

ANNUAL REPORT

2022



Boone Electric
Cooperative



2022 - A Year of Challenges

Like many businesses across America, 2022 was a year where we saw inflation in many aspects of the electricity industry. Three phase pad-mount transformers that used to cost \$24,752 escalated in price to as much as \$40,161. Single phase transformers, poles, conductors, and other materials saw cost increases as much as two times what they were in 2021.

Utility trucks were not excluded, and due to microchip and other supply chain issues, deliveries that used to take several months now take as much as 4 years. Unfortunately, many of the materials with significant price increases are required for BEC to continue to provide electricity to our members. These cost pressures continued on the electricity supply side of our business.

We saw price increases in our wholesale power (power which we resell to you) of around 7%. Of all the expenses at Boone Electric, approximately 57% is for the price to generate and transmit the power to our service territory that we then distribute to you.

As a not-for-profit cooperative, we continue to strive to only pass along necessary price increases to our membership after absorbing as much as we can internally.

We also saw many changes with our employees in 2022 with employees retiring, separating service, or moving out of state. Hiring was a bit of a challenge at times, given the very tight labor market. In fact, some cooperatives to this day still have job openings listed from 2022.

While focusing on our people, it is important to note that long time Board Director Jay Turner retired in November after 41 years of dedicated service. Jay was a highly credentialed member of our board of directors, and received the NRECA Regional Award for Outstanding Service and the AMEC Distinguished Service Award for service above and beyond the normal call of duty. Jay served us during our acquisition of the Rocheport area, the completion of the territorial agreement (the first in Missouri), and the construction of much of our

modern distribution system. His legacy is known throughout the state and country. Jay is and will continue to be missed.

Similar to how your directors represent the Boone Electric membership on a board, we represent the Boone Electric Board of Directors on a board at Central Electric Power Cooperative. This year was notably challenging for this board as well.

Our mission at CEPC is to continue building transmission systems to maintain reliability, in an environment which became more carbon restrained via the regulatory environment. Significant upgrades of the transmission system remain, given the forecasted heavy electric demand required to serve organic growth and the electrification of the transportation sector, all while integrating more renewable energy power generation sources.

At the end of the day, we were able to overcome all of these challenges with an excellent group of employees, a fully dedicated board of directors and an understanding membership.

We know that delivering affordable and reliable power to you at the end of the line is our most important purpose, and we guarantee we will not lose sight of this. Our commitment to you continues.



Joel Bullard

Joel Bullard

President



Todd Culley

Todd Culley

CEO & General Manager



OPEN AND VOLUNTARY MEMBERSHIP



DEMOCRATIC MEMBER CONTROL

MEMBER SERVICES

In September 2022, BEC's Member Services department put together the co-op's largest event of the year, our membership's Annual Meeting. It was quite the success in a drive-thru format. It was held in our new large vehicle storage building. It had the highest number of attendees at one location since at least 1998 with 2,426 registered. Members were in and out in a few minutes. Our employees did a great job making the event run smoothly with no traffic issues.

We continue to work with our City of Columbia counterparts for the Home Show, Advancing Renewables Conference and energy efficiency efforts. Our 2022 energy efficiency program accomplishments were:

- 80 home energy inspections with \$88,391 paid to members in rebates with an average of 20.96% annual energy savings from those improvements.
- \$91,200 paid in rebates to members for ground source heat pump installations.
- \$33,691.34 paid out in smart thermostats, EV chargers, water heaters, dual fuel installations, window air-conditioners, and commercial lighting rebates.
- Ended the year with 84 members on the EVolve™ time-of-use rate and participation continues to increase.
- Implemented a new rebate software program that is more efficient, as members receive their rebates in a more timely manner.

Our community engagement is starting to ramp back up, so you might see our Chevy Bolt around the service territory with the wrap our members picked from our social media contest. It also advertises our EVolve logo and program we had trademarked. We have expanded our social media presence to include LinkedIn. We are working on some engagement events to better serve you in the community and for you to get to know your co-op even better. For our Nights at the Theater, we started using Kahoot for the trivia contest. This increased participation from the audience each night. The department created some educational videos and an article about the Emerald Ash Borer, due to the Right-of-Way department seeing more tree issues in our area.

Our member service technicians studied, trained, practiced and studied more to test and pass their Building Performance Institute (BPI) certification. With this certification, we will be able to perform blower door tests on members' homes. We can give tips and some supplies to help make your home more energy efficient and save both the member and the co-op money.

FINANCE

While there were some expected and unexpected changes to the new HQ, we finished out the financing of the project close to \$5 million under budget. The majority of these savings occurred with us being able to take advantage of a favorable borrowing environment. We successfully managed cooperative equity through the HQ project, maintaining the board minimum equity requirement of 40%. BEC added approximately \$35 million in assets including buildings, furniture and all other equipment to our balance sheet in 2022.

In conjunction with a third-party consultant, we completed a revenue requirements and a cost of service study. These studies identified the level of revenue the cooperative required and from where that revenue should come. The findings showed the cooperative needed to adjust revenues to account for increasing power, material and equipment costs. The co-op also completed its bi-annual electric load forecast study. This study is used in conjunction with our 10-year financial forecast (which is updated annually) for long-term cooperative planning.

We worked with MoDOT on the I-70 expansion and design committee. The Business Loop CID successfully constructed and opened a commercial kitchen for home-based businesses, food trucks and others. CFO Ryan Euliss serves as the group's treasurer.

HR

Boone Electric prides itself on being a great place to work. We were extremely lucky to have had only a single digit annual turnover rate in 2022 and a 91% employee retention rate for our workforce while other companies in the U.S. were seeing a 25% average annual turnover rate in 2022 (Mercer). HR was still busy by BEC standards, as we welcomed 10 new faces to the co-op family and said farewell to two long-time employees at their retirements. We welcomed Bradley McNear, Finance; Dustin Riecke, Engineering; Colby Nichols, Paul Karsten, and Johnathon Roberts, Operations; and Amanda Aghedo, Jacob Ellett, Becky Piquard, Stephanie Shoffner and Dusty Weter, Member Services.

David Carlos retired as an equipment operator in January 2022 and had previously worked in the metering and right-of-way departments over his 35 year career at Boone Electric. Robin Shay also retired in January 2022 after 26 years in the cooperative's IT department.



MEMBERS' ECONOMIC PARTICIPATION

OPERATIONS

For operations, everything was far from business as usual. Crews worked 24/7/365 while based out of a construction zone as the new HQ project progressed. Our mechanics also had to shuffle around in different temporary shops, yet kept our fleet running daily. Our storeroom employees had to keep up with unprecedented supply chain problems. On top of that, it was a busy construction year and we did not want to hold up any of our member projects. With these challenges, we still managed to have a year with the lowest quantity of member hours out (without major event days) since the year 2000 with only 25,497 outage hours.

Lead Mechanic Bryan Murphy and Maintenance Foreman Jeff Marren volunteered to go to Haiti to help a Haitian utility with their truck fleet through the NRECA International program.

ENGINEERING

The engineering department saw peaks set in 2022. The new summer peak of 148.1 MW was on July 23, 2022 and a new winter peak of 153.8 MW was on December 22, 2022. On the outage side, it comes down to the perspective of how you look at the numbers. Our SAIFI and SAIDI numbers came in at .49 and 44.38, which is the best on record for both. These statistics measure the average number of interruptions that a member would experience and the average outage duration for each member served. Our CAIDI number was at 90.19, which was 13th out of the past 16 years. This factor measures the average outage duration for members who had an outage that was not part of a major event. We also processed the highest number of solar applications for any year with 63. We have a checklist of steps to follow to ensure the solar systems are safe on our members homes and businesses and installed correctly. We work with the local permitting agencies to make sure the solar systems are up to code before they go live.

IT The primary focus of the department was the design, construction and implementation of the new data center and all necessary technology for the HQ. The difficulty of the project was stressful for the IT staff, but we couldn't be more content with the final product and the staff's ability to manage multiple offices, multiple moves and the IT needs of almost 100 employees through the entire project. This was all accomplished while still managing day to day needs and protecting the critical security nature of our business operations. To put things in perspective, the system consists of over 32,000 feet of fiber optic cable and 140,000 feet of network cable.

We coordinated with our warehouse supervisor to implement a new bar code inventory and material system.

Our system maintained full compliance to the payment credit card industry standards and red flag rules protecting all member confidential data and transactions. Then, we improved our data backup methodology by adding an additional off-site storage option for continuous backups to enhance overall data integrity.

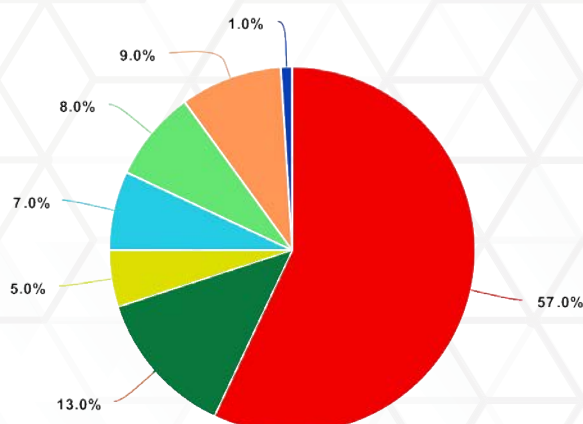


AUTONOMY AND INDEPENDENCE

Financial Information

Consolidated Balance Sheet

Current Assets	2022	2021
Cash	\$6,477,054	\$15,104,493
Accounts receivable	6,894,409	6,042,987
Materials and supplies	2,780,287	1,990,799
Other current assets	1,092,658	106,286
	<u>\$17,244,408</u>	<u>\$23,244,565</u>
Other Assets		
Utility plant in service	\$160,965,437	\$140,955,969
Investments in assoc. companies	36,241,151	36,183,275
Notes receivable	-	36,000
Deferred charges	32,526	422,836
	<u>\$214,483,522</u>	<u>\$200,842,645</u>
Total Assets		
	<u>\$214,483,522</u>	<u>\$200,842,645</u>
Equities		
Patronage & other equities	\$87,468,755	\$82,400,334
Current Liabilities		
Accounts payable	\$6,553,695	\$5,985,489
Maturities of long-term debt	5,209,767	5,010,198
Current Maturities of leases	-	88,684
Customer deposits	1,163,749	1,162,749
Accrued taxes	235,907	228,813
Other current liabilities	4,349,916	4,098,399
	<u>\$17,513,034</u>	<u>\$16,574,332</u>
Other Liabilities		
Long-term debt, net	\$109,415,823	\$101,766,829
Deferred credits	85,910	101,150
	<u>\$127,014,767</u>	<u>\$118,442,311</u>
Total Liabilities		
	<u>\$127,014,767</u>	<u>\$118,442,311</u>
Total Equities & Liabilities		
	<u>\$214,483,522</u>	<u>\$200,842,645</u>



■ Cost of Power ■ Operations & Maintenance ■ Consumer Account Expense
■ Administrative & General Expense ■ Interest LTD Expense
■ Depreciation & Amortization Expense ■ Taxes & Other

Cost of Power - \$34,807,163
Operations & Maintenance - \$7,678,550
Consumer Accounts - \$2,831,627
Administrative & General Expense - \$4,582,256
Interest LTD Expense - \$4,771,751
Depreciations & Amortization - \$5,592,874
Taxes and Other - \$852,054
Total - \$61,116,275

Consolidated Statements of Revenue & Expense

Operating Revenue	2022	2021
Sales of energy	\$66,088,603	\$63,621,190
Other electric revenues	792,679	754,335
	<u>\$66,881,282</u>	<u>\$64,375,525</u>
Total Revenue		
	<u>\$66,881,282</u>	<u>\$64,375,525</u>
Operating Expenses		
Purchased power & goods sold	34,878,669	32,876,874
Operations	4,608,204	4,269,441
Maintenance	4,765,810	3,888,521
Customer accounts	1,241,562	1,183,747
Customer service & information	1,590,065	1,533,768
Administrative & general	4,793,407	4,404,017
	<u>\$51,877,717</u>	<u>\$48,156,368</u>
Total Operating Expenses		
	<u>\$51,877,717</u>	<u>\$48,156,368</u>
Depreciation & amortization	\$5,608,582	\$5,174,891
Interest on long-term debt	4,771,751	4,441,439
Less: Int. charged to construction	(1,087,735)	-
Other deductions	71,001	44,780
	<u>\$61,241,316</u>	<u>\$57,817,478</u>
Total Cost of Electric Service		
	<u>\$61,241,316</u>	<u>\$57,817,478</u>
Operating Margins		
	<u>\$5,639,966</u>	<u>\$6,558,047</u>
Non-Operating Margins		
Interest income	\$214,896	\$136,615
Merchandising (net)	70,744	103,443
Non-operating margins	2,530	2,503
Gain/Loss on disposition of assets	(341,359)	(947,347)
G&T capital credits	690,693	1,119,553
Other capital credits & patronage	495,929	454,369
	<u>\$6,773,399</u>	<u>\$7,427,183</u>
Patronage Capital & Margins		
	<u>\$6,773,399</u>	<u>\$7,427,183</u>

Consolidated Statements of Cash Flow

Cash Flows from Operations	2022	2021
Net Margins	\$6,773,399	\$7,427,183
Depreciation and Amortization	\$6,510,698	\$6,164,204
(Gain)/Loss on sale of assets	341,359	947,347
Patronage capital credits assigned	(1,186,622)	(1,573,922)
Accounts receivable	(849,797)	(576,783)
Other current assets	(986,372)	(3,330)
Accounts payable	566,581	2,627,498
Accrued taxes	6,880	9,214
Other current liabilities	251,731	161,642
	<u>\$4,654,458</u>	<u>\$7,755,870</u>
Net Adjustments to Income		
	<u>\$4,654,458</u>	<u>\$7,755,870</u>
Cash Flows from Operations		
	<u>\$11,427,857</u>	<u>\$15,183,053</u>
Cash Flows From Investing Activities		
Construction and aquisition of plant	\$(25,860,423)	\$(21,811,366)
Plant removal costs	(623,643)	(570,157)
Gross receipts from sales of assets	12,851	83,506
Patronage capital credits received	1,128,746	1,028,069
Materials and supplies	(789,488)	(533,868)
Deferred charges	-	21,527
Notes receivable	36,000	36,000
Deferred credits	(15,240)	(1,719)
	<u>\$(26,111,197)</u>	<u>\$(21,748,008)</u>
Cash Flows from Investing Activities		
	<u>\$(26,111,197)</u>	<u>\$(21,748,008)</u>
Cash Flows From Financing Activities		
Retirement patronage capital credits	\$(1,935,508)	\$(1,634,084)
Donated capital/Other equities	230,530	123,269
Mortgage advances	13,000,000	15,000,000
Mortgage payments	(5,151,437)	(4,570,447)
Payments on other loans	(88,684)	(212,843)
Consumer deposits	1,000	(43,526)
	<u>6,055,901</u>	<u>\$8,749,421</u>
Cash Flows from Financing Activities		
	<u>6,055,901</u>	<u>\$8,749,421</u>
Net Increase/(Decrease) in Cash		
	<u>\$(8,627,439)</u>	<u>\$2,184,466</u>
Cash and Equivalents		
- Beginning of Year	\$15,104,493	\$12,920,027
	<u>\$6,477,054</u>	<u>\$15,104,493</u>
End of Year		
	<u>\$6,477,054</u>	<u>\$15,104,493</u>

Independent Auditor's Report

We have examined management's assertion that the construction work orders and other plant accounting records created during the time of the audit to support \$114,625,590 in loans advanced from or controlled by the CFC Mortgage Loan Agreement during the year ended December 31, 2022 is in compliance with the measurement and disclosure criteria set forth in the Loan Agreement dated as of July 19, 2021. Boone Electric Cooperative's management is responsible for the assertion. Our responsibility is to express an opinion on the assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting management's assertion and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

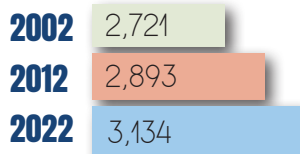
In our opinion, management's assertion referred to above is fairly stated, in all material respects, based on the measurement and disclosure criteria set forth in the Loan Agreement dated as of July 19, 2021.

Dennis G. Koch

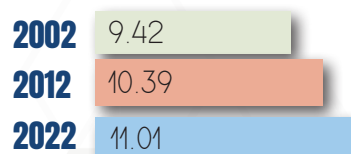
Certified Public Accountant | February 15, 2023

Statistical Highlights By Decade

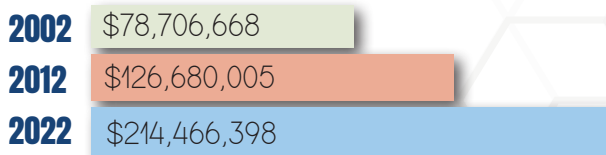
Miles of Line



Meters per Mile of Line



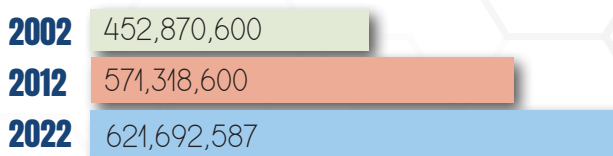
Total Assets



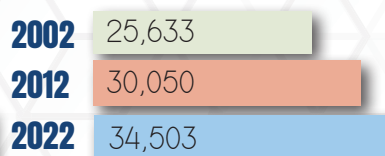
Net Investment in Plant



Total kWh Purchased



Active Meters



Calls Answered by MSRs - 71,832

Prepaid Billing Members - 160

EVolve™ Members - 84

Community Solar Subscribers - 58

kWh Produced by BEC Community Solar - 174,640

Hours of Power Lost - 35,272

BEC Members - 27,375

New Services - 588

Home Energy Reviews - 172

Average Energy Savings - 20.96%

Maximum Demand - 153.73 MW

Wildlife Outages - 3,738

COOPERATION AMONG COOPERATIVES



Boone Electric
Cooperative

CONCERN FOR COMMUNITY