

Associated Electric Cooperative Inc.

A Touchstone Energy[®] Cooperative 

Financial Statements

For the Quarterly Periods Ended

June 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 June 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 six-month period ended June 30, 2024, was \$38.8 million compared to \$34.9 million in the same period of 2023. The second quarter of 2024 had a net margin of \$8.2 million compared to \$18.7 million for the second quarter of 2023. Total assets were \$3.6 billion and \$3.2 billion, respectively, at June 30, 2024, and June 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

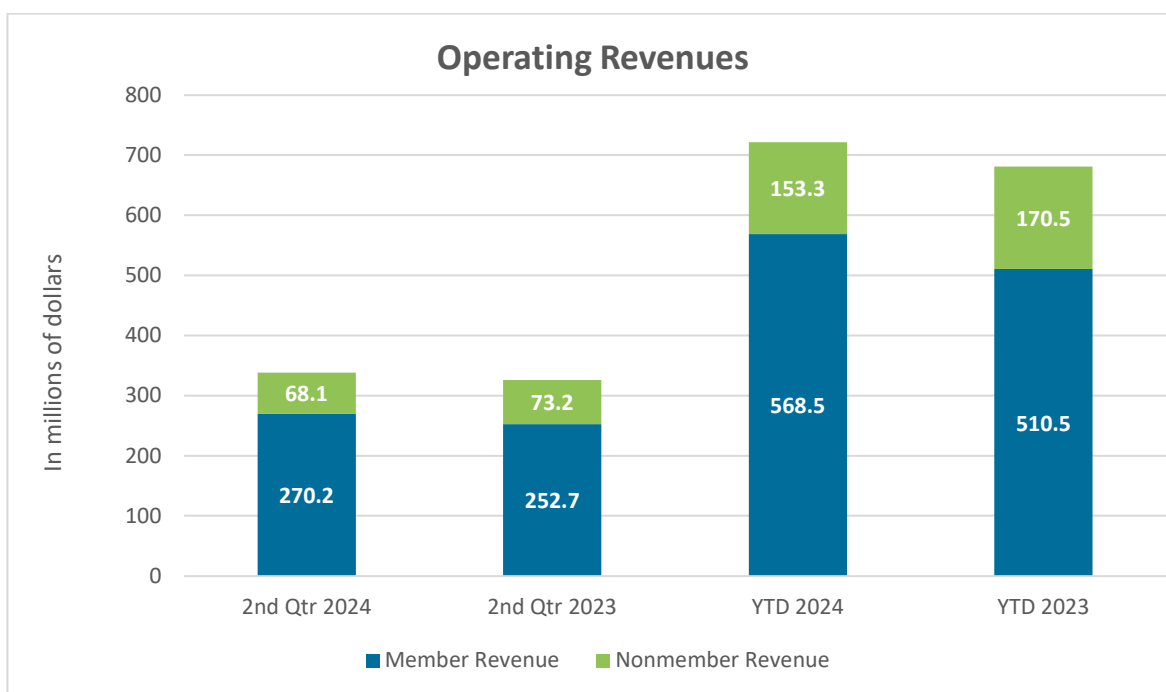
Revenue from members increased \$17.5 million and \$58.0 million, or 6.9% and 11.4%, respectively, for the second quarter and six-month period ended June 30, 2024, compared to the same periods of 2023. The increases were due primarily to:

- Additional member revenue:
 - \$6.8 million and \$10.7 million for the second quarter
 - \$19.4 million and \$23.6 million for the first six months
- Rate increases effective April 1, 2023 (4%) and 2024 (2%)
- Absence of \$15.0 million in member rate discounts applied during the first six months of 2023

Nonmember Revenue

Revenue from nonmembers decreased \$5.0 million and \$17.2 million, respectively, for the second quarter and first six months of 2024, as compared to the same periods of 2023. The primary driver of the decrease was:

- Interchange sales decreased:
 - \$7.9 million for the second quarter due to:
 - 15.1% decrease in the weighted average sales price, partially offset by 3.4% increase in sales volume
 - \$19.5 million year-to-date due to:
 - 11.1% reduction in sales volume
 - 9.1% decrease in the weighted average sales price



Operating Expenses

Generation Operation

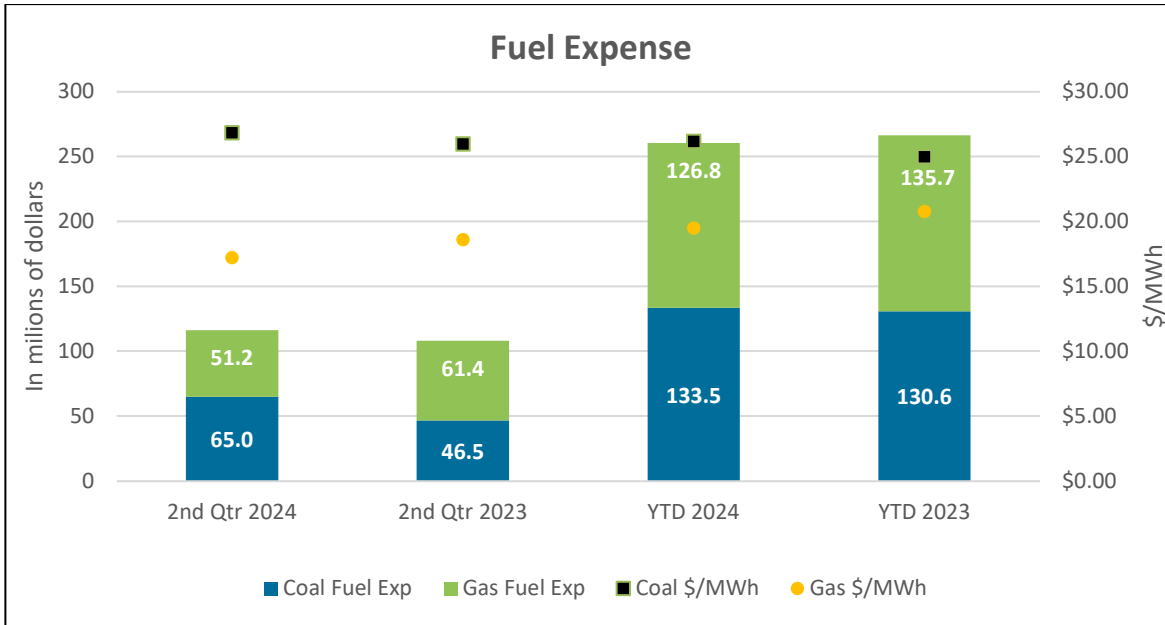
Generation operations expense increased \$14.5 million for the second quarter and \$2.0 million for the first six months of 2024 primarily due to increased generation at the coal plants in the second quarter and higher rail and commodity prices for coal, as compared to the same periods of 2023.

Fuel expense for natural gas generation decreased \$10.2 million and \$8.9 million, respectively, for the three- and six-month periods ending June 30, 2024, as compared to the same periods of 2023. Primary reasons for the decrease:

- Gas generation decreased
 - 328,477 MWh for the second quarter
 - 28,390 MWh for the first six months
- Average fuel cost per MWh decreased by 6.2%

Coal fuel expense increased \$18.4 million and \$2.9 million, for the three- and six-month periods ending June 30, 2024, as compared to the same periods of 2023. Primary reasons for the increase:

- Coal generation increased
 - 628,501 MWh, or 35.1%, for the second quarter
- Weighted average cost of coal burned increased by 4.6%
- A planned outage at New Madrid Unit 2 in 2023



Purchased Power

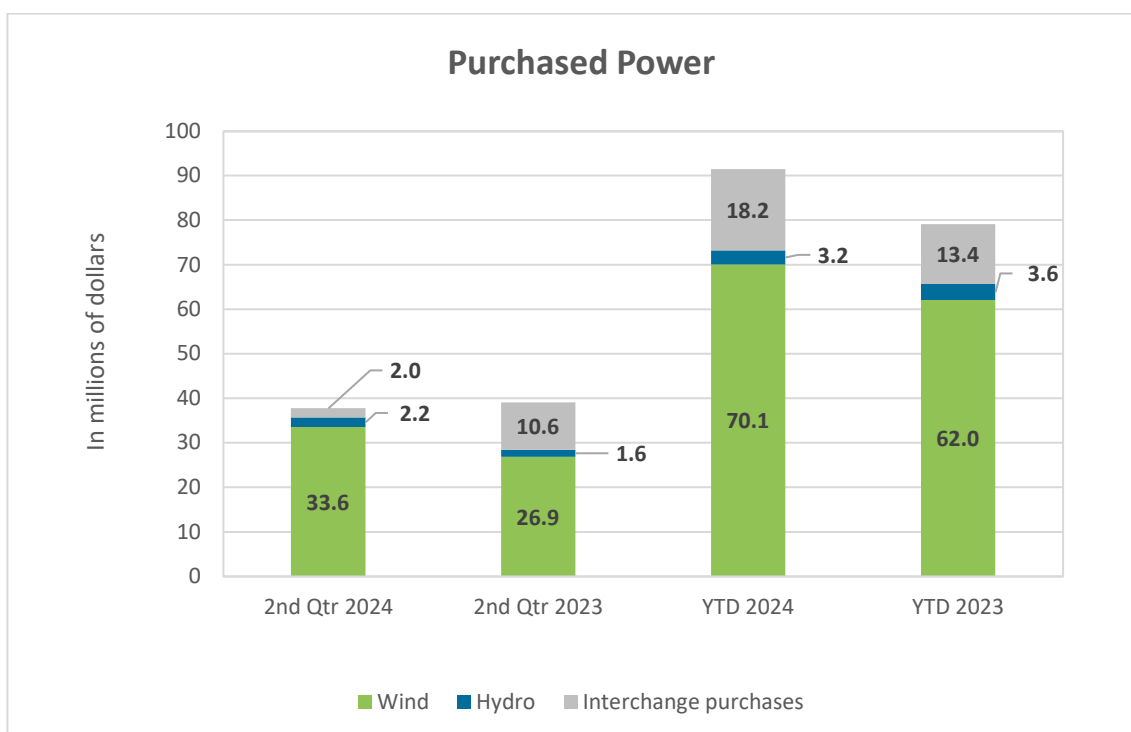
Purchased power expense decreased \$4.0 million for the second quarter, but increased \$15.6 million for the first six months of 2024, as compared to the same periods of 2023. Purchased power includes expenses related to purchases from interchange partners on the wholesale market, supplemental hydropower, and energy purchased from wind farms.

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

- Reduction in interchange purchase volume and average purchase price
- Interchange purchase decrease of \$8.6 million, or 80.8%, due to:
 - 74.9% decrease in purchase volume
 - 23.4% decrease in average purchase price
- \$6.7 million increase in wind purchases

The year-to-date increase was primarily attributed to:

- 94.6% increase in the average interchange purchase price
- 30.3% decrease in purchase volume
- \$8.0 million increase in wind purchases



Generation Maintenance

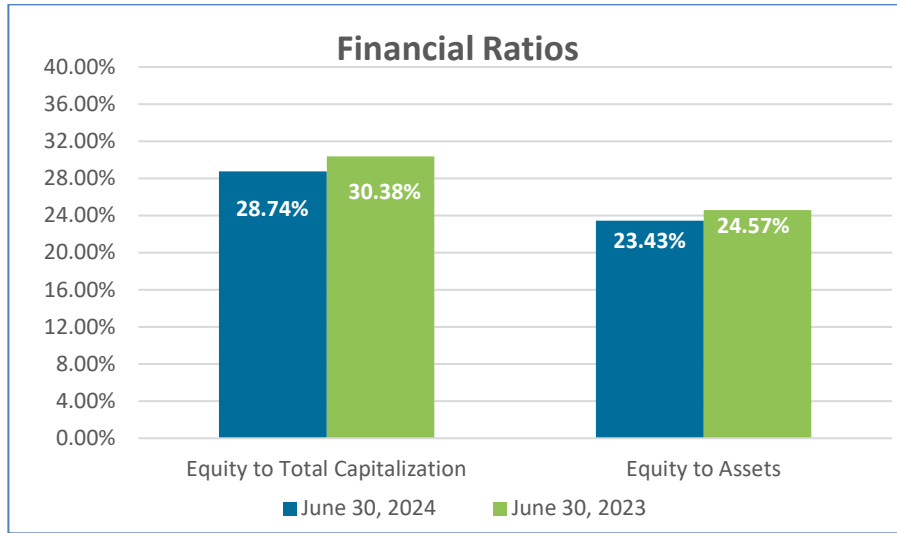
Generation maintenance expense increased \$9.4 million and \$11.3 million, respectively, for the second quarter and first six months of 2024, as compared to the same periods of 2023. The increase in maintenance expenses for the generating fleet was driven by the costs of planned maintenance projects.

Financial Position:

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

- Utility plant, including construction work in progress, increased \$300.8 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 increased \$101.7 million primarily due to advances received on long-term financing from RUS, largely offset by capital expenditures.
- Designated cash and cash equivalents increased and designated short-term investments decreased, both by \$72.6 million, due to the sale of treasuries and government agency securities that had original maturities of more than three months.
- Patronage capital increased \$58.8 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, increased \$291.8 million. Associated received \$381.3 million in FFB loan advances for plant projects. The increases were partially offset by \$89.5 million in principal payments.



Current Ratio:			
June 30, 2024:	1.94	June 30, 2023:	1.86

Associated Electric Cooperative, Inc.
Statement of Operations
For the Six Months Ending 6/30/2024
(In thousands of dollars)

	Three Months Ended June 30		Six Months Ended June 30	
	2024	2023	2024	2023
Operating revenues:				
Members	270,222	252,735	568,472	510,456
Nonmembers	68,115	73,161	153,280	170,471
	<u>338,337</u>	<u>325,896</u>	<u>721,752</u>	<u>680,927</u>
Operating expenses:				
Generation operation	144,033	129,555	313,024	311,074
Contracted generation	11,901	12,043	25,463	25,221
Power purchased	31,369	35,382	80,231	64,643
Depreciation and amortization	27,075	25,740	54,037	51,411
Transmission Expense	27,730	26,335	55,201	52,833
Generation maintenance	48,735	39,321	76,039	64,693
Administrative and general	23,424	24,006	47,248	47,150
Taxes	1,844	1,762	3,973	3,736
Accretion of asset retirement obligations	593	525	1,174	1,037
	<u>316,705</u>	<u>294,670</u>	<u>656,392</u>	<u>621,799</u>
Operating margin before interest expense	<u>21,633</u>	<u>31,226</u>	<u>65,360</u>	<u>59,128</u>
Interest Expense:				
Interest on long-term debt	18,914	15,695	38,154	31,684
Less: interest capitalized	(2,425)	(1,534)	(4,031)	(2,395)
	<u>16,489</u>	<u>14,160</u>	<u>34,123</u>	<u>29,289</u>
Operating margin	<u>5,143</u>	<u>17,065</u>	<u>31,237</u>	<u>29,840</u>
Nonoperating:				
Interest and dividend income	3,430	2,136	8,412	5,926
Other nonoperating income	353	466	730	850
Interest expense	(756)	(926)	(1,597)	(1,721)
Total nonoperating	<u>3,026</u>	<u>1,676</u>	<u>7,544</u>	<u>5,055</u>
Net margin (loss)	<u>8,170</u>	<u>18,741</u>	<u>38,781</u>	<u>34,894</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 Six Months Ending 6/30/2024
(In thousands of dollars)

	Current Month	Prior Year
Assets		
Utility Plant:		
Electric plant in service	\$ 4,968,712	\$4,724,934
Construction work in progress	379,281	322,279
	5,347,993	5,047,213
Less accumulated depreciation	(2,737,912)	(2,640,109)
	2,610,082	2,407,104
Other property and investments:		
Nonutility property	31,379	31,379
Right of use asset-operating leases	5,510	9,758
Net investment in direct financing leases	1,568	2,003
Advanced construction funds	14,085	15,144
	52,542	58,284
Restricted assets:		
Investments in associated organizations	21,972	24,795
Other restricted assets and designated assets	23,621	21,003
	45,593	45,799
Current assets:		
Cash and cash equivalents	128,031	26,306
Designated cash and cash equivalents	130,482	57,921
Restricted and designated short-term investments	0	72,561
Accounts receivable, net	180,207	105,474
Fuel inventories	110,372	98,606
Materials and supplies inventories	101,973	101,023
Other current assets	50,943	48,166
Current portion of deferred regulatory debits	17,178	9,779
	719,185	519,837
Deferred regulatory debits	74,469	79,778
Other deferred assets	64,897	49,989
	139,366	129,767
 Total Assets	 3,566,768	 3,160,790

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Associated Electric Cooperative, Inc.
Balance Sheet
For the Six Months Ending 6/30/2024
(In thousands of dollars)

	Current Month	Prior Year
Capitalization and Liabilities		
Patronage capital and other equities:		
Memberships	12	12
Patronage capital	783,712	724,916
Other equities	55,543	55,543
Accumulated other comprehensive inc. (exp)	(3,728)	(3,863)
	835,538	776,607
Long-term debt, excluding current maturities:		
Federal Financing Bank	1,310,589	972,828
CoBank	183,845	225,678
Other long-term debt	494,387	515,841
	1,988,820	1,714,346
Asset retirement obligation	65,220	75,885
Accumulated provision for postretirement benefits	23,706	25,112
Current Liabilities:		
Payable to member cooperatives	59,356	51,689
Accounts payable	126,131	89,609
Other current and accrued liabilities	72,950	55,712
Current maturities of long-term debt	82,916	65,570
Current portion of asset retirement obligation	19,715	12,166
Current portion of deferred regulatory credits	15,306	18,659
	376,374	293,405
Deferred regulatory credits	208,638	195,514
Other deferred liabilities	68,471	79,921
	277,109	275,435
Total Capitalization and Liabilities	3,566,768	3,160,790

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

	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Cash flows from operating activities:		
Net margin(loss)	\$38,781	\$34,894
Adjustments to reconcile net margin to net		
Cash provided by operating activities:		
Provision for depreciation and amortization	59,972	57,225
Amortization of loan expenses and other costs	1,956	95
Decrease (increase) in deferred debits	(19,363)	(22,076)
Increase (decrease) in deferred credits	21,044	(44,224)
Increase (decrease) in asset retirement obligation	(893)	(1,388)
Change in assets and liabilities:		
Accounts receivable	(43,577)	48,131
Fuel inventories	25,656	(42,553)
Materials and supplies inventories	879	(4,968)
Accounts payable	(34,182)	(64,969)
Other current and accrued liabilities	11,575	1,531
Other operating activities, net	(3,583)	49,036
Net cash provided by operating activities	58,265	10,734
Cash flows from investing activities:		
Construction expenditures for utility plant	(155,366)	(171,671)
Sale (purchase) of investments	20,074	(71,230)
Investments in associated organizations	3,314	4,841
Direct financing lease proceeds	222	205
Other investments	719	447
Reimbursement of capital expenditures	(29)	(20)
Net cash (used) in investing activities	(131,067)	(237,427)
Cash flows from financing activities:		
Increase (decrease) in net borrowings from member cooperatives	14,545	6,748
Issuance (retirement) of long-term debt, including change in current maturity	15,097	26,375
Retirement of Patronage Capital	(26,464)	(25,340)
Net cash (used) in financing activities	3,177	7,783
Net increase (decrease) in cash and cash equivalents and designated cash and cash equivalents	(69,625)	(218,910)
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	258,513	84,227
Cash and cash equivalents	128,031	26,306
Designated cash and cash equivalents	130,482	57,921
Cash and cash equivalents and designated cash and cash equivalents	258,513	84,227
Change in plant expenditures included in accounts payable	22,176	372
Supplemental disclosure of cash flow information:	38,232	38,787
Cash paid for interest (net of amount capitalized)		

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