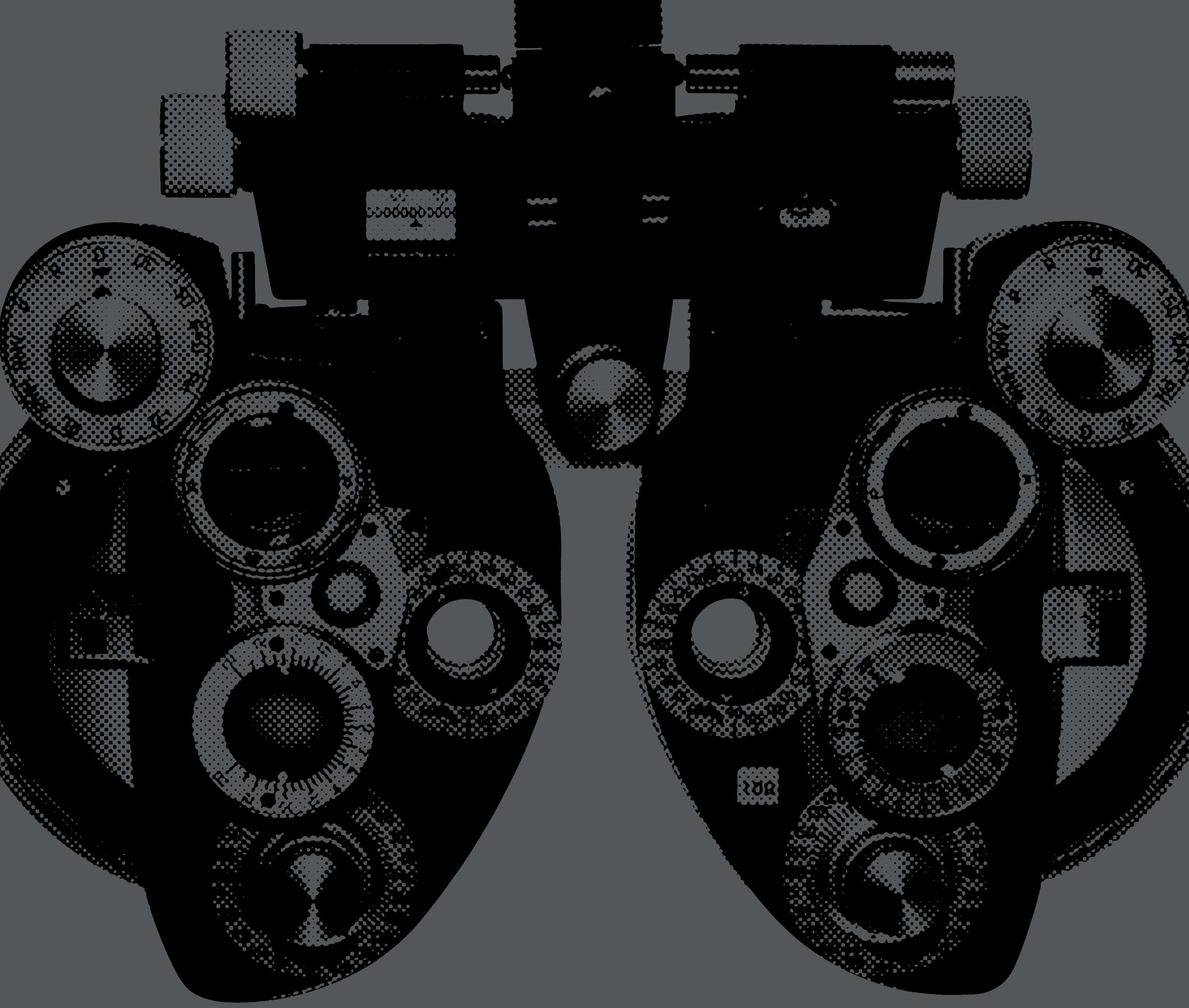


THE 20/20 EXPERIENCE

Cooperative ENERGY

2020 Annual Report

THE 20/20 EXPERIENCE

2020 Annual Report

Cooperative Energy's mission is to deliver to our Members reliable and affordable energy in a safe and environmentally-responsible manner.

INHERENT IN THIS COMMITMENT IS A SET OF CORE VALUES, WHICH GUIDE OUR DAILY ACTIVITIES:

- Member Focus
- Transparency and Responsiveness
- Fiscal, Regulatory and Environmental Compliance
- Safety and Reliability
- Serve as a Trusted and Value-Adding Resource for Member-owners

COMPETITIVE STRENGTHS INCLUDE:

- An Experienced, Skilled Workforce
- A Long-Term Contractual Relationship with Member Systems
- Financial Health, including that of Members
- Long-Range Planning for Cost-Effective Generation Resources

CONTENTS

A LETTER FROM THE CEO

The year 2020 was an experience that none of us could have predicted. Although in many circumstances we found ourselves more alone than ever before, our experiences presented us with an opportunity to learn the true strength of our company, our Member systems, and the 432,000 consumer-members we collectively serve. In a mere 365 days, together we experienced multiple tornadoes, a historic hurricane season, and a global pandemic. Through it all, Cooperative Energy's Board of Directors and employees, and our Members, maintained an unwavering focus on being a source of stability for our consumer-members, unifying us during these unpredictable times.

Left to right: Dixie Electric Power Association Line Foreman Jason Holder and Apprentice Lineman Le'Kilo White restore power following the April 2020 tornadoes.

Middle: Benndale Station

Bottom: Cooperative Energy volunteers for Cooperative Day of Service

Serving as a trusted resource and providing affordable energy for our Members is part of our core mission as an electric cooperative. This role is even more important in times of uncertainty like many of our consumer-members experienced in 2020. One way the Cooperative Energy Board of Directors accomplished this last year was by lowering our average Member wholesale rate to 71.71 mills/kWh, our lowest rate in a decade. Providing even greater economic stability, the Board elected to return $10 million in patronage capital to Members in 2020, bringing the total returned to Members since 2015 to nearly $37 million. The ability of our member-elected Board to set our rates at a level to best serve our consumer-members' needs and to return capital when possible is a hallmark of the cooperative business model. These actions served as a highlight for many of our consumer-members at a time when it was needed most.

Serving as a source of reliable and environmentally-responsible energy is also fundamental to Cooperative Energy's mission as an electric cooperative. As we served our Members' energy needs throughout 2020, our employees also progressed on generation projects focused on the future. The Benndale Reciprocating Engines Project and the Morrow Repower Project will provide the communities served by our 11 Member systems with efficient, cost-effective, and reliable energy sources long into the future. Benndale Station's two modern Wärtsilä 31SG units achieved commercial operation on April 8, 2020, adding 22.7MW of new flexible, quick start, low emission generation to Cooperative Energy's fleet. The Morrow Repower Project, which will convert our only owned coal-fired plant to a natural gas-fired plant, was more than 48 percent complete by the end of 2020, and is on schedule for commercial operation in 2023. These two projects represent Cooperative Energy's strengthened commitment to the environment now and in the future.

As I reflect upon the events of the year, and as you will see throughout the pages of this report, the experience, skill, and expertise of our nearly 500 employees and our 24 Board members enabled us to meet our Members' needs throughout 2020. Looking to the future, the experiences of 2020 have better prepared us to meet the ongoing needs of our 11 Member systems and the one million Mississippians they directly serve. And while 2020 was an experience no one could have predicted, we were prepared and we served the needs of our Members as we have done for the past 80 years and will continue to do for many years to come.

Jeff C. Bowman
President/CEO

THE 20/20 EXPERIENCE

Top: Cooperative Energy employees at the Area Development Partnership's Jumpstart to Success.

Middle: Left to right: Ryan Ham, meter technician II; Jacob Galjour, meter technician II; and Charles Hennis, lead meter technician, upgrade instrument transformers at the West Laurel Substation.

Bottom: Left to right: Glen Stringer, senior accountant; Kelly Sawyer, financial analyst; Regina McAlpin, financial applications expert and accounting manager; and Donna Douglas, payroll assistant, participate in the mask mandate at Headquarters.

A NEW DECADE, A SERIES OF SURPRISES

Cooperative Energy entered the new decade with a focus on our mission and an eye toward the future. New sources of generation and new transmission projects on the horizon promised even greater reliability and affordability for our 432,000 consumer-members, and we set out with an even greater ability to protect the place we all call home. Our plans for 2020 were bright.

Then the world changed. The global pandemic suddenly and dramatically altered life as we knew it. Our society changed, and our world shut down. Tornadoes ravaged our countryside, civil unrest dominated the national landscape, and hurricanes took direct aim at our coastline. All of a sudden, the world—and the future—seemed bleak.

A RESILIENT WORKFORCE AND A STEADFAST COMMITMENT

2020 brought unprecedented challenges and tough circumstances, but our workforce proved even tougher. When COVID-19 threatened the health and well-being of Cooperative Energy's employees, our staff developed alternate work plans and created bold, new ways to fulfill our mission. When a series of spring tornadoes left many consumer-members without power and with little hope, our employees powered on. And when the record-breaking 2020 hurricane season set its sights on our region time and time again, our dedicated crews led the charge to restore power, hope, and normalcy.

Our staff did not falter and they did not allow the challenges to become setbacks. Our generation and transmission projects remained on course, on schedule, and on budget. New economic development projects provided the promise of prosperity for the future. And new sources of power shined a bright light on the communities we serve.

AN EXPERIENCE TO DRAW UPON IN THE FUTURE

Although we did not plan for a year like 2020 (who could have?), our 477 employees and 11 Member systems proved to be prepared. Together, we continued to provide the one million Mississippians we collectively serve with reliable, affordable, and responsible energy. Most of all, we succeeded in our overarching goal of improving the quality of life in Mississippi.

The 2020 Experience is one that many hope to soon forget, but it gave us valuable experience that we at Cooperative Energy will carry with us into the future. This year has prepared us to face the challenges of tomorrow head on with more knowledge, ability, and resolve than ever before. We know that whatever the future brings, our people will power on and succeed regardless of any obstacles that stand before them.

THE 20/20 EXPERIENCE

MEETING THE COVID-19 CHALLENGE

Member Relations and External Communications Coordinator Amy Griffin participates in a temperature check at Headquarters.

Inset:Heavy Equipment Operator I Danny Simmons participates in voluntary COVID-19 antibodies testing.

Left to right: Kent Jordan, instrumentation and electrical foreman; Robert Monk, shift supervisor; Bryan Hall, maintenance supervisor; Sammy Sewell, mechanical maintenance planner; Jeff Gentry (seated) plant safety coordinator; Zachary Williams, mechanical maintenance senior engineer; Nathan Bowden, power generation training coordinator; and Jay Williams, plant senior engineer, participate in the mask mandate at Batesville Generating Station.

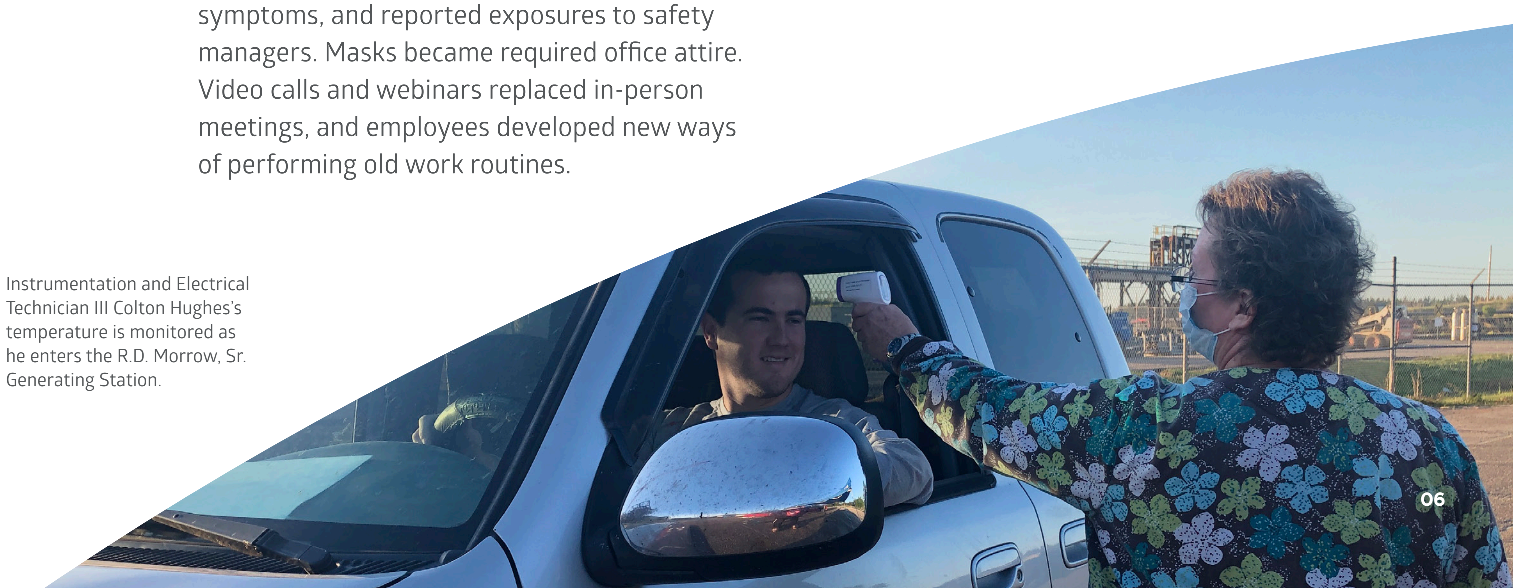
2020 started as any other year, but quickly became a year like none before. By spring, the pandemic hit home and changed the course of life, and work, as we knew it. A crisis that once seemed a world away suddenly threatened the health and safety of Cooperative Energy's workforce and Members.

Cooperative Energy's leaders accepted the challenge of protecting employees by proactively and aggressively implementing new policies and work routines. Plant and field crews worked rotating schedules that allowed employees to safely distance. System operations teams isolated from one another and dispersed to separate work areas to ensure the availability of a healthy team at all times. Employees capable of working remotely deployed indefinitely.

The workplace changed drastically as well. Leadership increased building sanitation and introduced new practices to reduce person-to-person contact. Employees participated in temperature checks upon arrival, monitored symptoms, and reported exposures to safety managers. Masks became required office attire. Video calls and webinars replaced in-person meetings, and employees developed new ways of performing old work routines.

Although the men and women of the Cooperative have endured crises before, no other situation has altered work practices as much, nor endured as long, as COVID-19. Efficiency grew out of necessity, and Cooperative Energy's trusted employees demonstrated their ability to perform their jobs and perform them well in any circumstance or situation.

Enacting the pandemic plan early protected our employees and, ultimately, our ability to serve our Members. In the future, we will look back at this time and see with clarity both the lessons learned from these challenges and the strength we derived from our unity.



Instrumentation and Electrical Technician III Colton Hughes's temperature is monitored as he enters the R.D. Morrow, Sr. Generating Station.

THE 20/20 EXPERIENCE

WEATHERING THE STORMS

Record-breaking weather characterized much of 2020 for Cooperative Energy's 11 Member systems, with back-to-back tornadoes and a tumultuous hurricane season leaving many consumer-members without power in the middle of an already trying time.

Left to right: Carl McSwain, line foreman; James Evans, director of transmission maintenance; Matt Prentiss, lineman I; and Sherman Smith, transmission equipment operator foreman, joined other Cooperative Energy crews to restore power after the Easter tornadoes.

Top right: Dixie Electric Power Association Dispatcher Shannon Welch and System Engineer Blake Remy dispatch linemen during the aftermath of the April 2020 tornadoes.

Two long-track tornadoes Easter weekend unleashed devastation in south Mississippi, leaving many homes and businesses destroyed and causing power outages in 10 of Cooperative Energy's 11 Member systems. One of the tornadoes measured 2.25 miles wide. It ranks as the third widest in the official National Oceanic and Atmospheric Administration's tornado database for the U.S. and the widest on record in the state of Mississippi.

Days later, as residents were picking up the pieces of their lives and lights were beginning to shine once more, tornadoes struck again, wreaking even greater havoc on the weary area.

Crews from across the cooperative network arrived on the scene and assisted local cooperatives with restoration. Coupled with the grit and determination of Cooperative Energy's field and plant crews, service was restored quickly and safely after each storm, despite the altered work practices in place due to social distancing and other COVID-19 restrictions. The cooperative spirit amongst all of the utilities represented allowed hope and a sense of normalcy to be restored.

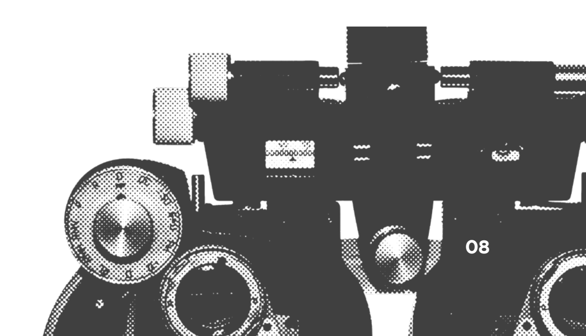
Not to be outdone by tornadoes, the 2020 hurricane season left its marks across Mississippi. Cooperative Energy and its Member systems were in the projected cone of impact for seven tropical systems during the history-making season.

Hurricanes Laura (Category 4) and Delta (Category 2) made landfall in Louisiana before crossing the border into Mississippi with violent winds and rains tormenting Member systems along the western border of the state. Hurricane Delta decimated portions of the distribution system in the area, with damage surpassing some of that inflicted by Hurricane Katrina 15 years prior. Nine Member systems experienced outages caused by Delta.

Hurricane Zeta (Category 2) dealt a devastating blow across south Mississippi in late October. Zeta's winds and rain inflicted widespread outages across six of Cooperative Energy's Member systems, with some systems losing service to 80 percent of their meters. Damage reports once again rivaled that of Hurricane Katrina in some areas.

Cooperative Energy, the employees of each Member system, and crews from across the nation once again responded swiftly to the needs of our consumer-members, working tirelessly to restore service as quickly, safely, and efficiently as possible.

The 2020 hurricane season produced a record-breaking 30 named storms, with 12 making landfall in the U.S. The season continues a record-breaking five-season streak of consecutive above-normal seasons. The winds and rains of 2020 were strong, but the employees and consumer-members of Cooperative Energy and its 11 Member systems proved to be even stronger and more resilient.



Heat Recovery Steam Generator Foundation

THE 2020 EXPERIENCE

MORROW REPOWER

2020 was a pivotal year in the transformation of Cooperative Energy's generation fleet as crews neared the halfway mark on the Morrow Repower Project, the largest project in the Cooperative's 79-year history. The new 550 MW unit at the R.D. Morrow, Sr. Generating Station will offer increased generating capacity and operational flexibility not possible with the site's original two coal units. Converting a 40+ year old plant into a modern, efficient, natural gas-fired plant is no easy feat, but it is one from which one million Mississippians will reap benefits for decades to come.

Left to right: Chris Keith, mechanic I; Tim Jones, mechanic II; Joe Renot, mechanic I; Doug Hartfield, mechanical maintenance planner; and Nathaniel Cran, mechanical maintenance engineer II, participate in Plant Morrow's mask mandate.

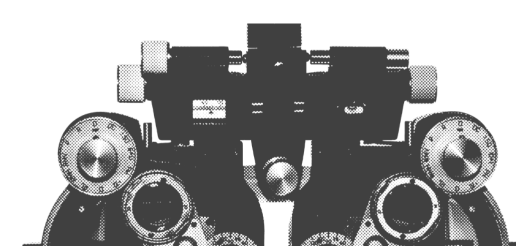
Plant Morrow served the Cooperative as a baseload coal plant for 40 years before succumbing to aging equipment, unfavorable economics, and environmental woes. Plant employees and a host of contractors are now breathing new life into the plant, converting the plant from a conventional steam-cycle two-unit plant to a single-unit natural-gas fired advanced class combined-cycle plant.

Plant Morrow's 65 employees are at the heart of the project utilizing their experience, time, and talents in many new ways. Since the plant ceased commercial operation in 2018, the employees have worked to offset the need for additional contractors by fulfilling a variety of roles.

Employees are performing mechanical maintenance projects, instrumentation and electrical work, cleanout/closure tasks, and other skill-specific activities needed for the project. The work being handled by existing employees has enabled Cooperative Energy to retain all employees throughout the conversion and provided more than $5.4 million in project savings at year-end 2020, all while educating the employees on the inner workings of the future plant.

The work completed by the Plant Morrow team represents the experience, flexibility, adaptability, and skillset of Cooperative Energy's employees. The work also represents money and jobs saved by keeping the work in house. By the grit and determination of these men and women, the repowered Plant Morrow will achieve commercial operation in 2023 and will save end users statewide millions of dollars. Their service is far beyond a job—it is the fulfillment of a mission to provide their fellow Mississippians with a better quality of life.

Plant Morrow is synonymous with the history of Cooperative Energy, and is credited with four decades of reliable, affordable generation for our Members. Upon completion of the Morrow Repower Project in 2023, Morrow will once again be a symbol of affordable, reliable, and responsible generation for Mississippi.



GENERATION RESOURCES

Owned Generation

Batesville Generating Station
- Commercial Operation: 2000
- Fuel Source: Natural Gas
- Three Combined-Cycle Units
- 837 MW Combined Capacity
- 44 Employees

J.T. Dudley, Sr. Generation Complex
- Commercial Operation: 1970
- Fuel Source: Natural Gas
- Two Combined-Cycle Units
- Two Combustion-Turbines Units
- One Steam Unit
- 516 MW Combined Capacity
- 63 Employees

R.D. Morrow, Sr. Generating Station
- Commercial Operation: 1978
- Fuel Source: Undergoing fuel conversion to natural gas
- One Combined-Cycle Unit (future)
- 65 Employees
- Retired from coal-fired generation November 17, 2018

Grand Gulf Nuclear Station (10 Percent Owner)
- Commercial Operation: 1985
- Fuel Source: Nuclear
- One Unit
- Cooperative Energy Share of Capacity: 144 MW

George B. Taylor, Sr. Generating Station
- Commercial Operation: 2003
- Fuel Source: Natural Gas
- Three Simple Cycle Combustion-Turbine Units
- 250 MW Combined Capacity
- 2 Employees

Sylvarena Station
- Commercial Operation: 2003
- Fuel Source: Natural Gas
- Three Aero derivative Combustion-Turbine Units
- 129 MW Combined Capacity
- 2 Employees

Benndale Station
- Commercial Operation: 2020
- Fuel Source: Natural Gas
- Two Wärtsilä 31SG Reciprocating Engines
- 22 MW Combined Capacity
- 2 Employees

Solar Sites
- One Solar Array at Each Site: Greenwood, Kiln, Lucedale, Lyon, and Taylorsville
- Fuel Source: Solar
- Approximately 378 Photovoltaic Panels Per Array
- 500 KW Combined Capacity

Purchased Power

Southeastern Power Administration (Alabama/Georgia)
- Fuel Source: Hydropower
- 68 MW Capacity
- Counterparty: Southeastern Power Administration

Southeastern Power Administration (Cumberland)
- Fuel Source: Hydropower
- 51 MW Capacity
- Counterparty: Southeastern Power Administration

Mississippi Power Company Power Supply Agreement
- Fuel Source: Natural Gas; Coal
- 86 MW Capacity
- Counterparty: Mississippi Power Company

Plum Point Energy Station
- Fuel Source: Coal
- 205 MW Capacity
- Counterparty: Plum Point Energy Associates

Mississippi Solar 3
- Fuel Source: Solar
- 52 MW Capacity
- Counterparty: Origis Energy

Construction for the Morrow Repower Project

Singing River Electric Lineman McKay Hamilton restores service following Hurricane Zeta

Top: CoastConnect's first broadband customer, Mandy Gisclair.

Middle: Left to right: Southern Pine Electric Cooperative's Director of Human Resources and Safety Wes Lee, Journeyman Lineman Wilbert Floyd, and Journeyman Lineman Carl Styron demonstrate power line safety.

Bottom: Left to right: Cooperative Energy Economic Development Representative Stevie Phillips and Pearl River Valley Electric Wiggins District Manager Billy McCrary present a Cooperative Competes grant to Stone County Economic Development Partnership representatives Lynn Truelove, administrator of Memorial Hospital at Stone County, and Betsy Rowell, Stone County EDP.

THE 20/20 EXPERIENCE

MEMBER SYSTEMS RISE TO THE OCCASION

Cooperative Energy's 11 Member distribution cooperatives serve as anchors of communities across the state of Mississippi. In this role, each system strives to improve the quality of these communities and the quality of their consumer-members' lives by providing more than electricity.

COVID-19 left many Mississippians without jobs or with little or no income. Mississippi's electric cooperatives helped keep the lights on as many struggled to pay their bills. Member representatives assisted with payment plans, introduced community assistance programs, and shared tips to conserve electricity and save money. Times like these make affordable energy even more important.

When COVID-19 sent students home to learn and many employees home to work, the lack of reliable internet service plagued much of the state. Where possible, electric cooperatives responded by developing broadband subsidiaries aimed at connecting rural Mississippi with technology much like they connected these areas with electricity nearly eight decades ago.

And each time harsh weather swept through, electric cooperatives across the state and the cooperative network answered the call for help. Together, they rebuilt poles, restrung lines, and restored hope.

Planning for an even brighter future, Cooperative Energy and the 11 Member systems played vital roles in economic development across the state in 2020. Together, they worked with community leaders, state and local government, and members of the private sector to attract nine new projects, create more than 300 new jobs, and secure more than $231 million in capital investment in our local communities. New and growing businesses means better jobs and a better way of life for our fellow Mississippians.

The experiences of 2020 shined a bright light on the value of locally-owned and locally-operated electric cooperatives as they helped one million Mississippians to move forward and power on.

MEMBER SYSTEMS

1 **Coahoma Electric Power Association**
8,298 services in place
1,637 miles of line
5.1 meters per mile of line

2 **Delta Electric Power Association**
36,433 services in place
6,092 miles of line
6.0 meters per mile of line

3 **Twin County Electric Power Association**
11,990 services in place
2,371 miles of line
5.1 meters per mile of line

4 **Yazoo Valley Electric Power Association**
10,340 services in place
2,185 miles of line
4.7 meters per mile of line

5 **Southwest Electric Cooperative**
25,528 services in place
4,200 miles of line
6.1 meters per mile of line

6 **Southern Pine Electric Cooperative**
68,911 services in place
10,567 miles of line
6.5 meters per mile of line

7 **Dixie Electric Power Association**
39,934 services in place
4,980 miles of line
8.0 meters per mile of line

8 **Magnolia Electric Power**
27,708 services in place
4,892 miles of line
5.7 meters per mile of line

9 **Pearl River Valley Electric Power Association**
51,145 services in place
6,166 miles of line
8.3 meters per mile of line

10 **Singing River Electric Cooperative**
76,474 services in place
7,543 miles of line
10.1 meters per mile of line

11 **Coast Electric Power Association**
80,987 services in place
7,038 miles of line
11.5 meters per mile of line

Dixie Electric Power Association Apprentice Linemen Le'Kilo White restores power following the Easter tornadoes

Hurricane Zeta Restoration by Cooperative Energy

Inset: Serviceman Floyd Herford pulls wire as Dixie Electric Power Association reset poles following the April 2020 tornadoes.

Bottom right: Hurricane Zeta Restoration by Cooperative Energy

CONDENSED OPERATING STATEMENT

(in millions)		2020		2019		2018
Total Operating Revenues	**$**	**739**	**$**	**759**	**$**	**817**
Operating Expenses						
Fuel and Purchased Power	$	431	$	453	$	508
Other Operating Expense		184		180		176
Depreciation and Amortization		74		73		70
Total Operating Expenses	**$**	**689**	**$**	**706**	**$**	**754**
Operating Margin Before Interest & Other	**$**	**50**	**$**	**53**	**$**	**63**
Interest Expense: Net & Other Deductions		42		45		49
Operating Margin	**$**	**8**	**$**	**8**	**$**	**14**
Interest and Other Income		12		12		12
Net Margin	**$**	**20**	**$**	**20**	**$**	**26**
Equity as a % of Assets		20.6%		21.4%		20.7%
Margins-for-Interest Ratio (MFI)		1.52		1.54		1.61
Debt Service Coverage Ratio (DSC)		1.70		1.82		1.66
Average Cost of Debt		3.27%		3.73%		3.92%

2020 BY THE NUMBERS

$739 **Million Annual Revenue**

437,748 **Services in Place**

12,117,993 **MWh in Total Sales**

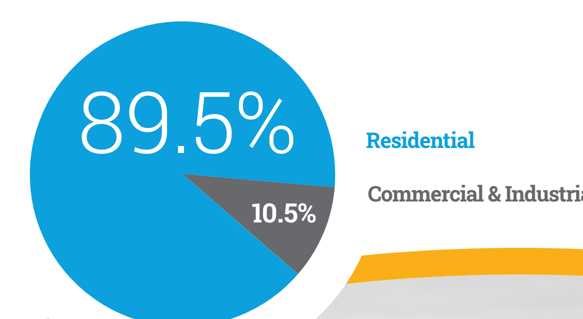
1,824 **Miles of Transmission Line**

63.6% **Annual Coincident Peak Load Factor**

57,670 **Miles of Distribution Lines**

7.6 **Average Distribution Meters/Mile**

System Characteristics:



2020 MILESTONES

Member Focus

- Returned $10,000,000 to Members in patronage capital
- Installed first GoEV electric vehicle charging station and developed plans for additional sites across the state
- Energized Oak Grove and Holmesville delivery points
- Promoted public safety through multi-media campaign
- Conducted a comprehensive Commitment to Community campaign spotlighting the community-based activities championed by Cooperative Energy and the 11 Member systems
- Conducted transmission studies associated with the Yazoo Valley Pump Project
- Launched Project Lead the Way STEM curriculum and educator training in local elementary schools
- Completed tower upgrades for microwave system upgrade project
- Tested significant portion of new statewide Land Mobile Radio project

Transparency and Responsiveness

- Replaced 71 poles across the transmission system due to tornado damage
- Replaced eight poles and repaired transmission system damage resulting from two hurricanes
- Completed implementation of the EcoSys enterprise project portfolio management software solution
- Optimized full gas trading and scheduling activities with internal staff
- Implemented bilateral power trading to optimize market opportunities and added new trading partners for enhanced market visibility and price competition
- Developed new generation offer tool for power marketing to allow for hourly capacity limits and ancillary services
- Completed construction of the J. BoBy Spiers Building at the Field Operations Center
- Completed renovation of the Brookhaven Office
- Conducted a diversity, inclusion, civility, and equity survey of hiring managers, senior management, and human resources personnel to identify strengths and opportunities regarding diversity and inclusion in Cooperative Energy's work environment

Fiscal, Regulatory, and Environmental Compliance

- Commissioned 79 solar systems for consumer-members capable of generating a combined 861.4 kWAC
- Installed 150 kW of battery capacity connected to 24 solar photovoltaic systems
- Secured third pipeline infrastructure at Moselle for a dual gas supply resulting in a projected savings of $2 million
- Implemented SplashHR dashboard reporting focused on employee retention, diversity, absenteeism, compensation, headcount, and turnover
- Updated Enterprise Risk Management framework including the refinement of key enterprise risks, and the identification of risk specific cross-functional teams
- Affirmed investment grade credit ratings by S&P (A), Moody's (A3), and Fitch (A)
- Improved the Cooperative's overall load forecasting
- Implemented quarterly financial forecasting
- Redesigned the Cooperative's budgeting process and budget deliverable
- Secured access to long-term debt capital further reducing overall cost of debt
- Aligned fixed and variable cost recovery to better enable the timely return of excess margins to Members
- Implemented aggressive patronage capital retirement strategies to better communicate the value of the cooperative business model to consumer-members

Safety and Reliability

- Created TapRoot training program for Member systems
- Implemented Good Catch internal safety program
- Customized Incident Management System for Member systems
- Completed 500,000 man hours on the Morrow Repower Project with no Lost Time Accidents
- Achieved best year on record for availability and reliability and the highest single production day for Units 1 and 2 at the Batesville Generating Station
- Produced most cumulative megawatt hours in one year and most cumulative service hours of all time at the J.T. Dudley, Sr. Generation Complex
- Completed 41 plant-betterment capital projects.
- Completed two new breakered stations resulting in improved service to Member delivery points and surrounding transmission facilities
- Implemented virtual training to maintain education while complying with COVID-19 restrictions

Serve as Trusted & Value-Adding Resource for Member-Owners

- Achieved commercial operation at Benndale Station, adding 22.4 MW of efficient, fast, and flexible generation capacity to the Cooperative Energy fleet
- Commenced construction at the R.D. Morrow, Sr. Generating Station on the Morrow Repower Project
- Contributed 140,000 hours of work to the Morrow Repower Project, resulting in more than $5.6 million in project savings at year-end 2020
- Achieved 48 percent completion of the Morrow Repower Project with 51 of 56 total project contracts awarded
- Announced nine new economic development projects across the state representing more than 300 new jobs and more than $231 million in capital investments
- Awarded 13 Cooperative Competes grants totaling $224,000 benefitting five Member systems' service territories
- Improved system communications and lightning protection by continuing the installation of OPGW (optical ground wire) across the transmission system
- Established internship program with Northwest Community College to enhance hiring process for instrumentation and electrical positions

Left: GoEV! Charging Station
Winona, Mississippi

Middle: Transmission Field Biologist Wes Graham leads an Arbor Day school celebration.

Right: Lineman I Zachary Hill teaches students to use power line tools at the Area Development Partnership's Jumpstart to Success.

BOARD OF DIRECTORS

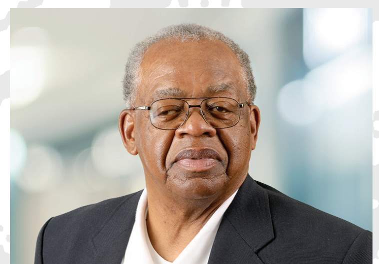

Louis Thompson
Yazoo Valley Electric Power Assoc.
Chairman


Richard Thoms
Southern Pine Electric Cooperative
Secretary/Treasurer


Mike Tyner
Coahoma Electric Power Assoc.


Scott Smith
Magnolia Electric Power


Hugh Gene Smith
Pearl River Valley Electric Power Assoc.


Les Peters
Pearl River Valley Electric Power Assoc.


Cindy Shipp
Yazoo Valley Electric Power Assoc.


Keith Hurt, *General Manager*
Coahoma Electric Power Assoc.


Ron Barnes, *President/CEO*
Coast Electric Power Assoc.


Randy Wallace, *General Manager*
Pearl River Valley Electric Power Assoc.


Brian Hughey, *General Manager/CEO*
Singing River Electric Cooperative


Chris Rhodes, *President/CEO*
Southern Pine Electric Cooperative


Gilbert Arceneaux
Coast Electric Power Assoc.


Harry Howarth
Delta Electric Power Assoc.


Mack Mauldin
Dixie Electric Power Assoc.


Roy Grafe
Singing River Electric Cooperative


Randy Woolley
Southwest Electric Cooperative


Joey Cunningham
Twin County Electric Power Assoc.


David O'Bryan, *General Manager*
Delta Electric Power Assoc.


Randy Smith, *General Manager*
Dixie Electric Power Assoc.


Darrell Smith, *General Manager*
Magnolia Electric Power
Vice Chairman


Kevin Bonds, *General Manager*
Southwest Electric Cooperative

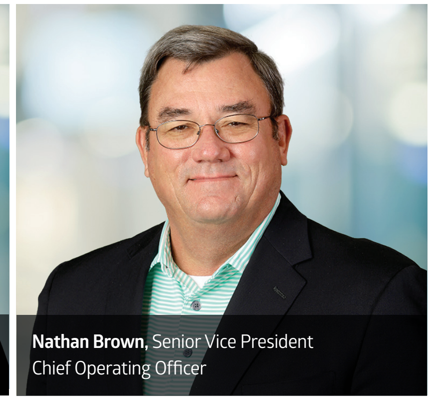

Tim Perkins, *Manager*
Twin County Electric Power Assoc.


Ron White, *General Manager*
Yazoo Valley Electric Power Assoc.

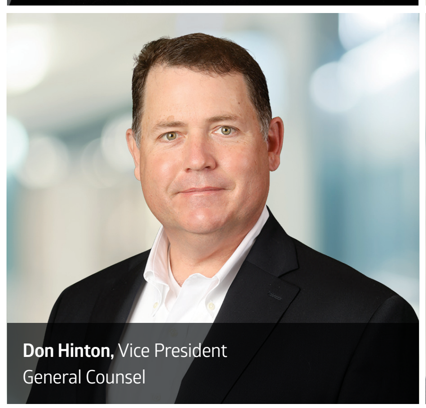
SENIOR MANAGEMENT TEAM


Jeff C. Bowman, President/CEO

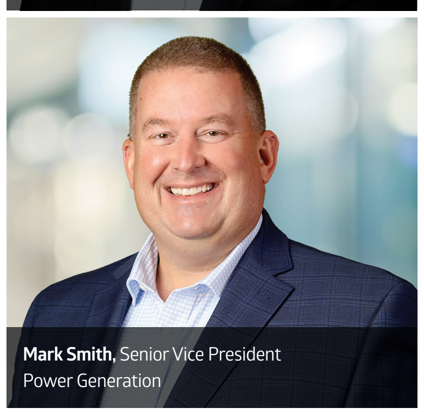

Christa Bishop, Executive Vice President
Chief Communications Officer

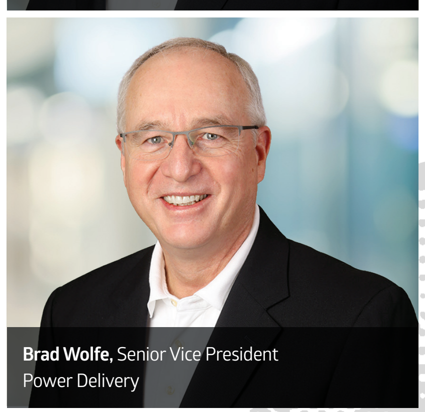

Nathan Brown, Senior Vice President
Chief Operating Officer


Tom Hall, Senior Vice President
Chief Financial Officer


Don Hinton, Vice President
General Counsel


Steve McElhaney, Senior Vice President Chief
Compliance Officer


Mark Smith, Senior Vice President
Power Generation


Brad Wolfe, Senior Vice President
Power Delivery

MANAGEMENT TEAM


Scotty Barron, Director
Control Systems


Adolfo Bello, Director
Communications Systems


Jeff Brown, Plant
Superintendent (Morrow)


Trey Cannon, Director
Generation Projects


Crystal Crawford, Director
Human Resources


Mark Dodd, Vice President
Information Systems


James Evans, Director
Transmission Maintenance


John Gilbertson, Director
Substation Engineering


Kevin Grace, Controller


Patsy Horan, Director
Safety Compliance


Gary Hutson, Vice President
Power Supply


Stephen Jackson, Director
Legal Affairs


Allen Keene, Director
Supply Chain


Mike McCrary, Director
Finance and Risk Management

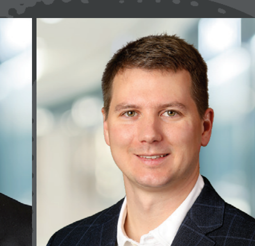

Ron Repsher, Director
Power Marketing and Fuels


Joe Riels, Director
System Operations


Chris Roberts, Director
Transmission Engineering


Dale Rounsaville, Plant
Superintendent (Moselle)


Brandon Sanders, Plant
Superintendent (Batesville)


Stephen Sims, Assistant Plant
Superintendent (Moselle)


Mitch Stringer, Director
Economic Development


Jesse Torres, Director
Business Information Systems


Alan Wilson, Director
Wholesale Services

IN MEMORY

Henry C. Waterer, Jr.
1931-2020

2020 RETIREES

Tommy Clark
43 years of service

Charles Gray
41 years of service

Eddie Pendarvis
35 years of service

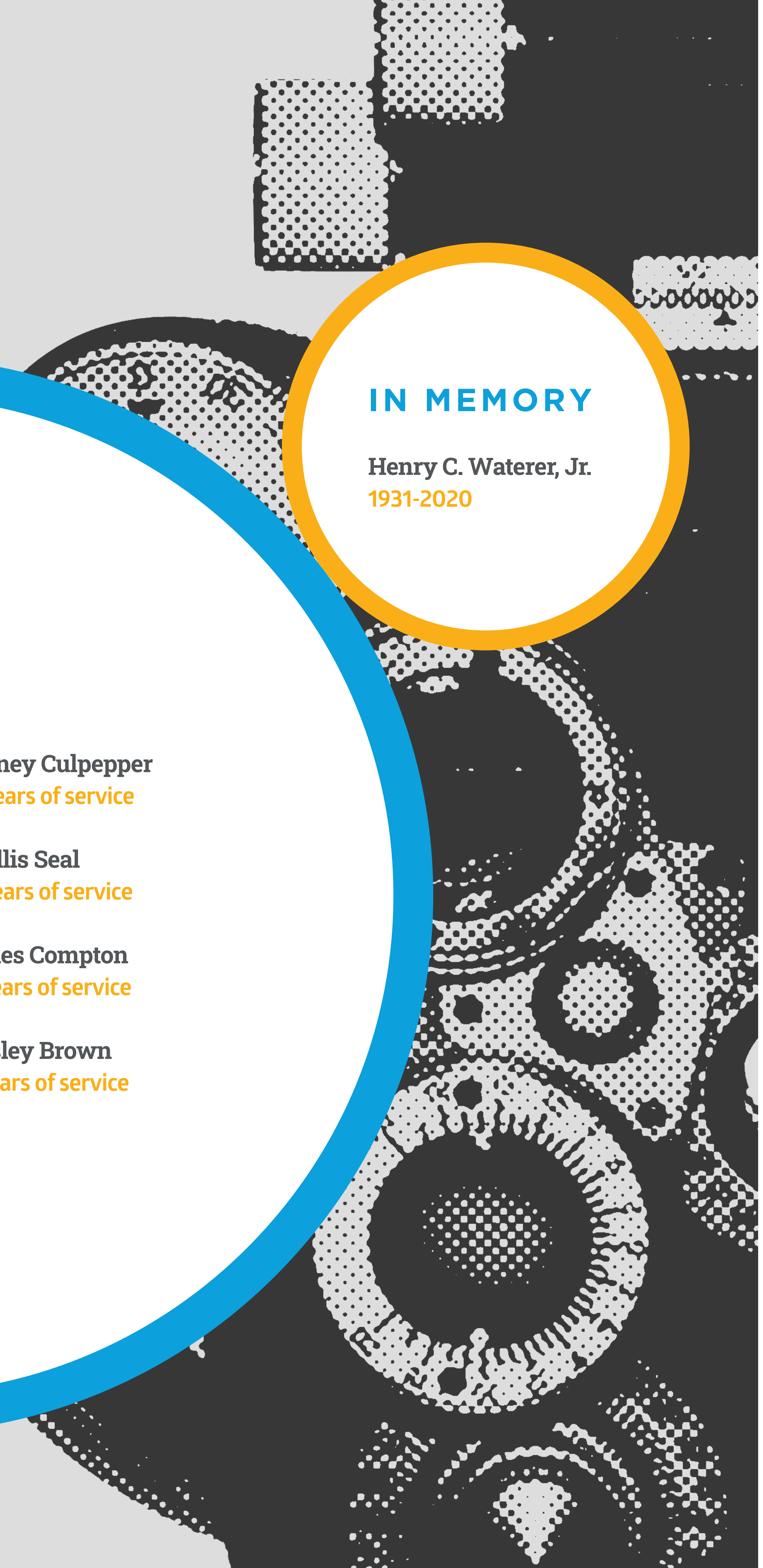
George Beech
34 years of service

Rodney Culpepper
22 years of service

Phyllis Seal
18 years of service

James Compton
15 years of service

Wesley Brown
11 years of service



Cooperative ENERGY

FINANCIAL REVIEW

December 31, 2020 and 2019

Cooperative Energy Lineman III Jared Jones and Lineman III Tyler Crane remove twisted metal from a transmission line following Hurricane Zeta.

THE 20/20 EXPERIENCE

2020 Annual Report

CONTENTS

Results of Operations

Cooperative Energy provides generation and transmission services to 11 member distribution cooperatives (Members) located in southern and western portions of Mississippi under individual all-requirements wholesale power contracts that expire in 2060. Cooperative Energy's financial results from operations in 2020 were sufficient to ensure compliance with financial covenants and maintenance of an adequate liquidity position. A condensed statement of revenues and expenses is presented on page 18 of this report.

Revenues and Energy Sales

Operating revenues in 2020 decreased 2.7% from the prior year, to $738.8 million. This decrease was attributed to lower electric energy revenue from both Members and Non-Members.

Electric energy revenue from Members was $675.0 million in 2020, a decrease of 2.1% as compared with 2019 due to lower volume of energy sold to Members and a lower effective rate. The average billed Member rate decreased 2.02 mills/kWh, or 2.7%, to 71.71 mills/kWh in 2020. The Member rate schedules had no adjustments in 2020.

Energy sales to Members decreased 3.3% to 9.7 million MWh in 2020 compared with the prior year. During August 2020, Cooperative Energy recorded its yearly peak demand of 2,029 MW which was 2.2% below the prior year peak of 2,074 MW that occurred during November 2019. Sales to Member large power customers decreased approximately 5.6% in 2020 from the prior year due to lower sales in all sectors. Large power customers represented 11.3% and 11.6% of the total Member load in 2020 and 2019, respectively.

Other electric energy revenue is comprised of net sales to the Midcontinent Independent System Operator, Inc. (MISO). Net sales to MISO in 2020 were 2.4 million megawatt-hours. These revenues decreased $7.7 million to $53.5 million in 2020 due to a 14.4% lower average selling price, despite a 2.2% increase in sales volume in 2020.

Fuel and Purchased Power Expenses

Fuel expense is affected by a number of factors, including the volume of energy generated by owned facilities, the mix of units utilized and commodity prices for fuels. The volume of generation is influenced by the relative competitive position of Cooperative Energy's owned generation facilities in MISO's economic dispatch model and the level of energy demand. Transmission congestion costs and unit reliability also affect dispatch volume and fuel expense.

Purchased power expenses depend upon the demand or capacity costs and the energy price for contracted resources, the quantity of energy purchased, and pricing of economy power purchased in the MISO market. Cooperative Energy seeks to minimize the cost of energy supplied to Members through the economic dispatch of available resources.

Resources for a portion of Member load are provided by Mississippi Power Company (MPC) through all requirements contracts under which MPC supplies the all-requirements needs at certain Member delivery points. The delivery points are served under a municipal and rural association (MRA) cost-based rate that is subject to Federal Energy Regulatory Commission (FERC) approval. The MRA rate includes a fuel cost adjustment that is revised annually.

Fuel and purchased-power costs were $431.1 million and $453.5 million in 2020 and 2019, respectively. These costs represent 62.6% and 64.2% of total operating expenses in 2020 and 2019, respectively.

Fuel expense decreased $4.7 million, or 3.6%, in 2020 as compared with the previous year primarily due to a 24.5% decrease in average natural gas prices, despite a 2.1% increase in energy volume produced from owned facilities. The increase in generation from owned facilities in 2020 was attributable to higher dispatch of Cooperative Energy's J.T. Dudley, Sr. Generation Complex (Plant Moselle) and Sylvarena Station partially offset by lower dispatch of the Batesville Generating Station, Grand Gulf Nuclear Station (GGNS) and the George B. Taylor, Sr. Generating Station (Silver Creek). The combined-cycle units at Batesville Generating Station and Plant Moselle accounted for approximately 33.5% and 15.0%, respectively, of Cooperative Energy's total energy available for sale from all sources during 2020.

The cost of natural gas purchased for owned units averaged $2.03/MMBtu during 2020, inclusive of hedge and gas storage costs, as compared with $2.69/MMBtu during 2019.

Purchased power costs decreased 5.5% during 2020 to $303.7 million due to a 6.9% decrease in the volume of purchased energy, partially offset by a 1.5% increase in the average unit price as compared with the prior year. The average cost of purchased power during 2020 was $57.00/MWh compared to $56.17/MWh during 2019. The total cost of energy purchased from MPC under the MRA contracts decreased 5.9% in 2020 compared to the prior year due to a 5.3% decrease in volume and a 0.6% decrease in average prices. The average rate paid to MPC during 2020 under the MRA contracts was $68.95/MWh compared to $69.38/MWh in 2019. Energy supplied to Members under the MRA contracts comprised approximately 26.1% of total Member load during the year. Energy purchases from Plum Point decreased 22.0% in 2020 compared to the prior year. The average cost of power from Plum Point during 2020 was $86.90/MWh compared to $68.33/MWh in 2019. Cooperative Energy's costs for net energy purchases of economy energy from MISO decreased $4.1 million, or 20.3%, during 2020 to $16.0 million due to lower volume and average rate. The average rate paid to MISO during 2020 was $18.29/MWh compared to $21.76/MWh in 2019. Net energy purchases from MISO comprised approximately 9.0% of total Member load in 2020 compared with 9.2% in 2019.

Cost of Fuel for Owned and Contracted Generation ($/MWh)

		2020	2019
Coal	$	18.99	17.78
Nuclear		3.74	8.24
Natural Gas		19.70	21.54

Energy Supplies

Sources of Supply (1000 MWh)	2020	2019	2020 over 2019 Increase/(Decrease)	2020 over 2019 % change
Total Owned and Contracted Generation	8,678	8,737	(59)	(0.7%)
Net Purchases from MISO	871	919	(48)	(5.2%)
MPCo All-Requirements Contracts	2,524	2,665	(141)	(5.3%)
Other Purchased Power	111	116	(5)	(4.2%)
Total Energy Available	12,184	12,437	(253)	(2.0%)
Energy Losses	66	64	2	3.1%
Total Sales	12,118	12,373	(255)	(2.1%)

Sources of Owned Generation (1000 MWh)	2020	2019	2020 over 2019 Increase/(Decrease)	2020 over 2019 % change
Batesville Generation Station	4,080	4,134	(54)	(1.3%)
Plant Moselle	1,825	1,234	590	47.9%
GGNS	647	1,101	(454)	(41.2%)
Other Owned Generation	304	246	58	23.4%
Total Owned Generation	6,855	6,715	140	28.7%

Energy Supplied from Owned and Contracted Resources (excluding MRA contract and MISO purchases) by Fuel Type	2020	2019
Natural Gas	76.5%	69.3%
Coal	10.7%	13.7%
Nuclear	7.4%	12.4%
Renewables	5.4%	4.6%
	100.0%	100.0%

Other Operating Expenses

Other operating expenses are comprised of non-fuel operating and maintenance expenses related to generation, transmission expenses and administrative and general costs. Other operating expenses represented $15.11/MWh and $14.55/MWh in 2020 and 2019, respectively.

Interest expense of $36.3 million, net of approximately $3.4 million in capitalized interest, in 2020 was 11.6% lower compared to the prior year, primarily due to lower weighted average cost of debt and offset by a 6.5% increase in the daily average balance of debt outstanding. Cooperative Energy's average cost of debt was 3.27% and 3.73% in 2020 and 2019, respectively.

Non-Operating Margin

Interest income was $4.7 million in 2020 compared to $11.5 million in 2019. Interest-bearing deposits include the Rural Utilities Service (RUS) Cushion of Credit (CoC) program and short-term cash equivalent investments.

Financial Condition

Cooperative Energy's financial plan targets a number of key financial metrics that are intended to ensure sufficient cash flow to meet obligations as they become due and capital to meet Members' future resource needs. One such financial target is that the annual cash coverage of interest and scheduled principal payments (debt service coverage ratio or DSC) be equal to or greater than 1.20 times. Cooperative Energy's DSC ratio in 2020 and 2019 was 1.70 and 1.82, respectively.

Cooperative Energy's net margin for the year ended December 31, 2020 was $20.0 million compared to $20.0 million for 2019. In formulating budgets and long-term financial plans, Cooperative Energy considers its annual "margins for interest" (MFI) ratio that is defined in the Cooperative Energy's mortgage indenture. Cooperative Energy's indenture requires the maintenance of a MFI ratio of 1.10 times in order to be permitted to issue additional secured obligations. Cooperative Energy's credit agreements with banks also have a financial covenant that Cooperative Energy maintain an annual MFI ratio no less than 1.10 times. Cooperative Energy's MFI ratio was 1.52 and 1.54 for 2020 and 2019, respectively.

A strong balance sheet provides assurance to Members and other stakeholders that Cooperative Energy has the financial resources to meet its obligations. Cooperative Energy has a medium term goal to increase equity as a percentage of assets to 20%. At year-end 2020, the equity-to-assets ratio declined to 20.6% compared to 21.4% at the prior year-end.

The rate schedule for Members that is adopted each year in Cooperative Energy's annual budget is intended to cover Cooperative Energy's cost of service and meet or exceed target financial ratios. Cooperative Energy reviews its financial position each month with the Board of Directors, which may make adjustments to Member rates during the year in order to achieve financial targets and other objectives. The change in Member rates and the overall composition of demand and energy charges resulted in an average Member rate of 71.71 mills/kWh in 2020, 2.8% lower than the 2019 average rate of 73.73 mills/kWh.

Liquidity

At year-end 2020, Cooperative Energy had $470 million in available undrawn commitments under unsecured credit facilities. The credit facilities have various final maturities between April 2022 and April 2024. Cooperative Energy believes it has adequate access to bank markets to renew or replace the credit facilities in due course as appropriate.

Liquidity available to meet Cooperative Energy's funding requirements is comprised of unrestricted cash-on-hand and amounts available under the committed bank facilities described above. Unrestricted cash and committed credit facilities available for immediate funding at year-end 2020 represented 410 days coverage of the average daily operating cash expense in 2020.

Operating Activities

Cash provided by operating activities amounted to $132 million in 2020 compared to $162 million in 2019. Net margins and non-cash depreciation expense totaled $105 million in 2020 and $105 million in 2019. Changes in current assets and liabilities, excluding cash and current maturities, increased cash flow from operations by $10 million in 2020 and increased cash flow by $6 million in 2019.

Investment Activities

Cooperative Energy's total assets at year-end 2020 were $2.1 billion. Capital expenditures in 2020 were $201 million and were primarily attributable to improvements to Cooperative Energy's transmission system and to generation system projects. Cooperative Energy's deposits in the RUS Cushion of Credit increased $2 million to $57 million at year-end 2020. The Cushion of Credit balance is available to meet future scheduled principal and interest payments on RUS and Federal Financing Bank debt as the payments are due.

Financing Activities

During 2020, Cooperative Energy received $100.6 million in loan disbursements from RUS under loan contracts. These RUS loan advances provide long-term financing for various transmission system improvement and generation system improvement projects. The RUS loan advances are generally for a 20 to 30-year period and carry interest rates that are fixed at the time of the advance. The interest rates for the RUS loan advances made in 2020 range from 1.054% to 1.321%. At year-end 2020, Cooperative Energy had $95 million in undrawn commitments available from RUS under two loan contracts.

Documentation of the $149 million RUS 'AF8' loan for transmission system and generation system improvements closed during January 2020, with the first advance occurring in April of 2020.

Credit Ratings

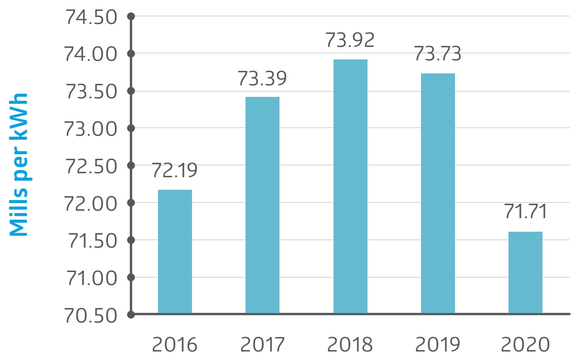
As of year-end 2020, Cooperative Energy was assigned the following credit ratings:

	S&P	Moody's	Fitch
Senior Secured Debt	A/Stable	A2/Stable	A/Stable
Issuer Credit Rating	A/Stable	A3/Stable	—

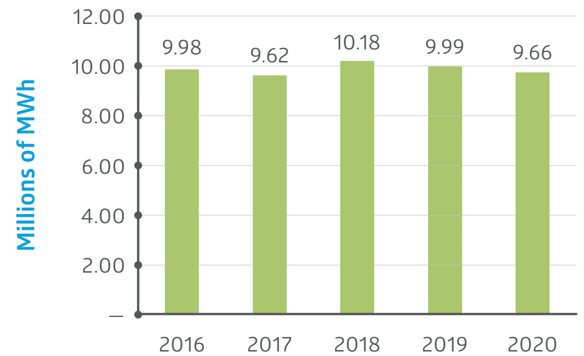
Five-Year Financial Summary

In thousands, as of December 31	2020	2019	2018	2017	2016
SUMMARY OF OPERATIONS					
Total Operating Revenues	$ 738,836	$ 759,289	$ 817,331	$ 778,162	$ 811,298
Operating Expenses:					
Fuel	$ 127,449	$ 132,164	$ 149,105	$ 127,946	$ 160.842
Production	36,478	38,430	42,089	41,317	36,238
Purchased Power	303,659	321,348	359,459	354,885	343,136
Transmission	61,463	56,645	50.691	49,423	49,873
Administrative and General	28,556	29,338	28,232	27,350	25,462
Maintenance	56,661	55,636	55,422	52,738	52,884
Depreciation and Amortization	74,319	73,030	69,988	67,686	76,301
Total Operating Expenses	$ 688,585	$ 706,591	$ 754,986	$ 721,345	$ 744,736
Operating Margin	$ 50,251	$ 52,698	$ 62,345	$ 56,817	$ 66,562
Interest Expenses	36,309	41,063	44,778	46,624	47,676
Other Deductions	6,282	3,599	3,949	4,064	6,342
Nonoperating Margin	12,340	11,964	12,382	13,956	10,762
Net Margin	$ 20,000	$ 20,000	$ 26,000	$ 20,085	$ 23,306
ELECTRIC UTILITY PLANT					
In Service – at Cost	$ 2,130,730	$ 2,049,434	$ 2,017,531	$ 2,287,182	$ 2,247,265
Electric Plant Held for Future Use	10,408	10,335	10,335	—	—
Construction Work in Process	282,096	161,293	72,618	35,359	36,708
Total	2,423,234	2,221,062	2,100,484	2,322,541	2,283,973
Less Accumulated Depreciation	978,771	931,182	880,416	998,578	940,570
Net Utility Plant	$ 1,444,463	$ 1,289,880	$ 1,220,068	$ 1,323,963	$ 1,343,403
TOTAL ASSETS	$ 2,108,082	$ 1,983,521	$ 1,980,349	$ 1,902,551	$ 1,936,516
TOTAL EQUITY AND PATRONAGE CAPITAL	$ 435,119	$ 425,119	$ 409,616	$ 388,472	$ 373,563
ENERGY SOURCES – MWH					
Generated	6,855,404	6,715,386	5,831,396	5,331,989	7,129,313
Purchased	5,327,428	5,721,065	6,611,595	6,090,468	6,037,018
Total Available for Sale	12,182,832	12,436,451	12,442,991	11,422,457	13,166,331
ENERGY SALES – MWH					
Member Cooperatives	9,656,694	9,987,133	10,182,072	9,616,043	9,984,821
Non-members	2,461,299	2,385,529	2,183,348	1,737,664	3,123,088
Total Sales	12,117,993	12,372,662	12,365,420	11,353,707	13,107,909
Wholesale Rate to Members (mills/kWh)	71.71	73.73	73.92	73.39	72.19
Total System Coincident Peak Demand (MW)	2,029	2,074	2,563	2,256	2,012

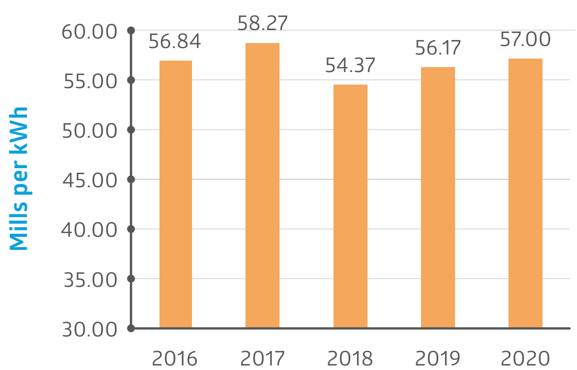
Wholesale Rate to Members



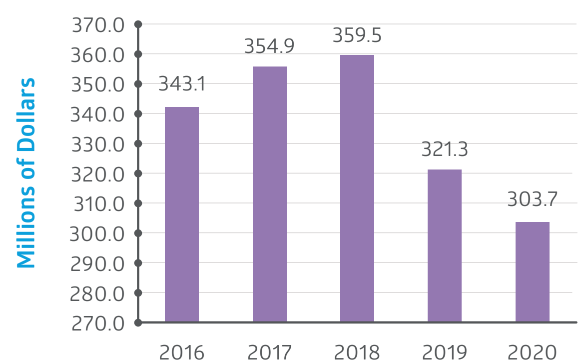
Sales to Members



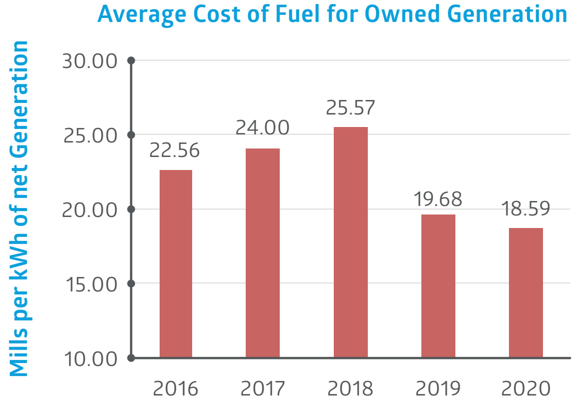
Average Cost of Purchased Power



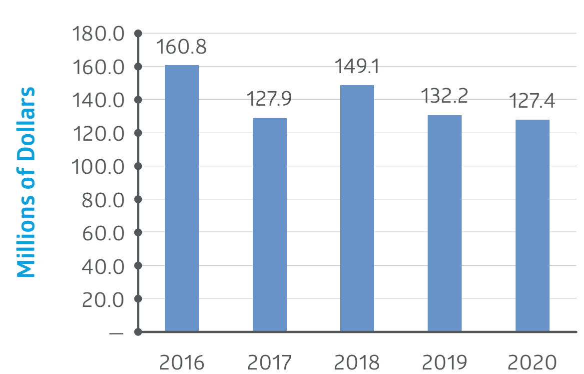
Total Cost of Purchased Power



Average Cost of Fuel for Owned Generation



Total Cost of Fuel



Independent Auditors' Report

The Board of Directors
Cooperative Energy:

We have audited the accompanying financial statements of Cooperative Energy, which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of revenues, expenses, and patronage capital, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cooperative Energy as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Jackson, Mississippi
March 24, 2021

Balance Sheets December 31, 2020 and 2019 (in thousands)
Statements of Revenues, Expenses, & Patronage Capital Years ended December 31, 2020 and 2019 (in thousands)

Assets	2020	2019
Electric utility plant:		
In service – at cost	$ 2,130,730	2,049,434
Electric plant held for future use	10,408	10,335
Construction work in progress	282,096	161,293
	2,423,234	2,221,062
Less accumulated depreciation	978,771	931,182
Net electric utility plant	1,444,463	1,289,880
Investments:		
Investments in associated organizations and other investments	12,513	12,607
Decommissioning trust investments	102,555	91,658
Debt service and other prepayments	57,392	54,823
Total investments	172,460	159,088
Current assets:		
Cash and cash equivalents	219,257	241,492
Accounts receivable from Members	65,300	58,389
Accounts receivable from others	4,566	6,363
Inventories (at average cost):		
Fuels	2,204	1,494
Emission allowances	3,474	3,478
Materials and supplies	35,855	34,647
Other	6,835	6,737
Total current assets	337,491	352,600
Deferred charges	153,668	181,953
Total assets	$ 2,108,082	1,983,521

Equities and Liabilities

Equities:		
Patronage capital	$ 434,584	424,584
Donated capital	535	535
Total equities	435,119	425,119
Long-term debt (excluding current maturities)	1,166,811	1,103,966
Accrued decommissioning obligation	121,481	114,969
Deferred credits and other long-term liabilities	175,142	166,760
Current liabilities:		
Accounts payable	100,629	72,252
Accrued interest	2,284	2,311
Other accrued expenses	10,005	8,495
Current maturities of long-term debt	37,680	43,265
Energy prepayments from Members	58,931	46,384
Total current liabilities	209,529	172,707
Commitments and contingencies (notes 3, 14, and 15)		
Total equities and liabilities	$ 2,108,082	1,983,521

See accompanying notes to financial statements.

	2020	2019
Operating revenues:		
Electric energy revenue from Members	$ 675,039	689,192
Other electric energy revenue	54,130	61,165
Other — net	9,667	8,932
Total operating revenues	738,836	759,289
Operating expenses:		
Fuel	127,449	132,164
Production	36,478	38,430
Purchased power	303,659	321,348
Transmission	61,463	56,645
Administrative and general	28,556	29,338
Maintenance expenses:		
Production	39,482	39,027
Transmission	7,092	6,809
General	10,087	9,800
Depreciation and amortization	74,319	73,030
Total operating expenses	688,585	706,591
Operating margin before interest and other deductions	50,251	52,698
Interest and other:		
Interest, net of amounts capitalized	36,309	41,063
Other	6,282	3,599
Total interest and other	42,591	44,662
Operating margin	7,660	8,036
Nonoperating margin:		
Interest income	4,740	11,532
Other	7,600	432
Total nonoperating margin	12,340	11,964
Net margin	20,000	20,000
Patronage capital at beginning of year	424,584	409,081
Patronage distributions	(10,000)	(4,497)
Patronage capital at end of year	$ 434,584	424,584

See accompanying notes to financial statements.

Statements of Cash Flows Years ended December 31, 2020 and 2019 (in thousands)

	2020	2019
Operating activities:		
Net margin	$ 20,000	20,000
Adjustments necessary to reconcile net margin to net cash provided by operating activities:		
Depreciation, amortization, and decommissioning	84,606	85,027
Gain on sale of electric utility plant assets	(106)	(148)
Gain on sale of securities	(5,606)	(1,214)
Other noncash charges	—	(1)
Change in current assets	(7,125)	(2,009)
Change in deferred revenue	17,416	47,175
Change in current liabilities other than current maturities	17,234	8,226
Change in deferred charges, credits, and other long-term liabilities	5,924	5,403
Net cash provided by operating activities	132,343	162,459
Investing activities:		
Proceeds from sale of electric utility plant assets	106	148
Purchases of securities	(44,191)	(19,657)
Proceeds from sale of securities	43,480	15,305
Change in other investments	(804)	2,621
Investment in nuclear decommissioning trust fund	(2,400)	(2,400)
Electric plant additions	(200,909)	(124,845)
Change in debt service deposits	(2,569)	278,791
Net cash (used in) provided by investing activities	(207,287)	149,963
Financing activities:		
Scheduled principal payments on long-term debt	(43,382)	(36,862)
Elective principal payments of long-term debt	—	(285,112)
Proceeds from issuance of long-term debt	100,588	391,968
Change in lines of credit	—	(174,981)
Payment of debt issuance cost	—	(2,080)
Payment of patronage capital	(4,497)	(4,856)
Net cash provided by (used in) financing activities	52,709	(111,923)
Net change in cash and cash equivalents	(22,235)	200,499
Cash and cash equivalents at beginning of year	241,492	40,993
Cash and cash equivalents at end of year	$ 219,257	241,492
Additional cash flow disclosures:		
Interest paid, net of amount capitalized	$ 35,838	38,483
Change in accrued additions to electric utility plant	19,668	8,948

See accompanying notes to financial statements.

Notes to Financial Statements December 31, 2020 and 2019

1. Nature of Operations

Cooperative Energy is a member-owned, not-for-profit electric generation and transmission cooperative that supplies wholesale electricity and other services to its 11 Member distribution cooperatives (the Members), which, in turn, provide retail electric service to consumers in certain areas of Mississippi through approximately 439,000 meters. Under long-term wholesale power contracts with each of its Members, Cooperative Energy is obligated to provide all of the power required by the Member systems. Financing assistance is provided by the United States Department of Agriculture, Rural Utilities Service (RUS). In addition to being subject to regulation by its own governing board of directors, Cooperative Energy is subject to certain rules and regulations promulgated for rural electric borrowers by RUS. Cooperative Energy maintains its accounting records in accordance with the Federal Energy Regulatory Commission's (FERC) Chart of Accounts, as modified and adopted by RUS. Revenue is generally recognized when power is delivered to its Members. However, as a regulated utility, the methods of allocating costs and revenue to time periods may differ from those principles generally applied to nonregulated companies.

Cooperative Energy owns a 10% undivided interest in a nuclear generating plant known as Grand Gulf Unit 1 (Grand Gulf). System Energy Resources, Inc. (SERI), a subsidiary of Entergy Corporation (Entergy), owns the remaining 90%, either outright or through leasehold interests. Entergy Operations, also a subsidiary of Entergy, operates the plant along with other nuclear plants owned by Entergy, subject to owner oversight. Grand Gulf commenced commercial operation on July 1, 1985.

2. Summary of Significant Accounting Principles

a. Electric Utility Plant and Depreciation

Electric utility plant is stated at cost, which includes contract work, materials, direct labor, allowance for funds used during construction, and allocable overhead costs. The cost of electric generating stations and related facilities includes costs incurred, less revenue earned, prior to the date of commercial operation.

Depreciation is provided by straight-line group method for electric utility plant in service at the following annual composite rates:

Nuclear generation plant	1.63%
Nonnuclear generation plant	0.6% to 4.55%
Transmission plant	2.75%
General plant and transportation equipment	2% to 25%

At the time that units of the electric utility plant are retired, their original cost and cost of removal, less salvage value, are charged to accumulated depreciation. Replacements of the electric utility plant involving less than a designated unit of property are charged to maintenance expense. With the exception of turbine inspections, repair and maintenance costs incurred during a planned major maintenance outage are expensed when incurred. Costs associated with turbine inspections are recorded as regulatory assets and amortized over the periods between inspections.

Cooperative Energy evaluates long-lived assets for impairment when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable, based upon expectations of undiscounted cash flows and operating income. No impairments were incurred in 2020 or 2019.

b. Allowance for Funds Used During Construction

Cooperative Energy capitalizes interest on certain significant construction and development projects while the projects are under construction. The interest cost capitalized related to debt specifically borrowed for construction and development projects during construction is reflected as a reduction of interest expense. The imputed interest cost related to construction and development projects funded without specific borrowings during construction is reflected as allowance for funds used during construction. During 2020 and 2019, total interest cost amounted to $39.7 million and $43.2 million, respectively, with $3.4 million and $2.1 million, respectively, capitalized as part of the electric utility plant.

c. Cost of Decommissioning Nuclear Plant

Cooperative Energy's portion of the estimated decommissioning cost of Grand Gulf (see note 3) is charged to operating expenses over the estimated service life of the plant. In December 2011, the Nuclear Regulatory Commission (NRC) accepted a License Renewal Application (LRA) for Grand Gulf Unit No. 1 and commenced a process to review the requested extension of the operating license to 2044. The renewal of the operating license was issued in December 2016. The operating license from the NRC expires in 2044.

d. Investment Securities

Debt service and other prepayment amounts represent debt service prepayments deposited in the RUS Cushion of Credit Program. Investment deposits are voluntary and earn interest while on deposit. Interest bearing deposits are recorded at cost. These investments are utilized for required debt service payments as directed by Cooperative Energy. The funds are restricted for RUS debt service and are not available for general operating purposes.

Decommissioning trust investments are carried at fair value. In 2009, the Board of Directors authorized Cooperative Energy to refund or recover any trust investment gains or losses through future rates. In accordance with the regulatory treatment for such decommissioning trust funds, beginning in 2009, Cooperative Energy records a regulatory asset or liability for the amount of unrealized losses or unrealized gains, respectively.

The primary components that determine a debt security's fair value are its coupon rate, maturity, and credit characteristics. When the fair value of a security falls below amortized cost, an evaluation must be made to determine if the unrealized loss is a temporary or other-than-temporary impairment. Securities that are deemed to be other than temporarily impaired are written down to net realizable value by a charge to expense. Premiums and discounts are amortized and accreted to operations using the level yield method, adjusted for prepayments as applicable. Gains and losses on sales of investment securities are computed using the specific identification method.

e. Cash and Cash Equivalents

For purposes of reporting cash flows, all temporary investments with original maturities of three months or less are deemed to be cash equivalents.

f. Inventories

Inventories of fuels and inventories of materials and supplies are valued using the rolling weighted average realizable value. Any inventories that are obsolete or excess are written down to their estimated disposal value.

g. Emission Allowances

Cooperative Energy maintains an inventory of sulfur dioxide emission allowances for the acid rain program. These allowances are valued using the rolling weighted average cost method.

h. Regulatory Accounting

Cooperative Energy's accounting policies include compliance with Accounting Standards Codification (ASC) No. 980, *Regulated Operations*. Regulatory assets represent probable future reductions in revenues, or increase in expenses, associated with certain items that are expected to be recovered from customers through the ratemaking process. Regulatory liabilities represent probable future revenues associated with amounts that are expected to be credited to customers through the ratemaking process. In the event that Cooperative Energy is no longer able to comply with ASC 980 as the result of a change in regulation or effects of competition, Cooperative Energy would be required to recognize the effects of its regulatory assets and liabilities currently in its statements of revenues, expenses, and patronage capital.

Periodically, the Board of Directors will set a benchmark power cost adjustment rate to be collected from or credited to Members in order to more closely match revenues with actual and forecasted fuel and purchased power costs consistent with the cooperative not-for-profit operation of Cooperative Energy. Material variances between these revenues and costs may cause the recognition of deferred credits or deferred charges from one year to the next in accordance with how these revenues and or costs are expected to be recovered or refunded.

Additional details regarding regulatory assets and liabilities are included in notes 7 and 10.

i. Patronage Capital

The bylaws of Cooperative Energy provide that any excess of revenues over expenses and accumulated prior-year deficits shall be treated as advances of capital by the Member patrons and credited to them on the basis of their patronage.

j. Income Taxes

Cooperative Energy is exempt from United States income taxes pursuant to Section 501(c)(12) of the Internal Revenue Code, which requires that at least 85% of Cooperative Energy's gross income be derived from its Members.

k. Derivative Financial Instruments

Derivative and hedge accounting requires that all derivatives be recognized in the balance sheet either as an asset or liability, measured at fair value, unless they meet the normal purchases and sales exemption criteria. Contracts in which Cooperative Energy is effectively hedging the variability of cash flows relate to forecasted natural gas purchases, transmission congestion cost, and interest rates. Any gains or losses resulting from the fair value measurement of natural gas hedges, energy sales, and transmission congestion cost hedges are passed through to Members using the mechanisms of the benchmark power cost adjustment rate. Therefore, these derivative instruments are recorded at fair value in the accompanying balance sheets, along with a corresponding offsetting regulatory asset or liability. See note 11 for the values of the derivatives and the financial statement line item in which the derivatives are reported in the financial statements, and for further disclosure related to the interest rate cap agreement.

l. Electric Energy Revenues

Cooperative Energy has a contract with each of the 11 Member distribution cooperatives as well as engages in the selling of excess energy to the Midcontinent Independent System Operator (MISO). MISO transactions are covered by a standard tariff, or contract. During the years ended December 31, 2020 and 2019, revenues related to MISO were $53.5 million and $61.2 million, respectively, and are included in other electric energy revenue in the statements of revenues, expenses, and patronage capital.

The electricity sold and delivered is measured in megawatt hours (MWh). Contracts with Members, and with MISO, specify at what delivery point the electricity, or transmission service, is to be delivered and metered. Cooperative Energy charges a demand fee for peak usage. Demand is measured in kilowatt hour months, and is metered at our Member delivery points. Transmission service to MISO is comparably measured in kilowatt hour months. This contractual obligation is specified in our Member contracts and the MISO tariff.

Cooperative Energy is rate regulated by our Board of Directors who review rates at least annually to determine rate levels needed to cover costs, achieve compliance with our loan covenants, as well as maintain a stable financial profile. Our rates to our Members (both energy and demand) are published and approved by our Board of Directors prior to any actual billings. Electricity sales and transmission system usage into the MISO market are governed by published rates.

Electricity and demand are separately metered and priced per contract.

Meter data is collected, and pricing applied, as of the last day of each month. There is no timing difference between Cooperative Energy's fiscal accounting period and the performance obligation period. Revenues are recognized at the time of the transfer of control to our Members and non-members. Cooperative Energy satisfies their performance obligations to deliver energy as energy is delivered to our customers.

Cooperative Energy applies the invoicing practical expedient to recognize revenues to Members except in circumstances where the invoiced amount does not represent the value transferred to the Member.

Uncollectible accounts have historically been negligible, so Cooperative Energy does not provide an allowance for doubtful accounts.

m. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

n. Recently Issued Accounting Standards

During 2016, the FASB issued ASU 2016-02, *Leases*. This standard revised accounting criteria for leasing arrangements. The standard requires many leases, currently recorded as operating leases, to be recorded on the Balance Sheet. Cooperative Energy is evaluating the impact of this new standard and plans to adopt the standard during 2022.

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments* which significantly changes the way entities recognize impairment of many financial assets by requiring immediate recognition of estimated credit losses expected to occur over their remaining life, instead of when incurred. Additionally, in November 2018, the FASB issued ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses*, which amends Subtopic 326-20 (created by ASU 2016-13) to explicitly state that operating lease receivables are not in the scope of Subtopic 326-20 and to clarify the nonpublic entity effective date of ASU 2016-13. Cooperative Energy is evaluating the impact of this new standard and plans to adopt the standard during 2022

o. Bond and Debt Issuance Costs

Bond and debt issuance costs are being amortized by the straight-line method, which does not differ materially from the interest method, over the term of the related debt. The amortization during the period of construction is capitalized.

p. Other

During September 2015, Cooperative Energy entered into a purchase power agreement with MS Solar 3, LLC for approximately 52 megawatts of solar energy. Under terms of the agreement, which has a 25 year term, Cooperative Energy has the option to extend the purchase power agreement for 5 years, or purchase the solar equipment at the higher of fair market value, or a minimum purchase price that varies each year after 9 years. There are no required minimum payments. Cooperative Energy only pays for actual energy received from the facility. Thus, payments made under the agreement are expensed and charged to purchased power, similar to an operating lease. During 2020 and 2019, Cooperative Energy paid $4.1 million and $4.9 million, respectively, for energy from this facility.

q. Subsequent Events

Cooperative Energy has evaluated subsequent events through March 24, 2021, the date these financial statements were available to be issued.

3. Commitments and Contingencies Regarding Grand Gulf

Cooperative Energy and SERI are co-licensees and parties to a joint ownership contract that sets forth the rights and obligations of the Grand Gulf owners, with Cooperative Energy generally obligated to pay 10% of all operating and capital costs and entitled to receive 10% of the electricity generated by the plant. Cooperative Energy paid $53.4 million and $47.1 million under the contract in 2020 and 2019, respectively.

Cooperative Energy is also responsible for 10% of the estimated cost to decommission Grand Gulf. Entergy provides information to the NRC on behalf of Cooperative Energy that demonstrates sufficient financial resources will be available at the time it becomes necessary to decommission. In addition, Cooperative Energy received approval from the Internal Revenue Service to establish a "tax-free" grantor trust as a vehicle to fund the estimated decommissioning costs. Cooperative Energy contributed $2.4 million to the trust in 2020 and in 2019. Cooperative Energy expects to fund the trust on an as-needed basis through at least 2044, based on investment performance and revisions to the estimated decommissioning liability.

Cooperative Energy has recorded an accrued decommissioning obligation for Grand Gulf. The liability is recorded at the present value of the estimated future outflows, with an accompanying addition to the recorded cost of the long-lived asset, which is then depreciated over its useful life. The accrual for this Grand Gulf obligation was $107.7 million and $103.5 million at December 31, 2020 and 2019, respectively. The accrued decommissioning obligation is based on estimated future costs to remediate the site. Accordingly, as with any estimates, precision of the estimate and unasserted claims can have a material impact on future cost. Also see note 14 for additional discussion.

Cooperative Energy could be assessed for other costs of this facility relative to insurance coverage for the public in the event of a nuclear power plant incident. The Price-Anderson Act requires that reactor licensees purchase insurance and participate in a secondary insurance pool that provides insurance coverage for the public in the event of a nuclear power plant accident. The costs of this insurance are borne by the nuclear power industry. Within the secondary pool, each nuclear reactor has a contingent obligation to pay a retrospective premium, equal to its proportionate share of the loss in excess of the primary level, regardless of proximity to the incident or fault. Cooperative Energy's share of such premium could be up to a maximum of approximately $13.8 million for each nuclear incident involving licensed reactors, payable at a rate of $2.1 million per year per incident per nuclear power reactor. In addition, under a property damage and accidental outage insurance program, Cooperative Energy could be assessed up to $2.2 million maximum per occurrence for property damage, decontamination, or premature decommissioning expense involving nuclear generation plants owned by others. No such incidents were incurred in either 2020 or 2019.

4. Electric Utility Plant

Electric utility plant consisted of the following:

	Cost		Accumulated depreciation	
	December 31		December 31	
	2020	2019	2020	2019
	(In thousands)		(In thousands)	
Grand Gulf Nuclear	$ 580,060	565,709	372,952	365,485
Morrow steam	57,841	44,704	31,310	29,415
Moselle steam	35,445	35,445	26,843	25,749
Moselle combined cycle	217,885	213,783	52,885	46,764
Moselle gas turbines	60,287	60,287	31,553	29,745
Batesville combined cycle	265,632	265,215	76,061	66,817
Silver Creek/Sylvarena gas turbines	206,917	205,036	100,342	94,215
Benndale/Paulding gas turbines	37,298	4,847	621	4,806
Solar sites	1,558	1,558	291	228
Total generating plant	**1,462,923**	**1,396,584**	**692,858**	**663,224**
Transmission plant	454,318	443,052	161,907	153,166
General plant and equipment	210,448	206,758	123,582	114,379
Electric plant leased to others	3,041	3,040	424	413
Electric plant in service	**2,130,730**	**2,049,434**	**978,771**	**931,182**
Electric plant held for future use	10,408	10,335	—	—
Construction work in process	282,096	161,293	—	—
Total electric utility plant	**$ 2,423,234**	**2,221,062**	**978,771**	**931,182**

At December 31, 2020 and 2019, electric plant held for future use in the amount of $10.4 million consisted of existing Plant Morrow assets that will continue to be used and useful following the plant's conversion to a natural gas plant. Construction of the new natural gas plant started in 2020 and will take several years to complete. At December 31, 2020, Cooperative Energy has commitments of approximately $140.9 million related to construction work in process consisting of $122.5 million associated with contracts related to the Plant Morrow project and $18.4 million associated with contracts related to other projects. See note 7 for more discussion related to the 2020 changes to the Plant Morrow utility plant.

Depreciation expense was $63.4 million and $61.4 million during 2020 and 2019, respectively.

5. Investments in Associated Organizations and Other Investments

Investments in associated organizations and other investments are stated at cost and consisted of the following:

	December 31	
	2020	2019
	(In thousands)	
National Rural Utilities Cooperative Finance Corporation (CFC) Patronage Capital and Term Certificates	$ 7,035	7,026
Economic Development Loans	1,259	1,481
Other	4,219	4,100
	$ 12,513	**12,607**

CFC term certificates bear interest at 5.00% and mature in 2070 through 2080.

6. Decommissioning Trust Investments

The cost or amortized cost and estimated fair value of investments securities and cash equivalents were as follows:

	December 31, 2020			
	Cost or amortized cost	Approximate fair value	Gross unrealized gains	Gross unrealized losses
	(In thousands)			
Equity securities:				
Common stocks	$ 3,455	5,236	1,887	(106)
Fixed income mutual funds and exchange-traded funds	17,931	18,595	664	—
Equity mutual funds and exchange-traded funds	53,773	65,047	12,249	(975)
Total equity securities	**75,159**	**88,878**	**14,800**	**(1,081)**
Debt securities:				
Corporate bonds	5,758	6,093	341	(6)
U.S. government obligations	3,043	3,267	224	—
Total debt securities	**8,801**	**9,360**	**565**	**(6)**
Money market funds and accrued interest receivable:	4,317	4,317	—	—
Total	**$ 88,277**	**102,555**	**15,365**	**(1,087)**

	December 31, 2019			
	Cost or amortized cost	Approximate fair value	Gross unrealized gains	Gross unrealized losses
		(In thousands)		
Equity securities:				
Common stocks	$ 4,020	6,251	2,295	(64)
Fixed income mutual funds and exchange-traded funds	16,495	16,860	365	—
Equity mutual funds and exchange-traded funds	43,847	53,993	10,146	—
Total equity securities	**64,362**	**77,104**	**12,806**	**(64)**
Debt securities:				
Corporate bonds	6,614	6,807	193	—
U.S. government obligations	6,773	6,870	101	(4)
Total debt securities	**13,387**	**13,677**	**294**	**(4)**
Money market funds	877	877	—	—
Total	**$ 78,626**	**91,658**	**13,100**	**(68)**

Proceeds from sales of securities were $43.5 million in 2020 and $15.3 million in 2019, respectively. Related gross realized gains and losses in 2020 were $6.7 million and $1.2 million, respectively, and in 2019 were $1.4 million and $0.1 million, respectively. Fair market value of decommissioning trust investments is based on quoted prices in active markets.

7. Deferred Charges (Including Regulatory Assets)

The following is a summary of amounts recorded as deferred charges, including regulatory assets:

	December 31	
	2020	2019
	(In thousands)	
Regulatory assets:		
Nuclear outage maintenance cost	$ 3,829	1,610
Postretirement medical benefit regulatory asset	4,726	4,023
Unamortized investment in Grand Gulf Unit 2	33,168	35,372
Deferred turbine overhaul costs	6,182	9,297
Unamortized penalties on debt	—	160
Deferred cost of buyout of Batesville wholesale power contract	—	1,026
Development fees-Panola Partnership	2,275	2,513
Batesville acquisition costs	1,143	1,224
Pension plan accelerated funding	6,647	7,312
Unrealized loss on gas hedges	3,482	16,642
Coal plant retirement – Plant Morrow	87,870	96,897
	149,322	**176,076**
Other deferred charges:		
Advance payment on Plum Point power purchase agreement	2,409	2,531
Transmission congestion hedge asset	249	1,284
Other	1,688	2,062
	$ 153,668	**181,953**

Nuclear outage maintenance costs represent Cooperative Energy's 10% share of Grand Gulf's incremental maintenance costs associated with refueling outages. These costs are recorded as a regulatory asset when incurred and are amortized by the straight-line method over the 22 to 23 months between scheduled outages.

Cooperative Energy capped its investment in construction of the Grand Gulf Unit 2 nuclear generating plant at $101.1 million, and majority owner, SERI, subsequently abandoned construction of Grand Gulf Unit 2 generating plant during the late 1980's. Cooperative Energy carried the unamortized investment balance in the deferred loss from disposition of utility plant and amortized this investment during the years 1989 to 2005 resulting in a remaining balance of $44.1 million. During 2006, Cooperative Energy received approval from RUS to cease amortization of the investment based on the possibility that a part of the abandoned plant may have value for a potential new nuclear unit to be constructed at the Grand Gulf site. RUS also approved reclassification of the investment balance from deferred loss from disposition of utility plant to electric plant held for future use. The majority owner, SERI, discontinued efforts to obtain permitting for an additional nuclear unit for the site in 2015. During 2015, Cooperative Energy arranged for an independent appraisal of the abandoned plant, and the independent appraiser concluded that there was no potential value for the plant site. Accordingly, as a rate-regulated entity qualifying for Regulatory Accounting, per ASC Topic 980, Cooperative Energy reclassified the $44.1 million balance from electric plant held for future use to regulatory assets in 2015. This accounting was also approved by RUS. Cooperative Energy plans to amortize this balance during the periods from 2016 to 2036. See note 2(c) and note 3, for additional information regarding the Grand Gulf nuclear generating facility.

Turbine overhaul costs are recorded as regulatory assets when incurred and amortized into rates during the period between scheduled overhauls, typically five to six years.

Cooperative Energy repriced or refinanced significant amounts of its outstanding debt prior to 1995 and prepaid debt in 2016. As a condition of the transactions, Cooperative Energy paid various prepayment penalties, which are treated as deferred charges to be amortized over the remaining life of the debt. Amortization of all such penalties was $0.2 million in 2020 and $0.2 million in 2019.

In 2005, Cooperative Energy renegotiated its contract for rights to the output of a 279-megawatt gas-fired, combined-cycle combustion turbine-generator located near Batesville, Mississippi. In so doing, Cooperative Energy paid approximately $16.3 million to buy out the remaining 15-year commitment with a wholesale power distributor. During December 2012, Cooperative Energy purchased the Batesville facility. The $16.3 million buy-out payment has been amortized down to $0 as of year-end 2020.

The development fees – Panola Partnership represent fees paid under an inducement agreement and use agreements for the Batesville Generating Facility. The payment will be amortized and recovered in rates over the life of the agreement or the period from December 2013 through July 2031.

The NRECA Board of Directors approved an option to allow participating cooperatives in the Retirement Security Plan (RS Plan), a defined benefit multiemployer pension plan, to make an accelerated payment 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 RS Plan's unfunded value of benefits earned using the RS Plan's actuarial valuation assumptions. After making the prepayment, the billing rate was reduced by approximately 25%, retroactive to January 1, 2013. The 25% differential in billing rates is expected to continue for approximately 15 years. However, changes in interest rates, asset returns and other plan experience different from that expected, plan assumption changes, and other factors may have an impact on the differential in billing rates and the 15 year period. During February 2013, Cooperative Energy made an $11.9 million payment under this option. In accordance with RUS guidance, the payment is being amortized over an 18 year period based on the difference in the normal Plan retirement age, and average age of the Cooperative Energy workforce.

As stated in note 2, Cooperative Energy hedges the variability of cash flows related to forecasted natural gas purchases and energy sales. The fair value of these derivative financial instruments is carried on the balance sheets. Realized gains or losses incurred with these instruments are passed through as part of the wholesale rate to Members. See notes 2(k) and 11(a) for additional information regarding accounting for annual gas and energy sale hedges.

Due to age, dispatch cost, increased environmental compliance cost, and the projected cost of upgrades required to keep Plant Morrow operational, the continued use of the plant as a coal-fired generation resource was not considered to be in the best long-term interest of Cooperative Energy. Management recommended, and the Board of Directors of Cooperative Energy approved, decommissioning the coal-fired assets of the plant at its meeting held on June 20, 2018. The net book value of the utility plant assets to be retired/demolished was $104.9 million, or roughly 80 percent of the net book value of Plant Morrow assets. In addition, certain spare parts and other current assets at Plant Morrow associated with coal-firing of approximately $4.0 million were also retired in 2018. In December 2018, Cooperative Energy relieved the coal-firing assets associated with Plant Morrow, and transferred $109.4 million into a regulatory asset. The regulatory asset will be amortized during the period 2019-2030.

During 2006, Cooperative Energy paid $3.5 million as a refinancing cost under terms of the Plum Point power purchase agreement. This payment was made in lieu of an increase in the reservation payments associated with power purchased under this contract. During 2008, $0.5 million of preliminary survey costs associated with this power purchase agreement were also recorded as a deferred charge. During 2010, Cooperative Energy paid $6.2 million as its share of costs associated with transmission system interconnections at this facility. These funds will be amortized into rates over the life of the power purchase agreement, which began during 2010 when the related plant came online. During 2011, Cooperative Energy was refunded $2.4 million as transmission service credits relating to payments of the transmission system interconnect cost.

8. Patronage Capital

Patronage capital consisted of the following:

	December 31	
	2020	2019
	(In thousands)	
Cumulative margins	$ 476,952	456,952
Less retirements to date	42,368	32,368
	$ 434,584	424,584

The return to Members of contributed capital is permitted under terms described in Cooperative Energy's Indenture of Deed of Trust, Security Agreement and Financing Statement (Indenture), the security document governing first mortgage obligations. Equity of Cooperative Energy represents 26.5% and 27.0% of the aggregate long-term debt and equity at December 31, 2020 and 2019, respectively.

9. Debt

The listing below details Cooperative Energy's committed unsecured credit agreements:

	Unsecured revolving credit agreements		
	Commitment Amount	Outstanding balance as of December 31, 2020	Expiration Date
	(In thousands)		
Trustmark National Bank	$ 40,000	–	April 24, 2022
BancorpSouth	40,000	–	April 24, 2022
Regions	40,000	–	April 24, 2022
Syndicated Line of Credit	350,000	–	April 23, 2024
Total	$ 470,000	–	

These revolving credit agreements bear interest at variable rates generally based on LIBOR or Prime. At December 31, 2020 and 2019, no amounts were outstanding under revolving credit agreements.

Cooperative Energy also has a $40.0 million letter of credit facility with National Rural Utilities Cooperative Finance Corporation (CFC). At December 31, 2020, there was $22.9 million outstanding under this facility. A $15.5 million letter of credit is utilized to satisfy security requirements of the Plum Point power purchase agreement, and two other letters of credit in the amount of $7.4 million are utilized as financial security for certain transactions with MISO.

In 2019, Cooperative Energy had a $25.0 million letter of credit facility with CFC. At December 31, 2019, there was $20.9 million outstanding under this facility. A $10.5 million letter of credit was utilized to satisfy security requirements of the Plum Point power purchase agreement, and two other letters of credit in the amount of $10.4 million were utilized as financial security for certain transactions with MISO.

Long-term debt consisted of the following:

	December 31	
	2020	2019
	(In thousands)	
Mortgage notes payable in quarterly installments to Federal Financing Bank (FFB) at interest rates varying from 1.054% to 4.613%, through 2053	$ 740,446	664,706
Mortgage notes payable in quarterly installments to CFC	—	166
RUS mortgage notes payable in monthly installments	—	360
RUS Economic Development notes payable in monthly installments at 0%; maturing in 2026 [1]	1,259	1,481
First Mortgage Bonds, Series 2010A Bonds payable in semi-annual installments – $40 million at 4.08%, maturing December 9, 2030, $110 million at 5.40%, maturing December 9, 2040	124,094	128,938
First Mortgage Bonds, Series 2019 Bonds payable in semi-annual installments – $350 million at 3.15%, maturing November 6, 2049	338,334	350,000
CoBank note payable in quarterly installments maturing in 2023, fixed interest rate of 2.85% [1]	3,008	4,284
Trustmark National Bank revolving line of credit, variable interest rate [1]	—	—
BancorpSouth revolving line of credit, variable interest rate [1]	—	—
Regions revolving line of credit, variable interest rate [1]	—	—
Syndicated line of credit, variable interest rates [1]	—	—
	1,207,141	**1,149,935**
Less:		
Debt issuance cost	2,650	2,704
Current maturities	37,680	43,265
Long-term debt (excluding current maturities)	**$ 1,166,811**	**1,103,966**

[1] Denotes an unsecured agreement.

During 2020, funding became available for a FFB loan guaranteed by RUS in the amount of $148.9 million, for capital expenditures. The remaining unadvanced commitment was $53.3 million at December 31, 2020. Substantially all assets of Cooperative Energy are pledged as collateral for long-term debt that is secured under the Indenture agreement.

During 2018, funding became available for a FFB loan guaranteed by RUS in the amount of $88.7 million, for capital expenditures. The remaining unadvanced commitment was $41.8 million and $46.8 million at December 31, 2020 and 2019, respectively.

Approximate annual maturities (scheduled periodic principal payments) of long-term debt for the next five years are as follows (in thousands):

2021	$ 37,680
2022	46,899
2023	48,221
2024	56,533
2025	49,893

Cooperative Energy is required by debt compliance covenants to maintain certain levels of patronage capital, maintain certain financial ratios of interest coverage and annual debt service coverage, and to limit the amount of unsecured indebtedness. Cooperative Energy's management believes they were in compliance with such requirements at December 31, 2020 and 2019.

10. Deferred Credits and Other Long-Term Liabilities (Including Regulatory Liabilities)

The following is a summary of deferred credits and other long-term liabilities, including regulatory liabilities:

	December 31	
	2020	2019
	(In thousands)	
Regulatory liabilities:		
Regulatory liability for deferred revenue from power cost adjustments	$ 22,380	25,561
Power Supply Development Fund	100,497	79,899
Amortization and Depreciation Fund	10,000	10,000
Unrealized gain on Decommissioning Trust	12,998	12,208
Unrealized gain on gas hedges	159	—
Unrealized gain on transmission congestion hedge	249	1,284
	146,283	**128,952**
Other deferred credits and long-term liabilities:		
Reserve for economic development contributions	5,861	5,248
Medical insurance claim funding	4,525	3,455
Capital lease	677	763
Natural gas hedge liability	3,322	15,111
Postretirement benefit obligation (other than pensions)	14,474	13,231
	$ 175,142	**166,760**

Included in the 2019 liability for deferred revenue from power cost adjustments is $25.6 million collected from Members during 2019 and recognized as revenue in 2020. Accordingly, the $22.4 million liability recorded in 2020 represents amounts collected from Members during 2020, and is expected to be recognized as revenue in 2021.

The Power Supply Development Fund (PSDF) was created by the Board of Directors in 2009 with a Board Resolution. The fund was established to facilitate the funding of future capital projects needed to supply the increasing requirements of Members with additional generation sources and to comply with changes in environmental regulation. The initial $25.0 million regulatory liability for the PSDF was collected from Members in 2009 and 2010. An additional $34.0 million collected from Members during 2019 was deposited in the fund. An additional $20.6 million collected from Members during 2020 was deposited in the fund.

The PSDF is expected to be recognized as costs associated with large generation and environmental projects impact rates are incurred in future periods.

The $10 million liability for the Amortization and Depreciation Fund represents amounts collected from Members during 2015 and is expected to be fully accreted into revenue no later than year 2036. This fund, created by the Board of Directors, will offset expenses related to the amortization of the investment in Grand Gulf Unit II.

During 2009, the Cooperative Energy Board authorized transfer of the balance of unrealized gains and losses in the Grand Gulf Decommissioning Trust Fund from the equity section of the balance sheet to the regulatory liability or asset section of the balance sheet. The balance in the regulatory account will be amortized into rates over the remaining license life of Grand Gulf. The initial transfer into the regulatory asset account during 2009 amounted to approximately $8.0 million, with $0.5 million and $0.1 million amortized into 2020 and 2019 rates, respectively.

See notes 2(k) and 11(a) for additional information regarding accounting for annual gas and energy sale hedges.

As described in note 12(c), Cooperative Energy sponsors a defined benefit plan that provides certain health insurance benefits to employees hired prior to January 1, 1995, and to their eligible dependents. The long-term accumulated postretirement benefit obligation for this benefit plan at December 31, 2020 and 2019 was $10.4 million and $10.2 million, respectively. In addition to the postretirement health insurance benefit plan, the postretirement benefit obligation amount reported in the other long-term liability table includes $4.1 million and $3.0 million for 2020 and 2019, respectively, related to certain other employee benefit plan arrangements.

11. Financial Instruments

a. Derivative Financial Instruments

Cooperative Energy enters into financial hedging arrangements for natural gas used in owned and contracted generating units. Cooperative Energy enters into these hedging arrangements to lessen the impact of natural gas price fluctuations on the cost of service. Under terms of the three agreements, Cooperative Energy is allowed credit exposures of up to $115.0 million. Physical purchases, actual natural gas usage, and financial hedge positions are considered when calculating amounts due to the counterparty. At December 31, 2020, approximately $3.3 million of natural gas financial hedges were in a net liability position based on the fair value of the derivative. At December 31, 2019, approximately $15.1 million of natural gas financial hedges were in a net liability position based on the fair value of the derivative. Cooperative Energy does not apply hedge accounting to these financial hedging instruments. At December 31, 2020 and 2019, Cooperative Energy had posted no collateral with a counterparty.

As of December 31, 2020, Cooperative Energy has acquired financial hedges to cover approximately 75% of forecasted natural gas consumption used to serve native load for 2021, and 25% of forecasted natural gas consumption used to serve native load for 2022. Additionally, Cooperative Energy has acquired financial hedges to cover approximately 15%, and 15%, respectively, of forecasted natural gas consumption used to serve native load for years 2023 and 2024.

In June 2017, in order to mitigate potential interest rate increases on funds borrowed for deposit into the RUS Cushion of Credit Program, Cooperative Energy paid approximately $40,000 to enter into an interest rate cap transaction. The transaction began January 2, 2019 with a beginning notional amount of $100 million. The notional amount declines throughout the two-year period at six-month intervals, and expires January 1, 2021. The benchmark index is the three-month LIBOR and the cap rate is 4%. Cooperative Energy has no further liability for this derivative.

The table below reports the value of the derivatives, and the financial statement line item in which the derivatives are reported in the accompanying financial statements:

	Asset (liability) derivatives			
	December 31, 2020		December 31, 2019	
	Balance sheet location	Fair value	Balance sheet location	Fair value
	(In thousands)		(In thousands)	
Derivatives not designated as hedging instruments:				
Natural gas hedge	Deferred credits and other long-term liabilities	$ (3,322)	Deferred credits and other long-term liabilities	$ (15,111)
Interest rate cap	Deferred charges	—	Deferred charges	—
Transmission congestion cost hedge	Deferred charges	249	Deferred charges	1,284
Total derivatives		**$ (3,073)**		**$ (13,827)**

The effect of derivative instruments on the statements of revenues, expenses, and patronage capital for the years ended December 31, 2020 and 2019 was as follows:

	Location of gain (loss) recognized in operating margin	Amount of derivative gain (loss) recognized in operating margin: 2020	2019
		(In thousands)	
Natural gas hedges	Fuel expense	$ (18,266)	(5,200)
Transmission congestion cost hedge	Purchased power expense and other electric energy revenue	(1,865)	(4,142)

b. Other Financial Instruments

Cash and cash equivalents, investments, notes payable, and long-term debt are considered financial instruments. The carrying amounts reported in the balance sheets for cash and cash equivalents and for notes payable approximate fair value due to the short maturity of these instruments. The fair values for debt and equity securities are based on quoted market prices when available and the present value of future cash flows discounted at a commensurate market rate. Medium-term CFC obligations, included as a component of securities to be held to maturity, have been estimated based upon published terms of recent issues of comparable instruments since quoted market prices are not available. See note 5 for additional information. The fair value of investments in associated organizations is not estimable since these instruments must be held by Cooperative Energy and can only be returned to CFC. CFC requires Cooperative Energy to hold these investments as a condition of CFC financing.

The fair values of Cooperative Energy's long-term debt are estimated using discounted cash flow analyses based on Cooperative Energy's current incremental borrowing rates for similar types of borrowing arrangements and rates that would be charged by the applicable issuer, where appropriate.

The carrying amounts and approximate fair values of long-term debt, including current maturities, are as follows at December 31:

	2020		2019	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
	(In thousands)		(In thousands)	
FFB	$ 740,446	859,531	664,706	721,744
RUS mortgage notes	—	—	360	388
First mortgage bonds	462,428	525,040	478,938	491,699
Other advances and notes	4,267	4,267	5,931	5,931
	$ 1,207,141	**1,388,838**	**1,149,935**	**1,219,762**

Because of the inherent difficulty of estimating interest rate and other market risks, the methods used to estimate the fair value of financial instruments as noted herein, may not always be indicative of the value that might actually be realized, and different methodologies could produce different fair value estimates at the reporting date.

12. Employee Benefits

a. Managed Care Program

Cooperative Energy provides medical benefits to current employees through a managed care program. Beginning in March 2011, Cooperative Energy began making payments into a designated bank account from which claims and expenses approved by the plan administrator are paid. Cooperative Energy recorded expenses amounting to $5.8 million and $5.6 million, respectively, for each of the years ended December 31, 2020 and 2019.

b. Multiemployer Plans

Substantially all of Cooperative Energy's employees participate in the National Rural Electric Cooperative Association (NRECA) retirement programs, which include both, the RS Plan, a defined benefit pension plan, and a defined contribution pension plan. Both plans are qualified under Section 401 and are tax-exempt under Section 501(a) of the Internal Revenue Code. The RS Plan is a multiemployer plan available to all member cooperatives of NRECA. A unique characteristic of a multiemployer 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.

Cooperative Energy incurred $7.5 million in pension expense for the defined benefit pension plan in 2020 and $6.9 million in 2019. The plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333. Cooperative Energy's contributions to the RS Plan in 2020 and in 2019 represented less than 5% of the total contributions made to the plan by all participating employers.

In the NRECA defined benefit retirement plan, a "zone status" determination is not required, and therefore 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 Plan was over 80% funded on January 1, 2020 and over 80% funded at January 1, 2019 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 defined benefit retirement 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.

There were no significant changes to the Plan during 2020 that affect the comparability of 2020 and 2019 contributions.

Cooperative Energy makes monthly payments to NRECA for the benefit of those employees who voluntarily participate in the 401(k) pension plan. Cooperative Energy expenses the payments as they are accrued, and such 401(k) pension expense amounted to $2.4 million and $2.1 million in 2020 and 2019, respectively.

c. Postretirement Health Care Benefit Plan

Cooperative Energy sponsors a defined benefit plan that provides certain health insurance benefits to retired employees hired prior to January 1, 1995, and to their eligible dependents. The plan also provides life insurance benefits to a closed group with one surviving employee who retired prior to January 1, 1990. The estimated costs of these benefits were accrued over the years that the employees rendered service. Payments relating to postretirement benefits other than pensions were approximately $0.3 million in 2020 and 2019. During 2020 and 2019, retirees paid approximately $0.5 million in 2020 and 2019, for coverage under the plan.

The FASB issued ASC 715, *Compensation – Retirement Benefits*, which requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its balance sheets.

The approximate periodic expense for postretirement benefits, other than pensions, as well as the changes in the accumulated postretirement benefit obligation (APBO), is as follows:

	December 31	
	2020	2019
	(In thousands)	
Service cost of benefits earned	$ 308	297
Interest cost on accumulated benefit obligation	290	371
Net periodic postretirement benefit cost	**598**	**668**
Accrued benefit obligation at beginning of year	10,893	9,528
Benefits paid	(620)	(631)
Accrued postretirement benefit obligation at end of year	**10,871**	**9,565**
Unrecognized actuarial loss	132	1,328
Accumulated postretirement benefit obligation	**$ 11,003**	**10,893**

Of the accumulated postretirement benefit obligation, $10.4 million is recorded as an unfunded long-term liability, with the remaining $0.6 million recorded as a current liability at December 31, 2020. The weighted average discount rate used in determining the APBO was 2.23% and 3.15% at December 31, 2020 and 2019, respectively. The weighted average discount rate used in determining the net benefit cost was 3.15% and 4.04% in 2020 and 2019, respectively. The assumed healthcare cost trend rate of increase used in measuring the APBO is 6.65% for pre-age 65 medical in 2020 declining to 5.0% by 2027. The healthcare cost trend rate of increase assumption has a significant effect on the APBO and periodic expense. If the healthcare cost trend rate assumptions were increased by 1.0%, the APBO as of December 31, 2020 would be increased by 7.37%. Benefits expected to be paid in 2021–2025 are $0.6 million, $0.6 million, $0.6 million, $0.6 million and $0.6 million, respectively. Benefits expected to be paid in the years 2026–2030 total $3.1 million. Cooperative Energy expects to fund payments as they become due. In developing demographic assumptions, as of December 31, 2020, the Pri-2012 tables, projected generationally with scale MP-2020 separately for males and females, was used for healthy lives and the Pri-2012 Table was used for disabled lives.

13. Fair Value Measurements

Cooperative Energy utilizes the following fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities that Cooperative Energy has the ability to access at the measurement date. Instruments categorized in Level 1 primarily consist of financial instruments such as the investments held in the decommissioning trust that are quoted in an active market.

Level 2 – Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the asset or liability, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived from observable market data by correlation or other means. Instruments categorized in Level 2 primarily include nonexchange-traded gas hedges and certain investments held in the decommissioning trust that are not quoted in active markets.

Level 3 – Unobservable inputs for the asset or liability, including situations in which there is little, if any, market activity for the asset or liability.

The fair value hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3). In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. The lowest level input that is significant to a fair value measurement in its entirety determines the applicable level in the fair value hierarchy. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment and consideration of factors specific to the asset or liability.

The following table summarizes Cooperative Energy's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2020 and 2019:

	December 31, 2020	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		(In thousands)		
Decommissioning trust: investments (note 6)	$ 102,555	96,133	6,422	–
Derivatives (note 11)	(3,073)	–	(3,073)	–
Total financial assets/(liabilities)	**$ 99,482**	**96,133**	**3,349**	**–**

	December 31, 2019	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		(In thousands)		
Decommissioning trust: investments (note 6)	$ 91,658	83,181	8,477	–
Derivatives (note 11)	(13,827)	–	(13,827)	–
Total financial assets/(liabilities)	**$ 77,831**	**83,181**	**(5,350)**	**–**

14. Asset Retirement Obligations

Asset retirement obligations represent legal obligations associated with retirement of tangible long-lived assets. These amounts, recorded in the liabilities section of the balance sheet, are developed utilizing actual closure cost and estimated closure, and post-closure monitoring, costs, adjusted for inflation, and discounted utilizing a credit-adjusted, risk-free interest rate. An accompanying addition to the recorded cost of the long-lived asset is recorded and depreciated over its useful life.

As discussed in note 3, Cooperative Energy is responsible for 10% of costs to decommission the Grand Gulf nuclear generating facility.

During April 2015, the disposal of Coal Combustion Residuals (CCR) from Electric Utilities final rule was published in the Federal Register. Under the CCR Rule, Cooperative Energy is subject to regulatory obligations to monitor groundwater quality, investigate impacts to groundwater, and undertake risk-based corrective actions deemed necessary to protect human health. Cooperative Energy remains in compliance with all environmental regulations. During 2015, Cooperative Energy recorded an initial asset retirement obligation in the amount of $5.3 million for the coal ash landfill at Plant Morrow. During 2017, Cooperative Energy updated the estimated closure cost for this landfill. As a result of this update the liability increased by $4.6 million.

During 2020, Cooperative Energy began closure of this landfill and estimates the total closure cost and post-closure monitoring cost to be $16.8 million and $5.5 million, respectively. As a result of this update the liability increased by $12.4 million. Additionally, during 2020 actual cost of closure and monitoring of $9.9 million and $0.1 million, respectively, were incurred and reduced the liability by $10.0 million. As of December 31, 2020 and 2019, Cooperative Energy's recorded asset retirement obligation related to the retirement of the coal ash landfill at Plant Morrow is $13.8 million and $11.4 million, respectively.

A reconciliation of the beginning and ending aggregate carrying amount of the asset retirement obligations as of December 31, 2020 and 2019, follows (in thousands):

	2020	2019
Balance – beginning of year	$ 114,969	111,000
Revisions to estimated cash flows	12,416	—
Asset retirement obligation accretion expense	4,131	3,969
Asset retirement cost incurred	(10,035)	—
Balance — end of year	**$ 121,481**	**114,969**

15. Commitments and Contingencies

In the normal course of business, Cooperative Energy has entered into contractual commitments for purchased power that extend through the year 2040. All such contractual costs are expected to be recovered through normal operating revenue.

Cooperative Energy uses natural gas as the fuel for several of its generating units and also purchases power from others that use natural gas as fuel. A portion of natural gas purchases are subject to short-term changes in the market price for gas, and such market prices can be quite volatile. In the normal course of operations, Cooperative Energy enters into forward purchase commitments for certain over-the-counter financial swap contracts that extend through the year 2024. All such commitments are expected to be recovered through normal operating revenue.

On July 31, 2006, Cooperative Energy entered into a 30-year power purchase agreement with Plum Point Energy Associates (Plum Point) for the purchase of 200 megawatts of capacity and associated energy out of a nominal 665-megawatt coal-fired electric generation facility that was constructed by Plum Point in Mississippi County, Arkansas. A capacity charge began in 2010 and escalates annually through the initial 30-year term that began on the commercial operation date, which was September 1, 2010. At the end of the initial term, Cooperative Energy has options to extend the contract an additional 10 years at a reduced capacity charge or to purchase 200 megawatts at the then-market value.

Cooperative Energy is a party to certain litigation incurred in the normal course of business. Management, based on advice of legal counsel, is of the opinion that the ultimate resolution of such litigation will not have a material adverse effect on Cooperative Energy's financial statements.

Lineman III Hunter McCool and Lineman I Michael Bolton display Mississippi's new state flag.

Equal Employment Opportunity Statement

Cooperative Energy is an Equal Opportunity Employer. Employment is based upon personal capabilities and qualifications without regard to race, color, sex, sexual orientation, gender identity, age, religion, national origin, disability (mental or physical), genetic information, veteran's status or any other protected characteristic as established by law. This policy applies to all areas of employment including recruitment, hiring, training and development, promotion, transfer, termination, compensation, benefits, and all other conditions and privileges of employment. In addition, Cooperative Energy is committed to furthering the principles of equal employment opportunity through its continuing Affirmative Action Program (AAP). The full AAP is available for inspection upon request and may be viewed during normal work hours at Cooperative Energy's Human Resources offices.

Jeff Bowman, President/CEO of Cooperative Energy, is responsible for coordinating the organization's nondiscrimination compliance efforts. All supervisors and managers are responsible for creating an atmosphere free of discrimination. Further, each employee is expected to maintain a productive and non-discriminatory work environment and to treat all colleagues with respect and professionalism. Any employee who engages in discrimination will be subject to disciplinary action, up to and including termination.

Employees who believe they have experienced conduct that is prohibited by Cooperative Energy's discrimination policy are encouraged to first inform their supervisor. If their supervisor is named in the complaint, or directly involved in the discriminatory conduct, the employee should inform their second-level supervisor or Department Head, who will in turn contact the Human Resources Director. Alternatively, employees may contact the Human Resources Director directly, or any other Department Head.

Any applicant or specific class of individuals who believe they have been subjected to discrimination may file a complaint with Cooperative Energy's Director of Human Resources as soon as possible after the alleged discrimination occurs. If appropriate action does not result, a report should be made to the President/CEO.

Complaints must be filed within 180 days after the alleged discriminatory action, or by such later date if extended. Retaliation for filing a claim or participating in an investigation is strictly prohibited

Statement of Nondiscrimination U.S. Department of Agriculture Programs

In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (*not all bases apply to all programs*). Remedies and complaint filing deadlines vary by program or incident.

Person with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape , American Sign Language, etc.) should contact the responsible Agency or USDA's TARGET Center at (202)720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800)877-8339. Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at http://www.ascr.usda.gov/complaint_filing_cust.html and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by:

1. mail: *U.S. Department of Agriculture*
   Office of the Assistant Secretary for Civil Rights
   1400 Independence Avenue, SW
   Washington, D.C. 20250-9410;
2. fax: *(202) 690-7442;* or
3. email: *program.intake@usda.gov*

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