Municipal Energy Agency of Nebraska

Independent Auditor's Report and Financial Statements

March 31, 2022 and 2021

MEAN

Municipal Energy
Agency of Nebraska

Municipal Energy Agency of Nebraska
March 31, 2022 and 2021

Contents

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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, 2022 and 2021, 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, 2022 and 2021, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 auditing standards generally accepted in the United States of America, 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, LLP

Lincoln, Nebraska
June 10, 2022

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, 2022, 2021 and 2020. 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, 2022, 2021 and 2020.

Condensed Balance Sheets and Financial Highlights

	March 31, 2022	March 31, 2021	March 31, 2020	Change From 2021 to 2022	Change From 2020 to 2021
Current assets	$ 71,417,224	$ 74,240,751	$ 63,776,288	$ (2,823,527)	$ 10,464,463
Restricted and long-term investments	20,430,930	20,216,208	23,158,409	214,722	(2,942,201)
Capital assets and productive capacity, net	109,382,803	112,399,430	118,325,058	(3,016,627)	(5,925,628)
Other noncurrent assets	41,166,444	41,302,976	40,464,024	(136,532)	838,952
Deferred outflows of resources	5,875,813	8,026,176	8,501,489	(2,150,363)	(475,313)
Total assets and deferred outflows of resources	$ 248,273,214	$ 256,185,541	$ 254,225,268	$ (7,912,327)	$ 1,960,273
Current liabilities	$ 19,285,009	$ 17,352,322	$ 18,617,980	$ 1,932,687	$ (1,265,658)
Noncurrent liabilities	137,560,897	148,453,145	154,732,512	(10,892,248)	(6,279,367)
Total liabilities	156,845,906	165,805,467	173,350,492	(8,959,561)	(7,545,025)
Deferred inflows of resources	31,446,381	28,313,381	21,213,381	3,133,000	7,100,000
Net investment in capital assets	14,954,057	13,243,967	12,766,589	1,710,090	477,378
Restricted for debt service	6,258,906	6,258,906	6,258,906	-	-
Unrestricted	38,767,964	42,563,820	40,635,900	(3,795,856)	1,927,920
Total net position	59,980,927	62,066,693	59,661,395	(2,085,766)	2,405,298
Total liabilities, deferred inflows of resources, and net position	$ 248,273,214	$ 256,185,541	$ 254,225,268	$ (7,912,327)	$ 1,960,273

Assets and Deferred Outflows of Resources

Current assets decreased in 2022 primarily due to decreased accounts receivable as the prior year was elevated following Winter Storm Uri. The decreases were offset in part by increased cash and cash equivalents and short-term investments. Current assets increased in 2021 primarily due to increased accounts receivable from transactions related to Winter Storm Uri in February 2021. The impact of Winter Storm Uri resulted in an increase in amounts owed to MEAN under scheduling service and market assistance agreements for payments MEAN receives and remits to the Southwest Power Pool (SPP) as agent.

Restricted investments decreased in 2022 due to the debt refunding during the fiscal year. Fluctuations in long-term investments are related to the maturity dates within the investment portfolio at each year end. Long-term investments increased in 2022 and decreased in 2021.

Capital assets include MEAN's operations and management facility, furniture, and equipment. MEAN's 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. Depreciation charges exceeded additions to capital and productive capacity as shown in Notes 3 and 4 in both 2022 and 2021 resulting in an overall decrease in capital assets and productive capacity.

The decrease in other noncurrent assets in 2022 and the increase in 2021 is due to fluctuations in certain costs deferred as permitted under Governmental Accounting Standards Board (GASB) Codification Section Re10, *Regulated Operations* ("Regulated Operations").

Deferred outflows of resources consist of deferred costs for an asset retirement obligation and deferred costs of refunded debt resulting from refunding transactions. The decrease in 2022 is due primarily to the impact of the debt refunding during the fiscal year and annual amortization of deferred costs of refunded debt. The decrease in 2021 resulted primarily from annual amortization of deferred costs of refunded debt.

Liabilities and Deferred Inflows of Resources

Current liabilities increased in 2022 and decreased in 2021 due to fluctuations in accounts payable and accrued expenses due to timing of when invoices were received and paid. Current maturities of long-term debt increased in 2022 and 2021.

Noncurrent liabilities include long-term debt and an asset retirement obligation. The fluctuation between years relates primarily to long-term debt. Net long-term debt declined in 2022 as a result of principal payments and the impact of the issuance of MEAN's Power Supply Refunding Revenue Bonds 2022 Series A ("2022A Bonds") which refunded and defeased all of MEAN's outstanding Power Supply System Refunding Revenue Bonds 2012 Series A ("2012A Bonds") that mature on or after April 1, 2023. Net long-term debt declined in 2021 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 inflows of resources increased in 2022 as a result of the deferred gain on refunding from the 2022A Bonds. The increase in 2021 was a result of the addition to deferred revenue – rate stabilization authorized by the Board of Directors.

Total net position decreased in 2022 primarily due to a decrease in unrestricted in 2022 offset by an increase in net investment in capital assets. In 2021, total net position increased due to increases in net investment in capital assets and unrestricted.

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

	March 31,			Change	
	2022	2021	2020	From 2021 to 2022	From 2020 to 2021
Total operating revenues	$ 119,285,742	$ 110,718,388	$ 114,426,102	$ 8,567,354	$ (3,707,714)
Total operating expenses	114,726,117	103,816,592	105,625,911	10,909,525	(1,809,319)
Operating income	4,559,625	6,901,796	8,800,191	(2,342,171)	(1,898,395)
Net nonoperating expenses	(6,645,391)	(4,496,498)	(3,534,969)	(2,148,893)	(961,529)
Change in in net position	$ (2,085,766)	$ 2,405,298	$ 5,265,222	$ (4,491,064)	$ (2,859,924)

Sales Volumes and Operating Revenues

Sales Volumes (MWh)	March 31, 2022	2021	2020	Change From 2021 to 2022	Change From 2020 to 2021
Total Requirements Participants					
Long-term	1,660,000	1,624,000	1,617,000	36,000	7,000
Limited-term	196,000	187,000	173,000	9,000	14,000
Others	51,000	77,000	101,000	(26,000)	(24,000)
Total	1,907,000	1,888,000	1,891,000	19,000	(3,000)

Total MWhs delivered in 2022 increased 1% compared to 2021 while total MWhs delivered in 2021 were consistent with 2020.

Fluctuations in MWhs delivered to MEAN's long-term total requirements participants are primarily due to the impact of weather conditions. MWhs delivered to long-term total requirements participants increased 2% in 2022 compared to 2021 while MWhs delivered in 2021 were consistent with 2020.

Fluctuations in MWhs delivered to MEAN's limited-term total requirements participants are due to the impact of weather conditions and changes in contracts. MWhs delivered to MEAN's limited-term total requirements participants increased in 2022 by 5% from 2021. The increase was 8% in 2021 from 2020 in MWhs delivered to MEAN's limited-term total requirements participants. No limited-term total requirements contracts expired in 2022 or 2021 and no new contracts began in 2022. MEAN began providing energy to a new limited-term total requirement participant on April 1, 2020.

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. While reductions in energy sales may result in decreased operating revenue for MEAN, this is balanced by the fact that MEAN may no longer incur the related energy costs. MWhs sold to others decreased by 34% in 2022 from 2021 and decreased by 24% in 2021 from 2020.

Operating Revenues	March 31, 2022	2021	2020	Change From 2021 to 2022	Change From 2020 to 2021
Electric Energy Sales					
Long-term total requirements	$ 104,781,648	$ 102,477,294	$ 100,596,346	$ 2,304,354	$ 1,880,948
Limited-term total requirements	12,431,085	11,907,122	11,491,960	523,963	415,162
Interchange sales	1,005,018	2,551,665	1,574,622	(1,546,647)	977,043
Provision for rate stabilization	-	(7,100,000)	(230,374)	7,100,000	(6,869,626)
Other	1,067,991	882,307	993,548	185,684	(111,241)
Total operating revenues	$ 119,285,742	$ 110,718,388	$ 114,426,102	$ 8,567,354	$ (3,707,714)

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

The increase in electric energy sales revenues from long-term total requirements participants of 2% in 2022 from 2021 correlates to the increase in MWhs delivered. The increase in electric energy sales revenues from long-term total requirements participants of 2% in 2021 from 2020 resulted primarily from changes to rates and charges.

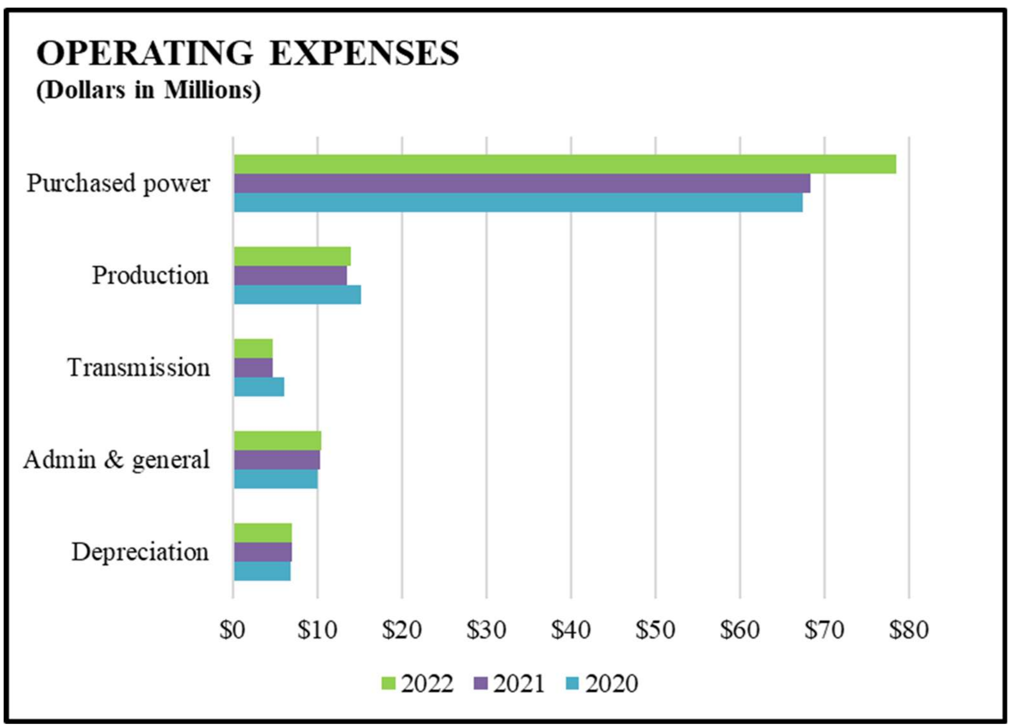
Electric energy sales revenues from limited-term total requirements participants increased by 4% for 2022 from 2021 and 4% for 2021 from 2020.

Both MWhs sold and the average selling price per MWh for interchange sales decreased in 2022 resulting in an overall decrease in revenues from interchange sales of 61% compared to 2021. The average selling price per MWh had increased in 2021 due primarily to transactions related to Winter Storm Uri in February 2021. Although MWhs sold decreased in 2021, the increased average selling price resulted in an overall increase in revenues from interchange sales of 62% compared to 2020.

For 2022, the Board of Directors did not authorize any rate stabilization activity. For 2021, the Board of Directors authorized a transfer from operating revenues into rate stabilization of $7,100,000. 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, and other miscellaneous revenues. The increase in 2022 from 2021 is due primarily to increased revenues for transmission. The decrease in 2021 from 2020 is due primarily to a one-time miscellaneous amount received in 2020.

Operating Expenses



Operating expenses in 2022 were $114.7 million, an increase of 11% from 2021 expenses due primarily to the increase in purchased power expenses. Operating expenses in 2021 were $103.8 million, a decrease of 2% from 2020 expenses due primarily to lower production and transmission expenses.

Purchased power expenses of $78.4 million in 2022 increased compared to 2021 by 15% due to increased market energy costs resulting from rising natural gas prices which impacts the market price of energy. An outage at Wygen I also increased purchased power expenses in 2022 due to replacement power purchases at elevated market prices. Purchased power expenses of $68.3 million in 2021 increased from 2020 by 1% due to elevated market energy costs during Winter Storm Uri in February 2021.

Production costs consist of MEAN's ownership share of costs incurred to operate and maintain LRS, WSEC 4 and Wygen I. Production costs of $13.9 million in 2022 increased from 2021 by 3%. Although total produced MWh in 2022 was less than 2021 resulting in lower fuel costs, the reduction was offset by increased operations and maintenance costs. Production costs of $13.5 million decreased in 2021 by 12% compared to 2020 due to lower produced MWh resulting in lower fuel costs along with decreased operations and maintenance costs.

Transmission costs for 2022 of $4.8 million were consistent with 2021. Transmission costs of $4.8 million decreased from 2020 by 22% primarily due to the elimination of a point-to-point transmission path.

Administrative and general expenses of $10.6 million in 2022 increased compared to 2021 by 3% primarily due to increased consultant and outside services costs for implementation of a new market platform software. Administrative and general expenses of $10.3 million in 2021 increased compared to 2020 by 3% primarily due to increased consultant and outside services costs for market management.

Depreciation and amortization expense of $7.0 million in 2022, $7.0 million in 2021 and $6.8 million in 2020 was relatively consistent between years.

Nonoperating Expenses and Changes in Net Position

Net nonoperating expenses of $6.6 million increased in 2022 from 2021 due to the impact of the debt refunding on net costs to be recovered in future periods, unrealized losses on investments and bond issuance costs. In 2021, net nonoperating expenses of $4.5 million increased from 2020 due to lower investment return as a result of declining interest rates on investments.

The change in net position for 2022 was a decrease of $2.1 million due to operations discussed. The increase in net position for 2021 was $2.4 million due to operations discussed.

Condensed Statements of Cash Flows and Financial Highlights

	March 31,			Change	
	2022	2021	2020	From 2021 to 2022	From 2020 to 2021
Cash flows from operating activities	$ 22,261,864	$ 11,606,899	$ 8,614,779	$ 10,654,965	$ 2,992,120
Cash flows from capital and related financing activities	(16,262,498)	(12,472,368)	(14,542,213)	(3,790,130)	2,069,845
Cash flows from investing activities	(1,524,696)	1,830,623	928,839	(3,355,319)	901,784
Change in cash and cash equivalents	$ 4,474,670	$ 965,154	$ (4,998,595)	$ 3,509,516	$ 5,963,749

Cash flows from operating activities contain transactions involving participants, customers and suppliers. The increase in cash inflows from operating activities for 2022 compared to 2021 is primarily due to the timing of receipts of and payments under agent transactions related to Winter Storm Uri. Cash flows from operating activities increased for 2021 compared to 2020 primarily due to increased receipts from electric energy sales.

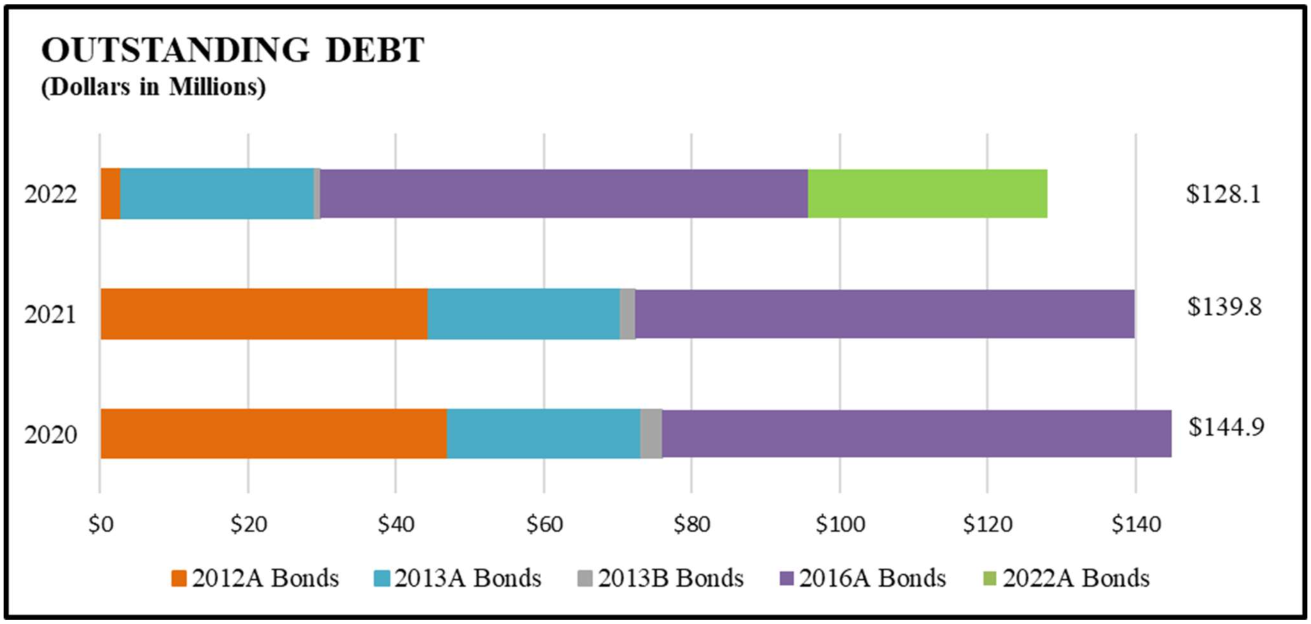
Cash flows from capital and related financing activities contain transactions involving the acquisition and construction of productive capacity and capital assets and the long-term debt related to those assets. Additions of productive capacity relate to MEAN's share of capital improvements at LRS, WSEC 4 and Wygen I. Cash flows from capital and related financing activities increased in 2022 compared to 2021 primarily due to increased additions to productive capacity. 2021 cash flows from capital and related financing activities decreased compared to 2020 due to lower annual principal and interest payments on long-term debt and decreased additions to productive capacity.

Cash flows from investing activities contain transactions related to investment purchases and maturities and investment income. The decline in interest rates resulted in decreased interest received on investments in both 2022 compared to 2021 and 2021 compared to 2020. Cash flows from investing activities further decreased in 2022 compared to 2021 due to increased purchases of investments. Sales of investments in 2021 resulted in an increase in cash flows from investing activities compared to 2020.

Financing

In 2022, MEAN issued the 2022A Bonds in the amount of $32,340,000. Funds were used to refund and defease the 2012A Bonds maturing on or after April 1, 2023 and pay certain costs of issuing the 2022A Bonds. MEAN also made scheduled principal payments of $5,330,000. In 2020, MEAN did not issue any debt and made scheduled principal payments of $5,090,000.

The following chart shows outstanding debt as of March 31, 2022, 2021 and 2020.



Debt Ratings and Debt Service Coverage

In conjunction with the issuance of the 2022A bonds, S&P Global Ratings ("S&P") and Fitch Ratings assigned municipal bond ratings to the 2022A Bonds. Both S&P and Fitch Ratings affirmed the previous ratings and maintained the stable outlook. 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. The following table provides MEAN's debt service coverage for March 31, 2022, 2021 and 2020.

Debt Service Coverage		
2022	2021	2020
0.94*	1.24	1.50

*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

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 that participate in the Western Energy Imbalance Service (WEIS) real-time balancing market. WEIS, which is administered by SPP, went live February 1, 2021. 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.

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. The formation of a roadmap providing strategic direction to staff for future resource acquisition will begin with MEAN's 2022 Integrated Resource Plan.

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. In addition to the wind capacity, MEAN has contracted for 4.8 MW from the Waste Management Des Moines Landfill Gas Facility. MEAN has contracted with Delta-Montrose Electric Association for 7.6 MW from hydroelectric generating facilities in Colorado owned by Shavano Falls Hydro, LLC.

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 cannot anticipate the outcome of current regulatory and legislative processes. MEAN could be subject to increased costs or reduced operating levels as a result of future environmental regulations. MEAN continues to monitor the development and implementation of new or modified environmental regulations.

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.

The following is a summary of the current regulations related to MEAN-jointly owned facilities.

Greenhouse Gas and Climate Change Issues

In April 2009, the Environmental Protection Agency (EPA) issued final findings that (1) the current and projected concentrations of the mix of six key greenhouse gases (GHGs)—carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulfur hexafluoride—in the atmosphere threaten the public health and welfare of current and future generations; and (2) the combined emissions of these well-mixed GHGs from new motor vehicles and new motor vehicle engines contribute to the GHG pollution, which threatens public health and welfare.

On May 13, 2010, the EPA issued a final rule that requires Prevention of Significant Deterioration (PSD) and Title V operating permits to be obtained by stationary sources, including power plants, satisfying certain thresholds and other criteria in connection with GHG emissions. PSD permitting requirements in connection with GHGs would require a "best available control technology" (BACT) analysis. EPA has been gradually phasing in these requirements, focusing on the largest emitters first. WEC 2, WSEC 4 and Wygen I are all operated under BACT standards. WEC 2, WSEC 4, Wygen I and Laramie River Station currently have the necessary Title V operating permits and acid rain permits. Title IV of the Clean Air Act created an SO_2 allowance trading program as part of the federal acid rain program. Sufficient allowances are obtained for Wygen I and WEC 2.

During 2013 and 2014, EPA proposed performance standards for new, modified and reconstructed fossil fuel-fired electric generating units. On August 3, 2015, the EPA finalized performance standards. Under the rule, new coal-fired power plants will be required to employ partial carbon capture and sequestration technology to meet emission standards for carbon dioxide. For new natural gas-fired units, EPA has concluded that compliance should be achievable without additional controls. The performance standards will not apply to existing plants.

On August 3, 2015, EPA released its final Clean Power Plan under Section 111(d) of the Clean Air Act (the Clean Power Plan) which sets performance standards for existing power plants to reduce carbon dioxide (CO_2) emissions. The Clean Power Plan was challenged in court and never went into effect. The EPA published a final rule in the Federal Register on July 8, 2019 called the Affordable Clean Energy (ACE) Rule and at the same time repealed the CPP. The ACE Rule included emission guidelines for existing electric utility generating units based on reduced GHG emissions by implementing heat rate improvements on the affected coal-fired units. The ACE rule was also challenged in the courts and on January 9, 2021, the District of Columbia Circuit Court vacated the ACE Rule remanding it back to the EPA. In October 2021, the Supreme Court agreed to review the D.C. Circuit's decision. While there are still legal proceedings relative to the ACE Rule, it is expected that the EPA will undertake new rulemaking to replace the ACE Rule.

There have been numerous other judicial and legislative challenges to the EPA's efforts to regulate GHGs that may impact the regulatory status outlined above. MEAN cannot predict the outcome of such challenges or the effects on MEAN. However, 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.

Clean Air Act

The federal Clean Air Act, as amended (the "Clean Air Act"), regulates emission of air pollutants, establishes national air quality standards for major pollutants, and requires permitting of both new and existing sources of air pollution. A main objective is the reduction of sulfur dioxide (SO_2) and nitrogen oxide (NO_x) emissions caused by electric utility power plants, particularly those fueled by coal. SO_2 emission reduction was to be achieved in two phases. MEAN's generating resources meet the emissions requirements under Phase I. Allowances for SO_2 emissions to cover the electric power needs of MEAN participants for current years have been purchased and will be purchased to provide for projected requirements for future years. Currently, all of MEAN's coal-fired generation resources meet Phase II NO_x compliance requirements. SO_2 and NO_x are monitored continuously and reported quarterly in compliance with EPA regulations.

Cross-State Air Pollution Rule

The Cross-State Air Pollution Rule ("CSAPR") was initially issued in 2011 to assist states' compliance with ambient air quality standards by limited downwind pollution. Under CSAPR, facilities must provide allowances for emission of each ton of SO_2 and NO_x. Various legal challenges resulted in the EPA publishing a final Revised CSAPR Update rule which became effective on June 20, 2021. The WSEC facility meets all requirements of this standard. MEAN believes its other generating facilities are well positioned to meet any requirements relating to CSAPR's implementation.

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. Nebraska, as a Cross-State Air Pollution Rule (CSAPR)-affected state, will be able to substitute CSAPR for any requirements related to the Regional Haze Rule. Nebraska submitted its State Implementation Plan (SIP) to the EPA in 2011. In July 2012, the EPA issued the final rule on the Nebraska SIP, which approved the NO_x portion of the SIP but disapproved the SO_2 portion. Due to WEC 2's modern Air Quality Control System, WEC 2 is well positioned to meet any requirements relating to CSAPR's implementation. 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 or Federal Implementation Plan.

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. MEAN's impacted facilities are all currently MATS compliant. WSEC 4 was originally constructed with emissions controls which enable the plant to comply with MATS. At the time of purchase of the Air Quality Control System for WEC 2, WEC 2 purchased the necessary equipment to use activated carbon injection as a control of mercury emission to enable compliance with MATS. The current emission control equipment at LRS and Wygen I enable these plants to comply with MATS. Ongoing compliance with MATS must be demonstrated by each affected facility.

Water Quality

The Federal Clean Water Act regulates the discharge of process wastewater and certain storm water under the National Pollutant Discharge Elimination System permit program. WSEC 4 is not impacted by the Clean Water Act. WEC 2, Wygen I and LRS have proper permitting in place under the Clean Water Act.

Coal Combustion Byproducts

The Disposal of Coal Combustion Residuals (CCRs) from Electric Utilities rule (CCR Rule) which became effective on October 19, 2015, regulates coal combustion byproducts (CCBs) under Subtitle D of the Resource Conservation and Recovery Act as a non-hazardous solid waste. The CCR Rule mandated closure of unlined surface impoundments upon a specified triggering event. Under the CCR Rule, if after multiple levels of monitoring and an alternate source demonstration, a statistically significant level of contamination could not be attributed to another source, a company was required to retrofit or close the pond. In August 2018, the D.C. Circuit ordered that the CCR Rule be vacated with respect to the provisions that permit unlined surface impoundments to continue receiving coal ash unless they leak. On August 14, 2019, March 3, 2020, and August 28, 2020, the EPA further amended the CCR Rule. Some key features of these amendments include: the reconsideration of beneficial use criteria, reclassification of clay-lined impoundments to be considered unlined, limited permission for some unlined surface impoundments to continue to operate, and revision of the alternate closure provisions.

The EPA's August 28, 2020 amendments to the CCR Rule introduced a significant revision to the 2015 CCR Rule, requiring all impoundments that did not meet the liner requirements outlined in the Rule to cease receiving CCR and non-CCR waste streams CCR material and initiate closure by April 11, 2021, regardless of their overall compliance status. If that date was not technically feasible, an alternate date to cease receiving CCR material and initiate closure could be secured from the EPA through an extension request process, which was required by the EPA no later than November 30, 2020.

Basin Electric Power Cooperative (BEPC), as the Operating Agent for LRS, hired a consultant to conduct 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. Completion of all activities was scheduled for November 2021, with an updated analysis to be completed in March 2022. CCR related activities for 2021 and 2022 have not been made publicly available at the time this report was completed.

PPGA continues the process of groundwater monitoring at WEC 2, working with a third-party consultant. The results of the comprehensive monitoring and modeling will determine the extent and source of contaminants, which will ultimately direct the course of action with regard to the need for an ash pond liner. PPGA has requested an extension from EPA under the CCR Rule. The request was submitted to allow time to construct necessary improvements. EPA has deemed the extension request to be substantially complete. This notice from EPA has placed the compliance in abeyance until EPA completes its review of the extension request. PPGA continues to actively marketing WEC 2's ash in an attempt to decrease the size and mitigate the effects of the coal ash pond. PPGA has not yet determined the cost or the extent of any potential corrective action required.

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 developing 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 reserve 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 were no rate stabilization account transfers in 2022. There was a transfer into the rate stabilization account of $7,100,00 in 2021.

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 creditors with a general overview of MEAN's financial status for the fiscal years 2022, 2021 and 2020. 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, 2022 and 2021

	2022	2021
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	$ 39,769,477	$ 35,294,807
Short-term investments	11,477,374	10,587,177
Accounts receivable	16,881,868	23,863,375
Prepaid expenses and other	681,617	1,096,551
Productive capacity operating assets	2,606,888	3,398,841
Total current assets	71,417,224	74,240,751
Noncurrent Assets		
Long-term investments	9,236,968	8,316,233
Restricted investments	11,193,962	11,899,975
Productive capacity, net	104,898,012	107,574,881
Capital assets, net	4,484,791	4,824,549
Costs recoverable from future billings	41,166,444	41,302,976
Total noncurrent assets	170,980,177	173,918,614
Deferred Outflows of Resources		
Deferred loss on refunding	5,395,655	7,572,006
Deferred costs for asset retirement obligation	480,158	454,170
Total deferred outflows of resources	5,875,813	8,026,176
Total assets and deferred outflows of resources	$ 248,273,214	$ 256,185,541
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Current maturities of long-term debt	$ 5,575,000	$ 5,330,000
Accounts payable and accrued expenses	11,389,780	8,908,604
Accrued interest payable	2,320,229	3,113,718
Total current liabilities	19,285,009	17,352,322
Noncurrent Liabilities		
Long-term debt, net	137,080,739	147,998,975
Asset retirement obligation	480,158	454,170
Total noncurrent liabilities	137,560,897	148,453,145
Deferred Inflows of Resources		
Deferred revenue - rate stabilization	28,313,381	28,313,381
Deferred gain on refunding	3,133,000	-
Total deferred inflows of resources	31,446,381	28,313,381
Net Position		
Net investment in capital assets	14,954,057	13,243,967
Restricted for debt service	6,258,906	6,258,906
Unrestricted	38,767,964	42,563,820
Total net position	59,980,927	62,066,693
Total liabilities, deferred inflows of resources and net position	$ 248,273,214	$ 256,185,541

Municipal Energy Agency of Nebraska

Statements of Revenues, Expenses and Changes in Net Position

Years Ended March 31, 2022 and 2021

	2022	2021
Operating Revenues		
Electric energy sales	$ 118,217,751	$ 116,936,081
Provision for rate stabilization	-	(7,100,000)
Other	1,067,991	882,307
Total operating revenues	119,285,742	110,718,388
Operating Expenses		
Electric energy costs	97,124,776	86,560,179
Administrative and general	10,568,672	10,291,515
Depreciation and amortization	7,032,669	6,964,898
Total operating expenses	114,726,117	103,816,592
Operating Income	4,559,625	6,901,796
Nonoperating Revenues (Expenses)		
Net costs to be recovered in future periods	(136,532)	838,952
Investment return	(419,777)	417,932
Interest expense	(5,637,697)	(5,753,382)
Bond issuance costs	(451,385)	-
Net nonoperating expenses	(6,645,391)	(4,496,498)
Change in Net Position	(2,085,766)	2,405,298
Net Position, Beginning of Year	62,066,693	59,661,395
Net Position, End of Year	$ 59,980,927	$ 62,066,693

Municipal Energy Agency of Nebraska
Statements of Cash Flows
Years Ended March 31, 2022 and 2021

	2022	2021
Operating Activities		
Cash received from participants and customers	$ 146,768,139	$ 149,841,101
Cash paid to suppliers	(122,504,525)	(129,207,703)
Cash received under agent transactions	27,473,232	25,920,286
Cash paid under agent transactions	(23,986,310)	(29,411,210)
Cash paid to coalition members	(5,488,672)	(5,535,575)
Net cash provided by operating activities	22,261,864	11,606,899
Capital and Related Financing Activities		
Principal payments on long-term debt	(5,330,000)	(5,090,000)
Proceeds from issuance of long-term debt	39,281,177	-
Transfer to bond refunding agent	(39,641,875)	-
Additions of productive capacity	(4,008,125)	(953,209)
Purchase of capital assets	(7,917)	(86,061)
Interest paid	(6,104,373)	(6,343,098)
Bond issuance costs	(451,385)	-
Net cash used in capital and related financing activities	(16,262,498)	(12,472,368)
Investing Activities		
Interest received on investments	290,719	523,694
Purchases of investments	(24,397,509)	(20,868,955)
Proceeds from sales and maturities of investments	22,582,094	22,175,884
Net cash provided by (used in) investing activities	(1,524,696)	1,830,623
Increase in Cash and Cash Equivalents	4,474,670	965,154
Cash and Cash Equivalents, Beginning of Year	35,294,807	34,329,653
Cash and Cash Equivalents, End of Year	$ 39,769,477	$ 35,294,807

Municipal Energy Agency of Nebraska
Statements of Cash Flows - Continued
Years Ended March 31, 2022 and 2021

	2022	2021
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 4,559,625	$ 6,901,796
Depreciation and amortization	7,032,669	6,964,898
Provision for rate stabilization	-	7,100,000
Changes in operating assets and liabilities		
Accounts receivable	6,981,507	(8,060,859)
Productive capacity operating assets	791,953	100,367
Prepaid expenses and other	414,934	(9,307)
Accounts payable and accrued expenses	2,481,176	(1,389,996)
Net Cash Provided by Operating Activities	$ 22,261,864	$ 11,606,899
Noncash Investing Activities		
Change in fair value of investments	$ (710,496)	$ (105,762)
Amortization of bond premium	(1,074,231)	(960,442)
Amortization of deferred loss on refunding	486,388	486,388
Amortization of deferred gain on refunding	(52,219)	-

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

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.

Reporting Entity

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 member and nonmember participants 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.

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

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, 2022 and 2021, cash equivalents consisted of money market mutual funds.

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, 2022 and 2021.

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

Productive capacity includes the costs incurred for the following jointly-owned facilities:

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

Productive capacity costs are being amortized on the straight-line basis over the estimated life of the various projects.

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Capital 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

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 $5,395,655 and $7,572,006, as of March 31, 2022 and 2021, 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. 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.

	2022	2021
Obligation, beginning of year	$ 454,170	$ 443,095
Additional obligations	71,131	57,410
Accretion	20,097	18,168
Liabilities settled	(65,240)	(64,503)
Obligation, end of year	$ 480,158	$ 454,170

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

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 $28,313,381 as of March 31, 2022, and 2021, 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 $3,133,000 at March 31, 2022. MEAN did not have a deferred gain on refunding balance at March 31, 2021.

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 and capital assets, net of accumulated depreciation and costs recoverable from future billings, reduced by the outstanding balances of any 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.

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.

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

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.

Revision

During 2022, MEAN revised the presentation of asset retirement obligations reported at March 31, 2021 as follows:

	As Previously Reported	Revision	As Revised
Deferred Outflows of Resources			
Deferred costs for asset retirement obligations	$ -	$ 454,170	$ 454,170
Noncurrent Liabilities			
Asset retirement obligations	-	(454,170)	(454,170)
	$ -	$ -	$ -

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, 2022 and 2021, 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 was 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, 2022, MEAN had the following investments, maturities and credit ratings:

		Maturities in Years		Credit Rating
	Carrying Value	Less Than 1	1 - 5	Moody's/ S&P
March 31, 2022				
Money market mutual fund				
- U.S. government obligations	$ 9,126,048	$ 9,126,048	$ -	Aaa-mf/AAAm
U.S. agency obligations	8,954,949	3,110,548	5,844,401	Aaa/AA+
U.S. treasury notes	3,731,674	1,750,579	1,981,095	Aaa/AA+
Negotiable certificates of deposit	18,006,437	10,481,437	7,525,000	Not Rated
	$ 39,819,108	$24,468,612	$15,350,496	

Municipal Energy Agency of Nebraska

Notes to Financial Statements

March 31, 2022 and 2021

Note 2: Deposits, Investments and Investment Return – Continued

Investments - Continued

At March 31, 2021, MEAN had the following investments, maturities and credit ratings:

	Carrying Value	Maturities in Years: Less Than 1	Maturities in Years: 1 - 5	Credit Rating: Moody's/ S&P
March 31, 2021				
Money market mutual fund				
- U.S. government obligations	$ 35,236,128	$35,236,128	$ -	Aaa-mf/AAAm
U.S. agency obligations	10,537,062	5,787,629	4,749,433	Aaa/AA+
U.S. treasury notes	2,065,116	509,408	1,555,708	Aaa/AA+
Negotiable certificates of deposit	18,148,501	10,332,254	7,816,247	Not Rated
	$ 65,986,807	$51,865,419	$14,121,388	

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, 2022 and 2021, 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, 2022 and 2021, 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.

Note 2: Deposits, Investments and Investment Return – Continued

Investments - Continued

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, 2022 and 2021, 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.

Concentrations greater than 5% at March 31, 2022 included U.S. sponsored agency obligations of Federal Home Loan Bank at 7.56%, Federal Farm Credit Bank at 7.75%, and U.S. treasury notes at 9.37%. Concentrations greater than 5% at March 31, 2021 included U.S. sponsored agency obligations of Federal Home Loan Bank at 5.73% and Federal Farm Credit Bank at 5.55%.

Summary of Carrying Values

The carrying values of deposits and investments are included in the balance sheets at March 31, 2022 and 2021 as follows:

	2022	2021
Carrying Value		
Deposits	$ 31,858,673	$ 111,385
Investments	39,819,108	65,986,807
	$ 71,677,781	$ 66,098,192

Note 2: Deposits, Investments and Investment Return – Continued

Summary of Carrying Values - Continued

Included in the following balance sheet captions:

	2022	2021
Current Assets		
Cash and cash equivalents		
Operating	$ 24,259,634	$ 17,437,778
Rate stabilization fund	7,599,039	9,409,971
Debt service funds	7,910,804	8,447,058
Total	39,769,477	35,294,807
Short-term investments - rate stabilization fund	11,477,374	10,587,177
Noncurrent Assets		
Long-term investments - rate stabilization fund	9,236,968	8,316,233
Restricted long-term investments		
Debt reserve funds	11,193,962	11,899,975
	$ 71,677,781	$ 66,098,192

Investment Return

Investment return for the years ended March 31, 2022 and 2021 consisted of interest income and the net change in fair value of investments carried at fair value of $(419,777) and $417,932, respectively.

Note 2: Deposits, Investments and Investment Return – Continued

Disclosures About Fair Value of Assets and Liabilities

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, 2022 and 2021.

Note 3: Productive Capacity

Productive capacity at March 31, 2022 consisted of the following:

March 31, 2022	Beginning Balance	Additions	Ending Balance
Steam production	$ 199,286,130	$ 3,785,994	$ 203,072,124
Transmission	10,400,943	222,131	10,623,074
	209,687,073	4,008,125	213,695,198
Less accumulated depreciation			
Steam production	(99,623,087)	(6,496,317)	(106,119,404)
Transmission	(2,489,105)	(188,677)	(2,677,782)
	(102,112,192)	(6,684,994)	(108,797,186)
Net productive capacity	$ 107,574,881	$ (2,676,869)	$ 104,898,012

Municipal Energy Agency of Nebraska

Note 3: Productive Capacity – Continued

Productive capacity at March 31, 2021 consisted of the following:

March 31, 2021	Beginning Balance	Additions	Ending Balance
Steam production	$ 198,346,386	$ 939,744	$ 199,286,130
Transmission	10,387,478	13,465	10,400,943
	208,733,864	953,209	209,687,073
Less accumulated depreciation			
Steam production	(93,205,224)	(6,417,863)	(99,623,087)
Transmission	(2,302,782)	(186,323)	(2,489,105)
	(95,508,006)	(6,604,186)	(102,112,192)
Net productive capacity	$ 113,225,858	$ (5,650,977)	$ 107,574,881

Note 4: Capital Assets

Capital assets at March 31, 2022 and 2021 consisted of the following:

	Beginning Balance	Additions	Retirements	Ending Balance
March 31, 2022				
Land	$ 489,000	$ -	$ -	$ 489,000
Buildings and improvements	5,147,328	-	-	5,147,328
Furniture, equipment and transportation equipment	2,199,723	7,917	(75,415)	2,132,225
	7,836,051	7,917	(75,415)	7,768,553
Less accumulated depreciation	(3,011,502)	(347,675)	75,415	(3,283,762)
Net capital assets	$ 4,824,549	$ (339,758)	$ -	$ 4,484,791
March 31, 2021				
Land	$ 489,000	$ -	$ -	$ 489,000
Buildings and improvements	5,147,328	-	-	5,147,328
Furniture, equipment and transportation equipment	2,196,301	86,061	(82,639)	2,199,723
	7,832,629	86,061	(82,639)	7,836,051
Less accumulated depreciation	(2,733,429)	(360,712)	82,639	(3,011,502)
Net capital assets	$ 5,099,200	$ (274,651)	$ -	$ 4,824,549

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 regulated rates to recover costs recoverable from future billings. As a result of this evaluation, no costs were removed in 2022 or 2021.

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, 2022 and 2021, 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. At March 31, 2022, MEAN had a $50,000 standby letter of credit as financial security in a regional transmission organization in which MEAN participates. The financial security requirement was eliminated after year end and the standby letter of credit was cancelled effective April 26, 2022.

Note 7: Long-term Debt

Long-term debt transactions for the year ended March 31, 2022 consisted of the following:

Type of Debt	April 1 2021	Additions	Refundings	Reductions	March 31 2022	Due Within One Year
	2022					
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, from 2020 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.	$ 67,495,000	$ -	$ -	$ 1,485,000	$ 66,010,000	$ 1,555,000
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 2019 and 2022 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	-	-	-	26,070,000	300,000
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.	1,845,000	-	-	1,055,000	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.	44,395,000	-	38,675,000	2,790,000	2,930,000	2,930,000
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	-
Total long-term debt	139,805,000	32,340,000	38,675,000	5,330,000	128,140,000	5,575,000
Premium on long-term debt	13,523,975	6,941,177	4,875,182	1,074,231	14,515,739	-
Long-term debt, net	$ 153,328,975	$ 39,281,177	$ 43,550,182	$ 6,404,231	$ 142,655,739	$ 5,575,000

Note 7: Long-term Debt – Continued

Long-term debt transactions for the year ended March 31, 2021 consisted of the following:

	2021			
Type of Debt	April 1 2020	Reductions	March 31 2021	Due Within One Year
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, from 2020 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.	$ 68,905,000	$ 1,410,000	$ 67,495,000	$ 1,485,000
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 2019 and 2022 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	-	26,070,000	-
3.069% - 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.	2,870,000	1,025,000	1,845,000	1,055,000
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.	47,050,000	2,655,000	44,395,000	2,790,000
Total long-term debt	144,895,000	5,090,000	139,805,000	5,330,000
Premium on long-term debt	14,484,417	960,442	13,523,975	-
Long-term debt, net	$ 159,379,417	$ 6,050,442	$ 153,328,975	$ 5,330,000

Note 7: Long-term Debt - Continued

Future principal and interest payments required to be made in accordance with all of the long-term debt agreements at March 31, 2022 are as follows:

Year Ending March 31,	Principal	Interest	Total
2023	$ 5,575,000	$ 5,021,273	$ 10,596,273
2024	5,330,000	5,268,838	10,598,838
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
2028-2032	28,250,000	18,197,688	46,447,688
2033-2037	41,670,000	10,248,594	51,918,594
2038-2040	30,970,000	1,641,350	32,611,350
	$ 128,140,000	$ 54,521,882	$ 182,661,882

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.

Bond Refunding

On January 25, 2022, MEAN issued $32,340,000 in Power Supply System Refunding Revenue Bonds, 2022 Series A with an average interest rate of 5.00 percent to refund $38,675,000 of outstanding 2012 Series A bonds. The refunded bonds had an average interest rate of 5.00 percent. The net proceeds of approximately $38,819,000 consist of the net original issue premium of approximately $6,941,000, reduced by payment of approximately $451,000 in underwriting fees and other issuance costs. Net proceeds of $38,819,000 plus approximately $823,000 of existing MEAN funds, including debt service reserve funds released by the transaction, were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2012 Series A bonds refunded. As a result, $38,675,000 of the outstanding 2012 Series A bonds are considered to be defeased and the liability for those bonds has been removed from the balance sheet.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $3.2 million. This difference, reported in the accompanying financial statements as a deferred gain on refunding, is being amortized and charged to operations through the fiscal year 2032 on a straight-line basis. MEAN completed the refunding to reduce its total debt service payments over the next six years by $8.6 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $8.0 million.

Note 8: Electric Energy Sales

Electric energy sales for the years ended March 31, 2022 and 2021 were as follows:

	2022	2021
Long-term total requirements	$ 104,781,648	$ 102,477,294
Limited-term total requirements	12,431,085	11,907,122
Interchange sales	1,005,018	2,551,665
	$ 118,217,751	$ 116,936,081

As of March 31, 2022 and 2021, MEAN has sixty-two total requirements participating municipal utilities. 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 2022 and 2021, MEAN provided power supply under long-term total requirements contracts with 54 participants. The long-term total requirements contracts extend beyond the final maturity of MEAN's outstanding long-term debt.

During 2022 and 2021, MEAN provided power supply under limited-term total requirements contracts with eight participants. The limited-term total requirements contracts vary in length but are generally up to ten years. There were no expirations of contracts during 2022 or 2021.

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 $5,103,000 and $5,196,000 during 2022 and 2021, respectively.

Note 8: Electric Energy Sales - Continued

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 five 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 $1,726,000 and $5,881,000 during 2022 and 2021, 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 9: Electric Energy Costs and Power Supply Commitments

Electric energy costs for the years ended March 31, 2022 and 2021 were as follows:

	2022	2021
Purchased power	$ 78,419,278	$ 68,308,182
Production	13,938,928	13,491,088
Transmission	4,766,570	4,760,909
	$ 97,124,776	$ 86,560,179

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.

Note 9: Electric Energy Costs and Power Supply Commitments – Continued

Pooling Agreements - Continued

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 124 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. 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. The remaining participants who have not committed their total energy resources are able to make sales of available surplus capacity as requested by MEAN at various negotiated rates. 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 9.

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 9.

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 8.

MEAN and WAPA have entered into a Capacity and Energy Displacement Agreement through which WAPA provides MEAN approximately 62 MW of capacity and energy in WECC from WAPA hydropower resources through September 30, 2024. MEAN does not receive Renewable Energy Credits for this resource. In exchange, MEAN designates capacity in SPP to serve WAPA's capacity obligations to communities in Kansas. Under a Bilateral Settlement Schedule, MEAN pays SPP for the related energy for WAPA's customers in SPP. As of March 31, 2022, MEAN had designated 42 MW of participant-owned generating units and 15 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.

Note 9: Electric Energy Costs and Power Supply Commitments – Continued

Purchased Power Contracts and Participation Agreements - Continued

Agreements with Nebraska Public Power District (NPPD)

MEAN has entered into 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 continues through 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.

Agreement with Black Hills Power, Inc.

MEAN has a power purchase agreement with Black Hills Power, Inc. (BHP) which continues until May 31, 2028. The agreement includes an early termination option of May 31, 2023, with 180 days advance notice from MEAN. Under this agreement, BHP provides MEAN with the capacity and related energy output from a total of 15 MW from Neil Simpson Unit 2 and Wygen Unit III through May 31, 2023 and a total of 10 MW from June 1, 2023 through May 31, 2028. The MW from each unit varies over the life of the contract.

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.

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's 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 9.

Note 9: Electric Energy Costs and Power Supply Commitments – Continued

Production

Production costs consist of MEAN's ownership share of costs incurred to operate and maintain LRS, WSEC 4 and Wygen Unit 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 and point-to-point transmission service.

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 $16,195,000 and $16,189,000 during 2022 and 2021, respectively.

Note 10: 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, 2022 and 2021 is as follows:

	2022	2021
Due from NPGA	$ 42,085	$ 35,318
Due from ACE	43,440	48,705
Due from coalition members	$ 85,525	$ 84,023
Due to NMPP	$ 856,935	$ 811,297

MEAN incurred expenses of approximately $5,990,000 and $5,910,000 for administrative services provided by NMPP during 2022 and 2021, respectively.

Note 10: Transactions with Coalition Members – Continued

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 2022 and 2021, MEAN paid NMPP, on behalf of MEAN's participants, approximately $118,900 and $118,700, respectively.

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 Agreement, MEAN billed coalition members approximately $277,000 in 2022 and $289,000 in 2021, for rents and shared products and services.

Note 11: 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 12: Significant Estimates and Concentrations

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 13: 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.