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ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT

Of

Company Name: Arizona Electric Power Cooperative

Mailing Address: PO Box 670
0
Benson AZ
85602

Docket No.: E-01773A
For the Year Ended: 12/31/2022

ELECTRIC

To

Arizona Corporation Commission

Due on April 15th
Email: Util-Compliance@azcc.gov, mail or deliver the completed Annual Report to:
Arizona Corporation Commission
Compliance Section - Utilities Division
1200 West Washington Street
Phoenix, Arizona 85007

Application Type: Original Filing
Application Date: 4/27/2023

ARIZONA CORPORATION COMMISSION
ELECTRIC UTILITIY ANNUAL REPORT
COMPANY INFORMATION

For the Calendar Year Ended: 12/31/2022

Company/Business Name:	Arizona Electric Power Cooperative				
Mailing Address:	PO Box 670				
City:	Benson	State:	Arizona	Zip Code:	85602
Telephone Number:	520-586-3631	Fax Number:	520-586-5343		
Email:	www.azgt.coop				

Regulatory Contact					
Name:	Erin Peters				
Title:	Financial Analyst III - Rates Administration				
Telephone No. :	520-586-5336				
Address:	1000 S Hwy 80				
City:	Benson	State:	Arizona	Zip Code:	85602
Email:	epeters@azgt.coop				

On-Site Manager					
Name:	Patrick Ledger				
Title:	CEO				
Telephone No. :	520-586-5008				
Address:	1000 S Hwy 80				
City:	Benson	State:	Arizona	Zip Code:	85602
Email:	pledger@azgt.coop				

Statutory Agent and Attorney					
Name:	Rusing and Lopez, PLLC				
Title:	None				
Telephone No. :	520-792-4800				
Address:	6262 N Swan Rd. Suite 200				
City:	Tucson	State:	Arizona	Zip Code:	85718
Email:	plopez@rusingandlopez.com				

NA					
Name:					
Title:					
Telephone No. :					
Address:					
City:		State:		Zip Code:	
Email:					

Ownership:	Association/Co-op (A)
Counties Served:	Statewide

Important changes during the year

	For those companies not subject to the affiliated interest rules, has there been a change in ownership or direct control during the year?
	If yes, please provide specific details in the box below.
	None

	Has the company been notified by any other regulatory authorities during the year, that they are out of compliance?
	If yes, please provide specific details in the box below.
	None

SERVICES AUTHORIZED TO PROVIDE

Yes	Electric
No	Investor Owned Electric
Yes	Rural Electric Cooperative
No	Utility Distributed Company
No	Electric Service Provider
No	Transmission Service Provider
No	Meter Service Provider
No	Meter Reading Service Provider
No	Billing and Collection
No	Ancillary Services
No	Generation Provider
No	Aggregator/Broker
	Other (Specify)

STATISTICAL INFORMATION

Retail Information

	Number of Arizona Customers	Number of kWh Sold in Arizona
Residential	0	0
Commercial	0	0
Industrial	0	0
Public Street and Highway Lighting	0	0
Irrigation	0	0
Total Retail	0	0

Wholesale Information

	Number of Customers	Number of kWh Sold
Resale	6	2,350,426,807
Short-term Sales (duration of less than one-year)	55	413,623,223
Total Wholesale	61	2,764,050,030

Total Sold	2,764,050,030
Maximum Peak Load	754
Distribution System Losses	None
Distribution Losses	None
Transmission Losses	2.31%
System Average Interruption Duration Index (SAIDI)	30.82 minutes
Distribution System Losses	None
Customer Average Interruption Duration Index (CAIDI)	34.22 minutes
System Average Interruption Frequency Index (SAIFI)	0.90 interruptions per customer

VERIFICATION AND SWORN STATEMENT (INTRASTATE REVENUE ONLY)

Verification:

State of Arizona (state name) I, the undersigned of the

County of (county name): Cochise
Name (owner or official) title: Jasin Glasner, Manager of Financial Services
Company name: Arizona Electric Power Cooperative

DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO THE ARIZONA CORPORATION COMMISSION,

FOR THE YEAR ENDING: 12/31/2022

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

Sworn Statement: IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING THE CALENDAR YEAR WAS:

Arizona Intrastate Gross Operating Revenues Only ($)
$20,053,232
(The amount in the box above includes
$0 in sales taxes
billed or collected)

[signature]
signature of owner/official

520-586-5114
telephone no.

SUBSCRIBED AND SWORN TO BEFORE ME A NOTARY PUBLIC
IN AND FOR THE COUNTY Cochise
(county name)

THIS 27th DAY OF April
(month) and (year)

MY COMMISSION EXPIRES 5-22-25
(date)

Gina Ellis
(signature of notary public)

Notary Public * State of Arizona
Cochise County
GINA ELLIS
Commission Expires 05/22/2025
Commission

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ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

VERIFICATION AND SWORN STATEMENT (RESIDENTIAL REVENUE)

Verification:

State of Arizona (state name) I, the undersigned of the

County of (county name): Cochise
Name (owner or official) title: Jasin Glasner, Manager of Financial Services
Company name: Arizona Electric Power Cooperative

DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO THE ARIZONA CORPORATION COMMISSION.

FOR THE YEAR ENDING: 12/31/2022

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

Sworn Statement: IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING THE CALENDAR YEAR WAS:

Arizona Intrastate Gross Operating Revenues Only ($)
$0
(The amount in the box above includes
$0 in sales taxes
billed or collected)

signature of owner/official

520-586-5114
telephone no.

SUBSCRIBED AND SWORN TO BEFORE ME A NOTARY PUBLIC IN AND FOR THE COUNTY Cochise (county name)

THIS 1st DAY OF May (month) and (year)

MY COMMISSION EXPIRES 5-22-25 (date)

Gina Ellis
(signature of notary public)

Arizona Electric Power Cooperative
ELECTRIC UTILITIY ANNUAL REPORT
UTILITY SHUTOFFS / DISCONNECTS
12/31/2022

UTILITY SHUTOFFS / DISCONNECTS			
Month	Termination without Notice R14-2-211.B	Termination with Notice R14-2-211.C	Other
January	0	0	0
February	0	0	0
March	0	0	0
April	0	0	0
May	0	0	0
June	0	0	0
July	0	0	0
August	0	0	0
September	0	0	0
October	0	0	0
November	0	0	0
December	0	0	0
Total	**0**	**0**	**0**

Other (description):

Instructions: Fill out the Grey Cells with the relevent information. Input 0 or none if there is nothing recorded in that account or there is no applicable information to report.

Report Of Independent Auditors
And Financial Statements

Arizona Electric Power Cooperative, Inc.

December 31, 2022 and 2021

MOSSADAMS

Table of Contents

MOSSADAMS

Report of Independent Auditors

The Board of Directors
Arizona Electric Power Cooperative, Inc.

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of Arizona Electric Power Cooperative, Inc. (the Cooperative), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of revenues, expenses, and unallocated accumulated margins, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Arizona Electric Power Cooperative, Inc. as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Cooperative and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 March 31, 2023 on our consideration of Arizona Electric Power Cooperative, Inc.'s internal control over financial reporting and on 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 Arizona Electric Power Cooperative, Inc.'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 Arizona Electric Power Cooperative, Inc.'s internal control over financial reporting and compliance.

Moss Adams LLP

Portland, Oregon
March 31, 2023

Financial Statements

Arizona Electric Power Cooperative, Inc.
Balance Sheets
December 31, 2022 and 2021

	2022	2021
ASSETS		
UTILITY PLANT		
Plant in service	$ 760,693,194	$ 732,135,427
Construction work in progress	29,504,407	26,624,184
Total utility plant	790,197,601	758,759,611
Less accumulated depreciation	458,520,050	440,493,523
Utility plant, net	331,677,551	318,266,088
INVESTMENTS		
Restricted	7,169,808	7,177,962
Unrestricted	3,827,067	3,650,024
Total investments	10,996,875	10,827,986
CURRENT ASSETS		
Cash and cash equivalents		
General unrestricted	31,279,858	23,857,074
Restricted	2,717,707	2,543,655
Accounts receivable	66,246,451	27,112,220
Accumulated under-recovered fuel and purchased power costs	31,147,334	22,417,121
Inventories, at average cost		
Coal and natural gas	10,649,701	9,913,687
Materials and supplies	14,788,973	13,887,320
Prepayments and other current assets	3,787,830	4,052,861
Notes receivable	375,632	404,560
Total current assets	160,993,486	104,188,498
DEFERRED DEBITS	37,116,241	25,151,881
Total assets	$ 540,784,153	$ 458,434,453

See accompanying notes.

Arizona Electric Power Cooperative, Inc.
Balance Sheets
December 31, 2022 and 2021

	2022	2021
MEMBERSHIP CAPITAL AND LIABILITIES		
MEMBERSHIP CAPITAL		
Membership fees	$ 830	$ 830
Patronage capital	170,853,120	166,795,888
Unallocated accumulated margins	8,739,869	9,649,968
Total membership capital	179,593,819	176,446,686
LONG-TERM DEBT		
Federal Financing Bank	139,093,621	141,411,440
Solid Waste Disposal Revenue Bonds	2,200,000	4,200,000
Cooperative Finance Corporation	16,500,000	823,133
Debt issuance costs	(371,801)	(261,450)
Financing lease obligation	1,100,409	440,551
Total long-term debt	158,522,229	146,613,674
CURRENT LIABILITIES		
Member advances and other investments	28,276,574	16,865,377
Current maturities of finance lease obligation	697,519	272,887
Current maturities of long-term debt	15,036,954	14,273,973
Accounts payable	55,654,507	25,214,481
Accrued property and business taxes	2,388,009	2,535,984
Accrued interest	76,758	11,794
Line of credit	66,000,000	43,977,604
Other accrued liabilities	3,616,037	2,673,958
Total current liabilities	171,746,358	105,826,058
DEFERRED CREDITS AND OTHER LIABILITIES	30,921,747	29,548,035
Total membership capital and liabilities	$ 540,784,153	$ 458,434,453

See accompanying notes.

Arizona Electric Power Cooperative, Inc.
Statements of Revenues, Expenses, and Unallocated Accumulated Margins
Years Ended December 31, 2022 and 2021

	2022	2021
OPERATING REVENUES		
Electric energy and transmission		
Members		
Class A	$ 178,199,951	$ 175,106,196
Class D	19,430,320	20,476,332
(Over) Under-recovery of fuel and purchase power costs	66,500,800	17,979,374
Nonmembers	25,473,700	17,887,720
Other, net	1,627,476	1,722,063
Total operating revenues	291,232,247	233,171,685
OPERATING EXPENSES		
Operations:		
Production	125,650,389	97,347,237
Transmission	5,126,849	5,149,575
Maintenance:		
Production	14,560,835	13,827,717
Transmission	4,760,365	4,167,608
Other power supply	74,114,743	51,901,080
Administration and general	14,744,854	13,479,251
Depreciation, amortization and accretion	20,631,148	19,753,782
Wheeling and ancillary charges	18,412,214	10,299,006
Property and other taxes	4,438,980	5,016,345
Total operating expenses	282,440,377	220,941,601
OPERATING MARGIN	8,791,870	12,230,084
Interest and interest related expenses, net	(6,173,424)	(4,690,353)
Other, net	528,686	2,110,238
NET MARGIN	3,147,132	9,649,969
UNALLOCATED ACCUMULATED MARGINS, beginning of year	9,649,968	4,870,364
PATRONAGE CAPITAL ALLOCATION	(4,057,231)	(4,870,365)
UNALLOCATED ACCUMULATED MARGINS, end of year	$ 8,739,869	$ 9,649,968

See accompanying notes.

Arizona Electric Power Cooperative, Inc.
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margin	$ 3,147,131	$ 9,649,968
Adjustments to reconcile net margin to net cash from operating activities		
Depreciation and amortization	20,631,148	19,764,236
Patronage capital allocations	(348,226)	(328,972)
Amortization of deferred charges	240	-
Changes in assets and liabilities		
Accounts and notes receivable	(39,134,231)	(11,887,629)
Accumulated under-recovered fuel and purchased power costs	(8,730,213)	(20,784,000)
Inventories	(1,637,667)	(2,230,478)
Prepayments and other current assets	265,031	(240,844)
Deferred debits	(11,964,600)	390,928
Accounts payable	30,440,026	9,802,790
Accrued interest	64,964	(6,703)
Accrued property and business taxes and other	794,104	(6,099,964)
Net cash from operating activities	(6,472,293)	(1,970,668)
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction expenditures, net	(32,639,969)	(21,297,230)
Purchases and redemptions of investments, net	179,337	107,781
Net cash from investing activities	(32,460,632)	(21,189,449)
CASH FLOWS FROM FINANCING ACTIVITIES		
Retirement of patronage capital credits	-	(614,528)
Member advances and other investments, net	11,411,197	3,154,714
Proceeds from long-term debt	27,351,731	6,167,000
Borrowing on line of credit	22,022,396	29,977,604
Payments on long-term debt and financing lease obligation	(14,255,563)	(13,609,643)
Net cash from financing activities	46,529,761	25,075,147
CHANGE IN CASH AND CASH EQUIVALENTS	7,596,836	1,915,030
CASH AND CASH EQUIVALENTS, beginning of year	26,400,729	24,485,699
CASH AND CASH EQUIVALENTS, end of year	$ 33,997,565	$ 26,400,729
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Noncash investing activities		
Right of use assets acquired in exchange for financing lease liabilities	$ 956,160	$ -
Cash paid for interest, net of amount capitalized	$ 6,108,220	$ 4,697,056

See accompanying notes.

Note 1 – Organization

Arizona Electric Power Cooperative, Inc. (the Cooperative or AEPCO) is a member owned, nonprofit Arizona rural generation and transmission electric cooperative organized in 1961 to provide wholesale electric power and transmission and ancillary services to its member distribution cooperatives, municipalities and other customers.

Membership of the Cooperative is restricted to electric utilities. The Cooperative has four classes of members. Class A members consist of three distribution cooperatives with all requirements contracts and three distribution cooperatives with partial requirements contracts. Currently there are no Class B or C members. There are five Class D members, representing electric utilities other than Class A, B, or C with a written agreement for power and/or energy and/or substantial service, represented jointly by one director. Class A, Class B, Class C and Class D members are collectively referred to herein as members.

Note 2 – Summary of Significant Accounting Policies

System of accounts – The Cooperative maintains its accounts in accordance with policies and procedures as prescribed by the Rural Utilities Service (RUS) in conformity with the Uniform System of Accounts. The Cooperative's accounting policies conform to accounting principles generally accepted in the United States of America as applied in the case of regulated public utilities and are in accordance with the accounting requirements and rate-making practices of the RUS and the Arizona Corporation Commission (ACC), the regulatory authorities having jurisdiction.

Accounting for the effects of regulation – Due to the regulation of its rates by the ACC, the Cooperative prepares its financial statements in accordance with Regulated Operations. This accounting requires a cost-based, regulated enterprise to recognize revenues and expenses in the time periods when the revenues and expenses are included in rates. This may result in regulatory assets and liabilities until such time that the related revenues and expenses are included in rates.

Indenture – As of March 1, 2016, AEPCO has an Indenture of Deed of Trust, Security Agreement and Financing Statement (Indenture), approved by RUS that will allow the Cooperative to explore alternative financing providers in addition to RUS. The indenture consolidates all of AEPCO's secured debt under one trustee, who will manage the debt portfolio for RUS, reducing RUS reporting requirements, while still maintaining RUS oversight.

Utility plant – Utility plant, consisting primarily of coal and natural gas electric generation facilities and transmission facilities, is stated at historical cost and includes the costs of outside contractors, direct labor and materials, allocable overhead and interest charged during construction.

In accordance with the Uniform System of Accounts, the Cooperative capitalizes the interest costs associated with the borrowing of funds used to finance construction work in progress (CWIP). Interest income from construction funds held in trust, if any, is credited to CWIP. Interest costs capitalized on construction projects was approximately $231,000 and $14,000 for 2022 and 2021, respectively.

Depreciation is computed on the straight-line basis over estimated useful lives of depreciable property in accordance with rates prescribed by RUS, averaging 2.6% and 2.57% in 2022 and 2021, respectively. Minor replacements and repairs are charged to expense as incurred. When utility plant is retired, sold, or otherwise disposed of, the original cost plus the cost of removal less salvage value is charged to accumulated depreciation, along with any corresponding gain or loss.

The Cooperative assesses its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the fair value is less than the carrying amount of the asset, a loss is recognized for the difference. The Cooperative has not recorded any losses resulting from impairment of its long-lived assets.

Asset retirement obligations – Accounting standards require the recognition of an Asset Retirement Obligation (ARO), measured at estimated fair value, for legal obligations related to decommissioning and restoration costs associated with the retirement of tangible long-lived assets in the period in which the liability is incurred. The initial capitalized asset retirement costs are depreciated over the life of the related asset, with accretion of the ARO liability classified as an operating expense (see Note 10 – Asset retirement obligation).

Investments – The Cooperative accounts for its investments in accordance with accounting for certain investments in debt and equity securities. At December 31, 2022 and 2021, all investment balances are recorded at fair market value (see Note 3), with the exception of investments in associated organizations and patronage capital. Investments in associated organizations and patronage capital are carried at cost, plus capital credits allocated and not retired.

Cash equivalents – The Cooperative considers all investments with an original maturity of 90 days or less to be cash equivalents. The Cooperative maintains its cash in bank accounts, which, at times, exceed federally insured limits and has not experienced any losses in such accounts. Restricted cash consists of special deposits and economic development funds, which are restricted in use.

Receivables – Receivables are recorded when invoices are issued and are written off when they are determined to be uncollectible. The allowance for doubtful accounts is estimated based on historical losses, review of specific problem accounts, the existing economic conditions in the industry and the financial stability of customers. Generally, accounts receivable are considered past due after 30 days. No allowance was deemed necessary at December 31, 2022 and 2021.

Inventories – Inventories, consisting of coal, natural gas and materials and supplies, are carried at average cost.

Deferred debits and credits – Deferred debits and credits are recorded at cost and either: (1) amortized over their expected period of benefit or alternate period of time as may be mandated by ACC order or other regulatory order, if different, or (2) eliminated upon determination of their ultimate disposition.

Debt issuance costs – Debt issuance costs related to a recognized debt liability are presented on the balance sheet as a direct reduction from the carrying amount of that debt liability. These costs are amortized to interest expense over the life of the related debt using the effective interest method. As of December 31, 2022 and 2021, the total debt issuance costs net of debt was $371,801 and $261,254, respectively.

Overhaul costs – The Cooperative accounts for major and minor overhauls using the deferral method. Accordingly, incurred overhaul costs are deferred and amortized over the overhaul benefit period, generally three years for minor overhauls and six years for major overhauls. The frequency of overhauls is based on the operating characteristics and operating profiles of each generating unit (see Note 7).

Leases – On January 1, 2022, the Cooperative adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 842, *Leases* (Topic 842), to those leases that were not completed as of January 1, 2022. Results for reporting periods beginning after January 1, 2022, will be presented under Topic 842, while prior period amounts will not be adjusted and continue to be reported under the accounting standards in effect for the prior period. On January 1, 2022, the Cooperative recorded the initial right-of-use (ROU) asset and lease liability for $800,000.

Under Topic 842, the Cooperative determines whether the arrangement is or contains a lease at inception. Operating and finance leases will be recognized on the balance sheets as ROU assets and lease liabilities. ROU assets represent the Cooperative's right to use an underlying asset for the lease term and lease liabilities represent the Cooperative's obligation to make lease payments arising from the lease. Lease liabilities and their corresponding ROU assets are recorded based on the present value of lease payments over the expected remaining lease term. For this purpose, the Cooperative considers only payments that are fixed and determinable at the time of commencement. The lease ROU assets also include any lease payments made and adjustments for prepayments and lease incentives. The interest rate implicit in lease contracts is typically not readily determinable. As a result, the Cooperative will utilize a weighted average cost of capital rate, as permitted by Topic 842. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Cooperative will exercise that option.

The Cooperative adopted the standard using the modified retrospective transition approach. The new standard provides for a number of practical expedients in transition. The Cooperative elected the package of practical expedients, which permits the Cooperative to not reassess under the new standard prior conclusions about lease identification, lease classification, and initial direct costs. The Cooperative also elected the use-of-hindsight and elected the practical expedient to not separate lease and non-lease components on real estate leases where the Cooperative is the lessee. The Cooperative did not elect the practical expedient pertaining to land easement as it is not applicable.

Income tax status – The Cooperative is exempt from income taxes under the provisions of Section 501(c)(12) of the Internal Revenue Code, except to the extent of unrelated business income, if any. The Cooperative follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10, relating to accounting for uncertain tax positions. As of December 31, 2022 and 2021, the Cooperative does not have any uncertain tax positions. The Cooperative files an exempt organization and unrelated business income tax return in the U.S. federal jurisdiction and the states of Arizona and California. Based upon its equity membership in ACES (see Note 3), returns are filed with the states of Arkansas, Georgia, Indiana, Maryland, Minnesota and North Carolina.

Revenue recognition – Revenues are recognized as electric power, electric transmission and other energy service products and are delivered at rates approved by the ACC. The Cooperative recognizes operating revenues from wholesale electricity sales and electricity transmission services in an amount that reflects the consideration to which the Cooperative expects to be entitled in exchange for those sales and services.

The Cooperative supplies power requirements (energy and demand) to its Members subject to substantially identical wholesale power contracts. The Cooperative also supplies power (energy and demand) to Nonmembers subject to wholesale power contracts. Class A Member revenue is recorded at either ACC authorized rates or contractual rates and Class D Member and Nonmember revenue is generally recorded at contractual rates. Based on the invoice practical expedient, revenue is recognized equal to the amount the Cooperative has the right to invoice. The Cooperative bills its Members monthly, and payments are due monthly. Substantially all of the Cooperative's accounts receivable relate to revenues under its contracts with Members and Nonmembers.

Purchased power and fuel costs – Purchased power and fuel costs are charged to expense as incurred. In its October 25, 2013 rate order, the ACC approved a new purchased power and fuel cost adjustor (the adjustor) for the Cooperative. Starting on November 1, 2013, the new adjustor enables the Cooperative to accumulate its over and under collection of fuel and purchased power costs and subsequently, as approved by the ACC, refund or collect from its members the amount of over or under collection of fuel and purchased power costs. Such amounts are recorded as revenue in the period the costs are incurred.

Fair value of financial instruments – All of the Cooperative's financial instruments are recorded at fair market value or carrying value, which approximates fair market value. Investments in associated organizations and patronage capital are not considered financial instruments because they represent nontransferable interests in associated organizations. The Cooperative has determined that its financial instruments fall into the Level 1 category. Level 1 asset valuations are based on assets at the quoted prices in active markets for identical assets, level 2 asset valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly and level 3 asset valuations based on inputs that are unobservable and significant to the overall fair value measurement (see Note 3).

Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the adjustor, depreciation, asset retirement obligation and overhaul amortization. Actual results could differ from these estimates.

Reclassifications – The classification of certain prior year amounts have been changed on the balance sheets, statements of revenues and expenses and unallocated accumulated margins and cash flows. The reclassifications have no impact on net margins.

Subsequent events – Accounting standards require disclosure of the date through which subsequent events have been evaluated, as well as whether the date is the date the financial statements were issued or the date the financial statements were available to be issued. The Cooperative has evaluated subsequent events through March 31, 2023, the date the financial statements were available to be issued.

Note 3 – Investments

Investments at December 31 consist of the following:

	2022	2021
Restricted - municipal bonds	$ 2,950,786	$ 2,901,940
Restricted - term certificates	4,273,022	4,330,022
Investment in associated organizations	1,312,768	1,310,968
Patronage capital	2,022,545	1,838,972
Other	491,754	500,084
Subtotal	$ 11,050,875	$ 10,881,986
Less current portion of restricted investments	54,000	54,000
Total	$ 10,996,875	$ 10,827,986

Contractual maturities of restricted investments at December 31 are as follows:

	2022	2021
Due from one year to five years	$ 2,896,786	$ 2,806,253
Due after ten years	4,327,022	4,381,022
Total	$ 7,223,808	$ 7,187,275

Municipal bonds – As a condition of National Rural Utilities Cooperative Finance Corporation's (CFC) guarantee of the Solid Waste Disposal Revenue Bonds (see Note 8), the Cooperative purchased a non-interest bearing Debt Service Reserve Certificate (the certificate) maturing in 2024 upon final payment of the debt. The proceeds of the certificate are held by CFC in a Debt Service Reserve Fund (DSRF). At December 31, 2022, the investment included three municipal bonds for approximately $2,873,000, which bears interest at 5% per annum, respectively and cash of approximately $77,000. At December 31, 2021, the investment included three municipal bonds for approximately $2,873,000, which bear interest at 5% per annum, respectively and cash of approximately $29,000.

Municipal bonds are valued based on quoted market prices for those or similar investments.

Term certificates – The Cooperative is a member of CFC, a not-for-profit cooperative financing institution. As a condition of membership, the Cooperative purchased Subscription Capital Term Certificates (SCTCs). The SCTCs, totaling $4,093,022 at December 31, 2022 and 2021, respectively, bear interest at 5.00% per annum and have maturity dates ranging from 2070 to 2080.

As a condition of the Solid Waste Disposal Revenue Bonds (see Note 8), which are guaranteed by CFC, the Cooperative purchased a Subordinated Term Certificate (STC). The STC, totaling $200,000 and $237,000 at December 31, 2022 and 2021, respectively, bears interest at 7.57% per annum and matures in full in 2024 upon final payment of the related debt. At December 31, 2022 and 2021, the current portion of the STC loan guarantee valued at $57,000 and $54,000, respectively, is recorded in current assets as an accounts receivable.

The SCTCs and STCs are unrated, uncollateralized debt securities of CFC.

Investment in associated organizations – The Cooperative is a member of Sierra. The Cooperative's membership fee in Sierra was $2,000 as of December 31, 2022 and 2021, respectively, and is carried at cost. The Cooperative's investment in Sierra was $70,000 as of December 31, 2022 and 2021, respectively, and is carried at cost (see Note 17).

The Cooperative is an equity member of Alliance for Cooperative Energy Services Power Marketing LLC (ACES). The Cooperative's investment in ACES was $961,610 as of December 31, 2022 and 2021 and is accounted for under the cost method of accounting.

The Cooperative invested in the capital of Grand Canyon State Electric Cooperative Association (GCSECA), which is accounted for under the cost method of accounting. The Cooperative's investment in GCSECA was $275,358 as of December 31, 2022 and 2021.

The Cooperative is a member of CoBank AFB (CoBank). The membership fee is $1,000 and is carried at cost.

The Cooperative is a member of CFC. The membership fee is $1,000 and is carried at cost.

The Cooperative holds investments made in the Board of Directors deferred compensation plan program in Homestead Funds (see Note 5 – Deferred Compensation Plans). The balance in the account at December 31, 2022 and 2021 was $491,754 and $500,084, respectively, and is carried at fair market value.

Patronage capital – Patronage capital represents capital credit allocation of margins due to the Cooperative. Such amounts are returned to the Cooperative in accordance with the associated organization's bylaws and/or at their discretion.

Note 4 – Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents at December 31 consist of the following:

	2022	2021
Rural economic development revolving loan program	$ 510,992	$ 474,485
Other deposits on account	2,206,715	2,069,170
Total restricted cash and cash equivalents	$ 2,717,707	$ 2,543,655

Note 5 – Accounts Receivable

Accounts receivable at December 31 consist of the following:

		2022		2021
Member energy sales	$	42,502,689	$	14,295,754
Electric transmission sales		1,880,804		1,832,034
Nonmember energy sales		11,399,923		6,675,045
Other		10,463,035		4,309,388
Total accounts receivable	$	66,246,451	$	27,112,221

Member energy sales – Member energy sales consist of sales to members under their wholesale power sales contracts (see Note 11) and generally are not collateralized.

Electric transmission sales – Electric transmission sales consist of sales to members and nonmembers under transmission service agreements (see Note 11) and are generally not collateralized.

Nonmember energy sales – Nonmember energy sales consist of non-firm sales to unrelated electric utilities and are generally not collateralized.

Note 6 – Notes and Other Receivables

Related party promissory notes – The Cooperative replaced the balance of the short-term note to Sierra to finance construction of solar photovoltaic distributed generation facilities with two promissory notes (see Note 16). Each note between Sierra and AEPCO has an annual interest rate of 3.00% and a term of 25 years. The combined notes receivable was $1,145,542 and $1,206,353 as of December 31, 2022 and 2021, respectively.

RUS rural economic development grant – In 1998, the Cooperative was awarded a $400,000 RUS Rural Economic Development Grant. The Cooperative contributed matching funds in the amount of $80,000. In 2020, the Cooperative was awarded an additional $182,213 RUS Rural Economic Development Grant. In accordance with grant guidelines, initial loans made to qualifying recipients at a zero-interest rate were repaid over a ten-year period. The loan repayments were used to establish a revolving loan fund, which in turn, is used for providing loans to foster rural economic development. Loans made from repayments of the initial loans may carry an interest rate. In November 2010, March 2012, June 2015, March 2017, and February 2020, the Cooperative issued loans in the amount of $300,000, $80,000, $280,000, $100,000, and $360,000 respectively, at an interest rate of 3.00%. As of December 31, 2022, and 2021, the Cooperative has $510,992 and $474,485, respectively, of cash and cash equivalents restricted for use in this program (see Note 4).

Note 7 – Deferred Debits

Deferred debits at December 31 consist of the following:

	2022	2021
Deferred overhaul costs	$ 9,931,224	$ 14,941,344
Preliminary survey and investigation and other deferred debits	23,070,643	5,547,339
RS plan prepayment (See Note 14)	4,114,374	4,662,958
Redemption premium (See Note 8)	-	240
Total deferred debits	$ 37,116,241	$ 25,151,881

Deferred overhaul costs – The Cooperative accrues for overhaul costs on the generation equipment by charging a proportion of the estimated cost of the overhaul, over the period covered by the overhaul cycle, to maintenance expense.

Preliminary surveys investigation – Deferred preliminary survey and investigation costs are capitalized to construction in progress when the construction phase begins or expensed if the project is abandoned.

Note 8 – Long-Term Debt

Federal Financing Bank (FFB) – Long-term debt due to FFB is payable at interest rates based on long-term obligations of the United States Government as determined on the date of advance. Interest rates on existing FFB debt ranged from 0.645% to 4.88% in 2022 and 2021. Quarterly principal and interest installments on these obligations extend through 2035. The obligations are guaranteed by RUS. The Cooperative may prepay all outstanding notes by paying the principal amount plus either 1) the difference between the outstanding principal balance of the loan being refinanced and the present value of the loan discounted at a rate equal to the then current cost of funds to the Department of the Treasury for obligations of comparable maturity; 2) 100% of the amount of interest for one year on the outstanding principal balance of the loan being refinanced multiplied by the ratio of a) number of quarterly payment dates remaining to maturity bears to b) number of quarterly payment dates between year 13 of the loan and the maturity date; or 3) present value of 100% of the amount of interest for one year on the outstanding principal balance of the loan.

Solid Waste Disposal Revenue bonds – These bonds are repriced and sold semi-annually at six month intervals on March 1st and September 1st, and AEPCO has the option to redemption at each repricing. Principal on these bonds is due in annual installments through 2024. Interest rates on the bonds are variable and subject to revision semiannually. The interest rate in effect at December 31, 2022 and 2021 was 3.3% and .30%, respectively. Interest is paid semiannually. These bonds are guaranteed by CFC and are not subject to optional redemption prior to maturity.

Cooperative Finance Corporation – Long-term debt due to CFC is notes payable at a fixed rate of 2.90% and a variable interest rate that is established monthly and effective on the first day of each month. The variable interest rate in effect at December 31, 2022 and 2021 was 5.75 and 2.50%, respectively. Quarterly principal and interest payments on these obligations extend through 2027. The variable interest rate on the debt is convertible to a fixed rate. The fixed rate would be equal to the rate of interest offered by CFC at the time of the conversion request. The Cooperative may prepay fixed rate notes in whole or in part, subject to a prepayment premium prescribed by CFC.

Maturities of long-term debt – Maturities of long-term debt for the next five years and thereafter are as follows as of December 31, 2022:

2023	$	15,036,954
2024		14,775,032
2025		27,377,307
2026		11,148,413
2027		11,407,079
Thereafter		92,695,573
Total		172,440,358
Total long-term debt, net	$	172,440,358

On March 1, 2016, AEPCO replaced the RUS Mortgage with the Indenture, pursuant to which AEPCO has granted a lien and a security interest in substantially all of its real and personal property to secure current indebtedness and other obligations and to secure other indebtedness (see Note 2 – Indenture). In connection with the adoption of the Indenture as a replacement for the RUS Mortgage, AEPCO and RUS amended and restated the existing loan contracts as the Amended and Restated Loan Contract (Contract), dated March 1, 2016 between AEPCO and the Government acting by and through the Administrator of the RUS. Under the covenants of the Contract, the Cooperative must, among other things, maintain a credit rating from at least two rating agencies and comply with covenants in the Indenture, which includes establishment and collection of rates for the use or sale of output, capacity or service of the system that together with other revenues available to the Cooperative are reasonably expected to yield margins for interest equal to at least 1.10 times secured interest charges. Management believes these financial covenants have been achieved as of December 31, 2022.

Note 9 – Member Advances and Other Investments

Member investment program – The Cooperative offers all members the ability to invest funds with the Cooperative on a short-term basis for periods of up to nine months. The Cooperative had recorded liabilities for notes of $10,000,000 and $14,644,420 at December 31, 2022 and 2021, respectively. The interest rate on these notes averaged 1.519% and .099% in 2022 and 2021, respectively. Interest expense on these notes was approximately $217,670 and $22,000 for the years ended December 31, 2022 and 2021, respectively.

Prepaid billing program – The Cooperative also offers a program for all members whereby the members may make interest-bearing prepayments of their monthly power and transmission billings. The prepayment and accrued interest are applied to the members' power and transmission billings on the date such billings become due. The Cooperative recorded no liabilities for prepayments at December 31, 2022 and December 31, 2021.

Southwest Public Power Agency – The Cooperative entered into an Energy Management Services Agreement (Agreement) with Southwest Public Power Agency (SPPA), a Class D member of AEPCO, on March 31, 2015 to provide accounting, reporting, scheduling, selling, purchasing and gas hedging services with respect to the energy available to SPPA under the Agreement. To enable AEPCO to provide credit services necessary to this Agreement, SPPA has provided a deposit to AEPCO in the amount of $1,000,000, which AEPCO has placed and will maintain in an interest bearing account separate from other sources. SPPA is entitled to all interest that accumulates in the deposit account. The balance in the deposit account was $1,087,383 and $1,068,890 for the years ended December 31, 2022 and 2021, respectively.

Metropolitan Water District of Southern California – The Cooperative entered into a Scheduling and Trading Services Agreement (Agreement) with the Metropolitan Water District of Southern California (MWD), a class D member of AEPCO, on August 28, 2017 to provide accounting, reporting, scheduling, selling and purchasing services as defined in the agreement through December 31, 2035 unless terminated under provisions within the agreement. To enable AEPCO to provide credit services necessary to this Agreement, MWD has provided a deposit to AEPCO in the amount of $1,000,000, which AEPCO has placed and will maintain in an interest bearing account separate from other sources. MWD is entitled to all interest that accumulates in the deposit account. The balance in the deposit account was $12,486,297 and $1,000,280 for the years ended December 31, 2022 and 2021, respectively

Note 10 – Deferred Credits and Other Liabilities

Deferred credits at December 31 consist of the following:

	2022	2021
Asset retirement obligation	$ 26,663,501	$ 25,519,476
Regulatory liability - ARO	4,076,033	3,846,346
Pension distribution liability	182,213	182,213
Total deferred credits and other liabilities	$ 30,921,747	$ 29,548,035

Asset retirement obligation – The Cooperative completed the ARO calculation for the Apache Station Generation Plant in Cochise, Arizona with the assumption that the assets will be in service through the year 2035. The useful life expectations used in the calculations of the ARO are based on the assumption that operations will continue without deviation from historical trends.

The asset retirement obligation related to generation assets at December 31 consists of the following:

	2022	2021
Liability at January 1	$ 25,519,476	$ 24,435,456
Decommission expense recognized	1,144,025	1,084,020
Liabilities incurred	-	-
Liability at December 31	$ 26,663,501	$ 25,519,476

The regulatory liability related to the asset retirement obligation calculation at December 31 consists of the following:

	2022	2021
Liability at January 1	$ 3,846,346	$ 3,556,654
Estimated recovery	1,978,704	1,978,704
Less accretion & depreciation expense	(1,749,017)	(1,689,012)
Liability at December 31	$ 4,076,033	$ 3,846,346

Note 11 – Commitments and Contingencies

Class A Member power sales contracts – Wholesale power sales contracts – The Cooperative holds all requirements wholesale power sales contracts with three of its six Class A member cooperatives pursuant to which each Class A member agrees to purchase from the Cooperative all of its electric power requirements. These all requirements power contracts expire December 31, 2035, and will remain in effect thereafter until terminated by either party upon six months' notice. Management believes the Cooperative will be able to fulfill its requirements on these long-term contracts.

Class A Member power sales contracts – Partial requirements wholesale power contracts – The Cooperative holds partial requirements wholesale power sales contracts, expiring December 31, 2035, with three of its Class A member cooperatives pursuant to which the Class A members have agreed to purchase from the Cooperative electric energy up to and capacity at the member's allocated capacity percentage in the Cooperative's total resources existing at the time of execution of the contract.

Class A Member network service agreements – The Cooperative has agreements to provide network integration transmission service to deliver power to the all-requirements Class A distribution cooperative members. The Cooperative entered into separate agreements to provide network integration and point-to-point transmission services to the partial requirements Class A members. These agreements remain in effect so long as the associated wholesale power contract between AEPCO and the Class A member remains in effect, all of which terminate on December 31, 2035. In the opinion of management, the Cooperative will be able to provide service in accordance with these agreements (see Note 17).

Class B and Class C Member power sales contracts – There are no Class B or C member contracts at December 31, 2021.

Class D Member service contracts – Class D membership requires the member to enter into a service contract for a minimum term of 2 years. The service contract with each Cooperative's Class D member is renewed annually until terminated by either party upon a six months written notice. At December 31, 2022, the Cooperative had five Class D members.

Nonmember power and services agreements – The Cooperative holds one nonmember power and service agreement.

Wholesale power purchase contracts – The Cooperative's current power supply includes the following purchase power agreements:

- Hydroelectric power purchases from Western Area Power Administration (Western), a federal power marketing agency. Under the terms of its Salt Lake City Integrated Project (formerly Colorado River Storage Project) contract, which expires September 30, 2024, the Cooperative can receive up to 2.4 MW during October through March and up to 11.7 MW during April through September for service to its Class A members. Additionally, under the terms of a contract with the Parker Davis Project, which expires September 30, 2028, the Cooperative receives 18.3 MW during October through February and 23.6 MW during March through September. Hoover (Boulder Canyon Project) hydroelectric power purchase from Arizona Power Authority and Western of approximately 4 MW each month October 2017–September 30, 2067.

- Power purchase agreement with Salt River Project to purchase up to 15 MW capacity and energy at a maximum of 44% capacity factor per month and priced at less than the market price for Peak Hours with a term to begin in January 2016 and ending 20 years thereafter. Beginning January 2017 through the remaining term of the contract, 1.755 MW will be allocated to Navopache Electric Cooperative.

Solar services agreements – The Cooperative's current power supply includes the following solar services agreements:

- Solar services agreement with Sierra to purchase up to 20 MW alternating current electricity at a maximum of 100% capacity factor per month with a term to begin on October 10, 2017 and ending on October 9, 2026 unless either party provides ninety days written notice of intent not to renew, the agreement shall be renewed for additional five year terms provided no renewal term extends beyond the termination date of the corresponding interconnection agreement.

- Solar services agreement with Sierra to purchase up to 2 MW alternating current electricity at a maximum of 100% capacity factor per month with a term to begin on August 17, 2017 and ending on August 16, 2026 unless either party provides ninety days written notice of intent not to renew, the agreement shall be renewed for additional five year terms provided no renewal term extends beyond the termination date of the corresponding interconnection agreement.

- Solar services agreement with Sierra to purchase up to 1.35 MW alternating current electricity at a maximum of 100% capacity factor per month and the capacity from a 2 MW/ 4 MWh battery energy storage system with a term to begin on December 9, 2020 and ending on December 8, 2027 unless either party provides ninety days written notice of intent not to renew, the agreement shall be renewed for additional five year terms provided no renewal term extends beyond the termination date of the corresponding interconnection agreement.

- Energy storage services agreement with Sierra to purchase the capacity from a 2.4 MW/ 5.2 MWh battery energy storage system with a term to begin on October 25, 2022 and ending on October 24, 2027 unless either party provides ninety days written notice of intent not to renew, the agreement shall be renewed for additional five year terms provided no renewal term extends beyond the termination date of the corresponding interconnection agreement.

Wholesale transmission contracts – The Cooperative holds three separate point to point transmission agreements to provide point-to-point transmission services for delivering to other Southwest Reserve Sharing Group (SRSG) members under the SRSG Agreement and for the Joint Generation Contingency Reserve Plan (N-1 Plan). The first agreement provides for reserved transmission capacity of 30 MW for delivery of energy to other SRSG participants, the second agreement provides for reserved transmission capacity of 175 MW for the receipt of energy from other SRSG participants in the event of a loss of Apache generation and the third agreement provides for reserved transmission capacity of 110 MW as established in the N-1 Plan. Each of these agreements, which renew annually, are expected to remain in effect for the term of the members' network service agreements. In the opinion of management, the Cooperative will be able to provide service in accordance with these agreements.

Other transmission service agreements – The Cooperative provides separate transmission service agreements (Point to Point and Network Integration) with other entities in accordance with the Cooperative's Open Access Transmission Tariff (OATT) or other pre-OATT agreements. These other transmission service agreements provide for reserved transmission capacity and will remain in effect in accordance with each respective service agreement. In the opinion of management, the Cooperative will be able to provide service in accordance with these agreements.

Transmission wheeling agreements – The Cooperative purchases transmission wheeling rights from other entities. There are currently six (five with Western Area Power Administration – Desert Southwest Region and one with Southern California Edison) transmission wheeling agreements under which the Cooperative purchases transmission to provide for deliveries to AEPCO's Class A members loads. There are currently five wheeling agreements (one with Western Areas Power Administration – Desert Southwest Region, two with El Paso Electric, one with Tucson Electric Power and one with Salt River Project) under which the Cooperative moves power from market hubs into the Cooperative's service area. These transmission wheeling agreements expire at various times and may include associated roll-over rights.

Rate filing application – generation – On July 5, 2012, the Cooperative filed an application for rate relief requesting new rates to become effective on or after November 1, 2013 and the continuance of the Cooperative's purchased power and fuel cost adjustor. On October 25, 2013, the ACC issued a decision approving a 2.77% decrease in revenues and authorizing new rate tariffs and a purchased power and fuel adjustment clause, which became effective on November 1, 2013. Further, the ACC authorized the implementation of new depreciation rates effective November 1, 2013. On August 1, 2014, the Cooperative filed an application requesting to remove from its rates all costs and charges related to two purchase power contracts that expired on October 31, 2014. The application was approved by the ACC and the new tariff rates became effective November 1, 2014. On December 17, 2015, the ACC approved the form of the Cooperative's proposed environmental cost adjustment rider (ECAR) and plan of administration. The Cooperative filed an application to approve its initial Environmental Compliance Strategy (ECS) and revised ECAR tariff on May 27, 2016. The ACC approved the Cooperative's initial ECS and revised ECAR on September 19, 2016, and the Cooperative began collecting the costs associated with the activated carbon via the ECAR effective with the October 2016 billings.

Rate filing application – transmission – On August 3, 2012, the Cooperative filed an application for rate relief with the ACC requesting new rates to become effective on November 1, 2013 or at the same time as AEPCO's rates. On October 25, 2013, the ACC issued a decision approving a 28.61% decrease in revenues and authorizing new rate tariffs and a Network Transmission Revenue Adjustor (TRA) and Plan of Administration, which became effective on November 1, 2013. Further, the ACC authorized the implementation of new depreciation rates effective November 1, 2013. On September 3, 2015, the Cooperative filed a revised TRA, which became effective on December 1, 2015.

Fuel procurement contracts – Coal supply agreements – To ensure an adequate fuel supply, the Cooperative enters into various long-term fuel contracts. At December 31, 2022, these contracts consist of:

- A 60-month agreement that originally required the Cooperative to purchase approximately 3,220,000 tons of coal during the term of the agreement. The agreement has since been amended to replace the term of the agreement with January 1, 2013 through December 31, 2024 and limit the remaining base tonnage obligation to 1,060,000 tons effective January 1, 2016. The amendment further limits the purchase and delivery of coal to approximately 176,000 tons in 2017, 153,000 tons in year 2018, 221,000 tons in 2019, and 92,060 tons in year 2020. A new amendment signed in year 2020 includes a quantity of 125,000 tons to be purchased in year 2021 with an optional tonnage quantity of 75,000 tons to be purchased in year 2021. A new amendment signed in 2021 includes a quantity of 235,000 tons to be purchased in year 2022 with an optional tonnage quantity of 83,000 tons to be purchased in year 2022. A new amendment signed in 2022 includes a quantity of 300,000 tons to be purchased in year 2023, and a quantity of 257,000 tons to be purchased in year 2024 with an optional tonnage quantity of 43,000 tons to be purchased in year 2024.

- A 7 month agreement for 85,000 tons to be delivered in year 2020 and an amendment to this agreement extending the term for another 12 months thru 2021 adding an additional 187,500 tons of coal to be delivered through 2021. A new amendment signed in year 2021 includes a quantity of 240,000 tons to be purchased in year 2022 with an optional tonnage quantity of 70,000 tons to be purchased in the year 2022. A new amendment signed in year 2022 includes a quantity of 300,000 tons to be purchased in year 2023 and a quantity of 257,000 tons to be purchased in the year 2024 with an optional tonnage quantity of 43,000 tons to be purchased in the year 2024.

Coal railcar lease agreements – To provide for the shipment of the coal supply, the Cooperative entered into lease agreements for the lease of coal railcar trainsets (see Note 15 – Coal railcar trainsets).

Coal railcar maintenance agreement – The Cooperative entered into railcar management services agreement, effective January 1, 2013, for the maintenance of the coal railcar trainset leased under the 20-year lease agreement (see Note 15 – Coal railcar trainsets). The term of the original maintenance agreement was extended to December 31, 2022.

Collective bargaining agreement – Approximately 33% of the personnel employed by the Cooperative's work force are subject to a collective bargaining agreement. The Cooperative entered into a five-year collective bargaining agreement effective March 1, 2018.