

Connecticut Municipal Electric Energy Cooperative

Financial Statements and
Supplementary Information

December 31, 2025 and 2024

Connecticut Municipal Electric Energy Cooperative

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December 31, 2025 and 2024

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Independent Auditors' Report

To the Board of Directors and Members of
Connecticut Municipal Electric Energy Cooperative

Opinion

We have audited the accompanying financial statements of the Connecticut Municipal Electric Energy Cooperative (CMEEC), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise CMEEC's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of CMEEC as of December 31, 2025, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CMEEC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 17 to the financial statements, net position as of December 31, 2024 has been restated to correct a material misstatement due to the incorrect classification of the Municipal Competitive Trust, Economic Development Fund and Conservation and Load Management Fund as fiduciary funds. Our opinion is not modified with respect to this matter.

Other Matters

The financial statements of CMEEC as of and for the year ended December 31, 2024, were audited by other auditors whose report dated April 4, 2025, expressed an unmodified opinion on those statements.

As part of the audit of the December 31, 2025 financial statements, we also audited the adjustments described in Note 17 that were applied to restate the December 31, 2024 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the December 31, 2024 financial statements of CMEEC other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the December 31, 2024 financial statements as a whole.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CMEEC's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CMEEC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CMEEC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Baker Tilly US, LLP

Madison, Wisconsin
March 26, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

Connecticut Municipal Electric Energy Cooperative Management's Discussion and Analysis (Unaudited)

The following discussion and analysis of the financial performance of Connecticut Municipal Electric Energy Cooperative, including Connecticut Transmission Municipal Electric Energy Cooperative as a blended component (referred to as CMEEC for the purposes of this discussion), provides an overview of the activities for the fiscal year ended December 31, 2025, in comparison with December 31, 2024. This information should be read in conjunction with CMEEC's financial statements and the related footnotes.

2025 Highlights

Volatile energy market prices, ISO-New England locational marginal prices (LMPs), and changes made by ISO-New England's Day-Ahead Ancillary Services Initiative (DASI), which was implemented in March 2025, resulted in increased energy costs for CMEEC, thereby increasing CMEEC revenues. The DASI ancillary charges were higher and more volatile as they are now more influenced by the cost of natural gas and unpredictable weather conditions. 2025 energy costs were an average of 150% higher than 2024 for the winter months of January, February, and December. The summer months of July and August saw an average increase of 119% and the average increase for the remaining shoulder months was 49%. In December 2025 alone, CMEEC saw energy costs that were 370% higher than December of 2024, resulting in use of our credit line to help with short-term liquidity needs. Total load served by CMEEC was relatively flat, increasing 1.6% mostly due to weather conditions.

Overview Of CMEEC Operations

CMEEC is a not-for-profit joint action agency formed under Connecticut state statutes with the purpose of procuring wholesale electric energy for its Members which include six municipal electric utilities in the state of Connecticut: Norwich Public Utilities, Groton Utilities, Jewett City Department of Public Utilities, Third Taxing District of the City of Norwalk, South Norwalk Electric and Water, and Bozrah Light & Power. CMEEC is also the wholesale power supplier to the Mohegan Tribal Utility Authority. CMEEC's not-for-profit nature results in it being a pass through entity which recovers its incurred costs and expenses through billings to its Members and customers, resulting in revenues that generally offset costs and expenses.

CMEEC manages wholesale power purchase agreements and forward energy contracts as the main source of procuring energy to meet the load it serves. Energy not procured through these sources is provided by purchasing power from ISO-New England's hourly markets at the LMP. The energy CMEEC supplies to its Members and wholesale customers has a fuel mix that primarily includes natural gas, nuclear, hydroelectric, solar, and other renewable resources. CMEEC also provides benefits to its Members through the financing, acquisition, construction, and operation of various projects, and the provision of various related services.

CMEEC's all-requirements model requires its Members to contractually commit to purchasing essentially all their electric power requirements from CMEEC at wholesale. This commitment results in a joint action agency with cooperative strengths vital to CMEEC's dealings with other utilities and counterparties, the investment community, and other energy industry stakeholders.

Connecticut Municipal Electric Energy Cooperative Management's Discussion and Analysis (Unaudited)

Critical Accounting Policies

The accounting records of CMEEC are maintained using the Government Accounting Standards Board (GASB) reporting standards, the Federal Energy Regulatory Commission (FERC) Uniform System of Accounts, and the Generally Accepted Accounting Principles of the United States (GAAP) using the economic resources measurement focus and the accrual basis of accounting. Application of the accounting methods for regulatory operations is also included in these financial statements. This accounting guidance relates to the deferral of revenues and expenses to future periods in which the revenues are earned, incurred or are otherwise recoverable through the rate-making process, as authorized by the Board of Directors.

During the course of reviewing 2025 results with a new audit firm, a thorough analysis of funds CMEEC holds on behalf of its Members was completed, resulting in a return to presenting the Municipal Competitive Trusts, Economic Development Funds, and Conservation & Load Management funds on the Statement of Net Position, rather than on a separate Statement of Fiduciary Position.

CMEEC adopted GASB 83 standards to calculate Asset Retirement Obligations (ARO) of the MicroGen project and, creating an ARO reflecting the future value of the liability.

CMEEC accounts for leases according to GASB 87. In 2025 a lease not previously included in this manner was updated and added to the total shown for Right-to-Use assets and liabilities on the Statement of Net Position.

CMEEC accounts for Compensated Absences according to GASB 101, recording a liability for accumulated vacation leave, but has determined that an accrual for accumulated sick leave is not needed.

CMEEC accounts for subscription-based information technology arrangements (SBITAs) under GASB statement 96. There were no new SBITAs requiring disclosure in 2025.

The financial statements for CMEEC include a blended component unit, Connecticut Transmission Municipal Electric Energy Cooperative (CTMEEC) dba Transco. The combining statements, showing the financial information for each entity separately, can be found at the end of the financial statements.

**Connecticut Municipal Electric Energy Cooperative
Management's Discussion and Analysis (Unaudited)**

Analysis of 2025 Financial Results (as compared to restated 2024)

Condensed Statements of Net Position

	<u>2025</u>	<u>2024</u> <u>(Restated)</u>
Assets and Deferred Outflows of Resources		
Current Assets	\$ 59,053	\$ 52,665
Noncurrent Assets		
Restricted Assets	6,764	6,009
Capital Assets	48,397	50,430
Other Noncurrent Assets	<u>51,184</u>	<u>51,601</u>
Total Assets	\$ 165,398	\$ 160,705
 Deferred Outflows of Resources	 \$ 668	 \$ 517
 Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities	\$ 29,126	\$ 18,329
Long-Term Liabilities	<u>75,057</u>	<u>77,911</u>
Total Liabilities	\$ 104,183	\$ 96,240
 Deferred Inflows of Resources	 \$ 46,845	 \$ 51,387
 Net Position		
Net Investment in Capital Assets	\$ 3,421	\$ 2,221
Restricted	2,484	2,415
Unrestricted	<u>9,133</u>	<u>8,959</u>
Total Net Position	\$ 15,038	\$ 13,595

Current assets increased by \$6.4 million mainly due to an increase of \$3.7 million in Accounts Receivable and Accounts Receivable from Related Parties, as December 2025 saw historically high power costs which exceeded those of 2024 by 370%. Cash was bolstered by liquidation of Short-term Investments and drawings on credit lines to meet short-term cash flow needs. Other Current Assets were \$1.6 million above 2024 due to an increase in amounts for levelized billing adjustment to be recovered and an increase in the market value of derivatives used in hedging loads. Inventories were up by \$0.2 million due to purchases of spare parts for the MicroGen project and meter communication equipment.

Total noncurrent assets decreased \$1.7 million due to a \$2.0 million decrease in Capital Assets according to depreciation schedules, a \$0.4 million decrease in Other Noncurrent Assets driven by the elimination of Member Economic Development Funds which were moved to Member Rate Stabilization Funds, partially offset by increases in Municipal Competitive Trusts and Costs to be Recovered. Restricted assets increased \$0.8 million driven by Conservation and Load Management funds.

Connecticut Municipal Electric Energy Cooperative Management's Discussion and Analysis (Unaudited)

Deferred Outflows of Resources increased by \$0.2 million due to the addition of the Asset Retirement Obligation for the MicroGen project partially offset by a decrease in Deferred Charge on Refunding according to the deferral schedule.

Current liabilities increased \$10.8 million due to a \$10.3 draw on the line of credit to assist in short term liquidity needs for high winter energy costs along with an increase of \$0.2 million in lease liability for an additional lease accounted for under GASB 87.

Long-term liabilities decreased \$2.9 million as Long-term Debt decreased \$3.2 million with payments made according to bond schedules and Economic Development Funds decreased \$1.6 million with funds being moved to Member Rate Stabilization Funds, partially offset by a \$1.3 million increase in Municipal Competitive Trust funds due to deposits and interest earned.

Deferred Inflows of Resources decreased \$4.5 million driven by a \$5.5 million decrease in Member Rate Stabilization Funds, which were utilized to help meet high winter energy costs, partially offset by a \$1.0 million increase in Regulatory Credits due to mark-to-market fluctuations on investments.

Net position increased \$1.4 million due to the Change in Net Position from 2025 operations.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	<u>2025</u>	<u>2024</u> <u>(Restated)</u>
Operating Revenues	\$ 130,298	\$ 106,627
Operating Expenses	<u>126,900</u>	<u>102,741</u>
Net Operating Income	\$ 3,398	\$ 3,886
Nonoperating Income (Expense)	\$ (1,955)	\$ (2,403)
Change in Net Position	\$ 1,443	\$ 1,483
Net Position, Beginning	\$ 13,595	\$ 12,112
Net Position, Ending	\$ 15,038	\$ 13,595

The \$23.7 million increase in total operating revenues compared to the prior year was due to an increase in purchased power and transmission expenses. Due to the nature of CMEEC being a pass-through not for profit entity, income is driven by operating costs and debt service, and fluctuates accordingly. The total load for 2025 was 1,216,854 MWh which was 19,478 MWh, or 2% higher than the previous year.

Total operating expenses increased by \$24.2 million compared to the prior year mainly due to an increase of \$18.7 million in purchased power costs. Transmission costs rose by \$5.3 million, driven by increased transmission peak loads. Administrative and General were relatively flat with a \$0.3 million increase in the Salaries, Employee Benefits, and Maintenance expense lines.

**Connecticut Municipal Electric Energy Cooperative
Management's Discussion and Analysis (Unaudited)**

Net non-operating expenses decreased by \$0.4 million mainly due to the addition of the Asset Retirement Obligation added for the MicroGen project, an increase in investment income, and increased interest expense for the drawings on the line of credit.

Change in net position was flat year over year.

Analysis of 2024 Financial Results (as restated)

Condensed Statements of Net Position

	2024 (Restated)	2023 (Restated)
Assets and Deferred Outflows of Resources		
Current Assets	\$ 52,665	\$ 58,467
Noncurrent Assets		
Restricted Assets	6,009	6,373
Capital Assets	50,430	53,410
Other Noncurrent Assets	<u>51,601</u>	<u>45,003</u>
Total Assets	\$ 160,705	\$ 163,253
 Deferred Outflows of Resources	 \$ 517	 \$ 580
 Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities	\$ 18,329	\$ 31,819
Long-Term Liabilities	<u>77,911</u>	<u>79,478</u>
Total Liabilities	\$ 96,240	\$ 111,297
 Deferred Inflows of Resources	 \$ 51,387	 \$ 40,424
 Net Position		
Net Investment in Capital Assets	\$ 2,221	\$ 8,229
Restricted	2,415	2,318
Unrestricted	<u>8,959</u>	<u>1,565</u>
Total Net Position	\$ 13,595	\$ 12,112

Current assets decreased by \$5.8 million mainly due to a decrease of \$2.5 million in Cash and Cash Equivalents and a decrease of \$4.3 million in Short-Term Investments mainly driven by a payment related to accrued charges for the Community Solar Gardens, as a long-term dispute was resolved in 2024.

Total noncurrent assets increased by \$3.3 million. Other Noncurrent Assets increased \$6.6 million due to a \$5.5 million increase in Costs to be Recovered from Future Billings and a \$1.1 million increase in Municipal Competitive Trusts, Conservation & Load Management funds, and Economic Development funds related to deposits and interest, partially offset by a \$3.0 million decrease in Capital Assets for increased depreciation according to schedule.

Connecticut Municipal Electric Energy Cooperative Management's Discussion and Analysis (Unaudited)

Current liabilities decreased by \$13.5 million due to a decrease of \$9.7 million and a decrease of \$3.1 million in Accounts Payable and Accrued Liabilities respectively mainly driven by the payment of accrued charges regarding the resolution of Community Solar Gardens dispute.

Long-Term Liabilities decreased \$1.6 million driven by reduction of \$2.4 million in Long-Term Debt, Net of Current Position, partially offset by \$0.8 increase in Conservation & Load Management Funds, Economic Development Funds, and Municipal Competitive Trust Funds.

Deferred Inflows of Resources increased \$11.0 million due to a \$4.0 million increase in Rate Stabilization Funds and an \$8.0 increase in Regulatory Credits for the addition of the Subase Fuel Cell lease.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	2024 (Restated)	2023 (Restated)
Operating Revenues	\$ 106,627	\$ 128,493
Operating Expenses	<u>102,741</u>	<u>122,762</u>
Net Operating Income	\$ 3,886	\$ 5,731
Nonoperating Income (Expense)	\$ (2,403)	\$ (10,893)
Change in Net Position	\$ 1,483	\$ (5,162)
Net Position, Beginning	\$ 12,112	\$ 17,274
Net Position, Ending	\$ 13,595	\$ 12,112

The Operating Revenues decreased \$21.9 million mainly due to a decrease in purchased power expenses. The total load for 2024 was 1,133,104 MWh which was 23,215 MWh higher than the load for 2023 of 1,109,889 MWh. Due to the nature of CMEEC being a pass-through not for profit entity, income is driven by operating costs and debt service and fluctuates accordingly.

Operating Expenses decreased by \$20.0 million mainly due to a decrease in market prices for purchased power costs partially offset by increased transmission rates and slightly higher Administrative and General Expenses.

Non-operating expenses decreased by \$8.5 million. This is due to a decrease of \$6.4 million in excess equity distributions to members, and a \$1.2 million decrease in other expenses from the Pierce close out expenses recorded in 2023 and restitution payments received of \$0.4 million recorded in 2024.

Overview of Projects

CMEEC's projects continued to provide value to its Members with a combined net benefit of \$7.1 million in 2025. The majority of the value was derived from the MicroGen, Transmission Project #1, and Hydro Quebec projects, partially offset by the net costs associated with the Subase Fuel Cell and Solar Garden projects. Project net benefit decreased from \$11.5 million in 2024 mostly as a one-time benefit of the finalization of contract renegotiations involving the Community Solar Gardens that was recorded in 2024.

Connecticut Municipal Electric Energy Cooperative Management's Discussion and Analysis (Unaudited)

Liquidity and Capital Resources

CMEEC maintains a strong liquidity position, with sufficient cash reserves to meet its short-term obligations. By state statute, CMEEC has legal authority to issue long-term tax-exempt and taxable electric power supply revenue and transmission system bonds to borrow money at relatively low interest rates for obtaining electric generating and transmission facilities. Repayment of interest received by bondholders – the lender of money to CMEEC – is generally tax-exempt because the money borrowed is used for nonprofit essential municipal utility purposes. CMEEC bonds are secured by power sales and transmission service contracts between CMEEC and its Members and wholesale customers.

Debt Service Coverage and Long-Term Debt Ratings

For the fiscal years ending on December 31, 2025, and December 31, 2024, CMEEC met all covenants for its short and long-term debt, including all payments and debt servicing requirements. In accordance, CMEEC collections for the sale of output and service exceeded the required 110% of Aggregate Debt Service for by the bond covenants.

CMEEC's Long-Term Debt Ratings are as follows:

Debt Series	Fitch Ratings	Moody's Investors Service
Power Supply System Revenue Bonds, 2022 Series A	AA-	Aa3
Transmission Services Revenue Bonds, 2021 Series A	AA-	Aa3

Risk Factors

CMEEC faces various risks and uncertainties, including economic volatility, changes in federal and state regulations, and potential litigation. Management continuously monitors these risks and implements strategies to mitigate their impact on CMEEC's financial position and operations.

Forward-Looking Statements

This MD&A contains forward-looking statements that are subject to various risks and uncertainties. Actual results may differ materially from those expressed or implied in these statements due to factors such as changes in economic conditions, legislative developments, or unexpected events.

Conclusion

The financial performance of CMEEC for the fiscal year ended December 31, 2025, reflects its commitment to fiscal responsibility and prudent management of resources. Despite economic challenges and evolving regulatory requirements, CMEEC remains well-positioned to meet the needs of its Members.

BASIC FINANCIAL STATEMENTS

Connecticut Municipal Electric Energy Cooperative

Statements of Net Position
December 31, 2025 and 2024
(In Thousands)

	<u>2025</u>	<u>2024</u> <u>(Restated)</u>
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	\$ 9,251	\$ 5,152
Short-term investments	21,926	25,080
Deposit for current debt service - restricted	3,501	3,528
Accounts receivable	2,034	1,467
Member receivables	18,677	15,529
Inventories	937	776
Other current assets	2,727	1,133
Total current assets	<u>59,053</u>	<u>52,665</u>
Noncurrent Assets		
Restricted assets:		
Debt service reserve funds	3,055	2,872
Conservation and load management funds	3,709	3,137
General reserve fund	608	529
Investment in Hydro Quebec	384	384
Economic development fund	-	1,624
Municipal competitive trust	25,440	24,221
Costs to be recovered from future billings	24,752	24,843
Capital assets:		
Construction work in progress	13	-
Plant in service	102,042	101,782
Less accumulated depreciation and amortization	<u>(53,658)</u>	<u>(51,352)</u>
Total noncurrent assets	<u>106,345</u>	<u>108,040</u>
Total assets	<u>165,398</u>	<u>160,705</u>
Deferred Outflows of Resources		
Asset retirement obligation	214	-
Deferred charge on refunding	<u>454</u>	<u>517</u>
Total deferred outflows of resources	<u>668</u>	<u>517</u>

See notes to basic financial statements

Connecticut Municipal Electric Energy Cooperative

Statements of Net Position
December 31, 2025 and 2024
(In Thousands)

	2025	2024 (Restated)
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	\$ 14,880	\$ 14,150
Accrued liabilities	140	477
Line of credit	10,250	-
Current portion of lease liability	354	139
Current liabilities payable from restricted assets:		
Current portion of long-term debt	2,485	2,450
Accrued interest on long-term debt	1,017	1,113
Total current liabilities	29,126	18,329
Long-Term Liabilities		
Long-term debt, net of current portion	43,096	46,267
Conservation and load management funds	3,709	3,137
Economic development fund	-	1,624
Municipal competitive trust	25,426	24,124
Other liabilities	500	541
Asset retirement obligation	358	108
Lease liability, net of current portion	1,968	2,110
Total long-term liabilities	75,057	77,911
Total liabilities	104,183	96,240
Deferred Inflows of Resources		
Deferred charge on refunding	582	632
Regulatory credits	10,008	9,002
Rate stabilization funds	36,255	41,753
Total deferred inflows of resources	46,845	51,387
Net Position		
Net investment in capital assets	3,421	2,221
Restricted for:		
Debt service	2,484	2,415
Unrestricted	9,133	8,959
Total net position	\$ 15,038	\$ 13,595

See notes to basic financial statements

Connecticut Municipal Electric Energy Cooperative

Statements of Revenues, Expenses and Changes in Net Position

Years Ended December 31, 2025 and 2024

(In Thousands)

	2025	2024 (Restated)
Operating Revenues		
Electric power supply revenues	\$ 100,584	\$ 90,984
Electric transmission revenues	23,253	18,190
Uses of (additions to) rate stabilization funds and other	6,461	(2,547)
Total operating revenues	130,298	106,627
Operating Expenses		
Purchased power and generation costs	95,794	77,144
Transmission costs	19,459	14,190
Administrative and general	8,479	8,205
Depreciation and amortization	3,168	3,202
Total operating expenses	126,900	102,741
Net operating income	3,398	3,886
Nonoperating Income (Expense)		
Investment income	165	76
Interest expense	(1,892)	(1,783)
Other expense	17	(409)
Change in bond expenses to be recovered from future billings to members	(245)	(287)
Net nonoperating expense	(1,955)	(2,403)
Change in net position	1,443	1,483
Net Position, Beginning	13,595	12,112
Net Position, Ending	<u>\$ 15,038</u>	<u>\$ 13,595</u>

See notes to basic financial statements

Connecticut Municipal Electric Energy Cooperative

Statements of Cash Flows

Years Ended December 31, 2025 and 2024

(In Thousands)

	2025	2024
Cash Flows From Operating Activities		
Cash received from customers	\$ 122,432	\$ 115,780
Cash paid to suppliers	(119,405)	(111,096)
Cash paid to employees	(5,679)	(5,488)
Net cash flows from operating activities	(2,652)	(804)
Cash Flows From Noncapital Financing Activities		
Proceeds from line of credit	17,000	-
Payments for line of credit	(6,750)	-
Net cash flows from Noncapital financing activities	10,250	-
Cash Flows From Capital and Related Financing Activities		
Purchases of capital assets	(1,106)	(97)
Principal and interest payments, lease liability	(685)	(137)
Principal payments, long-term debt	(2,450)	(2,630)
Interest payment on debt	(2,175)	(2,293)
Net cash flows from capital and related financing activities	(6,416)	(5,157)
Cash Flows From Investing Activities		
Investment income (loss)	165	(212)
Purchase of short-term investments	(1,316)	-
Sale of short-term investments	7,777	3,634
Net cash flows from investing activities	6,626	3,422
Net change in cash and cash equivalents	7,808	(2,539)
Cash and Cash Equivalents, Beginning	5,152	7,691
Cash and Cash Equivalents, Ending	<u>\$ 12,960</u>	<u>\$ 5,152</u>

See notes to basic financial statements

Connecticut Municipal Electric Energy Cooperative

Statements of Cash Flows

Years Ended December 31, 2025 and 2024

(In Thousands)

	<u>2025</u>	<u>2024</u>
Reconciliation of Operating Income to Net Cash		
From Operating Activities		
Operating income	\$ 3,398	\$ 3,886
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation and amortization	3,168	3,202
Special items, legal settlement and reimbursements		-
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(3,715)	(29)
(Increase) decrease in inventories	(161)	(193)
(Increase) decrease in other assets and and general reserve fund	(1,594)	149
(Increase) decrease in costs to be recovered from future billings to members	51	1,363
Increase (decrease) in accounts payable and accrued liabilities	745	(13,197)
Increase (decrease) in designated funds	250	-
Increase (decrease) in rate stabilization funds	(5,498)	4,004
Increase (decrease) in asset retirement obligation	12	12
Increase (decrease) in regulatory credits	1,070	(165)
Increase (decrease) in other liabilities	(378)	164
Total adjustments	<u>(6,050)</u>	<u>(4,690)</u>
Net cash flows from operating activities	<u>\$ (2,652)</u>	<u>\$ (804)</u>
Reconciliation of Cash and Cash Equivalents		
to the Statements of Net Position		
Cash and cash equivalents	\$ 9,251	\$ 5,152
Short-term investments	21,926	25,080
Deposit for current debt service - restricted	3,501	3,528
Debt service reserve funds - restricted	3,055	2,872
Conservation and load management funds - restricted	3,709	3,137
General reserve fund	608	529
Economic development fund	-	1,624
Municipal competitive trust	<u>25,440</u>	<u>24,221</u>
Total cash and investments	67,490	66,143
Less noncash equivalents	<u>(54,530)</u>	<u>(60,991)</u>
Cash and cash equivalents	<u>\$ 12,960</u>	<u>\$ 5,152</u>

See notes to basic financial statements

Connecticut Municipal Electric Energy Cooperative

Statements of Changes in Fiduciary Net Position

Years Ended December 31, 2025 and 2024

(In Thousands)

	2024 (Restated)
Net Position, Beginning, as Originally Reported	\$ 28,982
Correction of an error	<u>(28,982)</u>
Net Position, Beginning, as Restated	<u>-</u>
Net Position, Ending	<u><u>\$ -</u></u>

See notes to basic financial statements

Connecticut Municipal Electric Energy Cooperative

Notes to Basic Financial Statements

December 31, 2025

(In Thousands)

1. Nature of Operations

Organization

Connecticut Municipal Electric Energy Cooperative (CMEEC) was organized in 1976 as a public corporation under Connecticut Public Act 75-634, subsequently codified as Title 7-233, Chapter 101a of the General Statutes of Connecticut, as amended. In addition, CMEEC is required to comply with Connecticut Public Acts 17-73 and 18-50. CMEEC is owned and governed by six member utilities (the Members). The Members include the municipal electric utilities of the Cities of Norwich and Groton, the Borough of Jewett City, the Second and Third Taxing Districts of the City of Norwalk and Bozrah Light and Power Company. It is empowered to undertake the planning, financing, acquisition, construction and operation of facilities for the generation and transmission of electric power and energy for its member utilities and others. Under the bylaws of CMEEC, a member delegation and board of directors were established to act as regulatory bodies for the review and approval of cost recovery through rates on an annual basis. The bylaws have been amended over the years to remain current with the statutory environment, with no fundamental operating changes effected. The last amendment was in 2025.

Blended Component Unit

Connecticut Transmission Municipal Electric Energy Cooperative (dba: Transco), a blended component unit of CMEEC, was organized in 2009 as a public corporation under Connecticut Public Act 75-634, subsequently enacted as Title 7-233, Chapter 101a of the General Statutes of Connecticut, as amended. It is empowered to undertake the transmission of electric power and energy for its member utilities (the Members) and others. The Members of CMEEC are Members of Transco. CMEEC has determined that Transco is a blended component unit as they pay all costs of Transco through a Comprehensive Management Service Agreement and the governance of Transco are the same as CMEEC. Accordingly, all operations of Transco are combined into CMEEC's financial statements. The separate financials statement for Transco can be obtained from management of CMEEC. See Note 8 for combining information.

Operations

CMEEC has entered into power sales contracts with each of the Members. Under the contracts, each of the utilities agreed to purchase essentially all of its electric power required for resale from CMEEC, with CMEEC's electric revenues to consist of billings for resale of power. The contracts obligate each system to pay for their share of CMEEC's fixed costs, which consist primarily of debt service and CMEEC administrative and general costs on a take-or-pay basis. The Members maintain this fixed cost obligation whether or not they take any power from CMEEC.

In addition to the Members, CMEEC provides wholesale electric service to the Mohegan Tribal Utility Authority (MTUA).

2. Summary of Significant Accounting Policies

The financial statements of CMEEC have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The significant accounting principles and policies utilized by CMEEC are described below.

Connecticut Municipal Electric Energy Cooperative

Notes to Basic Financial Statements

December 31, 2025

(In Thousands)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. CMEEC's accounting records generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission (FERC).

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

Application of the accounting methods for regulatory operations is also included in these financial statements. This accounting guidance relates to the deferral of revenues and expenses to future periods in which the revenues are earned or the expenses are recovered through the rate-making process, which is governed by the board of directors. The more significant accounting policies are summarized below.

Cash and Cash Equivalents

Cash is equivalent to bank account cash balances available for immediate use. CMEEC maintains their cash in bank deposit accounts that, at times, may exceed federally insured limits. CMEEC has not experienced any losses in such accounts and believe they are not exposed to any significant credit risk on cash. From time to time, CMEEC may hold cash equivalents that consist of short-term highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less. These amounts are stated at cost and are adjusted for amortization of premium or accretion of discount, which approximates market value.

Investments

Generally, all investments are carried at their fair value. Fair values are based on methods and inputs as outlined in Note 3. Fair values may have changed significantly after year-end.

Member Receivables

Member receivables are recorded at net realizable value. Provision for credit losses on customer accounts is made in amounts required to maintain an adequate allowance to cover anticipated losses. No allowance was recorded as of December 31, 2025 and 2024.

Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified.

Inventories

Material replacement parts inventories are valued at cost on a first-in, first-out basis. Fuel inventories are valued at cost on a weighted-average basis. Renewable energy credits are valued at cost on a first-in, first-out basis and are purchased in accordance with contracted terms with certain customers.

Connecticut Municipal Electric Energy Cooperative

Notes to Basic Financial Statements

December 31, 2025

(In Thousands)

Other Current Assets

Other current assets include amounts recorded as prepaid expenses and underbillings to customers. In the event there is a cost in excess of a contracted rate, there is an unbilled asset that is collected over future periods in accordance with contract stipulations. Underbillings are recorded at net realizable value.

Investment in Hydro Quebec

This investment is recorded at cost and represents CMEEC's 0.84% equity ownership interest in the Hydro Quebec Phase I and Phase II Transmission Facilities. Effective November 2020, CMEEC entered into an agreement with H.Q. Energy Services (U.S.) for the transfer of use rights associated with CMEEC's interest in the project for a monthly fee of \$58 through October 2025. Effective November 2025, CMEEC entered into an agreement with Vitol for the transfer of use rights associated with CMEEC's interest in the project for a monthly fee of \$83 through October 2026.

Capital Assets

Utility plant and property is stated at cost or the estimated acquisition value at the time of contribution to CMEEC and is defined as assets with an initial cost of more than \$25,000 and an estimated life of more than three years. These costs include an allocation of direct and indirect charges for engineering, supervision and administrative expenses.

Amortization of intangible plant in service is computed on the straight-line method over the estimated useful life of each unit under contract, ranging from 10 to 30 years. Depreciation of general plant in service is computed on the straight-line method over the estimated lives of the assets ranging from 3 to 42 years. Costs related to plant not placed into service are classified as construction-in-process. Depreciation does not commence until the item is placed in service. For assets sold or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the accounts, and any resulting gain or loss is distributed through the CMEEC billing process or is reflected in net income for the period.

Costs to be Recovered From Future Billings and Regulatory Credits

Rates for power billings to the Members are designed to recover CMEEC's allowable service costs as defined by the Power Supply System Revenue Bond Resolution, as amended, and power sales contracts. Certain expenses are not included as costs in the current period and are recognized in future periods when such expenses will be recovered through rates charged to the Members and are included as costs to be recovered from future billings in the accompanying statements of net position. These items represent regulatory assets and primarily result from rates that are designed to recover the principal component of debt service. The difference between charges associated with specific assets and the principal payments of debt associated with those assets and currently recovered in rates is shown as a regulatory item and amortized over the life of the related debt. These consist of depreciation and amortization and funded interest costs after in-service date.

Additionally, certain circumstances result in a benefit that is not recognized in the period in which it occurs, but instead is passed through to the Members through the rate setting process at a future date in a manner as approved by the board of directors. These are considered regulatory credits and are included as deferred inflows of resources in the accompanying statement of net position. Regulatory credits are primarily comprised of fair market valuation adjustments for investments and certain reserves collected in advance of the related costs, but may also include debt related amounts due to timing differences in the depreciation and amortization discussed above and the timing of the recovery through the rates.

Additional costs may be agreed upon by the Members to be recovered through future billings. These deferrals are detailed in the disclosures at Note 6.

Connecticut Municipal Electric Energy Cooperative

Notes to Basic Financial Statements

December 31, 2025

(In Thousands)

Designated Funds

Certain funds have been designated for a specific purpose as approved by CMEEC's governing body.

The economic development fund was established pursuant to the CMEEC rate structure and participant designations to collect 0.5 mils/kWh for the total kWh of load. Contributions may be changed by participants at any time. Participation levels vary by Member. Funds shall be used for economic development activities.

The municipal competitive trust (MCT) was established in 2003 to provide a means for Members to accumulate funds and enhance their financial position and flexibility in an increasingly competitive industry. Pursuant to the resolution of the CMEEC board of directors, monies deposited in the MCT can be used to maintain rate stability and rate competitiveness, provide for retirement or liquidation of certain debt obligations, and pay for certain capital expenses related to power supply or infrastructure improvements. MCT is invested in corporate and bank certificates of deposit (fully insured), treasury bills, municipal bonds and government agencies per investment policy.

Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

Leases

CMEEC is a lessee because it leases capital assets from other entities. As a lessee, CMEEC reports a lease liability and an intangible right-to-use capital asset (known as the lease asset) in the financial statements.

Long-Term Debt

Long-term debt and other obligations are reported as liabilities. Bond premiums and discounts are amortized over the life of the bonds using the effective interest rate method. Gains or losses on prior refundings are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The balance at year-end for premiums and discounts is shown as an increase or decrease in the liability section of the statements of net position. The balances at year-end for the gains and losses on refunding are shown as either a deferred outflow of resources or deferred inflow of resources in the statements of net position.

Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

Rate Stabilization Fund

CMEEC holds funds in Rate Stabilization Funds for each Member. These funds are adjusted monthly during the billing cycle. When a Member billing rate provides revenues in excess of the actual monthly service costs, the excess revenues are deferred by adding funds to these accounts. Conversely, when a Member billing rate does not provide sufficient revenue to recover the actual service costs, revenue is realized by reducing the funds in these accounts. Initial billing rates are set for each Member in January, based on budgeted costs, and may be modified at any time by notification from the Member.

Connecticut Municipal Electric Energy Cooperative

Notes to Basic Financial Statements
December 31, 2025
(In Thousands)

Net Position

GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, requires the classification of net position into three components - net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - this component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

When both restricted and unrestricted resources are available for use, it is CMEEC's policy to use restricted resources first, then unrestricted resources as they are needed.

Revenues and Expenses

Operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with CMEEC's principal ongoing operations. The principal operating revenues are charges to Members and customers for services. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Comparative Data

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Effect of New Accounting Standards on Current Period Financial Statements

GASB has approved GASB Statement No. 103, *Financial Reporting Model Improvements*, Statement No. 104, *Disclosure of Certain Capital Assets*, and Statement No. 105, *Subsequent Events*. When they become effective, application of these standards may restate portions of these financial statements.

Connecticut Municipal Electric Energy Cooperative

Notes to Basic Financial Statements
December 31, 2025
(In Thousands)

3. Cash, Cash Equivalents and Investments

Deposits

Deposit Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, CMEEC's deposit will not be returned. CMEEC does not have a deposit policy for custodial credit risk.

As of December 31, 2025, \$12,442 of CMEEC's bank balance of \$12,942 was uninsured and uncollateralized. As of December 31, 2024, \$8,616 of CMEEC's bank balance of \$9,366 was uninsured and uncollateralized.

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At December 31, 2025, CMEEC's cash equivalents amounted to \$1,203. The following table provides summary of CMEEC's cash equivalents as rated by nationally recognized statistical rating organizations.

	Fitch
U.S. Bancorp	AAA
StoneX Group	BB-

Investments

Special funds and short-term investments consist of U.S. government securities, municipal bonds, federal agency obligation and bank certificates of deposit in accordance with the provisions of bond resolutions. Special funds included in investments are the debt service funds, municipal competitive trust funds and deposits for current debt service, less any amounts considered to be cash or cash equivalents.

Management determines the proper classifications of investments in obligations with fixed maturities and marketable equity securities at the time of purchase and reevaluates such designations at year end. Please see Note 4 for related restrictions on these funds.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, CMEEC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. CMEEC's investments are not exposed to custodial credit risk at December 31, 2025 or 2024. Furthermore, CMEEC, as an issuer of tax-exempt obligations, must not engage in any arbitrage practice prohibited by the arbitrage regulations promulgated under Section 103(c) of the Internal Revenue Code (IRC). In no event should funds be invested in a manner that will violate the provision of such Section 103(c). CMEEC's investment policy addresses custodial credit risk by defining the allowable investment terms, investments and maximum allocation to each asset class.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. CMEEC's investment policy addresses interest rate risk by defining the allowable investment terms, investments and maximum allocation to each asset class.

Connecticut Municipal Electric Energy Cooperative

Notes to Basic Financial Statements

December 31, 2025

(In Thousands)

As of December 31, 2025, CMEEC's investments consisted of the following:

	Maturity in Years			
	Fair Value	Less Than 1	1 to 10	More Than 10
Special funds and short-term investments:				
Interest-bearing investments:				
U.S. government securities	\$ 38,807	\$ 8,986	\$ 29,821	\$ -
U.S. government agencies	4,460	2,114	2,306	40
Corporate bonds	4,201	799	3,402	-
State & local bonds	1,072	726	346	-
Supranational	1,006	245	761	-
Total	49,546	\$ 12,870	\$ 36,636	\$ 40
Other investments:				
Mutual funds	4,773			
Total investments	\$ 54,319			

As of December 31, 2024, CMEEC's investments consisted of the following:

	Maturity in Years			
	Fair Value	Less Than 1	1 to 10	More Than 10
Special funds and short-term investments:				
Interest-bearing investments:				
U.S. government securities	\$ 36,573	\$ 8,854	\$ 27,719	\$ -
U.S. government agencies	7,483	3,307	4,120	56
Corporate bonds	7,496	3,589	3,907	-
Total	51,552	\$ 15,750	\$ 35,746	\$ 56
Other investments:				
Mutual funds	4,149			
Total investments	\$ 55,701			

Connecticut Municipal Electric Energy Cooperative

Notes to Basic Financial Statements

December 31, 2025

(In Thousands)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. CMEEC's investment policy addresses credit risk by defining the allowable investments and maximum allocation to each asset class.

Presented below is the rating of investments for each debt instrument type at fair value as of December 31, 2025:

Average Rating	U.S. Government Securities	U.S. Government Agencies	Corporate Bonds	State & Local Bonds	Supranational
AAA	\$ -	\$ -	\$ 525	\$ 251	\$ 1,006
AA1	38,807	4,459	-	149	-
AA2	-	-	2,194	671	-
AA3	-	-	1,113	-	-
A1	-	-	369	-	-
Total	\$ 38,807	\$ 4,459	\$ 4,201	\$ 1,071	\$ 1,006

Presented below is the rating of investments for each debt instrument type at fair value as of December 31, 2024:

Average Rating	U.S. Government Securities	U.S. Government Agencies	Corporate Bonds
AAA	\$ 31,598	\$ 3,393	\$ 1,251
AA1	-	-	548
AA2	-	-	2,824
AA3	-	-	1,054
A1	-	-	1,740
Unrated	4,975	4,090	79
Total	\$ 36,573	\$ 7,483	\$ 7,496

Concentrations of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investment with a single issuer. CMEEC's investment policy places limits on the percentage of investments that may be held with any one issuer and varies by investment type. As of December 31, 2025 and 2024, Transco's investment portfolio did not have any investments that comprised of more than 5% of their portfolio.

Fair Value of Financial Instruments

CMEEC categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets or with observable inputs (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements).

Connecticut Municipal Electric Energy Cooperative

Notes to Basic Financial Statements

December 31, 2025

(In Thousands)

The valuation methods for recurring fair value measurements include the following:

- U.S. Treasury bills, notes and bonds are valued at the closing price reported in the active market in which the individual securities are traded. Other government and agency securities are valued based on yields currently available on comparable securities of issuers with similar durations and credit ratings.
- Corporate and state and local bonds are valued based on yields currently available on comparable securities of issuers with similar durations and credit ratings.
- Money market and mutual funds are valued at the quoted price of shares held by CMEEC at year-end.

Presented below are the recurring fair value measurements for each investment type as of December 31, 2025:

	December 31, 2025	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level:				
Debt securities:				
U.S. government securities	\$ 38,807	\$ 38,807	\$ -	\$ -
U.S. government agencies	4,460	-	4,460	-
Corporate bonds	4,201	-	4,201	-
State & Local Bonds	1,072	-	1,072	-
Supranational	1,006	-	1,006	-
Equity securities:				
Mutual funds	4,773	4,773	-	-
Tota investments by fair value level	<u>\$ 54,319</u>	<u>\$ 43,580</u>	<u>\$ 10,739</u>	<u>\$ -</u>

Presented below are the recurring fair value measurements for each investment type as of December 31, 2024:

	December 31, 2024	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level:				
Debt securities:				
U.S. government securities	\$ 36,573	\$ 36,573	\$ -	\$ -
U.S. government agencies	7,483	-	7,483	-
Corporate bonds	7,496	3,371	4,125	-
Equity securities:				
Mutual funds	4,149	4,149	-	-
Tota investments by fair value level	<u>\$ 55,701</u>	<u>\$ 44,093</u>	<u>\$ 11,608</u>	<u>\$ -</u>

Connecticut Municipal Electric Energy Cooperative

Notes to Basic Financial Statements

December 31, 2025

(In Thousands)

4. Restricted Assets

Certain proceeds of CMEEC's debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the statements of net position because their use is limited. The following accounts are reported as restricted assets:

	<u>2025</u>	<u>2024</u>
Restricted accounts:		
Deposit for current debt service	\$ 3,501	\$ 3,528
Debt service reserve funds	3,055	2,872
Conservation and Load Management Fund	<u>3,709</u>	<u>3,137</u>
Total restricted accounts	<u>\$ 10,265</u>	<u>\$ 9,537</u>

Debt Related Accounts

Deposit for current debt service - Used to segregate resources accumulated for debt service payments over the next 12 months.

Debt service reserve funds - Used to report resources set aside to make up potential future deficiencies in the debt service funds account.

Conservation and Load Management Fund

This fund is established pursuant to Sec. 7-233y of the Connecticut General Statutes. The Statute requires each municipal electric utility to accrue and deposit funds each year for the purpose of investment in renewable resources and for conservation and load management programs. The funds are legally owned by the Members who determine the timing and use of the funds.

Funds held by CMEEC from Member utilities to be used for active demand-side management, conservation efforts, and energy efficiency programs to help consumers reduce electric costs and reduce Federally Mandated Congestion Costs per requirements of HB 7501.

Connecticut Municipal Electric Energy Cooperative

Notes to Basic Financial Statements

December 31, 2025

(In Thousands)

5. Capital Assets

Utility plant and property activity for the year ended December 31, 2025, consisted of the following:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Utility plant and property not being depreciated:					
Land	\$ 60	\$ -	\$ -	\$ -	\$ 60
Construction in progress	-	295	-	(282)	13
Total utility plant and property not being depreciated	60	295	-	(282)	73
Utility plant and property being depreciated:					
Intangible plant and property in service	861	-	(861)	-	-
Right-to-use, leases	3,086	886	-	-	3,972
Production plant	39,142	-	(5)	-	39,137
Transmission plant	52,942	-	-	-	52,942
General plant	5,691	-	(42)	282	5,931
Total utility plant and property being depreciated	101,722	886	(908)	282	101,982
Less accumulated depreciation/amortization for:					
Intangible plant and property in service	783	-	(783)	-	-
Right-to-use, leases	847	323	-	-	1,170
Plant in service	49,722	2,891	(125)	-	52,488
Total accumulated depreciation/amortiz ation	51,352	3,214	(908)	-	53,658
Total utility plant and property being depreciated, net	50,370	(2,328)	-	282	48,324
Utility plant and property, net	\$ 50,430	\$ (2,033)	\$ -	\$ -	\$ 48,397

Connecticut Municipal Electric Energy Cooperative

Notes to Basic Financial Statements

December 31, 2025

(In Thousands)

Utility plant and property activity for the year ended December 31, 2024, consisted of the following:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Utility plant and property not being depreciated:					
Land	\$ 60	\$ -	\$ -	\$ -	\$ 60
Construction in progress	27	26	-	(53)	-
Total utility plant and property not being depreciated	87	26	-	(53)	60
Utility plant and property being depreciated:					
Intangible plant and property in service	861	-	-	-	861
Right-to-use, leases	3,086	-	-	-	3,086
Production plant	39,142	-	-	-	39,142
Transmission plant	52,942	-	-	-	52,942
General plant	5,567	71	-	53	5,691
Total utility plan and property being depreciated	101,598	71	-	53	101,722
Less accumulated depreciation/amortization for:					
Intangible plant and property in service	783	-	-	-	783
Right-to-use, leases	693	154	-	-	847
Plant in service	46,799	2,923	-	-	49,722
Total accumulated depreciation/amortiz ation	48,275	3,077	-	-	51,352
Total utility plant and property being depreciated, net	53,323	(3,006)	-	-	50,370
Utility plant and property, net	\$ 53,410	\$ (2,980)	\$ -	\$ -	\$ 50,430

Connecticut Municipal Electric Energy Cooperative

Notes to Basic Financial Statements

December 31, 2025

(In Thousands)

6. Costs to be Recovered From Future Billings and Regulatory Credits

Costs to be recovered from future billings represent amounts that will be recovered by CMEEC and Transco through future rates as follows:

	<u>2025</u>	<u>2024</u>
CMEEC		
Project-related costs	\$ 9,360	\$ 8,738
Legal-related costs	4,263	4,263
Others	321	308
Transco		
Debt related charges	<u>10,808</u>	<u>11,534</u>
Total	<u>\$ 24,752</u>	<u>\$ 24,843</u>

As of December 31, regulatory credits consist of the following:

	<u>2025</u>	<u>2024</u>
CMEEC		
Debt-related deferrals	\$ 8,302	\$ 8,757
Fair market valuation adjustments for investments and derivatives	1,067	(435)
Transco		
Debt-related deferrals	<u>639</u>	<u>680</u>
Total	<u>\$ 10,008</u>	<u>\$ 9,002</u>

Connecticut Municipal Electric Energy Cooperative

Notes to Basic Financial Statements

December 31, 2025

(In Thousands)

7. Debt and Long-Term Liabilities

Change in Long-Term Liabilities

The following is a summary of changes in debt and long-term liabilities for the year ended December 31, 2025:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bonds payable:					
Bonds payable, direct placement	\$ 43,105	\$ -	\$ 2,450	\$ 40,655	\$ 2,485
Bond premium	5,612	-	686	4,926	-
Total bonds payable	48,717	-	3,136	45,581	2,485
Other long-term liabilities:					
Conservation and load management funds	3,137	572	-	3,709	-
Economic development fund	1,624	-	1,624	-	-
Municipal competitive trust	24,124	1,302	-	25,426	-
Other liabilities	541	-	41	500	-
Asset retirement obligation	108	250	-	358	-
Lease liability	2,249	212	139	2,322	354
Total long-term liabilities	<u>\$ 80,500</u>	<u>\$ 2,336</u>	<u>\$ 4,940</u>	<u>\$ 77,896</u>	<u>\$ 2,839</u>

The following is a summary of changes in debt and long-term liabilities for the year ended December 31, 2024:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bonds payable:					
Bonds payable, direct placement	\$ 45,505	\$ -	\$ 2,400	\$ 43,105	\$ 2,450
Bond premium	6,340	-	728	5,612	-
Total bonds payable	51,845	-	3,128	48,717	2,450
Other long-term liabilities:					
Conservation and load management funds	3,099	38	-	3,137	-
Economic development fund	1,572	52	-	1,624	-
Municipal competitive trust	23,368	756	-	24,124	-
Other liabilities	377	164	-	541	-
Asset retirement obligation	96	12	-	108	-
Lease liability	2,386	-	137	2,249	139
Total long-term liabilities	<u>\$ 82,743</u>	<u>\$ 1,022</u>	<u>\$ 3,265</u>	<u>\$ 80,500</u>	<u>\$ 2,589</u>

Connecticut Municipal Electric Energy Cooperative

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Bonds Payable

A schedule of bonds outstanding at December 31, 2025, is presented below:

Description	Date of Issue	Date of Maturity	Interest Rate (%)	Amount of Original Issue	Balance Outstanding December 31	
					2025	2024
CMEEC						
Transmission Service Revenue Bonds (2021 Series A)	10/05/21	01/01/39	5.0 %	\$ 11,410	\$ 9,265	\$ 9,980
Power Supply System Revenue Bonds (2022 Series A)	10/06/22	01/02/38	5.0	19,255	17,425	18,365
Transco						
Transmission System Revenue Bonds (2021 Series A)	10/05/21	01/01/42	5.0	16,360	13,965	14,760
Total				\$ 47,025	\$ 40,655	43,105

The debt service requirements for CMEEC's consolidated direct debt outstanding as of December 31, 2025, are as follows:

Years Ending December 31:	Principal	Interest	Total
2026	\$ 2,485	\$ 2,033	\$ 4,518
2027	2,520	1,909	4,429
2028	2,560	1,783	4,343
2029	2,595	1,655	4,250
2030	2,640	1,525	4,165
2031-2035	13,915	5,597	19,512
2036-2040	11,525	2,076	13,601
2041-2042	2,415	181	2,596
Total	<u>\$ 40,655</u>	<u>\$ 16,759</u>	<u>\$ 57,414</u>

Each series of revenue bonds is collateralized by a pledge of revenues derived by CMEEC or Transco, as applicable, from the operating of its power supply system and/or transmission service. The Power Supply System Bond Resolution and CMEEC Transmission Services Revenue Bond Resolution contain various restrictive covenants that require, among other things, that CMEEC establish rates each year sufficient to recover all operating costs, to recover 110% of debt service and to maintain required amounts in the special funds. The Transco Transmission System Bond Resolution contains various restrictive covenants that require, among other things, that Transco establish rates each year sufficient to recover all operating costs, to recover 100% of debt service and to maintain required amounts in the special funds.

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Lines of Credit

On August 1, 2017, CMEEC established a line of credit with Bank of America. Effective April 29, 2024, the agreement was amended increasing the available amount from \$40,000 to \$50,000, bearing interest at BSBY Market Index Rate plus 0.65%. The line is subject to various nonfinancial and financial covenants. Failure to comply with any of the covenants or violation of any of the remaining terms of the agreement are considered an event of default and could result in acceleration of payment or additional collateralization requirements. The line is secured through revenues pledged for payment, with the pledge being subordinate and junior to those noted for the revenue bonds above. During the year ended December 31, 2025, \$10,250 was drawn down and outstanding as of December 31, 2025. As of December 31, 2024, \$16,500 was drawn down and repaid. As of December 31, 2024, there was no balance outstanding. A fee of 0.29% is assessed on any unused balance. The line is currently set to expire on April 29, 2027.

MicroGen Project

During 2009 and 2010, CMEEC entered into lease agreements with property owners located in the service territory of the Members and customers for the purpose of installing the equipment pertaining to the MicroGen Project (formerly known as 50 in 5 Project). There are fifteen leases in total under the project, with term expirations ranging from 2038 to 2039. Rent under the individual leases range from \$12 to \$13 per year.

Expected future payments under these leases are as follows:

Years Ending December 31:	Principal	Interest	Total
2026	\$ 142	\$ 40	\$ 182
2027	145	38	183
2028	147	35	182
2029	150	32	182
2030	153	29	182
2031-2035	811	101	912
2036-2039	562	25	587
Total	<u>\$ 2,110</u>	<u>\$ 300</u>	<u>\$ 2,410</u>

Subase Fuel Cell Project

CMEEC entered into a lease agreement with the United States Navy to utilize land at the Naval Submarine Base New London (Subase) in Gorton, Connecticut, in connection with a fuel cell power generation project that achieved operation in 2022. The generating facility is owned and operated by Groton Station Fuel, LLC, a wholly owned subsidiary of FuelCell Energy, Inc., which controls operation of the unit and is responsible for site remediation and decommissioning at the end of the project. CMEEC purchases all power produced under a power purchase agreement and pays related operating costs. The lease consideration was modified from annual cash payments to an in-kind arrangement under which CMEEC agreed to satisfy \$1,000 of lease payments through the purchase of transformers for the Navy to enhance grid resiliency, with purchases occurring through 2026, with the remaining costs recorded as a lease liability. CMEEC recorded a lease asset measured at the present value of the lease payments using a discount rate of 3%, which is being amortized over the lease term of 20 years, with maturity in 2042. Expected future payments under the lease are \$212 in 2026.

Connecticut Municipal Electric Energy Cooperative

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8. Blended Component Unit Information

The following table presents the condensed combining statement of net position for CMEEC and Transco as of December 31, 2025:

	CMEEC	Transco	Eliminations	Total
Current Assets				
Cash and equivalents	\$ 4,399	\$ 4,852	\$ -	\$ 9,251
Short-term investments	20,015	1,911	-	21,926
Deposit for current debt service - restricted	2,357	1,144	-	3,501
Accounts receivable	1,947	24	-	1,971
Member receivable	18,740	1,603	(1,603)	18,740
Inventories	937	-	-	937
Other current assets	2,351	376	-	2,727
Total current assets	50,746	9,910	(1,603)	59,053
Noncurrent Assets				
Restricted assets:				
Debt service reserve funds	2,132	923	-	3,055
Conservation and load management funds	3,709	-	-	3,709
General Reserve Fund	608	-	-	608
Investment in Hydro Quebec	384	-	-	384
Investment in Transco	32,633	-	(32,633)	-
Municipal competitive trust	25,440	-	-	25,440
Costs to be recovered from future billings	13,944	10,808	-	24,752
Capital assets:				
Construction work in progress	13	-	-	13
Plant in service	49,099	52,943	-	102,042
Less accumulated depreciation and amortization	(29,919)	(23,739)	-	(53,658)
Total noncurrent assets	98,043	40,935	(32,633)	106,345
Total assets	148,789	50,845	(34,236)	165,398
Deferred Outflows of Resources				
Asset retirement obligation	214	-	-	214
Deferred charge on refunding	232	222	-	454
Total deferred outflows of resources	446	222	-	668

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	<u>CMEEC</u>	<u>Transco</u>	<u>Eliminations</u>	<u>Total</u>
Current Liabilities				
Accounts payable	\$ 15,246	\$ 1,237	\$ (1,603)	\$ 14,880
Accrued liabilities	(248)	388	-	140
Line of credit	10,250	-	-	10,250
Current portion of lease liability	354	-	-	354
Current liabilities payable from restricted assets:				
Current portion of long-term debt	1,690	795	-	2,485
Accrued interest on long-term debt	668	349	-	1,017
Total current liabilities	<u>27,960</u>	<u>2,769</u>	<u>(1,603)</u>	<u>29,126</u>
Long-Term Liabilities				
Long-term debt, net of current portion	28,070	15,026	-	43,096
Conservation and load management funds	3,709	-	-	3,709
Municipal competitive trust	25,426	-	-	25,426
Other liabilities	500	-	-	500
Asset retirement obligation	358	-	-	358
Lease liability, net of current portion	1,968	-	-	1,968
Total long-term liabilities	<u>60,031</u>	<u>15,026</u>	<u>-</u>	<u>75,057</u>
Total liabilities	<u>87,991</u>	<u>17,795</u>	<u>(1,603)</u>	<u>104,183</u>
Deferred Inflows of Resources				
Deferred charge on refunding	582	-	-	582
Regulatory credits	9,369	639	-	10,008
Rate stabilization funds	36,255	-	-	36,255
Total deferred inflows	<u>46,206</u>	<u>639</u>	<u>-</u>	<u>46,845</u>
Net Position				
Net investment in capital assets	(11,107)	14,528	-	3,421
Restricted for debt service	1,689	795	-	2,484
Unrestricted	24,456	17,310	(32,633)	9,133
Total net position	<u>\$ 15,038</u>	<u>\$ 32,633</u>	<u>\$ (32,633)</u>	<u>\$ 15,038</u>

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(In Thousands)

The following table presents the condensed combining statement of revenues, expenses and changes in net position for CMEEC and Transco for the year ended December 31, 2025:

	CMEEC	Transco	Eliminations	Total
Operating Revenues				
Electric power supply revenues	\$ 100,584	\$ -	\$ -	\$ 100,584
Electric transmission revenues	23,253	41,663	(41,663)	23,253
Uses of (additions to) rate stabilization funds and other	6,461	-	-	6,461
Total operating revenues	130,298	41,663	(41,663)	130,298
Operating Expenses				
Purchased power and generation costs	95,794	-	-	95,794
Transmission costs	22,093	39,029	(41,663)	19,459
Administrative and general	7,197	1,282	-	8,479
Depreciation and amortization	1,819	1,349	-	3,168
Total operating expenses	126,903	41,660	(41,663)	126,900
Net operating income (loss)	3,395	3	-	3,398
Nonoperating Income (Expenses)				
Interest and investment income	58	107	-	165
Interest expense	(1,474)	(418)	-	(1,892)
Other expense	17	-	-	17
Change in bond expenses to be recovered from future billings to members	(553)	308	-	(245)
Net nonoperating income (expenses)	(1,952)	(3)	-	(1,955)
Change in net position	1,443	-	-	1,443
Net Position, Beginning	13,595	32,633	(32,633)	13,595
Net Position, Ending	\$ 15,038	\$ 32,633	\$ (32,633)	\$ 15,038

The following table presents the condensed combining statement of cash flows for CMEEC and Transco for the year ended December 31, 2025:

	CMEEC	Transco	Total
Net Cash From			
Operating activities	\$ (4,820)	\$ 2,168	\$ (2,652)
Noncapital financing activities	10,250	-	10,250
Capital and related financing activities	(5,248)	(1,168)	(6,416)
Investment activities	6,775	(149)	6,626
Net change in cash and cash equivalents	6,957	851	7,808
Cash and Cash Equivalents, Beginning	1,151	4,001	5,152
Cash and Cash Equivalents, Ending	\$ 8,108	\$ 4,852	\$ 12,960

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(In Thousands)

The following table presents the condensed combining statement of net position for CMEEC and Transco as of December 31, 2024 (as restated):

	<u>CMEEC</u>	<u>Transco</u>	<u>Eliminations</u>	<u>Total</u>
Current Assets				
Cash and equivalents	\$ 1,151	\$ 4,001	\$ -	\$ 5,152
Short-term investments	23,446	1,634	-	25,080
Deposit for current debt service – restricted	2,364	1,164	-	3,528
Accounts receivable	1,445	22	-	1,467
Accounts receivable from related parties	15,529	1,386	(1,386)	15,529
Inventories	776	-	-	776
Other current assets	683	450	-	1,133
Total current assets	<u>45,394</u>	<u>8,657</u>	<u>(1,386)</u>	<u>52,665</u>
Noncurrent Assets				
Restricted assets:				
Debt service reserve funds	1,948	924	-	2,872
Conservation and load management funds	3,137	-	-	3,137
General Reserve Fund	529	-	-	529
Investment in Hydro Quebec	384	-	-	384
Investment in Transco	32,633	-	(32,633)	-
Economic development fund	1,624	-	-	1,624
Municipal competitive trust	24,221	-	-	24,221
Costs to be recovered from future billings	13,309	11,534	-	24,843
Capital assets:				
Plant in service	48,839	52,943	-	101,782
Less accumulated depreciation and amortization	(28,962)	(22,390)	-	(51,352)
Total noncurrent assets	<u>97,662</u>	<u>43,011</u>	<u>(32,633)</u>	<u>108,040</u>
Total assets	<u>143,056</u>	<u>51,668</u>	<u>(34,019)</u>	<u>160,705</u>
Deferred Outflows of Resources				
Deferred charge on refunding	281	236	-	517

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(In Thousands)

	<u>CMEEC</u>	<u>Transco</u>	<u>Eliminations</u>	<u>Total</u>
Current Liabilities				
Accounts payable	\$ 14,513	\$ 1,023	\$ (1,386)	\$ 14,150
Accrued liabilities	110	367	-	477
Current portion of lease liability	139	-	-	139
Current liabilities payable from restricted assets:				
Current portion of long-term debt	1,655	795	-	2450
Accrued interest on long-term debt - payable from restricted assets	744	369	-	1,113
Total current liabilities	<u>17,161</u>	<u>2,554</u>	<u>(1,386)</u>	<u>18,329</u>
Long-Term Liabilities				
Long-term debt, net of current portion	30,230	16,037	-	46,267
Conservation and load management funds	3,137	-	-	3,137
Economic development fund	1,624	-	-	1,624
Municipal competitive trust	24,124	-	-	24,124
Other liabilities	541	-	-	541
Asset retirement obligation	108	-	-	108
Lease liability, net of current portion	2,110	-	-	2,110
Total long-term liabilities	<u>61,874</u>	<u>16,037</u>	<u>-</u>	<u>77,911</u>
Total liabilities	<u>79,035</u>	<u>18,591</u>	<u>(1,386)</u>	<u>96,240</u>
Deferred Inflows of Resources				
Deferred charge on refunding	632	-	-	632
Regulatory credits	8,322	680	-	9,002
Rate stabilization funds	41,753	-	-	41,753
Total deferred inflows	<u>50,707</u>	<u>680</u>	<u>-</u>	<u>51,387</u>
Net Position				
Net investment in capital assets	(12,660)	14,881	-	2,221
Restricted for debt service	1,620	795	-	2,415
Unrestricted	24,635	16,957	(32,633)	8,959
Total net position	<u>\$ 13,595</u>	<u>\$ 32,633</u>	<u>\$ (32,633)</u>	<u>\$ 13,595</u>

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The following table presents the condensed combining statement of revenues, expenses and changes in net position for CMEEC and Transco for the year ended December 31, 2024 (as restated):

	CMEEC	Transco	Eliminations	Total
Operating Revenues				
Electric power supply revenues	\$ 90,984	\$ -	\$ -	\$ 90,984
Electric transmission revenues	18,190	32,355	(32,355)	18,190
Uses of (additions to) rate stabilization funds and other	(2,547)	-	-	(2,547)
Total operating revenues	106,627	32,355	(32,355)	106,627
Operating Expenses				
Purchased power and generation costs	77,144	-	-	77,144
Transmission costs	16,994	29,551	(32,355)	14,190
Administrative and general	6,868	1,337	-	8,205
Depreciation and amortization	1,853	1,349	-	3,202
Total operating expenses	102,859	32,237	(32,355)	102,741
Net operating income (loss)	3,768	118	-	3,886
Nonoperating Income (Expenses)				
Interest and investment income	47	29	-	76
Interest expense	(1,325)	(458)	-	(1,783)
Other expense	(409)	-	-	(409)
Change in bond expenses to be recovered from future billings to members	(598)	311	-	(287)
Net nonoperating income (expenses)	(2,285)	(118)	-	(2,403)
Change in net position	1,483	-	-	1,483
Net Position, Beginning	12,112	32,633	(32,633)	12,112
Net Position, Ending	\$ 13,595	\$ 32,633	\$ (32,633)	\$ 13,595

The following table presents the condensed combining statement of cash flows for CMEEC and Transco for the year ended December 31, 2024:

	CMEEC	Transco	Total
Net Cash From			
Operating activities	\$ (3,371)	\$ 2,567	\$ (804)
Capital and related financing activities	(3,654)	(1,503)	(5,157)
Investment activities	3,499	(77)	3,422
Net change in cash and cash equivalents	(3,526)	987	(2,539)
Cash and Cash Equivalents, Beginning	4,677	3,014	7,691
Cash and Cash Equivalents, Ending	\$ 1,151	\$ 4,001	\$ 5,152

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9. Retirement Plans

National Rural Electric Cooperative Association Retirement Security Plan

The National Rural Electric Cooperative Association (NRECA) Retirement Security Plan (RS Plan) is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the IRC. Each co-op in the plan including CMEEC elects to participate in the plan. CMEEC can choose to withdraw from the RS Plan, subject to plan provisions that require them to fully fund its share of RS Plan liabilities before withdrawing. The RS Plan is sponsored and administered by NRECA and is a cost-sharing pension plan that has the characteristics described in paragraph 2 of GASB Statement No. 78.

A unique characteristic of a multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

The total annual contribution is determined actuarially to be sufficient in funding the benefits of the RS Plan as a level percentage of covered payroll over the average expected remaining working lifetime of its participants. The amount is determined annually. This total annual contribution is allocated based on CMEEC's RS Plan provisions and participant demographics (in particular, the average age of participants and each participant's base pay level). CMEEC must contribute annually in accordance with the terms of the RS Plan and may amend certain benefit provisions changing the corresponding contribution level after the effective date of the amendment.

CMEEC contributions to the RS Plan in 2025 and in 2024 represented less than 5% of the total contributions made to the plan by all participating employers. Contribution rates are determined by NRECA based on funding levels and projected obligations to be paid out. Required contributions to the plan for 2025 and 2024 as a percent of covered payroll were 27.24% and 26.49%, respectively.

CMEEC made contributions to the plan of \$848 in 2025 and \$850 in 2024 and had no amounts payable to the RS plan as of December 31, 2025 and 2024. Amounts contributed to the RS Plan for 2025 and 2024 were 100% of the contributions required by NRECA for each respective year. Average employees covered under the plan totaled 23.0 and 23.1 for the years ended December 31, 2025 and 2024, respectively. There have been no significant changes that affect the comparability of 2025 and 2024 contributions.

Plan benefits under the RS Plan follow a graduated benefit model where 1.9% of the participant's final average effective salary is multiplied by years of benefit service. Benefits are not adjusted for increases in the cost-of-living (COLA). Participants become eligible to begin collecting benefits upon the normal retirement date, which is considered to be the first day of the month coincident with or next following a participant's attainment of age 65. CMEEC may amend certain benefit terms of the plan, including benefit levels provided for each year of service, normal retirement age, COLA adjustments to retiree annuity payments, eligibility for participation and required employee contributions to the plan. Other plan terms, such as vesting periods, forms of payment and factors used to reduce benefits for early retirement and conversion of benefits to optional forms of payment, are governed at the overall plan level and cannot be adjusted by CMEEC (such provisions require approval by the NRECA board of directors).

In the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was 85.4% funded on January 1, 2023, and 100.5% funded on January 1, 2022, based on the PPA funding target and PPA actuarial value of assets on those dates. The RS Plan must meet minimum funding requirements under ERISA, as determined by Internal Revenue Service regulations.

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Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

The RS Plan must file annual reports with the U.S. Department of Labor (Form 5500) that include a copy of the RS Plan annual financial statements. An electronic copy of Form 5500, and the plan's annual financial statements, can be obtained by going to www.efast.dol.gov and using the search tool (Employer Identification Number 530116145; Plan Number 333). Copies of the RS Plan's annual financial statements are also available to cooperative representatives by calling NRECA's Member Contact Center at 866-673-2299.

Defined Contribution Plan

CMEEC also has a plan under Section 401(k) of the IRC covering all eligible employees. Under the plan, CMEEC contributes 1% of the employee's full salary. CMEEC's contribution expense under the plan was \$33 and \$33 for the years ended December 31, 2025 and 2024, respectively.

Other Postemployment Benefits

CMEEC has certain postemployment contracts in which an annual annuity is provided starting at retirement (at or after the age of 62) or after 10 years of service under the agreement. Actual benefits vary by individual agreement. The cost of the annual annuity payment is covered through fully funded insurance policies, with assets and associated liabilities valued at \$297 and \$308 at December 31, 2025 and 2024, respectively. The first payment was in March 2012. Payments continue through 2032.

Executive Benefit Restoration

CMEEC also has an employment contract that provides executive benefit restoration to the CEO due to retirement security plan benefits lost from IRS limitations. According to calculations set forth in the contract, CMEEC makes contributions to 457(b) and 457(f) retirement savings plans on the CEO's behalf. The amounts contributed were \$71 and \$56 for the years ended December 31, 2025 and 2024, respectively.

10. Equity Distributions

Pursuant to terms under the membership agreement, annually the Members are eligible for an equity distribution from CMEEC for any amount in excess of a 20% equity to total equity and debt ratio. During the years ended December 31, 2025 and 2024, the members collectively took distributions of \$0.

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11. Asset Retirement Obligation

CMEEC operates and maintains a fleet of twenty 2.5 MW generators as part of its MicroGen project. The generators are located across nine geographic locations which are leased from various entities. The leases include legal obligations to remove equipment and restore the sites to their pre-lease condition upon termination, but do not require the establishment of escrow accounts for each of the lessors. Although CMEEC has accounted for this obligation in the past with annual additions to a decommissioning reserve, GASB 83 standards were adopted in 2025 and a deferred outflow of resources for the Asset Retirement Obligation (ARO) of \$214 was placed on the statement of net position to recognize the total estimated liability for the future project termination.

CMEEC accounts for the ARO by obtaining estimates of expenditures to remove the generators and associated infrastructure, as well as engineering and environmental testing to restore the sites to their pre-lease condition. These costs are reviewed annually for inflation. Currently, retirement of the project is estimated to occur in 2037.

12. Related-Party Transactions

Related parties consist of Members that have representation on the board of directors of CMEEC and Transco, which includes all six current Members. Operating revenues currently billed and amounts due from related parties are summarized below:

	2025		2024	
	Revenues From Related Parties	Member Receivables	Revenues From Related Parties	Member Receivables
Groton Utilities	\$ 35,679	\$ 6,433	\$ 30,815	\$ 4,587
Norwich Public Utilities	32,484	5,544	29,456	5,539
Jewett City Depart. Public Utilities	3,146	320	2,829	334
Third Taxing Dist. City of Norwalk	6,549	640	5,867	608
South Norwalk Electric and Water	11,909	1,212	9,842	952
Bozrah Light & Power	21,044	4,528	19,591	3,509
Total	<u>\$ 110,811</u>	<u>\$ 18,677</u>	<u>\$ 98,400</u>	<u>\$ 15,529</u>

Amounts due to member utilities of \$141 is included in accounts payable as of December 31, 2025 and \$0 as of December 31, 2024.

13. Power Supply Activities

Power Purchase and Sale Forward Contracts

CMEEC manages risks associated with power supply commitments and excess capacity by entering into forward contracts for the purchase and sale of electricity in the normal course of business. None of these contracts are on a take-or-pay basis. These contracts qualify for the normal purchases and sales exception under GAAP and are not accounted for as derivatives.

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14. Risk Management

CMEEC developed risk management policies and procedures for fuel swap, option contract and power purchase and sale forward contract activities. The objectives of the risk management policies are to optimize power supply resources, control costs and manage price volatility to the Members and customers. Those contracts that don't qualify as normal purchase and sale exceptions are recorded as derivatives in other current assets.

CMEEC is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. These risks are covered through the purchase of commercial insurance. Settled claims have not exceeded insurance coverage in each of the past three years.

15. Contracts

CMEEC provides the Mohegan Tribal Utility Authority (MTUA) its full requirements for wholesale electric service pursuant to the Restated and Amended Agreement for the Supply of Electric Power and Energy (the MTUA Contract) beginning January 1, 2014. Under the MTUA Contract, MTUA agrees to purchase from CMEEC essentially all electric capacity and energy that MTUA will require for its own retail sales. On September 23, 2021, this agreement was amended, extending the initial term through December 31, 2031.

16. Commitments and Contingencies

Legal Proceedings

On November 8, 2018, a federal grand jury returned two indictments against certain members and former members of CMEEC's leadership team. One indictment charged five individuals including two officers, two then-current board members and one former board member with criminal law violations. The second indictment charged two of the five individuals, including one officer and the former board member. CMEEC fully cooperated with the government during these criminal proceedings and as an organization is not named as a defendant in the proceedings.

On December 21, 2021, a jury returned a verdict in the first criminal proceeding acquitting two defendants on all counts, and acquitting the remaining three defendants on all but one count related to the activities alleged to have occurred in 2015. In May, 2023, judgment was entered against and sentences were imposed upon the three convicted defendants, and restitution orders were issued by the court in November, 2023, entitling CMEEC to a total award of restitution in the amount of \$790, of which \$574 and \$603 remains outstanding as of December 31, 2025 and 2024, respectively, recorded as accounts receivable.

The three convicted defendants appealed all aspects of the guilty verdicts, including the restitution orders. Also, in the wake of sentencing and the restitution order in the criminal proceeding in federal district court, CMEEC filed a petition for a writ of mandamus requiring the district court to order the convicted defendants to make restitution of amounts CMEEC advanced for the defense of the criminal proceedings and that petition was considered along with the convicted defendants' appeal. On September 6, 2024 all aspects of the district court's judgement were affirmed, including denial of CMEEC's petition, and the three convicted defendants did not opt to further appeal the case. On October 30, 2024, an order for voluntary surrender of the defendants was issued, and all three of the convicted defendants reported to prison in December 2024.

On December 6, 2024, Pretrial Diversion Program Agreements were signed between the government and the two defendants named in the second indictment.

Connecticut Municipal Electric Energy Cooperative

Notes to Basic Financial Statements

December 31, 2025

(In Thousands)

CMEEC advanced the legal expenses of the five indicted individuals in the criminal proceeding underlying the first indictment through the conclusion of sentencing and restitution proceedings for the convicted defendants in the district court due to and after CMEEC's D&O insurance carrier denied coverage for the legal expenses in 2018. In May and June 2023, CMEEC informed the convicted individuals that CMEEC would not advance their legal fees incurred in pursuing their appeal and would cease advancing legal fees incurred by the two indicted individuals in defending against the second indictment.

On June 21, 2023, one of the convicted individuals filed a civil action against CMEEC, alleging that CMEEC is legally obligated to advance his legal fees and costs incurred in pursuing his appeal of his conviction and to continue to advance his legal fees and costs of defense of the second indictment. CMEEC denied the allegations and filed counterclaims against the individual which remain pending. CMEEC also filed a third-party complaint against its D&O insurance carrier, asserting that the insurance policy obligates the insurer to advance to the individual his legal fees and costs incurred in pursuing the appeal of his criminal conviction and in defense of the second indictment. The carrier filed an answer and defenses denying CMEEC's claims. CMEEC, the individual and the D&O insurance carrier have reached a resolution of the litigation that is the subject of written settlement agreements executed by the parties and which resolved all outstanding claims of the parties to the litigation. As a result of the settlement of the litigation, Management does not expect any material financial impact to the Company.

CMEEC is also involved in arbitration with the above-referenced convicted individual regarding termination benefits, and CMEEC filed counterclaims against the individual. The arbitration proceeding is currently stayed. CMEEC and the individual have reached a resolution of the arbitration that is the subject of a written settlement agreement and which resolved all outstanding claims between the parties. As a result of the settlement, Management does not expect any material financial impact to the Company.

CMEEC is subject to other claims that arise in the normal course of business. In the opinion of management, no such matters are expected to have a materially adverse effect on the Company's financial position or results of operations.

Legal Cost Reimbursement

In the criminal case proceedings described above, the balance of unrecovered legal representation costs of the defendants was \$4,263 for the years ended December 31, 2025 and 2024, recorded as costs to be recovered from future billings, with the corresponding annual amounts being recorded as a special item in the accompanying financial statements. To date, CMEEC's D&O insurance company, which initially denied coverage for the legal expenses, has paid \$5,629 of the legal fees paid by CMEEC on behalf of the indicted individuals following a court ruling in a separate civil action. CMEEC filed against the insurance carrier that the carrier wrongfully denied coverage for the expenses and breached the insurance contract. CMEEC is actively pursuing litigation against the D&O insurance carrier for full reimbursement of the legal fees advanced, plus interest. CMEEC and the insurance carrier have reached a resolution of the litigation as well as all other outstanding claims between the parties, as a result of which CMEEC will receive reimbursement of all legal fees and expenses that were previously advanced to the defendants.

Connecticut Municipal Electric Energy Cooperative

Notes to Basic Financial Statements

December 31, 2025

(In Thousands)

17. Accounting Changes and Error Corrections

Correction of an Error in Previously Issued Financial Statements

CMEEC determined the Municipal Competitive Trust, Economic Development Fund and Conservation and Load Management Fund did not meet the definition of fiduciary funds as previously reported as of December 31, 2024. The effect of correcting that error is shown in the table below.

Adjustments to and Restatements of Beginning Balances

In addition to the restatement mentioned above, certain items were reclassified between regulatory credits and costs to be recovered from future billings based on further review of the detail balances. The error correction and reclassification resulted in a restatement of balances previously reported as of December 31, 2024, as follows:

	Balance as Previously Reported at December 31, 2024	Error Correction	Balance as Adjusted December 31, 2024
Fiduciary funds:			
Net position	\$ 28,982	\$ (28,982)	\$ -
Total fiduciary funds	\$ 28,982	\$ (28,982)	\$ -
Connecticut Municipal Electric Energy Cooperative:			
Noncurrent Assets:			
Restricted assets:			
Conservation and load management funds	\$ -	\$ 3,137	\$ 3,137
Economic development fund	-	1,624	1,624
Municipal competitive trust	-	24,221	24,221
Costs to be recovered from future billings	17,891	6,952	24,843
Noncurrent Liabilities:			
Conservation and load management funds	-	3,317	3,317
Economic development fund	-	1,624	1,624
Municipal competitive trust	-	24,124	24,124
Deferred Inflows of Resources:			
Regulatory credits	\$ 2,410	\$ 6,592	\$ 9,002
Nonoperating Income (Expenses):			
Investment income (expense)	\$ (613)	\$ 689	\$ 76

REQUIRED SUPPLEMENTARY INFORMATION

Connecticut Municipal Electric Energy Cooperative

Schedule of Employer Contributions -

National Rural Electric Cooperative Association Retirement Security Plan

Last Ten Fiscal Years

(In Thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 848	\$ 850	\$ 915	\$ 879	\$ 854	\$ 891	\$ 851	\$ 942	\$ 635	\$ 704
Contribution in relation to the actuarially determined contribution	848	850	915	879	854	891	851	942	635	704
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Notes to Schedule

Significant changes in plan contributions

In 2009, 2010 and 2013, the contribution rates were increased to supplement a lower recognized investment return than the 8.5% expected annual return. In 2018 and 2019, the contribution rate was increased in order to improve the funded status of the plan and reach projected funded status of 100%. In 2020, 2021 and 2022, the contribution rates were increased to supplement a lower recognized investment return than the 6.75% expected annual return.

SUPPLEMENTARY INFORMATION

Connecticut Municipal Electric Energy Cooperative

Combining Schedule of Net Position

December 31, 2025

(In Thousands)

	<u>CMEEC</u>	<u>Transco</u>	<u>Eliminations</u>	<u>Total</u>
Assets and Deferred Outflows of Resources				
Current Assets				
Cash and cash equivalents	\$ 4,399	\$ 4,852	\$ -	\$ 9,251
Short-term investments	20,015	1,911	-	21,926
Deposit for current debt service - restricted	2,357	1,144	-	3,501
Accounts receivable	2,010	24	-	2,034
Member receivables	18,677	1,603	(1,603)	18,677
Inventories	937	-	-	937
Other current assets	2,351	376	-	2,727
Total current assets	<u>50,746</u>	<u>9,910</u>	<u>(1,603)</u>	<u>59,053</u>
Noncurrent Assets				
Restricted assets:				
Debt service reserve funds	2,132	923	-	3,055
Conservation and load management funds	3,709	-	-	3,709
General reserve fund	608	-	-	608
Investment in Hydro Quebec	384	-	-	384
Investment in Transco	32,633	-	(32,633)	-
Municipal competitive trust	25,440	-	-	25,440
Costs to be recovered from future billings	13,944	10,808	-	24,752
Capital assets:				
Construction work in progress	13	-	-	13
Plant in service	49,099	52,943	-	102,042
Less accumulated depreciation and amortization	(29,919)	(23,739)	-	(53,658)
Total noncurrent assets	<u>98,043</u>	<u>40,935</u>	<u>(32,633)</u>	<u>106,345</u>
Total assets	<u>148,789</u>	<u>50,845</u>	<u>(34,236)</u>	<u>165,398</u>
Deferred Outflows of Resources				
Asset retirement obligation	214	-	-	214
Deferred charge on refunding	232	222	-	454
Total deferred outflows of resources	<u>446</u>	<u>222</u>	<u>-</u>	<u>668</u>

Connecticut Municipal Electric Energy Cooperative

Combining Schedule of Net Position

December 31, 2025

(In Thousands)

	<u>CMEEC</u>	<u>Transco</u>	<u>Eliminations</u>	<u>Total</u>
Liabilities, Deferred Inflows of Resources and Net Position				
Current Liabilities				
Accounts payable	\$ 15,246	\$ 1,237	\$ (1,603)	\$ 14,880
Accrued liabilities	(248)	388	-	140
Line of credit	10,250	-	-	10,250
Current portion of lease liability	354	-	-	354
Current liabilities payable from restricted assets:				
Current portion of long-term debt	1,690	795	-	2,485
Accrued interest on long-term debt	668	349	-	1,017
Total current liabilities	<u>27,960</u>	<u>2,769</u>	<u>(1,603)</u>	<u>29,126</u>
Long-Term Liabilities				
Long-term debt, net of current portion	28,070	15,026	-	43,096
Conservation and load management funds	3,709	-	-	3,709
Municipal competitive trust	25,426	-	-	25,426
Other liabilities	500	-	-	500
Asset retirement obligation	358	-	-	358
Lease liability, net of current portion	1,968	-	-	1,968
Total long-term liabilities	<u>60,031</u>	<u>15,026</u>	<u>-</u>	<u>75,057</u>
Total liabilities	<u>87,991</u>	<u>17,795</u>	<u>(1,603)</u>	<u>104,183</u>
Deferred Inflows of Resources				
Deferred charge on refunding	582	-	-	582
Regulatory credits	9,369	639	-	10,008
Rate stabilization funds	36,255	-	-	36,255
Total deferred inflows of resources	<u>46,206</u>	<u>639</u>	<u>-</u>	<u>46,845</u>
Net Position				
Net investment in capital assets	(11,107)	14,528	-	3,421
Restricted for:				
Debt service	1,689	795	-	2,484
Unrestricted	24,456	17,310	(32,633)	9,133
Total net position	<u>\$ 15,038</u>	<u>\$ 32,633</u>	<u>\$ (32,633)</u>	<u>\$ 15,038</u>

Connecticut Municipal Electric Energy Cooperative

Combining Schedule of Revenues, Expenses and Changes in Net Position

December 31, 2025

(In Thousands)

	<u>CMEEC</u>	<u>Transco</u>	<u>Eliminations</u>	<u>Total</u>
Operating Revenues				
Electric power supply revenues	\$ 100,584	\$ -	\$ -	\$ 100,584
Electric transmission revenues	23,253	41,663	(41,663)	23,253
Additions to rate stabilization funds and other	6,461	-	-	6,461
Total operating revenues	<u>130,298</u>	<u>41,663</u>	<u>(41,663)</u>	<u>130,298</u>
Operating Expenses				
Purchased power and generation costs	95,794	-	-	95,794
Transmission costs	22,093	39,029	(41,663)	19,459
Administrative and general	7,197	1,282	-	8,479
Depreciation and amortization	1,819	1,349	-	3,168
Total operating expenses	<u>126,903</u>	<u>41,660</u>	<u>(41,663)</u>	<u>126,900</u>
Net operating income (loss)	<u>3,395</u>	<u>3</u>	<u>-</u>	<u>3,398</u>
Nonoperating Income (Expense)				
Interest and investment income	58	107	-	165
Interest expense	(1,474)	(418)	-	(1,892)
Other expense	17	-	-	17
Changes in bond expenses to be recovered from future billings to members	<u>(553)</u>	<u>308</u>	<u>-</u>	<u>(245)</u>
Net nonoperating expense	<u>(1,952)</u>	<u>(3)</u>	<u>-</u>	<u>(1,955)</u>
Change in net position	1,443	-	-	1,443
Net Position, Beginning	<u>13,595</u>	<u>32,633</u>	<u>(32,633)</u>	<u>13,595</u>
Net Position, Ending	<u>\$ 15,038</u>	<u>\$ 32,633</u>	<u>\$ (32,633)</u>	<u>\$ 15,038</u>

Connecticut Municipal Electric Energy Cooperative

Combining Schedule of Revenues, Expenses and Changes in Net Position

for CMEEC Power Supply and Transmission Operations

December 31, 2025

(In Thousands)

	CMEEC Power Supply Operations	CMEEC Transmission Operations	CMEEC Total
Operating Revenues			
Electric power supply revenues	\$ 100,584	\$ -	\$ 100,584
Electric transmission revenues	3,587	19,666	23,253
Uses of (additions to) rate stabilization funds and other	6,461	-	6,461
Total operating revenues	110,632	19,666	130,298
Operating Expenses			
Purchased power and generation costs	95,794	-	95,794
Transmission costs	-	22,093	22,093
Administrative and general	7,197	-	7,197
Depreciation and amortization	1,819	-	1,819
Total operating expenses	104,810	22,093	126,903
Net operating income (loss)	5,822	(2,427)	3,395
Nonoperating Income (Expense)			
Interest and investment income	17	41	58
Interest expense	(962)	(512)	(1,474)
Other expense	17	-	17
Changes in bond expenses to be recovered from future billings to members	(211)	(342)	(553)
Net nonoperating expense	(1,139)	(813)	(1,952)
Change in net position	4,683	(3,240)	1,443
Net Position, Beginning	19,381	(5,786)	13,595
Net Position, Ending	<u>\$ 24,064</u>	<u>\$ (9,026)</u>	<u>\$ 15,038</u>

Connecticut Municipal Electric Energy Cooperative

Combining Schedule of Changes in Net Position -
Fiduciary Funds
December 31, 2025 and 2024
(In Thousands)

	Custodial Funds		
	Competitive Trust	Development Fund	and Load Management
	2024	2024	2024
	(Restated)	(Restated)	(Restated)
Net Position, Beginning, as Originally Reported	\$ 24,221	\$ 1,624	\$ 3,137
Correction of an error	(24,221)	(1,624)	(3,137)
Net Position, as Restated	-	-	-
Net Position, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>