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ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT

Of

Company Name:
PO Box 930
Mailing Address:
Marana AZ
85653-0930
Docket No.:
For the Year Ended:

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:
Application Date:

ARIZONA CORPORATION COMMISSION
ELECTRIC UTILITY ANNUAL REPORT
COMPANY INFORMATION

For the Calendar Year Ended: 12/31/20

Company/Business Name:	Trico Electric				
Mailing Address:	PO Box 930				
City:	Marana	State:	Arizona	Zip Code:	85742
Telephone Number:	(520) 744-2944	Fax Number:	(520) 682-4896		
Email:	bheithoff@trico.coop				

Regulatory and On-Site Manager Contact					
Name:	Brian Heithoff				
Title:	CEO/General Manager				
Telephone No. :	(520) 744-2944				
Address:	PO Box 930				
City:	Marana	State:	Arizona	Zip Code:	85742
Email:	bheithoff@trico.coop				

Statutory Agent and Attorney					
Name:	Eric R Hawkins				
Title:	Chief Legal & Administrative Officer				
Telephone No. :	(520) 744-2944				
Address:	PO Box 930				
City:	Marana	State:	Arizona	Zip Code:	85742
Email:	ehawkins@trico.coop				

Management Contact					
Name:	Brian Fickett				
Title:	Chief Financial Officer				
Telephone No. :	(520) 744-2944				
Address:	PO Box 930				
City:	Marana	State:	Arizona	Zip Code:	85742
Email:	bfickett@trico.coop				

Regulatory and Management Contact					
Name:	Karen Cathers				
Title:	Chief Operating Officer				
Telephone No. :	(520) 744-2944				
Address:	PO Box 930				
City:	Marana	State:	Arizona	Zip Code:	85742
Email:	kcathers@trico.coop				

Ownership: Association/Co-op (A)

Counties Served: Multiple counties

ARIZONA CORPORATION COMMISSION
ELECTRIC UTILITY ANNUAL REPORT
Trico Electric

Important changes during the year	
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No	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.
	NA

No	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.
	NA

Trico Electric
ELECTRIC UTILITY ANNUAL REPORT
AUTHORIZED SERVICES AND STATISTICAL INFORMATION
12/31/20

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	47,275	564,044,190
Commercial	2,128	137,142,433
Industrial	21	117,254,355
Public Street and Highway Lighting	42	508,951
Irrigation	14	326,159
Total Retail	49,480	819,276,088

Wholesale Information

	Number of Customers	Number of kWh Sold
Resale	2	443,026
Short-term Sales (duration of less than one-year)	0	0
Total Wholesale	2	443,026

Total Sold	819,719,114	KW
Maximum Peak Load	236,168	KW
Distribution System Losses	39,692,946	KW
Distribution Losses	4.61%	
Transmission Losses	0.00%	
System Average Interruption Duration Index (SAIDI)	125	
Distribution System Losses	39,692,946	
Customer Average Interruption Duration Index (CAIDI)	192	
System Average Interruption Frequency Index (SAIFI)	1	

VERIFICATION AND SWORN STATEMENT (INTRASTATE REVENUE ONLY)

Verification:

State of Arizona I, the undersigned of the
(state name)

County of (county name):

Pima

Name (owner or official) title:

Brian Heithoff, CEO/GM

Company name:

Trico Electric

DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO THE ARIZONA CORPORATION COMMISSION.

FOR THE YEAR ENDING: 12/31/20

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

Sworn Statement: IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING THE CALENDAR YEAR WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

\$109,027,622

(The amount in the box above includes

\$7,179,488 in sales taxes

billed or collected)

Brian Heithoff
signature of owner/official

(520) 744-2944

telephone no.

SUBSCRIBED AND SWORN TO BEFORE ME A NOTARY PUBLIC
IN AND FOR THE COUNTY

THIS

15

DAY OF

Pima

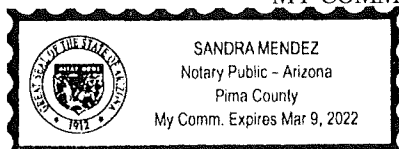
(county name)

April 2021

(month) and (year)

MY COMMISSION EXPIRES

3/9/2022
(date)



Sandra Menendez
(signature of notary public)

VERIFICATION AND SWORN STATEMENT (RESIDENTIAL REVENUE)

Verification:

State of Arizona I, the undersigned of the
(state name)

County of (county name): Pima
Name (owner or official) title: Brian Heithoff, CEO/GM
Company name: Trico Electric

DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO THE ARIZONA CORPORATION COMMISSION.

FOR THE YEAR ENDING: 12/31/20

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

Sworn Statement: IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING THE CALENDAR YEAR WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

\$80,675,014

(The amount in the box above includes

\$5,413,692

in sales taxes
billed or collected)

Brian Heithoff
signature of owner/official

(520) 744-2944

telephone no.

SUBSCRIBED AND SWORN TO BEFORE ME A NOTARY PUBLIC
IN AND FOR THE COUNTY

Pima
(county name)

THIS

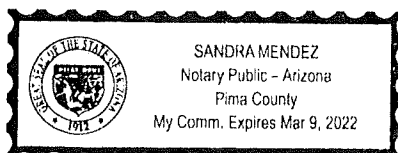
15

DAY OF

April 2021
(month) and (year)

MY COMMISSION EXPIRES

3/9/2022
(date)



Sandra Mendez
(signature of notary public)

Trico Electric
ELECTRIC UTILITY ANNUAL REPORT
UTILITY SHUTOFFS / DISCONNECTS
12/31/20

UTILITY SHUTOFFS / DISCONNECTS			
Month	Termination without Notice R14-2-211.B	Termination with Notice R14-2- 211.C	Other
January	3	128	0
February	6	110	0
March	7	44	0
April	1	0	0
May	6	1	0
June	7	0	0
July	5	2	0
August	2	0	0
September	2	1	0
October	1	0	0
November	1	0	0
December	5	36	0
Total	46	322	0

Other (description):

N/A

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

ARIZONA 20 PIMA

**TRICO ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
MARANA, ARIZONA**

FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

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

ARIZONA 20 PIMA

TRICO ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

MARANA, ARIZONA

FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

**ARIZONA 20 PIMA
TRICO ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
MARANA, ARIZONA**

**FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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**ARIZONA 20 PIMA
TRICO ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
MARANA, ARIZONA**

**FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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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
Trico Electric Cooperative, Inc. and Subsidiary
Marana, Arizona

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Trico Electric Cooperative, Inc. and Subsidiary, which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of income and patronage capital and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Trico Electric Cooperative, Inc. and Subsidiary as of December 31, 2020 and 2019, and the results of their operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The following schedules of consolidating information, electric plant, accumulated provision for depreciation and amortization, other property and investments, patronage capital, mortgage notes, administrative and general expenses, and five year comparative data are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2021, 2021 on our consideration of Trico Electric Cooperative, Inc. and Subsidiary'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 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 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 Trico Electric Cooperative, Inc. and Subsidiary's internal control over financial reporting and compliance.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

March 18, 2021

TRICO ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

Exhibit A

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019

ASSETS

	December 31,	
	2020	2019
UTILITY PLANT AT COST		
Electric Plant in Service	\$ 294,217,321	\$ 283,187,942
Electric Plant Held for Future Use	167,532	167,532
Construction Work in Progress	9,189,708	5,395,351
	<u>\$ 303,574,561</u>	<u>\$ 288,750,825</u>
Less: Accumulated Provision for Depreciation and Amortization	<u>104,312,414</u>	<u>97,848,187</u>
	<u>\$ 199,262,147</u>	<u>\$ 190,902,638</u>
OTHER PROPERTY AND INVESTMENTS - AT COST OR STATED VALUE		
Investments in Associated Organizations	\$ 49,102,657	\$ 47,968,104
Other Investments	136,786	117,196
	<u>\$ 49,239,443</u>	<u>\$ 48,085,300</u>
CURRENT ASSETS		
Cash - General	\$ 3,680,751	\$ 4,786,394
Temporary Cash Investments	2,000,000	5,000,000
Accounts Receivable (Less allowance for uncollectibles of \$810,892 in 2020 and \$623,869 in 2019)	4,262,090	3,745,116
Accounts Receivable - Unbilled Revenue	1,259,000	1,168,984
Power Cost Adjustment - Underbilled		493,035
Materials and Supplies at Average Cost	4,930,614	4,354,183
Other Current and Accrued Assets	920,132	511,649
	<u>\$ 17,052,587</u>	<u>\$ 20,059,361</u>
DEFERRED CHARGES	<u>\$ 3,010,484</u>	<u>\$ 3,364,033</u>
TOTAL ASSETS	<u>\$ 268,564,661</u>	<u>\$ 262,411,332</u>

EQUITIES AND LIABILITIES

EQUITIES		
Patronage Capital	\$ 121,730,383	\$ 113,342,678
Other Equities	7,096,436	7,065,199
	<u>\$ 128,826,819</u>	<u>\$ 120,407,877</u>
LONG-TERM DEBT		
RUS Mortgage Notes Less Current Maturities	\$ 7,924,982	\$ 9,079,075
FFB Mortgage Notes Less Current Maturities	56,633,875	71,199,063
CFC Mortgage Notes Less Current Maturities	23,656,803	24,808,991
CoBank Mortgage Notes Less Current Maturities	18,736,820	19,525,663
Obligations Under Capital Lease	9,323,204	9,915,727
RUS Advance Payments		(12,082,413)
	<u>\$ 116,275,684</u>	<u>\$ 122,446,106</u>
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 5,621,000	\$ 6,040,000
Current Maturities of Capital Leases	619,119	583,417
Accounts Payable - Purchased Power	4,347,978	3,931,646
Accounts Payable - Other	1,620,549	1,224,316
Power Cost Adjustment - Overbilled	2,215,191	
Consumer Deposits	2,283,762	1,953,386
Accrued Taxes	1,287,514	1,338,795
Accrued Interest	178,185	148,930
Accrued Employee Compensated Absences	2,525,847	2,083,274
Other Current and Accrued Liabilities	584,696	511,655
	<u>\$ 21,283,841</u>	<u>\$ 17,815,419</u>
DEFERRED CREDITS	<u>\$ 2,060,770</u>	<u>\$ 1,658,839</u>
PENSION RESERVES - Deferred Compensation	<u>\$ 117,547</u>	<u>\$ 83,091</u>
TOTAL EQUITIES AND LIABILITIES	<u>\$ 268,564,661</u>	<u>\$ 262,411,332</u>

The accompanying notes are an integral part of these financial statements.

TRICO ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

Exhibit B

CONSOLIDATED STATEMENTS OF INCOME AND PATRONAGE CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Years Ended December 31,				
	2020		2019		
	Amount	%	Amount	%	Increase (Decrease)
OPERATING REVENUES					
Residential	\$ 75,261,322	74.1	\$ 65,583,861	69.6	\$ 9,677,461
Irrigation	44,948	0.0	46,860	0.0	(1,912)
Commercial and Industrial	27,244,072	26.7	26,248,488	27.8	995,584
Public Buildings and Other Authorities	98,593	0.1	101,227	0.1	(2,634)
Sales for Resale	34,407	0.0	39,746	0.0	(5,339)
Unbilled Revenue	90,016	0.1	(111,195)	(0.1)	201,211
Power Cost Adjustment	(2,708,227)	(2.7)	712,718	0.8	(3,420,945)
Rent from Electric Property	557,500	0.5	412,263	0.4	145,237
Other Electric Revenue	1,225,502	1.2	1,306,134	1.4	(80,632)
Total Operating Revenues	\$ 101,848,133	100.0	\$ 94,340,102	100.0	\$ 7,508,031
OPERATING EXPENSES					
Purchased Power	\$ 55,033,239	54.0	\$ 50,984,851	54.0	\$ 4,048,388
Generation - Operation	211,823	0.2	58,783	0.1	153,040
Generation - Maintenance	130,828	0.1	102,268	0.1	28,560
Transmission	140,975	0.1	152,271	0.2	(11,296)
Distribution - Operation	7,611,667	7.5	7,314,992	7.8	296,675
Distribution - Maintenance	2,288,082	2.2	2,500,839	2.7	(212,757)
Customer Accounts	2,665,186	2.6	2,484,163	2.6	181,023
Customer Service and Information	627,626	0.6	675,922	0.7	(48,296)
Administrative and General	7,039,933	6.9	7,142,647	7.6	(102,714)
Depreciation	9,087,915	8.9	11,974,584	12.7	(2,886,669)
Other Deductions	1,139,381	1.1	311,939	0.3	827,442
Total Operating Expenses	\$ 85,976,655	84.2	\$ 83,703,259	88.8	\$ 2,273,396
OPERATING MARGINS - Before Fixed Charges	\$ 15,871,478	15.8	\$ 10,636,843	11.2	\$ 5,234,635
FIXED CHARGES					
Interest on Long-Term Debt	4,839,845	4.8	5,149,737	5.5	(309,892)
OPERATING MARGINS - After Fixed Charges	\$ 11,031,633	11.0	\$ 5,487,106	5.7	\$ 5,544,527
Capital Credits	1,760,829	1.7	2,352,814	2.5	(591,985)
NET OPERATING MARGINS	\$ 12,792,462	12.7	\$ 7,839,920	8.2	\$ 4,952,542
NONOPERATING MARGINS					
Interest Income	\$ 433,744	0.4	\$ 762,073	0.8	\$ (328,329)
Other Nonoperating Income (Loss)	7,849	0.0	(7,900)	0.0	15,749
	\$ 441,593	0.4	\$ 754,173	0.8	\$ (312,580)
NET MARGINS BEFORE PROVISION FOR INCOME TAXES	\$ 13,234,055	13.1	\$ 8,594,093	9.0	\$ 4,639,962
PROVISION FOR INCOME TAX EXPENSE (BENEFIT)	(39,237)	0.0	(3,696)	0.0	(35,541)
NET MARGINS	\$ 13,273,292	13.1	\$ 8,597,789	9.0	\$ 4,675,503
PATRONAGE CAPITAL - Beginning of Year	113,342,678		108,117,174		
Patronage Capital Retired	(4,885,587)		(3,372,285)		
PATRONAGE CAPITAL - End of Year	\$ 121,730,383		\$ 113,342,678		

The accompanying notes are an integral part of these financial statements.

TRICO ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

Exhibit C

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	December 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margins	\$ 13,273,292	\$ 8,597,789
Adjustments to Reconcile Net Margins to Net Cash Provided by Operating Activities		
Depreciation	9,885,822	12,696,970
Capital Credits	(1,204,069)	(1,807,276)
Deferred Charges	353,549	566,057
Deferred Credits	401,931	(1,029,236)
Accounts Receivable	(391,305)	786,473
Accounts Receivable - Unbilled Revenue	(90,016)	111,195
Inventories and Prepaid Expenses	(984,915)	(697,473)
Power Cost Adjustment	2,708,226	(712,717)
Payables and Accrued Expenses	1,510,861	(154,354)
Net Cash From Operating Activities	<u>\$ 25,463,376</u>	<u>\$ 18,357,428</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Utility Plant	\$ (17,562,642)	\$ (18,972,422)
Salvage Value of Retirements and Other Credits	126,722	493,037
Plant Removal Costs	(809,411)	(236,039)
Other Property and Investments	84,382	15,116
Net Cash From Investing Activities	<u>\$ (18,160,949)</u>	<u>\$ (18,700,308)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from FFB	\$	\$ 6,000,000
Capital Leases Executed	32,846	
Net Activity on Line of Credit		(8,000,000)
Payments on Long-Term Debt to RUS	(1,303,093)	(1,093,293)
Payments on Long-Term Debt to FFB	(14,848,188)	(2,786,316)
Payments on Long-Term Debt to CFC	(1,184,188)	(1,119,971)
Payments on Long-Term Debt to CoBank	(743,843)	(710,385)
Payments on Capital Leases	(589,667)	(511,256)
Advance Payment - RUS	12,082,413	
Retirement of Patronage Capital	(4,885,587)	(3,372,285)
Other Equities	31,237	28,663
Net Cash From Financing Activities	<u>\$ (11,408,070)</u>	<u>\$ (11,564,843)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	<u>\$ (4,105,643)</u>	<u>\$ (11,907,723)</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>9,786,394</u>	<u>21,694,117</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 5,680,751</u></u>	<u><u>\$ 9,786,394</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest	\$ 4,842,302	\$ 5,152,312
Income Taxes	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of these financial statements.

TRICO ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Trico Electric Cooperative, Inc. (the Cooperative) is a non-profit company organized to provide electric service at the retail level to primarily residential and commercial accounts in a designated service area. Power delivered at retail is purchased wholesale from Tucson Electric Power, Arizona Electric Power Cooperative, which Trico is a member and Avion Solar LLC, a wholly owned subsidiary of Trico Electric Cooperative, Inc. Any revenues earned in excess of costs incurred are allocated to members of the Cooperative and are reflected as patronage capital equity in the balance sheet. Avion Solar LLC is a ten megawatt solar generating array and delivers power to the Cooperative under a solar services agreement. Avion Solar LLC was formed in 2017 and began operations in December of 2018.

Principles of Consolidation

The consolidated financial statements include the accounts of the Cooperative and its wholly owned subsidiary, Avion Solar LLC. All significant intercompany transactions and accounts have been eliminated in consolidation.

System of Accounts

The accounting records of the Cooperative are maintained in accordance with the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission for Class A and B electric utilities modified for electric borrowers of the Rural Utilities Service (RUS).

Electric Plant, Maintenance, and Depreciation

Electric 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.

Inventories

Materials and supplies inventories are valued at average unit cost.

Electric Revenues from Contracts with Customers

The Cooperative's operating revenues are under the jurisdiction of the Arizona Corporation Commission.

TRICO ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Cooperative records electric revenues as billed to consumers based upon meter readings obtained throughout the month. Revenue is accrued for power delivered but not billed at the end of each month. The Cooperative has calculated that its unbilled revenue for delivered power usage which has not been billed to customers at December 31, 2020 and 2019 amounted to \$1,259,000 and \$1,168,984, respectively.

The Cooperative does not recognize a separate financing component of its collections from customers as contract terms are short-term in nature.

The Cooperative's tariffs for electric service include power cost adjustment clauses under which electric rates are adjusted to reflect changes in the cost of purchased power. In order to match power cost and related revenues, power cost to be billed in subsequent periods is recognized as accounts receivable, and power cost to be refunded in subsequent periods is reflected as a liability.

Patronage Capital Certificates

Patronage capital from associated organizations is recorded at the stated amount of the certificates. At the end of each year the Cooperative receives an estimated allocation from its G & T power supply cooperative. In accordance with the USOA, the Cooperative records this estimated amount as income. Any differences between the estimated amounts and actual final allocations are recorded in the following years. For the years ended 2020 and 2019, the actual final allocations were recorded.

The G & T patronage income recognized for the 2020 and 2019 years are as follows:

	December 31,	
	2020	2019
Final Allocation for 2020	\$ 1,403,953	\$
Final Allocation for 2019		1,998,147
	<u>\$ 1,403,953</u>	<u>\$ 1,998,147</u>

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and temporary cash investments are treated as cash and cash equivalents.

Concentration of Credit Risk

The Cooperative's headquarters facility is located in Marana, Arizona. The service area includes members located in a three county area surrounding the city of Tucson. The Cooperative records a receivable for electric revenue as billed on a monthly basis. The Cooperative requires a deposit from its members upon connection, which is applied to unpaid bills and fees in the event of default. The deposit accrues interest annually and is returned along with accrued interest after one year of prompt payments. As of December 31, 2020 and 2019, deposits on hand totaled \$2,283,762 and \$1,953,386, respectively. Although the Cooperative maintains its bank deposits in institutions that are insured by an agency of the federal government, deposits at times exceed insured amounts.

TRICO ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Income Taxes

More than 85% of the income for the Cooperative is collected from the Cooperative's members. As a result, the Cooperative is exempt from federal income taxes under the provisions of the Internal Revenue Code Section 501 (c)(12).

As a for-profit corporation, Avion Solar LLC is subject to federal income taxes. The corporation recognizes tax benefits due to accelerated depreciation recognition for tax purposes. Income tax benefit for the year ended December 31, 2020 and 2019 was \$39,237 and \$3,696, respectively.

The Cooperative uses the asset and liability method for recording income taxes as provided for in Accounting Standards "Accounting for Income Taxes". The objective of the asset and liability method is to establish deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of the assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized and settled.

The balance of the net deferred federal income tax asset is disclosed in the deferred charges section of the balance sheet for 2020. The total deferred tax asset is \$42,933 and \$3,696 for 2020 and 2019, respectively.

Uncertain Tax Positions

The Cooperative adopted 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), or other State taxing authority 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 U.S. federal and state income tax examinations by federal taxing authorities for years before 2017.

The Cooperative recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. There were no penalties or interest recognized during the years ended December 31, 2020 and 2019.

Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of consolidated 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 consolidated 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 to current period presentation.

TRICO ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Assets Pledged

All assets are pledged as security for the long-term debt due RUS, Federal Financing Bank (FFB), National Rural Utilities Cooperative Finance Corporation (CFC) and CoBank.

3. Electric Plant

The major classes of electric plant are as follows:

	December 31,	
	2020	2019
Electric Plant Acquisition Adjustment	\$ 100,577	\$ 84,045
Intangible Plant	395,160	395,160
Other Production Plant	292,259	292,259
Transmission Plant	16,474,814	12,801,236
Distribution Plant	239,331,644	232,882,388
General Plant	25,832,561	24,975,394
Capital Lease Plant	32,846	
Solar Plant	11,757,460	11,757,460
Total Electric Plant in Service	\$ 294,217,321	\$ 283,187,942
Electric Plant Held for Future Use	167,532	167,532
Construction Work in Progress	9,189,708	5,395,351
Total Electric Plant in Service	\$ 303,574,561	\$ 288,750,825

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

Transmission Plant	2.75%
Distribution Plant	3.00%
Distribution Plant – Metering Equipment	6.09%
Solar Plant	4.00% - 8.33%
Structures and Improvements	2.00% - 7.00%
Office Furniture and Fixtures	5.00% - 50.00%
Transportation Equipment	3.30% - 20.00%
Store Equipment	5.00% - 10.00%
Tools, Shop, and Garage Equipment	4.00% - 33.33%
Laboratory Equipment	5.00% - 20.00%
Power Operated Equipment	5.00% - 33.00%
Communication Equipment	5.00% - 33.33%
Miscellaneous General Plant	5.00% - 20.00%

Depreciation for the years ended December 31, 2020 and 2019, was \$9,885,822 and \$12,696,969, respectively, of which \$9,087,915 and \$11,974,584 was charged to depreciation expense, and \$797,907 and \$722,385 were allocated to other accounts.

TRICO ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

During 2019 the Cooperative converted existing metering and metering technology to a new system. In order to fully retire the existing metering system by the end of 2019, the Cooperative recognized an additional \$3,000,000 in depreciation expense in 2019.

4. Other Property and Investments

Other property and investments consisted of the following as of December 31, 2020 and 2019:

	December 31,	
	2020	2019
CFC		
Capital Term Certificates	\$ 1,012,417	\$ 1,081,934
Patronage Capital	879,258	843,413
Membership	1,000	1,000
Arizona Electric Power Cooperative, Inc.		
Patronage Capital	45,944,053	44,861,759
Other	1,402,715	1,297,194
	<u>\$ 49,239,443</u>	<u>\$ 48,085,300</u>

5. Temporary Investments – At Cost

	December 31,	
	2020	2019
CFC Commercial Paper	\$ 2,000,000	\$ 5,000,000
	<u>\$ 2,000,000</u>	<u>\$ 5,000,000</u>

6. Materials and Supplies

Materials and supplies consisted of:

	December 31,	
	2020	2019
Construction Materials and Supplies	\$ 4,887,310	\$ 4,290,777
Transportation Supplies	6,189	6,016
Fuel	37,115	57,390
	<u>\$ 4,930,614</u>	<u>\$ 4,354,183</u>

TRICO ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Deferred Charges

Deferred charges consisted of:

	December 31,	
	2020	2019
NRECA Retirement Program Prepayment	\$ 1,423,914	\$ 1,898,551
Preliminary Survey and Investigation	119,142	242,392
Rate Case Expense		37,480
Prepaid Land Leases	560,211	478,049
Other	907,217	707,561
	<u>\$ 3,010,484</u>	<u>\$ 3,364,033</u>

In 2013, the Cooperative approved and funded a prepayment of \$4,746,379 in the National Rural Electric Cooperative Association (NRECA) R&S plan in return for future anticipated discounted contributions. The prepayment is being amortized over a ten year period.

8. Return of Capital

Under the provisions of the mortgage agreements, until the equities and margins equal or exceed 30% of the total assets of the Cooperative, the return to patrons of capital contributed by them is limited generally to 25% of the patronage capital or margins received by the Cooperative in the prior calendar year. The equities and margins of the Cooperative represent 47.97% of the total assets at the balance sheet date. The Cooperative retired \$4,885,587 and \$3,372,285 of patronage capital during 2020 and 2019, respectively.

9. Patronage Capital

	December 31,	
	2020	2019
Assigned	\$ 107,288,107	\$ 103,464,710
Assignable	14,442,276	9,877,968
Balance	<u>\$ 121,730,383</u>	<u>\$ 113,342,678</u>

TRICO ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Other Equities

	December 31,	
	2020	2019
Retired Capital Credits - Gain	\$ 528,770	\$ 497,533
Donated Capital	4,484,682	4,484,682
Gain on Sale of Property	2,082,984	2,082,984
	<u>\$ 7,096,436</u>	<u>\$ 7,065,199</u>

11. Mortgage Notes – RUS

Long-term debt due RUS is represented by 35-year mortgage notes payable to the United States of America. Following is a summary of long-term debt due RUS and maturing at various times between 2021 and 2039:

	December 31,	
	2020	2019
4.62% Notes	\$ 1,961,774	\$ 2,089,261
5.00% Notes	3,008,126	3,735,454
5.12% Notes	2,158,763	2,293,085
5.50% Notes	894,952	1,129,964
5.75% Notes	902,367	981,311
	<u>\$ 8,925,982</u>	<u>\$ 10,229,075</u>
Less: Current Maturities	<u>1,001,000</u>	<u>1,150,000</u>
	<u>\$ 7,924,982</u>	<u>\$ 9,079,075</u>

Principal and interest installments on the above notes are due in quarterly and monthly amounts. As of December 31, 2020, annual maturities of long-term debt due RUS for the next five years are as follows:

2021	\$ 1,001,000
2022	1,054,000
2023	1,109,000
2024	962,000
2025	845,000

TRICO ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Mortgage Notes - FFB

Following is a summary of long-term debt due FFB and maturing at various times between 2023 and 2052:

	December 31,	
	2020	2019
4.360% Notes	\$	\$ 1,670,704
3.623% Notes	609,444	816,790
3.499% Notes		1,220,307
4.004% Notes		2,066,378
4.283% Notes		1,250,212
3.638% Notes	11,009,262	11,508,077
3.119% Notes		2,471,893
2.558% Notes	7,523,010	7,826,879
2.100% Notes	3,785,765	3,948,904
2.406% Notes	2,310,036	2,406,444
1.449% Notes	1,187,418	1,650,495
3.249% Notes		1,127,606
3.088% Notes		2,261,653
2.541% Notes	2,203,733	2,277,634
2.496% Notes	2,455,264	2,538,062
2.208% Notes	6,903,181	7,144,414
1.772% Notes	7,722,725	8,007,384
2.523% Notes	7,711,059	7,970,227
1.604% Notes	5,894,978	6,000,000
	<u>\$ 59,315,875</u>	<u>\$ 74,164,063</u>
Less: Current Maturities	<u>2,682,000</u>	<u>2,965,000</u>
	<u>\$ 56,633,875</u>	<u>\$ 71,199,063</u>

Principal and interest installments on the above notes are due in quarterly amounts. As of December 31, 2020 annual maturities of long-term debt due FFB for the next five years are as follows:

2021	\$ 2,682,000
2022	2,758,000
2023	2,585,000
2024	7,721,000
2025	2,313,000

The Cooperative has \$37,617,000 available unadvanced loan funds from FFB.

TRICO ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Mortgage Notes – CFC

Following is a summary of long-term debt due CFC and maturing at various times from 2021 to 2040:

	December 31,	
	2020	2019
3.30% - 4.40% Notes	\$ 20,605,137	\$ 21,267,222
6.18% Notes		93,366
6.22% Notes	583,097	727,837
6.25% Notes	1,968,963	2,082,754
6.26% Notes	1,652,606	1,822,812
	\$ 24,809,803	\$ 25,993,991
Less: Current Maturities	1,153,000	1,185,000
	<u>\$ 23,656,803</u>	<u>\$ 24,808,991</u>

Principal and interest installments on the above notes are due in quarterly amounts. As of December 31, 2020, annual maturities of long-term debt due CFC for the next five years are as follows:

2021	\$ 1,153,000
2022	1,217,000
2023	1,285,000
2024	1,264,000
2025	1,238,000

14. Mortgage Notes – CoBank

Following is a summary of long-term debt due CoBank and maturing in 2039:

	December 31,	
	2020	2019
4.220% Note	\$ 19,521,820	\$ 20,265,663
	\$ 19,521,820	\$ 20,265,663
Less: Current Maturities	785,000	740,000
	<u>\$ 18,736,820</u>	<u>\$ 19,525,663</u>

TRICO ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Principal and interest installments on the above notes are due in quarterly amounts. As of December 31, 2020, annual maturities of long-term debt due CoBank for the next five years are as follows:

2021	\$ 785,000
2022	825,000
2023	867,000
2024	909,000
2025	958,000

15. Capital Lease Obligations

Avion Solar LLC executed a capital lease agreement with Farm Credit Leasing in conjunction with the construction of the 10 megawatt solar array in 2018 with an interest rate of 4.705%. Trico executed a capital lease agreement with Farm Credit Leasing in conjunction with the purchase of an electric vehicle in 2020 with an interest rate of .92%.

	December 31,	
	2020	2019
Solar Plant Financed	\$ 11,010,400	\$ 11,010,400
Transportation Equipment Financed	32,846	
Less: Accumulated Depreciation	1,447,586	720,919
	<u>\$ 9,595,660</u>	<u>\$ 10,289,481</u>

A schedule of future minimum lease payments under the lease is as follows:

2021	\$ 1,072,855
2022	1,072,855
2023	1,076,235
2024	1,064,991
2025	1,064,991
2026-2032	7,636,892
	<u>\$ 12,988,819</u>
Less: Current Maturities	619,119
Less: Amount Representing Interest	3,046,496
Present Value of Net Capital Lease Payments	<u>\$ 9,323,204</u>

TRICO ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. Short-Term Borrowing

The Cooperative has a \$13,000,000 line of credit for short-term financing with CFC at an interest rate equal to CFC line of credit interest rate in effect at time of borrowing. The Cooperative also has a \$10,000,000 revolving line of credit for short-term financing with CFC and CoBank. At December 31, 2020, the Cooperative did not have any amounts outstanding under these agreements.

17. Litigation and Commitments

The Cooperative is not involved in litigation which is expected to have an adverse effect on the financial position of the Cooperative.

18. Deferred Credits

Deferred credits consisted of:

	December 31,	
	2020	2019
Advances for Construction	\$ 304,079	\$ 327,637
Energy Conservation Programs	38,647	72,836
Unclaimed Capital Credits and Unclaimed General Funds	1,721,529	1,258,366
Other	(3,485)	
	<u>\$ 2,060,770</u>	<u>\$ 1,658,839</u>

Advances for construction represent refundable advances paid by the members. This amount is refunded over ten years based on an agreement with the members. To the extent amounts remain after ten years, these amounts are no longer refundable and are credited to construction work in progress.

ACC Mandated Energy Conservation Programs include Demand Side Management programs and Renewable Energy program designed to use renewable energy such as solar energy. These projects are funded by an ACC approved surcharge on the member's bill and the balance represents the unused portion of the amounts collected.

19. Pension Benefits

Narrative Description

The Retirement and Security Plan (RS Plan) sponsored by the NRECA is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is considered a multiemployer plan under the accounting standards. The RS Plan sponsor's Employer Identification Number is 53-0116145 and the RS Plan Number is 333.

A unique characteristic of a multi-employer 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.

TRICO ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Plan Information

The Cooperative's contributions to the RS Plan in 2020 and 2019 represented less than five percent of the total contributions made to the RS Plan by all participating employers. The Cooperative made contributions to the RS Plan of \$1,842,622 in 2020 and \$1,824,400 in 2019. There have been no significant changes that affect the comparability of 2020 and 2019 contributions. Pension expense for the years ended December 31, 2020 and 2019, including amortization was \$2,317,260 and \$2,299,038, respectively.

For 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% funded on January 1, 2020 and over 80% funded on January 1, 2019 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.

RS Plan Prepayment Option

At the December 2012 meeting of the I&FS Committee of the NRECA Board of Directors, the Committee approved an option to allow participating cooperatives in the RS Plan to make a contribution prepayment and reduce future required contributions. The prepayment amount is a cooperative's share, as of January 1, 2014, of future contributions required to fund the RS Plan's unfunded value of benefits earned to date using the RS Plan actuarial valuation assumptions. The prepayment amount will typically equal approximately 2.5 times a cooperative's annual RS Plan required contribution as of January 1, 2014. After making the prepayment, for most cooperatives the billing rate is reduced by approximately 25%, retroactive to January 1, 2014. The 25% differential in billing rates is expected to continue for approximately 15 years. However changes in interest rates, asset returns and other plan experiences different from expected, plan assumption changes and other factors may have an impact on the differential in billing rates and the 15 year period.

Savings Plan

The Cooperative participates in the NRECA Savings Plan, a defined contribution plan. The 401(k) Plan is available to all full time employees. Contributions to the 401(k) Plan by the Cooperative were \$397,165 and \$394,116 for 2020 and 2019, respectively.

20. Related Party Transaction

The Cooperative purchases a portion of its power from Arizona Electric Power Cooperative, of which it is a member and is represented on the Board of Directors. Power is purchased according to the contract currently in force.

TRICO ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

21. Disclosures About Fair Value of Consolidated Financial Statements

Many of the Cooperative's financial instruments lack an available market with similar terms, conditions, and maturities as those reflected in the carrying amount recorded. Accordingly, significant assumptions, estimations, and present value calculations were used for purposes of this disclosure.

Estimated Fair Value has been determined by calculating the present value of financial instruments using the best data available.

Fair Value for some amounts carried on the consolidated financial statements has not been calculated for the following reasons:

Patronage Capital from Associated Organizations – The right to receive cash is an inherent component of a financial instrument. The Cooperative holds no right to receive cash since any payments are at the discretion of the governing body for the associated organizations. As such, Patronage Capital from Associated Organizations are not considered financial instruments.

CFC Capital Term Certificates – It is not practicable to estimate fair value for these financial instruments given the lack of a market and their long holding period. Relevant information with respect to these are as follows:

	Amount	Rate	Maturity
\$	176,811	5.00%	2070
	215,823	5.00%	2075
	412,463	5.00%	2080
	58,300	3.00%	2025
	75,450	3.00%	2030
	73,570	0.00%	2021 to 2032

Temporary Investments – The recorded book value approximates fair value given the short period to maturity.

The estimated fair value of the Cooperative's financial instruments is as follows:

	Carrying Value	Fair Value
RUS	\$ 8,925,982	\$ 10,647,753
FFB	59,315,874	54,319,339
CFC	24,809,803	28,671,625
CoBank	19,521,820	22,353,284
Capital Lease	9,942,323	11,352,715
	<u>\$ 122,515,802</u>	<u>\$ 127,344,716</u>

TRICO ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Long-Term Debt – The fair value of the Cooperative’s fixed rate long-term debt is calculated by computing the present value of the individual notes to maturity. The discount rate used is the currently available market fixed interest rate available for long-term debt re-pricing at the same maturity as the current debt.

Fair Value Hierarchy

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.

Long-Term Debt valuations are considered Level 2.

22. Subsequent Events

The Cooperative has evaluated subsequent events through March 18, 2021, the date which the consolidated financial statements were available to be issued.

23. Contingencies

Clean Power Plan/Affordable Clean Energy Rule/New Federal Regulation

On July 8, 2019, the U.S. Environmental Protection Agency (EPA) promulgated a final Affordable Clean Energy (ACE) rule that repealed the Clean Power Plan (CPP). EPA found the CPP was outside of the agency’s regulatory discretion by requiring actions outside the fence line. Similarly, EPA found that the statutory language restricted EPA to imposing requirements achievable at the source. ACE required existing Electric Generating Units to install various “candidate technologies” and achieve improved heat rate efficiency. Numerous parties filed suit to challenge the ACE rule.

On January 19, 2021, the United States Court of Appeals for the District of Columbia (Court) held that the ACE rule was arbitrary and capricious and overturned the rule. The Biden Administration has indicated it will not appeal the Court’s ruling and the EPA has indicated it will be drafting a new rule regulating the emission of greenhouse gases on an expedited basis.

TRICO ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of this date, the exact details of the new rule are not known. However, statements from the EPA and Executive Orders issued by the Biden Administration indicate the rule will include significant new restrictions on greenhouse gas emissions. The new rule will likely impact Arizona Electric Power Cooperative (AEP CO's) generating units at Apache Station. Potential impacts could include the need for additional heat rate improvement measures, the addition of new compliant generating resources, decommissioning one or more existing generating units or any combination of the foregoing.

Trico could be financially impacted due to Trico's Partial Requirements Capacity and Energy Agreement with AEP CO. Under that agreement, Trico has a 21.1% interest in the output of, and expenses associated with the Apache Station generating units. Trico would be responsible for a proportionate percentage of outstanding loans and remaining uncollected decommissioning costs of any retired units. In addition, Trico would potentially need to replace capacity associated with its percentage ownership of decommissioned AEP CO generating units, which would likely be at a higher cost to Trico. The financial impact to Trico cannot be fully determined until a final rule is adopted and implementation provisions are determined.

Unrecovered Fixed Cost Revenues

On October 23, 2015, the Cooperative filed a rate case with the Arizona Corporation Commission (ACC) seeking, among other things, to recover fixed generation, transmission and distribution costs which are not recovered from members who net meter distributed generation. Trico's current rate structure recovers a significant amount of its fixed cost through the energy rate charged to its members. The resulting unrecovered fixed costs associated with generation and transmission, must be allocated through the Power Cost Adjuster to non-net metering members, i.e., those without distributed generation systems. Unrecovered fixed distribution costs are recovered through additional rate cases. As of year-end 2016, unrecovered fixed costs associated with distributed generation in Trico's service territory were estimated to be in excess of \$1.8 million annually. In a decision issued effective as of March 1, 2017, the Arizona Corporation Commission approved Trico's Proposal to implement an export rate of \$0.077 per kWh for power generated over and above that used by residential members for their own needs and pushed back on to the grid, in lieu of crediting the Member at the full retail rate for such excess power. On January 19, 2018, the Arizona Corporation Commission approved Trico's Proposed Plan of Administration, which incorporates the \$0.077 per kWh export rate, along with an annual adjustment mechanism, which reduces the export rate by 10 percent until the export rate is equivalent to Trico's avoided cost rate of purchased power. The current Export Rate is \$0.05052 per kWh. Distributed generation systems on Trico's system prior to March 1, 2017 will continue to be net metered for 20 years from the date of their original interconnection date.

Labor Agreement

As of December 31, 2020, 63% of Trico Electric Cooperative's employees work under a collective bargaining agreement that expired on December 31, 2020. A new collective bargaining agreement has been negotiated and executed and will be effective January 1, 2021 through December 31, 2024.

TRICO ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Chirreon Solar and Storage Project

On October 16, 2019, Trico Electric Cooperative, Inc. (Trico) executed a Development Transfer Agreement (DTA) between Torch Clean Energy, LLC (Torch) and Trico. The DTA provides for development of a 10 MW AC solar generation facility and 15 MW / 30 MWh battery storage system (Project) by Torch at Torch's expense through the start of construction. Closing on interim financing with Farm Credit Leasing (FCL) and approval to start procuring equipment for the Project is expected to occur in March 2021.

In October 2019, in order to qualify for the 30% federal investment tax credit (ITC) and gain "Safe Harbor Treatment", the Project issued a purchase order to procure the step-up transformers in the amount of \$484,000. These transformers were delivered to the construction contractor, Swinerton Renewable Energy (Swinerton), prior to the end of 2019. To achieve the benefit of the ITC, Torch created a project company (Chirreon Energy, LLC, or the Project Company).

Torch has proceeded to develop the 10 MW AC solar and 15MW/30MWh Battery Storage Project in Pinal County, near the county line. The Project is located on land owned by the State of Arizona. After the State has completed its statutorily required posting and auction process, the Project Company will execute a long-term lease with the State for the real property (Site Lease).

The Project will be financed pursuant to an Interim Financing Agreement between FCL and the Project Company. FCL will fund the costs associated with the Project and take title to the Project, pursuant to a set of agreements with the Project Company. Trico will execute a Parent Guaranty of the financing agreements between the Project Company and FCL. The Parent Guaranty will terminate when the State auction process is completed, and the Site Lease is executed. Funding for the Project during the term of the Parent Guaranty is estimated to be less than \$5 million.

To construct the Project, Chirreon Energy, LLC will enter into an Engineering, Procurement, and Construction (EPC) Agreement with Swinerton. Torch will manage the construction of the Project as Trico's agent with Trico review and oversight. Since FCL will own the Project, the Project Company will partially assign the EPC to FCL.

As part of the closing, Trico and the Project Company will execute a Solar and Storage Services Agreement pursuant to which Trico will agree to purchase the full electrical output and storage capacity of the Project. The Project Company will assign both the Solar and Storage Services Agreement to FCL as collateral for the repayment of obligations under the Interim Financing Agreement and the eventual permanent financing. As additional security for the repayment of all obligations to FCL, the Project Company will execute a Deed of Trust encumbering the Site Lease.

Following substantial completion of construction, the Project Company will close on long term financing arrangements with FCL through a Project Lease Agreement, which will allow FCL to hold title to the Project and lease it to the Project Company to take advantage of certain tax benefits from the Project. Trico will have the option to purchase the Solar and Storage System for a residual value payment at the end of the Project Lease Agreement. The expected in-service date for the Project is prior to Summer 2022.

TRICO ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

24. Recently Adopted Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers, Topic 606*, which provides a new framework for the recognition of revenue. The Cooperative implemented the guidance on January 1, 2019. Results and disclosures for reporting periods beginning with 2018 are presented in accordance with Topic 606, while prior period results have been adjusted with a prior period restatement in accordance with the requirements of the Standard. The implementation did not have a material impact on the Cooperative's financial statements. The Standard did require increased disclosures regarding revenues related to contracts with customers and the addition of amounts related to unbilled revenue, unbilled power cost adjustment revenue and accrued power cost.

SUPPLEMENTARY INFORMATION

TRICO ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

Schedule 1

CONSOLIDATING INFORMATION
BALANCE SHEET
DECEMBER 31, 2020

ASSETS

	<u>Trico Electric</u>	<u>Avion</u>	<u>Eliminating Entries</u>	<u>Consolidated Total</u>
UTILITY PLANT/ FIXED ASSETS AT COST				
Electric Plant in Service	\$ 282,427,015	\$ 747,060	\$	\$ 283,174,075
Property Under Capital Lease	32,846	11,010,400		11,043,246
Electric Plant Held for Future Use	167,532			167,532
Construction Work in Progress	9,189,708			9,189,708
	<u>\$ 291,817,101</u>	<u>\$ 11,757,460</u>	<u>\$</u>	<u>\$ 303,574,561</u>
Less: Accumulated Provision for Depreciation and Amortization	<u>102,810,195</u>	<u>1,502,219</u>		<u>104,312,414</u>
	<u>\$ 189,006,906</u>	<u>\$ 10,255,241</u>	<u>\$</u>	<u>\$ 199,262,147</u>
OTHER PROPERTY AND INVESTMENTS AT COST OR STATED VALUE				
Investments in Associated Organizations	\$ 49,102,657	\$	\$	\$ 49,102,657
Other Investments	136,786			136,786
Investment in Subsidiary	1,197,800		(1,197,800)	
	<u>\$ 50,437,243</u>	<u>\$ 0</u>	<u>\$ (1,197,800)</u>	<u>\$ 49,239,443</u>
CURRENT ASSETS				
Cash - General	\$ 3,677,766	\$ 2,985	\$	\$ 3,680,751
Temporary Cash Investments	2,000,000			2,000,000
Accounts Receivable (Less allowance for uncollectibles of \$810,892)	4,262,090	85,959	(85,959)	4,262,090
Accounts Receivable - Unbilled Revenue	1,259,000			1,259,000
Accounts Receivable - Affiliated Company	4,146		(4,146)	0
Materials and Supplies (At average cost)	4,858,404	72,210		4,930,614
Other Current and Accrued Assets	818,255	101,877		920,132
	<u>\$ 16,879,661</u>	<u>\$ 263,031</u>	<u>\$ (90,105)</u>	<u>\$ 17,052,587</u>
DEFERRED CHARGES	<u>\$ 2,388,388</u>	<u>\$ 622,096</u>	<u>\$</u>	<u>\$ 3,010,484</u>
TOTAL ASSETS	<u>\$ 258,712,198</u>	<u>\$ 11,140,368</u>	<u>\$ (1,287,905)</u>	<u>\$ 268,564,661</u>

EQUITIES AND LIABILITIES

EQUITIES				
Patronage Capital	\$ 121,730,383	\$	\$	\$ 121,730,383
Owner's Equity		(129,636)	129,636	
Other Equities	7,096,436	1,327,436	(1,327,436)	7,096,436
	<u>\$ 128,826,819</u>	<u>\$ 1,197,800</u>	<u>\$ (1,197,800)</u>	<u>\$ 128,826,819</u>
LONG-TERM DEBT				
RUS Mortgage Notes Less Current Maturities	\$ 7,924,982	\$	\$	\$ 7,924,982
FFB Mortgage Notes Less Current Maturities	56,633,875			56,633,875
CFC Mortgage Notes Less Current Maturities	23,656,803			23,656,803
CoBank Mortgage Notes Less Current Maturities	18,736,820			18,736,820
Obligations Under Capital Lease	18,945	9,304,259		9,323,204
RUS Advance Payments				0
	<u>\$ 106,971,425</u>	<u>\$ 9,304,259</u>	<u>\$</u>	<u>\$ 116,275,684</u>
CURRENT LIABILITIES				
Current Maturities of Long-Term Debt	\$ 5,621,000	\$	\$	\$ 5,621,000
Current Maturities of Capital Lease	7,650	611,469		619,119
Accounts Payable - Purchased Power	4,433,937		(85,959)	4,347,978
Accounts Payable - Other	1,617,100	7,595	(4,146)	1,620,549
Power Cost Adjustment - Overbilled	2,215,191			2,215,191
Consumer Deposits	2,283,762			2,283,762
Accrued Taxes	1,289,210	(1,696)		1,287,514
Accrued Interest	178,185			178,185
Accrued Employee Compensated Absences	2,525,847			2,525,847
Other Current and Accrued Liabilities	563,755	20,941		584,696
	<u>\$ 20,735,637</u>	<u>\$ 638,309</u>	<u>\$ (90,105)</u>	<u>\$ 21,283,841</u>
DEFERRED CREDITS	<u>\$ 2,060,770</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,060,770</u>
PENSION RESERVES - Deferred Compensation	<u>\$ 117,547</u>	<u>\$</u>	<u>\$</u>	<u>\$ 117,547</u>
TOTAL EQUITIES AND LIABILITIES	<u>\$ 258,712,198</u>	<u>\$ 11,140,368</u>	<u>\$ (1,287,905)</u>	<u>\$ 268,564,661</u>

TRICO ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

Schedule 2

CONSOLIDATING INFORMATION
STATEMENT OF INCOME AND PATRONAGE CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020

	Trico Electric	Avion	Eliminating Entries	Consolidated Total
OPERATING REVENUES				
Residential	\$ 75,261,322	\$	\$	\$ 75,261,322
Irrigation	44,948			44,948
Commercial and Industrial	27,244,072			27,244,072
Public Street & Other Authorities	98,593			98,593
Sales for Resale	34,407	1,327,427	(1,327,427)	34,407
Unbilled Revenue	90,016			90,016
(Over) Underbilled Power Cost	(2,708,227)			(2,708,227)
Rent from Electric Property	557,500			557,500
Other Electric Revenue	1,225,502			1,225,502
Total Operating Revenues	<u>\$ 101,848,133</u>	<u>\$ 1,327,427</u>	<u>\$ (1,327,427)</u>	<u>\$ 101,848,133</u>
OPERATING EXPENSES				
Purchased Power	\$ 56,360,666	\$	\$ (1,327,427)	\$ 55,033,239
Generation - Operation	152,525	59,298		211,823
Generation - Maintenance	8,733	122,095		130,828
Transmission	140,975			140,975
Distribution - Operation	7,611,667			7,611,667
Distribution - Maintenance	2,288,082			2,288,082
Customer Accounts	2,665,186			2,665,186
Customer Service and Information	627,626			627,626
Administrative and General	6,968,488	71,445		7,039,933
Depreciation	8,337,117	750,798		9,087,915
Taxes	(53)			(53)
Other Interest	63,823			63,823
Other Deductions	1,075,611			1,075,611
Total Operating Expenses	<u>\$ 86,300,446</u>	<u>\$ 1,003,636</u>	<u>\$ (1,327,427)</u>	<u>\$ 85,976,655</u>
OPERATING MARGINS - BEFORE FIXED CHARGES	<u>\$ 15,547,687</u>	<u>\$ 323,791</u>	<u>\$ 0</u>	<u>\$ 15,871,478</u>
FIXED CHARGES				
Interest on Long-Term Debt	4,358,294	481,551		4,839,845
OPERATING MARGINS (LOSS) - AFTER FIXED CHARGES	<u>\$ 11,189,393</u>	<u>\$ (157,760)</u>	<u>\$ 0</u>	<u>\$ 11,031,633</u>
CAPITAL CREDITS				
G & T Capital Credits	1,403,953			1,403,953
Other Capital Credits	356,876			356,876
NET OPERATING MARGINS (LOSS)	<u>\$ 12,950,222</u>	<u>\$ (157,760)</u>	<u>\$ 0</u>	<u>\$ 12,792,462</u>
NONOPERATING INCOME (LOSS)				
Interest Income	\$ 433,744	\$	\$	\$ 433,744
Other Nonoperating Income	7,849			7,849
Income (Loss) from Subsidiary	(118,523)		118,523	
	<u>\$ 323,070</u>	<u>\$ 0</u>	<u>\$ 118,523</u>	<u>\$ 441,593</u>
NET MARGINS BEFORE PROVISION FOR INCOME TAXES	<u>\$ 13,273,292</u>	<u>\$ (157,760)</u>	<u>\$ 118,523</u>	<u>\$ 13,234,055</u>
PROVISION FOR INCOME TAX EXPENSE (BENEFIT)		(39,237)		(39,237)
NET MARGINS	<u>\$ 13,273,292</u>	<u>\$ (118,523)</u>	<u>\$ 118,523</u>	<u>\$ 13,273,292</u>
PATRONAGE CAPITAL / OWNER EQUITY - BEGINNING OF PERIOD	113,342,678	1,216,323	(1,216,323)	113,342,678
Patronage Capital Retired	(4,885,587)			(4,885,587)
Contributed Equity		100,000	(100,000)	
PATRONAGE CAPITAL / OWNER EQUITY - END OF PERIOD	<u>\$ 121,730,383</u>	<u>\$ 1,197,800</u>	<u>\$ (1,197,800)</u>	<u>\$ 121,730,383</u>

TRICO ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

Schedule 3

CONSOLIDATING INFORMATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Trico Electric</u>	<u>Avion</u>	<u>Eliminating Entries</u>	<u>Consolidated Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Margins (Loss)	\$ 13,273,292	\$ (118,523)	\$ 118,523	\$ 13,273,292
Adjustments to Reconcile Net Margins to Net Cash From Operating Activities:				
Depreciation	9,135,024	750,798		9,885,822
Capital Credits - Non-Cash	(1,204,069)			(1,204,069)
Affiliated Company Income	118,523		(118,523)	
Accounts Receivable	(391,305)			(391,305)
Accounts Receivable - Affiliated Company		(14,253)	14,253	
Accounts Receivable - Unbilled Revenue	(90,016)			(90,016)
Power Cost Adjustment	2,708,226			2,708,226
Inventories and Other Current and Accrued Assets	(912,575)	(72,340)		(984,915)
Deferred Charges	334,870	18,679		353,549
Accounts Payable and Other Current Liabilities	1,642,106	(131,245)		1,510,861
Accounts Payable - Affiliated Company	14,253		(14,253)	
Deferred Credits	401,931			401,931
Net Cash From Operating Activities	<u>\$ 25,030,260</u>	<u>\$ 433,116</u>	<u>\$ 0</u>	<u>\$ 25,463,376</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to Plant	\$ (17,562,642)	\$	\$	\$ (17,562,642)
Plant Removal Costs Net of Salvage and Other Credits	(682,689)			(682,689)
Other Property and Investments	(15,618)		100,000	84,382
Net Cash From Investing Activities	<u>\$ (18,260,949)</u>	<u>\$ 0</u>	<u>\$ 100,000</u>	<u>\$ (18,160,949)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments on Long-Term Debt - RUS	\$ (1,303,093)	\$	\$	\$ (1,303,093)
Payments on Long-Term Debt - FFB	(14,848,188)			(14,848,188)
Payments on Long-Term Debt - CFC	(1,184,188)			(1,184,188)
Payments on Long-Term Debt - CoBank	(743,843)			(743,843)
RUS Cushion of Credit - Net	12,082,413			12,082,413
Capital Leases	32,846			32,846
Payments on Capital Leases	(6,251)	(583,416)		(589,667)
Other Equities	31,237			31,237
Contributed Equity		100,000	(100,000)	
Capital Credit Retirements	(4,885,587)			(4,885,587)
Net Cash From Financing Activities	<u>\$ (10,824,654)</u>	<u>\$ (483,416)</u>	<u>\$ (100,000)</u>	<u>\$ (11,408,070)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	<u>\$ (4,055,343)</u>	<u>\$ (50,300)</u>	<u>\$</u>	<u>\$ (4,105,643)</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>9,733,109</u>	<u>53,285</u>	<u>0</u>	<u>9,786,394</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 5,677,766</u></u>	<u><u>\$ 2,985</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 5,680,751</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash Paid During the Year for:				
Interest	<u>\$ 4,360,751</u>	<u>\$ 481,551</u>	<u>\$</u>	<u>\$ 4,842,302</u>
Income Taxes	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

TRICO ELECTRIC COOPERATIVE, INC.

Schedule 4

**ELECTRIC PLANT
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Balance 1/1/2020	Additions	Retirements	Transfers	Balance 12/31/2020
CLASSIFIED ELECTRIC PLANT IN SERVICE					
Electric Plant Acquisition Adjustment	\$ 84,045	\$ 16,532	\$	\$	\$ 100,577
Intangible Plant					
Organization	\$ 1,180	\$	\$	\$	\$ 1,180
Substation Transformer Rights	393,980				393,980
	<u>\$ 395,160</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 395,160</u>
Other Production Plant					
Land and Land Rights	\$ 32,631	\$	\$	\$	\$ 32,631
Power Plant Equipment	259,628				259,628
Total	<u>\$ 292,259</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 292,259</u>
Transmission Plant					
Land and Land Rights	\$ 532,578	\$	\$	\$	\$ 532,578
Station Equipment	10,568,386				10,568,386
Poles and Fixtures	1,094,539	3,458,159	342,243		4,210,455
Overhead Conductors and Devices	605,733	747,680	190,018		1,163,395
Total	<u>\$ 12,801,236</u>	<u>\$ 4,205,839</u>	<u>\$ 532,261</u>	<u>\$ 0</u>	<u>\$ 16,474,814</u>
Distribution Plant					
Land and Land Rights	\$ 101,005	\$	\$	\$	\$ 101,005
Station Equipment	18,548,027	22,868	110,809		18,460,086
Poles, Towers, and Fixtures	33,209,217	2,031,767	527,058		34,713,926
Overhead Conductors and Devices	31,751,219	2,821,098	350,004		34,222,313
Underground Conduit	10,502,159	393,491	30,138		10,865,512
Underground Conductors and Devices	91,396,001	1,305,053	208,382		92,492,672
Line Transformers	29,103,129	1,133,905	111,243		30,125,791
Services	8,036,000	310,647	16,071		8,330,576
Meters	9,905,701	531,517	747,176		9,690,042
Installations on Consumers' Premises	328,369	5,934	6,143		328,160
Street Lights	1,561				1,561
Total	<u>\$ 232,882,388</u>	<u>\$ 8,556,280</u>	<u>\$ 2,107,024</u>	<u>\$ 0</u>	<u>\$ 239,331,644</u>
General Plant					
Land and Land Rights	\$ 734,514	\$	\$	\$	\$ 734,514
Structures and Improvements	11,155,994				11,155,994
Office Furniture and Computer Equipment	1,469,637	65,502	39,209		1,495,930
Transportation Equipment	7,308,347	596,635	54,103		7,850,879
Store Equipment	435,036	210,951			645,987
Tools, Shop, and Garage Equipment	912,243	56,394	6,309		962,328
Laboratory Equipment	967,519	27,306			994,825
Power Operated Equipment	1,168,485				1,168,485
Communication Equipment	636,966				636,966
Miscellaneous Equipment	186,653				186,653
Total	<u>\$ 24,975,394</u>	<u>\$ 956,788</u>	<u>\$ 99,621</u>	<u>\$ 0</u>	<u>\$ 25,832,561</u>
Total Classified Electric Plant in Service	\$ 271,430,482	\$ 13,735,439	\$ 2,738,906	\$ 0	\$ 282,427,015
Electric Plant Held for Future Use	167,532				167,532
Capital Lease Assets		32,846			32,846
Construction Work in Progress	<u>5,395,351</u>	<u>3,794,357</u>			<u>9,189,708</u>
Total Utility Plant	<u>\$ 276,993,365</u>	<u>\$ 17,562,642</u>	<u>\$ 2,738,906</u>	<u>\$ 0</u>	<u>\$ 291,817,101</u>

TRICO ELECTRIC COOPERATIVE, INC.

Schedule 5

ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION
FOR THE YEAR ENDED DECEMBER 31, 2020

	Balance 1/1/2020	Depreciation Accruals	Retirements and Credits	Transfers	Balance 12/31/2020
CLASSIFIED ELECTRIC PLANT IN SERVICE					
Acquisition Adjustment	\$ 2,823	\$ 3,185	\$	\$	\$ 6,008
Intangible Plant	\$ 147,783	\$ 10,836	\$	\$	\$ 158,619
Other Production Plant	\$ 99,804	\$ 13,085	\$	\$	\$ 112,889
Transmission Plant	\$ 4,665,968	\$ 334,154	\$ 778,067	\$	\$ 4,222,055
Distribution Plant	\$ 79,762,711	\$ 7,394,881	\$ 2,561,979	\$	\$ 84,595,613
General Plant	\$ 12,582,595	\$ 1,373,135	\$ 86,907	\$	\$ 13,868,823
Capital Lease Plant	\$	\$ 5,748	\$	\$	\$ 5,748
Total Classified Electric Plant in Service	\$ 97,261,684	\$ 9,135,024	\$ 3,426,953	\$ 0	\$ 102,969,755
Retirement Work in Progress	(164,918)		(5,358)		(159,560)
Total	\$ 97,096,766	\$ 9,135,024	\$ 3,421,595	\$ 0	\$ 102,810,195

(1)

(2)

(1) Charged to Depreciation Expense
Charged to Clearing and Other Accounts

\$ 8,337,117
797,907
\$ 9,135,024

(2) Cost of Units Retired
Add: Cost of Removal
Less: Salvage

\$ 2,738,906
809,411
126,722
\$ 3,421,595

TRICO ELECTRIC COOPERATIVE, INC.

Schedule 6

OTHER PROPERTY AND INVESTMENTS
DECEMBER 31, 2020 AND 2019

	December 31,	
	2020	2019
INVESTMENTS IN ASSOCIATED ORGANIZATIONS		
Memberships		
National Rural Utilities Cooperative Finance Corporation	\$ 1,000	\$ 1,000
National Rural Electric Cooperative Association	10	10
National Information Systems Cooperative	25	25
Grand Canyon State Electric	100	100
National Cooperative Service Corporation	100	100
National Rural Telecommunications Cooperative	1,000	1,000
CoBank	1,000	1,000
Patronage Capital		
Arizona Electric Power Cooperative, Inc.	45,944,053	44,861,759
National Rural Utilities Cooperative Finance Corporation	879,258	843,413
National Information Systems Cooperative	284,398	281,375
National Rural Telecommunications Cooperative	14,469	16,351
CoBank	442,909	376,898
Capital Term Certificates		
National Rural Utilities Cooperative Finance Corporation	1,012,417	1,081,934
Capital Stock		
Federated Rural Electric Insurance Corporation - Preferred E Stock	388,085	369,306
Statewide Organizations		
Grand Canyon State Electric Building Fund	133,833	133,833
Total Investments in Associated Organizations	<u>\$ 49,102,657</u>	<u>\$ 47,968,104</u>
OTHER INVESTMENTS		
Cash Value Annuities	\$ 117,547	\$ 83,091
State Compensation Deposit	11,239	26,105
Other	8,000	8,000
	<u>\$ 136,786</u>	<u>\$ 117,196</u>
Total Other Property and Investments	<u>\$ 49,239,443</u>	<u>\$ 48,085,300</u>

TEMPORARY INVESTMENTS

CFC Commercial Paper	\$ 2,000,000	\$ 5,000,000
Total Temporary Cash Investments	<u>\$ 2,000,000</u>	<u>\$ 5,000,000</u>

TRICO ELECTRIC COOPERATIVE, INC.

Schedule 7

PATRONAGE CAPITAL
DECEMBER 31, 2020

Calendar Year	Assignable	Originally Assigned	Balance
1996	\$	\$ 2,314,101	\$ 468,474
1997		2,564,372	414,157
1998		2,690,746	1,159,625
1999		2,701,311	1,442,019
2000		2,507,584	1,554,850
2001		3,910,759	2,355,188
2002		3,846,494	3,303,378
2003		2,425,547	2,024,669
2004		928,910	758,559
2005		1,884,306	1,310,407
2006		3,352,581	2,408,987
2007		2,552,009	2,258,583
2008		6,060,329	5,861,010
2009		8,104,157	7,329,195
2010		6,093,205	4,863,369
2011		6,892,644	6,221,840
2012		8,033,528	7,606,277
2013		9,086,262	8,789,398
2014		9,944,988	9,727,525
2015		10,316,424	10,150,596
2016		8,912,801	8,826,713
2017		5,440,471	5,399,887
2018		8,760,828	8,743,864
2019		8,708,983	4,309,537
2020	13,183,276		13,183,276
Unassigned - Unbilled Revenue	<u>1,259,000</u>		<u>1,259,000</u>
	\$ <u>14,442,276</u>	\$ <u>128,033,340</u>	\$ <u>121,730,383</u>

TRICO ELECTRIC COOPERATIVE, INC.

Schedule 8

**MORTGAGE NOTES
DECEMBER 31, 2020**

RUS Mortgage Notes

Note Number	Date of Note	Interest Rate	Principal Amount	Amount Unadvanced	Principal Repayments	Net Obligation
Notes Paid in Full			\$ 54,094,986	\$	\$ 54,094,986	\$
1B300	08-25-89	5.000%	2,933,500		2,359,053	574,447
1B302	08-25-89	5.000%	2,933,500		2,359,053	574,447
1B310	09-22-92	5.000%	2,698,000		1,768,384	929,616
1B315	09-22-92	5.000%	2,698,000		1,768,384	929,616
1B320	10-25-94	5.750%	1,966,000		1,063,633	902,367
1B325	10-25-94	5.500%	1,966,000		1,071,048	894,952
1B330	07-01-97	5.120%	3,955,000		1,796,237	2,158,763
1B335	07-01-97	4.625%	3,695,000		1,733,226	1,961,774
Total RUS			\$ 76,939,986	\$ 0	\$ 68,014,004	\$ 8,925,982

FFB Mortgage Notes

FFB-1-2	11-21-08	3.623%	\$ 1,000,000	\$	\$ 390,556	\$ 609,444
FFB-1-6	7-22-11	3.638%	15,000,000		3,990,738	11,009,262
FFB-1-8	11-10-11	2.558%	10,000,000		2,476,990	7,523,010
FFB-1-9	11-16-12	2.100%	5,000,000		1,214,235	3,785,765
FFB-1-10	1-22-13	2.406%	3,000,000		689,964	2,310,036
FFB-1-11	6-17-13	1.449%	4,500,000		3,312,582	1,187,418
FFB-1-14	3-9-15	2.541%	2,600,000		396,267	2,203,733
FFB-1-15	3-10-15	2.496%	2,900,000		444,736	2,455,264
FFB-1-16	3-25-16	2.208%	8,000,000		1,096,819	6,903,181
FFB-1-17	7-29-16	1.772%	8,898,256		1,175,531	7,722,725
FFB-1-18	7-27-17	2.523%	8,530,744		819,685	7,711,059
FFB-2-1	9-26-19	1.604%	43,617,000	37,617,000	105,022	5,894,978
Total FFB			\$ 113,046,000	\$ 0	\$ 16,113,125	\$ 59,315,875

CFC Mortgage Notes

9018	06-30-89	6.220%	\$ 2,618,750	\$	\$ 2,035,653	\$ 583,097
9019	09-22-92	6.260%	2,409,375		1,550,145	859,230
9020	10-25-94	6.260%	1,685,000		891,624	793,376
9021	07-01-97	6.250%	3,390,000		1,421,037	1,968,963
9026	08-23-12	3.60%-4.40%	25,245,000		4,639,863	20,605,137
Total CFC			\$ 35,348,125	\$ 0	\$ 10,538,322	\$ 24,809,803

CoBank Mortgage Notes

R11064T01	8-23-12	4.220%	\$ 24,690,777	\$	\$ 5,168,957	\$ 19,521,820
Total CoBank			\$ 24,690,777	\$ 0	\$ 5,168,957	\$ 19,521,820

Net obligations include \$1,001,000 for RUS, \$2,682,000 for FFB, \$1,153,000 for CFC and \$785,000 for CoBank that are reclassified to current liabilities on the Balance Sheet.

TRICO ELECTRIC COOPERATIVE, INC.

Schedule 9

ADMINISTRATIVE AND GENERAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	December 31,		Increase (Decrease)
	2020	2019	
Administrative and General Salaries	\$ 3,081,159	\$ 2,855,857	\$ 225,302
Office Supplies and Expense	932,532	727,318	205,214
Outside Services Employed	536,114	621,880	(85,766)
Injuries and Damages	343,015	334,382	8,633
Employee Pensions and Benefits	30,938	40,039	(9,101)
Annual Meeting	36,623	45,539	(8,916)
Miscellaneous and General Expense	779,963	1,114,942	(334,979)
Regulatory Commission Expense	193,367	173,566	19,801
Maintenance of General Plant	<u>1,034,777</u>	<u>1,158,263</u>	<u>(123,486)</u>
	<u>\$ 6,968,488</u>	<u>\$ 7,071,786</u>	<u>\$ (103,298)</u>

TRICO ELECTRIC COOPERATIVE, INC.

Schedule 10

FIVE YEAR COMPARATIVE DATA

Financial Data	Years Ended December 31,				
	2020	2019	2018	2017	2016
OPERATING REVENUES					
Residential	\$ 75,261,322	\$ 65,583,861	\$ 68,730,285	\$ 61,161,436	\$ 57,451,186
Irrigation	44,948	46,860	57,263	58,374	47,669
Commercial and Industrial	27,244,072	26,248,488	28,600,086	25,517,270	26,661,851
Public Buildings and Other Authorities	98,593	101,227	111,090	95,699	104,156
Sales for Resale	34,407	39,746	13,202	112,829	24,008
Unbilled Revenue	90,016	(111,195)	185,179		
(Over) Under Billed Power Cost	(2,708,227)	712,718	(319,083)	1,570,679	(402,081)
Rent from Electric Property	557,500	412,263	399,715	366,988	356,637
Other Operating Revenues	1,225,502	1,306,134	1,390,819	1,373,761	1,258,697
Total Operating Revenues	\$ 101,848,133	\$ 94,340,102	\$ 99,168,556	\$ 90,257,036	\$ 85,502,123
OPERATING EXPENSES					
Purchased Power	\$ 56,360,666	\$ 52,405,608	\$ 57,602,750	\$ 50,156,961	\$ 48,421,980
Power Generation - Operations	152,525				
Power Generation - Maintenance	8,733				
Transmission	140,975	152,271	95,533	102,613	39,429
Distribution - Operation	7,611,667	7,314,992	7,088,504	7,180,345	6,879,563
Distribution - Maintenance	2,288,082	2,500,839	1,966,127	2,104,071	2,305,944
Customer Accounts	2,665,186	2,484,163	2,544,583	2,476,645	2,449,529
Customer Service and Information	627,626	675,922	679,615	661,007	634,567
Administrative and General	6,968,488	7,071,786	6,636,698	6,184,001	5,804,014
Depreciation and Amortization	8,337,117	11,223,786	11,151,797	12,807,626	7,011,733
Other Deductions	1,139,381	311,939	621,223	1,256,177	1,137,405
Total Operating Expenses	\$ 86,300,446	\$ 84,141,306	\$ 88,386,830	\$ 82,929,446	\$ 74,684,164
OPERATING MARGINS - Before					
Fixed Charges	\$ 15,547,687	\$ 10,198,796	\$ 10,781,726	\$ 7,327,590	\$ 10,817,959
FIXED CHARGES					
Interest on Long-Term Debt	4,358,294	4,684,773	4,837,125	4,908,098	4,873,121
OPERATING MARGINS - After					
Fixed Charges	\$ 11,189,393	\$ 5,514,023	\$ 5,944,601	\$ 2,419,492	\$ 5,944,838
Other Capital Credits	1,760,829	2,352,814	2,440,049	2,506,012	2,506,619
NET OPERATING MARGINS	\$ 12,950,222	\$ 7,866,837	\$ 8,384,650	\$ 4,925,504	\$ 8,451,457
NONOPERATING MARGINS					
Interest Income	\$ 433,744	\$ 762,073	\$ 466,791	\$ 420,028	\$ 331,053
Other Nonoperating Income (Expense)	(110,674)	(31,121)	94,566	92,963	130,672
	\$ 323,070	\$ 730,952	\$ 561,357	\$ 512,991	\$ 461,725
NET MARGINS	\$ 13,273,292	\$ 8,597,789	\$ 8,946,007	\$ 5,438,495	\$ 8,913,182
Miscellaneous Statistics					
# Receiving Service - At End of Year	50,105	48,298	47,614	46,391	45,265
MWH Sales	819,719	724,628	718,104	696,566	685,037
Times Interest Earned Ratio	4.05	2.84	2.85	2.11	2.83
Debt Service Coverage	2.52	2.36	2.41	2.31	2.20
Equity to Total Assets	49.80	47.79	42.89	42.45	42.13
Equity to Total Capitalization	53.36	50.38	46.83	44.85	44.66

COMPLIANCE AND INTERNAL CONTROL

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

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**REPORT ON COMPLIANCE WITH ASPECTS OF CONTRACTUAL
AGREEMENTS AND REGULATORY REQUIREMENTS FOR ELECTRIC BORROWERS**

Independent Auditor's Report

Board of Directors
Trico Electric Cooperative, Inc.
Marana, Arizona

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Trico Electric Cooperative, Inc. (the Cooperative) which comprise the balance sheets as of December 31, 2020 and 2019, 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, and have issued our report thereon dated March 18, 2021. In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2021, 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. No reports other than the reports referred to above have been furnished to management.

In connection with our audit, nothing came to our attention that caused us to believe that the Cooperative failed to comply with the terms, covenants, provisions, or conditions of their loan, grant, and security instruments as set forth in 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers and Grantees*, §1773.33, insofar as they relate to accounting matters as enumerated below. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Cooperative's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the contractual agreements and regulatory requirements, insofar as they relate to accounting matters. In connection with our audit, we noted no matters regarding the Cooperative's accounting and records to indicate that the Cooperative did not:

Maintain adequate and effective accounting procedures;

Utilize adequate and fair methods for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts;

Reconcile continuing property records to the controlling general ledger plant accounts;

Clear construction accounts and accrue depreciation on completed construction;

Record and properly price the retirement of plant;

Seek approval of the sale, lease or transfer capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap;

Maintain adequate control over materials and supplies;

Prepare accurate and timely Financial and Operating Reports;

Obtain written RUS approval to enter into any contract for the management, operation, or maintenance of the borrower's system if the contract covers all or substantially all of the electric system;

Disclose material related party transactions in the financial statements. In accordance with requirements for related parties in generally accepted accounting principles;

Record depreciation in accordance with RUS requirements (See RUS Bulletin 183-1, Depreciation Rates and Procedures);

Comply with the requirements for the detailed schedule of deferred debits and deferred credits; and

Comply with the requirements for the detailed schedule of investments. See Footnote 4 to the financial statements.

The purpose of this report is solely to communicate, in connection with the audit of the financial statements, on compliance with aspects of contractual agreements and the regulatory requirements for electric borrowers based on the requirements of 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers and Grantees*. Accordingly, this report is not suitable for any other purpose.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

March 18, 2021

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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**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**

Independent Auditor's Report

Board of Directors
Trico Electric Cooperative, Inc.
Marana, Arizona

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 Trico Electric Cooperative, Inc. as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Trico Electric Cooperative, Inc.'s basic financial statements, and have issued our report thereon dated March 18, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Trico 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

March 18, 2021