ANNUAL REPORT

Of

Company Name:	Arizona Electric Power Cooperative, Inc.	
Mailing Address:	PO Box 670	
	0	
	Benson	AZ
	85602	
Docket No.:	E-01773A	
For the Year Ended:	12/31/2024	

ELECTRIC

To

Arizona Corporation Commission

Due on April 15th

Email: Util-Compliance@azcc.gov, mail or deliver the completed Annual Report to:
Arizona Corporation Commission
Compliance Section - Utilities Division
1200 West Washington Street
Phoenix, Arizona 85007

Application Type:	Original Filing
Application Date:	4/15/2025

ARIZONA CORPORATION COMMISSION
ELECTRIC UTILITY ANNUAL REPORT
COMPANY INFORMATION

For the Calendar Year Ended: 12/31/2024

Company/Business Name:	Arizona Electric Power Cooperative, Inc.				
Mailing Address:	PO Box 670				
City:	Benson	State:	Arizona	Zip Code:	85602
Telephone Number:	520-586-3131	Fax Number:	520-586-5343		
Email:	www.azgt.coop				

Regulatory Contact					
Name:	Erin Peters				
Title:	Financial Analyst III - Rates Administration				
Telephone No. :	520-586-5336				
Address:	1000 Hwy 80				
City:	Benson	State:	Arizona	Zip Code:	85602
Email:	epeters@azgt.coop				

On-Site Manager					
Name:	Patrick Ledger				
Title:	CEO				
Telephone No. :	520-586-5008				
Address:	1000 Hwy 80				
City:	Benson	State:	Arizona	Zip Code:	55602
Email:	pledger@azgt.coop				

Statutory Agent and Attorney					
Name:	Rusing and Lopez, PLLC				
Title:	None				
Telephone No. :	520-792-4800				
Address:	6262 N Swan Rd. Suite 200				
City:	Tucson	State:	Arizona	Zip Code:	85718
Email:	plopez@rusingandlopez.com				

NA					
Name:					
Title:					
Telephone No. :					
Address:					
City:		State:		Zip Code:	
Email:					

Ownership: Association/Co-op (A)

Counties Served: Statewide

Important changes during the year

	For those companies not subject to the affiliated interest rules, has there been a change in ownership or direct control during the year?
	If yes, please provide specific details in the box below.
	None

	Has the company been notified by any other regulatory authorities during the year, that they are out of compliance?
	If yes, please provide specific details in the box below.
	None

Arizona Electric Power Cooperative, Inc.
ELECTRIC UTILITY ANNUAL REPORT
AUTHORIZED SERVICES AND STATISTICAL INFORMATION
12/31/2024

SERVICES AUTHORIZED TO PROVIDE

Yes	Electric
No	Investor Owned Electric
Yes	Rural Electric Cooperative
No	Utility Distributed Company
No	Electric Service Provider
No	Transmission Service Provider
No	Meter Service Provider
No	Meter Reading Service Provider
No	Billing and Collection
No	Ancillary Services
No	Generation Provider
No	Aggregator/Broker

N/A	Other (Specify)

STATISTICAL INFORMATION

Retail Information

	Number of Arizona Customers	Number of kWh Sold in Arizona
Residential	0	0
Commercial	0	0
Industrial	0	0
Public Street and Highway Lighting	0	0
Irrigation	0	0
Total Retail	0	0

Wholesale Information

	Number of Customers	Number of kWh Sold
Resale	6	2,654,533,269
Short-term Sales (duration of less than one-year)	56	294,503,707
Total Wholesale	62	2,949,036,976

Total Sold	2,949,036,976
Maximum Peak Load	784
Distribution System Losses	None
Distribution Losses	None
Transmission Losses	2.31%
System Average Interruption Duration Index (SAIDI)	103.08 minutes
Customer Average Interruption Duration Index (CAIDI)	251.17 minutes
System Average Interruption Frequency Index (SAIFI)	0.41 interuptions per customer

Arizona Electric Power Cooperative, Inc.
ELECTRIC UTILITY ANNUAL REPORT
UTILITY SHUTOFFS / DISCONNECTS
12/31/2024

UTILITY SHUTOFFS / DISCONNECTS			
Month	Termination without Notice R14-2-211.B	Termination with Notice R14-2-211.C	Other
January	0	0	0
February	0	0	0
March	0	0	0
April	0	0	0
May	0	0	0
June	0	0	0
July	0	0	0
August	0	0	0
September	0	0	0
October	0	0	0
November	0	0	0
December	0	0	0
Total	**0**	**0**	**0**

Other (description): None

Instructions: Fill out the Grey Cells with the relevent information. Input 0 or none if there is nothing recorded in that account or there is no applicable information to report.

Report of Independent Auditors and
Financial Statements

Arizona Electric Power Cooperative, Inc.

December 31, 2024 and 2023

MOSSADAMS

Table of Contents

Report of Independent Auditors

The Board of Directors
Arizona Electric Power Cooperative, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Arizona Electric Power Cooperative, Inc., which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of revenues, expenses, and unallocated accumulated margins, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Arizona Electric Power 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.

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 (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 Arizona Electric Power Cooperative, Inc. 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 accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2025, on our consideration of Arizona Electric Power Cooperative, Inc.'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 Arizona Electric Power 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 Arizona Electric Power Cooperative, Inc.'s internal control over financial reporting and compliance.

Moss Adams LLP

Portland, Oregon
March 31, 2025

Financial Statements

Arizona Electric Power Cooperative, Inc.
Balance Sheets
December 31, 2024 and 2023

	2024	2023
ASSETS		
UTILITY PLANT		
Plant in service	$ 791,358,668	$ 786,452,566
Construction work in progress	246,742,127	109,956,714
Total utility plant	1,038,100,795	896,409,280
Less accumulated depreciation	495,133,002	475,040,123
Utility plant, net	542,967,793	421,369,157
INVESTMENTS		
Restricted	4,093,022	6,968,708
Unrestricted	4,556,554	4,238,986
Total investments	8,649,576	11,207,694
CURRENT ASSETS		
Cash and cash equivalents		
General unrestricted	31,765,546	34,599,219
Restricted	3,820,194	3,409,183
Accounts receivable	57,378,954	39,211,237
Inventories, at average cost		
Coal and natural gas	35,248,575	24,471,866
Materials and supplies	17,280,429	16,303,707
Prepayments and other current assets	4,976,754	4,582,669
Notes receivable	605,576	345,953
Total current assets	151,076,028	122,923,834
DEFERRED DEBITS	67,411,595	51,619,914
Total assets	$ 770,104,992	$ 607,120,599

See accompanying notes.

Arizona Electric Power Cooperative, Inc.
Balance Sheets
December 31, 2024 and 2023

	2024	2023
MEMBERSHIP CAPITAL AND LIABILITIES		
MEMBERSHIP CAPITAL		
Membership fees	$ 1,430	$ 930
Patronage capital	182,476,804	179,278,276
Unallocated accumulated margins	3,342,021	3,198,527
Total membership capital	185,820,255	182,477,733
LONG-TERM DEBT		
Federal Financing Bank	129,571,028	134,783,087
Cooperative Finance Corporation	134,834,547	69,799,931
CoBank	60,642,364	12,948,819
Debt issuance costs	(501,113)	(642,711)
Financing lease obligation	1,346,785	1,455,993
Total long-term debt	325,893,611	218,345,119
CURRENT LIABILITIES		
Member advances and other investments	37,752,616	36,606,003
Current maturities of financing lease obligation	1,047,114	884,627
Current maturities of long-term debt	11,912,647	15,307,627
Accounts payable	35,667,827	29,069,038
Accrued property and business taxes	2,210,426	2,390,262
Accrued interest	7,039	58,216
Line of credit	89,646,886	59,029,412
Accumulated over-recovered fuel and purchase power costs	19,083,801	5,001,085
Other accrued liabilities	6,568,457	5,164,512
Total current liabilities	203,896,813	153,510,782
DEFERRED CREDITS AND OTHER LIABILITIES	54,494,313	52,786,965
Total membership capital and liabilities	$ 770,104,992	$ 607,120,599

See accompanying notes.

Arizona Electric Power Cooperative, Inc.
Statements of Revenues, Expenses, and Unallocated Accumulated Margins
Years Ended December 31, 2024 and 2023

	2024	2023
OPERATING REVENUES		
Electric energy and transmission		
Members		
Class A	$ 179,139,900	$ 170,689,638
Class D	7,167,548	16,328,145
(Over) under-recovery of fuel and purchase power costs	(8,609,915)	16,817,092
Nonmembers	8,353,122	19,975,329
Other, net	837,486	1,207,020
Total operating revenues	186,888,141	225,017,224
OPERATING EXPENSES		
Operations		
Production	60,589,961	83,744,895
Transmission	5,167,863	5,460,376
Maintenance		
Production	16,124,123	15,695,815
Transmission	5,669,191	5,316,448
Other power supply	34,119,931	49,718,797
Administration and general	14,959,853	14,666,729
Depreciation, amortization, and accretion	23,523,505	21,823,322
Wheeling and ancillary charges	14,303,882	16,817,582
Property and other taxes	4,120,606	4,199,608
Total operating expenses	178,578,915	217,443,572
OPERATING MARGIN	8,309,226	7,573,652
Interest and interest related expenses, net	(8,345,877)	(8,404,442)
Other, net	3,378,672	4,029,317
NET MARGIN	3,342,021	3,198,527
UNALLOCATED ACCUMULATED MARGINS, beginning of year	3,198,527	8,739,869
PATRONAGE CAPITAL ALLOCATION	(3,198,527)	(8,739,869)
UNALLOCATED ACCUMULATED MARGINS, end of year	$ 3,342,021	$ 3,198,527

See accompanying notes.

Arizona Electric Power Cooperative, Inc.
Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net margin	$ 3,342,021	$ 3,198,527
Adjustments to reconcile net margin to net cash from operating activities		
Depreciation and amortization	23,523,505	21,823,323
Patronage capital allocations	(3,198,527)	(621,102)
Amortization of deferred charges	6,623,302	5,771,383
Liabilities incurred on asset retirement obligation	-	20,160,801
Changes in assets and liabilities		
Accounts and notes receivable	(18,427,340)	27,064,893
Accumulated under-recovered fuel and purchased power costs	-	31,147,334
Inventories	(11,753,431)	(15,336,899)
Prepayments and other current assets	(394,085)	(794,839)
Deferred debits	(22,414,983)	(20,275,056)
Accounts payable	6,598,789	(26,585,469)
Accrued interest	(51,177)	(18,542)
Accumulated over-recovered fuel and purchased power costs	14,082,716	5,001,085
Accrued property and business taxes and other	1,224,109	1,550,728
Net cash from operating activities	(845,101)	52,086,167
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction expenditures, net	(143,414,793)	(109,810,512)
Purchases and redemptions of investments, net	5,756,645	95,670
Net cash from investing activities	(137,658,148)	(109,714,842)
CASH FLOWS FROM FINANCING ACTIVITIES		
Membership fees	501	-
Member advances and other investments, net	1,146,613	8,329,429
Proceeds from long-term debt	119,523,161	72,845,619
Borrowing on line of credit	30,617,474	(6,970,588)
Payments on long-term debt and financing lease obligation	(15,207,162)	(12,564,948)
Net cash from financing activities	136,080,587	61,639,512
CHANGE IN CASH AND CASH EQUIVALENTS	(2,422,662)	4,010,837
CASH AND CASH EQUIVALENTS, beginning of year	38,008,402	33,997,565
CASH AND CASH EQUIVALENTS, end of year	$ 35,585,740	$ 38,008,402
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Right-of-use assets acquired in exchange for lease liabilities	$ -	$ 2,315,439
Cash paid for interest, net of amounts capitalized	$ 8,294,700	$ 8,385,900

See accompanying notes.

Note 1 – Organization

Arizona Electric Power Cooperative, Inc. (the Cooperative or AEPCO) is a member owned, non-profit Arizona rural generation and transmission electric cooperative organized in 1961 to provide wholesale electric power and transmission and ancillary services to its member distribution cooperatives, municipalities and other customers.

Membership of the Cooperative is restricted to electric utilities. The Cooperative has four classes of members. Class A members consist of three distribution cooperatives with all requirements contracts and three distribution cooperatives with partial requirements contracts. Class B members consist of electric utilities, other than Class A, C, or D, with a written agreement for a substantial portion of their power, represented by one director. There is one Class B member. Currently there are no Class C members. There are five Class D members, representing electric utilities other than Class A, B, or C, with a written agreement for power and/or energy and/or substantial service, represented jointly by one director. Class A, Class B, Class C, and Class D members are collectively referred to herein as Members.

Note 2 – Summary of Significant Accounting Policies

System of accounts – The Cooperative maintains its accounts in accordance with policies and procedures as prescribed by the Rural Utilities Service (RUS) in conformity with the Uniform System of Accounts. The Cooperative's accounting policies conform to accounting principles generally accepted in the United States of America as applied in the case of regulated public utilities and are in accordance with the accounting requirements and rate-making practices of the RUS and the Arizona Corporation Commission (ACC), the regulatory authorities having jurisdiction.

Accounting for the effects of regulation – Due to the regulation of its rates by the ACC, the Cooperative prepares its financial statements in accordance with Accounting Standards Codification (ASC) 980, *Regulated Operations*. This accounting requires a cost-based, regulated enterprise to recognize revenues and expenses in the time periods when the revenues and expenses are included in rates. This may result in regulatory assets and liabilities until such time that the related revenues and expenses are included in rates.

Indenture – As of March 1, 2016, AEPCO has an Indenture of Deed of Trust, Security Agreement and Financing Statement (Indenture), approved by RUS that will allow the Cooperative to explore alternative financing providers in addition to RUS. The indenture consolidates all of AEPCO's secured debt under one trustee, who will manage the debt portfolio for RUS, reducing RUS reporting requirements, while still maintaining RUS oversight.

Utility plant – Utility plant, consisting primarily of coal and natural gas electric generation facilities and transmission facilities, is stated at historical cost and includes the costs of outside contractors, direct labor and materials, allocable overhead and interest charged during construction.

In accordance with the Uniform System of Accounts, the Cooperative capitalizes the interest costs associated with the borrowing of funds used to finance construction work in progress (CWIP). Interest income from construction funds held in trust, if any, is credited to CWIP. Interest costs capitalized on construction projects was approximately $9,496,000 and $3,088,000 for 2024 and 2023, respectively.

Depreciation is computed on the straight-line basis over estimated useful lives of depreciable property in accordance with rates prescribed by RUS, averaging 2.68% and 2.56% in 2024 and 2023, respectively. Minor replacements and repairs are charged to expense as incurred. When utility plant is retired, sold, or otherwise disposed of, the original cost plus the cost of removal less salvage value is charged to accumulated depreciation, along with any corresponding gain or loss.

The Cooperative assesses its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the fair value is less than the carrying amount of the asset, a loss is recognized for the difference. The Cooperative has not recorded any losses resulting from impairment of its long-lived assets.

Asset retirement obligations – Accounting standards require the recognition of an Asset Retirement Obligation (ARO), measured at estimated fair value, for legal obligations related to decommissioning and restoration costs associated with the retirement of tangible long-lived assets in the period in which the liability is incurred. The initial capitalized asset retirement costs are depreciated over the life of the related asset, with accretion of the ARO liability classified as an operating expense (see Note 10 – Asset Retirement Obligation).

Investments – The Cooperative accounts for its investments in accordance with accounting for certain investments in debt and equity securities. At December 31, 2024 and 2023, all investment balances are recorded at fair market value (see Note 3), with the exception of investments in associated organizations and patronage capital. Investments in associated organizations and patronage capital are carried at cost, plus capital credits allocated and not retired.

Cash equivalents – The Cooperative considers all investments with an original maturity of 90 days or less to be cash equivalents. The Cooperative maintains its cash in bank accounts, which, at times, exceed federally insured limits and has not experienced any losses in such accounts. Restricted cash consists of special deposits and economic development funds, which are restricted in use.

Receivables – Receivables are recorded when invoices are issued and are written off when they are determined to be uncollectible. The allowance for doubtful accounts is estimated based upon historical experience and management's evaluation of, among other factors, current and reasonably supportable expected future economic conditions and customer's ability to pay. Generally, accounts receivable are considered past due after 30 days. No allowance was deemed necessary at December 31, 2024 and 2023.

Inventories – Inventories consisting of coal, natural gas, and materials and supplies, are carried at average cost.

Deferred debits and credits – Deferred debits and credits are recorded at cost and either: (1) amortized over their expected period of benefit or alternate period of time as may be mandated by ACC order or other regulatory order, if different, or (2) eliminated upon determination of their ultimate disposition.

Debt issuance costs – Debt issuance costs related to a recognized debt liability are presented on the balance sheet as a direct reduction from the carrying amount of that debt liability. These costs are amortized to interest expense over the life of the related debt using the effective interest method.

Overhaul costs – The Cooperative accounts for major and minor overhauls using the deferral method. Accordingly, incurred overhaul costs are deferred and amortized over the overhaul benefit period, generally three years for minor overhauls and six years for major overhauls. The frequency of overhauls is based on the operating characteristics and operating profiles of each generating unit (see Note 7).

Leases – The Cooperative determines whether the arrangement is or contains a lease at inception. Operating and finance leases will be recognized on the balance sheets as right-of-use (ROU) assets and lease liabilities. ROU assets represent the Cooperative's right to use an underlying asset for the lease term and lease liabilities represent the Cooperative's obligation to make lease payments arising from the lease. Lease liabilities and their corresponding ROU assets are recorded based on the present value of lease payments over the expected remaining lease term. For this purpose, the Cooperative considers only payments that are fixed and determinable at the time of commencement. The lease ROU assets also include any lease payments made and adjustments for prepayments and lease incentives. The interest rate implicit in lease contracts is typically not readily determinable. As a result, the Cooperative will utilize a weighted average cost of capital rate, as permitted by Financial Accounting Standards Board (FASB) ASC Topic 842, *Leases*. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Cooperative will exercise that option.

Income tax status – The Cooperative is exempt from income taxes under the provisions of Section 501(c)(12) of the Internal Revenue Code, except to the extent of unrelated business income, if any. The Cooperative follows FASB ASC 740-10, relating to accounting for uncertain tax positions. As of December 31, 2024 and 2023, the Cooperative does not have any uncertain tax positions. The Cooperative files an exempt organization and unrelated business income tax return in the U.S. federal jurisdiction and the states of Arizona and California. Based upon its equity membership in Alliance for Cooperative Energy Services Power Marketing LLC (ACES) (see Note 3), returns are filed with the states of Arkansas, Georgia, Indiana, Maryland, Minnesota, and North Carolina.

Revenue recognition – Revenues are recognized as electric power, electric transmission and other energy service products and are delivered at rates approved by the ACC. The Cooperative recognizes operating revenues from wholesale electricity sales and electricity transmission services in an amount that reflects the consideration to which the Cooperative expects to be entitled in exchange for those sales and services.

The Cooperative supplies power requirements (energy and demand) to its Members, subject to substantially identical wholesale power contracts. The Cooperative also supplies power (energy and demand) to nonmembers subject to wholesale power contracts. Class A member revenue is recorded at either ACC authorized rates or contractual rates and Class B member, Class D member, and nonmember revenue is generally recorded at contractual rates. Based on the invoice practical expedient, revenue is recognized equal to the amount the Cooperative has the right to invoice. The Cooperative bills its Members monthly, and payments are due monthly. Substantially all of the Cooperative's accounts receivable relate to revenues under its contracts with Members and nonmembers.

Purchased power and fuel costs – Purchased power and fuel costs are charged to expense as incurred. The ACC approved a purchased power and fuel cost adjustor (the adjustor) for the Cooperative. The adjustor enables the Cooperative to accumulate its over- and under-collection of fuel and purchased power costs and subsequently, as approved by the ACC, refund or collect from its Members the amount of over- or under-collection of fuel and purchased power costs. Such amounts are recorded as revenue in the period the costs are incurred.

Fair value of financial instruments – All of the Cooperative's financial instruments are recorded at fair market value or carrying value, which approximates fair market value. Investments in associated organizations and patronage capital are not considered financial instruments because they represent nontransferable interests in associated organizations. The Cooperative has determined that its financial instruments fall into the Level 1 category. Level 1 asset valuations are based on assets at the quoted prices in active markets for identical assets; Level 2 asset valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly; and Level 3 asset valuations are based on inputs that are unobservable and significant to the overall fair value measurement (see Note 3).

Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles 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. Significant estimates include the adjustor, depreciation, asset retirement obligation and overhaul amortization. Actual results could differ from these estimates.

Subsequent events – Accounting standards require disclosure of the date through which subsequent events have been evaluated, as well as whether the date is the date the financial statements were issued or the date the financial statements were available to be issued. The Cooperative has evaluated subsequent events through March 31, 2025, the date the financial statements were available to be issued.

Note 3 – Investments

Investments at December 31 consist of the following:

	2024	2023
Restricted - municipal bonds	$ -	$ 2,809,686
Restricted - term certificates	4,093,022	4,219,022
Investment in associated organizations	1,360,968	1,310,968
Patronage capital	2,392,082	2,291,639
Other	803,504	636,379
Subtotal	8,649,576	11,267,694
Less current portion of restricted investments	-	60,000
Total	$ 8,649,576	$ 11,207,694

Contractual maturities of restricted investments at December 31 are as follows:

	2024	2023
Due from one year to five years	$ -	$ 2,809,686
Due after 10 years	4,093,022	4,219,022
Total	$ 4,093,022	$ 7,028,708

Municipal bonds – As a condition of National Rural Utilities Cooperative Finance Corporation's (CFC) guarantee of the Solid Waste Disposal Revenue Bonds (see Note 8), the Cooperative purchased a noninterest-bearing Debt Service Reserve Certificate (the certificate) which matured in 2024 upon final payment of the debt. The proceeds of the certificate were held by CFC in a Debt Service Reserve Fund (DSRF). The bonds matured and were paid in full as of December 31, 2024.

Term certificates – The Cooperative is a member of CFC, a not-for-profit cooperative financing institution. As a condition of membership, the Cooperative purchased Subscription Capital Term Certificates (SCTCs). The SCTCs, totaling $4,093,022 at December 31, 2024 and 2023, bear interest at 5.00% per annum and have maturity dates ranging from 2070 to 2080.

As a condition of the Solid Waste Disposal Revenue Bonds (see Note 8), which are guaranteed by CFC, the Cooperative purchased a Subordinated Term Certificate (STC). The STC, totaling $0 and $126,000 at December 31, 2024 and 2023, respectively, beared interest at 7.57% per annum and matured in full in 2024 upon final payment of the related debt.

The SCTCs and STCs are unrated, uncollateralized debt securities of CFC.

Investment in associated organizations – The Cooperative is a member of Sierra Southwest Cooperative Services, Inc. (Sierra). The Cooperative's membership fee in Sierra was $2,000 as of December 31, 2024 and 2023, and is carried at cost. The Cooperative's investment in Sierra was $72,000 as of December 31, 2024 and 2023, and is carried at cost (see Note 16).

The Cooperative is an equity member of ACES. The Cooperative's investment in ACES was $961,610 as of December 31, 2024 and 2023, and is accounted for under the cost method of accounting.

The Cooperative invested in the capital of Grand Canyon State Electric Cooperative Association (GCSECA), which is accounted for under the cost method of accounting. The Cooperative's investment in GCSECA was $275,358 as of December 31, 2024 and 2023.

The Cooperative is a member of CoBank AFB (CoBank). The membership fee is $1,000 and is carried at cost.

The Cooperative is a member of CFC. The membership fee is $1,000 and is carried at cost.

The Cooperative holds investments made in the Board of Directors deferred compensation plan program in Homestead Funds (see Note 13 – Deferred Compensation Programs). The balance in the account at December 31, 2024 and 2023 was $803,436 and $491,754, respectively, and is carried at fair market value.

Patronage capital – Patronage capital represents capital credit allocation of margins due to the Cooperative. Such amounts are returned to the Cooperative in accordance with the associated organization's bylaws and/or at their discretion.

Note 4 – Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents at December 31 consist of the following:

	2024	2023
Rural economic development revolving loan program	$ 298,531	$ 547,567
Other deposits on account	3,521,663	2,861,616
Total restricted cash and cash equivalents	$ 3,820,194	$ 3,409,183

Note 5 – Accounts Receivable

Accounts receivable at December 31 consist of the following:

	2024	2023
Member energy sales	$ 16,419,888	$ 17,263,588
Electric transmission sales	2,200,310	1,891,872
Nonmember energy sales	10,420,384	13,220,563
Due from related party	297,397	510,825
Member hedging receivable and other	28,040,975	6,324,389
Total accounts receivable	$ 57,378,954	$ 39,211,237

Member energy sales – Member energy sales consist of sales to Members under their wholesale power sales contracts (see Note 11) and generally are not collateralized.

Electric transmission sales – Electric transmission sales consist of sales to Members and Nonmembers under transmission service agreements (see Note 11) and are generally not collateralized.

Nonmember energy sales – Nonmember energy sales consist of non-firm sales to unrelated electric utilities and are generally not collateralized.

Note 6 – Notes and Other Receivables

Related-party promissory notes – The Cooperative replaced the balance of the short-term note to Sierra to finance construction of solar photovoltaic distributed generation facilities with two promissory notes (see Note 16). Each note between Sierra and AEPCO has an annual interest rate of 3.00% and a term of 25 years. The combined notes receivable was $1,001,303 and $1,074,502 as of December 31, 2024 and 2023, respectively.

RUS Rural Economic Development Grant – In 1998, the Cooperative was awarded a $400,000 RUS Rural Economic Development Grant. The Cooperative contributed matching funds in the amount of $80,000. In 2020, the Cooperative was awarded an additional $182,213 RUS Rural Economic Development Grant. In accordance with grant guidelines, initial loans made to qualifying recipients at a zero-interest rate were repaid over a 10-year period. The loan repayments were used to establish a revolving loan fund, which in turn, is used for providing loans to foster rural economic development. Loans made from repayments of the initial loans may carry an interest rate. In November 2010, March 2012, June 2015, March 2017, February 2020, and July 2024, the Cooperative issued loans in the amount of $300,000, $80,000, $280,000, $100,000, $360,000, and $300,000, respectively, at an interest rate of 3.00%. As of December 31, 2024 and 2023, the Cooperative has $298,531 and $547,567, respectively, of cash and cash equivalents restricted for use in this program (see Note 4).

Note 7 – Deferred Debits

Deferred debits at December 31 consist of the following:

	2024	2023
Deferred overhaul costs	$ 21,479,725	$ 17,566,204
Preliminary survey and investigation and other deferred debits	16,702,534	5,691,739
Security deposit	26,212,129	24,796,180
RS plan prepayment (see Note 14)	3,017,207	3,565,791
Total deferred debits	$ 67,411,595	$ 51,619,914

Deferred overhaul costs – The Cooperative accrues for overhaul costs on the generation equipment by charging a proportion of the estimated cost of the overhaul, over the period covered by the overhaul cycle, to maintenance expense.

Preliminary surveys investigation – Deferred preliminary survey and investigation costs are capitalized to construction in progress when the construction phase begins or expensed if the project is abandoned.

Other deferred debits – California Independent System Operator (CAISO) Deposit – In order to meet the credit requirements of the California Independent System Operator (CAISO), AEPCO has established a deposit account with the CAISO. The balance in the deposit account was $26,212,129 and $24,796,180 for the years ended December 31, 2024 and 2023, respectively.

Note 8 – Long-Term Debt

Federal Financing Bank (FFB) – Long-term debt due to FFB is payable at interest rates based on long-term obligations of the United States Government as determined on the date of advance. Interest rates on existing FFB debt ranged from 0.645% to 5.070% in 2024 and 0.645% to 4.880% in 2023. Quarterly principal and interest installments on these obligations extend through 2035. The obligations are guaranteed by RUS. The Cooperative may prepay all outstanding notes by paying the principal amount plus either 1) the difference between the outstanding principal balance of the loan being refinanced and the present value of the loan discounted at a rate equal to the then current cost of funds to the Department of the Treasury for obligations of comparable maturity; 2) 100% of the amount of interest for one year on the outstanding principal balance of the loan being refinanced multiplied by the ratio of a) number of quarterly payment dates remaining to maturity bears to b) number of quarterly payment dates between year 13 of the loan and the maturity date; or 3) present value of 100% of the amount of interest for one year on the outstanding principal balance of the loan.

Solid Waste Disposal Revenue Bonds – These bonds are repriced and sold semi-annually at six-month intervals, on March 1st and September 1st, and AEPCO has the option to redeem at each repricing. Principal on these bonds is due in annual installments through 2024. Interest rates on the bonds are variable and subject to revision semiannually. The bonds matured and were paid in full as of December 31, 2024. The interest rates in effect at December 31, 2024 and 2023, was 4.250% and 4.375%, respectively. Interest is paid semiannually. These bonds are guaranteed by CFC and are not subject to optional redemption prior to maturity.

Cooperative Finance Corporation – On November 9, 2022, the Cooperative entered into a long-term bridge loan debt agreement with CFC to fund new generation. The loan is subject to a variable interest rate that is established monthly and effective on the first day of each month. There was a $69,928,234 and $57,851,112 outstanding balance as of December 31, 2024 and 2023, respectively. The average variable interest rate in effect at December 31, 2024 and 2023, was 6.50% and 7.01%, respectively. Quarterly principal and interest payments on these obligations extend through 2027. The variable interest rate on the debt is convertible to a fixed rate. The fixed rate would be equal to the rate of interest offered by CFC at the time of the conversion request. The Cooperative may prepay fixed rate notes in whole or in part, subject to a prepayment premium prescribed by CFC. As of December 31, 2024, the loan is interest only and no long-term maturities have been established.

On November 1, 2023, the Cooperative entered into a new five-year unsecured nonrevolving bridge loan debt agreement with CFC to fund additional generation projects. The interest rate on advances is calculated at a rate per annum as may be fixed by CFC from time to time or in the case of a Secured Overnight Financing Rate (SOFR) advance, at a fixed rate per annum equal to Adjusted Term SOFR plus the Applicable Margin. There was a $64,906,313 outstanding balance as of December 31, 2024. The interest rate on this line of credit notes averaged 5.49% and 6.46% as of December 31, 2024 and 2023, respectively. Both bridge loans may be converted to permanent financing with the bank or RUS without penalty. As of December 31, 2024, the loan is interest only and no long-term maturities have been established.

CoBank – On November 1, 2023, the Cooperative entered into a five-year unsecured nonrevolving bridge loan debt agreement with CoBank to fund additional generation projects. The interest rate on advances is calculated at a variable or fixed rate per annum as may be determined by CoBank from time to time or in the case of a SOFR advance, at a fixed rate per annum equal to Adjusted Term SOFR plus the Applicable Margin. Subject to certain limitations, rate types may be converted. The interest rate on this line of credit notes averaged 5.628% and 6.626% as of December 31, 2024 and 2023, respectively. The bridge loan may be converted to permanent financing with the bank or RUS without penalty. As of December 31, 2024, the loan is interest only and no long-term maturities have been established.

Maturities of long-term debt – Maturities of long-term debt, excluding CoBank for $60,642,364 and CFC for $134,834,547, for the next five years and thereafter are as follows as of December 31, 2024:

2025	$ 11,912,647
2026	12,232,292
2027	12,555,753
2028	12,940,740
2029	13,329,245
Thereafter	78,512,997
Total long-term debt, net	$ 141,483,675

On March 1, 2016, AEPCO replaced the RUS Mortgage with the Indenture, pursuant to which AEPCO has granted a lien and a security interest in substantially all of its real and personal property to secure current indebtedness and other obligations and to secure other indebtedness (see Note 2 – Indenture). In connection with the adoption of the Indenture as a replacement for the RUS Mortgage, AEPCO and RUS amended and restated the existing loan contracts as the Amended and Restated Loan Contract (Contract), dated March 1, 2016 between AEPCO and the Government acting by and through the Administrator of the RUS. Under the covenants of the Contract, the Cooperative must, among other things, maintain a credit rating from at least two rating agencies and comply with covenants in the Indenture, which includes establishment and collection of rates for the use or sale of output, capacity, or service of the system that together with other revenues available to the Cooperative are reasonably expected to yield margins for interest equal to at least 1.10 times secured interest charges. Management believes these financial covenants have been achieved as of December 31, 2024.

Note 9 – Member Advances and Other Investments

Member investment program – The Cooperative offers all Members the ability to invest funds with the Cooperative on a short-term basis for periods of up to nine months. The Cooperative had recorded liabilities for notes of $11,926,694 and $11,463,814 at December 31, 2024 and 2023, respectively. The interest rate on these notes averaged 4.345% and 5.298% in 2024 and 2023, respectively. Interest expense on these notes was approximately $185,000 and $97,000 for the years ended December 31, 2024 and 2023, respectively.

Prepaid billing program – The Cooperative also offers a program for all Members whereby the Members may make interest-bearing prepayments of their monthly power and transmission billings. The prepayment and accrued interest are applied to the Members' power and transmission billings on the date such billings become due. The Cooperative recorded no liabilities for prepayments at December 31, 2024 and 2023.

Southwest Public Power Agency – The Cooperative entered into an Amended and Restated Energy Management Services Agreement (Agreement) with Southwest Public Power Agency (SPPA) on February 13, 2024, to provide accounting, reporting, scheduling, selling, purchasing, and gas hedging services with respect to the energy available to SPPA under the Agreement. To enable AEPCO to provide credit services necessary to this Agreement, SPPA has provided a deposit to AEPCO in the amount of $1,000,000, which AEPCO has placed and will maintain in an interest bearing account separate from other sources. SPPA is entitled to all interest that accumulates in the deposit account. The balance in the deposit account was $1,202,317 and $1,143,390 for the years ended December 31, 2024 and 2023, respectively. SPPA has been a Class D member of AEPCO since January 2015 and in January 2024, SPPA transitioned to a Class B member.

Metropolitan Water District of Southern California – The Cooperative entered into a Scheduling and Trading Services Agreement (Agreement) with the Metropolitan Water District of Southern California (MWD), a class D member of AEPCO, on August 28, 2017, to provide accounting, reporting, scheduling, selling, and purchasing services as defined in the Agreement through December 31, 2035, unless terminated under provisions within the Agreement. To enable AEPCO to provide credit services necessary to this Agreement, MWD has provided a deposit to AEPCO in the amount of $1,000,000, which AEPCO has placed and will maintain in an interest bearing account separate from other sources. MWD is entitled to all interest that accumulates in the deposit account. The balance in the deposit account was $1,051,787 and $1,050,421 for the years ended December 31, 2024 and 2023, respectively.

Other Member deposits – The Cooperative holds depository amounts which are passed through to CAISO from the members. See Note 7 – Other Deferred Debits – CAISO Deposit.

Note 10 – Deferred Credits and Other Liabilities

Deferred credits at December 31 consist of the following:

	2024	2023
Asset retirement obligation	$ 50,250,598	$ 48,445,926
Regulatory liability - ARO	4,061,502	4,158,826
Pension distribution liability	182,213	182,213
Total deferred credits and other liabilities	$ 54,494,313	$ 52,786,965

Asset retirement obligation – The Cooperative completed the ARO calculation for the Apache Station Generation Plant in Cochise, Arizona, with the assumption that the assets will be in service through the year 2035. The useful life expectations used in the calculations of the ARO are based on the assumption that operations will continue without deviation from historical trends.

The asset retirement obligation related to generation assets at December 31 consists of the following:

	2024	2023
Liability at January 1	$ 48,445,926	$ 26,663,501
Decommission expense recognized	1,804,672	1,621,624
Liabilities incurred	-	20,160,801
Liability at December 31	$ 50,250,598	$ 48,445,926

The regulatory liability related to the asset retirement obligation calculation at December 31 consists of the following:

	2024	2023
Liability at January 1	$ 4,158,826	$ 4,076,033
Estimated recovery	(97,324)	107,003
Less accretion and depreciation expense	-	(24,210)
Liability at December 31	$ 4,061,502	$ 4,158,826

Note 11 – Commitments and Contingencies

Class A member power sales contracts – wholesale power sales contracts – The Cooperative holds all-requirements wholesale power sales contracts with three of its six Class A member cooperatives pursuant to which each Class A member agrees to purchase from the Cooperative all of its electric power requirements. These all-requirements power contracts expire December 31, 2035, and will remain in effect thereafter until terminated by either party upon six months' notice. Management believes the Cooperative will be able to fulfill its requirements on these long-term contracts.

Class A member power sales contracts – partial requirements wholesale power contracts – The Cooperative holds partial requirements wholesale power sales contracts, expiring December 31, 2035, with three of its Class A member cooperatives pursuant to which the Class A members have agreed to purchase from the Cooperative electric energy up to and capacity at the member's allocated capacity percentage in the Cooperative's total resources existing at the time of execution of the contract. Management believes the Cooperative will be able to fulfill its requirements on these long-term contracts.

Class A member network service agreements – The Cooperative has agreements to provide network integration transmission service to deliver power to the all-requirements Class A distribution cooperative members. The Cooperative previously entered into separate agreements to provide network integration and point-to-point transmission services to the partial requirements Class A members. These agreements had a termination date of December 31, 2035. In 2023, the Cooperative and its Class A members amended these agreements and extended the initial term to December 31, 2052, with the term automatically renewing for four successive additional five-year renewal periods and a termination date on December 31, 2072, absent any nonrenewals. In the opinion of management, the Cooperative will be able to provide service in accordance with these agreements.

Class B member power contracts – Class B membership requires the Member to enter into a power contract for a minimum term of 10 years. At December 31, 2024, the Cooperative had one Class B member.

Class C member power sales contract – There are no Class C member contracts at December 31, 2024

Class D member service contracts – Class D membership requires the Member to enter into a service contract for a minimum term of five years. At December 31, 2024, the Cooperative had five Class D members.

Nonmember power and services agreements – The Cooperative holds one nonmember power and service agreement.

Wholesale power purchase contracts – The Cooperative's current power supply includes the following purchase power agreements:

- Hydroelectric power purchases from Western Area Power Administration (Western), a federal power marketing agency. Under the terms of its Salt Lake City Integrated Project (formerly Colorado River Storage Project) contract, which expires September 30, 2057, the Cooperative can receive up to 2.4 MW during October through March, and up to 11.7 MW during April through September, for service to its Class A members. Additionally, under the terms of a contract with the Parker Davis Project, which expires September 30, 2028, the Cooperative receives 18.3 MW during October through February, and 23.6 MW during March through September. Hoover (Boulder Canyon Project) hydroelectric power purchase from Arizona Power Authority and Western of approximately 4 MW each month October 2017–September 30, 2067.

- Power purchase agreement with Salt River Project to purchase up to 15 MW capacity and energy at a maximum of 44% capacity factor per month and priced at less than the market price for Peak Hours with a term to begin in January 2016 and ending 20 years thereafter. Beginning January 2017 through the remaining term of the contract, 1.755 MW will be allocated to Navopache Electric Cooperative.

Solar and energy storage services agreements – The Cooperative's current power supply includes the following solar and energy storage services agreements:

- Solar services agreement with Sierra to purchase up to 20 MW alternating current electricity at a maximum of 100% capacity factor per month with a term to begin on October 10, 2017, and ending on October 9, 2026. Unless either party provides ninety days written notice of intent not to renew, the agreement shall be renewed for additional five-year terms provided no renewal term extends beyond the termination date of the corresponding interconnection agreement.

- Solar services agreement with Sierra to purchase up to 2 MW alternating current electricity at a maximum of 100% capacity factor per month with a term to begin on August 17, 2017, and ending on August 16, 2026. Unless either party provides ninety days written notice of intent not to renew, the agreement shall be renewed for additional five-year terms provided no renewal term extends beyond the termination date of the corresponding interconnection agreement.

- Solar services agreement with Sierra to purchase up to 1.35 MW alternating current electricity at a maximum of 100% capacity factor per month and the capacity from a 2 MW/ 4 MWh battery energy storage system with a term to begin on December 9, 2020 and ending on December 8, 2027. Unless either party provides ninety days written notice of intent not to renew, the agreement shall be renewed for additional five-year terms provided no renewal term extends beyond the termination date of the corresponding interconnection agreement.

- Energy storage services agreement with Sierra to purchase the capacity from a 2.4 MW/ 5.2 MWh battery energy storage system with a term to begin on October 25, 2022 and ending on October 24, 2027. Unless either party provides ninety days written notice of intent not to renew, the agreement shall be renewed for additional five-year terms provided no renewal term extends beyond the termination date of the corresponding interconnection agreement.

- Energy storage services agreement with Sierra to purchase the capacity from two 10 MW/ 40 MWh battery energy storage systems with terms to begin on March 13, 2024 and ending on June 4, 2044, and to purchase the capacity from a 15 MW/ 60 MWh battery energy storage system with a term to begin on March 13, 2024 and ending on September 18, 2044. Unless either party provides one hundred and twenty days written notice of intent not to renew, the agreement shall be renewed for additional five-year terms.

Wholesale transmission contracts – The Cooperative holds two separate point-to-point transmission agreements for the Joint Generation Contingency Reserve Plan (N-1 Plan) and two separate point-to-point transmission agreements for the purpose of making third-party sales. The first two agreements provide for reserved transmission capacity of 110 MW as established in the N-1 Plan for the loss of generation. The balance of the agreements provides transmission capacity from Apache Station to market hubs, totaling 185MW. Each of these agreements are five-year renewable terms and are expected to remain in effect for the term of the Members' network service agreements. In the opinion of Management, the Cooperative will be able to provide service in accordance with these agreements.

Other transmission service agreements – The Cooperative provides separate point-to-point transmission service and network integration transmission service (NITS) agreements to other entities in accordance with the Cooperative's Open Access Transmission Tariff (OATT) or other pre-OATT agreements. These other transmission service agreements provide for reserved transmission capacity and will remain in effect in accordance with each respective service agreement. In the opinion of Management, the Cooperative will be able to provide service in accordance with these agreements.

Transmission wheeling agreements – The Cooperative purchases NITS from the Wester Area Power Administration – Desert Southwest Region (WAPA) and from Tucson Electric Power (TEP), point-to-point service from Arizona Public Service (APS), and wholesale distribution access tariff (WDAT) service from Southern California Edison (SCE), each to provide for deliveries to AEPCO's Class A members loads. There are currently six point-to-point wheeling agreements (two with WAPA, two with El Paso Electric, one with TEP, and one with Salt River Project) under which the Cooperative moves power from market hubs into the Cooperative's service area. These transmission wheeling agreements expire at various times and may include associated roll-over rights.

Rate filing application – On September 1, 2021, the Cooperative filed an application with the Commission to determine the fair value of its property for ratemaking purposes, to fix a just and reasonable return thereon, and to approve rates designed to develop such return. The Cooperative also requested the continuance of its purchased power and fuel cost adjustor (PPFAC) and environmental cost adjustment rider (ECAR), the approval of updated depreciation rates, and a new Transmission Adjustor (TA) and Plan of Administration. On May 9, 2023, the ACC issued a decision approving the Cooperative's application, authorizing new rate tariffs, depreciation rates, PPFAC, and transmission adjuster, all of which became effective on July 1, 2023.

On September 20, 2024, the Cooperative filed an application with the Commission to determine the fair value of its property for ratemaking purposes, to fix a just and reasonable return thereon, and to approve rates designed to develop such return. The primary purpose of the rate filing was to establish rates and recovery for investments in new generation capacity. The Cooperative also requested the continuance of its existing adjustor mechanisms, including the PPFAC, ECAR, and the TA. As of December 31, 2024, the application is still pending.

Fuel procurement contracts – coal supply agreements – To ensure an adequate fuel supply, the Cooperative enters into various long-term fuel contracts. At December 31, 2024 and 2023, these contracts consist of:

- A 60-month agreement that originally required the Cooperative to purchase approximately 3,220,000 tons of coal during the term of the agreement. The agreement has since been amended to replace the term of the agreement with January 1, 2013 through December 31, 2024, and limit the remaining base tonnage obligation to 1,060,000 tons effective January 1, 2016. The amendment further limits the purchase and delivery of coal to approximately 176,000 tons in 2017, 153,000 tons in year 2018, 221,000 tons in 2019, and 92,060 tons in year 2020. A new amendment signed in year 2020 includes a quantity of 125,000 tons to be purchased in year 2021, with an optional tonnage quantity of 75,000 tons to be purchased in year 2021. A new amendment signed in 2021 includes a quantity of 235,000 tons to be purchased in year 2022, with an optional tonnage quantity of 83,000 tons to be purchased in year 2022. A new amendment signed in 2022 includes a quantity of 300,000 tons to be purchased in year 2023, and a quantity of 257,000 tons to be purchased in year 2024, with an optional tonnage quantity of 43,000 tons to be purchased in year 2024.

- A seven-month agreement for 85,000 tons to be delivered in year 2020 and an amendment to this agreement extending the term for another 12 months thru 2021, adding an additional 187,500 tons of coal to be delivered through 2021. A new amendment signed in year 2021 includes a quantity of 240,000 tons to be purchased in year 2022, with an optional tonnage quantity of 70,000 tons to be purchased in the year 2022. A new amendment signed in year 2022 includes a quantity of 300,000 tons to be purchased in year 2023, and a quantity of 257,000 tons to be purchased in the year 2024 with an optional tonnage quantity of 43,000 tons to be purchased in the year 2024.

Coal railcar lease agreements – To provide for the shipment of the coal supply, the Cooperative entered into lease agreements for the lease of coal railcar trainsets (see Note 15 – Coal Railcar Trainsets).

Coal railcar maintenance agreement – The Cooperative entered into railcar management services agreement, effective January 1, 2013, for the maintenance of the coal railcar trainset leased under the 20-year lease agreement (see Note 15 – Coal Railcar Trainsets). The term of the original maintenance agreement was extended to December 31, 2025.

Collective bargaining agreement – Approximately 33% of the personnel employed by the Cooperative's work force are subject to a collective bargaining agreement. The Cooperative entered into a five-year collective bargaining agreement effective March 1, 2023 through February 28, 2026.

Letters of credit – A letter of credit in the amount of $800,000 was obtained by the Cooperative from CFC for the purpose of providing credit support for a power purchase agreement with Salt River Project Agricultural Improvement and Power District (SRP). The letter of credit was issued to SRP on December 1, 2015, and was renewed during 2023. The agreement will expire on December 31, 2025. The interest rate, if draws were to occur, will be equal to a fixed rate set by CFC, not to exceed the Prevailing Bank Prime Rate, as published in the Money Rates column of *The Wall Street Journal*, plus one percent per annum. As a condition of the letter of credit, the Cooperative is required to remain in compliance with the terms and conditions of the Indenture and Contract (see Note 2 and Note 8).

Lines of credit – The Cooperative entered into a committed line of credit agreement with CFC for $75,000,000, which expires in July 2027. The interest rate on advances will be calculated at a rate per annum as may be fixed by CFC from time to time or in the case of a SOFR advance, at a fixed rate per annum equal to Adjusted Term SOFR plus the Applicable Margin. The outstanding balance as of December 31, 2024 and 2023, was $45,000,000 and $30,000,000, respectively. The interest rate on this line of credit notes averaged 5.50% and 6.46% as of December 31, 2024 and 2023, respectively.

The Cooperative entered into a committed unsecured line of credit agreement with CoBank for $75,000,000, which expires in July 2027. The interest rate on advances will be calculated at a Base Rate Option, at a rate per annum equal to the Base Rate plus the Applicable Margin, or in the case of a Term SOFR Option, at a fixed rate per annum equal to Adjusted Term SOFR plus the Applicable Margin. There was a $44,646,886 outstanding balance as of December 31, 2024, and a $29,029,412 outstanding balance as of December 31, 2023. The interest rate on this line of credit averaged 5.64% and 6.63% as of December 31, 2024 and 2023, respectively.

Financing leases – Financing lease property and the related liabilities are in substance asset purchases. Assets and liabilities under financing leases are recorded at the lesser of the present value of the minimum lease payments or the fair value of the assets. The assets are amortized over their related lease terms or their estimated useful lives, whichever is less.

> *Vehicles* – On January 28, 2013, the Cooperative entered into a master lease agreement for the lease of substantially all of the Cooperative's vehicles. Individual lease schedules underlying the master lease agreement are entered into as individual vehicles are delivered. Each lease schedule includes a description of the vehicle, the lease term and the monthly rental and other payments due with respect to the vehicle. The term for each vehicle begins on the date each vehicle is delivered and continues as described in the individual schedule.

Computer equipment – The Cooperative entered into master lease agreements for the lease of substantially all the Cooperative's personal computers and peripheral equipment. Individual certificates of acceptance (COAs) underlying the master lease agreements are entered into as groups of computers and equipment are delivered. The terms of the COAs are for up to six years. Rent expense for the lease of the computer equipment was approximately $384,000 and $419,000 for the years ended December 31, 2024 and 2023, respectively, and is included in administration and general on the accompanying statements of revenues and expenses and unallocated accumulated margins.

Copier equipment – The Cooperative entered into two and three lease agreements for the lease of copier equipment for 2023 and 2022, respectively. The terms of each lease is 60 months. Rent expense for the lease of copier equipment was approximately $42,057 and $43,437 for the years ended December 31, 2024 and 2023, respectively and is included in administration and general on the accompanying statements of revenues and expenses and unallocated accumulated margins.

Hydrogen bulk storage vessel – The Cooperative entered into a lease agreement for the lease of a storage vessel to store hydrogen gas. The term of the lease agreement is 60 months and is automatically renewed at the end of each term for 60 months unless either party gives written termination notice at least six (6) months before the expiration of the current term. The current 60-month period expires November 1, 2027. Rent expense for the lease of the storage vessel was approximately $44,000 and $32,000 for the years ended December 31, 2024 and 2023, respectively.

Coal railcar trainsets – The Cooperative entered into lease agreements for the lease of coal railcar trainsets. Lease payments are included as a component of fuel expense. At December 31, 2024, these lease agreements consist of the following:

- A 20-year lease agreement, effective December 17, 2002 was extended effective January 1, 2023. Lease payments under this agreement totaled approximately $319,000 and $319,000 in 2024 and 2023, respectively. The Cooperative has the option of canceling this agreement effective December 31, 2025, subject to the Cooperative notifying the lessor in writing on or before 30 days prior to the effective date of the termination.

Future minimum financing lease payments and present values of the minimum lease payments are as follows as of December 31, 2024:

Years ending December 31,		
2025	$	942,169
2026		593,031
2027		626,275
2028		226,920
2029		10,372
Thereafter		131,581
Total minimum lease payments		2,530,348
Less amount representing interest		136,449
Present value of minimum lease payments		2,393,899
Less current portion		1,047,114
Total minimum payments, net	$	1,346,785

The following provides the supplemental information related to financing leases for the purpose of the measurement of lease liabilities at December 31:

	2024	2023
Financing cash flows from financing leases	$ 392,023	$ 572,209
Weighted-average remaining lease term	3.02	3.58
Weighted-average discount rate	4.16	4.24

Legal – In the normal course of business, the Cooperative is party to claims and matters of litigation. The ultimate outcome of these matters cannot presently be determined; however, in the opinion of the Management of the Cooperative, the resolution of these matters will not have a material adverse effect on the Cooperative's financial position, results of operations, or liquidity.

Note 12 – Patronage Capital

Patronage capital allocation – In accordance with the Cooperative's bylaws, the Cooperative is obligated to account, on a patronage basis, to all its Members for all amounts received and receivable from the sale and/or delivery of electric energy and other services in excess of the sum of:

- operating costs and expenses, including interest on debt service, properly chargeable against the sale and/or delivery of electric energy and other services; and
- amounts required to offset any losses incurred during the current or any prior fiscal years.

All such amounts in excess of operating costs, expenses, and prior losses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the Members as capital. The Cooperative is obligated to pay by credits to a capital account for each Member for all such amounts as credits in proportion to the value or quantity of the Cooperative's service used, received, or purchased by each Member during the applicable fiscal year in excess of operating costs and expenses and prior losses.

Patronage capital retirement – Per the Indenture, AEPCO may retire patronage capital without further restriction as long as aggregated margins and equity are maintained at a level that is at least 30% of total long-term debt and equities. The retirements for 2024 and 2023 were $0 and $314,713, respectively.

Note 13 – Employee Benefit Plans

Managed time off (MTO) – Employees earn paid time-off based on years of service and hours worked in the current period. The maximum accrued MTO for each employee is limited to a predetermined amount as established by policy of the Cooperative's Board of Directors. Any earned MTO not taken by an employee at the time of separation from employment in good standing may be paid in lump-sum as a termination benefit. Each year, employees with MTO exceeding 120 hours may convert up to 80 hours to cash at the employee's current base rate of pay.

Pension plans – The Cooperative has a defined benefit pension plan covering substantially all of its employees. Pension benefits are provided through participation in the National Rural Electric Cooperative Association (NRECA) Retirement Security Plan (RS Plan). The Cooperative contributes a percentage of salaried and union employees' earnings to the program, as prescribed by NRECA. The Cooperative's policy has been to fund retirement costs annually as they accrue. Withdrawal from the RS Plan may result in the Cooperative having a significant obligation to the program. The Cooperative does not currently intend to withdraw from the plan and accordingly, no provision has been included in the accompanying financial statements.

The NRECA RS Plan is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is a multiemployer plan under the accounting standards. The plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333. A unique characteristic of a multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits of 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.

The Cooperative's contributions to the RS Plan in 2024 and 2023, represented less than five percent of the total contributions made to the plan by all participating employers. Contributions by the Cooperative to this plan approximated $3,352,854 and $3,351,000 for the years ended December 31, 2024 and 2023, respectively. Contributions in 2024, reflect a reduction in the contribution billing rate of approximately 25% resulting from the Cooperative's voluntary decision to prepay RS Plan contributions (See RS Plan prepayment).

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, 2024 and 2023, 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.

The Cooperative offers participation in the 401(k) Pension Plan to nonunion employees hired prior to January 1, 2012 and union employees hired prior to January 1, 2019 who meet certain minimum service requirements. This plan has 401(k) salary deferral features. Under this plan, the Cooperative matches a percentage of the employees’ contributions to the plan. The Cooperative’s contributions to the plan were approximately $323,000 and $337,000 for the years ended December 31, 2024 and 2023, respectively.

The Cooperative offers participation in the 401(k) Pension Plan to nonunion employees hired after December 31, 2011 and union employees hired after December 31, 2018 who have no prior RS Plan participation history and meet certain minimum service requirements. This plan has 401(k) salary deferral features. Under this plan, the Cooperative matches a percentage of the employees’ contributions to the plan. The Cooperative’s contributions to the plan were approximately $568,000 and $402,000 for the years ended December 31, 2024 and 2023, respectively.

RS Plan prepayment – On April 29, 2013, the Cooperative voluntarily prepaid contributions of $9,600,211 to the NRECA RS Plan. The prepayment amount is the 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 was the equivalent of approximately 2.5 times the Cooperative’s 2013 annual required contribution and will result in an approximate 25% reduction in the Cooperative’s required contributions as of 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 differential in billing rates and the 15-year period. In accordance with the guidance provided by RUS to its borrowers, the Cooperative created a deferred debit and will amortize it over 17.5 years starting January 1, 2013.

Deferred compensation programs – The Cooperative offers a program to key employees whereby these employees may elect to set aside a portion of current compensation to be paid out at a later date upon a qualifying event including retirement, termination of employment, death, or disability. As of December 31, 2024 and 2023, there was one participant in the program.

Effective March 1, 2016, the Cooperative offers a program (Top Hat Plan) to key employees whereby these employees may elect to set aside a portion of current compensation to be paid out at a later date selected by the employee upon initial participation in the plan or upon a qualifying event including retirement, termination of employment, death, or disability. As of December 31, 2024 and 2023, there was one participant in this program.

Effective January 1, 2016, the Cooperative offers a program (Performance Incentive 457(f) Plan) to a select group of management, key employees, or highly compensated employees within the meaning of the Employee Retirement Income Security Act of 1974 (ERISA), which is intended to be a nonqualified deferred compensation plan maintained in conformity with the requirements of Internal Revenue Code Section 457(f). All amounts deferred under the Plan shall constitute short-term deferrals for the purposes of Code Section 409A. Benefits payable under the Plan shall be payable only if the participant achieves the performance goal or goals outlined in the Plan addendum. As of December 31, 2024 and 2023, there was one participant in this program.

Note 14 – Concentration of Customers and Credit Risk

Revenue and accounts receivable for the year ended December 31, 2024, included amounts from three customers, whom each individually represented more than 10% of the total operating revenue and accounts receivable. Revenue from these customers collectively represented approximately 85% of total operating revenue for 2024. The amounts owed from these customers collectively represented approximately 40% of the total accounts receivable balance at December 31, 2024.

Revenue and accounts receivable for the year ended December 31, 2023, included amounts from three customers, whom each individually represented more than 10% of the total operating revenue and accounts receivable. Revenue from these customers collectively represented approximately 59% of total operating revenue for 2023. The amounts owed from these customers collectively represented approximately 29% of the total accounts receivable balance at December 31, 2023.

Note 15 – Related-Parties

The Cooperative is a member of Sierra. Sierra is a member-owned, non-profit Arizona cooperative corporation organized to provide electric power and energy related products and services to its members and other patrons. The Cooperative is represented by two delegates. Each delegate is seated as a director on the Cooperative's Board of Directors and is entitled to one vote on each matter submitted to a vote at a meeting of the directors.

The Cooperative entered into an agreement with Sierra to lease certain real property (Property) to Sierra for the purpose of constructing and operating a 20-megawatt (MW) AC solar photovoltaic generating facility system (Generating Facility), which will be located on a portion of the Property. The term of the agreement is effective October 16, 2017 through December 31, 2045, and shall be automatically renewed as long as the Generating Facility remains in commercial operation. The Cooperative recorded solar site rental income from Sierra totaling approximately $10,000 for the years ended December 31, 2024 and 2023.

The Cooperative entered into an agreement with Sierra to lease certain real property (Property) to Sierra for the purpose of constructing and operating a 10 MW/ 40 MWh battery energy storage facility (Storage Facility), which will be located on a portion of the Property. The term of the agreement is effective March 27, 2024 through June 4, 2044, and shall be automatically renewed as long as the Storage Facility remains in commercial operation, the Subscription Agreement between AEPCO and SSVEC remains in place, and SSVEC does not purchase the Storage System.

The Cooperative entered into an agreement with Sierra to finance construction of solar photovoltaic distributed generation facilities with two promissory notes (see Note 6). The combined notes receivable was $1,001,303 and $1,074,502 as of December 31, 2024 and 2023, respectively.

As of December 31, 2024, the Cooperative has recorded approximately $0 accounts payable to Sierra and there were approximately $720,000 accounts receivable from Sierra. As of December 31, 2023, the Cooperative has recorded approximately $360,000 accounts payable to Sierra and there were approximately $501,000 accounts receivable from Sierra. The net receivable or payable are included in the accompanying balance sheets as accounts receivable or payable.

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
Arizona Electric Power 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, of Arizona Electric Power Cooperative, Inc. as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise Arizona Electric Power Cooperative, Inc.'s basic financial statements, and have issued our report thereon dated March 31, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Arizona Electric Power Cooperative, Inc.'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 Arizona Electric Power Cooperative, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Arizona Electric Power 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 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 Arizona Electric Power 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.

Moss Adams LLP

Portland, Oregon
March 31, 2025

MOSSADAMS