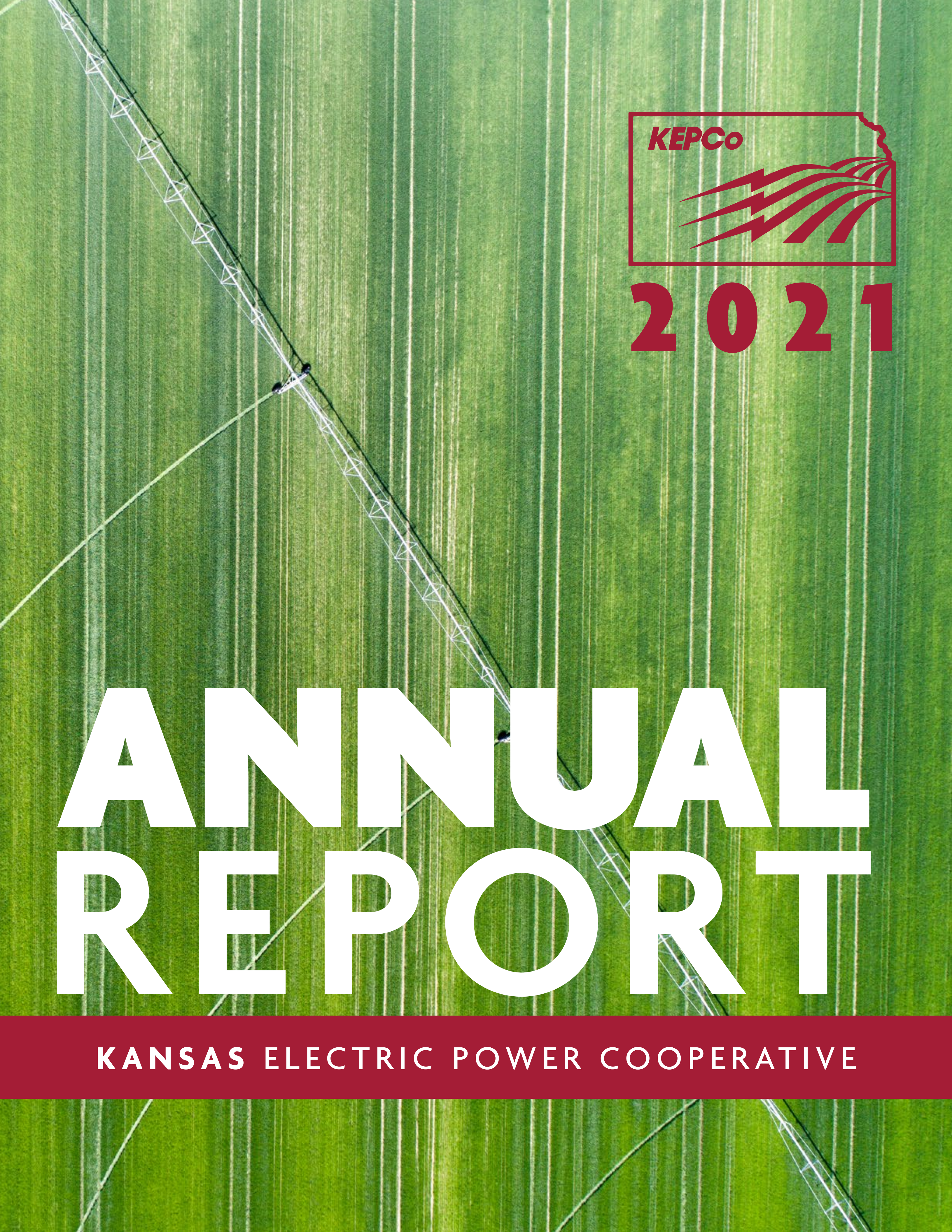


KEPCo

2021

ANNUAL REPORT

KANSAS ELECTRIC POWER COOPERATIVE

KEPCo's Purpose

KEPCo strives for excellence in providing safe, reliable, economical, and environmentally responsible power supply, exceptional support, and innovative services to our members and the Kansans they serve.

Guiding Principles

SAFETY: We are devoted to a culture of safety to assure an accident-free, secure, and healthy work environment.

INNOVATION: We promote continuous learning, development, and creative thinking to encourage innovative, proactive, cost-effective, and technologically relevant business and energy solutions.

ENGAGEMENT: We strive to provide a positive, professional, and respectful work environment for our employees and members, and we are committed to building relationships based on genuine caring and understanding.

INTEGRITY: We expect our team to be completely transparent, open to new ideas, honest, trustworthy, fully accountable, ethical, and to do the right thing for our members, our industry partners, the general public, and each other.

FINANCIAL RESPONSIBILITY: We strive to provide power supply, support, and services to our members at the lowest possible cost, consistent with sound business practices, Board policies, and cooperative principles.

Table of Contents

KEPCo STAFF


SUZANNE LANE
Executive Vice President & CEO


MARK BARBEE
Senior Vice President & COO


SUSAN CUNNINGHAM
Senior Vice President, Regulatory & Government Affairs, and General Counsel


COLEEN WELLS
Senior Vice President & CFO


STEPHANIE ANDERSON
Finance & Benefits Analyst 2


JARED CROTINGER
Senior Operations Technician – Topeka


CHRIS DAVIDSON
Engineer 3


TERRY DEUTSCHER
Manager, SCADA & Meter Maintenance

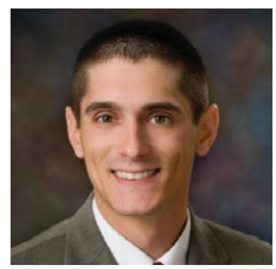

MARK DOLJAC
Executive Director, Regulatory Affairs & Planning


REBECCA FOWLER
Manager, Regulatory Affairs

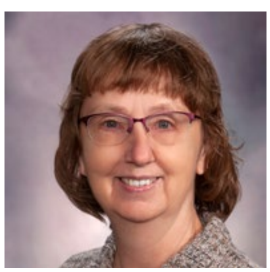

CAROL GARDNER
Operations Analyst 2


SHAWN GEIL
Executive Director, Technical & Energy Services

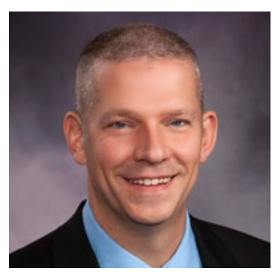

MAURICE HALL
Senior SCADA/Metering Technician – Wichita


ROBERT HAMMERSMITH
Senior SCADA/Metering Technician – Salina

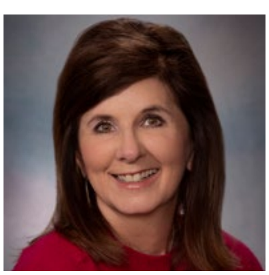

RICK JOHNSON
Executive Director, Engineering

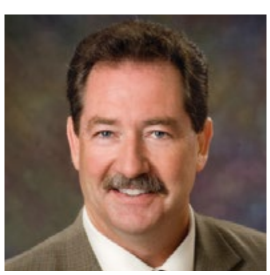

SHARI KOCH
Finance & Accounts Payable/Payroll Specialist 2

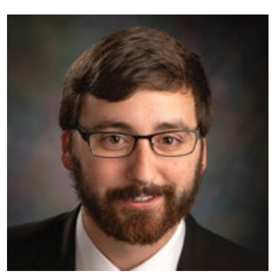

ADAM LEE
SCADA/Metering Technician 2 – Hutchinson

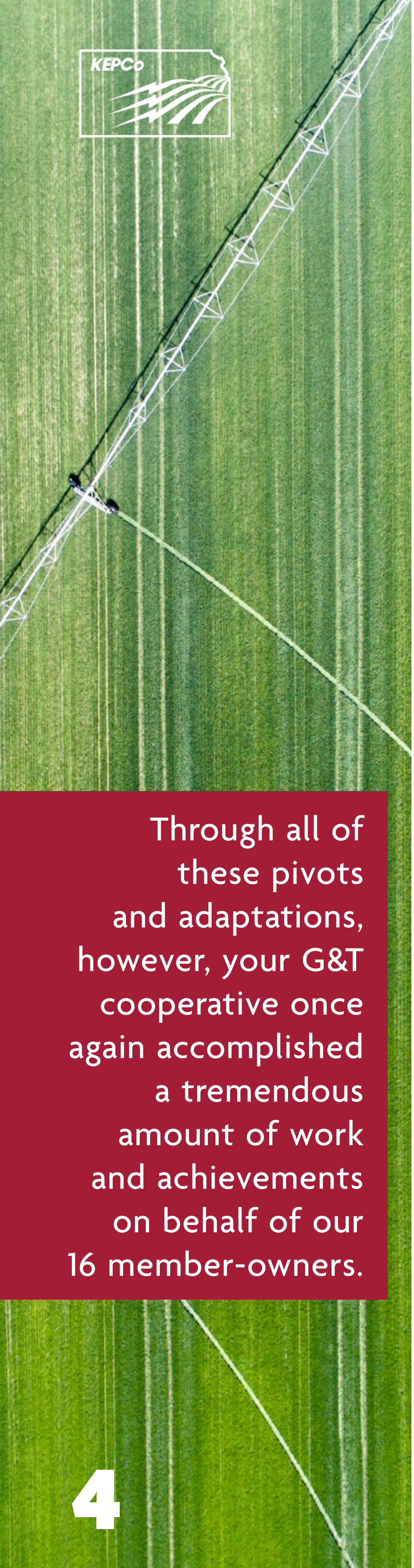

MATT OTTMAN
Information Systems Specialist 3


KELSEY SCHREMPP
Executive Assistant & Manager of Office Services


MISSY TEW
Administrative Assistant


PHIL WAGES
Director, Member Services, Government Affairs & Business Development


LUKE ZAHNER
Engineer 1



Through all of these pivots and adaptations, however, your G&T cooperative once again accomplished a tremendous amount of work and achievements on behalf of our 16 member-owners.

LETTER FROM THE BOARD PRESIDENT AND EXECUTIVE VICE PRESIDENT/CEO

Adaptability Pivotal to KEPCo's Success in 2021

According to the Merriam-Webster dictionary, one definition for "pivot" involves an adjustment or modification made in order to adapt or improve. As we reflect on 2021, each and every challenge and new experience we faced as a KEPCo family gave us the opportunity to pivot in order to adapt to changing conditions and ultimately improve on behalf of our members and the thousands of rural Kansans our members serve.

Like many of our fellow electric cooperatives, we pivoted and adapted to and through the continued concerns and challenges related to the COVID-19 pandemic; the unknown financial impacts related to the pandemic and the economy in general; the historic, costly impacts associated with Winter Storm Uri; the continued emphasis on decarbonizing our industry, while further electrifying the transportation sector; and the increasing costs of natural gas and energy.

Through all of these pivots and adaptations, your G&T cooperative once again accomplished a tremendous amount of work and achievements on behalf of our 16 member-owners. First and foremost, we had another year of keeping our staff, our members, and the public safe, with no preventable vehicle accidents or lost-time accidents. 2021 marked our 12th consecutive year of having no lost-time accidents, which is a record we are proud of, work hard to maintain, and strive to continue for years to come.

In February 2021, Winter Storm Uri brought many new, unprecedented experiences to KEPCo, our members, and our members' members. As temperatures dropped across the Midwest to record-low levels, electric and natural gas demands increased, natural gas supply became even more constrained due to frozen gas production and transportation facilities, wind resources in some locations were limited, and, as a result, energy and natural gas market prices sky-rocketed. During this time, the Southwest Power Pool, Inc. (SPP) declared multiple Energy Emergency Alerts at varying levels to bolster system reliability and mitigate the risk of worsening conditions. At the peak of the extreme weather event, each transmission owner in the SPP was given a directive to immediately shed load, which was needed to prevent catastrophic, widespread, lengthy system failures. Unfortunately, these curtailments impacted many of our members and the members they serve. Lessons were learned across the industry from these historic events and, as one of KEPCo's primary responses, we created and implemented an energy emergency plan to establish clear responsibilities, expectations, and actions in the event of future system emergencies.

While the power interruptions during Winter Storm Uri created their own challenges, the extraordinarily high power costs associated with Winter Storm Uri devastated customers across the region. Compared to many of our brother/sister cooperatives, KEPCo was fortunate. We were moderately insulated by our largest power supply agreement, and our owned and purchased resources performed very well throughout the storm. However, a small portion of our load was exposed to the extreme energy market pricing. Ultimately, thanks to KEPCo's strong financial position and the support of our board of trustees, we elected to amortize the energy costs attributable to Winter Storm Uri over a 24-month period. This was the best and most cost-effective way to mitigate the financial burden to our members and the nearly 200,000 rural Kansans they serve.

When it comes to power supply, pivoting and adapting was a key focus in 2021. We completed another year where our owned and purchased resources were reliable and valuable. Our jointly-owned coal unit, Iatan 2, remained a valuable, reliable asset for the SPP market. Notably, Iatan 2 performed exceptionally well during Winter Storm Uri and was dispatched continuously during that weather event. Our Southwestern Power Administration and Western Area Power Administration hydro resources continued to be low-cost, reliable power supply sources. A recurrent benefit of our hydro resources that we realized again in 2021 was the availability of low-cost, supplemental energy, which provided our members with an additional, cost-effective energy supply. KEPCo's solar farm, Prairie Sky, produced as expected, and our diesel-fueled Sharpe Generating Station was frequently committed for operation to assist the SPP — especially during Winter Storm Uri. Our jointly-owned nuclear unit, Wolf Creek, successfully completed its 24th refueling outage safely and cost-effectively. While Wolf Creek historically has operated at full capacity, plant leadership adapted to market conditions and implemented flexible operations. Wolf Creek ramps down its production primarily when wind energy output in Kansas and the region is high, allowing the plant to vary its power levels and adapt to grid needs. 2021 saw Wolf Creek's first full year of this successful strategy. Like our other resources, Wolf Creek also operated at full capacity during Winter Storm Uri. Overall, these resources remain key components of our diverse, reliable, affordable power supply portfolio.

Other significant focus items related to providing our members with diverse, reliable, and affordable power included completing our 5-year resource planning study and integrated resource plan; developing and issuing a request for proposals for approximately 10% of our power supply needs starting in 2027; remaining engaged in proceedings at the state and federal levels to ensure accuracy in the implementation of our power supply and other agreements; developing and implementing KEPCo's first energy hedging policy, strategy, and product purchase; and successfully facilitating the 2021 load management season, garnering significant savings for members over the related 12-month period.

When it comes to the financial well-being of your G&T, we finished 2021 strong and healthy. Our net margin and equity ratio were solid, allowing us to meet our TIER and DSC requirements. We maintained stable rates, for which we are very proud, especially considering 2021 was our first year with only 16 members, natural gas and energy prices increased dramatically over the course of the year, and we experienced the unanticipated high power costs associated with Winter Storm Uri.

SUZANNE LANE
Executive Vice President & CEO

DOUG JACKSON
Board President

None of the aforementioned operational and financial successes would have been possible without the constant pivoting and adapting by our employee team and board of trustees. Other key accomplishments that the collective team achieved last year included: transitioning all employees and eligible retirees to a new health insurance plan; completing a salary and wages study and implementing a related policy and plan; developing and implementing a new enterprise risk management policy and related risk mitigation plans; successfully mitigating, adapting, and pivoting through the many challenges associated with the COVID-19 pandemic; continuing our advocacy with the Kansas Legislature, closely working with our fellow cooperatives and utility industry peers to assure the cooperative model and the need for affordable, reliable power was understood as decisions were made; and remaining engaged at the SPP, advocating for members in areas involving reliability, cost allocation, distributed energy resources, energy storage, and the value of fuel diversity. Additionally, our for-profit engineering subsidiary, KEPCo Services, Inc., had a successful, profitable year, completing significant work for their cooperative clients.

So once again, our constant and consistent willingness to adapt for the betterment of our members and our organization was pivotal to our many and varied successes in 2021. We are honored and blessed to be part of this amazing cooperative family and to serve each and every one of our members, our members' teams, and the thousands of rural Kansans our members serve.

Thank you to the entire board for your support and dedication to KEPCo, and to the KEPCo team for going above and beyond each and every day to serve our members.

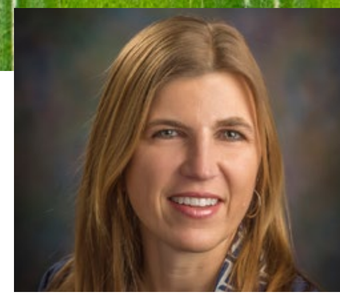
So once again, our constant and consistent willingness to adapt for the betterment of our members and our organization was pivotal to our many and varied successes in 2021.

BOARD OF TRUSTEES

DENNIS SVANES, TRUSTEE, MANAGER
4 Rivers Electric Cooperative, Inc.

TOM AYERS, ALTERNATE
4 Rivers Electric Cooperative, Inc.

LARRY FROESE, TRUSTEE
Ark Valley Electric Cooperative Assn., Inc.
SECRETARY



JACKIE HOLMBERG, ALTERNATE, MANAGER
Ark Valley Electric Cooperative Assn., Inc.

TIM LINDAHL, TRUSTEE, MANAGER
Butler Rural Electric Cooperative Assn., Inc.

RON OELKERS, ALTERNATE
Butler Rural Electric Cooperative Assn., Inc.

DAN HUBERT, TRUSTEE
Caney Valley Electric Cooperative Assn., Inc.

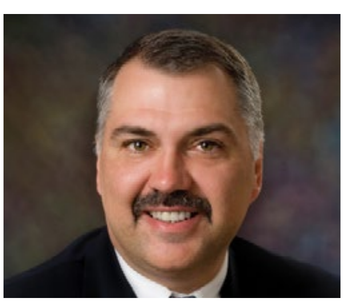
ALLEN ZADOROZNY, ALTERNATE, MANAGER
Caney Valley Electric Cooperative Assn., Inc.

CHARLES GOECKEL, TRUSTEE, MANAGER
Flint Hills Rural Electric Cooperative Assn., Inc.
COMMITTEE MEMBER

TERRY OLSEN, ALTERNATE
Flint Hills Rural Electric Cooperative Assn., Inc.

STEVEN FOSS, TRUSTEE, MANAGER
FreeState Electric Cooperative, Inc.
VICE PRESIDENT

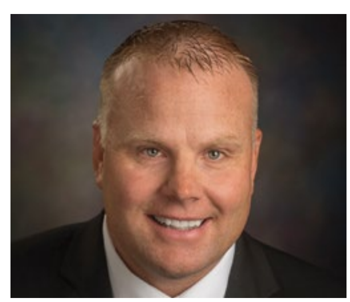
MARK WULFKUHLE, ALTERNATE
FreeState Electric Cooperative, Inc.



DOUGLAS JACKSON, TRUSTEE, MANAGER
Rolling Hills Electric Cooperative, Inc.
PRESIDENT

PAUL WILSON, ALTERNATE
Rolling Hills Electric Cooperative, Inc.

DONALD METZEN, TRUSTEE
Sedgwick County Electric Cooperative Assn., Inc.



SCOTT AYRES, ALTERNATE, MANAGER
Sedgwick County Electric Cooperative Assn., Inc.

EXECUTIVE COMMITTEE MEMBERS

DOUGLAS JACKSON
President

MICHAEL MORTON
Vice President

LARRY FROESE
Secretary

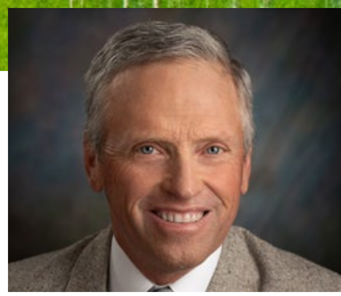
BRYAN COOVER
Treasurer

CHARLES GOECKEL
Executive Committee Member

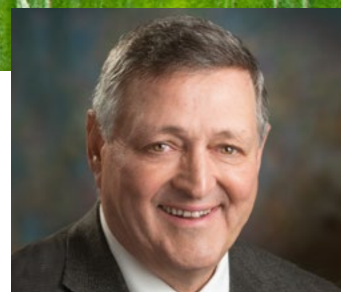
MARK SCHEIBE
Executive Committee Member

KIRK THOMPSON
Executive Committee Member

MICHAEL MORTON, TRUSTEE, MANAGER
Bluestem Electric Cooperative, Inc.
VICE PRESIDENT



GARY BUSS, ALTERNATE
Bluestem Electric Cooperative, Inc.



KEVIN COMPTON, TRUSTEE
Brown-Atchison Electric Cooperative Assn., Inc.

JIM CURRIE, ALTERNATE, MANAGER
Brown-Atchison Electric Cooperative Assn., Inc.

KIRK THOMPSON, TRUSTEE, MANAGER
CMS Electric Cooperative, Inc.
COMMITTEE MEMBER

LINDA TOMLINSON, ALTERNATE
CMS Electric Cooperative, Inc.

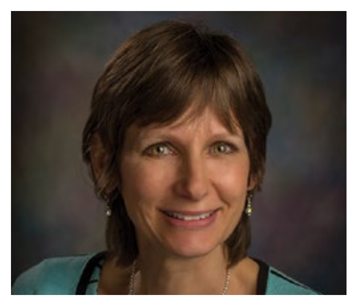
TIM POWER, TRUSTEE, MANAGER
DSO Electric Cooperative, Inc.

KEN HEDBERG, ALTERNATE
DSO Electric Cooperative, Inc.

MARK SCHEIBE, TRUSTEE, MANAGER
Heartland Rural Electric Cooperative, Inc.
COMMITTEE MEMBER

H.H. STOCKEBRAND, ALTERNATE
Heartland Rural Electric Cooperative, Inc.

PAUL UNRUH, TRUSTEE
Ninnescah Rural Electric Cooperative Assn., Inc.



TERESA MILLER, ALTERNATE, MANAGER
Ninnescah Rural Electric Cooperative Assn., Inc.\

JOHN SCHON, TRUSTEE
Sumner-Cowley Electric Cooperative, Inc.

CONI ADAMS, ALTERNATE
Sumner-Cowley Electric Cooperative, Inc.

BRYAN COOVER, TRUSTEE
Twin Valley Electric Cooperative, Inc.
TREASURER

ANGIE ERICKSON, ALTERNATE, MANAGER
Twin Valley Electric Cooperative, Inc.

Legislative Review

The 2021 legislative session progressed at a rapid pace due to the carry-over of bills from the COVID-19-shortened 2020 session and the introduction of numerous new bills.

"Many pieces of important legislation were introduced this session. KEPCo worked collaboratively with the other Kansas electric cooperatives to ensure our collective interests and positions were communicated to and understood by the legislature," said Susan Cunningham, Senior Vice President, Regulatory and Government Affairs, and General Counsel.

Bills of particular interest to KEPCo and its members that were signed into law include: securitization, which is a complex financing instrument that allows a utility the option to securitize the retirement or abandonment of generation assets and other debt obligations through third-party-issued ratepayer-backed bonds; the Kansas Energy Choice Act, which prohibits a municipality from excluding natural gas as a fuel choice for consumers, unless the municipality itself is the end consumer; a bill that exempts the sale of electricity from a public electric vehicle charging station and the entity selling the electricity from regulatory oversight by the Kansas Corporation Commission (KCC); and a bill that extends the KCC's safety regulations under the Wire Stringing Act to certain electric lines — often referred to as generation tie lines — that are not owned or operated by a public utility.

At the national level, the annual National Rural Electric Cooperative Association (NRECA) Legislative

Conference was held virtually in April. The event featured one day of training and discussions followed by three days of meetings with members of the Kansas congressional delegation. The conference began with an NRECA staff briefing on priority legislative issues and the status of those issues in Congress, followed by three days of virtual meetings with the Kansas delegation highlighting those issues. This event provided cooperative representatives with the valuable opportunity to network with peers, learn about the latest legislative issues impacting the electric cooperative industry, and connect with our representatives on Capitol Hill.

The specific issues discussed with the Kansas congressional delegation included the need for USDA Rural Utilities Service loan repricing, comparable tax incentives on advanced energy resources for electric cooperatives, rural broadband deployment, carbon reduction policy views, and U.S. postage increase concerns.

Kansas electric cooperative representatives at a Co-ops Vote event sponsored by Ninnescah Rural Electric Cooperative Assn., Inc. and Sumner-Cowley Electric Cooperative, Inc. From left, Coni Adams, Sumner-Cowley; Teresa Miller, Ninnescah; Leslie Kaufman, KEC; and Phil Wages, KEPCo.

KEPCo Revamps Safety Program

Early in 2021, the KEPCo Safety Committee completed a lengthy review and revision of KEPCo's Employee Safety Manual, with the goal of providing each employee accurate and up-to-date information, training, and instruction necessary to create and sustain a robust safety culture. KEPCo's actively managed safety program contributes to reduced costs and improved productivity and solidifies our commitment to our employees' safety and the safety of the general public.

To further augment our safety program, KEPCo contracted with Vivid Learning Systems to facilitate ongoing safety education via online courses that deliver an effective, memorable training experience, as well as training software designed to help protect our employees in a manner that goes beyond regulatory requirements.

"The safety of our staff is of paramount importance. The emphasis and attention given to our safety program are critical in establishing a work culture with safety as the core. KEPCo has not had a lost-time accident for 12 years and the new features of our safety program will further enhance our ability to keep our employees out of harm's way," said Suzanne Lane, KEPCo Executive Vice President & CEO.

As part of KEPCo's advocacy efforts, KEPCo attended each of the Co-ops Vote events sponsored by our member cooperatives. Held annually in multiple locations around the state, Co-ops Vote events are attended by electric cooperative employees, city and county officials, and area legislators. These events provide electric cooperatives the opportunity to meet with elected officials in an informal but informative setting and discuss issues of importance to electric cooperatives and the communities they serve.

"Being able to interact with decision-makers about our positions on issues that affect electric cooperatives, particularly in an environment that encourages the free flow of communication, is critically important to KEPCo and our member cooperatives," said Cunningham.

Co-ops Vote is a nonpartisan program that strives to inform both cooperative members and local, state, and federal officials about issues important to America's electric cooperatives and their rural communities, including the continued need for affordable and reliable electricity, broadband access, and other rural economic development issues. Through participating in Co-ops Vote events and other advocacy efforts, KEPCo earned the "5-Star Co-op" designation from NRECA.

Utility representatives and local and state officials at the ceremonial signing of the Move Over Law, which requires motorists to "move over" to the lane farthest away from any stationary vehicle displaying flashing lights, now including utility vehicles.

KEPCo Supports Economic Development

USDA Rural Economic Development Loan and Grant Program

For over 30 years, KEPCo and its member cooperatives have actively promoted the USDA Rural Economic Development Loan and Grant (REDLG) program. The REDLG program provides zero-interest loans for projects in rural areas that will create or retain employment. This program satisfies two of the three factors needed for economic development and business success — access to low-cost capital and retaining or increasing labor.

In 2021, utilization of the REDLG program decreased due to several factors, including inflationary pressures on goods and services, supply chain shortages that disrupted nearly every business in the country, a tight labor market, and the continued recovery from the COVID-19 pandemic.

This year, KEPCo submitted one REDLG application on behalf of one of its members, which was the only project selected for funding in Kansas. This project saved a grocery store and the associated jobs, enabled a rural community to retain sales tax receipts, and kept a business that provides a necessary service within the community.

Based on expected market conditions, KEPCo anticipates utilization of the REDLG program will increase in 2022. KEPCo and its member cooperatives are ready and willing to help rural Kansas businesses utilize and navigate this important rural economic development tool.

"KEPCo champions programs that promote and sustain the vitality of rural communities in Kansas, and we are proud to work with and assist our members in fostering business and economic growth. The REDLG program has been a significant source of cost-effective financing and is foundational to our ability to assist our members with their economic development efforts," said Susan Cunningham, Senior Vice President, Regulatory and Government Affairs, and General Counsel.

Economic development is also a top priority for Governor Laura Kelly and her administration. In 2021, the Kansas Housing Resource Corporation and the Kansas Office of Rural Prosperity (ORP) launched the state's first comprehensive housing needs assessment in nearly 30 years, aiming to address a decades-long shortage of data on existing housing resources and current and projected needs. A lack of quality, affordable housing is widely recognized as one of the state's biggest barriers to growth and development, particularly in rural and underserved communities.

In addition, ORP enlisted the Kansas Sampler Foundation to listen to and learn from Kansans ages 21-39 to find ways to help recruit and retain young people in rural Kansas communities. The project's outcomes were two-fold: help state government consider its approach to young rural Kansans and identify grassroots support and advocacy opportunities in Kansas communities.

KEPCo welcomes and supports the resources that are being concentrated on rural communities by state officials and agencies and private organizations. The combination of public and private investment is essential to develop and sustain a strong economy in rural Kansas.

A USDA Rural Economic Development Loan and Grant (REDLG) program loan was approved for the City of Erie, Kansas, which is located near the service territory of Heartland Rural Electric Cooperative, Inc., to purchase an existing grocery store, land, equipment, and store inventory, and to upgrade the services provided by the store.

KEPCo Addresses Winter Storm Uri at ACES Conference

The annual Alliance for Cooperative Energy Services (ACES) Members Conference was held in Indianapolis, Indiana, in June 2021. Industry executives from across the country met for two days to discuss a variety of topics, which included the future of generation resource portfolios, balancing grid reliability with the push for clean energy, weather trends for 2021, economic market signals and the impact on the energy industry, consumer behavior trends, hydrogen markets, and the future of the industry.

Suzanne Lane, KEPCo Executive Vice President & CEO, was invited to participate as a panelist on the cooperative CEO panel, along with the CEOs from Hoosier Energy and Southern Maryland Electric Cooperative. Lane's topic was leading through Winter Storm Uri.

"I was honored to represent KEPCo and our member cooperatives at such an important forum. To have peer utilities recognize the expertise and experience at KEPCo, by inviting me to speak, is indicative of the respect KEPCo has earned throughout the industry," said Lane.

Lane shared with the conferees the circumstances surrounding the winter storm that ultimately led to the Southwest Power Pool, Inc. (SPP) initiating two controlled curtailments. She noted that extreme and prolonged cold temperatures across the entire SPP footprint caused an increase in electricity and natural gas use, while at the same time many generation resources within the SPP were limited in their capacity to produce energy. Lane pointed out that the proactive actions taken by SPP prevented lengthy, widespread, catastrophic system failures.

She stated the key to leadership during the storm was communication. Timely information from the SPP and local transmission owners was critical in implementing mitigation plans to limit the reliability and financial impacts to KEPCo's members.

"When such a catastrophic event impacts not only KEPCo but virtually every utility within the SPP, continuous communication is key to keeping our members and board of trustees informed of the status of actions being taken by all entities involved. Having access to and sharing such information enabled KEPCo and its members to make the decision to run our peaking generators and engage in conservation efforts that helped mitigate the impacts of the storm," said Lane.

Lane also shared KEPCo's plan to minimize the financial impacts of Winter Storm Uri by amortizing the energy costs associated with the storm over a 24-month period.

"Due to KEPCo's strong financial position and board support, we were able to amortize the costs attributable to Winter Storm Uri over 24 months, which we believe is the best and most cost-effective way to mitigate the financial burden to our members and our members' members," said Lane.

Due to KEPCo's strong financial position and board support, we were able to amortize the costs attributable to Winter Storm Uri over 24 months, which we believe is the best and most cost-effective way to mitigate the financial burden to our members and our members' members.

Giving Back

Supporting worthwhile causes and organizations through charitable giving fosters employee engagement and further integrates essential values into KEPCo's corporate culture. Additionally, this support is an example of the Seventh Cooperative Principle, Concern for Community, which encourages cooperatives to work for the sustainable development of their communities through policies supported by the membership.

Through KEPCo's Charitable Giving Program, KEPCo and KEPCo staff contributed over $17,500 to local and regional charities. KEPCo also applied for matching funds through CoBank's charitable giving program. The charities chosen by KEPCo staff were the Topeka Rescue Mission, Court Appointed Special Advocates, Harvesters, Ronald McDonald House, Salvation Army, Osage County Help House, Project 2 Restore, and TARC.

In addition, the KEPCo Employee Experience Team recommended that KEPCo staff support local families needing assistance during the Christmas season. As a result, KEPCo staff adopted two families through the United Way Christmas Bureau.

"The past couple of years have been trying for all of us, but even more so for those in need. It's especially rewarding during difficult times to contribute resources that make a difference in so many lives," said Suzanne Lane, KEPCo Executive Vice President & CEO.

KEPCo SERVICES, INC.

KSI Assists Cooperative Clients with Solar Projects

In 2020, 12 KEPCo member cooperatives joined together to form the Kansas Cooperative Sun Power Program, a series of solar farms developed by Today's Power, Inc., totaling 20 megawatts of solar power. Cooperative representatves partcipating in the program are (from left): Mike Morton, Bluestem Electric; Ben Whiteside, Butler Electric; Mark Scheibe, Heartland Electric; Scott Ayres, Sedgwick County Electric; Tim Power, DSO Electric; Michael Henderson, Today's Power, Inc.; Dennis Svanes, 4 Rivers Electric; Jackie Holmberg, Ark Valley Electric Cooperative; Angie Erickson, Twin Valley Electric; Teresa Miller, Ninnescah Electric; and Steve Foss, FreeState Electric Cooperative. NOT PICTURED: Dale Short, Butler Electric; Coni Adams, Sumner-Cowley Electric; and Kirk Thompson, CMS Electric.

KEPCo Services, Inc. (KSI), a wholly owned, for profit engineering subsidiary of KEPCo, completed its 24th year of operations. KSI provides a diverse selection of value-added technical and engineering services for KEPCo members and non-member electric cooperatives, incorporating client goals and objectives, budget, and timeframe into each project to deliver exceptional quality in an efficient and cost-effective manner. With each project, KSI applies its extensive knowledge of generation, transmission, and distribution systems, coupled with hands-on experience, to provide creative, solution-driven results for its clients.

In 2021, KSI was involved in projects for 14 KEPCo members and one non-member cooperative. Some of the more substantive projects included the Jupiter line relocation project and mapping project for CMS; arc flash study for Butler; construction workplans for Bluestem, FreeState, Nemaha-Marshall, and Sumner-Cowley; member solar interconnections for 4 Rivers, Butler, DSO, Heartland, Sedgwick, and Twin Valley; sectionalizing study for Sumner-Cowley; and spill plan updates for CMS and Ninnescah.

Heartland Rural Electric Cooperative Board members "flip the switch" at their solar farm. Heartland is one of 12 KEPCo member cooperatives that joined together to form the Kansas Cooperative Sun Power Program.

In 2020, 12 KEPCo member cooperatives joined together to form the Kansas Cooperative Sun Power Program, a series of solar farms developed by Today's Power, Inc., totaling 20 megawatts of solar power that will provide year-round solar energy to the members of the participating cooperatives. Six of the participating cooperatives installed 1-megawatt solar arrays at 11 different physical locations across Kansas in 2021. Site preparation began early in the year and each site was operational by June 8. For many of these installations, KSI, in collaboration with ElectriComm, Inc., provided the engineering services to safely interconnect the solar arrays to the grid. Due to the nuanced differences with each project, largely depending on the project location, KSI and ElectriComm were creative in developing systems that utilized microprocessor-based equipment that leveraged communication paths, including fiber-optics and radios.

The remaining cooperatives' solar installations will be completed by June 2022 and will be operational for the peak demand season. "These projects have been exciting to work on, particularly when KSI has the opportunity to collaborate with other engineering companies with specific expertise in this field," said Rick Johnson, KSI principal engineer. "The practical knowledge and experience gained by KSI staff will further benefit our cooperative clients as the utility-scale renewable energy sector continues to evolve."

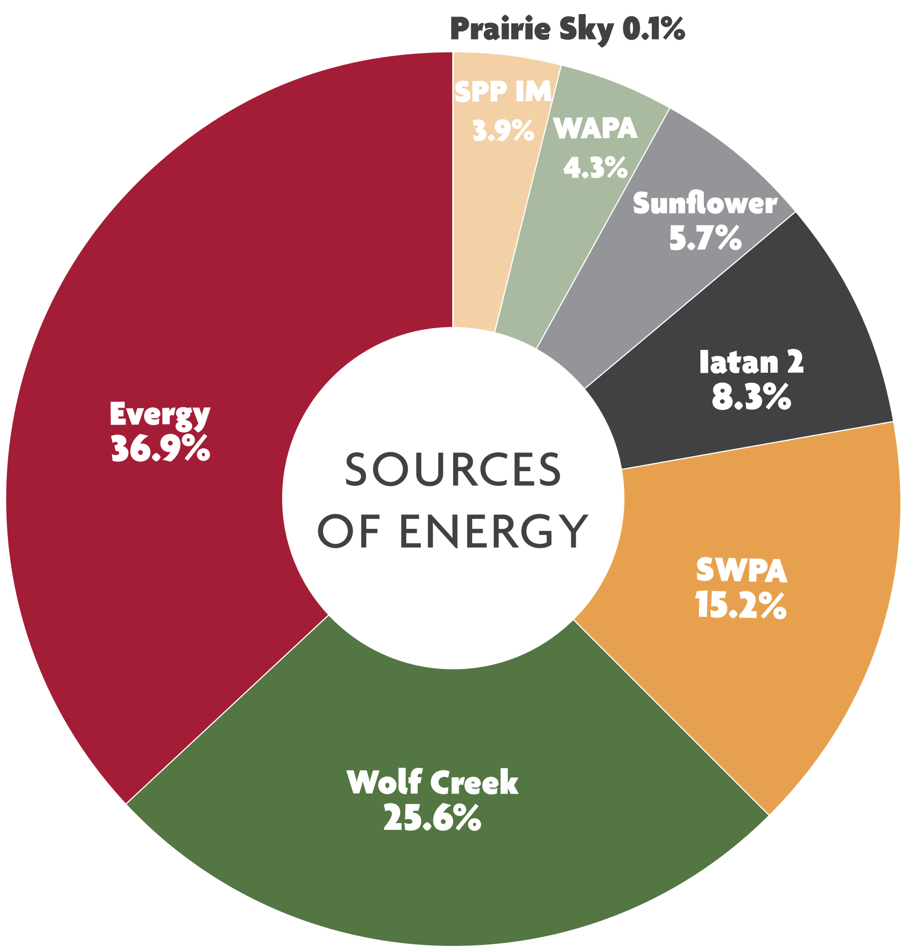
Additional information about KSI and a description of KSI's current engineering services is available at www.kepco.org/ksi.

Our Diverse Power Supply

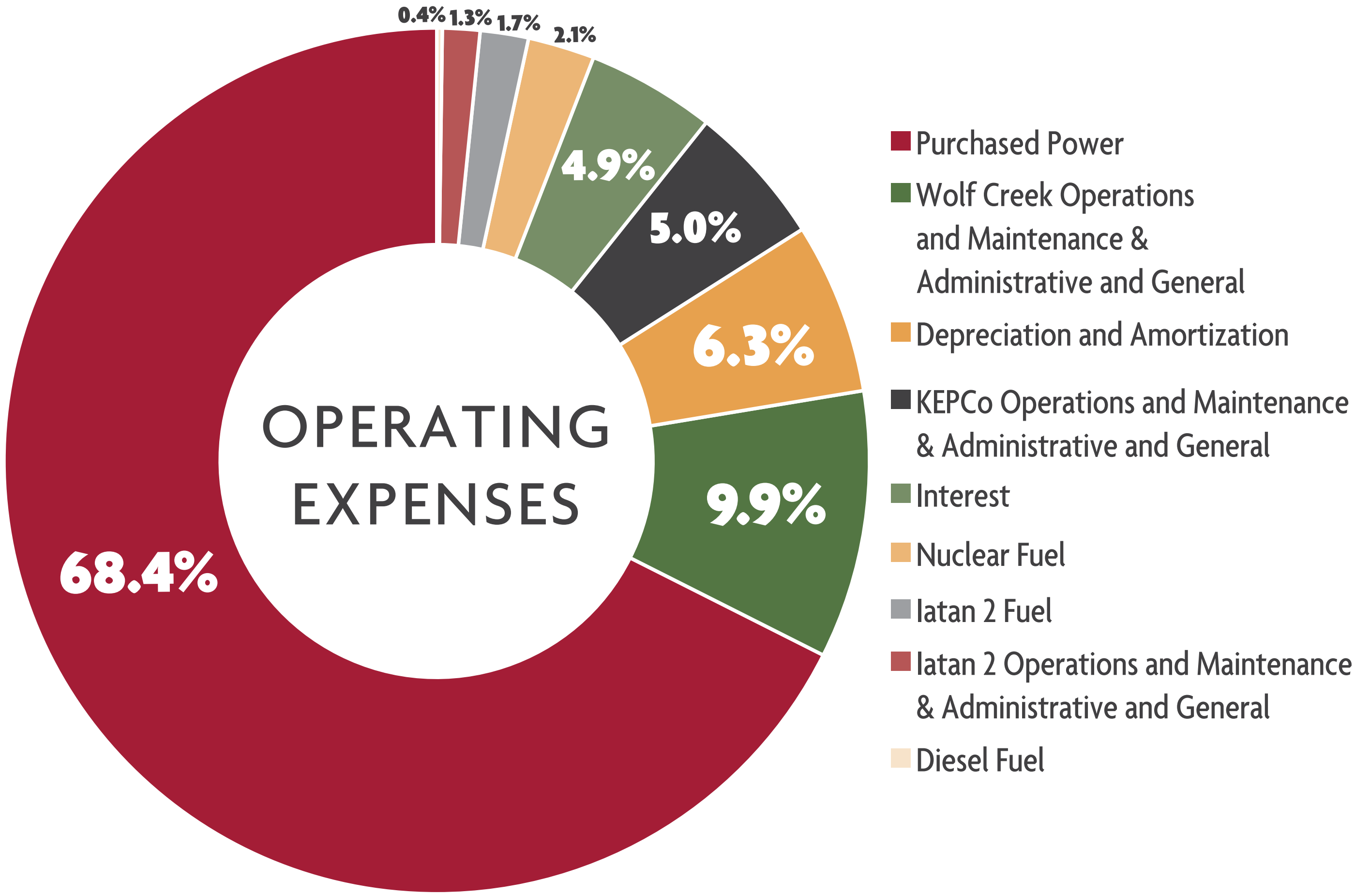
In an effort to a create long-term, reliable, economic power supply for its members, KEPCo has built a diverse power supply that includes nuclear, hydro, coal, wind, natural gas, diesel, and solar resources. As part of its power supply strategy, KEPCo seeks to maintain a diversified and balanced power supply, which includes a mix of owning generation when prudent, purchasing power using a combination of long- and short-term contracts, adding renewables when cost effective, and incorporating demand side technology in power supply planning processes through member load management programs. Proudly, KEPCo's current portfolio minimizes greenhouse gas emissions with approximately 65% of its supply from non-greenhouse gas emitting sources.

In addition to its owned generation and long-term hydro allocations, KEPCo purchases its remaining requirements from Evergy, Inc. and Sunflower Electric Power Corporation for base, intermediate, and peaking power supply. These contracts provide KEPCo with power from coal, natural gas, and wind resources. KEPCo also purchases power supply from the SPP Integrated Market (IM).

- **100 MEGAWATTS** of hydropower purchases from the Southwestern Power Administration
- **70 MEGAWATTS** of owned generation from the Wolf Creek Generating Station
- **32 MEGAWATTS** of owned generation from the Iatan 2 Generating Plant
- **20 MEGAWATTS** of peaking power from the Sharpe Generating Station
- **13 MEGAWATTS** of hydropower purchases from the Western Area Power Administration
- **1 MEGAWATT** of solar power from the Prairie Sky Solar Farm

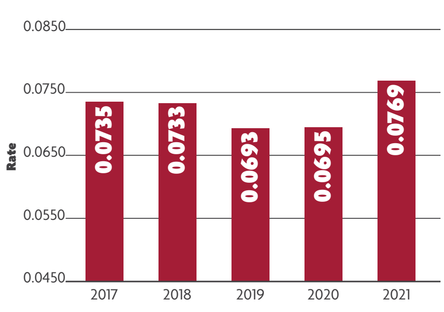


Operating Statistics

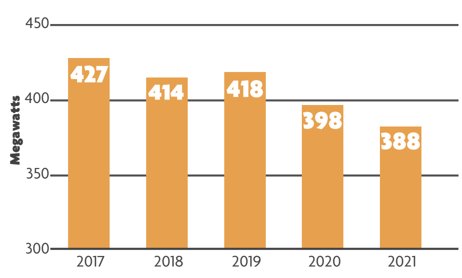


Proudly, KEPCo's current portfolio minimizes greenhouse gas emissions with approximately 65% of its supply from non-greenhouse gas emitting sources.

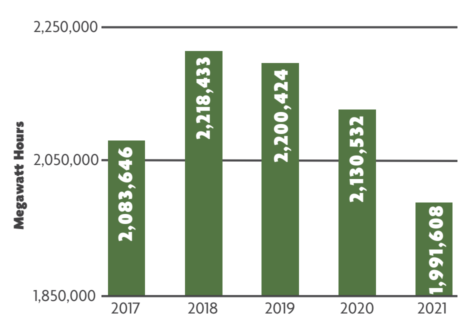
ANNUAL AVERAGE MEMBER RATE



ANNUAL COINCIDENT PEAK DEMAND



ANNUAL ENERGY SALES TO MEMBERS



Independent Auditor's Report

BOARD OF TRUSTEES KANSAS ELECTRIC POWER COOPERATIVE, INC.
TOPEKA, KANSAS

BKD CPAs & Advisors

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Kansas Electric Power Cooperative, Inc. (the Cooperative) and its wholly owned subsidiary, which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of margin and comprehensive income (loss), patronage capital, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Cooperative and its wholly owned subsidiary as of December 31, 2021 and 2020, and the results of their operations and their 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 the financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are required to be independent of the Cooperative 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative's ability to continue as a going concern within one year after the date that these consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 judgment made by a reasonable user based on the consolidated 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 consolidated 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 consolidated 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 Cooperative'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative'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

CONTINUED ON NEXT PAGE

CONTINUED

scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated April 18, 2022, on our consideration of the Cooperative's internal control over financial reporting and 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 Cooperative'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 Cooperative's internal control over financial reporting and compliance.

BKD, LLP

OKLAHOMA CITY, OKLAHOMA , APRIL 18, 2022

Consolidated Balance Sheets
December 31, 2021 and 2020

Assets	2021	2020
UTILITY PLANT		
In-service	$384,744,985	$367,179,511
Less allowance for depreciation	(198,672,079)	(190,546,232)
Net in-service	186,072,906	176,633,279
Construction work in progress	10,449,406	10,408,117
Nuclear fuel (less accumulated amortization of $27,979,188 and $29,740,968 for 2021 and 2020, respectively)	9,643,599	9,840,540
Total utility plant	206,165,911	196,881,936
RESTRICTED ASSETS		
Investments in NRUCFC	10,745,945	11,042,120
Decommissioning fund	40,659,529	35,564,951
Investments in other associated organizations	326,795	320,561
Total restricted assets	51,732,269	46,927,632
CURRENT ASSETS		
Cash and cash equivalents	30,604,197	16,598,637
Short-term investments	-	13,000,000
Member accounts receivable	11,463,026	13,078,522
Materials and supplies inventory	7,036,253	7,119,212
Other assets and prepaid expenses	1,237,610	949,083
Total current assets	50,341,086	50,745,454
OTHER LONG-TERM ASSETS		
Deferred charges		
WCNOC disallowed costs (less accumulated amortization of $20,309,617 and $19,986,167 for 2021 and 2020, respectively)	5,675,616	5,999,066
Deferred incremental outage costs	1,158,395	506,726
Southwest Power Pool charges	-	366,373
Other deferred charges (less accumulated amortization of $181,887 and $180,942 for 2021 and 2020, respectively)	331,377	152,752
Deferred power costs	7,937,506	-
Other assets	1,396,724	1,266,040
Prepaid pension cost	153,331	284,759
Total other long-term assets	16,652,949	8,575,716
Total assets	$324,892,215	$303,130,738

Patronage Capital and Liabilities

	2021	2020
PATRONAGE CAPITAL		
Memberships	$3,200	$3,200
Patronage capital	86,932,641	85,864,241
Accumulated other comprehensive loss	(7,270,334)	(9,407,007)
Total patronage capital	79,665,507	76,460,434
LONG-TERM DEBT	145,619,450	148,867,073
OTHER LONG-TERM LIABILITIES		
WCNOC decommissioning regulatory liability	14,487,065	11,770,366
WCNOC decommissioning liability	33,957,829	18,123,937
WCNOC pension and postretirement benefit plans	10,355,889	12,091,282
WCNOC provision for injuries	36,830	46,689
WCNOC deferred compensation	1,465,849	1,250,433
Other deferred credits	235,743	222,274
Total other long-term liabilities	60,539,205	43,504,981
CURRENT LIABILITIES		
Current maturities of long-term debt	8,960,589	8,698,761
Accounts payable	19,100,109	15,486,695
Payroll and payroll-related liabilities	359,240	337,757
Member investments	8,319,696	7,061,900
Accrued property taxes	867,048	824,342
Accrued interest payable	385,489	409,221
Current provision for pension and postretirement benefit plans	1,075,882	1,479,574
Total current liabilities	39,068,053	34,298,250
Total patronage capital and liabilities	$324,892,215	$303,130,738

CONTINUED ON NEXT PAGE

CONTINUED

Consolidated Statements of Margin and Comprehensive Income (Loss)
Years Ended December 31, 2021 and 2020

	2021	2020
OPERATING REVENUES		
Sale of electric energy	$153,916,453	$148,382,873
OPERATING EXPENSES		
Power purchased	105,075,132	101,312,388
Nuclear fuel	3,255,237	3,683,704
Plant operations	15,709,954	15,261,398
Plant maintenance	4,856,380	4,633,010
Administrative and general	6,165,510	6,159,875
Amortization of deferred charges	324,394	326,513
Depreciation and decommissioning	10,004,356	9,876,498
Total operating expenses	145,390,963	141,253,386
NET OPERATING REVENUES	8,525,490	7,129,487
INTEREST AND OTHER DEDUCTIONS		
Interest on long-term debt	7,253,474	7,584,356
Other deductions	316,968	384,347
Total interest and other deductions	7,570,442	7,968,703
OPERATING MARGIN	955,048	(839,216)
OTHER INCOME (EXPENSE)		
Interest income	550,960	951,063
Other income	186,176	519,402
Postretirement benefit expense	(623,784)	(658,920)
Total other income (expense)	113,352	811,545
NET MARGIN	1,068,400	(27,671)
OTHER COMPREHENSIVE INCOME (LOSS)		
Net gain (loss) arising during the year on pension obligation	1,134,275	(1,275,966)
Plan amendments	-	(544,426)
Amortization of prior year service costs and actuarial gains included innet periodic benefit costs	1,002,398	881,457
COMPREHENSIVE INCOME (LOSS)	$3,205,073	($966,606)

Consolidated Statements of Patronage Capital
Years Ended December 31, 2021 and 2020

	Memberships	Patronage Capital	Accumulated Other Comprehensive Loss	Total
BALANCE, JANUARY 1, 2020	$3,200	$86,591,026	$(8,468,072)	$78,126,154
Net margin	-	(27,671)	-	(27,671)
Patronage capital retirement	-	(699,114)	-	(699,114)
Defined benefit pension plans				
Net loss arising during the year on pension obligation	-	-	(1,275,966)	(1,275,966)
Plan amendments	-	-	(544,426)	(544,426)
Amortization of prior year service costs and actuarial gains included in net periodic benefit costs	-	-	881,457	881,457
BALANCE, DECEMBER 31, 2020	3,200	85,864,241	(9,407,007)	76,460,434
Net margin	-	1,068,400	-	1,068,400
Defined benefit pension plans				
Net gain arising during the year on pension obligation	-	-	1,134,275	1,134,275
Amortization of prior year service costs and actuarial gains included in net periodic benefit costs	-	-	1,002,398	1,002,398
BALANCE, DECEMBER 31, 2021	$3,200	$86,932,641	($7,270,334)	$79,665,507

CONTINUED ON NEXT PAGE

CONTINUED

Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
OPERATING ACTIVITIES		
Net margin		
Adjustments to reconcile net margin to net cash provided by operating activities	$1,068,400	$(27,671)
DEPRECIATION	10,084,661	9,408,389
Amortization of nuclear fuel	3,255,237	3,679,316
Amortization of deferred charges	497,801	619,925
Amortization of deferred incremental outage costs	1,600,295	1,619,583
Net periodic benefit costs	1,641,197	1,630,862
Patronage capital credits allocated	(444,830)	(518,389)
Loss on sale of property and equipment	20,365	54,003
CHANGES IN		
Member accounts receivable	1,615,496	(3,157,306)
Materials and supplies	82,959	(317,141)
Other long-term assets and prepaid expenses	(8,285,897)	1,304,804
Accounts payable	3,613,414	3,165,387
Payroll and payroll-related liabilities	21,483	15,161
Accrued property taxes	42,706	(123,407)
Accrued interest payable	(23,732)	(23,038)
Other long-term liabilities	(1,424,583)	(1,253,612)
Net cash provided by operating activities	13,364,972	16,076,866
INVESTING ACTIVITIES		
Additions to electrical plant	(5,675,574)	(3,962,186)
Additions to nuclear fuel	(3,058,296)	(5,444,350)
Purchases of investments	(15,000,000)	(13,000,000)
Proceeds from sales of investments	28,000,000	-
Proceeds from investments in decommissioning fund assets	2,627,889	1,399,479
Purchases of investments in decommissioning fund assets	(5,260,203)	(2,825,512)
Investments in associated organizations	734,771	756,788
Net cash provided by (used in) investing activities	2,368,587	(23,075,781)
FINANCING ACTIVITIES		
Principal payments on long-term debt	(8,775,460)	(10,577,675)
Proceeds from issuance of long-term debt	2,785,478	10,183,249
Retirement of capital credits	-	(699,114)
Change in cushion of credit	3,004,187	158,196
Change in member investments	1,257,796	4,163,024
Net cash provided by (used in) financing activities	(1,727,999)	3,227,680

Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Increase (Decrease) in Cash and Cash Equivalents	$14,005,560	($3,771,235)
Cash and Cash Equivalents, Beginning of Year	16,598,637	20,369,872
Cash and Cash Equivalents, End of Year	$30,604,197	$16,598,637
Supplemental Cash Flows Information		
Interest paid	$7,277,206	$7,607,394
Change in defined benefit pension plans – gains (losses)	$1,134,275	($1,275,966)
Change in fair value of decommissioning trust	$2,462,264	$3,611,702

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Kansas Electric Power Cooperative, Inc. and its wholly owned subsidiary (KEPCo), headquartered in Topeka, Kansas, was incorporated in 1975 as a tax-exempt generation and transmission cooperative (G&T). KEPCo was granted a limited certificate of convenience and authority by the Kansas Corporation Commission (KCC) in 1980 to act as a G&T public utility. It is KEPCo's responsibility to procure an adequate and reliable power supply for its 16 distribution rural electric cooperative members pursuant to all requirements of contracts with its members. KEPCo is governed by a board of trustees representing each of its 16 members, which collectively serve approximately 200,000 rural Kansans.

System of Accounts

KEPCo maintains its accounting records substantially in accordance with the Federal Energy Regulatory Commission's (FERC) uniform system of accounts as modified and adopted by the U.S. Department of Agriculture (USDA) Rural Utilities Service (RUS) and in accordance with accounting practices prescribed by the KCC.

In accordance with generally accepted accounting principles (GAAP) and FERC guidelines, KEPCo also maintains its accounts in accordance with Accounting Standards Codification (ASC) 980, Regulated Operations.

Rates

Under a 2009 change in Kansas law, KEPCo has elected to be exempt from KCC regulation for most purposes, including the setting of rates. Rates are set by action of the Board of Trustees, subject only to statutory review by the KCC if requested by four or more members. KEPCo's rates were last set by the KCC by an order effective September 1, 2008. KEPCo's rates now include an Energy Cost Adjustment (ECA) mechanism and an annual Demand Cost Adjustment (DCA) mechanism allowing KEPCo to pass along increases and decreases in certain energy and demand costs to its member cooperatives. Additionally, KEPCo implemented a Margin Stabilization Adjustment (MSA) in 2011, which is a mechanism to refund (or collect) a portion of KEPCo's margin when the total margin exceeds (or falls short of) the amount necessary to cover KEPCo's financial obligations.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Kansas Electric Power Cooperative, Inc., and its wholly owned subsidiary, KEPCo Services, Inc. Undivided interests in jointly owned generation facilities are consolidated on a pro rata basis. All material intercompany accounts and transactions have been eliminated in consolidation.

Iatan 2

Iatan 2 is an 850 MW high-efficiency coal-fired power plant utilizing state-of-the-art environmental controls that became commercially operational December 31, 2010. KEPCo owns a 3.53% share of Iatan 2, or 30 MW. Iatan 2, located in Weston, Missouri, is operated and majority owned by Evergy, Inc. KEPCo's undivided interest in Iatan 2 is consolidated on

CONTINUED ON NEXT PAGE

CONTINUED

a pro rata basis. KEPCo is entitled to a proportionate share of the capacity and energy from Iatan 2, which is used to supplement a portion of KEPCo's members' requirements. KEPCo is billed on a daily basis for 3.53% of the operations, maintenance, administrative, and general costs and cost of plant additions related to Iatan 2. Each owner is responsible for providing its own financing for all costs incurred at the plant.

KEPCo's utility plant in service for its 3.53% share of Iatan 2 was approximately $83,200,000 and $83,100,000 with an allowance for depreciation of approximately $23,600,000 and $21,400,000 and construction work in progress of approximately $600,000 at December 31, 2021 and 2020.

Wolf Creek Nuclear Operating Corporation

KEPCo owns 6% of Wolf Creek Nuclear Operating Corporation (WCNOC), which is located near Burlington, Kansas. The remainder is owned by Evergy, Inc. KEPCo's undivided interest in WCNOC is consolidated on a pro rata basis. KEPCo is entitled to a proportionate share of the capacity and energy from WCNOC, which is used to supplement a portion of KEPCo's members' requirements. KEPCo is billed on a daily basis for 6% of the operations, maintenance, administrative, and general costs and cost of plant additions related to WCNOC. Each owner is responsible for providing its own financing for all costs incurred at the plant.

KEPCo's utility plant in service for its 6% share of WCNOC was approximately $274,500,000 and $271,100,000 with an allowance for depreciation of approximately $160,700,000 and $155,400,000 and construction work in progress of approximately $9,800,000 and $9,700,000 at December 31, 2021 and 2020, respectively.

WCNOC's operating license expires in 2045. WCNOC is regulated by the Nuclear Regulatory Commission (NRC) with respect to licensing, operations, and safety-related requirements.

WCNOC disposes of all classes of its low-level radioactive waste at existing third-party repositories. Should disposal capability become unavailable, WCNOC is able to store its low-level radioactive waste in an on-site facility for up to three years under current regulations.

Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Utility Plant and Depreciation

Utility plant is stated at cost. Costs and additions to utility plant include contractual work, direct labor, materials, and interest on funds used during construction. No interest has been capitalized in 2021 or 2020. The costs of repairs and minor replacements are charged to operating expenses as appropriate. The original cost of utility plant retired and the cost of removal less salvage are charged to accumulated depreciation.

The composite depreciation rate for electric generation plant for the years ended December 31, 2021 and 2020, is 4.91% and 4.67%, respectively.

The provision for depreciation computed on a straight-line basis for electric and other components of utility plant is as follows:

- Transportation and equipment — 25–33 years
- Office furniture and fixtures — 10–20 years
- Leasehold improvements — 20 years
- Transmission equipment (metering, communication, and SCADA) — 10 years

Long-Lived Asset Impairment

KEPCo evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2021 and 2020.

Nuclear Fuel

The cost of nuclear fuel in the process of refinement, conversion, enrichment, and fabrication is recorded as a utility plant asset at original cost and is amortized to nuclear fuel expenses based upon the quantity of heat produced for the generation of electric power.

Nuclear Decommissioning

Nuclear decommissioning is a nuclear industry term for the permanent shutdown of a nuclear power plant and the removal of radioactive components in accordance with NRC requirements. The NRC will terminate a plant's license and release the property for unrestricted use when a company has reduced the residual radioactivity of a nuclear plant to a level mandated by the NRC. The NRC requires companies with nuclear plants to prepare formal financial plans to fund nuclear decommissioning. These plans are designed so that sufficient funds required for nuclear decommissioning will be accumulated prior to the expiration of the license of the related nuclear power plant. WCNOC files a nuclear decommissioning site study with the KCC every three years.

The KCC reviews nuclear decommissioning plans in two phases. Phase one is the approval of the revised nuclear decommissioning study, including the estimated costs to decommission the plant. Phase two involves the review and approval of a funding schedule prepared by the owner of the plant detailing how it plans to fund the future-year dollar amount of its pro rata share of the decommissioning costs.

In 2021, the triennial nuclear decommissioning study was revised. Based on the study, KEPCo's share of decommissioning costs, including decontamination, dismantling, and site restoration, is estimated to be approximately $64,400,000. This does not compare to the prior site study estimate of $65,600,000 that was performed in 2017. Even though the total change in KEPCo's estimated portion of the asset retirement obligation is minimal, the KCC approved the use of an alternative method to estimate the costs, which decreased the estimated time frame of the future cash flows to service the asset retirement obligation from ending in 2106 to ending in 2079. The site study cost estimate represents the estimate to decommission WCNOC as of the site study year. The actual nuclear decommissioning costs may vary from the estimates because of changes in regulations and technologies as well as changes in costs for labor, materials, and equipment.

KEPCo is allowed to recover nuclear decommissioning costs in its prices over a period equal to the operating license of WCNOC, which is through 2045. The NRC requires that funds sufficient to meet nuclear decommissioning obligations be held in a trust. KEPCo believes that the KCC-approved funding level will also be sufficient to meet the NRC requirement. The consolidated financial results would be materially affected if KEPCo was not allowed to recover in its prices the full amount of the funding requirement.

KEPCo recovered in its prices and deposited in an external trust fund for nuclear decommissioning approximately $550,200 and $544,000 in 2021 and 2020, respectively. KEPCo records its investment in the nuclear decommissioning trust (NDT) at fair value, which approximated $40,660,000 and $35,565,000 at December 31, 2021 and 2020, respectively. The change in the fair value of investments in the NDT was approximately $2,462,000 and $3,612,000 for the years ended December 31, 2021 and 2020, respectively, and is included in WCNOC decommissioning regulatory liability on the accompanying consolidated balance sheets.

Asset Retirement Obligation

KEPCo recognizes and estimates the legal obligation associated with the cost to decommission WCNOC. KEPCo initially recognized an asset retirement obligation at fair value for the estimated cost with a corresponding amount capitalized as part of the cost of the related long-lived asset and depreciated over the useful life.

CONTINUED ON NEXT PAGE

CONTINUED

A reconciliation of the asset retirement obligation for the years ended December 31 is as follows:

	2021	2020
Balance, beginning of year	$18,123,937	$17,000,455
Changes in estimates, including timing	13,809,155	-
Accretion	2,024,737	1,123,482
Balance, end of year	$33,957,829	$18,123,937

Any net margin effects are deferred in the WCNOC decommissioning regulatory liability and will be collected from or returned to members in future electric rates.

Cash and Cash Equivalents

All highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents and are stated at cost, which approximates fair value. At December 31, 2021 and 2020, cash equivalents consisted primarily of a repurchase agreement.

KEPCo's repurchase agreement has collateral pledged by a financial institution, which are securities that are backed by the federal government.

Short-Term Investments

Short-term investments are investments with an original maturity greater than three months, but less than 12 months, in select notes issued by NRUCFC maturing in April 2021, with interest at 0.4%. The select notes are exposed to credit risk. As of December 31, 2021 and 2020, KEPCo has invested $0 and $13,000,000, respectively, in short-term investments.

Accounts Receivable

Accounts receivable are stated at the amount of consideration from members and customers, of which KEPCo has an unconditional right to receive. KEPCo provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. No allowance was recorded at December 31, 2021 or 2020.

Accounts receivable are ordinarily due 15 days after the issuance of the invoice. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the member or customer.

During the years ended December 31, 2021 and 2020, there were no impairment losses on doubtful accounts receivable where collectibility is not reasonably assured.

Materials and Supplies Inventory

Materials and supplies inventory is valued at average cost.

Cash Surrender Value of Life Insurance Contracts

The following amounts related to WCNOC corporate-owned life insurance contracts, primarily with one highly rated major insurance company, are included in other long-term assets in the accompanying consolidated balance sheets:

	2021	2020
Cash surrender value of contracts	$8,926,935	$8,536,464
Borrowings against contracts	(8,623,133)	(8,241,381)
	$303,802	$295,083

Borrowings against contracts include a prepaid interest charge. KEPCo paid interest on these borrowings at a rate of 5.00% for the years ended December 31, 2021 and 2020.

Member Investments

KEPCo has a member investment program whereby members can invest funds with KEPCo. KEPCo pays interest on the balance of these funds. The member investments are payable back to the member upon demand or can be used to pay the balance due on the member's power bill.

Revenue Recognition

Revenue is recognized when control of the promised goods or services is transferred to KEPCo's members or customers in an amount that reflects the consideration that it expects to be entitled to in exchange for those goods or services. The amount and timing of revenue recognition varies based on the nature of the goods or services provided and the terms and conditions of the customer contract. See Note 7 for additional information about KEPCo's revenue.

Income Taxes

As a tax-exempt cooperative, KEPCo is exempt from income taxes under Section 501(c)(12) of the Internal Revenue Code of 1986, as amended. Accordingly, provisions for income taxes have not been reflected in the accompanying consolidated financial statements.

KEPCo Services, Inc., a subsidiary of KEPCo, is not exempt from income taxes.

Equity Investments

KEPCo measures equity securities, other than investments that qualify for the equity method of accounting, at fair value with changes recognized in net margin. Under ASC 980, KEPCo has elected to defer changes to all unrealized gains and losses of equity investments with readily determinable fair market values. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Equity securities and equity investments without a readily determinable fair value are measured at cost, minus impairment, if any, plus or minus changes resulting from observable price changes for the identical or a similar investment.

For equity securities and equity investments measured under the practicability exception, KEPCo performs a qualitative assessment for equity investments without readily determinable fair values considering impairment indicators to evaluate whether an impairment exists. If an impairment exists, KEPCo will recognize a loss based on the difference between carrying value and fair value.

The portion of unrealized gains and losses for the period related to equity securities still held at the reporting date is calculated as follows:

	2021	2020
Net gains and losses recognized during the period on equity securities	$3,155,841	$3,622,287
Less net gains and losses recognized during the period on equity securities sold during the period	693,577	10,585
Unrealized gains and losses recognized during the period on equity securities still held at the reporting date	$2,462,264	$3,611,702

Investments in Associated Organizations

KEPCo has equity ownership in the form of patronage capital through various lenders and other associated organizations (see Note 3). Patronage capital equity is increased as patronage is allocated to KEPCo and decreased as patronage is retired and cash received.

These investments are considered equity investments without readily determinable fair values and are accounted for at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for an identical or a similar investment. No impairment or observable price changes were recorded during 2021 and 2020.

WCNOC Disallowed Costs

Effective October 1, 1985, the KCC issued a rate order relating to KEPCo's investment in WCNOC, which disallowed $26,000,000 of KEPCo's investment in WCNOC. A subsequent rate order, effective February 1, 1987, allows KEPCo to recover these disallowed costs and other costs related to the disallowed portion (recorded as deferred charges) for the period from September 3, 1985 through January 31, 1987, over a 27.736-year period starting February 1, 1987. Pursuant to a KCC rate order dated December 30, 1998, the disallowed portion's recovery period was extended to a 37-year period. The disallowed costs are being recovered through the use of straight-line amortization over the period required by the KCC.

CONTINUED ON NEXT PAGE

CONTINUED

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net margin and other comprehensive income (loss). Other comprehensive income (loss) includes changes in the funded status of the WCNOC pension and postretirement plans (see Note 8).

Note 2: Factors that Could Affect Future Operating Results

KEPCo currently applies accounting standards that recognize the economic effects of rate regulation and, accordingly, has recorded regulatory assets and liabilities related to its G&T operations in accordance with ASC 980. In the event KEPCo determines that it no longer meets the criteria of ASC 980, the accounting impact could be a noncash charge to operations in an amount that would be material. Criteria that could give rise to the discontinuance of ASC 980 include: 1) increasing competition that restricts KEPCo's ability to establish prices to recover specific costs and 2) a significant change in the manner in which rates are set by regulators from a cost-based regulation to another form of regulation. KEPCo periodically reviews these criteria to ensure the continuing application of ASC 980 is appropriate. Any changes that would require KEPCo to discontinue the application of ASC 980 due to increased competition, regulatory changes, or other events may significantly impact the valuation of KEPCo's investment in utility plant, WCNOC, and Iatan 2 and necessitate the write-off of regulatory assets. At this time, the effect of competition and the amount of regulatory assets that could be recovered in such an environment cannot be predicted.

The 1992 Energy Policy Act began the process of restructuring the United States electric utility industry by permitting FERC to order electric utilities to allow third parties to sell electric power to wholesale customers over their transmission systems. KEPCo has elected to deregulate its rate-making for sales to its members under recent statutory amendments.

Subject to the possibility of KCC review, KEPCo's member rates are now set by action of the Board of Trustees. KEPCo's ability to timely recover its costs is enhanced by this change.

Note 3: Investments in Associated Organizations

At December 31, investments in associated organizations consisted of the following:

	2021	2020
NRUCFC		
Memberships	$1,000	$1,000
Capital term certificates, bearing interest of 5.0% and maturing in 2080 (A)	395,970	395,970
Patronage capital certificates	3,060,704	2,847,674
Equity term certificates, bearing interest of 3.16% to 6.0% and maturing from 2022 through 2045 (A)	7,288,271	7,797,476
Total NRUCFC	10,745,945	11,042,120
Other	326,795	320,561
Total investments in associated organizations	$11,072,740	$11,362,681

(A) KEPCo is required to maintain these investments pursuant to certain loan agreements.

Note 4: Deferred Charges

Deferred Incremental Outage Costs

In 1991, the KCC issued an order that allowed KEPCo to defer its 6% share of the incremental operating, maintenance, and replacement power costs associated with the periodic refueling of WCNOC. Operating and maintenance costs are being amortized over the approximate 18-month operating cycle coinciding with the recognition of the related revenues. Additions to the deferred incremental outage costs were approximately $2,252,000 and $300,000 in 2021 and 2020, respectively. The current year amortization of the deferred incremental outage costs was approximately $1,600,000 for the years ended December 31, 2021 and 2020.

Southwest Power Pool Charges

During 2016, KEPCo was assessed historical charges in the amount of approximately $2,442,000 from Southwest Power Pool related to a Z2 billing issue for generation system upgrades from 2008 through 2016. The total amount of historical charges was paid in October 2016 and was amortized over a five-year period ending October 2021. The balance as of December 31, 2021 and 2020, was approximately $0 and $400,000, respectively. Accumulated amortization as of December 31, 2021 and 2020, was approximately $2,442,000 and $2,100,000, respectively.

Deferred Power Costs

In February 2021, the entire Southwest Power Pool region, which includes KEPCo's members' service territory, experienced Winter Storm Uri that resulted in record low temperatures, causing a substantial increase in energy and natural gas usage throughout the region. This high demand, coupled with strained natural gas supply and low wind generation availability, resulted in extraordinarily high natural gas and market energy prices. KEPCo's Board of Trustees has elected to defer the excess costs of the winter storm and amortize them into its rates over two years, which was approved by RUS. The total power costs deferred during 2021 were approximately $13,623,000, of which approximately $5,686,000 was amortized into revenue and expense during 2021, leaving a remaining unamortized balance of approximately $7,937,000 at December 31, 2021.

Note 5: Lines of Credit

At December 31, 2021 and 2020, KEPCo had a $10,000,000 line of credit available with CoBank, ACB. There were no funds borrowed against the line of credit at December 31, 2021 or 2020. Interest rate options, as selected by KEPCo, are a weekly quoted variable rate in which CoBank establishes a rate on the first business day of each week or a London InterBank Offered Rate (LIBOR) option at a fixed rate equal to LIBOR plus 1.6%. This line of credit expires July 2022 and is secured by substantially all of KEPCo's assets.

KEPCo has two lines of credit available from the NRUCFC totaling $20,000,000, of which no funds were borrowed against at December 31, 2021 and 2020. One line is for $10,000,000 and matures March 2023. Interest varies as determined by the lender and was 2.45% at December 31, 2021 and 2020. The line requires an annual pay-down of the line or it becomes immediately callable at the discretion of the NRUCFC. The other line is for $10,000,000 and matures December 2049. Interest varies as determined by the lender and was 2.25% at December 31, 2021 and 2020. The lines are collateralized by substantially all of KEPCo's assets.

Note 6: Long-Term Debt

Long-term debt consists of mortgage notes payable to the United States of America acting through the Federal Financing Bank (FFB), NRUCFC, and others. Substantially all of KEPCo's assets are pledged as collateral. The terms of the notes as of December 31 are as follows:

	2021	2020
Mortgage notes payable to FFB at fixed rates varying from 0.759% to 4.46%, payable in quarterly installments through 2043	$84,449,553	$84,823,634
RUS cushion of credit (A)	-	(3,004,187)
FFB mortgage notes payable, net of cushion of credit	84,449,553	81,819,447
Note payable to CoBank at a rate of 3.03%, payable in quarterly installments through 2023	186,549	330,851
Mortgage notes payable, equity certificate loans, and member capital security notes to NRUCFC at fixed rates of 3.80% to 7.50%, payable quarterly through 2045	69,943,937	75,415,536
	154,580,039	157,565,834
Less current maturities	(8,960,589)	(8,698,761)
	$145,619,450	$148,867,073

(A) RUS cushion of credit funds are required to be applied to the debt service requirements of the FFB mortgage notes payable and are, therefore, reflected net in the

CONTINUED ON NEXT PAGE

CONTINUED

related balances in the accompanying consolidated balance sheets. The RUS cushion of credit is offered by the USDA and earns interest annually at a rate approved by the USDA.

KEPCo has approximately $8,524,000 of unadvanced loan funds with FFB as of December 31, 2021.

Aggregate maturities of long-term debt are as follows:

2022	$8,960,589
2023	8,996,578
2024	8,080,093
2025	7,561,966
2026	6,990,796
Thereafter	113,990,017
	$154,580,039

Restrictive covenants related to the NRUCFC and FFB debt require KEPCo to design rates that would enable it to maintain a times-interest earned ratio of at least 1.05 and debt service coverage ratio of at least 1.0, on average, in the two best years out of the three most recent calendar years. The covenants also prohibit distribution of net patronage capital or margins until, after giving effect to any such distribution, total patronage capital equals or exceeds 20% of total assets, unless such distribution is approved by RUS or NRUCFC. KEPCo was in compliance with such restrictive covenants as of December 31, 2021 and 2020.

The RUS cushion of credit account is an interest-bearing account and is restricted for the debt service of RUS-guaranteed debt and cannot be withdrawn. During 2021 and 2020, KEPCo made principal and interest payments to FFB and RUS with funds held in the RUS cushion of credit account of $3,004,187 and $4,460,688, respectively. The balance in this account at December 31, 2021 and 2020, was $0 and $3,004,187, respectively.

Restrictive covenants related to the CoBank debt require KEPCo to design rates that would enable it to maintain a debt service coverage ratio, as defined by CoBank, of at least 1.10. KEPCo was in compliance with the restrictive covenants as of December 31, 2021 and 2020.

Note 7: Revenue from Contracts with Customers

Performance Obligations – Operating Revenues

The majority of KEPCo's revenues are derived primarily from the sale of electric power to members. members consist of distribution cooperatives within dedicated territories in Kansas.

Rates charged for electric power sales to members are established at least annually by the Board of Trustees. KEPCo provides energy and demand to members as one stand-ready performance obligation. Electric power revenue is recognized by KEPCo upon transfer of control of the promised services to members in an amount that reflects the consideration KEPCo expects to receive in exchange for those services. KEPCo transfers control of the electric power to members at each member's meter point and the members simultaneously receive and consume the benefits of the energy provided. Electric power provided to members is accounted for as a series of performance obligations. Progress toward completion is measured using the output method. Meter readings are taken at the end of each month for billing purposes, and the quantity of energy transferred is determined after the meter readings. Customers are billed monthly and KEPCo accrues for unbilled amounts. Payments from members are received in accordance with each member's contract, which is less than 30 days from the invoice date.

Revenue associated with the electric power performance obligation to members is recorded as sales of electric energy in the accompanying consolidated statements of margin and comprehensive income (loss).

KEPCo has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are not materially affected by any factors, such as the geography of the service location, customer type, or service line.

The following table provides information about the Cooperative's receivables from contracts with customers:

	2021	2020
Member accounts receivable, beginning of year	$13,078,522	$9,921,216
Member accounts receivable, end of year	$11,463,026	$13,078,522

Accounting Policies and Practical Expedients Elected

KEPCo has applied an accounting policy election that allows an entity to exclude from revenue any amounts collected from customers on behalf of third parties, such as sales taxes and other similar taxes KEPCo collects concurrent with revenue-producing activities. Therefore, revenue is presented net of sales taxes and similar revenue-based taxes.

KEPCo has also elected to use the right to invoice practical expedient. This practical expedient allows an entity to recognize revenue in the amount of consideration to which the entity has the right to invoice when the amount that the entity has the right to invoice corresponds directly to the value transferred to the customer.

Note 8: Benefit Plans

National Rural Electric Cooperative Association (NRECA) Retirement and Security Program

KEPCo participates in the NRECA Retirement and Security Program (RS Plan) for its employees. The NRECA RS Plan is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is a multi-employer plan under the accounting standards. The plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333.

A unique characteristic of a multi-employer plan compared to a single-employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

KEPCo's contributions to the NRECA RS Plan in 2021 and 2020 represented less than 5% of the total contributions made to the plan by all participating employers. KEPCo made contributions to the NRECA RS Plan of approximately $572,000 and $570,000 for the years ended December 31, 2021 and 2020, respectively. There have been no significant changes that affect the comparability of 2021 and 2020 contributions.

For the NRECA RS Plan, a "zone status" determination is not required, and thus not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the NRECA RS Plan was more than 80% funded at January 1, 2021 and 2020, based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of the PPA do not apply to the NRECA RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

In 2012, NRECA approved an option to allow participating cooperatives in the NRECA RS Plan to make a contribution prepayment and reduce future required contributions. The prepayment amount is a cooperative's share, as of January 1, 2013, of future contributions required to fund the NRECA RS Plan's unfunded value of benefits earned to date using NRECA RS Plan actuarial valuation assumptions. The prepayment amount will typically equal approximately 2.5 times a cooperative's annual NRECA RS Plan required contribution as of January 1, 2013. After making the prepayment, for most cooperatives, the billing rate is reduced by approximately 25%, retroactive to January 1 of the year in which the amount is paid to the NRECA RS Plan. The 25% differential in billing rates is expected to continue for approximately 15 years from January 1, 2013. However, changes in interest rates, asset returns, and other plan experiences different from expected; plan assumption changes; and other factors may have an impact on the differential in billing rates and the 15-year period. KEPCo participated in the prepayment program and is amortizing $1,314,273 over a 10-year period through 2023. This balance is included in prepaid pension cost in other long-term assets on the accompanying consolidated balance sheets.

CONTINUED ON NEXT PAGE

NRECA Savings 401(k) Plan

All employees of KEPCo are eligible to participate in the NRECA Savings 401(k) Plan. Under the plan, KEPCo contributes an amount not to exceed 5%, dependent upon each employee's level of participation and completion of one year of service, of the respective employee's base pay to provide additional retirement benefits. KEPCo contributed approximately $132,000 and $135,000 to the NRECA Savings 401(k) Plan for the years ended December 31, 2021 and 2020, respectively.

WCNOC Pension and Postretirement Plans

KEPCo has an obligation to the WCNOC retirement plan, supplemental retirement plan, and postretirement medical plan (collectively, the Plans) for its 6% ownership interest in WCNOC. The Plans provide for benefits upon retirement, normally at age 65. In accordance with the Employee Retirement Income Security Act of 1974, KEPCo has satisfied its minimum funding requirements. Benefits under the Plans reflect the employee's compensation, years of service, and age at retirement.

WCNOC uses a measurement date of December 31 for the Plans.

Information about KEPCo's 6% share of the Plans' funded status follows:

	Pension Benefits		Postretirement Benefits	
	2021	2020	2021	2020
CHANGE IN BENEFIT OBLIGATION				
Beginning of year	$39,325,329	$35,905,327	$936,464	$904,303
Service cost	993,670	953,320	23,743	18,622
Interest cost	1,157,508	1,299,924	25,384	29,957
Plan participants' contributions	-	-	136,103	188,011
Plan amendments	-	484,292	-	60,134
Benefits paid	(1,666,596)	(2,940,010)	(211,805)	(325,379)
Settlements	(1,406,266)	-	-	-
Actuarial (gains) losses	(951,735)	3,622,476	(136,527)	60,816
End of year	37,451,910	39,325,329	773,362	936,464
CHANGE IN FAIR VALUE OF PLAN ASSETS				
Beginning of year	26,739,914	24,593,562	-	51,813
Actual return on plan assets	1,360,141	3,959,744	1	-
Employer contributions	1,748,400	1,092,000	77,094	61,182
Plan participants' contributions	-	-	105,076	159,564
Settlements	(1,406,266)	-	-	-
Benefits paid	(1,628,868)	(2,905,392)	(165,161)	(272,559)
End of year	26,813,321	26,739,914	17,010	-
FUNDED STATUS, END OF YEAR	($10,638,589)	($12,585,415)	($756,352)	($936,464)

Amounts recognized in the accompanying consolidated balance sheets:

	2021	2020
Other long-term liabilities		
WCNOC pension and postretirement benefit plans	$10,355,889	$12,091,282
WCNOC provision for injuries	$36,830	$46,689
Current liabilities		
Current provision for pension and postretirement benefit plans	$1,075,882	$1,479,574

Amounts recognized in accumulated other comprehensive loss not yet recognized as components of net periodic benefit costs consist of:

	Pension Benefits		Postretirement Benefits	
	2021	2020	2021	2020
Net loss	$(6,685,019)	$(8,616,167)	$(65,810)	$(217,160)
Prior service cost	(464,032)	(513,546)	(55,473)	(60,134)
	($7,149,051)	($9,129,713)	($121,283)	($277,294)

Information for the Plans with an accumulated benefit obligation in excess of plan assets:

	Pension Benefits		Postretirement Benefits	
	2021	2020	2021	2020
Projected benefit obligation	$37,451,910	$39,325,329	$773,362	$936,464
Fair value of plan assets	$26,813,321	$26,739,914	$17,010	$-

Weighted-average actuarial assumptions used to determine the net periodic benefit obligation:

	Pension Benefits		Postretirement Benefits	
	2021	2020	2021	2020
Discount rate	3.15%	3.61%	2.76%	2.76%
Annual salary increase rate	3.75%	3.75%	N/A	N/A

WCNOC uses a measurement date of December 31 for the Plans. The discount rate to determine the current year pension obligation and the following year's pension expense is based on a bond selection-settlement portfolio approach. This approach develops a discount rate by selecting a portfolio of high-quality, non-callable corporate bonds that generate a sufficient cash flow to provide for the projected benefit payments of the Plans. After the bond portfolio is selected, a single interest rate is determined that equates the present value of the Plans' projected benefit payments discounted at this rate with the market value of the bonds selected.

CONTINUED ON NEXT PAGE

CONTINUED

	Pension Benefits		Postretirement Benefits	
	2021	2020	2021	2020
COMPONENTS OF NET PERIODIC BENEFIT COSTS				
Service cost	$993,670	$953,320	$23,743	$18,622
Interest cost	1,157,508	1,299,924	25,384	29,957
Expected return on plan assets	(1,561,506)	(1,552,419)	-	-
Prior service cost amortization	49,515	6,722	4,661	-
Actuarial loss amortization	933,400	863,139	14,822	11,597
Net periodic benefit costs	1,572,587	1,570,686	68,610	60,176
OTHER CHANGES IN PLAN OBLIGATIONS RECOGNIZED IN OTHER COMPREHENSIVE INCOME (LOSS)				
Current year actuarial loss	(997,747)	1,215,151	(136,528)	60,815
Amortization of actuarial loss	(933,400)	(863,138)	(14,822)	(11,597)
Amortization of prior service cost	(49,515)	(6,722)	(4,661)	60,134
Total recognized in other comprehensive income (loss)	(1,980,662)	345,291	(156,011)	109,352
Total recognized in net periodic benefit costs and other comprehensive income (loss)	($408,075)	$1,915,977	($87,401)	$169,528
Weighted-average actuarial assumptions used to determine net periodic benefit costs				
Discount rate	3.15%	3.48%	2.76%	2.76%
Expected long-term return on plan assets	6.70%	6.70%	N/A	N/A
Compensation rate increase	3.75%	3.75%	N/A	N/A

KEPCo estimates it will amortize the following amounts into net periodic benefit costs in 2022:

	Pension Benefits	Postretirement Benefits
Actuarial loss	$709,633	$4,249
Prior service cost	49,515	4,661
Total	$759,148	$8,910

The expected long-term rate of return on plan assets is based on historical and projected rates of return for current and planned asset classes in the plans' investment portfolios. Assumed projected rates of return for each asset class were selected after analyzing long-term historical experience and future expectations of the volatility of the various asset classes. Based on target asset allocations for each asset class, the overall expected rate of return for the portfolios was developed, adjusted for historical and expected experience of active portfolio management results compared to benchmark returns and for the effect of expenses paid from plan assets.

For measurement purposes, the assumed annual health care cost trend rates were as follows:

	2021	2020
Health care cost trend rate assumed for next year	6.00%	6.25%
Rate to which the health care cost trend rate is assumed to decline	4.50%	4.50%
Year the health care cost trend rate reaches the ultimate trend rate	2027	2027

WCNOC's pension plan investment strategy is to manage assets in a prudent manner with regard to preserving principal while providing reasonable returns. It has adopted a long-term investment horizon such that the chances and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets. Part of its strategy includes managing interest rate sensitivity of plan assets relative to the associated liabilities. The primary objective of the pension plan is to provide a source of retirement income for its participants and beneficiaries, and the primary financial objective of the plan is to improve its funded status. The primary objective of the postretirement benefit plan is growth in assets and preservation of principal, while minimizing interim volatility, to meet anticipated claims of plan participants. WCNOC delegates the management of its pension benefit plan assets to independent investment advisors who hire and dismiss investment managers based upon various factors. The investment advisors are instructed to diversify investments across asset classes, sectors, and manager styles to minimize the risk of large losses, based upon objectives and risk tolerance specified by WCNOC, which include allowable and/or prohibited investment types. It measures and monitors investment risk on an ongoing basis through quarterly investment portfolio reviews and annual liability measurements.

The target allocations for WCNOC's pension plan assets are 31% to international equity securities, 25% to domestic equity securities, 25% to debt securities, 5% to commodity investments, and 14% to other investments. The investments in both international and domestic equity include investments in large-, mid-, and small-cap companies and investment funds with underlying investments similar to those previously mentioned. The investments in debt include core and high-yield bonds. Core bonds include funds invested in investment grade debt securities of corporate entities, obligations of U.S. and foreign governments and their agencies, and private debt securities. High-yield bonds include a fund with underlying investments in non-investment grade debt securities of corporate entities, private placements, and bank debt. Real estate securities include funds invested in commercial and residential real estate properties while commodity investments include funds invested in commodity-related instruments.

Pension Plan Assets

All of WCNOC's pension plan assets are recorded at fair value using daily net asset values as reported by the trustee.

Similar to other assets measured at fair value, GAAP establishes a hierarchal framework for disclosing the transparency of the inputs utilized in measuring pension and postretirement benefit plan assets at fair value. From time to time, the WCNOC pension trust may buy and sell investments resulting in changes within the hierarchy. Where quoted market prices are available in an active market, plan assets are classified within Level 1 of the valuation hierarchy. Level 1 plan assets include cash equivalents. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of plan assets with similar characteristics, or discounted cash flows. In certain cases where Level 1 or Level 2 inputs are not available, plan assets are classified within Level 3 of the hierarchy. Significant inputs and valuation techniques used in measuring Level 3 fair values include market discount rates, projected cash flows, and the estimated value into perpetuity. Investments that do not have a readily determinable fair value are measured at net asset value (NAV). These investments do not consider the observability of inputs; therefore, they are not included within the fair value hierarchy. WCNOC includes investments in private equity, real estate, and alternative investment funds that do not have a readily determinable fair value in this category. The underlying alternative investments include collateralized debt obligations, mezzanine debt, and a variety of other investments.

The following table provides the fair value of KEPCo's 6% share of WCNOC's pension plan assets and the corresponding level within the fair value hierarchy as of December 31:

CONTINUED ON NEXT PAGE

CONTINUED

	Fair Value Measurements Using				
	Fair Value	Level 1	Level 2	Level 3	NAV
2021					
Cash equivalents	$420,824	$420,824	$-	$-	$-
Equity securities					
U.S.	6,994,394	-	-	-	6,994,394
International	5,372,350	-	-	-	5,372,350
Debt securities					
Core bonds	10,601,160	-	-	-	10,601,160
Alternative investments	3,424,593	-	-	-	3,424,593
Total investments	$26,813,321	$420,824	$-	$-	$26,392,497
2020					
Cash equivalents	$182,152	$182,152	$-	$-	$-
Equity securities					
U.S.	7,084,961	-	-	-	7,084,961
International	8,605,847	-	-	-	8,605,847
Debt securities					
Core bonds	3,761,131	-	-	-	3,761,131
Alternative investments	7,105,823	-	-	-	7,105,823
Total investments	$26,739,914	$182,152	$-	$-	$26,557,762

Estimated future benefit payments as of December 31, 2021, for the Plans, which reflect expected future services, are as follows:

	Pension Benefits	Postretirement Benefits
Expected contributions		
2022	$1,008,000	$67,882
Expected benefit payments		
2022	$2,001,194	$67,882
2023	$2,033,951	$61,095
2024	$2,042,522	$56,888
2025	$2,049,300	$50,870
2026	$2,126,769	$48,443
2027–2031	$10,977,463	$213,944

Note 9: Commitments and Contingencies

Current Economic Conditions

KEPCo considers current economic conditions when planning for future power supply and liquidity needs. The current economic climate may also affect KEPCo's ability to obtain financing.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the accompanying consolidated financial statements could change rapidly, resulting in material future adjustments that could negatively impact KEPCo's ability to meet debt covenants or maintain sufficient liquidity. Currently under state statutes, KEPCo's rate-making is deregulated and, therefore, KEPCo expects to be able to recover any economic losses through future rates.

Letter of Credit

KEPCo has an irrevocable standby letter of credit with CoBank in the amount of $2,968,470 that expires in April 2027. The letter of credit is intended to provide financial security for uranium purchases.

Nuclear Liability Insurance

Pursuant to the Price-Anderson Act, liability insurance includes coverage against public nuclear liability claims resulting from nuclear incidents to the required limit of public liability, which is approximately $13,600,000,000. This limit of liability consists of the maximum available commercial insurance of $500,000,000, and the remaining $13,100,000,000 is provided through mandatory participation in an industry-wide retrospective assessment program. Under this retrospective assessment program, the owners of WCNOC are jointly and severally subject to an assessment of up to $137,600,000 (KEPCo's share is $8,300,000), payable at no more than $20,500,000 (KEPCo's share is $1,200,000) per incident per year per reactor for any commercial U.S. nuclear reactor qualifying incident. Both the total and yearly assessments are subject to an inflationary adjustment based on the Consumer Price Index and applicable premium taxes. In addition, Congress could impose additional revenue-raising measures to pay claims.

The owners of WCNOC carry nuclear accident decontamination liability, premature nuclear decommissioning liability, and property damage insurance for WCNOC totaling approximately $2,800,000,000 (KEPCo's share is $168,000,000). In the event of a nuclear accident, insurance proceeds must first be used for reactor stabilization and site decontamination in accordance with a plan mandated by the NRC. The owners' share of any remaining proceeds can be used to pay for property damage or, if certain requirements are met, including decommissioning the plant, toward a shortfall in the NDT.

The owners also carry additional insurance with Nuclear Electric Insurance Limited (NEIL) to help cover costs of replacement power and other extra expenses incurred during a prolonged outage resulting from accidental property damage at WCNOC. If significant losses were incurred at any of the nuclear plants insured under the NEIL policies, the owners may be subject to retrospective assessments under the current policies of approximately $33,000,000 (KEPCo's share is $1,980,000).

Although KEPCo maintains various insurance policies to provide coverage for potential losses and liabilities resulting from an accident or an extended outage, KEPCo's insurance coverage may not be adequate to cover the costs that could result from a catastrophic accident or extended outage at WCNOC. Any substantial losses not covered by insurance, to the extent not recoverable in KEPCo's prices, would have a material effect on KEPCo's consolidated financial results.

Decommissioning Insurance

KEPCo carries premature decommissioning insurance that has several restrictions, one of which can only be used if WCNOC incurs an accident exceeding $500,000,000 in expenses to safely stabilize the reactor and decontaminate the reactor and reactor station site in accordance with a plan approved by the NRC and pay for on-site property damages.

Once the NRC property rule requiring insurance proceeds to be used first for stabilization and decontamination has been complied with, the premature decommissioning coverage could pay for the decommissioning fund shortfall in the event an accident at WCNOC exceeds $500,000,000 in covered damages and causes WCNOC to be prematurely decommissioned.

Nuclear Fuel Commitments

KEPCo owns a 6% undivided interest in WCNOC and provides its own financing for costs incurred by WCNOC. KEPCo's share of anticipated costs for ongoing nuclear fuel for WCNOC is estimated to be approximately $25,187,000 for the next five years. KEPCo has provided a letter of credit of approximately $2,969,000 in connection with nuclear fuel costs.

Coal Commitments

KEPCo owns a 3.53% undivided interest in Iatan 2 and provides its own financing for costs incurred by Iatan 2. KEPCo's share of anticipated costs for ongoing coal fuel for Iatan 2 is estimated to be approximately $14,100,000 for the next five years.

Purchase Power Commitments

KEPCo has supply contracts with various utility companies to purchase power to supplement generation in given service areas. KEPCo has provided the Southwest Power Pool a letter of credit of $1,500,000 to help ensure power is available if needed.

Note 10: Significant Estimates and Concentrations

GAAP requires disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

CONTINUED ON NEXT PAGE

CONTINUED

Litigation

KEPCo is subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have an adverse effect on the consolidated financial position, results of operations, and cash flows of KEPCo.

There is a provision in the WCNOC operating agreement whereby the owners treat certain claims and losses arising out of the operations of WCNOC as a cost to be borne by the owners separately (but not jointly) in proportion to their ownership shares. Each of the owners has agreed to indemnify the others in such cases.

Deferred Compensation Agreement

The amount of annual expense accrued for deferred compensation is based on an estimate of the total amounts payable under the contract over the lifetimes of the beneficiaries.

Asset Retirement Obligation

As described in Note 1, KEPCo has recorded a liability for its conditional asset retirement obligation related to the WCNOC plant decommissioning costs.

Pension and Other Postretirement Benefit Obligations

KEPCo, through its 6% share in WCNOC, has a noncontributory defined benefit pension and postretirement medical plan whereby it agrees to provide certain postretirement benefits to eligible employees. The benefit obligation is the actuarial present value of all benefits attributed to service rendered prior to the valuation date based on the projected unit credit cost method. It is reasonably possible that events could occur that would change the estimated amount of this liability materially in the near term.

Investments

KEPCo invests in various investment securities in its NDT. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated balance sheets.

Note 11: Disclosures About Fair Value of Assets and Liabilities

ASC 820, Fair Value Measurements, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

ASC 820 also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- **LEVEL 1** — Quoted prices in active markets for identical assets or liabilities
- **LEVEL 2** — Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- **LEVEL 3** — Unobservable inputs supported by little or no market activity and significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Decommissioning Fund and Short-Term Investments

The decommissioning fund consists of various mutual funds where fair value is determined by quoted market prices in an active market and, as such, are classified within Level 1 of the valuation hierarchy. Short-term investments are investments with an original maturity greater than three months, but less than 12 months, in commercial paper issued by NRUCFC, and are classified within Level 2 of the valuation hierarchy.

The following table presents the fair value measurements of assets recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the ASC 820 fair value hierarchy in which the fair value measurements fall at December 31:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2021				
Nuclear Decommissioning Trust				
Equity Securities				
Domestic fund	$23,773,155	$23,773,155	$-	$-
International fund	2,294,555	2,294,555	-	-
Domestic bond fund	14,387,945	14,387,945	-	-
Money market	203,874	203,874	-	-
Total investments	$40,659,529	$40,659,529	$-	$-
2020				
Nuclear Decommissioning Trust				
Equity Securities				
Domestic fund	$20,731,690	$20,731,690	$-	$-
International fund	2,195,993	2,195,993	-	-
Domestic bond fund	12,458,624	12,458,624	-	-
Money market	178,644	178,644	-	-
			-	-
Total nuclear decommissioning trust	35,564,951	35,564,951	-	-
Internal Investments				
Short-term investments	13,000,000	-	13,000,000	-
Total investments	$48,564,951	$35,564,951	$13,000,000	$-

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified within Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Note 12: Patronage Capital

In accordance with KEPCo's bylaws, KEPCo's current margins are to be allocated to members. KEPCo's current policy is to allocate to members based on revenues collected from the members as a percentage of total revenues. If KEPCo's consolidated financial statements were no longer prepared under the regulatory basis of accounting as prescribed by ASC 980, total patronage capital would be substantially less. Patronage capital distributions of $0 and $699,114 were made to members in 2021 and 2020, respectively.

Note 13: Subsequent Events

Subsequent events have been evaluated through April 18, 2022, which is the date the consolidated financial statements were available to be issued.

CONTINUED ON NEXT PAGE

Independent Auditor's Report

BOARD OF TRUSTEES KANSAS ELECTRIC POWER COOPERATIVE, INC. TOPEKA, KANSAS

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Kansas Electric Power Cooperative, Inc. and its wholly owned subsidiary (KEPCo), which comprise the consolidated balance sheet as of December 31, 2021, and the related consolidated statements of margin and comprehensive income (loss), patronage capital, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 18, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered KEPCo's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of KEPCo's internal control. Accordingly, we do not express an opinion on the effectiveness of KEPCo's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether KEPCo's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

OKLAHOMA CITY, OKLAHOMA
APRIL 18, 2022

About KEPCo

Kansas Electric Power Cooperative, Inc. (KEPCo), headquartered in Topeka, Kansas, was incorporated in 1975 as a not-for-profit generation and transmission cooperative (G&T). It is KEPCo's responsibility to procure an adequate and reliable power supply for its 16 distribution electric cooperative members at a reasonable cost.

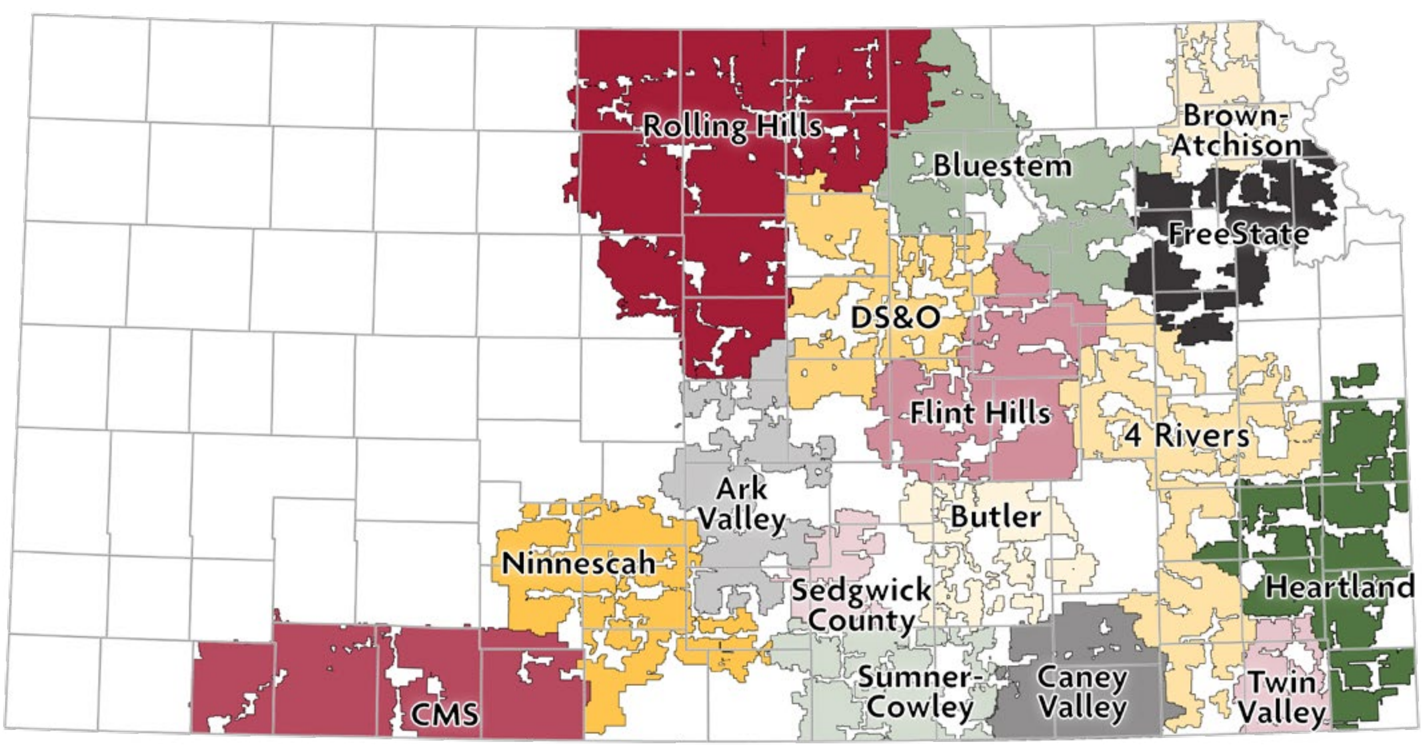
In addition to its core mission, KEPCo also assists its member cooperatives on such important activities as rural economic development, electric appliance rebates, load and power cost forecasting, and system enhancement projects.

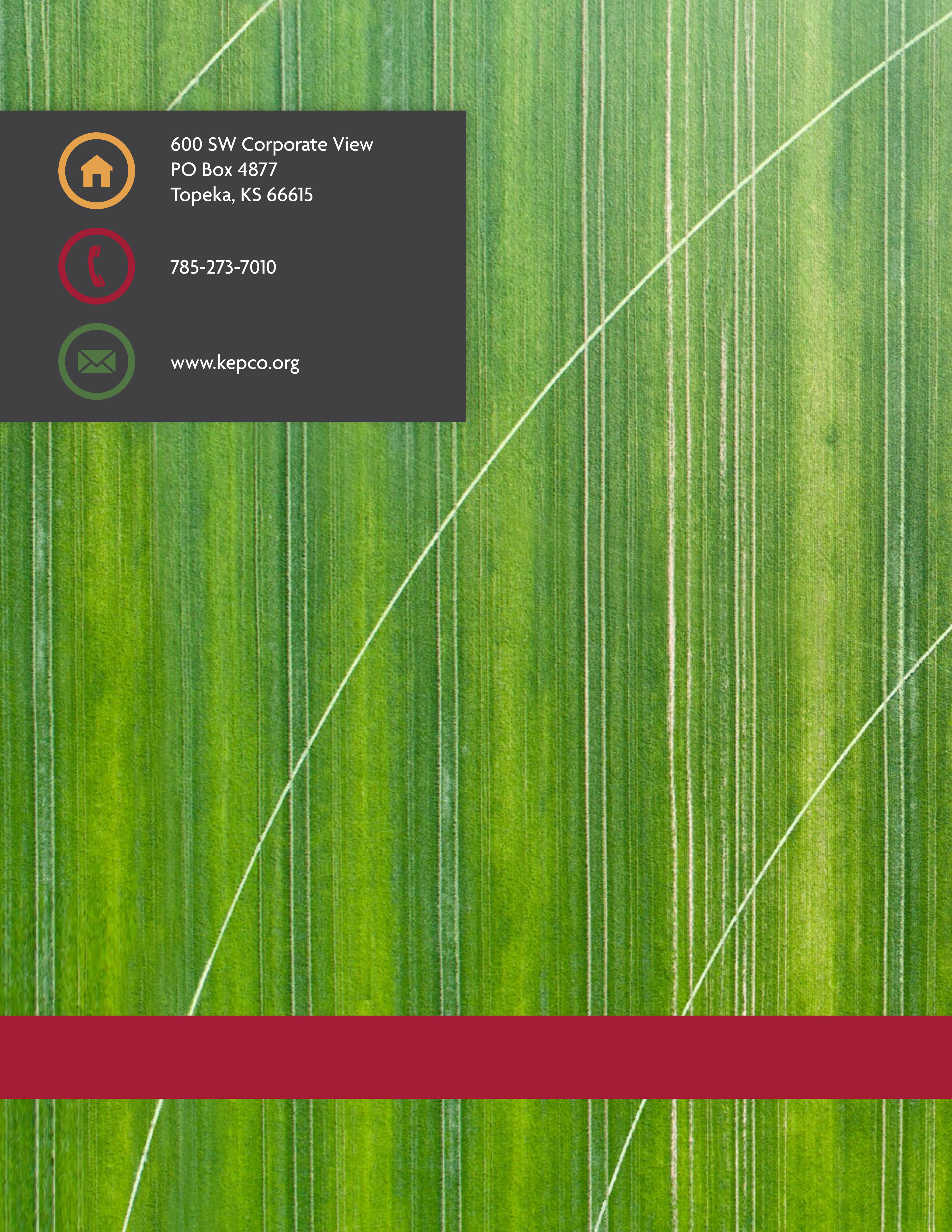
Governed by a 16-member board of trustees, KEPCo's members collectively serve over 75,000 consumer-members in the eastern two-thirds of Kansas, which represents nearly 200,000 rural Kansans. The board of trustees establishes policies, provides direction, and acts on issues that often include recommendations from working committees of the board and KEPCo staff. The board also elects a seven-person executive committee, which includes the president, vice president, secretary, treasurer, and three additional members.

KEPCo's power supply resources consist of 70 MW of owned generation from Wolf Creek Generating Station, 30 MW of owned generation from Iatan 2 Generating Plant, 20 MW of owned generation from Sharpe Generating Station, hydro allocations consisting of 100 MW from the Southwestern Power Administration and 13 MW from the Western Area Power Administration, 1 MW of owned generation from Prairie Sky Solar Farm, and partial requirement power purchases from regional utilities.

KEPCo is a Touchstone Energy® Cooperative, a national network of electric cooperatives across 46 states that provides resources and leverages partnerships to engage and serve their members. By working together, Touchstone Energy cooperatives stand as a source of power and information to their 32 million consumer-members every day.

KEPCo strives for excellence in providing safe, reliable, economical, and environmentally responsible power supply, exceptional support, and innovative services ...





600 SW Corporate View
PO Box 4877
Topeka, KS 66615

785-273-7010

www.kepco.org