

## Your Local Energy Partner

First Electric Cooperative is dedicated to ensuring that our members have access to safe, affordable and reliable power. First Electric pioneers formed the nonprofit cooperative because the quality of life and future of cooperative members depended on them. First Electric's members are more than just customers; they are owners of the cooperative.

Through the power of the cooperative business model, First Electric, as a nonprofit, has refunded more than \$86.6 million to our members since we started retiring capital credits in the 1940s!

### We Serve.

Technology changes rapidly. At First Electric, we believe it's our duty to provide our members with the facts regarding new and existing generation. Over the past five years, First Electric and our wholesale power provider have added wind, biomass and solar resources to its coal, natural gas and hydroelectric generation. These resources provide a diverse, reliable and affordable energy mix for First Electric members.

In 2016, First Electric embarked on a mission to provide renewable energy directly to our membership through the sale of prepackaged solar kits. The ready-to-install systems are available in both 4kW and 8kW arrays and are eligible for a 30 percent federal tax credit.

In addition, we began the construction of a 1 megawatt solar field at the Congo Operations Center in Benton. This system will power up to 125 homes on a clear day and reduce the cooperatives' peak demand.

### We Grow Communities.

First Electric helps communities within its service territory to grow and prosper. The cooperative sponsors community fundraising, development and service events while employees devote their time to volunteer projects. The cooperative has also funded more than \$900,000 through our members' support of Operation Round-Up (ORU). ORU is a voluntary program that members agree to have their electric bill rounded up to the next even dollar amount and excess funds are awarded to nonprofits in our service territories. This is just one example of how First Electric is helping the communities we serve continue to prosper.

### We are Local and Reliable.

First Electric maintains more than 9,600 miles of distribution line and 200,000 poles powering homes, farms and businesses. We work to maintain and improve our electric system to ensure maximum reliability. The cooperative's headquarters is located in Jacksonville and maintains local offices in

Benton, Heber Springs, Perryville and Stuttgart to provide our members with reliable, convenient, personalized service.

In 2016, completion of the Olmstead substation and a 2.5 mile transmission line relieved load from Gravel Ridge and Zion Hill substations – in the Jacksonville district. Also, Heber Springs East substation and a 1.2 mile transmission line to relieve load at the Heber Springs North substation were completed in the Heber Springs District.

The Operations department builds, maintains and repairs the systems more than 9,600 miles of lines. It's important to have facilities that are able to accommodate the equipment and employees needed to carry out that task. The Congo Operations center located in the Benton district was completed in 2016 to accommodate growth and serve as an emergency backup when the need arises.

### We Build Leaders.

First Electric prepares today's youth for leadership by partnering with 4-H, FFA, Electric Cooperatives of Arkansas Youth Tour to Washington, D.C. and other educational youth programs.

Last year, First Electric sponsored four students to represent the cooperative on the Youth Tour. The week-long trip to Washington, D.C. teaches students about the cooperative business model and introduces them to our nation's capital – with an emphasis on leadership. Also, five students each received a \$2,000 scholarship through the Operation Round-Up program. We believe we're investing in our future community leaders through these programs.

### We Educate.

First Electric educates our members on a range of subjects from electrical safety to energy efficiency to solar.

Safety is the top priority at First Electric. The cooperative teaches employees, members and communities how to avoid the potential hazards associated with energized lines and utility equipment. For elementary aged children, the Scott Davis "Making Accidents Disappear" Magic Show teaches them to stop, look and think. First Electric employees use a high-voltage safety trailer to demonstrate the danger of coming in contact with energized lines. This is used for school-aged to adult audiences and is effective in reminding them to always be aware of the potential hazards we encounter in our day-to-day lives.

We call it energy efficiency education, but it should be called smart energy! We help our members understand their usage and offer tips to reduce usage when possible. This is done through home energy audits conducted by marketing representatives who evaluate a home's efficiency and provide recommendations for improvements. Free walk-through and paid diagnostic audits are available at a member's request.

### We Are Your Local Energy Partner.

First Electric took on a great challenge 80 years ago. Pioneers committed not just to the business of electricity, but to the greater purpose of making lives and communities better.

This success is powered by board members and employees who understand and implement the membership structure and philosophical vision that electric utility cooperatives exist wholly to serve their members. This mission and structure is the essence and lifeblood of the electric cooperative business model and community. We are your friends and neighbors, and your local energy partner.

**Robert M. Hill**  
Chairman

**Don Crabbe**  
President/CEO



## Board of Directors

**Robert Hill**, Chairman, Perryville

**Larry Wood**, Vice Chairman, Lonoke

**Robert Maertens**, Secretary-Treasurer, Benton

**Jimmie Crockett**, Rose Bud **Rick Love**, Jacksonville

**Tom Hasty**, Almyra

**David Luebke**, Scott

**Tracy Hudspeth**, Drasco

**Karissa Rushing**, Benton

## Cooperative Principles

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

1. Voluntary and Open Membership
2. Democratic Member Control
3. Members' Economic Participation
4. Autonomy and Independence
5. Education, Training and Information
6. Cooperation Among Cooperatives
7. Concern for Community



## On the Cover

David Hannah, marketing representative demonstrates energy efficient lighting to students at Westbrook Elementary in Harmony Grove School District.



# 2016 Annual Report



First Electric  
Cooperative



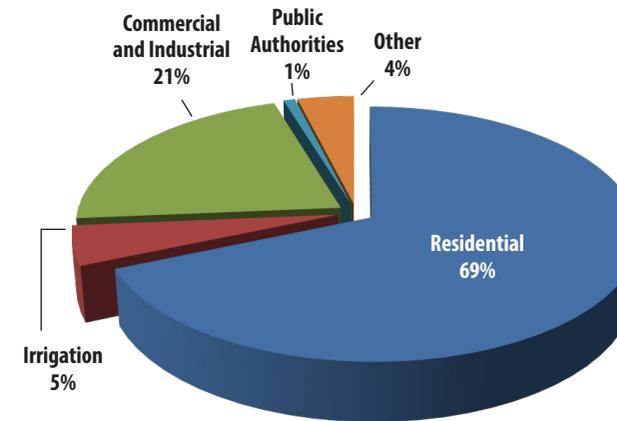
## Condensed Balance Sheet

Assets	2016	2015
Electric Plant	\$ 505,265,866	\$ 483,069,065
Less Accumulated Depreciation	\$ 156,618,627	\$ 147,868,461
Net Utility Plant	\$ 348,647,239	\$ 335,200,604
Other Assets	\$ 106,359,504	\$ 109,026,363
Current Assets	\$ 35,004,095	\$ 48,791,799
<b>Total Assets</b>	<b>\$490,010,838</b>	<b>\$493,018,766</b>
<b>Liabilities and Members' Equity</b>		
Members' Equity	\$ 242,814,398	\$ 234,291,028
Long-term Debt	\$ 198,256,172	\$ 206,263,222
Current Liabilities	\$ 24,179,769	\$ 28,198,429
Other Liabilities	\$ 24,760,499	\$ 24,266,087
<b>Total Liabilities and Members' Equity</b>	<b>\$490,010,838</b>	<b>\$493,018,766</b>

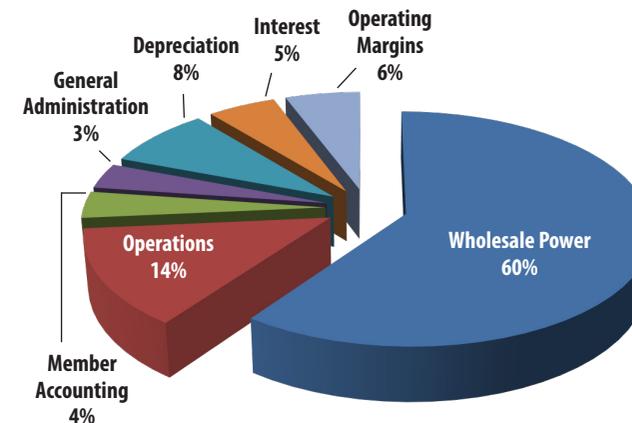
## Condensed Operating Statement

	2016	2015
<b>Operating Revenues</b>	<b>\$180,942,854</b>	<b>\$175,177,439</b>
Power Cost	\$ 108,549,366	\$ 106,432,526
Operations and Maintenance	\$ 37,605,023	\$ 37,444,538
Depreciation	\$ 14,971,115	\$ 14,620,661
Taxes	\$ 7,493	\$ 7,413
Interest	\$ 9,451,078	\$ 9,080,542
<b>Total Operating Expenses</b>	<b>\$ 170,584,075</b>	<b>\$ 167,585,680</b>
<b>Margins from Operations</b>	<b>\$ 10,358,779</b>	<b>\$ 7,591,759</b>
<b>Non-Operating Margins</b>	<b>\$ 5,828,845</b>	<b>\$ 4,156,062</b>
<b>Net Margins</b>	<b>\$ 16,187,624</b>	<b>\$ 11,747,821</b>

## Where the Dollar Comes From



## Where the Dollar Goes



## System Statistics

	2016	2015
Number of member accounts served	93,316	92,118
Miles of power line in operation	9,881	9,827
Number of accounts per mile of line	9.44	9.37
Total kWh bought by co-op members	1,910,046,327	1,902,547,525
Average monthly residential kWh usage	1,186	1,241
Average monthly residential bill	\$ 121.77	\$ 125.48
Average residential revenue per kWh	\$ 0.1027	\$ 0.1011
Total kWh purchased by cooperative	2,004,213,589	2,002,305,782
Total cost of power purchased by co-op	\$ 108,549,366	\$ 106,432,526
Number of employees	224	225
Number of distribution substations	44	44

### Counties served, property taxes paid

County	2016	2015
Arkansas County	\$ 273,259	\$ 266,048
Cleburne County	\$ 401,375	\$ 388,027
Conway County	\$ 69,783	\$ 63,563
Faulkner County	\$ 14,675	\$ 14,202
Garland County	\$ 1,947	\$ 1,881
Grant County	\$ 6,462	\$ 6,249
Independence County	\$ 2,258	\$ 2,188
Jefferson County	\$ 75,443	\$ 74,205
Lonoke County	\$ 578,525	\$ 561,577
Monroe County	\$ 7,051	\$ 6,811
Perry County	\$ 239,497	\$ 231,396
Prairie County	\$ 61,714	\$ 57,382
Pulaski County	\$ 455,905	\$ 441,989
Saline County	\$ 526,951	\$ 506,087
Stone County	\$ 9,596	\$ 9,332
Van Buren County	\$ 298	\$ 285
White County	\$ 290,708	\$ 281,946
Yell County	\$ 1,171	\$ 1,135
<b>Total property taxes paid</b>	<b>\$ 3,016,618</b>	<b>\$ 2,914,303</b>