

2024 ANNUAL REPORT



Cullman Electric
Cooperative

During my time on the Cullman Electric Cooperative board of trustees, I have gained an understanding and appreciation for how a member-owned cooperative is different than other businesses.

As a not-for-profit cooperative business, decisions are made locally by an elected board of co-op members. We live here. Most of us were born and raised here. We remember what things were like — the good and the bad — and we consider it an honor to have a part in Cullman Electric's role as a driving force for progress in this place we're proud to call home.

Everyone who pays to receive electricity from the co-op is a member. When you pay your electric bill each month, your money stays here — to pay for the electricity used, or to make improvements to our local system to strengthen service reliability. The money you pay the co-op doesn't line the pockets of shareholders five states away. As a co-op, we exist to provide services to you, our local members.

Cullman Electric is striving to keep our costs as low as possible so we can keep more money in your pocket. We want to help you maximize the value you can get from our services and offerings. In

recent years, we've made significant investments to make our electric infrastructure more resilient, improving reliability today while also positioning the co-op to handle the future energy demands of our growing community.

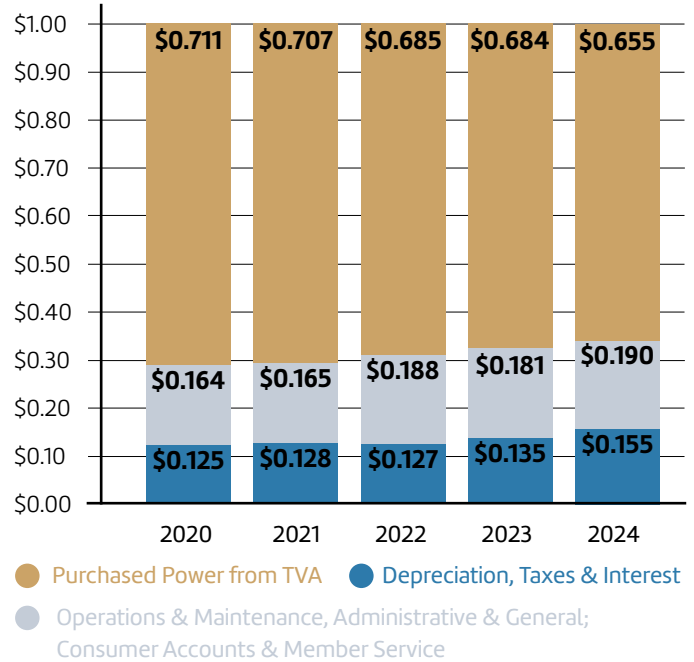
We've also accepted the challenge of delivering high-speed broadband internet to every home and business in our service area. Sprout Fiber Internet is improving the quality of life for everyone who subscribes. And the technology benefits every Cullman Electric member as more fiber-enabled equipment on the electric grid leads to fewer and shorter power outages.

Co-ops adhere to seven guiding cooperative principles that reflect core values of honesty, transparency, equity, inclusiveness and service. We exist to serve you and provide the quality, reliable, friendly service you expect and deserve. While we are growing, we're still driven by the same guiding principles to serve our community.



Robert Tidwell is chairman of the Cullman Electric Cooperative board of trustees.

Distribution of Expense Dollar



Despite rising costs, Cullman Electric has worked hard to control spending while providing the outstanding service co-op members expect. In 2024, more than 65 cents of each dollar the co-op spent went to TVA to purchase electricity.



**VIDEO
INSIGHTS**

The 2024 Annual Report includes video interviews with Cullman Electric employees. Click on the red play button next to a picture to learn more.

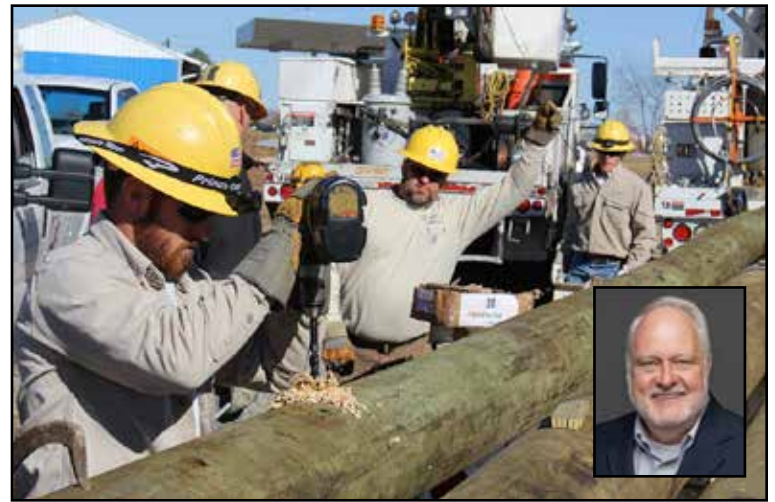
Growth

If driving through Cullman or spending a day on Smith Lake isn't enough to convince you our community is growing, here are some statistics:

According to usafacts.org, the population of Cullman County in 2022 was 90,665 — a 12.7 percent increase from the 80,456 who lived there in 2010. For comparison, the U.S. population grew 7.7 percent, and Alabama's population grew 6 percent during that period. Cullman County's population increased in 10 out of the 12 years between 2010 and 2022. Its largest annual population increase was 5.4 percent between 2019 and 2020. U.S. Census data shows Cullman County ranked seventh out of Alabama's 67 counties for growth, with more than 1,300 new residents between July 1, 2022, and July 1, 2023.

The Alabama Department of Commerce reported \$489 million in new investments were made in Cullman County in 2023. Over the past 10 years, local industry has invested more than \$1.7 billion and created over 5,300 jobs.

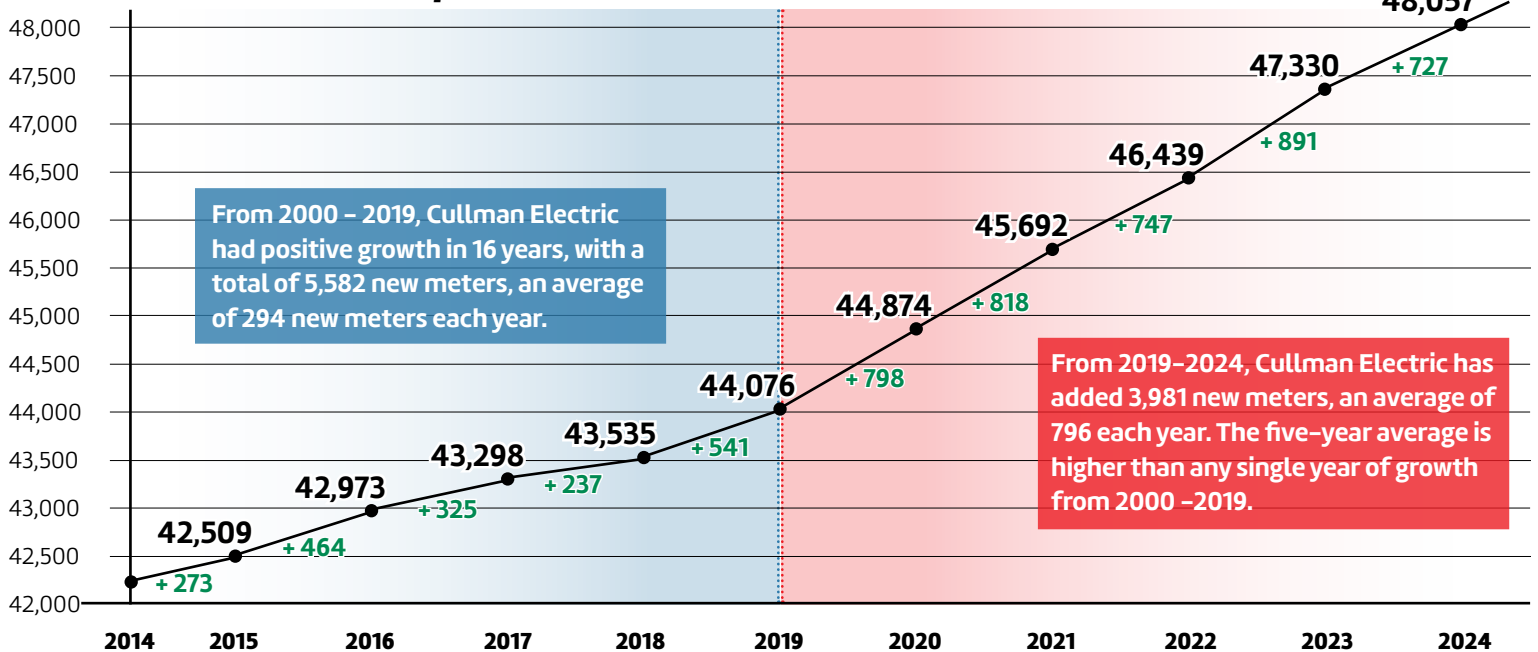
Progress comes with a price. For Cullman Electric Cooperative, making sure all co-op members continue to have safe, reliable and affordable electricity will require major financial investments in new substations, system maintenance and improved technology.



Cullman Electric CEO Tim Culpepper reflects on the progress the co-op made in 2024 as it prepares to meet growing demand today and into the future.

Cullman Electric is owned by you, the members. We make those difficult financial decisions with one critical thought always on our mind — doing what's in the best interest of all our members and the communities we serve.

Cullman Electric Cooperative Member Accounts (meters)



Rising Costs

Like many other businesses, we've experienced supply chain issues and steep cost increases for some of our basic equipment. For example, the cost for a transformer went from \$800 to \$1,300; PVC pipe has increased from \$1.90 a foot to over \$4.00 and at one point got to \$7.30; and our most widely used wire, #2 Triplex, has increased from \$0.49 to \$1.09 a foot. So, the cost to simply maintain our current system has seen a substantial increase.

Value

As a member-owned cooperative, Cullman Electric does everything in our power to ensure your costs stay reasonable and that electricity remains a great value for our members. It's not always easy, as there are several factors beyond inflation that impact the price of electricity — some within our control but most beyond it.

The cost of electricity can fluctuate due to supply and demand, infrastructure investment, maintenance and operational expenses. Weather patterns also contribute, affecting both demand and generation capabilities, with extreme conditions leading to heightened energy use or disruptions. Government policies, such as subsidies for renewable energy or taxes and regulations on emissions, shape electricity costs as well. Your electric co-op considers all these aspects when adjusting rates, and because we're a cooperative, we consider the

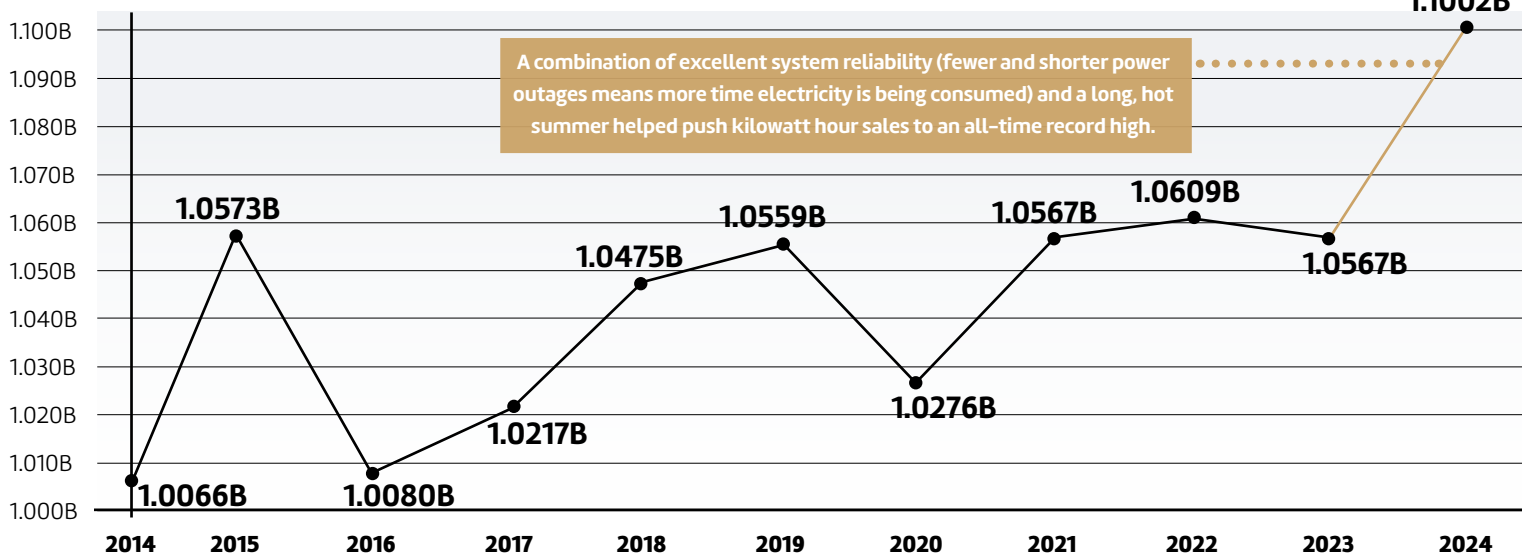


Cullman Electric's Blake Bright and Brandon Miner discuss the challenges of building and maintaining an electric system that is growing at a record pace.

impact of those costs on our members as well.

As our community continues to rely on electricity for nearly everything in our homes, schools, hospitals and businesses, we need it to be reliable and affordable. You can be assured, Cullman Electric Cooperative always puts you top of mind and works each day to ensure electricity remains the best value for your money.

KiloWatt Hours Sold (billions)



Supply & Demand

We're all connected to the electric grid, so ensuring the right amount of electricity for all involves a complex process of forecasting energy demand, planning for capacity and securing enough supply to meet Americans' needs.

First, electricity must be generated at a power plant using either traditional sources — coal, natural gas or nuclear energy — or from renewable sources, such as solar, wind or hydropower.

At Cullman Electric, we rely on TVA, our local wholesale power partner, to secure enough electricity for our communities to ensure reliable power at a competitive cost.

Electricity supply changes throughout the day because demand fluctuates based on consumers' needs. For example, Cullman Electric knows it needs to ensure more electricity in the mornings when you're starting your day, and in the evenings when you're cooking dinner, running appliances and watching TV. Demand also increases when we experience extremely hot or cold weather.

Electricity use in the U.S. is expected to rise to record highs in the coming years, with the demand for electricity expected to at least double by 2050. At the same time, energy policies are pushing the early retirement of always-available generation sources, which will make the



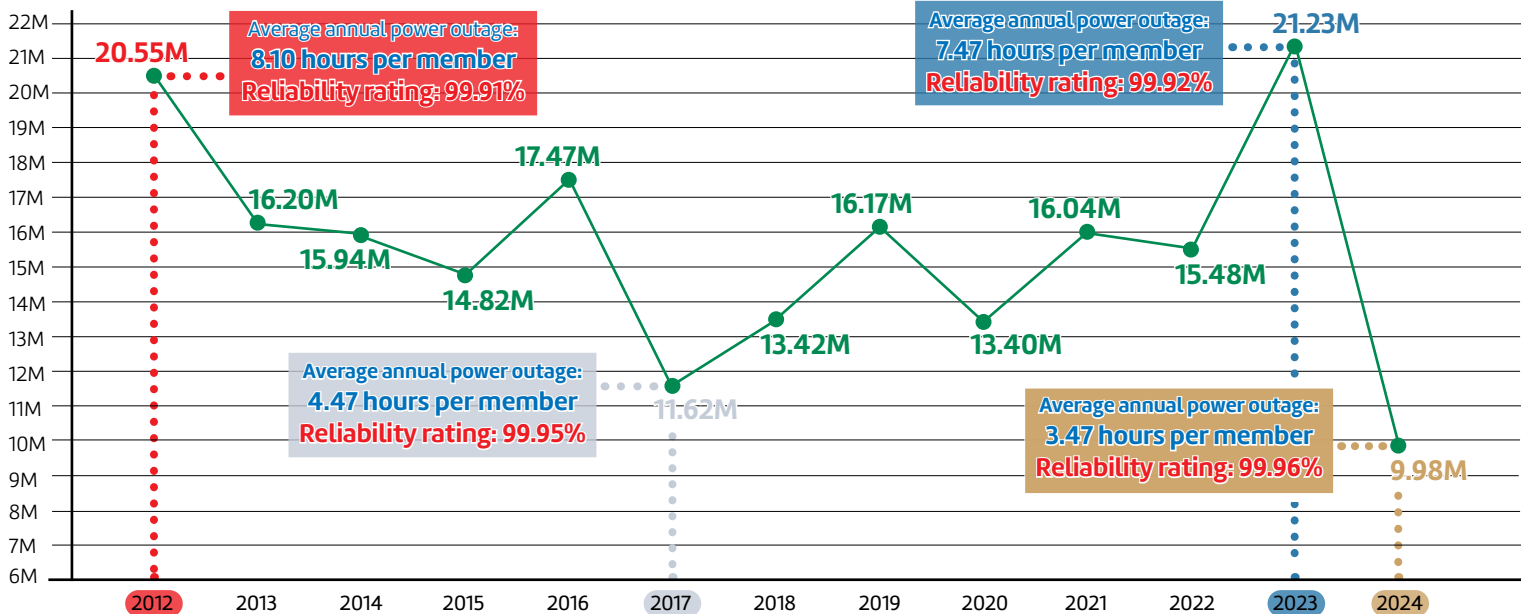
Cullman Electric's Justin Lee shares how the weather, system upgrades, new substations and right-of-way maintenance impact electric reliability.

job of providing reliable electricity even more complicated.

Cullman Electric remains committed to providing affordable, reliable energy to our members. That's why we are preparing now for increased demand and other challenges that could compromise our local electric supply.

Customer Minutes Out (millions)

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



Powerful Connections

Cullman Electric Cooperative was created to serve our community. Back in the day, neighbors banded together and formed our co-op for the common good. In doing so, Cullman Electric helped the community thrive. That mission-focused heritage is woven throughout our history.

Today, our focus remains steady on providing reliable energy to our members, but consumer expectations are far different than they were decades ago. That's why we're adapting, to keep pace with changing technology, evolving needs and new expectations.

High-speed broadband internet service has become the newest essential service, yet many homes and businesses in rural America are being left behind as they struggle to find options for quality internet service. Sprout Fiber Internet is working hard to change that. We know access to true high-speed internet is essential for our members. And, it is the key to keeping us connected today and into the future.

Utilizing the latest technology of utility-quality fiber optics, Sprout Fiber Internet offers a faster, more reliable and stronger broadband experience compared to traditional, older DSL and cable internet technology. But what sets us apart from the other internet service providers even more is we're delivering the same personal, dedicated and local customer service Cullman EC members have relied on and trusted for generations.

Cullman Electric has been actively applying for federal and state grants to help offset the costs associated with our construction. In the 2024 expansion, 10 of the 12 distribution areas were grant-eligible, meaning those places are underserved or not served by other internet providers. The co-op received a \$4.5

state grant and a \$1.7M federal appropriation to help pay for construction in those areas.

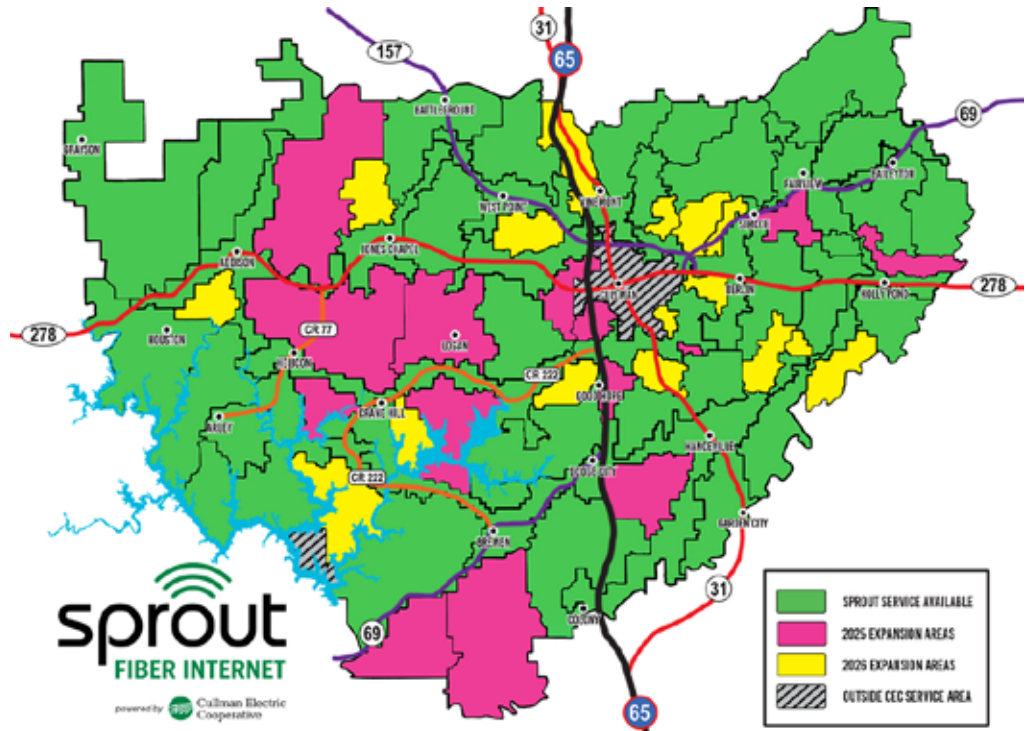
Sprout Fiber Internet service will become available to more than 7,000 additional Cullman Electric members in 2025 with help from more than \$5 million in state grant funding. Sprout's expansion will reach 15 distribution areas, including the largest remaining geographic areas in the northwest and southern portions of Cullman EC's service territory.

Cullman Electric is on pace to make Sprout Fiber Internet available to every co-op member by the end of 2026.

Service is deeply ingrained into who we are at Cullman Electric. We continue to evolve with the times, and in return, find additional ways to serve you and provide more options for you to power your life.



Mark Freeman and Bonnie Baty discuss the importance of Sprout Fiber Internet for the future of Cullman Electric.





Cullman Electric's Lindsey Dossey and Brian Lacy share their thoughts on why community involvement is an essential part of the co-op's mission.

Concern for Community

The cooperative principle "concern for community" is part of Cullman Electric's DNA. It defines who we are as an organization, and it's something we focus on throughout the year. We use a portion of the co-op's non-electric revenue to make donations that benefit education, economic development, local charities and non-profit organizations.

Whenever possible, we apply for matching grants from co-op partners such as TVA and Co-Bank to make an even bigger impact in the communities we serve. Over the years, our community-focused programs, food donations and other giving projects have helped build community centers, parks and ballfields, supported local schools and young people, fed hungry families, enabled families in need to keep the lights on and so much more.

Concern for community is more than just something we do to give back. It is why the co-op was created. When we first brought electricity to this community in 1936, the quality of life improved. As other things needed to be addressed through the years, Cullman Electric has been at the forefront of making life better in the communities we serve.

As a local cooperative, we have a stake in this community. It's why we support local organizations like The Link, Curt's Closet, Bosom Buddies, Brooks' Place, Cullman County Farm-City and many more. It's why we started Operation Round Up, which has given more than \$6 million to local teachers since 1992. It's why we plan and host events like Touch-A-Truck, the 12 Days of Christmas giveaway and our solar eclipse party last year.

We hope you will think of Cullman Electric as more than just your energy provider, but also as a catalyst for good in our community.

Balance Sheet

As of June 30, 2024 and 2023

Assets	2024	2023
Net Utility Plant	262,961,441	237,925,276
Other Assets and Investments	5,744,347	7,528,880
Current and Accrued Assets	35,219,355	30,892,630
Deferred Debits	192,471	462,531
Total Assets	\$304,117,614	\$276,809,317
Equities and Liabilities		
Equities	138,789,502	132,975,767
Long-Term Liabilities	128,441,966	109,907,595
Current Liabilities	36,390,073	33,925,955
Deferred Credits	496,073	--
Total Equities and Liabilities	\$304,117,614	\$276,809,317

Statement of Revenue and Expenses

For Years Ended June 30, 2024 and 2023

	2024	2023
Operating Revenue	148,434,740	143,268,393
Expenses:		
Purchased Power	93,335,153	95,259,831
Operations and Maintenance	13,468,484	13,173,054
Consumer Accounts and Member Service	4,037,192	4,000,392
Administrative and General	9,571,695	8,394,832
Depreciation	11,586,665	10,094,708
Taxes	6,003,336	5,758,166
Interest	4,536,492	3,020,199
Total Expenses	142,539,017	139,701,173
Non-Operating Margins	1,094,277	802,304
Net Operating Margins	6,990,000	4,369,524
Income Tax Expense & Deferred Income Tax Benefit	(1,374,501)	(642,516)
Other Comprehensive Income (Loss)	195,691	145,347
Net Margins for the Year	5,811,190	3,872,355

Cullman Electric Cooperative's fiscal year 2024 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.