



To: **Board of Trustees and Attorney**

A regular meeting of the Board of Trustees has been scheduled for September 13, 2021 at 7:00 p.m.

Proposed Agenda:

1. Call to Order
2. Reading and Approval of Minutes
3. Presentation of Check Register
4. Presidents Report
5. Attorneys Report
6. Sunflower EPC Report
7. KEC Report – Lee Tafarielli
8. General Managers Report
9. Old Business –
 - a. Distribution Capital Credit Retirement Plan
 - b. Hazard Mitigation Plans – FEMA update
10. New Business
 - a. Load Forecast Study
 - b. Wage and Salary Plan
 - c. Audit Engagement Letter
 - d. Board fourth quarter schedule
11. Safety Report
12. Executive Session – is requested by the General Manager
13. Adjourn

Upcoming Events:

Sunflower EPC Board	Hays, KS	September 15
NRECA Annual Meeting	Las Vegas, NV	September 28-30
LSEC Board Meeting	Dighton	October 4

#	item	Board Packet	Supplemental information
2	Minutes	y	
3	Check Register(s)	y	
	Payroll	y	
6	Sunflower Report	y	
7	KEC Report	y	
8	GM Report	y	
	<u>Financials</u>		
	Form 7	y	
	Statistical Report	y	
	Non-operating margins	y	
	<u>Operations</u>		y
	<u>IT-Compliance</u>		y
	<u>IT / Cybersecurity</u>		y
	<u>Engineering</u>		y
	Outage statistics		y
	Transformer losses		y
	<u>Member Service</u>		y
	Paperless Billing Campaign		y
	<u>Warehouse</u>		y
9	Old Business		
a	Capital Credit Retirement Plan	y	
	Distribution Capital Credit Retirements	y	
	Sample retirements	y	
b	Hazard Mitigation Plans	y	
10	New Business		
a	Load Forecast Study	y	
b	Wage and Salary Plan	y	
c	Audit Engagement Letter	y	
d	Board 4 th Quarter Schedule	y	
11	Safety Report		
	8/17 Safety Meeting minutes	y	
	8/19 Safety Council minutes	y	
	Safety Program Monthly Report	y	

**MINUTES OF THE REGULAR AUGUST 2021
MEETING OF THE BOARD OF TRUSTEES
OF THE LANE-SCOTT ELECTRIC COOPERATIVE, INC.**

CALL TO ORDER

A regular meeting of the Board of Trustees of the Lane-Scott Electric Cooperative, Inc., was held on Monday, August 9, 2021, in the offices of the cooperative at 410 South High Street, Dighton, Kansas. President Richard Jennison called the meeting to order at 6:59 p.m. In addition to President Richard Jennison, the other trustees in attendance were: Rad Roehl, Harold Hoss, Randy Evans, Eric Doll, Richard Sorem, Chad Griffith, Paul Seib Jr. and Craig Ramsey. Also present Richard McLeon IV and Joseph Gasper, Attorney.

REORGANIZATION AND ELECTION OF OFFICERS

President, Jennison asked Attorney Gasper to chair the meeting for the election of officers. Attorney Gasper called for nominations for president to serve until the next election of officers following the annual meeting in year 2022.

President Jennison was nominated to serve as president. The nomination was seconded, and it was moved that nominations cease and that a unanimous ballot be cast for President Jennison. The motion was duly seconded and carried.

A motion to retain the remaining current officers in their positions for the next year, as follows: Vice President, Craig Ramsey, Secretary, Paul Seib, Jr., and Treasurer, Eric Doll was made. The motion was seconded and carried.

Attorney Gasper called for action on the time and place for the monthly meeting. A motion to *maintain the current schedule of 7:00 p.m. on the first Monday of each month for the board meeting was made, duly seconded, and carried.*

The board discussed Trustee compensation and no action was taken to change the compensation levels.

A motion to appoint Paul Seib, Jr., and Manager McLeon as the Sunflower delegates and President Jennison and Kathy Lewis as the alternate Sunflower delegate was made. The motion was seconded and carried.

A motion to appoint Harold Hoss as the KEC delegate and Manager McLeon as the alternate KEC delegate was made. The motion was seconded and carried.

MINUTES OF PRIOR MEETING

President Jennison called for action on the minutes of the prior meeting held on July 12, 2021. *Hearing no corrections to the minutes, President Jennison declared the minutes stand approved as corrected.*

CASH DISBURSEMENTS

President Jennison called for questions regarding the check list for the month.

There was a question about check #47212 to the City of Ness City. Manager McLeon answered that \$4,905 of the check was franchise fee and the remainder was for the processing fee.

An additional question regarding check 47243 to CBC lawn care was raised. Manager McLeon will check and report back to the board, but he believed this check may have included some spraying service.

PRESIDENT'S REPORT

President Jennison had no current items to report.

ATTORNEY'S REPORT

Attorney Gasper had no current items to report.

REPORT OF SUNFLOWER DELEGATE

A copy of the Sunflower report was included in the board packet and emailed to the trustees.

KEC REPORT

Trustee Hoss reported that the KEC summer board meeting had been held and the report was included in the packet. Pat Morris was elected as a representative for NRECA.

MANAGER'S REPORT

Manager McLeon commented on the following matters:

- The credit card statements were presented to the Trustees for review.
- The storm the past Saturday night caused significant damage to the system in two areas. Approximately 2.5 miles of 34.5kV line down due to broken poles caused by the wind. In total, 56 poles were lost.
- Victory and Western have sent two crews each to assist the Lane-Scott crews in repairing the down line. They have also provided material as Lane-Scott did not have enough poles on hand. One load of materials arrived today, and another is expected Wednesday. The new poles will go into the new work plan. Ransom is currently being back fed and the system is holding for now.
- About 1,000 members were off at the peak outage and all but 35 were restored after the first night. All residences have been restored and the only services off are oil load at this time.
- The residential rate was 12.6 cents and the overall rate was 11.35 cents y.t.d.
- ASAI shows 99.97% service availability. This does not include the most recent outage.
- The information requested from the consultants for the COSS have been delivered. The inflation from the last COSS has increased about 14%. The consultants are evaluating fees, line extension costs, irrigation fees and access charges. Any rate adjustment will require an update to the tariff.
- 143 members attended the business meeting with 389 people being served food. Richard Jennison, Craig Ramsey and Harold Hoss were elected for another three-year term each and all of the bylaw amendments passed.
- The Co-ops Vote event will be held August 24 at the Ness City Bank Building.
- Manager McLeon reported that he believes the income statement has been incorrect since the February storm since it continues to show Operating Margin losses while Sales are up and outpacing expenses. Randy Robbins at BSGM is working on a mini audit to help assist with finding the issue. Both Randy and Manager McLeon believe the issue to be in the winter storm recapture and on the wholesale power cost.
- A question was raised regarding having the current auditor assist with the matter or having another auditor would be better. Manager McLeon had discussed the matter with Randy, and he was comfortable with assisting on finding the issue.
- Cash Balance is \$7,294,069 with equity at 36.66% and total long-term debt of \$37,020,027.

- Non-operating margins show a \$26,165 gain. The Generac generators delivery times are 28 weeks. Two more were sold during the month and two more are in stock ready for installation.
- Furnace filters were offered at a 20% discount for the month of July and over 100 filters were sold compared to an average month of around five.
- \$31,750 in inventory to be billed/future margins remain in margin yet to be realized.

RECEIPT OF MANAGER'S REPORT

The board received the Manager's report as indicated herein, and there were no follow-up questions.

SAFETY REPORT

A safety report was included in the board packet.

OLD BUSINESS

1. Capital Credits policy 113

- Bill Miller of BGSM was contacted regarding the capital credit retirement policy and discounting of early retirements.
- He recommended the board to consider the application of a discount to bad debts, inactive patrons, negotiated contracts and allocated but not retired G&T capital credits as well as estates.
- An applied discount would result in an increase in equity for the coop as well as cleaning up records.
- The board discussed the various recommendations and asked to have the study look at the effects of discounting on the cooperative and members.

2. Kansas Hazard Mitigation Plan Resolution

- The board reviewed the proposed amendment resolution and discussed. A discussion of whether the language protected LSEC from potential requirements to conduct improvements at the demand of FEMA was made. The board asked Attorney Gasper to amend the language further to protect LSEC from those concerns.

NEW BUSINESS

1. IRS form 8821

- Staff requested the board to approve IRS form 8821 to add Diana Kuhlman to the form.
- *A motion to approve IRS form 8821 as presented to add Diana Kuhlman to the form was made, duly seconded and carried.*

2. NRECA Delegates

- *A motion to appoint Richard McLeon as the Federated and NRECA Business meeting voting delegate at the NRECA annual meeting and Richard Jennison as the alternate voting delegate was made, duly seconded, and carried.*

3. City of Dighton

- The Dighton City Council discussed a plan for capital improvements and a switch of voltage with KMEA at their July 8 meeting. Manager McLeon has had conversations with various council members and is keeping abreast of the issues.

ADJOURNMENT

A motion to adjourn the meeting was made, seconded and carried at 8:44 p.m., on Monday, August 9, 2021.

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Accounts Payable Check Register

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07/08/2021 To 08/03/2021

Bank Account: 2 - FIRST STATE BANK

Check / Tran Date	Pmt Type	Vendor	Vendor Name	Reference	Amount
2464 07/08/2021	WIRE	1267	AFLAC	Monthly Premiums	465.84
2476 07/08/2021	WIRE	1224	NRECA RETIREMENT & SECURITY	NRECA RS-Group Insurance	44,594.10
2463 07/09/2021	WIRE	168	ONLINE INFORMATION SERVICES, INC	Utility Exchange	59.70
47252 07/09/2021	CHK	14	OFFICE SOLUTIONS, INC	Monthly Invoice	59.68
47253 07/09/2021	CHK	20	BASIN ELECTRIC POWER COOP	Dispatch Fees-June	2,129.54
47254 07/09/2021	CHK	40	KANSAS ELECTRIC COOPERATIVES	Member Brochure & Dues	12,685.27
47255 07/09/2021	CHK	45	BUMPER TO BUMPER OF DIGHTON	Monthly Invoice	371.71
47256 07/09/2021	CHK	46	LANE COUNTY TREASURER	Registrations for #305 & 105	104.50
47257 07/09/2021	CHK	55	NESS COUNTY NEWS	Advertising	90.10
47258 07/09/2021	CHK	96	STEPHENS LUMBER - DIGHTON	Monthly Invoice	165.72
47259 07/09/2021	CHK	104	HOME OIL CO	Monthly Fuel Invoice	934.05
47260 07/09/2021	CHK	105	CITY OF NESS CITY	Postage and Pay Station-June	616.80
47261 07/09/2021	CHK	107	CINTAS CORPORATION #449	Monthly Invoice	245.59
47262 07/09/2021	CHK	117	NESS CITY FARM & FEED	Monthly Invoice	171.28
47263 07/09/2021	CHK	134	SOLIDA TREE SERVICE, INC.	Tree Trimming	4,512.10
47264 07/09/2021	CHK	169	AMERICAN ELECTRIC-GARDEN CITY	Monthly Invoice	556.58
47265 07/09/2021	CHK	172	TYNDALE COMPANY, INC.	Clothing Allowance-McCulloch	1,008.31
47266 07/09/2021	CHK	181	BAKER DISTRIBUTING CO	Monthly Invoice	136.98
47267 07/09/2021	CHK	184	JOHNSTONE SUPPLY	Monthly Invoice	5,196.57
47268 07/09/2021	CHK	238	ILLINOIS MUTUAL	Premiums	153.20
47269 07/09/2021	CHK	261	LOCKE SUPPLY CO	Monthly Invoice	9.50
47270 07/09/2021	CHK	304	STECKLINE COMMUNICATIONS INC	Advertising	200.00
47271 07/09/2021	CHK	306	BORDER STATES INDUSTRIES INC	Monthly Invoice	19,353.77
47272 07/09/2021	CHK	328	RED D ELECTRIC	Monthly Invoice	27.57
47273 07/09/2021	CHK	329	SOUTHWIND BROADCASTING	Advertising	48.00
47274 07/09/2021	CHK	387	WESTERN FUEL & SUPPLY	Monthly Fuel Invoice	305.08

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Accounts Payable Check Register

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Bank Account: 2 - FIRST STATE BANK

Check / Tran Date	Pmt Type	Vendor	Vendor Name	Reference	Amount
47275 07/09/2021	CHK	392	TRUCK CENTER COMPANIES	Monthly Invoice	680.86
47276 07/09/2021	CHK	395	DOLLAR GENERAL - REGIONS 410526	Monthly Invoice	40.85
47277 07/09/2021	CHK	413	MERIDIAN ANALYTICAL LABS, LLC	Hydrocarbon	88.50
47278 07/09/2021	CHK	427	DIGHTON HERALD LLC	Advertising	108.00
47279 07/09/2021	CHK	430	COMMERCIAL SIGN	Signs for Ness and Resale	5,134.22
47280 07/09/2021	CHK	443	BROOKS BROTHERS TRAILERS	Wire Holder Assembly for trailer #702	10,342.60
47281 07/09/2021	CHK	474	NKC TIRE	Tires	736.54
47282 07/09/2021	CHK	479	CASE BECKMAN	Lawn Care	415.00
47283 07/09/2021	CHK	490	FEDEX FREIGHT	Freight	309.73
47284 07/09/2021	CHK	491	WEATHERCRAFT OF GARDEN CITY	Monthly Invoice	21.67
47285 07/09/2021	CHK	506	K&J FOODS	Monthly Invoice	169.18
47286 07/09/2021	CHK	715	KATHERINE E LEWIS	Clothing Allowance	216.90
47287 07/09/2021	CHK	773	BRETZ, INC.	Tire Repair # 150	56.50
47288 07/09/2021	CHK	903	NISC	Monthly Invoice	10,176.91
47289 07/09/2021	CHK	998	LANE COUNTY 4-H COUNCIL	4H Award Sponsor	100.00
47290 07/09/2021	CHK	1016	KANSAS ONE-CALL SYSTEM INC	Locate Fees	164.40
47291 07/09/2021	CHK	1169	WASHER SPECIALTIES CO.	Monthly Invoice	843.96
47292 07/09/2021	CHK	1172	WESTERN SUPPLY COMPANY	Monthly Invoice	1,087.46
47293 07/09/2021	CHK	1197	GARDEN CITY WHOLESALE SUPPLY	Monthly Invoice	1,998.98
47294 07/09/2021	CHK	1230	NORTHWESTERN PRINTERS, INC.	Supplies	412.04
47295 07/09/2021	CHK	1244	PROTECTIVE EQUIPMENT TESTING	Monthly Invoice	59.55
47296 07/09/2021	CHK	1248	COMPLIANCE ONE	Drug & Alcohol Testing	423.50
47297 07/09/2021	CHK	1251	TECHLINE, LTD	Monthly Invoice	56,154.66
2465 07/12/2021	WIRE	18	CITY OF DIGHTON	Monthly Invoice	1,758.53
2467 07/12/2021	WIRE	124	GOLDEN BELT TELEPHONE	Monthly Invoice	188.68
2468 07/13/2021	WIRE	1160	S&T TELEPHONE COOP ASSN.	Monthly Invoice	796.12

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Bank Account: 2 - FIRST STATE BANK

Check / Tran Date	Pmt Type	Vendor	Vendor Name	Reference	Amount
47298 07/16/2021	CHK	15	ERIC DOLL	July Board Meeting	389.20
47299 07/16/2021	CHK	30	HAROLD HOSS	July Board Meeting	383.60
47300 07/16/2021	CHK	60	PAUL SEIB JR	July Board Meeting	386.96
47301 07/16/2021	CHK	63	RICHARD JENNISON	July Board Meeting	364.56
47302 07/16/2021	CHK	105	CITY OF NESS CITY	Monthly Invoice	26.24
47303 07/16/2021	CHK	179	RAD ROEHL	July Board Meeting	360.08
47304 07/16/2021	CHK	189	COBANK ACB	Overpayment on loan 0006370ST01	114,606.87
47305 07/16/2021	CHK	243	WELL WATCH LLC	Truck #193	1,081.14
47306 07/16/2021	CHK	413	MERIDIAN ANALYTICAL LABS, LLC	Hydrocarbon	59.00
47307 07/16/2021	CHK	450	RANDALL G EVANS	July Board Meeting	350.56
47308 07/16/2021	CHK	745	GOVE COUNTY ADVOCATE	Advertising	22.00
47309 07/16/2021	CHK	903	NISC	Monthly Invoice	182.14
47310 07/16/2021	CHK	1045	KALO MANN	CDL Renewal	29.00
47311 07/16/2021	CHK	1225	CINTAS CORPORATION	Monthly Invoice-Dighton	149.35
47312 07/16/2021	CHK	1243	TRI-CENTRAL OFFICE SUP-HAYS	work of Printhead	658.88
47313 07/16/2021	CHK	1263	RICHARD SOREM	July Board Meeting	398.16
47314 07/16/2021	CHK	1299	DEANNE SHULL	Cookies for Board Mtg	72.00
47315 07/16/2021	CHK	1300	CRAIG RAMSEY	July Board Meeting	378.00
47316 07/19/2021	CHK	150	CHRIS TERHUNE	15 Year Recognition Gift	350.00
47317 07/19/2021	CHK	715	KATHERINE E LEWIS	30 year Recognition Gift	500.00
2469 07/20/2021	WIRE	274	VERIZON WIRELESS	Monthly Invoice	663.92
2470 07/20/2021	WIRE	1229	SCHABEN SANITATION	Monthly Invoice	491.43
2466 07/21/2021	WIRE	384	UPS	PCB Testing Postage	18.87
2472 07/26/2021	WIRE	101	ATMOS ENERGY	Monthly Invoice	50.10
2474 07/26/2021	WIRE	263	KS DEPT OF REVENUE - SALES TAX	Sales Tax	22,899.75
2475 07/26/2021	WIRE	264	KS DEPT OF REVENUE - USE TAX	Use Tax	917.20

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Accounts Payable Check Register

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Bank Account: 2 - FIRST STATE BANK

Check / Tran Date	Pmt Type	Vendor	Vendor Name	Reference	Amount
47318 07/26/2021	CHK	1	FRANK STULL AMERICAN LEGION AU	Co-Bank Sharing Success Grant	500.00
47319 07/26/2021	CHK	1	NESS COUNTY FIRE DISTRICT #1	Co Bank Sharing Success	500.00
47320 07/26/2021	CHK	1	SACRED HEART SCHOOL	Donation	100.00
47321 07/26/2021	CHK	79	POSTMASTER	Postage Newsletter	99.43
47322 07/26/2021	CHK	105	CITY OF NESS CITY	Franchise Fee	5,986.63
47323 07/26/2021	CHK	107	CINTAS CORPORATION #449	Monthly Invoice-Ness City	71.56
47324 07/26/2021	CHK	134	SOLIDA TREE SERVICE, INC.	Tree Trimming	8,434.45
47325 07/26/2021	CHK	135	CITY OF BAZINE	Franchise Fee	1,654.12
47326 07/26/2021	CHK	138	CITY OF UTICA	Franchise Fee	2,033.71
47327 07/26/2021	CHK	139	CITY OF MCCracken	Franchise Fee	1,792.44
47328 07/26/2021	CHK	140	CITY OF BROWNELL	Franchise Fee	461.66
47329 07/26/2021	CHK	141	CITY OF RANSOM	Franchise Fee	3,666.98
47330 07/26/2021	CHK	142	CITY OF ALEXANDER	Franchise Fee	706.86
47331 07/26/2021	CHK	150	CHRIS TERHUNE	KEC Walk Thru	25.80
47332 07/26/2021	CHK	160	SHULL OIL COMPANY	Monthly Fuel Invoice	5,873.63
47333 07/26/2021	CHK	172	TYNDALE COMPANY, INC.	Clothing Allowance-Benn Mann	514.13
47334 07/26/2021	CHK	226	KANSAS CORPORATION COMMISSION	Qtrly Assesment	216.33
47335 07/26/2021	CHK	243	WELL WATCH LLC	Inspection and Repairs	1,020.88
47336 07/26/2021	CHK	325	HODGEMAN COUNTY 4-H SALE	Livestock Auction	100.00
47337 07/26/2021	CHK	386	SEILER INSTRUMENT & MFG CO INC	GPS Equipment for Staking Lines	24,502.78
47338 07/26/2021	CHK	406	RICHARD MCLEON	Mileage-mtg exp	122.08
47339 07/26/2021	CHK	429	IT1 CONSULTING LLC	Software	245.85
47340 07/26/2021	CHK	431	LANE COUNTY EMS	Stand by at Meeting & 1st Aid & CPR Class	860.00
47341 07/26/2021	CHK	449	JOHN ROSS & CO SIGNATURE CATERIN	Annual Mtg Meal	10,154.62
47342 07/26/2021	CHK	472	C.H. GUERSNEY & COMPANY	Lane-Scott COSS 2020 TY	7,275.50
47343 07/26/2021	CHK	929	AMERICAN CASTING & MFG CORP	Monthly Invoice	363.18

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Bank Account: 2 - FIRST STATE BANK

Check / Tran Date	Pmt Type	Vendor	Vendor Name	Reference	Amount
47344 07/26/2021	CHK	998	LANE COUNTY 4-H COUNCIL	Livestock Auction	150.00
2473 07/27/2021	WIRE	1290	WEX BANK	Monthly Fuel Invoice	351.15
2471 07/30/2021	WIRE	1239	CULLIGAN OF DODGE CITY	Monthly Invoice	116.10
47345 08/02/2021	CHK	34	AMERICAN SAFETY UTILITY CORP	Monthly Invoice	658.26
47346 08/02/2021	CHK	40	KANSAS ELECTRIC COOPERATIVES	Monthly Invoice	2,335.12
47347 08/02/2021	CHK	59	NRECA	Rural Electric Magazine	585.00
47348 08/02/2021	CHK	73	STANION WHOLESALE ELEC CO INC	Monthly Invoice	31,166.05
47349 08/02/2021	CHK	107	CINTAS CORPORATION #449	Monthly Invoice-Dighton	27.13
47350 08/02/2021	CHK	114	WHEATLAND ELECTRIC COOPERATIVE	Coop Care Charity Golf Tournament	550.00
47351 08/02/2021	CHK	182	G.E.M.S. INC	Capacitors	192.07
47352 08/02/2021	CHK	218	SPENCER PEST CONTROL	Pest Control	108.50
47353 08/02/2021	CHK	248	CENTRAL PUMP & SUPPLY	Monthly Invoice	10.39
47354 08/02/2021	CHK	317	JOHN DEERE FINANCIAL	Chain for saw	29.28
47355 08/02/2021	CHK	380	GRAINGER	Monthly Invoice	124.57
47356 08/02/2021	CHK	385	PIONEER COMMUNICATIONS	Advertising	436.92
47357 08/02/2021	CHK	395	DOLLAR GENERAL - REGIONS 410526	Supplies	176.56
47358 08/02/2021	CHK	406	RICHARD MCLEON	Per Diem -KEC Annual Mtg	53.00
47359 08/02/2021	CHK	472	C.H. GUERSNEY & COMPANY	Construction Work Plan	8,398.25
47360 08/02/2021	CHK	492	PINNACLE MARKETING GROUP	Advertising	342.60
47361 08/02/2021	CHK	1197	GARDEN CITY WHOLESALE SUPPLY	Monthly Invoice	3,984.43
47362 08/02/2021	CHK	1243	TRI-CENTRAL OFFICE SUP-HAYS	Office Supplies	230.55
47363 08/02/2021	CHK	1244	PROTECTIVE EQUIPMENT TESTING	Conductor Cover & Gloves Tested	248.25
47364 08/02/2021	CHK	1285	TIFCO INDUSTRIES	Monthly Invoice	82.89
2477 08/03/2021	WIRE	1187	MIDWEST ENERGY	Monthly Invoice	72.45
2478 08/03/2021	WIRE	274	VERIZON WIRELESS	Monthly Invoice	314.24

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**Accounts Payable
Check Register**

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07/08/2021 To 08/03/2021

Bank Account: 2 - FIRST STATE BANK

Check / Tran Date	Pmt Type	Vendor	Vendor Name	Reference	Amount
Total Payments for Bank Account - 2 :					(129) 460,502.27
Total Voids for Bank Account - 2 :					(0) 0.00
Total for Bank Account - 2 :					(129) 460,502.27
Grand Total for Payments :					(129) 460,502.27
Grand Total for Voids :					(0) 0.00
Grand Total :					(129) 460,502.27

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Payroll/Labor Check Register

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Pay Date: 07/01/2021 To 07/30/2021

Empl	Name	Pay Date	Dir Dep/Check	Gross Pay	Other Pay	Hours	Advances	Deductions/ ER Taxes	Txbl Benefits/ ER PTO	Taxes/ ER Benefits	Net Pay	Type
5	KATHERINE E LEWIS	07/14/2021	5640	5,072.81	0.00	88.00	0.00	597.01 384.42	41.46 0.00	1,581.04 2,707.16	2,894.76 985.00 175.00 1,734.76	DD DD DD
21	CARRIE M BORELL	07/14/2021	5641	2,550.24	0.00	88.00	0.00	335.11 190.07	11.88 0.00	444.93 1,998.14	1,770.20	DD
22	REBECCA L CAMPBELL	07/14/2021	5642	2,288.00	0.00	88.00	0.00	380.66 166.00	5.96 0.00	419.44 1,891.33	1,487.90 450.00 1,037.90	DD DD
26	RICHARD A MCLEON	07/14/2021	5643	9,583.33	0.00	88.00	0.00	350.07 743.28	132.91 0.00	3,422.58 3,336.01	5,810.68	DD
34	KALO M MANN	07/14/2021	5644	3,838.76	0.00	99.50	0.00	552.35 297.14	98.03 0.00	880.86 1,860.72	2,405.55	DD
35	NATHAN A BURNS	07/14/2021	5645	3,173.28	0.00	88.00	0.00	349.79 242.32	18.95 0.00	835.47 1,596.41	1,988.02	DD
50	KASEY R JENKINSON	07/14/2021	5646	4,990.92	0.00	106.00	0.00	717.20 377.09	16.13 0.00	1,196.42 2,529.39	3,077.30	DD
55	BENJAMIN L MANN	07/14/2021	5647	4,410.84	0.00	96.50	0.00	649.81 336.77	15.88 0.00	1,034.12 1,873.51	2,726.91	DD
74	DAL S HAWKINSON	07/14/2021	5648	4,162.61	0.00	95.00	0.00	524.48 312.93	5.67 0.00	964.07 2,474.54	2,674.06	DD
84	MICHAEL S POLLOCK	07/14/2021	5649	3,490.25	0.00	90.50	0.00	706.84 261.54	6.29 0.00	598.06 2,338.55	2,185.35 100.00 25.00 25.00 25.00 2,010.35	DD DD DD DD DD
85	CHAD A RUPP	07/14/2021	5650	5,702.87	0.00	117.00	0.00	504.44 433.86	46.22 0.00	1,443.35 2,474.54	3,755.08	DD
89	CHRIS R TERHUNE	07/14/2021	5651	5,463.19	0.00	114.00	0.00	562.05 413.13	14.82 0.00	1,752.21 2,474.54	3,148.93	DD
93	MYRON E SEIB	07/14/2021	5652	3,972.44	0.00	91.00	0.00	643.43 300.00	26.89 0.00	741.09 2,474.54	2,587.92	DD
99	KEVIN A BRADSTREET	07/14/2021	5653	5,702.87	0.00	117.00	0.00	450.86 435.95	17.64 0.00	1,783.90 1,516.11	3,468.11	DD
108	MARK R MCCULLOCH	07/14/2021	5654	3,469.98	0.00	95.50	0.00	950.84 265.26	21.93 0.00	835.42 1,602.65	1,683.72	DD
117	LEIGHTON J AYERS	07/14/2021	5655	4,025.27	0.00	93.50	0.00	366.93 302.90	12.05 0.00	895.22 2,362.98	2,763.12 150.00 2,613.12	DD DD

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Payroll/Labor Check Register

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Pay Date: 07/01/2021 To 07/30/2021

Empl	Name	Pay Date	Dir Dep/Check	Gross Pay	Other Pay	Hours	Advances	Deductions/ ER Taxes	Txbl Benefits/ ER PTO	Taxes/ ER Benefits	Net Pay	Type
129	STACEY L FOOS	07/14/2021	5656	130.10	0.00	8.25	0.00	0.00	0.00	10.12	119.98	DD
								11.52	0.00	0.00		
130	ANN MARIE JENNINGS	07/14/2021	5657	2,126.96	0.00	88.00	0.00	265.01	8.07	401.90	1,460.05	DD
								152.60	0.00	1,546.98		
131	DIANA KUHLMAN	07/14/2021	5658	2,099.68	0.00	88.00	0.00	367.64	10.75	337.18	1,394.86	DD
								157.41	0.00	1,230.64		
132	DELLON SHELTON	07/14/2021	5659	3,225.50	0.00	105.00	0.00	147.22	1.55	912.55	2,165.73	DD
								244.99	0.00	958.33		
134	SCOTT A BRIAND	07/14/2021	5660	1,672.00	0.00	88.00	0.00	80.21	3.00	242.20	1,349.59	DD
								122.19	0.00	980.89		
135	BLAKE MCVICKER	07/14/2021	5661	4,031.25	0.00	100.00	0.00	255.53	3.18	1,099.12	2,676.60	DD
								306.75	0.00	1,071.50		
5	KATHERINE E LEWIS	07/29/2021		5,072.81	0.00	88.00	0.00	597.01	41.46	1,579.84	2,895.96	
			5662					384.41	0.00	2,707.16	985.00	DD
											175.00	DD
											1,735.96	DD
21	CARRIE M BORELL	07/29/2021	5663	2,680.65	0.00	91.00	0.00	335.11	11.88	476.28	1,869.26	DD
								200.02	0.00	1,998.14		
22	REBECCA L CAMPBELL	07/29/2021		2,424.50	0.00	91.50	0.00	380.66	5.96	452.84	1,591.00	
			5664					176.43	0.00	1,891.33	450.00	DD
											1,141.00	DD
26	RICHARD A MCLEON	07/29/2021	5665	9,583.33	0.00	88.00	0.00	350.07	132.91	2,847.06	6,386.20	DD
								743.30	0.00	3,336.01		
34	KALO M MANN	07/29/2021	5666	3,878.41	0.00	98.50	0.00	552.35	98.03	893.55	2,432.51	DD
								300.17	0.00	1,860.72		
35	NATHAN A BURNS	07/29/2021	5667	3,389.64	0.00	92.00	0.00	349.79	18.95	910.77	2,129.08	DD
								258.88	0.00	1,596.41		
50	KASEY R JENKINSON	07/29/2021	5668	4,946.94	0.00	103.50	0.00	717.20	16.13	1,179.69	3,050.05	DD
								373.73	0.00	2,529.39		
55	BENJAMIN L MANN	07/29/2021	5669	5,080.20	0.00	107.00	0.00	649.81	15.88	1,269.54	3,160.85	DD
								387.97	0.00	1,873.51		
74	DAL S HAWKINSON	07/29/2021	5670	4,492.24	0.00	101.00	0.00	524.48	5.67	1,085.37	2,882.39	DD
								338.15	0.00	2,474.54		
84	MICHAEL S POLLOCK	07/29/2021		4,101.43	0.00	101.50	0.00	706.84	6.29	751.81	2,642.78	
			5671					308.30	0.00	2,338.55	100.00	DD
											25.00	DD
											25.00	DD
											25.00	DD
											2,467.78	DD
85	CHAD A RUPP	07/29/2021	5672	3,909.05	0.00	91.00	0.00	504.44	46.22	826.76	2,577.85	DD

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Payroll/Labor Check Register

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Pay Date: 07/01/2021 To 07/30/2021

Empl	Name	Pay Date	Dir Dep/Check	Gross Pay	Other Pay	Hours	Advances	Deductions/ ER Taxes	Txbl Benefits/ ER PTO	Taxes/ ER Benefits	Net Pay	Type
89	CHRIS R TERHUNE	07/29/2021	5673	3,940.75	0.00	91.50	0.00	296.64	0.00	2,474.54	2,196.33	DD
								562.05	14.82	1,182.37		
93	MYRON E SEIB	07/29/2021	5674	4,321.09	0.00	98.50	0.00	296.65	0.00	2,474.54	2,849.36	DD
								643.43	26.89	828.30		
99	KEVIN A BRADSTREET	07/29/2021	5675	4,346.50	0.00	97.50	0.00	326.68	0.00	2,474.54	2,619.53	DD
								450.86	17.64	1,276.11		
108	MARK R MCCULLOCH	07/29/2021	5676	3,697.63	0.00	99.50	0.00	332.19	0.00	1,516.11	1,832.11	DD
								950.84	21.93	914.68		
117	LEIGHTON J AYERS	07/29/2021		4,838.27	0.00	104.50	0.00	282.66	0.00	1,602.65	3,307.83	
			5677					366.93	12.05	1,163.51	150.00	DD
								365.11	0.00	2,362.98	3,157.83	DD
129	STACEY L FOOS	07/29/2021	5678	110.39	0.00	7.00	0.00	0.00	0.00	8.44	101.95	DD
								9.76	0.00	0.00		
130	ANN MARIE JENNINGS	07/29/2021	5679	2,126.96	0.00	88.00	0.00	265.01	8.07	400.71	1,461.24	DD
								152.59	0.00	1,546.98		
131	DIANA KUHLMAN	07/29/2021	5680	2,099.68	0.00	88.00	0.00	367.64	10.75	336.09	1,395.95	DD
								157.42	0.00	1,230.64		
132	DELLON SHELTON	07/29/2021	5681	2,611.00	0.00	91.50	0.00	147.73	1.70	694.18	1,769.09	DD
								197.99	0.00	958.84		
134	SCOTT A BRIAND	07/29/2021	5682	1,771.75	0.00	91.50	0.00	80.21	3.00	264.31	1,427.23	DD
								129.83	0.00	980.89		
135	BLAKE MCVICKER	07/29/2021	5683	3,834.38	0.00	98.50	0.00	255.53	3.18	1,028.35	2,550.50	DD
								291.70	0.00	1,071.50		
136	ELI O RUPP	07/29/2021	5684	382.50	0.00	25.00	0.00	0.00	0.00	36.60	345.90	DD
								33.86	0.00	0.00		
Grand Total:				\$ 168,823.25	\$ 0.00	4,066.75	\$ 0.00	\$ 19,515.47	\$ 1,038.67	\$ 42,238.41	\$ 107,069.37	
								\$ 12,802.56	\$ 0.00	\$ 82,599.43		



SUNFLOWER ELECTRIC POWER CORPORATION BOARD MEETING – AUGUST 23, 2021

CURRENT ACTIVITIES

November Board Meeting

Due to a conflicting meeting, the November Sunflower Board meeting was rescheduled for Nov. 22, 2021.

Southwest Power Pool's Review of Winter Storm Uri

The SPP adopted a comprehensive report developed on Strom Uri and began work on tier one recommendations—the actions, policies or assessments necessary and urgent to avoid severe reliability, financial, operational, compliance or reputational risks. The near-term recommendations are expected to address system-related root causes of the 2021 severe winter weather event or mitigate occurrence of future extreme system event impact(s). Work includes steps such as developing policies to enhance fuel assurance; improving gas industry policies (e.g., gas price mechanisms to ensure gas supply is readily and affordably available during extreme events); performing assessments of minimum reliability attributes needed from SPP's resource mix; and improving or establishing other policies to ensure sufficient resources are available during normal and extreme conditions.

Board Strategy Topics for December Board Meeting

Possible topics were considered for the customary strategy discussion at the December Board meeting: the opportunity to work with small, wholesale municipals to move to retail; rate structure options for electric vehicles; protection from extreme weather events; FERC Order 2222; and transmission costs. The Board is encouraged to send additional topics to Stuart.

ICARE

Sunflower's Board-approved vision statement from 2015-2020 was Sunflower will further the success of our Members and those they serve by achieving rates in the lowest quartile of G&T's while maintaining an appropriate risk profile by 2020. Preliminary statistics indicated that Sunflower had succeeded in accomplishing our vision, and final rates for 2020 confirmed it. Sunflower ranked fourth with a wholesale rate of \$55.50, directly following Western Farmers and preceding Brazos. Going forward, Sunflower has adopted a multi-theme vision statement, the success of which will be determined by measuring rates, risk, and furthering the success of our Members.

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PRESIDENT'S REPORT

Power Supply and Delivery

Conclusions from the 2020-21 Integrated Resource Planning (IRP) study were presented to the Board. Based on the study, ongoing work includes analyzing continued operation of generation resources; analyzing how recommended generation portfolios could impact pricing, hedge policies, and reliability; evaluating the cost interconnection and transmission service for both new and existing units; analyzing regulatory influences on IRP recommendations; and rerunning the IRP to keep information current.

Transmission Policy and Planning

Since 2015, Sunflower staff have mitigated five high-potential Notice to Construct (NTC) projects, avoiding unnecessary costs of more than \$70 million. Success was achieved by implementing approaches such as modeling solution parameters, wind and solar siting, addressing challenges with generation interconnection issues at SPP.

The SPP Board of Directors and Strategic Planning Committee approved the policy terms and conditions for regional transmission organization (RTO) expansion in the Western Interconnection during its quarterly joint stakeholder meeting on July 27. Adding the eight prospective members will create an annual reduction in adjustment production cost of an estimated \$24.2 million for current SPP members.

Concerns about continued transmission investment amid rapid industry changes created a need to consider broader changes to SPP's transmission planning process. SPP's Strategic and Creative Re-engineering of Integrated Planning Team (SCRIPT) has drafted high-level recommendations for the SPP region: develop a process for available transfer capability (ATC) calculations and use, expand the definition of "transmission" to include non-transmission expansion solutions, develop project value drivers, develop holistic planning and solution assessments, add aging infrastructure to the ITP process, and better align SPP's and MISO's planning and generator interconnection processes.

Burns & McDonnell has been contracted to study the current and future states of electric vehicle penetration in Kansas. Burns & McDonnell will present its findings at a future Board meeting.

FERC Order 2222

Sunflower has formed a small group of internal and Member staff to further discuss FERC Order 2222, also referred to as the 2x4 Order, which addresses the use of Distributed Energy Resources (DERs) behind and in front of distribution meters. Topics that will be addressed include compensation and wheeling charges, the billing process, how a Member's participation will impact other Members, and the ramifications of allowing DERs into a system but foregoing Order 2222.

Technology Services

Availability Management is a technical performance indicator that aids in minimizing disruptions to key lines of business. Sunflower leverages a time-based calculation for Availability Management that measures a system's total uptime compared to total available time during each month. Action is taken when 100% availability is not achieved. Sunflower's Technology Services department measures Availability Management, which is highlighted in the monthly President's Report, in the following six areas supporting services that Members receive from Sunflower: Business Support Systems, such as financial, human capital management (HR), and supply chain; Critical Infrastructure Protection (CIP), such as physical access controls and

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surveillance systems; Generation Systems, such as the Emerson Ovation control system; Infrastructure Services, such as Microsoft, Cisco, security tools, and intrusion detection applications; Telecommunications, such as network infrastructure including wireless towers and physical data networks; and Transmission Systems, such as the OSI Monarch (EMS/SCADA) system.

Financials

Overall Member loads were down 4.32% from budget for the month and 3.14% year to date. Large industrial loads were down 6.58% from budget for the month and 2.57% from budget year to date. Year-to-date operating expenses were down 20.8% from budget, a large portion due to the \$10 million Paycheck Protection Plan (PPP) loan forgiveness. Storm Uri caused an increase in the ECA of \$276.22/MWh over budget for the month of February and was the primary contributor to the increase in the year-to-date average Member rate of \$94.34/MWh.

2021 Load Forecast

In July, staff presented the Load Forecast Study completed by Clearspring Energy Advisors, LLC. Historical data provided by Members and Sunflower's billing department, weather conditions, local economics, and local demographics were factored into the study.

The current year forecast is lower than the 2020 forecast, mainly due to load reduction in the commercial and industrial class. Both existing pumping loads and new pumping loads are lower than previously forecast, likely due to COVID and oil and gas prices. The impact of the current forecast on the projected 2022 margin is approximately \$5 million.

Board action: The Sunflower Board approved the 2021 Load Forecast Study.

2022-2024 Budget

Staff presented the preliminary 2022-2024 budget. Meetings will be scheduled with Members to review the budget and address questions, and Board approval of the 2022 budget will be sought in September.

Revenue projections for 2022 changed significantly from 2021 due to lower load forecasts increased operating costs caused by supply chain disruptions and demand destruction during COVID. For the 2022 budget, staff recommended leaving demand and energy rates at current levels to help alleviate cost pressures from COVID and Winter Storm Uri and temporarily accepting a lower TIER in power supply rates. To keep power supply rates at current levels, Sunflower staff identified budget items that could be cut, deferred to later years, accelerated into the current year, or capitalized versus expensed, as well as the associated risks.

COVID and Storm Uri Customer Aid Proposal

Discussion was held on ways to mitigate cost impacts of Storm Uri through additional patronage or rate reductions. The Board will consider proposals at the September board meeting.

System Backbone Project

In November 2017, the Board voted to socialize costs through Member rates for the non-Transmission Formula Rate (TFR) portions of the System Backbone Project. The non-zonal transmission rider recovers costs for transmission projects from the Sunflower Members that are not recovered through the Sunflower TFR. The Board created the non-zonal transmission rider

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in 2021 to recover costs for these projects using transmission load ratio shares as opposed to power supply determinants.

The project went into rates on January 1, 2020, and the 2021 non-TFR costs are being recovered through the non-zonal transmission rider. The 2022 Member annual revenue requirement totals \$2,013,264.

Board action: The Sunflower Board approved the proposed System Backbone revenue requirement and the continued use of the non-zonal transmission rider for the recovery of the costs in 2022.

CFC DISTRICT 7 MEETING

Board action: The Sunflower Board selected Bruce Mueller as delegate and Kirk Girard as alternate for the Sept. 7 CFC District 7 Meeting.

7. KEC Report

Major General Lee Tafarielli will be joining the LSEC Board of Trustees meeting on September 13, 2021. Lee accepted the position as chief executive officer of Kansas Electric Cooperatives, Inc. on May 1, 2020.

Lee will update the Board of happenings in Topeka and with KEC.

Biography

Tafarielli served as the Kansas Adjutant General, responsible for three primary duties: ensuring the wartime readiness of over 7,000 soldiers and airmen of the Kansas Army and Air National Guard, coordinating the overall emergency preparedness for the state's response to natural disasters and emergencies, and serving as the Homeland Security Advisor for the state of Kansas.

Tafarielli served in the Kansas House of Representatives from 2001-2005, when he took a leave from office to command the 891st Engineer Battalion in Iraq. After his deployment, he resumed his legislative post in 2006 where he served until January 2011, when he was appointed Kansas Adjutant General.

During his time in the Kansas Legislature and as Adjutant General, Tafarielli developed a deep interest and focus on issues affecting rural Kansas. "I'm honored and excited to have the opportunity to lead a group that does such important work for Kansans in rural areas," he said. "I have deep respect for the complex challenges faced by KEC members who work hard every day to provide critical and reliable service for Kansas communities."

"Major General Tafarielli has dedicated himself to public service and defending our nation," Governor Laura Kelly said. "In addition to his work with the Kansas National Guard, the Adjutant General led the Kansas Department of Emergency Management, where he has been responsible for marshalling resources to communities that have been impacted by disasters such as tornadoes, flooding and more recently wildfires. His efforts and leadership have benefited Kansans statewide, and I have no doubt that he will continue this same level of commitment and dedication in his new role outside of government."

Tafarielli received his commission from Pittsburg State University, Army Reserve Officer Training Corps, and holds a master's degree in Environmental Planning and Management from Kansas State University and a master's degree in Strategic Studies from the U.S. Army War College.

8. General Manager's Report

A. Rates and Reliability Dashboard

Rate Summary - July 2021

	current month (\$/kWh)	year to date (\$/kWh)
Residential	0.1108	0.1280
Residential - Seasonal	0.1919	0.2053
Irrigation	0.0813	0.0892
C&I 1000kVa or less	0.1116	0.1145
C&I over 1000 kVA	0.1158	0.1100
Public Street and Lighting	0.1247	0.1312
Other Sales to Public Authorities	0.1322	0.1414
Sales for Resale - Other	0.0863	0.1085
Total Sales price per kWh:	0.1098	0.1138

July 2021		
SAIDI	2.69	Interruption DURATION / average for every member (hrs)
SAIFI	1.92	Interruption FREQUENCY / Average # of Interruptions per customer
CAIDI	1.40	Customer Average Interruption Duration Index - IF you are out, how long to expect (hrs).
ASAI	99.97%	Service Availability

B. Administration

1) Winter Storm Uri Income issue.

The main issue was that we were pulling the Winter Storm balance number from a calculation that was in error. The calculation has been corrected and the Form 7s revised.

month	Original Cost of Purchased Power	Revised Cost of Purchased Power	Original Operating Margins	Revised Operating Margins
March	921,905	739,020	6,791	189,676
April	1,072,394	853,195	-244,018	-24,818
May	917,353	822,280	-126,567	-31,494
June	1,348,371	1,195,094	-346,958	-193,681
Totals	4,260,024	3,605,589	-710,752	-60,318
difference		654,435		650,434

A few other items remain that we are working through but the remaining decrease in Operating Margins looks like almost \$800,000 in higher power costs, additional costs from closing last year's Work Orders on COVID-19, repairs to the Hineman Tower, and NISC costs related to combining LSEC and MKEC as well as increased maintenance work (Utility Plant Construction generally does not hit the Income Statement) and increased depreciation expense from Twin Springs are accounting for about \$15,834 in additional expense (\$110,838 year to date).

We are reviewing our ECA calculations for the additional wholesale power cost. Aside from that, we should see this trend reverse as labor is shifting back to Utility Plant Construction under the new Construction Work Plan. Factors to consider include:

- A \$619,088 offset to wages and COVID-19 expense since the PPP will be forgiven,
- we may have been under collecting ECA since 2016
- Our rate of return on rate base is low due to inflationary erosion increasing costs

2) The Credit Card records are available for the Boards review.

C. Operations Report

- 1) New Construction included various connections and service expansions: American Warrior, Talon Oil Group Carson 2-19 lease, and Jarrod Fellhoelter new house in Ness City.
- 2) Maintenance. We retired two connects, upgraded one service, and changed out several bad transformers, OCRs, and arrestors.
- 3) August 7th Storm. High winds took down fifty-nine 34.5kV poles and seventeen 3-phase poles in Ness County. Western and Victory came to our aid, and we were able to get everything restored in three days. We ran "Thank you" ads in the WaKeeney and Dodge City newspapers.
- 4) Tree Trimmers. Solida has finished Ness City and the 34.5 lines and will be taking a break for a few months. They have had trouble finding help.

D. Operating Margins

1) July Income Statement.

- a. Distribution Income: Distribution income is up \$126,840 over 2020 despite Operating Revenue increases of \$924,776. This is due to the Cost of Purchase Power being up \$797,939. We are shifting controllable expenses to the Construction Work Plan to reduce Operations and Maintenance expenses.

<i>item</i>		<i>ytd 2020</i>	<i>ytd 2021</i>	<i>Δ%</i>	<i>change</i>
Operating Revenue		9,460,734	10,385,510	9.77	924,776
Cost of Purchased Power	<i>less</i>	5,495,280	6,293,216	14.52	797,936
<i>Distribution Revenue</i>	<i>equals</i>	3,965,454	4,092,294	3.2	126,840
Controllable Expenses	<i>less</i>	2,293,892	2,582,272	12.6	288,380
Depreciation	<i>less</i>	953,530	1,072,048	12.4	118,518
Interest on LT Debt	<i>less</i>	775,724	775,416	-.04	-308
<i>Misc deducts</i>	<i>less</i>	7,721	8,892	15.17	1,171
<i>balance</i>	<i>equals</i>	-65,471	-346,334		-280,863

b. Billing Past Due (current – August 3, 2021)

- i. 30 day – \$37,672.57
- ii. 60 day – 1,151.26
- iii. 90 day – 7,049.28

2) Balance Sheet.

- a. Cash Balances remain strong at \$6,364,384.
- b. Equity as a percent of Capitalization is up at 37.46%
- c. General Funds level is steady at 19%
- d. Current Ratio is stable at 1.78.
- e. Total Long-term debt is \$36,829,334 down \$1,873,728 (4.8%) from a high of \$38,703,062 in March 2021.

E. Non-Operating Margins

- 1) Our year-to-date Non-Operating margins [Form 7, Part A, Lines 22(b) + Line 25(b) + Line 27(b)] is a \$20,399 gain.
- 2) Retail Services.
 - a. A \$8,433.08 loss in July and a YTD loss of \$88,871.30.
 - b. Resale Hours (YTD). Billable hours represent 73.47% of total hours.
 - c. Outstanding Balances. (As of August 3, 2021)
 - i. 30-60 day -\$ 3,041.81 (includes: Von Johnson – 720.65, Calvin Ehmke – 863.18, Marcellus Moving – 531.61, The Brothers Bar and Grill – 460.17)
 - ii. 60-90 day - \$ 94.99
 - iii. Over 90 day - \$ 3,801.47 (includes: Marcellus House Moving - \$2,977.53, Black Dog – 706.04)
- 3) Interest earned (YTD) – \$103,848.
- 4) Other capital Credits and patronage Dividends (YTD) – \$21,597

F. Member Services

- 1) Co-ops Vote Event. Lane-Scott hosted a Co-ops Vote Event on August 24th, at 11:30am at the Ness City Bank Building. Leslie Kaufman of KEC facilitated and several local dignitaries as well as Senator Rick Ballinger attended.
- 2) Paperless Billing Campaign. Significant increases in postal rates stimulated a campaign to incentivize members to “go paperless”. We are offering:
 - a. A \$50.00 drawing for all members who switch through December and a
 - b. A \$15.00 bill credit on next month’s billing to new members.

G. Warehouse /Retail Report

- 1) Generac. Generac delivery times have dropped to 20 weeks, and we are still waiting on delivery of six units.
- 2) Monthly Specials. August specials were LED light bulbs. Turnout has not been as good as the furnace filters, but we have seen some traction from this ad. To date we have sold a case of the 8 watt, and I have quoted cases of the 4’ lamps to Dighton High School. We did win the requisition bid for the school, and they will buy a case of the 4’ lamps.
- 3) Electrician Update. The D&A bin build was the large project for the month and will carry over into September. Calls for smaller jobs are consistently coming in. The main goal for

- electricians in September will be to shrink the job list back down to manageable levels. Future projects remaining include Lane County Feeders' new mill along with new Generac installs.
- 4) HVAC Update. Service calls remained heavy in August due to the increase in temperatures. The last week of the month these calls slowed, and Mark was able to catch up on other calls. There were two new Mini-split systems installed at Lane County Feeders, two new water heaters, and a mini-split for the tower completed in August. Warranties were another item that took up a lot of Mark's time in August. Troubles with faulty expansion valves and gas valves on water heaters forced some return trips to our members.

Respectfully submitted,

Richard McLeon, MBA
General Manager

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UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION <div style="text-align: right;">KS0042</div>
	PERIOD ENDED July 2021
INSTRUCTIONS - See help in the online application.	BORROWER NAME <div style="text-align: right;">The Lane-Scott Electric Cooperative, Inc.</div>

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.

Richard McLeon

8/20/2021
DATE

PART A. STATEMENT OF OPERATIONS				
ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital	9,460,734	10,385,510	9,947,864	1,852,349
2. Power Production Expense				
3. Cost of Purchased Power	5,494,010	6,293,216	6,008,952	1,268,300
4. Transmission Expense	1,269			
5. Regional Market Expense				
6. Distribution Expense - Operation	867,003	646,051	594,841	49,169
7. Distribution Expense - Maintenance	471,402	794,978	408,332	116,726
8. Customer Accounts Expense	118,666	130,767	105,238	18,960
9. Customer Service and Informational Expense	22,640	39,001	21,843	4,729
10. Sales Expense	29,656	40,828	27,752	5,618
11. Administrative and General Expense	784,582	930,648	694,114	131,660
12. Total Operation & Maintenance Expense (2 thru 11)	7,789,228	8,875,489	7,861,072	1,595,162
13. Depreciation and Amortization Expense	953,531	1,072,047	1,009,087	153,881
14. Tax Expense - Property & Gross Receipts				
15. Tax Expense - Other				
16. Interest on Long-Term Debt	775,725	775,416	722,410	112,191
17. Interest Charged to Construction - Credit				
18. Interest Expense - Other	1,162	86	1,466	12
19. Other Deductions	6,559	8,806	7,350	3,050
20. Total Cost of Electric Service (12 thru 19)	9,526,205	10,731,844	9,601,385	1,864,296
21. Patronage Capital & Operating Margins (1 minus 20)	(65,471)	(346,334)	346,479	(11,947)
22. Non Operating Margins - Interest	131,520	103,848	152,307	2,667
23. Allowance for Funds Used During Construction				
24. Income (Loss) from Equity Investments				
25. Non Operating Margins - Other	(22,635)	(105,046)	16,042	(8,433)
26. Generation and Transmission Capital Credits				
27. Other Capital Credits and Patronage Dividends	18,198	21,597	20,000	
28. Extraordinary Items				
29. Patronage Capital or Margins (21 thru 28)	61,612	(325,935)	534,828	(17,713)

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION			BORROWER DESIGNATION KS0042		
INSTRUCTIONS - See help in the online application.			PERIOD ENDED July 2021		
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	32	29	5. Miles Transmission		
2. Services Retired	45	25	6. Miles Distribution – Overhead	2,036.59	2,035.37
3. Total Services in Place	6,023	6,046	7. Miles Distribution - Underground	7.53	7.66
4. Idle Services (Exclude Seasonals)	230	245	8. Total Miles Energized (5 + 6 + 7)	2,044.12	2,043.03
PART C. BALANCE SHEET					
ASSETS AND OTHER DEBITS			LIABILITIES AND OTHER CREDITS		
1. Total Utility Plant in Service	58,394,727		30. Memberships	0	
2. Construction Work in Progress	83,267		31. Patronage Capital	21,708,073	
3. Total Utility Plant (1 + 2)	58,477,994		32. Operating Margins - Prior Years	0	
4. Accum. Provision for Depreciation and Amort.	18,730,261		33. Operating Margins - Current Year	(346,334)	
5. Net Utility Plant (3 - 4)	39,747,733		34. Non-Operating Margins	561,699	
6. Non-Utility Property (Net)	0		35. Other Margins and Equities	132,862	
7. Investments in Subsidiary Companies	219,889		36. Total Margins & Equities (30 thru 35)	22,056,300	
8. Invest. in Assoc. Org. - Patronage Capital	10,935,796		37. Long-Term Debt - RUS (Net)	0	
9. Invest. in Assoc. Org. - Other - General Funds	445,461		38. Long-Term Debt - FFB - RUS Guaranteed	33,472,786	
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	221,958		39. Long-Term Debt - Other - RUS Guaranteed	0	
11. Investments in Economic Development Projects	0		40. Long-Term Debt Other (Net)	7,650,505	
12. Other Investments	5,501		41. Long-Term Debt - RUS - Econ. Devel. (Net)	0	
13. Special Funds	0		42. Payments – Unapplied	4,293,957	
14. Total Other Property & Investments (6 thru 13)	11,828,605		43. Total Long-Term Debt (37 thru 41 - 42)	36,829,334	
15. Cash - General Funds	48,323		44. Obligations Under Capital Leases - Noncurrent	0	
16. Cash - Construction Funds - Trustee	100		45. Accumulated Operating Provisions and Asset Retirement Obligations	0	
17. Special Deposits	25		46. Total Other Noncurrent Liabilities (44 + 45)	0	
18. Temporary Investments	6,315,936		47. Notes Payable	0	
19. Notes Receivable (Net)	0		48. Accounts Payable	1,336,030	
20. Accounts Receivable - Sales of Energy (Net)	1,893,487		49. Consumers Deposits	106,615	
21. Accounts Receivable - Other (Net)	290,160				
22. Renewable Energy Credits	0		50. Current Maturities Long-Term Debt	2,268,971	
23. Materials and Supplies - Electric & Other	367,486		51. Current Maturities Long-Term Debt - Economic Development	0	
24. Prepayments	80,233		52. Current Maturities Capital Leases	0	
25. Other Current and Accrued Assets	100,047		53. Other Current and Accrued Liabilities	1,387,648	
26. Total Current and Accrued Assets (15 thru 25)	9,095,797		54. Total Current & Accrued Liabilities (47 thru 53)	5,099,264	
27. Regulatory Assets	0		55. Regulatory Liabilities	0	
28. Other Deferred Debits	3,312,763		56. Other Deferred Credits	0	
29. Total Assets and Other Debits (5+14+26 thru 28)	63,984,898		57. Total Liabilities and Other Credits (36 + 43 + 46 + 54 thru 56)	63,984,898	

LANE-SCOTT ELECTRIC ENERGY SALES STATISTICS FOR JULY 2021

CLASS OF SERVICE	NO. RECEIVING SERVICE		kWh SOLD		AMOUNT BILLED		Y.T.D AVERAGE		SALE PRICE PER kWh Y.T.D.
	Y.T.D. AVG.	THIS MONTH	THIS MONTH	Y.T.D.	THIS MONTH	Y.T.D.	kWh USED	AMOUNT	
Residential Sales	2,228	2,226	2,804,502	13,874,760	\$343,360	\$1,738,380	889	\$111.44	12.53
Residential Sales-Seasonal	50	51	17,094	66,919	\$2,993	\$15,291			
Irrigation Sales	331	332	1,844,781	4,412,147	\$177,006	\$394,175			
Small Commercial	1,851	1,851	4,329,247	28,182,169	\$514,675	\$3,222,981	2,175	\$248.74	11.44
Large Commercial	178	179	3,273,794	19,485,762	\$404,733	\$2,437,316	15,664	\$1,959.26	12.51
Public Street Lighting	13	13	35,946	251,622	\$5,043	\$33,008			
Public Building Sales	49	49	37,555	214,326	\$5,224	\$29,823			
Non-Domestic	1,057	1,059	181,576	1,154,948	\$35,868	\$231,126			
City of Dighton	1	1	1,109,833	5,439,245	\$88,877	\$564,494	777,035	\$80,642.00	10.38
Idle Services on rate 90	37	37	0	0	\$2,331	\$2,331			
Large Industrial	3	3	2,470,510	19,681,400	\$274,580	\$1,865,936	937,210	\$88,854.10	9.48
Irrigation Horsepower Charges	0	0	0	0	\$0	\$267,015			
Total Energy Sales	5,799	5,801	16,104,838	92,763,298	\$1,854,690	\$10,801,876			11.64
Other Electric Revenue					(\$2,341)	(\$416,366)			
Total					\$1,852,349	\$10,385,510			

SUBSTATION DATA

Substation	(NCP)KW	kWh Purchased	Cost Per kWh	kWh Sold	Line Loss	Load Factor-P	Load Factor-S
Beeler-Sub 3	6,381	3,992,419		3,673,956	7.98%	84.10%	77.39%
Dighton-Sub 1 - 7200	2,947	1,662,463		1,533,052	7.78%	75.82%	69.92%
Dighton-Sub 2 - 14400	4,629	2,157,716		2,091,361	3.08%	62.65%	60.73%
Manning-Sub 4	7,387	4,100,352		3,865,743	5.72%	74.61%	70.34%
LS Seaboard-Sub 5	258	128,277		121,749	5.09%	66.83%	63.43%
Twin Springs Lo 7.6-Sub 7	343	195,158		180,871	7.32%	76.47%	70.88%
Twin Springs Hi 14.1-Sub 8	400	175,790		161,156	8.32%	59.07%	54.15%
City of Dighton	2,596	975,234	8.4500	975,234	0.00%	50.49%	50.49%
City of Dighton - WAPA	218	134,599	2.8500	134,599	0.00%	82.99%	82.99%
Alexander 115	2,314	1,150,424		1,071,531	6.86%	66.82%	62.24%
Ness City 115	5,356	2,427,769		2,295,586	5.44%	60.92%	57.61%
Total	32,829	17,100,201	6.9300	16,104,838	5.82%	70.01%	65.94%

RUS/CFC LOAN FUND TRANSACTIONS

MISC.

OTHER STATISTICS

				Y.T.D	M.T.D.
Gross Obligation to RUS	\$ 54,111,889	General Fund Balance	\$48,053	Miles Energized	2043.03
Pymts Applied Against Principal	\$ 19,786,183	MMDA Investments	\$253,254	Density	2.84
Net Obligation to RUS	\$ 34,325,706	Cash Available at Month End	\$301,307	kWh Purchased	98,797,088
CFC Line of Credit	\$ -			kWh Sold (Inc. Office Use)	16,111,228
CoBank Line of Credit	\$ -	CFC Investments - CP, SN, MTN	\$6,062,682	Percent of Line Loss	6.06%
CFC Note #9004-RUS refinance	\$ 5,693,113	CFC CTC's	\$221,958	Idle Services	245
CFC Note #9006-RS Prepymt	\$ 376,914			Oper. Revenue Per kWh Sold	11.19
CoBank Note-Feb 21 Winter Event	\$ 2,377,441			Expense Per kWh Sold	11.56
PPP Loan	\$ 619,088			Income Per Mile	906.67
				Expense Per Mile	912.52

ACCOUNT AGING

	Current	30-89 Days	90 Plus
Irrigation Accounts Receivable	\$143,320	\$0	\$0
Electric Accounts Receivable	\$1,688,886	\$18,464	\$6,107
Retail Accounts Receivable	\$58,422	\$3,171	\$3,846

2021-Line 25 - Non-Operating Margins

		January	February	March	April	May	June	July	August	September	October	November	December	TOTAL	
Rev.-Electrician & Mat.	415.1	\$21,979.30	\$33,725.96	\$36,603.65	\$62,555.37	\$30,506.42	\$39,172.37	\$36,754.36						\$261,297.43	415.1
Exp.-Electrician & Mat.	416.1/11	\$37,455.59	\$33,719.44	\$58,676.34	\$53,497.52	\$46,608.94	\$40,092.82	\$41,190.87						\$311,241.52	416.1
		(\$15,476.29)	\$6.52	(\$22,072.69)	\$9,057.85	(\$16,102.52)	(\$920.45)	(\$4,436.51)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$49,944.09)	
Rev.-Appliance Repair	415.2	\$18,124.45	\$16,600.50	\$10,552.30	\$20,556.46	\$15,359.94	\$17,982.14	\$17,238.50						\$116,414.29	415.2
Exp.-Appliance Repair	416.2/21	\$21,949.19	\$25,502.80	\$21,943.61	\$24,239.04	\$20,640.74	\$24,282.83	\$21,500.39						\$160,058.60	416.2
		(\$3,824.74)	(\$8,902.30)	(\$11,391.31)	(\$3,682.58)	(\$5,280.80)	(\$6,300.69)	(\$4,261.89)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$43,644.31)	
Rev.-Member Damages	415.3	\$3,088.75	\$0.00	\$1,386.50	\$444.50	\$0.00	\$1,372.50	\$204.39						\$6,496.64	415.3
Exp.-Member Damages	416.3	\$893.06	\$0.00	\$605.60	\$0.00	\$605.11	\$401.57	\$142.91						\$2,648.25	416.3
		\$2,195.69	\$0.00	\$780.90	\$444.50	(\$605.11)	\$970.93	\$61.48	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$3,848.39	
Finance Charges	415.5	\$117.64	\$87.85	\$133.25	\$142.52	\$84.02	\$99.59	\$203.84						\$868.71	415.5
MARGIN-Retail		(\$16,987.70)	(\$8,807.93)	(\$32,549.85)	\$5,962.29	(\$21,904.41)	(\$6,150.62)	(\$8,433.08)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$88,871.30)	
Misc. Income	421.0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00						\$0.00	421.0
Gain on Disposal	421.1	\$0.00	\$0.00	\$50.00	\$0.00	\$4,000.00	\$0.00	\$0.00						\$4,050.00	421.1
Loss on Disposal	421.2	\$0.00	\$0.00	\$0.00	\$0.00	(\$20,224.72)	\$0.00	\$0.00						(\$20,224.72)	421.2
NET NON-OP MARGIN		(\$16,987.70)	(\$8,807.93)	(\$32,499.85)	\$5,962.29	(\$38,129.13)	(\$6,150.62)	(\$8,433.08)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$105,046.02)	

	Current Month				YTD Total			
	Billed Hours	Unbilled Hours	Hourly Rate	Total Unbilled Rev	Billed Hours	Unbilled Hours	Hourly Rate	Total Unbilled Rev
Kalo	129	69	\$ 85.00	\$ 5,865.00	928	386	\$ 85.00	\$ 32,810.00
Michael	130.5	61.5	\$ 85.00	\$ 5,227.50	953.25	358.75	\$ 85.00	\$ 30,493.75
Mark	159.5	35.5	\$ 85.00	\$ 3,017.50	990.5	320	\$ 85.00	\$ 27,200.00
Eli	25	0	\$ 35.00	\$ -	77	0	\$ 35.00	\$ -
	444	166		\$ 14,110.00	2948.75	1064.75		\$ 90,503.75

72.79%

73.47%

9. a. Capital Credit Retirement Rotation

Background

The Lane-Scott Electric Cooperative currently has \$9,582,564.89 in allocated but unretired LSEC and MKEC Distribution Capital Credits. These unretired Capital Credits date from 1988.

The Board has a Strategic initiative to retire Capital Credits with the goal of reducing the rotation cycle to 20 or 25 years. A 20-year rotation has been a Cooperative goal for many years, but declining margins and growth rates have led most GMs and analysts to re-think the 20-year standard to a 25-year or 30-year standard to match the depreciation, replacement, or contributed equity cycles.

Most people agree that the overall goal of a Capital Credit retirement program is to return equity (capital) to inactive members who are no longer benefiting from Cooperative membership. This includes estates, and disconnected members. Most of the lawsuits filed against Cooperatives for not retiring Capital Credits have leaned on the argument that the former member was no longer benefitting and therefore should receive their investment back.

Whether the retirement is to active or inactive members it is a budgetary and rates issue. The equity cycle requires that active members fund the retirement of old equity through rates. Therefore, the retirement of equity should be weighed against the equity invested by active members. Active members of Lane-Scott currently account for 77.55% of distribution Capital Credits allocated (22.45% inactive). According to BSGM this is a very good ratio and we should strive to maintain it.

The attached study was completed by BSGM and LSEC. It assumes revenues according to the most recent Financial Forecast and projects rotation goals through 2029. LSEC has some complicating factors including:

- Thirteen years of unallocated Capital Credits since 1988
- Two distribution sources of equity (LSEC and MKEC) until the asset merger.

Analysis

There are two main thoughts reading Capital Credit Rotation Cycle calculation:

- a. Calendar. This is the current year minus last year on the allocation books: For example, LSEC has 1988 allocations still on the books, so 2021-1988 = **33-year rotation**. This can be adapted to remove years when no allocations were made since the last allocation year on the books. Since the last year for LSEC is 1988 and no allocations were made in 1989-1992, 1996, 2003, 2010-2015, and 2020 (13 years), then the current LSEC rotation is **20-years** (33-13).

Example

A 25-year rotation can be achieved next year with a \$372,994.78 retirement this year. These numbers will fluctuate annually based on the amount allocated but rough estimates area that maintaining a

25-year rotation will cost \$3,181,860 through 2029. Getting to a 20-year rotation could be achieved in 2027 at an average annual cost of \$700,220.24 and a maintenance cost of \$6,301,982 through 2029.

Calendar year rotations work great when you hit years where no allocations occurred but present problems when years with large allocation become the payable. For example, LSEC has two years (2007 and 2018) with unpaid allocations over \$900,000 and another five years (1999, 2002, 2008, 2009, and 2019) with unpaid allocations over \$750,000. To avoid these swings, many cooperatives have moved to Average retirement calculations.

- b. Average. This takes the Allocated amount divided by the desired retirement cycle. For example, if Lane-Scott, wanted to maintain a **33-year cycle**, the calculation would be $\$9,582,564.89 \div 33 = \$290,380.75/\text{yr}$. A **20-year cycle** would be $\$9,582,564.89 \div 20 = \$479,128.24/\text{yr}$.

The key to this model is picking the right timeframe. There are several different opinions, but most are tied to a justifiable number such as:

- Depreciable life of Electric Plant in Service – avg. 27 to 30 years, LSEC = 24.52 years
- New long-term debt used to finance construction – avg. 35 years. LSEC = 28 years
- Average Life of Total Assets (turnover) – avg. 25 years
- Number of years unpaid Capital Credits were allocated – currently 20 years.

These calculations would be done annually after the Financial Audit and based on the previous years numbers and unpaid allocations (less special retirements) as of January 1st of that year.

Example

The 2021 methodology would be $\$9,582,566 \div \text{number of years}$. Using a 25-year retirement, the retirement would be \$383,302.60 retirement. A 20-year would be \$479,128.24 retirement, 27-year would be \$354,910, and 30-year would be \$319,419.

If the goal is to grow equity, then the annual retirement should be higher than the current allocation.

model	20-yr avg. per year	9-year total	25-year/year	9-year total
Calendar	\$ 700,220.24	\$ 6,301,982.16	\$ 353,540.05	\$ 3,181,860.44
Average	479,128.24	4,312,154.16	383,302.60	3,449,723.40

We have enough dollars set aside to cover any of these retirement schedules. Staff prefers the Average method and a cycle tied to the depreciable life of the utility plant for budgeting and calculation ease. However, we seek the Boards direction on which method is preferred and the rotation cycle. We will set the item on the October Agenda for a Board Policy amendment and a 2021 retirement for a December payment to members.

Total Distribution Capital Credit Retirements to Members

year	Lane-Scott Electric Cooperative, Inc.		
	allocated	retired	unretired amount
1961	27,590	27,590	-
1962	22,392	22,392	-
1963	54,390	54,390	-
1964	44,420	44,420	-
1965	36,359	36,359	-
1966	49,433	49,433	-
1967	41,455	41,455	-
1968	67,415	67,415	-
1969	44,783	44,783	-
1970	90,011	90,011	-
1971	81,216	81,216	-
1972	78,969	78,969	-
1973	81,130	81,130	-
1974	17,963	17,963	-
1975	-	-	-
1976	8,656	8,656	-
1977	61,592	61,592	-
1978	48,965	48,965	-
1979	24,621	24,621	-
1980	111,577	111,577	-
1981	79,659	79,659	-
1982	25,721	25,721	-
1983	62,830	62,830	-
1984	229,545	229,545	-
1985	126,508	126,508	-
1986	131,283	131,283	-
1987	54,055	54,055	-
1988	152,942	124,715	28,227
1989	-	-	-
1990	-	-	-
1991	-	-	-
1992	-	-	-
1993	195,407	46,535	148,871
1994	136,050	33,330	102,720
1995	19,540	4,693	14,847
1996	-	-	-

year	Lane-Scott Electric Cooperative, Inc.		
	allocated	retired	unretired amount
1997	101,027	22,698	78,328.92
1998	438,890	90,987	347,903.53
1999	865,737	79,824	785,913.24
2000	552,138	46,319	505,819.20
2001	586,850	46,801	540,048.69
2002	894,931	72,200	822,730.98
2003	-	-	-
2004	445,392	28,400	416,991.11
2005	654,896	40,236	614,659.67
2006	249,907	14,771	235,135.75
2007	957,875	52,107	905,768.22
2008	761,198	32,181	729,016.86
2009	813,194	31,902	781,292.90
2010	-	-	-
2011	-	-	-
2012	-	-	-
2013	-	-	-
2014	-	-	-
2015	-	-	-
2016	374,016	5,987	368,028.88
2017	440,186	2,631	437,555.72
2018	963,372	5,521	957,851.26
2019	764,902	4,048	760,853.97
2020	-	-	-
Lane-Scott Electric Cooperative, Inc.			
	allocated	retired	unretired amount
<i>totals</i>	12,070,988	2,488,423	9,582,565
		20.61%	79.39%

Capital Credit Retirement Study - calendar 25-year method

1. G&T Capital Credits will be paid the year following their retirement to LSEC.
2. Distribution Capital Credits will be planned according to the following schedule.

note: Unretired amount as of 08/19/2021. Balances will decrease with Special Estate retirements.

year	previous year Op Rev (Fin Forecast)	percent to retire	amount to retire	Retirement year	unretired amount	retirement amount	remaining balance	rotation
2021	\$ 17,053,549	2.19%	\$ 372,994.78	1988	28,227.27	28,227.27	-	33
				1993	148,871.44	148,871.44	-	28
				1994	102,720.15	102,720.15	-	27
				1995	14,847.00	14,847.00	-	26
				1997	78,328.92	78,328.92	-	24
						372,994.78		
2022	\$ 19,662,577	1.77%	\$ 347,903.53	1998	347,903.53	347,903.53	-	24
						347,903.53		
2023	\$ 22,275,758	1.57%	\$ 350,000.00	1999	785,913.24	350,000.00	435,913.24	24
						350,000.00		
2024	\$ 22,485,584	1.56%	\$ 350,000.00	1999	435,913.24	350,000.00	85,913.24	25
						350,000.00		
2025	\$ 22,699,741	1.59%	\$ 360,913.24	1999	85,913.24	85,913.24	-	26
				2000	505,819.20	275,000.00	230,819.20	25
						360,913.24		
2026	\$ 23,721,647	1.48%	\$ 350,000.00	2001	540,048.89	350,000.00	190,048.89	25
						350,000.00		
2027	\$ 24,267,030	1.44%	\$ 350,048.89	2001	190,048.89	190,048.89	-	26
				2002	822,730.98	160,000.00	662,730.98	25
						350,048.89		
2028	\$ 24,736,440	1.41%	\$ 350,000.00	2002	662,730.98	350,000.00	312,730.98	26
						350,000.00		
2029	\$ 25,210,591	1.39%	\$ 350,000.00	2004	417,426.92	350,000.00	67,426.92	25
						350,000.00		
Totals:		\$ 202,112,917	1.57%	\$ 3,181,860.44				
average per year:			\$ 353,540.05					

20-year rotation in 2029

year	previous year Op Rev (Fin Forecast)	percent to retire	amount to retire	Retirement year	unretired amount	retirement amount	remaining balance	rotation
2021	\$ 17,053,549	2.93%	\$ 499,994.91	1988	28,227.27	28,227.27	-	33
				1993	148,871.44	148,871.44	-	28
				1994	102,720.15	102,720.15	-	27
				1995	14,847.13	14,847.13	-	26
				1997	78,328.92	78,328.92	-	24
				1998	347,903.53	127,000.00	220,903.53	23
						499,994.91		
2022	\$ 19,662,577	3.16%	\$ 620,903.53	1998	220,903.53	220,903.53	-	24
				1999	785,913.24	400,000.00	385,913.24	23
						620,903.53		
2023	\$ 22,275,758	3.30%	\$ 735,913.24	1999	385,913.24	385,913.24	-	24
				2000	505,819.20	350,000.00	155,819.20	23
						735,913.24		
2024	\$ 22,485,584	3.09%	\$ 695,867.89	2000	155,819.20	155,819.20	-	24
				2001	540,048.69	540,048.69	-	23
						695,867.89		
2025	\$ 22,699,741	3.30%	\$ 750,000.00	2001	822,730.98	750,000.00	72,730.98	24
						750,000.00		
2026	\$ 23,721,647	3.16%	\$ 749,722.09	2002	72,730.98	72,730.98	-	24
				2004	416,991.11	416,991.11	-	22
				2005	614,659.67	260,000.00	354,659.67	21
					749,722.09			
2027	\$ 24,267,030	3.09%	\$ 749,795.42	2005	354,659.67	354,659.67	-	22
				2006	235,135.75	235,135.75	-	21
				2007	905,768.22	160,000.00	745,768.22	20
					749,795.42			
2028	\$ 24,736,440	3.01%	\$ 745,768.22	2007	745,768.22	745,768.22	-	21
						745,768.22		
2029	\$ 25,210,591	2.99%	\$ 754,016.86	2008	729,016.86	729,016.86	-	21
				2009	813,194	25,000.00	788,194.41	20
						754,016.86		
Totals:		\$ 202,112,917	3.12%	\$ 6,301,982.16				
average per year:			\$ 700,220.24					

Alternate Capital Credit Retirement: Average payment

A second method to determine Capital Credit Rotation is to divide the total amount of allocated Capital Credits by either the dollar amount you wish to retire annually or the desired number of years.

Total allocation unretired amount	sample years in rotation	annual retirement amount
9,582,564.89	20	479,128.24
	25	383,302.60
	27	354,909.81
	30	319,418.83

1. this worksheet assumes a \$300,000 Operating Margin per year after 2021.

2. years in rotation are illustrative.

25-year			20-year		
2021	9,582,564.89	383,302.60	9,582,564.89	479,128.24	
new OM	200,000.00		200,000.00		
			-		
2022	9,399,262.29	375,970.49	9,303,436.65	465,171.83	
new OM	300,000.00		300,000.00		
			-		
2023	9,323,291.80	372,931.67	9,138,264.81	456,913.24	
new OM	300,000.00		300,000.00		
			-		
2024	9,250,360.13	370,014.41	8,981,351.57	449,067.58	
new OM	300,000.00		300,000.00		
			-		
2025	9,180,345.73	367,213.83	8,832,283.99	441,614.20	
new OM	300,000.00		300,000.00		
			-		
2026	9,113,131.90	364,525.28	8,690,669.79	434,533.49	
new OM	300,000.00		300,000.00		
			-		
2027	9,048,606.62	361,944.26	8,556,136.30	427,806.82	
new OM	300,000.00		300,000.00		
			-		
2028	8,986,662.36	359,466.49	8,428,329.49	421,416.47	
new OM	300,000.00		300,000.00		
			-		
2029	8,927,195.86	357,087.83	8,306,913.01	415,345.65	
new OM	300,000.00		300,000.00		
		<u>3,312,456.86</u>		<u>3,990,997.53</u>	

9. b. Kansas Hazard Mitigation Plan Update

I have called and e-mailed FEMA repeatedly asking if participation in the Regional Hazard Mitigation Plans is a condition of receiving FEMA funds in the event of a declared emergency.

I have not received a response and request to remove this item from the Boards Agenda until such time as it needs to be revisited.

10. a. Load Forecast Study

Executive Summary:

The 2021 Load Forecast Study estimates energy sales and revenues as well as Coincidental and Non-Coincidental Peak demands through 2035.

- Energy Sales were prepared using 12-years historical data and normalized due to 2020 variations from COVID-19 and the February 2021 Winter weather event.
- Energy Revenues were prepared assuming conservative rate adjustments of 5.25% (1.31% per year) in 2022, 2026, 2030, and 2034.
- Coincidental Demand Peak (OP) was taken from Sunflower Electric Power Corporation data.
- Non-Coincidental Demand Peak (NCP) information was calculated using data reported on the Year End Form 7.

This resulted in:

- Overall kWh Sales: 1.02%. *note: The Sunflower LFS projects our overall kWh sales increase at 0.5435% through 2030.*
 - Residential 0.04%
 - Residential - Seasonal 1.08%
 - Irrigation -0.26%
 - C&I Under 1000kVa 1.31%
 - C&I over 1000kVa 1.39%
 - Public Street & Highway 0.00%
 - Other Sales - Public Authority -0.09%
 - Sales for Resale - Dighton -0.09%
- Revenue: 2.42%
- Sunflower CP Demand: 0.57%
- LSEC NCP Demand: 1.02%

Load Forecast Study data is compiled annually and used in other projections such as the Financial Forecast, annual budgets, and engineering studies.

Staff requests that the Board approve the 2021 Load Forecast Study.



2021 Load Forecast Study

presented to the Board of Trustees on September 13, 2021

Summary: This Load Forecast Study projects an overall change from 2021 through 2035 of:

Overall KWh Sales:		1.02%
Residential	0.04%	
Residential - Seasonal	1.08%	
Irrigation	-0.26%	
C&I Under 1000kVa	1.31%	
C&I over 1000kVa	1.39%	
Public Street & Highway	0.00%	
Other Sales - Public Authority	-0.09%	
Sales for Resale - Dighton	-0.09%	
Revenue:		2.42%
Sunflower CP Demand:		0.57%
LSEC NCP Demand:		1.02%

note: The Sunflower LFS projects our overall Kwh sales increase at 0.5435% through 2030.

prepared by: *Richard A. McLeon, IV MBA*
 General Manager

Methodology and Assumptions:

- 1 Data is projected to 2035.
- 2 The use of twelve (12) years historical data normalizes variations in sales and revenues due to weather and market conditions.
- 3 Twelve years of actual data (2009-2020) taken from the audited Year End Form 7 plotted for each LSEC rate class. Adjustments were made to account for changes due to MKEC additions.
- 4 Baseline "kWh sold" and "YE Served" data for years 2021 to 2035 were calculated using a simple linear regression and factored for known market conditions.

- 5 Revenue per kWh is based on 2019 actual and assumes rate increases in 2022, 2026, 2030, and 2034 based upon:

increase	
<i>total</i>	<i>per year</i>
5.25%	1.31%

	per year	
Inflationary Rate (expenses):	1.75%	
Desired net Rate of Return	4.70%	
TIER	1.56	
OTIER	1.22	
		<hr/>
		6.45%
<i>less:</i>		
Rate of Return - 2020:	1.20%	
		<hr/>
net:	5.25%	

- 6 Increases in revenue solely reflect adjustments to LSEC retail rates. No assumptions or adjustments to revenue were made regarding Sunflower Electric Power Corporation wholesale rates, taxes, or franchise fees.
- 7 NRECA Economists predicted an overall drop in sales of 6.1% in 2020, 6.0% in 2021, and 3.0% in 2022 due to COVID-19. The Cooperative saw a 10% drop in 2020, but appears to be rebounding for 2021. Another round of COVID-19 appears imminent, but is not factored here.
- 8 Demand is calculated from Non-Coincident Peak data as reported on the Year End Form 7. Demand is projected using simple, linear regression.

year	Residential				Residential - Seasonal			
	YE Served	kWh sold	rev. / kWh	revenue	YE Served	kWh sold	rev. / kWh	revenue
2009	2,429	23,828,133	0.0992289	2,364,440	773	1,860,800	0.1490375	277,329
2010	2,394	25,816,294	0.1073131	2,770,427	813	1,539,507	0.1711990	263,562
2011	2,382	26,163,815	0.1112923	2,911,830	821	1,564,650	0.1765174	276,188
2012	2,390	25,689,838	0.1098783	2,822,756	832	1,513,603	0.1877712	284,211
2013	2,401	25,719,268	0.1185564	3,049,183	833	1,567,380	0.1877515	294,278
2014	2,382	25,773,703	0.1231061	3,172,901	847	1,549,260	0.1859894	288,146
2015	2,359	25,530,504	0.1185985	3,027,880	863	1,483,540	0.1861008	276,088
2016	2,310	24,248,180	0.1215746	2,947,963	1,118	1,623,349	0.1994001	323,696
2017	2,268	22,960,460	0.1269274	2,914,311	1,132	1,853,346	0.2099543	389,118
2018	2,251	24,701,066	0.1220058	3,013,673	1,142	2,039,375	0.1998230	407,514
2019	2,225	24,196,666	0.1178974	2,852,725	1,141	2,093,679	0.1933964	404,910
2020	2,230	24,225,256	0.1178974	2,763,689	1,144	2,101,908	0.1933964	397,092
2021	2,311	23,850,000	0.1178974	2,811,854	1,154	2,050,000	0.1933964	396,463
2022	2,306	24,196,000	0.1240871	3,002,410	1,160	2,093,679	0.2035497	426,168
2023	2,301	24,181,482	0.1240871	3,000,609	1,166	2,116,709	0.2035497	430,856
2024	2,296	24,166,974	0.1240871	2,998,809	1,172	2,139,993	0.2035497	435,595
2025	2,290	24,152,473	0.1240871	2,997,009	1,178	2,163,533	0.2035497	440,387
2026	2,285	24,137,982	0.1306016	3,152,460	1,184	2,187,332	0.2142361	468,605
2027	2,280	24,123,499	0.1306016	3,150,568	1,190	2,211,393	0.2142361	473,760
2028	2,275	24,109,025	0.1306016	3,148,678	1,196	2,235,718	0.2142361	478,971
2029	2,269	24,094,560	0.1306016	3,146,789	1,203	2,260,311	0.2142361	484,240
2030	2,264	24,080,103	0.1374582	3,310,008	1,209	2,285,174	0.2254835	515,269
2031	2,259	24,065,655	0.1374582	3,308,022	1,215	2,310,311	0.2254835	520,937
2032	2,254	24,051,215	0.1374582	3,306,037	1,221	2,335,725	0.2254835	526,667
2033	2,248	24,036,785	0.1374582	3,304,053	1,227	2,361,418	0.2254835	532,461
2034	2,243	24,022,363	0.1446748	3,475,430	1,233	2,387,393	0.2373214	566,579
2035	2,238	24,007,949	0.1446748	3,473,344	1,239	2,413,655	0.2373214	572,812
Growth rates								
2009-2020	-0.71%	0.13%	1.34%	1.15%	3.24%	1.16%	1.98%	3.08%
2021-2035	-0.21%	0.04%	1.36%	1.39%	0.48%	1.08%	1.36%	2.43%

Table Legend:

note:

Historical data
last current actual data
projections
anticipated rate adjustment years

year	Irrigation				C&I Under 1000kVA			
	YE Served	kWh sold	rev. / kWh	revenue	YE Served	kWh sold	rev. / kWh	revenue
2009	304	7,162,095	0.0968464	693,623	1,704	39,230,972	0.0973821	3,820,393
2010	310	7,601,957	0.1059269	805,252	1,757	41,497,830	0.1027239	4,262,818
2011	318	10,822,646	0.1075190	1,163,640	1,820	44,204,909	0.1072359	4,740,353
2012	319	11,138,105	0.1135488	1,264,718	1,871	46,610,683	0.1129148	5,263,034
2013	320	8,370,258	0.1256567	1,051,779	1,932	48,832,624	0.1170165	5,714,222
2014	322	8,796,187	0.1207709	1,062,323	1,930	49,748,211	0.1173823	5,839,560
2015	328	8,177,412	0.1163954	951,813	1,942	47,249,392	0.1127476	5,327,256
2016	331	7,869,704	0.1232833	970,203	1,876	47,833,352	0.1138576	5,446,191
2017	333	8,134,522	0.1340302	1,090,272	1,877	52,018,673	0.1122783	5,840,567
2018	332	7,879,987	0.1291665	1,017,830	1,862	52,942,381	0.1105855	5,854,660
2019	334	7,221,785	0.1296332	936,183	1,856	52,598,388	0.1057280	5,561,123
2020	332	9,174,142	0.1296332	1,083,575	1,836	47,133,206	0.1057280	4,838,951
2021	334	8,302,621	0.1296332	1,076,295	1,865	48,847,128	0.1057280	5,164,510
2022	316	8,280,232	0.1364389	1,129,746	1,895	51,057,934	0.1112787	5,681,662
2023	315	8,257,842	0.1364389	1,126,691	1,925	51,670,629	0.1112787	5,749,842
2024	314	8,235,453	0.1364389	1,123,636	1,956	52,290,677	0.1112787	5,818,840
2025	313	8,213,063	0.1364389	1,120,582	1,987	52,918,165	0.1112787	5,888,666
2026	312	8,190,674	0.1436020	1,176,197	2,018	53,553,183	0.1171209	6,272,195
2027	312	8,168,285	0.1436020	1,172,982	2,050	54,195,821	0.1171209	6,347,462
2028	311	8,145,895	0.1436020	1,169,767	2,083	54,846,171	0.1171209	6,423,631
2029	310	8,123,506	0.1436020	1,166,551	2,116	55,504,325	0.1171209	6,500,715
2030	309	8,101,116	0.1511411	1,224,411	2,150	56,170,377	0.1232697	6,924,106
2031	308	8,078,727	0.1511411	1,221,027	2,184	56,844,421	0.1232697	7,007,195
2032	307	8,056,337	0.1511411	1,217,644	2,219	57,526,554	0.1232697	7,091,282
2033	306	8,033,948	0.1556753	1,250,687	2,254	58,216,873	0.1269678	7,391,668
2034	306	8,011,559	0.1638483	1,312,680	2,290	58,915,476	0.1336336	7,873,088
2035	305	7,989,169	0.1638483	1,309,011	2,326	59,622,461	0.1336336	7,967,565
Growth rates								
2009-2020	0.72%	1.97%	2.29%	3.23%	0.59%	1.39%	0.63%	1.63%
2021-2035	-0.62%	-0.26%	1.56%	1.31%	1.47%	1.31%	1.56%	2.86%

Table Legend:

note:

Historical data
last current actual data
projections
anticipated rate adjustment years

year	C&I Over 1000kVA				Public Street & Highway			
	YE Served	kWh sold	rev. / kWh	revenue	YE Served	kWh sold	rev. / kWh	revenue
2009	292	36,821,205	0.0916512	3,374,707	32	449,357	0.1572892	70,679
2010	299	40,325,704	0.1003973	4,048,590	31	448,596	0.1285945	57,687
2011	303	41,245,457	0.1061081	4,376,476	30	448,767	0.1290826	57,928
2012	318	42,374,438	0.1090596	4,621,338	29	448,050	0.1222163	54,759
2013	318	47,179,171	0.1139318	5,375,207	28	447,334	0.1320758	59,082
2014	329	58,572,731	0.1126246	6,596,728	30	448,431	0.1419037	63,634
2015	357	54,703,255	0.1111133	6,078,261	28	446,571	0.1362068	60,826
2016	197	47,803,166	0.1220983	5,836,685	27	444,547	0.1344650	59,776
2017	180	44,232,730	0.1281092	5,666,618	23	442,027	0.1334376	58,983
2018	189	56,451,769	0.1156393	6,528,043	23	441,548	0.1321872	58,367
2019	189	73,111,587	0.0974371	7,123,779	13	440,152	0.1272015	55,988
2020	191	64,477,905	0.0959946	6,189,529	13	430,912	0.1237584	53,329
2021	191	68,627,186	0.0959946	6,587,837	13	434,119	0.1237584	53,726
2022	191	69,656,594	0.1010343	7,037,704	13	434,336	0.1302558	56,575
2023	192	70,701,443	0.1010343	7,143,270	13	434,336	0.1302558	56,575
2024	192	71,761,964	0.1010343	7,250,419	13	434,336	0.1302558	56,575
2025	192	72,838,394	0.1010343	7,359,175	13	434,336	0.1302558	56,575
2026	192	73,930,970	0.1063386	7,861,715	13	434,336	0.1370942	59,545
2027	192	75,039,934	0.1063386	7,979,641	13	434,336	0.1370942	59,545
2028	192	76,165,533	0.1063386	8,099,335	13	434,336	0.1370942	59,545
2029	193	77,308,016	0.1063386	8,220,825	13	434,336	0.1370942	59,545
2030	193	78,467,637	0.1119214	8,782,205	13	434,336	0.1442916	62,671
2031	193	79,644,651	0.1119214	8,913,938	13	434,336	0.1442916	62,671
2032	193	80,839,321	0.1119214	9,047,647	13	434,336	0.1442916	62,671
2033	193	82,051,911	0.1119214	9,183,362	13	434,336	0.1486204	64,551
2034	193	83,282,689	0.1177972	9,810,471	13	434,336	0.1564230	67,940
2035	193	84,531,930	0.1177972	9,957,628	13	434,336	0.1564230	67,940
Growth rates								
2009-2020	-3.19%	4.55%	0.33%	4.28%	-6.19%	-0.35%	-2.10%	-2.44%
2021-2035	0.07%	1.39%	1.36%	2.73%	0.00%	0.00%	1.56%	1.57%

Table Legend:

note:

Historical data
last current actual data
projections
anticipated rate adjustment years

year	Other Sales - Public Auth.				Sales for Resale			
	YE Served	kWh sold	rev. / kWh	revenue	YE Served	kWh sold	rev. / kWh	revenue
2009	52	554,502	0.0967499	53,648	1	10,475,172	0.0654197	685,283
2010	51	584,474	0.1096747	64,102	1	10,796,258	0.0700111	755,858
2011	51	585,771	0.1159190	67,902	1	10,789,106	0.0734880	792,870
2012	49	(48,715)	(0.2105512)	10,257	1	10,574,038	0.0827199	874,683
2013	48	456,825	0.1271953	58,106	1	10,359,299	0.0854903	885,620
2014	48	459,223	0.1316376	60,451	1	10,279,430	0.0864460	888,616
2015	50	468,252	0.1259834	58,992	1	10,319,452	0.0768270	792,813
2016	50	430,922	0.1304784	56,226	1	9,845,300	0.0810632	798,092
2017	49	333,842	0.1445624	48,261	1	9,592,032	0.0791704	759,405
2018	49	364,261	0.1499062	54,605	1	9,814,443	0.0787791	773,173
2019	49	364,795	0.1439658	52,518	1	10,143,859	0.0682083	691,896
2020	49	337,825	0.1439658	47,970	1	10,357,280	0.0682083	716,274
2021	48	373,087	0.1439658	53,712	1	9,157,385	0.0682083	624,610
2022	48	372,714	0.1515240	56,475	1	9,148,228	0.0717893	656,744
2023	48	372,341	0.1515240	56,419	1	9,139,079	0.0717893	656,088
2024	47	371,969	0.1515240	56,362	1	9,129,940	0.0717893	655,432
2025	47	371,597	0.1515240	56,306	1	9,120,810	0.0717893	654,776
2026	47	371,225	0.1594790	59,203	1	9,111,690	0.0755582	688,463
2027	47	370,854	0.1594790	59,143	1	9,102,578	0.0755582	687,774
2028	46	370,483	0.1594790	59,084	1	9,093,475	0.0755582	687,086
2029	46	370,113	0.1594790	59,025	1	9,084,382	0.0755582	686,399
2030	46	369,743	0.1678517	62,062	1	9,075,297	0.0795250	721,713
2031	46	369,373	0.1678517	62,000	1	9,066,222	0.0795250	720,991
2032	46	369,004	0.1678517	61,938	1	9,057,156	0.0795250	720,270
2033	45	368,634	0.1728872	63,732	1	9,048,099	0.0795250	719,550
2034	45	368,266	0.1819638	67,011	1	9,039,051	0.0837001	756,569
2035	44	367,898	0.1819638	66,944	1	9,030,012	0.0837001	755,812
Growth rates								
2009-2020	-0.50%	-4.43%	3.90%	-0.90%	0.00%	-0.10%	0.30%	0.33%
2021-2035	-0.58%	-0.09%	1.56%	1.47%	0.00%	-0.09%	1.36%	1.26%

Table Legend:

note:

Historical data
last current actual data
projections
anticipated rate adjustment years

year	Total				
	YE Served	kWh sold	%Δ	revenue	%Δ
2009	5,587	120,382,236		11,340,102	
2010	5,656	128,610,620	6.8%	13,028,296	14.9%
2011	5,726	135,825,121	5.6%	14,387,187	10.4%
2012	5,809	138,300,040	1.8%	15,195,756	5.6%
2013	5,881	142,932,159	3.3%	16,487,477	8.5%
2014	5,889	155,627,176	8.9%	17,972,359	9.0%
2015	5,928	148,378,378	-4.7%	16,573,929	-7.8%
2016	5,910	140,098,520	-5.6%	16,438,832	-0.8%
2017	5,863	139,567,632	-0.4%	16,767,535	2.0%
2018	5,849	154,634,830	10.8%	17,707,865	5.6%
2019	5,808	170,170,911	10.0%	17,679,122	-0.2%
2020	5,796	158,238,434	-7.0%	16,090,409	-9.0%
2021	5,917	161,641,526	2.2%	16,769,006	4.2%
2022	5,929	165,239,716	2.2%	18,047,485	7.6%
2023	5,960	166,873,863	1.0%	18,220,349	1.0%
2024	5,991	168,531,306	1.0%	18,395,668	1.0%
2025	6,021	170,212,372	1.0%	18,573,476	1.0%
2026	6,053	171,917,391	1.0%	19,738,383	6.3%
2027	6,085	173,646,700	1.0%	19,930,875	1.0%
2028	6,117	175,400,637	1.0%	20,126,098	1.0%
2029	6,151	177,179,548	1.0%	20,324,090	1.0%
2030	6,184	178,983,783	1.0%	21,602,445	6.3%
2031	6,218	180,813,696	1.0%	21,816,782	1.0%
2032	6,253	182,669,648	1.0%	22,034,156	1.0%
2033	6,288	184,552,003	1.0%	22,510,065	2.2%
2034	6,324	186,461,132	1.0%	23,929,768	6.3%
2035	6,359	188,397,409	1.0%	24,171,057	1.0%
Growth rates					
2009-2020	0.05%	0.30%	2.18%	2.50%	
2021-2035	0.05%	0.48%	1.02%	2.42%	

Table Legend:

note:

Historical data
last current actual data
projections
anticipated rate adjustment years

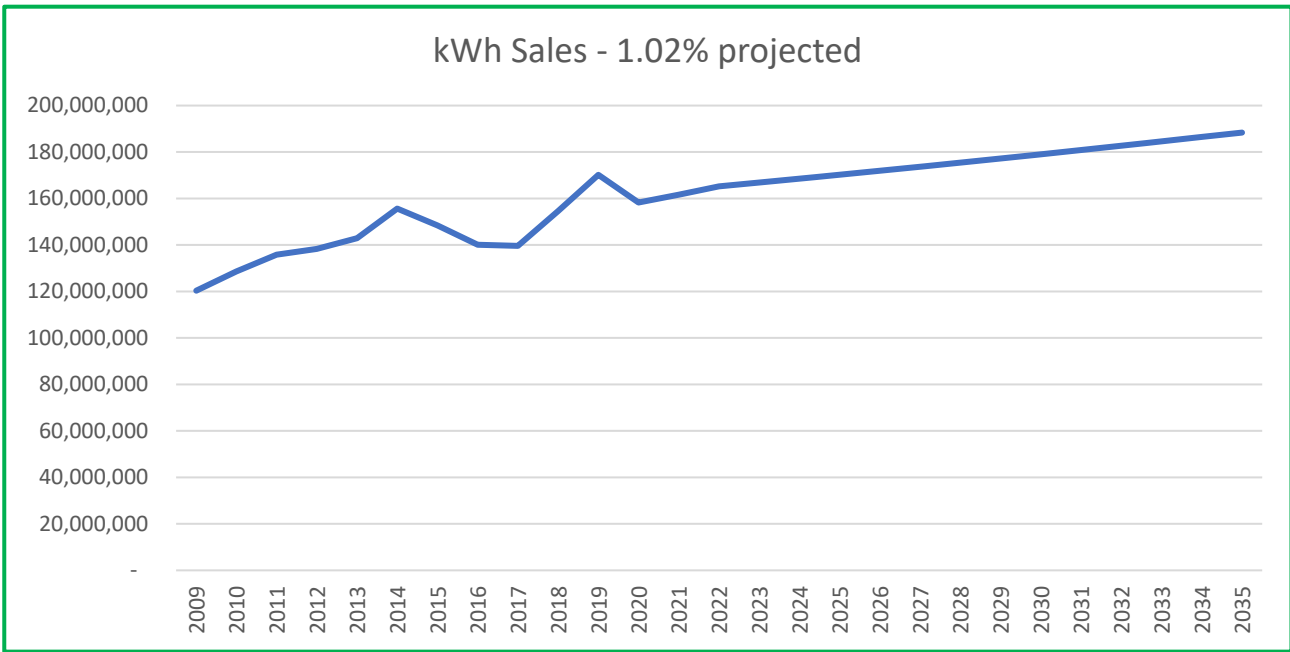
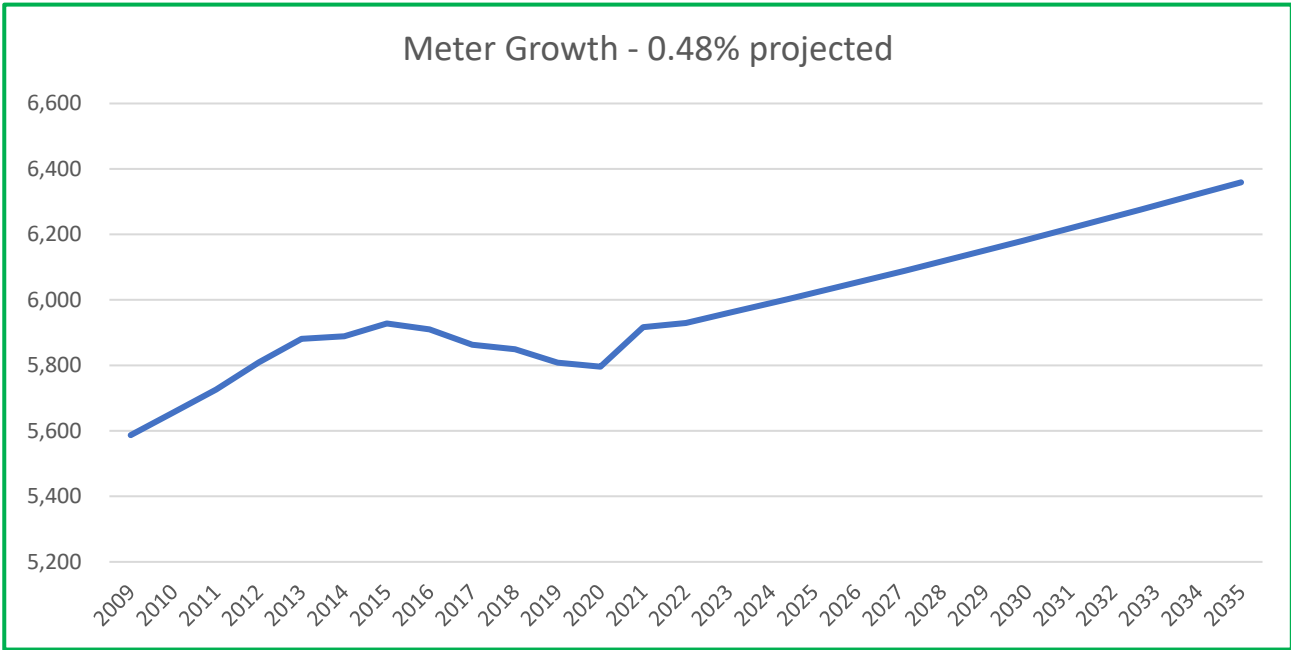
year	Demand				
	YE Served	Sunflower CP	%Δ	LSEC NCP	%Δ
2009	5,587	25,196		25,666	
2010	5,656	27,482	9.1%	27,775	8.2%
2011	5,726	27,821	1.2%	28,015	0.9%
2012	5,809	29,153	4.8%	28,983	3.5%
2013	5,881	27,089	-7.1%	28,672	-1.1%
2014	5,889	29,575	9.2%	28,907	0.8%
2015	5,928	29,229	-1.2%	28,275	-2.2%
2016	5,910	27,714	-5.2%	27,714	-2.0%
2017	5,863	29,518	6.5%	27,543	-0.6%
2018	5,849	26,082	-11.6%	31,298	13.6%
2019	5,808	31,887	22.3%	31,828	1.7%
2020	5,796	29,354	-7.9%	29,572	-7.1%
2021	5,917	29,120	-0.8%	31,187	5.5%
2022	5,929	29,621	1.7%	31,556	1.2%
2023	5,960	29,790	0.6%	31,925	1.2%
2024	5,991	29,989	0.7%	32,293	1.2%
2025	6,021	30,149	0.5%	32,662	1.1%
2026	6,053	30,287	0.5%	33,031	1.1%
2027	6,085	30,438	0.5%	33,399	1.1%
2028	6,117	30,604	0.5%	33,768	1.1%
2029	6,151	30,773	0.6%	34,137	1.1%
2030	6,184	30,923	0.5%	34,505	1.1%
2031	6,218	31,075	0.5%	34,874	1.1%
2032	6,253	31,231	0.5%	35,243	1.1%
2033	6,288	31,392	0.5%	35,611	1.0%
2034	6,324	31,555	0.5%	35,980	1.0%
2035	6,359	31,718	0.5%	36,348	1.0%
Growth rates					
2009-2020	0.05%	0.30%	1.22%	1.13%	
2021-2035	0.05%	0.48%	0.57%	1.02%	

Table Legend:

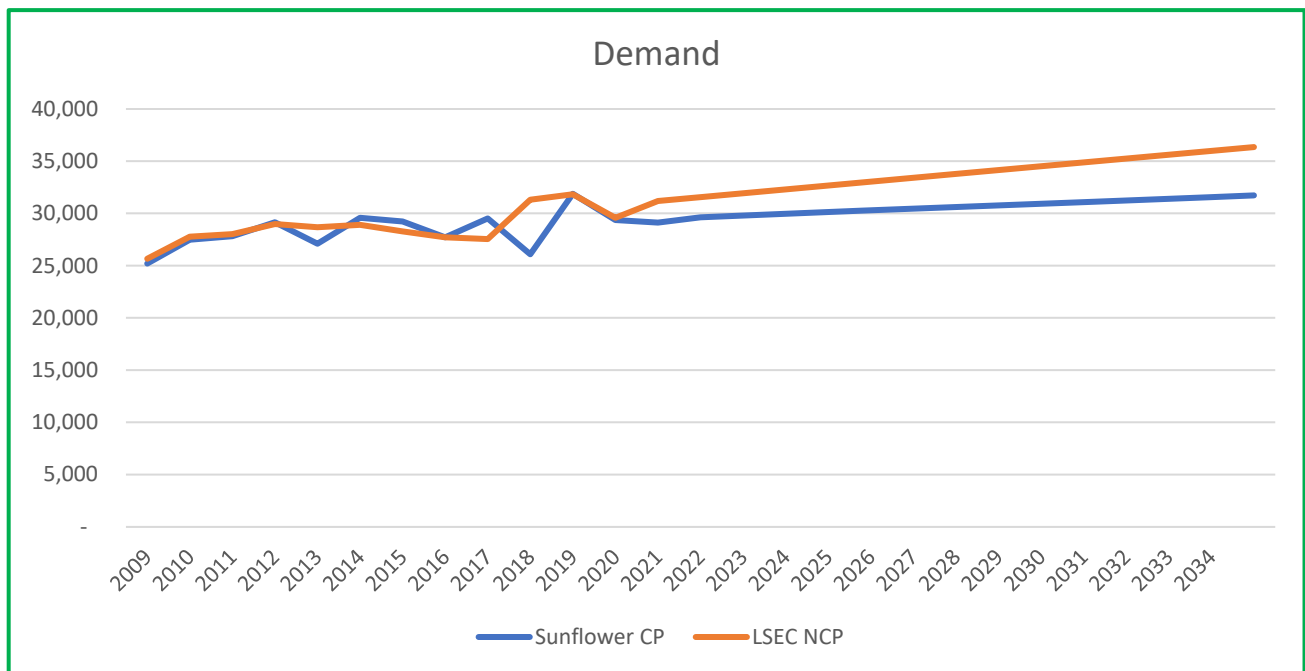
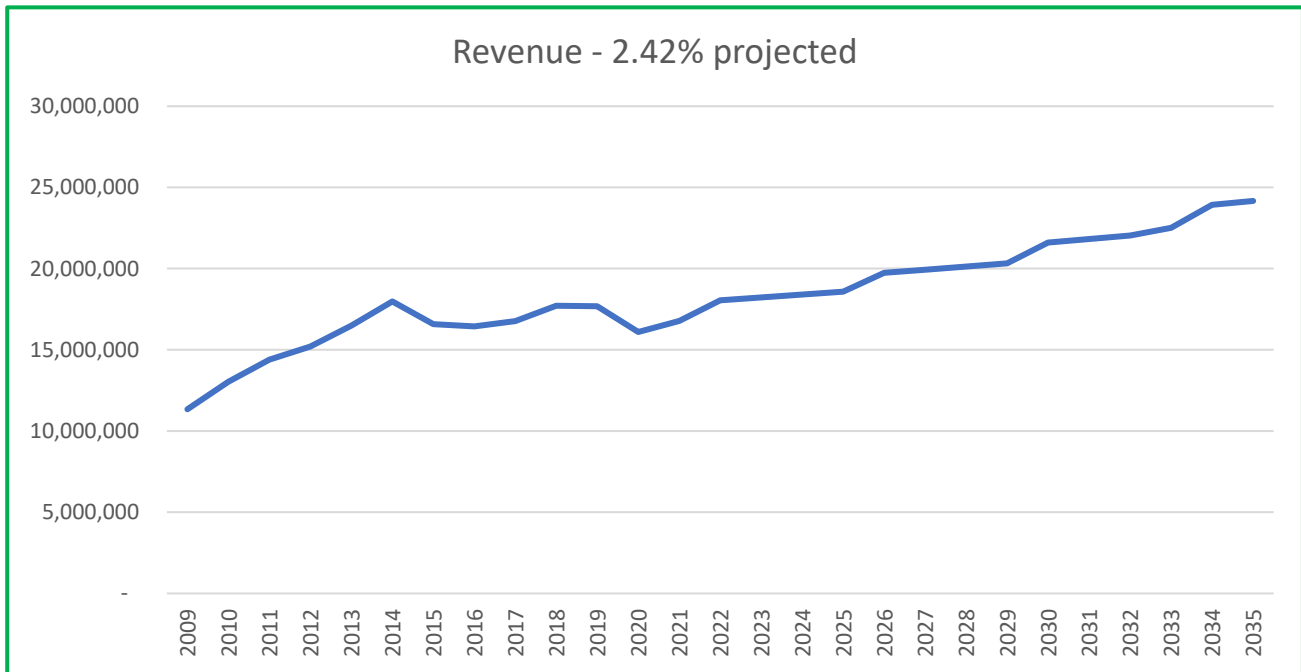
note:

Historical data	
last current actual data	
projections	
anticipated rate adjustment years	

Graphs



Graphs - continued





2022 Staffing, Wage, and Salary Plan Proposal

presented to the Board of Trustees September 13, 2021

*prepared by: Richard McLeon, MBA
General Maanger*

2022 Lane-Scott Electric Cooperative Wages and Salary Plan Proposal

The 2022 Wage and Salary Plan presents a \$180,902 increase (5.89%) from the projected 2021 costs.

- 1 Wages:
 - a. A 2.18% average Across the Board increase for all employees except the General Manager.
 - b. A projected 2.20% Across the Board increase in the 4th quarter 2022.
- 2 The GM Discretionary Fund of \$92,500 (±5%) for merit raises, hires, promotions, etc.
 - a. add 1 FTE in the office (\$69,359 total): \$ 52,027.84 *April*
 - b. Promotion of two Apprentice Linemen: 3,298.22
 - c. Merit and Equity adjustments: 30,483.92

\$ 85,809.98
- 3 Benefits:
 - a. No change to the existing KECHIT and NRECA Benefit package.
 - b. Calculations include the addition of one FTE for 12 months (even though projecting an April hire).

	2021	2022	increase	%
Wages	\$ 1,868,091	\$ 1,966,857	\$ 98,766	5.29%
COLA adj - 3 mo	8,374			
COLA adj - annual		35,164		
subtotal Wages:	1,876,465	2,002,021	125,556	6.69%
% of total:	61.1%	61.5%		3.62%
Projected Taxes	143,550	153,155	9,605	6.69%
% of total:	4.7%	4.7%		0.28%
Benefits				
Group Insurance	375,085	408,154	33,068	8.82%
Retirement, etc.	677,477	690,150	12,673	1.87%
	1,052,563	1,098,304	45,741	4.35%
% of total:	34.3%	33.8%		1.99%
Total Wage, Salary, and Benefit:	3,072,578	3,253,480	180,902	5.89%
<i>per employee:</i>	21	22		
Wages	89,355.50	91,000.98	1,645	1.84%
Taxes	6,835.70	6,961.57	126	1.84%
Benefit	50,122.03	49,922.90	(199)	-0.40%
Total:	\$ 146,313.23	\$ 147,885.45	1,572	1.07%

Staff requests that the Board approves the 2022 Wage and Salary package of approx. \$3,253,480 as presented.

Wages Proposal

Lane-Scott Electric Cooperative 2021 Wages:

2020 Base Payroll			\$	1,536,183
2021 Projected COLA increase:	2.18%	3 months only		8,374
General Manager - avg annual:				227,500
Overtime and on Call		<i>projected</i>		104,408
				<u>1,876,465</u>

Projected YE Total Wages:

Social Security Taxes	6.20%			116,341
Medicare	1.45%			27,209
				<u>143,550</u>

wages subtotal: **2,020,015**

Benefits

Group Insurance				375,085
Other Compensation				677,477
				<u>1,052,563</u>

2021 Projected Total Wages, Benefits, and Salary:

\$ 3,072,578

Lane-Scott Electric Cooperative 2022 Wages:

2022 Projected Base Payroll:			\$	1,772,057
GM Discretionary:			\$	85,810
2021-22 Projected increase:	2.18%	9 months only		25,123
2022 Projected increase:	2.20%	3 months only		10,041
General Manager - projected increase:				2,300
Overtime and on Call	2.19%			106,690
				<u>2,002,021</u>

Projected YE Total Wages:

Social Security Taxes	6.20%			124,125
Medicare	1.45%			29,029

subtotal: **2,155,176** 6.69%

Benefits

Group Insurance				408,154
Reirement, etc.				690,150
				<u>1,098,304</u> 4.35%

2022 Projected Total Wages, Benefits, and Salary:

\$ 3,253,480

increase: \$ 180,902
5.89%

Market Indices

note: COVID-19 has created a general contraction of Salary budgets across the world. Several companies are holding off on salary survey and reports because of the uncertainty of government actions and programs.

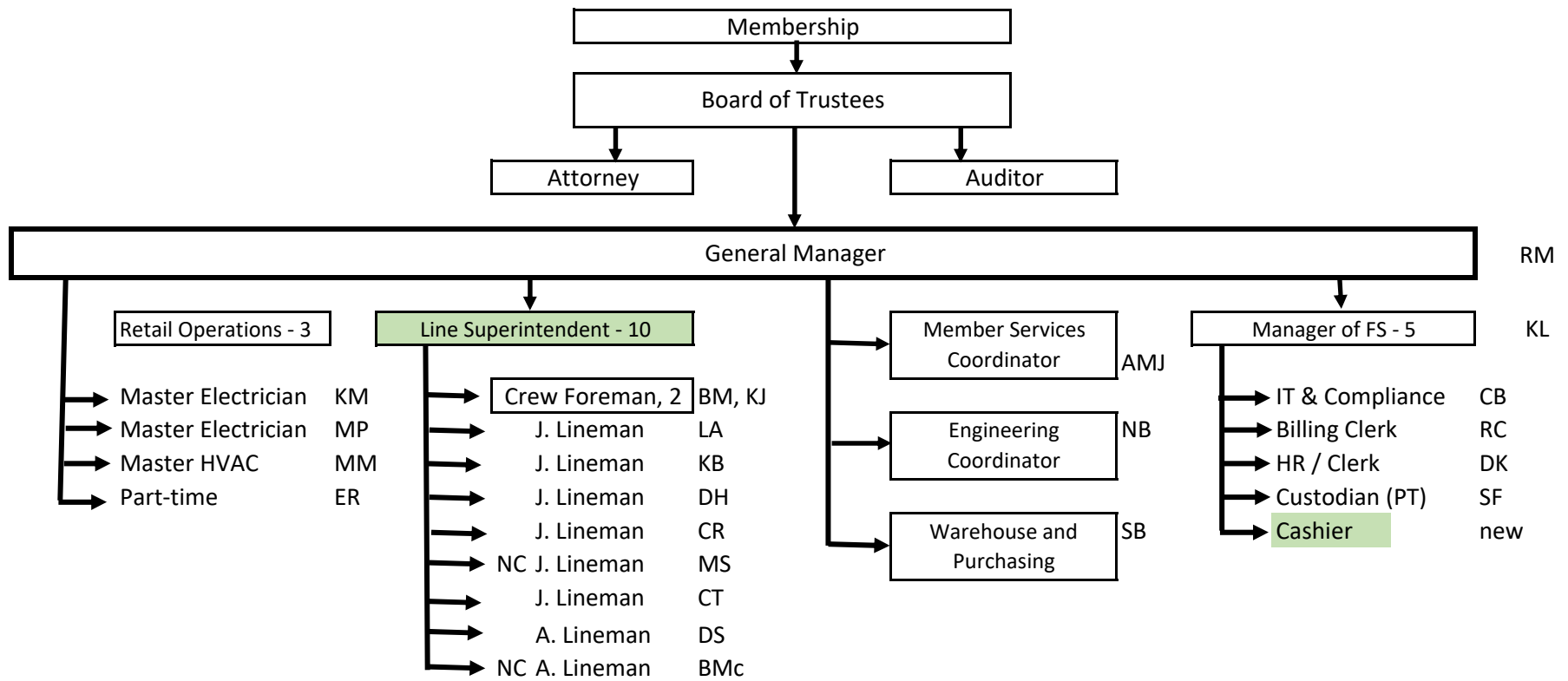
		YTD August
Bureau of Labor Statistics, Consumer Price Index	Jul-21	4.37%
US Inflation Rate - 2022 Forecasted	9-Sep-21	5.37%
	avg.	4.87%

2022 Salary budget projections:

			Projections
The Conference Board	US Salary Increase Budgets for 2022		3.00%
Society for Human Resource Management	2020 Salary Increases Look to Trail Inflation	Aug-21	3.00%
Willis Towers Watson	2019 General Industry Salary Budget Survey - US	20-Jul	3.00%
World at Work	2021-2022 Salary Budget Survey	11-Aug	3.30%
			3.08%

Goal:	CPI / Inflation Rate average:	4.87%
	1.0% longevity increase:	1.00%
		5.87%

2022 LSEC proposed:	Wages. Including merit, equity, new hire, and COLA:	3.62%
	Projected taxes:	0.28%
	Benefits adjustment:	1.99%
		5.89%



Yellow = expected retirement

Employee Count - year end	
2019	22
2020	23
2021	23
2022 (proposed)	23

Staffing / Succession

Potential Retirements (worse case) before 2030		employee	reason	department
2022	probable 2029	Kathy Lewis	31 years service	Financial Services - Manager
2023		Kalo Mann	Age 63	Retail - Master Electrician
2024				
2025		Nate Burns Mark McCullogh	31 years service age 62	Engineering Retail - Master HVAC
2026		Myron Seib	age 62	Operations - Ness City
2027				
2028		Richard McLeon Kasey Jenkins Diana Kuhlman	age 65.5 31 years service age 62	General Manager Operations - Crew Foreman Financial Services - Clerk / HR

2022 Staffing Plan - changes (included in Discretionary Budget)

position		salary
Interns	none	-
FTE	Office Clerk	38,000.00
retirees	none	-
		38,000.00

Future staffing changes

	Retail		Operations		Office		Admin	
	loss	hire	loss	hire	loss	hire	loss	hire
2022						1		
2023								
2024	Kalo			1				
2025		1						
2026	Mark			1			Nate	1
2027			Myron					
2028				1		1	Richard	1
2029			Kasey		Kathy	1		
				1	Diana			
2030								
2031			Ben					
2032								
2033								
2034			Dal					
2035								
loss	2	1	4	4	2	3	2	2
net		-1		0		1		0

2022 Summary of Employee Compensation

2022 Group Insurance

Coverage / Plan	number in plan		Total / Projected costs per month				Change	
	2021	2022	2021 unit	2021 total	2022 Unit	2022 Total	dollars	percent
Major Medical (KECHIT)								
Option 5 - 500/1000								
Employee	4.0	5.0	654.17	2,616.68	697.59	3,487.95	871.27	33.30%
EE/Child	1.0	1.0	1,321.43	1,321.43	1,410.92	1,410.92	89.49	6.77%
EE/Spouse	2.0	2.0	1,405.01	2,810.02	1,499.10	2,998.20	188.18	6.70%
Family	11.0	12.0	2,072.28	22,795.08	2,212.32	26,547.84	3,752.76	16.46%
Employee Contribution - 10%								
Employee	4.0	5.0	(49.06)	(196.25)	(69.76)	(348.80)	(152.54)	77.73%
EE/Child	1.0	1.0	(99.11)	(99.11)	(141.09)	(141.09)	(41.98)	42.36%
EE/Spouse	2.0	2.0	(105.38)	(210.75)	(149.91)	(299.82)	(89.07)	42.26%
Family	11.0	12.0	(155.42)	(1,709.63)	(221.23)	(2,654.78)	(945.15)	55.28%
Option 8 - 2800/5600								
Employee	1.0	-	563.18	563.18	608.78	-	(563.18)	-100.00%
EE/Child	-	-	1,137.24	-	1,230.02	-	-	
EE/Spouse	-	-	1,209.49	-	1,307.21	-	-	
Family	1.0	1.0	1,783.16	1,783.16	1,928.68	1,928.68	145.52	8.16%
HSA Payment	1.0	1.0		1,550.00		1,050.00	(500.00)	-32.26%
	-	-		-		-	-	#DIV/0!
NRECA								
AD&D (per \$1,000)	10.0	11.0	0.027	0.27	0.027	0.30	0.03	10.00%
Business Travel Accident			27.00	27.00	27.00	27.00	-	0.00%
Life Insurance Plan								
Basic Life (per \$1,000)	21.0	22.0	0.218	4.58	0.219	4.82	0.24	5.24%
LT Disability (per \$100)	21.0	22.0	0.0695	1.46	0.0729	1.60	0.14	9.89%
Total Benefits Cost				\$ 31,257.12		\$ 34,012.82	2,755.70	8.82%
Total Annual Cost				\$ 375,085.40		\$ 408,153.81	33,068.41	8.82%

2022 Other Compensation

	number of employees		2021 Annualized	2022 Annualized	Change	
	2021	2022			dollars	percent
NRECA R&S Contribution	21	22	\$ 568,629.44	\$ 580,002.03	\$ 11,372.59	2.00%
NRECA 401(k)	22	22	81,177.48	82,801.03	\$ 1,623.55	2.00%
S/L Payments	5	5	9,863.00	10,060.26	\$ 197.26	2.00%
Clothing Allowance						
Operations	\$ 1,070.49	\$ 1,091.90				
	15	14	16,057.35	15,286.60	\$ (770.75)	-4.80%
Office - BP 513	\$ 250.00	\$ 250.00				
	7	8	1,750.00	2,000.00	\$ 250.00	14.29%
Total Annual Cost			\$ 677,477.27	\$ 690,149.92	\$ 12,672.65	1.87%
<i>Benefits per employee</i>			\$ 30,794.42	\$ 31,370.45	\$ 576.03	1.87%

notes: 1. These figures came from the KECHIT and NRECA projections for LSEC 2022 (presented at September 2021 Board meeting).
2. Participant count assumed to be 2021 + 1 FTE.

2018 Health Insurance and HSA Information

Annual Single H.S.A. Contribution by LSEC

	5 years
1st Yr	\$ 1,300
2nd Yr	\$ 1,050
3rd Yr	\$ 775
4th Yr	\$ 525
5th Yr	\$ 250
	<u>\$ 3,900</u>

Annual Family H.S.A. Contribution by LSEC

	5 years
1st Yr	\$ 2,600
2nd Yr	\$ 2,100
3rd Yr	\$ 1,550
4th Yr	\$ 1,050
5th Yr	\$ 500
	<u>\$ 7,800</u>

These are 2018 Preliminary Premiums. We won't know for certain what 2018 premiums are until sometime in September.

500/1000 for 2018

	Emp	EE/Child	EE/Spouse	Family
Med/Vis/Dent Premiums	\$ 605.58	\$ 1,266.77	\$ 1,299.84	\$ 1,956.41

Amount each employee will contribute toward their premium when they choose the 500/1000 Plan

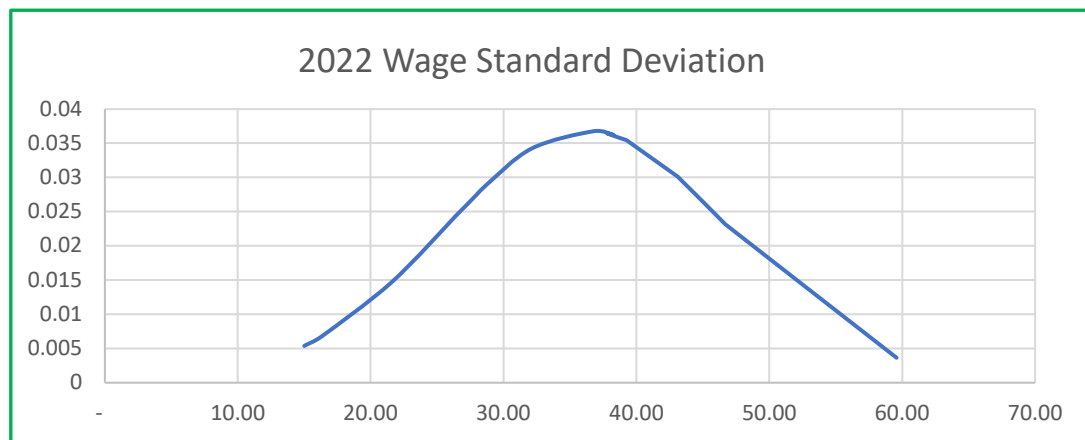
		Emp	EE/Child	EE/Spouse	Family	
Amount of Monthly Contribution Per Employee						
2018 1st Yr	5%	\$ 30	\$ 63	\$ 65	\$ 98	
2019 2nd Yr	5%	\$ 30	\$ 63	\$ 65	\$ 98	
2020 3rd Yr	7.50%	\$ 45	\$ 95	\$ 97	\$ 147	Calculation of 2nd - 5th year are based on 2018 premium amounts
2021 4th Yr	7.50%	\$ 45	\$ 95	\$ 97	\$ 147	
2022 5th Yr	10%	\$ 61	\$ 127	\$ 130	\$ 196	

2018 HDHP deductibles are \$2700 single / \$5,400 family

Employees will not contribute any money toward their premium when they choose the HDHP Plan

2022 Distribution

Emp #	Job Code	Employee	freq	2022 Wages		Std Dev from median
				\$ per hr	normal distribution	
			1	15.00	0.0053874	(1.96)
129			1	16.32	0.0067909	(1.84)
			1	21.52	0.0146159	(1.36)
130			1	26.44	0.0244389	(0.91)
131			1	26.54	0.0246376	(0.90)
22			1	27.96	0.02748	(0.76)
			1	28.70	0.0288812	(0.70)
21			1	32.11	0.0342187	(0.38)
35			1	36.78	0.0367631	0.05
			1	38.25	0.0361851	0.18
108			1	37.81	0.0364298	0.14
84			1	39.23	0.035437	0.28
34			1	39.23	0.035437	0.28
74			1	43.11	0.0301319	0.63
85			1	43.11	0.0301319	0.63
93			1	43.11	0.0301319	0.63
89			1	43.11	0.0301319	0.63
117			1	43.11	0.0301319	0.63
99			1	43.11	0.0301319	0.63
50			1	46.69	0.023136	0.96
55			1	46.69	0.023136	0.96
5			1	59.56	0.0036453	2.15



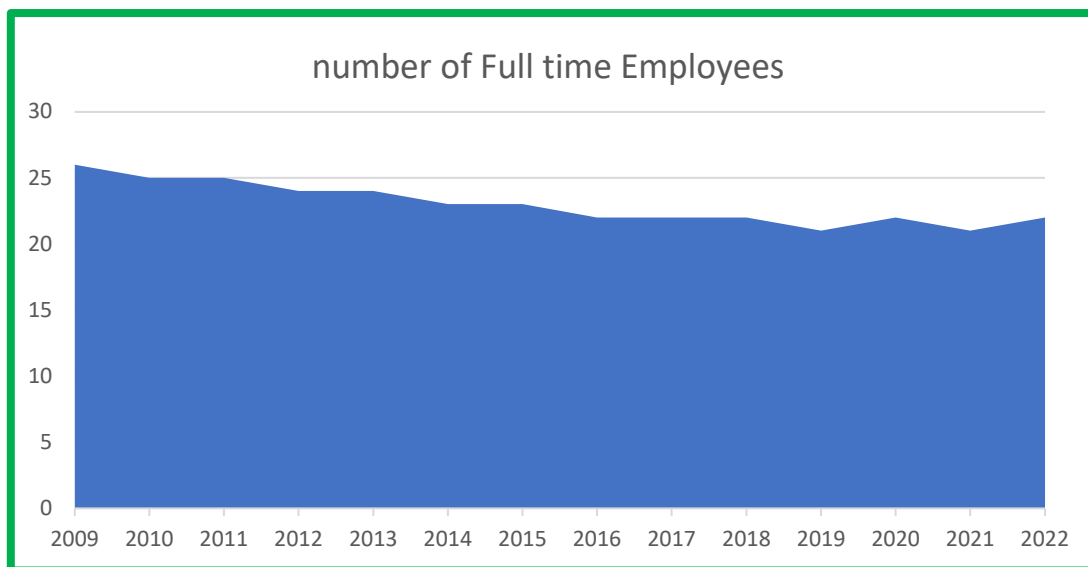
Standard Deviation 10.84

Median 38.74

Average	\$ 36.25			
± 1 STD	\$ 25.41		\$ 47.09	
± 2 STD	\$ 14.57		\$ 57.93	
± 3 STD	\$ 3.73		\$ 68.76	

Number of Employees

year	Number of full time employees	Number of pt employees	Total # employees
	YEF7, H1		
10 year	2009	26	
	2010	25	
	2011	25	
	2012	24	
	2013	24	
	2014	23	
	2015	23	
	2016	22	
	2017	22	
	2018	22	
5 year	2019	21	22
	2020	22	23
	2021	21	23
current	2022	22	23
10 year avg:		22	23
5 year avg:		22	23



10. c. BSGM Audit Engagement Letter

In 2019, the Board selected Bolinger, Segars, Gilbert & Moss, LLP (BSGM) as our Auditors for three (3) years. They provided an Audit fee schedule of \$22,000-24,000 per year.

Randy Robbins has provided that attached BSGM Audit Engagement Letter for the Audit year ending December 31, 2021. Fees are estimated at \$22,000-24,000.00 which includes travel and other out-of-pocket costs as per the Audit Proposal.

Staff is very pleased with the working relationship they have developed with Randy and the BSGM staff during the Audit.

Staff requests that the Board approved and execute the 2021 Audit Engagement letter.

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

August 31, 2021

Lane-Scott Electric Cooperative, Inc.
410 S High St.
Dighton, Kansas 67839

We submit the enclosed audit agreement for the year ended December 31, 2021. RUS policy requires that a written agreement be obtained for the annual audit engagement and a copy be retained for inspection by RUS. If the terms are acceptable, please have the agreement signed by a corporate officer and return one to us.

As required by RUS, we are enclosing an executed certification related to the Executive Orders covering Debarment and Suspension.

We appreciate the opportunity to continue as your auditor. If you have any questions or need additional information, please let us know.

Very truly yours,

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

By:



Randy Robbins, Partner

Enclosures

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

August 31, 2021

Lane-Scott Electric Cooperative, Inc.
410 S High St.
Dighton, Kansas 67839

We are pleased to confirm our understanding of the services we are to provide Lane-Scott Electric Cooperative, Inc. for the year ended December 31, 2021.

We will audit the financial statements of Lane-Scott Electric Cooperative, Inc., which comprise balance sheet as of December 31, 2021, and the related statements of income, other comprehensive income, and patronage capital and cash flows for the year then ended, and the related notes to the financial statements. Also, the following supplementary information accompanying the financial statements will be subjected to the auditing procedures applied in our audit of the financial statements and certain additional 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 procedures in accordance with auditing standards generally accepted in the United States of America, and our auditor's report will provide an opinion on it in relation to the financial statements as a whole:

1. Schedule of Electric Plant
2. Schedule of Accumulated Provision for Depreciation
3. Schedule of Other Property and Investments
4. Schedule of Patronage Capital
5. Schedule of Long-Term Debt
6. Schedule of Administrative and General Expenses

Audit Objectives

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the requirements of Rural Utilities Service, (The requirements of Rural Utilities Service are incorporated into this agreement as Attachment A) and will include tests of the accounting records of Lane-Scott Electric Cooperative, Inc. and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of audit of Lane-Scott Electric Cooperative, Inc.'s financial statements. Our report will be addressed to the Board of Directors of Lane-Scott Electric Cooperative, Inc. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports or may withdraw from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The reports on internal control and compliance will each include a statement that the report is intended solely for the information and use of the Board of Directors, management, and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties. If during our audit we become aware that Lane-Scott Electric Cooperative, Inc. is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because an audit is designed to provide reasonable, but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

We have identified the following significant risks of material misstatement as a part of our pre-audit planning, which modifications may be made during the conclusion of our audit planning:

1. Management override of controls.
2. Improper revenue recognition due to fraud or error.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures—Internal Controls

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weakness. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Lane-Scott Electric Cooperative, Inc.'s compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

Other Services

We will also assist in preparing the financial statements of Lane-Scott Electric Cooperative, Inc. in conformity with U.S. generally accepted accounting principles based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will also prepare the federal and state income tax returns for the year ended December 31, 2021 based on information provided by you.

We will perform the services in accordance with applicable professional standards, including the Statements on Standards for Tax Services issued by the American Institute of Certified Public Accountants. The other services are limited to the financial statement and tax services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities. We will advise management with regard to tax positions taken in the preparation of the tax return, but management must make all decisions with regard to those matters.

Management Responsibilities

Management is responsible for designing, implementing, and maintaining effective internal controls, including evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information in conformity with U.S. generally accepted

accounting principles, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for ensuring that management is reliable and financial information is reliable and properly recorded. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the entity involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants for taking timely and appropriate steps to remedy any fraud, violations of contracts or grant agreements, or abuse that we may report.

You are responsible for the preparation of the supplementary information in conformity with accounting principles generally accepted in the United States of America. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to tax services, financial statement preparation and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Engagement Administration, Fees, and Other

The audit documentation for this engagement is the property of Bolinger, Segars, Gilbert & Moss, L.L.P. and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to the USDA Rural Utilities Service or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Bolinger, Segars, Gilbert & Moss, L.L.P. personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party contesting the audit finding for guidance prior to destroying the audit documentation.

Randy Robbins is the engagement partner and is responsible for supervising the engagement and signing the report, and whom any complaints or disputes should be directed.

We estimate that our fee for these services will be \$22,000 - \$24,000 including travel and other out-of-pocket costs such as report reproduction, word processing, postage, travel, copies, telephone, etc. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our most recent peer review report accompanies this letter.

We appreciate the opportunity to be of service to Lane-Scott Electric Cooperative, Inc. and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

By:



Randy Robbins, Partner

RESPONSE:

This letter correctly sets forth the understanding of Lane-Scott Electric Cooperative, Inc.

By: _____

Title: _____

Date: _____

U. S. DEPARTMENT OF AGRICULTURE

CERTIFICATION REGARDING DEBARMENT, SUSPENSION, AND OTHER RESPONSIBILITY MATTERS - PRIMARY COVERED TRANSACTIONS

INSTRUCTIONS FOR CERTIFICATION

1. By signing and submitting this proposal, the prospective primary participant is providing the certification set out below.
2. The inability of a person to provide the certification required below will not necessarily result in denial of participation in this covered transaction. The prospective participant shall submit an explanation of why it cannot provide the certification set out below. The certification or explanation will be considered in connection with the department or agency's determination whether to enter into this transaction. However, failure of the prospective primary participant to furnish a certification or an explanation shall disqualify such person from participation in this transaction.
3. The certification in this clause is a material representation of fact upon which reliance was placed when the department or agency determined to enter into this transaction. If it is later determined that the prospective primary participant knowingly rendered an erroneous certification, in addition to other remedies available to the Federal Government, the department or agency may terminate this transaction for cause or default.
4. The prospective primary participant shall provide immediate written notice to the department or agency to which this proposal is submitted if at any time the prospective primary participant learns that its certification was erroneous when submitted or has become erroneous by reason of changed circumstances.
5. The terms *covered transaction*, *debarred*, *suspended*, *ineligible*, *lower tier covered transaction*, *participant*, *person*, *primary covered transaction*, *principal*, *proposal*, and *voluntarily excluded*, as used in this clause, have the meanings set out in the Definitions and Coverage sections of the rules implementing Executive Order 12549. You may contact the department or agency to which this proposal is being submitted for assistance in obtaining a copy of those regulations.
6. The prospective primary participant agrees by submitting this proposal that, should the proposed covered transaction be entered into, it shall not knowingly enter into any lower tier covered transaction with a person who is proposed for debarment under 48 CFR part 9, subpart 9.4, debarred, suspended, declared ineligible, or voluntarily excluded from participation in this covered transaction, unless authorized by the department or agency entering into this transaction.
7. The prospective primary participant further agrees by submitting this proposal that it will include the clause title "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion - Lower Tier Covered Transaction," provided by the department or agency entering into this covered transaction, without modification, in all lower tier covered transactions and in all solicitations for lower tier covered transactions.
8. A participant in a covered transaction may rely upon a certification of a prospective participant in a lower tier covered transaction that is not proposed for debarment under 48 CFR part 9, subpart 9.4, debarred, suspended, ineligible, or voluntarily excluded from the covered transaction, unless it knows that the certification is erroneous. A participant may decide the method and frequency by which it determines the eligibility of its principals. Each participant may, but is not required to, check the List of Parties Excluded from Federal Procurement and Nonprocurement Programs.

9. Nothing contained in the foregoing shall be construed to require establishment of a system of records in order to render in good faith the certification required by this clause. The knowledge and information of a participant is not required to exceed that which is normally possessed by a prudent person in the ordinary course of business dealings.
10. Except for transactions authorized under paragraph 6 of these instructions, if a participant in a covered transaction knowingly enters into a lower tier covered transaction with a person who is proposed for debarment under 48 CFR part 9, subpart 9.4, suspended, debarred, ineligible, or voluntarily excluded from participation in this transaction, in addition to other remedies available to the Federal Government, the department or agency may terminate this transaction for cause or default.

CERTIFICATION

1. The prospective primary participant certifies to the best of its knowledge and belief, that it and its principals:
 - a. Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded by any Federal department or agency;
 - b. Have not within a three-year period preceding this proposal been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State or local) transaction or contract under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;
 - c. Are not presently indicted for or otherwise criminally or civilly charged by a governmental entity (Federal, State or local) with commission of any of the offenses enumerated in paragraph (1)(b) of this certification; and
 - d. Have not within a three-year period preceding this application/proposal had one or more public transactions (Federal, State or local) terminated for cause or default.
2. Where the prospective primary participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

Organization Name

PR/Award Number or Project Name

Randy Robbins - Partner

Name and Title of Authorized Representative

Signature

Date

ATTACHMENT A

(1) The audit is being performed and the auditors' report, letter to Board of Directors regarding RUS, 7 CFR, Part 1773, RUS policies concerning audits of RUS borrowers, and report on compliance and on internal control over financial reporting based on an audit of the financial statements performed in accordance with government auditing standards are being issued in order to enable the borrower to comply with the provisions of RUS' security instrument;

(2) RUS will consider the borrower to be in violation of its security instrument with RUS if the borrower fails to have an audit performed and documented in compliance with GAGAS and with RUS §1773;

(3) We represent that we meet the requirements under RUS §1773 to be satisfactory to RUS;

(4) We will perform the audit and will prepare the auditors' report, report on compliance, report on internal controls, and management letter in accordance with the requirements of RUS §1773;

(5) We will document the audit work performed in accordance with GAGAS, the professional standards of the AICPA, and the requirements of RUS §1773;

(6) We will make all audit-related documents, including auditors' reports, workpapers, and management letter available to RUS or its representatives (OIG and GAO), upon request, and will permit the photocopying of all audit-related documents; and

(7) We will follow the requirements of reporting irregularities and illegal acts as outlined in RUS §1773.9.



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Report on the Firm's System of Quality Control

To the Partners of Bolinger, Segars, Gilbert & Moss, LLP
and the Peer Review Committee of the Texas Society of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Bolinger, Segars, Gilbert & Moss, LLP (the firm) in effect for the year ended May 31, 2020. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, compliance audits under the Single Audit Act, and audits of employee benefit plans.

As part of our review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Bumgardner, Morrison & Company, LLP
Certified Public Accountants

Members: American Institute of Certified Public Accountants
Texas Society of Certified Public Accountants
AICPA Private Companies Practice Section
AICPA Employee Benefit Plan Audit Quality Center
AICPA Government Audit Quality Center

1501 E Mockingbird Lane, Suite 300
PO Box 3750
Victoria, Texas 77903-3750
Phone: 361.575.0271
Fax: 361.578.0880
Website: BMCcpa.com

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Bolinger, Segars, Gilbert & Moss, LLP in effect for the year ended May 31, 2020, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Bolinger, Segars, Gilbert & Moss, LLP has received a peer review rating of *pass*.

Bumgardner, Morrison & Company, LLP

BUMGARDNER, MORRISON & COMPANY, LLP

October 22, 2020

10. d. 2021 4th Quarter Schedule

Lane-Scott Electric Cooperative, Inc. 2021 Board Schedule

(Based on known calendars as of August 19, 2021)

<u>October</u>	4	LSEC Board of Trustees meeting
	12-13	KEC Board Meeting, Wichita
	20	Sunflower EPCorp Board, Hays
<u>November</u>	1	LSEC Board of Trustees meeting
	17	Sunflower EPCorp Board, Hays
	25-26	Office Closed - Thanksgiving
<u>December</u>	1-2	KEC Board Meeting, Wichita
	6	LSEC Board of Trustees meeting
	8-10	Sunflower EPCorp Board, KC, MO
	18	Christmas Party
	24	Office Closed - Christmas

No scheduling conflicts have been identified; therefore, no Board action is requested.

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

SAFETY MEETING

August 17, 2021

Chris Terhune called the meeting to order at 9:05am.

Minutes were read: Dal Hawkinson made a motion to approve the July 14th minutes and Myron Seib seconded. Minutes were read and approved as printed.

Present: Richard McLeon, Kasey Jenkinson, Ben Mann, Dal Hawkinson, Chad Rupp, Chris Terhune, Myron Seib, Kevin Bradstreet, Leighton, Ayers Dellon Shelton, Blake McVicker, Nate Burns, Kalo Mann, Mark McCulloch, Kathy Lewis, Carrie Borell, Rebecca Campbell, Ann Marie Jennings, and Diana Kuhlman

Absent: Scott Briand and Michael Pollock

Truck report of inspections:

105	Dellon Shelton	Scott Briand has it at a meeting.
110	Myron Seib	OK
112	Leighton Ayers	OK
117	Chris Terhune	OK
123	Mark McCulloch	OK
132	Kevin Bradstreet	OK
135	Nate Burns	OK
136	Dellon Shelton	Windshield need replaced.
143	Chris Terhune	OK
144	Kalo Mann	OK
145	Chris Terhune	OK
150	Kasey Jenkinson	OK
173	Chad Rupp	OK
174	Dal Hawkinson	OK
191	Kalo Mann	OK
193	Myron Seib	Still not working right.
200	Ben Mann	Missing 4 cones and boom ribbon hose needs replaced.
304	Myron Seib	OK
305	Myron Seib	OK

Trailer and Equipment report of inspections:

502	Myron Seib	OK
507	Myron Seib	OK
515	Myron Seib	OK
504	Chris Terhune	OK
505	Chris Terhune	OK
508	Chris Terhune	OK
509	Chris Terhune	Wires hanging down, no tail light, turn signals, and flashers.
513	Chris Terhune	OK
516	Chris Terhune	OK
700	Chris Terhune	OK
701	Chris Terhune	OK
702	Chris Terhune	OK
512	Chris Terhune	OK
514	Scott Briand	OK

Warehouse, building, and pole yard inspections:

Ness City Warehouse	Myron Seib	OK
Ness Pole Yard & Transformer Dock	Myron Seib	OK
Warehouse	Scott Briand	
Pole Yard & Transformer Dock	Chris Terhune	OK
Office	Diana Kuhlman	OK

Personal Tools: All Passed

Gloves Monthly Test Results: All Passed

- ◆ **Blankets Bi-Annual Test Results:** All Passed. Chris Terhune reported that Richard McLeon approved the purchase of additional smaller splits and full blankets. Kevin Bradstreet discussed some company's new blankets PET testing failed.

Substation and Regulator Report: Ben Mann reported the change out of regulators on Scott City 3-phase and City circuit is in progress. Padmounts are mowed and undergrounds were weedeated.

PCB Report: Solomon is coming today to deliver LCF transformers and arrangement will be made with them to take the padmounts and bad transformers back today.

Line Clearance: Ness City, Ransom, Lane/Ness line, and Solida is done for now and will be back in the fall to do more tree trimming.

Accident and Near Misses: None to report.

Old Business:

- ◆ Dal Hawkinson reported that we are working with Verizon on the collector service area coverage and possible improvements.
- ◆ Chris Terhune discussed the KEC On-Site Regulatory Visit report. Will be following up with Motorola on radio replacements.
- ◆ Richard McLeon reported about the drug and alcohol form that needs signed.
- ◆ Dal Hawkinson discussed the north lot relocation of the S&T cabinet, walk in gate addition, drive through gate placement, moving the city pole to the outside of the fence, permanently shut off valve on water hydrant on the outside of the fence, spray weeds, and dirt work progress. North pole yard walk in gate was discussed. Collector connection issues and placement was discussed. Carrie Borell discussed Nex-Tech wanting to get our business back. Ben Mann suggested having Nex-Tech do a service area check to clarify territory coverage.

New Business:

- ◆ Chris Terhune reported volunteers are still needed at the KEC high-voltage line safety demo at the State Fair from September 15 and 16. North pole yard gate was hit by lightning. The circuit board will be covered by the warranty.
- ◆ Ben Mann discussed not using insulators on hot arms.
- ◆ Mark McCulloch discussed the radio tower AC is out of service and will be replacing it with a split unit.
- ◆ Carrie Borell discussed member SmartHub outage reporting drop down options and if lineman had any others they wanted set up. Ben Mann asked if we could see if the SmartHub outage reporting could have a phone number included. Carrie Borell will check to see if this can be done.
- ◆ Chad Rupp discussed AppSuite outage duplication still occurring. Carrie Borell will try another setting to see if that helps any and if not will research further into it.
- ◆ Chris Terhune and Ben Mann attended on the KEC Safety Summit. Ben Mann reported that incident reporting and the Wheatland burn accident was discussed. The objective of incident reporting was discussed.
- ◆ Kevin Bradstreet reported on a fireman first responder that was burned in Rowland.
- ◆ Leighton Ayers and Kasey Jenkinson discussed the lightning strike at Potters.
- ◆ Bruce McAntee discussed meter safety, job briefing (tailgate discussions), electrical burn injuries, and hazard recognition.
- ◆ Reviewed the safety summary.

Meeting adjourned.

LANE-SCOTT ELECTRICT COOPERATIVE, INC.
SAFETY COUNCIL COMMITTEE PROJECT FOLLOW UP MEETING
August 19, 2021

Leighton Ayers called the meeting to order at 3:34pm.

Minutes were read: N/A

Present: Richard McLeon, Chris Terhune, Leighton Ayers, and Carrie Borell

Absent:

Old Business:

- ♦ Carrie Borell discussed project follow up on safety app software quote and capability comparisons. It was agreed to purchase the Safety Amp application. The iPad storage is full, and they are at their end of life this year. New iPads will be needed to continue running AppSuite efficiently and storage will be needed to upload documents and photos to the Safety Amp site. Richard McLeon approved purchasing new iPads.
- ♦ Leighton Ayers discussed the phone issues. The radio replacement work plan time frame was discussed. It was agreed Carrie Borell would contact Nex-Tech wireless and get information on their plans and service territory.

New Business:

Meeting adjourned

Chris Terhune
Safety Coordinator

Carrie Borell
Safety Secretary

SAFETY PROGRAM

SAFETY PROJECTS COMPLETED AS OF AUGUST 2021

1. Safety software form and documentation demos.
2. Basin SRS dispatch procedures updated to include OMS integration.
3. Blake McVicker signed on to the Commit to Zero Contacts safety program.
4. Storm Restoration Guide and Safety Manuals prepared for third party personnel working for Lane Scott Electric.
5. KEC On-Site Regulatory Visit Report:
Morton Building – Areas in front of existing fire extinguishers, first-aid kit, electrical disconnects, and door entrance identified, visibly marked, and devices readily accessible.
Salt Shed – Areas in front of fire extinguishers and electrical disconnects door entrance identified, visibly marked, and devices readily accessible.
Main – Areas in front of fire extinguishers identified, visibly marked, and devices readily accessible.
6. Chris Terhune and Carrie Borell OSHA Sharp program application gathered required documentation attachments.
7. Nate Burns updated building evacuation map requirements.
8. Ann Jennings's member safety awareness publishes to either KCL newsletter, social media, and/or the Lane Scott Electric website concerning:
 - Back to School Safety Share the Road and driving safety tips.
 - Video on School buses make sure you know what to do if an accident involves a downed power line.
 - Blake McVicker Commit to Zero Contacts safety program.
9. Diana Kuhlman submitted reports:
 - KEC Loss Control, Safety and Compliance System Monthly Statistical Report.
 - Compliance One drug and alcohol monthly roster report.
10. KEC August safety meeting topics: Safety summary, Meter Safety, Job Briefing (Tailgate Discussions), Electrical Burn Injuries, and Administrative: Hazard Recognition. August safety minutes are included in the board packet.
11. In-House August safety council meeting project follow ups. Minutes are included in the board packet.

SAFETY PROJECTS IN PROGRESS AS OF AUGUST 2021

1. RESAP/Self-Assessment/Annual Supervisor Inspection improvements **in progress**:
 - Truck #173 – upper boom chipped (Working with Brady at Altec to fix.)
 - Truck #110 – 2 traffic signs needed are ordered.
 - Ness Truck Bay – broken windowpane south end near highway is broken and needs replaced.
2. RESAP/Self-Assessment/Annual Supervisor Inspection improvements in **work plan**:
 - Bazine Substation – center switch beside regulators needs changed out.
 - Dighton City West Substation – needs switch bypass on north side of substation.
 - Ness City Substation – arrestors blown and need replaced.
 - Ransom Substation – arrestors blown, and needs replaced.