

KANSAS ELECTRIC POWER COOPERATIVE, INC.

TOPEKA, KANSAS

EXAMINATION REPORT

FOR THE PERIOD

JANUARY 1, 1978 TO DECEMBER 31, 1978

SCHMIDT & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
KANSAS CITY, MISSOURI

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KANSAS ELECTRIC POWER COOPERATIVE, INC.

Topeka, Kansas

EXAMINATION REPORT

For The Period

January 1, 1978 to December 31, 1978

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Kansas Electric Power Cooperative, Inc.

Topeka, Kansas

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Kansas Electric Power Cooperative, Inc.Topeka, Kansas

BOARD OF TRUSTEES

Cooperative

Altamont, Kansas
 Belleville, Kansas
 Burlington, Kansas
 Cedar Vale, Kansas
 Cheney, Kansas
 Clay Center, Kansas
 Council Grove, Kansas
 Dodge City, Kansas
 El Dorado, Kansas
 Ellsworth, Kansas
 Emporia, Kansas
 Fredonia, Kansas
 Girard, Kansas
 Great Bend, Kansas
 Horton, Kansas
 Hutchinson, Kansas
 Iola, Kansas
 Lindsborg, Kansas
 Mankato, Kansas
 Meade, Kansas
 McLouth, Kansas
 Norton, Kansas
 Pratt, Kansas
 Solomon, Kansas
 Wamego, Kansas
 Wellington, Kansas

Trustee

L. G. Dulavey
 Everett L. Ledbetter
 Dean Martin
 Walter David
 Jack S. Hutchinson
 Charles W. Ellis
 Gerald Ritenour
 Ray Sprenkle
 Wilbur C. Reed
 A. D. Paul
 R. D. Speece
 Howard L. Sell
 Ray Taylor
 Jack D. Goodman
 Dale Bodenhausen
 Wesley Nunemaker
 Wesley R. Clendenen
 Verner E. Lundquist
 Clarence Beck
 Otes Allison
 W. A. Ousdahl
 Phil Lesh
 Robert Ahrens
 James F. Schmidt
 Kenneth L. Erickson
 Max Kolarik

Alternates

Lester Murphy, Jr.
 F. J. Raleigh
 Alfred Meyer
 Robert Brown
 Gene Porter
 Raymond James
 Wilmer Tischhauser
 Ralph V. Sherer
 Wayne Seward
 Larry D. Kilian
 Larry Scott
 Marvin Freidline
 Marvin Lewis
 L. Vern Becker
 Alva Amon
 Curtis Stubbs
 Elmer Nichols
 Gilbert Bengston
 Jim Gouldie
 H. L. Murphey
 Fred Johnson
 Lynn Morford
 Frederic Moore
 William McCallum
 Lester Marten
 Garland Price

EXECUTIVE COMMITTEE

Charles W. Ellis
 James F. Schmidt
 Phil Lesh
 Allen D. Paul

President
 Vice-President
 Secretary
 Treasurer

Max Kolarik
 Otes Allison
 Wilbur Reed

MANAGEMENT

Charles Ross

Executive Vice-President

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SCHMIDT & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

2837 MAIN STREET

KANSAS CITY, MISSOURI 64108

MEMBERS OF THE AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS

TELEPHONE
(816) 421-4624

January 29, 1979

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

Gentlemen:

We have examined the balance sheets of the Kansas Electric Power Cooperative, Inc. Topeka, Kansas as of December 31, 1978 and 1977 and the related statements of changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above, present fairly the financial position of the Kansas Electric Power Cooperative, Inc., Topeka, Kansas, at December 31, 1978 and 1977, in conformity with generally accepted accounting principles applied on a consistent basis.

SCHMIDT & COMPANY


W. G. Schmidt, Partner

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Kansas Electric Power Cooperative, Inc.Topeka, Kansas

BALANCE SHEET

December 31, 1978

ASSETS AND OTHER DEBITSPlant

General plant	\$ 24,112.72	
Less: Accumulated depreciation	<u>11,269.37</u>	
Depreciated Value		\$ 12,843.35

Investments

Equities in other organizations		9,880.50
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Current Assets

Cash	7,755.67	
Accounts receivable	17,439.29	
Prepaid expenses	<u>1,440.17</u>	
Total Current Assets		26,635.13

Deferred Debits

Organization expense	1,067.50	
Research and development	<u>3,827.61</u>	
Total Deferred Debits		<u>1,874,895.11</u>

TOTAL ASSETS AND OTHER DEBITS		<u>\$1,924,254.09</u>
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MEMBERS' EQUITY AND LIABILITIESCapital Equities

Memberships		\$ 2,700.00
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Current Liabilities

Notes payable (CFC)	\$1,352,000.00	
Accounts payable	10,602.62	
Accrued property taxes	1,013.59	
Accrued withholding tax	635.40	
Employee savings	<u>21.88</u>	
Total Current Liabilities		1,364,273.49

Deferred Credits

Advances for research and development		<u>557,280.60</u>
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TOTAL MEMBERS' EQUITY AND LIABILITIES		<u>\$1,924,254.09</u>
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Kansas Electric Power Cooperative, Inc.Topeka, Kansas

COMPARATIVE BALANCE SHEET

	December 31 <u>1978</u>	December 31 <u>1977</u>	Increase (Decrease)
<u>ASSETS</u>			
<u>Plant</u>			
General plant	\$ 24,112.72	\$ 22,524.54	\$ 1,588.18
Less: Accumulated depreciation	<u>11,269.37</u>	<u>6,756.67</u>	<u>4,512.70</u>
Depreciated Value	<u>12,843.35</u>	<u>15,767.87</u>	<u>(2,924.52)</u>
<u>Investments</u>			
Equities in other organizations	<u>9,880.50</u>	<u>3,649.50</u>	<u>6,231.00</u>
<u>Current Assets</u>			
Cash	7,755.67	2,648.12	5,107.55
Accounts receivable	17,439.29	17,489.11	(49.82)
Prepayments	<u>1,440.17</u>	<u>1,347.67</u>	<u>92.50</u>
Total	<u>26,635.13</u>	<u>21,484.90</u>	<u>5,150.23</u>
<u>Deferred Debits</u>	<u>1,874,895.11</u>	<u>1,502,832.67</u>	<u>372,062.44</u>
TOTAL ASSETS	<u>\$1,924,254.09</u>	<u>\$1,543,734.94</u>	<u>\$380,519.15</u>
<u>MEMBERS' EQUITY AND LIABILITIES</u>			
<u>Capital Equities</u>			
Memberships	\$ <u>2,700.00</u>	\$ <u>2,700.00</u>	\$ <u>-0-</u>
<u>Current Liabilities</u>			
Notes payable	1,352,000.00	860,000.00	492,000.00
Accounts payable	10,624.50	26,837.05	(16,212.55)
Accrued taxes	<u>1,648.99</u>	<u>1,312.04</u>	<u>336.95</u>
Total	<u>1,364,273.49</u>	<u>888,149.09</u>	<u>476,124.40</u>
<u>Deferred Credits</u>	<u>557,280.60</u>	<u>652,885.85</u>	<u>(95,605.25)</u>
TOTAL MEMBERS' EQUITY AND LIABILITIES	<u>\$1,924,254.09</u>	<u>\$1,543,734.94</u>	<u>\$380,519.15</u>

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Kansas Electric Power Cooperative, Inc.Topeka, Kansas

STATEMENT OF CHANGES IN FINANCIAL POSITION

For The Year 1978

FUNDS RECEIVED

Loans from CFC	\$492,000.00
Total Funds Received	<u>\$492,000.00</u>

FUNDS APPLIED

Office furniture & equipment	\$ 1,588.18
Increase in working capital	21,025.83
Research & Development:	
Per Exhibit A-1	\$372,062.44
Add:	
Member advances applied	95,605.25
Capital credits applied	<u>6,231.70</u>
	473,898.69
Deduct:	
Depreciation included	<u>4,312.70</u>
Funds devoted to research	<u>469,385.99</u>
TOTAL FUNDS APPLIED	<u>\$492,000.00</u>

STATEMENT OF CHANGES IN WORKING CAPITALINCREASE IN WORKING CAPITAL

Increase in cash	\$ 5,107.55
Increase in prepaid expenses	92.50
Decrease in accounts payable	<u>16,212.55</u>
Total	<u>\$ 21,412.60</u>

DECREASE IN WORKING CAPITAL

Decrease in accounts receivable	\$ 49.82
Increase in accrued taxes	<u>336.95</u>
Total	<u>\$ 386.77</u>

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Kansas Electric Power Cooperative, Inc.Topeka, Kansas

UTILITY PLANT

	Balance <u>1-1-78</u>	Additions	Retirements	Balance <u>12-31-78</u>
<u>General Plant</u>				
Transportation equipment	\$14,538.92	\$ -0-	\$ -0-	\$14,538.92
Office furniture & fixtures	<u>7,985.62</u>	<u>1,588.18</u>	<u>-0-</u>	<u>9,573.80</u>
Total	<u>22,524.54</u>	<u>1,588.18</u>	<u>-0-</u>	<u>24,112.72</u>
<u>Depreciation</u>				
Transportation equipment (1)	5,309.89	3,634.73	-0-	8,944.62
Office furniture & fixtures (2)	<u>1,446.78</u>	<u>877.97</u>	<u>-0-</u>	<u>2,324.75</u>
Total	<u>6,756.67</u>	<u>4,512.70</u>	<u>-0-</u>	<u>11,269.37</u>
Depreciated Value				<u>\$12,843.35</u>

(1) 25% declining balance

(2) 10%

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History and Organization

Articles of Incorporation adopted by six electric distribution cooperatives of Kansas were filed with the Secretary of State, February 13, 1975 for the Incorporation of Kansas Electric Power Cooperative, Inc., pursuant to the Electric Cooperative Act, K. S. A. 17-4601 and other applicable laws. It is a nonprofit cooperative with perpetual existence. Bylaws of the corporation do not restrict membership to electric cooperatives. Each active member has a representative on the Board of Trustees. The membership fee is \$100 and at audit date the corporation had twenty-six active members.

Balance Sheet Comments

Plant

General plant	\$24,112.72
Less: Depreciation	<u>11,269.37</u>
Depreciated Value	<u>\$12,843.35</u>

Exhibit B, page 6 of this report presents a detailed statement of general plant facilities and changes in the plant accounts during 1978. Acquisitions include two calculators, two desks, two chairs and two bookcases.

Investments

Equities in other organizations \$9,880.50

Equities in other organizations include the following:

National Rural Utilities Cooperative Finance Corporation
Washington, D. C.

Membership

\$1,000.00

Capital credits

8,778.00 \$9,778.00

Kansas Electric Cooperatives, Inc.

Topeka, Kansas

Membership

10.00

National Rural Electric Cooperative Association

Washington, D. C.

Membership

10.00

Federated Rural Electric Insurance Corporation

Madison, Wisconsin

Preferred stock

82.50

Total

\$9,880.50

Cash

Working fund	\$ 50.00
General fund	<u>7,705.67</u>
Total	<u>\$7,755.67</u>

The general fund of the cooperative is in the custody of the Fairlawn Plaza State Bank, Topeka, Kansas. We examined all

checks honored by the bank during 1978 and traced the checks to detailed computer listings. Special attention was directed to authorized signatures and to classification of the expenditures. We reconciled the bank statement with the cooperative's

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books and compared our reconciliation with one prepared by the cooperative. Particular attention was directed to the outstanding checks at the beginning and end of the year. Written confirmation of the bank balance was obtained from the bank, a member of the Federal Deposit Insurance Corporation.

Accounts Receivable

\$17,439.29

We reviewed the subsidiary ledger of accounts receivable

and determined it was in balance with the ledger control account. Accounts receivable consist primarily of expenses incurred by KEPCo assisting its members in wholesale rate cases and travel advances to KEPCo staff members:

Member cooperatives	
Less than thirty days old	\$14,611.15
Thirty to ninety days old	506.73
Over ninety days old	<u>1,967.60</u>
	17,085.48
Due from KEC	<u>353.81</u>
Total	<u>\$17,439.29</u>

Negative confirmation requests were mailed to the extent deemed necessary.

Prepaid Expenses

Unexpired insurance	\$ 640.17
Travel advances	<u>800.00</u>
Total	<u>\$1,440.17</u>

Insurance policies were examined and the unexpired insurance premiums computed. We listed the policies, ob-

served they were made payable to the cooperative and ascertained all were in effect at audit date.

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The type of insurance and the amount in effect at audit date were as follows:

<u>Type of Insurance</u>	<u>Amount</u>
General public liability	
Bodily injury	\$500/1,000,000
Property damage	200/200,000
Workmen's compensation	Statutory
Fidelity insurance (blanket crime)	50,000
Automobile	
Bodily injury	500/1,000,000
Property damage	200,000
Collision	\$100 deductible
Fire and extended coverage	
Contents of rented office	7,500

Travel advances included:

Joe Hamman	\$150.00
O. W. Taylor	150.00
Jerry Haahr	150.00
Dave Larson	50.00
Joe Mulholland	150.00
Hoburg Lee	150.00
Total	<u>\$800.00</u>

Deferred Debits

Organization expense	\$ 1,067.50
Research & development	<u>1,873,827.61</u>
Total	<u>\$1,874,895.11</u>

Kansas Electric Power
Cooperative, Inc., was
organized to provide
additional power. The

cooperative selected Southern Engineering Company to provide engineering services and the firm of Kassebaum and Johnson to provide legal services. It is hoped that this effort will result in acquisition of generation capacity and transmission capabilities in cooperation with other utilities in the state. Costs have been incurred with a number of projects and four projects are involved at audit date. Financing of these projects is provided by member assessments and by short-term loans from National Rural Utilities Cooperative Finance Corporation (CFC), Washington, D. C.

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Until it is determined whether actual construction results from the effort, costs are being deferred and consist of the following as of December 31, 1978:

	Research Projects			
	KP&L	KCP&L KGE	Hydro	CTU
Labor	\$ 563.85	\$ 300,888.22	\$ 1,499.83	\$ 45,334.03
Payroll taxes	10.48	27,186.71	90.95	4,736.62
Employee benefits	81.29	38,653.84	240.40	5,862.18
Travel	435.79	49,526.71	96.10	9,407.09
Public relations	347.71	-0-	2.07	-0-
Rent	42.79	9,629.20	91.89	2,119.76
Building costs	35.73	10,355.35	70.34	1,991.56
Leasing & maintenance	14.34	8,994.27	62.84	2,096.35
Depreciation	30.70	19,240.60	90.22	5,946.35
Insurance	7.05	2,170.93	21.07	473.20
Property tax	7.91	3,010.65	71.14	735.02
Meetings	23.65	84,427.37	-0-	4,618.38
Engineering	-0-	351,131.27	-0-	14,722.56
Computer	-0-	25,594.57	-0-	-0-
Supplies	31.65	17,264.26	54.28	2,625.32
Postage	24.64	9,979.79	82.24	1,545.73
Telephone	45.27	19,672.85	132.13	3,355.82
Legal	275.00	509,380.67	-0-	5,134.60
Contingencies	-0-	725.00	-0-	-0-
Subscriptions	87.00	3,648.33	-0-	232.43
Interest	179.96	153,424.90	423.31	863.93
Auditing	-0-	1,300.00	-0-	-0-
Personnel costs	5.35	75,173.27	11.05	11,743.26
Consultants	234.82	15,879.82	7,500.00	-0-
Total (\$1,873,827.61)	<u>\$2,484.98</u>	<u>\$1,737,258.58</u>	<u>\$10,539.86</u>	<u>\$123,544.19</u>

Capital Equities

Memberships \$2,700.00

Membership certificates have been issued to twenty-seven cooperatives in Kansas. One

member dropped its membership but the fee was not refunded.

Current Liabilities

Notes payable \$1,352,000.00
 Accounts payable 10,602.62
 Accrued property tax 1,013.59
 Accrued withholding tax 635.40
 Employee savings 21.
 Total \$1,364,273.49

We examined invoices paid subsequent to the audit date, made inquiries concerning possible unrecorded liabilities and in the opinion of the cooperative's attorneys,

the association had no contingent liabilities at audit date.

The cooperative has a line of credit with the National Rural Utilities Cooperative Finance Corporation (CFC) in the amount of \$2,500,000.00 and at audit date had borrowed \$1,352,000.00. Interest on the short-term loan varies monthly with market

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and at December 31, 1978 was 11.75%. The line of credit is arranged on a yearly basis and both the line of credit and any amounts advanced become due March 23, 1979. Members of KEPCo have guaranteed payment to CFC for any amounts advanced to KEPCo plus interest. We obtained written confirmation of the notes payable to CFC at audit date. Interest is paid quarterly,

Inasmuch as KEPCo is operated under common management with KEC, overhead costs incurred by KEC applicable to KEPCo are billed to them at the end of each month. The amount billed and unpaid at December 31, 1978 amounted to \$10,602.62. Property taxes payable represent one-half of the 1978 taxes assessed per statements on file in the cooperative's office. Withholding tax was withheld from employees during the last quarter of 1978 and is payable to the State of Kansas.

Deferred Credits

Advances for research & development	<u>\$557,280.60</u>	Capital for KEPCo, formerly KEC's
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power and energy department, is provided by member assessments and by short-term loans from CFC. One agreement provided for five assessments of \$600.00 per member plus \$0.15 per KWH sold by the member in 1972. Sunflower Electric Cooperative and its members are to pay 75% of this amount.

The other agreement provided for assessments of \$0.25 per KW. The first agreement was to provide funds to operate the department, while the second was to fund engineering, legal, etc. costs involved in negotiations with other utilities.

In 1976 the Board of Directors of KEPCo charged \$96,649.40 of deferred research and development costs against capital derived under the first agreement and in 1978 KEPCo charged another \$95,605.25 against advances provided by members.

U.S. NUCLEAR REGULATORY COMMISSION

SENIOR OPERATOR LICENSE

Pursuant to the Atomic Energy Act of 1954, as amended, the Energy Reorganization Act of 1974 (Public Law 93-438), and subject to the conditions and limitations incorporated herein, the Nuclear Regulatory Commission hereby licenses:

• Mr. Robert J. Hanley
RFD #3, Box 322G
Wiscasset, Maine 04578

(AMENDMENT)

LICENSE NO. S O P - 2860-3

DOCKET NO. 55 - 4625

EFFECTIVE
DATE June 22, 1979

AMENDED
DATE

to direct the licensed activities of licensed operators at, and to manipulate all controls of, the following facility or facilities:

**Maine Yankee Atomic Power Station, Facility License No. DPR-36,
located near Wiscasset, Maine**

This license is subject to the provisions of Section 55.34 of the U.S. Nuclear Regulatory Commission's regulations, Title 10, Code of Federal Regulations, Chapter 1, Part 55, with the same force and effect as if fully set forth herein.

In directing the licensed activities of licensed operators and in manipulating the controls of the above facility or facilities the licensee shall observe the operating procedures and other conditions specified in the facility license which authorizes operation of the facility or facilities, and shall comply with the following conditions:

- ☒ The licensee shall wear corrective eyeglasses while performing the activities for which he is licensed.
- ☒ Another individual must be present when the licensee is manipulating the controls.

The issuance of this license is based upon examination of the licensee's qualifications, including the representations and information contained in his application for license filed under the docket number indicated above.

Unless sooner terminated, this license shall expire two years from the effective date.

A copy of this license has been made available to the facility licensee indicated below.

Maine Yankee Atomic Power Company
ATTN: Mr. Edwin C. Wood,
Plant Manager
P. O. Box H
Wiscasset, Maine 04578

For the Nuclear Regulatory
Commission

Paul F. Collins
Chief, Operator Licensing Branch
Office of Nuclear Reactor Regulation