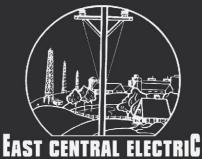




The

# COOPERATIVE



Way

A Touchstone Energy® Cooperative



#### **SEVEN COOPERATIVE PRINCIPLES:**

AUTONOMY AND INDEPENDENCE.

AMONG COOPERATIVES.



**2014 Annual Report** 



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# **Making Progress in 2014 and Beyond**

t East Central Electric, the "cooperative way" is more than a catchy phrase. The words reflect a way of doing business that is very different from other utility companies.

At an electric co-op, you are a member and an owner, as well as a consumer.
You choose your co-op board of trustees through a democratic process, and you and every other member receive a share of your co-op's profits after all the bills are paid.

For example, through careful management and sound business practices, your trustees recently approved a payment of second patronage capital to our members—an increase of \$120,000 solover last year. This doesn't happen bus at other electric companies.

Another measure, which was approved in 2014, aims to improve system reliability by beefing up our right of way maintenance to \$3 million dollars. Over the years, East Central Electric (ECE) has made steady improvements to its right of way. This commitment has paid off in reduced outage time and fewer blinks. The renewed investment will allow crews to clear and treat ECE's 6,182 mile system in less time, which will contribute to even greater reliability and fewer repair costs.

From infrastructure improvements to technology upgrades, your coop trustees proceed with caution when making financial decisions. We prefer to invest your money in proven enhancements that allow us to

serve you better at a reasonable cost. SmartHub is a perfect example. When fully integrated, you will be able to use SmartHub to report outages via text, tablet/iPad or email, in addition to

phone. A live outage map will let you view the outage restoration process in progress, and you can sign up for text or email updates from your co-op. Members already use SmartHub to view their daily usage, account details and more, but this is a small fraction of what this tool can do.

Other exciting developments lie ahead for your co-op. If enough members indicate their interest and approval, ECE will offer solar-generated power to

members. The community solar option will allow members who can't afford a solar energy system, or whose homes or businesses aren't designed to support solar panels, to purchase their power from a renewable source. With enough participation, an ECE solar energy program could reduce our system-wide electricity demand, which is a big factor in the monthly power cost adjustment (PCA) that appears on your bill.

As your elected trustees, it's our job to listen to the needs of our fellow co-op members. This too, is part of the cooperative way. We will survey members about the solar option this fall and will base our decision on your response. ECE members currently enjoy the fourth lowest electric rates of any utility in Oklahoma. With higher generating costs ahead, solar energy along with coal, natural gas, wind and hydro could provide alternatives that will help us maintain that position.





"East Central Electric
members currently enjoy the
fourth lowest electric rates
of any utility in Oklahoma.
With higher generating costs
ahead, solar energy could
provide a low cost
alternative that will help us
maintain this position."









MANAGER'S REPORT

### **Your Cooperative Is Your Advocate**

t East Central Electric Cooperative, it's our responsibility to monitor developments in the energy industry and build long-range financial plans with these issues in mind. With the sway in energy prices and the influence of unpredictable politics, this is no easy job. Still, your co-op trustees and management know you depend on us to keep an eye on issues that could affect your rates. Playing watchdog at the statehouse may not be as obvious as lines and poles that bring electricity to your

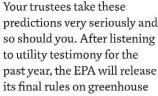
home, but it's a vital part of



Here at East Central Electric, we applaud efforts to protect the environment by reducing power plant emissions, but we frown on the EPA's lack of concern for the more immediate consequences of compliance. Forcing power plants to begin meeting emission goals in 2020 spells one thing for our members — higher electricity costs.

To EPA officials, members of Congress, the Supreme Court and President Obama, electric co-ops say this is too much too soon. Power plants need time to upgrade their facilities to meet emission guidelines. Meanwhile,

financial plans must be adjusted to incorporate these billion dollar tune-ups in a responsible manner. If plants are not allowed to make changes within a more reasonable time frame, experts predict US electricity prices could increase significantly.



gas limits this August. Until then, we won't know if an extended deadline will be granted or if the requirements will stand as is. Rulings by the Supreme Court will no doubt follow. Their decision could result in a more favorable outcome for ratepayers - or not. Either way, this issue and others like it remain a prime concern. As your electric co-op, we will continue to advocate on your behalf whenever your right to affordable and reliable electricity is threatened. At the state capitol, in Washington DC, or along Main Street, you can count on us to make sure your voice is heard. It's what we do, and it's an important part of the "cooperative way."



OUR MISSION is to offer competitive rates and provide electric and related services that our members need, while remaining financially sound and upholding cooperative principles.







ByTim Smith GENERAL MANAGER







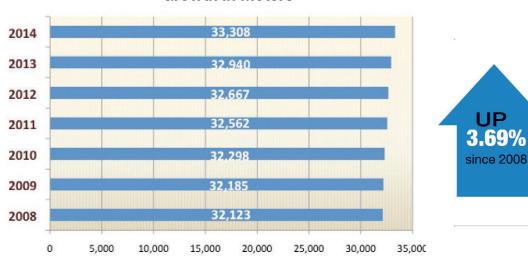
[2014 | NANOA | LIGHTS |

The books and financial statements of East Central Oklahoma Electric Cooperative, Inc. are audited each year as of December 31. An audit for the year ended December 31, 2014 has been completed by the firm of Briscoe, Burke & Grigsby LLP, Certified Public Accountants, Tulsa, OK. The Comparative Financial Statements shown here are for the years ended December 31, 2013 and 2014. East Central Electric's balance sheet reflects a 13.8 percent increase in assets. Capital credits and membership fees increased by \$8,586,740 which gave our members an equity level of 46.7 percent.

YOUR COOPERATIVE OWNS:	2014
Electric Plant Less Depreciation	160,863,338 46,605,896
Book Value Cash and Investments Patronage Capital Assoc. Organization CFC Investment Certificates Accounts Receivable Other Assets	114,257,442 2,549,364 22,044,710 1,451,393 6,257,873 5,448,361
otal Assets OUR COOPERATIVE OWES:	152,009,143
	20.770.502
Long Term Debt (RUS) Long Term Debt (CFC)	20,779,592 2,237,171
Long Term Debt (FFB)	28,572,165
ong Term Debt (CoBank)	8,487,316
Consumer Deposits	2,684,295
Other Liabilities	18,277,183
otal Liabilities	81,037,722

Your Net Worth		
13.8% 1.57% .97%		
OVER YEAR 2013		
<ul><li>Capital Credits &amp;</li><li>Other Equities</li><li>= \$70,804,566</li></ul>		
■ Total Liabilities & Equities = \$152,009,143		
■ Membership Fees = \$166,855		

#### **Growth in Meters**



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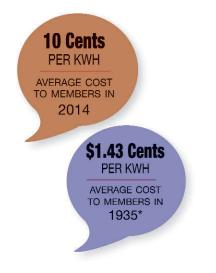
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### [2014 REVENUE DOLLARS]

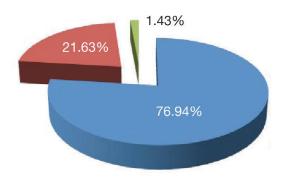
OPERATING REPORT	2014
Electric Sales	54,216,239
Less Cost of Purchased Power	32,619,996
Net Sales	21,596,243
Operating Expenses	12,342,775
Interest on Debt	2,404,876
Depreciation	4,690,764
Other Deductions	153,906
Total Expenses (Excluding Cost of Power)	19,592,321
Net Income From Electric Sales	2,003,922
Other Income	2,672,395
Total Margins and Capital Credits	4,676,317
OPERATING STATISTICS	2014
Meters	33,308
Miles of Line	6,182
Average number of meters/mile of line	5.39
Total Kilowatt-Hours (kwh) Sold	542,036,841

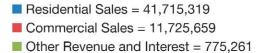
East Central Electric serves an average of 5.39 members per mile of line. Investor-owned utilities in Oklahoma serve 22.7 consumers per mile.

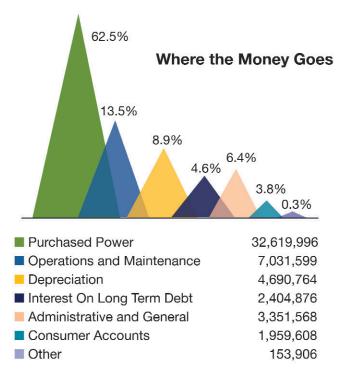


\* Cost adjusted for inflation.

#### Where the Money Comes From











#### DEMOCRATICALLY **CONTROLLED BY ITS** MEMBERS.

East Central Electric is governed by a seven-member board of trustees. These board members are elected by fellow co-op members through a democratic process that gives each member an opportunity to choose their co-op leadership. This process ensures your electric co-op remains focused on the needs of its members and is one of the seven principles that guide cooperatives.



President **LOWELL HOBBS** DISTRICT 2



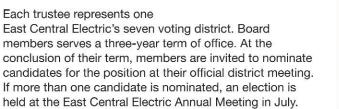
Vice President **LARRY HARVEY** DISTRICT 1



Sec. Treasurer **DWIGHT LUTHER** DISTRICT 7



Asst. Sec. Treasurer MAX SHOEMAKE DISTRICT 3





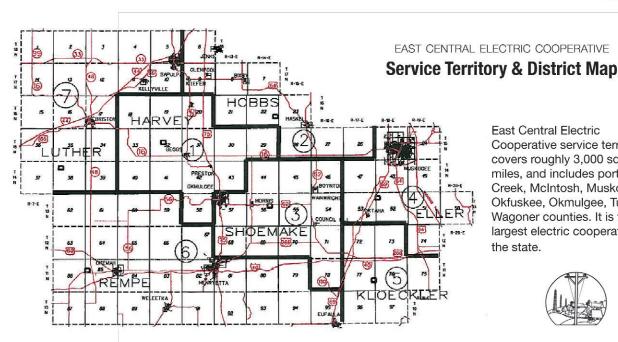
JIMMY ELLER DISTRICT 4



**ED KLOECKLER** DISTRICT 5



**JERRY REMPE** DISTRICT 6



East Central Electric Cooperative service territory covers roughly 3,000 square miles, and includes portions of Creek, McIntosh, Muskogee, Okfuskee, Okmulgee, Tulsa and Wagoner counties. It is the third largest electric cooperative in

the state.



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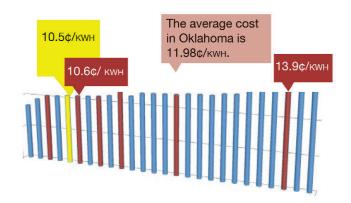


#### WORKING FOR YOU

East Central Electric Cooperative strives to provide reliable and affordable power for its members, but your co-op is working for you in other ways, too. Providing scholarships for local teens, hosting local blood drives and helping our members make their homes more energy efficient are just a few of the ways we aim to serve you. Meeting needs beyond the meter is part of our commitment to you and one of many value-added benefits you receive along the "cooperative way." Let's celebrate our 2014 achievements:

- Capital credits paid consistently since 1975, including an \$885,000 return in 2015. Since 1938, ECE has returned \$22.4 million in capital credits to members.
- Residential electric rate survey of 26
   Oklahoma utilities finds ECE members enjoy the fourth lowest electric rates.
- Operation Roundup pumps over \$1.2 million into local communities by providing funds for qualifying families and individual, nonprofit groups, civic organizations, fire departments, and charities. The funds come from ECE members who roundup their electric bill to the next whole dollar and contribute the remainder to Operation Roundup. The average ECE member contributes just 44 cents per year.
- Since 2008, ECE's energy efficiency rebate program has paid nearly \$300K in rebates to members. The program pays cash rebates to members who purchase and install energy efficient heat pumps, room air conditioners and water heaters.
- In 2014, forty-seven high school seniors receive \$21,000 in scholarship funds through the Operation Roundup college scholarship program. The program has provided scholarships for 472 local students since its inception in 2007.
- ECE members enjoy pharmaceutical savings using their Co-op Connections card. Since 2008, members save \$481,491.44 on prescription medicine. The card also provides discounts on dental, vision, and chiropractic care, lab work, and travel, dining, retail and other services.

# Comparison of Residential Electric Rates IN OKLAHOMA



- East Central Electric Cooperative
- Neighboring electric cooperatives
- All others including investor owned utilities, municipal-owned utilities and electric co-ops.
- ECE sponsored six high school juniors on the Rural Electric Youth Tour in 2014. Since 1964, 220 local teens have participated in the one-week tour of Washington DC.
- ECE employees donate 3,624 hours to the Oklahoma Special Olympic Summer Games.
   Co-op employees have volunteered for the special event for 26 years.
- ECE contributes to Operation Finally Home, which provided a new home near Bixby for an Oklahoma veteran and his family. Operation Finally Home works to provide homes for injured military veterans.











## EAST CENTRAL OKLAHOMA ELECTRIC COOPERATIVE, INC.

PO Box 1178 • Okmulgee, Oklahoma 74447 (918) 756-0833 • www.ecoec.com



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