

# Powering a Brighter Future



GENERAL  
MANAGER

ERIC  
HALFMANN

KARNES ELECTRIC COOPERATIVE'S board of directors and employees are honored to invite you to our 87th annual meeting. The annual meeting provides a forum to participate in the cooperative's business through the election of directors. Additionally, the annual meeting provides an opportunity to meet your cooperative team and learn about Karnes EC's activities and goals.

We thank you, our member-owners, for entrusting us with the responsibility of providing quality service to empower our communities and improve lives. This is a responsibility that your KEC team is dedicated to delivering with excellence, and we remain humbly blessed to have the opportunity to brighten the future of the members we serve.



PRESIDENT

PAUL T.  
BRYSCH JR.

This past year brought about many transitions affecting your cooperative. With this change also came the opportunity to invest in the growth of our greatest asset—our team. By focusing on team development and collaborative operations, we

were able to thrive under these changing conditions and deliver growth in safety performance, system improvements, storm response, and member satisfaction and sales, while hitting our financial targets. These results are a testament to the skill and dedication of our team.

## Empowering Communities

In 2024, KEC grew by 433 consumers and 45 miles of energized line. This contributed to a 10.5% increase in sales, with annual sales totaling 1.5 billion kilowatt-hours. As you will see in the financial report, the cooperative remains financially strong.

Based on this financial position, the board of directors authorized a total of \$1,022,700 in capital credits to be returned to our members in 2024. This increased the total amount of capital credits returned to KEC members since 1989 to \$24,444,881.95.

In 2024, the average residential rate paid by our members, based on a monthly usage of 1,000 kWh, was 10.3 cents per kWh, as compared to 11.1 cents per kWh in 2023. This is a competitive rate when compared to the statewide average of 15.3 cents per kWh. The lower rate in 2024 is primarily driven by lower natural gas prices, reducing the cost of wholesale power, which makes up 77.7% of KEC's operating expenses.

To manage competitive rates and ensure adequate generation supply and transmission infrastructure to meet system growth, we are working closely with South Texas Electric Cooperative and San Miguel Electric Cooperative, our generation and transmission suppliers, to strategically plan for the future

and capitalize on growth opportunities.

These efforts have included pursuing opportunities through the federal government's Empowering Rural America program, evaluating available generation technologies and monitoring new generation being developed through the Texas Energy Fund. This also includes working with cooperatives across the nation to advocate for the interests of our members at both the state and national level to protect the reliability and affordability of our service.

## Cost of Service

The team's effort to minimize operating costs through more efficient processes and alternative material supply options has helped offset the impact of the continuing increases in the costs of labor, materials, insurance and other services necessary to deliver safe and reliable electricity.

In just the past five years, the cost of materials for construction and maintenance has increased drastically. These increased costs have outpaced revenue growth, resulting in declining margins. These margins are needed to cover the cost of system improvements required to meet growth demand and maintain reliability.

This prompted an update to the financial forecast in 2024, which identified the need to conduct a cost-of-service study in 2025. This cost-of-service study will determine the amount of rate increase required and when the increase needs to be implemented.

In support of accurately evaluating the cost of service, the team completed a capital credits analysis and a 2025–26 work plan update.

These strategic initiatives assist staff in preparing for the future needs of the cooperative, to ensure KEC can continue to deliver service excellence while remaining financially strong.

## Quality Service

We are dedicated to our mission of providing quality service that improves lives. This is achieved through a focus on safety, improving reliability and exceeding member expectations.

The cooperative remains committed to providing the tools, equipment, training and time required to complete each job safely. It is a pleasure to see this attitude and hard work pay off as the team was recognized for achieving zero lost time incidents in 2024 and for surpassing 1 million hours worked without a lost-time incident.

To continually improve system reliability and performance, maintenance programs were implemented to optimize the capabilities of intelligent devices such as reclosers.

Additionally, \$10,467,988 in work plan new connections, system improvements and maintenance projects were completed. This included the construction of 536 new connections, installation of 2,297 new poles, inspection of 5,879 poles and replace-

ment of 689 deficient poles. To support these improvements, 369 miles of rights-of-way clearing and tree trimming were completed.

Progress also continues on the construction of the Loxley substation in north Atascosa County, which is scheduled to be energized in the fourth quarter of 2025. Completing the construction of the backbone lines required to interconnect the Loxley substation with existing infrastructure is a top priority in 2025, along with a system improvement project out of the Rossville substation. The work plan projects are vital to enabling growth and improving reliability.

System reliability extends into business processes and technology infrastructure. Mobile staking was implemented to optimize the new connection process. The geographical information system licensing was restructured to reduce cost, and the GIS model is being enhanced to enable the implementation of operational analytics that will reduce outage response time and the cost of system analysis.

To support the demands of a growing system, data center switches were upgraded, and the Ethernet link bandwidth capacity was increased. These investments support a robust technology infrastructure and cybersecurity posture, which is a priority for delivering quality service.

### Exceeding Expectations

To measure KEC's performance in meeting member expectations, an American Consumer Satisfaction Index survey was completed in 2024.

The co-op's ACSI score improved to 89, up from a score of 85 in 2021. This exceeded the average co-op and investor-owned utility scores of 78 and 74, respectively, and reflects our ongoing commitment to enhancing the member experience through improved service delivery, responsiveness and innovation.

In addition to this accomplishment, we expanded our member interaction-based surveys, integrating them into three additional touchpoints. The additional feedback enables us to better understand and address members' needs and preferences. Thank you for taking the time to respond to these surveys.

In tandem with these efforts, we launched a new membership agreement with an updated service addendum. We also refreshed our website, completing a redesign of the homepage and updating content, which creates a more user-friendly online experience.

### Concern for Community

Our dedication to brighten the future extends beyond the distribution of electricity and into supporting our local community and other electric cooperatives.

As part of our local community support, we award scholarships to graduating students pursuing higher education. We are proud to announce that in 2024, we awarded \$2,500 scholarships to 20 students across our service area.

In 2024, we also supported more than 70 charitable and community organizations, and our employees participated in more than 30 community outreach events.

This support included partnering with CoBank, one of our financial lenders, through their Sharing Success program. Through this program, we proudly awarded \$3,000 to the Safer

Path Family Violence Shelter, \$3,500 to the Bountiful Blessings Food Pantry and \$3,500 to the Basket Food Pantry in Karnes County. CoBank generously matched each donation.

### Improving Lives

We know access to reliable electricity is foundational to improving the quality of life. Our team works hard every day to prepare the system for damaging storms and reduce the likelihood of power outages.

We know that power outages still occur, and we remain prepared to answer the call, day or night, in clear skies or adverse conditions, to safely restore power as quickly as possible. We appreciate your understanding when outages occur, and we want you to know that there's a dedicated team working swiftly to respond.

KEC was fortunately not impacted by the widespread storm devastation that impacted many cooperatives across Texas in 2024. When these co-ops called for assistance, our team answered the call.

In May 2024, we had linemen travel to northeast Texas to assist with restoration following a storm. Then again in July, following the landfall of Hurricane Beryl, linemen went to assist. We're proud of our crew for making this sacrifice and using their talents to serve those in a time of need.

Electric cooperatives were formed to provide reliable electric service, and mutual aid among the cooperative community embodies the sixth cooperative principle of Cooperation Among Cooperatives. Since the creation of electric cooperatives, like the communities they serve, cooperatives rely on each other to assist in times of need.

By sharing resources, co-ops significantly enhance capabilities, enabling a more efficient response. By participating in mutual aid efforts, we grow our network of support and gain experience and knowledge that improves our own operations.

The successes of 2024 reflect the collective effort and dedication of the KEC employees and board of directors. With a renewed focus on innovation, growth and member satisfaction, we are well positioned to continue delivering exceptional value.

We hope you will join us at this year's annual meeting June 12. Once again, we're offering members a choice between a walk-through option with—hand delivery of ballots and viewing of the annual report video beginning at 5 p.m. prior to the meeting—and in-person attendance at the 7 p.m. meeting.

Whichever choice you make, we look forward to seeing you.



Paul T. Brysch Jr.



Eric Halfmann