PEDERNALES ELECTRIC COOPERATIVE, INC.

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
LUBBOCK, TEXAS

PEDERNALES ELECTRIC COOPERATIVE, INC.

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

PEDERNALES ELECTRIC COOPERATIVE, INC.

FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

TABLE OF CONTENTS

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
PHONE: (806) 747-3806
FAX: (806) 747-3815
8215 NASHVILLE AVENUE
LUBBOCK, TEXAS 79423-1954

Independent Auditor's Report

Board of Directors
Pedernales Electric Cooperative, Inc.
Johnson City, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Pedernales Electric Cooperative, Inc., which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of income and patronage capital, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pedernales Electric Cooperative, Inc. as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pedernales Electric Cooperative, Inc. (the Cooperative) and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

- Identify and assess the risks of material misstatement of the 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 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 the Cooperative'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 financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative'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 financial statements that collectively comprise the Cooperative's financial statements. The Proforma Statements of Income and Patronage Capital are presented for purposes of additional analysis and are not a required part of the financial statements.

The Proforma Statements of Income and Patronage Capital have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2025 on our consideration of the Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, 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 Pedernales Electric Cooperative, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cooperative's internal control over financial reporting and compliance.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

April 10, 2025

PEDERNALES ELECTRIC COOPERATIVE, INC.

BALANCE SHEETS
DECEMBER 31, 2024 AND 2023

ASSETS

		December 31, 2024		December 31, 2023
UTILITY PLANT AT COST				
Utility Plant in Service	$	2,363,061,482	$	2,248,792,051
Operating Lease - Right of Use Asset		1,058,945		2,410,025
Construction Work in Progress		185,109,614		155,355,256
	$	2,549,230,041	$	2,406,557,332
Less Accumulated Provision for Depreciation		397,401,079		398,235,071
	$	2,151,828,962	$	2,008,322,261
OTHER PROPERTY AND INVESTMENTS - AT COST OR STATED VALUE				
Investments in Associated Organizations	$	21,480,385	$	20,291,386
CURRENT ASSETS				
Cash and Cash Equivalents	$	20,382,009	$	9,387,692
Accounts Receivable - Energy (Less allowance for credit losses of $709,869 in 2024 and $885,898 in 2023)		32,745,386		25,406,126
Accounts Receivable - Other (Less allowance for credit losses of $761,367 in 2024 and $845,597 in 2023)		10,635,508		7,840,710
Power Cost Adjustments - Under-Recovered				27,584,557
Accrued Unbilled Revenue		29,042,447		31,311,163
Materials and Supplies Inventory		56,018,420		52,380,454
Other Current and Accrued Assets		5,326,373		3,716,922
Total Current Assets	$	154,150,143	$	157,627,624
DEFERRED CHARGES AND OTHER ASSETS	$	25,102,541	$	25,751,372
TOTAL ASSETS	$	2,352,562,031	$	2,211,992,643

EQUITIES AND LIABILITIES

		2024		2023
EQUITIES				
Memberships	$	17,609,441	$	16,764,167
Patronage Capital		442,987,523		455,604,329
Other Equities		460,780,800		408,735,468
Total Equities	$	921,377,764	$	881,103,964
LONG-TERM DEBT				
Mortgage Bonds Less Current Maturities and Issuance Costs	$	464,458,145	$	479,830,003
CFC Mortgage Notes Less Current Maturities		398,417,933		411,882,901
Chase Notes Less Current Maturities		1,435,645		2,624,510
CoBank Notes Less Current Maturities		21,243,907		21,962,466
NYL Note Less Current Maturities		159,166,667		65,000,000
Operating Lease Obligations Less Current Maturities		397,974		1,069,825
Finance Lease Obligations Less Current Maturities		16,498,959		17,167,787
Commercial Paper to be Refinanced		114,560,833		84,805,208
Total Long-Term Debt	$	1,176,180,063	$	1,084,342,700
ACCUMULATED PROVISION FOR PENSIONS AND BENEFITS	$	24,665,913	$	28,986,793
CURRENT LIABILITIES				
Current Maturities of Long-Term Debt	$	42,916,057	$	38,830,607
Current Maturities of Operating Lease Obligations		660,971		1,340,201
Current Maturities of Finance Lease Obligations		1,649,733		1,595,143
Current Portion of Accumulated Provision for Pensions and Benefits		1,520,925		1,594,025
Purchased Power - Payable and Accrued		42,874,502		40,074,336
Accounts Payable - Other		33,266,448		38,977,533
Power Cost Adjustments - Over-Recovered		7,293,112		
Tax Payable		14,675,866		14,114,299
Interest Payable		8,404,700		6,425,983
Member Deposits		8,701,849		8,165,427
Other Current and Accrued Liabilities		24,090,593		22,798,143
Total Current Liabilities	$	186,054,756	$	173,915,697
DEFERRED CREDITS	$	44,283,535	$	43,643,489
TOTAL EQUITIES AND LIABILITIES	$	2,352,562,031	$	2,211,992,643

See accompanying notes to financial statements.

PEDERNALES ELECTRIC COOPERATIVE, INC.

STATEMENTS OF INCOME AND PATRONAGE CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	December 31, 2024	December 31, 2023
OPERATING REVENUES		
Residential	$ 676,361,340	$ 639,415,776
Small and Large Power	228,960,205	200,740,412
Power Cost Adjustment	(34,877,669)	(10,556,539)
Transmission Revenues	34,570,732	31,512,931
Other Revenues	16,775,024	16,890,490
Total Operating Revenues	$ 921,789,632	$ 878,003,070
OPERATING EXPENSES		
Purchased Power	$ 415,170,823	$ 396,032,748
ERCOT Transmission Access Charges	131,441,736	114,027,642
Transmission	20,057,864	11,071,852
Distribution	159,755,479	130,540,966
Administrative and General	2,752,607	37,586,407
Depreciation	89,863,674	91,399,068
Taxes	1,477,821	1,406,072
Other Interest	1,533,113	687,471
Total Operating Expenses	$ 822,053,117	$ 782,752,226
OPERATING MARGINS - Before Fixed Charges	$ 99,736,515	$ 95,250,844
FIXED CHARGES		
Interest and Amortization on Long-Term Debt	$ 50,819,219	$ 43,899,695
OPERATING MARGINS - After Fixed Charges	$ 48,917,296	$ 51,351,149
Capital Credits	2,180,336	3,874,885
NET OPERATING MARGINS	$ 51,097,632	$ 55,226,034
NON-OPERATING MARGINS		
Realized Utility Non-Operating Income	$ 1,384,947	$ 950,829
Unrealized Utility Non-Operating Expense	(1,247)	
Disposal of Assets	2,539,537	(75,404)
	$ 3,923,237	$ 875,425
NET MARGINS	$ 55,020,869	$ 56,101,459
PATRONAGE CAPITAL - BEGINNING OF YEAR	455,604,329	444,577,559
Patronage Capital Retired	(15,592,342)	(12,048,975)
Transfers to Other Equities	(52,045,333)	(33,025,714)
PATRONAGE CAPITAL - END OF YEAR	$ 442,987,523	$ 455,604,329

See accompanying notes to financial statements.

PEDERNALES ELECTRIC COOPERATIVE, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	December 31, 2024	December 31, 2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margins	$ 55,020,869	$ 56,101,459
Adjustments to Reconcile Net Margins to Net Cash From Non-Cash Operating Activities		
Depreciation and Amortization Charged to Expense	96,202,148	98,026,034
Capital Credits	(2,180,336)	(3,874,885)
Non-Cash Pension and Benefits Expense	2,080,576	2,497,793
Power Cost Adjustments	34,877,669	10,556,539
Payments on Pension and Benefits	(7,344,575)	(6,948,303)
Changes in Assets and Liabilities:		
Accounts Receivable - Net	(7,865,343)	(3,663,679)
Accounts Payable	(2,140,304)	7,637,513
Materials & Supplies	(3,637,966)	(15,626,737)
Other Assets and Liabilities	1,841,893	648,080
Net Cash From Operating Activities	$ 166,854,631	$ 145,353,814
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Additions to Property, Plant & Equipment	$ (231,353,358)	$ (202,798,445)
Capital Credit Retirements from Associated Organizations	991,338	1,463,815
Net Cash From Investing Activities	$ (230,362,020)	$ (201,334,630)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt	$ (40,506,850)	$ (34,525,959)
Advances on Long-Term Debt	100,000,000	150,000,000
Net Activity on Commercial Paper	29,755,625	(47,924,003)
Retirement of Patronage Capital	(15,592,343)	(12,048,975)
Increase in Memberships - Net	845,274	776,090
Net Cash From Financing Activities	$ 74,501,706	$ 56,277,153
CHANGE IN CASH AND CASH EQUIVALENTS	$ 10,994,317	$ 296,337
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	9,387,692	9,091,355
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 20,382,009	$ 9,387,692
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest on Long-Term Debt	$ 41,490,901	$ 32,527,824
Patronage Capital Retired by Non-Cash Discounting	$ 49,717,158	$ 32,782,951
Assets Obtained through Finance Leases	$ 1,062,005	$ 17,005,865
Assets Obtained through Operating Leases	$ 0	$ 712,422

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Pedernales Electric Cooperative, Inc. (the Cooperative) is a Texas electric cooperative corporation organized on a non-profit basis to provide electric service at the retail level to primarily residential and commercial accounts in a designated service area. As of December 31, 2024, the Cooperative served 424,966 accounts.

Power delivered at retail is purchased wholesale from the Lower Colorado River Authority (LCRA) and other third-party wholesale power suppliers. Any revenues earned in excess of costs incurred are allocated to members of the Cooperative and are reflected as patronage capital on the balance sheet.

Regulatory Accounting

The Cooperative utilizes the Uniform System of Accounts established by the Rural Utilities Service (RUS). In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 980, Regulated Operations, the Cooperative records certain assets and liabilities in accordance with the economic effects of the rate making process. See Notes 6 and 10 for a description of the most significant amounts accounted for under this standard.

Utility Plant

Plant is stated at the original cost of construction which includes the cost of contracted services, direct labor, materials, and overhead items. Contributions from others toward the construction of electric plant are credited to the applicable plant accounts.

When property, which represents a retirement unit, is replaced, or removed, the average cost of such property as determined from the continuing property records is credited to electric plant and such cost, together with cost of removal less salvage, is charged to the accumulated provision for depreciation.

Maintenance and repairs, including the renewal of minor items of plant not comprising a retirement unit, are charged to the appropriate maintenance accounts, except that repairs of transportation and service equipment are charged to clearing accounts and redistributed to operating expense and other accounts.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and short-term investments with an original maturity of three months or less are considered cash and cash equivalents.

Accounts Receivable

In the normal course of business, the Cooperative recognizes accounts receivable for energy delivered and billed. The Cooperative provides a statement with a due date that will not be less than 16 days after the statement date. Payments not received by the due date are considered delinquent.

The Cooperative provides an allowance for credit losses to recognize the portion of receivables considered uncollectible. The allowance is estimated based on historical trends, aging of receivables, and a review of potential credit losses. Accounts remaining unpaid 120 days after the due date of the final bill are written off.

Allowance for Credit Losses

The allowance for credit losses represents an estimate of the expected credit losses inherent in trade receivables as of the balance sheet date. Additions to the allowance for credit losses, if any, are made by recording charges to expenses in the income statement. Recoveries consist of consumer payments and application of general retirements for members with outstanding balances. The Cooperative's methodology in determining the adequacy of the allowance for credit losses includes consideration of the aging of accounts receivable, historical trends, and a review of potential bad debts. The delinquent accounts deemed uncollectible are written off once outstanding for more than 120 days. Changes in the allowance for credit losses related to electric accounts receivable during the years ended December 31, 2024 and 2023 were as follows:

	2024	2023
Balance, Beginning of Year	$ 885,898	$ 865,322
Adjustment - Expected Credit Losses	186,932	603,404
Write-Offs	(1,164,194)	(1,023,661)
Recoveries	801,233	440,833
Balance, End of Year	$ 709,869	$ 885,898

Changes in the allowance for credit losses related to miscellaneous accounts receivable during the years ended December 31, 2024 and 2023 were as follows:

	2024	2023
Balance, Beginning of Year	$ 845,597	$ 498,082
Adjustment - Expected Credit Losses	63,787	601,354
Write-Offs	(148,017)	(258,791)
Recoveries		4,952
Balance, End of Year	$ 761,367	$ 845,597

Materials and Supplies Inventory

Materials and supplies inventories are valued at average unit cost.

Electric Revenues

Substantially all operating revenues and accounts receivables are derived from Cooperative members. Performance obligations related to the sale of energy are satisfied as energy is delivered to members. The Cooperative recognizes electric revenue that corresponds to the price of the energy delivered to the member and the costs assessed to members associated with the use of its distribution and transmission delivery systems. The measurement of energy sales to members is generally based on the reading of their meters, which occurs on a systematic basis daily. At the end of each month, amounts of energy delivered to members since the date of the last meter reading are estimated, and the corresponding unbilled revenue is recognized. The Cooperative has calculated that its unbilled revenue for delivered power usage which has not been billed to members at December 31, 2024 and 2023 amounted to $29,042,447 and $31,311,163, respectively.

In addition, the Cooperative realizes a small portion of its revenues from the use of its transmission system by other distribution utilities within the Electric Reliability Council of Texas (ERCOT). These transmission access revenues are collected on behalf of PEC by Lower Colorado River Authority (LCRA) Transmission Services Corporation (TSC) in addition to lease revenues (See Note 11). The lease between LCRA TSC and the Cooperative was terminated in 2024 and the Cooperative began operating its transmission system, resulting in a corresponding increase to transmission access revenues. Revenues from the transmission access charges were $30,411,642 and $26,729,313 in 2024 and 2023, respectively.

LCRA TSC leased and operated certain transmission facilities and equipment owned by the Cooperative. In 2019, both parties agreed to terminate the lease upon certain conditions. The lease terminated in 2024, and the Cooperative became a transmission operator. The Cooperative’s transmission lease revenues totaled $4,159,090 and $4,783,618 in 2024 and 2023, respectively.

The Cooperative does not recognize a separate financing component of its collections from members given receivables short-term in nature. The Cooperative presents its revenues net of any excise taxes, sales taxes or fees.

The Cooperative's tariffs for electric service include a separate charge under which billings to customers can be adjusted to reflect changes in the cost of purchased power subject to the approval of the Board. In order to match power cost and related revenues, over collected power cost to be credited to members in subsequent periods is recognized as a current liability and as a reduction of operating revenues on the statement of income and patronage capital. Under collected power cost to be recovered from members in subsequent periods is recognized as a current asset and an increase in operating revenues on the statement of income and patronage capital. The Cooperative had over collected power costs of $7,293,112 as of December 31, 2024 and under collected power costs of $27,584,557 as of December 31, 2023.

Federal Income Taxes

The Cooperative is exempt from federal income taxes under Section 501(c)(12) of the Internal Revenue Code. More than 85% of the gross income is collected from members.

The Cooperative follows the “uncertain tax positions” provisions of accounting principles generally accepted in the United States of America. The primary tax position of the Cooperative is its filing status as a tax-exempt entity. The Cooperative determined that it is more likely than not that its tax positions will be sustained upon examination by the Internal Revenue Service (IRS) and that all tax benefits are likely to be realized upon settlement with taxing authorities.

The Cooperative files income tax returns in the U.S. federal jurisdiction. The Cooperative is no longer subject to examinations by federal taxing authorities for years before 2021. In 2024 and 2023, the Cooperative did not incur tax related interest or penalties.

Group Concentration of Credit Risk

The headquarters of the Cooperative is located in Johnson City, Texas. The service area extends into 24 counties in the Central Texas region. The Cooperative records a receivable for electric revenues as billed on a monthly basis. The Cooperative may require a deposit from new members upon connection, which is applied to unpaid bills and fees in the event of default. The deposit accrues interest annually and is returned to members along with accrued interest after one year of prompt payments or two years for non-residential accounts. As of December 31, 2024, and 2023, deposits on hand totaled $8,701,849 and $8,165,427, respectively.

The Cooperative maintains its cash balances in institutions insured by the Federal Deposit Insurance Corporation (FDIC). The cash balances exceeded applicable insurance coverage at times during 2024 and 2023.

Patronage Capital Certificates

Patronage capital from associated organizations is recorded at the stated amount of the certificate.

Pension Benefit Plans and Other Post-Retirement Benefits

The Cooperative has a defined benefit pension plan for employees meeting eligibility requirements. This plan was amended to close entry to new participants after January 1, 2006. The benefit is based on years of service and the average of the employee’s highest 36 months of compensation. The Cooperative also has a defined contribution 401(k) plan for employees eligible to participate.

The Cooperative sponsors a health care plan for retirees who satisfy eligibility requirements. This plan was amended to close entry to new participants after July 1, 2005 and was amended in 2018 to close entry to new retired participants not currently receiving benefits under the plan. The cost of the Cooperative’s obligation is actuarially determined based on certain weighted-average assumptions.

Disclosures About Fair Value of Financial Instruments

The Fair Value Measurements Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 - inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Cooperative has the ability to access at the measurement date.

Level 2 - inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - inputs are unobservable inputs for the asset or liability.

The Cooperative's pension plan assets are substantially all Level 1 inputs.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Financial Information

Certain amounts in the prior period financial statements have been reclassified in order to conform with the current period presentation. During 2024 PEC updated its allocation methodology to allocate Administrative and General (A&G) expenses to the Distribution and Transmission business functions supported by the associated costs. The Cooperative uses a cost allocation methodology consistent with utility industry standards. We believe this presentation allows financial statement users to better understand the costs attributable to each of these business functions. See the supplementary unaudited Proforma Statements of Income and Patronage Capital for a proforma comparison of the 2023 and 2024 operating expense categories presented using the same basis to allocate 2023 A&G costs for 2024.

2. Assets Pledged

Substantially all assets are pledged as security for long-term debt due through the various lenders.

3. Utility Plant

The major classes of utility plant are as follows:

	2024	2023
Transmission Plant	$ 287,190,393	$ 262,946,006
Distribution Plant	1,821,150,324	1,742,540,131
General Plant	231,869,580	221,368,308
Leased Assets	23,910,130	24,347,631
Total Utility Plant in Service	$ 2,364,120,427	$ 2,251,202,076
Construction Work in Progress	185,109,614	155,355,256
Total Utility Plant	$ 2,549,230,041	$ 2,406,557,332

Provision for depreciation of utility plant is computed using straight-line rates as follows:

	2024	2023
Transmission Plant	1.57% - 20.00%	1.57% - 20.00%
Distribution Plant	1.75% - 20.00%	1.75% - 20.00%
General Plant	2.00% - 20.00%	2.00% - 20.00%

Depreciation for the years ended December 31, 2024 and 2023 was $89,863,674 and $91,399,068, respectively. In 2021, the Cooperative started replacing most meters with newer advanced metering infrastructure (AMI) meters. The Cooperative accelerated depreciation on these older meters during subsequent years, which added $9,345,619 and $12,290,873 to depreciation expense for the years ended December 31, 2024 and 2023, respectively. As of December 31, 2024 the replacement of existing meters is complete and no additional accelerated depreciation is expected.

4. Investments in Associated Organizations

Investments in associated organizations consisted of:

	2024	2023
CFC		
Capital Term Certificates	$ 4,813,296	$ 4,813,296
Patronage Capital	8,702,070	8,554,716
Texas Electric Cooperative		
Patronage Capital	6,869,831	5,889,344
Other	1,095,188	1,034,030
	$ 21,480,385	$ 20,291,386

5. Materials and Supplies Inventory

Materials and supplies inventories consist of construction materials and supplies. The ending balances for materials and supplies at December 31, 2024 and 2023 were $56,018,420 and $52,380,454, respectively.

6. Deferred Charges and Other Assets

Deferred charges and other assets included the following:

	2024	2023
Defined Benefit Plans (See Note 12)	$ 25,102,541	$ 25,751,372
	$ 25,102,541	$ 25,751,372

The Cooperative recognizes a deferred charge for the portion of its pension and other post-retirement benefit plans that has not been recognized as a component of net periodic pension and other post-retirement benefit costs. Accordingly, no amounts have been recorded in other comprehensive income. The unrecognized portion is being amortized into pension and other post-retirement benefit costs over the average future service of current active plan participants expected to receive benefits.

7. Patronage Capital and Other Equities

Patronage capital represents the Cooperative's accumulated retained net margins that have been allocated annually to its members. Distributions to members are made at the discretion of the Board of Directors in accordance with state law, the Cooperative's organizational documents, and its capital credits policy subject to the covenants contained in the long-term debt agreements.

The loan agreements contain provisions that must be met for the Cooperative to make patronage capital retirements. These provisions include maintaining debt service coverage ratios with the various lenders. The Cooperative is in compliance with these provisions as of December 31, 2024, and 2023.

Under certain circumstances, the Board of Directors may choose to retire patronage capital earlier than the Cooperative's current approximate 30-year retirement schedule. In these instances, the Cooperative retires and pays the net present value of patronage capital to a member or former member before the time the Cooperative anticipates normally retiring and paying patronage capital.

Patronage capital totaling $15,592,341 and $12,048,975 was distributed to members during 2024 and 2023, respectively.

Patronage capital assigned and assignable at December 31, 2024 and 2023, is as follows:

	2024	2023
Assigned to Date	$ 987,000,145	$ 934,222,598
Assignable	83,793,661	84,088,620
	$ 1,070,793,806	$ 1,018,311,218
Less: Retirements to Date	175,589,587	159,997,242
Less: Discounted Patronage Capital to Permanent Equity	452,216,696	402,709,625
	$ 442,987,523	$ 455,604,351

The Cooperative's organizational documents and its capital credits policy provide that amounts received by the Cooperative in excess of costs and expenses shall, insofar as permitted by law, by allocated to its members on a patronage basis subject to any losses incurred being carried forward to the next fiscal year(s).

Other equities at December 31, 2024 and 2023, are as follows:

	2024	2023
Non-operating Margins	$ 8,564,133	$ 6,025,843
Discounted Capital Credits	452,216,667	402,709,625
	$ 460,780,800	$ 408,735,468

The Cooperative may utilize non-utility non-operating margins retained to offset any future operating deficits. This consists of miscellaneous non-operating income and/or expenses which are not related to providing electricity to the membership and therefore, not part of the capital credit allocation.

8. Long-Term Debt

Bonds and Mortgage Notes

At December 31, 2024 and 2023, bonds and mortgage notes consisted of the following:

	2024	2023
First Mortgage Bonds, 2002 Series A -		
6.20%; due 2032		
Interest Payable Semi-Annually; Principal Payable Annually	$ 33,617,000	$ 36,799,000
CFC Loan -		
3.40% - 4.15%; due 2043 to 2049		
Interest and Principal Payable Quarterly	411,882,899	424,846,988
Chase Loan -		
3.18%; due 2027		
Interest and Principal Payable Monthly	2,624,511	3,776,170
CoBank Loan -		
2.44%; due 2047		
Interest and Principal Payable Quarterly	21,962,466	22,661,993
NYL Loan -		
2.18%; due 2050		
Interest Payable Semi-Annually; Principal Payable Annually	65,000,000	67,500,000
NYL Loan -		
5.55%; due 2054		
Interest Payable Semi-Annually; Principal Payable Annually	100,000,000	
First Mortgage Bonds, 2021 Series A and B -		
2.34% to 2.44%; due 2051		
Interest Payable Semi-Annually; Principal Payable Annually	360,000,000	373,333,333
First Mortgage Bonds, 2023 Series A -		
2.99%; due 2053		
Interest Payable Semi-Annually; Principal Payable Annually	145,000,000	150,000,000
Less: Deferred Charge on Refunding	(49,045,360)	(55,240,563)
Less: Bond Issue Costs	(3,403,162)	(3,546,434)
	$ 1,087,638,354	$ 1,020,130,487
Less: Current Maturities	(42,916,057)	(38,830,607)
Total Bonds and Mortgage Notes	$ 1,044,722,297	$ 981,299,880

The Cooperative has $35 million available under its uncommitted term loan facility with New York Life (NYL).

Annual maturities of long-term debt for the next five years and thereafter are as follows:

2025	$	42,916,057
2026		43,701,700
2027		43,461,645
2028		44,066,183
2029		44,919,022
Thereafter		921,022,269

Operating Lease Obligations

The Cooperative has entered into operating leases for back up control center, copiers, office space, and technology center. These operating leases have lease terms from 3 years to 5 years. The right of use asset and lease liability were calculated at the net present value of the guaranteed lease payments over the term of each lease using a discount rate based on the Cooperative's incremental borrowing rate. The annual discount rate applied for existing operating leases for the years ended December 31, 2024 and 2023 varies between 4.3% and 6.6%.

Lease expense is included in administrative and general expenses in the statements of income and patronage capital. Total lease payments for the year ended December 31, 2024 and 2023 were $1,407,183 and $1,314,288, respectively, including interest of $64,230 and $73,377, respectively.

At December 31, 2024 and 2023, the balances of these accounts were as follows:

		2024		2023
Operating Leases				
Operating Lease - Right of Use Assets	$	1,058,945	$	2,410,026
Operating Lease Obligations	$	1,058,945	$	2,410,026
Less: Current Maturities		(660,971)		(1,340,201)
	$	397,974	$	1,069,825

The maturities of operating lease obligations as of December 31, 2024 were as follows:

2025	$	678,999
2026		263,226
2027		143,222
Total Minimum Lease Payments		1,085,447
Amount Representing Interest		(26,502)
Present Value of Lease Payments	$	1,058,945

Finance Lease Obligations

The Cooperative has entered into a lease line with First American Equipment Finance (FAEF) for the purchase of bucket trucks and information technology hardware not to exceed $10,000,000. The individual leases under this line expire in 2026. The Cooperative has also entered into a lighting service lease with NextEra Energy Solutions (NextEra) for the purchase of lights to be used on member property. The economic substance of the finance leases is that the Cooperative is financing the acquisition of the assets through the leases over their terms, and accordingly, they are reflected in the Cooperative's plant assets and long-term liabilities. Lease expense for the years ended December 31, 2024 and 2023 totaled $1,135,727 and $591,363, respectively.

The following is an analysis of the book value of the leased assets included in electric plant at December 31, 2024 and 2023, which is being depreciated on a straight-line basis over the life of the lease:

	2024	2023
Bucket Trucks	$ 4,138,224	$ 4,286,650
Information Technology Hardware	645,091	645,091
Lights	18,067,870	17,005,865
Accumulated Depreciation	(5,402,077)	(3,441,679)
	$ 17,449,108	$ 18,495,927

Following is a summary of the finance lease obligation due to FAEF and NextEra with schedule maturities:

	2024	2023
First American Equipment Finance	$ 1,198,889	$ 2,103,557
NextEra Energy Solutions	16,949,803	16,659,373
Less: Current Maturities	(1,649,733)	(1,595,143)
	$ 16,498,959	$ 17,167,787

The entire lease obligation to FAEF and NextEra calls for monthly payments totaling $228,001 over the remaining term of the leases. The average interest rate is 4.28%. Below is a schedule by years of the future minimum payments required under the leases, with their present value at December 31, 2024:

2025	$	2,716,095
2026		2,243,071
2027		1,869,642
2028		1,869,642
2029		1,869,642
Thereafter		15,891,956
Total Minimum Lease Payments	$	26,460,048
Amount Representing Interest		(8,311,356)
Present Value of Lease Payments	$	18,148,692

9. Lines of Credit

The Cooperative has the following lines of credit as of December 31, 2024 and 2023:

	2024			2023		
		Total Line	Maturity		Total Line	Maturity
CFC	$	100,000,000	Perpetual	$	100,000,000	Perpetual
CFC		100,000,000	11/26/27			
CoBank		100,000,000	11/28/25		100,000,000	08/21/23
Bank of America		105,000,000	11/28/25		105,000,000	12/01/23
Bank of America		200,000,000	11/26/27		200,000,000	12/04/23
JPMorgan Chase		15,000,000	12/31/24		15,000,000	12/31/24
Total Lines of Credit	$	620,000,000		$	520,000,000	

National Rural Utilities Cooperative Finance Corporation (CFC)

The Cooperative has two lines of credit agreements which require the Cooperative to pay down the balances to zero annually. Interest is charged on balances outstanding based on the CFC short-term rate in effect upon the date funds were initially borrowed. The first line automatically renews unless either party gives a 90-day notice. The second line has a 3-year term in which funds are committed upon payment of an annual fee charged of 0.10% on the commitment amount. This credit line provides capacity to pay the principal of any Commercial Paper outstanding in the event the Commercial Paper market ceases to be a viable financing method. No balances were outstanding on either line as of December 31, 2024 and 2023.

CoBank

Interest charged on balances outstanding under the CoBank line of credit are based on the CoBank short-term rate in effect upon the date funds were initially borrowed. No balances were outstanding as of December 31, 2024 and 2023.

Letters of Credit

As of December 31, 2024, and 2023, the Cooperative was obligated for a total of $3 under letters of credit. These letters of credit are issued in support of the Cooperative's obligations to perform under power supply agreements. Many of these letters of credit expire within one year of issuance, and it is typical for the Cooperative to renew them on similar terms.

Bank of America

The Cooperative has two syndicated revolving credit lines in which Bank of America is the lead bank in a syndicate of lenders including JPMorgan Chase and CoBank. There is a 364-day term credit line which bear interest at SOFR plus 1.15% or a base rate plus 0.85% as selected by the Cooperative. If the base rate is selected, the interest rate is the highest of the Federal Funds rate plus 0.50%, the Prime rate, or Term SOFR plus 1.00%. Funds under this credit line are committed with a fee charged of 0.20% on the undrawn balance. The second credit line has a three-year term which bear interest at SOFR plus 1.35% or a base rate plus 0.85% as selected by the Cooperative. If the base rate is selected, the interest rate is the highest of the Federal Funds rate plus 0.50%, the Prime rate, or Term SOFR plus 1.00%. Funds under this credit line are committed with a fee charged of 0.35% on the undrawn balance. Both credit lines provide capacity to pay the principal of any Commercial Paper outstanding in the event the Commercial Paper market ceases to be a viable financing method. No balances were outstanding on either line as of December 31, 2024 and 2023.

The Cooperative also has a non-syndicated revolving credit line reserved for issued Letters of Credit. Each issued Letter of Credit bears a Letter of Credit fee equal to 0.75% per annum times the maximum stated amount of each Letter of Credit. As of December 31, 2024, and 2023, the Cooperative was obligated for a total of $3 under letters of credit. These letters of credit are issued in support of the Cooperative's obligations to perform under power supply agreements. Many of these letters of credit expire within one year of issuance, and it is typical for the Cooperative to renew them on similar terms. The capacity for these letters of credit is $50,000,000. Any amounts disbursed under the revolving credit line bears an interest at a base rate on the date of such disbursement and thereafter bears an interest rate at the default rate. The base rate is the highest of the Federal Funds rate plus 0.50% or the Prime Rate. Funds under this credit line are committed with a fee charged of 0.30% on the undrawn balance. No balances were outstanding on either line as of December 31, 2024 and 2023.

JPMorgan Chase

The Cooperative had a line of credit to purchase equipment with JPMorgan Chase which was later refinanced to long-term debt. The line of credit matured on December 31, 2024. No balances were outstanding on the credit line as of December 31, 2024 and 2023.

The Cooperative also has a revolving credit line reserved for issued Letters of Credit. Each issued Letter of Credit bears a Letter of Credit fee equal to 1.15% per annum that accrues on the daily maximum amount available under to be drawn under each Letter of Credit. As of December 31, 2024 and 2023, the Cooperative had no outstanding letters of credit issued. The capacity for these letters of credit is $50,000,000. Any amounts disbursed under the revolving credit line bears an interest at the per annum equal to the greater of the Prime Rate or 2.5%. Funds under this credit line are committed with a fee charged of 0.20% on the undrawn balance. There is no outstanding balance as of December 31, 2024.

Commercial Paper Program

The Cooperative has a Commercial Paper Notes program in an aggregate principal amount not to exceed $300 million for the purpose of funding capital projects and general corporate purposes.

As of December 31, 2024 and 2023, the Cooperative had outstanding balances of $114,560,833 and $84,805,208, respectively, of Commercial Paper with interest rates of 4.69% to 5.55% with maturities through February 12, 2025. The Cooperative has two syndicated revolving credit lines in which Bank of America is the lead bank and a non-syndicated revolving credit line with CFC as referenced above, which would provide for available borrowing capacity sufficient to pay the principal of the Commercial Paper in the event the Commercial Paper market ceases to be a viable financing method.

Pursuant to the Cooperative's utilization of long-term funds to repay these amounts $114,560,833 and $84,805,208 are classified as long-term debt on the balance sheet at December 31, 2024 and 2023, respectively. Corresponding interest related to the balances is classified as interest on long-term debt on the Statements of Income and Patronage Capital.

10. Deferred Credits

Deferred credits included the following:

	2024	2023
Patronage Capital - Unclaimed Property	$ 5,493,938	$ 1,372,383
Post-Retirement Medical Benefits (See Note 13)	35,650,988	38,086,750
Retiree's Medical & Dental Insurance	3,137,241	4,182,988
Other	1,368	1,368
	$ 44,283,535	$ 43,643,489

The patronage capital unclaimed property balance represents unclaimed patronage capital where requirements to remit funds to the various states have not been met. The liability is recorded as unclaimed patronage capital as the checks are voided. As the funds are claimed or remitted to the state, the liability is reduced.

During 2024 and 2023, the Cooperative realized a gain for post-retirement medical benefits. The Cooperative recognized a deferred credit for the net amount of the unrecognized gain. Accordingly, no amounts have been recorded in other comprehensive income.

11. Commitments and Contingencies

Power Supply Contracts

The Cooperative entered into contracts for the purchase and delivery of electric energy to satisfy its electric energy requirements. In 2024 and 2023, the Cooperative purchased energy from various third-party wholesale power suppliers. All of the electric energy purchased by the Cooperative is procured through term contracts of varying durations. As these terms expire, they may or may not be replaced with new agreements.

Litigation

The Cooperative may be involved in various claims and litigation arising in the normal course of business. Although management is unable to predict the outcome of such proceedings, management and the Cooperative's legal counsel do not believe that the resolution of any claims or litigation involving the Cooperative will have a material adverse effect on the Cooperative's results of operations and financial condition.

12. Pension Benefits

The Cooperative has a defined benefit plan covering eligible employees. The cost of the plan is determined by an independent actuary and is funded in amounts sufficient to meet the minimum funding requirements under applicable regulations.

Contributions paid to the defined benefit plan for the years ended December 31, 2024, and 2023, were $6,004,588 and $5,670,645, respectively.

The measurement date used for the current valuation is December 31, 2024.

The following weighted-average assumptions were used to develop the accumulated post-retirement benefit obligation for 2024 and 2023:

	2024	2023
Discount Rate	5.61%	5.02%
Rate of Compensation Increase	4.00%	4.00%

The following weighted-average assumptions were used to determine the net benefit cost for 2024 and 2023:

	2024	2023
Discount Rate	5.02%	5.25%
Rate of Compensation Increase	4.00%	4.00%
Expected Long-Term Return on Plan Assets	5.80%	5.80%

Amounts recognized in the Cooperative's financial statements and funded status of the plan are as follows:

		2024	2023
I)	Net Periodic Benefit Cost		
	Service Cost	$ 3,817,113	$ 3,632,295
	Interest Cost	12,434,744	12,065,829
	Amortization	1,347,770	1,259,851
	Return on Assets	(13,253,755)	(12,270,486)
		$ 4,345,872	$ 4,687,489
II)	Projected Benefit Obligation (PBO) Reconciliation:		
	PBO Balance at Beginning of Year	$ 246,272,305	$ 234,231,752
	Actuarial (Gain)/Loss	(8,858,229)	7,821,098
	Interest Cost/Service Cost	16,251,857	15,698,124
	Benefits Paid	(12,377,331)	(11,478,669)
	Projected Benefit Obligation at Year End	$ 241,288,602	$ 246,272,305
III)	Reconciliation of Funded Status		
	Projected Benefit Obligation	$ 241,288,602	$ 246,272,305
	Fair Value of Assets	230,255,555	232,931,711
	Funded Status at Year End	$ (11,033,047)	$ (13,340,594)
IV)	Deferred Charge		
	Actuarial Loss - Beginning of Year	$ 25,751,372	$ 29,984,016
	Amortization of Loss/Remeasurement	(1,347,770)	(1,259,851)
	Actuarial Loss (Gain)	698,939	(2,972,793)
	Deferred Charge at Year End	$ 25,102,541	$ 25,751,372

The accumulated benefit obligation for the plan was $224,333,330 and $228,527,173 at December 31, 2024 and 2023, respectively.

Plan Asset Information

Information related to fair value hierarchy measurements are disclosed in Note 1. The defined benefit plan asset fair value measurements are substantially Level 1.

Fair value of plan assets at December 31, 2024 and 2023 and asset allocation is as follows:

	2024	2023
Cash and Cash Equivalents	$ 4,039,498	$ 2,127,146
Government Agencies, Bonds and Notes	176,307,653	154,474,996
Mutual Funds	39,556,655	64,766,282
Other	10,351,749	11,563,287
Total	$ 230,255,555	$ 232,931,711

	2024	2023
Mutual Funds and Equity Securities	17%	28%
Debt Securities	77%	66%
Other	6%	6%
Total	100%	100%

Benefit payments for the next ten years are estimated as follows:

2025	$ 13,162,830
2026	14,015,181
2027	14,842,185
2028	15,573,013
2029	16,299,918
2030-2034	91,096,763

The expected minimum contribution for the next plan year is $7,402,155.

The Cooperative has a defined contribution plan (401(k) plan) for employees that are eligible to participate. For employees that are also eligible to participate in the defined benefit plan, the maximum contribution is six percent of the employee's base annual salary. For employees not eligible for the defined benefit plan, the 401(k) plan contribution cost is a maximum of ten percent of the employee's base annual salary. These costs are funded each pay period as accrued. The Cooperative's contributions to the 401(k) plan (net of forfeitures) were $9,971,122 and $7,677,536 in 2024 and 2023, respectively.

13. Post-Retirement Benefits Other than Pensions

The Cooperative provides post-retirement medical benefits for eligible employees through a plan with a third-party insurance provider. For purposes of this statement, the written plan in effect is the substantive plan and is considered a defined benefit plan. The Cooperative contributes varying amounts dependent on retirement date, age, and years of service. As of August 2018, the plan is closed to new retired participants not currently receiving benefits under the plan.

Benefits are paid on behalf of retirees and are a function of medical insurance costs and number of retirees. Benefits paid (excluding reimbursements) for the years ended December 31, 2024, and 2023, were $1,392,208 and $1,343,919, respectively. The Cooperative's policy for contributions is to contribute the amount of the current benefits in that year.

The measurement date used for the current valuation is December 31, 2024.

The weighted-average discount rate used to develop the accumulated post-retirement benefit obligation for the years ended December 31, 2024, and 2023, were 5.51% and 4.96%, respectively.

Amounts recognized in the Cooperative's financial statements and funded status of the plan are as follows:

	2024	2023
I) Net Post-Retirement Benefit Cost		
Interest Cost	$ 777,896	$ 859,868
Amortization	(3,960,104)	(3,936,252)
	$ (3,182,208)	$ (3,076,384)
II) Accumulated Post-Retirement Benefit Obligation (APBO) Reconciliation:		
APBO Balance at Beginning of Year	$ 17,240,224	$ 15,570,933
Actuarial (Gain)/Loss	(1,524,342)	2,087,081
Interest Cost / Service Cost	777,896	859,868
Employer Contributions Net of Participant Amounts	(1,339,987)	(1,277,658)
Net Post-Retirement Benefit Liability at Year End	$ 15,153,791	$ 17,240,224
III) Reconciliation of Funded Status		
APBO	$ 15,153,791	$ 18,909,515
Accrued Post-Retirement Benefit Cost	$ 15,153,791	$ 18,909,515
IV) Deferred Credit		
Actuarial Gain - Beginning of Year	$ (38,086,750)	$ (44,110,083)
Amortization	3,960,104	3,936,252
Current Year Net (Gain)/Loss	(1,524,342)	2,087,081
Deferred Credit at Year End	$ (35,650,988)	$ (38,086,750)

The estimated actuarial amount for the post-retirement medical benefit plan that will be amortized into net post-retirement benefit cost over the next fiscal year is expected to be a gain of $3,167,979.

The Cooperative has not funded any plan assets as of December 31, 2024 or 2023.

Estimated future benefit payments for the next ten years are as follows:

2025	$	1,520,925
2026		1,368,416
2027		1,350,797
2028		1,314,637
2029		1,273,897
2030-2034		5,928,816

14. Subsequent Events

Subsequent to year end, the Cooperative implemented a partially self-funded medical insurance program for employees. The Cooperative has limited its liability through various policies including stop-loss policies.

The Cooperative has evaluated subsequent events through April 10, 2025, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMTION

PEDERNALES ELECTRIC COOPERATIVE, INC.

Schedule 1

PROFORMA STATEMENTS OF INCOME AND PATRONAGE CAPITAL - UNAUDITED
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	Proforma Unaudited December 31, 2024	*Proforma Unaudited* December 31, 2023
OPERATING REVENUES		
Residential	$ 676,361,340	$ 639,415,776
Small and Large Power	228,960,205	200,740,412
Power Cost Adjustment	(34,877,669)	(10,556,539)
Transmission Revenues	34,570,732	31,512,931
Other Revenues	16,775,024	16,890,490
Total Operating Revenues	$ 921,789,632	$ 878,003,070
OPERATING EXPENSES		
Purchased Power	$ 415,170,823	$ 396,032,748
ERCOT Transmission Access Charges	131,441,736	114,027,642
Transmission	20,057,864	14,666,389
Distribution	159,755,479	161,933,750
Administrative and General	2,752,607	2,599,086
Depreciation	89,863,674	91,399,068
Taxes	1,477,821	1,406,072
Other Interest	1,533,113	687,471
Total Operating Expenses	$ 822,053,117	$ 782,752,226
OPERATING MARGINS - Before Fixed Charges	$ 99,736,515	$ 95,250,844
FIXED CHARGES		
Interest and Amortization on Long-Term Debt	$ 50,819,219	$ 43,899,695
OPERATING MARGINS - After Fixed Charges	$ 48,917,296	$ 51,351,149
Capital Credits	2,180,336	3,874,885
NET OPERATING MARGINS	$ 51,097,632	$ 55,226,034
NON-OPERATING MARGINS		
Realized Utility Non-Operating Income	$ 1,384,947	$ 950,829
Unrealized Utility Non-Operating Expense	(1,247)	
Disposal of Assets	2,539,537	(75,404)
	$ 3,923,237	$ 875,425
NET MARGINS	$ 55,020,869	$ 56,101,459
PATRONAGE CAPITAL - BEGINNING OF YEAR	455,604,329	444,577,559
Patronage Capital Retired	(15,592,342)	(12,048,975)
Transfers to Other Equities	(52,045,333)	(33,025,714)
PATRONAGE CAPITAL - END OF YEAR	$ 442,987,523	$ 455,604,329

**This proforma schedule is provided to present comparative financial information for 2023 stated on the same basis as 2024. This presentation uses the 2024 allocation methodology attributing Administrative and General (A&G) expenses to the Distribution and Transmission business functions supported by the associated costs (see Note 1 to the financial statements).*

COMPLIANCE AND INTERNAL CONTROL SECTION

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
PHONE: (806) 747-3806
FAX: (806) 747-3815
8215 NASHVILLE AVENUE
LUBBOCK, TEXAS 79423-1954

LETTER TO BOARD OF DIRECTORS REGARDING POLICIES CONCERNING AUDITS OF CFC BORROWERS

Board of Directors
Pedernales Electric Cooperative, Inc.
Johnson City, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheets of Pedernales Electric Cooperative, Inc. as of December 31, 2024 and 2023, and the related statements of income and patronage capital, and cash flows for the years ended, and have issued our report thereon dated April 10, 2025.

In connection with our audit, nothing came to our attention that caused us to believe that Pedernales Electric Cooperative, Inc. failed to comply with the terms of Article V of the National Rural Utilities Cooperative Finance Corporation Loan Agreement insofar as they relate to accounting matters. However, our audits were not directed primarily toward obtaining knowledge of such incompliance.

This report is intended solely for the information and use of the Boards of Directors and management of Pedernales Electric Cooperative, Inc. and the National Rural Utilities Cooperative Finance Corporation and is not intended to be and should not be used by anyone other than these specified parties.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

April 10, 2025

Bolinger, Segars, Gilbert & Moss, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
PHONE: (806) 747-3806
FAX: (806) 747-3815
8215 Nashville Avenue
Lubbock, Texas 79423-1954

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

Board of Directors
Pedernales Electric Cooperative, Inc.
Johnson City, Texas

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 financial statements of Pedernales Electric Cooperative, Inc. (the Cooperative), as of and for the year ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Cooperative's financial statements, and have issued our report thereon dated April 10, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Cooperative's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pedernales Electric Cooperative, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative'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 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pedernales Electric Cooperative, Inc.'s 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 financial statements. 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.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

April 10, 2025