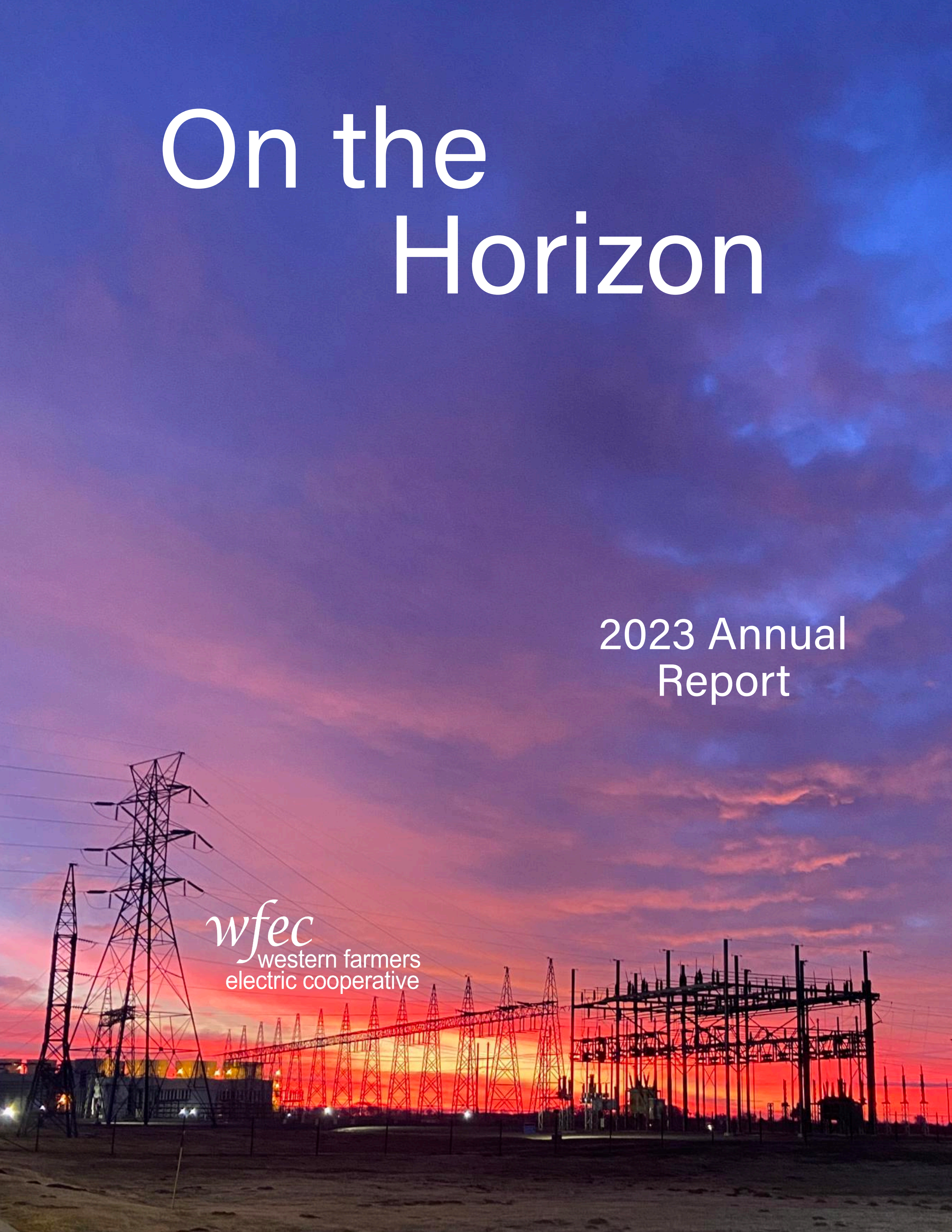
On the Horizon

2023 Annual Report

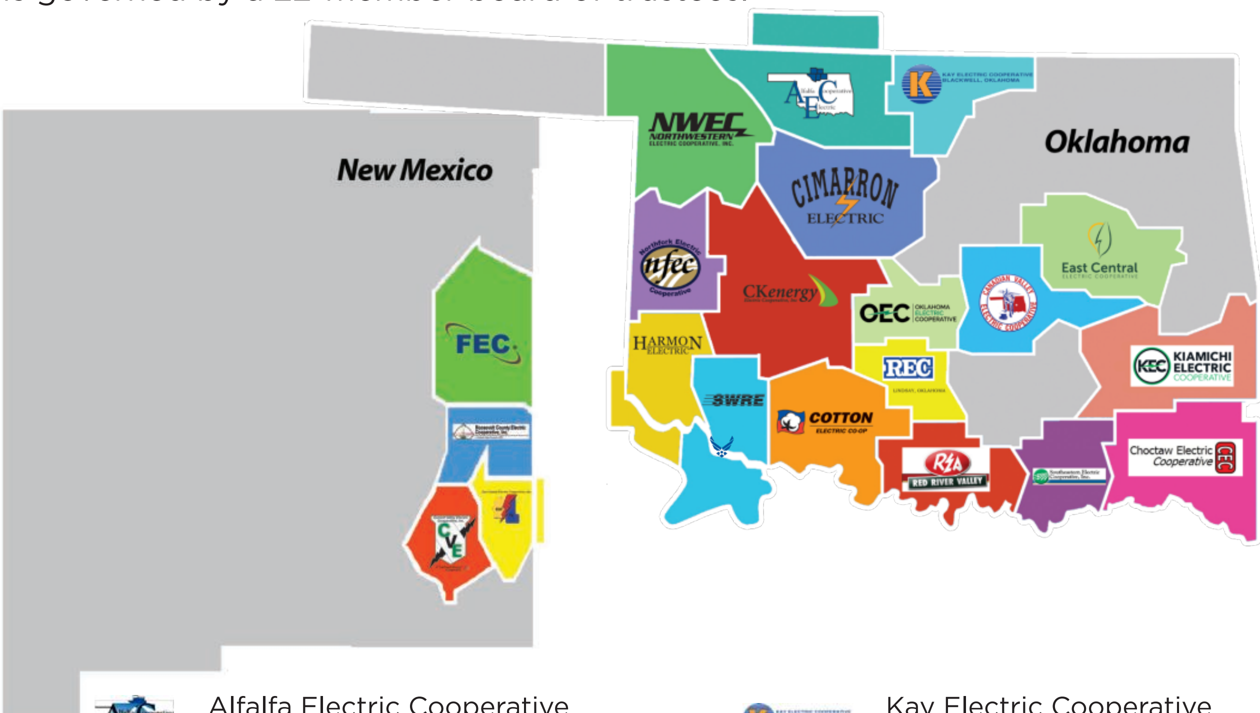


wfec
western farmers
electric cooperative

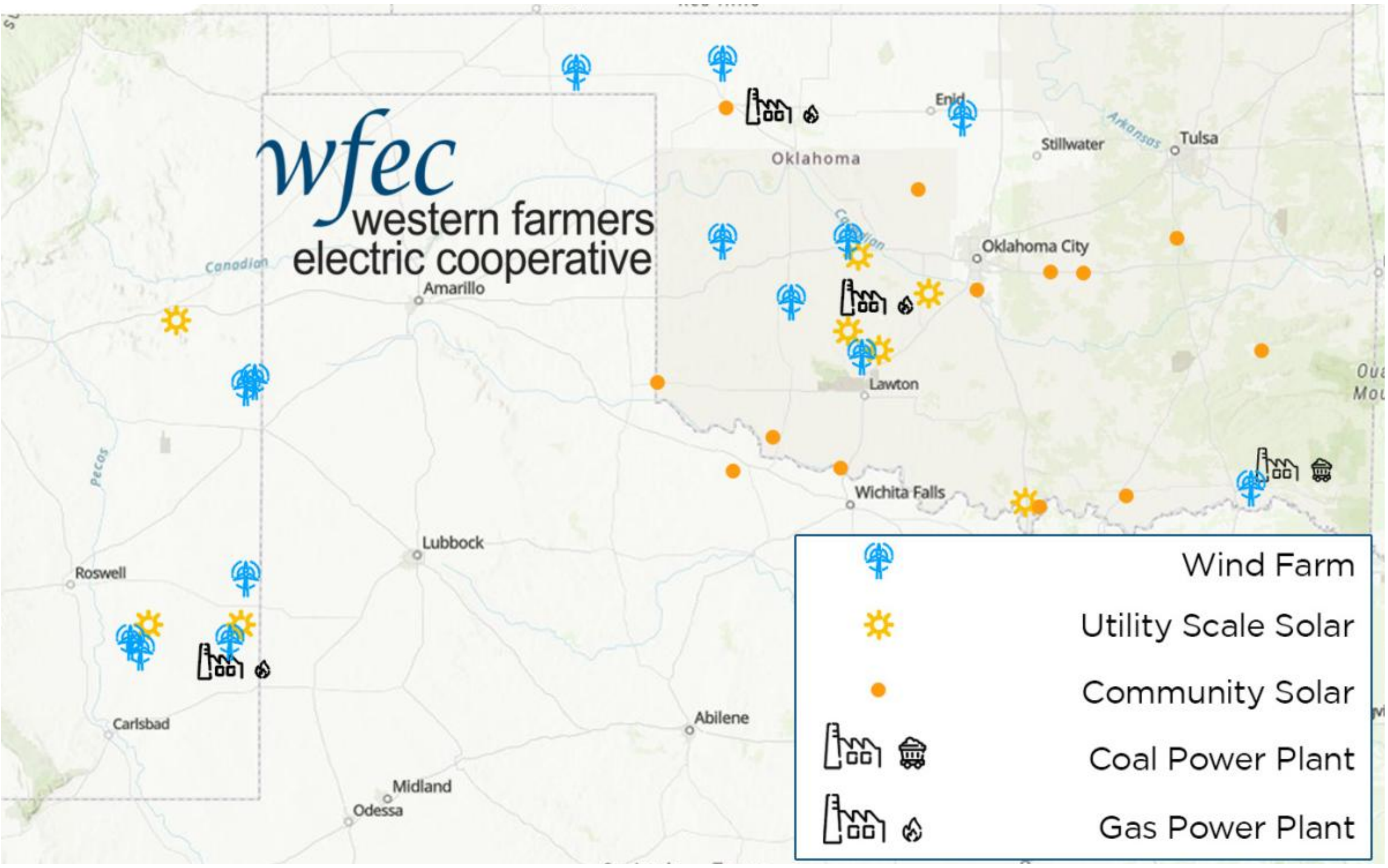
About WFEC

Western Farmers Electric Cooperative (WFEC) is a generation and transmission (G&T) cooperative that provides electric service to 21 member cooperatives and Altus Air Force Base. These members are located primarily in Oklahoma and New Mexico, with some service areas extending into parts of Texas and Kansas.

WFEC was organized in 1941 and is now in its 83rd year of operation. WFEC continues to deliver safe, reliable, and competitively priced wholesale energy across its large service territory while strengthening the organization, its member cooperatives, and its employees. WFEC is led by a management team with extensive industry experience, and is governed by a 22-member board of trustees.



Alfalfa Electric Cooperative Cherokee, Oklahoma	Kay Electric Cooperative Blackwell, Oklahoma
Altus Air Force Base Altus, Oklahoma	Kiamichi Electric Cooperative Wilburton, Oklahoma
Canadian Valley Electric Cooperative Seminole, Oklahoma	Lea County Electric Cooperative Lovington, New Mexico
Central Valley Electric Cooperative Artesia, New Mexico	Northfork Electric Cooperative Sayre, Oklahoma
Choctaw Electric Cooperative Hugo, Oklahoma	Northwestern Electric Cooperative Woodward, Oklahoma
Cimarron Electric Cooperative Kingfisher, Oklahoma	Oklahoma Electric Cooperative Norman, Oklahoma
CKenergy Electric Cooperative Binger, Oklahoma	Red River Valley REA Marietta, Oklahoma
Cotton Electric Cooperative Walters, Oklahoma	Roosevelt County Electric Cooperative Portales, New Mexico
East Central Electric Cooperative Okmulgee, Oklahoma	Rural Electric Cooperative Lindsay, Oklahoma
Farmers' Electric Cooperative Clovis, New Mexico	Southeastern Electric Cooperative Durant, Oklahoma
Harmon Electric Association Hollis, Oklahoma	Southwest Rural Electric Association Tipton, Oklahoma



Wind Generation 956 MW (nameplate)*

Solar Generation 83 MW (nameplate)*

Fossil Fuel Generation	
Gas-fired	895 MW
Coal-fired	427 MW
Total	1,322 MW
Power Purchases	
Gas-fired	280 MW
Hydro	270 MW
Portfolio of GRDA assets	200 MW
New Mexico Contracts	125 MW
Total Purchase Power	875 MW
SPP Accredited Solar/Wind	238 MW
Total Combined Capacity	**2,435 MW**

Future Generation Projects:

Anadarko Combustion Turbine, 95 MW
Anadarko, Oklahoma

Caprock Wind, 80 MW
Quay County, New Mexico

Skeleton Creek Solar, 252 MW w/1008 MWh Battery Storage
Garfield County, Oklahoma

AC Ranch Solar, 75 MW
Lea County, New Mexico

The Hugo Coal Power Plant glows on a clear night.

**WFEC purchases or produces energy from various wind & solar resources. However, WFEC has not historically, nor may not in the future, retain or retire all of the renewable energy certificates associated with the energy production from these facilities.*

Renewable Generation

WIND

Blue Canyon Wind Farm - 74 MW
Near Lawton, Oklahoma, 2003

Buffalo Bear Wind Farm - 19 MW
Near Fort Supply, Oklahoma, 2008

Red Hills Wind Farm - 123 MW
Near Elk City, Oklahoma, 2009

Rocky Ridge Wind Project - 149 MW
Near Rocky, Oklahoma, 2012

Wildcat Wind Farm - 27 MW
Near Lovington, New Mexico, 2012

Brahms BEP Wind I & II - 10 MW each
Near Grady, New Mexico, 2014

Anderson Wind Project I & II - 5 & 10 MW
Chaves County, New Mexico, 2014

Balko Wind Project - 100 MW
Near Balko, Oklahoma, 2015

Grant Wind Project - 50 MW
Grant County, Oklahoma, 2016

Sterling Wind Farm - 30 MW
Near Tatum, New Mexico, 2017

Minco Wind IV Wind Farm – 100 MW
Canadian & Caddo counties Oklahoma, 2018

Skeleton Creek Wind Project – 249 MW
Alfalfa, Major & Garfield counties, Oklahoma 2020

SOLAR

Caprock Solar - 25 MW
Near Tucumcari, New Mexico, 2016

Cyril, Oklahoma - 5 MW, 2017

Tuttle, Oklahoma - 4 MW, 2017

Pine Ridge - 3 MW, 2017
Near Ft. Cobb, Oklahoma

Hinton, Oklahoma - 3 MW, 2017

Marietta, Oklahoma - 3 MW, 2017

Community Solar - 3 MW, 2017
13 sites range from 0.125 MW to 0.250 MW
11 WFEC member cooperatives participate
(not included in WFEC's solar total)

Middle Daisy Solar - 5 MW
Near Lovington, New Mexico, 2019

Norman Solar Park - 2 MW
Norman, Oklahoma, 2022

Chaves County Solar II - 30 MW
Near Roswell, New Mexico, 2023

TOTALS:

New Mexico Renewable Energy

Wind	92 MW
Solar	60 MW

Oklahoma Renewable Energy

Wind	864 MW
Solar	23 MW

WFEC Renewable Generation Portfolio

Wind	956 MW
Solar	83 MW
Total	1,039 MW

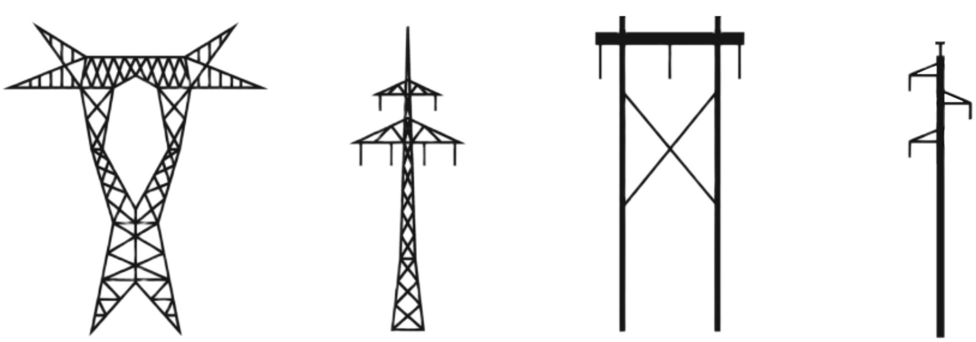
**WFEC purchases or produces energy from various wind & solar resources. However, WFEC has not historically, nor may not in the future, retain or retire all of the renewable energy certificates associated with the energy production from these facilities.*

WFEC at a Glance

Energy Sales	*$705 Million*
Total Operating Revenue	*$793 Million*
Net Margins	*$42 Million*
Assets	*$1,699 Million*
Members	*21*
Member Consumer Meters Served	*343,000 (est.)*
Member Population Served	*721,000 (est.)*
System Peak Demand	*2,200 MW*
Employees	*403*
Substations & Switch Stations	*Over 330*

Transmission & Distribution

WFEC Transmission & Distribution (T&D) staff worked on several construction projects, some that were assigned by the Southwest Power Pool (SPP) and others requested by members. Work continues on rebuilding transmission lines and switch stations to meet load growth in the region. New substations were built and others were upgraded to a larger capacity to meet members' load growth requirements.



345 kV	**161 kV**	**138 kV**	**69 kV**	**Total Mileage**
152 miles	7 miles	2,377 miles	1,331 miles	3,867 miles

Generation

WFEC generation fleet personnel were busy in 2023. Routine preventative maintenance coupled with a few unplanned outages challenged the generation team but they rose to the occasion as in years past to maintain a reliable fleet of generation. Close to 2,000 starts across the fossil fuel fleet challenged the machinery and the manpower associated with keeping those units running. WFEC generation units include the locations at Anadarko, Okla. (bottom right), Hugo, Okla. (bottom left), Lovington, N. M. (below) and Mooreland, Okla. (above).

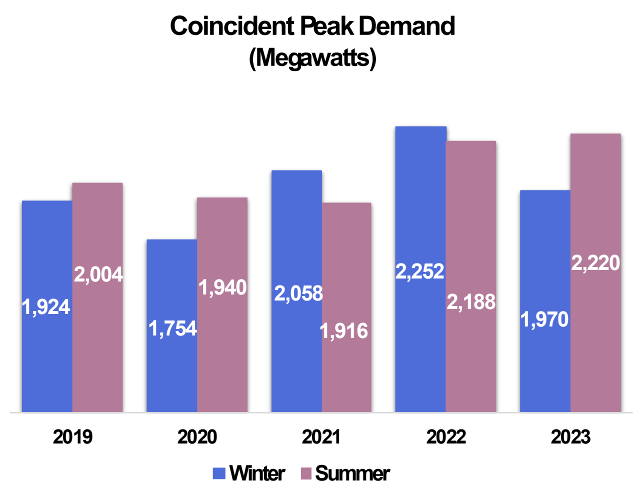
2023: *A Year of Planning for a Bright Future*

Numerous opportunities were on the horizon in 2023 for the electric utility industry and WFEC, with expectations to continue into 2024, as plans for the future develop. The largest opportunity, quite possibly, was the Inflation Reduction Act (IRA), introducing billions of dollars in grant and loan programs along with other investments for clean energy and climate initiatives.

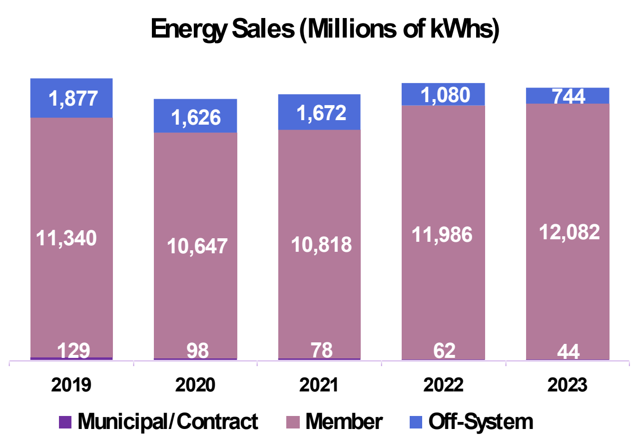
The IRA appropriations became of even greater importance and value as the Environmental Protection Agency (EPA) continued efforts to firm up pending rules for greenhouse emissions, impacting how fossil fuel units will operate into the future.

In addition, volatile weather patterns and electrification have pushed peak demand for WFEC and across the SPP to record levels in recent years. These developments shape the operations within SPP to ensure resiliency and reliability of the grid, and in turn impact WFEC operations. The culmination of these factors prompted a year of careful planning by WFEC for the future while understanding the importance of every decision.

Extreme weather patterns have pushed peak demand for WFEC and across the SPP footprint to record levels in recent years.



Demand has grown in recent years, driven by volatile weather patterns and the electrification of technology.



Member energy sales remained steady in 2023 after a return to pre-pandemic levels in 2022.

Electric vehicles are a growing source of electrification of technology that has an impact on peak demand.

The Board of Trustees (Board) held the first of two 2023 Strategic Planning Retreats (Retreat) in March. At the first Retreat, the Board approved a plan to add 95 megawatts (MW) of combustion turbine natural gas generation at the Anadarko Plant site.

The Board also approved the use of existing transmission service from three gas steam turbine units, which will be retired. Commercial operation of the new combustion turbines is planned for mid-2026.

Additionally, the Board directed staff to increase the portfolio of renewable generation for energy supplied from its current levels to 50% of total energy supplied to members in the coming years.

WFEC's Board of Trustees took part in a tour of the Hugo Plant in September, following a monthly meeting and prior to one of the two Strategic Planning Retreats in 2023.

At the second Retreat, held in September, the Board reviewed various impacts on resource mix, rates and other financial considerations of the new combustion turbine engine project. During this review future resource addition projects through 2035 were considered as well.

WFEC's Fuel Diversity - 2023

Renewables* - 26%
Wind - 20%
Solar - 1%
Hydro - 5%

Generation - 14%
Coal - 5%
Natural Gas - 9%

Power Purchase Agreements - 17%
Grand River Dam Authority
Oneta Power Plant
Southwestern Power Service

SPP Market Purchases - 43%**
(**Includes blend of resources.)

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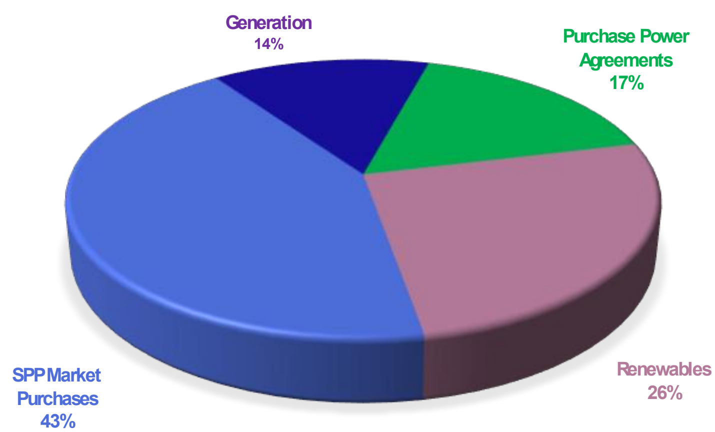
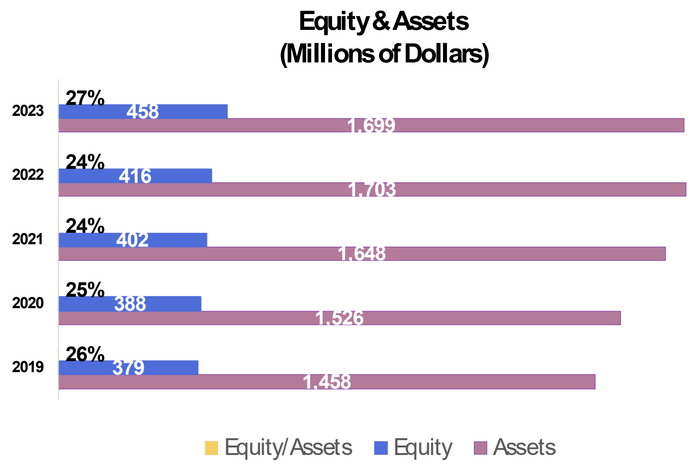


WFEC owns and operates a diverse power generation fleet consisting of gas and coal generation, in addition to solar and wind facilities. WFEC also has power purchase agreements for wind, solar, natural gas and hydroelectric generation.

The percentages listed represent an average of WFEC's kilowatt-hour (kWh) input into the SPP Market for 2023. All kWhs are then purchased from the market at SPP's blend of power.

Financial considerations focused on future equity needs and the balance between internal and external funding for future projects. The Board continues to hold high financial targets to ensure creditworthiness and to mitigate large wholesale power rate impacts in the future through strategic use of the margins collected to-date.

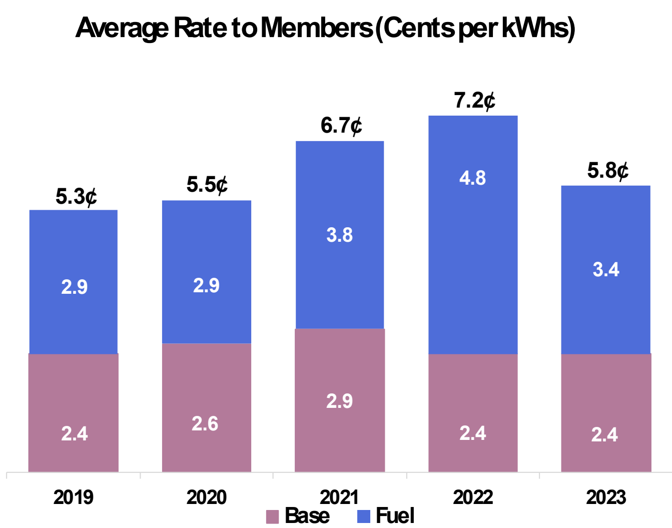
To provide flexibility around the EPA-proposed greenhouse gas rules, the decision was made to accelerate depreciation of the WFEC coal plant in Hugo, Okla. This decision will allow WFEC and its members to minimize future stranded investments when the time for retirement comes. Efforts began in 2023 to explore the possibility of constructing and operating natural gas generation at the Hugo Plant site.



WFEC has maintained financial strength with a consistent and growing equity-to-asset ratio as capital investments continue, including the 95 MW Combustion Turbine Units that will become commercial in 2026. The Board's financial goals provide margins sufficient to grow equity and cash reserves that enable the cooperative flexibility in financing projected capital expenditures with a balance of equity and debt for the benefit of its members at reasonable costs.

In total, the Board provided direction and approved a plan for staff to implement that covers many areas of WFEC operation through 2035. The timing of generation resources, wholesale power rates and financial performance will be reviewed at future retreats to refine and update these plans for changing load, regulation and market variables.

Another significant accomplishment during 2023 was a return of wholesale power costs to pre-pandemic levels. The average wholesale cost of electricity to members was slightly lower than 6 cents per kilowatt-hour (KWh) delivered to distribution voltage system (including cost recovery of Storm Uri that extends through 2026).



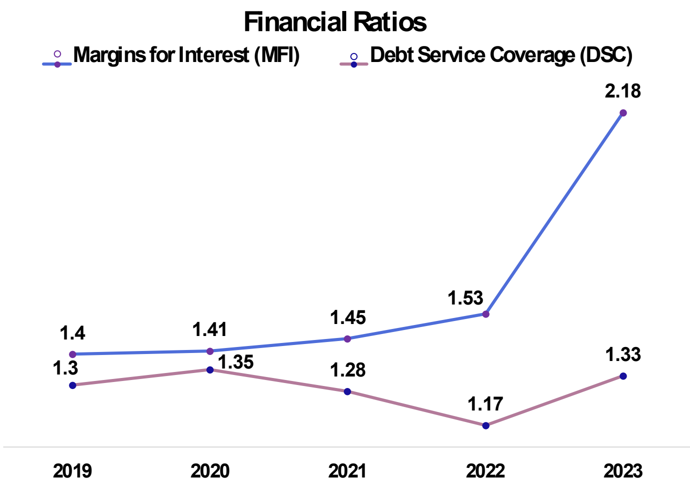
Rates have returned to pre-pandemic levels as natural gas cost decreased in 2023 and KWh sales continue to increase. Absent the recovery of Storm Uri in the average cost of power, rates would be near identical to pre-pandemic levels.

In 2020, wholesale power cost was approximately 5.5 cents per kWh. For 2021 and 2022, wholesale power costs increased as much as 20%. Returning to pre-pandemic levels had a significant impact on future load forecasts, wholesale power costs and the decisions made during the 2023 Retreats.

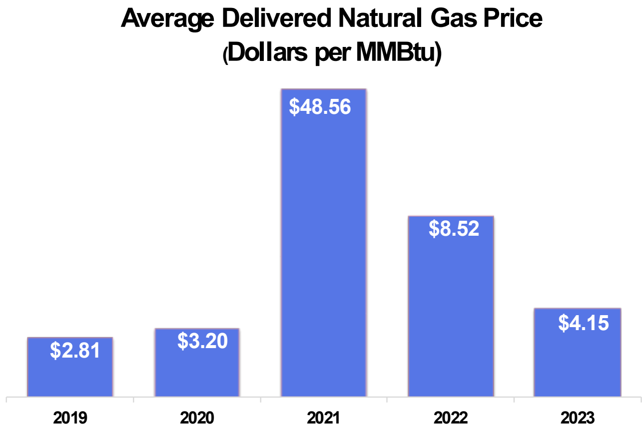
Finally, year-end margins and ratios for the end of 2023 outperformed the budget, which continued to show support for the efforts to have a thoroughly developed, long-term plan for the wholesale power cost impact of WFEC's capital and operating costs.

Photos throughout this 2023 Annual Report were taken by numerous WFEC employees.

Significant time and effort was spent during 2023 on strategically targeting programs made available under the IRA. Specifically, WFEC submitted initial applications under the Grid Resilience and Innovation Partnerships (GRIP) Program, administered by the Department of Energy (DOE) and the Empowering Rural America (New ERA) Program administered by the United States Department of Agriculture (USDA) Rural Development. WFEC is optimistically awaiting a decision from both agencies. If successful, the proceeds made available to WFEC will supplement members rates for years to come through assistance for various renewable generation resource projects and transmission resiliency and hardening.



Board-tracked financial ratios continued at strong levels, demonstrating sound financial performance and enabling continuing access to financing. WFEC's Credit Ratings were affirmed by Fitch Ratings and S&P Global Ratings as A and A-, respectively, with a stable outlook.



Delivered natural gas prices are one of the primary determinants of the total average rate to members. The last three years have been impacted by various factors. Beginning with a significant rise of natural gas cost during Winter Storm Uri in 2021, liquefied natural gas exports, and the continuation of the Russia/Ukraine conflict, elevated prices carried through 2022. Year 2023 did see an approximately 51% drop in natural gas prices, resulting in a lower average rate to members.

Among the projects submitted for a grant application in 2023 was the addition of solar, along with battery storage, in an effort to boost WFEC's renewable energy portfolio. Also, submission was made for another grant to include hardening of transmission lines along major highways to aid with resilience and reliability.

In conclusion, 2023 was a pivotal year of strategic planning for WFEC and its member distribution cooperatives. A solid foundation was laid for the future with exciting developments ahead.

wfec

WFEC Board of Trustees

Donnie Bidegain
Farmers' Electric Cooperative (N.M.)

President
Trustee since: April 2013

Jeff Willingham
Southeastern Electric Cooperative

Vice President
Trustee since: April 2015

King Martin
Red River Valley Rural Electric Association

Secretary-Treasurer
Trustee since: Sept. 2011

John Graham
Lea County Electric Cooperative (N.M.)

Asst. Secretary-Treasurer
Trustee since: April 2016

Greg Goetz
Alfalfa Electric Cooperative

Trustee since: Oct. 2016

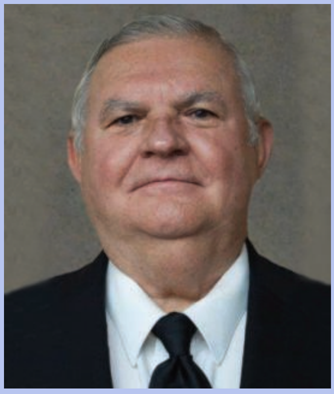
Matt Goodson
Canadian Valley Electric Cooperative

Trustee since: Oct. 2022

Charles G. Wagner
Central Valley Electric Cooperative (N.M.)

Trustee since: Oct. 2010

Ken Autry
Choctaw Electric Cooperative



Trustee since: Oct. 2020

Gene Peters
Cimarron Electric Cooperative

Trustee since: Aug. 2012

Clint Pack
CKenergy Electric Cooperative

Trustee since: Jan. 2016

Brian DeMarcus
Cotton Electric Cooperative

Trustee since: Feb. 2021

Jim Hall
East Central Oklahoma Electric Cooperative

Trustee since: Feb. 2022

WFEC is governed by a 22-member Board of Trustees, including a representative from each member distribution cooperative and Altus Air Force Base. It is the objective of the Board to establish and define the duties of the Board to ensure effective management, administration and regulation of the business and affairs of WFEC. Among their duties are to periodically review policies, evaluate and employ a Chief Executive Officer, retain Board Counsel and continuously examine and evaluate the financial condition of WFEC and be aware of operating conditions.

WFEC Senior Management Team

Gary Roulet
Chief Executive Officer
(since 2003)

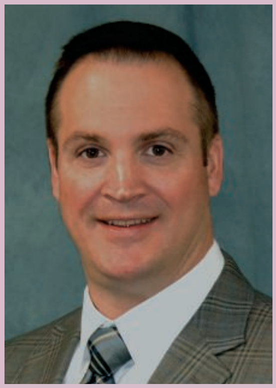
Began career with
WFEC in 1974.

Ron Cunningham
Exec. Vice Pres.,
Power Delivery & Tech.

Began career with
WFEC in 1974.

Mark Faulkenberry
Vice President, Mktg. &
Member Relations

Began career with
WFEC in 2000.



David Sonntag
Vice President,
Special Projects

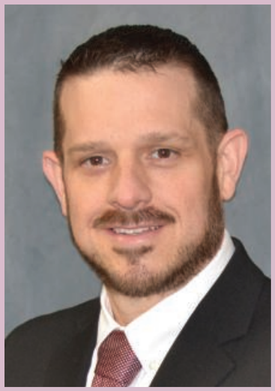
Began career with
WFEC in 2000.

Matt Caves
Vice President, Legal &
Regulatory Compliance

Began career with
WFEC in 2014.

Rodney Palesano
Vice President,
Human Resources

Began career with
WFEC in 1995.



Mike Meason
Vice President,
Information & Security

Began career with
WFEC in 2009.

Justin Soderberg
Vice President,
Generation

Began career with
WFEC in 2008.

Mark Conway
Vice President,
Chief Financial Officer

Began career with
WFEC in 2017.

KPMG LLP
210 Park Avenue, Suite 2650
Oklahoma City, OK 73102-5683

Independent Auditors' Report

The Board of Trustees
Western Farmers Electric Cooperative:

Opinion

We have audited the consolidated financial statements of Western Farmers Electric Cooperative (the Cooperative), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations, comprehensive income, changes in members' equity, 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 financial position of the Cooperative as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the consolidated 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 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 U.S. generally accepted accounting principles, 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 for one year after the date that the consolidated financial statements are available to be issued.

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

KPMG

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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.

KPMG LLP

Oklahoma City, Oklahoma
March 8, 2024

WESTERN FARMERS ELECTRIC COOPERATIVE

Consolidated Balance Sheets

December 31, 2023 and 2022

(In thousands)

Assets		**2023**	**2022**
Electric utility plant, at cost:			
In-service	$	2,041,923	2,005,924
Construction work-in-progress		37,712	31,875
Total electric utility plant		2,079,635	2,037,799
Less accumulated depreciation and amortization		923,015	888,654
Net electric utility plant		1,156,620	1,149,145
Investments in associated organizations and other investments, at cost		23,875	22,813
Current assets:			
Cash and cash equivalents		233,547	241,404
Accounts receivable from energy sales		70,901	76,651
Other accounts receivable		14,913	17,332
Inventories, at average cost:			
Coal, natural gas, and oil		29,516	20,397
Material and supplies		79,418	72,442
Other		14,275	6,010
Total current assets		442,570	434,236
Deferred debits		75,663	97,029
Total assets	$	1,698,728	1,703,223
Members' Equity and Liabilities			
Capitalization:			
Patronage capital	$	393,074	350,815
Contributed capital		52,508	52,508
Other capital		12,781	12,781
Long-term debt		979,106	1,024,312
Total capitalization		1,437,469	1,440,416
Current liabilities:			
Current portion of long-term debt		79,951	80,429
Accounts payable and accrued liabilities		151,252	153,716
Total current liabilities		231,203	234,145
Other liabilities		30,056	28,662
Commitments and contingencies (note 3, 13, and 14)		—	—
Total members' equity and liabilities	$	1,698,728	1,703,223

See accompanying notes to consolidated financial statements.

WESTERN FARMERS ELECTRIC COOPERATIVE

Consolidated Statements of Operations

Years ended December 31, 2023 and 2022

(In thousands)

		2023	2022
Operating revenues:			
Power sales to members, cities, and other	$	705,343	861,046
Other power sales and operating revenues		87,948	132,741
Total operating revenues		793,291	993,787
Operating expenses:			
Operations:			
Production		140,593	146,268
Purchased and interchanged power		340,452	581,175
Transmission		131,859	110,424
Distribution		8,107	7,423
General and administrative		16,054	15,310
Maintenance		29,011	23,945
Depreciation and amortization		62,431	61,286
Total operating expenses		728,507	945,831
Operating margin before interest		64,784	47,956
Interest expense, less amounts capitalized during construction of approximately $798 and $1,227 in 2023 and 2022, respectively		(36,453)	(37,010)
Interest income		10,792	4,538
Operating margin		39,123	15,484
Other nonoperating, net		(112)	(507)
Patronage capital assigned by associated organizations		3,154	4,164
Net margin	$	42,165	19,141

See accompanying notes to consolidated financial statements.

WESTERN FARMERS ELECTRIC COOPERATIVE

Consolidated Statements of Comprehensive Income

Years ended December 31, 2023 and 2022

(In thousands)

		2023	2022
Net Margin	$	42,165	19,141
Other comprehensive income, net of tax:			
Pension and other postretirement benefit plans:			
Net actuarial gain		134	141
Less amortization of prior service cost included in net periodic pension cost		(40)	(21)
Pension and other postretirement benefit plans		94	120
Other comprehensive income		94	120
Total comprehensive income	$	42,259	19,261

See accompanying notes to consolidated financial statements.

WESTERN FARMERS ELECTRIC COOPERATIVE

Consolidated Statements of Changes in Members' Equity

Years ended December 31, 2023 and 2022

(In thousands)

		Memberships	Patronage capital	Contributed capital	Other capital	Accumulated other comprehensive income (loss)	Total
Balance, December 31, 2021	$	3	334,824	54,051	12,781	475	402,134
Net margin		—	19,141	—	—	—	19,141
Patronage capital retired		—	(7,091)	—	—	—	(7,091)
Cumulative period adjustment (ASC 842)		—	3,343	—	—	—	3,343
Contributed (refunded) capital, net		—	—	(1,543)	—	—	(1,543)
Net other comprehensive income		—	—	—	—	120	120
Balance, December 31, 2022		3	350,217	52,508	12,781	595	416,104
Net margin		—	42,165	—	—	—	42,165
Net other comprehensive income		—	—	—	—	94	94
Balance, December 31, 2023	$	3	392,382	52,508	12,781	689	458,363

See accompanying notes to consolidated financial statements.

WESTERN FARMERS ELECTRIC COOPERATIVE

Consolidated Statements of Cash Flows

Years ended December 31, 2023 and 2022

(In thousands)

		2023	2022
Cash flows from operating activities:			
Net margin	$	42,165	19,141
Adjustments to reconcile net margin to net cash provided by operating activities:			
Depreciation		58,869	57,648
Other depreciation and amortization included in operating expenses		4,644	5,771
Amortization of regulatory asset expense		3,035	3,035
Accretion of asset retirement obligation		527	603
Changes in assets and liabilities:			
Accounts receivable from energy sales		5,750	(10,811)
Other accounts receivable		2,419	(4,059)
Coal, natural gas, and oil inventory		(9,119)	(3,422)
Materials and supplies inventory		(6,976)	(2,497)
Other current assets		(8,265)	(2,190)
Deferred debits and other (includes 2021 Storm Uri)		15,281	15,894
Accounts payable and accrued liabilities		(1,182)	5,592
Other assets and liabilities (includes SPP attachment Z2 credits)		961	(3,992)
Net cash provided by operating activities		108,109	80,713
Cash flows from investing activities:			
Net extension and replacement of electric utility plant		(69,100)	(77,646)
Net cash used in investing activities		(69,100)	(77,646)
Cash flows from financing activities:			
Advances of long-term debt		42,304	119,600
Payments on long-term debt		(87,988)	(74,627)
Advances of short-term debt		547	7,816
Payments on short-term debt		(547)	(7,816)
Contributed capital		(1,182)	(730)
Patronage capital retired		—	(7,093)
Net cash (used in) provided by financing activities		(46,866)	37,150
Net (decrease) increase in cash, cash equivalents, and restricted cash		(7,857)	40,217
Cash, cash equivalents, and restricted cash at beginning of year		241,404	201,187
Cash, cash equivalents, and restricted cash at end of year	$	233,547	241,404
Supplemental schedule of cash flow information:			
Cash paid during the year for interest	$	40,182	35,967
Increase in ROU asset with offset to equity for impact of ASC 842 adoption		—	3,343

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

(a) Nature of Operations

Western Farmers Electric Cooperative (WFEC) is a generation and transmission cooperative headquartered in Anadarko, Oklahoma. WFEC owns and operates six generating plants, fueled by coal and gas, located in Anadarko, Mooreland and Hugo, Oklahoma, and Lovington, New Mexico. WFEC also owns and maintains approximately 3,900 miles of transmission line as well as substations and switch stations primarily located in Oklahoma. WFEC has a combined capacity of approximately 2,400 megawatts (MW), including hydropower allocation and other contract power purchases. Member-owners consist of 21 distribution cooperatives, 17 in Oklahoma and four in New Mexico, and a United States Air Force base. Substantially all revenue is related to Oklahoma and New Mexico operations. See note 13 for further information related to the addition of and sales to the New Mexico cooperatives.

(b) Basis of Presentation

WFEC maintains its accounting records in accordance with the Uniform System of Accounts prescribed by the Rural Utilities Service (RUS), which conforms with U.S. generally accepted accounting principles in all material respects. These consolidated financial statements reflect the transactions of WFEC and its wholly owned subsidiaries, WFEC Railroad Company and WFEC EnergyCo, LLC (EnergyCo). All significant intercompany balances and transactions have been eliminated upon consolidation. The significant accounting policies of WFEC are described below.

(c) Use of Estimates

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

(d) Electric Utility Plant

Electric utility plant is stated at original cost. The capitalized cost of additions to electric utility plant includes the cost of material, direct labor, contract services, and various other indirect charges, such as engineering, supervision and overhead costs, and interest on funds used during construction. Retirements or other dispositions of electric utility plant are based on an average unit cost that is deducted from plant and, together with removal costs less salvage, is charged to accumulated depreciation, in accordance with the Uniform System of Accounts prescribed by RUS. The cost of repairs and minor renewals is charged to maintenance expense in the period incurred.

(Continued)

Provision for depreciation of electric utility plant is computed on the straight-line method at rates based on estimated service lives and salvage values of the class of property. These rates are applied on a composite class basis. Annual depreciation rates used in 2023 and 2022 are as follows:

Production plant	3.00 – 3.10%
Transmission plant	2.75 – 10.00%
Distribution plant	2.88 – 10.00%
General plant	3.00 – 33.33%

Depreciation and amortization for the year ended December 31, 2023 was $65,087,000 of which $59,396,000 was charged to depreciation expense, $2,656,000 was included in fuel and other operating expenses, and $3,035,000 was charged to amortization of regulatory assets. Depreciation and amortization for the year ended December 31, 2022 was $65,481,000 of which $58,252,000 was charged to depreciation expense, $2,403,000 was included in fuel and other operating expenses, $1,791,000 was included in employee pension and benefits, and $3,035,000 was charged to amortization of regulatory assets.

WFEC periodically reviews the carrying values of its utility plant assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or group of assets may not be recoverable through the future net cash flows expected to be generated by the asset or group of assets. If such assets are considered impaired, the impairment is recognized by the extent that carrying value exceeds fair value. There were no such circumstances indicated and no impairment charges for 2023 or 2022.

(e) Restricted Cash and Investments

Restricted cash consists of the following:

- WFEC has a Contingent Cash Reserve (CCR) that is restricted by WFEC Board Policy to be utilized based upon certain significant events or other approved uses as determined by the Board. The CCR had a balance of $59,039,000 and $56,256,000 as of December 31, 2023 and 2022, respectively. The CCR is included in cash and cash equivalents as of December 31, 2023 and 2022.
- A 2019 revenue deferral plan implemented to mitigate potential rate impacts of future capacity expansion projects, potential environmental regulation, and other industry activities was approved by RUS. WFEC deferred $5,600,000 to be recognized no later than 2029. The WFEC Board authorized use of $4,000,000 of the deferral during 2021 to mitigate the rate impact of reduced load in 2021 associated with COVID-19. At December 31, 2023 segregated cash satisfied RUS's requirement to segregate cash in an amount equal to the balance of WFEC's revenue deferral plan of approximately $1,600,000 as of December 31, 2023 and 2022 (see note 5).
- A 2023 prepayment deferral plan implemented to defer as a regulatory liability the prepayment of one Member's remaining full balance of Storm Uri costs as of November 30, 2023 was approved by RUS. WFEC deferred $4,809,000 to be recognized over a thirty-seven month period from December 2023 through December 2026. At December 31, 2023 segregated cash satisfied RUS's

(Continued)

requirement to segregate cash in an amount equal to the balance of WFEC's prepayment deferral plan of approximately $4,679,000 as of December 31, 2023 (see note 5).

(f) Cash and Cash Equivalents

For purposes of reporting cash flows, cash equivalents include investments purchased with original maturities of three months or less. The fair value of cash equivalents approximates their carrying values due to their short-term maturity. At times, WFEC maintains deposits in federally insured financial institutions in excess of federally insured limits. WFEC monitors the creditworthiness of these financial institutions on a continuing basis of safeguard cash deposits. WFEC has not experienced any losses related to amounts in excess of federally insured limits.

(g) Investments in Associated Organizations

Investments in associated organizations are stated at cost plus WFEC's share of patronage capital credits allocated, reduced by distributions received (see note 4).

(h) Inventories

Inventories of coal, natural gas, oil, and materials and supplies of WFEC are valued at average cost. These inventories are consumed by WFEC's operations or utilized as additions to electric utility plant and are not held for resale.

(i) Emission Allowances and Renewable Energy Credits

As a result of the operation of its generating resources and renewable energy purchase agreements, WFEC generates or is allocated SO2 (sulfur dioxide) and NOx (nitrogen oxide) allowances and renewable energy credits (RECs) under various environmental regulations. The SO2 allowances and RECs have no cost basis and therefore do not result in an expense when used nor are they recorded on the balance sheet. NOx allowances are also purchased, and the cost is assigned to inventory. As NOx allowances are used or no longer have value, inventory is expensed on an average unit cost basis. Proceeds from the sales of allowances and RECs in excess of average unit cost and fees are recorded as a gain.

(j) Electric Rates

The Board of Trustees of WFEC has full authority to establish the electric rates charged to members, subject to approval by RUS.

WFEC bills its members fuel costs as a component of electric rates. The fuel billing rate is designed to accumulate and maintain an over recovered fuel account balance. An over recovery of approximately $13,889,000 and $11,435,000 at December 31, 2023 and 2022, respectively, was recorded in accounts payable and accrued liabilities.

(k) Regulatory Assets and Liabilities

WFEC defers certain expenses that will be recovered through WFEC's future rates (see note 5) in accordance with accounting principles generally accepted in the United States of America applicable to rate-regulated enterprises. Regulatory assets are charged as an expense, if and when future recovery in rates of that asset is no longer probable. WFEC also defers certain revenue and recognizes unearned revenue over future periods for rate making purposes.

(Continued)

(l) Revenue Recognition

(i) General

WFEC recognizes revenue from electric sales when power is delivered to customers. WFEC recognizes revenue from demand availability ratably over the reporting period as it is a standby ready performance obligation earned with the passage of time. The performance obligation to deliver electricity is generally created and satisfied simultaneously, and the provisions of the Board-approved electric rate determine the charges WFEC may bill the customer, payment due date and other pertinent rights and obligations of both parties. WFEC reads its customers' meters and sends bills to its members at the end of each month. As a result, there is no material amount of customers' electricity consumption that has not been billed at the end of each month.

(ii) Integrated Marketplace and Transmission

Formed as a generation and transmission (G&T) electric cooperative, WFEC owns and operates G&T facilities and is a member of the Southwest Power Pool (SPP) Regional Transmission Organization (RTO). The SPP has implemented Federal Energy Regulatory Commission (FERC)-approved regional day ahead and real-time markets for energy and operating services, as well as associated transmission congestion rights. Collectively the three markets operate together under the global name, SPP Integrated Marketplace (IM). WFEC represents owned and contracted generation assets and customer load in the SPP IM for the sole benefit of its customers. WFEC does not participate in the SPP IM for speculative trading purposes. WFEC records the SPP IM transactions per FERC Order 668, which requires that purchases and sales be recorded on a net hourly basis for each settlement period of the SPP IM. Purchases and sales are based on the fixed transaction price determined by the market at the time of the purchase or sale and the megawatt hour (MWh) quantity purchased or sold. These results are reported as Power sales to members, cities, and other in the accompanying consolidated financial statements. WFEC revenues, expenses, assets and liabilities may be adversely affected by changes in the organization, operation and regulation by the FERC or the SPP.

As a member of the SPP RTO, WFEC has transferred operational authority, but not ownership, of WFEC's transmission facilities to the SPP. WFEC's transmission revenues are generated by the use of WFEC's transmission network by the SPP, which operates the network on behalf of transmission owners. WFEC recognizes revenue on the sale of transmission service to customers over time as the service is provided in the amount WFEC has a right to invoice. Transmission service to the SPP is billed monthly based on a fixed transaction price determined by WFEC's FERC-approved formula transmission rates along with other SPP specific charges and the MW quantity reserved.

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The following table disaggregates the Cooperative's revenues from contracts by classification.

		2023	2022
		(In thousands)	
Members	$	702,225	857,031
Nonmember		3,118	4,655
System sales revenues		705,343	861,686
Integrated marketplace		26,054	60,106
Transmission		56,723	54,330
Revenue from contracts with customers		788,120	976,122
Other		5,171	17,665
Total revenues	$	793,291	993,787

(m) Derivative Instruments and Hedging Activities

WFEC's activities expose it to a variety of market risks, including interest rates and commodity prices. Management has established risk management policies and strategies to reduce the potentially adverse effects that the volatility of the markets may have on its operating results. These policies and strategies include the use of derivative instruments for hedging purposes. If hedge treatment is obtained, unrealized gains or losses resulting from these instruments are deferred as a component of accumulated other comprehensive income (loss) until the corresponding item being hedged is settled, at which time the gain or loss is recognized (see note 12).

(n) Related Parties

The members of WFEC purchase power from WFEC. The terms of transactions are based upon formal long-term contracts approved by WFEC's Board of Trustees and are settled monthly, generally requiring the members to purchase 100% of the members' purchased power requirements from WFEC. The contracts allow the Board of Trustees to establish base energy rates that allow recovery of cost of utility plant, fuel, and other operating costs incurred by WFEC.

Prior to January 1, 2023 one New Mexico member had a Transition Agreement which provided that during the transition period, as defined in the agreement, WFEC must maintain a separate cost of service-based rate for the member. Immediate and short-term power requirements for this member were provided from a combination of an existing contract with Southwestern Public Service Company (SPS), at prescribed contract quantities and periods, and WFEC, with WFEC's obligation to provide power and energy increases as the quantities of power and energy from the SPS contract decreases over time. The New Mexico member's third-party supplier contract was assigned to WFEC.

Effective December 31, 2022, WFEC and the one New Mexico member agreed to terminate the Transition Agreement early and beginning January 1, 2023, the member is billed the Member Rate consistent with the Wholesale Power Contract (see note 13(a)).

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At December 31, 2023, WFEC has Wholesale Power Contracts (WPC) with its 21 distribution cooperative members through the year 2065. WFEC's power sales to members for 2023 and 2022 were approximately 96% and 93% of total sales, respectively. No collateral is pledged to WFEC from its members to collateralize the outstanding accounts receivable.

(o) Concentration of Credit Risk

Concentration of credit risk exists with respect to trade accounts receivable of which approximately 99% of accounts receivable from energy sales at December 31, 2023 and 2022 is from power sales to WFEC's members. The credit risk for accounts receivable from nonmember sales is managed through monitoring procedures.

(p) Comprehensive Income

Comprehensive income consists of net margin, changes in the fair value of derivatives that are designated as hedges and changes in the net actuarial gains (losses) and amortization of prior service costs on the defined benefit retirement plan.

(q) Fair Value Measurements

WFEC utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. WFEC determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date
- Level 2 inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability
- Level 3 inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

(r) Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842).

For WFEC this guidance was effective for periods beginning January 1, 2022. The new guidance has been applied using a modified retrospective approach. Using the modified retrospective approach to adopt the new standards, the prior year reported results are not restated; instead, a cumulative-effect adjustment has been made as of January 1, 2022. Upon adoption, agreements considered leases for

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the use of generation facilities, office equipment, industrial equipment, and IT equipment were recognized on the balance sheet. WFEC adopted the following practical expedients.

Practical Expedient	**Description**
Hindsight Expedient	Elect to use hindsight to determine the lease term.
Land Easement Expedient	Elect to not evaluate existing or expired easements and carry forward current accounting treatment.
Short Term Lease Expedient	Elect to not apply the recognition requirement to short term leases. Lease payments for short term leases recognized in net income and not included on balance sheet.
Non-Separation Expedient (Asset Class)	Elect to not separate non-lease components from lease components, instead account for each lease and associated non-lease component as a single lease component.
Transition Method-Effective Date	Elect to apply the guidance to leases that commenced at the beginning of reporting period in which the standard applies. A cumulative-effect adjustment made as of January 1, 2022 and the comparative periods were not adjusted.

Adoption of the leasing standard as of January 1, 2022, resulted in a $186,000 increase in accounts payable and accrued liabilities (of which $105,000 is current) for leases that were not previously on the balance sheet with a corresponding increase in net ROU assets of $3,632,000, reflected in Electric utility plant, at cost in-service. An associated adjustment to Patronage capital of $3,343,000 was recorded as of January 1, 2022, as result of applying the modified retrospective method of adoption. Adoption had no material effect on WFEC's consolidated statement of income or consolidated statement of cash flows, other than its disclosures (see Note 3).

(2) Electric Utility Plant

Major classes of electric utility plant as of December 31 are as follows:

		2023	**2022**
		(In thousands)	
Production plant	$	1,038,236	1,033,971
Transmission plant		620,515	600,112
Distribution plant		248,004	241,196
General plant		135,168	130,645
Electric utility plant-in-service		2,041,923	2,005,924
Construction work-in-progress		37,712	31,875
Total electric utility plant	$	2,079,635	2,037,799

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(3) Leases

As described above in note 1, WFEC adopted Topic 842 effective January 1, 2022, utilizing the modified retrospective method. The adoption of the new standard resulted in recording ROU assets and lease liabilities for both financing and operating leases.

WFEC is obligated under finance leases covering multiple generation facilities, office equipment, and IT equipment that expire at various dates through 2027.

WFEC also has several operating leases, primarily for office equipment, vehicles, and other operating equipment that expire at various dates through 2028. Some leases contain renewal options for periods up to five years. WFEC is not reasonably certain to exercise these renewal options, therefore the options are not considered in determining the lease term nor value. For equipment leases for which WFEC has elected not to separate lease and non-lease components, maintenance services are provided by the lessor at a fixed cost and are included in the fixed lease payments for the lease.

The aggregated lease expense reported in the Consolidated Statement of Operation for the year ended December 31 are as follows:

	2023	2022
	(In thousands)	
Opearting lease expense	$ 61	53
Finance lease expense:		
Amortization of right of use assets	1,846	1,647
Interest on lease liabilties	814	901
Total finance lease expense	2,660	2,548
Variable lease expense	38	19
Total lease expense	$ 2,759	2,620

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The aggregated lease amounts reported in the Consolidated Balance Sheets for the year ended December 31 are as follows:

		2023	2022
		(In thousands)	
Operating leases:			
Operating lease ROU asset	$	273	159
Operating lease liabilities		78	53
Other current liabilities		82	53
Total operating lease liabilities	$	160	106
Finance leases:			
Financing lease ROU asset – other	$	1,380	716
Financing lease ROU asset – generation		32,604	32,604
Accumulated amortization		(9,431)	(7,585)
Net financing lease ROU asset	$	24,553	25,735
Finance lease liability – other – current	$	470	238
Finance lease liability – generation – current		2,463	2,367
Finance lease liability – other – noncurrent		—	95
Finance lease liability – generation – noncurrent		16,221	18,684
Total finance lease liability	$	19,154	21,384

No implicit discount rate in any lease could be readily determined, and therefore WFEC elected to use its incremental borrowing rate to determine the present value of its leases. For December 31, 2023 and 2022 the weighted average discount rate used for operating leases and finance leases, excluding generation finance leases, is 3.1%. The average remaining lease term for operating leases and finance leases, excluding generation finance leases, is 1.8 years, as of December 31, 2023 and December 31, 2022.

In 2017, WFEC entered into a capital lease as a lessee for multiple solar generation facilities. The lease agreement expires in 2027, at which time WFEC has the option to purchase the solar generation facilities. During the implementation of ASC 842, RUS updated the accounting treatment for leases to be consistent with U.S. generally accepted accounting principles. As such, an adjustment to the opening balance of equity as of January 1, 2022 was necessary for implementation. Under prior RUS guidance for capital leases, no interest expense, amortization, or depreciation expense was recognized, the asset amount was amortized proportionately to the lease liability, with cash payments being expensed as incurred to production expense, similar to an operating lease. This resulted in a greater carrying value of the ROU asset when implementing ASC 842. The increase in ROU carrying value resulted in a credit adjustment to Patronage capital. The gross amount of the lease was $32,604,000 at December 31, 2023 and 2022, with accumulated amortization of $8,545,000 and $7,241,000 at December 31, 2023 and 2022, respectively. The principal and interest payments were $3,166,000 for 2023, of which $2,367,000 was for amortization of the ROU asset and $799,000 was for interest. The principal and interest payments were $3,166,000 for 2022, of which $2,274,000 was for amortization of the ROU asset and $892,000 was for interest.

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Maturities of lease liabilities under noncancellable generation finance lease as of December 31, 2023, is as follows (in thousands):

2024	$	3,166
2025		3,166
2026		3,166
2027		1,415
2028		—
Total undiscounted lease payments		10,913
Less imputed interest		(1,993)
Total lease liabilities		8,920
Current maturities		(2,463)
Long-term finance lease liabilities		6,457
Bargain purchase option		9,764
Total long-term finance lease liabilities	$	16,221

The current and long-term portions of the generation finance lease liabilities are included in accounts payable and accrued liabilities and other liabilities, respectively, in the consolidated balance sheets.

(4) Investments in Associated Organizations and Other Investments

	2023	2022
	(In thousands)	
National Rural Utilities Cooperative Finance:		
Corporation (CFC):		
3% capital term certificates	$ 300	300
5% capital term certificates	5,830	5,830
Patronage capital certificates	1,656	1,642
CoBank Class A stock	14,716	13,695
ACES	1,329	1,302
Other	44	44
	$ 23,875	22,813

WFEC purchased capital term certificates and stock as required by institutions under borrowing arrangements. Fair value of the certificates and stock is not readily determinable.

In 2002, WFEC joined ACES as a member. As of December 31, 2023, WFEC owned 4.17% of ACES equity. The investment in the partnership is accounted for using the equity method of accounting.

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(5) Regulatory Assets, Regulatory Liabilities, Other Assets, and Other Liabilities

WFEC is subject to the provisions of ASC 980, *Regulated Operations*. Regulatory assets represent probable future revenue to WFEC associated with certain costs which will be recovered from customers through the ratemaking process. Deferred debits and credits at December 31 contained the following:

		2023	2022
		(In thousands)	
Regulatory assets:			
Unamortized cost associated with lease/leaseback	$	8,480	11,515
Unamortized cost associated with 2021 Storm Uri		53,213	70,951
Other assets:			
Preliminary survey and investigation charges		2,407	1,012
Unamortized debt expense		514	660
Premiums on debt refinancing		11,049	12,891
	$	75,663	97,029

		2023	2022
		(In thousands)	
Regulatory liabilities:			
Deferred revenue	$	6,279	1,600
Over recovered fuel		13,889	11,435
Other liabilities:			
Estimated refund for SPP attachment Z2 credits		40,413	37,503
Early Termination of Transition Agreements (see note 13(a))		640	1,091
	$	61,221	51,629

As of December 31, 2023, WFEC's regulatory assets are being reflected in rates charged to customers over 3 years.

The regulatory and other assets are reflected in deferred debits and the regulatory and other liabilities are reflected in other liabilities in the accompanying consolidated balance sheets, except for over recovered fuel which is reflected in accounts payable and accrued liabilities.

In 2013, a long-term lease-leaseback transaction reflected as a financing for financial reporting purposes was terminated. WFEC received Board and RUS authority to defer and amortize as a regulatory asset the net impact of the termination on a straight-line basis through 2026, which approximates $3,035,000 of annual amortization. WFEC's electric rates are designed to recover this cost.

Premiums on early extinguishment of debt arising from refinancing transactions are being amortized over approximately 6 years, the remaining life of the replacement debt, using the straight-line method.

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With Board and RUS approval, in 2016 WFEC deferred recognition of $33,459,000 of revenue from the net credit due for Attachment Z2 of the Southwest Power Pool (SPP) Open Access Transmission Tariff (OATT) for the period of March 1, 2008 through August 31, 2016. Attachment Z2 of the OATT contains the provisions for the revenue credits which are designed to compensate entities that pay for certain assets that are subsequently used to provide transmission service to other parties. In October 2016, WFEC was informed by SPP that WFEC was due $33,459,000 of reimbursement from SPP participants related to these transmission services provided. The revenue was being accreted into income ratably from 2017 through 2021. In 2017, SPP resettled the original period under the Attachment Z2 of the SPP OATT, which resulted in WFEC being due an additional $2,303,000. WFEC received Board and RUS approval to defer and accrete the additional balance over the remainder of the original deferral period through 2021. In 2017, as part of the resettlement, WFEC received $653,000 in cash of the total revenue with the remaining $1,650,000 plus interest paid in quarterly payments through 2021.

On February 28, 2019, the Federal Energy Regulatory Commission (FERC) issued an order on remand that reverses the settlement for Attachment Z2 of the SPP OATT for the periods of March 1, 2008 through August 31, 2016 with exception of the twelve months preceding the billing date of that settlement, which was October 31, 2016. In response, SPP filed a report in June 2019 requesting a stay of the remand order’s refund directive and further consideration of the reversal of the settlement among other items. In January 2022, SPP submitted an informational update regarding the proposed refund plan and requested FERC not issue any further order directing refunds until outstanding Attachment Z2-related litigation is resolved by final FERC or judicial action. FERC has denied various rehearing requests since the filing, however there are still dockets outstanding to be resolved and additional petitions anticipated to be filed by affected parties.

With Board and RUS approval, WFEC terminated the revenue deferral plan pertaining to the net credit due for Attachment Z2 of the SPP OATT, as of February 28, 2019. The deferred revenue balance as of the termination date was approximately $21,197,000. The termination of the revenue deferral plan eliminated the regulatory liability remaining for the Z2 credit. The estimated refund amount in excess of the regulatory liability was approximately $19,091,000 and $16,180,000 at December 31, 2023 and 2022, respectively. As a result of several 2021 court rulings in favor of upholding the FERC order on remand and refund directive, the balance in excess of the regulatory liability at December 31, 2021 was expensed. Interest is accrued and expensed until the refund directive is administered and paid. The total estimated refund balance, including associated FERC interest, of approximately $40,413,000 and $37,503,000 at December 31, 2023 and 2022, respectively, is included in accounts payable and accrued liabilities in the accompanying consolidated financial statements.

With Board and RUS approval, WFEC implemented a 2019 revenue deferral plan to mitigate potential rate impacts pertaining to future capacity expansion projects, potential environmental regulation impacts and other industry activities. WFEC deferred $5,600,000 to be recognized no later than 2029. The WFEC Board authorized use of $4,000,000 of the deferral during 2021 to mitigate the rate impact of reduced load in 2020 associated with COVID-19 resulting in $1,600,000 remaining in the 2019 revenue deferral plan as of December 31, 2023. Cash equal to the balance of the deferred revenue is segregated and restricted until a like amount is subsequently accreted into revenue.

With Board and RUS approval, WFEC implemented a 2021 expense deferral plan to mitigate the rate impact of a dramatic spike in fuel costs, purchased power costs and SPP IM energy prices from February 8 to February 20, 2021, an extreme persistent cold weather event (Weather Event) often referred to as

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Winter Storm Uri. The extraordinary cost was assigned to members and customers based on their respective February 2021 kilowatt hour consumption, which is consistent with WFEC's billing rate. To accommodate members' varied financial positions, the WFEC Board provided three options to members as it pertained to cost recovery. Members could elect to either: 1) pay their allocated cost of the Weather Event in a lump sum payment in December 2022; 2) pay their allocated cost over a five-year recovery period (2022-2026); or 3) pay a portion of their allocated cost in December 2022 and the remaining balance over the five-year recovery period. As of December 31, 2021, WFEC incurred $148,854,000 in net fuel, purchased power and SPP extraordinary unplanned costs due to the Weather Event. WFEC recovered $60,165,000 via its billing rate and lump sum payment elections from members and customers in 2021, leaving $88,689,000 to be recovered ratably over the five-year recovery period (2022-2026). The expense deferral plan was approximately $53,213,000 and $70,951,000 at December 31, 2023 and 2022, respectively.

With Board and RUS approval, WFEC implemented a 2023 prepayment deferral plan to mitigate future rate implications of a Member electing to prepay their remaining balance in full of their portion of the 2021 expense deferral plan. As of December 31, 2023, WFEC received $4,809,000 in prepayment of 2021 Storm Uri Costs to be recovered over a thirty-seven month period (December 2023 – December 2026). The prepayment deferral plan was approximately $4,679,000 at December 31, 2023.

(6) Patronage Capital

WFEC's bylaws state that patronage allocations are based on WFEC's net income as determined for federal income tax purposes. Patronage allocations are assigned to patrons' accounts as credits on a patronage basis. Using this allocation method, patronage capital of $0 was allocated for the year ended December 31, 2022. The allocation for 2023 is estimated to be $51,726,000. For financial reporting purposes, net margins are assigned to members on a patronage basis.

WFEC's Indenture (see note 7) contains restrictions on distributions of capital. The Board of Trustees authorized a patronage capital retirement for 2023 and 2022 of $0 and $7,091,000, respectively.

(7) Debt

Long-term debt at December 31 consisted of the following:

		2023	2022
		(In thousands)	
First mortgage notes:			
Notes payable to Federal Financing Bank (FFB), interest from 1.13% to 6.26%, a weighted average of 2.66%, due in quarterly installments through 2050	$	677,147	671,190
Notes payable to the RUS, interest from 4.75% to 5.00%, a weighted average of 4.76%, due in monthly and quarterly installments through 2025		1,417	2,149
Note payable to CoBank, interest at 6.22%, due in monthly installments through November 2025		625	914

(Continued)

	2023	2022
	(In thousands)	
Notes payable to CoBank, interest from 5.33% to 6.37%, a weighted average of 6.32%, due in quarterly installments through April 2038	87,840	91,428
Notes payable to CFC, interest at 4.55% due in quarterly installments through June 2024	576	1,685
Notes payable to CoBank, interest from 4.42% to 4.76%, a weighted average of 4.52%, due in quarterly installments through October 2042	47,025	48,546
Notes payable to CoBank, interest at 8.35%, due in annual installments through January 2027, with a balloon payment due in 2027	27,684	28,412
Notes payable to CoBank, interest at 3.5%, due in quarterly installments through December 2029	59,707	68,224
Notes payable to CoBank, interest from 2.69% to 2.79%, a weighted average of 2.77%, due in quarterly installments through December 2038	75,955	82,155
Note payable to Wells Fargo Bank, interest at 1.34%, due in monthly installments through January 2027	81,081	106,667
Other notes:		
Notes payable to CFC, interest from 4.40% to 5.55%, a weighted average of 4.86%, due in quarterly installments through 2023	—	1,808
Note payable to CoBank, interest at 3.70%, due in quarterly installments through July 2023	—	1,563
	1,059,057	1,104,741
Less current portion of long-term debt	79,951	80,429
Total long-term debt	$ 979,106	1,024,312

Annual payments of long-term debt for subsequent years are as follows (in thousands):

2024	$ 79,951
2025	75,335
2026	99,659
2027	42,074
2028	47,407
Thereafter	714,631
	$ 1,059,057

(Continued)

All of the first mortgage notes listed above are secured equally and ratably under the Indenture by a first priority lien on substantially all of the assets of WFEC, subject to certain exceptions and limitations. Under the terms of the Indenture, substantially all of the after-acquired assets of WFEC become subject to the lien of the Indenture. Also, under the terms of the Indenture, the RUS Loan Contract and other loan agreements, WFEC must maintain certain financial covenants. Management believes WFEC was in compliance with these financial covenants at December 31, 2023.

In December 2021, WFEC advanced $129,600,000 under a Note Purchase Agreement with Wells Fargo Bank, National Association, to finance 2021 Winter Storm Uri expenses over the regulatory asset's five-year recovery period (2022-2026) (see note 5).

WFEC has a $100,000,000 five-year committed revolving line of credit agreement with CFC for general corporate purposes through October 2026. In March 2021, to support unplanned extraordinary costs related to Winter Storm Uri, WFEC arranged an additional one-year secured revolving line of credit agreement with CFC for $200,000,000, that expired in March of 2022. No advances were outstanding on the CFC lines of credit at December 31, 2023 and 2022. Letters of credit totaling $39,890,000 and $54,890,000 had been issued under this arrangement at December 31, 2023 and 2022, respectively.

WFEC has a $200,000,000 credit agreement with a syndication of financial institutions to provide a committed line of credit as support for general corporate purposes with a term through November 2027. No advances were outstanding on this credit agreement at December 31, 2023 and 2022. Letters of credit totaling $10,000,000 had been issued under this arrangement at December 31, 2023 and 2022.

Approximately $190,000,000 of borrowing capacity was available on the syndicated line of credit at December 31, 2023 and 2022, respectively. Approximately $60,110,000 and $45,110,000 of borrowing capacity was available on the CFC lines of credit at December 31, 2023 and 2022, respectively.

WFEC had $234,410,000 of unadvanced funds available at December 31, 2023 from an FFB note executed in 2022. Approximately $188,728,000 is available for transmission and distribution additions and replacements, $44,782,000 for generation system improvement projects and $900,000 for WFEC office building projects.

(8) Production Expenses

WFEC's production expenses for the years ended December 31 include the following:

		2023	2022
		(In thousands)	
Fuel	$	110,912	117,480
Other production expenses		29,681	28,788
Total production expenses	$	140,593	146,268

Under WFEC's contracts with its members, costs of fuel are recovered through rates charged to members (see note 1(j)).

(Continued)

(9) Income Taxes

WFEC is a nonexempt cooperative subject to federal and state income taxes and files a consolidated tax return. As a cooperative, WFEC is entitled to exclude patronage dividends from taxable income. WFEC's bylaws require it to declare patronage dividends in an aggregate amount equal to WFEC's federal taxable income from its furnishing of electric energy and other services to its member-patrons. Accordingly, such income will not be subject to income taxes.

Nonmember operations are subject to federal income taxes. Historically, WFEC's nonmember operations have generated tax losses. The primary differences between WFEC's book income and WFEC's nonmember tax losses are the result of tax depreciation and tax patronage allocations.

As of December 31, 2023 and 2022, WFEC's deferred tax asset before valuation allowance was approximately $4,484,000 and $4,119,000, respectively. Based on WFEC's historical results, management does not believe that it is more likely than not that WFEC will be able to realize the benefit of the deferred tax asset, which includes net operating loss carryforwards of approximately $24,081,000, of which $12,879,000 will expire between tax years 2024 and 2037 and $11,202,000 will be carried forward indefinitely.

No income tax expense was provided in 2023 and 2022, due to the tax benefit associated with the generation of nonmember net operating loss deferred tax assets being offset by tax expense associated with the recording of related valuation allowances.

The approximate net deferred tax asset and valuation allowance at December 31 were as follows:

		2023	2022
		(In thousands)	
Tax-effected deductible temporary differences	$	4,484	4,119
Deferred tax asset		4,484	4,119
Less valuation allowance		(4,484)	(4,119)
Net deferred tax asset	$	—	—

(10) Retirement Plans

The Retirement Security Plan (RS Plan), sponsored by the National Rural Electric Cooperative Association (NRECA), is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is considered 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 with 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.

(Continued)

WFEC contributions to the RS Plan in 2023 and in 2022 represented less than 5% of the total contributions made to the RS Plan by all participating employers. WFEC made contributions to the RS Plan of $6,417,000 in 2023 and $7,745,000 in 2022.

For the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80% funded on January 1, 2023 and January 1, 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 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.

At the December 2012 meeting, the Insurance and Financial Services Committee of the NRECA Board of Directors approved an option to allow participating cooperatives in the 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 RS Plan's unfunded value of benefits earned to date using RS Plan actuarial valuation assumptions. The prepayment amount will typically equal approximately 2.5 times a cooperative's annual 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 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 experience different from expected, plan assumption changes and other factors may have an impact on the differential in billing rates and the 15-year period. On April 17, 2013, the Board approved a prepayment of $17,913,000 to the NRECA RS Plan. WFEC is amortizing this amount over 10 years to employee pensions and benefits which, in turn, is allocated to applicable functional operations, maintenance, administrative, construction, and retirement activities. The balance of the prepayment was fully amortized as of December 31, 2022.

Substantially all employees of WFEC also participate in the NRECA 401(k) Pension Plan option. Under the plan, WFEC contributes amounts not to exceed 8% of the respective employee's base pay to the plan, dependent on the employee's level of participation and the employee's date of hire. Employees may contribute up to the Internal Revenue Service prescribed limit of their base pay to the plan. Contributions are immediately 100% vested. Benefits paid under the plan are limited to the sum of the employee's and WFEC's contributions and investment earnings or losses on those contributions. WFEC contributed approximately $2,589,000 and $2,522,000 to the plan in 2023 and 2022, respectively.

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(11) Fair Value of Financial Instruments

The following table presents the placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis at December 31, 2023 and 2022 (in thousands):

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	2023
Liabilities:				
Commodity derivatives	$ —	(2,918)	—	(2,918)
Total liabilities	$ —	(2,918)	—	(2,918)

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	2022
Liabilities:				
Commodity derivatives	$ —	(3,207)	—	(3,207)
Total liabilities	$ —	(3,207)	—	(3,207)

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- Commodity derivatives: The derivative instruments reflected in Level 2 of the valuation hierarchy include fixed-to-floating commodity options conducted within the Intercontinental Exchange (ICE) platform which are valued based on published indexes for the respective contracts.

(12) Derivative Instruments and Hedging Activities

WFEC enters into commodity swap, collar, forward and option contracts for a portion of its anticipated natural gas or power purchases, to manage the price risk associated with fluctuations in market prices. These contracts limit the unfavorable effect that price increases will have on natural gas or power purchases. WFEC has elected to not designate its commodity contracts as cash flow hedges; therefore, changes in the fair value of the commodity contracts are recorded as an asset or liability and as an increase or reduction to production or purchased power expense. In accordance with ASC 980-10, *Regulated Operations Overall*, gains and losses from price management activities are included in WFEC's fuel cost recovered from members as part of WFEC's rate-making policy. As such, an asset or liability, that

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offsets the change in the fair value of the commodity contracts recorded in production or purchased power expense, is established to record the amount of fuel costs over collected from or unbilled to members of WFEC. The fair value of the commodity swaps resulted in a liability and a related receivable from members (through future increased fuel charges) of $2,918,000 and $3,207,000 as of December 31, 2023 and 2022, respectively. The fair value of the liability is reflected in accounts payable and accrued liabilities in the accompanying consolidated financial statements. WFEC has entered into derivative type commodity contracts for future transactions with terms expiring through December 2024.

(13) Commitments and Contingencies

(a) New Mexico Cooperatives Sales and Agreements

In 2010, four New Mexico distribution cooperatives (Cooperative, collectively Cooperatives) were added to the membership of WFEC. As part of gaining membership, each Cooperative entered into a Wholesale Power Contract (WPC) and Transition Agreement (Agreement, collectively Agreements) with WFEC and gained one vote on the Board of Trustees. The Agreement provided the Cooperatives with a separate cost of service rate (Segregated Rate) through 2026. Prior to 2022, however, three of the four Cooperatives and WFEC mutually agreed to terminate their respective Agreements and began to be billed at the Member Rate consistent with the WPC entered into at admission. Effective December 31, 2022, the final Cooperative and WFEC mutually agreed to terminate its Agreement. Beginning in January 2023, this Cooperative is billed the Member Rate consistent with the WPC. An equity contribution true-up amount was determined for the Cooperative which is paid by WFEC in equal monthly amounts over a 41-month period beginning January 2023. Members’ Equity Contributed Capital was reduced by $1,543,000 as of December 31, 2022, representing an over collection of equity by WFEC for the Cooperative.

(b) Purchase Requirements

WFEC has a long-term standby power contract with Southwestern Power Administration under which it is obligated to purchase a minimum quantity of power annually through May 2028. At the prescribed 2024 rates, the minimum requirement approximates $19,092,000. During 2023 and 2022, WFEC purchased $21,210,000 and $22,347,000, respectively.

WFEC has a long-term purchased power contract with a party through December 2050 under which it is obligated to purchase a minimum quantity of power on a monthly basis. Based on contract information and power cost adjustment information currently published, the annual obligation for 2024 is estimated at $32,369,000. During 2023 and 2022, WFEC purchased $32,344,000 and $11,625,000, respectively.

WFEC has long-term purchase power contracts with a party through May of 2026, under which it is obligated to purchase decreasing minimum monthly quantities of power at prescribed contract intervals. These contracts are load-following with no minimum energy obligation. The current projection for the minimum contract commitment is $10,808,000 for 2024. During 2023 and 2022, WFEC purchased $39,675,000 and $91,806,000, respectively.

WFEC has negotiated multiyear contracts to acquire coal through 2024 and coal transportation through 2026 for the Hugo Generating Station. The current projection for the minimum contract commitment for coal and coal transportation is approximately $14,337,000 in 2024. WFEC’s costs for both coal and

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transportation purchases were approximately $25,046,000 and $17,636,000 for the years ended December 31, 2023 and 2022, respectively.

WFEC has a long-term purchased power contract with a party through December 2035, under which it is obligated to purchase increasing minimum monthly quantities of power at prescribed contract intervals. The current projection for the minimum contract commitment is $28,280,000 in 2024. During 2023 and 2022, WFEC purchased $54,556,000 and $73,255,000, respectively.

WFEC negotiated multiyear contracts for the transportation and storage of a portion of its Anadarko and Mooreland Generating Station gas requirements through February 2044. The current projection for the minimum contract commitments for gas transportation and storage is approximately $12,525,000 in 2024. WFEC's costs for both transportation and storage purchases were approximately $12,903,000 and $12,643,000 for 2023 and 2022, respectively.

WFEC has long-term power agreements for the purchase of 1,018 MW of wind and solar energy from various power suppliers. WFEC does not have fixed cost obligations and pays only for the energy produced at fixed prices for the term of the agreements. The agreements have varying terms, and some have extension options. The longest contract term extends to 2053. WFEC's expense for energy purchased under these agreements was $94,580,000 and $101,651,000 in 2023 and 2022, respectively.

(c) Environmental

WFEC, as is common with other electric utilities, is subject to stringent existing environmental laws, rules, and regulations by federal, state, and local authorities with regard to air and water quality control, solid and hazardous waste disposal, hazardous material management, and toxic substance control. Management believes WFEC is in substantial compliance with all existing environmental laws, rules, and regulations.

WFEC generates waste subject to the Federal Resource and Conservation and Recovery Act of 1976 (RCRA) and similar state of Oklahoma requirements. In 2015, the U.S. Environmental Protection Agency (EPA) finalized a rule under RCRA for handling and disposing of coal combustion residual (CCR) or coal ash. The rule regulates coal ash as a non-hazardous waste. In 2018, WFEC installed a dry ash removal system to support closure requirements with the CCR permit program. In June 2018, the EPA approved the State of Oklahoma's application for authority to permit coal ash. Therefore, the Oklahoma Department of Environmental Quality (DEQ) manages the disposal of coal ash in Oklahoma. Specifically, for WFEC, the DEQ governs the Hugo Plant landfill and CCR impoundments. WFEC worked with the DEQ to coordinate and complete closure of the two CCR impoundments at the Hugo Plant. One CCR impoundment was closed in 2021 and the second was closed in 2023.

Additionally, the EPA issued Effluent Limitation Guidelines (ELG) that became effective January 2016. Compliance with CCR will also support the Hugo Plant compliance with ELG.

WFEC evaluated current operations with the CCR and ELG rules and determined, that for 2023, no revision was needed to asset retirement obligation (ARO) estimates. The liabilities are estimates based on various assumptions including, but not limited to, closure and post-closure cost estimates, timing of expenditures, escalation factors and discount rates (see note 14).

(Continued)

WFEC's generating plant operations are subject to various Federal Clean Air Act (CAA) and similar Oklahoma DEQ air quality requirements. These requirements regulate emissions of specified air pollutants from various industrial sources including electric generating units and require certain permitting, monitoring and reporting. On certain projects, pre-approval is needed for construction or modifications when these projects may have the potential to increase emissions above stated thresholds.

The Affordable Clean Energy (ACE) rule was vacated by the D.C. Circuit Court of Appeals and remanded to the Agency (EPA) on January 19, 2021. Additionally, the implementation regulations that extended the compliance timeline were vacated. The ACE rule was an action to address CO2 emissions from existing coal-fired power plants. The ACE rule repealed the previously issued Clean Power Plan (CPP). No timeline has been provided for the EPA's proposed replacement of the ACE rule and previously issued CPP.

In August 2011, EPA finalized the Cross State Air Pollution Rule (CSAPR) which requires 27 states in the eastern half of the U.S., including Oklahoma, to reduce emissions that contribute to ozone and particulate emissions. As a result, dry low NOx burners were added to Anadarko combined cycle units. In 2016 EPA promulgated a CSAPR update which applies to 22 eastern states including Oklahoma. Oklahoma units need to make no further changes at this time.

Regional Haze is an EPA effort designed to improve visibility in National Parks and Class I areas over a 64-year period. Regional Haze Phase II will become effective in 2028. WFEC completed a 4-Factor Analysis and submitted the report to DEQ on August 20, 2020. The results of the analysis indicated that no modifications were required at the time. A request for additional information was received from DEQ on January 31, 2022 and the information was provided on February 24, 2022. The additional information did not change the results of the original analysis from 2020.

(d) Legal

WFEC is involved in various other legal actions arising in the ordinary course of business. In the opinion of management, after consultation with counsel, the ultimate disposition of these matters will not have a material adverse effect on WFEC's financial position or the results of future operations.

(14) Asset Retirement Obligation

WFEC has asset retirement obligations arising from regulatory requirements to perform certain asset retirement activities at the time that certain machinery and equipment is disposed. The liability is initially measured at fair value and subsequently adjusted for accretion expense and changes in the amount or timing of the estimated cash flows. The corresponding asset retirement costs are capitalized as part of the carrying amount of the related long-lived asset and depreciated over the asset's useful life. Activity for the

(Continued)

asset retirement obligations, included in other liabilities in the accompanying balance sheets, for the years ended December 31 is as follows:

		2023	2022
		(In thousands)	
Beginning balance	$	6,065	6,500
Additional liabilities incurred		—	—
Settlement of liability		(1,269)	(1,038)
Loss on closure of liability		555	—
Revisions to estimates		—	—
Accretion expense		527	603
Ending balance	$	5,878	6,065

WFEC closed the second CCR impoundments at the Hugo Plant in 2023 (see note 13(c)), completing the Hugo Bottom Ash Pond Closure liability. The ARO liability for the Hugo Bottom Ash Pond Closure was completed and removed as of December 31, 2023.

(15) Comprehensive Income

The accumulated balance of other comprehensive income is as follows:

		Pension and postretirement benefit plans
		(In thousands)
Balance, December 31, 2021	$	475
Net current period change		120
Balance, December 31, 2022		595
Net current period change		94
Balance, December 31, 2023	$	689

(Continued)

(16) Subsequent Events

On January 1, 2024, with RUS approval WFEC increased the depreciation rate from the RUS prescribed rate for the Hugo Plant of 3.10% to 3.85% for 2024.

WFEC has evaluated subsequent events from the balance sheet date through March 8, 2024, the date at which the consolidated financial statements were available to be issued, and such events are disclosed in these accompanying notes to the consolidated financial statements.

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