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# CHIEF FINANCIAL OFFICER'S REPORT 2023

Mohave Electric Cooperative operates as a not-for-profit corporation owned by our members. Our rates are set to cover the cost of doing business, not to generate a profit for shareholders like investor-owned utilities. Mohave Electric is regulated by the Arizona Corporation Commission (ACC). Our rates, rules, and regulations are all approved by the ACC.



## 2023 FINANCIALS

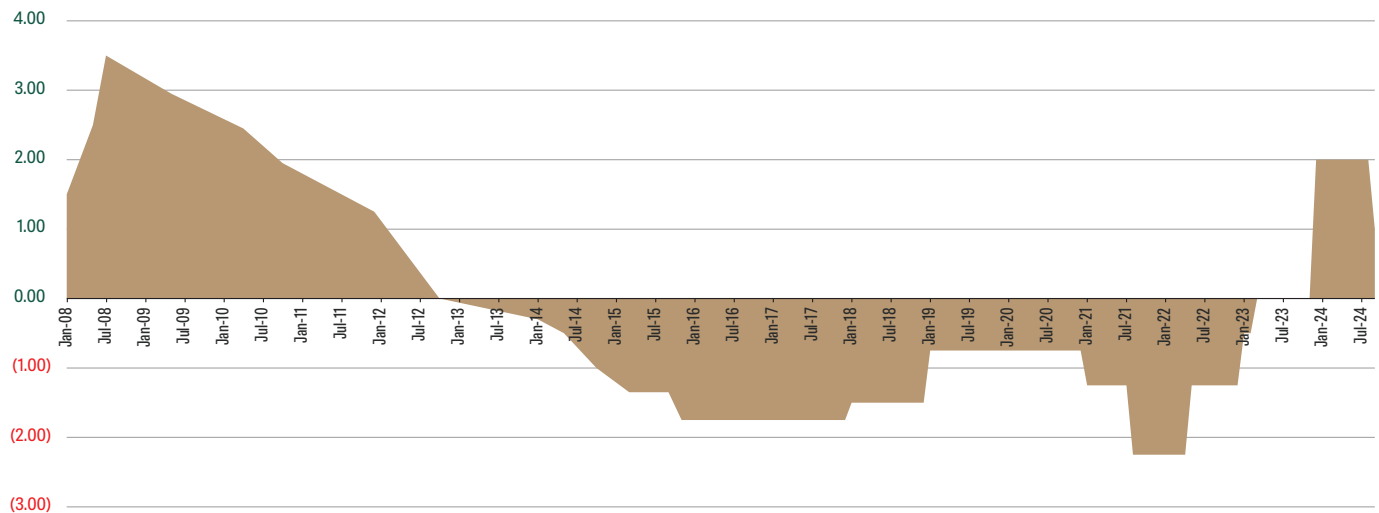
2022 was a tough year for the Cooperative, and fuel for power generation and power prices continued to affect Mohave Electric in 2023. Purchased power costs increased 7% in 2023 on top of the 37% increase in 2022.

Although forecasts for 2023 indicated the costs for natural gas and coal would be lower than 2022, they were still higher than normal. The average price of natural gas in 2023 was \$2.45, while in 2022 that price was nearly \$6.00! The average coal price increased by \$0.62, or 21%, from 2022 - 2023. By midyear 2024 natural gas prices have continued to decrease with the first half of the year averaging just over \$1.30, while coal prices have continued to elevate.

Each year, the Cooperative manages fuel prices by securing financial gas hedging transactions. This locks in the price Mohave Electric will pay for fuel costs ahead of time, up to three years in advance. For example, Mohave Electric could lock in a portion of its summer natural gas costs at \$2.50 while the daily costs on the open market could hover near double digits, and even higher when supply is low or in extreme weather. So although the summer cost is higher than long-term historical natural gas prices, Mohave Electric avoids paying the cost difference between the actual daily market price spikes and the secured hedged price.

Even with higher purchased power costs in 2023, Mohave Electric was able to maintain a \$0.00 per kWh purchased power adjustor (PPA) for most of the year. This temporary adjustor allows the Cooperative the flexibility to adjust to fluctuating power costs without having to go before the Arizona Corporation Commission with a costly rate case. The PPA can be a credit or an additional charge on member bills consistent with power costs trending higher or lower than the Cooperative's existing approved rates. For the previous ten years, the PPA had been a credit on member bills, saving members tens of millions of dollars. The PPA was changed to a \$0.02 per kWh charge in December 2023 to recoup the increases in purchased power described above.

### FUEL BANK ADJUSTOR CENTS PER KWH



Power costs have a delay between when they are incurred by MEC and when they are billed to members. MEC analyzes the current approved rates and power costs before implementing a PPA charge. If the energy portion of rates are not sufficient to cover the increased power costs, a PPA charge is added. MEC determined the current approved rates were not sufficient to cover the increased costs and therefore, implemented the \$.02 PPA charge. Most cooperatives in Arizona raised their PPAs earlier in 2023 to charge between \$.03 to \$.06 per kWh. The good thing about the PPA is its ability to change very quickly. For example, members will see a drop to \$.01 per kWh in September, and if cost projections hold where they currently are, members should see the PPA decrease to \$.0 in early 2025, if not sooner. Mohave Electric has invested significantly in the past year in local power resources to help control future costs. See pages 12 – 13 to read more about MEC’s new renewable energy, battery storage, and other resource projects that will help the Cooperative avoid buying costly power on the market. MEC will continue to invest in these resources moving forward. Please see pages 14 – 15 for additional information.

# 2023 ENERGY DOLLAR

## HOW IT WAS EARNED

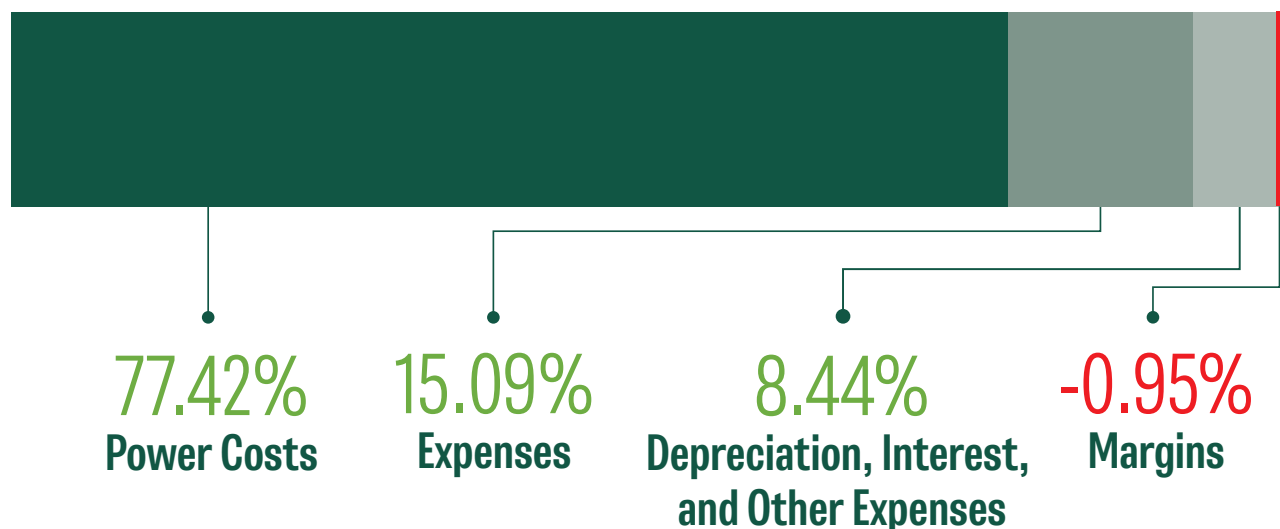
Mohave Electric is 90% comprised of residential accounts. These accounts produce 60.8% of the Cooperative's revenues for the year. Commercial members account for 38.7% of the revenue. Other types of accounts, such as irrigation, complete the rest of the revenue with 0.5%. Mohave Electric ended 2023 with 647 new services.

Controllable expenses make up the second highest expense category (15.09% of revenue). A few examples of those types of expenses would be labor, supplies, insurance, and property taxes. Although the effects of inflation are still felt across the board, the percentage of revenue used for controllable expenses only rose by 0.64% over last year. Items such as insurance and taxes are also grouped in this "controllable" bucket.

## HOW IT WAS SPENT

Purchased power costs are always the highest expense for the Cooperative. In 2023, power costs accounted for 77.42 cents of each revenue dollar collected. Due to this high cost, a high level of attention was placed on making sure the rest of the expenses were less than the 22.58 cents of the revenue dollar remaining.

The remaining costs of depreciation, interest, and other expenses round out the expenses paid, totaling 8.44%. Interest costs are higher than 2022 due to capital improvements, especially pole hardening efforts continuing since the Labor Day 2022 outage. Pole hardening consists of replacing every third wooden pole with steel or concrete in order to strengthen the electric system, improving reliability.



## CONDENSED BALANCE SHEET

### ASSETS AS OF DECEMBER 31, 2023

#### PLANT

Plant Cost \$158,582,492

Accumulated for Depreciation Less (\$65,192,001)

Net Utility Plant \$93,390,491

#### OTHER ASSETS

Cash And Equivalents \$13,271,839

Accounts Receivable \$4,325,934

Equity Investments In Associated Organizations \$62,208,102

Notes Receivable \$25,839

Other Property And Equipment \$60,000

Materials And Supplies \$3,429,100

Other Current Assets \$9,860,797

Deferred Charges \$44,767,263

Investment In Subsidiary/  
Eco Development/Regulatory \$29,470,872

**TOTAL ASSETS \$260,810,237**

## EQUITIES & LIABILITIES

### EQUITIES

Memberships \$188,790

Patronage Capital \$104,471,577

Other Equities \$8,707,881

**Total Equities \$113,368,249**

### LONG-TERM LIABILITIES

Long-Term Debt \$96,975,878

### CURRENT LIABILITIES

Accounts Payable \$32,750,473

Member Deposits \$3,434,793

Other Current Liabilities \$6,019,538

**Total Current Liabilities \$50,466,110**

**TOTAL EQUITIES & LIABILITIES \$260,810,237**

## CONDENSED STATEMENT OF OPERATIONS AS OF DECEMBER 31, 2023

Operating Revenues \$103,591,552 100%

Operating Expenses \$15,627,589 15.09%

Electric Power Cost \$80,199,774 77.42%

Depreciation Expense \$3,794,000 3.66%

Interest On Long-Term Debt \$4,188,220 4.04%

Other Expenses \$767,448 0.74%

Total Operating Expenses \$104,577,030 100.95%

**MARGINS FROM OPERATIONS -\$985,478 -0.95%**

Non-Operating Income -\$641,777

Non-Cash Patronage Of Associated Organizations \$1,626,169