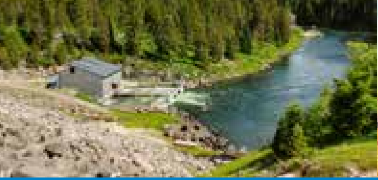



POWERING TOMORROW—CENTERED ON YOU

2025 ANNUAL REPORT

Fall River Electric Cooperative

Powering Tomorrow, Centered on You

Innovation You Can Trust, Value You Can Count On

To Our Valued Owner-Members,

At Fall River Rural Electric Cooperative, everything we do is guided by a deep responsibility—to provide safe, reliable, and affordable energy while protecting the long-term strength of your Cooperative. That responsibility requires not only delivering power today, but also making thoughtful, forward-thinking decisions that will serve our communities for generations to come.

Today, we write to you about an important proposed update to our bylaws, one that strengthens your voice as owner-members, while ensuring Fall River remains well-positioned to navigate a rapidly changing energy future.

Strengthening Governance to Protect Your Cooperative.

This year, you are being asked to vote on a proposed amendment to *Article XI: Disposition of Property*. As currently written, that article requires two-thirds of all owner-members to vote in favor of decisions regarding the assets of the Co-op.

When our bylaws were originally written nearly 90 years ago, it was realistic to expect that two-thirds of all owner-members would participate in major decisions. Today, with approximately 16,000 members, many of whom live full-time outside our service territory, voting participation typically ranges between 10 and 14 percent annually.

Under the current structure, this means that even when members support an important decision, the Cooperative may be unable to act due to an unattainable voting threshold.

The proposed amendment addresses this reality, while preserving strong member control, by:

- Requiring a **75% super-majority of voting members;**
- Requiring **at least 10% of member participation;**
- Clearly defining what constitutes a **"substantial"** asset (10% of total assets);
- Ensuring **only another cooperative** could be considered for consolidation; and
- Requiring a **detailed plan and full transparency** before any major action.

This is not about lowering the bar for major decisions on investments and assets. It is about making responsible decisions **possible**, while strengthening safeguards that protect your ownership and your Cooperative.

Your Board of Directors supports this amendment because it provides for strong governance, enhances transparency, and ensures that members can meaningfully guide the future of Fall River Electric.

Navigating a Changing Energy Landscape

At the same time, the energy industry is undergoing one of the most significant transformations in its history.

Demand for electricity is growing rapidly, driven by population growth, electrification, and new technologies, while the resources that have powered our communities for decades are facing increasing regulatory, environmental, and market pressures.

This reality requires proactive leadership.

Fall River Electric has taken this responsibility seriously by securing and diversifying our power supply through:

- Long-term agreements with the Bonneville Power Administration, ensuring access to our share of low-cost, reliable hydropower through 2044;
- Participation in wind and solar generation projects;
- Active involvement in developing dispatchable natural gas generation to ensure reliability during peak demand; and
- Continued operation and optimization of our own hydroelectric facilities.

These actions reflect a balanced strategy—protecting the affordability and reliability our members depend on, while preparing for future growth.

Investing in Infrastructure to Upgrade Aging Existing Facilities and Support Growth

Growth across our service territory is real and accelerating, with several years of growth averaging 3.5% yearly. In 2025 alone, Fall River connected more than six hundred new services to the system.

To meet this demand, your Cooperative is making significant, strategic investments:

- Advancing a **major transmission upgrade** from Drummond to Macks Inn;

- Developing the **Midway Residential Substation** in Teton County to serve one of our fastest-growing areas; and
- **Upgrading facilities** to support long-term system capacity and resilience.

These investments are essential to ensure that as our infrastructure ages, we replace it and, as communities grow, your electric system grows with them, both reliably, and efficiently.

Leveraging Technology to Better Serve You

In addition to physical infrastructure, Fall River Electric is investing in modern technology to improve performance, reduce costs, and enhance service:

- Implementing **SCADA systems** to improve outage response and system visibility. *SCADA means Supervisory Control and Data Acquisition, which is a software and hardware system that monitors, collects, and processes real-time data from our substations.*
- Deploying **advanced cybersecurity protections** and enterprise systems.
- Utilizing **drone inspections and predictive maintenance tools.**
- Completing a major **enterprise software conversion** to streamline operations.

These innovations allow us to operate more efficiently, reduce long-term costs, and deliver a higher level of service to our members.

Strengthening Reliability & Mitigating Risk

Reliability and safety remain at the core of everything we do.

Your Cooperative continues to invest in:

- Executing our wildfire mitigation plans, which includes **operational changes** like placing high risk areas on non-reclose or de-energizing lines completely during red flag events;
- **Wildfire risk mitigation**, including undergrounding high-risk lines and proactive vegetation management;
- **System hardening and equipment upgrades**; and
- **Advanced inspection** and maintenance programs.

These efforts are focused on protecting your power system, your property, and your communities.

A Strong Financial Foundation

Through disciplined management and thoughtful planning, Fall River Electric Cooperative is in one of the strongest financial positions in its history:

- **Record-high** equity level!
- **Strong operating performance** compared to the nine hundred plus electric cooperatives across the U.S.
- Continued return of value to members, including **$1.8 million in patronage capital** and a **$1.5 million instant owner rebate** paid to members in just the past six months.

This financial strength allows us to invest in the future, while maintaining stable and affordable rates.

Built on Stewardship. Driven by Purpose

At its core, Fall River is more than an electric utility, it is a Cooperative built on trust, accountability, and a shared commitment to our communities.

The proposed bylaw amendment, our energy strategy, and our investments in infrastructure and technology all reflect the same guiding principle:

To be wise and frugal stewards of this great Cooperative, while positioning Fall River Electric for continued success.

We are proud of what we have accomplished together. And, we are even more confident in the path ahead.

Your Voice Matters

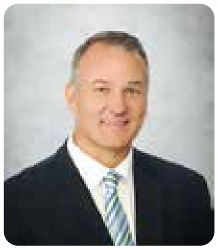
As an owner-member of Fall River Rural Electric Cooperative, your participation matters!

We encourage you to review the proposed bylaw amendment carefully and, most importantly, **to vote.** Strong participation ensures that your Cooperative remains guided by its members—today and into the future.

Thank you for your trust, your engagement, and the opportunity to serve you.

With appreciation and commitment,

Husk Crowther
Board President



Bryan Case
CEO/General Manager

2025 By the Numbers

16,360
owner-members

21,651 meters connected, an increase of 4.5% from 2024

442 million
kilowatt-hours sold to members

43,297,399 kilowatt-hours generated by Fall River owned hydros = nearly 10% of total kilowatt hours sold

638 new electrical services installed

Members used **49.4 million kilowatt-hours** in January, a 12% increase over 2024

120 members
received energy assistance from Helping Hands

$80,000
awarded in scholarships to children of members

Revenues, Expenses, & Patronage Capital

years ended 2025 and 2024

	2025	2024
OPERATING REVENUE		
Electricity sales	$42,657,772	$41,297,676
Propane sales	10,235,714	9,600,676
Other operating revenue	1,767,545	1,576,882
Total operating revenue	$54,661,031	$52,475,234
OPERATING EXPENSES		
Power production expense	1,484,767	1,359,432
Cost of purchased power	17,522,291	15,822,654
Cost of propane	5,228,751	5,027,232
Cost of propane installation and delivery	2,946,249	2,261,062
Transmission expense	38,362	39,417
Distribution - operations	5,062,814	4,361,698
Distribution - maintenance	1,703,833	1,506,594
Member accounts	1,330,502	1,344,824
Member service and information	187,108	179,660
Sales expense	768,922	481,711
Administration and general expense	5,467,608	5,669,691
Depreciation and amortization expense	5,393,625	5,053,299
Taxes	1,543,806	1,489,104
Interest on long-term debt	2,014,986	2,171,727
Other interest charges	20,738	19,724
Total operating expenses	**$50,714,362**	**$46,787,829**
Net Operating Margins	3,946,669	5,687,405
NON-OPERATING MARGINS		
Interest income	231,822	391,272
Gain or (loss) on disposal of general plant	64,614	97,197
Other non-operating income (expense), net	304,979	(128,344)
Total non-operating margins	**$601,415**	**$360,125**
Capital credits from associated organizations	247,448	207,562
Net margins	4,795,532	6,255,092
Patronage capital, beginning of year	67,108,606	63,360,529
Retirement of capital credits	(1,999,128)	(2,507,015)
Patronage capital, end of year	**$69,905,010**	**$67,108,606**

Consolidated Balance Sheets

as of December 31, 2025 and 2024

	2025	2024
ASSETS		
Noncurrent Assets		
Electric Utility plant, net	$106,898,410	$104,814,818
Propane plant, net	10,326,827	9,447,464
Leases receivable, due after one year	211,378	234,915
Investments in associated organizations	5,975,375	5,921,021
Total noncurrent assets	**$123,411,990**	**$120,418,218**
Current Assets		
Cash and cash equivalents	2,198,465	917,654
Temporary investments	-	1,000,000
Accounts receivable, net	6,259,501	6,039,893
Leases receivable, due within one year	23,536	25,524
Materials and supplies inventory	2,840,666	3,175,234
Other current assets	218,371	178,227
Total current assets	11,540,539	11,336,532
Deferred charges	4,779,303	3,394,424
Total assets	**$139,731,832**	**$135,149,174**
MEMBERS' EQUITY AND LIABILITIES		
Members' Equity		
Patronage capital	69,905,010	67,108,606
Other equities	2,537,169	2,290,732
Total members' equity	**$72,442,179**	**$69,399,338**
NONCURRENT Liabilities		
Long-term debt, due after one year	51,190,432	51,352,141
Total noncurrent liabilities	**$51,190,432**	**$51,352,141**
CURRENT LIABILITIES		
Long-term debt, due within one year	2,447,460	3,223,577
Accounts payable	2,624,692	3,220,676
Lines of Credit	1,000,000	-
Consumer deposits	514,483	481,490
Deferred revenue	1,370,744	1,160,078
Other current liabilities	5,096,708	2,813,850
Total current liabilities	**13,054,087**	**10,899,671**
Deferred credits	3,045,134	3,498,024
Total members' equity and liabilities	**$139,731,832**	**$135,149,174**

2025 Highlights

- **Paid members $1.8M** in Patronage Capital
- **Maintained an equity ratio of 52%**, the highest ever
- Forged an agreement with BPA for **low-cost hydropower to 2044**
- **Members received $1.5M** in an Instant Owner Rebate
- **Decreased** long-term debt by **$3.1M**
- **Invested $7.3M** for grid improvements
- **NO rate increase for 2026**

Fall River Electric's Top 10 Accomplishments for 2025

- **Paid members** over **$1.8 million** dollars in Patronage Capital last December
- **Paid an Instant Owner Rebate** in early 2026 based on margins generated in 2025
- **Achieved 52% equity ratio**, highest ever in the history of the Co-op
- **Connected over 600 new electrical services**
- **Awarded $80,000 in scholarships** to children of Co-op members
- **Secured low-cost hydropower** for the next 20 years with a new BPA agreement
- **Built four new employee housing units** in Teton Valley
- **Collected 7,000 pounds** of non-perishable food for local food banks
- **Maintained some of the lowest rates** in the nation with just a 3.9% average increase in 2025 and **NO rate increase for 2026**
- **Celebrated the Cooperative's 87th year** in business

FALL RIVER
PROPANE
Experience the Difference

Patronage Capital Member Payback
10 Year History