



Cullman Electric Cooperative

2024 ANNUAL REPORT

Providing Reliable Power for Today and Tomorrow

By Robert Tidwell
Chairman, Cullman EC Board of Trustees



Cullman Electric Cooperative is always looking ahead, exploring ways to innovate and utilize new technologies to improve our services. As our nation increasingly relies on electricity to power the economy, keeping the lights on has never been more important. We're committed to powering — and empowering — our community at a cost local families and businesses can afford.

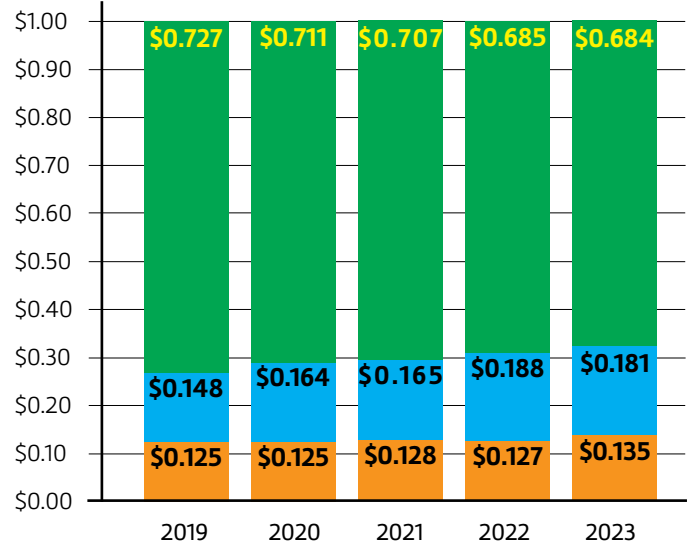
As chairman of the Cullman Electric Cooperative board of trustees, I have a unique perspective on how your co-op's leadership team and employees are working to ensure reliable and affordable power while adapting to a changing energy landscape and our community's evolving needs?



One critical component of reliable power is the mix of energy resources used to generate the electricity that keeps the lights on across our service area. You may not realize it, but Cullman Electric doesn't generate electricity. Instead, we purchase it from our energy provider, TVA, and from there, we distribute it to homes and businesses throughout our community. TVA's current energy resource mix is made up of primarily nuclear (42%) and natural gas (28%) with the remaining 30 percent split between coal and renewable energy resources (hydroelectric, solar and wind).

We're seeing an increase in electricity generated from renewable energy sources, but we still depend on a diverse energy mix to ensure reliable power that's available to our members whenever they need it. Cullman EC along with more than 150 other local power companies that distribute TVA power work together to make sure TVA is listening and responding to its members as it navigates this changing energy landscape.

Distribution of Expense Dollar



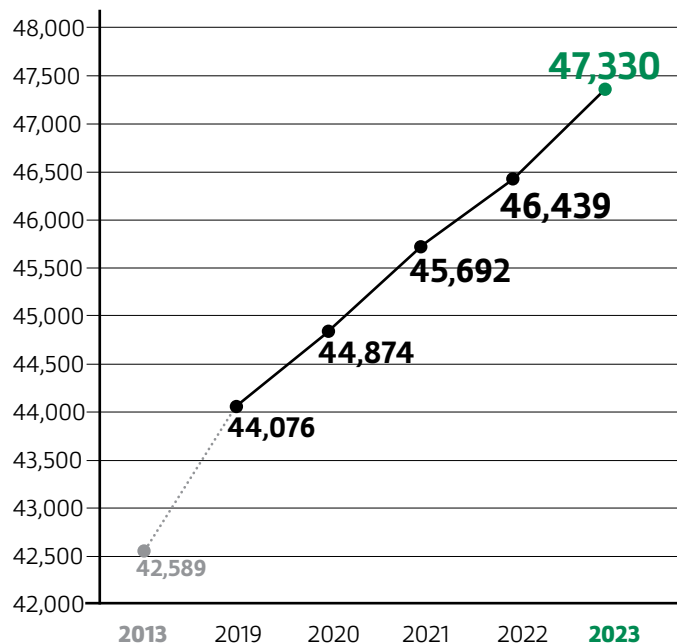
- Purchased Power from TVA
- Depreciation, Taxes & Interest
- Operations & Maintenance, Administrative & General; Consumer Accounts & Member Service

Despite rising costs, Cullman Electric has worked to control spending while maintaining service. In 2023, more than 68 cents of every dollar the co-op spent went to TVA to purchase electricity.

Another component of affordability is fairness. The cooperative business model is founded on the idea that each member, working together and doing their part, results in a service that everyone benefits from. The management team at Cullman Electric is working to make sure that local electric rates and other service-related expenses are applied fairly and accurately. If changes are required, we'll have that data to show why changes are necessary and to make sure those changes are implemented in a way that is fair.

As a distributor, we don't control how electricity is generated, but we can control how members receive outstanding service. Cullman Electric's board of trustees takes great pride in knowing that everything Cullman Electric does to serve its members is accomplished with approximately 30 cents from every dollar of revenue. The other 70 cents go directly to TVA to pay for wholesale electricity.

Member Accounts

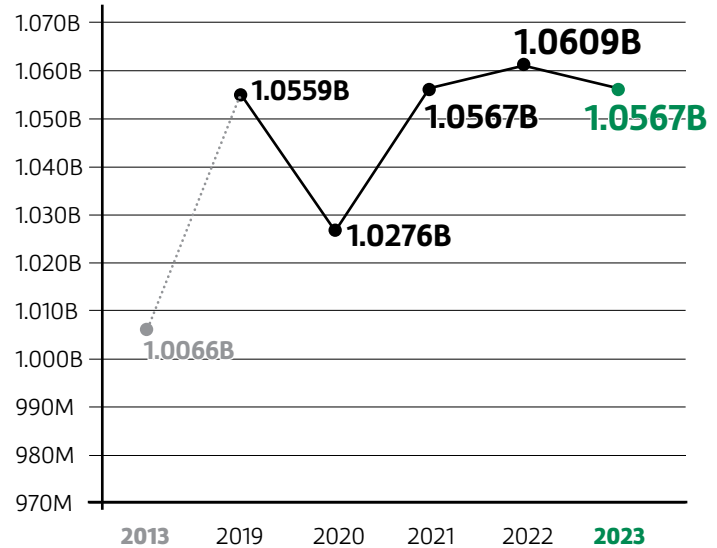


Cullman Electric added 891 meters during FY2023, bringing the total over the past four years to more than 3,200 new member accounts. *By the end of the 2023 calendar year, Cullman EC had surpassed 48,000 meters on its system.*

Your cooperative is using technology to enhance our local grid, limit service disruptions and improve outage response times. Cullman Electric uses advanced metering technology, also known as AMI, for two-way communication between the co-op and consumers. In the event of a power outage, AMI helps pinpoint the exact location of the outage and can even analyze damaged or tampered meters. AMI helps us save money with real-time data, and ultimately improves power reliability for our entire community.

Proactive tree trimming is another way we limit service disruptions. Scheduled trimming keeps power lines clear from overgrown limbs that are likely to fall. Drone inspections of lines and vegetation have allowed us to reduce labor and equipment costs while bolstering reliability. As technology advancements become more accessible, we anticipate using advanced mapping software to better maintain the environment while providing more reliable service.

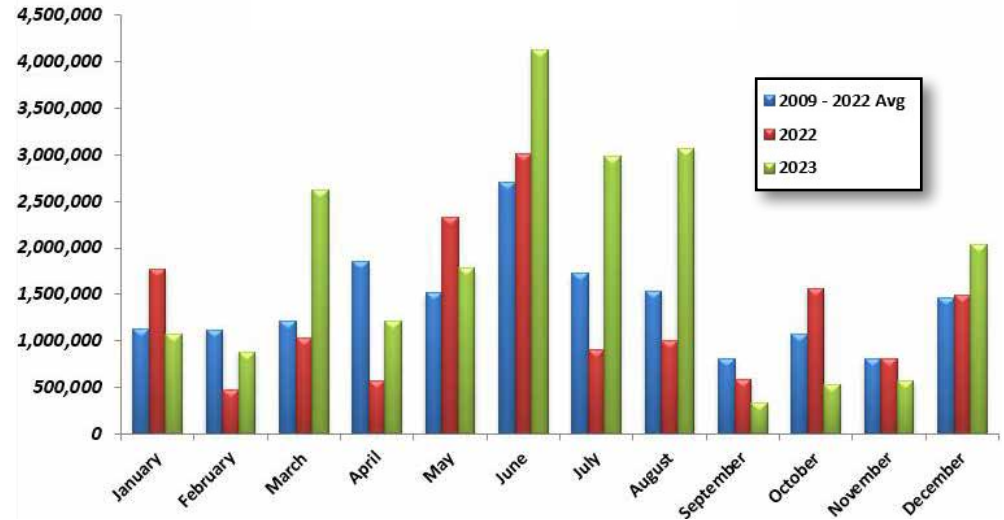
KiloWatt Hours Sold (billions)



Electricity consumption has rebounded from the 2020 drop caused by COVID-19, but has not grown at the same pace as new member accounts due to energy efficiency. Even though people are more dependent on electronic devices than ever before, *new homes and buildings as well as major appliances are being built with new technologies that use less electricity.*

One of the best methods for improving our services to you is monitoring trends and leading practices from other electric co-ops. I've been able to attend many conferences and training seminars during my time on the co-op board, and I've visited with co-op leaders from Alabama and across the country. I see what others are doing and how they do it, and it's why I can tell you with confidence and pride that Cullman Electric Cooperative is one of the best in the country. ■

2023 Average Customer Minutes Out



Major storm events in March and again during the summer months resulted in Cullman Electric members experiencing more total minutes of power outage in 2023 than in previous years. The good news was *in seven of the 12 months during the past year, outage minutes were fewer than the same month in the previous year or were below the same-month average over the past 14 years in which this data has been tracked.*

Balance Sheet

As of June 30, 2023 and 2022

Assets	2023	2022
Net Utility Plant	237,925,276	207,783,952
Other Assets and Investments	7,528,880	6,602,686
Current and Accrued Assets	30,892,630	40,156,225
Deferred Debits	462,531	1,571,479
Total Assets	\$276,809,317	\$256,114,342
Equities and Liabilities		
Equities	132,975,767	129,100,462
Long-Term Liabilities	109,907,595	94,319,175
Current Liabilities	33,925,955	32,694,705
Total Equities and Liabilities	\$276,809,317	\$256,114,342

Cullman Electric Cooperative's fiscal year 2023 consolidated financial statements were audited by the independent accounting firm of Jackson Thornton. The audited financial statements and the independent auditors' reports are available for your review by appointment at the offices of Cullman Electric Cooperative, 1749 Eva Road Northeast, Cullman, Alabama.

Statement of Revenue and Expenses

For Years Ended June 30, 2023 and 2022

	2023	2022
Operating Revenue	143,268,393	128,146,185
Expenses:		
Purchased Power	95,259,831	85,057,846
Operations and Maintenance	13,173,054	11,529,701
Consumer Accounts and Member Service	4,000,392	4,387,125
Administrative and General	8,394,832	7,369,077
Depreciation	10,094,708	9,113,808
Taxes	5,758,166	4,486,213
Interest	3,020,199	2,127,602
Total Expenses	139,701,173	124,071,372
Non-Operating Margins	802,304	537,887
Net Operating Margins	4,369,524	4,612,700
Income Tax Expense & Deferred Income Tax Benefit	(642,516)	711,623
Other Comprehensive Income (Loss)	145,347	110,848
Net Margins for the Year	3,872,355	5,435,171