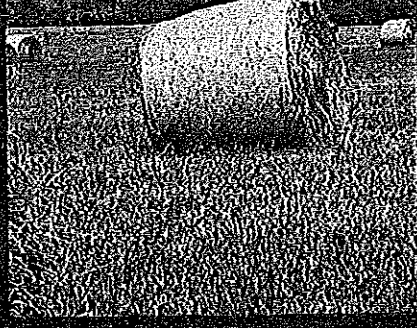


# FOCUSED

*on CARE for members*

FILED  
December 4, 2014  
Data Center  
Missouri Public  
Service Commission

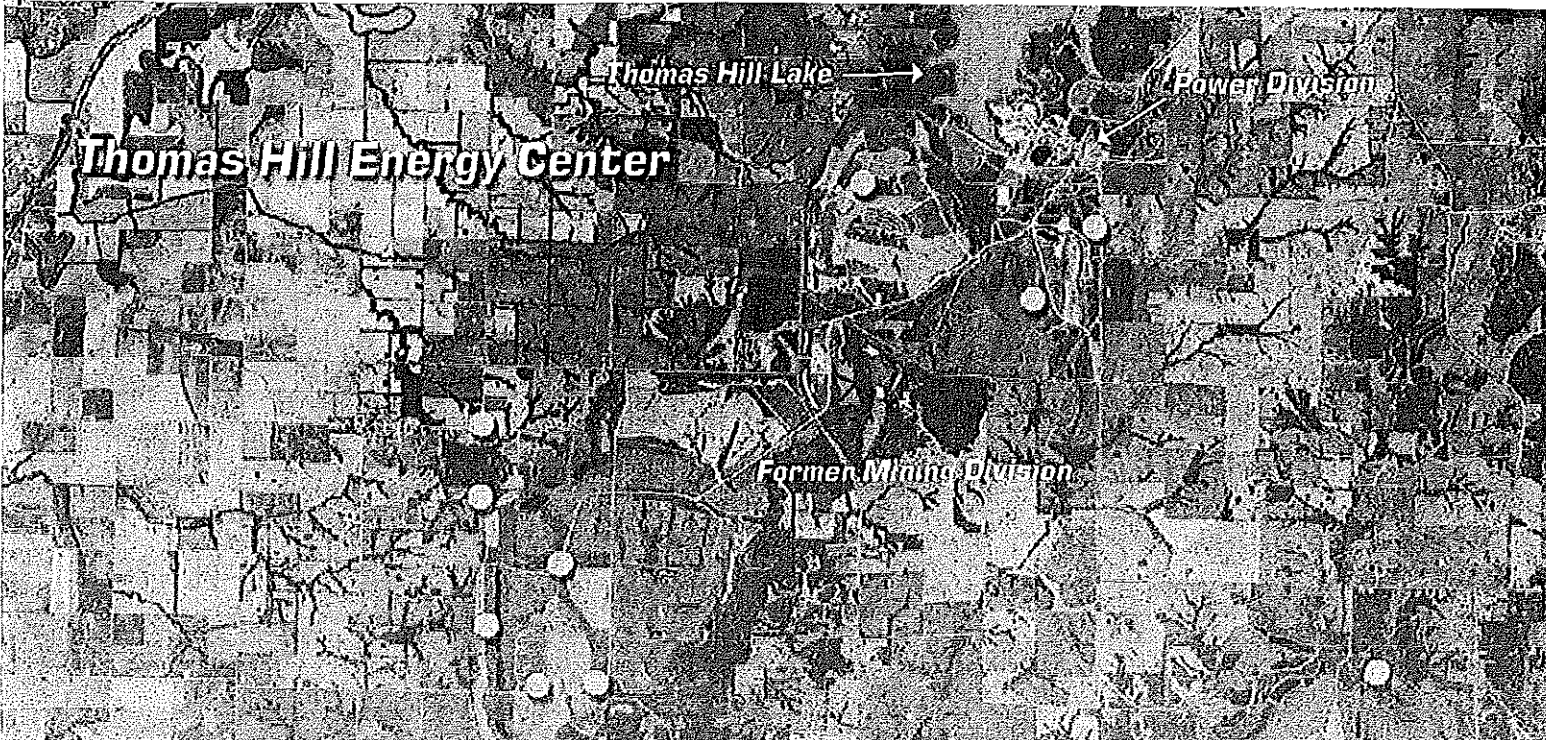
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# 2013

annual report

Associated Electric Cooperative Inc.



**On the cover:**

On thousands of acres surrounding Associated Electric Cooperative's Thomas Hill Energy Center, abundant wildlife co-exists with the production of Clean Affordable Reliable Electricity. That's CARE for rural electric cooperative members.

Much of the acreage near the plant was formerly mined, and Associated has received the U.S. Department of Interior's highest honor twice in recognition of its innovative, successful reclamation that transformed more than 9,000 acres of once-mined land to productive pastures, forests and wetlands near Thomas Hill in north-central Missouri.

Due to Associated's environmental stewardship, deer, turkey, waterfowl and fish, as well as agricultural and wildlife habitat research, thrive on that property today and are highlighted in this report. All of the photographs were taken on the cooperative's property. The dots indicate locations of wildlife photos.

Protecting land, air and water resources is important to members. Associated is owned by six generation and transmission cooperatives, which formed it in 1961 to provide the G&Ts a wholesale power supply. These six G&Ts are owned by 51 distribution cooperatives in Missouri, southeast Iowa and northeast Oklahoma that are owned by about 875,000 member-consumers.

Associated has about 620 full-time employees at three locations who serve this three-tiered system of cooperatives. The Association of Missouri Electric Cooperatives, the Iowa Association of Electric

Cooperatives and the Oklahoma Association of Electric Cooperatives also are an important part of the cooperative family.

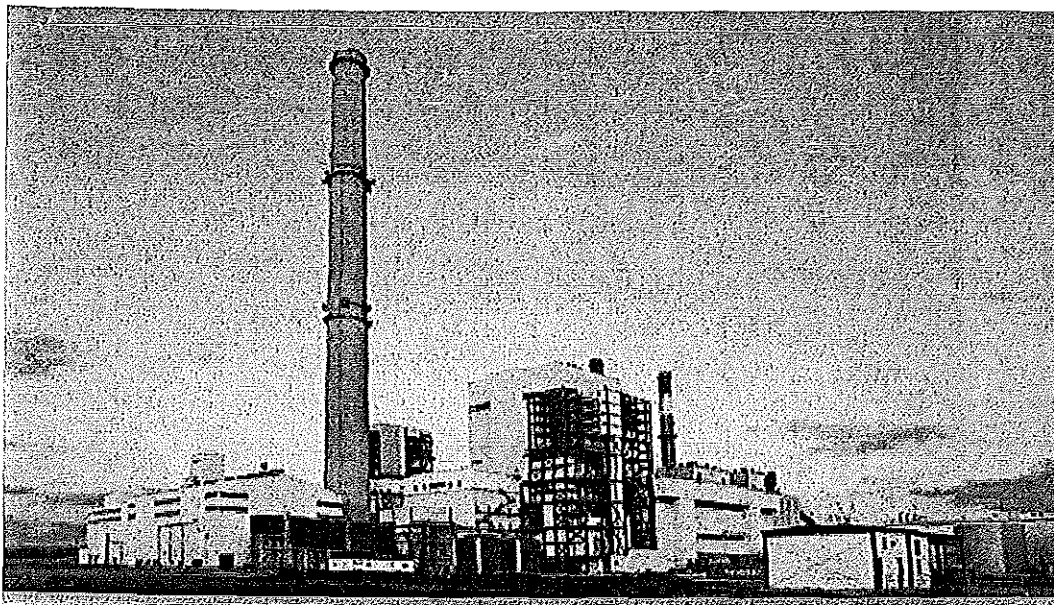
"When you walk the reclaimed fields, woods and wetlands of the Bee Veer Mine, you simply can't imagine it was ever a strip mine. The grass is high for cattle grazing, turkey and deer are back, and the fishing is good."

- longtime resident and restoration supervisor, Associated Electric

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Read more about Associated's environmental achievements at [www.aeci.org](http://www.aeci.org).



Thomas Hill Power Division

## Reliable electricity comes from the perfect mix

Associated Electric uses a mix of resources, including energy efficiency, coal, wind, natural gas and hydropower facilities, to provide an economical, reliable wholesale power supply to its six G&T owners.

Associated's fleet of efficient, low-emissions combined-cycle and simple-cycle gas plants, constructed from 1999 to 2011, adds diversity and flexibility to members' resources and now exceeds its coal fleet in capacity.

Several of Associated's gas units lead the industry in starting reliability, and the fleet set all-time monthly generation records in March and December 2013 when low temperatures increased member load.

In 2013 the gas fleet achieved 94.3 percent availability, surpassing the target of 90.8 percent availability, and produced its second highest year for generation. Higher natural gas prices in 2013, compared with 2012 when gas prices reached a 10-year low, led to less gas generation.

The flexibility to switch between gas and coal, depending on price, supply and demand, enables Associated to reliably meet members' energy needs at the lowest cost. When not needed for member load, Associated's gas and coal plants competitively generate for sales to other utilities to bring in revenue that offsets members' costs.

In 2013 volume and revenue from nonmember energy sales increased compared to 2012, showing Associated continues to adapt to sell power in a changing industry. Contributing factors were strong power markets in spring and early summer; higher market prices in 2013 compared with 2012, when gas prices

were lower; beneficial transmission positions; improved coal and gas fleet availability; and important relationships with other utilities and wholesale power marketers.

Complementing coal and gas units are Associated's renewable resources. In 2013 wind and hydropower provided 16 percent of members' energy, compared with 10 percent in 2012. The increase reflects the first full year of operations of the 300-MW Flat Ridge 2 Wind Farm, a contracted resource that began operating in late 2012 and doubled Associated's wind portfolio.

When it came to the frontier of wind energy in Missouri, rural electric cooperatives opened the way. Associated stepped forward and signed long-term agreements to buy all the power from Missouri's first utility-scale wind farms. This commitment, as well as members' strong high-voltage transmission system, brought wind power to Missouri.

At the same time, locking in economical, fixed-price wind energy is good for member systems. Associated buys power from four Missouri wind farms, the Flat Ridge 2 Wind Farm in south-central Kansas, and has signed a purchase agreement for the 150-MW Osage wind farm in northeast Oklahoma that is under development.

Associated's board and management are open to additional renewable resources that meet the purpose of providing clean, affordable, reliable electricity for members. The cost of another renewable resource, solar energy, is trending down, and staff is researching its potential for serving members.