Washington Electric Cooperative, Inc.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023

Washington Electric Cooperative, Inc.
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KBS
Kittell Branagan & Sargent
Certified Public Accountants
Vermont License #167

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Washington Electric Cooperative, Inc., as of and for the years ended December 31, 2023 and 2022, and the related notes to the consolidated financial statements, which collectively comprise Washington Electric Cooperative, Inc.'s basic consolidated financial statements as listed in the table of contents.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of Washington Electric Cooperative, Inc. as of December 31, 2023 and 2022, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in governmental auditing standards issued by the comptroller general of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are required to be independent of Washington Electric Cooperative, Inc., and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Washington Electric Cooperative, Inc.'s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Washington Electric Cooperative, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Washington Electric Cooperative, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the consolidated financial statements that collectively comprise Washington Electric Cooperative, Inc.'s basic consolidated financial statements. The consolidating balance sheets and consolidating statements of operations on pages 32 thru 34 are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating balance sheets and consolidating statements of operations are fairly stated, in all material respects, in relation to the basic consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Governmental Auditing Standards, we have also issued our report dated February 29, 2024 on our consideration of Washington Electric Cooperative, Inc.'s internal control over financial reporting and on our test of its compliance with certain provisions of laws and regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of Washington Electric Cooperative, Inc.'s internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Washington Electric Cooperative, Inc.'s internal control over financial reporting and compliance.

Kittell Branagan & Sargent

St. Albans, Vermont
February 29, 2024

Washington Electric Cooperative, Inc.
BALANCE SHEETS
December 31,

ASSETS

	2023	2022
ELECTRIC PLANT, at cost	$ 89,478,061	$ 86,714,650
Less accumulated depreciation	(42,422,585)	(40,072,161)
Electric plant in service, net	47,055,476	46,642,489
Construction work in progress	334,142	1,127,628
TOTAL ELECTRIC PLANT, net	47,389,618	47,770,117
CURRENT ASSETS		
Cash	1,128,868	1,648,027
Receivables -		
Notes, less allowance for doubtful accounts of $1,500 in 2023 and 2022	99	99
Accounts, less allowance for doubtful accounts of $30,000 and $67,000 in 2023 and 2022, respectively	1,770,247	1,691,811
Renewable energy certificate revenue	617,245	783,913
Miscellaneous, less allowance for doubtful accounts of of $2,500 in 2023 and 2022	1,587,528	923,433
Unbilled revenue	958,047	844,025
Inventories	547,801	529,757
Prepaid expenses	295,476	607,093
TOTAL CURRENT ASSETS	6,905,311	7,028,158
OTHER ASSETS		
Other investments	10,577,164	10,065,783
Deferred charges	542,503	468,588
TOTAL OTHER ASSETS	11,119,667	10,534,371
TOTAL ASSETS	$ 65,414,596	$ 65,332,646

See Accompanying Notes to Financial Statements

Washington Electric Cooperative, Inc.
BALANCE SHEETS
December 31,

LIABILITIES AND EQUITY

	2023	2022
EQUITIES		
Memberships issued and subscribed	$ 162,105	$ 158,150
Patronage capital assignable	1,067,670	458,796
Patronage capital credits	24,703,286	24,624,453
Donated capital	307,954	302,669
NET EQUITY	26,241,015	25,544,068
LONG-TERM DEBT	32,570,264	33,231,190
CURRENT LIABILITIES		
Current portion of long-term debt	2,355,334	2,454,439
CFC line of credit	757,996	-
Accounts payable	2,217,102	2,719,194
Customer deposits	187,339	194,661
Accrued corporate taxes	-	4,523
Other accrued expenses	837,887	950,185
TOTAL CURRENT LIABILITIES	6,355,658	6,323,002
DEFERRED CREDITS	247,659	234,386
TOTAL LIABILITIES AND EQUITY	$ 65,414,596	$ 65,332,646

See Accompanying Notes to Financial Statements

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

	2023	2022
OPERATING REVENUE		
Member revenue retail sales	$ 20,246,823	$ 17,384,203
Member revenue REC sales	1,978,302	2,052,720
Other	624,170	1,258,182
TOTAL OPERATING REVENUE	22,849,295	20,695,105
OPERATING EXPENSES		
Purchased power	7,187,026	6,922,415
Power generation	2,149,046	1,924,819
Transmission	75,073	80,043
Distribution:		
Operations, including vehicle depreciation expense of $327,219 and $312,911 in 2023 and 2022, respectively	2,290,741	2,301,333
Maintenance	4,442,297	3,597,885
Customer accounts	1,184,517	1,184,351
Administrative and general	1,777,647	1,561,910
Depreciation	2,518,879	2,481,173
Taxes	221,408	195,779
TOTAL OPERATING EXPENSES	21,846,634	20,249,708
MARGINS FROM OPERATIONS BEFORE INTEREST CHARGES	1,002,661	445,397
INTEREST CHARGES		
Interest on long-term debt	1,172,382	1,188,728
Other interest	4,663	4,248
TOTAL INTEREST CHARGES	1,177,045	1,192,976
MARGINS FROM OPERATIONS	(174,384)	(747,579)
OTHER INCOME (EXPENSE)		
Interest and dividend income	1,229,692	1,185,443
Other non-operating income	52,671	41,490
Other non-operating expense	(37,243)	(11,711)
Income taxes	(3,066)	(8,847)
TOTAL OTHER INCOME (EXPENSE)	1,242,054	1,206,375
NET MARGINS	$ 1,067,670	$ 458,796

See Accompanying Notes to Financial Statements

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

	Memberships Issued and Subscribed	Patronage Capital Assignable	Other Equities: Patronage Capital Credits	Other Equities: Donated Capital
BALANCE, at December 31, 2021	$ 154,735	$ 1,040,784	$ 23,944,824	$ 295,804
New memberships issued and subscribed for	10,280	-	-	-
Transfers to donated capital	(6,865)	-	-	6,865
Transfers to patronage capital credits	-	(1,040,784)	1,040,784	-
Patronage rebates	-	-	(361,155)	-
Net margins for the year	-	458,796	-	-
BALANCE, at December 31, 2022	158,150	458,796	24,624,453	302,669
New memberships issued and subscribed for	9,240	-	-	-
Transfers to donated capital	(5,285)	-	-	5,285
Transfers to patronage capital credits	-	(458,796)	458,796	-
Patronage rebates	-	-	(379,963)	-
Net margins for the year	-	1,067,670	-	-
BALANCE, at December 31, 2023	$ 162,105	$ 1,067,670	$ 24,703,286	$ 307,954

See Accompanying Notes to Financial Statements

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

		2023		2022
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	$	1,067,670	$	458,796
Noncash expenses (income) included in earnings:				
Depreciation		2,846,098		2,794,084
Amortization of deferred charges		138,189		138,189
PPP loan forgiveness		-		(700,000)
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable		(742,531)		(605,405)
Decrease (increase) in renewable energy certificate revenue receivable		166,668		-
Decrease (increase) in unbilled revenue		(114,022)		(6,835)
Decrease (increase) in inventories		(18,044)		(119,739)
Decrease (increase) in prepaid expenses		311,617		(36,129)
Decrease (increase) in deferred debits		(204,258)		(9,196)
Increase (decrease) in accounts payable		(502,092)		865,965
Increase (decrease) in customer deposits		(7,322)		(10,337)
Increase (decrease) in accrued expenses		(116,821)		203,481
Increase (decrease) in deferred credits		13,273		(1,363)
NET CASH PROVIDED BY OPERATING ACTIVITIES		2,838,425		2,971,511
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to electric plant in service and construction work in progress		(2,465,600)		(2,358,728)
Return of capital		32,098		34,666
Purchase of investments		(543,480)		(57,262)
NET CASH USED BY INVESTING ACTIVITIES		(2,976,982)		(2,381,324)
CASH FLOWS FROM FINANCING ACTIVITIES				
Memberships issued, net of refunds		9,240		10,280
Patronage rebates		(379,963)		(361,155)
Withdrawals from restricted cash		-		700,000
Proceeds from short-term debt		757,996		-
Proceeds from long-term debt		1,700,000		2,400,000
Principal payments on long-term debt		(2,467,876)		(2,551,535)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		(380,603)		197,590
NET INCREASE (DECREASE) IN CASH		(519,160)		787,777
CASH - Beginning of Year		1,648,027		860,250
CASH - End of Year	$	1,128,867	$	1,648,027
SUPPLEMENTARY CASH FLOW INFORMATION				
Cash paid during the year for interest	$	1,168,784	$	1,192,953

See Accompanying Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

The tax years ending December 31, 2023, 2022, 2021, and 2020 are still open to audit for both federal and state purposes.

<u>Consolidation policy</u>
The consolidated financial statements include the accounts of WEC and CCEC. All intercompany accounts and transactions are eliminated in consolidation.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

	2023	2022
Intangible plant	$ 609	$ 609
Generation (hydro) plant	4,028,777	3,760,783
Generation (landfill gas) plant	13,852,574	13,300,449
Transmission plant	2,828,738	2,783,734
Distribution plant	61,713,513	60,071,436
General plant	7,053,850	6,797,639
	$ 89,478,061	$ 86,714,650

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

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions in aid of construction

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

Patronage Capital

WEC is obligated to allocate credits to a capital account to each patron for all amounts in excess of annual operating costs and expenses. Under the provisions of the RUS loan agreements, until the equities and margins equal or exceed thirty percent of the total assets of WEC, the return to members of contributed capital is generally limited to twenty-five percent of the patronage capital or margins received by WEC in the prior calendar year. WEC Bylaws require capital of WEC to equal at least thirty percent of total assets before a retirement can be made. The WEC Board of Directors is responsible for determining the method, basis, priority and order of retirement, if any, for all amounts furnished as capital. Any differences in patronage available and what is remaining below is unclaimed amounts or amounts below WEC’s threshold for payment, which is $50, both of which are included in retired below. In 2023, WEC began offering early estate retirements to capital credit accounts at a discounted rate. The discount is set by using the weighted average cost of capital for the prior year. The discounted dollars are recognized in a retired patronage capital general ledger account identified as estate discounts. In addition, in 2023, WEC also began charging all dormant and undeliverable capital credit accounts with an annual service charge of $15 per account. These dollars have been assigned to a retired patronage general ledger account number identified as service charges. The unclaimed, retired no check, estate discount, and service charge balances for the years ended December 31, 2023 and 2022 were $861,287 and $841,251, respectively.

	2023	2022
Assignable	$ 1,067,670	$ 458,797
Assigned to date	33,725,406	33,266,609
	34,793,076	33,725,406
Less: Retirements to date	9,883,407	9,483,407
	$ 24,909,669	$ 24,241,999

Use of estimates

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Receivables and Credit Policies
Accounts receivable consist primarily of noninterest-bearing amounts due from energy sales with customers. WEC determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. WEC has historically allowed for unpaid balances over 90 days, inactive, and pending disconnect accounts. WEC does not typically allow for any balances in other accounts receivable because any amounts outside of REC sales and interest and dividends from Transco, are related to contribution in aide of constructions, and if these are not collected, they would increase the cost of a depreciable asset instead of considered a bad debt expense. Accounts receivables are written off when deemed uncollectable. The allowance for doubtful accounts is $34,000 and $71,000 at December 31, 2023 and 2022, respectively. Receivables from contracts with customers are reported as accounts receivable, net in the accompanying statement of financial position. Contract liabilities are reported as deferred revenue in the accompanying statement of financial position.

Adoption of FASB ASU 2016-13 and Related Standards
On January 1, 2023, WEC adopted FASB ASU 2016-03, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which modifies the measurement of expected credit losses on certain financial instruments. WEC adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on WEC's financial statements but did change how the allowance for doubtful accounts and credit losses is determined.

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

NOTE 2 OTHER INVESTMENTS

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

	2023	2022
Investments in associated organizations:		
National Rural Utilities Cooperative Finance		
Corporation (CFC) membership	$ 1,000	$ 1,000
CFC capital term certificates	383,610	386,641
CFC patronage capital certificates	354,097	344,880
Cooperative Response Center (CRC) membership	10,000	10,000
CRC patronage capital certificates	7,654	7,654
National Information Solutions Cooperative patronage		
capital certificates	119,048	119,738
Patronage capital certificates - other Cooperatives	18,735	18,779
Rural Electric Vermont Association membership	497	497
	894,641	889,189
	2023	2022
Other Investments		
Vermont Electric Power Company - common stock, Class B	265,600	265,600
Vermont Electric Power Company - common stock, Class C	101,900	101,900
Vermont Electric Power Company - preferred stock, Class C	1,793	1,793
Vermont Transco LLC - Class A membership units	4,097,826	3,875,217
Vermont Transco LLC - Class B membership units	5,215,404	4,932,084
	9,682,523	9,176,594
TOTAL OTHER INVESTMENTS	$10,577,164	$10,065,783

NOTE 3 LONG-TERM DEBT

Long-term debt at December 31, 2023 and 2022 consists of the following:

	2023	2022
Mortgage notes payable, U.S. Department of Agriculture (RUS) 35-year terms at the following interest rates:		
4.125% mortgage notes, due January 2030	$ 2,606,162	$ 2,984,121

NOTE 3 LONG-TERM DEBT (continued)

	2023	2022
Mortgage notes payable, National Rural Utilities Cooperative Finance Corporation (CFC), 35-year terms due between 2021 and 2031 at the following rates of interest:		
Fixed rate mortgage notes, 6.28% to 6.33% due quarterly, variable dates through July 1, 2028.	313,727	387,420
Fixed rate mortgage notes, 3.65% to 4.35% due annually, through June 30, 2031.	5,958,516	6,796,207
Fixed rate mortgage note, 3.0% due annually matures June 30, 2023.	-	99,429
	6,272,243	7,283,056
CFC Clean Renewable Energy Bond, nominal interest rate 0.400% effective interest rate 1.497%, quarterly payments of $17,304 from March 2008 through December 2023.	-	75,385
CFC Clean Renewable Energy Bond, nominal interest rate 3.70% effective interest rate 0.859%, $115,926 due September 2031.	966,866	1,080,366
	966,866	1,155,751
Mortgage notes payable, Federal Financing Bank (FFB) at the following due dates and rates of interest (unadvanced loan funds as of December 31, 2023 and 2022 were $828,400 and $2,528,400, respectively):		
4.366% advances, matures December 31, 2033	1,363,043	1,499,348
4.472% advances, matures December 31, 2043	1,789,697	1,879,182
4.272% advances, matures December 31, 2043	724,848	761,091
3.707% advances, matures December 31, 2043	504,242	529,455
3.328% advances, matures December 31, 2043	386,667	406,000
4.193% advances, matures December 31, 2043	414,046	434,748
3.999% advances, matures December 31, 2043	762,791	800,930
3.134% advances, matures December 31, 2043	231,318	242,884
2.281% advances, matures December 31, 2046	348,485	363,636
2.418% advances, matures December 31, 2046	557,576	581,818
2.625% advances, matures December 31, 2046	348,485	363,636

NOTE 3 LONG-TERM DEBT (continued)

	2023	2022
2.633% advances, matures December 31, 2046	627,273	654,546
3.411% advances, matures December 31, 2046	696,970	727,273
3.258% advances, matures December 31, 2046	643,085	661,961
2.797% advances, matures December 31, 2046	680,192	701,395
2.655% advances, matures December 31, 2046	649,226	669,839
2.399% advances, matures December 31, 2046	203,549	210,228
2.044% advances, matures December 31, 2046	649,025	671,306
2.943% advances, matures December 31, 2046	167,534	172,659
2.927% advances, matures December 31, 2049	344,792	353,719
2.632% advances, matures December 31, 2049	429,920	441,546
2.622% advances, matures December 31, 2049	778,683	799,770
2.849% advances, matures December 31, 2049	788,907	809,569
3.258% advances, matures December 31, 2049	666,119	682,536
3.427% advances, matures December 31, 2049	809,354	828,803
3.140% advances, matures December 31, 2049	716,968	734,952
2.928% advances, matures December 31, 2049	765,450	785,265
2.553% advances, matures December 31, 2049	627,391	644,555
2.123% advances, matures December 31, 2049	394,030	405,504
1.220% advances, matures December 31, 2053	1,122,184	1,153,651
1.335% advances, matures December 31, 2053	1,125,111	1,156,079
1.996% advances, matures December 31, 2053	762,726	781,556
2.165% advances, matures December 31, 2053	768,201	786,637
2.656% advances, matures December 31, 2053	771,082	788,111
4.003% advances, matures December 31, 2053	786,860	800,000
3.785% advances, matures December 31, 2053	790,079	-
4.597% advances, matures December 31, 2053	898,061	-
	25,093,970	24,284,188
Total long-term debt before unamortized debt issuance costs	34,939,241	35,707,116
Unamortized debt issuance costs	(13,643)	(21,487)
Total long-term debt	34,925,598	35,685,629
Less current installments:	(2,355,334)	(2,454,439)
Long-term debt, excluding current installments	$ 32,570,264	$ 33,231,190

NOTE 3 LONG-TERM DEBT (continued)

The 2014-2017 Construction Work Plan (CWP) loan from the Federal Financing Bank (FFB) in the amount of $7,141,000 was fully drawn in September 2019. In March 2019, WEC's Board of Directors authorized the submission of the financing application to RUS for an FFB loan in the amount of $8,130,000 to finance its 2019-2022 CWP. WEC signed the loan documents on October 30, 2019, and received final approval on January 27, 2020. The last day for an advance is September 30, 2024. The unspent balance on December 31, 2023 was $828,400.

At its meeting on January 31, 2024, the WEC Board approved the 2024-2027 CWP and authorized WEC to seek a $10,407,291 loan from RUS. WEC expects to submit that loan request shortly and, if granted, seek approval from state regulators. Depending on the timing of that approval, WEC may need to consider utilizing short-term borrowing to bridge the gap between the end of the construction funds from the prior loan and the new loan under the new CWP.

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

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

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

The following is a schedule of required principal payments on long-term debt in subsequent fiscal years from December 31, 2023:

2024	$ 2,355,334
2025	2,424,543
2026	2,447,665
2027	2,427,882
2028	2,406,322
Thereafter	22,877,495
	$ 34,939,241

Loan covenants

In 2021, the terms of the loan agreements with National Rural Utilities Cooperative Finance Corporation (CFC), were modified. Now, although CFC still recommends budgeting to meet a Modified Debt Service Coverage ratio (MDSC) of at least 1.35, in order to be in compliance, CFC currently looks at WEC's ability to meet the Rural Utilities Service requirement of a minimum 1.25 times interest earned ratio (TIER) in the best two out of the most recent three years. For 2023, WEC met RUS's requirement with a TIER of 1.91 and recognized an MDSC of 1.27.

NOTE 3 LONG-TERM DEBT (continued)

As required by the 1997 and subsequent RUS loan agreements, WEC also must maintain an operating times interest earned ratio (OTIER) of 1.10 with an operating debt service coverage (ODSC) of 1.10, determined by averaging the two highest annual ratios during the three most recent calendar years. WEC is permitted by RUS to include VELCO dividend funds in its OTIER calculations. With this allowance, WEC's OTIER for 2023 is 1.82. The majority of WEC's debt is being held by RUS, rather than CFC due to more advantageous terms.

NOTE 4 SHORT-TERM DEBT

Two separate line of credit agreements executed with CFC provide WEC with access to a combined short-term loan in an amount up to $2,600,000. This short-term loan operates on a revolving basis for a period of twelve months to June 4, 2024. Interest rates on the advances are variable and not to exceed the prevailing bank prime rate as published in the Eastern edition of the *Wall Street Journal,* "Money Rates" column, plus one percent. As of December 1, 2023, the interest rate on the As-Offered Line of Credit was 7.05% and WEC had a balance of $757,996 outstanding on the line of credit and the remaining $1,842,004 was available to be drawn down at year end.

NOTE 5 PENSION PLAN

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

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

WEC's contributions to the RS Plan in December 31, 2023 and 2022 respectively represented less than 5 percent of the total contributions made to the RS plan by all participating employers. WEC made contributions to the RS Plan of $596,849 in 2023, $484,428 in 2022 and $484,117 in 2021. There have been no significant changes that affect the comparability of 2023 and 2022 contributions. The sizeable increase from 2022 to 2023 is due to significant turn-over of employees at WEC from early 2021 into 2022. This resulted in 2021 and 2022 having partial participation of several employees in the plan. In 2023, WEC was fully staffed with employees who were eligible for the RS benefits.

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NOTE 5 PENSION PLAN (continued)

In the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80 percent funded on January 1, 2023 and over 80 percent funded on January 1, 2022 based on the PPA funding target and PPA actuarial value of assets on those dates. Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

At the December 2012 meeting of the I&FS Committee of the NRECA Board of Directors, the Committee approved an option to allow participating cooperatives in the RS Plan to make a contribution prepayment and reduce future required contributions. The prepayment amount is a cooperative's share, as of January 1, 2013, of future contributions required to fund the RS Plan's unfunded value of benefits earned to date using RS Plan actuarial valuation assumptions. The prepayment amount will typically equal approximately 2.5 times a cooperative's annual RS Plan required contribution as of January 1, 2013. After making the prepayment, for most cooperatives the billing rate is reduced by approximately 25%, retroactive to January 1, 2013. The 25% differential in billing rates is expected to continue for approximately 15 years. However, changes in interest rates, asset returns and other plan experience different from expected, plan assumption changes and other factors may have an impact on the amount and duration of the differential in billing rates. The prepayment, which is included in deferred charges on the balance sheet, was made by WEC during 2013 for $1,694,453 and is being amortized over a 13-year period. On June 28, 2013, the Vermont PUC authorized the financing of the pension prepayment in Docket #8062.

NOTE 6 COMMITMENTS AND CONTINGENCIES

Rate Increases

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

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

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

NOTE 6 COMMITMENTS AND CONTINGENCIES (continued)

Rate Design

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

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

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

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

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

Integrated Resource Plan

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

NOTE 6 COMMITMENTS AND CONTINGENCIES (continued)

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

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

WEC is now drafting its next IRP. This document was originally due in November,2023, but WEC successfully requested an extension until April,2024 to complete this project. Given the large amount of work contemplated in the new Long Range Plan, the fact that WEC is seeing load growth for the first time in a decade, with more increase in load projected, and given the changing statutory and regulatory environment, WEC's new IRP will be significantly more complicated than its recent versions, and will be important as WEC charts its future. WEC has hired Itron, which produces load forecasts for other Vermont utilities including VELCO, to create a new load forecast and is working with its power planning consultants at the Vermont Public Power Supply Authority, VPPSA, on drafting the new IRP.

Energy Efficiency Utility

In 1999, the PUC ordered the establishment of the Energy Efficiency Utility (EEU), which began operating in February 2000 under the name "Efficiency Vermont" ("EVT"). Most efficiency services for commercial, industrial, residential and multi-family housing are now operated by the EEU and are no longer directly provided by WEC. Pursuant to an order from the PUC, all Vermont utilities collect a monthly surcharge called the Energy Efficiency Charge (EEC) from customers. At December 31, 2023 and 2022 the total collected from WEC's members was approximately $857,192 and $854,204, respectively. This amount is forwarded to a fiscal agent selected by the PUC, currently Vermont Energy Investment Corporation (VEIC), and is not revenue to WEC.

Power Contracts

WEC, along with other Vermont utilities, petitioned the PUC in Docket No. 7670 to enter various agreements that would enable it to receive power from HQ Energy Services US (HQUS) beginning in November 2016. The agreements provide for delivery of primarily on-peak energy and associated environmental attributes seven days per week, 16 hours per day. There are no capacity credits or other ancillary market products other than renewable attributes included in the contract. WEC obtains 4.0 MW of power through the Vermont Public Power Supply Authority (VPPSA). In addition, WEC entered into an agreement with the Vermont Electric Cooperative (VEC) to transfer its portion of HQUS power to VEC until a need exists in WEC's power supply portfolio. Proceedings in front of the PUC were underway in 2010 and through 2011. The PUC issued its decision in 2011 and approved WEC's participation in the various agreements that enable it to obtain HQUS power. The contract went into effect in November 2016.

NOTE 6 COMMITMENTS AND CONTINGENCIES (continued)

Given recent decreased production at the Coventry landfill gas to energy plant and increased load, WEC began into evaluate whether to retain up to 2 MW of power from its HQUS contract rather than continue passing it on to VEC, The contract includes a provision for a one-year review of WEC's power coverage ratio, and after that period enables WEC to retain that electricity for its members, rather than selling it to VEC. In May 2022, WEC notified VEC of its intent to begin taking back 2MW of power effective June 2023 and successfully completed that process. As of December 31, 2023, WEC retains 2MW of HQUS power and transfers/sells the other 2MW's to VEC. It is possible, even likely, that WEC may need in the coming years to take back the remaining 2 MW of HQUS power which it is currently continuing to pass through to VEC.

Net Metering Act 99

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

As of December 31, 2023, WEC had 893 members totaling 7359 kW of generation capacity signed up under existing net metering programs, which represents approximately 42% of WEC's 2023 peak load level. The amount of energy produced from net metered systems equals roughly 11% of WEC's 2023 annual energy needs. The level of net metering in WEC territory poses a financial and operational challenge for WEC. After benefits from net metering are considered, the activity represents a more than $1 million cost shift on to non-net-metering members, or roughly a 5.6 percent rate impact. Given that net metering solar typically produces at times of the year and the day when power demands for WEC are lower, that power is less likely now to reduce peak loads.

Renewable Energy Standard Act 56

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

NOTE 6 COMMITMENTS AND CONTINGENCIES (continued)

WEC maintains a portfolio that is 100% renewable and therefore it has met the RES 55% renewable goals for 2022 and 2023 (Tier 1). More significantly, WEC has already exceeded the state goal of 75% renewable by 2032 with its existing (2023) mix of energy sources. WEC is a leader in renewable energy and one of only a few utilities in the nation that can boast a 100% renewable power supply mix. Therefore, WEC does not need to change or plan for new sources of power to meet the State's RES Tier 1 requirement.

In March 2016, WEC petitioned the PUC in Docket 8550 for a determination that it qualifies as a retail electricity provider meeting the conditions in 30 VSA 8005 (b)(1)(A) which allows it to satisfy the distributed generation requirement of Tier 2 by accepting net metering systems within its service territory. The PUC approved this petition granting WEC the determination that it qualified as a 100% renewable retail electric provider (Docket 8714). WEC files annually for approval to keep its renewable status and expects that later this year the PUC will approve its filing for 2023.

As noted above, Tier 2 requires electric providers beginning January 1, 2017 to have distributed renewable generation comprising at least one percent of its annual retail sales for the year. They must annually increase their distributed renewable generation by two-thirds percent each year for 10 years. For 2023, the Tier 2 requirement is equivalent to 6.67% of retail sales.

WEC's renewable determination by the PUC enables WEC to satisfy Tier 2 requirements by accepting net metering systems within its service territory. WEC is not exempt from offering net metering as a renewable energy provider. Due to its 100% renewable status WEC is relieved of the requirement to provide 2.8% of its annual sales from new net metering.

The Vermont Legislature is currently working on an updated and accelerated Renewable Energy Standard. The bill has been approved by the House Environment and Energy Committee.

The current draft bill would require most utilities to reach 100% renewability by 2030 and require the three currently 100% renewable utilities (WEC, Burlington Electric Department and Swanton) to meet their load growth through new (post 2010) renewables on a set schedule. The draft bill would also largely eliminate group net metering, a benefit for WEC, and allow WEC's remaining 2 MW of HQUS power to count towards its load growth obligation if WEC were to cease passing it through to VEC by 2028.

Tier 3, or what has been referred to as the energy transformation Tier, focuses on efforts that switch users away from using fossil fuels in transportation and heating. All utilities were required to create a plan to meet their Tier 3 obligations. WEC's Annual Plan addresses its strategy to meet its Tier 3 compliance obligation for 2024 and was filed with the PUC in November 2023. WEC offers a suite of energy transformation measures that have been screened and vetted through the Technical Advisory Group (TAG) which screens Tier 3 measures.

A fundamental component of WEC's Plan is to emphasize and match TAG screened measures with heightened residential weatherization efforts. Beyond its core membership responsibilities, WEC recognizes its Renewable Energy Standard obligations which increase the role of the distribution utility to engage in social policy implementation, such as subsidizing income eligible member households financially, which results in a collective impact of increasing rate pressure.

NOTE 6 COMMITMENTS AND CONTINGENCIES (continued)

Implementation of the projects described in WEC's Annual Plan is coordinated with Vermont Energy Investment Corporation (VEIC) as the administrator of Efficiency Vermont, the statewide energy efficiency utility. In addition, coordination of data collection, management, reporting, and evaluation and verification activities was maximized to the extent possible with protocols and schedules between WEC and Efficiency Vermont. Where entities other than VEIC and its subcontractors deliver WEC Tier 3 programs and services independently, WEC will coordinate data collection and reporting to provide a single deliverable to regulators.

WEC's Annual Plan includes the coordinated use of member and supply-side incentives, standards for measuring performance, and methods to allocate savings and reductions in fossil fuel consumption and greenhouse gas emissions among VEIC and WEC with a strong emphasis on weatherization. The foundation of WEC's Tier 3 program is found in statute, V.S.A. Title 10 § 581. Vermont has an aggressive policy goal of weatherizing 80,000 existing residences by 2030; WEC's Tier 3 program is, in part, intended to assist members to reduce the fossil fuels used today, as well as increase comfort and indoor air quality through comprehensive thermal energy improvements.

Vermont's RES establishes a required amount for Tier 3 compliance of 2% of a utility's annual retail sales in 2017, increasing by two-thirds of a percent each year and reaching 12% in 2032. In 2024, the target percentage is 6.67% and the MWh goal is 4,833 MWh. Excess MWh's from Tier 3 will be applied in subsequent years through a banking provision. The PUC issued an order indicating WEC met its 2022 requirements and anticipates an affirmative order from the PUC that it met its 2023 Tier 3 requirements.

WEC's implementation program for 2024 is a continuation of incentives for existing measures with the addition of incentives for electric vehicle charging equipment.

Risk Management

WEC is exposed to various risks of loss related to torts; theft of, damage to and destruction of or misuse of assets; injuries to individuals; and natural disasters. In addition to a system of internal controls, WEC manages these risks through commercial insurance packages purchased in its name. There were no claims against WEC in 2023.

NOTE 7 COMMITMENTS AND CONTINGENCIES - POWER SUPPLY

Coventry Methane Generation Project

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

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

NOTE 7 COMMITMENTS AND CONTINGENCIES - POWER SUPPLY (continued)

The summary of project costs and outstanding notes payable as of December 31, 2023 are:

	Plant Cost	Note Balance
Phase 1 - Initial Construction, Engines 1-3	$ 7,136,054	$ 2,606,162
Phase 2 - Engine 4	1,238,397	-
Phase 3 - Engine 5 plus building modifications	4,133,419	1,363,043
Siloxane Removal System (SRS)	2,182,483	966,866
Systems Upgrades financed with general funds	1,074,971	-
	$15,765,324	$ 4,936,071

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

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

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

In 2023 the Coventry Project provided 64.95% of WEC's total power supply output.

CCEC has a Landfill Gas Project Agreement with Innovative Energy Systems, Inc. (IES), IES had been a subsidiary of Aria Energy with corporate headquarters in Novi, Michigan. It has since merged with Archaea Energy which has in turn been purchased by BP. Services provided by Aria/Archaea/BP include day-to-day management, operation, maintenance, plant repair, monitoring and adjustment of the gas collection system. WEC and IES entered a revised O&M contract which was signed in December 2016. The new contract assures continuity of operations at the plant. The contract term is for 15 years, from May 2015 through May 2030. At December 31, 2023 and 2022, the contract amount was $1,414,739 and $1,234,666, respectively.

NOTE 7 COMMITMENTS AND CONTINGENCIES - POWER SUPPLY (continued)

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

Wrightsville Hydro

WEC also owns and operates the Wrightsville Hydroelectric Generation Station in Montpelier, Vermont, a largely run-of-the-river project that has a nameplate capacity of 933 kW, though it provides significantly less average output because it is dependent on precipitation and weather conditions during the year. Operating costs were $149,639 and $118,948 at December 31, 2023 and 2022, respectively. Fixed costs were $104,599 and $88,602 over that same period, respectively. All debt associated with this station has been paid in full as of December 31, 2014.

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

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

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

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

NOTE 7 COMMITMENTS AND CONTINGENCIES - POWER SUPPLY (continued)

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

WEC continues to work on the license renewal process with both FERC and the State of Vermont. On October 13, 2021, WEC received the Draft Environmental Assessment from FERC and filed comments on November 12, 2021. On November 10, 2021, FERC issued a Draft Programmatic Agreement and WEC filed comments on December 12, 2021. On February 4, 2022, the Vermont Department of Environmental Conservation (DEC) issued a draft 401 Water Quality Certificate for the Wrightsville Hydroelectric Project.

The FERC license ended on October 1, 2022.

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

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

Due to weather conditions, a several month period when the plant was offline due to ice, and equipment issues at the plant, Wrightsville production in 2022 was far below expectations. In addition, the new permit requirements will likely result in less power being produced by the Wrightsville project going forward. WEC's consultant estimates that all other conditions being equal, the new operating conditions will result in a 6 percent reduction in output.

In 2023, Wrightsville produced 2.88% of WEC's total power and 2.90% of WEC's Total Real Time Load Obligation. This was significantly above the 0.89% of WEC's power needs that the project supplied in 2022.

NOTE 7 COMMITMENTS AND CONTINGENCIES – POWER SUPPLY (continued)

Sheffield Wind Project

In May 2005, WEC executed an Advance Purchase Fee Agreement with wind developer UPC Wind Vermont, LLC (UPC), which subsequently became Vermont Wind, LLC ("Vermont Wind") and was part of SunEdison, for up to a 4 MW share of the output of its proposed 40 MW project in Sheffield. The PUC awarded UPC the required Certificate of Public Good for the project in August 2007. In January 2009, the Vermont Supreme Court unequivocally upheld the PUC Order. The contract was filed by Vermont Wind with the PUC in June 2009 and the PUC approved it, in Docket No. 7156, in August 2009. WEC finalized a long-term Purchased Power Agreement with Vermont Wind in September 2009. Vermont Wind began construction in 2010 and the project reached its commercial operation date on October 19, 2011. WEC began receiving power generated from the wind project at that time on a contract that is set to expire October 2031. Sheffield Wind accounted for 7.58% of WEC's total power supply in 2023 and 7.63% of WEC's Total Real Time Load Obligation.

NYPA

WEC receives power from the Franklin D. Roosevelt-St. Lawrence and Niagara hydroelectric projects in New York, through the DPS, which contracts with the New York Power Authority (NYPA). NYPA power is currently being provided through the DPS under a long-term contract. The contract for St. Lawrence has been extended through April 30, 2032. The Niagara Contract has been extended through September 1, 2025. WEC anticipates no reductions in NYPA power supply going forward under the latest agreements, except when low water conditions exist. When low water conditions do exist, NYPA makes available replacement energy at a higher cost, but purchase of such replacement power is optional. The Niagara project, the largest provider of NYPA power to WEC, was recently relicensed. This relatively low-cost resource is expected to continue to be available to WEC's residential customers far into the future, though some related costs have increased in recent years, particularly transmission. NYPA accounted for 12.71% of WEC's total power supply in 2023 and served 12.79% of WEC's Total Real Time Load Obligation.

Hydro-Quebec

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

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

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

NOTE 7 COMMITMENTS AND CONTINGENCIES – POWER SUPPLY (continued)

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

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

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

WEC began this process in May of 2022, and ultimately took back 2 MW of power under the HQUS contract beginning in June 2023. WEC continues to transfer/sell the remaining 2 MW's of power to VEC. HQUS power accounted for 8.59% of WEC's total power supply in 2023 and served 8.65% of WEC's Total Real Time Load Obligation.

<u>Ryegate</u>
In an Order dated October 29, 2012, the PUC established a standard-offer price schedule for baseload renewable power (Ryegate biomass facility) that is represented by a levelized price of $0.10 per kWh and that included a fuel pass-through mechanism by which the price will be adjusted to reflect changes in Ryegate's fuel costs. The new contract began November 2012 at the termination of Ryegate's Rule 4.100 contract. The new contract for Ryegate was to be in effect from November 2012 through October 2023.. In 2022, the Vermont Legislature extended the Ryegate contract, despite WEC's objections, meaning WEC will continue in the near term to be obligated to take power from that source. WEC is currently being allocated roughly 1.42% of the power from the Ryegate facility and in 2023, Ryegate represented 3.27% of WEC's power supply and 3.29% of WEC's Total Real Time Load Obligation.

NOTE 7 COMMITMENTS AND CONTINGENCIES – POWER SUPPLY (continued)

Standard Offer Resources

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

VELCO

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

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

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

Under collateral call arrangements associated with WEC's ownership in VELCO and Vermont Transco LLC, WEC purchased $505,930 and $16,540 in Vermont Transco equity units in 2023 and 2022, respectively. Over the next four years, Vermont Transco LLC anticipates additional collateral calls. WEC's estimated investment would be nearly $2,595,000 over this period.

ISO-NE

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

Through its joint ownership in VELCO and under WEC's participation in the Central Dispatch Agreement (CDA) with the Vermont Public Power Supply Authority (VPPSA), WEC is a member of the New England Power Pool (NEPOOL). WEC's power supply resources are combined in the CDA with other VPPSA participants, and settled as one entity with ISO-NE. The CDA is intended to provide savings to its members by taking advantage of economies of scale through sharing staff resources through VPPSA, where under the CDA supply sources and loads of all of its participants are aggregated into a single entity for the purpose of ISO-NE settlement calculations. WEC became a member of the CDA effective July 1, 1998. WEC can withdraw from the arrangement on a short-term notice (30 days including any additional time required by ISO-NE to reflect such a change).

NOTE 7 COMMITMENTS AND CONTINGENCIES – POWER SUPPLY (continued)

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

Transmission congestion in the Sheffield-Highgate Export Interface or SHEI area of Vermont restricts the ability for power from Sheffield Wind and Coventry to be exported to areas of power demand in the rest of Vermont and New England. Congestion charges cost WEC $140,949 in 2022 and $15,621 in 2023. While transmission line upgrades have reduced this impact, it is anticipated that additional generation added in the area will use that capacity over time.

In 2023 WEC's energy settlement load obligation with the ISO-NE plus internal generation was 79,212 MWH (this value represents WEC's retail sales, distribution and transmission losses, unbilled accounts, and internal generation). To hedge its load obligation, WEC's power sources in 2023 totaled 79,682 MWH. The following table summarizes WEC's sources of power:

	2023			2022		
	MWH	Percentage		MWH	Percentage	
VDPS - NYPA	10,131	12.71	%	9,893	13.70	%
Small Power Producers & Ryegate	2,607	3.27	%	2,278	3.16	%
Wrightsville	2,296	2.88	%	641	0.89	%
Coventry Clean Energy Corporation	51,756	64.95	%	48,801	67.63	%
Sheffield Wind	6,044	7.59	%	7,712	10.69	%
HQUS	6,848	8.60	%	2,838	3.93	%
Total Resources	79,682	100.00	%	72,163	100.00	%
Load Obligation	79,212			78,287		
ISO Exchange	470	0.01	%	(6,124)	-7.80	%

NOTE 7 COMMITMENTS AND CONTINGENCIES – POWER SUPPLY (continued)

The cost of power from all power vendor sources for the year ended December 31, 2023 was as follows:

POWER SUPPLY COSTS

Resource	Total
Coventry Landfill	$ (46,299)
HQUS	213,201
NYPA Niagara Contract	(39,124)
NYPA St. Lawrence Contract	(10,884)
Phase I/II Transmission Facilities	(17,507)
Ryegate Facility	158,795
Sheffield Wind	229,051
SUBTOTAL POWER SUPPLY	487,233

TRANSMISSION COSTS

Resource	Total
Open Access Transmission Tariff	1,998,084
1991 VTA - Common Facilities	658,349
1991 SPA - Shared & Exclusive	50,014
GMP Transmission	452,686
VELCO & St Lawrence Transmission	7,297
VEPPI OATT Reduction	3,600
Amortization of Highgate	636
SHEI Congestion	(10,539)
SUBTOTAL TRANSMISSION	3,160,127

NOTE 7 COMMITMENTS AND CONTINGENCIES – POWER SUPPLY (continued)

VPPSA & OTHER COSTS	
Resource	Total
Energy Market	3,123,667
Capacity Market	930,373
Reserve Market	68,149
NCPC	14,651
Regulation Services	16,802
Marginal Loss Revenues	(8,247)
Auction Revenue Rights	(21,187)
Other Load Settlement	(22,368)
VPPSA Fees - Additional Services	6,803
VPPSA Power Supply Services	39,712
VPPSA Ancillary Services	(213)
ISONE Self Funding Tariff	141,790
VELCO Tariff Allocation	3,277
VELCO Market Settlement	1,564
VELCO Service Fees	4,594
GIS Costs	769
SUBTOTAL VPPSA & OTHER COSTS	4,300,136
GRAND TOTAL	$ 7,947,496

NOTE 8 RENEWABLE ENERGY CERTIFICATES

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

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

NOTE 8 RENEWABLE ENERGY CERTIFICATES (continued)

At December 31, 2023 and 2022 WEC recorded REC revenue of $1,978,302 and $2,052,720, respectively. There was $617,245 and $711,430 in REC receivables at December 31, 2023 and 2022, respectively.

WEC sells Class 1 RECs from various resources in its power portfolio, and therefore renewability attributes of those resources (such as wind and landfill gas) are transferred to buyers. To restore the renewable quality of its portfolio, WEC purchases lower cost RECs in various Class 2 markets in New England. This allows WEC to retain and claim renewability of the power mix to serve WEC load. WEC only purchases the number of RECs it needs to meet its retail load. WEC has more Class 1 RECs to sell than are needed for load, and therefore WEC purchases fewer Class 2 RECs than it sells in the Class 1 markets. WEC has firm REC sales of $1,492,500 for 2024.

NOTE 9 BANK DEPOSITS IN EXCESS OF INSURED LIMITS

At December 31, 2023 WEC had cash balances of $1,121,868 of which $500,702 is insured by FDIC, $570,033 is insured by a repurchase agreement, and $58,133 in uninsured funds. WEC mitigates the exposure of uninsured cash through the use of repurchase agreements with an area bank. The bank utilizes a sweep account arrangement. The target balance is $2,500. Amounts in excess of this are swept into the repurchase account whereby the bank invests the excess in U.S. Government Securities. These underlying U.S. Government Securities serve as collateral for WEC based on this agreement.

NOTE 10 RISKS & UNCERTAINTIES

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

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

This event was declared a federal disaster, so we have been working with state and federal officials with FEMA to receive reimbursement for up to 75% of the total damages incurred. We have been approved for reimbursement of $725,876 of which we have received $159,295 as of December 31, 2023.

WEC also experienced damage during the summer flooding event that began on July 7, 2023. WEC incurred damage throughout its territory that took several days to fully restore power to our members. This event was declared a disaster by the federal government, and we have been working with state and FEMA representatives to submit our damages for up to 75% reimbursement. This event incurred total damage in the amount of $295,552.

NOTE 11 SUBSEQUENT EVENTS

In accordance with professional accounting standards, WEC has evaluated subsequent events through February 29, 2024, which is the date the consolidated financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2023, have been incorporated into the consolidated financial statements herein.

SUPPLEMENTARY INFORMATION

Washington Electric Cooperative Inc. and Affiliate

CONSOLIDATING BALANCE SHEETS

December 31, 2023

ASSETS

	WEC	CCEC	Eliminations	Total
ELECTRIC PLANT, at cost	$ 88,925,301	$ 552,760	$ -	$ 89,478,061
Less accumulated depreciation	(41,869,825)	(552,760)	-	(42,422,585)
Electric plant in service, net	47,055,476	-	-	47,055,476
Construction work in progress	334,142	-	-	334,142
TOTAL ELECTRIC PLANT, net	47,389,618	-	-	47,389,618
CURRENT ASSETS				
Cash	820,735	308,133	-	1,128,868
Receivables -				
Notes, less allowance for doubtful accounts of $1,500 in 2023 and 2022	99	-	-	99
Accounts, less allowance for doubtful accounts of $30,000 and $67,000 in 2023 and 2022, respectively	1,836,349	135,325	(201,427)	1,770,247
Renewable energy certificate revenue	617,245	-	-	617,245
Miscellaneous, less allowance for doubtful accounts of of $2,500 in 2023 and 2022	1,580,594	6,934	-	1,587,528
Unbilled revenue	958,047	-	-	958,047
Inventories	547,801	-	-	547,801
Prepaid expenses	295,476	-	-	295,476
TOTAL CURRENT ASSETS	6,656,346	450,392	(201,427)	6,905,311
OTHER ASSETS				
Other investments	10,961,455	-	(384,291)	10,577,164
Deferred charges	542,503	-	-	542,503
TOTAL OTHER ASSETS	11,503,958	-	(384,291)	11,119,667
TOTAL ASSETS	$ 65,549,922	$ 450,392	$ (585,718)	$ 65,414,596

See Accompanying Notes to Financial Statements

LIABILITIES AND EQUITY

	WEC	CCEC	Eliminations	Total
EQUITIES				
Memberships issued and subscribed	$ 162,105	$ -	$ -	$ 162,105
Patronage capital assignable	1,067,670	8,787	(8,787)	1,067,670
Patronage capital credits	24,703,286	370,504	(370,504)	24,703,286
Donated capital	307,954	5,000	(5,000)	307,954
NET EQUITY	26,241,015	384,291	(384,291)	26,241,015
LONG-TERM DEBT	32,570,264	-	-	32,570,264
CURRENT LIABILITIES				
Current portion of long-term debt	2,355,334	-	-	2,355,334
CFC line of credit	757,996	-	-	757,996
Accounts payable	2,352,428	66,101	(201,427)	2,217,102
Customer deposits	187,339	-	-	187,339
Other accrued expenses	837,887	-	-	837,887
TOTAL CURRENT LIABILITIES	6,490,984	66,101	(201,427)	6,355,658
DEFERRED CREDITS	247,659	-	-	247,659
TOTAL LIABILITIES AND EQUITY	$ 65,549,922	$ 450,392	$ (585,718)	$ 65,414,596

See Accompanying Notes to Financial Statements

Washington Electric Cooperative Inc. and Affiliate
CONSOLIDATING STATEMENTS OF OPERATIONS
For the Year Ended December 31, 2023

	WEC	CCEC	Eliminations	Total
OPERATING REVENUE				
Member revenue retail sales	$ 20,246,823	$ 1,995,930	$ (1,995,930)	$ 20,246,823
Member revenue REC sales	1,978,302	-	-	1,978,302
Other	665,202	-	(41,032)	624,170
TOTAL OPERATING REVENUE	22,890,327	1,995,930	(2,036,962)	22,849,295
OPERATING EXPENSES				
Purchased power	9,182,956	-	(1,995,930)	7,187,026
Power generation	331,869	1,858,209	(41,032)	2,149,046
Transmission	75,073	-	-	75,073
Distribution:				
Operations, including vehicle depreciation expense of $327,219 and $312,911 in 2023 and 2022, respectively	2,290,741	-	-	2,290,741
Maintenance	4,442,297	-	-	4,442,297
Customer accounts	1,184,517	-	-	1,184,517
Administrative and general	1,662,807	114,840	-	1,777,647
Depreciation	2,507,851	11,028	-	2,518,879
Taxes	221,408	-	-	221,408
TOTAL OPERATING EXPENSES	21,899,519	1,984,077	(2,036,962)	21,846,634
MARGINS FROM OPERATIONS BEFORE INTEREST CHARGES	990,808	11,853	-	1,002,661
INTEREST CHARGES				
Interest on long-term debt	1,172,382	-	-	1,172,382
Other interest	4,663	-	-	4,663
TOTAL INTEREST CHARGES	1,177,045	-	-	1,177,045
MARGINS FROM OPERATIONS	(186,237)	11,853	-	(174,384)
OTHER INCOME (EXPENSE)				
Interest and dividend income	1,229,692	-	-	1,229,692
Other non-operating income	61,458	-	(8,787)	52,671
Other non-operating expense	(37,243)	-	-	(37,243)
Income taxes	-	(3,066)	-	(3,066)
TOTAL OTHER INCOME (EXPENSE)	1,253,907	(3,066)	(8,787)	1,242,054
NET MARGIN	$ 1,067,670	$ 8,787	$ (8,787)	$ 1,067,670

See Accompanying Notes to Financial Statements

ADDITIONAL REPORTS

KBS
Kittell Branagan & Sargent
Certified Public Accountants
Vermont License #167

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

The Board of Directors
Washington Electric Cooperative, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Washington Electric Cooperative, Inc., which comprise the statement of financial position as of December 31, 2023, and the related statements of operations, equities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 29, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Kittell Branagan & Sargent

St. Albans, Vermont
February 29, 2024