

The Right Mix

First Electric achieved two milestones in 2012. The cooperative celebrated its 75th anniversary April 26 and issued the largest capital credit retirement on record of \$7.189 million in December. Both were accomplished, in part, by delivering affordable, reliable and safe power to our members through the right mix of generation – coal, hydropower, natural gas and renewable energy.

Generation and Transmission

Arkansas Electric Cooperative Corporation (AECC) provides First Electric and the 16 other distribution cooperatives with the electricity needed to power members' homes, businesses and farms. AECC, a generation and transmission cooperative, was formed in 1949 and now has assets of more than \$1.5 billion and annual energy sales exceeding \$653 million.



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. This generation mix, now totaling about 3,418 megawatts, enables AECC to deliver dependable wholesale electricity.

Progress

The progress that has been made during the past 75 years has taken a small rural electric cooperative that began with only three employees to one of the largest cooperatives in the state. First Electric now has more than 88,000 active meters, 9,600 miles of line and 225 employees across five districts.

In 2012, First Electric completed the Wabbaseka substation, replacing the metering point previously served by Entergy. The substation delivers more reliable service to our members in the Stuttgart district.

First Electric now has the ability to respond and analyze system data remotely. In December 2012, the Supervisory Control and Data Acquisition (SCADA) system was launched. It enables First Electric to monitor and control each of its substations, improve load management and reduce outage lengths and system losses.

Also in 2012, First Electric debuted Prepaid metering. This new payment option gives members the flexibility to pay as they go. There are no due dates, no shut-off notices, no penalties for paying late, no fee for reconnecting service and typically no security deposits.

Paysite kiosks were installed throughout First Electric's service areas.

Members can pay with cash, check or credit cards at sites with extended operating hours and convenient locations.

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 and implementing energy efficiency.

First Electric marketing representatives

are certified by the Building Professional Institute. This certification qualifies them to perform and present a comprehensive residential diagnostic energy audit to members using blower door, infrared camera and duct blaster technology. 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. They visually inspect a home and evaluate the energy efficiency of the building, household appliances, heating and cooling systems and lighting.

First Electric members who apply for the \$50,000 Energy Efficiency Makeover Contest have an added bonus – their applications are submitted to First Electric's mini makeover contest. One home is selected from each district to receive a \$5,000 makeover.

Safety

Above all else, safety is THE top priority at First Electric. To reinforce its importance, weekly safety meetings are conducted for field personnel and yearly meetings are held for internal employees. The culture at First Electric embraces safety and respects the potential hazards associated with working closely to energized lines and utility equipment.



Members interact with electricity on a daily basis, so First Electric provides educational opportunities for them as well. "Making Accidents Disappear" is presented by magician Scott Davis to elementary-age children to teach them how to stay safe around electricity. For adolescents and adults, First Electric employees use a high-voltage safety trailer to demonstrate first-hand the danger of coming into contact with energized lines.

Service Driven Not Profit Driven

In 2012, First Electric distributed the largest capital credit retirement in the history of the cooperative, a record-setting \$7.189 million. The cooperative was able to provide this return by operating on sound business principles established when the cooperative formed in 1937.

Almost 100 businesses in First Electric's five districts participate in the Co-op Connections card. The card allows members to save money on products and services at participating businesses. In addition, it enables members to save money on acute care medications. The prescription savings for 2012 totaled \$124,295 on 5,872 prescriptions. Retail value of the prescriptions was \$319,553, bringing the savings to more than 38 percent.

Operation Round-Up is a program that allows members to participate and nonprofit organizations in the cooperative's service area to prosper. Since 1998, the generosity extended by First Electric members who "rounded up" their bills to the next even dollar amount has resulted in donations totaling more than \$585,000.

For 75 years, First Electric has focused on delivering safe, affordable and reliable power using the right mix of generation. That's our promise for the next 75 years and beyond.

Robert M. Hill
Chairman

Don Crabbe
President/CEO

Board of Directors

Robert Hill
Chairman
Perryville

Peggy Cusick
Benton

Larry Wood
Vice-Chairman
Lonoke

Tom Hasty
Almyra

Robert Maertens
Secretary-Treasurer
Benton

Rick Love
Jacksonville

Jimmie Crockett
Rose Bud

David Luebke
Scott

Jody Swaffar
Quitman

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

2012 Annual Report



First Electric
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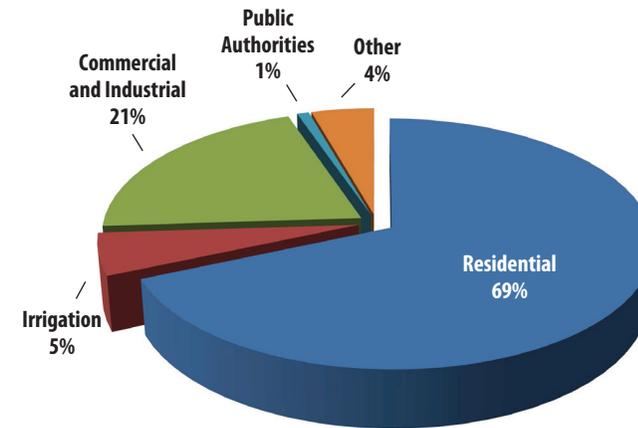
Condensed Balance Sheet

Assets	2012	2011
Electric Plant	\$ 434,913,432	\$ 421,893,987
Less Accumulated Depreciation	\$ 130,764,747	\$ 123,259,791
Net Utility Plant	\$ 304,148,685	\$ 298,634,196
Other Assets	\$ 94,286,760	\$ 86,634,584
Current Assets	\$ 32,505,616	\$ 32,377,817
Total Assets	\$430,941,061	\$417,646,597
Liabilities and Members' Equity		
Members' Equity	\$ 207,229,057	\$ 193,070,865
Long-term Debt	\$ 182,739,107	\$ 187,118,623
Current Liabilities	\$ 21,609,814	\$ 19,186,484
Other Liabilities	\$ 19,363,083	\$ 18,270,625
Total Liabilities and Members' Equity	\$430,941,061	\$417,646,597

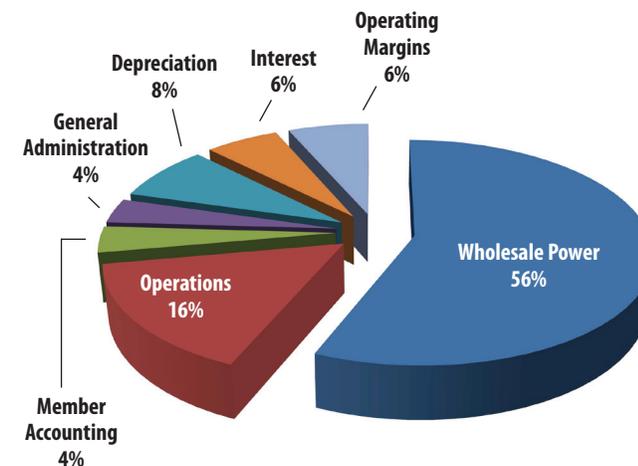
Condensed Operating Statement

	2012	2011
Operating Revenues	\$167,741,074	\$165,768,065
Power Cost	\$ 94,538,800	\$ 101,278,973
Operations and Maintenance	\$ 38,820,682	\$ 35,204,171
Depreciation	\$ 13,468,311	\$ 13,035,236
Taxes	\$ 7,598	\$ 7,095
Interest	\$ 9,965,024	\$ 10,219,658
Total Operating Expenses	\$156,800,415	\$159,745,133
Margins from Operations	\$ 10,940,659	\$ 6,022,932
Non-Operating Margins	\$ 10,654,588	\$ 10,154,938
Net Margins	\$ 21,595,247	\$ 16,177,870

Where the Dollar Comes From



Where the Dollar Goes



System Statistics

	2012	2011
Number of member accounts served	89,590	88,389
Miles of power line in operation	9,680	9,662
Number of accounts per mile of line	9.26	9.15
Total kWh bought by co-op members	1,854,698,636	1,868,272,111
Average monthly residential kWh usage	1,205	1,273
Average monthly residential bill	\$ 117.13	\$ 125.20
Average residential revenue per kWh	\$ 0.0972	\$ 0.0984
Total kWh purchased by cooperative	1,957,842,129	2,003,311,464
Total cost of power purchased by co-op	\$ 94,538,800	\$ 101,278,973
Number of employees	225	224
Number of distribution substations	43	43

Counties served, property taxes paid

County	2012	2011
Arkansas County	\$ 225,299	\$ 218,027
Cleburne County	\$ 338,063	\$ 326,280
Conway County	\$ 54,253	\$ 52,269
Faulkner County	\$ 12,385	\$ 11,900
Garland County	\$ 3,641	\$ 1,755
Grant County	\$ 6,015	\$ 5,820
Independence County	\$ 2,085	\$ 2,009
Jefferson County	\$ 68,990	\$ 67,352
Lonoke County	\$ 523,841	\$ 502,746
Monroe County	\$ 6,429	\$ 6,398
Perry County	\$ 211,089	\$ 198,522
Prairie County	\$ 52,795	\$ 51,464
Pulaski County	\$ 418,427	\$ 398,172
Saline County	\$ 439,102	\$ 421,129
Stone County	\$ 7,565	\$ 7,197
White County	\$ 262,837	\$ 254,720
Yell County	\$ 968	\$ 1,025
Total property taxes paid	\$ 2,633,784	\$ 2,526,784