



FISCAL YEAR REVIEW

2024-2025 ANNUAL REPORT

Proof of Performance



A MESSAGE FROM PRESIDENT AND CEO SCOTT SPENCE

One year ago, with brand new leadership in place, Tri-County Electric Cooperative (TCEC) set out to achieve two main objectives: improving the cooperative's financial health and improving member service, all while providing *safe and reliable power at the lowest possible cost*.

This Leadership Team inherited a spiraling financial situation. We immediately assessed how bad it was and what would be needed to overcome it. They could not change the past. But they could set up the Cooperative for a successful future.

And they have.

It has been a year filled with both tough choices and resounding successes. This annual report will show those successes that were not possible without the hard work of 300 dedicated employees. Successes that are being reached with fewer resources and fewer people. To be clear, this team has done more with less this past fiscal year, and I am extremely proud of every one of them who are Tri-County Electric.

The actions that led to these accomplishments were big, small, and everywhere in between. Budget cuts, supply changes, and many other changes were needed to reverse the financially damaging course the Cooperative was once on. Now, we're on the right path. The Cooperative results speak for themselves, and they speak loudly of the 300 people who are Tri-County Electric and made this happen, for you.

There's also a renewed focus on serving members in every way possible, from initiatives that do not cost members a single additional penny on their bills to a renewed focus on service and making sure their questions are answered quickly and efficiently when they call in.

No matter the decision, each was made with members in mind. Here is a small one to start with: this Annual Report will only be made available digitally and not printed. It is actions like these that ensure that each dollar spent by TCEC is spent in a way that benefits members the most. It is a mindset that will continue this year and beyond.

Thank you for being a Tri-County Electric Cooperative member.

Scott Spence
President & CEO

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IMPROVED FINANCIAL HEALTH

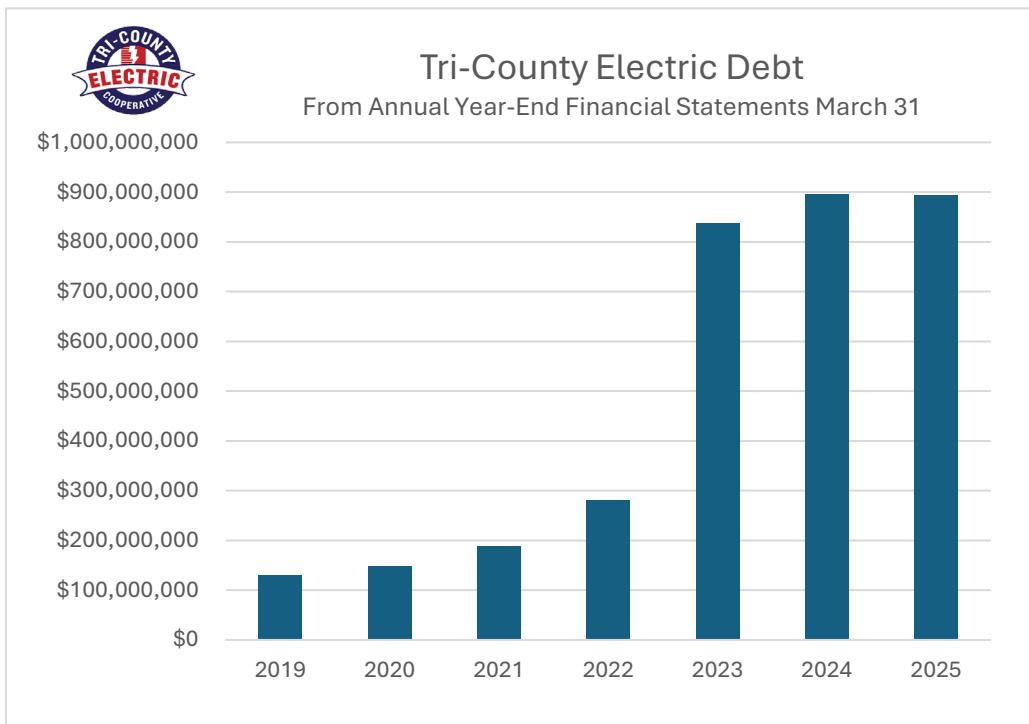
This TCEC Leadership Team has been [transparent](#) about the financial situation we found the Cooperative in and what we did and are doing for our members to fix it. This team immediately intervened.



Stopping the Financial Bleeding

Fiscal Year 2025, which ended on March 31, marked the first time in six years that TCEC ended with less debt than it started with. A \$1.7 million decrease may not seem significant, but it is a clear reversal from the building of massive debt over the previous years.* This Leadership Team cannot control interest rates across the nation, but together, we can begin making meaningful TCEC debt reductions for future years. Reducing current and future TCEC debt will lower interest rate expense, which directly benefits you, the members of TCEC. Lowering interest expense is consistent with our mission to provide safe and reliable power at the lowest possible cost.

Reducing fiscal year 2025 debt was accomplished without a single penny in revenue from asset sales or rate adjustments and was reached two years ahead of schedule.

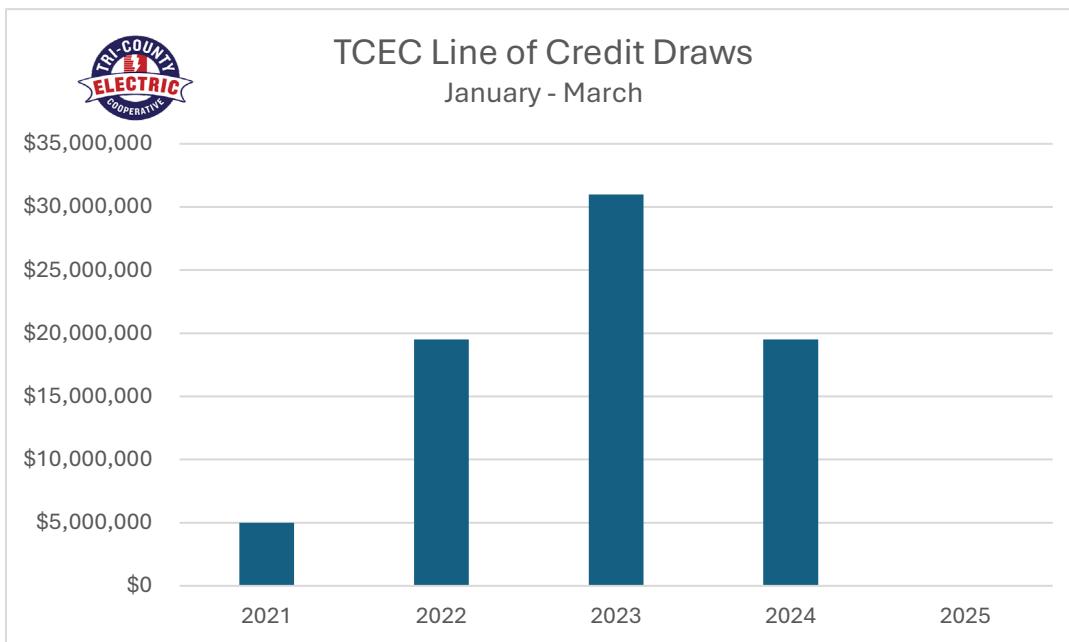


*See the last paragraph on page 7 for more context

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In addition, TCEC completed the first quarter of 2025 without drawing on its line of credit. This is a full reversal from previous years when the cooperative drew tens of millions of dollars during the same period between 2022 and 2024. Looking at total debt on an annual basis is one good perspective, but diving deeper into current and historic quarter 1 proves that what this Leadership Team is doing is working now, not years down the road.



While time and space will not allow for a mention of each individual department and employee contribution that made this happen, the result of stopping the financial bleeding that had been taking place for almost a decade is *proof of performance*.



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WHAT IT TOOK TO GET HERE

Power Supply Agreement

January 1 marked the first day of a [five-year power supply agreement](#) that locks in wholesale market rates through 2029. This shields TCEC members from the extreme swings in the wholesale market that can result from extreme weather events.

Keep this in mind: [ERCOT](#) makes the decision for most of the state regarding rolling blackouts. But TCEC's proactive decision-making with power supply ensures all kWhs purchased are at a cost we can live with.

Here is an example of the existing power supply agreement in action:

- TCEC purchased about 341,000 MWhs in January 2024 and 2025. However, in January 2025, a winter storm brought severe weather and extreme ERCOT market prices, peaking at three times the prices of 2024. Instead of TCEC members being exposed to those extreme ERCOT prices, TCEC's January 2025 wholesale bill was \$1.3 million less than January 2024. The new power supply agreement shields members from extreme market prices, which drive our cost.
- In February 2025, TCEC purchased 25% more MWh than it did in February 2024, yet the total wholesale bill increased by only 15%.
- This achievement is particularly impressive given ERCOT market volatility in 2025 compared to 2024. In February 2024, the market peaked at \$113.28/MWh, whereas in February 2025, peak wholesale prices were \$612.34/ MWh.
- There were only 6 hours where ERCOT prices exceeded \$75/MWh in February 2024, but in 2025, there were 58 hours where ERCOT prices were above that threshold.

It's worth considering the impact the wholesale power bill would have had in this volatile market under the old contract. Without this agreement, the result would have been a positive PCRF on members' bills.

As you can see, while the agreement does not protect ERCOT from being exposed to another natural disaster or other tight grid conditions, it does ensure TCEC members will not be financially harmed when those events occur in Texas.

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Winter Storm Uri Debt Refinancing

As a result of the financial devastation caused by Winter Storm Uri, TCEC was legally required to pay a \$485 million share of our then-wholesale power provider Brazos Electric Power Cooperative's bankruptcy. The 1.2 cents per kWh "Brazos Financing Rider" that was placed on your bills is collateral to our lenders for issuing loans to cover the Brazos debt. This was all part of the financial situation the Leadership Team inherited.

While the past cannot be undone, the team immediately took steps to make the future as good as possible. In late 2024, three of the eight loans, or tranches, related to TCEC's portion of the Winter Storm Uri debt were refinanced over 23 years with locked-in lower interest rates. This will [save the Cooperative millions of dollars](#) in interest over the life of the loans while ensuring it meets its loan obligations.

Supplier Changes

TCEC changed the supplier of much of the line crews' materials, saving an anticipated \$3 to \$5 million annually through that decision alone. That was not an easy transition as it involved many TCEC departments changing processes and software while simultaneously managing two systems for a period of time. The team did this because these actions are consistent with our mission statement and goals.



Contractor Reduction Savings



TCEC recently reached the major operational milestone of more construction projects being completed in-house than by contractors. That's a historic shift, particularly since TCEC has fewer employees today than when the Leadership Team arrived.

Between February 1 and March 19, 2025, in-house crews completed 253 jobs, while contractors completed 204. In addition, the Cooperative was able to save even more on contractor costs by focusing on bringing all staking projects in-house. The team successfully eliminated the use of all contractors for staking projects, saving \$250,000 more in January and February 2025 compared to 2024.

At a time when every dollar counts, rest assured that every department is doing its part toward improving TCEC's financial health.

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Employee Flexibility

This team identified and facilitated an additional \$1 million in annual savings by shifting employee medical insurance providers. Above the initial \$1 million of annual savings, there are even more significant potential savings in the future while providing the same coverage to employees and retirees. This team took on this extra work during an intense period when many other things were already changing. They stepped up in a way that was consistent with our mission statement and goals.



Ending Forced Subsidies

Another immediate step taken to reverse the financial situation the Leadership Team inherited was, within months of our arrival, [identifying and stopping a historic \\$40 million annual expense](#) that had been in place for the prior six years.

Historically, existing TCEC members incurred significant debt due to aggressive subsidization for new members. Existing TCEC members paid, on average, more than \$10,000 in construction costs per new member to connect services. With over 4,000 new meters per year, this cost \$40 million per year and increased total debt by \$240 million during the life of the program. Stated another way, each existing TCEC member was paying about \$400 per year for those subsidies. Those subsidies were neither reported nor budgeted and were inconsistent with the best practices for this industry.

With that said, even with a stop to future subsidization, TCEC honored all existing quotes made by the previous regime because we honor our word. Not doing so would have helped the Cooperative make much more progress in lowering long-term debt. But it would have also meant going back on commitments.

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Construction Work in Progress

During the annual financial audit, *a new auditing firm* advised that TCEC should reduce the Cooperative's average months to close on work orders from 18 months to the industry average of 6 months. This would result in a reduction of the Construction Work in Progress (CWIP) balance on the Balance Sheet. A plan was devised to accomplish this over the next several years, but this team already delivered ahead of schedule. Typically, this progress requires years, but once again, this team provided *proof of performance* this year.

The plant accountants worked harder and smarter to reduce the window to close work orders from 18 months to 10 months. This puts TCEC ahead of its scheduled three-year plan to decrease the window from 18 months to 6.



The financial impact of this was a decrease in the CWIP balance from \$140 million during the summer of 2024 to \$85 million as of February 28, 2025, with the goal of the balance reaching \$57 million soon.

Texas Co-Op Power Magazine Opt-out Campaign

Based on [member requests](#), TCEC offers a choice to opt out of receiving printed versions of Texas Co-Op Power magazine. Producing and sending the magazine to members costs the Cooperative about \$1 million every year.

The [magazine is available digitally](#), and the latest updates are available sooner in [Current Conversations](#).

Improving Financial Health: Summary and Our Commitment to You

Facing these decisions, and many more like them, was more than the Leadership Team signed up for in late 2024, but things like this were the right thing to do for the membership. We cannot undo past decisions that led to higher expenses for so many years. Still, this Cooperative Leadership Team is committed to making better choices to stabilize TCEC's financial future.

While these initial milestones are both undeniable and unheard of for a first-year turnaround, this team is Tri-County Electric. They will not stop. The bar will not be lowered. We will not rest. That is our commitment to you, the members. These first-year results were amazing, especially since this team did not have a full year together. Imagine what they will accomplish for you, given a full year together with this momentum!

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IMPROVING MEMBER SERVICE

Another part of the exclusive focus on delivering safe and reliable power at the lowest possible cost is an aggressive approach to department goals. This past fiscal year, during the year, [TCEC communicated our internal goals with you](#). We work to improve the financial health of the cooperative and enhance member service.

Improved Reliability

Despite internal budget reductions to capital projects that will serve for more reliable power in the future, here is a brief summary of how this team improved reliability performance over the previous fiscal year:



Reliability Improvements

Indicator	One-Year Change
Total Outages	-7.4%
Members Affected	-12.3%
Average Outages Per Member	-14.7%
Average Outage Minutes Per Member	-17.5%

Over the past year:

There were more than 500 **fewer** outages.

12% **fewer** members were impacted by an outage.

Each member experienced approximately 25 **fewer** minutes of outages.

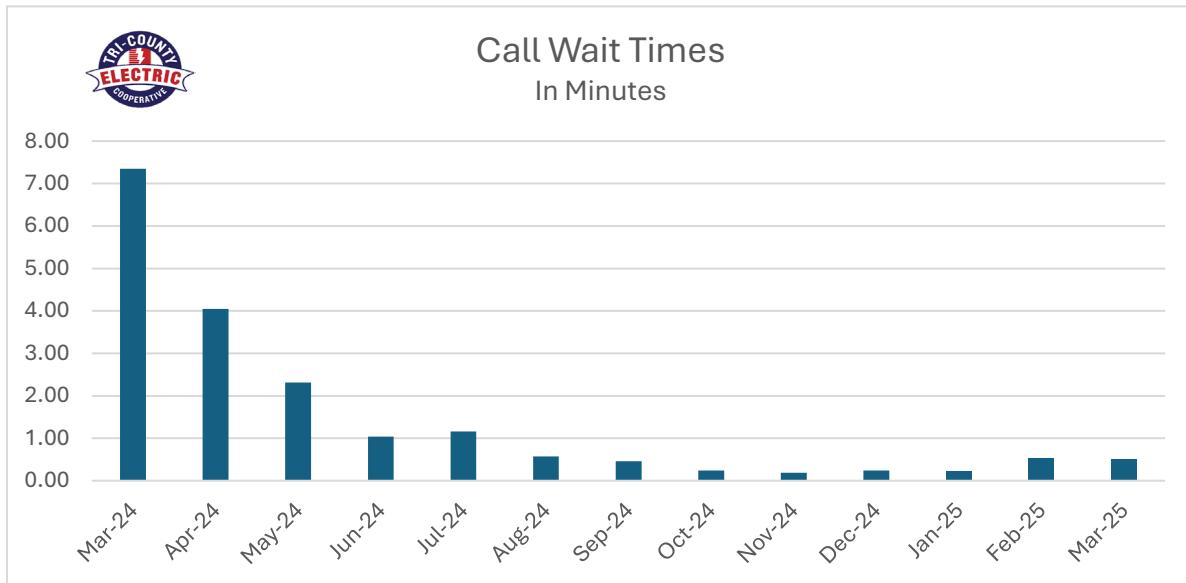


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These initial milestones were achieved despite the tough internal decisions to reduce good capital projects that will further improve future reliability, a 2024 and 2025 employee headcount freeze, and the decision to bring some contracted work in-house for employees to do going forward. There are fewer TCEC employees today than when we began on April 1, 2024, and they are doing more with less. They did this for you. They are TCEC.

Improved Call Wait Times



Members are also waiting less time to speak to a member service representative (MSR). In March 2025, the average wait time was about 30 seconds. That is a 93% drop from the same time one year ago.

This vast improvement is thanks to several efforts and team successes. TCEC has taken a more proactive approach by [contacting members about an outage within minutes](#). Unless members have opted not to use modern meters, they no longer have to contact TCEC to report an outage.

More self-service options are available so members can get their questions answered without the need to call in. That includes more resources through the MyTriCountyTX website and mobile app, the ability to make a payment over the phone, and the ability to arrange a payment extension online. MSRs have also renewed their focus on answering all of a member's questions within a single call, saving time all around.



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New Billing Options

Each TCEC member may face unique circumstances impacting how they pay their bill. New billing options offer flexibility that may be better for them:

- [Prepaid Billing](#) allows members to prepay for electricity through funds loaded into their account balance. Each day's usage is deducted daily. The main benefits for those members include no required account deposit and no due dates or late fees, which better aligns with their paycheck cycles.
- Through [Budget Billing](#), bill amounts are based on a rolling average, evenly distributing high/low payments throughout the year and avoiding potentially high bills during the summer and winter.



These options are not ideal fits for everyone, but they are ideal for some members while not requiring other members to subsidize them. This allows total Cooperative or member costs to remain as low as possible.

Brazos Hardship Fund Outreach



TCEC's dedicated Member Service team took a proactive approach to assisting members who need help with a portion of their bills. They recently assisted 331 members in receiving monthly bill credits on their residential power bills from the [Brazos Hardship Fund](#), with 100 approved in January and February alone. This assistance will help cover the Brazos Financing Rider portion of their bill. Tri-County members filed more applications in 2024 than any other cooperative in this region.

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Cooperative Giving

The generous community that TCEC serves has come out in full force through its [Cooperative Giving](#) efforts. As of March 31, 2025, more than \$17,000 in funds have been raised through voluntary employee contributions, voluntary member contributions, and Board Member contributions. Every penny donated goes to support local members facing financial hardship.

TCEC helped make it easier to participate by establishing the Round Up initiative, where members can sign up to have their bill rounded up to the nearest dollar and donate the difference to members in need. This means that a member whose bill was \$100.50 can round up to \$101, donating 50 cents to the fund. If 20,000 members each donated 50 cents, that's an extra \$10,000 for those in need.

Increased Trenching Options



TCEC has modified processes to allow members to make, or contract for, their own arrangements for [trenching and installation of underground facilities](#). As always, the Cooperative is here to help. If a member prefers to have TCEC do the trenching, that service remains available. Creating this flexibility allows members the chance to make sure they are making the right choice for their situation. This option is not ideal for everyone, but it is beneficial for some members with experience and access to construction resources.

Importantly, this option does not cost other members a single penny of subsidization.

Use of Unclaimed Funds

After three years, funds from capital credit checks that go uncashed become unclaimed funds. Under Texas State Law, 50% is escheated, or sent to the state. Electric cooperatives are permitted to use the other 50% for specific purposes, including scholarships, economic development, and energy efficiency. TCEC will use every unclaimed dollar possible to support members without requiring subsidization from existing members.



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- **College Scholarship Program**

- This year, TCEC is [offering 50 scholarships](#) worth \$5,000 each to eligible graduating seniors, funded entirely through unclaimed funds. This is part of our concern for the community, one of the [seven principles](#) that make being part of a Cooperative unique.

- **Energy Efficiency Rebate Pilot Program (part 1)**

- TCEC has allocated \$250,000 in unclaimed funds toward a pilot program offering rebates to members who take steps toward [energy efficiency](#). This pilot program will offer bill credits to members who purchase new Energy Star appliances or have an HVAC tune-up performed at their home by a licensed technician.

- **Energy Efficiency Rebate Pilot Program (part 2)**

- Later this year, another component to the Energy Efficiency Rebate program will be introduced, emphasizing weatherization.

Increased Transparency

This TCEC Leadership Team continues to be as transparent as possible on all things concerning the Cooperative.

- August 2024 marked the first issue of [Current Conversations](#), a monthly member newsletter with the latest information on initiatives and a spotlight on member benefits.
- The online [Member Information Center](#) provides easy access to Cooperative documents and updates. There, members can also view recordings from past virtual meetings.
- The [Power Cost Recovery Factor](#) (PCRF) webpage was recently created and shared to illustrate the credit on member bills throughout calendar year 2025. This page confirms very competitive retail rates for North Texas.

Commitment to Safety

In 2024, 28 TCEC employees were celebrated for their outstanding safety record, achieving no time loss while working at the Cooperative. These team members were recognized for 5, 10, 15, 25, 30, and 40 years of dedication to safety excellence. TCEC is proud to honor these individuals for their commitment to providing safe and reliable power to our members.

**NO LOST TIME
AWARD 2024**



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Mutual Aid



Last fall, Tri-County Electric crews helped communities devastated by hurricanes. In September, they traveled to Georgia to assist in power restoration efforts after Hurricane Helene. Within weeks, crews were back on the road, this time in Florida, to assist in the aftermath of Hurricane Milton.

This was an easy “win” for everyone involved. The TCEC crews were able to voluntarily select if they wanted to travel and participate. The out-of-state cooperative needed

assistance while their members were out of power. TCEC members did not incur any cost as the coops we assisted reimbursed TCEC for all costs related to labor, transportation, and equipment, among other factors. Furthermore, helping others offered a chance to build goodwill and rapport with crews that, should the need arise, will be willing to lend a hand to TCEC crews here at home when we may need them the most after future storms impact us.



Student Outreach

Students at Springtown Elementary School got an up-close look at the people who keep power flowing to the community and the tools they use to stay safe while on the job. Additionally, students were taught about safety around power lines and to avoid areas where lines are down after a storm or vehicle accident. This was just one of several instances throughout the year of TCEC crews interacting with local schools around the service area.



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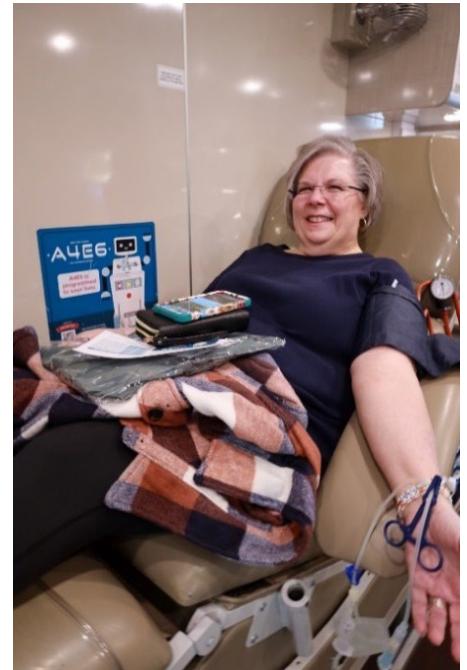
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Saving Lives and Helping Others

In December, TCEC employees and members came together to support local charities by donating hundreds of pounds of food during the annual food drive.



Members and employees continued to serve their community through a collaborative blood drive with Carter BloodCare in January at the TCEC Aledo and Granbury offices. 33 donors gave 34 pints of blood that will help more than 100 patients in need. Thank you to everyone who participated.



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This past fiscal year presented challenges many of us have never faced in our careers. Probably in the same way each of you face adversity in your personal lives, the pressure employees faced was not from any one specific challenge. Still, the cumulative effect of so many intense decisions and transitions in such a short period of time caused a lot of stress for the 300-member team that is Tri-County Electric. The interim results they achieved are remarkable, but the circumstances in which they accomplished these things must be acknowledged: they overcame so much for you, and it is our privilege to share their cooperative accomplishments with you. They did more with less.

This team is Tri-County Electric. They will not stop. The bar will not be lowered. We will not rest. That is our commitment to you, the members.

Thank you so much for letting us serve you with safe and reliable power at the lowest possible cost.



Scott Spence
President & CEO