

# Board Treasurer's Report

**S**outhwestern Electric Cooperative reported margins of \$4.4 million in 2022 and remains in compliance with all loan covenants. The balances presented in this report are pending the finalization of the annual financial audit, which will be available upon completion at cooperative headquarters.

The year 2022 provided many challenges to Southwestern Electric and every other energy provider across the nation. Driven by the changing landscape of power production in the Midwest Region, the Midcontinent Independent System Operator (MISO) Planning Resource Auction closed at exponentially higher rates, which meant a dramatic increase in our cost of power.

Southwestern also experienced increases in transmission and capacity costs. Cooperative members were sheltered from those increases by an all-requirements energy contract negotiated by Southwestern's Board of Directors, which became effective in 2021. With the change in the power market, the heat rate call option attached to this contract no longer proved beneficial, and in November 2022, the Board of Directors voted to buy out of the option. While this decision impacts the debt level of the cooperative, it also protects Southwestern from an

unpredictable power market and the potential for millions of dollars in added energy expenses.

Southwestern also saw across-the-board increases in business costs, the most significant being materials, including poles, power line, substation components, and other elements of our distribution system. Despite these challenges, the cooperative was able to invest more than \$9 million in infrastructure construction and improvement, including \$2 million in right of way maintenance.

The power of a cooperative lies within its member-owners. In 2022, your cooperative returned more than \$2.5 million in capital credits. As of Dec. 31, 2022, Southwestern still holds \$3.8 million in margin stabilization funds for use in future years.

For additional information, please see the financial statements on the pages to follow.

Respectfully Submitted,

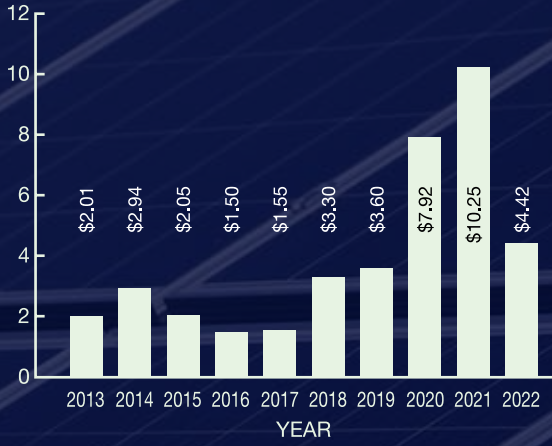


Sandy Grapperhaus  
Board Treasurer

## Where did the cooperative's revenue go in 2022?

Power Production .....	\$888,705 .....	1.4%	
Purchased Power .....	\$32,988,789 .....	51.3%	
Operations & Maintenance .....	\$7,094,054 .....	11.0%	
Customer Accounts and Sales Expenses .....	\$2,324,115 .....	3.6%	
A&G .....	\$6,626,953 .....	10.3%	
Depreciation & Amortization .....	\$5,771,224 .....	9.0%	
Taxes, Interest & Other Deductions .....	\$4,209,069 .....	6.5%	
Operating & Nonoperating Margins .....	\$4,418,843 .....	6.9%	
<b>Total Operating &amp; Nonoperating Revenue .....</b>	<b>\$64,321,752 .....</b>	<b>100.0%</b>	

**Margins**  
in millions of dollars



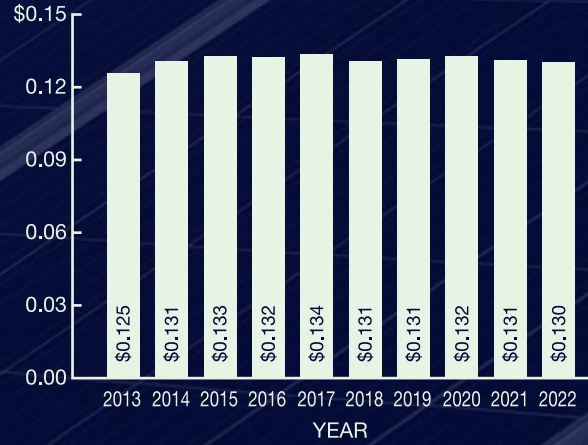
**Capital Investment**  
in millions of dollars



**Total Electricity Sold to Members**  
in millions of kWh



**Rate per kWh to Residential Members**  
in dollars (includes Service Availability Charge)



# Southwestern Electric Cooperative Financial Information

Statement of Operations	2022	2021	2020
<b>OPERATING REVENUES</b>			
Electric	\$63,364,853	\$61,893,176	\$62,186,853
Other	<u>349,854</u>	<u>314,615</u>	<u>251,305</u>
Total Operating Revenues	63,714,707	62,207,791	62,438,158
<b>OPERATING EXPENSES</b>			
Cost of Purchased Power	32,988,789	27,882,680	31,153,945
Power Production Expense - Operations	403,732	253,786	195,083
Power Production Expense - Maintenance	484,973	772,169	506,423
Transmission Expense - Maintenance	1,558	2,704	-
Distribution Expense - Operations	1,747,979	1,608,732	1,428,242
Distribution Expense - Maintenance	5,344,517	4,818,537	4,842,157
Consumer Account Expense	1,423,488	1,434,626	1,427,936
Consumer Service and Informational Expense	193,048	178,610	182,870
Sales Expense	707,579	706,054	572,316
Administrative and General Expense	6,626,953	5,605,774	5,477,043
Depreciation and Amortization	5,771,224	5,657,926	5,508,638
Taxes	210,269	211,669	212,771
Other Interest	101,749	21,477	71,634
Other Deductions	<u>30,612</u>	<u>233,719</u>	<u>66,445</u>
Total Operating Expenses	<u>56,036,470</u>	<u>49,388,463</u>	<u>51,645,503</u>
<b>OPERATING MARGINS BEFORE FIXED CHARGES</b>	7,678,237	12,819,328	10,792,655
<b>INTEREST ON LONG-TERM DEBT</b>	<u>3,866,439</u>	<u>3,718,547</u>	<u>3,849,876</u>
<b>NET OPERATING MARGINS</b>	3,811,798	9,100,781	6,942,779
<b>NONOPERATING MARGINS</b>			
Interest Income	61,414	57,358	57,997
Patronage Capital Credits	932,841	905,244	831,713
Other Nonoperating Margins	<u>(387,210)</u>	<u>184,093</u>	<u>91,591</u>
Total Nonoperating Margins	<u>607,045</u>	<u>1,146,695</u>	<u>981,301</u>
<b>NET MARGINS</b>	<u>\$4,418,843</u>	<u>\$10,247,476</u>	<u>\$7,924,080</u>

Balances submitted for annual audit at the time of this report.

## Balance Sheet (As of December 31, 2022)

### ASSETS

#### Utility Plant

Electric Plant in Service	\$200,709,201
Construction Work in Progress	<u>7,850,601</u>
Total	208,559,802
Less: Accumulated Provision for Depreciation	<u>(59,570,341)</u>
Net Utility Plant	148,989,461

#### Other Assets and Investments

Investments in Associated Organizations	4,604,350
Notes Receivable, Net of Current Portion	419,532
Other Special Funds	<u>46,544</u>
Total Other Assets and Investments	5,070,426

#### Current Assets

Cash and Cash Equivalents	6,422,306
Accounts Receivable, Net	6,070,644
Materials and Supplies Inventory	2,292,354
Current Portion of Notes Receivable	85,132
Prepayments	376,520
Interest Receivable	<u>13,981</u>
Total Current Assets	15,260,937

#### Deferred Charges

	<u>17,250,880</u>
--	-------------------

Total Assets	<u><u>\$186,571,704</u></u>
--------------	-----------------------------

### EQUITIES & LIABILITIES

#### Equities

Patronage Capital	\$62,462,776
Other Equities	<u>3,947,339</u>
Total Equities	66,410,115

Long-Term Debt, Net Of Current Maturities	103,380,441
---	-------------

#### Accumulated Provision for

Pension and Benefits	46,544
----------------------	--------

#### Current Liabilities

Current Maturities of Long-Term Debt	4,358,116
Notes Payable	-
Accounts Payable	4,220,307
Consumer Deposits	1,128,233
Other Current and Accrued Liabilities	<u>1,678,126</u>
Total Current Liabilities	11,384,782

#### Deferred Credits

	<u>5,349,822</u>
--	------------------

Total Equities and Liabilities	<u><u>\$186,571,704</u></u>
--------------------------------	-----------------------------

