

# **THE KANSAS POWER POOL, A MUNICIPAL ENERGY AGENCY**

## **General**

The Kansas Power Pool, A Municipal Energy Agency (the “KPP”) is a municipal energy agency created under the laws of the State of Kansas. The KPP was created by an Agreement executed by the original Members in October and November of 2004. The KPP was created for the purpose of permitting cities within the State of Kansas that own and operate retail electric utility systems and that become parties to such contract (the “Members”) to secure, by joint action among themselves, or by contract with other utilities, an adequate, reliable and economical supply of electric power and energy. The KPP provides its Members with a pooling of resources and collective resource planning for current asset operations and future resources to meet system growth. The Members are served by a Network Integrated Transmission Service that enhances capabilities between the Members and available network resources.

Established by six charter Members, the KPP grew to a membership of 41 municipally-owned retail electric systems by 2011 ranging in size from approximately 151 meters to approximately 7,651 meters. Of those 41 Members, 32 Members received wholesale energy services from the KPP-through an Amended Operating Agreement with the KPP, which also gave them voting privileges in the KPP. A 33rd Member entered into a transmission-only agreement with the KPP. The remaining 8 Members take no services from the KPP, nor do they have voting privileges. Of the 33 Members receiving services, 21 Member cities signed twenty-year power purchase contracts with the KPP in 2012 for all of their wholesale energy needs. During 2012, the KPP added two member cities, the Cities of Mulvane and Waterville, Kansas. Both of these new Members signed twenty-year power purchase contracts with the KPP and began taking wholesale energy in June 2013, bringing the number of long-term power purchase contracts to 23. From 2010 to 2012, twelve Members without long-term power purchase contracts with the KPP gave notice of their intent to terminate their membership in the KPP. With a requirement of two years’ notice, the terminations were completed by the end of the first quarter 2014. During 2016, one of the 8 members taking no services from the KPP, the City of Glasco, signed a power purchase contract to begin taking wholesale electric service from the KPP in July 2017, which will bring the full-service membership of the KPP to 24. The KPP’s financial forecasts provided herein reflect these membership changes. The KPP is constantly analyzing services that will add value to the KPP Membership profile. The KPP’s current service territory is spread throughout the eastern two-thirds of Kansas.

Prior to April 2012, the KPP had exclusively used purchased power contracts and Member-owned generation under contract to provide the electric power and energy requirements of certain of its Members. In order to obtain a diversified portfolio of cost-based, reliable resources on a long-term basis to meet its Members’ growing load requirements and to replace power and energy that previously had been purchased under long- and short-term contracts, the KPP purchased, in April 2012, a 7.00% undivided interest in the Dogwood Energy Facility located at 2511 East 175<sup>th</sup> Street near Pleasant Hill, Missouri financed with the proceeds of the Series A, 2012 Bonds. The Dogwood Energy Facility is a Combined Cycle Unit, a modern and efficient clean generating source, and is currently the lowest cost energy resource available to buy and to operate. The facility is a 2x2x1 combined-cycle power generation plant consisting of two (2) Siemens 501F-D2 combustion turbine generators, two (2) Toshiba heat recovery steam generators, one (1) Toshiba steam turbine generator and ancillary facilities. The capacity of the facility is 620 MW. Natural gas is supplied to the facility by Panhandle Eastern Pipe Line Company, LP and Southern Star Central Gas Pipeline, Inc.

Since the initial 2012 acquisition of a share of the Dogwood Energy Facility, the KPP acquired an additional 20 MW’s of the Dogwood facility, bringing its share of the facility to approximately 10%. This acquisition was made possible with the proceeds from the 2015 Series A revenue bond issue. The newly acquired capacity replaced 15.5 MW’s from the terminated energy contract with Kansas City Board of Public Utilities from its Nearman generating facility, which had become one of the KPP’s most expensive energy sources.

In 2016, the KPP entered into a power purchase contract for 25 MW’s of wind energy from the newly-constructed Marshall County Wind Farm in northcentral Kansas. This contract, along with existing wind and hydroelectric contracts, has increased the KPP’s energy portfolio to about 20% from renewable energy sources.

## Organization and Management

A Board of Directors (the “Board”), consisting of nine members, directs the business affairs of the KPP. Annual elections for the members of the Board and officers are held in December of each year. The Board members and Officers at the time of this report are listed below:

Board Position	Name	City Title	City Utility	Board Term Expires
President	Brad Modlin	Utility Director	Mulvane	2021
1 <sup>st</sup> Vice President	Larry Paine	City Administrator	Hillsboro	2021
2 <sup>nd</sup> Vice President	Barry Hodges	City Administrator	Minneapolis	2018
Secretary/Treasurer	Rex Reynolds	City Council Member	Mount Hope	2020
Member	Stan Luke	Mayor	Burlington	2021
Member	Jim Sutton	Production Superintendent	Augusta	2020
Member	Gus Collins	Utility Director	Winfield	2018
Member	Bill Callaway	Superintendent of Utilities	Clay Center Public Utilities	2018
Member	Robert Peter	City Attorney	Ellinwood	2018

The management of the KPP is under the direction of its General Manager and Chief Executive Officer. The following are the members of the KPP’s management staff and their backgrounds.

**Mark Chesney** joined the Kansas Power Pool as General Manager and CEO on October 31, 2012. Mark is responsible for the administration and overall management of the KPP. Before joining the KPP, Mark served as General Manager for the Tahlequah Public Works Authority in northeast Oklahoma, Operations Manager for the Utah Municipal Power Agency headquartered in Provo, Utah, and Assistant General Manager for Energy Marketing and Development for the Grand River Dam Authority in Oklahoma. He earned a Masters in Business Administration, with Honors, from Oklahoma City University and a Bachelor of Science in Business Administration from the University of Central Oklahoma.

**Larry Holloway** joined the Kansas Power Pool in 2009 as Operations Manager. Larry is responsible for managing the operations of the KPP, including the coordination of KPP load and resources in the Southwest Power Pool Integrated Market, acquisition of generation resources and transmission service, cost and load forecasting for the KPP budget, annual development of the KPP budget and member rates, KPP member capacity accreditation testing and compliance, and participation in the Southwest Power Pool. Prior to joining the KPP, Larry was employed by the Kansas Corporation Commission as Chief of Energy Operations where he primarily served as the KCC’s electric utility policy expert. Larry holds engineering undergraduate degrees in Mechanical and Civil Engineering and a Masters in Mechanical Engineering from the University of Kansas as well as a Masters of Engineering Management from Washington State University. Larry is also a registered Civil and Mechanical Engineer in the State of Oregon. He was promoted to KPP Assistant General Manager for Operations in 2014.

**Ahmad Khan** (AK), who joined the Kansas Power Pool in 2014, is Senior Director of Wholesale Electric, Origination and Resource Planning. He is responsible for power operation functions. AK has more than 27 years of experience in the power marketing industry including MISO, PJM and CAISO. Before joining the KPP, he served for nearly 23 years at Xcel Energy Company where he held various positions. At Xcel Energy he served as trading analyst, portfolio manager and market pricing consultant and was responsible for MISO portfolio of 9,800 MW's and all Xcel Energy generation assets. His primary functions included managing long-term power purchase agreements, day-ahead and wholesale markets. He also has extensive experience in high pressure natural gas pipelines, compressor stations, and in gas supply. AK earned Bachelor of Science Degrees in Civil Engineering Technology and in Energy Management from University of South Dakota and Minnesota State University.

**Carl Myers** joined the Kansas Power Pool staff in 2011 as Director of Member Services. He is responsible for member outreach, financial reviews, electric distribution system assessment, continuing disclosure reporting, bond issue tracking, and website administration. Prior to joining the KPP, Carl served as finance director for the City of Hutchinson, city manager in Wellington and Hoisington, and in other public administration positions in New Mexico and Nebraska spanning 34 years. Carl holds a Bachelor of Arts degree in anthropology and a Master of Urban Affairs degree, both from Wichita State University.

**Vickie Matney** joined the Kansas Power Pool in 2008 and currently serves as Controller. Vickie is responsible for all accounting functions, including accounts receivable, accounts payable, financial statements, bank reconciliations, payroll, billing, bond reconciliations, Dogwood Energy Plant accounting, insurance, and overseeing the annual financial audit. For 18 years prior to coming to the KPP, Vickie was employed by the Wichita Eagle. Vickie has attended Wichita State University and has an Associate Degree in Liberal Arts from Butler County Community College, and holds a Bachelor of Business Administration Degree in Accounting from Friends University.

**James Ging** joined the Kansas Power Pool as Director of Engineering Services in January 2017. James is responsible for coordination of KPP load and resources in the Southwest Power Pool Integrated Market, acquisition of generation resources and transmission service, cost and load forecasting for the KPP budget, annual development of the KPP budget and member rates, KPP member capacity accreditation testing and compliance, and participation in the Southwest Power Pool. Before joining KPP, James was the Director of the Electric and Water for the City of Winfield. James was with the City of Winfield for 21 years. While at the City of Winfield he earned his Bachelors in Electrical Engineering from Wichita State University. James also attended Spartan School of Aviation where he obtained an Associate of Science and received Airframe and Power Plant Mechanic certification.

## **Membership**

The Agreement pursuant to which the KPP was created (the "Agreement Creating") contains provisions permitting additional cities of the State of Kansas that own and operate retail electric utility systems to become Members of the KPP, subject to satisfaction of the requirements for membership set forth therein. In order to become a Member, any qualified city must execute and deliver an ordinance of the governing body of the City expressing its intent to become a member of the KPP. The governing body of the City shall also adopt a resolution consenting to an amendment to the Agreement Creating adding the City as a Member. The Board of Directors of the KPP must consent to the addition of the City as a Member by a majority vote. Under the First Amendment to the Agreement Creating and the Second Amended Operating Agreement, any such additional Member having also signed the Second Amended Operating Agreement will be entitled to appoint a voting member to the Membership Committee and will be eligible to participate in all activities undertaken by the KPP on behalf of its Members.

## **Annual Budgets**

Upon review and recommendation of the KPP Board of Directors, the Membership Committee approves an annual budget (the "Annual Budget") prior to the commencement of each fiscal year. The Annual Budget includes all projected expenses of the KPP. The Membership Committee also approves wholesale rates calculated to generate revenue to cover all financial obligations of the KPP for the following fiscal year.

## Member City Loads

The KPP's Members are varied in population and energy needs. The annual peak demand of each of the Members for the calendar year 2016 is as follows:

<b>KPP Peak Demand (MW's)</b>		
Member Cities Served	Non-Coincident Peak Demand (MW's)	Percent of Total
Attica	1.955	0.93
Augusta	22.264	10.57
Burlington	9.218	4.37
Clay Center	12.425	5.90
Ellinwood	5.005	2.38
Erie	3.510	1.67
Greensburg	3.008	1.43
Haven	3.506	1.69
Hillsboro	7.056	3.35
Holyrood	1.169	0.55
Kingman	8.361	3.97
Lucas	1.742	0.83
Luray	0.731	0.35
Marion	5.355	2.54
Minneapolis	5.546	2.63
Mount Hope	1.704	0.81
Mulvane	12.822	6.09
Oxford	3.100	1.47
St. Marys	5.614	2.66
Udall	1.568	0.74
Waterville	1.387	0.66
Wellington	29.370	13.94
Winfield	64.376	30.55

## Rates and Charges

The rates established and approved by the KPP Membership Committee for services to Members are based on recovery of all the KPP's expenses, including all amounts required to satisfy any rate covenants of the KPP. Rates are established to charge each Member its proportionate share of all costs associated with the KPP's performance under the Operating Agreement. The costs of certain projects financed by the KPP under the terms of the Power Purchase Contracts are charged only to specific members. Therefore, rates for some members are increased to cover such project financing costs. Charges based on all rates are assessed and billed monthly. Each Member is required to pay all such charges when due, as provided in the Operating Agreement. Rates are established annually. To recognize the variances between budgeted and actual revenues, the KPP employs a monthly Energy Cost Adjustment to recover necessary revenue to meet budgeted revenue objectives. If the KPP Membership Committee fails to establish rates in accordance with the Operating Agreement, rates may be adjusted as deemed necessary to prevent an event of default under any bond indenture, lease or loan agreement.

The table below shows the system average cost per MWh for all energy delivered during the last five calendar years. Costs include all pooled fixed and variable costs. System average rates include average bill credits for the use of Member Capacity.

<b>Average Cost of Delivered Energy</b>	
<b>Year</b>	<b>Cost/MWh</b>
<b>2012</b>	\$56.82
<b>2013</b>	\$59.19
<b>2014</b>	\$69.92

<b>2015</b>	<b>\$62.15</b>
<b>2016</b>	<b>\$66.37</b>

## Current Power Supply Operations

To meet the power and energy requirements of the Members in 2016, the KPP obtained power and energy from the following resources: (i) power purchased under long-term firm energy contracts, unit-contingent energy contracts and interruptible contracts; (ii) Member Capacity; (iii) integrated market purchases; and (iv) power delivered pursuant to the KPP's ownership interest in the Dogwood Energy Facility. In 2016, the KPP purchased 873,356 MWh's of energy; in 2015, the KPP purchased 871,740 MWh's of energy, in 2014, the KPP purchased 892,985 MWh's of energy; in 2013, the KPP purchased 1,194,786 MWh's of energy; and in 2012, the KPP purchased 1,269,529 MWh's of energy.

When a KPP Member signs the Operating Agreement, the Member agrees to pool its generation resources to serve the entire membership. These pooled resources include purchase power agreements that Members have made with various entities. The only exception is for five Members having a power purchase agreement with the Western Area Power Administration, which does not allow its energy contracts to be pooled. The KPP pays the costs of pooled resources and incorporates them into its power supply portfolio. In addition, the Members agree to pledge the use of member-owned municipal generation to serve the pool, while the KPP pays the fuel and variable operating expenses if these units are called upon to serve the pool.

In addition to pooled resources, the KPP also has power purchase agreements with suppliers, including a 59 MW power purchase contract with Westar Energy, an agreement to purchase 12.5 MW's from the Greensburg wind farm, and a power purchase contract for 25 MW's of wind generation from the Marshall County Wind Farm. With the acquisition of an additional 20 MW's of capacity in July 2015, the KPP now has 62 MW's of generation from its ownership in the Dogwood Facility and contracts with Tenaska Power Services to supply short term market energy.

To provide transmission of its wholesale services to its Members, the KPP has obtained Network Integrated Transmission Service ("NITS") through the regional transmission operator, the Southwest Power Pool ("SPP"). The KPP also has an agreement with the Tenaska Power Services Co. ("Tenaska") for scheduling services. Tenaska arranges and schedules power deliveries and makes the associated transmission service requests for the KPP's resources and market purchases. Tenaska provides this service through its 24-hour, 7-day a week market and scheduling desk.

## Power Purchase Contracts

The KPP's existing long-term firm power purchase contracts include: (i) contract with Westar Energy for 59 MW of baseload power from the Jeffrey Energy Center, which will terminate January 2023; (ii) a 12.5 MW contract with the Greensburg Wind Farm that expires in 2030; and (iii) a 25 MW contract with the Marshall County Wind Farm that expires in 2036.

## Member Generating Capacity

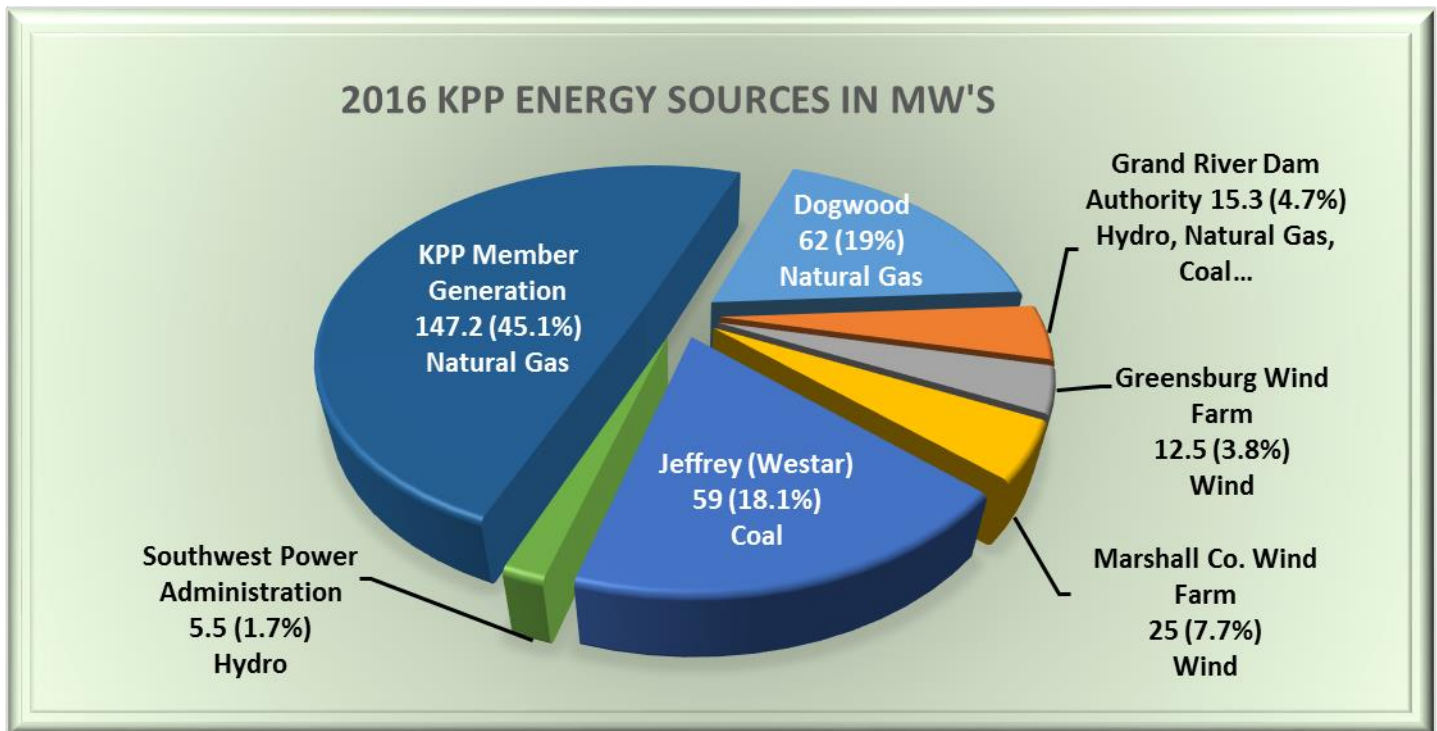
In 2016, the KPP has accepted 23 units as SPP Designated Network Resources with a total capacity of approximately 147.2 MW's of Member Capacity. Members that own Member Capacity receive a capacity payment for the KPP's use of Member Capacity. The capacity payment represents the KPP membership determined value for the capacity and energy. Most of the units dedicated to the KPP are less than 10 MW's and are principally older, diesel or dual fuel generators which are rarely dispatched.

### KPP Member Capacity

<b><u>Network Resources of KPP</u></b>		<b>Capacity</b>
<b><u>Member Cities</u></b>	<b><u>Fuel Type</u></b>	<b><u>(MW)</u></b>
Augusta (4 generators)	dual fuel	20.000
Burlington (3 generators)	dual fuel, diesel	10.100
Clay Center (5 generators)	dual fuel	19.400
Ellinwood (1 generators)	dual fuel	1.700
Kingman (3 generators)	dual fuel	12.300

Minneapolis (1 generator)	dual fuel	3.000
Mulvane (2 generators)	dual fuel	8.200
Wellington (2 generators)	dual fuel, diesel, gas	35.500
Winfield (2 generators)	dual fuel, diesel, gas	<u>37.000</u>
<b>Total Member Capacity</b>		<b>147.200</b>

The owners of Member Capacity are responsible for providing fuel and for keeping the units in good working order. All Member generating facilities have had and continue to receive proper maintenance and regularly scheduled overhauls. Since their initial in-service dates, many of the generating facilities have been refurbished, upgraded or expanded. The owners also are responsible for ensuring the units are in compliance with the existing requirements of the federal Clean Air Act covering fuel consumption restrictions.



### Historical and Projected Energy Requirements

The KPP's energy requirements have grown significantly since the KPP commenced operations. By the end of January 2014, the remaining three terminating Members had withdrawn from the KPP. The KPP added two new Members in 2013 to bring the long-term membership total to twenty-three. The biggest impact of the expected withdrawals occurred from 2013 to 2014 and reduced the KPP's projected energy requirements as demonstrated below.

#### HISTORICAL AND PROJECTED KPP MEMBER ENERGY REQUIREMENTS

<u>Year</u>	<b>Historical Energy Requirements (MWh)</b>	<u>Year</u>	<b>Projected Energy Requirements (MWh)</b>
2012	1,538,693	2017	908,100
2013	1,493,916	2018	909,300
2014	907,871	2019	912,300
2015	889,679	2020	918,300
2016	891,800	2021	921,700

## Future KPP Power Supply Resources

Based upon projections, the KPP needed to secure additional capacity and energy by as early as 2016 to replace the Nearman resource that ended on December 31, 2015. The KPP issued revenue bonds on July 29, 2015 to acquire an additional 20 MW ownership in the Dogwood facility. The KPP also signed a power purchase agreement from a new wind farm to be constructed in Marshall County, Kansas. Beginning in June 2016, the KPP will take 25 MW's of this renewable energy source from the Marshall Wind Project, which is owned and operated by BHE Wind. This power purchase contract runs for twenty years.

## Historical and Projected KPP Loads and Resources

The KPP previously has met the Members' power and energy requirements through a combination of purchased power and the use of Member Capacity. As the table below indicates, the KPP expects to utilize direct ownership interests in baseload generating facilities and unit contingent purchased power contracts to meet a substantial portion of its future obligations to the Members.

### HISTORICAL AND PROJECTED KPP LOADS AND RESOURCES (MW)

<u>Fiscal Year Ending December 31</u>	<u>Annual Peak Load</u>	<u>Peak Capacity Requirement</u>	<u>Dedicated Member Capacity</u>	<u>Contract Purchases</u>	<u>KPP Owned Capacity</u>	<u>Total Capacity</u>	<u>Surplus/ (Deficit)</u>
Historical:							
2009	266	301	299	89	0	388	87
2010	376	426	299	161	0	460	34
2011	383	434	299	161	0	460	26
2012	380	432	295	167	42	504	72
2013	342	389	295	159	42	496	107
2014	213	242	147	101	42	309	67
2015	212	241	147	92	62	320	79
2016	216	246	147	130	62	339	93
Projected:							
2017	216	242	147	130	62	339	97
2018	217	243	147	130	62	339	96
2019	219	245	147	130	62	339	94

## Transmission

The KPP currently provides transmission services for all Members through the regional transmission organization (Southwest Power Pool). All KPP Members' load is provided transmission service as part of KPP's Network Integrated Transmission Service.

In preparation for the Southwest Power Pool's implementation of an integrated market in 2014, the Kansas Power Pool secured firm transmission and congestion rights for all generation resources transmission paths necessary to serve KPP's member city loads. This firm transmission provides the ability to serve KPP's load from any one or combination of all KPP generation resources. KPP has also made the necessary arrangements with the Southwest Power Pool to secure a firm transmission path for the 10.3% participation in the Dogwood Energy Facility.

## Lines of Credit

The KPP has maintained a \$6,000,000 Line of Credit with Bank of the West since 2014. No draws on the line of credit have been made by the KPP since 2012. The Line of Credit is collateralized by a security interest in the KPP's accounts, inventory, instruments, and general intangibles and matures annually. In addition, the Line of Credit may be terminated by either the KPP or the lender upon thirty days' prior written notice.

## Financial Condition

The Statement of Revenues, Expenses and Changes in Net Position below has been prepared by the KPP based upon audited financial statements for fiscal years 2013 through 2016. The KPP's audited financial statements for the fiscal years ended December 31, 2016 and December 31, 2015 accompany this report. The information set forth in the table below should be read in conjunction with such financial statements.

### THE KANSAS POWER POOL

#### Statements of Revenues, Expenses and Changes in Net Position

	<u>2013*</u>	<u>2014*</u>	<u>2015*</u>	<u>2016*</u>
<b>Operating Revenues</b>	<b>\$74,219,464</b>	<b>\$63,665,316</b>	<b>\$55,199,423</b>	<b>\$59,014,369</b>
<b>Operating Expenses</b>				
Purchased Power	52,888,653	44,140,119	36,989,035	36,088,628
Transmission Expense	13,487,058	10,956,526	11,117,430	11,582,466
Depreciation Expense	826,051	848,570	1,010,743	1,313,845
Amortization of Unrecovered Development Costs	468,893	648,096	670,876	564,859
Dogwood Operating Expense	<u>982,153</u>	<u>1,018,220</u>	<u>1,106,602</u>	<u>1,211,372</u>
<b>Total Operating Expenses</b>	<b>68,652,808</b>	<b>57,611,531</b>	<b>50,894,686</b>	<b>50,761,170</b>
<b>Administrative and General Expenses</b>				
Salaries and benefits	662,954	736,522	864,039	913,696
Legal expenses	166,238	216,497	171,736	219,335
Consulting fees	79,773	93,716	41,649	42,994
Outside services	236,930	213,813	187,780	193,501
Insurance	78,407	94,152	105,113	136,428
Dues and memberships	191,775	129,098	143,527	158,546
Miscellaneous	212,886	258,605	261,070	268,381
Rent	30,889	27,863	32,525	42,072
Gain on Sale of Equipment		8,905		
Payment in Lieu of Taxes	<u>-----</u>	<u>-----</u>	<u>193,064</u>	<u>108,625</u>
<b>Total Admin &amp; General Expenses</b>	<b>1,659,852</b>	<b>1,779,171</b>	<b>2,000,503</b>	<b>2,083,578</b>
<b>Operating Income (Loss)</b>	<b>3,906,804</b>	<b>4,274,614</b>	<b>2,304,234</b>	<b>6,169,621</b>
<b>Non-Operating Revenue (Expense)</b>				
Interest Income	11,234	9,332	33,253	63,395
Interest Expense on Debt & Payables	(1,771,938)	(1,759,522)	(1,929,168)	(2,231,452)
Amortization of bond prem. & disc., net	105,105	104,518	113,943	161,498
Net costs recoverable	(49,442)	(51,213)	(56,941)	(81,684)
Total Non-Operating	(1,705,041)	(1,696,885)	(1,838,913)	(2,088,243)
<b>Deferred Inflows (Rate Stabilization)</b>	<b>(2,000,000)</b>	<b>(1,560,000)</b>		<b>(2,200,000)</b>
<b>Change in Net Position</b>	<b>201,763</b>	<b>1,017,729</b>	<b>465,321</b>	<b>1,881,378</b>
Net Position, Beginning of Year	10,910,368	11,112,131	11,738,878	12,204,199
Net Position, End of Year	\$11,112,131	\$12,129,860	\$12,204,199	\$14,085,577

\*Summaries are based on Audited Financials of the KPP for the years 2013, 2014, 2015, and 2016.



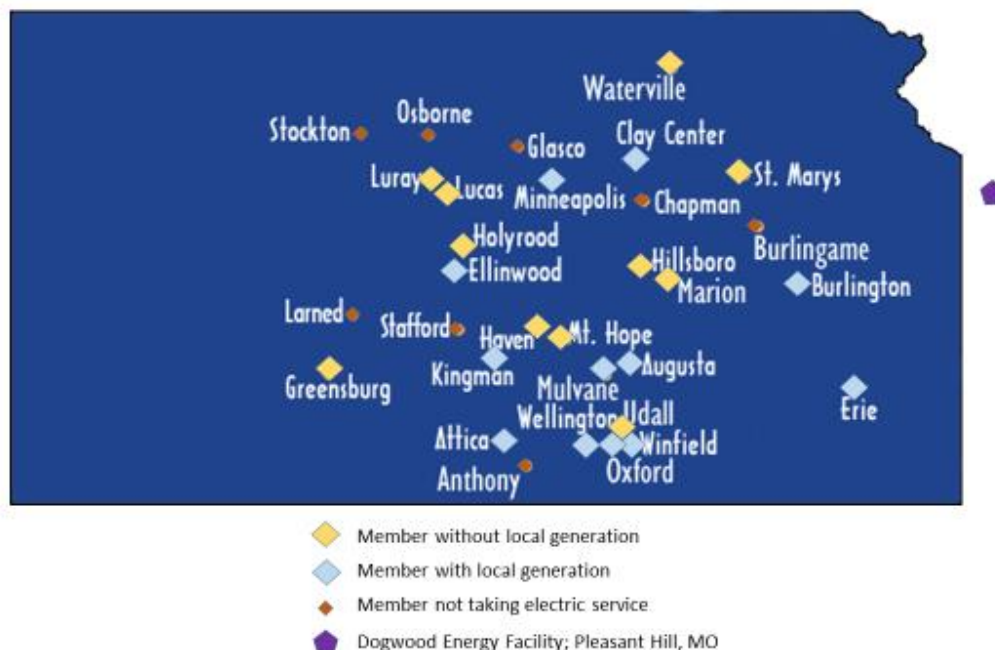
## Policy Results

From a financial perspective, the KPP Board has a fund reserve policy that establishes a 90-day average daily expense minimum for the ending net position. In addition, the Board created a rate stabilization fund to offset extraordinary expenses or loss of revenue to hedge against wholesale rate spikes for its Member utilities. Net position in excess of the 1.30 debt service coverage ratio objective is made part of this fund, which remains part of the KPP operating fund, but is segregated for rate stabilization purposes. The rate stabilization fund is currently at \$5,760,000. Pursuant to Board policy objectives, KPP expense days covered by unrestricted cash increased from 50.9 at the end of 2012 to 121.4 at the end of 2016. KPP's current ratio also improved from 3.84 in 2012 to 4.15 in 2016.

## THE MEMBER CITIES

### General

The Members are incorporated cities located in Kansas or Boards of Public Utility organized by a city located in Kansas. The locations of the Members are illustrated on the map below.



Each Participant owns and operates an electric distribution system for the sale of electric power and energy to customers located within its corporate boundaries and adjacent areas. A City Council or City Commission governs each Participant's electric system, except that the Clay Center Board of Public Utilities is operated by the Board of Public Utilities. Rates and charges for electric service are set by the authority vested in each City Council, City Commission or Board of Public Utilities, and are not subject to regulation by any federal authority. Distribution of electricity is provided through distribution systems that have been owned and operated by the respective Members, in many cases, for more than 100 years. Supply of electric power and energy is provided by means of city-owned generating units and/or by power purchase contracts with electric suppliers managed or owned by the KPP.

The Members have diverse economic bases, comprised of various sectors including health care, education, agriculture, service industries, commercial businesses and light and heavy manufacturing. Certain information regarding the Cities of Augusta, Burlington, Clay Center, Kingman, Mulvane, Wellington and Winfield (the "Large Participants") is set forth in **APPENDIX B** hereto. The information contained in **APPENDIX B** hereto has been prepared by the KPP from data provided by the Large Participants as appropriate and is based on audited financial information when available.

## The Power Purchase Contracts

As of December 31, 2016, all twenty-three (23) Members have executed a Power Purchase Contract with KPP. The term of the Power Purchase Contract for fourteen Members is a period of twenty (20) years from January 10, 2012. The Power Purchase Contract for the remaining nine Members has a term ending on the later of twenty years or the date on which the principal and interest on all bonds are paid in full and the bonds are retired. No Power Purchase Contracts are subject to cancellation or termination prior to the end of the contract term.

The Power Purchase Contracts require the KPP to sell, and the Participants to purchase, all the Participants' required electrical power from the KPP, with the single exception of energy for five KPP Members from the Western Area Power Administration (WAPA), which may not be used as a KPP pooled resource. The Participants agree to pay the Costs of Power, which is defined to include the following:

- (A) all costs of producing and delivering to the Participant electric power and energy from time to time under the Power Purchase Contract (including, but not limited to, costs which vary with the amount of electric power produced or delivered, general and administrative expenses, engineering expenses, legal and financial advisory expenses and other costs not otherwise set forth herein);
- (B) an equitably allocated portion of monthly costs of operating the KPP (including internal personnel costs, rents, administrative and general expenses and working capital, engineering expenses, capital equipment expenses, legal and financial advisory expenses, required payments to pension, retirement, health and hospitalization funds, insurance premiums and taxes or payments in lieu of thereof) all to the extent not directly attributable or traceable to supplying power and energy and other services to the Participants or any other Members, and not included in the costs specified in the other items of this definition;
- (C) any and all charges or tariffs for electric power set by any Governmental Authority multiplied by the amount of electric power subject to such charges or tariffs provided to the Participant; and
- (D) an equitably allocated portion of any additional amount not specified in the other items of this definition which must be paid by the KPP.

Certain of the Power Purchase Contracts also require the Participant to pay the KPP a Debt Repayment charge connected to any projects which the KPP has financed specifically for such Participant. The term "Debt Repayment" includes (to the extent not recovered by the KPP under another portion of the Costs of Power):

- (A) the Participant's Allocable Portion of the amount necessary to pay the monthly debt service requirement on any Bonds issued to finance or refinance any Project to fully reimburse all actual costs of acquisition, construction and installation of any Project, including, but not limited to, Costs of Issuance, the cost of borrowing, financing costs, interest costs, and out-of-pocket administrative costs associated therewith;
- (B) the Participant's Allocable Portion of any other amount which must be realized by the KPP to meet the requirement of any rate or tax compliance covenant made by the Participant or KPP connected to the issuance of tax-exempt Bonds;
- (C) prior to the issuance of such Bonds, the amount necessary to pay the monthly interest carrying costs of KPP for funds expended on the Project computed based on the greater of the Carrying Interest Rate set forth on Schedule I for the applicable Project or the highest amount then being incurred by KPP for any borrowed funds; and
- (D) the amount necessary to pay the monthly debt service requirement on any funds expended on any Project by the KPP amortized by the KPP to fully reimburse all actual costs of acquisition, construction and installation of any Project, including, but not limited to, Costs of Issuance, the cost of borrowing, financing costs, interest costs, and out-of-pocket administrative costs associated therewith.

Payments by the Participants constitute Operations and Maintenance Expenses of such Participants respective electric systems.

## **Transmission Arrangements**

Under the Amended Operating Agreements and the Power Purchase Contracts, the KPP is obligated to deliver power and energy to the Participants at the interconnection point with the Participant. The KPP delivers power and energy to the Participants through a Network Integration Transmission Service agreement with the Southwest Power Pool.

## DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements for the Series A, 2012 Bonds, the Series B, 2012 Bonds, the Series C, 2012 Bonds, the Series A, 2013 Bonds, and the Series A, 2015 Bonds on an accrual basis:

Year Ending December	<u>Series A, 2012 Bonds</u>		<u>Series B, 2012 Bonds</u>		<u>Series C, 2012 Bonds</u>		<u>Series A, 2013 Bonds</u>		<u>Series A, 2015 Bonds</u>		
<u>31</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	1,060,000	1,318,750	270,000	81,750	100,000	51,130	280,000	161,937.52	475,000	769,057.78	\$4,567,625
2017	1,105,000	1,276,350	280,000	73,650	100,000	48,380	285,000	153,537.52	680,000	560,150.00	\$4,562,068
2018	1,145,000	1,232,150	285,000	65,250	105,000	45,630	295,000	144,987.52	700,000	539,750.00	\$4,557,768
2019	1,205,000	1,174,900	295,000	56,700	110,000	41,430	305,000	136,137.52	725,000	518,750.00	\$4,567,918
2020	1,265,000	1,114,650	305,000	47,850	115,000	37,030	310,000	129,656.26	745,000	497,000.00	\$4,566,186
2021	1,325,000	1,051,400	315,000	38,700	120,000	32,430	325,000	117,256.26	770,000	474,650.00	\$4,569,436
2022	1,395,000	985,150	325,000	29,250	125,000	27,630	330,000	108,725.00	790,000	451,550.00	\$4,567,305
2023	1,465,000	915,400	650,000	19,500	215,000	22,630	340,000	99,650.00	815,000	427,850.00	\$4,562,358
2024	1,535,000	842,150	0	0	25,000	14,030	350,000	89,450.00	845,000	395,250.00	\$4,095,880
2025	1,615,000	765,400	0	0	30,000	12,880	360,000	78,950.00	880,000	361,450.00	\$4,103,680
2026	1,695,000	684,650	0	0	30,000	11,500	375,000	67,250.00	915,000	326,250.00	\$4,104,650
2027	1,780,000	599,900	0	0	30,000	10,120	385,000	54,593.76	960,000	280,500.00	\$4,100,114
2028	1,870,000	510,900	0	0	35,000	8,740	400,000	41,600.00	1,010,000	232,500.00	\$4,108,740
2029	1,950,000	426,750	0	0	35,000	7,130	415,000	25,600.00	1,060,000	182,000.00	\$4,101,480
2030	2,050,000	329,250	0	0	35,000	5,520	225,000	9,000.00	1,100,000	139,600.00	\$3,893,370
2031	4,535,000	226,750	0	0	85,000	3,910	0	0	2,390,000	95,600.00	\$3,662,517
Total	<u>\$28,025,000</u>	<u>\$14,804,150</u>	<u>\$2,985,000</u>	<u>\$502,200</u>	<u>\$1,395,000</u>	<u>\$434,000</u>	<u>\$4,980,000</u>	<u>\$1,418,331.36</u>	<u>\$14,860,000</u>	<u>\$6,251,907.78</u>	<u>\$68,691,094</u>

\* See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

## LITIGATION

At the time of delivery of the Bonds, the KPP will certify that there is no litigation or other proceeding pending or, to the knowledge of the KPP, threatened in any court, agency or other administrative body (either state or federal) restraining or enjoining the authorization, issuance, sale or delivery of the Bonds or the collection of Gross Revenues, or in any way questioning or affecting: (i) the proceedings under which the Bonds are to be issued, (ii) the validity of any provision of the Bonds or the Master Finance Resolution, (iii) the pledge by the KPP under the Master Finance Resolution, (iv) the validity or enforceability of the Asset Purchase Agreement, the Power Purchase Contracts or the Participation Agreement or (v) the legal existence of the KPP or the title to office of the officials of the KPP.

CITY OF	AUGUSTA	BURLINGTON	CLAY CENTER	KINGMAN	MULVANE	WELLINGTON	WINFIELD
CUSTOMER SALES (MWH'S)	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
FISCAL YEAR 2016							
PEAK LOAD (MW'S)	22.264	9.218	12.425	8.361	12.822	29.370	64.376
RESIDENTIAL	37,769	13,294	19,855	14,074	24,183	35,134	59,230
COMMERCIAL	21,555	15,928	10,557	7,144	13,775	46,905	25,695
INDUSTRIAL	8,610	2,197	15,599	20,562		20,052	201,520
OTHER		368				7,344	9,035
TOTAL SALES	67,934	31,787	46,011	41,780	37,958	109,435	295,480
FISCAL YEAR 2015							
PEAK LOAD (MW'S)	22.231	9.085	12.825	10.663	12.050	28.761	61.340
RESIDENTIAL	34,830	12,379	19,805	14,038	23,819	35,174	58,065
COMMERCIAL	18,853	17,504	10,628	7,033	14,298	33,641	25,379
INDUSTRIAL	8,005	2,714	15,886	20,621		18,961	200,789
OTHER		429				12,762	7,440
TOTAL SALES	61,688	33,026	46,319	41,692	38,117	100,538	291,673
FISCAL YEAR 2014							
PEAK LOAD (MW'S)							
RESIDENTIAL	22.342	9.558	14.373	11.412	12.316	30.096	63.408
COMMERCIAL	37,721	13,563	20,693	14,397	24,204	36,248	60,408
INDUSTRIAL	19,576	16,940	10,746	7,327	14,084	32,802	25,009
OTHER	10,380	2,235	16,010	20,125		19,425	216,059
TOTAL SALES						13,145	7,769
	67,677	32,738	47,449	41,849	38,288	101,620	309,246
FISCAL YEAR 2013							
PEAK LOAD (MW'S)	22.593	9.361	14.081	12.039	Unavailable	31.493	64.734
RESIDENTIAL	38,593	13,353	20,652	14,090	24,317	36,054	59,392
COMMERCIAL	20,532	19,068	26,306	7,304	13,794	29,759	22,643
INDUSTRIAL	7,269	673	603	22,572		23,055	215,467
OTHER		1,056		1,374		13,336	7,340
TOTAL SALES	66,394	34,150	47,561	45,340	38,111	102,204	304,843

<i>CITY OF</i> <i>CUSTOMER REVENUES</i> <i>(\$\$)</i>	<b>Augusta</b> <b>Unaudited</b>	<b>Burlington</b> <b>Unaudited</b>	<b>Clay Center</b> <b>Unaudited</b>	<b>Kingman</b> <b>Unaudited</b>	<b>Mulvane</b> <b>Unaudited</b>	<b>Wellington</b> <b>Unaudited</b>	<b>Winfield</b> <b>Unaudited</b>
FISCAL YEAR 2016							
<b>RESIDENTIAL</b>	\$ 4,214,965	\$ 1,654,062	\$ 2,492,026	\$ 1,987,834	\$ 2,991,720	\$ 5,585,462	\$ 7,050,893
<b>COMMERCIAL</b>	\$ 2,147,747	\$ 1,866,786	\$ 1,413,041	\$ 992,601	\$ 1,769,643	\$ 5,910,966	\$ 3,471,418
<b>INDUSTRIAL</b>	\$ 786,953	\$ 239,517	\$ 1,723,365	\$ 2,000,726		\$ 2,033,400	\$ 7,490,576
<b>OTHER</b>							\$ 1,019,331
TOTAL SALES	<b>\$ 7,149,665</b>	<b>\$ 3,760,365</b>	<b>\$ 5,628,432</b>	<b>\$ 4,981,161</b>	<b>\$ 4,761,363</b>	<b>\$ 13,529,828</b>	<b>\$ 19,032,218</b>
FISCAL YEAR 2015							
<b>RESIDENTIAL</b>	\$ 4,162,730	\$ 1,665,598	\$ 2,603,386	\$ 1,839,029	\$ 2,860,977	\$ 4,864,047	\$ 7,120,769
<b>COMMERCIAL</b>	\$ 1,903,948	\$ 2,005,700	\$ 1,467,562	\$ 908,471	\$ 1,706,917	\$ 4,111,057	\$ 2,699,611
<b>INDUSTRIAL</b>	\$ 743,939	\$ 295,496	\$ 1,752,076	\$ 1,991,268		\$ 1,897,778	\$ 15,206,746
<b>OTHER</b>						\$ 1,456,455	\$ 624,851
TOTAL SALES	<b>\$ 6,810,617</b>	<b>\$ 3,966,794</b>	<b>\$ 5,823,024</b>	<b>\$ 4,738,768</b>	<b>\$ 4,567,894</b>	<b>\$ 12,329,337</b>	<b>\$ 25,651,977</b>
FISCAL YEAR 2014							
<b>RESIDENTIAL</b>	\$ 4,209,000	\$ 1,664,152	\$ 2,745,629	\$ 1,861,254	\$ 2,949,808	\$ 5,223,793	\$ 10,234,348
<b>COMMERCIAL</b>	\$ 1,974,506	\$ 2,041,169	\$ 1,497,637	\$ 930,986	\$ 1,715,657	\$ 4,214,573	\$ 4,071,424
<b>INDUSTRIAL</b>	\$ 950,159	\$ 242,796	\$ 1,868,344	\$ 1,765,517		\$ 2,069,863	\$ 12,959,441
<b>OTHER</b>						\$ 1,608,223	\$ 818,683
TOTAL SALES	<b>\$ 7,133,665</b>	<b>\$ 3,948,017</b>	<b>\$ 6,111,610</b>	<b>\$ 4,557,756</b>	<b>\$ 4,665,465</b>	<b>\$ 13,116,452</b>	<b>\$ 28,083,896</b>
FISCAL YEAR 2013							
<b>RESIDENTIAL</b>	\$ 4,288,910	\$ 1,366,850	\$ 1,488,413	\$ 1,824,926	\$ 2,645,069	\$ 4,762,895	\$ 7,295,452
<b>COMMERCIAL</b>	\$ 2,055,327	\$ 1,869,800	\$ 1,673,025	\$ 929,560	\$ 1,494,214	\$ 3,438,175	\$ 2,604,196
<b>INDUSTRIAL</b>	\$ 663,950	\$ 57,427	\$ 68,073	\$ 1,873,388		\$ 2,259,164	\$ 13,935,178
<b>OTHER</b>		\$ 47,370		\$ 162,934		\$ 1,470,893	\$ 825,423
TOTAL SALES	<b>\$ 7,008,187</b>	<b>\$ 3,341,447</b>	<b>\$ 3,229,511</b>	<b>\$ 4,790,808</b>	<b>\$ 4,139,283</b>	<b>\$ 11,931,127</b>	<b>\$ 24,660,249</b>

<i>City of</i>	<i>Augusta</i>	<i>Burlington</i>	<i>Clay Center</i>	<i>Kingman</i>	<i>Mulvane</i>	<i>Wellington</i>	<i>Winfield</i>
<i>Last Audit Submitted</i>	<i>2015</i>	<i>2015</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2015</i>	<i>2015</i>
<i>Basis of Accounting</i>	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>
						<i>Combined Utility</i>	
<b><i>Fiscal Year 2016</i></b>							
Customer Revenue				5,339,948			
Other Revenue				263,104			
<b>Total Operating Revenue</b>				<b>5,603,052</b>			
Purchased Power Exp.							
Other Operating Expense				4,564,748			
<b>Total Operating Expense</b>				<b>4,564,748</b>			
<b><i>Net Revenues</i></b>				<b>1,038,304</b>			
<i>Non-Operating Expense:</i>							
Transfers Out (In)				724,635			
Other non-Operating Exp.				158,134			
<b>Total non-Operating Exp.</b>				<b>882,769</b>			
<b><i>Net Income</i></b>				<b>155,535</b>			
Depreciation & Amortization							
Net Transfers Out				100,000			
Capital Outlay				23,134			
Debt Service or Transfer To				624,635			
<b>Available for Debt Service</b>							
Debt Service				448,050			
<b>Debt Service Coverage</b>				<b>2.02</b>			

<i>City of</i>	<i>Augusta</i>	<i>Burlington</i>	<i>Clay Center</i>	<i>Kingman</i>	<i>Mulvane</i>	<i>Wellington</i>	<i>Winfield</i>
<i>Last Audit Submitted</i>	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>
<i>Basis of Accounting</i>	<b>Fund</b>	<b>Fund</b>	<b>Fund</b>	<b>Fund</b>	<b>Fund</b>	<b>Fund</b>	<b>Fund</b>
						<i>Combined Utility</i>	
<b>Fiscal Year 2015</b>	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>
Customer Revenue	8,566,748	4,011,188	6,105,249	4,999,886	4,420,342	12,850,427	26,725,157
Other Revenue	130,684	68,105	297,152	155,677	79,638	99,971	253,243
<b>Total Operating Revenue</b>	<b>8,697,432</b>	<b>4,079,293</b>	<b>6,402,401</b>	<b>5,155,563</b>	<b>4,499,980</b>	<b>12,950,398</b>	<b>26,978,400</b>
Purchased Power Exp.							18,594,686
Other Operating Expense	7,299,704	3,422,049	5,648,240	4,058,001	4,098,809	9,721,335	4,729,698
<b>Total Operating Expense</b>	<b>7,299,704</b>	<b>3,422,049</b>	<b>5,648,240</b>	<b>4,058,001</b>	<b>4,098,809</b>	<b>9,721,335</b>	<b>23,324,384</b>
<b>Net Revenues</b>	<b>1,397,728</b>	<b>657,244</b>	<b>754,161</b>	<b>1,097,562</b>	<b>401,171</b>	<b>3,229,063</b>	<b>3,654,016</b>
<i>Non-Operating Expense:</i>							
Transfers Out (In)	1,500,800	95,000	141,491	724,635		2,211,836	1,059,200
Other non-Operating Exp.	537,038		768,151	135,000	539,967	1,240,649	2,810,966
<b>Total non-Operating Exp.</b>	<b>2,037,838</b>	<b>433,873</b>	<b>909,642</b>	<b>859,635</b>	<b>539,967</b>	<b>3,452,485</b>	<b>3,870,166</b>
<b>Net Income</b>	<b>(640,110)</b>	<b>223,371</b>	<b>(155,481)</b>	<b>237,927</b>	<b>(138,796)</b>	<b>(223,422)</b>	<b>(216,150)</b>
Depreciation & Amortization		338,873					
Net Transfers Out	1,500,800	95,000	141,491	724,635		2,211,836	1,059,200
Capital Outlay	537,038		407,007			23,591	648,671
Debt Service & Interest Exp.	529,794		358,538		365,049	138,952	
<b>Available for Debt Service</b>	<b>1,927,522</b>	<b>657,244</b>	<b>751,555</b>	<b>992,237</b>	<b>226,253</b>	<b>2,150,957</b>	<b>1,491,721</b>
Debt Service	529,794	0	358,538	624,635	365,049	138,952	0
<b>Debt Service Coverage</b>	<b>3.64</b>	<b>N/A</b>	<b>2.16</b>	<b>1.59</b>	<b>0.62</b>	<b>15.48</b>	<b>N/A</b>



<i>City of</i>	<i>Augusta</i>	<i>Burlington</i>	<i>Clay Center</i>	<i>Kingman</i>	<i>Mulvane</i>	<i>Wellington</i>	<i>Winfield</i>
<i>Last Audit Submitted</i>	<i>2015</i>	<i>2015</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2015</i>	<i>2015</i>
<i>Basis of Accounting</i>	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>
						<i>Combined Utility</i>	
<i>Fiscal Year 2014</i>	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>
Customer Revenue	9,085,772	3,917,492	8,027,943	5,060,907	4,822,691	16,519,173	28,082,319
Other Revenue	373,275	77,788	1,157,501	218,721	41,160	150,805	1,457,250
<b>Total Operating Revenue</b>	<b>9,459,047</b>	<b>3,995,280</b>	<b>9,185,444</b>	<b>5,279,628</b>	<b>4,863,851</b>	<b>16,669,978</b>	<b>29,539,571</b>
Purchased Power Exp.	5,974,431	2,813,815	4,221,575				
Other Operating Expense	1,874,383	1,030,155	2,798,842	4,667,128	4,368,463	13,691,212	25,976,961
<b>Total Operating Expense</b>	<b>7,848,814</b>	<b>3,843,970</b>	<b>7,020,417</b>	<b>4,667,128</b>	<b>4,368,463</b>	<b>13,691,212</b>	<b>25,976,961</b>
<b>Net Revenues</b>	<b>1,610,233</b>	<b>151,309</b>	<b>2,165,027</b>	<b>612,500</b>	<b>495,388</b>	<b>2,978,766</b>	<b>3,562,610</b>
<i>Non-Operating Expense:</i>							
Transfers Out (In)	1,415,800	295,000	914,960	748,000	(26,000)	3,609,450	2,507,870
Other non-Operating Exp.	407,049	(139,152)	200,663	25,033	526,881	1,561,383	496,707
<b>Total non-Operating Exp.</b>	<b>1,822,849</b>	<b>155,848</b>	<b>1,115,623</b>	<b>773,033</b>	<b>500,881</b>	<b>5,170,833</b>	<b>3,004,577</b>
<b>Net Income</b>	<b>(212,616)</b>	<b>(4,539)</b>	<b>1,049,404</b>	<b>(160,533)</b>	<b>(5,493)</b>	<b>(2,192,067)</b>	<b>558,033</b>
Depreciation & Amortization							
Net Transfers Out	1,415,800	295,000	914,960	748,000	(26,000)	3,609,450	2,507,870
Capital Outlay	421,786	79,295	728,634	25,078		21,855	496,707
Debt Service or Transfer To			943,072	617,910	551,027	1,839,752	
<b>Available for Debt Service</b>	<b>1,624,970</b>	<b>369,756</b>	<b>3,636,070</b>	<b>1,230,455</b>	<b>519,534</b>	<b>3,278,990</b>	<b>3,562,610</b>
Debt Service	532,394		943,072	617,910	551,027	1,839,751	
<b>Debt Service Coverage</b>	<b>3.05</b>		<b>3.86</b>	<b>1.99</b>	<b>0.94</b>	<b>1.78</b>	

<i>City of</i>	<i>Augusta</i>	<i>Burlington</i>	<i>Clay Center</i>	<i>Kingman</i>	<i>Mulvane</i>	<i>Wellington</i>	<i>Winfield</i>
<i>Last Audit Submitted</i>	<i>2015</i>	<i>2015</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2015</i>	<i>2015</i>
<i>Basis of Accounting</i>	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>
						<i>Combined Utility</i>	
<i>Fiscal Year 2013</i>	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>
Customer Revenue	8,395,988	3,338,075	5,574,375	4,841,185	4,269,933	15,107,497	24,555,264
Other Revenue	161,969	17,240	436,527	224,135	68,109	328,359	216,691
<b>Total Operating Revenue</b>	<b>8,557,957</b>	<b>3,355,315</b>	<b>6,010,902</b>	<b>5,065,320</b>	<b>4,338,042</b>	<b>15,435,856</b>	<b>24,771,955</b>
Purchased Power Exp.							18,706,245
Other Operating Expense	6,763,663	3,454,410	5,463,558	4,497,491	3,639,242	12,403,136	6,283,959
<b>Total Operating Expense</b>	<b>6,763,663</b>	<b>3,454,410</b>	<b>5,463,558</b>	<b>4,497,491</b>	<b>3,639,242</b>	<b>12,403,136</b>	<b>24,990,204</b>
<b>Net Revenues</b>	<b>1,794,294</b>	<b>(99,095)</b>	<b>547,344</b>	<b>567,829</b>	<b>698,800</b>	<b>3,032,720</b>	<b>(218,249)</b>
<i>Non-Operating Expense:</i>							
Transfers Out (In)	1,322,700	95,000	145,813	849,250		2,939,034	786,330
Other non-Operating Exp.	321,819	352,498	753,450	253,404	382,405	1,648,180	496,872
<b>Total non-Operating Exp.</b>	<b>1,644,519</b>	<b>447,498</b>	<b>899,263</b>	<b>1,102,654</b>	<b>382,405</b>	<b>4,587,214</b>	<b>1,283,202</b>
<b>Net Income</b>	<b>149,775</b>	<b>(546,593)</b>	<b>(351,919)</b>	<b>(534,825)</b>	<b>316,395</b>	<b>(1,554,494)</b>	<b>(1,501,451)</b>
Depreciation & Amortization		352,498					
Net Transfers Out	1,322,700	95,000	145,813	849,250		2,939,034	786,330
Capital Outlay	323,819		423,622	253,763			512,459
Debt Service or Transfer To			343,165	415,000	230,153	1,849,468	
<b>Available for Debt Service</b>	<b>1,796,294</b>	<b>(99,095)</b>	<b>560,681</b>	<b>205,548</b>	<b>546,548</b>	<b>3,234,008</b>	<b>(202,662)</b>
Debt Service	530,594		343,165	620,548	230,153	1,849,468	
<b>Debt Service Coverage</b>	<b>3.39</b>		<b>1.63</b>	<b>1.92</b>	<b>2.37</b>	<b>1.75</b>	

### Operating Expense Days Covered by Unrestricted Fund Balance

	Augusta	Burlington	Clay Center	Kingman	Mulvane	Wellington	Winfield
<b>FY 2016</b>						<i>Combined Utility</i>	
Electric Fund Balance				\$ 602,843			
Days Cash on Hand				48			
Plus Unrestricted Reserve*				\$ 2,340,693			
Days Cash on Hand*				187			
<b>FY 2015</b>							
Electric Fund Balance	\$ 2,355,752	\$ 1,977,349	\$ 2,774,891	\$ 239,594	\$ 2,764,923	\$ 5,906,990	\$ 2,671,274
Days Cash on Hand	118	211	180	22	247	222	42
Plus Unrestricted Reserve*	\$ 4,225,353			\$ 1,877,888		\$ 7,167,839	\$ 5,272,266
Days Cash on Hand*	212			169		270	83
<b>FY 2014</b>							
Electric Fund Balance	\$ 2,995,862	\$ 1,424,213	\$ 2,930,373	\$ 31,342	\$ 2,903,719	\$ 7,407,055	\$ 2,895,966
Days Cash on Hand	139	143	175	2	243	246	41
Plus Unrestricted Reserve*	\$ 5,461,048			\$ 1,825,524		\$8,414,718	\$5,554,246
Days Cash on Hand*	253			143		280	78
<b>FY 2013</b>							
Electric Fund Balance	\$ 3,227,455	\$ 1,416,804	\$ 274,547	\$ 191,875	\$ 2,909,212	\$ 9,897,743	\$ 2,577,009
Days Cash on Hand	174	150	18	16	292	291	38
Plus Unrestricted Reserve*	\$ 5,573,391			\$ 2,307,726		\$ 11,409,363	\$ 5,151,789
Days Cash on Hand*	301			187		336	75
<b>FY 2012</b>							
Electric Fund Balance	\$ 3,077,680	\$ 1,753,036	\$ 661,659	\$ 726,700	\$ 2,592,817	\$ 11,444,617	\$ 3,720,109
Days Cash on Hand	172	194	45	60	260	361	57
Plus Unrestricted Reserve*	\$ 5,304,284			\$ 3,334,823		\$ 12,391,991	\$ 6,466,872
Days Cash on Hand*	296			277		390	98

\* Denotes the addition of the unrestricted balance of another electric fund (e.g., electric operating reserve or electric surplus) for the Days Cash on Hand calculation. Note: Wellington has a combined utility fund comprised of electric, water, and wastewater utilities.

**Large Pool Power Purchasers  
2016 Top Ten Customers by Revenue**

<b>Customer</b>	<b>Industry</b>	<b>% of Revenues</b>
<b><i>Augusta</i></b>		
DJ Engineering	Manufacturing	7.92%
USD 402	Education	4.97%
Wal-Mart	Retail	3.03%
Dillons	Grocery	2.17%
Lakepoint Nursing Home	Health Care	1.34%
Global Parts	Manufacturing	1.21%
McDonalds	Restaurant	1.01%
STM Botanica, Inc.	Manufacturing	0.91%
Liberty Machining, Inc.	Manufacturing	0.78%
Cottonwood Point	Health Care	0.72%
<b><i>Burlington</i></b>		
USD# 244 schools	Education	9.66%
Coffey Co. Hospital	Health Care	8.77%
Charloma	Manufacturing	6.37%
Hoover's Thriftway	Grocery	3.13%
Coffey Co. Courthouse	Government	2.55%
USD Rec Commission	Government	2.43%
Life Care Center	Health Care	1.90%
Century Link	Telecommunications	1.42%
City of Burlington	Government	1.24%
Shopko	Retail	1.03%
<b><i>Clay Center</i></b>		
Clay County Medical Center	Health Care	5.37%
Hutchinson-Mayrath	Manufacturing	4.86%
USD 379	Education	3.91%
Farmway CO-OP	Agribusiness	2.62%
Ray's Apple Market	Grocery	2.45%
Presbyterian Manor	Health Care	1.15%
Kier Enterprises	Grocery	1.14%
Leiszler Oil	Fuel	0.99%
Apollo Towers	Housing	0.98%
Medicalodge	Health Care	0.94%

**Kingman**

Great Lakes Polymer Tech (Twine)	Manufacturing	21.00%
Great Lakes Polymer Tech (Netwrap)	Manufacturing	6.41%
USD 331	Education	5.46%
Kingman Hospital	Health Care	2.95%
White's IGA	Grocery	2.44%
Wheatlands Nursing Home	Health Care	1.46%
Caseys General Store	Grocery/Fuel	1.10%
McDonalds's	Restaurant	1.08%
Pizza Hut	Restaurant	0.54%
Dollar General	Retail	0.49%

**Mulvane**

USD 263	Education	8.72%
City of Mulvane	Government	4.78%
Dillons	Grocery	1.59%
Buffco Engineering	Manufacturing	1.30%
Villa Maria	Health Care	1.29%
Wolfe Machine	Manufacturing	1.20%
Mulvane CO-OP	Agribusiness	1.18%
Maria Court	Health Care	1.16%
Stroots	Retail/Food	0.87%
Cowley College	Education	0.85%

**Wellington**

Tect Aerospace	Manufacturing	8.72%
GKN	Manufacturing	8.55%
USD #353	Education	5.25%
Elkhorn Valley Packing	Food Processing	3.57%
Walmart	Retail	3.44%
Sumner Regional Medical Center	Health Care	2.92%
Triumph Accessories	Manufacturing	2.25%
Dillons	Grocery	1.59%
Sumner Co. Law Enforcement	Government	1.28%
Tramer LLC/Kansas Plastics	Manufacturing	0.99%

**Winfield**

Rubbermaid	Manufacturing	18.06%
Meadwestvaco Calmar	Manufacturing	7.86%
General Electric	Manufacturing	7.42%
Westrock (KSQ)	Manufacturing	4.33%
Winfield Correctional Facility	Government	4.14%
Wm Newton Hospital	Health Care	2.16%
Walmart	Retail	2.08%
Husky Liners	Manufacturing	2.04%
Galaxy Tool	Manufacturing	1.86%
USD 465	Education	1.80%