

Achieving Milestones

First Electric Cooperative achieved another milestone in its 76-year history. In 2013, on the heels of the largest capital credit retirement, the cooperative was able to retire the third largest – \$6.5 million. The leadership exhibited by our Board of Directors, loyal membership and committed employees make it possible to achieve these landmarks.



Generation and Transmission

Arkansas Electric Cooperative Corporation (AECC), a generation and transmission cooperative, provides First Electric and the 16 other distribution cooperatives with the electricity needed to power members' homes, businesses and farms. The state's cooperatives and approximately 500,000 members rely on AECC to provide dependable, safe and reasonably priced power.

AECC's diverse generation assets include four coal-based plants, three hydropower plants, three natural gas/oil-based plants and four natural gas-based-only plants. Additionally, AECC has power purchase agreements for wind energy. This generation mix enables AECC to deliver dependable wholesale electricity.

AECC and First Electric believe in an all-of-the-above energy approach. As a member-advocate, we monitor the development of legislation and regulations that would not be beneficial to cooperative members by eliminating the most affordable power supply – coal.

AECC is participating in two regional transmission organizations, Southwest Power Pool (SPP) and Midcontinent Independent System Operator (MISO). AECC joined MISO in late 2013.

Progress

Throughout the past 76 years, First Electric has evolved from a small rural electric cooperative to one of the 30 largest distribution cooperatives in the nation. With 90,000 active accounts, more than 9,750 miles of line and 228 employees across five districts, First Electric continues to progress into the future with new and innovative ways to serve our members.

First Electric transitioned to a hosted outage reporting system that offers more phone lines to receive member calls and also provides backup call centers. The hosted solution enables the cooperative to provide a more robust system with additional fail-safe options to help during periods of widespread outages.

Planning and site selection has begun for two new substations to serve communities in the Olmstead area in north Pulaski County and Shaw area south of Benton and Bryant. They are scheduled to be completed in 2015.

Launched in November 2013, SmartHub is First Electric's free online bill payment system that also allows members to monitor their daily energy usage. An app is available if you wish to view your usage or pay your bill from a smartphone or tablet.

In 2013, a new payment option was introduced called Pre-paid. It enables members to pay in advance for their electricity.



Energy Efficiency

First Electric and AECC take the responsibility of energy efficiency

seriously. From the Electric Cooperatives of Arkansas \$50,000 Energy Efficiency Makeover contest to the mini makeovers sponsored by First Electric, both place a high priority on teaching energy efficiency.

In 2013, First Electric members Glenn and Mary Jo Hoffsommer constructed a Doug Rye Model Home in the Heber Springs district. The home was built under the direction of Doug Rye, nationally known energy efficiency expert and radio show host. The Hoffsommers partnered with First Electric and AECC to offer the home for educational purposes to demonstrate properly installed energy efficiency components and measures.

First Electric marketing representatives are certified by the Building Professional Institute to conduct diagnostic energy audits. The fee-based report includes the measured air tightness of the house, infrared camera results, duct leakage and specific recommendations for improvements that will reduce energy usage.

Marketing representatives also perform free walk-through energy audits for members. They inspect a home and evaluate the energy efficiency of the building, household appliances, heating and cooling systems and lighting.

Educating members about the efficient use of energy resources helps members manage energy costs and helps safeguard natural resources.



Safety

Safety will remain the TOP priority at First Electric. Weekly safety meetings are conducted for field personnel and yearly trainings for internal employees. First Electric recognizes the potential hazards associated with electricity; it's because of that we hold safety to the highest regard.

Our employees interact with electricity on a daily basis and so do our members. To educate our members, we offer two safety programs at no cost. "Making Accidents Disappear" is presented by magician Scott Davis to elementary-age children to teach them about electrical safety. For older audiences, First Electric employees use our high-voltage safety trailer to demonstrate the danger of coming in contact with energized lines.

Service-Driven, Not Profit-Driven

Communities across Arkansas depend on the support of their local electric cooperative. Through Operation Round-Up, Youth Tour, scholarships and other activities, First Electric gives back to the communities we serve.

Operation Round-Up, a program that funds donations to nonprofit organizations and scholarships, is made possible by the generosity of members who agree to allow their electric bills to be "rounded up" to the next even dollar amount. Since its inception in 1998, more than \$668,000 has been awarded.

Each year, three First Electric students are selected to represent the cooperative in Washington, D.C., on the Youth Tour, which is sponsored by the Electric Cooperatives of Arkansas. The selection process is based on scholastic achievement, school participation and volunteerism.

Please help us in congratulating you, our members. Without your support, we wouldn't be able to share in the success of the cooperative. It's a pleasure to serve you, and we look forward to many more prosperous years together.

Robert M. Hill
Chairman

Don Crabbe
President/CEO

Board of Directors

Robert Hill
Chairman
Perryville

Tom Hasty
Almyra

Larry Wood
Vice Chairman
Lonoke

Tracy Hudspeth
Drasco

Robert Maertens
Secretary-Treasurer
Benton

Rick Love
Jacksonville

David Luebke
Scott

Jimmie Crockett
Rose Bud

Karissa Rushing
Benton

Cooperative Principles

The cooperative business model centers around seven principles, which guide First Electric Cooperative.

- Voluntary and Open Membership
- Democratic Member Control
- Members' Economic Participation
- Autonomy and Independence
- Education, Training and Information
- Cooperation Among Cooperatives
- Concern for Community

2013 Annual Report



First Electric
Cooperative

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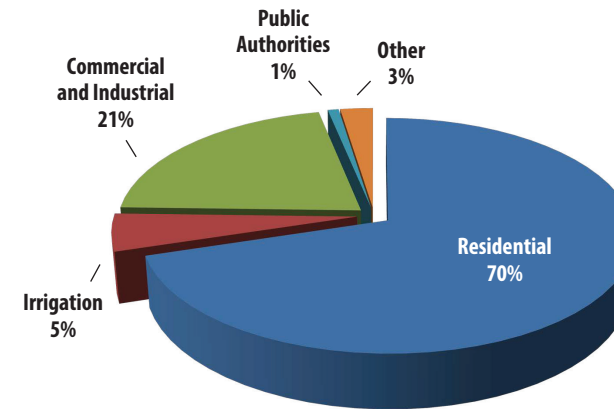
Condensed Balance Sheet

Assets	2013	2012
Electric Plant	\$ 450,996,146	\$ 434,913,432
Less Accumulated Depreciation	\$ 135,153,298	\$ 130,764,747
Net Utility Plant	\$ 315,842,848	\$ 304,148,685
Other Assets	\$ 115,763,049	\$ 94,482,293
Current Assets	\$ 34,026,171	\$ 32,310,083
Total Assets	\$465,632,068	\$430,941,061
Liabilities and Members' Equity		
Members' Equity	\$ 215,229,758	\$ 207,229,057
Long-term Debt	\$ 206,592,856	\$ 182,739,107
Current Liabilities	\$ 23,032,920	\$ 21,993,281
Other Liabilities	\$ 20,776,534	\$ 18,979,616
Total Liabilities and Members' Equity	\$465,632,068	\$430,941,061

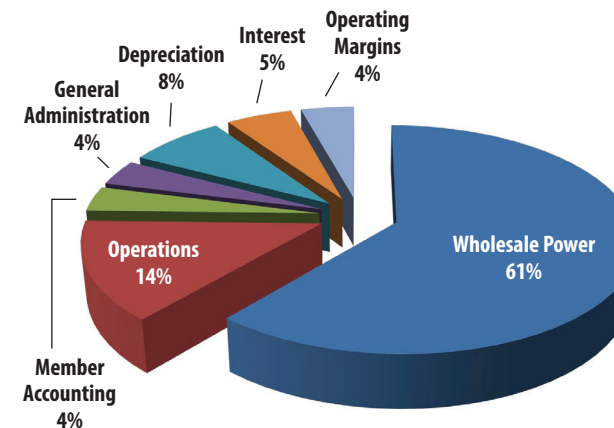
Condensed Operating Statement

	2013	2012
Operating Revenues	\$178,751,898	\$167,741,074
Power Cost	\$ 109,566,854	\$ 94,538,800
Operations and Maintenance	\$ 38,232,313	\$ 38,820,682
Depreciation	\$ 13,831,363	\$ 13,468,311
Taxes	\$ 7,525	\$ 7,598
Interest	\$ 9,476,368	\$ 9,965,024
Total Operating Expenses	\$171,114,423	\$156,800,415
Margins from Operations	\$ 7,637,475	\$ 10,940,659
Non-Operating Margins	\$ 5,323,798	\$ 10,654,588
Net Margins	\$ 12,961,273	\$ 21,595,247

Where the Dollar Comes From



Where the Dollar Goes



System Statistics

	2013	2012
Number of member accounts served	90,472	89,590
Miles of power line in operation	9,752	9,680
Number of accounts per mile of line	9.28	9.26
Total kWh bought by co-op members	1,903,071,730	1,854,698,636
Average monthly residential kWh usage	1,253	1,205
Average monthly residential bill	\$ 126.73	\$ 117.13
Average residential revenue per kWh	\$ 0.1012	\$ 0.0972
Total kWh purchased by cooperative	2,014,208,525	1,957,842,129
Total cost of power purchased by co-op	\$ 109,566,854	\$ 94,538,800
Number of employees	228	225
Number of distribution substations	43	43

Counties served, property taxes paid

County	2013	2012
Arkansas County	\$ 235,429	\$ 225,299
Cleburne County	\$ 357,282	\$ 338,063
Conway County	\$ 55,556	\$ 54,253
Faulkner County	\$ 13,240	\$ 12,385
Garland County	\$ 1,933	\$ 3,641
Grant County	\$ 5,983	\$ 6,015
Independence County	\$ 1,949	\$ 2,085
Jefferson County	\$ 69,590	\$ 68,990
Lonoke County	\$ 532,531	\$ 523,841
Monroe County	\$ 6,283	\$ 6,429
Perry County	\$ 214,224	\$ 211,089
Prairie County	\$ 53,141	\$ 52,795
Pulaski County	\$ 427,421	\$ 418,427
Saline County	\$ 476,594	\$ 439,102
Stone County	\$ 8,582	\$ 7,565
White County	\$ 267,016	\$ 262,837
Yell County	\$ 1,088	\$ 968
Total property taxes paid	\$ 2,727,842	\$ 2,633,784