



Midwest
Energy, Inc.

2022

ANNUAL REPORT



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EXECUTIVE REPORT

Kansans enjoy plentiful and reliable electric and natural gas services. While recent inflation and supply chain disruptions threaten the status quo, Midwest Energy customers have fared well in the areas of cost control and rates.

In 2015, Midwest Energy's average retail electric rate was 10.41¢ per kilowatt hour. By 2022, customers paid an average of 10.11¢, a decrease of 2.9%. Had electric prices kept pace with inflation, rates would have risen 21.5% over those seven years. For an average residential customer, the result in 2022 was \$292 available for other necessities that otherwise would have been consumed by inflation. In 2021, the most recent data available for statewide comparison, Midwest Energy's residential rates were 2nd lowest among 26 Kansas-based co-ops and one percent below the largest investor-owned utility in the state.

Midwest Energy's natural gas delivery rates continue to be the lowest in Kansas for residential and general service customers. The recovery of extraordinary natural gas costs incurred during February 2021 Winter Storm Uri continued through 2022. These costs are expected to be fully recovered by July 2023 within the originally projected two-year window. Midwest Energy's residential gas customers will pay an average amount just under \$200, the lowest of all major gas utilities in Kansas. Customers of the three largest natural gas utilities will pay an extra \$677 to \$694 over recovery periods of five to ten years. The Kansas Attorney General began an investigation into potential price gouging during Uri, but results could be years away.

The wholesale cost of natural gas has swung widely in recent years. Steadily increasing domestic production resulting from the adoption of hydraulic fracturing softened prices that occasionally exceeded \$10 per million BTU in the first decade of the millennium. During the succeeding decade, prices declined to the \$2.50 range. Then, increasing use of natural gas as an electric generation fuel and the advent of liquefied natural gas exports strained supplies, pushing the price over \$8 in summer 2022. More recently, spot prices have again dropped below \$3 per million BTU. These changes impact natural gas heating bills and the wholesale cost of electricity. While prices in commodity markets are largely beyond our control, Midwest Energy offers a number of bill payment plans and energy efficiency services to ease impact on household budgets.

Midwest Energy finalized a plan in late 2022 to implement demand rates for residential and small commercial electric customers. A primary

objective is to send a price signal for customers to reduce power use, especially during peak times, to control costs. Demand rates are also a means to recover grid investment and upkeep costs more equitably among all customers, including those who have opted to install distributed generation resources like solar panels.

Demand readings are now shown on all residential and small commercial electric bills, but at no charge. Demand charges will begin appearing on residential bills in 2024, accompanied by off-setting reductions in the energy charge. The multiyear phase-in of demand charges will be cost-neutral for an average residential customer. We will focus on customer education with a series of public events throughout 2023 and 2024 and several mailed brochures. For Internet users, a microsite with a bill estimation tool is planned for late summer 2023 to accompany detailed meter information available in the CustomerConnect online portal.

The sequence of unusual public health, economic, weather, and geopolitical events since 2020 brings attention to the concept of resilience. This goes far beyond day-to-day reliability to include the ability to recover from extreme situations. Securing a robust domestic supply chain, enhanced cybersecurity protection, employee succession planning, and replacement of aging infrastructure are among our many efforts to reliably operate our electric and natural gas systems through any event.

Operating in a more complex world while preparing for the future is not possible without the expertise and commitment of our current 280 employees. Despite constant challenges, their dedication to your co-op and communities remains as strong as ever. We thank you for your confidence in Midwest Energy. It is a privilege to serve you.

Gary Moss, Board Chair
Patrick Parke, CEO



**Midwest
Energy, Inc.**

STATEMENT OF OPERATIONS

Years Ended — December 31, 2022 and 2021

OPERATING REVENUES:	2022	2021
Electric.....	\$174,693,200	\$189,071,188
Gas	<u>71,123,277</u>	<u>46,996,321</u>
Total Operating Revenues	\$245,816,477	\$236,067,509
OPERATING EXPENSES:	2022	2021
Purchased Electricity	\$86,714,813	\$91,535,626
Production & Delivery of Electricity	22,017,582	35,780,108
Purchased Gas	44,628,444	24,143,455
Delivery of Gas.....	8,414,340	8,032,693
Customer Accounts, Service & Information	4,200,958	4,131,368
Administration & General Expense	15,873,460	14,534,193
Depreciation & Amortization	21,786,673	21,262,486
Property Taxes	9,358,299	9,332,910
Interest Expense	<u>13,565,973</u>	<u>14,265,543</u>
Total Operating Expenses	\$226,560,542	\$223,018,382
Operating Margins (Loss).....	\$19,255,935	\$13,049,127
NONOPERATING MARGINS:		
Interest.....	196,387	202,671
Capital Credits From Other Organizations	2,237,541	1,859,623
Other	66,128	4,581,341
Total Non-Operating Margin (Loss).....	\$2,500,056	\$6,643,635
Net Margins (Loss)	\$21,755,991	\$19,692,762



COMPARATIVE STATISTICS

Years Ended — December 31, 2022 and 2021

NATURAL GAS	2022	2021	ELECTRIC	2022	2021	FINANCIAL	2022	2021
Number of Meters	41,918	42,001	Number of Meters	49,808	49,669	Capital Credit Retirements	\$7,378,269	\$7,552,029
Total Sales, MMBtu.....	13,843,012	12,043,495	Peak Load, MW	388	364	Modified Debt Service Coverage (MDSC)	2.05	1.79
			Retail Energy Sales, kWh.....	1,486,150,273	1,413,446,232	Average Retail Price Per kWh (Electric).....	\$0.101	\$0.103
			Wholesale Energy Sales.....	<u>143,747,831</u>	<u>142,814,770</u>	Average Retail Price Per MMBtu (Gas)	\$11.31	\$7.99
			Total Energy Sales, kWh	1,629,898,104	1,556,261,002			

BALANCE SHEET

ASSETS AND OTHER DEBITS

	2022	2021
Electric Plant in Service	\$739,649,948	\$722,494,102
Construction Work in Progress-Electric	26,238,770	21,239,377
Total Electric Utility Plant	765,888,718	743,733,479
Accumulative Depreciation-Electric.....	(287,090,383)	(271,985,501)
Net Electric Utility Plant	\$478,798,335	\$471,747,978
Gas Plant in Service	109,897,740	107,968,082
Construction Work in Progress-Gas.....	2,091,371	1,495,030
Total Gas Utility Plant	111,989,111	109,463,112
Accumulative Depreciation-Gas	(43,385,802)	(41,623,188)
Net Gas Utility Plant	\$68,603,309	\$67,839,924
Net Utility Plant-Combined	\$547,401,644	\$559,587,902
Investment Patronage Capital	15,139,836	14,355,187
Investment Non-General Funds.....	5,532,427	5,537,345
Other Investments	1,031,542	1,844,198
Total Other Property & Investments	\$21,703,805	\$21,736,730
Cash-General Funds/Temporary Investments	\$603,972	\$4,897,705
Notes Receivable-Net.....	6,137,050	6,299,104
Accounts Receivable-Net.....	36,235,188	25,621,573
Materials & Supplies	12,459,487	10,100,607
Prepayments.....	1,106,210	715,066
Other Current & Accrued Assets.....	1,036,019	937,148
Total Current & Accrued Assets	\$57,577,926	\$48,571,203
Deferred Debits	\$18,534,796	\$17,423,231
Total Assets & Other Debits.....	\$645,218,171	\$627,319,066

LIABILITIES AND OTHER CREDITS

	2022	2021
Patronage Capital	\$237,820,621	\$225,508,741
Operating Margins-Current Year	19,255,935	13,049,127
Non-Operating Margins	2,500,056	6,643,635
Other Margins & Equities.....	19,076,265	17,968,625
Total Margins & Equities.....	\$278,652,877	\$263,170,128
Long Term Debt	295,268,710	308,563,812
Total Long Term Debt	\$295,268,710	\$308,563,812
Notes Payable	27,996,879	13,622,788
Accounts Payable	16,022,576	15,215,297
Consumer Deposits	5,017,448	4,743,360
Other Current & Accrued Liabilities.....	12,053,016	11,537,718
Total Current & Accrued Liabilities.....	\$61,089,919	\$45,119,163
Deferred Credits	\$10,206,665	\$10,465,963
Total Liabilities & Other Credits.....	\$645,218,171	\$627,319,066
Margins & Equities As % of Assets	43.19	41.95
Long Term Debt As % of Plant	33.63	36.17



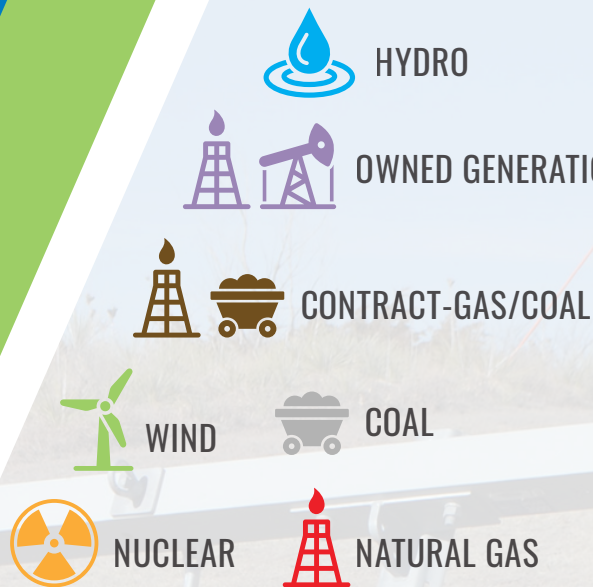
PATRONS EQUITY

Years Ended — December 31, 2022 and 2021

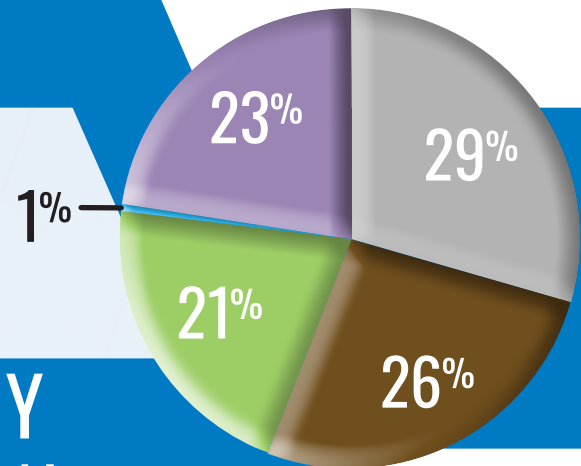
	PATRONAGE CAPITAL ASSIGNED	PATRONAGE CAPITAL UNASSIGNED	OTHER EQUITIES	TOTAL PATRONS' EQUITY
Balance at December 31, 2021	\$225,508,741	\$19,692,762	\$17,968,625	\$263,170,128
Net margins		21,755,991		21,755,991
Patronage capital assignment	19,690,143	(19,692,762)	2,619	0
Retirement of capital credits	(7,378,269)			(7,378,269)
Other			1,105,027	1,105,027
Balance at December 31, 2022	\$237,820,615	\$21,755,991	\$19,076,271	\$278,652,877



2022 CAPACITY RESOURCES

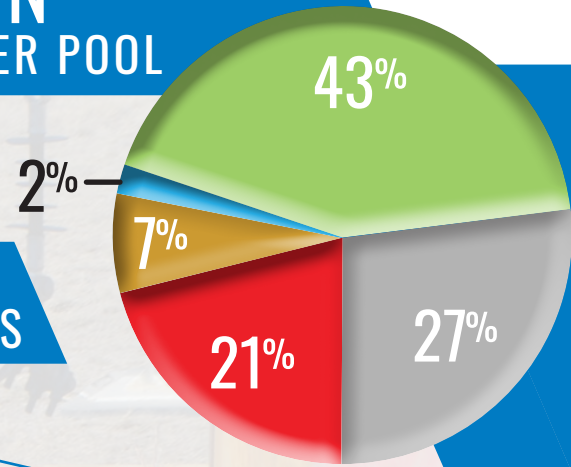


Capacity Resources is the maximum output an electricity generator can physically produce, measured in megawatts. This chart shows capacity resources contracted by Midwest Energy, shown by fuel type.



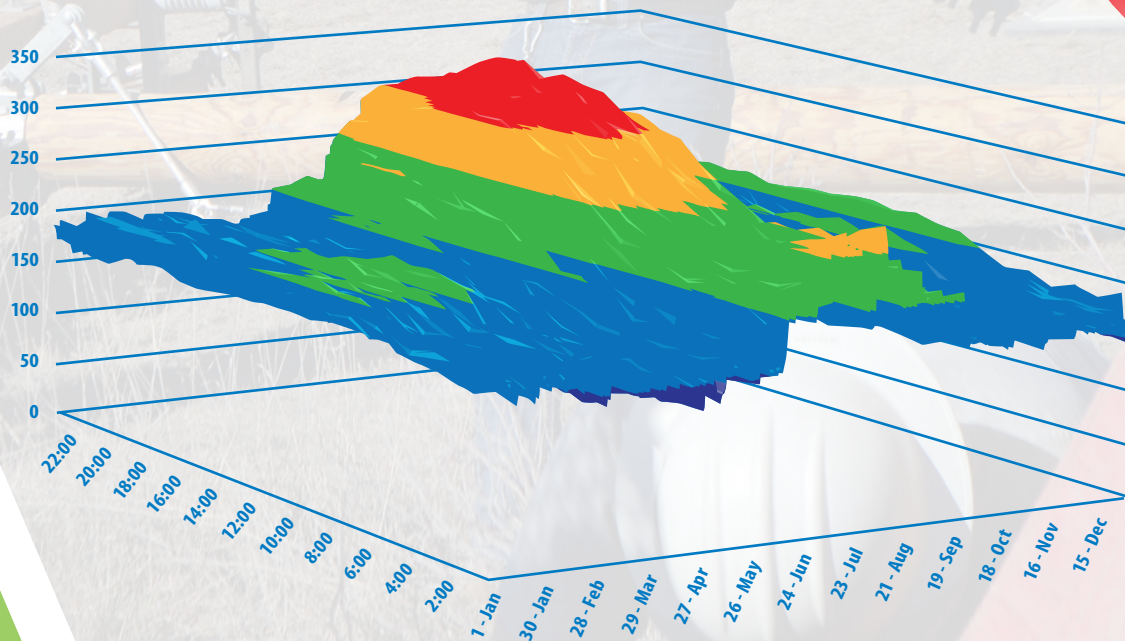
2022 ENERGY PRODUCTION SOUTHWEST POWER POOL

Midwest Energy purchases its energy from the Southwest Power Pool (SPP) market. This chart shows total energy production by fuel type in the SPP market for 2022.



SYSTEM DEMAND

PEAK DEMAND IN MEGAWATT HOURS



Systemwide demand is the amount of energy used during each hour in 2022, by all Midwest Energy customers. Peak demand is important, as Midwest must purchase enough capacity and reserves to meet demand year-round, although the peak demands are only reached during the afternoon hours in June through September. Keeping peak demand low by spreading out usage of appliances that use a lot of energy helps the cooperative and customers save money.

BOARD OF DIRECTORS



Gary Moss
Chair



Ed Pratt
Vice Chair



Dale Unruh
Secretary



John Blackwell
Treasurer



Louise Berning



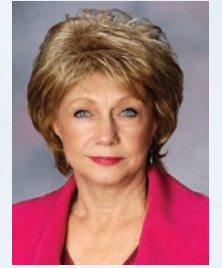
Lon Frahm



Keith Miller

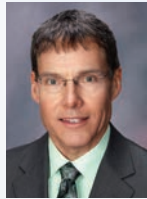


Chuck Moore



Juanita Stecklein

MANAGEMENT TEAM



Patrick Parke
Chief Executive
Officer



Bill Dowling
Vice President,
Engineering & Energy
Supply



Schamra Detherage
Vice President,
Human Resources



Tim Flax
Vice President,
Information Technology



Don Hoffman
General Counsel



Brenda Hutchison
Executive Assistant



Hali Bielser
Director, Project
Management Office



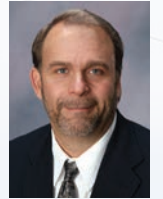
Justin MacDonald
Vice President,
Customer Service



Tom Meis
Vice President,
Finance and CFO



Mike Morley
Director, Corporate
Communications and
Government Affairs



Fred Taylor
Vice President,
Operations

COMMITTEE ASSIGNMENTS

NOMINATING COMMITTEE

- ★ Juanita Stecklein, Chair
- ★ Louise Berning
- ★ Keith Miller
- ★ Dale Unruh

COMPENSATION COMMITTEE

- ★ Dale Unruh, Chair
- ★ Louise Berning
- ★ John Blackwell
- ★ Ed Pratt

AUDIT COMMITTEE

- ★ Chuck Moore, Chair
- ★ Lon Frahm
- ★ Keith Miller
- ★ Juanita Stecklein

POLICY REVIEW COMMITTEE

- ★ Ed Pratt, Chair
- ★ John Blackwell
- ★ Lon Frahm
- ★ Chuck Moore





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2022

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