

Alfalpa Electric Cooperative **ANNUAL REPORT**

2022

WE POWER YOU

Join Us for Our 87th **ANNUAL MEETING**

April 14

NOTICE OF ANNUAL MEETING

ALL MEMBERS ARE INVITED TO ATTEND ALFALFA ELECTRIC COOPERATIVE'S 87TH ANNUAL MEETING AT THE CHEROKEE HIGH SCHOOL AUDITORIUM ON FRIDAY, APRIL 14, 2023, AT 7 P.M. OUR BYLAWS REQUIRE WE HOLD AN ANNUAL MEETING EACH YEAR.

WE LOOK FORWARD TO SEEING YOU AT THE MEETING!

2-5 P.M. Drive-Thru Registration

AEC HEADQUARTERS — 305 W. 12TH ST. IN CHEROKEE

5-7 P.M. Meal Served & Registration

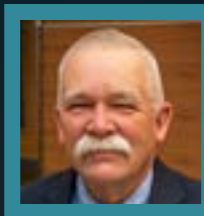
7 P.M. Meeting Begins

PRIZE DRAWINGS (Do not have to be present to win)

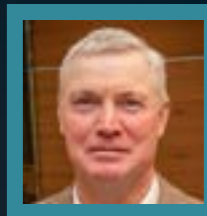
- \$500 per District
- FOUR \$50 Prize Drawings per District

Find out more in April's Hotlines!

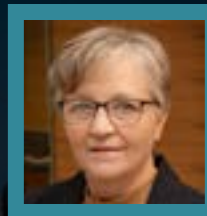
Your Board of TRUSTEES



JOHN REGIER
PRESIDENT, DISTRICT 4



STEVE ECK
VICE PRESIDENT, DISTRICT 6



JULIE RUSSELL
SECRETARY/TREASURER,
DISTRICT 3



MARK ANGLE
DISTRICT 1



LARRY DEWITT
DISTRICT 2



STAN DILLER
DISTRICT 5



GARY OLSON
DISTRICT 7



JOE WOODS
DISTRICT 8

Alfalfa Electric's service territory is divided into eight districts, with one trustee representing each district. This year two board seats were up for election. Filing unopposed, **STAN DILLER**, District 5, and **GARY OLSON**, District 7, will begin their second terms.

Annual Meeting PROGRAM April 14

REGISTRATION

2-5 P.M.
5-7 P.M.

Drive-thru at AEC Headquarters
In-person Cherokee School Auditorium

BUSINESS MEETING

7 P.M.

Call to Order

JOHN REGIER, PRESIDENT

Invocation

RYAN PULLAN, FAITH CENTER FELLOWSHIP

Pledge of Allegiance

JOE WOODS, AEC BOARD MEMBER

Military Recognition

BRIGADIER GENERAL COLBY WYATT

Report of Quorum & Notice of Meeting

MARC JUNGMAN, HADWIGER & JUNGMAN, P.L.L.C., COUNSEL

Treasurer's Report

JULIE RUSSELL, SECRETARY/TREASURER

Presentation of Minutes & President's Report

JOHN REGIER, PRESIDENT

Manager's Report & Introductions

GREG GOETZ, CEO & GENERAL MANAGER

Unfinished & New Business

JOHN REGIER, PRESIDENT

Adjournment

JOHN REGIER, PRESIDENT



Dear Members,



Since 1937, when a small group of individuals brought reliable and competitively priced energy services to rural homes and farmsteads, Alfalfa Electric Cooperative has been on a mission to serve members with safe, reliable and affordable electricity. The founding group had the foresight, courage, and diligence required to develop and maintain the rural electric cooperative concept to provide a better quality of life for rural America.

In the first year of service, our cooperative energized more than 660 meters, which has grown to over 8,500 meters today. As we have grown, serving our membership remains at the forefront. Our members rely on us for their energy needs. We are committed to providing reliable and competitively-priced utility services to all members across the seven counties we energize.

AEC operates according to core principles and values known as the Seven Cooperative Principles. These principles are a key reason electric cooperatives operate differently from other electric utilities. Our principles put the needs of our members first.

One principle, Concern for Community, is expressed through our Operation Round-Up program, which has distributed \$685,912 as of Dec. 31, 2022, to meet needs in the seven counties served in Kansas and Oklahoma. Total funds gathered from rounding each monthly bill up to the nearest dollar now tabulate at \$741,804 making a real difference in communities throughout AEC's territory.

Your cooperative has maintained strong financials while also focusing on maintaining a reliable system. We saw sales increase by 4%, and total margins were solid at over \$2.3 million at the end of 2022. Our operations department prides itself on maintaining a reliable system, thus reducing the service interruption time for you, our members. A key factor is our in-house pole inspection crew. Our inspection program is designed to inspect poles on a 10-year rotation. In 2022, their primary focus was on Woods and Major counties.

In 1997, we formed AEC Services, a subsidiary HVAC (heating, ventilation and air conditioning) company. AEC Services specializes in ground source heat pumps and provides service and installation of almost any type of HVAC equipment. In 2022, AEC Services had a positive year with over \$174,000 in margins.

We are proud of the effort and commitment our 50 employees provide to our membership. Employees worked 95,344 hours and recorded 375,612 miles for the year without a lost-time accident.

With so many positive interactions, it's easy to overlook the challenges. We faced unprecedented trials and adapted swiftly and effectively to continue working, while maintaining our commitment to providing excellent service. It was a year that began with uncertainty. However, these trials changed our way of operating, resulting in promising expectations for the future.

AEC implemented third-party cybersecurity measures for greater security and protection against potential threats to our co-op. We understand that being a cooperative comes with its own set of responsibilities and expectations from our membership base. AEC takes those expectations seriously and works hard to meet and exceed them!

Together, we've created something exceptional here at AEC. We hope you can join us at the 87th Annual Membership Meeting. Your co-op strives to serve you, our members, in the best ways possible.

Alfalfa Electric Cooperative, "We Power You."



GREG GOETZ
CEO/GENERAL MANAGER

Operational STATISTICS



\$187.86

AVERAGE
RESIDENTIAL BILL



\$0.095

PER KWH IN
RESIDENTIAL REVENUE



8,528
SERVICES



\$5,386,613
LONG-TERM DEBT



445,958,136
KILOWATT-HOURS
SOLD



\$2.3 MILLION
IN TOTAL MARGINS

Treasurer's REPORT

BALANCE SHEET

DEC. 31, 2021 & DEC. 31, 2022

ASSETS	2021	2022
Net Utility Plant	\$49,495,291	\$50,841,686
Other Property & Investments	25,153,158	25,684,175
Cash & Reserve Capital	6,325,078	7,169,649
Accounts & Notes Receivable	3,256,671	4,463,636
Materials & Supplies	414,374	592,572
Prepayments & Other Receivables	6,977,324	3,690,221
TOTAL ASSETS	\$91,621,896	\$92,441,939
LIABILITIES AND EQUITIES	2021	2022
Long-Term Debt	\$6,692,205	\$5,386,613 (2.078%)
Short-Term Debt	0	0
Patronage Capital & Margins	63,284,113	63,530,723
Other Margins & Equities	5,613,703	5,970,767
Current & Accrued Liabilities	14,870,510	15,277,614
Deferred Credits	(6,267)	1,167,953
Non-Current Liabilities — FAS 106	1,167,632	1,108,269
TOTAL LIABILITIES	\$91,621,896	\$92,441,939

ALFALFA ELECTRIC'S FINANCIAL RECORDS WERE AUDITED AT THE CLOSE OF THE FISCAL YEAR ENDING AUG. 31, 2022, BY THE CERTIFIED PUBLIC ACCOUNTING FIRM OF FORVIS. THE RECORDS WERE FOUND TO FAIRLY REPRESENT THE FINANCIAL CONDITION OF THE COOPERATIVE.

REVENUES & EXPENSES

DEC. 31, 2021 & DEC. 31, 2022

	2021	2022
OPERATING REVENUE	\$39,235,111	\$44,719,257
EXPENSES		
Purchased Power Cost	28,902,734	33,234,511
Operations and Maintenance	3,662,779	4,366,724
Consumer Accounts	620,090	675,716
Administrative and General	2,245,942	2,326,305
Depreciation & Amortization	2,534,638	2,672,092
Taxes	55,791	63,286
Interest	102,742	132,436
OPERATING MARGIN	1,110,395	1,248,187
Interest & Other Margins	948,263	1,084,278
TOTAL MARGINS	\$2,058,658	\$2,332,465

86th Annual Meeting MINUTES

The 86th Annual Membership Meeting of the Members of Alfalfa Electric Cooperative, Inc. was called to order by President John Regier at 7 p.m., April 8, 2022, in Cherokee, Oklahoma, at the Cherokee High School Auditorium.

The invocation was given by Joe Woods, Alfalfa Electric Cooperative District 8 Trustee.

AEC's Attorney Marc Jungman of Hadwiger & Jungman, P.L.L.C, Cherokee, read the Proof of Publication and determined there was a quorum present to transact the business of the 86th Annual Membership Meeting. Mr. Jungman stated that the quorum was a representation of the members that were registered from the drive-thru registration and the members present at the meeting. ARTICLE III Meeting of Members, Section 4, Quorum of Alfalfa Electric Bylaws states that 5% of the members registered in person and not by proxy, shall constitute a quorum. There were 570 registered members representing approximately 13.3% of the 4,287 total membership.

President John Regier asked for any additions or corrections to the 85th Annual Membership Meeting Minutes, seeing none, President Regier stated the minutes were approved as presented.

Secretary-Treasurer Julie Russell reviewed the financial statement as printed in the annual report, and President Regier gave a report to the membership. Mr. Regier updated the membership on the recent decision to increase the customer service charge for all rate classes.

General Manager Greg Goetz introduced the Board of Trustees and legal counsel of Alfalfa Electric

Cooperative to the members along with other special guests.

Mr. Goetz announced the "Notice of Candidacy" for Board of Trustee filings in Districts 1, 3 and 8 that closed on Feb. 10, 2022. The incumbents, Mark Angle (District 1), Julie Russell (District 3), and Joe Woods (District 8) were unopposed. As per the corporate bylaws, no district meeting or election was required with the incumbents being unopposed. Mark Angle, Julie Russell and Joe Woods will all serve their third term.

Mr. Goetz reviewed the Operation Round-Up Foundation noting a lifetime total of almost \$700,000. He then announced a capital credits retirement of \$2,015,000 had been approved. Mr. Goetz reviewed the 2021 major events highlighting the polar vortex, pandemic, inflation, and supply chain issues. Next, he updated the membership on the extreme cold weather event and Alfalfa Electric's plan for recovering the cost associated with the storm. Mr. Goetz then discussed system maintenance, the new company website, AEC services, and the CoBank Sharing Success program. In closing, Mr. Goetz shared upcoming retirements and then commended AEC employees and staff for all the hard work that goes into planning a large event of this size.

A drawing was held for a Honda 4-Wheeler, and the winner was JB Sheppard from District 3. A second drawing was held for a battery-powered weed eater donated by WFEC, and the winner was CJ Thomas from District 4.

There being no further business to come before the 86th Annual Membership Meeting, President Regier declared the meeting adjourned at 7:36 p.m.

JULIE RUSSELL, SECRETARY/TREASURER
JOHN REGIER, PRESIDENT

Maintaining Our SYSTEM

WESTERN FARMERS ELECTRIC COOPERATIVE (WFEC) IS AEC'S GENERATION AND TRANSMISSION SERVICE PROVIDER. WFEC HAS A DIVERSE GENERATION PORTFOLIO THAT INCLUDES COAL, NATURAL GAS, WIND, SOLAR AND HYDRO RESOURCES.



2.6
CONSUMERS
PER MILE

COMPARED TO IOU AND MUNICIPAL UTILITIES
NEARLY 30-50 CONSUMERS PER MILE



3,325
MILES
OF LINE



22 MIN.
AVERAGE SERVICE
INTERRUPTION



99.99%
AVERAGE SERVICE
AVAILABILITY



\$79,499,509
TOTAL PLANT VALUE



305 W. 12TH ST | PO BOX 39
CHEROKEE, OK 73728
580-596-3333 | 888-736-3837
WWW.AEC.COOP

Capital Credit REFUND \$1,995,000

IN 2022, OUR OPERATING REVENUE WAS \$44,719,257 COMPARED TO \$39,235,111 IN 2021. AEC MANAGED OUR COST WELL, RESULTING IN OPERATING MARGINS FOR THE YEAR OF \$1,248,187 AND TOTAL MARGINS OF \$2,332,465. BASED ON THIS, THE BOARD OF TRUSTEES APPROVED RETURNING MARGINS AS CAPITAL CREDITS TO OUR MEMBERS.

CAPITAL CREDITS: REAPING THE BENEFITS OF BEING A CO-OP MEMBER



When a person establishes service with us, they become a member and are eligible for capital credits.



Capital credits represent a member's share of the co-op's margins during the time they have membership.



Capital credits are earned by every member based on the amount of their electric use.



At the end of the fiscal year, any funds (margins) remaining after expenses have been paid are allocated to AEC members.



The allocated funds are used as operating capital for system improvements and maintenance.



Every year, the board evaluates the financial condition of the co-op to determine if we can retire capital credits. When the board decides to retire capital credits, we calculate the amount owed to each member.



Members who received electricity during the retirement period will receive a percentage of capital credits. Retirements of \$50 or less have been credited to the AEC members' accounts and checks over \$50 will be mailed.



Former members who received electricity during the time period being retired will be mailed a check.