



# Annual Report

2020



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## PRESIDENT'S REPORT

### 2020 Year in Review

On behalf of the Board of Trustees for Bluestem Electric Cooperative, I would like to thank you for your support and understanding throughout 2020. The COVID-19 pandemic caused many changes, cancellations, and challenges for people, organizations and industries, Bluestem included. As we begin 2021, your board of trustees has decided to cancel the 2021 annual meeting to protect your family and our employees. We look forward to holding the annual meeting in-person in 2022 and we hope to see all of you there.

any year-end margins obtained in excess of the costs incurred to provide the service are allocated back to the cooperative member as capital credits. The amount of the capital credit (allocated margin) varies for each member and is dependent upon the amount of participation a member has with the cooperative. In the case of an electric cooperative, a member's annual electric usage compared to the total electric usage by all the members determines the level of the capital credit.



Richard Ridder

Generally, with electric cooperatives, capital credits are held until such time the cooperative can refund a portion or all to the members without negatively impacting the cooperative. Bluestem has routinely, under board policy, made special capital credit retirements to estates as well as one-time opportunities to members with medical disabilities and/or dissolution of membership. General capital credit retirements, in which members receive a portion of their capital credits, are also provided under board policy with different criteria established before the refund of these capital credits are to be made.

In 2020, the board opted to not authorize a general capital credit retirement. As the 2021 budget was developed, the board reviewed the policy criteria and has not budgeted a general capital credit retirement to occur in 2021.

#### Business Plan:

Helping management staff plan for the future is an important part of the board's responsibilities. The Bluestem Board of Trustees, along with management staff, continue to follow the five goals established in the strategic planning session of the cooperative:

- 1 Enhance the Cooperative's culture of safety, maintaining it as Bluestem's No. 1 priority.
- 2 Develop and implement an equity management plan focused on balancing capital credit retirement, plant investment, rates and equity.
- 3 Draft and deploy a technology plan that improves efficiency of operation and provides opportunities to better serve the members.
- 4 Create and execute an internal and external communication plan.
- 5 Review, recommend and implement retail rate structures that are fair to all members and provide a stable return for the cooperative.

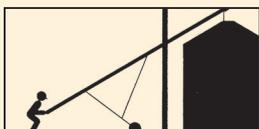
#### Cooperative Model Advantage – Capital Credits

The cooperative business model has proven to be a very successful form of business structure in this country. In the cooperative business model,

## Heads Up for Electrical Safety

What should you do if you see electrical lines down? Call Bluestem Electric Cooperative immediately at 785-456-2212 Wamego and warn others to prevent them from coming in contact with the line. **HAVE A HEALTHY RESPECT FOR ELECTRICAL ENERGY!**

**HEADS UP**  
Don't Maneuver Augers  
in Raised Position



**HEADS UP**  
Plan Before  
You Plant



**HEADS UP**  
When Raising  
Equipment



**HEADS UP**  
When Working  
Around Electric Wires



**HEADS UP**  
When Moving  
Tall Objects



**HEADS UP**  
When Raising  
and Lowering  
Antennae



#### Financials

Bluestem ended the year with a margin of \$1,750,834. Of the \$1,750,834 margin,

*Continued on page C3 ►*

# BLUESTEM STAFF

**Michael M. Morton**  
General Manager

**Jason Moore**  
Assistant General Manager

**John Bettencourt**  
Manager of AMI & IT

**Trisha Bradley**  
Manager of Accounting & Finance

**Tim Diederich**  
Manager of Line Operations

**Kevin Heptig**  
Manager of Member Services

**Glenda Larkins**  
CSR / Assistant Accountant

**Ashley Pfizenmaier**  
CSR / Assistant Accountant

**Jennifer Soeken**  
CSR / Billing Specialist

**Jerod Chaffee**  
Assistant Manager of Line Operations

**Thad Donnelly**  
Assistant Manager of Line Operations

**Courtney Grater**  
Line Operations Foreman

**Aaron Massie**  
Line Operations Foreman

**Ben Matthews, III**  
Line Operations Foreman

**Josh Wiedmer**  
Line Operations Foreman

**Shelton Allen**  
Journeyman Lineman

**Travis Blackwood**  
Journeyman Lineman

**Luke Brazzle**  
Journeyman Lineman

**David Burton**  
Journeyman Lineman

**Trenton Canfield**  
Journeyman Lineman

**Ben Easterberg**  
Journeyman Lineman

**Derek Francis**  
Journeyman Lineman

**Dylan Havenstein**  
Journeyman Lineman

**Kyle Hooten**  
Journeyman Lineman

**Josh Laflin**  
Journeyman Lineman

**Tyler Stark**  
Journeyman Lineman

**Kevin Swenson**  
Journeyman Lineman

**Tim Wolf**  
Journeyman Lineman

**Baylee Easterberg**  
Apprentice Lineman

## PRESIDENT'S REPORT *Continued from page C2* ▶

\$788,717 reflects the operating margin with the balance of \$962,117 being comprised of interest income, other cooperative organizations conducting business with Bluestem, and the sale of the old Wamego facility to Manhattan Area Technical College. As a result of the 2020 margin, all required financial ratios and obligations were achieved. The treasurer's report can be found on pages 16B-16C of this magazine.

The Bluestem board authorized a cost-of-service study that was conducted by National Rural Utilities Cooperative Finance Corporation (CFC) and presented to the board in December of 2020. The cost-of-service study indicated that no rate increase is needed in 2021, but led to discussion on a three-

part rate structure providing more rate stability than the current two-part rate structure for the Bluestem membership. More information on the three-part rate structure is provided in General Manager Morton's report.

### Bluestem's Mission

On behalf of the Bluestem board, I would like to thank the members for your support of Bluestem. I would also like to say thank you to the employees who work for Bluestem. They are on the job every day focused on supporting our co-op's mission:

*"It shall be the mission of the Bluestem Electric Cooperative to provide safe and reliable electric energy and other services to our*

*consumers as efficiently and economically as possible."*

### 2021 Annual Meeting – Canceled

Again, we regret that the 2021 Bluestem annual meeting has been canceled. We know the annual meeting is a great opportunity for all Bluestem Electric Cooperative members to learn more about the cooperative and visit with Bluestem employees, trustees, and fellow members. But more importantly, your health and safety as well as the health and safety of our employees comes first. We look forward to seeing you in 2022.

*Richard Ridder*  
BOARD PRESIDENT

## Standby Me: Installing a Backup Generator

Many businesses rely on standby power when the power goes out — for the safety of their employees and customers and to power essential items. More and more home generators are being installed so families can have backup power when they need it, whether to power appliances and essential medical equipment or simply for convenience.

There is more than one type of permanent generator. One has a transfer switch that must be manually "thrown" before turning on the alternate source of power, which is wired into a house. This type of generator is permanent but not considered "standby" because of the manual switch, and it should not be located near a home. (Always consult a professional electrician when installing or maintaining a permanent generator.) Not throwing the switch can result in backfeeding, which sends electricity back into power lines, and can seriously injure or kill electric lineworkers or others working to restore power.

Another type of fixed generator is permanently housed in a metal

box and is usually located close to the house. It is the most expensive permanent generator — a standby version that is permanently and professionally installed to power most of the appliances in your home.

When needed, a standby generator automatically transfers the power source from the electric grid to the generator. The cost of this type of permanent generator varies depending on how much backup power you want.

Besides the cost of the system, there are also installation costs to consider, since it will need to be installed by licensed and bonded contractors. This is definitely not a DIY project! To inquire about how permanent generators should be safely used and installed, contact Bluestem Electric at 785-456-2212 or 800-558-1580.



## SIGN UP FOR AUTO PAY ON SMARTHUB

Save time and pay your monthly electric bill automatically by bank draft. No need to find a postage stamp or worry if your payment will reach us on time. Sign up for SmartHub online at [www.bluestemelectric.com](http://www.bluestemelectric.com).



With SmartHub you can also pay your bill online at [www.bluestemelectric.com](http://www.bluestemelectric.com) using your bank account or credit card. Click on the SmartHub Pay Online button. It's safe and secure!

## What is Demand?

Electric demand refers to the maximum amount of electrical power being consumed at a given time, as opposed to energy which is the amount of power used over a period of time.

For example, a typical clothes iron requires, or demands, 1,000 watts of power. If that iron is used for one hour it consumes 1,000 watt-hours or 1 kilowatt-hour of energy.

Using multiple appliances at the same time increases your demand. A typical dishwasher has a demand of 1,200 watts. If you used the dishwasher at the same time as you iron clothes, the total demand for these two appliances would be 1,000 watts plus 1,200 watts or 2,200 watts. If instead, you choose to operate these at separate times, the maximum demand for these two appliances would only be 1,200 watts.

In the sample electric bill above, the maximum demand for the month was on Jan. 15 at 11 a.m. with 6.5 kW of demand.

### What Can I Do to Reduce My Demand?

During times of peak demand (3-6 p.m.), here are simple steps you can take to reduce electricity demand:

- ▶ Wait until after 6 p.m. to run large appliances such as washing machines, clothes dryers and dishwashers.
- ▶ Use the microwave or convection oven instead of the oven or range whenever possible.
- ▶ Run your electrically heated above-ground pool pump for just 12 hours per day (between the hours of 10 p.m. and 10 a.m.) instead of around the clock.
- ▶ Set the thermostat on the water heater to a lower temperature during the summer, such as 120 degrees.

| Meter Number             | Pres Read | Prev Read                            | Mult | KWH Used | Rate Schedule/Reference/Bill Type |
|--------------------------|-----------|--------------------------------------|------|----------|-----------------------------------|
| 555555                   | 34684     | 34000                                | 1    | 684      |                                   |
| Activity Since Last Bill | Amount    | Current Bill Information             |      |          | 5/ Single Phase/ Actual           |
| Previous Balance         | \$229.24  |                                      |      |          | \$ Amount                         |
| Payments                 | -229.24   | CUSTOMER CHARGE                      |      |          | 36.00                             |
| Adjustments              | 0.00      | ENERGY                               |      |          | 91.66                             |
| Balance Forward          | 0.00      | DEMAND 1/15/2020 11:00 6.5KW         |      |          | N.C.                              |
|                          |           | POWER COST ADJUSTMENT @ .0071600/kwh |      |          | 7.86                              |
|                          |           | TAXES                                |      |          | 1.20                              |
|                          |           | PROPERTY TAX ADJ @ .0047655 /revenue |      |          | 0.61                              |
|                          |           | CURRENT CHARGES DUE BY 02/25/2020    |      |          | 137.3                             |
|                          |           | BALANCE FORWARD                      |      |          | 0.00                              |
|                          |           | TOTAL AMOUNT DUE                     |      |          | 137.3                             |

In this sample electric bill, the maximum demand for the month was on Jan. 15 at 11 a.m. with 6.5 kW of demand.

- ▶ Turn off all of the unnecessary lights around your home.
- ▶ Use LED lightbulbs. They use 75% less electricity and last 25 times longer.
- ▶ When properly set, your programmable thermostat can help reduce your heating and cooling costs.
- ▶ Use ceiling fans to help circulate the cool air and make you feel cooler when you are in a room. In the summer the blades should rotate to move the air down to help produce a cooling breeze. In the winter, air should be moved upwards toward the ceiling to disperse the warm air that tends to accumulate there and distribute it more evenly in the room. Remember to turn it off when not in the room.
- ▶ If you replace your refrigerator with an energy-efficient one, properly dispose of the old one instead of continuing to use it as a secondary refrigerator. If you do use the old one, avoid keeping it in the garage or other locations that get hot and humid. The refrigerator has to work harder in these areas to keep cool.
- ▶ Use an outdoor clothesline instead of your dryer. It will save you money and make your clothes smell great.



## Keep Your ACH Payment Information Current

If you are signed up for automatic bank draft or recurring credit/debit card payments for your Bluestem Electric account(s), please update your information if you change bank accounts or get new credit/debit cards. This will ensure that your account will be paid on time and you will avoid any penalty charges.



# Bluestem NEWS

## Bluestem Electric Cooperative

### Board of Trustees

**Richard Ridder**

*President*

**Donald Classen**

*Vice President*

**Bruce Meyer**

*Secretary*

**Mark Diederich**

*Treasurer*

**Dean Blanka**

*Trustee*

**Patricia Bloomdahl**

*Trustee*

**Gary Buss**

*Trustee*

**Amanda Gnadt**

*Trustee*

**Steven Ohlde**

*Trustee*

**Stephen O'Shea**

*Trustee*

**Dan Pollock**

*Trustee*

### Management Staff

**Michael M. Morton**

*General Manager*

**Jason W. Moore**

*Assistant General Manager*

**John Bettencourt**

*Manager of AMI & IT*

**Trisha Bradley**

*Manager of Accounting & Finance*

**Tim Diederich**

*Manager of Line Operations*

**Kevin Heptig**

*Manager of Member Services*

### Contact Us

Bluestem Electric Cooperative, Inc.

P.O. Box 5

Wamego, KS 66547

785-456-2212 or 800-558-1580

## FROM THE GENERAL MANAGER

### An Update on Your Cooperative



**Michael Morton**

As noted in the President's Report, the 2021 Bluestem Electric Cooperative Annual Meeting has been canceled due to continued COVID-19 concerns. On

behalf of the staff of Bluestem Electric Cooperative (Bluestem), I would like to thank you for your understanding and support as we focus on protecting the safety of our members and our employees during this pandemic. We realize the annual meeting is important and affords you the opportunity to become more informed on the programs and activities of your cooperative. However, the safety of each member and employee is of greater importance during this COVID-19 pandemic.

#### COVID-19 Pandemic

As the COVID-19 pandemic unfolded in March 2020, Bluestem took action to make sure our electric operations and employees were protected. Our linemen staggered their work shifts and some of our administrative staff worked from home to allow appropriate social distancing, all while continuing to provide exceptional customer service to our members. The actions

taken were successful with only a few employee cases of COVID-19 being recorded. Your Bluestem employees were able to maintain safe and reliable delivery of electric power to all service locations.

#### Construction Work Plan

Our 2018, four-year construction work plan (CWP) is nearing completion. As we begin 2021, work on the 2022–2025 construction work plan is beginning. A CWP is developed every four to six years to identify and outline the projects and construction work that needs to be completed over the next few years. The projects and construction work included in the CWP are designed to meet the members' future needs, as well as improve the system's reliability. Included in the CWP are projections of the new services expected, as well as plans to rebuild and reconductor various lines throughout the entire Bluestem system. The CWP also incorporates the replacement of a significant number of poles throughout the service territory nearing the end of their useful service life. The 2022-2025 CWP is Bluestem's plan for the future power needs of our members, combined with the goal of maintaining and improving system reliability, a matter we take seriously.

*Continued on page 16B ►*

**FROM THE GENERAL MANAGER** *Continued from page 16A ▶*

**Former Wamego Office and Warehouse Sale**

In February 2020 we closed the sale of the former Wamego office and warehouse to Manhattan Area Technical College (MATC). Our agreement with MATC included a fair market price for the facility as well as scholarship money for Bluestem members and their immediate families who are interested in attending MATC. If you or your family member are interested in attending MATC and obtaining information on these scholarships, please contact MATC for details.

**Consolidation of Offices**

On Feb. 1, 2021, we consolidated our Clay Center office operations with the office operations team in Wamego, which resulted in closing our Clay Center office. The warehouse for the line personnel, trucks and equipment will remain in Clay Center. This business decision was not taken lightly and was discussed in-depth with the board. All employees impacted by the office consolidation were offered positions at the Wamego facility, and the cost savings and operational efficiencies gained will help us better serve the members of Bluestem into the future.

**Rate Structure Change**

As President Ridder mentioned, Bluestem is studying the possibility of moving from our current two-part rate structure (customer charge + energy charge) to a three-part rate structure (customer charge + demand charge + energy charge) as early as January 2022. Moving from the two-part rate to a three-part rate matches up with how we are billed from our power supplier, Kansas Electric Power Cooperative (KEPCo), and will produce a more fair and equitable energy bill for all members of Bluestem.

**Be assured as regulation and laws are discussed at the state house, our team is participating in the discussions for the protection of all cooperative members across the state.**

**Government Affairs**

Bluestem, along with many other electric cooperatives from all over the country, continues to monitor federal and state regulations that affect the operation of rural electric systems. On the federal level, implementation of new federal regulations slowed under the Trump Administration. As the Biden Administration takes over, we will monitor the status of new regulations placed on the utility industry and their anticipated impact. On the state level, new studies are being monitored closely by our Kansas Electric Cooperatives, Inc. (KEC) Governmental Relations staff. Our concern is how new regulation and/or laws will affect our members and their cost of electricity. Be assured as regulation and laws are discussed at the statehouse, our team is participating in the discussions for the protection of all cooperative members across the state.

**Cooperative Model Advantage — Power Supplier MSA**

KEPCo, a generation and transmission cooperative that provides wholesale power services to 16 electric cooperatives in the eastern two-thirds of Kansas, is our supplier of wholesale power. Bluestem purchases wholesale power from KEPCo to meet the electric energy needs of our members. The cost of wholesale power is approximately two-thirds of the total cost of providing electric service to each Bluestem member before the margin stabilization adjustment (MSA) credits. As one of the 16 electric cooperative member-owners of KEPCo, Bluestem has a voice in the

*Continued on page 16D ▶*

# FINANCIAL

## Balance Sheet as of Dec. 31, 2020

**ASSETS – WHAT WE OWN**

|                               |                     |
|-------------------------------|---------------------|
| <b>Utility Plant</b>          |                     |
| Electric Plant                | \$52,616,926        |
| Less: Depreciation            | <u>\$12,664,939</u> |
| Net Utility Plant             | \$39,951,987        |
| <b>Investments</b>            | \$9,068,894         |
| <b>Current Assets</b>         |                     |
| Cash & Short-Term Investments | \$5,473,048         |
| Accounts Receivable           | \$1,482,955         |
| Materials                     | \$170,388           |
| Prepayments                   | <u>\$126,344</u>    |
| Total Current Assets          | \$7,252,735         |
| <b>Deferred Debits</b>        | \$858,538           |
| <b>Total Assets</b>           | <u>\$57,132,154</u> |

**LIABILITIES – WHAT WE OWE**

|                              |                    |
|------------------------------|--------------------|
| <b>Long-Term Liabilities</b> |                    |
| Liabilities to RUS and FFB   | \$23,744,939       |
| Other Liabilities            | <u>\$8,232,675</u> |
| Total Long-Term Liabilities  | \$31,977,614       |
| <b>Current Liabilities</b>   |                    |
| Accounts Payable             | \$2,761,735        |
| Accrued Expenses             | \$604,696          |
| Consumer Deposits            | <u>\$178,213</u>   |
| Total Current Liabilities    | \$3,544,644        |

**NET WORTH – MEMBERS' EQUITY**

|   |                    |
|---|--------------------|
| <b>Patronage Capital &amp; Equities</b> |                    |
| Memberships                             | \$119,420          |
| Patronage Capital                       | \$20,357,712       |
| Other Equities                          | <u>\$1,132,764</u> |
| Total Patronage Capital & Equities      | \$21,609,896       |

|                                     |                     |
|-------------------------------------|---------------------|
| <b>TOTAL LIABILITIES AND EQUITY</b> | <u>\$57,132,154</u> |
|-------------------------------------|---------------------|

## Property Taxes Paid

| County              | 2020             | 2019             |
|---------------------|------------------|------------------|
| Clay County         | \$183,632        | \$156,509        |
| Cloud County        | \$3,346          | \$3,034          |
| Dickinson County    | \$630            | \$554            |
| Geary County        | \$8,361          | \$7,361          |
| Jackson County      | \$9,900          | \$8,886          |
| Marshall County     | \$10,078         | \$8,787          |
| Ottawa County       | \$1,466          | \$1,326          |
| Pottawatomie County | \$206,657        | \$186,774        |
| Riley County        | \$72,460         | \$59,427         |
| Wabaunsee County    | \$61,648         | \$55,371         |
| Washington County   | \$87,014         | \$78,907         |
| <b>TOTAL</b>        | <b>\$645,192</b> | <b>\$566,936</b> |

# REPORTS

## Statement of Operations

for the year ending Dec. 31, 2020

|  | 2020                | 2019                | Difference         |
|--|---------------------|---------------------|--------------------|
| <b>OPERATING REVENUE</b>   |                     |                     |                    |
| Electric Energy Revenue  | \$16,763,346        | \$16,967,636        | (\$204,290)        |
| Miscellaneous Electric Revenue   | \$118,477           | \$142,604           | (\$24,127)         |
| <b>Total Operating Revenue</b>   | <b>\$16,881,823</b> | <b>\$17,110,240</b> | <b>(\$228,417)</b> |
| <b>OPERATING EXPENSES</b>  |                     |                     |                    |
| Cost of Power Purchased & Generated                                      | \$8,201,276         | \$8,302,291         | (\$101,015)        |
| Transmission Expense   | \$3,421             | \$3,157             | \$264              |
| Distribution Expense   | \$2,557,550         | \$2,679,029         | (\$121,479)        |
| Consumer Accounts Expense  | \$366,147           | \$386,999           | (\$20,852)         |
| Other Consumer Expenses  | \$121,619           | \$163,768           | (\$42,149)         |
| Administrative and General Expense                                       | \$1,225,386         | \$1,271,160         | (\$45,774)         |
| Property Taxes   | \$645,192           | \$566,936           | \$78,256           |
| Depreciation   | \$1,813,834         | \$1,721,262         | \$92,572           |
| <b>Total Operating Expenses</b>  | <b>\$14,934,425</b> | <b>\$15,094,602</b> | <b>(\$160,177)</b> |
| Electric Operating Margin  | \$1,947,398         | \$2,015,638         | (\$68,240)         |
| Less: Interest on Long-Term & Other Debt                                 | \$1,158,681         | \$1,111,541         | \$47,140           |
| Operating Margin before Capital Credits<br>G&T and Other Capital Credits | \$788,717           | \$904,097           | (\$115,380)        |
|  | \$80,697            | \$227,553           | (\$146,856)        |
| <b>Operating Margin</b>  | <b>\$869,414</b>    | <b>\$1,131,650</b>  | <b>(\$262,236)</b> |
| <b>NON-OPERATING MARGINS</b>   |                     |                     |                    |
| Interest Revenue   | \$155,885           | \$166,596           | (\$10,711)         |
| Gain on Disposition of Headquarters                                      | \$671,619           | \$0                 | \$671,619          |
| Other Revenue  | \$53,916            | \$113,765           | (\$59,849)         |
| <b>Total Non-Operating Margins</b>                                       | <b>\$881,420</b>    | <b>\$280,361</b>    | <b>\$601,059</b>   |
| <b>NET MARGIN</b>  | <b>\$1,750,834</b>  | <b>\$1,412,011</b>  | <b>\$338,823</b>   |

## Statement of Cash Flows

for the year ending Dec. 31, 2020

|   |                    |
|---|--------------------|
| <b>NET MARGIN</b>   | \$1,750,834        |
| Adjustments to reconcile net margin to net cash provided by Operating Activities: |                    |
| Depreciation & Amortization Less Salvage  | \$326,470          |
| Changes in Equity   | \$37,393           |
| Decrease (Increase) in:   |                    |
| Accounts Receivable (net)   | (\$31,257)         |
| Inventory   | \$23,382           |
| Prepayments & Deferred Debits   | \$233,116          |
| Other Current & Accrued Assets  | \$9,022            |
| Increase (Decrease) in:   |                    |
| Accounts Payable & Consumer Deposits  | \$159,511          |
| Other Current & Accrued Liabilities & Deferred Credits                            | \$73,846           |
| <b>Total Adjustments</b>  | <b>\$831,483</b>   |
| <b>Net Cash from Operating Activities</b>   | <b>\$2,582,317</b> |
| Investments in Assoc. Organizations & Other                                       | \$29,747           |
| Distribution Construction   | (\$341,157)        |
| Plant & Equipment Purchases (Net)   | \$659,112          |
| <b>Net Cash from Investing Activities</b>   | <b>\$347,702</b>   |
| Principal Payments  | (\$1,143,798)      |
| Changes in Cushion of Credit (RUS Prepayments)                                    | (\$104,678)        |
| Capital Leases  | (\$83,597)         |
| Borrowings of Long-Term Debt  | \$2,107,000        |
| <b>Net Cash from Financing Activities</b>   | <b>\$774,927</b>   |
| <b>Net Increase (Decrease) in Cash &amp; Cash Equivalents</b>                     | <b>\$3,704,946</b> |
| <b>Beginning Balance: Cash &amp; Cash Equivalents</b>                             | <b>\$1,768,102</b> |
| <b>ENDING BALANCE: CASH &amp; CASH EQUIVALENTS</b>                                | <b>\$5,473,048</b> |



**FROM THE GENERAL MANAGER** *Continued from page 16B* ▶

planning and development of the future power supply arrangements and the financial goals of the organization.

One financial decision made at KEPCo, through member input, was the establishment of an MSA rider implemented in December 2011 and modified in 2015. Essentially, the MSA rider allows KEPCo to reduce its margins by year-end by providing credits to its electric cooperative member-owners, like Bluestem, while maintaining certain required financial ratios. Since 2011, KEPCo has provided Bluestem a cumulative reduction in power costs of \$6.25 million through the MSA. In 2020, the KEPCo MSA credits to Bluestem totaled \$701,004. Bluestem staff continues to monitor the MSA and its use in stabilizing rates and lowering power cost to the members of Bluestem. This return of dollars to Bluestem, and ultimately to each member, is possible because of our cooperative ownership model.

**Power Supply Diversification**

Future power supply is critical to our future success. Over the years, KEPCo has been successful in securing reliable, economic power supply options for its electric cooperative member-owners. These options have included baseload generation with ownership participation in the Wolf Creek Nuclear Generating Station, hydropower from the area federal power marketing agencies in the west and southwest, peaking generation facilities with the ownership of a 20 MW diesel generating station in southeast Kansas, and the securing of ongoing wholesale power supply contracts with several elec-

tric utilities in the region. Wind is included in the generation resources used by Evergy to meet some of KEPCo's electric power requirements under the terms of the wholesale power supply contract between the two organizations.

In 2010, KEPCo partnered with four other utilities in the Iatan 2 coal-fired generating plant, which produces 850 MW. This plant is one of the newest, cleanest, and most efficient coal plants in the world. In early 2017, construction of a 1 MW solar array was completed and added to KEPCo's power supply mix.

In 2020, KEPCo estimates that the non-greenhouse-gas-emitting resources (nuclear, hydro, wind and solar) comprised 67.17% of their energy. KEPCo's current diverse mix of generating resources and plans for future supply provide a hedge against commodity price fluctuations and regulatory changes. KEPCo will continue to work diligently to secure and meet our future power supply needs so the lights will be bright when the next generation of Bluestem members turn on the switch.

Thanks for your support and we hope to see you at the annual meeting in 2022. The staff would like to express our sincere thanks and appreciation to the membership for their support. We are proud to represent the cooperative and we enjoy serving its members. Stay safe, stay healthy, and know that we are looking forward to seeing you at the Bluestem Electric Cooperative Annual Meeting in 2022.

*Michael Morton*  
GENERAL MANAGER

**Explanation of Demand (kW) and Energy (kWh)**

**Electricity Usage is Measured in Two Ways:**

- ▶ Demand (kW-kilowatts): the rate at which energy is used.
- ▶ Energy (kWh-kilowatt-hours): the amount of energy used

**Demand Charge** (expressed as kW or kilowatts)

Demand is defined to be the rate at which a member uses electricity during a specified time period. kW demand is measured by the highest rate at which a member uses electricity during a 60-minute time period during the billing period, and billed accordingly.

**Energy Charge** (expressed as kWh or kilowatt-hours)

Energy charges are based on the amount of electricity a member uses during the billing period, which is expressed as kWh. Think of it in terms of your car's speedometer:

- ▶ If your car travels at a rate of speed of 100 mph for 1 hour, the miles driven is only 100 miles.
- ▶ If your car travels at a rate of speed of 10 mph for 10 hours, the miles driven is 100 miles, but it takes a much more capable and expensive engine to power the car at 100 mph than it does to power the car going only 10 mph.

**In Terms of Electricity**

If a member's rate of consumption is 100 kW for 1 hour, the kWh consumed is 100 kWh. Large power accounts are billed for both the rate of energy consumed (kW) and the energy consumed (kWh).

Demand can be thought of as the speedometer reading in your car. It is the rate at which energy is being consumed. Energy use is like the miles driven on your odometer.

