

**SINGING RIVER ELECTRIC
POWER BEHIND THE PRINCIPLES**

2011 ANNUAL REPORT

Letter to Members

“

Cooperative principles include seven fundamental truths cooperative businesses adhere to on a daily basis. However, they would be just words without the efforts of our members, our employees and our business. We are the power behind the principles.

Lee Hedegaard, general manager and CEO

”



Municipal of Jalapa crew manager Walter Recinos, SRE manager of risk management Buck Williams, Pearl River Valley Electric construction foreman Gerald Williamson and SRE general manager and CEO Lee Hedegaard work in Guatemala.



One of the many homes that received electric service for the first time in Guatemala. The residents received one outlet and one lightbulb receptacle.

Singing River Electric continued to invest in its electrical infrastructure in 2011. Substations and numerous pole routes from Pascagoula Beach to Buckatunna Creek in Wayne County were upgraded. New projects identified in our construction plan have been systematically staked and the materials secured and released for construction. This will help ensure reliable electric service for years to come.

Zero-interest economic development loans have continued to make a difference in our community. Singing River Electric leads the state in the number of loans secured from the U.S. Department of Agriculture's Rural Development Loan Program. Over the past 10 years, these loans have helped secure \$5.3 million in economic development projects in Jackson, George and Greene counties. Singing River Electric's efforts have brought jobs to our communities and will pay dividends for years.

Late last year, Singing River Electric worked with five other Mississippi cooperatives to send a crew of 12 to Guatemala. This was our third year to participate in National Rural Electric Cooperative Association International's outreach and our employees continue to see progress in these communities as electric power is introduced to more and more Guatemalan families.

This year, we are seeing signs of an improving economy in our service territory. Several school systems have begun or are planning significant expansion projects. Increased numbers of children in schools are a very positive sign for our community's future.

We are looking ahead and have a positive outlook for the remaining portion of 2012 and beyond. Our board and our employees understand our mission and have a deep and abiding concern to provide the best possible service to our members.

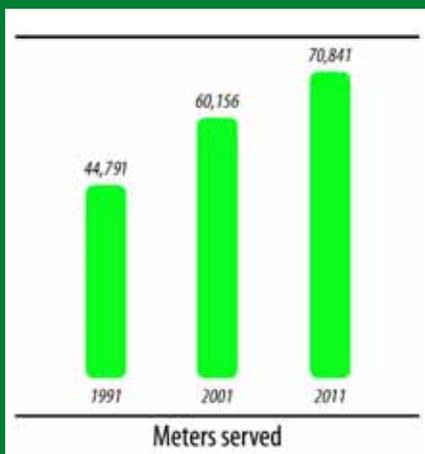
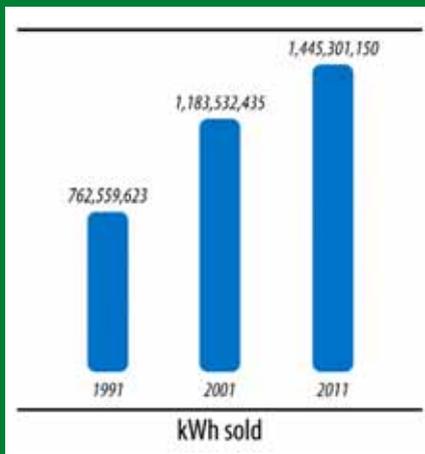
Lee Hedegaard
Singing River Electric Power Association
General Manager and CEO

Your Cooperative Overview



The reason I like working at Singing River Electric is because it is nice to know you are part of a company that does many great things for our community, customers and co-workers. Whenever there is a need, everyone comes together to make sure something is done and that is what a great organization is all about... serving others.

Micha Hoskins, supervisor of accounting



Years in business: 73

Areas served: Jackson, George, Greene, Perry, Stone, Wayne and Harrison counties in Mississippi; Mobile and Washington counties in Alabama

Provides electric service to:

70,841 meters (44th largest cooperative in nation)

88% residential meters

12% commercial and industrial meters

Kilowatt-hours sold in 2011:

1.44 billion

Miles of line maintained:

7,040

Employees:

187

Wholesale power provider:

South Mississippi Electric

Hattiesburg, Mississippi

Wholesale power resources:

Coal - 48.2%

Natural gas - 39.1%

Nuclear - 9.8%

Hydro - 2.9%



Kevin Slay, journeyman lineman, runs electric service to a shop on Country Hill Road in Lucedale.

Formed in 1938, Singing River Electric Power Association is an electric distribution cooperative serving residential, retail and commercial members in Jackson, George, Greene, Perry, Wayne, Stone and Harrison counties in Mississippi, as well as Mobile and Washington counties in Alabama.

The second largest electric co-op in Mississippi, Singing River Electric currently provides electric service to 70,841 meters and is the 44th largest of 854 electric co-ops in the nation.

The cooperative's mission is to provide safe and reliable electric service at the lowest possible cost while promoting energy efficiency and enhancing the lives of the members and communities we serve.

The goal of low-cost service is achieved by working with South Mississippi Electric Power Association, our generation and transmission cooperative, to purchase a diversified generation fuel mix of coal, natural gas, nuclear and hydropower. Mixing fuel sources helps absorb the impact of a rise in cost of one particular resource alone.

2011 Highlights:

- Returned \$1,506,076 in capital credits to members for years 1953-1964.*
- Implemented software upgrades that enabled the co-op to offer paperless billing and more.*
- Offered online voting to members for the first time during Annual Meeting 2011.*
- Responded quickly to restore electric service to residents of State Line and Leakesville following the tornadoes on April 15, 2011.*
- Certified 119 Comfort Advantage energy-efficient homes for families in 2011.*
- Presented Safety City to 10,000 students and adults to explain the importance of thinking safety first.*
- Sent two high school juniors to Jackson, Miss., and Washington, D.C., to build leadership skills, learn about local and national government, and learn about the electric cooperative form of business.*
- Awarded seven Neighbors Helping Neighbors grants totaling \$16,303.*
- Worked with five other Mississippi cooperatives to send crews to Guatemala to build power lines.*

Member Economic Participation

“

I was aware of the capital credit process because I do a lot of reading and had read about it in the 'Today in Mississippi' publication. This feels wonderful - for customers to be a part owner and to receive a refund. The process was not hard at all and made me proud to be a member.

”

Ella Mae Moody, member



Member Ella Mae Moody, left, receives her capital credit check from Eileen Mann, special project coordinator.



**Singing River Electric
Power Association**
A Touchstone Energy Cooperative

VENDOR

CHECK NO.
2011

DATE
December 6, 2011

AMOUNT OF CHECK

\$1,506,076.00

TO THE
ORDER OF

Members

Capital Credit Refunds 1953-1964

One million five hundred-six thousand and seventy-six dollars

Lee Hedegaard
MANAGER

Capital Credits Returned to Members

As a member-owner, you have a share in the earnings of your not-for-profit electric cooperative. Singing River Electric Power Association sets rates so the cooperative has enough revenue to operate, make payments on loans and have some reserve funds. If margins are made beyond these needs, they are assigned to the members in the form of capital credits. The amount of capital credits assigned to a member is based on the amount of electricity used during a particular year. When appropriate cash is available, Singing River Electric's board of directors can approve returning a portion of a member's capital credit in the form of a check or credit.

In October 2011, Singing River Electric's board approved a return of \$1,506,076 to the members, which represents capital credits allocated from 1953-1964. Members with capital credits assigned for these years, who had an account that was still active and were receiving a billing statement each month, received a credit on their bill automatically. Former members who had an account from 1953-1964 but no longer had an active account received a check after completing necessary documentation.

"The process of member capital credits fulfills the third cooperative principle of Member Economic Participation," said Singing River Electric CEO Lee Hedegaard. "These efforts also continue Singing River Electric's tradition of looking after our members' best interests."

Cooperation Among Cooperatives

“

I have worked to restore electricity following ice storms from the Mississippi Delta to Kentucky and hurricanes from Frederic to Katrina. Each storm, I worked with employees from Singing River Electric and employees from other cooperatives. Bad weather and tragedy brings out the best and a sense of community in every employee.

”

Ronnie Cooley, journeyman lineman



Left: Fairon Goff, retired journeyman lineman, and Loyd Bradshaw, underground troubleman, attach a cross arm on a new pole to repair damage and restore electric service in Leakesville.



Working with Fellow Cooperatives Across Mississippi

By teaming up with fellow electric cooperatives on a variety of projects in 2011, Singing River Electric was able to make a difference. On April 15, 2011, two tornadoes struck Greene County, with the most severe touching down as evening approached. Crews from Singing River Electric's Gautier and Lucedale offices traveled north to assist Sand Hill crews, and all worked until the next evening resetting broken poles and restoring electricity. Singing River Electric then sent two crews to assist with power restoration at 4-County Electric Power Association, based in Columbus, Miss., after tornadoes devastated their service area, causing more than 150 broken poles and nearly 18,000 of their 45,777 members to lose power at the height of the storm. Historically, Singing River Electric crews have traveled to help other cooperatives in need after tornadoes, hurricanes and ice storms, and they have certainly been the recipient of much-needed assistance after storms such as Hurricane Katrina.

Because of the growing demand for underground electric service, Singing River Electric worked with Electric Power Associations of Mississippi to present the state's first underground training school in 2011. Designed for both linemen and engineers, the week-long school was held at Mississippi Gulf Coast Community College's Lucedale campus, also home to the college's apprentice lineman training school, and was attended by representatives from several Mississippi electric cooperatives. Singing River Electric employees helped write the curriculum and coordinate the event, and they were asked to teach numerous sessions.

Singing River Electric continued its partnership with many Mississippi electric cooperatives and another utility for an advertising campaign warning the public about the danger of coming in contact with power lines. Electrical safety is a shared concern among all, and by sharing the financial responsibility, the cost of creating television, radio and newspaper ads and placing them in the appropriate markets is greatly reduced.

Education, Training and Information

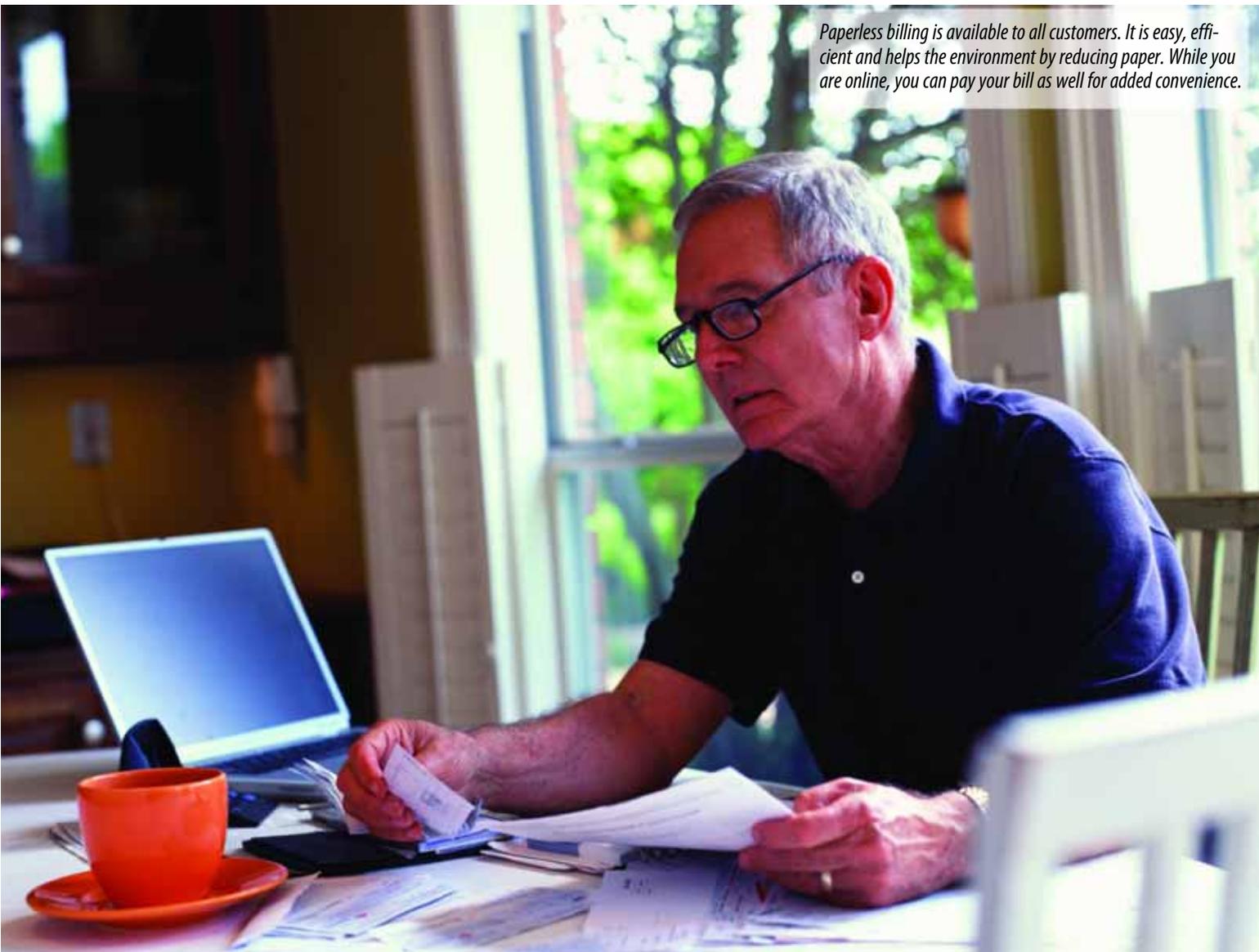
“

With the new software changes, Singing River Electric is looking forward to even more enhancements in the future. We are always looking for technological changes, like the new paperless billing feature, that will improve the quality of life of our members.

David Miller, manager of information technology

”

Paperless billing is available to all customers. It is easy, efficient and helps the environment by reducing paper. While you are online, you can pay your bill as well for added convenience.





Bruce Ward, dispatcher, works to assign crews and restore electric service following a weather-related outage.

Benefits of New Customer Service Software

Members and employees alike continue to learn about new features associated with Singing River Electric's installation of new customer service software. First launched in 2010, the software integrated the customer service side of the business with the engineering and accounting systems for a seamless connection between phone calls, work orders, material inventory and other details encompassing a job. Other benefits included the activation of the Interactive Voice Response (IVR) automated phone system for members to pay their bill and report outages and the Outage Management System (OMS) used by dispatchers to manage the power restoration process.

In 2011, more features were introduced, giving Singing River Electric the opportunity to educate and train its employees and members on these offerings. Paperless billing, launched in late 2011, gives members the option to view and print their billing statement as well as receive it and other correspondence via email instead of regular mail. Participants receive reminders to pay and can coordinate their paperless billing with the popular online payment method. To move toward a more paperless environment internally, Singing River Electric customer service representatives began scanning documents, such as service applications and written requests, using the Vault optical storage system. The scanned files are attached to member accounts in the customer service software and are readily available to be accessed, printed and emailed as needed when answering member calls and questions.

Thanks to a collective effort from Singing River Electric engineers, dispatchers and mapping personnel, upgrades made to the Outage Management System help to more accurately calculate the number of power outages to be restored based on the location of member calls. Customer service representatives continue to verify member phone numbers, a vital piece of information needed to report an outage using the automated IVR phone system.

Democratic Member Control

“

As a member of Singing River Electric, I serve on the Credentials and Election Committee that oversees the cooperative's board of director elections. I enjoy participating and am thankful to serve on the committee. I am also proud of Singing River Electric and the work it does.

Obie Wells, member

”



Obie Wells, member and credentials committee representative, oversees the election at the meeting as Jeff Gray, member and employee, casts his ballot.



Member Michelle Cadman and her son Tyler visit www.singingriver.com to vote in Singing River Electric's board of directors election.

Online Voting Offered in Board of Directors Election

Cooperatives are democratic organizations, owned by those who are served. Singing River Electric is owned by its members who purchase and receive electricity and is governed by a nine-person board of directors. Directors are Singing River Electric members and are accountable to the membership. The board meets monthly to review and approve business actions of the cooperative.

Directors are nominated and then elected by the membership at the annual meeting to represent their district for a three-year term. Singing River Electric's Credentials and Election Committee, a group of members appointed by the board of directors, reviews and approves the director candidate qualification forms and oversees the actual election at the annual meeting.

Methods of voting historically included voting in person or by proxy. In 2010, Singing River Electric revised its bylaws to allow members to vote online for directors in 2011, giving members another way to participate in the election process. Members who chose to vote online visited Singing River Electric's website, clicked the "Vote Here" button located at the top of the website during the voting time frame, viewed candidate biographies and cast their vote online. This new voting option was made possible by a technology upgrade associated with Singing River Electric's website redesign.

More than 800 votes were cast online in 2011. Online voting will continue to be an option for members in the future.

Concern for Community

“

My participation in the Youth Leadership Program has presented me with invaluable experiences and memories of which I will cherish for a lifetime. I had an amazing time and it was an honor to represent Singing River Electric on the trips.

”

Chanler Booker, Moss Point High student

Youth leadership representatives Chanler Booker, left, and Lauren Lott visit the Jefferson Memorial in Washington, D.C., as they take part in the 2011 Youth Tour.





SRE construction foreman Jonathan Sanders works to construct power lines to a village in Jalapa, Guatemala.

Improving Life in Guatemala

Twelve employees from six different electric cooperatives recently returned from Guatemala where they were able to improve the lives of many people.

The trip was organized and funded by National Rural Electric Cooperative Association (NRECA) International. The crew departed on Sunday, Oct. 9, and returned Saturday, Oct. 22, 2011. During their stay, they built power lines in the villages, across mountains and in Jalapa City. They also engineered a more efficient power line grid and taught safety and first-aid skills to local linemen.

Shortly after arriving in Jalapa, the crew met with the leader of one of the little villages outside the city who had received power to her small home a year ago. Singing River Electric linemen had been part of the crew last year to help bring her electricity. Electric power had changed her life. She told the linemen how she had been able to expand her two-bedroom home by adding two new rooms and turning one room into a store to support her family. She now sells dried goods, frozen chickens and cold drinks, and her children are afforded new luxuries of reading by light at night and watching cartoons by satellite. These were things they had never experienced before they received electricity last year.

"We do not know the blessings we have in this country," said Lee Hedegaard, general manager and CEO. "Most people live on 12.5¢ a day in the rural villages outside of Jalapa. Nurses and teachers may make \$200 per month."

Electricity has really made a difference in their lives and livelihoods. They are better able to live and take care of their families. They have a real quality of life for the first time in their lives, and they value the little things.

In addition to NRECA International, Singing River Electric also assisted its neighbors this past year through sponsorship of the Cooperative University, Youth Leadership Workshop and Youth Tour of Washington, D.C.; the United Way; community service organizations; walks for causes; scholarships; and the cooperative's community grant program called Neighbors Helping Neighbors.

Singing River Electric's Service Area

“Being on the board provides me with an opportunity to give back to my community. I am proud to represent the members of Singing River Electric by being their voice. It is a major responsibility and investment of my time, but I know that I am part of an amazing organization that I and all the members can take great pride in.”

Kristal Sisson, board member

Board of Directors

District 1

Ralph Hicks, president

Farmer, timber producer and cattleman

District 3*

Ronald “Bo” Hall, vice president

Dental laboratory technician

District 3

Kristal Sisson, secretary

Educator

District 1

Cary Williams, treasurer

CPA / financial planner

District 2

Roy Grafe

Retired mechanical engineer

District 2

Travis Baxter, SMEPA board rep.

Retired shipyard supervisor

District 2

G.A. “Don” Parnell

Retired justice court judge

District 1

Andy Hollinghead

Conservation officer

Board Consultants:

Mark Maples, board attorney

Maples Attorney at Law

Terry Mitchell, CPA

Jackson Thornton & Co.

* This past year marked the passing of a long-time board of director, Frank Ely. Frank had served on Singing River Electric's board of directors since 1979 and held the third District 3 position. Employees and other board members will miss his leadership, friendship and contributions.

Management Staff

Lee Hedegaard, general manager and CEO

Mike Smith, assistant manager/director of engineering

Dianne Davis, executive assistant

Sarah Sue Bray, manager of office services

Jeff Catlett, engineer

Tom Davis, system engineer

Lorri Freeman, manager of communications

Brian Hughey, engineer

Tammy Hultz, manager of accounting and finance

David Miller, manager of information technology

Ace Necaise, Gautier district manager

Annette Riley, manager of human resources

Buck Williams, manager of risk management and right of way

Singing River Electric Power Association provides electric service to members in Jackson, George, Greene, Perry, Wayne, Stone and Harrison counties in Mississippi as well as Mobile and Washington counties in Alabama. The cooperative provides electric service to 70,512 meters and 97 percent of the landmass in Jackson, George and Greene counties.



Industry Affiliates:

South Mississippi Electric Power Association is a generating and transmission cooperative based in Hattiesburg. South Mississippi Electric provides generation service to over 411,000 meters through its 11 member distribution systems, including Singing River Electric Power Association.

Electric Power Association of Mississippi represents 26 electric power associations in the state. The statewide trade organization assists cooperatives with issues involving safety, employee training, communications (including "Today in Mississippi"), and legislative matters, as well as coordinates the annual Youth Leadership Program and assistance for cooperatives during natural disasters.

National Rural Electric Cooperative Association is a national service organization that assists cooperatives in developing policy positions on national issues and offers group insurance, retirement benefits, management training, conferences and safety training.

Touchstone Energy is a national alliance of 680 local, consumer-owned electric cooperatives providing high standards of service. Touchstone Energy cooperatives deliver energy to more than 30 million customers in 46 states every day. Touchstone Energy cooperatives serve their members with integrity, innovation, accountability and a long-standing commitment to communities.

COOPERATIVE PRINCIPLES

1. Voluntary and Open Membership - Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.

2. Democratic Member Control - Cooperatives are democratic organizations controlled by their members, who actively participate in setting policies and making decisions. The elected representatives are accountable to the membership. In primary cooperatives, members have equal voting rights (one member, one vote) and cooperatives at other levels are organized in a democratic manner.

3. Members' Economic Participation - Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefitting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

4. Autonomy and Independence - Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

5. Education, Training, and Information - Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public, particularly young people and opinion leaders, about the nature and benefits of cooperation.

6. Cooperation Among Cooperatives - Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional, and international structures.

7. Concern for Community - While focusing on member needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.



**Singing River Electric
Power Association**

A Tractone Energy Cooperative 
www.singingriver.com