

Municipal Energy Agency of Nebraska

Independent Auditor's Reports and Financial Statements

March 31, 2024 and 2023



Municipal Energy Agency of Nebraska
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Independent Auditor's Report

Board of Directors
Municipal Energy Agency of Nebraska
Lincoln, Nebraska

Opinion

We have audited the financial statements of the Municipal Energy Agency of Nebraska, as of and for the years ended March 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise Municipal Energy Agency of Nebraska's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Municipal Energy Agency of Nebraska, as of March 31, 2024 and 2023, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Municipal Energy Agency of Nebraska 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended March 31, 2024, Municipal Energy Agency of Nebraska adopted Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

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 Municipal Energy Agency of Nebraska's ability to continue as a going concern for 12 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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Municipal Energy Agency of Nebraska'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 Municipal Energy Agency of Nebraska'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Forvis Mazars, LLP

Lincoln, Nebraska
June 19, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis on the following pages summarize the financial highlights and focuses on factors that had a material effect on the financial condition of Municipal Energy Agency of Nebraska (MEAN) and the results of operations for the years ended March 31, 2024, 2023 and 2022. This discussion should be read in conjunction with the accompanying financial highlights, the basic financial statements, and notes to the financial statements.

Summary of the Financial Statements

The financial statements, related notes to the financial statements and management's discussion and analysis provide information about MEAN's financial position and activities.

Management's Discussion and Analysis – provides an objective and easily readable analysis of the financial activities of MEAN based on currently known facts, decisions or conditions.

Balance Sheets – provide a summary of the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position.

Statements of Revenues, Expenses and Changes in Net Position – present the operating results of MEAN into various categories of operating revenues and expenses, and non-operating revenues and expenses.

Statements of Cash Flows – report the cash provided by and used for operating activities, as well as other cash sources such as investment income and cash payments for repayment of bonds and capital additions.

Notes to the Financial Statements – provide additional disclosures and information that is essential to a full understanding of the data provided in the statements.

Financial Analysis

The following comparative condensed financial information summarizes MEAN's financial position and operating results for the years ended March 31, 2024, 2023 and 2022. Condensed financial information for 2022 has not been restated for the impacts of MEAN's implementation of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*.

Condensed Balance Sheets and Financial Highlights

	March 31,			Change	
	2023			From 2023	From 2022
	2024	(As Restated)	2022	to 2024	to 2023
Current assets	\$ 72,908,091	\$ 72,390,365	\$ 71,417,224	\$ 517,726	\$ 973,141
Long-term and restricted investments	19,854,362	19,576,877	20,430,930	277,485	(854,053)
Productive capacity and lease assets, net	115,262,407	121,300,130	127,584,042	(6,037,723)	(6,283,912)
Capital and subscription assets, net	6,375,709	6,814,404	4,484,791	(438,695)	2,329,613
Other noncurrent assets	40,805,737	41,881,988	41,793,395	(1,076,251)	88,593
Deferred outflows of resources	5,510,348	5,565,111	5,875,813	(54,763)	(310,702)
Total assets and deferred outflows of resources	\$ 260,716,654	\$ 267,528,875	\$ 271,586,195	\$ (6,812,221)	\$ (4,057,320)
Current liabilities	\$ 21,107,828	\$ 19,945,727	\$ 19,475,889	\$ 1,162,101	\$ 469,838
Noncurrent liabilities	149,261,889	156,240,853	160,682,998	(6,978,964)	(4,442,145)
Total liabilities	170,369,717	176,186,580	180,158,887	(5,816,863)	(3,972,307)
Deferred inflows of resources	30,106,400	31,419,700	31,446,381	(1,313,300)	(26,681)
Net investment in capital assets	14,804,209	15,745,287	14,954,057	(941,078)	791,230
Restricted for debt service	6,258,906	6,258,906	6,258,906	-	-
Unrestricted	39,177,422	37,918,402	38,767,964	1,259,020	(849,562)
Total net position	60,240,537	59,922,595	59,980,927	317,942	(58,332)
Total liabilities, deferred inflows of resources, and net position	\$ 260,716,654	\$ 267,528,875	\$ 271,586,195	\$ (6,812,221)	\$ (4,057,320)

Assets and Deferred Outflows of Resources

Decreased short-term investments and accounts receivable offset by increased productive capacity operating assets resulted in the increase in current assets in 2024. Increased accounts receivable and short-term investments offset by decreased cash and cash equivalents resulted in the increase in current assets in 2023.

Fluctuations in long-term investments are related to the maturity dates within the investment portfolio at each year end. Long-term investments increased in 2024 and decreased in 2023. Restricted investments increased slightly in 2024. Restricted investments decreased in 2023 due to the negative market value adjustments related to the investments held in the portfolio compared to 2022.

MEAN's net investment in productive capacity consists primarily of its ownership interest in two power generation plants: 1) a 6.92% ownership interest in the Walter Scott, Jr. Energy Center Unit 4 (WSEC 4) generation plant, located near Council Bluffs, Iowa and 2) a 23.5% ownership interest in the Wygen Unit I (Wygen I) generation plant, located near Gillette, Wyoming. MEAN's lease asset consists of the ground lease related to Wygen I. Depreciation and amortization charges exceeded additions to productive capacity and lease assets as shown in Note 3 in both 2024 and 2023 resulting in a decrease in these balances.

Capital assets include MEAN's operations and management facility, furniture, and equipment. Depreciation charges exceeded additions to capital assets as shown in Note 4 in both 2024 and 2023 resulting in a decrease in capital assets. MEAN's subscription assets relate to software under long-term contracts that qualifies under GASB Statement No. 96, *SBITA* (GASB 96). Amortization charges exceeded additions to subscription assets as shown in Note 4 in 2024 resulting in a decrease in these balances. Subscription assets increased \$2.5 million in 2023 due to the implementation of GASB 96.

The decrease in other noncurrent assets in 2024 and increase in 2023 is due to fluctuations in certain costs deferred as permitted under GASB Codification Section Re10, *Regulated Operations* (“Regulated Operations”).

Deferred outflows of resources consist of a deferred loss on refunding of debt and deferred costs for an asset retirement obligation. The decrease in 2024 and 2023 resulted primarily from annual amortization of deferred loss on refunding. The decrease in 2024 was partially offset by an increase in the deferred costs for an asset retirement obligation.

Liabilities and Deferred Inflows of Resources

Current liabilities increased in 2024 and 2023 due to fluctuations in accounts payable and accrued expenses due to timing of when invoices were received. The 2023 balance also increased due to the increase in current maturity of subscription liabilities. Current maturities of long-term debt are relatively stable but fluctuate slightly resulting in increases and decreases year to year.

Noncurrent liabilities include lease liability, subscription liabilities, long-term debt, and an asset retirement obligation. The fluctuation between years relates to long-term debt and recording of the subscription liabilities under GASB 96. Noncurrent liabilities increased \$2.3 million during 2023 due to implementation of GASB 96. Net long-term debt declined in 2024 and 2023 as principal payments were paid and no bond financing transactions occurred.

Deferred inflows of resources consist of deferred revenue – rate stabilization and deferred gain on refunding. Deferred revenue – rate stabilization fluctuates as a result of activity in the Rate Stabilization Fund which is described further in “Risk Management Practices”. Deferred gain on refunding decreased in 2024 and 2023 due to annual amortization.

Total net position increased in 2024 and decreased in 2023. In 2024 the decrease in net investment in capital assets was offset by an increase in unrestricted net position. In 2023 the increase in net investment in capital assets was offset by a decrease in unrestricted net position.

Condensed Statements of Revenues, Expenses and Changes in Net Position and Financial Highlights

	March 31,			Change	
	2024	2023 (As Restated)	2022	From 2023 to 2024	From 2022 to 2023
Total operating revenues	\$ 127,415,792	\$ 125,066,064	\$ 119,285,742	\$ 2,349,728	\$ 5,780,322
Total operating expenses	124,460,498	120,989,156	114,709,680	3,471,342	6,279,476
Operating income	2,955,294	4,076,908	4,576,062	(1,121,614)	(499,154)
Net nonoperating expenses	(2,637,352)	(4,135,240)	(6,661,828)	1,497,888	2,526,588
Change in net position	\$ 317,942	\$ (58,332)	\$ (2,085,766)	\$ 376,274	\$ 2,027,434

Sales Volumes and Operating Revenues

Sales Volumes (MWh)	March 31,			Change	
	2024	2023	2022	From 2023 to 2024	From 2022 to 2023
Total Requirements Participants					
Long-term	1,597,000	1,699,000	1,660,000	(102,000)	39,000
Limited-term	182,000	202,000	196,000	(20,000)	6,000
Others	251,000	53,000	51,000	198,000	2,000
Total	2,030,000	1,954,000	1,907,000	76,000	47,000
WAPA	358,000	337,000	356,000	21,000	(19,000)

The total requirements contracts between MEAN and the total requirements participating municipal utilities require MEAN to supply and obligate the participants to purchase, all capacity and energy in excess of each participant's firm power and energy allocations from Western Area Power Administration (WAPA). The total requirements contracts for four participants also include limited exceptions for certain generating facilities of each participant. MEAN acts as agent for the volumes delivered by WAPA; therefore, the volumes are not included in the total volumes sold by MEAN. However, changes in volumes delivered by WAPA impacts the volumes sold by MEAN. Total MWhs delivered in 2024 increased 4% compared to 2023 and total MWhs delivered in 2023 increased 2% compared to 2022.

Fluctuations in MWhs delivered to MEAN's long-term total requirements participants are primarily due to the impact of weather conditions and changes in volumes delivered by WAPA for those participants with WAPA allocations. Volumes delivered by WAPA increased in 2024 and decreased in 2023. MWhs delivered to long-term total requirements participants decreased 6% compared to 2023 and increased 2% in 2023 compared to 2022. One limited-term total requirements participant converted to a long-term total requirements participant in 2024.

Fluctuations in MWhs delivered to MEAN's limited-term total requirements participants are due to the impact of weather conditions, changes in contracts, and changes in volumes delivered by WAPA. Volumes delivered by WAPA increased in 2024 and decreased in 2023. MWhs delivered to MEAN's limited-term total requirements participants decreased 10% in 2024 compared to 2023 and increased 3% in 2023 compared to 2022. One limited-term total requirements participant converted to a long-term total requirements participant and one limited-term total requirements contract expired in 2024. No limited term total requirements contracts expired in 2023. No new contracts began in 2023 or 2022.

Energy sales to others are dependent on the balance of MEAN's load and resource generation in the Western Electricity Coordinating Council (WECC) and the market conditions in the Midcontinent Independent System Operator, Inc. (MISO) and Southwest Power Pool (SPP) markets. Fluctuations in energy sales resulted in increases in operating revenue for MEAN in 2024 and 2023; however, this is balanced by the fact that MEAN incurs a related increase in the related energy costs. MWhs sold to others increased by 374% in 2024 from 2023 and increased by 4% in 2023 from 2022.

Operating Revenues	March 31,			Change	
	2024	2023	2022	From 2023 to 2024	From 2022 to 2023
Electric Energy Sales					
Long-term total requirements	\$ 104,725,081	\$ 109,307,187	\$ 104,781,648	\$ (4,582,106)	\$ 4,525,539
Limited-term total requirements	11,843,586	12,879,431	12,431,085	(1,035,845)	448,346
Interchange sales	7,778,776	1,683,273	1,005,018	6,095,503	678,255
Transfer from (provision for) rate stabilization	1,000,000	(286,619)	-	1,286,619	(286,619)
Other	2,068,349	1,482,792	1,067,991	585,557	414,801
Total operating revenues	\$ 127,415,792	\$ 125,066,064	\$ 119,285,742	\$ 2,349,728	\$ 5,780,322

Electric energy sales revenues from total requirements participants are impacted by fluctuations in MWhs delivered and changes to rates and charges.

The decrease in electric energy sales revenues from long-term total requirements participants in 2024 of 4% from 2023 is due to the decrease in MWhs delivered. The increase in electric energy sales revenues from long-term total requirements participants of 4% in 2023 from 2022 is due to the increase in MWhs delivered and the increase in rates and charges.

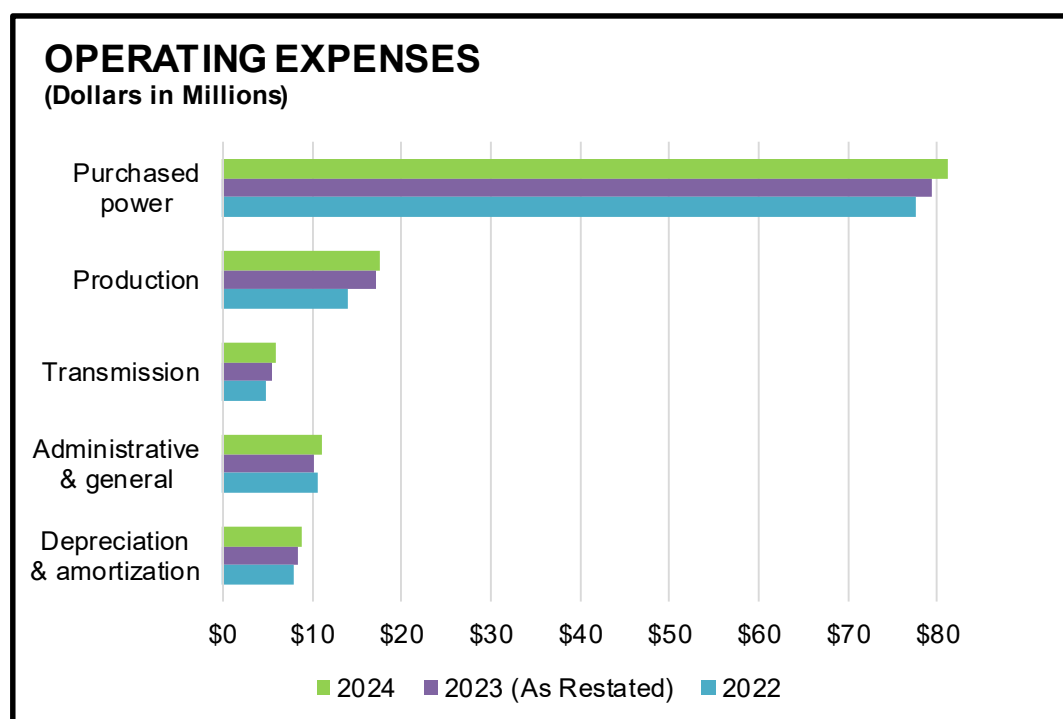
Electric energy sales revenues from limited-term total requirements participants decreased by 8% in 2024 from 2023 due to the decrease in MWhs delivered. The increase of 4% for 2023 from 2022 is due to the increase in MWhs delivered and the increase in rates and charges.

The MWh sold through interchange sales increased in 2024 while the average selling price per MWh sold decreased slightly resulting in an overall increase in revenues from interchange sales of 362% compared to 2023. Both MWhs sold and the average selling price per MWh for interchange sales increased in 2023 resulting in an overall decrease in revenues from interchange sales of 67% compared to 2022.

For 2024, the Board of Directors authorized a transfer from rate stabilization into operating revenues of \$1,000,000. For 2023, the Board of Directors authorized a provision for rate stabilization resulting in a transfer from operating revenues into rate stabilization of \$286,619. See Note 1 – Deferred Revenue – Rate Stabilization for additional information.

Other operating revenues include administrative fees paid to MEAN under scheduling service and market assistance agreements, revenues for rents and shared products and services with the NMPP Energy organizations, revenues for transmission, sales of excess capacity and other miscellaneous revenues. The increase from 2023 to 2024 is due primarily to business interruption insurance proceeds received offset by lower revenues from transmission sales. The increase from 2022 to 2023 is due primarily to increased revenue from higher market prices for sales of excess capacity.

Operating Expenses



Operating expenses in 2024 were \$124.5 million, an increase of 3% from 2023 expenses primarily due to higher purchased power expenses. Operating expenses in 2023 were \$121.0 million, an increase of 5% from 2022 expenses primarily due to higher purchased power and production expenses.

Purchased power expenses of \$81.1 million in 2024 increased from 2023 by 2% due to decreases in MWhs purchased under power purchase agreements offset by increased market energy costs resulting from more MWhs purchased on the market. Purchased power expenses of \$79.4 million in 2023 increased from 2022 by 2% due to rising coal costs, higher operations and maintenance expense, and annual cost increases for power purchase agreements.

Production costs consist of MEAN's ownership share of costs incurred to operate and maintain LRS, WSEC 4 and Wygen I. Production costs of \$17.5 million increased in 2024 by 2% compared to 2023. Although total MWh produced in 2023 was less than 2022 resulting in lower fuel costs, the reduction was offset by increased operations and maintenance costs. Production costs of \$17.2 million increased in 2023 by 23% compared to 2022 due to increased MWh produced resulting in higher fuel costs. Fuel costs were also impacted by increases to the cost of coal.

Transmission costs of \$6.0 million for 2024 increased from 2023 by 8%. Transmission costs of \$5.6 million for 2023 increased from 2022 by 17%. Increases in both years are due to increases in rates charged by providers.

Administrative and general expenses of \$11.0 million in 2024 increased compared to 2023 by 7% primarily due to increased consultant costs related to market management. Administrative and general expenses of \$10.3 million in 2023 decreased compared to 2022 by 2%. The increase in payroll and benefits was offset by a decrease in consultant and outside services costs after completing implementation of a new market platform software. Costs in 2023 also decreased by \$0.3 million compared to 2022 due to the implementation of GASB 96.

Depreciation and amortization expenses of \$8.8 million increased from 2023 by 4%. Depreciation and amortization expenses of \$8.5 million increased from 2022 by 8%. Increases in both years is due to annual depreciation on productive capacity additions in recent fiscal years. Depreciation and amortization for 2023 also increased by \$0.3 million compared to 2022 due to the implementation of GASB 96.

Nonoperating Expenses and Changes in Net Position

Net nonoperating expenses of \$2.6 million in 2024 decreased from 2023 due primarily to higher investment return as a result of higher interest rates on investments. Higher investment return was offset in part by fluctuations in net costs to be recovered in future periods year to year. In 2023, net nonoperating expenses of \$4.1 million decreased from 2022 due to higher investment return as a result of increasing interest rates on investments and lower interest expense as a result of the impact of the debt refunding in 2022.

The change in net position for 2024 and 2023 was an increase of approximately \$318,000 and a decrease of approximately \$58,000, respectively, due to operations discussed.

Condensed Statements of Cash Flows and Financial Highlights

	March 31,			Change	
	2023			From 2023 to 2024	From 2022 to 2023
	2024	(As Restated)	2022		
Cash flows from operating activities	\$ 10,838,940	\$ 10,410,504	\$ 23,123,737	\$ 428,436	\$ (12,713,233)
Cash flows from capital and related financing activities	(13,775,681)	(13,582,609)	(17,124,371)	(193,072)	3,541,762
Cash flows from investing activities	3,094,470	1,031,039	(1,524,696)	2,063,431	2,555,735
Change in cash and cash equivalents	\$ 157,729	\$ (2,141,066)	\$ 4,474,670	\$ 2,298,795	\$ (6,615,736)

Cash Flows from Operating Activities

Cash flows from operating activities contain transactions involving participants, customers and suppliers. Cash flows from operating activities is consistent between 2024 and 2023. Cash flows from operating activities decreased for 2023 compared to 2022. Cash inflows from operating activities for 2022 were elevated due to timing of receipts of and payments under agent transactions related to Winter Storm Uri in February 2021.

Cash Flows from Capital and Related Financing Activities

Cash flows from capital and related financing activities contain transactions involving the acquisition and construction of productive capacity, lease assets, and capital assets and the lease liability and debt related to those assets. Additions of productive capacity relate to MEAN's share of capital improvements at LRS, WSEC 4 and Wygen I. Cash used in capital and related financing activities is greater in 2024 compared to 2023 primarily due to increased additions to productive capacity. Cash used in capital and related financing activities in 2023 is less than 2022 due to decreased additions to productive capacity and lower interest payments on long-term debt.

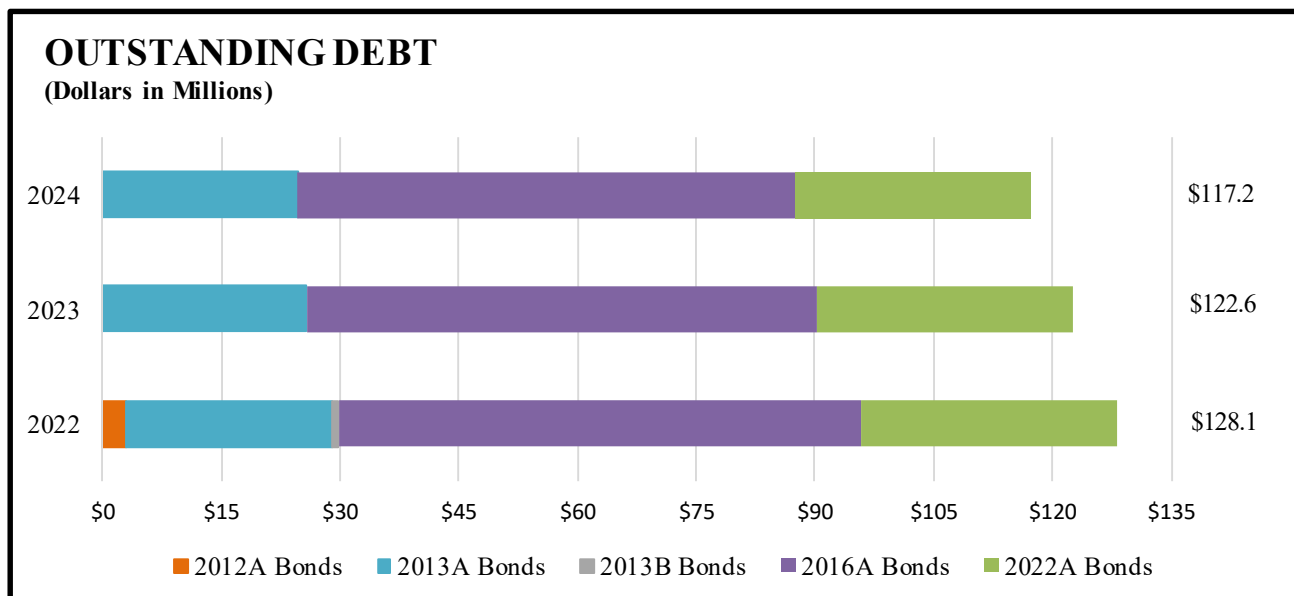
Cash Flows from Investing Activities

Cash flows from investing activities contain transactions related to investment purchases and maturities and investment income. Rising interest rates on investments resulted in an increase in interest received in 2024 compared to 2023 and in 2023 compared to 2022.

Financing

MEAN did not issue any debt and made scheduled principal payments of \$5,330,000 and \$5,575,000 in 2024 and 2023, respectively.

The following chart shows outstanding debt as of March 31, 2024, 2023 and 2022.



Debt Ratings and Debt Service Coverage

S&P Global Ratings (“S&P”) affirmed the A rating and stable outlook on MEAN’s outstanding debt on June 26, 2023. Fitch Ratings completed a review with no action on MEAN’s outstanding debt on December 12, 2023. The bond rating agencies assess MEAN’s ability to pay interest and principal on its debt based on MEAN’s financial strength and business characteristics as a public power provider.

The following table provides the current ratings for outstanding debt.

Summary of Ratings		
Rating Agency	Rating	Outlook
S&P	A	Stable
Fitch Ratings	A+	Stable

MEAN’s bond covenants establish a debt service coverage requirement of 1.0. Typically, MEAN targets year-end debt service coverage of 1.20. With the implementation of GASB 96, the annual principal and interest expense paid on subscription liabilities is included as debt service in the 2024 calculation. This represents the related amount that was reported as operating expense in prior years. Debt service coverage has not been recalculated for 2023 or 2022. The following table provides MEAN’s debt service coverage for March 31, 2024, 2023 and 2022.

Debt Service Coverage		
2024	2023	2022
1.28	1.12	0.94*

*The debt service coverage for 2022 was 1.00 before recording unrealized losses on investments, which are not required to be included in the coverage computation per the bond covenant, therefore MEAN met its debt service coverage requirement for 2022.

General Trends and Significant Events

Modernization of Long-Term Total Requirements Contracts

The MEAN Board of Directors approved a modernized version of its long-term total requirements contract, at its November 2023 board meeting. The Board's approval followed a three-year process in which the MEAN Governance Review Committee and Board worked on the initiative that modernized the contract. The modernized contract brings the agreement up to date with current rules and regulations in today's electric industry and provides participants the option to terminate the thirty-year contract with proper notice, while honoring pre-existing agency resource obligations. The modernized contract includes automatic extensions every five years adding five years to the end of the term, so that the term will be thirty years from each extension date, unless and until terminated with proper notice. Following the Board's approval, the modernized contract was distributed to current long-term total requirements contract participants for consideration and approval. Current long-term total requirements contract participants have the option to sign the modernized contract or remain under the current legacy contract. Both contracts extend beyond the final maturity of MEAN's outstanding long-term debt.

Cyber and Physical Security

In the wake of increased physical attacks nationwide on electrical infrastructure and cyber threats aimed toward the electric industry, MEAN is increasing its involvement in cyber and physical security activities. MEAN staff, including the Director of Digital Solutions, actively participate in cyber/physical security-related industry groups. In addition, they work with industry and government representatives to address incidents and best practices for protecting cyber and physical infrastructure with a goal of ensuring system reliability.

Regional Energy Markets and Coordination

MEAN's regional footprint stretches from Central Iowa across Nebraska and into Colorado and Wyoming. Due to this footprint, MEAN is required to operate in two regional transmission organizations, MISO and SPP. Both MISO and SPP operate day-ahead and real-time energy markets. Market participants must pay for costs to serve load and receive revenue for their electrical generation. MEAN's power supply resources registered in the SPP and MISO market regions are dispatched by SPP or MISO through the day-ahead and real-time markets based on cost and operational considerations.

MEAN also operates in the western United States through the WECC. For operations in WECC, MEAN buys and sells energy through bilateral transactions with various electric utilities. MEAN has load and resources in the Western Area Colorado Missouri Balancing Authority and in the Public Service Company of Colorado Balancing Authority that participate in the Western Energy Imbalance Service (WEIS) real-time balancing market, which is administered by SPP. The WEIS market centrally dispatches energy from participating resources throughout its footprint every five minutes. As administrator of WEIS, SPP maintains reliability of the region's transmission system and meets demand with the most cost-effective generation available. MEAN is actively monitoring and participating in market development in WECC including SPP's Regional Transmission Organization West and SPP's Markets + Energy market. Participation in early phases of market development ensures MEAN has opportunities to participate in the development of the tariffs and other governing documents.

Renewable Resources

MEAN continues to review renewable energy projects that are of strategic interest and is working with MEAN participants to address the impact of trends in distributed and renewable generation. In 2020, the Board of Directors approved a resolution laying out a vision to work toward transitioning MEAN's wholesale power resource portfolio to achieve carbon neutrality by 2050 through the elimination of carbon

emissions or balancing emissions with carbon removal through carbon offset mechanisms. The resolution authorizes MEAN's staff to work collaboratively with the MEAN Power Supply Committee to develop policies around resource planning, portfolio optimization and emissions reduction to support future actions to achieve the 2050 carbon neutral goal.

MEAN's 2022 Integrated Resource Plan (IRP) was approved by the Western Area Power Administration on December 27, 2022. The IRP must be submitted to WAPA every five years. Through the IRP process, a range of resource alternatives is evaluated in developing long-range implementation plans to serve MEAN's participants' long-term power supply requirements consistent with prudent utility planning practices utilizing the lowest cost, environmentally responsible energy supply.

MEAN has multiple contracts for the purchase of capacity from wind, landfill gas, and hydroelectric generating facilities. MEAN has contracted for the purchase of 67 MW of wind capacity from wind energy producers in the region, including 30 MW from a wind-generated facility near Kimball, Nebraska. MEAN has contracted for 4.8 MW from the Waste Management Des Moines Landfill Gas Facility. MEAN entered into a power purchase agreement with Central Nebraska Public Power and Irrigation District (CNPPID) for the purchase of 42.75 MW of capacity from CNPPID's Johnson No. 1 and Johnson No. 2 hydroelectric generating plants. MEAN has several other contracts for the purchase of capacity from hydroelectric generating facilities in the region totaling approximately 24 MW which increases slightly on a seasonal basis.

MEAN and a developer are working to construct community solar projects in 15 MEAN communities for 16 MEAN participants. Project size varies by community and consists of both community contracted power purchase agreements under MEAN's Renewable Distributed Generation Policy and MEAN contracted power purchase agreements. Commercial operation is expected to begin in stages throughout the fiscal years ending March 31, 2025 and 2026.

Environmental Regulations

The electric industry is exposed to continuing environmental regulations which are subject to change. Consequently, there is no assurance that facilities MEAN participates in will remain subject to the regulations currently in effect or will meet future regulations without retrofit.

MEAN joined together with four other public power entities to form the Public Power Generation Agency (PPGA). PPGA developed, constructed and operates the Whelan Energy Center Unit 2 (WEC 2), a 220 MW coal-fired generating unit near Hastings, Nebraska. WEC 2 is operated under Best Available Control Technology standards. MEAN has minority ownership interests in other coal fired generation units, WSEC 4 and Wygen I. These units are also equipped with current Best Available Control Technology that combines lowest emissions with a long-term baseload energy resource. MEAN also has a 1.67% ownership interest in the coal-fired steam-electric Laramie River Station (LRS) generating station.

MEAN cannot anticipate the outcome of current and proposed regulatory and legislative processes. MEAN could be subject to increased costs or reduced operating levels as a result of future environmental regulations. The cost of compliance could be substantial and could impact the economic viability of certain units, even assuming the compliance options are commercially available. MEAN will maintain its ongoing practice of analyzing power supply resource options that provide long-term financial benefits to MEAN Participants, are in line with MEAN's 2050 carbon neutral vision and position MEAN for compliance with carbon regulations in whatever form they may take.

MEAN continues to monitor the development and implementation of new or modified environmental regulations. The following is a summary of various regulations monitored by MEAN related to MEAN-jointly owned facilities.

Environmental Protection Agency Recent Rulemaking

On April 25, 2024, the Environmental Protection Agency (EPA) finalized four rules, Greenhouse Gas Emission Guidelines for Existing Coal-Fired Power Plants and New Source Performance Standards for Stationary Combustion Turbines; Mercury and Air Toxic Standards Residual Risk and Technology Review; Steam Electric Effluent Limitation Guidelines; and Coal Combustion Residual Legacy Impoundment and CCR Management Units that impact the power sector. The new GHG rules include aspects of technology-based requirements including carbon sequestration, co-firing of low-carbon fuels, and efficiency standards for large power plants as a Best System of Emission Reduction. The regulations outline a process under which states must submit plans to EPA by 2026 for establishing source-specific GHG emissions standards for existing plants. The state plans are subject to EPA review and approval. It is not yet known specifically how the rules will affect MEAN's generating facilities. Several compliance options for the various facilities are currently under review.

Cross-State Air Pollution

The Cross-State Air Pollution Rule ("CSAPR") was initially issued in 2011, to assist states' compliance with ambient air quality standards by limiting downwind pollution. Under CSAPR, facilities must provide allowances for emission of each ton of SO₂ and NO_x. Certain states, including Iowa, are also required to provide additional allowances for NO_x emission during ozone season. The EPA is proposing to add Iowa to the Good Neighbor Plan requirements. Recent revisions to the rule, including the latest Good Neighbor Plan, have not yet affected MEAN's generating facilities; therefore, it is not yet known how the Good Neighbor Plan will impact MEAN's generating facilities. Revised air dispersion modeling demonstrated Wyoming sources did not contribute to downwind exceedances of the 2015 ozone ambient standard. Wyoming sources, including Wygen I, were excluded from the final rule.

Regional Haze Rule

The purpose of the regional haze regulations is to improve visibility by reducing regional haze in 156 national parks and wilderness (Class I areas) across the country. The current draft of the State Implementation Plan (SIP) for Nebraska does not recommend any additional controls for the second implementation period (ending in 2028) for WEC 2. Based on a determination by the state of Iowa, WSEC 4 is not subject to the Regional Haze Rule. After analysis by the State of Wyoming in 2021, it was determined that additional controls at LRS were not necessary. No additional control measures for Wygen I were proposed as part of the most recent analysis by the State of Wyoming. EPA is currently reviewing Wyoming's Regional Haze SIP and missed the regulatory deadline to issue a determination of whether the state plan is approvable. EPA is under a consent decree to issue their determination by November 22, 2024.

Acid Rain Program

Implemented in accordance with the Clean Air Act Amendments of 1990, the Acid Rain Program is intended to achieve environmental benefits through reductions in SO₂ and NO_x emissions. WEC 2, WSEC 4, Wygen I and LRS operate within the acid rain regulations.

Mercury and Air Toxics Standards

The Mercury and Air Toxics Standard (MATS) rules establish national emission standards for mercury and other hazardous air pollutants from coal and oil-fired power plants. WEC 2, WSEC 4, Wygen I and LRS have installed mercury controls to comply with MATS. Ongoing compliance with MATS must be demonstrated annually.

Water Quality

The Federal Clean Water Act contains requirements with respect to effluent limitations relating to the discharge of any pollutant and to the environmental impact of cooling water intake structures. Regulation

occurs under the National Pollutant Discharge Elimination System (NPDES) permit program. WSEC4, WEC 2, Wygen I and LRS have proper permitting in place under the Clean Water Act.

The EPA developed regulations, under Subsection 316(b) of the Clean Water Act, which affect facilities with cooling water intake structures. The regulations are intended to ensure location, design, construction and capacity of the cooling water intake structures reflect the best technology available to minimize harmful impacts on aquatic life from impingement or entrainment. WSEC 4 will complete construction of modified traveling screens and advise the Iowa Department of Natural Resources (IDNR) of these activities. Additionally, WSEC 4 will submit an Impingement Technology Performance Optimization Study to IDNR in 2026. LRS, Wygen I, and WEC 2 meet the requirements of this rule.

Coal Combustion Residuals Proposed Rule

The Coal Combustion Residuals Proposed Rule requires owners of unlined surface ponds to conduct initial monitoring to detect indicators that may signify a release of contaminants from a surface pond. If contamination is found, the rule mandates closure or retrofitting of unlined surface ponds if the contamination cannot be attributed to another source.

Basin Electric Power Cooperative (BEPC), as the Operating Agent for LRS, hired a consultant to conduct Coal Combustion Residual (CCR) detection monitoring in 2016 and 2017. The consultant detected a statistically significant increase (SSI) in one or more of the indicator constituents from the LRS ash pond. A Corrective Measure Assessment was completed on August 30, 2019 with a Groundwater Remedy Selection Report issued in July 2020. Between August 2020 and March 2021, all CCR material was removed, and a liner was installed. While the hydraulic capture pumping system was designed and contracted, supply chain issues prevented its installation on schedule. LRS planned to install the pumping system in 2023. Further CCR related activities have not been made publicly available at the time this report was completed.

Walter Scott Energy Center has three CCR units: a landfill, a North Surface Impoundment and a South Surface Impoundment. While SSI exceedances were noted at the landfill in 2021, Alternate Source Determinations (ASDs) were not required since previously conducted ASDs addressed the causes of the observations. The South Surface Impoundment was planned for closure in 2023 and the North Surface Impoundment is scheduled to close in 2024.

PPGA continues the process of groundwater monitoring at WEC 2, working with a third-party consultant. The results of the comprehensive monitoring and modeling is used to determine extent and source of contaminants that may be entering the WEC facility or emitting from WEC 2 CCR operations. The groundwater continues to be monitored for the SSI chemicals. Efforts are ongoing to identify up gradient sources. Currently groundwater monitoring indicated the presence of chemicals above the SSI in background concentrations which ultimately directed PPGA to move forward with a retrofit lining project for its scrubber ash cell which was completed in 2023.

Risk Management Practices

MEAN is subject to various risks inherent in the electric energy business, including exposure to volatility in electric energy and fuel prices, uncertainty in load and resource availability, the creditworthiness of its counterparties, operational risks associated with transacting in the wholesale energy markets, and regulatory and political risks.

As a means of identifying, measuring, managing and mitigating these various risks, MEAN has developed financial and administrative policies and guidelines, a risk governance policy, and asset management policies and procedures, which have been approved by the Board of Directors.

To help manage energy risks, including the risks related to MEAN's participation in regional wholesale energy markets, MEAN contracts with The Energy Authority (TEA) to both transact on MEAN's behalf in

the wholesale energy markets and to develop and recommend strategies to manage MEAN's exposure to risk in the wholesale energy markets. TEA's in-depth understanding of the wholesale energy markets, experienced staff, and state-of-the-art technology combined with TEA's knowledge of MEAN's system enable TEA to deliver a broad range of standardized and customized energy products and services to MEAN.

One of MEAN's management tools was the creation of a rate stabilization account, within the general reserve fund. This funded account may be used to pay operating expenses or debt service or for other purposes that enable MEAN to, or facilitate MEAN's ability to, provide services at stable and economic rates for its participant communities. There was a transfer out of the rate stabilization account into operating revenues of \$1,000,000 in 2024. There was a transfer into the rate stabilization account of \$286,619 from operating revenues in 2023.

As a means of stabilizing its rate structure, MEAN has elected to defer certain costs related to its investment in WSEC 4, Wygen I and LRS generating plants as allowed under the provisions of GASB Regulated Operations. These costs, primarily depreciation and bond issue costs, will be charged to expense in future years.

Report Purpose and Contact Information

This financial report is designed to provide member municipalities, other nonmember participants and counterparties with a general overview of MEAN's financial status for the fiscal years 2024, 2023 and 2022. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance and Accounting at 8377 Glynoaks Dr., Lincoln, Nebraska 68516.

Municipal Energy Agency of Nebraska

Balance Sheets

March 31, 2024 and 2023

	2024	2023 (As Restated)
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	\$ 37,786,140	\$ 37,628,411
Short-term investments	11,903,820	12,093,665
Accounts receivable	18,463,127	19,375,377
Prepaid expenses and other	400,943	465,733
Productive capacity operating assets	<u>4,354,061</u>	<u>2,827,179</u>
Total current assets	<u>72,908,091</u>	<u>72,390,365</u>
Noncurrent Assets		
Long-term investments	8,911,214	8,677,183
Restricted investments	10,943,148	10,899,694
Productive capacity and lease assets, net	115,262,407	121,300,130
Capital and subscription assets, net	6,375,709	6,814,404
Costs recoverable from future billings	<u>40,805,737</u>	<u>41,881,988</u>
Total noncurrent assets	<u>182,298,215</u>	<u>189,573,399</u>
Deferred Outflows of Resources		
Deferred loss on refunding	4,760,872	5,078,263
Deferred costs for asset retirement obligation	<u>749,476</u>	<u>486,848</u>
Total deferred outflows of resources	<u>5,510,348</u>	<u>5,565,111</u>
Total assets and deferred outflows of resources	<u>\$ 260,716,654</u>	<u>\$ 267,528,875</u>
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Current maturities of lease liability	\$ 258,300	\$ 223,687
Current maturities of subscription liabilities	321,297	-
Current maturities of long-term debt	5,600,000	5,330,000
Accounts payable and accrued expenses	12,291,923	11,690,996
Accrued interest payable	<u>2,636,308</u>	<u>2,701,044</u>
Total current liabilities	<u>21,107,828</u>	<u>19,945,727</u>
Noncurrent Liabilities		
Lease liability	22,640,114	22,898,414
Subscription liabilities	2,032,884	2,260,514
Long-term debt, net	123,839,415	130,595,077
Asset retirement obligation	<u>749,476</u>	<u>486,848</u>
Total noncurrent liabilities	<u>149,261,889</u>	<u>156,240,853</u>
Deferred Inflows of Resources		
Deferred revenue - rate stabilization	27,600,000	28,600,000
Deferred gain on refunding	<u>2,506,400</u>	<u>2,819,700</u>
Total deferred inflows of resources	<u>30,106,400</u>	<u>31,419,700</u>
Net Position		
Net investment in capital assets	14,804,209	15,745,287
Restricted for debt service	6,258,906	6,258,906
Unrestricted	<u>39,177,422</u>	<u>37,918,402</u>
Total net position	<u>60,240,537</u>	<u>59,922,595</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 260,716,654</u>	<u>\$ 267,528,875</u>

Municipal Energy Agency of Nebraska
Statements of Revenues, Expenses and
Changes in Net Position
Years Ended March 31, 2024 and 2023

	2024	2023 (As Restated)
Operating Revenues		
Electric energy sales	\$ 124,347,443	\$ 123,869,891
Transfer from (provision for) rate stabilization	1,000,000	(286,619)
Other	<u>2,068,349</u>	<u>1,482,792</u>
Total operating revenues	<u>127,415,792</u>	<u>125,066,064</u>
Operating Expenses		
Electric energy costs	104,601,506	102,145,575
Administrative and general	11,026,431	10,316,124
Depreciation and amortization	<u>8,832,561</u>	<u>8,527,457</u>
Total operating expenses	<u>124,460,498</u>	<u>120,989,156</u>
Operating Income	<u>2,955,294</u>	<u>4,076,908</u>
Nonoperating Revenues (Expenses)		
Net costs to be recovered in future periods	(1,076,251)	88,593
Investment return	3,182,110	793,277
Interest expense	<u>(4,743,211)</u>	<u>(5,017,110)</u>
Net nonoperating expenses	<u>(2,637,352)</u>	<u>(4,135,240)</u>
Change in Net Position	317,942	(58,332)
Net Position, Beginning of Year	<u>59,922,595</u>	<u>59,980,927</u>
Net Position, End of Year	<u>\$ 60,240,537</u>	<u>\$ 59,922,595</u>

Municipal Energy Agency of Nebraska
Statements of Cash Flows
Years Ended March 31, 2024 and 2023

	2024	2023 (As Restated)
Operating Activities		
Cash received from participants and customers	\$ 151,223,787	\$ 147,689,679
Cash paid to suppliers	(135,074,389)	(131,411,990)
Cash received under agent transactions	25,261,669	24,488,747
Cash paid under agent transactions	(25,066,691)	(24,523,686)
Cash paid to coalition members	(5,505,436)	(5,832,246)
	<u>10,838,940</u>	<u>10,410,504</u>
Net cash provided by operating activities		
Capital and Related Financing Activities		
Principal payments on lease liability	(223,687)	(190,880)
Principal payments on subscription liabilities	(45,500)	(275,394)
Principal payments on long-term debt	(5,330,000)	(5,575,000)
Additions of productive capacity	(2,144,827)	(1,591,546)
Purchase of capital assets	(73,088)	(161,924)
Interest paid	(5,958,579)	(5,787,865)
	<u>(13,775,681)</u>	<u>(13,582,609)</u>
Net cash used in capital and related financing activities		
Investing Activities		
Interest received on investments	2,789,281	1,275,949
Purchases of investments	(23,562,174)	(24,590,693)
Proceeds from sales and maturities of investments	23,867,363	24,345,783
	<u>3,094,470</u>	<u>1,031,039</u>
Net cash provided by investing activities		
Increase (Decrease) in Cash and Cash Equivalents	157,729	(2,141,066)
Cash and Cash Equivalents, Beginning of Year	<u>37,628,411</u>	<u>39,769,477</u>
Cash and Cash Equivalents, End of Year	<u>\$ 37,786,140</u>	<u>\$ 37,628,411</u>

Municipal Energy Agency of Nebraska

Statements of Cash Flows - Continued

Years Ended March 31, 2024 and 2023

	<u>2024</u>	<u>2023</u> <u>(As Restated)</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 2,955,294	\$ 4,076,908
Depreciation and amortization	8,832,561	8,527,457
Provision for (transfer from) rate stabilization	(1,000,000)	286,619
Changes in operating assets and liabilities		
Accounts receivable	912,250	(2,493,509)
Productive capacity operating assets	(1,526,882)	(220,291)
Prepaid expenses and other	64,790	(67,896)
Accounts payable and accrued expenses	<u>600,927</u>	<u>301,216</u>
Net Cash Provided by Operating Activities	<u><u>\$ 10,838,940</u></u>	<u><u>\$ 10,410,504</u></u>
Supplemental Non-cash Activities		
Adjustment of investments to fair value	\$ 392,829	\$ (482,672)
Amortization of bond premium	(1,155,662)	(1,155,662)
Amortization of deferred loss on refunding	317,391	317,392
Amortization of deferred gain on refunding	(313,300)	(313,300)
Subscription assets acquired through subscription liabilities	139,167	-

Municipal Energy Agency of Nebraska

Notes to Financial Statements

March 31, 2024 and 2023

Note 1: Summary of Significant Accounting Policies

Reporting Entity

Municipal Energy Agency of Nebraska (MEAN or the Agency) was created pursuant to provisions of the Municipal Cooperative Financing Act (Act). MEAN, pursuant to the Act, is a political subdivision of the State of Nebraska providing power supply, energy transmission and exchange of electrical power to its member municipalities and other nonmember participants.

In evaluating how to define the Agency, for financial reporting purposes, management has considered all potential component units for which financial accountability may exist. The determination of financial accountability includes consideration of a number of criteria, including: (1) the Agency's ability to appoint a voting majority of another entity's governing body and to impose its will on that entity, (2) the potential for that entity to provide specific financial benefits to or impose specific financial burdens on the Agency and (3) the entity's fiscal dependency on the Agency.

MEAN, Nebraska Municipal Power Pool (NMPP), National Public Gas Agency (NPGA) and Public Alliance for Community Energy (ACE), comprise a coalition referred to by the trade name NMPP Energy. This coalition of entities provides energy-related services to communities while sharing facilities and management personnel. None of the organizations included in NMPP Energy are responsible for the obligations, liabilities or debts of any of the other organizations in the coalition. Based upon the above criteria, none of the organizations are considered component units of any of the other associated organizations.

Basis of Accounting and Presentation

MEAN's activities are accounted for using the economic resources measurement focus and the accrual basis of accounting. MEAN's accounting records are maintained in accordance with accounting principles generally accepted in the United States of America for regulated utilities and generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission (FERC). MEAN prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). MEAN's accounting policies also follow GASB Codification Section Re10, *Regulated Operations*, which permits an entity with cost based rates to defer certain costs or income that would otherwise be recognized when incurred to the extent that the rate-regulated entity is recovering or expects to recover such amounts in rates charged to its customers. This method includes the philosophy that debt service requirements, as opposed to depreciation or amortization, are a cost for rate making purposes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net position during the reporting period. Actual results may differ from those estimates.

Cash Equivalents

MEAN considers all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents. At March 31, 2024 and 2023, cash equivalents consisted of money market mutual funds.

Municipal Energy Agency of Nebraska

Notes to Financial Statements

March 31, 2024 and 2023

Investments and Investment Return

MEAN maintains various restricted accounts that are held for debt service obligations. Investments in money market mutual funds are carried at cost, which approximates fair market value. Investments in U.S. agency obligations, U.S. treasury notes, and negotiable certificates of deposit are carried at fair value. Fair value is determined using quoted market prices. Investment return consists of interest income and the net change for the year in the fair value of investments.

Accounts Receivable

Accounts receivable are stated at the amount billed to participants and customers. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Accounts past due more than 120 days are considered delinquent. Delinquent receivables are charged off as they are deemed uncollectible. MEAN does not believe an allowance for doubtful accounts is necessary at March 31, 2024 and 2023.

Productive Capacity Operating Assets

Productive capacity operating assets related to the operation of the jointly-owned facilities of Laramie River Station (LRS), Walter Scott, Jr. Energy Center Unit 4 (WSEC 4) and Wygen Unit I (Wygen I) are comprised of operating assets, primarily fuel and supplies inventories, and operating cash. These assets are managed by the operating agent of each respective project and are stated at cost. Operating expenses related to MEAN's participation in LRS, WSEC 4 and Wygen I are included in electric energy costs in the statements of revenues, expenses and changes in net position.

Productive Capacity and Lease Assets

Productive capacity includes the costs incurred for the following jointly-owned facilities. Productive capacity costs are being amortized on the straight-line basis over the estimated life of the various projects.

LRS - a 1.67% ownership interest in the three-unit 1,697 MW coal-fired steam-electric LRS generating station and an associated transmission system in Platte County, Wyoming on the Laramie River. MEAN purchased the ownership interest from Lincoln Electric System (LES), a co-owner of the Missouri Basin Power Project (MBPP) that includes LRS.

WSEC 4 - a 6.92% ownership interest in the 790 net MW coal-fired steam-electric WSEC 4 generation unit near Council Bluffs, Iowa. MidAmerican Energy Company developed, designed, constructed and operates WSEC 4.

Wygen I - a 23.5% ownership interest in the 85 MW coal-fired Wygen I electric generation unit located near Gillette, Wyoming. Black Hills Wyoming, LLC (formerly Black Hills Wyoming, Inc.) developed, designed, constructed and operates Wygen I.

Lease assets include costs for the ground lease at Wygen I. Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the assets into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Municipal Energy Agency of Nebraska

Notes to Financial Statements

March 31, 2024 and 2023

Capital and Subscription Assets

Capital assets are recorded at cost at the date of acquisition. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by MEAN:

Building and improvements	7 – 40 Years
Furniture, equipment and transportation equipment	3 – 10 Years

Subscription assets include the net present value of payments required under contracts that convey control of the right to use another party's information technology software for a specified period of time in an exchange or exchange-like transaction, without the transfer of ownership of the asset. The subscription term is the period MEAN has a noncancellable right to use the underlying asset. Subscription assets are amortized on a straight-line basis over the subscription term.

Long-lived Asset Impairment

MEAN evaluates productive capacity, lease, capital, and subscription assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a long-lived asset has occurred. If a long-lived asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the asset's historical cost and related accumulated depreciation or amortization are decreased proportionately such that the net decrease equals the impairment loss. No asset impairment was recognized during the years ended March 31, 2024 or 2023.

Costs Recoverable from Future Billings

Certain income and expense items which would be recognized during the current period are not included in the determination of the change in net position until such costs are expected to be recovered through wholesale electric service rates, in accordance with the provisions of GASB Codification Section Re10, *Regulated Operations*.

Deferred Loss on Refunding

Costs incurred in connection with the refinancing of various bond issuances are being amortized over the remaining life of the old bonds or the life of the new bonds, whichever is shorter. Amortization is recorded as a component of interest expense in nonoperating expenses. The deferred loss on refunding balance was \$4,760,872 and \$5,078,263, as of March 31, 2024 and 2023, respectively.

Asset Retirement Obligation

Governmental Accounting Standards Board Statement No. 83, *Certain Asset Retirement Obligations* established accounting standards for recognition and measurement of a liability for an asset retirement obligation and associated asset retirement cost. In accordance with this standard, MEAN, as a co-owner of MBPP, recognizes an asset retirement obligation for the reclamation of wells, landfills and ash ponds.

Municipal Energy Agency of Nebraska

Notes to Financial Statements

March 31, 2024 and 2023

MEAN recorded the following amounts as an asset retirement obligation, which is offset with a deferred outflow of resources – deferred costs for asset retirement obligation, on the accompanying balance sheets.

	<u>2024</u>	<u>2023</u>
Obligation, beginning of year	\$ 486,848	\$ 480,158
Additional obligations	237,018	86,218
Accretion	31,667	21,288
Liabilities settled	<u>(6,057)</u>	<u>(100,816)</u>
Obligation, end of year	<u>\$ 749,476</u>	<u>\$ 486,848</u>

Deferred Revenue - Rate Stabilization

MEAN's Board of Directors established a rate stabilization account within the general reserve fund pursuant to the provisions in the 2003 Power Supply System Revenue Bond Resolution and related supplemental resolutions to assist in maintaining stable electric rates for its participants. Deposits and withdrawals of the rate stabilization account are subject to approval by the Board of Directors. The balance of \$27,600,000 and \$28,600,000 as of March 31, 2024, and 2023, is shown as deferred revenue - rate stabilization on the accompanying balance sheets.

Deferred Gain on Refunding

A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is being amortized over the remaining life of the old bonds or the life of the new bonds, whichever is shorter. Amortization is recorded as a component of interest expense in nonoperating expenses. The deferred gain on refunding balance was \$2,506,400 and \$2,819,700 at March 31, 2024 and 2023, respectively.

Net Position Classification

Net position is required to be classified into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net investment in capital assets - consists of productive capacity assets, lease assets, and capital and subscription assets, net of accumulated depreciation, accumulated amortization, and costs recoverable from future billings, reduced by the outstanding balances of any lease liability, subscription liabilities, bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets.

Restricted - consists of restricted assets, reduced by liabilities related to those assets, with constraints placed on their use either by a) external groups such as creditors (such as through debt covenants), contributors, or laws or regulations of other governments or b) law through constitutional provisions or enabling legislation.

Municipal Energy Agency of Nebraska

Notes to Financial Statements

March 31, 2024 and 2023

Unrestricted - consists of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the net investment in capital assets or restricted component of net position.

When both restricted and unrestricted resources are available for use, it is MEAN's policy to use restricted resources first, then unrestricted as they are needed.

Income Taxes

In accordance with certain provisions of the Internal Revenue Code, the Act and related governing laws and regulations, MEAN, as a local governmental entity, is exempt from federal and state income taxes.

Classification of Revenues and Expenses

Operating revenues and expenses generally result from provision and delivery of electric supplies to participants and customers. The principal operating revenues are charges to total requirements participants and others for electric service. Operating revenues also include administrative fees charged for scheduling and other services provided. Operating expenses include electric energy costs, administrative and general expenses, and depreciation and amortization. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Rates and Charges

MEAN annually determines its wholesale electric service rates and charges to recover costs of providing power supply services. Rates and charges are to be nondiscriminatory, fair and reasonable (based primarily on the cost of providing the electric power and energy or the service to which the rate or charge relates). In addition, rates and charges are established and collected in order to reasonably expect net revenues which, together with other available funds (including rate stabilization account funds), will be sufficient to pay the aggregate annual debt service for such year. A Pooled Energy Adjustment is included in MEAN's schedule of rates and charges and is used when necessary to recover the actual monthly energy costs in excess of budgeted monthly energy costs. Rates and charges for providing wholesale power supply are reviewed annually and adopted by MEAN's Board of Directors. MEAN's power supply rates and charges are not subject to state or federal regulation.

Adoption of Accounting Standards

During the year ended March 31, 2024, MEAN adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)* (GASB 96). This statement creates a single model for SBITA accounting by requiring entities to begin reporting assets and liabilities for agreements previously considered operating expenses. The adoption date of GASB 96 is reflected as of April 1, 2022 and required MEAN to record a subscription asset and subscription liability at the SBITA adoption date. Adoption of GASB 96 increased capital and subscription assets by \$2.8 million and subscription liabilities by \$2.5 million and decreased prepaid expenses and other by \$0.3 million at April 1, 2022. Additionally, as a result of differences in the expense recognition requirements under GASB 96, the balance of costs recoverable from future billings was also increased by approximately \$42,000 as of March 31, 2023. There was no impact to MEAN's previously reported change in net position.

Municipal Energy Agency of Nebraska

Notes to Financial Statements

March 31, 2024 and 2023

Note 2: Deposits, Investments and Investment Return

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. MEAN's deposit policy for custodial credit risk requires compliance with the provisions of state law. State statutes require banks either to give bond or to pledge government securities to MEAN in the amount of MEAN's deposits. The Federal Deposit Insurance Corporation (FDIC) insures transaction accounts for government deposits up to \$250,000 per official custodian at each covered institution. At March 31, 2024, MEAN's deposits were covered by FDIC insurance and pledged government securities.

Investments

MEAN's investing is performed in accordance with the investment policy adopted by its Board of Directors and applicable laws of the State of Nebraska. Approved investments are outlined in the investment policy and include bills, notes, bonds or other obligations which as to principal and interest constitute direct obligations of the United States of America (U.S.), municipal bonds, bonds or other obligations which as to principal and interest are guaranteed by the U.S., certain senior obligations issued or guaranteed by noted federal organizations, commercial paper, certificates of deposit and time deposits of any U.S. depository institution or trust company, certain money market mutual fund accounts, certain investment agreements, and certain repurchase agreements. Should investment opportunities arise, that are not listed in the investment policy, investment consent is required through the approval of two of the following: Chair of the Board of Directors, Secretary-Treasurer of the Board of Directors or MEAN Executive Director.

At March 31, 2024, MEAN had the following investments, maturities and credit ratings:

	Carrying Value	Maturities in Years		Credit Rating
		Less Than 1	1 - 5	Moody's/ S&P
March 31, 2024				
Money market mutual fund				
- U.S. government obligations	\$ 38,665,297	\$ 38,665,297	\$ -	Aaa-mf/AAAm
U.S. agency obligations	7,629,322	1,677,340	5,951,982	Aaa/AA+
U.S. treasury notes	3,647,396	491,304	3,156,092	Aaa/AA+
Negotiable certificates of deposit	19,602,307	11,654,037	7,948,270	Not Rated
	<u>\$ 69,544,322</u>	<u>\$ 52,487,978</u>	<u>\$ 17,056,344</u>	

Municipal Energy Agency of Nebraska

Notes to Financial Statements

March 31, 2024 and 2023

At March 31, 2023, MEAN had the following investments, maturities and credit ratings:

	Carrying Value	Maturities in Years		Credit Rating Moody's/ S&P
		Less Than 1	1 - 5	
March 31, 2023				
Money market mutual fund				
- U.S. government obligations	\$ 35,159,183	\$ 35,159,183	\$ -	Aaa-mf/AAAm
U.S. agency obligations	7,449,734	3,021,029	4,428,705	Aaa/AA+
U.S. treasury notes	4,848,756	1,473,115	3,375,641	Aaa/AA+
Negotiable certificates of deposit	19,045,284	10,368,101	8,677,183	Not Rated
	<u>\$ 66,502,957</u>	<u>\$ 50,021,428</u>	<u>\$ 16,481,529</u>	

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. MEAN’s investment policy does not place a limit on the amount that may be invested in any one maturity category. The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. MEAN’s investment policy establishes requirements for certain investment securities or issuers of securities to be rated at certain rates or higher. The following investment types must be rated at the minimum rates noted below:

Commercial paper	A-1, P-1
Municipal bonds	AA-

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of a failure of the counterparty, MEAN would not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At March 31, 2024 and 2023, certain investments in U.S. agency obligations, U.S. treasury notes, and negotiable certificates of deposit are held in safekeeping in MEAN’s name, and in a broker account with MEAN’s primary financial institution. Additionally, any investments held in trust at March 31, 2024 and 2023, are held in a book entry system in an account designated as a customer account at the Depository Trust Company and the custodian’s internal records identifies MEAN as the owner.

Concentration of Credit Risk – Concentration of credit risk is the risk associated with the amount of investments MEAN has with any one issuer that exceeds 5% or more of its total investments. Investments issued or explicitly guaranteed by the U.S. Government are excluded from this requirement.

As of March 31, 2024 and 2023, each of MEAN’s investments in negotiable certificates of deposit were covered by FDIC insurance, as the individual investments did not exceed \$250,000, and were therefore also excluded from this requirement. MEAN’s investment policy limits the amount of its investment portfolio that may be invested in any one issuer, other than U.S. government securities, to 10%. Allocation limits do not apply to the investment of proceeds from the issuance of debt as these investments are governed by the debt instrument. MEAN’s primary financial depository is the writer on the credit facilities discussed in Note 6.

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Notes to Financial Statements

March 31, 2024 and 2023

Concentrations greater than 5.0% at March 31, 2024 included U.S. sponsored agency obligations of Federal Home Loan Bank at 8.6% and U.S. treasury notes at 5.2%. Concentrations greater than 5.0% at March 31, 2023 included U.S. sponsored agency obligations of Federal Home Loan Bank at 5.4% and U.S. treasury notes at 7.3%.

Summary of Carrying Values

The carrying values of deposits and investments are included in the balance sheets at March 31, 2024 and 2023 as follows:

	<u>2024</u>	<u>2023</u>
Carrying Value		
Deposits	\$ -	\$ 2,795,996
Investments	<u>69,544,322</u>	<u>66,502,957</u>
	<u>\$ 69,544,322</u>	<u>\$ 69,298,953</u>

Included in the following balance sheet captions:

	<u>2024</u>	<u>2023</u>
Current Assets		
Cash and cash equivalents		
Operating	\$ 22,643,898	\$ 21,659,783
Rate stabilization fund	6,784,966	7,829,152
Debt service funds	<u>8,357,276</u>	<u>8,139,476</u>
Total	<u>37,786,140</u>	<u>37,628,411</u>
Short-term investments - rate stabilization fund	<u>11,903,820</u>	<u>12,093,665</u>
Noncurrent Assets		
Long-term investments - rate stabilization fund	<u>8,911,214</u>	<u>8,677,183</u>
Restricted long-term investments		
Debt reserve funds	<u>10,943,148</u>	<u>10,899,694</u>
	<u>\$ 69,544,322</u>	<u>\$ 69,298,953</u>

Investment Return

Investment return for the years ended March 31, 2024 and 2023 of \$3,182,110 and \$793,277, respectively, consisted of interest income and the net change in fair value of investments carried at fair value.

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Notes to Financial Statements

March 31, 2024 and 2023

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Money market mutual funds are carried at cost, and thus are not included within the fair value hierarchy. MEAN's investments in U.S. agency obligations, U.S. treasury notes, and negotiable certificates of deposit are measured at fair value on a recurring basis and are classified within Level 2 of the fair value hierarchy at March 31, 2024 and 2023.

Note 3: Productive Capacity and Lease Assets

Productive capacity and lease assets at March 31, 2024 consisted of the following:

March 31, 2024	Beginning Balance	Additions	Ending Balance
Steam production	\$ 204,542,891	\$ 1,978,803	\$ 206,521,694
Transmission	10,743,853	166,024	10,909,877
Lease asset	23,531,466	-	23,531,466
	<u>238,818,210</u>	<u>2,144,827</u>	<u>240,963,037</u>
Less accumulated depreciation			
Steam production	(112,958,332)	(7,148,329)	(120,106,661)
Transmission	(2,868,876)	(188,785)	(3,057,661)
Less accumulated amortization			
Lease asset	(1,690,872)	(845,436)	(2,536,308)
	<u>(117,518,080)</u>	<u>(8,182,550)</u>	<u>(125,700,630)</u>
Net productive capacity and lease assets	<u>\$ 121,300,130</u>	<u>\$ (6,037,723)</u>	<u>\$ 115,262,407</u>

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Notes to Financial Statements

March 31, 2024 and 2023

Productive capacity and lease assets at March 31, 2023 consisted of the following:

March 31, 2023	Beginning Balance	Additions	Ending Balance
Steam production	\$ 203,072,124	\$ 1,470,767	\$ 204,542,891
Transmission	10,623,074	120,779	10,743,853
Lease asset	23,531,466	-	23,531,466
	237,226,664	1,591,546	238,818,210
Less accumulated depreciation			
Steam production	(106,119,404)	(6,838,928)	(112,958,332)
Transmission	(2,677,782)	(191,094)	(2,868,876)
Less accumulated amortization			
Lease asset	(845,436)	(845,436)	(1,690,872)
	(109,642,622)	(7,875,458)	(117,518,080)
Net productive capacity and lease assets	\$ 127,584,042	\$ (6,283,912)	\$ 121,300,130

Note 4: Capital and Subscription Assets

Capital and subscription assets at March 31, 2024 consisted of the following:

March 31, 2024	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 489,000	\$ -	\$ -	\$ 489,000
Buildings and improvements	5,147,328	-	-	5,147,328
Furniture, equipment and transportation equipment	1,914,011	73,088	(51,167)	1,935,932
Subscription assets	2,819,688	139,167	-	2,958,855
	10,370,027	212,255	(51,167)	10,531,115
Less accumulated depreciation	(3,236,411)	(315,335)	50,228	(3,501,518)
Less accumulated amortization	(319,212)	(334,676)	-	(653,888)
	(3,555,623)	(650,011)	50,228	(4,155,406)
Net capital and subscription assets	\$ 6,814,404	\$ (437,756)	\$ (939)	\$ 6,375,709

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Notes to Financial Statements

March 31, 2024 and 2023

Capital and subscription assets at March 31, 2023 consisted of the following:

	As Restated due to Adoption of GASB 96			
	Beginning Balance	Additions	Retirements	Ending Balance
March 31, 2023				
Land	\$ 489,000	\$ -	\$ -	\$ 489,000
Buildings and improvements	5,147,328	-	-	5,147,328
Furniture, equipment and transportation equipment	2,132,225	161,924	(380,138)	1,914,011
Subscription assets	2,819,688	-	-	2,819,688
	<u>10,588,241</u>	<u>161,924</u>	<u>(380,138)</u>	<u>10,370,027</u>
Less accumulated depreciation	(3,283,762)	(332,787)	380,138	(3,236,411)
Less accumulated amortization	-	(319,212)	-	(319,212)
	<u>(3,283,762)</u>	<u>(651,999)</u>	<u>380,138</u>	<u>(3,555,623)</u>
Net capital and subscription assets	<u>\$ 7,304,479</u>	<u>\$ (490,075)</u>	<u>\$ -</u>	<u>\$ 6,814,404</u>

Note 5: Costs Recoverable from Future Billings

Costs recoverable from future billings are comprised primarily of costs related to certain purchases of productive capacity and improvements on productive capacity. The costs consist of the cumulative difference between depreciation recorded on certain productive capacity (primarily LRS, WSEC 4 and Wygen I) and capital assets and principal payments on debt issued to construct or purchase those assets. Costs recoverable from future billings include certain debt issuance costs that are budgeted to be recovered through future electric rates. Costs are being amortized in future rate periods when such costs are included in the revenue requirements to establish electric rates.

MEAN annually evaluates the probability that future revenues will be recognized through charging rates to recover costs recoverable from future billings. As a result of this evaluation, no costs were removed in 2024 or 2023.

Note 6: Credit Facilities

MEAN has a \$15,000,000 revolving line of credit which was extended November 18, 2021 with a three-year term through November 18, 2024. During the years ended March 31, 2024 and 2023, no funds were advanced against the line. Under the current agreement, interest varies at ninety hundredths (0.9%) above Daily Simple SOFR in effect from time to time and is payable monthly. The amount available under MEAN's revolving line of credit is reduced by the amount of issued standby letters of credit. There were no standby letter of credit amounts outstanding at March 31, 2024 and 2023.

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Notes to Financial Statements

March 31, 2024 and 2023

Note 7: Lease Liability

MEAN has a ground lease for an undivided 23.5% leasehold interest in the land for Wygen I which provides MEAN the right to use the land as reasonably necessary for the ownership of Wygen I. The lease began January 20, 2009 and runs through the expiration or termination of the Wygen Unit I Ownership Agreement (“Ownership Agreement”). The Ownership Agreement is also dated January 20, 2009 and runs forty years into January 2049, plus three automatic renewal terms of 20 years each, unless and until terminated earlier as provided in the Ownership Agreement.

The lease asset is being amortized over 27 years and 10 months. MEAN determined the lease asset term based on an assessment of all relevant factors regarding the likelihood of the lease continuing past the initial term. There were no payments recorded in the current period that were not included in the measurement of the lease liability, no commitments prior to the commencement of the lease contract, and no lease impairments as of March 31, 2024 or 2023.

Lease liability activity for the years ended March 31, 2024 and 2023 was as follows:

	Beginning Balance	Reductions	Ending Balance	Due Within One Year
March 31, 2024				
Lease liability	\$ 23,122,101	\$ 223,687	\$ 22,898,414	\$ 258,300
March 31, 2023				
Lease liability	\$ 23,312,981	\$ 190,880	\$ 23,122,101	\$ 223,687

The following table summarizes the future lease payments and annual amortization as of March 31, 2024.

Year Ending March 31,	Principal	Interest	Payment
2025	\$ 258,300	\$ 683,499	\$ 941,799
2026	294,800	675,253	970,053
2027	333,269	665,884	999,153
2028	373,791	655,335	1,029,126
2029	416,460	643,542	1,060,002
2030-2034	2,804,014	2,992,460	5,796,474
2035-2039	4,250,057	2,469,628	6,719,685
2040-2044	6,088,004	1,701,997	7,790,001
2045-2049	8,079,719	624,858	8,704,577
	\$ 22,898,414	\$ 11,112,456	\$ 34,010,870

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Notes to Financial Statements

March 31, 2024 and 2023

Note 8: Subscription Liabilities

MEAN has SBITAs for accounting software with a three-year term and a market platform software with a ten-year term. There were no payments recorded in fiscal year 2024 and 2023 that were not included in the measurement of the SBITA liability and no SBITA impairments as of March 31, 2024 or 2023.

Subscription liabilities activity for the years ended March 31, 2024 and 2023 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
March 31, 2024					
Subscription liabilities	<u>\$2,260,514</u>	<u>\$ 139,167</u>	<u>\$ (45,500)</u>	<u>\$2,354,181</u>	<u>\$ 321,297</u>
	As Restated due to Adoption of GASB 96				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
March 31, 2023					
Subscription liabilities	<u>\$2,535,908</u>	<u>\$ -</u>	<u>\$ (275,394)</u>	<u>\$2,260,514</u>	<u>\$ -</u>

The following table summarizes the future SBITA principal and interest payments as of March 31, 2024.

Year Ending March 31,	Principal	Interest	Payment
2025	\$ 321,297	\$ 76,271	\$ 397,568
2026	343,695	60,984	404,679
2027	308,625	50,676	359,301
2028	322,739	41,412	364,151
2029	337,327	31,740	369,067
2030-2031	<u>720,498</u>	<u>32,652</u>	<u>753,150</u>
	<u>\$2,354,181</u>	<u>\$ 293,735</u>	<u>\$2,647,916</u>

Municipal Energy Agency of Nebraska

Notes to Financial Statements

March 31, 2024 and 2023

Note 9: Long-term Debt

Long-term debt transactions for the year ended March 31, 2024 consisted of the following:

Type of Debt	2024			
	April 1 2023	Reductions	March 31 2024	Due Within One Year
5.000% Power Supply System Revenue Refunding Bonds, Series 2022A. Interest due semi-annually on April 1 and October 1. Serial principal payments due annually on April 1 through 2032.	\$ 32,340,000	\$ 2,575,000	\$ 29,765,000	\$ 2,690,000
3.000% - 5.000% Power Supply System Refunding Revenue Bonds, Series 2016A. Interest due semi-annually on April 1 and October 1. Serial principal payments due annually on April 1, through 2038. Term principal payment due April 1, 2039. Mandatory sinking fund payments due annually April 1, 2036 through 2039. Redeemable at par on or after October 1, 2026.	64,455,000	1,630,000	62,825,000	1,725,000
3.750% - 5.000% Power Supply System Revenue and Refunding Bonds, Series 2013A. Interest due semi-annually on April 1 and October 1. Serial principal payments due annually on April 1, through 2025. Term principal payment due April 1, 2036. Mandatory sinking fund payments due annually April 1, 2033 through 2036. Redeemable at par on or after April 1, 2023.	25,770,000	1,125,000	24,645,000	1,185,000
Total long-term debt	122,565,000	5,330,000	117,235,000	5,600,000
Premium on long-term debt	13,360,077	1,155,662	12,204,415	-
Long-term debt, net	<u>\$ 135,925,077</u>	<u>\$ 6,485,662</u>	<u>\$ 129,439,415</u>	<u>\$ 5,600,000</u>

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Notes to Financial Statements
March 31, 2024 and 2023

Long-term debt transactions for the year ended March 31, 2023 consisted of the following:

Type of Debt	2023			
	April 1 2022	Reductions	March 31 2023	Due Within One Year
5.000% Power Supply System Revenue Refunding Bonds, Series 2022A. Interest due semi-annually on April 1 and October 1. Serial principal payments due annually on April 1 through 2032.	\$ 32,340,000	\$ -	\$ 32,340,000	\$ 2,575,000
3.000% - 5.000% Power Supply System Refunding Revenue Bonds, Series 2016A. Interest due semi-annually on April 1 and October 1. Serial principal payments due annually on April 1, through 2038. Term principal payment due April 1, 2039. Mandatory sinking fund payments due annually April 1, 2036 through 2039. Redeemable at par on or after October 1, 2026.	66,010,000	1,555,000	64,455,000	1,630,000
3.750% - 5.000% Power Supply System Revenue and Refunding Bonds, Series 2013A. Interest due semi-annually on April 1 and October 1. Serial principal payments due annually on April 1, through 2025. Term principal payment due April 1, 2036. Mandatory sinking fund payments due annually April 1, 2033 through 2036. Redeemable at par on or after April 1, 2023.	26,070,000	300,000	25,770,000	1,125,000
3.319% Power Supply System Revenue Bonds, Series 2013B (Federally Taxable). Interest due semi-annually on April 1 and October 1. Serial principal payments due annually on April 1, through 2022.	790,000	790,000	-	-
5.000% Power Supply System Revenue Refunding Bonds, Series 2012A. Interest due semi-annually on April 1 and October 1. Serial principal payments due annually on April 1 through 2032. Redeemable at par on or after April 1, 2022.	2,930,000	2,930,000	-	-
Total long-term debt	128,140,000	5,575,000	122,565,000	5,330,000
Premium on long-term debt	14,515,739	1,155,662	13,360,077	-
Long-term debt, net	<u>\$ 142,655,739</u>	<u>\$ 6,730,662</u>	<u>\$ 135,925,077</u>	<u>\$ 5,330,000</u>

Municipal Energy Agency of Nebraska

Notes to Financial Statements

March 31, 2024 and 2023

Future principal and interest payments required to be made in accordance with all of the long-term debt agreements at March 31, 2024 are as follows:

Year Ending March 31,	Principal	Interest	Total
2025	\$ 5,600,000	\$ 4,995,588	\$ 10,595,588
2026	5,880,000	4,708,588	10,588,588
2027	4,865,000	4,439,963	9,304,963
2028	5,115,000	4,190,463	9,305,463
2029	5,370,000	3,928,338	9,298,338
2030-2034	32,530,000	15,262,913	47,792,913
2035-2039	47,145,000	6,544,969	53,689,969
2040	<u>10,730,000</u>	<u>160,950</u>	<u>10,890,950</u>
	<u>\$ 117,235,000</u>	<u>\$ 44,231,772</u>	<u>\$ 161,466,772</u>

The Power Supply System Revenue Bonds listed above are special obligations of MEAN payable solely from and secured solely by a pledge of the Revenues, as defined in each applicable Bond Resolution, and certain other funds and amounts pursuant to each applicable Bond Resolution. The Revenues consist of all income from MEAN's Power Supply System.

Note 10: Electric Energy Sales

Electric energy sales for the years ended March 31, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Long-term total requirements	\$ 104,725,081	\$ 109,307,187
Limited-term total requirements	11,843,586	12,879,431
Interchange sales	<u>7,778,776</u>	<u>1,683,273</u>
	<u>\$ 124,347,443</u>	<u>\$ 123,869,891</u>

As of March 31, 2024 MEAN has sixty-one total requirements participating municipal utilities. MEAN had sixty-two total requirements participating municipal utilities as of March 31, 2023. Participating municipal utilities, consist of Nebraska, Colorado, Iowa and Wyoming municipalities and a public power district in Nebraska. MEAN provides power supply services under various service schedule agreements.

Total Requirements

During 2024 and 2023, MEAN provided power supply under long-term total requirements contracts with 55 and 54 participants, respectively. The long-term total requirements contracts extend beyond the final maturity of MEAN's outstanding long-term debt.

During 2024 and 2023, MEAN provided power supply under limited-term total requirements contracts with six and eight participants, respectively. The limited-term total requirements contracts vary in length but are generally up to ten years. There was one contract expiration in 2024 and one limited-term total requirements participant signed a long-term total requirements contract. There were no expirations of contracts during 2023.

Municipal Energy Agency of Nebraska

Notes to Financial Statements

March 31, 2024 and 2023

The total requirements contracts require MEAN to supply and obligate the participants to purchase, all capacity and energy in excess of each participant's firm power and energy allocations from Western Area Power Administration (WAPA). MEAN has also adopted a Renewable Distributed Generation Policy which allows participants to utilize limited output from qualifying renewable generation resources to offset energy supplied by MEAN and acknowledges that participants' end-use customers may use behind-the-meter generation to serve their energy needs. The total requirements contracts for four participants also include limited exceptions for certain generating facilities of each participant.

MEAN has contracted to collect payments for WAPA power and energy purchased by certain participants and remits these payments to WAPA. Since MEAN is only acting as an agent, these amounts are not reflected as revenue or expense in the statements of revenues, expenses and changes in net position. These amounts totaled approximately \$5,812,000 and \$5,203,000 during 2024 and 2023, respectively.

Scheduling Services and Market Assistance

MEAN provides scheduling services in Southwest Power Pool's (SPP) Integrated Marketplace (IM) and market assistance for services in SPP under agreements with four municipalities. MEAN is paid an administrative fee for the services provided. The administrative fee is included in other operating revenues on the statements of revenues, expenses and changes in net position. MEAN has contracted to collect and receive applicable payments for the municipalities participating in SPP IM and remit funds received to the municipalities and payments collected to SPP and other transmission providers, as applicable. Since MEAN is only acting as an agent, these amounts are not reflected as revenue or expense in the statements of revenues, expenses and changes in net position. The net amounts collected and received totaled approximately \$2,484,000 and \$2,032,000 during 2024 and 2023, respectively.

Interchange Sales

Interchange sales consist of short-to-medium term power sales agreements in and between the Western Electricity Coordinating Council (WECC), the Midcontinent Independent System Operator, Inc. (MISO) and SPP markets. In the MISO and SPP markets, MEAN records activity for each separately operated and settled market on an hourly basis. Net hourly energy transactions are evaluated on a net megawatt hour (MWh) basis to determine whether the hourly transaction should be classified as a net purchase or net sale.

Note 11: Electric Energy Costs and Power Supply Commitments

Electric energy costs for the years ended March 31, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Purchased power	\$ 81,080,806	\$ 79,405,426
Production	17,516,577	17,176,827
Transmission	<u>6,004,123</u>	<u>5,563,322</u>
	<u>\$ 104,601,506</u>	<u>\$ 102,145,575</u>

Pooling Agreements

Firm power service agreements allow for the purchase and sale of capacity and energy between MEAN and other power project participants at both fixed and variable rates under the applicable service schedules.

Municipal Energy Agency of Nebraska

Notes to Financial Statements

March 31, 2024 and 2023

By execution of a firm power service agreement, 19 total requirements participants have committed total capacity and energy output of participant-owned generating units (approximately 122 MW) to MEAN. The Total Power Requirements Power Purchase Agreements provide that compensation for generating plants committed to pooling will be based upon the facilities' accredited capability and will be paid at the rate established in the Rate Schedule as modified from time to time upon the determination of the Board of Directors. The Amended and Restated Total Power Requirements Power Purchase Agreements provide that in determining the amount of the Participant's capacity compensation payment, MEAN shall classify Participant's facilities based on size, fuel type, and any other characteristics that may be established by the Board of Directors from time to time and that compensation will be paid at the rate established by the Rate Schedule as modified from time to time upon the determination of the Board of Directors. MEAN will also pay a proportionate share of fuel and operation and maintenance costs based on energy delivered at rates established by the Board of Directors. Two total requirements participants have designated MEAN as marketing agent for available surplus capacity not leased to MEAN. Costs related to participant committed facilities and energy output agreements are included in purchased power costs in the table of electric energy costs included in Note 11.

Purchased Power Contracts and Participation Agreements

In addition to minority ownership interests in energy generation facilities, MEAN has purchased power contracts that provide for the purchase of capacity and wholesale firm and nonfirm energy from suppliers at negotiated rates. Power is purchased primarily for resale to MEAN participants. Costs related to purchased power contracts and participation agreements are included in purchased power costs in the table of electric energy costs included in Note 11.

Western Area Power Administration

MEAN has an allocation from the U.S. Department of Energy, through WAPA, of firm power under contract from Loveland Area Projects hydroelectric plants of approximately 7 MW. MEAN's contract has been extended by amendment and currently runs through 2054. MEAN has entered into a Benefit Crediting Agreement with WAPA and four Native American Tribes. Under these Agreements MEAN manages the allocations which represent 8 MW from the Loveland Area Projects. Various MEAN participants also have allocations through WAPA totaling approximately 110 MW. MEAN has contracted to collect payments for WAPA power and energy purchased by certain participants and remits these payments to WAPA as discussed in Note 10.

MEAN and WAPA have entered into a Capacity and Energy Displacement Agreement through which WAPA provides MEAN approximately 67 MW of capacity and energy in WECC from WAPA hydropower resources through May 31, 2029. MEAN does not receive Renewable Energy Credits for this resource. In exchange, MEAN designates capacity in SPP to serve WAPA's capacity obligations to certain communities in Kansas and Nebraska. Under a Bilateral Settlement Schedule, MEAN pays SPP for the related energy for WAPA's customers in SPP. As of March 31, 2024, MEAN had designated 47 MW of participant-owned generating units and 20 MW of Whelan Energy Center Unit 2 for the capacity obligation for WAPA's customers in SPP.

Public Power Generation Agency

MEAN and other utilities created an interlocal agency, the Public Power Generation Agency (PPGA), for the construction of Whelan Energy Center Unit 2 (WEC 2), a 220 MW coal-fired power plant. MEAN signed a participation power agreement with PPGA for 80 MW (36.36%) of the power output for the life of the plant. Under this agreement, each PPGA participant guarantees an allocated portion of PPGA's debt, which is paid by monthly participant billings.

Municipal Energy Agency of Nebraska

Notes to Financial Statements

March 31, 2024 and 2023

Agreements with Nebraska Public Power District (NPPD)

MEAN had a multi-unit participation power sales agreement with NPPD for the purchase of 50 MW of power and energy from Gerald Gentleman Station (24 MW) and Cooper Nuclear Station (26 MW) which ended December 31, 2023. MEAN has entered into a 20-year participation power agreement with NPPD for the purchase of 7 MW of energy from the Ainsworth Wind Energy Facility. MEAN also participates in three Nebraska based wind plants through power sales agreements with NPPD: Laredo Ridge (8 MW), Elkhorn Ridge (8 MW) and Crofton Bluffs (4 MW). For each of these plants, NPPD has the actual power purchase agreement with the wind plant developer/owner.

Agreements with Black Hills Power, Inc.

MEAN had a power purchase agreement with Black Hills Power, Inc. (BHP) through May 31, 2023. Under this agreement, BHP provided MEAN with the capacity and related energy output from a total of 15 MW from Neil Simpson Unit 2 and Wygen Unit III. MEAN has entered into a power purchase agreement with BHP for the purchase of capacity and energy produced by 15 MW from the natural gas powered Neil Simpson Combustion Turbine #1, effective July 1, 2023 through June 30, 2028.

Agreement with Kimball Wind LLC

MEAN has entered into a power purchase agreement with Kimball Wind LLC for the purchase of energy, capacity and environmental attributes produced by the 30 MW Kimball Wind Facility near Kimball, Nebraska. MEAN's purchase obligation began on the commercial operation date in June 2018 and continues for an initial term of 20 years.

Agreement with Central Nebraska Public Power and Irrigation District

MEAN has entered into a power purchase agreement with Central Nebraska Public Power and Irrigation District (CNPPID) effective January 1, 2024. The agreement has a 10-year term through December 31, 2033. MEAN receives approximately 43 MW of capacity, energy and environmental attributes from the Johnson No. 1 and Johnson No. 2 hydroelectric generating plants.

Other Agreements

MEAN has also entered into power supply participation agreements whereby MEAN has agreed to share in the energy output of various projects in accordance with the anticipated needs of MEAN's participants. These contracts include wind, coal, hydroelectric and landfill gas generated energy and vary from 4 to 10 MW per year.

Market Activity

MEAN participates in MISO, SPP and WECC markets. MEAN incurs costs related to market purchases and receives generation revenues related to units dispatched into MISO and SPP. MEAN also incurs costs related to energy purchases in WECC. Auction revenue rights and transmission congestion rights in SPP and auction revenue rights and financial transmission rights in MISO may result in a net financial benefit or cost to MEAN. These financial instruments were primarily designed to allow firm transmission customers the opportunity to offset differences in market prices related to transmission congestion costs between resources and loads. The financial impact of all of these items are included in purchased power costs in the table of electric energy costs included in Note 11.

As of March 31, 2024, MEAN has entered into a firm energy purchase in WECC with a counterparty totaling approximately \$1,479,000 for delivery of energy during the fiscal year ending March 31, 2025.

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Notes to Financial Statements

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Production

Production costs consist of MEAN's ownership share of costs incurred to operate and maintain LRS, WSEC 4 and Wygen 1.

Transmission

The transmission needs of MEAN and the total requirements participants are served by MISO, SPP and multiple transmission providers in the Western Interconnection. Transmission costs include network integration transmission service, point-to-point transmission service, and costs for ancillary services such as operating reserves.

MEAN has contracted to collect payments for transmission service purchased on behalf of certain participants and remits these payments to the respective providers. Since MEAN is only acting as an agent, these amounts are not reflected as revenue or expense in the statements of revenues, expenses and changes in net position. The transmission service purchased by the participants, that MEAN was responsible for collecting and remitting to the respective transmission providers, totaled approximately \$15,829,000 and \$15,727,000 during 2024 and 2023, respectively.

Note 12: Transactions with Coalition Members

MEAN, NMPP, NPGA and ACE through common members and management comprise a coalition. MEAN shares personnel and facilities within this coalition, as well as enters into agreements for certain products and services.

Amounts due from coalition members are included within accounts receivable and amounts due to coalition members are included in accounts payable and accrued expenses on the balance sheets.

A summary of amounts due from and due to coalition members at March 31, 2024 and 2023 is as follows:

	2024	2023
Due from NPGA	\$ 50,327	\$ 38,996
Due from ACE	44,491	31,790
Due from coalition members	<u>\$ 94,818</u>	<u>\$ 70,786</u>
Due to NMPP	<u>\$ 842,782</u>	<u>\$ 753,077</u>

MEAN incurred expenses of approximately \$6,210,000 and \$6,280,000 for administrative services provided by NMPP during 2024 and 2023, respectively.

MEAN supports the financial health and utility business management of MEAN's participating municipal utilities by paying a portion of the cost of computer software value support plans and cost of service studies purchased by qualifying MEAN participants from NMPP. During 2024 and 2023, MEAN paid NMPP, on behalf of MEAN's participants, approximately \$24,200 and \$138,200, respectively.

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March 31, 2024 and 2023

MEAN has ownership of nearly all common property, information technology, equipment and furniture. In addition, MEAN incurs costs for products and services that are shared by all of the coalition members. Under the terms of a Joint Operating Committee Agreement, MEAN billed coalition members approximately \$305,000 in 2024 and \$304,000 in 2023, for rents and shared products and services.

Note 13: Risk Management

MEAN is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and others; and natural disasters. MEAN is named as one of the insureds on joint policies for commercial insurance, subject to certain limits and deductibles, to reduce the financial impact for claims arising from such matters. MEAN is not aware of any claims exceeding this commercial coverage in any of the three preceding years.

Note 14: Environmental Regulations

Electric utilities are subject to continuing environmental regulation. Federal, state and local standards and procedures which regulate the environmental impact of electric utilities are subject to change. These changes may arise from continuing legislative, regulatory, and judicial action regarding such standards and procedures. Consequently, there is no assurance that MEAN's facilities will remain subject to the regulations currently in effect, will meet future obligations without retrofit, that MEAN can anticipate the outcome of current regulatory and legislative process, or will always be able to obtain all required operating permits. Future changes in environmental regulations could result in MEAN incurring significant costs for additional capital and operating expenditures, reduced operating levels or the complete shutdown of individual units not in compliance. However, due to the level of regulatory and legal uncertainty related to MEAN's facilities, it is impractical to quantify any specific financial impacts at this time.

Note 15: Contingencies, Claims and Judgments

From time to time, MEAN is party to various claims, public records requests, and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the financial statements of MEAN.