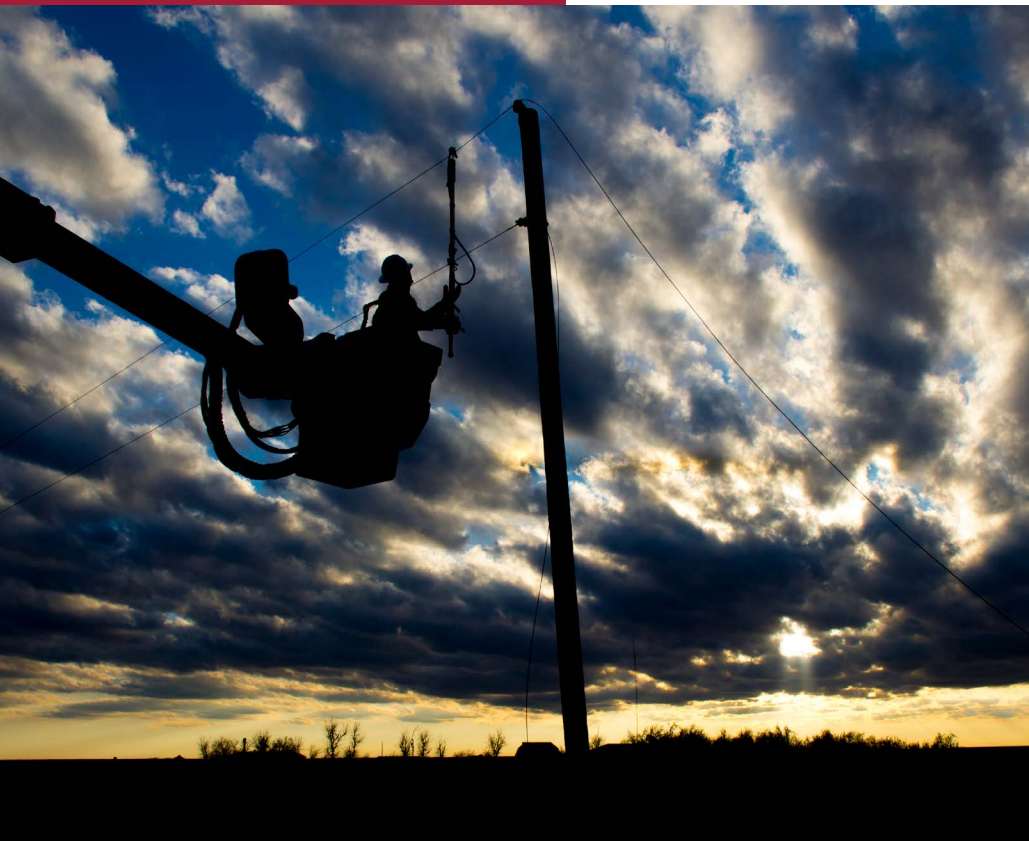


2019



ANNUAL REPORT

KANSAS ELECTRIC POWER

COOPERATIVE



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 lineman from Victory Electric Cooperative, Dodge City, works at sunset.



2019 ANNUAL REPORT

OUR STAFF



Suzanne Lane
Exec. Vice President & CEO
3 years of service



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



Susan Cunningham
Sr. Vice President, Regulatory &
Government Affairs & General Counsel
2 years of service



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



Stephanie Anderson
Finance & Benefits Analyst 2
6 years of service



Chris Davidson
Engineer 3
7 years of service



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



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



Rebecca Fowler
Manager, Regulatory Affairs
1 year of service



Carol Gardner
Operations Analyst 2
22 years of service



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



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



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



Rick Johnson
Exec. Director, Engineering
1 year of service



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



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



Matt Ottman
Information Systems Specialist 2
18 years of service



John Payne
Sr. Engineer
13 years of service



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



Kelsey Schrempf
Administrative Assistant/
Benefits Specialist
6 years of service



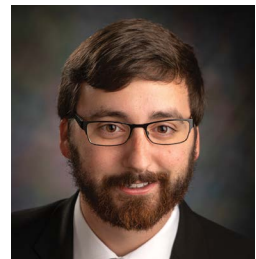
Paul Stone
Operations Specialist
22 years of service



Missy Tew
Administrative Assistant/Receptionist
3 years of service



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



Luke Zahner
Engineer 1
1 year of service



FROM THE BOARD PRESIDENT AND EXECUTIVE VICE PRESIDENT & CEO

POWERING PROGRESS



Suzanne Lane
Executive Vice President
& CEO

As we reflect on 2019, the successes KEPCo accomplished on behalf of and in close partnership with our members can be categorized in one of three areas: powering rural Kansas, people serving people, and always making progress. Thanks to the dedication, perseverance, and diligence of the entire KEPCo family, we were pleased to provide reliable power at the lowest rates to our members since 2010, and we want to highlight the key reasons this was possible.

KEPCo's Resources Provided Significant Value and Reliable Service in 2019

KEPCo's main purpose is to partner with our member-owners to economically power rural Kansas, and we couldn't have done so in 2019 without our diverse resource portfolio. 2019 was a strange year for weather, as extreme precipitation kept temperatures relatively low in the early summer. But once the heat arrived, it stayed longer, causing higher demands and energy consumption between July and September compared to the same period in 2018. Thankfully, our owned and purchased resources were very reliable over the summer period.

For the first time in its 34-year history, Wolf Creek Generating Station completed back-to-back, 18-month operations in 2019. In addition, the plant successfully completed its 23rd refueling outage and

received the highest accolades from the industry.

As for our other resources, the Iatan 2 coal plant performed well overall, especially considering the Missouri River flooding challenges.

Our Southwest Power Administration and Western Area Power Administration hydro resources continued to be low-cost, reliable power supply sources. A benefit of the extreme precipitation in 2019 is that low-cost, supplemental energy was available, which provided our members additional, cost-effective energy.

KEPCo's solar farm, Prairie Sky, continued to produce as expected, and our Sharpe Generating Station was called to operate a record number of hours to help the Southwest Power Pool (SPP).

KEPCo's 2019 Success Was Possible Because of People

KEPCo would not be able to serve our members if it weren't for the people serving KEPCo — namely the board of trustees and staff. Once again, the board provided constant support, asked thoughtful questions, offered meaningful challenges, and demonstrated genuine encouragement. They demonstrate the true definition of the cooperative spirit, constantly offering guidance, knowledge, and decisions that assure KEPCo is providing members the best experience and lowest rates possible while maintaining the reliability expected.



Dale Short
Board President

2019

JANUARY	\$2.7 MILLION	KEPCo announces it will be allocating \$2.7 MILLION in capital credits to members.	FEBRUARY		ConvergeOne performs a CYBER WELLNESS AND VULNERABILITY ASSESSMENT of KEPCo.	JUNE		Lane attends the REACTOR TECHNOLOGY COURSE for Utility Executives at the Massachusetts Institute of Technology.
FEBRUARY		RICK JOHNSON is hired as Executive Director, Engineering.	APRIL		KEPCo's Executive Team participates in a STRATEGIC PLANNING RETREAT.	JUNE		KEPCo staff participates in the American Hiking Society NATIONAL TRAILS DAY.

2019 ANNUAL REPORT

As we reflect on 2019, the successes KEPCo accomplished on behalf of and in close partnership with our members can be categorized in one of three areas: powering rural Kansas, people serving people, and always making progress.

As for the KEPCo staff, we would be nothing without the dedication, hard work, knowledge, experience, and passion of our team! A few highlights from the past year include activities associated with key areas of our business such as cybersecurity, safety, regulatory, legislative, engineering, and team-bonding.

With regard to cybersecurity and safety, KEPCo greatly enhanced our cybersecurity and safety training, practices, and communications, which ultimately led to zero cybersecurity or safety incidents for the year. After performing a cyber wellness evaluation and implementing the recommendations, we have also enhanced our employees' cyber training, "phish" testing, and overall vigilance when it comes to keeping our systems safe.

We also established our first Safety Committee, which is tasked with not only enhancing training and communications, but also with updating our safety manual. With the committee's guidance, our

participation in NRECA's "Commitment to Zero Contacts" initiative, and our employees' dedication to safe acts, we are proud to have achieved the designation as one of the Kansas cooperatives that has had zero lost-time accidents for over a decade!

In addition, 2019 marked another year of financial strength for KEPCo, with all of our financial targets being met. On the legislative front, we participated in all Co-ops Vote events, ultimately earning the "5-Star Co-op" designation from NRECA, and advocated at the state and federal levels on issues of importance to KEPCo and our members. We actively represented our members in the Westar (now Evergy) transmission line loss filing, the Sunflower-MKEC merger, and other relevant proceedings before the Kansas Corporation Commission and Federal Energy Regulatory Commission. We also participated in and/or carefully monitored the activities of SPP and its various committees and working groups.

We have now fully staffed KEPCo Services

Continued on page 6

JULY



KEPCo conducts a **STRATEGIC PLANNING** retreat with its board of trustees.

JULY



KEPCo staff volunteers at Topeka **RONALD MCDONALD HOUSE**.

AUGUST



REBECCA FOWLER is hired as Manager, Regulatory Affairs.

JULY



Wolf Creek earns the industry's **HIGHEST RATING** for performance during its two most recent, 18-month operating cycles.

AUGUST



KEPCo forms first **SAFETY COMMITTEE**.

SEPTEMBER



Wolf Creek completes back-to-back, 18-month operations **WITHOUT AN UNPLANNED OUTAGE**



Continued from page 5

Inc. (KSI), our wholly owned engineering subsidiary. We participated in team- and community-focused events like walking in support of National Trails Day, volunteering at Ronald McDonald House, and collecting for the Boys and Girls Club food pantry. In addition, KEPCo employees provided \$18,000 to local charities through their charitable giving. We also had great team fellowship by coming together for birthdays, achievements, and family celebrations, and also by offering support during times of employee or family health issues, loss, or other concerns. It's proudly what we're all about at KEPCo!

KEPCo's Continued Efforts Toward Progress Were Evident in 2019

Powering rural Kansas at a reasonable price and with the best people is an honor, but we must always make progress and never rest — and the past year was a great example. To fully incorporate the ideas, opinions, and direction of our board members into KEPCo's priorities, we completed our first strategic planning session since 2016. Staff was honored to partner with our board to define four areas of focus: risk management, emerging technologies, load management, and rates and rate design. These areas will be coupled with our traditional core goals of financial strength, member and employee experience, reliability, cyber security and safety, and regulatory compliance to create KEPCo's corporate-wide goals for 2020.

Also in 2019, we completed a comprehensive Demand-Side Management (DSM) study. We contracted with GDS Associates, Inc., to determine the DSM programs and/or enhancements that offer the best opportunities for cost-savings for our members.

In addition, 2019 brought the completion of the first "CEO Listening Tour." These meaningful, face-to-face meetings with

each KEPCo member and key employees provided useful feedback associated with areas of strength and opportunity.

Another key element of 2019's success involved the inaugural Employee Experience Team (EET). This cross-functional employee team met regularly to discuss and implement enhancements to KEPCo's work environment, which added to an already strong business culture. Based on recommendations from the EET, key items implemented in 2019 were a "dress for the day" policy, volunteering opportunities, clean-up day, removal of our long-standing, off-site storage facility, and general team bonding activities.

In 2019, the USDA's Rural Economic Development Loan and Grant (REDLG) program continued to be a great tool to partner with our members. REDLG resources were used to fund such important rural Kansas projects as construction of a dentist office and much-needed repairs for a school.

Last but not least, we continue to make significant progress in providing our members with stable rates. In fact, we are proud to say that our average member rate for 2019 was the lowest since 2010. This is even more monumental considering transmission rates for KEPCo have increased over 160% in the past 15 years.

With the energy market prices remaining low (and the lucrative capacity pricing we are seeing for power supply opportunities), additional DSM by our members, hard work by and innovative solutions from our members and our employee team, and strong operations from our resources, we are optimistic that we will continue to be able to maintain stable rates to our members.

Thank you again to the board of trustees and staff for making 2019 another successful year for KEPCo and its membership.

SUZANNE LANE, KEPCo EVP and CEO
DALE SHORT, KEPCo Board President

AUGUST



KEPCo Board of Trustees approves new Board Policy Bulletin No. 42, Energy Risk Management.

SEPTEMBER



Lane completes NRECA's CEO "COMMITMENT TO ZERO CONTACTS," demonstrating KEPCo's commitment to safety.

NOVEMBER



DALE SHORT is re-elected president of KEPCo's Board of Trustees.

AUGUST



MATT OTTMAN earns cybersecurity certifications through NRECA's RC3 program.

OCTOBER



GDS Associates, Inc. completes a comprehensive **DEMAND-SIDE MANAGEMENT STUDY.**

NOVEMBER



KEPCo enters into a new **CAPACITY PURCHASE AGREEMENT** with Evergy beginning in January 2021.

2019 ANNUAL REPORT

LEGISLATIVE HIGHLIGHTS

For the past couple of legislative sessions, considerable attention has been given to the price of electricity in Kansas, as legislative and regulatory concepts have been deliberated to make rates in Kansas more regionally competitive.

In 2019, the Kansas legislature passed Substitute for Senate Bill No. 69, which authorized a 29-topic study to evaluate the upward pressure on rates and offer recommendations to stabilize or mitigate the upward trend. The study topics included ratemaking practices and principles, investments in utility infrastructure, retail choice, energy efficiency, securitization, electric vehicles, and transmission investment, among several others.

Phase one of the study, which evaluated about two-thirds of the study topics, was conducted by London Economics International, the consulting firm selected through a request for proposal process, over the latter half of 2019. Phase one was completed and presented to the Kansas legislature in January 2020. Phase two of the study, awarded to AECOM, along with its partner Energeia USA, is to be completed by July 2020.

Another significant issue addressed in 2019 involved economic challenges in rural Kansas. Recognizing the need to focus attention and resources on rural communities, Governor Laura Kelly established the Office of Rural Prosperity, with its stated purpose to improve life in rural Kansas. The office was tasked with developing rural housing, supporting rural hospitals, revitalizing



main street corridors, making state government work for rural Kansas, supporting agribusiness, investing in rural infrastructure, and incentivizing active tourism. Throughout the year, Lt. Governor Lynn Rogers embarked on a 12-community listening tour to hear firsthand from residents and businesses in rural communities about issues regarding rural economic prosperity.

Further attention was given to rural economic prosperity as a new legislative committee, Rural Revitalization, was formed in the Kansas House of Representatives. Throughout the 2019 legislative

Continued on page 34

NOVEMBER



KEPCo employees collect for **BOYS AND GIRLS CLUB FOOD PANTRY.**

DECEMBER



KEPCo earns the designation of **"5-STAR CO-OP"** from NRECA.

DECEMBER



Over the course of 2019, KEPCo returns approximately **\$18.8 MILLION** to its members through its Margin Stabilization Adjustment.

NOVEMBER



Wolf Creek successfully completes its **23RD REFUELING OUTAGE.**

DECEMBER



KEPCo completes 2019 with the **LOWEST AVERAGE MEMBER ENERGY COST** since 2010.

DECEMBER



KEPCo completes the year with **ZERO** safety and cybersecurity incidents.



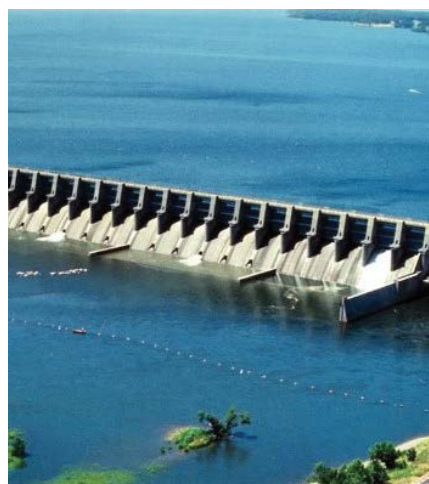
OUR DIVERSE POWER SUPPLY

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.

KEPCo's power supply continues to diversify and we are proud that approximately 60% of our energy resource mix is non-greenhouse gas emitting. Our energy mix includes:

- ▶ **70 MEGAWATTS** of owned generation from the Wolf Creek Generating Station
- ▶ **30 MEGAWATTS** of owned generation from the Iatan 2 Generating Plant
- ▶ **20 MEGAWATTS** of peaking power from the Sharpe Generating Station
- ▶ **1 MEGAWATT** of solar power from the Prairie Sky Solar Farm
- ▶ **100 MEGAWATTS** of hydropower purchases from the Southwestern Power Administration
- ▶ **13 MEGAWATTS** of hydropower purchases from the Western Area Power Administration
- ▶ partial requirement power purchases from regional utilities

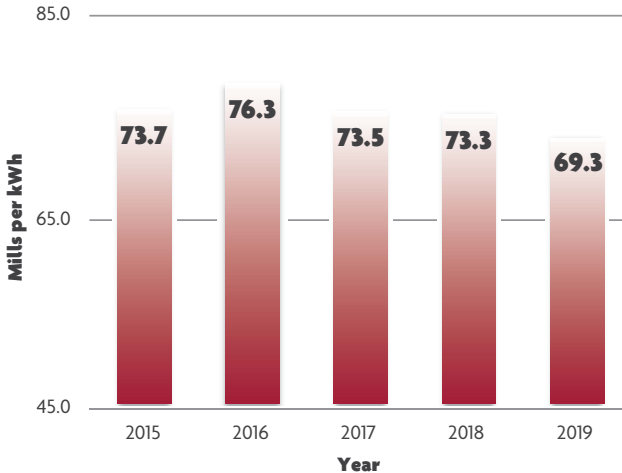
In an effort to create a long-term, reliable, economic power supply for its members, KEPCo has built a diverse power supply...



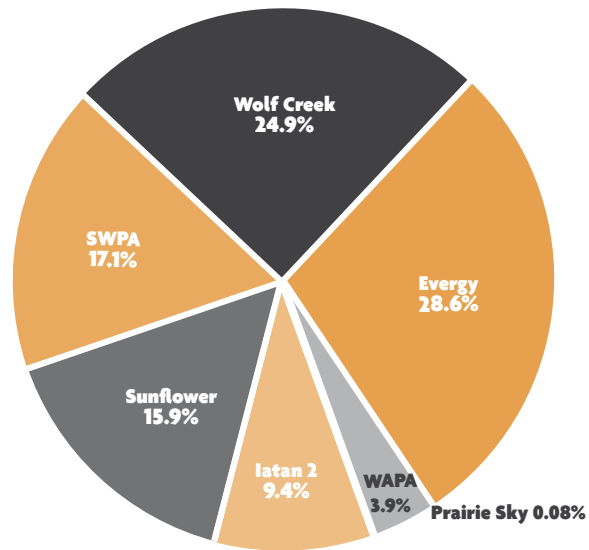
2019 ANNUAL REPORT

OPERATING STATISTICS

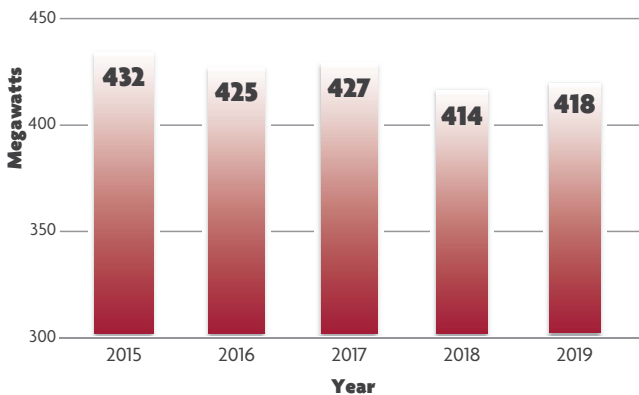
AVERAGE MEMBER RATE



SOURCES OF ENERGY

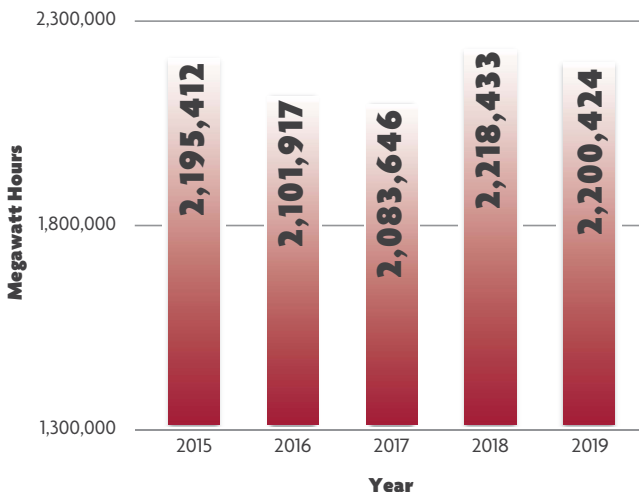


ANNUAL COINCIDENT PEAK DEMAND

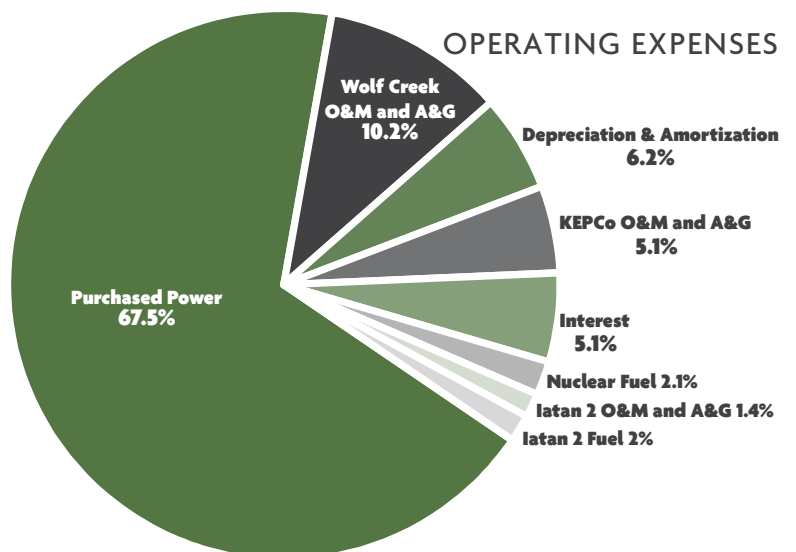


Proudly, KEPCo's current portfolio minimizes greenhouse gas emissions with approximately 60% of its supply from non-greenhouse gas emitting sources.

ANNUAL ENERGY SALES TO MEMBERS



OPERATING EXPENSES





EXECUTIVE COMMITTEE MEMBERS

▶ **DALE SHORT**

President

▶ **DOUGLAS JACKSON**

Vice President

▶ **STEVEN FOSS**

Secretary

▶ **DEAN ALLISON**

Treasurer

▶ **CHARLES GOECKEL**

Executive Committee Member

▶ **MIKE MORTON**

Executive Committee Member

▶ **KIRK THOMPSON**

Executive Committee Member



Larry Froese, Trustee
Ark Valley Electric Cooperative Assn., Inc.



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



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

PRESIDENT



Ron Oelkers, 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.



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

EXECUTIVE COMMITTEE



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



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

SECRETARY



Harlan Hunt, Alternate
FreeState Electric Cooperative, Inc.



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



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



William Peterson, Trustee
Prairie Land Electric Cooperative, Inc.



Chuck Look, Alternate, Manager
Prairie Land Electric Cooperative, Inc.



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



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



John Schon, Alternate Trustee
Summer-Cowley Electric Cooperative, Inc.



Cletas Rains, Trustee, Manager
Summer-Cowley Electric Cooperative, Inc.

2019 KEPCo BOARD OF TRUSTEES



EXECUTIVE COMMITTEE

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



Gary Buss, Alternate
Bluestem Electric Cooperative, Inc.



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



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



EXECUTIVE COMMITTEE

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



Linda Tomlinson, Alternate
CMS Electric Cooperative, Inc.



TREASURER

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



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



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



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



Dennis Svanes, Trustee, Manager
Lyon-Coffey Electric Cooperative, Inc.



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



Tom Ayers, Trustee
Radiant Electric Cooperative, Inc.



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



VICE PRESIDENT

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



Paul Wilson, Alternate
Rolling Hills Electric Cooperative, Inc.



Bryan Coover, Trustee
Twin Valley Electric Cooperative, Inc.



Angie Erickson, Alternate, Manager
Twin Valley Electric Cooperative, Inc.



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



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



COMMUNITY ENGAGEMENT

Both KEPCo and its employees value engagement in our communities and historically have been involved in a wide variety of community projects. From coaching and refereeing youth sports, to volunteering at charitable organizations and donating financial resources, KEPCo and its employees understand the importance of service. As a member services organization, KEPCo constantly strives for excellence in carrying out its core mission to provide safe, reliable, economical, and environmentally responsible power supply, as well as exceptional support and service to its members and the Kansans they serve. That same mindset is carried out by KEPCo's employees as we contribute our time, talents, and resources to serve the communities where we work and live.

KEPCo Staff Participates in National Trails Day

On June 1, 2019, KEPCo staff participated in the American Hiking Society National Trails Day, which is a day of public events aimed at advocacy and trail service. On this day, thousands of advocates came together nationwide to maintain and clean-up public lands and trails. KEPCo staff hiked two miles on the Shunga Trail. Special thanks to KEPCo's John Payne for organizing the event.

KEPCo Volunteers at Ronald McDonald House

On July 22, 2019, several members of the KEPCo staff and their family members volunteered at the Topeka Ronald McDonald House. KEPCo staff prepared a wonderful meal and donated food



Suzanne Lane's daughter, Paxton, and Shari Koch performed yard work at Ronald McDonald House.

items, cookware, cleaning supplies, toiletries, and card games, as well as cleaned inside and outside the house. KEPCo staff chose the Ronald McDonald House as a volunteer opportunity as a way to give back to an organization that has provided valuable resources to families of KEPCo staff.



From left: Susan Cunningham's children, Ryan and Paige, Kelsey Schrempp, and Chris Davidson, participated in the Kansas Turkey Trot for Heroes 5K Charity Run held at the Combat Air Museum in Topeka.

Kansas Turkey Trot for Heroes

Bright and early on a cold and rainy Thanksgiving morning, Chris Davidson, Kelsey Schrempp, and Susan Cunningham's children, Paige and Ryan, participated in the Kansas Turkey Trot for Heroes 5K Charity Run held at the Combat Air Museum in Topeka. The run was held to raise funds for Sheep Dog Impact Assistance, a national non-profit organization that exists to engage, assist, and empower the men and women who make up our nation's military, law enforcement, fire and rescue, and EMS professions. Team KEPCo signed up for the Wild Gobbler event, which included the 3.1-mile run plus five different additional workouts along the route, with each workout station honoring the sacrifice of a different military or first responder.

KEPCo Donates to Local and Regional Charities

Through KEPCo's Charitable Giving Program, KEPCo and KEPCo staff donated nearly \$18,000 to local and regional charities in 2019. These charities perform a valuable service in our communities and KEPCo is proud to support their efforts.

In addition to the monetary contributions provided to KEPCo staff's selected charities, staff also held a food drive in December 2019 for the Boys and Girls Club and donated a large quantity of food items that were enjoyed and appreciated by club members in Topeka.

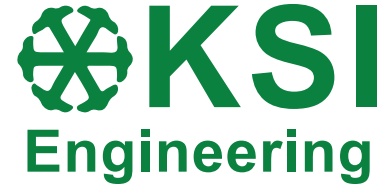
KEPCO SERVICES, INC.

KEPCo Services, Inc. (KSI), a wholly owned subsidiary of KEPCo, completed its 22nd year of operations. KSI offers a wide range of technical and engineering services to member and non-member cooperatives requiring engineering support. KSI's purpose is to provide value-added engineering services while creatively finding solutions that facilitate the goals and objectives of its clients. KSI places paramount importance on integrity, transparency, innovation, service, and commitment to excellence.

The staff of KSI was involved in over 53 projects for 15 KEPCo members and one non-member throughout the year. Of particular note, KSI provided technical support and project management for the CMS Electric Cooperative, Inc. Winter Storm Jupiter mitigation project. The project commenced in the fourth quarter of 2019 and will carry through 2020. KSI's role will be to act as the owner's engineer. Activities accomplished for the project in 2019 included securing engineering, procurement, and construction contracts.

Additionally, 2019 was a year of transition that saw longtime KSI head Mark Barbee transition into his role as senior vice president, engineering and operations, with the hiring of Rick Johnson as executive director, engineering, who assumed Barbee's role over KSI.

As the organization transitions into the future, KSI is evaluating a variety of modifications to its existing service offerings and additional services that will help clients manage their costs through engineering solutions. A description of KSI's current services is available on KEPCo's website.



USDA RURAL ECONOMIC DEVELOPMENT LOAN AND GRANT PROGRAM

The rural revitalization initiatives undertaken in Kansas throughout 2019 complement and augment KEPCo's storied economic development efforts. Since 1991, KEPCo has been an active participant in the USDA Rural Economic Development Loan and Grant (REDLG) program. By partnering with our members to promote and utilize the program, over \$40 million in REDLG program funds have been brought into rural Kansas and more than 1,200 jobs have either been created or saved. In 2019 alone, if all the projects submitted to USDA are approved, over \$2.5 million of REDLG program funds will be used to create nearly 50 new jobs in rural Kansas.



Committed to the future of rural communities.

Throughout 2019, KEPCo and its member Rolling Hills Electric Cooperative, Inc. worked to secure USDA REDLG funding to provide crucial plumbing infrastructure improvements at the Osborne preK-12 school.



INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying consolidated financial statements of Kansas Electric Power Cooperative, Inc. and its wholly owned subsidiary (KEPCo), which comprise the consolidated balance sheet as of December 31, 2019, and the related consolidated statements of margin and comprehensive income, patronage capital and cash flows for the year then ended, and the related notes to the consolidated 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.

Auditor's 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 consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of KEPCo as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Audited by Other Auditors

The 2018 consolidated financial statements were audited by other auditors, and their report thereon, dated April 15, 2019, expressed an unmodified opinion.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we also have issued our report dated April 8, 2020, on our consideration of KEPCo's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of KEPCo's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering KEPCo's internal control over financial reporting and compliance.



OKLAHOMA CITY, OKLAHOMA
APRIL 8, 2020

Continued on next page

FINANCIAL STATEMENTS

Continued

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

BOARD OF TRUSTEES KANSAS ELECTRIC POWER COOPERATIVE, INC. TOPEKA, KANSAS

We have audited, 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, the consolidated financial statements of Kansas Electric Power Cooperative, Inc. and its wholly owned subsidiary (KEPCo), which comprise the consolidated balance sheet as of December 31, 2019, and the related consolidated statements of margin and comprehensive income, patronage capital and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 8, 2020.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the consolidated financial statements, we consider KEPCo's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of KEPCo's internal control. Accordingly, we do not express an opinion on the effectiveness of KEPCo's internal control. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2019-001, that we consider to be a significant deficiency.

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 consolidated 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.

MANAGEMENT'S RESPONSE TO THE FINDING

Management's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Management's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

OKLAHOMA CITY, OKLAHOMA
APRIL 8, 2020

BKD
CPAs & Advisors

LEGISLATIVE HIGHLIGHTS

Continued from page 7

session, the committee heard testimony from several rural businesses representing a wide range of industries, as well as numerous associations and social services providers, each highlighting the issues pertaining to attracting and retaining businesses and the need for essential services in rural Kansas communities.

As part of our advocacy efforts, KEPCo attended each of the Co-ops Vote events sponsored by our member cooperatives. Each event was attended by electric cooperative employees, city and county officials, and area state legislators.

Co-ops Vote is a program that encourages electric cooperatives to stand together as a unified, powerful voice in local, state, and national elections. This non-partisan program also strives to inform both members and the candidates about issues important to America's electric cooperatives and the communities they serve, from the continued need for affordable and reliable electricity to broadband access and other rural economic development issues. Through participation in Co-ops Vote events and other advocacy efforts, KEPCo earned the "5-Star Co-



Kansas electric cooperatives met with area legislators and members during Co-ops Vote events. Pictured are Ark Valley staff along with KEC and KEPCo representatives.

op" designation from NRECA.

At the national level, Suzanne Lane, Susan Cunningham, and Phil Wages represented KEPCo at the Kansas Electric Cooperatives, Inc. (KEC) biannual Congressional Fly-Ins in Washington, D.C. Held in April and September 2019, KEPCo's representatives, along with representatives from other Kansas electric cooperatives and KEC, met with each member of the Kansas delegation to discuss such topics as the RURAL Act (co-op tax exempt status), expansion of rural broadband, expanding access to sustainable energy (EASE Act), and the Endangered Species Act (particularly with regard to the lesser prairie chicken).

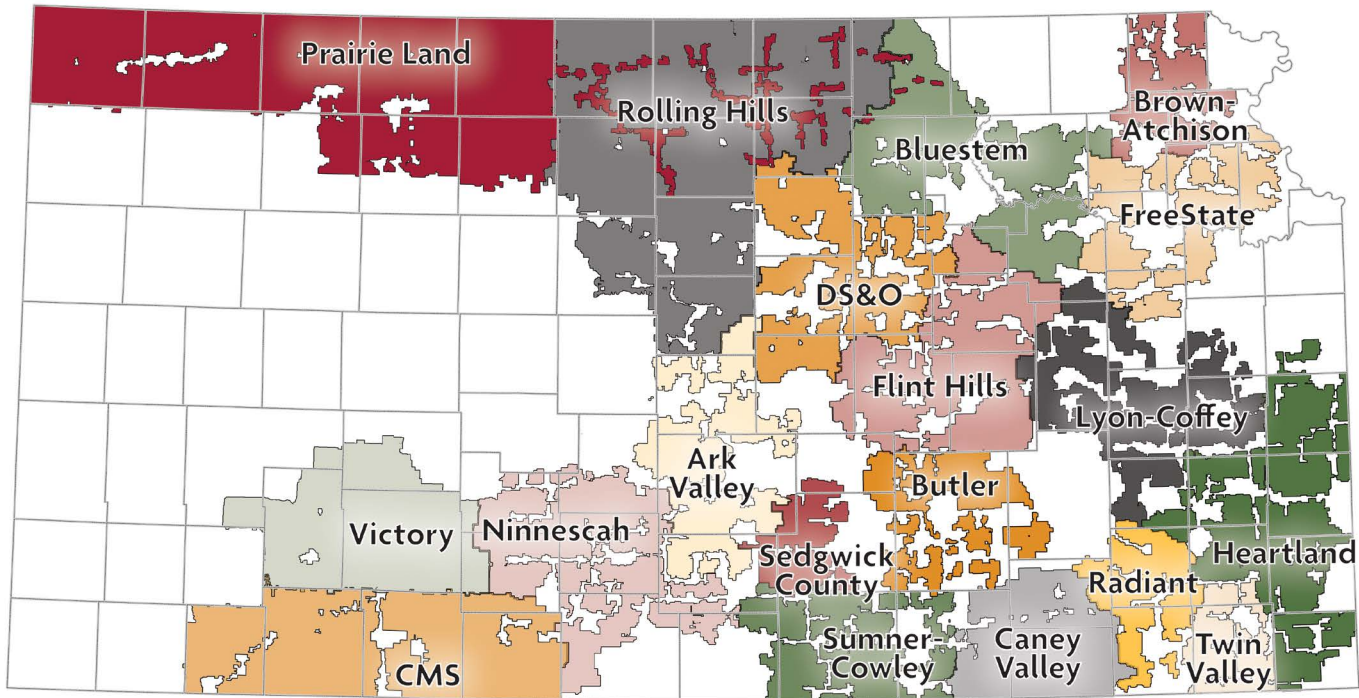


Kansas electric cooperative representatives met with Senator Jerry Moran during their April visit to Washington, D.C.



Cooperative representatives met with Congressman Ron Estes at the KEC fall legislative fly-in. From left are: Doug Jackson, Rolling Hills; Dennis Svanes, Lyon-Coffey; Leslie Kaufman, Kansas Electric Cooperatives; Congressman Estes; Phil Wages, KEPCo; Doug Shepherd, Kansas Electric Cooperatives; Stuart Lowry, Sunflower; and Scott Ayres, Sedgwick County.

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 and energy supply for its 19 distribution electric cooperative members at a reasonable cost.

In addition to its core mission, KEPCo partners with its member cooperatives on such important activities as rural economic development, electric energy efficient appliance rebates, load and power cost forecasting, and system enhancement projects. KEPCo also offers a wide range of technical and engineering services to its member cooperatives, non-member cooperatives, and other electric utility providers requiring consulting services through its wholly owned, for-profit subsidiary, KEPCo Services, Inc. (KSI).

Governed by a 19-member board of trustees, KEPCo's members collectively serve more than 125,000 electric meters in the eastern two-thirds of Kansas, which represents more than 300,000 rural Kansans. 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.

Currently, KEPCo employs 24 employees with expertise in engineering, information technology, power supply, transmission, supervisory control and data acquisition (SCADA) operations, rates and rate design, finance, and accounting.

KEPCo is a Touchstone Energy® Cooperative, a national network of electric cooperatives across 46 states that provides resources and leverages 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.

It is KEPCo's responsibility to procure an adequate and reliable power supply for its 19 distribution electric cooperative members at a reasonable cost.

2019



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