THE SUNFLOWER ELECTRIC POWER CORPORATION
A Touchstone Energy® Cooperative
THE CURRENT
Fall 2022
For Our Member Systems, Employees and Friends

Todd Hillman to Replace Stuart Lowry

Sunflower Electric Power Corporation Selects New CEO

Todd Hillman has been named by the Sunflower Board of Directors as the corporation's next president and chief executive officer. Hillman will begin his tenure on Jan. 16 to succeed Stuart Lowry, Sunflower's current president and CEO, upon his retirement. Hillman is the sixth person to lead Sunflower since it was formed in 1957.

Steve Epperson, CEO of Pioneer Electric Cooperative and Southern Pioneer Electric Company—two of Sunflower's seven distribution member-owners—chaired the nation-wide CEO search and selection process.

"After participating in many committee discussions and multiple interviews, I believe that Todd Hillman represents the best fit for Sunflower moving forward in an industry facing vast disruption as well as transformation," Epperson said. "Mr. Hillman's breadth of experience, knowledge of energy markets, and leadership approach are the best fit for Sunflower's talented employees. I see great teamwork, collaboration and courageous decisions in our future and am confident that Mr. Hillman will deliver."

> *"I can't wait to get started and be a servant leader to our members and the people in western Kansas."*
>
> - T. Hillman

Since 2004, Hillman worked for Midcontinent Independent System Operator (MISO), a member-based, regional transmission organization (RTO) and independent system operator (ISO) serving in 15 U.S. states. In his most recent role as senior vice president and chief customer officer, Hillman was responsible for all customer interface for the three MISO offices, including member and regulatory relationships, training, the call center, and customer experience (CX) and facilities.

Hillman led the MISO south region integration, which included 52 load-serving entities, 136 transmission customers with 35,000 MW of load, 16 balancing authorities, 10 transmission owners and 16,000 transmission line miles. He also led MISO's strategic and regulatory outreach for MISO's 15-state footprint.

Among other commendable traits, Hillman supports strategies and goals that lead to strong relationships and growing success for members, employees, and other customers. Sunflower's board considered Hillman's combined industry and member-facing experience to be beneficial to Sunflower's membership.

"Mr. Hillman is a strong leader and visionary who brings with him a wide range of knowledge and experience. Through that experience he has developed valuable relationships in the industry," said Wes Campbell, Sunflower's board chairman and Wheatland Electric Cooperative director. "I have no doubt that his focus on innovation and the value of strong relationships will lead to further success for our members, helping ensure the vitality of western Kansas and those we serve. We welcome Todd to the Sunflower family."

"It's truly an honor to be selected as Sunflower's next CEO," Hillman said. "I can't wait to get started and be a servant leader to our members and the people in western Kansas."

Lowry expressed his appreciation for his tenure at Sunflower.

"I have been blessed beyond measure to have had the opportunity to work with our members who have dedicated themselves to providing world-class service to their members—and to lead the Sunflower staff, who take their role in supporting our members in that endeavor very seriously," said Lowry. "The board has chosen a leader in Todd who will, as I have these past eleven plus years, come to work each day energized to make lives more convenient, homes more comfortable, and businesses more productive."

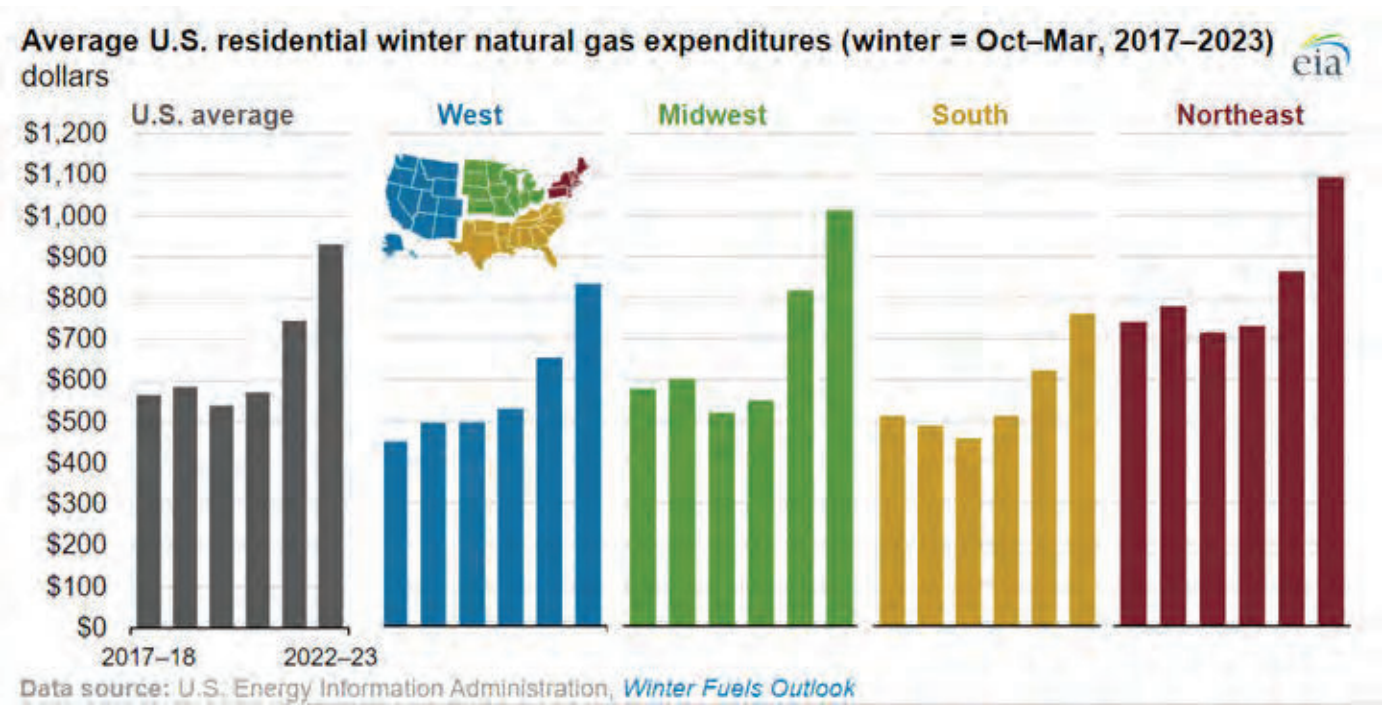
THIS ISSUE

Sunflower's Diverse Generation Fleet Offsets High Market Energy Prices

High Natural Gas Prices Expected Through Upcoming Winter

Despite early warnings from grid operators and power grid reliability experts, the unprecedented heat waves this past summer did not cause widespread rolling blackouts or brownouts across the nation. A spring report from the North American Electric Reliability Corp. (NERC) and the Federal Energy Regulatory Commission (FERC) had warned utilities and consumers that Southwest Power Pool (SPP), the regional grid operator manages the transmission grid in 14 states including Kansas, was at an elevated risk for summer reliability issues due to high temperatures and other conditions.

High temperatures increased electric demand when electric consumers used air conditioners to stay cool. Other conditions included widespread droughts, which increased electricity demand for irrigation, and naturally diminished wind energy output during hot days.



While the U.S. power grid defied warnings of major electric service interruptions last summer, consumers still experienced a higher cost of energy due to an increase in the price of natural gas, a key driver for the cost of energy purchased from the SPP's Integrated Marketplace (IM). Sunflower sells and purchases wholesale electricity through the SPP IM, the regional wholesale energy market that dispatches generating units across the 14-state SPP region based on reliability and lowest cost. Near the beginning of each month, electric utilities calculate their Energy Cost Adjustment (ECA) for the electric load served in the previous month. The ECA, a monthly pass-through cost or credit included in consumers' electric bills, is used to recover variable energy costs including fuel, market energy settlements, and other energy-related variable operating costs.

The monthly average Henry Hub natural gas spot price, which is a U.S. benchmark, more than doubled from $2.39 per million British thermal units (MMBtu) in Oct. 2020 to $5.66/MMBtu in Oct. 2022. The 12-month high of $8.81 in August 2022 was the highest price since 2008. Prices have generally increased since mid-2021 because demand growth has outpaced domestic production supply, keeping inventory levels low. Part of the reason domestic supply is down is because of increasing exports of liquified natural gas (LNG) to consumers in Europe who have been impacted by reduced supply of Russian natural gas due to the conflict in Ukraine.

Unfortunately, the U.S. Department of Energy predicts high costs of natural gas this winter as well. In November, the U.S. Energy Information Administration reported that U.S. natural gas prices are expected to average approximately $6.09/MMBtu this winter, the highest winter real price since 2009-10. The estimated price of $6.09 compares to a $4.56/MMBtu average last winter due to seasonal demand for natural gas in space heating and a higher demand for LNG exports. This is a 33.5% increase.

The good news is that Sunflower's fleet of electric generation units will continue to provide an offset to market energy price increases. It did so during the historic 2021 Storm Uri, and it did so during the sweltering heat of the summer. During the months of July to August, the hottest time of the year in our service territory, about 43% of the increase in market prices from 2021 to 2022 was offset by the hedge provided by Sunflower's generation resource mix. Over this period, market prices increased $0.04181/kWh compared to last year, but the ECA only increased $0.02387/MWh.

"As fellow electric cooperative members and consumers of electricity, we at Sunflower understand the pain in receiving high electric bills, especially at a time when the cost of everything else is going up," said Stuart Lowry, CEO of Sunflower. "Be assured that Sunflower will continue to pursue measures to help mitigate the high market cost of energy."

FINANCIAL ANALYST

A financial analyst supports the financial well-being of the company by analyzing and maintaining financial forecasts and reports and acting as a steward of the company's financial resources. An analyst's responsibilities include financial modeling, budget processes, accounting, financial reporting and regulatory support, and more.

"I am very appreciative to have the opportunity to work at Sunflower. While the compensation and benefits are great, even more rewarding is that I get to work on complex and challenging problems with wonderful and highly competent people."

- Zach Binder, CPA and Settlements Supervisor.

Our Mission:

To provide reliable, long-term power supply and transmission services to our members and the people they serve at the lowest possible cost consistent with sound business and cooperative principles.

Study Shows Possible EV Impact on Sunflower Service Territory

As family and friends get ready to gather around holiday tables, discussions on promising, new cutting-edge innovations, like electric vehicles (EVs), are sure to come up in conversations. EVs have the potential to impact the way we live and, like most new technologies, have both benefits and challenges.

Almost every make and type of vehicle has an electric or alternative-fuel option already developed or in the development process. EVs function by plugging into a charge point and taking electricity from the electric grid. That electricity is stored in a rechargeable battery that powers an electric motor, which moves the vehicle. The battery may be the only fuel source for the vehicle, or the vehicle may also have an internal combustion engine and an electric motor, known as a hybrid electric vehicle. Since EVs require less or no gasoline to motorize the vehicle, exhaust emissions are eliminated or reduced. Where and how often EVs must be charged tend to be central to conversations surrounding the utilization of EVs.

Options for charging the vehicle depend on the type and use of the EV. Passenger vehicles often charge at home but also can be charged while drivers are at work, shopping, dining, or on trips. Fleet vehicles—like delivery trucks and buses—may charge at depots if they have enough range for their daily routes or may need on-the-go charging options. Long-haul freight vehicles rely on truck-stop charging stations.

What all EV charging options have in common is the draw on energy from the electric grid. Unplanned charging load has the potential to increase peak electricity demand and exceed what individual co-op's electric grids can handle, thus requiring the expenditure of co-op funds to upgrade infrastructure (e.g., increasing conductor size and upsizing substations and transformers). However, since EV charging times vary greatly, EVs can be beneficial if plugged in during times of excess or low-cost electricity, sometimes referred to as off-peak times.

Sunflower contracted with 1898 & Co. to study the projected use of EVs in our service territory and determine the possible impacts of EV saturation at different thresholds through 2031. The study first developed a high-level assessment of different EV vehicle classes (e.g., passenger vehicles, commercial fleets, mass transit); established a forecast for EV use; and then estimated the required energy and demand (i.e., highest amount of energy needed to charge all area EVs at once) that would be required by EVs on the Sunflower system.

The study showed that during the next ten years passenger vehicles will impact our system the most, and charging stations will likely be located at homes and workplaces. Fleet vehicles could emerge, but the deployment will largely depend on charging improvements and locations to accommodate medium and heavy duty EVs.

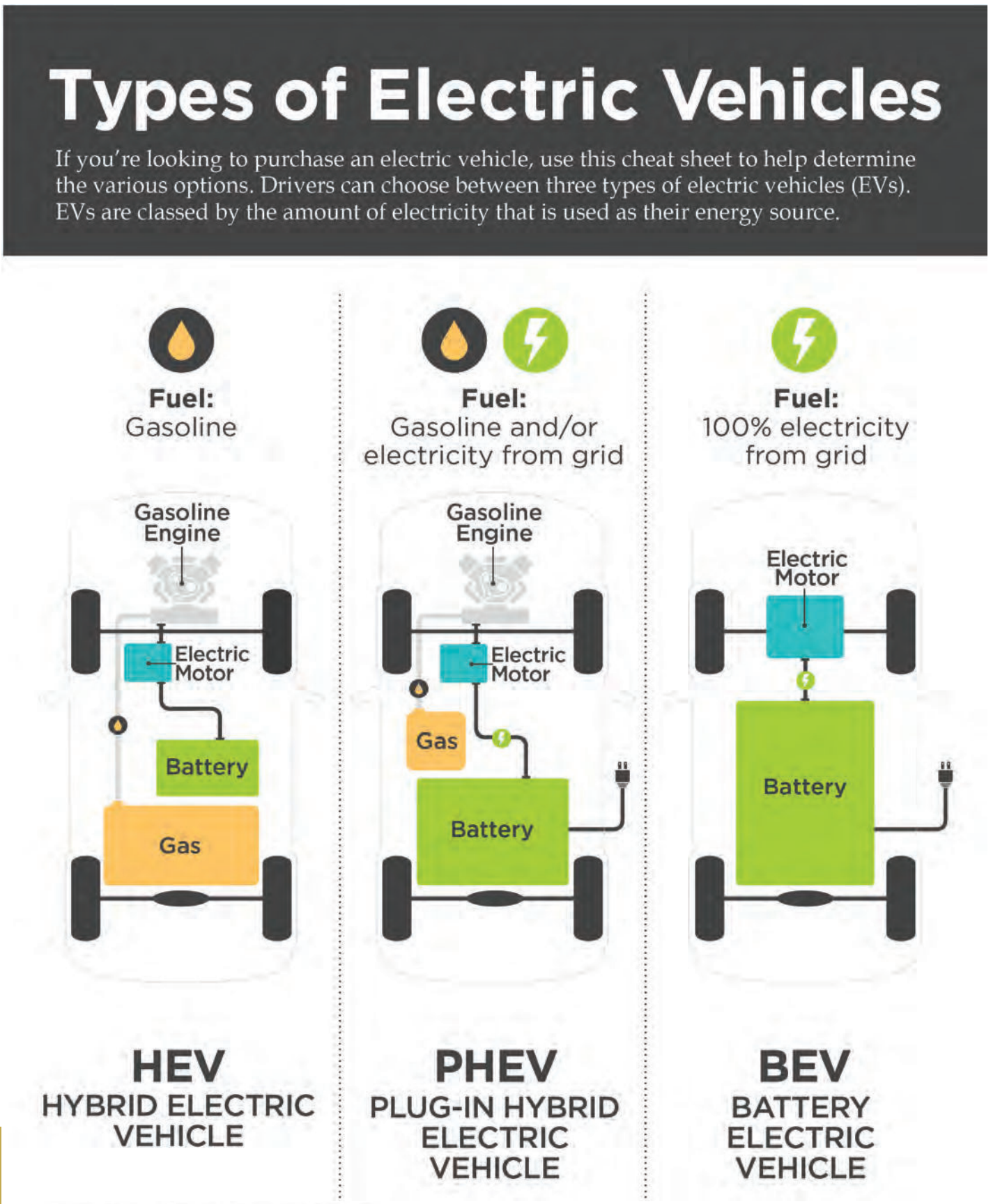
At max, high, and low EV adoption levels across the Sunflower system, EV adoption will create an annual increase in energy consumption ranging from 346 gigawatt hours (GWh) to 3,675 GWh (140% increase at the max threshold). Annual peak demand load (assuming a 20% coincident factor of charging) will range from 120 megawatts (MW) to 1,125 MW. While electric utilities will experience increased revenue from increased energy use by EVs, modeling also revealed escalating energy use and demand will cause problems with voltage and overload transmission lines, particularly at the medium and high EV adoption rate. Addressing these problems could require substantial investments in infrastructure upgrades, and Sunflower is considering solutions to mitigate those costs.

So, what's a good response to the holiday dinner table discussion on EVs? Well, they're here with both benefits and challenges. Sunflower will continue to proactively assess EV adoption so Sunflower's members—and those they serve—experience the maximum benefits of this growing market.

Sources:

Ralls, Mary Ann, Sloboda, Brian, & Dayem, Katherine. "Electric Vehicles: A Look at Opportunities, Challenges, and Trends for Cooperatives." NRECA, July 2021.

"Sunflower EV Market Assessment and Transmission System Impact Study." 1898 & Co., December 2021.



Source: Electric Power Research Institute

Wheatland Hosts Fall KMSDA Meeting in Great Bend

As part of an on-going community service project, KMSDA members donated toiletry items for students at McAdams Academy in Wichita. Once collected, the items were placed in gift bags and distributed to new students throughout the academic year.

The Kansas Member Services Director Association (KMSDA) held its 2022 fall meeting in Great Bend, Kan., on Oct. 19-20. Kansas Electric Cooperatives (KEC) facilitates the semiannual meeting for member services, key accounts, and communications staff employed at its 29 member electric cooperatives.

The meetings offer a variety of presentations on electric industry topics, as well as opportunities for co-op staff to network and create professional contacts. The fall agenda included subjects such as the KidWind Challenge, communicating on wildfires and damages, Touchstone Energy tools for member engagement, and the path of power to distribution utilities. Prior to the meeting on Oct. 18, Touchstone Energy hosted a membership engagement gathering.

"Participation in this meeting has immeasurable value," said Deborah Anderson, communications specialist at Prairie Land Electric Cooperative. "Even topics I don't feel like I'll be interested in give me background in what is out there and how others are incorporating things for their members. Everyone communicates openly and is eager to exchange ideas. There is a wealth of experience in the room, and the fresh takes from the newcomers invigorate us all."

Wheatland Electric Cooperative hosted the meeting at its recently constructed Great Bend Office and approximately 30 cooperative staff representing 20 electric co-ops from across the state attended.

"We were excited for the opportunity to host the fall KMSDA meeting at our new Great Bend facility and share its unique features with co-op employees from across the state," said Alli Conine, director of member services and corporate communications at Wheatland. "The building features an outdoor green space with working fossil free energy sources, a wind generator, a solar generator and batter storage, and irrigation by a water recovery system. We were also able to share Wheatland's first 100% electric vehicle with the group and provide more information about Level 2 EV Charging station located outside of our new Great Bend facility. The new facility has provided the opportunity to host more statewide organizations from across the state."

On Wednesday evening, the group took a tour of Ellinwood's historic Wolf Hotel and the town's underground tunnels built by Bavarian immigrants for use by businesses over a century ago.

"The planning committee did an excellent job in organizing the fall meeting event and activities. We had a great slate of industry experts on a wide range of subjects that could benefit our cooperatives," said Shana Read, director of education and training at KEC. "We are very appreciative of Wheatland hosting our event at their Great Bend office. Moving forward, KMSDA is planning to schedule future meetings at different cooperatives around the state."

WE'RE HERE

Did you know that for 94% of consumers, transparency and authenticity are key to loyalty and shared values drive 64% of brand relationships?

As cooperatives, the nature of our business model and the value of the cooperative difference help us connect and engage with our members and provide us with a powerful story to tell. Sunflower's "We're Here" branding project is designed to help Sunflower and our members build and increase brand identity, communicate local value, and share the cooperative story and message to a diverse audience–including consumers, businesses, local communities, lawmakers, and utility industry leaders. Sunflower's first "We're Here" themed video, featuring Wheatland, can be viewed on our website or social media platforms.

Our Members

Lane-Scott Electric Cooperative
Prairie Land Electric Cooperative, Inc.
The Victory Electric Cooperative Assoc., Inc.
Western Cooperative Electric
Wheatland Electric Delivering Energy for Life
pioneer electric cooperative, inc.
SouthernPioneer Electric Company

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