

Carolina country

RUTHERFORD EMC'S 2008 ANNUAL REPORT

2009 ANNUAL MEETING AT WEST LINCOLN HIGH SCHOOL ON OCTOBER 31

You are hereby given notice of the 2009 annual meeting of members of Rutherford Electric Membership Corporation to be held as follows:

- Date:** October 31, 2009
Place: West Lincoln High School, Lincolnton, N.C.
Time: Entertainment and registration from 10 a.m. until 11 a.m. Business meeting begins at 11 a.m.

Business to be transacted:

1. Reports from president and manager
2. Election of four directors
3. Other business which may be properly presented

H. Frank Queen
Secretary



Bluegrass gospel duo Darin and Brooke Aldridge of Cherryville will perform at this year's annual meeting on Saturday, October 31 from 10-11 a.m. They will be accompanied by Eddie Biggerstaff, Chris Bryant and Perry Woodie.



YOUR REGISTRATION CARD

Tear off this entire registration card and bring it with you to the Annual Meeting on **Saturday, October 31, 2009, at West Lincoln High School in Lincolnton, N.C.**

Registration and entertainment from 10-11 a.m.
Business meeting at 11 a.m.

EXECUTIVE SUMMARY

Focusing on the Future

Joseph N. Quinn

President (immediate right)

Joseph H. Joplin

General Manager (far right)



*D*ear Friends:

With rising wholesale power costs, an economic slowdown, and regulatory uncertainty, it is important that we keep our focus on the future. For everyone at Rutherford Electric, that means focusing our energy on you - our member-owners. We will work hard to provide you with continued superb service, dependable electricity and affordable rates.

One of the biggest challenges we face today is keeping electric rates affordable. In the proposed 2010 federal budget there is a section called "climate revenues." Climate revenues will come from the implementation of a new carbon tax. The government will collect this tax by selling carbon credits on Wall Street, similar to how stocks are traded today.

This raises serious concerns for your Cooperative. In the past, Wall Street has lacked the oversight necessary to protect investors and consumers. Speculators could enter the market and drive up the price of carbon credits, which in turn would increase your electric bill, along with prices on virtually all goods and services.

The White House budget projects this market style "cap and trade" tax would generate \$645 billion in new revenue for the federal government from 2012 through 2019. Senior staffers have now revised this estimate and project it will raise \$1.3 to \$1.9 trillion in new taxes.

The Tax Foundation, a nonpartisan, nonprofit organization that has monitored fiscal policy at the federal, state and local levels since 1937, estimates cap and trade would cost the average household \$1,218 per year for goods and services. Rutherford Electric's national service organization, the National Rural Electric Cooperative Association based in Washington, D.C., estimates it could increase electric bills up to \$50 per month.

Rutherford Electric, along with hundreds of electric cooperatives nationwide, has been working hard to educate our elected officials on the impact this would have on our members through a grass roots campaign called "Our Energy, Our Future." This campaign focuses on keeping electric rates affordable, while addressing technology and future generation capacity issues. We are working to make sure that our members are not forgotten when state and federal governments start making decisions and

imposing mandates that could greatly impact your family energy budget.

North Carolina's General Assembly passed legislation that requires utilities to generate more electricity from renewable energy resources. The States Renewable Energy and Energy Efficiency Portfolio Standard (REPS) mandates that by the year 2018, 10 percent of the electricity Rutherford Electric delivers to its members must be generated by renewable resources or offset by energy efficiency and conservation programs.

We are committed to expanding renewable energy and helping our members manage their energy use. Rutherford Electric encourages members to participate in N.C. GreenPower, a non-profit organization whose goal is to supplement the state's existing power supply with more green energy. Contributions are voluntary and tax-deductible. Participants help build a cleaner energy supply, healthier environment and stronger economy for North Carolina, now and in the years ahead.

Like the rest of the nation, North Carolina is experiencing an economic slowdown. We're seeing it firsthand in our service area, as new construction has virtually come to a standstill. For the second consecutive year, Rutherford Electric has seen a sharp drop in our new service requests, with only 646 new members added in 2008. During the construction slowdown, we are taking the opportunity to improve our distribution and transmission systems to maintain our high level of reliable electric service to our members.

As we look to the future, it will require the same level of commitment and determination our forebears possessed and exhibited. The future will hold the challenges of rising energy costs, the need to build new generation capacity, and the challenge of meeting your changing needs. We are up to the challenges and will deliver the reliable, dependable and quality member service you deserve, while doing so with competitive rates you have come to expect.

We will strive to be the very best supplier of electric energy you have ever experienced, by earning your respect and trust through our actions and deeds.

Thank you for your commitment to this organization. We welcome the opportunity to serve you for years to come.

*Joseph N. Quinn, President
Joseph H. Joplin, General Manager*

2009 ANNUAL MEETING TICKET BRING THIS ENTIRE TICKET

TO THE
ANNUAL MEETING
FOR

REGISTRATION AND PRIZE DRAWING

IN ACCORDANCE WITH THE BYLAWS OF THE COOPERATIVE, EACH MEMBER HAS ONE VOTE, REGARDLESS OF THE NUMBER OF SERVICES IN THE MEMBER'S NAME. IF YOU SHOULD RECEIVE MORE THAN ONE REGISTRATION TICKET, ONLY ONE CAN BE PRESENTED TO REGISTER FOR PRIZE DRAWING AND FOR VOTING IN THE BUSINESS OF THE COOPERATIVE. ONLY THE MEMBER NAMED ON THE REVERSE SIDE OF THIS CARD, OR THE MEMBER'S SPOUSE, IS ELIGIBLE TO PRESENT THIS CARD FOR REGISTRATION AND PRIZE DRAWING. A PROXY GIVEN BY MEMBER OR MEMBER'S SPOUSE IS REVOKED BY THE PRESENCE AT THE MEETING OF THE MEMBER OR MEMBER'S SPOUSE. MEMBER OR MEMBER'S SPOUSE MUST BE PRESENT TO REGISTER FOR DRAWING AND TO CLAIM ANY PRIZE WON.

RUTHERFORD EMC

2009 ANNUAL MEMBERSHIP MEETING

OCTOBER 31
WEST LINCOLN
HIGH SCHOOL
LINCOLNTON, NC

10:00 A.M. - 11:00 A.M.
ENTERTAINMENT AND REGISTRATION

11:00 A.M.
BUSINESS MEETING

BALANCE SHEET

...As of December 31, 2008

ASSETS (What We Own)

Cash	\$	8,243,344
Reserve Funds, Investments and Other Property		17,643,766
Accounts Receivable		9,191,449
Materials		1,234,944
Prepaid Expenses, Deferred Charges and Other Assets		16,628,604
Net Value of Utility Plant		209,607,196
TOTAL ASSETS	\$	247,549,303

LIABILITIES (Our Obligations)

Notes Payable	\$	143,852,995
Accounts Payable		8,545,591
Other Liabilities and Deferred Credits		16,120,586
TOTAL LIABILITIES	\$	168,519,172

EQUITIES (Member Ownership)

Membership Fees	\$	621,090
Patronage Capital and Other Equities		78,409,041
TOTAL EQUITIES	\$	79,030,131
TOTAL LIABILITIES and EQUITIES	\$	247,549,303

STATEMENT OF OPERATIONS

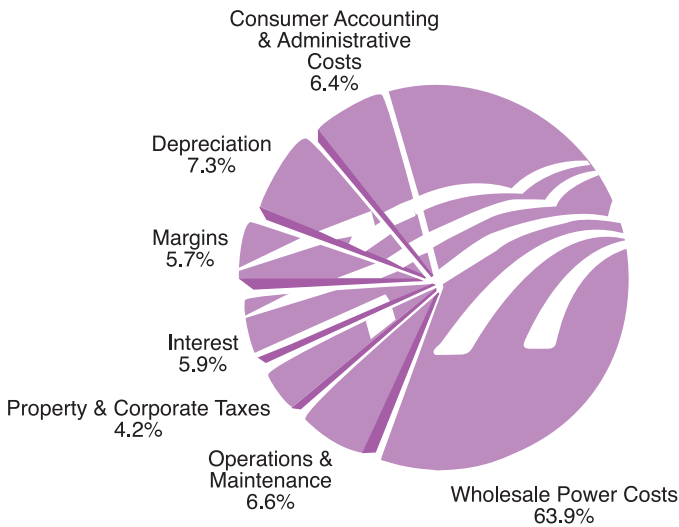
...Year Ending December 31, 2008

Income	Electric Revenues	\$	124,853,676
Expenses	Purchased Power	\$	80,905,457
	Operating Expenses (Includes billing, electric system operations and maintenance, member information, salaries, payroll taxes, supplies, transportation, etc.)	\$	17,854,081
	Property and Corporate Taxes	\$	3,970,070
	Depreciation of Plant	\$	9,274,018
	Interest on Borrowed Money	\$	7,427,861
	Total Expenses	\$	119,431,487
	Net Operating Margins	\$	5,422,189
	Interest Income and Non-operating Margins	\$	1,054,499
	Capital Credits Assigned by Associated Organizations	\$	738,108
	Total Margins Assigned	\$	7,214,796
	Patronage Capital Returned to Members During Year	\$	2,028,242

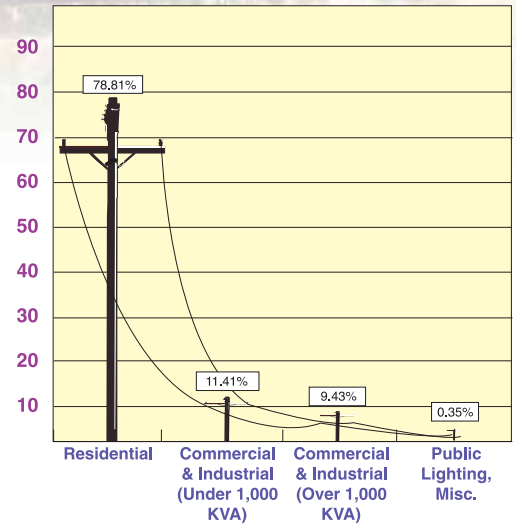
Capital Credits

Annual revenue which exceeds operating expenses is recorded on Rutherford EMC's books as capital furnished by members and is commonly known as "capital credits" or "margins." Capital credits are accrued to members' accounts and refunded at the discretion of the board of directors as the financial condition of the cooperative allows. In December 2008, Rutherford EMC returned over \$1.6 million to members.

Refunds of capital credits are made to estates of deceased members and paid at present value on a continuing basis. The proper representative of the estate may apply for the refund at any Rutherford EMC office. Supporting documents, including death certificate or letter of administration, will be required. During 2008, the cooperative returned over \$393,000 to the estates of deceased members.



Sources of 2008 Revenue



How Your Revenue Dollar Was Used In 2008

Wholesale Power Costs	\$80,905,457	63.9%
Operations and Maintenance	8,361,103	6.6%
Consumer Accounting & Administrative Costs	8,071,895	6.4%
Depreciation	9,274,018	7.3%
Property & Corporate Taxes	5,391,153	4.2%
Interest	7,427,861	5.9%
Margins	7,214,796	5.7%
TOTAL	\$126,646,283	100.0%

2008 Statistical Summary

Miles Line Energized	
Overhead Distribution	4,573
Underground Distribution	2,254
Transmission	197
Total	7,024
Number Connected Members 66,901	
Average Monthly Kilowatt-hour Consumption (Residential) 1,188	
Average Monthly Bill (Residential) \$129	
Kilowatt-hours Purchased	1,240,478,470
Kilowatt-hours Sold	1,163,675,051
Income Per Mile of Line	\$17,773
Expense Per Mile of Line	\$17,001
Transportation	
Miles Driven	2,142,016
Total Transportation Expense	\$2,453,426
Cost Per Mile Driven	\$1.15

Total Assets

