



75th Anniversary

MANAGER'S REPORT

TOM RUTH
GENERAL MANAGER



History

This year marks the 75th Anniversary of Western Cooperative Electric.

Western Cooperative Electric Association was incorporated in the great state of Kansas on May 2, 1945. Western's original Board of Trustees formed this cooperative during hard times, with materials and labor in short supply due to a nationwide effort to support our troops in WWII. The months and years following incorporation was spent applying for RUS loans, getting rights-of-way, ordering materials, and constructing lines.

The originators of this effort are the farmers of western Kansas. Representing those farmers after incorporation was a 9-member Board of Trustees. The original Board of Western is listed below.

Fred J. Hamburg, Ellis Alvin L. Saleen, Ogallah Irving Walker, WaKeeney W.D. Ikenberry, Quinter

Melvin Reinecker, Quinter L.R. Miller, Quinter C.W. Kraus, Hays Ed J. Niernberger, Ellis Ward Sullivan, Hays

On December 22, 1947, the lights were turned on, transforming western Kansas rural culture forever. To serve the first member, Western's President, Irving Walker, turned on the electricity in Frank Landauer's garage on a farm near Ellis. That was the beginning of a new era. About 30 families were able to enjoy electricity for the first time during Christmas of 1947.

Today Western has 4000 miles of transmission and distribution line in 13 counties. Our 58 employees remain committed and ready to serve our members day or night, adhering to the same cooperative principles on which we were founded.

For a detailed account of the early history of Western Cooperative Electric Association, please read the article "The Story of Your Electric Cooperative" compiled by Pat Parke in 1987. This can be found on our website in addition to this report.



Governed by Members

9 Member Board of Trustees



Craig Crossland
President
District 2



Susan Rohleder
Trustee
District 1



Charles Luetters
Trustee
District 3



Frank Joy
Trustee
District 2



Richard Schaus
Secretary/Treasurer
District 2



Marvin Keller
Trustee
District 1



Landon Heier
Trustee
District 3



Dale Weinhold
Trustee
District 3



Terry Hobbs
Vice president
District 1

Sheridan	Graham	Rooks	Osborne	
Gove	Trego	Ellis	Russell	Lincoln
	Ness	Rush	Barton	Ellsworth

Our trustees are elected to serve the following districts:
District 1 - Sheridan, Graham, Rooks, and Osborne Counties
District 2 - Trego, Ellis, Russell, and Lincoln Counties
District 3 - Gove, Ness, Rush, Barton, and Ellsworth Counties



Community

Western serves 19 franchise communities

Since 2000, awarded \$21,000 in local scholarships

Since 1964, 169 students sponsored in Cooperative Youth Tour - \$421,350

Granted 7 Economic Development Loans totaling \$2,156,000

Approved 16 Revolving Loan Fund applications totaling \$2,071,033

Western pays \$1.1 million dollars annually in property taxes

Electrical Hazard Safety Training - EMS, Fire, Police, Schools, 30+ annually

Western's employees are our greatest ambassadors



Cooperative Youth Tour 2020

Youth Tour Delegates Washington DC



Jonathan Spachek
Ellsworth H.S.



Ethan Reeve
Otis-Bison H.S.

Youth Leadership Camp Steamboat Springs, CO



Alicia Phlieger
Hays H.S.



Samantha Robben
Hoxie H.S.

Darrell Brown Memorial Scholarship

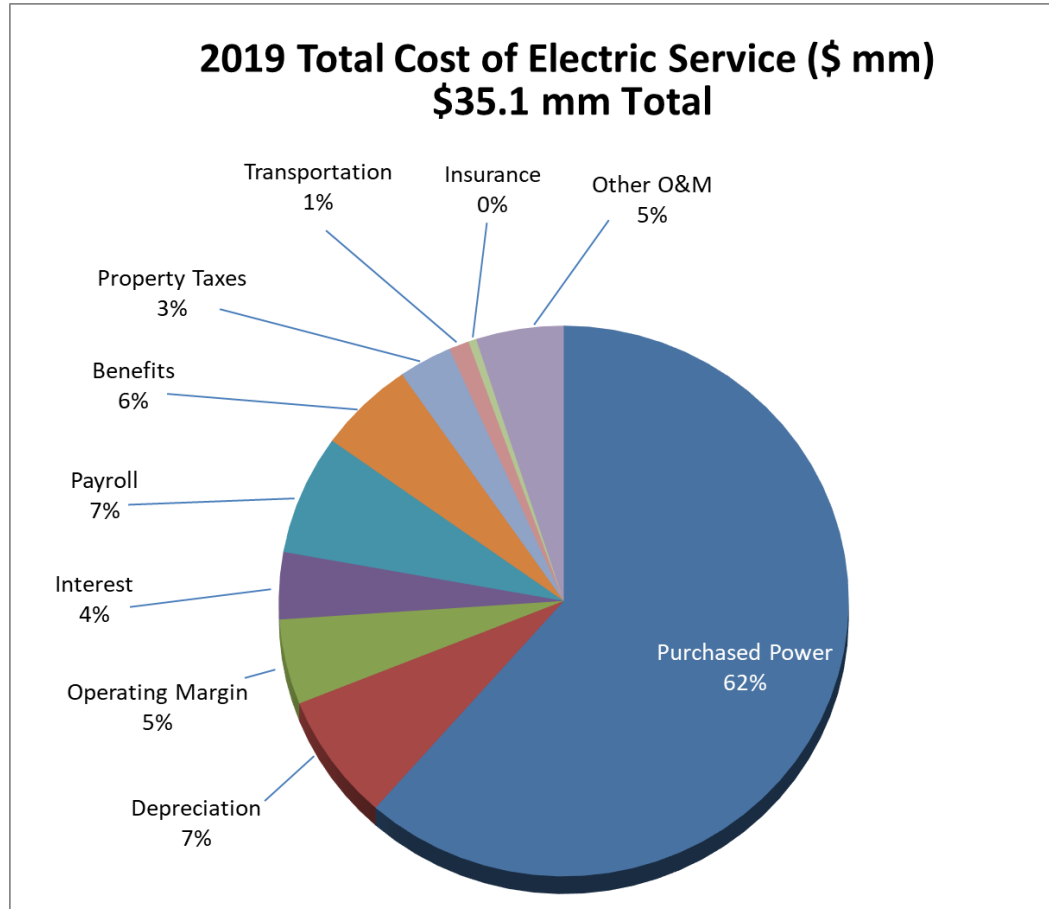


Carlee Flax
Western Plains H.S.

2019 Financial Performance

	2018	2019	2020 Budget
Revenue	\$ 39,109,718	\$ 35,110,159	\$ 38,265,416
Cost of Power	\$ 25,521,565	\$ 21,584,782	\$ 23,196,241
Total Expenses	\$ 37,523,650	\$ 33,355,247	\$ 36,241,112
Operating Margin & Patronage Capital	\$ 1,586,067	\$ 1,754,912	\$ 2,647,220
Total Assets	\$ 96,560,709	\$ 98,737,540	\$ 108,848,812
Total Liabilities	\$ 52,517,472	\$ 53,139,099	\$ 58,196,369
Total Equity	\$ 44,043,237	\$ 45,598,441	\$ 50,652,443

Expense Breakdown





Key Points

Borrowing Rate is 3.03 %, continue to borrow at lowest possible costs

Expenses held as level as possible, but costs do continue to rise

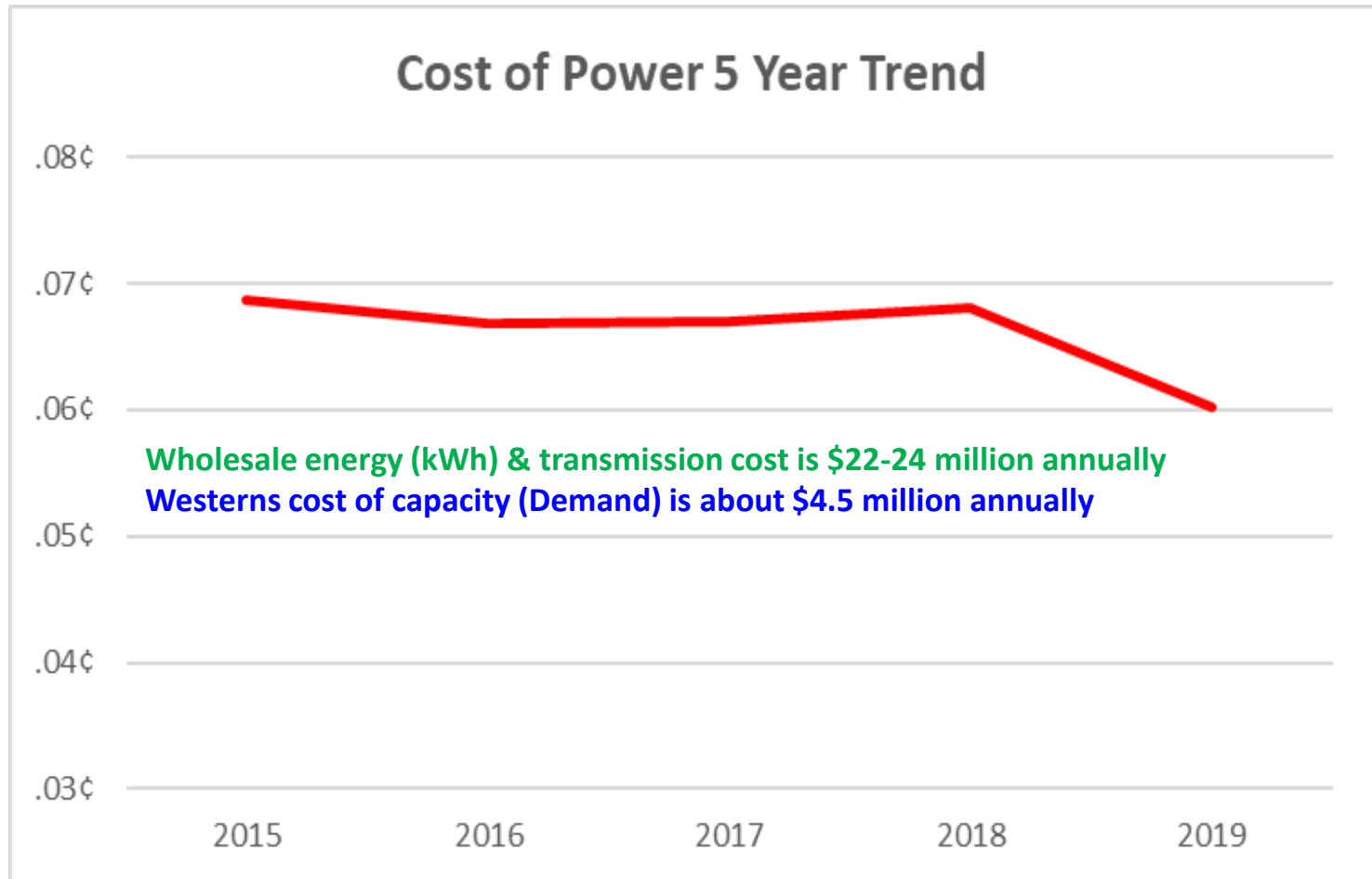
Assets are growing at a faster rate than long-term debt

Sunflower, our G&T, continues to hold wholesale rates stable

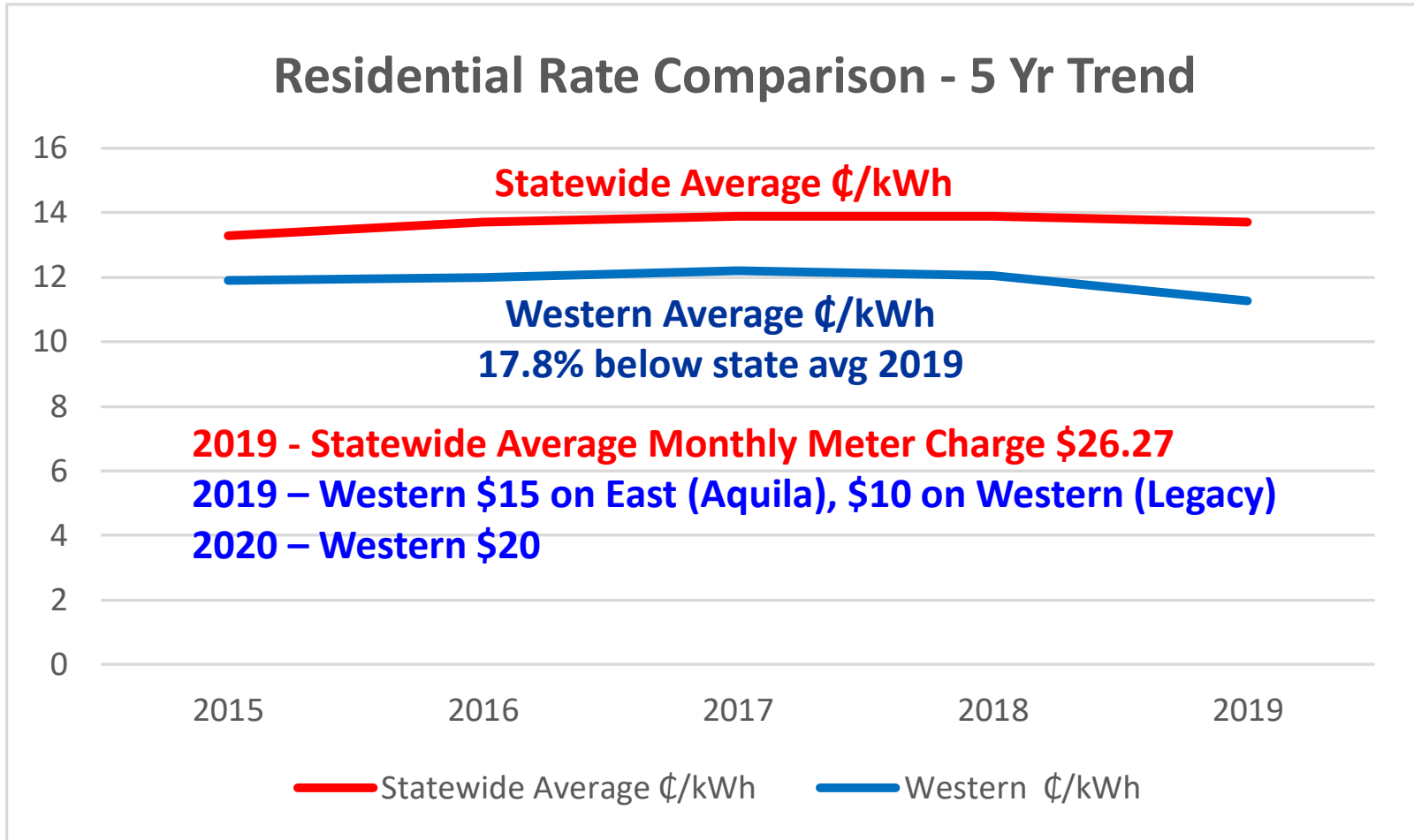
Seek opportunities for technology investments that will help improve efficiencies and save money long-term

Our financial metrics, while stable, have indicated a need to increase revenues by approximately \$670,000 to adequately recover the cost of service

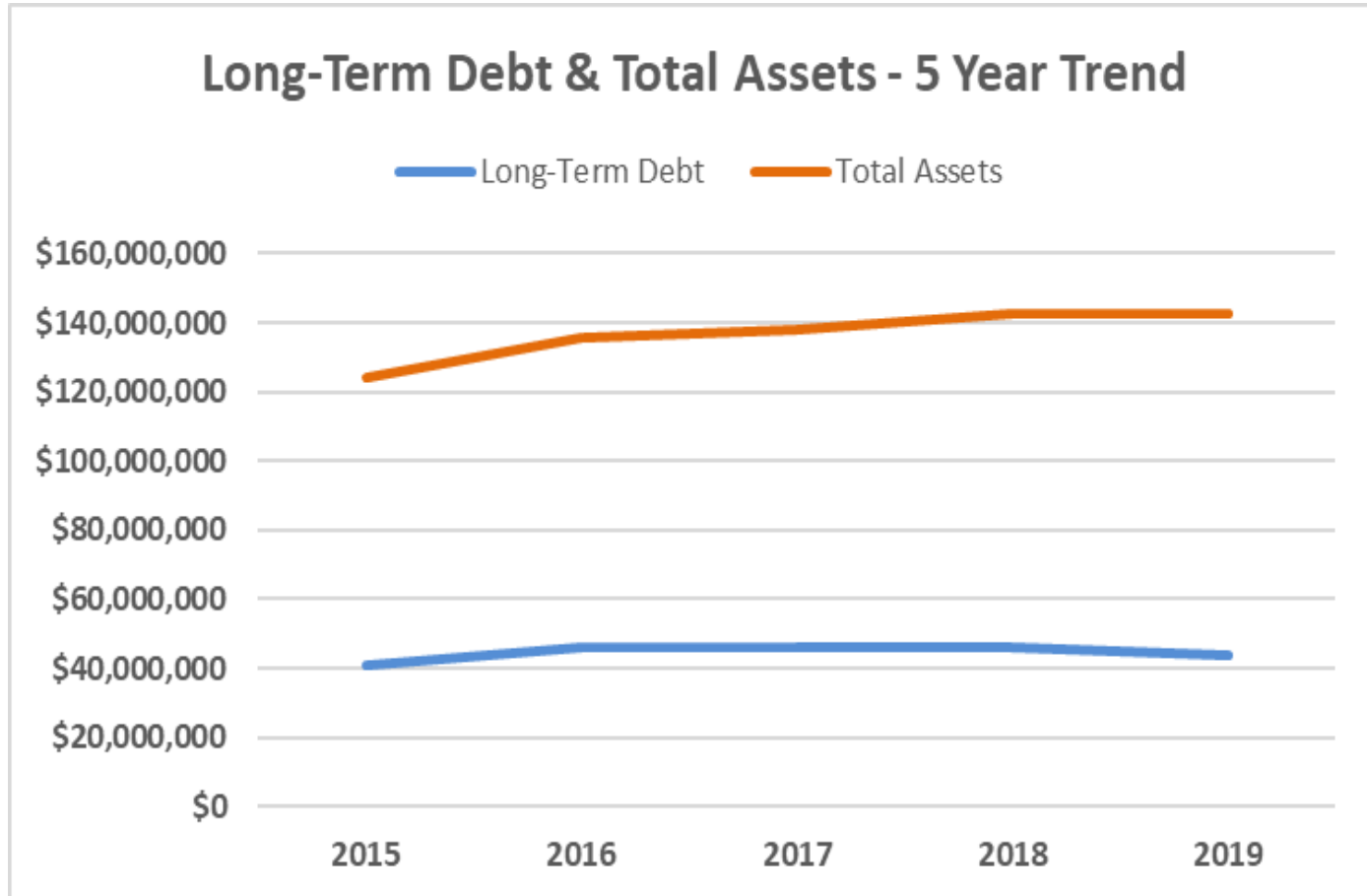
Cost of Wholesale Power



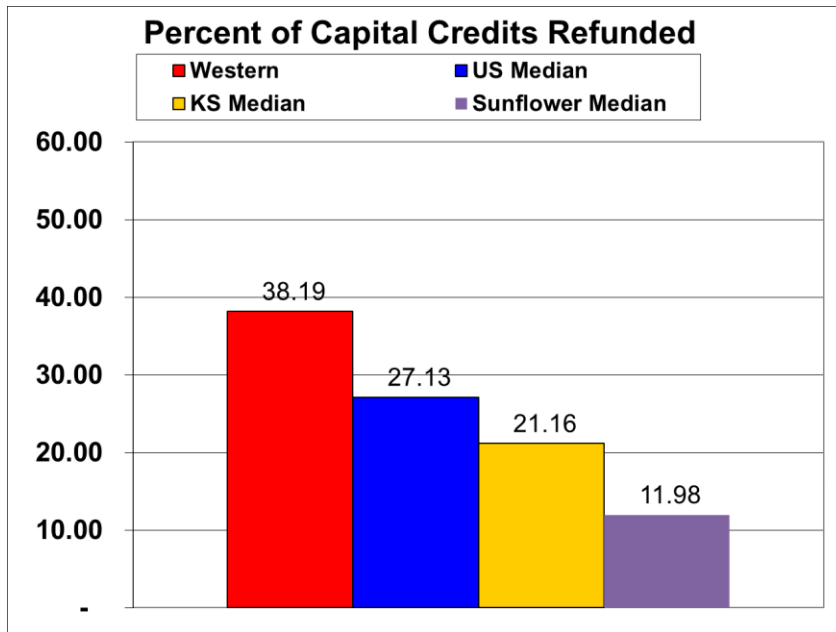
Residential Cost Comparison



LT Debt & Asset Growth



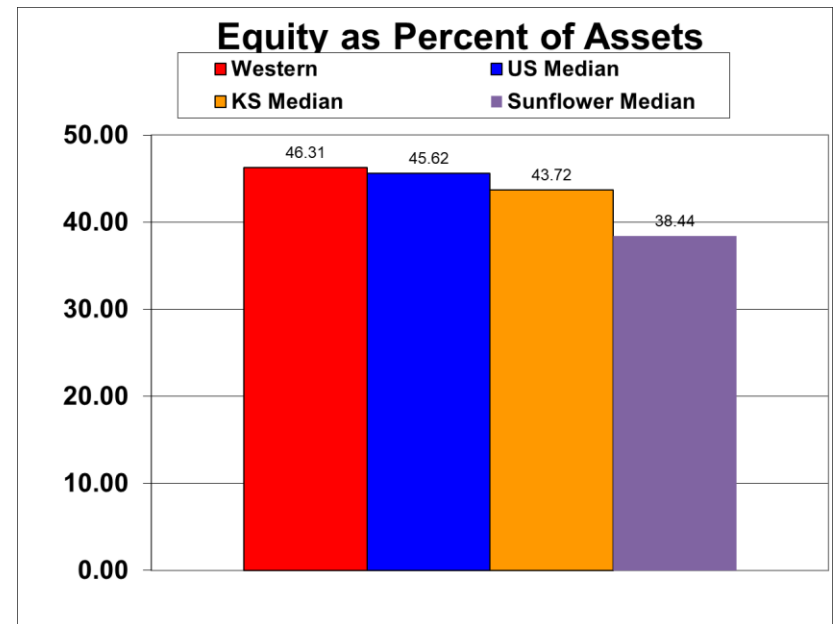
Capital Credits – Member Ownership



Capital Credit Refunds outperforming US, State and Sunflower Co-op averages

\$25,886,951 returned since inception

\$1.7M returned end of 2019



2019 Accomplishments

Safety

- Zero lost time injuries, 3 recordable injuries
- Employee engagement
- SAFE App implementation – electronic tailboards
- Implemented Flame Retardant Uniform purchase program
- Employee Safety Survey
- New process for tracking DOT driver records
- New employee safety onboarding process
- High Voltage Arc Flash assessment completed
- Improved job site hazard assessment process
- Carl Potter safety presentation & assessment

2019 Accomplishments

Financial

- \$19M RUS Loan application approved
- 3rd Party Independent Financial Audit – no discrepancies
- Develop future revenue requirements to meet financial metrics
- Financial rate impact & rate consolidation analysis
- Tariff/rate design with Power Systems Engineering (PSE)
- FEMA cost recovery application/filings
- 10 year financial forecast

2019 Accomplishments

Operations

- 2019-2022 Construction Work Plan approved
- \$1.8M Angelus Substation placed in service
- Church Metering Point
- \$600K Paradise Substation rebuild
- Blackwolf Elevator Expansion
- Boyd Hill 34.5 kV breaker upgrade
- 97 miles of FEMA line construction rebuild
- OneOK 115 kV Pump station preliminary analysis
- Implemented ESRI Mapping Database

2019 Accomplishments

Regulatory

- Cost of Service Study completed
- Developed new rate tariffs
- Developed new Rules & Regulations
- Analysis for rate consolidation – East/West
- Implemented PrePay Power
- Held public information meetings on rates
- 34.5 kV formulary rate filing
- Annual report to Kansas Corporation Commission

2019 Accomplishments

Information Services

- Created Cyber-Security Policy
- Converting AutoCAD maps to ESRI mapping database
- Implemented InSightAtLast Mobile Workforce
- Security Information and Event Manager (SIEM)
- Multiple server upgrades & new firewalls
- Rate/Billing analysis related to future rate increase
- Continue opportunities for systems integration
- Updated website
- Implemented 2-factor authentication on Microsoft Office 365



2019 Accomplishments

Human Resources

- Employee Training Assessment
- New employee onboarding process
- Developed employee training matrix
- Implemented 360 distribution training program
- Developed Trustee onboarding process



FEMA Storm Restoration

When eligible, Western files for FEMA recovery in areas that have been declared a disaster by the State. Western budgets 15%, FEMA allows recovery on 85% of construction cost. Following this process reduces Western's capital spend over the long-term.

FEMA Storm 2017		
Storm damage eligible for recovery	170 miles	\$ 5,400,000
Work completed & submitted	105 miles	\$ 2,637,028
Payment received		\$ 1,093,594
Payment outstanding		\$ 1,543,434
Work remaining to be completed	65 miles	\$ 2,762,971

Capital Investment

