

ATTACHMENT AG 1-67

Financial Results for July 2023

NET MARGINS (line 29)

Net margins year to date July resulted in a gain of \$599,800. When comparing actual net margins to the budgeted net margins, which were \$1,274,700, produced a negative variance of \$674,900. Net margins are also less than last year, in the same period, by \$2,382,100.

<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>		<u>BUDGET</u>	<u>VARIANCE</u>	
599,814	2,981,935	(2,382,122)	-79.9%	1,274,700	(674,887)	-52.9%

We experienced a gain of \$1,219,100 for the month of July. Net margins for the month of July, compared to the budget, produced a positive variance of \$714,000.

<u>Jul-23</u>	<u>Jul-23</u>	<u>VARIANCE</u>	
<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	
1,219,063	505,067	713,996	141.37%

The main factors related to the decrease in Net Margins for 2023 when compared to budget are:

- A decrease in Net Revenues of \$1,414,600
- A decrease in Operating Expenses of \$485,200
- An increase in Interest Expenses of \$45,000
- An increase in Non-Operating Margins of \$330,600
- A decrease in Other Capital Credit of \$71,900
- A decrease in Other Deductions of \$62,100

Totals \$653,600

We have experienced many storms thus far in 2023, which have added \$1,653,500 of storm costs to our maintenance costs (line 7 on the statement of operations). However, we are also below budget by \$1,868,200 in ROW costs. These two factors are nearly offsetting each other, which is helping to keep the storm costs from dramatically affecting net margins.

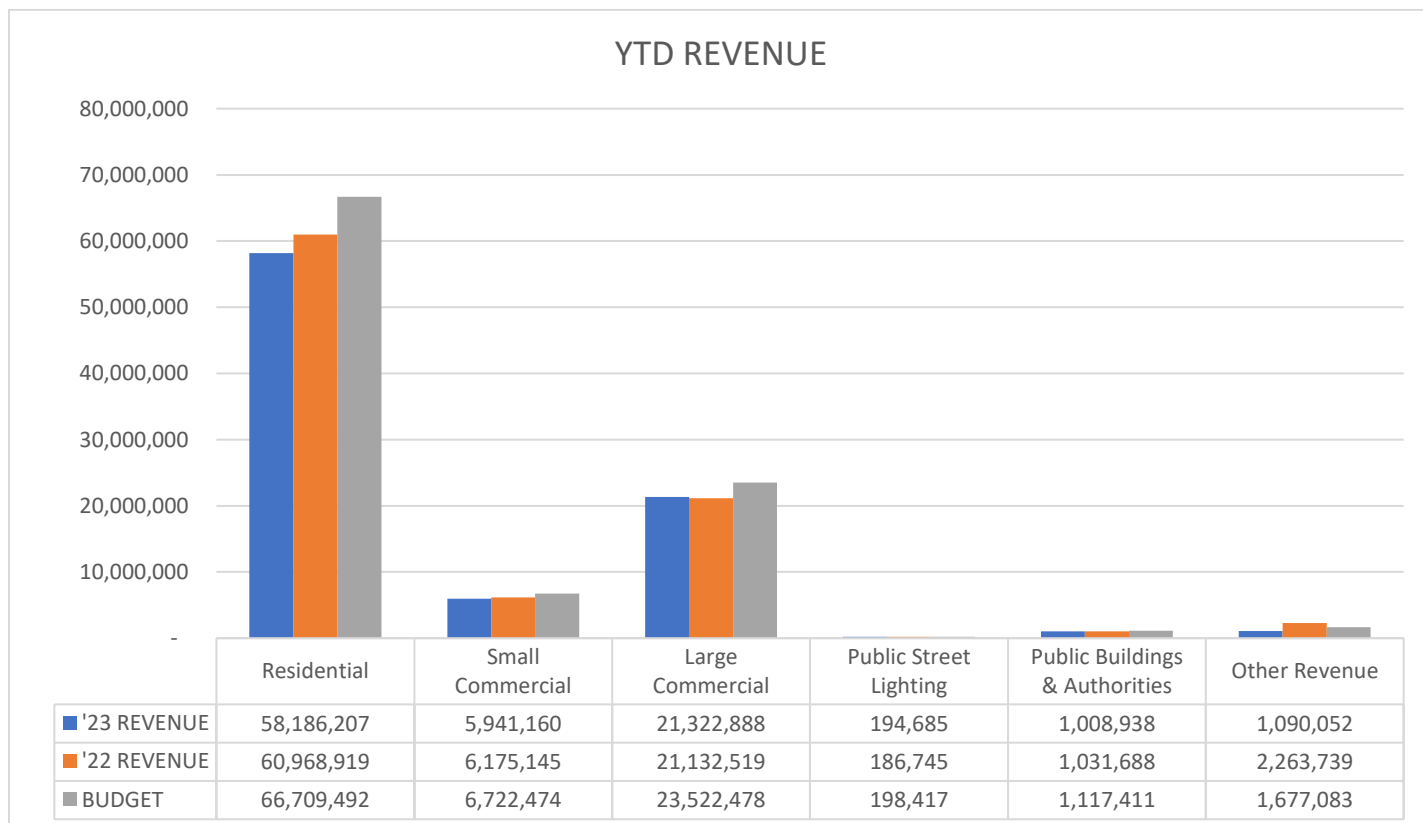
OPERATING REVENUES (line 1)

Annually, operating revenues are under budget by \$12,203,400, and less when comparing to the same period in the prior year by \$4,014,800.

<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>		<u>BUDGET</u>	<u>VARIANCE</u>	
87,743,931	91,758,755	(4,014,824)	-4.38%	99,947,353	(12,203,422)	-12.21%

The mild weather continues to negatively affect our revenue so far this year. As you can see by the chart below, revenues are below budget for all classes of members. We are slightly better than last year for large commercials and street lighting; however, this is due to last year's rate increase not the volume of sales.

Other revenues consist of fees, pole attachments and unbilled revenue. If removing unbilled revenue, other revenues would total \$2,285,300.

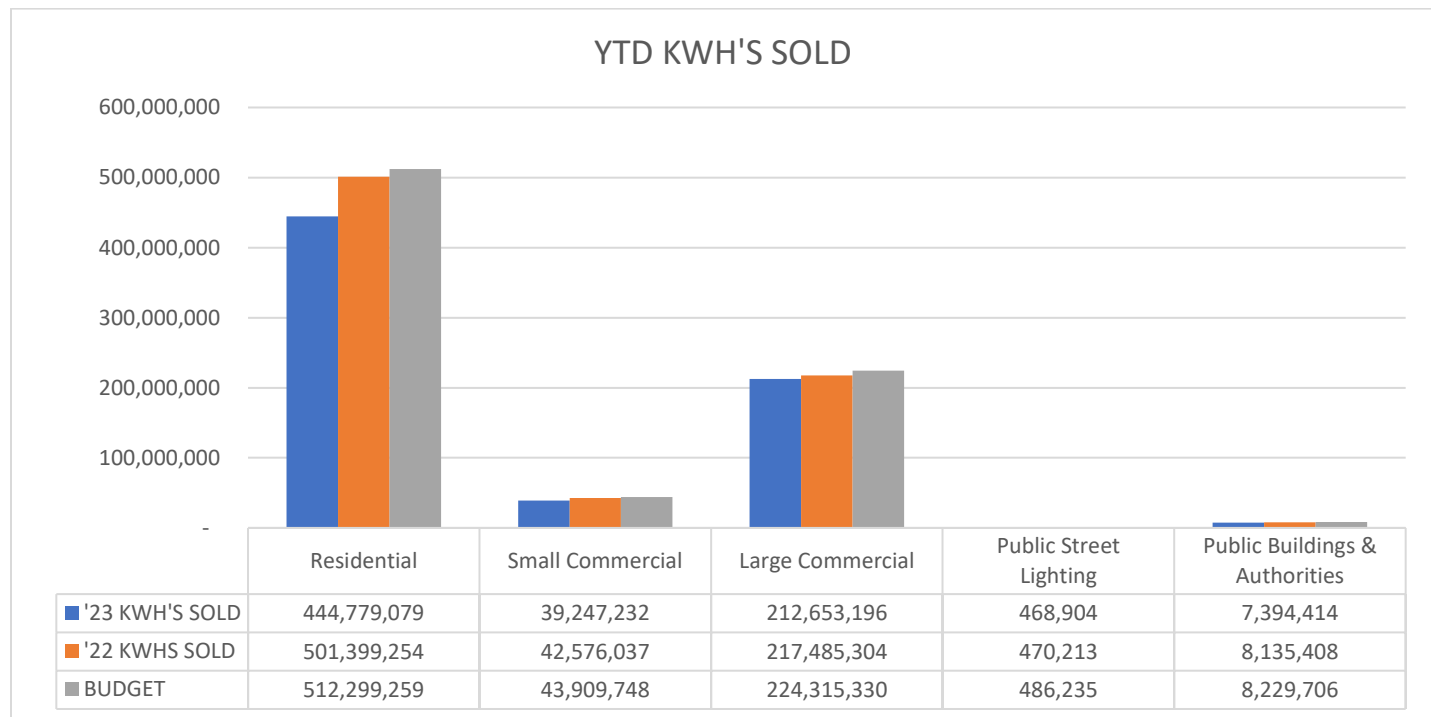


KWH's SOLD

On an annual basis, we have sold 704,542,800 kWh's compared to the budget of 789,240,300 which equates to a difference of nearly **85 million** kWh's. All classes of members are experiencing a reduction in the volume sold on an annual basis.

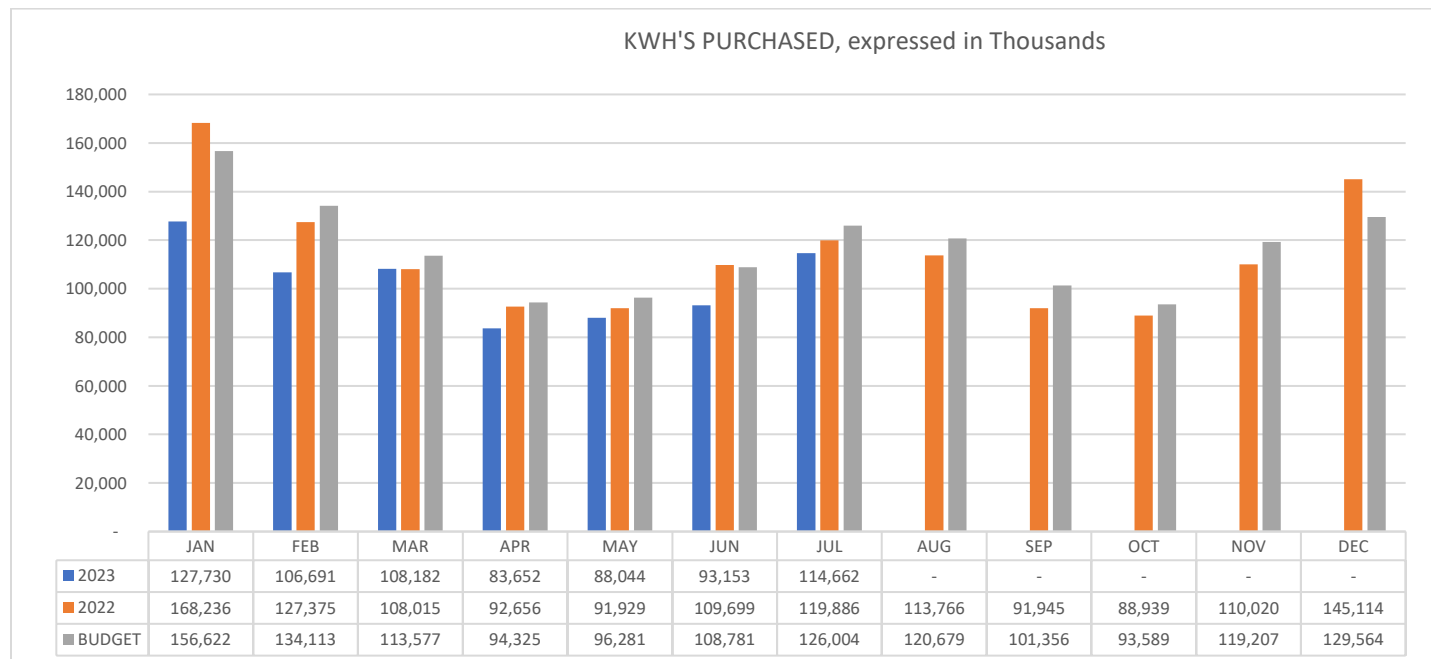
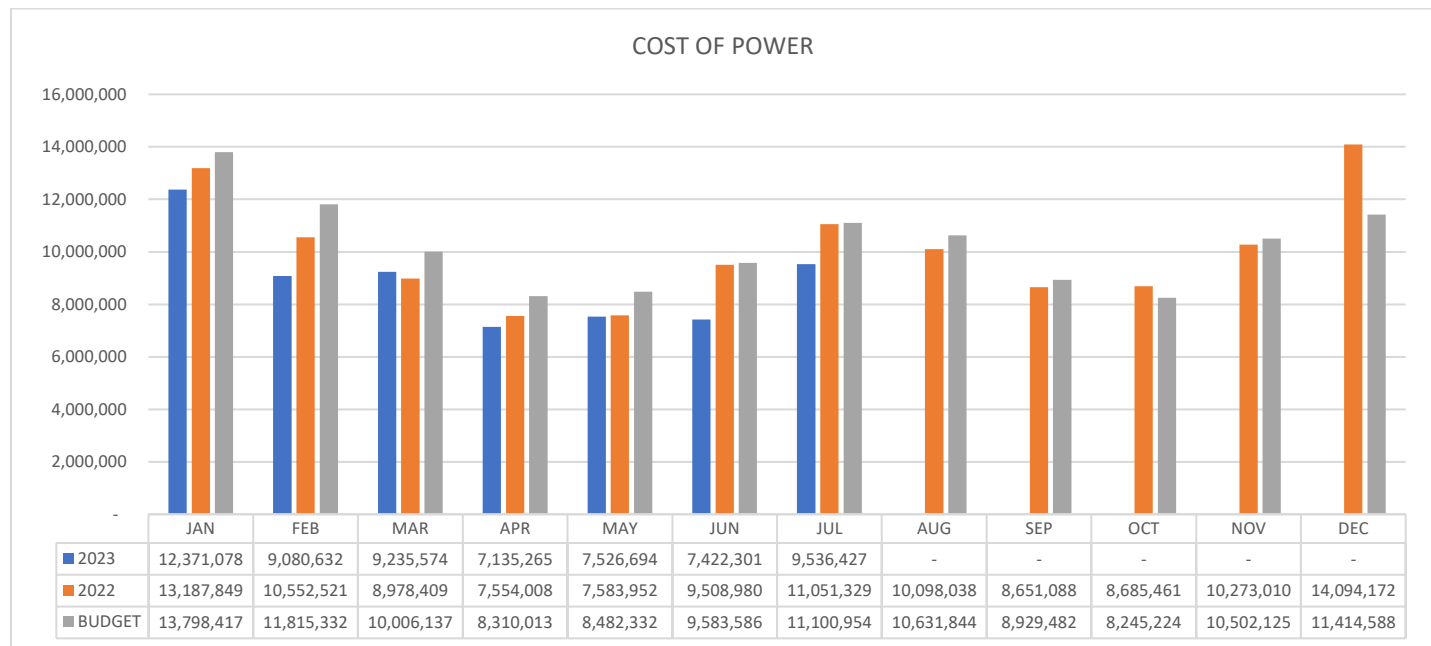
When comparing the current year to the previous year, we have sold **65.5 million** less kWh's, this reduction is also affecting every class of member. These variances are attributed to a warmer than normal winter and mild spring and summer seasons.

The graph below illustrates the amount of kWh's sold to each class of member for the current year, prior year and what was budgeted.



COST OF PURCHASED POWER (line 3)

Cost of purchased power is under budget on an annual basis when comparing actual to budget by \$10,788,800. This variance is a result of purchasing 107.6 million less kWh's reducing our costs by \$9,478,500 combined with purchasing the power at a slightly lower rate than budget (nearly 2 tenths of a cent \$0.00181). This further reduced our cost of power by \$1,310,300. The graphs below illustrate the power costs and quantity of kWh's purchased each month for 2023, 2022 and budget.



CONTROLLABLE COSTS / OPERATING EXPENSES (lines 6-11)

When comparing controllable costs to budget, collectively they are below budget by \$485,200. As illustrated in the table below, some departments are under budget, and some are slightly above budget for the year thus far.

Operation expenses and Customer Accounts/Service expenses nearly offset each other. Operation expenses are lower due to time being charged to other accounts than where they were budgeted, such as storm expenses. Customer expenses are higher due to additional costs from the software conversion and engaging temporary labor workers.

Maintenance expenses, while underbudget \$521,500, do include \$1,653,500 in storm costs. Those costs are being offset by ROW costs, which are under the budget by \$1,868,200 and overhead line maintenance which are under budget by \$338,100. These three items are much of the variance in maintenance expenses.

When comparing the current year's cost to last year's costs, this year shows an increase of \$3,725,400. Again, we need to focus on Maintenance expense as it has increased by \$2,837,500 from last year, for this same period. This variance is a result of an increase to ROW costs of \$1,283,600 and the storm costs of \$1,654,200.

	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Distribution Expense - Operation	2,608,543	2,657,769	(49,227)	2,768,896	(160,353)
Distribution Expense - Maintenance	8,093,667	5,256,142	2,837,525	8,615,147	(521,479)
Customer Accounts Expense	2,822,645	2,441,192	381,453	2,704,079	118,566
Customer Service and Informational Expense	225,651	279,421	(53,771)	202,031	23,620
Sales Expense	30,035	24,350	5,685	17,611	12,424
Administrative and General Expense	2,921,188	2,317,443	603,745	2,879,146	42,042
Total Operation & Maintenance Expense	16,701,728	12,976,317	3,725,411	17,186,909	(485,181)

OTHER COSTS (lines 13-19)

When comparing other costs to the budget, they are over budget, by \$4,197. Depreciation expense is over budget by \$31,000; Interest expense is over budget by \$45,000 and other deductions are below budget by \$62,100. Other deductions include dues, subscriptions, and donations.

	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Depreciation & Amortization Expense	5,984,698	5,764,589	220,109	5,953,651	31,047
Tax Expense - Property & Gross Receipts	86,494	85,600	895	96,250	(9,756)
Tax Expense - Other	-	-	-	-	-
Interest on Long-Term Debt	3,023,573	3,023,811	(238)	3,036,400	(12,827)
Interest Charged to Construction - Credit	-	-	-	-	-
Interest Expense - Other	89,541	100	89,441	31,675	57,866
Other Deductions	17,045	16,547	499	79,180	(62,134)
	9,201,352	8,890,647	310,706	9,197,156	4,197

NON-OPERATING MARGINS – INTEREST (line 22)

Non-operating Interest Income on a year-to-date basis is over budget by \$132,800. This is the line on the income statement where all interest earned from investments are recorded and includes such items as CFC investments and RUS Cushion of Credit.

When comparing the current year to last year, you will notice the variance of \$726,200. This was caused by the change in the Cushion of Credit interest rate being lower last year than the current year.

	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Non Operating Margins - Interest	824,966	98,717	726,249	692,143	132,823

GENERATION AND TRANSMISSION CAPITAL CREDITS (line 26)

You will remember that there will be no recording of patronage from G&T until December due to the change in procedures at the end of 2022, ensuring that we are allocating this type of patronage to the proper members of the cooperative each year.

	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Generation and Transmission Capital Credits	-	1,236,853	(1,236,853)	-	-

Due to this change, G&T patronage is contributing to the variance when comparing the current year to the prior year. If we remove this item from the prior year, the variance in net margins between years would be **\$1,145,300** instead of **\$2,382,100**.

Net Margin Variance with G&T Patronage in 2022

	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Patronage Capital or Margins	599,814	2,981,935	(2,382,122)	1,274,700	(674,887)

Net Margin Variance without G&T Patronage in 2022

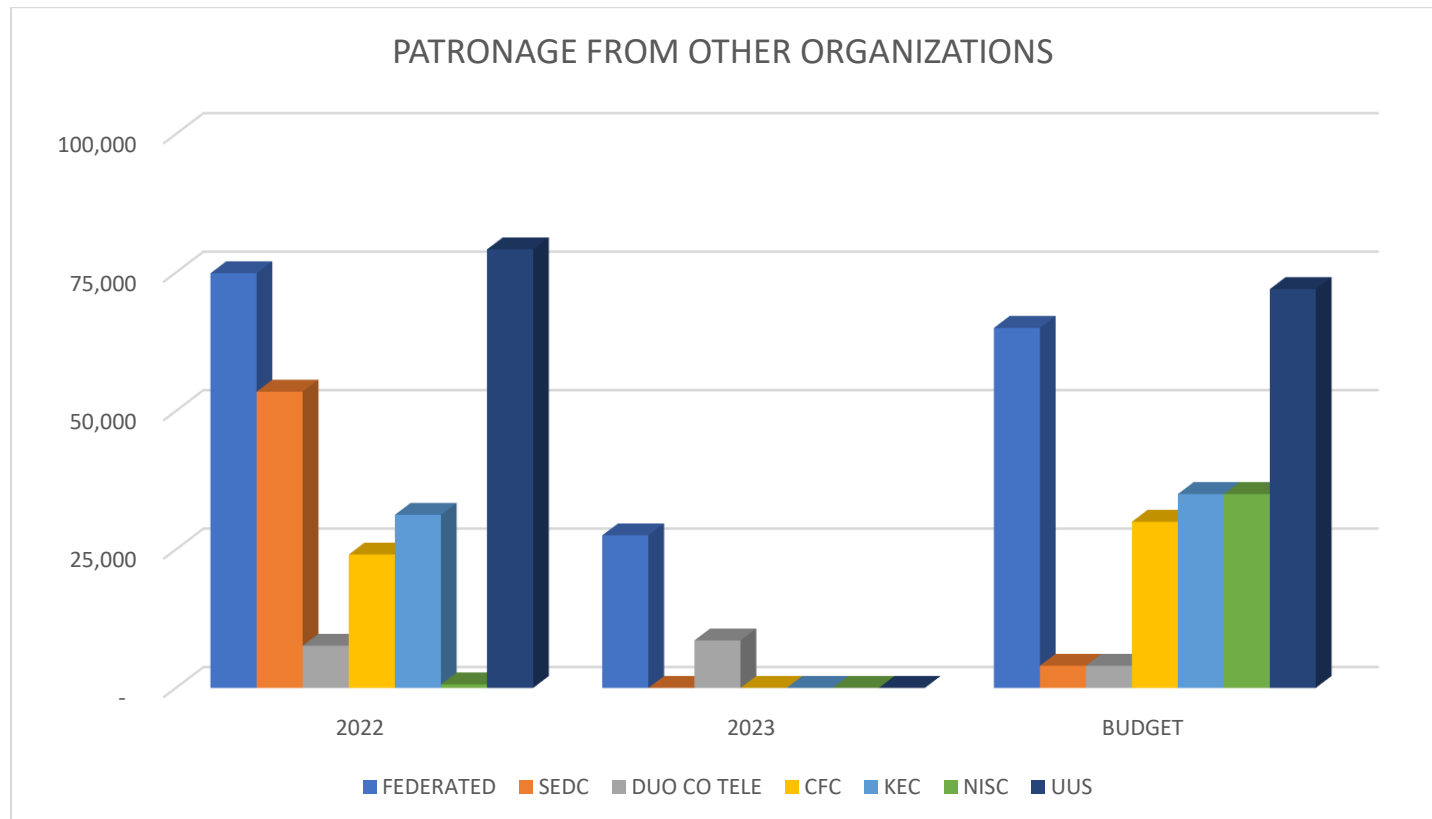
	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Patronage Capital or Margins	599,814	1,745,082	(1,145,269)	1,274,700	(674,887)

OTHER CAPITAL CREDITS AND PATRONAGE DIVIDENDS

This represents all the patronage that we are allocated throughout the year from various other cooperatives that we are members of. We have budgeted a total of \$245,000 for the year. In the month of July, we received no additional allocations from other organizations so our year to date remains at \$36,113 for the year thus far.

	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Other Capital Credits and Patronage Dividends	36,113	133,426	(97,312)	108,000	(71,887)

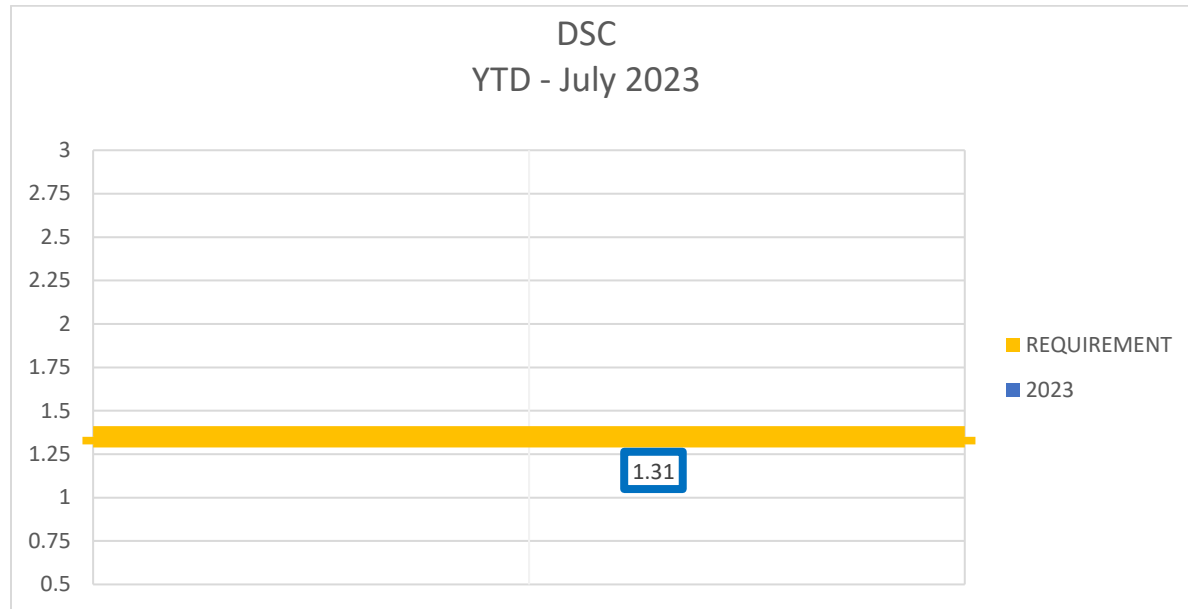
The graph below illustrates what we received in the prior year, the current year and what we have budgeted to receive this year.



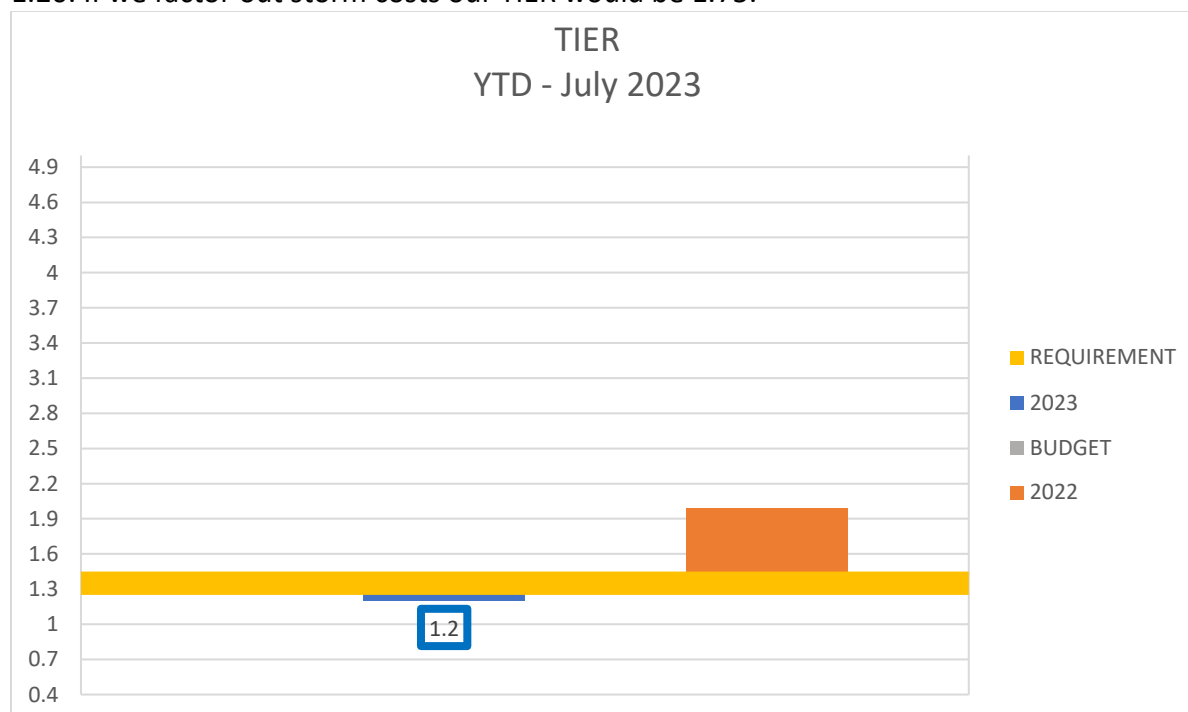
RATIOS

** Please note that the gold color line is the requirement that we must meet to be compliant with our debt covenants

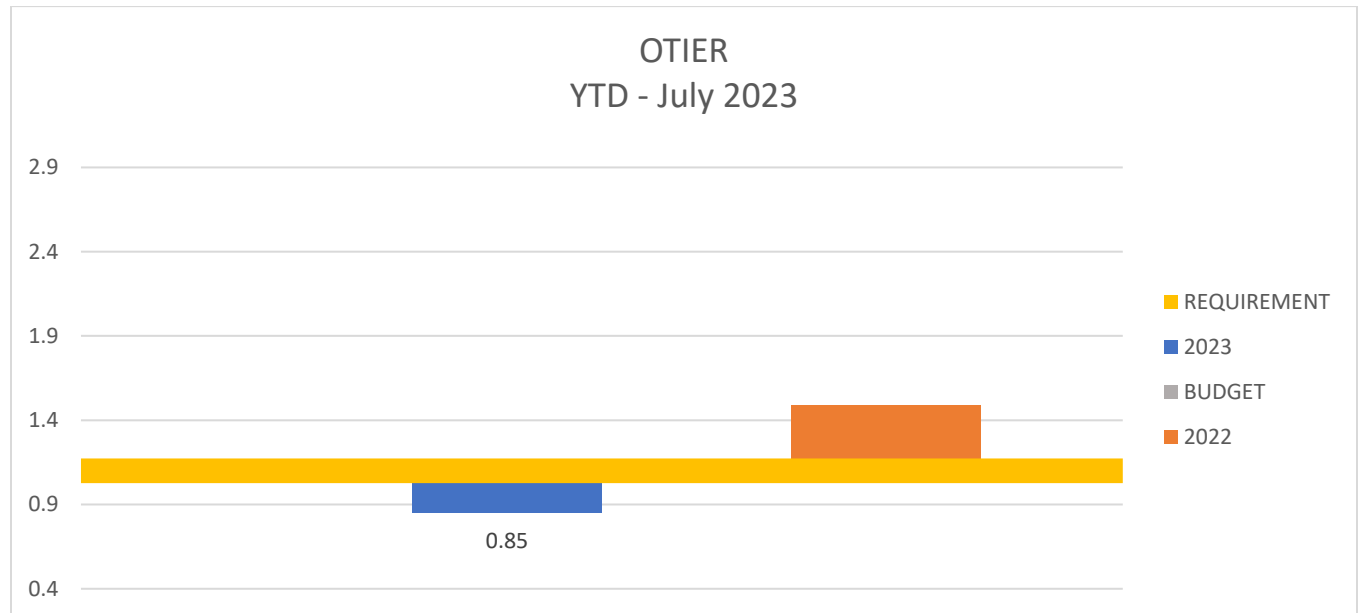
DSC – The requirement is 1.35, we are at 1.31. This ratio measures how many times we can pay our debt service (principal and interest). If we factor out storm costs of \$1,654,200, our DSC would then be 1.54.



TIER – Currently we are not meeting our TIER requirement. The requirement is 1.3 and we have a TIER of 1.20. If we factor out storm costs our TIER would be 1.75.

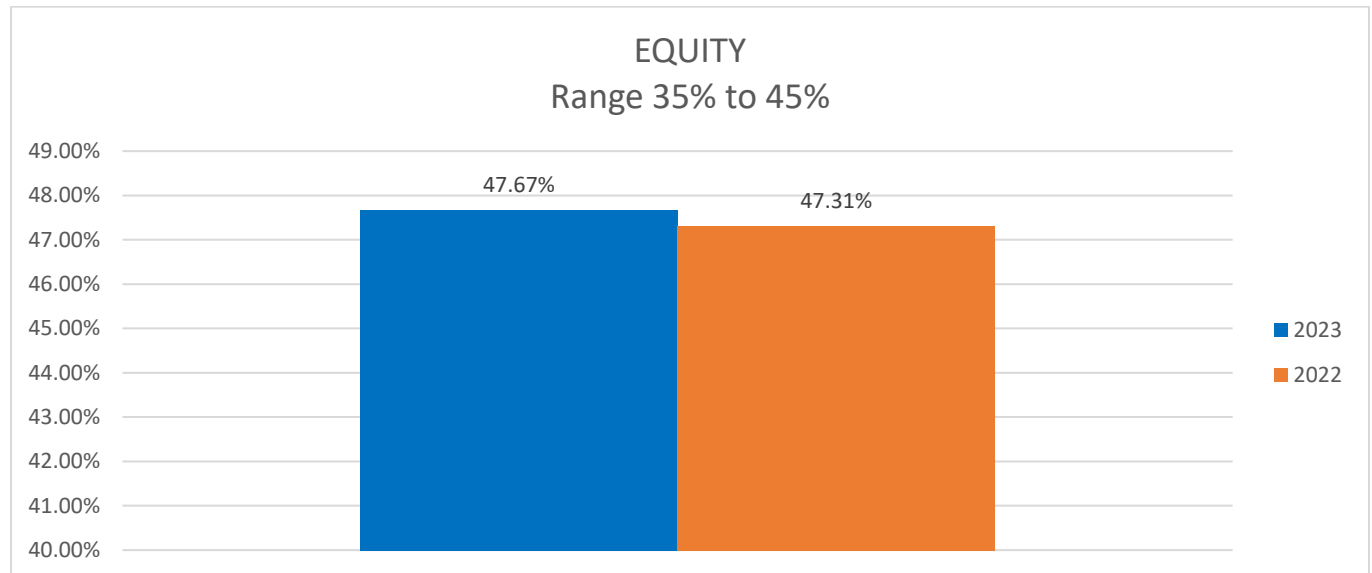


OTIER – Currently we are not meeting the OTIER requirement. The requirement is 1.1 and we have an OTIER of .85. If we removed the storm costs from our expenses, we would then have an OTIER of 1.39.



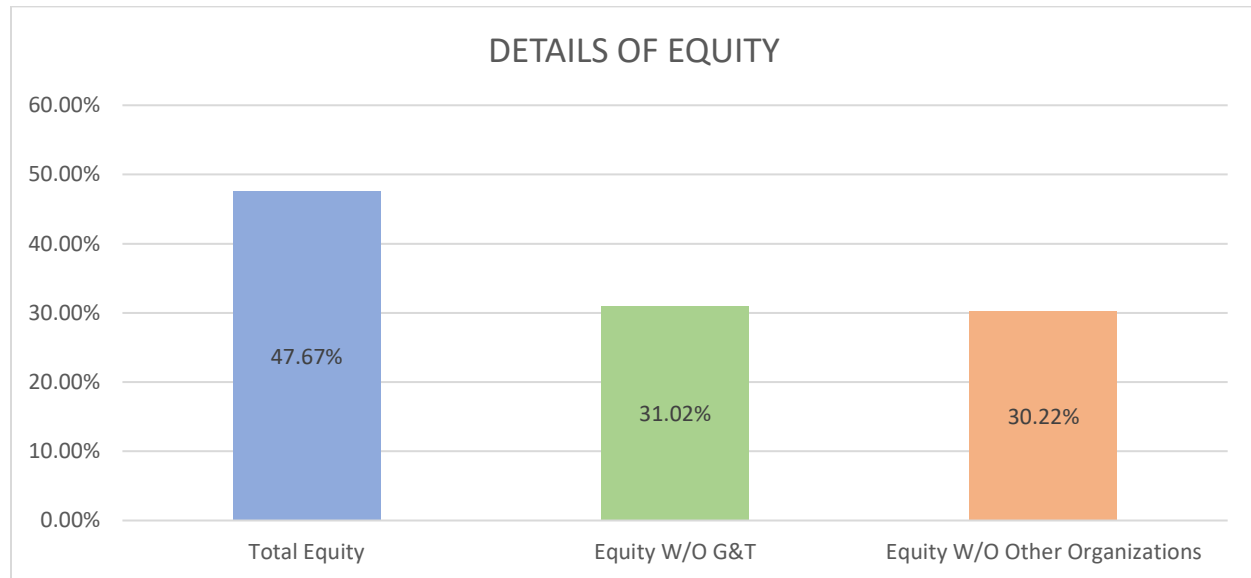
EQUITY

Total Equity is currently 47.67%, an increase from last year's 47.31%, for the same period.



Details of Equity

The graph below illustrates what equity would be should we remove the impact of patronage from our G&T and from all other organizations. The equity rate of 30.22% is the equity that has been generated wholly from cooperative margins or operations.



LONG TERM DEBT AND INVESTMENT INFORMATION

DEBT BALANCES	Available	Current Month Outstanding	Prior Month Outstanding	Monthly Change Increase/(Decrease)
CFC Lines of Credit	15,000,000	56,195	6,581,014	(6,524,820)
CFC Investments	12,502,146			27,064
Cushion of Credit	19,688,997			40,521
FFB	24,000,000	159,077,018	149,077,018	10,000,000
RUS		2,636,510	2,658,353	(21,844)
CFC		3,348,611	3,348,611	-
CoBank		39,202,310	39,455,628	(253,318)
City of Monticello		2,200,000	2,200,000	-
USDA - Eco. Dev. Loans		1,344,445	1,370,139	(25,694)
USDA - Eco. Dev. Grants		2,566,000	2,566,000	-
USDA - Eco. Dev. Investment	479,176			19,964
	\$ 71,670,319	\$ 210,431,089	\$ 207,256,765	\$ 3,261,874

ADDITIONAL INFORMATION:

FEMA Damages

- Category B (ROW or Debris Removal) \$997,000 has been submitted for reimbursement.
- Category F (Plant Replacement) \$583,650 has been submitted for reimbursement.

Total submission: \$1,580,650

Cost sharing for disasters is:

- Federal 75%
- State 12%
- Coop 13%

If all our submitted costs were accepted, we could receive \$1,185,500 from FEMA; and \$189,700 from the State of KY for a total amount of \$1,375,200.

We will continue to provide updates as the audit and approval process moves forward.

Financial Results for August 2023

NET MARGINS (line 29)

Net margins year to date August resulted in a loss of **\$1,125,500**. When comparing actual net margins to the budgeted net margins, which were \$1,900,500, produced a negative variance of **\$3,026,000**. Net margins are also less than last year, in the same period, by **\$4,902,700**.

<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>		<u>BUDGET</u>	<u>VARIANCE</u>	
(1,125,458)	3,777,197	(4,902,655)	-129.8%	1,900,504	(3,025,962)	-159.2%

We experienced a loss of **\$1,725,300** for the month of August. Net margins for the month of August, compared to the budget, produced a negative variance of **\$2,351,100**.

<u>Aug-23</u>	<u>Aug-23</u>	<u>VARIANCE</u>	
<u>ACTUAL</u>	<u>BUDGET</u>		
(1,725,271)	625,804	(2,351,075)	-375.69%

A summary of the factors related to the decrease in Net Margins for 2023 when compared to budget are:

- A decrease in Net Revenues of **\$2,861,200**
- An increase in Operating Expenses of **\$367,800**
- An increase in Depreciation Expense of **\$45,900**
- A decrease in Tax Expenses of \$14,600
- An increase in Interest Expenses of **\$79,800**
- A decrease in Other Deductions of \$65,000
- An increase in Non-Operating Margins of \$321,100
- A decrease in Other Capital Credit of **\$71,900**

Totals **\$3,025,900**

We have experienced many storms thus far in 2023, which have added \$1,677,100 of storm costs to our maintenance costs (line 7 on the statement of operations). However, we are also below budget by \$1,138,000 in ROW costs. These two factors are partially offsetting each other, which is helping to keep the storm costs from dramatically affecting net margins.

OPERATING REVENUES (line 1)

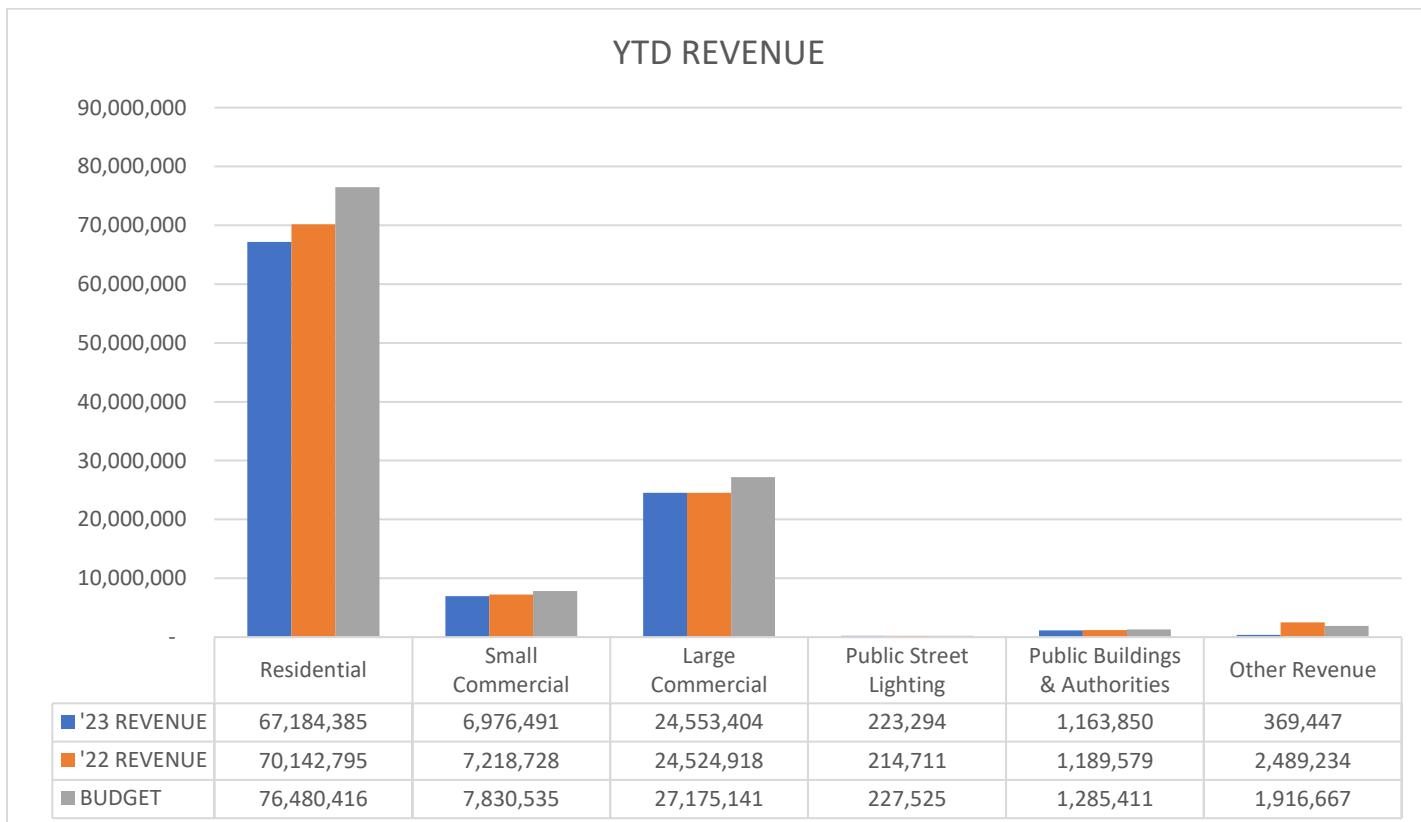
Annually, operating revenues are under budget by **\$14,444,800**, and less when comparing to the same period in the prior year by **\$5,309,100**.

<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>		<u>BUDGET</u>	<u>VARIANCE</u>	
100,470,871	105,779,965	(5,309,094)	-5.02%	114,915,692	(14,444,821)	-12.57%

The mild weather continues to negatively affect our revenue so far this year. As you can see by the chart below, revenues are below budget for all classes of members.

The largest contributor to this variance is from our residential class which is **\$9,296,000** or **64%** of our total variance of **\$14,144,800**.

Other revenues consist of fees, pole attachments and unbilled revenue. If removing unbilled revenue, other revenues would become \$2,613,600 instead of the \$369,500 shown in the chart below and would improve our net margins from a negative **\$1,125,500** to a positive **\$1,118,700**.

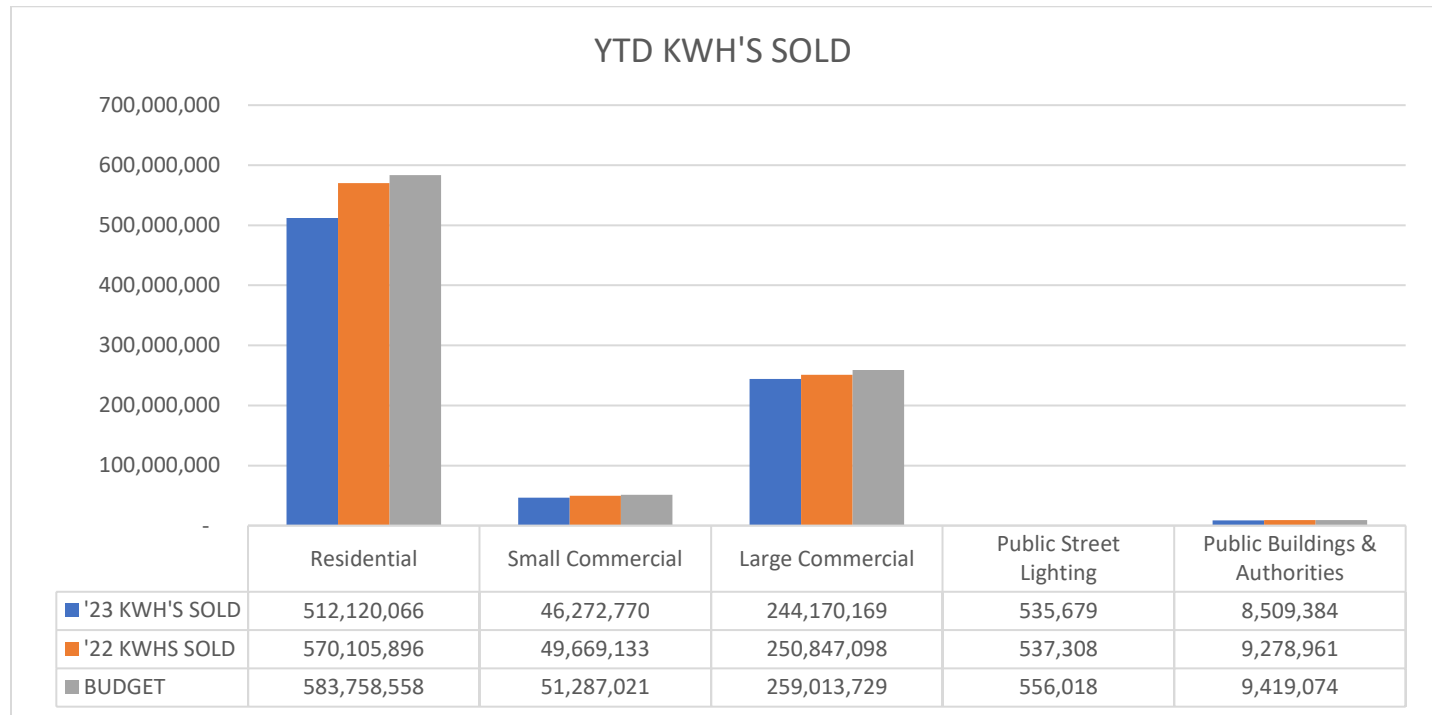


KWH's SOLD

On an annual basis, we have sold 811,608,100 kWh's compared to the budget of 904,034,400 which equates to a difference of over **92 million** kWh's. All classes of members are experiencing a reduction in the volume sold on an annual basis.

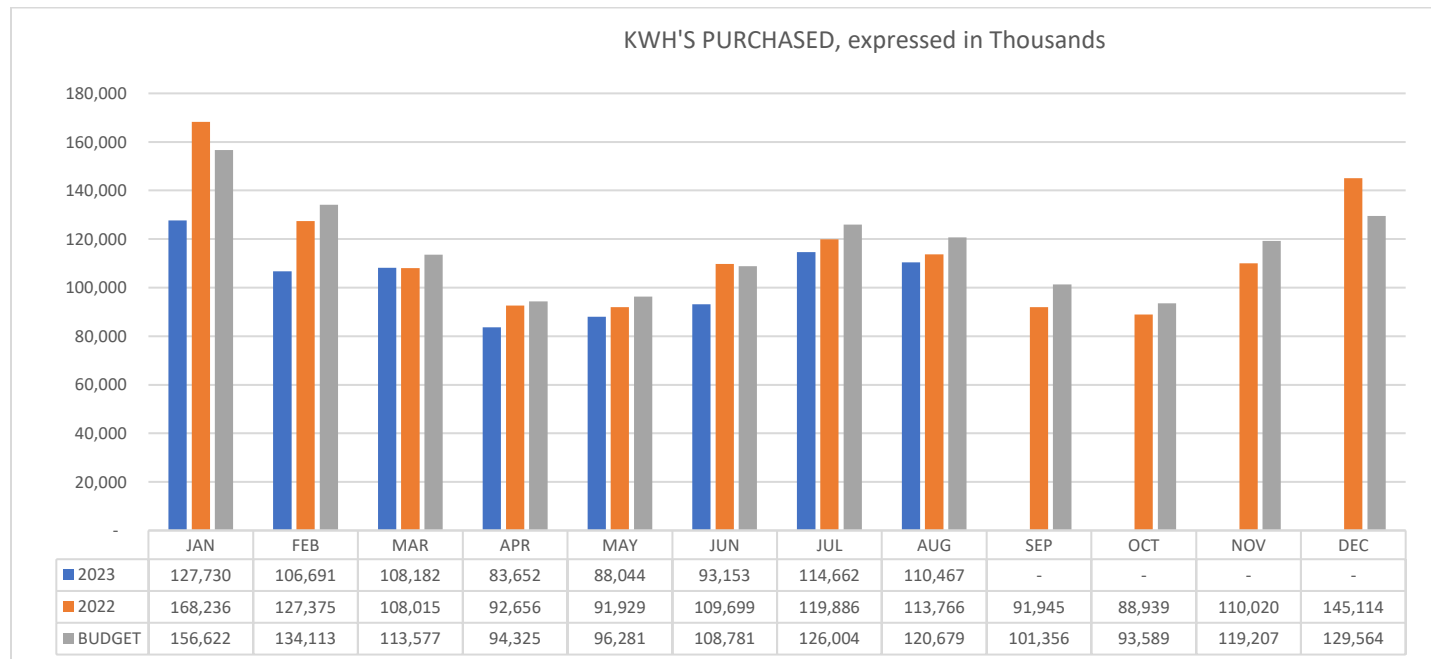
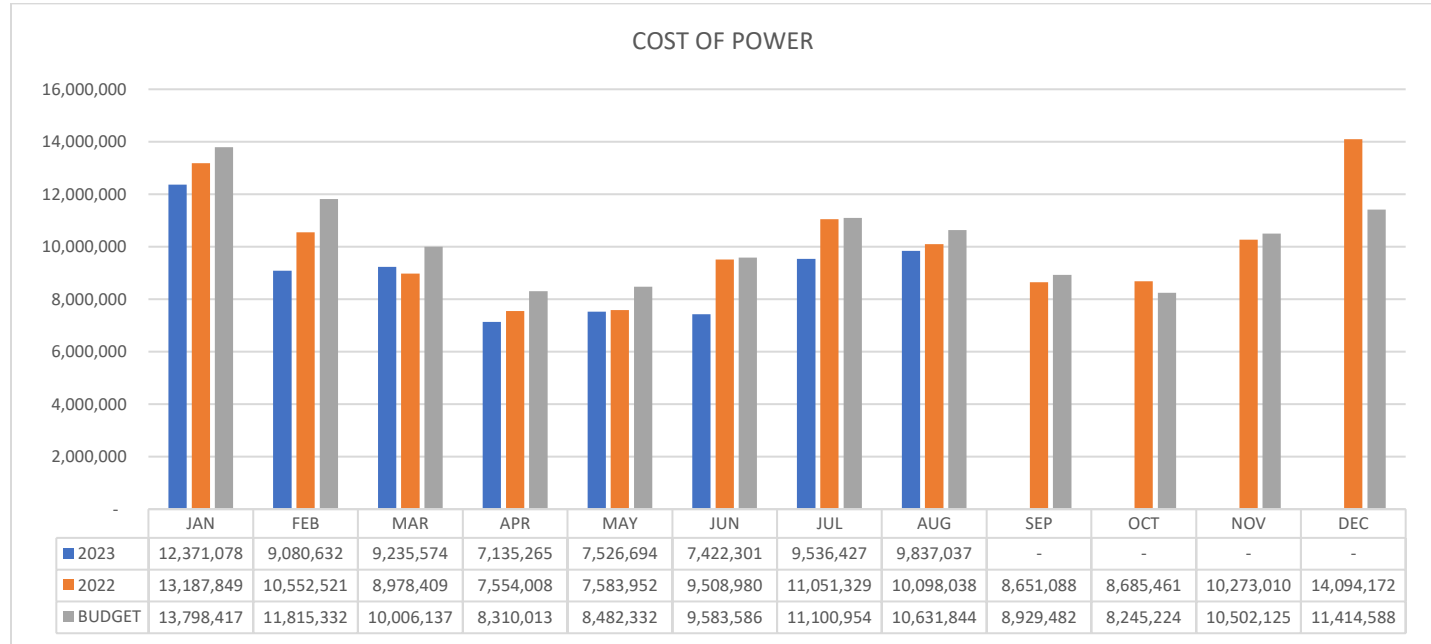
When comparing the current year to the previous year, we have sold **68.8 million** less kWh's, this reduction is also affecting every class of member. These variances are attributed to a warmer than normal winter and mild spring and summer seasons.

The graph below illustrates the amount of kWh's sold to each class of member for the current year, prior year and what was budgeted.



COST OF PURCHASED POWER (line 3)

Cost of purchased power is under budget on an annual basis when comparing actual to budget by **\$11,583,600**. This variance is a result of purchasing 117.8 million less kWh's reducing our costs by **\$10,378,200** combined with purchasing the power at a slightly lower rate than budget (\$0.00145). This further reduced our cost of power by **\$1,205,400**. The graphs below illustrate the power costs and quantity of kWh's purchased each month for 2023, 2022 and budget.



CONTROLLABLE COSTS / OPERATING EXPENSES (lines 6-11)

When comparing controllable costs to budget, collectively they are over budget by \$367,800. As illustrated in the table below, most departments are slightly over budget for the year thus far.

Operation expenses and Customer Accounts/Service expenses nearly offset each other. Operation expenses are lower due to time being charged to other accounts than where they were budgeted, such as storm expenses, which appear in maintenance expenses. Customer expenses are higher due to additional costs from the software conversion and engaging temporary labor workers.

Maintenance expenses, currently over budget by \$238,500, do include \$1,677,100 in storm costs. Those costs are nearly offset by ROW costs, which are under the budget by \$1,138,000 and overhead line maintenance which are under budget by \$334,100. These three items are much of the variance in maintenance expenses.

When comparing the current year's costs to last year's costs, this year shows an increase of \$5,213,400. Again, we need to focus on Maintenance expense as it has increased by \$4,144,300 from last year, for this same period. This variance is a result of an increase to ROW costs of \$2,482,300 and the storm costs of \$1,677,100.

	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Distribution Expense - Operation	3,011,228	3,060,645	(49,416)	3,166,046	(154,818)
Distribution Expense - Maintenance	10,142,633	5,998,303	4,144,330	9,904,156	238,477
Customer Accounts Expense	3,183,313	2,777,896	405,417	3,084,073	99,240
Customer Service and Informational Expense	269,546	294,295	(24,749)	232,835	36,711
Sales Expense	34,628	27,927	6,701	20,127	14,501
Administrative and General Expense	3,417,194	2,686,070	731,124	3,283,465	133,729
Total Operation & Maintenance Expense	20,058,542	14,845,136	5,213,406	19,690,701	367,841

OTHER COSTS (lines 13-19)

When comparing other costs to the budget, they are over budget, by \$46,100. Depreciation expense is over budget by \$45,900; Tax expense is under budget by **\$14,600**; Interest expense is over budget by \$79,800 and other deductions are below budget by **\$64,900**. Other deductions include dues, subscriptions, and donations.

	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Depreciation & Amortization Expense	6,850,031	6,601,117	248,913	6,804,173	45,858
Tax Expense - Property & Gross Receipts	95,367	94,024	1,342	110,000	(14,633)
Tax Expense - Other	-	-	-	-	-
Interest on Long-Term Debt	3,496,334	3,462,565	33,769	3,470,172	26,162
Interest Charged to Construction - Credit	-	-	-	-	-
Interest Expense - Other	89,820	124	89,695	36,200	53,620
Other Deductions	18,599	19,818	(1,220)	83,527	(64,928)
	10,550,149	10,177,649	372,500	10,504,072	46,078

NON-OPERATING MARGINS – INTEREST (line 22)

Non-operating Interest Income on a year-to-date basis is over budget by \$123,800. This is the line on the income statement where all interest earned from investments are recorded and includes such items as CFC investments and RUS Cushion of Credit.

When comparing the current year to last year, you will notice the variance of \$790,000. This was caused by the change in the Cushion of Credit interest rate being lower last year than the current year.

	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Non Operating Margins - Interest	914,859	124,909	789,950	791,020	123,839

GENERATION AND TRANSMISSION CAPITAL CREDITS (line 26)

You will remember that there will be no recording of patronage from G&T until December due to the change in procedures at the end of 2022, ensuring that we are allocating this type of patronage to the proper members of the cooperative each year.

	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Generation and Transmission Capital Credits	-	1,236,853	(1,236,853)	-	-

Due to this change, G&T patronage is contributing to the variance when comparing the current year to the prior year. If we remove this item from the prior year, the variance in net margins between years would be \$3,665,800 instead of \$4,902,700.

Net Margin Variance with G&T Patronage in 2022

	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Patronage Capital or Margins	(1,125,458)	3,777,197	(4,902,655)	1,900,504	(3,025,962)

Net Margin Variance without G&T Patronage in 2022

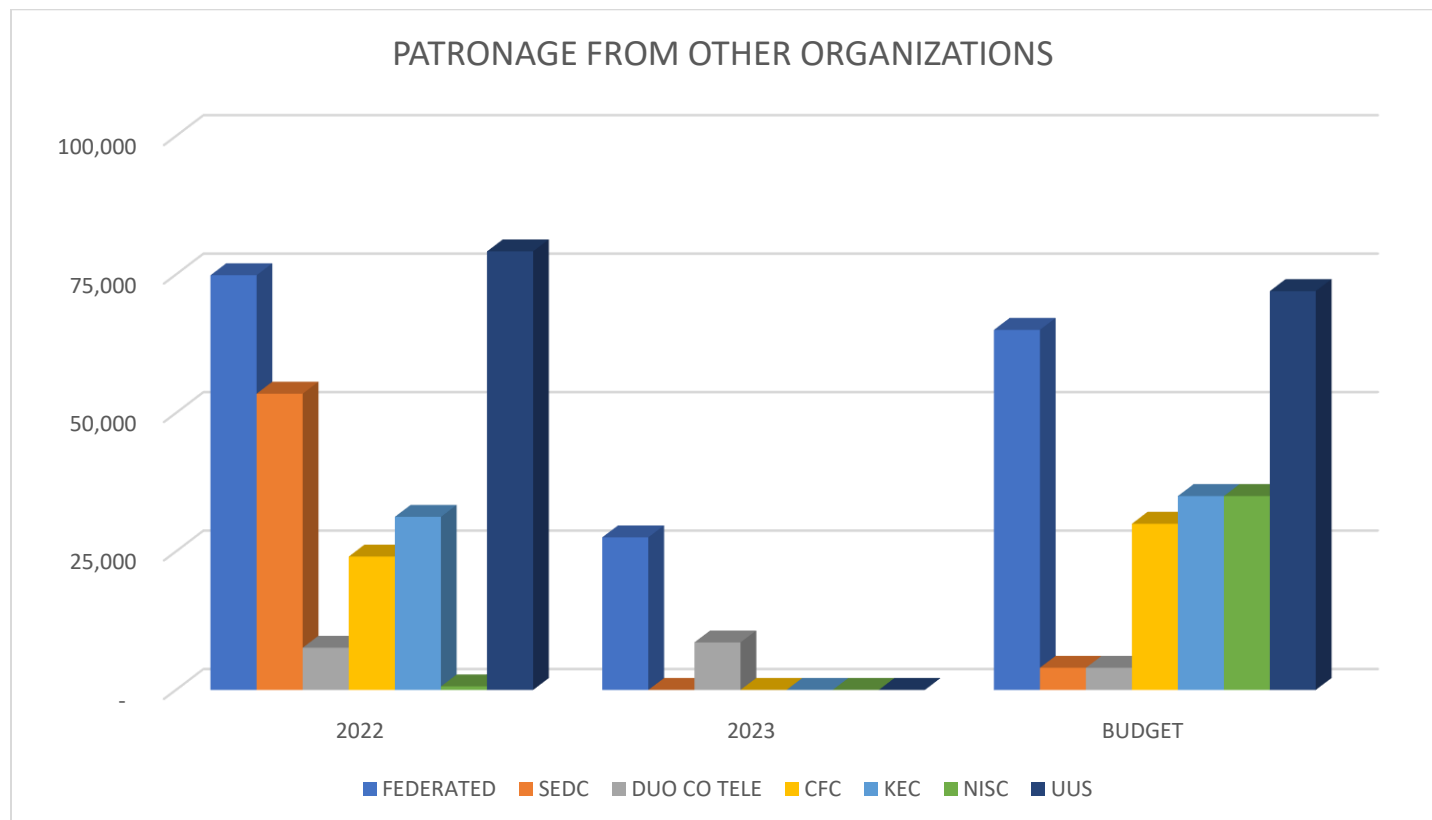
	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Patronage Capital or Margins	(1,125,458)	2,540,344	(3,665,802)	1,900,504	(3,025,962)

OTHER CAPITAL CREDITS AND PATRONAGE DIVIDENDS

This represents all the patronage that we are allocated throughout the year from various other cooperatives that we are members of. We have budgeted a total of \$245,000 for the year. In the month of July, we received no additional allocations from other organizations so our year to date remains at \$36,113 for the year thus far.

	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Other Capital Credits and Patronage Dividends	36,113	133,426	(97,312)	108,000	(71,887)

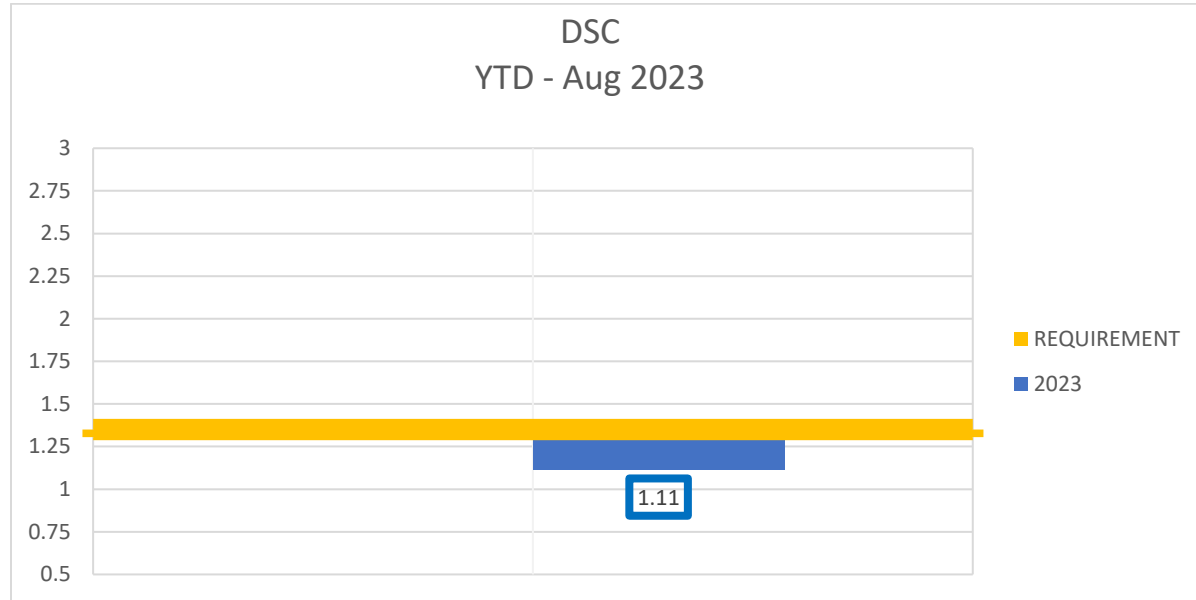
The graph below illustrates what we received in the prior year, the current year and what we have budgeted to receive this year.



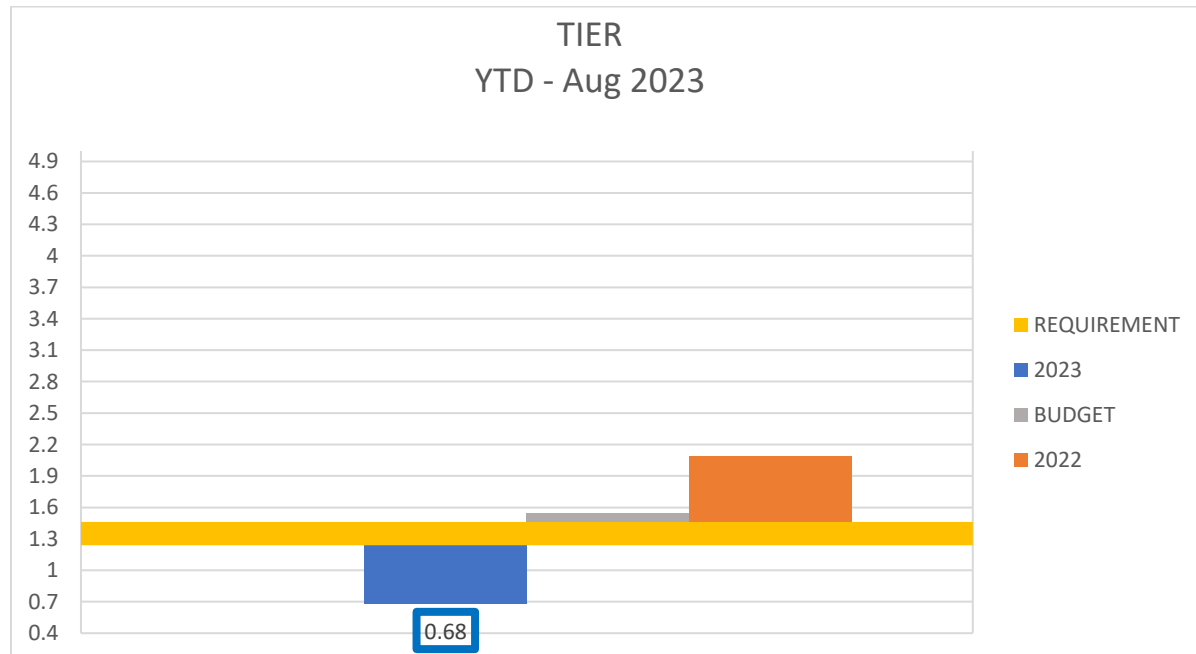
RATIOS

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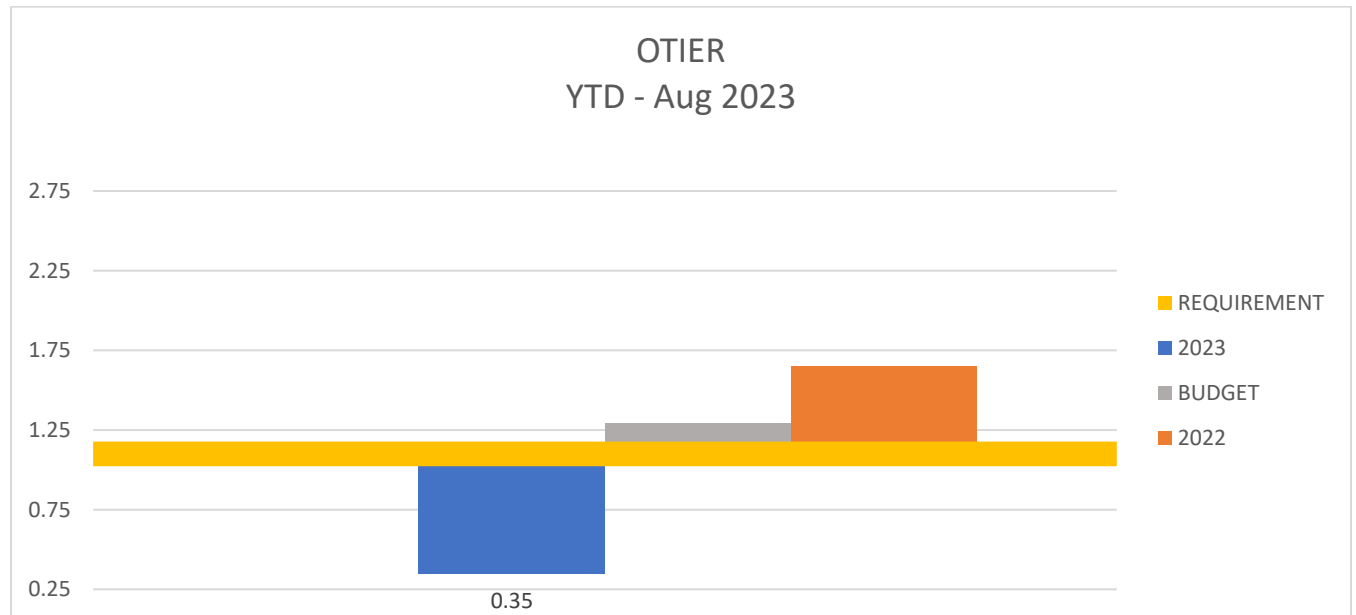
DSC – The requirement is 1.35, we are at 1.11. This ratio measures how many times we can pay our debt service (principal and interest). If we factor out FEMA/State reimbursements for storm costs of \$1,416,870, our DSC would then be 1.28. If we were to further factor out unbilled revenue, our DSC would then be 1.55.



TIER – Currently we are not meeting our TIER requirement. The requirement is 1.3 and we have a TIER of 0.68. If we factor out storm reimbursable costs our TIER would be 1.08 and without unbilled revenue our TIER would be 1.73.

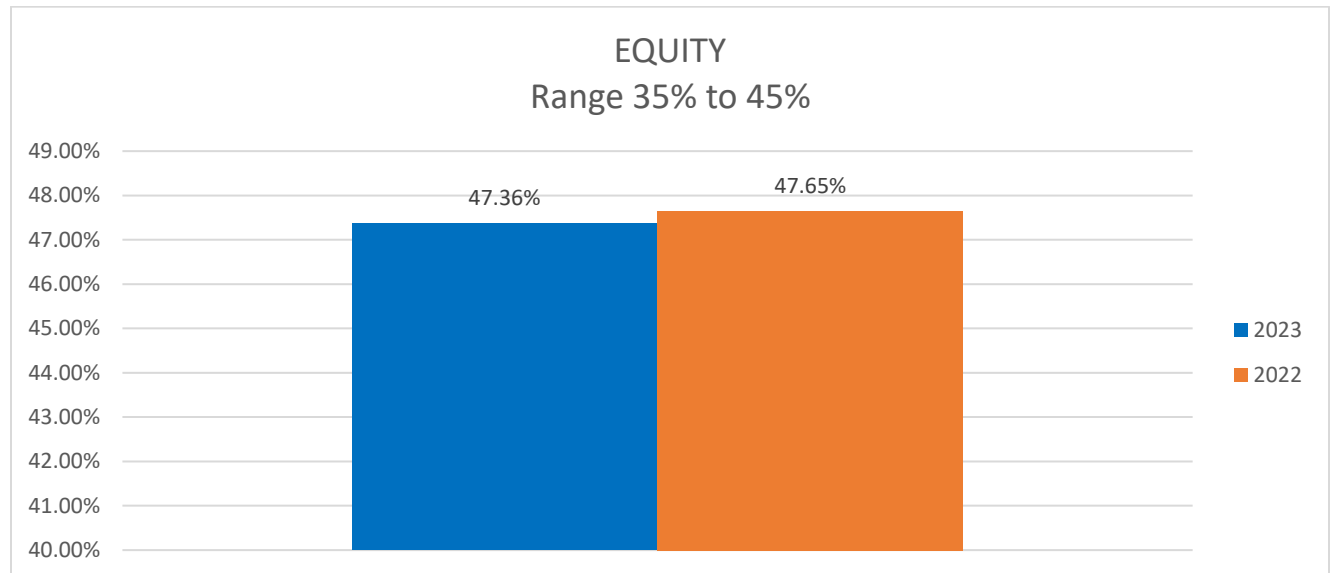


OTIER – Currently we are not meeting the OTIER requirement. The requirement is 1.1 and we have an OTIER of 0.35. If we removed the storm reimbursable costs from our expenses, we would then have an OTIER of 0.75 and without unbilled revenue our OTIER would be 1.39.



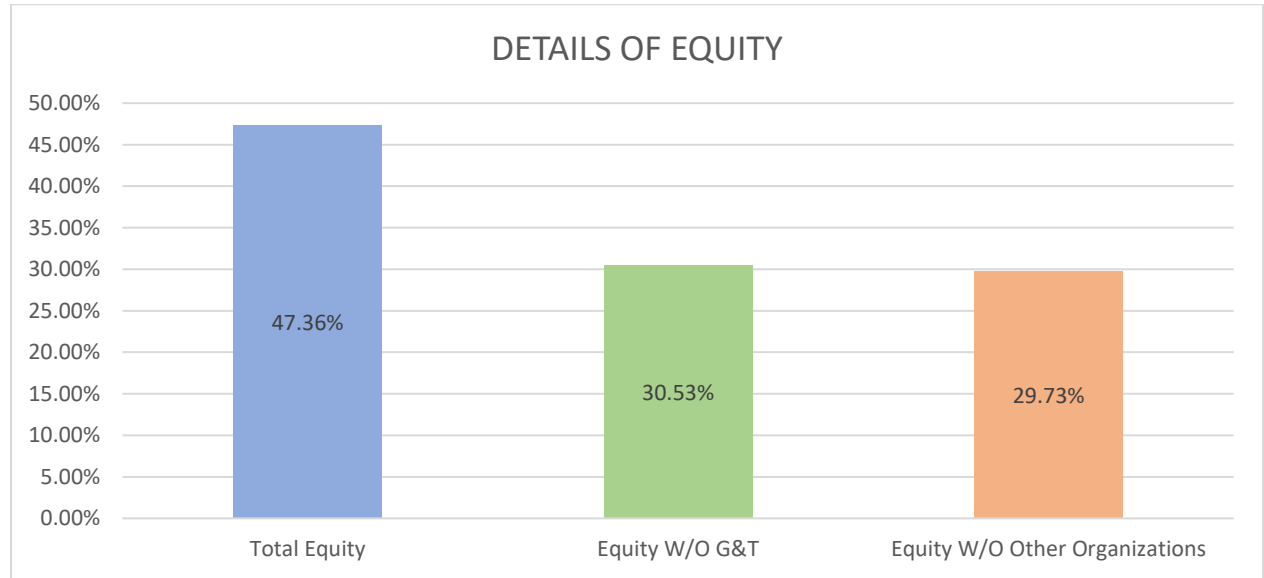
EQUITY

Total Equity is currently 47.36%, a slight decrease from last year's 47.65%, for the same period.



Details of Equity

The graph below illustrates what equity would be should we remove the impact of patronage from our G&T and from all other organizations. The equity rate of 29.73% is the equity that has been generated wholly from cooperative margins or operations.



LONG TERM DEBT AND INVESTMENT INFORMATION

DEBT BALANCES	Available	Current Month Outstanding	Prior Month Outstanding	Monthly Change Increase/(Decrease)
CFC Lines of Credit	15,000,000	56,195	56,195	-
CFC Investments	12,529,210			27,064
Cushion of Credit	19,729,658			40,661
FFB	24,000,000	159,077,018	159,077,018	-
RUS		2,614,623	2,636,510	(21,887)
CFC		3,121,181	3,348,611	(227,431)
CoBank		38,948,233	39,202,310	(254,078)
City of Monticello		2,200,000	2,200,000	-
USDA - Eco. Dev. Loans		1,010,417	1,344,445	(334,028)
USDA - Eco. Dev. Grants		2,566,000	2,566,000	-
USDA - Eco. Dev. Investment	672,360			193,185
	\$ 71,931,228	\$ 209,593,666	\$ 210,431,089	\$ (576,514)

ADDITIONAL INFORMATION:

The proposed 2024 Capital Budget will be presented and reviewed at the board meeting.

Financial Results for September 2023

NET MARGINS (line 29)

Net margins year to date September resulted in a gain of \$841,300. When comparing actual net margins to the budgeted net margins, which were \$2,077,542, produced a negative variance of **\$1,236,200**. Net margins are also less than last year, in the same period, by **\$3,228,100**.

<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>		<u>BUDGET</u>	<u>VARIANCE</u>	
841,300	4,069,400	(3,228,099)	-79.3%	2,077,542	(1,236,241)	-59.5%

We experienced a gain of \$1,966,758 for the month of September. Net margins for the month of September, compared to the budget, produced a positive variance of \$1,789,720.

<u>Sep-23</u>	<u>Sep-23</u>		
<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	
1,966,758	177,038	1,789,720	1010.93%

A summary of the factors related to the decrease in Net Margins for 2023 when compared to budget are:

- A decrease in Net Revenues of **\$2,054,400**
- A decrease in Operating Expenses of \$221,900
- An increase in Depreciation Expense of **\$64,300**
- A decrease in Tax Expenses of \$19,500
- An increase in Interest Expenses of **\$125,300**
- A decrease in Other Deductions of \$65,100
- An increase in Non-Operating Margins of \$569,800
- An increase in Other Capital Credit of \$131,400

Totals **\$1,236,300**

We have experienced many storms thus far in 2023, which have added \$1,679,900 of storm costs to our maintenance costs (line 7 on the statement of operations). However, we are also below budget by \$1,705,700 in ROW costs. These two factors are nearly offsetting each other, which is helping to keep the storm costs from dramatically affecting net margins.

OPERATING REVENUES (line 1)

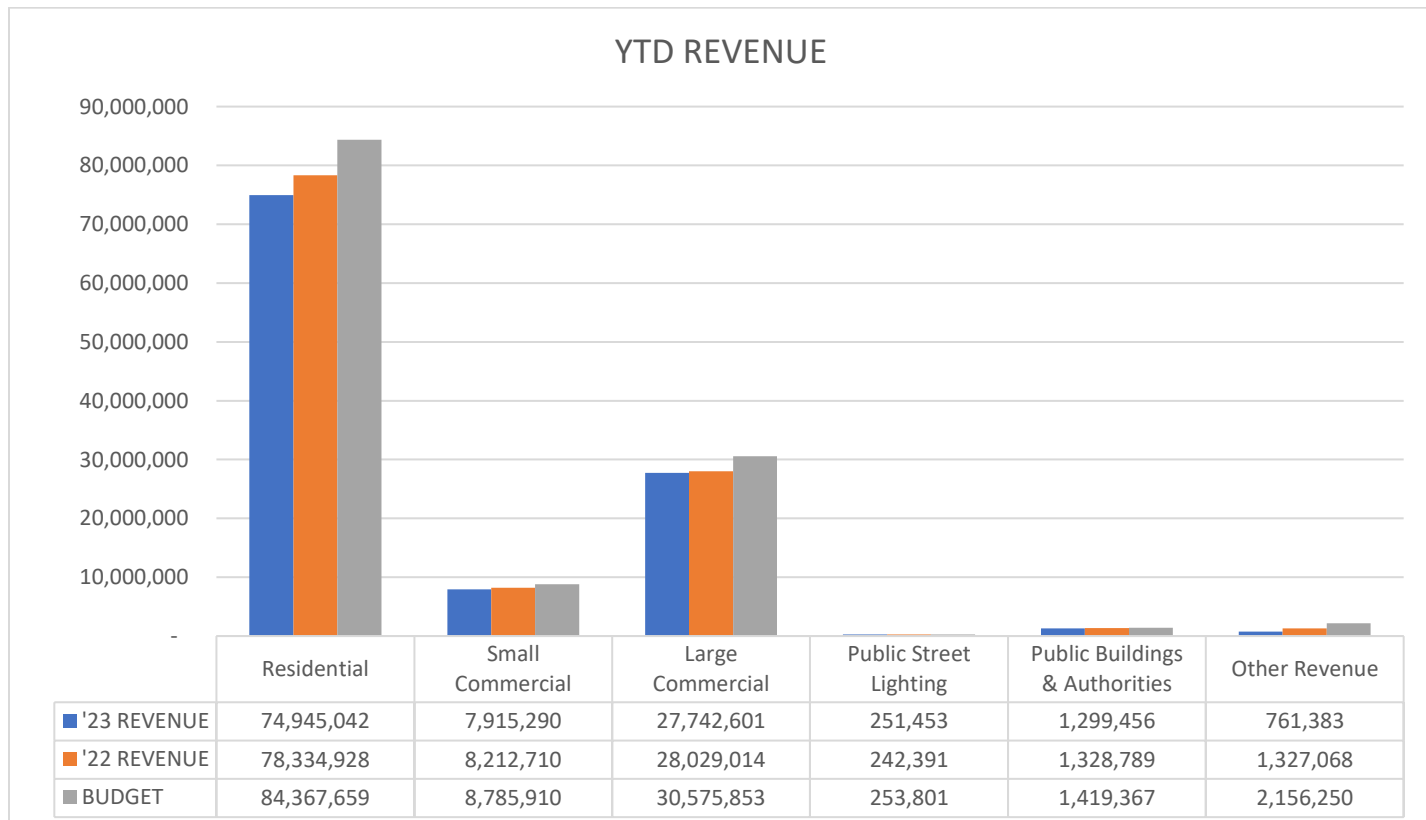
Annually, operating revenues are under budget by **\$14,643,600**, and less when comparing to the same period in the prior year by **\$4,559,700**.

<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>		<u>BUDGET</u>	<u>VARIANCE</u>	
112,915,226	117,474,900	(4,559,674)	-3.88%	127,558,838	(14,643,612)	-11.48%

The mild weather continues to negatively affect our revenue so far this year. As you can see by the chart below, revenues are below budget for all classes of members.

The largest contributor to this variance is from our residential class which is **\$9,422,600** or **64%** of our total variance of **\$14,643,600**.

Other revenues consist of fees, pole attachments and unbilled revenue. If removing unbilled revenue, other revenues would become \$2,921,500 instead of the \$761,400 shown in the chart below and would improve our net margins from \$841,300 to \$3,001,400.

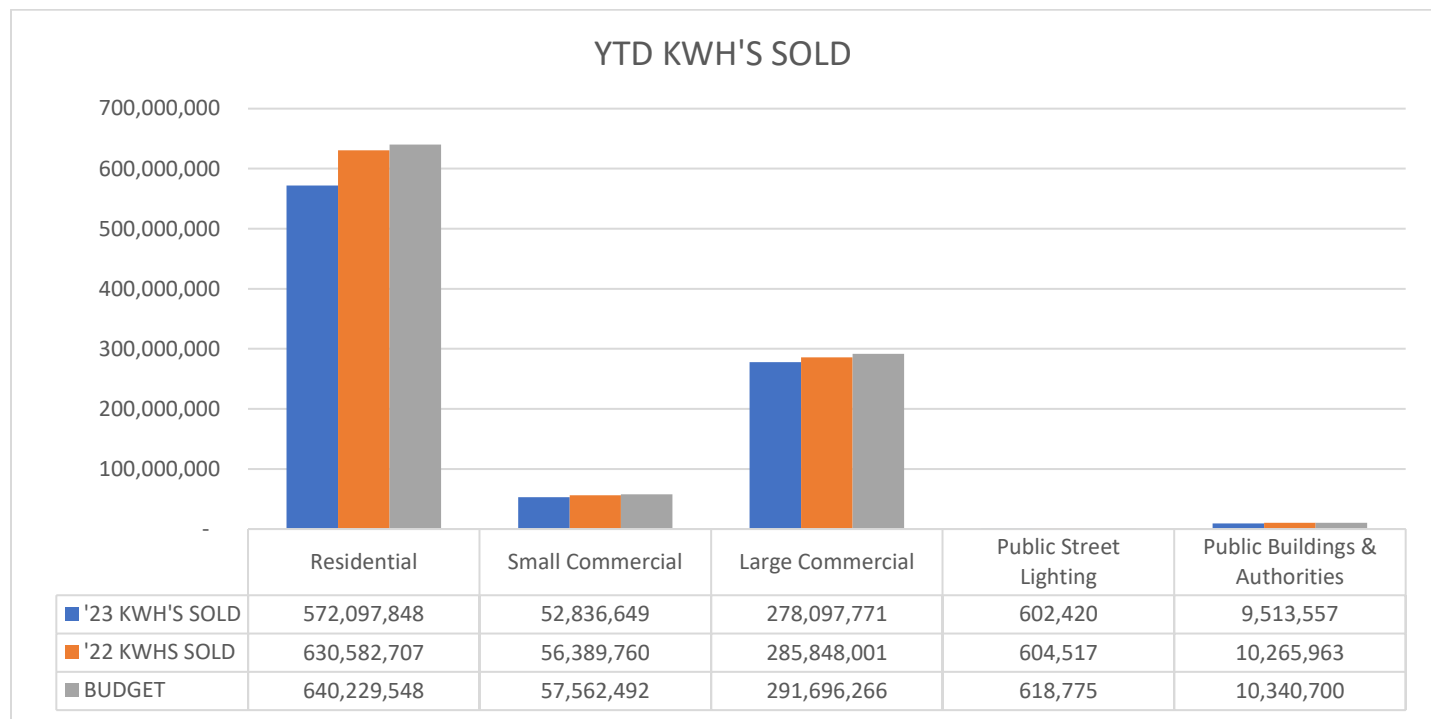


KWH's SOLD

On an annual basis, we have sold 913,148,200 kWh's compared to the budget of 1,000,447,800 which equates to a difference of over **87 million** kWh's. All classes of members are experiencing a reduction in the volume sold on an annual basis.

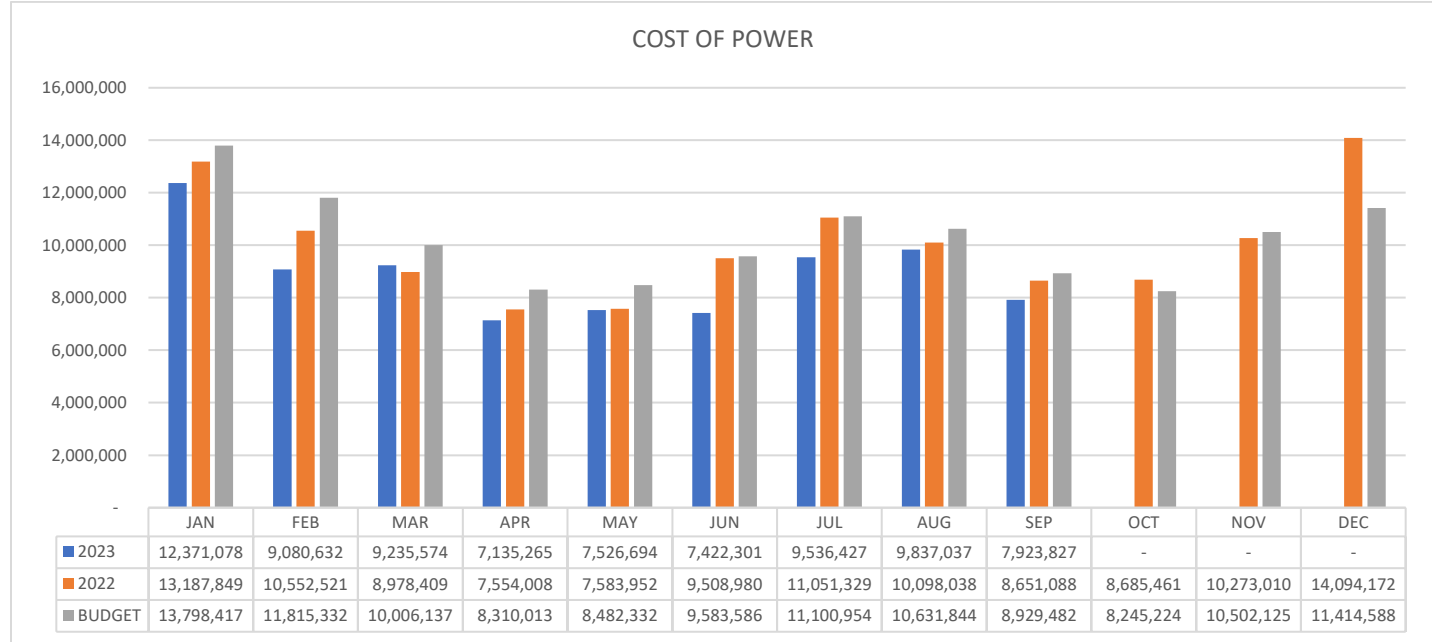
When comparing the current year to the previous year, we have sold **70.5 million** less kWh's, this reduction is also affecting every class of member. These variances are attributed to a warmer than normal winter, followed by mild spring and summer seasons.

The graph below illustrates the amount of kWh's sold to each class of member for the current year, prior year and what was budgeted.



COST OF PURCHASED POWER (line 3)

Cost of purchased power is under budget on an annual basis when comparing actual to budget by **\$12,589,300**. This variance is a result of purchasing 127.8 million less kWh's reducing our costs by **\$11,255,700** combined with purchasing the power at a slightly lower rate than budget which further reduced our cost of power by **\$1,333,600**. The graphs below illustrate the power costs and quantity of kWh's purchased each month for 2023, 2022 and budget.



CONTROLLABLE COSTS / OPERATING EXPENSES (lines 6-11)

When comparing controllable costs to budget, collectively they are under budget by \$221,900. As illustrated in the table below, we have a mixture of some departments being over budget and some being under budget on a year-to-date basis.

Operation expenses and Customer Accounts/Service expenses nearly offset each other. Operation expenses are lower due to time being charged to other accounts than where they were budgeted, such as storm expenses, which appear in maintenance expenses. Customer expenses are higher due to additional costs from the software conversion and engaging temporary labor workers.

Maintenance expenses, currently under budget by \$303,400, which includes \$1,679,000 in storm costs. Those costs are being offset by ROW costs, which are under the budget by \$1,705,700. Overhead line maintenance costs are also currently under budget by \$301,700. These three items are much of the variance in maintenance expenses.

When comparing the current year's costs to last year's costs, this year shows an increase of \$5,440,000. Again, we need to focus on Maintenance expense as it has increased by \$4,379,600 from last year, for this same period. This variance is a result of an increase to ROW costs of \$2,442,900 and the storm costs of \$1,679,900.

	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Distribution Expense - Operation	3,332,687	3,413,731	(81,045)	3,513,325	(180,639)
Distribution Expense - Maintenance	10,906,634	6,527,009	4,379,626	11,209,985	(303,350)
Customer Accounts Expense	3,541,590	3,150,414	391,176	3,468,940	72,650
Customer Service and Informational Expense	314,602	314,173	429	263,340	51,263
Sales Expense	37,432	31,500	5,931	22,643	14,789
Administrative and General Expense	3,803,522	3,059,704	743,818	3,680,097	123,425
Total Operation & Maintenance Expense	21,936,467	16,496,531	5,439,936	22,158,329	(221,862)

OTHER COSTS (lines 13-19)

When comparing other costs to the budget, they are over budget, by \$105,000. Depreciation expense is over budget by \$64,300; Tax expense is under budget by **\$19,500**; Interest expenses are over budget by \$125,300 and other deductions are below budget by **\$65,100**. Other deductions include dues, subscriptions, and donations.

	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Depreciation & Amortization Expense	7,719,026	7,438,514	280,512	7,654,695	64,331
Tax Expense - Property & Gross Receipts	104,239	102,449	1,790	123,750	(19,511)
Tax Expense - Other	-	-	-	-	-
Interest on Long-Term Debt	3,959,402	3,895,940	63,462	3,903,944	55,458
Interest Charged to Construction - Credit	-	-	-	-	-
Interest Expense - Other	110,577	148	110,429	40,725	69,852
Other Deductions	21,857	23,796	(1,940)	86,974	(65,117)
	11,915,101	11,460,848	454,253	11,810,088	105,013

NON-OPERATING MARGINS – INTEREST (line 22)

Non-operating Interest Income on a year-to-date basis is over budget by \$278,300. This is the line on the income statement where all interest earned from investments are recorded and includes such items as CFC investments and RUS Cushion of Credit.

When comparing the current year to last year, you will notice the variance of \$986,600. The major cause of this variance is due to the change in the Cushion of Credit interest rate being lower last year than the current year.

	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Non Operating Margins - Interest	1,168,224	181,609	986,615	889,898	278,326

GENERATION AND TRANSMISSION CAPITAL CREDITS (line 26)

You will remember that there will be no recording of patronage from G&T until December due to the change in procedures at the end of 2022, ensuring that we are allocating this type of patronage to the proper members of the cooperative each year.

	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Generation and Transmission Capital Credits	-	1,236,853	(1,236,853)	-	-

Due to this change, G&T patronage is contributing to the variance when comparing the current year to the prior year. If we remove this item from the prior year, the variance in net margins between years would be **\$1,991,200** instead of **\$3,228,100**.

Net Margin Variance with G&T Patronage in 2022

	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Patronage Capital or Margins	841,300	4,069,400	(3,228,099)	2,077,542	(1,236,241)

Net Margin Variance without G&T Patronage in 2022

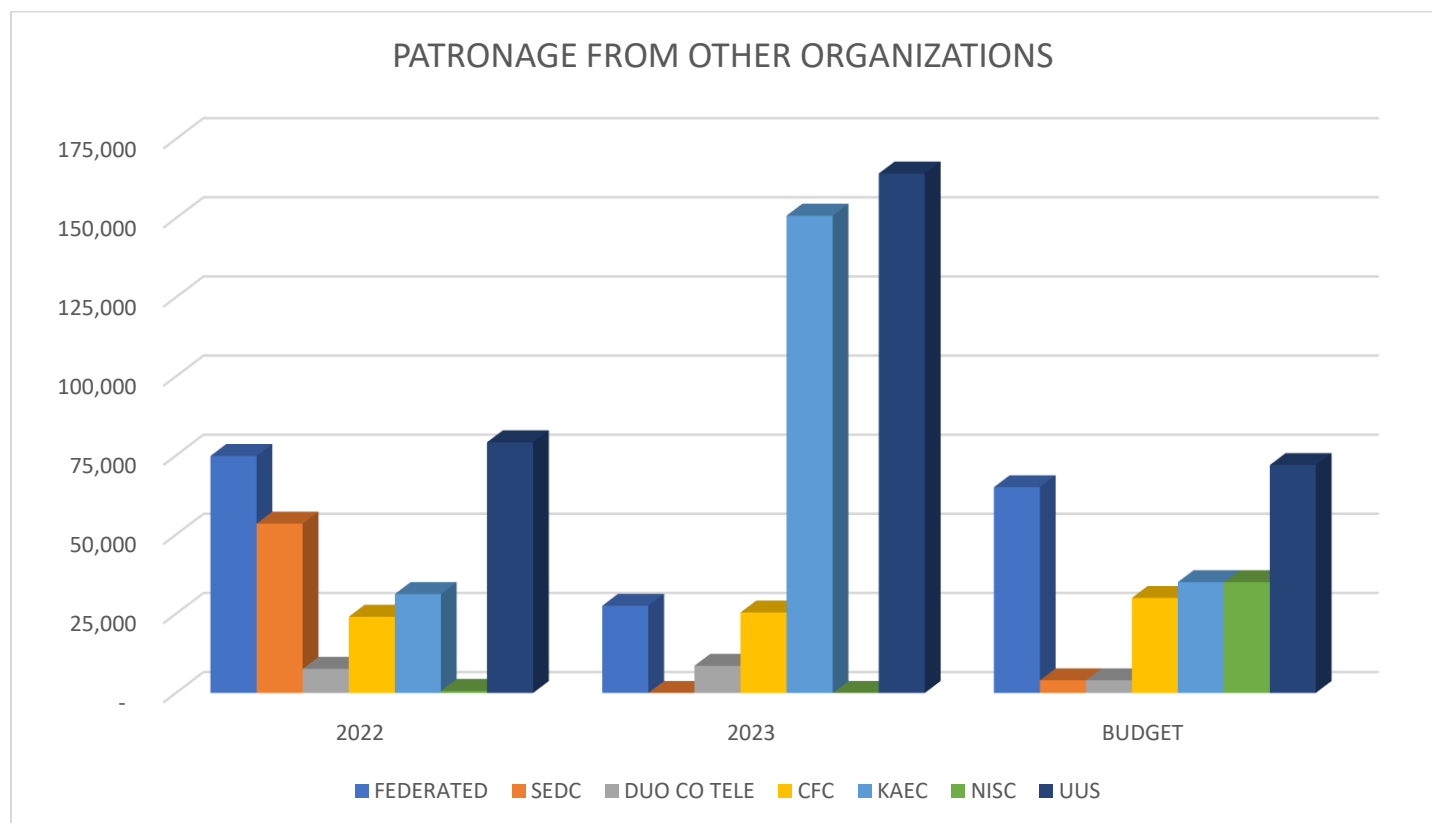
	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Patronage Capital or Margins	841,300	2,832,547	(1,991,246)	2,077,542	(1,236,241)

OTHER CAPITAL CREDITS AND PATRONAGE DIVIDENDS

This represents all the patronage that we are allocated throughout the year from various other cooperatives that we are members of. We have budgeted a total of \$245,000 for the year. In the month of September, we received allocations from UUS; KAEC and CFC, so our year-to-date amount now totals \$376,445.

	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Other Capital Credits and Patronage Dividends	376,445	267,927	108,519	245,000	131,445

The graph below illustrates what we received in the prior year, the current year and what we have budgeted to receive this year.



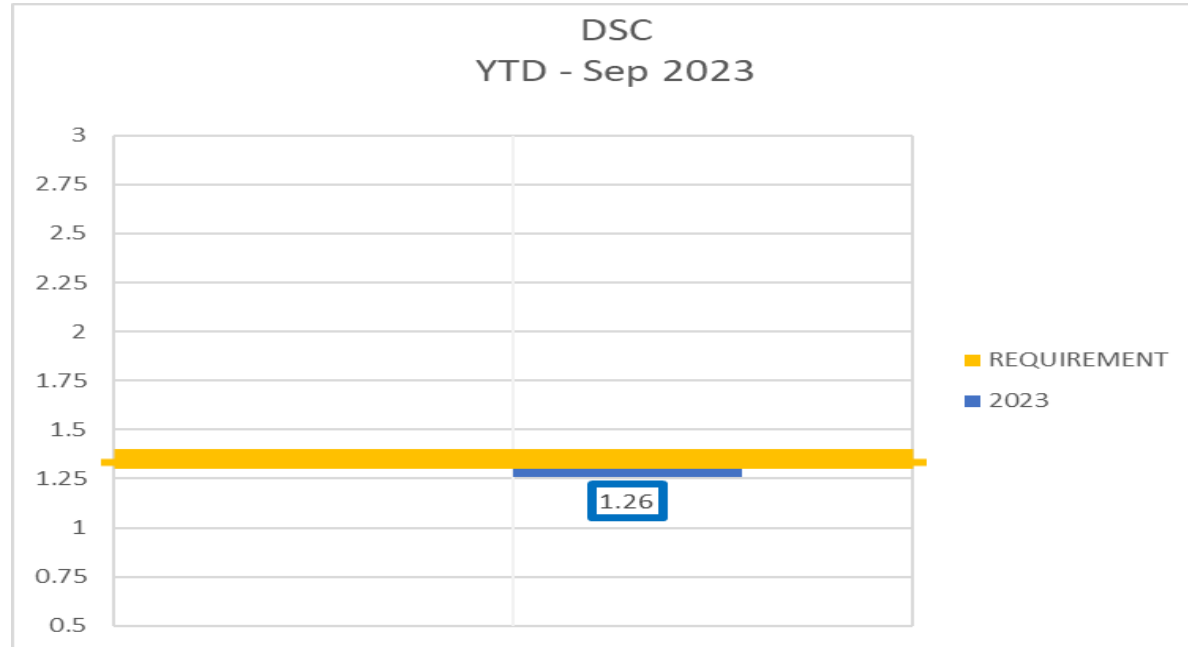
SEPTEMBER ALLOCATIONS:

UUS \$164,105
 KAEC \$150,801
 CFC \$ 25,426

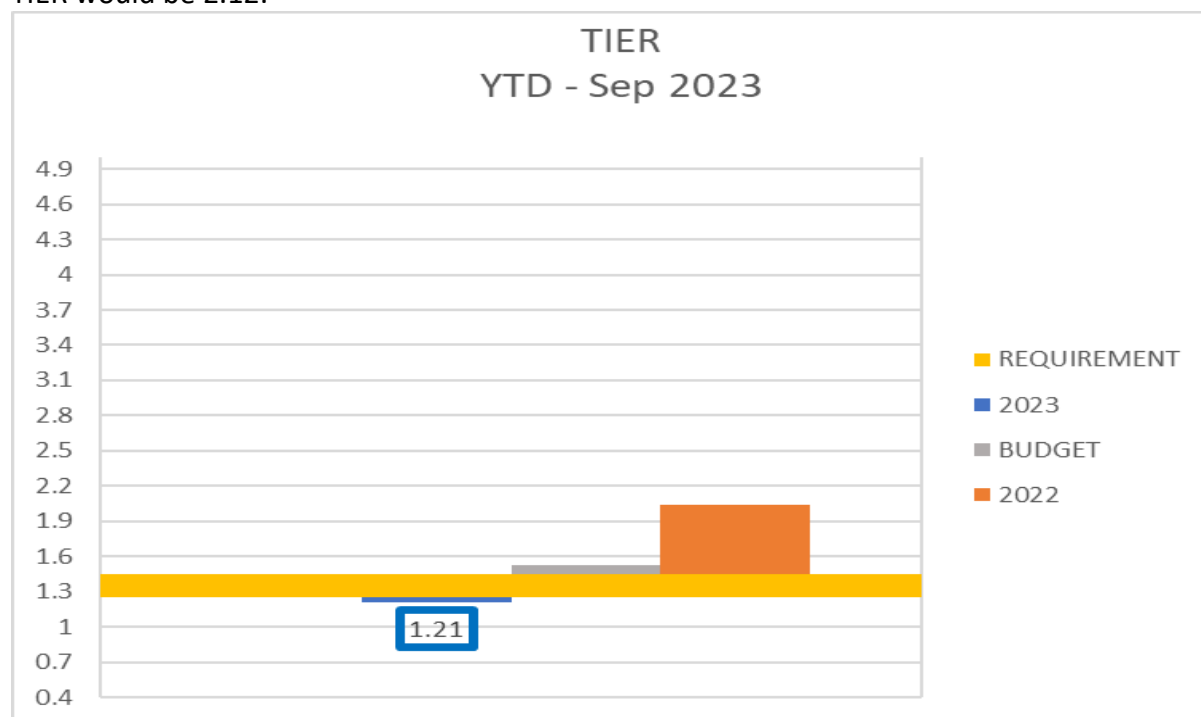
RATIOS

** Please note that the gold color line is the requirement that we must meet to be compliant with our debt covenants

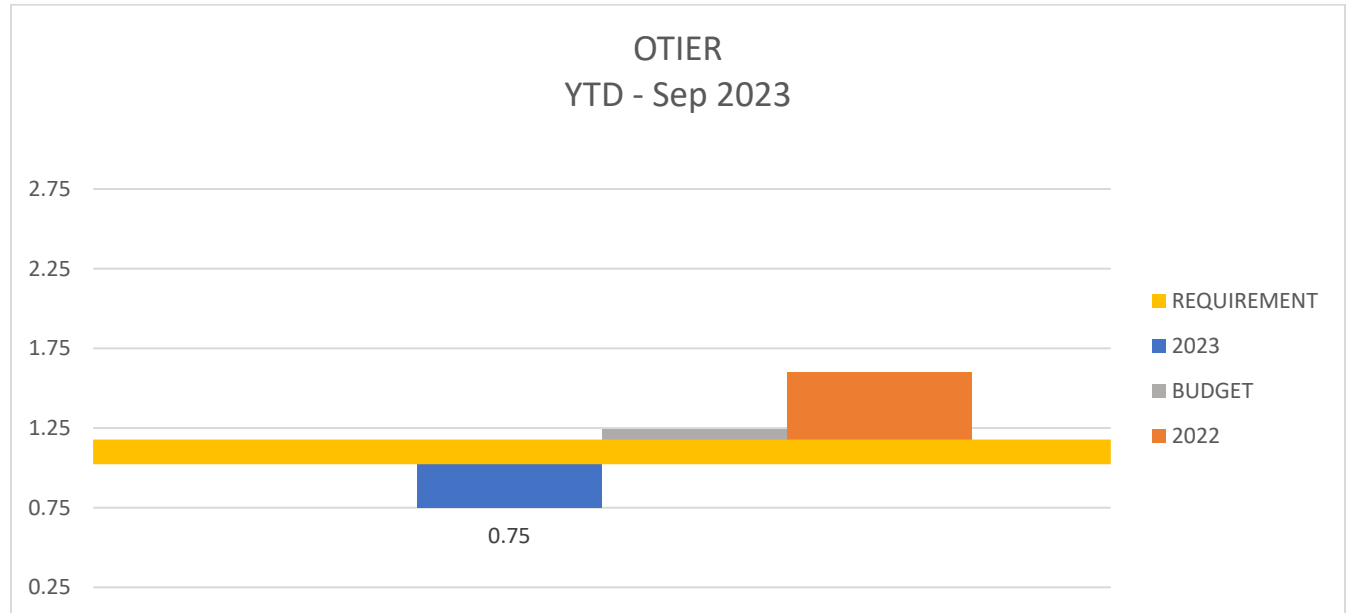
DSC – The requirement is 1.35, we are at 1.26. This ratio measures how many times we can pay our debt service (principal and interest). If we factor out FEMA/State reimbursements for storm costs of \$1,416,870, our DSC would then be 1.41. If we were to further factor out unbilled revenue, our DSC would then be 1.62.



TIER – Currently we are not meeting our TIER requirement. The requirement is 1.3 and we have a TIER of 1.21. If we factor out storm reimbursable costs our TIER would be 1.57 and without unbilled revenue our TIER would be 2.12.

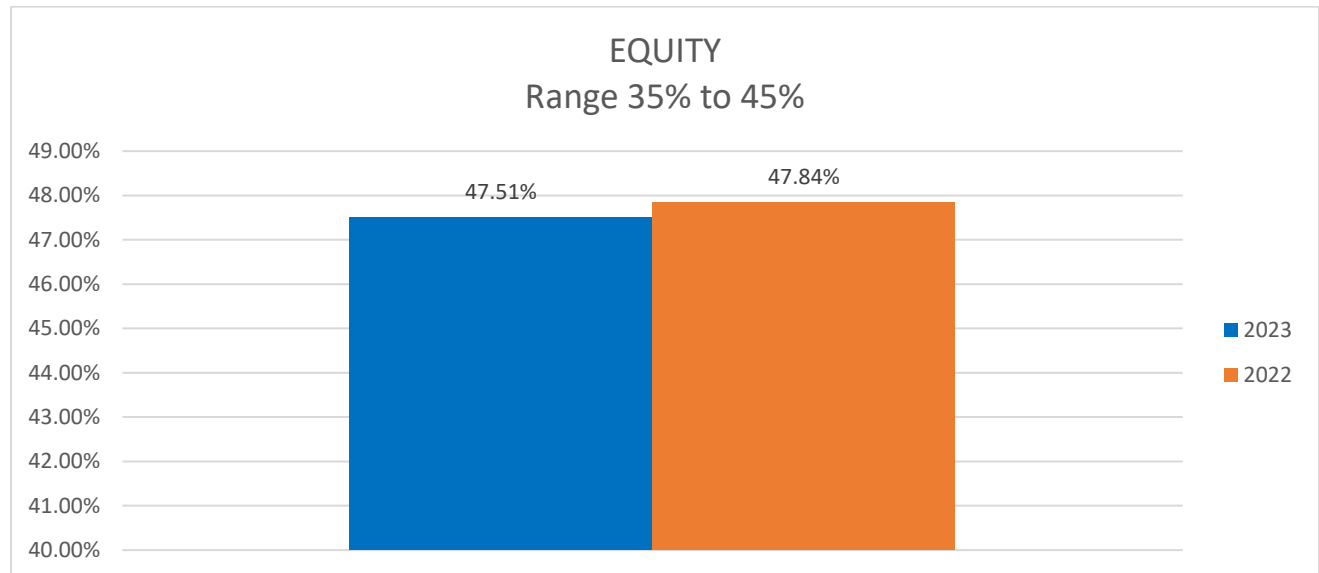


OTIER – Currently we are not meeting the OTIER requirement. The requirement is 1.1 and we have an OTIER of 0.75. If we removed the storm reimbursable costs from our expenses, we would then have an OTIER of 1.10 and without unbilled revenue our OTIER would be 1.65.



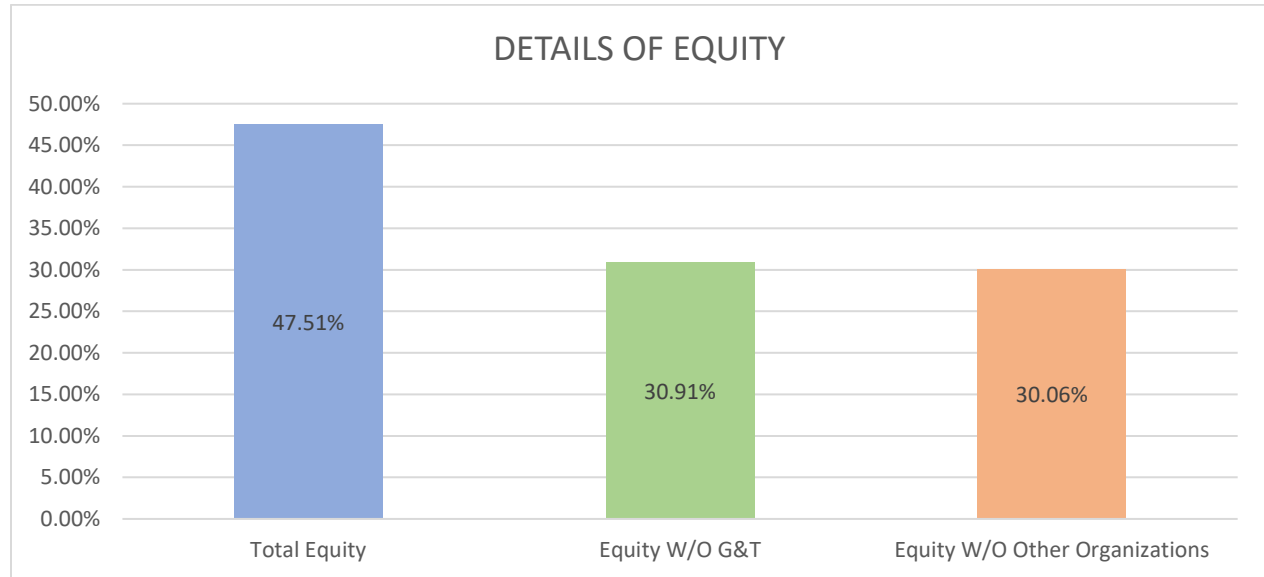
EQUITY

Total Equity is currently 47.51%, a slight decrease from last year's 47.84%, for the same period.



Details of Equity

The graph below illustrates what equity would be should we remove the impact of patronage from our G&T and from all other organizations. The equity rate of 30.06% is the equity that has been generated wholly from cooperative margins or operations.



LONG TERM DEBT AND INVESTMENT INFORMATION

DEBT BALANCES	Available	Current Month Outstanding	Prior Month Outstanding	Monthly Change Increase/(Decrease)
CFC Lines of Credit	15,000,000	4,007,113	56,195	3,950,919
CFC Investments	12,692,204			162,994
Cushion of Credit	19,767,586			37,928
FFB	24,000,000	158,223,858	159,077,018	(853,161)
RUS		2,592,528	2,614,623	(22,095)
CFC		3,121,181	3,121,181	-
CoBank		38,693,393	38,948,233	(254,840)
City of Monticello		2,200,000	2,200,000	-
USDA - Eco. Dev. Loans		1,010,417	1,010,417	-
USDA - Eco. Dev. Grants		2,566,000	2,566,000	-
USDA - Eco. Dev. Investment	716,340			43,980
	\$ 72,176,130	\$ 212,414,489	\$ 209,593,666	\$ 3,065,725

ADDITIONAL INFORMATION:

The proposed 2024 Operative Budget will be presented and reviewed at the board meeting.

Financial Results for October 2023

NET MARGINS (line 29)

Net margins year to date October resulted in a loss of \$1,458,000. When comparing actual net margins to the budgeted net margins, which were \$1,386,100, produced a negative variance of \$2,844,100. Net margins are also less than last year, in the same period, by \$5,559,800.

<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>		<u>BUDGET</u>	<u>VARIANCE</u>	
(1,458,002)	4,101,835	(5,559,836)	-135.5%	1,386,118	(2,844,120)	-205.2%

We experienced a loss of \$2,299,300 for the month of October. Net margins for the month of October, compared to the budget, produced a variance of \$1,607,900.

<u>Oct-23</u>	<u>Oct-23</u>	<u>VARIANCE</u>	
<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	
(2,299,302)	(691,423)	(1,607,879)	232.55%

A summary of the factors related to the decrease in Net Margins for 2023 when compared to budget are:

- A decrease in Net Revenues of \$4,033,400
- A decrease in Operating Expenses of \$564,000
- An increase in Depreciation Expense of \$85,200
- A decrease in Tax Expenses of \$24,400
- An increase in Interest Expenses of \$139,400
- A decrease in Other Deductions of \$66,900
- An increase in Non-Operating Margins of \$627,200
- An increase in Other Capital Credit of \$131,400

Totals \$2,844,100

We have experienced many storms thus far in 2023, which have added \$1,678,900 of storm costs to our maintenance costs (line 7 on the statement of operations). However, we are also below budget by \$2,039,100 in ROW costs. The reduction in ROW costs is currently alleviating the storm impact, however ROW costs may indeed be at or close to budget by year end.

OPERATING REVENUES (line 1)

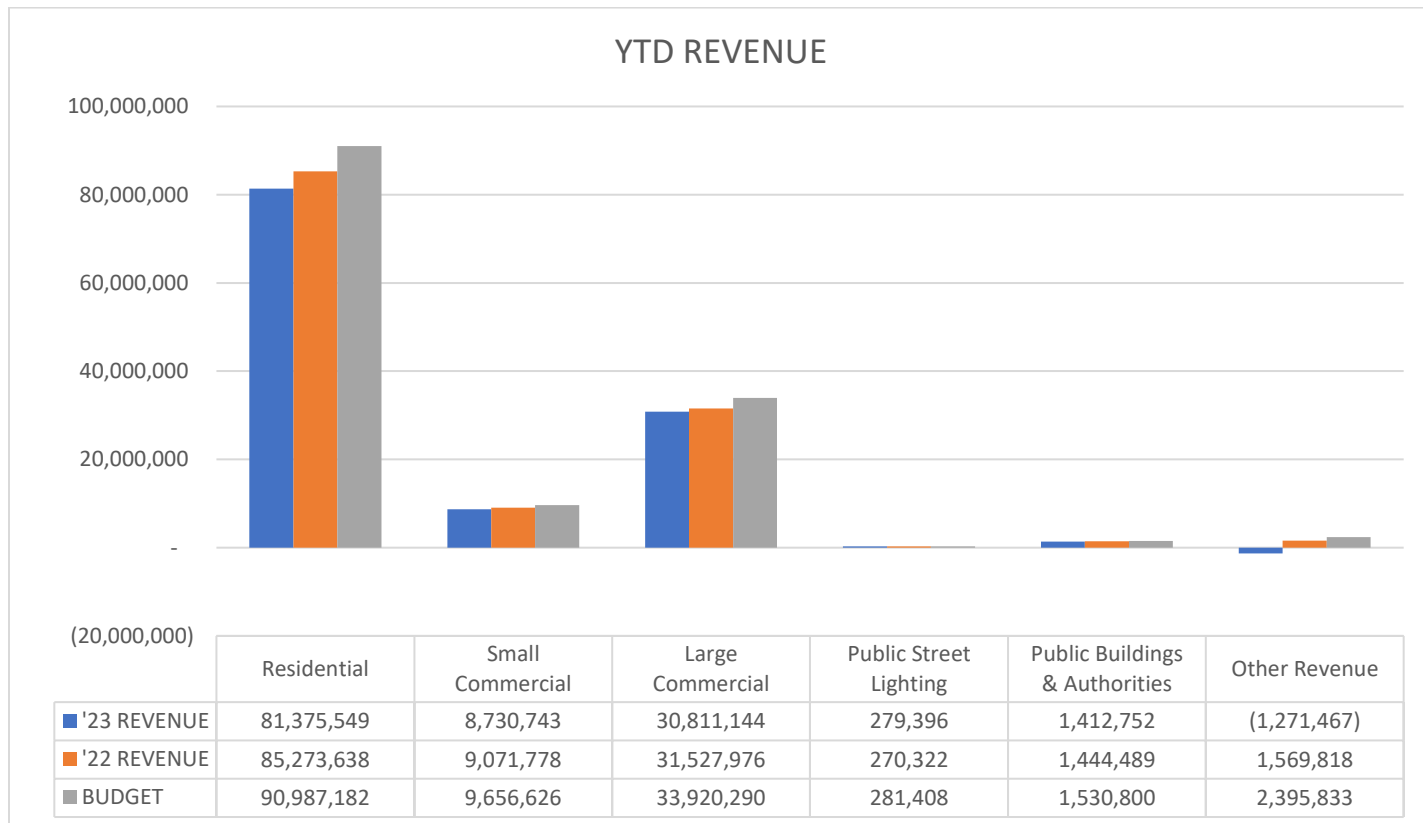
Annually, operating revenues are under budget by **\$17,434,000**, and less when comparing to the same period in the prior year by **\$7,819,900**.

<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>		<u>BUDGET</u>	<u>VARIANCE</u>	
121,338,117	129,158,022	(7,819,905)	-6.05%	138,772,140	(17,434,024)	-12.56%

The mild weather continues to negatively affect our revenue so far this year. As you can see by the chart below, revenues are below budget for all classes of members.

The largest contributor to this variance is from our residential class which is **\$9,611,633** or **55.1%** of our total variance of **\$17,434,000**.

Other revenues consist of fees, pole attachments and unbilled revenue. If removing unbilled revenue, other revenues would become \$3,232,700 instead of the **\$1,271,500** shown in the chart below and would improve our net margins from **\$1,458,000** to \$3,046,100.

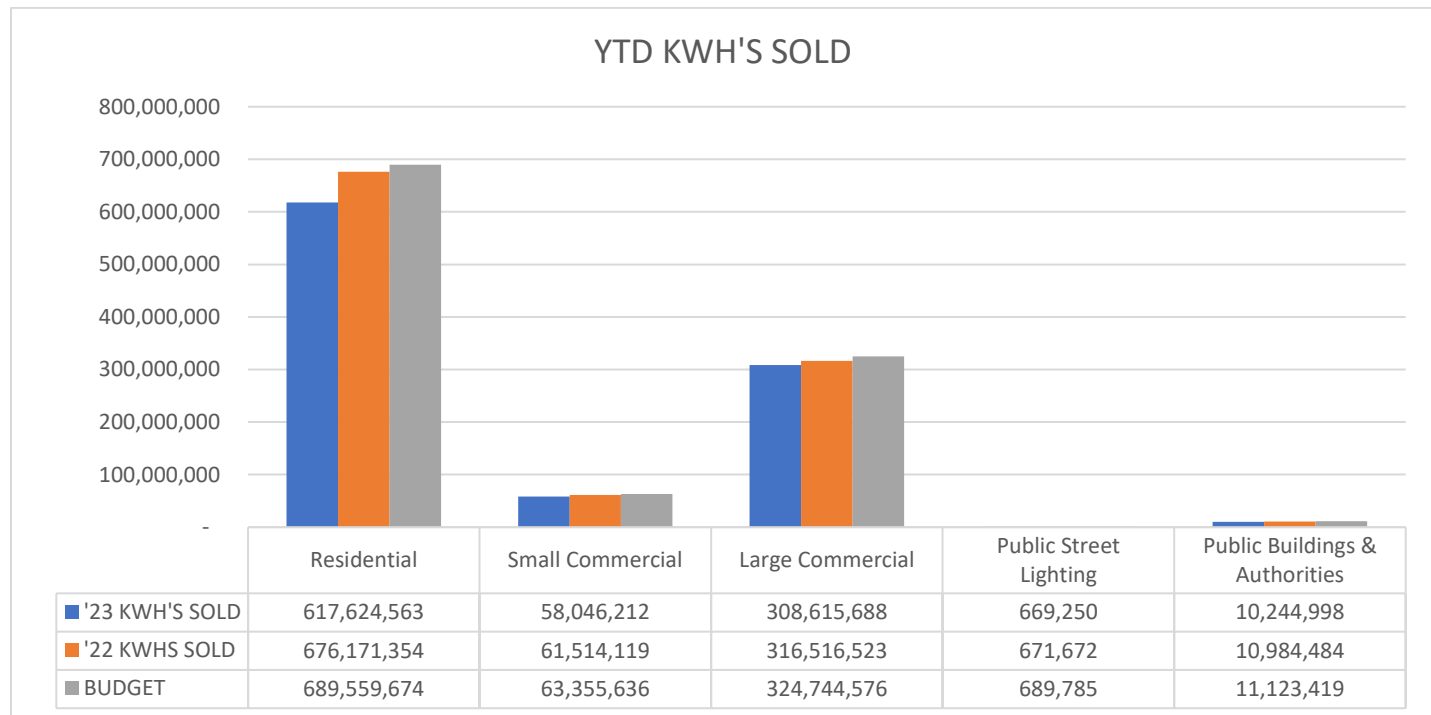


KWH's SOLD

On an annual basis, we have sold 995,200,700 kWh's compared to the budget of 1,089,473,100 which equates to a difference of over **94.2 million** kWh's. All classes of members are experiencing a reduction in the volume sold on an annual basis.

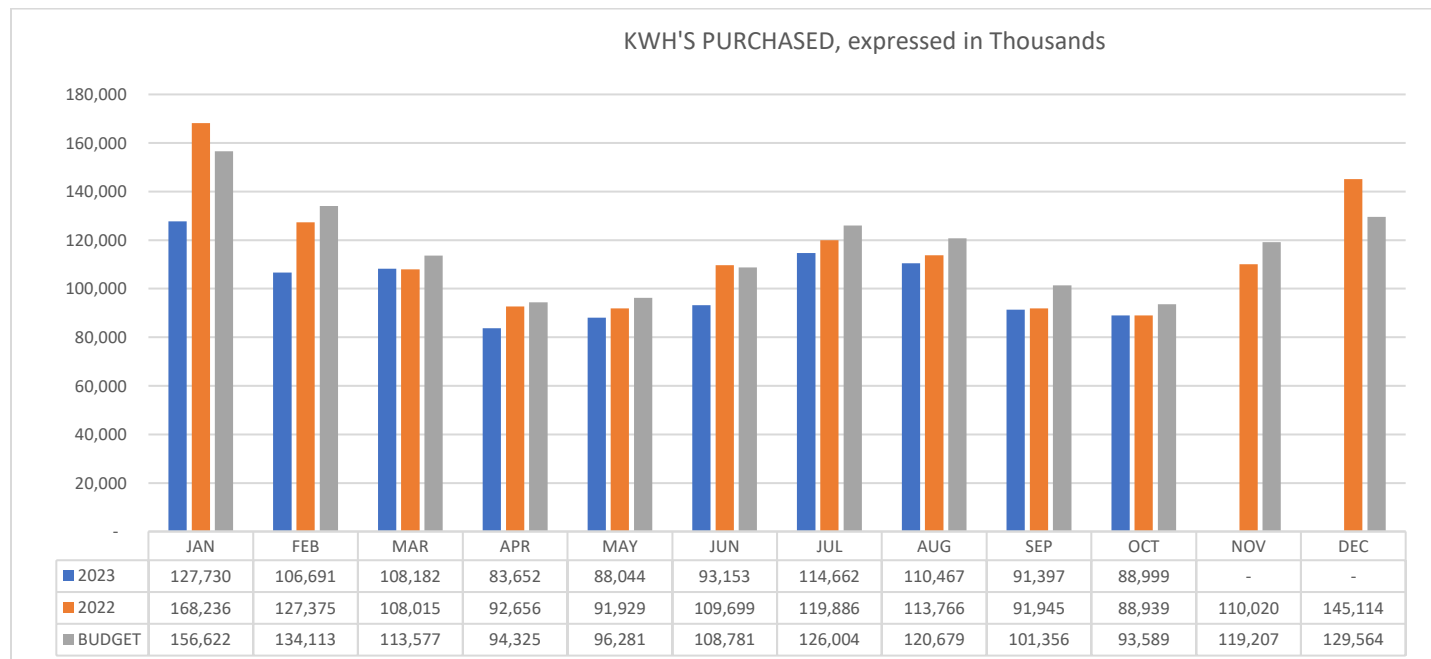
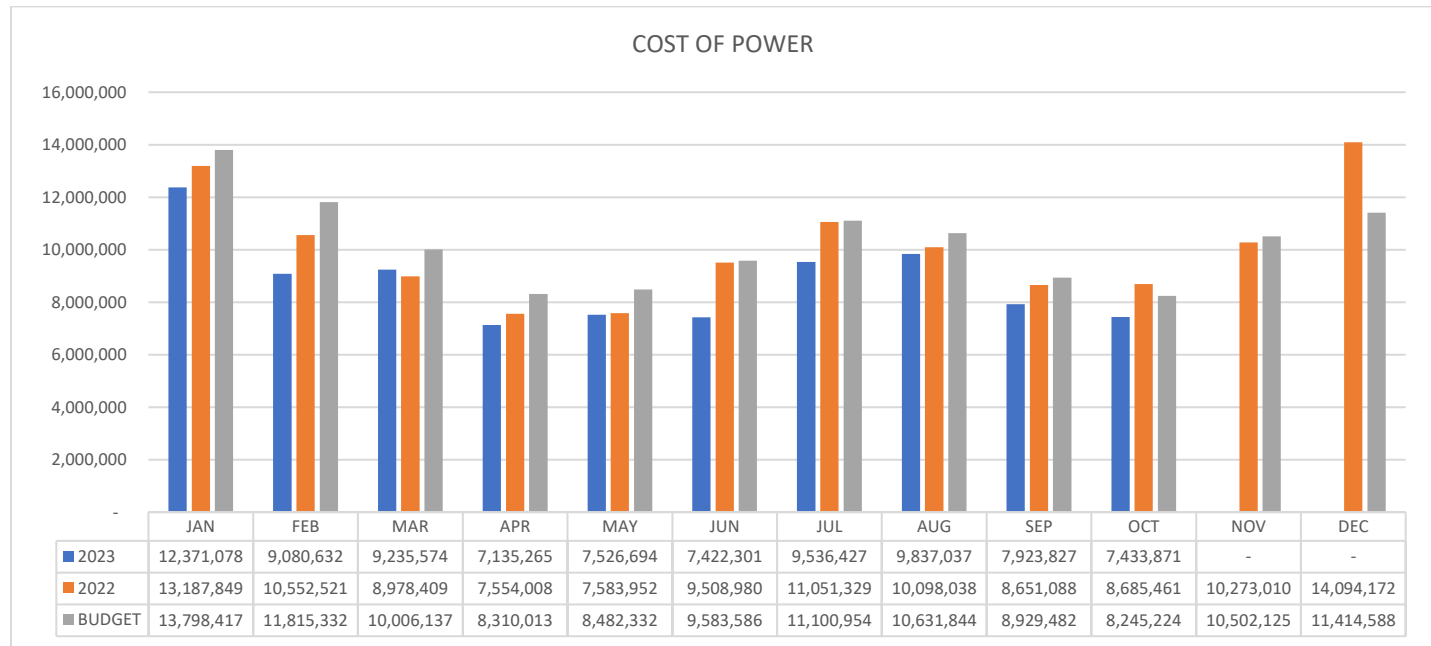
When comparing the current year to the previous year, we have sold **70.7 million** less kWh's, this reduction is also affecting every class of member. These variances are attributed to a warmer than normal winter, followed by mild spring and summer seasons.

The graph below illustrates the amount of kWh's sold to each class of member for the current year, prior year and what was budgeted.



COST OF PURCHASED POWER (line 3)

Cost of purchased power is under budget on an annual basis when comparing actual to budget by **\$13,400,600**. This variance is a result of purchasing 132.4 million less kWh's reducing our costs by **\$11,660,100** combined with purchasing the power at a slightly lower rate than budget which further reduced our cost of power by **\$1,740,500**. The graphs below illustrate the power costs and quantity of kWh's purchased each month for 2023, 2022 and budget.



CONTROLLABLE COSTS / OPERATING EXPENSES (lines 6-11)

When comparing controllable costs to budget, collectively they are under budget by \$564,000. As illustrated in the table below, we have a mixture of some departments being over budget and some being under budget on a year-to-date basis.

Operation expenses and Customer Accounts/Service expenses nearly offset each other. Operation expenses are lower due to time being charged to other accounts than where they were budgeted, such as storm expenses, which appear in maintenance expenses. Customer expenses are higher due to additional costs from the software conversion and engaging temporary labor workers.

Maintenance expenses, currently under budget by \$684,500, which includes \$1,679,000 in storm costs. Those costs are being offset by ROW costs, which are under the budget by \$2,039,100. Overhead line maintenance costs are also currently under budget by \$353,100. These three items are much of the variance in maintenance expenses.

When comparing the current year's costs to last year's costs, this year shows an increase of \$5,787,000. Again, we need to focus on Maintenance expense as it has increased by \$4,536,800 from last year, for this same period. This variance is a result of an increase to ROW costs of \$2,545,200 and the storm costs of \$1,678,900.

	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Distribution Expense - Operation	3,701,517	3,774,947	(73,430)	3,860,674	(159,156)
Distribution Expense - Maintenance	11,816,816	7,280,050	4,536,766	12,501,330	(684,514)
Customer Accounts Expense	3,868,174	3,403,365	464,808	3,852,792	15,382
Customer Service and Informational Expense	368,992	334,113	34,879	292,844	76,148
Sales Expense	37,533	34,801	2,732	25,158	12,375
Administrative and General Expense	4,253,178	3,431,967	821,211	4,077,385	175,793
Total Operation & Maintenance Expense	24,046,211	18,259,244	5,786,967	24,610,182	(563,971)

OTHER COSTS (lines 13-19)

When comparing other costs to the budget, they are over budget, by \$133,300. Depreciation expense is over budget by \$85,200; Tax expense is under budget by **\$24,400**; Interest expenses are over budget by \$139,400 and other deductions are below budget by **\$66,900**. Other deductions include dues, subscriptions, and donations.

	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Depreciation & Amortization Expense	8,590,408	8,279,086	311,321	8,505,217	85,191
Tax Expense - Property & Gross Receipts	113,111	110,874	2,237	137,500	(24,389)
Tax Expense - Other	-	-	-	-	-
Interest on Long-Term Debt	4,403,888	4,349,719	54,169	4,337,716	66,172
Interest Charged to Construction - Credit	-	-	-	-	-
Interest Expense - Other	118,437	169	118,269	45,250	73,187
Other Deductions	25,208	28,019	(2,811)	92,071	(66,863)
	13,251,052	12,767,867	483,185	13,117,754	133,299

NON-OPERATING MARGINS – INTEREST (line 22)

Non-operating Interest Income on a year-to-date basis is over budget by \$336,300. This is the line on the income statement where all interest earned from investments are recorded and includes such items as CFC investments and RUS Cushion of Credit.

When comparing the current year to last year, you will notice the variance of \$1,040,300. The major cause of this variance is due to the change in the Cushion of Credit interest rate being lower last year than the current year.

	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Non Operating Margins - Interest	1,325,064	284,793	1,040,271	988,775	336,289

GENERATION AND TRANSMISSION CAPITAL CREDITS (line 26)

You will remember that there will be no recording of patronage from G&T until December due to the change in procedures at the end of 2022, ensuring that we are allocating this type of patronage to the proper members of the cooperative each year.

	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Generation and Transmission Capital Credits	-	1,236,853	(1,236,853)	-	-

Due to this change, G&T patronage is contributing to the variance when comparing the current year to the prior year. If we remove this item from the prior year, the variance in net margins between years would be **\$4,323,000** instead of **\$5,559,800**.

Net Margin Variance with G&T Patronage in 2022

	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Patronage Capital or Margins	(1,458,002)	4,101,835	(5,559,836)	1,386,118	(2,844,120)

Net Margin Variance without G&T Patronage in 2022

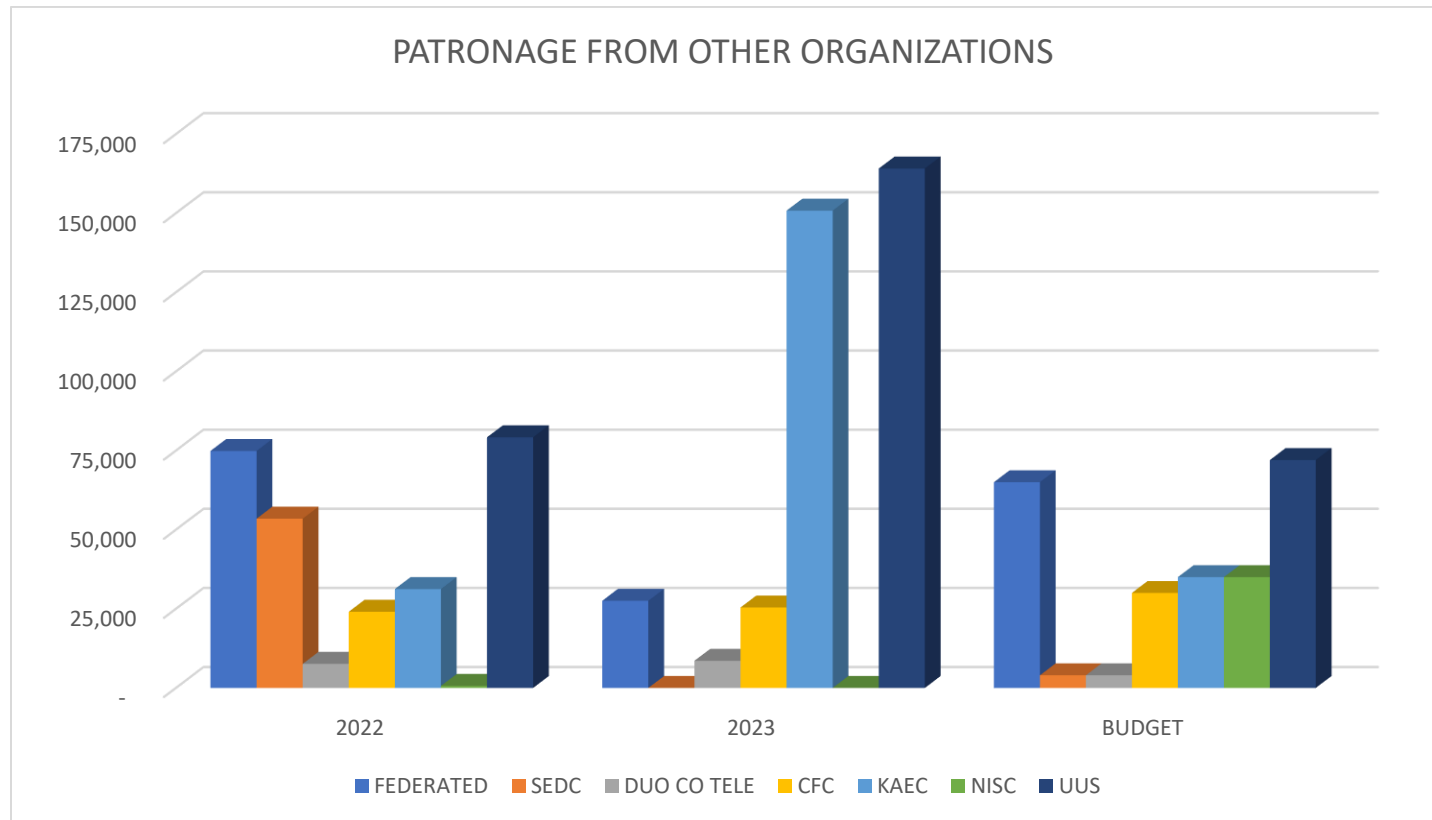
	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Patronage Capital or Margins	(1,458,002)	2,864,982	(4,322,984)	1,386,118	(2,844,120)

OTHER CAPITAL CREDITS AND PATRONAGE DIVIDENDS

This represents all the patronage that we are allocated throughout the year from various other cooperatives that we are members of. We have budgeted a total of \$245,000 for the year. During the month of October no further patronage was received so the year to date amount remains at \$376,445.

	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Other Capital Credits and Patronage Dividends	376,445	267,927	108,519	245,000	131,445

The graph below illustrates what we received in the prior year, the current year and what we have budgeted to receive this year.



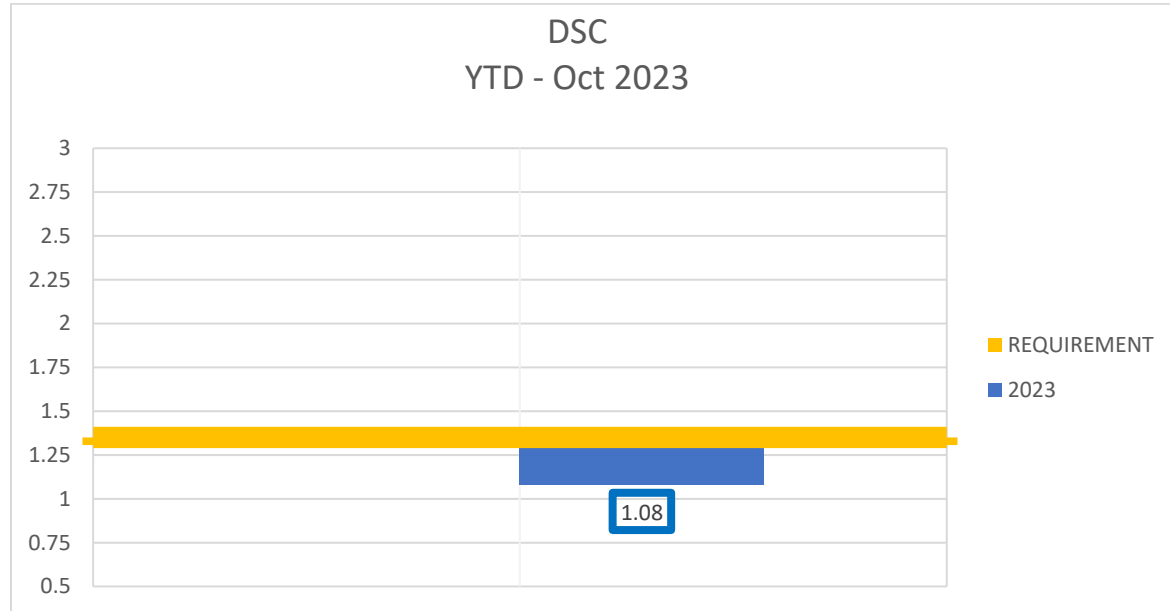
OCTOBER ALLOCATIONS:

None

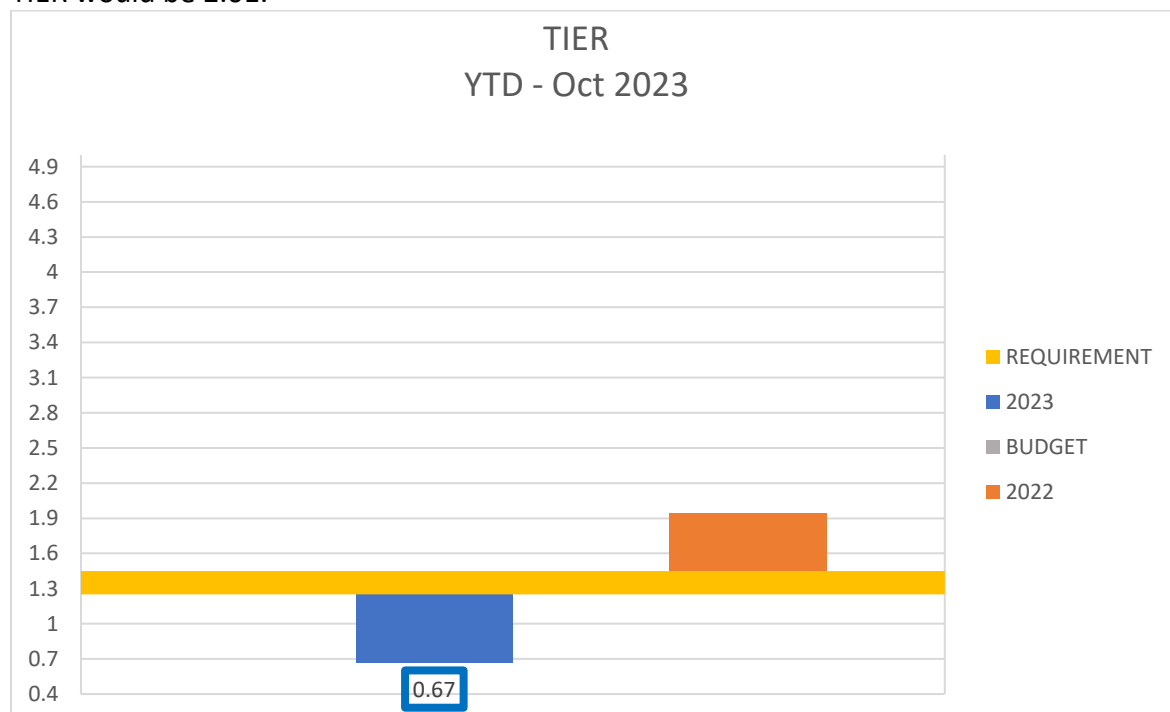
RATIOS

** Please note that the gold color line is the requirement that we must meet to be compliant with our debt covenants

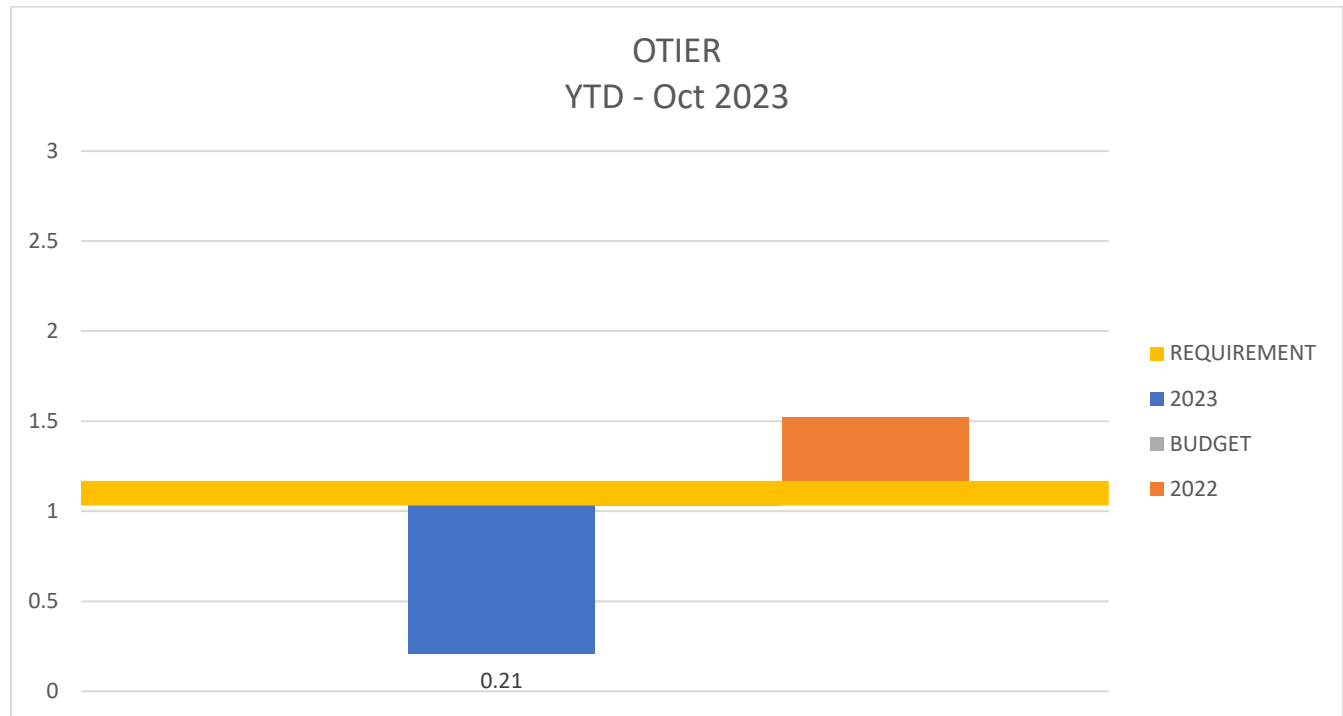
DSC – The requirement is 1.35, we are at 1.08. This ratio measures how many times we can pay our debt service (principal and interest). If we factor out FEMA/State reimbursements for storm costs of \$1,416,870, our DSC would then be 1.21. If we were to further factor out unbilled revenue, our DSC would then be 1.64.



TIER – Currently we are not meeting our TIER requirement. The requirement is 1.3 and we have a TIER of 0.67. If we factor out storm reimbursable costs our TIER would be 0.99 and without unbilled revenue our TIER would be 2.01.

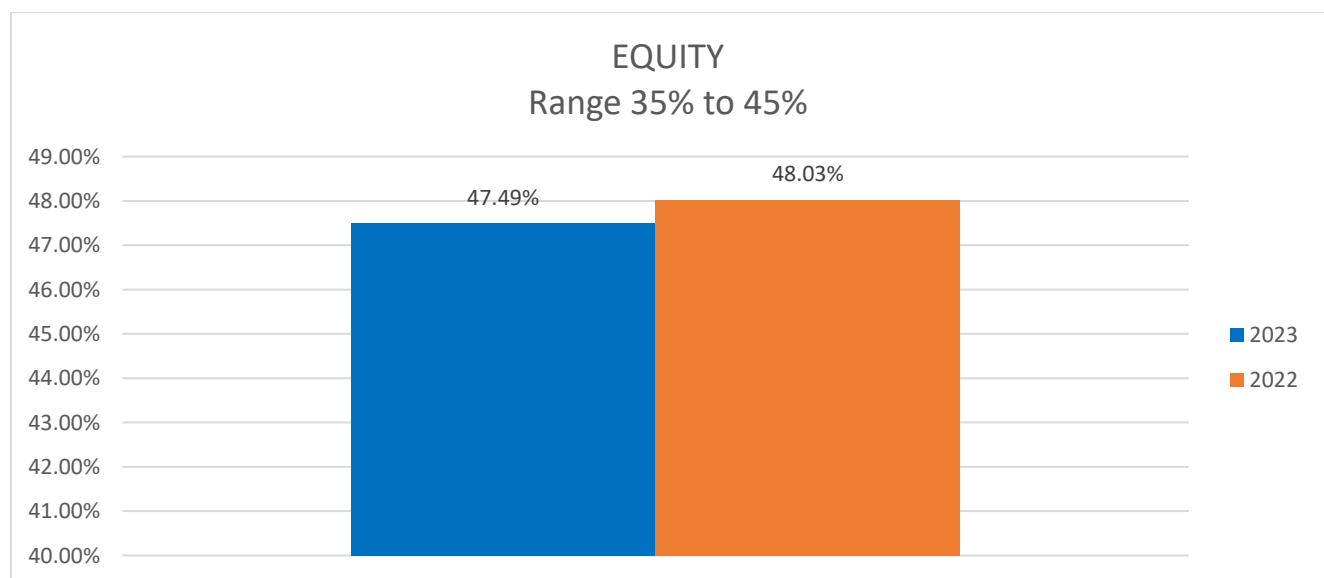


OTIER – Currently we are not meeting the OTIER requirement. The requirement is 1.1 and we have an OTIER of 0.21. If we removed the storm reimbursable costs from our expenses, we would then have an OTIER of 0.54 and without unbilled revenue our OTIER would be 1.56.



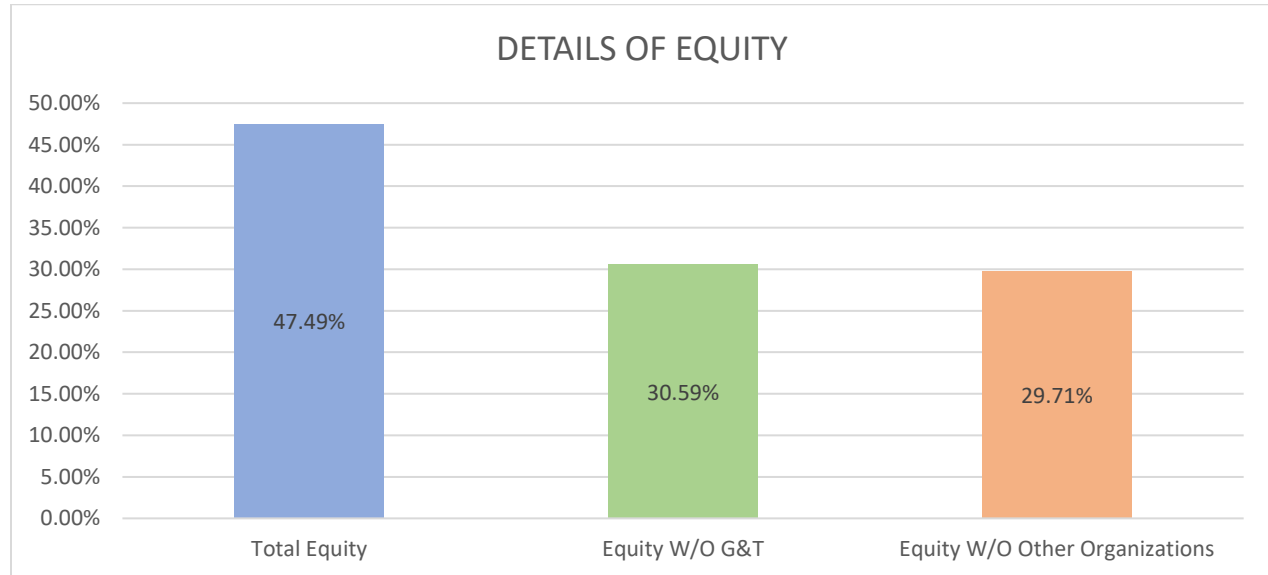
EQUITY

Total Equity is currently 47.49%, slightly more than ½ percent decrease from last year's 48.03%, for the same period.



Details of Equity

The graph below illustrates what equity would be should we remove the impact of patronage from our G&T and from all other organizations. The equity rate of 29.71% is the equity that has been generated wholly from cooperative margins or operations.



LONG TERM DEBT AND INVESTMENT INFORMATION

DEBT BALANCES	Available	Current Month Outstanding	Prior Month Outstanding	Monthly Change Increase/(Decrease)
CFC Lines of Credit	15,000,000	1,940,826	4,007,113	(2,066,287)
CFC Investments	12,692,204			-
Cushion of Credit	18,021,934			(1,745,653)
FFB	24,000,000	158,223,858	158,223,858	-
RUS		2,570,555	2,592,528	(21,973)
CFC		3,121,181	3,121,181	-
CoBank		38,437,788	38,693,393	(255,604)
City of Monticello		2,200,000	2,200,000	-
USDA - Eco. Dev. Loans		975,695	1,010,417	(34,722)
USDA - Eco. Dev. Grants		2,566,000	2,566,000	-
USDA - Eco. Dev. Investment	760,385			44,046
	\$ 70,474,523	\$ 210,035,903	\$ 212,414,489	\$ (4,080,194)

ADDITIONAL INFORMATION:

Presentation of updated 2024 budget information, following changes to the capital expenditure budget.

Financial Results for November 2023

NET MARGINS (line 29)

Net margins year to date November resulted in a loss of \$1,352,300. When comparing actual net margins to the budgeted net margins, which were \$1,687,100, produced a negative variance of \$3,039,500. Net margins are also less than last year, in the same period, by \$6,268,300.

(1,352,319)	4,915,996	(6,268,315)	-127.5%		1,687,146	(3,039,465) -180.2%

We experienced a gain of \$105,700 for the month of November. Net margins for the month of November, compared to the budget, produced a variance of \$195,300.

Nov-23	Nov-23		
105,683	301,028	(195,345)	-64.89%

A summary of the factors related to the decrease in Net Margins for 2023 when compared to budget are:

- A decrease in Net Revenues of \$3,623,200
- An increase in Operating Expenses of \$41,800
- An increase in Depreciation Expense of \$110,100
- A decrease in Tax Expenses of \$29,300
- An increase in Interest Expenses of \$152,100
- A decrease in Other Deductions of \$69,500
- An increase in Non-Operating Margins of \$657,500
- An increase in Other Capital Credit of \$131,400

Totals \$3,039,500

We experienced many storms during 2023, which have added \$1,678,900 of storm costs to our maintenance costs (line 7 on the statement of operations). In December we received funding from FEMA/State of KY for our category B costs, totaling \$867,400. We have signed the final submission of our category F costs and will record a receivable of \$549,500 in December. Together this will reduce our storm costs for 2023 by \$1.4 million.

OPERATING REVENUES (line 1)

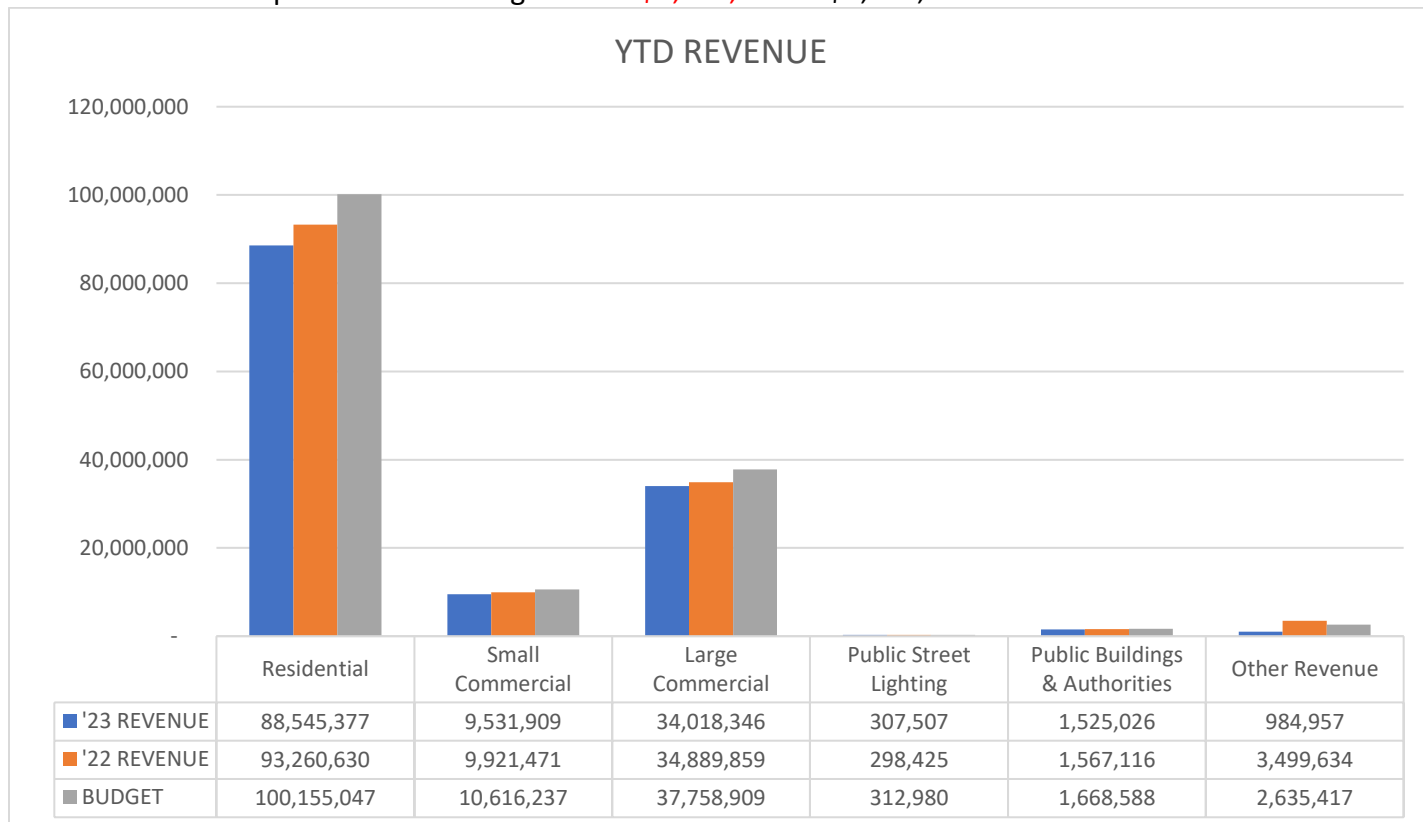
Annually, operating revenues are under budget by **\$18,234,100**, and less when comparing to the same period in the prior year by **\$8,524,000**.

<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>		<u>BUDGET</u>	<u>VARIANCE</u>	
134,913,123	143,437,134	(8,524,012)	-5.94%	153,147,177	(18,234,054)	-11.91%

The mild weather continues to negatively affect our revenue so far this year. As you can see by the chart below, revenues are below budget for all classes of members.

The largest contributor to this variance is from our residential class which is **\$11,609,700** or **63.7%** of our total variance of **\$18,234,100**.

Other revenues consist of fees, pole attachments and unbilled revenue. If removing unbilled revenue, other revenues would become \$3,538,800 instead of the \$985,000 shown in the chart below and would improve our net margins from **\$1,352,300** to \$1,201,500.

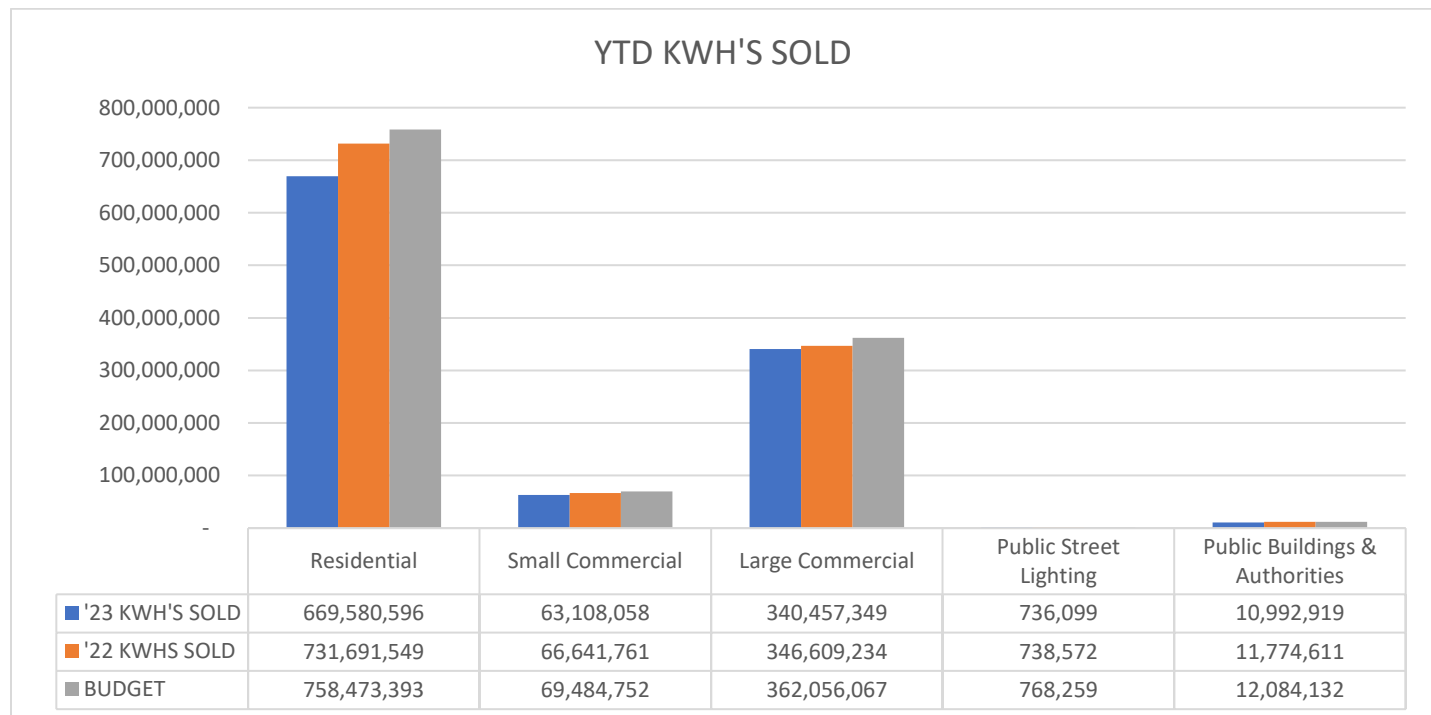


KWH's SOLD

On an annual basis, we have sold 1,084,875,000 kWh's compared to the budget of 1,202,866,600 which equates to a difference of over **118 million** kWh's. All classes of members are experiencing a reduction in the volume sold on an annual basis.

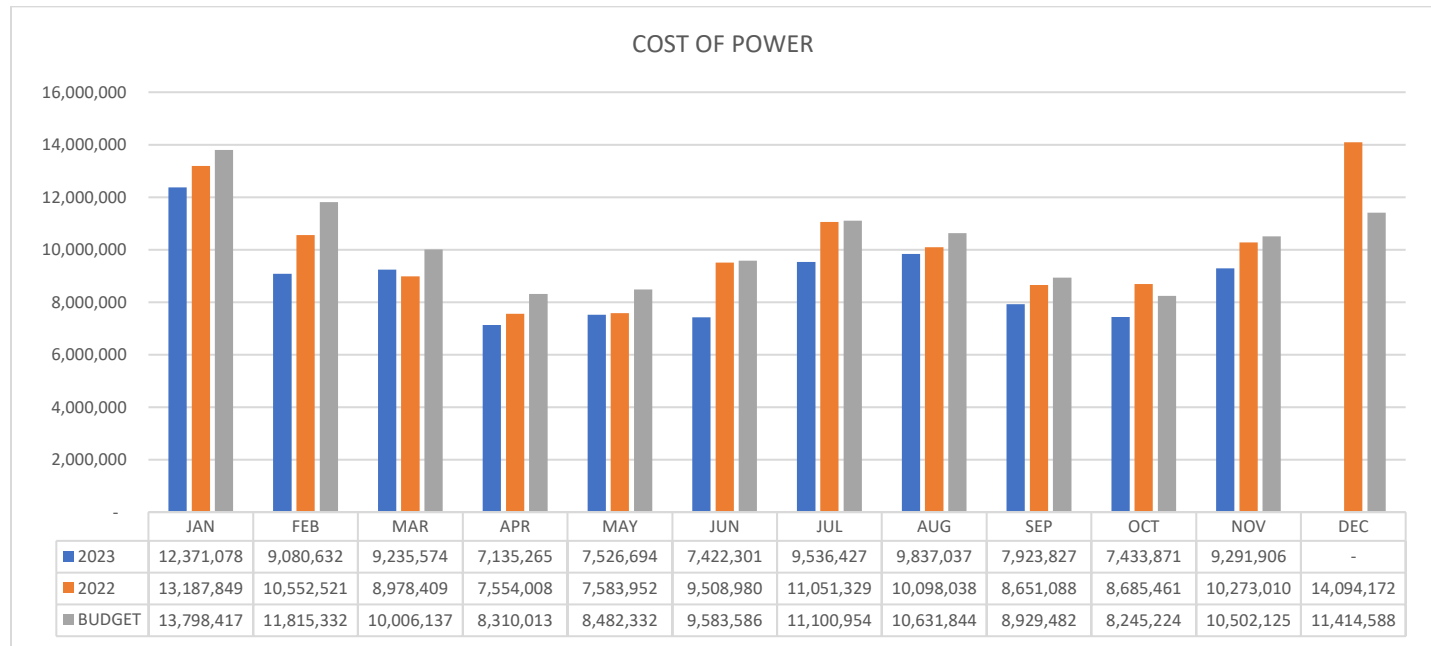
When comparing the current year to the previous year, we have sold **72.6 million** less kWh's, this reduction is also affecting every class of member. These variances are attributed to the mild seasons we have experienced in 2023.

The graph below illustrates the amount of kWh's sold to each class of member for the current year, prior year and what was budgeted.



COST OF PURCHASED POWER (line 3)

Cost of purchased power is under budget on an annual basis when comparing actual to budget by **\$14,610,800**. This variance is a result of purchasing 145.4 million less kWh's reducing our costs by **\$12,805,700** combined with purchasing the power at a slightly lower rate than budget which further reduced our cost of power by **\$1,805,100**. The graphs below illustrate the power costs and quantity of kWh's purchased each month for 2023, 2022 and budget.



CONTROLLABLE COSTS / OPERATING EXPENSES (lines 6-11)

When comparing controllable costs to budget, collectively they are over budget by \$41,800. As illustrated in the table below, we have a mixture of some departments being over budget and some being under budget on a year-to-date basis.

Operation expenses and Customer Service and Sales expenses nearly offset each other. Operation expenses are lower due to time being charged to other accounts than where they were budgeted, such as storm expenses, which appear in maintenance expenses. Customer expenses are higher due to additional costs from the software conversion and engaging temporary labor workers.

Maintenance expenses are currently under budget by \$183,700. This section includes \$1,678,000 in storm costs, which are being offset by ROW costs, which are under the budget by \$1,472,900. Overhead line maintenance costs are also currently under budget by \$415,700. These three items are much of the variance in maintenance expenses.

When comparing the current year's costs to last year's costs, this year shows an increase of \$6,766,500. Again, we need to focus on Maintenance expense as it has increased by \$5,460,100 from last year, for this same period. This variance is a result of an increase to ROW costs of \$3,544,900 and the storm costs of \$1,678,900.

	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Distribution Expense - Operation	4,097,723	4,039,853	57,870	4,208,022	(110,298)
Distribution Expense - Maintenance	13,543,299	8,083,197	5,460,103	13,727,008	(183,709)
Customer Accounts Expense	4,195,463	3,891,241	304,222	4,233,793	(38,330)
Customer Service and Informational Expense	422,562	362,603	59,958	321,348	101,214
Sales Expense	37,533	38,346	(813)	27,674	9,859
Administrative and General Expense	4,721,273	3,836,104	885,169	4,458,222	263,051
Total Operation & Maintenance Expense	27,017,854	20,251,344	6,766,510	26,976,067	41,787

OTHER COSTS (lines 13-19)

When comparing other costs to the budget, they are over budget, by \$163,400. Depreciation expense is over budget by \$110,100; Tax expense is under budget by **\$29,300**; Interest expenses are over budget by \$152,100 and other deductions are below budget by **\$69,500**. Other deductions include dues, subscriptions, and donations.

	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Depreciation & Amortization Expense	9,465,810	9,120,503	345,308	9,355,739	110,071
Tax Expense - Property & Gross Receipts	121,983	119,299	2,685	151,250	(29,267)
Tax Expense - Other	-	(212)	212	-	-
Interest on Long-Term Debt	4,852,382	4,796,947	55,435	4,771,488	80,894
Interest Charged to Construction - Credit	-	-	-	-	-
Interest Expense - Other	120,991	191	120,800	49,775	71,216
Other Deductions	26,041	29,444	(3,403)	95,518	(69,477)
	14,587,207	14,066,170	521,037	14,423,770	163,437

NON-OPERATING MARGINS – INTEREST (line 22)

Non-operating Interest Income on a year-to-date basis is over budget by \$369,000. This is the line on the income statement where all interest earned from investments are recorded and includes such items as CFC investments and RUS Cushion of Credit.

When comparing the current year to last year, you will notice the variance of \$1,071,700. The major cause of this variance is due to the change in the Cushion of Credit interest rate being lower last year than the current year.

	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Non Operating Margins - Interest	1,456,676	384,945	1,071,730	1,087,653	369,023

GENERATION AND TRANSMISSION CAPITAL CREDITS (line 26)

You will remember that there will be no recording of patronage from G&T until December due to the change in procedures at the end of 2022, ensuring that we are allocating this type of patronage to the proper members of the cooperative each year.

	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Generation and Transmission Capital Credits	-	1,236,853	(1,236,853)	-	-

Due to this change, G&T patronage is contributing to the variance when comparing the current year to the prior year. If we remove this item from the prior year, the variance in net margins between years would be **\$5,031,500** instead of **\$6,268,300**.

Net Margin Variance with G&T Patronage in 2022

	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Patronage Capital or Margins	(1,352,319)	4,915,996	(6,268,315)	1,687,146	(3,039,465)

Net Margin Variance without G&T Patronage in 2022

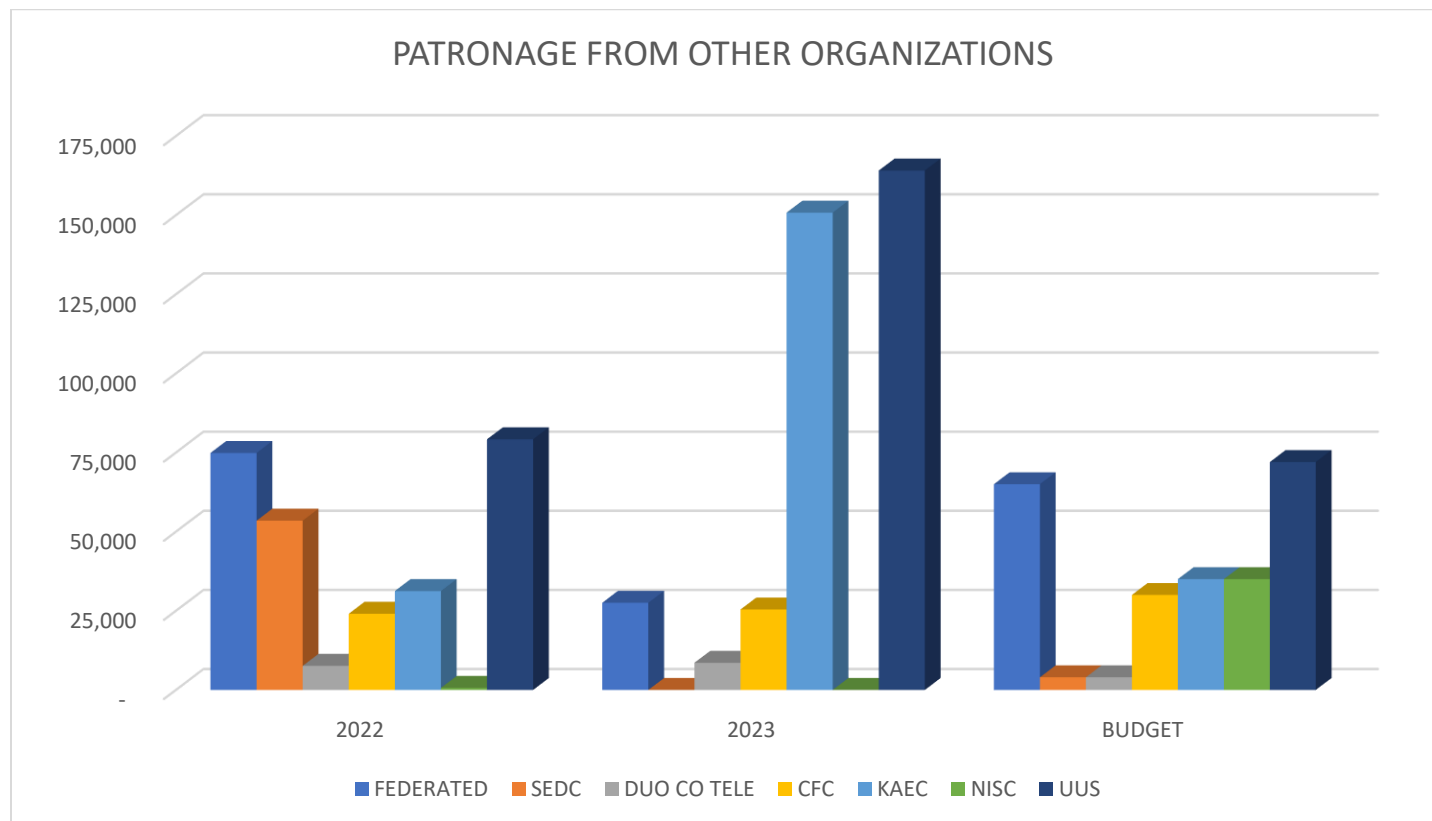
	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Patronage Capital or Margins	(1,352,319)	3,679,143	(5,031,462)	1,687,146	(3,039,465)

OTHER CAPITAL CREDITS AND PATRONAGE DIVIDENDS

This represents all the patronage that we are allocated throughout the year from various other cooperatives that we are members of. We have budgeted a total of \$245,000 for the year. During the month of November, no further patronage was received so the year-to-date amount remains at \$376,445.

	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Other Capital Credits and Patronage Dividends	376,445	267,927	108,519	245,000	131,445

The graph below illustrates what we received in the prior year, the current year and what we have budgeted to receive this year.



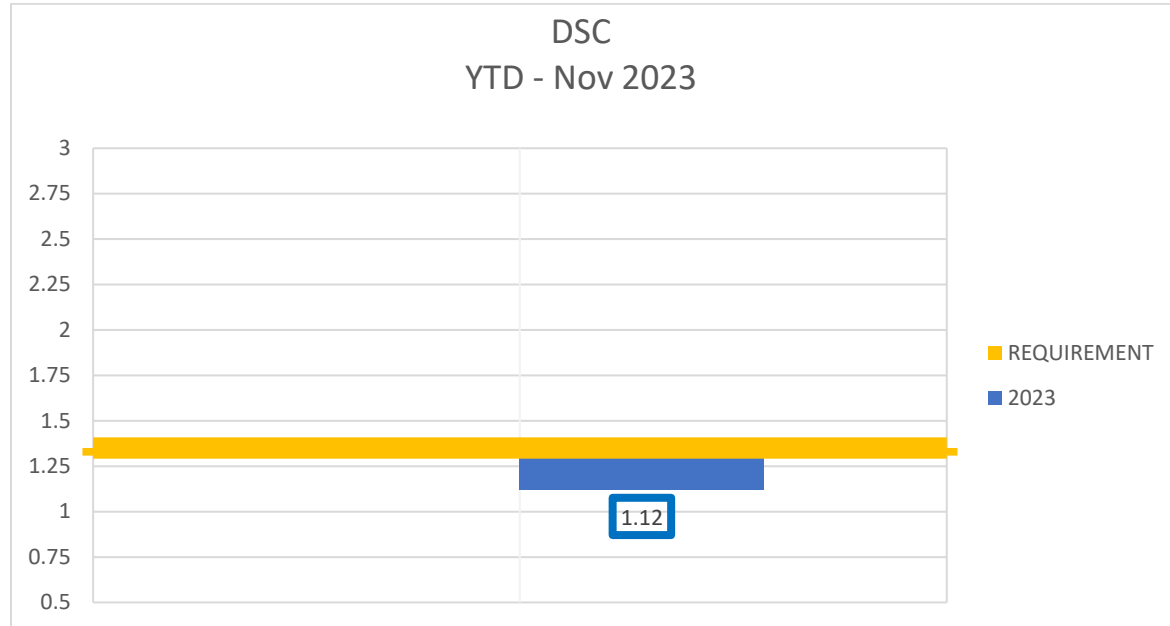
NOVEMBER ALLOCATIONS:

None

RATIOS

** Please note that the gold color line is the requirement that we must meet to be compliant with our debt covenants

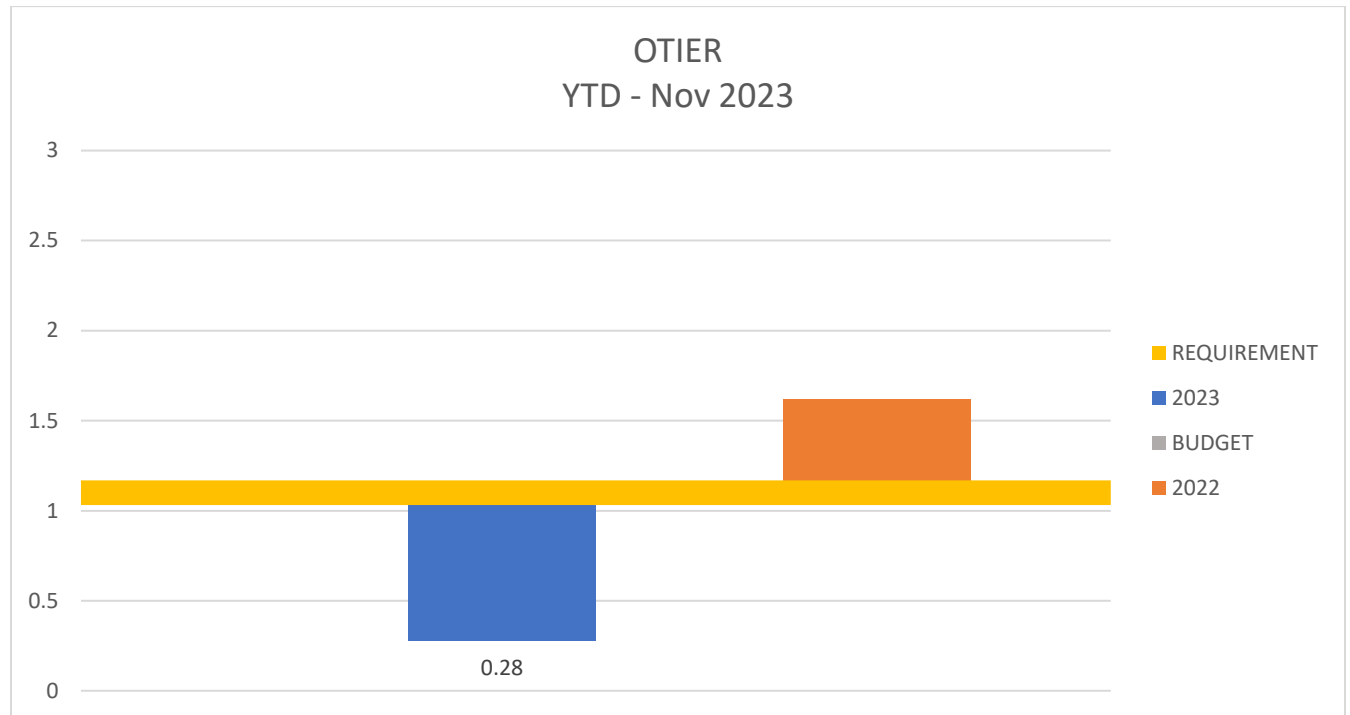
DSC – The requirement is 1.35, we are at 1.12. This ratio measures how many times we can pay our debt service (principal and interest). If we factor out FEMA/State reimbursements for storm costs of \$1,400,000, our DSC would then be 1.24. If we were to further factor out unbilled revenue, our DSC would then be 1.46.



TIER – Currently we are not meeting our TIER requirement. The requirement is 1.3 and we have a TIER of 0.72. If we factor out storm reimbursable costs our TIER would be 1.01 and without unbilled revenue our TIER would be 1.54.

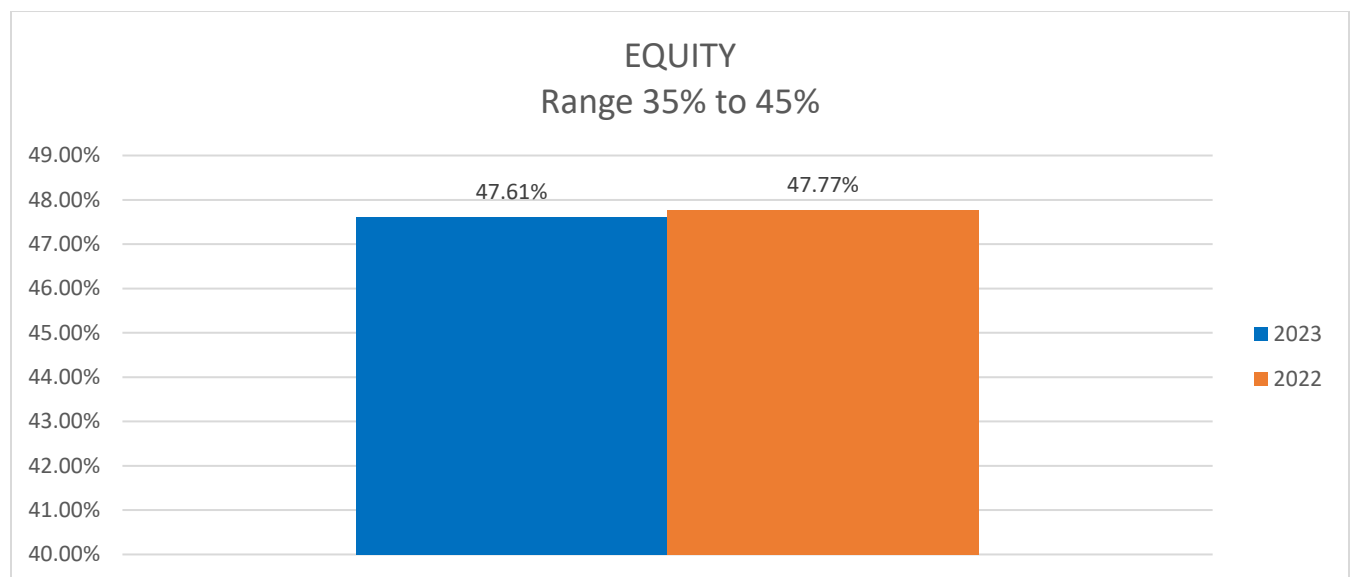


OTIER – Currently we are not meeting the OTIER requirement. The requirement is 1.1 and we have an OTIER of 0.28. If we removed the storm reimbursable costs from our expenses, we would then have an OTIER of 0.57 and without unbilled revenue our OTIER would be 1.10.



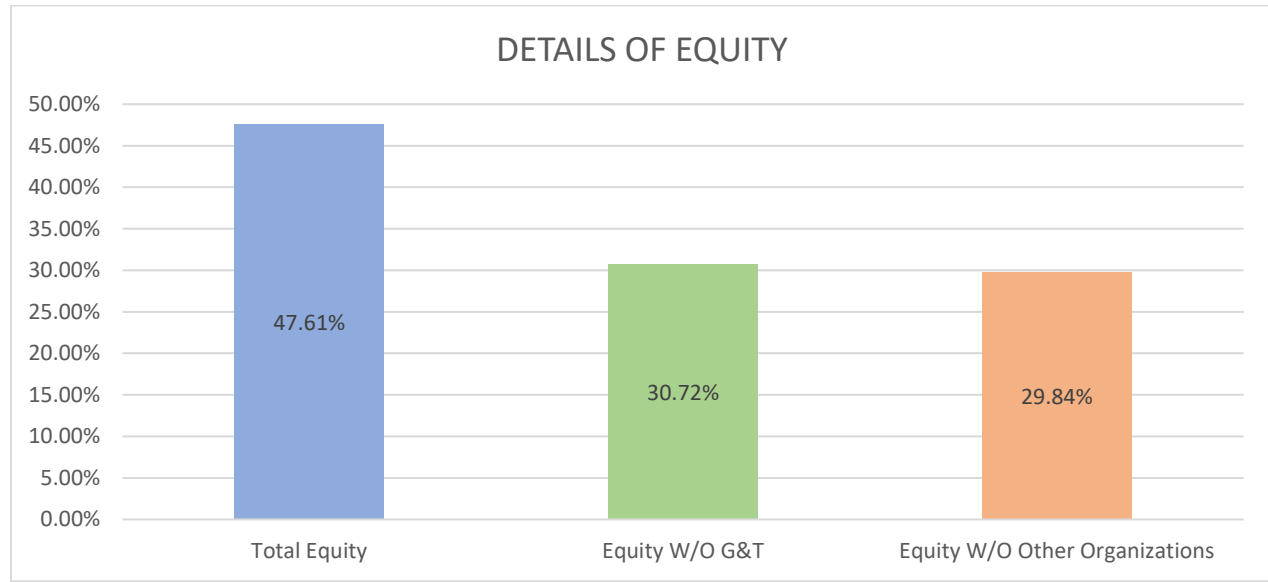
EQUITY

Total Equity is currently 47.61%, a very slight decrease from last year's 47.77%, for the same period.



Details of Equity

The graph below illustrates what equity would be should we remove the impact of patronage from our G&T and from all other organizations. The equity rate of 29.84% is the equity that has been generated wholly from cooperative margins or operations.



LONG TERM DEBT AND INVESTMENT INFORMATION

DEBT BALANCES	Available	Current Month Outstanding	Prior Month Outstanding	Monthly Change Increase/(Decrease)
CFC Lines of Credit	15,000,000	16,972	1,940,826	(1,923,855)
CFC Investments	11,668,137			(1,024,067)
Cushion of Credit	18,075,746			53,812
FFB	24,000,000	158,223,858	158,223,858	-
RUS		2,548,376	2,570,555	(22,179)
CFC		2,932,402	3,121,181	(188,779)
CoBank		38,181,417	38,437,788	(256,371)
City of Monticello		2,200,000	2,200,000	-
USDA - Eco. Dev. Loans		958,333	975,695	(17,361)
USDA - Eco. Dev. Grants		2,566,000	2,566,000	-
USDA - Eco. Dev. Investment	799,798			39,413
	\$ 69,543,681	\$ 207,627,358	\$ 210,035,903	\$ (3,339,386)

ADDITIONAL INFORMATION:

Update on CARES / Synergi Refund

Financial Results for December 2023 – PRELIMINARY

This information is preliminary as it is unaudited and there are several items that have not been completed. While we continue to work through year end and audit preparation the following items are not yet completed – processing depreciation; allocating the transportation costs; allocating the material/warehouse costs, and recording the estimate of G&T patronage allocation.

NET MARGINS (line 29)

Net margins year to date December resulted in a gain of \$450,800. When comparing actual net margins to the budgeted net margins, which were \$6,384,400, produced a negative variance of **\$5,933,600**. Net margins are also less than last year, in the same period, by **\$9,135,500**.

<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>		<u>BUDGET</u>	<u>VARIANCE</u>	
450,836	9,586,336	(9,135,500)	-95.3%	6,384,466	(5,933,630)	-92.9%

The below information includes an estimate for the items that are not completed, as stated above. These four items are causing a collective positive effect on margins in the amount of \$1,426,000. My report will utilize this adjusted/projected information as it provides a better estimate of where we may end the year of 2023.

<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>		<u>BUDGET</u>	<u>VARIANCE</u>	
1,876,836	9,586,336	(7,709,500)	-80.4%	6,384,466	(4,507,630)	-70.6%

A summary of the factors related to the decrease in Net Margins for 2023 when compared to budget are:

- A decrease in Net Revenues of **\$3,734,700**
- A decrease in Operating Expenses of \$433,100
- An increase in Depreciation Expense of **\$140,200**
- A decrease in Tax Expenses of \$34,100
- An increase in Interest Expenses of **\$272,200**
- A decrease in Other Deductions of \$80,000
- An increase in Non-Operating Margins of \$704,400
- A decrease in G&T Patronage of **\$1,792,900**
- An increase in Other Capital Credit of \$180,800

Totals **\$4,507,600**

OPERATING REVENUES (line 1)

Annually, operating revenues are under budget by **\$19,493,600**, and less when comparing to the same period in the prior year by **\$11,661,800**.

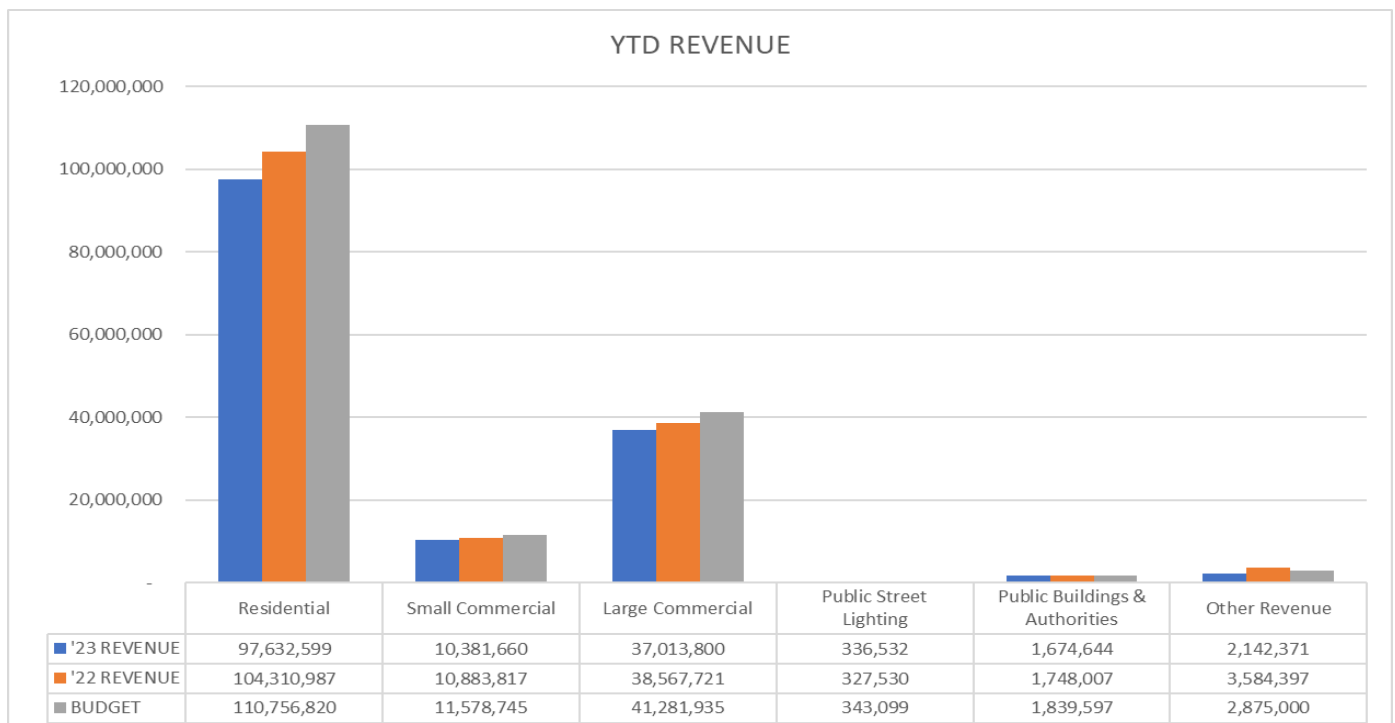
<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>		<u>BUDGET</u>	<u>VARIANCE</u>	
149,181,606	160,843,393	(11,661,787)	-7.25%	168,675,197	(19,493,591)	-11.56%

The mild weather continued to negatively affect our revenue for the entire year. This is certainly not impacting just SKRECC, but I am hearing the same thing from many of my colleagues. As you can see by the chart below, revenues are below budget for all classes of members.

The largest contributor to this variance is from our residential class which is **\$13,124,200** or **67.3%** of our total variance of **\$19,493,600**.

Other revenues consist of fees, pole attachments and unbilled revenue.

As we have discussed, we will move forward in 2024 only recording unbilled revenue at year end, in December. While unbilled revenue has caused many monthly variances throughout the year, the annual impact was a reduction to revenue in the amount of **\$902,400**. This was expected, as you will recall we had that really cold spell during the holiday season in 2022, so our unbilled revenue was higher in 2022 than in 2023.

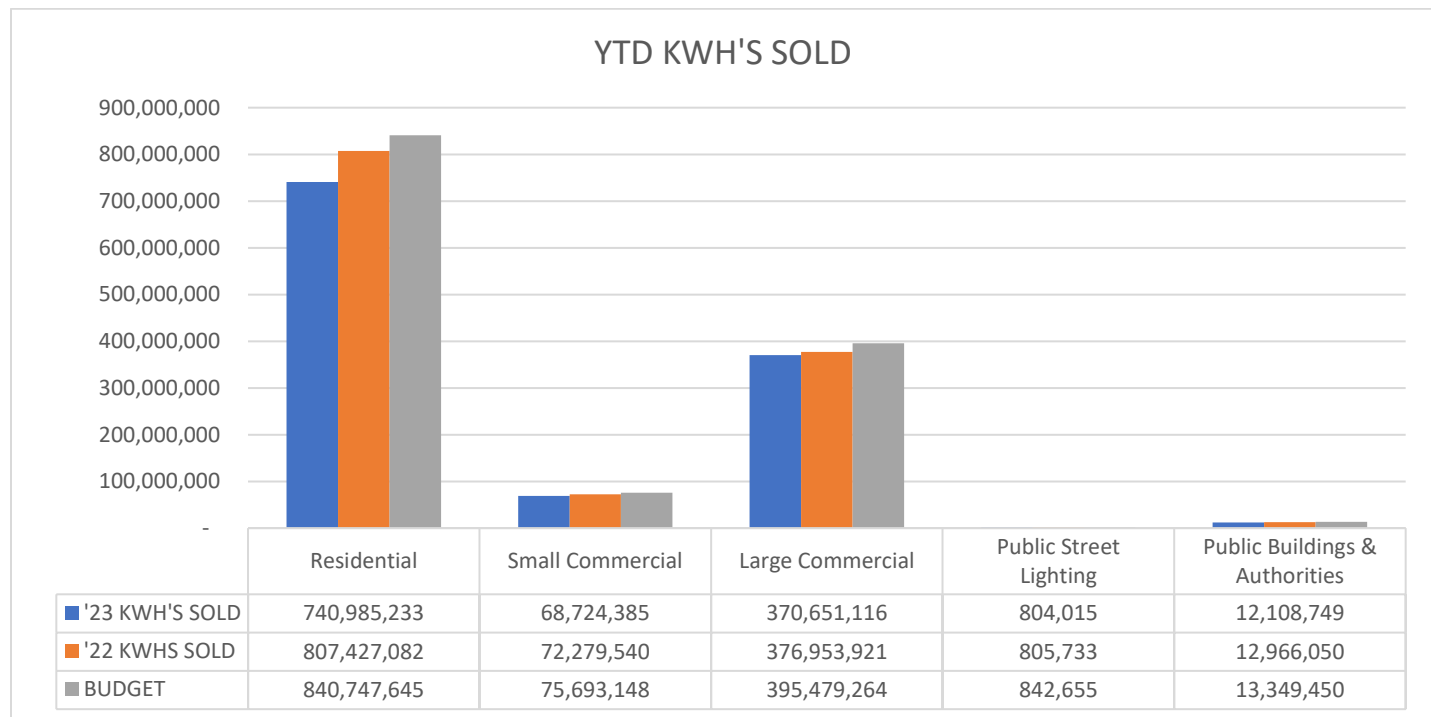


KWH's SOLD

On an annual basis, we have sold 1,193,273,500 kWh's compared to the budget of 1,326,112,200 which equates to a difference of over **132.8 million** kWh's. All classes of members are experiencing a reduction in the volume sold on an annual basis.

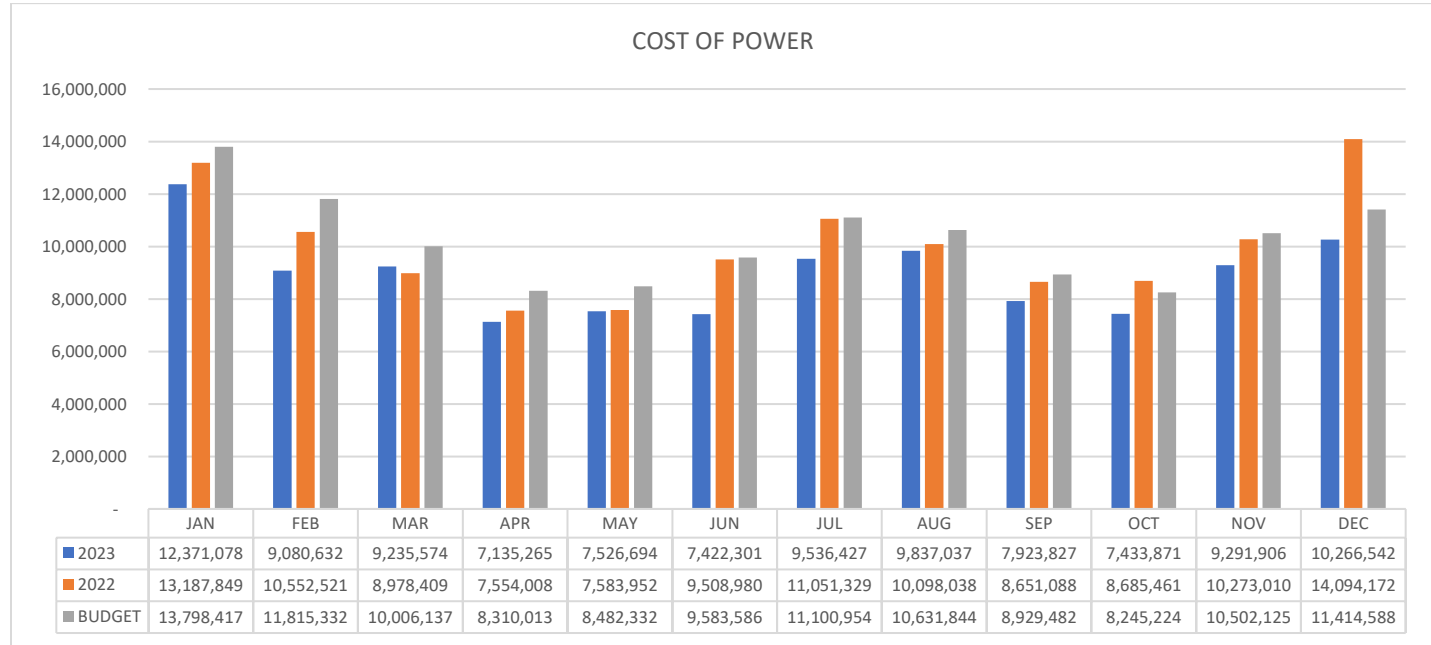
When comparing the current year to the previous year, we have sold **77.2 million** less kWh's, this reduction is also affecting every class of member. These variances are attributed to the mild seasons we have experienced throughout 2023.

The graph below illustrates the amount of kWh's sold to each class of member for the current year, prior year and what was budgeted.



COST OF PURCHASED POWER (line 3)

Cost of purchased power is under budget on an annual basis when comparing actual to budget by **\$15,758,900**. This variance is a result of purchasing 147.9 million less kWh's reducing our costs by **\$13,029,100** combined with purchasing the power at a slightly lower rate than budget which further reduced our cost of power by **\$2,729,800**. The graphs below illustrate the power costs and quantity of kWh's purchased each month for 2023, 2022 and budget.



CONTROLLABLE COSTS / OPERATING EXPENSES (lines 6-11)

When comparing controllable costs to budget, collectively they are under budget by \$433,100. As illustrated in the table below, we have a mixture of some departments being over budget and some being under budget on a year-to-date basis.

Maintenance expenses are currently under budget by \$978,300. This section includes \$1,678,900 in storm costs, which are being offset by FEMA reimbursements of \$1,416,900, reducing our storm expenses to \$262,000. ROW remains below budget by nearly \$800,000 due to getting a late start on this type of work early in the year. These two items account for the majority of the variance in maintenance expenses.

Administrative and General expenses are over budget by \$573,700. This variance is being impacted by a couple of items that were not accounted for in the 2023 budget such as additional legal costs from Union engagement and utilizing Synergi and Smith & Howard to assist SKRECC in attaining a refund through the CARES Act.

When comparing the current year's costs to last year's costs, this year shows an increase of \$6,913,100. Again, we need to focus on Maintenance expense as it has increased by \$4,898,100 from last year, for this same period. This variance is a result of an increase to ROW costs of \$4,510,700 and the storm costs of \$262,100.

	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Distribution Expense - Operation	4,494,947	3,962,364	532,584	4,555,487	(60,539)
Distribution Expense - Maintenance	13,939,964	9,041,853	4,898,111	14,918,245	(978,281)
Customer Accounts Expense	4,521,903	4,264,156	257,747	4,613,758	(91,855)
Customer Service and Informational Expense	465,428	402,889	62,539	348,853	116,576
Sales Expense	37,533	45,337	(7,804)	30,190	7,343
Administrative and General Expense	5,417,392	4,247,491	1,169,901	4,843,720	573,672
Total Operation & Maintenance Expense	28,877,169	21,964,089	6,913,080	29,310,253	(433,084)

OTHER COSTS (lines 13-19)

When comparing other costs to the budget, they are over budget, by \$298,200. Depreciation expense is over budget by \$140,200; Tax expense is under budget by \$34,100; Interest expenses are over budget by \$272,200 and other deductions are below budget by \$80,000. Other deductions include dues, subscriptions, and donations.

	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Depreciation & Amortization Expense	10,346,413	9,964,099	382,314	10,206,261	140,152
Tax Expense - Property & Gross Receipts	130,855	127,723	3,132	165,000	(34,145)
Tax Expense - Other	-	-	-	-	-
Interest on Long-Term Debt	5,315,342	5,251,969	63,373	5,205,260	110,082
Interest Charged to Construction - Credit	-	-	-	-	-
Interest Expense - Other	216,407	2,189	214,218	54,287	162,120
Other Deductions	27,863	30,449	(2,587)	107,865	(80,002)
Total Cost of Electric Service	16,036,880	15,376,429	660,451	15,738,673	298,207

NON-OPERATING MARGINS – INTEREST (line 22)

Non-operating Interest Income on a year-to-date basis is over budget by \$422,800. This is the line on the income statement where all interest earned from investments are recorded and includes such items as CFC investments and RUS Cushion of Credit.

When comparing the current year to last year, you will notice the variance of \$1,052,600. The major cause of this variance is due to the change in the Cushion of Credit interest rate being lower during 2022 than the current year.

	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Non Operating Margins - Interest	1,609,306	556,694	1,052,613	1,186,530	422,776

GENERATION AND TRANSMISSION CAPITAL CREDITS (line 26)

You will remember that we are now recording patronage from G&T in December due to the change in procedures at the end of 2022, ensuring that we are allocating this type of patronage to the proper members of the cooperative each year. We have received a rough estimate of the G&T patronage which is \$20 million. SKRECC's share of the G&T margins is typically 11.7%. While I am showing the amount of \$2,340,000 below, I am waiting for a more definitive estimate from Mr. Scott at the G&T before we actually record this transaction, later in the month of February.

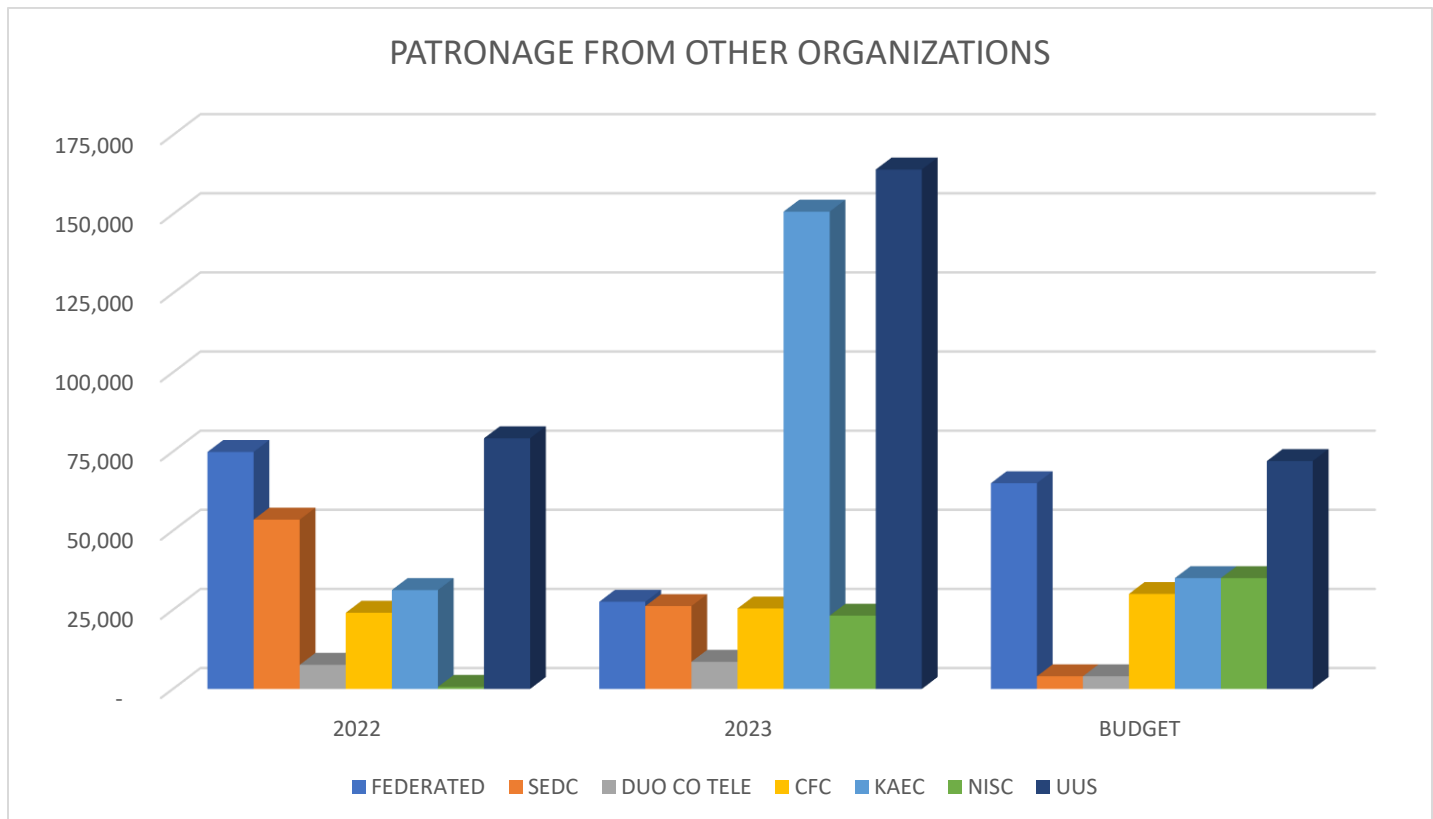
	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Generation and Transmission Capital Credits	2,340,000	5,442,690	(3,102,690)	4,132,949	(1,792,949)

OTHER CAPITAL CREDITS AND PATRONAGE DIVIDENDS

This represents all the patronage that we are allocated throughout the year from various other cooperatives that we are members of. We have budgeted a total of \$245,000 for the year. During the month of December, we received \$49,300 patronage bringing the year-to-date amount to \$425,800.

	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Other Capital Credits and Patronage Dividends	425,765	271,106	154,659	245,000	180,765

The graph below illustrates what we received in the prior year, the current year and what we have budgeted to receive this year. In 2023, we received a total of \$425,765 in patronage from other organizations.



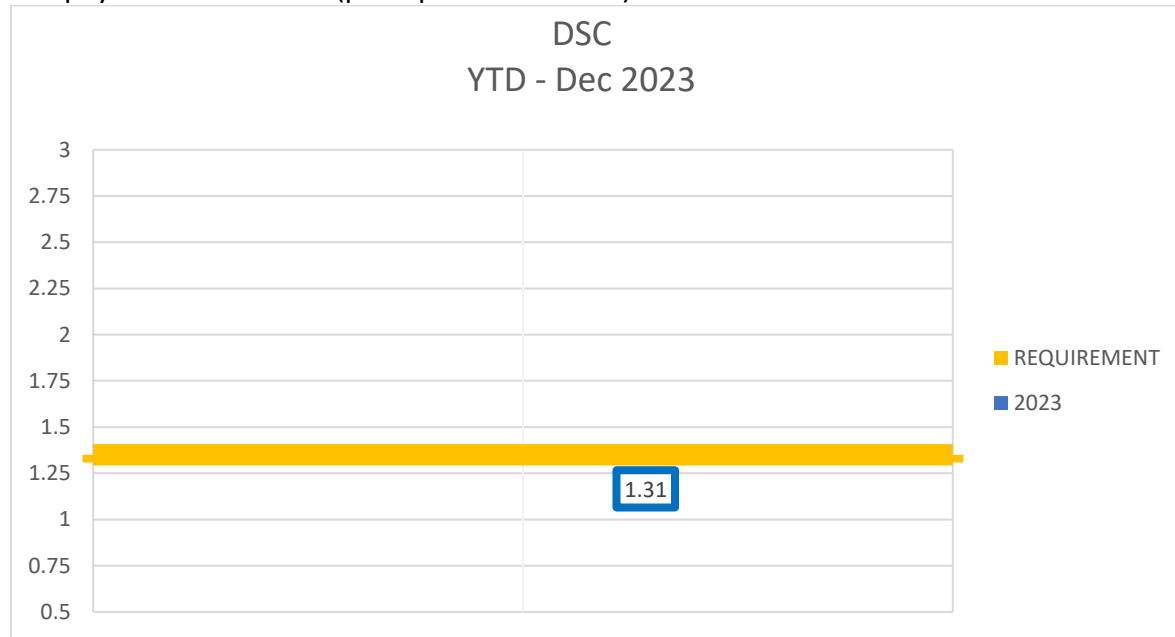
DECEMBER ALLOCATIONS:

- NISC - \$23,144.70
- SEDC/Meridian - \$26,174.00

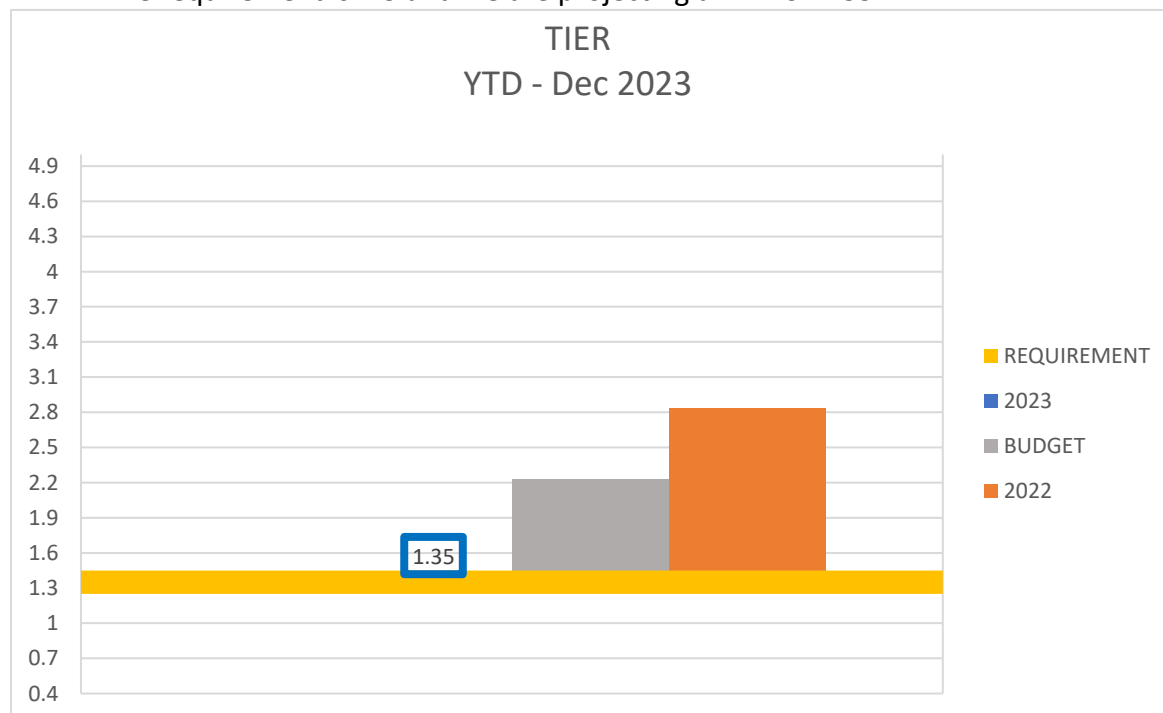
RATIOS

** Please note that the gold color line is the requirement that we must meet to be compliant with our debt covenants

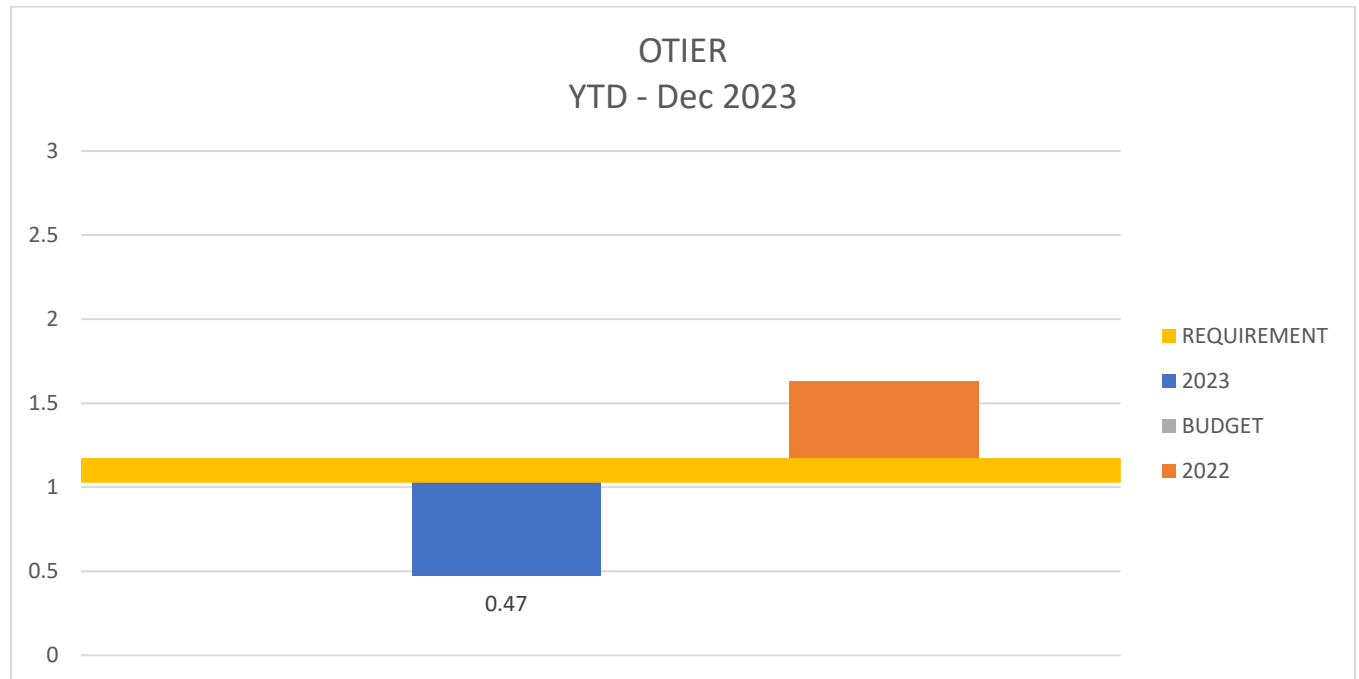
DSC – The requirement is 1.35, we are projecting it to be at 1.31. This ratio measures how many times we can pay our debt service (principal and interest).



TIER –The requirement is 1.3 and we are projecting a TIER of 1.35.

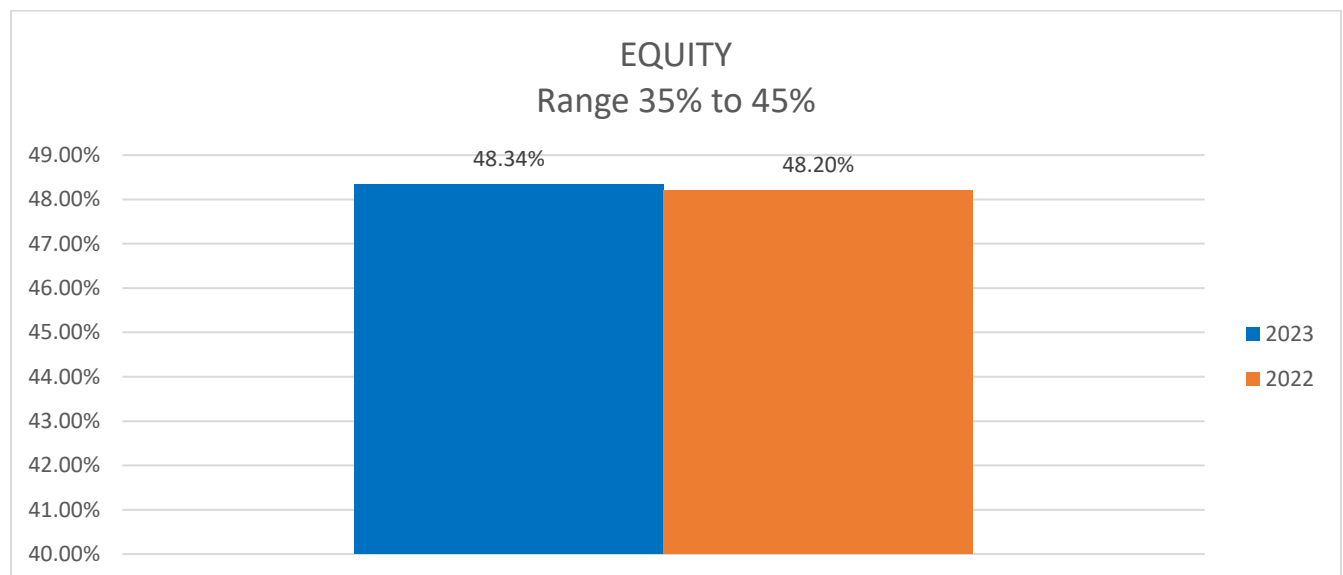


OTIER –The requirement is 1.1 and we are projecting an OTIER of 0.47. While we are not projecting to meet this requirement, we need to remember that we average the two highest of the last three years. '21 was 1.37 & '22 was 1.63, making our average 1.50, thus meeting this requirement.



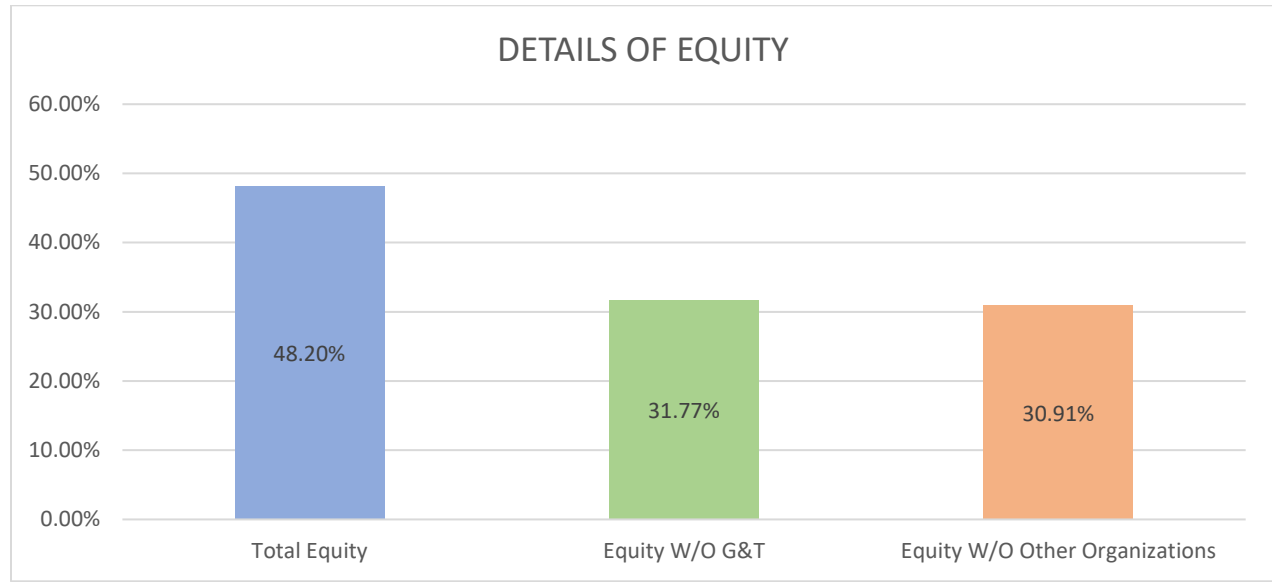
EQUITY

We are projecting Total Equity to be 48.34%, a very slight increase from last year's 48.20%, for the same period.



Details of Equity

The graph below illustrates what equity would be should we remove the impact of patronage from our G&T and from all other organizations. The equity rate of 30.91% is the equity that has been generated wholly from cooperative margins or operations.



LONG TERM DEBT AND INVESTMENT INFORMATION

DEBT BALANCES	Available	Current Month Outstanding	Prior Month Outstanding	Monthly Change Increase/(Decrease)
CFC Lines of Credit	15,000,000	16,972	16,972	-
CFC Investments	11,200,674			(467,463)
Cushion of Credit	18,131,404			55,658
FFB	24,000,000	157,326,958	158,223,858	(896,900)
RUS		2,526,761	2,548,376	(21,615)
CFC		2,932,402	2,932,402	-
CoBank		37,924,277	38,181,417	(257,140)
City of Monticello		2,053,333	2,200,000	(146,667)
USDA - Eco. Dev. Loans		940,972	958,333	(17,361)
USDA - Eco. Dev. Grants		2,566,000	2,566,000	-
USDA - Eco. Dev. Investment	837,424			37,626
	\$ 69,169,502	\$ 206,287,675	\$ 207,627,358	\$ (1,713,862)

ADDITIONAL INFORMATION:

Update on CARES / Synergi Refund

On Monday January 26th, we submitted four 941X filings to request a refund of taxes in the amount of \$1,079,300. We incurred fees with Synergi in the amount of \$161,900, to determine our eligibility; and fees in the amount of \$5,000 with Smith & Howard to complete the 941X forms.

Net of our fees, we should expect to receive a total refund of \$912,400 in 2024. It is our understanding that it can take upwards of eight months to receive these refunds. The refunds are also to include interest; however, I have no way to calculate what that amount may be at this time.

Lastly, we believe that we will record the refunds in 2024 upon their receipt, and not have to amend any information from the years of 2020 or 2021.

Banking Resolutions

We will be asking you to approve and sign banking resolutions to add Marylou Henderlight as a third signer on the operative account in case Kevin or I are not available. We have always had a third signer, typically CEO and CFO with COO as the backup. With Kevin being elevated to the CEO position, we need to revert back to the accounting manager position as the backup signature. These documents will be presented at the board meeting as we are currently awaiting information from the bank.

Financial Results for January 2024

NET MARGINS – INCLUDES UNBILLED REVENUE (line 29)

Net margins year to date January resulted in a gain of 1,454,066. Comparing actual net margins to the budgeted net margins, which were \$697,795, produced a positive variance of \$756,271. Net margins are also more than last year, in the same period, by \$913,655.

<u>2024</u>	<u>2023</u>	<u>VARIANCE</u>		<u>BUDGET</u>	<u>VARIANCE</u>	
1,454,066	540,411	913,655	169.1%	697,795	756,271	108.4%

A major factor related to the decrease in Net Margins for 2024 when compared to budget is:

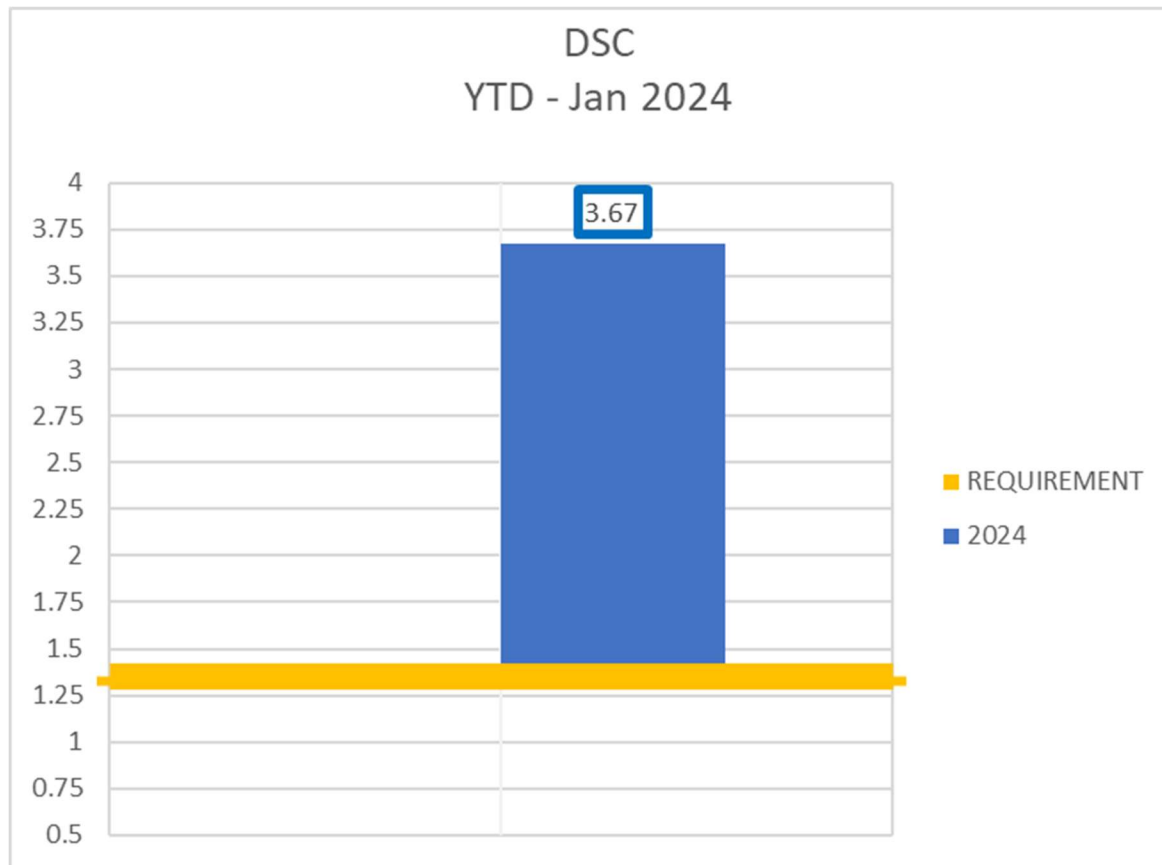
- An increase in Net Revenues of \$229,983
- A decrease in Operation & Maintenance Expense of \$535,193
- An increase in Depreciation, Taxes, and Interest Expense of **\$24,072**
- An increase in Interest Income of \$15,167

Totals \$756,271

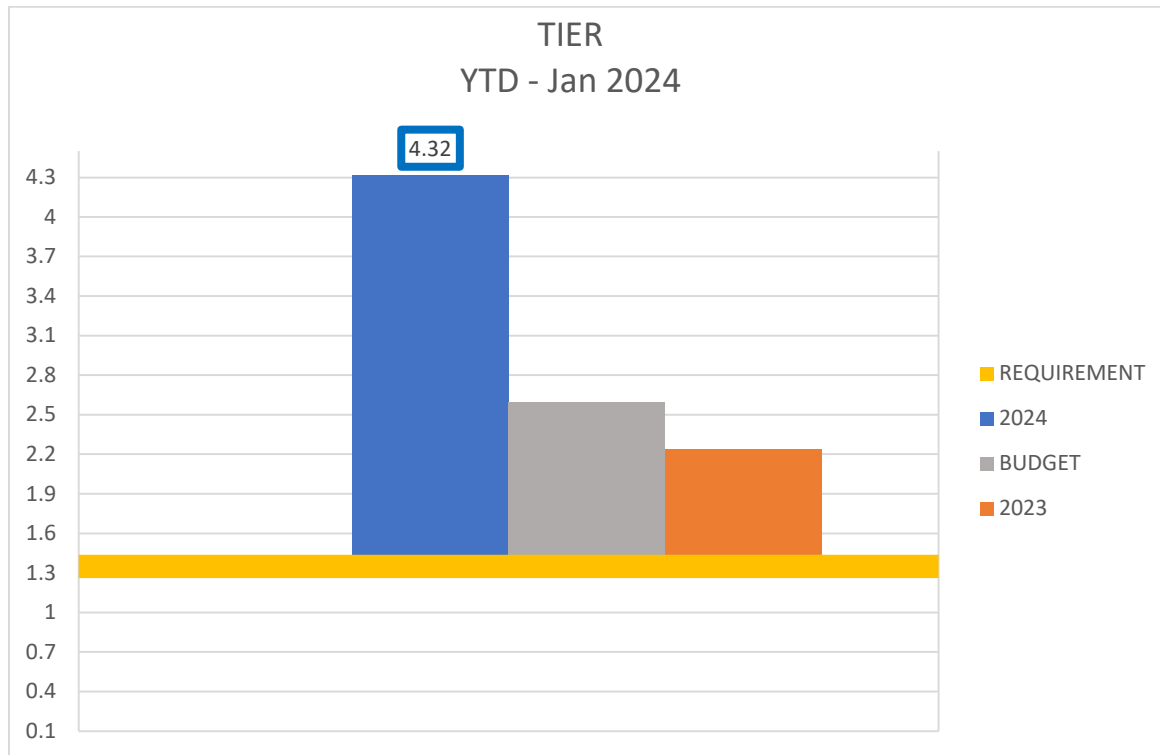
RATIOS – INCLUDES UNBILLED REVENUE

** Please note that the gold color line is the requirement that we must meet to be compliant with our debt covenants

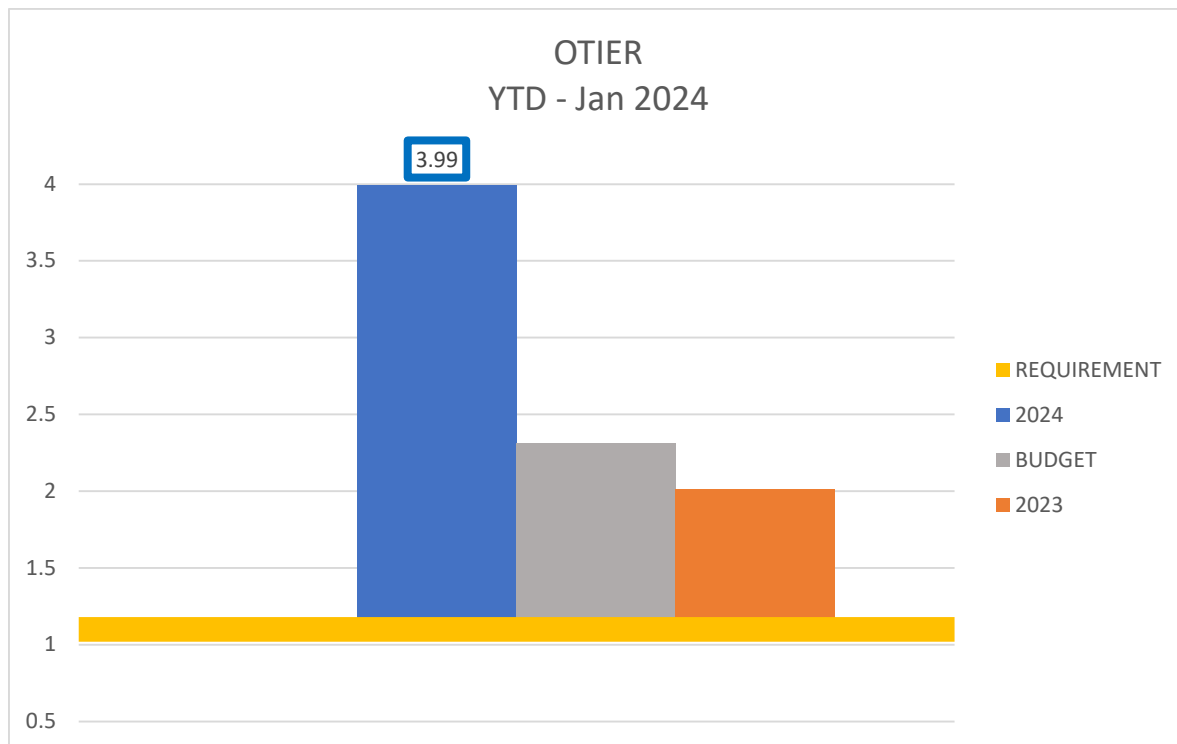
DSC – The requirement is 1.35, we are projecting it to be at 3.67. This ratio measures how many times we can pay our debt service (principal and interest).



TIER –The requirement is 1.3 and we are projecting a TIER of 4.32.



OTIER –The requirement is 1.1 and we are projecting an OTIER of 3.99.



Financial Results for February 2024

NET MARGINS – (line 29)

Net margins February year to date resulted in a gain of \$2,293,676. Including unbilled revenue would have resulted in a February year to date net margins gain of \$354,001. Comparing actual net margins to the budgeted net margins, which were \$1,692,728, produced a variance of \$600,948. Net margins are more than last year, in the same period, by \$2,100,806. Net margins including unbilled revenue are more than last year, in the same period, by \$161,132.

<u>2024</u>	<u>2023</u>	<u>VARIANCE</u>		<u>BUDGET</u>	<u>VARIANCE</u>	
2,293,676	192,869	2,100,806	1089.2%	1,692,728	600,948	35.5%

A major factor related to the increase in Net Margins for 2024 when compared to budget is:

- A decrease in Net Revenues of **\$442,680**
- A decrease in Operation & Maintenance Expense of \$1,055,185
- An increase in Depreciation, Taxes, and Interest Expense of **\$38,497**
- An increase in Interest Income of \$26,940

Totals \$600,948

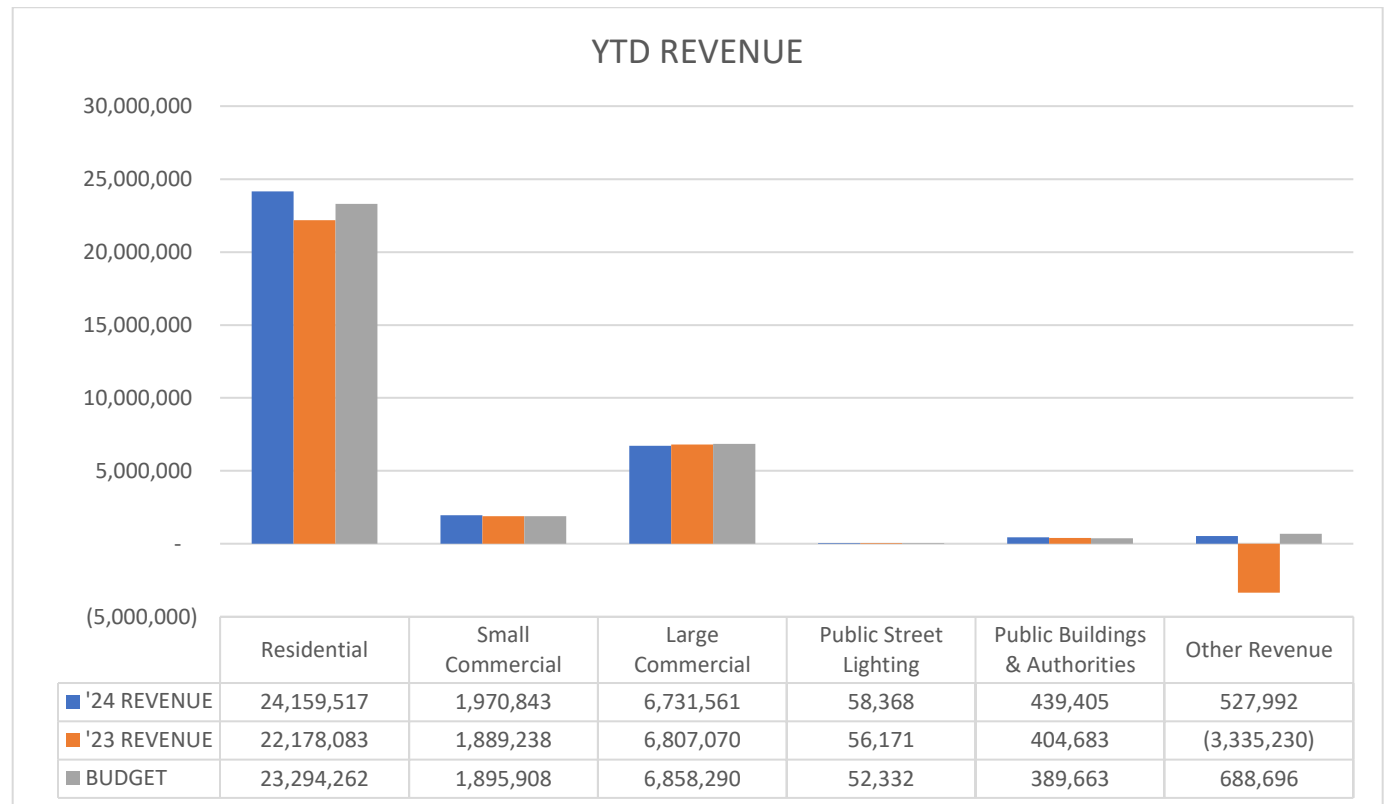
OPERATING REVENUES (line 1)

Annually, operating revenues are over budget by \$708,534, and more when compared to the same period in the prior year by \$5,887,670.

<u>2024</u>	<u>2023</u>	<u>VARIANCE</u>		<u>BUDGET</u>	<u>VARIANCE</u>	
33,887,685	28,000,015	5,887,670	21.03%	33,179,151	708,534	2.14%

The largest contributors to this variance are from our residential class and other revenue.

Other revenues consist of fees, pole attachments, and unbilled revenue. Unbilled revenue was recorded monthly in 2023. We will record unbilled revenue for the year 2024 in December.

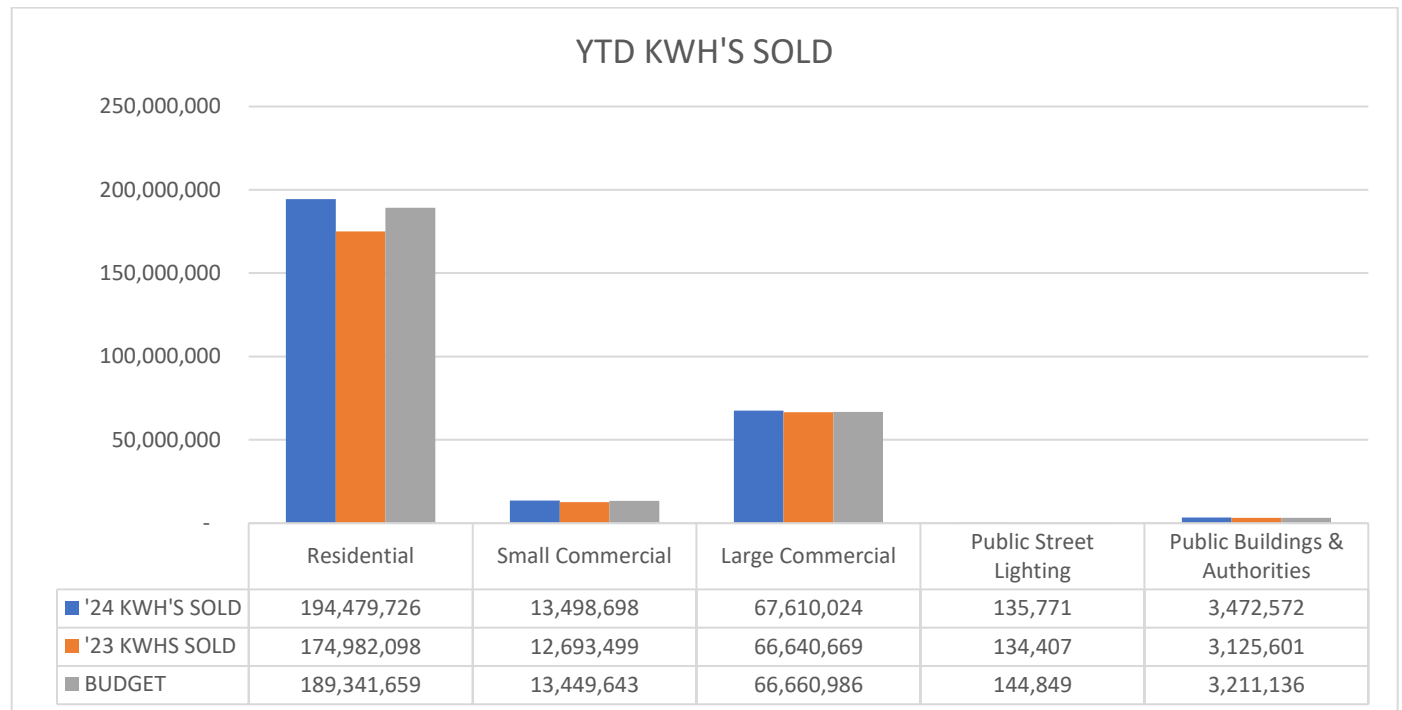


KWH's SOLD

On an annual basis, we have sold 279,196,791 kWh's compared to the budget of 272,808,273 which equates to a difference of over 6.3 million kWh's.

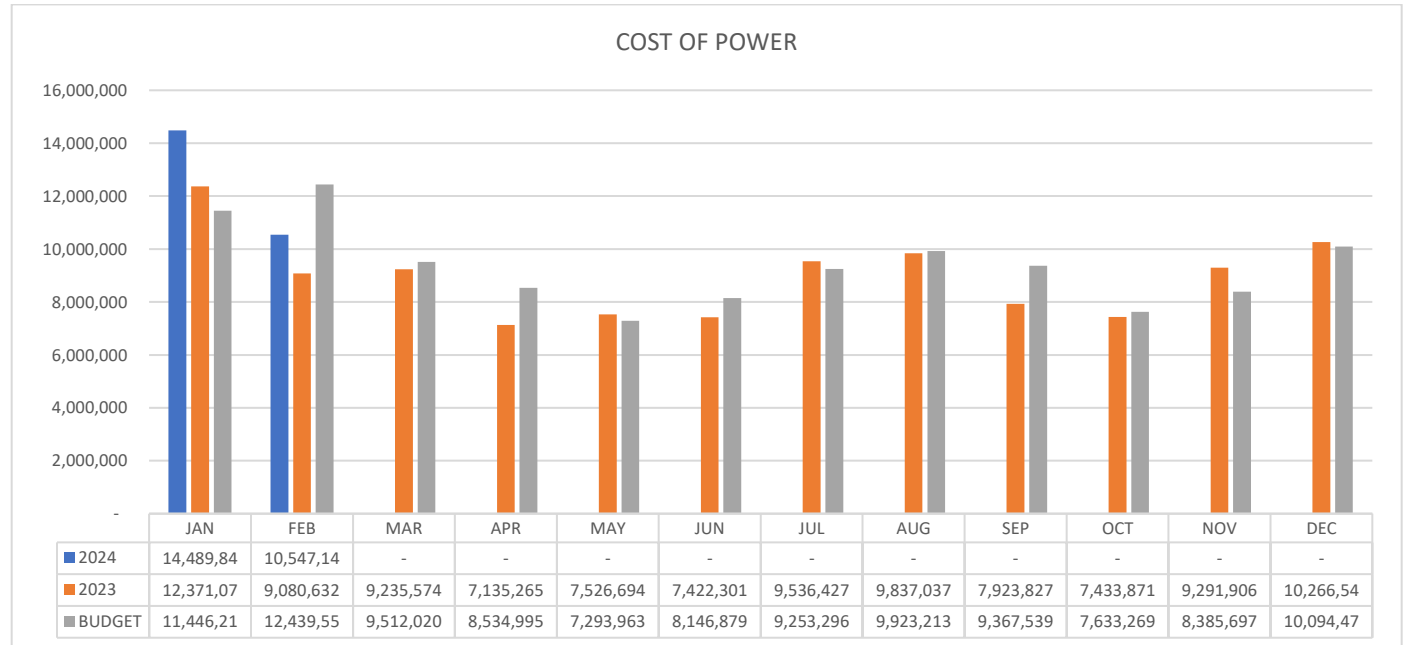
When comparing the current year to the previous year, we have sold 21.6 million more kWh's. These variances are attributed to the mild seasons we experienced in 2023.

The graph below illustrates the amount of kWh's sold to each class of member for the current year, prior year, and what was budgeted.



COST OF PURCHASED POWER (line 3)

Cost of purchased power is under budget on an annual basis when comparing actual to budget by **\$1,151,214**. This variance is a result of purchasing **3.2 million** less kWh's decreasing our costs by **\$272,126** combined with purchasing the power at a higher rate than budget which further increased our cost of power by \$1,423,340. The graphs below illustrate the power costs and quantity of kWh's purchased each month for 2024, 2023, and budget.



CONTROLLABLE COSTS / OPERATING EXPENSES (lines 6-11)

When comparing controllable costs to budget, collectively they are under budget by **\$1,055,185**. As illustrated in the table below, most departments are under budget on a year-to-date basis.

Maintenance expenses are currently under budget by **\$956,291**. ROW remains below budget by nearly **\$1,047,957** due to circuits not being completed and billed yet. This accounts for most of the variance in maintenance expenses.

When comparing the current year's costs to last year's costs, this year shows an increase of \$197,264. Administration and general expenses increased by \$173,651 from last year, for this same period.

	<u>2024</u>	<u>2023</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Distribution Expense - Operation	729,423	693,596	35,827	635,619	93,805
Distribution Expense - Maintenance	1,632,748	1,631,323	1,425	2,589,039	(956,291)
Customer Accounts Expense	735,735	804,045	(68,310)	842,540	(106,805)
Customer Service and Informational Expense	123,024	65,075	57,949	77,827	45,197
Sales Expense	4,960	8,240	(3,279)	45,071	(40,111)
Administrative and General Expense	908,825	735,174	173,651	999,805	(90,980)
Total Operation & Maintenance Expense	4,134,716	3,937,453	197,264	5,189,901	(1,055,185)

OTHER COSTS (lines 13-19)

When comparing other costs to the budget, they are over budget, by \$38,497. Depreciation expense is over budget by \$29,645.

	<u>2024</u>	<u>2023</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Depreciation & Amortization Expense	1,771,114	1,695,748	75,366	1,741,469	29,645
Tax Expense - Property & Gross Receipts	21,810	27,500	(5,690)	24,500	(2,690)
Tax Expense - Other	-	-	-	-	-
Interest on Long-Term Debt	866,295	854,660	11,635	869,685	(3,390)
Interest Charged to Construction - Credit	-	-	-	-	-
Interest Expense - Other	24,741	18,853	5,889	8,000	16,741
Other Deductions	7,741	4,587	3,154	9,550	(1,809)
Total Cost of Electric Service	2,691,701	2,601,348	90,354	2,653,204	38,497

NON-OPERATING MARGINS – INTEREST (line 22)

Non-operating Interest Income on a year-to-date basis is over budget by \$23,874. This is the line on the income statement where all interest earned from investments are recorded and includes such items as CFC investments and RUS Cushion of Credit.

When comparing the current year to last year, you will notice the variance of \$84,218. The major cause of this variance is due to receiving more interest from CFC investments and RUS Cushion of Credit.

	<u>2024</u>	<u>2023</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Non Operating Margins - Interest	261,874	177,657	84,218	238,000	23,874

GENERATION AND TRANSMISSION CAPITAL CREDITS (line 26)

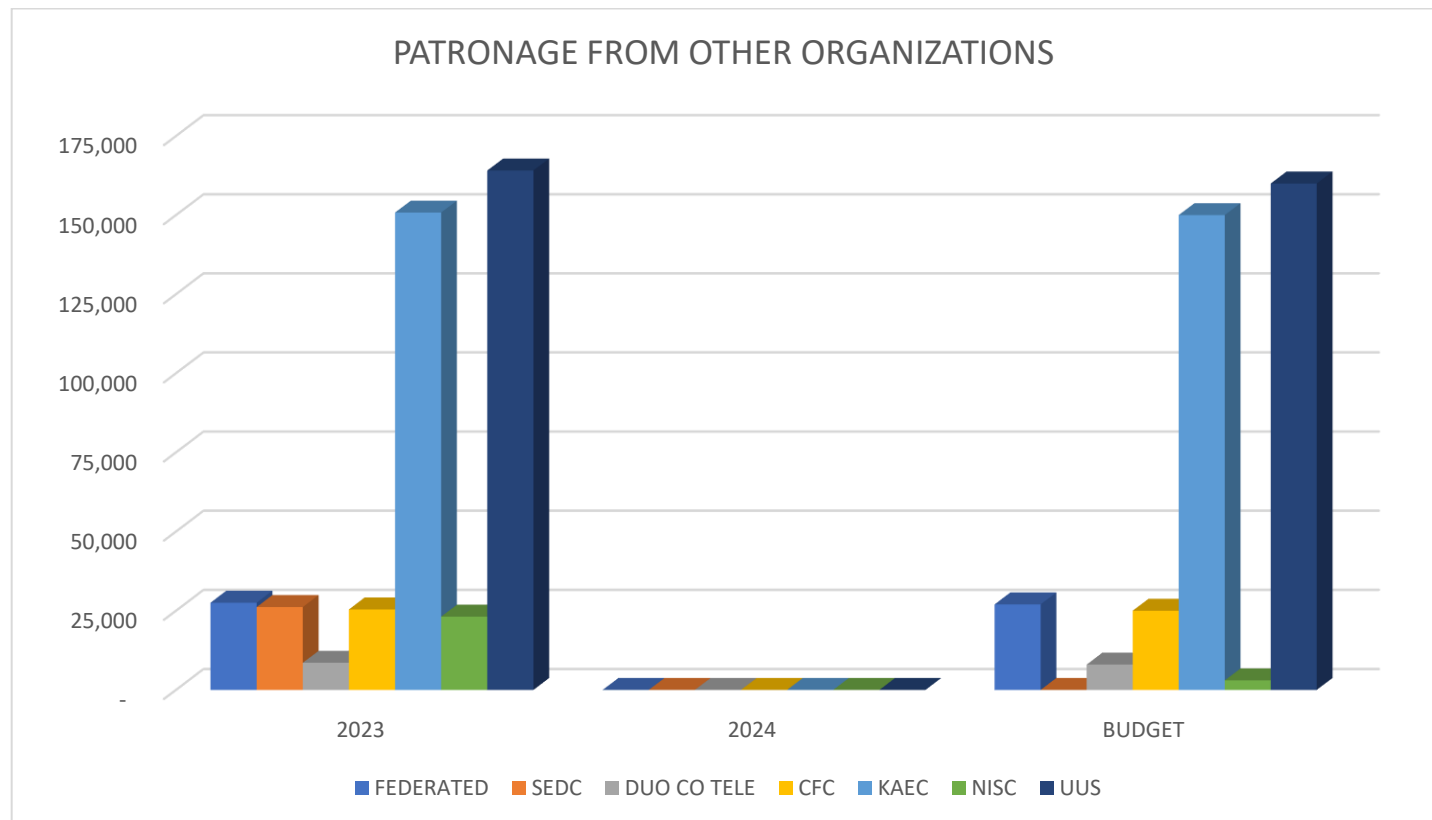
We are now recording patronage from G&T in December of each year.

	<u>2024</u>	<u>2023</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Generation and Transmission Capital Credits	-	-	-	-	-

OTHER CAPITAL CREDITS AND PATRONAGE DIVIDENDS

This represents all the patronage that we are allocated throughout the year from various other cooperatives that we are members of. We have budgeted a total of \$373,000 for the year, however we have not received any patronage so far in 2024. Historically we do not receive any until March.

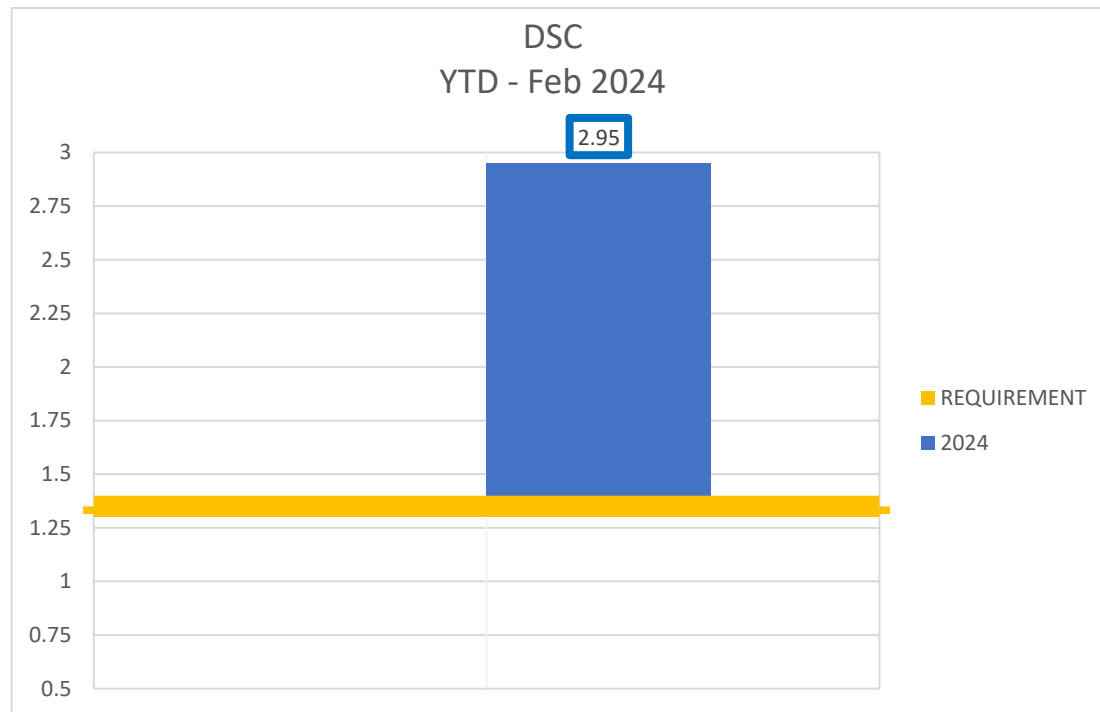
The graph below illustrates what we received in the prior year and what we have budgeted to receive this year.



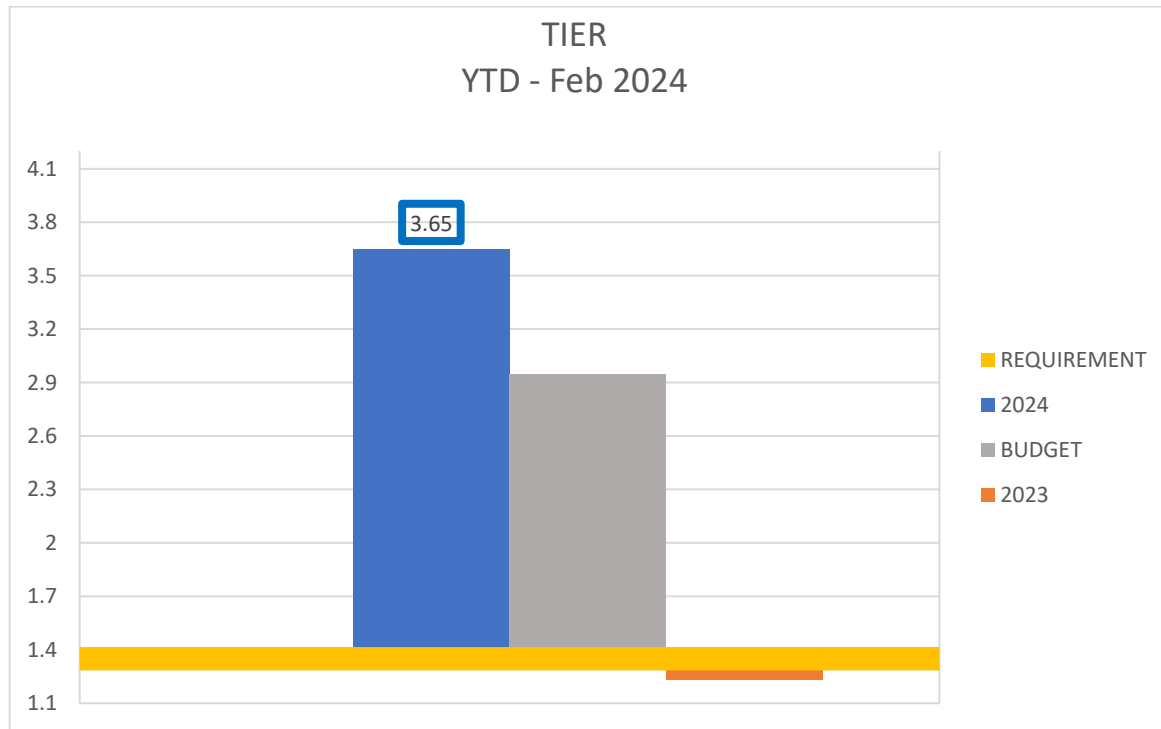
RATIOS

** Please note that the gold color line is the requirement that we must meet to be compliant with our debt covenants

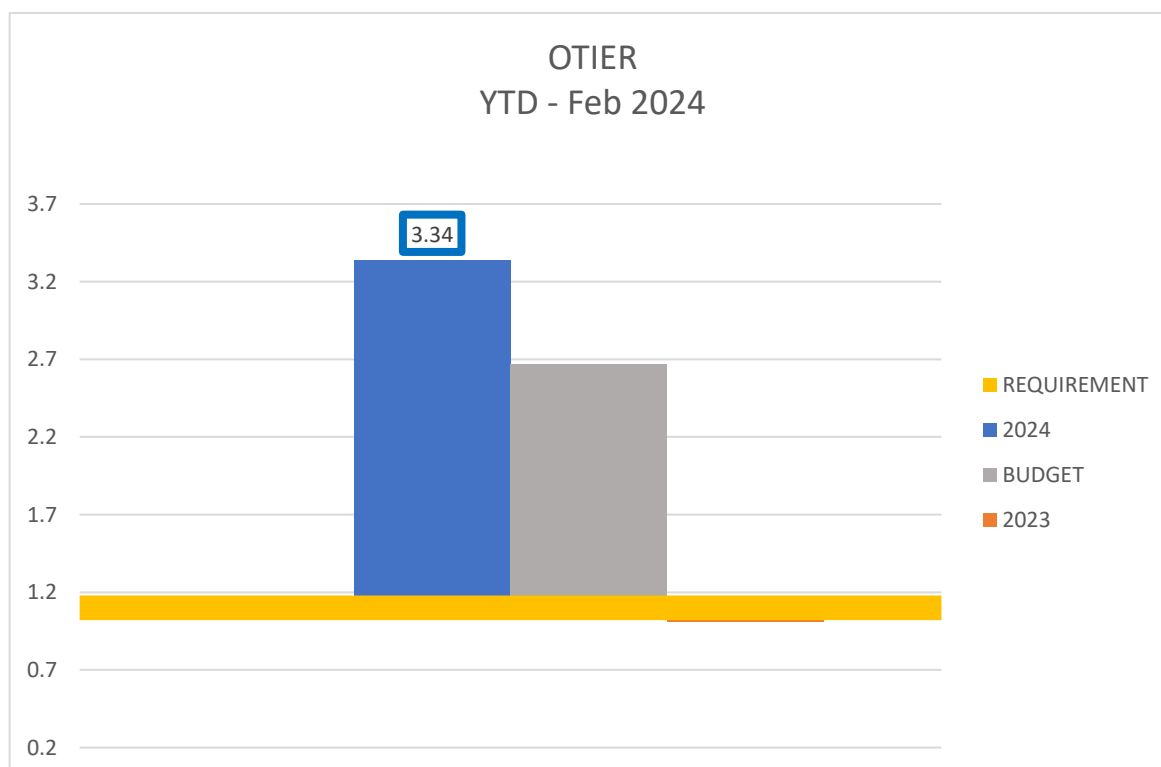
DSC – The requirement is 1.35, we are projecting it to be at 2.95. Including unbilled revenue would have reduced our projection to 1.79. This ratio measures how many times we can pay our debt service (principal and interest).



TIER –The requirement is 1.3 and we are projecting a TIER of 3.65. Including unbilled revenue would have reduced our projection to 1.41.

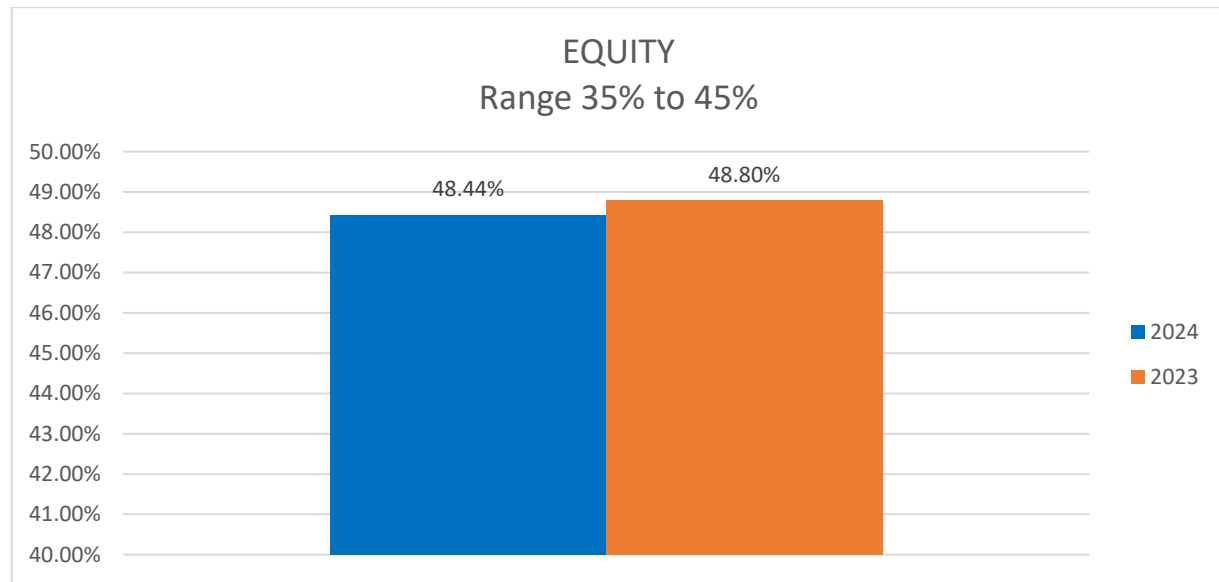


OTIER –The requirement is 1.1 and we are projecting an OTIER of 3.34. Including unbilled revenue would have reduced our projection to 1.10.



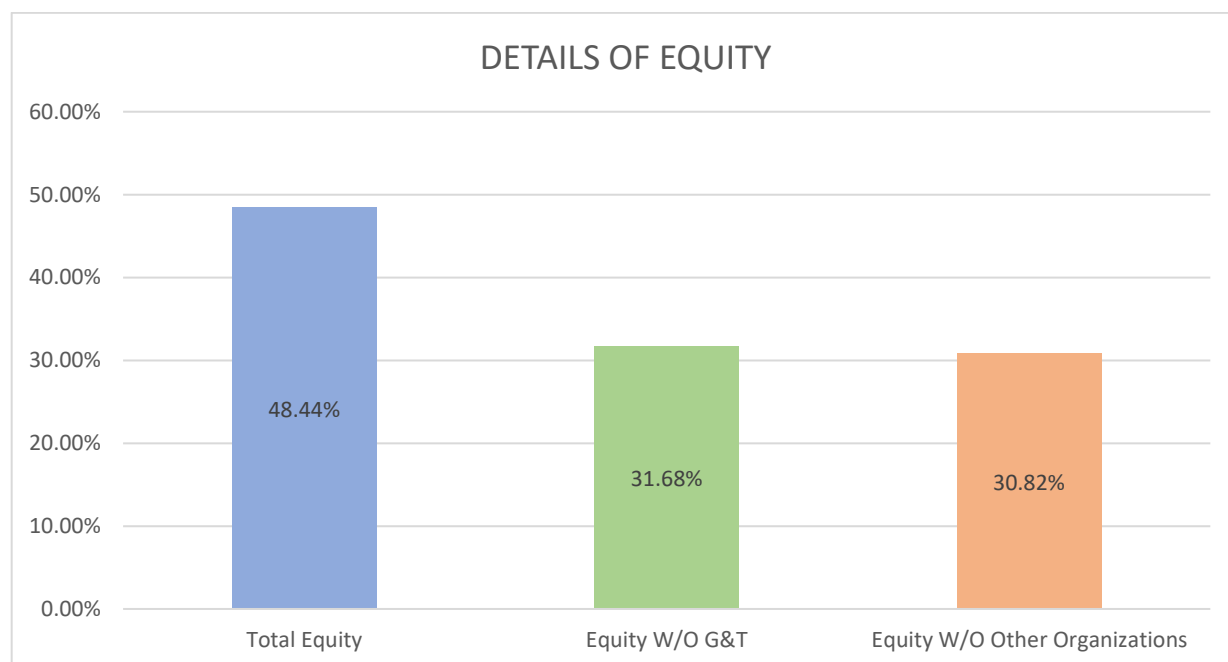
EQUITY

We are projecting Total Equity to be 48.44%, a decrease from last year's 48.80%, for the same period.



DETAILS OF EQUITY

The graph below illustrates what equity would be should we remove the impact of patronage from our G&T and from all other organizations. The equity rate of 30.82% is the equity that has been generated wholly from cooperative margins or operations.



LONG TERM DEBT AND INVESTMENT INFORMATION

DEBT BALANCES	Available	Current Month Outstanding	Prior Month Outstanding	Monthly Change Increase/(Decrease)
CFC Lines of Credit	15,000,000			-
CFC Investments	5,766,645			(2,446,067)
Cushion of Credit	16,376,475			43,094
FFB	24,000,000	147,307,027	147,307,027	-
RUS		2,482,970	2,505,079	(22,109)
CFC		2,740,889	2,932,402	(191,513)
CoBank		37,407,681	37,666,366	(258,685)
City of Monticello		2,053,333	2,053,333	-
USDA - Eco. Dev. Loans		906,250	923,611	(17,361)
USDA - Eco. Dev. Grants		2,566,000	2,566,000	-
USDA - Eco. Dev. Investment	923,652			42,012
	\$ 62,066,772	\$ 195,464,151	\$ 195,953,818	\$ (2,850,628)

Financial Results for March 2024

NET MARGINS – (line 29)

Net margins March year to date resulted in a gain of \$2,156,108. Including unbilled revenue would have resulted in a March year to date net margins loss of \$653,447. Comparing actual net margins to the budgeted net margins, which were \$1,976,376, produced a variance of \$179,739. Net margins are more than last year, in the same period, by \$2,391,795. Net margins including unbilled revenue are less than last year, in the same period, by \$417,760.

<u>2024</u>	<u>2023</u>	<u>VARIANCE</u>		<u>BUDGET</u>	<u>VARIANCE</u>	
2,156,108	(235,687)	2,391,795	1014.8%	1,976,369	179,739	9.1%

Major factors related to the increase in Net Margins for 2024 when compared to budget are:

- A decrease in Net Revenues of **\$451,171**
- A decrease in Operation & Maintenance Expense of \$695,800
- An increase in Depreciation, Taxes, and Interest Expense of **\$104,865**
- An increase in Interest Income and Other Capital Credits/Patronage of \$39,975

Totals \$179,739

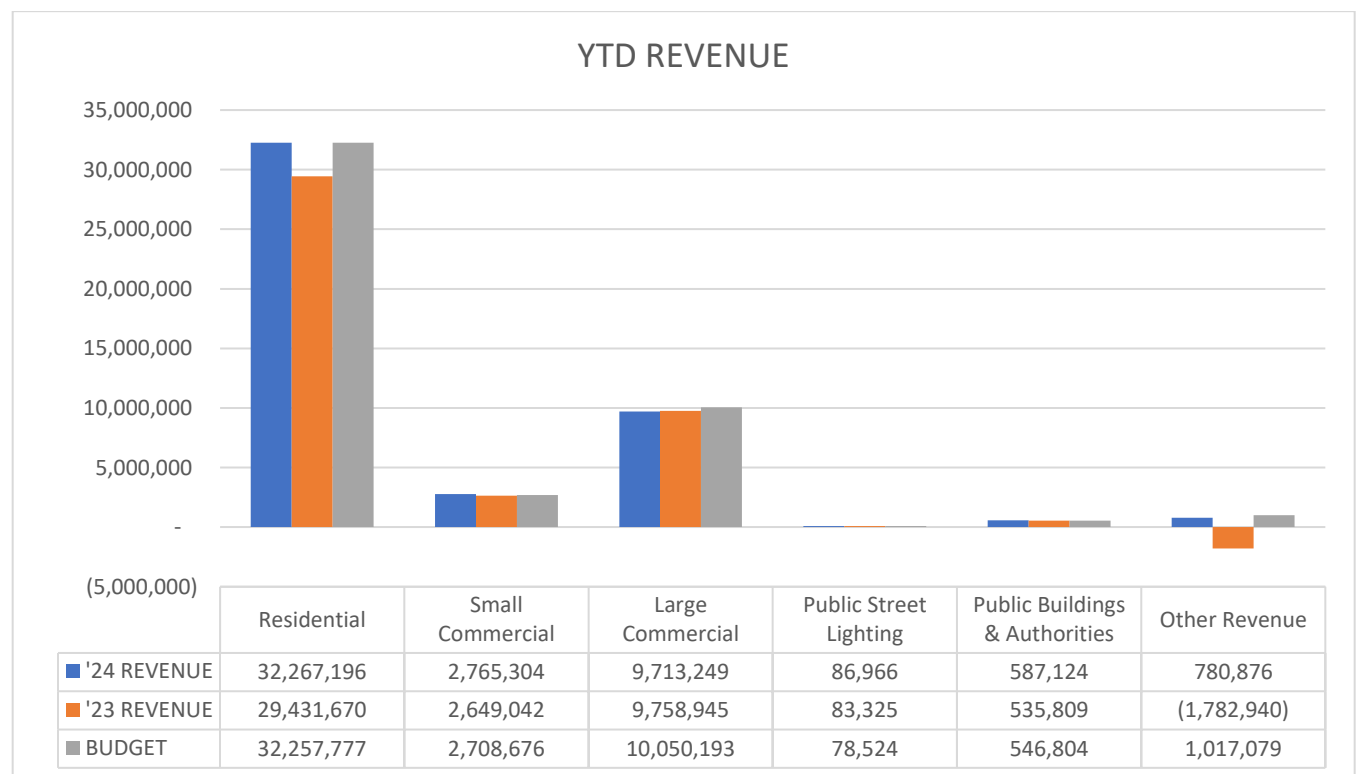
OPERATING REVENUES (line 1)

Annually, operating revenues are under budget by **\$458,338**, and operating revenues are over when compared to the same period in the prior year by \$5,524,864.

<u>2024</u>	<u>2023</u>	<u>VARIANCE</u>		<u>BUDGET</u>	<u>VARIANCE</u>	
46,200,715	40,675,851	5,524,864	13.58%	46,659,053	(458,338)	-0.98%

The largest contributors to this variance are from our residential class and other revenue.

Other revenues consist of fees, pole attachments, and unbilled revenue. Unbilled revenue was recorded monthly in 2023. We will record unbilled revenue for the year 2024 in December.

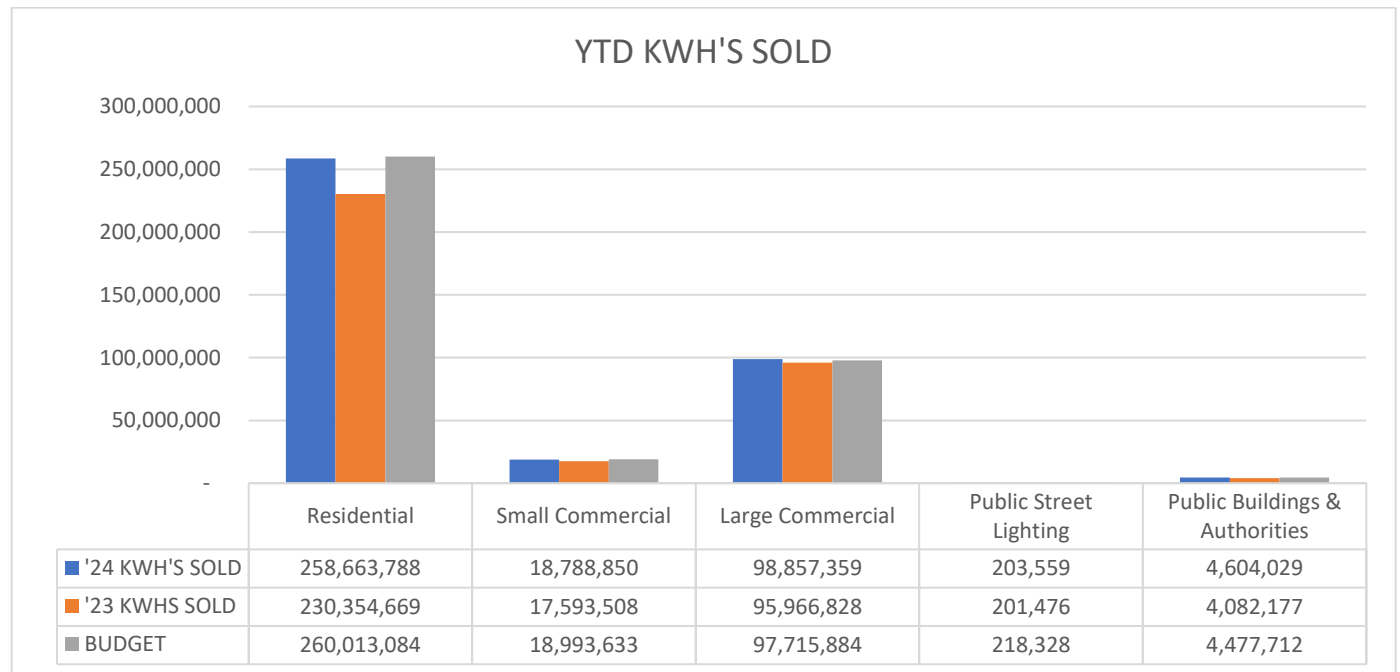


KWH's SOLD

On an annual basis, we have sold 381,117,585 kWh's compared to the budget of 381,418,641 which equates to a difference of over 300,000 kWh's.

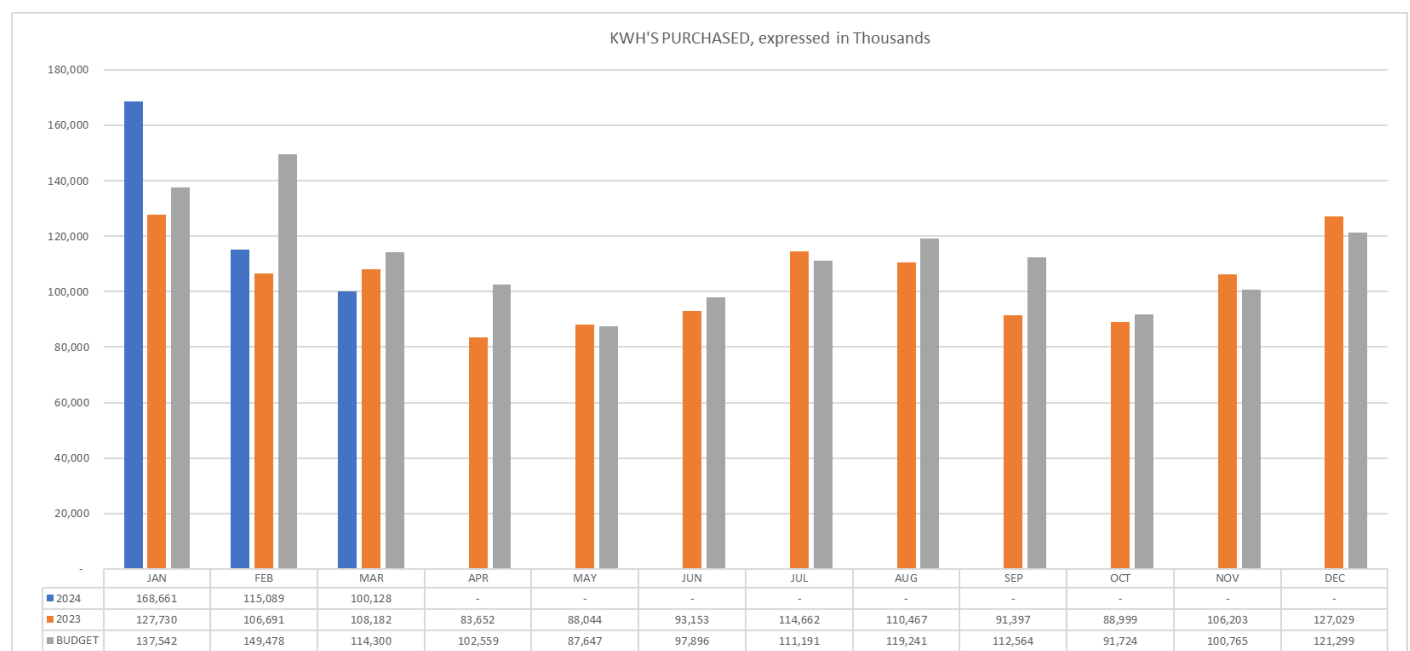
When comparing the current year to the previous year, we have sold 32.9 million more kWh's. These variances are attributed to the mild seasons we experienced in 2023.

The graph below illustrates the amount of kWh's sold to each class of member for the current year, prior year, and what was budgeted.



COST OF PURCHASED POWER (line 3)

Cost of purchased power is under budget on an annual basis when comparing actual to budget by **\$7,166**. This variance is a result of purchasing **17.4 million** less kWh's decreasing our costs by **\$1,451,519** combined with purchasing the power at a higher rate than budget which further increased our cost of power by \$1,444,353. The graphs below illustrate the power costs and quantity of kWh's purchased each month for 2024, 2023, and budget.



CONTROLLABLE COSTS / OPERATING EXPENSES (lines 6-11)

When comparing controllable costs to budget, collectively they are under budget by **\$695,800**. As illustrated in the table below, most departments are under budget on a year-to-date basis.

Maintenance expenses are currently under budget by **\$555,547**. ROW remains below budget by nearly **\$623,848** due to circuits not being completed and billed yet. This accounts for most of the variance in maintenance expenses.

When comparing the current year's costs to last year's costs, this year shows an increase of \$290,280. Administration and general expenses increased by \$193,931 from last year, for this same period.

	<u>2024</u>	<u>2023</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Distribution Expense - Operation	1,063,152	1,016,858	46,295	942,828	120,324
Distribution Expense - Maintenance	3,295,113	3,191,039	104,074	3,850,660	(555,547)
Customer Accounts Expense	1,111,674	1,243,921	(132,247)	1,256,189	(144,514)
Customer Service and Informational Expense	186,196	104,031	82,165	114,466	71,730
Sales Expense	8,668	12,607	(3,938)	66,847	(58,178)
Administrative and General Expense	1,335,927	1,141,996	193,931	1,465,541	(129,614)
Total Operation & Maintenance Expense	7,000,731	6,710,451	290,280	7,696,531	(695,800)

OTHER COSTS (lines 13-19)

When comparing other costs to the budget, they are over budget, by \$104,865. Depreciation expense is over budget by \$46,383.

	<u>2024</u>	<u>2023</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Depreciation & Amortization Expense	2,663,209	2,548,595	114,615	2,616,826	46,383
Tax Expense - Property & Gross Receipts	32,715	41,250	(8,535)	36,750	(4,035)
Tax Expense - Other	-	-	-	-	-
Interest on Long-Term Debt	1,332,135	1,276,333	55,802	1,295,116	37,019
Interest Charged to Construction - Credit	-	-	-	-	-
Interest Expense - Other	37,159	28,982	8,177	12,000	25,159
Other Deductions	14,189	9,171	5,019	13,850	339
Total Cost of Electric Service	4,079,408	3,904,330	175,078	3,974,543	104,865

NON-OPERATING MARGINS – INTEREST (line 22)

Non-operating Interest Income on a year-to-date basis is over budget by \$37,573. This is the line on the income statement where all interest earned from investments are recorded and includes such items as CFC investments and RUS Cushion of Credit.

When comparing the current year to last year, you will notice the variance of \$35,442. The major cause of this variance is due to receiving more interest from CFC investments and RUS Cushion of Credit.

	<u>2024</u>	<u>2023</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Non Operating Margins - Interest	390,573	355,131	35,442	353,000	37,573

GENERATION AND TRANSMISSION CAPITAL CREDITS (line 26)

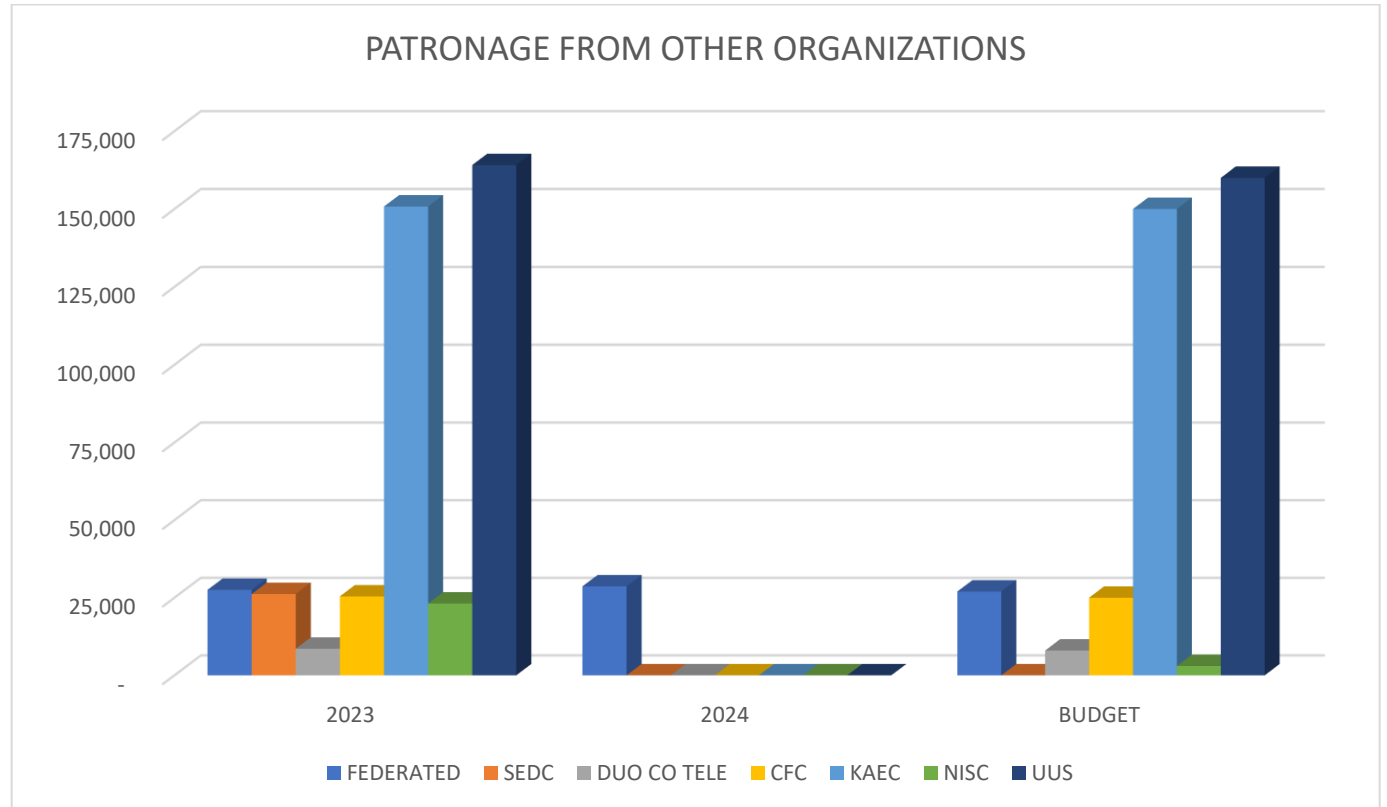
We are now recording patronage from G&T in December of each year.

	<u>2024</u>	<u>2023</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Generation and Transmission Capital Credits	-	-	-	-	-

OTHER CAPITAL CREDITS AND PATRONAGE DIVIDENDS

This represents all the patronage that we are allocated throughout the year from various other cooperatives that we are members of. We have budgeted a total of \$373,000 for the year. As of March, we have received \$28,656 in patronage.

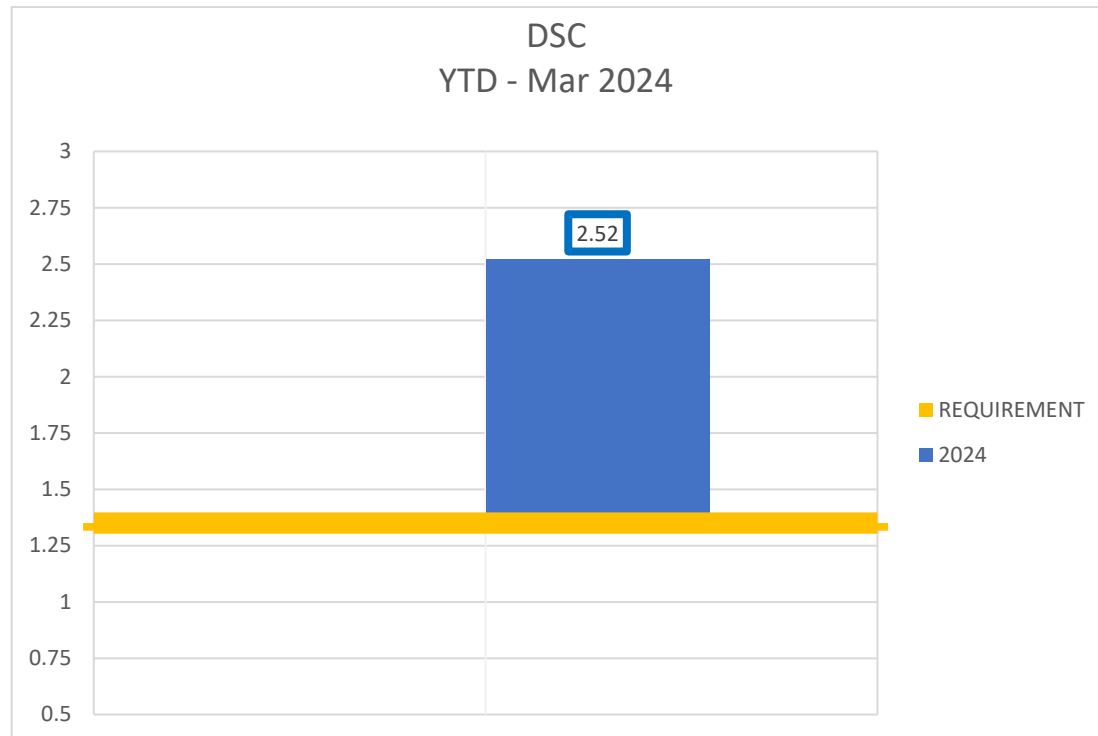
The graph below illustrates what we received in the prior year and what we have budgeted to receive this year.



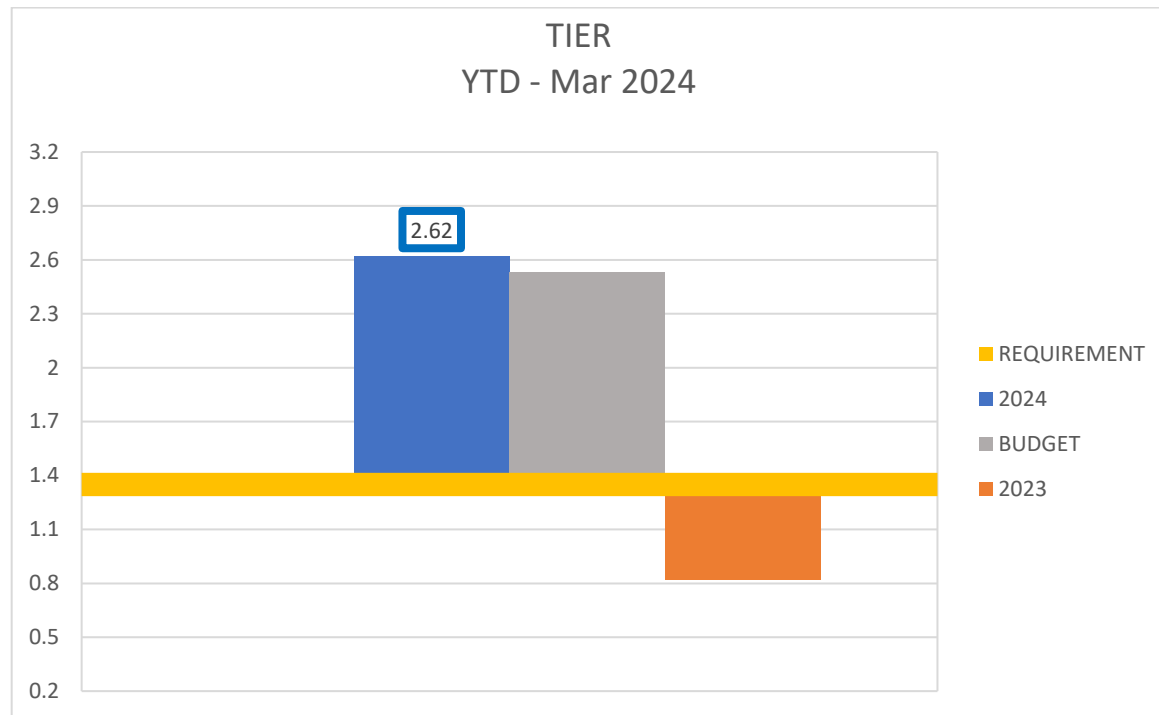
RATIOS

** Please note that the gold color line is the requirement that we must meet to be compliant with our debt covenants

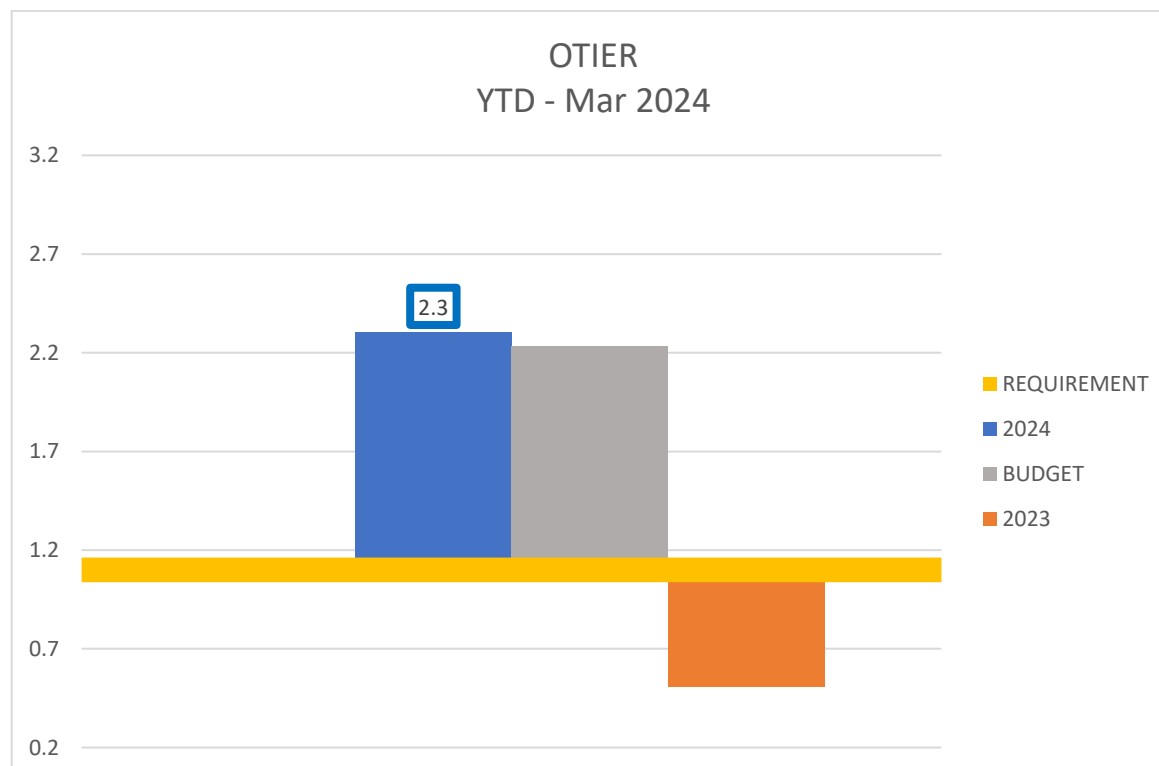
DSC – The requirement is 1.35, we are projecting it to be at 2.52. Including unbilled revenue would have reduced our projection to 1.37. This ratio measures how many times we can pay our debt service (principal and interest).



TIER –The requirement is 1.3 and we are projecting a TIER of 2.62. Including unbilled revenue would have reduced our projection to .51.

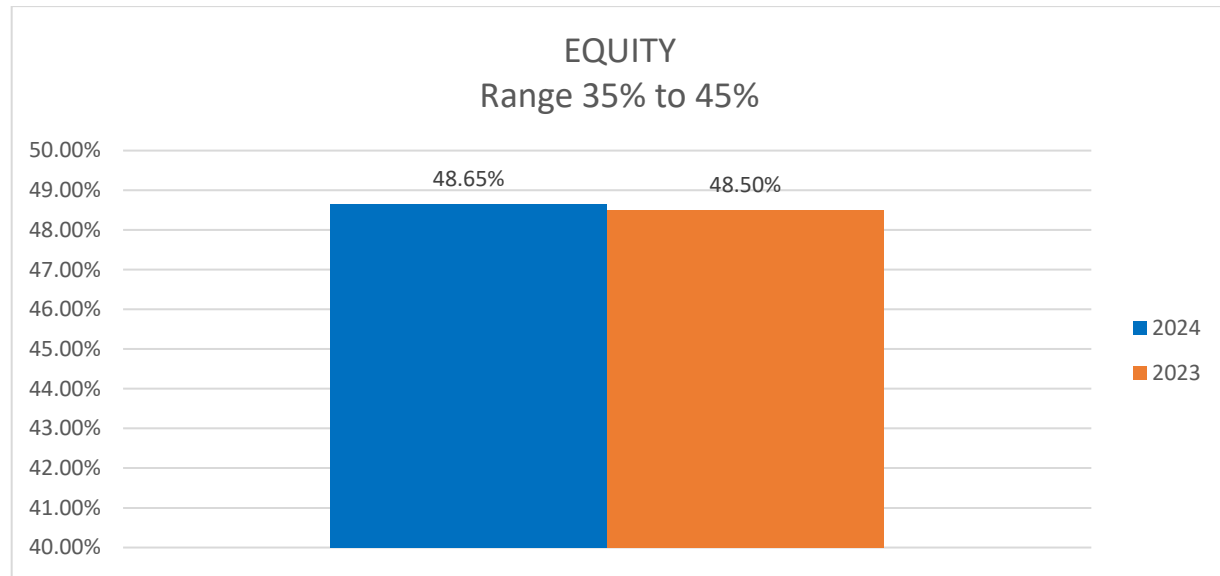


OTIER –The requirement is 1.1 and we are projecting an OTIER of 2.3. Including unbilled revenue would have reduced our projection to .19.



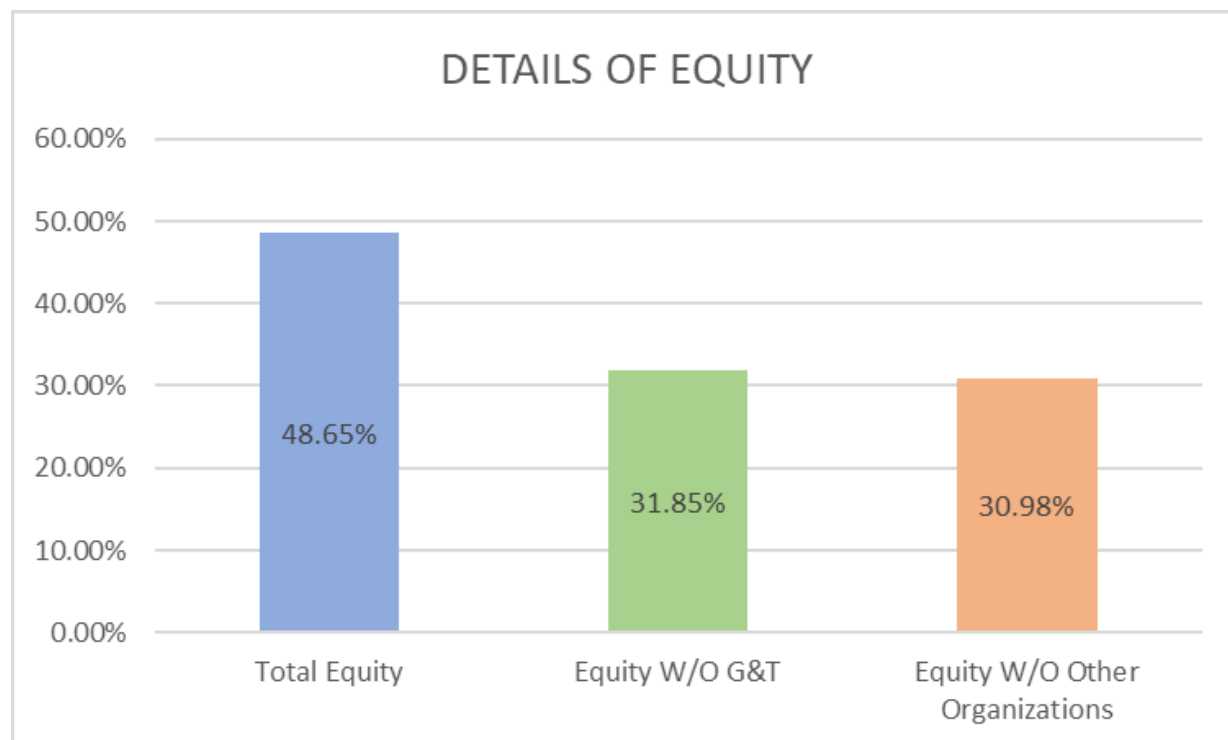
EQUITY

We are projecting Total Equity to be 48.65%, an increase from last year's 48.50%, for the same period.



DETAILS OF EQUITY

The graph below illustrates what equity would be should we remove the impact of patronage from our G&T and from all other organizations. The equity rate of 30.98% is the equity that has been generated wholly from cooperative margins or operations.



LONG TERM DEBT AND INVESTMENT INFORMATION

DEBT BALANCES	Available	Current Month Outstanding	Prior Month Outstanding	Monthly Change Increase/(Decrease)
CFC Lines of Credit	15,000,000			-
CFC Investments	8,771,100			3,004,454
Cushion of Credit	16,415,543			39,067
FFB	24,000,000	147,307,027	147,307,027	-
RUS		2,461,187	2,482,970	(21,784)
CFC		2,740,889	2,740,889	-
CoBank		37,148,221	37,407,681	(259,461)
City of Monticello		2,053,333	2,053,333	-
USDA - Eco. Dev. Loans		888,889	906,250	(17,361)
USDA - Eco. Dev. Grants		2,566,000	2,566,000	-
USDA - Eco. Dev. Investment	960,528			36,876
	\$ 65,147,170	\$ 195,165,545	\$ 195,464,151	\$ 2,781,792

Financial Results for April 2024

Net Margins – (line 29)

Net Margins for the month were a loss of **\$982k** compared to a budgeted loss of **\$167k**. The largest variant to budget for the month was in right of way maintenance expense due to timing of work completed and invoices received.

COMPARING CURRENT MONTH TO BUDGET

	April 2024 Actual	April 2024 Budget	Variance	
Patronage Capital or Margins	(982,492)	(167,073)	(815,419)	488.06%

Net margins year-to-date are a gain of **\$1.2m** compared to a budgeted gain of \$1.8m resulting in lower than expected margins by **\$636k**. Prior year-to-date net margins were \$62k.

COMPARING CURRENT YEAR TO BUDGET

	Year-To-Date 2024	Year-To-Date Budget	Variance	
Patronage Capital or Margins	1,173,616	1,809,296	(635,680)	-35.1%

Largest variances to budget year-to-date are in the following areas:

- Right of way maintenance YTD budget is \$3.2m, current expense is \$3.6m.
- Expensed labor is tracking approximately \$100k over budget, mostly within operations departments.

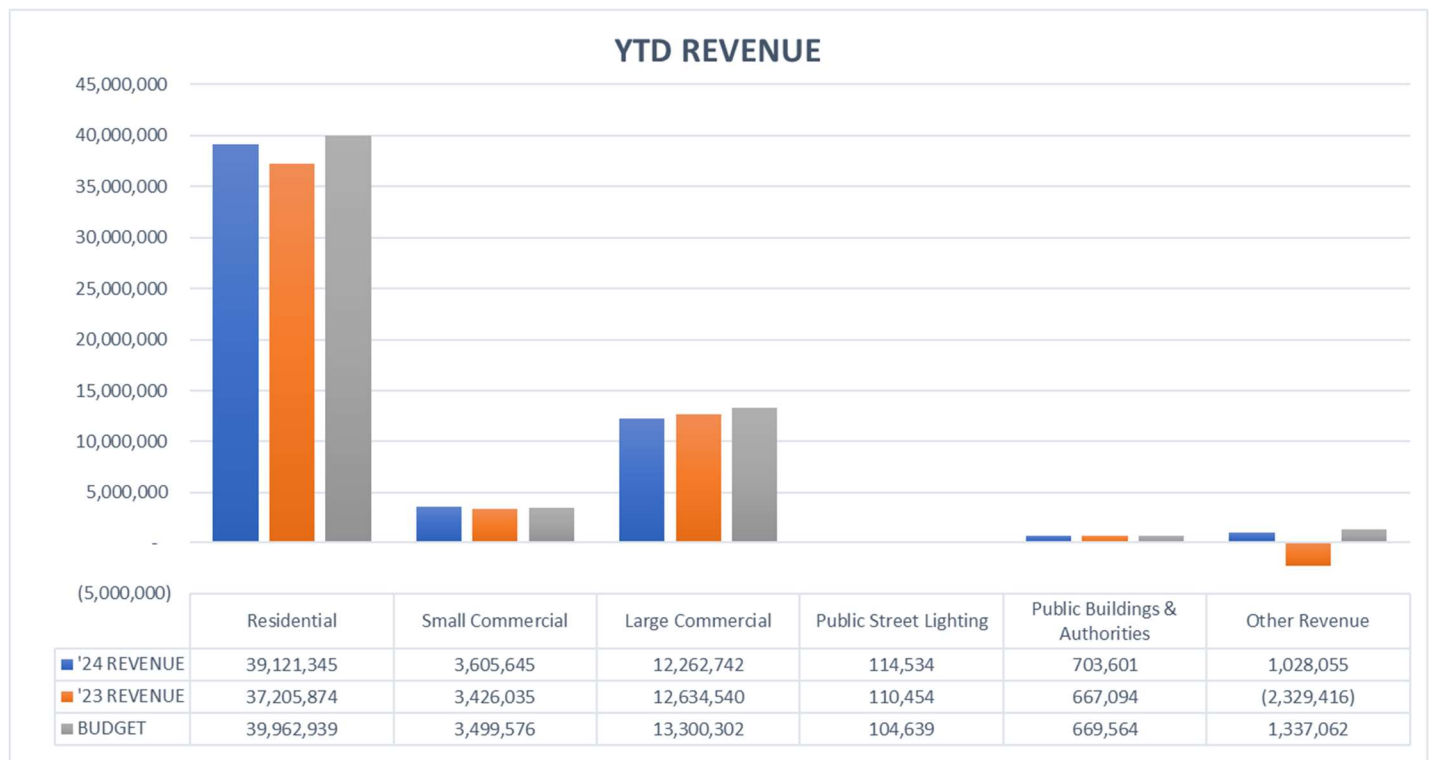
Operating Revenues (line 1)

For the year, operating revenues are under budget by **\$2m**, and operating revenues are over when compared to the same period in the prior year by \$5.1m.

	COMPARING CURRENT YEAR TO PRIOR YEAR				COMPARING CURRENT YEAR TO BUDGET			
	Year-To-Date 2024	Year-To-Date 2023	Variance		Year-To-Date 2024	Year-To-Date Budget	Variance	
1 Operating Revenue and Patronage Capital	56,835,921	51,714,582	5,121,340	9.90%	56,835,921	58,874,082	(2,038,161)	-3.46%

The largest contributors to this YTD budget variance are from our residential and large commercial/industrial classes with shortfalls of **\$842k** and **\$987k** respectively.

The variance to the prior year is due to unusually mild weather in 2023 and the change in procedure for recording unbilled revenue annually in 2024 instead of monthly as it was in 2023.

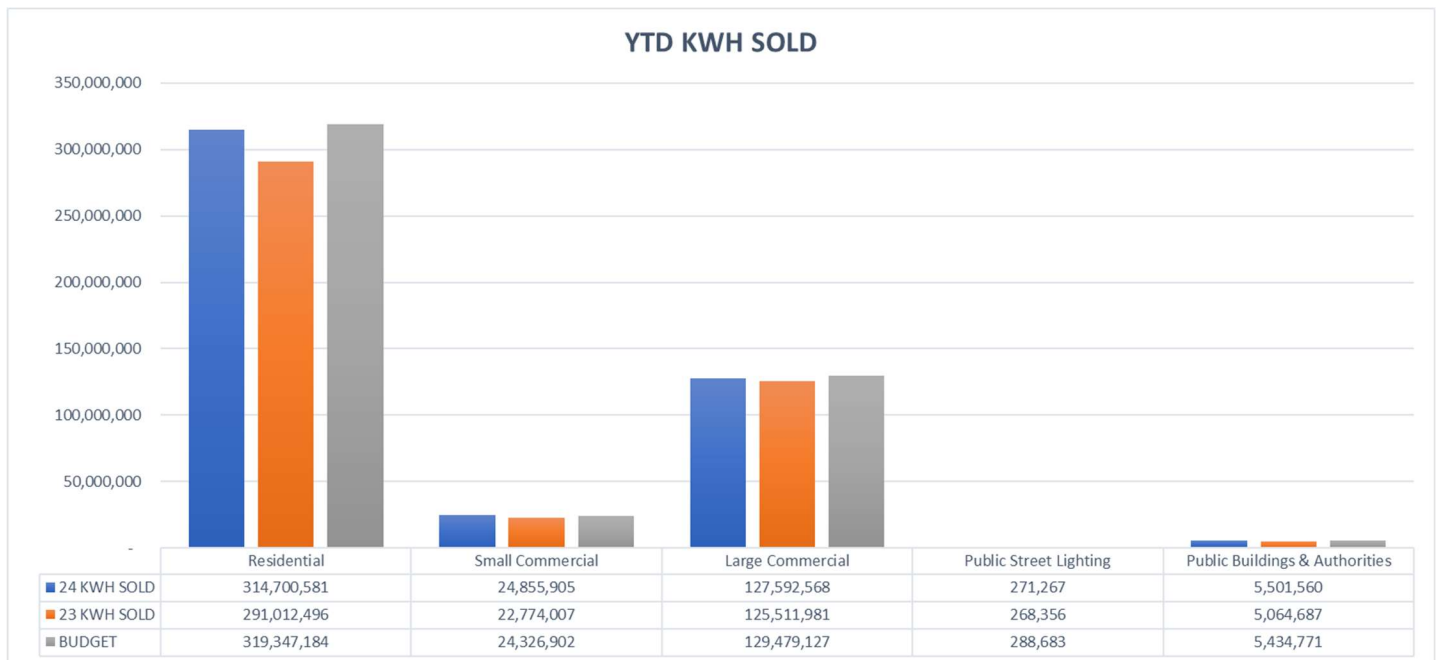


kWh Sold

For the year, we have sold **473 million** kWh compared to the budget of 479 million, a shortfall in hours sold of approximately 6 million.

When comparing the current year to the previous year, we have sold 28 million more kWh. These variances are attributed to the mild seasons we experienced in 2023.

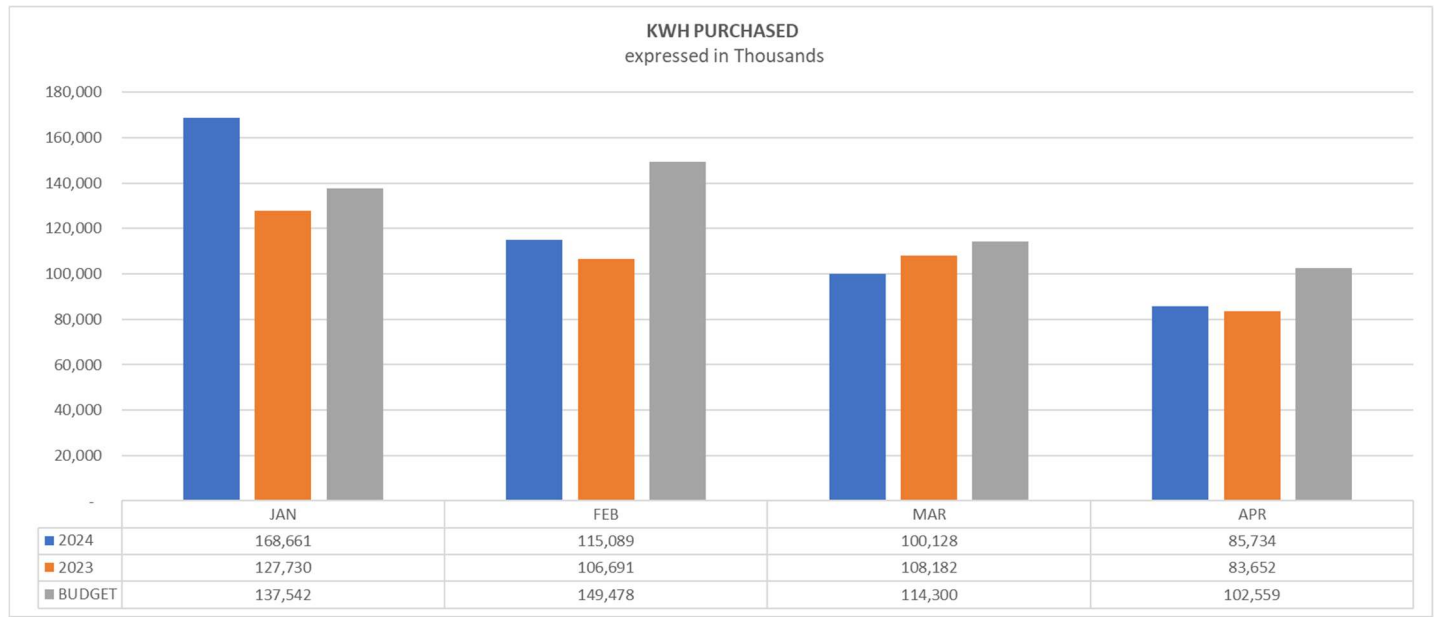
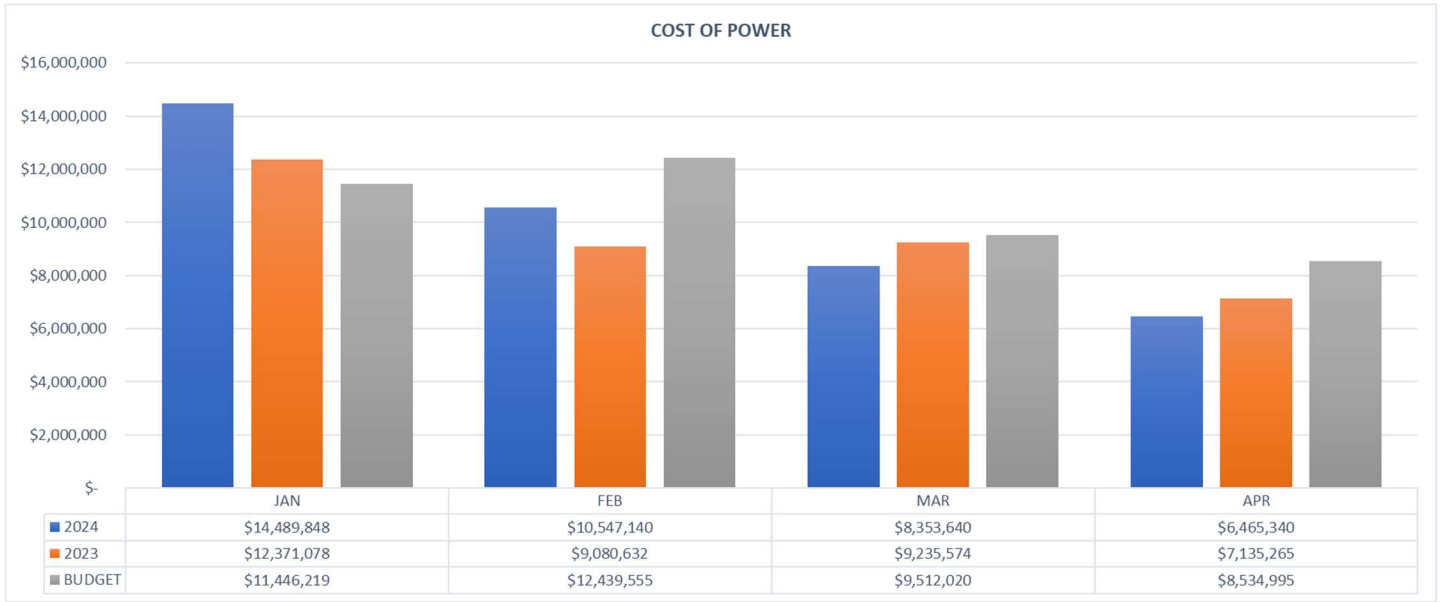
The graph below illustrates the amount of kWh sold to each class of member for the current year, prior year, and what was budgeted.



Cost of Purchased Power (line 3)

The cost of purchased power is under budget for the year by **\$2.1m**. This variance is a result of purchasing 34 million less kWh, decreasing our costs by \$2.9m combined with purchasing the power at a higher rate than budget offsetting the cost reduction by \$100k.
2024 power cost compared to the previous year is an increase of \$2m and 43 million kWh.

The graphs below illustrate the power costs and quantity of kWh’s purchased each month for 2024, 2023, and budget.



Controllable Costs/Operating Expenses (lines 6-11)

When comparing controllable costs to budget, collectively they are higher than budget by **\$600k** and higher than prior year by \$1.8m.

Maintenance expenses are currently over budget by **\$761k**. ROW circuits were completed and billed in April resulting in a shift from being under budget through March to over budget through April. This accounts for most of the variance in maintenance expenses.

COMPARING CURRENT YEAR TO PRIOR YEAR

COMPARING CURRENT YEAR TO BUDGET

	Year-To-Date 2024	Year-To-Date 2023	Variance		Year-To-Date 2024	Year-To-Date Budget	Variance	
6 Distribution Expense - Operation	1,461,155	1,358,744	102,411		1,461,155	1,267,712	193,443	
7 Distribution Expense - Maintenance	5,939,180	4,347,474	1,591,705		5,939,180	5,178,324	760,855	
8 Customer Accounts Expense	1,478,470	1,707,191	(228,721)		1,478,470	1,678,740	(200,270)	
9 Customer Service and Informational Expense	253,598	136,483	117,115		253,598	155,259	98,339	
10 Sales Expense	12,210	16,357	(4,147)		12,210	89,307	(77,098)	
11 Administrative and General Expense	1,782,671	1,514,280	268,391		1,782,671	1,957,709	(175,038)	
Total Operation & Maintenance Expense	10,927,283	9,080,528	1,846,755	5.38%	10,927,283	10,327,051	600,231	5.81%

Other Costs (lines 13-19)

Other costs compared to the budget are over **\$119k**. Compared to the previous year costs are over **\$191k**.

COMPARING CURRENT YEAR TO PRIOR YEAR

COMPARING CURRENT YEAR TO BUDGET

	Year-To-Date 2024	Year-To-Date 2023	Variance		Year-To-Date 2024	Year-To-Date Budget	Variance	
13 Depreciation & Amortization Expense	3,557,447	3,403,896	153,551		3,557,447	3,495,479	61,968	
14 Tax Expense - Property & Gross Receipts	43,620	55,000	(11,380)		43,620	49,000	(5,380)	
15 Tax Expense - Other	-	-	-		-	-	-	
16 Interest on Long-Term Debt	1,760,368	1,714,372	45,996		1,760,368	1,727,878	32,489	
17 Interest Charged to Construction - Credit	-	-	-		-	-	-	
18 Interest Expense - Other	49,606	52,042	(2,436)		49,606	16,000	33,606	
19 Other Deductions	15,355	10,046	5,309		15,355	18,600	(3,245)	
Total	5,426,396	5,235,357	191,040	5.38%	5,426,396	5,306,957	119,439	2.25%

Non-Operating Margins (lines 22-27)

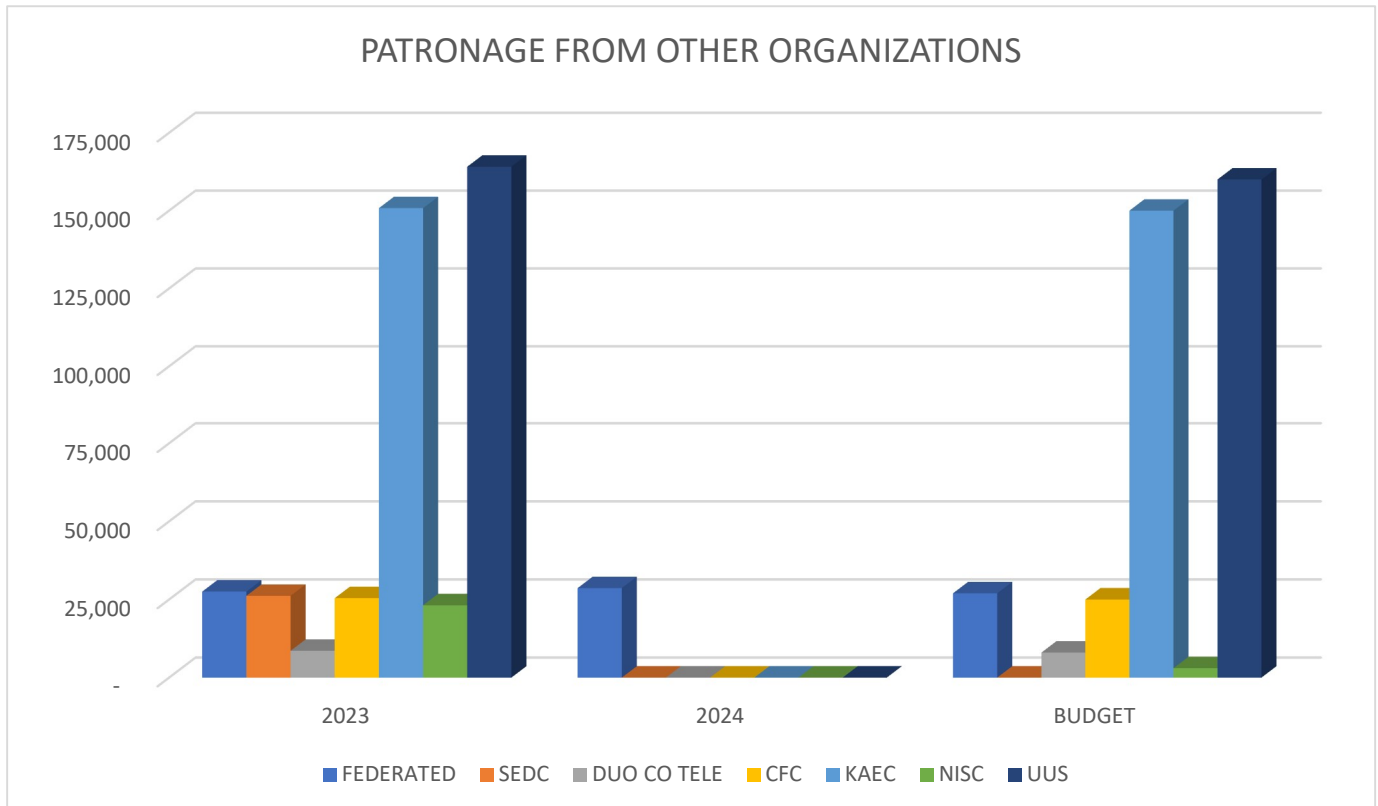
Non-operating Interest Income (line 22) for the year is higher than the budget by \$46k. This is the line on the income statement where all interest earned from investments are recorded and includes such items as CFC investments and RUS Cushion of Credit. Compared to the previous year \$64k more in interest revenue has been collected.

Generation and Transmission Capital Credits (line 26) patronage revenue is expected to be received in December.

	COMPARING CURRENT YEAR TO PRIOR YEAR			COMPARING CURRENT YEAR TO BUDGET		
	Year-To-Date 2024	Year-To-Date 2023	Variance	Year-To-Date 2024	Year-To-Date Budget	Variance
21 Patronage Capital & Operating Margins	626,274	(423,852)	1,050,126	626,274	1,307,284	(681,009)
22 Non Operating Margins - Interest	513,931	450,247	63,684	513,931	468,000	45,931
25 Non Operating Margins - Other	4,754	8,389	(3,635)	4,754	7,012	(2,258)
26 Generation and Transmission Capital Credits	-	-	-	-	-	-
27 Other Capital Credits and Patronage Dividends	28,656	27,541	1,115	28,656	27,000	1,656

Other Capital Credits and Patronage Dividends (line 27) represents all the patronage that we are allocated throughout the year from various other cooperatives. We have budgeted a total of \$373k for the year. As of April, we have received \$29k in patronage. Most patronage is expected to be received in September through December.

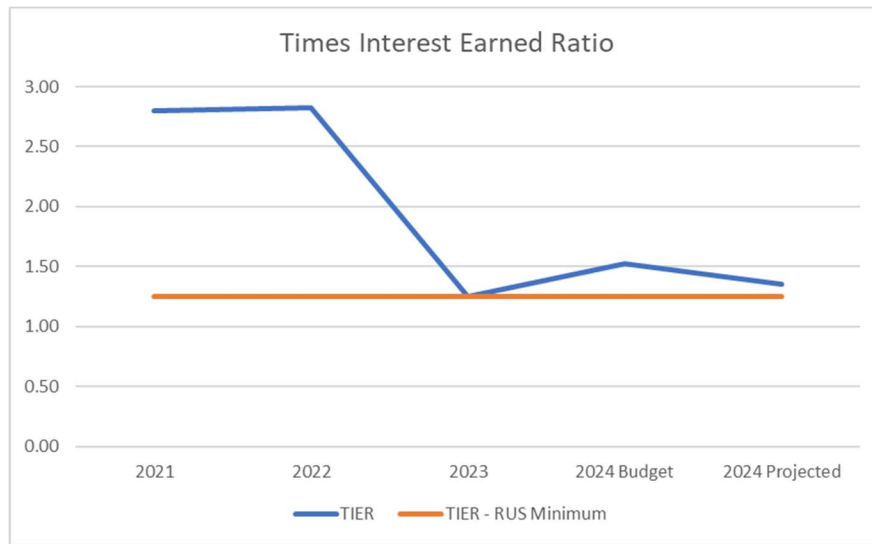
The graph below illustrates what we received in the prior year and what we have budgeted to receive this year.



Ratios

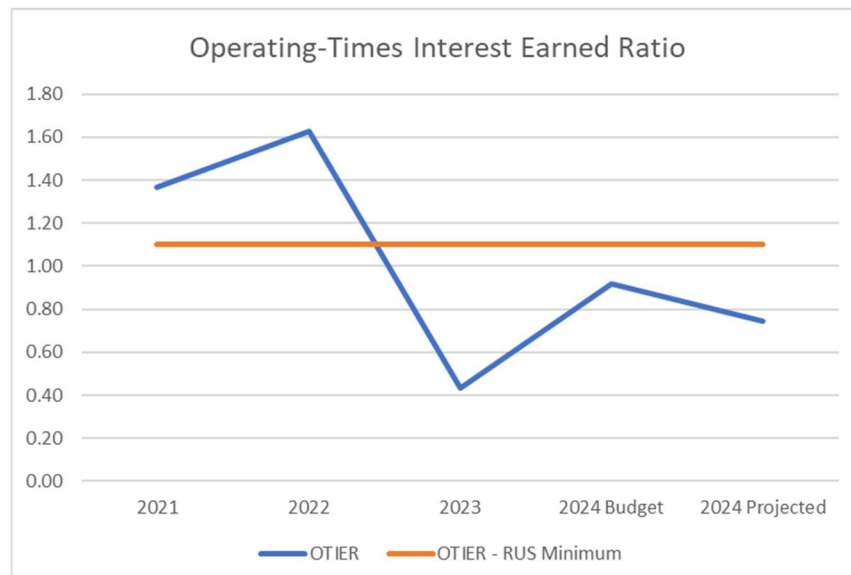
Lenders have several required minimum ratios we must meet each year. The Rural Utilities Service (RUS) allows for a best 2 out of 3 years to meet the minimums. This provides some leniency for 1 lower performing year out of 3.

Times Interest Earned Ratio (TIER) – Measures the ease of paying interest on long-term debt. The RUS minimum requirement is 1.25 and we are projecting a 2024 year-end TIER of **1.36**. Budgeted TIER was 1.52 and year-end 2023 was 1.25.



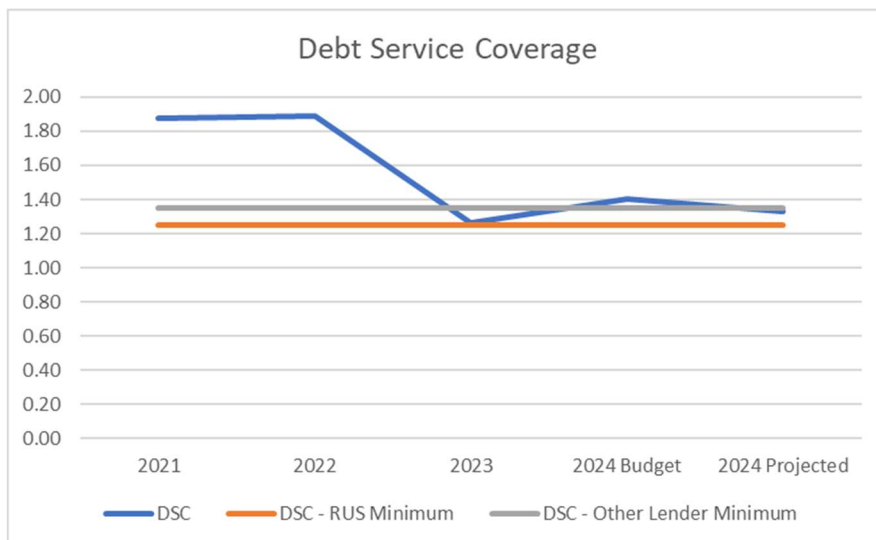
Operating Times Interest Earned Ratio (OTIER) – Similar to TIER except the OTIER uses operating margins instead of net margins.

The RUS minimum requirement is 1.10 and we are projecting a 2024 year-end OTIER of **0.75**. Budgeted OTIER was 0.92 and 2023 year-end was 0.43.



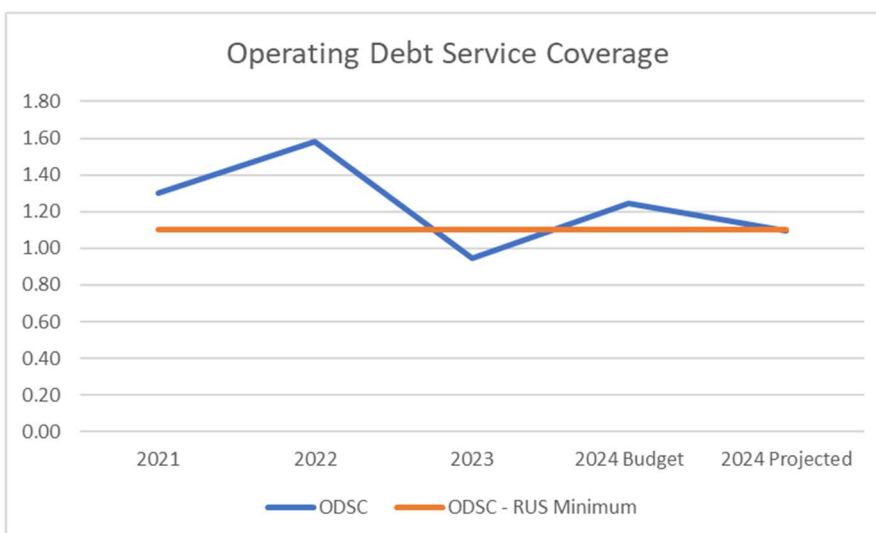
Debt Service Coverage (DSC) – Measures the cash flow ability to meet lender principal and interest payments.

The lender minimum requirement is 1.35, we are projecting a 2024 year-end DSC of **1.33**. Budgeted DSC was 1.41 and 2023 year-end was 1.27.



Operating Debt Service Coverage (ODSC) – Similar to DSC except the ODSC uses operating net margins instead of net margins.

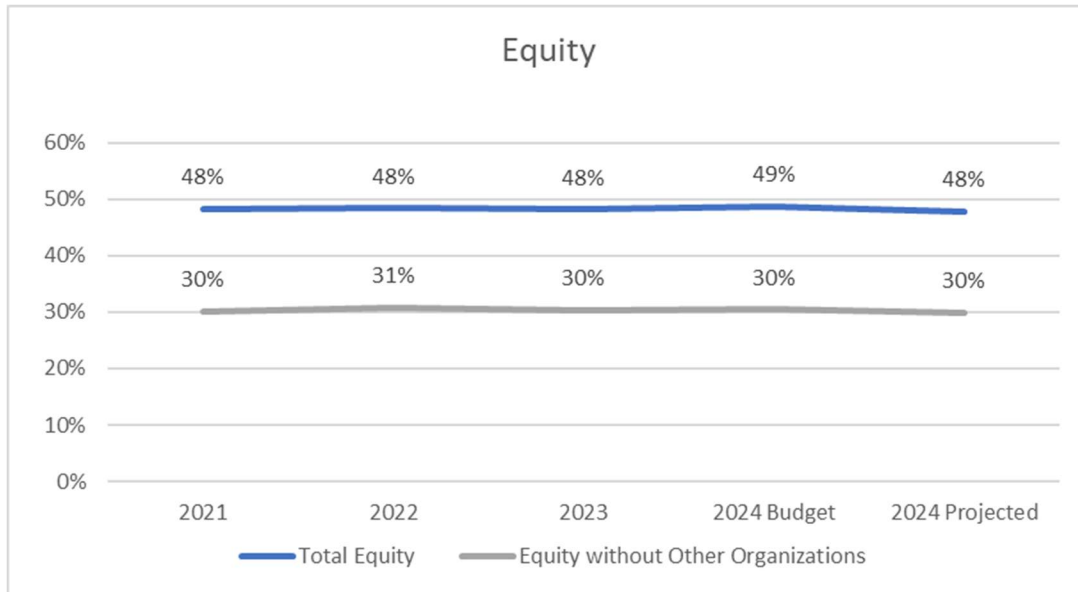
The RUS minimum requirement is 1.10, we are projecting a 2024 year-end ODSC of **1.09**. Budgeted ODSC was 1.24 and 2023 year-end was 0.95.



Equity - measures the proportion of the total assets that are financed by members, as opposed to lenders.

The RUS minimum requirement is 30% and our desired range has been set at 35%-45%. We are projecting a 2024 year-end total equity ratio of **48%**. Budgeted equity ratio was 49% and 2023 year-end was 48%.

The graph below illustrates total equity over time and what equity would be when the impact of patronage from our G&T and from all other organizations is removed. The equity rate of **30%** is the equity that has been generated wholly from cooperative margins or operations.



Long-Term Debt and Investment Information

Funding Source	Available	Current Month Outstanding	Prior Month Outstanding	Monthly Change Increase/(Decrease)
CFC Lines of Credit	15,000,000			-
CFC Investments	6,957,306			(1,813,794)
Cushion of Credit	14,608,371			(1,807,171)
FFB	24,000,000	146,361,866	147,307,027	(945,161)
RUS		2,439,167	2,461,187	(22,019)
CFC		2,740,889	2,740,889	-
CoBank		36,887,982	37,148,221	(260,239)
City of Monticello		2,053,333	2,053,333	-
USDA - Eco. Dev. Loans		871,528	888,889	(17,361)
USDA - Eco. Dev. Grants		2,566,000	2,566,000	-
USDA - Eco. Dev. Investment	995,178			34,650
	\$ 61,560,855	\$ 193,920,764	\$ 195,165,545	\$ (4,831,096)

Financial Results for May 2024

Net Margins – (line 29)

Net Margins for the month were a loss of **\$1.8m** compared to a budgeted loss of **\$520k**. The major factors resulting in the variance were:

- The storm caused unplanned expenses totaling \$440k for May, \$335k of that expense was for labor and benefits.
- Contractor right of way clearing is higher than budget for the month by \$518k.

Compare Current Month to Budget and Prior Year

29 Patronage Capital or Margins

May 2024 Actual	May 2024 Budget	Variance		May 2023 Actual
\$ (1,800,907)	\$ (519,837)	\$ (1,281,070)	246%	\$ 676,955

Net margins year-to-date are a loss of **\$627k** compared to a budgeted gain of \$1.3m resulting in lower than expected margins by **\$1.9m**. Prior year-to-date net margins were \$739k.

Compare Current Year to Budget

29 Patronage Capital or Margins

Year-To-Date 2024	Year-To-Date Budget	Variance	
\$ (627,291)	\$ 1,289,458	\$ (1,916,749)	-149%

Largest variances to budget year-to-date are in the following areas:

- Contractor right of way maintenance YTD expenses are \$1m higher than budget, planned circuit work is 50% complete.
- Expensed storm costs of \$440k through May.
- Higher than budgeted labor costs.

Operating Revenues (line 1)

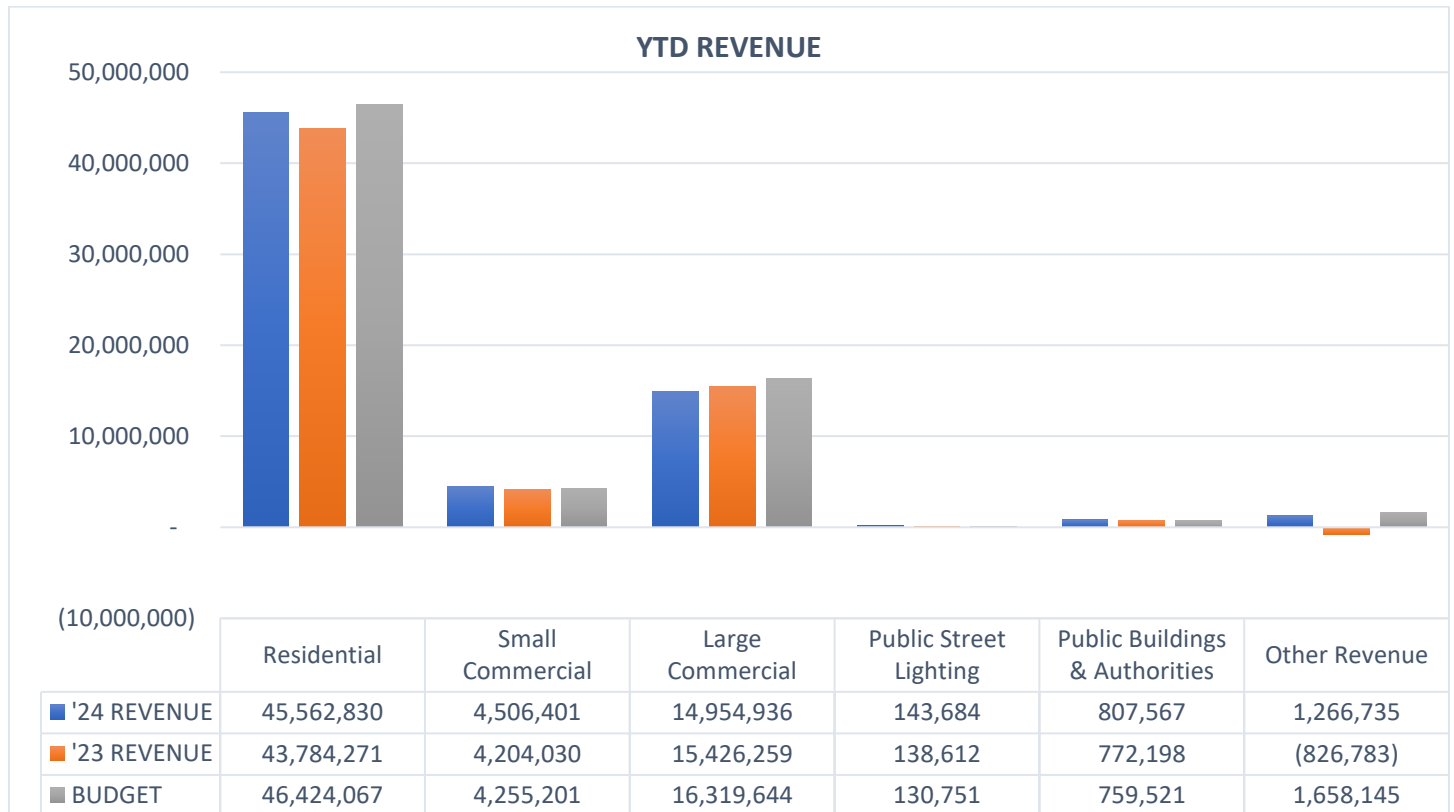
Operating revenues are under budget by **\$2.3m** for the year, and higher than the prior year by \$3.7m.

Compare Current Year to Prior Year

Compare Current Year to Budget

	Compare Current Year to Prior Year				Compare Current Year to Budget			
	Year-To-Date 2024	Year-To-Date 2023	Variance		Year-To-Date 2024	Year-To-Date Budget	Variance	
1 Operating Revenue and Patronage Capital	\$ 67,242,152	\$ 63,498,586	\$ 3,743,567	6%	\$ 67,242,152	\$ 69,547,329	\$ (2,305,177)	-3%

The largest contributors to this YTD budget variance are from residential and large commercial/industrial classes with shortfalls of **\$861k** and **\$1.3m** respectively.



kWh Sold

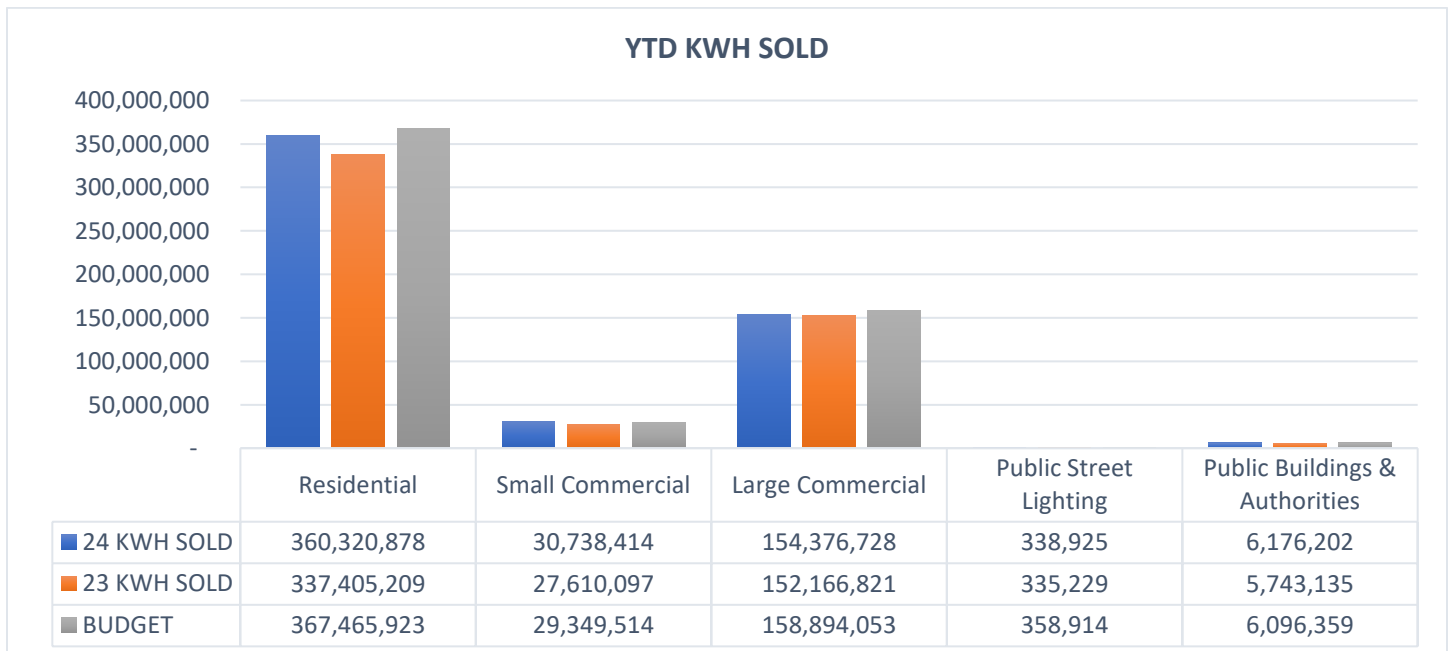
For the year, we have sold **552 million** kWh compared to the budget of 562 million, a shortfall in hours sold of approximately 10 million.

When comparing the current year to the previous year, we have sold 29 million more kWh.

Milder weather than normal for both YTD 2024 and 2023 has resulted in fewer kWh sold.

	Year-To-Date 2024	Year-To-Date 2023	Year-To-Date Budget
kWh Sold	551,951,147	523,260,491	562,164,762
Average Usage/Meter	7,773	7,452	8,006
	2024 Y-T-D	2023 Y-T-D	Normal Y-T-D
Degree Days -Heating	2,152	2,021	2,712
Degree Days - Cooling	214	109	136
Total Degree Days	2,366	2,130	2,848

The graph below illustrates the amount of kWh sold to each class of member for the current year, prior year, and what was budgeted.

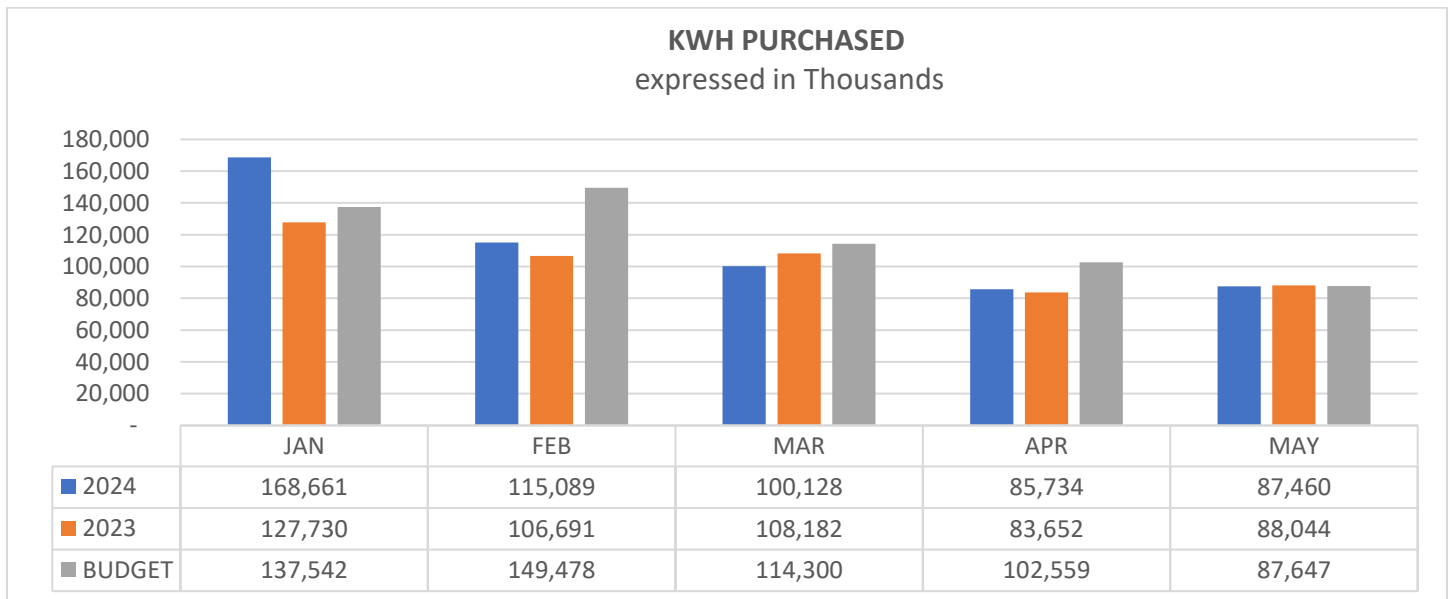
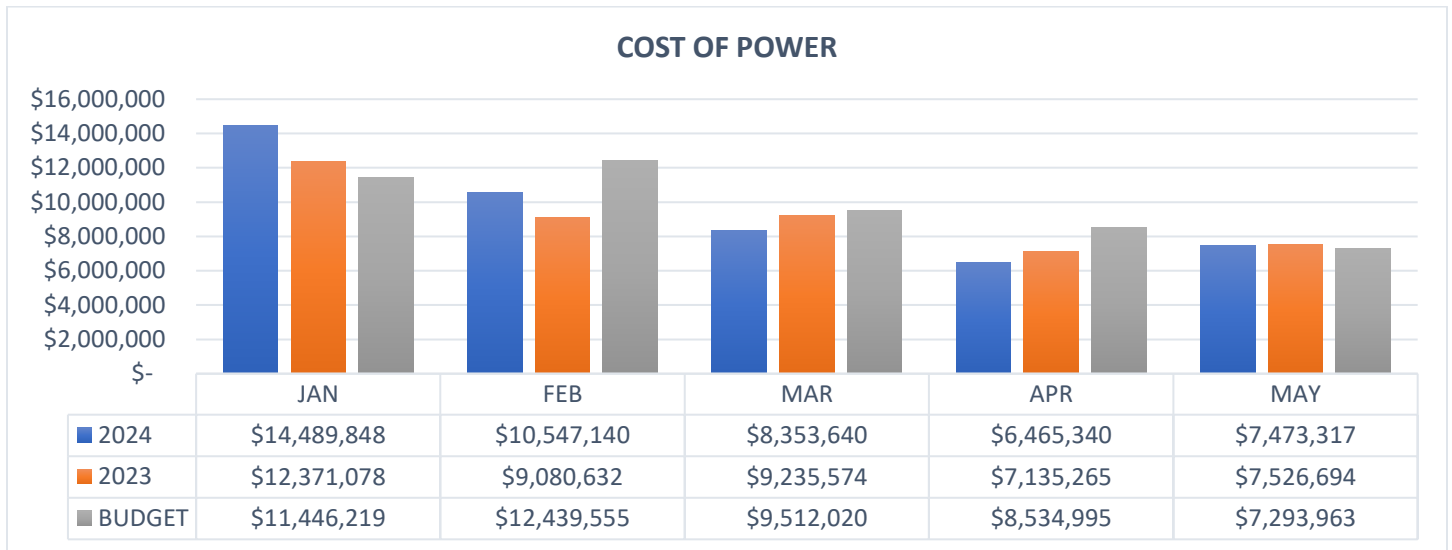


Cost of Purchased Power (line 3)

The cost of purchased power is under budget for the year by \$1.9m. This variance is a result of purchasing 34.5 million less kWh, decreasing our costs by \$2.9m combined with purchasing the power at a higher rate than budget offsetting the cost reduction by \$1m.

2024 power cost compared to the previous year is an increase of \$2m and 43 million kWh.

The graphs below illustrate the power costs and quantity of kWh's purchased each month for 2024, 2023, and budget.



Controllable Costs/Operating Expenses (lines 6-11)

When comparing controllable costs to budget, collectively they are higher than budget by **\$500k** and higher than prior year by **\$5m**.

Maintenance expenses are currently over budget by **\$1.8m**.

ROW circuits completed and billed YTD amount to 50% of planned work for the year.

- Planned circuits expensed YTD total \$3.9m
- Circuits planned in prior year, completed in 2024 total \$400k

Operations & Maintenance labor is higher than the budget by **\$500k** for the year. This is partially offset by lower than budgeted labor in Customer Accounts, Customer Service, Sales and Admin/General expenses by \$150k. Approximately \$335k of YTD labor costs were related to the May storm.

	Compare Current Year to Prior Year				Compare Current Year to Budget			
	Year-To-Date 2024	Year-To-Date 2023	Variance		Year-To-Date 2024	Year-To-Date Budget	Variance	
6 Distribution Expense - Operation	1,788,369	1,774,666	13,703		1,788,369	1,594,679	193,690	
7 Distribution Expense - Maintenance	8,269,288	5,337,723	2,931,564		8,269,288	6,521,570	1,747,718	
8 Customer Accounts Expense	1,849,968	2,106,427	(256,459)		1,849,968	2,109,824	(259,855)	
9 Customer Service and Informational Expense	301,675	172,008	129,667		301,675	190,857	110,818	
10 Sales Expense	15,713	20,678	(4,965)		15,713	111,833	(96,120)	
11 Administrative and General Expense	2,176,610	2,006,271	170,339		2,176,610	2,482,169	(305,559)	
Total Operation & Maintenance Expense	14,401,623	11,417,775	4,963,900	4%	14,401,623	13,010,931	(506,767)	-4%

\$3.4m of the cost variance to the prior year is in dollars spent on right of way clearing.

Other Costs (lines 13-19)

Other costs compared to the budget are over **\$161k**, and **\$232k** compared to the prior year.

	Compare Current Year to Prior Year				Compare Current Year to Budget			
	Year-To-Date 2024	Year-To-Date 2023	Variance		Year-To-Date 2024	Year-To-Date Budget	Variance	
13 Depreciation & Amortization Expense	4,456,262	4,261,694	194,568		4,456,262	4,377,505	78,757	
14 Tax Expense - Property & Gross Receipts	54,525	68,750	(14,225)		54,525	61,250	(6,725)	
15 Tax Expense - Other	-	-	-		-	-	-	
16 Interest on Long-Term Debt	2,211,205	2,156,341	54,864		2,211,205	2,156,372	54,833	
17 Interest Charged to Construction - Credit	-	-	-		-	-	-	
18 Interest Expense - Other	61,238	65,851	(4,613)		61,238	20,000	41,238	
19 Other Deductions	16,041	14,745	1,296		16,041	22,900	(6,859)	
Total	6,799,270	6,567,381	231,890	4%	6,799,270	6,638,026	161,244	2%

Non-Operating Margins (lines 22-27)

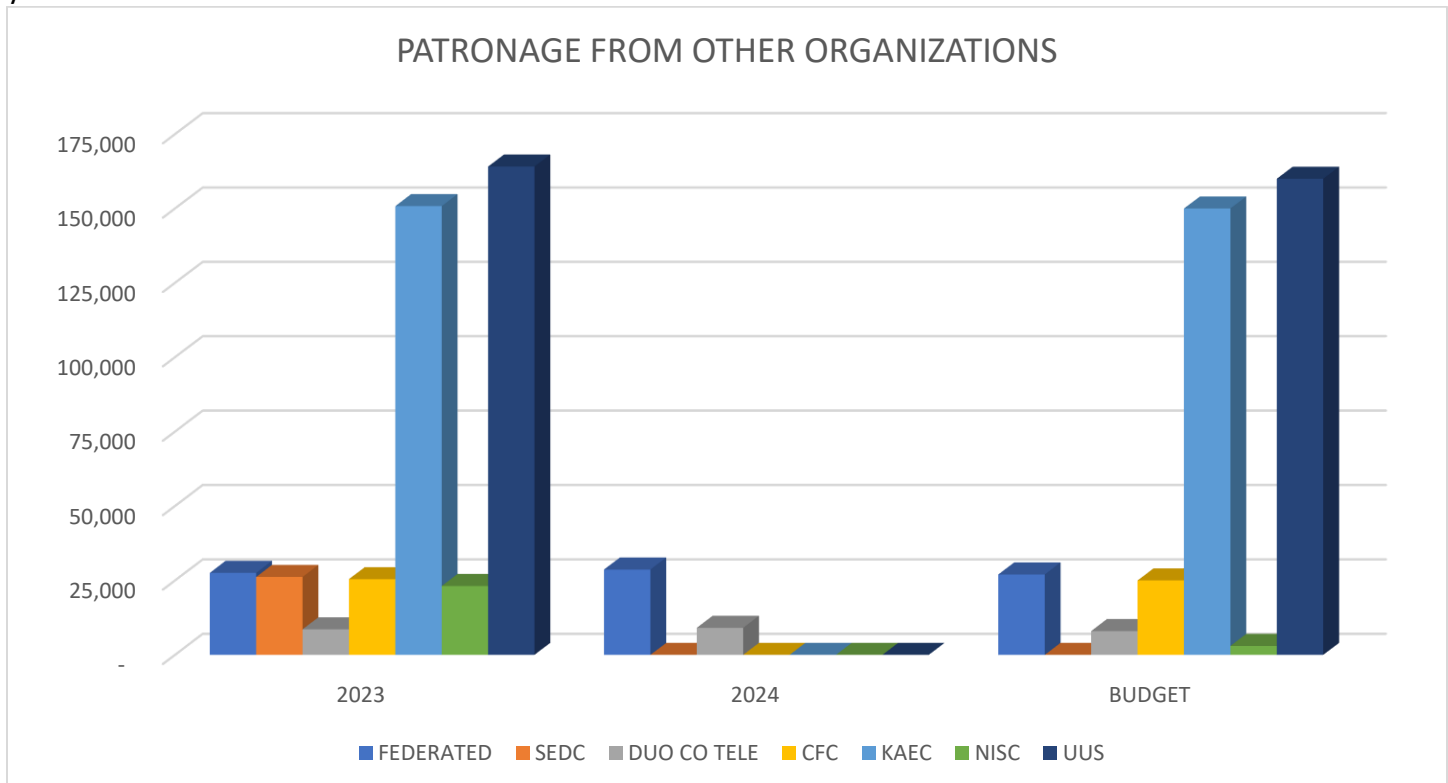
Non-operating Interest Income (line 22) is higher than budget by \$42k for the year. This is the line on the income statement where all interest earned from investments are recorded and includes such items as CFC investments and RUS Cushion of Credit. Compared to the previous year \$86k more in interest revenue has been collected.

Generation and Transmission Capital Credits (line 26) patronage revenue is expected to be received in December.

	Compare Current Year to Prior Year			Compare Current Year to Budget		
	Year-To-Date 2024	Year-To-Date 2023	Variance	Year-To-Date 2024	Year-To-Date Budget	Variance
21 Patronage Capital & Operating Margins	60,442,882	56,931,205	3,511,677	60,442,882	62,909,303	(2,466,420)
22 Non Operating Margins - Interest	616,563	530,384	86,179	616,563	575,000	41,563
25 Non Operating Margins - Other	6,436	8,597	(2,161)	6,436	7,840	(1,404)
26 Generation and Transmission Capital Credits	-	-	-	-	-	-
27 Other Capital Credits and Patronage Dividends	37,746	36,113	1,633	37,746	35,000	2,746

Other Capital Credits and Patronage Dividends (line 27) represents all the patronage that we are allocated throughout the year from various other cooperatives. We have budgeted a total of \$373k for the year. As of May, we have received \$38k in patronage. Most patronage is expected to be received in September through December.

The graph below illustrates what we received in the prior year and what we have budgeted to receive this year.



Ratios

Lenders have several required minimum ratios we must meet each year. The Rural Utilities Service (RUS) allows for an average of the best 2 out of 3 years to meet the minimums. Section 5.4 shown here is from the current RUS work plan loan contract. Part (b) explains the coverage ratio requirements.

Section 5.4. Rates to Provide Revenue Sufficient to Meet Coverage Ratios Requirements.

(a) Prospective Requirement. The Borrower shall design and implement rates for utility service furnished by it to provide sufficient revenue (along with other revenue available to the Borrower in the case of TIER and DSC) (i) to pay all fixed and variable expenses when and as due, (ii) to provide and maintain reasonable working capital, and (iii) to maintain, on an annual basis, the Coverage Ratios. In designing and implementing rates under this paragraph, such rates should be capable of producing at least enough revenue to meet the requirements of this paragraph under the assumption that average weather conditions in the Borrower's service territory shall prevail in the future, including average Utility System damage and outages due to weather and the related costs.

(b) Retrospective Requirement. The average Coverage Ratios achieved by the Borrower in the 2 best years out of the 3 most recent calendar years must be not less than any of the following:

TIER	=	1.25
DSC	=	1.25
OTIER	=	1.1
ODSC	=	1.1

(c) Prospective Notice of Change in Rates. The Borrower shall give thirty (30) days prior written notice of any proposed change in its general rate structure to RUS if RUS has requested in writing that it be notified in advance of such changes.

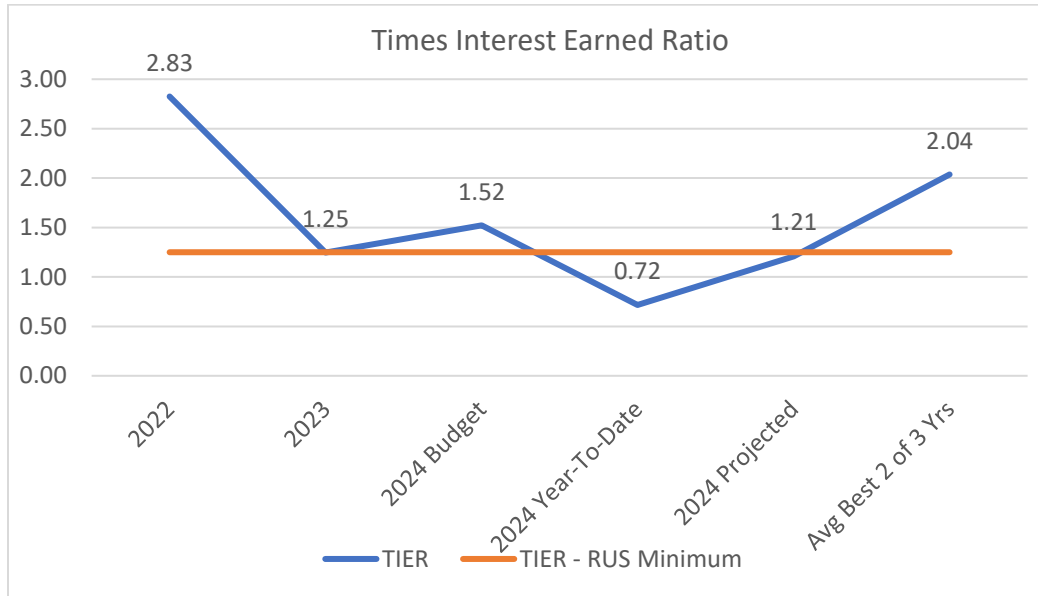
(d) Routine Reporting of Coverage Ratios. Promptly following the end of each calendar year, the Borrower shall report, in writing, to RUS the TIER, Operating TIER, DSC and Operating DSC levels which were achieved during that calendar year.

(e) Reporting Non-achievement of Retrospective Requirement. If the Borrower fails to achieve the average levels required by paragraph (b) of this section, it must promptly notify RUS in writing to that effect.

(f) Corrective Plans. Within 30 days of sending a notice to RUS under paragraph (e) of this section, or of being notified by RUS, whichever is earlier, the Borrower in consultation with RUS, shall provide a written plan satisfactory to RUS setting forth the actions that shall be taken to achieve the required Coverage Ratios on a timely basis.

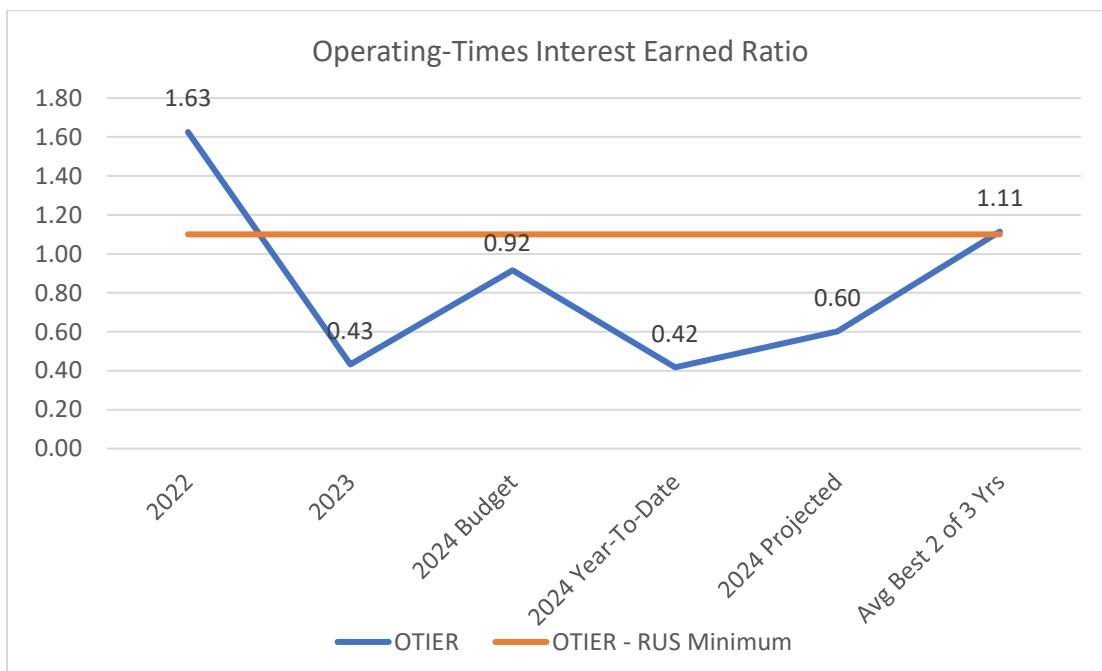
(g) Noncompliance. Failure to design and implement rates pursuant to paragraph (a) of this section and failure to develop and implement the plan called for in paragraph (f) of this section shall constitute an Event of Default under this Agreement in the event that RUS so notifies the Borrower to that effect under section 7.1(d) of this Agreement.

Times Interest Earned Ratio (TIER) – Measures the ease of paying interest on long-term debt. The RUS minimum requirement is 1.25 and we are projecting a 2024 year-end TIER of 1.21. Budgeted TIER was 1.52 and year-end 2023 was 1.25. The current YTD TIER is 0.72 and the average for the best 2 out of the last 3 years is 2.04.



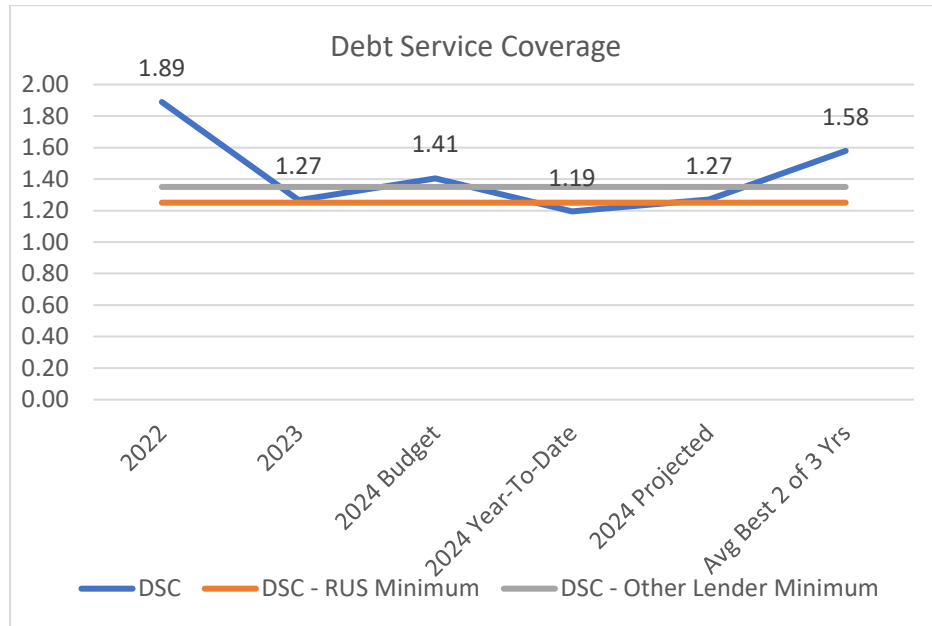
Operating Times Interest Earned Ratio (OTIER) – Similar to TIER except the OTIER uses operating margins instead of net margins.

The RUS minimum requirement is 1.10 and we are projecting a 2024 year-end OTIER of 0.60. Budgeted OTIER was 0.92 and 2023 year-end was 0.43. The current YTD OTIER is 0.42 and the average for the best 2 out of the last 3 years is 1.11.



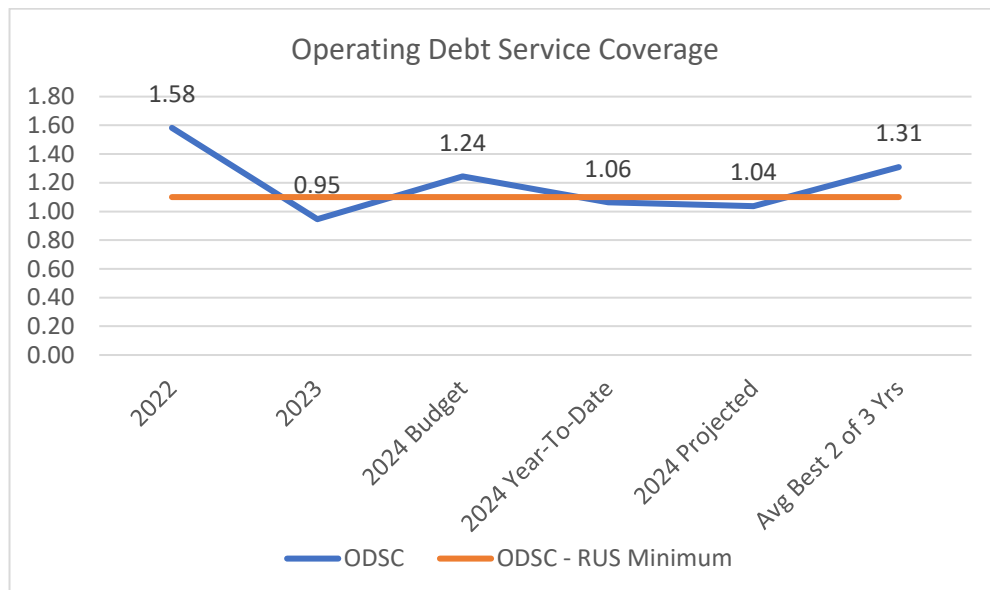
Debt Service Coverage (DSC) – Measures the cash flow ability to meet lender principal and interest payments.

The lender minimum requirement is 1.35, we are projecting a 2024 year-end DSC of 1.27. Budgeted DSC was 1.41 and 2023 year-end was 1.27. The current YTD DSC is 1.19 and the average for the best 2 out of the last 3 years is 1.58.



Operating Debt Service Coverage (ODSC) – Similar to DSC except the ODSC uses operating margins instead of net margins.

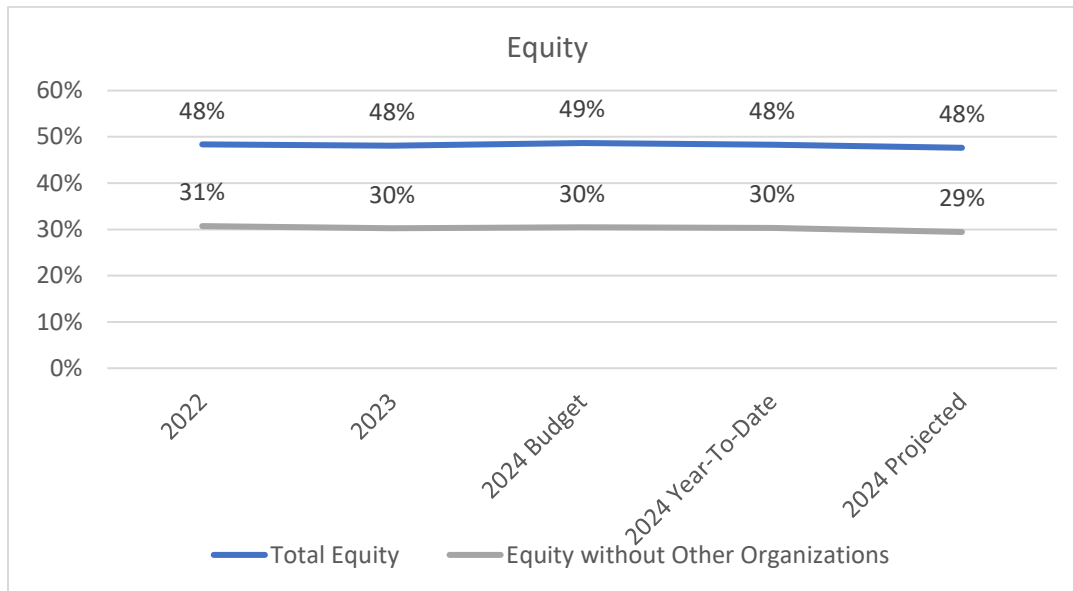
The RUS minimum requirement is 1.10, we are projecting a 2024 year-end ODSC of 1.04. Budgeted ODSC was 1.24 and 2023 year-end was 0.95. The current YTD ODSC is 1.06 and the average for the best 2 out of the last 3 years is 1.31.



Equity - measures the proportion of the total assets that are financed by members, as opposed to lenders.

The RUS minimum requirement is 30% and our desired range has been set at 35%-45%. We are projecting a 2024 year-end total equity ratio of 48%. Budgeted equity ratio was 49% and 2023 year-end was 48%.

The graph below illustrates total equity over time and what equity would be when the impact of patronage from our G&T and from all other organizations is removed. The equity rate of 30% is the equity that has been generated wholly from cooperative margins or operations.



LONG TERM DEBT AND INVESTMENT INFORMATION

Funding Source	Available	Current Month Outstanding	Prior Month Outstanding	Monthly Change Increase/(Decrease)	Annual Change Increase/(Decrease)
CFC Lines of Credit	15,000,000			-	-
CFC Investments	5,516,713			(1,440,593)	(6,418,920)
Cushion of Credit	14,648,361			39,990	(1,628,738)
FFB	24,000,000	146,361,866	146,361,866	-	(945,161)
RUS		2,417,281	2,439,167	(21,886)	(109,480)
CFC		2,546,601	2,740,889	(194,288)	(385,801)
CoBank		36,626,962	36,887,982	(261,019)	(1,297,315)
City of Monticello		2,053,333	2,053,333	-	-
USDA - Eco. Dev. Loans		854,167	871,528	(17,361)	(86,806)
USDA - Eco. Dev. Grants		2,566,000	2,566,000	-	-
USDA - Eco. Dev. Investment	1,042,267			47,088	204,843
	\$ 60,207,340	\$ 193,426,210	\$ 193,920,764	\$ (1,848,069)	\$ (10,667,378)

Statement of Cash Flows:

This statement is helpful in monitoring the flow of cash.

It starts with the beginning of the year cash on hand.

Cash from Operations

- adds in current year net margins
- adds back in expenses that are non-cash items such as depreciation
- subtracts out non-cash revenues such as patronage received
- adjusts for the increase or decrease in receivable and payable balances

Cash from Investing

- shows how much cash was put back into plant assets
- adds in cash received from loan payments and patronage receipts

Cash from Financing

- funds received from new loans
- reductions for loan payments made
- reductions for capital credit payouts
- adjusts for cash changes to memberships, deposits and discounted retirements

The ending total is the current cash on hand.

Statement of Cash Flow			
Cash at Beginning of Period			\$ 3,769,492
Cash from Operations			
	Net Margins	\$ (627,291)	
	Depreciation and Amortization (net of retirement losses)	3,315,349	
	Less Non-Cash Patronage Received	(37,746)	
	Cash from Temporary Investments	6,362,194	
	Cash from Accounts Receivable and Other Assets	1,045,955	
	Cash from Accounts Payable and Other Liabilities	(748,005)	
Net Cash from Operations			9,310,457
Cash from Investing			
	Plant Additions:		
	General Plant	(577,003)	
	Distribution Plant	(6,688,713)	
	Cash from Economic Development Loan Payments	282,026	
	Cash Patronage Received from Other Organizations	32,026	
Net Cash from Investing			(6,951,665)
Cash from Financing			
	New Debt - Draw(s) on Work Plan Funds	-	
	Reduction in Cushion of Credit	1,628,738	
	(From Payment of RUS Principal and Interest)		
	Long Term Debt Payments - RUS, CFC, CoBank	(2,824,562)	
	Capital Credit Retirements:		
	Estate Retirements	(117,711)	
	General Retirement		
	Memberships, Consumer Deposits and Discounted Retirements	(85,914)	
Net Cash from Financing			(1,399,449)
Cash at End of Period			\$ 4,728,835

Financial Results for June 2024

Net Margins – (line 29)

Net Margins for the month are a loss of **\$1.18m** compared to a budgeted loss of **\$322k** for a variance of \$860k. Margins for the same month in the prior year were a loss of **\$1.36m**.

Compare Current Month to Budget and Prior Year

	June 2024 <u>Actual</u>	June 2024 <u>Budget</u>	<u>Variance</u>		June 2023 <u>Actual</u>
21 Patronage Capital & Operating Margins	(1,283,613)	(431,048)	(852,566)	198%	(1,567,221)
22 Non Operating Margins - Interest	100,652	107,000	(6,348)		208,176
25 Non Operating Margins - Other	1,205	1,728	(523)		514
26 Generation and Transmission Capital Credits	-	-	-		-
27 Other Capital Credits and Patronage Dividends	-	-	-		-
29 Patronage Capital or Margins	\$ (1,181,757)	\$ (322,320)	\$ (859,437)	267%	\$ (1,358,530)

The major factors resulting in the month's variance to budget are:

- Power cost is \$1.2m higher than budget and \$1.9m higher than prior year.
 - 108m kWh were purchased, 98m were budgeted and 93m were purchased in June 2023.
 - Lag in pass through and timing of billing provided a Gross Margin less than budget by \$1.14m.

Compare Current Month to Budget and Prior Year

	June 2024 <u>Actual</u>	June 2024 <u>Budget</u>	<u>Variance</u>		June 2023 <u>Actual</u>
1 Operating Revenue and Patronage Capital	\$ 11,754,329	\$ 11,717,845	\$ 36,484	0%	\$ 10,214,834
3 Cost of Purchased Power	9,324,490	8,146,879	1,177,611	14%	7,422,301
Gross Margin	2,429,839	3,570,966	(1,141,128)	-32%	2,792,533
	21%	30%			27%

- Vegetation management expenses are under budget for the month by \$300k. This is expected given the volume of work completed in the first 5 months of the year.

Net margins year-to-date are a loss of **\$1.8m** compared to a budgeted gain of \$967k. Prior year-to-date net margins were a loss of **\$619k**.

Compare Current Year to Budget

	Year-To-Date <u>2024</u>	Year-To-Date <u>Budget</u>	<u>Variance</u>	
21 Patronage Capital & Operating Margins	(2,571,649)	240,571	(2,812,219)	-1169%
22 Non Operating Margins - Interest	717,214	682,000	35,214	
25 Non Operating Margins - Other	7,641	9,568	(1,927)	
26 Generation and Transmission Capital Credits	-	-	-	
27 Other Capital Credits and Patronage Dividends	37,746	35,000	2,746	
29 Patronage Capital or Margins	\$ (1,809,047)	\$ 967,139	\$ (2,776,186)	-287%

The largest variances to budget year-to-date are in the following areas:

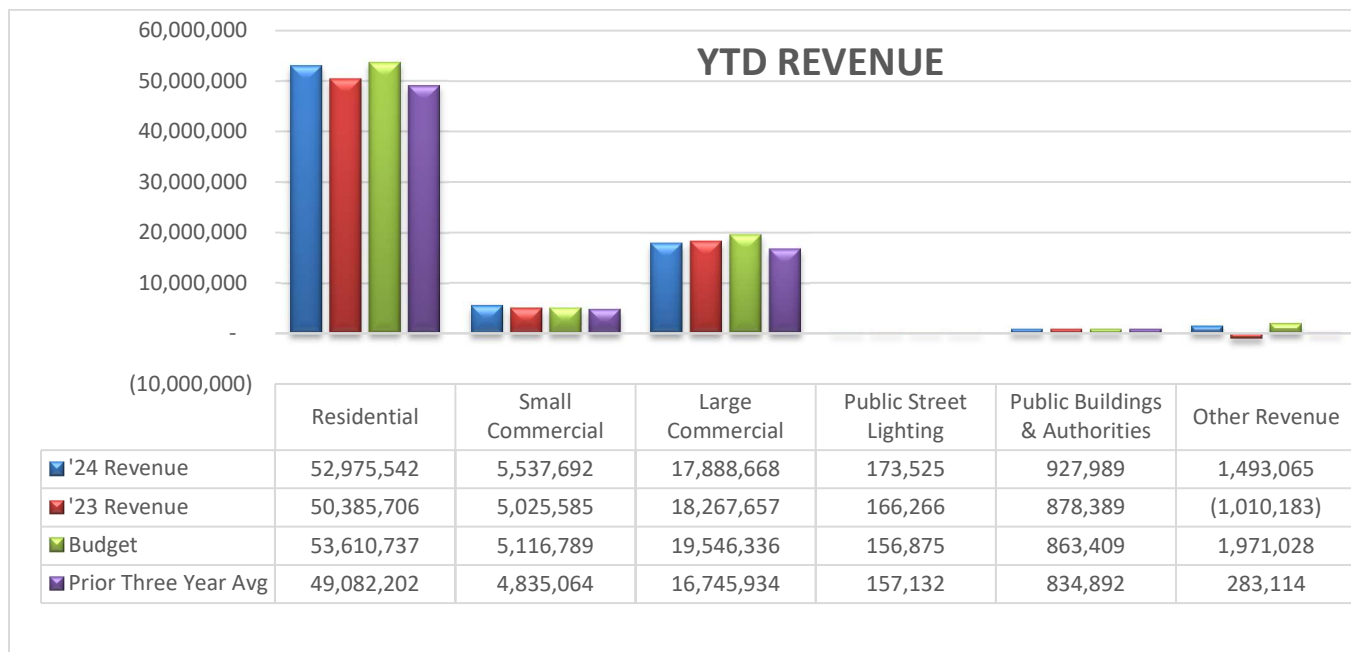
- The gross margin is less than the budget YTD by \$1.5m. Revenue is less than the budget by \$2.3m. Mainly from large commercial and residential class sales. There are ~400 fewer degree days than normal.
- ROW Clearing expense is over budget YTD by \$951k. Down ~300k from the prior month's variance.

Operating Revenues (line 1)

Operating revenues are under budget by **\$2.27m** for the year, and higher than the prior year by **\$5.3m**.

The largest contributor to this YTD budget variance is from the large commercial/industrial class with a shortfall of **\$1.66m**.

The graph below illustrates the amount of revenue from each class of member for the current year, prior year, budget and the average of the 3 most recent prior years.



kWh Sold

For the year, we have sold **640 million** kWh compared to the budget of 655 million, a shortfall in hours sold of approximately 15 million.

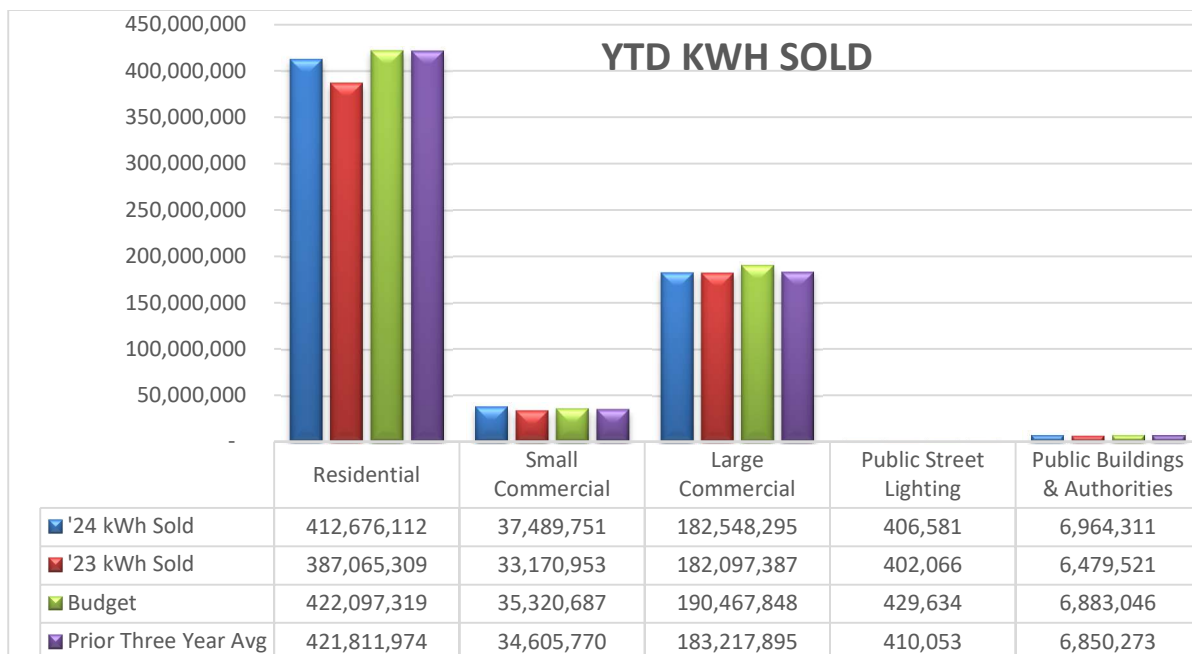
When comparing the current year to the previous year, we have sold 31 million more kWh.

Milder weather than normal for both YTD 2024 and 2023 has resulted in fewer kWh sold.

	Year-To-Date 2024	Year-To-Date 2023	Year-To-Date Budget
Accounts Connected	71,079	70,326	70,326
kWh Sold	640,085,050	609,215,236	655,198,534
Average Usage/Meter	9,005	8,663	9,317
	2024 Y-T-D	2023 Y-T-D	Normal Y-T-D
Degree Days -Heating	2,154	2,024	2,720
Degree Days - Cooling	555	315	393
Total Degree Days	2,709	2,339	3,113

The graph below illustrates the amount of kWh sold to each class of member for the current year, prior year, budget and the average of the 3 most recent prior years.

Several small commercial classes were incorrectly classified as large commercial during 2023. They have been corrected and account for about a 2m kWh change from large commercial to small commercial sales for 2024. This is a classification change only but helps to explain the large increase in small commercial hours over the prior year and lack of increase in large commercial hours.

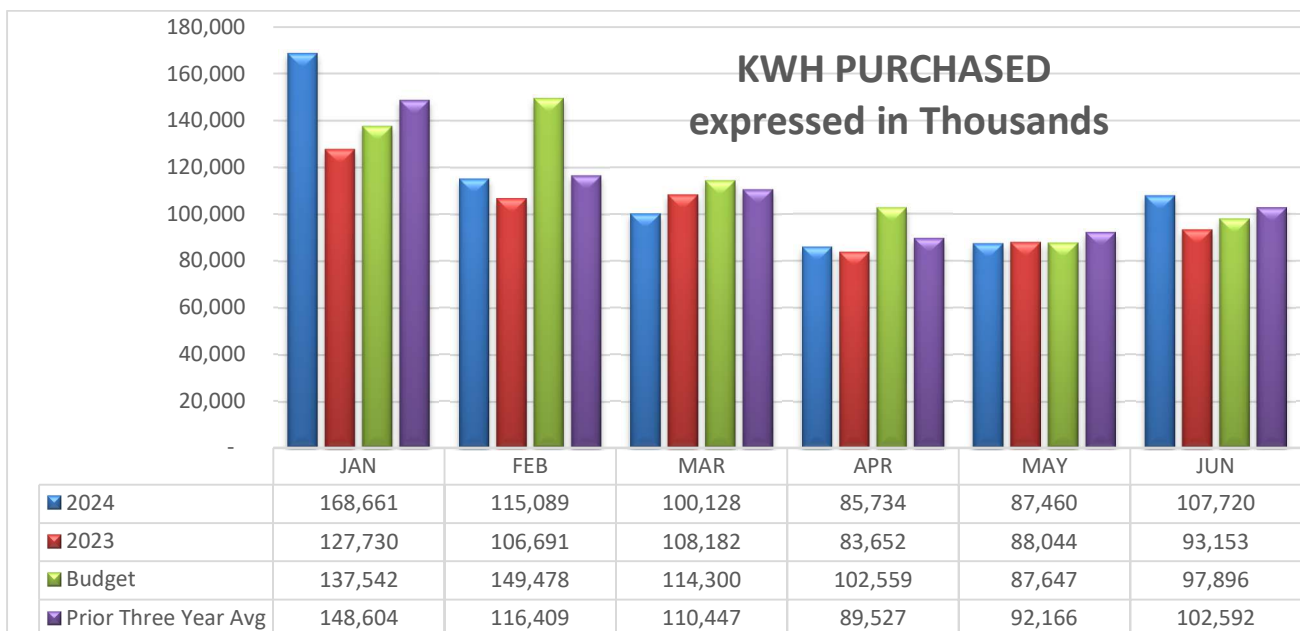
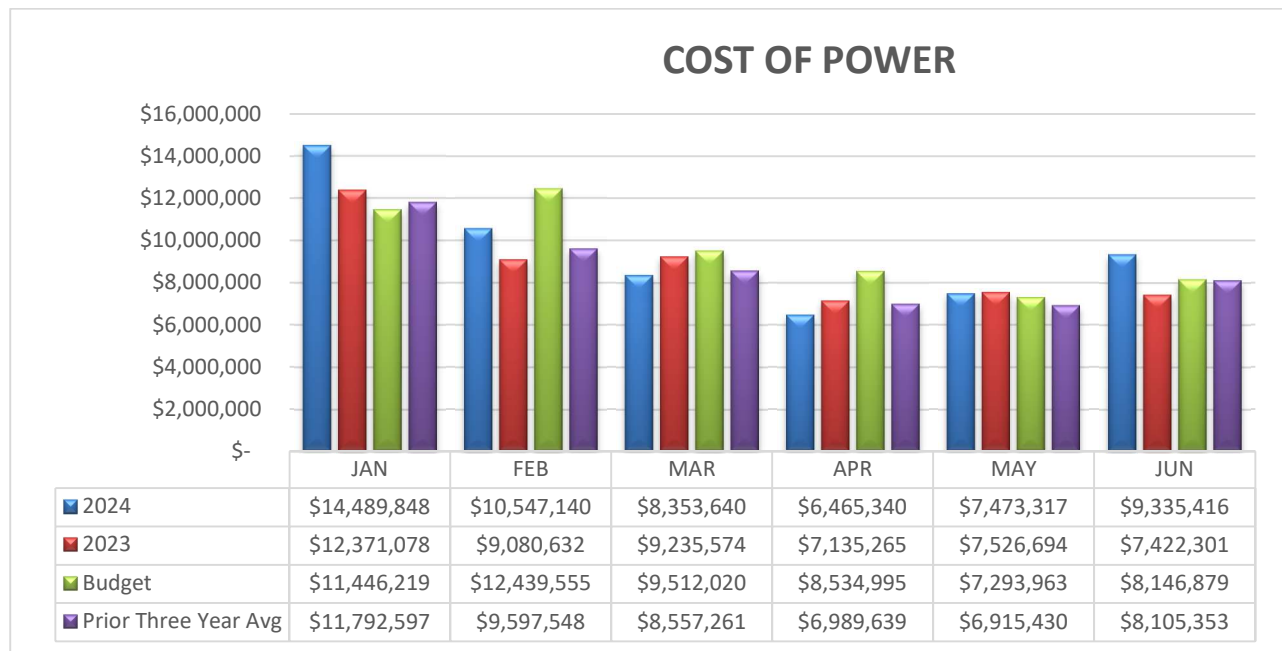


Cost of Purchased Power (line 3)

The cost of purchased power is under budget for the year by **\$720k**. This variance is a result of purchasing 24.6 million less kWh, decreasing our costs by \$2m combined with purchasing the power at a higher rate than budget offsetting the cost reduction by \$1.3m.

2024 power cost compared to the previous year is an increase of \$3.9m and 57 million kWh.

The graphs below illustrate the power costs and quantity of kWh's purchased each month for 2024, 2023, budget and the average of the 3 most recent prior years.



Controllable Costs/Operating Expenses (lines 6-11)

When comparing controllable costs to budget, collectively they are higher than budget by **\$1m** and higher than prior year by **\$2.2m**.

Maintenance expenses are currently over budget by **\$1.6m**. \$950k is related to ROW clearing. ROW circuits completed and billed YTD amount to 54% of planned work for the year.

- Planned circuits expensed YTD total \$4.2m
- Circuits planned in prior year, completed in 2024 total \$400k

Labor and Labor Overheads are higher than the budget by ~**\$600k** for the year. Approximately \$335k of YTD labor costs were related to the May storm and expected to be partially reimbursed.

	Compare Current Year to Prior Year			Compare Current Year to Budget		
	Year-To-Date 2024	Year-To-Date 2023	Variance	Year-To-Date 2024	Year-To-Date Budget	Variance
6 Distribution Expense - Operation	2,084,040	2,191,777	(107,737)	2,084,040	1,893,242	190,798
7 Distribution Expense - Maintenance	9,458,563	7,125,294	2,333,269	9,458,563	7,835,324	1,623,239
8 Customer Accounts Expense	2,141,853	2,463,181	(321,329)	2,141,853	2,517,803	(375,950)
9 Customer Service and Informational Expense	345,577	198,411	147,165	345,577	246,636	98,940
10 Sales Expense	18,378	24,771	(6,393)	18,378	132,225	(113,847)
11 Administrative and General Expense	2,665,605	2,477,183	188,422	2,665,605	3,052,061	(386,456)
Total Operation & Maintenance Expense	16,714,015	14,480,617	2,233,399	16,714,015	15,677,291	1,036,725
			15%			7%

Other Costs (lines 13-19)

Other costs compared to the budget are over **\$226k**, and **\$336k** compared to the prior year.

Interest expenses are higher than budget and prior year due to higher-than-expected interest rates on FFB loans and interest paid to members on their deposits.

	Compare Current Year to Prior Year			Compare Current Year to Budget		
	Year-To-Date 2024	Year-To-Date 2023	Variance	Year-To-Date 2024	Year-To-Date Budget	Variance
13 Depreciation & Amortization Expense	5,358,174	5,122,903	235,271	5,358,174	5,262,017	96,156
14 Tax Expense - Property & Gross Receipts	67,921	77,622	(9,701)	67,921	73,500	(5,579)
15 Tax Expense - Other	-	-	-	-	-	-
16 Interest on Long-Term Debt	2,684,828	2,563,701	121,128	2,684,828	2,586,515	98,314
17 Interest Charged to Construction - Credit	-	-	-	-	-	-
18 Interest Expense - Other	72,803	84,134	(11,331)	72,803	24,000	48,803
19 Other Deductions	16,605	15,933	672	16,605	27,650	(11,045)
Total	8,200,331	7,864,292	336,038	8,200,331	7,973,682	226,649
			4%			3%

Non-Operating Margins (lines 22-27)

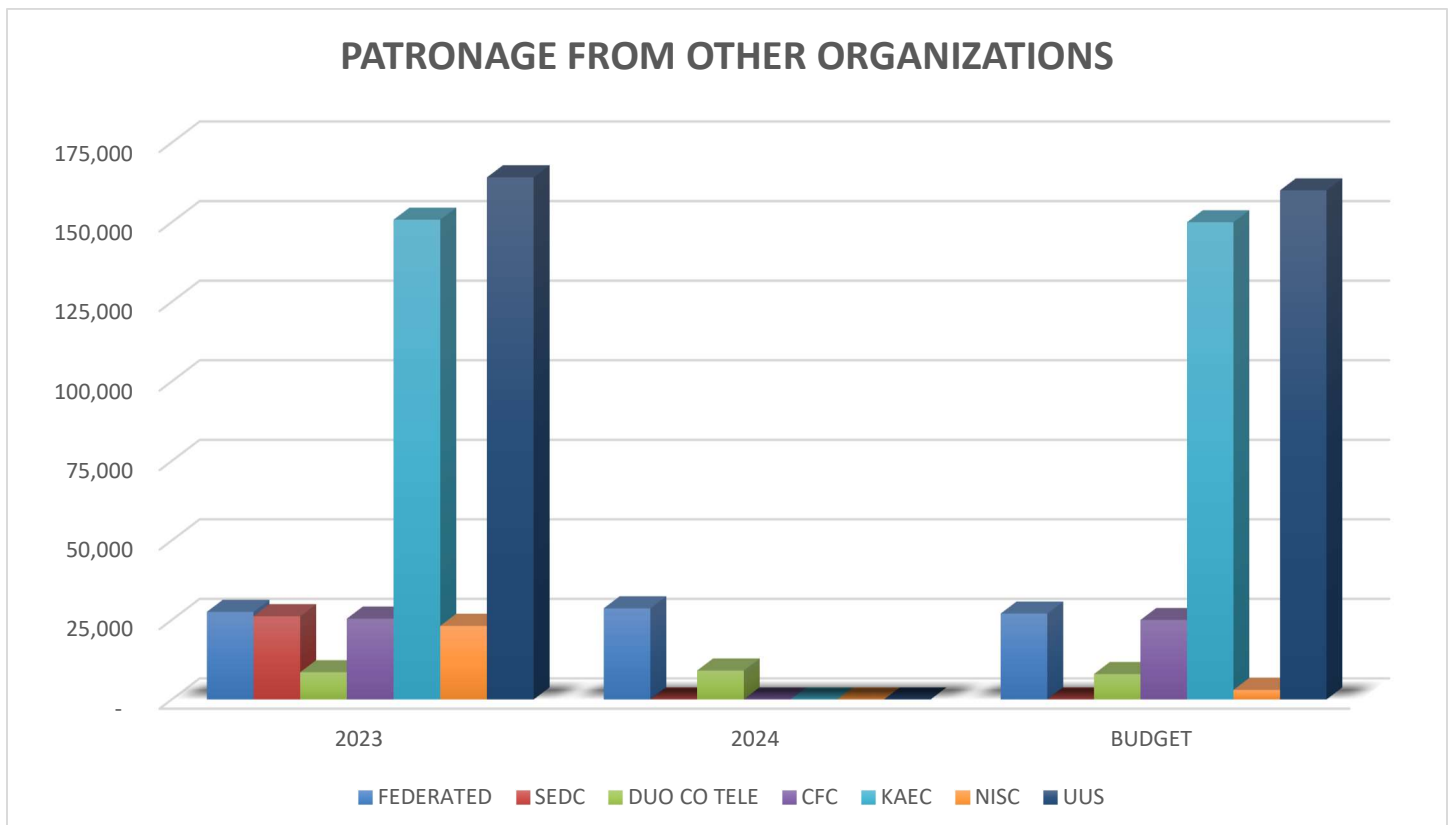
Non-operating Interest Income (line 22) is higher than budget by \$35k for the year. This is the line on the income statement where all interest earned from investments are recorded and includes such items as CFC investments and RUS Cushion of Credit.

Generation and Transmission Capital Credits (line 26) patronage revenue is expected to be received in December.

	Compare Current Year to Prior Year			Compare Current Year to Budget		
	Year-To-Date 2024	Year-To-Date 2023	Variance	Year-To-Date 2024	Year-To-Date Budget	Variance
21 Patronage Capital & Operating Margins	(2,571,649)	(1,403,033)	(1,168,616) -83%	(2,571,649)	240,571	(2,812,219) -1169%
22 Non Operating Margins - Interest	717,214	738,560	(21,346)	717,214	682,000	35,214
25 Non Operating Margins - Other	7,641	9,111	(1,470)	7,641	9,568	(1,927)
26 Generation and Transmission Capital Credits	-	-	-	-	-	-
27 Other Capital Credits and Patronage Dividends	37,746	36,113	1,633	37,746	35,000	2,746

Other Capital Credits and Patronage Dividends (line 27) represents all the patronage that we are allocated throughout the year from various other cooperatives. We have budgeted a total of \$373k for the year. As of June, we have received \$38k in patronage. Most patronage is expected to be received in September through December.

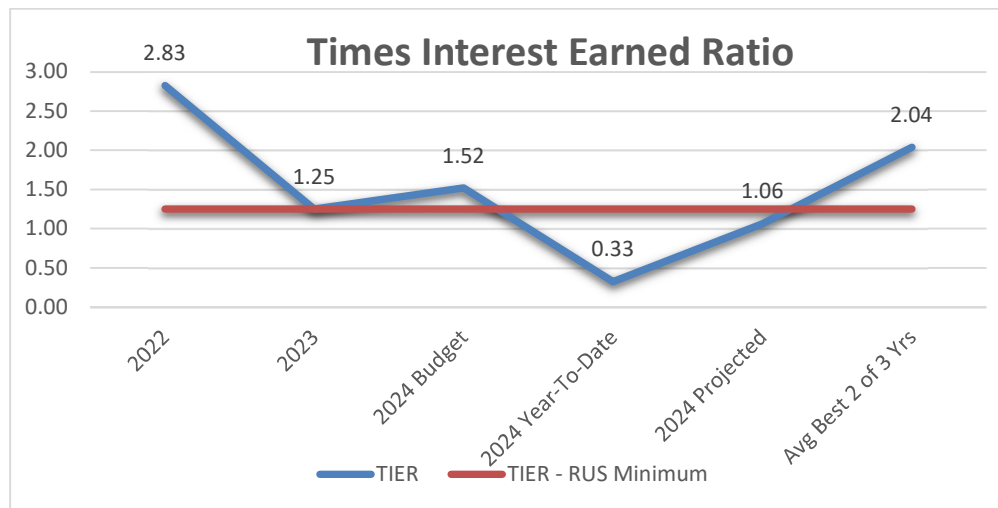
The graph below illustrates what we received in the prior year and what we have budgeted to receive this year.



Ratios

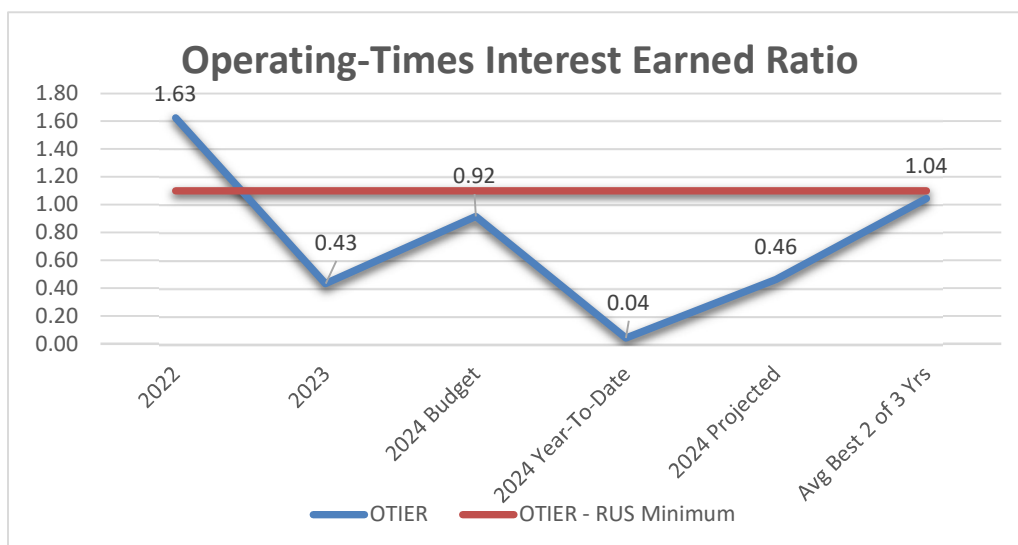
Lenders have several required minimum ratios we must meet each year. The Rural Utilities Service (RUS) allows for an average of the best 2 out of 3 years to meet the minimums.

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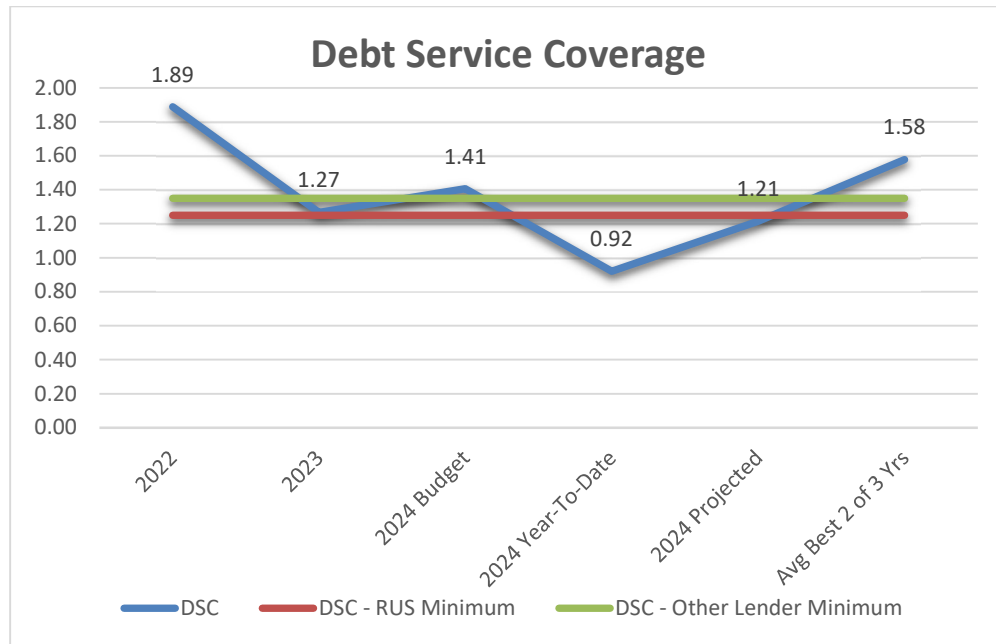
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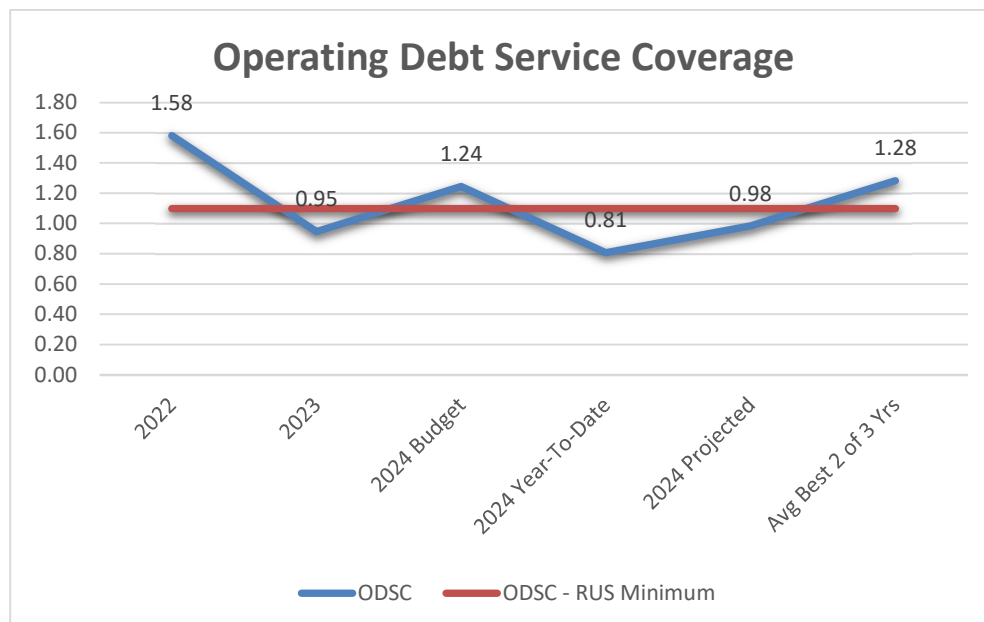
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Operating Debt Service Coverage (ODSC) – Similar to DSC except the ODSC uses operating margins instead of net margins.

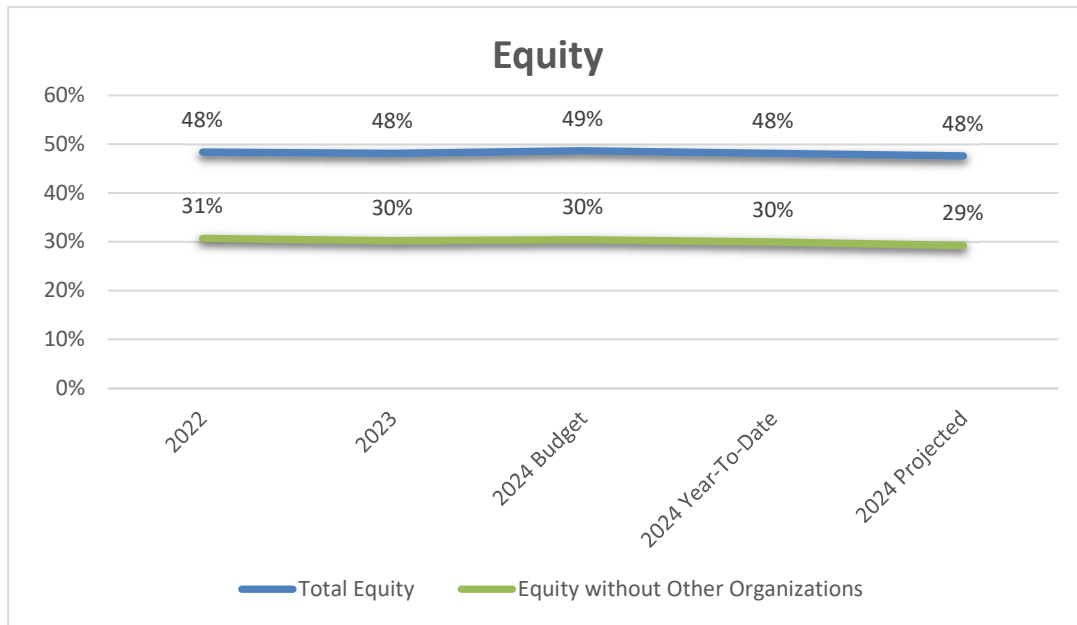
The RUS minimum requirement is 1.10, we are projecting a 2024 year-end ODSC of 0.98. Budgeted ODSC was 1.24 and 2023 year-end was 0.95. The current YTD ODSC is 0.81 and the average for the best 2 out of the last 3 years is 1.28.



Equity - measures the proportion of the total assets that are financed by members, as opposed to lenders.

The RUS minimum requirement is 30% and our desired range has been set at 35%-45%. We are projecting a 2024 year-end total equity ratio of 48%. Budgeted equity ratio was 49% and 2023 year-end was 48%.

The graph below illustrates total equity over time and what equity would be when the impact of patronage from our G&T and from all other organizations is removed. The equity rate of 30% is the equity that has been generated wholly from cooperative margins or operations.



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CFC Investments	2,777,726			(2,738,987)	(9,157,907)
Cushion of Credit	14,677,363			29,002	(1,599,736)
FFB	24,000,000	145,422,504	146,361,866	(939,362)	(1,884,523)
RUS		2,395,163	2,417,281	(22,118)	(131,598)
CFC		2,546,601	2,546,601	-	(385,801)
CoBank		36,365,160	36,626,962	(261,802)	(1,559,118)
City of Monticello		2,053,333	2,053,333	-	-
USDA - Eco. Dev. Loans		836,806	854,167	(17,361)	(104,167)
USDA - Eco. Dev. Grants		2,566,000	2,566,000	-	-
USDA - Eco. Dev. Investment	1,066,878			24,612	229,454

Investment Accounts

Debt Accounts

Unbilled Revenue

What is Unbilled Revenue?

- ▶ Estimated revenue for kWh consumed, but not yet billed to our members.

Why do we care?

- ▶ The kWh consumed has been paid for in our power bill.
- ▶ They are a cost to us, but we haven't billed them yet to include them in the revenue.
- ▶ The matching principle is an important accounting concept that requires matching revenues with their associated costs in the same accounting period.
- ▶ Unbilled Revenue MUST be recorded at year end to meet audit requirements. Our auditors want to ensure the matching principle is being met with our recording of annual revenues and expenses.
 - ▶ Monthly recording is optional and at the discretion of leadership
- ▶ When the timing of kWh sold and kWh purchased are not in alignment, line loss numbers are unreliable.

What is the impact?

- ▶ Annual revenue increase or decrease averages a fluctuation of 1-2% of annual revenues, or +/- \$1.5m
- ▶ Year-Over-Year Change amount is the impact to annual revenues.

	2020	2021	2022	2023
Total Annual Revenue		\$ 134,133,219	\$ 157,358,867	\$ 149,104,349
Year End Balance in Provision for Unbilled Rev	\$8,598,597	\$ 7,411,005	\$ 9,864,663	\$ 8,962,214
Year-Over-Year Change		\$ (1,187,592)	\$ 2,453,658	\$ (902,449)
Change to Revenues as % of Revenue		-1%	2%	-1%

- ▶ This means, at the end of each year we might record additional revenue of \$1.5m on average, or we might reduce revenue by \$1.5m.
- ▶ We won't know until after year end if the calculation will provide additional revenues or reduce revenue for reporting.
 - In Dec we will reverse off the unbilled revenue recorded for year end 2023 (It's currently an accrued asset on line 25 of the balance sheet), this will record a reduction to 2024 revenue by the amount recorded last year, **-\$8,962,214.**
 - Then we record the unbilled revenue amount for Dec as an increase to revenue. If the new amount is less than \$8.962m, then revenue will show a reduction because there will be a net minus. If the new amount of unbilled is higher, the net will be an increase to revenue.
- ▶ It does not affect what members are billed at all. It's only a reporting requirement.

How is it calculated?

- ▶ Several method options
- ▶ NISC software has a process to calculate and report the estimated revenue for usage from the last billed date through the end of the month, then multiply that usage by the last billed rate. The estimated usage is based on the account's average daily use. We use this method.
- ▶ Manual option-calculate the number of days not yet billed in the month for each bill cycle and divide into the total bill cycle days to get the % of days relevant to the prior month. Multiply the % by the bill calc process totals to estimate the portion of revenue applicable to the prior month for each cycle.

Example Illustration:

Cycle	Aug Bill Date	Start Reading Date	End Reading Date	July Days Unbilled	Total Bill Cycle Days	% of July Days
20	29th	25-Jul	25-Aug	6	31	19%
19	29th	24-Jul	24-Aug	7	31	23%
18	26th	23-Jul	23-Aug	8	31	26%
17	25th	22-Jul	22-Aug	9	31	29%
16	24th	21-Jul	21-Aug	10	31	32%
15	22nd	18-Jul	18-Aug	13	31	42%
14	22nd	17-Jul	17-Aug	14	31	45%
13	20th	16-Jul	16-Aug	15	31	48%
12	18th	15-Jul	15-Aug	16	31	52%
11	17th	14-Jul	14-Aug	17	31	55%
10	15th	11-Jul	11-Aug	20	31	65%
9	14th	10-Jul	10-Aug	21	31	68%
8	12th	9-Jul	9-Aug	22	31	71%
7	11th	8-Jul	8-Aug	23	31	74%
6	10th	7-Jul	7-Aug	24	31	77%
40	10th	1-Jul	1-Aug	30	31	97%
5	9th	4-Jul	4-Aug	27	31	87%
4	8th	3-Jul	3-Aug	28	31	90%
3	5th	2-Jul	2-Aug	29	31	94%
2	2nd	1-Jul	1-Aug	30	31	97%
1	2nd	1-Jul	1-Aug	30	31	97%
43	2nd	1-Jul	1-Aug	30	31	97%

Pros and Cons to monthly recording:

- ▶ Pros
 - More closely match revenue with power cost on a monthly view
 - Line loss looks more accurate monthly
- ▶ Cons
 - Process can be time consuming
 - kWh would not align with revenues being reported because we must report actual kWh billed (for regulatory agencies), not including estimates

Another Monthly Option

- ▶ Adjust power cost monthly instead of revenues
 - Use 12+ month average line loss as a fixed value to calculate estimated monthly power cost
 - Use sales reported through billing during the month – less fixed line loss x times power cost rate.
 - Power cost would be trued up to actual at least annually
 - Traditional unbilled revenue entry would still need to be recorded at year end
 - Monthly power cost adjustment helps reduce gross margin fluctuations due to timing
 - There would still be the rate timing difference since billing uses the pass-through power cost rate from 2 months prior.

Financial Results for July 2024

For The Month:

Net margins for the month (line 29) are a loss of **\$754k** compared to a budgeted loss of **\$636k** for a variance of **\$118k**. Margins for the same month in the prior year were a gain of **\$1.2m** but did not include the large amount of ROW clearing like the current year.

Compare Current Month to Budget and Prior Year

	July 2024 Actual	July 2024 Budget	Variance		July 2023 Actual
1 Operating Revenue and Patronage Capital	\$ 13,453,522	\$ 13,082,993	\$ 370,529	3%	\$ 14,030,511
3 Cost of Purchased Power	9,772,107	9,253,296	518,811	6%	9,536,427
Gross Margin	3,681,415	3,829,697	(148,282)	-4%	4,494,084
	27%	29%			32%
6 Distribution Expense - Operation	369,870	314,855	55,015		416,766
7 Distribution Expense - Maintenance	2,087,930	1,940,168	147,762		968,374
8 Customer Accounts Expense	285,056	443,846	(158,790)		359,464
9 Customer Service and Informational Expense	47,128	40,713	6,415		27,239
10 Sales Expense	3,450	22,719	(19,270)		5,264
11 Administrative and General Expense	367,824	479,860	(112,036)		444,005
Total Operation & Maintenance Expense (Less Power Cost)	12,933,365	12,495,458	437,908	4%	11,757,538
13 Depreciation & Amortization Expense	904,338	887,417	16,921		861,796
14 Tax Expense - Property & Gross Receipts	13,396	12,250	1,146		8,872
15 Tax Expense - Other	-	-	-		-
16 Interest on Long-Term Debt	439,236	423,674	15,562		459,872
17 Interest Charged to Construction - Credit	-	-	-		-
18 Interest Expense - Other	11,537	4,000	7,537		5,408
19 Other Deductions	3,997	4,300	(303)		1,112
Total (Less Power Cost)	14,305,869	13,827,099	478,770	3%	13,094,598
21 Patronage Capital & Operating Margins	(852,346)	(744,106)	(108,240)	15%	935,913
22 Non Operating Margins - Interest	92,785	107,000	(14,215)		86,406
25 Non Operating Margins - Other	1,934	828	1,106		196,745
26 Generation and Transmission Capital Credits	-	-	-		-
27 Other Capital Credits and Patronage Dividends	3,232	-	3,232		-
29 Patronage Capital or Margins	\$ (754,395)	\$ (636,278)	\$ (118,118)	19%	\$ 1,219,063

The major factors resulting in the month's variance to budget are:

- Power cost is higher than expected by \$519k
- Costs to maintain overhead lines are higher than the budget by \$148k due to many small storms throughout the month of July increasing labor costs.
- Customer Accounts Expense is lower than the budget by \$159k, due to a variety of collections related cost reductions.
- Administrative and General expenses are lower than the budget by \$112k from the delay in union negotiations and savings from travel/training expense reductions due to implemented cost reduction efforts.

For The Year:

Net margins year-to-date (line 29) are a loss of **\$2.56m** compared to a budgeted gain of \$331k for a variance of **\$2.9m**. Prior year-to-date net margins were a gain of \$600k.

Compare Current Year to Budget and Prior Year

	Year-To-Date 2024	Year-To-Date Budget	Variance		Year-To-Date 2023
1 Operating Revenue and Patronage Capital	\$ 92,450,004	\$ 94,348,167	\$ (1,898,163)	-2%	\$ 87,743,931
3 Cost of Purchased Power	66,425,891	66,626,927	(201,036)	0%	62,307,971
Gross Margin	26,024,113	27,721,240	(1,697,127)	-6%	25,435,960
	28%	29%			29%
6 Distribution Expense - Operation	2,453,911	2,208,097	245,814		2,608,543
7 Distribution Expense - Maintenance	11,546,493	9,775,492	1,771,001		8,093,667
8 Customer Accounts Expense	2,426,909	2,961,649	(534,740)		2,822,645
9 Customer Service and Informational Expense	392,704	287,350	105,355		225,651
10 Sales Expense	21,827	154,944	(133,117)		30,035
11 Administrative and General Expense	3,033,429	3,531,921	(498,491)		2,921,188
Total Operation & Maintenance Expense	86,301,164	85,546,379	754,785	1%	79,009,699
(Less Power Cost)					
13 Depreciation & Amortization Expense	6,262,511	6,149,434	113,077		5,984,698
14 Tax Expense - Property & Gross Receipts	81,317	85,750	(4,433)		86,494
15 Tax Expense - Other	-	-	-		-
16 Interest on Long-Term Debt	3,124,064	3,010,189	113,876		3,023,573
17 Interest Charged to Construction - Credit	-	-	-		-
18 Interest Expense - Other	84,339	28,000	56,339		89,541
19 Other Deductions	20,602	31,950	(11,348)		17,045
Total	95,873,999	94,851,702	1,022,296	1%	88,211,051
(Less Power Cost)	-	-	-		-
21 Patronage Capital & Operating Margins	(3,423,995)	(503,535)	(2,920,460)	580%	(467,121)
22 Non Operating Margins - Interest	809,999	789,000	20,999		824,966
25 Non Operating Margins - Other	9,575	10,396	(821)		205,855
26 Generation and Transmission Capital Credits	-	-	-		-
27 Other Capital Credits and Patronage Dividends	40,978	35,000	5,978		36,113
29 Patronage Capital or Margins	\$ (2,563,443)	\$ 330,861	\$ (2,894,304)	-875%	\$ 599,814

The largest variances to budget year-to-date are in the following areas:

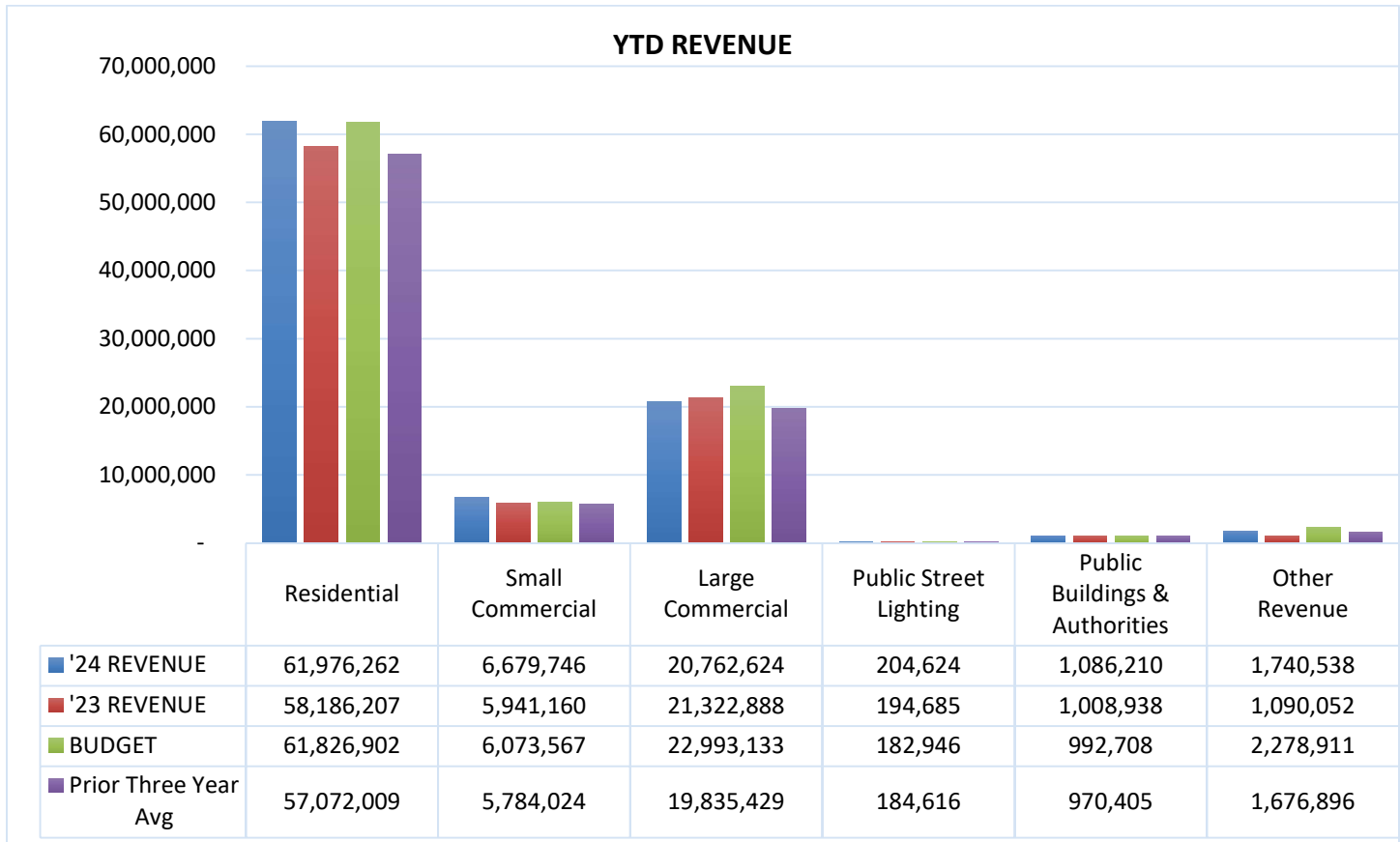
- The gross margin is less than the budget YTD by \$1.7m. Revenue is less than the budget by \$1.9m, mainly from lower than budgeted large commercial sales.
- ROW Clearing expense is over budget YTD by \$990k, comparable to the prior month's YTD variance.
- Overhead line maintenance expense is over budget YTD by \$811k, from the large storm in May and the many smaller storms during July.

Operating Revenues and kWh Sold

Operating revenues (line 1) are under budget by **\$1.9m** for the year, and higher than the prior year by \$4.7m.

The largest contributor to this YTD budget variance is from the large commercial/industrial class with a shortfall of **\$2.2m**.

The graph below illustrates the amount of revenue from each class of member for the current year, prior year, budget and the average of the 3 most recent prior years.



For the year, we have sold **750 million** kWh compared to the budget of 761 million, a shortfall in hours sold of approximately 11 million.

Compared to the prior year we have sold 45 million more kWh.

Milder weather than normal for both YTD 2024 and 2023 has resulted in fewer kWh sold.

FINANCE TEAM REPORT – SEPTEMBER 2024

Compare Current Year to Budget and Prior Year

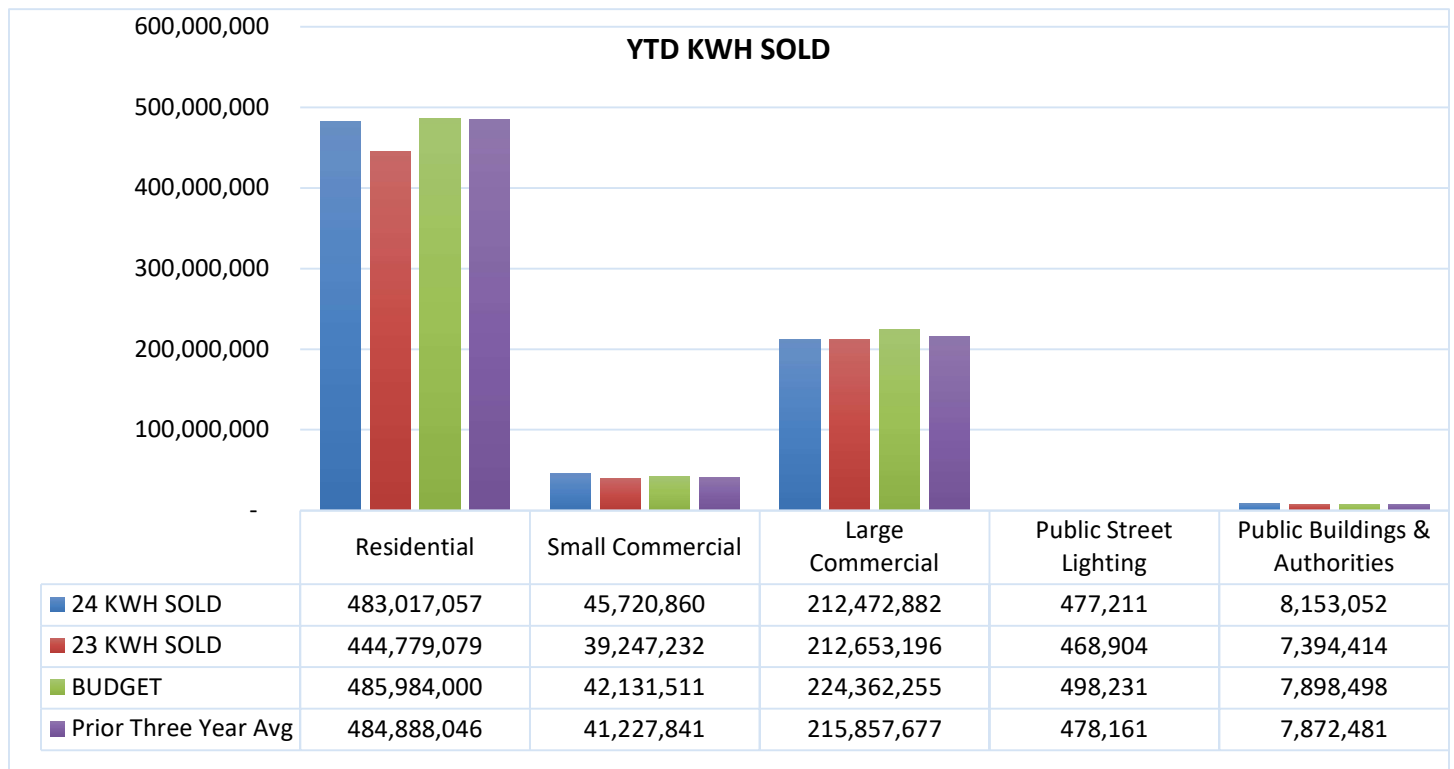
	Year-To-Date 2024	Year-To-Date Budget	Variance	Year-To-Date 2023
Accounts Connected	71,480	70,436		70,436
kWh Sold	749,841,062	760,874,495	(11,033,433)	704,542,825
Average Usage/Meter	10,490	10,802		10,003
	2024 Y-T-D	Normal Y-T-D		2023 Y-T-D
Degree Days -Heating	2,154	2,720		2,024
Degree Days - Cooling	993	756		731
Total Degree Days	3,147	3,476	(329)	2,755

Compare Current Month to Budget and Prior Year

	July 2024 Actual	July 2024 Budget	Variance	July 2023 Actual
Accounts Connected	71,480	70,436		70,436
kWh Sold	109,756,012	105,675,961	4,080,051	95,327,589
Average Usage/Meter	1,535	1,500		1,353
	July 2024	Normal		July 2023
Degree Days -Heating	-	-		-
Degree Days - Cooling	438	363		416
Total Degree Days	438	363	75	416

The graph below illustrates the amount of kWh sold to each class of member for the current year, prior year, budget and the average of the 3 most recent prior years.

This helps to illustrate the large impact the mild weather had on residential kWh sales last year and how the large commercial accounts were expected to increase usage but remained closer to prior year levels.

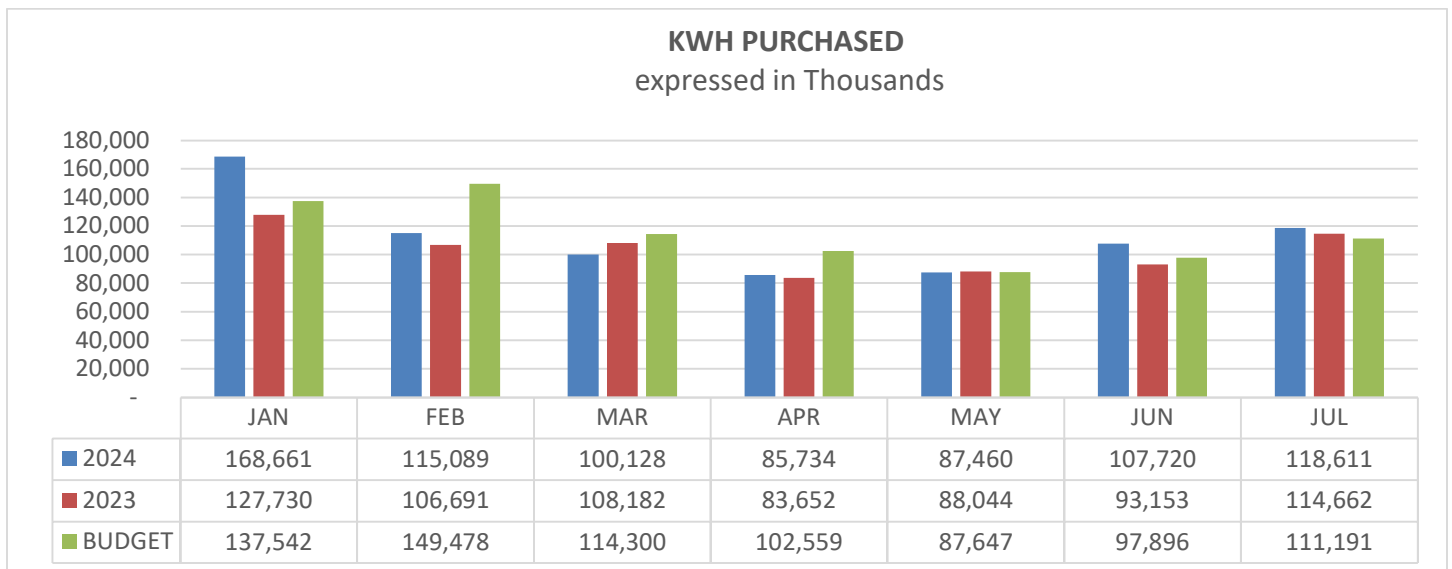
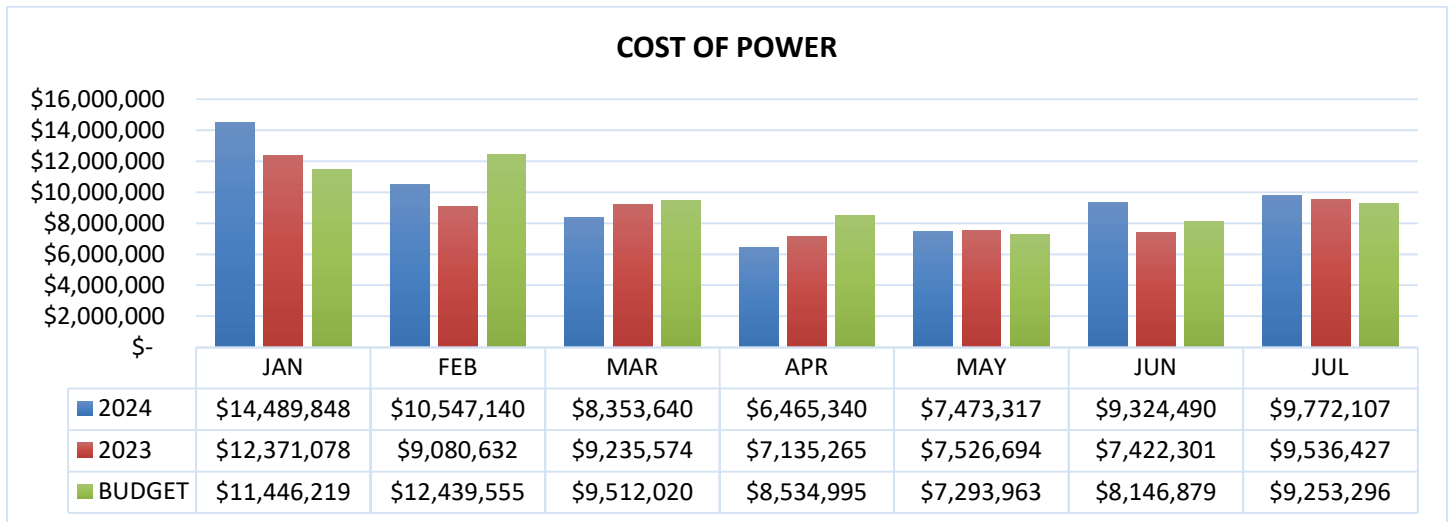


Cost of Purchased Power

The cost of purchased power (line 3) is under budget for the year by **\$200k**. This variance is a result of purchasing 17.2 million fewer kWh, decreasing our costs by \$1.4m combined with purchasing the power at a higher rate than budget offsetting the cost reduction by \$1.2m.

YTD 2024 power cost compared to the previous year is an increase of \$4.1m and 61 million kWh.

The graphs below illustrate the power costs and quantity of kWh purchased each month for 2024, 2023, and the budget.



Controllable Costs/Operating Expenses (lines 6-11)

When comparing YTD operating expenses to budget, collectively they are higher than budget by **\$955k** and higher than prior year by **\$3.2m**. For the month, overall operating expenses are lower than budgeted by \$81k.

Compare Current Year to Budget and Prior Year					Compare Current Month to Budget and Prior Year				
	Year-To-Date 2024	Year-To-Date Budget	Variance	Year-To-Date 2023	July 2024 Actual	July 2024 Budget	Variance	July 2023 Actual	
6 Distribution Expense - Operation	2,453,911	2,208,097	245,814	2,608,543	369,870	314,855	55,015	416,766	
7 Distribution Expense - Maintenance	11,546,493	9,775,492	1,771,001	8,093,667	2,087,930	1,940,168	147,762	968,374	
8 Customer Accounts Expense	2,426,909	2,961,649	(534,740)	2,822,645	285,056	443,846	(158,790)	359,464	
9 Customer Service and Informational Expense	392,704	287,350	105,355	225,651	47,128	40,713	6,415	27,239	
10 Sales Expense	21,827	154,944	(133,117)	30,035	3,450	22,719	(19,270)	5,264	
11 Administrative and General Expense	3,033,429	3,531,921	(498,491)	2,921,188	367,824	479,860	(112,036)	444,005	
Total Operating Expenses	19,875,273	18,919,452	955,821	16,701,728	3,161,258	3,242,162	(80,903)	2,221,111	-2%

Maintenance expenses are currently over budget by **\$1.7m**.

- \$990k is related to ROW clearing
- Overhead line maintenance and Storm expenses account for \$811k of the variance

A variety of costs are under budget for the year. Listed here are a few of the more notable:

- Postage related to mailing member bills, down \$100k. This budget was inflated due to some duplication in the prior year from software conversion.
- A reduction of \$283k for Outside Services, particularly within the Member Services and IT functional groups.
- A \$100k reduction in legal fees due to the delay in union negotiations.

Other Costs (lines 13-19)

Other costs are over **\$268k** compared to the budget, and **\$371k** compared to the prior year.

Interest expenses are higher than budget and prior year due to higher-than-expected interest rates on FFB loans and interest paid to members on their deposits.

Compare Current Year to Budget and Prior Year					Compare Current Month to Budget and Prior Year				
	Year-To-Date 2024	Year-To-Date Budget	Variance	Year-To-Date 2023	July 2024 Actual	July 2024 Budget	Variance	July 2023 Actual	
13 Depreciation & Amortization Expense	6,262,511	6,149,434	113,077	5,984,698	904,338	887,417	16,921	861,796	
14 Tax Expense - Property & Gross Receipts	81,317	85,750	(4,433)	86,494	13,396	12,250	1,146	8,872	
15 Tax Expense - Other	-	-	-	-	-	-	-	-	
16 Interest on Long-Term Debt	3,124,064	3,010,189	113,876	3,023,573	439,236	423,674	15,562	459,872	
17 Interest Charged to Construction - Credit	-	-	-	-	-	-	-	-	
18 Interest Expense - Other	84,339	28,000	56,339	89,541	11,537	4,000	7,537	5,408	
19 Other Deductions	20,602	31,950	(11,348)	17,045	3,997	4,300	(303)	1,112	
Total Other Expenses	9,572,834	9,305,323	267,511	9,201,352	1,372,503	1,331,641	40,862	1,337,060	3%

Non-Operating Margins (lines 22-27)

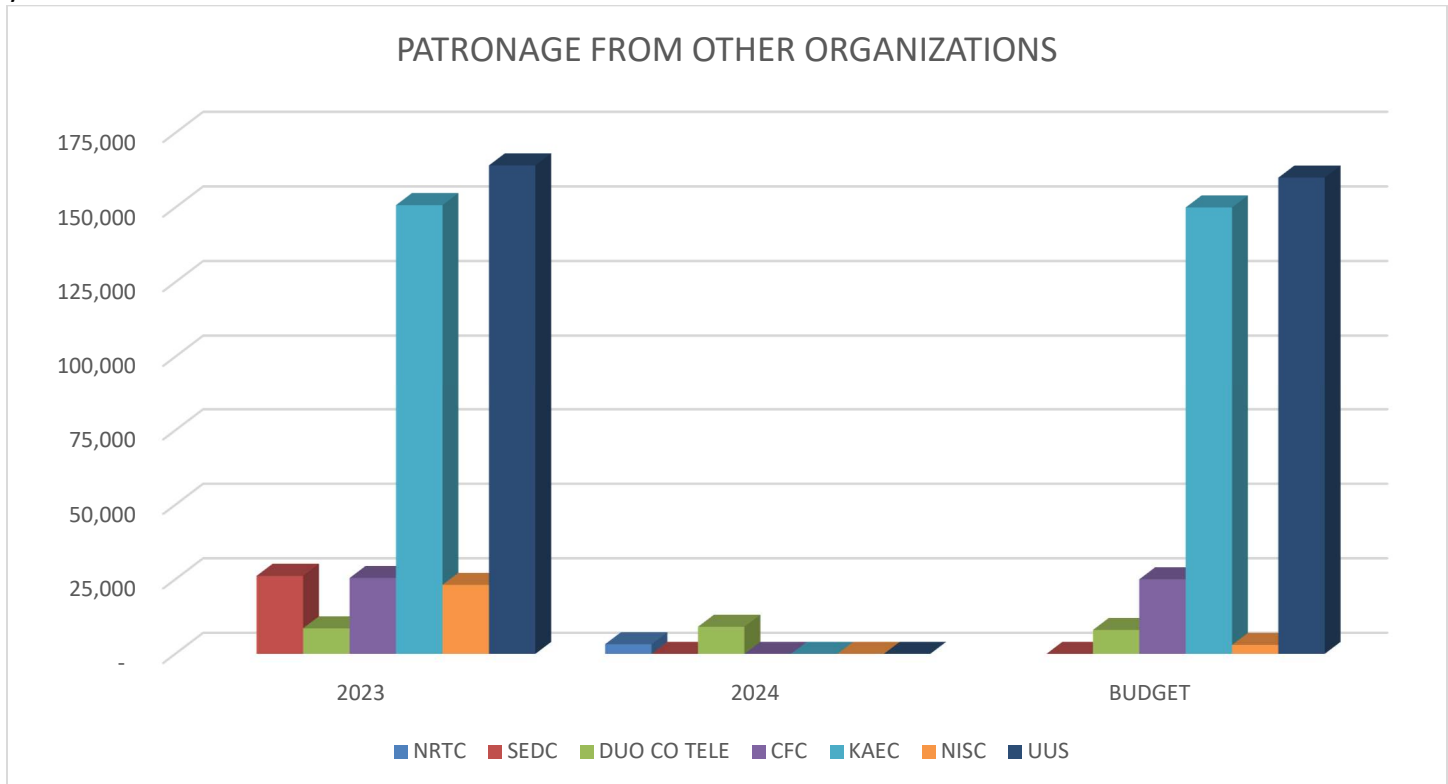
Non-operating Interest Income (line 22) is higher than budget by \$21k for the year. This is the line on the income statement where all interest earned from investments are recorded and includes such items as CFC investments and RUS Cushion of Credit.

Generation and Transmission Capital Credits (line 26) patronage revenue is expected to be received in December.

	Compare Current Year to Budget and Prior Year				Compare Current Month to Budget and Prior Year			
	Year-To-Date 2024	Year-To-Date Budget	Variance	Year-To-Date 2023	July 2024 Actual	July 2024 Budget	Variance	July 2023 Actual
21 Patronage Capital & Operating Margins	(3,423,995)	(503,535)	(2,920,460)	580%	(852,346)	(744,106)	(108,240)	15%
22 Non Operating Margins - Interest	809,999	789,000	20,999	824,966	92,785	107,000	(14,215)	86,406
25 Non Operating Margins - Other	9,575	10,396	(821)	205,855	1,934	828	1,106	196,745
26 Generation and Transmission Capital Credits	-	-	-	-	-	-	-	-
27 Other Capital Credits and Patronage Dividends	40,978	35,000	5,978	36,113	3,232	-	3,232	-

Other Capital Credits and Patronage Dividends (line 27) represents all the patronage that we are allocated throughout the year from various other cooperatives. We have budgeted a total of \$373k for the year. As of July, we have received \$41k in patronage. Most patronage is expected to be received in September through December.

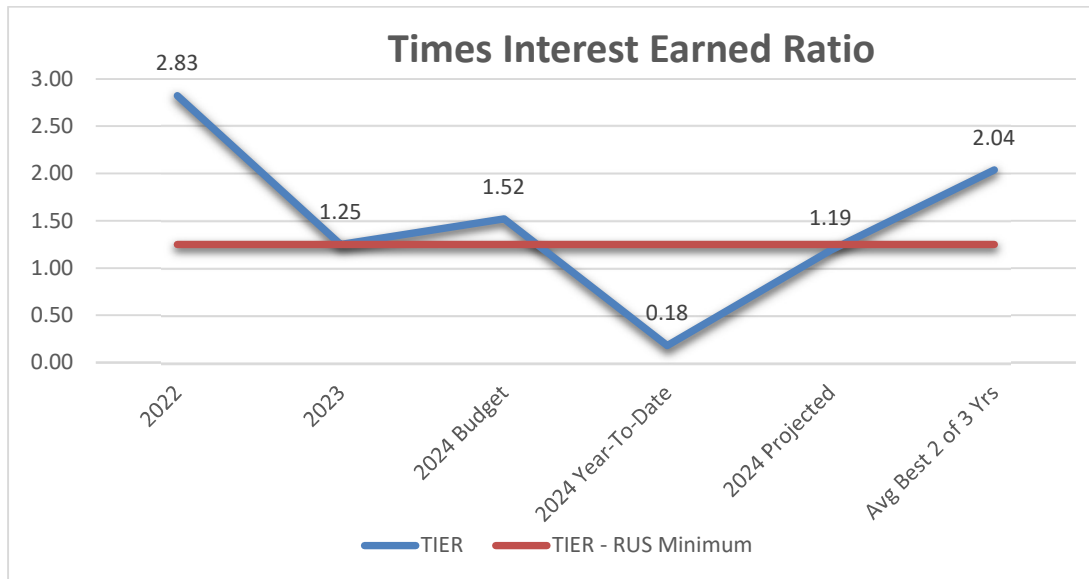
The graph below illustrates what we received in the prior year and what we have budgeted to receive this year.



Ratios

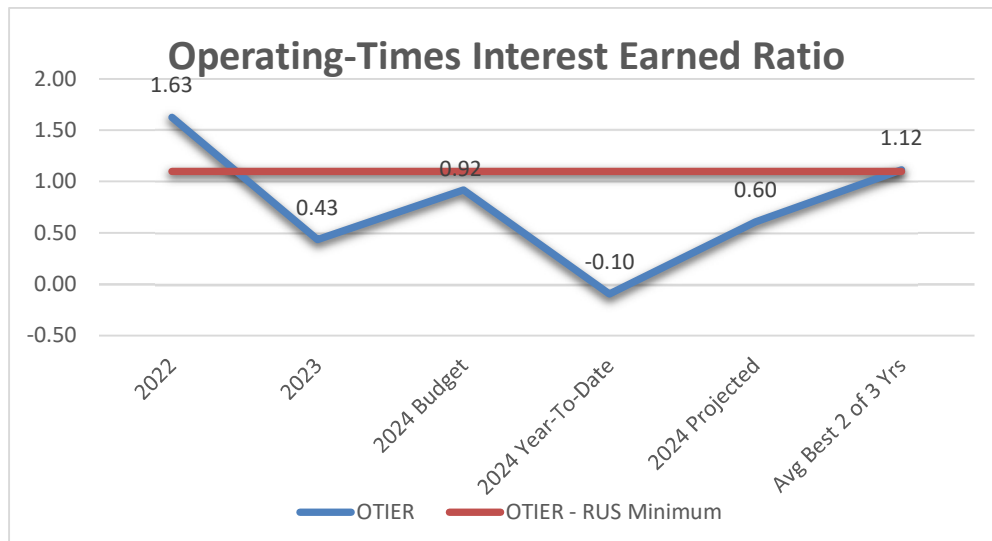
Lenders have several required minimum ratios we much meet each year. The Rural Utilities Service (RUS) allows for an average of the best 2 out of 3 years to meet the minimums.

Times Interest Earned Ratio (TIER) – Measures the ease of paying interest on long-term debt. The RUS minimum requirement is 1.25 and we are projecting a 2024 year-end TIER of 1.19. Budgeted TIER was 1.52 and year-end 2023 was 1.25. The current YTD TIER is 0.18 and the average for the best 2 out of the last 3 years is 2.04.



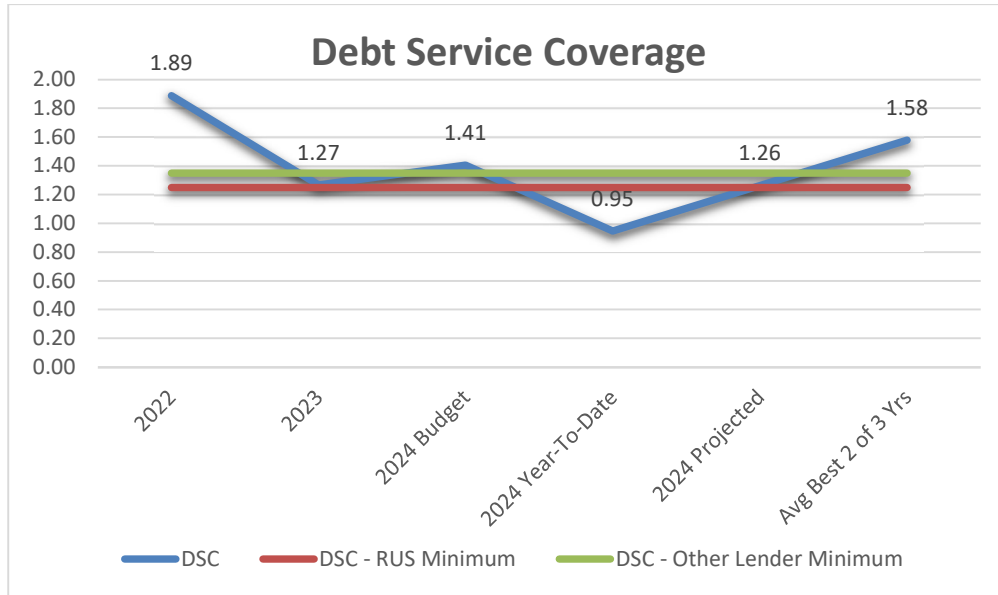
Operating Times Interest Earned Ratio (OTIER) – Similar to TIER except the OTIER uses operating margins instead of net margins.

The RUS minimum requirement is 1.10 and we are projecting a 2024 year-end OTIER of 0.60. Budgeted OTIER was 0.92 and 2023 year-end was 0.43. The current YTD OTIER is -0.10 and the average for the best 2 out of the last 3 years is 1.12.



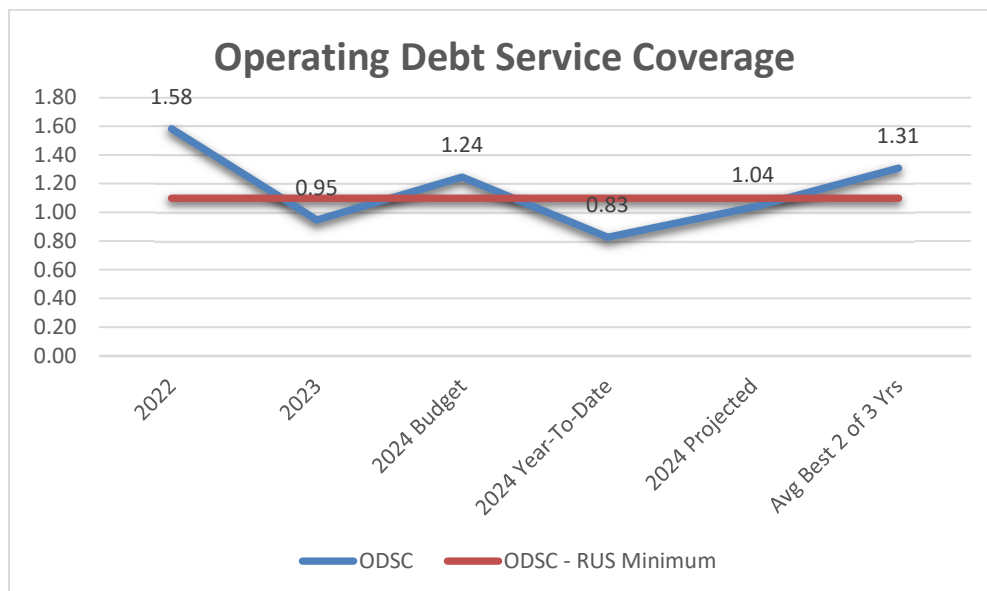
Debt Service Coverage (DSC) – Measures the cash flow ability to meet lender principal and interest payments.

The lender minimum requirement is 1.35, we are projecting a 2024 year-end DSC of 1.26. Budgeted DSC was 1.41 and 2023 year-end was 1.27. The current YTD DSC is 0.95 and the average for the best 2 out of the last 3 years is 1.58.



Operating Debt Service Coverage (ODSC) – Similar to DSC except the ODSC uses operating margins instead of net margins.

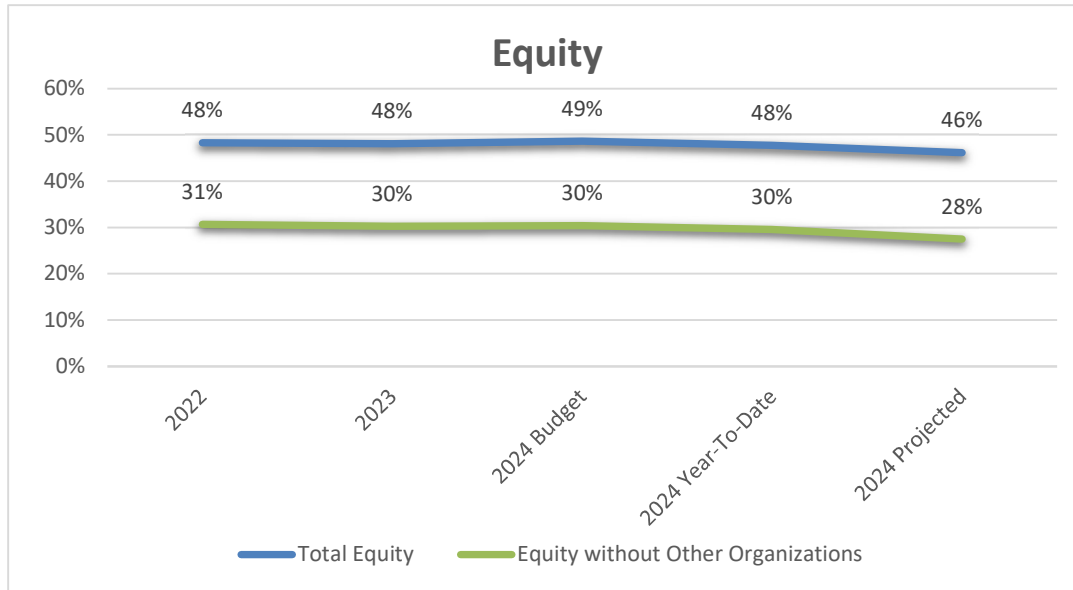
The RUS minimum requirement is 1.10, we are projecting a 2024 year-end ODSC of 1.04. Budgeted ODSC was 1.24 and 2023 year-end was 0.95. The current YTD ODSC is 0.83 and the average for the best 2 out of the last 3 years is 1.31.



Equity - measures the proportion of the total assets that are financed by members, as opposed to lenders.

The RUS minimum requirement is 30% and our desired range has been set at 35%-45%. We are projecting a 2024 year-end total equity ratio of 46%. This is a reduction from the budgeted equity ratio of 49% due to the reduced net margins expected. The 2023 year-end equity ratio was 48%.

The graph below illustrates total equity over time and what equity would be when the impact of patronage from our G&T and from all other organizations is removed. The equity rate of 30% is the equity that has been generated wholly from cooperative margins or operations.



LONG TERM DEBT AND INVESTMENT INFORMATION

Funding Source	Available	Current Month Outstanding	Prior Month Outstanding	Monthly Change Increase/(Decrease)	Annual Change Increase/(Decrease)
CFC Lines of Credit	15,000,000			-	-
CFC Investments	768,041			(2,009,685)	(11,167,592)
Cushion of Credit	12,859,730			(1,817,632)	(3,417,369)
FFB	24,000,000	145,422,504	145,422,504	-	(1,884,523)
RUS		2,373,175	2,395,163	(21,988)	(153,586)
CFC		2,546,601	2,546,601	-	(385,801)
CoBank		36,102,572	36,365,160	(262,588)	(1,821,705)
City of Monticello		2,053,333	2,053,333	-	-
USDA - Eco. Dev. Loans		819,445	836,806	(17,361)	(121,528)
USDA - Eco. Dev. Grants		2,566,000	2,566,000	-	-
USDA - Eco. Dev. Investment	1,108,448			41,570	271,024

Investment Accounts

Debt Accounts

Estimated Power Cost – An Alternative Look at Unbilled Revenue

A memory refresh of last month's discussion:

- ▶ Adjust power cost monthly instead of revenues
 - Use 12+ month average line loss as a fixed value to calculate estimated monthly power cost
 - Use sales reported through billing during the month – less fixed line loss x times power cost rate.
 - Power cost would be trued up to actual at least annually
 - Traditional unbilled revenue entry would still need to be recorded at year end
 - Monthly power cost adjustment helps reduce gross margin fluctuations due to timing
 - There would still be the rate timing difference since billing uses the pass-through power cost rate from 2 months prior.

- ▶ What July's calculation would look like compared to actual:

Calculation of Estimated Power Cost Based on Sales and Average Line Loss:

	Estimate	Actual
July 2024 kWh Billed to Members	109,756,012	
Plus Own Use kWh	87,292	
Total kWh Consumed	109,843,304	
Last 12 Months Line Loss	5.059%	
Estimated kWh Purchased	115,400,277	118,610,506
July Power Cost Rate	\$ 0.0824	
Estimated Power Cost	\$ 9,507,622	\$ 9,772,107

Estimate Compared to Actual for July 2024	July 2024 Based on Estimate	July 2024 Actual	Variance
Operating Revenue and Patronage Capital	\$ 13,453,522	\$ 13,453,522	
Cost of Purchased Power	9,507,622	9,772,107	
Gross Margin	3,945,900	3,681,415	264,485
	29%	27%	

Financial Results for August 2024

For The Month:

Net margins for the month (line 29) are a loss of **\$299k** compared to a budgeted loss of **\$84k** for a variance of **\$215k**. Margins for the same month in the prior year were a loss of **\$1.7m**.

	August 2024 <u>Actual</u>	August 2024 <u>Budget</u>	<u>Variance</u>		August 2023 <u>Actual</u>
1 Operating Revenue and Patronage Capital	\$ 13,262,536	\$ 13,954,486	\$ (691,950)	-5%	\$ 12,726,940
3 Cost of Purchased Power	9,240,173	9,923,213	(683,040)	-7%	9,837,037
Gross Margin	4,022,363	4,031,273	(8,910)	0%	2,889,903
	30%	29%			23%
6 Distribution Expense - Operation	370,787	311,216	59,571		402,686
7 Distribution Expense - Maintenance	1,665,486	1,580,052	85,434		2,048,965
8 Customer Accounts Expense	427,388	431,125	(3,736)		360,668
9 Customer Service and Informational Expense	82,159	37,482	44,677		43,896
10 Sales Expense	2,837	22,018	(19,181)		4,593
11 Administrative and General Expense	474,207	485,977	(11,770)		496,006
Total Operation & Maintenance Expense	12,263,037	12,791,083	(528,046)	-4%	13,193,851
Total Operating Expenses	3,022,864	2,867,870	154,994	5%	3,356,814
13 Depreciation & Amortization Expense	906,002	890,538	15,464		865,332
14 Tax Expense - Property & Gross Receipts	13,396	12,250	1,146		8,872
15 Tax Expense - Other	-	-	-		-
16 Interest on Long-Term Debt	457,400	426,467	30,933		472,761
17 Interest Charged to Construction - Credit	-	-	-		-
18 Interest Expense - Other	11,536	4,000	7,536		278
19 Other Deductions	1,117	4,750	(3,633)		1,553
Total	13,652,488	14,129,088	(476,600)	-3%	14,542,648
Total Other Expenses	1,389,451	1,338,005	51,446	4%	1,348,797
21 Patronage Capital & Operating Margins	(389,952)	(174,602)	(215,350)	123%	(1,815,708)
22 Non Operating Margins - Interest	90,401	90,000	401		89,893
25 Non Operating Margins - Other	464	828	(364)		543
26 Generation and Transmission Capital Credits	-	-	-		-
27 Other Capital Credits and Patronage Dividends	-	-	-		-
29 Patronage Capital or Margins	\$ (299,087)	\$ (83,774)	\$ (215,313)	257%	\$ (1,725,271)

The major factors resulting in the month's variance to budget are:

- An additional \$95k in May storm costs from contractor invoices just received. Most of this amount should be reimbursed by FEMA.
- Labor and labor overhead costs are higher than the budget by \$105k and higher than the prior year by \$75k.
- Transportation expenses are higher than the budget by \$44k and higher than in the prior year by \$19k. The increase over the previous year is from additional depreciation expense related to new vehicle purchases. This combined with a larger distribution of time to expense accounts is the reason for the increase over the budget.

For The Year:

Net margins year-to-date (line 29) are a loss of **\$2.86m** compared to a budgeted gain of \$247k for a variance of **\$3.1m**. Prior year-to-date net margins were a loss of **\$1.1m**.

Compare Current Year to Budget and Prior Year

	Year-To-Date <u>2024</u>	Year-To-Date <u>Budget</u>	<u>Variance</u>		Year-To-Date <u>2023</u>
1 Operating Revenue and Patronage Capital	\$ 105,712,540	\$ 108,302,653	\$ (2,590,113)	-2%	\$ 100,470,871
3 Cost of Purchased Power	75,666,064	76,550,140	(884,076)	-1%	72,145,008
Gross Margin	30,046,476	31,752,513	(1,706,037)	-5%	28,325,863
	28%	29%			28%
6 Distribution Expense - Operation	2,824,698	2,519,313	305,385		3,011,228
7 Distribution Expense - Maintenance	13,211,979	11,355,544	1,856,435		10,142,633
8 Customer Accounts Expense	2,854,297	3,392,774	(538,476)		3,183,313
9 Customer Service and Informational Expense	474,863	324,832	150,031		269,546
10 Sales Expense	24,664	176,962	(152,297)		34,628
11 Administrative and General Expense	3,507,636	4,017,898	(510,262)		3,417,194
Total Operation & Maintenance Expense	98,564,202	98,337,462	226,740	0%	92,203,550
Total Operating Expenses	22,898,138	21,787,322	1,110,816	5%	20,058,542
13 Depreciation & Amortization Expense	7,168,514	7,039,973	128,541		6,850,031
14 Tax Expense - Property & Gross Receipts	94,713	98,000	(3,287)		95,367
15 Tax Expense - Other	-	-	-		-
16 Interest on Long-Term Debt	3,581,464	3,436,656	144,809		3,496,334
17 Interest Charged to Construction - Credit	-	-	-		-
18 Interest Expense - Other	95,876	32,000	63,876		89,820
19 Other Deductions	21,719	36,700	(14,981)		18,599
Total	109,526,487	108,980,790	545,697	1%	102,753,700
Total Other Expenses	10,962,285	10,643,328	318,957	3%	10,550,149
21 Patronage Capital & Operating Margins	(3,813,947)	(678,137)	(3,135,810)	462%	(2,282,829)
22 Non Operating Margins - Interest	900,400	879,000	21,400		914,859
25 Non Operating Margins - Other	10,039	11,224	(1,185)		206,398
26 Generation and Transmission Capital Credits	-	-	-		-
27 Other Capital Credits and Patronage Dividends	40,978	35,000	5,978		36,113
29 Patronage Capital or Margins	\$ (2,862,530)	\$ 247,087	\$ (3,109,616)	-1259%	\$ (1,125,458)

The largest variances to budget year-to-date are in the following areas:

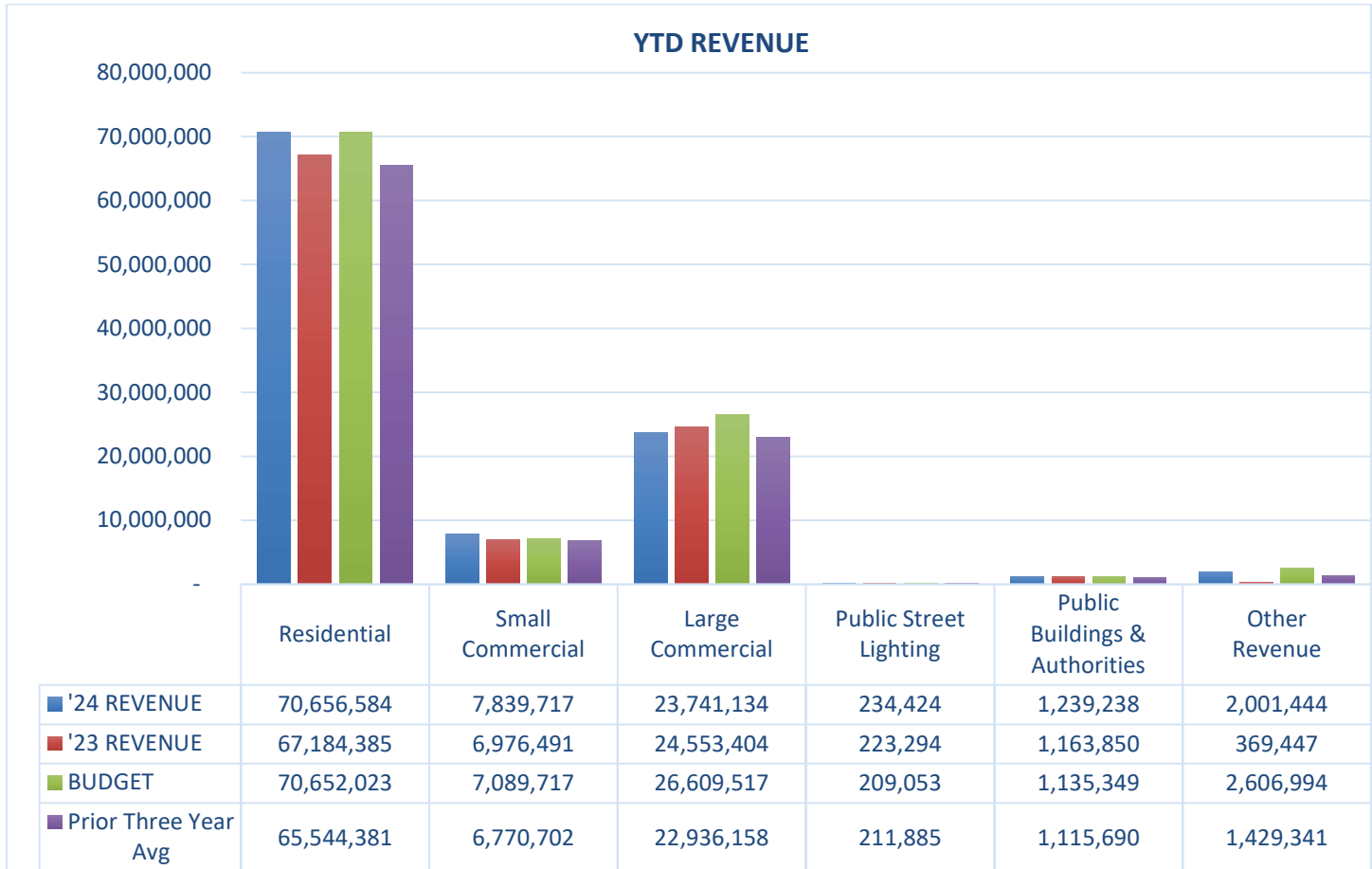
- The gross margin is less than the budget YTD by \$1.7m. Revenue is less than the budget by \$2.6m, mainly from lower than budgeted large commercial sales. Power cost is less than budget by \$884k.
- Contractor right-of-way expense is over budget YTD by \$500k and over the previous YTD by \$3.5m.
- Labor and associated overhead expenses are over budget YTD by \$883k and over the previous YTD by \$160k.

Operating Revenues and kWh Sold

Operating revenues (line 1) are under budget by **\$2.6m** for the year, and higher than the prior year by \$5.2m.

The largest contributor to this YTD budget variance is from the large commercial/industrial class with a shortfall of **\$2.9m**.

The graph below illustrates the amount of revenue from each class of member for the current year, prior year, budget and the average of the 3 most recent prior years.



For the year, we have sold **858 million kWh** compared to the budget of 874 million, a shortfall in hours sold of approximately 16 million.

Compared to the prior year we have sold 47 million more kWh.

Milder weather than normal for both YTD 2024 and 2023 has resulted in fewer kWh sold.

FINANCE TEAM REPORT – OCTOBER 2024

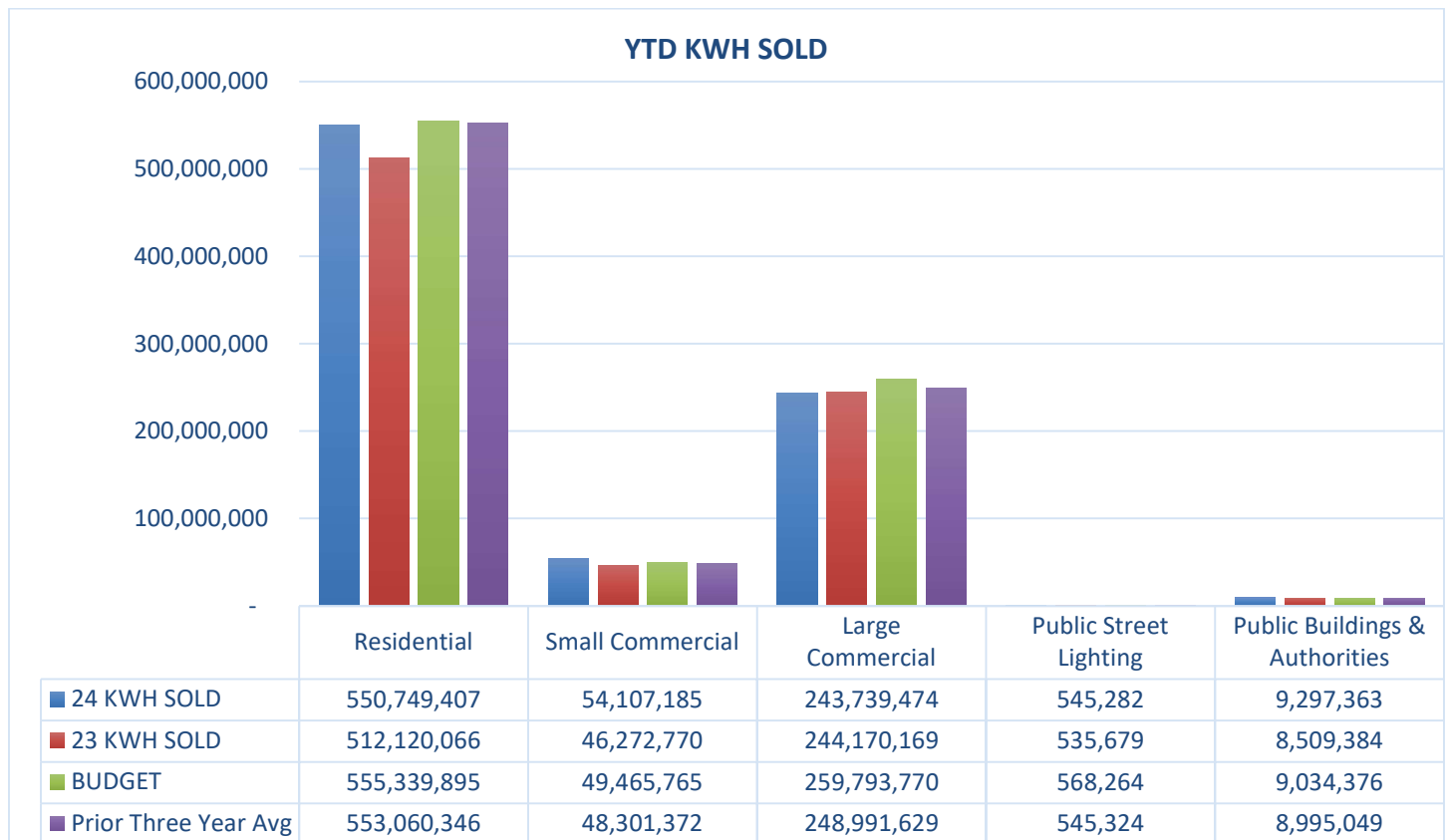
Compare Current Month to Budget and Prior Year

Compare Current Year to Budget and Prior Year

	August 2024 <u>Actual</u>	August 2024 <u>Budget</u>	<u>Variance</u>	August 2023 <u>Actual</u>	Year-To-Date <u>2024</u>	Year-To-Date <u>Budget</u>	<u>Variance</u>	Year-To-Date <u>2023</u>
Accounts Connected	71,510	70,535		70,535	71,510	70,535		70,535
kWh Sold	108,597,649	113,327,574	(4,729,925)	107,065,243	858,438,711	874,202,069	(15,763,358)	811,608,068
Average Usage/Meter	1,519	1,607		1,518	12,004	12,394		11,506
	August 2024	Normal		August 2023	2024 Y-T-D	Normal Y-T-D		2023 Y-T-D
Degree Days -Heating	-	1		-	2,155	2,721		2,024
Degree Days - Cooling	438	333		355	1,370	1,089		1,086
Total Degree Days	438	334	104	355	3,525	3,810	(285)	3,110

The graph below illustrates the amount of kWh sold to each class of member for the current year, prior year, budget and the average of the 3 most recent prior years.

This helps to illustrate the large impact the mild weather had on residential kWh sales last year and how the large commercial accounts were expected to increase usage but remained closer to prior year levels.

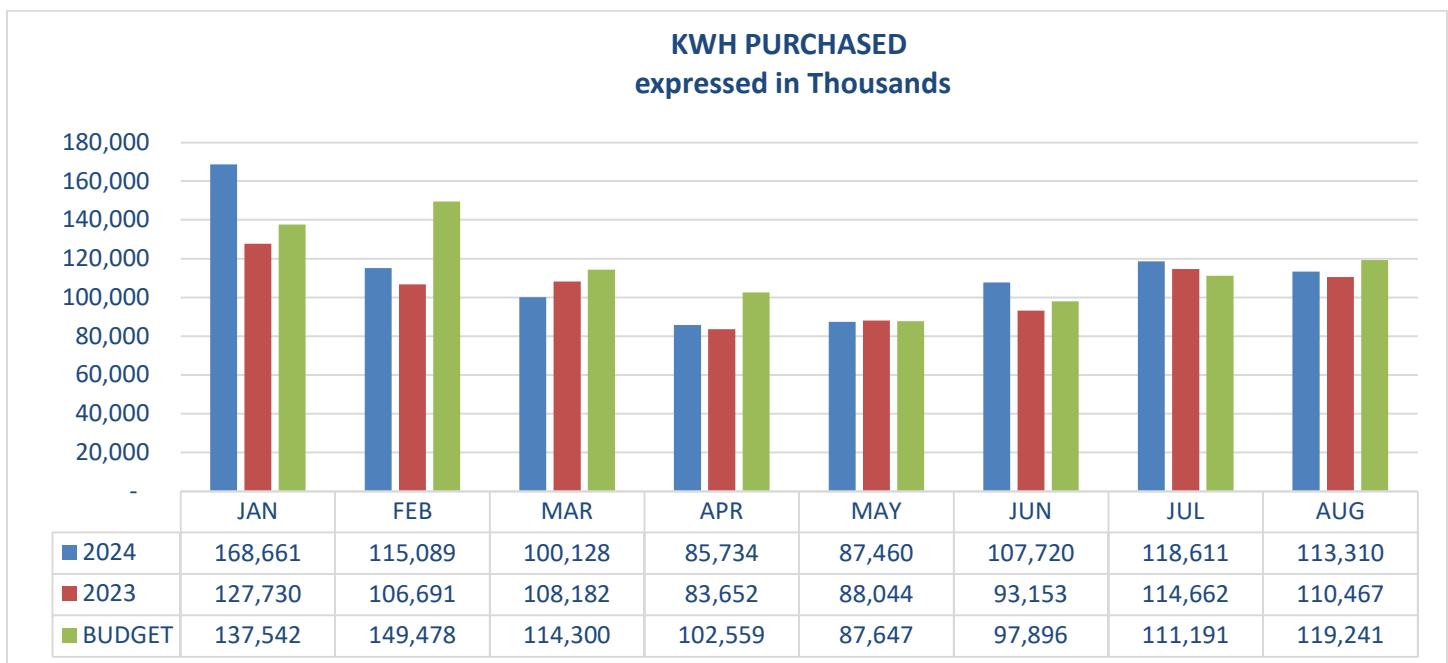
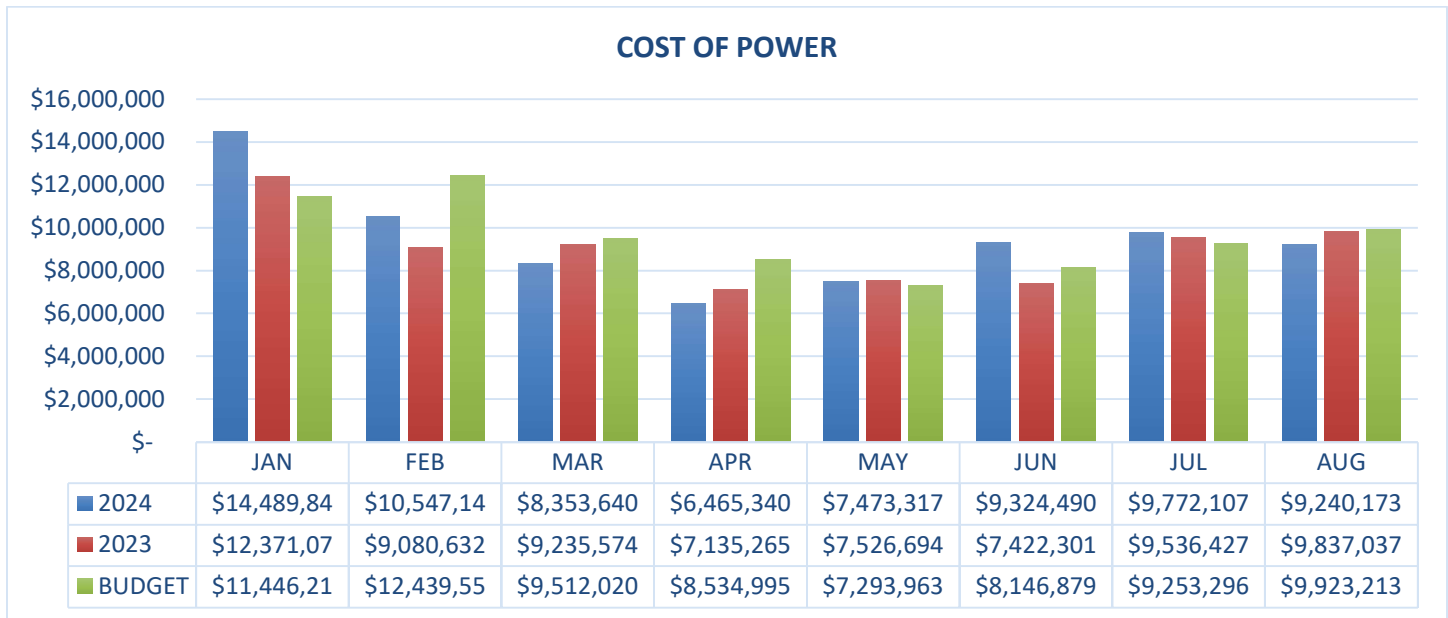


Cost of Purchased Power

The cost of purchased power (line 3) is under budget for the year by **\$884k**. This variance is a result of purchasing 23 million fewer kWh, decreasing our costs by \$1.9m combined with purchasing the power at a higher rate than budget offsetting the cost reduction by \$1m.

YTD 2024 power cost compared to the previous year is an increase of \$3.5m and 64 million kWh.

The graphs below illustrate the power costs and quantity of kWh purchased each month for 2024, 2023, and the budget.



Controllable Costs/Operating Expenses (lines 6-11)

When comparing YTD operating expenses to budget, collectively they are higher than budget by **\$1.1m** and higher than the prior year by **\$2.8m**. For the month, total operating expenses are higher than budgeted by **\$155k**.

Compare Current Year to Budget and Prior Year

	Year-To-Date <u>2024</u>	Year-To-Date <u>Budget</u>	<u>Variance</u>		Year-To-Date <u>2023</u>
6 Distribution Expense - Operation	2,824,698	2,519,313	305,385		3,011,228
7 Distribution Expense - Maintenance	13,211,979	11,355,544	1,856,435		10,142,633
8 Customer Accounts Expense	2,854,297	3,392,774	(538,476)		3,183,313
9 Customer Service and Informational Expense	474,863	324,832	150,031		269,546
10 Sales Expense	24,664	176,962	(152,297)		34,628
11 Administrative and General Expense	3,507,636	4,017,898	(510,262)		3,417,194
Total Operating Expenses	22,898,138	21,787,322	1,110,816	5%	20,058,542

Maintenance expenses are currently over budget by **\$1.9m**.

- \$500k is related to Contractor ROW clearing
- Major storm expenses account for \$420k.
- Labor and labor overhead expenses not related to major storms are higher than the budget by \$752k, higher than the previous year by \$160k.
- Transportation expenses not related to major storms are higher than the budget by \$347k, higher than the previous year by \$40k.

A variety of costs are under budget for the year. Listed here are a few of the more notable:

- Postage related to mailing member bills, down \$75k. This budget was inflated due to some duplication in the prior year from software conversion.
- A reduction of \$298k for Outside Services, particularly within the Member Services and IT functional groups.
- A \$74k reduction in legal fees due to the delay in union negotiations.

Other Costs (lines 13-19)

Other costs are over **\$319k** compared to the budget, and **\$412k** compared to the prior year.

Interest expenses are higher than budget and prior year due to higher-than-expected interest rates on FFB loans and interest paid to members on their deposits.

Compare Current Year to Budget and Prior Year

	Year-To-Date <u>2024</u>	Year-To-Date <u>Budget</u>	<u>Variance</u>		Year-To-Date <u>2023</u>
13 Depreciation & Amortization Expense	7,168,514	7,039,973	128,541		6,850,031
14 Tax Expense - Property & Gross Receipts	94,713	98,000	(3,287)		95,367
15 Tax Expense - Other	-	-	-		-
16 Interest on Long-Term Debt	3,581,464	3,436,656	144,809		3,496,334
17 Interest Charged to Construction - Credit	-	-	-		-
18 Interest Expense - Other	95,876	32,000	63,876		89,820
19 Other Deductions	21,719	36,700	(14,981)		18,599
Total Other Expenses	10,962,285	10,643,328	318,957	3%	10,550,149

Non-Operating Margins (lines 22-27)

Non-operating Interest Income (line 22) is higher than budget by \$21k for the year. This is the line on the income statement where all interest earned from investments are recorded and includes such items as CFC investments and RUS Cushion of Credit.

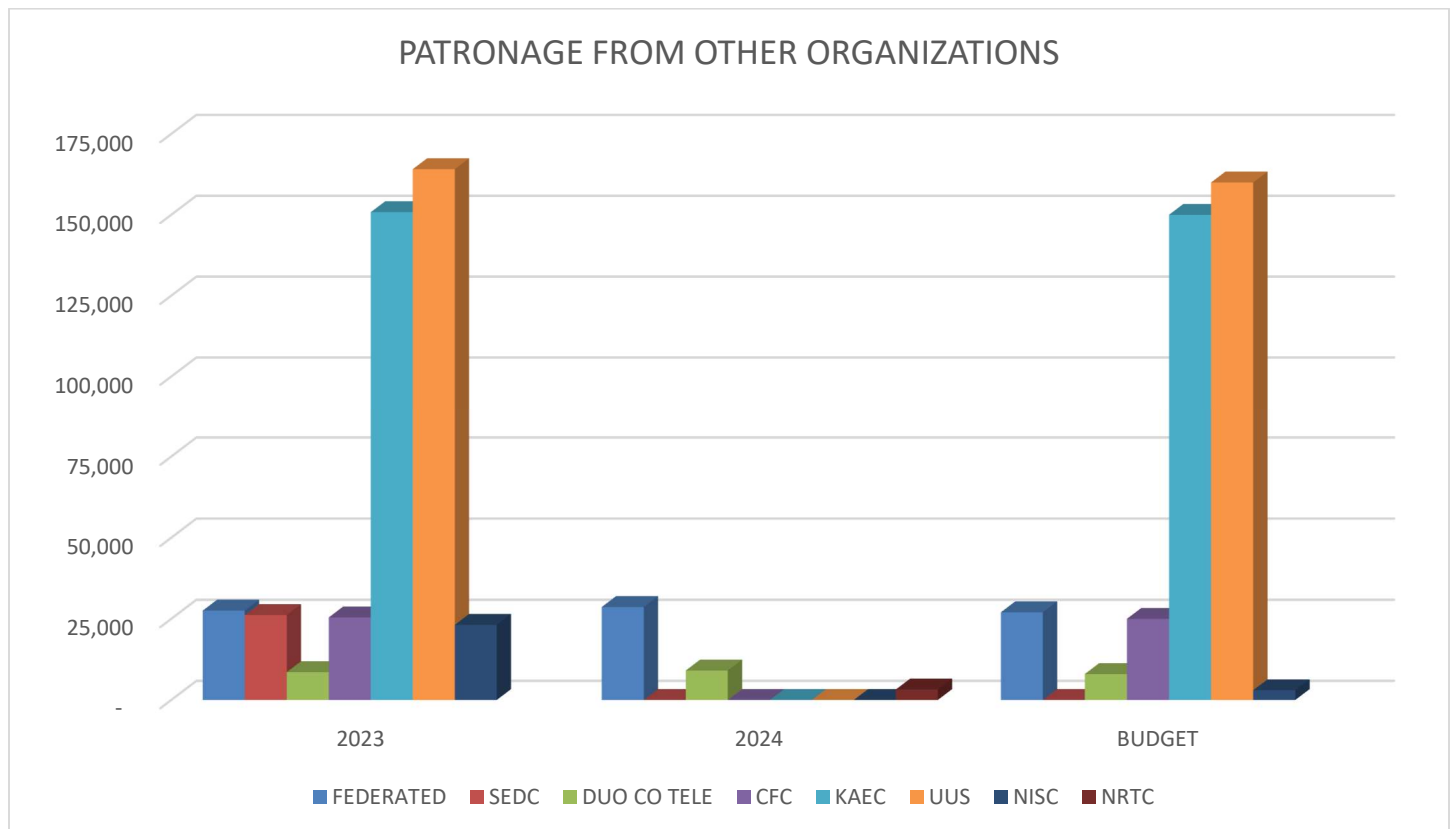
Generation and Transmission Capital Credits (line 26) patronage revenue is expected to be received in December.

Compare Current Year to Budget and Prior Year

	Year-To-Date <u>2024</u>	Year-To-Date <u>Budget</u>	<u>Variance</u>		Year-To-Date <u>2023</u>
21 Patronage Capital & Operating Margins	(3,813,947)	(678,137)	(3,135,810)	462%	(2,282,829)
22 Non Operating Margins - Interest	900,400	879,000	21,400		914,859
25 Non Operating Margins - Other	10,039	11,224	(1,185)		206,398
26 Generation and Transmission Capital Credits	-	-	-		-
27 Other Capital Credits and Patronage Dividends	40,978	35,000	5,978		36,113

Other Capital Credits and Patronage Dividends (line 27) represents all the patronage that we are allocated throughout the year from various other cooperatives. We have budgeted a total of \$373k for the year. As of August, we have received \$41k in patronage. Most patronage is expected to be received in September through December.

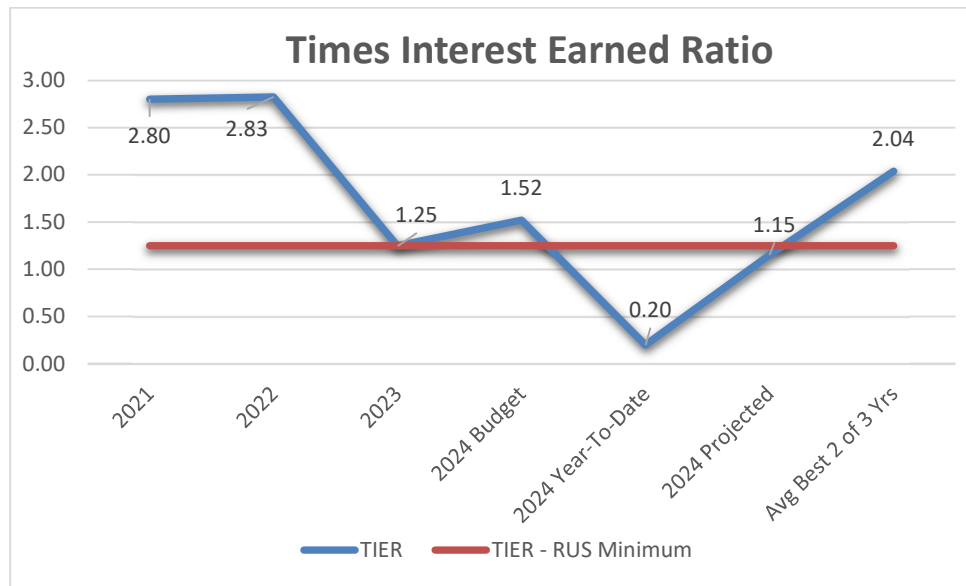
The graph below illustrates what we received in the prior year and what we have budgeted to receive this year.



Ratios

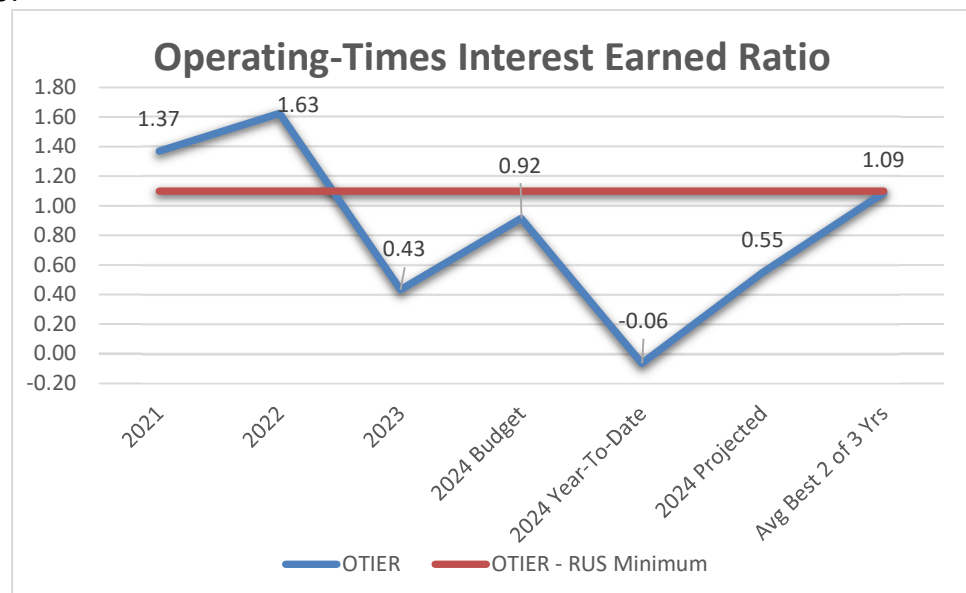
Lenders have several required minimum ratios we much meet each year. The Rural Utilities Service (RUS) allows for an average of the best 2 out of 3 years to meet the minimums.

Times Interest Earned Ratio (TIER) – Measures the ease of paying interest on long-term debt. The RUS minimum requirement is 1.25 and we are projecting a 2024 year-end TIER of 1.15. Budgeted TIER was 1.52 and year-end 2023 was 1.25. The current YTD TIER is 0.20 and the average for the best 2 out of the last 3 years is 2.04.



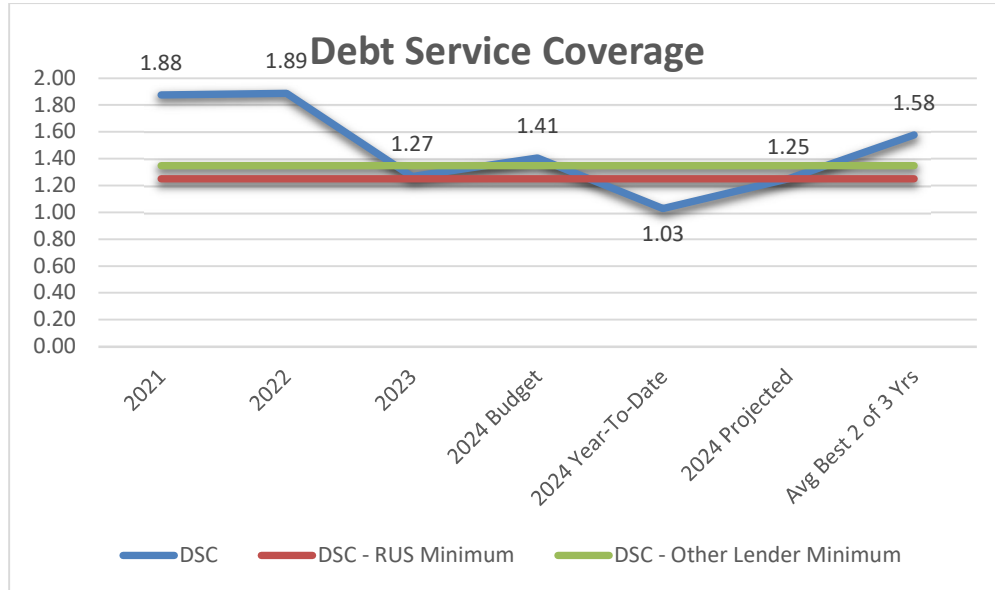
Operating Times Interest Earned Ratio (OTIER) – Similar to TIER except the OTIER uses operating margins instead of net margins.

The RUS minimum requirement is 1.10 and we are projecting a 2024 year-end OTIER of 0.55. Budgeted OTIER was 0.92 and 2023 year-end was 0.43. The current YTD OTIER is -0.06 and the average for the best 2 out of the last 3 years is 1.09.



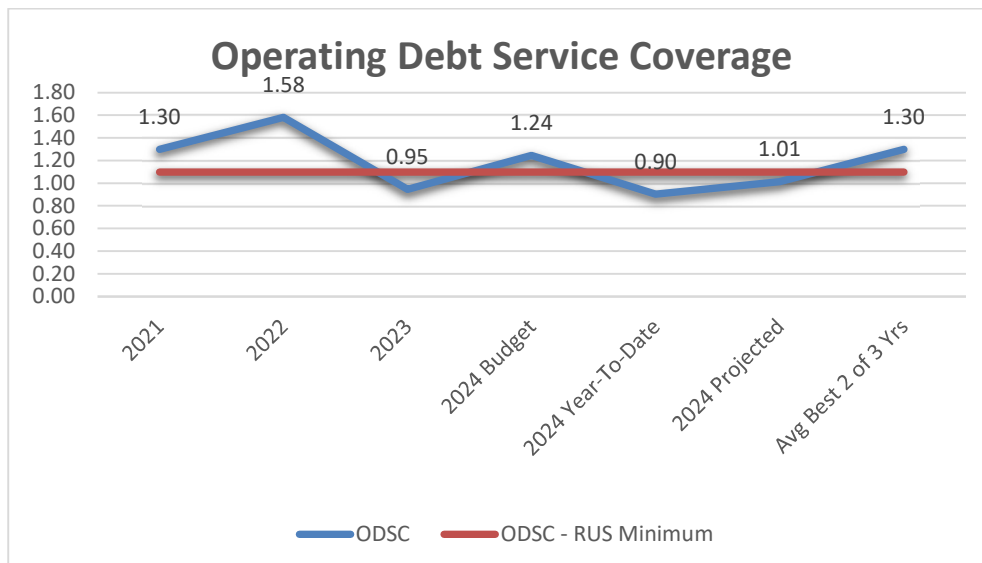
Debt Service Coverage (DSC) – Measures the cash flow ability to meet lender principal and interest payments.

The lender minimum requirement is 1.35, we are projecting a 2024 year-end DSC of 1.25. Budgeted DSC was 1.41 and 2023 year-end was 1.27. The current YTD DSC is 1.03 and the average for the best 2 out of the last 3 years is 1.58.



Operating Debt Service Coverage (ODSC) – Similar to DSC except the ODSC uses operating margins instead of net margins.

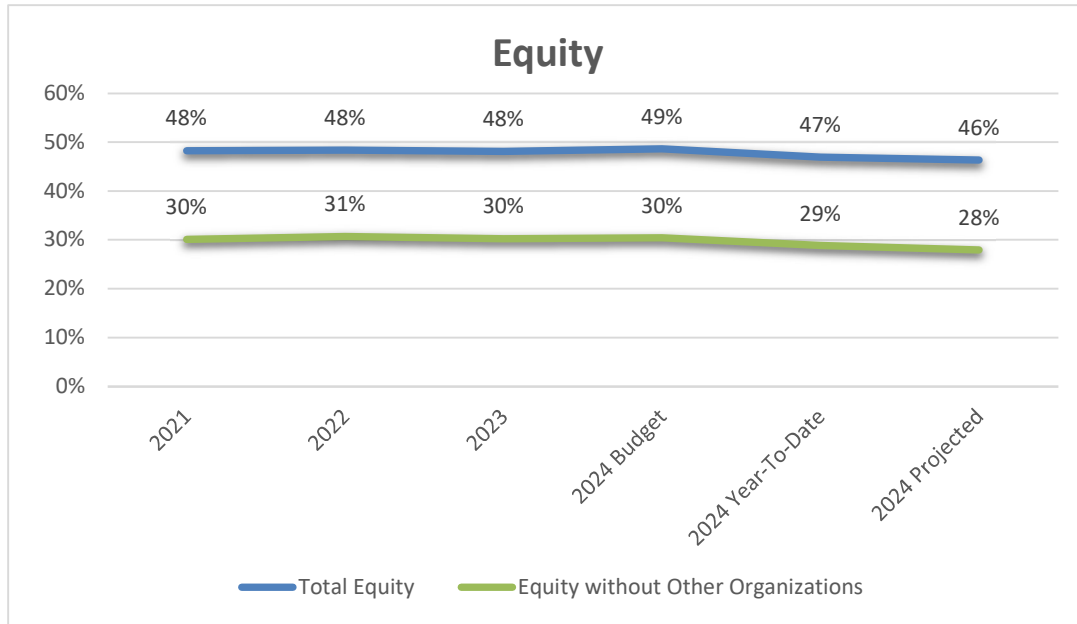
The RUS minimum requirement is 1.10, we are projecting a 2024 year-end ODSC of 1.01. Budgeted ODSC was 1.24 and 2023 year-end was 0.95. The current YTD ODSC is 0.90 and the average for the best 2 out of the last 3 years is 1.30.



Equity - measures the proportion of the total assets that are financed by members, as opposed to lenders.

The RUS minimum requirement is 30% and our desired range has been set at 35%-45%. We are projecting a 2024 year-end total equity ratio of 46%. This is a reduction from the budgeted equity ratio of 49% due to the reduced net margins expected. The 2023 year-end equity ratio was 48%.

The graph below illustrates total equity over time and what equity would be when the impact of patronage from our G&T and from all other organizations is removed. The equity rate of 30% is the equity that has been generated wholly from cooperative margins or operations.



LONG TERM DEBT AND INVESTMENT INFORMATION

Funding Source	Available	Current Month Outstanding	Prior Month Outstanding	Monthly Change Increase/(Decrease)	Annual Change Increase/(Decrease)
CFC Lines of Credit	15,000,000			-	-
CFC Investments	8,517,061			7,749,020	(3,418,572)
Cushion of Credit	12,891,633			31,903	(3,385,466)
FFB	19,000,000	145,422,504	145,422,504	5,000,000	3,115,477
RUS		2,351,136	2,373,175	(22,039)	(175,626)
CFC		2,349,498	2,546,601	(197,103)	(582,903)
CoBank		35,839,197	36,102,572	(263,375)	(2,085,080)
City of Monticello		2,053,333	2,053,333	-	-
USDA - Eco. Dev. Loans		802,083	819,445	(17,361)	(138,889)
USDA - Eco. Dev. Grants		2,566,000	2,566,000	-	-
USDA - Eco. Dev. Investment	1,155,587			47,140	318,163

Investment Accounts

Debt Accounts

Financial Results for September 2024

For The Month:

Net margins for the month (line 29) are a gain of \$823k compared to a budgeted gain of \$293k for a variance of \$530k. Margins for the same month in the prior year were a gain of \$1.97m.

Compare Current Month to Budget and Prior Year

	September 2024 <u>Actual</u>	September 2024 <u>Budget</u>	<u>Variance</u>		September 2023 <u>Actual</u>
1 Operating Revenue and Patronage Capital	\$ 12,315,971	\$ 13,194,882	\$ (878,911)	-7%	\$ 12,444,355
3 Cost of Purchased Power	8,846,527	9,367,539	(521,012)	-6%	7,923,827
Gross Margin	3,469,444	3,827,343	(357,899)	-9%	4,520,528
	28%	29%			36%
6 Distribution Expense - Operation	329,387	312,507	16,880		321,458
7 Distribution Expense - Maintenance	739,004	1,351,906	(612,902)		764,002
8 Customer Accounts Expense	350,641	426,313	(75,672)		358,277
9 Customer Service and Informational Expense	61,162	38,700	22,461		45,056
10 Sales Expense	3,253	21,316	(18,063)		2,804
11 Administrative and General Expense	334,691	471,178	(136,487)		386,328
Total Operation & Maintenance Expense	10,664,664	11,989,459	(1,324,795)	-11%	9,801,752
Total Operating Expenses	1,818,137	2,621,920	(803,783)	-31%	1,877,925
13 Depreciation & Amortization Expense	909,128	893,398	15,730		868,996
14 Tax Expense - Property & Gross Receipts	13,396	12,250	1,146		8,872
15 Tax Expense - Other	-	-	-		-
16 Interest on Long-Term Debt	448,521	424,467	24,054		463,068
17 Interest Charged to Construction - Credit	-	-	-		-
18 Interest Expense - Other	11,497	4,000	7,497		20,757
19 Other Deductions	1,416	5,050	(3,634)		3,258
Total	12,048,623	13,328,625	(1,280,002)	-10%	11,166,703
Total Other Expenses	1,383,959	1,339,166	44,793	3%	1,364,951
21 Patronage Capital & Operating Margins	267,349	(133,743)	401,091	-300%	1,277,652
22 Non Operating Margins - Interest	107,463	90,000	17,463		253,365
25 Non Operating Margins - Other	(2,248)	1,728	(3,976)		95,409
26 Generation and Transmission Capital Credits	-	-	-		-
27 Other Capital Credits and Patronage Dividends	450,183	335,000	115,183		340,332
29 Patronage Capital or Margins	\$ 822,747	\$ 292,985	\$ 529,761	181%	\$ 1,966,758

The major factors resulting in the month's variance to budget are:

- Lower revenue than budgeted by \$879k due to fewer kWh sales than expected. This revenue shortage is partially offset by lower power costs from the reduced number of kWh purchased.
- Right of way invoicing has been delayed causing a variance to budget of \$630k. Expect to see higher costs in October due to the invoicing delay.
- Admin & General expenses are less than the budget from reduced salary expenses and a reduction in outside services being used.
- Patronage received from UUS was \$124k larger than expected.

For The Year:

Net margins year-to-date (line 29) are a loss of **\$2.04m** compared to a budgeted gain of \$540k for a variance of **\$2.58m**. Prior year-to-date net margins were a gain of \$841k.

Compare Current Year to Budget and Prior Year

	Year-To-Date 2024	Year-To-Date Budget	Variance		Year-To-Date 2023
1 Operating Revenue and Patronage Capital	\$ 118,028,511	\$ 121,497,535	\$ (3,469,024)	-3%	\$ 112,915,226
3 Cost of Purchased Power	84,512,591	85,917,679	(1,405,088)	-2%	80,068,835
Gross Margin	33,515,920	35,579,856	(2,063,936)	-6%	32,846,391
	28%	29%			29%
6 Distribution Expense - Operation	3,154,085	2,831,820	322,265		3,332,687
7 Distribution Expense - Maintenance	13,950,982	12,707,450	1,243,533		10,906,634
8 Customer Accounts Expense	3,204,938	3,819,086	(614,148)		3,541,590
9 Customer Service and Informational Expense	536,025	363,532	172,493		314,602
10 Sales Expense	27,917	198,278	(170,360)		37,432
11 Administrative and General Expense	3,842,327	4,489,076	(646,749)		3,803,522
Total Operation & Maintenance Expense	109,228,866	110,326,921	(1,098,055)	-1%	102,005,302
Total Operating Expenses	24,716,275	24,409,242	307,033	1%	21,936,467
13 Depreciation & Amortization Expense	8,077,642	7,933,371	144,271		7,719,026
14 Tax Expense - Property & Gross Receipts	108,109	110,250	(2,141)		104,239
15 Tax Expense - Other	-	-	-		-
16 Interest on Long-Term Debt	4,029,986	3,861,123	168,863		3,959,402
17 Interest Charged to Construction - Credit	-	-	-		-
18 Interest Expense - Other	107,373	36,000	71,373		110,577
19 Other Deductions	23,135	41,750	(18,615)		21,857
Total	121,575,109	122,309,415	(734,305)	-1%	113,920,403
Total Other Expenses	12,346,244	11,982,494	363,750	3%	11,915,101
21 Patronage Capital & Operating Margins	(3,546,598)	(811,880)	(2,734,719)	337%	(1,005,177)
22 Non Operating Margins - Interest	1,007,863	969,000	38,863		1,168,224
25 Non Operating Margins - Other	7,791	12,952	(5,161)		301,808
26 Generation and Transmission Capital Credits	-	-	-		-
27 Other Capital Credits and Patronage Dividends	491,161	370,000	121,161		376,445
29 Patronage Capital or Margins	\$ (2,039,783)	\$ 540,072	\$ (2,579,855)	-478%	\$ 841,300

The largest variances to budget year-to-date are in the following areas:

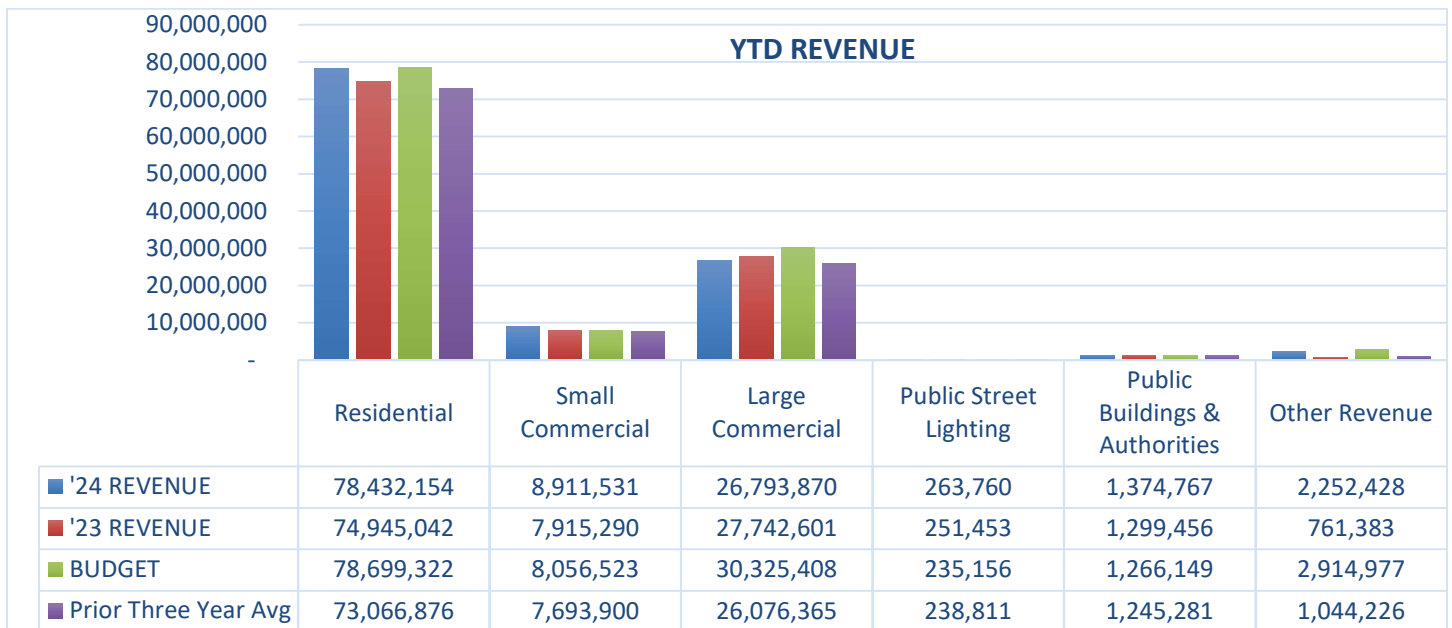
- The gross margin is less than the budget YTD by \$2.1m. Revenue is less than the budget by \$3.5m, mainly from lower than budgeted large commercial sales. Power cost is less than the budget by \$1.4m.
- Contractor right-of-way expense is over budget YTD by \$300k and over the previous YTD by \$3.4m.
- Labor expenses are over budget YTD by \$549k and over the previous YTD by \$430k.

Operating Revenues and kWh Sold

Operating revenues (line 1) are under budget by **\$3.5m** for the year, and higher than the prior year by \$5.1m.

The largest contributor to this YTD budget variance is from the large commercial/industrial class with a shortfall of **\$3.5m**. Compared to the prior year, the largest increase in revenue is from residential accounts with an increase over prior year of \$3.5m.

The graph below illustrates the amount of revenue from each class of member for the current year, prior year, budget and the average of the 3 most recent prior years.



For the year, we have sold **959 million kWh** compared to the budget of 981 million, a shortfall in hours sold of approximately 22 million.

Compared to the prior year we have sold 46 million more kWh.

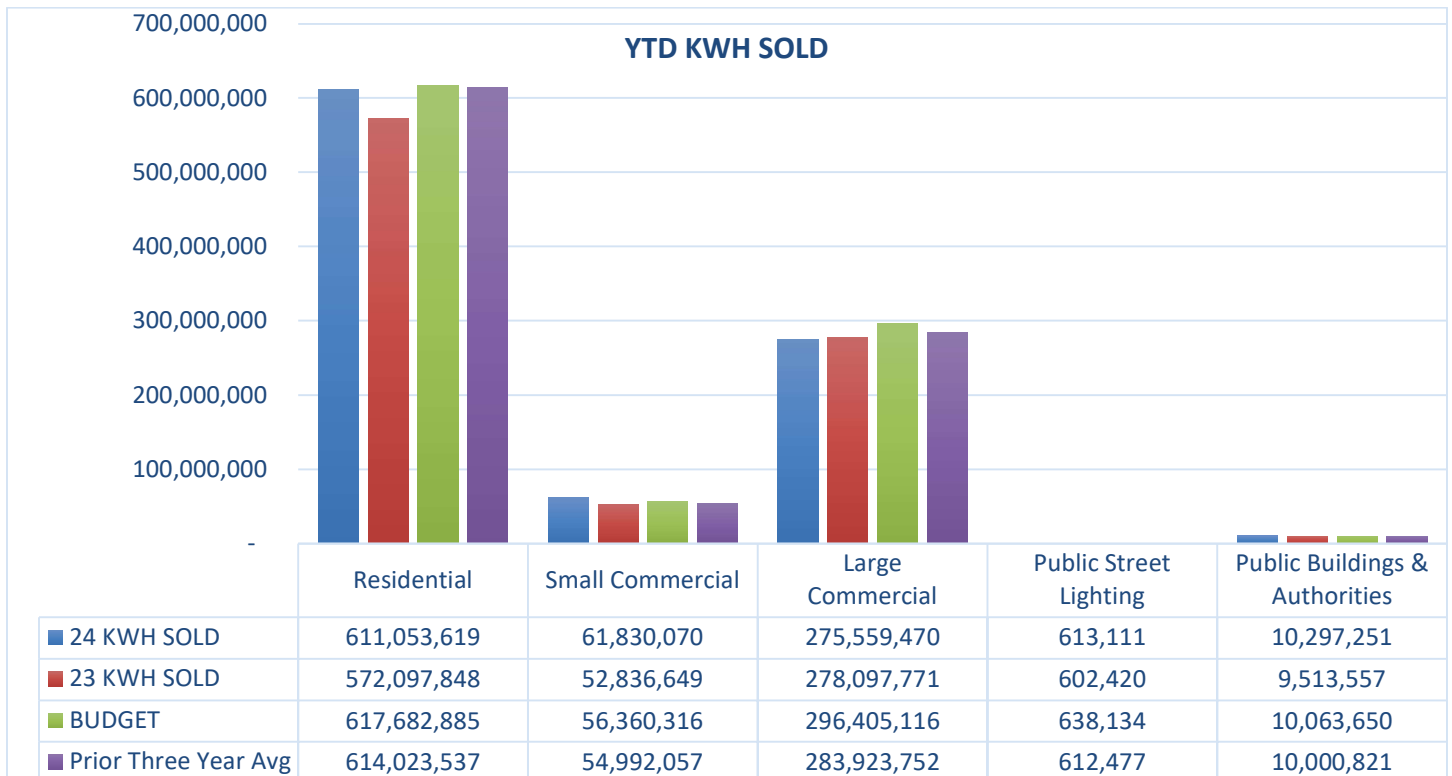
Milder weather than normal for both YTD 2024 and 2023 has resulted in fewer kWh sold.

Compare Current Year to Budget and Prior Year

	Year-To-Date 2024	Year-To-Date Budget	Variance	Year-To-Date 2023
Accounts Connected	71,084	70,497		70,535
kWh Sold	959,353,521	981,150,101	(21,796,580)	811,608,068
Average Usage/Meter	13,496	13,918		11,506
	2024 Y-T-D	Normal Y-T-D		2023 Y-T-D
Degree Days -Heating	2,165	2,763		2,024
Degree Days - Cooling	1,603	1,255		1,286
Total Degree Days	3,768	4,018	(250)	3,310

The graph below illustrates the amount of kWh sold to each class of member for the current year, prior year, budget and the average of the 3 most recent prior years.

This helps to illustrate the large impact the mild weather had on residential kWh sales last year and how the large commercial accounts were expected to increase usage but remained closer to prior year levels.

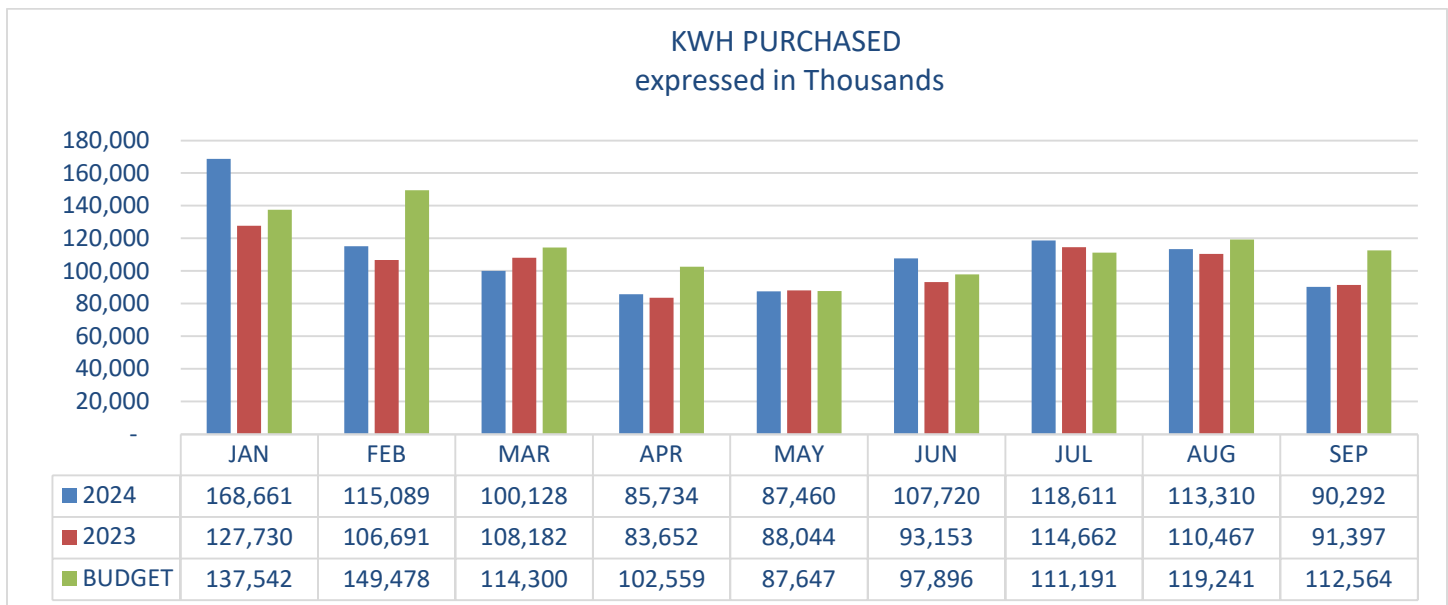
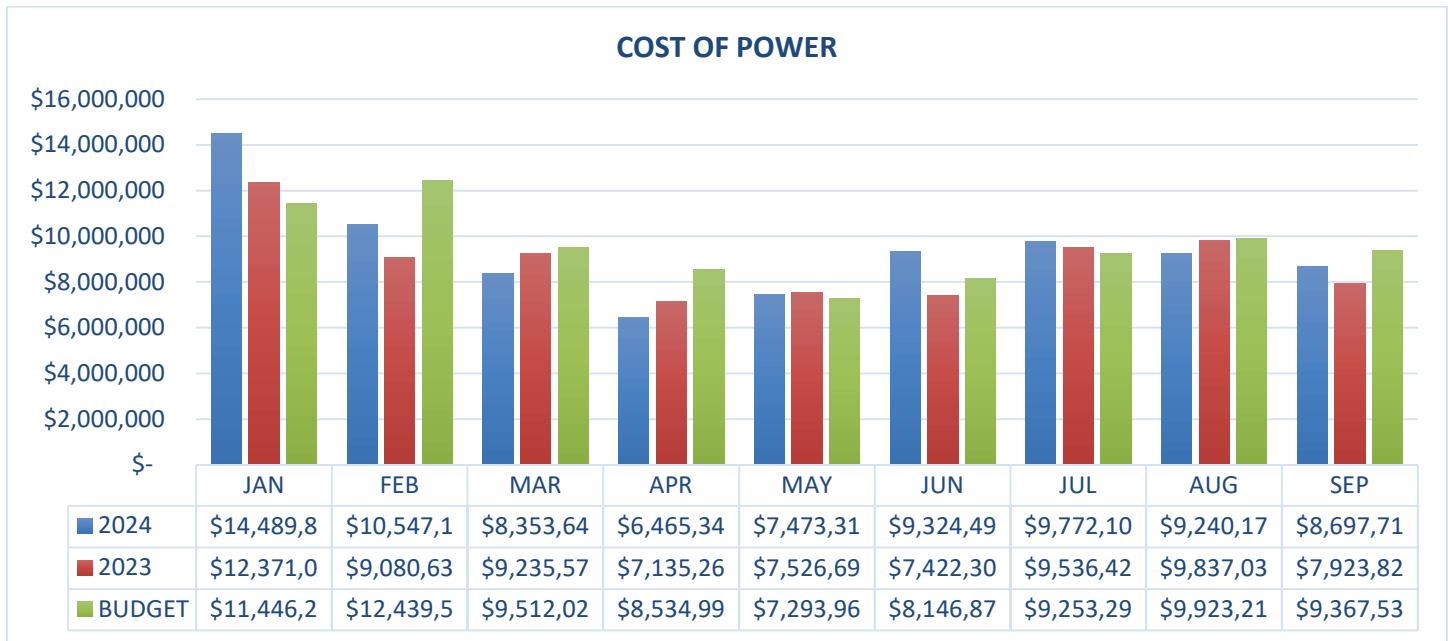


Cost of Purchased Power

The cost of purchased power (line 3) is under budget for the year by **\$1.4m**. This variance is a result of purchasing 45 million fewer kWh, decreasing our costs by \$3.8m combined with purchasing the power at a higher rate than budget offsetting the cost reduction by \$2.3m.

YTD 2024 power cost compared to the previous year is an increase of \$4.3m and 63 million kWh.

The graphs below illustrate the power costs and quantity of kWh purchased each month for 2024, 2023, and the budget.



Controllable Costs/Operating Expenses (lines 6-11)

When comparing YTD operating expenses to the budget, collectively they are higher than the budget by **\$307k** and higher than the prior year by **\$2.8m**.

Compare Current Year to Budget and Prior Year

	Year-To-Date 2024	Year-To-Date Budget	Variance		Year-To-Date 2023
6 Distribution Expense - Operation	3,154,085	2,831,820	322,265		3,332,687
7 Distribution Expense - Maintenance	13,950,982	12,707,450	1,243,533		10,906,634
8 Customer Accounts Expense	3,204,938	3,819,086	(614,148)		3,541,590
9 Customer Service and Informational Expense	536,025	363,532	172,493		314,602
10 Sales Expense	27,917	198,278	(170,360)		37,432
11 Administrative and General Expense	3,842,327	4,489,076	(646,749)		3,803,522
Total Operating Expenses	24,716,275	24,409,242	307,033	1%	21,936,467

Year-to-date compared to prior year:

- Right-of-way costs are higher by \$3.4m.
- Labor expenses are higher by \$430k.
- Legal fees related to union negotiations are higher by \$113k.

A variety of costs have been reduced from the previous year. Listed here are a few of the more notable:

- Postage related to mailing member bills, down \$55k. Some duplication had occurred in 2023 from the software conversion.
- A reduction of \$110k for Outside Services, particularly within the Member Services and IT functional groups.
- Software expenses have been reduced by \$94k. During the conversion from Meridian to NISC in 2023, some months of dual services were required.

Other Costs (lines 13-19)

Other costs are over **\$364k** compared to the budget, and **\$431k** compared to the prior year.

Interest expenses are higher than budget and prior year due to higher-than-expected interest rates on FFB loans and interest paid to members on their deposits.

Compare Current Year to Budget and Prior Year

	Year-To-Date 2024	Year-To-Date Budget	Variance		Year-To-Date 2023
13 Depreciation & Amortization Expense	8,077,642	7,933,371	144,271		7,719,026
14 Tax Expense - Property & Gross Receipts	108,109	110,250	(2,141)		104,239
15 Tax Expense - Other	-	-	-		-
16 Interest on Long-Term Debt	4,029,986	3,861,123	168,863		3,959,402
17 Interest Charged to Construction - Credit	-	-	-		-
18 Interest Expense - Other	107,373	36,000	71,373		110,577
19 Other Deductions	23,135	41,750	(18,615)		21,857
Total Other Expenses	12,346,244	11,982,494	363,750	3%	11,915,101

Non-Operating Margins (lines 22-27)

Non-operating Interest Income (line 22) is higher than budget by \$39k for the year. This is the line on the income statement where all interest earned from investments are recorded and includes such items as CFC investments and RUS Cushion of Credit.

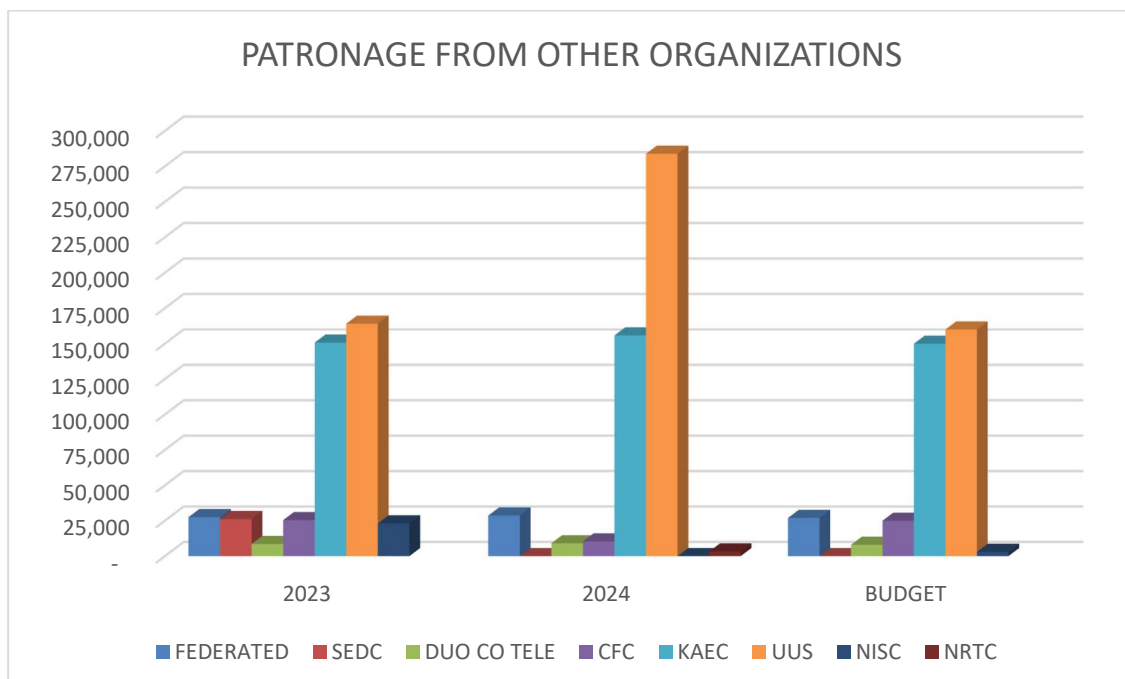
Generation and Transmission Capital Credits (line 26) patronage revenue is expected to be received in December. An updated estimate for year end margins from East Kentucky Power Cooperative indicates our allocation of margins is expected to be approximately \$1.1m. Budgeted was \$1.5m.

Compare Current Year to Budget and Prior Year

	Year-To-Date 2024	Year-To-Date Budget	Variance		Year-To-Date 2023
21 Patronage Capital & Operating Margins	(3,546,598)	(811,880)	(2,734,719)	337%	(1,005,177)
22 Non Operating Margins - Interest	1,007,863	969,000	38,863		1,168,224
25 Non Operating Margins - Other	7,791	12,952	(5,161)		301,808
26 Generation and Transmission Capital Credits	-	-	-		-
27 Other Capital Credits and Patronage Dividends	491,161	370,000	121,161		376,445
29 Patronage Capital or Margins	\$ (2,039,783)	\$ 540,072	\$ (2,579,855)	-478%	\$ 841,300

Other Capital Credits and Patronage Dividends (line 27) represents all the patronage that we are allocated throughout the year from various other cooperatives. We have budgeted a total of \$373k for the year. As of September, we have received \$491k in patronage allocation. The largest increase over budget was from United Utility Supply Cooperative where \$160k was expected and \$284k was received.

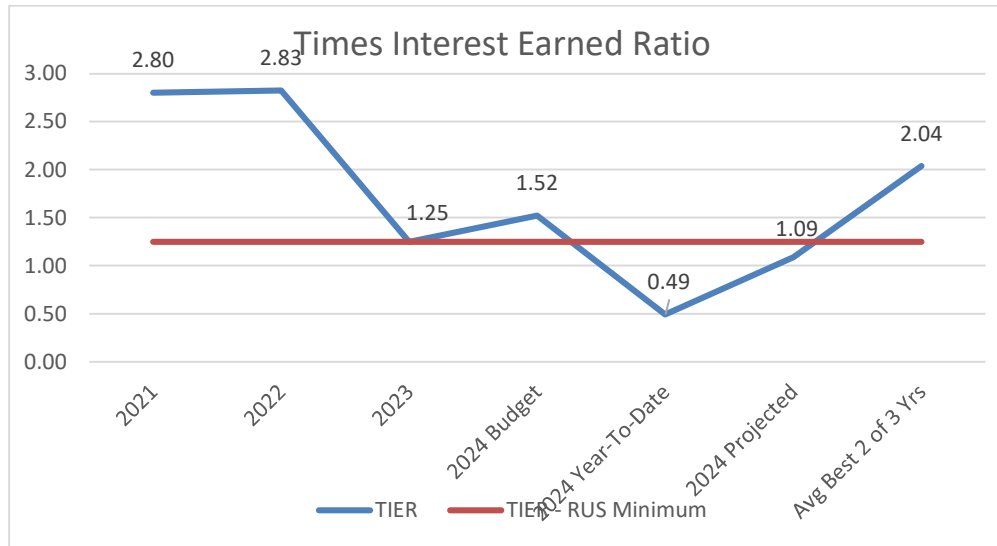
The graph below illustrates what we received in the prior year and what we have budgeted to receive this year.



Ratios

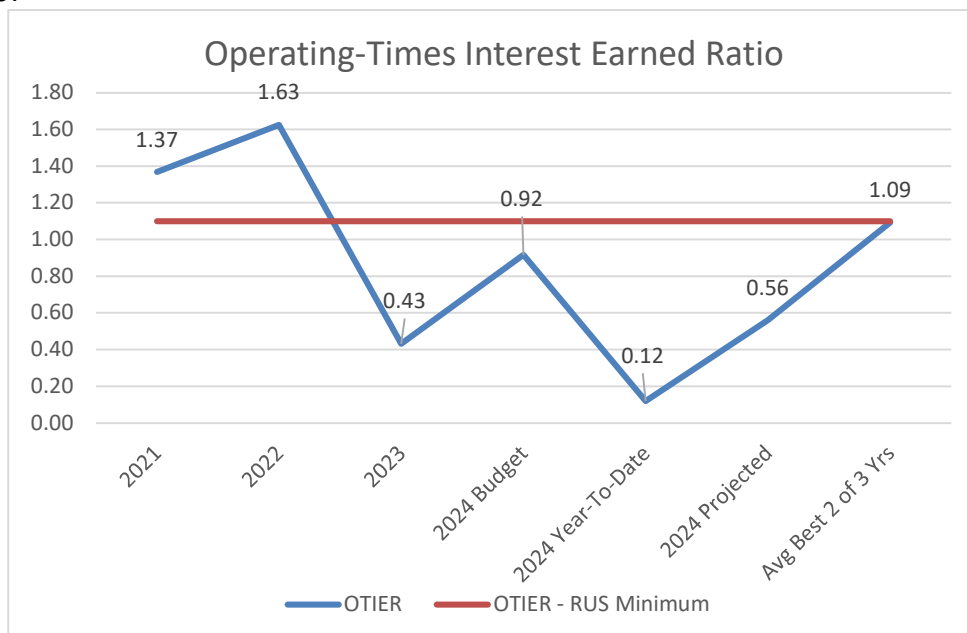
Lenders have several required minimum ratios we much meet each year. The Rural Utilities Service (RUS) allows for an average of the best 2 out of 3 years to meet the minimums.

Times Interest Earned Ratio (TIER) – Measures the ease of paying interest on long-term debt. The RUS minimum requirement is 1.25 and we are projecting a 2024 year-end TIER of 1.09. Budgeted TIER was 1.52 and year-end 2023 was 1.25. The current YTD TIER is 0.49 and the average for the best 2 out of the last 3 years is 2.04.



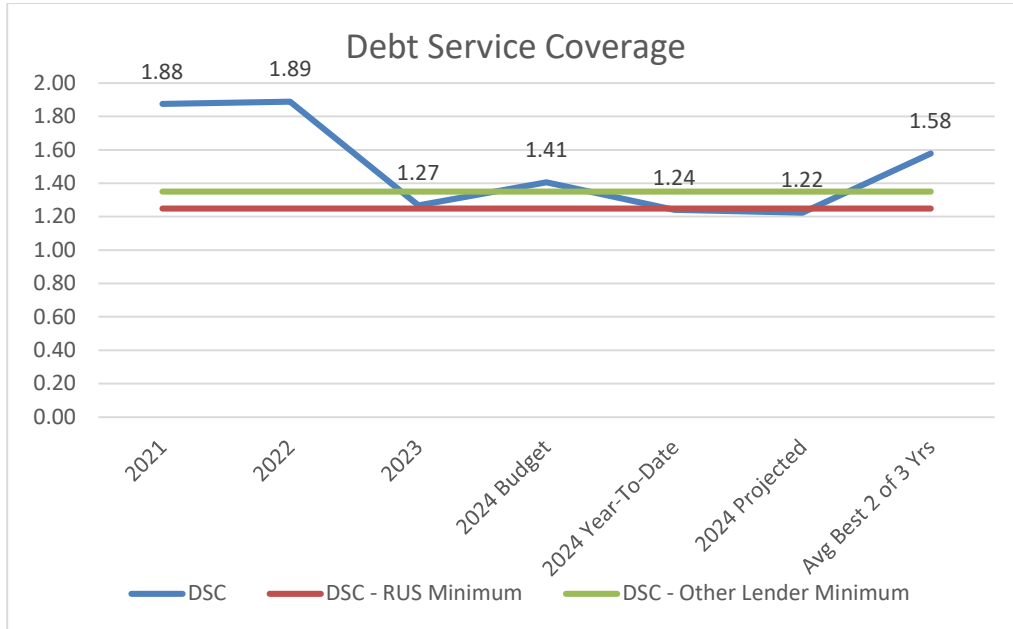
Operating Times Interest Earned Ratio (OTIER) – Similar to TIER except the OTIER uses operating margins instead of net margins.

The RUS minimum requirement is 1.10 and we are projecting a 2024 year-end OTIER of 0.56. Budgeted OTIER was 0.92 and 2023 year-end was 0.43. The current YTD OTIER is 0.12 and the average for the best 2 out of the last 3 years is 1.09.



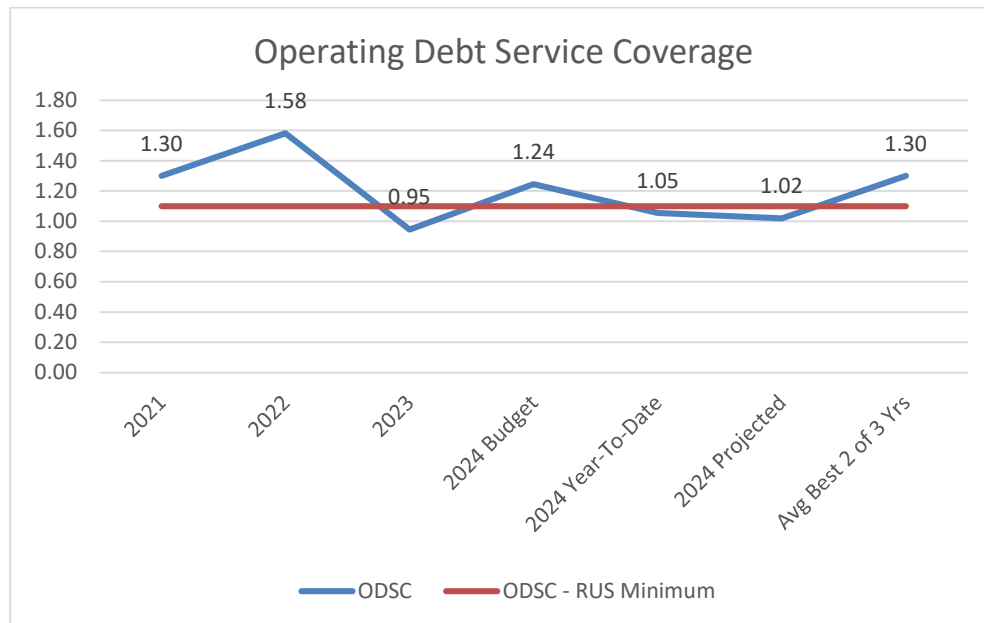
Debt Service Coverage (DSC) – Measures the cash flow ability to meet lender principal and interest payments.

The lender minimum requirement is 1.35, we are projecting a 2024 year-end DSC of 1.22. Budgeted DSC was 1.41 and 2023 year-end was 1.27. The current YTD DSC is 1.24 and the average for the best 2 out of the last 3 years is 1.58.



Operating Debt Service Coverage (ODSC) – Similar to DSC except the ODSC uses operating margins instead of net margins.

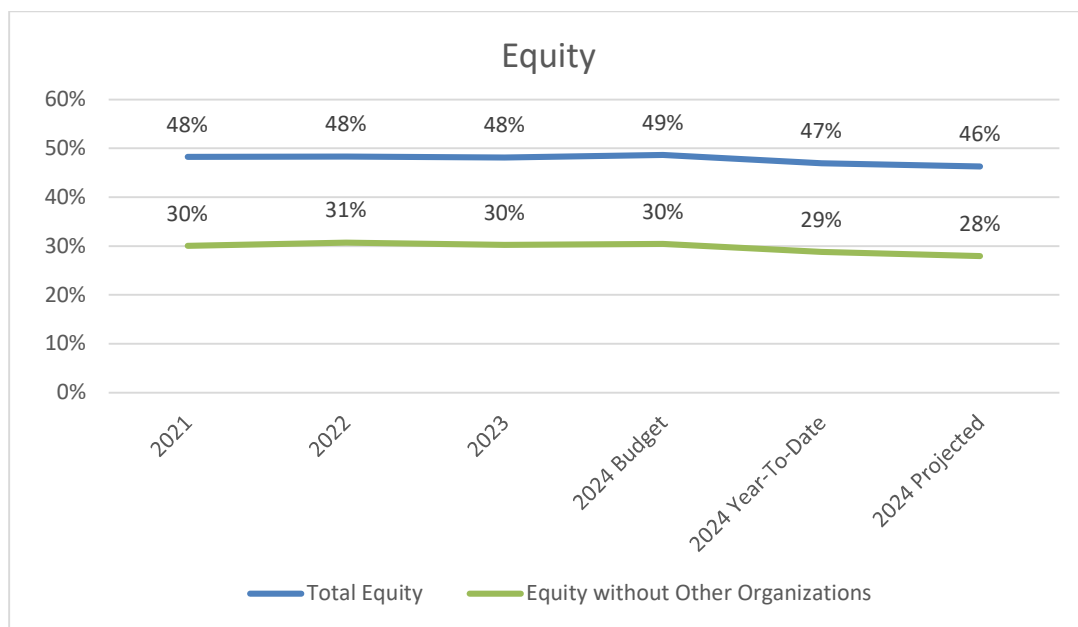
The RUS minimum requirement is 1.10, we are projecting a 2024 year-end ODSC of 1.02. Budgeted ODSC was 1.24 and 2023 year-end was 0.95. The current YTD ODSC is 1.05 and the average for the best 2 out of the last 3 years is 1.30.



Equity - measures the proportion of the total assets that are financed by members, as opposed to lenders.

The RUS minimum requirement is 30% and our desired range has been set at 35%-45%. We are projecting a 2024 year-end total equity ratio of 46%. This is a reduction from the budgeted equity ratio of 49% due to the reduced net margins expected. The 2023 year-end equity ratio was 48%.

The graph below illustrates total equity over time and what equity would be when the impact of patronage from our G&T and from all other organizations is removed. The Equity without Other Organizations percentage is the equity that has been generated wholly from cooperative margins or operations.



LONG TERM DEBT AND INVESTMENT INFORMATION

	Funding Source	Available	Current Month Outstanding	Prior Month Outstanding	Monthly Change Increase/(Decrease)	Annual Change Increase/(Decrease)
231.11	CFC Lines of Credit	15,000,000			-	-
136.00/136.04	CFC Investments	3,825,333			(4,691,728)	(8,110,300)
224.6	Cushion of Credit	11,029,549			(1,862,085)	(5,247,550)
224.24/25/33	FFB	19,000,000	144,476,386	145,422,504	-	2,169,359
224.30/31	RUS		2,328,868	2,351,136	(22,267)	(197,893)
224.12/22	CFC		2,349,498	2,349,498	-	(582,903)
224.19/21	CoBank		35,575,032	35,839,197	(264,165)	(2,349,246)
224.14/32	City of Monticello		2,053,333	2,053,333	-	-
224.16/26	USDA - Eco. Dev. Loans		784,722	802,083	(17,361)	(156,250)
224.18	USDA - Eco. Dev. Grants		2,566,000	2,566,000	-	-
136.28	USDA - Eco. Dev. Investment	1,180,222			24,635	342,798

Investment Accounts

Debt Accounts

Financial Results for October 2024

For The Month:

Net margins for the month (line 29) are a loss of **\$701k** compared to a budgeted loss of **\$646k** for a variance of **\$55k**.

Margins for the same month in the prior year were a loss of **\$2.3m**.

Compare Current Month to Budget and Prior Year

	October 2024 <u>Actual</u>	October 2024 <u>Budget</u>	<u>Variance</u>		October 2023 <u>Actual</u>
Operating Revenue and Patronage Capital	\$ 10,445,553	\$ 11,054,655	\$ (609,102)	-6%	\$ 8,422,891
Cost of Purchased Power	6,942,615	7,633,269	(690,654)	-9%	7,433,871
Gross Margin	3,502,938	3,421,386	81,551	2%	989,020
	34%	31%			12%
Distribution Expense - Operation	347,166	314,609	32,558		368,831
Distribution Expense - Maintenance	1,854,309	1,495,795	358,514		910,182
Customer Accounts Expense	356,161	441,422	(85,261)		326,584
Customer Service and Informational Expense	65,136	40,713	24,422		54,390
Sales Expense	3,493	22,719	(19,226)		102
Administrative and General Expense	379,193	503,768	(124,575)		449,656
Total Operation & Maintenance Expense	9,948,073	10,452,294	(504,221)	-5%	9,543,615
Total Operating Expenses	3,005,458	2,819,025	186,432	7%	2,109,744
Depreciation & Amortization Expense	914,959	897,167	17,791		871,381
Tax Expense - Property & Gross Receipts	13,396	12,250	1,146		8,872
Tax Expense - Other	-	-	-		-
Interest on Long-Term Debt	460,616	421,133	39,483		444,486
Interest Charged to Construction - Credit	-	-	-		-
Interest Expense - Other	11,312	4,000	7,312		7,860
Other Deductions	1,689	4,750	(3,061)		3,351
Total	11,350,044	11,791,594	(441,551)	-4%	10,879,566
Total Other Expenses	1,401,971	1,339,301	62,671	5%	1,335,952
Patronage Capital & Operating Margins	(904,491)	(736,939)	(167,552)	23%	(2,456,676)
Non Operating Margins - Interest	68,312	90,000	(21,688)		156,840
Non Operating Margins - Other	135,108	828	134,280		534
Generation and Transmission Capital Credits	-	-	-		-
Other Capital Credits and Patronage Dividends	-	-	-		-
Patronage Capital or Margins	\$ (701,070)	\$ (646,111)	\$ (54,959)	9%	\$ (2,299,302)

The largest variance to the budget for the month was \$375k in right-of-way expenses as we received many invoices for circuit clearing work due to a delay in invoicing from the contractors.

For The Year:

Net margins year-to-date (line 29) are a loss of **\$2.74m** compared to a budgeted loss of **\$106k** for a variance of **\$2.6m**.
 Prior year-to-date net margins were a loss of **\$1.5m**.

Compare Current Year to Budget and Prior Year

	Year-To-Date 2024	Year-To-Date Budget	Variance		Year-To-Date 2023
1 Operating Revenue and Patronage Capital	\$ 128,474,064	\$ 132,552,190	\$ (4,078,126)	-3%	\$ 121,338,117
3 Cost of Purchased Power	91,455,206	93,550,948	(2,095,742)	-2%	87,502,706
Gross Margin	37,018,858	39,001,242	(1,982,384)	-5%	33,835,411
	29%	29%			28%
6 Distribution Expense - Operation	3,501,252	3,146,429	354,823		3,701,517
7 Distribution Expense - Maintenance	15,805,291	14,203,244	1,602,047		11,816,816
8 Customer Accounts Expense	3,561,099	4,260,508	(699,409)		3,868,174
9 Customer Service and Informational Expense	601,160	404,245	196,915		368,992
10 Sales Expense	31,410	220,997	(189,587)		37,533
11 Administrative and General Expense	4,221,520	4,992,844	(771,324)		4,253,178
Total Operation & Maintenance Expense	119,176,938	120,779,215	(1,602,277)	-1%	111,548,917
Total Operating Expenses	27,721,732	27,228,267	493,465	2%	24,046,211
13 Depreciation & Amortization Expense	8,992,600	8,830,538	162,062		8,590,408
14 Tax Expense - Property & Gross Receipts	121,505	122,500	(995)		113,111
15 Tax Expense - Other	-	-	-		-
16 Interest on Long-Term Debt	4,490,602	4,282,256	208,345		4,403,888
17 Interest Charged to Construction - Credit	-	-	-		-
18 Interest Expense - Other	118,685	40,000	78,685		118,437
19 Other Deductions	24,823	46,500	(21,677)		25,208
Total	132,925,153	134,101,009	(1,175,856)	-1%	124,799,969
Total Other Expenses	13,748,215	13,321,794	426,421	3%	13,251,052
21 Patronage Capital & Operating Margins	(4,451,089)	(1,548,819)	(2,902,270)	187%	(3,461,852)
22 Non Operating Margins - Interest	1,076,175	1,059,000	17,175		1,325,064
25 Non Operating Margins - Other	142,899	13,780	129,119		302,342
26 Generation and Transmission Capital Credits	-	-	-		-
27 Other Capital Credits and Patronage Dividends	491,161	370,000	121,161		376,445
29 Patronage Capital or Margins	\$ (2,740,853)	\$ (106,039)	\$ (2,634,814)	2485%	\$ (1,458,002)

The largest variances to budget year-to-date are in the following areas:

- The gross margin is less than the budget YTD by \$2m. Revenue is less than the budget by \$4.1m, mainly from lower than budgeted large commercial sales. Power cost is less than the budget by \$2.1m.
- Total Right of Way expenses are over budget YTD by \$694k and over the previous YTD by \$4.3m.
- Labor expenses are over budget YTD by \$517k and over the previous YTD by \$479k. The variance to budget is related to storm and other overtime.

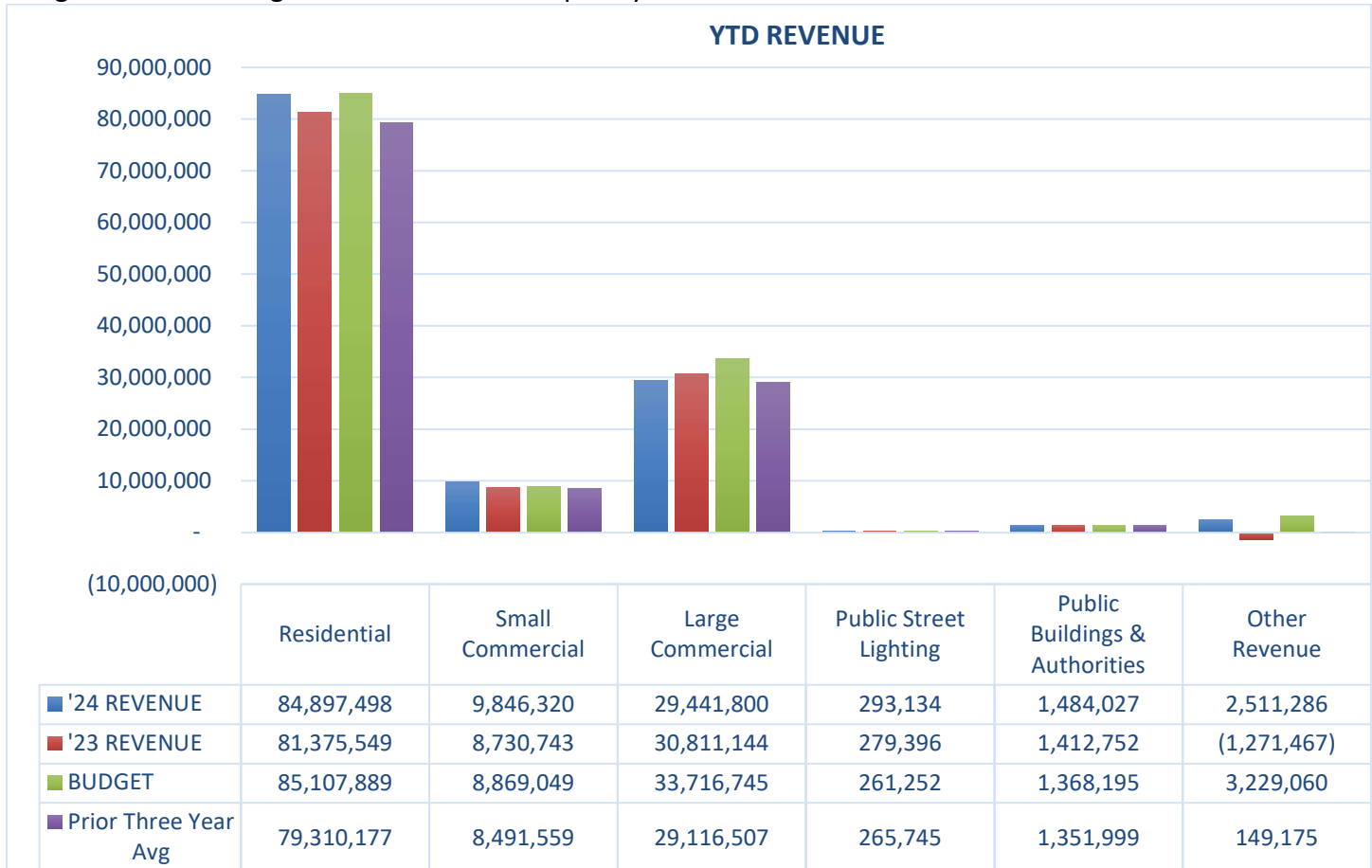
Operating Revenues and kWh Sold

Operating revenues (line 1) are under budget by **\$4m** for the year, and higher than the prior year by \$7m.

The largest contributor to this YTD budget variance is from the large commercial/industrial class with a shortfall of **\$4.3m**. Approximately \$1m of this variance is attributed to the reclassification of approximately 200 accounts from large commercial to small commercial at the beginning of 2024. Compared to prior year-to-date, large commercial sales are down \$1.3m and small commercial sales are up \$1.1m showing the impact of the reclassification is almost net zero. The remaining variance to budget is an inflated expectation of sales growth within the large class budget.

Compared to the prior year, the largest increase in revenue is from residential accounts with an increase over the prior year of \$3.5m.

The graph below illustrates the amount of revenue from each class of member for the current year, prior year, budget and the average of the 3 most recent prior years.



For the year, we have sold **1.04 million kWh** compared to the budget of 1.07 million, a shortfall in hours sold of approximately 27 million.

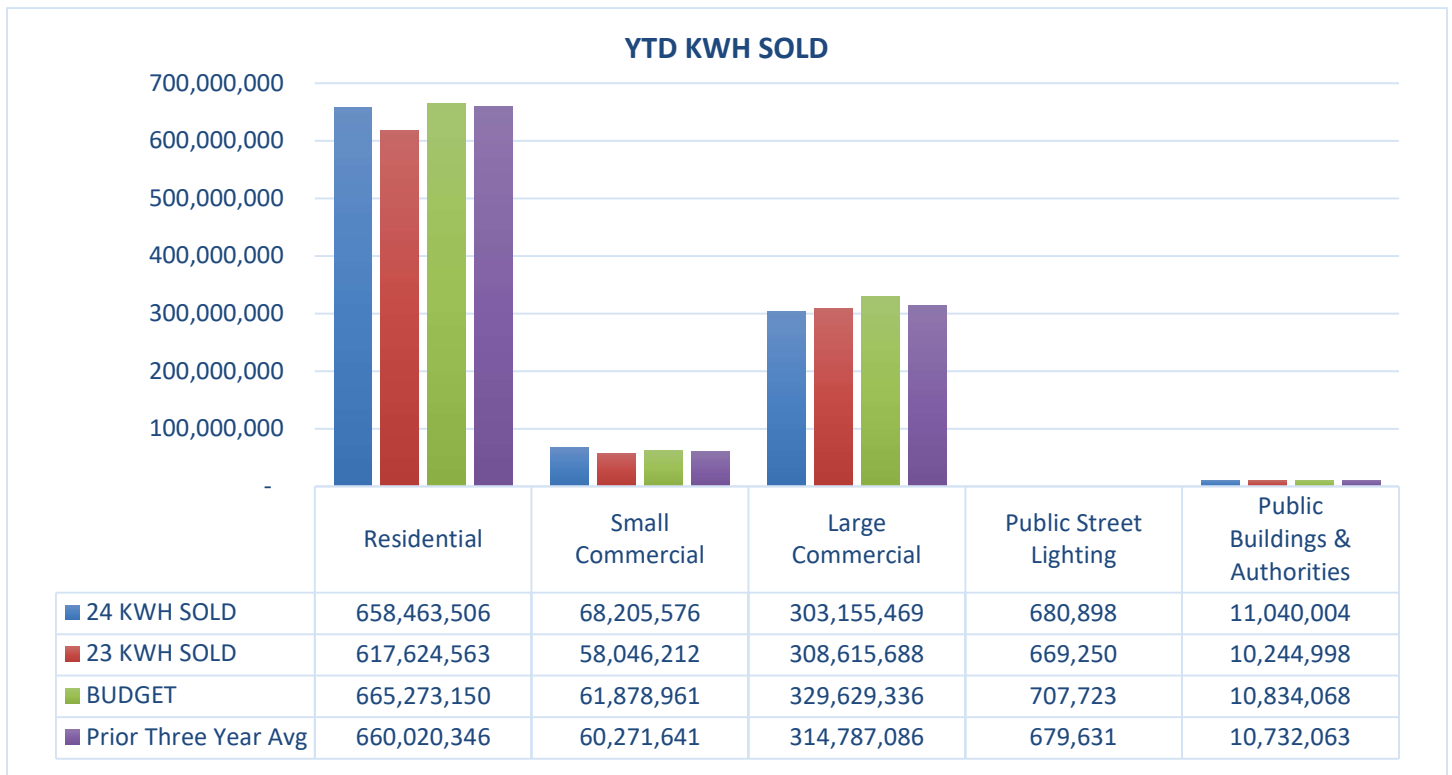
Compared to the prior year we have sold 46 million more kWh.

Milder weather than normal for YTD 2024 has resulted in fewer kWh sold than budgeted while a warmer spring and summer led to more kWh sales than the prior year.

Compare Current Year to Budget and Prior Year

	Year-To-Date <u>2024</u>	Year-To-Date <u>Budget</u>	<u>Variance</u>	Year-To-Date <u>2023</u>
Accounts Connected	71,139	70,507		70,503
kWh Sold	1,041,545,453	1,068,323,238	(26,777,785)	995,200,711
Average Usage/Meter	14,641	15,152		14,116
	2024 Y-T-D	Normal Y-T-D		2023 Y-T-D
Degree Days -Heating	2,342	3,019		2,214
Degree Days - Cooling	1,649	1,288		1,348
Total Degree Days	3,991	4,307	(316)	3,562

The graph below illustrates the amount of kWh sold to each class of member for the current year, prior year, budget and the average of the 3 most recent prior years.



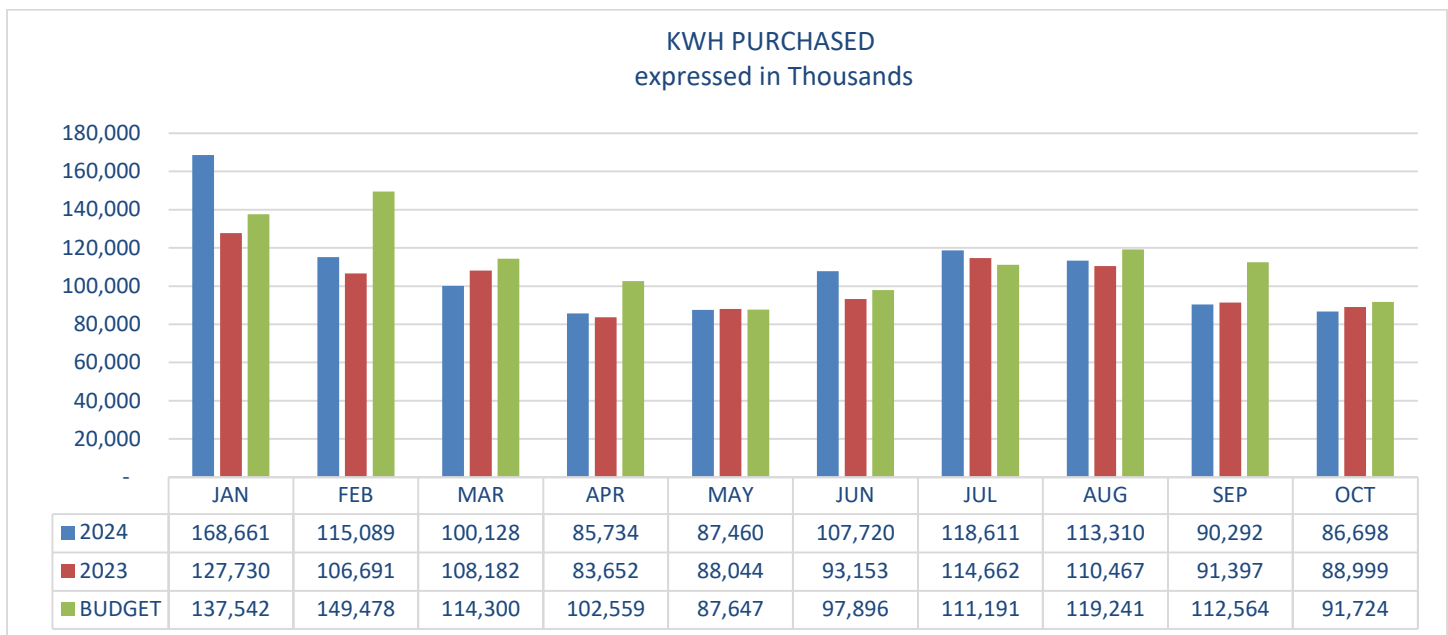
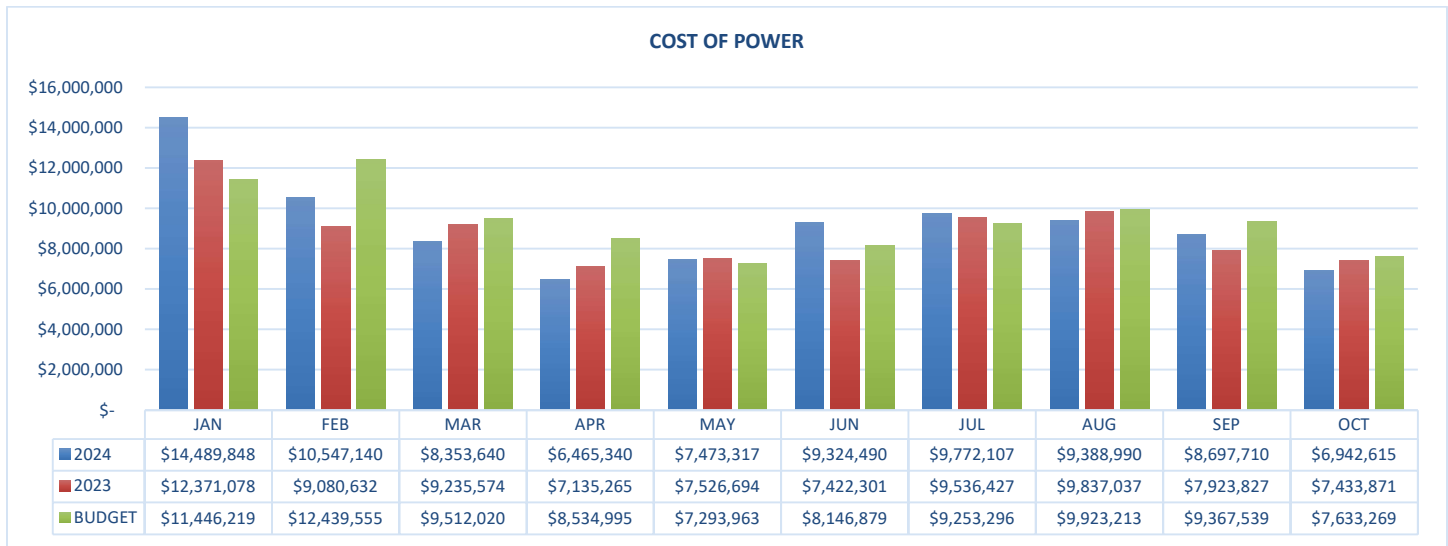
Due to member growth and weather conducive to electric sales residential accounts have consumed kWh comparable to the budget and more than the prior year. The net of large and small commercial accounts have consumed 20 million less kWh than budgeted and 5 million more than the prior year.

Cost of Purchased Power

The cost of purchased power (line 3) is under budget for the year by **\$2.1m**. This variance is a result of purchasing 50 million fewer kWh, decreasing our costs by \$4.2m combined with purchasing the power at a higher rate than budget offsetting the cost reduction by \$2.1m.

YTD 2024 power cost compared to the previous year is an increase of \$3.8m and 61 million kWh.

The graphs below illustrate the power costs and quantity of kWh purchased each month for 2024, 2023, and the budget.



Controllable Costs/Operating Expenses (lines 6-11)

When comparing YTD operating expenses to the budget, collectively they are higher than the budget by **\$493k** and higher than the prior year by **\$3.7m**.

Compare Current Year to Budget and Prior Year

	Year-To-Date <u>2024</u>	Year-To-Date <u>Budget</u>	<u>Variance</u>	Year-To-Date <u>2023</u>
6 Distribution Expense - Operation	3,501,252	3,146,429	354,823	3,701,517
7 Distribution Expense - Maintenance	15,805,291	14,203,244	1,602,047	11,816,816
8 Customer Accounts Expense	3,561,099	4,260,508	(699,409)	3,868,174
9 Customer Service and Informational Expense	601,160	404,245	196,915	368,992
10 Sales Expense	31,410	220,997	(189,587)	37,533
11 Administrative and General Expense	4,221,520	4,992,844	(771,324)	4,253,178
Total Operating Expenses	27,721,732	27,228,267	493,465	24,046,211

2%

Year-to-date compared to prior year:

- Right-of-way costs are higher by \$4.3m.
- Labor expenses are higher by \$479k, related to normal annual wage adjustments and the addition of multiple positions.
- Legal fees related to union negotiations are higher by \$136k.

Other Costs (lines 13-19)

Other costs are over **\$426k** compared to the budget, and **\$497k** compared to the prior year.

Interest expenses are higher than budget and prior year due to higher-than-expected interest rates on FFB loans and interest paid to members on their deposits.

Depreciation expenses are higher due to the increase in plant addition costs from material cost and labor increases.

Compare Current Year to Budget and Prior Year

	Year-To-Date <u>2024</u>	Year-To-Date <u>Budget</u>	<u>Variance</u>	Year-To-Date <u>2023</u>
13 Depreciation & Amortization Expense	8,992,600	8,830,538	162,062	8,590,408
14 Tax Expense - Property & Gross Receipts	121,505	122,500	(995)	113,111
15 Tax Expense - Other	-	-	-	-
16 Interest on Long-Term Debt	4,490,602	4,282,256	208,345	4,403,888
17 Interest Charged to Construction - Credit	-	-	-	-
18 Interest Expense - Other	118,685	40,000	78,685	118,437
19 Other Deductions	24,823	46,500	(21,677)	25,208
Total Other Expenses	13,748,215	13,321,794	426,421	13,251,052

3%

Non-Operating Margins (lines 22-27)

Non-operating Interest Income (line 22) is higher than budget by \$17k for the year. This is the line on the income statement where all interest earned from investments are recorded and includes such items as CFC investments and RUS Cushion of Credit.

Non-operating Margins-Other (line 25) includes the gain on sale of the Columbia Avenue property of \$134k.

Generation and Transmission Capital Credits (line 26) patronage revenue is expected to be received in December. An updated estimate for year-end margins from East Kentucky Power Cooperative indicates our allocation of margins is expected to be approximately \$1.1m. Budgeted was \$1.5m.

Compare Current Year to Budget and Prior Year

21 Patronage Capital & Operating Margins

22 Non Operating Margins - Interest

25 Non Operating Margins - Other

26 Generation and Transmission Capital Credits

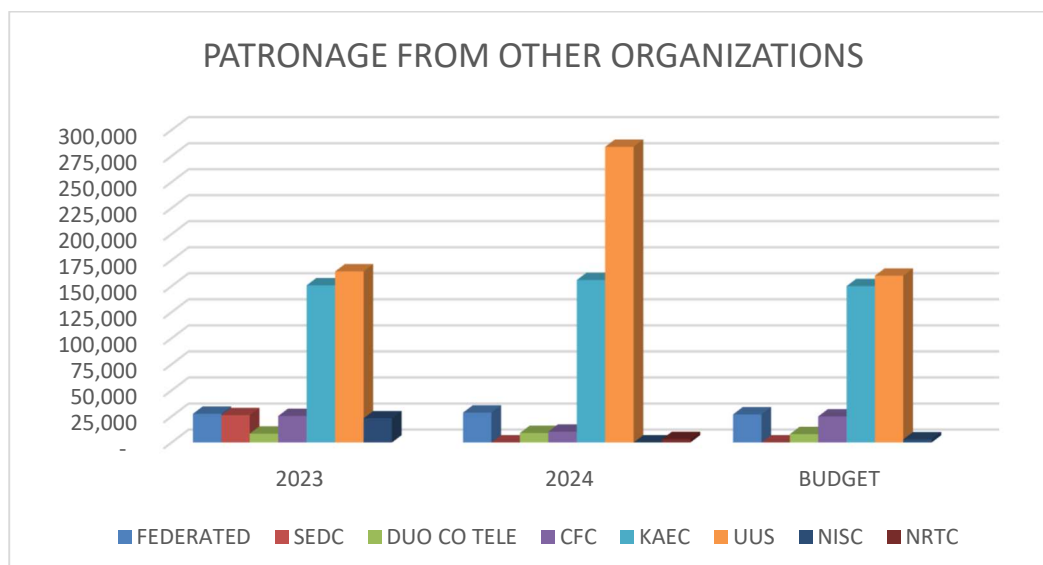
27 Other Capital Credits and Patronage Dividends

29 Patronage Capital or Margins

Year-To-Date 2024	Year-To-Date Budget	Variance		Year-To-Date 2023
(4,451,089)	(1,548,819)	(2,902,270)	187%	(3,461,852)
1,076,175	1,059,000	17,175		1,325,064
142,899	13,780	129,119		302,342
-	-	-		-
491,161	370,000	121,161		376,445
\$ (2,740,853)	\$ (106,039)	\$ (2,634,814)	2485%	\$ (1,458,002)

Other Capital Credits and Patronage Dividends (line 27) represents all the patronage that we are allocated throughout the year from various other cooperatives. We have budgeted a total of \$373k for the year. We have received \$491k in year-to-date patronage allocation. The largest increase over budget was from United Utility Supply Cooperative where \$160k was expected and \$284k was received.

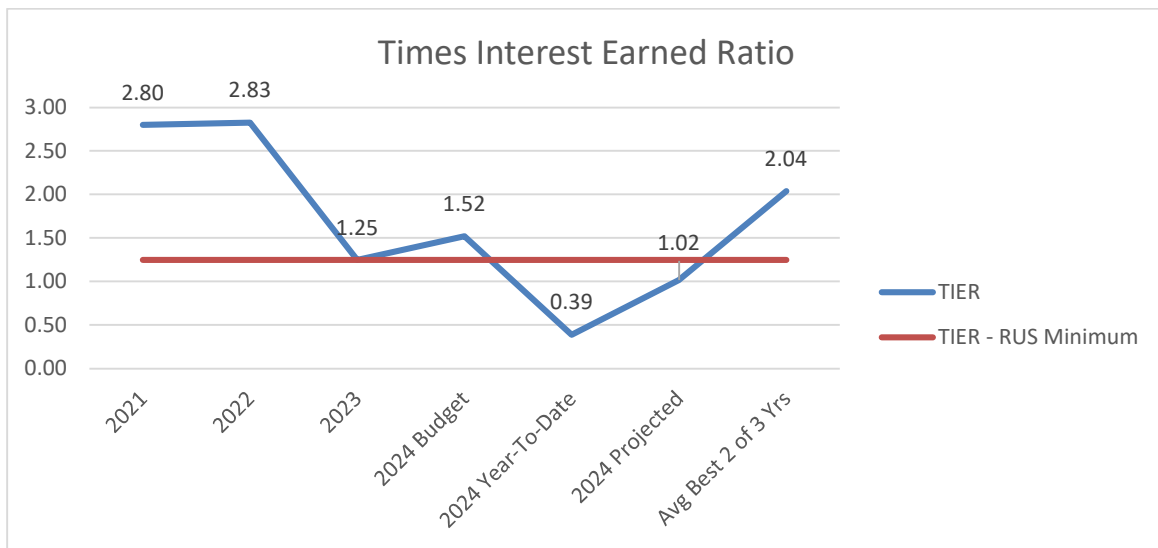
The graph below illustrates what we received in the prior year and what we have budgeted to receive this year.



Ratios

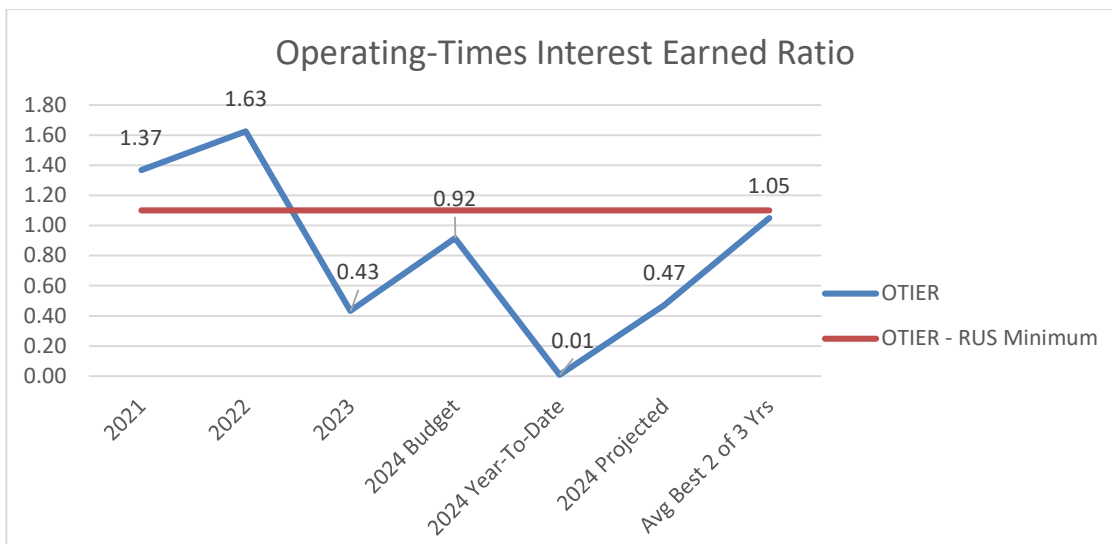
Lenders have several required minimum ratios we must meet each year. The Rural Utilities Service (RUS) allows for an average of the best 2 out of 3 years to meet the minimums.

Times Interest Earned Ratio (TIER) – Measures the ease of paying interest on long-term debt. The RUS minimum requirement is 1.25 and we are projecting a 2024 year-end TIER of 1.02. Budgeted TIER was 1.52 and year-end 2023 was 1.25. The current YTD TIER is 0.39 and the average for the best 2 out of the last 3 years is 2.04.



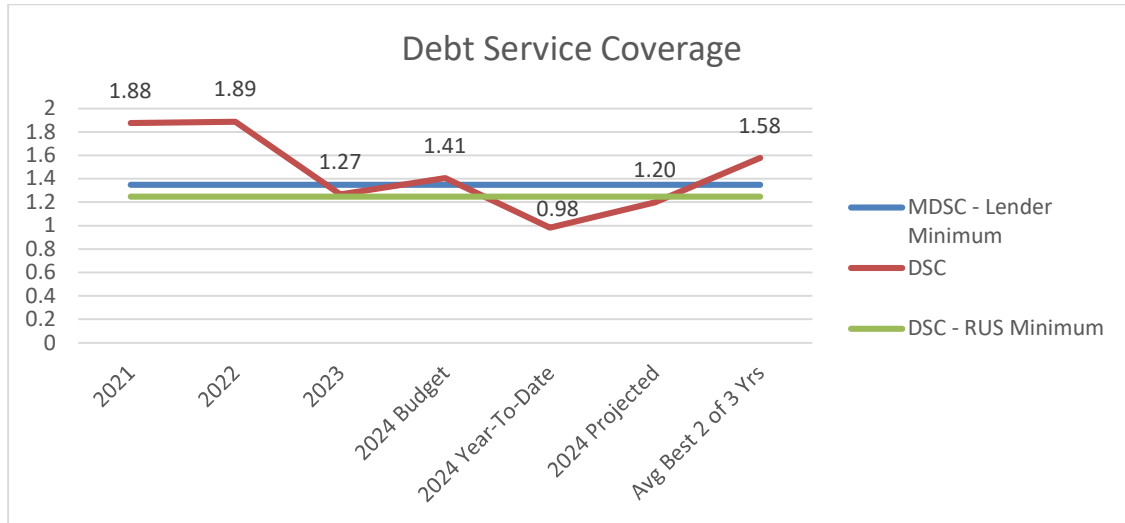
Operating Times Interest Earned Ratio (OTIER) – Similar to TIER except the OTIER uses operating margins instead of net margins.

The RUS minimum requirement is 1.10 and we are projecting a 2024 year-end OTIER of 0.47. Budgeted OTIER was 0.92 and 2023 year-end was 0.43. The current YTD OTIER is 0.01 and the average for the best 2 out of the last 3 years is 1.05.



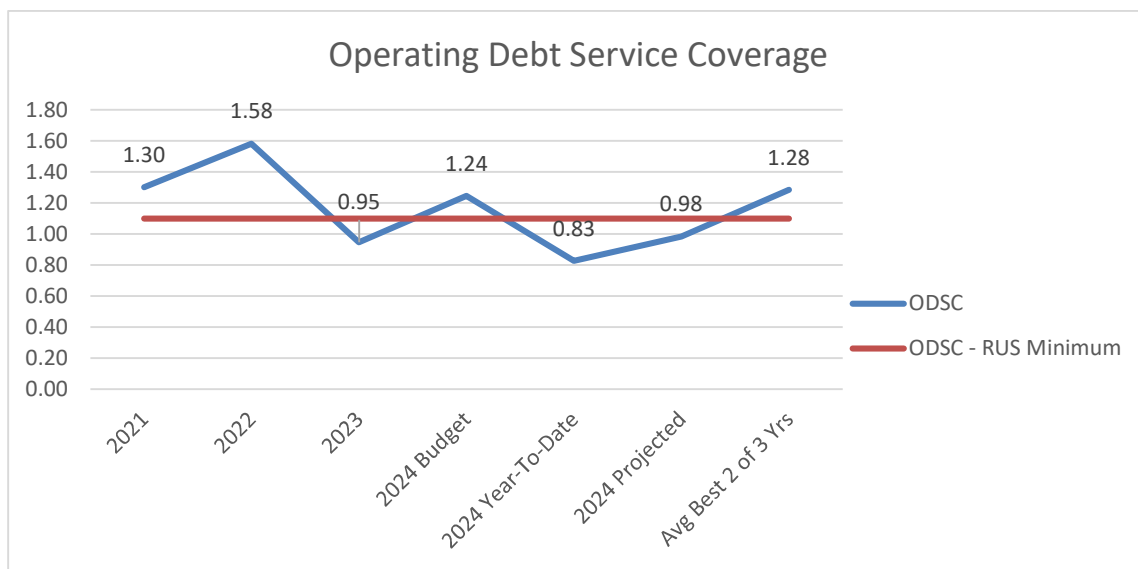
Debt Service Coverage (DSC) – Measures the cash flow ability to meet lender principal and interest payments.

The lender minimum requirement is 1.35, we are projecting a 2024 year-end DSC of 1.20. Budgeted DSC was 1.41 and 2023 year-end was 1.27. The current YTD DSC is 0.98 and the average for the best 2 out of the last 3 years is 1.58.



Operating Debt Service Coverage (ODSC) – Similar to DSC except the ODSC uses operating margins instead of net margins.

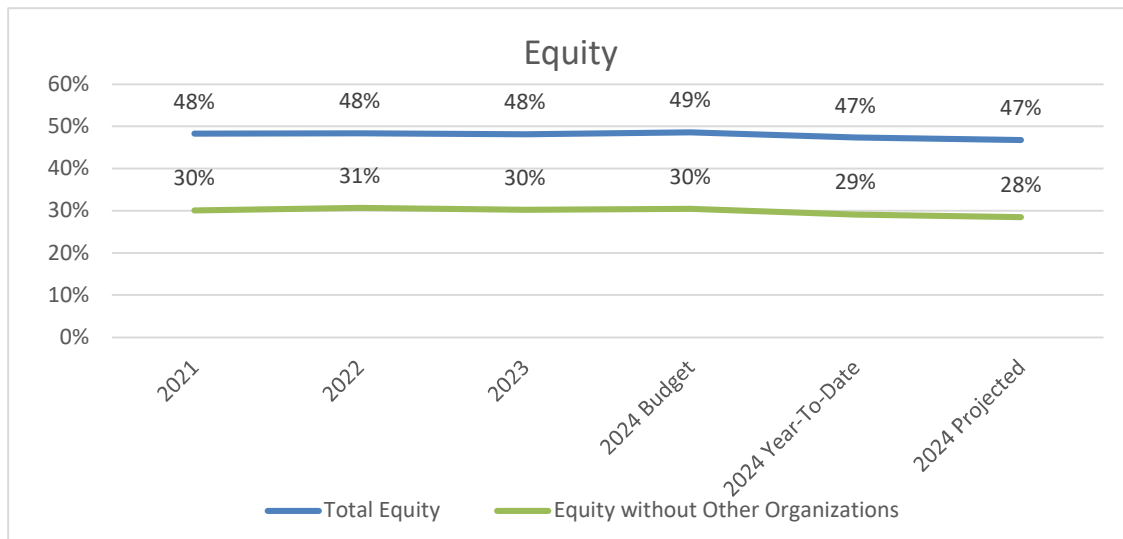
The RUS minimum requirement is 1.10, we are projecting a 2024 year-end ODSC of 0.98. Budgeted ODSC was 1.24 and 2023 year-end was 0.95. The current YTD ODSC is 0.83 and the average for the best 2 out of the last 3 years is 1.28.



Equity - measures the proportion of the total assets that are financed by members, as opposed to lenders.

The RUS minimum requirement is 30% and our desired range has been set at 35%-45%. We are projecting a 2024 year-end total equity ratio of 47%. This is a reduction from the budgeted equity ratio of 49% due to the reduced net margins expected. The 2023 year-end equity ratio was 48%.

The graph below illustrates total equity over time and what equity would be when the impact of patronage from our G&T and from all other organizations is removed. The Equity without Other Organizations percentage is the equity that has been generated wholly from cooperative margins or operations.



LONG TERM DEBT AND INVESTMENT INFORMATION

	Funding Source	Available	Current Month Outstanding	Prior Month Outstanding	Monthly Change Increase/(Decrease)	Annual Change Increase/(Decrease)
231.11	CFC Lines of Credit	15,000,000			-	-
136.00/136.04	CFC Investments	5,348,643			1,523,310	(6,586,990)
224.6	Cushion of Credit	11,039,162			9,613	(5,237,937)
224.24/25/33	FFB	19,000,000	144,476,386	144,476,386	-	2,169,359
224.30/31	RUS		2,306,726	2,328,868	(22,142)	(220,035)
224.12/22	CFC		2,349,498	2,349,498	-	(582,903)
224.19/21	CoBank		35,310,074	35,575,032	(264,958)	(2,614,203)
224.14/32	City of Monticello		1,905,663	2,053,333	(147,670)	(147,670)
224.16/26	USDA - Eco. Dev. Loans		767,361	784,722	(17,361)	(173,611)
224.18	USDA - Eco. Dev. Grants		2,566,000	2,566,000	-	-
136.28	USDA - Eco. Dev. Investment	1,217,314			37,092	379,890

Investment Accounts
Debt Accounts

Worker's Compensation Policy Renewal

The 2025 Worker's Compensation Policy has been received from Federated Rural Electric Insurance Exchange with an annual policy premium of \$234,189 and KY Worker's Compensation Special Fund Assessment of \$12,951 for a total of \$247,140.

Financial Results for November 2024

For The Month:

Net margins for the month (line 29) are a loss of **\$1.4m** compared to a budgeted gain of \$331k for a variance of **\$1.7m**. Margins for the same month in the prior year were a gain of \$106k.

Compare Current Month to Budget and Prior Year

	November 2024 <u>Actual</u>	November 2024 <u>Budget</u>	<u>Variance</u>		November 2023 <u>Actual</u>
1 Operating Revenue and Patronage Capital	\$ 10,322,212	\$ 12,006,376	\$ (1,684,164)	-14%	\$ 13,575,006
3 Cost of Purchased Power	8,134,472	8,385,697	(251,225)	-3%	9,291,906
Gross Margin	2,187,740	3,620,679	(1,432,939)	-40%	4,283,100
	21%	30%			32%
6 Distribution Expense - Operation	424,697	307,353	117,344		396,206
7 Distribution Expense - Maintenance	906,266	768,079	138,187		1,726,483
8 Customer Accounts Expense	372,682	421,300	(48,618)		327,290
9 Customer Service and Informational Expense	66,773	37,050	29,723		53,570
10 Sales Expense	3,525	21,316	(17,791)		-
11 Administrative and General Expense	454,405	467,711	(13,306)		468,095
Total Operation & Maintenance Expense	10,362,821	10,408,506	(45,686)	0%	12,263,550
Total Operating Expenses	2,228,349	2,022,809	205,540	10%	2,971,644
13 Depreciation & Amortization Expense	917,717	900,540	17,177		875,403
14 Tax Expense - Property & Gross Receipts	13,396	12,250	1,146		8,872
15 Tax Expense - Other	-	-	-		-
16 Interest on Long-Term Debt	442,372	423,670	18,703		448,494
17 Interest Charged to Construction - Credit	-	-	-		-
18 Interest Expense - Other	11,666	4,000	7,666		2,553
19 Other Deductions	1,448	4,300	(2,852)		833
Total	11,749,420	11,753,266	(3,846)	0%	13,599,705
Total Other Expenses	1,386,599	1,344,759	41,840	3%	1,336,155
21 Patronage Capital & Operating Margins	(1,427,208)	253,110	(1,680,318)	-664%	(24,699)
22 Non Operating Margins - Interest	69,255	77,000	(7,745)		131,612
25 Non Operating Margins - Other	453	828	(375)		(1,231)
26 Generation and Transmission Capital Credits	-	-	-		-
27 Other Capital Credits and Patronage Dividends	-	-	-		-
29 Patronage Capital or Margins	\$ (1,357,501)	\$ 330,938	\$ (1,688,439)	-510%	\$ 105,683

The largest difference to the budget for the month was the 14% reduction in revenue providing \$1.4m less in gross margins than expected. Mild weather for the month provided 20% fewer degree days than November of 2023 and 8 million fewer kWh sold.

For The Year:

Net margins year-to-date (line 29) are a loss of **\$4.1m** compared to a budgeted gain of \$225k for a variance of **\$4.3m**.
 Prior year-to-date net margins were a loss of **\$1.4m**.

Compare Current Year to Budget and Prior Year

	Year-To-Date 2024	Year-To-Date Budget	Variance		Year-To-Date 2023
1 Operating Revenue and Patronage Capital	\$ 138,796,275	\$ 144,558,566	\$ (5,762,291)	-4%	\$ 134,913,123
3 Cost of Purchased Power	99,589,678	101,936,645	(2,346,967)	-2%	96,794,612
Gross Margin	39,206,597	42,621,921	(3,415,323)	-8%	38,118,511
	28%	29%			28%
6 Distribution Expense - Operation	3,925,949	3,453,782	472,167		4,097,723
7 Distribution Expense - Maintenance	16,711,557	14,971,323	1,740,234		13,543,299
8 Customer Accounts Expense	3,933,781	4,681,808	(748,027)		4,195,463
9 Customer Service and Informational Expense	667,933	441,296	226,638		422,562
10 Sales Expense	34,936	242,313	(207,377)		37,533
11 Administrative and General Expense	4,675,925	5,460,555	(784,630)		4,721,273
Total Operation & Maintenance Expense	129,539,759	131,187,721	(1,647,963)	-1%	123,812,466
Total Operating Expenses	29,950,081	29,251,076	699,005	2%	27,017,854
13 Depreciation & Amortization Expense	9,910,318	9,731,078	179,240		9,465,810
14 Tax Expense - Property & Gross Receipts	134,901	134,750	151		121,983
15 Tax Expense - Other	-	-	-		-
16 Interest on Long-Term Debt	4,932,974	4,705,926	227,048		4,852,382
17 Interest Charged to Construction - Credit	-	-	-		-
18 Interest Expense - Other	130,351	44,000	86,351		120,991
19 Other Deductions	26,271	50,800	(24,529)		26,041
Total	144,674,573	145,854,275	(1,179,702)	-1%	138,399,673
Total Other Expenses	15,134,814	14,666,554	468,260	3%	14,587,207
21 Patronage Capital & Operating Margins	(5,878,297)	(1,295,709)	(4,582,588)	354%	(3,486,551)
22 Non Operating Margins - Interest	1,145,430	1,136,000	9,430		1,456,676
25 Non Operating Margins - Other	143,352	14,608	128,744		301,111
26 Generation and Transmission Capital Credits	-	-	-		-
27 Other Capital Credits and Patronage Dividends	491,161	370,000	121,161		376,445
29 Patronage Capital or Margins	\$ (4,098,354)	\$ 224,899	\$ (4,323,253)	-1922%	\$ (1,352,319)

The largest variances to budget year-to-date and prior year are in the following areas:

- The gross margin is less than the budget YTD by \$3.4m. Revenue is less than the budget by \$5.8m, mainly from lower than budgeted large commercial sales and several months of mild weather. The gross margin is higher than the prior year-to-date by \$1.1m.
- Contractor Right of Way expenses are over budget YTD by \$52k and over the previous YTD by \$3.4m.
- Labor expenses are over budget YTD by \$1.3m and over the previous YTD by \$543k. The variance to budget is related to storm, right of way, and other overtime. The variance to the previous year is from staff legal counsel, additional engineering and safety positions and routine wage increases.

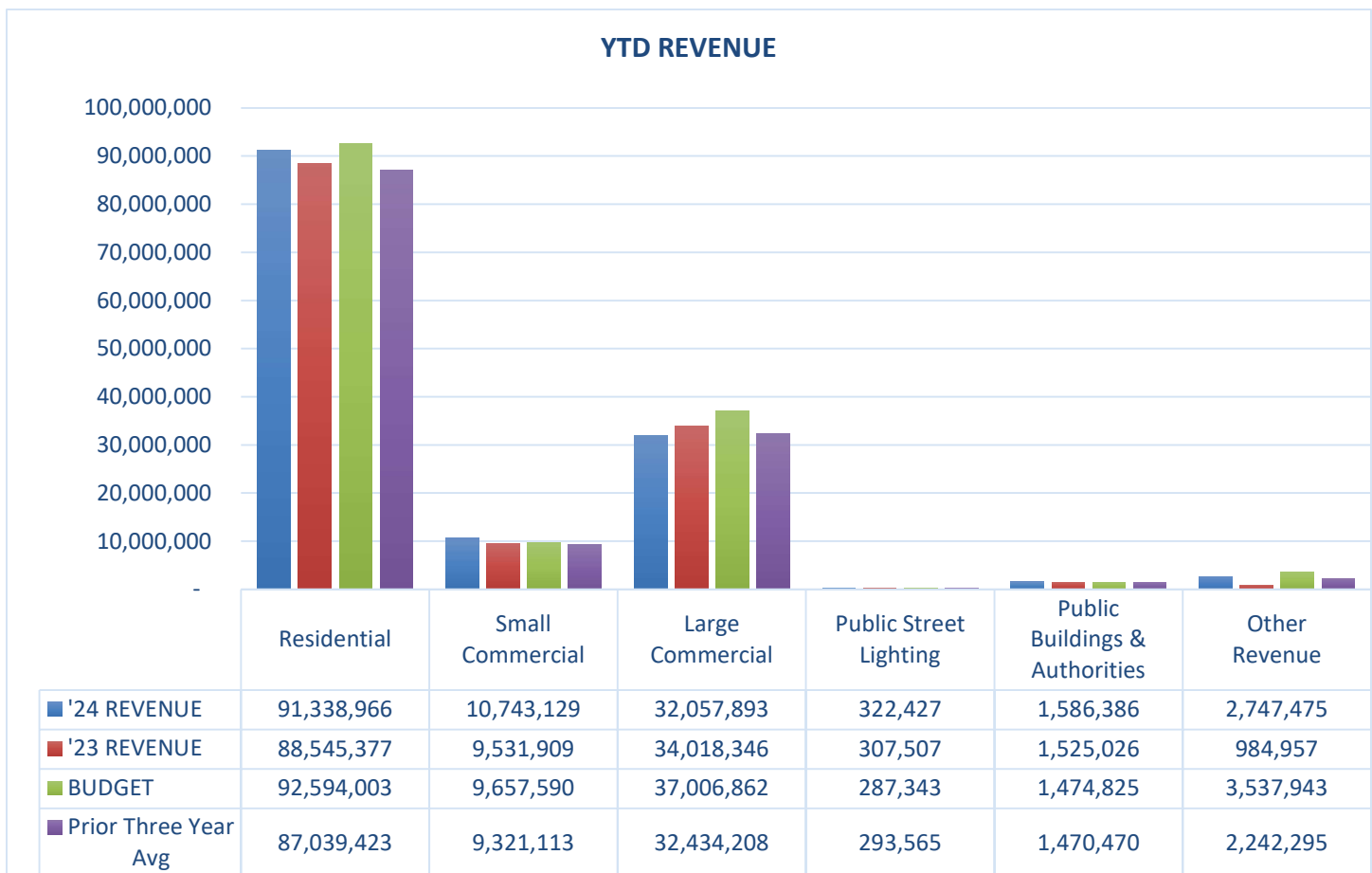
Operating Revenues and kWh Sold

Operating revenues (line 1) are under budget by **\$1.6m** for the month and **\$5.8m** for the year. They are less than the prior November by **\$3.3m**, which includes unbilled revenue of \$1.9m. When excluding the unbilled revenue calculation, revenue for November 2024 is less than November 2023 by **\$1.3m**. Year-to-date revenue is higher than the prior year by \$1.3m.

The largest contributor to this YTD budget variance is from the large commercial/industrial class with a shortfall of **\$4.7m**. Approximately \$1m of this variance is attributed to the reclassification of approximately 200 accounts from large commercial to small commercial at the beginning of 2024. Compared to prior year-to-date, large commercial sales are down \$1.7m and small commercial sales are up \$1.2m showing the reclassification of accounts significantly reduced the total variance in commercial sales. The remaining variance to budget is an inflated expectation of sales growth within the large class budget.

Compared to the prior year, the largest increase in revenue is from residential accounts with an increase over the prior year of \$2.8m.

The graph below illustrates the amount of revenue from each class of member for the current year, prior year, budget and the average of the 3 most recent prior years.



FINANCE TEAM REPORT-JANUARY 2025

For the year, we have sold **1.12 billion kWh** compared to the budget of 1.16 billion, a shortfall in hours sold of approximately 41 million.

Compared to the prior year we have sold 38 million more kWh.

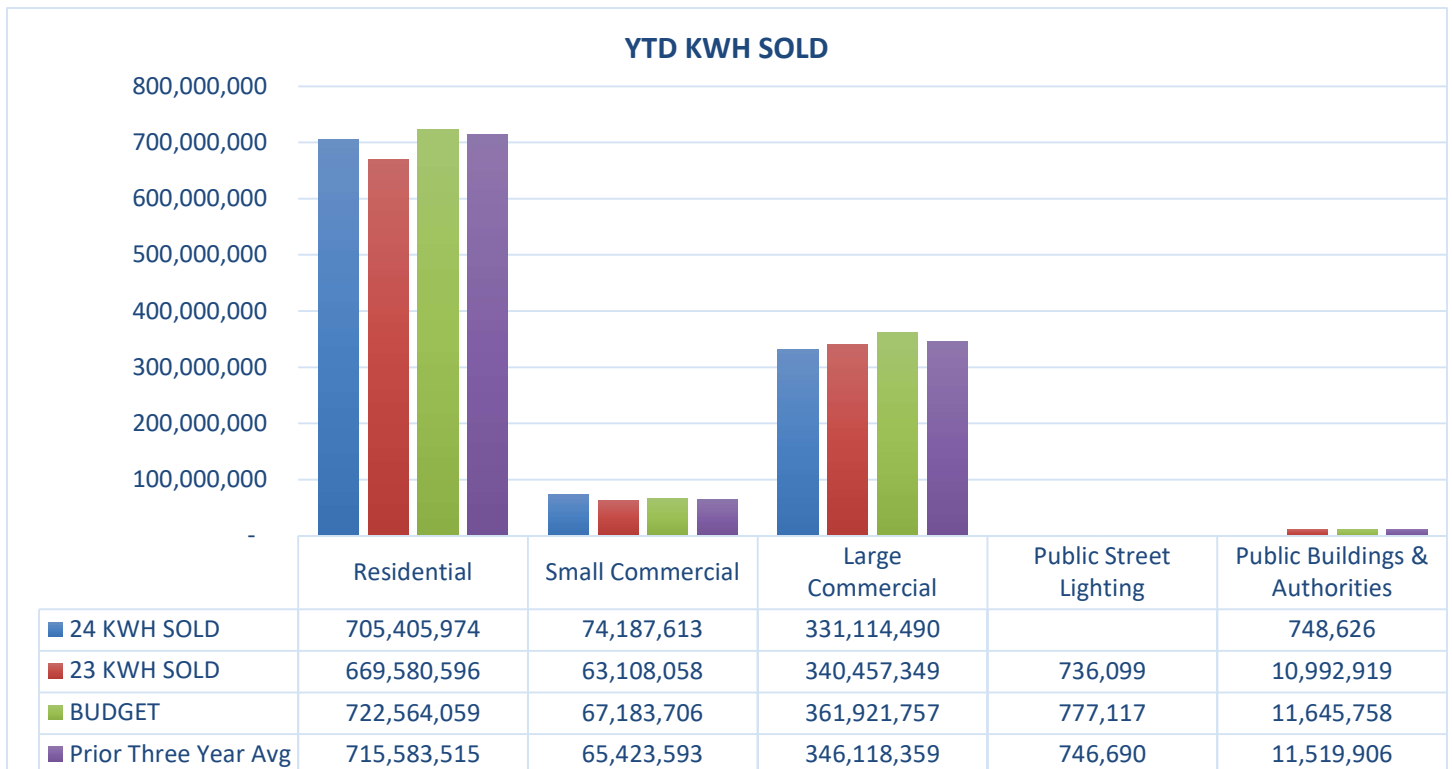
Milder weather than normal and reductions in usage for several large commercial accounts for YTD 2024 has resulted in fewer kWh sold than budgeted. A warmer spring and summer led to more kWh sales than the prior year, but mild fall temperatures have tempered the boost in sales.

Compare Current Month to Budget and Prior Year

Compare Current Year to Budget and Prior Year

	November 2024 <u>Actual</u>	November 2024 <u>Budget</u>	<u>Variance</u>	November 2023 <u>Actual</u>	Year-To-Date 2024 <u>Actual</u>	Year-To-Date Budget	<u>Variance</u>	Year-To-Date 2023 <u>Actual</u>
Accounts Connected	71,593	70,600		70,518	71,180	70,515		70,505
kWh Sold	81,618,519	95,769,159	(14,150,640)	89,674,310	1,123,163,972	1,164,092,397	(40,928,425)	1,084,875,021
Average Usage/Meter	1,140	1,357		1,272	15,779	16,508		15,387
	November 2024	Normal		November 2023	2024 Y-T-D	Normal Y-T-D		2023 Y-T-D
Degree Days - Heating	392	569		488	2,734	3,588		2,702
Degree Days - Cooling	17	2		4	1,666	1,290		1,352
Total Degree Days	409	571	(162)	492	4,400	4,878	(478)	4,054

The graph below illustrates the amount of kWh sold to each class of member for the current year, prior year, budget and the average of the 3 most recent prior years.

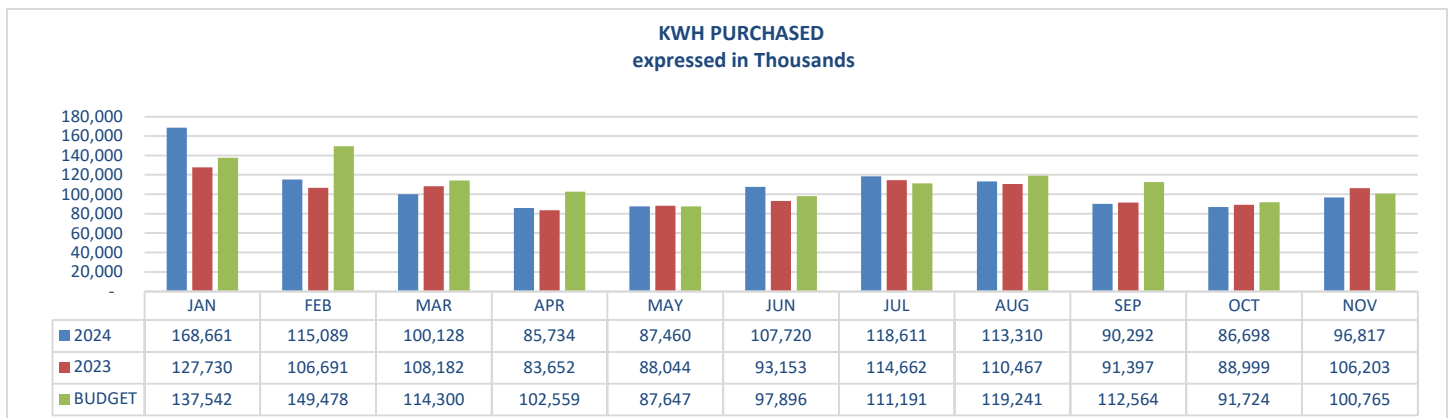
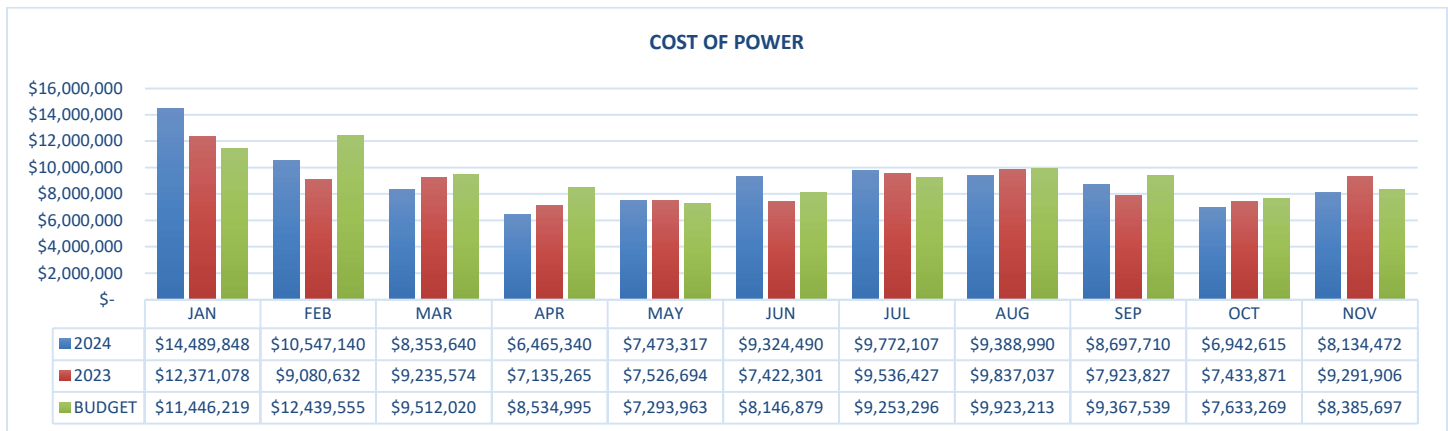
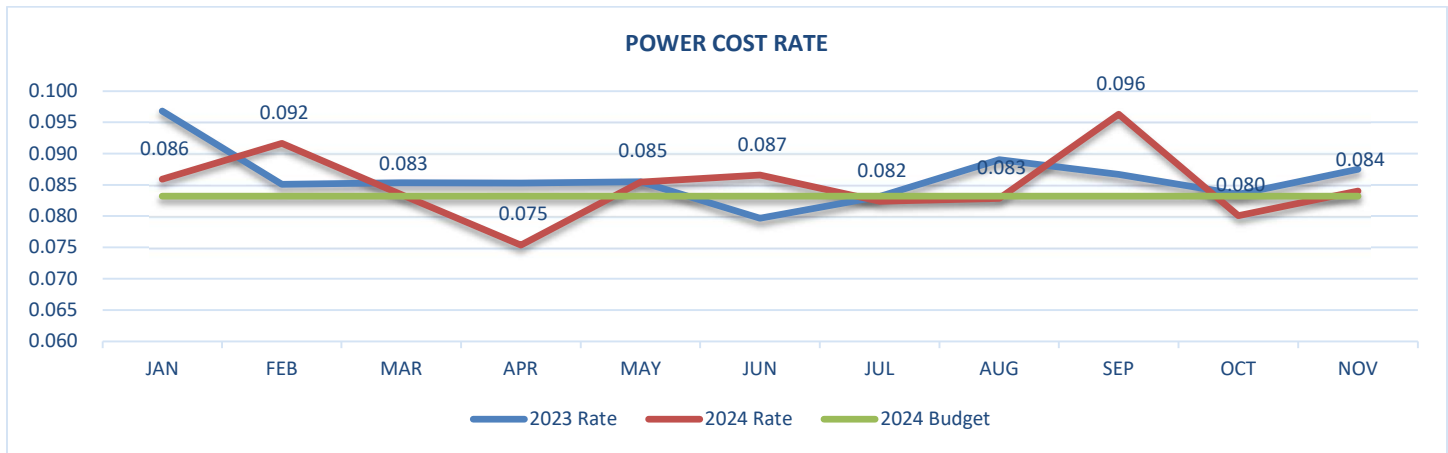


Cost of Purchased Power

The cost of purchased power (line 3) is under budget for the month by **\$251k** and for the year by **\$2.3m**. This variance is a result of purchasing 54 million fewer kWh, decreasing our costs by \$4.5m combined with purchasing the power at a higher rate than budget offsetting the cost reduction by \$2.2m.

YTD 2024 power cost compared to the previous year is an increase of \$2.6m and 51 million kWh.

The graphs below illustrate the power cost rate, total cost, and quantity of kWh purchased each month for 2024, 2023, and the budget.



Controllable Costs/Operating Expenses (lines 6-11)

When comparing YTD operating expenses to the budget, collectively they are higher than the budget by **\$700k** and higher than the prior year by **\$2.9m**.

Compare Current Year to Budget and Prior Year

	Year-To-Date <u>2024</u>	Year-To-Date <u>Budget</u>	<u>Variance</u>	Year-To-Date <u>2023</u>
6 Distribution Expense - Operation	3,925,949	3,453,782	472,167	4,097,723
7 Distribution Expense - Maintenance	16,711,557	14,971,323	1,740,234	13,543,299
8 Customer Accounts Expense	3,933,781	4,681,808	(748,027)	4,195,463
9 Customer Service and Informational Expense	667,933	441,296	226,638	422,562
10 Sales Expense	34,936	242,313	(207,377)	37,533
11 Administrative and General Expense	4,675,925	5,460,555	(784,630)	4,721,273
Total Operating Expenses	29,950,081	29,251,076	699,005 2%	27,017,854

Year-to-date compared to prior year:

- Contractor Right-of-way costs are higher by \$3.4m.
- Labor and labor overhead expenses are higher by \$543k, related to normal annual wage adjustments and the addition staff legal expenses, an engineering position, a safety manager position and overtime related to many small storms.
- Legal fees related to union negotiations are higher by \$113k.

Other Costs (lines 13-19)

Other costs are over **\$468k** compared to the budget, and **\$548k** compared to the prior year.

Interest expenses are higher than budget and prior year due to higher-than-expected interest rates on FFB loans and interest paid to members on their deposits.

Depreciation expenses are higher due to the increase in plant addition costs from material cost and labor increases.

Compare Current Year to Budget and Prior Year

	Year-To-Date <u>2024</u>	Year-To-Date <u>Budget</u>	<u>Variance</u>	Year-To-Date <u>2023</u>
13 Depreciation & Amortization Expense	9,910,318	9,731,078	179,240	9,465,810
14 Tax Expense - Property & Gross Receipts	134,901	134,750	151	121,983
15 Tax Expense - Other	-	-	-	-
16 Interest on Long-Term Debt	4,932,974	4,705,926	227,048	4,852,382
17 Interest Charged to Construction - Credit	-	-	-	-
18 Interest Expense - Other	130,351	44,000	86,351	120,991
19 Other Deductions	26,271	50,800	(24,529)	26,041
Total Other Expenses	15,134,814	14,666,554	468,260 3%	14,587,207

Non-Operating Margins (lines 22-27)

Non-operating Margins-Other (line 25) includes the gain on sale of the Columbia Avenue property of \$134k.

Generation and Transmission Capital Credits (line 26) patronage revenue is expected to be received in December. An updated estimate for year-end margins from East Kentucky Power Cooperative indicates our allocation of margins is expected to be approximately \$1.1m. Budgeted was \$1.5m.

Compare Current Year to Budget and Prior Year**21 Patronage Capital & Operating Margins**

22 Non Operating Margins - Interest

25 Non Operating Margins - Other

26 Generation and Transmission Capital Credits

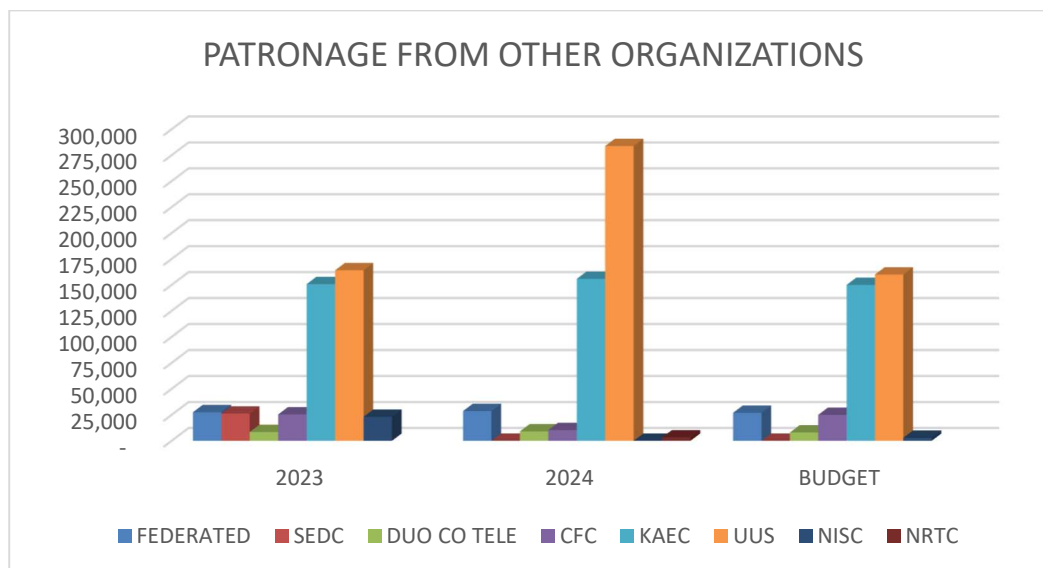
27 Other Capital Credits and Patronage Dividends

29 Patronage Capital or Margins

Year-To-Date 2024	Year-To-Date Budget	Variance		Year-To-Date 2023
(5,878,297)	(1,295,709)	(4,582,588)	354%	(3,486,551)
1,145,430	1,136,000	9,430		1,456,676
143,352	14,608	128,744		301,111
-	-	-		-
491,161	370,000	121,161		376,445
\$ (4,098,354)	\$ 224,899	\$ (4,323,253)	-1922%	\$ (1,352,319)

Other Capital Credits and Patronage Dividends (line 27) represents all the patronage that we are allocated throughout the year from various other cooperatives. We have budgeted a total of \$373k for the year. We have received \$491k in year-to-date patronage allocation. The largest increase over budget was from United Utility Supply Cooperative where \$160k was expected and \$284k was received.

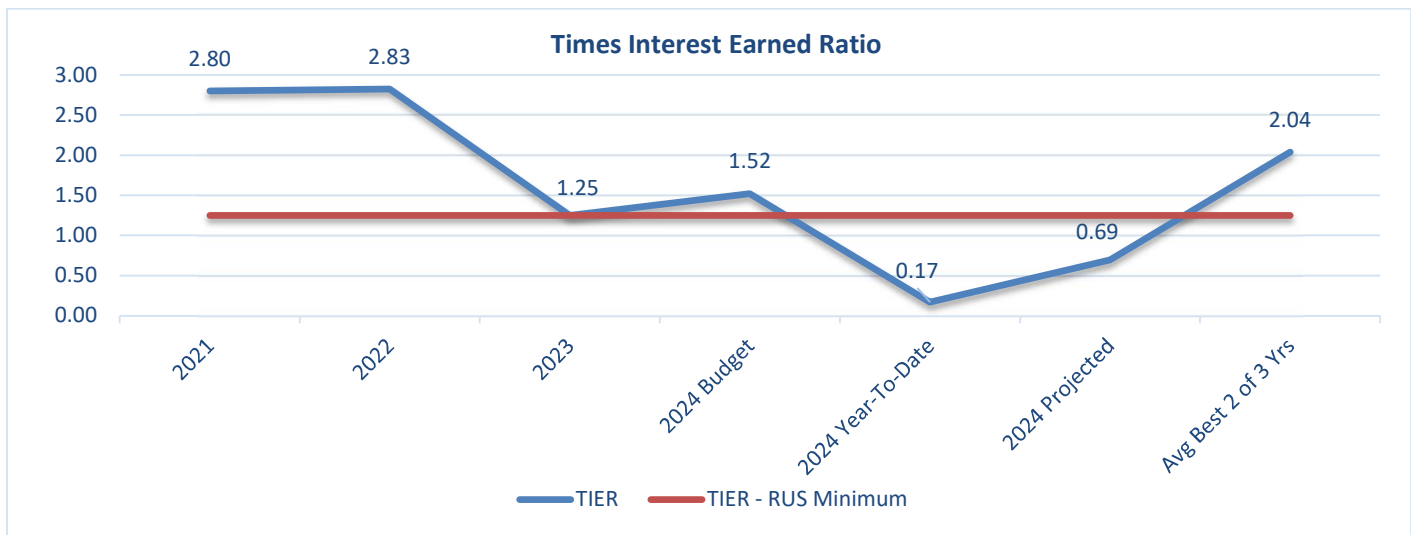
The graph below illustrates what we received in the prior year and what we have budgeted to receive this year.



Ratios

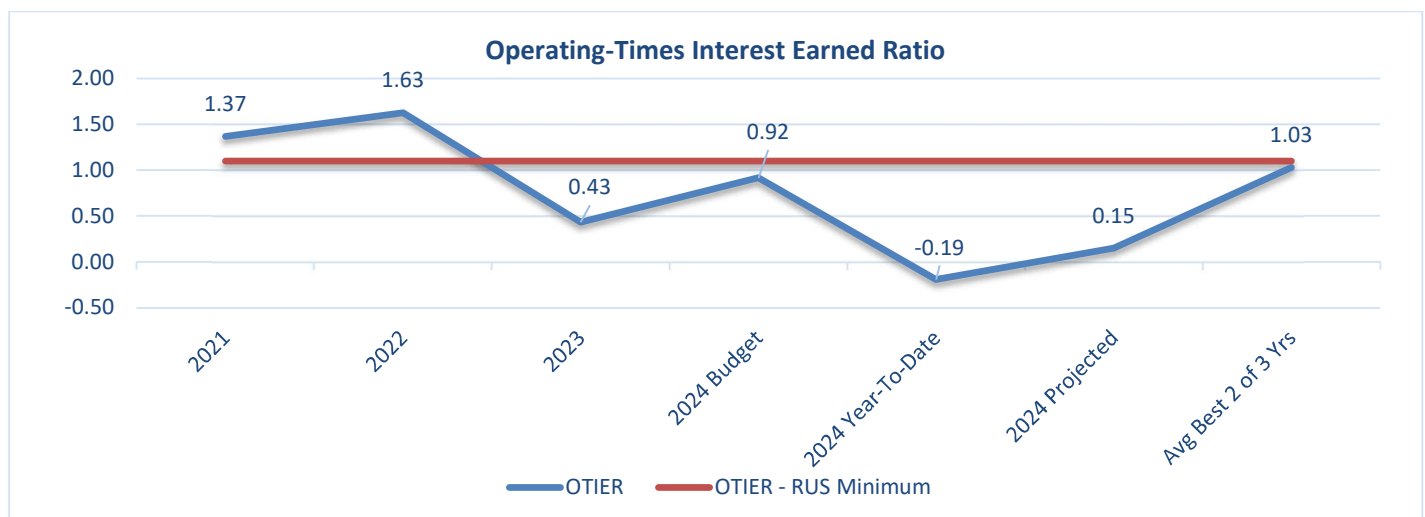
Lenders have several required minimum ratios we much meet each year. The Rural Utilities Service (RUS) allows for an average of the best 2 out of 3 years to meet the minimums.

Times Interest Earned Ratio (TIER) – Measures the ease of paying interest on long-term debt. The RUS minimum requirement is 1.25 and we are projecting a 2024 year-end TIER of 0.69. Budgeted TIER was 1.52 and year-end 2023 was 1.25. The current YTD TIER is 0.17 and the average for the best 2 out of the last 3 years is 2.04.



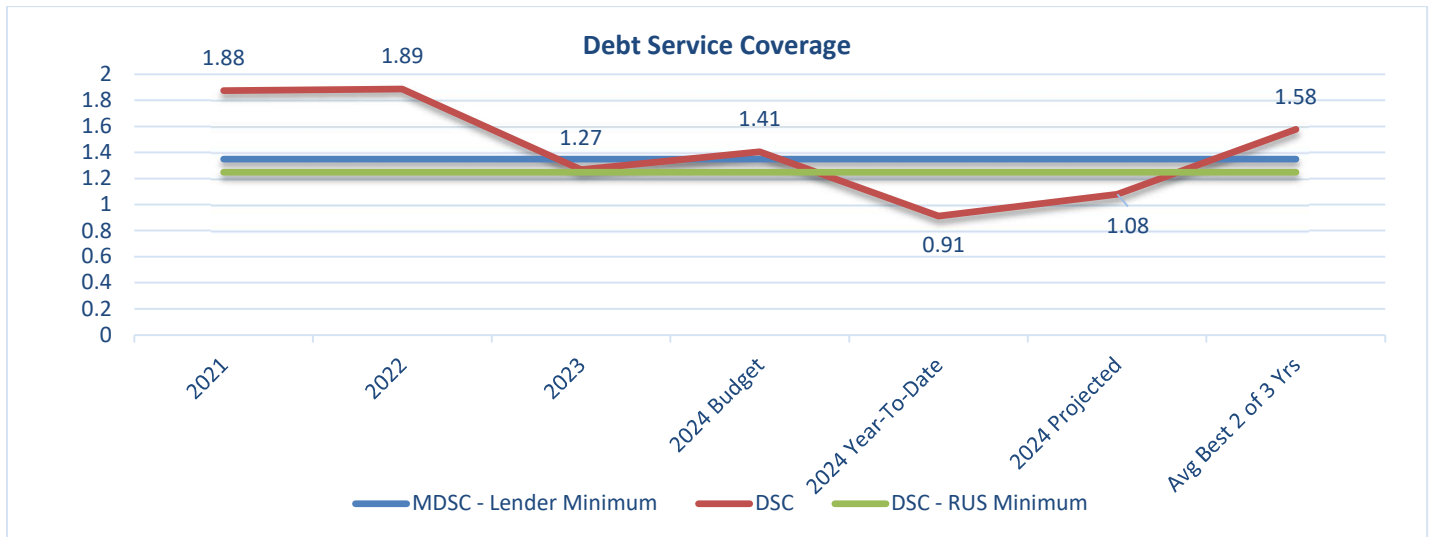
Operating Times Interest Earned Ratio (OTIER) –Similar to TIER except the OTIER uses operating margins instead of net margins.

The RUS minimum requirement is 1.10 and we are projecting a 2024 year-end OTIER of 0.15. Budgeted OTIER was 0.92 and 2023 year-end was 0.43. The current YTD OTIER is -0.19 and the average for the best 2 out of the last 3 years is 1.03.



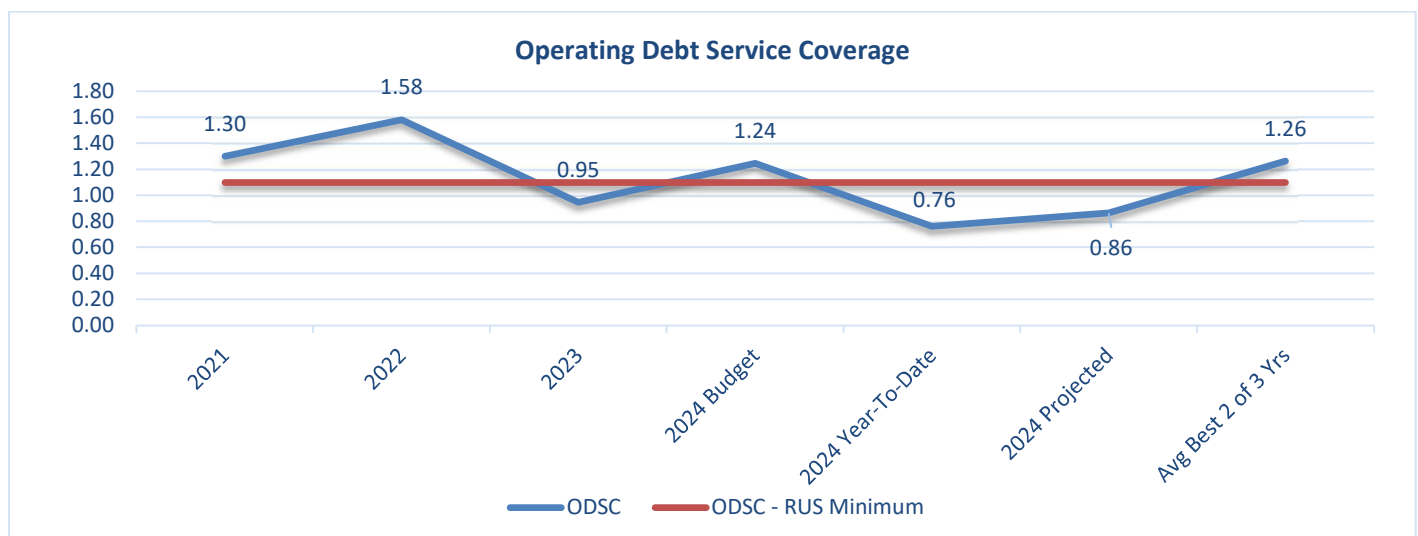
Debt Service Coverage (DSC) – Measures the cash flow ability to meet lender principal and interest payments.

The lender minimum requirement is 1.35, we are projecting a 2024 year-end DSC of 1.08. Budgeted DSC was 1.41 and 2023 year-end was 1.27. The current YTD DSC is 0.91 and the average for the best 2 out of the last 3 years is 1.58.



Operating Debt Service Coverage (ODSC) – Similar to DSC except the ODSC uses operating margins instead of net margins.

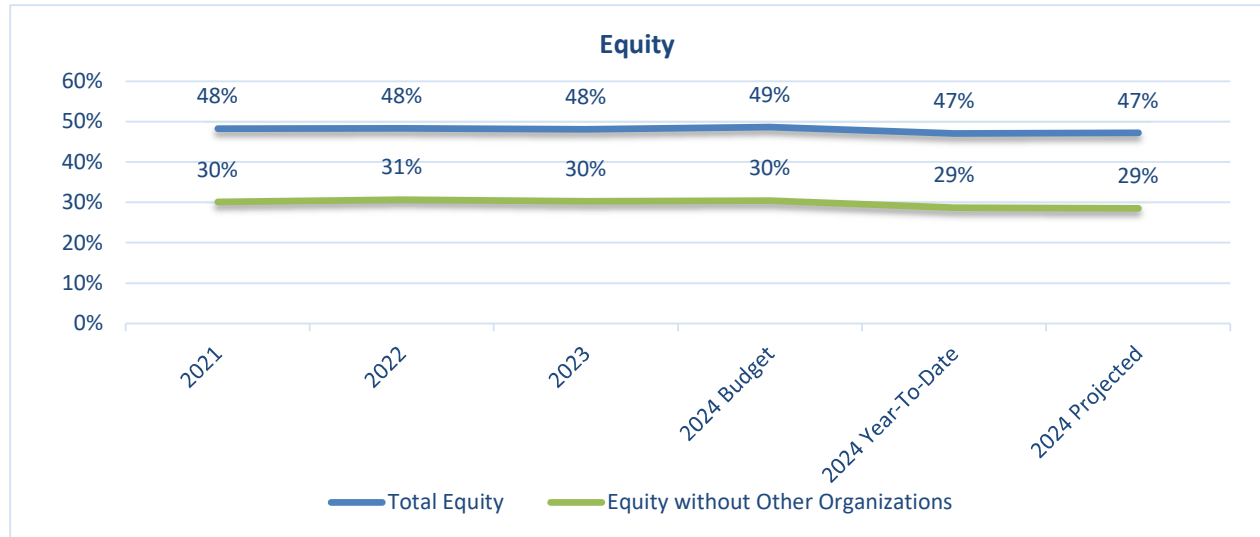
The RUS minimum requirement is 1.10, we are projecting a 2024 year-end ODSC of 0.86. Budgeted ODSC was 1.24 and 2023 year-end was 0.95. The current YTD ODSC is 0.76 and the average for the best 2 out of the last 3 years is 1.26.



Equity - measures the proportion of the total assets that are financed by members, as opposed to lenders.

The RUS minimum requirement is 30% and our desired range has been set at 35%-45%. We are projecting a 2024 year-end total equity ratio of 47%. This is a reduction from the budgeted equity ratio of 49% due to the reduced net margins expected. The 2023 year-end equity ratio was 48%.

The graph below illustrates total equity over time and what equity would be when the impact of patronage from our G&T and from all other organizations is removed. The Equity without Other Organizations percentage is the equity that has been generated wholly from cooperative margins or operations.



LONG TERM DEBT AND INVESTMENT INFORMATION

	Funding Source	Available	Current Month Outstanding	Prior Month Outstanding	Monthly Change Increase/(Decrease)	Annual Change Increase/(Decrease)
231.11	CFC Lines of Credit	15,000,000			-	-
136.00/136.04	CFC Investments	3,266,947			(2,081,695)	(8,668,686)
224.6	Cushion of Credit	11,047,607			8,445	(5,229,492)
224.24/25/33	FFB	19,000,000	144,476,386	144,476,386	-	2,169,359
224.30/31	RUS		2,284,358	2,306,726	(22,367)	(242,403)
224.12/22	CFC		2,254,980	2,349,498	(94,518)	(677,422)
224.19/21	CoBank		35,044,322	35,310,074	(265,752)	(2,879,956)
224.14/32	City of Monticello		1,905,663	1,905,663	-	(147,670)
224.16/26	USDA - Eco. Dev. Loans		750,000	767,361	(17,361)	(190,972)
224.18	USDA - Eco. Dev. Grants		2,566,000	2,566,000	-	-
136.28	USDA - Eco. Dev. Investment	1,256,694			39,380	419,270

Investment Accounts

Debt Accounts

Preliminary Financial Results for December 2024

For The Month:

Net margins for the month (line 29) are a gain of \$2.40 million compared to a budgeted gain of \$2.44 million for a variance of **\$42k**.

Margins for the same month in the prior year were a gain of \$2.67 million.

Compare Current Month to Budget and Prior Year

	December 2024 <u>Actual</u>	December 2024 <u>Budget</u>	<u>Variance</u>		December 2023 <u>Actual</u>
1 Operating Revenue and Patronage Capital	\$ 15,128,495	\$ 14,241,621	\$ 886,874	6%	\$ 14,268,729
3 Cost of Purchased Power	11,550,014	10,094,473	1,455,541	14%	10,266,542
Gross Margin	3,578,481	4,147,148	(568,667)	-14%	4,002,187
	24%	29%			28%
6 Distribution Expense - Operation	648,820	310,981	337,839		424,245
7 Distribution Expense - Maintenance	(575,872)	675,690	(1,251,562)		429,925
8 Customer Accounts Expense	370,772	434,806	(64,034)		391,004
9 Customer Service and Informational Expense	56,449	34,882	21,567		50,343
10 Sales Expense	3,104	22,018	(18,914)		-
11 Administrative and General Expense	401,979	459,067	(57,088)		785,004
Total Operation & Maintenance Expense	12,455,266	12,031,916	423,350	4%	12,347,064
Total Operating Expenses	905,252	1,937,443	(1,032,191)	-53%	2,080,522
13 Depreciation & Amortization Expense	926,727	902,987	23,740		882,728
14 Tax Expense - Property & Gross Receipts	13,396	12,250	1,146		8,872
15 Tax Expense - Other	-	-	-		-
16 Interest on Long-Term Debt	457,656	418,960	38,696		462,960
17 Interest Charged to Construction - Credit	-	-	-		-
18 Interest Expense - Other	12,079	4,000	8,079		95,887
19 Other Deductions	1,598	8,350	(6,752)		1,821
Total	13,866,723	13,378,463	488,260	4%	13,799,332
Total Other Expenses	1,411,457	1,346,547	64,910	5%	1,452,268
21 Patronage Capital & Operating Margins	1,261,773	863,158	398,615	46%	469,397
22 Non Operating Margins - Interest	75,136	77,000	(1,864)		152,631
25 Non Operating Margins - Other	(2,003)	1,728	(3,731)		(18,760)
26 Generation and Transmission Capital Credits	1,045,000	1,500,000	(455,000)		2,018,096
27 Other Capital Credits and Patronage Dividends	23,002	3,000	20,002		49,319
29 Patronage Capital or Margins	\$ 2,402,908	\$ 2,444,886	\$ (41,978)	-2%	\$ 2,670,684

The largest difference to the budget for the month was the 14% increase in power cost providing \$569k less in gross margins than expected. Even though there were fewer degree days in December than considered normal, kWh sales were higher than both the budget and prior year.

Large year end adjustments included in December are:

- Additional Joint Use Pole Rental providing increased income of **\$230K** over the prior year and original estimate.
- FEMA receivable of \$1,289,024 consists of expense account reductions totaling **\$548k**.
- Unbilled Revenue Increase over the previous year of **\$803k**.
- Contractor ROW expense reduction of **\$715k** from over accrual of expense in first 11 months.
- Lost Time Control West – Pole Treatment/Inspection Dec. invoices total **\$238k**.
- G&T Allocation of Margins estimated at **\$1,045k**.

For The Year:

Net margins year-to-date (line 29) are a loss of **\$1.7m** compared to a budgeted gain of \$2.7m for a variance of **\$4.4m**. Prior year-to-date net margins were a gain of \$1.3m.

Compare Current Year to Budget and Prior Year

	Year-To-Date <u>2024</u>	Year-To-Date <u>Budget</u>	<u>Variance</u>		Year-To-Date <u>2023</u>
1 Operating Revenue and Patronage Capital	\$ 153,924,771	\$ 158,800,187	\$ (4,875,416)	-3%	\$ 149,181,851
3 Cost of Purchased Power	111,139,692	112,031,118	(891,426)	-1%	107,061,154
Gross Margin	42,785,079	46,769,069	(3,983,990)	-9%	42,120,697
	28%	29%			28%
6 Distribution Expense - Operation	4,574,769	3,764,763	810,006		4,521,969
7 Distribution Expense - Maintenance	16,135,685	15,647,013	488,672		13,973,224
8 Customer Accounts Expense	4,304,553	5,116,614	(812,061)		4,586,467
9 Customer Service and Informational Expense	724,382	476,177	248,205		472,905
10 Sales Expense	38,039	264,330	(226,291)		37,533
11 Administrative and General Expense	5,077,904	5,919,622	(841,718)		5,506,277
Total Operation & Maintenance Expense	141,995,025	143,219,637	(1,224,612)	-1%	136,159,530
Total Operating Expenses	30,855,333	31,188,519	(333,187)	-1%	29,098,376
13 Depreciation & Amortization Expense	10,837,044	10,634,065	202,979		10,348,538
14 Tax Expense - Property & Gross Receipts	148,297	147,000	1,297		130,855
15 Tax Expense - Other	-	-	-		-
16 Interest on Long-Term Debt	5,390,630	5,124,886	265,744		5,315,342
17 Interest Charged to Construction - Credit	-	-	-		-
18 Interest Expense - Other	142,430	48,000	94,430		216,878
19 Other Deductions	27,869	59,150	(31,281)		27,863
Total	158,541,295	159,232,738	(691,443)	0%	152,199,005
Total Other Expenses	16,546,271	16,013,101	533,170	3%	16,039,475
21 Patronage Capital & Operating Margins	(4,616,525)	(432,551)	(4,183,974)	967%	(3,017,154)
22 Non Operating Margins - Interest	1,220,566	1,213,000	7,566		1,609,306
25 Non Operating Margins - Other	141,349	16,336	125,013		282,351
26 Generation and Transmission Capital Credits	1,045,000	1,500,000	(455,000)		2,018,096
27 Other Capital Credits and Patronage Dividends	514,164	373,000	141,164		425,765
29 Patronage Capital or Margins	\$ (1,695,446)	\$ 2,669,785	\$ (4,365,231)	-164%	\$ 1,318,365

The largest variances to budget year-to-date and prior year are in the following areas:

- The gross margin is less than the budget YTD by \$4m. Revenue is less than the budget by \$4.9m, mainly from lower than budgeted large commercial sales and several months of mild weather. The gross margin is higher than the prior year-to-date by \$664k.
- Contractor Right of Way expenses are under budget YTD by \$31k and over the previous YTD by \$3.38m.
- Labor expenses are over budget YTD by \$341k and over the previous YTD by \$543k related to the addition of several positions after the budget was created and for routine wage increases.

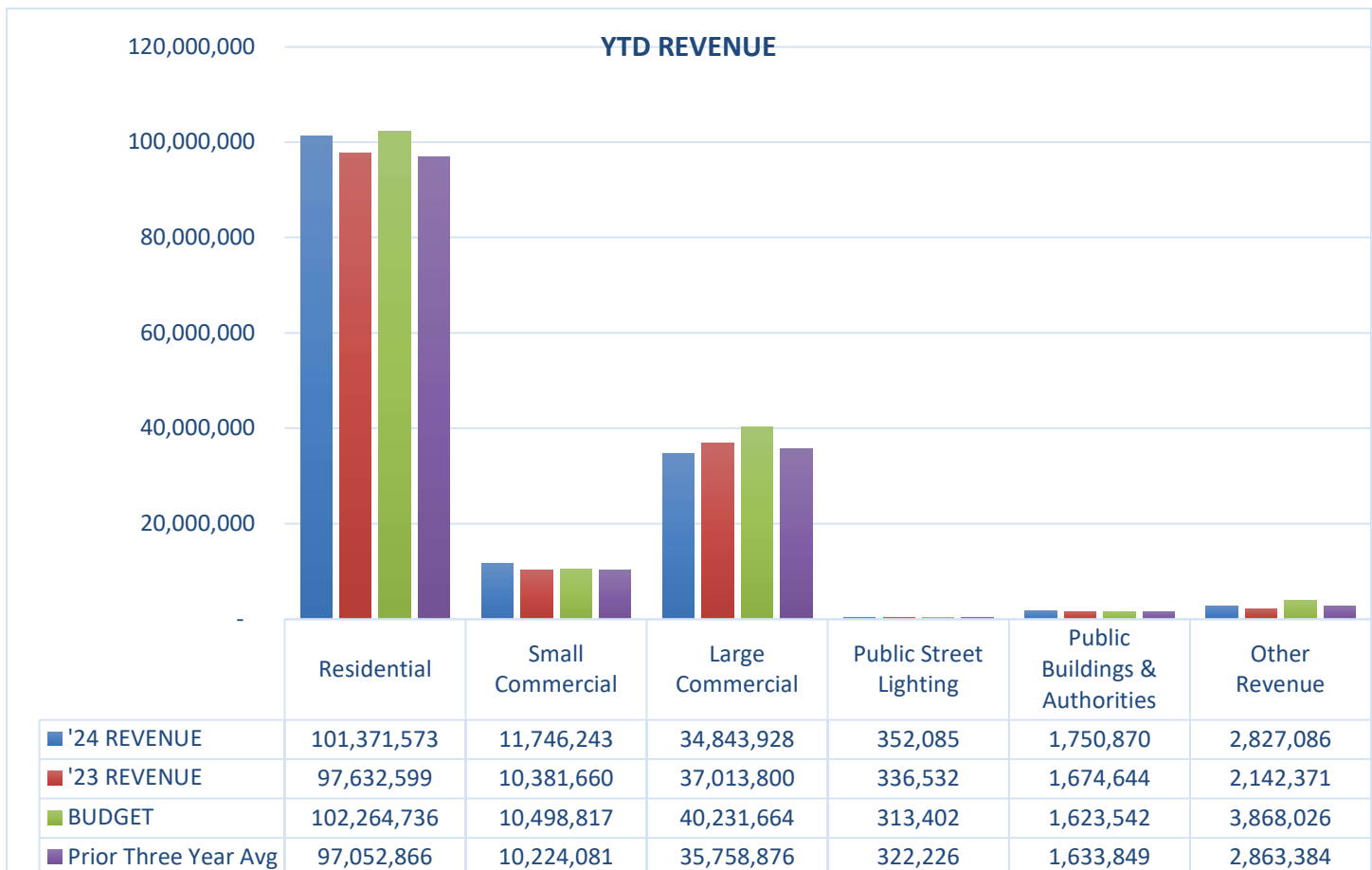
Operating Revenues and kWh Sold

Operating revenues (line 1) are over budget by \$887k for the month and under budget by **\$4.88m** for the year. Compared to the prior year, line 1 revenues are higher than the prior December by \$860k and higher than the prior year-to-date by \$4.7 million.

The largest contributor to this YTD budget variance is from the large commercial/industrial class with a shortfall of **\$5.3m**. Approximately \$1m of this variance is attributed to the reclassification of approximately 200 accounts from large commercial to small commercial at the beginning of 2024. Compared to prior year-to-date, large commercial sales are down \$2.2m and small commercial sales are up \$1.4m showing the reclassification of accounts significantly reduced the total variance in commercial sales. The remaining variance to budget is an inflated expectation of sales growth within the large class budget.

Compared to the prior year, the largest increase in revenue is from residential accounts with an increase over the prior year of \$3.7m.

The graph below illustrates the amount of revenue from each class of member for the current year, prior year, budget and the average of the 3 most recent prior years.



FINANCE TEAM REPORT-FEBRUARY 2025

For the year, we have sold **1.24 billion kWh** compared to the budget of 1.28 billion, a shortfall in hours sold of approximately 41 million.

Compared to the prior year we sold 45.6 million more kWh.

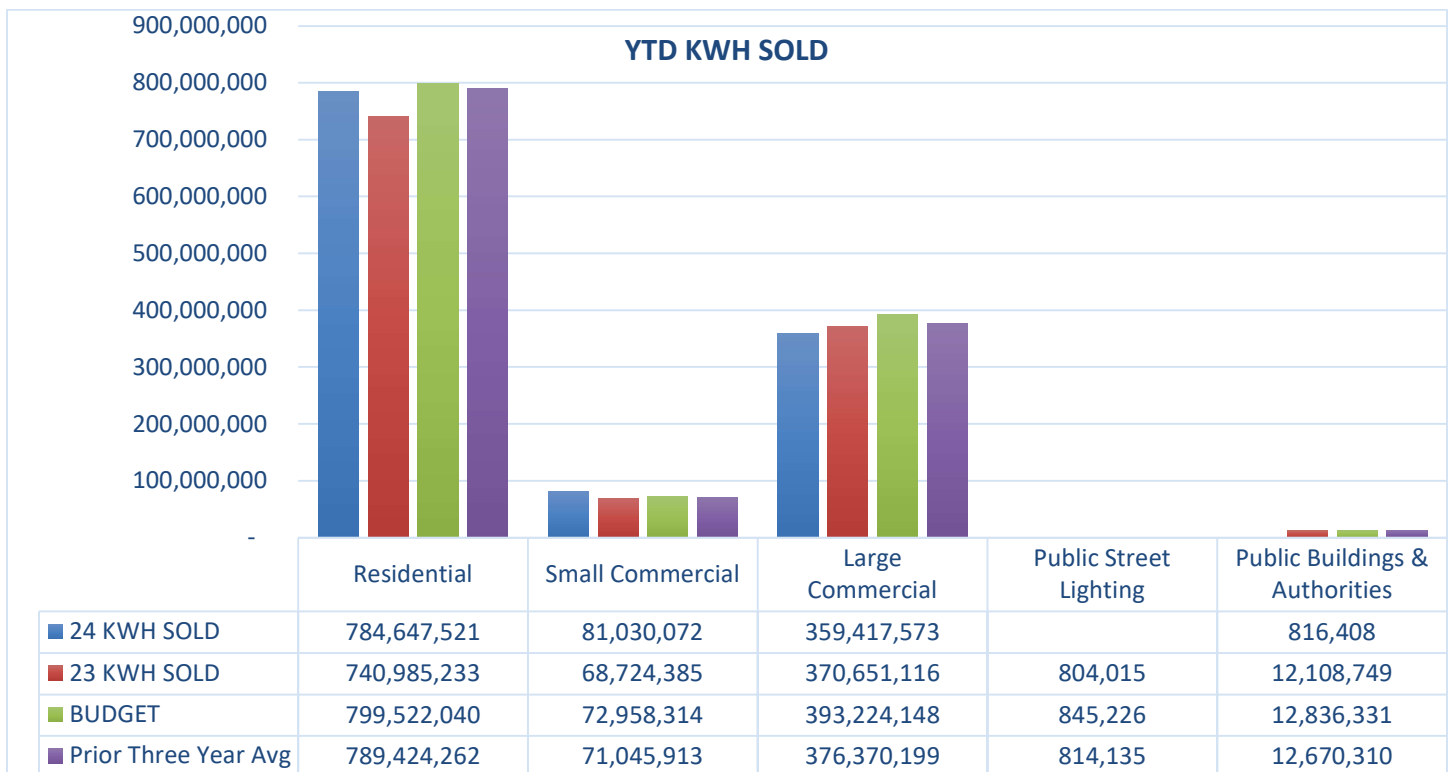
Milder weather than normal and reductions in usage for several large commercial accounts for YTD 2024 has resulted in fewer kWh sold than budgeted. A warmer spring and summer led to more kWh sales than the prior year, but mild fall temperatures have tempered the boost in sales.

Compare Current Month to Budget and Prior Year

Compare Current Year to Budget and Prior Year

	December 2024 <u>Actual</u>	December 2024 <u>Budget</u>	<u>Variance</u>	December 2023 <u>Actual</u>	Year-To-Date <u>2024</u>	Year-To-Date <u>Budget</u>	<u>Variance</u>	Year-To-Date <u>2023</u>
Accounts Connected	71,568	70,600		70,604	71,212	70,523		70,513
kWh Sold	115,679,606	115,293,663	385,943	108,398,477	1,238,843,578	1,279,386,060	(40,542,482)	1,193,273,498
Average Usage/Meter	1,616	1,633		1,535	17,397	18,142		16,923
	December 2024	Normal		December 2023	2024 Y-T-D	Normal Y-T-D		2023 Y-T-D
Degree Days - Heating	728	845		643	3,462	4,433		3,345
Degree Days - Cooling	-	-		-	1,666	1,290		1,352
Total Degree Days	728	845	(117)	643	5,128	5,723	(595)	4,697

The graph below illustrates the amount of kWh sold to each class of member for the current year, prior year, budget and the average of the 3 most recent prior years.



Cost of Purchased Power

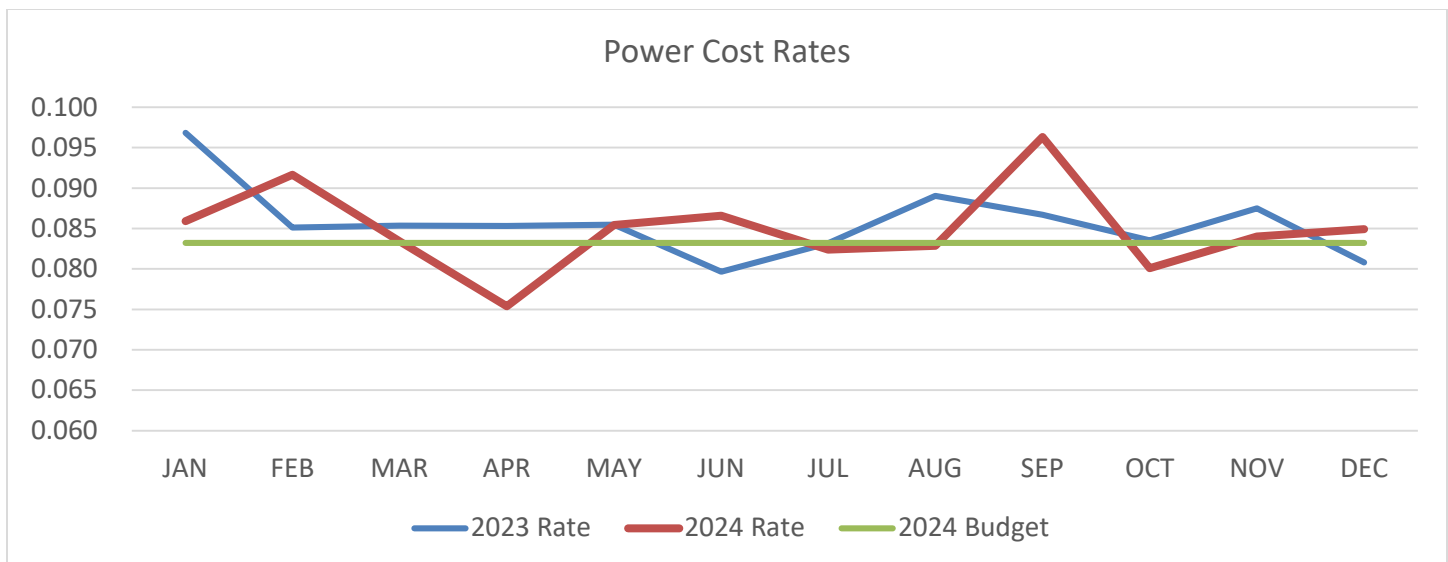
The cost of purchased power (line 3) is higher than the budget for the month by **\$1.46** million and less than budget for the year by **\$891k**.

The December variance is a result of purchasing 14.7 million more kWh than budgeted, increasing our costs by \$1.23m combined with purchasing the power at a higher rate than budgeted, further increasing our costs by another \$230k.

The 2024 total variance to the budget is a result of purchasing 40 million kWh less than budgeted, decreasing our costs by \$3.3m combined with purchasing the power at a higher rate than budgeted offsetting our cost decrease by \$2.4m.

2024 power cost compared to the previous year is an increase of \$4m and 60 million kWh.

The graphs below illustrate the power cost rate, total cost, and quantity of kWh purchased each month for 2024, 2023, and the budget.

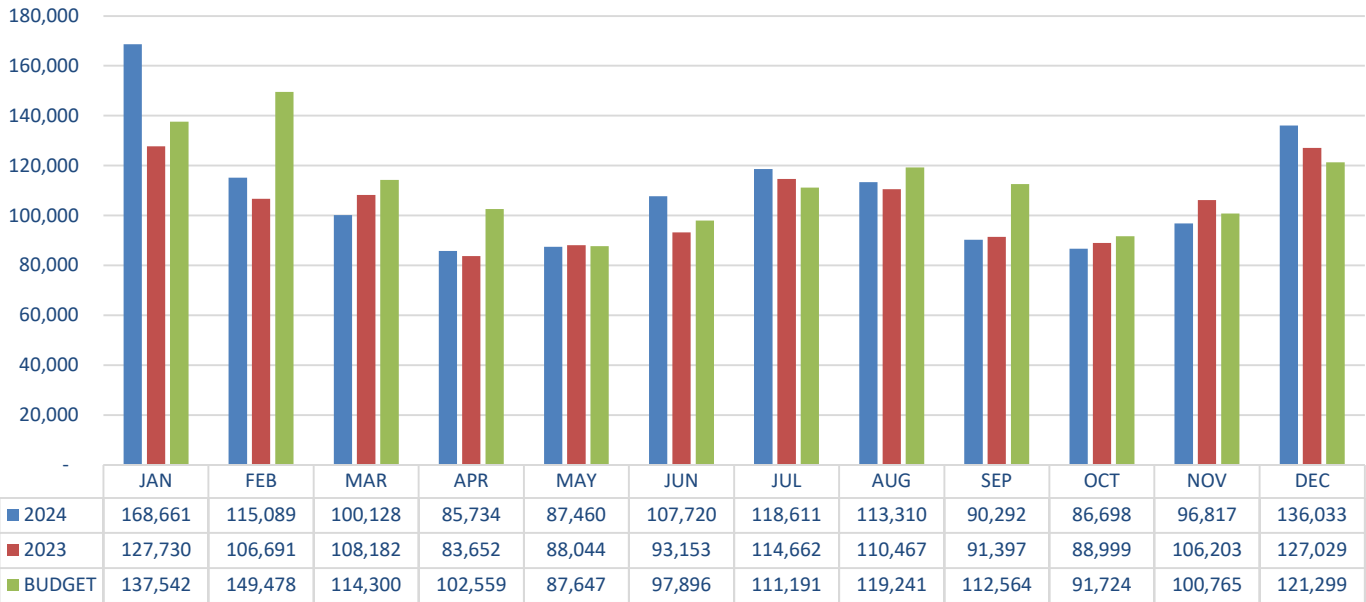


FINANCE TEAM REPORT-FEBRUARY 2025

COST OF POWER



KWH PURCHASED
expressed in Thousands



Controllable Costs/Operating Expenses (lines 6-11)

When comparing 2024 actual operating expenses to the budget, collectively they are lower than the budget by \$333k and higher than the prior year by **\$1.8m**.

Compare Current Year to Budget and Prior Year

	Year-To-Date <u>2024</u>	Year-To-Date <u>Budget</u>	<u>Variance</u>	Year-To-Date <u>2023</u>
6 Distribution Expense - Operation	4,574,769	3,764,763	810,006	4,521,969
7 Distribution Expense - Maintenance	16,135,685	15,647,013	488,672	13,973,224
8 Customer Accounts Expense	4,304,553	5,116,614	(812,061)	4,586,467
9 Customer Service and Informational Expense	724,382	476,177	248,205	472,905
10 Sales Expense	38,039	264,330	(226,291)	37,533
11 Administrative and General Expense	5,077,904	5,919,622	(841,718)	5,506,277
Total Operating Expenses	30,855,333	31,188,519	(333,187) -1%	29,098,376

Year-to-date compared to prior year:

- Contractor Right-of-way costs are higher by \$3.4m.
- Labor and labor overhead expenses are higher by \$543k, related to normal annual wage adjustments and the addition of staff legal expenses, an engineering position, a safety manager position and overtime related to many small storms.

Other Costs (lines 13-19)

Other costs are over **\$533k** compared to the budget, and **\$507k** compared to the prior year.

Interest expenses are higher than budget and prior year due to higher-than-expected interest rates on FFB loans and interest paid to members on their deposits.

Depreciation expenses are higher due to the increase in plant addition costs from material cost and labor increases.

Compare Current Year to Budget and Prior Year

	Year-To-Date <u>2024</u>	Year-To-Date <u>Budget</u>	<u>Variance</u>	Year-To-Date <u>2023</u>
13 Depreciation & Amortization Expense	10,837,044	10,634,065	202,979	10,348,538
14 Tax Expense - Property & Gross Receipts	148,297	147,000	1,297	130,855
15 Tax Expense - Other	-	-	-	-
16 Interest on Long-Term Debt	5,390,630	5,124,886	265,744	5,315,342
17 Interest Charged to Construction - Credit	-	-	-	-
18 Interest Expense - Other	142,430	48,000	94,430	216,878
19 Other Deductions	27,869	59,150	(31,281)	27,863
Total Other Expenses	16,546,271	16,013,101	533,170 3%	16,039,475

Non-Operating Margins (lines 22-27)

Non-operating Margins-Other (line 25) includes the gain on sale of the Columbia Avenue property of \$134k.

Generation and Transmission Capital Credits (line 26) patronage revenue is expected to be received in February. An updated estimate for year-end margins from East Kentucky Power Cooperative indicates our allocation of margins is expected to be \$1,045,000. Budgeted was \$1.5m.

Compare Current Year to Budget and Prior Year**21 Patronage Capital & Operating Margins**

22 Non Operating Margins - Interest

25 Non Operating Margins - Other

26 Generation and Transmission Capital Credits

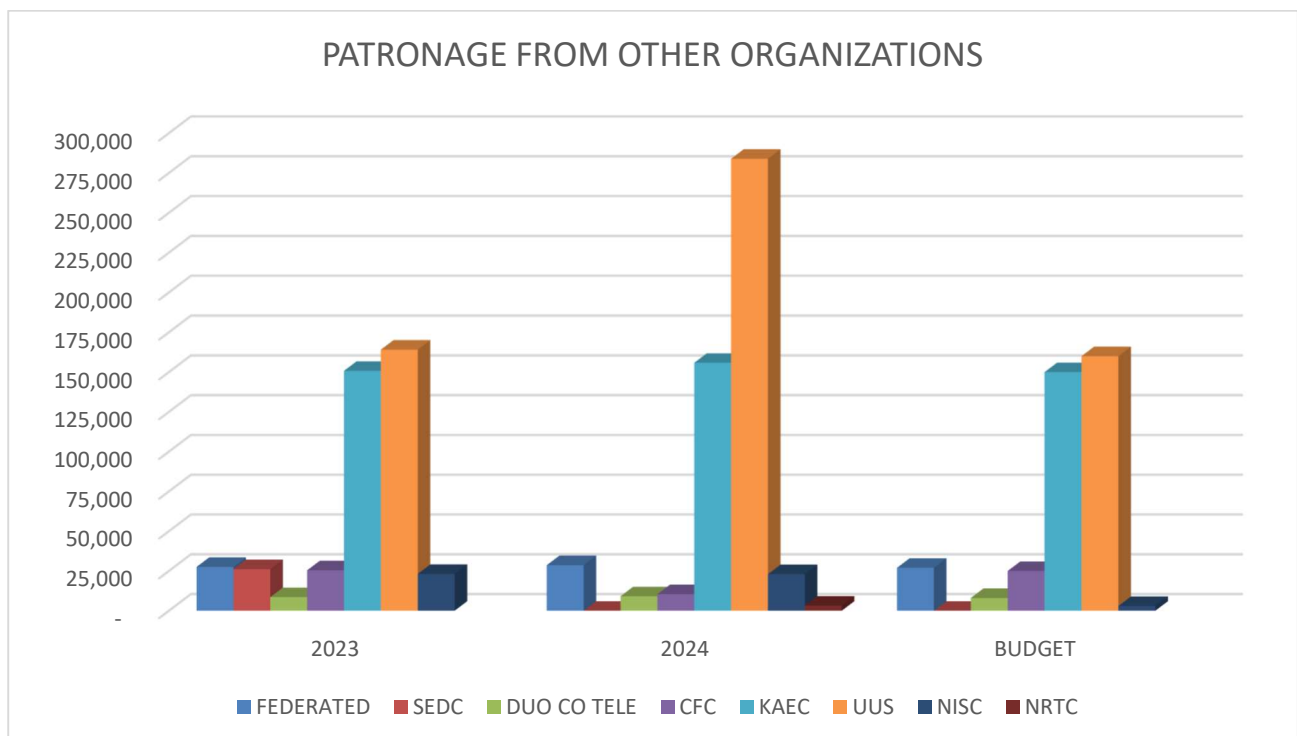
27 Other Capital Credits and Patronage Dividends

29 Patronage Capital or Margins

Year-To-Date <u>2024</u>	Year-To-Date <u>Budget</u>	<u>Variance</u>		Year-To-Date <u>2023</u>
(4,616,525)	(432,551)	(4,183,974)	967%	(3,017,154)
1,220,566	1,213,000	7,566		1,609,306
141,349	16,336	125,013		282,351
1,045,000	1,500,000	(455,000)		2,018,096
514,164	373,000	141,164		425,765
\$ (1,695,446)	\$ 2,669,785	\$ (4,365,231)	-164%	\$ 1,318,365

Other Capital Credits and Patronage Dividends (line 27) represents all the patronage that we are allocated throughout the year from various other cooperatives. We have budgeted a total of \$373k for the year. We received \$514k in patronage allocation. The largest increase over budget was from United Utility Supply Cooperative where \$160k was expected and \$284k was received.

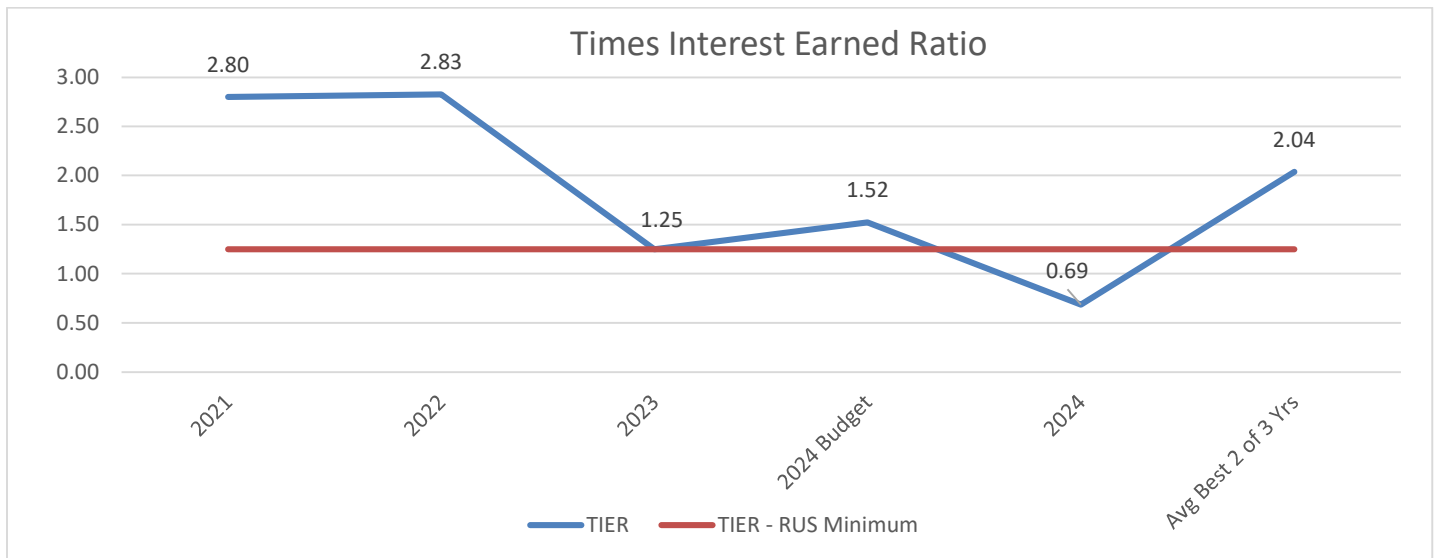
The graph below illustrates what we received in the prior year and what we have budgeted to receive this year.



Ratios

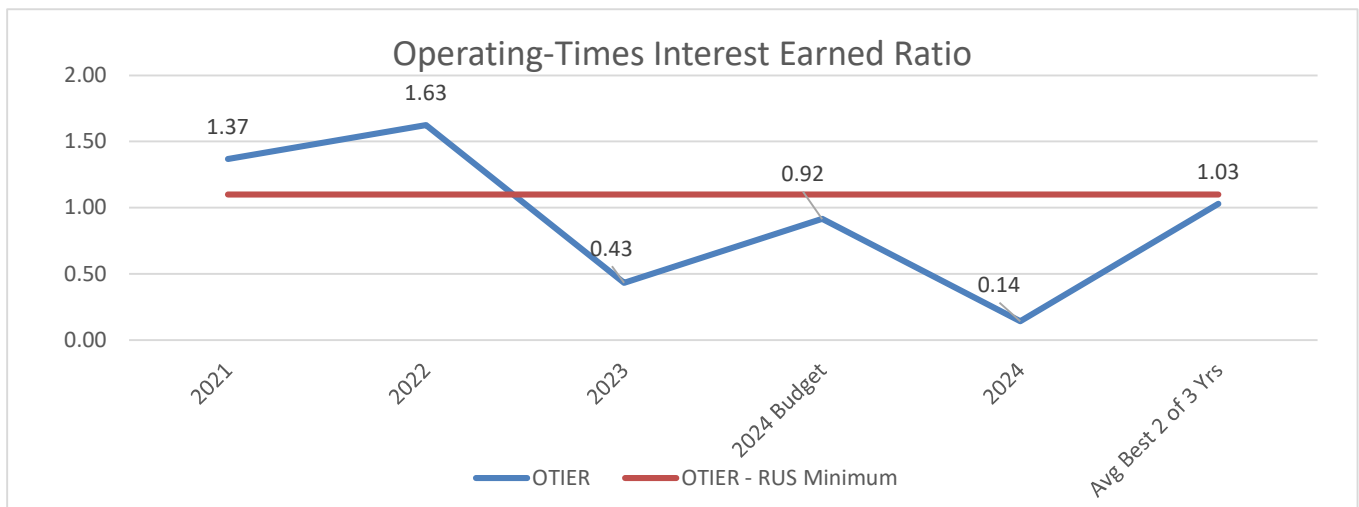
Lenders have several required minimum ratios we much meet each year. The Rural Utilities Service (RUS) allows for an average of the best 2 out of 3 years to meet the minimums.

Times Interest Earned Ratio (TIER) – Measures the ease of paying interest on long-term debt. The RUS minimum requirement is 1.25 and the preliminary 2024 year end TIER is 0.69. Budgeted TIER was 1.52 and year-end 2023 was 1.25. The average for the best 2 out of the last 3 years is 2.04.



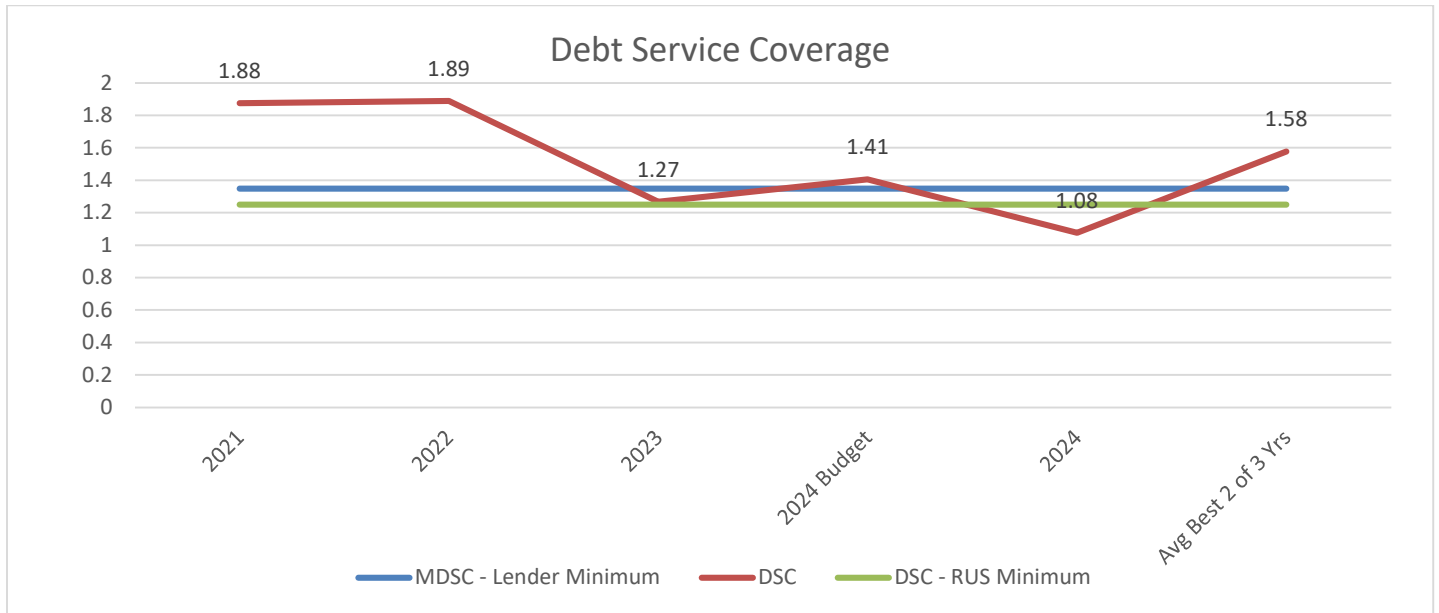
Operating Times Interest Earned Ratio (OTIER) –Similar to TIER except the OTIER uses operating margins instead of net margins.

The RUS minimum requirement is 1.10 and the preliminary 2024 year-end OTIER is 0.14. Budgeted OTIER was 0.92 and 2023 year-end was 0.43. The average for the best 2 out of the last 3 years is 1.03.



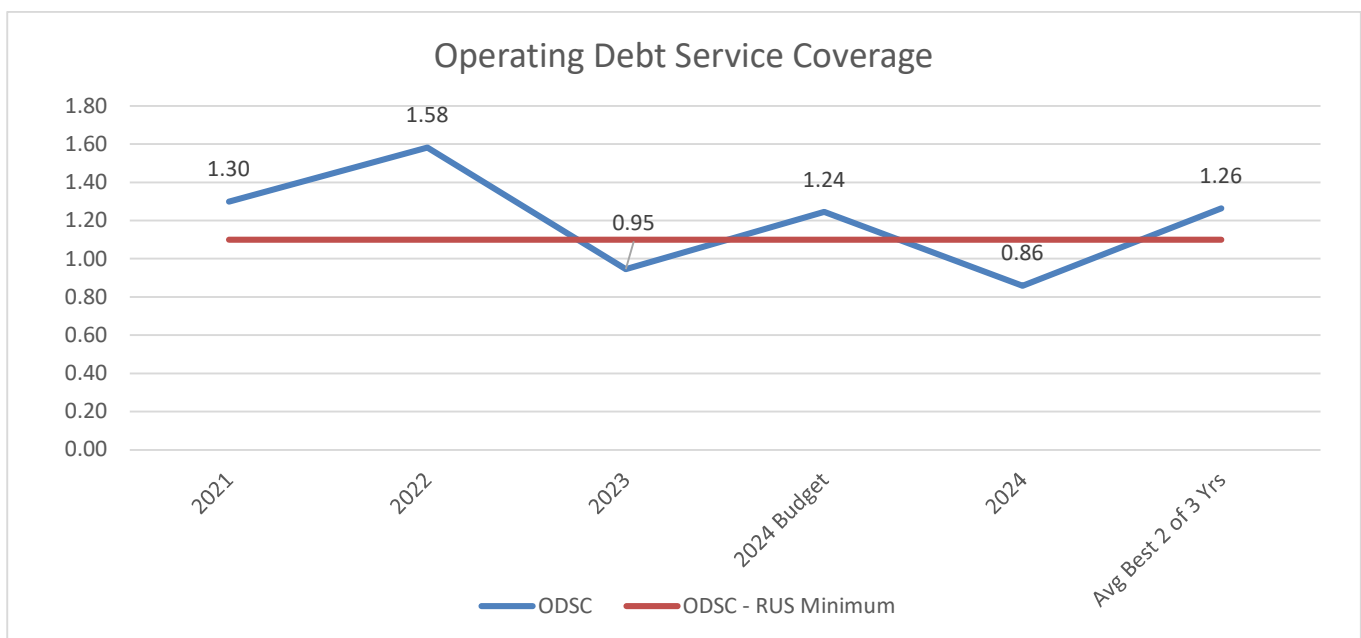
Debt Service Coverage (DSC) – Measures the cash flow ability to meet lender principal and interest payments.

The lender minimum requirement is 1.35 and the preliminary 2024 year-end DSC is 1.08. Budgeted DSC was 1.41 and 2023 year-end was 1.27. The average for the best 2 out of the last 3 years is 1.58.



Operating Debt Service Coverage (ODSC) – Similar to DSC except the ODSC uses operating margins instead of net margins.

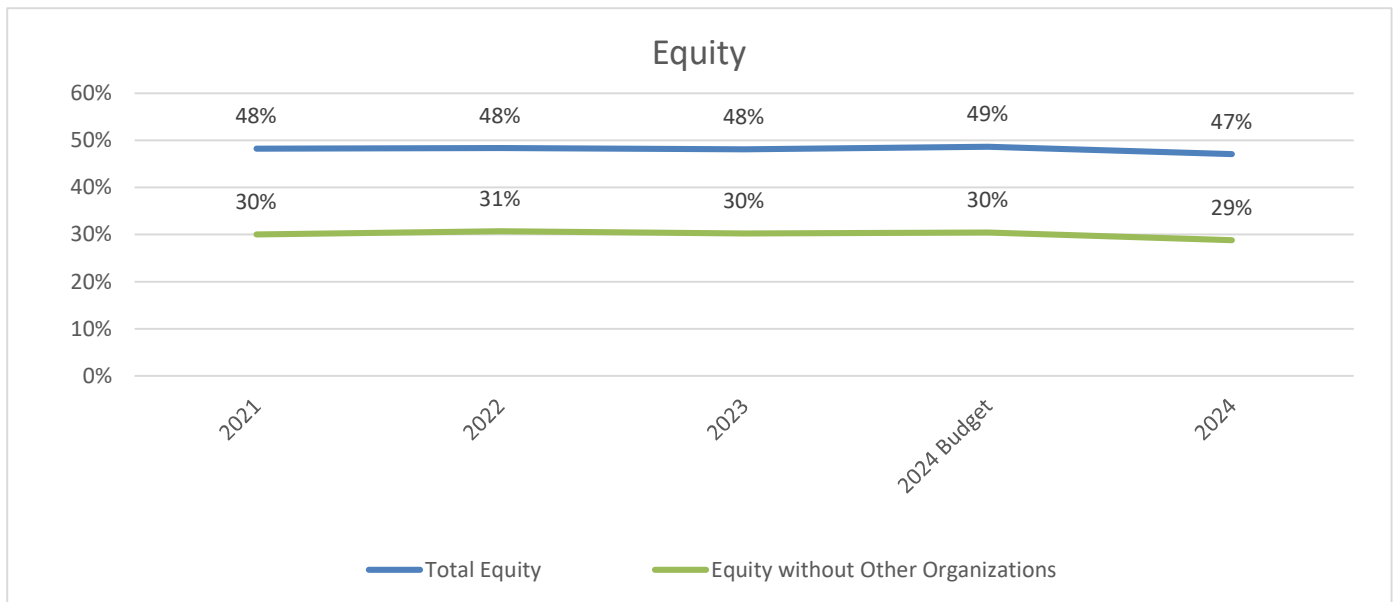
The RUS minimum requirement is 1.10 and the preliminary 2024 year-end ODSC is 0.86. Budgeted ODSC was 1.24 and 2023 year-end was 0.95. The average for the best 2 out of the last 3 years is 1.26.



Equity - measures the proportion of the total assets that are financed by members, as opposed to lenders.

The RUS minimum requirement is 30% and our desired range has been set at 35%-45%. The preliminary 2024 year-end total equity ratio is 47%. This is a reduction from the budgeted equity ratio of 49% due to reduced net margins. The 2023 year-end equity ratio was 48%.

The graph below illustrates total equity over time and what equity would be when the impact of patronage from our G&T and from all other organizations is removed. The Equity without Other Organizations percentage is the equity that has been generated wholly from cooperative margins or operations.



LONG TERM DEBT AND INVESTMENT INFORMATION

	Funding Source	Available	Current Month Outstanding	Prior Month Outstanding	Monthly Change Increase/(Decrease)	Annual Change Increase/(Decrease)
231.11	CFC Lines of Credit	15,000,000			-	-
136.00/136.04	CFC Investments	4,790,352			1,523,405	(7,145,281)
224.6	Cushion of Credit	9,128,360			(1,919,247)	(7,148,739)
224.24/25/33	FFB	19,000,000	143,510,814	144,476,386	-	1,203,787
224.30/31	RUS		2,262,112	2,284,358	(22,246)	(264,649)
224.12/22	CFC		2,254,980	2,254,980	-	(677,422)
224.19/21	CoBank		34,777,772	35,044,322	(266,549)	(3,146,505)
224.14/32	City of Monticello		1,758,997	1,905,663	(146,667)	(294,337)
224.16/26	USDA - Eco. Dev. Loans		732,639	750,000	(17,361)	(208,333)
224.18	USDA - Eco. Dev. Grants		2,566,000	2,566,000	-	-
136.28	USDA - Eco. Dev. Investment	1,291,551			34,858	454,127

Investment Accounts

Debt Accounts

Unadjusted Financial Results for January 2025

For The Month:

Net margins for the month (line 29) are a loss of **\$2.40 million** compared to a budgeted gain of \$179k for a variance of **\$2.63 million**.

Margins for the same month in the prior year were a loss of **\$782k**.

Compare Current Month to Budget and Prior Year

	January 2025 Actual	January 2025 Budget	Variance		January 2024 Actual	Variance
1 Operating Revenue and Patronage Capital	\$ 17,969,329	\$ 17,187,380	\$ 781,949	5%	\$ 17,019,562	\$ 949,767
3 Cost of Purchased Power	16,252,841	12,691,136	3,561,705	28%	14,489,848	1,762,993
Gross Margin	1,716,488	4,496,244	(2,779,756)	-62%	2,529,714	(813,226)
	10%	26%			15%	
6 Distribution Expense - Operation	390,448	383,881	6,568		392,034	(1,586)
7 Distribution Expense - Maintenance	1,516,517	1,589,683	(73,165)		830,770	685,747
8 Customer Accounts Expense	422,592	438,613	(16,021)		360,220	62,372
9 Customer Service and Informational Expense	76,717	70,484	6,234		62,379	14,338
10 Sales Expense	5,528	3,705	1,823		981	4,547
11 Administrative and General Expense	421,809	503,559	(81,750)		457,496	(35,687)
Total Operation & Maintenance Expense	19,086,453	15,681,060	3,405,393	22%	16,593,728	2,492,725
Total Operating Expenses	2,833,612	2,989,924	(156,312)	-5%	2,103,880	729,732
13 Depreciation & Amortization Expense	928,791	914,207	14,584		883,060	45,732
14 Tax Expense - Property & Gross Receipts	12,358	13,965	(1,606)		10,905	1,453
15 Tax Expense - Other	-	-	-		-	-
16 Interest on Long-Term Debt	454,072	444,246	9,826		438,414	15,658
17 Interest Charged to Construction - Credit	-	-	-		-	-
18 Interest Expense - Other	9,869	12,000	(2,131)		12,401	(2,532)
19 Other Deductions	1,940	2,326	(387)		4,020	(2,081)
Total	20,493,483	17,067,804	3,425,679	20%	17,942,529	2,550,954
Total Other Expenses	1,407,030	1,386,744	20,286	1%	1,348,800	58,230
21 Patronage Capital & Operating Margins	(2,524,154)	119,576	(2,643,730)	-2211%	(922,967)	
22 Non Operating Margins - Interest	65,080	55,432	9,648		137,675	(72,595)
25 Non Operating Margins - Other	3,561	3,609	(49)		4,120	(559)
26 Generation and Transmission Capital Credits	-	-	-		-	-
27 Other Capital Credits and Patronage Dividends	-	-	-		-	-
29 Patronage Capital or Margins	\$ (2,455,513)	\$ 178,617	\$ (2,634,130)	-1475%	\$ (781,172)	\$ (73,154)
Accounts Connected	71,575	71,669	(94)		70,661	914
kWh Sold	141,772,346	130,866,140	10,906,206		137,647,029	4,125,317
Average Usage/Meter	1,981	1,826			1,948	
January 2025		Normal			January 2024	
Degree Days -Heating	1,119	966			956	
Degree Days - Cooling	-	-			-	
Total Degree Days	1,119	966	153		956	163

The largest difference to the budget for the month was the 28% increase in power cost providing **\$2.8 million** less in gross margins than expected. This variance is due to substantially more kWh purchased than budgeted.

The largest difference to the prior year for the month was the \$1.8 million increase in power cost related to record high purchases from the cold temperatures.

Adjusted Financial Results for January 2025

Cost of power has been estimated based on actual kWh sales, adjusted for line loss, then multiplied with the actual average kWh rate charged.

For The Month:

Adjusted net margins for the month (line 29) are a gain of **\$533k** compared to a budgeted gain of \$179k for a variance of \$354k. Adjusted net margins for the prior year were \$1.09 million for a variance to current year of **\$554k**.

Compare Current Month to Budget and Prior Year
Adjusted for Cost of Power Timing Difference to Revenue

	Adjusted Jan-25	2025 Budget	Variance		Adjusted Jan-24	Variance
1 Operating Revenue and Patronage Capital	\$ 17,969,329	\$ 17,187,380	\$ 781,949	5%	\$ 17,019,562	\$ 949,767
3 Cost of Purchased Power	13,264,370	12,691,136	573,234	5%	12,621,485	642,885
Gross Margin	4,704,959	4,496,244	208,715	5%	4,398,077	306,882
	26%	26%			26%	
6 Distribution Expense - Operation	390,448	383,881	6,568		392,034	(1,586)
7 Distribution Expense - Maintenance	1,516,517	1,589,683	(73,165)		830,770	685,747
8 Customer Accounts Expense	422,592	438,613	(16,021)		360,220	62,372
9 Customer Service and Informational Expense	76,717	70,484	6,234		62,379	14,338
10 Sales Expense	5,528	3,705	1,823		981	4,547
11 Administrative and General Expense	421,809	503,559	(81,750)		457,496	(35,687)
Total Operation & Maintenance Expense	16,097,982	15,681,060	416,922	3%	14,725,366	1,372,617
Total Operating Expenses	2,833,612	2,989,924	(156,312)	-5%	2,103,880	729,732
13 Depreciation & Amortization Expense	928,791	914,207	14,584		883,060	45,732
14 Tax Expense - Property & Gross Receipts	12,358	13,965	(1,606)		10,905	1,453
15 Tax Expense - Other	-	-	-		-	-
16 Interest on Long-Term Debt	454,072	444,246	9,826		438,414	15,658
17 Interest Charged to Construction - Credit	-	-	-		-	-
18 Interest Expense - Other	9,869	12,000	(2,131)		12,401	(2,532)
19 Other Deductions	1,940	2,326	(387)		4,020	(2,081)
Total	17,505,012	17,067,804	437,208	3%	16,074,166	1,430,846
Total Other Expenses	1,407,030	1,386,744	20,286	1%	1,348,800	58,230
21 Patronage Capital & Operating Margins	464,317	119,576	344,741	288%	945,396	(481,079)
22 Non Operating Margins - Interest	65,080	55,432	9,648		137,675	(72,595)
25 Non Operating Margins - Other	3,561	3,609	(49)		4,120	(559)
26 Generation and Transmission Capital Credits	-	-	-		-	-
27 Other Capital Credits and Patronage Dividends	-	-	-		-	-
29 Patronage Capital or Margins	\$ 532,958	\$ 178,617	\$ 354,340	198%	\$ 1,087,191	\$ (554,233)

The largest variances to budget and the prior year:

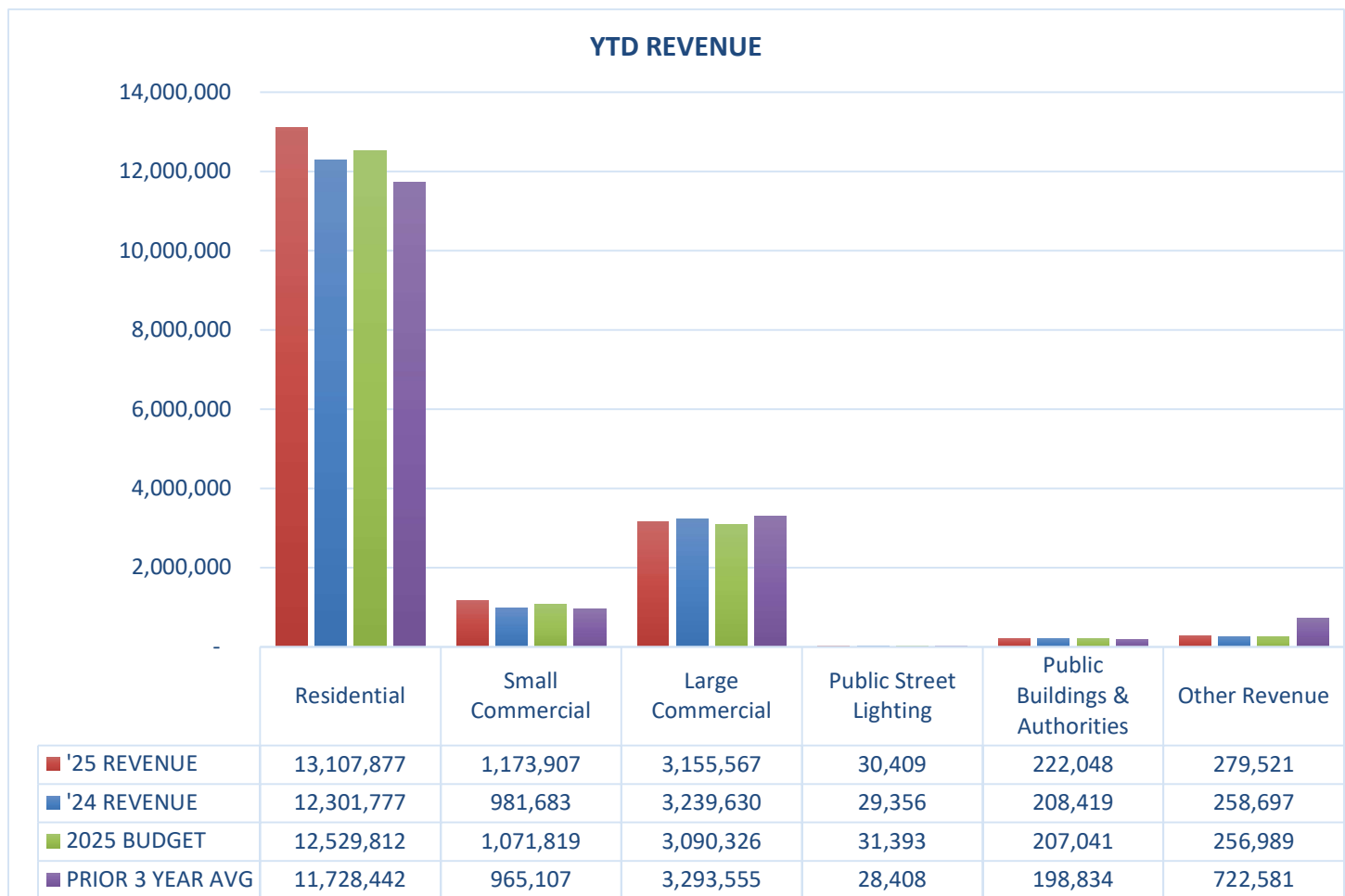
- The estimated gross margin is higher than the budget by \$209k. Revenue is higher than the budget by \$782k, a result of the record low temperatures during January 2025. Revenue is higher than the prior year by \$950k.
- Right-of-way maintenance is on track with the budget but higher than the prior year by \$684k due to a slower initial completion of circuit work last year. This year we are recording the expenses as work is completed instead of upon invoice receipt.

Sales Revenue

Revenue from sales of electricity is higher than the budget by \$782k. The biggest dollar variance is in residential sales at \$578k, a 5% increase. Also notable is the increase in small commercial sales with a dollar variance of \$102k, a 10% increase.

Compared to prior year, residential sales increased by \$806k, a 7% increase. Small commercial sales increased by \$192k, a 20% increase.

The graph below illustrates the amount of revenue from each member class for the current year, prior year, budget and the average of the 3 most recent prior years.



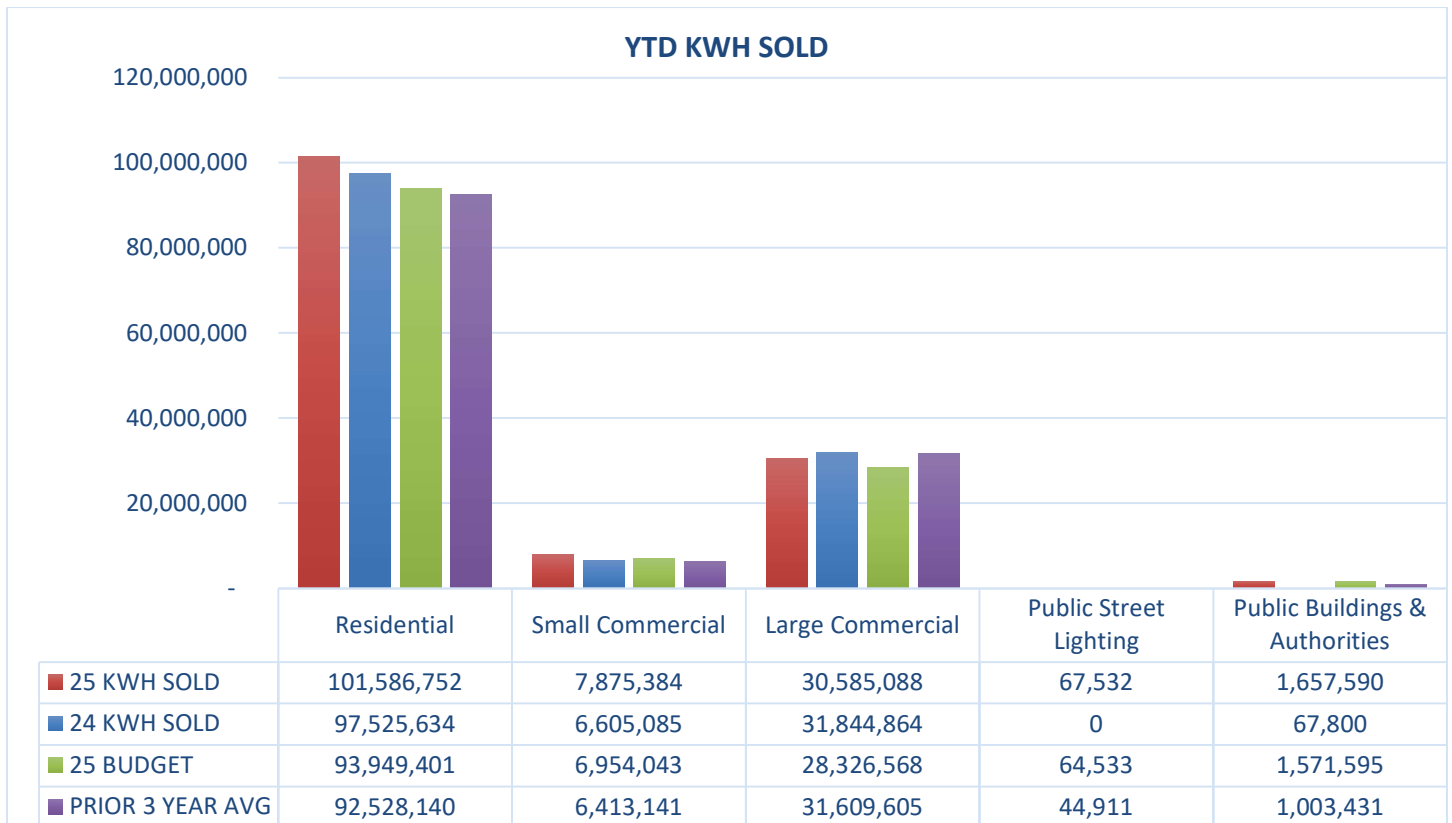
kWh Sold

For the coldest month on record, we sold 142 million kWh compared to the budget of 131 million and prior year of 138 million.

Compare Current Month to Budget and Prior Year

	January 2025 <u>Actual</u>	January 2025 <u>Budget</u>	<u>Variance</u>	January 2024 <u>Actual</u>	<u>Variance</u>
Accounts Connected	71,575	71,669	(94)	70,661	914
kWh Sold	141,772,346	130,866,140	10,906,206	137,647,029	4,125,317
Average Usage/Meter	1,981	1,826		1,948	
Degree Days -Heating	January 2025 1,119	Normal 966		January 2024 956	
Degree Days - Cooling	-	-		-	
Total Degree Days	1,119	966	153	956	163

The graph below illustrates the amount of kWh sold to each member class for the current year, prior year, budget and the average of the 3 most recent prior years.



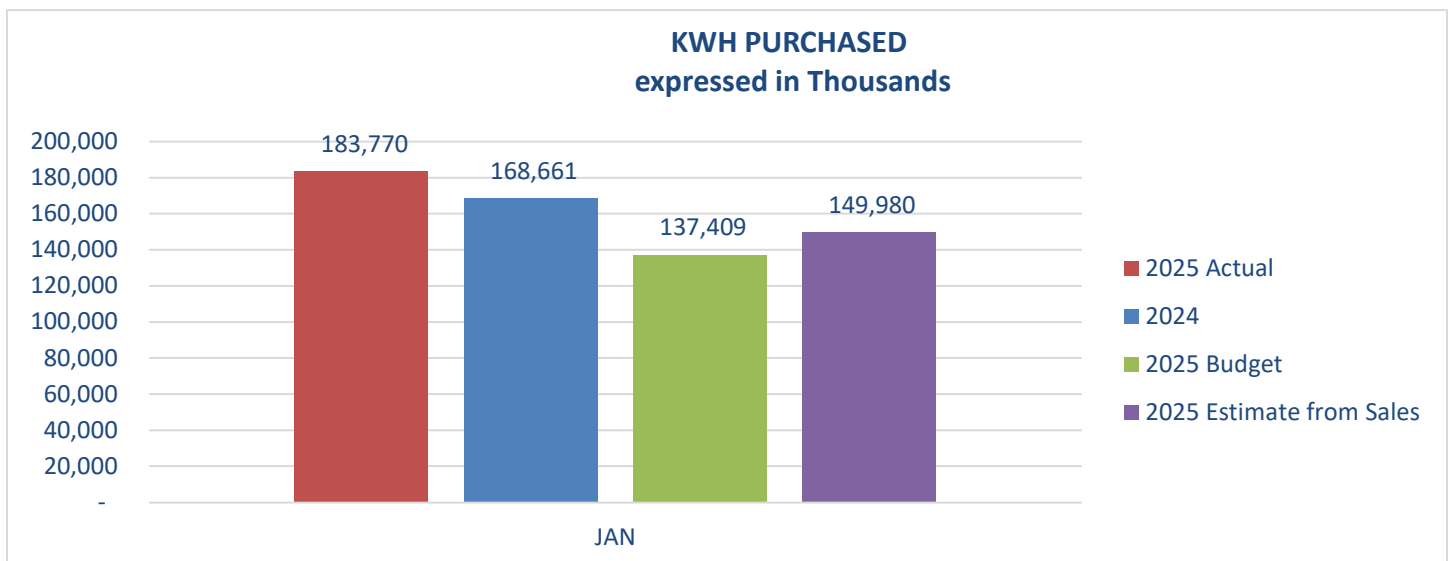
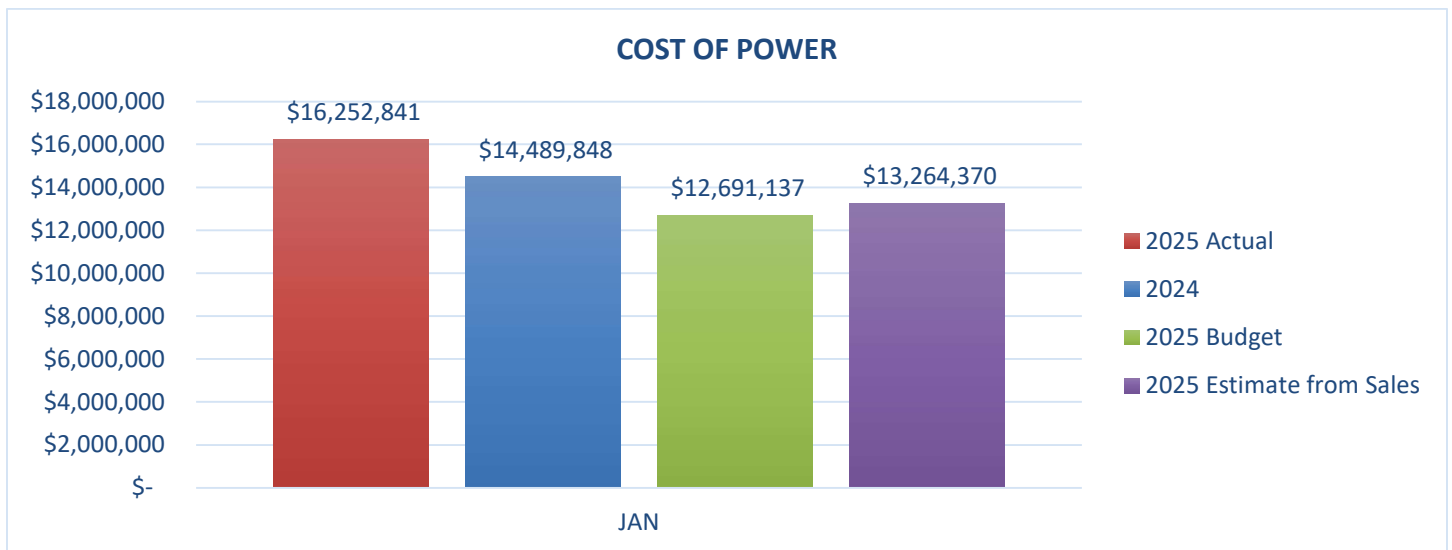
Cost of Purchased Power

The actual cost of purchased power (line 3) is higher than the budget for the month by **\$3.56 million** and higher than the prior year by **\$1.76 million**.

The variance is a result of purchasing 46 million more kWh than budgeted, increasing our costs by **\$4.28 million** combined with purchasing the power at a lower rate than budgeted, offsetting the cost increase by \$720k.

January power cost was budgeted at a rate of \$.092 cents per kWh and the average actual rate was \$.088 cents per kWh.

The graphs below illustrate the total cost and quantity of kWh purchased each month for 2024, 2025 Actual, 2025 Estimate from Sales, and the budget.



Controllable Costs/Operating Expenses (lines 6-11)

When comparing 2025 actual operating expenses to the budget, collectively they are lower than the budget by \$156k and higher than the prior year by **\$730k**.

Compare Current Month to Budget and Prior Year

	January 2025 <u>Actual</u>	January 2025 <u>Budget</u>	<u>Variance</u>		January 2024 <u>Actual</u>	<u>Variance</u>
6 Distribution Expense - Operation	390,448	383,881	6,568		392,034	(1,586)
7 Distribution Expense - Maintenance	1,516,517	1,589,683	(73,165)		830,770	685,747
8 Customer Accounts Expense	422,592	438,613	(16,021)		360,220	62,372
9 Customer Service and Informational Expense	76,717	70,484	6,234		62,379	14,338
10 Sales Expense	5,528	3,705	1,823		981	4,547
11 Administrative and General Expense	421,809	503,559	(81,750)		457,496	(35,687)
Total Operating Expenses	2,833,612	2,989,924	(156,312) -5%		2,103,880	729,732

- Labor costs are higher than the budget and prior year by approximately \$100k due to higher than expected overtime hours.
- Right-of-way contractor costs are \$19k less than the budget for the month and \$671k higher than the prior year.
- Several expense categories are under budget for the month by more than \$10k, offsetting the unexpected overtime cost and providing us with overall costs lower than the budget.

Other Costs (lines 13-19)

Other costs are over **\$20k** compared to the budget, and **\$58k** compared to the prior year.

Depreciation expenses are higher than the budget due to the routine end of year capitalization not accounted for in the budget.

Compare Current Month to Budget and Prior Year

	January 2025 <u>Actual</u>	January 2025 <u>Budget</u>	<u>Variance</u>		January 2024 <u>Actual</u>	<u>Variance</u>
13 Depreciation & Amortization Expense	928,791	914,207	14,584		883,060	45,732
14 Tax Expense - Property & Gross Receipts	12,358	13,965	(1,606)		10,905	1,453
15 Tax Expense - Other	-	-	-		-	-
16 Interest on Long-Term Debt	454,072	444,246	9,826		438,414	15,658
17 Interest Charged to Construction - Credit	-	-	-		-	-
18 Interest Expense - Other	9,869	12,000	(2,131)		12,401	(2,532)
19 Other Deductions	1,940	2,326	(387)		4,020	(2,081)
Total Other Expenses	1,407,030	1,386,744	20,286 1%		1,348,800	58,230

Non-Operating Margins (lines 22-27)

Line 22 represents interest received from our investments with CFC. Earnings were greater than expected for January but a reduction from the prior year when we maintained a higher account balance.

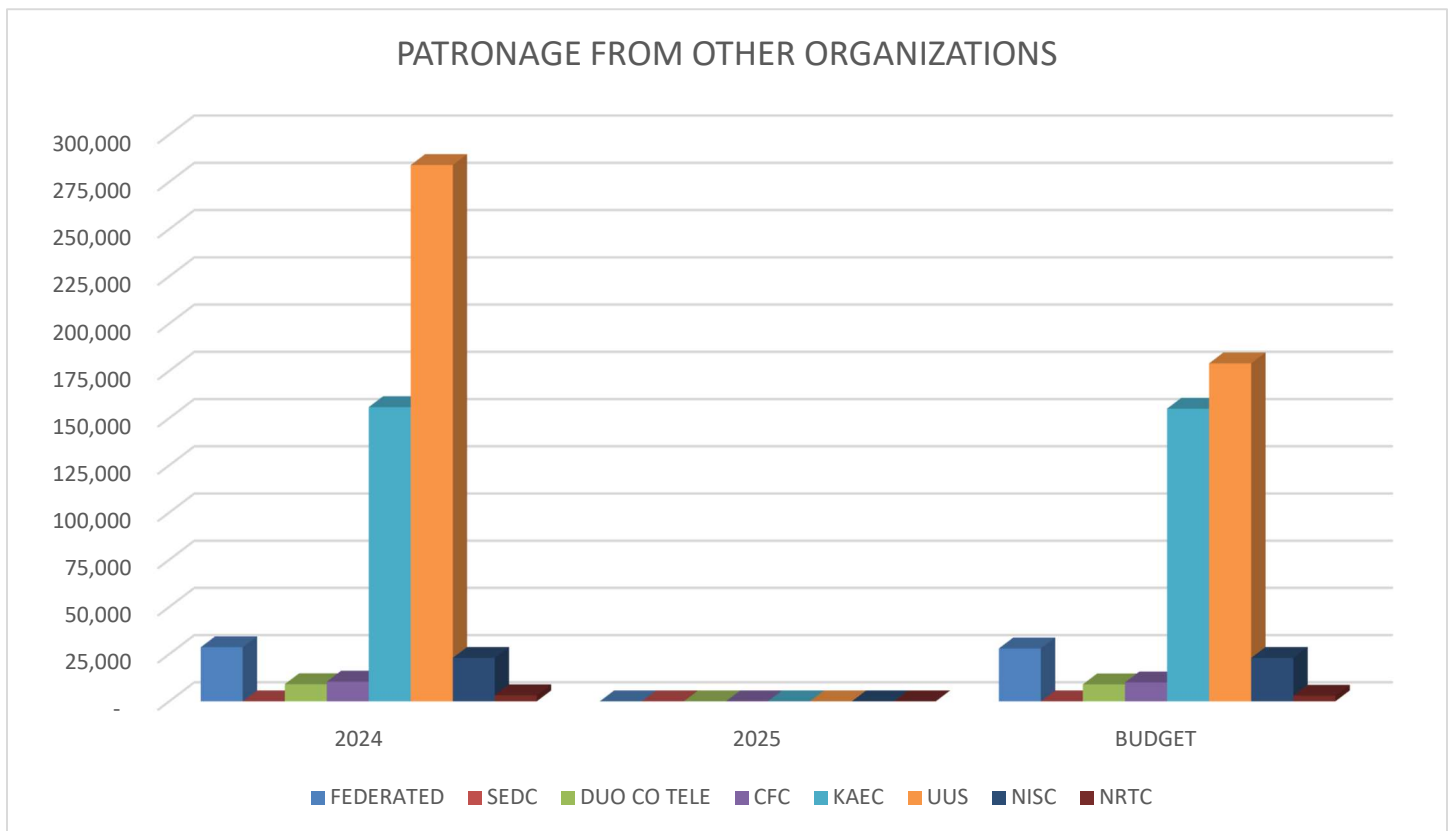
Line 25 represents income from rental properties.

Compare Current Month to Budget and Prior Year

	January 2025 <u>Actual</u>	January 2025 <u>Budget</u>	<u>Variance</u>	January 2024 <u>Actual</u>	<u>Variance</u>
22 Non Operating Margins - Interest	65,080	55,432	9,648	137,675	(72,595)
25 Non Operating Margins - Other	3,561	3,609	(49)	4,120	(559)
26 Generation and Transmission Capital Credits	-	-	-	-	-
27 Other Capital Credits and Patronage Dividends	-	-	-	-	-

Other Capital Credits and Patronage Dividends (line 27) represent all the patronage that we are allocated throughout the year from various other cooperatives. We have budgeted a total of \$407k for the year.

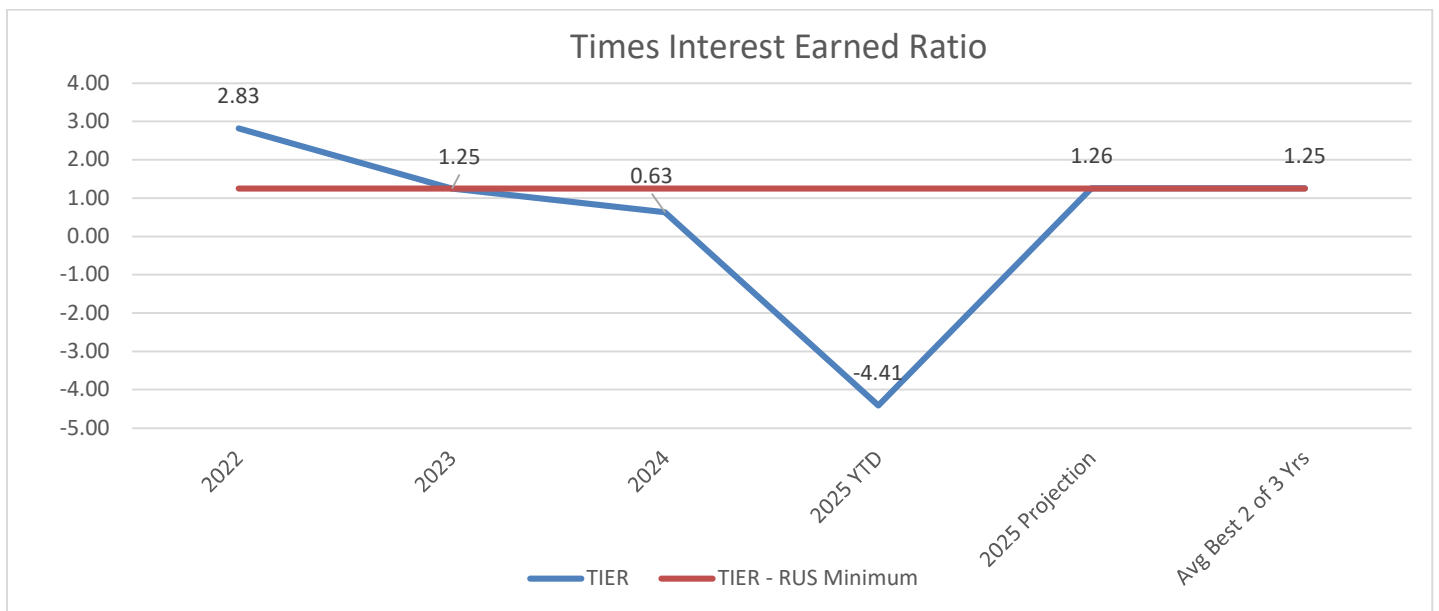
The graph below illustrates what we received in the prior year and what we have budgeted to receive this year.



Ratios

Lenders have several required minimum ratios we much meet each year. The Rural Utilities Service (RUS) allows for an average of the best 2 out of 3 years to meet the minimums.

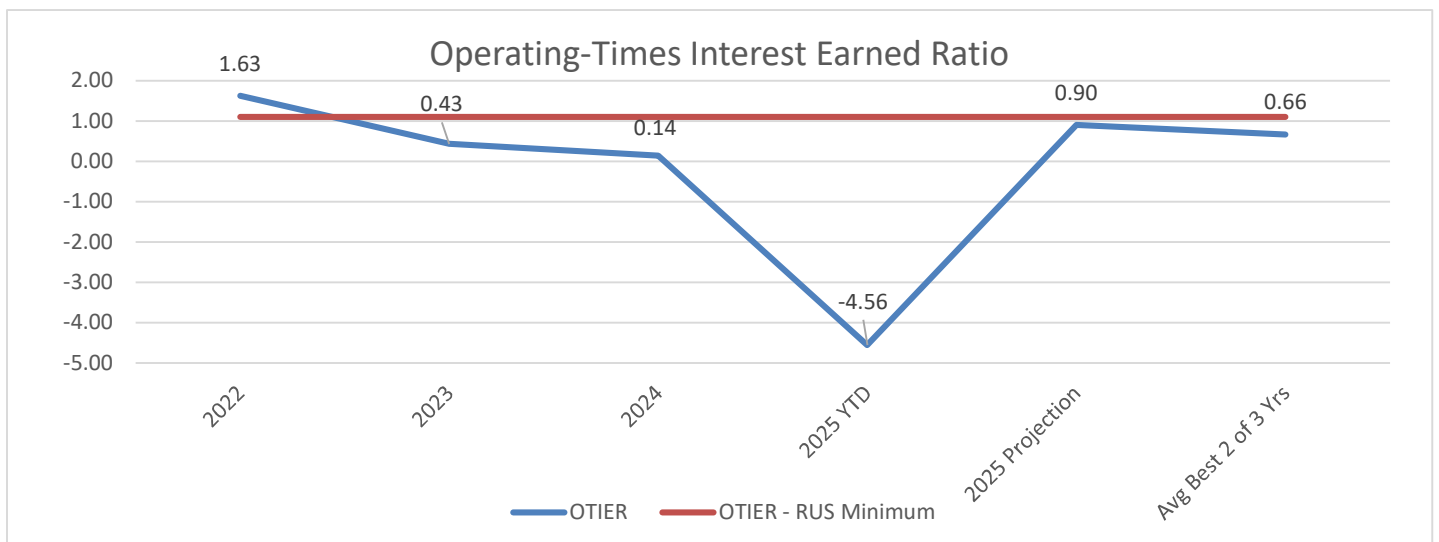
Times Interest Earned Ratio (TIER) – Measures the ease of paying interest on long-term debt. The RUS minimum requirement is 1.25 and the projected 2025 year-end TIER is 1.26. The average for the best 2 out of the last 3 years is 1.25.



Operating Times Interest Earned Ratio (OTIER) –Similar to TIER except the OTIER uses operating margins instead of net margins.

The RUS minimum requirement is 1.10 and the projected 2025 year-end OTIER is 0.90.

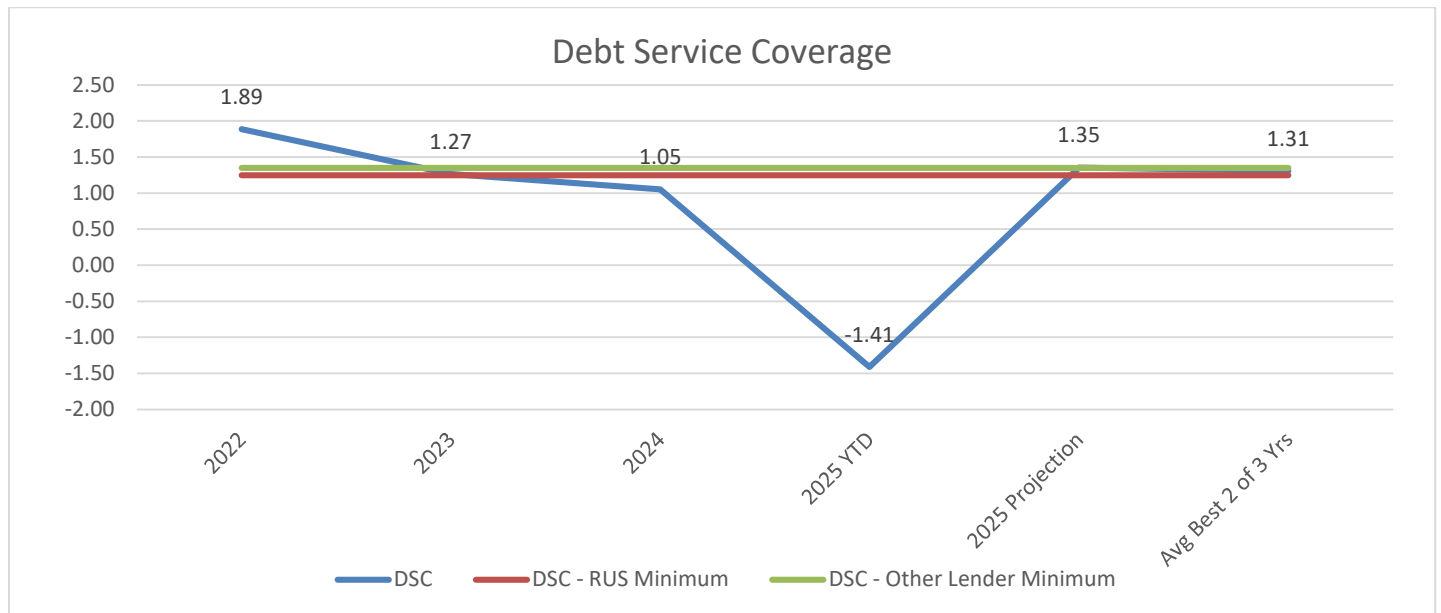
The average for the best 2 out of the last 3 years is 0.66.



Debt Service Coverage (DSC) – Measures the cash flow ability to meet lender principal and interest payments.

The lender minimum requirement is 1.35 and the projected 2025 year-end DSC is 1.35.

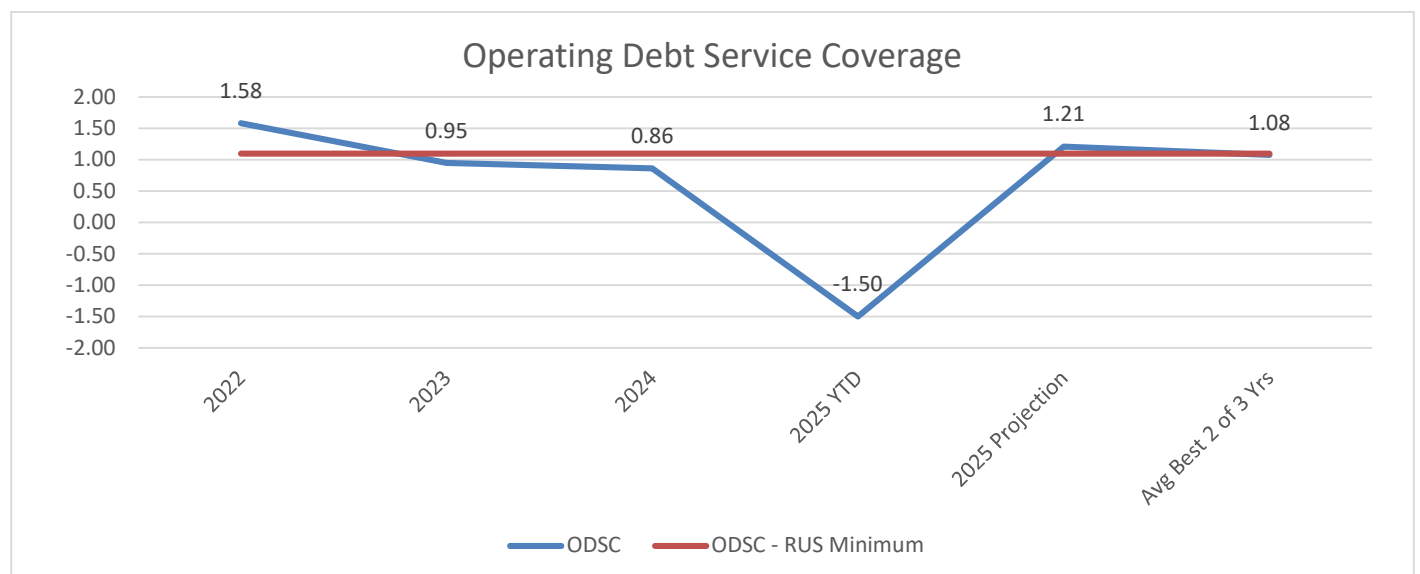
The average for the best 2 out of the last 3 years is 1.31.



Operating Debt Service Coverage (ODSC) – Similar to DSC except the ODSC uses operating margins instead of net margins.

The RUS minimum requirement is 1.10 and the projected 2025 year-end ODSC is 1.21.

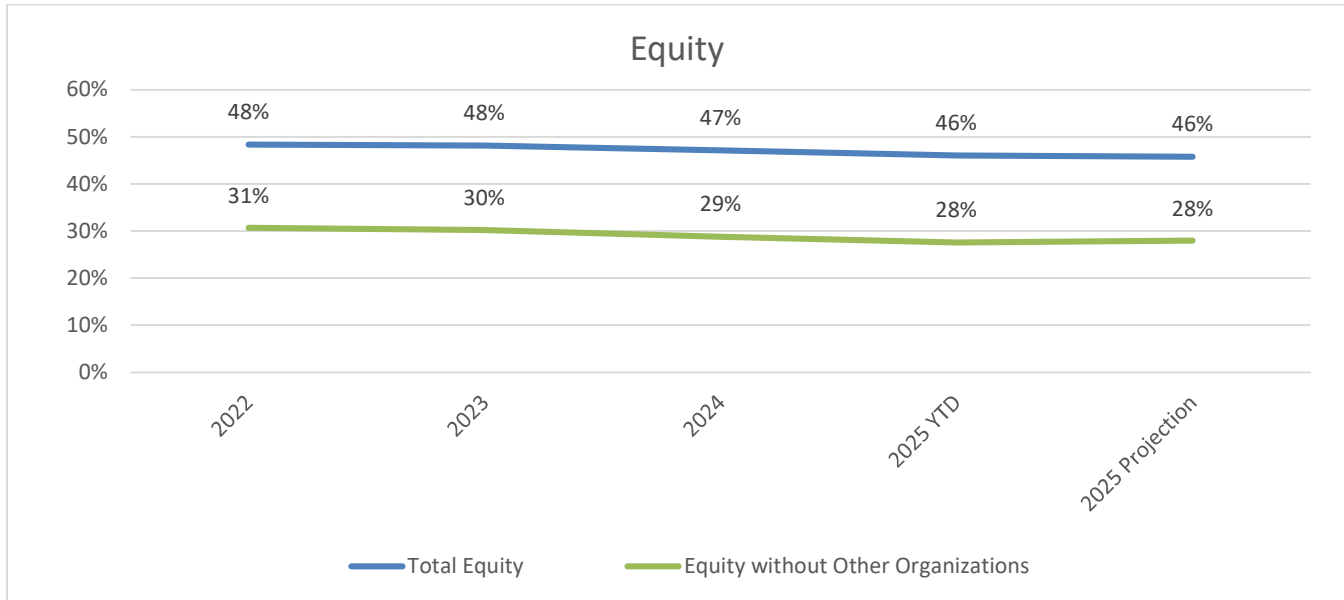
The average for the best 2 out of the last 3 years is 1.08.



Equity - measures the proportion of the total assets that are financed by members, as opposed to lenders.

The RUS minimum requirement is 30% and our desired range has been set at 35%-45%. The projected 2025 year-end total equity ratio is 46%.

The graph below illustrates total equity over time and what equity would be without patronage from our G&T and all other organizations. Equity without Other Organizations is the equity percentage of total assets that has been generated wholly from cooperative margins or operations.



LONG TERM DEBT AND INVESTMENT INFORMATION

	Funding Source	Available	Current Month Outstanding	Prior Month Outstanding	Monthly Change Increase/(Decrease)	Annual Change Increase/(Decrease)
231.11	CFC Lines of Credit	15,000,000			-	-
136.00/136.04	CFC Investments	5,264,413			474,061	474,061
224.6	Cushion of Credit	9,131,564			3,204	3,204
224.24/25/33	FFB	19,000,000	143,510,814	143,510,814	-	-
224.30/31	RUS		2,239,829	2,262,112	(22,283)	(22,283)
224.12/22	CFC		2,254,980	2,254,980	-	-
224.19/21	CoBank		34,510,424	34,777,772	(267,349)	(267,349)
224.14/32	City of Monticello		1,758,997	1,758,997	-	-
224.16/26	USDA - Eco. Dev. Loans		715,278	732,639	(17,361)	(17,361)
224.18	USDA - Eco. Dev. Grants		2,566,000	2,566,000	-	-
136.28	USDA - Eco. Dev. Investment	1,341,154			49,603	49,603

Investment Accounts

Debt Accounts

Financial Results for June 2023

NET MARGINS (line 29)

Net margins year to date June resulted in a loss of \$**619,200**. When comparing actual net margins to the budgeted net margins, which were \$769,600, produced a negative variance of \$**1,388,900**. Net margins are also less than last year, in the same period, by \$**3,100,200**.

<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>		<u>BUDGET</u>	<u>VARIANCE</u>	
(619,249)	2,480,936	(3,100,185)	-125.0%	769,633	(1,388,882)	-180.5%

We experienced a loss of \$**1,358,500** for the month of June. Net margins for the month of June, compared to the budget, produced a variance of \$**1,277,300**.

<u>Jun-23</u>	<u>Jun-23</u>	<u>VARIANCE</u>	
<u>ACTUAL</u>	<u>BUDGET</u>		
(1,358,530)	(81,197)	(1,277,333)	1573.12%

The main factors related to the decrease in Net Margins for 2023 when compared to budget are:

- A decrease in Net Revenues of \$**1,683,500**
- A decrease in Operating Expenses of \$192,100
- An increase in Interest Expenses of \$**18,100**
- An increase in Non-Operating Margins of \$147,500
- A decrease in Other Capital Credit of \$**71,900**
- A decrease in Other Deductions of \$59,800

Totals \$**1,374,100**

We have experienced many storms thus far in 2023, which have added \$1,632,900 of storm costs to our maintenance costs (line 7 on the statement of operations). However, we are also below budget by \$**1,518,600** in ROW costs. These two factors are nearly offsetting each other, which is helping to keep the storm costs from dramatically affecting net margins.

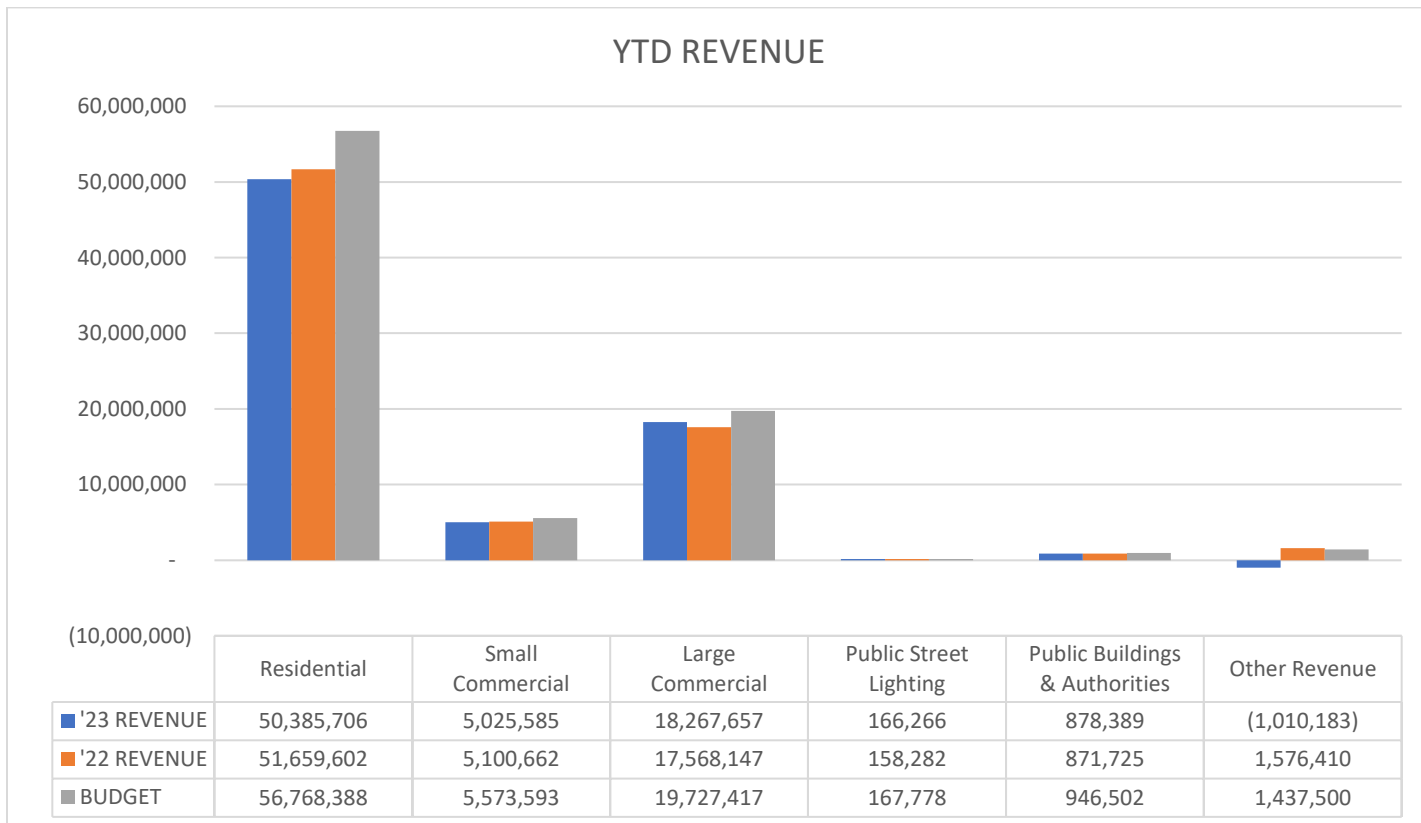
OPERATING REVENUES (line 1)

Annually, operating revenues are under budget by \$10,907,800, and less when comparing to the same period in the prior year by \$3,221,400.

<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>		<u>BUDGET</u>	<u>VARIANCE</u>	
73,713,420	76,934,827	(3,221,407)	-4.19%	84,621,176	(10,907,756)	-12.89%

The mild weather continues to negatively affect our revenue so far this year. As you can see by the chart below, revenues are below budget for all classes of members.

Other revenues consist of fees, pole attachments and unbilled revenue. If removing unbilled revenue, other revenues would total \$1,977,200.

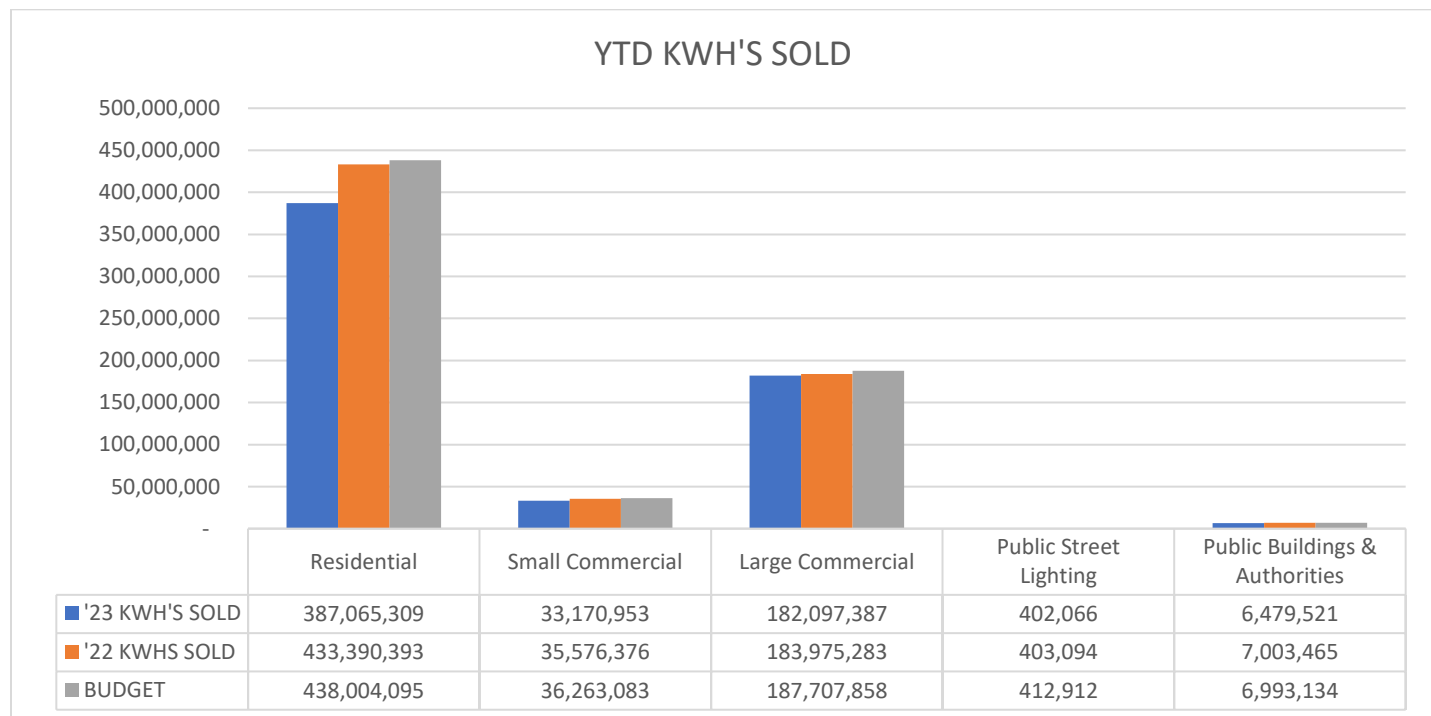


KWH's SOLD

On an annual basis, we have sold 609,215,200 kWh's compared to the budget of 669,381,100 which equates to a difference of over **60 million** kWh's. All classes of members are experiencing a reduction in the volume sold on an annual basis.

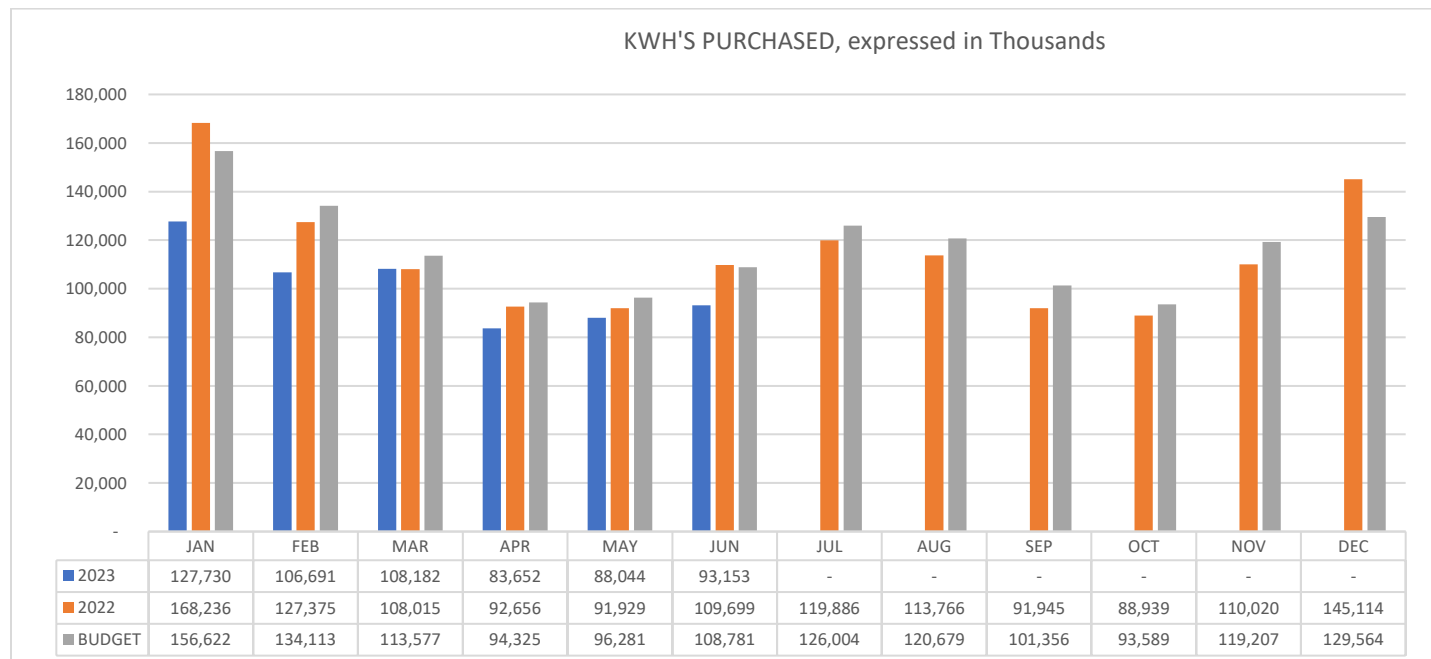
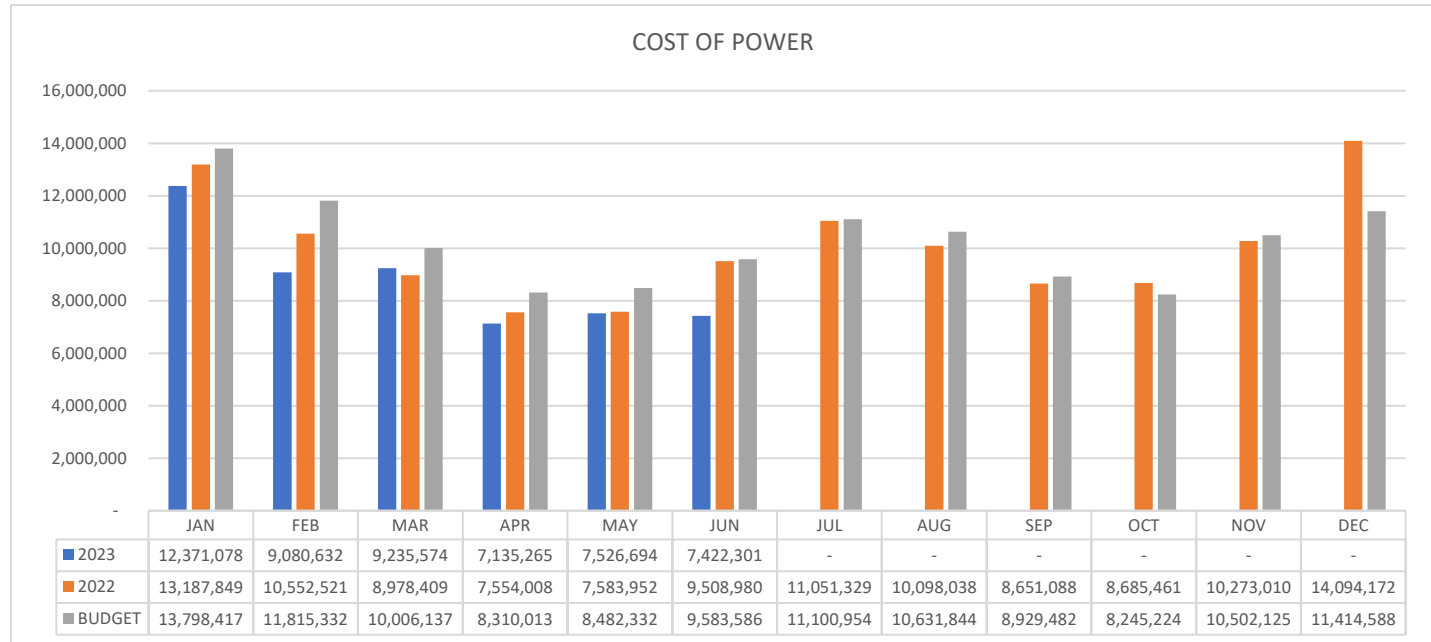
When comparing the current year to the previous year, we have sold **51 million** less kWh's, this reduction is also affecting every class of member. These variances are attributed to a warmer than normal winter and mild spring and summer seasons.

The graph below illustrates the amount of kWh's sold to each class of member for the current year, prior year and what was budgeted.



COST OF PURCHASED POWER (line 3)

Cost of purchased power is under budget on an annual basis when comparing actual to budget by \$9,224,300. This variance is a result of purchasing 96.2 million less kWh's reducing our costs by **\$8,479,300** combined with purchasing the power at a slightly lower rate than budget (slightly more than 1 tenth of a cent \$0.00123). This further reduced our cost of power by **\$745,000**. The graphs below illustrate the power costs and quantity of kWh's purchased each month for 2023, 2022 and budget.



CONTROLLABLE COSTS / OPERATING EXPENSES (lines 6-11)

When comparing controllable costs to budget, collectively they are below budget by \$**192,100**. As illustrated in the table below, some departments are under budget, and some are slightly above budget for the year thus far.

Operation expenses and Customer Accounts/Service expenses nearly offset each other. Operation expenses are lower due to time being charged to other accounts than where they were budgeted, such as storm expenses. Customer expenses are higher due to additional costs from the software conversion and engaging temporary labor workers.

Maintenance expenses, while underbudget \$195,100, do include \$1,632,300 in storm costs. Those costs are being offset by ROW costs, which are under budget by \$1,518,600 and overhead line maintenance which are under budget by \$331,800.

When comparing the current year's cost to last year's costs, this year shows an increase of \$3,533,700. Again, please focus on Maintenance expense as it has increased by \$2,823,600 from last year, for this same period. This variance is a result of an increase to ROW costs of \$1,233,900 and the storm costs of \$1,632,900.

	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Distribution Expense - Operation	2,191,777	2,286,306	(94,530)	2,371,523	(179,746)
Distribution Expense - Maintenance	7,125,294	4,301,724	2,823,570	7,320,358	(195,064)
Customer Accounts Expense	2,463,181	2,098,928	364,254	2,319,070	144,112
Customer Service and Informational Expense	198,411	277,911	(79,500)	172,526	25,885
Sales Expense	24,771	21,079	3,692	15,095	9,676
Administrative and General Expense	2,477,183	1,960,990	516,193	2,474,180	3,003
Total Operation & Maintenance Expense	14,480,617	10,946,938	3,533,679	14,672,751	(192,134)

OTHER COSTS (lines 13-19)

When comparing other costs to the budget, they are under budget, by \$**26,800**. Depreciation expense is over budget by \$19,800; Interest expense is over budget by \$18,100 and other deductions are below budget by \$**59,800**. Other deductions include dues, subscriptions, and donations.

	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Depreciation & Amortization Expense	5,122,903	4,931,616	191,286	5,103,129	19,774
Tax Expense - Property & Gross Receipts	77,622	77,175	447	82,500	(4,878)
Tax Expense - Other	-	-	-	-	-
Interest on Long-Term Debt	2,563,701	2,583,267	(19,567)	2,602,628	(38,927)
Interest Charged to Construction - Credit	-	-	-	-	-
Interest Expense - Other	84,134	79	84,055	27,150	56,984
Other Deductions	15,933	14,321	1,612	75,732	(59,799)
	7,864,292	7,606,458	257,834	7,891,139	(26,847)

NON-OPERATING MARGINS – INTEREST (line 22)

Non-operating Interest Income on a year-to-date basis is over budget by \$145,300. This is the line on the income statement where all interest earned from investments are recorded and includes such items as CFC investments and RUS Cushion of Credit.

When comparing the current year to last year, you will notice the variance of \$659,600. This was caused by the change in the Cushion of Credit interest rate being lower last year than the current year.

	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Non Operating Margins - Interest	738,560	78,990	659,570	593,265	145,295

GENERATION AND TRANSMISSION CAPITAL CREDITS (line 26)

You will remember that there will be no recording of patronage from G&T until December due to the change in procedures at the end of 2022, ensuring that we are allocating this type of patronage to the proper members of the cooperative each year.

	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Generation and Transmission Capital Credits	-	1,236,853	(1,236,853)	-	-

Due to this change, G&T patronage is now contributing to the variance when comparing the current year to prior year. If we remove this item from the prior year, the variance in net margins between years would be **\$1,863,300** instead of **\$3,100,200**.

Net Margin Variance with G&T Patronage in 2022

	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Patronage Capital or Margins	(619,249)	2,480,936	(3,100,185)	769,633	(1,388,882)

Net Margin Variance without G&T Patronage in 2022

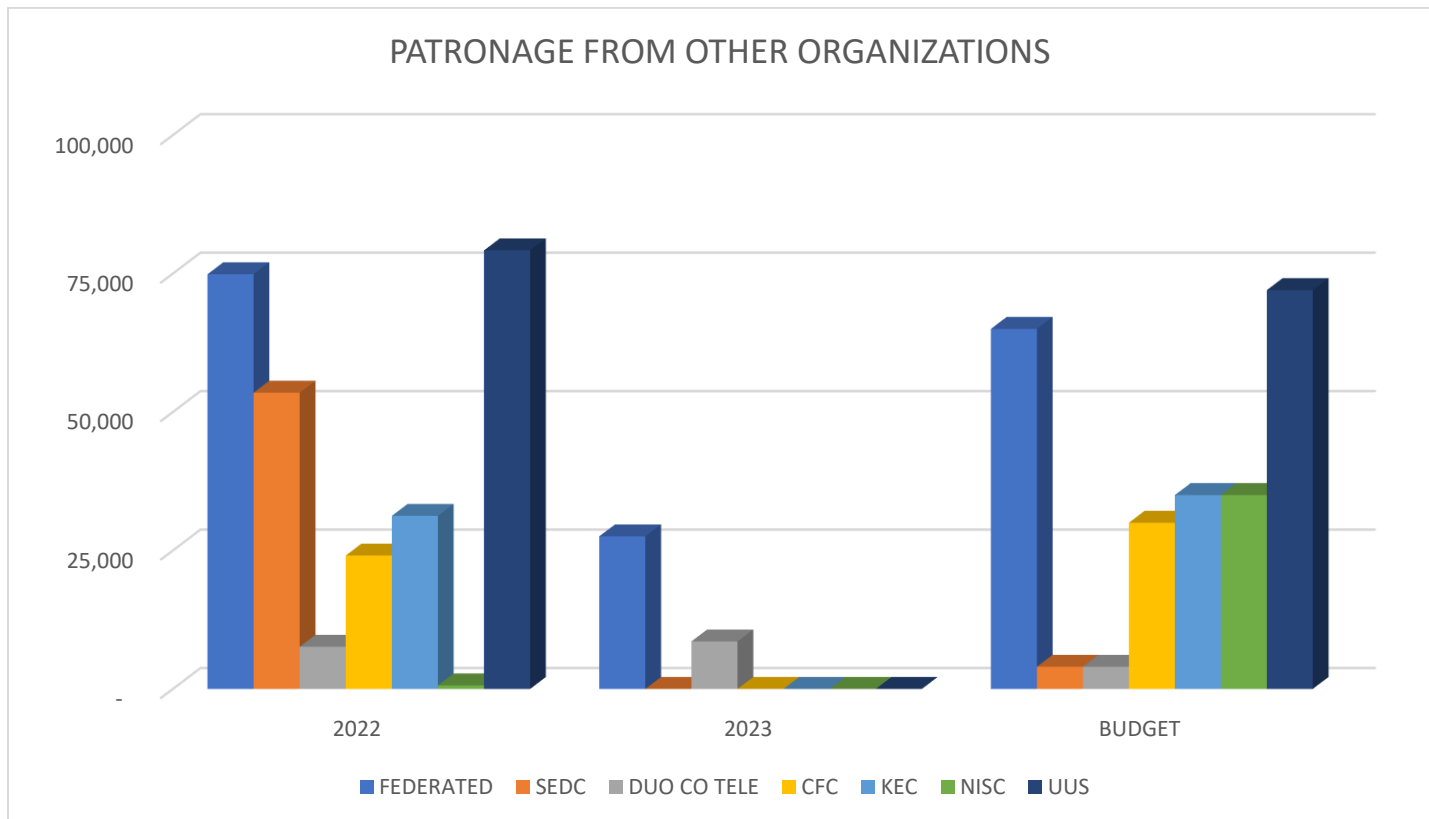
	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Patronage Capital or Margins	(619,249)	1,244,083	(1,863,332)	769,633	(1,388,882)

OTHER CAPITAL CREDITS AND PATRONAGE DIVIDENDS

This represents all the patronage that we are allocated throughout the year from various other cooperatives that we are members of. We have budgeted a total of \$245,000 for the year. In June we received no additional allocations from other organizations so our year to date remains at \$36,113 for the year thus far.

	<u>2023</u>	<u>2022</u>	<u>VARIANCE</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Other Capital Credits and Patronage Dividends	36,113	133,426	(97,312)	108,000	(71,887)

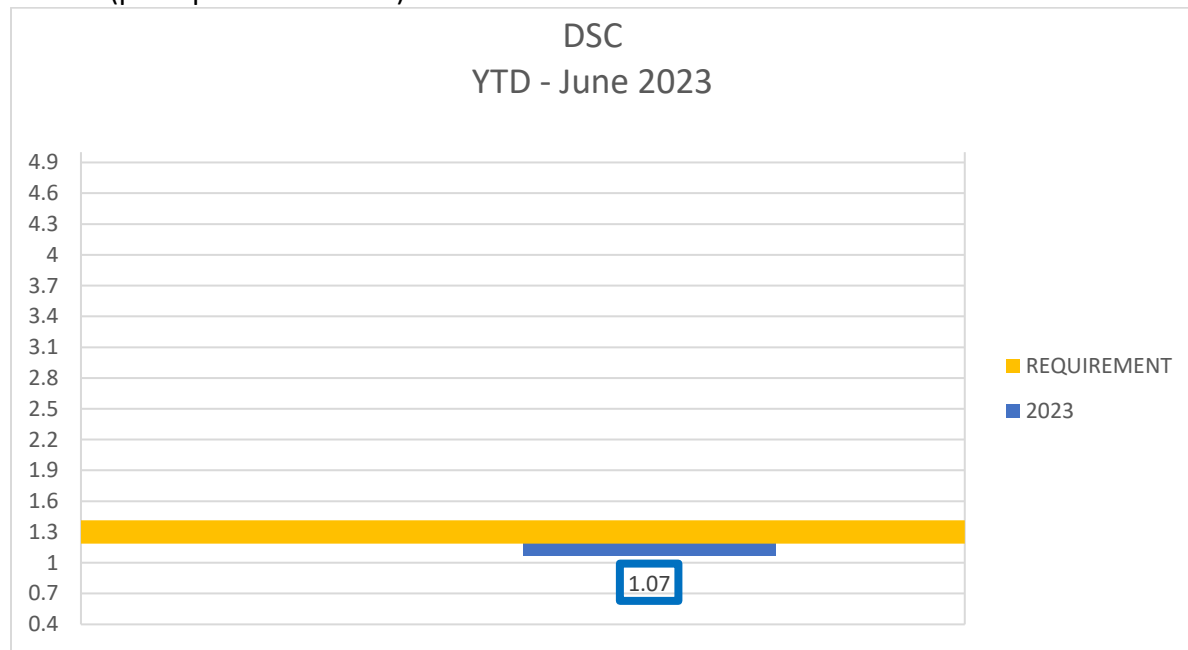
The graph below illustrates what we received in the prior year, the current year and what we have budgeted to receive this year.



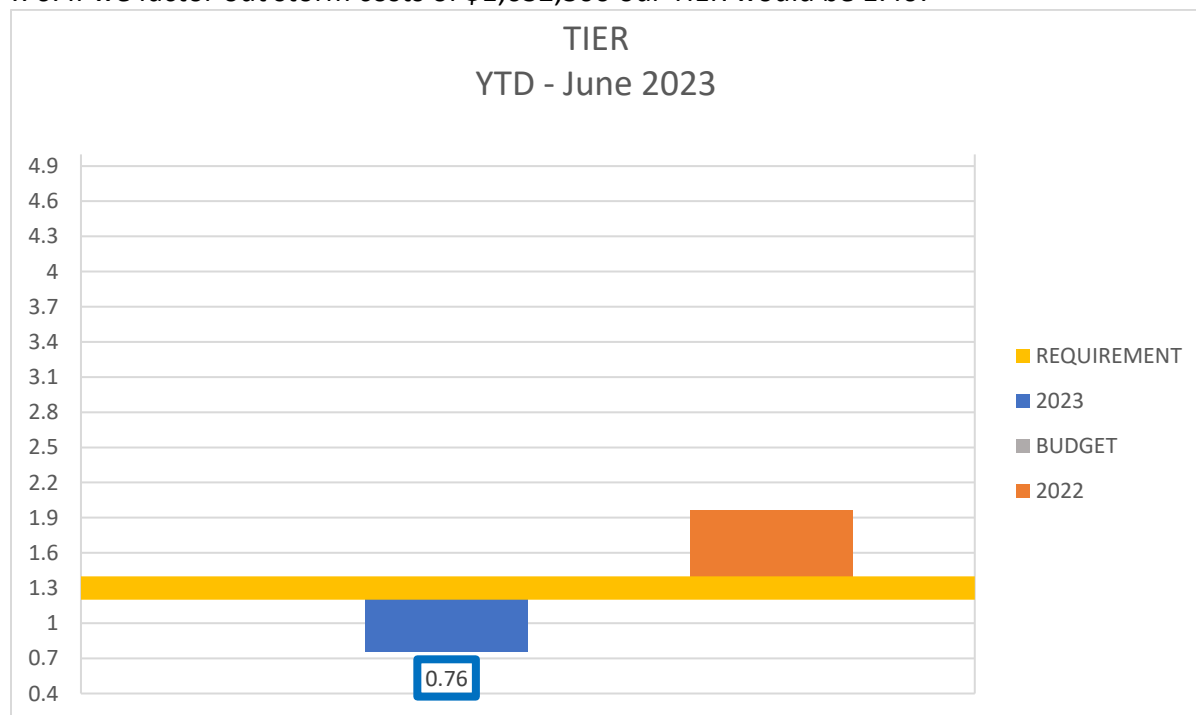
RATIOS

** Please note that the gold color line is the requirement that we must meet to be compliant with our debt covenants

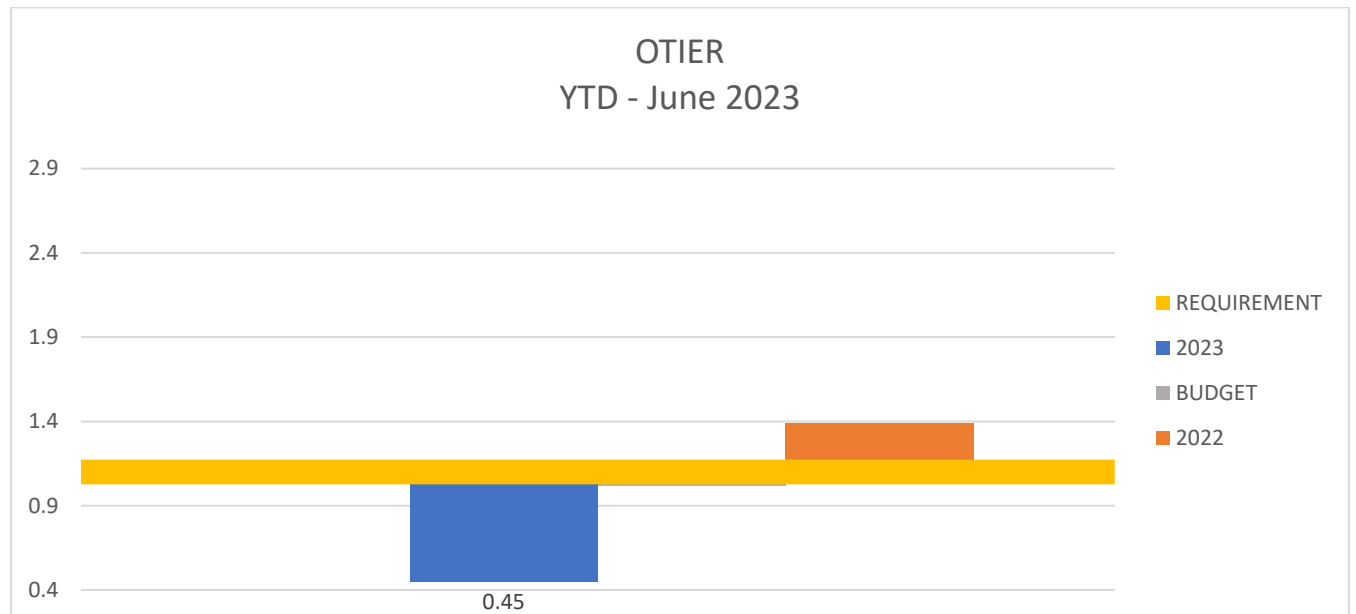
DSC – The requirement is 1.35, we are at 1.07. This ratio measures how many times we can pay our debt service (principal and interest)



TIER – Currently we are not meeting our TIER requirement. The requirement is 1.3 and we have a TIER of .76. If we factor out storm costs of \$1,632,300 our TIER would be 1.40.

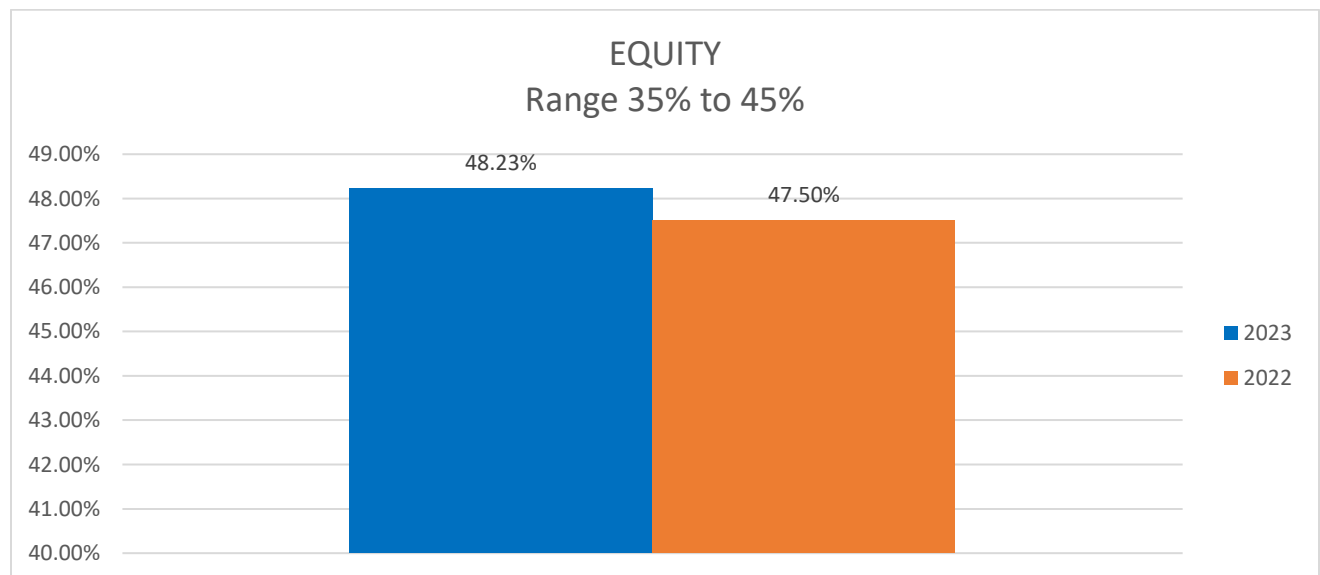


OTIER – Currently we are not meeting the OTIER requirement. The requirement is 1.1 and we have an OTIER of .45. If we removed the storm costs from our expenses, we would then have an OTIER of 1.09 which would allow us to meet our requirement.



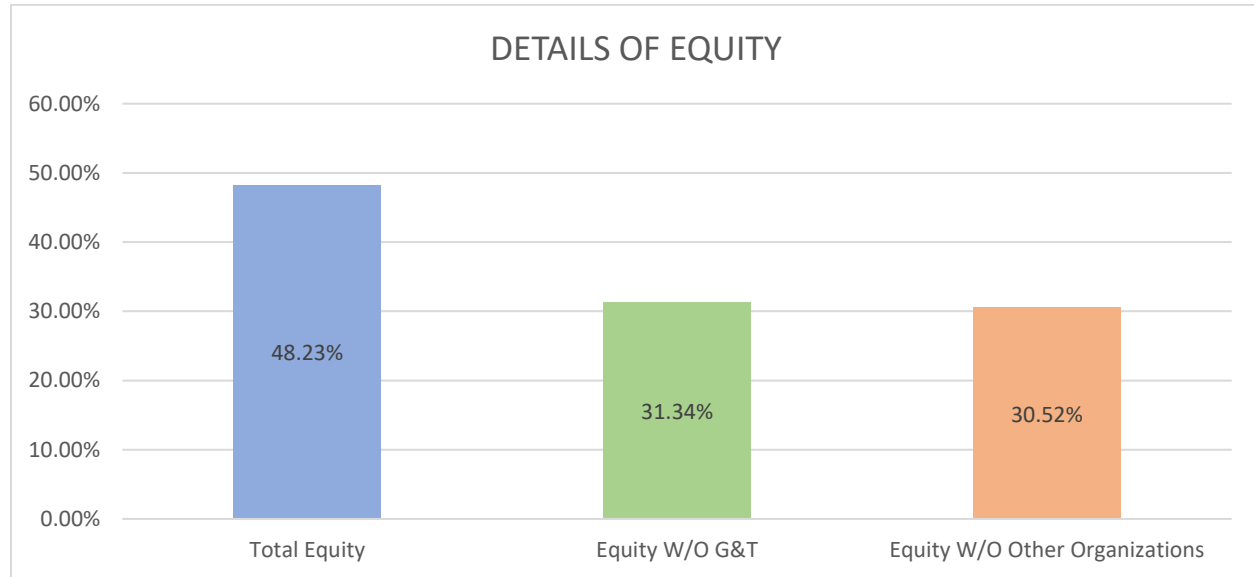
EQUITY

Total Equity is currently 48.23%, an increase from last year's 47.50%, for the same period.



Details of Equity

The graph below illustrates what equity would be should we remove the impact of patronage from our G&T and from all other organizations. The equity rate of 30.52% is the equity that has been generated wholly from cooperative margins or operations.



LONG TERM DEBT AND INVESTMENT INFORMATION

DEBT BALANCES	Available	Current Month Outstanding	Prior Month Outstanding	Monthly Change Increase/(Decrease)
CFC Lines of Credit	15,000,000	6,581,014	4,036,324	2,544,691
CFC Investments	12,475,082			1,869,208
Cushion of Credit	19,648,476			(1,667,375)
FFB	34,000,000	149,077,018	149,950,308	(873,289)
RUS		2,658,353	2,681,157	(22,804)
CFC		3,348,611	3,348,611	-
CoBank		39,455,628	39,708,189	(252,561)
City of Monticello		2,200,000	2,200,000	-
USDA - Eco. Dev. Loans		1,370,139	1,395,834	(25,694)
USDA - Eco. Dev. Grants		2,566,000	2,566,000	-
USDA - Eco. Dev. Investment	459,211			(440,460)
	\$ 81,582,769	\$ 207,256,765	\$ 205,886,422	\$ 1,131,716

ADDITIONAL INFORMATION:

- The capital credit allocation of 2022 margins were successfully completed for the first time in the new software (NISC) on August 8th.
- We have received notice from NRUCFC regarding Patronage Allocated and Patronage to be retired, see the information snapshot below.
 - The allocation of \$25,426.13 will be recorded in August.
 - The retirement and donation to the Integrity Fund will be recorded in September once the distribution is received.



**National Rural Utilities
Cooperative Finance Corporation**

Created and Owned by America's Electric Cooperative Network

Preview Patronage Capital Disbursement Selection

The patronage capital distribution method selected for your organization is displayed below. You may edit, cancel, or confirm your selection.

KY054 South Kentucky Rural Electric Cooperative Corporation

Allocation for 2023	\$25,426.13
Retirement for 2023	\$12,713.07
Retirement for 1998	\$23,862.79
Total Retirement	\$36,575.86
Less: Integrity Fund Contribution	\$1,000.00
Less: Withholdings	\$0.00
Distribution, Net	\$35,575.86

Disbursement Method	Payment Date	Deposit Account
Wire	09/15/2023	0648 - Cumberland Security Bank

- The issue concerning the Economic Development Loan and Grant with Dr. Schneider Automotive has been successfully resolved with their payment in full for both accounts being received on August 4th. This raises the level of available funding for grants to \$655,294.28.