



First Quarter Report

As of and for the three months ended January 31, 2009

ORGANIZATION

Arkansas Electric Cooperative Corporation (AECC) is a generation and transmission cooperative incorporated under the laws of the state of Arkansas, headquartered in Little Rock. AECC is the wholesale power supplier for 17 electric distribution cooperatives in Arkansas. Generation resources immediately available to AECC provide 2,977 MW of capacity. The mission of AECC is to assist each of its member cooperatives in improving the quality of life in the areas they serve through the delivery of electric power and other related services which address essential consumer needs. This is to be done at the lowest possible cost consistent with sound business practices.

RESULTS OF OPERATIONS

AECC has two components of revenue: 1) a demand charge, based on each member's peak demand for energy during the four summer months, which recovers fixed costs; and 2) an energy charge, based on total members' usage, which recovers variable costs. AECC is also able to recover the actual cost of fuel through a fuel adjustment clause.

"Operating revenues" for the three months ended January 31, 2009 decreased approximately \$32.0 million compared to the same period in 2008. Member energy revenue decreased \$29.4 million, while member demand revenue remained relatively stable. There are two reasons for the decrease in energy revenue; 1) a decrease in fuel and purchased power costs during the first quarter of 2009 in the amount of \$21.8 million, which is passed on through the fuel adjustment clause, and 2) a 10.8% decrease in member megawatt consumption (\$7.1 million), this decrease was primarily at two steel manufacturing plants. In addition, non-member revenue decreased by \$2.6 million.

"Operation and maintenance, generation" and "power purchased" are categories that should be considered together for comparative purposes. On an hour-to-hour basis, AECC makes decisions whether to purchase energy on the open market or generate energy out of its own plants based on the most economical source. "Operation and

maintenance, generation" and "power purchased" decreased by \$26.5 million compared to the three months ended January 31, 2008. Of the \$26.5 million decrease in "Operation and maintenance, generation" and "power purchased", the total fuel costs decreased \$21.8 million during the first quarter of 2009 compared to 2008. The total cost of energy as a percentage of operating revenue was 69.2% for the three months ended January 31, 2009, compared to 71.9% for the three months ended January 31, 2008.

"Operation and maintenance, transmission" increased \$4.0 million from the first quarter in 2008. During the first quarter of 2008, AECC received a Federal Energy Regulatory Commission ordered refund from Entergy Arkansas in the amount of \$2.9 million. In addition, during the first quarter of 2009, AECC's transmission expense related to the Southwest Power Pool increased \$1.1 million.

"Other income/loss" consists primarily of proceeds from AECC's investment in gas reserves which are sold on the spot market. The average price received during the first quarter of 2009 for AECC's interest in these reserves was \$3.62/mcf compared to \$5.24/mcf during the same period in 2008. In addition, several gas wells were plugged and abandoned during the first quarter of 2009, which caused the expenses to be higher than normal.

LIQUIDITY AND CAPITAL RESOURCES

As detailed in the "Interim Statements of Cash Flows" for the three months ended January 31, 2009, net cash and cash equivalents decreased \$8.5 million. The major components consisted of the following: AECC made payments on long-term debt of \$9.6 million and had capital expenditures of \$6.8 million. These decreases were offset to some extent by cash flows from operations.

For the calendar year 2009, AECC has budgeted \$210.2 million for capital expenditures. Of this amount, \$192.7 million will be incurred for generation. Of the remaining amount, \$17.5 million was budgeted for transmission and other miscellaneous general capital expenditures.

AECC has a \$75.0 million perpetual line-of-credit with the National Rural Utilities Cooperative Finance Corporation, a \$30.0 million committed line-of-credit with CoBank that terminates on July 14, 2009, and a \$10.0 million committed line-of-credit with Regions Bank that terminates on August 15, 2010. In addition, AECC uses advances from the member line-of-credit program (\$97.4 million as of January 31, 2009) to support daily cash needs. On July 3, 2008 AECC entered into a \$210.5 million credit agreement with a syndication of financial institutions to provide a committed line of credit for three years as support for a commercial paper program of an equal amount. As of January 31, 2009, AECC had no outstanding commercial paper notes. However, on February 11, 2009 AECC issued \$60.0 million in commercial paper.

AECC has a bond rating of AA-/A2/A+ for its secured facility bonds and a commercial paper rating of A-1, Prime-1, and F-1 from Standard and Poor's, Moody's Investors Service and Fitch Ratings respectively.

OTHER FINANCIAL INFORMATION

The interim financial statements for January 31, 2009 and 2008 are unaudited. In the opinion of AECC management, the accompanying unaudited financial information furnished herewith reflects all adjustments (consisting primarily of normal recurring accruals) necessary for a fair statement of its financial position and its results of operations for the interim periods presented; however, the business of AECC is subject to rate changes, seasonal fluctuations in sales and other factors. Accordingly, the results for the interim periods presented should not be used as a basis for estimating results of operations for a full year.

It is suggested that these interim financial statements be read in conjunction with financial statements and notes thereto included in AECC's October 31, 2008 Annual Report.

Gary Voigt, President/CEO
Michael Henderson, Vice President/CFO
Arkansas Electric Cooperative Corporation

ARKANSAS ELECTRIC COOPERATIVE CORPORATION BALANCE SHEETS

As of January 31, 2009 (Unaudited) and October 31, 2008

	January 31, 2009 (Unaudited) (In Thousands)	October 31, 2008 (In Thousands)		January 31, 2009 (Unaudited) (In Thousands)	October 31, 2008 (In Thousands)
ASSETS			EQUITIES AND LIABILITIES		
UTILITY PLANT:			MEMBERS' EQUITIES:		
Electric plant in service, at cost	\$ 1,463,044	\$ 1,462,931	Membership fees	\$ 2	\$ 2
Construction work in progress	148,975	83,527	Patronage capital	290,160	290,160
	1,612,019	1,546,458	Accumulated margins	31,446	28,951
Less accumulated depreciation	809,615	799,550	Other equities	118,140	118,140
Net utility plant	802,404	746,908	Net unrealized gain (loss) on investments	(85)	(48)
			Total members' equities	439,663	437,205
LONG-TERM INVESTMENTS:			LONG-TERM DEBT:		
Marketable securities	16,445	5,072	Rural Utilities Service	1,772	1,899
Gas reserves	47,108	47,681	Federal Financing Bank	269,369	275,263
Other	25,143	25,333	Independence Steam Electric Station finance obligation	118,857	115,366
Total long-term investments	88,696	78,086	Ellis finance obligation	17,986	26,467
			Other long-term debt	66	65
			Total long-term debt	408,050	419,060
CURRENT ASSETS:			CURRENT LIABILITIES:		
Cash and cash equivalents	36,715	45,263	Notes payable, members	131,542	123,626
Short-term marketable securities	-	1,000	Current maturities of long-term debt	41,921	40,531
Accounts receivable, members	45,178	36,632	Accounts payable and other accrued liabilities	104,050	39,311
Fuel inventories and prepaid fuel supply	26,362	28,563	Patronage capital payable	-	-
Material and supply inventories	15,804	15,444	Accrued property taxes	7,667	5,898
Other current assets	6,016	6,040	Accrued interest	2,129	4,471
Total current assets	130,075	132,942	Total current liabilities	287,309	213,837
DEFERRED CHARGES	121,333	120,491	DEFERRED CREDITS	7,486	8,325
			COMMITMENTS AND CONTINGENCIES		
Total assets	\$ 1,142,508	\$ 1,078,427	Total members' equities and liabilities	\$ 1,142,508	\$ 1,078,427

ARKANSAS ELECTRIC COOPERATIVE CORPORATION
INTERIM STATEMENTS OF OPERATIONS
For the three months ended January 31, 2009 and 2008 (Unaudited)

	Three Months Ended 2009 (In Thousands)	Three Months Ended 2008 (In Thousands)
OPERATING REVENUES	\$ 129,822	\$ 161,835
OPERATING EXPENSES:		
Operation and maintenance, generation	68,082	69,415
Power purchased	21,770	46,911
Operation and maintenance, transmission	13,644	9,606
Administrative and general	4,334	4,573
Depreciation	10,798	10,652
Taxes, other than income taxes	36	34
Interest	9,097	9,369
Total operating expenses	127,761	150,560
MARGIN FROM OPERATIONS	2,061	11,275
INTEREST INCOME, NET	527	669
OTHER INCOME (LOSS)	(346)	552
ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION	253	351
NET MARGIN	\$ 2,495	\$ 12,847

ARKANSAS ELECTRIC COOPERATIVE CORPORATION
INTERIM STATEMENTS OF CASH FLOWS
For the three months ended January 31, 2009 and 2008 (Unaudited)

	Three Months Ended 2009 (In Thousands)	Three Months Ended 2008 (In Thousands)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Margin	\$ 2,495	\$ 12,847
Adjustments to reconcile net margin to net cash provided by operating activities-		
Depreciation	10,798	10,652
Amortization of gas reserves	573	816
Allowance for funds used during construction	(253)	(351)
Allocation of patronage from associated organizations	(24)	(7)
Changes in operating assets and liabilities-		
Accounts receivable, members	(8,546)	(4,252)
Fuel inventories and prepaid fuel supply	2,201	1,575
Material and supply inventories	(360)	(479)
Other current assets	24	(1,305)
Deferred charges	(842)	1,486
Accounts payable and accrued liabilities	4,913	(8,651)
Other deferred credits	(746)	(198)
Net cash provided by operating activities	10,233	12,133
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net sales (purchases) of marketable securities	(10,410)	2,620
Sales of other investments	121	216
Capital expenditures	(6,788)	(7,477)
Net cash used in investing activities	(17,077)	(4,641)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings (payments) on notes payable	7,916	(14,165)
Principal payments on long-term debt	(9,620)	(8,194)
Proceeds from long-term debt	-	-
Redemption of patronage capital	-	-
Net cash used by financing activities	(1,704)	(22,359)
Net decrease in cash and cash equivalents	(8,548)	(14,867)
CASH AND CASH EQUIVALENTS, beginning of period	45,263	46,374
CASH AND CASH EQUIVALENTS, end of period	\$ 36,715	\$ 31,507

Member Systems and Board of Directors

Charles Burdine, Chairman
Ron Moore, Vice Chairman
Sam Davis, Secretary-Treasurer

Arkansas Valley Electric
Ozark
Sam Davis
Bill Peters

Carroll Electric
Berryville
Charles Burdine
Rob Boaz

Farmers Electric
Newport
Bryan Runsick
Gene Sweat

North Arkansas Electric
Salem
Jasper Freeman
Mel Coleman

Petit Jean Electric
Clinton
Donnie Collins
David Fugitt

Southwest Arkansas Electric
Texarkana
Don Stemple
Wayne Whitaker

Ashley-Chicot Electric
Hamburg
Jerry Pahal
Ron Moore

Clay County Electric
Corning
John Dalton
David Smith

First Electric
Jacksonville
Robert Hill
Don Crabbe

Ouachita Electric
Camden
Walt Piggott
Mark Cayce

Rich Mountain Electric
Mena
Donald Manning
Leon Philpot

Woodruff Electric
Forrest City
J. A. Wampler
Billy Martin

C & L Electric
Star City
Charles Searcy
W. H. Frizzell

Craighead Electric
Jonesboro
Tom Sloan
Brian Duncan

Mississippi County Electric
Blytheville
Robert E. Davis
Larry Hellums

Ozarks Electric
Fayetteville
Jerry Bolinger
Mitchell Johnson

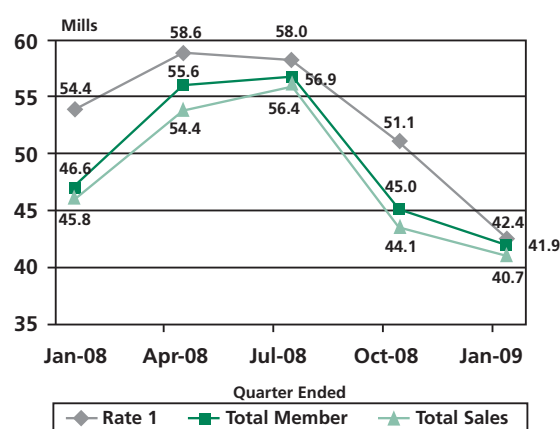
South Central Arkansas Electric
Arkadelphia
Terry Allgood
Bill Conine

Selected Financial Highlights

As of January 31, 2009 and October 31, 2008

	January 31, 2009	October 31, 2008
Equity as a Percent of Assets	38.48%	40.54%
Debt/Equity Ratio	1.02	1.05
Current Ratio	0.45	0.62
Times Interest Earned Ratio	1.41	1.57
Debt Service Coverage Ratio	1.23	1.21
Average Cost of Long-term debt	5.534%	5.511%

Revenue Per MWH Sold



Management Team

President/CEO	Gary Voigt
Sr. VP & General Counsel	Robert M. Lyford
VP Planning, Rates & Dispatching	Ricky Bittle
VP Information Technology	Robert McClanahan
VP/CFO	Michael Henderson
VP Engineering, Construction & Operations	Jonathan Oliver
VP Systems Services	Doug White
VP Strategic Affairs	Sandra Hochstetter



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