



To: **Board of Trustees and Attorney**

A regular meeting of the Board of Trustees has been set for July 6, 2020 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
8. General Managers Report
9. Old Business
10. New Business
 - a. Loan W8 final draw
 - b. City of Dighton
 - c. Generac
 - d. Appoint Delegates to NCSC and NRUCFC Virtual meetings
 - e. 2019 Retail Services Study
11. Safety Meeting Report
12. Adjourn

Upcoming Events:

| | | |
|-----------------------------------|------------|-------------|
| LSEC Annual Meeting | July 14 | Dighton, KS |
| Sunflower Board Meeting | July 16-17 | Hays, KS |
| LSEC Board Meeting | August 3 | Dighton, KS |
| NCSC Virtual Annual Meeting | August 6 | |
| NRUCFC Special Membership Meeting | August 14 | |

**MINUTES OF THE REGULAR JUNE 2020
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, June 1, 2020, in the offices of the cooperative at 410 South High Street, Dighton, Kansas. President Richard Jennison called the meeting to order at 7:01 p.m. In addition to President Richard Jennison, the other trustees in attendance were: Rad Roehl, Harold Hoss, Ed Gough, Eric Doll, Richard Sorem, Chad Griffith, Paul Seib Jr. and Craig Ramsey. Also present Richard McLeon IV, Kathy Lewis, Randy Robbins, Auditor and Joseph Gasper, Attorney.

AUDITOR REPORT

Randy Robbins, Auditor with Bolinger, Segars, Gilbert & Moss L.L.P presented the 2019 audit report to the board. Highlights of his presentation include the following:

- The auditor reviewed the 2018 numbers and conducted an audit on the 2019 numbers as this was a first-year audit for the auditor.
- The audit was performed on the year ending December 31, 2019. The audit was clean and is an unmodified report of the audit findings.
- The audit was performed entirely off-site due to the Covid shutdown.
- An adjustment to the 2018 report was made as set out in note 22 of the report. This adjustment was made to reflect the equity contribution and income or loss for MKEC that had not been recognized since 2001.
- The balance sheet shows the electric plant in service is \$6,940,682. Unbilled revenue is a new line on the balance sheet and reflects unbilled revenue on December 31 which was for 6 days in 2019. The unbilled revenue was \$179,807. Assets total \$58,436,499. Total equities are \$22,092,544, with total long-term debt of \$33,080,089 for total equities and liabilities of \$58,436,499.
- The statement of income shows total patronage capital at year-end of \$21,618,403. Total operating revenues were \$17,904,590, with total operating expenses of \$15,806,148. Interest on long term debt totaled \$1,316,148. G&T capital credits are \$983,794. A transfer of \$69,860 was made to other equity. This was uncollected billing from a billing error at Lane-County Feeders and Healy Coop that was offset with capital credits in prior years.

- The statement of cash flow showed an increase of cash of \$1,708,454 for a total of cash and cash equivalents of \$3,003,584 at year end.
- Depreciation at year end was \$1,980,540.
- MKEC showed patronage capital of \$513,484, capital contributions of \$57,847 and contributed capital of \$365,193.
- In 2013 Lane-Scott participated in the NRECA R&S prepayment plan with a contribution of \$1,607,008 amortized over ten years. The amortization expense was \$160,701 for the year.
- Assigned patronage capital totals \$21,119,585 with \$2,296,101 retired and \$2,794,919 assignable for total patronage capital of \$21,618,403.
- Unadvanced loan funds of \$4,555,483 were available through loan commitments with FFB as of year-end.
- Lane-Scott has a \$4,000,000 line of credit with CFC at a variable interest rate and a \$1,000,000 line of credit with CoBank with a variable interest rate. There was no outstanding money on either line of credit at year end.
- Note 21 showed the 2018 adjustment for unbilled revenue at year as restated.
- A copy of the compliance letter to RUS was included in the report.
- There were no issues with working with staff or management on the audit.
- Six adjustment were made but there are no concerns with any of the adjustments.
- A question was raised on how MKEC would be treated after the merger with Sunflower. Randy answered that he was not certain how Sunflower has treated MKEC under the merger but is working with them to determine how MKEC will be treated in the future.
- A question was raised about the capital credits that remain assignable. Randy answered that they are capital credits from Sunflower. There will need to be further discussion on how to deal with the older Sunflower capital credits.

A motion to enter executive session with the auditor to discuss the audit was made, duly seconded and carried at 7:40 p.m. The board came out of executive session at 7:48 p.m.

Randy Robbins and Kathy Lewis left the meeting at the completion of the audit report.

MINUTES OF PRIOR MEETING

President Jennison called for action on the minutes of the prior meeting held on May 4, 2020. *Hearing no corrections, President Jennison declared the minutes stand approved as printed.*

President Jennison called for action on the minutes of the special meeting held on May 18, 2020. *Hearing no corrections, President Jennison declared the minutes stand approved as printed.*

CASH DISBURSEMENTS

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

There were no questions regarding the checks.

PRESIDENT'S REPORT

President Jennison had no current items to report.

ATTORNEY'S REPORT

Attorney Gasper reported that a settlement had been made through discussions by Manager McLeon with the owner of Frigid Creme. A settlement agreement and confidentiality agreement had been entered and Lane-Scott paid the settlement rather than submitting to Federated.

Attorney Gasper is working with Dale Pike on the substation lease for the Dighton Sub.

REPORT OF SUNFLOWER DELEGATE

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

Paul Seib Jr., Lane-Scott's delegate to Sunflower, also reported the following:

- Al Tamimi presented information regarding payment allocation on transmission. Manager McLeon added that this is in part due to the power generated for export out of state causing congestion issues. Work continues to try to have the expense of the additional transmission be paid by the areas that the power is being exported to.

KEC REPORT

Trustee Hoss reported that a KEC meeting was held May 6&7 and a written report of the meeting was included in the board packet.

MANAGER'S REPORT

Manager McLeon commented on the following matters:

- The credit card statements were presented to the Trustees for review.
- The engineering report on the Hineman did not condemn the tower. The estimate for repairs is \$57,800 and should be made within a month.
- Lane-Scott has received permission from the City of Dighton to work directly with KMEA regarding the O&M agreement.
- Lane-Scott received notice from Sunflower that Lane-Scott had been underbilled for the City of Dighton in the amount of \$101,839.39 since April, 2019. During that time Sunflower overbilled Lane-Scott by \$146,274.53. Sunflower changed out a meter and did not get the billing calculation correct for the new meter. The City of Dighton expressed concerns to Sunflower over a year ago that they felt the billing was too low.
- Four more oil and gas meters were disconnected in April bringing the total to 40 accounts.
- 14 members are claiming past due payments due to Covid-19. The total past due is \$2,728.73. The current rule is to allow up to 12 months to make payments on the past due account.
- The NRECA regional meeting has been cancelled and is expected to have a virtual meeting week. The training classes are being held on-line at a reduced rate.
- KEC is cancelling the summer meeting.
- Cybersecurity awareness training has begun for all employees.
- There has been no progress on Border States due to the Covid-19 shutdown.
- Work is being done to raise a two-mile section on a clearance project. This was in response to a member call. This will be part of the last draw down on the current FFB loan.
- The operating margins for the month were a negative \$15,797. April sales of \$1,235,571 were down \$49,740 from the 9-year average and down \$360,026 from April 2019. The large oil companies are pumping much lower amounts but are starting to ramp back up production.
- Despite the lower sales, Lane-Scott is only \$32,974 below budget year-to-date.
- The numbers for the irrigation and C&I are not correct and an update will be sent out with the correct numbers.
- Bartlett Grain signed a contract with resale for \$15,000 for a bunker aeration project.
- The August date will be the regular date on the 1st Monday.

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.

There were no additions to the safety report.

OLD BUSINESS

1. Annual Meeting

- The county fair has been cancelled but Lane-Scott is still on target to have an in-person annual meeting.
- The plan is to have a mail in ballot in the notice to be safe.
- The big tent and picnic table will be rented and the food is still on as normal.

2. Youth Leadership Camp

- The youth leadership camp has been cancelled for the year. The \$1,800 deposit will be refunded and after Lane-Scott expenses there will be approximately \$1,500 per camper remaining. Staff provided three options and recommended the third option. The options are: 1. Award each with a \$1,500 scholarship and the option to apply for the YLC or youth tour next year; 2. Hold next years YLC spot for them without having to reapply and no contest next year; and Give each the option of either taking the scholarship or attending YLC next year.
- *After discussion of the options a motion to adopt option number 1 to award each with a scholarship of \$1,500 and allow them to apply for the YLC and Youth Tour next year was made, duly seconded and carried.*

NEW BUSINESS

1. Audit

- *A motion to approve the 2019 audit as presented to the board by Randy Robbins, was made, duly seconded and carried.*

2. 2020 Equity Study

- Manager McLeon presented the 2020 equity study he prepared by highlighting the executive summary.

- There are three methods of measuring equity which are 1. Equity as a percentage of Total Assets (EPA); 2. Equity as a percentage of Capitalization (EPC); or 3. Distribution Equity (DE).
- The 2018 CFC key trend ratio analysis was used in the study. Lane-Scott tends to be below the Kansas median for the ratios but are close to the Sunflower group ratios. This is impacted, in part, by the Aquila acquisition which did lower equity ratios in the Sunflower coops.
- The bottom line is that Lane-Scott is in good shape overall with the construction financed through long term debts. There is room for improvement and a balance must be made between goals on plant growth, capital credit retirements, member rates and TIER goals.
- Lane-Scott is approximately 13% under the Kansas average retail rates.

Lane-Scott will be installing a meter at the Dighton substation.

A question on the hours worked for Lane-Scott by the resale department and whether the numbers are accurate was made. Manager McLeon is going to review the hours and report back on this question.

ADJOURNMENT

A motion to adjourn the meeting was made, seconded and carried at 8:53 p.m., on Monday, June 1, 2020.

06/11/2020 3:38:33 PM

Accounts Payable Check Register

Page 1

05/09/2020 To 06/10/2020

Bank Account: 2 - FIRST STATE BANK

| Check / Tran Date | Pmt Type | Vendor | Vendor Name | Reference | Amount |
|----------------------|-------------|--------|-----------------------------------|---|-----------|
| 2068 05/12/2020 | WIRE | 124 | GOLDEN BELT TELEPHONE | Monthly Invoice | 184.27 |
| 2069 05/12/2020 | WIRE | 1160 | S&T TELEPHONE COOP ASSN. | Monthly Invoice | 857.67 |
| 45741 05/18/2020 | CHK | 1 | LANE COUNTY HISTORICAL SOCIETY | Doantion | 25.00 |
| 45742 05/18/2020 | CHK | 25 | LANE-SCOTT ELECTRIC COOPERATIVE, | Payroll Transfer | 49,000.00 |
| 45743 05/18/2020 | CHK | 40 | KANSAS ELECTRIC COOPERATIVES | Monthly invoice | 2,440.15 |
| 45744 05/18/2020 | CHK | 105 | CITY OF NESS CITY | Monthly invoice | 26.24 |
| 45745 05/18/2020 | CHK | 107 | CINTAS CORPORATION #449 | Monthly Invoice - Dighton | 300.14 |
| 45746 05/18/2020 | CHK | 116 | IES COMMERCIAL INC | Ness City Pole change outs | 32,604.75 |
| 45747 05/18/2020 | CHK | 134 | SOLIDA TREE SERVICE, INC. | Tree Trimming and Removal | 4,181.55 |
| 45748 05/18/2020 | CHK | 179 | RAD ROEHL | May Board Mtg-via teleconference | 350.00 |
| 45749 05/18/2020 | CHK | 329 | SOUTHWIND BROADCASTING | Advertising | 912.00 |
| 45750 05/18/2020 | CHK | 439 | BOLINGER, SEGARS, GILBERT & MOSS, | Audit Financials for period end 12/2019 | 20,000.00 |
| 45751 05/18/2020 | CHK | 440 | BART BAKER SERVICES, INC. | Thermostat for Power Washer | 180.85 |
| 45752 05/18/2020 | CHK | 441 | FRIGID CREME DIGHTON LLC | Settlement for Insurance Claim | 250.00 |
| 45753 05/18/2020 | CHK | 790 | SOLOMON CORPORATION | Single Phase Units repaired | 18,417.58 |
| 45754 05/18/2020 | CHK | 903 | NISC | Monthly Invoices | 9,344.59 |
| 45755 05/18/2020 | CHK | 1248 | COMPLIANCE ONE | Monthly Invoice/Drug & Alcohol | 115.50 |
| 45756 05/18/2020 | CHK | 1299 | DEANNE SHULL | Cookies for Special Board Mtg | 72.00 |
| 2072 05/19/2020 | WIRE | 1229 | SCHABEN SANITATION | Monthly Invoice | 452.03 |
| 2070 05/20/2020 | WIRE | 274 | VERIZON WIRELESS | Monthly invoice | 360.11 |
| 2071 05/20/2020 | WIRE | 274 | VERIZON WIRELESS | Monthly Invoice | 341.75 |
| 2067 05/21/2020 | WIRE | 1239 | CULLIGAN OF DODGE CITY | Monthly Invoice | 197.96 |
| 2073 05/21/2020 | WIRE | 1271 | CARDMEMBER SERVICE | Monthly credit card invoice | 836.18 |
| 2076 05/26/2020 | WIRE | 263 | KS DEPT OF REVENUE - SALES TAX | KDOR-Sales Tax | 19,083.04 |
| 45757 05/26/2020 | CHK | 1 | FIRST CHRISTIAN CHURCH | Memorial Forrest Schneider | 50.00 |
| 45758 05/26/2020 | CHK | 20 | BASIN ELECTRIC POWER COOP | Dispatch & Alarm Monitoring Fees-May | 2,128.66 |
| 45759 05/26/2020 | CHK | 105 | CITY OF NESS CITY | Franchise Fee | 4,264.41 |
| 45760 05/26/2020 | CHK | 134 | SOLIDA TREE SERVICE, INC. | Tree Trimming & Removal | 4,477.95 |
| 45761 05/26/2020 | CHK | 135 | CITY OF BAZINE | Franchise Fee | 1,118.21 |
| 45762 05/26/2020 | CHK | 160 | SHULL OIL COMPANY | Monthly Fuel Invoice | 3,433.08 |

06/11/2020 3:38:33 PM

Accounts Payable Check Register

Page 2

05/09/2020 To 06/10/2020

Bank Account: 2 - FIRST STATE BANK

| Check / Tran Date | Pmt Type | Vendor | Vendor Name | Reference | Amount |
|----------------------|-------------|--------|----------------------------------|--|------------|
| 45763 05/26/2020 | CHK | 183 | HIBU INC - WEST | Advertising | 124.00 |
| 45764 05/26/2020 | CHK | 253 | FARM CREDIT LEASING SERVICES COR | Truck Lease Pymts | 40,499.51 |
| 45765 05/26/2020 | CHK | 429 | IT1 CONSULTING LLC | 365 Audio conferencing/Office 365 | 155.16 |
| 45766 05/26/2020 | CHK | 803 | ALTEC INDUSTRIES, INC | Truck #200 | 239,361.91 |
| 2074 05/27/2020 | WIRE | 101 | ATMOS ENERGY | Monthly Invoice | 47.95 |
| 2075 05/27/2020 | WIRE | 121 | FED-EX | Monthly Invoice | 212.79 |
| 2078 05/27/2020 | WIRE | 1290 | WEX BANK | Monthly Fuel Invoice | 184.43 |
| 2077 05/28/2020 | WIRE | 264 | KS DEPT OF REVENUE - USE TAX | KDOR-use tax | 43.39 |
| 2079 06/01/2020 | WIRE | 1187 | MIDWEST ENERGY | Monthly Invoice | 284.00 |
| 45767 06/01/2020 | CHK | 25 | LANE-SCOTT ELECTRIC COOPERATIVE, | Payroll Transfer | 45,000.00 |
| 45768 06/01/2020 | CHK | 73 | STANION WHOLESALE ELEC CO INC | Monthly Invoice | 28,940.02 |
| 45769 06/01/2020 | CHK | 134 | SOLIDA TREE SERVICE, INC. | Tree Trimming and Removal | 8,752.58 |
| 45770 06/01/2020 | CHK | 150 | CHRIS TERHUNE | CDL Renewal | 48.00 |
| 45771 06/01/2020 | CHK | 184 | JOHNSTONE SUPPLY | Monthly Invoice | 869.15 |
| 45772 06/01/2020 | CHK | 187 | S&W SUPPLY DIVISION | Monthly Invoice | 20.98 |
| 45773 06/01/2020 | CHK | 226 | KANSAS CORPORATION COMMISSION | Docket Expense | 52.80 |
| 45774 06/01/2020 | CHK | 238 | ILLINOIS MUTUAL | Premiums | 98.96 |
| 45775 06/01/2020 | CHK | 298 | OVERLEASE K-LAWN | Lawn Care | 108.50 |
| 45776 06/01/2020 | CHK | 437 | FDH INFRASTRUCTURE SERVICES, LLC | Structural Services - Tower | 3,000.00 |
| 45777 06/01/2020 | CHK | 1016 | KANSAS ONE-CALL SYSTEM INC | Locate Fee | 92.40 |
| 45778 06/01/2020 | CHK | 1197 | GARDEN CITY WHOLESALE SUPPLY | Monthly Invoice | 6,642.84 |
| 45779 06/01/2020 | CHK | 1243 | TRI-CENTRAL OFFICE SUP-HAYS | Monthly Invoice | 92.24 |
| 2080 06/03/2020 | WIRE | 274 | VERIZON WIRELESS | Monthly Invoice | 313.74 |
| 2082 06/04/2020 | WIRE | 168 | ONLINE INFORMATION SERVICES, INC | online utility exchange | 75.90 |
| 45780 06/04/2020 | CHK | 79 | POSTMASTER | Postage-Newsletter | 110.68 |
| 45781 06/05/2020 | CHK | 79 | POSTMASTER | Business Reply Mail Permit | 160.00 |
| 45782 06/05/2020 | CHK | 79 | POSTMASTER | Business reply mail permit | 80.00 |
| 2086 06/08/2020 | WIRE | 62 | NRECA GROUP BENEFITS TRUST | NRECA Group 1-June Group Insurance | 2,586.16 |
| 2087 06/08/2020 | WIRE | 180 | NRECA | NRECA Group 1 Admin Fee-June Group Insur | 208.09 |
| 2081 06/09/2020 | WIRE | 1267 | AFLAC | Monthly Premiums | 473.54 |

06/11/2020 3:38:33 PM

Accounts Payable Check Register

Page 3

05/09/2020 To 06/10/2020

Bank Account: 2 - FIRST STATE BANK

| Check / Tran Date | Pmt Type | Vendor | Vendor Name | Reference | Amount |
|----------------------|-------------|--------|-------------------------------|------------------------------------|-----------|
| 2085 06/09/2020 | WIRE | 1224 | NRECA RETIREMENT & SECURITY | NFRECA RS - Group Insurance | 35,733.87 |
| 2083 06/10/2020 | WIRE | 18 | CITY OF DIGHTON | Monthly Invoice | 1,582.99 |
| 2084 06/10/2020 | WIRE | 1160 | S&T TELEPHONE COOP ASSN. | Monthly Invoice | 930.74 |
| 45783 06/10/2020 | CHK | 1 | DAN WEHKAMP | Nominating Committee Mtg | 141.40 |
| 45784 06/10/2020 | CHK | 1 | DOUG VIEUX | Nominating Committee Mtg | 147.15 |
| 45785 06/10/2020 | CHK | 1 | JAY SCHMALZRIED | Nominating Committee Mtg | 100.00 |
| 45786 06/10/2020 | CHK | 1 | JOHN BEATON | Nominating Committee Mtg | 130.13 |
| 45787 06/10/2020 | CHK | 1 | KENNY SCHLEGEL | Nominating Committee Mtg | 136.80 |
| 45788 06/10/2020 | CHK | 1 | LANE COPELAND | Nominating Committee Mtg | 120.13 |
| 45789 06/10/2020 | CHK | 1 | LEX BUSH | Nominating Committee Mtg | 110.35 |
| 45790 06/10/2020 | CHK | 1 | NESS CITY ROTARY CLUB | Rotary mtgs | 88.41 |
| 45791 06/10/2020 | CHK | 1 | RANDY SCHEUERMAN | Nominating Committee Mtg | 129.90 |
| 45792 06/10/2020 | CHK | 15 | ERIC DOLL | June Board mtg @ mgr evaluation | 780.50 |
| 45793 06/10/2020 | CHK | 30 | HAROLD HOSS | June Board mtg & KEC mtgs | 1,084.50 |
| 45794 06/10/2020 | CHK | 32 | WESCO RECEIVABLES INC | Monthly Invoice | 1,643.00 |
| 45795 06/10/2020 | CHK | 40 | KANSAS ELECTRIC COOPERATIVES | Dues | 6,482.55 |
| 45796 06/10/2020 | CHK | 45 | BUMPER TO BUMPER OF DIGHTON | Monthly Invoice | 118.29 |
| 45797 06/10/2020 | CHK | 55 | NESS COUNTY NEWS | Advertising | 160.40 |
| 45798 06/10/2020 | CHK | 60 | PAUL SEIB JR | June Board Mtg and Mgr Evaluation | 775.90 |
| 45799 06/10/2020 | CHK | 63 | RICHARD JENNISON | June Board Mtg @ Mgr Evaluation | 729.90 |
| 45800 06/10/2020 | CHK | 96 | STEPHENS LUMBER - DIGHTON | Monthly Invoice | 67.52 |
| 45801 06/10/2020 | CHK | 104 | HOME OIL CO | Monthly Fuel Invoice | 373.60 |
| 45802 06/10/2020 | CHK | 105 | CITY OF NESS CITY | May paystation and Postage | 614.15 |
| 45803 06/10/2020 | CHK | 117 | NESS CITY FARM & FEED | Monthly Invoice | 58.51 |
| 45804 06/10/2020 | CHK | 134 | SOLIDA TREE SERVICE, INC. | Tree Trimming and removal | 8,488.10 |
| 45805 06/10/2020 | CHK | 146 | REBECCA CAMPBELL | Clothing Allowance | 200.00 |
| 45806 06/10/2020 | CHK | 169 | AMERICAN ELECTRIC-GARDEN CITY | Monthly Invoice | 70.89 |
| 45807 06/10/2020 | CHK | 172 | TYNDALE COMPANY, INC. | Mark McCullouch-Clothing Allowance | 76.61 |
| 45808 06/10/2020 | CHK | 179 | RAD ROEHL | June Board Mtg & Mgr Evaluation | 710.35 |
| 45809 06/10/2020 | CHK | 202 | CHAD GRIFFITH | June Board Mtg & Mgr Evaluation | 786.26 |

06/11/2020 3:38:33 PM

Accounts Payable Check Register

Page 4

05/09/2020 To 06/10/2020

Bank Account: 2 - FIRST STATE BANK

| Check / Tran Date | Pmt Type | Vendor | Vendor Name | Reference | Amount |
|----------------------|-------------|--------|---------------------------------|---------------------------------|-----------|
| 45810 06/10/2020 | CHK | 220 | LANDIS+GYR TECHNOLOGY, INC | SaaS Monthly Fee | 750.00 |
| 45811 06/10/2020 | CHK | 304 | STECKLINE COMMUNICATIONS INC | Advertising | 100.00 |
| 45812 06/10/2020 | CHK | 306 | BORDER STATES INDUSTRIES INC | Monthly Invoice | 5,374.84 |
| 45813 06/10/2020 | CHK | 361 | ANN M JENNINGS | Director 15 year gift | 233.28 |
| 45814 06/10/2020 | CHK | 380 | GRAINGER | Monthly Invoice | 64.55 |
| 45815 06/10/2020 | CHK | 383 | HUXFORD POLE AND TIMBER CO INC | Monthly Invoices | 37,015.47 |
| 45816 06/10/2020 | CHK | 387 | WESTERN FUEL & SUPPLY | Fuel Monthly Invoice | 136.05 |
| 45817 06/10/2020 | CHK | 395 | DOLLAR GENERAL - REGIONS 410526 | Monthly Invoice | 58.41 |
| 45818 06/10/2020 | CHK | 417 | SUNFLOWER ELECTRIC POWER COOP | Twin Springs | 794.10 |
| 45819 06/10/2020 | CHK | 424 | FOOS AUTO & TIRE LLC | Tire Rotations #193 | 81.38 |
| 45820 06/10/2020 | CHK | 427 | DIGHTON HERALD LLC | Advertising | 137.00 |
| 45821 06/10/2020 | CHK | 442 | QUADIENT INC. | Postage Machine | 285.83 |
| 45822 06/10/2020 | CHK | 506 | K&J FOODS | Monthly Invoice | 344.81 |
| 45823 06/10/2020 | CHK | 903 | NISC | Monthly Invoices | 9,282.96 |
| 45824 06/10/2020 | CHK | 1030 | THE SCOTT COUNTY RECORD | Advertising | 225.00 |
| 45825 06/10/2020 | CHK | 1152 | ED GOUGH | June Board Mtg & Mge Evaluation | 714.96 |
| 45826 06/10/2020 | CHK | 1169 | WASHER SPECIALTIES CO. | Monthly Invoice | 345.20 |
| 45827 06/10/2020 | CHK | 1172 | WESTERN SUPPLY COMPANY | Monthly Invoice | 3,684.42 |
| 45828 06/10/2020 | CHK | 1213 | NRECA GROUP ADMIN | FSA Fee | 15.00 |
| 45829 06/10/2020 | CHK | 1244 | PROTECTIVE EQUIPMENT TESTING | Monthly Invoices | 1,045.52 |
| 45830 06/10/2020 | CHK | 1248 | COMPLIANCE ONE | Drug & Alcohol Testing | 115.50 |
| 45831 06/10/2020 | CHK | 1251 | TECHLINE, LTD | Monthly Invoices | 32,027.49 |
| 45832 06/10/2020 | CHK | 1263 | RICHARD SOREM | June Board Mtg & Mgr Evlauation | 798.90 |
| 45833 06/10/2020 | CHK | 1299 | DEANNE SHULL | Cookies for Board Mtg | 72.00 |
| 45834 06/10/2020 | CHK | 1300 | CRAIG RAMSEY | June Board Mtg & Mgr Evaluation | 757.50 |

Total Payments for Bank Account - 2 : (115) 711,678.46

Total Voids for Bank Account - 2 : (0) 0.00

Total for Bank Account - 2 : (115) 711,678.46

06/11/2020 3:38:33 PM

Accounts Payable Check Register

Page 5

| | | |
|-----------------------------------|-------|------------|
| Grand Total for Payments : | (115) | 711,678.46 |
| Grand Total for Voids : | (0) | 0.00 |
| Grand Total : | (115) | 711,678.46 |

06/17/2020 1:28:17 pm

Payroll/Labor Check Register

Page 1

Pay Date: 05/01/2020 To 05/31/2020

| Empl | Name | Pay Date | Dir Dep/Check | Gross Pay | Hours | Advances | Deductions/ ER Taxes | Txbl Benefits/ ER PTO | Taxes/ ER Benefits | Net Pay | Type |
|------|--------------------|------------|---------------|-----------|--------|----------|-------------------------|--------------------------|-----------------------|----------|------|
| 5 | KATHERINE E LEWIS | 05/14/2020 | 5014 | 4,958.76 | 88.00 | 0.00 | 1,287.32 | 33.00 | 1,214.38 | 2,457.06 | |
| | | | | | | | 368.51 | 0.00 | 2,916.03 | 985.00 | DD |
| | | | | | | | | | | 100.00 | DD |
| | | | | | | | | | | 1,372.06 | DD |
| 17 | DAVID L HOWARD | 05/14/2020 | 5015 | 4,740.75 | 100.00 | 0.00 | 450.54 | 37.00 | 1,455.55 | 2,834.66 | DD |
| | | | | | | | 361.80 | 0.00 | 2,128.65 | | |
| 21 | CARRIE M BORELL | 05/14/2020 | 5016 | 2,876.51 | 102.00 | 0.00 | 310.19 | 10.93 | 528.08 | 2,038.24 | DD |
| | | | | | | | 215.11 | 0.00 | 1,827.42 | | |
| 22 | REBECCA L CAMPBELL | 05/14/2020 | 5017 | 2,172.73 | 88.00 | 0.00 | 365.52 | 5.50 | 392.25 | 1,414.96 | |
| | | | | | | | 157.29 | 0.00 | 1,767.97 | 300.00 | DD |
| | | | | | | | | | | 1,114.96 | DD |
| 26 | RICHARD A MCLEON | 05/14/2020 | 5018 | 8,250.00 | 88.00 | 0.00 | 353.27 | 109.64 | 2,853.21 | 5,043.52 | DD |
| | | | | | | | 639.51 | 0.00 | 3,211.97 | | |
| 34 | KALO M MANN | 05/14/2020 | 5019 | 3,308.80 | 88.00 | 0.00 | 697.98 | 44.32 | 734.89 | 1,875.93 | DD |
| | | | | | | | 252.60 | 0.00 | 1,745.72 | | |
| 35 | NATHAN A BURNS | 05/14/2020 | 5020 | 4,803.13 | 88.00 | 0.00 | 883.85 | 37.47 | 1,187.37 | 2,731.91 | DD |
| | | | | | | | 368.48 | 0.00 | 2,171.47 | | |
| 50 | KASEY R JENKINSON | 05/14/2020 | 5021 | 3,766.40 | 88.00 | 0.00 | 667.50 | 15.73 | 781.05 | 2,317.85 | DD |
| | | | | | | | 283.55 | 0.00 | 2,419.07 | | |
| 55 | BENJAMIN L MANN | 05/14/2020 | 5022 | 3,766.40 | 88.00 | 0.00 | 648.76 | 15.48 | 714.56 | 2,403.08 | DD |
| | | | | | | | 287.49 | 0.00 | 1,781.78 | | |
| 74 | DAL S HAWKINSON | 05/14/2020 | 5023 | 4,007.08 | 94.00 | 0.00 | 512.31 | 5.49 | 1,159.59 | 2,335.18 | DD |
| | | | | | | | 301.18 | 0.00 | 2,367.11 | | |
| 81 | DEANNE R SHULL | 05/14/2020 | 5024 | 1,790.81 | 88.00 | 0.00 | 297.78 | 34.17 | 337.32 | 1,155.71 | DD |
| | | | | | | | 135.73 | 0.00 | 1,001.87 | | |
| 84 | MICHAEL S POLLOCK | 05/14/2020 | 5025 | 3,308.80 | 88.00 | 0.00 | 711.42 | 6.81 | 556.11 | 2,041.27 | |
| | | | | | | | 247.86 | 0.00 | 2,238.40 | 100.00 | DD |
| | | | | | | | | | | 25.00 | DD |
| | | | | | | | | | | 25.00 | DD |
| | | | | | | | | | | 25.00 | DD |
| | | | | | | | | | | 1,866.27 | DD |
| 85 | CHAD A RUPP | 05/14/2020 | 5026 | 3,635.29 | 88.00 | 0.00 | 516.33 | 21.67 | 741.82 | 2,377.14 | DD |
| | | | | | | | 270.16 | 0.00 | 2,367.11 | | |
| 89 | CHRIS R TERHUNE | 05/14/2020 | 5027 | 4,440.84 | 100.00 | 0.00 | 477.15 | 15.83 | 1,400.45 | 2,563.24 | DD |
| | | | | | | | 335.15 | 0.00 | 2,330.76 | | |
| 91 | LARRY D KRAFT | 05/14/2020 | 5028 | 3,635.28 | 88.00 | 0.00 | 449.02 | 40.01 | 703.01 | 2,483.25 | DD |
| | | | | | | | 275.38 | 0.00 | 2,367.11 | | |
| 93 | MYRON E SEIB | 05/14/2020 | 5029 | 3,635.28 | 88.00 | 0.00 | 628.60 | 26.58 | 659.19 | 2,347.49 | DD |
| | | | | | | | 274.35 | 0.00 | 2,367.11 | | |
| 99 | KEVIN A BRADSTREET | 05/14/2020 | 5030 | 3,635.28 | 88.00 | 0.00 | 419.42 | 17.16 | 1,024.95 | 2,190.91 | DD |
| | | | | | | | 279.41 | 0.00 | 1,435.00 | | |

06/17/2020 1:28:17 pm

Payroll/Labor Check Register

Page 2

Pay Date: 05/01/2020 To 05/31/2020

| Empl | Name | Pay Date | Dir Dep/Check | Gross Pay | Hours | Advances | Deductions/ ER Taxes | Txbl Benefits/ ER PTO | Taxes/ ER Benefits | Net Pay | Type |
|------|--------------------|------------|---------------|-----------|-------|----------|-------------------------|--------------------------|-----------------------|----------|------|
| 108 | MARK R MCCULLOCH | 05/14/2020 | 5031 | 3,106.84 | 90.00 | 0.00 | 937.55 | 19.78 | 733.29 | 1,436.00 | DD |
| | | | | | | | 237.36 | 0.00 | 1,387.57 | | |
| 117 | LEIGHTON J AYERS | 05/14/2020 | | 4,007.07 | 94.00 | 0.00 | 653.59 | 11.73 | 841.52 | 2,511.96 | |
| | | | 5032 | | | | 301.66 | 0.00 | 2,367.11 | 150.00 | DD |
| | | | | | | | | | | 2,361.96 | DD |
| 129 | STACEY L FOOS | 05/14/2020 | 5033 | 111.72 | 7.25 | 0.00 | 0.00 | 0.00 | 8.55 | 103.17 | DD |
| | | | | | | | 9.33 | 0.00 | 0.00 | | |
| 130 | ANN MARIE JENNINGS | 05/14/2020 | 5034 | 1,982.65 | 88.00 | 0.00 | 254.38 | 6.67 | 367.13 | 1,361.14 | DD |
| | | | | | | | 141.62 | 0.00 | 1,499.88 | | |
| 131 | DIANA KUHLMAN | 05/14/2020 | 5035 | 1,912.24 | 88.00 | 0.00 | 338.06 | 4.83 | 295.87 | 1,278.31 | DD |
| | | | | | | | 142.73 | 0.00 | 1,184.67 | | |
| 132 | DELLON SHELTON | 05/14/2020 | 5036 | 2,122.56 | 88.00 | 0.00 | 106.13 | 1.30 | 534.35 | 1,482.08 | DD |
| | | | | | | | 162.48 | 0.00 | 199.76 | | |
| 5 | KATHERINE E LEWIS | 05/28/2020 | | 4,958.76 | 80.00 | 0.00 | 1,287.32 | 33.00 | 1,214.38 | 2,457.06 | |
| | | | 5037 | | | | 368.51 | 0.00 | 2,916.03 | 985.00 | DD |
| | | | | | | | | | | 100.00 | DD |
| | | | | | | | | | | 1,372.06 | DD |
| 17 | DAVID L HOWARD | 05/28/2020 | 5038 | 3,528.00 | 80.00 | 0.00 | 415.26 | 37.00 | 1,006.70 | 2,106.04 | DD |
| | | | | | | | 269.03 | 0.00 | 2,111.01 | | |
| 21 | CARRIE M BORELL | 05/28/2020 | 5039 | 2,408.09 | 87.50 | 0.00 | 289.08 | 10.93 | 411.43 | 1,707.58 | DD |
| | | | | | | | 179.27 | 0.00 | 1,816.86 | | |
| 22 | REBECCA L CAMPBELL | 05/28/2020 | | 1,975.20 | 80.00 | 0.00 | 343.79 | 5.50 | 342.18 | 1,289.23 | |
| | | | 5040 | | | | 142.19 | 0.00 | 1,758.09 | 300.00 | DD |
| | | | | | | | | | | 989.23 | DD |
| 26 | RICHARD A MCLEON | 05/28/2020 | 5041 | 8,250.00 | 80.00 | 0.00 | 353.27 | 109.64 | 2,853.22 | 5,043.51 | DD |
| | | | | | | | 639.52 | 0.00 | 3,211.97 | | |
| 34 | KALO M MANN | 05/28/2020 | 5042 | 3,008.00 | 80.00 | 0.00 | 697.98 | 44.32 | 658.63 | 1,651.39 | DD |
| | | | | | | | 229.58 | 0.00 | 1,745.72 | | |
| 35 | NATHAN A BURNS | 05/28/2020 | 5043 | 4,803.13 | 80.00 | 0.00 | 808.85 | 37.47 | 1,209.64 | 2,784.64 | DD |
| | | | | | | | 368.47 | 0.00 | 2,171.47 | | |
| 50 | KASEY R JENKINSON | 05/28/2020 | 5044 | 3,616.60 | 83.00 | 0.00 | 633.26 | 15.73 | 749.13 | 2,234.21 | DD |
| | | | | | | | 272.09 | 0.00 | 2,401.95 | | |
| 55 | BENJAMIN L MANN | 05/28/2020 | 5045 | 3,680.80 | 83.00 | 0.00 | 648.76 | 15.48 | 692.86 | 2,339.18 | DD |
| | | | | | | | 280.94 | 0.00 | 1,764.66 | | |
| 74 | DAL S HAWKINSON | 05/28/2020 | 5046 | 3,304.80 | 80.00 | 0.00 | 472.66 | 5.49 | 828.20 | 2,003.94 | DD |
| | | | | | | | 247.46 | 0.00 | 2,350.59 | | |
| 81 | DEANNE R SHULL | 05/28/2020 | 5047 | 1,628.00 | 80.00 | 0.00 | 281.50 | 34.17 | 299.03 | 1,047.47 | DD |
| | | | | | | | 123.13 | 0.00 | 993.73 | | |
| 84 | MICHAEL S POLLOCK | 05/28/2020 | | 3,008.00 | 80.00 | 0.00 | 681.34 | 6.81 | 486.39 | 1,840.27 | |

06/17/2020 1:28:17 pm

Payroll/Labor Check Register

Page 3

Pay Date: 05/01/2020 To 05/31/2020

| Empl | Name | Pay Date | Dir Dep/Check | Gross Pay | Hours | Advances | Deductions/ ER Taxes | Txbl Benefits/ ER PTO | Taxes/ ER Benefits | Net Pay | Type |
|---------------------|--------------------|------------|---------------|---------------|----------|----------|-------------------------|--------------------------|-----------------------|--------------|------|
| | | | 5048 | | | | 224.85 | 0.00 | 2,223.36 | 100.00 | DD |
| | | | | | | | | | | 25.00 | DD |
| | | | | | | | | | | 25.00 | DD |
| | | | | | | | | | | 25.00 | DD |
| | | | | | | | | | | 1,665.27 | DD |
| 85 | CHAD A RUPP | 05/28/2020 | 5049 | 3,676.59 | 86.00 | 0.00 | 483.28 | 21.67 | 752.27 | 2,441.04 | DD |
| | | | | | | | 273.30 | 0.00 | 2,350.59 | | |
| 89 | CHRIS R TERHUNE | 05/28/2020 | 5050 | 3,304.80 | 80.00 | 0.00 | 450.71 | 15.83 | 985.69 | 1,868.40 | DD |
| | | | | | | | 248.25 | 0.00 | 2,317.54 | | |
| 91 | LARRY D KRAFT | 05/28/2020 | 5051 | 3,304.80 | 80.00 | 0.00 | 415.97 | 40.01 | 619.22 | 2,269.61 | DD |
| | | | | | | | 250.09 | 0.00 | 2,350.59 | | |
| 93 | MYRON E SEIB | 05/28/2020 | 5052 | 3,676.59 | 86.00 | 0.00 | 579.03 | 26.58 | 675.52 | 2,422.04 | DD |
| | | | | | | | 277.51 | 0.00 | 2,350.59 | | |
| 99 | KEVIN A BRADSTREET | 05/28/2020 | 5053 | 3,676.59 | 86.00 | 0.00 | 383.07 | 17.16 | 1,039.56 | 2,253.96 | DD |
| | | | | | | | 282.57 | 0.00 | 1,418.48 | | |
| 108 | MARK R MCCULLOCH | 05/28/2020 | 5054 | 2,701.60 | 80.00 | 0.00 | 910.53 | 19.78 | 597.52 | 1,193.55 | DD |
| | | | | | | | 206.35 | 0.00 | 1,374.06 | | |
| 117 | LEIGHTON J AYERS | 05/28/2020 | | 3,490.70 | 83.00 | 0.00 | 620.54 | 11.73 | 716.47 | 2,153.69 | |
| | | | 5055 | | | | 262.15 | 0.00 | 2,350.59 | 150.00 | DD |
| | | | | | | | | | | 2,003.69 | DD |
| 129 | STACEY L FOOS | 05/28/2020 | 5056 | 100.17 | 6.50 | 0.00 | 0.00 | 0.00 | 7.66 | 92.51 | DD |
| | | | | | | | 8.36 | 0.00 | 0.00 | | |
| 130 | ANN MARIE JENNINGS | 05/28/2020 | 5057 | 1,802.40 | 80.00 | 0.00 | 245.37 | 6.67 | 321.44 | 1,235.59 | DD |
| | | | | | | | 127.83 | 0.00 | 1,490.87 | | |
| 131 | DIANA KUHLMAN | 05/28/2020 | 5058 | 1,738.40 | 80.00 | 0.00 | 311.98 | 4.83 | 259.91 | 1,166.51 | DD |
| | | | | | | | 129.44 | 0.00 | 1,175.98 | | |
| 132 | DELLON SHELTON | 05/28/2020 | 5059 | 1,929.60 | 80.00 | 0.00 | 96.48 | 1.30 | 466.13 | 1,366.99 | DD |
| | | | | | | | 147.71 | 0.00 | 190.11 | | |
| Grand Total: | | | | \$ 153,546.84 | 3,796.25 | \$ 0.00 | \$ 23,376.70 | \$ 1,042.20 | \$ 36,417.67 | \$ 93,752.47 | |
| | | | | | | | \$ 11,607.34 | \$ 0.00 | \$ 85,918.38 | | |



SUNFLOWER AND MID-KANSAS BOARD SUMMARY

June 19, 2020

SUNFLOWER ELECTRIC POWER CORPORATION BOARD MEETING

CURRENT ACTIVITIES

Jana Horsfall, Vice President of Corporate Services, was recognized for 40 years of service to Sunflower.

ICARE2020

This month's strategy presentation focused on transmission project costs. Staff compared the cost of a representative Sunflower transmission project to the cost of a representative Member transmission project. Various facets were analyzed (material purchasing; internal labor and labor loadings; allowance for funds used during construction (AFUDC); land acquisition and services; route study, surveying, and permitting; and outside service), and variances were explained. Staff gave recommendations regarding what changes, if any, should be implemented to address variances. The main conclusion from the analysis is that greater design flexibility should be allowed for non-Bulk Electric System and customer-requested facilities. Study of transmission project costs will continue.

Work continues on a strategic vision statement beyond 2020. The Board identified that the vision statement should comprise three themes: rates, managing risk, and furthering the success of our Members and those they serve. The next steps include developing drivers, measures, methodology, and objectives for each of the three themes.

The scheduled presentations on strategic initiatives include demarcation in July and Member leases and interconnections in August.

Microsoft Teams

The official launch date for Microsoft Teams, which will replace Skype for electronic participation in Sunflower meetings, is scheduled for implementation on July 6. Sunflower staff are contacting all Member IT departments to streamline the installment of Microsoft Teams. Diane Lewis will email all Members a video and instructions on "How to attend a Microsoft Teams Meeting."

Paycheck Protection Program (PPP) Loan

Sunflower entered into the PPP loan agreement for \$10MM on April 22, 2020. The Small Business Administration (SBA) continues to make changes to the program, changing the time for forgiveness of expenses from eight weeks to twenty-four weeks, increasing the loan forgiveness limitation on nonpayroll expenses (rent, utility payments, and mortgage interest) from 25% to 40%, and extending the loan term from two to five years. Staff are monitoring Sunflower load, financials, budgets, and SBA updates and compiling all potentially eligible expenses into a master spreadsheet. The spreadsheet will be used to determine the payroll

This document is for the sole use of the intended recipients and contains confidential and privileged information. Any unauthorized review, copy, use, disclosure, or distribution is prohibited.

versus nonpayroll expense allocation for loan forgiveness documentation. Using the PPP loan to avoid a rate increase will benefit every household and business in the Member service territory.

Future Board Meeting Dates

Discussion about moving the Sunflower Board meeting, which is now on the third Friday of the month, was revisited. Doing this alleviates late travel on Friday afternoon and into the evening when Members often have community or family event occurring.

Board action: The Sunflower Board approved moving the Sunflower Board meeting to the third Wednesday of the month beginning in January 2021.

PRESIDENT'S REPORT

Operations

The three water applications associated with the H2 project will expire at the end of the year. A legal review of these applications indicated no known obligations or statutory requirements to continue operations of the associated monitoring well network.

Power Supply and Delivery

The recent Balance of Load and Resource Study indicates that load forecast peaked in 2012 with optimism associated with oil and gas recovery. Since then the forecast has decreased each year, bottoming out in 2018. The 2019 forecast showed an increase over the previous year's forecast for the first time in several years as efforts associated with the Add and Retain Load strategic initiative began to have an impact. The 2020 forecast shows a decrease compared to the 2019 forecast due to COVID-19 and oil and gas price impacts. The final report is expected early this fall.

Property leases have been acquired for the planned solar projects near Liberal and Russell, and interconnection applications are in the Southwest Power Pool (SPP) queue. Due diligence work continues. Both 20 MW projects will bring energy, capacity, and transmission benefits.

Three customers have expressed interest in Tier 3 of the Sunflower Renewable Energy Program. Potential Tier 3 projects include Sunflower solar projects, various wind and solar projects from NRCO's RFP, and the NextEra Pioneer Creek Wind Farm.

A new commercial customer has requested three separate transformers with three separate meters (i.e., three delivery points). While Sunflower's Economic Development Rider has language stating that the rate shall be separately applied to service at each point of delivery, since the three meters support load associated with a common facility, Sunflower staff recommended aggregating the delivery points.

Board action: The Sunflower Board approved treating the customer's three delivery points on an aggregate basis for purposes of applying the Economic Development Rider.

Transmission Planning and Policy

The SPP completed its integrated transmission planning process and has identified three projects in the Sunflower service territory. The first is a 45-mile rebuild from east Liberal to Dodge City, costing approximately \$45 million. Sunflower staff researched the project and explained to SPP that the congestion is occurring south of our service territory, thereby cancelling the need for this project in our service territory. The second project is to alleviate low

This document is for the sole use of the intended recipients and contains confidential and privileged information. Any unauthorized review, copy, use, disclosure, or distribution is prohibited.

voltage due to growth in the Russell area. Solutions include a new 115 kV line from Russell to Gorham at \$10 million or a new 115 kV capacitor at Russell at \$1.2 million. Staff convinced SPP that the lower cost option, along with the planned solar project, will solve the low voltage issue. The third NTC project is a potential Order 1000 project, a new 345 kV line from Moore-Pauline (NE) to the Elm Creek Substation, which Sunflower co-owns with ITC. Part of the project will be in Nebraska and about half will be in Kansas. SPP will continue to evaluate the 85.2 mile project, estimated at \$139,282,000, to determine whether it will move forward.

SPP is changing the renewable accreditation methodology because the current SPP Planning Criteria has the capability to overstate and overestimate the value of renewable accredited capacity used for Resource Adequacy. This causes a reliability concern. For example, the amount of accredited capacity from the current 19,339 MW of installed nameplate wind is actually 3,845 MW when using 2012–2017 historical weather patterns. Starting with the 2023 summer season, all wind and solar resources will be accredited using the new effective load carrying capability (ELCC) methodology. The new accreditation methodology was included in Sunflower's updated Integrated Resource Plan (IRP).

The current SPP reserve margin is set at 12%. The loss of load expectation study update shows that the Reserve Planning Margin necessary for 2021 is 9.69% and for 2024 is 11.42%.

External Affairs and Member Services

Sunflower has secured the property for an economic development opportunity in Caldwell, Kansas. Staff will visit the site, which has great potential for a data center, in August. The Sunflower Electric Economic Development website can be accessed at <http://www.sunflowerecodevo.com>.

The mock Request for Information (RFI) training for communities that was scheduled in April was cancelled due to the pandemic. Staff are exploring alternative training options.

Sunflower is contacting entities to find sponsors interested in funding a study on six subsets of Kansas agriculture. The goal is to learn what may be hindering companies from locating in Kansas. The project will be available on Boardpaq.

Financials

Overall Member loads were down 9.40% from budget for the month and 3.53% year to date. Large industrial loads were down 15.46% from budget for the month and 0.49% year to date. Year-to-date operating expenses were down from budget by \$2.8 million.

8. General Manager's Report

A. Administration

- 1) Federated. The Lane-Scott Electric Cooperative earned a No Lost Time Accident Award for 2019. The Cooperative has achieved 120,743 hours since June 15, 2017.
- 2) Annual Meeting Update. The Governor has pushed Phase 3 of her plan until July 6th. This states that "Mass gatherings of more than 45 individuals are not recommended". There are rumblings that she may extend beyond the LSEC Annual Meeting date or at least mandate wearing masks at all public gatherings. To be compliant and safe, we are ordering large hand sanitizers for use and 200 masks to give away at the annual meeting. If we get to close, we will reach out to Lane County Health and ask for them to take temperatures.
- 3) The NRECA Virtual Regional Meetings will be October 12-16.
- 4) Credit Card Statement. The Credit Card records are available for the Boards review.
- 5) Mileage Log. Vehicle #105 traveled 454 miles in May with 8 miles personal miles.

B. Information Technology / Cybersecurity highlights

- 1) All employees have completed initial general cyber security training.
- 2) NRECA RC3 self-assessment continues and we have reached out to Homeland Security to take advantage of their free physical and cyber security assessment program.
- 3) Getting bids to update failing Door Access cyber control center.
- 4) Getting bids for a camera security system for the 2021 Capital Budget.
- 5) Established ability to "push" updates to employee systems.

C. Operations.

- 1) Hineman Tower. Repairs should be completed before the July 4th weekend. We will have "as built" drawings and structural certifications as deliverable. These will make the tower eligible for commercial communications attachments as well.
- 2) Many maintenance and small projects were completed to include in the final W8 Loan draw.
- 3) Nate and Carrie spent many hours working with NISC on the Outage Management System software. **We are in the final stages of integrating the systems for accessibility.** One caveat to remember is that the nature of data input into Windmill usually means that the NISC OMS integration will predict more outages than we are having. This is because Windmill is designed to measure load flows across the system, so it relates in line sections. OMS deals with specific locations within the various sections. Basically, OMS sees a specific outage, goes to the Windmill map for the location, and is reported back as predicting the entire section is out of power. This usually is a minor ($\pm 10\%$) over-reporting for rural systems. The only current solution is having duplicate mapping systems which is an expensive proposition for marginal increase in predictive ability.

D. Member Services

- 1) Website. Touchstone has finished their side of the website conversion. Ann Marie has begun learning the new software and will begin updating along with an outage management map. The Trustee website was also updated and will need similar attention. Please complete the survey that Ann Marie has prepared so she can customize the website.

- 2) Annual Meeting. We will have 3-ply face masks and hand sanitizer available at the registration desk. The Annual Report and Ballots were mailed out on 6/25 with some ballots already making their way back to us.

E. Finance.

- 1) We show positive numbers – but numbers can be misleading. The City of Dighton underbilling was posted to the May sales figures making it appear that we had positive Patronage Capital or Margins of \$127,076. Subtract the underbilling of \$117,168.08 and our actual Margins were closer to \$9,908. The good news is that this is well above our 9-year May average loss of \$77,070.
- 2) Sales. May 2020 compared to average May 2017-2019 are **down** \$8,372:
 - a. Residential: up \$2,332 (1.28%)
 - b. Residential Seasonal: up \$2,574 (8.8%)
 - c. Irrigation: up \$84,541 from the average of \$35,751
 - d. C&I under 1000kVa: **down** \$97,540 (14.6%)
 - e. C&I over 1000 kVa: up \$7,152 (3.9%)
 - f. Public and Street Lighting: **down** \$88 (1.9%)
 - g. Sales to public Authorities: up \$200 (6.4%)
 - h. Sales for Resale (best guess): **down** \$7,543 (14.9%)
- 3) Budget. We continue to be ahead of our year to date budget. I am not willing to call COVID-19 impacts “over” but I’m sleeping better. We are ahead of budget in Distribution Expenses (Part A, lines 6 and 7) largely due to my push to get projects completed before our FFB Loan terminated.
- 4) Billing Past Due (June)
 - a. 30 day – \$ 192.09
 - b. 60 day – \$ 108.15
 - c. 90 day – \$ 25,145.85 (\$24,561.31 is with OPCO, LLC)

F. Non-Operating Margins. Our year to date Non-operating cash margins are \$46,650 and \$18,198 in Capital Credits and Patronage Dividends.

- 1) Retail Services. Initial figures have posted a \$15,514.31 loss in May.
 - a. Resale Hours. There were 506 hours worked and 338 billed (66.8%). Kalo was out on quarantine during this time.
 - b. Outstanding Balances. The open balance (60-90 days) is down to \$2,446.99. The biggest “current” piece remains the Black Dog at \$2,002.28.
- 2) Interest earned. We earned \$3,941 in interest in May (\$74,496 year to date).
- 3) Capital Credits. Federated retired \$4,917 to LSEC on May 26, 2020.

Respectfully submitted,

Richard

Richard McLeon, MBA
General Manager

10. a. FFB W8 Loan draw.

We are submitting our final FFB Loan W8 draw (request #14) in the amount of \$577,755.47. There is only \$536,730.01 remaining in our loan balance but we might get lucky and get the full amount requested.

This Loan originated in 2012 and has had two extensions. It expires August 1, 2020. The 30-year fixed quarterly interest rate was **1.255% on July 1, 2020** (1.13% FFB + 0.125 RUS). The applicable rate on the draw will be set once the draw is approved.

This is our final draw and marks the end of Loan W8.

There are a few remaining jobs on the 2012 Construction Work Plan which we can either 1) complete out of cash reserves or 2) re-evaluate in the 2022-2024 Construction Work Plan.

My original plan was to begin preliminary work on the next workplan this year with a 2021 start. The nations news events have inserted too much risk for me to be comfortable beginning a CWP that soon. My current plan is to begin preliminary work in the fourth quarter of 2021 and have a Construction Work Plan and Loan package in place by July 2022.

I would like to use Guernsey (Oklahoma City, OK) for our next CWP. They currently serve at least three Kansas Cooperatives including Pioneer. I have worked with the Guernsey staff many times over the years for Construction Work Plans and Cost of Service Studies and have never been disappointed or over-charged.

Lastly, we feel that we have ample cash on hand to complete normal construction projects until a new CWP and Loan Package is ready to submit. However, if the unforeseen happens, we can always count on CFC to quickly cover our backs.

Not being under a CWP in 2021 will force us to focus on maintenance. This will improve our equity by paying for projects without additional debt. Mainly, it gives us time to step back from Construction and consider what projects we really need.

10. b. The City of Dighton Underbilling.

I was notified on or about May 28th that there was a problem with the billing for the City of Dighton which Sunflower meters and prepares for Lane-Scott.

The problem was two-fold:

1. Sunflower had changed out their metering in the LSEC Dighton substations in April 2019 and failed to update the metering multiplier. This resulted in an underbilling to LSEC in the amount of \$101,839.39. This underbilling of kWh also affects power factor calculations and Load Forecast Studies.

Because LSEC uses the SEPC metering data for billing, our bills to the City reflected this underbilling. The City brought this to Sunflowers attention in April 2019 and was told the readings were correct.

2. Sunflower began allocating Western Area Power Administration (WAPA) credits to the City of Dighton in April 2019. This energy is charged at a reduced rate. Unfortunately, SEPC failed to reduce the LSEC power billing accordingly and this resulted in an over-billing to LSEC of \$146,274.53.

This does not affect the City of Dighton billing.

We have resolved both issues between LSEC and Sunflower by “netting-out” the Under and Over billings resulting in a credit of \$44,435.14 to LSEC. We now need to look at correcting the underbilling between LSEC and the City.

Rebecca has calculated our underbilling to the City at \$117,168.12.

I attended the Dighton City Council meeting on June 8th to make them aware of the issue but did not have a final dollar amount available at that time. Instead, we discussed possible options to include:

1. Payment in full. We discussed the unlikeliness of the City to be able to pay an additional \$100,000 billing in any given month.
2. A 12-month repayment. Like no. 1 above, we discussed the unlikeliness of the City to pay an additional \$8,000.00 or more per month.
3. A non-cash transaction using a portion of their capital credit balance (\$370,121.42) to cover the underbilling. This option was preferred by the City Council.

The City expressed their gratitude at our willingness to work with them. I told them that I would be back with a proposed solution once the LSEC Board of Trustees had discussed and approved a solution. I closed with an explanation of the “Cooperative difference” including how we live and work in this community too and want to see it successful.

The Bylaws **Article VII Nonprofit Operations, Section 2. Patronage Capital in Connection with Furnishing Cooperative Services**, paragraph six states in part, "...the capital credit of any member may be applied by the Cooperative toward any bad debts which are owed to the Cooperative by such member."

While this debt is not yet considered a "bad debt", the City has expressed concern over their ability to make this payment either singularly or over Tariff allowed 12-month payment plan period lends this amount to likely becoming a "bad debt". Also, we have discussed this option with the Auditors, and they are not opposed to the transaction.

The Capital Credit retirement would be structured in a "First In, First out" retirement according to the following schedule:

| year | current allocation | Retirement amount | new Adjusted balance |
|------|--------------------|-------------------|----------------------|
| 1988 | \$ 2,358.45 | \$ 2,358.45 | \$ - |
| 1993 | 26,532.24 | 26,532.24 | - |
| 1994 | 18,868.02 | 18,868.02 | - |
| 1995 | 2,730.40 | 2,730.40 | - |
| 1997 | 13,710.59 | 13,710.59 | - |
| 1998 | 65,888.42 | 52,968.42 | 12,920.00 |
| | \$ 130,088.12 | \$ 117,168.12 | |

| | Total Allocation |
|-----------------|------------------|
| pre-adjustment | \$ 370,121.42 |
| adjustment | 117,168.12 |
| post adjustment | \$ 252,953.30 |

Staff recommends that the Board approve Resolution 2020 0706 allowing the City of Dighton to repay the balance underbilled with unpaid Capital Credits.

LANE-SCOTT ELECTRIC COOPERATIVE, INC
DIGHTON, KANSAS

RESOLUTION 2020 0706

SPECIAL CAPITAL CREDIT ALLOCATION TO THE CITY OF DIGHTON

WHEREAS the City of Dighton ("the City") is a member in good standing of the Lane-Scott Electric Cooperative, Inc, ("the Cooperative"), and

WHEREAS a metering error BY Sunflower Electric Power Company ("Sunflower") from April 2019 through April 2020 resulted in an underbilling to the City of Dighton amounting to \$117,168.08, and

WHEREAS the City brought such error to the attention of Sunflower in May of 2019 and was told the metering was correct, and

WHEREAS the Cooperative has the right to recoup the underbilling from the City, and

WHEREAS the City could be financially constrained to pay the underbilling in lump sum or in 12 monthly payments and the potential exists for bad debt in this situation, and

WHEREAS neither the Cooperative Bylaws nor Board Policy No 113, Capital Credits prohibit nor address proactively offsetting current debt to avoid a bad debt situation for the good of the member and the Cooperative, and

WHEREAS the City has a current Capital Credit balance of \$370,121.42, and

WHEREAS the Auditors and Legal Counsel of the Cooperative have reviewed and approved this transaction.

BE IT THEREFORE RESOLVED that the Board of Trustees hereby approves the payment of this debt from the members Capital Credit balance.

CERTIFICATION OF THE SECRETARY

I, Paul Seib, Jr., certify that I am Secretary of the Lane-Scott Electric Cooperative Board of Trustees. I further certify that the above resolution was approved by the LSEC Board of Trustees at the regular Board Meeting dated the 6th day of July 2020.

Paul Seib, Jr., Secretary

(Seal)

10. c. Generac

I reported at the May 2020 Meeting of the Board of Trustees that we have been approached by Generac to become an authorized dealer and service center. They have a national program through NRECA to sell, install, and service generators which they believe would be a good fit for us.

We began speaking to other Cooperatives participating in the NRECA program and found, consistently, that it is a break-even deal but a good service to provide the members.

Most Cooperatives that were strongly in favor of the program have an employee or two dedicated to selling and/or servicing the generators. These typically make several thousand dollars a year in Generac margin, but I suspect that they are spreading their labor and not dedicating it to the process.

Most Cooperatives with negative impressions or concerns were related to Warranty issues stemming from consumers not maintaining their generators.

After many phone calls, I believe that we can offer this merchandise and service to our members with limited risk:

1. We already merchandise many items in the Retail section. This would simply be another option.
2. The basic generator line offered to Cooperatives under the NRECA Program is exclusive to the utility partners. This unit can be modified to enhance other distributed generation options and time of use rates.
3. We could also offer the same units as everyone else. Local dealers of standard units are:

Area Generac Dealers

| | |
|----|-------------------------------------|
| 19 | Basinger, Inc., Utica |
| 19 | Bosselman Energy, Utica |
| 29 | Harrold's Electric, Ness City |
| 29 | Meyers Engine, Ness City |
| 30 | R&B Electric, LLC |
| 39 | Age Electric, LLC, Cimarron, KS |
| 47 | Terry Stithem |
| 56 | Pruit Electric, LLC, Spearville, KS |
| 61 | Grunbein Contractors |
| 67 | Nabers Electric, Kinsley, KS |
| 70 | Leslie Dirks, Montezuma |
| 75 | Zodrow Gas & Construction |

| Sales | Service | Financing |
|-------|---------|-----------|
| y | | |
| | y | |
| y | | |
| y | | |
| y | | |
| y | y | y |
| y | | |
| y | y | |
| y | | |
| y | y | y |
| y | | |
| y | | |

4. There are no electric Cooperatives in Kansas offering Generac Sales or service. Prarieland offers Kohler and has sold several large units to industrial members.
5. We would be required in Inventory a basic amount of parts for servicing, Units would be drop shipped.
6. The Profit:Loss Analysis indicates that we would need to sell two units in the first year to break even. Then 1 unit per year.
7. We should promote annual Service Checks to maintain the warranty and could extend that to existing units on our system. This also serves as an annual inspection of distributed generation interconnections.

After much consideration, I would like to “stick our toe” in Generator sales and service. I believe it is:

1. a good service to offer our members,
2. has minimal financial risk, and
3. Could offer us some expanded services such as
 - a. Time of Use Rates, and
 - b. Back-up Generator sales to industrials on radial lines.

I am in favor of finding customers a financing option but not interested in LSEC being that option. None of us has any experience in banking and financing at this level could open a new line of regulations to follow. I am in favor of reaching out to the Healy Bank and seeing if they would be interested. If not, CFC is always an option.

We have several employees and members already interested. To begin, we would establish the necessary inventory and schedule Michael and Mark for training. I think we can be ready by the end of the year. LSEC would need to sell one generator per year to maintain dealer status.

10. d. Appoint Delegates to NCSC and CFC Virtual Meetings

Both Organizations will be holding virtual meetings in August. NCSC has announced a Virtual Annual Meeting on August 6, 2020 (Thursday) to elect Directors and a Bylaws amendment to allow the organization the permanent opportunity to conduct virtual member meetings to include Director elections. CFC has announced a Special Membership meeting on August 14, 2020 (Friday) to vote on a similar Bylaws amendment that would allow for virtual member meetings.

The press release states:

“I urge NCSC voting delegates to join us on August 6. I also encourage delegates to cast their mail-in ballot for director elections and the bylaw changes as soon as they have reviewed the material and made their decision on how to vote,” (NCSC Board President John) Lee added.

It further states, “A packet that includes the notice of meeting, directions to register for the remote event, director candidate profiles, redline and summary of the proposed bylaw amendments, and a mail-in ballot will be sent to all NCSC voting members at least 30 days before the meeting date.”

We should have both packets in this week.

Staff requests that the Board appoint a Delegate and an Alternate to each Virtual meeting.

A Profitability Analysis of the Retail Services Department

For FY 2019



Presented to the Board of Trustees on July 6, 2020.

prepared and presented by: Richard McLeon, MBA
General Manager

EXECUTIVE SUMMARY

Retail Services posted a net profitability of \$276,309.65 for 2019 using activity based costing. This accounts for 3.46% of total Operating Revenues and does not jeopardize our tax-exempt status.

Retail Services could not exist as a "stand alone" entity within the current expense structure which includes depreciation, amortization, and Interest on Long Term Debt.

Methodology

This study has three components:

- 1 A Profitability analysis based on activity based costing. This compares gross Retail Services Revenues to expenses specific to the Retail Services Department.
- 2 A Profitability analysis based on total LSEC costing. This compares the gross Retail Services Revenues to a pro-rata share of the non-controllable("Excluded") expenses of the Cooperative. This is probably not a "fair" comparison because it allocates total utility plant expenses such as depreciation and long term debt to Retail Services.
- 3 A Tax analysis. As a Internal Revenue Code 501(c)(12) non-profit organization we can earn up to 15% of our non-member revenue from other sources. This is generally accepted to be revenue from activates other than the delivery and sale of electric energy. The Tax Analysis roughly determines that current percentage.

Please note that overhead expenses such as materials, transportation, wages, benefits, taxes, etc. are spread across the Distribution and Retail Services General Ledger accounts while certain cash expenses (interest expense) and non-cash expenses (depreciation and amortization) are not. These "Excluded" expenses are identified on the STATEMENT OF OPERATIONS in lines 13 through 19.

The Profitability analysis' were conducted by breaking down each employees monthly timesheet into the individual General Ledger accounts. These GLs were then separated into either 1. Distribution, 2. Retail Services, or 3. Shared Expenses.

Distribution and Retail Services expenses are those unique to those functions while Shared Expenses are generally Administrative and General expenses that are spread across the cooperative. The percentage of time and expense for Distribution and Retail Services departments were calculated as a percentage of total expenses less the shared expenses. These percentages were then applied to the Shared Expenses and the pro-rata Shared Expenses were added back to Distribution and Retail Services departments.

"Excluded" expenses and Total Revenues (Tax Analysis) are projected for June 2019 because the month had not yet closed at the time this analysis was completed. Finally, year to date gross income was applied against total expenses.

Profitability Analysis'

| Summary | Year to Date 2019 | % of Total Expense |
|--|----------------------|--------------------|
| Total Distribution function Expense: | \$ 47,853.62 | 12.3% |
| Total Retail Services function Expense: | \$ 339,328.04 | 87.4% |
| <i>Total Retail Services Department Expense:</i> | <i>\$ 388,379.68</i> | |

1 Profitability (Activity based):

| | | |
|-------------------------------|--------------------------------|----------------------|
| Retail Services Total income: | Electrician: \$ | 387,512.88 |
| | HVAC: | 225,655.42 |
| | Member damages - net: | 949.33 |
| | Finance Charges: | 1,520.06 |
| | <i>Revenue (gross profit):</i> | <i>\$ 615,637.69</i> |

| | | |
|-----------------------------------|----|------------|
| Retail Services activity Expense: | \$ | 339,328.04 |
|-----------------------------------|----|------------|

| | |
|---|----------------------|
| <i>modified Income (net profit before interest, taxes and non-cash expenses):</i> | \$ 276,309.65 |
|---|----------------------|

2 Profitability (Total LSEC based):

| | | |
|--|----|-----------------|
| Retail Services Total income: | \$ | 615,637.69 |
| Excluded expenses (Retail portion only): | | 13,520,016.95 |
| Income (net profit): | \$ | (12,904,379.26) |

Tax Analysis (no. 3)

Internal Revenue Code 501(c)(12) provides federal income tax exemption for benevolent life insurance associations of a purely local character, mutual ditch or irrigation companies, mutual or cooperative telephone companies, electric companies, or "like organizations". The Service has never distinguished the terms "mutual" or "cooperative" for purposes of I.R.C. 501(c)(12).

The purpose of an I.R.C. 501(c)(12) organization is to provide certain services to its members at the lowest possible cost. To qualify for and maintain exemption under I.R.C. 501(c)(12), a cooperative must receive 85 percent or more of its income each year from members. The income must be collected solely to meet the cooperative's losses and expenses.

It is projected that Retail Services Department will contribute 3.81% of total Revenue through June 2019. Therefore, Retail Services will not adversely effect the tax structure of LSEC.

| | | | |
|------------------------------------|----|---------------|-------|
| 2019 Year end Operating Revenue | \$ | 17,781,223.00 | |
| Retail Services Department Revenue | \$ | 615,637.69 | 3.46% |

* Reference material: 2002 EO CPE Text Section E GENERAL SURVEY OF I.R.C. (c)(12) COOPERATIVES AND EXAMINATION OF CURRENT ISSUES by Michael Seto and Cheryl Chasin.

Excluded Expenses

| Form 7, Part A. STATEMENT OF OPERATIONS - Year to Date | | |
|--|--|------------|
| item | | YE 2019 |
| 13 | Depreciation and Amortization Expense | 14,192,457 |
| 14 | Tax Expenses - Property and Gross Receipts | - |
| 15 | Tax Expenses - Other | - |
| 16 | Interest on Long-term Debt | 1,264,244 |
| 17 | Interest Charged to Construction - Credit | - |
| 18 | Interest Expenses - Other | 3,355 |
| 19 | Other Deductions | 14,350 |
| totals | | 15,474,406 |

Projected Expenses allocated

| function | percent of total expense | Pro-rata Excluded expenses |
|-------------------------|-----------------------------|----------------------------------|
| Distribution expense | 12.3% | 1,906,656 |
| Retail Services expense | 87.4% | 13,520,017 |
| totals | | 15,426,673 |

Dedicated Expenses - Retail Services Department

| GL Div | GL acct | | Total Hours | Labor Expense | Total Expense |
|--------|---------|--|-------------|---------------|---------------|
| 0 | 242.30 | Accrued Vacation | 469.9 | 16,397.94 | 16,397.94 |
| 0 | 242.31 | Accrued Sick Leave | 259.5 | - | - |
| 0 | 242.32 | Accrued Holiday | 168.0 | 5,788.08 | - |
| 0 | 416.10 | Expense - Resale & Electrician | 2541.0 | 100,496.14 | 201,950.54 |
| 0 | 416.20 | Expense - HVAC | 1835.0 | 59,728.90 | 111,141.44 |
| 0 | 416.30 | Expense - Accident & Damage | 8.0 | 300.02 | 599.41 |
| 0 | 417.20 | Expense - Overhead Line | 5.5 | 203.03 | 428.82 |
| 1 | 583.00 | Overhead Line Expense | 3.0 | 111.01 | 237.79 |
| 0 | 585.00 | Street Lighting Expense | 2.0 | 74.61 | 141.63 |
| 0 | 586.00 | Meter Expense | 59.0 | 2,057.75 | 4,242.69 |
| 0 | 587.00 | Consumer Installation Expense | 229.0 | 8,517.92 | 17,450.96 |
| 1 | 587.00 | Consumer Installation Expense | 7.5 | 278.68 | 530.81 |
| 0 | 588.00 | Misc Distribution Exp (cleaning supplies, etc) | 132.5 | 4,606.74 | 9,408.25 |
| 1 | 588.00 | Misc Distribution Exp (cleaning supplies, etc) | 10.0 | 341.51 | 652.24 |
| 0 | 588.10 | AMI & Monitoring Expense | 4.0 | 149.21 | 283.24 |
| 0 | 593.00 | Maintenance of Overhead Lines | 118.0 | 2,275.88 | 3,409.11 |
| 1 | 593.00 | Maintenance of Overhead Lines | 185.5 | 2,874.71 | 3,453.66 |
| 0 | 598.00 | Maintenance of Misc Dist Equip. | 1.0 | 36.50 | 72.88 |
| 0 | 935.00 | Maintenance of General Plant | 122.5 | 3,530.01 | 6,716.29 |
| | | | 6,160.90 | 207,768.64 | 377,117.70 |

Shared Expenses - Retail Services Department

| | | | | | |
|---|--------|------------------------------------|-------|----------|-----------|
| 0 | 920.00 | Administrative and General Expense | 1.0 | 15.00 | 18.53 |
| 0 | 925.10 | Safety Meeting Expense | 114.5 | 3,931.47 | 7,702.76 |
| 0 | 925.30 | Employee Education and Training | 39.0 | 1,342.70 | 2,623.02 |
| 0 | 925.50 | Employee Information Mtg Expense | 12.0 | 423.82 | 831.11 |
| 0 | 930.40 | Misc Gen Exp - Annual Meeting | 1.50 | 46.15 | 86.56 |
| | | | 168 | 5,759.14 | 11,261.98 |

Total Retail Services Department Expenses

| | | | Total Hours | Labor Expense | Total Expense |
|---------------|--|--|-----------------|-------------------|-------------------|
| TOTALS | | | 6,328.90 | 213,527.78 | 388,379.68 |

Allocation of Expenses

Distribution function Expenses

| GL Div | GL acct | | Total Hours | Labor Expense | Total Expense |
|--------------------|---------|--|-------------|---------------|---------------|
| 0 | 416.30 | Expense - Accident & Damage | 8.0 | 300.02 | 599.41 |
| 0 | 417.20 | Expense - Overhead Line | 5.5 | 203.03 | 428.82 |
| 1 | 583.00 | Overhead Line Expense | 3.0 | 111.01 | 237.79 |
| 0 | 585.00 | Street Lighting Expense | 2.0 | 74.61 | 141.63 |
| 0 | 586.00 | Meter Expense | 59.0 | 1,570.00 | 3,075.10 |
| 1 | 586.00 | Meter Expense | 4.0 | 4.00 | 4.00 |
| 0 | 587.00 | Consumer Installation Expense | 229.0 | 8,517.92 | 17,450.96 |
| 1 | 587.00 | Consumer Installation Expense | 7.5 | 278.68 | 530.81 |
| 0 | 588.00 | Misc Distribution Exp (cleaning supplies, etc) | 132.5 | 4,606.74 | 9,408.25 |
| 1 | 588.00 | Misc Distribution Exp (cleaning supplies, etc) | 10.0 | 341.5 | 652.2 |
| 0 | 588.10 | AMI & Monitoring Expense | 4.0 | 149.21 | 283.24 |
| 0 | 593.00 | Maintenance of Overhead Lines | 118.0 | 2,275.88 | 3,409.11 |
| 1 | 593.00 | Maintenance of Overhead Lines | 185.5 | 2,874.71 | 3,453.66 |
| 0 | 598.00 | Maintenance of Misc Dist Equip. | 1.0 | 36.50 | 72.88 |
| 0 | 935.00 | Maintenance of General Plant | 122.5 | 3,530.01 | 6,716.29 |
| Distribution Total | | | 891.50 | 24,873.83 | 46,464.19 |
| percent of total | | | 14.5% | 12.0% | 12.3% |

Distribution function Shared Expenses

| | | | | | |
|------------------|--------|------------------------------------|-------|--------|----------|
| 0 | 920.00 | Administrative and General Expense | 0.1 | 1.80 | 2.28 |
| 0 | 925.10 | Safety Meeting Expense | 16.6 | 470.67 | 949.05 |
| 0 | 925.30 | Employee Education and Training | 5.6 | 160.75 | 323.18 |
| 0 | 925.50 | Employee Information Mtg Expense | 1.7 | 50.74 | 102.40 |
| 0 | 930.40 | Misc Gen Exp - Annual Meeting | 0.2 | 6.68 | 12.53 |
| Shared Total | | | 24.31 | 690.63 | 1,389.43 |
| percent of total | | | 14.5% | 12.0% | 12.3% |

Total Distribution function Expense

| Distribution Expenses | | | Total Hours | Labor Expense | Total Expense |
|-----------------------|--|--|-------------|---------------|---------------|
| TOTALS | | | 915.81 | 25,564.46 | 47,853.62 |
| | | | 14.5% | 12.0% | 12.3% |

Retail Services function Expenses

| GL Div | GL acct | | Total Hours | Labor Expense | Total Expense |
|-----------------------|---------|--------------------------------|-------------|---------------|---------------|
| 0 | 242.30 | Accrued Vacation | 469.9 | 16,397.9 | 16,397.9 |
| 0 | 242.31 | Accrued Sick Leave | 259.5 | - | - |
| 0 | 242.32 | Accrued Holiday | 168.0 | 5,788.1 | - |
| 0 | 416.10 | Expense - Resale & Electrician | 2,541.0 | 100,496.1 | 201,950.5 |
| 0 | 416.20 | Expense - HVAC | 1,835.0 | 59,728.9 | 111,141.4 |
| Retail Services Total | | | 5,273.40 | 182,411.06 | 329,489.92 |
| percent of total | | | 85.6% | 87.8% | 87.4% |

Retail Services Shared Expenses

| | | | | | |
|------------------|--------|------------------------------------|--------|----------|----------|
| 0 | 920.00 | Administrative and General Expense | 0.86 | 13.17 | 16.19 |
| 0 | 925.10 | Safety Meeting Expense | 98.01 | 3,451.65 | 6,729.95 |
| 0 | 925.30 | Employee Education and Training | 33.38 | 1,178.83 | 2,291.75 |
| 0 | 925.50 | Employee Information Mtg Expense | 10.27 | 372.09 | 726.15 |
| 0 | 930.40 | Misc Gen Exp - Annual Meeting | 1.28 | 39.50 | 74.09 |
| Shared Total | | | 143.80 | 5,055.24 | 9,838.12 |
| percent of total | | | 85.6% | 87.8% | 87.4% |

Total Retail Services function Expense

| Retail Expenses | | | Total Hours | Labor Expense | Total Expense |
|-----------------|--|--|-------------|---------------|---------------|
| TOTALS | | | 5,417.20 | 187,466.30 | 339,328.04 |
| | | | 85.6% | 87.8% | 87.4% |

LANE-SCOTT ELECTRIC COOPERATIVE, INC.
SAFETY COUNCIL COMMITTEE MEETING
June 10, 2020

Leighton Ayers called the meeting to order at 1:15 am.

Minutes were read: Leighton Ayers made a motion to approve minutes and Richard McLeon seconded.

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

The minutes of the December 10, 2019 safety council meeting were read and approved as printed.

Old Business:

- ◆ Safety council 2019 budget was reviewed.
- ◆ Reviewed 2019 On-Site Regulatory Visit and RESAP self-assessment report follow ups. Chris Terhune reported the following items completed: Brady from Altec fixed digger-derrick unit toggle switch (digger shift), repaired insulation on cable grounding conductor, ladders were replaced, 117 decals, new gas heater in the salt shed, new rolling stairs in salt shed for Dee Shull, Lane-Scott sub signage done, pole bunks rebuilt, hours for deliveries are posted on the gates, replaced shives on tension equipment, lineman crimper tool, and signage is all up. Resale projects completed air hose wheel set up, fireproof cabinet installation, ladders traded out, hooks in wash bay installed to hang ladders on, battery power crimpers, and Mark loft stair access built. North lot lien to section set up for leaking transformer tank with baggage and secondary containment and a clip board for documentation. North lot lien to section set up for Mark McCulloch pipe rack.
- ◆ Chris Terhune discussed with COVID-19 projects have been moved back. Projects to follow up on are the following: Ranger Feeders and Brookover demonstrations, meeting with Victory on iPad digital forms, underground inspection, rock poured around pole bunks, north lot cement poured, Grand Junction Colorado schooling, lineman room live eye wash weekly inspection scheduling, WLL on Mark McCulloch pipe rack under north lot lien to, and loft steps painted and ratings on second loft
- ◆ Chris Terhune discussed demo trailer build. Contacting Wheatland on trailer schematics. He will get with Nate Burns to see if maybe Border States might be willing to donate a pad mount or other sponsors donating parts to build the demo trailer then we could post sponsor stickers on the trailer for them. Discussed SDS sheet update review needs considered, work order online clearance needs reviewed.
- ◆ Leighton Ayers reported rope hoist and handles were replaced.
- ◆ Carrie Borell discussed Kathy Lewis suggestions of our first aid kit inventory replacement option to be done in house instead of using Cintas. Council discussed pros and cons and will discuss with Kathy to table that for another time.

New Business:

- ◆ Safety council 2020 budget was reviewed.
- ◆ Richard McLeon discussed salt shed tin Zach Dowell will be replacing, contacting someone on roof repair it appears to be a leak. Chris Terhune will check with DV Douglas to have them look at the roof leak.
- ◆ Carrie Borell discussed south employee entry door not consistently working. Fire Alarm Specialist offered to give a quote to fix it and she instead would like to transition to another company that will give better service and give full access to the security software management. Chris Terhune suggested contacting J&R in Garden City. Carrie discussed J&R can only do security cameras and intercom and will look into some other vendors. Richard McLeon discussed 2021 budgeting of a full security system options.

- ◆ Carrie Borell discussed yearly RESAP self-assessment was pushed back because of COVID-19 and the option of using that time to work on the On-Site Regulatory Visit improvement projects at that time as well. Chris Terhune suggested we relook at that option at the safety council August 19 meeting. Discussed RESAP safety improvement plan site reporting date error was fixed and updated by NRECA. Next review will be done at the November 11 safety council meeting for Lane Scott 2021 goals in order for Richard McLeon to submit it online by December 31st deadline. No other questionnaires are due until March next year which will be reviewed at that time for Carrie Borell to submit those forms.
- ◆ Chris Terhune discussed wire trailer need a unit number and DOT manufacture inspection. Carrie Borell discussed needing a manufacturer inspection on truck #200 also.
- ◆ Chris Terhune discussed the north pole yard vegetation needs spot sprayed and upcoming On-Site Regulatory Visit.
- ◆ Richard McLeon discussed strategic plan goals needing reviewed and updated. Discussed 2012 work plan almost done and establishing a 10-year plan for the north lot.

Meeting adjourned

Chris Terhune
Safety Coordinator

Carrie Borell
Secretary

SAFETY PROGRAM

SAFETY PROJECTS COMPLETED AS OF JUNE 2020

1. Chris Terhune painted resale attic access and Morton building loft stairs and walkways.
2. Chris Terhune marked working load limits on the lofts.
3. Carrie Borell updated SRS dispatch procedure employee contact information.
4. Chris Terhune contacted Lutzko FR Clothing for vendor set up options.
5. Carrie Borell contacted Border States on FR clothing vendor options.
6. KEC On-Site Regulatory visit. Awaiting reports.
7. Safety meeting and safety council for June minutes are included in packet.

SAFETY PROJECTS IN PROGRESS AS OF JUNE 2020

1. Carrie Borell contacted DJ Lock and Key to repair south office door key fob access entry issues.
2. Chris Terhune is getting a quote from S&S Trailer for the safety demo trailer.
3. Carrie Borell getting quotes for 2021 security system options for camera, door access control, and central management software.
4. Carrie Borell contacted Homeland Security for a protective security advisor assessment.

INSIDE

- 1, 4 Does Your Organization Have Room for Improvement in Safety?
- 2 Accident Summary
- 3 Accidents & Upcoming Events
- 5-8 The Hierarchy of Incidents and Learning: Part I

SAFETY SUMMARY

Safety Summary is published monthly by the Loss Control, Safety & Compliance Department at Kansas Electric Cooperatives, Inc., Topeka, Kansas.

EDITOR: Larry Detwiler,
Director, Loss Control, Safety & Compliance

LOSS CONTROL, SAFETY & COMPLIANCE COMMITTEE

CHAIRPERSON: Mark Scheibe, Heartland

Tim Diederich, Bluestem
Jim Currie, Brown-Atchison
Allen Zadorozny, Caney Valley
Kent Davis, CMS
Brian Lang, DS&O
Chuck Goeckel, Flint Hills
Ralph Phillips, FreeState
Mark Scheibe, Heartland
Harold Hoss, Lane-Scott
Steve Epperson, Pioneer
Chuck Look, Prairie Land
Marc Martin, Rolling Hills
Gene Scheer, Sedgwick County
Adam Myers, Twin Valley
Randy Quint, Victory
Tom Ruth, Western
Bruce Mueller, Wheatland

KEC STAFF LIAISONS

Larry Detwiler
Lee Tafanelli

Does Your Organization Have Room for Improvement in Safety?

Find out by engaging with diversity, evolution and innovation

Dr. Edwards Deming was the father of continuous process improvement and he would be proud of how safety has embraced many of his philosophies. In the 1980s I was asked to be a quality advisor in my company which required some training. During the training I began to wonder why we had not come up with these ideas on our own. Since then I have realized that it was because we didn't know we had a problem.

Creating a workplace where it is difficult to get hurt requires continuous process improvement. It also requires that you ask the people closest to the issue to be involved in the improvement and not depend on management and safety people. This is a form of diversity that works because everyone has a viewpoint of the issues. Many times, I conduct facilitated safety discussions with groups of employees and learn as much from them as I could ever hope to learn.

Typically, in the beginning of the discussions I find that employees are not very forthcoming with information but after a bit of encouragement they open up and really provide some great ideas. Some of the ideas are good and some are not so good, but part of the process is to let their ideas evolve into an action that they will do.

The evolution of ideas means that we are taking some basic concepts and stretching them into some "what if scenarios" that can change our viewpoint. I have had leaders observe this process and they are amazed at the engagement that takes place. Sometimes a session can bring out an issue that may not be

directly related to safety but in the grand scheme of things will lead to improvement that ultimately makes a safer workplace.

In one such session a few years back, a worker shared with me that a part they were using in the field was failing on a regular basis. During the meeting I asked if he would stay behind after the session and tell me more and he said, "I guess it couldn't hurt but nobody has listened to me yet." Suffice it to say that after the meeting he brought a box of parts to me and had done a great job of measuring the failure rate. When he took the problem to his management, they didn't take him seriously. I was able to help him put the information together in a format that management would accept. Once he presented it the management team, they listened, acted, and stopped using the part. The part was causing many workers to be re-exposed to hazards to make repairs. In the long run this evolved into a change in how the company purchased new parts. Engineers in the company began to see the value in having the employees responsible for the work to test and give feedback before changing parts, tools, and procedures. This company was soon innovating their own as well as industry standards. No big surprise that morale improved and so did the injury rate.



Carl Potter, CSP, CMC

Continued on page 4 ▶

SAFETY SUMMARY

Accident Summary *April 2020*

| | No Lost Time | Lost Time | Days Lost | Employees Full-time | Employees Part-time | Hours Worked | Vehicles Used | Miles Driven | Vehicle Accidents |
|------------------|--------------|-----------|-----------|---------------------|---------------------|----------------|---------------|----------------|-------------------|
| 4 Rivers | 0 | 0 | 0 | 45 | 0 | 11,026 | 33 | 50,718 | 0 |
| Ark Valley | 0 | 0 | 0 | 15 | 0 | 3,486 | 13 | 12,787 | 0 |
| Bluestem | NO REPORT | | | | | | | | |
| Brown-Atchison | 0 | 0 | 0 | 11 | 1 | 1,777 | 9 | 7,477 | 0 |
| Butler | 0 | 0 | 0 | 44 | 3 | 8,551 | 17 | 18,807 | 0 |
| Caney Valley | 0 | 0 | 0 | 18 | 0 | 3,245 | 17 | 11,815 | 2 |
| CMS | 0 | 0 | 0 | 33 | 2 | 5,354 | 22 | 28,676 | 0 |
| DS&O | 0 | 0 | 0 | 28 | 0 | 5,041 | 26 | 20,222 | 0 |
| Doniphan | 0 | 0 | 0 | 7 | 0 | 1,230 | 5 | 3,275 | 0 |
| Flint Hills | 0 | 0 | 0 | 21 | 0 | 3,763 | 18 | 14,670 | 0 |
| FreeState | 0 | 1 | 7 | 78 | 2 | 13,812 | 46 | 47,301 | 1 |
| Heartland | 0 | 0 | 0 | 41 | 1 | 7,790 | 29 | 50,623 | 0 |
| KEC | 0 | 0 | 0 | 15 | 1 | 2,496 | 6 | 5,974 | 0 |
| KEPCo | 0 | 0 | 0 | 24 | 0 | 3,522 | 9 | 3,576 | 0 |
| Lane-Scott | 0 | 0 | 0 | 22 | 1 | 3,732 | 21 | 14,988 | 0 |
| Nemaha-Marshall | 0 | 0 | 0 | 13 | 1 | 2,358 | 12 | 11,534 | 0 |
| Ninnescah | 0 | 0 | 0 | 17 | 0 | 3,007 | 12 | 14,755 | 0 |
| Pioneer | 0 | 0 | 0 | 68 | 3 | 13,221 | 47 | 48,633 | 0 |
| Prairie Land | NO REPORT | | | | | | | | |
| Rolling Hills | 0 | 0 | 0 | 42 | 1 | 6,851 | 37 | 49,388 | 1 |
| Sedgwick County | 0 | 0 | 0 | 19 | 0 | 3,216 | 16 | 6,553 | 0 |
| Southern Pioneer | 0 | 0 | 0 | 45 | 2 | 8,000 | 41 | 35,911 | 0 |
| Sumner-Cowley | NO REPORT | | | | | | | | |
| Twin Valley | 0 | 0 | 0 | 13 | 1 | 2,307 | 12 | 13,600 | 0 |
| Victory | 1 | 0 | 0 | 71 | 0 | 12,709 | 40 | 43,477 | 0 |
| Western | 0 | 0 | 0 | 54 | 0 | 9,621 | 41 | 40,637 | 1 |
| Wheatland | 0 | 0 | 0 | 133 | 2 | NA | NA | NA | 0 |
| Total | 1 | 1 | 7 | 877 | 21 | 136,115 | 529 | 555,397 | 5 |

*Accident Previously Reported +Reflects Cumulative Lost Time

Accident Reports *April 2020*

April 2020

ROLLING HILLS, BELOIT

Vehicle accident: No accident form submitted.

April 2020

FREESTATE, MCLOUTH/TOPEKA

Unknown

Injury: Muscle strain to back.

Cause: Unknown.

Lost time: Yes (7 days)

April 2020

FREESTATE, MCLOUTH/TOPEKA

Vehicle accident: Cooperative vehicle hit by another driver, causing minor damage to cooperative vehicle.

Lost time: No

April 17, 2020

CANEY VALLEY, CEDAR VALE

Vehicle accident: Employee was backing cooperative vehicle from a drive-in restaurant, and caught passenger side mirror, breaking mirror.

Lost time: No

April 17, 2020

CANEY VALLEY, CEDAR VALE

Vehicle accident: Cooperative vehicle was traveling on a Kansas designated highway, met an uncovered semi hauling rock, rock fell off trailer and struck front windshield.

Lost time: No

April 27, 2020

WESTERN, PLAINVILLE

Vehicle accident: Cooperative employee was backing the vac-trailer off the road and backed over a communication pedestal.

Lost time: No

April 27, 2020

VICTORY, DODGE CITY

Lineman

Injury: Sharp pain in left shoulder.

Cause: Cooperative employee had cut a wooden structure into four foot sections, threw a section into the cooperative's trailer and injured their shoulder.

Lost time: No

UPCOMING EVENTS

SEPTEMBER 24-25, 2020

**Line Supervisors Meeting
(Wichita)**

**EVENTS BELOW ARE
POSTPONED UNTIL 2021**

**Safety Coordinators/Material
Managers Meeting (Wichita)**

KEC Hot Line School (Pratt)

**KEC Hot Line School
(Manhattan)**

**Transformer Workshop
(Topeka)**

Metering Workshop (Topeka)

Federated Near-Miss Reporting

Dear Safety Professional:

As you are aware, Federated launched a Near-Miss reporting program in December of 2015, encouraging employees to report any and all near-miss incidents experienced at the system or through interaction with the general public. Some of you have asked if we have received any reported incidents and the answer is yes, we have. For expediency, I am sending the reported incidents to you so you have an opportunity to discuss these incidents, with your employees as soon as possible. I will provide more information as it becomes available, and in the near future, you will have access to this information by accessing our website. Thank you.

R. COREY PARR

VP Safety & Loss Prevention

1-800-356-8360, cparr@federatedrural.com



SAFETY SUMMARY

Does Your Organization Have Room for Improvement in Safety? *Continued from page 1* ▶

The bottom line is that by gathering a diverse group of people together and creating a safe environment for them to bring issues, a free flow of information results.

Remember, a major component of process improvement is to be willing to gather information from players throughout the process in question. Not all information is good and usable and sometimes it may just seem like complaints, but there is value in venting too. Collecting this information through a facilitated process can lead

to many improvements from a diverse group who are allowed to evolve into problem solvers. In turn, those who are bought into improvement innovate by finding new ways to do the same old jobs safer, more efficiently, and with increased productivity. Finally, the result is a workplace where everyone takes responsibility for safety and everyone can go home every day without injury.

Special thanks to Potter and Associates for allowing KEC to reprint this article

WHEN TO CALL IT

Between 2006 and 2018, 396 people were struck and killed by lightning in the U.S.

HAVE A GAME PLAN TO STAY SAFE WHEN SEVERE WEATHER STRIKES

1. Check weather forecasts in advance.
2. At first signs of stormy weather, seek shelter in a hard-top car or four-sided building.
3. Do not seek shelter under a pavilion or tree.
4. Do not sit on or lean against metal (e.g. bleachers, fencing).
5. Before resuming activities, **WAIT** at least **30 MINUTES** after the last rumble of thunder.

SOURCE: NATIONAL LIGHTNING SAFETY COUNCIL

2/3 of the fatalities happened during outdoor activities

13% of lightning-related deaths we related to outdoor sports

70% of the fatalities occurred in June, July, or August

TOP SPORTS RELATED LIGHTNING FATALITIES: #1 SOCCER | #2 GOLF | #3 RUNNING | #4 BASEBALL | #5 FOOTBALL | #6 DISC GOLF

Part I



The Hierarchy of Incidents and Learning

This six-level hierarchy provides a framework to identify levels of risk and opportunities to improve operations and team morale. By Jesse Hardy, CSP, CIT, CUSP

You just want to do the job right and go home unharmed today, but things don't always go as planned, incidents happen, and the lessons your team learns don't always change the way you'll do the job tomorrow. This can leave you feeling frustrated and helpless to improve the things that keep your team from reaching its full potential.

You deserve a framework that allows you to continuously improve your operations and team morale. In this two-part article, we'll use the hierarchy of incidents and learning to identify and rank the different parts of

an incident. As we work through all six levels of the hierarchy — the first three in this article and the next three in the follow-up article — we'll discuss things you and your team members can do to support a continuous growth mindset. The ultimate goal of all this is to learn and improve so that we can identify and mitigate the potential for error as soon as possible and reduce the impact of incidents on our people, projects, company and customers.

The first three levels of the hierarchy — and the three levels with the lowest cost of learning and improvement —

are hazardous thoughts, attitudes and mindsets; hazardous conditions and situations; and hazardous behaviors. Now, the cost-of-learning concept centers on the idea that the higher up the hierarchy's pyramid you go, the greater an incident's direct and indirect costs to workers, the project, the company and the customer. For example, the cost of changing individual and team thoughts, attitudes and mindsets — found at the lowest level of the hierarchy — is less than the cost of a root cause analysis, systems and procedures inventories, and

Continued on page 6 ▶

SAFETY SUMMARY

The Hierarchy of Incidents and Learning *Continued from page 5*



companywide change associated with incidents that harm people, places and things.

Hazardous Thoughts, Attitudes and Mindsets

Let's take a closer look at the first level of the hierarchy. Our thoughts determine our attitude about someone or something. My attitude turns into a mindset. My mindset eventually leads to behavior, which creates reactions and results in the world around me. That cycle continues, becoming deep-rooted, for better or worse. A positive mindset helps lead to positive reactions and results, but a negative mindset, at best, prevents us from reaching our full potential. At worst, it can lead to devastation.

Leading Indicator Learning and Improvement

We can battle hazardous thoughts, attitudes and mindsets by bringing them into the light, talking about them and countering them with the positivity associated with industry best practices. But first, we must recognize them. Negativity often shows up in meetings and throughout the workday as sarcastic or cynical comments made by workers who have an ego-driven, production only mindset that sounds something like, "I know better. We don't need to follow those rules and procedures. If we do it like that, we'll never get anything done." Or, there's that kind of worker's complete opposite, the helpless victim, who has a "There's nothing we can do about this, so why try?" mindset. Both types complain about people they have no intention of confronting and conditions or situations they either cannot or will not improve. That's what we call gossip, and it's a cancer that eats away at team morale and limits our ability to (1) see and hear the good around us

and (2) recognize the hazardous conditions and situations that can lead to damage, injury, illness and death.

However, we can proactively counter hazardous thoughts, attitudes and mindsets with positive reinforcement of boots-on-the-ground best practices that are captured in our daily coordination meetings, after-action reviews, safety group crew visits and weekly safety meetings. By sharing those best practices, we're able to reinforce what's right — the way we do things around here — thus fertilizing and watering the good operational grass so that a positive, healthy lawn can choke out the weeds. We'll discuss exactly how to deal with negative individuals a little later in this article.

Hazardous Conditions and Situations

Hazardous conditions and situations, the second level of the hierarchy of incidents and learning, exist in the places where we work and live. At a job site, conditions might look like slick slopes, congested areas and low overhead lines. A situation develops when we apply the task at hand to the current conditions and sprinkle in our circumstances, such as a scarcity of resources like time, manpower, equipment and materials. If we correctly identify and treat our conditions and situations with respect, we can overcome them, and they won't impact our mission. Keep in mind, however, that negative thoughts, including those exhibited by the ego-driven cowboy or that apathetic Eeyore, limit our ability to see potentially hazardous conditions and situations, and a negative mindset reduces our



We can proactively counter hazardous thoughts, attitudes and mindsets with positive reinforcement of boots-on-the-ground best practices that are captured in our daily coordination meetings, after-action reviews, safety group crew visits and weekly safety meetings.

Continued on page 7

The Hierarchy of Incidents and Learning *Continued from page 6 ►*



When it comes to learning so we can improve, we want to capture hazardous conditions and situations as good catches (i.e., we caught them before anyone was exposed to risk) and hazardous behaviors as close calls. Both should be centrally collected by the safety group, organized into lessons learned, and communicated to the entire company as a part of the weekly safety and daily coordination meetings.

However, while good catches and close calls are effective at helping workers self-correct, there are times when a leader must directly deal with the hazardous behaviors of an individual or the entire team. We will want to consider three things — timing, audience and content — when doing this.

respect for them — both of which can lead to unnecessary discomfort, pain and loss.

Respect is a key word when it comes to recognizing hazards. It's based on an individual's assessment of value, which determines how much time and effort they're willing to expend on understanding and mitigating a hazard. The more the individual sees the hazard as a risk to accomplishing the mission, the more time and effort they'll be willing to invest in mitigation. How do we show respect? We stop work if it's already begun, identify the issue, create a plan for mitigation and communicate it to everyone affected so we can overcome the hazard. We'll see the concept of respect come into play more in the next level of the hierarchy, hazardous behaviors.

Hazardous Behaviors

In this context, a "behavior" is how we act toward the job before us, in the conditions and situations that surround us. Hazardous behaviors are rooted in disrespect toward yourself, your co-workers, the project, the company and the customer. Now, because hazardous behaviors don't always lead to damage, injury, illness or death, it can sometimes be tempting to dismiss them as unimportant, but that creates what's called confirmation bias, which is a fancy way of saying, "This didn't cause a problem yesterday, so I'll do it again today, and tomorrow I might push the limits a little further." This leads to an ever-decreasing level of respect for the surrounding world, which eventually can end in disaster.

Leading Indicator Learning and Improvement

We can battle hazardous conditions, situations and behaviors by dealing with them in a clear, concise and timely manner.

Timing

Is the behavior a red-zone issue, posing immediate danger to life, health, the environment, quality or production? Or is it a yellow-zone issue, meaning that we could do better, but it's not that big of a deal? Red-zone issues should stop work so they can be addressed immediately, while yellow-zone issues can wait until a more appropriate time to be addressed, such as a break, the end of the day or the next morning.

Audience

Is this a behavioral issue involving one or two workers that should be handled privately, or is it a team issue that needs to be handled in a full crew meeting? Keep in mind that on occasion, even individual or small-group issues need to be addressed with the entire team because they're already well-known and eating away at team morale. In my experience, though, it's best to try to deal with these situations in private and then reinforce the desired behavior within the entire team.

Content

When it comes to hazardous behaviors, the primary issues leaders need to tackle include ignorance and/or disrespect of hazards, disrespect of processes and procedures, and disrespect of people.

Resolving problems that involve ignorance and/or disrespect of hazards often requires training and motivation work. Make the hazards real for workers through stories and testimonials from people who once thought the way they're now thinking, disrespected the hazards around them and paid a high price;

Continued on page 8 ►

The Hierarchy of Incidents and Learning *Continued from page 7*



If we correctly identify and treat our conditions and situations with respect, we can overcome them, and they won't impact our mission.

it's vital to do so if you want to see improvement. Additionally, when it comes to having a conversation with a worker on the topic of disrespecting hazards, I usually begin with this question: If your son or daughter were hired onto the crew tomorrow, would you let them do what you just did? The answer is usually no. Then I remind that individual that they're someone else's loved one, and that person is counting on them to do the job right and go home unharmed today. At the end of the conversation, I ask for an agreement from the worker that they'll do the job right from there on out.

Disrespect of processes and procedures may require additional training, coaching and motivation work to help a worker turn expectations into execution. They must understand that following tried-and-true processes and

procedures leads to long-term consistency that makes the individual and crew more valuable. I usually end a conversation on this topic by discussing with the worker what they might need to be able to transition to doing things the right way. I also ask for a commitment from them that they will work to continuously improve themselves and their work practices.

Disrespect of people is flat-out unacceptable, and that needs to be made clear to all workers from day one. It should be reinforced on a daily basis by demonstrating appreciation for the value each worker brings to the job. Everyone matters because every task matters. I usually end a conversation on this topic with something to the effect of, "There are a lot of things we can say and do as we interact with each other today, but disrespecting someone isn't one of them." And then I ask for the worker's commitment to treat people with respect going forward.

Next Steps

To get to the next three levels in the hierarchy of incidents and learning — damage; injury and illness; and fatality — we must cross a critical threshold: the one between potential issue and direct harm. The latter historically has been considered the scoreboard (lagging indicator) by which we measure our level of safety. We'll tackle all of that in the second part of this article. In the meantime, by staying mindful of and continuously addressing the bottom three levels of the hierarchy of incidents and learning, you can lower the likelihood that damage, injuries, illnesses and fatalities will occur on your crews. And that means both you and your workers have a greater chance of going home happy and unharmed today.

JESSE HARDY, CSP, CIT, CUSP, is vice president of HSE for Supreme Industries, a Harwinton, Connecticut-based contractor that specializes in right-of-way clearing, building access roads, drilling and pole pulling.

Special thanks to Incident Prevention for allowing KEC to reprint the article

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0032. The time required to complete this information collection is estimated to average 15 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

| | |
|---|--|
| 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 May 2020 |
| 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.

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 | 7,098,412 | 6,721,962 | 7,618,569 | 1,322,250 |
| 2. Power Production Expense | | | | |
| 3. Cost of Purchased Power | 4,054,811 | 3,506,082 | 4,544,791 | 600,588 |
| 4. Transmission Expense | 4,167 | 912 | 3,122 | 110 |
| 5. Regional Market Expense | | | | |
| 6. Distribution Expense - Operation | 570,461 | 620,668 | 575,016 | 141,372 |
| 7. Distribution Expense - Maintenance | 276,106 | 324,332 | 306,391 | 63,248 |
| 8. Customer Accounts Expense | 89,794 | 83,149 | 94,348 | 22,250 |
| 9. Customer Service and Informational Expense | 13,335 | 12,394 | 13,669 | 2,639 |
| 10. Sales Expense | 24,077 | 22,680 | 31,308 | 3,467 |
| 11. Administrative and General Expense | 538,411 | 560,112 | 576,960 | 105,269 |
| 12. Total Operation & Maintenance Expense (2 thru 11) | 5,571,162 | 5,130,329 | 6,145,605 | 938,943 |
| 13. Depreciation and Amortization Expense | 645,681 | 676,105 | 672,158 | 137,827 |
| 14. Tax Expense - Property & Gross Receipts | | | | |
| 15. Tax Expense - Other | | | | |
| 16. Interest on Long-Term Debt | 513,594 | 551,747 | 535,621 | 111,187 |
| 17. Interest Charged to Construction - Credit | | | | |
| 18. Interest Expense - Other | 1,374 | 835 | 1,514 | 158 |
| 19. Other Deductions | 3,528 | 5,634 | 6,614 | 1,322 |
| 20. Total Cost of Electric Service (12 thru 19) | 6,735,339 | 6,364,650 | 7,361,512 | 1,189,437 |
| 21. Patronage Capital & Operating Margins (1 minus 20) | 363,073 | 357,312 | 257,057 | 132,813 |
| 22. Non Operating Margins - Interest | 68,749 | 74,496 | 17,374 | 3,941 |
| 23. Allowance for Funds Used During Construction | | | | |
| 24. Income (Loss) from Equity Investments | | | | |
| 25. Non Operating Margins - Other | 7,271 | (27,846) | 25,000 | (9,678) |
| 26. Generation and Transmission Capital Credits | 4 | | | |
| 27. Other Capital Credits and Patronage Dividends | 18,032 | 18,198 | 20,000 | |
| 28. Extraordinary Items | | | | |
| 29. Patronage Capital or Margins (21 thru 28) | 457,129 | 422,160 | 319,431 | 127,076 |

| 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 May 2020 | | |
| 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 | 25 | 23 | 5. Miles Transmission | | |
| 2. Services Retired | 9 | 24 | 6. Miles Distribution – Overhead | 2,035.31 | 2,036.59 |
| 3. Total Services in Place | 6,041 | 6,036 | 7. Miles Distribution - Underground | 7.15 | 7.53 |
| 4. Idle Services (Exclude Seasonals) | 194 | 243 | 8. Total Miles Energized (5 + 6 + 7) | 2,042.46 | 2,044.12 |
| PART C. BALANCE SHEET | | | | | |
| ASSETS AND OTHER DEBITS | | | LIABILITIES AND OTHER CREDITS | | |
| 1. Total Utility Plant in Service | 57,635,201 | | 30. Memberships | 0 | |
| 2. Construction Work in Progress | 145,563 | | 31. Patronage Capital | 21,628,858 | |
| 3. Total Utility Plant (1 + 2) | 57,780,764 | | 32. Operating Margins - Prior Years | 0 | |
| 4. Accum. Provision for Depreciation and Amort. | 16,964,058 | | 33. Operating Margins - Current Year | 357,311 | |
| 5. Net Utility Plant (3 - 4) | 40,816,706 | | 34. Non-Operating Margins | 64,849 | |
| 6. Non-Utility Property (Net) | 0 | | 35. Other Margins and Equities | 138,573 | |
| 7. Investments in Subsidiary Companies | 243,578 | | 36. Total Margins & Equities (30 thru 35) | 22,189,591 | |
| 8. Invest. in Assoc. Org. - Patronage Capital | 10,822,750 | | 37. Long-Term Debt - RUS (Net) | 0 | |
| 9. Invest. in Assoc. Org. - Other - General Funds | 445,462 | | 38. Long-Term Debt - FFB - RUS Guaranteed | 34,009,553 | |
| 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) | 6,070,022 | |
| 12. Other Investments | 5,501 | | 41. Long-Term Debt - RUS - Econ. Devel. (Net) | 150,400 | |
| 13. Special Funds | 0 | | 42. Payments – Unapplied | 4,065,844 | |
| 14. Total Other Property & Investments (6 thru 13) | 11,739,249 | | 43. Total Long-Term Debt (37 thru 41 - 42) | 36,164,131 | |
| 15. Cash - General Funds | (98,520) | | 44. Obligations Under Capital Leases - Noncurrent | 267,103 | |
| 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) | 267,103 | |
| 18. Temporary Investments | 6,754,070 | | 47. Notes Payable | 0 | |
| 19. Notes Receivable (Net) | 0 | | 48. Accounts Payable | 839,857 | |
| 20. Accounts Receivable - Sales of Energy (Net) | 1,209,559 | | 49. Consumers Deposits | 122,192 | |
| 21. Accounts Receivable - Other (Net) | 115,566 | | 50. Current Maturities Long-Term Debt | 1,334,932 | |
| 22. Renewable Energy Credits | 0 | | 51. Current Maturities Long-Term Debt - Economic Development | 0 | |
| 23. Materials and Supplies - Electric & Other | 302,638 | | 52. Current Maturities Capital Leases | 103,000 | |
| 24. Prepayments | 147,602 | | 53. Other Current and Accrued Liabilities | 672,925 | |
| 25. Other Current and Accrued Assets | 111,951 | | 54. Total Current & Accrued Liabilities (47 thru 53) | 3,072,906 | |
| 26. Total Current and Accrued Assets (15 thru 25) | 8,542,991 | | 55. Regulatory Liabilities | 0 | |
| 27. Regulatory Assets | 0 | | 56. Other Deferred Credits | 0 | |
| 28. Other Deferred Debits | 594,785 | | 57. Total Liabilities and Other Credits (36 + 43 + 46 + 54 thru 56) | 61,693,731 | |
| 29. Total Assets and Other Debits (5+14+26 thru 28) | 61,693,731 | | | | |
| | | | | | |

LANE-SCOTT ELECTRIC ENERGY SALES STATISTICS FOR MAY 2020

| 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 | 2,231 | 2,232 | 1,503,000 | 8,523,968 | \$183,400 | \$979,796 | 764 | \$87.85 | 11.49 |
| Residential Sales-Seasonal | 49 | 51 | 9,702 | 47,456 | \$2,087 | \$10,081 | | | |
| Irrigation Sales | 334 | 334 | 1,437,552 | 2,139,924 | \$120,292 | \$179,670 | | | |
| Small Commercial | 1,845 | 1,836 | 2,915,412 | 20,423,464 | \$309,324 | \$2,023,120 | 2,214 | \$219.36 | 9.91 |
| Large Commercial | 185 | 185 | 2,214,538 | 13,720,896 | \$260,124 | \$1,479,687 | 14,817 | \$1,597.93 | 10.78 |
| Public Street Lighting | 13 | 13 | 35,906 | 179,530 | \$4,435 | \$21,757 | | | |
| Public Building Sales | 49 | 49 | 20,424 | 127,191 | \$3,302 | \$18,458 | | | |
| Non-Domestic | 1,058 | 1,060 | 146,903 | 815,849 | \$29,157 | \$151,103 | | | |
| City of Dighton | 1 | 1 | 2,211,901 | 4,355,990 | \$160,090 | \$292,632 | 871,198 | \$58,526.35 | 6.72 |
| Idle Services on rate 90 | 31 | 29 | | 0 | \$0 | \$945 | | | |
| Large Industrial | 3 | 3 | 2,141,570 | 14,885,750 | \$189,132 | \$1,084,006 | 992,383 | \$72,267.10 | 7.28 |
| Irrigation Horsepower Charges | 0 | 0 | | 0 | | \$264,332 | | | |
| Total Energy Sales | 5,799 | 5,793 | 12,636,908 | 65,220,018 | \$1,261,343 | \$6,505,585 | | | 9.97 |
| Other Electric Revenue | | | | | \$60,907 | \$216,377 | | | |
| Total | | | | | \$1,322,250 | \$6,721,962 | | | |

SUBSTATION DATA

| Substation | (NCP)KW | kWh Purchased | Cost Per kWh | kWh Sold | Line Loss | Load Factor-P | Load Factor-S |
|----------------------------|---------|---------------|--------------|------------|-----------|---------------|---------------|
| Beeler-Sub 3 | 4,515 | 2,778,190 | | 2,278,176 | 18.00% | 82.70% | 67.82% |
| Dighton-Sub 1 - 7200 | 1,944 | 1,042,391 | | 1,461,184 | -40.18% | 72.07% | 101.03% |
| Dighton-Sub 2 - 14400 | 3,861 | 1,807,886 | | 1,900,677 | -5.13% | 62.94% | 66.17% |
| Manning-Sub 4 | 5,133 | 2,927,884 | | 2,220,937 | 24.15% | 76.67% | 58.16% |
| LS Seaboard-Sub 5 | 224 | 86,750 | | 78,085 | 9.99% | 52.05% | 46.85% |
| Twin Springs Lo 7.6-Sub 7 | 266 | 144,548 | | 129,215 | 10.61% | 73.04% | 65.29% |
| Twin Springs Hi 14.1-Sub 8 | 292 | 120,382 | | 106,944 | 11.16% | 55.41% | 49.23% |
| City of Dighton | 1,449 | 514,428 | 6.9900 | 514,428 | 0.00% | 47.72% | 47.72% |
| City of Dighton - WAPA | 154 | 93,608 | 3.0500 | 93,608 | 0.00% | 81.70% | 81.70% |
| Alexander 115 | 2,871 | 690,034 | | 631,286 | 8.51% | 32.30% | 29.55% |
| Ness City 115 | 3,415 | 1,424,825 | | 1,618,502 | -13.59% | 56.08% | 63.70% |
| Total | 24,124 | 11,630,926 | 5.5000 | 11,033,042 | 5.14% | 64.80% | 61.47% |

RUS/CFC LOAN FUND TRANSACTIONS

MISC.

OTHER STATISTICS

| | | | | Y.T.D | | M.T.D. |
|---------------------------------|---------------|-------------------------------|-------------|----------------------------|------------|------------|
| Gross Obligation to RUS | \$ 53,575,159 | General Fund Balance | (\$312,198) | Miles Energized | 2044.12 | |
| Pymts Applied Against Principal | \$ 18,776,493 | MMDA Investments | \$585,997 | Density | 2.83 | |
| Net Obligation to RUS | \$ 34,798,666 | Cash Available at Month End | \$273,799 | kWh Purchased | 67,014,223 | 11,630,926 |
| CFC Line of Credit | \$ - | | | kWh Sold (Inc. Office Use) | 63,645,547 | 11,038,174 |
| CoBank Line of Credit | \$ - | CFC Investments - CP, SN, MTN | \$6,168,074 | Percent of Line Loss | 5.03% | 5.10% |
| CFC Note #9004-RUS refinance | \$ 6,060,362 | CFC CTC's | \$221,958 | Idle Services | 243 | |
| CFC Note #9006-RS Prepymt | \$ 555,478 | | | Oper. Revenue Per kWh Sold | 8.48 | 11.89 |
| | | | | Expense Per kWh Sold | 8.13 | 11.53 |
| | | | | Income Per Mile | | 641.83 |
| | | | | Expense Per Mile | | 622.54 |

ACCOUNT AGING

| | Current | 30-89 Days | 90 Plus |
|--------------------------------|-------------|------------|----------|
| Irrigation Accounts Receivable | \$69,754 | \$96 | |
| Electric Accounts Receivable | \$1,005,545 | \$3,949 | \$25,146 |
| Retail Accounts Receivable | \$35,685 | \$1,559 | \$2,361 |

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0032. The time required to complete this information collection is estimated to average 15 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

| | |
|---|--|
| 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 December 2019 |
| 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

6/8/2020
 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 | 17,802,551 | 17,827,108 | 17,885,834 | 1,392,903 |
| 2. Power Production Expense | | | | |
| 3. Cost of Purchased Power | 10,698,587 | 10,467,955 | 10,523,832 | 841,960 |
| 4. Transmission Expense | 7,585 | 6,366 | 9,350 | 192 |
| 5. Regional Market Expense | | | | |
| 6. Distribution Expense - Operation | 1,335,652 | 1,308,661 | 1,300,000 | 126,640 |
| 7. Distribution Expense - Maintenance | 747,446 | 687,659 | 700,000 | 67,272 |
| 8. Customer Accounts Expense | 205,976 | 221,835 | 210,000 | 24,809 |
| 9. Customer Service and Informational Expense | 33,716 | 30,105 | 30,000 | 333 |
| 10. Sales Expense | 81,169 | 55,317 | 100,000 | 7,013 |
| 11. Administrative and General Expense | 1,270,909 | 1,411,038 | 1,295,000 | 105,888 |
| 12. Total Operation & Maintenance Expense (2 thru 11) | 14,381,040 | 14,188,936 | 14,168,182 | 1,174,107 |
| 13. Depreciation and Amortization Expense | 1,517,330 | 1,599,510 | 1,530,000 | 147,956 |
| 14. Tax Expense - Property & Gross Receipts | | | | |
| 15. Tax Expense - Other | | | | |
| 16. Interest on Long-Term Debt | 1,211,651 | 1,316,760 | 1,272,000 | 164,827 |
| 17. Interest Charged to Construction - Credit | | | | |
| 18. Interest Expense - Other | 2,163 | 3,355 | 2,100 | 258 |
| 19. Other Deductions | 10,931 | 14,349 | 10,000 | 1,605 |
| 20. Total Cost of Electric Service (12 thru 19) | 17,123,115 | 17,122,910 | 16,982,282 | 1,488,753 |
| 21. Patronage Capital & Operating Margins (1 minus 20) | 679,436 | 704,198 | 903,552 | (95,850) |
| 22. Non Operating Margins - Interest | 195,137 | 256,085 | 215,000 | 55,711 |
| 23. Allowance for Funds Used During Construction | | | | |
| 24. Income (Loss) from Equity Investments | | | | |
| 25. Non Operating Margins - Other | 17,999 | 40,353 | 20,000 | (17,493) |
| 26. Generation and Transmission Capital Credits | 378,396 | 983,794 | | 319,214 |
| 27. Other Capital Credits and Patronage Dividends | 70,803 | 60,703 | 76,000 | 2,462 |
| 28. Extraordinary Items | | | | |
| 29. Patronage Capital or Margins (21 thru 28) | 1,341,771 | 2,045,133 | 1,214,552 | 264,044 |

| | | | | | |
|---|------------------|------------------|--|------------------|------------------|
| 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 December 2019 | | |
| 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 | 44 | 54 | 5. Miles Transmission | | |
| 2. Services Retired | 116 | 41 | 6. Miles Distribution – Overhead | 2,035.31 | 2,036.59 |
| 3. Total Services in Place | 6,020 | 6,040 | 7. Miles Distribution - Underground | 7.15 | 7.53 |
| 4. Idle Services (Exclude Seasonals) | 169 | 228 | 8. Total Miles Energized (5 + 6 + 7) | 2,042.46 | 2,044.12 |
| PART C. BALANCE SHEET | | | | | |
| ASSETS AND OTHER DEBITS | | | LIABILITIES AND OTHER CREDITS | | |
| 1. Total Utility Plant in Service | 54,002,874 | | 30. Memberships | 0 | |
| 2. Construction Work in Progress | 2,924,100 | | 31. Patronage Capital | 19,630,028 | |
| 3. Total Utility Plant (1 + 2) | 56,926,974 | | 32. Operating Margins - Prior Years | 278,230 | |
| 4. Accum. Provision for Depreciation and Amort. | 16,568,059 | | 33. Operating Margins - Current Year | 704,198 | |
| 5. Net Utility Plant (3 - 4) | 40,358,915 | | 34. Non-Operating Margins | 1,340,935 | |
| 6. Non-Utility Property (Net) | 0 | | 35. Other Margins and Equities | 139,152 | |
| 7. Investments in Subsidiary Companies | 244,067 | | 36. Total Margins & Equities (30 thru 35) | 22,092,543 | |
| 8. Invest. in Assoc. Org. - Patronage Capital | 11,196,724 | | 37. Long-Term Debt - RUS (Net) | 0 | |
| 9. Invest. in Assoc. Org. - Other - General Funds | 445,461 | | 38. Long-Term Debt - FFB - RUS Guaranteed | 30,261,045 | |
| 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) | 6,345,436 | |
| 12. Other Investments | 5,501 | | 41. Long-Term Debt - RUS - Econ. Devel. (Net) | 150,400 | |
| 13. Special Funds | 0 | | 42. Payments – Unapplied | 4,015,919 | |
| 14. Total Other Property & Investments (6 thru 13) | 12,113,711 | | 43. Total Long-Term Debt (37 thru 41 - 42) | 32,740,962 | |
| 15. Cash - General Funds | 330,624 | | 44. Obligations Under Capital Leases - Noncurrent | 338,939 | |
| 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) | 338,939 | |
| 18. Temporary Investments | 2,672,836 | | 47. Notes Payable | 0 | |
| 19. Notes Receivable (Net) | 0 | | 48. Accounts Payable | 1,081,433 | |
| 20. Accounts Receivable - Sales of Energy (Net) | 1,287,283 | | 49. Consumers Deposits | 112,413 | |
| 21. Accounts Receivable - Other (Net) | 103,317 | | | | |
| 22. Renewable Energy Credits | 0 | | 50. Current Maturities Long-Term Debt | 1,227,181 | |
| 23. Materials and Supplies - Electric & Other | 341,360 | | 51. Current Maturities Long-Term Debt - Economic Development | 0 | |
| 24. Prepayments | (588) | | 52. Current Maturities Capital Leases | 121,006 | |
| 25. Other Current and Accrued Assets | 450,005 | | 53. Other Current and Accrued Liabilities | 722,020 | |
| 26. Total Current and Accrued Assets (15 thru 25) | 5,184,962 | | 54. Total Current & Accrued Liabilities (47 thru 53) | 3,264,053 | |
| 27. Regulatory Assets | 0 | | 55. Regulatory Liabilities | 0 | |
| 28. Other Deferred Debits | 778,909 | | 56. Other Deferred Credits | 0 | |
| 29. Total Assets and Other Debits (5+14+26 thru 28) | 58,436,497 | | 57. Total Liabilities and Other Credits (36 + 43 + 46 + 54 thru 56) | 58,436,497 | |
| | | | | | |
| | | | | | |

| | |
|---|------------------------------------|
| 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 December 2019 |
| PART D. NOTES TO FINANCIAL STATEMENTS | |
| | |

| | |
|--|---|
| <div>UNITED STATES DEPARTMENT OF AGRICULTURE</div> <div>RURAL UTILITIES SERVICE</div> <div>FINANCIAL AND OPERATING REPORT</div> <div>ELECTRIC DISTRIBUTION</div> | <div>BORROWER DESIGNATION</div> <div>KS0042</div> |
| <div>INSTRUCTIONS - See help in the online application.</div> | <div>PERIOD ENDED</div> <div>December 2019</div> |
| <div>PART D. CERTIFICATION LOAN DEFAULT NOTES</div> | |
| | |

| | | | | | | | |
|--|--|-------------------------------------|--------------------------|-----------------------------------|-------------------------------------|-------------------------------|-------------------------------|
| UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE | | | | BORROWER DESIGNATION KS0042 | | | |
| FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION | | | | PERIOD ENDED December 2019 | | | |
| INSTRUCTIONS - See help in the online application. | | | | | | | |
| PART E. CHANGES IN UTILITY PLANT | | | | | | | |
| PLANT ITEM | | BALANCE BEGINNING OF YEAR (a) | ADDITIONS (b) | RETIREMENTS (c) | ADJUSTMENTS AND TRANSFERS (d) | BALANCE END OF YEAR (e) | |
| 1. Distribution Plant | | 48,197,214 | 2,004,915 | 291,440 | (90,897) | 49,819,792 | |
| 2. General Plant | | 2,406,846 | 43,404 | 265,110 | | 2,185,140 | |
| 3. Headquarters Plant | | 2,521,611 | 133,196 | | 104,886 | 2,759,693 | |
| 4. Intangibles | | 494 | | | | 494 | |
| 5. Transmission Plant | | 1,229,049 | | | | 1,229,049 | |
| 6. Regional Transmission and Market Operation Plant | | | | | | | |
| 7. All Other Utility Plant | | (2,235,715) | 244,421 | | | (1,991,294) | |
| 8. Total Utility Plant in Service (1 thru 7) | | 52,119,499 | 2,425,936 | 556,550 | 13,989 | 54,002,874 | |
| 9. Construction Work in Progress | | 355,770 | 2,568,330 | | | 2,924,100 | |
| 10. Total Utility Plant (8 + 9) | | 52,475,269 | 4,994,266 | 556,550 | 13,989 | 56,926,974 | |
| PART F. MATERIALS AND SUPPLIES | | | | | | | |
| ITEM | BALANCE BEGINNING OF YEAR (a) | PURCHASED (b) | SALVAGED (c) | USED (NET) (d) | SOLD (e) | ADJUSTMENT (f) | BALANCE END OF YEAR (g) |
| 1. Electric | 225,456 | 398,084 | 4,582 | 418,944 | 7,363 | (2,753) | 199,062 |
| 2. Other | 148,546 | 72,409 | | 10,327 | 64,522 | (3,808) | 142,298 |
| PART G. SERVICE INTERRUPTIONS | | | | | | | |
| ITEM | AVERAGE MINUTES PER CONSUMER BY CAUSE | | | | | TOTAL (e) | |
| | POWER SUPPLIER (a) | MAJOR EVENT (b) | PLANNED (c) | ALL OTHER (d) | | | |
| 1. Present Year | 96.000 | | | 162.000 | | 258.000 | |
| 2. Five-Year Average | 25.800 | | 9.000 | 205.800 | | 240.600 | |
| PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS | | | | | | | |
| 1. Number of Full Time Employees | | 21 | 4. Payroll - Expensed | | | 979,328 | |
| 2. Employee - Hours Worked - Regular Time | | 45,745 | 5. Payroll - Capitalized | | | 426,681 | |
| 3. Employee - Hours Worked - Overtime | | 1,776 | 6. Payroll - Other | | | 497,658 | |
| PART I. PATRONAGE CAPITAL | | | | | | | |
| ITEM | DESCRIPTION | | | THIS YEAR (a) | CUMULATIVE (b) | | |
| 1. Capital Credits - Distributions | a. General Retirements | | | | 1,510,684 | | |
| | b. Special Retirements | | | 30,645 | 897,944 | | |
| | c. Total Retirements (a + b) | | | 30,645 | 2,408,628 | | |
| 2. Capital Credits - Received | a. Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power | | | | | | |
| | b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System | | | 14,530 | | | |
| | c. Total Cash Received (a + b) | | | 14,530 | | | |
| PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE | | | | | | | |
| 1. Amount Due Over 60 Days | | \$ | 15,921 | 2. Amount Written Off During Year | | \$ | 1,340 |
| ENERGY EFFICIENCY AND CONSERVATION LOAN PROGRAM | | | | | | | |
| 1. Anticipated Loan Delinquency % | | | | 4. Anticipated Loan Default % | | | |
| 2. Actual Loan Delinquency % | | | | 5. Actual Loan Default % | | | |
| 3. Total Loan Delinquency Dollars YTD | | \$ | | 6. Total Loan Default Dollars YTD | | \$ | |

| | | | | | | | | | |
|---|--|---------------|-------------------------------|---------------------|------------------------------------|------------|--------------------------|---|---|
| UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION | | | | | BORROWER DESIGNATION KS0042 | | | | |
| INSTRUCTIONS - See help in the online application | | | | | PERIOD ENDED December 2019 | | | | |
| PART K. kWh PURCHASED AND TOTAL COST | | | | | | | | | |
| No | ITEM | SUPPLIER CODE | RENEWABLE ENERGY PROGRAM NAME | RENEWABLE FUEL TYPE | kWh PURCHASED | TOTAL COST | AVERAGE COST (Cents/kWh) | INCLUDED IN TOTAL COST - FUEL COST ADJUSTMENT | INCLUDED IN TOTAL COST - WHEELING AND OTHER CHARGES |
| | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) |
| 1 | Sunflower Electric Power Corp (KS0053) | 18315 | | | 146,755,207 | 8,557,112 | 5.83 | 2,778,734 | 1,467,579 |
| 2 | Mid Kansas Electric Company LLC (KS) | 800494 | | | 33,588,583 | 1,904,843 | 5.67 | 699,567 | 401,921 |
| 3 | Wheatland Electric Coop, Inc (KS0051) | 20510 | | | | 6,000 | 0.00 | | |
| | Total | | | | 180,343,790 | 10,467,955 | 5.80 | 3,478,301 | 1,869,500 |

| | | | |
|---|-----------------|------------------------------------|--|
| 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 December 2019 | |
| PART K. kWh PURCHASED AND TOTAL COST | | | |
| No | Comments | | |
| 1 | | | |
| 2 | | | |
| 3 | | | |

| 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 December 2019 | |
| PART L. LONG-TERM LEASES | | | |
| No | NAME OF LESSOR (a) | TYPE OF PROPERTY (b) | RENTAL THIS YEAR (c) |
| 1 | Farm Credit Leasing "CL" | Trucks | 156,272 |
| 2 | Peck | Substation Site | 150 |
| 3 | Hineman | Radio Tower Site | 100 |
| | TOTAL | | 156,522 |

| | | | |
|--|---------------------------------------|--|--|
| UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE | | BORROWER DESIGNATION KS0042 | |
| FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION | | PERIOD ENDED December 2019 | |
| INSTRUCTIONS - See help in the online application. | | | |
| PART M. ANNUAL MEETING AND BOARD DATA | | | |
| 1. Date of Last Annual Meeting 7/16/2019 | 2. Total Number of Members 2,659 | 3. Number of Members Present at Meeting 157 | 4. Was Quorum Present? Y |
| 5. Number of Members Voting by Proxy or Mail | 6. Total Number of Board Members 9 | 7. Total Amount of Fees and Expenses for Board Members \$ 91,015 | 8. Does Manager Have Written Contract? Y |

| | | | | | |
|---|---|-------------------------------|---------------------------------------|--|------------------------------------|
| 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 December 2019 | | |
| PART N. LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS | | | | | |
| No | ITEM | BALANCE END OF YEAR (a) | INTEREST (Billed This Year) (b) | PRINCIPAL (Billed This Year) (c) | TOTAL (Billed This Year) (d) |
| 1 | Rural Utilities Service (Excludes RUS - Economic Development Loans) | | | | |
| 2 | National Rural Utilities Cooperative Finance Corporation | 6,345,436 | 291,685 | 553,599 | 845,284 |
| 3 | CoBank, ACB | | | | |
| 4 | Federal Financing Bank | 30,261,045 | 972,849 | 587,550 | 1,560,399 |
| 5 | RUS - Economic Development Loans | 150,400 | | | |
| 6 | Payments Unapplied | 4,015,919 | | | |
| 7 | Principal Payments Received from Ultimate Recipients of IRP Loans | | | | |
| 8 | Principal Payments Received from Ultimate Recipients of REDL Loans | | | | |
| 9 | Principal Payments Received from Ultimate Recipients of EE Loans | | | | |
| 10 | Farm Credit Services | 338,939 | 8,651 | 156,272 | 164,923 |
| | TOTAL | 33,079,901 | 1,273,185 | 1,297,421 | 2,570,606 |

| UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE | | BORROWER DESIGNATION KS0042 | | |
|---|----------------------------------|--------------------------------|--|------------------------------|
| FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION | | PERIOD ENDED December 2019 | | |
| INSTRUCTIONS - See help in the online application. | | | | |
| PART O. POWER REQUIREMENTS DATABASE - ANNUAL SUMMARY | | | | |
| CLASSIFICATION | CONSUMER SALES & REVENUE DATA | DECEMBER (a) | AVERAGE NO. CONSUMERS SERVED (b) | TOTAL YEAR TO DATE (c) |
| 1. Residential Sales (excluding seasonal) | a. No. Consumers Served | 2,225 | 2,236 | |
| | b. kWh Sold | | | 24,196,666 |
| | c. Revenue | | | 2,852,725 |
| 2. Residential Sales - Seasonal | a. No. Consumers Served | 1,141 | 1,142 | |
| | b. kWh Sold | | | 2,093,679 |
| | c. Revenue | | | 404,910 |
| 3. Irrigation Sales | a. No. Consumers Served | 334 | 333 | |
| | b. kWh Sold | | | 7,221,785 |
| | c. Revenue | | | 936,183 |
| 4. Comm. and Ind. 1000 KVA or Less | a. No. Consumers Served | 1,856 | 1,865 | |
| | b. kWh Sold | | | 52,598,388 |
| | c. Revenue | | | 5,561,123 |
| 5. Comm. and Ind. Over 1000 KVA | a. No. Consumers Served | 189 | 188 | |
| | b. kWh Sold | | | 73,111,587 |
| | c. Revenue | | | 7,123,779 |
| 6. Public Street & Highway Lighting | a. No. Consumers Served | 13 | 21 | |
| | b. kWh Sold | | | 440,152 |
| | c. Revenue | | | 55,988 |
| 7. Other Sales to Public Authorities | a. No. Consumers Served | 49 | 49 | |
| | b. kWh Sold | | | 364,795 |
| | c. Revenue | | | 52,518 |
| 8. Sales for Resale - RUS Borrowers | a. No. Consumers Served | | | |
| | b. kWh Sold | | | |
| | c. Revenue | | | |
| 9. Sales for Resale - Other | a. No. Consumers Served | 1 | 1 | |
| | b. kWh Sold | | | 8,272,195 |
| | c. Revenue | | | 609,985 |
| 10. Total No. of Consumers (lines 1a thru 9a) | | 5,808 | 5,835 | |
| 11. Total kWh Sold (lines 1b thru 9b) | | | | 168,299,247 |
| 12. Total Revenue Received From Sales of Electric Energy (lines 1c thru 9c) | | | | 17,597,211 |
| 13. Transmission Revenue | | | | |
| 14. Other Electric Revenue | | | | 229,897 |
| 15. kWh - Own Use | | | | 83,445 |
| 16. Total kWh Purchased | | | | 180,343,794 |
| 17. Total kWh Generated | | | | |
| 18. Cost of Purchases and Generation | | | | 10,474,321 |
| 19. Interchange - kWh - Net | | | | |
| 20. Peak - Sum All kW Input (Metered) Non-coincident <input checked="" type="checkbox"/> Coincident <input type="checkbox"/> | | | | 31,828 |

| 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 December 2019 | | |
| PART P. ENERGY EFFICIENCY PROGRAMS | | | | | | |
| CLASSIFICATION | ADDED THIS YEAR | | | TOTAL TO DATE | | |
| | No. of Consumers <i>(a)</i> | Amount Invested <i>(b)</i> | Estimated MMBTU Savings <i>(c)</i> | No. of Consumers <i>(d)</i> | Amount Invested <i>(e)</i> | Estimated MMBTU Savings <i>(f)</i> |
| 1. Residential Sales (excluding seasonal) | | | | | | |
| 2. Residential Sales - Seasonal | | | | | | |
| 3. Irrigation Sales | | | | | | |
| 4. Comm. and Ind. 1000 KVA or Less | | | | | | |
| 5. Comm. and Ind. Over 1000 KVA | | | | | | |
| 6. Public Street and Highway Lighting | | | | | | |
| 7. Other Sales to Public Authorities | | | | | | |
| 8. Sales for Resale – RUS Borrowers | | | | | | |
| 9. Sales for Resale – Other | | | | | | |
| 10. Total | | | | | | |

| | |
|--|--|
| <p>UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE</p> <p>FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS</p> | <p>BORROWER DESIGNATION KS0042</p> <p>PERIOD ENDED December 2019</p> |
|--|--|

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

| PART Q. SECTION I. INVESTMENTS (See Instructions for definitions of Income or Loss) | | | | | |
|---|--|-------------------------|-------------------------|-------------------------------|-----------------------------|
| No | DESCRIPTION (a) | INCLUDED (\$) (b) | EXCLUDED (\$) (c) | INCOME OR LOSS (\$) (d) | RURAL DEVELOPMENT (e) |
| 2 | Investments in Associated Organizations | | | | |
| | Patronage Capital-Rural Data Processing | 2,643 | | | |
| | Patronage Capital-Kansas Electric Coop | 20,430 | | (7,945) | |
| | Patronage Capital-NiSC | 61,707 | | 4,154 | |
| | Patronage Capital-Garden City Coop | 4,076 | | | X |
| | Patronage Capital-S & T Telephone Coop Assn | 102,255 | | 3,857 | X |
| | Midwest Energy | 820 | | | X |
| | Patronage Capital-NRUCFC | | 198,527 | 13,348 | X |
| | NRUCFC-Capital Term Certificates | | 221,958 | (302) | |
| | Membership-NRUCFC | | 1,000 | | |
| | Membership-NRECA | 10 | | | |
| | Membership-Midwest ACA | 25 | | | |
| | Membership-Sunflower Electric Power Corp. | 100 | | | |
| | Membership-NiSC | 50 | | | |
| | Membership-KEC | 10 | | | |
| | Membership-S & T Telephone Coop Assn | 5 | | | |
| | Common Stock-Federated Rural Electric Ins. | 143,394 | | 8,717 | |
| | Membership-SEP Corporation | 1,000 | | | |
| | Sunflower Electric Power Corp. | 303,000 | | | |
| | Building & Land Fund-KEC | 19,222 | | | |
| | Membership-NRTC | 1,000 | | | |
| | Golden Belt Telephone | 27,323 | | 1,592 | X |
| | Sunflower Electric Power Corp | 5,363 | | | |
| | Patronage Capital - Co-Bank | | 20,346 | | |
| | Patronage Capital-Sunflower Electric Power Corp | | 9,991,884 | 757,009 | |
| | Patronage Capital-HLS-Federated Rural Electric Ins | 36,005 | | 589 | |
| | Patronage Capital-HLS-S&T Telephone Coop Assn | 7,401 | | | X |
| | Patronage Capital-HLS-Pioneer Electric | 52 | | | |
| | Patronage Capital-HLS-Lane-Scott Electric | 971 | | | X |
| | Patronage Capital-HLS-New-Mac Electric | 471 | | | |
| | Patronage Capital-HLS-Intercounty Electric | 130 | | | |
| | Patronage Capital-HLS-Midwest Energy | 346 | | | |
| | Patronage Capital-HLS-Webster Electric | 77 | | | |
| | Patronage Capital-HLS-Barry Electric | 87 | | | |
| | MKEC - G&T Patronage Capital | | 513,484 | 513,484 | |
| | MKEC LLC | 423,039 | | 423,039 | |
| | Totals | 1,161,012 | 10,947,199 | 1,717,542 | |
| 4 | Other Investments | | | | |
| | Lane County Area Development Corp | 5,000 | | | X |
| | Garden City Coop | 500 | | | X |
| | Beeler Coop | 1 | | | X |
| | Totals | 5,501 | | | |
| 6 | Cash - General | | | | |
| | First National Bank-Dighton, Ks | | (74) | | |
| | First State Bank-Healy, Ks | 17,424 | 100,000 | | |
| | Working Funds | 270 | | | |
| | First State Bank-Healy, Ks.-Revolving Loan Fund | 113,004 | 100,000 | | |
| | Totals | 130,698 | 199,926 | | |
| 7 | Special Deposits | | | | |
| | City of Dighton-Meter Deposit | 25 | | | |

| | | | |
|--|--|--------------------------------|----------------------|
| UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE | | BORROWER DESIGNATION KS0042 | |
| FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS | | PERIOD ENDED December 2019 | |
| INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application. | | | |
| PART Q. SECTION I. INVESTMENTS (See Instructions for definitions of Income or Loss) | | | |
| | Totals | 25 | |
| 8 | Temporary Investments | | |
| | First National Bank-Dighton, Ks | 61,395 | |
| | First State Bank-Healy, Ks | 90,470 | |
| | NRUCFC Commercial Paper | 2,520,971 | |
| | Totals | 2,672,836 | |
| 9 | Accounts and Notes Receivable - NET | | |
| | Accts Rec-Resale & Electrician Service | 22,588 | |
| | Accts Rec-Contributions in aid of construction | 80,730 | |
| | Totals | 103,318 | |
| 11 | TOTAL INVESTMENTS (1 thru 10) | 1,400,554 | 13,819,961 1,717,542 |

| | | | | | |
|--|---------------------------------------|--------------------------------|--------------------------------|-----------------------------|--------------------------|
| UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE | | BORROWER DESIGNATION KS0042 | | | |
| FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS | | PERIOD ENDED December 2019 | | | |
| INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application. | | | | | |
| PART Q. SECTION II. LOAN GUARANTEES | | | | | |
| No | ORGANIZATION (a) | MATURITY DATE (b) | ORIGINAL AMOUNT (\$) (c) | LOAN BALANCE (\$) (d) | RURAL DEVELOPMENT (e) |
| | TOTAL | | | | |
| | TOTAL (Included Loan Guarantees Only) | | | | |

| UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE | | BORROWER DESIGNATION KS0042 | | | |
|--|-------------------------------------|--------------------------------|--------------------------------|-----------------------------|--------------------------|
| FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS | | PERIOD ENDED December 2019 | | | |
| INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application. | | | | | |
| SECTION III. RATIO | | | | | |
| RATIO OF INVESTMENTS AND LOAN GUARANTEES TO UTILITY PLANT [Total of Included Investments (Section I, 11b) and Loan Guarantees - Loan Balance (Section II, 5d) to Total Utility Plant (Line 3, Part C) of this report] | | | | | 2.46 % |
| SECTION IV. LOANS | | | | | |
| No | ORGANIZATION (a) | MATURITY DATE (b) | ORIGINAL AMOUNT (\$) (c) | LOAN BALANCE (\$) (d) | RURAL DEVELOPMENT (e) |
| 1 | Employees, Officers, Directors | 11/15/2020 | 726 | 318 | X |
| 2 | Energy Resources Conservation Loans | | | | |
| | TOTAL | | 726 | 318 | |

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

POLICY

Dated: August 13, 2018

Policy No.: 113

Supersedes Date: January 8, 2018
July 28, 1997
February 24, 1997
May 24, 1993
August 1966
July 1966
January 1962

SUBJECT: Capital Credits

OBJECTIVE:

The objective of this Capital Credits Policy ("Policy") is to state the general policy of Lane-Scott Electric Cooperative, Inc., ("Cooperative") for allocating and retiring capital credits.

POLICY:

The Cooperative shall allocate and retire capital credits in a manner that:

- 1) is consistent with state and federal law;
- 2) is consistent with operating on a cooperative basis under federal tax law;
- 3) is fair and reasonable to the Cooperative's patrons and former patrons;
- 4) provides the Cooperative with sufficient equity and capital to operate effectively and efficiently; and
- 5) protects the Cooperative's financial condition. Subject to law, the Cooperative's articles of incorporation, and the Cooperative's bylaws, the allocation and retirement of capital credits are at the sole discretion of the Cooperative's Board of Trustees ("Board").

EXPECTATIONS:

- A. **Board Approval.** The Cooperative shall allocate and retire capital credits according to the manner, method, timing, and amount approved by the Board.
- B. **Operating Margin Allocations.** As required by the Cooperative's bylaws, for electric energy sales provided by the Cooperative on a cooperative basis during a fiscal year, the Cooperative shall allocate on a patronage

-- Policy 113 --
Page 2

basis to each patron during the fiscal year, the Cooperative's operating margins from providing the electric energy sales during the fiscal year. Capital credits allocated and credited to the Cooperative by its affiliated G&T cooperative in connection with the furnishing of electric energy to the Cooperative will be separately allocated on a patronage basis.

- C. **Operating Margin Allocations.** For electric energy sales provided by the Cooperative on a cooperative basis, the Cooperative shall offset operating losses with the Cooperative's operating earnings from providing the electric energy sales during the next succeeding future fiscal year(s).
- D. **Non-Operating Allocations.** As approved by the Board, the Cooperative may use, retain, or equitably allocate the Cooperative's Non-Operating earnings.
- E. **Non-Operating Loss Allocations.** The Cooperative shall offset non-operating losses with the Cooperative's non-operating earnings during any fiscal year.
- F. **General Capital Credits Retirements.** The Cooperative will generally retire capital credits with the goals of:
 - 1) maintaining an adequate equity level as determined by the Board;
 - 2) retiring some capital credits each year, provided the financial condition will not be impaired thereby with the goal of working toward and maintaining an equity level of 40%;
 - 3) retiring capital credits on a first-in, first-out full payment method of rotation;
 - 4) retiring capital credits on a regular rotation;
 - 5) communicating and promoting the cooperative principles;
 - 6) fostering loyalty and support among patrons and former patrons; and
 - 7) maximizing public relations and political goodwill. Notwithstanding the foregoing, affiliated G&T cooperative capital credit allocations will not be retired and paid in whole or in part until retired and paid by the G&T cooperative.
- G. **Special Capital Credits Retirements.** The Cooperative may specially retire some or all capital credits allocated to a patron or former patron
 - 1) upon the death of an individual patron or former individual patron, subject to board approval; or
 - 2) upon a former patron failing to pay an amount owed to the Cooperative when the Board, in its sole judgment, determines the indebtedness owed to the Cooperative by a patron is uncollectible.

-- Policy 113 --
Page 3

The Cooperative may not specially retire capital credits allocated to a patron or former patron

- 1) during or after the dissolution, liquidation, or cessation of existence of an entity patron or former entity patron. No capital credits held in the name of a trust may be approved for the payment to a trustee, unless the trust was revocable by the member-grantor at death, or the trust was includable in the member-grantor's estate for federal estate tax purposes.;
- 2) during or after the reorganization, merger, or consolidation of an entity patron or former entity patron;
- 3) upon a patron or former patron reaching a certain age; or
- 4) upon a patron becoming a former patron. No payment shall be made to any person until the time to admit a will to probate and the time to file creditor's claims has expired. Payment shall be made directly to those entitled thereto under a decree of descent or under an affidavit of heirship, an example of which is attached. Requests for payment of capital credits to estates of deceased patrons will be paid twice yearly, in April and October, upon approval by the Board of Trustees.

H. **Recoupment, Offset, Setoff.** After retiring, and before paying, capital credits allocated to a patron or former patron, the Cooperative shall recoup, offset, or setoff any amount owed to the Cooperative by the patron or former patron, including any interest or late payment fees, by reducing the amount of retired capital credits paid to the patron or former patron by the amount owed to the Cooperative, regardless of a statute of limitation or other time limitation.

LIMITATIONS

Forfeiture of Capital Credits. The Cooperative shall not require or enter into contracts through which a patron or former patron forfeits the right to the allocation or retirement of capital credits as a condition of receiving or having received electric service.

ATTESTED _____
Secretary

AFFIDAVIT OF DEATH AND HEIRSHIP

STATE OF KANSAS, COUNTY OF _____, SS:

I, _____, of lawful age, being first duly sworn, upon my oath depose and say:

1. During the lifetime of _____, I was related to him/her as a _____, and I am one of the heirs-at-law the following named persons, to-wit:

2. That said decedent died in the city of _____, on the _____ day of _____, _____, leaving as his/her sole and only heirs-at-law the following named persons, to-wit:

If percent of distribution are not specified, capital credits will be paid equally to each heir listed.

A. Spouse: Name _____
Address _____
Percent of distribution _____

B. Living Children: Name _____
Address _____
Percent of distribution _____
Name _____
Address _____
Percent of distribution _____

If additional space is needed, attach a separate sheet listing name, address & percent of distribution

C. Others: Name _____
Address _____
Percent of distribution _____

3. The decedent had no spouse or children or adopted children, or issue of deceased children, natural or adopted, or other heirs, who survived him, other than the above-named persons.

4. That more than six (6) months has expired after the decedent's death, and no administration of the estate has been commenced and that none is anticipated.

5. That decedent did not have a Will.

6. That all debts of decedent have been paid in full; that no taxes are due the United States or the State of Kansas by reason of the death of the decedent.

7. That during his lifetime, the decedent was a member of Lane-Scott Electric Cooperative, Inc., and this affidavit is submitted in support of application for payment of capital credits and refunds which might be due the deceased member by reason of his membership in said Cooperative.

DATE: _____

Affiant (Name)

Mailing Address

City, State & Zip

SUBSCRIBED AND SWORN to before me this _____ day of _____, 20_____.

Notary Seal

Notary Public

2020-Line 25 - Non-Operating Margins

| | | January | February | March | April | May | June | July | August | September | October | November | December | TOTAL | |
|----------------------------|--------|---------------|--------------|--------------|--------------|---------------|------------|--------------|------------|------------|------------|--------------|--------------|---------------|--------|
| Rev.-Electrician & Mat. | 415.1 | \$15,472.59 | \$30,072.11 | \$22,131.12 | \$16,256.87 | \$17,444.15 | | | | | | | | \$101,376.84 | 415.1 |
| Exp.-Electrician & Mat. | 416.1 | \$25,241.80 | \$31,472.18 | \$26,525.09 | \$19,061.30 | \$26,780.14 | | | | | | | | \$129,080.51 | 416.1 |
| | | (\$9,769.21) | (\$1,400.07) | (\$4,393.97) | (\$2,804.43) | (\$9,335.99) | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | (\$27,703.67) | |
| Rev.-Appliance Repair | 415.2 | \$11,413.72 | \$6,562.93 | \$14,607.11 | \$6,185.77 | \$16,155.53 | | | | | | | | \$54,925.06 | 415.2 |
| Exp.-Appliance Repair | 416.2 | \$13,809.81 | \$13,167.26 | \$18,849.37 | \$10,369.45 | \$22,385.60 | | | | | | | | \$78,581.49 | 416.2 |
| | | (\$2,396.09) | (\$6,604.33) | (\$4,242.26) | (\$4,183.68) | (\$6,230.07) | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | (\$23,656.43) | |
| Rev.-Member Damages | 415.3 | \$1,641.57 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | | | | | | | | \$1,641.57 | 415.3 |
| Exp.-Member Damages | 416.3 | \$1,785.22 | \$0.00 | \$0.00 | \$1,424.56 | \$0.00 | | | | | | | | \$3,209.78 | 416.3 |
| | | (\$143.65) | \$0.00 | \$0.00 | (\$1,424.56) | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | (\$1,568.21) | |
| Finance Charges | 415.5 | \$213.65 | \$215.01 | \$127.41 | \$67.63 | \$51.75 | | | | | | | | \$675.45 | 415.5 |
| MARGIN-Resale | | (\$12,095.30) | (\$7,789.39) | (\$8,508.82) | (\$8,345.04) | (\$15,514.31) | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | (\$52,252.86) | |
| 2010-2019 (less 2013) avg: | | (\$6,716.41) | (\$1,979.83) | (\$394.96) | (\$2,093.74) | \$1,375.71 | \$8,307.97 | (\$5,201.07) | \$2,708.80 | \$1,250.54 | \$3,217.63 | (\$1,997.01) | (\$4,867.14) | (\$6,389.52) | |
| Rev.-City of Dighton | 417.0 | \$12,437.50 | \$12,437.50 | \$12,437.50 | \$12,437.50 | \$0.00 | | | | | | | | \$49,750.00 | 417.0 |
| Exp.-Sup. & Engineering | 417.1 | \$935.28 | \$621.24 | \$1,445.09 | \$1,932.46 | \$994.82 | | | | | | | | \$5,928.89 | 417.1 |
| Exp.-Material | 417.11 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | | | | | | | | \$0.00 | 417.11 |
| Exp.-Overhead Lines | 417.2 | \$4,111.99 | \$2,515.62 | \$2,590.92 | \$3,796.54 | \$779.19 | | | | | | | | \$13,794.26 | 417.2 |
| Exp.-Cons. Accts. | 417.3 | \$894.56 | \$1,039.11 | \$58.08 | \$341.90 | \$0.00 | | | | | | | | \$2,333.65 | 417.3 |
| Exp.-Line Patrol | 417.4 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | | | | | | | | \$0.00 | 417.4 |
| Exp.-Street Lights | 417.5 | \$1,717.99 | \$299.41 | \$1,767.97 | \$845.40 | \$0.00 | | | | | | | | \$4,630.77 | 417.5 |
| Exp.-Meter Reading | 417.6 | \$810.02 | \$934.38 | \$732.35 | \$838.67 | \$0.00 | | | | | | | | \$3,315.42 | 417.6 |
| Exp.-Tree Trimming | 417.7 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | | | | | | | | \$0.00 | 417.7 |
| Exp.-Trans. & Meters | 417.8 | \$0.00 | \$72.66 | \$1,496.82 | \$321.61 | \$147.96 | | | | | | | | \$2,039.05 | 417.8 |
| Exp.-Misc. | 417.9 | \$115.54 | \$614.97 | \$150.55 | \$0.00 | \$0.00 | | | | | | | | \$881.06 | 417.9 |
| Exp.-Contract | 417.12 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | | | | | | | | \$0.00 | 417.12 |
| Total Expenses | | \$8,585.38 | \$6,097.39 | \$8,241.78 | \$8,076.58 | \$1,921.97 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$32,923.10 | |
| MARGIN-City | | \$3,852.12 | \$6,340.11 | \$4,195.72 | \$4,360.92 | (\$1,921.97) | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$16,826.90 | |
| Misc. Income | 421.0 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | | | | | | | | \$0.00 | 421.0 |
| Gain on Disposal | 421.1 | \$0.00 | \$356.00 | \$0.00 | \$0.00 | \$17,500.00 | | | | | | | | \$17,856.00 | 421.1 |
| Loss on Disposal | 421.2 | \$0.00 | \$152.00 | (\$686.21) | \$0.00 | (\$9,741.98) | | | | | | | | (\$10,276.19) | 421.2 |
| NET NON-OP MARGIN | | (\$8,243.18) | (\$941.28) | (\$4,999.31) | (\$3,984.12) | (\$9,678.26) | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | (\$27,846.15) | |

| Kalo Michael Mark | Current Month | | | | YTD Total | | | |
|-------------------------|---------------|----------------|-------------|--------------------|--------------|----------------|-------------|--------------------|
| | Billed Hours | Unbilled Hours | Hourly Rate | Total Unbilled Rev | Billed Hours | Unbilled Hours | Hourly Rate | Total Unbilled Rev |
| | 95 | 73 | \$ 85.00 | \$ 6,205.00 | 405 | 457 | \$ 85.00 | \$ 38,845.00 |
| | 117.5 | 50.5 | \$ 85.00 | \$ 4,292.50 | 476.5 | 381.5 | \$ 85.00 | \$ 32,427.50 |
| | 125.5 | 44.5 | \$ 85.00 | \$ 3,782.50 | 598.5 | 261.5 | \$ 85.00 | \$ 22,227.50 |
| | 338 | 168 | | \$ 14,280.00 | 1480 | 1100 | | \$ 93,500.00 |

| Billable Hours | | | | | | | |
|--------------------------|------------|---------------------|---------------------|-------------------|--------------------|-------------------|--------------------|
| | | | | | | | |
| | | <u>Mike Pollock</u> | <u>Mike Pollock</u> | <u>Kalo Mann</u> | <u>Kalo Mann</u> | <u>Mark Mc</u> | <u>Mark Mc</u> |
| <u>Date</u> | <u>Day</u> | <u>416 Billed</u> | <u>416 Charged</u> | <u>416 Billed</u> | <u>416 Charged</u> | <u>416 Billed</u> | <u>416 Charged</u> |
| May-20 | 1 | 2 | 2 | | | 2 | 2 |
| May-20 | 4 | 1.5 | 6 | | | 8 | 8 |
| May-20 | 5 | 3 | 8 | | | 4 | 5 |
| May-20 | 6 | 2 | 2 | | | 5 | 8 |
| May-20 | 7 | 2 | 7 | | | 4 | 5 |
| May-20 | 8 | 4 | 6 | | | 0 | 0 |
| May-20 | 11 | 4 | 8 | 8 | 4 | 2 | 8 |
| May-20 | 12 | 0 | 0 | 7 | 6 | 3 | 6 |
| May-20 | 13 | 6 | 8 | 8 | 6 | 5 | 8 |
| May-20 | 14 | 4.5 | 8 | 4.5 | 8 | 2 | 4 |
| May-20 | 15 | 7 | 8 | 7 | 8 | 5 | 8 |
| May-20 | 18 | 6 | 8 | 6 | 8 | 5 | 8 |
| May-20 | 19 | 6 | 8 | 6 | 8 | 8 | 8 |
| May-20 | 20 | 3 | 4 | 0 | 0 | 3 | 4 |
| May-20 | 21 | 4 | 8 | 4 | 8 | 4 | 6 |
| May-20 | 22 | 6 | 8 | 6 | 8 | 2 | 4 |
| May-20 | 25-Holiday | 0 | 0 | 0 | 0 | 0 | 0 |
| May-20 | 26 | 0 | 0 | 4.5 | 8 | 5 | 8 |
| May-20 | 27 | 7 | 8 | 7 | 8 | 4 | 7 |
| May-20 | 28 | 6 | 8 | 6 | 8 | 5 | 8 |
| May-20 | 29 | 6 | 7 | 4 | 5 | 5 | 8 |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| TOTAL | | 80 | 122 | 78 | 93 | 81 | 123 |
| | | | | | | | |
| Total 416 Billed | | 239 | | | | | |
| Total 416 Charged | | 338 | | | | | |

LANE-SCOTT ELECTRIC
RESALE OPEN BALANCE (60-90 days)
as of 06/29/2020

| NAME | CURRENT AMOUNT DUE | ACTION TAKEN | LAST PAYMENT | |
|----------------------|--------------------|--------------|--------------|--------|
| | | | | |
| | | | | |
| Black Dog Restaurant | \$ 2,002.28 | Payments | | |
| Vernon McBee | \$ 173.54 | Payments | \$ 171.20 | 3-Jun |
| Billy Pierce | \$ - | Paid | \$ 603.32 | 8-Jun |
| | | | | |
| Craig Doris | | Paid | \$ 38.04 | 10-Jun |
| Stephen Riffle | \$ 271.17 | Payments | \$ 50.00 | 12-Jun |
| | | | | |
| . | \$ 2,446.99 | | \$ 862.56 | |

Operations Report

June 2020

Our spring/summer storms finally showed up. Hopefully, you all got some needed moisture and not too many delays for you harvest. We have been in storm cycle for the last couple of weeks. A storm rolls through and takes out a few poles, transformers, and meter settings. We get the lights back on and spend the rest of the next week making final repairs/replacements. We can keep up with the current frequency and will gladly go a few more rounds before mother nature shuts the tap off for the summer.

We have had several projects coming to completion. The engineering and repairs on our radio tower are slated to be complete before the holiday weekend. We will then just have the “as built” prints and the certification letter as deliverables. Then we can give the NOA crew the green light to repair their antenna safely. We fed each side of the Twin Springs substation from the other to take each side down for some cold galvanizing repairs and addition wildlife covers to be installed. These repairs were noted both on our final walk through and our work order inspection and are now complete. We will have to perform this load swap again to replace a non-watertight gauge and for Sunflower to make some adjustments to their metering. It is nice to know this is available and works before we would need it in an emergency. We tailed up most of the work with NISC on our OMS system. I believe there is still some website work left to do. One project still in progress is our managed inventory system. Now that travel and staffing restrictions have eased a bit, we have dived back into development of file formats and internal work flows.

If you have any questions, feel free to call or drop by anytime.

Nate Burns

Manager of Operations

OUTAGE STATISTICS May 2020

| CATEGORY | OCCURRENCES | | | TOTAL OUTAGE HRS. | | | # of Meters |
|---------------------|-------------|----------|----------|-------------------|-----------|-----------|-------------|
| | 14.4 KVA | 7.6 KVA | Total | 14.4 KVA | 7.6 KVA | Total | |
| PHASE FLOATER | | | 0 | | | 0 | |
| BIRDS & ANIMALS | | 1 | 1 | | 28 | 28 | 28 |
| TREES | | | 0 | | | 0 | |
| LIGHTNING\RAIN\WIND | | | 0 | | | 0 | |
| ICE & WIND | | | 0 | | | 0 | |
| SNOW & WIND | | | 0 | | | 0 | |
| OCR OR FUSE FAILURE | | | 0 | | | 0 | |
| TRANSFORMER FAILURE | | | 0 | | | 0 | |
| BROKEN JUMPER | | | 0 | | | 0 | |
| PEOPLE CAUSED | | | 0 | | | 0 | |
| BROKEN POLE | | | 0 | | | 0 | |
| POWER SUPPLY | | | 0 | | | 0 | |
| SCHEDULED | | | 0 | | | 0 | |
| UNKNOWN | | | 0 | | | 0 | |
| TOTALS | 0 | 1 | 1 | 0 | 28 | 28 | 28 |

ANNUAL CONSUMER OUTAGE HOURS

| TOTALS | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|--------|-------------|-------------|--------|--------|--------|--------|
| | 22,012 | 27,418 | 13,498 | 19,195 | 39,638 | 16,319 |
| | 2019 | 2020 | | | | |
| | 25,081 | 1,821 | | | | |

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

Transformer Losses 1995-2020

[illegible]

CYBERSECURITY - IT DEPARTMENT

CYBERSECURITY/IT PROJECTS COMPLETED AS OF JUNE 2020

1. Cybersecurity quarterly training began the second quarter of 2020. Employees completed a KnowBe4 online general cyber security awareness education training.
2. NRECA RC3 Online Self-Assessment Webinar continued cyber security training series three was on identifying cyber security vulnerabilities within our system by inventorying department software, network schematic mapping, data security processes and procedures, reviewing security settings, access controls, and third-party partner data information securities.
3. NRECA RC3 Online Self-Assessment Webinar continued cyber security training series four was methods of protecting our system by securing networks, patches and updates, web and email filtering, encryption, data disposal, and training employees.
4. Critical employee alert on update installs for Chrome browsers.
5. Critical Microsoft updates installed on devices.
6. Adobe updates installed.

CYBERSECURITY/IT PROJECTS IN PROGRESS AS OF JUNE 2020

1. Homeland Security protective security advisor assessment for the safety program and discussed combining cybersecurity review at that time as well.
2. Manage Engine Desktop Central software management program security requirement research for a distribution database server and a secure gateway server. Reviewed security requirements and programming for server SSL certificate, firewall DMZ subnetwork, web proxy, and network VLAN.
3. Verkada security system demo and testing options. Review cyber security processes and programming.
4. DJ Lock and Key door access control cyber security processes, physical security, and programming.
5. Cyber Detect project follow up.
6. VEEAM cloud base backup project options were reviewed.
7. KEC IT Summit Committee meeting on topics and rescheduling to do a virtual webinar.

IT/COMPLIANCE DEPARTMENT

*IT/COMPLIANCE PROJECTS **COMPLETED** AS OF JUNE 2020*

1. NRECA Lane Scott Webbuilder 3 new platform administrator website access issue resolved and available for customization.
2. SmartHub mobile Android app payment reporting error reported. NISC programming is working on resolution to issue in the next iVue enhancement.
3. MapWise/OMS four-day WebEx training on software and integration options with other programs.
4. Document Vault Administrative four-day WebEx training and integration options with other programs.
5. Verkada security system video and logging report compliancy. Hardware compatibility with security software.
6. DJ Lock and Key door access control logging report compliancy and programming. Hardware compatibility with security software.
7. Troubleshooting laptop blue screen error.
8. Troubleshooting remote scanner issue.
9. Network drive user amendments.
10. iVue new Desktop Manager launcher installation and troubleshooting employee preferences and settings.
11. CIS Call Capture auto outage programmed.
12. CIS service location mapping URL programmed.
13. SmartHub member map viewer programmed.
14. SmartHub custom links programmed.

*IT/COMPLIANCE PROJECTS **IN PROGRESS** AS OF JUNE 2020*

1. SmartHub test company module.
2. IVR Call Capture calling and Messenger planned outage OMS integration.
3. Document Vault integration with AppSuite.

1. Annual Meeting: *(See attached status)*

Other things:

-We ordered 3ply face masks to hand out to those who want them and bottles of hand sanitizer. These will be located at the registration table.

- We have rented the big tent from the same company the fair board has used, so everything should look the same (minus the rides.) The grandstand stage will be set-up for us to use and the City will deliver their picnic tables as they usually do.

-Annual Report was mailed out on 6/25/20 and we are starting to receive a few mail-in ballots.

-The process of voting will change slightly this year due to the mail-ins:

- Balloting will close at the opening of the Annual meeting. There will be no nominations from the floor for candidates, but any member may write-in a qualified candidate on their ballot.
- At the registration table, we will have the list of received mail-in ballots to check duplication.
- We have asked members to bring their ballots that were printed to the annual meeting to vote since their member number is printed on them. However, we anticipate people will forget and will have printed ballots available to hand out (after double checking our database).
- During the meeting there will be 2 ballot boxes located at both entrances to the grandstands. We will need to remind them to drop off their ballots when leaving.
- Three members have been selected and agreed to count ballots at our office following the meeting.

2. Website (Webbuilder 3.0) Update: Touchstone has converted our old 2.0 to the new 3.0 platform. It is now ready for me to hack away at redesigning it. This is not going to be a quick process. The new Webbuilder is completely different than 2.0, so I will have a lot of learning and work in the redesign.

3. The Trustee site of our webpage has also been converted, but I would like your feedback as to what you currently utilize. What items do you access here? What is necessary moving forward? Do we want to keep all the archive items here? Do you have other suggestions of what you would like on the page? Currently the page categories are as follows:

Home Page:

- Board Packets
- Updates

- Top 100 High Use Members
- Board Calendar

Budget:

- Operating Budget (2017, 2013, 2012, 2011, 2010)
- Current Operating Margins (2013, 2012)
- Form 7 Comparison Reports (2009-2013)

Strategic Plan: 2010, 2012, 2014, 2019-2023

Board Packets:

- Previous packets archived back to May 2009
- Current Board Packet

LSEC Reports & Information

- 2013 Cooperative Difference Survey Report
- Line Extension Charges (Document effective April 1, 2012)

Safety:

- Safety Manual
- Safety Goals

Policies & Procedures:

- Lane-Scott Electric Cooperative Policies

Top 100 Users

Thank you for your time!

Ann Marie

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

SAFETY MEETING

June 10, 2020

Chris Terhune called the meeting to order at 11:37am.

Minutes were read: Leighton Ayers made a motion to approve the May minutes and Chad Rupp seconded. May 20th safety meeting minutes were read and approved as printed.

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

Absent: Kalo Mann, Michael Pollock, Mark McCulloch, and Larry Kraft

Truck report of inspections:

| | | |
|-----|-----------------|---------------------|
| 105 | Richard McLeon | OK |
| 110 | Myron Seib | OK |
| 112 | Leighton Ayers | OK |
| 117 | David Howard | OK |
| 123 | Mark McCulloch | OK |
| 124 | Michael Pollock | OK |
| 132 | Chris Terhune | OK |
| 135 | Dellon Shelton | OK |
| 136 | Dellon Shelton | OK |
| 143 | Mark McCulloch | OK |
| 144 | Kalo Mann | OK |
| 145 | Nate Burns | OK |
| 150 | Kasey Jenkinson | OK |
| 173 | Chad Rupp | OK |
| 174 | Dal Hawkinson | OK |
| 191 | Myron Seib | OK |
| 193 | Myron Seib | OK |
| 200 | Ben Mann | Crack in Windshield |
| 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 | Right Taillight, Turn Signals, Flashers |
| 508 | Chris Terhune | OK |
| 509 | Chris Terhune | OK |
| 513 | Chris Terhune | OK |
| 516 | Chris Terhune | OK |
| 700 | Chris Terhune | OK |
| 701 | Chris Terhune | OK |
| 512 | Dee Shull | Battery Dead |
| 514 | Dee Shull | OK |

Warehouse, building, and pole yard inspections:

| | | |
|-----------------------------------|---------------|----|
| Ness City Warehouse | Myron Seib | OK |
| Ness Pole Yard & Transformer Dock | Myron Seib | OK |
| Warehouse | Dee Shull | OK |
| Pole Yard & Transformer Dock | Dee Shull | OK |
| Office | Carrie Borell | OK |

Personal Tools: All Passed

Gloves Monthly Test Results: Rejected 99 and 93 for snags. These have not been replaced. Chris Terhune will contact Protective Testing to follow up on glove replacement. June report is not back and will be reported at the July meeting.

Substation and Regulator Report: Nate Burns reported regulator replacements are ordered for the Scott City 3 phase. Twin Springs load will be transferred. Kasey Jenkinson discussed Dearden single phase transfer back from Wheatland interconnect to Lane Scott. Chris Terhune discussed replacing switches for Healy and West City substation.

PCB Report: None to report.

Line Clearance: Nate Burns reported Solida Tree Trimming is finished.

Accident and Near Misses: Chris Terhune reported a pole was hit by Utica on 240 Road and C. No reports were filed in the area of an accident and the scene debris had been cleared.

Old Business:

- ◆ Richard McLeon discussed The Big Green Box that will be located in the lineman room to recycle used batteries.
- ◆ Chris Terhune reported FR clothing quotes from Lutzco and Border States FR vendor options are in progress.
- ◆ Carrie Borell reported KnowBe4 cybersecurity education training was completed.

New Business:

- ◆ Carrie Borell passed around SRS Dispatch employee contact information for review of any updates that may be needed.
- ◆ Ann Jennings reported the Look Up and Live 3X5 decals have been received to hand out to members during demonstrations and safety programs.
- ◆ Chris Terhune reported Larry Detweiler from KEC will be doing our On-Site Regulatory Compliance Visit June 18.
- ◆ Reviewed safety summary.
- ◆ Bruce McAntee had pole top/bucket rescue and fall arrest performance reviews. Bruce discussed administrative hazard recognition.

Meeting adjourned

Chris Terhune
Safety Coordinator

Carrie Borell
Safety Secretary

Mileage Log Sheet

Unit 105

May

2020

| Date | Reason for trip | destination | odometer | | total mileage |
|----------|--------------------------------|-------------|-----------|--------|---------------|
| | | | beginning | end | |
| 1-Apr | Begin | | 41,328 | | |
| 5-May | contractor inspection | Ness City | 41,330 | 41,402 | 72 |
| 6-May | AMJ to photo contractors | east side | 41,403 | 41,485 | 82 |
| 8-May | Field inspections | west side | 41,486 | 41,621 | 135 |
| 13-May | tire repair | Dighton | 41,623 | 41,624 | 1 |
| 29-May | system construction inspection | SW side | 41,626 | 41,782 | 156 |
| | | | | | - |
| | | | | | - |
| | | | | | - |
| | | | | | - |
| | month end | | | 41,782 | |
| Business | | | | | 446 |

Total 454

Personal 8

CHECKLIST FOR ANNUAL MEETING

| STATUS | TO DO MONTH | ASSIGNED TO | ITEM |
|---|-------------|-------------------------------|--|
| X | February | AJ | Get menu from caterer |
| X - Cutting Board & Scrapper | March | AJ | Order door prizes |
| X | March | Board | Board approves date for annual meeting |
| X | March | Board | Board selects caterer |
| X - Confirmed John Ross | March | AJ | Hire caterer |
| X | March | RC | Print list for directors to choose nominating committee |
| X - Nominating meeting will be June 1 @ 6:30pm | April | Board | Board appoints nominating committee. (from board minutes: not less than 30 nor more than 120 days before the date of meeting of members) |
| X | April | AJ | Newsletter: Publish notice of nominating committee meeting in May newsletter |
| X - Sent with May info. | May | AJ | Newsletter: Annual Meeting Notice Graphic for June Newsletter |
| X | May | RC | Notify members of appointment to nominating committee & verify that they will serve |
| X | May | RC | Print list for nominating committee to choose trustees. Choose trustee districts that are up for re-election |
| X | May | RC | Give a reminder call to nominating committee members the day before meeting |
| X | May | Gasper | Prepare form to be signed by nominating committee. Ask him to keep to one page if possible for posting on doors |
| <i>Done tonight</i> | May | RMc | Have minutes of nominating committee signed by secretary |
| <i>Done tomorrow</i> | May | RC | Post minutes of nominating committee meeting at headquarters |
| <i>Due by June 5th</i> | May | RMc | Prepare Annual Year in Review to be included in Brochure and July Newsletter. Due the end of May. |
| <i>Chad Rupp, Dee Shull & Craig Ramsey - 15 yrs</i> | May | AJ | Determine if there are any Employee or Trustee awards & order them. Employee & Trustee: 15 years – Engraved Watch/Prints \$350 - \$375 range. Employee: 30 years – Plaque & \$500 Gift Certificate to place of their choice. **See list on page 2. |
| <i>Due by June 5th</i> | May | AJ | Prepare annual meeting brochure: Kel provides financial & property tax info, GM Annual Report. |
| X | June | AJ | Contact Howard Richards for sound system |
| X | June | AJ | Prepare mail-in ballot to be a part of the member brochure - <i>Due June 5th</i> |
| Board Decision | | AJ & CB | Online Voting Option |
| | | AJ | Communicate to members changes that occur due to Coronavirus |
| | | AJ & RMc | Logistics of meeting set-up due to Coronavirus restrictions if necessary |
| <i>Due by June 12th</i> | June | AJ | E-mail labels for annual meeting brochure |
| X | June | AJ | Send annual meeting brochure to printer |
| | June | All | Get annual meeting prizes from vendors |
| X | June | AJ | Newsletter: Manager Article "Year in Review" & Save the date graphic for July newsletter |
| X | June | AJ | Newsletter: Nominating Committee Report for July newsletter |
| X | July | AJ | Publish minutes of nominating committee in newsletter. |
| X | July | AJ | Send special invitations to guests |
| X | July | AJ | Mail annual meeting brochure (includes mail-in election ballot)& complete certificate of mailing. |

| | | | |
|---|--------|----|---|
| X | July | AJ | Make energy certificates |
| | July | AJ | Print member list to track received mail-in ballots |
| X | | AJ | Advertise meeting, voting & election process via social media channels, and put anything relevant on our website. |
| | July | | |
| | WK B4 | AJ | Annual Meeting notice to papers |
| | WK B4 | AJ | Contact members counting ballot with date/time/location to count after meeting |
| | WK B4 | AJ | Confirm tent & follow up with caterer |
| | WK B4 | AJ | Communicate needed jobs at the meeting with employees (helping serve, handing out water, etc.) |
| | WK B4 | AJ | Prepare ballots to be handed out to those who did not bring theirs. |
| | WK B4 | AJ | Number meeting prizes and prepare list for folders |
| | WK B4 | AJ | Put together hand-out bags (includes gifts) |
| | WK B4 | AJ | Purchase any additional raffle prizes |
| | WK B4 | AJ | Track down coolers to use for water bottles |
| | Day B4 | AJ | Prepare agenda & Trustee Folders |
| | Day B4 | AJ | Print 2 copies of special guest list that includes vendors |
| | Day B4 | AJ | Get count for quorum |
| | Day B4 | AJ | Reprint Member List & add any new members |
| | Day B4 | AJ | Verify Howard Richards for sound system |