

DEMCO CEO resigns after waiting nearly a decade to reimburse company for generator at his house

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CENTRAL — The board overseeing DEMCO agreed Thursday to find a management consulting firm to examine purchasing, construction oversight and other practices after CEO John Vranic resigned this week amid allegations he only recently reimbursed the co-op for a \$14,000 generator that's been at his house for nearly a decade.

The Dixie Electric Membership Corporation board of directors also agreed Thursday to name Ryan Vandersypen, vice president of engineering operations, as interim CEO and general manager of the 230-employee utility while the search for Vranic's permanent replacement continues.

The departure Tuesday of Vranic, who was already retiring but planning to leave once his replacement was found in a few months, represents a dramatic fall for the longtime employee who had risen through ranks over nearly four decades at DEMCO.

Less than two months ago, shortly before his retirement announcement, he had received a contract extension, a raise and an endorsement from the board's vice president after an apparently positive, but undisclosed performance review.

[DEMCO CEO gets contract extension, raise as auditors examine operations](#)

[WBRZ](#) this week detailed allegations that a generator purchased by DEMCO sometime in 2009 was installed at Vranic's home off Greenwell Springs Road. Internal DEMCO documents The Advocate obtained show Vranic requested that generator and two others in early September 2008 to replace equipment damaged after Hurricane Gustav.

The allegations about Vranic and the subsequent move for a management firm come as the co-op is grappling with allegations of improper activities among its board members, which a separate auditing firm is examining.

Jim Ellis, DEMCO's general counsel, told board members Thursday at the co-op's headquarters in Central that hiring the management firm is one way the board can get ahead of that audit.

The auditors have not finished their report yet, but Ellis said the report is expected to touch on issues that the prospective management firm would also review.

"(The auditors) have not made the specific recommendation for you to do this, but, based upon what they have seen, this clearly would appear to be things this company needs to address," Ellis said of hiring the management firm.

DEMCO opens internal audit over unproven allegations of wrongdoing by some board members, CEO

The board hired CPA firm Postlethwaite & Netterville on March 15 to examine allegations of improper relationships between board members and co-op vendors. That move followed complaints in February in an anonymous employee letter and separately from a terminated employee about board members' and Vranic's alleged relationships with vendors.

As a nonprofit rural electric cooperative, DEMCO owes a fiduciary duty to its customers. DEMCO provides power to more than 108,000 customers in the Baton Rouge region. The co-op relies heavily on contract firms for electrical work.

In response to the WBRZ reporting, the DEMCO board and Steve Irving, the board vice president, issued two statements in response to the generator claims which emerged from a board member on April 24 and also attempting to underscore their proactive approach to claims of misconduct.

The board statement says a board member presented "certain documents relating to a DEMCO generator believed to be located at the DEMCO CEO's home." The information emerged in a board committee meeting five days after a divided board gave Vranic the contract extension and raise.

Longtime CEO of DEMCO to retire; search for replacement underway

While the board statement says Vranic was questioned about the documents the next day, on April 25, the statement never acknowledges that Vranic, in fact, has a DEMCO-purchased generator at his home.

Board President Richard "Dickie" Sitman said Thursday that Vranic acknowledged the generator at his home had been paid for by DEMCO. Sitman said Vranic paid back the approximately \$14,000 bill shortly after he was asked about the generator.

During a visit to his large, stucco home Thursday afternoon, a Generac generator was visible on the side of his house.

The board's disclosures about the generator represent a sharp turnaround from statements that Irving, the board vice president, gave when Vranic announced his planned retirement late last month.

A board statement says Vranic submitted his retirement letter May 17 and offered to stay on until his replacement was found.

Irving was asked by The Advocate on May 23 whether Vranic's retirement so soon after his new raise was connected to then unconfirmed rumors that Vranic may have a company generator at his house. Irving disputed the claim flatly, saying it has "nothing to do with John retiring" and that Vranic had been planning his retirement

"The generator stuff is all BS," Irving added in the interview.

Irving said Thursday he had called the generator allegations "BS" last month because he believes that. Irving explained that he believes Vranic's claim that the then-CEO authorized him to buy the generator from DEMCO, which would conform with board policy.

Irving added that he believes Vranic had authorization to repay the co-op through regular deductions from his paycheck but Vranic failed to see it through during his transition from a top DEMCO administrator to CEO in 2009.

Irving has called that oversight a "serious error in judgment."

Jeff Kilpatrick, the CEO for part of that time period, disputed Thursday that he authorized Vranic to buy the generator.

"John was trying to look for a way out of trouble and brought my name into it. I really don't appreciate that. I wasn't even there when all that went down," Kilpatrick said.

Vranic declined to address the allegations Thursday, saying he wanted to wait for the audit to be completed.

Ellis, the DEMCO attorney, told board members he could not say how long the search for the management consulting firm would take but hoped to have a list of names by next month.