

[FROM YOUR PRESIDENT]

Making Progress in 2014 and Beyond

At 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.



By Lowell Hobbs
PRESIDENT OF THE
BOARD OF TRUSTEES

For example, through careful management and sound business practices, your trustees recently approved a payment of \$885,000 in patronage capital to our members—an increase of \$120,000 over last year. This doesn’t happen 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 co-op 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.”



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[MANAGER'S REPORT]

Your Cooperative Is Your Advocate

At 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 our service, just the same.



By Tim Smith
GENERAL MANAGER

At the top of our list are Environmental Protection Agency (EPA) regulations on existing power plants. EPA issued these regulations on June 2, 2014, asking states to submit plans for meeting the emission requirements defined under the Clean Power Plan. The uproar over these actions resulted in endless hearings, testimonies, letters of protest, legal filings, mass emails to legislators and federal officials, and considerable finger pointing on both sides of the issue.

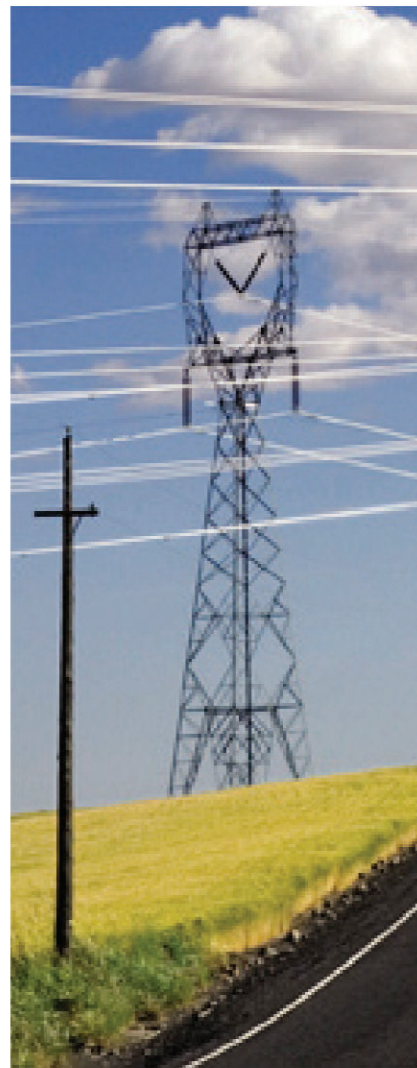
Here at East Central Electric, we applaud efforts to protect the environment by reducing power plant emissions, but we frown on the EPA's lack of concern for the more immediate consequences of compliance. Forcing power plants to begin meeting emission goals in 2020 spells one thing for our members —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

Your trustees take these predictions very seriously and so should you. After listening to utility testimony for the past year, the EPA will release its final rules on greenhouse 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.

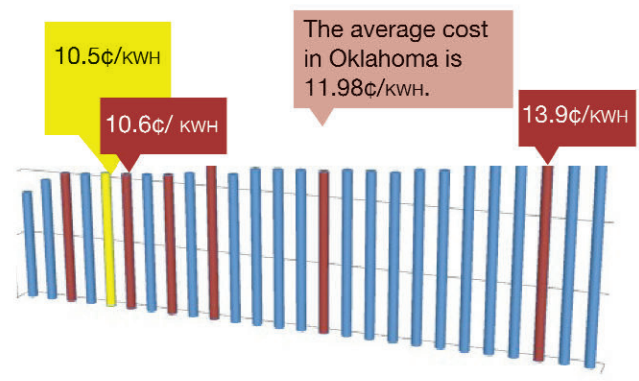


[WORKING FOR YOU]

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

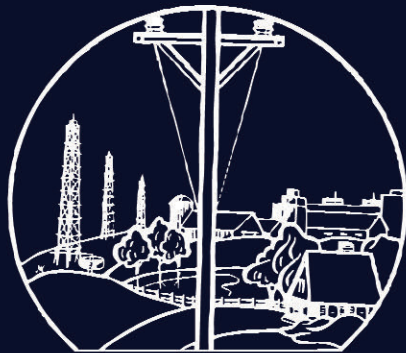


- East Central Electric Cooperative
- Neighboring electric cooperatives
- All others including investor owned utilities, municipal-owned utilities and electric co-ops.

- 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.

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