DEMCO exists to serve the members/customers through professionally trained employees providing safe, reliable and affordable electricity as well as other high-quality products and services.

As a good corporate citizen, DEMCO is committed to stimulating the economic growth and prosperity of our area through ethical conduct and sound business principles.
In what experts widely consider a particularly volatile economic market, DEMCO, once again, remains financially stable as we made TIER and met our mortgage covenants for the year ending 2009. Much of our success can be attributed to a Board of Directors who has worked hard to keep our utility strong through these difficult economic conditions, at times forced with making tough decisions to ensure a firm financial future for the cooperative. While dedicated, hard-working employees successfully managed the day to day successes of the co-op; we were able to provide our members, with safe, reliable and affordable electricity while assuring that DEMCO remained on a steady financial footing.

The close of 2009 marked the halfway point of an unprecedented, four-year construction work plan that is scheduled to continue through 2011. Begun in 2008, the plan calls for the construction of four new substations and numerous system upgrades that will assure that DEMCO infrastructure grows as our communities grow. These system improvements will assure continued reliability and provide the service that our members have come to expect from this organization. We are excited about the projects that have been completed thus far, including the addition of the new Head of Island substation at French Settlement and the new Airline station in Prairieville, and we anxiously await the many more improvements to come in 2010.

The past year also delivered to DEMCO a much needed break in the weather compared to the serious challenges experienced in 2008. While we once again witnessed a white winter in December of 2009, the year as a whole was significantly milder and far less active than the year before. This welcomed change gave us a chance to repay the favor of assisting our fellow cooperatives in their own times of need. We were proud to send two full line crews, totaling 28 men, to Craighead Electric Cooperative in northern Arkansas to assist them in restoring power to thousands of co-op members after an ice storm devastated the Midwest in early January. We were honored to assist our fellow co-op, clearly demonstrating the cooperative principle of “cooperation amongst cooperatives” and our thoughts remain with those men and women who worked so hard and sacrificed so much during those trying times.

It is important to note that the year’s end also marked the completion of our new CEO and General Manager’s first year as the leader of our cooperative. At a special board meeting held on January 12th, John Vranic was unanimously voted into his position, taking on this pivotal role. His 30 years of experienced leadership and dedication to DEMCO have already paid significant dividends as our cooperative continues to forge full steam ahead. John continues our mission of delivering excellent customer service to our membership and in providing safe, reliable, and affordable electricity to the members.

A review of 2009 could not be complete without acknowledging the continued growth of the DEMCO system. DEMCO’s kilowatt-hour (kWh) sales increased from 1,871,688,751 in 2008 to 2,031,347,132 kWh in 2009. The number of customers billed increased from 98,133 in 2008 to 99,867 in December 2009. Total miles of line in operation increased from 9,425 miles last year to 9,540 miles at the end of 2009.

I am proud to say that DEMCO is heading in a positive direction. We faced the financial difficulties of this economy and have emerged successfully. We hope to extend that success for years to come. Our construction work plan has provided immediate benefits to our members and promised long-term power quality benefits for our members.

In closing, I would like to thank the members of the DEMCO Board of Directors for allowing me to serve as President of the Board. I consider both this honor and a privilege to serve in this position. I also want to thank the members of DEMCO for their continued commitment to this organization and the support they have shown for this board of directors.

Respectfully submitted,

Richard Sitman, President
DEMCO Board of Directors
At DEMCO, we cherish the opportunity to be a good corporate citizen. We demonstrate our commitment to community in a variety of ways, most notably through employee volunteerism and contributions to such worthy organizations as the Dream Day Foundation, Capital Area United Way, Louisiana Resource Center for Educators, the 4-H Foundation, and many more.

As a primary financial sponsor, DEMCO employees donated, from their personal funds, over $60,000.00 to the annual Dream Day and Capital Area United Way campaigns. The giving spirit is evident throughout DEMCO employees in this campaign. In a time of economic uncertainty, the individuals who make up the DEMCO family have not wavered in the annual contributions to these worthwhile organizations. This generosity shows our true cooperative spirit.

DEMCO shows the utmost respect for individuals who choose to better themselves through higher education. In 2009 DEMCO awarded four 1-year college scholarships to the children of DEMCO members. Furthermore, DEMCO employees served on the planning committee and cooked for the 2009 Volunteers in Public Schools Annual Picnic as well as the 2009 Young Heroes Award Luncheon. DEMCO also sponsored four high school juniors on an all-expense paid trip to Washington, D.C. through its annual Rural Electric Youth Tour and performed numerous electrical safety demonstrations to students of all ages throughout its service region.
BOARD OF DIRECTORS

Randy Lorio
District 1
East Baton Rouge Parish

Leslie Fula
District 7
Livingston Parish

Clarence Brack
District 3
East Baton Rouge Parish

Ann Samuel
District 5
East Feliciana Parish

Amanda Stroughter
District 6
East Feliciana Parish

Steve Irving
District 4
East Baton Rouge Parish

Alice Faye Morris
District 12
Tangipahoa Parish

Joseph Self, Sr.
District 11
St. Helena Parish

Freddy Metz
District 13
West Feliciana Parish

Daniel P. Berthelot
District 9
Livingston Parish

Dennis Leit
District 10
Livingston Parish

Eugene O. Traylor
District 1
Dr. Helena Parish

Freddie Metz
District 10
West Feliciana Parish
2009 YEAR IN REVIEW

JANUARY 2009
DEMCO sent twelve line crews to Jonesboro, Arkansas for two weeks where they assisted Craighead Electric Cooperative in restoring power to its cooperative members after a devastating ice storm moved through the area causing massive damage and widespread power outages.

FEBRUARY 2009
DEMCO continued its support of efforts to serve communities by cooking for electric cooperative volunteers in New Orleans who committed a full day of labor to the “Rebuild New Orleans Together” campaign. During the 2009 NRECA Annual Meeting representatives from the cooperative cooked and served a free barbeque meal to the participants.

MARCH 2009
Local high school students Emily Flanders of Zachary High School, Erin Hart of Parkview Baptist High School, David Jones of Central High School and Jacob Jolibois, a home schooled student from Central, each won an all-expense paid trip to Washington, D.C. The four were winners in the 2009 DEMCO Rural Electric Youth Tour essay contest. Also, Director James Lott resigned from the DEMCO Board of Directors after 26 years of dedicated service to the members.

APRIL 2009
Ascension Parish Director, Clarence Brock; Livingston Parish Director, Leslie Falks; East Baton Rouge Parish Director, Ann Samuel; and St. Helena Parish Director, Joseph Self, Sr., returned to the DEMCO Board of Directors as each was re-elected for a three-year term.

MAY 2009
DEMCO served as a major sponsor for the 15th Annual Dream Day Foundation Fishin’ Galore event held at the 3 Bar E Ranch in Clinton, Louisiana. DEMCO employees contributed $53,000.00 through payroll deductions to the cause, all of which benefitted St. Jude’s Children’s Research Hospital.

JUNE 2009
Marking the start of hurricane season, DEMCO held a strategic planning meeting for the purpose of sharing information with local governments and utilities regarding emergency preparedness. The meeting was held at the DEMCO Headquarters office and included public works department officials from the seven parishes served by the cooperative.

JULY 2009
DEMCO continued to prove its commitment to safety education by sponsoring and participating in the Louisiana Safety Council’s Safetyland Camp. Co-op employees presented numerous electrical safety demonstrations to the camp participants throughout the month-long event.

AUGUST 2009
DEMCO’s economic development team signed an agreement to provide electrical service to a pipeline pumping station in Satsuma, Louisiana. The multibillion dollar parent company, Enterprise Holdings, Inc. signed the agreement under the subsidiary name of Sorrento Pipeline Company.

SEPTEMBER 2009
DEMCO employees took part in the “Remembering Gustav” ceremony held at City Park in Baton Rouge. The hurricane was the worst storm to ever hit the DEMCO service territory.

OCTOBER 2009
DEMCO invested in the education of its youth by bringing the electrical safety magic show, “Making Accidents Disappear” to area schools. Scott Davis of Hot Springs, Arkansas presented his popular show to hundreds of elementary students at several schools throughout DEMCO’s service area.

NOVEMBER 2009
The DEMCO Foundation continued to support members throughout its service territory by assisting those in need. November marked a milestone as foundation disbursements totaled over 2.9 million dollars, given to deserving recipients, throughout the organization’s twelve years of service.

DECEMBER 2009
DEMCO finished year two of its four-year construction work plan as the co-op continued to meet the needs of the members. Once completed, the one hundred sixty-three million dollar investment will aid DEMCO in providing continued safe, reliable and cost-efficient power to over 97,000 cooperative members.
THE CONCLUSION OF 2009 marked the midpoint of DEMCO’s monumental effort to upgrade its system, meeting the demand represented by growth of the communities it serves. From the beginning of 2008 the DEMCO Board of Directors chose to invest in a system that will continue to bring the safest, most reliable and cost effective electric power to all of its members.

When DEMCO was founded in 1938, the electric cooperative had 750 members in three southeast Louisiana parishes. Since then, DEMCO—and the region it serves—has experienced significant growth. Today, DEMCO serves more than 97,000 members in seven parishes with over 9,400 miles of powerline, making it one of the fastest growing electric co-ops in the nation. This four-year Construction Work Plan will reinvest $163 million to improve the cooperative’s ability to supply consumers with quality, dependable and cost-efficient power.

Projects in DEMCO’s work plan include doubling the capacity of its transmission tie-lines, building new distribution substations, upgrading facilities, adding delivery points and installing two-way—or “smart”—meters throughout the system.

The addition of two new delivery points will bring the total to 10, making DEMCO’s high-tech electric distribution system more dependable and ensuring that adequate voltage is maintained at all substations. As electric consumers rely on electronics and appliances more than ever, the expectation is higher to have quality and uninterrupted power.

The improvements to DEMCO’s system will be noticeable not only during regular days but especially during abnormal situations, such as storms. Although a system that is totally resistant to extreme weather conditions is unreasonable, the plan will create infrastructure that can reduce the impact on members.

DEMCO is also using Automated Metering Infrastructure (AMI) to address affordability and reliability within its system. The co-op is in the process of replacing every meter in the field with a meter that DEMCO employees can monitor remotely. These state-of-the-art meters will provide DEMCO with information that will allow it to better serve its members. DEMCO can also translate information from the meters into energy efficiencies and savings for its members.

DEMCO’s investment into distribution and transmission improvements will ensure that the electric cooperative can meet growing demand, build on its high reliability, reduce system losses and increase its capacity and its flexibility. Ultimately, this will allow DEMCO’s members to receive the quality and affordable power they need, when they need it.
DEMCO showed strength through an economic downturn by continuing efforts to reach out to corporate America and seeking to further business and residential developments within its service territory. DEMCO continues to be committed to helping the seven-parish region reach its economic potential by working to attract these new businesses as well as encouraging existing companies to expand.

The DEMCO Foundation is a non-profit charitable organization established to provide financial assistance to DEMCO members/customers in their times of need. Individual assistance as well as college scholarships and emergency assistance are also available.

StrikeSafe™ surge protection is available to all DEMCO members and offers protection from power surges for residential customers for only $7.49 per month.

The Dixie Business Center, located in Denham Springs, Louisiana, is a small business incubator which offers consulting, administrative and financing support for new businesses. Office space is also available for long or short-term lease.

DEMCO has always placed a high priority on energy efficiency, and our consumers appreciate the effort. In a recent survey of electric cooperative members throughout Louisiana, responses were overwhelmingly in support of the benefits of a well insulated, all electric home:

- More energy efficient
- Cleaner and safer
- Less expensive to operate
- More comfortable

That’s why DEMCO offers the Touchstone Energy Home program, designed to assist our members in building an energy efficient home that is all-electric. The program provides our consumers with a roadmap to building an energy efficient home and helps to offset some of the costs of the program through special incentives.

By joining the Touchstone Energy family five years ago, our goal was to strengthen our mission of providing safe, reliable, and affordable electricity through ethical conduct and sound business principles. Our relationship with Touchstone has allowed us to do that as we continue to demonstrate their core values of innovation, integrity, accountability, and commitment to community. This partnership is strong and will continue to make us better everyday.

For more information on how the program can work for you call DEMCO at 225-261-1221 or visit us online at www.demco.org. The Touchstone Energy Home program is another way DEMCO brings “more power…to you.”

DEMCO showed strength through an economic downturn by continuing efforts to reach out to corporate America and seeking to further business and residential developments within its service territory. DEMCO continues to be committed to helping the seven-parish region reach its economic potential by working to attract these new businesses as well as encouraging existing companies to expand.
our
EMPLOYEES

Chasity Caldwell
Bobbie Cantu
Steve Cantu
Casey Carter
Garvi Carruth
Dovie Carter
Andrew Castello
Basa Chilton
Todd Chauvin
Michael Claxton, Sr.
Virginia Claborn
Jamie Coates
Donna Coby
Joseph Cofield
Kerry Conley
Josh Conley
Bonalee Conlee, II
Ronald Conkern
Sara Countryman
Jeremy Blount
Melody Bourgeois
Kenneth Bourgeois, Jr.
Sanya Boyd
Brent Bradley
Debra Bartlett
Dorn Brooks
Julie Burns

Justin Davis
Danny Delatte
Scott DeLee
Robert DeLee, Jr.
Paula DeLoach
Darrell Doguet
Pamela Dominick, Jr.
Susan Dotson
Patrick Doxstader
Wade Duplessis
Martha Durden

Cody Glascock
Calvin Goza
Andrew Graham
Jehron Graham
David Hernandez
Dusty Guarino
Heather Gudry
Lee Guthery
Cynthia Haislet
Andrea Hay
dall Harvey Harrell

Darrell Hughes
Holly Jackson
Warren Jefferson
Jehron Jenkins
David Kellum
Andy Johnson
Dave Johnson
Kenny Jones
Tammy Kelly
Josh Klotzce
Jeri Kombath
Thomas Klein, Jr.
Michael Knight
Roy Kyzar
Chad Kyzar, IV
Devin Landry
Jan Landry
David Landry, Sr.
Jada Lawrence
Harry Lastalita
David Latona
Amanda Levergne
Jeff Lee
Dentor Lee
Louis Lee
Shawn Little
Chanell Lucas

Jeff Lyons
Cheryl Malbrough
Diana Martin
Larry Martin
Shane Mandeville
Paula Perry
Kelli Persac
Missy McClary, Jr.
Anita Meche
Haley Meadowes
Brian Merritt
Johnny Merz
Perrell Miles
Josh Miller
Scott Miller
Justin Milton
Raymond Moizell
Bobby Morrow
Julie McCloud
Marnon Munn
Quanka Mulse
Denis Neal
Chad Nerish
Eric Oubert
Jacob Overhultz
Russell Overhultz
Phillip Pace

Shawn Parker
Melvin Parker
Michael Parker, Sr.
Mike Parrish
Shane Pendarvis
Paula Perry
Kelli Persac
Missy McClary, Jr.
Anita Meche
Haley Meadowes
Brian Merritt
Johnny Merz
Perrell Miles
Josh Miller
Scott Miller
Justin Milton
Raymond Moizell
Bobby Morrow
Julie McCloud
Marnon Munn
Quanka Mulse
Denis Neal
Chad Nerish
Eric Oubert
Jacob Overhultz
Russell Overhultz
Phillip Pace

Spring Seymore
Corey Sharp
Levy Sidney
Mika Stancil
Dona Strickland
Jared Solieu
Charles Spikes
Chad Spillman
Steven Spring
Darren St. Pierre
Rhonda Stanley
Jerome Starrs
Wayne Stevenson
Lori Stewart
Raymond Stewart, Jr.
Blake Sullivan
Dianne Sullivan
Patrick Tanner
Chris Taylor
Marc Templet
Agra Templet
Ronald Templet
Linda Sanders
Nick Saucier
Austin Scott
Arthur Solders, Jr.
Frederick Self

Brandy Tidwell
David Tucker
Kleew Tucker
Turkey Tucker
Jim Grizzard
Grace Turpin
Debra Walker
Jermaine Walsworth
Booker Watson
Doug Watson
Carl Watts
Calton Watts
Larry Watts
James Wells
Carolyn Book
Robbie White
Darrell White
Royland Wickers
Catherine Williams
Randall Williamson
Cynthia Willie
Sherry Wintz
Romuald Winters
John Woodburn
Courtney Xan
Joseph Young, Jr.
Phillip Zito
### ASSETS

<table>
<thead>
<tr>
<th>2009</th>
<th>2008</th>
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<tbody>
<tr>
<td>Utility Plant</td>
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<tr>
<td>Electric plant in service</td>
<td>$427,510,420</td>
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<tr>
<td>Construction work in progress</td>
<td>21,973,852</td>
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<td>Other fixed assets</td>
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<tr>
<td>Accumulated depreciation</td>
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<tr>
<td></td>
<td>346,372,923</td>
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<tr>
<td>Investments and Other Assets</td>
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<tr>
<td>Investments in associated organizations</td>
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<td>Notes receivable, long-term portion</td>
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<tr>
<td></td>
<td>8,724,324</td>
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<tr>
<td>Current Assets</td>
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<tr>
<td>Cash and cash equivalents</td>
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<tr>
<td>Restricted cash</td>
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<tr>
<td>Current portion of notes receivable</td>
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<td>Accounts receivable</td>
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<tr>
<td>Accounts receivable Unbilled</td>
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<td>Current portion of other receivables</td>
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<td>Materials and supplies</td>
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<td>Deferred fuel adjustment</td>
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<td>Prepaid Expenses</td>
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<td></td>
<td>34,070,998</td>
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<td>Other Assets</td>
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<td>Deferred charges</td>
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<td>Intangible, net</td>
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<td>Certificate of Deposit - pledged</td>
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<td>27,718,120</td>
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<tr>
<td>TOTAL ASSETS</td>
<td>416,784,365</td>
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### EQUITIES AND LIABILITIES

<table>
<thead>
<tr>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
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<tr>
<td>Memberships</td>
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<td>Patronage capital</td>
<td>65,713,831</td>
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<td>66,118,506</td>
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<tr>
<td>Long-Term Debt</td>
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<tr>
<td>Notes payable, less current maturities</td>
<td>273,309,083</td>
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<tr>
<td>Deferred interest - RUS notes</td>
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<tr>
<td></td>
<td>229,513,120</td>
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<tr>
<td>Current Liabilities</td>
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<td>Managed overdraft</td>
<td>3,509,203</td>
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<td>Current maturities of notes payable</td>
<td>11,536,888</td>
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<td>Line of credit</td>
<td>44,209,412</td>
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<td>Accounts payable</td>
<td>11,716,913</td>
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<td>Consumer deposits</td>
<td>6,033,768</td>
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<td>Accrued interest</td>
<td>1,041,038</td>
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<tr>
<td>Deferred fuel adjustment</td>
<td>742,280</td>
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<tr>
<td>Customer refund - Cajun</td>
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<td></td>
<td>99,439,324</td>
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<tr>
<td>Deferred Credits and Other Liabilities</td>
<td>Accrued post retirement benefits</td>
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<tr>
<td></td>
<td>16,875,609</td>
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<td></td>
<td>21,715,415</td>
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<tr>
<td>TOTAL EQUITIES AND LIABILITIES</td>
<td>416,784,365</td>
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</tbody>
</table>
## OPERATIONS AND PATRONAGE CAPITAL

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
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</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td>$162,171,371</td>
<td>155,689,968</td>
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<tr>
<td>Operating Expenses</td>
<td></td>
<td></td>
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<tr>
<td>Cost of power</td>
<td>88,636,945</td>
<td>87,986,241</td>
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<tr>
<td>Cost of sales</td>
<td>277,015</td>
<td>334,888</td>
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<tr>
<td>Distribution - operations</td>
<td>6,964,393</td>
<td>6,877,105</td>
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<tr>
<td>Distribution - maintenance</td>
<td>16,425,590</td>
<td>16,752,910</td>
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<tr>
<td>Consumer accounts</td>
<td>5,684,316</td>
<td>6,227,785</td>
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<tr>
<td>Administrative and general</td>
<td>7,531,588</td>
<td>6,721,396</td>
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<tr>
<td>Depreciation and amortization</td>
<td>12,233,061</td>
<td>12,337,066</td>
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<tr>
<td>Taxes</td>
<td>7,933,827</td>
<td>7,012,127</td>
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<tr>
<td>Other</td>
<td>141,841,925</td>
<td>139,051,067</td>
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<tr>
<td>Operating margins before fixed charge</td>
<td>20,301,446</td>
<td>16,438,921</td>
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<tr>
<td>Fixed Charges</td>
<td></td>
<td></td>
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<tr>
<td>Interest on long-term debt</td>
<td>12,657,938</td>
<td>12,965,323</td>
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<tr>
<td>Other interest</td>
<td>2,058,337</td>
<td>762,247</td>
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<tr>
<td>14,716,275</td>
<td>13,728,570</td>
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<tr>
<td>Operating margins after fixed charges</td>
<td>5,585,171</td>
<td>2,708,351</td>
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<tr>
<td>Capital credits</td>
<td>808,916</td>
<td>850,413</td>
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<tr>
<td>Nonoperating Margins</td>
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<td></td>
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<tr>
<td>Interest income</td>
<td>165,561</td>
<td>164,361</td>
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<tr>
<td>Other income</td>
<td>39,349</td>
<td>116,007</td>
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<tr>
<td>204,910</td>
<td>280,368</td>
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</tr>
<tr>
<td>Net margins, as restated for 2008</td>
<td>6,688,266</td>
<td>3,847,052</td>
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<tr>
<td>Patronage Capital, beginning of year</td>
<td>59,025,545</td>
<td>55,108,513</td>
</tr>
<tr>
<td>Patronage Capital, end of year</td>
<td>65,713,831</td>
<td>59,025,545</td>
</tr>
</tbody>
</table>

### SYSTEM STATISTICS - 2009

- **Average consumer Billed/Mo.** 99,297
- **Average Consumer/Mile of Line** 10,42
- **Average Miles of Line** 9,533
- **Total kWhs Sold** 2,031,347,132
- **Average kWhs/Month/Consumer** 1,705
- **Average kWhs/Month/Residential Consumer** 1,457
- **Average Monthly Rev./Consumer** $132.30
- **Total kWhs Bought** 2,136,349,505
- **System Peak Demand** 501,272
- **Month of System Peak** July

### FINANCIALS

- **Operating Revenue** $162,171,371
- **Operating Expenses** $141,869,925
- **Operating margins before fixed charge** 20,301,446
- **Fixed Charges** 14,716,275
- **Operating margins after fixed charges** 5,585,171
- **Capital credits** 808,916
- **Nonoperating Margins** 204,910
- **Net margins, as restated for 2008** 6,688,266
- **Patronage Capital, beginning of year** 59,025,545
- **Patronage Capital, end of year** 65,713,831