




Public Power Generation Agency

Independent Auditor's Report and Financial Statements

December 31, 2025 and 2024



Public Power Generation Agency
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December 31, 2025 and 2024

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Independent Auditor's Report

Board of Directors
Public Power Generation Agency
Hastings, Nebraska

Opinion

We have audited the financial statements of Public Power Generation Agency (the Agency) as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Agency'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 Public Power Generation Agency as of December 31, 2025 and 2024, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 the Agency'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 the Agency'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 management's discussion and analysis 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 GAAS, 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The schedules of billings to members listed in the table of contents are presented for purposes of additional analysis and are 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 schedules of billings to members have 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 GAAS. In our opinion, the schedules of billings to members are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Forvis Mazars, LLP

**Lincoln, Nebraska
March 31, 2026**

MANAGEMENT’S DISCUSSION AND ANALYSIS

The discussion and analysis on the following pages summarizes the financial highlights and focuses on factors that had a material effect on the financial condition of Public Power Generation Agency (the Agency or PPGA) and the results of operations for 2025, 2024 and 2023. This discussion should be read in conjunction with the accompanying financial highlights, the basic financial statements and notes to the financial statements.

Nature of Operations

PPGA was created in 2005 as a joint entity pursuant to the Interlocal Cooperation Act of the State of Nebraska. The Members of PPGA are Municipal Energy Agency of Nebraska, Heartland Consumers Power District, Hastings Utilities, Grand Island Utilities and Nebraska City Utilities.

PPGA was created solely for the purpose of owning, financing, acquiring, constructing and operating the Whelan Energy Center Unit 2 Plant (WEC 2 or the “Plant”). The Plant was intended to provide long-term, baseload electric power supply for the Members. PPGA participates in the Southwest Power Pool Integrated Marketplace, which launched in March 2014. This participation allows the output from the Plant to be economically dispatched into the market.

WEC 2 is a nominally rated 220 MW pulverized coal-fired sub-critical generating unit built at Whelan Energy Center near Hastings, Nebraska. WEC 2 began commercial operation on May 1, 2011. PPGA is the sole owner of the plant.

Project Operating History

The net generation, equivalent availability factor, forced outage rate, net capacity factor, net output factor and net heat rate of the Plant are shown below.

Calendar Year	Net Generation (GWH)	Equivalent Availability Factor (1)	Forced Outage Rate (2)	Net Capacity Factor (3)	Net Output Factor (4)	Net Heat Rate (5)
2023	752.38	68.47	11.31	37.39	74.87	10,243
2024	850.03	76.57	2.50	42.64	65.85	9,977
2025	943.38	79.01	1.86	47.47	72.71	10,267

- (1) The Equivalent Availability Factor incorporates the effect of deratings (losses in MW capability) and is essentially “equivalent to” the percentage of a period during which the generating unit was available for maximum net capability operation.
- (2) The Forced Outage Rate is the ratio of hours in the period that the generating unit is not capable of operating due to forced outages to the number of hours in the period.
- (3) The Net Capacity Factor is the ratio of the average annual load on the generating unit to the capacity rating of the unit.
- (4) The Net Output Factor is the ratio of the net energy generated to the net capability of the generating unit times the hours in the period, and reflects the unit availability as well as the actual need for power produced by the unit.
- (5) The Net Heat Rate is a measure of the efficiency of the generating unit and shows the amount of thermal energy in BTUs necessary to produce 1.0 net kWh. The smaller the number, the more efficient the unit.

Summary of the Financial Statements

The financial statements, related notes to the financial statements and management's discussion and analysis provide information about PPGA's financial position and activities.

Management's Discussion and Analysis – provides an objective and easily readable analysis of the financial activities of PPGA based on currently known facts, decisions or conditions.

Balance Sheets – provide a summary of the assets, liabilities and deferred inflows of resources.

Statements of Revenues and Expenses – present the operating results of PPGA into various categories of operating revenues and expenses and nonoperating revenues and expenses.

Statements of Cash Flows – report the cash provided by and used for operating activities, as well as other cash sources such as investment income and cash payments for repayment of bonds and capital additions.

Notes to the Financial Statements – provide additional disclosures and information that is essential to a full understanding of the data provided in the statements.

Financial Analysis

The following comparative condensed financial statements (in thousands) summarize PPGA's financial position and operating results as of and for the years ended December 31, 2025, 2024 and 2023.

Condensed Balance Sheets (in thousands)

	2025	December 31, 2024	2023	Change From 2024 to 2025	Change From 2023 to 2024
Current assets	\$ 62,521	\$ 60,123	\$ 64,680	\$ 2,398	\$ (4,557)
Net utility plant	334,938	349,774	367,669	(14,836)	(17,895)
Net costs to be recovered from billings to members	79,106	88,560	91,797	(9,454)	(3,237)
Other noncurrent assets	53,583	52,889	50,228	694	2,661
Deferred loss on refunding	-	-	1,762	-	(1,762)
Total assets and deferred outflows of resources	<u>\$ 530,148</u>	<u>\$ 551,346</u>	<u>\$ 576,136</u>	<u>\$ (21,198)</u>	<u>\$ (24,790)</u>
Current liabilities	\$ 36,239	\$ 34,392	\$ 37,452	\$ 1,847	\$ (3,060)
Noncurrent liabilities	482,258	503,449	535,371	(21,191)	(31,922)
Deferred gain on refunding	11,651	13,505	3,313	(1,854)	10,192
Total liabilities and deferred inflows of resources	<u>\$ 530,148</u>	<u>\$ 551,346</u>	<u>\$ 576,136</u>	<u>\$ (21,198)</u>	<u>\$ (24,790)</u>

Assets

Current assets increased in 2025 and decreased in 2024 primarily due to changes in receivables and coal inventory.

Net utility plant consists primarily of the WEC 2 Plant which began operations in 2011. The decrease in 2025 and 2024 was due to the depreciation expense for the Plant being higher than the capital additions in each year.

The net costs to be recovered from billings to Members decreased in 2025 and 2024 mainly because of the bond principal and capital expenditures billed to Members. This noncurrent asset represents the net deferred expenses that will be recovered in future periods as they become power costs and are included in the Members' future billings. See Notes 1 and 4 for further explanation and details of the components making up this noncurrent asset.

Other noncurrent assets increased in 2025 and 2024 due to an increase in noncurrent investments.

Deferred outflows of resources consist of deferred costs of refunded debt resulting from refunding transactions.

Liabilities

Current liabilities increased in 2025 and decreased in 2024. The increase in 2025 was caused by increases in accounts payable and interest payable, offset by a decrease in unearned revenue. The change in 2024 was due to decreases in accounts payable and interest payable, offset by an increase in the current portion of long-term debt.

Noncurrent liabilities decreased in 2025 and 2024 primarily due to the scheduled debt service payments, the amortization of the bond premiums and bond discounts, and the bond refunding/tender completed in 2024.

Deferred inflows of resources consist of the deferred gain on refunded debt resulting from refunding transactions. The increase in this balance in 2024 is a result of the bond refunding/tender discussed below.

Debt Activity

PPGA did not issue any debt during 2025.

In October 2024, PPGA issued Whelan Energy Center Unit 2 Revenue Refunding Bonds, 2024 Series A in the amount of \$150,700,000. Proceeds from this issuance, together with other available funds, were used to refund \$96,960,000 of outstanding principal for the 2015 Series A bonds, refund \$27,780,000 of outstanding principal for the 2015 Series B bonds, and tender for purchase \$40,290,000 of outstanding principal for the 2016 Series A bonds.

PPGA made scheduled principal payments of \$19,685,000 in 2025 and \$18,765,000 in 2024.

The Whelan Energy Center Unit 2 Revenue Bonds 2009 Series B were issued as bonds designated as "Build America Bonds" under the provision of the American Recovery and Reinvestment Act of 2009, which allows the Agency to receive a U.S. Treasury subsidy equal to a portion of the amount of interest payable on those bonds. Subsidy payments are contingent on federal regulations and are subject to change as discussed in Note 5.

Condensed Statements of Revenues and Expenses (in thousands)

	2025	Year Ended	2023	Change	
		December 31, 2024		From 2024 to 2025	From 2023 to 2024
Power sales (MWh)	943,382	850,030	752,376	93,352	97,654
Operating revenues	\$ 78,252	\$ 73,919	\$ 74,102	\$ 4,333	\$ (183)
Operating expenses					
Production expenses	30,665	27,645	23,283	3,020	4,362
Turbine/Generator outage costs	367	-	874	367	(874)
Administration and general	2,810	2,751	2,491	59	260
Depreciation and amortization	21,881	22,079	21,811	(198)	268
Total operating expenses	55,723	52,475	48,459	3,248	4,016
Operating income	22,529	21,444	25,643	1,085	(4,199)
Total nonoperating expenses, net	(13,075)	(18,207)	(17,418)	5,132	(789)
Change in net costs to be recovered from billings to members	\$ 9,454	\$ 3,237	\$ 8,225	\$ 6,217	\$ (4,988)

Power Sales Volumes

Power sales volumes increased by 11% in 2025 and 13% in 2024. The change in power sales is primarily due to the Plant's net generation which was dictated by the power market.

Operating Revenues

Operating revenues consist of billings to Members and fluctuate annually based on the energy charges, debt service requirements and capital expenditures. The increase in 2025 was caused by additional billings to Members for higher production expenses and capital expenditures, offset by lower debt service costs and larger credits received by the Members for various items. In 2024, the change in operating revenue was a result of lower billings to Members for capital expenditures, offset by higher operating expenses from the higher generation.

Operating Expenses

Production expenses vary from year to year due to costs of fuel and other production costs. The variable production expenses increased in 2025 and 2024 due to the higher net generation. The expenditures in three of the maintenance accounts also contributed to the increased operating expenses for both years.

Net Nonoperating Expenses

This category nets all nonoperating expenses with all nonoperating revenues. The decrease in 2025 was due to a higher return on investments and lower interest expense. The increase in 2024 was caused by the bond issuance costs incurred and a lower return on investments, offset by lower interest expense.

General Trends and Significant Events

For 2025, the Spring outage occurred from April 6th to May 13th. The outage consisted of routine maintenance and inspections. The outage also consisted of extensive coal pulverizer overhauls (bowl repairs and wheel replacements), electrostatic precipitator inspection and repairs, condensate pump work, and boiler feed pump motor replacement. Major projects included C4 burner core replacement, switchgear and office HVAC installations, and continued auxiliary boiler construction. The Fall outage occurred from October 3rd to November 7th. The outage consisted of routine maintenance and inspections, as well as continuous emissions monitoring systems (CEMS) equipment work, extraction steam actuator replacements, stack inspections, and pulverizer and condensate pump maintenance. Major maintenance projects included continued overhaul of the cooling tower (replacing the remaining six cells of the fill, partitions, and drift eliminators) and replacement of the last level of burner cores.

For 2024, the Spring outage occurred from April 12th to May 3rd. The outage consisted of routine maintenance and inspections. The Fall outage occurred from October 26th to November 25th. This outage also consisted of routine maintenance and inspections, extensive mill preventative maintenance, the submerged chain conveyor was replaced, conveyor 5 was replaced, a circulating water motor was sent in for inspection, boiler safeties were inspected and repaired, a high energy piping inspection was completed, and the 480v secondary unit substation switchgear breakers were serviced. Major projects for this outage included the replacement of multiple elevation coal burner nozzles, and the replacement of the fill, drift eliminators, distribution laterals, and partition walls in multiple cooling tower cells. A portion of the elevation coal burner nozzles had been replaced in the spring of 2023, but the new design was found to have flaws that caused significant warping of the nozzle tips. The replacement of these nozzles was covered by warranty from the vendor.

PPGA continues to monitor the development and implementation of new or modified environmental regulations. See Note 8 for additional information.

WEC 2 is located adjacent to an existing coal-fired generation facility known as the Whelan Energy Center Unit 1 (WEC 1), which is owned and operated solely by Hastings Utilities. WEC 1 and WEC 2 are fueled by low-sulfur coal from the Powder River Basin in Wyoming, which is delivered to WEC by rail. Hastings Utilities, as Project Operating Agent, currently purchases approximately one million tons of coal each year for the combined operation of WEC 1 and WEC 2. Hastings Utilities solicits multiple suppliers in order to provide a competitive fuel price. 100% of WEC's coal supply is currently supplied under a coal purchase agreement with Peabody COALSALLES, LLC that expires on December 31, 2027. If the annual maximum contracted coal volumes are exceeded before the end of a contract year, Hastings Utilities has the option of purchasing coal from the spot market or begin receiving the subsequent year's volumes ahead of schedule. Rail facilities at WEC can accommodate two trains of 135 cars each. Rail services are currently provided pursuant to a contract with Burlington Northern Santa Fe (BNSF) that expires on December 31, 2027.

Report Purpose and Contact Information

This financial report is designed to provide PPGA's Members and creditors with a general overview of PPGA's financial status for 2025, 2024 and 2023. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Project Operating Agent at Public Power Generation Agency, 1228 N. Denver Avenue, P.O. Box 398, Hastings, Nebraska 68902-0398 or phone (402) 462-3551.

Public Power Generation Agency
Balance Sheets
December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 7,557,117	\$ 8,576,011
Restricted cash and cash equivalents	35,154,238	33,648,819
Investments	8,173,925	7,184,498
Accounts receivable	8,950,745	7,740,308
Inventories	1,984,553	2,341,485
Interest receivable	152,368	147,661
Prepaid expenses	548,117	484,496
Total Current Assets	<u>62,521,063</u>	<u>60,123,278</u>
Utility Plant		
Utility plant in service	629,748,587	628,976,458
Construction in progress	10,230,011	3,971,331
Total Utility Plant	<u>639,978,598</u>	<u>632,947,789</u>
Less: accumulated depreciation	<u>305,041,057</u>	<u>283,173,633</u>
Net Utility Plant	<u>334,937,541</u>	<u>349,774,156</u>
Investments and Other Noncurrent Assets		
Restricted cash and cash equivalents	473,437	147,480
Investments	6,683,515	7,221,566
Restricted investments	46,195,500	45,252,961
Net costs to be recovered from billings to members	79,105,539	88,559,554
Other	231,158	267,099
Total Investments and Other Noncurrent Assets	<u>132,689,149</u>	<u>141,448,660</u>
Total Assets	<u>\$ 530,147,753</u>	<u>\$ 551,346,094</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Current Liabilities		
Current maturities of long-term debt	\$ 19,625,000	\$ 19,685,000
Accounts payable	3,761,432	2,800,457
Accrued expenses	77,680	87,832
Accrued interest payable	12,774,842	11,305,196
Unearned revenue	-	513,349
Total Current Liabilities	<u>36,238,954</u>	<u>34,391,834</u>
Noncurrent Liabilities		
Long-term debt, net	479,432,573	500,942,560
Other	2,825,219	2,506,452
Total Noncurrent Liabilities	<u>482,257,792</u>	<u>503,449,012</u>
Deferred Inflows of Resources		
Deferred gain on refunding	11,651,007	13,505,248
Total Liabilities and Deferred Inflows of Resources	<u>\$ 530,147,753</u>	<u>\$ 551,346,094</u>

Public Power Generation Agency
Statements of Revenues and Expenses
Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating Revenues		
Billings to members, net	\$ 78,252,390	\$ 73,918,863
Total Operating Revenues	<u>78,252,390</u>	<u>73,918,863</u>
Operating Expenses		
Fuel and other variable production	19,452,239	18,435,630
Other production	11,213,075	9,209,136
Turbine/Generator outage costs	367,062	-
Administrative and general	2,810,446	2,751,208
Depreciation and amortization	21,881,052	22,078,644
Total Operating Expenses	<u>55,723,874</u>	<u>52,474,618</u>
Operating Income	<u>22,528,516</u>	<u>21,444,245</u>
Nonoperating Revenues (Expenses)		
Interest expense	(21,810,455)	(24,440,050)
Investment return	4,369,166	3,593,317
Federal subsidy - Build America Bonds	3,532,270	3,678,313
Other	834,518	(1,038,418)
Total Nonoperating Expenses, Net	<u>(13,074,501)</u>	<u>(18,206,838)</u>
Change in Net Costs to be Recovered from Billings to Members	<u>\$ 9,454,015</u>	<u>\$ 3,237,407</u>

Public Power Generation Agency
Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating Activities		
Receipts from members	\$ 76,528,604	\$ 74,896,255
Payments to suppliers	(32,695,619)	(29,267,144)
Net Cash Provided by Operating Activities	<u>43,832,985</u>	<u>45,629,111</u>
Noncapital Financing Activities		
Other miscellaneous receipts	820,890	384,368
Capital and Related Financing Activities		
Payments to bond refunding escrow agent	-	(2,136,036)
Principal payments on revenue bonds	(19,685,000)	(18,765,000)
Interest paid	(24,080,037)	(27,595,475)
Interest subsidy received	3,532,270	5,587,204
Capital expenditures for utility plant	(6,579,170)	(4,762,731)
Net Cash Used in Capital and Related Financing Activities	<u>(46,811,937)</u>	<u>(47,672,038)</u>
Investing Activities		
Interest received on investment securities	4,364,459	4,054,879
Net purchases of investments	(1,393,915)	(2,330,982)
Net Cash Provided by Investing Activities	<u>2,970,544</u>	<u>1,723,897</u>
Change in Cash and Cash Equivalents	812,482	65,338
Cash and Cash Equivalents, Beginning of Year	<u>42,372,310</u>	<u>42,306,972</u>
Cash and Cash Equivalents, End of Year	<u>\$ 43,184,792</u>	<u>\$ 42,372,310</u>
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents	\$ 7,557,117	\$ 8,576,011
Restricted cash and cash equivalents	35,627,675	33,796,299
Total Cash and Cash Equivalents	<u>\$ 43,184,792</u>	<u>\$ 42,372,310</u>

Public Power Generation Agency
Statements of Cash Flows - Continued
Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities		
Operating income	\$ 22,528,516	\$ 21,444,245
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	21,881,052	22,078,644
Changes in operating assets and liabilities		
Accounts receivable	(1,210,437)	995,276
Inventories	356,932	662,674
Prepaid expenses	(63,621)	(48,468)
Other noncurrent assets	35,941	44,766
Accounts payable	509,336	(348,451)
Accrued expenses	308,615	818,309
Unearned revenue	(513,349)	(17,884)
Net Cash Provided By Operating Activities	<u><u>\$ 43,832,985</u></u>	<u><u>\$ 45,629,111</u></u>
Supplemental Cash Flows Information		
Capital asset acquisitions included in accounts payable	\$ 530,676	\$ 79,037
Amortization of bond premium	(1,911,785)	(2,300,035)
Amortization of bond discount	26,798	31,779
Amortization of deferred loss on refunding	-	202,787
Amortization of deferred gain on refunding	(1,854,241)	(467,452)

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Public Power Generation Agency (PPGA or the Agency) was created in 2005 as a joint entity pursuant to the Interlocal Cooperation Act of the State of Nebraska. PPGA was created solely for the purpose of owning, financing, acquiring, constructing and operating the Whelan Energy Center Unit 2 (WEC 2) Plant (the “Plant”). WEC 2 is a nominally rated 220 MW pulverized coal-fired sub-critical generating unit built at the existing Whelan Energy Center near Hastings, Nebraska. WEC 2 began commercial operation in May 2011. PPGA is the sole owner of the Plant. The Plant was intended to provide long-term, baseload electric power supply for the Members. PPGA participates in the Southwest Power Pool Integrated Marketplace, which launched in March 2014. This participation allows the Plant to be economically dispatched into the market.

The Members of PPGA are:

	Megawatt (MW)	
	Allocation	Entitlement Share
Municipal Energy Agency of Nebraska (MEAN)	80 MW	36.36%
Heartland Consumers Power District d/b/a Heartland Energy (Heartland)	80 MW	36.36%
Hastings Utilities (HU)	35 MW	15.91%
Grand Island Utilities (GIU)	15 MW	6.82%
Nebraska City Utilities (NCU)	10 MW	4.55%

Each of the Members has entered into an Amended and Restated Participation Agreement, dated October 5, 2006, with PPGA. Under the agreements, PPGA has agreed to sell to each Member, and each Member has agreed to purchase from PPGA, such Member’s respective share of the net capacity and related energy of the Plant’s output. Each Member’s share of the output is referred to as their entitlement share. The agreements allocate to the Members all of the Plant’s output, bond-related costs and other project costs based upon their respective entitlement shares, and all energy-related costs based upon energy produced and scheduled by each Member. The term of the agreements extend at least to the date as of which any project bonds remain outstanding.

Reporting Entity

In evaluating how to define the Agency, for financial reporting purposes, management has considered all potential component units for which financial accountability may exist. The determination of financial accountability includes consideration of a number of criteria, including: (1) the Agency’s ability to appoint a voting majority of another entity’s governing body and to impose its will on that entity, (2) the potential for that entity to provide specific financial benefits to or impose specific financial burdens on the Agency, and (3) the entity’s fiscal dependency on the Agency. Based on the above criteria, PPGA has determined that it has no reportable component units.

Basis of Accounting and Presentation

The financial statements of PPGA have been prepared on the accrual basis of accounting using the economic resources measurement focus. The Agency’s accounting records are maintained in accordance with accounting principles generally accepted in the United States of America for regulated utilities and generally follow the Uniform System of Accounts for Public Utilities and Licenses prescribed by the Federal Energy Regulatory Commission (FERC). PPGA prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

**Public Power Generation Agency
Notes to Financial Statements
December 31, 2025 and 2024**

PPGA's accounting policies also follow the provisions of GASB Codification Section Re10, *Regulated Operations*, which permits an entity with cost-based rates to defer certain costs or income that would otherwise be recognized when incurred to the extent that the rate-regulated entity is recovering or expects to recover such amounts in rates charged to its customers. This method includes the philosophy that debt service requirements, as opposed to depreciation or amortization, are a cost for rate making purposes.

Use of Estimates

The preparation 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, deferred outflows of resources, liabilities and deferred inflows of resources 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.

Cash Equivalents

PPGA considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2025 and 2024, cash equivalents consisted of money market funds and repurchase agreements.

Investments and Investment Return

Investments are held in various debt service and reserve accounts that are prescribed by bond indenture. These accounts are invested in money market mutual funds, U.S. Treasury securities, U.S. Agency obligations, municipal bonds, and repurchase agreements. Investments in money market mutual funds and repurchase agreements are carried at cost, which approximates fair value. Investments in U.S. Treasury securities, U.S. Agency obligations, and municipal bonds are carried at fair value. Fair value is determined using quoted market prices.

Investment return consists of interest income, realized gains and losses on investments and the net change for the year in the fair value of investments.

Accounts Receivable

Accounts receivable are stated at the amount billed to Members. Accounts receivable are ordinarily due 60 days after the issuance of the invoice. Delinquent receivables are charged off as they are deemed uncollectible. Management does not believe an allowance for doubtful accounts is necessary at December 31, 2025 or 2024, as there were no delinquent accounts.

Inventories

Inventories consist of coal and diesel fuel. Inventories are stated at the lower of average cost or market.

Utility Plant

Utility plant is stated at cost which represents the actual direct cost of labor, materials, and indirect costs, including construction period interest and other overhead expenses. Depreciation of utility plant is computed using the straight-line method over the estimated useful life of the different categories of the Plant, which is generally 30 years. Included within the Plant are some minor equipment and furniture categories with estimated useful lives ranging from 3 to 15 years.

Net Costs to be Recovered from Billings to Members

Billings to Members are designed to recover power costs as set forth by the PPGA Participation Agreement, which principally include current operating expenses, scheduled debt principal and interest and capital expenditures. Pursuant to the provisions of GASB Codification Section Re10, *Regulated Operations*, expenses determined in accordance with accounting principles generally accepted in the United States of America (GAAP) that are not currently billable as power costs are recorded as other assets in the accompanying balance sheets. These costs will be recovered in future periods as they become power costs and are included in future Member billings (see Note 4). Over the life of the PPGA Participation Agreement, aggregate expenses are expected to equal aggregate billable power costs.

Deferred Inflows of Resources

In addition to liabilities, the balance sheets report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Agency has one item that qualifies for reporting in this category, the deferred gain on refunding. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Classification of Revenues and Expenses

Operating revenues and expenses generally result from providing energy in connection with PPGA's ongoing operations. The principal operating revenues are billings to Members for energy charges, debt service requirements and capital expenditures. Operating expenses include fuel, purchased power, other production expenses, administrative and general expenses, and depreciation and amortization. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Income Taxes

In accordance with certain provisions of the Interlocal Cooperation Act and non-profit corporation statutes of Nebraska and related governing laws and regulations, PPGA is exempt from federal and state income taxes.

Note 2. Deposits and Investments

Deposits

State statutes require banks either to give bond or to pledge government securities to the Agency in the amount of the Agency's deposits. The Agency's cash deposits, including certificates of deposit, are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). Any cash deposits or certificates of deposit in excess of the \$250,000 FDIC limits are covered by collateral held in a Federal Reserve Bank pledge account or by an agent for the Agency and thus, no custodial risk exists. No legal opinion has been obtained regarding the enforceability of any collateral arrangements.

Investments

PPGA's qualified investments are defined in the bond indentures for the revenue bond issuances described in Note 5. The bond indentures identify qualified investments as direct obligations of the United States government or any of its agencies, obligations guaranteed by the United States government or any of its agencies, money market mutual funds, municipal bonds and repurchase agreements.

Public Power Generation Agency
Notes to Financial Statements
December 31, 2025 and 2024

At December 31, 2025 and 2024, PPGA had the following investments, maturities and credit ratings:

	<u>Carrying Value</u>	<u>Maturities in Years</u>		<u>Credit Rating Moody's/S&P</u>
		<u>Less Than 1</u>	<u>1 - 5</u>	
December 31, 2025				
Money market mutual funds	\$ 33,534,231	\$ 33,534,231	\$ -	Aaa / AAAM
U.S. Treasury securities	60,042,024	8,044,452	51,997,572	Aaa / AAA
U.S. Agency obligations	949,866	99,326	850,540	Aaa / AA+
Repurchase agreements	9,649,559	9,649,559	-	Not Rated
Municipal bonds	61,052	30,146	30,906	Aaa / AA-
	<u>\$ 104,236,732</u>	<u>\$ 51,357,714</u>	<u>\$ 52,879,018</u>	
December 31, 2024				
Money market mutual funds	\$ 32,182,910	\$ 32,182,910	\$ -	Aaa / AAAM
U.S. Treasury securities	56,941,510	6,420,847	50,520,663	Aaa / AAA
U.S. Agency obligations	2,687,252	2,234,210	453,042	Aaa / AA+
Repurchase agreements	10,188,401	10,188,401	-	Not Rated
Municipal bonds	30,262	-	30,262	Aaa / AA-
	<u>\$ 102,030,335</u>	<u>\$ 51,026,368</u>	<u>\$ 51,003,967</u>	

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheets at December 31, 2025 and 2024 as follows:

	<u>2025</u>	<u>2024</u>
Carrying value		
Deposits	\$ 1,000	\$ 1,000
Investments	104,236,732	102,030,335
	<u>\$ 104,237,732</u>	<u>\$ 102,031,335</u>

Public Power Generation Agency
Notes to Financial Statements
December 31, 2025 and 2024

Included in the following balance sheet captions:

	<u>2025</u>	<u>2024</u>
Current Assets		
Cash and cash equivalents		
Operating funds	\$ 7,298,801	\$ 8,005,893
Renewal and contingency fund	195,946	230,357
Rate stabilization fund	62,370	339,761
Total	<u>7,557,117</u>	<u>8,576,011</u>
Restricted cash and cash equivalents		
Closure / post-closure care account	2,349,223	2,180,971
Bond issuance costs account	2,535	2,535
Debt service funds	32,802,480	31,465,313
Total	<u>35,154,238</u>	<u>33,648,819</u>
Investments		
Renewal and contingency fund	3,968,972	3,928,704
Rate stabilization fund	4,204,953	3,255,794
Total	<u>8,173,925</u>	<u>7,184,498</u>
Noncurrent Assets		
Restricted cash and cash equivalents		
Debt reserve funds	473,437	147,480
Investments		
Rate stabilization fund	6,683,515	7,221,566
Restricted investments		
Debt reserve funds	46,195,500	45,252,961
	<u>\$ 104,237,732</u>	<u>\$ 102,031,335</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Agency's investment policy only addresses interest rate risk as it relates to liquidity for required debt service and other expenditures. The money market mutual funds and repurchase agreements are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The bond indenture requires all money market mutual funds to have credit ratings of AAAm or better by S&P. The bond indenture does not require any minimum ratings for the securities of the approved United States government agencies which are not explicitly guaranteed by the United States government.

**Public Power Generation Agency
Notes to Financial Statements
December 31, 2025 and 2024**

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of a failure of the counterparty, PPGA would not be able to recover the value of its investment securities that are in the possession of an outside party.

The repurchase agreements require cash or securities to be pledged as collateral. Cash is pledged at 100% of the repurchase agreement carrying value while the fair value of securities are required to be maintained at a minimum of 104% of the carrying value.

Concentration of Credit Risk

Concentration of credit is the risk associated with the amount of investments PPGA has with any one issuer that exceeds 5% or more of its total investments. Investments issued or explicitly guaranteed by the U.S. Government are excluded from this requirement. PPGA and the bond indenture place no limit on the amount that may be invested in any one issuer. At December 31, 2025 and 2024, PPGA had the following investment concentrations:

	Portfolio Composition	
	December 31,	
	2025	2024
	<hr/>	<hr/>
Allspring Government Money Market Service - 743	32.17 %	31.54 %
Repurchase agreement - Heritage Bank	9.26	9.99

Investment Return

Investment return for the years ended December 31, 2025 and 2024 of \$4,369,166 and \$3,593,317, respectively, consisted of interest income, realized gains and losses on the sale of investments and the net change for the year in the fair value of investments.

Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

The Agency’s investments in money market mutual funds and repurchase agreements are carried at cost and thus are not included within the fair value hierarchy.

The Agency’s investments in U.S. Treasury securities, U.S. Agency obligations and municipal bonds are measured at fair value on a recurring basis, and are classified within Level 2 of the fair value hierarchy at December 31, 2025 and 2024.

Public Power Generation Agency
Notes to Financial Statements
December 31, 2025 and 2024

Note 3. Utility Plant

Utility plant activity for the years ended December 31, 2025 and 2024 was:

	2025				Ending Balance
	Beginning Balance	Additions	Reductions	Transfers	
Electric plant in service	\$ 587,049,525	\$ -	\$ (13,628)	\$ 785,758	\$ 587,821,655
Transmission	22,556,229	-	-	-	22,556,229
Shared facilities	19,370,704	-	-	-	19,370,704
Construction in progress	3,971,331	7,044,437	-	(785,758)	10,230,010
Total utility plant	632,947,789	7,044,437	(13,628)	-	639,978,598
Less accumulated depreciation	283,173,633	21,881,052	13,628	-	305,068,313
Utility plant, net	<u>\$ 349,774,156</u>	<u>\$ (14,836,615)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 334,910,285</u>

	2024				Ending Balance
	Beginning Balance	Additions	Reductions	Transfers	
Electric plant in service	\$ 586,563,558	\$ -	\$ -	\$ 485,967	\$ 587,049,525
Transmission	22,556,229	-	-	-	22,556,229
Shared facilities	18,722,882	-	-	647,822	19,370,704
Construction in progress	1,189,530	3,915,590	-	(1,133,789)	3,971,331
Total utility plant	629,032,199	3,915,590	-	-	632,947,789
Less accumulated depreciation	261,363,390	21,810,243	-	-	283,173,633
Utility plant, net	<u>\$ 367,668,809</u>	<u>\$ (17,894,653)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 349,774,156</u>

Under the terms of the Facility Sharing and Lease Agreement entered into between PPGA and Hastings Utilities (HU), as Operating Agent, ownership of certain PPGA assets were conveyed to HU to allow for the utilization of these assets for the benefit of the Plant. In addition, PPGA financed the construction of transmission facilities and equipment to facilitate the distribution of power to the Members. Although ownership of these facilities and equipment rests with other governmental entities responsible for the transmission and distribution of energy, PPGA has elected to defer these costs and amortize them over a period of 30 years, as a component of utility plant.

Public Power Generation Agency
Notes to Financial Statements
December 31, 2025 and 2024

Note 4. Net Costs to be Recovered from Billings to Members

Net costs to be recovered from billings to Members for the years ended December 31, 2025 and 2024, and the accumulated totals as of December 31, 2025 and 2024, consisted of the following:

	For the Years Ended		Accumulated Totals as of	
	December 31,		December 31,	
	2025	2024	2025	2024
Items in Accordance with GAAP not Currently Billable to Members Under the Participation Agreement:				
Depreciation and amortization expense	\$ 21,881,052	\$ 21,810,243	\$ 313,280,987	\$ 291,399,935
Amortization of Spring 2012 outage charges	-	-	1,201,925	1,201,925
Amortization of Fall 2017 outage charges	-	268,401	1,878,806	1,878,806
Amortization of deferred gain/loss on refunding, net	(1,854,241)	(264,664)	(1,465,519)	388,722
Bond issue costs paid with bond proceeds	-	1,422,787	11,886,956	11,886,956
Loss on disposition of utility plant	-	-	73,260	73,260
Accrued interest included in bond refunding	-	-	1,451,790	1,451,790
Accretion of bond discount (premium), net	(1,884,987)	(2,268,256)	(29,127,937)	(27,242,950)
SO2 emissions expense	33,244	35,897	595,916	562,672
Unrealized gain (loss) on investments	(847,775)	(358,678)	(770,801)	76,974
Portion of federal subsidy not credited on Member billings	-	-	(1,291,488)	(1,291,488)
Administrative costs incurred prior to commercial operation	-	-	1,566,261	1,566,261
Restricted interest income not credited to Members	(1,913,879)	(1,416,204)	(8,748,463)	(6,834,584)
Ash disposal costs not yet billable to Members	150,515	672,333	475,996	325,481
Other	174,100	43,572	273,402	99,302
Amounts Billed to Members Under the Bond Resolution and Participation Agreement				
Bond principal less credits received for principal	(18,210,015)	(19,291,407)	(188,370,739)	(170,160,724)
Capital asset expenditures billed to participants	(6,982,029)	(3,891,431)	(23,804,813)	(16,822,784)
Net Costs to be Recovered from Billings to Members	\$ (9,454,015)	\$ (3,237,407)	\$ 79,105,539	\$ 88,559,554

Public Power Generation Agency
Notes to Financial Statements
December 31, 2025 and 2024

Note 5. Long-term Debt

Long-term debt activity for the year ended December 31, 2025 consisted of the following:

Type of Debt	2025			December 31 2025	Due Within One Year
	January 1 2025	Additions	Reductions		
Whelan Energy Center Unit 2 Revenue Bonds 2009 Series B (taxable) - 7.242% Interest due semi-annually on January 1 and July 1. Sinking fund installments due annually on January 1 through 2041 and a lump sum payment due January 1, 2041. Callable at anytime.	\$ 153,890,000	\$ -	\$ (6,110,000)	\$ 147,780,000	\$ 6,395,000
Whelan Energy Center Unit 2 Revenue Refunding Bonds 2015 Series A (tax-exempt) - 5.00% Interest due semi-annually on January 1 and July 1. Principal payments due annually on January 1 with final payment due January 1, 2025. Callable January 1, 2025.	13,575,000	-	(13,575,000)	-	-
Whelan Energy Center Unit 2 Revenue Refunding Bonds 2015 Series B (tax-exempt) - 4.00% Interest due semi-annually on January 1 and July 1. Sinking fund installments due annually beginning January 1, 2038 and lump sum term payment due January 1, 2041. Callable January 1, 2025.	77,650,000	-	-	77,650,000	-
Whelan Energy Center Unit 2 Revenue Refunding Bonds 2016 Series A (tax-exempt) - 3.00% - 5.00% Interest due semi-annually on January 1 and July 1. Principal payments due annually beginning January 1, 2032 with final payment due January 1, 2041. Callable July 1, 2026.	100,320,000	-	-	100,320,000	-
Whelan Energy Center Unit 2 Revenue Refunding Bonds 2024 Series A (tax-exempt) - 5.00% Interest due semi-annually on January 1 and July 1. Principal payments due annually beginning January 1, 2026 with final payment due January 1, 2037. Callable January 1, 2036.	150,700,000	-	-	150,700,000	13,230,000
Total revenue bonds outstanding	496,135,000	-	(19,685,000)	476,450,000	\$ 19,625,000
Issuance premiums	24,921,320	-	(1,911,785)	23,009,535	
Issuance discounts	(428,760)	-	26,798	(401,962)	
	520,627,560	\$ -	\$ (21,569,987)	499,057,573	
Current maturities of long-term debt	(19,685,000)			(19,625,000)	
Long-term debt, net	\$ 500,942,560			\$ 479,432,573	

Public Power Generation Agency
Notes to Financial Statements
December 31, 2025 and 2024

Long-term debt activity for the year ended December 31, 2024 consisted of the following:

Type of Debt	2024				December 31 2024	Due Within One Year
	January 1 2024	Additions	Refundings	Reductions		
Whelan Energy Center Unit 2 Revenue Bonds 2009 Series B (taxable) - 7.242% Interest due semi-annually on January 1 and July 1. Sinking fund installments due annually on January 1 through 2041 and a lump sum payment due January 1, 2041. Callable at anytime.	\$ 159,725,000	\$ -	\$ -	\$ (5,835,000)	\$ 153,890,000	\$ 6,110,000
Whelan Energy Center Unit 2 Revenue Refunding Bonds 2015 Series A (tax-exempt) - 5.00% Interest due semi-annually on January 1 and July 1. Principal payments due annually on January 1 with final payment due January 1, 2025. Callable January 1, 2025.	123,465,000	-	(96,960,000)	(12,930,000)	13,575,000	13,575,000
Whelan Energy Center Unit 2 Revenue Refunding Bonds 2015 Series B (tax-exempt) - 4.00% Interest due semi-annually on January 1 and July 1. Sinking fund installments due annually beginning January 1, 2038 and lump sum term payment due January 1, 2041. Callable January 1, 2025.	105,430,000	-	(27,780,000)	-	77,650,000	-
Whelan Energy Center Unit 2 Revenue Refunding Bonds 2016 Series A (tax-exempt) - 3.00% - 5.00% Interest due semi-annually on January 1 and July 1. Principal payments due annually beginning January 1, 2032 with final payment due January 1, 2041. Callable July 1, 2026.	140,610,000	-	(40,290,000)	-	100,320,000	-
Whelan Energy Center Unit 2 Revenue Refunding Bonds 2024 Series A (tax-exempt) - 5.00% Interest due semi-annually on January 1 and July 1. Principal payments due annually beginning January 1, 2026 with final payment due January 1, 2037. Callable January 1, 2036.	-	150,700,000	-	-	150,700,000	-
Total revenue bonds outstanding	529,230,000	150,700,000	(165,030,000)	(18,765,000)	496,135,000	\$ 19,685,000
Issuance premiums	23,792,694	17,237,812	(13,809,151)	(2,300,035)	24,921,320	
Issuance discounts	(568,480)	-	107,941	31,779	(428,760)	
	552,454,214	\$ 167,937,812	\$ (178,731,210)	\$ (21,033,256)	520,627,560	
Current maturities of long-term debt	(18,765,000)				(19,685,000)	
Long-term debt, net	\$ 533,689,214				\$ 500,942,560	

In October 2024, the Agency issued \$150,700,000 of Whelan Energy Center Unit 2, Revenue Refunding Bonds, 2024 Series A. Proceeds from this issuance, together with other available funds, were used to refund or tender for purchase the following outstanding principal:

- Refunded \$96,960,000 of the 2015 Series A Revenue Refunding Bonds
- Refunded \$27,780,000 of the 2015 Series B Revenue Refunding Bonds
- Tendered for purchase \$40,290,000 of the 2016 Series A Revenue Refunding Bonds

**Public Power Generation Agency
Notes to Financial Statements
December 31, 2025 and 2024**

The refunding and tender were completed to achieve a cash flow savings of approximately \$16,000,000 and a net present savings of approximately \$13,320,000.

The net proceeds of approximately \$166,513,000 consist of the net original issue premium of approximately \$17,238,000, reduced by payment of approximately \$1,425,000 in underwriting fees and other issuance costs. Approximately \$2,136,000 of existing PPGA funds were used to complete the refunding/tender for purchase transactions.

Net proceeds and available funds totaling approximately \$126,218,000 were used to purchase U.S. government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded 2015 Series A bonds and the 2015 Series B bonds. As a result, the refunded amounts of the 2015 Series A and 2015 Series B bonds are considered to be defeased and the liability for those bonds has been removed from the balance sheet.

Net proceeds and available funds totaling approximately \$42,431,000 were used to complete the tender for purchase of the 2016 Series A bonds. As a result, the tendered amount of the 2016 Series A bonds are considered to be defeased and the liability for those bonds has been removed from the balance sheet.

The 2009 Series B bonds were issued as bonds designated as “Build America Bonds” under the provisions of the American Recovery and Reinvestment Act of 2009, which allows the Agency to receive a U.S. Treasury subsidy equal to 35% of the amount of interest payable on those bonds. Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, refund payments to certain state and local government filers claiming refundable credits under section 6341 of the Internal Revenue Code applicable to certain qualified bonds are subject to sequestration. The refund payments processed on or after October 1, 2023 and on or before September 30, 2024 were reduced by the fiscal year 2024 sequestration rate of 5.7%; the refund payments processed on or after October 1, 2024 and on or before September 30, 2025 were reduced by the fiscal year 2025 sequestration rate of 5.7%; the refund payments processed on or after October 1, 2025 and on or before September 30, 2026 will be reduced by the fiscal year 2026 sequestration rate of 5.7%. Any future subsidy payments are contingent on federal regulations and are subject to change. The subsidy is not reflected in the table on the following page.

The revenue bonds are equally and ratably secured under the Bond Resolution and are payable on parity with one another. The bonds are special obligations of PPGA, payable from and secured by a pledge of the revenues, PPGA’s rights, title and interest under the Participation Agreements and certain funds established under the Resolution.

Future principal and interest payments required to be made in accordance with the bond documents and private voluntary debt exchange agreement at December 31, 2025, are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 19,625,000	\$ 24,987,371	\$ 44,612,371
2027	20,590,000	23,835,201	44,425,201
2028	21,600,000	22,626,706	44,226,706
2029	22,665,000	21,359,105	44,024,105
2030	23,775,000	20,029,563	43,804,563
2031-2035	142,895,000	78,142,956	221,037,956
2036-2040	183,110,000	35,893,869	219,003,869
2041	42,190,000	1,094,884	43,284,884
	<u>\$ 476,450,000</u>	<u>\$ 227,969,655</u>	<u>\$ 704,419,655</u>

Note 6. Closure and Post-Closure Care Costs

As a result of coal ash produced at the WEC 2 plant site, the Agency has created an ash disposal area, including an ash pond. In accordance with regulations promulgated by the Nebraska Department of Environment and Energy (NDEE), the Agency has calculated an estimate of the costs of closing the site, at the end of the plant’s useful life, and properly disposing of the ash, and also of post-closure monitoring of the ash disposal area. These costs are currently estimated at approximately \$1,200,000 for the years ended December 31, 2025 and 2024, and will be recognized in each period based on the estimated disposal area capacity used as of each balance sheet date. These costs were estimated based on historical experience at similar ash disposal areas and in accordance with the permit obtained from NDEE. The estimated costs of closure and post-closure care are subject to changes including the effects of inflation, revision of laws, changes in technology, actual sequence of landfill development and closure and other variables.

The Agency has established a Closure/Post-Closure Care Account to accumulate sufficient funds for the costs of closure and post-closure of the ash disposal area. Funds are deposited into this account at a rate of \$3.00 per ton of ash placed into the disposal area for the years ended December 31, 2025 and 2024. The funds in this account totaled \$2,349,223 and \$2,180,971 at December 31, 2025 and 2024, respectively. The use of these funds is restricted to the costs of closure and post-closure care of the ash disposal area by NDEE regulations.

In the event of a pre-mature closure of the facilities, including the ash pond, the Agency would be required to immediately excavate, haul and properly dispose of all pond ash and scrubber ash remaining at that time. These costs are estimated to be approximately \$6,200,000 for the Agency. The Agency has not recorded a liability for these pre-mature closure costs as of December 31, 2025 and 2024, as the costs are contingent on the occurrence of a pre-mature closure of the facilities, which is deemed to be remote by the Agency.

The following table presents the details of the Agency’s closure and post-closure care liability which is included on the Balance Sheet:

	2025			
	<u>Beginning Balance</u>	<u>Adjustments</u>	<u>Reductions</u>	<u>Ending Balance</u>
Closure and post-closure care costs	\$ 2,506,452	\$ 318,767	\$ -	\$ 2,825,219

	2024			
	<u>Beginning Balance</u>	<u>Adjustments</u>	<u>Reductions</u>	<u>Ending Balance</u>
Closure and post-closure care costs	\$ 1,682,192	\$ 824,260	\$ -	\$ 2,506,452

Note 7. Related Party Transactions

PPGA has an executed agreement for MEAN to serve as the Managing Agent of PPGA. In connection with this agreement, PPGA shall pay MEAN a monthly administrative fee for time and expense reimbursement. MEAN was paid \$19,926 and \$47,016 during 2025 and 2024, respectively, and amounts of \$2,000 and \$2,439 owed to MEAN were included in accounts payable at December 31, 2025 and 2024, respectively, in relation to this agreement.

In accordance with the PPGA Participation Agreement, effective October 5, 2006, HU is to serve as the Project Operating Agent of PPGA. In connection with this agreement, HU incurs certain administrative, general and other expenses on PPGA's behalf and PPGA shall reimburse HU for these expenses, including an allocation of indirect expenses as determined in accordance with the memorandum of understanding entered into between PPGA and HU. HU was paid \$8,287,469 and \$8,402,953 during 2025 and 2024, respectively, and amounts of \$2,161,455 and \$1,535,960 owed to HU were included in accounts payable at December 31, 2025 and 2024, respectively, in relation to the participation agreement.

PPGA also entered into a Facility Sharing and Lease Agreement with HU, effective January 1, 2008, for the lease of real estate and sharing of facilities for the construction and operation of WEC 2. In connection with this agreement, PPGA shall pay HU lease payments for real estate and shared facilities reimbursement until the end of the operational life of WEC 2, but in no event later than 100 years following the effective date of the agreement. Additionally, under this agreement, HU is to pay PPGA for certain shared facilities owned by PPGA. Payments under this agreement are included in the payments discussed above and are included in operating expenses on the statement of revenues and expenses, net of amounts received from HU under the agreement.

Additionally, all of the coal used at WEC 2 is obtained by HU through various short and long-term contracts and spot purchases based on market conditions.

Note 8. Risk Management and Contingencies

Risk Management

PPGA is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; injuries and illnesses and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Claims have not exceeded this commercial coverage in any of the three preceding years.

PPGA is subject to claims that arise primarily in the ordinary course of the operation of the plant. It is the opinion of management that the disposition or ultimate resolution of such claims will not have a material effect on the financial position, results of operations and cash flows of PPGA.

Proposed Environmental Standards

Any changes in the environmental regulatory requirements imposed by Federal or state law, which are applicable to generating stations, could result in increased capital and operating costs being incurred by PPGA. Until such changes are finalized and implemented, management is unable to predict when pending changes will be made to current environmental regulatory requirements and how the changes may impact PPGA.

Supplementary Information

**Public Power Generation Agency
Schedule of Billings to Members
Year Ended December 31, 2025**

	<u>MEAN</u>	<u>HEARTLAND</u>	<u>HU</u>	<u>GIU</u>	<u>NCU</u>	<u>Total</u>
Operating expenses - variable	\$ 7,002,242	\$ 7,002,862	\$ 3,064,218	\$ 1,308,814	\$ 875,695	\$ 19,253,831
Station power expenses	86,385	86,385	37,793	16,197	10,798	237,558
Operating expenses - other	4,879,803	4,879,803	2,134,915	914,964	609,976	13,419,461
Indirect overhead expenses	208,769	208,769	91,336	39,144	26,096	574,114
Less: credit from investment income	584,550	584,550	255,741	109,603	73,069	1,607,513
Less: credit from excess debt service reserve funds	514,540	514,540	225,111	96,476	64,318	1,414,985
Less: credit from federal subsidy receipts	1,284,462	1,284,462	561,952	240,837	160,557	3,532,270
Less: credit from dry flyash revenue	291,327	291,353	127,485	54,437	36,433	801,035
Less: credit from equipment use revenue from HU	12,176	12,176	5,327	2,283	1,522	33,484
Less: credit from miscellaneous other revenue	-	-	-	-	-	-
Net operation and maintenance billings	9,490,144	9,490,738	4,152,646	1,775,483	1,186,666	26,095,677
Capital asset / outage expenditures	2,538,920	2,538,920	1,110,777	476,047	317,365	6,982,029
Debt service billings, net	16,427,158	16,427,158	7,186,881	3,080,092	2,053,395	45,174,684
Total member billings	<u>\$ 28,456,222</u>	<u>\$ 28,456,816</u>	<u>\$ 12,450,304</u>	<u>\$ 5,331,622</u>	<u>\$ 3,557,426</u>	<u>\$ 78,252,390</u>

Note: The amount of billings to members is based on each Member's respective entitlement share, as detailed in Note 1. Additionally, billings to Members are designed to recover power costs as set forth by the PPGA Participation Agreement, which principally include operating expenses, scheduled debt principal and interest and capital expenditures (see Notes 1 and 4 for further discussion).

**Public Power Generation Agency
Schedule of Billings to Members
Year Ended December 31, 2024**

	<u>MEAN</u>	<u>HEARTLAND</u>	<u>HU</u>	<u>GIU</u>	<u>NCU</u>	<u>Total</u>
Operating expenses - variable	\$ 6,459,741	\$ 6,460,549	\$ 2,826,934	\$ 1,211,794	\$ 807,999	\$ 17,767,017
Station power expenses	82,013	82,013	35,881	15,377	10,252	225,536
Operating expenses - other	4,042,782	4,042,782	1,768,717	758,021	505,347	11,117,649
Indirect overhead expenses	194,170	194,170	84,950	36,407	24,272	533,969
Less: credit from investment income	661,249	661,249	289,297	123,984	82,656	1,818,435
Less: credit from excess debt service reserve funds	143,125	143,125	62,617	26,835	17,891	393,593
Less: credit from federal subsidy receipts	1,337,568	1,337,568	585,187	250,794	167,196	3,678,313
Less: credit from dry flyash revenue	125,443	125,461	54,898	23,533	15,694	345,029
Less: credit from equipment use revenue from HU	7,575	7,575	3,314	1,421	947	20,832
Less: credit from miscellaneous other revenue	6,730	6,730	2,944	1,262	841	18,507
Net operation and maintenance billings	8,497,016	8,497,806	3,718,225	1,593,770	1,062,645	23,369,462
Capital asset / outage expenditures	1,415,066	1,415,066	619,091	265,325	176,883	3,891,431
Debt service billings, net	16,966,534	16,966,534	7,422,859	3,181,226	2,120,817	46,657,970
Total member billings	<u>\$ 26,878,616</u>	<u>\$ 26,879,406</u>	<u>\$ 11,760,175</u>	<u>\$ 5,040,321</u>	<u>\$ 3,360,345</u>	<u>\$ 73,918,863</u>

Note: The amount of billings to members is based on each Member's respective entitlement share, as detailed in Note 1. Additionally, billings to Members are designed to recover power costs as set forth by the PPGA Participation Agreement, which principally include operating expenses, scheduled debt principal and interest and capital expenditures (see Notes 1 and 4 for further discussion).