

Washington Electric Cooperative, Inc.  
CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2025

Washington Electric Cooperative, Inc.  
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**Kittell Branagan & Sargent**

*Certified Public Accountants*

Vermont License #167

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Washington Electric Cooperative, Inc.  
East Montpelier, Vermont

### **Opinion**

We have audited the accompanying consolidated financial statements of Washington Electric Cooperative, Inc. (a nonprofit organization), which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of operations, equities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of Washington Electric Cooperative, Inc. as of December 31, 2025 and 2024, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Washington Electric Cooperative, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Washington Electric Cooperative, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Washington Electric Cooperative, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Washington Electric Cooperative, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating balance sheets and consolidating statements of operations on pages 33-35 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Governmental Auditing Standards, we have also issued our report dated March 16, 2026 on our consideration of Washington Electric Cooperative, Inc.'s internal control over financial reporting and on our test of its compliance with certain provisions of laws and regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of Washington Electric Cooperative, Inc.'s internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Washington Electric Cooperative, Inc.'s internal control over financial reporting and compliance.

*Kittell, Branagan + Sargent*

St. Albans, Vermont  
March 16, 2026

Washington Electric Cooperative, Inc.  
BALANCE SHEETS  
December 31,

	<u>2025</u>	<u>2024</u>
<u>ASSETS</u>		
ELECTRIC PLANT, at cost	\$ 94,462,606	\$ 91,716,681
Less accumulated depreciation	<u>(46,221,127)</u>	<u>(44,452,368)</u>
Electric plant in service, net	48,241,479	47,264,313
Construction work in progress	<u>1,014,813</u>	<u>786,749</u>
TOTAL ELECTRIC PLANT, net	<u>49,256,292</u>	<u>48,051,062</u>
OTHER ASSETS		
Other investments	12,022,050	11,274,424
Deferred charges	<u>124,536</u>	<u>313,989</u>
TOTAL OTHER ASSETS	<u>12,146,586</u>	<u>11,588,413</u>
CURRENT ASSETS		
Cash	815,875	890,833
Restricted cash	1,200,000	-
Receivables -		
Notes, less allowance for doubtful accounts of \$1,500 in 2025 and 2024	99	99
Accounts, less allowance for doubtful accounts of \$30,000 in 2025 and 2024, respectively	1,761,125	1,852,118
Renewable energy certificate revenue	813,978	617,245
Miscellaneous, less allowance for doubtful accounts of of \$2,500 in 2025 and 2024	1,763,034	831,484
Unbilled revenue	1,221,276	1,107,503
Inventories	847,156	569,477
Prepaid corporate taxes	-	2,294
Prepaid expenses	<u>280,755</u>	<u>339,706</u>
TOTAL CURRENT ASSETS	<u>8,703,298</u>	<u>6,210,759</u>
TOTAL ASSETS	<u>\$ 70,106,176</u>	<u>\$ 65,850,234</u>

See Accompanying Notes to Financial Statements

Washington Electric Cooperative, Inc.  
BALANCE SHEETS  
December 31,

LIABILITIES AND EQUITY

	<u>2025</u>	<u>2024</u>
<b>EQUITIES</b>		
Memberships issued and subscribed	\$ 172,190	\$ 167,300
Patronage capital assignable	2,513,429	868,465
Patronage capital credits	25,832,484	25,536,584
Donated capital	<u>319,109</u>	<u>313,159</u>
NET EQUITY	<u>28,837,212</u>	<u>26,885,508</u>
LONG-TERM DEBT	<u>32,859,764</u>	<u>30,954,547</u>
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt	2,472,473	2,437,131
CFC line of credit	813,663	1,922,230
Accounts payable	2,151,673	1,969,970
Customer deposits	205,748	187,483
Accrued corporate taxes	4,246	-
Other accrued expenses	884,609	860,598
Deferred 2025 operating revenue	1,200,000	-
Deferred grant revenue	<u>246,105</u>	<u>211,050</u>
TOTAL CURRENT LIABILITIES	<u>7,978,517</u>	<u>7,588,462</u>
DEFERRED CREDITS	<u>430,683</u>	<u>421,717</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 70,106,176</u>	<u>\$ 65,850,234</u>

See Accompanying Notes to Financial Statements

Washington Electric Cooperative, Inc.  
 STATEMENTS OF OPERATIONS  
 For the Years Ended December 31,

	<u>2025</u>	<u>2024</u>
OPERATING REVENUE		
Member revenue retail sales	\$ 22,195,457	\$ 20,817,742
Member revenue REC sales	2,403,775	1,882,175
Other	(465,023)	683,673
TOTAL OPERATING REVENUE	<u>24,134,209</u>	<u>23,383,590</u>
OPERATING EXPENSES		
Purchased power	7,217,251	7,534,358
Power generation	2,401,891	2,135,319
Transmission	76,794	96,994
Distribution:		
Operations, including vehicle depreciation expense of \$332,657 and \$293,685 in 2025 and 2024, respectively	2,224,345	2,784,008
Maintenance	3,689,192	3,834,191
Customer accounts	1,166,715	1,247,054
Administrative and general	2,211,440	2,091,348
Depreciation	2,647,997	2,590,331
Taxes	237,909	227,074
TOTAL OPERATING EXPENSES	<u>21,873,534</u>	<u>22,540,677</u>
MARGINS FROM OPERATIONS BEFORE INTEREST CHARGES	<u>2,260,675</u>	<u>842,913</u>
INTEREST CHARGES		
Interest on long-term debt	1,194,435	1,149,683
Other interest	26,169	45,173
TOTAL INTEREST CHARGES	<u>1,220,604</u>	<u>1,194,856</u>
MARGINS FROM OPERATIONS	<u>1,040,071</u>	<u>(351,943)</u>
OTHER INCOME (EXPENSE)		
Interest and dividend income	1,387,719	1,275,841
Other non-operating income	147,508	43,231
Other non-operating expense	(52,864)	(92,704)
Income taxes	(9,006)	(5,960)
TOTAL OTHER INCOME (EXPENSE)	<u>1,473,357</u>	<u>1,220,408</u>
NET MARGINS	<u>\$ 2,513,429</u>	<u>\$ 868,465</u>

See Accompanying Notes to Financial Statements

Washington Electric Cooperative, Inc.  
STATEMENTS OF EQUITIES  
For the Years Ended December 31,

	Memberships Issued and Subscribed	Patronage Capital Assignable	Other Equities	
			Patronage Capital Credits	Donated Capital
BALANCE, at December 31, 2023	\$ 162,105	\$ 1,067,670	\$ 24,703,286	\$ 307,954
New memberships issued and subscribed for	10,400	-	-	-
Transfers to donated capital	(5,205)	-	-	5,205
Transfers to patronage capital credits	-	(1,067,670)	1,067,670	-
Patronage rebates	-	-	(234,372)	-
Net margins for the year	-	868,465	-	-
BALANCE, at December 31, 2024	167,300	868,465	25,536,584	313,159
New memberships issued and subscribed for	10,840	-	-	-
Transfers to donated capital	(5,950)	-	-	5,950
Transfers to patronage capital credits	-	(868,465)	868,465	-
Patronage rebates	-	-	(572,565)	-
Net margins for the year	-	2,513,429	-	-
BALANCE, at December 31, 2025	\$ 172,190	\$ 2,513,429	\$ 25,832,484	\$ 319,109

See Accompanying Notes to Financial Statements

Washington Electric Cooperative, Inc.  
STATEMENTS OF CASH FLOWS  
For the Years Ended December 31,

	<u>2025</u>	<u>2024</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 2,513,429	\$ 868,465
Noncash expenses (income) included in earnings:		
Depreciation	2,980,654	2,884,016
Amortization of deferred charges	193,781	265,207
Gain on sale of assets	(56,102)	-
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	(840,557)	567,580
Decrease (increase) in renewable energy certificate revenue receivable	(196,733)	99,659
Decrease (increase) in unbilled revenue	(113,773)	(149,456)
Decrease (increase) in inventories	(277,679)	(21,676)
Decrease (increase) in prepaid expenses	61,245	(39,590)
Decrease (increase) in deferred debits	(2,652)	(34,502)
Increase (decrease) in accounts payable	181,706	(247,132)
Increase (decrease) in customer deposits	18,265	144
Increase (decrease) in accrued expenses	28,257	22,711
Increase (decrease) in deferred credits	8,966	174,058
Increase (decrease) in deferred revenues	<u>35,055</u>	<u>211,050</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>4,533,862</u>	<u>4,600,534</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of assets	57,240	24,752
Additions to electric plant in service and construction work in progress	(4,187,022)	(3,570,212)
Return of capital	44,730	22,017
Purchase of investments	<u>(792,356)</u>	<u>(719,277)</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(4,877,408)</u>	<u>(4,242,720)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Memberships issued, net of refunds	10,840	10,400
Patronage rebates	(572,565)	(234,372)
Proceeds from short-term debt	813,663	1,164,234
Proceeds from long-term debt	4,379,000	828,400
Principal payments on long-term debt	<u>(2,440,120)</u>	<u>(2,364,511)</u>
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<u>268,588</u>	<u>(595,849)</u>
<b>NET DECREASE IN CASH</b>	(74,958)	(238,035)
CASH - Beginning of Year	<u>890,833</u>	<u>1,128,868</u>
CASH - End of Year	<u>\$ 815,875</u>	<u>\$ 890,833</u>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	<u>\$ 1,218,928</u>	<u>\$ 1,192,666</u>

See Accompanying Notes to Financial Statements

Washington Electric Cooperative, Inc.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2025

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Washington Electric Cooperative, Inc. (WEC, “the Co-Op”) is a vertically integrated utility with monopoly franchise rights granted by the state of Vermont to provide residential and commercial electric service in its franchise service territory. Operating revenue is generated from sales of electric power and related activity to WEC’s members located primarily within the State of Vermont.

Regulatory jurisdictions

WEC is under the jurisdiction of the Federal Energy Regulatory Commission (FERC), the Rural Utilities Service (RUS), formerly known as the Rural Electrification Administration (REA), the Vermont Public Utility Commission (PUC) (formerly known as the Public Service Board of Vermont (PSB)), and the Vermont Department of Public Service (DPS). The PUC has the primary responsibility for regulating WEC’s rates. WEC utilizes the Uniform System of Accounts established by the RUS, except where the PUC has prescribed other treatment.

Corporate structure and income taxes

WEC is a nonprofit and non-stock membership corporation organized under provisions of the Electric Cooperative Act of Vermont. WEC is an organization described in Section 501(c) (12) of the Internal Revenue Code and has been recognized by the Internal Revenue Service as an organization exempt from taxes on related income under Section 501(a).

Accounting Standards Codification 740, Income Taxes (formerly FASB Interpretation No. 48) requires WEC to evaluate its income tax positions to determine if there are any positions that would require any adjustments to the consolidated financial statements. WEC has determined that it has no uncertain income tax positions that need to be recorded or reported in the consolidated financial statements.

In July 2003, the Board of Directors authorized the creation of, and a \$5,000 investment in, the Coventry Clean Energy Corporation (CCEC), a wholly-owned subsidiary. CCEC is a for profit corporation. Since its operations began in 2006, CCEC consolidated financial statements have been consolidated with WEC’s consolidated financial statements.

The tax years ending December 31, 2025, 2024, 2023, and 2022 are still open to audit for both federal and state purposes.

Consolidation policy

The consolidated financial statements include the accounts of WEC and CCEC. All intercompany accounts and transactions are eliminated in consolidation.

Electric plant and retirements

Electric plant is stated at cost. The cost of additions to electric plant includes contracted work, direct labor and materials, and allocable overheads.

Washington Electric Cooperative, Inc.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Listed below are the major classes of electric plant as of December 31:

	<u>2025</u>	<u>2024</u>
Intangible plant	\$ 609	\$ 609
Generation (hydro) plant	4,038,378	4,028,777
Generation (landfill gas) plant	13,852,574	13,852,574
Transmission plant	2,885,301	2,885,301
Distribution plant	66,050,947	63,817,525
General plant	<u>7,634,797</u>	<u>7,131,895</u>
	<u>\$ 94,462,606</u>	<u>\$ 91,716,681</u>

Depreciation and plant retirement

WEC follows the policy of charging to operating expenses annual amounts of depreciation which allocate the cost of the electric plant over its estimated useful life. WEC employs the straight-line and straight-line composite methods for determining the annual charge for depreciation. The estimated useful lives and rates for electric plant are as follows:

	<u>Life in Years</u>	<u>Composite Rate</u>
Generation plant	20-50	2-5%
Transmission plant	35	2.748%
Distribution plant	35	2.796%
Buildings and structures	10-50	2.50%
Transportation equipment	4-10	10-25%
General plant	5-15	6-20%

Maintenance and repairs are charged to expense as incurred. When assets are retired or otherwise disposed of, the costs are removed from plant, and such costs, plus removal costs, less salvage, are charged to accumulated depreciation.

Amortization

WEC follows the policy of charging to operating expenses annual amounts of amortization which allocate the cost of various deferred charges over periods established by management for rate-making purposes, as allowed by RUS. WEC employs the straight-line method for determining the annual charge for amortization.

Cash and cash equivalents

WEC considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Washington Electric Cooperative, Inc.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 December 31, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of average cost or market, determined by the first-in, first-out method.

Contributions in aid of construction

As explained above, WEC follows RUS accounting guidelines, except as otherwise allowed or prescribed by its state regulator, the PUC. In accordance with state regulatory requirements, contributions in aid of construction prior to 2013 were accounted for as a component of members' equity rather than as a reduction of electric plant in service. Beginning in January 2013 WEC began netting all contributions in aid of construction received from its members with the fixed assets placed in service for all new line construction. All contributions in aid of construction come from members of WEC. WEC is allowed to recover its gross investment in plant in its rates.

Patronage Capital

WEC is obligated to allocate credits to a capital account to each patron for all amounts in excess of annual operating costs and expenses. Under the provisions of the RUS loan agreements, until the equities and margins equal or exceed thirty percent of the total assets of WEC, the return to members of contributed capital is generally limited to twenty-five percent of the patronage capital or margins received by WEC in the prior calendar year. WEC Bylaws require capital of WEC to equal at least thirty percent of total assets before a retirement can be made. The WEC Board of Directors is responsible for determining the method, basis, priority and order of retirement, if any, for all amounts furnished as capital. Any differences in patronage available and what is remaining below is unclaimed amounts or amounts below WEC's threshold for payment, which is \$50, both of which are included in retired below. In 2023, WEC began offering early estate retirements to capital credit accounts at a discounted rate. The discount is set by using the weighted average cost of capital for the prior year. The discounted dollars are recognized in a retired patronage capital general ledger account identified as estate discounts. In addition, in 2023, WEC also began charging all dormant and undeliverable capital credit accounts with an annual service charge of \$15 per account. In 2024, WEC increased the service charge fee to \$25 per account. These dollars have been assigned to a retired patronage general ledger account number identified as service charges. The unclaimed, retired no check, estate discount, and service charge balances for the years ended December 31, 2025 and 2024 were \$1,010,778 and \$916,424, respectively.

	<u>2025</u>	<u>2024</u>
Assignable	\$ 2,513,429	\$ 868,465
Assigned to date	<u>35,661,541</u>	<u>34,793,076</u>
	38,174,970	35,661,541
Less: Retirements to date	<u>10,839,835</u>	<u>10,172,916</u>
	<u>\$ 27,335,135</u>	<u>\$ 25,488,625</u>

Washington Electric Cooperative, Inc.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. These estimates are made at the date of the consolidated financial statements and are based on the reported amounts of revenues and expenses during the reporting period, and other factors. Actual results could differ from those estimates.

Revenue recognition

WEC recognizes revenue for electric service in the month that service is rendered. The amount shown as unbilled revenue represents an estimate of the amounts used from the last meter reading through the end of the year.

Investments

Investments are recorded at cost. Because these investments are not publicly traded, market values are not readily determinable.

Deferred charges

WEC established deferred charges for costs associated with the recovery of various expenses that are deferred and amortized over a specified number of years. These deferred charges are regulatory in nature and approved by the WEC Board of Directors, Vermont PUC and RUS.

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due from energy sales with customers. WEC determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. WEC has historically allowed for unpaid balances over 90 days, inactive, and pending disconnect accounts. WEC does not typically allow for any balances in other accounts receivable because any amounts outside of REC sales and interest and dividends from Transco, are related to contribution in aid of constructions, and if these are not collected, they would increase the cost of a depreciable asset instead of considered a bad debt expense. Accounts receivables are written off when deemed uncollectable. The allowance for doubtful accounts is \$34,000 at December 31, 2025 and 2024, respectively. Receivables from contracts with customers are reported as accounts receivable, net in the accompanying statement of financial position. Contract liabilities are reported as deferred revenue in the accompanying statement of financial position.

Change from PSB to PUC

On July 1, 2017, the Public Service Board (PSB) became the Public Utility Commission (PUC). As prior decisions of the PSB remained in effect and for consistency and simplicity in this document we refer to both uniformly as the PUC.

Washington Electric Cooperative, Inc.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2025

NOTE 2 OTHER INVESTMENTS

Other investments include the following, at cost, at December 31:

	<u>2025</u>	<u>2024</u>
Investments in associated organizations:		
National Rural Utilities Cooperative Finance Corporation (CFC) membership	\$ 1,000	\$ 1,000
CFC capital term certificates	373,051	382,153
CoBank membership	1,000	1,000
CFC patronage capital certificates	355,237	354,920
Cooperative Response Center (CRC) membership	10,000	10,000
CRC patronage capital certificates	9,176	8,330
National Information Solutions Cooperative patronage capital certificates	114,028	117,786
UUS Patronage dividend allocation	70,193	14,170
Patronage capital certificates - other Cooperatives	4,565	4,565
Rural Electric Vermont Association membership	497	497
	<u>938,747</u>	<u>894,421</u>
 Other Investments		
Vermont Electric Power Company - common stock, Class B	265,600	265,600
Vermont Electric Power Company - common stock, Class C	101,900	101,900
Vermont Electric Power Company - preferred stock, Class C	1,793	1,793
Vermont Transco LLC - Class A membership units	4,714,169	4,404,717
Vermont Transco LLC - Class B membership units	5,999,841	5,605,993
	<u>11,083,303</u>	<u>10,380,003</u>
 TOTAL OTHER INVESTMENTS	 <u>\$ 12,022,050</u>	 <u>\$ 11,274,424</u>

NOTE 3 LONG-TERM DEBT

Long-term debt at December 31, 2025 and 2024 consists of the following:

	<u>2025</u>	<u>2024</u>
Mortgage notes payable, U.S. Department of Agriculture (RUS) 35-year terms at the following interest rates:		
4.125% mortgage notes, due January 2030	\$ 1,803,049	\$ 2,213,180
4.620% mortgage notes, due November 2059	3,176,989	-
4.830% mortgage notes, due November 2059	1,200,000	-
	<u>6,180,038</u>	<u>2,213,180</u>

Washington Electric Cooperative, Inc.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2025

NOTE 3 LONG-TERM DEBT (continued)

	<u>2025</u>	<u>2024</u>
Mortgage notes payable, National Rural Utilities Cooperative Finance Corporation (CFC), 35-year terms due between 2021 and 2031 at the following rates of interest:		
Fixed rate mortgage notes, 6.28% to 6.33% due quarterly, variable dates through July 1, 2028.	151,411	235,164
Fixed rate mortgage notes, 3.65% to 4.35% due annually, through June 30, 2031.	<u>4,220,378</u>	<u>5,105,872</u>
	<u>4,371,789</u>	<u>5,341,036</u>
 CFC Clean Renewable Energy Bond, nominal interest rate 3.70% effective interest rate 0.859%, \$115,926 due September 2031.	 <u>735,366</u>	 <u>852,366</u>
 Mortgage notes payable, Federal Financing Bank (FFB) at the following due dates and rates of interest (unadvanced loan funds as of December 31, 2025 and 2024 were \$6,816,000 and \$-0-, respectively):		
4.366% advances, matures December 31, 2033	1,090,435	1,226,739
4.472% advances, matures December 31, 2043	1,610,727	1,700,212
4.272% advances, matures December 31, 2043	652,363	688,606
3.707% advances, matures December 31, 2043	453,818	479,030
3.328% advances, matures December 31, 2043	348,000	367,334
4.193% advances, matures December 31, 2043	372,641	393,344
3.999% advances, matures December 31, 2043	686,512	724,651
3.134% advances, matures December 31, 2043	208,186	219,752
2.281% advances, matures December 31, 2046	318,182	333,333
2.418% advances, matures December 31, 2046	509,091	533,333
2.625% advances, matures December 31, 2046	318,182	333,333
2.633% advances, matures December 31, 2046	572,727	600,000
3.411% advances, matures December 31, 2046	636,364	666,667
3.258% advances, matures December 31, 2046	603,530	623,562
2.797% advances, matures December 31, 2046	636,065	658,374
2.655% advances, matures December 31, 2046	606,418	628,048
2.399% advances, matures December 31, 2046	189,731	196,706
2.044% advances, matures December 31, 2046	603,169	626,283
2.943% advances, matures December 31, 2046	156,848	162,254

Washington Electric Cooperative, Inc.  
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NOTE 3 LONG-TERM DEBT (continued)

	<u>2025</u>	<u>2024</u>
2.927% advances, matures December 31, 2049	326,179	335,589
2.632% advances, matures December 31, 2049	405,786	417,975
2.622% advances, matures December 31, 2049	734,912	757,017
2.849% advances, matures December 31, 2049	745,873	767,624
3.258% advances, matures December 31, 2049	631,718	649,131
3.427% advances, matures December 31, 2049	768,501	789,192
3.140% advances, matures December 31, 2049	679,349	698,383
2.928% advances, matures December 31, 2049	724,132	745,022
2.553% advances, matures December 31, 2049	591,804	609,773
2.123% advances, matures December 31, 2049	370,391	382,307
1.220% advances, matures December 31, 2053	1,058,213	1,090,340
1.335% advances, matures December 31, 2053	1,062,049	1,093,734
1.996% advances, matures December 31, 2053	724,001	743,506
2.165% advances, matures December 31, 2053	730,190	749,346
2.656% advances, matures December 31, 2053	735,715	753,569
4.003% advances, matures December 31, 2053	757,774	772,515
3.785% advances, matures December 31, 2053	759,813	775,144
4.597% advances, matures December 31, 2053	867,980	883,247
4.629% advances, matures December 31, 2053	807,448	821,573
	<u>24,054,817</u>	<u>24,996,548</u>
 Total long-term debt before unamortized debt issuance costs	 <u>35,342,010</u>	 <u>33,403,130</u>
 Unamortized debt issuance costs	 <u>(9,773)</u>	 <u>(11,452)</u>
 Total long-term debt	 35,332,237	 33,391,678
 Less current installments:	 <u>(2,472,473)</u>	 <u>(2,437,131)</u>
 Long-term debt, excluding current installments	 <u>\$ 32,859,764</u>	 <u>\$ 30,954,547</u>

The 2014-2017 Construction Work Plan (CWP) loan from the Federal Financing Bank (FFB) in the amount of \$7,141,000 was fully drawn in September 2019. The 2019-2022 CWP loan from the Federal Financing Bank (FFB) in the amount of \$8,130,000 was fully drawn in April 2024. In May 2024, WEC's Board of Directors authorized the submission of the financing application to RUS for a Treasury Direct Loan from RUS in the amount of \$11,195,000 to finance its 2024-2027CWP. WEC signed the loan documents on December 4, 2024, and received final approval on March 4, 2025. The last day for an advance is September 29, 2029. The unspent balance on December 31, 2025 was \$6,816,000.

Washington Electric Cooperative, Inc.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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NOTE 3 LONG-TERM DEBT (continued)

For FFB and Treasury loans, the interest rate of an advance is determined at the time of the advance. At the time of the advance, WEC can select, subject to RUS approval, either a short-term maturity date or a long-term maturity date. FFB payments on the advances are to be made quarterly while treasury payments on the advances are to be made monthly.

Following PUC approval in November 2012, WEC refinanced \$15,776,069 of its RUS debt in December 2012 with a promissory note and loan agreement from CFC. The terms of the Loan provide for multiple advances with varying interest rates between 1.95% and 4.35%. WEC estimates approximately \$4,200,000 in interest expense savings over the 19-year refinance period ending June 2031.

All of the assets of WEC are pledged as security under the above-mentioned notes.

The following is a schedule of required principal payments on long-term debt in subsequent fiscal years from December 31, 2025:

2026	\$ 2,472,473
2027	2,501,684
2028	2,483,521
2029	2,466,080
2030	1,825,136
Thereafter	23,593,116
	\$ 35,342,010

Loan covenants

In 2021, the terms of the loan agreements with National Rural Utilities Cooperative Finance Corporation (CFC), were modified. Now, although CFC still recommends budgeting to meet a Modified Debt Service Coverage ratio (MDSC) of at least 1.35, in order to be in compliance, CFC currently looks at WEC's ability to meet the Rural Utilities Service requirement of a minimum 1.25 times interest earned ratio (TIER) in the best two out of the most recent three years. For 2025, WEC met RUS's requirement with a TIER of 3.10 and recognized an MDSC of 1.67.

As required by the 1997 and subsequent RUS loan agreements, WEC also must maintain an operating times interest earned ratio (OTIER) of 1.10 with an operating debt service coverage (ODSC) of 1.10, determined by averaging the two highest annual ratios during the three most recent calendar years. WEC is permitted by RUS to include VELCO dividend funds in its OTIER calculations. With this allowance, WEC's OTIER for 2025 is 2.95. The majority of WEC's debt is being held by RUS, rather than CFC due to more advantageous terms.

Washington Electric Cooperative, Inc.  
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NOTE 4      SHORT-TERM DEBT

Two separate line of credit agreements executed with CFC provide WEC with access to a combined short-term loan in an amount up to \$2,600,000. This short-term loan operates on a revolving basis for a period of twelve months to June 2, 2026. Interest rates on the advances are variable and not to exceed the prevailing bank prime rate as published in the Eastern edition of the *Wall Street Journal*, "Money Rates" column, plus one percent. As of December 31, 2025, the interest rate on the As-Offered Line of Credit was 5.30% and WEC had a balance of \$813,663 outstanding on the line of credit and the remaining \$1,786,337 was available to be drawn down at year end.

WEC entered into two additional line of credit agreements with CoBank in September 2024. One line of credit is a committed line of credit for \$1,000,000 and the other is an uncommitted line of credit in the amount of \$2,000,000, for a total of \$3,000,000. These short-term loans operate on a revolving basis for a period of twelve months to June 29, 2026. Interest rates on the advances are variable and established by the Lender on the first business day of each week. As of December 31, 2025, WEC had a balance of \$0- outstanding on the CoBank line of credit with an available balance to draw down of \$3,000,000 at year end.

NOTE 5      PENSION PLAN

All eligible employees of WEC participate in the NRECA Retirement Security Program, a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. In this multi-employer plan, which is available to all member cooperatives of NRECA, the accumulated benefits and plan assets are not determined or allocated separately by individual employer. The plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333.

A unique characteristic of multiemployer plans compared to a single employer plan is that all plan assets are available to pay benefits to any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

WEC's contributions to the RS Plan in December 31, 2025 and 2024 respectively represented less than 5 percent of the total contributions made to the RS plan by all participating employers. WEC made contributions to the RS Plan of \$684,590 in 2025, \$619,393 in 2024. There have been no significant changes that affect the comparability of 2025 and 2024 contributions.

In the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80 percent funded on January 1, 2025 and over 80 percent funded on January 1, 2024 based on the PPA funding target and PPA actuarial value of assets on those dates. Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

Washington Electric Cooperative, Inc.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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NOTE 5 PENSION PLAN (continued)

At the December 2012 meeting of the I&FS Committee of the NRECA Board of Directors, the Committee approved an option to allow participating cooperatives in the RS Plan to make a contribution prepayment and reduce future required contributions. The prepayment amount is a cooperative's share, as of January 1, 2013, of future contributions required to fund the RS Plan's unfunded value of benefits earned to date using RS Plan actuarial valuation assumptions. The prepayment amount will typically equal approximately 2.5 times a cooperative's annual RS Plan required contribution as of January 1, 2013. After making the prepayment, for most cooperatives the billing rate is reduced by approximately 25%, retroactive to January 1, 2013. The 25% differential in billing rates is expected to continue for approximately 15 years. However, changes in interest rates, asset returns and other plan experience different from expected, plan assumption changes and other factors may have an impact on the amount and duration of the differential in billing rates.

The prepayment, which is included in deferred charges on the balance sheet, was made by WEC during 2013 for \$1,694,453 and is being amortized over a 13-year period. On June 28, 2013, the Vermont PUC authorized the financing of the pension prepayment in Docket #8062.

NOTE 6 COMMITMENTS AND CONTINGENCIES

Rate Increases

WEC filed with the PUC in May 2018 for an across-the-board increase in its retail rates in the amount of 3.72%. The PUC approved the order on June 29, 2018, and rates became effective on July 1, 2018. Due to a sharp decline in the Renewable Energy Certificate Market, WEC filed for an additional across the board increase in retail rates in the amount of 5.49% in November 2018. The PUC approved the order on December 31, 2018, and rates became effective on January 1, 2019.

WEC filed with the Vermont Public Utility Commission (PUC) in November 2019 for an across-the-board increase in its retail rates in the amount of 5.95%. Case No. 19-4576-TF was opened by the PUC to conduct an investigation into the proposed rate increase. The PUC approved the request on June 19, 2020, and the rates became effective on January 1, 2020.

WEC filed with the PUC in September of 2022 for an across-the-board increase in its retail rates in the amount of 14.19%. Case No. 22-4100-TF was opened by the DPS to conduct an investigation into the proposed rate increase that was put into effect November 1, 2022. The PUC issued a Final Order in Case No. 22-4100-TF in August 2023 approving an increase of 12.83%. Since the final order decreased the requested rate increase, in September 2023, WEC refunded to members the excess amounts collected, through either a bill credit or a check for former members in the amount of \$131,041.

WEC filed with the Vermont Public Utility Commission (PUC) in November 2024 for an across-the-board increase in its retail rates in the amount of 2.91% pursuant to 30 V.S.A. §218d(n) as amended by Act 179, § 1 (2024), (changing the allowed rate increase from 2% to 3%) and the Standards and Procedures for Rate Changes for Municipal and Cooperative Electric Utilities (Oct. 18, 2021). Case No 24-3408-TF was opened by the PUC to review WEC's filing. The PUC approved the request on December 24, 2024, and the rates became effective on January 1, 2025.

Washington Electric Cooperative, Inc.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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NOTE 6 COMMITMENTS AND CONTINGENCIES (continued)

Rate Design

In 2019 WEC filed with the PUC a request to modify its design of charges for electric service. Often when a utility proposes rate design changes, there is no change to the total amount of revenue that the utility is authorized to recover from its ratepayers. Rather, rate design changes may include adjustments to reallocate costs among rate classes (e.g., residential, commercial, and large power) or among the components of charges (e.g., customer charge and energy rates per kWh), or both.

WEC proposed (1) to increase the residential customer charge from \$14.19 to \$25.00 per month; (2) to reduce the low block of its inclining-block rate structure for Residential members from 200 kWh to 100 kWh; and (3) to reduce the kWh rates for the low block from \$0.1135 to \$0.0800 and for the tail block from \$0.25341 to \$0.19961. The proposal similarly increased the customer charges for Small Commercial and Large Power rate classes and reduces the energy rate for the small commercial class from \$0.20747 to \$0.19005.

The rate design proposed by WEC was found by the PUC to be just and reasonable, but the PUC ordered the residential customer charge increase be phased in over two years. The final step in that increase occurred in July of 2022.

WEC did not propose any changes that would reallocate costs among the rate classes. The bill impacts of WEC's proposed changes depend on each member's energy-usage level. Members in the Residential class using 500 kWh or more per month saw lower overall bills, and members using less than 500 kWh saw higher overall bills. WEC recognizes the adverse financial impacts of the proposed changes on its low-income members at low energy-usage levels and the PUC ordered WEC to explore a low-income program. WEC's rate design was phased in over 2 years and rates were updated to include an across-the-board rate increase of 5.95% which was approved on June 19, 2020.

During WEC's development of its rate case in 2022, it was found that the rate design had, as intended, had very little impact on overall revenue, by reducing energy charges as customer charges were increased. As expected, individual members saw changes in what they were billed.

Integrated Resource Plan

Pursuant to 30 V.S.A. §218c each Vermont regulated electric utility is required to prepare and implement a least cost integrated plan (also called an integrated resource plan or IRP) for provision of energy services to its Vermont customers. The Comprehensive Energy Plan and PUC Orders outline requirements that a distribution utility's IRP should meet to obtain DPS and PUC approval. The IRP process and the implementation of each Vermont utility's approved plan are intended to meet the public's need for energy services, after safety concerns are addressed, at the lowest present value life cycle cost, including environmental and economic costs. This is achieved through a strategy combining investments and expenditures on energy supply, transmission and distribution capacity, transmission and distribution efficiency, and comprehensive energy efficiency programs. (30 V.S.A. §218c). The cost and benefit factors that must be considered include both direct monetary costs and benefits, and indirect impacts such as environmental and other societal effects. The timing for filing a utility's IRP is based on a three- year statutory requirement.

Washington Electric Cooperative, Inc.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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NOTE 6 COMMITMENTS AND CONTINGENCIES (continued)

The IRP projects WEC's load, power supply requirements and electrical infrastructure needs. It is used to identify committed and preferred resource options for the future, including demand-side management resources and renewable sources of power such as increased Coventry Project power and Sheffield wind power. The IRP also includes information relative to WEC's transmission and distribution planning. It must include where investments and upgrade work are needed on the WEC electric system for delivery of power to its members. WEC filed a new IRP on November 2, 2020, in case No. 20-3324-PET. In the IRP, WEC demonstrated it has sufficient sources of power from contracts and owned generation to meet its projected power supply needs for the next 20 years.

WEC also noted that it is well positioned to meet various renewable energy goals and targets which are outlined in the State's Comprehensive Energy Plan, based on its current resource mix. The PUC opened a proceeding to review the 2020 IRP and WEC received approval in 2021.

WEC filed its most recent IRP in April of 2024, after being granted an extension from the original deadline of November 2023. This IRP was significantly more comprehensive and complete than prior WEC IRP's, reflecting the large amount of work included in WEC's new Long Range and Construction Work Plans for RUS, a projection of significant load growth for the first time in recent years, and given the changes in statutory and regulatory environments.

Although the DPS had few issues with the IRP itself, the filing was followed by a long negotiation between the Department and WEC over the MOU regarding the requirements for the next version of the IRP, due April 12, 2027. That MOU was agreed to, and the DPS recommended that the PUC approve the WEC IRP on October 30, 2024. The PUC approved the WEC IRP on March 7, 2025. WEC will begin working on its next IRP in 2026.

Energy Efficiency Utility

In 1999, the PUC ordered the establishment of the Energy Efficiency Utility (EEU), which began operating in February 2000 under the name "Efficiency Vermont" ("EVT"). Most efficiency services for commercial, industrial, residential and multi-family housing are now operated by the EEU and are no longer directly provided by WEC. Pursuant to an order from the PUC, all Vermont utilities collect a monthly surcharge called the Energy Efficiency Charge (EEC) from customers. At December 31, 2025 and 2024 the total collected from WEC's members was approximately \$935,991 and \$905,189, respectively. This amount is forwarded to a fiscal agent selected by the PUC, currently Vermont Energy Investment Corporation (VEIC), and is not revenue to WEC.

Power Contracts

WEC, along with other Vermont utilities, petitioned the PUC in Docket No. 7670 to enter various agreements that would enable it to receive power from HQ Energy Services US (HQUS) beginning in November 2016. The agreements provide for delivery of primarily on-peak energy and associated environmental attributes seven days per week, 16 hours per day. There are no capacity credits or other ancillary market products other than renewable attributes included in the contract. WEC obtains 4.0 MW of power through the Vermont Public Power Supply Authority (VPPSA). In addition, WEC entered into an agreement with the Vermont Electric Cooperative (VEC) to transfer its portion of HQUS power to VEC until a

Washington Electric Cooperative, Inc.  
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NOTE 6 COMMITMENTS AND CONTINGENCIES (continued)

need exists in WEC's power supply portfolio. Proceedings in front of the PUC were underway in 2010 and through 2011. The PUC issued its decision in 2011 and approved WEC's participation in the various agreements that enable it to obtain HQUS power. The contract went into effect in November 2016.

Given decreased production at the Coventry landfill gas to energy plant in 2021 and 2022 and increased load, WEC began to evaluate whether to retain up to 2 MW of power from its HQUS contract rather than continue passing it on to VEC. The contract includes a provision for a one-year review of WEC's power coverage ratio, and after that period enables WEC to retain that electricity for its members, rather than selling it to VEC. In May 2022, WEC notified VEC of its intent to begin taking back 2MW of power effective June 2023 and successfully completed that process.

As of December 31, 2023, WEC retains 2MW of HQUS power and transfers/sells the other 2MW's to VEC. It is possible, even likely, that WEC may need in the coming years to take back the remaining 2 MW of HQUS power which it is currently continuing to pass through to VEC.

Net Metering Act 99

In 2014 the Vermont Legislature passed sweeping changes to net metering laws through Act 99. As part of the Act, the Legislature also ordered the PUC to issue a draft rule, which it did in 2016, requiring all Vermont electric utilities to draft new metering tariffs. The changes affected existing net metering systems and new systems installed after January 1, 2017. The PUC issued an order in August 2016 summarizing changes to the net metering program. WEC filed its Net Metering tariff in October 2016 to comply with the new net metering rules. It amended this filing in January 2017 based on feedback from the PUC to WEC's October filing. In its tariff WEC converted its Grid Service Fee plan participants (those members with net metered generation installed after July 2014) to its Legacy plan structure to comply with the PUC rule making. After 10 years of operation, all pre-existing systems (those installed prior to January 1, 2017) will be paid the statewide blended rate per the new PUC rules. Until the end of this 10-year period those legacy participants will be paid at WEC's highest energy block rate in its retail rate design.

As of December 31, 2025, WEC had 1,023 members totaling 9,195 kW of generation capacity signed up under existing net metering programs. The amount of energy produced from net metered systems equals roughly 10% of WEC's 2025 annual energy needs. The level of net metering in WEC territory poses a financial and operational challenge for WEC. After benefits from net metering are considered, the activity represents a more than \$1 million cost shift on to non-net-metering members, or roughly a more than 4% rate impact. Given that net metering solar typically produces at times of the year and the day when power demands for WEC are lower, that power is less likely now to reduce peak loads and often occurs during the lowest cost periods

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NOTE 6 COMMITMENTS AND CONTINGENCIES (continued)

Renewable Energy Standard Act 56

Act 56 was passed in 2015. The legislation created a Renewable Energy Standard (RES) for Vermont electric utilities. The RES requires utilities to have renewable energy totaling 55% of their retail electric sales in 2017. That requirement grows 4% every three years until it reaches a total of 75% in 2032 (Tier 1). Of these renewable resources, some (1% of retail sales in 2017, growing to 10% in 2032) are required to be new, small, distributed generators connected to Vermont's distribution grid (Tier 2). The Act also requires utilities to assist their customers in reducing fossil fuel consumption from non-electric related use (Tier 3).

WEC maintains a portfolio that is 100% renewable and therefore it has met the RES 55% renewable goals for 2024 and 2025 (Tier 1). More significantly, WEC has already exceeded the state goal of 75% renewable by 2032 with its existing (2025) mix of energy sources. WEC is a leader in renewable energy and one of only a few utilities in the nation that can boast a 100% renewable power supply mix. Therefore, WEC does not need to change or plan for new sources of power to meet the State's RES Tier 1 requirement.

In March 2016, WEC petitioned the PUC in Docket 8550 for a determination that it qualifies as a retail electricity provider meeting the conditions in 30 VSA 8005 (b)(1)(A) which allows it to satisfy the distributed generation requirement of Tier 2 by accepting net metering systems within its service territory.

The PUC approved this petition granting WEC the determination that it qualified as a 100% renewable retail electric provider (Docket 8714). WEC files annually for approval to keep its renewable status and expects that later this year the PUC will approve its filing for 2025.

As noted above, Tier II requires electric providers beginning January 1, 2017, to have distributed renewable generation comprising at least one percent of its annual retail sales for the year. They must annually increase their distributed renewable generation by three-fifths percent each year until 2032.

Because WEC qualifies as 100% renewable, WEC is exempt from Tier II requirements. Nonetheless, WEC retires net-metering RECs that meet the Tier II obligation on an annual basis, as if it were not 100% renewable.

The Vermont Legislature in 2024 updated the Vermont Renewable Energy Standards, speeding up the schedule under which the remainder of the Vermont utilities have to reach 100 percent renewability under a Tier IV requirement. Those changes, which went into effect January 1, 2025, were approved over a gubernatorial veto, require most utilities to reach 100% renewability by 2030 and require the three currently 100% renewable utilities (WEC, Burlington Electric Department and Swanton) to meet their load growth through new (post 2010) renewables on a set schedule in a new Tier V requirement. Absent other changes or circumstances, this new obligation is expected to cost WEC about \$1,000,000 over three years starting in 2033. The bill also eliminated group net metering (a benefit for WEC), and allows WEC's remaining 2 MW of HQUS power to count towards its Tier V obligation if WEC were to cease passing it through to VEC by 2028.

Washington Electric Cooperative, Inc.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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NOTE 6 COMMITMENTS AND CONTINGENCIES (continued)

Tier III, or what has been referred to as the energy transformation Tier, focuses on efforts that switch users away from using fossil fuels in transportation and heating. All utilities were required to create a plan to meet their Tier III obligations. WEC's Annual Plan addresses its strategy to meet its Tier III compliance obligation for 2025 and was filed with the PUC in November 2024. WEC offers a suite of energy transformation measures that have been screened and vetted through the Technical Advisory Group (TAG) which screens Tier III measures.

Beyond its core membership responsibilities, WEC recognizes its Renewable Energy Standard obligations increase the role of the distribution utility to engage in social policy implementation, such as subsidizing income eligible member households financially, resulting in a collective impact of increasing rate pressure.

Implementation of the Tier III projects described in WEC's Annual Plan is coordinated with Vermont Energy Investment Corporation (VEIC) as the administrator of Efficiency Vermont, the statewide energy efficiency utility. In addition, coordination of data collection, management, reporting, and evaluation and verification activities was maximized to the extent possible with protocols and schedules between WEC and Efficiency Vermont.

WEC's Tier III Annual Plan includes the coordinated use of member and supply-side incentives, standards for measuring performance, and methods to allocate savings and reductions in fossil fuel consumption and greenhouse gas emissions among VEIC and WEC.

Vermont's RES establishes a required amount for Tier III compliance of 2% of a utility's annual retail sales in 2017, increasing by two-thirds of a percent each year and reaching 12% in 2032. In 2025, the target percentage was 7.33% and the MWh goal was 5,483 MWh. Excess MWh's from Tier III will be applied in subsequent years through a banking provision. The PUC issued an order indicating WEC met its 2024 requirements and anticipates an affirmative order from the PUC that it met its 2025 TierIII requirements.

WEC's Tier III implementation program for 2025 is a continuation of incentives for existing measures.

Risk Management

WEC is exposed to various risks of loss related to torts; theft of, damage to and destruction of or misuse of assets; injuries to individuals; and natural disasters. In addition to a system of internal controls, WEC manages these risks through commercial insurance packages purchased in its name. There were no claims against WEC in 2025.

NOTE 7 COMMITMENTS AND CONTINGENCIES - POWER SUPPLY

Coventry Methane Generation Project

WEC owns and CCEC operates a generating facility powered by landfill gas at the Coventry Landfill in northern Vermont. The plant first began generating in July 2005 and was subsequently expanded in 2007 and 2009, to a present generating nameplate capacity of 8 MW. A set of contractual agreements was executed in 2003 between CCEC and New England Waste Services of Vermont, Inc. (NEWSVT), a wholly owned subsidiary of Casella Waste Systems, Inc. which owns the Coventry Landfill. These agreements codify the relationship of the parties and are in effect until 2038.

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NOTE 7 COMMITMENTS AND CONTINGENCIES - POWER SUPPLY (continued)

The initial project was financed by an RUS loan. The 2007 expansion was financed by CFC under their implementation of the Clean Renewable Energy Bond Program (CREB). The 2009 expansion was financed by an RUS-guaranteed FFB loan and by reallocating funds in the 2008-2011 CWP from distribution projects to generation assets.

The summary of project costs and outstanding notes payable as of December 31, 2025 are:

	<u>Plant Cost</u>	<u>Note Balance</u>
Phase 1 - Initial Construction, Engines 1-3	\$ 7,136,054	\$ 1,803,049
Phase 2 - Engine 4	1,238,397	-
Phase 3 - Engine 5 plus building modifications	4,133,419	1,090,435
Siloxane Removal System (SRS)	2,182,483	735,366
Systems Upgrades financed with general funds	1,074,971	-
	<u>\$ 15,765,324</u>	<u>\$ 3,628,850</u>

Costs for each phase have been capitalized to both generation and transmission plant, with the majority in generation.

Of the \$15,765,324, plant cost, \$13,852,574 is capitalized to generation plant with the balance included in transmission plant.

In 2016, WEC added a new gas scrubbing system and related upgrades at the plant, referred to as a Siloxane Removal System (SRS). WEC filed for a Certificate of Public Good (CPG) for this work with the PUC pursuant to 30 V.S.A. § 248(j). The PUC issued an order in Docket 8721 approving the project in May 2016. Subsequent to receiving permission to build the project, WEC filed with the PUC for permission pursuant to 30 V.S.A. § 108 for approval to finance the project in the amount of \$1,712,366 using United States Department of Treasury's New Clean Renewable Energy Bonds (NCREB). The PUC approved financing in August 2016 and the project was successfully completed and began operating in January 2017. The SRS is intended to remove siloxanes, which reduces the concentration of contaminants in the landfill gas. The buildup of siloxane compounds within the engines causes destructive detonation and inefficient engine operation requiring additional maintenance and engine downtime. The removal of the siloxane compounds has improved engine availability and increased electricity production.

In 2025 the Coventry Project provided 59% of WEC's total power supply resource energy production and 60% of WEC's Real Time Load Obligation when considering the member gross net metering production.

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NOTE 7      COMMITMENTS AND CONTINGENCIES - POWER SUPPLY (continued)

CCEC has a Landfill Gas Project Agreement. Originally the contract was with Innovative Energy Systems, Inc. (IES), IES had been a subsidiary of Aria Energy with corporate headquarters in Novi, Michigan. It has since merged with Archaea Energy which has in turn been purchased by BP. Services provided by Aria/Archaea/BP include day-to-day management, operation, maintenance, plant repair, monitoring and adjustment of the gas collection system. WEC and IES entered a revised O&M contract which was signed in December 2016. The contract assures continuity of operations at the plant. The contract term is for 15 years, from May 2015 through May 2030. At December 31, 2025 and 2024, the contract amount was \$1,642,405 and \$1,384,078, respectively.

On June 14, 2021, the Civil Division of the Orleans Superior Court approved, and entered as an order, WEC's settlement with the Town of Coventry for the tax valuation of the Coventry Clean Energy Corporation Landfill Gas to Energy Plant. Coventry valued the Plant at \$14,030,000 and was attempting to increase this valuation through WEC's appeal of this valuation. WEC's initial position was that the valuation should be \$8.9M. The settlement value adopted by the Court is \$10.2M for the six tax years 2021 through 2026. Coventry was allowed to keep the overpayment (difference between \$14.03M and \$10.2M) for the 2019 and 2020 tax years.

In June of 2024 the Coventry Project began operating as a load reducer rather than a supply resource in the ISO-NE markets. As a load reducer the production from the Coventry Project goes directly toward lowering WEC's load with the ISO-NE. This change saves WEC in ancillary market costs such as reserve costs, capacity costs, and many other expenses assessed to load by the ISO-NE. We continue to record generation monthly for internal tracking and adjust load internally as if the generator were not a load reducer. This allows WEC to measure and track total member load for planning purposes.

Wrightsville Hydro

WEC also owns and operates the Wrightsville Hydroelectric Generation Station in Montpelier, Vermont, a largely run-of-the-river project that has a nameplate capacity of 1.025 MW, though it provides significantly less average output because it is dependent on precipitation and weather conditions during the year. Operating costs were \$125,020 and \$147,871 at December 31, 2025 and 2024, respectively. Fixed costs were \$106,777 and \$106,621 over that same period, respectively. All debt associated with this station has been paid in full as of December 31, 2014.

In March 2016, WEC successfully converted the hydro unit's status at the ISO-NE from a generator to a load reducer. As a load reducer the production from Wrightsville goes directly toward lowering WEC's load with the ISO-NE. We continue to record generation monthly for internal tracking and adjust load internally as if the generator were not a load reducer. This allows WEC to measure and track total member load for planning purposes.

The Wrightsville Hydro facility was issued a 40-year license by the Federal Energy Regulatory Commission (FERC) on November 23, 1982 (FERC No. 5124 also known as North Branch No. 3 Hydroelectric Project). At the time of the license, the Project was owned by the Montpelier Hydroelectric Company; it was later transferred to the Washington Electric Cooperative, Inc. (WEC) on June 30, 1983.

Washington Electric Cooperative, Inc.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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NOTE 7      COMMITMENTS AND CONTINGENCIES – POWER SUPPLY (continued)

The current license expired on October 31, 2022. As a result, WEC filed a Notice of Intent (NOI) and Pre-Application Document (PAD) on October 31, 2017. WEC has worked with FERC and state agencies to address various water and aquatic study requirements as well as power plant improvements that may be needed to continue the facility's operation. FERC held public scoping meetings on January 24 and 25, 2019. No members from the public attended but various state agencies and WEC staff were in attendance at both meetings.

WEC has worked with the Vermont Agency of Natural Resources (VANR) to review the options to renew the license. In January 2020, WEC and VANR came to an agreement about how the Wrightsville facility shall be operated going forward.

In accordance with FERC regulations, WEC filed a final license application (FLA) for a new license with FERC before October 31, 2020. The Project consists of three fixed flow turbines. The proposed action described in the FLA is to relicense the Project but use flow from a minimum flow gate to fill the flow gap between the fixed flow turbines to maintain a more stable flow regime below the powerhouse. WEC made public portions of the FLA available to resource agencies, Indian Tribes, local governments, non-government organizations, and the public on the Project's distribution list. An electronic copy of the FLA is available on FERC's website using the following <https://elibrary.ferc.gov/eLibrary/search>, enter P-5124 in the docket number. A paper copy of the FLA can also be viewed during normal business hours at the Kellogg-Hubbard Library at 135 Main Street, Montpelier, VT 05602.

WEC received a 40-year license from the Federal Energy Regulatory Commission on July 28, 2023, for the continued operation of the Wrightsville Hydroelectric Project. As required by the FERC license, WEC is filing various plans with FERC in 2024.

Similarly, WEC's operating agreement with the state DEC (which operates the dam) has expired, but the state has authorized the continued operation of the project under the old license agreement until a new agreement is completed. WEC and DEC are working on an update to this agreement.

The new permit requirements will likely result in less power being produced by the Wrightsville project going forward. WEC's consultant estimates that all other conditions being equal, the new operating conditions will result in a 6 percent reduction in output.

In 2025, Wrightsville produced less than 1% of WEC's total power and Real Time Load Obligation. The facility was offline beginning in January 2025 through November due to a failed component.

In 2024, WEC decided to sell the Wrightsville project due to above market rate the power it produces costs in bad years, the amount of time and attention the plant requires, the reduced production expected under the new permit, and the possibility of significant deferred maintenance needing to be done on the facility. In addition, the conclusion of most group net metering at the end of 2024, also put a time constraint on the likelihood of finding a purchaser, as the project was deemed to have the most value as a net metering project.

NOTE 7 COMMITMENTS AND CONTINGENCIES – POWER SUPPLY (continued)

WEC entered into a purchase and sale agreement in December of 2024 with a requirement that the new owners net meter the plant to Green Mountain Power, rather than to WEC. Although the prospective buyers, who agreed to a purchase price of \$1 million, originally obtained a Certificate of Public Good, that CPG was later revoked in late 2025 in a case (PUC Investigation 25-0366 INV) to which WEC was not a party. WEC and the potential purchasers, Wrightsville Hydro LLC, subsequently terminated the purchase agreement.

Sheffield Wind Project

In May 2005, WEC executed an Advance Purchase Fee Agreement with wind developer UPC Wind Vermont, LLC (UPC), which subsequently became Vermont Wind, LLC ("Vermont Wind") and was part of SunEdison, for up to a 4 MW share of the output of its proposed 40 MW project in Sheffield. The PUC awarded UPC the required Certificate of Public Good for the project in August 2007. In January 2009, the Vermont Supreme Court unequivocally upheld the PUC Order. The contract was filed by Vermont Wind with the PUC in June 2009 and the PUC approved it, in Docket No. 7156, in August 2009. WEC finalized a long-term Purchased Power Agreement with Vermont Wind in September 2009. Vermont Wind began construction in 2010, and the project reached its commercial operation date on October 19, 2011. WEC began receiving power generated from the wind project at that time on a contract that is set to expire October 2031. Sheffield Wind accounted for 7% of WEC's total power supply in 2025 and Total Real Time Load Obligation after accounting for member gross net metering production.

NYPA

WEC receives power from the Franklin D. Roosevelt-St. Lawrence and Niagara hydroelectric projects in New York, through the DPS, which contracts with the New York Power Authority (NYPA). NYPA power is currently being provided through the DPS under a long-term contract. The contract for St. Lawrence and the Niagara Contract have been extended through April 30, 2032. WEC anticipates no reductions in NYPA power supply going forward under the latest agreements, except when low water conditions exist. When low water conditions do exist, NYPA makes available replacement energy at a higher cost, but purchase of such replacement power is optional. The Niagara project, the largest provider of NYPA power to WEC, was recently relicensed. This relatively low-cost resource is expected to continue to be available to WEC's residential customers far into the future, though some related costs have increased in recent years, particularly transmission. NYPA accounted for 10% of WEC's total power supply and WEC's Total Real Time Load Obligation after accounting for member gross net metering production.

Hydro-Quebec

On January 7, 1991, the PUC approved WEC's purchase of 2.589 MW of Hydro-Quebec (HQ) Schedule B power for a term from September 23, 1995, through October 31, 2015. With the end of the HQUS Vermont Joint Owners contract, WEC replaced the power with a new contract from HQUS.

WEC, along with other Vermont utilities, petitioned the Vermont Public Service Board in 2010 in Docket 7670 to approve various agreements related to obtaining power from H.Q. Energy Services (US) Inc. through a Purchase Power Agreement (HQUS PPA). WEC is participating as a buyer of power under the Vermont Public Power Supply Authority (VPPSA), through a sub-allocation arrangement. WEC will be allocated energy products from the HQUS PPA through VPPSA in the amount of 4 MW from November 1, 2016 through October 31, 2038.

Washington Electric Cooperative, Inc.  
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NOTE 7      COMMITMENTS AND CONTINGENCIES – POWER SUPPLY (continued)

The energy from this contract is delivered 7 days a week from hour ending 08:00 to hour ending 23:00 on a firm basis through an Internal Bilateral Transaction (IBT) settled through the ISO-NE markets. There is no capacity accompanying the energy, but environmental attributes will be delivered with a minimum guarantee that 90% of the power will come from hydro or other renewable resources.

WEC has a contract entitlement from this resource of up to 4 MW. Until recently, WEC was assigning all this power to Vermont Electric Cooperative (VEC) through a sleeve arrangement. Starting on November 1, 2016, WEC is contractually required to take back this power to meet its load if its other committed resources are insufficient. The amount of power WEC must take is specified by a formulaic process in the sleeve agreement. This agreement states:

- WEC must begin to take power back from VEC with a one-year notice period if its coverage ratio falls below 97% over the preceding 12-month period.
- The amount of power WEC takes back is defined by formula which includes a coverage band tied to the amount of power needed to bring WEC's coverage ratio to 100%.
- Once WEC takes power back, it must retain that power through the end of the contract term in 2038.
- WEC can temporarily take back power in the event of an unplanned outage from an existing resource.

Twelve months after the month the coverage ratio falls below 97%, WEC will begin to take back power up to the amount of the energy deficit for the current month, provided the desired amount of energy falls between the coverage ratio limits. If it falls outside these limits, then the amount WEC will take reflects the coverage band lower or upper bound. Once WEC takes back a certain amount of power, that amount will remain in the WEC resource portfolio.

WEC began this process in May of 2022 and ultimately took back 2 MW of power under the HQUS contract beginning in June 2023. WEC continues to transfer/sell the remaining 2 MW's of power to VEC. HQUS power accounted for 12% of WEC's total power supply in 2025 and WEC's Total Real Time Load Obligation after accounting for member gross net metering production.

Ryegate

In an Order dated October 29, 2012, the PUC established a standard-offer price schedule for baseload renewable power (Ryegate biomass facility) that is represented by a levelized price of \$0.10 per kWh and that included a fuel pass-through mechanism by which the price will be adjusted to reflect changes in Ryegate's fuel costs. The new contract began November 2012 at the termination of Ryegate's Rule 4.100 contract. The new contract for Ryegate was to be in effect from November 2012 through October 2023.

In 2022, the Vermont Legislature extended the Ryegate contract, despite WEC's objections, meaning WEC will continue in the near term to be obligated to take power from that source. WEC is currently being allocated roughly 1.49% of the power from the Ryegate facility and in 2025, Ryegate represented 2% of WEC's power supply and Real Time Load Obligation after accounting for member gross net metering production.

Washington Electric Cooperative, Inc.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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NOTE 7      COMMITMENTS AND CONTINGENCIES – POWER SUPPLY (continued)

Standard Offer Resources

Standard Offer is a feed-in like tariff program for developers, available under the auspices of the PUC, and authorized by the Vermont legislature, through various PUC dockets (#7523 and #7533). WEC has two Standard Offer facilities on its distribution system, a 2.1 MW photovoltaic (PV) project in Williamstown, and a 1.5 MW PV system which is also in Williamstown. WEC does not take power from these facilities due to an exemption as a 100% renewable electric utility. Another 2.2 MW photovoltaic project was approved by the PUC and is interconnected to WEC's sub-transmission line in Coventry.

VELCO

WEC has entered into contracts with the Vermont Electric Power Company, Inc. (VELCO), which operates Vermont's bulk transmission system, to participate in Phase I of the Hydro-Quebec Interconnection, a 450 kV HVDC transmission line directly connecting the HQ electric system with the New England Power Pool.

Under these agreements, WEC provided capital for the cost of construction through purchase of VELCO Class C preferred stock and will provide support for the operation of its 0.1133% (.782 MW) interest in the line.

Vermont Transco LLC was officially established on June 30, 2006. Vermont Transco LLC is a limited liability company formed by VELCO and Vermont's distribution company owners, including WEC. Vermont Transco LLC is now the owner of Vermont's high-voltage electric transmission system. VELCO is the manager of the LLC and, in that capacity, operates and maintains Vermont's electric transmission system, as it has for over fifty years.

Under collateral call arrangements associated with WEC's ownership in VELCO and Vermont Transco LLC, WEC purchased \$703,300 and \$697,480 in Vermont Transco equity units in 2025 and 2024, respectively. Over the next four years, Vermont Transco LLC anticipates additional collateral calls. WEC's estimated investment would be nearly \$4,800,000 over this period.

ISO-NE

WEC, like all other electric utilities in New England, relies upon the ISO-NE, operator of the New England regional bulk transmission system, to dispatch generation and settle load obligations in the New England power markets. WEC relies upon the ISO-NE to maintain reliability of the bulk power system and to administer the electricity markets within New England.

Through its joint ownership in VELCO and under WEC's participation in the Central Dispatch Agreement (CDA) with the Vermont Public Power Supply Authority (VPPSA), WEC is a member of the New England Power Pool (NEPOOL). WEC's power supply resources are combined in the CDA with other VPPSA participants, and settled as one entity with ISO-NE. The CDA is intended to provide savings to its members by taking advantage of economies of scale through sharing staff resources through VPPSA, where under the CDA supply sources and loads of all of its participants are aggregated into a single entity for the purpose of ISO-NE settlement calculations.

WEC became a member of the CDA effective July 1, 1998. WEC can withdraw from the arrangement on a short-term notice (30 days including any additional time required by ISO-NE to reflect such a change).

Washington Electric Cooperative, Inc.  
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NOTE 7 COMMITMENTS AND CONTINGENCIES – POWER SUPPLY (continued)

Over the past decade, the ISO-NE market structure has continued to evolve. Spot markets for energy, capacity and ancillary power products were developed, upon which New England utilities such as WEC depend to achieve reliability of the bulk power system. In recent years, significant investments in transmission in the ISO-NE region have contributed to increased transmission costs for WEC and other utilities.

Transmission congestion in the Sheffield-Highgate Export Interface or SHEI area of Vermont restricts the ability for power from Sheffield Wind and Coventry to be exported to areas of power demand in the rest of Vermont and New England. Congestion charges cost WEC \$14,860 in 2024 and \$30,349 in 2025. While transmission line upgrades have reduced this impact, it is anticipated that additional generation added in the area will use that capacity over time.

ISO-NE's new Day-Ahead Ancillary Services Initiative (DASI) market was begun in March of 2025 and has had a significant impact on WEC and other utilities in Vermont and the region. Designed to address daily operational reliability, the DASI market has cost Vermont distribution utilities about \$20 million, according to the Vermont DPS' 2026 Annual Energy Report. It cost WEC \$175,888 in 2025 after inclusion of contracted resource credits.

In 2025 WEC's energy settlement load obligation with the ISO-NE plus internal generation was 86,863 MWH (this value represents WEC's retail sales, distribution and transmission losses, unbilled accounts, and internal generation). To hedge its load obligation, WEC's power sources in 2025 totaled 88,579MWH. The following table summarizes WEC's sources of power not including an estimated 9,413 of member gross net metering production:

	2025			2024	
	MWH	Percentage		MWH	Percentage
VDPS - NYPA	10,000	11.29 %		10,336	12.53 %
Small Power Producers & Ryegate	2,324	2.62 %		2,469	2.99 %
Wrightsville	376	0.42 %		1,532	1.86 %
Coventry Clean Energy Corporation	57,387	64.79 %		49,433	59.91 %
Sheffield Wind	6,812	7.69 %		7,026	8.52 %
HQUS	11,680	13.19 %		11,712	14.19 %
 Total Resources	 88,579	 100.00 %		 82,508	 100.00 %
 Load Obligation	 86,863			 81,768	
ISO Exchange	(1,716)	-1.98 %		740	0.90 %

The cost of power from all power vendor sources for the year ended December 31, 2025 was as follows:

Washington Electric Cooperative, Inc.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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NOTE 7 COMMITMENTS AND CONTINGENCIES – POWER SUPPLY (continued)

<b>POWER SUPPLY COSTS</b>
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<u>Resource</u>	<u>Total</u>
Coventry Landfill	\$ 2,329,896
HQUS	777,638
NYPA Niagara Contract	(389,982)
NYPA St. Lawrence Contract	(19,317)
Phase I/II Transmission Facilities	(14,077)
Ryegate Facility	57,938
Sheffield Wind	(62,662)
SUBTOTAL POWER SUPPLY	2,679,434

<b>TRANSMISSION COSTS</b>
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<u>Resource</u>	<u>Total</u>
Coventry Truck Energy/Refund Lost Production Claim	3,362
Open Access Transmission Tariff	1,536,467
1991 VTA - Common Facilities	594,701
1991 SPA - Shared & Exclusive	50,543
GMP Transmission	594,758
VELCO & St Lawrence Transmission	5,945
VEPPI OATT Reduction	3,600
Amortization of Highgate	660
SHEI Congestion	(3,200)
SUBTOTAL TRANSMISSION	2,786,836

<b>VPPSA &amp; OTHER COSTS</b>
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<u>Resource</u>	<u>Total</u>
Energy Market	2,878,388
Capacity Market	505,398
Reserve Market	223,060
NCPC	10,803
Regulation Services	5,761
Marginal Loss Revenues	(7,013)
Auction Revenue Rights	(10,578)

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NOTE 7 COMMITMENTS AND CONTINGENCIES – POWER SUPPLY (continued)

Other Load Settlement	(861)
VPPSA Fees - Additional Services	6,175
VPPSA Power Supply Services	39,547
VPPSA Ancillary Services	(2)
ISONE Self Funding Tariff	106,730
VELCO Tariff Allocation	3,755
VELCO Market Settlement	2,289
VELCO Service Fees	4,265
GIS Costs	<u>357</u>
SUBTOTAL VPPSA & OTHER COSTS	<u>3,768,074</u>
GRAND TOTAL	<u>\$ 9,234,344</u>

NOTE 8 RENEWABLE ENERGY CERTIFICATES

Beginning in 2004, bilateral and settlement markets for Renewable Energy Certificates (RECs) began operating in the ISO-New England region as a result of renewable portfolio standards (RPS) legislation passed in a number of New England states. The markets allow for the renewable attributes of a generation source to be sold separately from energy and other market products produced from a power plant. RECs are directly associated with the generation of electricity produced or purchased by WEC from qualified resources, particularly the Coventry Project and the Sheffield wind project.

WEC records proceeds from the sale of RECs in operating revenues. Proceeds for RECs sold are received in subsequent quarters due to the lag time required by the NEPOOL Generation Information System (GIS) and RECs market administrator to accurately account for the RECs generated. WEC’s Board has adopted a portfolio strategy for sale of RECs and RECs are being sold to multiple buyers for varying terms. RECs are subject to market volatility and the future values of these sales may fluctuate depending on supply and demand.

At December 31, 2025 and 2024 WEC recorded REC revenue of \$2,407,625 and \$1,882,175, respectively. There was \$813,978 and \$517,586 in REC receivables at December 31, 2025 and 2024, respectively.

WEC sells Class I RECs from various resources in its power portfolio, and therefore renewability attributes of those resources (such as wind and landfill gas) are transferred to buyers. To restore the renewable quality of its portfolio, WEC purchases lower cost RECs in various Class II markets in New England. This allows WEC to retain and claim renewability of the power mix to serve WEC load. WEC only purchases the number of RECs it needs to meet its retail load. WEC has more Class I RECs to sell than are needed for load, and therefore WEC purchases fewer Class II RECs than it sells in the Class I markets. WEC has firm REC sales of \$1,855,000 for 2026.

Washington Electric Cooperative, Inc.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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NOTE 9      BANK DEPOSITS IN EXCESS OF INSURED LIMITS

At December 31, 2025 WEC had cash balances of \$2,015,875 of which \$500,102 is insured by FDIC, \$172,391 is insured by a repurchase agreement, \$1,200,000 is offset by debt, and \$143,382 in uninsured funds. WEC mitigates the exposure of uninsured cash through the use of repurchase agreements with an area bank. The bank utilizes a sweep account arrangement. The target balance is \$2,500. Amounts in excess of this are swept into the repurchase account whereby the bank invests the excess in U.S. Government Securities. These underlying U.S. Government Securities serve as collateral for WEC based on this agreement.

NOTE 10     RISKS & UNCERTAINTIES

WEC experienced a major impact from Winter Storm Elliott and began restoration efforts December 23 of 2022. Roughly half of WEC's members were out of power at the start of restoration efforts, with final restoration to the last affected members occurring on December 29th of 2022.

Restoration of these outages required WEC bringing in close to 60 outside line and tree workers with equipment. In all, costs for those workers, for WEC staff overtime, for lodging, meals and materials and other needs totaled \$1,024,738.

This event was declared a federal disaster, so we worked with state and federal officials with FEMA to submit for up to 75% of the total damages incurred. We were approved for reimbursement of \$725,876 which has been fully reimbursed as of December 31, 2024.

WEC also experienced damage during the summer flooding event that began on July 7, 2023. WEC incurred damage throughout its territory that took several days to fully restore power to our members. This event was declared a disaster by the federal government, and we worked with state and FEMA representatives to submit our damages for up to 75% reimbursement. This event incurred total damage in the amount of \$295,552 of which \$237,741 was eligible for reimbursement. WEC has received full reimbursement as of December 31, 2025.

In 2024, WEC experienced damage during another summer flooding event that began on July 9, 2024. WEC incurred damage throughout its territory, with some spans of poles and lines completely washed away. This event was declared a disaster by the federal government, and we have been working with our state and FEMA representatives to submit our damages for up to 75% reimbursement. This event incurred total damages in the amount of \$211,605 of which \$181,853 are eligible for up to 75% reimbursement (\$136,390). WEC has received \$5,723 and the remaining \$130,667 reimbursable amount is still under FEMA review.

Washington Electric Cooperative, Inc.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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NOTE 10 RISKS & UNCERTAINTIES (continued)

Coventry Clean Energy Corporation (CCEC) is a wholly owned subsidiary of WEC. CCEC owns and operates the landfill-gas-to-energy (LFGTE) plant located on the Coventry Landfill owned by NEWSVT (Casella). To accommodate recovery from the July 2023 floods, NEWSVT accepted higher than normal amounts of flood debris for disposal. The characteristics and quality of landfill gas depends on the nature of the waste disposed of in the landfill. A significant portion of the flood debris was sheetrock that resulted in a higher than usual level of sulfur compounds in landfill gas. The VT Department of Environmental Conservation alleges that CCEC and NEWSVT temporarily exceeded SO<sub>2</sub> limits set by the Clean Air Act permits governing the Coventry Landfill and LFGTE plant. The VT DEC is referring this exceedance for enforcement review. NEWSVT has taken steps to assure compliance. NEWSVT and CCEC have been in compliance with SO<sub>2</sub> limits for the last few months. Neither WEC nor CCEC have any control over landfill operations.

The exceedance somewhat complicated the renewal of the state air permits which CCEC and NEWSVT jointly file for and are jointly responsible for. After a lengthy back-and-forth with the state DEC, CCEC and NEWSVT filed their renewal applications in December of 2025. No response has so far been received from the state, but it is anticipated there will be more discussion before the air permit is renewed.

WEC members have benefitted significantly from FEMA reimbursements in the wake of major storms in recent years, recouping just over \$1.1M from the 2022, 2023 and 2024 events.. Although WEC infrastructure was not significantly affected by the July 2025 flooding event in Vermont which hit towns primarily to the Northeast of WEC territory, the federal decision to deny reimbursement for that event has caused concern among public utilities about the future of FEMA payments. If FEMA reimbursements are not forthcoming from future events, the cost of recovery from those events would be born by WEC members, either directly or through borrowing.

WEC and Vermont Electric Cooperative along with Co-ops around the country have supported the bipartisan Fixing Emergency Management for Americans (FEMA) Act of 2025 (H.R. 4669), which was voted out of the House Committee on Transportation and Infrastructure. While not a complete solution to the risk of FEMA reimbursements not occurring when they would have been approved in the past, the legislation would improve the process if passed into law.

NOTE 11 REGULATORY ASSET – REVENUE DEFERRAL

WEC is subject to rate regulation by the Vermont Public Utility Commission (VPUC) and accounts for the economic effects of rate regulation in accordance with ASC 980, Regulated Operations.

In January 2026, the Rural Utilities Service (RUS), in coordination with the VPUC, approved an accounting order authorizing the Cooperative to defer \$1,200,000 of 2025 revenues as a regulatory asset rather than recognizing those amounts as current period operating revenue. The deferral primarily relates to higher than expected sales revenues, increased Renewable Energy Credit revenues, and the absence of storm related expenses in 2025, and is intended to mitigate anticipated cost increases in 2026. The Cooperative expects to recover this

Washington Electric Cooperative, Inc.  
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NOTE 11      REGULATORY ASSET – REVENUE DEFERRAL (continued)

regulatory asset through rates charged to customers and to recognize the deferred amount in operating revenues in 2026, consistent with the approved plan. Consistent with the RUS approval, the Cooperative has segregated funds to support this revenue deferral plan, and the regulatory asset will be evaluated each reporting period to confirm that future recovery in rates continues to be probable; any change to the approved plan would require prior RUS approval.

NOTE 12      SUBSEQUENT EVENTS

In accordance with professional accounting standards, WEC has evaluated subsequent events through March 16, 2026, which is the date the consolidated financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2025, have been incorporated into the consolidated financial statements herein.

SUPPLEMENTARY INFORMATION

Washington Electric Cooperative Inc. and Affiliate  
CONSOLIDATING BALANCE SHEETS  
December 31, 2025

<u>ASSETS</u>				
	<u>WEC</u>	<u>CCEC</u>	<u>Eliminations</u>	<u>Total</u>
ELECTRIC PLANT, at cost	\$ 93,909,846	\$ 552,760	\$ -	\$ 94,462,606
Less accumulated depreciation	<u>(45,668,367)</u>	<u>(552,760)</u>	<u>-</u>	<u>(46,221,127)</u>
Electric plant in service, net	48,241,479	-	-	48,241,479
Construction work in progress	<u>1,014,813</u>	<u>-</u>	<u>-</u>	<u>1,014,813</u>
 TOTAL ELECTRIC PLANT, net	 <u>49,256,292</u>	 <u>-</u>	 <u>-</u>	 <u>49,256,292</u>
 OTHER ASSETS				
Other investments	12,441,279	-	(419,229)	12,022,050
Deferred charges	<u>124,536</u>	<u>-</u>	<u>-</u>	<u>124,536</u>
 TOTAL OTHER ASSETS	 <u>12,565,815</u>	 <u>-</u>	 <u>(419,229)</u>	 <u>12,146,586</u>
 CURRENT ASSETS				
Cash	423,093	392,782	-	815,875
Restricted cash	1,200,000	-	-	1,200,000
Receivables -				
Notes, less allowance for doubtful accounts of \$1,500 in 2025 and 2024	99	-	-	99
Accounts, less allowance for doubtful accounts of \$30,000 in 2025 and 2024	1,893,921	163,489	(296,285)	1,761,125
Renewable energy certificate revenue	813,978	-	-	813,978
Miscellaneous, less allowance for doubtful accounts of \$2,500 in 2025 and 2024	1,763,034	-	-	1,763,034
Unbilled revenue	1,221,276	-	-	1,221,276
Inventories	847,156	-	-	847,156
Prepaid expenses	<u>280,755</u>	<u>-</u>	<u>-</u>	<u>280,755</u>
 TOTAL CURRENT ASSETS	 <u>8,443,312</u>	 <u>556,271</u>	 <u>(296,285)</u>	 <u>8,703,298</u>
 TOTAL ASSETS	 <u>\$ 70,265,419</u>	 <u>\$ 556,271</u>	 <u>\$ (715,514)</u>	 <u>\$ 70,106,176</u>

See Accompanying Notes to Financial Statements

Washington Electric Cooperative Inc. and Affiliate  
CONSOLIDATING BALANCE SHEETS  
December 31, 2025

LIABILITIES AND EQUITY

	WEC	CCEC	Eliminations	Total
<b>EQUITIES</b>				
Memberships issued and subscribed	\$ 172,190	\$ -	\$ -	\$ 172,190
Patronage capital assignable	2,513,429	24,844	(24,844)	2,513,429
Patronage capital credits	25,832,484	389,385	(389,385)	25,832,484
Donated capital	319,109	5,000	(5,000)	319,109
<b>NET EQUITY</b>	<b>28,837,212</b>	<b>419,229</b>	<b>(419,229)</b>	<b>28,837,212</b>
<b>LONG-TERM DEBT</b>	<b>32,859,764</b>	<b>-</b>	<b>-</b>	<b>32,859,764</b>
<b>CURRENT LIABILITIES</b>				
Current portion of long-term debt	2,472,473	-	-	2,472,473
CFC line of credit	813,663	-	-	813,663
Accounts payable	2,315,162	132,796	(296,285)	2,151,673
Customer deposits	205,748	-	-	205,748
Accrued corporate taxes	-	4,246	-	4,246
Other accrued expenses	884,609	-	-	884,609
Deferred 2025 operating revenue	1,200,000	-	-	1,200,000
Deferred grant revenue	246,105	-	-	246,105
<b>TOTAL CURRENT LIABILITIES</b>	<b>8,137,760</b>	<b>137,042</b>	<b>(296,285)</b>	<b>7,978,517</b>
<b>DEFERRED CREDITS</b>	<b>430,683</b>	<b>-</b>	<b>-</b>	<b>430,683</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 70,265,419</b>	<b>\$ 556,271</b>	<b>\$ (715,514)</b>	<b>\$ 70,106,176</b>

See Accompanying Notes to Financial Statements

Washington Electric Cooperative Inc. and Affiliate  
CONSOLIDATING STATEMENTS OF OPERATIONS  
For the Year Ended December 31, 2025

	<u>WEC</u>	<u>CCEC</u>	<u>Eliminations</u>	<u>Total</u>
<b>OPERATING REVENUE</b>				
Member revenue retail sales	\$ 22,195,457	\$ 2,329,896	\$ (2,329,896)	\$ 22,195,457
Member revenue REC sales	2,403,775	-	-	2,403,775
Other	<u>(421,755)</u>	<u>-</u>	<u>(43,268)</u>	<u>(465,023)</u>
TOTAL OPERATING REVENUE	<u>24,177,477</u>	<u>2,329,896</u>	<u>(2,373,164)</u>	<u>24,134,209</u>
<b>OPERATING EXPENSES</b>				
Purchased power	9,547,147	-	(2,329,896)	7,217,251
Power generation	330,171	2,114,988	(43,268)	2,401,891
Transmission	76,794	-	-	76,794
Distribution:				
Operations, including vehicle depreciation expense of \$332,657 and \$293,685 in 2025 and 2024, respectively	2,224,345	-	-	2,224,345
Maintenance	3,689,192	-	-	3,689,192
Customer accounts	1,166,715	-	-	1,166,715
Administrative and general	2,030,381	181,059	-	2,211,440
Depreciation	2,647,997	-	-	2,647,997
Taxes	<u>237,909</u>	<u>-</u>	<u>-</u>	<u>237,909</u>
TOTAL OPERATING EXPENSES	<u>21,950,651</u>	<u>2,296,046</u>	<u>(2,373,164)</u>	<u>21,873,534</u>
<b>MARGINS FROM OPERATIONS BEFORE INTEREST CHARGES</b>				
	<u>2,226,826</u>	<u>33,850</u>	<u>-</u>	<u>2,260,675</u>
<b>INTEREST CHARGES</b>				
Interest on long-term debt	1,194,435	-	-	1,194,435
Other interest	<u>26,169</u>	<u>-</u>	<u>-</u>	<u>26,169</u>
TOTAL INTEREST CHARGES	<u>1,220,604</u>	<u>-</u>	<u>-</u>	<u>1,220,604</u>
<b>MARGINS FROM OPERATIONS</b>				
	<u>1,006,222</u>	<u>33,850</u>	<u>-</u>	<u>1,040,071</u>
<b>OTHER INCOME (EXPENSE)</b>				
Interest and dividend income	1,387,719	-	-	1,387,719
Other non-operating income	172,352	-	(24,844)	147,508
Other non-operating expense	(52,864)	-	-	(52,864)
Income taxes	<u>-</u>	<u>(9,006)</u>	<u>-</u>	<u>(9,006)</u>
TOTAL OTHER INCOME (EXPENSE)	<u>1,507,207</u>	<u>(9,006)</u>	<u>(24,844)</u>	<u>1,473,357</u>
<b>NET MARGIN</b>				
	<u>\$ 2,513,429</u>	<u>\$ 24,844</u>	<u>\$ (24,844)</u>	<u>\$ 2,513,429</u>

See Accompanying Notes to Financial Statements

## ADDITIONAL REPORTS



**Kittell Branagan & Sargent**

*Certified Public Accountants*

Vermont License #167

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Directors  
Washington Electric Cooperative, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Washington Electric Cooperative, Inc., which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of operations, equities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 16, 2026.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Washington Electric Cooperative, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Washington Electric Cooperative, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Washington Electric Cooperative, Inc.'s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Washington Electric Cooperative, Inc.'s consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kittell, Branagan + Sargent*

St. Albans, Vermont  
March 16, 2026