

MORE POWER TO YOU.



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



Cover: 1. Lineman III Josh Carpenter
2. Left to Right: Lineman I Sean
Baughman; Lineman II Cliff Mapp;
Lineman II Brodey Harrell 3.
Instrumentation and Electrical
Planner Robert Evans 4. System
Operations Center 5. R.D. Morrow,
Sr. Generating Station 6. Singing
River Electric Warehouse Aid
David Hinton 7. Left to Right:
Lineman II Logan Thompson; Heavy
Equipment Operator I Chris Hodges

Lines 115 and 162 near the J.T.
Dudley, Sr. Generation Complex



Scan the QR code to view a digital
copy of the **MORE POWER TO YOU**
2021 Annual Report.

MORE POWER TO YOU.

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A LETTER FROM THE CEO

I BELIEVE THAT MOST OF US HOPE TO HAVE A POSITIVE IMPACT ON OUR WORLD AND IN THE LIVES OF THOSE AROUND US. INDIVIDUALLY, WE DESIRE TO BE A PART OF SOMETHING BIGGER THAN OURSELVES, AND AS INTEGRAL PARTS OF MISSISSIPPI’S ELECTRIC COOPERATIVES, WE ARE. TOGETHER, WE PROVIDE THE ELECTRICITY THAT OUR MEMBERS USE TO POWER THE DAILY LIVES OF 1 MILLION MISSISSIPPIANS. TOGETHER, WE DELIVER **MORE POWER TO YOU**, LITERALLY, BY IMPROVING THE QUALITY OF LIFE FOR ALL THOSE MISSISSIPPIANS OUR MEMBERS SERVE.

This past year presented us with unique challenges, but we were prepared. COVID-19 continued to alter our lives by reshaping the ways we work and continuing to disrupt just about every aspect of our lives. But, together, we adapted. We will continue to adapt and remain a source of stability for our consumer-members during challenging times.

In mid-February, back-to-back winter storms threatened the availability of reliable power across much of the southern United States. Cooperative Energy’s team endured harsh conditions and long hours to maintain service to our consumer-members. Midcontinent Independent System Operator (MISO), Cooperative Energy’s reliability coordinator (RC), and other similar RCs tread a narrow

margin between the availability of supply and the, at times, overwhelming demand for electricity. As a result, MISO required Cooperative Energy, among other utilities, to appeal to the public to reduce electricity usage, in addition to reducing a small portion of our load for a brief period. This occurred despite Cooperative Energy, at the time, generating significantly more electricity than our Members needed. Despite that fact, the MISO directive marred our perfect 80-year record of no load reduction, but our employees’ swift and decisive actions prevented a more prolonged or widespread outage.



Top: Lineman III Jamie Boss works atop a substation structure at the Banks Substation in Tunica County in the Coahoma Electric service territory during the February 2021 winter storms.

Bottom Left: Plant Relief Supervisor Stanley Lee, right, and Plant Operator II Kyle Murphree, left, review diagrams of the Siemens SGT6-9000HL turbine that will power the plant upon completion of the Morrow Repower Project.

Bottom Right: Cooperative Energy employees participate in a chainsaw safety and basic tree removal class.



Top: Director of Generation Projects Trey Cannon surveys the construction at the R.D. Morrow, Sr. Generating Station.

Bottom: Mechanic I Joe Renot welds piping to support construction activities for the Morrow Repower Project.



During the winter storms and throughout the remainder of the year, Cooperative Energy’s generation and transmission resources performed reliably and efficiently, which allowed us to serve our Members cost-effectively. The proficiency of our operations, coupled with our not-for-profit, cost-based business model continues to enable us to maintain stable rates. Our average Member wholesale rate for 2021 was 72.35 mills/kWh, which remains lower than our rates merely a decade ago and lower than we expected for the year. Additionally, our Board again elected to return \$10 million in patronage capital to Members, bringing the total returned to Members since 2015 to nearly \$47 million. Solid business practices at affordable rates delivers **MORE POWER TO YOU**, our members.

Preparing for the future, construction on the Morrow Repower Project achieved 85% completion and surpassed 1 million work hours at the capable hands of our skilled staff and contractors in 2021. In early 2023, the R.D. Morrow, Sr. Generating Station will come online as one of the most efficient and flexible power plants in the southeast.

Cooperative Energy also contributed to the modernization of the electric grid by hosting and field testing the world’s first flexible large power transformer in partnership with the U.S. Department of Energy Office of Electricity, GE Research, and Prolec GE. Working with these partners to advance the

way we produce electricity and deliver it to our members, Cooperative Energy continues to focus on delivering **MORE POWER TO YOU**, more efficiently, more affordably, and more responsibly than ever before.

Together, with the leadership of our Board and with the strong and steadfast support of our Member systems, Cooperative Energy employees upheld our commitment to improve our consumer-members’ quality of life by safely delivering reliable and affordable electricity. While 2021 was notable for its own unique challenges, I think it will be more memorable for the strong performances by our employees that resulted in successfully serving our Members. As we close a challenging 2021 and look toward 2022, we can each find satisfaction and comfort from our work this past year that powered the lives of our families, friends, and neighbors. For more than 80 years, we have worked every day to give **MORE POWER TO YOU** and we will continue to do so long into the future.

Jeff C. Bowman
President/CEO



MORE POWER TO YOU.

AT COOPERATIVE ENERGY, DELIVERING AFFORDABLE, RELIABLE, AND RESPONSIBLE ELECTRICITY TO NEARLY 1 MILLION MISSISSIPPIANS IS THE DRIVING FORCE BEHIND OUR MISSION. DELIVERING BEYOND THAT IS THE HEARTBEAT OF OUR ORGANIZATION. AS A RURAL ELECTRIC COOPERATIVE SERVING MISSISSIPPIANS FOR MORE THAN 80 YEARS, **MORE POWER TO YOU** SIMPLY MEANS EMPOWERING OUR MEMBERS WITH A BETTER QUALITY OF LIFE.

To Cooperative Energy's Board of Directors and our nearly 500 employees, **MORE POWER TO YOU** represents 24/7 efforts to provide members electricity they can afford and depend on—that's power, not profits. It also symbolizes the efforts to make our power system more reliable and more resilient.

MORE POWER TO YOU is empowering our communities through new jobs and economic growth. It means powering our members' lives with new, more efficient, and cleaner sources of energy. It signifies advancing the modernization of the electric grid to build a better future.

MORE POWER TO YOU means a better quality of life for every person behind the 445,641 meters served by our 11 Member systems.



Top: Lineman I Zachary Hill works to install a new concrete power pole along Line 40 near Highway 49.

Bottom: The System Operations Center serves as the command center behind Cooperative Energy's generation plants and transmission network.



MORE POWER TO MISSISSIPPI.



Left: Batesville Generating Station

Bottom: Benndale Station



Top: The new switchyard at the R.D. Morrow, Sr. Generating Station.

Right: General Electric's prototype flexible large power transformer undergoes performance testing at the Columbia Substation.



Cooperative Energy delivered **MORE POWER TO MISSISSIPPI** in 2021 by powering our 11 Member systems with more efficient, more flexible, and more environmentally responsible electricity than ever before.

Benndale Station completed its first full year of commercial operation, powering Mississippi with two flexible, efficient, and blackstart-capable Wärtsilä 31SG reciprocating engines. Four new solar sites began commercial operation, providing members across the state with renewable solar energy.

The ongoing Morrow Repower Project ended the year within budget and ahead of schedule, promising to provide **MORE POWER TO MISSISSIPPI** with a modern, efficient, advanced class natural gas plant at the site of the Cooperative's former coal plant.

Providing **MORE POWER TO MISSISSIPPI** also includes the efficient delivery of electricity across the state to where our Members need it. This past year, Cooperative Energy partnered with GE Research, Prolec GE, and the U.S. Department of Energy Office of Electricity to create new technology poised to revolutionize the electric grid. Cooperative Energy hosted and field tested GE's prototype flexible large power transformer—the world's first—to assess its performance and learn how the new technology can shape the grid of the future. That's delivering **MORE POWER TO MISSISSIPPI** and beyond.



GENERATION RESOURCES

Top: R.D. Morrow, Sr. Generating Station during the construction phase of the Morrow Repower Project.

Bottom: J.T. Dudley, Sr. Generation Complex



ENERGY TO MEMBERS



- 74% GAS
- 12% COAL
- 10% NUCLEAR
- 3% HYDRO
- 1% SOLAR

OWNED GENERATION

Batesville Generating Station

- Commercial Operation: 2000
- Fuel Source: Natural Gas
- Three Combined-Cycle Units
- 837 MW Combined Capacity
- 46 Employees

J.T. Dudley, Sr. Generation Complex

- Commercial Operation: 1970
- Fuel Source: Natural Gas
- Two Combined-Cycle Units
- Two Combustion-Turbine Units
- One Steam Unit
- 516 MW Combined Capacity
- 59 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, Greenville, Kiln, Laurel, Lucedale, Lyon, Summit, Taylorsville, Yazoo City
- Fuel Source: Solar
- Approximately 378 Photovoltaic Panels Per Array
- 900 KW Combined Capacity

PURCHASED POWER

Southeastern Power Administration (Alabama/Georgia)

- Fuel Source: Hydropower
- 68 MW Capacity
- Counterparty: Southeastern Power Administration

Southeastern Power Administration (Borderline)

- Fuel Source: Hydropower
- 61 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

*contract terminated May 31, 2021

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

MORE POWER TO OUR MEMBERS.

Top/Left: Contractors install fiber-optic cable in the Pearl River Valley Electric Power Association service territory, providing high-speed internet service in rural Mississippi.

Bottom/Left: A DE Fastlink contractor installs a network interface device which helps connect a new subscriber with internet service.

Right: Pearl River Valley Electric Power Association contractors install fiber-optic cable to expand the availability of broadband internet service in the state.



Top: Singing River Electric Administrative Assistant Yolanda Burns volunteers at the Bennett Bayou Preserve in honor of the MLK Cooperative Day of Service.

Middle 1: The Cutting Edge Meat Company in Leakesville is one of many businesses supported through economic development efforts in 2021.

Middle 2: Electric vehicle drivers along Interstate 55 can charge their automobiles in Winona, Mississippi, at a station provided by Cooperative Energy's GoEV! program and Delta Electric Power Association.

Bottom: Cooperative Energy's economic development group and Singing River Electric helped recruit Superior Optical Lab to Jackson County, representing 250 new job commitments and \$10 million in investments.

Cooperative Energy's 11 Member electric distribution cooperatives are locally owned, locally operated, and locally led. This cooperative business model gives **MORE POWER TO OUR MEMBERS** by placing the power of the cooperative in their hands.

This local focus also gives **MORE POWER TO OUR MEMBERS** to improve their quality of life. Cooperative Energy and our Member systems brought electricity to parts of rural Mississippi in the 1930s and 1940s, providing these areas and residents with the same advantages as their urban counterparts. Likewise, some of our Member systems are giving **MORE POWER TO OUR MEMBERS** today by connecting these same areas to broadband internet. In much the same way, Cooperative Energy and our Member systems electric cooperatives are equally poised to create a positive impact by expanding electric vehicle charging infrastructure in rural Mississippi.

Economic development activities driven by Cooperative Energy and the 11 Member systems create new jobs, increase investments in our communities, and contribute to sustainable growth for the future, providing even **MORE POWER TO OUR MEMBERS**. Together with our 11 Member systems, Cooperative Energy's economic development group worked with community leaders, state and local governments, and members of the private sector in 2021 to attract five new projects with commitments to create 323 new jobs, and secure more than \$16,400,000 in capital investment in our local communities.

Together, with our Member systems, we give **MORE POWER TO OUR MEMBERS** to move forward and power on.

MEMBER SYSTEMS

1 Coahoma Electric Power Association

8,248 meters served
1,645 miles of line
5 meters per mile of line

2 Delta Electric Power Association

28,646 meters served
6,115 miles of line
4.7 meters per mile of line

3 Twin County Electric Power Association

12,076 meters served
2,377 miles of line
5.1 meters per mile of line

4 Yazoo Valley Electric Power Association

10,417 meters served
2,191 miles of line
4.8 meters per mile of line

5 Southwest Electric Cooperative

25,692 meters served
4,214 miles of line
6.1 meters per mile of line

6 Southern Pine Electric Cooperative

69,458 meters served
10,621 miles of line
6.5 meters per mile of line

7 Dixie Electric Power Association

40,393 meters served
5,001 miles of line
8.1 meters per mile of line

8 Magnolia Electric Power

32,738 meters served
4,929 miles of line
6.6 meters per mile of line

9 Pearl River Valley Electric Power Association

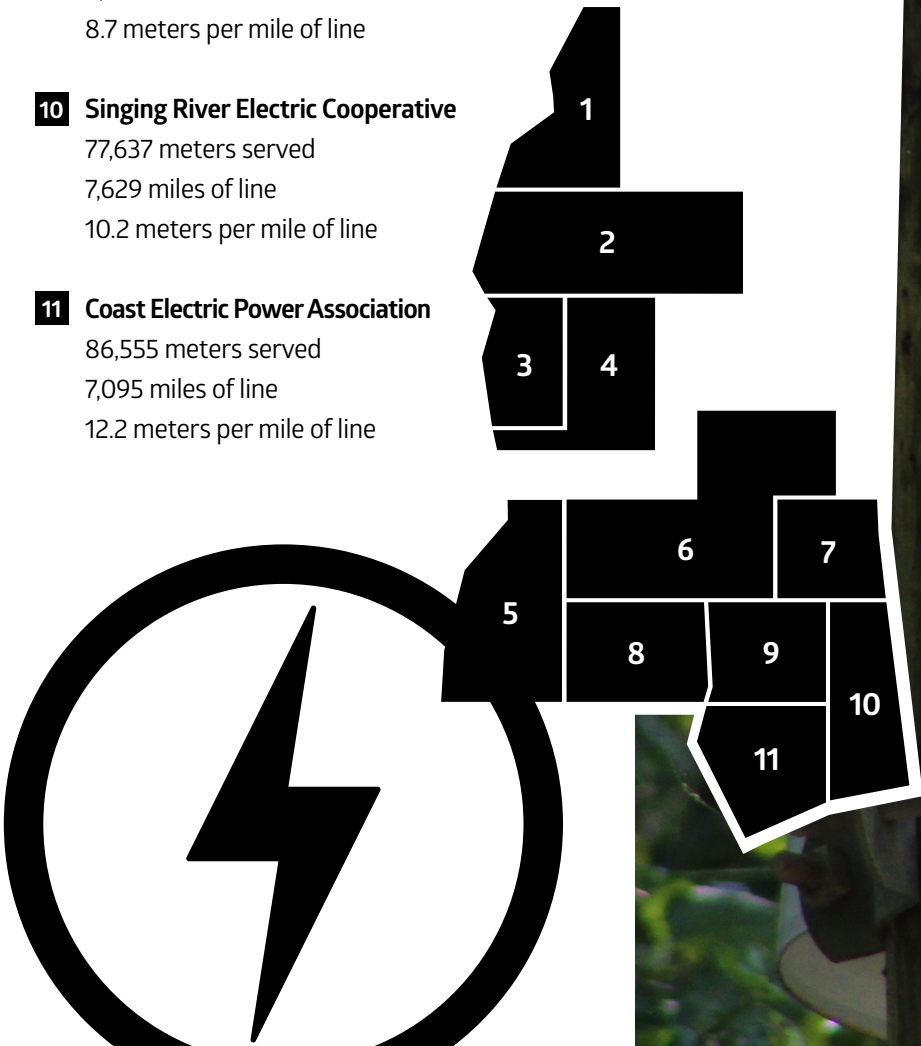
53,781 meters served
6,216 miles of line
8.7 meters per mile of line

10 Singing River Electric Cooperative

77,637 meters served
7,629 miles of line
10.2 meters per mile of line

11 Coast Electric Power Association

86,555 meters served
7,095 miles of line
12.2 meters per mile of line



Coast Electric Power Association
Serviceman Darrin Necaise works
on a transformer to restore power
following Hurricane Ida.

CONDENSED OPERATING STATEMENT

(in millions)	2021	2020	2019
Total Operating Revenues	\$ 796	\$ 739	\$ 759
Operating Expenses			
Fuel and Purchased Power	\$ 465	\$ 431	\$ 453
Other Operating Expense	202	184	180
Depreciation and Amortization	77	74	73
Total Operating Expenses	\$ 744	\$ 689	\$ 706
Operating Margin Before Interest & Other	\$ 52	\$ 50	\$ 53
Interest Expense: Net & Other Deductions	37	42	45
Operating Margin	\$ 15	\$ 8	\$ 8
Interest and Other Income	5	12	12
Net Margin	\$ 20	\$ 20	\$ 20
Equity as a % of Assets	21.0%	20.6%	21.4%
Margins-for-Interest Ratio (MFI)	1.54	1.52	1.54
Debt Service Coverage Ratio (DSC)	1.68	1.70	1.82
Average Cost of Debt	3.20%	3.27%	3.73%

2021 BY THE NUMBERS

\$796

Million Annual Revenue

445,641

Meters Served

11,555,617

MWh in Total Sales

1,832

Miles of Transmission Line

48%

Annual Coincident Peak Load Factor

58,033

Miles of Distribution Lines

7.7

Average Distribution Meters/Mile

SYSTEM CHARACTERISTICS



- 90.1% RESIDENTIAL
- 9.9% COMMERCIAL & INDUSTRIAL

Bottom: Lineman III Logan Thompson, left, and Heavy Equipment Operator I Chris Hodges, right, install transmission structures at the new switchyard at the R.D. Morrow, Sr. Generating Station.

Right: Lineman I Travis O'Steen replaces a structure on Line 40 in Hattiesburg.



MORE POWER TO OUR COMMUNITIES.



Opposite/Top Left: Cooperative Energy volunteers for the MLK Cooperative Day of Service.

Opposite/Bottom Left: Communications Facilitator Tonya Williams teaches students the power process during Southern Pine Electric's Cooperative University for select high school juniors.

Opposite/Top Right: Singing River Electric Warehouse Aid David Hinton paints a bench at the Jackie Leverette Memorial Tennis Courts in honor of the MLK Cooperative Day of Service.

Opposite/Bottom Left: Singing River Electric Member Service Representative Betsha Torres bags yard debris at the Bennett Bayou Preserve for the MLK Cooperative Day of Service.

Top Left: Environmental Principal Engineer (Plant Moselle) Alex Howard, right, introduces students to the electric utility industry at the Pathways to Possibilities career exploration fair.

Top Right: Right-of-Way Specialist Brad Morris educates second grade students at Stone Elementary School on the importance of trees.



MORE POWER TO OUR COMMUNITIES means powering the lives—and the quality of lives—across rural areas in 55 Mississippi counties. Our service, and that of our Member systems, goes beyond delivering electricity to homes, schools, hospitals, and businesses. Together, we create a positive statewide impact centered around the cooperative principle ‘Concern for Community.’

Cooperative Energy, Coast Electric Power Association, Dixie Electric Power Association, Magnolia Electric Power, Singing River Electric, and Southern Pine Electric contributed **MORE POWER TO OUR COMMUNITIES** in 2021 through volunteer efforts and service projects benefiting rural Mississippi. The cooperatives teamed up for the third annual Cooperative Day of Service to honor the life and legacy of Dr. Martin Luther King, Jr and allow employees the opportunity to make a difference.

Delivering even **MORE POWER TO OUR COMMUNITIES** for the future, Cooperative Energy sponsored STEM (science, technology, engineering, and math) education in local schools and sparked career interests through school fairs and regional events such as Pathways to Possibilities and Jump Start to Success. Cooperative Energy also invested in the futures of our communities by offering engineering and other professional students experiential learning through a structured job experience as part of the Cooperative Education Program.

Providing rural Mississippi a hand up and enriching the education of our youngest members represents investments in our state and **MORE POWER TO OUR COMMUNITIES** for the future.

MORE POWER TO OUR EMPLOYEES.

Cooperative Energy employs 480 professional and skilled Mississippians who work daily to provide their families, friends, and neighbors with electricity they can rely on at rates they can afford. These men and women also work to protect the natural resources in the place we all call home.

MORE POWER TO OUR EMPLOYEES signifies our commitment to build and foster a positive and inclusive culture. Cooperative Energy’s workforce pledges to be advocates of meaningful change and to strive for a culture that values diversity, respects all people, and promotes equal opportunity.

MORE POWER TO OUR EMPLOYEES means working for the good of our fellow man. It also means empowering our employees to work in the best interests of our Members.

This year, Cooperative Energy employees fulfilled our mission by working to maintain an average Member wholesale rate of 73.42 mills/kWh and returning \$10 million in patronage capital to Members, bringing the



total returned to Members since 2015 to nearly \$47 million.

Employees worked more than 733,000 hours company-wide without a lost time accident and contributed to a more than 1-million-hour safety record for the Morrow Repower Project. Furthermore, Cooperative Energy employees contributed 213,045 hours to the Morrow Repower Project at a savings of \$8.6 million for our Members.

Simply put, **MORE POWER TO OUR EMPLOYEES** is our commitment to improve the quality of life for our neighbors, friends, and communities through our daily work.



Top: Substation Technician II Blake Miley, left, and Lineman II Dillon Thurman, right, connect a mobile substation at the Hillsdale Substation.

Bottom: Lineman III Josh Carpenter uses a chainsaw to safely dismantle a power pole along Highway 49 in Hattiesburg.

Opposite/Bottom: Cooperative Energy employees at the 2021 All-Employee Meeting.

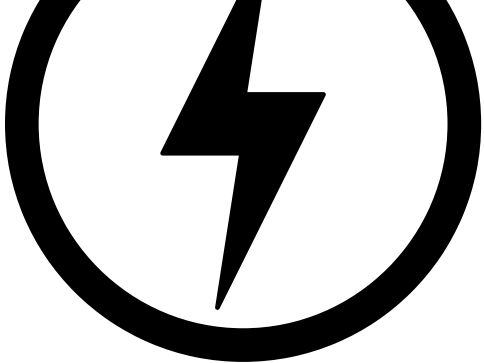


Top Left: Former Plant Moselle Superintendent Dale Rounsaville, left, current Plant Moselle Superintendent Christian East, center, and Maintenance Superintendent Drew Hedgepeth, left, visit a GE Power shop in Bangor, Maine.

Top Right: Instrumentation and Electrical Planner Robert Evans at the J.T. Dudley, Sr. Generation Complex.



MILESTONES



MEMBER FOCUS

- Returned \$10 million to Members in patronage capital for a total of nearly \$47 million returned to Members since 2015
- Energized the Half Mile delivery point
- Installed GoEV electric vehicle charging stations in two Member service territories and developed plans for additional sites across the state
- Improved system communications and enhanced lightning protection by continuing to install OPGW (optical ground wire) across the transmission system
- Developed new public safety multi-media campaign for Cooperative Energy and 11 Member systems
- Expanded Project Lead the Way STEM curriculum and educator training in local elementary schools

TRANSPARENCY AND RESPONSIVENESS

- Achieved 85 percent completion of the Morrow Repower Project with Cooperative Energy employees contributing more than

210,000 hours of work at a savings of \$8.6 million for Members

- Navigated natural gas shortage during the February 2021 arctic outbreak to fuel Cooperative Energy's power generation fleet economically and reliably
- Developed four-year Generation Construction Work Plan, including 92 capital projects totaling \$105 million
- Energized the switchyard at the R.D. Morrow, Sr. Generating Station
- Formed internal Culture Council to further strengthen Cooperative Energy's positive and inclusive culture

FISCAL, REGULATORY, AND ENVIRONMENTAL COMPLIANCE

- Designated the only Tree Line USA utility in Mississippi
- Current investment grade credit ratings by S&P (A), Moody's (A3), and Fitch (A)
- Completed closure of the landfill at the R.D. Morrow, Sr. Generating Station
- Participated in the North American Transmission Forum peer review

- Commissioned 92 solar systems for consumer-members capable of generating a combined 989 kWAC
- Installed 206 kW of battery capacity connected to 32 solar photovoltaic systems

miles of transmission corridor.

- Conducted first in-house light detection and ranging (LiDAR) survey

SERVE AS TRUSTED & VALUE-ADDING RESOURCE FOR MEMBER-OWNERS

- Announced five new economic development projects across the state representing 323 new job commitments and more than \$16.4 million in capital investments
- Awarded 8 Cooperative Competes grants totaling \$169,000 benefitting five Member systems' service territories
- Implemented internship program for instrumentation and electrical students at Northwest Community College
- Implemented Incident Management System for Members Coahoma, Delta, Dixie, Pearl River Valley, Singing River, Southwest, and Twin County electric cooperatives.
- Expanded geographic information system resources to streamline and enhance data access

SAFETY AND RELIABILITY

- Partnered with GE Research, Prolec GE, and the U.S. Department of Energy Office of Electricity to host and field test the world's first flexible large power transformer
- Exceeded 1 million safe hours worked on the Morrow Repower Project
- Successfully operated Cooperative Energy's generation fleet continuously throughout the February 2021 arctic outbreak, setting a record for the longest consecutive operation of all owned generation units in company history
- Completed 47 plant betterment capital projects
- Performed 840 drone flights covering 1,390 miles and collecting more than 126,000 photos and 900 videos, documenting 3,400 structures and 382

Left: 2021 Cooperative Education Program students: Back row (left to right): Brandon Waldrup, Landon Draughn, Dylan Lawson, Michael Rhea, Jarred McCarty, Logan Williams
Front row (left to right): Cole Taylor, Aliyah Odom, Kalyn Davis, Maria Serratos, Jessica Browne, Christian Arcement

Middle: Interior construction at the R.D. Morrow, Sr. Generating Station.

Right: Transmission Construction Inspector Travis O'Steen moves transmission structures at the new switch station at the R.D. Morrow, Sr. Generating Station.



BOARD OF DIRECTORS



Louis Thompson
Yazoo Valley Electric Power Assoc.
Chairman



Richard Thoms
Southern Pine Electric Cooperative
Secretary



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



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



Kevin Bonds, *General Manager*
Southwest Electric Cooperative



Joey Cunningham
Twin County Electric Power Assoc.



Howard Davis
Singing River Electric Cooperative



Richard Dossett
Coast Electric Power Assoc.



Harry Howarth
Delta Electric Power Assoc.



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



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



Michael Neely, *General Manager*
Yazoo Valley Electric Power Assoc.



Cooperative Energy crews replaced nearly 25,000 feet of conductor near the Batesville Generating Station along Lines 184 and 185.



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



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



Les Peters
Pearl River Valley Electric Power Assoc.



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



Cindy Shipp
Yazoo Valley Electric Power Assoc.



Hugh Gene Smith
Pearl River Valley Electric Power Assoc.



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



Robert M. Smith
Dixie Electric Power Assoc.



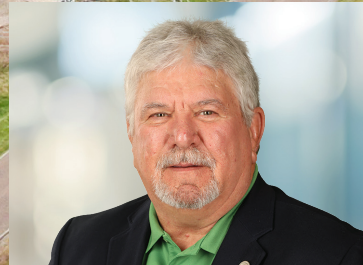
Scott Smith
Magnolia Electric Power



Mike Tyner
Coahoma Electric Power Assoc.











Matthew Ware, *General Manager*
Pearl River Valley Electric Power Assoc.



Randy Woolley
Southwest Electric Cooperative

SENIOR MANAGEMENT TEAM

 Jeff C. Bowman , President/CEO	 Christa Bishop , Executive Vice President Chief Communications Officer	 Tom Hall , Senior Vice President Chief Financial Officer
 Don Hinton , Vice President General Counsel	 Gary Hutson , Senior Vice President Chief Operating Officer	 Steve McElhane , Senior Vice President Chief Compliance Officer
 Mark Smith , Senior Vice President Power Generation	 Brad Wolfe , Senior Vice President Power Delivery	

Cooperative Energy crews replaced conductor along Lines 184 and 185 near Batesville Generating Station for the benefit of all Midcontinent Independent System Operator members.

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	 Christian East , Plant Superintendent (Moselle)	 James Evans , Director Transmission Maintenance	 John Gilbertson , Director Substation Engineering	 Kevin Grace , Controller Interim Chief Financial Officer
 Patsy Horan , Director Safety Compliance	 Stephen Jackson , Director Legal Affairs	 Allen Keene , Director Supply Chain	 Mike McCrary , Director Finance and Risk Management	 Sara Peterson , Director Corporate Communications
 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)
 Mitch Stringer , Director Economic Development	 Ken Sumrall , Director Systems Network and Security	 Jesse Torres , Director Business Information Systems	 Hunter Walters , Director Government Relations	 Alan Wilson , Director Wholesale Services

Lineman I Sean Baughman, left, and Lineman II Cliff Mapp, middle, practice working with hot sticks on Line 87 during routine safety training under the careful observation of Lineman II Brodey Harrell.

2021 RETIREES

- | | | |
|---|--|---|
| STEVE ROBERTSON
42 years of service | REGINA MCALPIN
29 years of service | RICKY ELLZEY
25 years of service |
| ROBERT DAVIS, JR.
40 years of service | KEN GREEN
27 years of service | ROB HUGGINS
12 years of service |
| BOB SILLS
32 years of service | GREG KEYES
27 years of service | PATRICIA ROGERS
11 years of service |

IN MEMORY

- | | | |
|----------------------------------|------------------------------------|-------------------------------------|
| TAMMY HAAS
1964 – 2021 | GABE JACKSON
1964 – 2021 | ERNIE SUMRALL
1965 – 2021 |
|----------------------------------|------------------------------------|-------------------------------------|

FINANCIAL REVIEW

December 31, 2021 and 2020



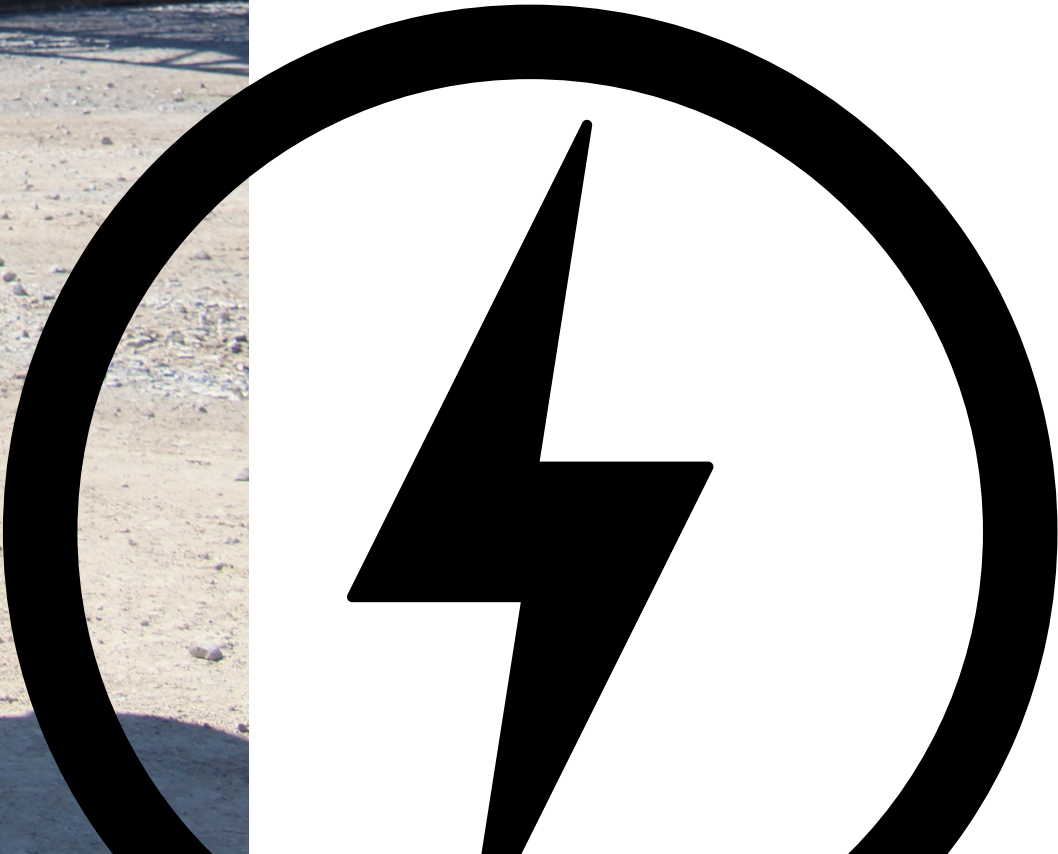


Plant Morrow Instrumentation and Electrical Technician II Grant Hughes, left, and Mechanic I Josh Powe, right, supplemented the Burns & McDonnell staff during the Morrow Repower Project, contributing great value and savings for the project.

MORE POWER TO YOU.

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2021 Financial Review

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 2021 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 13 of this report.

Revenues and Energy Sales

Operating revenues in 2021 increased 7.7% from the prior year, to \$795.6 million. This increase was attributed to higher electric energy revenue from both Members and Non-Members.

Electric energy revenue from Members was \$719.0 million in 2021, an increase of 6.5% as compared with 2020 due to higher volume of energy sold to Members and a higher effective rate. The average billed Member rate increased 0.64 mills/kWh, or 0.9%, to 72.35 mills/kWh in 2021. The Member rate schedules had no adjustments in 2021.

Energy sales to Members increased 1.8% to 9.8 million megawatt-hours (MWh) in 2021 compared with the prior year. During February 2021, Cooperative Energy recorded its yearly peak demand of 2,322 MW which was 14.4% above the prior year peak of 2,029 MW that occurred during August 2020. Sales to Member large power customers increased approximately 5.1% in 2021 from the prior year due to higher sales in all sectors. Large power customers represented 11.7% and 11.3% of the total Member load in 2021 and 2020, respectively.

Other electric energy revenue is comprised of net sales to the Midcontinent Independent System Operator, Inc. (MISO). Net sales to MISO in 2021 were 1.7 million MWh. The revenues from Net Sales to MISO increased \$12.9 million to \$66.3 million in 2021 due to a 76.9% higher average selling price, despite a 29.9% decrease in sales volume in 2021.

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 \$465.1 million and \$431.1 million in 2021 and 2020, respectively. These costs represent 62.5% and 62.6% of total operating expenses in 2021 and 2020, respectively.

Fuel expense increased \$17.1 million, or 13.4%, in 2021 as compared with the previous year primarily due to a 99.7% increase in average natural gas prices, despite a 11.3% decrease in energy volume produced from owned facilities. The decrease in generation from owned facilities in 2021 was attributable to lower dispatch of Cooperative Energy's J.T. Dudley, Sr. Generation Complex (Plant Moselle) and Batesville Generating Station partially offset by higher dispatch of Sylvarena Station, Grand Gulf Nuclear Station (GGNS), George B. Taylor, Sr. Generating Station (Silver Creek) and Sylvarena Station. The combined-cycle units at Batesville Generating Station and Plant Moselle accounted for approximately 27.6% and 11.3%, respectively, of Cooperative Energy's total energy available for sale from all sources during 2021.

The cost of natural gas purchased for owned units averaged \$4.05/MMBtu during 2021, inclusive of hedge and gas storage costs, as compared with \$2.03/MMBtu during 2020.

Purchased power costs increased 5.5% during 2021 to \$320.5 million due to a 3.7% increase in the volume of purchased energy and a 1.8% increase in the average unit price as compared with the prior year. The average cost of purchased power during 2021 was \$58.02/MWh compared to \$57.00/MWh during 2020. The total cost of energy purchased from MPC under the MRA contracts decreased 3.9% in 2021 compared to the prior year due to a 1.8% decrease in volume and a 2.1% decrease in average prices. The average rate paid to MPC during 2021 under the MRA contracts was \$67.50/MWh compared to \$68.95/MWh in 2020. Energy supplied to Members under the MRA contracts comprised approximately 25.2% of total Member load during the year. Energy purchases from Plum Point increased 28.0% in 2021 compared to the prior year. The average cost of power from Plum Point during 2021 was \$74.25/MWh compared to \$86.90/MWh in 2020. Cooperative Energy's costs for net energy purchases of economy energy from MISO increased \$20.7 million, or 129.9%, during 2021 to \$36.6 million due to higher volume and average rate. The average rate paid to MISO during 2021 was \$30.44/MWh compared to \$18.29/MWh in 2020. Net energy purchases from MISO comprised approximately 12.2% of total Member load in 2021 compared with 9.0% in 2020.

Cost of Fuel for Owned and Contracted Generation (\$/MWh)	2021	2020
Coal	\$ 20.01	18.99
Nuclear	5.80	3.74
Natural Gas	27.83	19.70

Energy Supplies

Sources of Supply (1000 MWh)	2021	2020	2021 over 2020 Increase/(Decrease)	2021 over 2020 % change
Total Owned and Contracted Generation	7,814	8,676	(862)	(9.9%)
Net Purchases from MISO	1,203	871	332	38.1%
MPCo All-Requirements Contracts	2,479	2,524	(45)	(1.8%)
Other Purchased Power	110	111	(1)	(0.9%)
Total Energy Available	11,606	12,182	(576)	(4.7%)
Energy Losses	51	64	13	(20.3%)
Total Sales	11,555	12,118	(563)	(4.6%)

Sources of Owned Generation (1000 MWh)	2021	2020	2021 over 2020 Increase/(Decrease)	2021 over 2020 % change
Batesville Generating Station	3,200	4,080	(880)	(21.6%)
Plant Moselle	1,314	1,825	(511)	(28.0%)
GGNS	1,176	647	529	81.8%
Other Owned Generation	392	303	89	29.4%
Total Owned Generation	6,082	6,855	(773)	11.3%

Energy Supplied from Owned and Contracted Resources (excluding MRA contract and MISO purchases) by Fuel Type	2021	2020
Natural Gas	64.7%	76.5%
Coal	15.3%	10.7%
Nuclear	14.8%	7.4%
Renewables	5.2%	5.4%
	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 \$17.47/MWh and \$15.11/MWh in 2021 and 2020, respectively.

Interest expense of \$32.3 million, net of approximately \$6.6 million in capitalized interest, in 2021 was 11.1% lower compared to the prior year, primarily due to lower weighted average cost of debt slightly offset by a 0.1% increase in the daily average balance of debt outstanding. Cooperative Energy’s average cost of debt was 3.20% and 3.27% in 2021 and 2020, respectively.

Non-Operating Margin

Interest income was \$2.3 million in 2021 compared to \$4.7 million in 2020. Interest-bearing deposits include the Rural Utilities Service (RUS) Cushion of Credit (CoC) program, National Rural Utilities Cooperative Finance Corporation (NRUCFC) Subscription Capital Term Certificates (SCTCs), 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 2021 and 2020 was 1.68 and 1.70, respectively.

Cooperative Energy’s net margin for the year ended December 31, 2021 was \$20.0 million compared to \$20.0 million for 2020. 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 1.54 and 1.52 for 2021 and 2020, 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 2021, the equity-to-assets ratio improved to 21.0% compared to 20.6% 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 72.35 mills/kWh in 2021, 0.9% higher than the 2020 average rate of 71.71 mills/kWh.

Liquidity

At year-end 2021, Cooperative Energy had \$451.5 million in available undrawn commitments under unsecured credit facilities. The credit facilities have final maturities of 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 2021 represented 314 days coverage of the average daily operating cash expense in 2021.

Operating Activities

Cash provided by operating activities amounted to \$72 million in 2021 compared to \$132 million in 2020. Net margins and non-cash depreciation expense totaled \$96 million in 2021 and \$105 million in 2020. Changes in current assets and liabilities, excluding cash and current maturities, decreased cash flow from operations by \$20 million in 2021 and increased cash flow by \$10 million in 2020.

Investment Activities

Cooperative Energy’s total assets at year-end 2021 were \$2.1 billion. Capital expenditures in 2021 were \$190 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 decreased \$21 million to \$36 million at year-end 2021. 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 2021, Cooperative Energy received \$32.8 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 2021 range from 1.710% to 2.009%. At year-end 2021, Cooperative Energy had \$47 million in undrawn commitments available from RUS under one loan contract

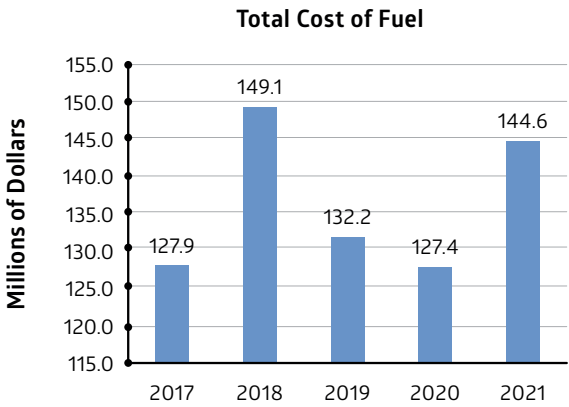
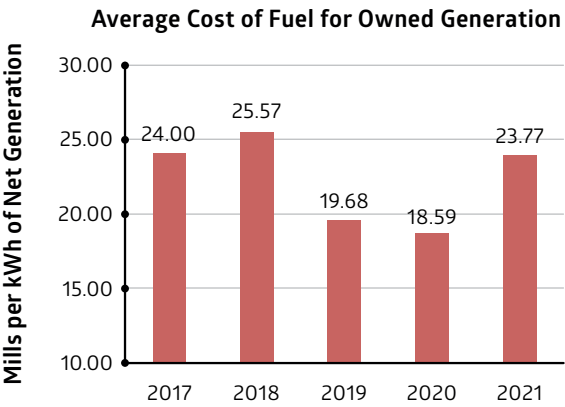
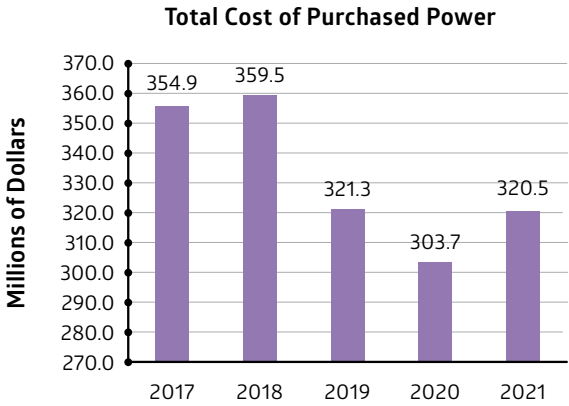
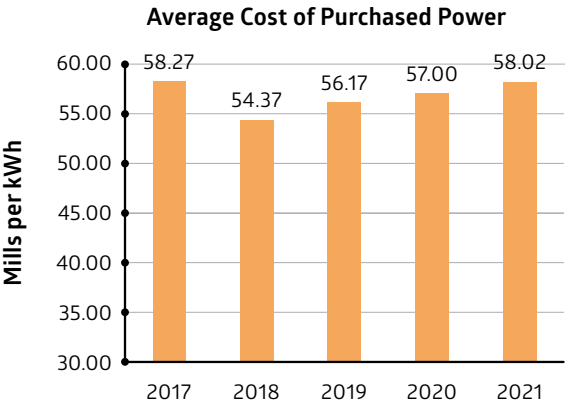
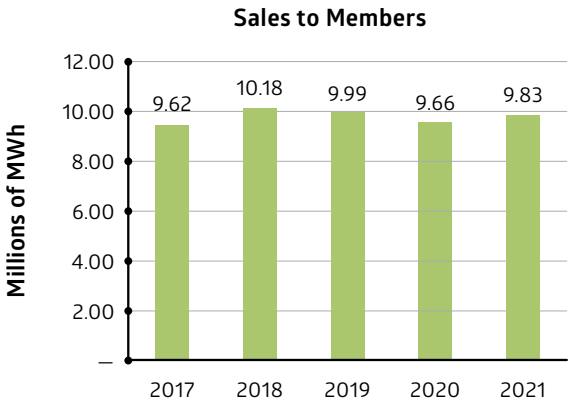
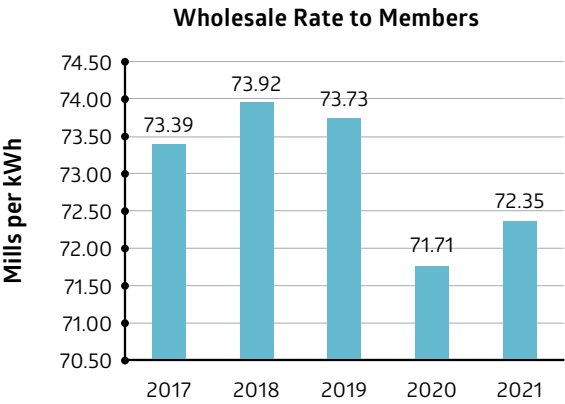
Credit Ratings

As of year-end 2021, Cooperative Energy was assigned the following credit ratings:

	S&P	Moody's	Fitch
Issuer Credit Rating	A/Stable	A3/Stable	A/Stable

Five-Year Financial Summary

<i>In thousands, as of December 31</i>	2021	2020	2019	2018	2017
SUMMARY OF OPERATIONS					
Total Operating Revenues	\$ 795,604	\$ 738,836	\$ 759,289	\$ 817,331	\$ 778,162
Operating Expenses:					
Fuel	\$ 144,565	\$ 127,449	\$ 132,164	\$ 149,105	\$ 127,946
Production	42,623	36,478	38,430	42,089	41,317
Purchased Power	320,486	303,659	321,348	359,459	354,885
Transmission	69,123	61,463	56,645	50,691	49,423
Administrative and General	30,248	28,556	29,338	28,232	27,350
Maintenance	59,843	56,661	55,636	55,422	52,738
Depreciation and Amortization	76,966	74,319	73,030	69,988	67,686
Total Operating Expenses	\$ 743,854	\$ 688,585	\$ 706,591	\$ 754,986	\$ 721,345
Operating Margin	\$ 51,750	\$ 50,251	\$ 52,698	\$ 62,345	\$ 56,817
Interest Expense	32,265	36,309	41,063	44,778	46,624
Other Deductions	4,657	6,282	3,599	3,949	4,064
Nonoperating Margin	5,172	12,340	11,964	12,382	13,956
Net Margin	\$ 20,000	\$ 20,000	\$ 20,000	\$ 26,000	\$ 20,085
ELECTRIC UTILITY PLANT					
In Service – at Cost	\$ 2,177,842	\$ 2,130,730	\$ 2,049,434	\$ 2,017,531	\$ 2,287,182
Electric Plant Held for Future Use	10,928	10,408	10,335	10,335	—
Construction Work in Process	391,649	282,096	161,293	72,618	35,359
Total	2,580,419	2,423,234	2,221,062	2,100,484	2,322,541
Less Accumulated Depreciation	1,033,684	978,771	931,182	880,416	998,578
Net Utility Plant	\$ 1,546,735	\$ 1,444,463	\$ 1,289,880	\$ 1,220,068	\$ 1,323,963
TOTAL ASSETS	\$ 2,118,426	\$ 2,108,082	\$ 1,983,521	\$ 1,980,349	\$ 1,902,551
TOTAL EQUITY AND PATRONAGE CAPITAL	\$ 445,119	\$ 435,119	\$ 425,119	\$ 409,616	\$ 388,472
ENERGY SOURCES – MWH					
Generated	6,082,337	6,855,404	6,715,386	5,831,396	5,331,989
Purchased	5,523,850	5,327,428	5,721,065	6,611,595	6,090,468
Total Available for Sale	11,606,187	12,182,832	12,436,451	12,442,991	11,422,457
ENERGY SALES – MWH					
Member Cooperatives	9,831,808	9,656,694	9,987,132	10,182,072	9,616,043
Non-members	1,723,809	2,461,299	2,385,529	2,183,348	1,737,664
Total Sales	11,555,617	12,117,993	12,372,661	12,365,420	11,353,707
Wholesale Rate to Members (mills/kWh)	72.35	71.71	73.73	73.92	73.39
Total System Coincident Peak Demand (MW)	2,322	2,029	2,074	2,563	2,256



Independent Auditors’ Report

The Board of Directors Cooperative Energy:

Opinion

We have audited the financial statements of Cooperative Energy (the Company), which comprise the balance sheets as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

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

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

Jackson, Mississippi
March 23, 2022

Balance Sheets December 31, 2021 and 2020 (in thousands)

Assets	2021	2020
Electric utility plant:		
In service – at cost	\$ 2,177,842	2,130,730
Electric plant held for future use	10,928	10,408
Construction work in progress	391,649	282,096
	2,580,419	2,423,234
Less accumulated depreciation	1,033,684	978,771
Net electric utility plant	1,546,735	1,444,463
Investments:		
Investments in associated organizations and other investments	12,357	12,513
Decommissioning trust investments	120,913	102,555
Debt service and other prepayments	35,805	57,392
Total investments	169,075	172,460
Current assets:		
Cash and cash equivalents	122,981	219,257
Accounts receivable from Members	54,969	65,300
Accounts receivable from others	9,496	4,566
Inventories (at average cost):		
Fuels	3,676	2,204
Emission allowances	3,469	3,474
Materials and supplies	39,645	35,855
Other	7,099	6,835
Total current assets	241,335	337,491
Deferred charges	161,281	153,668
Total assets	\$ 2,118,426	2,108,082
Equities and Liabilities		
Equities:		
Patronage capital	\$ 444,584	434,584
Donated capital	535	535
Total equities	445,119	435,119
Long-term debt (excluding current maturities)	1,170,361	1,166,811
Accrued decommissioning obligation	117,297	121,481
Deferred credits and other long-term liabilities	203,754	175,142
Total long-term liabilities	1,491,412	1,463,434
Current liabilities:		
Accounts payable	85,896	100,629
Accrued interest	7,460	2,284
Other accrued expenses	10,400	10,005
Current maturities of long-term debt	47,921	37,680
Energy prepayments from Members	30,218	58,931
Total current liabilities	181,895	209,529
Commitments and contingencies (notes 3, 14, and 15)		
Total equities and liabilities	\$ 2,118,426	2,108,082

See accompanying notes to financial statements.

Statements of Revenues, Expenses, & Patronage Capital Years ended December 31, 2021 and 2020 (in thousands)

	2021	2020
Operating revenues:		
Electric energy revenue from Members	\$ 718,977	675,039
Other electric energy revenue	66,738	54,130
Other — net	9,889	9,667
Total operating revenues	795,604	738,836
Operating expenses:		
Fuel	144,565	127,449
Production	42,623	36,478
Purchased power	320,486	303,659
Transmission	69,123	61,463
Administrative and general	30,248	28,556
Maintenance expenses:		
Production	41,567	39,482
Transmission	10,437	7,092
General	7,839	10,087
Depreciation and amortization	76,966	74,319
Total operating expenses	743,854	688,585
Operating margin before interest and other deductions	51,750	50,251
Interest and other:		
Interest, net of amounts capitalized	32,265	36,309
Other	4,657	6,282
Total interest and other	36,922	42,591
Operating margin	14,828	7,660
Nonoperating margin:		
Interest income	2,251	4,740
Other	2,921	7,600
Total nonoperating margin	5,172	12,340
Net margin	20,000	20,000
Patronage capital at beginning of year	434,584	424,584
Patronage distributions	(10,000)	(10,000)
Patronage capital at end of year	\$ 444,584	434,584

See accompanying notes to financial statements.

Statements of Cash Flows Years ended December 31, 2021 and 2020 (in thousands)

	2021	2020
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	76,195	84,606
Gain on sale of electric utility plant assets	(104)	(106)
Gain on sale of securities	(1,536)	(5,606)
Change in current assets	(120)	(7,125)
Change in deferred revenue	(7,688)	17,416
Change in current liabilities other than current maturities	(20,176)	17,234
Change in deferred charges, credits, and other long-term liabilities	5,162	5,924
Net cash provided by operating activities	71,733	132,343
Investing activities:		
Proceeds from sale of electric utility plant assets	104	106
Purchases of securities	(17,108)	(44,191)
Proceeds from sale of securities	11,605	43,480
Change in other investments	4,343	(804)
Investment in nuclear decommissioning trust fund	(2,400)	(2,400)
Electric plant additions	(189,579)	(200,909)
Change in debt service deposits	21,587	(2,569)
Net cash used in investing activities	(171,448)	(207,287)
Financing activities:		
Scheduled principal payments on long-term debt	(37,726)	(43,382)
Proceeds from issuance of long-term debt	32,771	100,588
Change in lines of credit	18,510	—
Payment of debt issuance cost	(116)	—
Payment of patronage capital	(10,000)	(4,497)
Net cash provided by financing activities	3,439	52,709
Net change in cash and cash equivalents	(96,276)	(22,235)
Cash and cash equivalents at beginning of year	219,257	241,492
Cash and cash equivalents at end of year	\$ 122,981	219,257
Additional cash flow disclosures:		
Interest paid, net of amount capitalized	\$ 26,746	35,838
Change in accrued additions to electric utility plant	(17,699)	19,668

See accompanying notes to financial statements.

Notes to Financial Statements December 31, 2021 and 2020

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 442,000 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 and generator inspections and generator rewinds, repair and maintenance costs incurred during a planned major maintenance outage are expensed when incurred. Costs associated with turbine and generator inspections and generator rewinds 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 2021 or 2020.

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 2021 and 2020, total interest cost amounted to \$38.9 million and \$39.7 million, respectively, with \$6.6 million and \$3.4 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. 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. 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 and are included in nonoperating margin – other.

e. Cash and Cash Equivalents

The carrying amounts reported in the balance sheets for cash and cash equivalents approximate fair value due to the short maturity of these instruments. For purposes of reporting cash flows, all temporary investments with original maturities of three months or less are deemed to be cash equivalents, except those that are held as part of the Decommissioning Trust Investments.

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 No. 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 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, 2021 and 2020, revenues related to MISO were \$66.3 million and \$53.5 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 member delivery points. Transmission service to MISO is comparably measured in kilowatt hour months. This contractual obligation is specified in member contracts and the MISO tariff.

Cooperative Energy is rate regulated by the Board of Directors, which reviews rates at least annually to determine rate levels needed to cover costs, achieve compliance with loan covenants, as well as maintain a stable financial profile. Rates to members (both energy and demand) are published and approved by the 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 members and nonmembers. Cooperative Energy satisfies its performance obligations to deliver energy as energy is delivered to its 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 Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 continuing to evaluate the impact of this new standard and will 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 continuing to evaluate the impact of this new standard and will adopt the standard during 2023.

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. Subsequent Events

Cooperative Energy has evaluated subsequent events through March 23, 2022, 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 \$40.4 million and \$53.4 million under the contract in 2021 and 2020, 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 2021 and in 2020. 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 \$112.0 million and \$107.7 million at December 31, 2021 and 2020, 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 2021 or 2020.

4. Electric Utility Plant

Electric utility plant consisted of the following:

	Cost		Accumulated depreciation	
	December 31		December 31	
	2021	2020	2021	2020
	(In thousands)		(In thousands)	
Grand Gulf Nuclear	\$ 584,864	580,060	379,710	372,952
Morrow steam	55,894	57,841	32,574	31,310
Moselle steam	35,703	35,445	27,863	26,843
Moselle combined cycle	223,485	217,885	59,206	52,885
Moselle gas turbines	62,173	60,287	32,858	31,553
Batesville combined cycle	271,431	265,632	86,752	76,061
Silver Creek/Sylvarena gas turbines	210,619	206,917	105,916	100,342
Benndale/Paulding gas turbines	34,917	37,298	1,677	621
Solar sites	1,558	1,558	353	291
Total generating plant	1,480,644	1,462,923	726,909	692,858
Transmission plant	466,982	454,318	169,074	161,907
General plant and equipment	227,175	210,448	137,267	123,582
Electric plant leased to others	3,041	3,041	434	424
Electric plant in service	2,177,842	2,130,730	1,033,684	978,771
Electric plant held for future use	10,928	10,408	—	—
Construction work in process	391,649	282,096	—	—
Total electric utility plant	\$ 2,580,419	2,423,234	1,033,684	978,771

Electric plant held for future use consisted of existing Plant Morrow assets that will continue to be used and useful following the plant’s conversion to a natural gas plant was \$10.9 million and \$10.4 million at December 31, 2021 and 2020, respectively, Construction of the new natural gas plant started in 2020 and will take several years to complete. At December 31, 2021, Cooperative Energy has commitments of approximately \$66.2 million related to construction work in process consisting of \$49.8 million associated with contracts related to the Plant Morrow project and \$16.4 million associated with contracts related to other projects. See note 7 for more discussion related to the 2021 changes to the Plant Morrow utility plant.

Depreciation expense was \$67.0 million and \$63.4 million during 2021 and 2020, 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	
	2021	2020
	(In thousands)	
National Rural Utilities Cooperative Finance Corporation (CFC) Patronage Capital and Term Certificates	\$ 7,005	7,035
Economic Development Loans	1,037	1,259
Other	4,315	4,219
	<u>\$ 12,357</u>	<u>12,513</u>

CFC requires Cooperative Energy to hold these investments as a condition of CFC financing. 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, 2021			
	Cost or amortized cost	Approximate fair value	Gross unrealized gains	Gross unrealized losses
	(In thousands)			
Equity securities:				
Common stocks	\$ 4,440	6,657	2,231	(14)
Fixed income mutual funds and exchange-traded funds	18,311	18,695	384	—
Equity mutual funds and exchange-traded funds	52,205	76,882	24,677	—
Total equity securities	74,956	102,234	27,292	(14)
Debt securities:				
Corporate bonds	7,399	7,478	155	(76)
U.S. government obligations	8,648	8,670	108	(86)
Total debt securities	16,047	16,148	263	(162)
Money market funds and accrued interest receivable:	2,531	2,531	—	—
Total	\$ 93,534	120,913	27,555	(176)

	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)

Proceeds from sales of securities were \$11.6 million in 2021 and \$43.5 million in 2020, respectively. Related gross realized gains and losses in 2021 were \$1.8 million and \$0.3 million, respectively, and in 2020 were \$6.7 million and \$1.2 million, respectively.

7. Deferred Charges (Including Regulatory Assets)

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

	December 31	
	2021	2020
	(In thousands)	
Regulatory assets:		
Nuclear outage maintenance cost	\$ 1,124	3,829
Postretirement medical benefit regulatory asset	113	4,726
Unamortized investment in Grand Gulf Unit 2	30,964	33,168
Deferred major maintenance costs	9,720	6,182
Development fees-Panola Partnership	2,038	2,275
Batesville acquisition costs	1,061	1,143
Pension plan accelerated funding	5,983	6,647
Unrealized loss on gas hedges	4,076	3,482
Coal plant retirement – Plant Morrow	79,229	87,870
	134,308	149,322
Other deferred charges:		
Advance payment on Plum Point power purchase agreement	2,286	2,409
Natural gas hedge asset	22,693	—
Transmission congestion hedge asset	739	249
Other	1,255	1,688
	\$ 161,281	153,668

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 1980s. 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 No. 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 and generator overhaul costs are recorded as regulatory assets when incurred and amortized into rates during the period between scheduled overhauls, typically five to six years.

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 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	
	2021	2020
	(In thousands)	
Cumulative margins	\$ 496,952	476,952
Less retirements to date	52,368	42,368
	<u>\$ 444,584</u>	<u>434,584</u>

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 26.8% and 26.5% of the aggregate long-term debt and equity at December 31, 2021 and 2020, 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, 2021	Expiration Date
	(In thousands)		
Trustmark National Bank	\$ 40,000	8,510	April 19, 2024
BancorpSouth	40,000	—	April 19, 2024
Regions	40,000	10,000	April 19, 2024
Syndicated Line of Credit	350,000	—	April 23, 2024
Total	<u>\$ 470,000</u>	<u>18,510</u>	

These revolving credit agreements bear interest at variable rates generally based on LIBOR or Prime. At December 31, 2021, \$18.5 million was outstanding, and at December 31, 2020, no amount was 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) and a \$60.0 million letter of credit facility with CoBank. At December 31, 2021, there was \$24.9 million outstanding under the CFC 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 \$9.4 million are utilized as financial security for certain transactions with MISO. At December 31, 2021, there was \$50.0 million outstanding under the CoBank facility to satisfy security requirements of the Southern Company affected system upgrade agreement.

Long-term debt consisted of the following:

	December 31	
	2021	2020
	(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	\$ 753,771	740,446
RUS Economic Development notes payable in monthly installments at 0%; maturing in 2026 ⁽¹⁾	1,037	1,259
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	119,015	124,094
First Mortgage Bonds, Series 2019 Bonds payable in semi-annual installments – \$350 million at 3.15%, maturing November 6, 2049	326,667	338,334
CoBank note payable in quarterly installments maturing in 2023, fixed interest rate of 2.85% ⁽¹⁾	1,695	3,008
Trustmark National Bank revolving line of credit, variable interest rate ⁽¹⁾	8,510	—
BancorpSouth revolving line of credit, variable interest rate ⁽¹⁾	—	—
Regions revolving line of credit, variable interest rate ⁽¹⁾	10,000	—
Syndicated line of credit, variable interest rates ⁽¹⁾	—	—
	<u>1,220,695</u>	<u>1,207,141</u>
Less:		
Debt issuance cost	2,413	2,650
Current maturities	47,921	37,680
Long-term debt (excluding current maturities)	<u>\$ 1,170,361</u>	<u>1,166,811</u>

⁽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 \$47.0 million at December 31, 2021. Substantially all assets of Cooperative Energy are pledged as collateral for long-term debt that is secured under the Indenture agreement.

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

2022	\$ 47,921
2023	49,291
2024	57,871
2025	50,964
2026	51,988

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 limit the amount of unsecured indebtedness. Cooperative Energy’s management believes it is in compliance with such requirements at December 31, 2021 and 2020.

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	
	2021	2020
	(In thousands)	
Regulatory liabilities:		
Regulatory liability for deferred revenue from power cost adjustments	\$ 14,692	22,380
Power Supply Development Fund	100,496	100,497
Amortization and Depreciation Fund	10,000	10,000
Unrealized gain on Decommissioning Trust	25,559	12,998
Unrealized gain on gas hedges	24,324	159
Unrealized gain on transmission congestion hedge	739	249
	175,810	146,283
Other deferred credits and long-term liabilities:		
Reserve for economic development contributions	6,623	5,861
Medical insurance claim funding	5,553	4,525
Capital lease	592	677
Natural gas hedge liability	3,923	3,322
Postretirement benefit obligation (other than pensions)	11,253	14,474
	\$ 203,754	175,142

Included in the 2020 liability for deferred revenue from power cost adjustments is \$22.4 million collected from Members during 2020 and recognized as revenue in 2021. Accordingly, the \$14.7 million liability recorded in 2021 represents amounts collected from Members during 2021, and is expected to be recognized as revenue in 2022.

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 \$0.5 million amortized into 2021 and 2020 rates, respectively.

See notes 2(k) and 11 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, 2021 and 2020 was \$9.2 million and \$10.4 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 \$2.1 million and \$4.1 million for 2021 and 2020, respectively, related to certain other employee benefit plan arrangements.

11. 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. Physical purchases, actual natural gas usage, and financial hedge positions are considered when calculating amounts due to the counterparty. At December 31, 2021, approximately \$18.8 million of natural gas financial hedges were in a net asset position based on the fair value of the derivative. 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. Cooperative Energy does not apply hedge accounting to these financial hedging instruments. At December 31, 2021 and 2020, Cooperative Energy had posted no collateral with a counterparty.

As of December 31, 2021, Cooperative Energy has acquired financial hedges to cover approximately 68% of forecasted natural gas consumption used to serve native load for 2022, and 25% of forecasted natural gas consumption used to serve native load for 2023. Additionally, Cooperative Energy has acquired financial hedges to cover approximately 15% and 10%, respectively, of forecasted natural gas consumption used to serve native load for years 2024 and 2025.

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 expired 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, 2021		December 31, 2020	
	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	\$ (3,923)	Deferred credits and other long-term liabilities	\$ (3,322)
Natural gas hedge	Deferred charges	22,693		—
Transmission congestion cost hedge	Deferred charges	739	Deferred charges	249
Total derivatives		<u>\$ 19,509</u>		<u>\$ (3,073)</u>

The effect of derivative instruments on the statements of revenues, expenses, and patronage capital for the years ended December 31, 2021 and 2020 was as follows:

Location of gain (loss) recognized in operating margin		Amount of derivative gain (loss) recognized in operating margin	
		2021	2020
		(In thousands)	
Natural gas hedges	Fuel expense	\$ 28,268	(18,266)
Transmission congestion cost hedge	Purchased power expense and other electric energy revenue	(783)	(1,865)

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 \$6.1 million and \$5.8 million, respectively, for each of the years ended December 31, 2021 and 2020.

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 \$8.3 million in pension expense for the defined benefit pension plan in 2021 and \$7.5 million in 2020. 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 2021 and in 2020 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, 2021 and over 80% funded at January 1, 2020 based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of the PPA do not apply to the NRECA 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 2021 that affect the comparability of 2021 and 2020 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 \$2.6 million and \$2.4 million in 2021 and 2020, 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 2021 and 2020. During 2021 and 2020, retirees paid approximately \$0.5 million in 2021 and 2020, for coverage under the plan.

The FASB issued ASC No. 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	
	2021	2020
	(In thousands)	
Service cost of benefits earned	\$ 263	308
Interest cost on accumulated benefit obligation	198	290
Net periodic postretirement benefit cost	461	598
Accrued benefit obligation at beginning of year	11,003	10,893
Benefits paid	(633)	(620)
Accrued postretirement benefit obligation at end of year	10,831	10,871
Unrecognized actuarial (gain) loss	(1,914)	132
Accumulated postretirement benefit obligation	\$ 8,917	11,003

Of the accumulated postretirement benefit obligation, \$8.3 million is recorded as an unfunded long-term liability, with the remaining \$0.6 million recorded as a current liability at December 31, 2021. The weighted average discount rate used in determining the APBO was 2.63% and 2.23% at December 31, 2021 and 2020, respectively. The weighted average discount rate used in determining the net benefit cost was 2.23% and 3.15% in 2021 and 2020, respectively. The assumed healthcare cost trend rate of increase used in measuring the APBO is 6.80% for pre–age 65 medical in 2021 declining to 5.0% by 2028. 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, 2021 would be increased by 7.11%. Benefits expected to be paid in 2022–2026 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 2027–2031 total \$2.6 million. Cooperative Energy expects to fund payments as they become due. In developing demographic assumptions, as of December 31, 2021, the Pri-2012 tables, projected generationally with scale MP-2021 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, 2021 and 2020:

	December 31, 2021	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)	\$ 120,913	107,021	13,892	—
Derivatives (note 11)	19,509	—	19,509	—
Total financial assets	\$ 140,422	107,021	33,401	—

	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	\$ 99,482	96,133	3,349	—

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. During 2021, Cooperative Energy completed the closure of this landfill and the cost was \$0.6 million below the previous estimated total closure cost. The liability was decreased by \$0.6 million to adjust to final actual cost. The total post-closure monitoring cost remains an estimated \$5.5 million. Additionally, during 2021 actual cost of closure and monitoring of \$6.2 million and \$0.1 million, respectively, were incurred and reduced the liability by \$6.3 million. As of December 31, 2021 and 2020, Cooperative Energy’s recorded asset retirement obligation related to the retirement of the coal ash landfill at Plant Morrow is \$5.4 million and \$13.8 million, respectively.

A reconciliation of the beginning and ending aggregate carrying amount of the asset retirement obligations as of December 31, 2021 and 2020, follows (in thousands):

	2021	2020
Balance – beginning of year	\$ 121,481	114,969
Revisions to estimated cash flows	(2,144)	12,416
Asset retirement obligation accretion expense	4,299	4,131
Asset retirement cost incurred	(6,339)	(10,035)
Balance — end of year	\$ 117,297	121,481

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 2042. 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 2025. 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.

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.

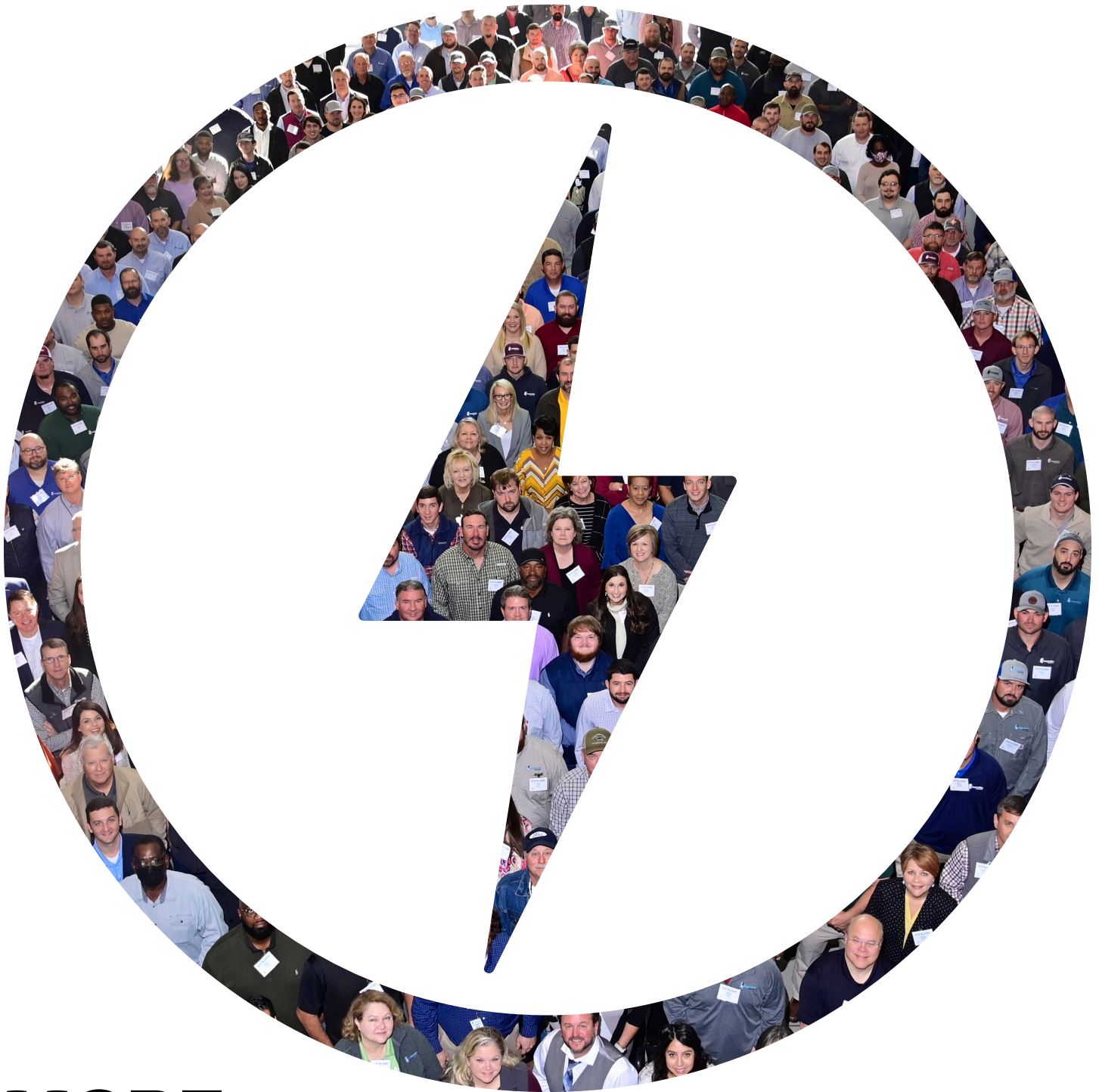
Person with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language, etc.) should contact the responsible Agency or USDA's

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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