
CFO 2025 REPORT

Mohave Electric Cooperative operates as a not-for-profit corporation owned by our customers, called members. Our rates are set to cover the cost of doing business, not to generate a profit for shareholders like investor-owned utilities. Mohave Electric is regulated by the Arizona Corporation Commission (ACC). Our rates, rules, and regulations are all approved by the ACC.



Rohan Pease
Chief Financial Officer

2025 FINANCIALS

Although Mohave Electric implemented a new rate case in 2026, the Cooperative's operating margin for 2025 was limited to \$997,787, as revenues for that year were derived from rates established in February 2023. Rate adjustments are typically warranted approximately every three years to address inflationary pressures and to ensure the Cooperative's continued investment in critical infrastructure, thereby maintaining the reliability and cost-effectiveness of service provided to its members.

The 2025 margins represent the third-year outcomes of the prior rate case and reflect a 43% reduction in operating margins compared to 2024. Total margins of \$1,609,566 encompass the financial performance of the Cooperative and its wholly owned subsidiary, MEC Communications, LLC, in addition to patronage capital allocations received from affiliated organizations.

The Cooperative grew by 791 members in 2025, while overall power costs declined. Despite this growth, revenues were lower than the previous year due primarily to the removal of the Purchased Power Adjustor (PPA), which had been in effect during the prior year.

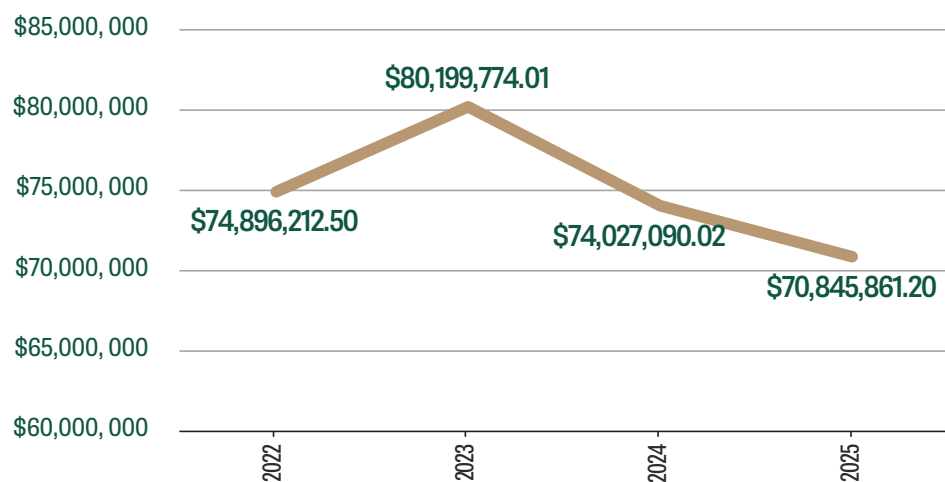
Overall power costs declined by 4.3% in 2025, notwithstanding an increase in natural gas prices across the western United States. Natural gas is one of the primary drivers in the cost of MEC’s generation costs. During the summer of 2025, daily price spikes occurred with greater frequency, although their magnitude was lower than in the preceding two years. Mohave Electric effectively mitigated the impact of these higher costs through disciplined fuel and power procurement strategies. In particular, MEC limited its exposure to market purchases by relying on Arizona Electric Power Cooperative (AEP CO), its primary generation and transmission provider, during periods of high volatility. These strategies allowed MEC to maintain a lower cost to members in 2025.

The majority of market purchases in 2025 were made to optimize generation costs during periods when market prices were lower than Mohave Electric’s cost to produce power. For example, during the summer months—particularly between 9:00 a.m. and 4:00 p.m.—the Cooperative procured solar energy from the market when production peaks, and pricing is highly favorable. The abundance of available solar generation, largely attributable to excess supply from California, has resulted in exceptionally low market prices for solar energy. Mohave Electric continuously monitors power prices on an hourly basis throughout the year to ensure that the most economical power resources are secured for the benefit of its members.

In 2025, overall power costs continued a two-year downward trend, declining 4.3% from 2024, following a 7.7% reduction in 2024 compared to 2023. Member energy usage decreased by 5.8%, reflecting lower summer temperatures in 2025 compared to the prior year.

The Cooperative continues to manage controllable costs where possible and maintains a prestigious standing of having one of the lowest expense cost ratios per member in the entire country. This operational efficiency supports our standing as a not-for-profit utility with the lowest residential billing rates in Arizona.

HISTORICAL PURCHASED POWER COSTS



2025 ENERGY DOLLAR

HOW IT WAS EARNED

Mohave Electric Cooperative's service area is predominantly residential. Mohave Electric Cooperative had 41,741 residential meters at the end of 2025, which accounts for approximately 90% of all meters in our territory. The residential accounts produced 62.6% of the service revenues in the system. Commercial members accounted for 36.8% of the revenue. The Cooperative's irrigation member accounts accounted for the remainder of our service revenues.

HOW IT WAS SPENT

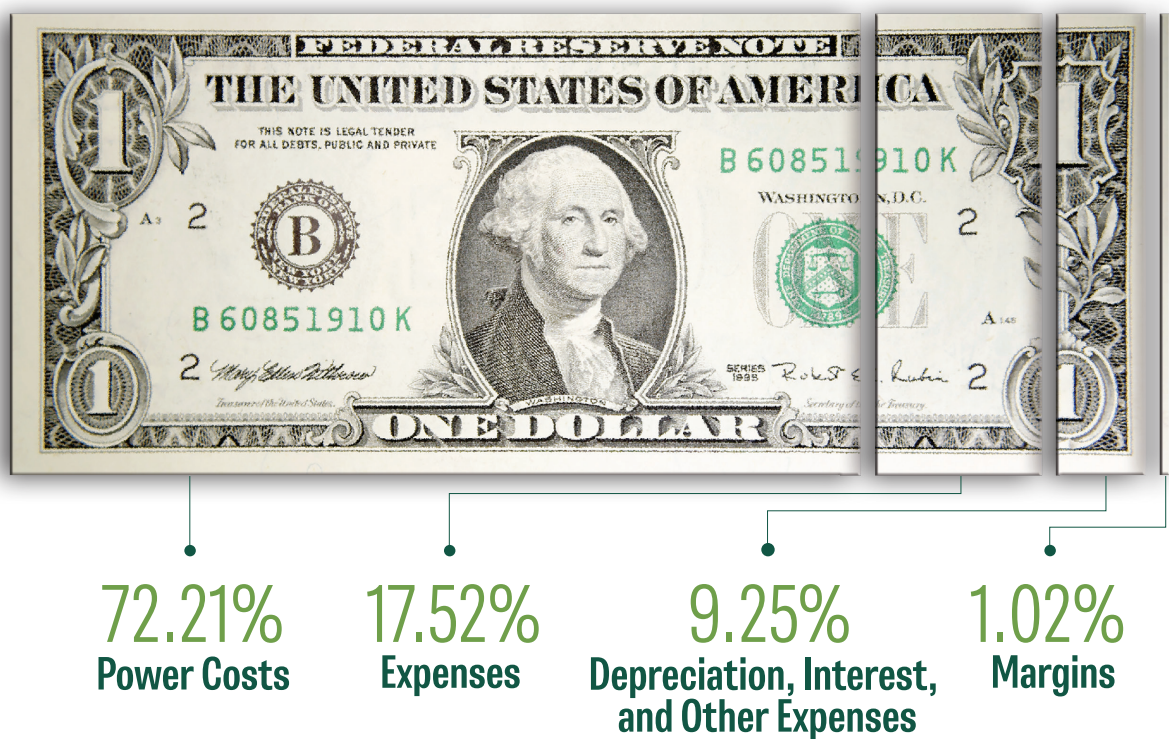
Purchased power cost accounted for 72.21 cents of each revenue dollar. This figure is down slightly from the 72.87 cents reported for CY 2024.

Controllable expenses include a variety of costs not associated with the cost of power. Controllable expenses are costs that are deemed to be within the control of the Cooperative's management, such as labor and the purchases of poles, wire, and other materials.

Costs outside of the control of the Cooperative would be expenses such as property taxes,

insurance, and fees for land easements. These costs continue to go up year after year. In 2025 our total expenses were 17.52 cents of the revenue dollar; in 2024 that figure was 16.34 cents. Mohave Electric continues to remain in the lowest percentiles of controllable expenses per revenue dollar among electric cooperatives in the entire country; and has ranked the lowest in expense costs within the state of Arizona for the better part of over twenty years.

Operating expenses also include depreciation and interest costs. These costs accounted for 9.25 cents of the energy dollar in 2025. As the Cooperative continues to update its plant equipment, depreciation costs can be expected to continue to increase. The Cooperative utilizes its margins to reduce the amount of borrowing of long-term debt needed to improve its plant. That in turn keeps interest costs as low as possible and out of the revenue dollar. Investments in Mohave Electric's plant are carefully planned and prioritized to help keep member rates as low as possible by making sound business decisions with the goal of providing safe and reliable service for all members.



CONDENSED BALANCE SHEET

ASSETS AS OF DECEMBER 31, 2025

PLANT

Plant Cost	\$176,171,556
Accumulated for Depreciation Less	\$(72,404,687)
Net Utility Plant	\$103,766,868

OTHER ASSETS

Cash And Equivalents	\$9,524,785
Accounts Receivable	\$3,502,786
Equity Investments In Associated Organizations	\$67,123,919
Notes Receivable	\$17,879
Other Property And Equipment	\$52,000
Materials And Supplies	\$3,917,473
Other Current Assets	\$57,335,342
Deferred Charges	\$20,029,595
Investment In Subsidiary/ Eco Development/Regulatory	\$26,946,185

TOTAL ASSETS	\$292,216,834
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EQUITIES & LIABILITIES

EQUITIES

Memberships	\$195,677
Patronage Capital	\$107,531,545
Other Equities	\$10,216,385
Total Equities	\$117,943,607

LONG-TERM LIABILITIES

Long-Term Debt	\$126,648,054
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CURRENT LIABILITIES

Accounts Payable	\$24,597,723
Member Deposits	\$3,981,144
Other Current Liabilities	\$9,793,125
Deferred Credits	\$9,253,181
Total Current Liabilities	\$47,625,172

TOTAL EQUITIES & LIABILITIES	\$292,216,834
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CONDENSED STATEMENT OF OPERATIONS AS OF DECEMBER 31, 2025

Operating Revenues	\$98,105,390	100%
Electric Power Cost	\$70,845,861	72.21%
Operating Expenses	\$17,186,459	17.52%
Depreciation Expense	\$4,132,032	4.21%
Interest On Long-Term Debt	\$4,731,088	4.82%
Other Expenses	\$212,162	0.22%
Total Operating Expenses	\$97,107,602	98.98%
MARGINS FROM OPERATIONS	\$997,787	1.02%
Non-Operating Income	-\$940,839	
Non-Cash Patronage Of Associated Organizations	1,552,618	
TOTAL MARGINS	\$1,609,566	1.64%