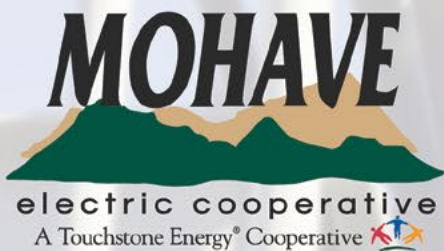


2023 SEPTEMBER

MOHAVE

Electric Cooperative

ANNUAL REPORT



7 COOPERATIVE PRINCIPLES

1. Voluntary and Open Membership
2. Democratic Member Control
3. Members' Economic Participation
4. Autonomy and Independence
5. Education, Training and Information
6. Cooperation Among Cooperatives
7. Concern for Community

2023 Annual Report

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Joseph Anderson
Board President, District 3



J. Tyler Carlson
MEC Chief Executive Officer

BOARD PRESIDENT & CEO LETTER

Mohave Electric Cooperative's number one goal is reliability - keeping the lights on for our members. Next to reliability, affordability is a critical component to providing service, especially since all our members are member-owners of the co-op. MEC's Board of Directors, CEO, and management continue to manage costs and rates while still providing affordable, reliable service to members, and investing in infrastructure and cyber security to protect members' information.

Mohave Electric Cooperative monitors other neighboring utilities' rates and charges and is proud to say we have lower rates than investor-owned electric utilities and co-ops in the state. In spite of 2022 seeing a 37% increase in purchased power costs, MEC changed our adjustor to \$0.00, neither a credit nor a charge. While most electric utilities are increasing rates or adding purchased power adjustor charges, MEC is keeping rates low for our members.

“In spite of 2022 seeing a 37% increase in purchased power costs, MEC changed our adjustor to \$0.00, neither a credit nor a charge.”

On February 22, 2023, after a comprehensive review and approval recommendation by ACC staff, the Commissioners unanimously approved MEC's proposed rate change - a \$5.56 increase to the residential customer charge while decreasing energy rates as much as 10% per kWh.

This is good news and went into effect immediately, so most members now have a lower overall bill, offset by the lower energy rates. MEC is member-owned, and the Board of Directors and staff are members too, who all work diligently to keep costs as low as possible for our members.

BOARD OF DIRECTORS



Deborah Johnson
Vice President, District 2



Toni Barbaro
Secretary, District 3



Richard Tempelman
Treasurer, District 1



John Nelssen
Director, District 1



Jose "Joe" Solar
Director, District 2



P. Kevin Nestruck
Director, District 2



Cynthia Christy
Director, District 1



Michael Bartelt
Director, District 3





RELIABILITY IS #1

RELIABILITY

Reliability is Mohave Electric Cooperative's #1 priority – we strive to keep the lights on 100% of the time. Although, this is impossible due to uncontrollable factors such as weather, we are here to serve our members and provide you with ongoing electricity to improve your quality of life.

Founded in 1946, Mohave Electric Cooperative (MEC) is a not-for-profit utility that has grown to serve 36,700 members, 43,500 meters, with more than 1,570 miles of line spanning 1,287 sq. miles from Bullhead City to Topock in the west, Hualapai to Burro Creek to the south, and Nelson to the east.

In order to provide reliable electric service, we must maintain our existing infrastructure, replace dated equipment, build new facilities, and secure new resources for our growing membership. Over the past ten years, the co-op averaged an additional 414 demand points each year. In 2022, MEC delivered

805 gigawatt-hours in retail sales to its members, and the average monthly usage by residential members increased slightly from 966 kWh in 2021 to 971 kWh in 2022.

Mohave Electric has invested \$72.5 million over the past ten years in capital improvements to enhance our grid and provide continual electric service.

Please continue reading for a snapshot of how we maintain our electrical grid and provide reliable service to our members.



SERVING OUR MEMBERS

Mohave Electric's Operations, Engineering and Member Service teams averaged 11,381 service orders per month including requests for new service, utility locator requests, service changes, meter reads and construction contracts.

MEC helped 506 businesses connect service in our territory. This movement of business occupancy into vacant buildings is a positive trend for economic development in our community.

Residential subdivisions also continue to expand.

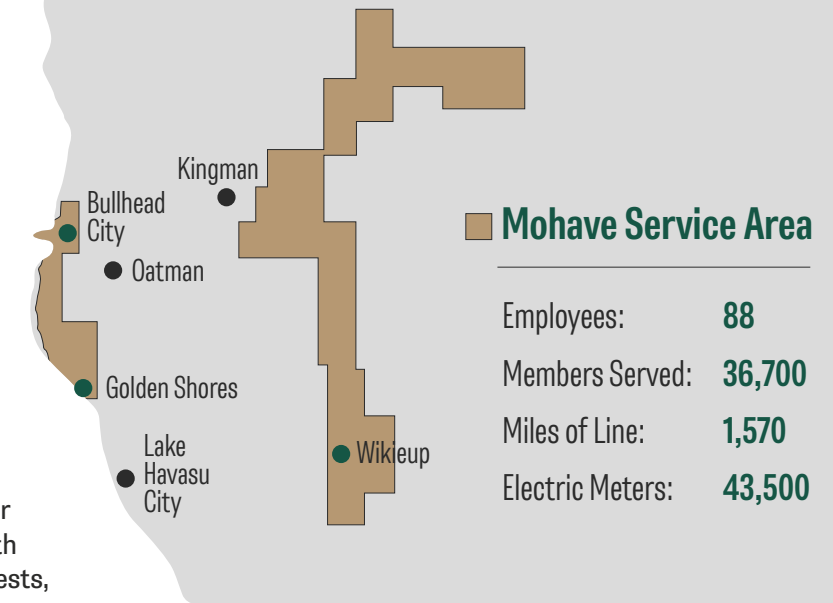
- Villages at Stonebridge Unit 4 (42 lots)
- Belle Air Heights Phase 2 (21 lots)
- Laredo Canyon Trails at Fox Creek Unit 3 (13 lots)
- Twin Palms

Subdivisions in progress...2022

- Villages at Stonebridge Unit 3 (48 lots)
- Villages at Stonebridge Unit 5 (31 lots)
- The Ridge at Canyon Trails Unit 6 (10 lots)
- The Ridge at Canyon Trails Unit 9 (47 lots)
- Lake Mead Rancheros Unit 20 (16 lots)
- North Fork at Laughlin Ranch (106 lots)
- Fort Mohave Airpark (77 lots)
- Arroyo Vista Estates Unit 2 (16 lots)
- Village Estates E&F (89 lots)

In total, the listed subdivisions will bring in approximately 517 new residential lots.

ARIZONA



MEMBER SERVICE REQUESTS IN 2022

NEW SERVICES	779
SERVICE CHANGES	114,441
UTILITY LOCATOR	9,487
JOB ORDERS	1,871
TOTAL SERVICE REQUESTS	136,573

COMMERCIAL MEMBERS

Connections to commercial businesses continued as well. MEC connected the new businesses Popeye's and Jimmy Johns.

Additional commercial projects that were in design or under construction in 2022 include Hualapai Valley Farms, Dunkin Donuts, Topock 66 Hotel, Let it Ride Investments Parkway Storage, Maverik Bullhead City, Chevron I-40, Frito Lay, Bullhead City Fire Department Laughlin View Drive, and Exceptional Healthcare.

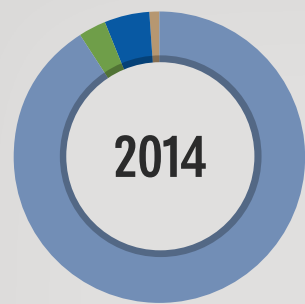


MEC'S ENERGY MIX

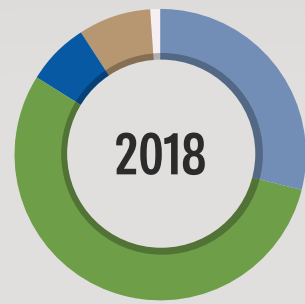
Wholesale Purchased Power

MEC's mix of wholesale purchased power generation resources changed dramatically from 2014 to 2022. However, like 2014, our main resource has shifted back to coal generation.

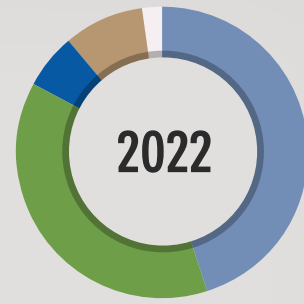
In 2022, there was a 37% rise in fuel costs; specifically, the cost of natural gas used in generating power increased three times the cost in previous years. In order to avoid paying a higher price for natural gas, the switch was made to utilize coal generating units.



91%
Coal Generation



Coal Generation
down by **62%**



Renewable energy
increased to **15%**

Energy Mix

- Coal Generation
- Gas Generation
- Hydroelectric Generation
- Long-Term Power Purchases
- Utility Solar & Behind-the-Meter Renewable

MEC'S DISTRIBUTION NETWORK

Mohave Electric has more than 24,000 poles across the 1,287 square mile service territory. MEC's comprehensive pole inspection and testing program helps keep MEC lines operating safely, prevents outages, and reduces maintenance tasks. Pole inspections are done according to USDA Rural Utilities Service guidelines using visual and "sounding" methods. MEC's drone program provides an additional resource for identifying poles that need maintenance or replacement, especially in more inaccessible areas of the service territory.

Each year MEC inspects approximately 2,000 poles in a selected area. Areas rotate every year, so each pole is inspected at least every 12 years.

2,000 POLE INSPECTIONS ANNUALLY

REACHING NEW HEIGHTS AT MEC

Drone Program Helps Protect Infrastructure and Improve Reliability

Mohave Electric Cooperative has a new tool in its toolshed to help keep members' costs low – an Unmanned Aerial Vehicle (UAV), aka Drone.

The new drone program is the next step in protecting MEC's infrastructure and facilities to improve reliability. The drone will be used for a variety of things, but chiefly it will be instrumental in inspecting the lines, poles, crossarms and equipment – especially in the most remote areas - to catch any issues before they can cause an outage.

“Implementation of the drone program will help with distribution, substation and power line inspections,” said Jerry Hardy, MEC Manager of Engineering and Operations. “These inspections will be crucial, helping MEC to find areas in need of attention and ultimately improving reliability within MEC’s electrical system.”

Drones equipped with cameras and other sensors can be used to inspect distribution and subtransmission power lines, and other infrastructure for signs of damage or wear. This can help utilities identify potential problems before they become serious.

To fly the drone, MEC hired Jared White as MEC's official UAV Pilot. White has strong local ties, having graduated from Mohave High School in Bullhead City in 2010 and was former Director of Technology for the local school district. Also, having grown up as a child of a Naval F-18 mechanic, White was exposed to flying at an early age.



“Through my adolescence, I was greatly intrigued by aviation. I began flying radio-controlled aircraft in 2010 as a hobby just after graduating from Mohave High School,” White said.

White was hooked on his hobby, and he eventually went for his license. FAA regulations require anyone using drones for business to be certified as UAS pilots, and in December 2022, White passed the test and gained his FAA Part 107 Small Unmanned Aerial Systems (sUAS) license.

“I am excited to be part of a great team at Mohave Electric Cooperative as we launch our Unmanned Aerial Vehicle (UAV) program for the purpose of improving and maintaining our electrical infrastructure,” White said.

Inspections are just one thing that White, and his drone are destined for. The program will also address:

VEGETATION MANAGEMENT

Drones can survey vegetation near power lines and identify areas where trees or plants are growing too close to the lines and need pruning or removal to prevent outages caused by falling branches, etc.

OUTAGE / DISASTER RESPONSE

Drones can survey storm damage to locate downed power lines or other infrastructure that may be difficult to access by ground. Knowing what infrastructure is down will allow linemen to assemble equipment to restore power prior to being onsite.

ASSET MANAGEMENT

Drones can create high-resolution maps of infrastructure, including power lines and substations. This can help utilities identify areas where maintenance or upgrades may be necessary and can also help with long-term planning and forecasting.

MEDIA SUPPORT

The drone program will support the Public Affairs department by providing photo and video materials, especially during outage situations. Drone footage can inform MEC staff and also be shared with members on outage restoration.

White works in the Information Technology department led by Chief Information Officer Heath Barker.

“I’m thrilled about implementing UAV technology at MEC as it will give us an aerial perspective of our infrastructure, facilitating early detection of potential issues,” said Barker. “With the ability to conduct top-level inspections and respond promptly to disasters, UAVs will increase efficiency and safety.”

So, if you see Jared White or MEC's UAV, don't be alarmed, instead wave, say hello, and know your electricity is in good hands. As a friendly reminder, it is a federal offense for shooting down unmanned aircraft and drones, which carries stiff penalties including fines and prison time up to 20 years (18 U.S. Code § 32 - Destruction of aircraft or aircraft facilities).





2022 LABOR DAY STORM OUTAGE

Mohave Electric is always looking at new and better ways of managing our grid infrastructure to improve reliability, like the drone program. Sometimes, no matter how well the co-op operates, forces of nature can work against us - and no one in MEC's 76-year history has ever seen this more than the 2022 Labor Day outage.

On September 4, 2022, a storm spreading from Bullhead City south to Mohave Valley unleashed microbursts with 80 mph winds, leaving 86% of all MEC members (38,000 members) without power. The storm damaged a total of 141 poles, including 3 steel poles and 1 concrete pole, and 26 miles of downed lines.

141
POLES REPLACED
 Since the storm MEC has successfully replaced 141 poles.

The community rallied together and with the help of our sister co-ops, all members were restored in six days! Crews worked round the clock to initially repair a 230 kV transmission connection to re-energize a substation and restore power to a majority of members - 33,000 members restored in 24 hours. The final connections were time consuming as separate poles needed replacement or new lines installed to re-route power to connect the last members and businesses.

MEC couldn't have resolved the largest outage in its history without help from these other resources: Arizona Generation and Transmission Cooperative, Benson AZ; Trico Electric Cooperative, Marana AZ; Sulphur Springs Valley Electric Cooperative, Willcox AZ for their crews and supplied materials; and Navopache Electric Cooperative, Lakeside, AZ for donated materials.

Also helpful in restoring members' power was Ervin Cable Construction (ECC) and Utility Excavating Services. A special shout out to the agencies who coordinated cooling and water distribution centers for our members: Mohave County Department of Risk and Emergency Management, Mohave Valley Fire Department Station #81, Bullhead City & Bullhead City Police Department, Fort Mojave Mesa Fire Department, Bullhead City Elementary Schools, Colorado River Union High Schools, and the American Red Cross. MEC is grateful to the nonprofits and volunteers that provided resources to our members during this time. Don Laughlin's Riverside Resort Hotel & Casino helped by providing rooms for out-of-area power restoration field crews.

"This storm caused the most severe damage to MEC's system in our history, by far. And may be the first time for our community, where a storm this severe led us to invoke the assistance from our neighboring electric Cooperatives. This is what Cooperatives are all about. One of our principles, Cooperation Among Cooperatives, is about serving members most effectively and strengthening the cooperative movement by working together. I am proud of our entire team, our line crew, operations, call center, auto shop, member service, and everyone who took part in the restoration and support of our members. I am proud of our community for coming together to assist members in a time of need," stated CEO Tyler Carlson.



"I am proud of our entire team, our line crew, operations, call center, auto shop, member service, and everyone who took part in the restoration and support of our members. I am proud of our community for coming together to assist members in a time of need."

- CEO Tyler Carlson



MEC EMPLOYEE APPRECIATION DAY

Flash forward seven months to April 2023, moving past the storm aftermath and having successfully replaced all 141 poles, the community came together to thank Mohave Electric employees.

"I was honored to be part of the Lineman celebration at Mohave Electric Cooperative on Wednesday," said Mohave County Supervisor Hildy Angius.

Also Penny Pew from Congressman Paul Gosar's office attended. An emotional Pew spoke last and thanked the linemen as well. Pew discussed, through

teary eyes, that her son was a lineman and recently suffered an injury when he was shocked with 7,200 volts. Pew then conveyed the thanks from her boss – Congressman Paul Gosar – who could not attend as he was in Washington D.C. MEC CEO Tyler Carlson opened and closed the celebration by discussing the past year's accomplishments by his staff throughout all areas of the company and called at one point for the linemen and all outside workers to stand and receive an ovation.

MEC Staff and Linemen Receive Recognition

"It takes an event like the big storm of Labor Day to be reminded that these men risk their lives to keep our homes and businesses running. This event was a chance to give a great big thank you to Mohave Electric and all its employees for doing an outstanding job." - Mohave County Supervisor Hildy Angius



MEC Linemen & Elected Officials

LEFT TO RIGHT: Bullhead City Councilman Juan Lizarraga, Councilman Dan Alphonso, Doug Henwood, Chad Valenzuela, Penny Pew, Carlos Rivas, Jason Harris, Mohave County Supervisor Hildy Angius, Shelby Sinclair, Bullhead City Mayor D'Amico, Brian Bates, Chris Bronston, Ray Fleck, Maurice Longmire.

"Our community is great when it comes to thanking our first responders...but often forgotten are these unsung heroes who risk their lives daily to keep the power flowing to our citizens." - Bullhead City Mayor Steve D'Amico



The work of Mohave Electric Cooperative staff, and most notably the linemen, was recognized with several certificates and proclamations during the MEC Employee Appreciation Day. Wednesday, April 26, Bullhead City Mayor Steve D'Amico; City Council members Juan Lizarraga and Dan Alfonso; Mohave County Supervisor Hildy Angius; and Penny Pew from Congressman Paul Gosar's office all attended the event and presented MEC with awards. "Our community is great when it comes to thanking our veterans, police department, and other first responders," said Mayor Steve D'Amico, "but often forgotten are these unsung heroes who risk their lives daily to keep the power flowing to our citizens."

In his speech prior to awarding the certificates, D'Amico talked extensively about the employees, specifically addressing the linemen's work during the Labor Day outage.



"These guys are up at the top of electrical poles working in the worst conditions to restore power while their own families are at home enduring the same outage," D'Amico said. "I am here to make sure that they know that the community appreciates them." When it was Angius' turn, she read a prayer specifically authored for linemen as well as another inspirational lineman-themed poem. She also thanked the team for their work during the outage. "It takes an event like the big storm of Labor Day to be reminded that these men risk their lives to keep our homes and businesses running said Mohave County Supervisor Hildy Angius. This event was a chance to give a great big thank you to Mohave Electric and all its employees for doing an outstanding job.

LINE HARDENING PROGRAM

Line hardening consists of upgrading 1 of every 3 wooden poles to a non-wooden pole. Mohave Electric has been line hardening for years and is pleased with our progress to date. After replacing all the storm damaged poles, MEC crews have been actively replacing poles - 4.5 miles along Bullhead Parkway and 10.5 miles along Hwy 95, Bullhead City south to Mohave Valley. To date, crews have replaced 144 of the 305 planned poles - almost 50% of the \$6.1 million investment.

\$6 INVESTING MILLION

MEC is investing 6.1 million in replacing wooden poles with non-wooden poles.



ELECTRICAL LINES

+1,570 TOTAL MILES OF ELECTRICAL LINES

MEC's electrical lines include 116.6 miles of subtransmission line, 1,078.88 overhead and 374.62 underground distribution lines. In 2022, MEC invested \$791,606 to replace underground electric lines. In addition to managing the lines, MEC is responsible for thousands of pieces of equipment such as poles, insulators, guy wires, cross arms, arresters, jumpers, transformers, capaciformers, meters, capacitor and regulator banks, reclosers, terminators, avian protection devices - to name a few.

For the first time in several years, Mohave Electric is not only managing existing electricity lines, but is currently building a new five-mile line near I-40 south of Hackberry Road in our eastern service territory. This new line will create distribution redundancy to back feed power from MEC's Hualapai Substation south to Wikieup. The improvements include the new, five-mile line and will include upgrading the single phase tie-in line to three phase and a new transformer.





INCREASED CAPACITY BY 70%

“The added 15 MVA will allow Mohave Electric to have more options when it comes to emergency switching scenarios during peak loads,” said Matt Howell, Journeyman Substation Technician for MEC. “This will also help facilitate the growth that is happening in Mohave Valley and serve the members for years to come.”

“We increased capacity by about 70%, which will allow for MEC to meet future load growth in a reliable manner,” added MEC COO Jonathan Martell. “It does also give us the ability to accommodate emergency switching and lessen the impacts of maintenance related outages.”

MEC keeps a redundant path in place for most instances, allowing field crews to “reroute” power supplies should there be an outage. This was most apparent recently when a massive storm caused a widespread outage in Bullhead City and other nearby communities. Crews were able to reroute some of the feeder lines restoring power to members in a more timely manner despite 140 poles being down throughout the area.

The new transformer also has the capability to allow MEC to monitor the health of the transformer in real time. Other upgrades to the substation that were performed include: new potential transformers used for metering and relaying; a new upgraded strain bus to accommodate the upgraded transformer; new bypass switches and upgrades to the grounding grid.

Martell said that the existing transformer will be refurbished and stored so that it may be used in the event of a substation transformer failure. “That could be huge for us,” Martell said. “Instead of waiting for a new transformer to be built, which could take up to a year, and having to push that burden to other substation transformers, via switching, we would have a replacement available.”



TRANSFORMER CHANGEOUT

Mohave Electric manages 14 substations throughout its service territory. These substations control voltage and power output to 53 different circuits. Most notably in 2022, in the early hours of November 4, crews from Mohave Electric Cooperative along with Dielco Crane Service, removed a transformer in the Willow Valley Substation in Mohave Valley and replaced it with a new transformer to continue to address reliability and load growth for the future. The existing 22 MVA (Megavolt Amperes) transformer was replaced with a new 37 MVA transformer manufactured by Virginia Transformers in Pocatello, ID.

MEC LOOKING TO THE FUTURE

Mohave Electric is constantly planning for the future. We monitor the price of power on the market every hour of every day to keep rates low for our members. One of the strategies to reduce the costs of power is to secure purchased power agreements from resources like coal and natural gas at low rates, or to switch resources when one rapidly increases in cost.

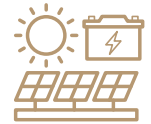
To diversify MEC's portfolio, we invested in two different solar farms in the past eight years, securing 15.3 MW of power generation within our own distribution network.

THIS HAS THREE BENEFITS:

- 1 Locks in the cost of solar lower than what outside providers can supply.
- 2 If our power generation suppliers experience an outage, we have limited but some local solar generation that is available to use.
- 3 Diversifies our renewable energy portfolio.

Earlier, we mentioned that growth is continuing in the area – not just increases in population – average 414 demand points each year, but also increases in the amount of power being consumed by members - in 2022, MEC delivered 805 gigawatt-hours in retail sales to its members.

To continue to meet members' electrical needs and to keep reliability balanced with affordable rates, MEC has the following projects planned either directly within our distribution network or directly planned with our purchased power provider, Arizona Electric Power Cooperative (AEPCCO) otherwise known as Arizona Generation & Transmission (AzG&T).



SUMMER 2023

MEC has secured a purchased power agreement for additional solar resources coupled with battery storage locally here in Fort Mohave.

17.6 MW Solar & 15 MW Battery



2024

MEC is planning a stand alone battery project which will provide power during our peak summer months, alleviating the need to buy potentially costly power on the market. In addition to supporting our growing generation and storage resources, MEC will be building a new substation.

15 MW Battery & New Substation



2024

During intermittent production of MEC's solar resources, MEC continues to use traditional resources of natural gas and coal generation to maintain the reliability that our members count on. To further this balanced approach, MEC will secure a purchased power agreement through AzG&T at Apache Station.

19.5 MW Flexible Generation



2024-2025

MEC will be securing a purchased power agreement with our provider, AzG&T who will be building additional renewable energy and storage resources at Apache Station in Benson, Arizona.

18 MW Solar & 18 MW Battery



2025-2027

MEC and AzG&T will secure additional generation locally in Fort Mohave which will provide MEC with additional generation resources directly within our distribution network.

60 MW Flexible Generation

ENERGY EFFICIENCY AND DEMAND SIDE MANAGEMENT PROGRAMS FOR MEC MEMBERS

Mohave Electric Cooperative's Demand Side Management (DSM) Plan, approved by the Arizona Corporation Commission, funds several energy-saving programs through a DSM surcharge on member bills as required by the ACC. These programs are intended to help members reduce their energy usage and save energy dollars.

Weatherization & Energy Efficiency Improvements

19 income-qualified members were helped in 2022 by MEC's program administered by Western Area Council of Governments/WACOG and City of Bullhead City.

MEC's program funding is leveraged with other government and utility funded programs to provide additional weatherization measures and greater energy savings for participating members.

MEC's program contributed \$3,000 per home for the Home Weatherization program, equaling \$50,100 for the 2022 fiscal year. MEC also continues our efforts to educate the members about energy efficiency through classroom visits, participation in science fairs, and community groups.

ENERGY REVIEWS

46

RESIDENTIAL HOMES

MEC is proud to assist our members with energy reviews. Contact us to see how we can help you save money with an energy review.

ENERGY-SAVING LIGHTBULBS

4,607

LED LIGHTBULBS GIVEN AWAY

LEDs are distributed with Operation Cool Shade tree purchases, MEC annual meeting gift bags, and new member gift bags.

HIGH EFFICIENCY HEAT PUMP REBATES

236

RESIDENTIAL REBATES

20

COMMERCIAL REBATES

\$115,400

TOTAL IN RESIDENTIAL REBATES

\$5,150

TOTAL IN COMMERCIAL REBATES

Commercial Lighting Program

In 2022, there were four Commercial Lighting rebates, totaling \$5,133 and resulting in a 51.33 kW load reduction.

MEC supports energy-saving practices that help stabilize the need for additional purchases of wholesale power in the near term and can help delay the need to acquire new power generation resources. In 2022, there were four Commercial Lighting rebates, totaling \$5,133 and resulting in a 51.33 kW load reduction.



Operation Cool Shade

2,100 low cost shade trees were purchased by members for the annual event which was held for the first time at the Anderson Auto Group Fieldhouse.

2,100 LOW-COST SHADE TREES PURCHASED



RENEWABLE ENERGY

SOLAR INITIATIVES

One new system installed in the past year for \$50,000.

\$50K Boys & Girls Club of the Colorado River in Fort Mohave



More than 45 projects are saving energy dollars through this program.

Mohave Electric Cooperative's Renewable Energy Plan is approved annually by the Arizona Corporation Commission (ACC). Along with our ongoing SunWatts Rebate (a long-established solar incentive for MEC members), the ACC approved two new MEC proposed programs this year aptly named Mohave Charged.

The Renewable Energy Standard and Tariff surcharge on member bills, required by the ACC, is the funding mechanism for Renewable Energy programs. MEC's "Solar Initiatives" provides funding for solar energy systems at schools, fire stations, government buildings, and non-profit facilities throughout our service territory.

More than 45 projects are saving energy dollars through this program. Qualifying projects are selected from those operating primarily from collected taxes. Reducing the operating costs for such essential services benefits our members collectively.

SUNWATTS RENEWABLE ENERGY INCENTIVE PROGRAM

New solar systems installed 2022	
Residential	396
Commercial	1
SunWatts Rebates 2022	
Residential	\$197,480
Commercial	\$2,500
SOLAR SYSTEMS INSTALLED TOTAL: 1,617	



MOHAVE CHARGED

MEC's Mohave Charged programs include solar battery rebates and Electric Vehicle Charging rebates for residential and commercial members.

Mohave Charged rebates apply to all batteries above 5kW or higher installed after January 9, 2022.

MEC's Renewable Energy Plan includes an incentive program for residential and small commercial solar, wind, and solar water heating installations.

10 BATTERIES INSTALLED

Since 2022, Mohave Charged has rebated 10 batteries.



TWN IS CONNECTING MEC MEMBERS TO FIBER AT THE SPEED OF LIGHT

Today, more than 15,500 Mohave Electric Cooperative (MEC) members have access to TWN's fast, 100% fiber broadband services. Two and one-half years into construction and the majority of Bullhead City is fiber ready, and good news, TWN / MEC started construction in Fort Mohave.



"I would and I have recommended TWN to my business colleagues, friends, and neighbors."

TERRI SPONDER, REALTOR | Team Sponder with Desert Time Realty



"MEC and TWN are like peanut butter and jelly. They go together all day long...they're both on my property and both provide great service."

LARRY TUNFORSS, SHOW HOST | Radio Central



"It's night and day...and haven't had any issues since TWN's taken over."

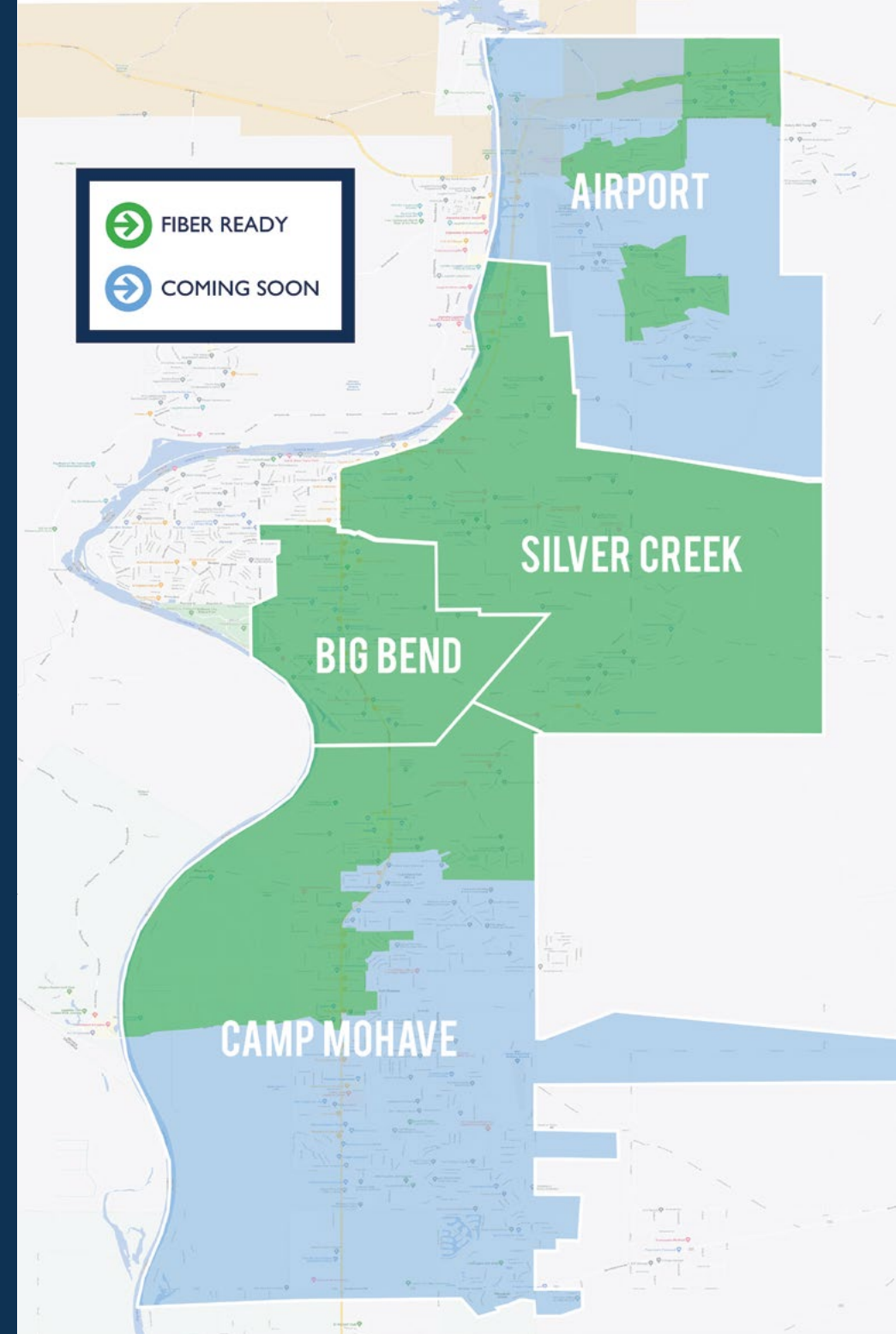
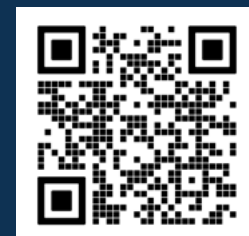
KATRINA KELLEY, FINANCE MANAGER | Swanty's Chrysler Dodge Jeep

WHY CHOOSE TWN:

- » Fastest Speeds
- » No Up-to Speeds
- » Unlimited Data
- » 100% Fiber to the Home
- » Reliability
- » Symmetrical Speeds

ARE YOU FIBER READY?

Scan the QR Code or visit www.twncomm.com/mohave to learn more



Visit twncomm.com/mohave, call 888-227-2095, or stop by TWN's local storefront at 2020 Silver Creek Road #113D, Bullhead City, AZ to learn more.

COMMITTED TO OUR MEMBERS

FROM THE HEART WITH RIVER FUND & OPERATION ROUNDUP®

MEC offers two ways for members to give from their hearts and help families in need. From the Heart with the River Fund is a program where members can voluntarily donate \$1 each month with their electric bill payments. Members can also donate by signing up for the Operation Roundup program. Operation Roundup rounds up member payments to the next whole dollar.

The combined contributions of the From the Heart and the Operation Roundup programs from MEC members totaled \$14,408 in 2022.



COBANK SHARING SUCCESS

In 2012 one of MEC's lenders, CoBank, began its Sharing Success program. The program challenged cooperatives around the country to match up to \$5,000 towards a non-profit entity in the cooperatives' service territory. In 2019, matching contributions were raised up to \$10,000, and still remains today. MEC was one of the very first in the nation to accept the challenge. MEC made it for the benefit of the River Fund and every year since its inception, CoBank has matched our donation. To date, the River Fund has been the beneficiary of \$180,000 in challenge and matching funds through this program.

UTILITY DEPOSIT AND APPLIANCE REPAIR/REPLACE PROGRAM

This program is funded with abandoned deposits. Arizona state statute allows MEC to donate certain unclaimed monies to nonprofit entities recognized by the State. In 2022, \$8,343 in unclaimed deposits were directed to the River Fund.

MOHAVE EMPLOYEES DONATE THROUGH PAYROLL DEDUCTION

In 2022, Mohave Electric Cooperative employees generously donated \$5,912 to the River Fund through voluntary payroll deductions. These donations help fund a variety of community programs administered by the River Fund.

MOHAVE "MEMBERS HELPING MEMBERS" ENERGY ASSISTANCE PROGRAM

Each year MEC's Board of Directors recommends a contribution to the River Fund to help members who are facing a crisis through no fault of their own to meet their electric bill payments. These annual contributions are funded through assigned capital credits that have been retired (paid to members). The use of unclaimed retired patronage for this purpose is approved by MEC's bylaws and in doing such there is no expense to the Cooperative. In 2022, MEC's Board of Directors contributed \$35,000 to the River Fund for the Members Helping Members Energy Assistance Program.

THE COOPERATIVE CONNECTION

Mohave Electric Cooperative is more than a utility provider. We connect with our members and our community through the support of economic development, education, safety, and healthcare.

APPLY THE SAVINGS

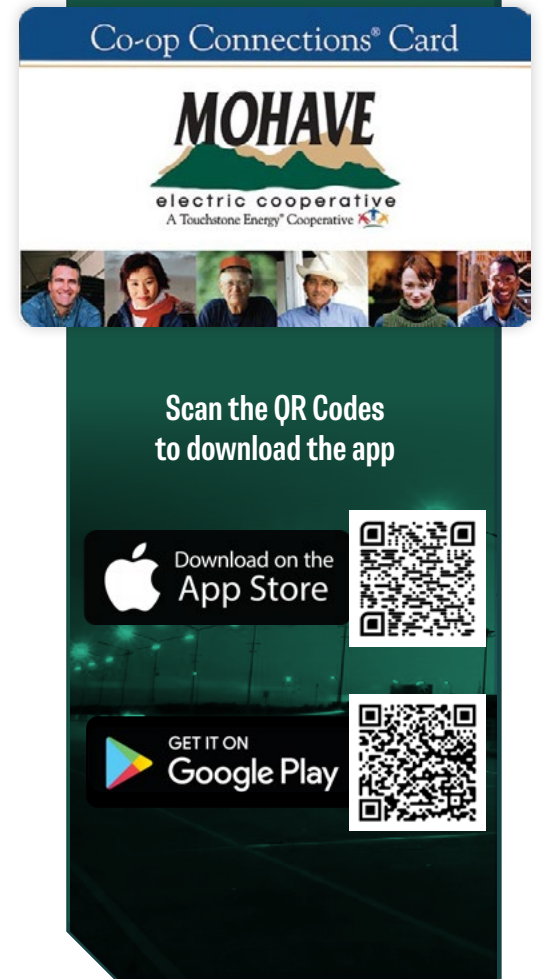
Co-op Connections, a Touchstone Energy Program, has saved our members over \$2,426,239 on more than 82,948 paid claims for prescriptions since it began in January 2011.

That means members have saved, on average, 46%, using their Co-op Connections card. Currently, 2,521 members have created accounts on Connections.coop. The downloadable mobile app continues to be a source of convenience for members when they are on the go.

The app is available on the IOS and Play Store platforms.

The card and the app are free, they do not expire, and anyone in the family can use them. With the Healthy Savings Program, members receive discounts on prescriptions, dental, vision, hearing, lab work and imaging, and chiropractic visits.

Retail discounts are available at more than 130 local businesses and thousands of national businesses, and online.



A correction was made this year in the overall savings amount.

FREE ADVERTISING:

When you participate in Co-op Connections, MEC promotes your business and discount offers to our members at no cost to you. MEC features your business through our member magazine, bill inserts, social media, local print advertising, and on the program app, all for free. Mohave Electric Cooperative, in conjunction with other Touchstone Energy® Cooperatives around the country, offers the Co-op Connections program to deliver more value to our members and assist participating businesses in increasing customer visits.

Let us know the details of your advertisement, and you can change your ad promotion at any time. Whether a new service or existing discount, we can get the word out through Co-op Connections. We're here to help if you need ideas for your offer. It's that easy. Call us today to get started. When it's free, why wait? If you are already a Co-op Connections business member, please email us today at coopconnections@mohoveelectric.com to update your contact as well as your discount information.

MEC is committed to our members. It is a commitment that the Cooperative will never change, nor will we take lightly.



ADVOCATING FOR OUR MEMBERS

Legislative and Regulatory Successes and Challenges

Rural electric cooperatives offer a unique advantage for members through our efforts to educate elected officials and members on how legislation, regulation, and policy impact electric reliability and costs for members. MEC collaborates with our partners National Rural Electric Cooperative Association (NRECA), Grand Canyon Electric Cooperative Association (GCSECA), and Arizona Electric Power Cooperative (AEPCO) to advocate for our members. During the past year there were successes, and issues still being discussed.

MEC CEO, Board of Directors, and staff traveled in January to Arizona's Capitol to meet with state legislators and ACC Commissioners to educate them on pressing issues affecting co-ops. Additionally, we traveled to Washington D.C. to meet with U.S. Senators, Congressional members, and staff to also advocate for cooperatives on several issues listed below.

OUTLOOK OVERVIEW

We support reasonable deployment of renewable technologies, but we also have concerns about how unnecessary mandates and some policy initiatives could present problems with grid reliability. Challenges include intentional early retirement of fossil fuel and nuclear power generation; barriers to natural gas transportation and storage; policies driving up costs; and supply chain issues causing delays in electric system construction of reliability improvement projects.

Even with these uncertainties, MEC and AEPCO, our major power supplier, have comprehensive plans to continue a responsible transition to clean energy while ensuring reliable, affordable electricity for our members.

ADVOCACY SUCCESSES

YOUR VOICE, YOUR VOTE, GET-OUT-THE-VOTE

Arizona's electric cooperatives led by GCSECA with heavy support from MEC, managed the most robust voter education program in Arizona electric co-op history. The effort was aimed at encouraging voters in co-op service territories to vote, and to also vote for all items on the ballot. Election results showed an impact with a marked increase in the number of votes received on the Arizona Corporation Commission candidates in the counties served by electric cooperatives.

RELIABLE ENERGY ARIZONA

In October 2022, we asked for member support of our major power supplier, AEPCO's action plan to ensure reliable, affordable electricity by developing new power generation resources including renewable energy. The plan for flexible, efficient natural gas units, and solar with battery storage facilities needed Arizona Corporation Commission approval, and your voices were heard.

ARIZONA LINE SITING REFORM

Another success was HB2496, line siting reform bill that was passed by the Arizona legislature and signed by Governor Hobbs. In 1971 the Arizona legislature created a line siting committee to evaluate applications to build power plants and transmission projects. HB2496 was aimed at reforming decades-old rules that created a huge backlog for approving electric system projects including renewable energy projects. We believe that this legislation has the potential to reduce the backlog by 50% and reduce the time needed to secure necessary approvals to construct these important lines.

FEDERAL ENVIRONMENTAL PERMITTING REFORM

In June 2023 Congress approved much needed permitting reforms that streamline the review process. Changes address concerns that the federal process took too long, were too expensive, and made it more difficult for electric cooperatives to provide reliable, affordable power to members.

FAIR FEDERAL FUNDING DIRECT-PAY TAX INCENTIVE FOR ELECTRIC COOPERATIVES

Federal legislation was passed that provides direct payments to electric cooperatives as incentives for deploying technologies such as renewables and energy storage. This has been a co-op goal for 20 years and we now finally have parity with for-profit utilities, which have long enjoyed tax credits for wind, solar and other renewable energy projects. Historically, co-ops have not had access to those credits because they are not subject to federal income taxes.

THERE'S MORE TO DO

FEDERAL AND STATE FUNDING FOR INFRASTRUCTURE, CLEAN ENERGY, AND BROADBAND

We are closely monitoring opportunities for new federal and state programs that provide grants and loans to improve our system reliability, build clean energy projects, and expand broadband. Many of the federal programs are administered through the state of Arizona's programs that determine eligibility and project requirements. This is the first year of what is expected to be a five-year period with multiple rounds of applications.

NEW REGULATIONS PROPOSED BY EPA

NRECA and AEPCO have expressed concerns with EPA's proposal to change emission performance standards for power plants citing it fails to acknowledge the top five issues affecting the reliable delivery of electricity in the U.S and directly affects AEPCO's generation by increasing costs that would have to be passed on to members. The proposed rule is in the comment phase and NRECA will present impact concerns to EPA on behalf of electric cooperatives and their members.

ELECTRIC VEHICLE COMMERCIAL CHARGING STATIONS

On our Arizona legislation watch list is discussion on electric vehicle commercial charging stations. Proposed legislation would not allow utilities including cooperatives to own EV charging stations.





MEC SUPPORTS EDUCATION AND EDUCATORS

MEC \$5,000 SCHOLARSHIP

Brooklyn Anderson was selected to receive a \$5,000 scholarship as she enters her junior year as a biology major with emphasis on pre-medicine at Grand Canyon University in Arizona. "Brooklyn has the unique opportunity of coming full circle with MEC's programs, as I remember she received her first scholarship back in her junior year in high school. It's very rewarding to see her continued success as a junior in college," said CEO Tyler Carlson.

CLASSROOM GRANTS

Mohave Electric Cooperative (MEC) awarded eighteen \$200 classroom grants to educators in need of financial assistance in making classroom learning more engaging. Eighteen of the forty-one applications were awarded. A team at MEC evaluated the projects submitted by educators based on creativity, following application instructions, classroom integration, as well as benefits and financial need to students. Classroom Grants are funded by assigned capital credits at no cost to the cooperative or its members. Project ideas ranged from science, reading, math, drama, physical education, social studies, to law enforcement and speech therapy. The eighteen selected educators represented nine schools and Mohave Community College on their various K-12 programs. The schools were Bullhead Middle School, Desert Valley School, Diamondback Elementary School, Fort Mojave Elementary School, Mohave Accelerated Learning Center, Mohave High School, Mohave Valley Elementary School District, River Valley High School, and Young Scholars Academy.

\$5,000

SCHOLARSHIPS

Brooklyn Anderson received a \$5,000 college scholarship.

\$3,600

CLASSROOM GRANTS

18 \$200 classroom grants were provided to classrooms in need.



WASHINGTON YOUTH TOUR

Students, whose parents, or guardians, are MEC members, are selected to represent Mohave Electric Cooperative in the annual Washington Youth Tour. The week-long excursion allows the students to interact with others from all over the country, visit our Capitol's landmarks, and learn about our country's rich history.

MEC selects participants from applicants through a competitive process that includes an essay and presentation before a panel of judges. All applicants must be high school juniors and receive parental or guardian permission to apply. This year one enthusiastic student from the program was chosen to attend the AZ Legislative Conference.



ELECTRICAL SAFETY MAGIC SHOW

This magical comedic appearance from Scott Davis is a highly anticipated demonstration for fourth graders in MEC's service area. The 40-minute show isn't an ordinary lesson. Scott Davis uses magic to draw his audience into his message. Learning is always more fun when a magician is teaching. The program, known as Making Accidents Disappear, is designed to help students understand both the benefits and potential dangers of electricity.



\$5K SUNWATTS EDUCATION GRANT

The \$5K SunWatts Education Grant is part of MEC's commitment to our community and is funded through REST (Renewable Energy Standard Tariff) program. Funds from the grant will be used to teach students about sustainability through curriculums designed and implemented by the grant winners.

Educators submit a short, written description of the lesson plan that teaches about renewable energy and includes materials and a cost breakdown.



COMMUNITY SPONSORED EVENTS

- BHC/Mohave Valley Elementary Schools Electrical Safety Program
- Boys & Girls Club of the Colorado River
- Bullhead Area Chamber of Commerce
- Bullhead City Elementary School District #15
- Bullhead City Fire Department Community Risk Reduction Safety Day
- Bullhead City Lions Club
- Bullhead City Morning Kiwanis Club
- Classroom Grants Program
- Colorado River Concert Association
- CRWC Boombox Parade
- Golden Shores Fire Department
- Home & Garden Expo
- Kingman Fair 4-H Club
- Kiwanis Club of the Colorado River
- Laughlin Chamber of Commerce
- Los Matadores De Bullhead City
- Mohave Valley Contractors Association
- National Night Out
- Newspapers in Education-Mohave Valley Daily News
- Rotary International Bullhead City
- Veterans Parade
- Veterans United, Inc.
- VFW #6306
- Washington D.C. Annual Youth Tour
- WestCare Arizona Teen Tuesdays
- Winter Expo
- Winter Festival



VOLUNTEERS

Concern for Community is one of the seven principles of the Cooperative model. Our employees and Board of Directors take that to heart by volunteering countless hours to make our communities a better place to live.

Each year the MEC float in the annual Christmas Boombox Parade is loaded down with toys purchased and donated by MEC employees for the annual fire fighters toy drive. The annual Backpack Buddies program sponsored by the Legacy Foundation is another favorite community effort of MEC employees who donate time setting up and distributing items to students during the operation.

Whether it be coaching AYSO soccer or leading a Boy Scout Troop or serving on the Board of Directors for a local non-profit, our employees and Board of Directors are making a difference in the communities we serve.

Each program across our service area meets local needs which benefit active military personnel, veterans, students, and senior citizens. The many community organizations working together with MEC employees volunteering their time, is community spirit we are proud of.

- | | | |
|------------------------------------|---|---|
| American Youth Soccer Organization | Colorado River Union High School District #2 | Operation Cool Shade |
| Backpack Buddies | Colorado River Women's Council | Shop With A Cop |
| Barracuda Swim Board | Firefighters Holiday Toy Drive | Stamper Homeless Shelter |
| Boys and Girls Club | Friends of the Bill Williams River and Havasu National Wildlife Refuges | Tristate Military Moms |
| Boy Scouts of America Troop 104 | Kiwanis of the Colorado River | Veterans Parade |
| Bullhead Area Chamber of Commerce | Mohave County Airport Authority | Veterans of Foreign Wars Post #6306 Auxiliary |
| Bullhead City Lions Club | Mohave Community College Foundation | Voices of the River |
| Bullhead City Little League | Mohave Sunrise Rotary Club | Westcare |
| Bullhead City Rotary Club | Mohave Valley Contractors Association | Western Area Regional Medical Center |
| Colorado River Historical Society | Mohave Valley Little League | |
| Colorado River Republican Women | | |



CHIEF FINANCIAL OFFICER'S REPORT 2022

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

2022 FINANCIALS

The highest expense for the Cooperative in 2022 was purchased power. There was a 37% rise in power generation fuel costs that our major power supplier, Arizona Electric Power Cooperative, incurred to generate the power supplied, and then purchased by MEC. Specifically, the cost of natural gas used in generating power reached more than three times the cost in previous years. To help mitigate the increase, MEC utilized gas hedging activities to avoid as much of these skyrocketing prices as possible. Many electric cooperatives throughout the state did not take the same approach and were hit with cost increases that had to be passed on to their members. Some of the cooperatives looked to Mohave's hedging practices for inspiration, but they were too late to secure their gas hedges at a price that Mohave has had locked for multiple years. Thankfully, natural gas prices have fallen back to a reasonable level since. MEC's Board of Directors and management will continue the diligent work to be proactive in these uncertain times.

Due to the higher purchased power costs, the Cooperative had to adjust our projections for future costs. This has led to the reduction of the Purchased Power Adjustor (PPA) credit on member bills. From the beginning of 2022 until May, the PPA was a credit of 2.25 cents per kWh. In May 2022, the credit was reduced to 1.25 cents and in March 2023 the PPA was changed to zero, neither a credit nor a charge.

The purchased power adjustor helps the cooperative regulate cost recovery without the need for a costly rate case. Mohave Electric's philosophy regarding the PPA has been to only adjust the PPA in monthly intervals, if needed, and therefore retain more stability in member bills. The Cooperative's practice of managing month-to-month power cost forecasts over a term of months has allowed the Cooperative to avoid volatile short-term price changes, and adjust the PPA when trends in purchased power costs show a continued increase or decrease. Although MEC's PPA is not currently a credit on member's bills, by comparison other Arizona electric cooperatives have PPA charges as high as 5 cents per kWh.

Mohave Electric Cooperative prides itself on keeping expenses as low as possible for our members. While the cost of operations, materials, and supplies has been higher since 2020, the Cooperative makes sure to keep the costs of day-to-day operations as reasonable as possible. Inflation rose roughly 6% from 2021 to 2022. Even so, the controllable expenses for the Cooperative were only 4% higher. The purchasing department made it a priority to shop for the best prices using multiple new vendors.

37%
INCREASE IN ENERGY GENERATION COSTS

0%
INCREASE IN MEMBER COST

4%
INCREASE IN CONTROLLABLE EXPENSES COMPARED TO AVERAGE 6% INFLATION RATE



2022 ENERGY DOLLAR

HOW IT WAS EARNED

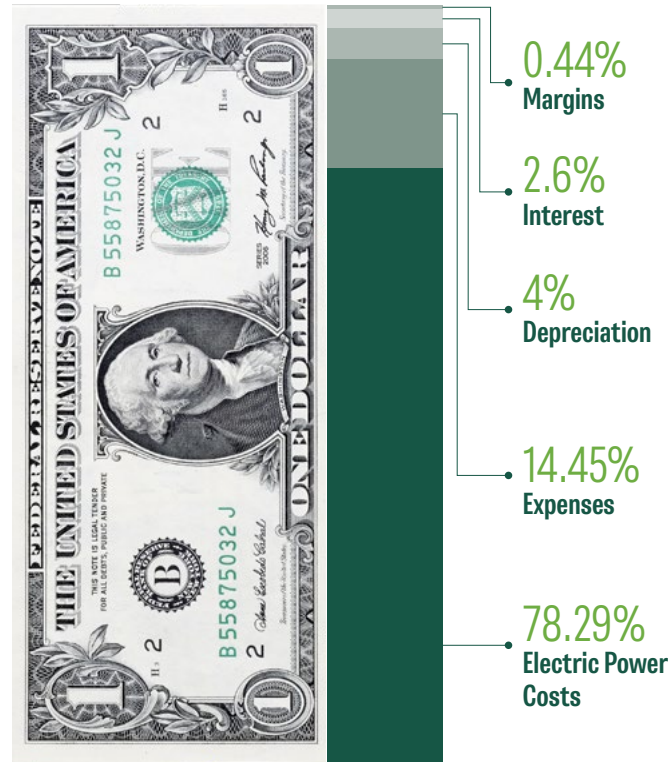
Total electric service related revenues for 2022 were \$95,663,529. Revenues were 27% higher in 2022 compared to 2021. However this increase was offset by a 37% increase in the cost of purchased power while members consumed 2.8% more power in 2022. The Cooperative is mostly comprised of residential accounts. These accounts produced 62.3% of the Cooperative's revenues for the year. Commercial members account for 37.2%. Other types of accounts, such as irrigation, complete the rest of the revenue with .5%. The Cooperative ended 2022 with 748 new services.

HOW IT WAS SPENT

As mentioned previously, purchased power costs are the highest expense for the Cooperative. For every dollar of revenue collected, 78.29 cents goes to paying our power generation and transmission providers and for market power purchases. The Cooperative may purchase power on the market to meet peak-time demands, or because it can be cheaper than generating it. Abundant market supplies of very economical renewable energy such as solar are creating more and more opportunities to take this excess power off the grid at much lower prices than generating power using fuels.

Operating expenses account for 14.45-cents of revenue dollar. The Key Ratio Trend Analysis (KRTA) compares operating statistics of participating cooperatives throughout the country. They are evaluated on many different types of benchmarks including controllable costs. One of Mohave Electric's greatest accomplishments is being consistently in the bottom 5% of all cooperatives in terms of controllable costs. This means we have successfully kept these costs to a minimum.

The remaining costs include depreciation expense for our assets (4-cents), interest expense on long-term debt (2.6-cents), and other expenses (.22-cents). Our operating margins make up the last .44 cents.



CAPITAL CREDITS

After all of the Cooperative's expenses have been paid, any excess revenue over those expenses, called margins, is allocated back to the members as capital credits. The net margin is allocated based on each member's kWh usage. Last year, the Board of Directors allocated \$1,681,874 from the 2021 Cooperative margins and \$1,994,013 from transmission and generation margins. Based on the Cooperative's financial standings, the Board of Directors voted to retire \$802,440 back to the members in August 2022. Depending on the amount of the capital credits retirement, members received a check in the mail or a credit on their bill.

This allocation and retirement of capital credits is a clear indication of the difference between a for-profit, investor-owned utility and a cooperative. Although a yearly capital credits retirement is not guaranteed, the Board of Directors makes every effort for Mohave's members to share in the cooperative's success through receiving these retirements, when doing so does not hurt the cooperative financially. Due to the 2022 Labor Day storm and other unforeseen costs, MEC had very low margins in 2022 and needed to retain them in 2023 to meet our credit lenders revenue requirements.

CONDENSED BALANCE SHEET

ASSETS AS OF DECEMBER 31, 2022

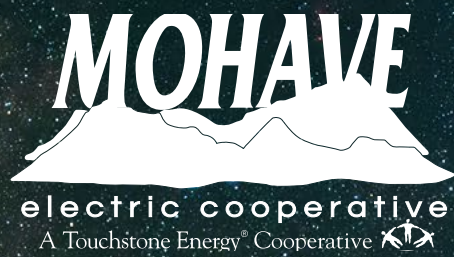
PLANT	
Plant Cost	\$146,101,969
Provision for Depreciation Less	(\$61,815,674)
Net Utility Plant	\$84,286,295
OTHER ASSETS	
Cash And Equivalents	\$12,803,915
Accounts Receivable	\$4,232,785
Equity Investments In Associated Organizations	\$60,973,776
Notes Receivable	\$38,591
Other Property And Equipment	\$64,000
Materials And Supplies	\$3,177,682
Other Current Assets	\$17,224,556
Deferred Charges	\$20,510,051
Investment In Subsidiary/ Eco Development/Regulatory	\$30,348,506
TOTAL ASSETS	\$233,660,157

EQUITIES & LIABILITIES

EQUITIES	
Memberships	\$186,376
Patronage Capital	\$104,009,920
Other Equities	\$9,238,529
Total Equities	\$113,434,825
Long-Term Liabilities	
Long-Term Debt	\$82,300,822
CURRENT LIABILITIES	
Accounts Payable	\$20,104,591
Member Deposits	\$3,525,071
Other Current Liabilities	\$5,946,963
Total Current Liabilities	\$37,924,510
TOTAL EQUITIES & LIABILITIES	\$233,660,157

CONDENSED STATEMENT OF OPERATIONS AS OF DECEMBER 31, 2022

Operating Revenues	\$95,663,529	100%
Operating Expenses	\$13,817,901	14.45%
Electric Power Cost	\$74,896,213	78.29%
Depreciation Expense	\$3,826,046	4%
Interest On Long-Term Debt	\$2,489,981	2.6%
Other Expenses	\$212,713	0.22%
Total Operating Expenses	\$95,242,854	99.56%
MARGINS FROM OPERATIONS	\$420,675	0.44%
Non-Operating Income	-\$2,767,462	
Non-Cash Patronage Of Associated Organizations	\$3,081,001	



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