

2009 Annual Report

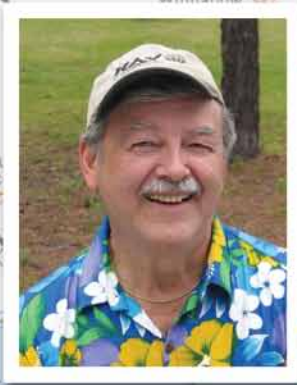
BRUNSWICK ELECTRIC Membership Corporation



A Touchstone Energy® Cooperative

Across the Co-op Miles

Warm, Familiar Smiles



800-842-5871 • www.bemc.org • PO Box 826, Shallotte, NC 28459

The Cooperative Way...

Getting the Job Done, by People You Know & Trust.



Thinking about all the co-op miles in the Brunswick EMC service area brings to mind the great diversity of our membership...from farms to tourist areas, from quiet country roads to shiny new shopping areas, and homes of all sizes and shapes. The constant in all of this is that we all need and depend on electricity for our daily lives at home and at work.

Bringing that electricity to you is our job. Bringing it to you with a smile is our pleasure.

In the past couple of years we've seen some hard times in the economy, difficult legislative requirements regarding the environment and changes in the way we live our lives and conduct our business.

BEMC is still growing although at a slower pace than in past years. We are among the fastest-growing co-ops in the country and were recently ranked as the 32nd largest co-op of more than 850 co-ops across the U.S.

To make best use of time and resources, we're taking advantage of the more relaxed pace of growth to perform in-depth maintenance on our system. In the past year or so we have strengthened our reliability by measures like upgrading our substation lightning protection, reinforcing lines, increasing conductor size, changing out poles and more.

In addition to building two new substations, Midway and at the new Brunswick County hospital, we've protected capacity by reallocating and upgrading transformers at nine of forty substations in our system, focusing on high-growth areas.

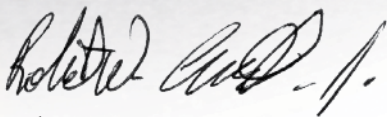
Our goal is to provide safe, affordable reliable power that is environmentally responsible. Balancing the cost of power with the mandates for increasing generation from renewable resources is an ongoing challenge. We are meeting that challenge by working with fellow co-ops and GreenCo Solutions Inc. to develop energy efficiency programs and renewable energy sources, by using technology wisely, with a highly trained and knowledgeable workforce and careful financial management and planning.

I'm pleased to announce that our approach is solid and that once again this year, your Board of Directors has authorized the return of three years worth of Capital Credits to our members. This is a potential return of more than \$3 million going back to 22,000 current and prior members from 1987, 1988 and/or 1989.

Capital credits are unique to cooperatives. These funds reduce the amount of loans we need to build and maintain facilities and provide services to meet the needs of the membership. After covering expenses for furnishing your electricity, the remaining funds (the margin) are set aside for co-op members in the form of Capital Credits. The credits are allocated to each member based on your kWh purchases during that year.

At BEMC, our policy is to return Capital Credits on a 25-year cycle, although we have recently accelerated this timeframe. For the second year in a row we have been able to issue Capital Credits, for a total retirement of 6 years of credits in a 2-year period. This also comes at a time when we feel the economic impact is timely for our members and our community.

We will mail letters right after our Annual Meeting to all members from 1987, 1988 and/or 1989 that are eligible for this Capital Credit return. I urge you to return the form right away as checks will be issued in early November. ~



Robert W. Leavitt, Jr.
CEO

Song of the Heart Brunswick EMC & You



Written by
Teddy Bullard,
1986

Longtime employee Teddy Bullard, a Customer Service Representative in the Whiteville office, wrote this song about BEMC back in 1986.

"I think it's obvious that I feel a lot of pride in being an employee of this company."

After the first performance at the 1986 Annual Meeting, Teddy wrote several more verses about specific jobs here at the co-op, and a group from BEMC performed it again at the statewide co-op meeting.

But across all those miles, there have been lots of changes, so we've updated it with a new verse focusing on our members.

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CHORUS:

Across the co-op miles
Warm, familiar smiles
Here to serve we'll do
Our very best for you
Bright nights, good days
As the children play,
You know it's got to be
Brunswick EMC and you.

NEW VERSE

Holding close our legacy
Focused on the road ahead,
Members are priority,
Your satisfaction is key.
Familiar and new faces
There is room for all,
With outreached hands
Across "the spans"
We're answering your call.

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Co-op Roots Run Deep...

Across the Miles

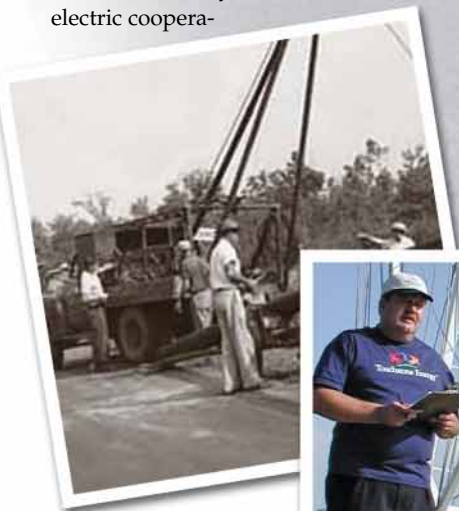
If you visited southeastern North Carolina much before 1940, you may have eaten dinner by candlelight and heated bath water on the stove. Public utilities were busy bringing electric service to people all over the country, but only in the more populated areas that made it worthwhile; rural areas like Brunswick and Columbus County were on the bottom of the list.

Some enterprising locals took advantage of The Rural Electrification Act, passed by Congress in 1936, to set up their own utility, Brunswick Electric Membership Corporation. Through the REA, low interest loans became available to rural communities for the installation of electrical distribution systems. Like other electric coopera-

tives, BEMC was built by local people, and has strong ties to the communities it serves.

Incorporated on March 9, 1939, BEMC began the construction of 138 miles of line. Not many miles compared to today's 6,382 miles of BEMC line, but for those pioneering 500 customers who came on board it was a start that made a tremendous difference in their everyday lives. Today, BEMC is the second largest co-op in NC, and the 32nd largest in the nation, serving over 86,000 locations in Brunswick and Columbus counties, and small areas of Bladen and Robeson counties.

Our foundation is strong, rooted in the strength of the farmers, the fishermen, the working people of our area. Our present is solid, fueled by the tremendous growth in membership as new people continue to discover this part of the state. Our future is bright as we adopt new technologies, new energy sources and efficiencies to change our world. ~



Co-op Values are Strong...

Like the People We Serve

Safe, reliable, affordable power that is also environmentally responsible.

That's what we're all about at BEMC.

Delivering that power with the highest integrity and accountability, always keeping the needs of our members in the forefront, are the values we live by every day. Our Customer Satisfaction scores consistently reflect that we meet or exceed the high expectations of our members, but we are constantly striving for more.

As we look across our miles of service area, we see that our communities continue to grow even in difficult economic times. Electricity is integral to that growth and to the longterm stability of our communities. Looking ahead to better times, we are always prepared to serve all community needs. For those that teach our children, serve our healthcare needs, provide daily essentials, and to all those who depend on electricity to keep their homes cool in summer and warm in winter, to

run their appliances we're here to provide "all the comforts of home," ... 24/7.

Delivering that power safely is paramount...for both the members we serve and for our employees. That's why we put a lot of effort into our safety and quality control programs.

Like those we serve, we're concerned about our environment. With our fellow cooperatives, we are working together toward common solutions to the mandates for greater use of renewable energy sources. By focusing on energy efficiency, while technologies for renewable energy are being commercially developed, we are working hard to keep electric power costs affordable for our members. ~



As Co-op Miles Grew...

Business Opportunities Did Too

An example of just how sweeping the changes that electricity brought to rural communities can be found at the Lockwood Folly Marketplace. Imagine if you will a destination near the banks of a pristine river...a spot where friends and neighbors journeyed more than a century ago by foot and horse-drawn wagon to purchase the necessities of life. It's the early 1800's and the place is a central trading post established on the Lockwood Folly River in a town the locals came to call "Supply."

In 1943, shortly after Brunswick EMC began bringing electricity to the county, Odell and Berta Blanton began operating a quaint general store near the banks of the river. It was a bustling, neighborhood

gathering place, proudly serving the community and expanding to a new building in 1963.

Today, four generations later in that same building, the commitment to service continues through their great granddaughter, Lindsay Hewett. The new store is a familiar, neighborhood market that features a deli, local gourmet products and an assortment of specialty gift items created by local artists, craftsmen and potters.

This local business is a great example of combining entrepreneurial spirit and current technologies made possible by electricity with an appreciation of the rural way of life. ~



Changes Across the Miles...

Brought New Dimensions to Old Traditions

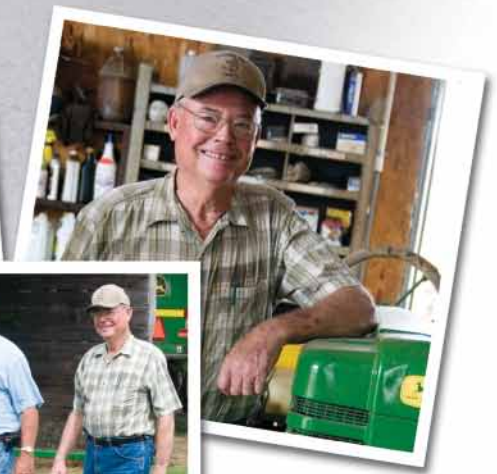
Fifty miles inland, farmer Bernard Lennon raises corn, soybeans, peanuts and cattle on a family farm. His father, D. Hartford Lennon was one of the early organizers of the REA movement in Columbus County, traveling around the county to drum up support for the formation of our electric co-op back in the 1930's. BEMC can count Lennon as one of its first "energy savers" as he recalls turning off lights back in the 40's when the family's electric bill exceeded four dollars!

Lennon is firmly rooted in traditional farm values, has a collection of handmade old-time toys, and still uses his first new tractor, purchased in 1967. However, the Swinging Tail Cattle Company, a family affair, is also into the electronic age, using computers and email routinely and currently working on a website. Bernard and Jackie Lennon have also shared their farming values and expertise on a global

scale, traveling to the east African nation of Malawi teaching the grading of corn, soybeans and peanuts for commercial use. Bringing the world closer is a byproduct of electricity that has dramatically changed the lifestyle of rural farmers.

Development of renewable energy sources and installation of underground utilities are also changing our landscapes. Solar panels have appeared on a small number of residences in our area, but large-scale installations are yet to come. In the meantime, BEMC is tapping into renewable sources in other areas.

One of the areas that shows promise in NC is biomass, energy from organic waste which can bring yet another opportunity for rural areas. ~



Co-op Employees...

Going the Extra Mile

Somewhat unique in today's business world, BEMC is proud to have a large group of long-term employees. Their collective knowledge about our local community and our members is a tremendous asset in dealing with the rapidly-changing world of energy distribution. Combining that familiarity with ongoing training and the fresh approaches and affinity for technology of our newer employees creates a powerful tool to drive us into the future.

In the past couple of years, we have upgraded our Customer Information System to provide more integrated member information and streamlined access for all departments to the work order process. This has resulted in trimming the average time to connect new services significantly. Combined with the wealth of information available remotely from our AMR meters, it also means faster resolution of your calls and questions, account changes, connects

and reconnects, and restoration of power in outage situations.

While it's been several years since our area has experienced widespread outages from severe weather, our Outage Management System helps us stay on top of any situations as they develop. Our website also offers up-to-the minute information on outages anywhere in the system 24/7.

BEMC employees have really gone the extra mile with our Warm Homes, Warm Hearts program for community heating assistance, kicking off the fundraising efforts each year. And it doesn't stop there...you'll see BEMC people all over the service area, helping out with special events, economic development activities, civic and community programs, volunteering with church and youth groups and more. ~



Community Programs...

Going the Distance

There's more to BEMC than electricity. We have a strong commitment to our communities, to quality of life issues and to elevating education at all levels.

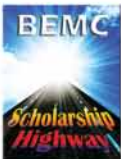
In its second year, our community heating assistance program, **Warm Homes, Warm Hearts** sent over \$96,000 to community agencies to help those who need assistance with their heating bills. BEMC employees and the community raised \$48,000 which was then matched by BEMC. In addition to employee fundraising and individual donations, we had more help this year from the churches and from our first charitable partner, Planet Fun in Shallotte. We're gearing up again this year and will be kicking off the effort at our annual meeting in September.

Bright Ideas educational grants continue to shine in our schools. Students in Rachel Smith's 3rd and 4th grade class at Cerro Gordo Elementary loved the iPods purchased with her grant. They use them

to record books, then play them back and hear themselves and each other read... leading to greater fluency and comprehension. Rachel said

"The kids were just fascinated that a company was using their money to help our class, even though they didn't even know any of the students personally. Several of the students wanted to know if we had to 'pay back' Brunswick Electric. I explained that although we didn't return any money to the business, we repaid their investment by doing our best in school and in our community."

Another way we're making an impact in the community is with **BEMC Community Grants**, made to organizations that contribute to the quality of life in our area. Brunswick Catch used its grant to promote the use of local seafood with billboards. That makes for good eating and an economic boost for local business and jobs. ~



Across the Co-op Miles...

Bringing Power to You

Our system met the challenge of a new system peak of 393 MW (megawatts) in the extended cold weather of January 2010 with minimal outages. This exceeded the prior peaks of 375 in 2009 and 359 in 2008. Our reliability program calls for a full review of load areas, equipment and settings after each peak event. We then evaluate the results related to the current Work Plan and shift priorities as needed.

In 2009 this resulted in numerous transmission and distribution improvements. We reallocated existing transformers and added new ones at several substations, and added or upgraded circuits to increase capacity and reliability. We also conducted a full downline equipment review including field surveys and infrared scans to identify any units in need of repair or replacement. This process included

updating all mapping information and a review of loads especially in high-growth areas where we updated settings for better load control.

Maintenance of rights-of-way is an ongoing scheduled process at BEMC and we have intensified these efforts.

We are also participating in a national benchmarking survey with other NRECA co-ops to help us identify areas where we need to put greater attention.

Our AMI system of automated meters provides excellent data as we move to adopt evolving technologies. Co-ops as a whole are well ahead of other utilities in adopting AMI metering, and BEMC had an extremely smooth transition. ~



BEMC Board of Directors

Representing you at Brunswick EMC, your elected Board of Directors includes one director for each of 12 districts, one at-large member for Brunswick County, the company attorney and the CEO. Directors are elected to three-year terms.



Hubert Brittain
President



JoAnn Simmons
Vice-President



Calvin Duncan
Secretary/Treasurer



Moses Herring
Asst. Secretary/Treasurer



Jack Miller



Frederick Tedder



Larry Fowler



David L. Gore



John Kopp



Bryan Smith



Monroe Enzor, Jr.



Philip Cheers



John Ward

District	Director
#1 Pireway, Dothan	Jack Miller*
#2 Ash, Freeland, Exum	JoAnn Simmons*
#3 Bogue, North Whiteville, Welches Creek	Frederick Tedder*
#4 Shallotte, Supply, Holden Beach	Moses C. Herring
#5 Old Dock, Nakina	Larry Fowler
#6 Chadbourn	David L. Gore
#7 Winnabow, Bolivia	Hubert Brittain
#8 Oak Island	John Kopp*
#9 Sunset Beach, Calabash, Longwood, Thomasboro	Bryan Smith
#10 Evergreen, Oakdale, Western Prong	Calvin Duncan
#11 Cerro Gordo, Tabor City	Monroe Enzor, Jr.
#12 Shallotte, Ocean Isle Beach	Phillip Cheers
#13 At-Large	John Ward*

**Directors up for re-election*

Brunswick EMC Statement of Operations

FOR THE YEAR ENDED DECEMBER 31, 2009

Income

Electric Service and Patronage	\$145,837,842
Less: Cost of Power	88,327,586
GROSS MARGINS	\$57,510,256

Expenses

Variable:

Including postage, billing, supplies, maintenance, etc.	\$25,723,109
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Fixed:

Depreciation	11,728,685
Taxes	4,655,392
Interest	10,045,443
TOTAL EXPENSES	\$52,152,629

Margins

From Operations	\$5,357,627
Non-Operating Margins	1,641,289
TOTAL MARGINS	6,998,916

Member Ownership

Balance at Beginning of Year	\$79,036,761
Add Margins for the Year*	6,998,916
Change in Memberships	(3,015)
Change in Other Equities	659,002
Less Returns to Members	(3,138,121)
Balance at End of Year	\$83,553,543

**Your Capital Credits allocation for 2009 is \$.0044794 per kWh of electricity purchased.*

Year	1940	1950	1960
Active Services	896	6,166	10,273
Miles of Line	319	1,321	1,903
Number of Members	936	7,717	11,759
Total KWH Sold	353,305	6,903,022	36,844,407

Assets

Cash and Short Term Investments	\$8,671,986
Other Investments	11,420,474
Receivables	13,273,210
Inventory	4,140,756
Other Assets	2,243,536
Net Investment in Electric Plant	261,254,360
TOTAL ASSETS	\$301,004,322

Liabilities & Member Ownership

Loans	\$177,317,971
Other Long Term Obligations	21,973,881
Payables	10,802,490
Taxes Payable	228,401
Other Liabilities	7,128,036
TOTAL LIABILITIES	217,450,779
Member Ownership	83,553,543
TOTAL LIABILITIES AND MEMBER OWNERSHIP	\$301,004,322

BEMC Facts

Total Active Meters	81,581
Average # of Consumers per Mile of Line	12.8
Miles of Distribution Line	
Overhead	2,819
Underground	3,335
Miles of Transmission Line	228
Full-Time Employees	151

1970	1980	1990	2000	2009
16,743	28,376	44,474	61,118	81,581
2,401	3,064	3,834	4,991	6,382
16,213	22,140	38,021	48,049	65,984
113,534,961	270,754,548	506,031,558	833,893,416	1,231,645,097

BEMC – Pioneers in Payment Options

BEMC BPTs (Bill Payment Terminals) are scattered throughout the service area, providing members with opportunities to pay their traditional bill or purchase prepaid power 24/7. BEMC was one of the first utilities in the nation to offer prepaid power as a member option.

Our prepaid program (PowerStat) serves as a model for co-ops everywhere. It has been featured in numerous trade magazines and we've had several invitations to present it at industry conferences and webinars.



In 2010 we eliminated all service fees at the BPTs, making PowerStat users like Linda Hill of Shallotte even happier with the prepaid program. "I like knowing what I'm using for power. It's helped me reduce my electric bill."

New BPTs are in the works, and will be field tested this fall in Shallotte and Ocean Isle Beach. They'll have a fresh new look and a special TV-like screen with timely messages from BEMC.



BEMC – 32nd Largest Electric Co-op in U.S.

NRECA, the National Rural Electric Cooperatives Association, recently released its 2008 ranking of 855 co-ops by size. BEMC has moved up from 34th largest to the #32 position, reflecting our continuing growth, with over 81,000 member locations at the time.

Who's the biggest? Pedernales Electric Co-op in Texas with 227,980 members.

The smallest? Boone Valley Electric Co-op in Iowa, with just 113 members.

Grant Application Reminders

K-12 Teachers...

September 27 is the deadline for submitting your Bright Ideas educational grant application. You could win up to \$2,000 to implement your creative teaching idea and have a check in early November. Go to www.ncbrightideas.com for details.



BRIGHT
IDEAS

BEMC Community GRANTS

Community Groups...

If your group needs a helping hand or seed money for family services, civic or community programs, cultural or arts programs, emergency services or economic development projects, BEMC may be able to help. Applications for grants up to \$2,500 are accepted between Jan. 15 and Feb 15. Details at www.bemc.org - Community Programs.

Extend a Hand to Your Neighbors... Join the Campaign!



Can you imagine what it would be like to be really cold inside your home when the winter winds blow? Think about having to choose between buying food, medicine or baby supplies or paying the heating bill. That's a dilemma that many in our area face in the winter months.

That's where the **Warm Homes, Warm Hearts** campaign can help. BEMC provides matching funds up to \$50,000 each year to assist those in the community that need a little help

paying their heating bills. All funds are administered by Brunswick Family Assistance and Columbus County Dept of Aging.

BEMC employees will be kicking off their part of the campaign at Annual Meeting, and we need help from the entire community. Please pitch in!

Visit www.bemc.org to see how you can help this year.

BEMC Members - Stay Involved To Keep Electricity Affordable!

Washington DC legislators and agencies continue to debate what to do about reducing carbon emissions, with potential involvement of the EPA (Environmental Protection Agency).

As concerned consumers, we must continue to remind them of the impact their decisions will have on the energy bill of each and every household in America.

All utilities that generate and deliver electricity and all consumers have a stake in this. Weaning our nation from our addiction to foreign oil is an issue of national security and economic sustainability for generations to come. Exactly how to do that, however, is where well-meaning bureaucrats and politicians begin to seriously disagree.

Right now, we are under direction from the Supreme Court that the EPA should be regulating greenhouse gases under the existing Clean Air Act. The EPA has started to write regulations to do just that, but is doing so under the

existing law which does not take COSTS into account and which was never intended to address greenhouse gases. Under this law, the EPA does not have the ability to assess the situation with an eye to balance environmental needs with our fragile economy. We believe this is more properly the role of Congress.

In 2009, the U.S. House of Representatives passed a bill that we think falls short of finding a balanced solution, and that would significantly increase consumer costs for electricity over time. Now the Senate cannot reach consensus on what to do. In the meantime, EPA marches along to regulate with or without Congressional input. This presents a serious dilemma.

Let's take a "time out" and stop EPA regulation. Contact your members of Congress and let them know what you think. TELL CONGRESS THAT COST DOES MATTER! To easily voice your opinion and learn more, please visit:

Find A
Balanced Solution
www.FindABalancedSolution.com
1-877-40BALANCE

BEMC 71st Annual Meeting

Saturday, September 25, 2010

ODELL WILLIAMSON AUDITORIUM AT
BRUNSWICK COMMUNITY COLLEGE-HIGHWAY 17 IN SUPPLY, NC

Join us for a morning filled with activities, opportunities to meet and greet your directors and the employees of your co-op and to visit with your friends and neighbors, all while learning more about the business of BEMC.

8 AM-10:30 AM

Registration, Activities and Food

- Arts, Crafts and Baked Goods Fair
- Sausage dogs, snacks & beverages
- Auction
- Health Fair
- Kids Activities
- Entertainment

10:30 AM

Business Meeting & Prize Drawings

*Get the most mileage out of your BEMC Membership
by attending your annual meeting!*

