

LCRA
TRANSMISSION SERVICES CORPORATION,
Component Unit of the Lower Colorado River Authority

FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
June 30, 2025, and 2024

With Independent Auditors' Report

LCRA TRANSMISSION SERVICES CORPORATION,
Component Unit of the Lower Colorado River Authority

Financial Statements
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Years Ended
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Independent Auditors' Report

To the Board of Directors of
LCRA Transmission Services Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the LCRA Transmission Services Corporation (LCRA TSC), a component unit of the Lower Colorado River Authority, as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the LCRA TSC'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 the LCRA TSC as of June 30, 2025 and 2024, and the changes in financial position and 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) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 the LCRA TSC 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 LCRA TSC'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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 LCRA TSC'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 LCRA TSC'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2025 on our consideration of the LCRA TSC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the LCRA TSC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the LCRA TSC's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Austin, Texas
September 26, 2025

LCRA TRANSMISSION SERVICES CORPORATION MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) As of and for the Years Ended June 30, 2025, and 2024

The Lower Colorado River Authority (LCRA) created a component unit, LCRA Transmission Services Corporation (LCRA TSC), which began operation as a nonprofit corporation on Jan. 1, 2002, in conjunction with the transfer of LCRA's transmission and transformation assets to LCRA TSC.

Financial Statements Overview

LCRA TSC is considered a special-purpose government engaged only in business-type activities. The following components are in this document:

Management's Discussion and Analysis

This section provides an objective and easily readable analysis of financial activities based on currently known facts, decisions or conditions.

Statements of Net Position

The presentation of assets and liabilities of proprietary funds distinguishes between current and noncurrent assets and liabilities. Deferred inflows of resources and deferred outflows of resources are reported as separate line items.

Statements of Revenues, Expenses and Changes in Net Position

These statements provide the operating results broken into the categories of operating revenues and expenses, nonoperating revenues and expenses, costs to be (prior costs) recovered from revenues, and capital contributions.

Statements of Cash Flows

Sources and uses of cash are classified using the direct method as resulting from operating, noncapital financing, capital and related financing or investing activities.

Notes to Financial Statements

The notes explain information in the financial statements and provide additional details.

LCRA TRANSMISSION SERVICES CORPORATION MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of and for the Years Ended June 30, 2025, and 2024

Financial Highlights

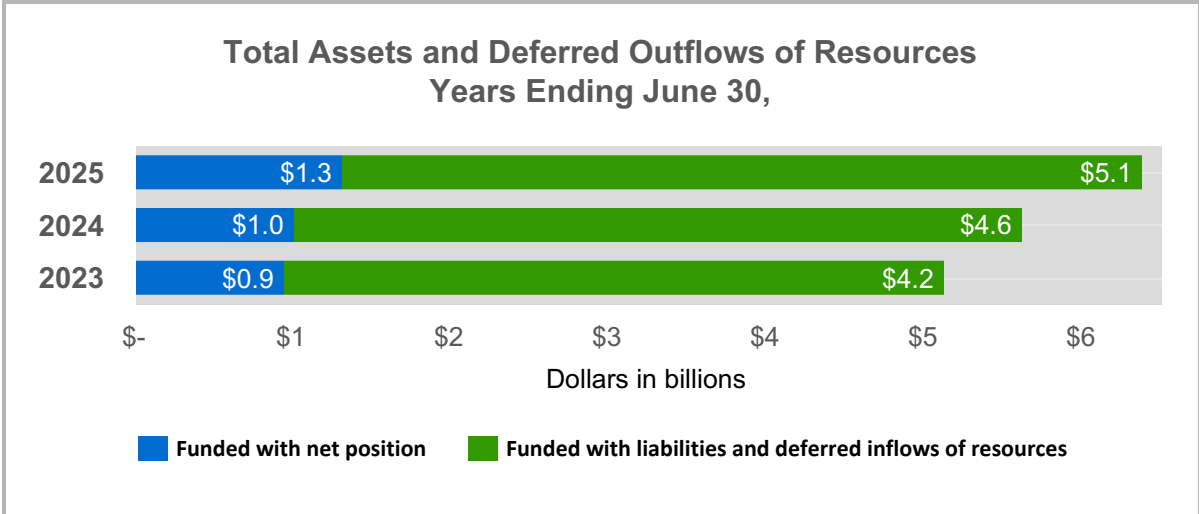
Condensed Statements of Net Position					
(Dollars in millions)					
	June 30, 2025	June 30, 2024	June 30, 2023	2025 vs. 2024	2024 vs. 2023
Current assets	\$ 496	\$ 435	\$ 297	14%	46%
Capital assets, net	5,432	4,787	4,253	13%	13%
Other noncurrent assets	445	394	571	13%	(31%)
Total Assets	6,373	5,616	5,121	13%	10%
Total Deferred Outflows of Resources	14	14	15	—%	(7%)
Total Assets and Deferred Outflows of Resources	<u>\$ 6,387</u>	<u>\$ 5,630</u>	<u>\$ 5,136</u>	13%	10%
Current liabilities	\$ 690	\$ 592	\$ 361	17%	64%
Noncurrent liabilities	4,355	3,864	3,704	13%	4%
Total Liabilities	5,045	4,456	4,065	13%	10%
Total Deferred Inflows of Resources	24	159	126	(85%)	26%
Net investment in capital assets	1,019	731	764	39%	(4%)
Unrestricted net position	299	284	181	5%	57%
Total Net Position	1,318	1,015	945	30%	7%
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 6,387</u>	<u>\$ 5,630</u>	<u>\$ 5,136</u>	13%	10%

Statements of Net Position Overview

LCRA TSC continues to be a capital asset-driven business with approximately 85% of its assets being capital assets. The other assets primarily exist to support the capital assets and their activities. See details in the Capital Asset Activity section. LCRA TSC uses long-term debt to finance most of its capital activity. The Debt Activity section provides additional details. The below chart shows total assets and deferred outflows of resources for each of the last three years. It also identifies the amount of the assets and deferred outflows of resources funded by liabilities and deferred inflows of resources versus net position.

**LCRA TRANSMISSION SERVICES CORPORATION
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)**

As of and for the Years Ended June 30, 2025, and 2024



2025 Compared With 2024

Total assets and deferred outflows of resources increased by \$757 million, or 13%, from the prior year. This primarily was the result of an increase of \$645 million, or 13%, in net capital assets related to transmission project construction. Current assets increased by \$61 million, or 14%, primarily due to an increase of \$43 million in cash equivalents and other short-term investments. This was combined with a \$16 million increase in net receivables.

Other noncurrent assets increased \$51 million, or 13%, primarily due to a \$38 million increase in receivables related to LCRA TSC debt service reserve fund investments held by LCRA, combined with a \$13 million increase in prepaid expenses.

Total liabilities increased by \$589 million, or 13%, from the prior year. This primarily was caused by an increase of \$498 million, or 13%, in long-term debt as a result of capital expansion. Current liabilities increased \$98 million, or 17%, primarily due to a \$41 million increase in security deposits combined with a \$38 million net increase in tax-exempt commercial paper and notes outstanding.

Total deferred inflows of resources decreased by \$135 million, or 85%, due to a decrease of \$146 million in regulatory credits, primarily was due to the discontinuation of the accounting for regulated operations related to depreciation expense, partially offset by an increase of \$9 million in unamortized gain on debt refundings.

2024 Compared With 2023

Total assets and deferred outflows of resources increased by \$494 million, or 10%, from the prior year. This primarily was caused by an increase of \$534 million, or 13%, in net capital assets related to transmission project construction. Current assets increased by \$138 million, or 46%. The increase was due to an increase of \$127 million, or 128%, in unrestricted cash and cash equivalents.

Other noncurrent assets decreased \$177 million, or 31%, primarily due to a \$184 million decrease in restricted cash and cash equivalents for construction projects.

Current liabilities increased \$231 million, or 64%, primarily due to a \$182 million increase in tax-exempt commercial paper and notes outstanding and a \$43 million increase in the current portion of bonds payable.

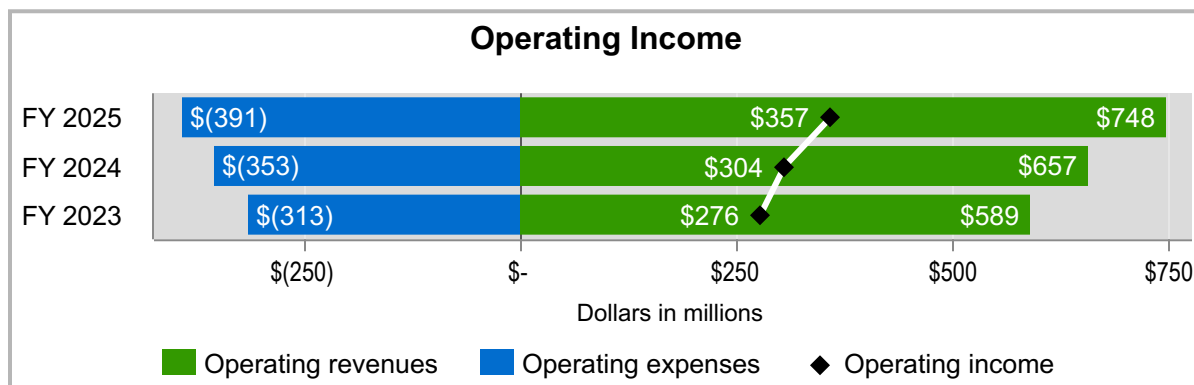
LCRA TRANSMISSION SERVICES CORPORATION MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of and for the Years Ended June 30, 2025, and 2024

	Year Ended June 30,			2025 vs. 2024 Favorable/ (Unfavorable)	2024 vs. 2023 Favorable/ (Unfavorable)
	2025	2024	2023		
Operating revenues	\$ 748	\$ 657	\$ 589	14%	12%
Operating expenses	(391)	(353)	(313)	(11%)	(13%)
Operating income	357	304	276	17%	10%
Nonoperating loss	(212)	(200)	(204)	(6%)	2%
Costs to be (prior costs) recovered from revenues	143	(37)	(30)	486%	(23%)
Capital contributions	15	3	17	400%	(82%)
Change in net position	303	70	59	333%	19%
Net Position, Beginning of Year	1,015	945	886	7%	7%
Net Position, End of Year	\$ 1,318	\$ 1,015	\$ 945	30%	7%

Operating Income Overview

Operating income is derived primarily from providing transmission and transformation services to customers. The Public Utility Commission of Texas regulates LCRA TSC's operating revenues. The following chart shows the operating revenues, expenses and income for each of the last three years.



2025 Compared With 2024

Operating income for fiscal year (FY) 2025 increased by \$53 million, or 17%, compared with the prior year primarily due to a \$67 million increase in transmission revenue and a \$21 million increase in customer jobs revenue, partially offset by a \$38 million, or 11%, increase in operating expenses. The increase in transmission revenue was driven by an increase in rates.

2024 Compared With 2023

Operating income for FY 2024 increased by \$28 million, or 10%, compared with the prior year primarily due to higher operating revenues as a result of rate increases, partially offset by a \$40 million, or 13%, increase in operating expenses.

LCRA TRANSMISSION SERVICES CORPORATION MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of and for the Years Ended June 30, 2025, and 2024

Nonoperating and Other Revenues (Expenses)

LCRA TSC's nonoperating revenues and expenses primarily are composed of:

- Interest income and expense.
- Gains or losses on the disposition of assets.
- Deferral of costs to be recovered from future revenues and recognition of prior costs recovered from current revenues.

2025 Compared With 2024

LCRA TSC's nonoperating loss increased by \$12 million, or 6%, from the prior year. The most significant items contributing to that increase was a \$29 million increase in interest on debt, partially offset by a \$21 million decrease in net loss on disposition of property.

LCRA TSC's costs to be (prior costs) recovered from revenues decreased by \$180 million from the prior year. The decrease was primarily due to the discontinuation of the accounting for regulated operations related to depreciation expense.

2024 Compared With 2023

LCRA TSC's nonoperating loss decreased by \$4 million, or 2%, from the prior year. The most significant items contributing to that decrease were a \$12 million increase in interest income and a \$9 million decrease in net loss on disposition of property, partially offset by a \$17 million increase in debt interest expense.

Regulatory Matters

Transmission revenues of \$696 million for FY 2025 were affected by a rate change authorized during the fiscal year. New rates of \$8.95 per kilowatt became effective on April 7, 2025. Prior to the change, the rate was \$8.66 as of Jan. 8, 2025 and \$8.63 as of Nov. 14, 2024.

LCRA TSC filed for a transmission cost of service (TCOS) rate case application with the PUC on Nov. 30, 2023, seeking to increase LCRA TSC's rates for wholesale transmission, transformation and metering services. On Nov. 14, 2024, the PUC issued a final order approving LCRA TSC's rate case application with only a minor adjustment to requested rate case expenses. The PUC approved a total annual revenue requirement of approximately \$684 million, including operating costs and return on invested capital.

LCRA TSC filed an interim TCOS update on Nov. 20, 2024, which added \$551 million of new transmission facilities placed in service from July 1, 2023, through July 31, 2024. LCRA TSC's annual revenue requirement was increased by \$63 million based on PUC approval of the interim TCOS update on Jan. 8, 2025.

LCRA TSC filed an additional interim TCOS update on Feb. 12, 2025, which added \$201 million of new transmission facilities placed in service from Aug. 1, 2024, through Dec. 31, 2024. LCRA TSC's annual revenue requirement was increased by \$23 million based on PUC approval of the interim TCOS update on April 7, 2025. Interim TCOS rate changes reflect return on rate base and incremental ad valorem taxes on system improvements.

LCRA TRANSMISSION SERVICES CORPORATION MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of and for the Years Ended June 30, 2025, and 2024

Capital Asset Activity

Capital Asset Activity		
(Dollars in millions)		
	FY 2025	FY 2024
Asset additions	\$ 829	\$ 723
Depreciation expense	160	147
Asset retirements, net of proceeds	24	42

For additional details, see Note 6 of the Notes to the Financial Statements.

Capital Expansion and Improvement Program

LCRA TSC's capital expansion and improvement program for FY 2026 through FY 2030 is forecast to be \$6 billion with approximately 88% to be debt-funded and the remainder to be funded from operations, as summarized in the following table. The majority of forecast capital costs are for the expansion of transmission services.

The forecast capital program is subject to periodic review and revision and may change significantly because of a number of factors, including economic conditions and regulatory constraints.

Forecast Capital Expenditures						
(Dollars in millions)						
	Year Ending June 30,					
	2026	2027	2028	2029	2030	Total
Revenue/other funded	\$ 93	\$ 110	\$ 129	\$ 157	\$ 241	\$ 730
Debt funded	1,254	911	1,051	1,084	845	5,145
Total LCRA TSC Capital	<u>\$ 1,347</u>	<u>\$ 1,021</u>	<u>\$ 1,180</u>	<u>\$ 1,241</u>	<u>\$ 1,086</u>	<u>\$ 5,875</u>
Percent debt funded	93%	89%	89%	87%	78%	88%

**LCRA TRANSMISSION SERVICES CORPORATION
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)**

As of and for the Years Ended June 30, 2025, and 2024

Debt Activity

(Dollars in millions)	FY 2025	FY 2024
Private notes issued	\$ 594	\$ 357
Tax-exempt commercial paper issued	200	166
Scheduled debt payments	140	109
Interest payments	198	175
Bond issuances		
FY 2025		
<p>LCRA TSC refunding revenue bond series 2024A issued with a net premium. The bond proceeds</p> <ul style="list-style-type: none"> were used to refinance \$125 million in outstanding commercial paper and \$250 million in outstanding notes. <p>LCRA TSC refunding revenue bond series 2025 issued with a net premium. The bond proceeds</p> <ul style="list-style-type: none"> were used to refinance \$253 million in outstanding bonds, \$119 million in outstanding commercial paper and \$181 million in outstanding notes. 		
FY 2024		
<ul style="list-style-type: none"> LCRA TSC refunding revenue bond series 2024 issued with a net premium. The bond proceeds were used to refinance \$41 million in outstanding commercial paper and \$300 million in notes. 		

For additional details, see Note 3 of the Notes to the Financial Statements.

Subsequent Event

On Aug. 26, 2025, LCRA TSC issued \$519 million in LCRA TSC refunding revenue bonds, series 2025A issued with a net premium. A portion of the bond proceeds were used to refinance \$117 million in outstanding commercial paper and \$220 million in outstanding notes, with the remaining proceeds to be used for future construction costs.

Contacting LCRA’s Management

This report provides a general overview of LCRA TSC’s finances. For more information, contact Tom Oney, chief people officer and executive vice president of External Affairs, Lower Colorado River Authority, P.O. Box 220, Austin, TX 78767.

LCRA TRANSMISSION SERVICES CORPORATION
STATEMENTS OF NET POSITION
(Dollars in millions)

	June 30, 2025	June 30, 2024
Assets		
Current Assets:		
Cash and cash equivalents	\$ 259	\$ 226
Investments	34	24
Receivables, net	124	108
Inventories, net	77	74
Other	2	3
Total current assets	<u>496</u>	<u>435</u>
Noncurrent Assets		
Restricted cash and cash equivalents	—	1
Unrestricted investments	76	73
Accounts receivable from LCRA - restricted	223	185
Capital assets		
Depreciable assets	6,019	5,379
Less: accumulated depreciation and amortization	(1,498)	(1,416)
Depreciable capital assets, net	<u>4,521</u>	<u>3,963</u>
Nondepreciable assets	911	824
Net capital assets	<u>5,432</u>	<u>4,787</u>
Costs to be recovered from future revenues	1	—
Prepaid expenses	90	77
Facilities regulatory asset	47	49
Other	8	9
Total noncurrent assets	<u>5,877</u>	<u>5,181</u>
Total Assets	<u>6,373</u>	<u>5,616</u>
Deferred Outflows of Resources		
Unamortized loss on debt refundings	14	14
Total Deferred Outflows of Resources	<u>14</u>	<u>14</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 6,387</u>	<u>\$ 5,630</u>

LCRA TRANSMISSION SERVICES CORPORATION
STATEMENTS OF NET POSITION
(Dollars in millions)

	June 30, 2025	June 30, 2024
Liabilities		
Current Liabilities		
Accounts payable to LCRA	\$ 26	\$ 32
Accounts payable	113	84
Accrued expenses	14	31
Interest payable	33	25
Security deposits	87	46
Bonds, notes and commercial paper payable	390	348
Other current liabilities	27	26
Total current liabilities	<u>690</u>	<u>592</u>
Noncurrent Liabilities		
Bonds and notes payable	4,341	3,843
Lease and subscription liability	6	10
Other credits and other noncurrent liabilities	8	11
Total noncurrent liabilities	<u>4,355</u>	<u>3,864</u>
Total Liabilities	<u>5,045</u>	<u>4,456</u>
Deferred Inflows of Resources		
Regulatory credits from future recovery	—	146
Unamortized gain on debt refundings	24	13
Total Deferred Inflows of Resources	<u>24</u>	<u>159</u>
Net Position		
Net investment in capital assets	1,019	731
Unrestricted	299	284
Total Net Position	<u>1,318</u>	<u>1,015</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 6,387</u>	<u>\$ 5,630</u>

LCRA TRANSMISSION SERVICES CORPORATION
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
(Dollars in millions)

	Year Ended June 30,	
	2025	2024
Operating Revenues		
Transmission	\$ 696	\$ 629
Transformation	22	19
Other	30	9
Total operating revenues	<u>748</u>	<u>657</u>
Operating Expenses		
Operations and maintenance	231	206
Depreciation and amortization	160	147
Total operating expenses	<u>391</u>	<u>353</u>
Operating income	<u>357</u>	<u>304</u>
Nonoperating Revenues (Expenses)		
Investment income	35	27
Gain on disposition of property	—	3
Loss on disposition of property	(49)	(73)
Interest on debt	(159)	(130)
Other expense	(39)	(27)
Net Nonoperating Expenses	<u>(212)</u>	<u>(200)</u>
Income before costs to be (prior costs) recovered from revenues and capital contributions	145	104
Costs to be (prior costs) recovered from revenues	143	(37)
Capital contributions	15	3
Change in Net Position	<u>303</u>	<u>70</u>
Total Net Position, Beginning of Year	<u>1,015</u>	<u>945</u>
Total Net Position, End of Year	<u>\$ 1,318</u>	<u>\$ 1,015</u>

LCRA TRANSMISSION SERVICES CORPORATION
STATEMENTS OF CASH FLOWS
(Dollars in millions)

	Year Ended June 30,	
	2025	2024
Cash Flows From Operating Activities		
Receipts from customers	\$ 768	\$ 673
Payments to suppliers	(233)	(204)
Other payments, net	—	(19)
Net cash provided by operating activities	<u>535</u>	<u>450</u>
Cash Flows From Noncapital Financing Activities		
Other expenses	(37)	(32)
Net cash used in noncapital financing activities	<u>(37)</u>	<u>(32)</u>
Cash Flows From Capital and Related Financing Activities		
Purchase of property, plant and equipment	(844)	(743)
Lease and SBITA payments	(9)	(16)
Proceeds from sale of capital assets	—	3
Debt issue costs	(3)	(1)
Contributed capital received for capital costs	—	3
Proceeds from long-term debt	956	356
Proceeds from commercial paper and notes	794	523
Debt principal payments	(140)	(109)
Interest paid	(198)	(175)
Payments to refund and defease debt	(1,009)	(341)
Net cash used in capital and financing activities	<u>(453)</u>	<u>(500)</u>
Cash Flows From Investing Activities		
Sale and maturity of investment securities	239	210
Purchase of investment securities	(276)	(204)
Note payments and interest received	24	19
Net cash provided by (used in) investing activities	<u>(13)</u>	<u>25</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>32</u>	<u>(57)</u>
Cash and Cash Equivalents, Beginning of Year	<u>227</u>	<u>284</u>
Cash and Cash Equivalents, End of Year	<u>\$ 259</u>	<u>\$ 227</u>

LCRA TRANSMISSION SERVICES CORPORATION
STATEMENTS OF CASH FLOWS
(Dollars in millions)

	Year Ended June 30,	
	2025	2024
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Operating income	\$ 357	\$ 304
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	160	147
Changes in assets, liabilities and deferred inflows and outflows of resources:		
Accounts receivable	(16)	5
Inventories	(3)	(12)
Other current assets	1	1
Current liabilities	45	6
Other noncurrent assets, charges and deferred outflows of resources	(12)	(9)
Other credits, other noncurrent liabilities and deferred inflows of resources	3	8
Net cash provided by operating activities	<u>\$ 535</u>	<u>\$ 450</u>
Noncash Investing and Capital and Related Financing Activities		
Investment fair value adjustments	\$ (12)	\$ (9)
Noncash loss on asset retirements	(9)	(48)
Right-to-use (lease and SBITA) assets obtained	4	6
Noncash capital contributions	1	—

LCRA TRANSMISSION SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2025, and 2024

1. Significant Accounting Policies

Reporting Entity: In connection with the implementation of retail competition in the electric utility industry in the state of Texas, the Lower Colorado River Authority (LCRA) was required by the Texas Legislature under the Public Utility Regulatory Act, enacted in 1999 as Senate Bill 7, to “unbundle” its electric generation assets from its electric transmission and transformation assets. Since Jan. 1, 2002, LCRA TSC has engaged in the electric transmission and transformation activities on behalf of LCRA and has assumed LCRA's obligation to provide and the right to collect revenues for electric transmission and transformation services. LCRA TSC is an electric transmission service provider (TSP) under the state's open-access electric transmission regulatory scheme within the Electric Reliability Council of Texas (ERCOT) region. In such capacity, LCRA TSC is entitled to receive compensation from all electric distribution service providers (DSPs) using the electric transmission system within the ERCOT region. As a TSP in the ERCOT region of the state, the rates LCRA TSC charges for transmission services are regulated by the Public Utility Commission of Texas (PUC) and determined pursuant to transmission cost of service (TCOS) rate proceedings filed with and approved by the PUC.

LCRA TSC is an instrumentality and a component unit of LCRA. Although it is a separate legal entity, LCRA TSC is reported in LCRA's financial statements as a blended component unit because it is governed by a board of directors composed in its entirety of the LCRA Board of Directors.

LCRA TSC reimburses LCRA for payroll costs, including the cost of employee benefits and other expenses of LCRA employees performing LCRA TSC construction, operations and maintenance work. LCRA TSC also reimburses LCRA for the costs of administrative services provided to LCRA TSC. LCRA charged LCRA TSC \$364 million and \$323 million during FY 2025 and FY 2024, respectively, for these costs.

Basis of Accounting: The accompanying LCRA TSC financial statements were prepared using proprietary fund and accrual basis accounting. LCRA TSC follows Governmental Accounting Standards Board guidance.

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenues from providing electric transmission and transformation services and the costs to operate and maintain these facilities are reported as operating revenues and expenses. Revenues and expenses related to financing and other activities are reflected as nonoperating revenues and expenses.

Operating Revenues: LCRA TSC's principal operating revenues are generated from transmission services. The customers served by LCRA TSC and the rates paid by such customers vary with services provided. Revenues are recorded when services are provided.

Major Customers: For FY 2025, LCRA TSC had two customers whose revenues individually represented 10% or more of total operating revenues ranging from 34% to 24%. For FY 2024, LCRA TSC had two customers whose revenues individually represented 10% or more of total operating revenues ranging from 37% to 26%.

LCRA TRANSMISSION SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

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Rates and Regulations: Transmission rates within the ERCOT system are determined pursuant to a universal 100% “postage stamp” rate that spreads the total annual costs of transmission services among DSPs according to their electric loads. The transmission costs are determined pursuant to TCOS rate proceedings filed by all TSPs, including LCRA TSC. Every electric end-use consumer in the ERCOT system pays a portion of the total costs of maintaining a reliable statewide transmission system. Transmission charges are calculated by multiplying a DSP’s share of the statewide electric load by the statewide postage stamp rate of each TSP. The PUC determines the load shares and rates through its TCOS regulatory process. LCRA TSC also charges for the export of power from ERCOT. These transmission charges, amounting to \$1 million for FY 2025 and FY 2024, are paid by utilities that have arranged in advance through ERCOT to receive the exported power. Pursuant to a tariff approved by the PUC, LCRA TSC collects revenues for transformation services, providing transformers that step down voltage from levels appropriate for transmission to lower levels for distribution. The transformation tariff authorizes a monthly charge for each transformation delivery point. LCRA TSC also collects monthly metering service revenues based on a per-meter charge according to the PUC approved tariff.

Transmission revenues of \$696 million for FY 2025 were affected by rate changes authorized during the fiscal year. New rates of \$8.95 per kilowatt became effective on April 7, 2025. Prior to the change, the rate was \$8.66 as of January 2025 and \$8.63 as of November 2024.

LCRA TSC filed for a transmission cost of service (TCOS) rate case application with the PUC on Nov. 30, 2023, seeking to increase LCRA TSC’s rates for wholesale transmission, transformation and metering services. On Nov. 14, 2024, the PUC issued a final order approving LCRA TSC’s rate case application with only a minor adjustment to requested rate case expenses. The PUC approved a total annual revenue requirement of approximately \$684 million, including operating costs and return on invested capital.

LCRA TSC filed an interim TCOS update on Nov. 20, 2024, which added \$551 million of new transmission facilities placed in service from July 1, 2023, through July 31, 2024. LCRA TSC’s annual revenue requirement was increased by \$63 million based on PUC approval of the interim TCOS update on Jan. 8, 2025.

LCRA TSC filed an additional interim TCOS update on Feb. 12, 2025, which added \$201 million of new transmission facilities placed in service from Aug. 1, 2024, through Dec. 31, 2024. LCRA TSC’s annual revenue requirement was increased by \$23 million based on PUC approval of the interim TCOS update on April 7, 2025. Interim TCOS rate changes reflect return on rate base and incremental ad valorem taxes on system improvements.

Capital Contributions: Capital contributions consist of donated assets and grant-funded or customer contributions for capital-related work.

Cash and Cash Equivalents: LCRA TSC considers all highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents. LCRA TSC maintains cash balances in excess of the \$250,000 Federal Deposit Insurance Corporation limits at certain financial institutions. LCRA TSC held \$300,000 in funds at June 30, 2025, and \$1 million at June 30, 2024, that were both FDIC insured and/or collateralized by securities held by the pledging financial institution in which the deposits were held. Custodial credit risk also is managed by concentrating the cash balances in high quality financial institutions and periodically evaluating the credit quality of the primary financial institutions holding such deposits. With short maturities, the investments present insignificant risk of changes in value because of interest rate changes and are readily convertible to cash. Historically, no losses have been incurred due to such cash concentrations.

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Investments: LCRA TSC's investments are stated at fair value. Any changes, unrealized and realized, in the fair value of financial investments are recorded as investment income.

Accounts Receivable and Allowance for Doubtful Accounts: LCRA TSC accounts receivable balances are subject to risk of nonpayment. Allowances to account for that risk have been calculated based on a three-year average of customer write-offs, except in certain cases where amounts were recorded directly to bad debt expense and excluded from the three-year average. There was no allowance for a doubtful accounts balance as of June 30, 2025, and 2024.

Inventories: Inventories are stated at the lower of cost or market using the average cost method and are subject to write-off when deemed obsolete. LCRA TSC has established a reserve for excess and obsolete inventory, which is based primarily on inventory aging and historical analysis. The reserve is intended to adjust the net realizable value of inventory LCRA TSC may not be able to use due to obsolescence. There was a balance of less than \$1 million in the reserve as of June 30, 2025, and 2024.

Restricted Funds: Restricted funds are presented on the Statements of Net Position as restricted cash and cash equivalents and accounts receivable as indicated below:

(Dollars in millions)		
	June 30, 2025	June 30, 2024
Restricted accounts receivable from LCRA ¹	\$ 223	\$ 185
Debt proceeds restricted for construction ²	—	1
	<u>\$ 223</u>	<u>\$ 186</u>

¹ Restricted accounts receivable from LCRA represents debt service reserve funds held by LCRA. Proceeds to purchase the debt service reserve funds came from LCRA TSC debt issuances. Debt service reserve funds are required by bond covenants to provide reserves to meet any shortfalls in funds available to make required debt service payments.

² Derived from debt issuances, system revenues designated for specific purposes by the LCRA TSC Board, and other funds with legal or contractual constraints.

It is LCRA TSC's policy to use restricted resources first for the specified purposes, then unrestricted resources if they are needed.

Capital Assets: Capital assets consists of electric transmission and transformation facilities, capital spares, a system operations and control center, projects under construction, and intangible assets which are recorded at cost, including materials, labor and overhead. Contributed assets, primarily grants and contributions in aid of construction, are recorded at acquisition value, the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, or the amount at which a liability could be liquidated with the counterparty at the acquisition date. Easements are stated at cost and have an indefinite life. Expenditures greater than \$1,000 for long-lived items are eligible to be capitalized. LCRA TSC allows for direct expensing of items where the costs associated with obtaining approval of and tracking a capital project are onerous.

The cost of repairs and minor replacements are charged to operating expense as incurred. Costs of asset replacements and betterments are capitalized. The net book value of a retired depreciable plant, along with removal expense less salvage value, is charged to nonoperating expense on the statements of revenues, expenses and changes in net position.

Gains and losses upon disposition are recorded as nonoperating revenues or expenses in the period incurred.

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Impairment: LCRA TSC evaluates the carrying value of its property, plant and equipment, and other long-lived assets when major events or changes in circumstances indicate a decline in an asset's service capacity. Impairment is measured using methods that isolate the asset's service capacity rendered unusable. LCRA TSC had no material impairments during FY 2025 and FY 2024.

Depreciation and Amortization: LCRA TSC depreciates its utility plant and right to use assets on a straight-line basis over the estimated useful lives of the various classes of these assets. Depreciation and amortization expense, expressed as a percentage of average depreciable plant, was approximately 3% for FY 2025 and FY 2024.

The estimated useful life of property, plant and equipment and certain intangible assets by major category is as follows:

Transmission Facilities	5-58 years
Office Buildings	4-45 years
Intangible Assets	
Internally generated software	5 years
Leases and SBITA	3-11 years

Other charges are amortized on a straight-line basis over the life of the related asset.

Regulatory Assets and Credits: In accordance with accounting for regulated operations, certain costs may be capitalized as a regulatory asset that otherwise would be charged to expense. A regulatory asset is recorded when it is probable that future revenue in an amount at least equal to the capitalized costs will result from inclusion of those costs in future rates.

A facilities regulatory asset arose from LCRA TSC's purchase of facilities from LCRA, consistent with GAAP for regulated operations. The regulatory asset is being amortized over 20 years, the remaining life of the facilities.

In FY 2025, the PUC ordered that costs incurred for certain 345-kilovolt transmission import paths should be placed in a regulatory asset (costs to be recovered) and recovered as part of LCRA TSC's next rate case.

In addition, rate actions of the regulator may impose a regulatory credit on LCRA TSC. A regulatory credit may occur either when a regulator requires refunds to customers or provides current rates intended to recover costs expected to be incurred in the future. A regulatory credit is reported as a deferred inflow of resources on the Statements of Net Position and is recognized and charged to income when the associated costs are incurred.

Prepaid Expenses: Prepaid expenses represents prepayments for LCRA TSC's usage of LCRA assets.

Regulatory Accounting for Depreciation: In FY 2025, LCRA TSC discontinued the accounting for regulated operations related to its depreciation expense. This change in circumstances was due to the LCRA TSC rate case decision in Nov. 2024 that reclassified depreciation expense to LCRA TSC's cost of service recovery instead of being part of its debt service coverage. The impact of this change resulted in the removal of \$212 million in regulatory credits from the statement of net position at June 30, 2025, with the offset recognized in the change in net position.

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Other Current Liabilities: Other Current Liabilities are composed of the following:

Schedule of Other Current Liabilities		
(Dollars in millions)		
	June 30, 2025	June 30, 2024
Property tax accruals	\$ 15	\$ 16
Leases	4	4
Payroll-related accruals	3	2
Sales, use and other taxes	1	3
Other	4	1
	<u>\$ 27</u>	<u>\$ 26</u>

Bonds and Notes Payable: LCRA TSC reports the current portion of long-term debt, which includes all commercial paper, notes and scheduled debt payments to be made within the next 12 months, as a current liability. LCRA TSC debt includes long-term revenue bonds, commercial paper and other notes outstanding. Amortization of debt discount and premium is computed using the effective yield method over the life of the related bond issues and is recorded as interest expense.

Refunding and Defeasance of Debt: For debt refundings, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and reported as a component of deferred inflows or outflows of resources. Losses created by refunding transactions are amortized over the shorter of the remaining terms of the new issues or the refunded bonds. The amounts are reported as deferred outflows of resources on the Statements of Net Position.

Gains created by refunding transactions are amortized over the shorter of the remaining terms of the new issues or the refunded bonds. The amounts are reported as deferred inflows of resources on the Statements of Net Position.

For debt defeasances, the difference between the carrying amount of the debt and the amount of funds needed to retire the debt is recognized immediately in the Statements of Revenues, Expenses and Changes in Net Position as a gain or loss on early defeasance of debt, if significant. If the difference is not significant, it is recognized immediately as interest expense.

Other Credits and Other Noncurrent Liabilities: Other credits and other noncurrent liabilities consist of construction contract retainage and unearned revenues.

Deferred Outflow 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.

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.

Other Expenses: Other expenses include statutory obligation payments to LCRA.

Classifications of Net Position: The net position section of the Statements of Net Position includes the following components:

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Net investment in capital assets is the portion of net position that consists of capital assets, net of accumulated depreciation, plus deferred outflows of resources, reduced by outstanding debt and construction contracts payable attributable to the acquisition, construction or improvement of those assets. Capital assets for the net investment computation include both capital assets and regulatory assets.

Unrestricted net position is the share of net position that is neither restricted nor invested in capital assets.

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

2. Financial Instruments

As of June 30, 2025, and 2024, LCRA TSC had the following investments and maturities:

Investments and Maturities					
(Dollars in millions)					
Type of Investment	June 30, 2025		June 30, 2024		
	Fair Value	WAM (Years) ¹	Fair Value	WAM (Years) ¹	
Investments					
U.S. Government securities	\$ 20	0.89	\$ 10	0.89	
U.S. agency notes	15	3.17	40	1.11	
Commercial paper	30	0.38	19	0.53	
Taxable municipal bonds	45	2.09	28	1.40	
Cash equivalents					
Investment pools	259 ²	—	226 ²	—	
Subtotal investments and cash equivalents	369	1.55	323	1.06	
Cash					
Total Cash, Cash Equivalents and Investments	\$ 369		\$ 324		

¹ Weighted Average Maturity

² Net Asset Value

Investment Pools: LCRA TSC investments included an investment pool with TexPool on June 30, 2025, and 2024. The Texas Comptroller of Public Accounts oversees TexPool, and the pool seeks to maintain a \$1 value per share as required by the Texas Public Funds Investment Act. There are no minimum balance requirements for TexPool participants, and there is no limit on the number of accounts per participant. TexPool maintains a portfolio WAM not to exceed 60 days. LCRA TSC's investments in TexPool were \$199 million and \$179 million as of June 30, 2025, and 2024, respectively.

LCRA TSC investments also included an investment pool with Local Government Investment Cooperative (LOGIC) on June 30, 2025, and 2024. Hilltop Securities Inc. and J.P. Morgan Asset Management oversee LOGIC. The pool seeks to maintain a \$1 value per share as required by the Texas Public Funds Investment Act. LOGIC maintains a portfolio WAM not to exceed 60 days. LCRA TSC's investments in LOGIC were \$60 million and \$47 million as of June 30, 2025, and 2024, respectively.

Both investment pools have no account balance or transaction amount minimum or maximum requirements.

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Interest Risk: LCRA TSC has no formal policy to address exposure to fair value losses resulting from changes in interest rates. However, in accordance with management policy, LCRA TSC manages its exposure to changing interest rates by laddering the investment portfolio, matching maturities against liabilities when possible and holding investments to maturity.

Concentration Risk: LCRA TSC owns investments from one issuer as of June 30, 2025, and as of June 30, 2024, that accounts for greater than or equal to 5% of its investment portfolio, as shown in the table below. LCRA TSC has no formal policy on concentration risk.

Concentration Risk				
(Dollars in millions)				
Issuer Description	June 30, 2025		June 30, 2024	
	Fair Value	Percentage of Portfolio	Fair Value	Percentage of Portfolio
Barclays Capital Inc. Commercial Paper	\$ 20	5%	\$ —	—%
Federal Home Loan Bank	—	—	35	11

Credit Risk: LCRA TSC's investment activities are governed by the Texas Public Funds Investment Act, which specifies the types and ratings of investments governmental entities are allowed to purchase. In addition, LCRA TSC Board policy and internal operating procedures further restrict the types and duration of investment activities. The credit ratings of LCRA TSC's investments and external investment pools are summarized in the table below.

Credit Risk				
(Dollars in millions)				
Credit Rating	June 30, 2025		June 30, 2024	
	Fair Value	Percentage of Portfolio	Fair Value	Percentage of Portfolio
U.S. Government Securities (Aaa) ¹	\$ —	— %	\$ 50	15 %
U.S. Government Securities (Aa1) ¹	35	9	—	—
AAA	14	4	5	2
AA+	12	3	5	2
AA	—	—	10	3
Aa2 ¹	4	1	—	—
AA-	13	4	8	2
A-	2	1	—	—
A-1+	20	5	—	—
A-1	10	3	—	—
P-1 ¹	—	—	19	6
AAAm	259	70	226	70
Total investments and maturities portfolio	<u>\$ 369</u>	<u>100 %</u>	<u>\$ 323</u>	<u>100 %</u>

¹ Ratings are from Moody's; all other ratings are from S&P Global.

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Reporting Requirements: LCRA TSC is required to disclose the valuation technique and level of inputs for all investments. LCRA TSC uses the market approach for its investments, which is defined as “using prices and other relevant information generated by market transactions involving identical or similar assets, liabilities or a group of assets or liabilities, such as quoted prices.” Assets and liabilities are categorized into three levels. Level 1 input is defined as: “quoted prices for identical assets or liabilities in active markets that LCRA TSC can access at the measurement date.” Level 2 input is defined as “inputs other than quoted prices - included within Level 1 that are observable for the asset or liability, either directly or indirectly.” A Level 3 input is defined as “significant unobservable inputs.” LCRA TSC uses Bloomberg Finance LP Service to quote investment market price by uniquely identifying each security with the Committee on Uniform Security Identification Procedures.

LCRA TSC holds investments in each category as shown in the table below:

Fair Value Measurement				
(Dollars in millions)				
Type of Investment	June 30, 2025		June 30, 2024	
	Fair Value	Level	Fair Value	Level
U.S. Government Securities	\$ 20	2	\$ 10	2
U.S. agency notes	15	2	40	2
Commercial paper	30	2	19	2
Taxable municipal bonds	45	2	28	2
Investment pools	259 ¹	—	226 ¹	—
Total	<u>\$ 369</u>		<u>\$ 323</u>	

¹ Net Asset Value

LCRA TRANSMISSION SERVICES CORPORATION

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3. Debt

Changes in debt, including current portions, are as follows:

Debt Activity								
(Dollars in millions)								
Series	Balance June 30, 2023	Increase	(Decrease)	Balance June 30, 2024	Increase	(Decrease)	Balance June 30, 2025	Amount Due in FY 2026
LCRA TSC 2015	\$ 207	\$ —	\$ (5)	\$ 202	\$ —	\$ (167)	\$ 35	\$ —
LCRA TSC 2016	153	—	(7)	146	—	(6)	140	8
LCRA TSC 2018	243	—	(15)	228	—	(101)	127	—
LCRA TSC 2019	361	—	(19)	342	—	(18)	324	19
LCRA TSC 2019A	158	—	(6)	152	—	(6)	146	5
LCRA TSC 2020	227	—	(4)	223	—	(15)	208	15
LCRA TSC 2020A	133	—	(5)	128	—	(4)	124	5
LCRA TSC 2021	346	—	(13)	333	—	(33)	300	21
LCRA TSC 2021A	157	—	(5)	152	—	(5)	147	5
LCRA TSC 2022	335	—	(10)	325	—	(11)	314	11
LCRA TSC 2022A	188	—	(6)	182	—	(6)	176	6
LCRA TSC 2023	365	—	(1)	364	—	(4)	360	17
LCRA TSC 2023A	473	—	(13)	460	—	(14)	446	13
LCRA TSC 2024	—	318	—	318	—	(2)	316	10
LCRA TSC 2024A	—	—	—	—	350	—	350	3
LCRA TSC 2025	—	—	—	—	519	—	519	14
Unamortized net premium	463	38	(47)	454	87	(62)	479	18
Subtotal	<u>3,809</u>	<u>356</u>	<u>(156)</u>	<u>4,009</u>	<u>956</u>	<u>(454)</u>	<u>4,511</u>	<u>170</u>
Private notes	—	357	(300)	57	594	(431)	220	220
Commercial paper	—	166	(41)	125	200	(325)	—	—
Total	<u>\$ 3,809</u>	<u>\$ 879</u>	<u>\$ (497)</u>	<u>\$ 4,191</u>	<u>\$ 1,750</u>	<u>\$ (1,210)</u>	<u>\$ 4,731</u>	<u>\$ 390</u> ¹

¹ Total amount due in FY 2025 was \$348 million.

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Interest rates and maturity dates for bonds and notes as of June 30, 2025, are as follows:

Interest Rates and Maturity Dates on Debt		
Series	May 15,	
Series	From	To
LCRA TSC 2015 (4.00%)	2036	2045
LCRA TSC 2016 (3.00%-5.00%)	2026	2046
LCRA TSC 2018 (5.00%)	2032	2048
LCRA TSC 2019 (3.88%-5.00%)	2026	2049
LCRA TSC 2019A (4.00%-5.00%)	2026	2049
LCRA TSC 2020 (5.00%)	2026	2050
LCRA TSC 2020A (5.00%)	2026	2050
LCRA TSC 2021 (5.00%)	2026	2051
LCRA TSC 2021A (5.00%)	2026	2051
LCRA TSC 2022 (2.50%-5.00%)	2026	2047
LCRA TSC 2022A (5.00%-6.00%)	2026	2052
LCRA TSC 2023 (4.00%-5.50%)	2026	2053
LCRA TSC 2023A (4.00%-5.25%)	2026	2053
LCRA TSC 2024 (5.00%-5.25%)	2026	2054
LCRA TSC 2024A (5.00%)	2026	2054
LCRA TSC 2025 (5.00%)	2026	2055

Commercial paper rates are variable. No commercial paper was outstanding as of June 30, 2025, but rates ranged from 2.82% to 3.5%, with maturities of 270 days or less from their respective issue dates.

Private note rates are variable. As of June 30, 2025, rates ranged from 2.52% to 4.15%, with maturities of 364 days or less from their respective issue dates.

LCRA TSC's debt as of June 30, 2025, was rated by Moody's, S&P Global and Fitch as follows:

Debt Program	June 30, 2025		
	Moody's Ratings	S&P Global Ratings	Fitch Ratings
LCRA Transmission Services Corporation Contract Refunding Revenue Bonds	A1 (Stable)	A (Stable)	A+ (Stable)
LCRA Transmission Services Corporation Tax-Exempt Commercial Paper Series	P-1	A-1	F1+
LCRA Transmission Services Corporation Tax-Exempt Commercial Paper Series B	Inactive	Inactive	Inactive

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Scheduled debt payments, excluding commercial paper and notes, are as follows:

Debt Payments, Excluding Commercial Paper and Notes			
(Dollars in millions)			
Year Ending June 30,	Principal	Interest	Total
2026	\$ 152	\$ 207	\$ 359
2027	158	193	351
2028	159	186	345
2029	163	178	341
2030	158	169	327
2031-2035	835	727	1,562
2036-2040	737	530	1,267
2041-2045	761	342	1,103
2046-2050	590	169	759
2051-2055	319	40	359
	<u>4,032</u>	<u>2,741</u>	<u>6,773</u>
Unamortized net premium	479	—	479
Total	<u>\$ 4,511</u>	<u>\$ 2,741</u>	<u>\$ 7,252</u>

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New and Refunding Bonds: The following schedules summarize new and refunding bonds for FY 2025 and FY 2024:

FY 2025 New and Refunding Bonds						
(Dollars in millions)						
Program	Issued Amount	Commercial Paper / Private Note Repayment	Debt Defeasance	Accounting Gain / (Loss)	Reduction to Aggregate Debt Service Payment	Economic Gain
Private Notes	\$ 594 ¹	\$ (81)	\$ —	\$ —	\$ —	\$ —
Commercial Paper	200 ²	—	—	—	—	—
LCRA TSC 2024A Refunding Bonds ³	350	(375)	—	—	—	—
LCRA TSC 2025 Refunding Bonds ⁴	519	\$ (300)	\$ (253)	\$ 12	\$ 7	\$ 18
Total	\$ 1,663	\$ (756)	\$ (253)	\$ 12	\$ 7	\$ 18

¹ Private note issuances used to fund capital projects of \$594 million.

² Commercial paper issuances used to fund capital projects of \$200 million.

³ LCRA TSC refunding revenue bond series 2024A issued with a net premium. The bond proceeds were used to refinance \$125 million in outstanding commercial paper and \$250 million in outstanding notes.

⁴ LCRA TSC refunding revenue bond series 2025 issued with a net premium. The bond proceeds were used to refinance \$253 million in outstanding bonds, \$119 million in outstanding commercial paper and \$181 million in outstanding notes.

FY 2024 New and Refunding Bonds						
(Dollars in millions)						
Program	Issued Amount	Commercial Paper / Private Note Repayment	Debt Defeasance	Accounting Gain / (Loss)	Reduction to Aggregate Debt Service Payment	Economic Gain
Private Notes	\$ 357 ¹	\$ —	\$ —	\$ —	\$ —	\$ —
Commercial Paper	166 ²	—	—	—	—	—
LCRA TSC 2024 Refunding Bonds ³	318	(341)	—	—	—	—
Total	\$ 841	\$ (341)	\$ —	\$ —	\$ —	\$ —

¹ Private note issuances used to fund capital projects of \$357 million.

² Commercial paper issuances used to fund capital projects of \$166 million.

³ LCRA TSC refunding revenue bond series 2024 issued with a net premium. The bond proceeds were used to refinance \$41 million in outstanding commercial paper and \$300 million in notes.

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As of June 30, 2025, and 2024 there was no principal outstanding associated with bonds that have been previously refunded by LCRA TSC.

Optional Redemption: The bonds below are redeemable at the option of LCRA according to the following schedule:

Optional Redemption Amounts and Maturity Dates				
Series	Redeemable on or after:	In increments of:	At a redemption price of:	Maturing on and after:
LCRA TSC 2015	May 15, 2025	\$ 5,000	Principal, plus accrued interest	May 15, 2026
LCRA TSC 2016	May 15, 2026	5,000	Principal, plus accrued interest	May 15, 2027
LCRA TSC 2018	May 15, 2024	5,000	Principal, plus accrued interest	May 15, 2025-May 15, 2031
LCRA TSC 2018	May 15, 2028	5,000	Principal, plus accrued interest	May 15, 2032
LCRA TSC 2019	May 15, 2027	5,000	Principal, plus accrued interest	May 15, 2037-May 15, 2049
LCRA TSC 2019	May 15, 2029	5,000	Principal, plus accrued interest	May 15, 2030-May 15, 2036
LCRA TSC 2019A	May 15, 2028	5,000	Principal, plus accrued interest	May 15, 2049
LCRA TSC 2019A	May 15, 2029	5,000	Principal, plus accrued interest	May 15, 2030-May 15, 2041, May 15, 2044
LCRA TSC 2020	May 15, 2029	5,000	Principal, plus accrued interest	May 15, 2030
LCRA TSC 2020A	May 15, 2030	5,000	Principal, plus accrued interest	May 15, 2031
LCRA TSC 2021	May 15, 2030	5,000	Principal, plus accrued interest	May 15, 2031
LCRA TSC 2021A	May 15, 2031	5,000	Principal, plus accrued interest	May 15, 2032
LCRA TSC 2022	May 15, 2031	5,000	Principal, plus accrued interest	May 15, 2032
LCRA TSC 2022A	May 15, 2032	5,000	Principal, plus accrued interest	May 15, 2033
LCRA TSC 2023	May 15, 2032	5,000	Principal, plus accrued interest	May 15, 2033
LCRA TSC 2023A	May 15, 2033	5,000	Principal, plus accrued interest	May 15, 2034
LCRA TSC 2024	May 15, 2033	5,000	Principal, plus accrued interest	May 15, 2034
LCRA TSC 2024A	May 15, 2034	5,000	Principal, plus accrued interest	May 15, 2035
LCRA TSC 2025	May 15, 2034	5,000	Principal, plus accrued interest	May 15, 2035

Pledged Revenues: All outstanding LCRA TSC Transmission Contract Revenue Bonds are solely secured by the obligation of LCRA TSC to make installment payments to LCRA from the net revenues of LCRA TSC. Net revenues are defined as gross revenues less the operating and maintenance expenses during the period.

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Commercial Paper and Private Notes: LCRA TSC is authorized to issue short-term debt under five separate Board-approved programs. The following schedule summarizes the commercial paper and private note programs as of June 30, 2025.

Commercial Paper and Private Note Programs							
(Dollars in millions)							
Program	Status	Taxability	Board-Approved Program	Program Expiration Date	Facility Limit	Facility Expiration Date	Amount Outstanding
LCRA TSC Tax-Exempt Commercial Paper Series	Active	Tax-Exempt	\$ 200	May 15, 2042	\$ 150	April 23, 2027	\$ —
LCRA TSC Tax-Exempt Commercial Paper Series B	Inactive	Tax-Exempt	150	May 15, 2042	N/A	N/A	—
LCRA TSC Private Revolving Notes Series C	Active	Both	200	May 1, 2031	200	July 12, 2027	157
LCRA TSC Private Revolving Notes Series E	Active	Tax-Exempt	100	May 1, 2030	100	May 7, 2026	63
LCRA TSC Private Revolving Notes Series F	Active	Both	100	May 1, 2035	100	March 11, 2028	—
Total			<u>\$ 750</u>		<u>\$ 550</u>		<u>\$ 220</u>

The proceeds from these programs can be used to provide system improvements, acquire facilities, refund outstanding debt and pay interest on outstanding debt. The credit facilities were utilized to back outstanding commercial paper and note issuances in FY 2025 and FY 2024. LCRA TSC did not draw on its credit lines in either year as short-term financing was executed through commercial paper issuances backed by the facilities. Additionally, private note programs for LCRA TSC were used for short-term financing. LCRA TSC issues commercial paper and notes on a regular basis. Therefore, any issuances of commercial paper or notes after June 30, 2025, are not considered subsequent events and are not disclosed in the Notes to the Financial Statements.

Mandatory Redemption: A number of LCRA TSC's term bonds are subject to mandatory sinking fund redemption at the redemption price, which equals the principal amount plus accrued interest through the redemption date. The particular bonds or portions thereof to be redeemed are to be selected and designated by LCRA (provided a portion of a bond may be redeemed only in integral multiples of \$5,000). The mandatory sinking fund redemption dates range from May 15, 2038, to May 15, 2055.

Estimation of Fair Value: The fair value measurements of long-term debt were estimated based on published market prices and were \$4.2 billion and \$3.8 billion as of June 30, 2025, and 2024, respectively.

Debt Covenant Requirements: LCRA TSC is required by its long-term debt covenants to maintain annual revenues sufficient to:

- I. Pay all operating and maintenance expenses.
- II. Produce a 1.25x coverage ratio on debt service on existing LCRA TSC debt and any other parity debt.
- III. Pay all other debt of LCRA TSC.
- IV. Produce amounts to fund any required capital charge coverage ratios required by the financial policies of LCRA TSC and to accumulate the required funds in any debt service reserve fund or any other funds of LCRA TSC.

LCRA TRANSMISSION SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

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4. Commitments and Contingencies

Construction: At June 30, 2025, LCRA TSC had construction commitments totaling \$492 million through FY 2030.

Insurance: LCRA TSC's assets, other than most transmission lines, are covered under LCRA's insurance program. LCRA TSC is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. These risks are covered through the purchase of commercial insurance with minimal deductibles. Settled claims have not exceeded the commercial liability in any of the past three years. There were no significant reductions in coverage compared with the prior year.

5. Leases and SBITA

LCRA TSC recognizes leases greater than one year at the present value of the minimum lease payments. Lessee leases are recorded as a lease liability and an intangible right-to-use lease asset, and lessor leases are recorded as a lease receivable and a deferred inflow of resources. Variable lease payments are excluded in the measurement of lease liabilities, except escalation clauses based on an index or rate.

Leases as Lessee: LCRA TSC leases property and equipment. The terms of the lease contracts are eight to 11 years. Total lease expense (including amortization and interest) was \$8 million and \$13 million for FY 2025 and FY 2024, respectively. Variable payments not previously included in the measurement of the lease liability were less than \$1 million for both periods presented.

At June 30, 2024, in addition to the transmission and transformation assets owned by LCRA TSC, LCRA TSC leased certain transmission assets owned by seven direct-connect transmission customers. The terms of the equipment leases were perpetual, but could be terminated by LCRA or the lessors upon five years written notice. At June 30, 2025, with the approval of the PUC in conjunction with LCRA TSC's most recent rate case proceeding, all seven of the lease participants had executed agreements terminating the leases in their entirety.

At June 30, 2025, and 2024, lease intangible assets were as follows:

Lease Intangible Assets		
(Dollars in millions)		
	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Land	\$ 1	\$ 1
Equipment	30	79
Accumulated amortization	(22)	(67)
Total Lease Intangible Assets	<u>\$ 9</u>	<u>\$ 13</u>

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As of and for the Years Ended June 30, 2025, and 2024

At June 30, 2025, future expected lease payments were as follows:

Future Expected Lease Payments			
(Dollars in millions)			
<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest¹</u>	<u>Total</u>
2026	\$ 4	\$ —	\$ 4
2027	4	—	4
2028	1	—	1
2029 ¹	—	—	—
2030 ¹	—	—	—
2031-2055 ¹	—	—	—
Total	<u>\$ 9</u>	<u>\$ —</u>	<u>\$ 9</u>

¹ Amounts less than \$1 million.

Subscription-based information technology arrangements: LCRA TSC recognizes subscription-based information technology arrangements (SBITAs) greater than one year at the present value of the minimum payments. SBITAs are recorded as a liability and an intangible right-to-use asset. Variable payments are excluded in the measurement of SBITA liabilities, except escalation clauses based on an index or rate.

The terms of the SBITA contracts are three to five years. Total SBITA expense (including amortization and interest) was \$1 million in FY 2025 and less than \$1 million in FY 2024. Variable payments not previously included in the measurement of the SBITA liabilities were less than \$1 million in FY 2025 and FY 2024.

At June 30, 2025, and 2024 SBITA intangible assets were as follows:

SBITA Intangible Assets		
(Dollars in millions)		
	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Gross SBITA assets	\$ 4	\$ 4
Accumulated amortization	<u>(2)</u>	<u>(1)</u>
Net SBITA Right-To-Use Assets	<u>\$ 2</u>	<u>\$ 3</u>

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As of and for the Years Ended June 30, 2025, and 2024

At June 30, 2025, future expected SBITA payments were as follows:

Future Expected SBITA Payments			
(Dollars in millions)			
<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest¹</u>	<u>Total</u>
2026	\$ 1	\$ —	\$ 1
2027	1	—	1
2028 ¹	—	—	—
2029 ¹	—	—	—
2030 ¹	—	—	—
2031-2035 ¹	—	—	—
Total	<u>\$ 2</u>	<u>\$ —</u>	<u>\$ 2</u>

¹ Amounts less than \$1 million

LCRA TRANSMISSION SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2025, and 2024

6. Capital Assets

Capital asset activity for the year ended June 30, 2025, was as follows:

FY 2025 Capital Asset Activity						
(Dollars in millions)						
	Beginning Balance	Additions	Transfers	Retirements	Depreciation	Ending Balance
Depreciable assets						
Plant in service:						
Transmission plant	\$ 5,159	\$ —	\$ 721	\$ (48)	\$ —	\$ 5,832
General and other plant	130	—	12	—	—	142
Total plant in service	5,289	—	733	(48)	—	5,974
Intangible assets - leases and SBITAs	83	4	—	(52)	—	35
Intangible assets - other	7	—	3	—	—	10
Total depreciable assets	5,379	4	736	(100)	—	6,019
Less accumulated depreciation and amortization	(1,416)	—	—	78	(160)	(1,498)
Net depreciable assets	3,963	4	736	(22)	(160)	4,521
Nondepreciable assets						
Plant in service:						
Land	40	—	2	—	—	42
Construction work in progress	413	825	(753)	(2)	—	483
Intangible assets - easements	371	—	15	—	—	386
Total nondepreciable assets	824	825	(736)	(2)	—	911
Capital assets, net	\$ 4,787	\$ 829	\$ —	\$ (24)	\$ (160)	\$ 5,432

LCRA TRANSMISSION SERVICES CORPORATION

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As of and for the Years Ended June 30, 2025, and 2024

Capital asset activity for the year ended June 30, 2024, was as follows:

FY 2024 Capital Asset Activity						
(Dollars in millions)						
	Beginning Balance	Additions	Transfers	Retirements	Depreciation	Ending Balance
Depreciable assets						
Plant in service:						
Transmission plant	\$ 4,660	\$ —	\$ 578	\$ (79)	\$ —	\$ 5,159
General and other plant	126	—	4	—	—	130
Total plant in service	4,786	—	582	(79)	—	5,289
Intangible assets - leases and SBITAs	77	6	—	—	—	83
Intangible assets - other	7	—	2	(2)	—	7
Total depreciable assets	4,870	6	584	(81)	—	5,379
Less accumulated depreciation and amortization	(1,309)	—	—	40	(147)	(1,416)
Net depreciable assets	3,561	6	584	(41)	(147)	3,963
Nondepreciable assets						
Plant in service:						
Land	39	—	1	—	—	40
Construction work in progress	294	717	(597)	(1)	—	413
Intangible assets - easements	359	—	12	—	—	371
Total nondepreciable assets	692	717	(584)	(1)	—	824
Capital assets, net	\$ 4,253	\$ 723	\$ —	\$ (42)	\$ (147)	\$ 4,787

See Note 5 of the Notes to the Financial Statements for additional lease and SBITA information.

7. Subsequent Events

On Aug. 26, 2025, LCRA TSC issued \$519 million in LCRA TSC refunding revenue bonds, series 2025A issued with a net premium. A portion of the bond proceeds were used to refinance \$117 million in outstanding commercial paper and \$220 million in outstanding notes, with the remaining proceeds to be used for future construction costs.