

# 2019 ANNUAL REPORT



The Sedgwick County Electric  
Cooperative Association, Inc.

A Touchstone Energy® Cooperative



Your  
Electric  
Co-op's  
**Kansas  
Country  
Living**



## TABLE OF CONTENTS

**C2** | President's Report  
**C2-C4** | Manager's Report

**16A** | Attorney's Report  
**16B-C** | Financial Reports

**16D** | 2019 Minutes  
**C4** | Territory Map

### FROM THE BOARD PRESIDENT

## Safety During the Pandemic



**Clint DeVore**

On Jan. 18, 1939, the first annual meeting of the Sedgwick County Electric Cooperative was held at Goddard City Hall. The 82nd annual meeting was slated to be held on April 7, 2020. One

could have understood that World War II or a Kansas blizzard or tornado could cause us to miss a meeting, but who would have thought a microscopic virus would be the culprit that interrupts a string of 82 consecutive years of annual meetings? Unfortunately, that has proved to be the case, and at our July board meeting the board of directors made the decision for the safety and welfare of our member-owners and all involved to cancel the 2020 annual meeting.

Crazy! It is a word I hear a lot to describe 2020. These do seem to be crazy, uncertain times as we experience the COVID-19 pandemic and protests and riots in parts of our nation, all while sorting out the political arena of an election year. However, one thing that is quite certain, the focus of your electric co-op's management team, staff and board of directors on its mission statement: *Sedgwick County Electric Cooperative is committed to providing safe, reliable, innovative energy solutions for you, our member-owners.*

We look forward to facing the challenges of today and tomorrow in this rapidly changing environment and wish you all health and happiness!

### FROM THE MANAGER

## 2019 Co-op Highlights

For the first time in the history of the cooperative, the board of directors made the decision to cancel our annual meeting — the 82nd annual meeting — due to COVID-19. We understand the annual meeting is a vital part of our cooperative identity and did not make this decision lightly. However, when the decision to cancel had to be made, the virus was spreading and it would have been irresponsible to expose our members and employees to unnecessary risks.

At annual meeting, we work to show our members our appreciation. This year, we will demonstrate that above all, we value the health and safety of our members and employees. You are our friends and neighbors and we want you safe and well. We truly missed seeing all of you at the annual meeting this year, but we look forward to seeing all of you at next

year's meeting. Our hopes and prayers are that our members and the communities we serve come through this pandemic healthy and safe from harm.

At the 2020 meeting, members would have voted on important amendments to the co-op's bylaws. Those amendments would increase transparency and participation in board elections, while simultaneously streamlining the process. The amendments will be presented at the 2021 annual meeting. The next annual meeting for members, friends of the cooperative and employees will be held in April 2021.

It is my pleasure to share the following manager's report that would have been presented at this year's annual meeting.

Your cooperative completed 2019 in good financial shape and looks forward to serving your energy needs for many years to come. As a member-owned cooperative, Sedgwick County Electric Cooperative is committed to providing safe, reliable, innovative energy solutions for you, our member-owners.

Quality service to our members starts with the



**Scott Ayres**



**Apprentice Lineman Tommy Hill conducts a monthly substation inspection.**

**Continued on page C3 ►**

# 2019 ANNUAL REPORT

P.O. Box 220, Cheney, KS 67025  
316-542-3131 or 866-542-4732  
[www.sedgwickcountyelectric.coop](http://www.sedgwickcountyelectric.coop)



Sedgwick County Electric Cooperative

SEDGWICK COUNTY  
ELECTRIC COOPERATIVE

## currentnews

### Sedgwick County Electric Cooperative

#### Board of Directors

**Clint DeVore**

President

**Cindy Foster**

Vice President

**Margie Conyac**

Secretary/Treasurer

**Joe Baalman**

Director

**Donald Metzen**

Director

**Eugene Scheer**

Director

**Alan J. Smarsh**

Director

**Rex Smith**

Director

**Stan Theis**

Director

#### Staff

**Scott Ayres**

General Manager/CEO

**Marcia Kampling**

Office Manager

**Kyle Pipkin**

Line Superintendent

#### Contact Information

Headquarters

P.O. Box 220

1355 S. 383rd St. West

Cheney, KS 67025

316-542-3131

Fax: 316-542-3943

### FROM THE ATTORNEY

## Trustee Elections to be Held in 2021

As a result of the uptick in COVID-19 cases in Sedgwick County, the Board of Directors voted unanimously on July 20, 2020, to cancel the annual membership meeting. The decision is consistent with Sedgwick County Health Officer Dr. Garold Minns' Sept. 9 order reducing the gathering of people to a maximum of 15. The order was to remain in effect until Oct. 21, 2020.

Under the cooperative's bylaws, an annual meeting of the membership shall be held for the purpose of electing directors, passing on reports for the previous year and transacting other business. However, the failure to hold an annual meeting does not affect the validity of the corporation charter if there are compelling reasons to do so. The board believes that the pandemic

is a compelling reason to postpone the meeting. In addition, the financial statements for the previous year are included in this annual report.

As you may know, three directors were to be elected at the meeting, but they were all running unopposed. The bylaws provide that a director shall hold office until his successor is elected. The three directors up for election will remain on the board and be voted on at the 2021 meeting, but only to serve a two-year term. The other three directors up for election in 2021, will be voted on to serve a three-year term.

Again, the board regrets having to cancel this year's annual membership meeting, but given the ongoing fears and concerns associated with COVID-19, they felt justified in doing so.

## Sign Up for SmartHub

SmartHub is account management at your fingertips! SmartHub lets you manage all aspects of your electric account online or with your mobile device including viewing your daily usage. Creating a SmartHub account takes less than three minutes. Enter your email address and password to create an account and you're ready to begin.

If you are already enrolled in e-bill, simply enter your current login information and password. If you are new to the system, click on the SmartHub link on our homepage to create a new account or call us during office hours to speak with one of our member representatives. We look forward to talking with you! **FOR MORE INFORMATION, GO TO [SEDGWICKCOUNTYELECTRIC.COOP](http://SEDGWICKCOUNTYELECTRIC.COOP).**



# 2019 ANNUAL REPORT

## FACTS & FIGURES

TOTAL kWh SALES  
**142,338,397**  
DOWN FROM 142,717,674 IN 2018

REVENUE PER kWh SOLD  
**12.23¢**

HOURS OF INTERRUPTION PER MEMBER  
**3.44**  
UP FROM 1.73 IN 2018

NUMBER OF ENERGIZED METERS  
**7,002**  
UP FROM 6,898 IN 2018

PLANT INVESTMENT  
**\$33,958,239**

RETIRED CAPITAL CREDITS TO MEMBERS  
**\$11,520,616**

kWh/RESIDENTIAL MEMBER PER MONTH  
**1,301**  
DOWN FROM 1,353 IN 2018

PROPERTY TAXES EXPENSED  
**\$391,355**

## BALANCE SHEET AS OF DEC. 31, 2019

ASSETS	2019	2018	2017
Lines, Buildings and Operating Equipment	\$33,958,239	\$33,220,687	\$32,480,143
Less Accumulated Provision for Depreciation	13,828,167	13,046,468	12,604,555
Net Value of Plant	20,130,072	20,174,219	19,875,588
Cash On Hand	80,840	210,275	277,490
Investments	-	15,413	37,682
Long-Term Investments in Associated Organizations	404,853	404,853	404,453
Patronage Capital – KEPCo & Others	6,207,215	6,004,536	5,841,039
Owed Us for Electricity and Service	1,671,383	1,551,409	1,717,701
Material And Supplies on Hand	519,459	432,300	418,962
Prepayments – Power Bill, Insurance and Others	3,899,704	2,098,198	1,730,837
Deferred Debits – Prepaid Pension and Others	523,818	323,648	341,153
Total Assets	<u>\$33,437,344</u>	<u>\$31,214,851</u>	<u>\$30,644,905</u>

### LIABILITIES

What We Owe RUS and CFC on Loans	\$12,975,327	\$12,637,342	\$13,621,633
Consumer Deposits and Accrued Liabilities	579,550	501,452	487,422
Accounts Payable	782,903	860,597	956,067
Deferred Credits	655,410	272,483	311,440
Total Liabilities	<u>\$14,993,190</u>	<u>\$14,271,874</u>	<u>\$15,376,562</u>

### MEMBER EQUITY

Patronage Capital and Other Equities	\$12,979,774	\$11,632,561	\$10,096,657
Patronage Capital from KEPCo	5,464,380	5,310,416	5,171,686
Total Member Equity	<u>\$18,444,154</u>	<u>\$16,942,977</u>	<u>\$15,268,343</u>

Total Liabilities & Member Equity	<u>\$33,437,344</u>	<u>\$31,214,851</u>	<u>\$30,644,905</u>
-----------------------------------	---------------------	---------------------	---------------------

## OPERATING STATEMENT FOR YEAR-ENDING DEC. 31, 2019

	2019	2018	2017
Operating Revenue	\$17,494,197	\$18,048,655	\$16,794,209
Purchased Power Cost	\$11,396,778	\$11,989,592	\$11,219,860
Operation and Maintenance Expenses	\$1,533,570	\$1,350,046	\$1,282,932
Consumer Acct., Admin. & Gen. Expenses	\$1,540,397	\$1,419,835	\$1,395,340
Depreciation	\$955,773	\$942,766	\$919,688
Taxes (Included in Operations & Maintenance)	\$-	\$-	\$-
Interest Expenses and Misc. Deductions	\$514,435	\$523,759	\$541,131
Total Cost of Service	<u>\$15,940,953</u>	<u>\$16,225,998</u>	<u>\$15,358,951</u>
Operating Margins	\$1,553,244	\$1,822,657	\$1,435,258
Non-Operating Margins	\$139,940	\$83,777	\$145,651
G&T Capital Credits	\$207,811	\$199,378	\$173,803
Total Margins	<u>\$1,900,995</u>	<u>\$2,105,812</u>	<u>\$1,754,712</u>
<b>O-TIER (1.10 required)</b>	<b>4.06</b>	<b>4.50</b>	<b>3.67</b>

# CO-OP EMPLOYEES

The day-to-day operation of Sedgwick County Electric Cooperative is handled by the 19 employees listed below.

**Scott Ayres**  
General Manager/CEO

**Marcia Kampling**  
Office Manager

**Kyle Pipkin**  
Line Superintendent

**Jacque Matchett**  
Executive Assistant

**Cindy Kill**  
Member Services Director

**Lora Alloway**  
Accountant

**Rose Wright**  
Billing Specialist

**Ann Sigwing**  
Billing/Accounting Assistant

**Jo Luehrs**  
Accounting Assistant

**Tim Rosenhagen**  
Staking Engineer

**Andrew Hale**  
Assistant Staking Engineer/Warehouseman

**Andy Riggs**  
Foreman

**Mark Hansen**  
Foreman

**Chris Fair**  
Journeyman Lineman

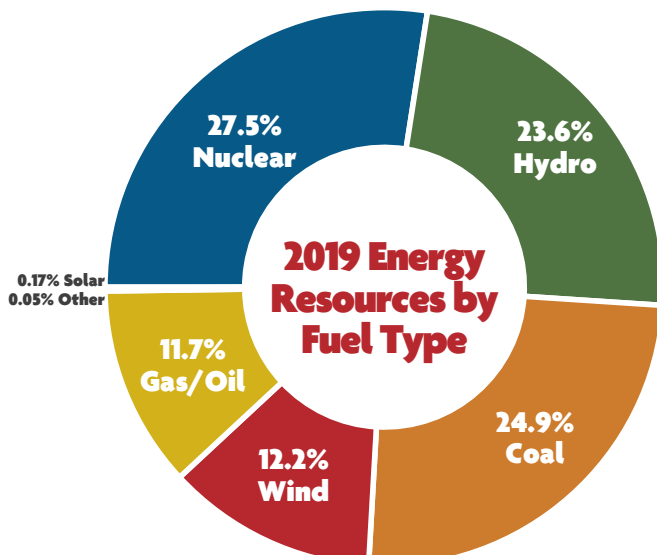
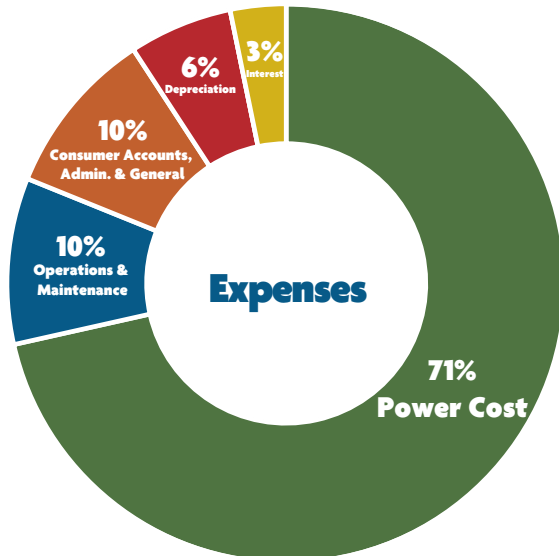
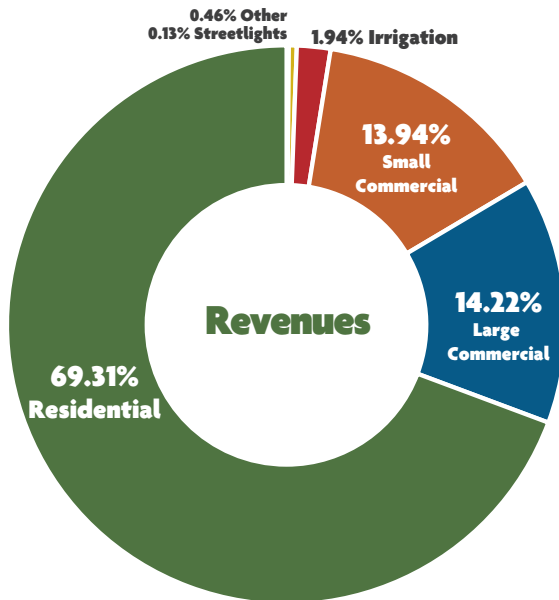
**Tommy Hill**  
Journeyman Lineman

**Victor Ayala**  
Apprentice Lineman

**Chandler Gechter**  
Apprentice Lineman

**Scott Leis**  
Equipment Operator/Groundman

**Robert Lacy**  
Serviceman





## 2019 Annual Meeting Minutes

The 81st Annual Meeting of The Sedgwick County Electric Cooperative Association, Inc. was held at the Cotillion Hall and Ballroom in Wichita, Kansas, on April 2, 2019. President Clint DeVore called the meeting to order at 7:03 p.m. Dr. Timothy Ohls gave the invocation and President DeVore welcomed the directors, members and special guests.

President DeVore introduced the directors, General Council Greg Lee, General Manager Scott Ayres, and Executive Assistant Jacque Matchett.

There were 294 members registered (50 members constitute a quorum). A meal was served to 730 members and guests prior to the official meeting.

President DeVore reported that the Secretary had in her possession the official notice and proof of mailing of the notice. It was moved and seconded that these documents be accepted and omit reading. Motion carried.

President DeVore requested that the minutes of the 80th Annual Meeting be approved as printed in the notice and omit reading. A motion was made and seconded to omit reading and accept the 80th Annual Meeting minutes as printed in the notice. Motion carried.

Manager Ayres highlighted the capital credit retirements in his overview of the financial report, stating that the remaining 2001 and up to 50% the year 2002 allocated monies have been returned to the membership, and that margins are good to meet the financial requirements from our lenders. He provided an update of diesel generation savings at the Cheney substation and the newly adopted Mission Statement by the board. He also thanked the membership for their participation during peak alerts and asked for continued participation as the peak alert season begins in June.

Manager Ayres called on Fred Foley, Chairman of the Nominating Committee. Mr. Foley read the names of those nominated by the Committee for the position of Director. Nominees are as follows: Margie Conyac for the Andale/St. Marks area, Stan Theis for the Mt. Hope/Haven area, and Joe Baalman for the Cheney area. A motion was made and seconded to approve the names as printed on the ballot. Motion carried.

General Council Lee addressed the nomination process stating that the following nominees were nominated by petition: Kent Winter for the Andale/St. Marks area, Steve Cox for the Mt. Hope/Haven area, and Daniel Thimesch for the Cheney area. The floor was opened for one minute for additional nom-

inations. There being none, a motion was made and seconded that nominations cease. Motion carried.

General Council Lee asked if any candidate would like to speak prior to the casting of ballots. All nominees addressed the membership with the exception of Stan Theis who declined to speak. Votes were cast and ballots were collected by the employees. The assigned employees and tellers were called upon to tally the ballots.

Bruce Graham of Kansas Electric Cooperatives, Inc. (KEC) spoke to the membership about the many services KEC offers to its member co-ops, including educating employees through the Safety & Loss Control program, notifying members through *Kansas Country Living* magazine, and advocating for co-ops at the federal and state level through government relations.

Winner of the 2018 Electric Cooperative Youth Tour to Washington, D.C., Bradley Drake, and the winner of the 2018 Cooperative Youth Leadership Camp to Steamboat Springs, Colorado, Reagan Berlin, thanked the membership and co-op for giving them the opportunity of a lifetime. They encouraged the board and membership to continue with these two programs. They also encouraged all parents to have their sophomores and/or juniors apply.

Manager Ayres announced the 2019 Youth Tour winners. Holli Black, Halstead High School, daughter of Russell & Kimberly Black, will represent the co-op for the Electric Cooperative Youth Tour trip to Washington, D.C., and Katelyn Drake, Halstead High School, daughter of William and Kimberly Drake, will attend the Cooperative Youth Leadership Camp in Steamboat Springs, Colorado. Black and Drake will each receive a \$500 scholarship upon enrollment in a college or trade school.

President DeVore then called upon Fred Foley, Chairman of the Nominating Committee, to announce the results of the director elections. Those elected for a three-year term were: Margie Conyac, Stan Theis and Joe Baalman.

President DeVore asked if there was any old business; there was none. He then called for new business. There being no new business, President DeVore declared the 81st annual meeting officially adjourned at 7:58 p.m.

Manager Ayres thanked all those who had taken time to attend the annual meeting. He distributed years of recognition gifts to employees and directors and introduced all employees. He then began the drawing for prizes.

## 2019 Co-op Highlights *Continued from page C2* ▶

very infrastructure that carries electricity to the homes, farms and businesses that are vital to the success of our communities. Upgrading and maintaining infrastructure is very important to the reliability of the system. Our current comprehensive construction work plan calls for more than \$7 million in infrastructure upgrades in the next four years.

The increased reliability and the financial condition of our co-op are due in a large part to the dedication and hard work of the employees and management of Sedgwick County Electric Cooperative. On behalf of myself and the entire board of directors, I would like to thank all of the employees and members of our cooperative for your support and your commitment to making Sedgwick County Electric a cooperative we can all be proud of.

While continuing our commitment to improved reliability, your cooperative board and management remain mindful of the need to maintain reasonable rates. We continually scrutinize our operations to hold the line on costs, while closely monitoring issues and legislation at both the state and national levels that could adversely affect our ability to keep costs low for our members. The ever-changing directives from both state and federal authorities due to the COVID-19 outbreak have presented us with numerous challenges. But, with all of us working together, we will keep the lights on and come out of this challenging period as strong as ever.

Sedgwick County Electric Cooperative is on firm financial footing and is positioned well as we move forward. We were very busy in 2019 investing over \$1 million in system improvement projects to assure a reliable electric system. The projects completed in 2019, and those currently in the planning stages, are all designed to meet our current needs, while at the same time, taking into account the future energy needs of our area.

### Sales and Revenues

Revenue per kilowatt-hour (kWh) sold in 2019 was 12.23 cents compared to 12.59 cents in 2018. Our residential members used an average of 1,301 kWh each month in 2019 as compared to 1,353 kWh in 2018. Our electric heat rate has helped reduce the cost for those who heat their homes with electricity.

### Power Cost

Kansas Electric Power Cooperative (KEPCo) is the wholesale power supply cooperative of which Sedgwick County Electric Cooperative is a member-owner. We have maintained some of the lowest rates for electric co-ops in Kansas. Cost of purchased power continues to be our major item of expense and represents nearly 71% of the total cost of service. Each kWh purchased in 2019 cost your cooperative 7.60 cents as compared to 8.36 cents in 2018. Our line loss for 2019 was 7.99%, which means that for every 100 kWh purchased, only 95 kWh were sold.

### Cost of Service

Sedgwick County Electric is a not-for-profit utility, which means we do not raise rates to generate profits. Many items account for the expense of serving our members besides our wholesale power. These items include operations and maintenance, member billings, customer service, administration, taxes, depreciation, and interest on debt. We continue to upgrade our facilities by replacing outdated poles and meters, cutting trees that cause outages, and servicing breakers and other equipment. Excluding the cost of purchased power, the cost of electric service in 2019 was \$4,544,175, as compared to \$4,236,406 in 2018. The increase was due mainly to increased depreciation expense, property taxes, utilizing outside services, and employee wages and benefits.

*Continued on page C4* ▶

Then. Now. Always.

We're proud to  
power your life.  
October is National  
Co-op Month.

#PowerOn

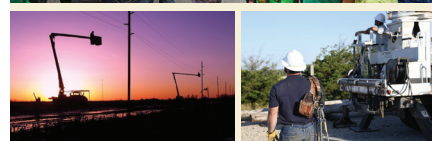
All members entered  
to win a chance for  
\$20 off your bill!

October is Cooperative Month and we here at Sedgwick County Electric Co-op want to take a moment to thank YOU, our member-owners!

If you recall in previous years, we held a drawing for one bill credit during the month of October that required submittal of a ticket to be placed in the hopper.

This year to minimize foot traffic in the office and decrease coronavirus risk, **EACH MEMBERSHIP WILL BE ENTERED INTO A RANDOM DRAWING** for the chance to win one of 25 **\$20 BILL CREDITS**.

Winners will be selected and notified on Nov. 1. A list of winners will be published in the December *Kansas Country Living* magazine.

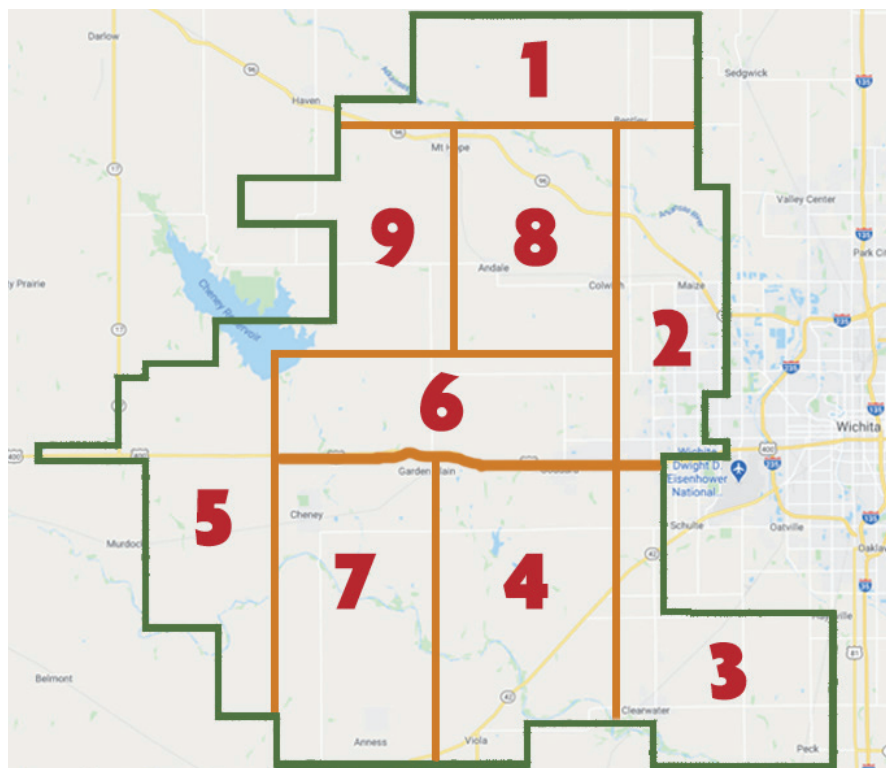


# 2019 ANNUAL REPORT

## TERRITORY MAP

The Board of Directors of Sedgwick County Electric Cooperative approved a resolution on Dec. 16, 2019, to implement defined territory boundaries. The territory boundaries are set as:

- **TERRITORY 1** – North of 109th Street N. (Irish Creek Road)
- **TERRITORY 2** – South of 109th Street N., North of US 54, East of 167th Street W
- **TERRITORY 3** – East of 167th Street W., South of US 54
- **TERRITORY 4** – West of 167th Street W., East of 295th Street W., South of US 54
- **TERRITORY 5** – West of 407th Street W. (170th Avenue), West side of Cheney Lake
- **TERRITORY 6** – East of 407th Street W. (170th Avenue), South of 29th Street N (Smoots Creek Road), West of 167th Street W., North of US 54
- **TERRITORY 7** – East of 407th Street W. (170th Avenue), West of 295th Street W., South of US 54
- **TERRITORY 8** – East of 279th Street W., South of 109th Street N., West of 167th Street W., North of 29th Street N.
- **TERRITORY 9** – South of 109th Street N. (Irish Creek Road), West of 279th Street W., North of 29th Street N. (Smoots Creek Road)



## 2019 Co-op Highlights

*Continued from page C3 ►*

### Margins Returned to Members

Your cooperative finished 2019 with margins totaling \$1,900,995. This was below the \$2,105,812 margins in 2018 and enough to meet our mortgage requirements. Our equity is 55.16%. We continue our policy of returning capital credits to our members and paid the remainder of the capital earned in 2002 and 25% of the patronage of 2003 in March 2020. We returned approximately \$307,550 in bill credits to active members and mailed checks to inactive members.

### Plant and Plant Additions

Total plant investment increased \$737,552 during the year, for a new total of \$33,958,239 at year-end. One new substation was built and 155 new electric services were built in 2019 compared to 85 in 2018. One new vehicle was purchased in 2019. At the end of 2019, your cooperative was operating 1,175 miles of line and had eight substations and four metering points.

### Member Services

The cooperative continues to offer information to the members on conservation practices including water heater and electric heat rebates and an irrigation load leveler program. We sell and install LED yard lights. Cooperative staff also presents electric safety demonstrations to schools and organizations.

If you have questions about any of the material in this annual report, or anything else concerning your cooperative, please call or stop by. My door is always open.