



Cullman Electric
Cooperative
2022 ANNUAL REPORT



Cooperative leadership

By Robert Tidwell

What makes a good leader? If the question sounds like a theme from a motivational speech, that's because it's a subject at the heart of countless bestselling self-help and business books, popular podcasts and videos.

The reality is that there is no straightforward formula. And therein lies the challenge. Leadership is not one action you take and continue to repeat until you reach an end point. Leadership takes many forms, and the path is not linear. Some leaders emerge through a trial by fire — where they find themselves in a crisis or challenging situation beyond their control and rise to the occasion. Others steadily become a force and influencer beyond their years or station in life or work.

At Cullman Electric Cooperative, I believe the key to success starts with servant leadership. Cooperatives were created for the purpose of serving the greater good, anticipating the needs of others and being good stewards of our collective resources. For all of us who serve on the board of trustees, it is an honor to provide guidance for setting co-op priorities and helping make big decisions. Serving on the co-op board is special because all of us, like you, are members of Cullman Electric.

Our employees have the same approach and attitude when it comes to leadership and serving our members. They care about our community the same way you do, and are invested in working to help it grow.

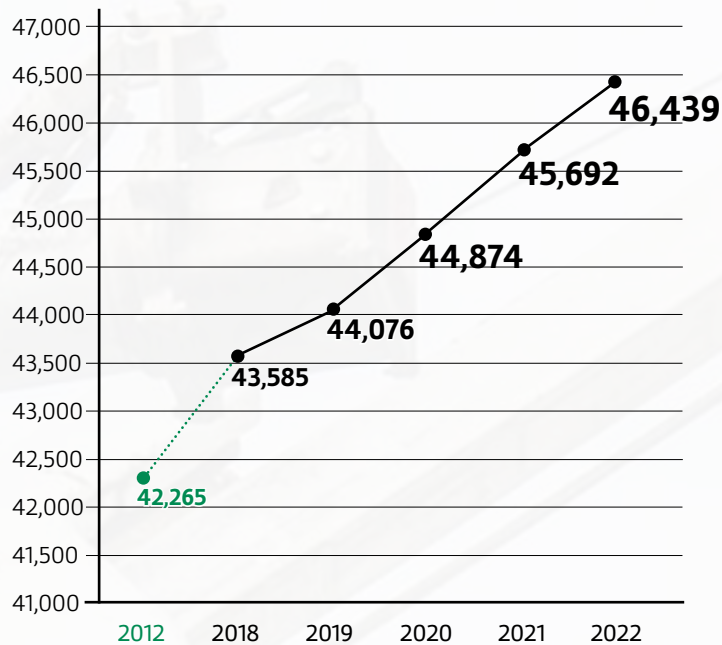
Looking back over the past year, Cullman Electric Cooperative has much to be proud of. We added more than 700 new members, surpassing 46,000 member accounts for the first time in the co-op's history. That growth has come with major challenges as inflation and supply chain issues have made it hard to find the poles, wire and transformers and other equipment necessary to meet our growing demand. It wasn't easy, but we found a way to get the job done.

At the same time, Sprout Fiber Internet has experienced tremendous growth with more than 5,000 subscribers enjoying the benefits of gigabit-speed internet service. In less than two years since Sprout's first in-home installation, thousands of co-op members are benefiting from a project the co-op started with two primary goals — to improve the quality of our electric service through better communication, and to give our members access to high-speed internet service that was not available in the communities we serve.

As a co-op, our mission is to enhance the quality of life in our community and look after its long-term interests. Cullman Electric Cooperative did that in 2022, and we are excited about doing even more in 2023. We love serving our members and our local community, and just like you, want to see it continue to thrive. ■

Robert Tidwell is the chairman of the Cullman Electric Cooperative Board of Trustees.

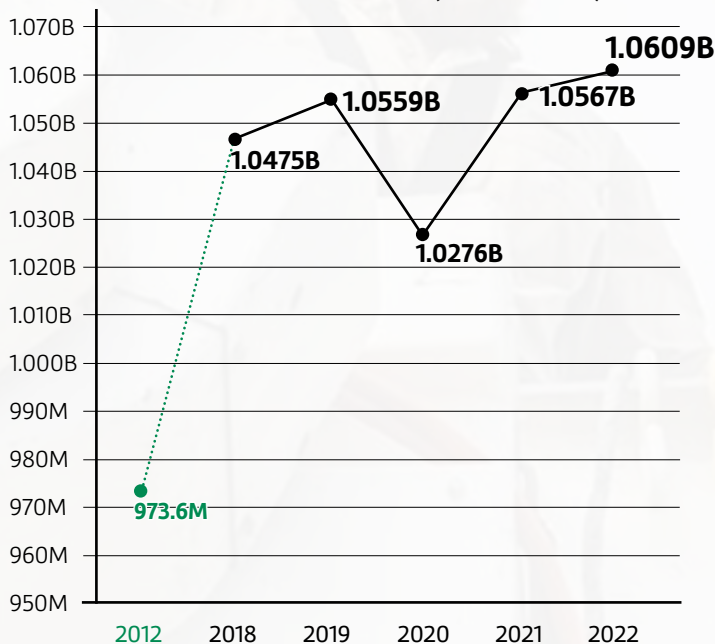
Member Accounts



The co-op is growing

Cullman Electric has added more than 4,000 member accounts since 2012, a 9% increase in total accounts. Growth was slow but steady from 2012 through 2019, but the past three years has seen tremendous growth, driven by new housing developments across Cullman County and growth on Smith Lake.

KiloWatt Hours Sold (billions)



More members = more sales

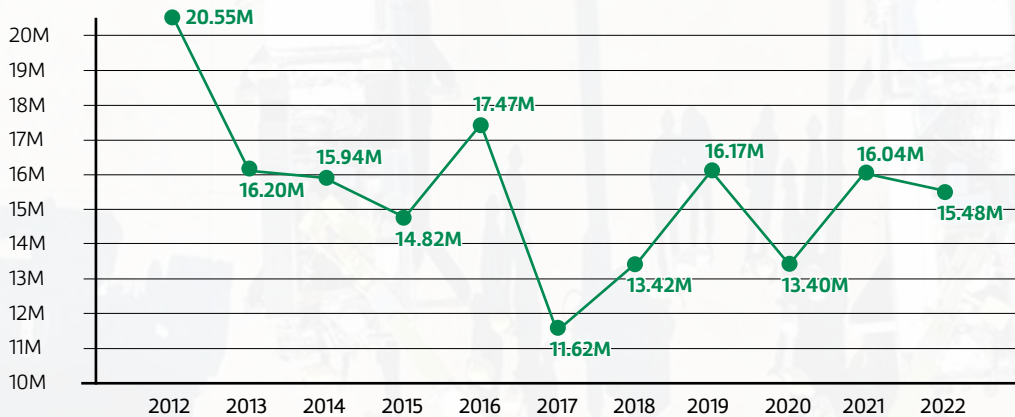
As Cullman Electric continues to grow, the co-op sells more electricity to its members. The drop in sales for 2020 was due to the decrease in industrial activity during the COVID shutdown, but sales returned to normal in 2021. Electricity consumption has not grown at the same pace as new member accounts due to energy efficiency. Even though people are more dependent on electronic devices than ever before, new home and building construction as well as major appliances are being built with new technologies that use less electricity.

Keeping the lights on

The frequency of power outages is often dictated by factors beyond the co-op's control. Lightning and trees are common causes during stormy weather while squirrels and car accidents are often the cause when the skies are clear. But, Cullman Electric is using technology to track and control both the frequency and length of power outages. Heat maps can reveal if a certain area is having continuous problems. Drones are used during preventative maintenance and during outages to view power lines in areas that can't be accessed by trucks and would take hours to cover on foot.

The total customer minutes out for 2022 (using estimated annual average for December), represents a 99.94 percent reliability rating. In real time, that means the average co-op member was without power for 5 hours and 15 minutes for the whole year.

Customer Minutes Out (millions)



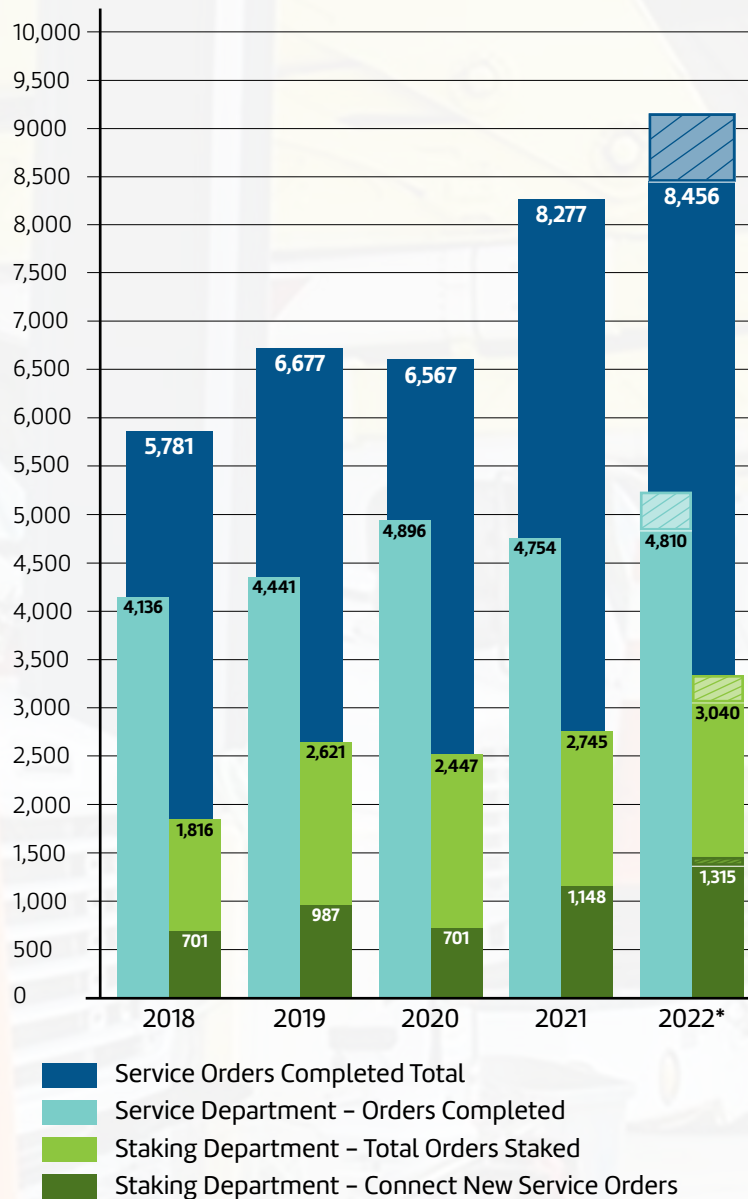
If 100 co-op members are out of power for one hour:
 $100 \text{ (members)} \times 60 \text{ (minutes)} = 6,000 \text{ customer minutes out}$

Operations highlights

Working with TVA, Cullman Electric is in the process of revamping its transmission and substation architecture, including several new transmission lines that will feed new substations. New stations being built in Trade and Berlin will be finished in 2023. Preliminary work has started for new stations coming to Jones Chapel, Hanceville Industrial and Holly Pond. Projected industrial and residential load growth will put the co-op at higher peak demands than the system has ever seen. These substations and transmission lines, combined with continued voltage conversions and line reconductors on the distribution side, will supply the base capacity to make this possible.

The fiber-optic "ring" connecting all of Cullman EC's substations is now complete, and has opened the door to a new, modern approach to system operations. The co-op now has 24/7 security monitoring, and is approaching 20 down-line devices connected to our own private network by the end of 2022. We are delivering on the promises made when Sprout was first announced, providing internet to our members but also building an electric system that is preparing for the future.

Operations Work Orders



* - Orders from January through November 2022

▨ Indicates estimated additional orders from December 2022

A record-setting year for work

As membership in Cullman Electric grows, so does the work required to deliver safe, reliable electricity. The operations department has worked a record number of service orders each of the past two years, with the 2022 total expected to exceed 9,000 service orders completed by the service department, construction crews, contractors and the meter department. This work includes building new power lines, new service connects, disconnects, pole or transformer changeouts, security light installation or repair, or any other work done on the co-op's system.

Staking engineers are responsible for designing the co-op's power distribution system and planning the construction for new electrical services, service upgrades to existing structures, electrical infrastructure for new developments, relocations, and routine maintenance. Since 2018, Cullman Electric's staking department has seen its average work orders per month increase by 121 percent, with more than one-third of all orders coming for new services.

	2018	2020	2022	Increase since 2020
MATERIALS				
8 Foot Crossarm	\$40	\$40	\$98	145%
3/8" EHS Guy Wire	\$0.39	\$0.32	\$0.68	113%
#6 bare solid copper (lb.)	\$4.65	\$3.63	\$5.97	64%
PVC 3" (foot)	\$1.13	\$1.06	\$5.83	450%
TRANSFORMERS				
25 KVA Pad Transformer	\$1,517	\$1,517	\$2,450	62%
50 KVA Pad	\$1,362	\$1,782	\$2,775	56%
15 KVA Pole Mount	\$830	\$830	\$1,035	25%
25 KVA Pole Mount	\$996	\$996	\$1,240	25%
500 KVA Three Phase Pad	----	\$10,120	24,000	137%
2500 KVA Three Phase Pad	\$32,600	\$32,900	\$70,225	113%
POLES				
5/35 Wood Pole	\$128	\$133	\$165	24%
4/40 Wood Pole	\$195	\$201	\$236	17%
3/45 Wood Pole	\$269	\$279	\$390	40%

The price of doing business

Inflation and supply chain limitations are impacting every business and industry, and we see the results here in Cullman every day. Essential supplies for providing electricity are taking longer to get. The lead time to order and receive transformers has gone from several months up to a year or more. Some materials for building power lines and substations have more than doubled in price. These issues are the same reason we are seeing price increases at the grocery store and why some of our favorite items aren't on the shelf or are in limited supply.

Distribution of Expense Dollar

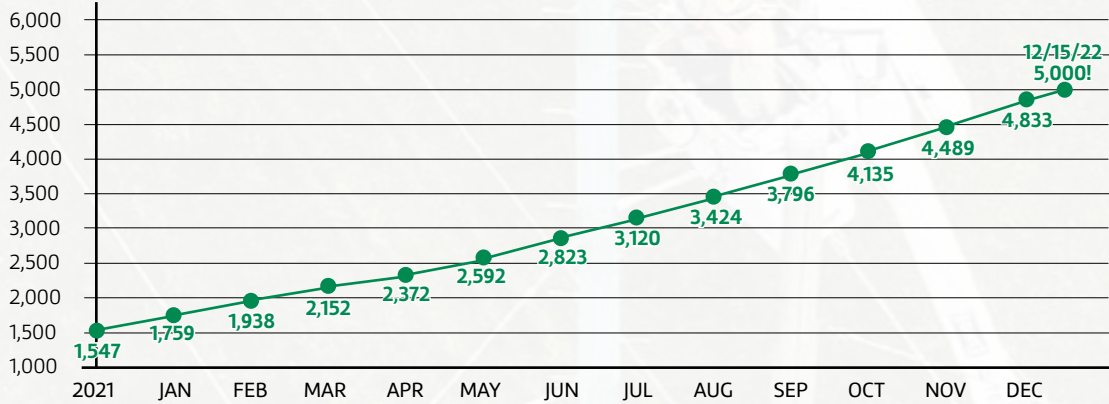


As the costs associated with providing safe, reliable electric service have increased, Cullman Electric's expenses for operations & maintenance, administrative & general expense, and consumer accounts & customer service (see *Statement of Revenue and Expense* on page 3) experienced a small increase last year.

More than 68 cents of every dollar Cullman Electric spent in 2022 went to the Tennessee Valley Authority (TVA) to purchase electricity.

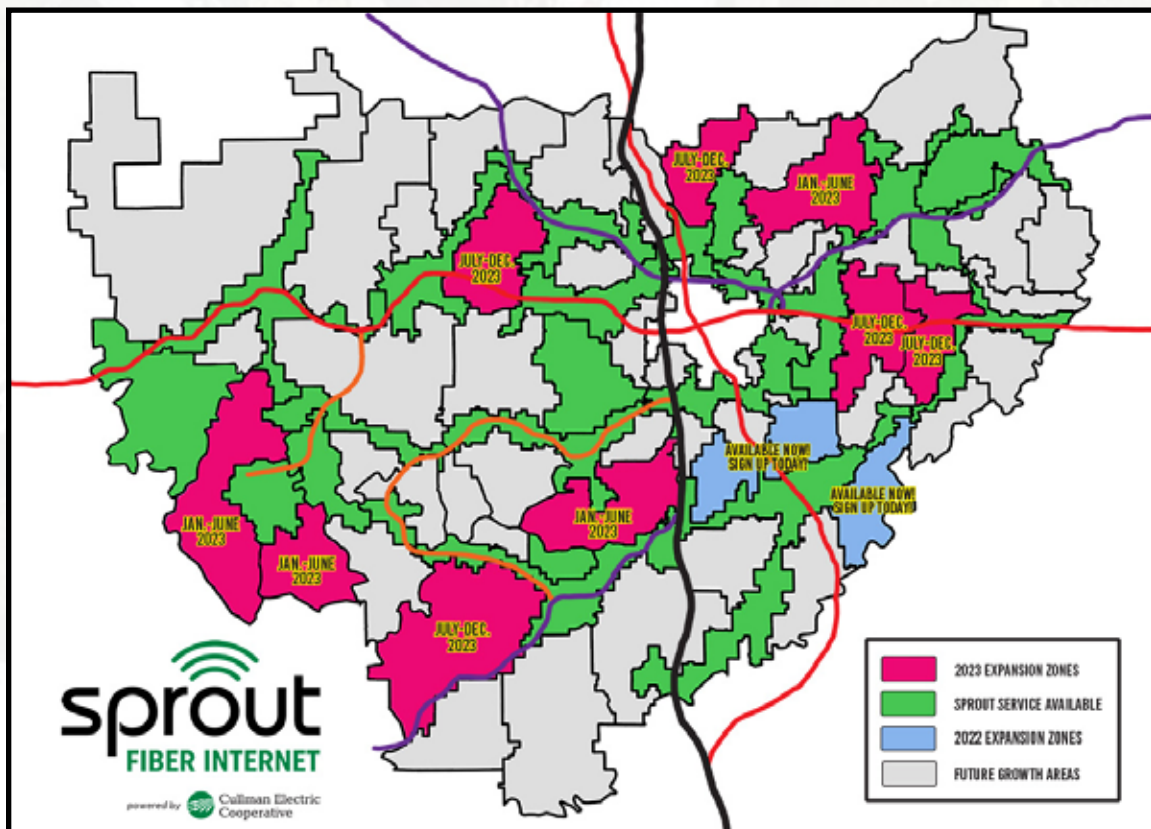
- Purchased Power from TVA
- Operations & Maintenance, Administrative & General; Consumer Accounts & Member Service
- Depreciation, Taxes & Interest

Sprout Fiber Internet Subscriber Growth in 2022



Sprout Fiber Internet has added more than 3,000 subscribers during 2022, and in December surpassed 5,000 subscribers in less than two years since the first in-home installation was activated. Sprout is currently available to more than 16,000 co-op members, and expansion plans for 2023 will make Sprout available to an additional 7,700 Cullman EC members while adding more than 500 miles of fiber-optic cable to the co-op's infrastructure.

High demand for Sprout from co-op members combined with material shortages due to supply chain issues and rising costs have prevented Sprout from expanding as quickly as planned. Every appointment on the installation scheduled is booked more than four weeks out, meaning some areas scheduled for service in 2022 will go live in 2023.



Balance Sheet

As of June 30, 2022 and 2021

Assets	2022	2021
Net Utility Plant	207,783,952	183,013,034
Other Assets and Investments	6,602,686	6,303,820
Current and Accrued Assets	40,156,225	40,249,936
Deferred Debits	1,571,479	1,743,898
Total Assets	\$256,114,342	\$231,310,688
Equities and Liabilities		
Equities	129,100,462	123,662,546
Long-Term Liabilities	94,319,175	78,588,220
Current Liabilities	32,694,705	29,059,922
Total Equities and Liabilities	\$256,114,342	\$231,310,688

Statement of Revenue and Expenses

For Years Ended June 30, 2022 and 2021

	2022	2021
Operating Revenue	128,146,185	117,737,533
Expenses:		
Purchased Power	85,057,846	79,741,715
Operations and Maintenance	11,529,701	10,182,904
Consumer Accounts and Member Service	4,387,125	2,915,086
Administrative and General	7,369,077	5,746,748
Depreciation	9,113,808	8,108,416
Taxes	4,486,213	4,192,375
Interest	2,127,602	2,402,934
Total Expenses	124,071,372	113,290,178
Non-Operating Margins	537,887	497,772
Net Operating Margins	4,612,700	4,945,127
Other Comprehensive Income (Loss)	110,848	(165,696)
Net Margins for the Year	5,435,171	4,779,431

Cullman Electric Cooperative's fiscal year 2022 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.