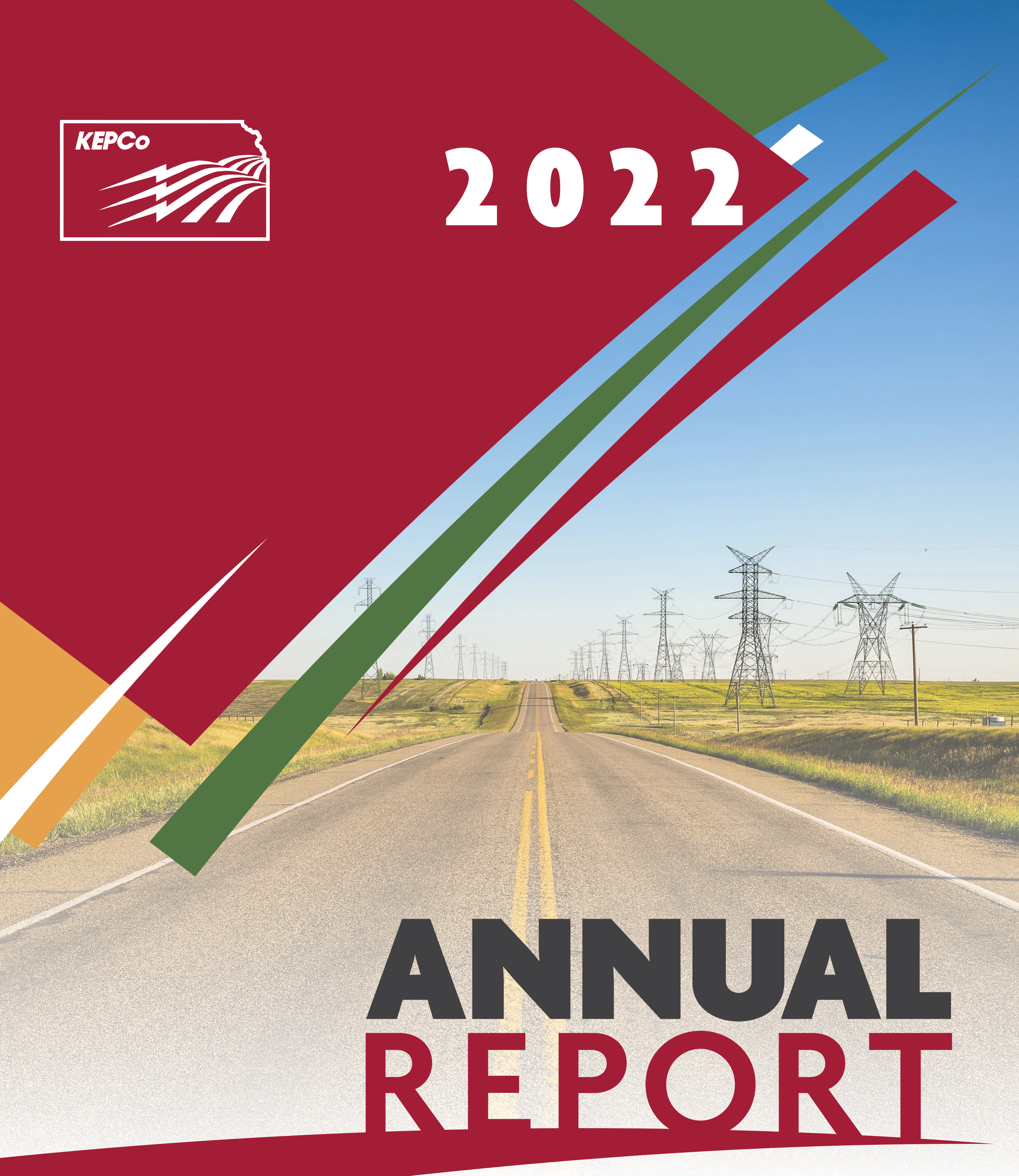

2022

ANNUAL REPORT

KANSAS ELECTRIC POWER COOPERATIVE

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.

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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.

KEPCo STAFF

SUZANNE LANE
Executive Vice President & Chief Executive Officer

MARK BARBEE
Senior Vice President & Chief Operating Officer

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

COLEEN WELLS
Senior Vice President & Chief Financial Officer

STEPHANIE ANDERSON
Finance and Benefits Analyst III

KEITH BURK
Information Systems Specialist II

LINDSAY CLARK
Administrative Assistant

JERAD CROTINGER
Senior Operations Technician

CHRIS DAVIDSON
Senior Engineer

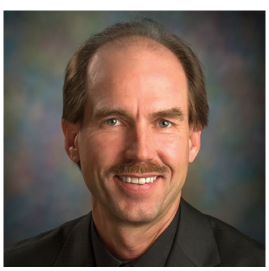
TERRY DEUTSCHER
Manager, SCADA and Meter Maintenance

MARK DOLJAC
Executive Director, Regulatory Affairs and Planning

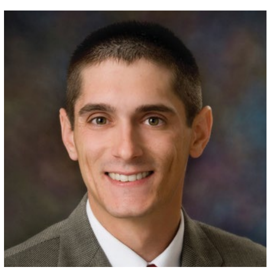
REBECCA FOWLER
Manager, Regulatory Affairs

CAROL GARDNER
Operations Analyst III

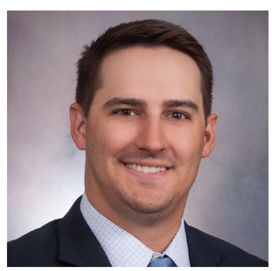
SHAWN GEIL
Executive Director, Technical and Energy Services



MAURICE HALL
Senior SCADA/Metering Technician



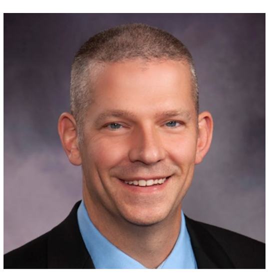
ROBERT HAMMERSMITH
Senior SCADA/Metering Technician



BRAD HUTTON
Financial/Regulatory Specialist

KRISTINA KUEBLER
Administrative Assistant

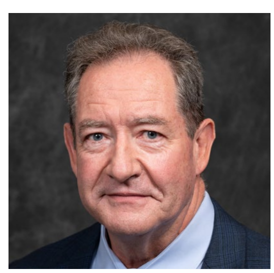
ADAM LEE
Senior SCADA/Metering Technician



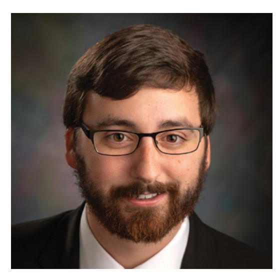
MATT OTTMAN
Information Systems Specialist III

JULIE SPIELMAN
Finance and Accounts Payable/ Payroll Specialist

CLAUDINE STUEVE
Executive Assistant & Manager of Office Services



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



LUKE ZAHNER
Engineer II

Setting Right Pace Key to Navigating Change

LETTER FROM THE BOARD PRESIDENT AND EXECUTIVE VICE PRESIDENT/CEO

SUZANNE LANE
Executive Vice President & Chief Executive Officer

MIKE MORTON
Board President

When reflecting about KEPCo and the electric utility industry in general in 2022, the rapid pace of change and the many challenges come first to mind. Electrification of the economy, technological advancements, pressures to reduce carbon emissions, efforts to aggregate resources, disruptions to electric supply chains, labor shortages, impacts of record-breaking heat and other extreme weather events, rapid deployment of renewable resources, volatile natural gas and energy prices, and unfathomable federal funding opportunities are notable examples of topics that utilities are experiencing all at once. The familiar adage "it's not a sprint, it's a marathon" comes to mind. As we can all attest, tackling any one of these issues — let alone all of them — requires the appropriate tools and preparation, and we responded with a marathon vs. sprint mentality, establishing a steady, manageable pace that assured affordability and reliability remained top priorities for our members.

While change should be encouraged, is often positive, and helps us evolve to serve the needs of the nearly 200,000 rural Kansans we proudly serve, finding the appropriate, marathon-like pace for change is key. According to marathon training experts, the four building blocks of marathon training include easing into a base mileage, completing long runs, performing speed work, and prioritizing rest and recovery.

Building base mileage — or in the case of an electric cooperative, developing and implementing a sustainable strategy — takes time, dedication, patience, and perseverance. Completing an occasional long run is essential to assure the body can adjust gradually to long distances, much like electric cooperatives when innovatively incorporating new strategies into our core mission. The speed work stage of marathon training involves practicing intervals and tempo runs to increase cardio capacity. This is highly synonymous with electric cooperatives adapting in real-time to the needs of our sole stakeholders, our members. And lastly, the rest and recovery stage assures adequate rest to help prevent injuries and mental and physical burnout, similar to cooperatives after implementing a new strategy, practice, or policy to assure the pace of change does not create unintended issues for our members or employees.

So what results did KEPCo's marathon mentality achieve in 2022? When it comes to providing affordable power for our members, our diverse power supply, flexible rate structure, regulatory successes, reliable resources, and load management efforts allowed us to keep prices more stable than many utilities across the country. This was no easy task as several cost pressures challenged our performance. Natural gas and market energy prices in the summer of 2022 were at times more than double what they were in the summer of 2021. Timely, consistent

... we responded with a marathon vs. sprint mentality, establishing a steady, manageable pace that assured affordability and reliability remained top priorities for our members.

While many of the changes and challenges will continue to be at the forefront in the coming year, maintaining an “it’s a marathon, not a sprint” mentality will be possible because of the dedication and cooperation among all who are part of the KEPCo family.

coal delivery was challenged due to railroad labor shortages and the threat of rail strikes. And these issues came at a time when our region experienced one of the longest, hottest summers in recent years. Then, at year’s end, we experienced Winter Storm Elliott, a cross-country storm that brought strong winds, brutally cold temperatures, and some blizzard conditions to the eastern two-thirds of the U.S. Thanks to the hard work of our employees, members, and board of trustees, we were able to keep average rates to our members stable during this time of volatility; in other words, our marathon training paid off.

While achieving stable rates during an unstable year was a significant highlight from 2022, we experienced numerous other successes and challenges as well. Importantly, we concluded 2022 with zero safety or cybersecurity incidents, marking the 13th consecutive year of recording no lost-time accidents. Additionally, our owned and purchased resources remained overall reliable and provided continued value to our membership. Wolf Creek, the nuclear plant we co-own with Evergy, completed its 25th refueling outage safely and under budget. We remained financially strong, ending the year with a solid net margin and strong equity-to-asset ratio. We also ended 2022 with a successful, profitable year for our wholly owned, for-profit engineering subsidiary, KEPCo Services, Inc. We remained engaged at the Southwest Power Pool, the Kansas Legislature, Congress, the Federal Energy Regulatory Commission, and the Kansas Corporation Commission, advocating for members in areas involving reliability, affordability, distributed energy resources, energy storage, and the value of fuel diversity. We successfully facilitated the 2022 load management season, garnering significant savings for members over the related 12-month period. We developed and implemented KEPCo’s first energy emergency policy, incorporating the lessons learned during and after 2021’s Winter Storm Uri.

These are just a few of the many accomplishments KEPCo was honored to achieve on behalf of our 16 member-owners, none of which would have been possible without the hard work of our staff, industry partners, and board of trustees. While many of the changes and challenges will continue to be at the forefront in the coming year, maintaining an “it’s a marathon, not a sprint” mentality will be possible because of the dedication and cooperation among all who are part of the KEPCo family.

Thank you to the 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.

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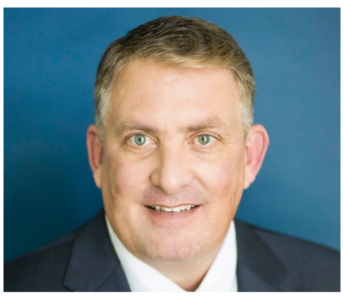
4 Rivers Electric Cooperative, Inc.

TOM AYERS, ALTERNATE
4 Rivers Electric Cooperative, Inc.

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

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



KEVIN BROWNLEE, TRUSTEE, MANAGER
Butler Electric Cooperative Assn., Inc.

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

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

CHARLES GOECKEL, TRUSTEE, MANAGER
Flint Hills Rural Electric Cooperative Assn., Inc.
VICE PRESIDENT

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

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FreeState Electric Cooperative, Inc.

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

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.

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President

CHARLES GOECKEL
Vice President

BRYAN COOVER
Secretary

KEN HEDBERG
Treasurer

KEVIN COMPTON
Executive Committee Member

MARK SCHEIBE
Executive Committee Member

KIRK THOMPSON
Executive Committee Member

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

GARY BUSS, ALTERNATE
Bluestem Electric Cooperative, Inc.

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

MICHAEL VOLKER, 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.

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DSO Electric Cooperative, Inc.
TREASURER

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

MARK SCHEIBE, TRUSTEE, MANAGER
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COMMITTEE MEMBER

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Heartland Rural Electric Cooperative, Inc.

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Ninnescah Rural Electric Cooperative Assn., Inc.

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

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Sumner-Cowley Electric Cooperative, Inc.

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

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

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

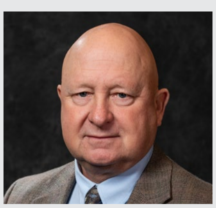
New KEPCo Officers Elected

At the November meeting of the KEPCo Board of Trustees, Mike Morton was unanimously elected board president. Morton is general manager of Bluestem Electric Cooperative, Inc. in Wamego, which serves approximately 5,400 electric cooperative consumer-members. He previously served as KEPCo's vice president.

MIKE MORTON
President

CHUCK GOECKEL
Vice President

BRYAN COOVER
Secretary



KEN HEDBERG
Treasurer

The KEPCo Board of Trustees comprises a trustee representative and an alternate from each of the 16 KEPCo member cooperatives. The board annually names seven trustee representatives to serve as its executive committee.

Other officers elected were vice president — Chuck Goeckel, manager of Flint Hills Rural Electric Cooperative, Inc. in Council Grove; secretary — Bryan Coover, president of the board of trustees at Twin Valley Electric Cooperative, Inc. in Altamont; and treasurer — Ken Hedberg, vice president of the board of trustees at DSO Electric Cooperative, Inc. in Solomon.

Along with the officers, the following individuals were elected to fill three additional positions on the executive committee: Mark Scheibe, CEO of Heartland Rural Electric Cooperative, Inc. in Girard; Kevin Compton, vice president of the board of trustees at Brown-Atchison Electric Cooperative Association, Inc. in Horton; and Kirk Thompson, manager of CMS Electric Cooperative, Inc. in Meade.

Legislative Year in Review

Throughout the 2022 legislative session, considerable attention was focused on renewable energy, as several bills were introduced in the Senate Utilities Committee that would have placed qualifications and specifications on the siting, development, and operation of renewable generating facilities. However, by the end of the session, no bill regarding or affecting renewable energy was passed out of the committee. In fact, the only energy-related bill to pass both chambers pertained to coal combustion residuals (CCR), which will allow the state, through the Kansas Department of Health and Environment, to develop an "equal to" program for CCR oversight rather than deferring that function to the U.S. Environmental Protection Agency.

"Several bills of interest were discussed this year, and although only one received action, KEPCo, KEC, Sunflower, and Midwest Energy worked collaboratively to communicate our positions and views, ensuring electric cooperative interests were known and understood by the legislature," said Susan Cunningham, KEPCo SVP of regulatory and government affairs and general counsel.

At the national level, the annual National Rural Electric Cooperative Association (NRECA) Legislative Conference was held in May. A contingent of 16 Kansas electric cooperative representatives were part of approximately 880 electric cooperative representatives from across the country that attended the conference to receive updates on priority issues impacting electric cooperatives from key Capitol Hill and White House staff, as well as convey industry issues to their respective congressional leaders. Each year, the conference is the largest electric cooperative grassroots event in the nation's capitol, and this year was no exception, with over 200 congressional visits by attending members.

"The NRECA Legislative Conference is an invaluable method of communicating with our Kansas delegation the collective concerns of electric cooperatives and, in particular, the concerns of Kansas electric cooperatives," said Phil Wages, KEPCo director of member services, government affairs, and business development.

The specific issues discussed with the Kansas delegation included direct pay tax incentives for energy innovation, federal infrastructure funding, H.R. 2244/S. 978 – The Federal Financing for Rural America Act, and S. 3719 – The Southwestern Power Administration Fund Establishment Act. Kansas Senator Jerry Moran introduced S. 3719 and subsequent to our visit, Senator Roger Marshall became a co-sponsor of the bill.

In Kansas, as part of KEPCo's advocacy efforts, staff participated in the four Co-ops Vote events sponsored by our member cooperatives. The events were attended by electric cooperative staff, trustees, and area Kansas legislators and public officials and provides electric cooperatives the opportunity to meet with elected officials and discuss issues of importance to electric cooperatives and the communities in which they serve.

Co-ops Vote is a non-partisan campaign focused on enhancing the political strength of electric cooperatives through relationship building and voter engagement. Working in collaboration with our member cooperatives, this effort educates and engages legislators and co-op staff on important issues, such as expanding broadband coverage throughout rural Kansas, ensuring continued access to reliable and affordable electricity, and promoting the work of co-ops within the communities they serve.

"The Co-ops Vote events provide a setting in which KEPCo and its member cooperatives can present information to legislators in an open and relaxed forum. Sharing information is critical in order for lawmakers and decision-makers to develop an understanding of electric cooperatives' positions on topics or bills that may be debated in the legislature," said Cunningham.

Through participation in Co-ops Vote events and other advocacy efforts, KEPCo earned the "5-Star Co-op" designation from NRECA.

Wolf Creek Completes Refueling 25

KEPCo is a 6% owner of the Wolf Creek Nuclear Generating Station (Wolf Creek) located near Burlington, Kansas. Every 18 months, Wolf Creek undergoes a refueling outage, which typically occurs in the spring or fall when electricity demand is lowest and there is little winter heating or summer air conditioning load. In 2022, refueling commenced in early October.

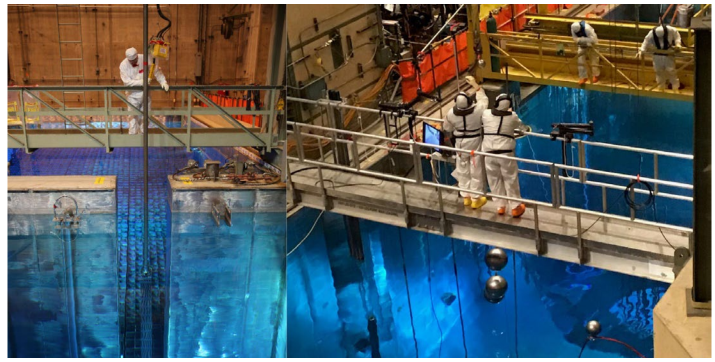
While the plant was offline, Wolf Creek performed nearly 9,000 scheduled maintenance activities while working 24 hours per day. By conducting inspections and performing maintenance at the same time as refueling, workers can eliminate the need to power down the plant at other times to perform the same work. This allows nuclear plants to produce electricity continuously for long lengths of time. To accomplish this, Wolf Creek brought in approximately 600 supplemental workers with specialty skills like reactor services or turbine-generator expertise. The outage schedule is based around the refueling activities and is adjusted to accommodate the number of maintenance activities needed.

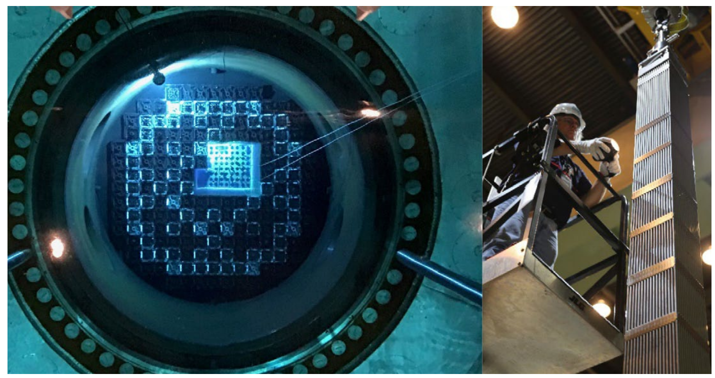
During each refueling outage, about one-third of the 193 fuel assemblies are replaced with new assemblies and rearranged to levelize power generation inside the reactor.

The weight of all the fuel in the core is about 88 tons and has the energy equivalency of approximately 19 million tons of coal. Before new fuel is placed in the reactor, the fuel is closely inspected to ensure no abnormalities or damage is identified. The old assemblies are placed in the spent fuel pool and the new fuel is placed in the reactor.

Once the refueling and maintenance was completed, Wolf Creek was methodically and safely brought back online.

"Wolf Creek is one of the safest and best performing nuclear power plants in the country. Attention to detail while refueling and performing maintenance during refueling outages is one of the most critical components in sustaining the safety and reliability of the plant. As an owner, KEPCo is pleased and proud that Wolf Creek has nearly a 40-year history of strong performance," said Suzanne Lane, KEPCo EVP & CEO.





Prairie Sky Marks 5th Anniversary

In 2016, KEPCo's Board of Trustees unanimously approved the addition of Prairie Sky Solar Farm, a 1-MW fixed-tilt solar facility, to its already diverse resource mix, which became operational in February 2017. Located on 22.5 acres in Butler County, Prairie Sky comprises 4,560 photovoltaic panels and can produce enough energy to supply the needs of about 164 homes. The developed portion of Prairie Sky encompasses close to 8 acres and the balance of the site has a native plant mixture that supports local wildlife.

Prairie Sky was the first utility-scale solar project in Kansas. Until Prairie Sky, solar energy in Kansas consisted of community-solar projects, commercial installations, and residential rooftop solar.

Officially dedicated on March 14, 2017, Prairie Sky has completed five years of operation. In addition to adding renewable energy to KEPCo's resource portfolio, the solar farm helps KEPCo decrease peak demand, providing power cost savings to its distribution cooperative members. Over the past five years, Prairie Sky produced 9,383 MWh (net), delivered 9,332 MWh (net) to the Benton Substation load bus, and reduced KEPCo purchased power costs by almost $1.1 million at a cost of just over $700,000 for a net benefit of $360,000.

"Prairie Sky has been a valuable resource for KEPCo and also a good learning opportunity for the KEPCo staff and our members," said Mark Barbee, KEPCo SVP and COO.

KEPCo Supports Community Organizations

Supporting community organizations and engaging in the community is part of being a good corporate citizen and also reflects 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.

In 2022, through KEPCo's Charitable Giving Program, KEPCo and KEPCo staff, along with a CoBank matching contribution, donated more than $31,000 to local and regional charities. 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 to supporting charitable organizations, KEPCo staff supported four local senior adults needing assistance during the Christmas season by adopting them through the United Way Christmas Bureau.

"This year, we have all been impacted by record inflation rates, causing strains on family budgets, particularly those that can least afford it," Suzanne Lane, KEPCo EVP & CEO, said. "Supporting charitable organizations and bringing joy during the holiday season to individuals in need is especially rewarding and KEPCo is proud and humbled to do so."

Christmas tree with gifts that KEPCo wrapped and delivered to our adopted senior adults.

KEPCo SERVICES, INC.

KSI Completes Projects for 13 Members in 2022

KEPCo Services, Inc. (KSI) is a wholly owned, for-profit subsidiary of KEPCo. Established in 1997, KSI offers a wide range of technical and engineering services to KEPCo's member cooperatives and non-member cooperatives seeking engineering consulting services. KSI's goal is to provide value-added engineering services while creatively finding solutions that facilitate the goals and objectives of their clients.

Combining the long-standing, successful tradition of technical support and engineering services with new, innovative services to meet the needs of both member and non-member cooperatives in a dynamic electric utility industry, KSI has developed a robust menu of services, which are executed by experienced engineers who understand rural electric cooperatives and their engineering needs. The engineering services offered include construction work plans, sectionalizing studies, distributed generation interconnection evaluations, arc hazard assessments, spill prevention control and countermeasure plans, substation design, and work order inspections, among others. With a broad knowledge of generation, transmission, and distribution systems, and by focusing on the unique needs of electric cooperatives, KSI is able to provide high value, professional services in an efficient and cost-effective manner.

In 2022, KSI participated in projects for 13 KEPCo members and one non-member cooperative. Some of the more substantive projects included arc flash studies, construction workplans, work order inspections, member solar interconnections, sectionalizing studies, and spill plan updates.

KSI also worked with six member cooperatives to complete their solar projects. In 2021, 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. In 2021, six of the participating cooperatives installed one-megawatt solar arrays at 11 different locations across rural Kansas, and in 2022, KSI finished the project by aiding in the design, procurement of materials, fabrication, and installation of the relay and control aspects for the remaining six cooperatives. The solar sites were operational and online for the 2022 summer peak demand season.

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

KSI Engineering

Find out more at
WWW.KEPCO.ORG/KSI

KSI has developed a robust menu of services, which are executed by experienced engineers who understand rural electric cooperatives and their engineering needs.

Safety is Priority No. 1

KEPCo prioritizes a commitment to safety excellence and has developed a pervading culture of safety.

KEPCo's safety culture is grounded in all levels of the company and focuses on prevention through observation and assessment of hazards, continually monitoring safety systems and practices, and instilling among all employees a commitment to creating a safe workplace so that each employee accepts responsibility for his or her own safety and the safety of others.

"Our goal is to foster the attitude that doing any job safely is an integral component of doing it well, and that safety requires helping and being helped by fellow employees at every level of the company," said Terry Deutscher, manager of SCADA and Meter Maintenance and KEPCo Safety Committee chairman.

Ultimately, the level of safety excellence will reflect the amount of time and resources that are invested to improve the processes, conditions, and behavior that determine safety performance. In recognition of this commitment, over the past couple of years, KEPCo has revamped both its physical safety and cybersecurity programs by creating robust training programs and in-depth, topic specific safety manuals. Each month all KEPCo staff complete safety training modules, including an exam, which requires a passing score.

"When I became CEO almost five years ago, one of my top priorities was to examine KEPCo's safety practices and seek ways and methods to improve our safety program and establish metrics to gauge our performance," Suzanne Lane, KEPCo EVP & CEO, said. "I am extremely proud of KEPCo's Safety Committee and all of our employees for embracing the safety culture that has been established. As a result of our employees' engagement, I'm pleased to state that KEPCo did not have a lost-time accident or cybersecurity incident in 2022."

KEPCo Supports Economic Development

USDA Rural Economic Development Loan and Grant Program | Affordable Housing

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 communities that will create or retain employment. Importantly, providing access to zero-interest capital, the REDLG program satisfies each of the three pillars of economic development — business retention, business expansion, and business creation. In the past 10 years, KEPCo and its member cooperatives have infused $9.7 million into the economy of rural Kansas and added or saved 254 jobs.

In 2022, as in the past couple of years, utilization of the REDLG program remained dampened due in part to continued supply chain issues, a tight labor market, the tightening of capital markets, and inflationary pressures on transportation, food, and housing at levels not seen in many years. When these economic issues are combined, an economic risk barrier to investment is created, not only for new businesses but existing businesses as well.

USDA Rural Development

Committed to the future of rural communities.

This year, KEPCo submitted one application on behalf of a member, but the selection for funding of the project did not occur until early 2023. As such, there were no REDLG projects selected for funding in Kansas in 2022. Even though recent economic factors have moderated economic development opportunities, KEPCo is hopeful that interest in the REDLG program will return in 2023 and is available to assist our member cooperatives.

The lack of available and/or affordable housing in rural Kansas has been an economic development impediment for several years. When Governor Laura Kelly took office, she created the Office of Rural Prosperity to address the needs of rural communities. This included a statewide housing needs assessment, which had not been done in nearly three decades. The survey highlighted the need for the expansion of affordable housing in rural communities.

This year, in an effort to remedy this issue, Governor Laura Kelly signed into law House Bill 2237, which was crafted to help address the state's housing shortage by investing in and incentivizing residential development, especially in rural areas. Specifically, HB 2237 enacts the Kansas Affordable Housing Tax Credit Act, the Kansas Housing Investor Tax Credit Act, the Historic Kansas Act, and the Kansas Rural Home Loan Guarantee Act. The bill authorizes residential real property appraisals in rural counties to be done without finishing the sales comparison approach to value. This will allow bond proceeds under the Kansas Rural Housing Incentive District Act to be used for the development of residential homes and renovations of certain buildings in areas considered economically distressed.

"By expanding access to quality, affordable housing, communities and businesses can better recruit and retain workers, families and entrepreneurs in rural Kansas," Governor Kelly said. "This bill gives our rural communities more tools to spur economic growth vital to the economy."

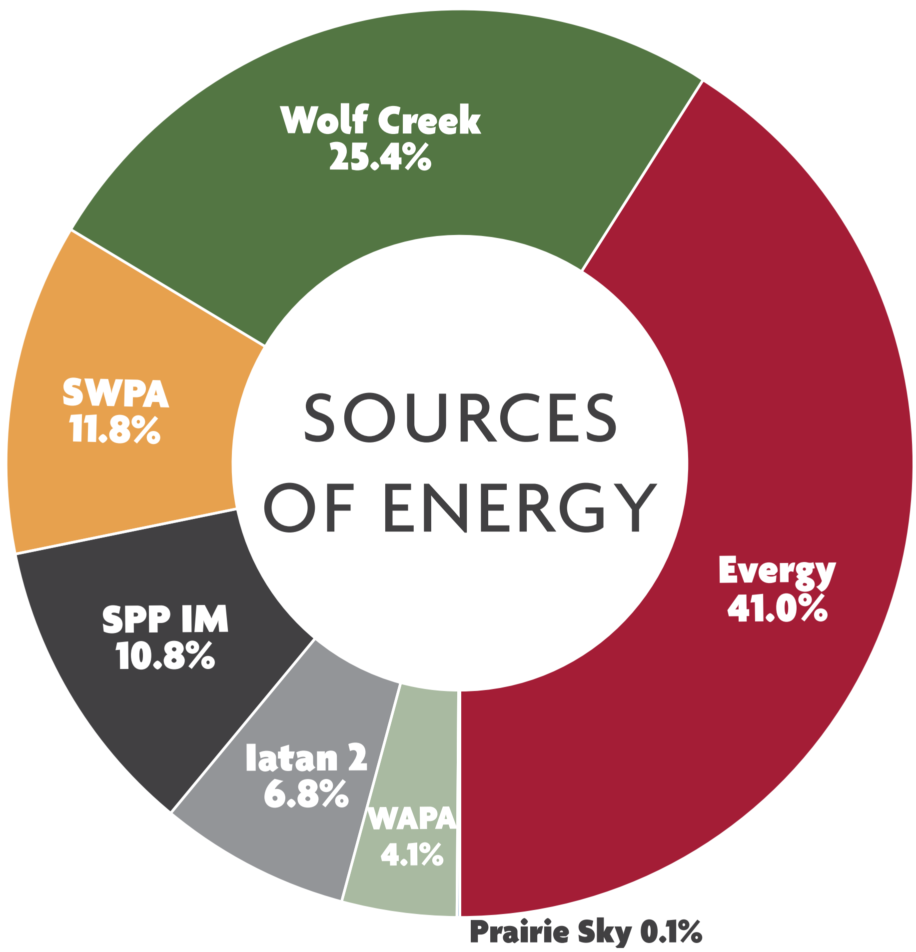
KEPCo SVP of Regulatory and Government Affairs and General Counsel Susan Cunningham said, "KEPCo applauds Governor Kelly's leadership on this issue, which will lessen an economic development barrier and provide the opportunity for communities, large and small, to attract businesses by incentivizing housing opportunities necessary to meet the needs of the communities and their workforce."

Our Diverse Power Supply

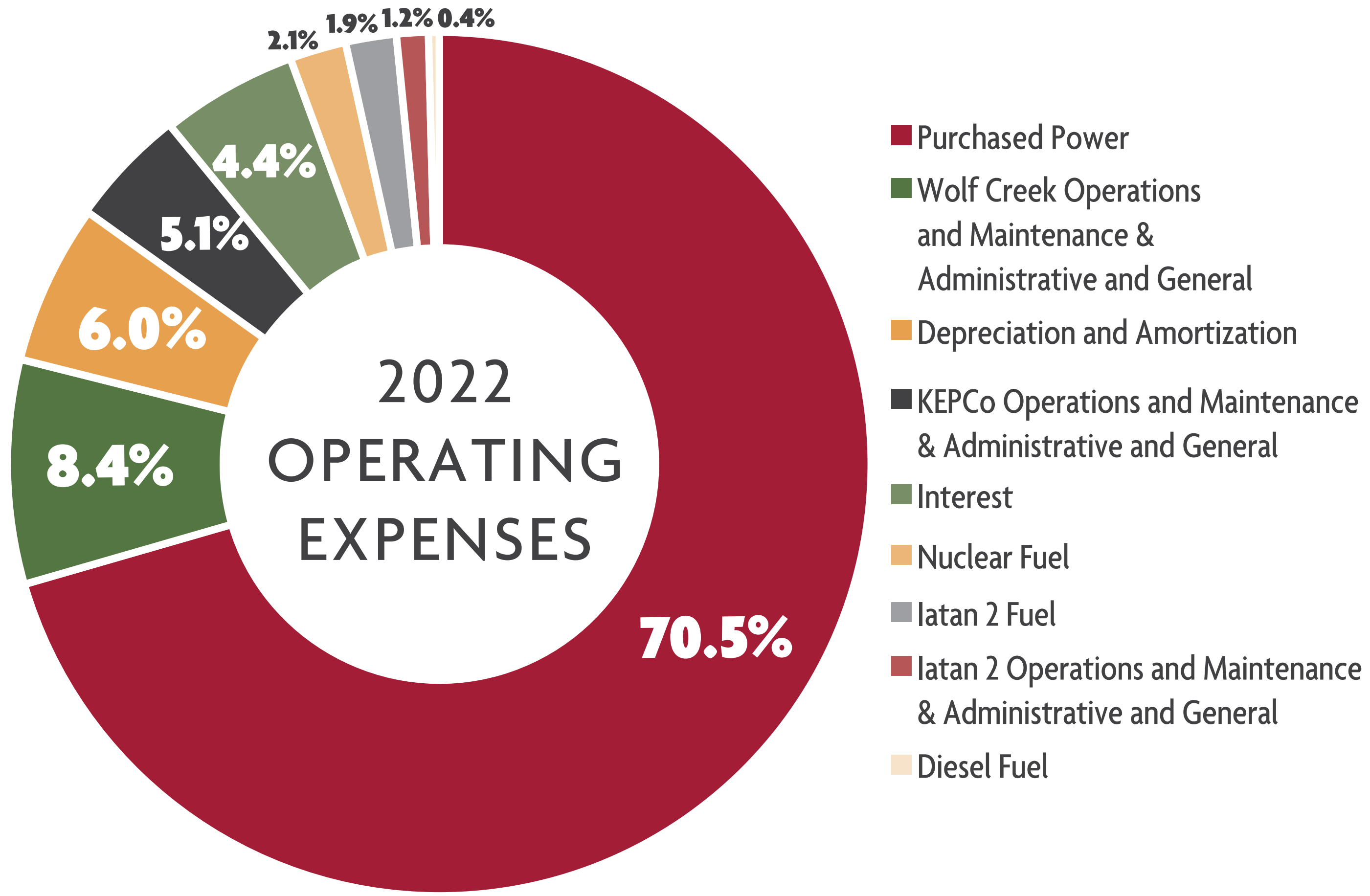
To a create long-term, reliable, economic power supply for its members, KEPCo has built a diverse power supply that includes nuclear, hydro, coal, wind, natural gas, diesel, and solar resources. As part of its power supply strategy, KEPCo seeks to maintain a diversified and balanced power supply, which 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. for base, intermediate, and peaking power supply. This contract provides KEPCo with power from coal, natural gas, solar, and wind resources. KEPCo also purchases a portion of its 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
- **31 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

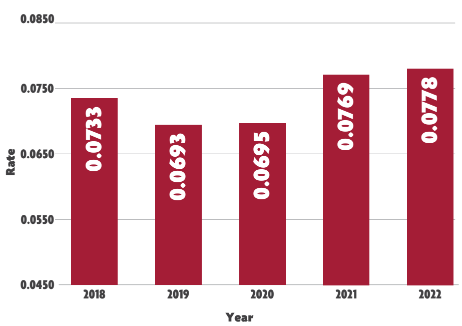


Operating Statistics

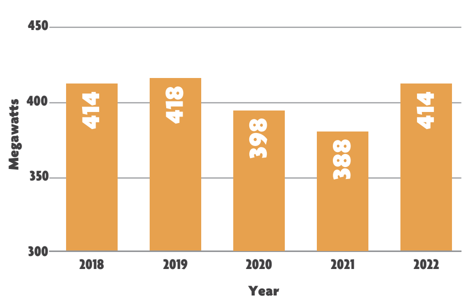


Proudly, KEPCo's current portfolio minimizes greenhouse gas emissions with approximately 65% of its supply from non-greenhouse gas emitting sources.

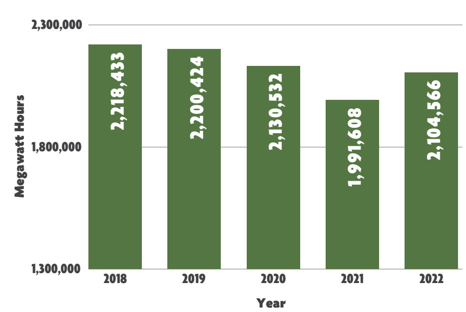
ANNUAL AVERAGE MEMBER RATE



ANNUAL COINCIDENT PEAK DEMAND



ANNUAL ENERGY SALES TO MEMBERS



Independent Auditor's Report

FORVIS

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

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, 2022 and 2021 and the related consolidated statements of margin and comprehensive income, 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, 2022 and 2021 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). 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 scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

OKLAHOMA CITY, OKLAHOMA
APRIL 21, 2023

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Consolidated Balance Sheets

December 31, 2022 and 2021

Assets	2022	2021
UTILITY PLANT		
In-service	$386,302,610	$384,744,985
Less allowance for depreciation	(206,119,459)	(198,672,079)
Net in-service	180,183,151	186,072,906
Construction work in progress	13,419,757	10,449,406
Nuclear fuel (less accumulated amortization of $25,770,938 and $27,979,188 for 2022 and 2021, respectively)	10,355,829	9,643,599
Total utility plant	203,958,737	206,165,911
RESTRICTED ASSETS		
Investments in NRUCFC	10,431,255	10,745,945
Decommissioning fund	33,400,983	40,659,529
Investments in other associated organizations	322,160	326,795
Total restricted assets	44,154,398	51,732,269
CURRENT ASSETS		
Cash and cash equivalents	30,067,605	30,604,197
Member accounts receivable	13,493,339	11,463,026
Materials and supplies inventory	7,594,928	7,036,253
Other assets and prepaid expenses	1,320,754	1,237,610
Total current assets	52,476,626	50,341,086
OTHER LONG-TERM ASSETS		
Deferred charges		
WCNOC disallowed costs (less accumulated amortization of $20,633,066 and $20,309,617 for 2022 and 2021, respectively)	5,352,167	5,675,616
Deferred incremental outage costs	1,299,517	1,158,395
Other deferred charges (less accumulated amortization of $182,328 and $181,887 for 2022 and 2021, respectively)	465,579	331,377
Deferred power costs	562,840	7,937,506
Other assets	1,572,620	1,396,724
Prepaid pension cost	21,904	153,331
Total other long-term assets	9,274,627	16,652,949
Total assets	$309,864,388	$324,892,215

Patronage Capital and Liabilities

	2022	2021
PATRONAGE CAPITAL		
Memberships	$3,200	$3,200
Patronage capital	88,332,913	86,932,641
Accumulated other comprehensive loss	(910,681)	(7,270,334)
Total patronage capital	87,425,432	79,665,507
LONG-TERM DEBT	139,396,327	145,619,450
OTHER LONG-TERM LIABILITIES		
WCNOC decommissioning regulatory liability	4,723,566	14,487,065
WCNOC decommissioning liability	36,109,637	33,957,829
WCNOC pension and postretirement benefit plans	5,027,015	10,355,889
WCNOC provision for injuries	-	36,830
WCNOC deferred compensation	1,716,505	1,465,849
Other deferred credits and other liabilities	366,304	235,743
Total other long-term liabilities	47,943,027	60,539,205
CURRENT LIABILITIES		
Current maturities of long-term debt	9,109,370	8,960,589
Accounts payable	15,441,678	19,100,109
Payroll and payroll-related liabilities	334,236	359,240
Member investments	8,768,749	8,319,696
Accrued property taxes	818,082	867,048
Accrued interest payable	361,764	385,489
Current provision for pension and postretirement benefit plans	265,723	1,075,882
Total current liabilities	35,099,602	39,068,053
Total patronage capital and liabilities	$309,864,388	$324,892,215

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Financial Reports

Consolidated Statements of Margin and Comprehensive Income
Years Ended December 31, 2022 and 2021

	2022	2021
OPERATING REVENUES		
Sale of electric energy	$164,372,171	$153,916,453
OPERATING EXPENSES		
Power purchased	115,653,007	105,075,132
Nuclear fuel	3,500,773	3,255,237
Plant operations	15,308,106	15,709,954
Plant maintenance	4,743,651	4,856,380
Administrative and general	6,917,629	6,165,510
Amortization of deferred charges	323,890	324,394
Depreciation and decommissioning	10,156,147	10,004,356
Total operating expenses	156,603,203	145,390,963
NET OPERATING REVENUES	7,768,968	8,525,490
INTEREST AND OTHER DEDUCTIONS		
Interest on long-term debt	6,927,313	7,253,474
Other deductions	380,859	316,968
Total interest and other deductions	7,308,172	7,570,442
OPERATING MARGIN	460,796	955,048
OTHER INCOME (EXPENSE)		
Interest income	905,466	550,960
Other income	315,912	186,176
Postretirement benefit expense	(281,902)	(623,784)
Total other income (expense)	939,476	113,352
NET MARGIN	1,400,272	1,068,400
OTHER COMPREHENSIVE INCOME		
Net gain arising during the year on pension obligation	5,631,811	1,134,275
Amortization of prior year service costs and actuarial gains included in net periodic benefit costs	727,842	1,002,398
COMPREHENSIVE INCOME	$7,759,925	$3,205,073

Consolidated Statements of Patronage Capital
Years Ended December 31, 2022 and 2021

	Memberships	Patronage Capital	Accumulated Other Comprehensive Loss	Total
BALANCE, JANUARY 1, 2021	$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
Net margin	-	1,400,272	-	1,400,272
Defined benefit pension plans				
Net gain arising during the year on pension obligation	-	-	5,631,811	5,631,811
Amortization of prior year service costs and actuarial gains included in net periodic benefit costs	-	-	727,842	727,842
BALANCE, DECEMBER 31, 2022	$3,200	$88,332,913	$(910,681)	$87,425,432

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Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
OPERATING ACTIVITIES		
Net margin	$1,400,272	$1,068,400
Adjustments to reconcile net margin to net cash provided by operating activities		
Depreciation	10,372,188	10,084,661
Amortization of nuclear fuel	3,500,773	3,255,237
Amortization of deferred charges	131,427	497,801
Amortization of deferred incremental outage costs	1,432,188	1,600,295
Net periodic benefit costs	1,659,095	1,641,197
Patronage capital credits allocated	(392,398)	(444,830)
(Gain) loss on sale of property and equipment	(1,563)	20,365
Changes in		
Member accounts receivable	(2,030,313)	1,615,496
Materials and supplies	(558,675)	82,959
Other long-term assets and prepaid expenses	6,484,849	(8,285,897)
Accounts payable	(3,658,431)	3,613,414
Payroll and payroll-related liabilities	(25,004)	21,483
Accrued property taxes	(48,966)	42,706
Accrued interest payable	(23,725)	(23,732)
Other long-term liabilities	(1,240,363)	(1,424,583)
Net cash provided by operating activities	17,001,354	13,364,972
INVESTING ACTIVITIES		
Additions to electrical plant	(6,628,354)	(5,675,574)
Additions to nuclear fuel	(4,213,003)	(3,058,296)
Purchases of investments	(10,000,000)	(15,000,000)
Proceeds from sales of investments	10,000,000	28,000,000
Proceeds from investments in decommissioning fund assets	382,602	2,627,889
Purchases of investments in decommissioning fund assets	(2,165,625)	(5,260,203)
Investments in associated organizations	711,723	734,771
Net cash provided by (used in) investing activities	(11,912,657)	2,368,587
FINANCING ACTIVITIES		
Principal payments on long-term debt	(9,014,930)	(8,775,460)
Proceeds from issuance of long-term debt	2,940,588	2,785,478
Change in cushion of credit	-	3,004,187
Change in member investments	449,053	1,257,796
Net cash used in financing activities	(5,625,289)	(1,727,999)

Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$(536,592)	$14,005,560
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	30,604,197	16,598,637
CASH AND CASH EQUIVALENTS, END OF YEAR	$30,067,605	$30,604,197
SUPPLEMENTAL CASH FLOWS INFORMATION		
Interest paid	$6,951,038	$7,277,206
Change in defined benefit pension plans – gains (losses)	$5,631,811	$1,134,275
Change in fair value of decommissioning trust	$(9,041,569)	$2,462,264

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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 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 monthly 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 $83,600,000 and $83,200,000 with an allowance for depreciation of approximately $26,100,000 and $23,600,000 and construction work in progress of approximately $500,000 and $600,000 at December 31, 2022 and 2021, respectively.

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 $280,300,000 and $274,500,000 with an allowance for depreciation of approximately $167,000,000 and $160,700,000 and construction work in progress of approximately $12,400,000 and $9,800,000 at December 31, 2022 and 2021, 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.

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 2022 or 2021. 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, 2022 and 2021 is 5.17% and 4.91%, 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, 2022 and 2021.

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

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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. 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 $550,200 in 2022 and 2021, respectively. KEPCo records its investment in the nuclear decommissioning trust (NDT) at fair value, which approximated $33,401,000 and $40,660,000 at December 31, 2022 and 2021, respectively. The change in the fair value of investments in the NDT was approximately $(9,042,000) and $2,462,000 for the years ended December 31, 2022 and 2021, 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.

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

	2022	2021
Balance, beginning of year	$33,957,829	$18,123,937
Changes in estimates, including timing	-	13,809,155
Accretion	2,151,808	2,024,737
Balance, end of year	$36,109,637	$33,957,829

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, 2022 and 2021, 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.

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, 2022 or 2021.

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, 2022 and 2021, 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:

	2022	2021
Cash surrender value of contracts	$9,178,771	$8,926,935
Borrowings against contracts	(8,861,524)	(8,623,133)
	$317,247	$303,802

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, 2022 and 2021.

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.

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

	2022	2021
Net gains (losses) recognized during the period on equity securities	$(9,042,357)	$3,155,841
Less net gains (losses) recognized during the period on equity securities sold during the period	(787)	693,577
Unrealized gains (losses) recognized during the period on equity securities still held at the reporting date	$(9,041,570)	$2,462,264

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 2022 and 2021.

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.

Comprehensive Income

Comprehensive income consists of net margin and other comprehensive income. Other comprehensive income 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:

	2022	2021
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	3,255,217	3,060,704
Equity term certificates, bearing interest of 3.16% to 6.0% and maturing from 2022 through 2045 (A)	6,779,068	7,288,271
Total NRUCFC	10,431,255	10,745,945
Other	322,160	326,795
Total investments in associated organizations	$10,753,415	$11,072,740

(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 $1,573,000 and $2,252,000 in 2022 and 2021, respectively. The current year amortization of the deferred incremental outage costs was approximately $1,430,000 and $1,600,000 for the years ended December 31, 2022 and 2021, 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 as of December 31, 2022 and 2021 were approximately $13,448,000 and $13,623,000, respectively, of which approximately $12,886,000 and $5,686,000 was amortized into revenue and expense during 2022 and 2021, respectively, leaving a remaining unamortized balance of approximately $563,000 and $7,937,000 at December 31, 2022 and 2021, respectively.

Note 5: Lines of Credit

At December 31, 2022 and 2021, 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, 2022 or 2021. 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 2023 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, 2022 and 2021. One line is for $10,000,000 and matures March 2023. Interest varies as determined by the lender and was 5.75% and 2.45% at December 31, 2022 and 2021, respectively. 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 5.55% and 2.25% at December 31, 2022 and 2021, respectively. The lines are collateralized by substantially all of KEPCo's assets.

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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:

	2022	2021
Mortgage notes payable to FFB at fixed rates varying from 0.759% to 4.46%, payable in quarterly installments through 2043	$84,038,239	$84,449,553
Note payable to CoBank at a rate of 3.03%, payable in quarterly installments through 2023	37,870	186,549
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	64,429,588	69,943,937
	148,505,697	154,580,039
Less current maturities	(9,109,370)	(8,960,589)
	$139,396,327	$145,619,450

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 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. The amounts of $0 and $3,004,187 of the cushion of credit were used for the years ended December 31, 2022 and 2021, respectively.

KEPCo has approximately $5,583,000 of unadvanced loan funds with FFB as of December 31, 2022.

Aggregate maturities of long-term debt are as follows:

2023	$9,109,370
2024	8,195,903
2025	7,680,334
2026	7,112,163
2027	6,749,381
Thereafter	109,658,546
	$148,505,697

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, 2022 and 2021.

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 2022 and 2021, KEPCo made principal and interest payments to FFB and RUS with funds held in the RUS cushion of credit account of $0 and $3,004,187, respectively. The balance in this account at December 31, 2022 and 2021 was $0 and $0, 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, 2022 and 2021.

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.

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:

	2022	2021
Member accounts receivable, beginning of year	$11,463,026	$13,078,522
Member accounts receivable, end of year	$13,493,339	$11,463,026

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 2022 and 2021 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 $603,000 and $572,000 for the years

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ended December 31, 2022 and 2021, respectively. There have been no significant changes that affect the comparability of 2022 and 2021 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, 2022 and 2021 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.

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 $139,000 and $132,000 to the NRECA Savings 401(k) Plan for the years ended December 31, 2022 and 2021, 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	
	2022	2021	2022	2021
CHANGE IN BENEFIT OBLIGATION				
Beginning of year	$37,451,910	$39,325,329	$773,362	$936,464
Service cost	990,561	993,670	22,264	23,743
Interest cost	1,158,113	1,157,508	23,468	25,384
Plan participants' contributions	-	-	103,899	136,103
Plan amendments	40,216	-	-	-
Benefits paid	(2,575,600)	(1,666,596)	(185,495)	(211,805)
Settlements	-	(1,406,266)	-	-
Special termination benefits	347,581	-	16,787	-
Actuarial (gains) losses	(10,234,171)	(951,735)	(203,514)	(136,527)
End of year	27,178,610	37,451,910	550,771	773,362
CHANGE IN FAIR VALUE OF PLAN ASSETS				
Beginning of year	26,813,321	26,739,914	17,010	-
Actual return on plan assets	(3,151,908)	1,360,141	13,771	1
Employer contributions	1,308,907	1,748,400	37,982	77,094
Plan participants' contributions	-	-	79,958	105,076
Settlements	-	(1,406,266)	-	-
Benefits paid	(2,537,872)	(1,628,868)	(148,721)	(165,161)
End of year	22,432,448	26,813,321	-	17,010
FUNDED STATUS, END OF YEAR	$(4,746,162)	$(10,638,589)	$(550,771)	$(756,352)

Amounts recognized in the accompanying consolidated balance sheets:

	2022	2021
Other long-term liabilities		
WCNOC pension and postretirement benefit plans	$5,027,015	$10,355,889
WCNOC provision for injuries	-	$36,830
Current liabilities		
Current provision for pension and postretirement benefit plans	$265,723	$1,075,882

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

	Pension Benefits		Postretirement Benefits	
	2022	2021	2022	2021
Net gain (loss)	$(560,860)	$(6,685,019)	$155,724	$(65,810)
Prior service cost	(454,733)	(464,032)	(50,812)	(55,473)
	$(1,015,593)	$(7,149,051)	$104,912	$(121,283)

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

	Pension Benefits		Postretirement Benefits	
	2022	2021	2022	2021
Projected benefit obligation	$27,178,610	$37,451,910	$550,771	$773,362
Fair value of plan assets	$22,432,448	$26,813,321	-	$17,010

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

	Pension Benefits		Postretirement Benefits	
	2022	2021	2022	2021
Discount rate	3.10%	3.15%	3.08%	2.76%
Annual salary increase rate	3.75%	3.75%	N/A	N/A

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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.

	Pension Benefits		Postretirement Benefits	
	2022	2021	2022	2021
Components of net periodic benefit costs				
Service cost	$990,561	$993,670	$22,264	$23,743
Interest cost	1,158,113	1,157,508	23,468	25,384
Expected return on plan assets	(1,667,737)	(1,561,506)	-	-
Prior service cost amortization	49,515	49,515	4,661	4,661
Actuarial loss amortization	709,633	933,400	4,249	14,822
Special contractual/termination benefits	347,581	-	16,787	-
Net periodic benefit costs	1,587,666	1,572,587	71,429	68,610
Other changes in plan obligations recognized in other comprehensive income				
Current year actuarial gain	(5,414,526)	(997,747)	(217,285)	(136,528)
Amortization of actuarial loss	(709,633)	(933,400)	(4,249)	(14,822)
Plan amendments	40,216	-	-	-
Amortization of prior service cost	(49,515)	(49,515)	(4,661)	(4,661)
Total recognized in other comprehensive income	(6,133,458)	(1,980,662)	(226,195)	(156,011)
Total recognized in net periodic benefit costs and other comprehensive income	$(4,545,792)	$(408,075)	$(154,766)	$(87,401)
Weighted-average actuarial assumptions used to determine net periodic benefit costs				
Discount rate	3.10%	3.15%	3.08%	2.76%
Expected long-term return on plan assets	6.80%	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	$(205,614)	$(10,168)
Prior service cost	52,721	4,661
Total	$(152,893)	$(5,507)

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 and 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 healthcare cost trend rates were as follows:

	2022	2021
Healthcare cost trend rate assumed for next year	-	6.00%
Rate to which the healthcare cost trend rate is assumed to decline	-	4.50%
Year the healthcare cost trend rate reaches the ultimate trend rate	N/A	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 (NAV) 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 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.

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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:

	Fair Value Measurements Using				
	Fair Value	Level 1	Level 2	Level 3	NAV
2022					
Cash equivalents	$649,704	$649,704	$-	$-	$-
Equity securities					
U.S.	5,687,378	-	-	-	5,687,378
International	4,333,326	-	-	-	4,333,326
Debt securities					
Core bonds	8,111,535	-	-	-	8,111,535
Alternative investments	3,650,505	-	-	-	3,650,505
Total investments	$22,432,448	$649,704	$-	$-	$21,782,744
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

Estimated future benefit payments as of December 31, 2022 for the Plans, which reflect expected future services, are as follows:

	Pension Benefits	Other Postretirement Benefits
Expected contributions		
2023	$206,358	$59,365
Expected benefit payments		
2023	$3,962,802	$59,365
2024	$1,920,915	$54,896
2025	$1,935,408	$49,051
2026	$1,988,034	$45,614
2027	$2,012,306	$42,860
2028–2032	$10,208,762	$199,681

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 $21,140,000 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 $16,133,000 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.

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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:

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		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2022				
Nuclear Decommissioning Trust				
Equity Securities				
Domestic fund	$18,171,392	$18,171,392	$-	$-
International fund	1,981,930	1,981,930	-	-
Domestic bond fund	12,619,235	12,619,235	-	-
Money market	628,426	628,426	-	-
Total investments	$33,400,983	$33,400,983	$-	$-
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	$-	$-

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 were made to members in 2022 and 2021.

Note 13: Subsequent Events

Subsequent events have been evaluated through April 21, 2023, which is the date the consolidated financial statements were available to be issued.

About KEPCo

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

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.

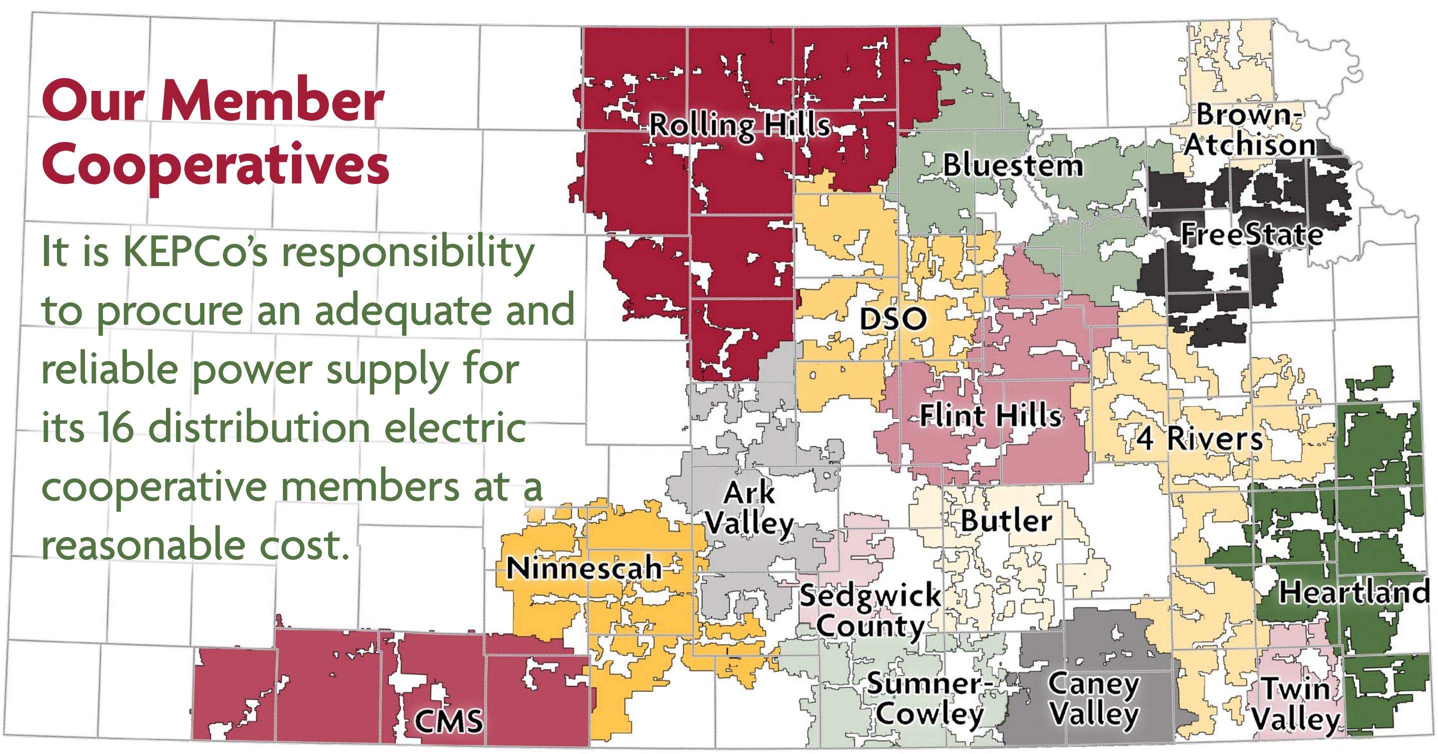
Governed by a 16-member board of trustees, KEPCo's members collectively serve over 75,000 consumer-members in the eastern two-thirds of Kansas, which represents nearly 200,000 rural Kansans. The board of trustees establishes policies, provides direction, and acts on issues that often include recommendations 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.

Our Member Cooperatives

It is KEPCo's responsibility to procure an adequate and reliable power supply for its 16 distribution electric cooperative members at a reasonable cost.



47
YEARS OF OPERATION

16
MEMBER CO-OPS

24
EMPLOYEES

25
REFUELING OUTAGES AT WOLF CREEK

25
YEARS WITH KSI ENGINEERING

65%
GENERATION FROM NON-GREENHOUSE GAS EMITTING SOURCES

600 SW Corporate View
Topeka, KS 66615

785-273-7010

www.kepco.org