



A Touchstone Energy® Cooperative 



2018
ANNUAL
REPORT

KANSAS
ELECTRIC POWER
COOPERATIVE, INC.

OUR MISSION

KEPCo exists on behalf of its Members to produce, procure, transmit, deliver, and maintain a reliable supply of wholesale electricity within financial guidelines and risk tolerances established by the Board.

OUR VISION

KEPCo will work to provide Consumer-Members the best possible value in reliable electricity and to play an active role in helping to improve the economy and quality of life.

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ON THE COVER

A Butler Electric lineman working at sunset. Photo taken by **BRYCE MORGAN**, lineman at Butler Electric Cooperative in El Dorado.



OUR STAFF



Marcus Harris
Exec. Vice President & CEO
through March 25, 2018



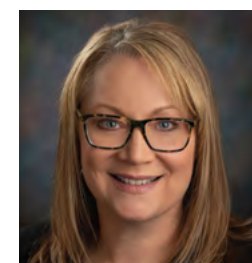
Ken Maginley
Inerim Exec. Vice President & CEO
March 26-October 2018



Suzanne Lane
Exec. Vice President & CEO
October 2018-present



Mark Barbee
Sr. Vice President, Engineering & Operations
21 years of service



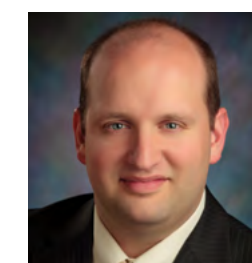
Susan Cunningham
Sr. Vice President, Regulatory & Government Affairs & General Counsel
1 year of service



Coleen Wells
Sr. Vice President & CFO
17 years of service



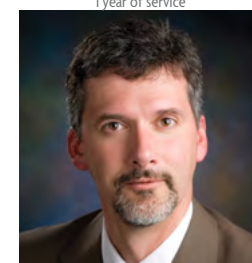
Stephanie Anderson
Finance & Benefits Analyst 2
5 years of service



Chris Davidson
Engineer 3
6 years of service



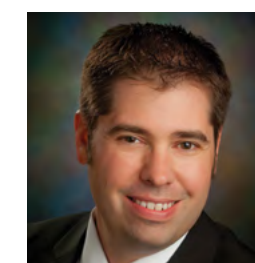
Terry Deutscher
Manager, SCADA & Meter Maintenance
19 years of service



Mark Doljac
Exec. Director, Regulatory Affairs & Planning
9 years of service



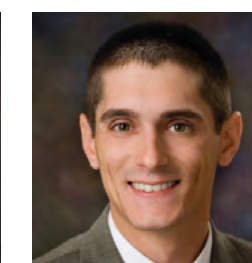
Carol Gardner
Operations Analyst 2
21 years of service



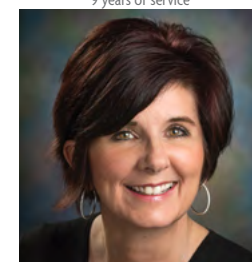
Shawn Geil
Exec. Director, Technical & Energy Services
8 years of service



Maurice Hall
Sr. SCADA/Metering Technician - Wichita
5 years of service



Robert Hammersmith
Sr. SCADA/Metering Technician - Salina
11 years of service



Missy Kerstiens
Administrative Assistant/Receptionist
2 years of service



Shari Koch
Finance & Accounts Payable/Payroll Specialist 2
12 years of service



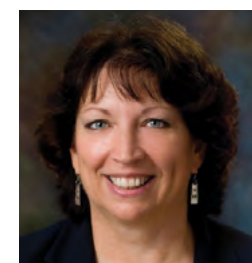
Mitch Long
Sr. SCADA/Metering Technician - Topeka
19 years of service



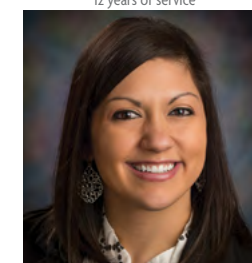
Matt Ottman
Information Systems Specialist 2
17 years of service



John Payne
Sr. Engineer
12 years of service



Rita Petty
Exec. Assistant & Manager, Office Services
13 years of service



Kelsey Schremp
Administrative Assistant/Benefits Specialist
5 years of service



Paul Stone
System Operator
21 years of service



Jill Taggart
Director of Forecasting & Planning
4 years of service



Phil Wages
Director of Member Services, Government Affairs & Business Development
20 years of service

FROM THE BOARD PRESIDENT AND EXECUTIVE VICE PRESIDENT & CEO

2018: A NEW CHAPTER



Suzanne Lane
Executive Vice President
& CEO

As we closed the book on KEPCo's 44th year in December, many chapters in KEPCo's history ended and others began. While 2018 turned out to be a real "page turner," KEPCo continued to provide its 19 member cooperatives with cost-effective, dependable power, regulatory and legislative advocacy, engineering support, and member services. All of this was possible thanks to the leadership and hard work of our top-notch, experienced staff and strong partnerships and support from our members. It is our pleasure to offer this summary of 2018, a year that will be memorialized in KEPCo's history as one with the most chapters of change.



Dale Short
Board President

Chapter 1: Leadership

While 2018 was a unique year for many reasons, a key reason was that KEPCo had three executive vice president/chief executive officers within those 12 short months. KEPCo was blessed to have the leadership of Marcus Harris for the first quarter of 2018; we continue to wish him the very best in his new role as CEO of Old Dominion Electric Cooperative in Virginia. Ken Maginley, retired General Manager of Bluestem Electric Cooperative, was gracious to come out of retirement to lead KEPCo as interim EVP/CEO for the second and third quarters of 2018. His support and assistance, calm demeanor, extensive

knowledge, experience, and methodical ways were ideal for KEPCo during that time of transition.

The KEPCo Board of Trustees ultimately hired Suzanne Lane, who had been serving as KEPCo's Vice President of Government and Regulatory Affairs, as its next EVP/CEO. Suzanne's tenure as EVP/CEO began on Oct. 1. In addition, Bill Riggins' dedicated tenure as KEPCo's General Counsel ended, and so also on Oct. 1, KEPCo was honored to have its new Senior Vice President of Regulatory and Government Affairs and General Counsel, Susan Cunningham, join the executive team. In November, KEPCo's Board of Trustees elected Dale Short, CEO of Butler Electric Cooperative, to serve as the KEPCo Board President. We are deeply appreciative of the two years' service that Kevin Compton, Brown-Atchison Electric Cooperative Trustee, dedicated to this role prior to President Short.

Chapter 2: Safety

With regard to safety here at KEPCo, 2018 marked yet another year without any safety incidents. We are very pleased with our team on this accomplishment, as we were also recognized by Kansas Electric Cooperatives (KEC)—along with many of our members—for having 10-plus years without a lost-time accident. We look forward to many more years with this important designation.

Chapter 3: Rate Stability

Our key mission is to assure we provide power to our members at a stable, economical price. Thanks to the great efforts of the KEPCo team, close partnerships with and diligence of our members, attractive energy market prices, and our established Margin Stabilization Adjustment (MSA), we have been able to lower our average wholesale rate by over 8 percent since 2012. For the reasons noted, we were thrilled to be able to maintain average member rates in 2018 at essentially the same level as 2017.

We were also very pleased to receive approval from the Rural Utilities Service (RUS) to increase the allowed, member-owned resources to 15 percent of members' aggregate loads. This was not only a ground-breaking policy change, but it added to our members' options for cost-savings opportunities. We are extremely proud of all we accomplished regarding costs to our members, especially considering the operational challenges with the Iatan 2 Station and the continued reality of rising transmission costs.

Chapter 4: Member Programs and Services

KEPCo takes pride in being a member services organization, as we would not exist without our member partners. While we are continuously looking at ways to enhance existing services and

expand into new arenas for our members, 2018 marked another year of providing our members with an optimal experience. This year we assisted with attracting and/or retaining loads, partnered on Rural Economic Development Loan and Grant (REDLG) applications, advocated in the legislative and regulatory realms, and provided engineering and reliability support. Doing everything we can to serve our members is an honor and privilege.

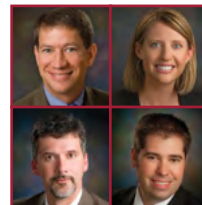
Chapter 5: Cybersecurity

In an unexpected plot twist, KEPCo experienced the "good and bad sides" of cybersecurity in 2018. We were unfortunately the victim of a "phishing" event, whereby "bad actors" accessed an employee's computer and attempted to cause us to pay a faux invoice; thankfully, due to our team's vigilance, no funds were lost in this event. The "good" side of this event is that we hired an outside cybersecurity expert to perform a top to bottom review of our processes and systems, and we were highly pleased to find that KEPCo received an excellent rating with few minor suggestions to improve the protection of our systems and proprietary information. We have enhanced our employee training and vigilance efforts, reviewed and revised our IT-related policies to better reflect measures needed to address the growing reality of cyber security

Continued on page 6

2018

JANUARY



Effective January 1, **MARK BARBEE** is promoted to SVP, Engineering and Operations; **SUZANNE LANE** is promoted to VP, Member Services and Government Affairs; **MARK DOLJAC** is promoted to Exec. Director, Regulatory Affairs and Planning; and **SHAWN GEIL** is promoted to Exec. Director, Technical and Energy Services.

MARCH



KEN MAGINLEY, retired Manager of Bluestem Electric Cooperative, is named interim EVP/CEO by the Board of Trustees.

NO.6

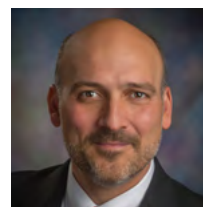
RUS approves **ADDENDUM NO. 6** to KEPCo's Wholesale Power Contract with its Members. Addendum No. 6 rescinds existing Addendum No. 2, which details KEPCo's transmission obligations and limitations. The language contained in Addendum No. 2 is transferred to KEPCo's Board Policy Bulletin No. 41.

MAY



On May 18, **WOLF CREEK** successfully completes its 22nd refueling outage.

FEBRUARY



MARCUS HARRIS announces his resignation as EVP/CEO of KEPCo to accept the position of President/CEO at Old Dominion Electric Cooperative located in Glen Allen, Virginia.



KEPCo's **PRAIRIE SKY SOLAR FARM** completes its first year of commercial operation.

APRIL

MORE PEAK CAPACITY

RUS approves Addendum No. 5 to KEPCo's Wholesale Power Contract with its Members. Addendum No. 5 allows KEPCo's Members to **INCREASE THE AMOUNT OF PEAK CAPACITY** and energy requirements they can self-supply from distributed generation resources from 5 to 10 percent, plus an additional 5 percent for solar generation.

JUNE



On June 10, **IATAN 2** completes an extended maintenance outage.

Continued from page 5

threats, and developed internal procedures in the unlikely event a future incident were to occur. We are confident that we are well-situated to handle future cyber challenges.

**Chapter 6: The Rest of the Story
POWER SUPPLY**

We continue to be extremely proud of our diverse power supply, which consists of power from nuclear, coal, wind, solar, natural gas, and hydro resources. Another key highlight is that more than 50 percent of our power supply comes from non-greenhouse gas emitting resources. When it comes to operations in 2018, our owned and contracted resources continued to be very reliable and cost-effective overall. The Wolf Creek Generating Station successfully completed its 22nd refueling outage in April, after completing a record period of being on-line. Our 1 MW Prairie Sky solar facility provided the energy output we had forecasted considering the weather conditions. The Southwestern and Western Power Administration hydro projects operated well, continuing to provide KEPCo with 113 MW of cost-effective capacity and energy. The Iatan 2 Station had its share of operational challenges in 2018, and ultimately wasn't as productive and available as preferred. We are optimistic that 2019 will be a better year for this resource. In addition, we successfully entered a new supply agreement with Sunflower Electric Power Corporation (Sunflower) for a portion of our load, whereby we anticipate providing our members with significant savings in 2019 and 2020.

TRANSMISSION

Advocating for transmission projects that provide our members with reliable service in the most cost-effective, prudent manner is a top priority for the KEPCo team. We continue to work closely with the six transmission owners and the Southwest Power Pool (SPP) who provide the transmission service needs for our members. Since 2006, we have seen transmission costs increase by over 160 percent. While transmission expense is a relatively small portion of our overall power supply cost, this type of an increase is something we are working hard to mitigate going forward, while assuring the highest level of reliability possible.

Chapter 7: Gratitude

KEPCo's success hinges on the hard work and dedication of both the KEPCo staff and the Board of Trustees. We are especially grateful for everyone's continued leadership, efforts, and "all hands-on deck" approach to assure we are doing everything we can for our members. This has been true for all 44 years of KEPCo's history, but this is not the end. We look forward to providing an economical and dependable power supply, meaningful services, and a quality experience for our members for many chapters to come, so please stay tuned for the sequel.

SUZANNE LANE
KEPCO EXECUTIVE VICE PRESIDENT & CEO
DALE SHORT
KEPCO BOARD PRESIDENT

KEPCo WELCOMES LANE & CUNNINGHAM

This year was highlighted by the selection of **SUZANNE LANE** as the seventh Executive Vice President and Chief Executive Officer of KEPCo. Lane assumed the role on October 1, replacing Marcus Harris, who accepted the position as President and Chief Executive Officer of Old Dominion Electric Cooperative.

Lane joined KEPCo in August 2017 as Director of Strategy and was promoted later in the year to Vice President of Member Services and Government Affairs.

The selection of Lane culminates a comprehensive search effort that began in early 2018, when the KEPCo Board of Trustees assembled a search committee and worked closely with NRECA during the nationwide search process to identify the ideal candidate for this role. Kevin Compton, former president of KEPCo, said, "KEPCo was at a critical moment and needed renewed leadership to successfully implement sound business strategy and take advantage of opportunities ahead. Suzanne has a proven track record of execution. She is a strong communicator who is member focused with strong leadership capabilities."

Before coming to KEPCo, Lane was with Westar

Energy for 19 years, serving in several roles, with her last position as Manager of Customer Relations, where she led a team that managed key accounts and wholesale customers.

Another key executive position was filled in October as KEPCo selected **SUSAN CUNNINGHAM** as Senior Vice President, Regulatory and Government Affairs, and General Counsel. Cunningham replaces Bill Riggins, who dutifully served in the position for three years.

Cunningham has over 28 years of experience in the electric utility industry, including General Counsel with the Kansas Corporation Commission. Cunningham also worked as a staff attorney with Kansas City Power & Light Company and, immediately prior to joining KEPCo, was with the Kansas City law firm Dentons US LLP representing utility clients in regulatory matters in Kansas and Missouri. In her role, Cunningham serves as general counsel and is responsible for all legal functions and the oversight of regulatory and government affairs functions for KEPCo.

Cunningham, along with Mark Barbee, SVP of Engineering and Operations, and Coleen Wells, SVP and Chief Financial Officer, completes KEPCo's executive team under the direction of Lane.



Suzanne Lane
Exec. Vice President & CEO

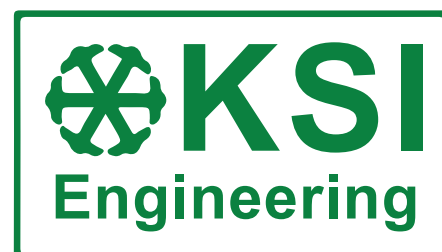


Susan Cunningham
Sr. Vice President, Regulatory & Government Affairs & General Counsel

JUNE	+14 MW	KEPCo and Sunflower Electric Power Corporation execute the ARKALON power purchase and sale agreement for about 14 MW of KEPCo's load.	SEPTEMBER		KEPCo receives RUS APPROVAL of the Arkalon power purchase and sale agreement.		SUSAN CUNNINGHAM is hired as SVP of Regulatory and Government Affairs and General Counsel.	NOVEMBER		DALE SHORT is elected President of KEPCo's Board of Trustees.		KEPCo completes another year of safe operations with NO LOST TIME ACCIDENTS recorded in 2018.	\$17 MILLION	Over the course of 2018, KEPCo returns approximately \$17 MILLION to its Members through its Margin Stabilization Adjustment.
AUGUST		In Wolf Creek Nuclear Operating Corporation's triennial decommissioning docket, the KCC orders Wolf Creek's owners to use the SAFSTOR COST ESTIMATION methodology to calculate the Wolf Creek decommissioning costs.	OCTOBER		SUZANNE LANE starts her tenure as KEPCo's seventh EVP/CEO.	CWP	KEPCo submits to RUS a CONSTRUCTION WORK PLAN for the years 2017 to 2022 for capital additions at Wolf Creek Nuclear Plant.	DECEMBER		KEPCo receives KCC APPROVAL of Arkalon power purchase and sale agreement.		Suzanne Lane nears completion of first EVP/CEO MEMBER LISTENING TOUR .		

KSI ENGINEERING

KEPCo Services, Inc. (KSI), a wholly-owned subsidiary of KEPCo, completed its 21st year of operations. Over the course of 2018, the staff of KSI completed 39 projects in support of 14 member cooperatives and two projects for non-member cooperatives. KSI also provided technical support and project



management for the Butler Electric Cooperative Pony Meadows Solar Project, which included developing a request for proposals from prospective engineering, procurement, and construction (EPC) contractors; analyzing the proposals and assisting the Butler board and staff in selecting an EPC contractor; working with the Butler staff to design and implement the interconnection at the Pony Meadows substation; and working with Butler staff and the EPC contractor to oversee the construction and commissioning of the project. In addition, KSI developed a standard practice for the closeout of construction work plans that saves all affected parties time and money.

Bluestem Electric Journeyman Lineman **BEN EASTERBERG** inspects a new 1 MW diesel peaking generator, which was installed as part of a construction work plan developed by KSI Engineering.



REDLG LOAN PROGRAM



Committed to the future of rural communities.

KEPCo has a long and successful history of using the USDA Rural Economic Development Loan and Grant (REDLG) program for economic development opportunities in rural Kansas communities. Throughout the year, KEPCo worked with several applicants across the state and submitted REDLG applications to the USDA on their behalf. As a result, over \$3.5 million in capital was infused into rural Kansas and nearly 115 jobs were either created or saved.

OUR DIVERSE POWER SUPPLY

In an effort to create a long-term, reliable, economic power supply for its members, KEPCo has built a diverse power supply that includes nuclear, hydro, coal, wind, natural gas, diesel, and solar resources. As part of its power supply strategy, KEPCo seeks to maintain a diversified and balanced power supply, which includes a mix of owning generation when prudent, purchasing power using a combination of long- and short-term contracts, adding renewables when cost effective, and incorporating demand-side technology in power supply planning processes through member load management programs. Proudly, KEPCo's current portfolio minimizes greenhouse gas emissions with over 50 percent of its supply from non-greenhouse gas emitting sources.

Wolf Creek Generating Station

KEPCo owns an undivided 6 percent interest in the Wolf Creek Generating Station. Located near Burlington, Kansas, it has been in commercial operation since 1985 and its initial 40-year operating license has been extended to 60 years, to 2045. Of its 1,168 MW net output for total plant, KEPCo's share is 70 MW. On average, Wolf Creek provides over 25 percent of KEPCo's annual energy requirements. In May, Wolf Creek successfully completed its 22nd refueling outage.

Sharpe Generating Station

Also located near Burlington, KEPCo owns the Sharpe Generating Station. Sharpe is comprised of 10 2-MW Caterpillar diesel-fired generators with 20 MW total capacity. Sharpe is used as capacity reserves and is registered in the SPP Integrated Market (IM). It is also used as an alternate source of power to Wolf Creek during certain plant conditions.

Iatan 2

Iatan 2 is a high efficiency, supercritical, pulverized coal-fired plant located near Weston, Missouri. The plant began commercial operation in 2010. Of its 881 MW net output for total plant, KEPCo's share is 31 MW, or 3.53 percent. With its state-of-the-art emission control systems, Iatan 2 is considered one of the most efficient, low-emission coal units in the U.S. The plant provides approximately 8 percent of KEPCo's annual energy needs.



Prairie Sky Solar Farm

Prairie Sky Solar Farm, located near Andover, Kansas, began commercial operation in February 2017. Proudly designed by KEPCo Services, Inc. (KSI), KEPCo's engineering subsidiary, Prairie Sky produced 1,858 MWh (net) in 2018 and provided an average demand offset of 938 kW at the time of the Westar generator peak in each of the four summer months. Prairie Sky is comprised of 4,560 photovoltaic panels and covers approximately 8 acres. It has a 1 MW total capacity.



Hydro Power Allocations

KEPCo has contracts with the U.S. Department of Energy Western Area Power Administration (WAPA) and the Southwestern Power Administration (SWPA). WAPA is involved in 21 hydroelectric projects located in Colorado, Wyoming, and Montana totaling over 600 MW of generating capacity. KEPCo has a 13 MW allocation of firm hydro power from WAPA. SWPA is involved in 24 hydroelectric projects located in Missouri, Oklahoma, Arkansas, and Texas totaling over 2,000 MW of generating capacity. KEPCo has a 100 MW allocation of peaking and supplemental hydro power from SWPA.

Purchased Power

KEPCo purchases its remaining requirements from Westar Energy, Inc. and Sunflower Electric Power Corporation for base, intermediate, and peaking power supply. These contracts provide KEPCo with power from coal, natural gas, and wind resources.

In an effort to create a long-term, reliable, economic power supply for its members, KEPCo has built a diverse power supply...



2018 KEPCo BOARD MEMBERS

EXECUTIVE COMMITTEE MEMBERS

- ▶ **DALE SHORT**
President
- ▶ **DOUGLAS JACKSON**
Vice President
- ▶ **STEVEN FOSS**
Secretary
- ▶ **DEAN ALLISON**
Treasurer
- ▶ **KEVIN COMPTON**
Executive Committee Member
- ▶ **CHARLES GOECKEL**
Executive Committee Member
- ▶ **KIRK THOMPSON**
Executive Committee Member



Joseph Seiwert, Trustee
Ark Valley Electric Cooperative Assn., Inc.



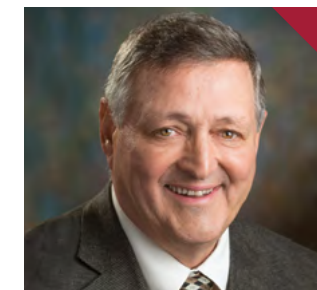
Jackie Holmberg, Alternate, Manager
Ark Valley Electric Cooperative Assn., Inc.



Michael Morton, Trustee, Manager
Bluestem Electric Cooperative, Inc.



Bob Ohlde, Alternate
Bluestem Electric Cooperative, Inc.



Kevin Compton, Trustee
Brown-Atchison Electric Cooperative Assn., Inc.



Jim Currie, Alternate, Manager
Brown-Atchison Electric Cooperative Assn., Inc.



Dale Short, Trustee, Manager
Butler Rural Electric Cooperative Assn., Inc.



Riley Walters, Alternate
Butler Rural Electric Cooperative Assn., Inc.



Dan Hubert, Trustee
Caney Valley Electric Cooperative Assn., Inc.



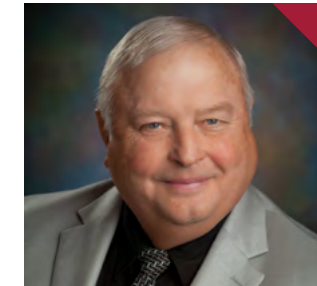
Allen Zadorozny, Alternate, Manager
Caney Valley Electric Cooperative Assn., Inc.



Kirk Thompson, Trustee, Manager
CMS Electric Cooperative, Inc.



Linda Tomlinson, Alternate
CMS Electric Cooperative, Inc.



Dean Allison, Trustee
DS&O Electric Cooperative, Inc.



Tim Power, Alternate, Manager
DS&O Electric Cooperative, Inc.



Charles Goeckel, Trustee, Manager
Flint Hills Rural Electric Cooperative Assn., Inc.



Terry Olsen, Alternate
Flint Hills Rural Electric Cooperative Assn., Inc.



Steven Foss, Trustee, Manager
FreeState Electric Cooperative, Inc.



Harlan Hunt, Alternate
FreeState Electric Cooperative, Inc.



H.H. Stockebrand, Trustee
Heartland Rural Electric Cooperative, Inc.



Mark Scheibe, Alternate, Manager
Heartland Rural Electric Cooperative, Inc.



Robert Converse, Trustee
Lyon-Coffey Electric Cooperative, Inc.



Mark Doebele, Alternate, Manager
Lyon-Coffey Electric Cooperative, Inc.



Paul Unruh, Trustee
Ninnesah Rural Electric Cooperative Assn., Inc.



Teresa Miller, Alternate, Manager
Ninnesah Rural Electric Cooperative Assn., Inc.



William Peterson, Trustee
Prairie Land Electric Cooperative, Inc.



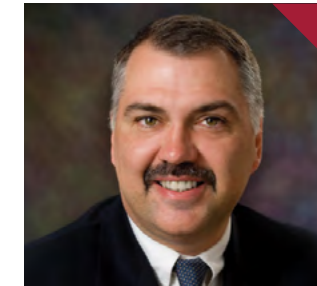
Allan Miller, Alternate, Manager
Prairie Land Electric Cooperative, Inc.



Dennis Duft, Trustee, Manager
Radiant Electric Cooperative, Inc.



Tom Ayers, Alternate
Radiant Electric Cooperative, Inc.



Douglas Jackson, Trustee, Manager
Rolling Hills Electric Cooperative, Inc.



Paul Wilson, Alternate
Rolling Hills Electric Cooperative, Inc.



Donald Metzen, Trustee
Sedgwick County Electric Cooperative Assn., Inc.



Scott Ayres, Alternate, Manager
Sedgwick County Electric Cooperative Assn., Inc.



John Schon, Trustee
Sumner-Cowley Electric Cooperative, Inc.



Cletas Rains, Alternate, Manager
Sumner-Cowley Electric Cooperative, Inc.



Bryan Coover, Trustee
Twin Valley Electric Cooperative, Inc.



Reed Metzger, Alternate, Manager
Twin Valley Electric Cooperative, Inc.



Shane Laws, Trustee, Manager
Victory Electric Cooperative Assn., Inc.

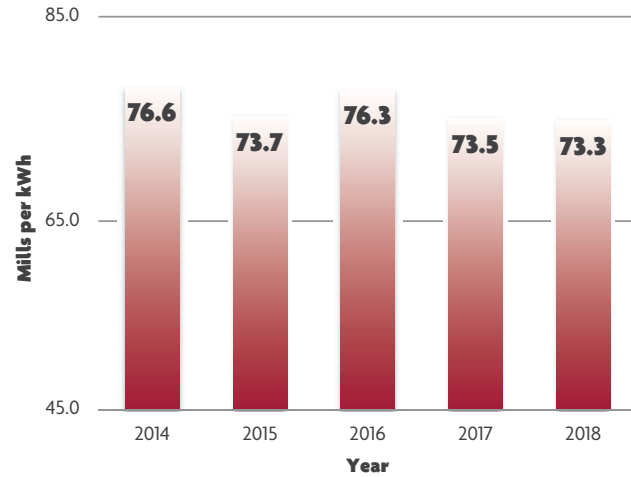


Daryl Tieben, Alternate
Victory Electric Cooperative Assn., Inc.

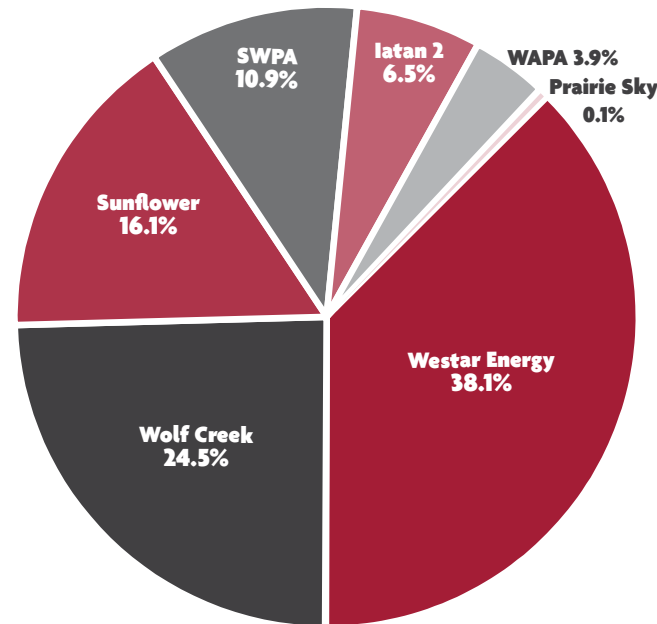


OPERATING STATISTICS

AVERAGE MEMBER RATE

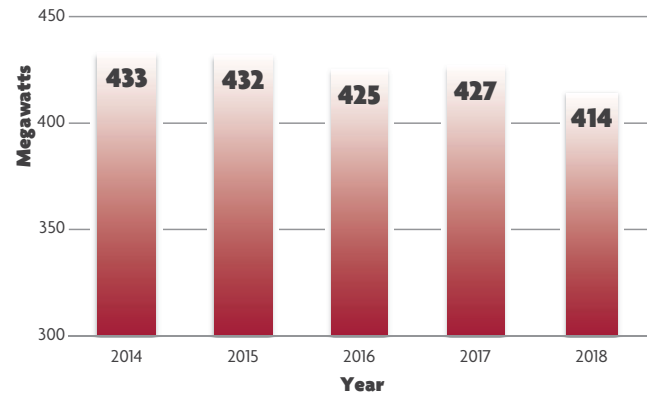


SOURCES OF ENERGY

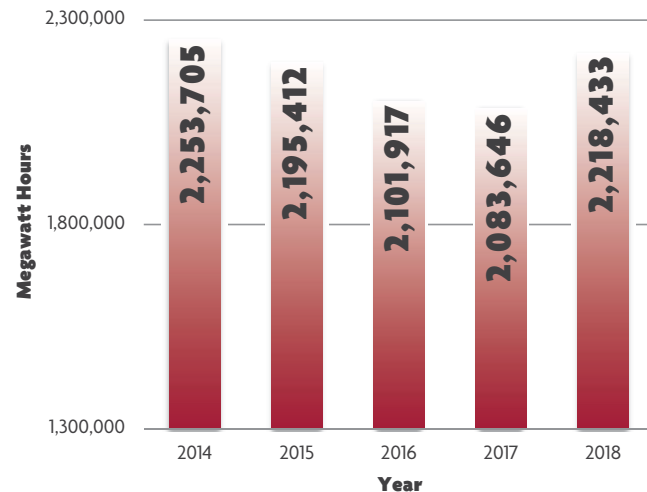


Proudly, KEPCo's current portfolio minimizes greenhouse gas emissions with approximately 60 percent of its supply from non-greenhouse gas emitting sources.

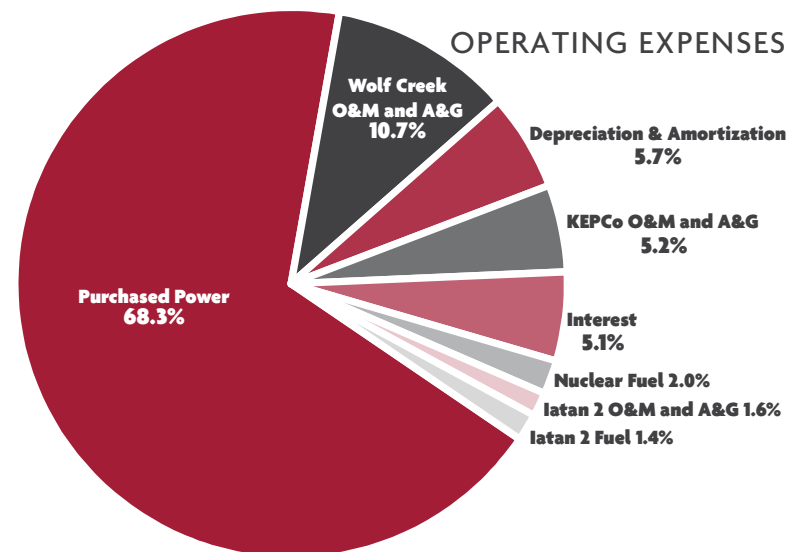
ANNUAL COINCIDENT PEAK DEMAND



ANNUAL ENERGY SALES TO MEMBERS



OPERATING EXPENSES



BERBERICH TRAHAN & CO., P.A.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Kansas Electric Power Cooperative, Inc.
Topeka, Kansas

We have audited the accompanying consolidated financial statements of Kansas Electric Power Cooperative, Inc. and subsidiary ("KEPCo"), which comprise the consolidated balance sheet as of December 31, 2018, and the related consolidated statements of margin, patronage capital, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Compliance and Other Matters

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

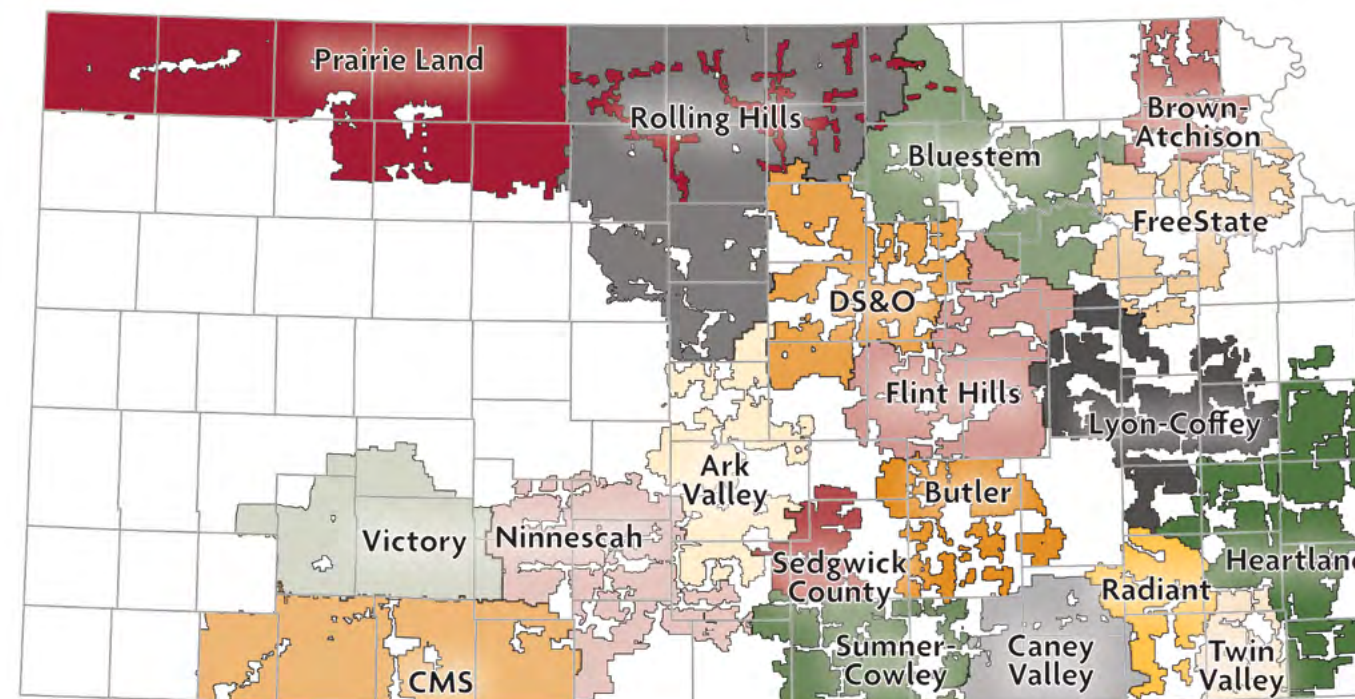
Purpose of this Report

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

Berberich Trahan & Co., P.A.

Berberich Trahan & Co., P.A.
Topeka, Kansas
April 15, 2019

ABOUT KEPCO



Kansas Electric Power Cooperative, Inc. (KEPCo), headquartered in Topeka, Kansas, was incorporated in 1975 as a not-for-profit generation and transmission cooperative (G&T). It is KEPCo's responsibility to procure an adequate and reliable power supply for its 19 distribution electric cooperative members at a reasonable cost.

In addition to KEPCo's core mission, KEPCo also partners with its member cooperatives on such important activities as rural economic development, electric appliance rebates, load and power cost forecasting, and system enhancement projects.

Governed by a 19-member Board of Trustees, KEPCo's members collectively serve more than 125,000 electric meters in two-thirds of Kansas. The Board of Trustees establishes policies and acts on issues that often include recommendations from working committees of the Board and KEPCo staff. The Board also elects a seven-person Executive Committee, which includes the

president, vice president, secretary, treasurer, and three additional members.

KEPCo's power supply resources consist of: 70 MW of owned generation from Wolf Creek Generating Station; 30 MW of owned generation from Iatan 2 Generating Plant; 20 MW of owned generation from Sharpe Generating Station; hydro allocations consisting of 100 MW from the Southwestern Power Administration and 13 MW from the Western Area Power Administration; 1 MW of owned generation from Prairie Sky Solar Farm; and partial requirement power purchases from regional utilities.

KEPCo is a Touchstone Energy® Cooperative, a national network of electric cooperatives across 46 states that provide resources and leverage partnerships to engage and serve their members. By working together, Touchstone Energy cooperatives stand as a source of power and information to their 32 million consumer-members every day.

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A Touchstone Energy® Cooperative 



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