2023

MIDWEST ENERGY
ANNUAL REPORT


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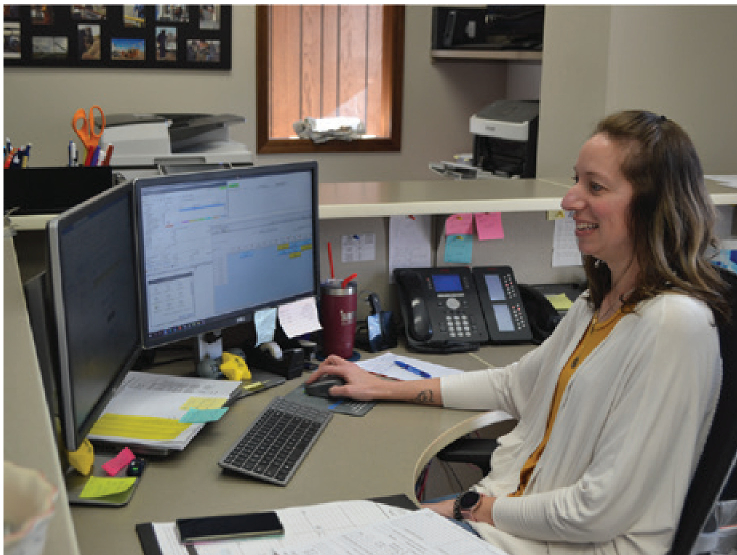


EXECUTIVE REPORT

Public utilities are characterized as slow to change. The admonishment might be associated with advocacy to pivot to renewable forms of energy, place power lines underground, or even to adopt more equitable methods of calculating bills. Resistance to rapid change in the utility world can often be traced to a mundane accounting concept: the useful, depreciable life of assets.

Investments in utility facilities, be they pipelines, powerlines or electric generating plants, are not immediately recovered through rates. Rather, assets are depreciated over many decades. For example, powerlines are depreciated over 40 to 50 years. Customers would pay for duplicate assets if facilities were prematurely replaced prior to being fully depreciated. Maintaining competitive rates throttles the pace of change.

Even with long-lived assets, energy utilities are capital intensive. The decades between facility investment and retirement give inflation time to multiply costs, in some cases 50 to 100 times the original cost of what is being replaced. The U.S. experienced a significant investment in expansion of the electric grid in the 1970s and 1980s. Many of those assets across the country have reached end-of-life and must be replaced to serve current and future loads. Midwest Energy's Board of Directors and management are evaluating the need for additional electric revenue beginning in 2026 to support replacement of aging grid facilities.

We are acting to mitigate the costs of new facilities in many ways. Multiple federal grant programs were approved post-pandemic to stimulate the economy and replace aging critical infrastructure. Midwest Energy has secured three grants to date. Among them are announced awards that total more than $105 million for high voltage transmission line replacement, natural gas pipeline replacement, and natural gas leak detection equipment. Full use of the grant funds within the required five-year windows brings a pace of construction not seen for decades.

Midwest Energy is engaged on several fronts regarding the equitable allocation of costs for high voltage transmission lines. Our challenge is to ensure that Midwest Energy customers are not carrying the cost of facilities added to export renewable energy elsewhere. This effort entails activities at the Southwest Power Pool, Federal Energy Regulatory Commission, and the U.S. Court of Appeals.

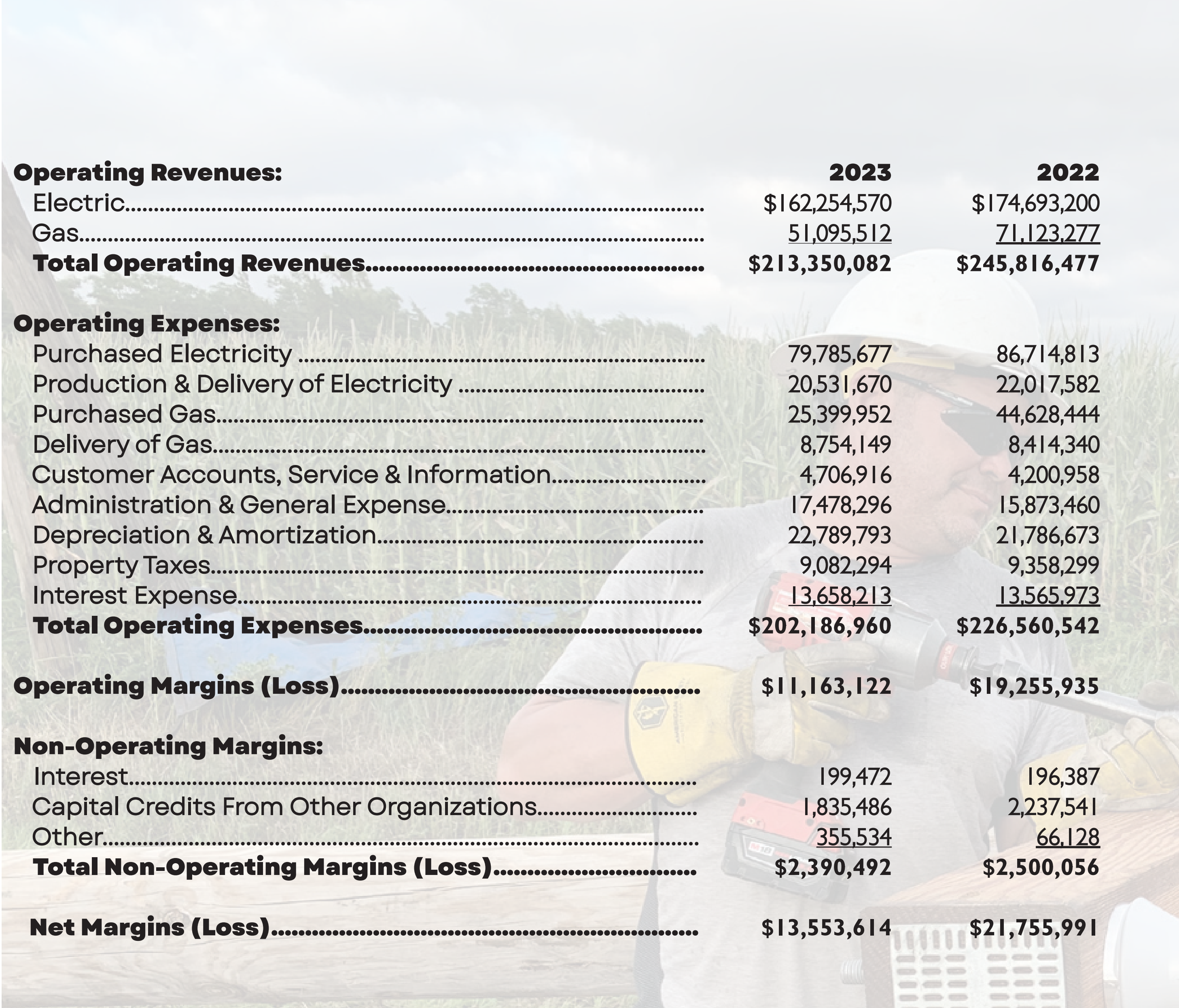
A desire to send a better price signal to customers, especially in a period of increasing capital expenditures, was motivation to implement demand rates for residential and small commercial customers in 2023. Electric bills that incorporate the intensity of energy use, that is, the individual's contribution to company peak demand, improve awareness of a major cost driver and enable customers to better manage costs and bills.

Our proposal in the Kansas Legislature to equalize property tax exemptions across all types of new electric generation facilities was signed into law. This is a win for customers, whether Midwest Energy builds its own generation or enters into a purchase power agreement associated with a new plant owned by others. Previously, the exemption period was shortest for natural gas peaking plants, the type of generation most needed to balance non-firm renewable energy sources.

Affordable and reliable energy supply must withstand many threats. Some, such as severe weather, energy commodity price spikes, and employee succession planning, are well known to Midwest Energy. If not constant, these risks occur at a frequency sufficient to exercise and improve response capabilities. Other challenges are evolving, such as cyber threats and supply chain constraints. A rapidly emerging threat to electric reliability is sufficient dispatchable generation to replace aged facilities and serve growing loads such as data centers, manufacturing, and electric vehicles. Even when not in Midwest Energy's service area, such new loads consume available generation capacity in the regional market. Adding generating capacity will impact future rates, whether built by Midwest Energy or any other entity.

These are extraordinary times, but we have extraordinary people. The preceding focus on emerging issues masks the reality that our 280 employees are dedicated to the essential daily work of keeping gas flowing, lights illuminated, and customers satisfied. Most importantly, they understand the importance of personal and public safety. The dedication of our employees to your energy cooperative and communities remains strong. We appreciate your trust in Midwest Energy and its people. It is a privilege to serve you.

Dale Unruh, Board Chair
Patrick Parke, CEO



STATEMENT OF OPERATIONS

Years Ended - December 31, 2023 and 2022

	2023	2022
Operating Revenues:		
Electric	$162,254,570	$174,693,200
Gas	51,095,512	71,123,277
Total Operating Revenues	**$213,350,082**	**$245,816,477**
Operating Expenses:		
Purchased Electricity	79,785,677	86,714,813
Production & Delivery of Electricity	20,531,670	22,017,582
Purchased Gas	25,399,952	44,628,444
Delivery of Gas	8,754,149	8,414,340
Customer Accounts, Service & Information	4,706,916	4,200,958
Administration & General Expense	17,478,296	15,873,460
Depreciation & Amortization	22,789,793	21,786,673
Property Taxes	9,082,294	9,358,299
Interest Expense	13,658,213	13,565,973
Total Operating Expenses	**$202,186,960**	**$226,560,542**
Operating Margins (Loss)	**$11,163,122**	**$19,255,935**
Non-Operating Margins:		
Interest	199,472	196,387
Capital Credits From Other Organizations	1,835,486	2,237,541
Other	355,534	66,128
Total Non-Operating Margins (Loss)	**$2,390,492**	**$2,500,056**
Net Margins (Loss)	**$13,553,614**	**$21,755,991**

COMPARATIVE STATISTICS

Years Ended - December 31, 2023 and 2022

Electric	**2023**	**2022**
Number of Meters	50,013	49,808
Peak Load, MW	375	388
Retail Energy Sales, kWh	1,484,900,766	1,486,150,273
Wholesale Energy Sales	139,849,514	143,747,831
Total Energy Sales, kWh	1,624,750,280	1,629,898,104

Natural Gas	**2023**	**2022**
Number of Meters	42,093	41,918
Total Sales, MMBtu	11,460,698	13,843,012

Financial	**2023**	**2022**
Capital Credit Retirements	$6,686,703	$7,378,269
Modified Debt Service Coverage (MDSC)	1.87	2.05
Average Retail Price per kWh (Electric)	$0.0985	$0.1009
Average Retail Price per MMBtu (Gas)	$10.09	$11.31

BALANCE SHEET

ASSETS AND OTHER DEBITS	2023	2022
Electric Plant in Service	$757,813,029	$739,649,948
Construction Work in Progress - Electric	30,293,269	26,238,770
Total Electric Utility Plant	788,106,298	765,888,718
Accumulative Depreciation - Electric	(288,560,700)	(287,090,383)
Net Electric Utility Plant	**$499,545,597**	**$478,798,335**
Gas Plant in Service	112,686,961	109,897,740
Construction Work in Progress - Gas	2,738,044	2,091,371
Total Gas Utility Plant	115,425,005	111,989,111
Accumulative Depreciation - Gas	(43,986,917)	(43,385,802)
Net Gas Utility Plant	**$71,438,089**	**$68,603,309**
Net Utility Plant - Combined	**$570,983,686**	**$547,401,644**
Investment Patronage Capital	15,753,827	15,139,836
Investment Non-General Funds	5,527,177	5,532,427
Other Investments	696,820	1,031,542
Total Other Property & Investments	**$21,977,824**	**$21,703,805**
Cash - General Funds/Temporary Investments	398,165	603,972
Notes Receivable - Net	5,872,063	6,137,050
Accounts Receivable - Net	32,361,282	36,235,188
Materials & Supplies	18,289,202	12,459,487
Prepayments	1,022,913	1,106,210
Other Current & Accrued Assets	952,448	1,036,019
Total Current & Accrued Assets	**$58,896,073**	**$57,577,926**
Deferred Debits	**$9,147,304**	**$18,534,796**
Total Assets & Other Debits	**$661,004,887**	**$645,218,171**

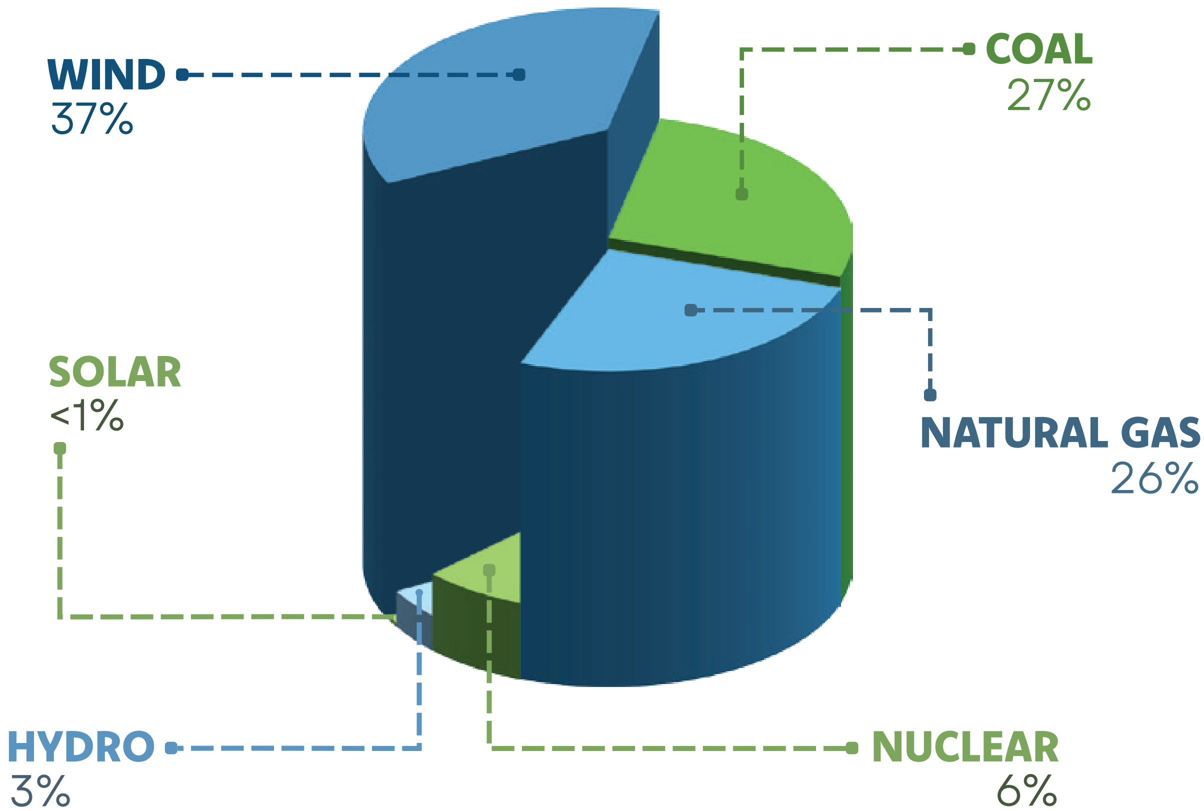
LIABILITIES AND OTHER CREDITS	2023	2022
Patronage Capital	$252,407,542	$237,820,621
Operating Margins - Current Year	11,163,122	19,255,935
Non-Operating Margins	2,390,492	2,500,056
Other Margins & Equities	20,114,947	19,076,265
Total Margins & Equities	**$286,076,103**	**$278,652,877**
Long Term Debt	281,669,739	295,268,710
Total Long Term Debt	**$281,669,739**	**$295,268,710**
Notes Payable	49,265,621	27,996,879
Accounts Payable	12,764,017	16,022,576
Consumer Deposits	5,094,201	5,017,448
Other Current & Accrued Liabilities	12,074,746	12,053,016
Total Current & Accrued Liabilities	**$79,198,585**	**$61,089,919**
Deferred Credits	$14,060,460	$10,206,665
Total Liabilities & Other Credits	**$661,004,887**	**$645,218,171**
Margins & Equities as % of Assets	43.28%	43.19%
Long Term Debt as % of Plant	31.17%	33.63%

PATRON'S EQUITY Years Ended - December 31, 2023 and 2022

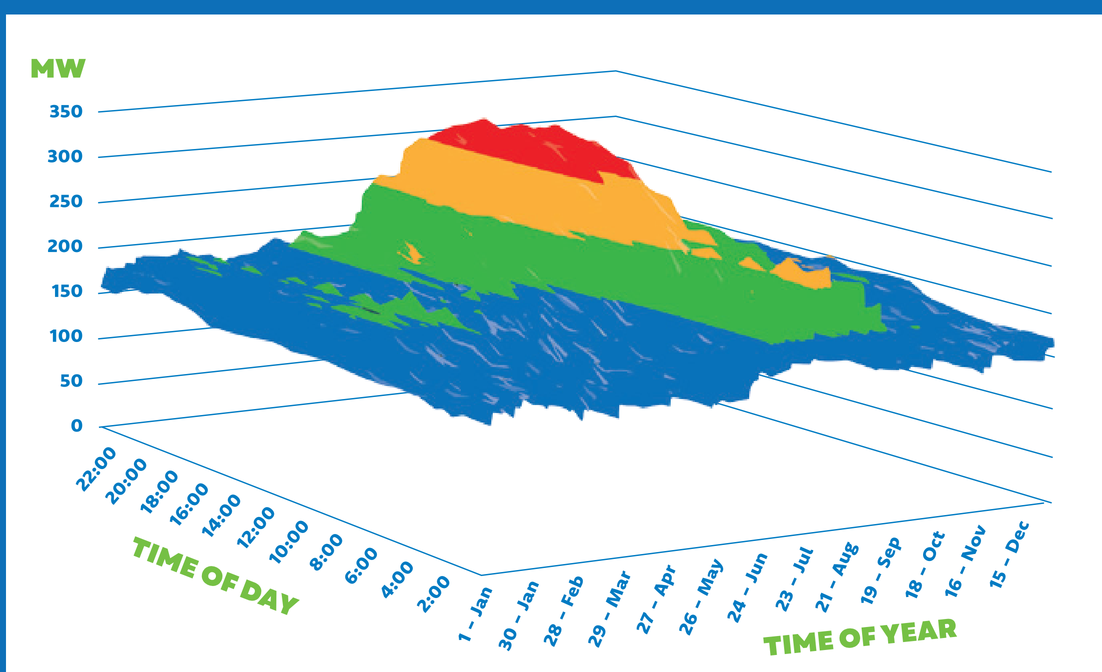
	PATRONAGE CAPITAL ASSIGNED	PATRONAGE CAPITAL UNASSIGNED	OTHER EQUITIES	TOTAL PATRON'S EQUITY
Balance at December 31, 2022	$237,820,615	$21,755,991	$19,076,271	$278,652,877
Net margins		13,553,559		13,553,559
Patronage capital assignment	21,754,744	(21,755,998)	1,254	0
Retirement of capital credits	(6,686,703)			(6,686,703)
Other	(481,113)		1,037,428	556,315
Balance at December 31, 2023	$252,407,543	$13,553,552	$20,114,953	$286,076,048

2023 ENERGY PRODUCTION

WHERE YOUR POWER COMES FROM

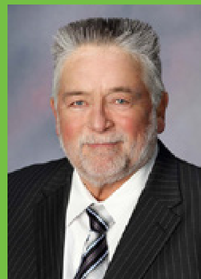


2023 SYSTEM DEMAND



BOARD OF DIRECTORS


Dale Unruh
Chair

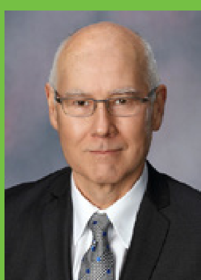

John Blackwell
Vice Chair


Keith Miller
Secretary

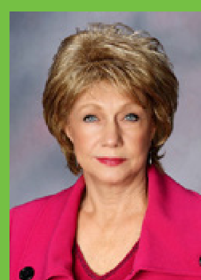

Louise Berning
Treasurer


Emily Campbell


Lon Frahm


Chuck Moore


Ed Pratt


Juanita Stecklein

COMMITTEE ASSIGNMENTS

NOMINATING COMMITTEE
John Blackwell, Chair
Lon Frahm
Chuck Moore
Ed Pratt

AUDIT COMMITTEE
Chuck Moore, Chair
Emily Campbell
Lon Frahm
Juanita Stecklein

POLICY REVIEW COMMITTEE
Keith Miller, Chair
Louise Berning
John Blackwell
Juanita Stecklein

COMPENSATION COMMITTEE
Ed Pratt, Chair
Louise Berning
Emily Campbell
Keith Miller

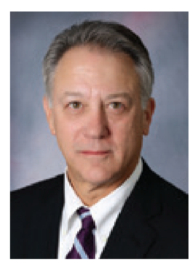
MANAGEMENT TEAM


Patrick Parke
Chief Executive Officer

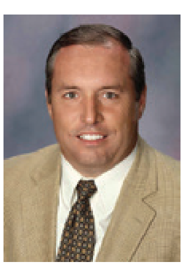

Hali Bielser
Director, Project Management Office & Reliability Compliance


Schamra Detherage
Vice President, Human Resources

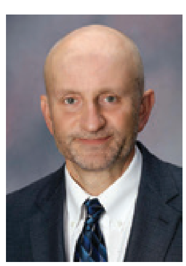

Bill Dowling
Vice President, Engineering & Energy Supply


Don Hoffman
General Counsel


Brenda Hutchison
Executive Assistant


Tim Flax
Vice President, Information Technology


Justin MacDonald
Vice President, Customer Service


Tom Meis
Vice President, Finance/CFO


Mike Morley
Director, Corporate Communications & Government Affairs


Fred Taylor
Vice President, Operations




OFFICES

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303 Main St. - Atwood, KS

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