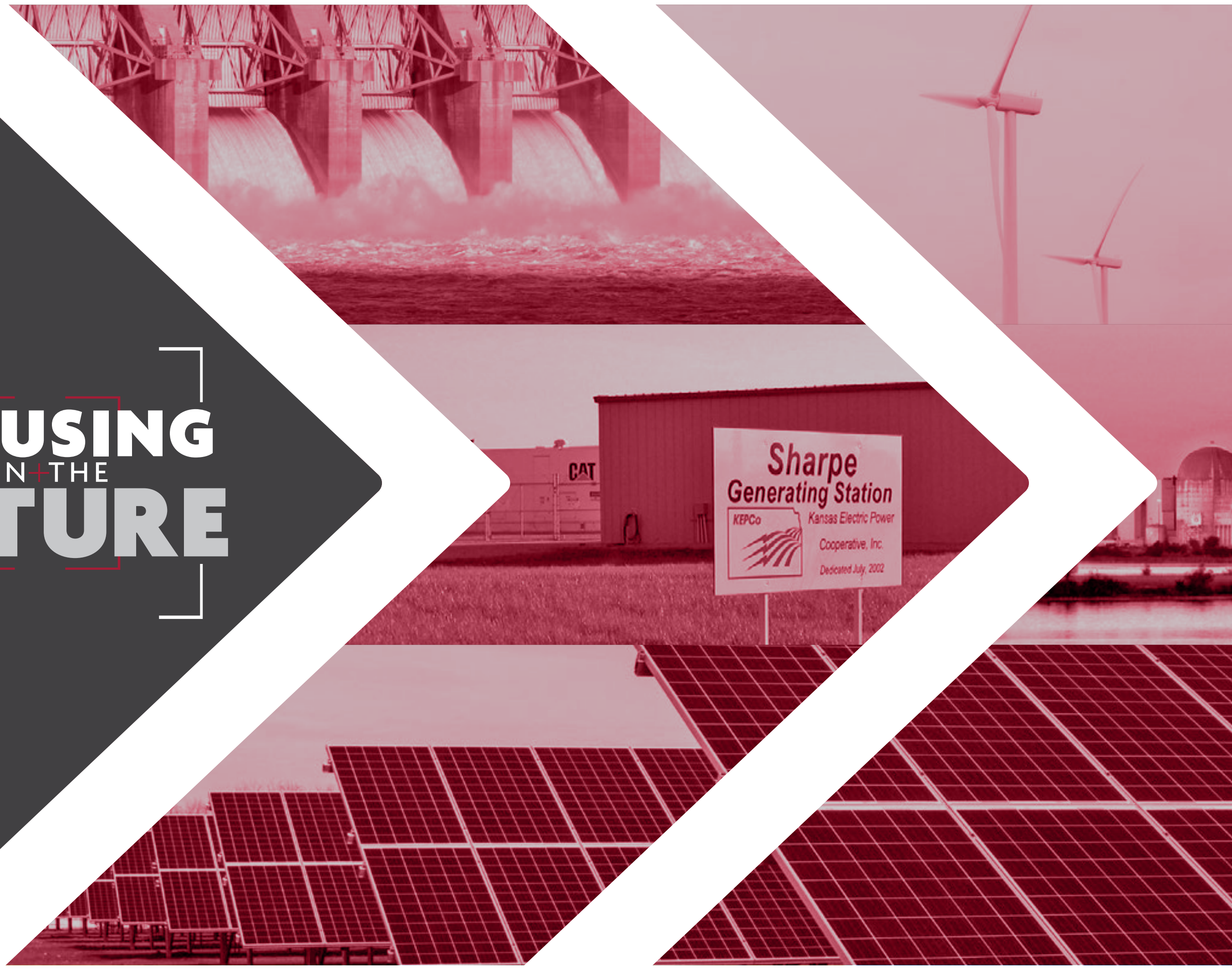
2023
ANNUAL REPORT



FOCUSING ON THE FUTURE

KANSAS ELECTRIC POWER COOPERATIVE

GUIDING PRINCIPLES

SAFETY: We are devoted to a culture of safety to assure an accident-free, secure, and healthy work environment.

INNOVATION: We promote continuous learning, development, and creative thinking to encourage innovative, proactive, cost-effective, and technologically relevant business and energy solutions.

ENGAGEMENT: We strive to provide a positive, professional, and respectful work environment for our employees and members, and we are committed to building relationships based on genuine caring and understanding.

INTEGRITY: We expect our team to be completely transparent, open to new ideas, honest, trustworthy, fully accountable, ethical, and to do the right thing for our members, our industry partners, the general public, and each other.

FINANCIAL RESPONSIBILITY: We strive to provide power supply, support, and services to our members at the lowest possible cost, consistent with sound business practices, board policies, and cooperative principles.

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OUR PURPOSE

KEPCo strives for excellence in providing safe, reliable, economical, and environmentally responsible power supply, exceptional support, and innovative services to our members and the Kansans they serve.

KEPCO STAFF

Steve Foss
Interim Executive Vice President &
Chief Executive Officer

Mark Barbee
Senior Vice President &
Chief Operating Officer

Susan Cunningham
Senior Vice President &
General Counsel

Coleen Wells
Senior Vice President &
Chief Financial Officer

Stephanie Anderson
Finance & Benefits Analyst III

Keith Burk
Information Systems Specialist II

Lindsay Clark
Administrative Assistant

Jerad Crotinger
Senior Operations Technician

Chris Davidson
Manager of Engineering

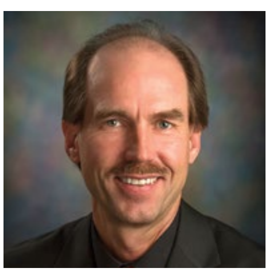
Terry Deutscher
Manager, SCADA &
Meter Maintenance

Mark Doljac
Executive Director, Rates & Planning

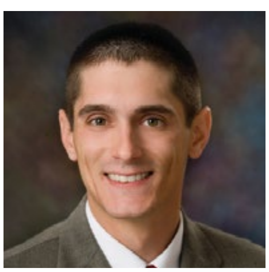
Rebecca Fowler
Director, Regulatory Affairs

Carol Gardner
Operations Analyst III

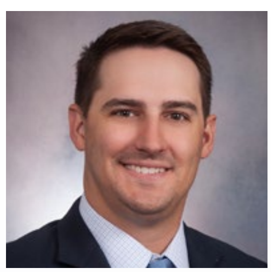
Shawn Geil
Executive Director, Technical
and Energy Services



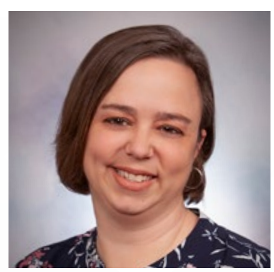
Maurice Hall
Senior SCADA/Metering Technician



Robert Hammersmith
Senior SCADA/Metering Technician

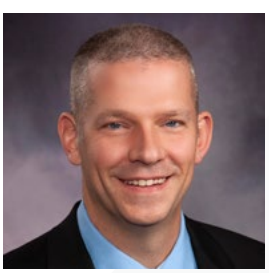


Brad Hutton
Financial/Regulatory Specialist



Kristina Kuebler
Administrative Assistant

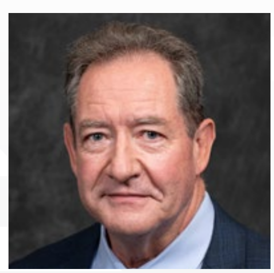
Adam Lee
Senior SCADA/Metering Technician



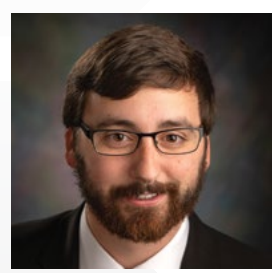
Matt Ottman
Information Systems Specialist III

Julie Spielman
Finance and Accounts Payable/
Payroll Specialist

Claudine Stueve
Executive Assistant &
Manager of Office Services



Phil Wages
Director, Member Services,
Government Affairs &
Business Development



Luke Zahner
Engineer II

LETTER FROM THE BOARD PRESIDENT AND EXECUTIVE VICE PRESIDENT/CEO

CELEBRATING THE PAST
FOCUSING ON THE FUTURE

STEVE FOSS
Interim Executive Vice President & CEO

MIKE MORTON
Board President

Annual reports provide a great opportunity to celebrate accomplishments from the past year and also to look forward to the coming year. It is vital to recognize the strong performance of the organization, leadership, and staff, but it is equally important to focus on what the prior year's performance means for the future.

In 2023, KEPCo's successes and achievements included:

- Finishing 2023 with zero safety and cyber security incidents.
- Ending the year fully staffed for the first time since the year 2000, with an employee team that is experienced, engaged, and dedicated.
- Reaching a three-year low for our average member electric rate.
- Operating our generation resources safely, cost-effectively, and reliably.
- Maintaining a diverse generation portfolio that supplies over 67% of our annual energy needs from non-greenhouse gas (GHG) emitting resources.
- Savings for KEPCo members due to our regulatory, government, and legislative advocacy efforts, and engaging with NRECA on significant industry issues such as the EPA's proposed GHG rule.
- Overall transmission and distribution reliability and strong engagement with the state's five transmission owners from whom we take service.
- Applying for federal funding opportunities, which, if received, will allow KEPCo to upgrade existing solar assets, add new solar, wind, and energy storage facilities, and invest in infrastructure related to green hydrogen production.

Another highlight of 2023 is the progress of KEPCo's multi-year strategic plan, which provides clear and actionable guidance for KEPCo through 2027. The plan focuses on safety, cybersecurity, power supply, financial strength, member engagement, board effectiveness, and employee succession planning. KEPCo's Board of Trustees and staff have made a tremendous amount of progress since it was finalized in January 2023.

Below is a summary of our progress to date:

- **COST-OF-SERVICE STUDY:** KEPCo's first study in over 12 years has begun and will be completed in 2024.
- **BOARD SELF-ASSESSMENT:** The board completed a self-assessment and is in the process of developing board goals.
- **AD HOC POWER SUPPLY COMMITTEE:** We established this

committee to hold educational sessions on key industry topics and to discuss KEPCo's long-term power supply goals and potential modifications to our current power supply. The committee supported staff's recommendation to conduct a robust integrated resource plan in 2024.

- **FINANCIAL FORECAST:** We overhauled and updated our long-range financial forecast, which is an integral tool in determining our financial needs and future strategies.
- **SUCCESSION PLAN:** We finalized a succession plan for the entire employee team.
- **SAFETY AND SECURITY:** The process of updating our Safety Manual and creating a Cybersecurity Handbook are underway.

Future strategic initiatives include establishing an ad hoc Member Engagement Committee in 2024 to analyze potential programs and services for members, including both value-added and fee- or subscription-based ancillary services, and conducting a financial planning study in the next two years.

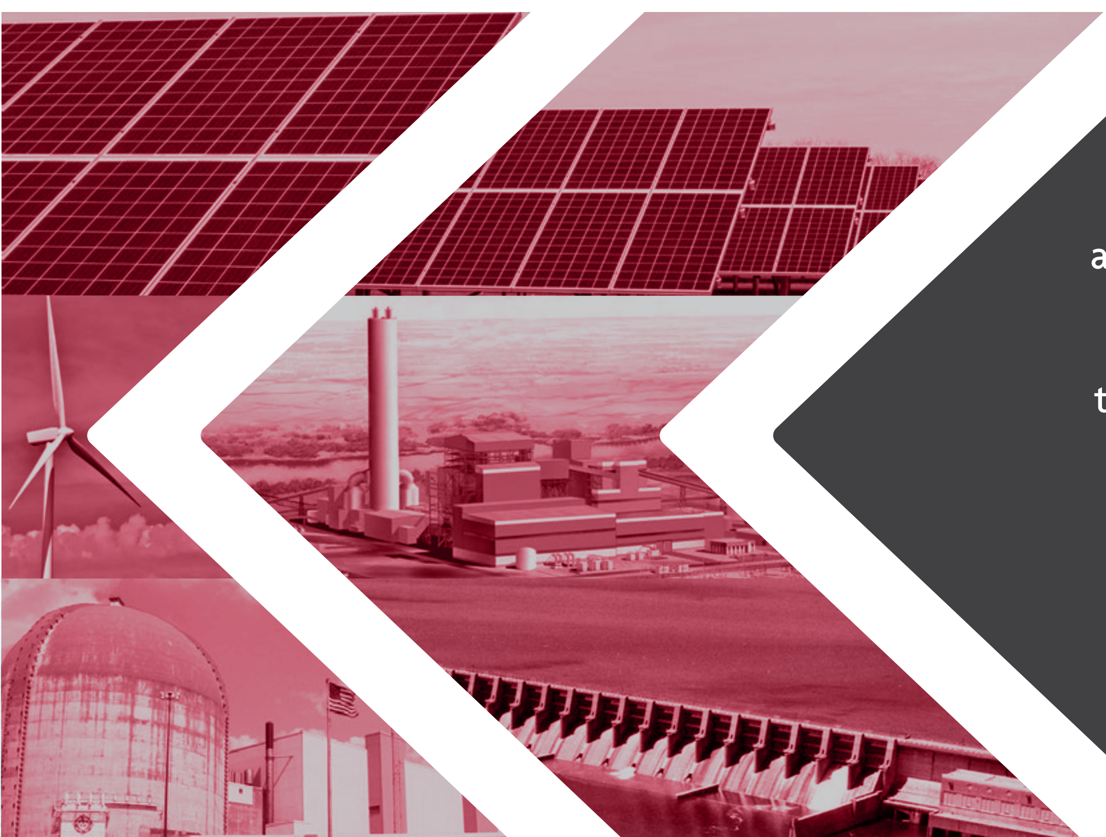
KEPCo's financial health is another highlight of 2023. Not only was KEPCo successful in keeping the members' average electric rate stable, it was the lowest it has been in the last three years. This was a particularly significant feat considering the year-over-year increase in the cost of electric industry supplies, equipment, and labor, the volatility of natural gas prices, and the many other cost pressures we have experienced in our current inflationary economic environment. To further put KEPCo's rates into perspective, in 2012, among the G&Ts who responded to a rate survey, KEPCo had the highest average member rate in the country. Just over 10 years later, KEPCo reached the third quartile.

We ended the year in a strong cash position, met our lender requirements, and had the highest equity-to-asset ratio in our organization's history. Because of this financial success and strength, KEPCo is nearing the pivotal financial metric that will allow us to consider capital credits retirements on a regular basis pending the financial priorities determined in the financial planning study.

None of KEPCo's accomplishments in 2023 would have been possible without the hard work of our staff, industry partners, and board of trustees. Thank you to the KEPCo Board of Trustees for their service and to our employee team for all they do on behalf of KEPCo and our members.

We are energized by what lies ahead for KEPCo. We intend to build on the many successes achieved in 2023, focusing our efforts on an unwavering commitment to providing safe, reliable, and affordable power supply, exceptional support, and innovative services to our members and the nearly 200,000 rural Kansans they serve.

On behalf of KEPCo, we are honored to serve our board, membership, and employees.



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BOARD OF

EXECUTIVE COMMITTEE

MICHAEL MORTON
President

CHARLES GOECKEL
Vice President

BRYAN COOVER
Secretary


Dennis Svanes, Trustee, Manager
4 Rivers Electric Cooperative, Inc.


Tom Ayers, Alternate
4 Rivers Electric Cooperative, Inc.


Larry Froese, Trustee
Ark Valley Electric Cooperative Assn., Inc.


Jackie Holmberg, Alternate, Manager
Ark Valley Electric Cooperative Assn., Inc.


Kevin Brownlee, Trustee, Manager
Butler Electric Cooperative Assn., Inc.


Ron Oelkers, Alternate
Butler Electric Cooperative Assn., Inc.


Dan Hubert, Trustee
Caney Valley Electric Cooperative Assn., Inc.


Allen Zadorozny, Alternate, Manager
Caney Valley Electric Cooperative Assn., Inc.


Charles Goeckel, Trustee, Manager
Flint Hills Rural Electric Cooperative Assn., Inc.
VICE PRESIDENT


Terry Olsen, Alternate
Flint Hills Rural Electric Cooperative Assn., Inc.


Chris Parr, Trustee, Manager
FreeState Electric Cooperative, Inc.
COMMITTEE MEMBER


Mark Wulfkuhle, Alternate
FreeState Electric Cooperative, Inc.


Paul Wilson, Trustee
Rolling Hills Electric Cooperative, Inc.


Jason Rabe, Alternate, Manager
Rolling Hills Electric Cooperative, Inc.


Donald Metzen, Trustee
Sedgwick County Electric Cooperative Assn., Inc.


Scott Ayres, Alternate, Manager
Sedgwick County Electric Cooperative Assn., Inc.

TRUSTEES

LORI JONES	CHRIS PARR	MARK SCHEIBE	KIRK THOMPSON
Treasurer	Executive Committee Member	Executive Committee Member	Executive Committee Member

Michael Morton, Trustee, Manager
Bluestem Electric Cooperative, Inc.
PRESIDENT

Gary Buss, Alternate
Bluestem Electric Cooperative, Inc.

Kevin Compton, Trustee
Brown-Atchison Electric Cooperative Assn., Inc.

Michael Volker, Alternate, Manager
Brown-Atchison Electric Cooperative Assn., Inc.

Kirk Thompson, Trustee, Manager
CMS Electric Cooperative, Inc.
COMMITTEE MEMBER

Linda Tomlinson, Alternate
CMS Electric Cooperative, Inc.

Ken Hedberg, Trustee
DSO Electric Cooperative, Inc.

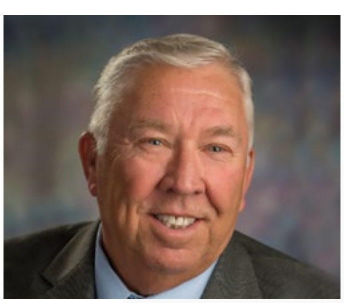
Tim Power, Alternate, Manager
DSO Electric Cooperative, Inc.

Mark Scheibe, Trustee, Manager
Heartland Rural Electric Cooperative, Inc.
COMMITTEE MEMBER

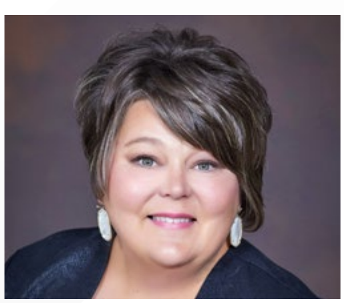
H.H. Stockebrand, Alternate
Heartland Rural Electric Cooperative, Inc.

Lori Jones, Trustee
Ninnescah Rural Electric Cooperative Assn., Inc.
TREASURER

Teresa Miller, Alternate, Manager
Ninnescah Rural Electric Cooperative Assn., Inc.



John Schon, Trustee
Sumner-Cowley Electric Cooperative, Inc.



Coni Adams, Alternate, Manager
Sumner-Cowley Electric Cooperative, Inc.

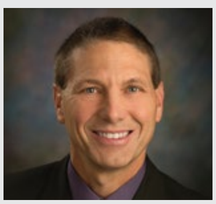
Bryan Coover, Trustee
Twin Valley Electric Cooperative, Inc.
SECRETARY

Angie Erickson, Alternate, Manager
Twin Valley Electric Cooperative, Inc.

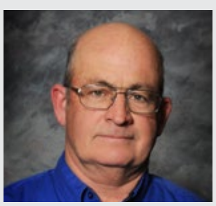
KEPCO ELECTS BOARD OFFICERS

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

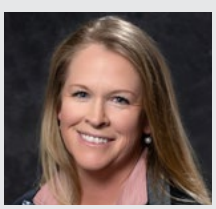
MIKE MORTON
President



CHUCK GOECKEL
Vice President



BRYAN COOVER
Secretary



LORI JONES
Treasurer

At the November 2023 meeting of the KEPCo Board of Trustees, Mike Morton was unanimously reelected for a second term as board president. Morton is the general manager of Bluestem Electric Cooperative, Inc. in Wamego.

Other officers elected were Vice President Chuck Goeckel, general manager of Flint Hills Rural Electric Cooperative, Inc. in Council Grove; Secretary Bryan Coover, board president of Twin Valley Electric Cooperative, Inc. in Altamont; and Treasurer Lori Jones, trustee of Ninnescah Rural Electric Cooperative Association, Inc. in Pratt.

The following individuals were elected to fill three additional positions on the executive committee: Mark Scheibe, CEO of Heartland Rural Electric Cooperative, Inc. in Girard; Chris Parr, CEO of FreeState Electric Cooperative, Inc. in Topeka and McLouth; and Kirk Thompson, manager of CMS Electric Cooperative, Inc. in Meade.

GOVERNMENT AFFAIRS

State and Federal Advocacy Efforts

KEPCo's advocacy efforts were hectic this year, requiring KEPCo and other electric cooperatives to identify, discuss, and address a wide variety of issues emerging out of state and federal legislative and regulatory agencies and organizations. Our government affairs staff were involved in such activities as a challenging state legislative session, meeting with Kansas congressional leaders in Washington, D.C., cosponsoring and attending a legislative trip to the Southwest Power Pool (SPP), participating in an interim legislative session, filing comments contesting the EPA's proposed New Source Performance Standards for Greenhouse Gas Emissions, and attending numerous Co-ops Vote events.

Kansas cooperative representatives met with Rep. Davids during the 2023 NRECA Legislative Conference. From left: Mark Scheibe, Heartland; Jim Christopher, DSO; Rep. Sharice Davids; Susan Cunningham, KEPCo; Leslie Kaufman, Kansas Electric Cooperatives, Inc.; and Dennis Svanes, 4 Rivers.

KANSAS STATE LEGISLATURE

The Kansas legislative session commenced on Jan. 9, 2023. During the session, KEPCo actively followed 23 bills, which is a significant number of bills for a 90-day session. By the end of the session, the majority of the bills failed to advance, with only three electric utility bills passing, none of which impacted electric cooperatives.

NRECA LEGISLATIVE CONFERENCE

In April 2023, KEPCo's government affairs staff attended the annual National Rural Electric Cooperative Association (NRECA) legislative conference in Washington, D.C. Our staff was among approximately 2,000 electric cooperative representatives from across the country, including a contingent of 36 Kansas representatives, attending the conference. Updates from key Capitol Hill and White House staff were given on priority issues impacting electric cooperatives. Staff also conveyed industry issues to congressional leaders. The annual conference is the largest electric cooperative grassroots event in the nation's capital, and this year was no exception, with nearly 350 congressional visits made by attending participants.

"The NRECA Legislative Conference is a valuable opportunity for states to augment the lobbying activities NRECA performs year-round," said Susan Cunningham, SVP of Regulatory and Government Affairs & General Counsel. "Additionally, as a result of congressional redistricting, every

KEPCo's advocacy efforts address a wide variety of issues emerging out of state and federal legislative and regulatory agencies and organizations.

member of the Kansas delegation now has electric cooperative service territory within their respective districts. As such, our messaging is truly statewide, making it more meaningful and impactful to the entire Kansas congressional delegation."

The specific issues discussed with Kansas congressional leadership and their staffs included farm bill opportunities for electric cooperatives such as preserving Rural Utilities Service financing, expanding rural broadband access, and maintaining USDA development programs; the importance of modernizing infrastructure permitting; ensuring reliable and affordable electricity; and supply chain challenges impacting electric cooperatives.

EDUCATING LEGISLATORS ABOUT SPP

In September 2023, KEPCo staff, along with other electric utility representatives in the state, escorted 24 Kansas legislators and two legislative staff members on a two-day trip to the SPP in Little Rock, Arkansas. SPP senior staff briefed the legislators on a variety of topics, including an overview of SPP's organizational structure, governance, operations, reliability coordination, transmission cost allocation advocacy, the integrated market, western expansion, transmission planning, resource adequacy and reliability, and emerging issues.

"The material presented by senior SPP staff was centered around reliability and resource adequacy. In today's environment, these topics are particularly important for legislators to understand. As the electric industry continues to transition to renewable energy and reduce carbon emissions, while at the same time encouraging electrification, the transition must be done in a sustainable manner that does not jeopardize reliability. Thus, the legislature needs to be mindful of legislation that impacts such a transition," said Phil Wages, Director of Member Services, Government Affairs, and Business Development.

SPECIAL COMMITTEE ON ENERGY AND UTILITIES

At the request of leading state lawmakers, the Legislative Coordinating Council approved the creation of the Special Committee on Energy and Utilities, which met for a three-day fall session.

Discussion topics included an overview of the Kansas Corporation Commission's jurisdiction and role at the SPP, an overview of the Federal Energy Regulatory Commission and its jurisdiction, the Department of Energy's transmission needs study, the SPP generator interconnection queue, regional resource adequacy, transmission cost allocation, Evergy's integrated resource plan, the state's transmission siting process, eminent domain, an examination of state energy plans, and a review of the State Energy Office and the federal funds administered by that office.

KEPCo participated in a panel with representatives from other Kansas utilities to discuss updates, perspectives, resource planning, load forecasts, and forward-looking plans for their respective entities.

"The three-day interim committee provided the committee members an opportunity to take a deep dive into utility issues that is not available during the legislative session due to time constraints. Resource adequacy and the impact renewable energy and carbon reduction measures have on reliability, as well as equitable transmission cost allocation, are topics on which the electric cooperatives have been focusing their advocacy efforts, so it was particularly important for the committee members to get a greater understanding of these topics," said Susan Cunningham, SVP of Regulatory and Government Affairs & General Counsel.

KEPCo staff and other Kansas electric utility representatives escorted Kansas legislators and legislative staff on a two-day trip to the SPP in Little Rock. SPP senior staff briefed the legislators on a variety of topics, including an overview of SPP, reliability coordination, transmission cost allocation, the integrated market, western expansion, transmission planning, resource adequacy and reliability, and emerging issues.

GRASSROOTS ACTIVITIES

Championing our grassroots advocacy efforts at home, KEPCo staff participated in seven Co-ops Vote events in October and November. State legislators and government officials with electric cooperative service territories in their respective districts attended.

Co-ops Vote is a non-partisan campaign by America's Electric Cooperatives focused on enhancing the political strength of electric cooperatives through relationship building and voter engagement. Working in collaboration with our member cooperatives, this effort educates and engages legislators, government officials, and co-op staffs on critical issues such as ensuring continued access to reliable and affordable electricity and promoting the work of co-ops within the rural communities they serve.

"The Co-ops Vote events are an integral part of the electric cooperatives' state-level advocacy efforts regarding issues affecting the electric utility industry. The meetings provide an opportunity for cooperatives to communicate openly and freely with area legislators and government officials regarding electric cooperative concerns and issues of interest," said Phil Wages, Director of Member Services, Government Affairs, and Business Development.

Through participation in Co-ops Vote events and other advocacy efforts, KEPCo earned the 5-Star Co-op designation from NRECA for 2023-2024.

GENERATING SAFETY

SAFETY EXCELLENCE IS TOP PRIORITY

KEPCo prioritizes safety excellence and has cultivated a pervasive culture of safety. The level of safety excellence is determined by the amount of time and resources invested to improve the processes, conditions, and behaviors reflected in safety performance.

All employees are required to regularly complete comprehensive training programs and continuous education focused on physical safety and cybersecurity. These educational opportunities help employees identify and eliminate workplace conditions or practices that may cause work-related injuries or illnesses.

"KEPCo's Safety Committee works diligently year-round to ensure our staff has the education and hands-on learning experiences needed to create a work environment that is safe and productive. As a result of our employees' attentiveness to safety, I'm pleased to state that KEPCo did not have a lost time accident or cybersecurity incident in 2023," said Mark Barbee, SVP & Chief Operating Officer.

In addition to KEPCo's prolific safety education and training, in 2023, KEPCo staff initiated a comprehensive review of KEPCo's Safety Manual and the creation of a Cybersecurity Handbook.

KEPCO SERVICES, INC.

Providing Engineering Services to Cooperatives for Over 25 Years

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

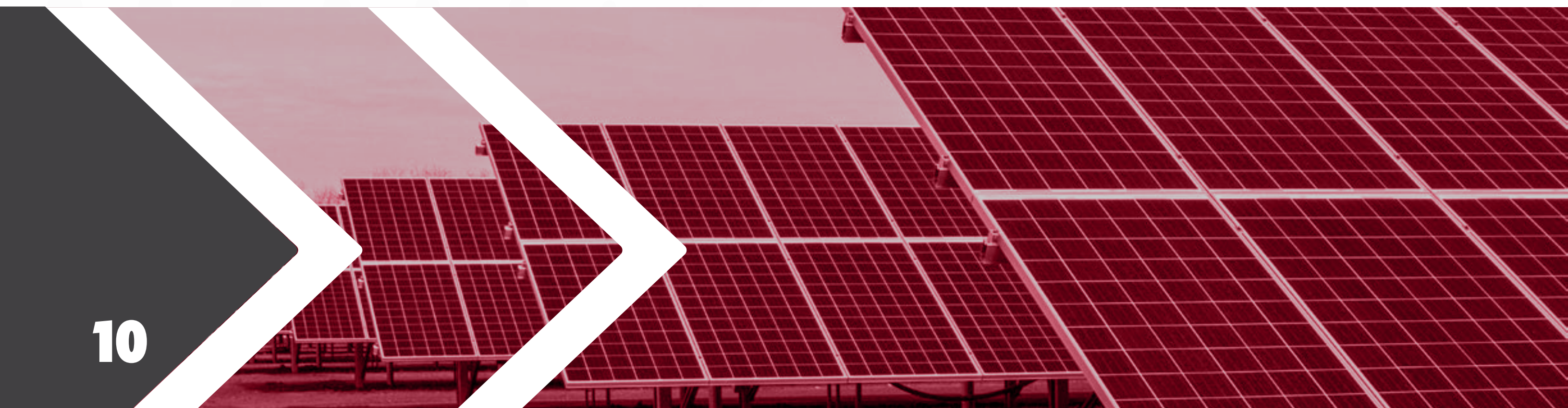
KSI combines the long-standing, successful tradition of technical support and engineering services with new, innovative services to meet the needs of member and non-member cooperatives in a dynamic industry. KSI has developed a robust menu of services, which are executed by experienced engineers who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

KSI Engineering

FIND OUT MORE AT WWW.KEPCO.ORG/KSI

In 2023, KSI participated in projects for 13 KEPCo members and two non-member cooperatives. Some of the more substantive projects included arc hazard assessments, construction work plans, work order inspections, load forecasts, solar minimum load studies, substation/transformer analyses, sectionalizing studies, and spill plan updates.

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



KEPCO SUPPORTS RURAL DEVELOPMENT

USDA Rural Economic Development Loan and Grant Program

Economic development is vital to the longevity, viability, and sustainability of rural Kansas. Economic development improves the quality of life and the economic well-being of rural communities and is necessary to stimulate national economic expansion. Small-scale entrepreneurship is consistently successful in rural communities, with more than half of all new jobs created from small, off-farm business ventures.

For nearly four decades, KEPCo and its member cooperatives have been actively involved in the USDA Rural Economic Development Loan and Grant (REDLG) program. The REDLG program provides zero-interest loans for projects that will create and/or retain employment in rural communities.

For the 2022-2023 USDA fiscal year, KEPCo successfully submitted five REDLG applications resulting in the lending of $3,571,000 and the creation of 45 full-time jobs.

"Access to affordable financing is important for rural economic development. The Federal Reserve, late in the year, paused raising interest rates, but the cumulative effect of several rate increases caused the cost of investment capital to increase to levels not seen in several years. As we look to next year, interest rates are expected to continue to be higher than in previous years and we expect continued interest in the REDLG program as well. As always, KEPCo is available to assist our members with obtaining REDLG loans and other economic development activities to benefit their rural Kansas communities," said Susan Cunningham, SVP of Regulatory and Government Affairs & General Counsel.

USDA Rural Development

Committed to the future of rural communities.

CHARITABLE GIVING

KEPCO DEMONSTRATES CONCERN FOR COMMUNITY

KEPCo has been active for many years in supporting local and regional charitable organizations through our Charitable Giving Program and employee volunteer activities. Supporting worthwhile causes and organizations through charitable giving and volunteerism fosters employee engagement and integrates essential values into KEPCo's corporate culture. Additionally, KEPCo's charitable support actively demonstrates the Seventh Cooperative Principle, Concern for Community, which recognizes electric cooperatives — at their core — are neighbors serving neighbors.

KEPCo's charitable support actively demonstrates the Seventh Cooperative Principle: Concern for Community.

In 2023, KEPCo and our staff, along with a CoBank matching contribution, donated more than $24,000 to local and regional charities. The charities chosen by KEPCo staff were the Topeka Rescue Mission, Court Appointed Special Advocates, Ronald McDonald House, and TARC. Staff also adopted three local senior adults during the Christmas season through the United Way Christmas Bureau.

In October, several KEPCo staff members volunteered at Harvesters Community Food Network. Harvesters provides food and related household products to more than 760 nonprofit agencies, including emergency food pantries, community kitchens, homeless shelters, and children's homes, among others. The organization also offers education programs to increase community awareness of hunger and teach about good nutrition. KEPCo employees, along with employees from our statewide association, Kansas Electric Cooperatives, Inc., boxed nine pallets of food — 360 individual, multi-item boxes — to be distributed to senior adults in a multi-county region.

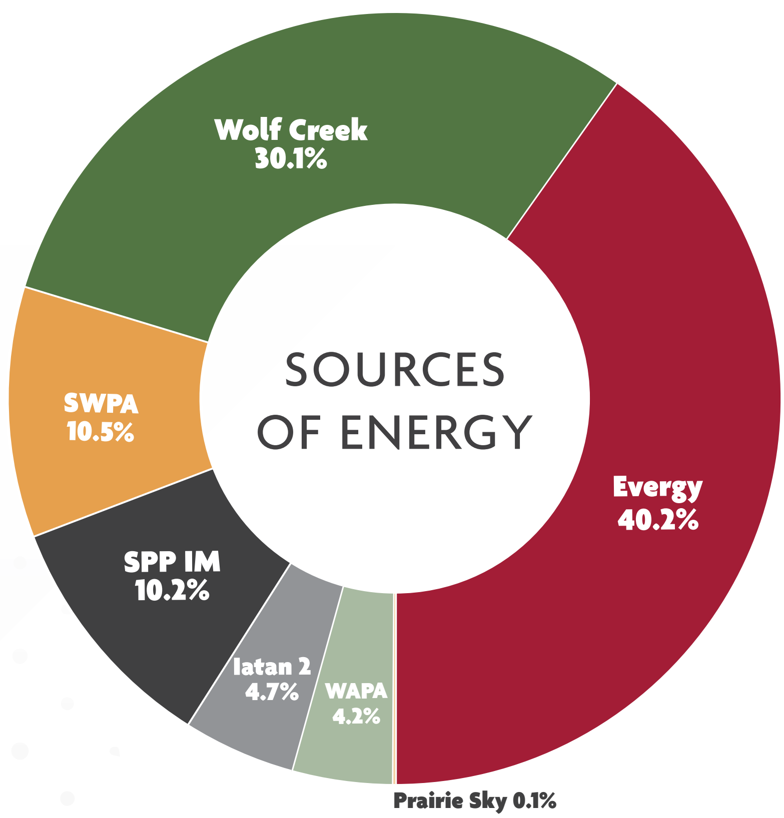
"With the ever-increasing cost of food, clothing, housing, and other goods and services, the past couple of years have been trying for all of us, but even more so for those in need. It's especially rewarding during these difficult times to contribute time and resources that make a difference in so many lives," said Stephanie Anderson, Finance & Benefits Analyst III and member of KEPCo's Employee Experience Team.

Our Diverse Power Supply

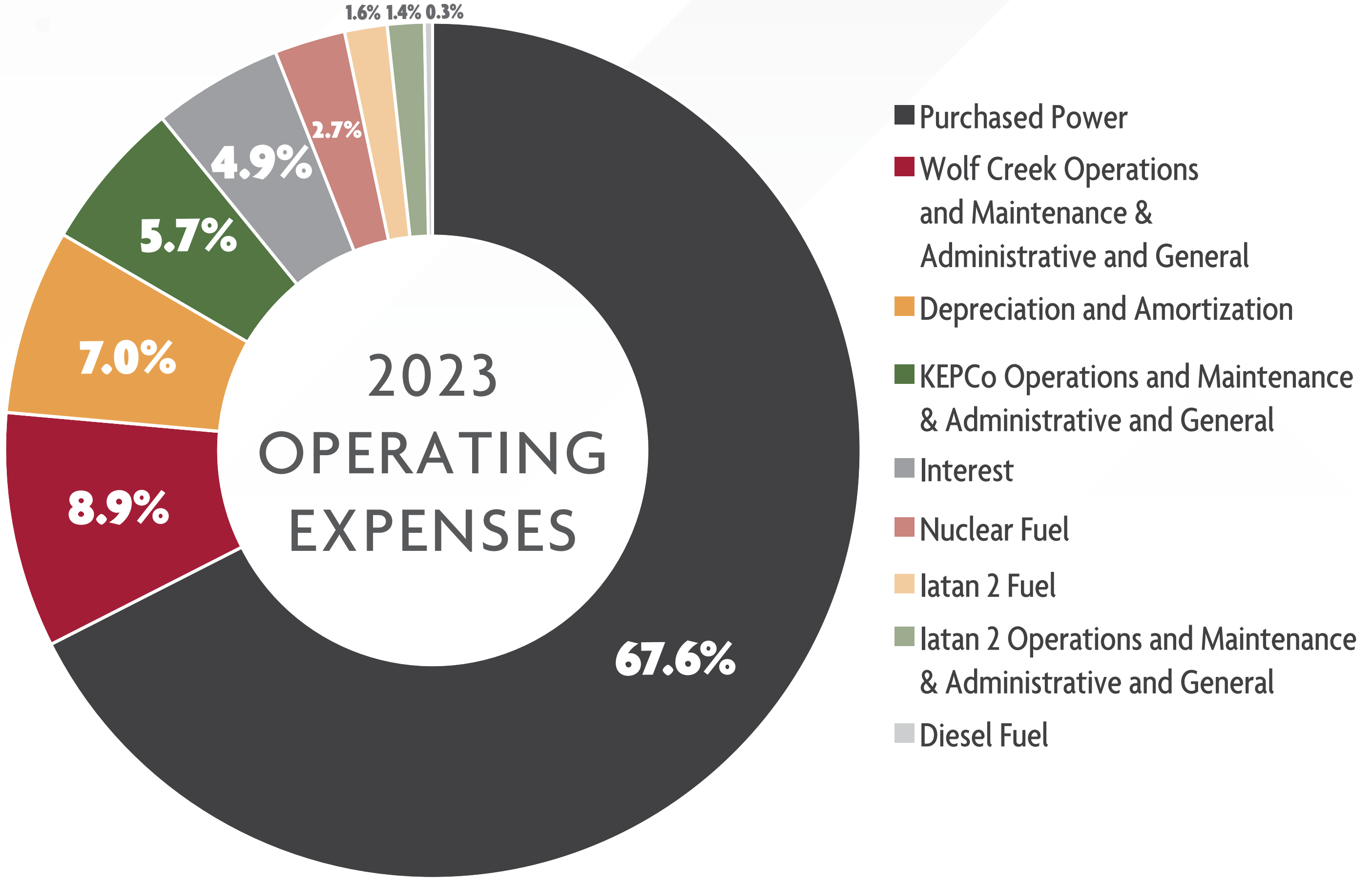
In an effort to a create long-term, reliable, economic power supply for its members, KEPCo has built a diverse power supply that includes nuclear, hydro, coal, wind, natural gas, diesel, and solar resources. As part of its power supply strategy, KEPCo seeks to maintain a diversified and balanced power supply, which includes a mix of owning generation when prudent, purchasing power using a combination of long- and short-term contracts, adding renewables when cost effective, and incorporating demand side technology in power supply planning processes through member load management programs. Proudly, KEPCo's current portfolio minimizes greenhouse gas emissions with over 67% of its supply from non-greenhouse gas emitting sources.

In addition to its owned generation and long-term hydro allocations, KEPCo purchases its remaining requirements from Evergy, Inc. for base, intermediate, and peaking power supply. This contract provides KEPCo with power from nuclear, coal, natural gas, wind, and solar resources. KEPCo also purchases a portion of its power supply from the SPP Integrated Market (IM). KEPCo's owned resources include:

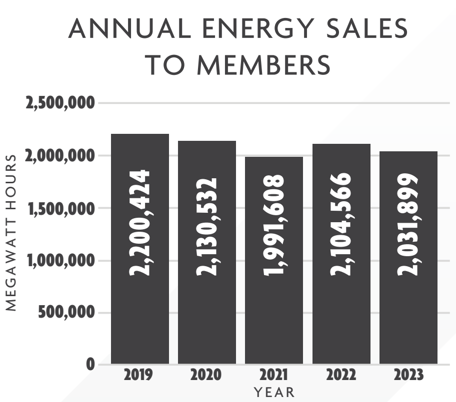
- **100 MEGAWATTS** of hydropower purchases from the Southwestern Power Administration
- **70 MEGAWATTS** of owned generation from the Wolf Creek Generating Station
- **31 MEGAWATTS** of owned generation from the Iatan 2 Generating Plant
- **20 MEGAWATTS** of peaking power from the Sharpe Generating Station
- **13 MEGAWATTS** of hydropower purchases from the Western Area Power Administration
- **1 MEGAWATT** of solar power from the Prairie Sky Solar Farm

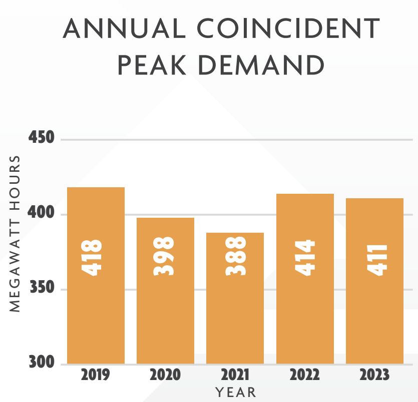


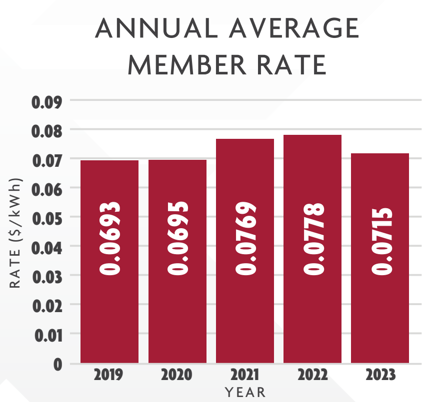
Operating Statistics



Proudly, KEPCo's current portfolio minimizes greenhouse gas emissions with over 67% of its supply from non-greenhouse gas emitting sources.







INDEPENDENT AUDITOR'S REPORT

BOARD OF TRUSTEES KANSAS ELECTRIC POWER

Report on the Audit of the Con

OPINION

We have audited the consolidated financial statements of Kansas Electric Power Cooperative, Inc. (Cooperative) and its wholly owned subsidiary, which comprise the consolidated balance sheets as of December 31, 2023 and 2022 and the related consolidated statements of margin and comprehensive income, patronage capital, and cash flows for the years then ended and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Cooperative and its wholly owned subsidiary, as of December 31, 2023 and 2022, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States (Government Auditing Standards). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are required to be independent of the Cooperative and its wholly owned subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

RESPONSIBILITIES OF MANAGEMENT FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance

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COOPERATIVE, INC., TOPEKA, KANSAS

solidated Financial Statements

but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

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

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with Government Auditing Standards, we have also issued our report dated April 15, 2024 on our consideration of the Cooperative's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Cooperative's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Cooperative's internal control over financial reporting and compliance.

OKLAHOMA CITY, OKLAHOMA
APRIL 15, 2024

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CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
UTILITY PLANT		
In-service	$395,271,849	$386,302,610
Less allowance for depreciation	(214,817,756)	(206,119,459)
Net in-service	180,454,093	180,183,151
Construction work in progress	11,735,336	13,419,757
Nuclear fuel (less accumulated amortization of $29,649,777 and $25,770,938 for 2023 and 2022, respectively)	12,768,414	10,355,829
Total utility plant	204,957,843	203,958,737
RESTRICTED ASSETS		
Investments in NRUCFC	10,115,407	10,431,255
Decommissioning fund	39,482,268	33,400,983
Investments in other associated organizations	335,971	322,160
Total restricted assets	49,933,646	44,154,398
CURRENT ASSETS		
Cash and cash equivalents	30,434,053	30,067,605
Member accounts receivable	10,591,037	13,493,339
Materials and supplies inventory	8,183,259	7,594,928
Other assets and prepaid expenses	996,936	1,320,754
Total current assets	50,205,285	52,476,626
OTHER LONG-TERM ASSETS		
Deferred charges		
WCNOC disallowed costs (less accumulated amortization of $20,956,515 and $20,633,066 for 2023 and 2022, respectively)	5,028,718	5,352,167
Deferred incremental outage costs	419,617	1,299,517
Other deferred charges	198,255	465,579
Deferred power costs	-	562,840
Other assets	1,297,023	1,572,620
Prepaid pension cost	-	21,904
Total other long-term assets	6,943,613	9,274,627
TOTAL ASSETS	$312,040,387	$309,864,388

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

	2023	2022
PATRONAGE CAPITAL AND LIABILITIES		
PATRONAGE CAPITAL		
Memberships	$3,200	$3,200
Patronage capital	90,622,242	88,332,913
Accumulated other comprehensive loss	(919,196)	(910,681)
Total patronage capital	89,706,246	87,425,432
LONG-TERM DEBT	136,449,330	139,396,327
OTHER LONG-TERM LIABILITIES		
WCNOC decommissioning regulatory liability	8,164,901	4,723,566
WCNOC decommissioning liability	38,396,444	36,109,637
WCNOC pension and postretirement benefit plans	4,944,764	5,027,015
WCNOC deferred compensation	1,905,093	1,716,505
Other deferred credits and other liabilities	446,193	366,304
Total other long-term liabilities	53,857,395	47,943,027
CURRENT LIABILITIES		
Current maturities of long-term debt	8,391,503	9,109,370
Accounts payable	13,606,159	15,441,678
Payroll and payroll-related liabilities	341,884	334,236
Member investments	8,244,412	8,768,749
Accrued property taxes	753,396	818,082
Accrued interest payable	337,096	361,764
Current provision for pension and postretirement benefit plans	352,966	265,723
Total current liabilities	32,027,416	35,099,602
TOTAL PATRONAGE CAPITAL AND LIABILITIES	$312,040,387	$309,864,388

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CONSOLIDATED STATEMENTS OF MARGIN AND COMPREHENSIVE INCOME
DECEMBER 31, 2023 AND 2022

	2023	2022
OPERATING REVENUES		
Sale of electric energy	$145,751,928	$164,372,171
OPERATING EXPENSES		
Power purchased	98,067,478	115,653,007
Nuclear fuel	3,883,903	3,500,773
Plant operations	13,234,633	15,308,106
Plant maintenance	4,650,313	4,743,651
Administrative and general	7,581,408	6,917,629
Amortization of deferred charges	323,449	323,890
Depreciation and decommissioning	10,370,409	10,156,147
Total operating expenses	138,111,593	156,603,203
NET OPERATING REVENUES	7,640,335	7,768,968
INTEREST AND OTHER DEDUCTIONS		
Interest on long-term debt	6,750,686	6,927,313
Other deductions	785,649	380,859
Total interest and other deductions	7,536,335	7,308,172
OPERATING MARGIN	104,000	460,796
OTHER INCOME (EXPENSE)		
Interest income	1,799,773	905,466
Other income	201,145	315,912
Postretirement benefit income (expense)	184,411	(281,902)
Total other income (expense)	2,185,329	939,476
NET MARGIN	2,289,329	1,400,272
OTHER COMPREHENSIVE INCOME		
Net gain arising during the year on pension obligation	65,078	5,631,811
Amortization of prior year service costs and actuarial gains (losses) included in net periodic benefit costs	(73,593)	727,842
COMPREHENSIVE INCOME	$2,280,814	$7,759,925

CONSOLIDATED STATEMENTS OF PATRONAGE CAPITAL

	MEMBERSHIPS	PATRONAGE CAPITAL	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL
BALANCE, JANUARY 1, 2022	$3,200	$86,932,641	($7,270,334)	$79,665,507
Net margin	-	1,400,272	-	1,400,272
Defined benefit pension plans				
Net gain arising during the year on pension obligation	-	-	5,631,811	5,631,811
Amortization of prior year service costs and actuarial gains included in net periodic benefit costs	-	-	727,842	727,842
BALANCE, DECEMBER 31, 2022	3,200	88,332,913	(910,681)	87,425,432
Net margin	-	2,289,329	-	2,289,329
Defined benefit pension plans				
Net gain arising during the year on pension obligation	-	-	65,078	65,078
Amortization of prior year service costs and actuarial gains included in net periodic benefit costs	-	-	(73,593)	(73,593)
BALANCE, DECEMBER 31, 2023	$3,200	$90,622,242	($919,196)	$89,706,246

CONSOLIDATED STATEMENTS OF CASH FLOWS
DECEMBER 31, 2023 AND 2022

	2023	2022
OPERATING ACTIVITIES		
Net margin	$2,289,329	$1,400,272
Adjustments to reconcile net margin to net cash provided by operating activities		
Depreciation	10,439,476	10,372,188
Amortization of nuclear fuel	3,500,773	3,500,773
Amortization of deferred charges	21,904	131,427
Amortization of deferred incremental outage costs	1,112,644	1,432,188
Net periodic benefit costs	427,324	1,659,095
Patronage capital credits allocated	(411,801)	(392,398)
(Gain) loss on sale of property and equipment	10,393	(1,563)
Changes in		
Member accounts receivable	2,902,302	(2,030,313)
Materials and supplies	(588,331)	(558,675)
Other long-term assets and prepaid expenses	2,233,117	6,484,849
Accounts payable	(1,835,519)	(3,658,431)
Payroll and payroll-related liabilities	7,648	(25,004)
Accrued property taxes	(64,686)	(48,966)
Accrued interest payable	(24,668)	(23,725)
Other long-term liabilities	(162,370)	(1,240,363)
Net cash provided by operating activities	19,857,535	17,001,354
INVESTING ACTIVITIES		
Additions to electrical plant	(7,976,668)	(6,628,354)
Additions to nuclear fuel	(6,296,488)	(4,213,003)
Purchases of investments	-	(10,000,000)
Proceeds from sales of investments	-	10,000,000
Proceeds from investments in decommissioning fund assets	1,830,543	382,602
Purchases of investments in decommissioning fund assets	(3,573,111)	(2,165,625)
Investments in associated organizations	713,838	711,723
Net cash used in investing activities	(15,301,886)	(11,912,657)
FINANCING ACTIVITIES		
Principal payments on long-term debt	(9,248,128)	(9,014,930)
Proceeds from issuance of long-term debt	5,583,264	2,940,588
Change in member investments	(524,337)	449,053
Net cash used in financing activities	(4,189,201)	(5,625,289)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	366,448	(536,592)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	30,067,605	30,604,197
CASH AND CASH EQUIVALENTS, END OF YEAR	$30,434,053	$30,067,605

SUPPLEMENTAL CASH FLOWS INFORMATION

Interest paid	$6,775,354	$6,951,038
Change in defined benefit pension plans – gains (losses)	$65,078	$5,631,811
Change in fair value of decommissioning trust	$4,338,717	($9,041,569)

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NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Kansas Electric Power Cooperative, Inc. and its wholly owned subsidiary (KEPCo), headquartered in Topeka, Kansas, was incorporated in 1975 as a tax-exempt generation and transmission cooperative (G&T). KEPCo was granted a limited certificate of convenience and authority by the Kansas Corporation Commission (KCC) in 1980 to act as a G&T public utility. It is KEPCo's responsibility to procure an adequate and reliable power supply for its 16 distribution rural electric cooperative members pursuant to all requirements of contracts with its members. KEPCo is governed by a Board of Trustees representing each of its 16 members, which collectively serve approximately 200,000 rural Kansans.

SYSTEM OF ACCOUNTS

KEPCo maintains its accounting records substantially in accordance with the Federal Energy Regulatory Commission's (FERC) uniform system of accounts as modified and adopted by the U.S. Department of Agriculture (USDA) Rural Utilities Service (RUS) and in accordance with accounting practices prescribed by the KCC.

In accordance with generally accepted accounting principles (GAAP) and FERC guidelines, KEPCo also maintains its accounts in accordance with Accounting Standards Codification (ASC) 980, Regulated Operations.

RATES

Under a 2009 change in Kansas law, KEPCo has elected to be exempt from KCC regulation for most purposes, including the setting of rates. Rates are set by action of the Board of Trustees, subject only to statutory review by the KCC if requested by four or more members. KEPCo's rates were last set by the KCC by an order effective September 1, 2008. KEPCo's rates now include an Energy Cost Adjustment (ECA) mechanism and an annual Demand Cost Adjustment (DCA) mechanism allowing KEPCo to pass along increases and decreases in certain energy and demand costs to its member cooperatives. Additionally, KEPCo implemented a Margin Stabilization Adjustment (MSA) in 2011, which is a mechanism to refund (or collect) a portion of KEPCo's margin when the total margin exceeds (or falls short of) the amount necessary to cover KEPCo's financial obligations.

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of Kansas Electric Power Cooperative, Inc. and its wholly owned subsidiary, KEPCo Services, Inc. Undivided interests in jointly owned generation facilities are consolidated on a pro rata basis. All material intercompany accounts and transactions have been eliminated in consolidation.

IATAN 2

Iatan 2 is an 850 MW high-efficiency coal-fired power plant utilizing state-of-the-art environmental controls that became commercially operational December 31, 2010. KEPCo owns a 3.53% share of Iatan 2, or 30 MW. Iatan 2, located in Weston, Missouri, is operated and majority owned by Evergy, Inc. KEPCo's undivided interest in Iatan 2 is consolidated on a pro rata basis. KEPCo is entitled to a proportionate share of the capacity and energy from Iatan 2, which is used to supplement a portion of KEPCo's members' requirements. KEPCo is billed on a monthly basis for 3.53% of the operations, maintenance, administrative and general costs, and cost of plant additions related to Iatan 2. Each owner is responsible for providing its own financing for all costs incurred at the plant.

KEPCo's utility plant in service for its 3.53% share of Iatan 2 was approximately $83,600,000 and $83,300,000 with an allowance for depreciation of approximately $27,300,000 and $26,100,000 and construction work in progress of approximately $600,000 and $500,000 at December 31, 2023 and 2022, respectively.

WOLF CREEK NUCLEAR OPERATING CORPORATION

KEPCo owns 6% of Wolf Creek Nuclear Operating Corporation (WCNOC), which is located near Burlington, Kansas. The remainder is owned by Evergy, Inc. KEPCo's undivided interest in WCNOC is consolidated on a pro rata basis. KEPCo is entitled to a proportionate share of the capacity and energy from WCNOC, which is used to supplement a portion of KEPCo's members' requirements. KEPCo is billed on a daily basis for 6% of the operations, maintenance, administrative and general costs, and cost of plant additions related to WCNOC. Each owner is responsible for providing its own financing for all costs incurred at the plant.

KEPCo's utility plant in service for its 6% share of WCNOC was approximately $287,000,000 and $280,300,000 with an allowance for depreciation of approximately $173,900,000 and $167,000,000 and construction work in progress of approximately $10,100,000 and $12,400,000 at December 31, 2023 and 2022, respectively.

WCNOC's operating license expires in 2045. WCNOC is regulated by the Nuclear Regulatory Commission (NRC) with respect to licensing, operations, and safety-related requirements.

ESTIMATES

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

UTILITY PLANT AND DEPRECIATION

Utility plant is stated at cost. Costs and additions to utility plant include contractual work, direct labor, materials, and interest on funds used during construction. No interest has been capitalized in 2023 or 2022. The costs of repairs and minor replacements are charged to operating expenses as appropriate. The original cost of utility plant retired and the cost of removal less salvage are charged to accumulated depreciation.

The composite depreciation rate for electric generation plant for the years ended December 31, 2023 and 2022 is 5.47% and 5.17%, respectively.

The provision for depreciation computed on a straight-line basis for electric and other components of utility plant is as follows:

- Transportation and equipment 25 to 33 years
- Office furniture and fixtures 10 to 20 years
- Leasehold improvements 20 years
- Transmission equipment (metering, communication, and SCADA) 10 years

LONG-LIVED ASSET IMPAIRMENT

KEPCo evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2023 and 2022.

NUCLEAR FUEL

The cost of nuclear fuel in the process of refinement, conversion, enrichment, and fabrication is recorded as a utility plant asset at original cost and is amortized to nuclear fuel expenses based upon the quantity of heat produced for the generation of electric power.

NUCLEAR DECOMMISSIONING

Nuclear decommissioning is a nuclear industry term for the permanent shutdown of a nuclear power plant and the removal of radioactive components in accordance with NRC requirements. The NRC will terminate a plant's license and release the property for unrestricted use when a company has reduced the residual radioactivity of a nuclear plant to a level mandated by the NRC. The NRC requires companies with nuclear plants to

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prepare formal financial plans to fund nuclear decommissioning. These plans are designed so that sufficient funds required for nuclear decommissioning will be accumulated prior to the expiration of the license of the related nuclear power plant. WCNOC files a nuclear decommissioning site study with the KCC every three years.

The KCC reviews nuclear decommissioning plans in two phases. Phase one is the approval of the revised nuclear decommissioning study, including the estimated costs to decommission the plant. Phase two involves the review and approval of a funding schedule prepared by the owner of the plant detailing how it plans to fund the future-year dollar amount of its pro rata share of the decommissioning costs.

In 2021, the triennial nuclear decommissioning study was revised. Based on the study, KEPCo's share of decommissioning costs, including decontamination, dismantling, and site restoration, is estimated to be approximately $64,400,000. Even though the total change in KEPCo's estimated portion of the asset retirement obligation is minimal, the KCC approved the use of an alternative method to estimate the costs, which decreased the estimated time frame of the future cash flows to service the asset retirement obligation from ending in 2106 to ending in 2079. The site study cost estimate represents the estimate to decommission WCNOC as of the site study year. The actual nuclear decommissioning costs may vary from the estimates because of changes in regulations and technologies as well as changes in costs for labor, materials, and equipment.

KEPCo is allowed to recover nuclear decommissioning costs in its prices over a period equal to the operating license of WCNOC, which is through 2045. The NRC requires that funds sufficient to meet nuclear decommissioning obligations be held in a trust. KEPCo believes that the KCC-approved funding level will also be sufficient to meet the NRC requirement. The consolidated financial results would be materially affected if KEPCo was not allowed to recover in its prices the full amount of the funding requirement.

KEPCo recovered in its prices and deposited in an external trust fund for nuclear decommissioning approximately $550,200 in 2023 and 2022. KEPCo records its investment in the nuclear decommissioning trust (NDT) at fair value, which approximated $39,482,000 and $33,401,000 at December 31, 2023 and 2022, respectively. The change in the fair value of investments in the NDT was approximately $4,339,000 and $(9,042,000) for the years ended December 31, 2023 and 2022, respectively, and is included in WCNOC decommissioning regulatory liability on the accompanying consolidated balance sheets.

ASSET RETIREMENT OBLIGATION

KEPCo recognizes and estimates the legal obligation associated with the cost to decommission WCNOC. KEPCo initially recognized an asset retirement obligation at fair value for the estimated cost with a corresponding amount capitalized as part of the cost of the related long-lived asset and depreciated over the useful life.

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

	2023	2022
Balance, beginning of year	$36,109,637	$33,957,829
Accretion	2,286,807	2,151,808
Balance, end of year	$38,396,444	$36,109,637

Any net margin effects are deferred in the WCNOC decommissioning regulatory liability and will be collected from or returned to members in future electric rates.

CASH AND CASH EQUIVALENTS

All highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents and are stated at cost, which approximates fair value. At December 31, 2023 and 2022, cash equivalents consisted primarily of a repurchase agreement.

KEPCo's repurchase agreement has collateral pledged by a financial institution, which are securities that are backed by the federal government.

ACCOUNTS RECEIVABLE

Accounts receivable are stated at the amount of consideration from members and customers, of which KEPCo has an unconditional right to receive. KEPCo provides an allowance for credit losses, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. No allowance for credit losses was recorded at December 31, 2023 or 2022.

Accounts receivable are ordinarily due 15 days after the issuance of the invoice. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the member or customer.

During the years ended December 31, 2023 and 2022, there were no credit losses on doubtful accounts receivable where collectibility is not reasonably assured.

MATERIALS AND SUPPLIES INVENTORY

Materials and supplies inventory is valued at average cost.

CASH SURRENDER VALUE OF LIFE INSURANCE CONTRACTS

The following amounts related to WCNOC corporate-owned life insurance contracts, primarily with one highly rated major insurance company, are included in other long-term assets in the accompanying consolidated balance sheets:

	2023	2022
Cash surrender value of contracts	$9,425,196	$9,178,771
Borrowings against contracts	(9,099,935)	(8,861,524)
	$325,261	$317,247

Borrowings against contracts include a prepaid interest charge. KEPCo paid interest on these borrowings at a rate of 5.00% for the years ended December 31, 2023 and 2022.

MEMBER INVESTMENTS

KEPCo has a member investment program whereby members can invest funds with KEPCo. KEPCo pays interest on the balance of these funds. The member investments are payable back to the member upon demand or can be used to pay the balance due on the member's power bill.

REVENUE RECOGNITION

Revenue is recognized when control of the promised goods or services is transferred to KEPCo's members or customers in an amount that reflects the consideration that it expects to be entitled to in exchange for those goods or services. The amount and timing of revenue recognition varies based on the nature of the goods or services provided and the terms and conditions of the customer contract. See Note 7 for additional information about KEPCo's revenue.

INCOME TAXES

As a tax-exempt cooperative, KEPCo is exempt from income taxes under Section 501(c)(12) of the Internal Revenue Code of 1986, as amended. Accordingly, provisions for income taxes have not been reflected in the accompanying consolidated financial statements.

KEPCo Services, Inc., a subsidiary of KEPCo, is not exempt from income taxes.

EQUITY INVESTMENTS

KEPCo measures equity securities, other than investments that qualify for the equity method of accounting, at fair value with changes recognized in net margin. Under ASC 980, KEPCo has elected to defer changes to all unrealized gains and losses of equity investments with readily determinable fair market values. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Equity securities and equity investments without a readily determinable fair value are measured at cost, minus impairment, if any, plus or minus changes resulting from observable price changes for the identical or a similar investment.

For equity securities and equity investments measured under the practicability exception, KEPCo performs a qualitative assessment for equity investments without

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readily determinable fair values considering impairment indicators to evaluate whether an impairment exists. If an impairment exists, KEPCo will recognize a loss based on the difference between carrying value and fair value.

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

	2023	2022
Net gains (losses) recognized during the period on equity securities	$3,839,475	($9,042,357)
Less net gains (losses) recognized during the period on equity securities sold during the period	(499,242)	(787)
Unrealized gains (losses) recognized during the period on equity securities still held at the reporting date	$4,338,717	($9,041,570)

INVESTMENTS IN ASSOCIATED ORGANIZATIONS

KEPCo has equity ownership in the form of patronage capital through various lenders and other associated organizations (see Note 3). Patronage capital equity is increased as patronage is allocated to KEPCo and decreased as patronage is retired and cash received.

These investments are considered equity investments without readily determinable fair values and are accounted for at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for an identical or a similar investment. No impairment or observable price changes were recorded during 2023 and 2022.

WCNOC DISALLOWED COSTS

Effective October 1, 1985, the KCC issued a rate order relating to KEPCo's investment in WCNOC, which disallowed $26,000,000 of KEPCo's investment in WCNOC. A subsequent rate order, effective February 1, 1987, allows KEPCo to recover these disallowed costs and other costs related to the disallowed portion (recorded as deferred charges) for the period from September 3, 1985 through January 31, 1987, over a 27.736-year period starting February 1, 1987. Pursuant to a KCC rate order dated December 30, 1998, the disallowed portion's recovery period was extended to a 37-year period. The disallowed costs are being recovered through the use of straight-line amortization over the period required by the KCC.

COMPREHENSIVE INCOME

Comprehensive income consists of net margin and other comprehensive income. Other comprehensive income includes changes in the funded status of the WCNOC pension and postretirement plans (see Note 8).

NOTE 2: FACTORS THAT COULD AFFECT FUTURE OPERATING RESULTS

KEPCo currently applies accounting standards that recognize the economic effects of rate regulation and, accordingly, has recorded regulatory assets and liabilities related to its G&T operations in accordance with ASC 980. In the event KEPCo determines that it no longer meets the criteria of ASC 980, the accounting impact could be a noncash charge to operations in an amount that would be material. Criteria that could give rise to the discontinuance of ASC 980 include: 1) increasing competition that restricts KEPCo's ability to establish prices to recover specific costs and 2) a significant change in the manner in which rates are set by regulators from a cost-based regulation to another form of regulation. KEPCo periodically reviews these criteria to ensure the continuing application of ASC 980 is appropriate. Any changes that would require KEPCo to discontinue the application of ASC 980 due to increased competition, regulatory changes, or other events may significantly impact the valuation of KEPCo's investment in utility plant, WCNOC, and Iatan 2 and necessitate the write-off of regulatory assets. At this time, the effect of competition and the amount of regulatory assets that could be recovered in such an environment cannot be predicted.

The 1992 Energy Policy Act began the process of restructuring the United States electric utility industry by permitting FERC to order electric utilities to allow third parties to sell electric power to wholesale customers over their transmission systems. KEPCo has elected to deregulate its rate-making for sales to its members under recent statutory amendments.

Subject to the possibility of KCC review, KEPCo's member rates are now set by action of the Board of Trustees. KEPCo's ability to timely recover its costs is enhanced by this change.

NOTE 3: INVESTMENTS IN ASSOCIATED ORGANIZATIONS

At December 31, investments in associated organizations consisted of the following:

	2023	2022
NRUCFC		
Memberships	$1,000	$1,000
Capital term certificates, bearing interest of 5.0% and maturing in 2080 (A)	395,970	395,970
Patronage capital certificates	3,448,573	3,255,217
Equity term certificates, bearing interest of 3.16% to 6.0% and maturing from 2024 through 2045 (A)	6,269,864	6,779,068
Total NRUCFC	10,115,407	10,431,255
OTHER	335,971	322,160
Total investments in associated organizations	$10,451,378	$10,753,415

(A) KEPCo is required to maintain these investments pursuant to certain loan agreements.

NOTE 4: DEFERRED CHARGES

DEFERRED INCREMENTAL OUTAGE COSTS

In 1991, the KCC issued an order that allowed KEPCo to defer its 6% share of the incremental operating, maintenance, and replacement power costs associated with the periodic refueling of WCNOC. Operating and maintenance costs are being amortized over the approximate 18-month operating cycle coinciding with the recognition of the related revenues. Additions to the deferred incremental outage costs were approximately $233,000 and $1,573,000 in 2023 and 2022, respectively. The current year amortization of the deferred incremental outage costs was approximately $1,113,000 and $1,430,000 for the years ended December 31, 2023 and 2022, respectively.

DEFERRED POWER COSTS

In February 2021, the entire Southwest Power Pool region, which includes KEPCo's members' service territory, experienced Winter Storm Uri that resulted in record low temperatures, causing a substantial increase in energy and natural gas usage throughout the region. This high demand, coupled with strained natural gas supply and low wind generation availability, resulted in extraordinarily high natural gas and market energy prices. KEPCo's Board of Trustees has elected to defer the excess costs of the winter storm and amortize them into its rates over two years, which was approved by RUS. The total power costs deferred as of December 31, 2023 were approximately $13,448,000, of which approximately $563,000 and $12,885,000 was amortized into revenue and expense during 2023 and 2022, respectively, leaving a remaining unamortized balance of approximately $0 and $563,000 at December 31, 2023 and 2022, respectively.

NOTE 5: LINES OF CREDIT

At December 31, 2023 and 2022, KEPCo had a $10,000,000 line of credit available with CoBank, ACB. There were no funds borrowed against the line of credit at December 31, 2023 or 2022. Interest rate options, as selected by KEPCo, are a weekly quoted variable rate in which CoBank establishes a rate on the first business day of each week or a London InterBank Offered Rate (LIBOR) option at a fixed rate equal to LIBOR plus 1.6%. This line of credit expires July 2024 and is secured by substantially all of KEPCo's assets.

KEPCo has two lines of credit available from the NRUCFC totaling $20,000,000, of which no funds were borrowed against at December 31, 2023 and 2022. One line is for $10,000,000 and matures March 2028. Interest varies as determined by the lender and was 7.25% and

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5.75% at December 31, 2023 and 2022, respectively. The other line is for $10,000,000 and is perpetual. The line requires an annual pay-down of the line or it becomes immediately callable at the discretion of the NRUCFC. Interest varies as determined by the lender and was 7.25% and 5.55% at December 31, 2023 and 2022, respectively. The lines are collateralized by substantially all of KEPCo's assets.

NOTE 6: LONG-TERM DEBT

Long-term debt consists of mortgage notes payable to the United States of America acting through the Federal Financing Bank (FFB), NRUCFC, and others. Substantially all of KEPCo's assets are pledged as collateral. The terms of the notes as of December 31 are as follows:

	2023	2022
Mortgage notes payable to FFB at fixed rates varying from 0.759% to 4.461%, payable in quarterly installments through 2043	$85,972,731	$84,038,239
Note payable to CoBank at a rate of 3.03%, payable in quarterly installments through 2023	-	37,870
Mortgage notes payable and equity certificate loans to NRUCFC at fixed rates of 3.80% to 7.50%, payable quarterly through 2045	58,868,102	64,429,588
	144,840,833	148,505,697
Less current maturities	(8,391,503)	(9,109,370)
	$136,449,330	$139,396,327

Aggregate maturities of long-term debt are as follows:

2024	$8,391,503
2025	7,882,789
2026	7,322,959
2027	6,967,309
2028	6,741,222
Thereafter	107,535,051
	$144,840,833

Restrictive covenants related to the NRUCFC and FFB debt require KEPCo to design rates that would enable it to maintain a times-interest earned ratio of at least 1.05 and debt service coverage ratio of at least 1.0, on average, in the two best years out of the three most recent calendar years. The covenants also prohibit distribution of net patronage capital or margins until, after giving effect to any such distribution, total patronage capital equals or exceeds 20% of total assets, unless such distribution is approved by RUS or NRUCFC. KEPCo was in compliance with such restrictive covenants as of December 31, 2023 and 2022.

Restrictive covenants related to the CoBank debt require KEPCo to design rates that would enable it to maintain a debt service coverage ratio, as defined by CoBank, of at least 1.10. KEPCo was in compliance with the restrictive covenants as of December 31, 2023 and 2022.

NOTE 7: REVENUE FROM CONTRACTS WITH CUSTOMERS

PERFORMANCE OBLIGATIONS – OPERATING REVENUES

The majority of KEPCo's revenues are derived primarily from the sale of electric power to members. Members consist of distribution cooperatives within dedicated territories in Kansas.

Rates charged for electric power sales to members are established at least annually by the Board of Trustees. KEPCo provides energy and demand to members as one stand-ready performance obligation. Electric power revenue is recognized by KEPCo upon transfer of control of the promised services to members in an amount that reflects the consideration KEPCo expects to receive in exchange for those services. KEPCo transfers control of the electric power to members at each member's meter point and the members simultaneously receive and consume the benefits of the energy provided. Electric power provided to members is accounted for as a series of performance obligations. Progress toward completion is measured using the output method. Meter readings are taken at the end of each month for billing purposes, and the quantity of energy transferred is determined after the meter readings. Customers are billed monthly and KEPCo accrues for unbilled amounts. Payments from members are received in accordance with each member's contract, which is less than 30 days from the invoice date.

Revenue associated with the electric power performance obligation to members is recorded as sales of electric energy in the accompanying consolidated statements of margin and comprehensive income.

KEPCo has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are not materially affected by any factors, such as the geography of the service location, customer type, or service line.

The following table provides information about the Cooperative's receivables from contracts with customers:

	2023	2022
Member accounts receivable, beginning of year	$13,493,339	$11,463,026
Member accounts receivable, end of year	$10,591,037	$13,493,339

ACCOUNTING POLICIES AND PRACTICAL EXPEDIENTS ELECTED

KEPCo has applied an accounting policy election that allows an entity to exclude from revenue any amounts collected from customers on behalf of third parties, such as sales taxes and other similar taxes KEPCo collects concurrent with revenue-producing activities. Therefore, revenue is presented net of sales taxes and similar revenue-based taxes.

KEPCo has also elected to use the right to invoice practical expedient. This practical expedient allows an entity to recognize revenue in the amount of consideration to which the entity has the right to invoice when the amount that the entity has the right to invoice corresponds directly to the value transferred to the customer.

NOTE 8: BENEFIT PLANS

NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION (NRECA) RETIREMENT AND SECURITY PROGRAM

KEPCo participates in the NRECA Retirement and Security Program (RS Plan) for its employees. The NRECA RS Plan is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is a multi-employer plan under the accounting standards. The plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333.

A unique characteristic of a multi-employer plan compared to a single-employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

KEPCo's contributions to the NRECA RS Plan in 2023 and 2022 represented less than 5% of the total contributions made to the plan by all participating employers. KEPCo made contributions to the NRECA RS Plan of approximately $640,000 and $603,000 for the years ended December 31, 2023 and 2022, respectively. There have been no significant changes that affect the comparability of 2023 and 2022 contributions.

For the NRECA RS Plan, a "zone status" determination is not required, and thus not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the NRECA RS Plan was more than 80% funded at January 1, 2023 and 2022 based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of the PPA do not apply to the NRECA RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

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In 2012, NRECA approved an option to allow participating cooperatives in the NRECA RS Plan to make a contribution prepayment and reduce future required contributions. The prepayment amount is a cooperative's share, as of January 1, 2013, of future contributions required to fund the NRECA RS Plan's unfunded value of benefits earned to date using NRECA RS Plan actuarial valuation assumptions. The prepayment amount will typically equal approximately 2.5 times a cooperative's annual NRECA RS Plan required contribution as of January 1, 2013. After making the prepayment, for most cooperatives, the billing rate is reduced by approximately 25%, retroactive to January 1 of the year in which the amount is paid to the NRECA RS Plan. The 25% differential in billing rates is expected to continue for approximately 15 years from January 1, 2013. However, changes in interest rates, asset returns, and other plan experiences different from expected; plan assumption changes; and other factors may have an impact on the differential in billing rates and the 15-year period. KEPCo participated in the prepayment program and is amortizing $1,314,273 over a 10-year period through 2023. This balance is included in prepaid pension cost in other long-term assets on the accompanying consolidated balance sheets.

NRECA SAVINGS 401(K) PLAN

All employees of KEPCo are eligible to participate in the NRECA Savings 401(k) Plan. Under the plan, KEPCo contributes an amount not to exceed 5%, dependent upon each employee's level of participation and completion of one year of service, of the respective employee's base pay to provide additional retirement benefits. KEPCo contributed approximately $143,000 and $139,000 to the NRECA Savings 401(k) Plan for the years ended December 31, 2023 and 2022, respectively.

WCNOC PENSION AND POSTRETIREMENT PLANS

KEPCo has an obligation to the WCNOC retirement plan, supplemental retirement plan, and postretirement medical plan (collectively, the Plans) for its 6% ownership interest in WCNOC. The Plans provide for benefits upon retirement, normally at age 65. In accordance with the Employee Retirement Income Security Act of 1974, KEPCo has satisfied its minimum funding requirements. Benefits under the Plans reflect the employee's compensation, years of service, and age at retirement.

WCNOC uses a measurement date of December 31 for the Plans.

Information about KEPCo's 6% share of the Plans' funded status follows:

	PENSION BENEFITS		POSTRETIREMENT BENEFITS	
	2023	2022	2023	2022
CHANGE IN BENEFIT OBLIGATION				
Beginning of year	$27,178,610	$37,451,910	$550,771	$773,362
Service cost	564,157	990,561	13,611	22,264
Interest cost	1,408,816	1,158,113	30,555	23,468
Plan participants' contributions	-	-	96,458	103,899
Plan amendments	-	40,216	-	-
Benefits paid	(1,628,356)	(2,575,600)	(159,233)	(185,495)
Settlements	(2,546,323)	-	-	-
Special termination benefits	-	347,581	-	16,787
Actuarial (gains) losses	1,060,768	(10,234,171)	(83,487)	(203,514)
End of year	26,037,672	27,178,610	448,675	550,771
CHANGE IN FAIR VALUE OF PLAN ASSETS				
Beginning of year	22,432,448	26,813,321	-	17,010
Actual return on plan assets	2,558,459	(3,151,908)	122	13,771
Employer contributions	299,538	1,308,907	52,256	37,982
Plan participants' contributions	-	-	78,952	79,958
Settlements	(2,546,323)	-	-	-
Benefits paid	(1,592,335)	(2,537,872)	(131,330)	(148,721)
End of year	21,151,787	22,432,448	-	-
FUNDED STATUS, END OF YEAR	($4,885,885)	($4,746,162)	($448,675)	($550,771)

Amounts recognized in the accompanying consolidated balance sheets:

	2023	2022
OTHER LONG-TERM LIABILITIES		
WCNOC pension and postretirement benefit plans	$4,944,764	$5,027,015
CURRENT LIABILITIES		
Current provision for pension and postretirement benefit plans	$352,966	$265,723

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

	PENSION BENEFITS		POSTRETIREMENT BENEFITS	
	2023	2022	2023	2022
Net gain (loss)	($700,198)	($560,860)	$229,165	$155,724
Prior service cost	(402,012)	(454,733)	(46,151)	(50,812)
	($1,102,210)	($1,015,593)	$183,014	$104,912

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

	PENSION BENEFITS		POSTRETIREMENT BENEFITS	
	2023	2022	2023	2022
Projected benefit obligation	$26,037,672	$27,178,610	$448,675	$550,771
Fair value of plan assets	$21,151,787	$22,432,448	$-	$-

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

	PENSION BENEFITS		POSTRETIREMENT BENEFITS	
	2023	2022	2023	2022
Discount rate	6.15%	3.10%	5.71%	3.08%
Annual salary increase rate	3.75%	3.75%	N/A	N/A

WCNOC uses a measurement date of December 31 for the Plans. The discount rate to determine the current year pension obligation and the following year's pension expense is based on a bond selection-settlement portfolio approach. This approach develops a discount rate by selecting a portfolio of high-quality, non-callable corporate bonds that generate a sufficient cash flow to provide for the projected benefit payments of the Plans. After the bond portfolio is selected, a single interest rate is determined that equates the present value of the Plans' projected benefit payments discounted at this rate with the market value of the bonds selected.

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	PENSION BENEFITS		POSTRETIREMENT BENEFITS	
	2023	2022	2023	2022
COMPONENTS OF NET PERIODIC BENEFIT COSTS				
Service cost	$564,157	$990,561	$13,611	$22,264
Interest cost	1,408,816	1,158,113	30,555	23,468
Expected return on plan assets	(1,516,222)	(1,667,737)	-	-
Prior service cost amortization	52,721	49,515	4,661	4,661
Actuarial loss (gain) amortization	(154,774)	709,633	(10,168)	4,249
Special contractual/termination benefits	33,967	347,581	-	16,787
Net periodic benefit costs	388,665	1,587,666	38,659	71,429
OTHER CHANGES IN PLAN OBLIGATIONS RECOGNIZED IN OTHER COMPREHENSIVE INCOME				
Current year actuarial (gain) loss	18,531	(5,414,526)	(83,609)	(217,285)
Amortization of actuarial gain (loss)	154,774	(709,633)	10,168	(4,249)
Plan amendments	(33,967)	40,216	-	-
Amortization of prior service cost	(52,721)	(49,515)	(4,661)	(4,661)
Total recognized in other comprehensive income	86,617	(6,133,458)	(78,102)	(226,195)
Total recognized in net periodic benefit costs and other comprehensive inc	$475,282	($4,545,792)	($39,443)	($154,766)
WEIGHTED-AVERAGE ACTUARIAL ASSUMPTIONS USED TO DETERMINE NET PERIODIC BENEFIT COSTS				
Discount rate	5.34%	3.10%	5.40%	3.08%
Expected long-term return on plan assets	6.90%	6.80%	N/A	N/A
Compensation rate increase	3.75%	3.75%	N/A	N/A

KEPCo estimates it will amortize the following amounts into net periodic benefit costs in 2024:

	PENSION BENEFITS	POSTRETIREMENT BENEFITS
Actuarial gain	($71,374)	($16,582)
Prior service cost	52,721	4,661
Total	($18,653)	($11,921)

The expected long-term rate of return on plan assets is based on historical and projected rates of return for current and planned asset classes in the plans' investment portfolios. Assumed projected rates of return for each asset class were selected after analyzing long-term historical experience and future expectations of the volatility of the various asset classes. Based on target asset allocations for each asset class, the overall expected rate of return for the portfolios was developed and adjusted for historical and expected experience of active portfolio management results compared to benchmark returns and for the effect of expenses paid from plan assets.

For measurement purposes, the assumed annual healthcare cost trend rates were as follows:

	2023	2022
Healthcare cost trend rate assumed for next year	6.85%	0.00%
Rate to which the healthcare cost trend rate is assumed to decline	4.50%	0.00%
Year the healthcare cost trend rate reaches the ultimate trend rate	2030	N/A

WCNOC's pension plan investment strategy is to manage assets in a prudent manner with regard to preserving principal while providing reasonable returns. It has adopted a long-term investment horizon such that the chances and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets. Part of its strategy includes managing interest rate sensitivity of plan assets relative to the associated liabilities. The primary objective of the pension plan is to provide a source of retirement income for its participants and beneficiaries, and the primary financial objective of the plan is to improve its funded status. The primary objective of the postretirement benefit plan is growth in assets and preservation of principal, while minimizing interim volatility, to meet anticipated claims of plan participants. WCNOC delegates the management of its pension benefit plan assets to independent investment advisors who hire and dismiss investment managers based upon various factors. The investment advisors are instructed to diversify investments across asset classes, sectors, and manager styles to minimize the risk of large losses, based upon objectives and risk tolerance specified by WCNOC, which include allowable and/or prohibited investment types. It measures and monitors investment risk on an ongoing basis through quarterly investment portfolio reviews and annual liability measurements.

The target allocations for WCNOC's pension plan assets are 31% to international equity securities, 25% to domestic equity securities, 25% to debt securities, 5% to commodity investments, and 14% to other investments. The investments in both international and domestic equity include investments in large-, mid-, and small-cap companies and investment funds with underlying investments similar to those previously mentioned. The investments in debt include core and high-yield bonds. Core bonds include funds invested in investment grade debt securities of corporate entities, obligations of U.S. and foreign governments and their agencies, and private debt securities. High-yield bonds include a fund with underlying investments in non-investment grade debt securities of corporate entities, private placements, and bank debt. Real estate securities include funds invested in commercial and residential real estate properties while commodity investments include funds invested in commodity-related instruments.

PENSION PLAN ASSETS

All of WCNOC's pension plan assets are recorded at fair value using daily net asset values (NAV) as reported by the trustee.

Similar to other assets measured at fair value, GAAP establishes a hierarchal framework for disclosing the transparency of the inputs utilized in measuring pension and postretirement benefit plan assets at fair value. From time to time, the WCNOC pension trust may buy and sell investments resulting in changes within the hierarchy. Where quoted market prices are available in an active market, plan assets are classified within Level 1 of the valuation hierarchy. Level 1 plan assets include cash equivalents. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of plan assets with similar characteristics, or discounted cash flows. In certain cases where Level 1 or Level 2 inputs are not available, plan assets are classified within Level 3 of the hierarchy. Significant inputs and valuation techniques used in measuring Level 3 fair values include market discount rates, projected cash flows, and the estimated value into perpetuity. Investments that do not have a readily determinable fair value are measured at NAV. These investments do not consider the observability of inputs; therefore, they are not included within the fair value hierarchy. WCNOC includes investments in private equity, real estate, and alternative investment funds that do not have a readily determinable fair value in this category. The underlying alternative investments include collateralized debt obligations, mezzanine debt, and a variety of other investments.

The following table provides the fair value of KEPCo's 6% share of WCNOC's pension plan assets and the corresponding level within the fair value hierarchy as of December 31:

FAIR VALUE MEASUREMENTS USING	FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3	NAV
2023					
Cash equivalents	$187,324	$187,324	$-	$-	$-
Equity securities					
U.S.	5,878,968	-	-	-	5,878,968
International	4,027,489	-	-	-	4,027,489
Debt securities					
Core bonds	7,640,260	-	-	-	7,640,260
Alternative investments	3,417,746	-	-	-	3,417,746
Total investments	$21,151,787	$187,324	$-	$-	$20,964,463
2022					
Cash equivalents	$649,704	$649,704			$-
Equity securities					
U.S.	5,687,378	-	-	-	5,687,378
International	4,333,326	-	-	-	4,333,326
Debt securities					
Core bonds	8,111,535	-	-	-	8,111,535
Alternative investments	3,650,505	-	-	-	3,650,505
Total investments	$22,432,448	$649,704	$-	$-	$21,782,744

Estimated future benefit payments as of December 31, 2023 for the Plans, which reflect expected future services, are as follows:

	PENSION BENEFITS	POSTRETIREMENT BENEFITS
EXPECTED CONTRIBUTIONS		
2024	$306,000	$46,966
EXPECTED BENEFIT PAYMENTS		
2024	$2,065,461	$46,966
2025	$2,045,168	$41,614
2026	$2,063,557	$38,622
2027	$2,065,979	$35,208
2028	$2,076,714	$34,861
2029–2033	$10,165,750	$164,251

NOTE 9: COMMITMENTS AND CONTINGENCIES

CURRENT ECONOMIC CONDITIONS

KEPCo considers current economic conditions when planning for future power supply and liquidity needs. The current economic climate may also affect KEPCo's ability to obtain financing.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the accompanying consolidated financial statements could change rapidly, resulting in material future adjustments that could negatively impact KEPCo's ability to meet debt covenants or maintain sufficient liquidity. Currently under state statutes, KEPCo's rate-making is deregulated and, therefore, KEPCo expects to be able to recover any economic losses through future rates.

LETTER OF CREDIT

KEPCo has an irrevocable standby letter of credit with CoBank in the amount of $2,968,470 that expires in April 2027. The letter of credit is intended to provide financial security for uranium purchases.

NUCLEAR LIABILITY INSURANCE

Pursuant to the Price-Anderson Act, liability insurance includes coverage against public nuclear liability claims resulting from nuclear incidents to the required limit of public liability, which is approximately $16,300,000,000. This limit of liability consists of the maximum available commercial insurance of $500,000,000, and the remaining $15,800,000,000 is provided through mandatory participation in an industry-wide retrospective assessment program. Under this retrospective assessment program, the owners of WCNOC are jointly and severally subject to an assessment of up to $165,900,000 (KEPCo's share is approximately $10,000,000), payable at no more than $24,700,000 (KEPCo's share is approximately $1,500,000) per incident per year per reactor for any commercial U.S. nuclear reactor qualifying incident. Both the total and yearly assessments are subject to an inflationary adjustment based on the Consumer Price Index and applicable premium taxes. In addition, Congress could impose additional revenue-raising measures to pay claims.

The owners of WCNOC carry nuclear accident decontamination liability, premature nuclear decommissioning liability, and property damage insurance for WCNOC totaling approximately $2,800,000,000 (KEPCo's share is $168,000,000). In the event of a nuclear accident, insurance proceeds must first be used for reactor stabilization and site decontamination in accordance with a plan mandated by the NRC. The owners' share of any remaining proceeds can be used to pay for property damage or, if certain requirements are met, including decommissioning the plant, toward a shortfall in the NDT.

The owners also carry additional insurance with Nuclear Electric Insurance Limited (NEIL) to help cover costs of replacement power and other extra expenses incurred during a prolonged outage resulting from accidental property damage at WCNOC. If significant losses were incurred at any of the nuclear plants insured under the NEIL policies, the owners may be subject to retrospective assessments under the current policies of approximately $29,100,000 (KEPCo's share is approximately $1,750,000).

Although KEPCo maintains various insurance policies to provide coverage for potential losses and liabilities resulting from an accident or an extended outage, KEPCo's insurance coverage may not be adequate to cover the costs that could result from a catastrophic accident or extended outage at WCNOC. Any substantial losses not covered by insurance, to the extent not recoverable in KEPCo's prices, would have a material effect on KEPCo's consolidated financial results.

DECOMMISSIONING INSURANCE

KEPCo carries premature decommissioning insurance that has several restrictions, one of which can only be used if WCNOC incurs an accident exceeding $500,000,000 in expenses to safely stabilize the reactor and decontaminate the reactor and reactor station site in accordance with a plan approved by the NRC and pay for on-site property damages.

Once the NRC property rule requiring insurance proceeds to be used first for stabilization and decontamination has been complied with, the premature decommissioning coverage could pay for the decommissioning fund shortfall in the event an accident at WCNOC exceeds $500,000,000 in covered damages and causes WCNOC to be prematurely decommissioned.

NUCLEAR FUEL COMMITMENTS

KEPCo owns a 6% undivided interest in WCNOC and provides its own financing for costs incurred by WCNOC. KEPCo's share of anticipated costs for ongoing nuclear fuel for WCNOC is estimated to be approximately $29,985,000 for the next five years. KEPCo has provided a letter of credit of approximately $2,969,000 in connection with nuclear fuel costs.

COAL COMMITMENTS

KEPCo owns a 3.53% undivided interest in Iatan 2 and provides its own financing for costs incurred by Iatan 2. KEPCo's share of anticipated costs for ongoing coal fuel for Iatan 2 is estimated to be approximately $13,582,000 for the next five years.

PURCHASE POWER COMMITMENTS

KEPCo has supply contracts with various utility companies to purchase power to supplement generation in given service areas. KEPCo has provided the Southwest Power Pool a letter of credit of $3,000,000 to help ensure power is available if needed.

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NOTE 10: SIGNIFICANT ESTIMATES AND CONCENTRATIONS

GAAP requires disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

LITIGATION

KEPCo is subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have an adverse effect on the consolidated financial position, results of operations, and cash flows of KEPCo.

There is a provision in the WCNOC operating agreement whereby the owners treat certain claims and losses arising out of the operations of WCNOC as a cost to be borne by the owners separately (but not jointly) in proportion to their ownership shares. Each of the owners has agreed to indemnify the others in such cases.

DEFERRED COMPENSATION AGREEMENT

The amount of annual expense accrued for deferred compensation is based on an estimate of the total amounts payable under the contract over the lifetimes of the beneficiaries.

ASSET RETIREMENT OBLIGATION

As described in Note 1, KEPCo has recorded a liability for its conditional asset retirement obligation related to the WCNOC plant decommissioning costs.

PENSION AND OTHER POSTRETIREMENT BENEFIT OBLIGATIONS

KEPCo, through its 6% share in WCNOC, has a noncontributory defined benefit pension and postretirement medical plan whereby it agrees to provide certain postretirement benefits to eligible employees. The benefit obligation is the actuarial present value of all benefits attributed to service rendered prior to the valuation date based on the projected unit credit cost method. It is reasonably possible that events could occur that would change the estimated amount of this liability materially in the near term.

INVESTMENTS

KEPCo invests in various investment securities in its NDT. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated balance sheets.

NOTE 11: DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES

ASC 820, Fair Value Measurements, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

ASC 820 also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- **LEVEL 1** Quoted prices in active markets for identical assets or liabilities
- **LEVEL 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- **LEVEL 3** Unobservable inputs supported by little or no market activity and significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

DECOMMISSIONING FUND AND SHORT-TERM INVESTMENTS

The decommissioning fund consists of various mutual funds where fair value is determined by quoted market prices in an active market and, as such, are classified within Level 1 of the valuation hierarchy. Short-term investments are investments with an original maturity greater than three months, but less than 12 months, in commercial paper issued by NRUCFC, and are classified within Level 2 of the valuation hierarchy.

The following table presents the fair value measurements of assets recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the ASC 820 fair value hierarchy in which the fair value measurements fall at December 31:

	FAIR VALUE MEASUREMENTS			
	FAIR VALUE	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
2023				
NUCLEAR DECOMMISSIONING TRUST				
Equity Securities				
Domestic fund	$23,280,039	$23,280,039	$-	$-
International fund	2,327,554	2,327,554	-	-
Domestic bond fund	13,505,565	13,505,565	-	-
Money market	369,110	369,110	-	-
Total investments	$39,482,268	$39,482,268	$-	$-
2022				
NUCLEAR DECOMMISSIONING TRUST				
Equity Securities				
Domestic fund	$18,171,392	$18,171,392	$-	$-
International fund	1,981,930	1,981,930	-	-
Domestic bond fund	12,619,235	12,619,235	-	-
Money market	628,426	628,426	-	-
Total investments	$33,400,983	$33,400,983	$-	$-

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified within Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

NOTE 12: PATRONAGE CAPITAL

In accordance with KEPCo's bylaws, KEPCo's current margins are to be allocated to members. KEPCo's current policy is to allocate to members based on revenues collected from the members as a percentage of total revenues. If KEPCo's consolidated financial statements were no longer prepared under the regulatory basis of accounting as prescribed by ASC 980, total patronage capital would be substantially less. Patronage capital distributions of $0 were made to members in 2023 and 2022.

NOTE 13: SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 15, 2024, which is the date the consolidated financial statements were available to be issued.

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

About KEPCo

Kansas Electric Power Cooperative, Inc. (KEPCo), headquartered in Topeka, Kansas, was incorporated in 1975 as a not-for-profit generation and transmission cooperative (G&T). It is KEPCo's responsibility to procure an adequate and reliable power supply for its 16 distribution electric cooperative members at a reasonable cost.

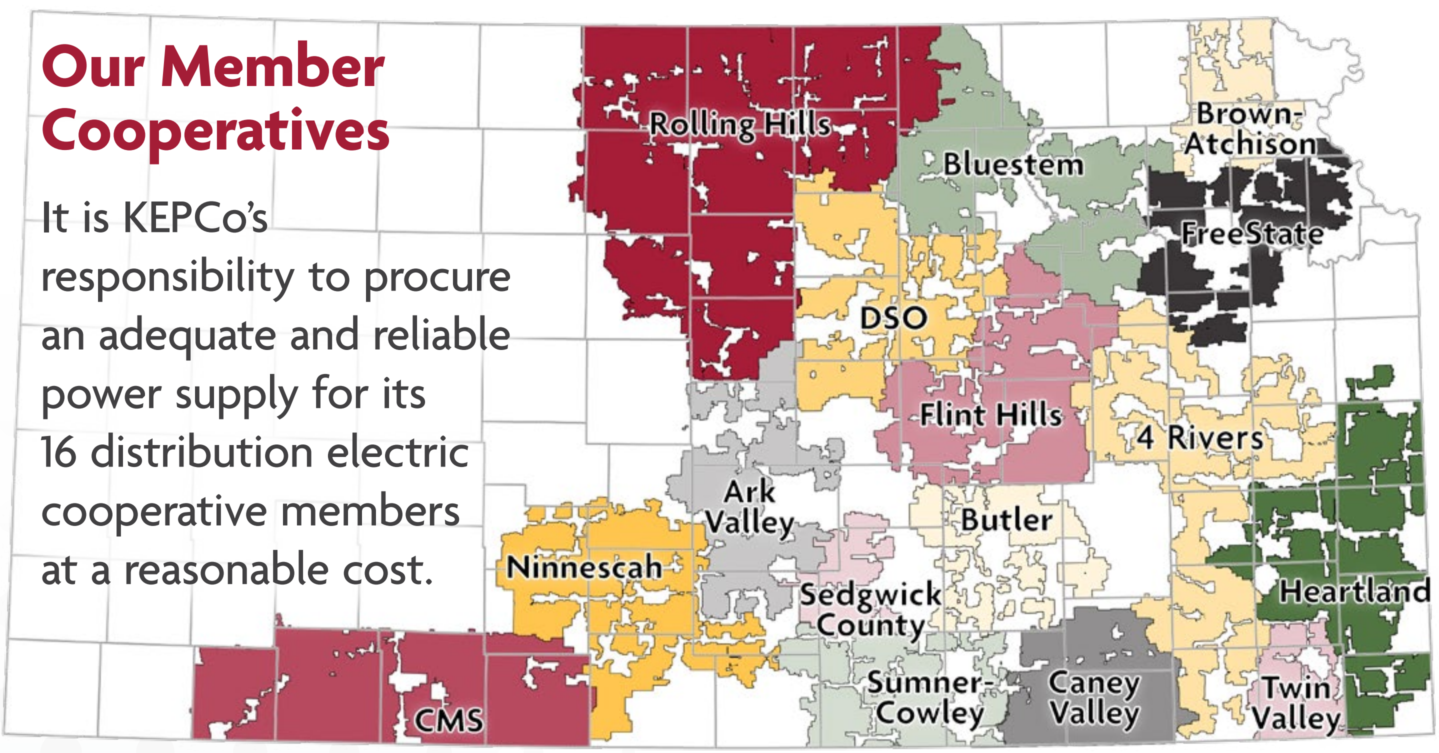
In addition to its core mission, KEPCo also assists its member cooperatives on such important activities as rural economic development, electric appliance rebates, load and power cost forecasting, and system enhancement projects.

Governed by a 16-member board of trustees, KEPCo's members collectively serve over 75,000 consumer-members in the eastern two-thirds of Kansas, which represents nearly 200,000 rural Kansans. The board of trustees establishes policies, provides direction, and acts on issues that often include recommendations from working committees of the board and KEPCo staff. The board also elects a seven-person executive committee, which includes the president, vice president, secretary, treasurer, and three additional members.

KEPCo's power supply resources consist of 70 MW of owned generation from Wolf Creek Generating Station, 30 MW of owned generation from Iatan 2 Generating Plant, 20 MW of owned generation from Sharpe Generating Station, hydro allocations consisting of 100 MW from the Southwestern Power Administration and 13 MW from the Western Area Power Administration, 1 MW of owned generation from Prairie Sky Solar Farm, and partial requirement power purchases from regional utilities.

Our Member Cooperatives

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



48

YEARS OF OPERATION

24

EMPLOYEES

16

MEMBER CO-OPS

KSI Engineering

26

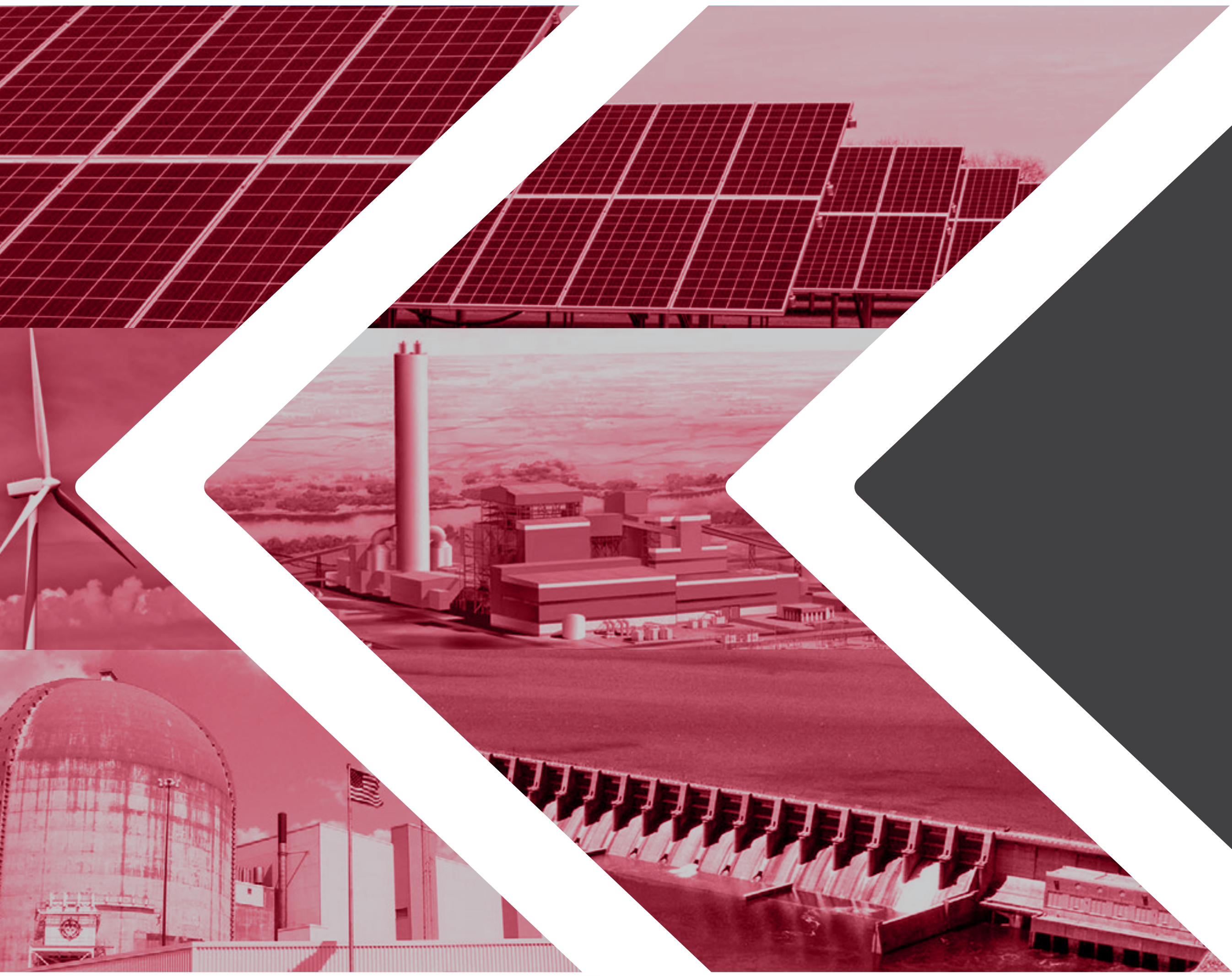
YEARS WITH KSI ENGINEERING

MORE THAN 67%

GENERATION FROM NON-GREENHOUSE GAS EMITTING SOURCES

KEPCo

KANSAS ELECTRIC POWER COOPERATIVE



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