

Associated Electric Cooperative Inc.

A Touchstone Energy[®] Cooperative 

Financial Statements

For the Quarterly Periods Ended

September 30, 2024 and 2023

FINANCIAL HIGHLIGHTS

Associated Electric Cooperative, Inc. (Associated) is pleased to present the enclosed interim financial statements, which include balance sheets, statements of revenues and expenses, and statements of cash flows as of, or for the periods ended September 30, 2024 and 2023. The discussion below is not meant to be comprehensive but rather to identify significant aspects in the current quarter performance of Associated.

Overview

Net margin for the nine-month period ended September 30, 2024, was \$90.1 million compared to \$62.5 million in the same period of 2023. The third quarter of 2024 had a net margin of \$51.3 million compared to \$27.6 million for the third quarter of 2023. Total assets were \$3.6 billion and \$3.5 billion, respectively, at September 30, 2024, and September 30, 2023. Significant factors contributing to Associated's financial performance for this period are discussed in detail in the paragraphs below.

Operating Revenues

Member Revenue

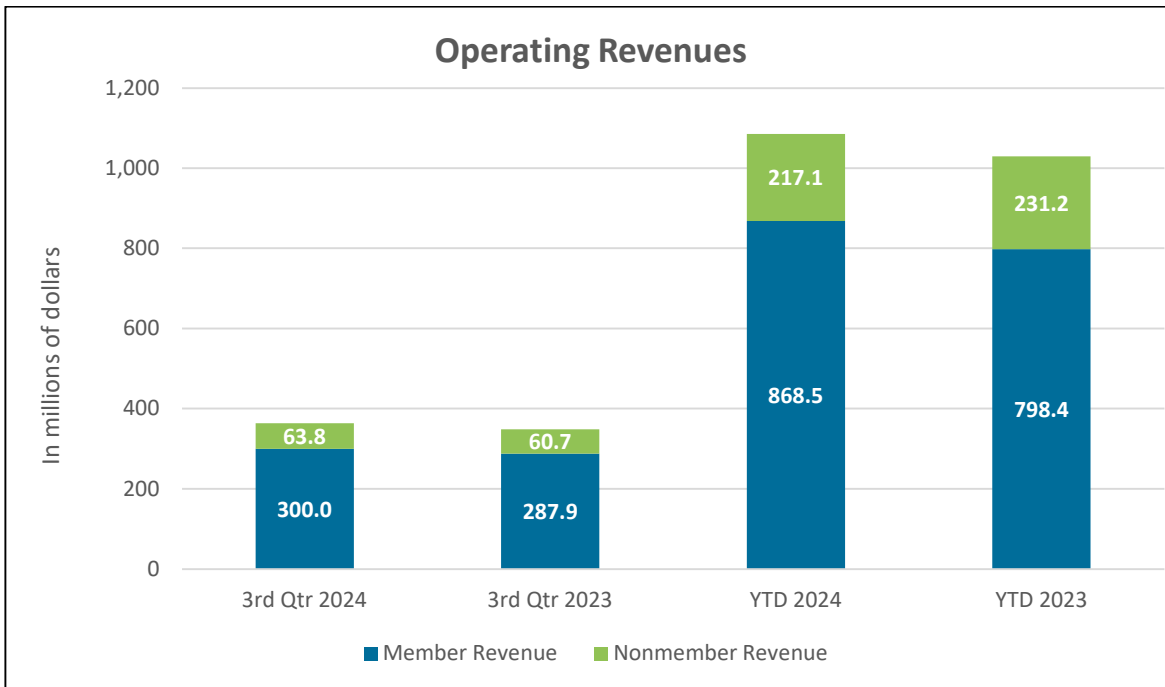
Revenue from members increased \$12.1 million and \$70.1 million, or 4.2% and 8.8%, respectively, for the third quarter and nine-month period ended September 30, 2024, compared to the same periods of 2023. The increases were due primarily to:

- Rate increases effective April 1, 2023 (4%) and 2024 (2%)
- Absence of \$15.0 million in member rate discounts applied during the first quarter of 2023
- Member energy sales volume increased 1.4% year-to-date

Nonmember Revenue

Revenue from nonmembers increased \$3.1 million and decreased \$14.1 million, respectively, for the third quarter and first nine months of 2024, as compared to the same periods of 2023. The primary drivers of the variances for the quarter and year-to-date were:

- Increased capacity sales:
 - \$3.1 million and \$7.2 million
- Increased transmission revenue:
 - \$1.1 million and \$2.1 million
- Decreased interchange sales:
 - \$1.0 million and \$23.0 million
 - 4.5% reduction in sales volume
 - 6.1% decrease in the weighted average sales price



Operating Expenses

Generation Operation

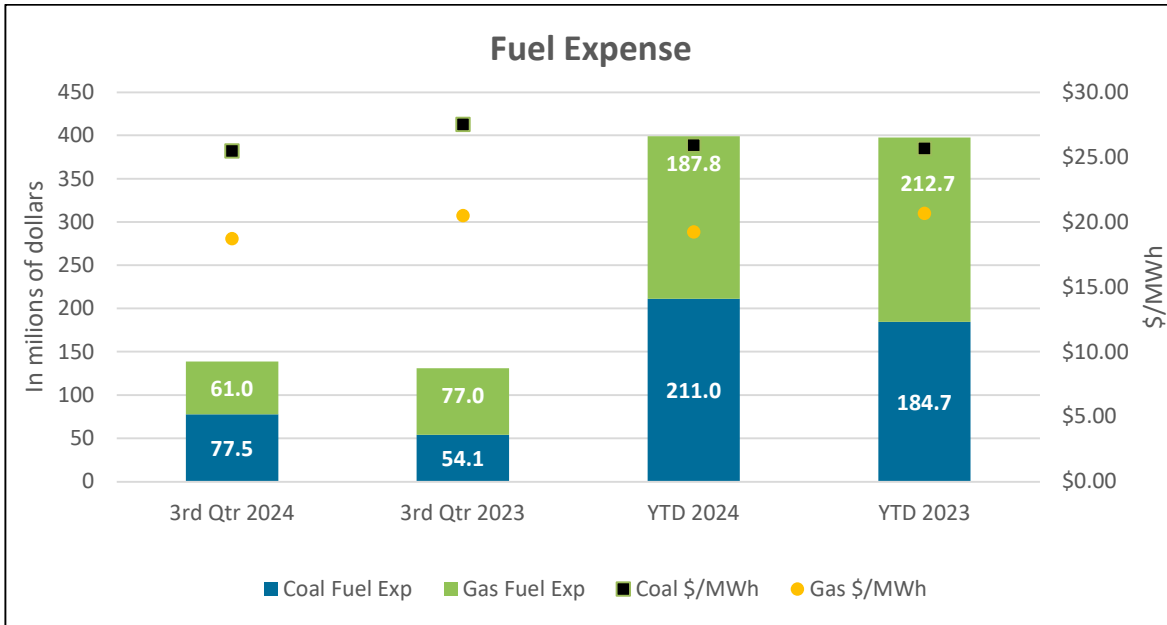
Generation operations expense increased \$18.4 million for the third quarter and \$20.3 million for the first nine months of 2024 primarily due to increased generation at the coal plants, increased operating fees for the gas fleet and an increase in operating projects at the coal and gas plants, as compared to the same periods of 2023. Additionally, 2023 fuel expense was offset by \$14.4 million of insurance reimbursement of fuel replacement costs related to the Thomas Hill Unit 3 forced outage, compared to \$4.3 million of insurance reimbursements received in 2024 related to the Thomas Hill Unit 3 forced outage.

Coal fuel expense increased \$23.5 million and \$26.4 million, for the three- and nine-month periods ending September 30, 2024, as compared to the same periods of 2023. Primary reasons for the increase:

- Coal generation increased
 - 1,078,251 MWh, or 54.8%, for the third quarter
- A planned outage at New Madrid Unit 2 in 2023

Fuel expense for natural gas generation decreased \$16.0 million and \$24.9 million, respectively, for the three- and nine-month periods ending September 30, 2024, as compared to the same periods of 2023. Primary reasons for the decrease:

- Gas generation decreased
 - 499,280 MWh for the third quarter
 - 527,670 MWh for the first nine months
- Average fuel cost per MWh decreased by 6.9% year-to-date



Purchased Power

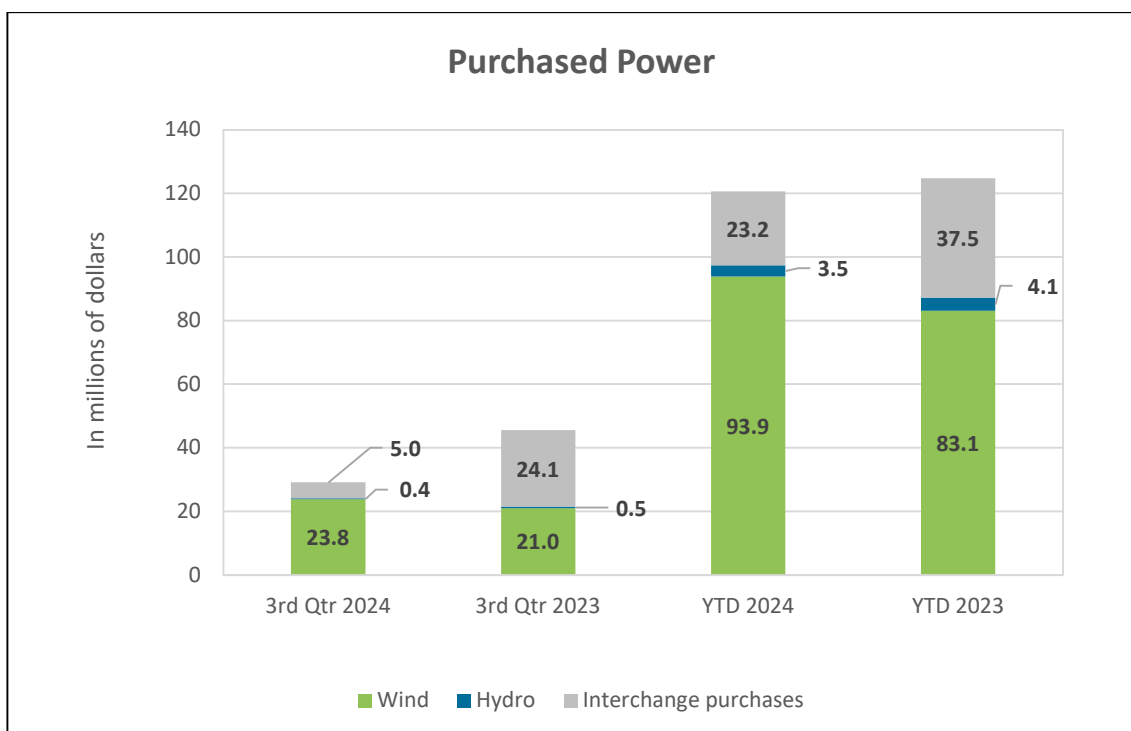
Purchased power expense decreased \$28.1 million and \$12.6 million, respectively, for the third quarter and the first nine months of 2024, as compared to the same periods of 2023. Purchased power includes expenses related to purchases from interchange partners on the wholesale market, supplemental hydropower, and energy purchased from wind farms.

The net decrease for the third quarter was the result of the following:

- Interchange purchases decreased \$19.1 million, or 79.4%, due to:
 - 75.2% decrease in purchase volume
 - 16.8% decrease in average purchase price
- Gains from financial energy transactions increased \$11.8 million
- Wind purchases increased \$2.8 million

The year-to-date net decrease was attributed to:

- Interchange purchases decreased \$14.4 million, or 38.3%, due to:
 - 53.6% decrease in interchange purchase volume
- Gains from financial energy transactions increased \$9.0 million
- Wind purchases increased \$10.8 million

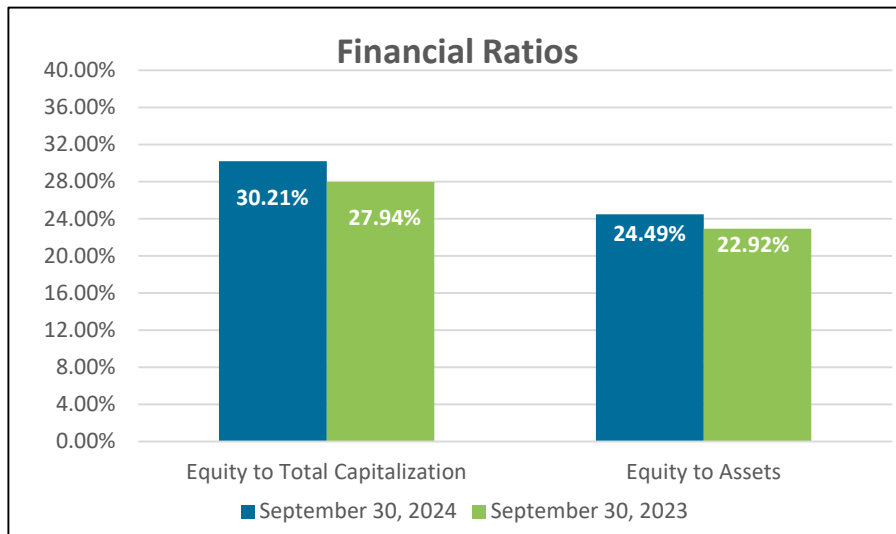


Financial Position:

Significant changes in the balance sheet at September 30, 2024, as compared to the prior year include the following:

- Utility plant, including construction work in progress, increased \$301.1 million primarily due to construction of new peaking gas generation, at two sites, expected to be in service in 2026 and 2027, transmission system upgrades and capital spending on the generating fleet.
- Cash and cash equivalents decreased \$141.5 million primarily due to capital expenditures, payment of long-term debt and retirement of patronage capital, partially offset by cash provided from operating activities.
- Designated cash and cash equivalents increased and designated short-term investments decreased, both by \$50.3 million, due to the sale of treasuries and government agency securities that had original maturities of more than three months.
- Deferred regulatory debits, including the current portion, increased by \$55.9 million due to a \$48.9 million increase in deferred mark-to-market losses on diesel, natural gas and interest rate hedging activity and a \$7.0 million increase in the deferral of asset retirement obligation costs.
- Patronage capital increased \$82.5 million due to the net impact of the retirement of \$26.5 million in patronage capital in May of 2024 and margins.

- Long-term debt, including current maturities, decreased \$25.8 million. The decrease was due to \$86.3 million in principal payments, partially offset by \$60.5 million in FFB loan advances for plant projects.
- Other deferred liabilities increased by \$57.7 million primarily due to a \$35.8 million increase in hedging activity and \$17.7 million of insurance close-out proceeds received for future designated repairs.



Current Ratio:			
September 30, 2024	1.96	September 30, 2023	2.40

Associated Electric Cooperative, Inc.
Statement of Operations
For the Nine Months Ending 9/30/2024
(In thousands of dollars)

	Three Months Ended September 30		Nine Months Ended September 30	
	2024	2023	2024	2023
Operating revenues:				
Members	\$300,036	\$287,911	\$868,509	\$798,367
Nonmembers	63,826	60,706	217,105	231,177
	<u>363,862</u>	<u>348,617</u>	<u>1,085,614</u>	<u>1,029,543</u>
Operating expenses:				
Generation operation	159,887	141,501	472,911	452,574
Contracted generation	13,366	13,117	38,829	38,338
Power purchased	15,714	43,858	95,945	108,502
Depreciation and amortization	27,127	25,782	81,164	77,194
Transmission Expense	27,484	26,684	82,685	79,517
Generation maintenance	28,711	33,315	104,750	98,009
Administrative and general	25,005	21,882	72,253	69,032
Taxes	2,014	1,980	5,987	5,716
Accretion of asset retirement obligations	605	538	1,779	1,575
	<u>299,911</u>	<u>308,658</u>	<u>956,303</u>	<u>930,456</u>
Operating margin before interest expense	<u>63,951</u>	<u>39,959</u>	<u>129,311</u>	<u>99,087</u>
Interest Expense:				
Interest on long-term debt	19,003	16,753	57,157	48,437
Less: interest capitalized	(3,399)	(1,641)	(7,431)	(4,037)
	<u>15,604</u>	<u>15,111</u>	<u>49,727</u>	<u>44,400</u>
Operating margin	<u>48,347</u>	<u>24,849</u>	<u>79,584</u>	<u>54,687</u>
Nonoperating:				
Interest and dividend income	3,441	3,439	11,853	9,365
Other nonoperating income	373	348	1,103	1,198
Interest expense	(869)	(1,011)	(2,466)	(2,732)
Total nonoperating	<u>2,945</u>	<u>2,776</u>	<u>10,489</u>	<u>7,830</u>
Net margin (loss)	<u><u>51,292</u></u>	<u><u>27,623</u></u>	<u><u>90,074</u></u>	<u><u>62,517</u></u>

These interim financial statements are unaudited. In the opinion of management all adjustments, which are normal recurring accruals, necessary for a fair presentation of results for interim periods have been included. The interim financial statements should be read in conjunction with the Notes to the Financial Statements included in the 2023 Annual Report.

Associated Electric Cooperative, Inc.
Balance Sheet
For the Nine Months Ending 9/30/2024
(In thousands of dollars)

Assets	<u>Current Month</u>	<u>Prior Year</u>
Utility Plant:		
Electric plant in service	\$4,997,017	\$4,737,176
Construction work in progress	442,481	401,235
	<u>5,439,498</u>	<u>5,138,411</u>
Less accumulated depreciation	<u>(2,768,091)</u>	<u>(2,653,100)</u>
	<u>2,671,407</u>	<u>2,485,311</u>
Other property and investments:		
Nonutility property	31,379	31,379
Right of use asset-operating leases	4,703	8,732
Net investment in direct financing leases	1,454	1,897
Advanced construction funds	13,864	14,848
	<u>51,400</u>	<u>56,857</u>
Restricted assets:		
Investments in associated organizations	21,916	24,835
Other restricted assets and designated assets	23,953	21,472
	<u>45,869</u>	<u>46,307</u>
Current assets:		
Cash and cash equivalents	142,200	283,712
Designated cash and cash equivalents	110,482	60,182
Restricted and designated short-term investments	20,000	70,300
Accounts receivable, net	145,521	111,551
Fuel inventories	107,375	118,229
Materials and supplies inventories	103,132	101,653
Other current assets	58,198	52,744
Current portion of deferred regulatory debits	10,438	4,770
	<u>697,346</u>	<u>803,142</u>
Deferred regulatory debits	98,050	47,849
Other deferred assets	57,854	51,698
	<u>155,904</u>	<u>99,547</u>
Total Assets	<u><u>3,621,926</u></u>	<u><u>3,491,164</u></u>

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Associated Electric Cooperative, Inc.
Balance Sheet
For the Nine Months Ending 9/30/2024
(In thousands of dollars)

	Current Month	Prior Year
Capitalization and Liabilities		
Patronage capital and other equities:		
Memberships	12	12
Patronage capital	835,004	752,539
Other equities	55,543	55,543
Accumulated other comprehensive inc. (exp)	(3,720)	(3,844)
	886,838	804,249
Long-term debt, excluding current maturities:		
Federal Financing Bank	1,304,685	1,282,363
CoBank	180,271	194,230
Other long-term debt	489,650	511,369
	1,974,606	1,987,962
Asset retirement obligation	66,164	76,927
Accumulated provision for postretirement benefits	23,989	25,424
Current Liabilities:		
Payable to member cooperatives	47,790	64,749
Accounts payable	147,582	112,303
Other current and accrued liabilities	62,208	59,081
Current maturities of long-term debt	73,835	86,280
Current portion of asset retirement obligation	18,162	10,522
Current portion of deferred regulatory credits	13,590	17,653
	363,167	350,588
Deferred regulatory credits	201,574	198,147
Other deferred liabilities	105,588	47,868
	307,162	246,014
Total Capitalization and Liabilities	3,621,926	3,491,164

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Associated Electric Cooperative, Inc.
Statement of Cash Flows
(in thousands)

	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Cash flows from operating activities:		
Net margin(loss)	\$90,074	\$62,517
Adjustments to reconcile net margin to net		
Cash provided by operating activities:		
Provision for depreciation and amortization	90,151	85,890
Amortization of loan expenses and other costs	2,049	2,819
Decrease (increase) in deferred debits	(25,553)	(13,136)
Increase (decrease) in deferred credits	35,614	(42,334)
Increase (decrease) in asset retirement obligation	(1,503)	(1,991)
Change in assets and liabilities:		
Accounts receivable	(8,935)	41,645
Fuel inventories	28,653	(62,176)
Materials and supplies inventories	(281)	(5,598)
Accounts payable	(12,673)	(41,853)
Other current and accrued liabilities	1,355	5,318
Other operating activities, net	(197)	36,645
Net cash provided by operating activities	198,755	67,746
Cash flows from investing activities:		
Construction expenditures for utility plant	(246,871)	(278,543)
Sale (purchase) of investments	(163)	(69,303)
Investments in associated organizations	3,591	5,097
Direct financing lease proceeds	336	310
Other investments	625	312
Reimbursement of capital expenditures	(42)	(32)
Net cash (used) in investing activities	(242,525)	(342,158)
Cash flows from financing activities:		
Increase (decrease) in net borrowings from member cooperatives	2,978	19,808
Issuance (retirement) of long-term debt, including change in current maturity	(8,199)	320,701
Retirement of patronage capital	(26,464)	(25,340)
Net cash (used) in financing activities	(31,685)	315,168
Net increase (decrease) in cash and cash equivalents and designated cash and cash equivalents	(75,455)	40,757
Cash and cash equivalents and designated cash and cash equivalents, beginning of period	328,137	303,137
Cash and cash equivalents and designated cash and cash equivalents, end of period	252,682	343,894
Cash and cash equivalents	142,200	283,712
Designated cash and cash equivalents	110,482	60,182
Cash and cash equivalents and designated cash and cash equivalents	252,682	343,894
Change in plant expenditures included in accounts payable	41,055	30,633
Supplemental disclosure of cash flow information:		
Cash paid for interest (net of amount capitalized)	66,080	45,114

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