding the Annual Meeting by visiting their local DREMC office. Voting was closed at 4 p.m. on Friday, Aug. 21, the day before the winners were announced to the Annual Meeting audience. The Credentials Committee, made up of members from each of the Zones within the cooperative's service area and appointed by the DREMC Board, conducted the election and vote tabulation.

A re-organizational meeting of the Board was held immediately following the Annual Meeting and Mr. Willis, from Coffee County, was re-elected Chairman as

were Buford Jennings of Moore County, Vice-Chairman; John Moses of Marshall County, Treasurer, and Barry Cooper of Bedford County, Secretary.

Secretary Cooper opened the Annual Meeting and was followed by Treasurer Moses who gave a report on the Cooperative's previous fiscal year's results, noting that growth in the area had dropped drastically with only 186 new members added over the last year, the lowest in recent memory due to the economic slowdown.

Setting the tone for the message carried throughout the membership meeting, Chairman Willis then told those in attendance, "A topic of grave concern for all of us here today is the cost of energy, currently and into the future." Explaining that a 20% rate increase implemented by TVA in October 2008 "was quite a wake-up call for all of us and one that caused financial hardship for many of our members, particularly in view of the current economic downturn being felt all across America," the Chairman pointed out that moderating costs for generating fuels utilized by TVA, namely coal and natural gas, have brought current bills more in line with the amounts they were prior to that huge increase.

"I feel sure everyone now realizes that energy, in whatever form we use it, is a very precious and volatile commodity. Add to that the concern and influence of current discussions about global warming and climate change, and the possible passage of new energy legislation by our Congress, and we should realize that energy costs for the future have no way to go but up...and potentially go up at exponential rates in the not too distant future," Willis said.

He went on to add, "increases in the cost of fuel for generating electricity at TVA's power plants directly impacts how much you pay for the energy you use in your home, business or industry each month. In addition, the financial impact any Climate Change legislation may have on the cost to generate electricity will be beyond the control of our Board room, your cooperative and even TVA. But ultimately, those costs filter down to you, the ratepayer." The Chairman added, "With so much concern about the rising cost of electricity we want to encourage you to become actively involved in controlling your future energy costs. DREMC has numerous programs that can benefit you and help reduce the amount of

energy you consume each month, and ultimately help you control your electric bill.”

A video featuring National Rural Electric Cooperative Association President and CEO Glenn English encouraging members to use www.ourenergy.coop to contact their Senators and Representatives about proposed Federal climate change legislation was also shown.

DREMC President and Chief Executive Officer Jim Allison re-emphasized this same message when he told the Annual Meeting audience that “shortly after this meeting last year the world changed very drastically. We are experiencing the worst economic crisis since the Great Depression that has hit our area, our country and the industrialized world. It’s pretty clear one of the reasons for this crisis was high and volatile energy prices. The days of cheap energy are over,” he added.

In addition to the volatile price of fuel sources used to generate electricity and the potential impact of anticipated Climate Change legislation, Allison explained to the Annual Meeting audience that other issues are on the table that will impact the price members pay for electricity. “TVA had a little problem called Kingston that now has an estimated clean-up cost of \$1.2 billion. TVA is spending lots of money on conservation, energy efficiency and renewable efforts. Their coal generating fleet is getting very old, they are under attack through legislative and judicial channels for environmental reasons and a recent North Carolina lawsuit ruling would require millions of extra dollars be spent on environmental issues. Add to this the fact that TVA is talking about needing new, additional generation resources. They have announced a new, large, \$800 million natural gas generation plant in east Tennessee, are building a new nuclear unit at Watts Bar in east Tennessee at a cost of approximately \$2 billion and they’re talking about a potential new nuclear unit in north Alabama. Although no costs estimates have been made public yet, if like estimates in other parts of the U S are compared, the cost for a ‘next generation’ nuclear plant could be \$3, 4, 5 billion or even more,” he explained.

Pointing out that the funding source for all this money is a “huge concern” for DREMC, President Allison said TVA was considering borrowing additional money. “We will be very concerned if TVA starts adding billions of dollars to its debt load,” he added, saying, “TVA may borrow the money, but eventually it will have to be repaid by me and you, the ratepayers.”

TVA announced at its Board meeting on the Thursday prior to the Annual Meeting that it will implement a 9% base rate increase to be effective October 1, citing a decline in its sales due to the economic problems facing the country as well as anticipating the clean-up at Kingston and other issues. At the same time, TVA announced that it will decrease its quarterly Fuel Cost Adjustment charge by 11%, with the overall impact expected to be a slight drop in TVA’s rates.

Addressing the cooperative’s financial position, Allison explained that “DREMC has also seen its costs increase and has considered the need to make a minor adjustment for our portion of the rates charged to you. The biggest reason is we’ve also seen a decline in sales due to the economy, with kilowatt hour sales being down over 5% over the last 12 months. That loss in sales converts to over \$8 million per year in decreased revenue to the cooperative. In addition, we’ve seen other costs increase including our bad debt write-offs which have more than doubled in the past year due to the economic woes facing our area.”

“As our rate regulator, TVA has authorized DREMC to adjust its portion of the rates by nearly \$6 million per year to adjust for some of the items discussed. At their meeting on Aug 19, the DREMC Board elected to forego over half of this authorized adjustment and will be adjusting our portion of rates by only approximately 1.5%. As a result, effective October 1, DREMC members will see a net reduction in the rates charged to them. This will continue the downward trend we seen since January 1, 2009 and I’m glad to tell you rates will go down October 1 as a result of all combined rate actions,” Allison explained.

Moving away from energy cost issues, President Allison shared with the members several areas of interest about the cooperative, including the fact that DREMC was recently approved to receive a \$47.5 million low interest loan from the U S Department of Agriculture’s Rural Utilities Service over the next four

years to expand and improve service to members; that DREMC recently opened its dispatch center to handle member inquiries and outage calls 24-hours per day, seven days per week; that DREMC closed this week on its first USDA Rural Economic Development grant to assist with funding a new industrial speculative building in Manchester; that several improvements have been made at DREMC district offices and locations to meet member growth needs; that a new substation went into service in Coffee County; that new energy efficient geothermal heating and cooling systems have been installed at the new Headquarters Annex building and retrofitted in the Headquarters building; and that over 20,000 environmentally friendly compact fluorescent light bulbs have been exchanged for DREMC members' use.

Numerous DREMC members were given the opportunity to express their views from the audience with questions and concerns being addressed by Board members, management staff and general counsel.
