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UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE

BORROWER DESIGNATION MI0049

**FINANCIAL AND OPERATING REPORT  
ELECTRIC DISTRIBUTION**

PERIOD ENDED December, 2017 (Prepared with Audited Data)

BORROWER NAME Midwest Energy Cooperative

INSTRUCTIONS - See help in the online application.

This information is analyzed and used to determine the submitter's financial situation and feasibility for loans and guarantees. You are required by contract and applicable regulations to provide the information. The information provided is subject to the Freedom of Information Act (5 U.S.C. 552).

**CERTIFICATION**

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

**ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII**

(check one of the following)

All of the obligations under the RUS loan documents have been fulfilled in all material respects.

There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part D of this report.

Robert Hance

3/29/2018

DATE

**PART A. STATEMENT OF OPERATIONS**

ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital	80,927,148	81,462,861	81,305,898	5,981,221
2. Power Production Expense				
3. Cost of Purchased Power	50,960,882	49,867,674	49,761,407	3,263,963
4. Transmission Expense	108,785		17,000	
5. Regional Market Expense				
6. Distribution Expense - Operation	1,481,854	1,652,029	1,905,833	132,549
7. Distribution Expense - Maintenance	7,165,286	7,204,854	7,303,160	794,556
8. Customer Accounts Expense	1,906,273	3,857,150	4,366,655	234,605
9. Customer Service and Informational Expense	2,099,962	746,643	798,544	55,360
10. Sales Expense	305,607	460,190	212,856	33,721
11. Administrative and General Expense	4,471,373	5,181,918	4,389,174	548,608
12. Total Operation & Maintenance Expense (2 thru 11)	68,500,022	68,970,458	68,754,629	5,063,362
13. Depreciation and Amortization Expense	5,909,914	7,037,584	6,945,936	662,905
14. Tax Expense - Property & Gross Receipts	2,202,179	2,596,154	2,545,112	274,180
15. Tax Expense - Other		6,723		3,240
16. Interest on Long-Term Debt	3,724,071	4,157,568	4,357,237	379,755
17. Interest Charged to Construction - Credit	(242,834)	0	0	0
18. Interest Expense - Other				
19. Other Deductions				
20. Total Cost of Electric Service (12 thru 19)	80,093,352	82,768,487	82,602,914	6,383,442
21. Patronage Capital & Operating Margins (1 minus 20)	833,796	(1,305,626)	(1,297,016)	(402,221)
22. Non Operating Margins - Interest	240,864	143,257	80,766	4,306
23. Allowance for Funds Used During Construction	0			
24. Income (Loss) from Equity Investments	(359,998)	(458,325)	(611,960)	323,043
25. Non Operating Margins - Other	2,629	1,071,787	9,014	1,125,544
26. Generation and Transmission Capital Credits	4,055,732	2,815,343	3,350,000	2,717,002
27. Other Capital Credits and Patronage Dividends	492,923	778,842	485,653	35,253
28. Extraordinary Items				
29. Patronage Capital or Margins (21 thru 28)	5,265,946	3,045,278	2,016,457	3,802,927

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE  
**FINANCIAL AND OPERATING REPORT**  
**ELECTRIC DISTRIBUTION**

BORROWER DESIGNATION

MI0049

PERIOD ENDED

December, 2017

INSTRUCTIONS - See help in the online application.

**PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT**

ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	253	272	5. Miles Transmission	44.96	44.96
2. Services Retired	33	89	6. Miles Distribution - Overhead	3,354.00	3,315.00
3. Total Services in Place	39,648	39,897	7. Miles Distribution - Underground	876.00	907.00
4. Idle Services (Exclude Seasonals)	3,785	3,912	8. <b>Total Miles Energized</b> (5 + 6 + 7)	4,274.96	4,266.96

**PART C. BALANCE SHEET**

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	248,382,449	30. Memberships	0
2. Construction Work in Progress	9,354,844	31. Patronage Capital	65,968,749
<b>3. Total Utility Plant (1 + 2)</b>	<b>257,737,293</b>	32. Operating Margins - Prior Years	0
4. Accum. Provision for Depreciation and Amort.	67,598,242	33. Operating Margins - Current Year	3,052,000
<b>5. Net Utility Plant (3 - 4)</b>	<b>190,139,051</b>	34. Non-Operating Margins	(6,723)
6. Non-Utility Property (Net)	0	35. Other Margins and Equities	(12,814,672)
7. Investments in Subsidiary Companies	7,566,514	<b>36. Total Margins &amp; Equities (30 thru 35)</b>	<b>56,199,354</b>
8. Invest. in Assoc. Org. - Patronage Capital	25,347,066	37. Long-Term Debt - RUS (Net)	0
9. Invest. in Assoc. Org. - Other - General Funds	0	38. Long-Term Debt - FFB - RUS Guaranteed	101,314,085
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	0	39. Long-Term Debt - Other - RUS Guaranteed	0
11. Investments in Economic Development Projects	0	40. Long-Term Debt Other (Net)	56,821,780
12. Other Investments	0	41. Long-Term Debt - RUS - Econ. Devel. (Net)	0
13. Special Funds	0	42. Payments - Unapplied	390,520
<b>14. Total Other Property &amp; Investments</b> <i>(6 thru 13)</i>	<b>32,913,580</b>	<b>43. Total Long-Term Debt</b> <i>(37 thru 41 - 42)</i>	<b>157,745,345</b>
15. Cash - General Funds	6,586,710	44. Obligations Under Capital Leases - Noncurrent	0
16. Cash - Construction Funds - Trustee	75,090	45. Accumulated Operating Provisions and Asset Retirement Obligations	4,830,631
17. Special Deposits	0	<b>46. Total Other Noncurrent Liabilities (44 + 45)</b>	<b>4,830,631</b>
18. Temporary Investments	0	47. Notes Payable	4,539,272
19. Notes Receivable (Net)	281,395	48. Accounts Payable	8,107,097
20. Accounts Receivable - Sales of Energy (Net)	9,301,319	49. Consumers Deposits	661,795
21. Accounts Receivable - Other (Net)	357,974	50. Current Maturities Long-Term Debt	4,665,981
22. Renewable Energy Credits	0	51. Current Maturities Long-Term Debt - Economic Development	0
23. Materials and Supplies - Electric & Other	2,256,123	52. Current Maturities Capital Leases	0
24. Prepayments	193,366	53. Other Current and Accrued Liabilities	5,572,208
25. Other Current and Accrued Assets	217,075	<b>54. Total Current &amp; Accrued Liabilities</b> <i>(47 thru 53)</i>	<b>23,546,353</b>
<b>26. Total Current and Accrued Assets</b> <i>(15 thru 25)</i>	<b>19,269,052</b>	55. Regulatory Liabilities	0
27. Regulatory Assets	0	56. Other Deferred Credits	0
28. Other Deferred Debits	0	<b>57. Total Liabilities and Other Credits</b> <i>(36 + 43 + 46 + 54 thru 56)</i>	<b>242,321,683</b>
<b>29. Total Assets and Other Debits</b> <i>(5+14+26 thru 28)</i>	<b>242,321,683</b>		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE <b>FINANCIAL AND OPERATING REPORT          ELECTRIC DISTRIBUTION</b>	BORROWER DESIGNATION  MI0049
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2017
<b>PART D. NOTES TO FINANCIAL STATEMENTS</b>	



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INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2017
<b>PART D. CERTIFICATION LOAN DEFAULT NOTES</b>	

**FINANCIAL AND OPERATING REPORT  
ELECTRIC DISTRIBUTION**

BORROWER DESIGNATION MI0049

PERIOD ENDED December, 2017

INSTRUCTIONS - See help in the online application.

**PART E. CHANGES IN UTILITY PLANT**

PLANT ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFERS (d)	BALANCE END OF YEAR (e)
1. Distribution Plant	147,117,521	3,900,203	1,253,544	260	149,764,440
2. General Plant	34,068,426	12,686,182	2,531,850	2,000,140	46,222,898
3. Headquarters Plant	10,421,339	37,087,928	679,793	(2,000,043)	44,829,431
4. Intangibles	0				0
5. Transmission Plant	6,451,461				6,451,461
6. Regional Transmission and Market Operation Plant					
7. All Other Utility Plant	298,343	816,908	2,988	1,956	1,114,219
<b>8. Total Utility Plant in Service (1 thru 7)</b>	198,357,090	54,491,221	4,468,175	2,313	248,382,449
9. Construction Work in Progress	22,443,390	(13,088,546)			9,354,844
<b>10. Total Utility Plant (8 + 9)</b>	220,800,480	41,402,675	4,468,175	2,313	257,737,293

**PART F. MATERIALS AND SUPPLIES**

ITEM	BALANCE BEGINNING OF YEAR (a)	PURCHASED (b)	SALVAGED (c)	USED (NET) (d)	SOLD (e)	ADJUSTMENT (f)	BALANCE END OF YEAR (g)
1. Electric	2,093,771	4,127,402	88,840	3,976,639		(135,293)	2,198,081
2. Other	35,157	104,260		80,910		(466)	58,041

**PART G. SERVICE INTERRUPTIONS**

ITEM	AVERAGE MINUTES PER CONSUMER BY CAUSE				TOTAL (e)
	POWER SUPPLIER (a)	MAJOR EVENT (b)	PLANNED (c)	ALL OTHER (d)	
1. Present Year	151.400	110.800	12.000	285.600	559.800
2. Five-Year Average	115.900	217.000	9.200	260.600	602.700

**PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS**

1. Number of Full Time Employees	99	4. Payroll - Expensed	9,216,781
2. Employee - Hours Worked - Regular Time	206,335	5. Payroll - Capitalized	2,529,119
3. Employee - Hours Worked - Overtime	12,009	6. Payroll - Other	930,251

**PART I. PATRONAGE CAPITAL**

ITEM	DESCRIPTION	THIS YEAR (a)	CUMULATIVE (b)
1. Capital Credits - Distributions	a. General Retirements	0	7,869,538
	b. Special Retirements	191,636	3,814,990
	<b>c. Total Retirements (a + b)</b>	191,636	11,684,528
2. Capital Credits - Received	a. Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power	1,420,766	
	b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	619,937	
	<b>c. Total Cash Received (a + b)</b>	2,040,703	

**PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE**

1. Amount Due Over 60 Days	\$ 119,673	2. Amount Written Off During Year	\$ 84,027
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**ENERGY EFFICIENCY AND CONSERVATION LOAN PROGRAM**

1. Anticipated Loan Delinquency %		4. Anticipated Loan Default %	
2. Actual Loan Delinquency %		5. Actual Loan Default %	
3. Total Loan Delinquency Dollars YTD	\$	6. Total Loan Default Dollars YTD	\$

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  <b>FINANCIAL AND OPERATING REPORT          ELECTRIC DISTRIBUTION</b>	BORROWER DESIGNATION  MI0049
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INSTRUCTIONS - See help in the online application	PERIOD ENDED December, 2017
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**PART K. kWh PURCHASED AND TOTAL COST**

No	ITEM	SUPPLIER CODE	RENEWABLE ENERGY PROGRAM NAME	RENEWABLE FUEL TYPE	kWh PURCHASED	TOTAL COST	AVERAGE COST (Cents/kWh)	INCLUDED IN TOTAL COST - FUEL COST ADJUSTMENT	INCLUDED IN TOTAL COST - WHEELING AND OTHER CHARGES
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Wolverine Pwr Supply Coop, Inc	20910			634,992.792	48,459,284	7.63		
2	Buckeye Power, Inc (OH0099)	7004			17,707.743	1,408,389	7.95		
	Total				652,700,535	49,867,673	7.64		

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INSTRUCTIONS - See help in the online application		PERIOD ENDED December, 2017
<b>PART K. kWh PURCHASED AND TOTAL COST</b>		
<b>No</b>	<b>Comments</b>	
1		
2		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE <b>FINANCIAL AND OPERATING REPORT          ELECTRIC DISTRIBUTION</b>		BORROWER DESIGNATION MI0049	
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December, 2017	
<b>PART L. LONG-TERM LEASES</b>			
<b>No</b>	<b>NAME OF LESSOR (a)</b>	<b>TYPE OF PROPERTY (b)</b>	<b>RENTAL THIS YEAR (c)</b>
	<b>TOTAL</b>		



UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  <b>FINANCIAL AND OPERATING REPORT          ELECTRIC DISTRIBUTION</b>	BORROWER DESIGNATION MI0049
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INSTRUCTIONS - See help in the online application.	

**PART M. ANNUAL MEETING AND BOARD DATA**

1. Date of Last Annual Meeting 4/18/2017	2. Total Number of Members 26,110	3. Number of Members Present at Meeting 13	4. Was Quorum Present? N/A
5. Number of Members Voting by Proxy or Mail	6. Total Number of Board Members 9	7. Total Amount of Fees and Expenses for Board Members \$ 145,236	8. Does Manager Have Written Contract? Y

RUS Financial and Operating Report Electric Distribution

Revision Date 2014

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION MI0049			
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December, 2017			
<b>PART N. LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS</b>					
No	ITEM	BALANCE END OF YEAR (a)	INTEREST (Billed This Year) (b)	PRINCIPAL (Billed This Year) (c)	TOTAL (Billed This Year) (d)
1	Rural Utilities Service (Excludes RUS - Economic Development Loans)	0		0	0
2	National Rural Utilities Cooperative Finance Corporation	3,376,043	209,063	249,335	458,398
3	CoBank, ACB	53,445,737	3,096,811	2,372,495	5,469,306
4	Federal Financing Bank	101,314,085	1,630,573	756,246	2,386,819
5	RUS - Economic Development Loans				
6	Payments Unapplied	390,520			
7	Principal Payments Received from Ultimate Recipients of IRP Loans				
8	Principal Payments Received from Ultimate Recipients of REDL Loans				
9	Principal Payments Received from Ultimate Recipients of EE Loans				
	<b>TOTAL</b>	<b>157,745,345</b>	<b>4,936,447</b>	<b>3,378,076</b>	<b>8,314,523</b>

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION MI0049		
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		PERIOD ENDED December, 2017		
INSTRUCTIONS - See help in the online application.				
PART O. POWER REQUIREMENTS DATABASE - ANNUAL SUMMARY				
CLASSIFICATION	CONSUMER SALES & REVENUE DATA	DECEMBER (a)	AVERAGE NO. CONSUMERS SERVED (b)	TOTAL YEAR TO DATE (c)
1. Residential Sales (excluding seasonal)	a. No. Consumers Served	29,936	29,883	
	b. kWh Sold			341,061,560
	c. Revenue			47,538,614
2. Residential Sales - Seasonal	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
3. Irrigation Sales	a. No. Consumers Served	657	687	
	b. kWh Sold			18,006,368
	c. Revenue			2,941,031
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	5,384	5,382	
	b. kWh Sold			156,804,885
	c. Revenue			19,660,908
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served	8	8	
	b. kWh Sold			102,207,777
	c. Revenue			8,098,470
6. Public Street & Highway Lighting	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
7. Other Sales to Public Authorities	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
8. Sales for Resale - RUS Borrowers	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
9. Sales for Resale - Other	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
10.	<b>Total No. of Consumers (lines 1a thru 9a)</b>	35,985	35,960	
11.	<b>Total kWh Sold (lines 1b thru 9b)</b>			618,080,590
12.	<b>Total Revenue Received From Sales of Electric Energy (lines 1c thru 9c)</b>			78,239,023
13.	Transmission Revenue			
14.	Other Electric Revenue			3,223,839
15.	kWh - Own Use			1,383,920
16.	Total kWh Purchased			652,700,535
17.	Total kWh Generated			
18.	Cost of Purchases and Generation			49,867,674
19.	Interchange - kWh - Net			
20.	Peak - Sum All kW Input (Metered) Non-coincident ___ Coincident <input checked="" type="checkbox"/>			129,523

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE

**FINANCIAL AND OPERATING REPORT  
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PERIOD ENDED December, 2017

INSTRUCTIONS - See help in the online application.

**PART P. ENERGY EFFICIENCY PROGRAMS**

CLASSIFICATION	ADDED THIS YEAR			TOTAL TO DATE		
	No. of Consumers (a)	Amount Invested (b)	Estimated MMBTU Savings (c)	No. of Consumers (d)	Amount Invested (e)	Estimated MMBTU Savings (f)
1. Residential Sales (excluding seasonal)	2,891	949,955	8,542	22,848	5,231,419	61,260
2. Residential Sales - Seasonal						
3. Irrigation Sales				1	10,738	34
4. Comm. and Ind. 1000 KVA or Less	76	412,845	12,458	613	3,071,933	64,855
5. Comm. and Ind. Over 1000 KVA						
6. Public Street and Highway Lighting						
7. Other Sales to Public Authorities						
8. Sales for Resale - RUS Borrowers						
9. Sales for Resale - Other						
<b>10. Total</b>	<b>2,967</b>	<b>1,362,800</b>	<b>21,000</b>	<b>23,462</b>	<b>8,314,090</b>	<b>126,149</b>

RUS Financial and Operating Report Electric Distribution

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UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE	BORROWER DESIGNATION MI0049
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	PERIOD ENDED December, 2017

INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.

**PART Q. SECTION I. INVESTMENTS (See Instructions for definitions of Income or Loss)**

No	DESCRIPTION (a)	INCLUDED (S) (b)	EXCLUDED (S) (c)	INCOME OR LOSS (S) (d)	RURAL DEVELOPMENT (e)
<b>2</b>	<b>Investments in Associated Organizations</b>				
	123.10 Midwest Energy, Inc. Stock	6,500,100			
	123.30 Patronage Capital - NRUCFC		412,807		
	123.20 Patronage Capital - WYPA		7,525,455		
	123.21 Patronage Capital - NISC	282,336			
	123.22 Patronage Capital - Resco OH	20,106			
	123.23 Patronage Capital - Resco WI	567,959			
	123.24 Patronage Capital - Buckeye		1,086,772		
	123.27 Capital Term Certificates - CFC		1,255,571		
	123.28 Federated - Member Equity	249,101			
	123.28 NRTC Membership		1,000		
	123.28 NRTC	213,486			
	123.31 Cooperative Response Center	42,886			
	123.28 Co-Bank		294,470		
	123.29 Wolverine Power Membership		13,395,118		
	123.11 Investment in Connections	0			
	123.25 MWE Inc. Investments	1,066,414			
	Totals	8,942,388	23,971,193		
<b>6</b>	<b>Cash - General</b>				
	131.50 5/3 General Fund	2,092,111	250,000		
	131.05 MWE Fiber	279,133			
	135.00 Working Funds - Petty Cash	2,251			
	131.51 5/3 Electroinc Pmts.	3,928,885			
	131.52 5/3 URMED	14,197			
	131.20 5/3 construction fund	75,090			
	131.53 Employees Give Back	20,133			
	Totals	6,411,800	250,000		
<b>7</b>	<b>Special Deposits</b>				
	134.00 U.S. Post Office	0			
	Totals	0			
<b>9</b>	<b>Accounts and Notes Receivable - NET</b>				
	Notes Receivable (Net)	639,369			
	Totals	639,369			
<b>11</b>	<b>TOTAL INVESTMENTS (1 thru 10)</b>	15,993,557	24,221,193		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  <b>FINANCIAL AND OPERATING REPORT          ELECTRIC DISTRIBUTION          INVESTMENTS, LOAN GUARANTEES AND LOANS</b>	BORROWER DESIGNATION MI0049  PERIOD ENDED December, 2017
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INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717. Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.

**PART Q. SECTION II. LOAN GUARANTEES**

No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (S) (c)	LOAN BALANCE (S) (d)	RURAL DEVELOPMENT (e)
1	Midwest Energy Inc.	8/23/2023	7,450,000	501,429	
	<b>TOTAL</b>		7,450,000	501,429	
	TOTAL (Included Loan Guarantees Only)				

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  <b>FINANCIAL AND OPERATING REPORT</b> <b>ELECTRIC DISTRIBUTION</b> <b>INVESTMENTS, LOAN GUARANTEES AND LOANS</b>	BORROWER DESIGNATION MI0049
	PERIOD ENDED December, 2017

INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.

**SECTION III. RATIO**

RATIO OF INVESTMENTS AND LOAN GUARANTEES TO UTILITY PLANT [Total of Included Investments (Section I, 11b) and Loan Guarantees - Loan Balance (Section II, 5d) to Total Utility Plant (Line 3, Part C) of this report]	6.20 %
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**SECTION IV. LOANS**

No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (S) (c)	LOAN BALANCE (S) (d)	RURAL DEVELOPMENT (e)
1	Employees, Officers, Directors				
2	Energy Resources Conservation Loans				
	<b>TOTAL</b>				

MICHIGAN PUBLIC SERVICE COMMISSION

ADDITIONAL SCHEDULES FOR AN ELECTRIC UTILITY COOPERATIVE

This form is authorized by Case No. [U-12134](#), the Code of Conduct. Filing of this form is mandatory pursuant to [PA 3 of 1939](#). Failure to provide this information will put you in [violation of this act](#) and the commission shall order such remedies and penalties as necessary.

<b>Report submitted for year ending:</b> December 31, 2017
<b>Present name of respondent:</b> Midwest Energy Cooperative
<b>Address of principal place of business:</b> 60590 Decatur Road
<b>Utility representative to whom inquires regarding this report may be directed:</b> <b>Name:</b> Todd Crandall <b>Title:</b> Chief Financial Officer <b>Address:</b> 60590 Decatur Road <b>City:</b> Cassopolis <b>State:</b> MI <b>Zip:</b> 49031 <b>Direct Telephone, Include Area Code:</b> 269-445-1028
<b>If the utility name has been changed during the past year:</b> <b>Prior Name:</b> <b>Date of Change:</b>
<b>Two copies of the published annual report to stockholders:</b> <input type="checkbox"/> were forwarded to the Commission <input checked="" type="checkbox"/> will be forwarded to the Commission on or about April 30, 2018
<b>Annual reports to stockholders:</b> <input type="checkbox"/> are published <input checked="" type="checkbox"/> are not published

FOR ASSISTANCE IN COMPLETION OF THIS FORM:

Contact the Michigan Public Service Commission (Heather Cantin) at (517) 284-8266 or [cantinh@michigan.gov](mailto:cantinh@michigan.gov) OR forward correspondence to:

Michigan Public Service Commission  
Financial Analysis & Audit Division  
Attn: Heather Cantin  
7109 W. Saginaw Hwy  
PO Box 30221  
Lansing, MI 48909



Name of Respondent Midwest Energy Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 4/28/2018	Year of Report 12/31/2017
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**IMPORTANT CHANGES DURING THE YEAR**

Give particulars (details) concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquiries. Each inquiry should be answered. Enter "none", "not acceptable" or "NA" where applicable. If information which answers an inquiry is given elsewhere in the report, make a reference to the schedule in which it appears.

1. Changes in and important additions to franchise rights: Describe the actual consideration given therefor and state from whom the franchise rights were acquired. If acquired without the payment of consideration, state that fact.
2. Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies: Give names of companies involved, particulars concerning the transactions, name of the Commission authorizing the transaction, and reference to Commission authorization.
3. Purchase or sale of an operating unit or system: Give a brief description of the property, and of the transactions relating thereto, and reference to Commission authorization, if any was required. Give date journal entries called for by the Uniform System of Accounts were submitted to the Commission.
4. Important leaseholds (other than leaseholds for natural gas lands) that have been acquired or given, assigned or surrendered: Give effective dates, lengths of terms, names of parties, rents and other conditions. State name of Commission authorizing lease and give reference to such authorization.
5. Important extension or reduction of transmission or distribution system: State territory added or relinquished and date operations began or ceased and give reference to Commission authorization, if any was required. State also the approximate number of customers added or lost and approximate annual revenues of each class of service. Each natural gas company must also state major new continuing sources of gas made available to it from purchases, development, purchase contract or otherwise, giving location and approximate total gas volumes available, period of contracts, and other parties to any such arrangements etc.
6. Obligations incurred as a result of issuance of securities or assumption of liabilities or guarantees including issuance of short-term debt and commercial paper having a maturity of one year or less. Give reference to FERC or State Commission authorization, as appropriate, and the amount of obligation or guarantee.
7. Changes in articles of incorporation or amendments to charter: Explain the nature and purpose of such changes or amendments.
8. State the estimated annual effect and nature of any important wage scale changes during the year.
9. State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year.
10. Describe briefly and materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder reported on page 106, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest.
11. (Reserved.)
12. If the important changes during the year relating to the respondent company appearing in the annual report to stockholders are applicable in every respect and furnish the data required by instruction 1 to 11 above, such notes may be attached to this page.

**Consolidated Financial Statements with Supplementary Information Enclosed**



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**STATEMENT OF CASH FLOWS**

1. If the notes to the cash flow statement in the respondent's annual stockholders report are applicable to this statement, such notes should be included on pages 122-123. Information about noncash investing and financing activities should be provided on pages 122-123. "Cash and Cash Equivalents at End of Year" with related amounts on the balance sheet.

2. Under "Other" specify significant amounts and group others.

3. Operating Activities-Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show on pages 122-123 the amounts of interest paid (net of amounts capitalized) and income taxes paid.

Line No.	Description (See instructions for Explanation of Codes) (a)	Amounts (b)
1	Net Cash Flow from Operating Activities: (enter outflows from company as negative #s)	
2	Net Income (Line 72 (c) on page 117)	
3	Noncash Charges (Credits) to Income:	
4	Depreciation and Depletion	
5	Amortization of (Specify)	
6	Intangible Plant	
7	<b>Please Reference Attached Consolidated Financial Statements Pg 8 - 9</b>	
8	Deferred Income Taxes (Net)	
9	Investment Tax Credit Adjustment (Net)	
10	Net (Increase) Decrease in Receivables	
11	Net (Increase) Decrease in Inventory	
12	Net (Increase) Decrease in Allowances Inventory	
13	Net (Increase) Decrease in Payables and Accrued Expenses	
14	Net (Increase) Decrease in Other Regulatory Assets	
15	Net (Increase) Decrease in Other Regulatory Liabilities	
16	(Less) Allowance for Other Funds Used During Construction	
17	(Less) Undistributed Earnings from Subsidiary Companies	
18	Other:	
19		
20		
21		
22	Net Cash Provided by ( Used in) Operating Activities (Total of lines 2 thru 21)	
23		
24	Cash Flows from Investment Activities:	
25	Construction and Acquisition of Plant (including land):	
26	Gross Additions to Utility Plant (less nuclear fuel)	
27	Gross Additions to Nuclear Fuel	
28	Gross Additions to Common Utility Plant	
29	Gross Additions to Nonutility Plant	
30	(Less) Allowance to Other Funds Used During Construction	
31	Other:	
32		
33		
34	Cash Outflows for Plant (Total of lines 26 thru 33)	
35		
36	Acquisition of Other Noncurrent Assets (d)	
37	Proceeds from Disposal of Noncurrent Assets (d)	
38		
39	Investments in and Advances to Assoc. and Subsidiary Companies	
40	Contributions and Advances from Assoc. and Subsidiary Companies	
41	Disposition of Investments in ( and Advances to)	
42	Associated and Subsidiary Companies	
43		
44	Purchase of Investment Securities (a)	
45	Proceeds from Sales of Investment Securities (a)	

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**STATEMENT OF CASH FLOWS (Continued)**

<p>4. Investing Activities</p> <p>(a) Include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of asset acquired with liabilities assumed on pages 122-123.</p> <p>(b) Don not include on this statement the dollar amount of leases capitalized per USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost on pages 122-123.</p>	<p>5. Codes used:</p> <p>(a) Net proceeds or payments.</p> <p>(b) Bonds, debentures and other long-term debt.</p> <p>(c) Include commercial paper.</p> <p>(d) Identify separately such items as investments, fixed assets, intangibles, etc.</p> <p>6. Enter on pages 122-123 clarifications and explanations.</p>
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Line No.	Description (See instructions for Explanation of Codes) (a)	Amount (b)
46	Loans Made or Purchased	
47	Collections on Loans	
48		
49	Net (Increase) Decrease in Receivables	
50	Net (Increase) Decrease in Inventory	
51	Net (Increase) Decrease in Allowances Held for Speculation	
52	Net Increase (Decrease) in Payables and Accrued Expenses	
53	Other:	
54		
55		
56	Net Cash Provided by (Used in) Investing Activities	
57	(Total of lines 34 thru 55)	
58		
59	Cash Flows from Financing Activities:	
60	Proceeds from Issuance of:	
61	Long Term Debt (b)	
62	Preferred Stock	
63	Common Stock	
64	Other:	
65		
66	Net Increase in Short-Term Debt (c)	
67	Other:	
68		
69		
70	Cash Provided by Outside Sources (Total of lines 61 thru 69)	
71		
72	Payments for Retirement of:	
73	Long Term Debt (b)	
74	Preferred Stock	
75	Common Stock	
76	Other:	
77		
78	Net Decrease in Short-Term Debt (c)	
79		
80	Dividends on Preferred Stock	
81	Dividends on Common Stock	
82	Net Cash Provided by (Used in) Financing Activities	
83	(Total of lines 70 thru 81)	
84		
85	Net Increase (Decrease) in Cash and Cash Equivalents	
86	(Total of lines 22, 57 and 83)	
87		
88	Cash and Cash Equivalents at Beginning of Year	
89		
90	Cash and Cash Equivalents at End of Year	



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**NONUTILITY PROPERTY (Account 121)**

- |   |   |
|---|---|
| <p>1. Give a brief description and state the location of nonutility property included in Account 121.</p> <p>2. Designate with a double asterisk any property which is leased to another company. State name of lessee and whether lessee is an associated company.</p> <p>3. Furnish particulars (details) concerning sales, purchases, or transfers of Nonutility Property during the year.</p> | <p>4. List separately all property previously devoted to public service and give date of transfer to Account 121, Nonutility Property.</p> <p>5. Minor items (5% of the Balance at the End of the Year for Account 121 or \$100,000, whichever is less) may be grouped by (1) previously devoted to public service, or (2) other nonutility property.</p> |
|---|---|

Line No.	Description and Location (a)	Balance at Beginning of Year (b)	Purchases, Sales Transfers, etc. (c)	Balance at End of Year (d)
1	N/A			
2				
3				
4				
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6				
7				
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	TOTAL			

**ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF NONUTILITY PROPERTY (Account 122)**

Report below the information called for concerning depreciation and amortization of nonutility property.

Line No.	Item (a)	Amount (b)
1	Balance, Beginning of Year	
2	Accruals for Year, Charged to	
3	(417) Income from Nonutility Operations	
4	(418) Nonoperating Rental Income	
5	Other Accounts (Specify):	
6		
7	TOTAL Accruals for Year (Enter Total of lines 3 thru 6)	
8	Net Charges for Plant Retired:	
9	Book Cost of Plant Retired	
10	Cost of Removal	
11	Salvage (Credit)	
12	TOTAL Net Charges (Enter Total of lines 9 thru 11)	
13	Other Debit or Credit Items (Describe):	
14		
15	Balance, End of Year (Enter Total of lines 1, 7, 12, and 14)	



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**INVESTMENTS (Accounts 123, 124, 136)**

1. Report below the investments in Accounts 123, *Investments in Associated Companies*, 124, *Other Investment*, and 136, *Temporary Cash Investments*.  
 2. Provide a subheading for each account and list thereunder the information called for:  
 (a) Investment in securities - List and describe each security owned, giving name of user, date acquired and date of maturity. For bonds, also give principal amount, date of issue, maturity, and interest rate. For capital stock (including capital stock of respondent reacquired under a definite plan for resale pursuant to authorization by the Board of Directors, and included in Account 124, *Other Investments*), state number of shares, class, and series of stock. Minor investments may be grouped by classes. Investments included in Account 136, *Temporary Cash Investments*, also may be grouped by classes.  
 (b) Investment Advances-Report separately for each person or company the amounts of loans or investment advances which are properly includable in Account 123. Advances subject to current repayment should be included in Accounts 145 and 146. With respect to each advance, show whether the advance is a note or an open account. Each note should be

Line No.	Description of Investment  (a)	Book Cost at Beginning of Year <i>(If book cost is different from cost to respondent, give cost to respondent in a footnote and explain difference)</i> (b)		Purchases or Additions During Year  (c)
		Original Cost	Book Value	
1	<b>See Note 4 of Consolidated Financial Statements</b>			
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<b>INVESTMENTS (Accounts 123, 124, 136) (Cont'd)</b>						
<p>listed giving date of issuance, maturity date, and specifying whether note is a renewal. Designate any advances due from officers, directors, stockholders, or employees. Exclude amounts reported on page 229.</p> <p>3. For any securities, notes or accounts that were pledged designate with an asterisk such securities, notes, or accounts and in a footnote state the name of pledgee and purpose of the pledge.</p> <p>4. If Commission approval was required for any advance made or security acquired, designate such fact in a footnote and give name of Commission, date of</p>		<p>authorization, and case or docket number.</p> <p>5. Report in column (g) interest and dividend revenues from investments including such revenues from securities disposed of during the year.</p> <p>6. In column (h) report for each investment disposed of during the year the gain or loss represented by the difference between cost of the investment (or the other amount at which carried in the books of account if different from cost) and the selling price thereof, not including any dividend or interest adjustment includible in column (g).</p>				
Sales or Other Dispositions During Year (d)	Principal Amount or No. of Shares at End of Year (e)	Book Cost at End of Year (If book cost is different from cost to respondent, give cost to respondent in a footnote and explain difference) (f)		Revenues for Year (g)	Gain of Loss from Improvement Disposed of (h)	Line No.
		Original Cost	Book Value			
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**RECEIVABLES FROM ASSOCIATED COMPANIES (Accounts 145, 146)**

- |   |  |
|---|--|
| <p>1. Report particulars of notes and accounts receivable from associated companies* at end of year.</p> <p>2. Provide separate headings and totals for Accounts 145, Notes Receivable from Associated Companies, and 146, Accounts Receivable from Associated Companies, in addition to a total for the combined accounts.</p> <p>3. For notes receivable, list each note separately and state purpose for which received. Show also in column (a) date of note, date of maturity and interest rate.</p> | <p>4. If any note was received in satisfaction of an open account, state the period covered by such open account.</p> <p>5. Include in column (f) interest recorded as income during the year including interest on accounts and notes held any time during the year.</p> <p>6. Give particulars of any notes pledged or discounted, also of any collateral held as guarantee of payment of any note or account.</p> |
|---|--|

\* NOTE: "Associated companies" means companies or persons that, directly or indirectly, through one or more intermediaries, control, or are controlled by, or are under common control with, the account company. This includes related parties.

"Control" (including the terms "controlling," "controlled by," and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a company, whether such power is exercised through one or more intermediary companies, or alone, or in conjunction with, or pursuant to an agreement, and whether such power is established through a majority or minority ownership or voting of securities, common directors, officers or stockholders, voting trusts, holding trusts, associated companies, contract or any other direct or indirect means.

Line No.	Particulars (a)	Balance Beginning of Year (b)	Totals for Year		Balance End of Year (e)	Interest for Year (f)
			Debits (c)	Credits (d)		
1	<b>See Attachment</b>					
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25	TOTAL					

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## General Ledger Account Balance

Page: 1

### Detail For JAN 2017 To DEC 2017

Div	Account	Description	Rpt	Ln	Dept	Beginning Balance	Debit	Credit	(Difference) Net Activity	Ending Balance
10	0146.11	A/R - Intercompany Propane	Bal	21	0	97,527.20	1,575,309.76	-1,570,037.12	5,272.64	102,799.84
10	0146.12	A/R - Intercompany Wild Blue	Bal	21	0	412.36	3,460.51	-3,674.06	-213.55	198.81
10	0146.13	A/R - Intercompany Inc	Bal	21	0	6,422.78	33,420.87	-37,090.81	-3,669.94	2,752.84
10	0146.15	A/R - Intercompany Connections	Bal	21	0	189,253.67	1,860,315.75	-1,944,674.25	-84,358.50	104,895.17
						<b>Total:</b>	<b>3,472,506.89</b>	<b>-3,555,476.24</b>		
<b>Balance Sheet Accounts:</b>		210,646.66								
<b>Margins Year-To-Date:</b>		0.00								



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**ALLOWANCES**

- |  |  |
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| <p>1. Report below the details called for concerning allowances.</p> <p>2. Report all acquisitions of allowances at cost.</p> <p>3. Report allowances in accordance with a weighted average cost allocation method and other accounting as prescribed by General Instruction No. 21 in the Uniform System of Accounts.</p> <p>4. Report the allowances transactions by the period they are first</p> | <p>eligible for use; the current year;s allowances in columns (b)-( c), allowances for the three succeeding years in column(d)-(i), starting with the following year, and allowances for the remaining succeeding years in columns (j)-(k).</p> <p>5. Report on line 4 the Environmental Protection Agency (EPA) issued allowances. Report withheld portions on lines 36-40.</p> |
|--|--|

Line No.	Allowance Inventory (a)	Current Year		20__	
		No. (b)	Amt. (c)	No. (d)	Amt. (e)
1	Balance - Beginning of Year				
2-4	Acquired During Year: Issued (Less Withheld Allow.)				
5	Returned by EPA				
6-8	Purchases/Transfers:				
9			<b>N/A</b>		
10					
11					
12					
13					
14					
15	Total				
16-18	Relinquished During Year: Charges to Acct. 509				
19	Other:				
20					
21-22	Cost of Sales/Transfers:				
23					
24					
25					
26					
27					
28	Total				
29	Balance - End of Year				
30-32	Sales:				
	Net Sales Proceeds (Assoc Co.)				
33	Net Sales Proceeds (Other)				
34	Gains				
35	Losses				
	Allowances Withheld				
36	Balance - Beginning of Year				
37	Add: Withheld by EPA				
38	Deduct: Returned by EPA				
39	Cost of Sales				
40	Balance - End of Year				
41-43	Sales:				
	Net Sales Proceeds (Assoc. Co.)				
44	Net Sales Proceeds (Other)				
45	Gains				
46	Losses				

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**ALLOWANCES (Continued)**

6. Report on line 5 allowances returned by the EPA. Report on line 39 the EPA's sales of the withheld allowances. Report on lines 43-46 the net sales or auction of the withheld allowances.

7. Report on lines 8-14 the names of vendors/transfers of allowances acquired and identify associated companies (See "associated co." under "Definitions" in Uniform System of Accounts).

8. Report on lines 22-27 the names of purchasers/transfers of allowances disposed of and identify associated companies.

9. Report the net costs and benefits of hedging transactions on a separate line under purchases/transfers and sales/transfers.

10. Report on lines 32-35 & 43-46 the net sales proceeds and gains or losses from allowance sales.

20__		20__		Future Years		Totals		Line No.
No. (f)	Amt. (g)	No. (h)	Amt. (i)	No. (j)	Amt. (k)	No. (l)	Amt. (m)	
								1
				N/A				2-4
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<b>LONG-TERM DEBT (Accounts 221, 222, 223 and 224)</b>			
<p>1. Report by balance sheet account the particulars (details) concerning long-term debt included in Accounts 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other Long-Term Debt.</p> <p>2. In column (a), for new issues, give Commission authorization numbers and dates.</p> <p>3. For bonds assumed by the respondent, include in column (a) the name of the issuing company as well as a description of the bonds.</p> <p>4. For advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated companies from which advances were received.</p> <p>5. For receivers' certificates, show in column (a) the name of the court and date of court order under which such certificates were issued.</p> <p>6. In column (b) show the principal amount of bonds or other long-term debt originally issued.</p> <p>7. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.</p> <p>8. For column (c) the total expenses should be listed first for each issuance, then the amount of premium (in parentheses) or discount. Indicate the premium or discount with a notation, such as (P) or (D). The expenses, premium or discount should not be netted.</p> <p>9. Furnish in a footnote particulars (details) regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year. Also, give in a footnote the date of the Commission's authorization of treatment other than as specified by the Uniform System of Accounts.</p>			
Line No.	Class and Series of Obligation, Coupon Rate <i>(For new issue, give Commission Authorization numbers and dates)</i>  (a)	Principal Amount of Debt Issued  (b)	Total Expense, Premium or Discount  (c)
1	<b>See Note 5 of Consolidated Financial Statements</b>		
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23			
24			
25	TOTAL		

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**LONG-TERM DEBT (Accounts 221, 222, 223 and 224) (Continued)**

10. Identify separate undisposed amounts applicable to issues which were redeemed in prior years.
11. Explain any debits and credits other than amortization debited to Account 428, *Amortization of Debt-Discout and Expense*, or credited to Account 429, *Amortization of Premium on Debt-Credit*.
12. In a footnote, give explanatory particulars (details) for Accounts 223 and 224 of net changes during the year. With respect to long-term advances, show for each company: (a) principal advanced during year, (b) interest added to principal amount, and (c) principal repaid during year. Give Commission authorization numbers and dates.
13. If the respondent has pledged any of its long-term debt securities give particulars (details) in a footnote including name of pledgee and purpose of the pledge.
14. If the respondent has any long-term debt securities which have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.
15. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest expense in column (i). Explain in a footnote any difference between the total of column (i) and the total of Account 427, *Interest on Long-Term Debt*, and Account 430, *Interest on Debt to Associated Companies*.
16. Give particulars (details) concerning any long-term debt authorized by a regulatory commission but not yet issued.

Nominal Date of Issue (d)	Date of Maturity (e)	AMORTIZATION PERIOD		Outstanding (Total amount outstanding without reduction for amounts held by respondent) (h)	Interest for Year Amount (i)	Line No.
		Date From (f)	Date To (g)			
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Name of Respondent Midwest Energy Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/28/18	Year of Report 12/31/2017
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**PAYABLES TO ASSOCIATED COMPANIES\* (Accounts 233, 234)**

1. Report particulars of notes and accounts payable to associated companies at end of year.
2. Provide separate totals for Accounts 233, Notes Payable to Associated Companies, and 234, Accounts Payable to Associated Companies, in addition to total for the combined accounts.
3. List each note separately and state the purpose for which issued. Show also in column (a) date of note, maturity and interest rate.
4. Include in column (f) the amount of any interest expense during the year on notes or accounts that were paid before the end of the year.
5. If collateral has been pledged as security to the payment of any note or account, describe such collateral.

*\*See definition on page 226B*

Line No.	Particulars (a)	Balance Beginning of Year (b)	Totals for Year		Balance End of Year (e)	Interest for Year (f)
			Debits (c)	Credits (d)		
1	<b>See Attachment</b>					
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02/19/2018 9:00:13 am

General Ledger  
Account Balance

Page: 1

Detail For JAN 2017 To DEC 2017

Div	Account	Description	Rpt	Ln	Dept	Beginning Balance	Debit	Credit	(Difference) Net Activity	Ending Balance
10	0234.11	A/P - Intercompany Propane	Bal	48	0	-22,989.39	5,816,110.99	-5,831,197.32	-15,086.33	-38,075.72
10	0234.12	A/P - Intercompany Wild blue	Bal	48	0	-759.50	7,532.27	-7,232.72	299.55	-459.95
10	0234.13	A/P - Intercompany Inc	Bal	47	0	-1,601,000.00	1,801,619.59	-500,126.84	1,301,492.75	-299,507.25
10	0234.15	A/P - Intercompany Connections	Bal	48	0	-50,970.72	737,404.58	-759,780.01	-22,375.43	-73,346.15
						<b>Total:</b>	<b>8,362,667.43</b>	<b>-7,098,336.89</b>		
<b>Balance Sheet Accounts:</b>									-411,389.07	
<b>Margins Year-To-Date:</b>									0.00	

Name of Respondent Midwest Energy Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/28/18	Year of Report 12/31/2017
<b>RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES</b>			
<p>1. Report the reconciliation of reported net income for the year with taxable income used in computing Federal income tax accruals and show computation of such tax accruals. Include in the reconciliation, as far as practicable, the same detail as furnished on Schedule M-1 of the tax return for the year. Submit a reconciliation even though there is no taxable income for the year. Indicate clearly the nature of each reconciling amount.</p> <p>2. If the utility is a member of a group which files a consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be filed, indicating, however, intercompany amounts to be eliminated in such a consolidated return. State names of group members, tax assigned to each group member, and basis of allocation, assignment, or sharing of the consolidated tax among the group members.</p>			
Line No.	N/A, MWE is a tax exempt organization and does not file a Federal Income Tax Return.	TOTAL AMOUNT	
1	Utility net operating income (page 114 line 20)		
2	Allocations: Allowance for funds used during construction		
3	Interest expense		
4	Other (specify)		
5	Net income for the year (page 117 line 68)		
6	Allocation of Net income for the year		
7	Add: Federal income tax expenses		
8			
9	Total pre-tax income		
10			
11	Add: Taxable income not reported on books:		
12			
13			
14			
15	Add: Deductions recorded on books not deducted from return		
16			
17			
18			
19	Subtract: Income recorded on books not included in return:		
20			
21			
22			
23	Subtract: Deductions on return not charged against book income:		
24			
25	<b>See Note 10 of Consolidated Financial Statements</b>		
26	Federal taxable income for the year		

Name of Respondent Midwest Energy Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A resubmission	Date of Report (Mo, Da, Yr) 04/28/18	Year of Report 12/31/2017
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**RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES (Continued)**

3. Allocate taxable income between utility and other income as required to allocate tax expense between 409.1 and 409.2  
4. A substitute page, designed to meet a particular need of a company, may be used as long as data is consistent and meets the requirements of the above instructions.

Utility	Other	Line No.
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Name of Respondent Midwest Energy Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/28/18	Year of Report 12/31/2017
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**GAIN OR LOSS ON DISPOSITION OF PROPERTY (Account 421.1 and 421. 2)**

1. Give a brief description of property creating the gain or loss. Include name of party acquiring the property (when acquired by another utility or associated company) and the date transaction was completed. Identify property by type: Leased, Held for Future Use, or Nonutility.
2. Individual gains or losses relating to property with an original cost of less than \$100,000 may be grouped with the number of such transactions disclosed in column (a).
3. Give the date of Commission approval of journal entries in column (b), when approval is required. Where approval is required but has not been received, give explanation following the item in column (a). (See account 102, Utility Plant Purchased or Sold.)

Line No.	Description of Property (a)	Original Cost of Related Property (b)	Date Journal Entry Approved (When Required) (c)	Account 421.1 (d)	Account 421.2 (e)
1	Gain on disposition of property:				
2					
3	<b>Sale of a portion of old heaquarter property to Postle</b>	493,610	11/17/2017	(65,779.77)	
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17	Total Gain				

Name of Respondent Midwest Energy Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/28/18	Year of Report 12/31/2017
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**GAIN OR LOSS ON DISPOSITION OF PROPERTY (Account 421.1 and 421.2) (Continued)**

Line No.	Description of Property (a)	Original Cost of Related Property (b)	Date Journal Entry Approved (When Required) (c)	Account 421.1 (d)	Account 421.2 (e)
18	Loss on disposition of property:				
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21					
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23					
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31					
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33					
34	Total Loss				

Name of Respondent Midwest Energy Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/28/18	Year of Report 12/31/2017
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**CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES**

1. Report the information specified below for all charges made during the year included in any account (including plant accounts) for outside consultative and other professional services. (These services include rate, management, construction, engineering research, financial, valuation, legal, accounting, purchasing, advertising, labor relations, and public relations, rendered the respondent under written or oral arrangement, for which aggregate payments were made during the year to any corporation, partnership, organization of any kind, or individual (other than for services as an employee or for payments made for medical and related services) amounting to more than \$25,000, including payments for legislative services, except those which should be reported in Account

426.4, Expenditures for Certain civic, Political and Related Activities.)  
 (a) Name and address of person or organization rendering services,  
 (b) description of services received during year and project or case to which services relate,  
 (c) basis of charges,  
 (d) total charges for the year, detailing utility department and account charged.  
 2. For any services which are of a continuing nature, give the date and term of contract and date of Commission authorization, if contract received Commission approval.  
 3. Designate with an asterisk associated companies.

Line No.	Name / Address	Service	Basis of Charges	Acct #	Amount
1	<b>See Attachment</b>				
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Midwest Energy & Communications  
 Charges for Outside Professional and Other Consultative Services  
 Year Ending 12/31/2017  
 \$25,000 and over

Name	Description	Mailing Address	GL Acct Number	Total Amount
COOPERATIVE BUILDING SOLUTIONS	Contractor - Construction	77 WESTPORT PLAZA, SUITE 250, SAINT LOUIS MO 63146	10.0107.400.1000.000	22,381,060
<b>COOPERATIVE BUILDING SOLUTIONS Total</b>				<b>22,381,060</b>
WESTERN TEL-COM, INC.	Contractor - Construction	PO BOX 1317, A-4273 BLUE STAR HIGHWAY, HOLLAND MI 49422	10.0107.200.1000.000	480
			10.0107.210.1000.000	3,940
			10.0107.250.5000.000	3,904,098
			10.0584.000.1012.303	76,080
			10.0584.000.1012.311	61,440
			10.0584.000.1020.311	12,960
			10.0625.400.5014.303	12,709
			10.0625.500.5014.303	9,298
10.0925.000.1012.301	1,930			
<b>WESTERN TEL-COM, INC. Total</b>				<b>4,082,934</b>
ACE CABLE	Contractor - Construction	53425 HATHAWAY RD, MARCELLUS MI 49067	10.0107.200.1000.000	390
			10.0107.210.1000.000	5,135
			10.0107.250.5000.000	1,963,924
			10.0625.400.5014.301	390
			10.0625.400.5014.303	19,403
			10.0625.500.5014.303	12,678
<b>ACE CABLE Total</b>				<b>2,001,920</b>
MINT CITY TREE	Contractor- Tree Work	PO BOX 210, BREMEN IN 46506	10.0107.200.1000.000	5,600
			10.0107.210.1000.000	1,500
			10.0107.400.1000.000	1,300
			10.0593.300.1012.313	24,675
			10.0593.300.1012.315	1,691,150
			10.0593.300.1012.316	268,600
			10.0593.300.1012.317	600
10.0925.000.1012.301	50			
<b>MINT CITY TREE Total</b>				<b>1,993,475</b>
PULSE BROADBAND LLC	Contractor - Construction	18044 SHEPHERD VALLEY ROAD, WILDWOOD MO 63038	10.0107.250.5000.000	1,404,378
			10.0625.400.5014.303	2,013
<b>PULSE BROADBAND LLC Total</b>				<b>1,406,392</b>
EARTHCOM, INC.	Contractor - Construction	3424 CORWIN ROAD, WILLIAMSTON MI 48895	10.0107.250.5000.000	1,143,722
<b>EARTHCOM, INC. Total</b>				<b>1,143,722</b>
WRIGHT TREE SERVICE, INC	Contractor- Tree Work	PO BOX 1718, DES MOINES IA 50306	10.0593.300.1012.315	383,422
			10.0593.300.1013.315	508,818



Midwest Energy & Communications  
Charges for Outside Professional and Other Consultative Services  
Year Ending 12/31/2017  
\$25,000 and over

Name	Description	Mainling Address	GL Acct Number	Total Amount
WRIGHT TREE SERVICE, INC	Contractor- Tree Work			
<b>WRIGHT TREE SERVICE, INC Total</b>				<b>892,240</b>
KENT POWER, INC.	Contractor - Construction	7800 CHILDSDALE AVE NEW, ROCKFORD MI 49341	10.0107.200.1000.000	866,367
<b>KENT POWER, INC. Total</b>				<b>866,367</b>
ARC AMERICAN INC.	Contractor - Construction	PO BOX 599, WAKARUSA IN 46573	10.0107.200.1000.000	443,999
			10.0107.210.1000.000	38,104
			10.0108.800.1000.000	97,258
			10.0583.000.1012.303	36,815
			10.0593.000.1012.303	2,123
			10.0593.000.1013.303	4,533
<b>ARC AMERICAN INC. Total</b>				<b>622,831</b>
MCDONALD UNDERGROUND INC.	Contractor-Construction	30155 TOPASH ST, DOWAGIAC MI 49047	10.0107.200.1000.000	358,914
			10.0107.250.5000.000	11,045
			10.0925.000.1012.301	1,000
			10.0935.100.1025.201	20,937
			10.0935.100.1025.202	2,700
<b>MCDONALD UNDERGROUND INC. Total</b>				<b>394,596</b>
PATHFINDERS ADVERTISING AND MARKETING	Advertising & Marketing Services	1250 PARK PLACE, MISHAWAKA IN 46545	10.0912.000.1046.515	113,962
			10.0921.000.1095.206	4,935
			10.0923.000.1046.401	60,600
<b>PATHFINDERS ADVERTISING AND MARKETING Total</b>				<b>179,497</b>
JENNER & BLOCK LLP	Legal Services	353 N. CLARK STREET, CHICAGO IL 60654-3456	10.0923.000.5095.402	121,383
<b>JENNER &amp; BLOCK LLP Total</b>				<b>121,383</b>
DYKEMA GOSSETT PLLC	Legal Services	38TH FLOOR, ACCOUNTING DEPARTMENT, DETROIT MI 48243-6382	10.0923.000.1095.402	114,140
<b>DYKEMA GOSSETT PLLC Total</b>				<b>114,140</b>
INDIANA ELECTRONICS AND	Contractor - Construction	13185 CHIPPEWA BLVD, MISHAWAKA IN 46545-5126	10.0107.400.1000.000	71,191
			10.0935.300.1065.603	28,136
<b>INDIANA ELECTRONICS AND Total</b>				<b>99,326</b>
COOPERATIVE RESPONSE CENTER INC.	Cust Srvc, Overflow and After Hours	2000 8TH STREET N.W., AUSTIN MN 55912	10.0905.000.1090.407	91,862
<b>COOPERATIVE RESPONSE CENTER INC. Total</b>				<b>91,862</b>

Midwest Energy & Communications  
Charges for Outside Professional and Other Consultative Services  
Year Ending 12/31/2017  
\$25,000 and over

Name	Description	Maining Address	GL Acct Number	Total Amount
MOSS ADAMS LLP	Auditors	PO BOX 101822, PASADENA CA 91189-1822	10.0923.000.1050.400	84,397
<b>MOSS ADAMS LLP Total</b>				<b>84,397</b>
AMERICAN ENERGY SERVICES INC	Pole Inspections	P.O. BOX 295, RICHMOND MI 48062	10.0583.000.1012.303 10.0593.000.1012.303	34,430 22,529
<b>AMERICAN ENERGY SERVICES INC Total</b>				<b>56,959</b>
JL COMMERCIAL CLEANING SERVICES, LLC	Contractor- Building Cleaning	24642 67TH AVE, LAWTON MI 49065	10.0935.100.1025.201	52,022
<b>JL COMMERCIAL CLEANING SERVICES, LLC Total</b>				<b>52,022</b>
ALPHA GRAPHICS 599	Advertising	660 COUNTY ROAD 15, ELKHART IN 46516	10.0912.000.1046.515	49,911
<b>ALPHA GRAPHICS 599 Total</b>				<b>49,911</b>
ADAMS OUTDOOR ADVERTISING	Advertising	PO BOX 809140, CHICAGO IL 60680-9140	10.0913.000.1046.500	48,455
<b>ADAMS OUTDOOR ADVERTISING Total</b>				<b>48,455</b>
CUSTOM TRUCK & EQUIPMENT	Contractor - Truck Maintenance	UOS CTE, PO BOX 775539, CHICAGO IL 60677-5539	10.0184.100.1026.100 10.0184.100.1026.300	650 41,001
<b>CUSTOM TRUCK &amp; EQUIPMENT Total</b>				<b>41,651</b>
BODMAN PLC	Legal Services	6TH FLOOR AT FORD FIELD, 1901 ST. ANTOINE ST, DETROIT MI 48226	10.0923.000.1095.402	41,361
<b>BODMAN PLC Total</b>				<b>41,361</b>
WRIGHT WAY LAWN SERVICE	Contactor - Building Maintenance	22282 LOUPEE DRIVE, CASSOPOLIS MI 49031	10.0592.000.1012.303 10.0935.100.1025.201	9,805 26,364
<b>WRIGHT WAY LAWN SERVICE Total</b>				<b>36,169</b>
PLUS ONE STRATEGIC COMMUNICATIONS, LLC	Strategic Planning	5113 NORTH 10TH STREET, ARLINGTON VA 22205	10.0923.000.1031.401	34,933
<b>PLUS ONE STRATEGIC COMMUNICATIONS, LLC Total</b>				<b>34,933</b>
PARIC CORPORATION	Contractor - Construction	77 WESTPORT PLAZA, SUITE 250, SAINT LOUIS MO 63146	10.0107.400.1000.000	28,113
<b>PARIC CORPORATION Total</b>				<b>28,113</b>
<b>Grand Total</b>				<b>36,865,716</b>

Name of Respondent Midwest Energy Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/28/18	Year of Report 12/31/2017
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**SUMMARY OF COSTS BILLED TO ASSOCIATED COMPANIES**

1. In column (a) report the name of the associated company.  
 2. In column (b) describe the affiliation (percentage ownership, etc. ).  
 3. In column (c) describe the nature of the goods and services provided (administrative and general expenses, dividends declared, etc.).  
 4. In columns (d) and (e) report the amount classified to operating income and the account(s) in which reported.

Line No.	Company (a)	Affiliation (b)	Description: Nature of Goods and Services (c)	Account Number (d)	Amount Classified to Operating Income (e)
1	<b>See Attachment</b>				
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<b>TOTAL</b>					



Name of Respondent Midwest Energy Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/28/18	Year of Report 12/31/2017
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**SUMMARY OF COSTS BILLED TO ASSOCIATED COMPANIES (Continued)**

5. In columns (f) and (g) report the amount classified to non-operating income and the account(s) in which reported.  
6. In columns (h) and (i) report the amount classified to the balance sheet and the account(s) in which reported.

7. In column (j) report the total.  
8. In column (k) indicate the pricing method (cost, per contract terms, etc.)

Account Number (f)	Amount Classified to Non-Operating Income (g)	Account Number (h)	Amount Classified to Balance Sheet (i)	Total (j)	Pricing Method (k)	Line No.
						1
						2
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**Midwest Energy Cooperative**  
**Summary of Costs Billed To Associated Companies**  
**For Year Ending 12/31/2017**

Line#	Company ( a )	Affiliation ( b )	Description : Nature of Goods and Services ( c )	Account Number ( d )	Amount Classified to operating Income ( e )
1	Midwest Propane	Wholly Owned Subsidiary of Midwest Energy, Inc	Administrative & General	10.146.110.0000.000	See Appendix A
2	Midwest Energy, Inc.	Wholly Owned Subsidiary of Midwest Energy Coop	Administrative & General	10.146.120.0000.000	See Appendix A
3	Wild Blue	Midwest Energy Inc Line of Business	Administrative & General	10.146.130.0000.000	See Appendix A
4	Midwest Connections	Subsidiary of Midwest Energy Coop Line of Business	Administrative & General	10.146.150.0000.000	See Appendix A

Name of Respondent Midwest Energy Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/28/18	Year of Report 12/31/2017
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**SUMMARY OF COSTS BILLED FROM ASSOCIATED COMPANIES**

- |   |   |
|---|---|
| <p>1. In column (a) report the name of the associated company.</p> <p>2. In column (b) describe the affiliation (percentage ownership, etc. ).</p> <p>3. In column (c) describe the nature of the goods and</p> | <p>services provided (administrative and general expenses, dividends declared, etc.).</p> <p>4. In columns (d) and (e) report the amount classified to operating income and the account(s) in which reported.</p> |
|---|---|

Line No.	Company (a)	Affiliation (b)	Description: Nature of Goods and Services (c)	Account Number (d)	Amount Classified to Operating Income (e)
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<b>TOTAL</b>					

Name of Respondent Midwest Energy Cooperative	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/28/18	Year of Report 12/31/2017
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**SUMMARY OF COSTS BILLED TO ASSOCIATED COMPANIES (Continued)**

5. In columns (f) and (g) report the amount classified to non-operating income and the account(s) in which reported.  
6. In columns (h) and (i) report the amount classified to the balance sheet and the account(s) in which reported.

7. In column (j) report the total.  
8. In column (k) indicate the pricing method (cost, per contract terms, etc.)

Account Number (f)	Amount Classified to Non-Operating Income (g)	Account Number (h)	Amount Classified to Balance Sheet (i)	Total (j)	Pricing Method (k)	Line No.
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**Midwest Energy Cooperative**  
**Summary of Costs Billed From Associated Companies**  
**For Year Ending 12/31/2017**

Line#	Company ( a )	Affiliation ( b )	Description : Nature of Goods and Services ( c )	Account Number ( d )	Amount Classified to operating Income ( e )
1	Midwest Propane	Wholly Owned Subsidiary of Midwest Energy, Inc	Administrative & General	10.234.110.0000.000	See Appendix B
2	Midwest Energy, Inc.	Wholly Owned Subsidiary of Midwest Energy Coop	Administrative & General	10.234.120.0000.000	See Appendix B
3	Wild Blue	Midwest Energy Inc Line of Business	Administrative & General	10.234.130.0000.000	See Appendix B
4	Midwest Connections	Subsidiary of Midwest Energy Coop Line of Business	Administrative & General	10.234.150.0000.000	See Appendix B

REPORT OF INDEPENDENT AUDITORS AND  
CONSOLIDATED FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION

**MIDWEST ENERGY COOPERATIVE**

December 31, 2017 and 2016



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Midwest Energy Cooperative  
Board of Directors  
December 31, 2017

Clarence A. Barth	Chairman
Ben Russell	Vice Chairman
Ronald Armstrong	Secretary
John Green	Treasurer
Fred Turk	Director
James W. Dickerson	Director
Harry Gentz	Director
Arell Chapman	Director
Gerry Bundle	Director

President and CEO

Robert Hance







## **Report of Independent Auditors**

The Board of Directors  
Midwest Energy Cooperative  
Cassopolis, Michigan

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Midwest Energy Cooperative (the Cooperative), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of operations, equities and margins, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.



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

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Cooperative as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Company's consolidated financial statements. The consolidating balance sheets and consolidating statements of operations (collectively, "supplementary information") are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2018, on our consideration of Midwest Energy Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Midwest Energy Cooperative's internal control over financial reporting and compliance.

*Moss Adams LLP*

Portland, Oregon  
March 30, 2018





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# Midwest Energy Cooperative

## Consolidated Balance Sheets

### ASSETS

	December 31,	
	2017	2016
<b>ELECTRIC PLANT AND EQUIPMENT</b>		
In service – at cost	\$ 255,557,752	\$ 205,935,001
Construction work in progress	9,314,532	22,443,390
	264,872,284	228,378,391
Less accumulated depreciation	71,393,337	68,199,618
Net electric plant and equipment	193,478,947	160,178,773
<b>OTHER ASSETS AND INVESTMENTS</b>		
Investments in associated organizations	25,348,065	23,794,584
Notes receivable	161,702	138,053
Income taxes receivable	16,719	9,565
Grant receivable	119,692	134,499
Total other assets and investments	25,646,178	24,076,701
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	7,031,862	2,374,804
Accounts receivable, less allowance for doubtful accounts of \$462,000 and \$441,000 in 2017 and 2016, respectively	4,921,880	4,562,610
Unbilled revenue	5,206,029	4,476,669
Current portion of notes receivable	60,000	84,000
Power supply cost recovery	-	71,256
Materials and supplies	2,256,124	2,128,928
Inventory of subsidiary	321,999	576,034
Other current assets	453,485	626,611
Total current assets	20,251,379	14,900,912
<b>DEFERRED CHARGES</b>	142,300	142,300
Total assets	\$ 239,518,804	\$ 199,298,686

**Midwest Energy Cooperative**  
**Consolidated Balance Sheets**

**LIABILITIES, EQUITIES, AND MARGINS**

	December 31,	
	2017	2016
<b>EQUITIES AND MARGINS</b>		
Patronage capital and other equities	\$ 56,199,354	\$ 52,968,643
<b>LONG-TERM DEBT, less current maturities</b>	158,140,643	105,747,430
<b>OTHER LIABILITIES</b>		
Post retirement benefits other than pensions	3,450,816	3,181,875
Accrued pension liability	1,379,815	2,183,614
Total other liabilities	4,830,631	5,365,489
<b>COMMITMENTS AND CONTINGENCIES (NOTE 7)</b>		
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	4,772,112	3,960,629
Accounts payable		
Purchased power and cooperative payables	7,010,741	9,117,070
Regulatory liabilities – energy optimization	642,789	830,546
Other	255,809	274,280
Power supply cost recovery	455,425	-
Customer deposits	2,053,020	2,281,108
Accrued liabilities	4,615,375	3,680,380
Line of credit borrowings	-	14,500,000
Total current liabilities	19,805,271	34,644,013
<b>DEFERRED TAX LIABILITY</b>	527,978	562,531
<b>DEFERRED CREDITS</b>	14,927	10,580
Total liabilities, equities and margins	\$ 239,518,804	\$ 199,298,686



## Midwest Energy Cooperative

### Consolidated Statements of Operations

	Years Ended December 31,	
	2017	2016
OPERATING REVENUES	\$ 88,517,038	\$ 87,748,170
OPERATING EXPENSES		
Cost of power	47,356,174	50,960,882
Cost of goods sold	2,811,222	3,057,160
Distribution – operations	2,764,651	2,440,108
Distribution – maintenance	9,373,263	6,786,498
Customer accounts	2,363,844	2,157,063
Customer service and information expense	2,503,384	2,281,374
Administrative and general	8,413,160	6,894,145
Depreciation and amortization	7,490,002	6,338,419
Taxes – property	2,635,530	2,242,701
Total operating expenses	85,711,230	83,158,350
OPERATING MARGINS BEFORE FIXED CHARGES	2,805,808	4,589,820
FIXED CHARGES		
Interest on long-term debt	4,180,829	3,416,920
Other interest	-	119,090
Total fixed charges	4,180,829	3,536,010
OPERATING MARGINS (DEFICITS) AFTER FIXED CHARGES	(1,375,021)	1,053,810
G&T AND OTHER CAPITAL CREDITS	3,594,185	4,548,655
NET OPERATING MARGINS	2,219,164	5,602,465
NON-OPERATING MARGINS		
Interest and dividend income	143,257	240,864
Gain (loss) on sale of assets	(38,951)	64,659
Other income (expense)	705,205	(306,663)
Income tax benefit (expense)	16,603	(335,384)
Total non-operating margins (deficits)	826,114	(336,524)
NET MARGINS	3,045,278	5,265,941
COMPREHENSIVE LOSS		
Unrealized gain (loss) on pension and post-retirement benefits other than pensions	354,470	(1,109,469)
COMPREHENSIVE INCOME	\$ 3,399,748	\$ 4,156,472

**Midwest Energy Cooperative**  
**Consolidated Statements of Equities and Margins**

	Years Ended December 31,	
	2017	2016
Patronage capital		
Balance at January 1,	\$ 58,554,284	\$ 53,994,103
Transfer of current year Cooperative net operating margins	1,664,221	4,743,410
Retirement of capital credits, net	<u>(191,638)</u>	<u>(183,229)</u>
Balance at December 31,	<u>60,026,867</u>	<u>58,554,284</u>
Non-operating margins		
Balance at January 1,	2,900,665	2,965,067
Current year Cooperative non-operating margins (deficits)	<u>783,645</u>	<u>(64,402)</u>
Balance at December 31,	3,684,310	2,900,665
Undistributed subsidiary earnings		
Balance at January 1,	468,999	(117,936)
Income from subsidiary, excluded from net operating and non-operating margins	<u>597,412</u>	<u>586,935</u>
Balance at December 31,	1,066,411	468,999
Other equity		
Balance at January 1,	1,914,138	1,896,975
Additions	<u>22,601</u>	<u>17,163</u>
Balance at December 31,	<u>1,936,739</u>	<u>1,914,138</u>
Accumulated other comprehensive loss		
Balance at January 1,	(10,869,443)	(9,759,974)
Unrealized gain (loss) on pension and post-retirement benefits other than pensions	<u>354,470</u>	<u>(1,109,469)</u>
Balance at December 31,	<u>(10,514,973)</u>	<u>(10,869,443)</u>
Total equities and margins	<u>\$ 56,199,354</u>	<u>\$ 52,968,643</u>

## Midwest Energy Cooperative

### Consolidated Statements of Cash Flows

	December 31,	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net margins	\$ 3,045,278	\$ 5,265,941
Adjustments to reconcile net margins to net cash provided by operating activities		
Depreciation and amortization	7,490,002	6,338,419
Capital credits allocated	(3,594,185)	(4,548,655)
Gain (loss) on disposal of assets	38,951	(64,659)
Deferred taxes	(34,553)	292,976
Changes in assets and liabilities		
Customer and other accounts receivable	(359,270)	(1,386,503)
Unbilled revenue	(729,360)	(311,459)
Inventory of subsidiary	254,035	(84,914)
Power supply cost recovery	526,681	451,967
Other current assets and income tax receivable	165,972	184,403
Deferred charges	-	103
Accrued pension liability	(405,650)	(609,344)
Post-retirement benefits other than pensions	225,262	218,783
Accounts payable	(2,124,800)	2,798,020
Regulatory liabilities	(187,757)	(230,302)
Customer deposits	(228,088)	(134,563)
Deferred credits	4,347	10,580
Current and accrued liabilities – other	934,995	838,761
Net cash provided by operating activities	<u>5,021,860</u>	<u>9,029,554</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Construction and acquisition of plant, net of retirements	(40,902,589)	(41,131,761)
Net proceeds from sale of plant	73,462	134,321
(Increase) decrease in		
Materials inventory	(127,196)	159,373
Notes receivable	351	21,817
Investments – associated organizations	<u>2,040,704</u>	<u>1,783,129</u>
Net cash used in investing activities	<u>(38,915,268)</u>	<u>(39,033,121)</u>

## Midwest Energy Cooperative Consolidated Statements of Cash Flows

	December 31,	
	2017	2016
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advances on long-term debt	\$ 56,373,582	\$ 20,334,410
Proceeds from line of credit	23,000,000	11,000,000
Payments on line of credit	(37,500,000)	-
Cushion of credit payment to RUS	390,520	2,260,852
Grant receivable	14,807	77,033
Retirement of patronage capital credits, net	(191,638)	(183,229)
Other equity	22,601	17,163
Payments on long-term debt	(3,559,406)	(3,569,714)
Net cash provided by financing activities	38,550,466	29,936,515
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	4,657,058	(67,052)
CASH AND CASH EQUIVALENTS – beginning	2,374,804	2,441,856
CASH AND CASH EQUIVALENTS – ending	\$ 7,031,862	\$ 2,374,804
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 3,677,413	\$ 3,599,958
Cash paid for property taxes	\$ 2,370,833	\$ 2,447,174
Cash paid for income taxes	\$ 29,000	\$ 113,000



# Midwest Energy Cooperative

## Notes to Consolidated Financial Statements

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### Note 1 – Nature of Organization and Operations

Midwest Energy Cooperative (Midwest or Cooperative) is a non-profit organization generally exempt from income tax under Section 501(c)(12) of the United States Internal Revenue Code. The Cooperative is engaged principally in the distribution and sale of electricity in Southwest and Southeast Michigan, Northern Indiana and Northern Ohio.

Midwest Energy, Inc. and Subsidiary, a wholly-owned subsidiary of the Cooperative, is a Michigan corporation, which was incorporated and commenced doing business January 30, 1998. Midwest Energy, Inc. and Subsidiary's principal business activity is providing propane services. The main office is located in Cassopolis, Michigan.

The Cooperative began a project for communication and fiber to the home in 2013. This includes providing phone and high-speed broadband to 5,879 members in their service territory. It was under construction in 2016 and 2017.

### Note 2 – Summary of Significant Accounting Policies

#### Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Specific estimates include allowance for doubtful accounts, unbilled revenue, depreciation and postretirement benefit obligation. Actual results could differ from those estimates.

#### Principles of consolidation

The consolidated financial statements for 2017 and 2016 combine the financial results of the Cooperative and its wholly owned subsidiary Midwest Energy, Inc. and subsidiary. The Cooperative has accounted for the investment using the equity method. All significant intercompany transactions and accounts have been eliminated.

#### Accounting records

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to regulated enterprises, which conform to policies prescribed or permitted by the Michigan Public Service Commission (MPSC) and United States Department of Agriculture Rural Utilities Service (RUS). The applicable uniform system of accounts prescribed by these regulatory commissions conform in all material respects with generally accepted accounting principles as applied to rate regulated utilities.

The accounting records of the Cooperative are maintained in accordance with the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission (FERC) for Class A and B electric utilities.

## Midwest Energy Cooperative Notes to Consolidated Financial Statements

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### Note 2 – Summary of Significant Accounting Policies (continued)

#### **Electric plant and equipment**

Additions with a life expectancy of more than one year are recorded at the cost of construction, which includes the cost of contracted services, direct labor and materials, and overhead items, less contributions in aid of construction received from customers. As items are retired or otherwise disposed of, the asset account is credited for the cost and the accumulated depreciation account is charged. The cost of removal, less salvage, is also charged to the accumulated depreciation account.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash in bank and all short-term debt securities purchased with a maturity of three months or less to be cash equivalents. The Cooperative places its cash and investments with high credit quality financial institutions. At times, such cash and investments may be in excess of the FDIC insurance limit.

#### **Fair value of financial instruments**

Financial instruments include cash, investments and long-term debt. Investments in associated organizations are not considered financial instruments because they represent nontransferable interests in associated organizations.

#### **Investments in associated organizations**

The carrying values of investments in associated organizations are stated at cost, adjusted for capital credits earned or retired.

#### **Accounts receivable**

Accounts receivable consist primarily of amounts due from members for electric service. An allowance for doubtful accounts has been estimated based on collection history. When a member's account becomes past due and uncollectible, the member's service is terminated. The Board of Directors approve all accounts charged off.

#### **Purchased power billing**

Refundable or recoverable power supply cost recovery (PSCR) credit-over collections, as well as under collections of the cost of electricity purchased not recovered or refunded through rates, are deferred and are being refunded or recovered in accordance with procedures approved by the Board.

#### **Materials and supplies**

Electrical materials and supplies are valued at lower of average cost or net realizable value.

#### **Inventory of subsidiary**

Propane inventory is recorded at the lower of cost or net realizable value using average cost.



# Midwest Energy Cooperative

## Notes to Consolidated Financial Statements

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### Note 2 – Summary of Significant Accounting Policies (continued)

#### Revenue recognition

The Cooperative utilizes cycle billing and records revenue billed to its electric and propane customers primarily when the meters are read (electric) or when propane is delivered (propane).

In addition, the Cooperative records unbilled revenue for electric power and propane delivered but not yet billed at the end of the fiscal year.

The Cooperative bills its fiber customers in advance of services and records unearned revenue for services billed but not yet performed at the end of the fiscal year.

#### Recognition of patronage revenue

Patronage revenue of associated organizations is recognized in the year in which the associated organization allocates its earnings to their respective members.

#### Advertising

The cost of advertising is expensed as incurred.

#### Regulation and regulatory accounting

The MPSC has jurisdiction over regulated Rural Electric Cooperatives in Michigan. On May 24, 2015, the Board of Directors voted to become member-regulated as of August 24, 2015. On that date, the Cooperative became self-regulated for rates, billing practices, and accounting standards. MPSC regulated the Cooperative's electric utility business operations and rates prior to August 24, 2015. All other aspects of electric service continue to be regulated by MPSC. Due to regulation of its rates by the Board, the Cooperative follows regulatory accounting requirements. Regulatory accounting requirements recognize that the ratemaking process can result in differences in the application of generally accepted accounting principles between regulated and non-regulated businesses. Such differences generally involve the accounting period in which various transactions enter into the determination of net margins. Accordingly, certain costs and income may be capitalized as a regulatory asset or liability that would otherwise be charged to expense or revenues. Regulatory assets and liabilities are recorded when it is probable that future rates will permit recovery and are approved by the Board.

#### Unclaimed property

Unclaimed property represents refunds to members of deposits, membership fees received and patronage refunds received which have not been claimed. After five years and appropriate notification, such amounts may be credited back to the cooperative as donated capital.

## Midwest Energy Cooperative Notes to Consolidated Financial Statements

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### Note 2 – Summary of Significant Accounting Policies (continued)

#### Compensated absences

The Cooperative provides a flexible leave program to meet the needs of their unique employee base. Each regular employee will earn Paid Time Off (PTO) in increments that are based on their length of service on a bi-weekly basis. PTO is added to the employee's PTO bank when the bi-weekly paycheck is issued and subtracted from the employee's bank as used. Each employee may carry over unused hours of PTO, provided they do not exceed the maximum level based on years of service detailed in their accrual schedule. The Cooperative's policy on accumulated extended sick leave is to grant 48 hours annually with any unused hours available to be carried forward to future years up to a maximum of 800 hours. Employees may use extended sick leave hours on their 4th consecutive day of absence due to their own personal illness or injury. It is the Cooperative's policy to pay one-half of the employee's accumulated unused sick leave upon normal retirement, provided that their extended sick leave bank is equal to or greater than 520 hours.

The payout is capped at 260 hours and will be reduced by any PTO payouts taken during the employee's tenure. For the years ended December 31, 2017 and 2016, an accrual has been made for individuals who meet the required qualifications and have attained the age of 60, which has been included in accrued liabilities on the balance sheet.

#### Cushion of credit

RUS established a Cushion of Credit Payment Program, whereby borrowers may make advance payments on their RUS and Federal Financing Bank (FFB) notes. These advance payments earn interest at the rate of 5.0% per annum. The advance payments, plus any accrued interest, can only be used for the payment of principal and interest on the notes. The Cooperative's participation in the Cushion of Credit Payment Program totaled approximately \$390,520 and \$2,260,852 at December 31, 2017 and 2016, respectively, and is recorded as a reduction of RUS long-term debt on the balance sheets.

#### Concentration of credit risk

Financial instruments that are exposed to concentrations of credit risk consist primarily of cash, including temporary investments and receivables. Credit is extended to customers generally without collateral requirements; however, deposits are obtained from certain customers and formal shut-off procedures are in place.

#### Income taxes

The Cooperative is exempt from federal and state income taxes under Section 501(c)(12) of the Internal Revenue Code. The Cooperative adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10, relating to accounting for uncertain tax positions. As of December 31, 2017 and 2016, the Cooperative does not have any uncertain tax positions. The Cooperative files an exempt organization tax return in the U.S. federal jurisdiction and the state of Michigan.



## **Midwest Energy Cooperative**

### **Notes to Consolidated Financial Statements**

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#### **Note 2 – Summary of Significant Accounting Policies (continued)**

Midwest Energy, Inc. and Subsidiary is a taxable for-profit corporation for both federal and state tax purposes. Income taxes are provided for in the consolidated financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are provided on an asset and liability approach whereby deferred tax assets are recognized for deductible temporary differences and operating loss carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

#### **Patronage capital**

Cooperative operating margins are assigned to individual Cooperative members' capital credit accounts based upon their revenue. Amounts are assigned to members within eight months after year end. Non-operating margins are allocated to members at the discretion of the Board of Directors. Capital credits are returned to members in accordance with the Cooperative's bylaws.

#### **Assets pledged**

Substantially all assets are pledged as collateral on long-term debt payable to the Rural Utilities Service (RUS) of the United States of America, the National Rural Utilities Cooperative Finance Corporation (CFC), and CoBank Cooperative.

#### **Subsequent events**

Accounting standards require disclosure of the date through which subsequent events have been evaluated, as well as whether the date is the date the financial statements were issued or the date the financial statements were available to be issued. The Cooperative has evaluated subsequent events through March 30, 2018, the date the financial statements were available to be issued.

**Midwest Energy Cooperative**  
**Notes to Consolidated Financial Statements**

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**Note 3 – Electric Plant and Equipment and Depreciation Rates**

Major classes of electric plant and equipment as of December 31, 2017 and 2016, consisted of:

	2017	2016
Cost		
General plant	\$ 64,908,055	\$ 29,872,828
Transmission plant	6,451,461	6,451,461
Distribution plant	149,764,439	147,015,113
Fiber plant	34,433,797	22,595,599
Construction in progress	9,314,532	22,443,390
Total cost	264,872,284	228,378,391
Accumulated depreciation and amortization	71,393,337	68,199,618
Net electric plant and equipment	\$ 193,478,947	\$ 160,178,773

Provision has been made for depreciation of the distribution plant at a straight-line composite rate of 3.0 percent per annum, except for ONTs and meters which are being depreciated at the rate of 20.0 percent and 4.6 percent per annum. Depreciation of the subsidiary's assets is computed over the estimated useful life of the assets on a straight-line method for financial reporting and an accelerated method for income tax purposes.

General plant depreciation rates have been applied on a straight-line basis as follows:

Structures and improvements	2.00%
Office furniture, fixtures, data processing, and laboratory equipment	4.80–20.00%
Transportation equipment	10.0–33.3%
Stores, tools, and power operated equipment	6.00%
Communications	8.40%
Miscellaneous	9.60%
Propane tanks	3.33%

## Midwest Energy Cooperative

### Notes to Consolidated Financial Statements

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#### Note 4 – Investments in Associated Organizations

Investments in associated organizations consisted of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
National Rural Utilities Cooperative Finance Corp. (CFC)		
Capital term certificates, 5.00% maturing through 2080	\$ 1,049,571	\$ 1,049,571
Loan term certificates, 3.00% maturing through 2035	206,000	206,000
Patronage capital		
CFC	412,807	402,250
National Information Solutions Cooperative	282,336	256,691
Wabash Valley Power Association	7,525,455	8,124,525
Buckeye Power, Inc.	987,883	944,715
Wolverine Power Supply Cooperative, Inc.	13,395,117	11,444,639
Federated Rural Electric Insurance Cooperative, at cost	249,101	261,468
Buckeye Power, Inc. – membership	98,889	98,889
Resco (WISC)	567,959	599,499
NRTC	213,486	199,568
Other	359,461	206,769
	<u>\$ 25,348,065</u>	<u>\$ 23,794,584</u>
Total		

The accounting policies for recognition of patronage revenue are described in Note 2. Investments are pledged to secure long-term debt as described in Note 5.

#### Note 5 – Long-Term Debt

Long-term debt is composed of mortgage notes payable to the Rural Utilities Service (RUS) of the United States of America, the National Rural Utilities Cooperative Finance Corporation (CFC), the Federal Financing Bank (FFB), and CoBank Cooperative. Several mortgage notes to CFC and RUS will be repriced and the interest rate adjusted accordingly during the next 10 years in accordance with the policy and procedure governing such repricing. The notes are scheduled to be fully repaid at various times from 2018 through 2052. Unadvanced loan funds were available from RUS at December 31, 2017 and 2016, in the amount of \$32,858,229 and \$48,224,371, respectively.

Midwest Energy, Inc. and Subsidiary long-term debt is composed of mortgage notes payable to National Cooperative Services Corporation (NCSC). These notes are secured by substantially all assets of the organization and guaranteed by the Cooperative.

**Midwest Energy Cooperative**  
**Notes to Consolidated Financial Statements**

**Note 5 – Long-Term Debt (continued)**

Detail of the long-term debt is as follows:

	2017	2016
<b>Cooperative</b>		
Notes payable to CFC in quarterly installments of \$259,679, including interest at 5.25%–7.35%, with final maturity ranging from 2018 to 2032. Secured by substantially all assets.	\$ 3,376,043	\$ 3,625,378
Notes payable to Cobank in monthly installments of \$375,861, including interest at 3.49%–3.83%, with final maturity ranging from 2032 to 2037. Secured by substantially all assets.	53,445,737	55,818,232
Notes payable to FFB in quarterly installments of \$279,182, including interest at 2.20%–3.94%, with final maturity ranging from 2042 to 2052. Secured by substantially all assets.	105,980,066	51,842,542
RUS advance payments (cushion of credit)	(390,520)	(2,260,852)
<b>Midwest Energy, Inc. and Subsidiary</b>		
Notes payable to NCSC in quarterly installments including interest at 3.70%, per annum, with final maturity ranging from 2018 to 2023.	501,429	682,759
	162,912,755	109,708,059
Less current maturities	4,772,112	3,960,629
<b>TOTAL LONG-TERM DEBT, less current maturities</b>	<b>\$ 158,140,643</b>	<b>\$ 105,747,430</b>

Maturities of long-term debt for each of the next five years are as follows:

2018	\$ 4,772,112
2019	5,592,700
2020	5,828,944
2021	6,042,070
2022	6,016,518
Thereafter	134,660,411
	<b>\$ 162,912,755</b>



## **Midwest Energy Cooperative**

### **Notes to Consolidated Financial Statements**

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#### **Note 6 – Line of Credit**

The Cooperative has available a line of credit with CFC in the amount of \$10,000,000 for both 2017 and 2016. The Cooperative had no balance outstanding as of December 31, 2017 and 2016. The interest rate at December 31, 2017 was 2.75%.

The Cooperative has available a line of credit with CoBank in the amount of \$50,000,000 for 2017 and 2016. The Cooperative had an outstanding balance of \$0 for 2017 and \$14,500,000 for 2016. Interest at December 31, 2017 and 2016, was 3.97% and 3.02%, respectively.

The Cooperative also had a \$5,000,000 unsecured promissory note from Wolverine Power Supply Cooperative. Interest on advances was charged at 1.25%. The note expired December 31, 2016. In January 2016, the Cooperative renewed and increased the unsecured promissory note to \$8,000,000. The note expired December 31, 2016. Interest charges during the year ended December 31, 2016, have been included in other interest on the consolidated statement of operations.

Midwest Energy, Inc. and Subsidiary had available a \$3,750,000, 60 month revolving line of credit with NCSC for 2017 with a variable interest rate. The line of credit matures in 2018. Midwest Energy, Inc. and Subsidiary has an outstanding balance of \$0 as of December 31, 2017 and 2016. Interest at December 31, 2017, is 3.70%. The agreement provides that Midwest Energy Cooperative unconditionally guarantee all amounts due on the loan.

#### **Note 7 – Commitments and Contingencies**

##### **Wholesale power commitment**

Under its wholesale power agreement, the Cooperative is committed to purchase most of its electric power and energy requirements from Wolverine Power Supply Cooperative, Inc., until December 31, 2050. The rates paid for such purchases are subject to approval of the Federal Energy Regulatory Commission (FERC).

##### **Propane purchase commitment**

Midwest Energy, Inc. and Subsidiary have entered into contracts with Plains Marketing Canada, L.P. to buy propane gas for a specific period, in agreed upon quantities and at agreed upon prices. These transactions lock in the price Midwest Energy, Inc. and Subsidiary will be paying for such gas in the upcoming heating season. Upon entering these contracts, Midwest Energy, Inc. and Subsidiary pays a security deposit for such commitments. This deposit is deducted from each invoice for propane gas upon delivery. As of December 31, 2017, Midwest Energy's related commitment to buy such propane gas from January 1, 2018 through December 31, 2018, totaled 2,239,700 gallons at an average price per gallon of \$0.66. As of December 31, 2017, Midwest Energy also had another commitment to buy propane gas from January 1, 2018 through July 31, 2019 that totaled 342,000 gallons at a price per gallon of \$0.68. In the event that all gallons are not purchased during the agreed upon period, Midwest Energy is obligated to buy such unpurchased propane gas in subsequent months, at escalating prices.

## Midwest Energy Cooperative Notes to Consolidated Financial Statements

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### Note 7 – Commitments and Contingencies

#### Legal

In the normal course of business, Midwest is a party to claims and matters of litigation. The ultimate outcome of these matters cannot presently be determined; however, in the opinion of management of the Cooperative, the resolution of these matters will not have a material adverse effect on Midwest's financial position, results of operations or liquidity.

#### Union contracts

The Cooperative has an agreement with two separate unions. One union represents 16 inside staff including the customer service and billing employees. The other union represents 33 outside staff. As of December 31, 2017, 40% of the employees were covered by the two union contracts. The agreement for inside employees expires on July 14, 2019. The agreement with outside employees expires August 31, 2019.

### Note 8 – Retirement Plans

The Cooperative has a defined benefit pension plan covering 49 employees. As of January 1, 2007, the plan was closed to all new non-union staff and inside union staff. As of January 1, 2009, the plan was closed to all new outside union staff. Retirement benefits are based on a percentage of compensation, as defined in the plan, and benefits vested after completion of five years of service or age 55. The normal retirement age is 62. The assets of the plan consist primarily of mutual funds. The Cooperative's funding policy is to contribute so as to amortize the unfunded actuarial accrued liabilities over a 30-year period from January 1, 1987.

## Midwest Energy Cooperative

### Notes to Consolidated Financial Statements

#### Note 8 – Retirement Plans (continued)

The following table sets forth the plan's funded status and amounts recognized in the Cooperative's financial statements at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Actuarial present value of benefit obligations		
Accumulated benefit obligation, including vested benefits	<u>\$ 29,497,900</u>	<u>\$ 25,631,176</u>
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 28,956,942	\$ 26,191,058
Service cost	919,752	860,109
Interest cost	1,209,208	1,187,539
Actuarial loss	3,118,007	1,353,552
Benefits paid	(781,491)	(635,316)
Other - freeze highly compensation employees	(394,750)	-
Benefit obligation at end of year	<u>\$ 33,027,668</u>	<u>\$ 28,956,942</u>
Change in plan assets		
Fair value of plan assets at beginning of year	\$ 26,826,638	\$ 24,427,443
Actual return on plan assets	4,202,706	1,434,511
Employer contributions	1,400,000	1,600,000
Benefits paid	(781,491)	(635,316)
Fair value of plan assets at end of year	<u>\$ 31,647,853</u>	<u>\$ 26,826,638</u>
Reconciliation of funded status		
Funded status underfunded	<u>\$ (1,379,815)</u>	<u>\$ (2,130,304)</u>
Service cost – benefits earned during the period	\$ 919,752	\$ 860,109
Interest cost on projected benefit obligation	1,209,208	1,187,539
Return on plan assets	(1,768,891)	(1,677,870)
Net amortization and deferral	683,185	594,864
Amortization of prior service cost	-	10,487
Net periodic pension cost	<u>\$ 1,043,254</u>	<u>\$ 975,129</u>
Amounts recognized in accumulated other comprehensive loss – ending	<u>\$ (10,092,257)</u>	<u>\$ (10,486,000)</u>

**Midwest Energy Cooperative**  
**Notes to Consolidated Financial Statements**

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**Note 8 – Retirement Plans (continued)**

The Cooperative expects to contribute \$1,000,000 to its pension plan in 2018. Future expected benefit payments are as follows:

2018	\$ 1,030,000
2019	1,080,000
2020	1,140,000
2021	1,190,000
2022	1,230,000
2023-2027	6,950,000

The investment strategy is to build an efficient, well-diversified portfolio based on long-term, strategic outlook of the investment markets. The investment market outlook utilizes both historical-based and forward looking return forecasts to establish future return expectations for various asset classes. These return expectations are used to develop a core asset allocation based on the needs of the plan. The core asset allocation utilizes investment portfolios of various asset classes and multiple investment managers in order to help maximize the plans return while providing multiple layers of diversification to help minimize risk.

The plan investments are stated at fair market value. There were no restricted investments as of December 31, 2017 and 2016. The Cooperative has determined that its investments in the pension plan fall into the Level 1 category. Level 1 asset valuations are based on assets at the quoted prices in active markets for identical assets, level 2 asset valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly and level 3 asset valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Asset allocation for Midwest Energy Cooperative as of December 31 as follows:

	2017	2016
U.S. Large cap equity	\$ 10,276,601	\$ 8,784,955
U.S. small/mid cap equity	1,831,765	1,599,475
International equity	5,111,421	3,501,889
Balanced	629,157	542,551
Fixed income	11,939,056	10,788,581
Other	1,859,853	1,609,187
Total	\$ 31,647,853	\$ 26,826,638

Weighted-average assumptions used to determine net periodic benefit costs as of December 31 were:

	2017	2016
Discount rate	4.25%	4.60%
Expected long-term return on plan assets	6.50%	6.75%
Rate of compensation increase	3.25%	3.50%



## Midwest Energy Cooperative

### Notes to Consolidated Financial Statements

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#### Note 8 – Retirement Plans (continued)

The Cooperative established an unfunded 457(f) deferred compensation plan in 2014 for the purposes of providing benefits for a select group of management or highly compensated employees within the regulations of the Employee Retirement Income Security Act (ERISA). New participants may be added to the plan at the discretion of the Board of Directors.

The plan provides for a deferred compensation benefit equal to the difference between the single lump sum actuarial equivalents of the benefit that the Participant would have accrued under the Cooperative Pension Plan as calculated by the Cooperative without application of the limitations provided in Sections 415 and 401(a)(17) of the Code, and the Participant's accrued benefit under the Cooperative Pension Plan as calculated by the Cooperative after application of those limitations under Code Sections 415 and 401(a)(17). The missed benefit is calculated each year and is recorded to accrued pension liability on the consolidated balance sheet. As of December 31, 2017 and 2016, the related liability for this plan was approximately \$0 and \$53,000, respectively.

The participant becomes fully vested in the 457(f) plan if the participant remains employed by the Cooperative until the earliest of the following occur: the participant's date of death; the date of the Participant's disability; the Participant's involuntary termination of employment by the Cooperative without just cause; or the vesting date established by the Participant. If the Participant has a separation from service prior to the earliest of the dates set forth above, all of the Participant's rights to any such benefits under this plan will be forfeited.

#### Note 9 – Post-Retirement Benefits Other Than Pensions

The Cooperative sponsors a defined benefit post-retirement plan that covers both salaried and non-salaried employees, but none of its subsidiary employees. The plan provides for medical benefits for retirees between the ages of 60 and 65. The Cooperative's funding policy is pay-as-you-go.

The following table sets forth the plan's combined funded status reconciled with the amount shown in the Cooperative's consolidated financial statements at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Accrued post-retirement benefit costs, beginning	\$ (3,181,875)	\$ (2,845,185)
Net periodic post-retirement costs	(325,565)	(292,675)
Contributions made	100,303	73,775
Actuarial adjustment	<u>(43,679)</u>	<u>(117,790)</u>
Accrued post-retirement benefit cost, end of year	<u>\$ (3,450,816)</u>	<u>\$ (3,181,875)</u>

**Midwest Energy Cooperative**  
**Notes to Consolidated Financial Statements**

**Note 9 – Post-Retirement Benefits Other Than Pensions (continued)**

Net periodic post-retirement benefit cost includes the following components:

	<u>2017</u>	<u>2016</u>
Service cost-benefits attributed to service during the period	\$ 192,885	\$ 163,889
Interest cost	132,680	128,786
Net amortization and deferral	<u>-</u>	<u>-</u>
Net periodic post-retirement benefit cost	<u>\$ 325,565</u>	<u>\$ 292,675</u>

Amounts recognized in accumulated other comprehensive loss:

Net actuarial gains	\$ (422,716)	\$ (383,443)
Net prior service cost	<u>-</u>	<u>-</u>
Total recognized in other comprehensive income	<u>\$ (422,716)</u>	<u>\$ (383,443)</u>

In 2019, medical costs are expected to increase 7.0% for pre-65 medicals, 6.0% for post-65 medical, and then drop to 4.5% per year in 2026 and after for both categories.

The weighted average discount rate used in determining the accumulated post-retirement benefit obligation is 3.69% and 4.25% for 2017 and 2016, respectively.

Benefit payments of \$180,000 are expected for 2018, \$230,000 for 2019, \$210,000 for 2020, \$230,000 for 2021, \$230,000 for 2022, and \$1,240,000 for 2023-2027.

**Note 10 – Income Taxes**

The provision for income taxes consists of the following as of and for the year ended December 31:

	<u>2017</u>	<u>2016</u>
Current	\$ 17,950	\$ 42,408
Deferred	207,598	292,976
Deferred – Change in federal rate	<u>(242,151)</u>	<u>-</u>
Income tax (benefit) expense	<u>\$ (16,603)</u>	<u>\$ 335,384</u>

## Midwest Energy Cooperative

### Notes to Consolidated Financial Statements

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#### Note 10 – Income Taxes (continued)

The "Tax Reform Act" was enacted December 22, 2017. The law includes significant changes to the U.S. corporate system, including a Federal corporate rate reduction from 34% to 21%. As a result of when the Act was signed into law, the Company's deferred tax assets and liabilities were required to be remeasured using the lower 21% federal rate as of December 31, 2017. This resulted in a one-time favorable charge to tax expense of \$242,151.

The net deferred tax liability as of December 31 consists of the following:

	<u>2017</u>	<u>2016</u>
Deferred tax assets (liabilities)		
Allowance for bad debt	\$ 11,020	\$ 22,715
Tax depreciation greater than book	(771,087)	(1,022,216)
Net operating losses	199,430	399,640
AMT credits	37,772	41,587
Other	<u>(5,113)</u>	<u>(4,257)</u>
Net deferred tax liability	<u>\$ (527,978)</u>	<u>\$ (562,531)</u>

As of December 31, 2017, Midwest Energy, Inc. had \$37,772 in AMT credits available which do not have an expiration date. At December 31, 2017, Midwest Energy, Inc. had an unused federal net operating loss carryforward of \$950,000, which will begin expiring in 2025.

#### Note 11 – Related Party Transactions

Midwest Energy, Inc. and Subsidiary is a wholly-owned subsidiary of Midwest Energy Cooperative. In addition, Midwest Energy Cooperative has furnished some personnel, office space, and other necessary operating facilities such as computer time for Midwest Energy, Inc. and Subsidiary's operations. During the year, Midwest Energy Cooperative charged Midwest Energy, Inc. and Subsidiary's operations for such services. The 2017 and 2016 inter-company balance includes a \$552,894 and \$1,700,016, respectively, non-interest bearing fund advancement, which are expected to be repaid in 2018. During the year ended December 31, 2017, Midwest Energy, Inc. advanced a note payable to the Cooperative for the fiber activity in the amount of \$4,539,272 and \$3,240,272 for 2017 and 2016, respectively, bearing an interest rate of 3.50%. There is currently no firm payment plan established on the note payable due to Midwest Energy, Inc. and Subsidiary. These transactions have been eliminated in the consolidated financial statements.

## **Supplementary Information**

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**Midwest Energy Cooperative**  
**Consolidating Balance Sheets**  
**December 31, 2017**

	Midwest Energy Cooperative	Midwest Energy Inc. and Subsidiary	Eliminations	Consolidated Total
<b>ASSETS</b>				
<b>ELECTRIC PLANT</b>				
In service – at cost	\$ 247,929,278	\$ 7,628,474	\$ -	\$ 255,557,752
Construction work in progress	9,314,532	-	-	9,314,532
	257,243,810	7,628,474	-	264,872,284
Less accumulated depreciation	67,104,760	4,288,577	-	71,393,337
Net electric plant	190,139,050	3,339,897	-	193,478,947
<b>OTHER ASSETS AND INVESTMENTS</b>				
Investments in associated organizations	32,913,576	1,000	(7,566,511)	25,348,065
Notes receivable	161,702	4,539,272	(4,539,272)	161,702
Receivables from subsidiary	357,973	-	(357,973)	-
Income taxes receivable	-	16,719	-	16,719
Grant receivable	119,692	-	-	119,692
Total other assets and investments	33,552,943	4,556,991	(12,463,756)	25,646,178
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	6,661,801	370,061	-	7,031,862
Accounts receivable, less allowance for doubtful accounts of approximately \$462,000	4,110,065	811,815	-	4,921,880
Accounts receivable, associated organizations	-	910,868	(910,868)	-
Unbilled revenue	5,206,029	-	-	5,206,029
Current portion of notes receivable	60,000	-	-	60,000
Materials and supplies	2,256,124	-	-	2,256,124
Inventory of subsidiary	-	321,999	-	321,999
Other current assets and accrued assets	193,367	333,238	(73,120)	453,485
Total current assets	18,487,386	2,747,981	(983,988)	20,251,379
<b>DEFERRED CHARGES</b>	142,300	-	-	142,300
Total assets	\$ 242,321,679	\$ 10,644,869	\$ (13,447,744)	\$ 239,518,804

**Midwest Energy Cooperative**  
**Consolidating Balance Sheets**  
**December 31, 2017**

	<u>Midwest Energy Cooperative</u>	<u>Midwest Energy Inc. and Subsidiary</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
<b>LIABILITIES, EQUITIES, AND MARGINS</b>				
<b>EQUITIES</b>				
Patronage capital and other equities	\$ 56,199,354	\$ 7,566,511	\$ (7,566,511)	\$ 56,199,354
<b>LONG-TERM DEBT, NET OF CURRENT MATURITIES</b>	<u>157,745,345</u>	<u>395,298</u>	<u>-</u>	<u>158,140,643</u>
<b>OTHER LIABILITIES</b>				
Post-retirement benefits other than pensions	3,450,816	-	-	3,450,816
Accrued pension liability	<u>1,379,815</u>	<u>-</u>	<u>-</u>	<u>1,379,815</u>
Total other liabilities	<u>4,830,631</u>	<u>-</u>	<u>-</u>	<u>4,830,631</u>
<b>COMMITMENTS AND CONTINGENCIES (NOTE 7)</b>				
<b>CURRENT LIABILITIES</b>				
Current maturities of long-term debt	4,665,981	106,131	-	4,772,112
Accounts payable				
Purchased power and cooperative payables	7,010,741	-	-	7,010,741
Regulatory Liabilities – energy optimization	642,789	-	-	642,789
Associated organizations	910,868	357,973	(1,268,841)	-
Other	78,346	194,183	(16,720)	255,809
Power supply cost recovery	455,425	-	-	455,425
Customer deposits	661,795	1,391,225	-	2,053,020
Accrued liabilities	4,512,001	103,374	-	4,615,375
Note payable to subsidiary	<u>4,539,272</u>	<u>-</u>	<u>(4,539,272)</u>	<u>-</u>
Total current liabilities	<u>23,477,218</u>	<u>2,152,886</u>	<u>(5,824,833)</u>	<u>19,805,271</u>
<b>DEFERRED TAX LIABILITY</b>	<u>-</u>	<u>527,978</u>	<u>-</u>	<u>527,978</u>
<b>DEFERRED CREDITS</b>	<u>69,131</u>	<u>2,196</u>	<u>(56,400)</u>	<u>14,927</u>
Total liabilities, equities, and margins	<u>\$ 242,321,679</u>	<u>\$ 10,644,869</u>	<u>\$ (13,447,744)</u>	<u>\$ 239,518,804</u>



**Midwest Energy Cooperative**  
**Consolidating Statements of Operations**  
**December 31, 2017**

	Midwest Energy Cooperative	Midwest Energy Inc. and Subsidiary	Eliminations	Consolidated Total
OPERATING REVENUES	\$ 82,762,864	\$ 5,772,299	\$ (18,125)	\$ 88,517,038
OPERATING EXPENSES				
Cost of power	47,356,174	-	-	47,356,174
Cost of goods sold	-	2,811,222	-	2,811,222
Distribution – operations	2,764,651	-	-	2,764,651
Distribution – maintenance	9,373,263	-	-	9,373,263
Customer accounts	2,363,844	-	-	2,363,844
Customer service and information expense	2,503,384	-	-	2,503,384
Administrative and general	6,297,738	2,133,547	(18,125)	8,413,160
Depreciation and amortization	7,109,038	380,964	-	7,490,002
Taxes – property	2,624,275	11,255	-	2,635,530
Total operating expenses	80,392,367	5,336,988	(18,125)	85,711,230
OPERATING MARGINS BEFORE FIXED CHARGES	2,370,497	435,311	-	2,805,808
FIXED CHARGES				
Interest on long-term debt	4,300,461	22,765	(142,397)	4,180,829
Total fixed charges	4,300,461	22,765	(142,397)	4,180,829
OPERATING MARGINS (DEFICITS) AFTER FIXED CHARGES	(1,929,964)	412,546	142,397	(1,375,021)
G&T AND OTHER CAPITAL CREDITS	3,594,185	-	-	3,594,185
NET OPERATING MARGINS	1,664,221	412,546	142,397	2,219,164
NON-OPERATING MARGINS				
Interest and dividend income	143,257	142,397	(142,397)	143,257
Income from subsidiary	597,412	-	(597,412)	-
Gain (loss) on sale of assets	(58,094)	19,143	-	(38,951)
Other income	705,205	-	-	705,205
Income tax benefit (expense)	(6,723)	23,326	-	16,603
TOTAL NON-OPERATING MARGINS (DEFICITS)	1,381,057	184,866	(739,809)	826,114
NET MARGINS	3,045,278	597,412	(597,412)	3,045,278
COMPREHENSIVE LOSS				
Unrealized gain on pension and post-retirement benefits other than pensions	354,470	-	-	354,470
COMPREHENSIVE INCOME	\$ 3,399,748	\$ 597,412	\$ (597,412)	\$ 3,399,748



**Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Directors  
Midwest Energy Cooperative

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Midwest Energy Cooperative (the "Cooperative") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Midwest Energy Cooperative's consolidated financial statements, and have issued our report thereon dated March 30, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Midwest Energy Cooperative's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Cooperative's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

*Moss Adams LLP*

Portland, Oregon  
March 30, 2018



