

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Application of Mid-Kansas)
Electric Company, LLC for an Order Approving) Docket No. 18-MKEE- 014-MIS
the Conversion of Mid-Kansas Electric Company, LLC)
to Mid-Kansas Electric Company, Inc.)

APPLICATION FOR APPROVAL OF CONVERSION

COMES NOW, Mid-Kansas Electric Company, LLC (“Mid-Kansas”) and, pursuant to K.S.A. §§ 66-101, 66-104, 66-131, 66-136 and 17-78-104(b), hereby files this Application with the State Corporation Commission of the State of Kansas (“Commission”) for the purpose of requesting a Commission Order approving the statutory conversion of Mid-Kansas from a limited liability company to a corporation. In support of the application, Mid-Kansas states as follows:

I. BACKGROUND

1. Mid-Kansas is a Kansas limited liability company operated as a not-for-profit company, with the power to generate, furnish, transmit, and sell electric power and energy at wholesale, and, in general, with the power to do all things necessary, useful and appropriate to accomplish such purposes.

2. Mid-Kansas’ principal office is located at 301 West 13th Street, P.O. Box 980, Hays, Kansas 67601, and it holds a certificate of convenience and necessity from the Commission to transact business as an electric public utility for the generation, transmission and sale of electric energy for resale to its members: Lane-Scott Electric Cooperative, Inc., Dighton, Kansas (“Lane-Scott”); Prairie Land Electric Cooperative, Inc., Norton, Kansas (“Prairie Land”); Southern Pioneer Electric Company, Ulysses,

Kansas (“Southern Pioneer”); The Victory Electric Cooperative Association, Inc., Dodge City, Kansas (“Victory”); Western Cooperative Electric Association, Inc., WaKeeney, Kansas (“Western”); and Wheatland Electric Cooperative, Inc., Scott City, Kansas (“Wheatland”) (collectively, Lane-Scott, Prairie Land, Southern Pioneer, Victory, Western, and Wheatland are referred to as the “Mid-Kansas Members”).

II. HISTORY OF COMPANY

3. On July 6, 2005, the Mid-Kansas Members formed Mid-Kansas Electric Company, LLC, a Kansas limited liability company.

4. Mid-Kansas is organized as a not-for-profit limited liability company.

5. Mid-Kansas was formed to pursue the acquisition of the central and western Kansas wholesale and retail electric operations of Aquila, Inc. (“Aquila-WPK”).

6. Mid-Kansas was the successful bidder and, on February 23, 2007, the Commission approved the transfer of the electric utility facilities of the former Aquila-WPK’s vertically integrated operations to Mid-Kansas in Docket No. 06-MKEE-524-ACQ (“06-524 Docket”).

7. The Federal Emergency Management Agency (“FEMA”) manages the process of providing financial assistance to those individuals and eligible public and non-profit agencies in accordance with the Stafford Act.

8. The Stafford Act, as amended, provides that:

[t]he President may make contributions . . . (B) . . . to a person that owns or operates a private non-profit facility damaged or destroyed by a major disaster for the repair, restoration, reconstruction, or replacement of the facility and for associated expenses incurred by the person.

9. FEMA's implementing regulations provide that "[p]rivate non-profit organizations or institutions which own or operate a private non-profit facility as defined in §205.221(e) are eligible to apply for this assistance. A "private non-profit facility," including "buildings, structures, or systems of energy, communication, water supply, sewage collection and treatment, or other similar public service facilities," is eligible for Stafford Act assistance under this definition. Further, "[t]o be eligible, all private non-profit facilities must be owned and operated by an organization meeting the definition of a private non-profit organization" in FEMA's regulations. The definition of "a private non-profit entity" (PNP) is found at §206.221(f) of FEMA's regulations. It provides, an organization is a "private non-profit entity" (PNP) if *either* it has an effective ruling letter from the IRS granting exemption under IRS Code Section 501, *or* it has documentation from a state of its non-profit status. Specifically, the regulation states that an organization like an electric utility can demonstrate that it qualifies as an "eligible applicant" in two different ways:

(1) By providing an IRS "ruling letter" granting tax exempt status under Section 501(c), (d), or (e) of the Internal Revenue Code, and is able to represent to FEMA that this letter is effective; or,

(2) By providing "satisfactory evidence from the State that the nonrevenue producing organization or entity is a nonprofit one organized and doing business under State law."

10. Under the FEMA regulations, operating Mid-Kansas with a not-for-profit business purpose provided its Members with the additional benefit of being eligible for reimbursement of losses to its system due to federally declared natural disasters.

11. Mid-Kansas historically has received public assistance under the Stafford Act.

12. In April 2012 and again in July 2013, FEMA provided almost \$500,000.00 in public assistance to Mid-Kansas for cost reimbursement of damages arising from a federally declared natural disaster.

13. However, in August 2015, a Mid-Kansas request for FEMA reimbursement of \$84,000.00 was denied. FEMA declared Mid-Kansas was ineligible. Because of the size of the loss, it was determined that it was not cost effective to contest the matter. In addition, it was contemplated that Mid-Kansas would likely merge with Sunflower Electric Power Corporation ("Sunflower") in early 2017, and its ineligibility would be resolved as Sunflower had never been denied FEMA eligibility.

14. In April 2017, Mid-Kansas suffered damages eligible for public assistance but was again denied by FEMA.

15. In an attempt to obtain eligibility, the General Counsel for Mid-Kansas recently inquired of FEMA officials as to the reason for denial. FEMA had determined that it could not verify that Mid-Kansas was organized as a not-for-profit entity as the State of Kansas does not provide an acceptable form of certification that limited liability companies are organized as not-for-profit. Since Mid-Kansas could not provide a letter from the IRS that it was exempt under Section 501 of the IRS Code nor provide satisfactory proof of not-for-profit status in Kansas, Mid-Kansas was confronted with the prospect of not being eligible for public assistance.

16. At about this same time, a significant snow and ice storm hit western Kansas causing significant damage to Sunflower's system and its members with only minor damage to the Mid-Kansas system.

17. The Mid-Kansas Members felt it was necessary to resolve the issue by converting from a limited liability company to a nonprofit, non-stock membership corporation, operated on cooperative principles, just as Sunflower is organized, which has consistently been eligible for public assistance under the Stafford Act.

18. In addition to the undersigned, copies of pleadings, documents, and correspondence in this docket should be sent to:

Stuart S. Lowry
President and CEO
Sunflower Electric Power Corporation
301 West 13th Street; P.O. Box 1020
Hays, Kansas 67601
(785) 623-6630
slowry@sunflower.net

H. Davis Rooney
Vice President and Chief Financial Officer
Sunflower Electric Power Corporation
301 West 13th Street; P.O. Box 1020
Hays, Kansas 67601
(785) 623-6630
drooney@sunflower.net

James Brungardt
Manager, Regulatory Relations
Sunflower Electric Power Corporation
301 West 13th Street; P.O. Box 1020
Hays, Kansas 67601
(785) 623-6638
jbrungardt@sunflower.net

Reneé Braun
Corporate Paralegal and Contracts Supervisor
Sunflower Electric Power Corporation
301 West 13th Street; P.O. Box 1020
Hays, Kansas 67601
(785) 623-3302
rbraun@sunflower.net

III. TRANSACTION

19. Mid-Kansas seeks to convert from a limited liability company to a nonprofit, non-stock membership corporation, operated on cooperative principles, pursuant to K.S.A. 17-78-101, *et seq.* (the “Business Entity Transaction Act,” hereinafter referred to as the “Act”) and more specifically, pursuant to K.S.A. 17-78-401 to 406, which provides for the conversion of a legal entity.

20. Mid-Kansas seeks the approval of the conversion by the Commission in accordance with K.S.A. 17-78-104(b) which states “A domestic or foreign entity subject to Chapter 66 of the Kansas Statutes Annotated shall obtain approval in accordance with the special requirements applicable thereto, including K.S.A. [66-127](#) and [66-136](#), and amendments thereto, prior to effecting a transaction under this act.”

21. Pursuant to the Act, a domestic entity may convert to a different type of legal entity by approving an agreement of conversion as prescribed by the Act.¹

22. The required Conversion Agreement is attached hereto as Attachment A (“Conversion Agreement”) and sets out in specific detail the terms and conditions of the conversion of Mid-Kansas to a corporation as approved by the Mid-Kansas Members.

23. As noted in the Conversion Agreement, attached as Exhibits A and B are the proposed Articles of Incorporation and Bylaws.

24. Upon the approval of the conversion by the Commission, a Certificate of Conversion will be filed with the Kansas Secretary of State and, at that point, Mid-Kansas becomes a corporation which, as provided by the Act, is the same entity without interruption as the converting entity. All property of the converting entity continues to be

¹ K.S.A. 17-78-402

vested in the converted entity and all liabilities continue as liabilities of the converted entity with all rights, privileges, immunities, powers and purposes of the converted entity.²

25. In summary, Mid-Kansas will convert from a Kansas limited liability company to a Kansas nonprofit, non-stock membership corporation organized and existing under K.S.A. 17-6001 *et seq.*, and all laws supplemental and amendatory thereto, operating under cooperative principles, to generate, furnish, transmit, and sell electric power and energy at wholesale, and, in general, with the power to do all things necessary, useful and appropriate to accomplish such purposes.

26. The Mid-Kansas member owners before conversion will constitute the member owners after conversion.

IV. SUPPORTING TESTIMONY

27. Supporting testimony will be provided by Stuart S. Lowry, President and CEO of Mid-Kansas. Mr. Lowry will testify as to the current entity formation as a limited liability company, the need and purpose of converting to a nonprofit, non-stock membership corporation, the implications of not doing so, and the urgency of approving the conversion. He will also address the Commission's standard criteria for approving the conversion.

28. Supporting testimony will also be provided by H. Davis Rooney, Vice President and CFO of Mid-Kansas. Mr. Rooney will testify to the implications from an accounting and tax perspective resulting from the conversion to a nonprofit, non-stock membership corporation, operating in accordance with cooperative principles.

² K.S.A. 17-78-406

V. THE PROPOSED TRANSACTION WILL PROMOTE THE PUBLIC INTEREST

29. The Act specifically states that a domestic entity subject to Chapter 66 of the Kansas Statutes Annotated shall obtain approval from the Commission in accordance with the specific requirements of K.S.A 66-127 and 66-136 prior to effecting a transaction under the Act.

30. K.S.A. 66-127 relates to the purchase or acquisition of capital stock, bonds or other forms of indebtedness of any competing public utility or common carrier, either as owner or pledgee. The conversion by Mid-Kansas to a corporation does not contemplate the purchase of stock, bonds or other forms of indebtedness of a competing public utility, and therefore is not applicable.

31. K.S.A. 66-136 states no franchise or certificate of convenience and necessity granted to a common carrier or public utility shall be assigned, transferred or leased, nor shall any contract or agreement with reference to or affecting such franchise or certificate of convenience and necessity or right thereunder be valid, unless the assignment, transfer, lease, contract or agreement shall have been approved by the Commission. Typically, this specific statute is related to merger transactions.

32. Although this is not a merger, Applicant will apply the standards for merger for purposes of this Application.

33. The conversion of Mid-Kansas from a limited liability company to a nonprofit, non-stock membership corporation operated on cooperative principles is in the public interest and meets or fully satisfies the criteria established by this

Commission in evaluating a proposed merger or acquisition. Those Criteria standards are as follows:³

- (a) The effect of the transaction on consumers, including:
 - (i) the effect of the proposed transaction on the financial condition of the newly created entity compared to the financial condition of the stand-alone entities if the transaction did not occur;
 - (ii) reasonableness of the purchase price, including whether the purchase price was reasonable in light of the demonstrated savings from the merger and whether the purchase price is within a reasonable range;
 - (iii) whether ratepayer benefits resulting from the transaction can be quantified;
 - (iv) whether there are operational synergies that justify payment of a premium in excess of book value; and,
 - (v) the effect of the proposed transaction on the existing competition.
- (b) The effect of the transaction on the environment.
- (c) Whether the proposed transaction will be beneficial on an overall basis to state and local economies and to communities in the area served by the resulting public utility operations in the state. Whether the proposed transaction will likely create labor dislocations that may be particularly harmful to local communities, or the state generally, and whether measures can be taken to mitigate the harm.
- (d) Whether the proposed transaction will preserve the Commission's jurisdiction and capacity to effectively regulate and audit public utility operations in the state.
- (e) The effect of the transaction on affected public utility shareholders.
- (f) Whether the transaction maximizes the use of Kansas energy resources.
- (g) Whether the transaction will reduce the possibility of economic waste.

³ These standards were adopted by the Commission in its November 15, 1991 Order in Docket Nos. 172,745-U and 174,155, which approved the merger of Kansas Power and Light Company with the Kansas Gas and Electric Company. The standards were recently reaffirmed by the Commission in Docket 16-KCPE-593-ACQ.

(h) What impact, if any, the transaction has on the public safety.

34. To the extent applicable, Mid-Kansas sets forth its response to each criterion as set forth below:

(a) The effect of the transaction on consumers, including:

(i) the effect of the proposed transaction on the financial condition of the newly created entity compared to the financial condition of the stand-alone entities if the transaction did not occur;

Response: The conversion will have no impact on the financial condition of the converted entity. As provided for by the Act, the converted entity continues without interruption, with the same rights and liabilities as before conversion, including all rights, privileges, immunities, powers and purposes as before conversion. However, failing to convert could have a significant negative impact on the financial condition should a natural disaster damage or destroy a substantial portion of Mid-Kansas' facilities and the entire costs of the repairs are borne by the ratepayer.

(ii) reasonableness of the purchase price, including whether the purchase price was reasonable in light of the demonstrated savings from the merger and whether the purchase price is within a reasonable range;

Response: This criterion is not applicable as no purchase price or compensation is to be paid from the transaction.

(iii) whether ratepayer benefits resulting from the transaction can be quantified;

Response: It would be difficult to quantify the benefit to the ratepayer, but it is readily evident that the ability to receive public assistance for the cost of repair or replacement of facilities will result in significant savings to the ratepayer should a catastrophic event destroy costly electric utility facilities.

(iv) whether there are operational synergies that justify payment of a premium in excess of book value; and

Response: This criterion is not applicable.

(v) the effect of the proposed transaction on the existing competition.

Response: The conversion will have a positive effect on competition. Receiving public assistance will allow Mid-Kansas to be more competitive than without public assistance. Mid-Kansas serves a significant segment of the rural areas of Kansas. Cost per customer is higher in rural areas than in more urban areas due to the cost of extensive transmission lines to serve sparsely populated areas. Most of the losses incurred by Sunflower and Mid-Kansas for which public assistance has been paid is for the repair of transmission lines. Therefore, public assistance is certainly important to Mid-Kansas in providing competitive, low cost, reliable service.

(b) The effect of the transaction on the environment.

Response: The conversion will have no effect on the environment.

(c) Whether the proposed transaction will be beneficial on an overall basis to state and local economies and to communities in the area served by the resulting public utility operations in the state. Whether the proposed transaction will likely create labor dislocations that may be particularly harmful to local communities, or the state generally, and whether measures can be taken to mitigate the harm.

Response: The conversion will have a positive effect on state and local economies and the communities served by the Mid-Kansas Members. Federal assistance to replace and repair destroyed or damaged facilities will remove the burden of the cost of the replacement and repair of such facilities from the ratepayers by the amount of the public assistance received which otherwise would have been paid for by the ratepayer. Generally, FEMA covers approximately 85% of the costs of the replacement and repair of damaged or destroyed facilities. The balance is paid for by the utility.

(d) Whether the proposed transaction will preserve the Commission's jurisdiction and capacity to effectively regulate and audit public utility operations in the state.

Response: Mid-Kansas has elected under K.S.A. 66-104d to be self-regulated. Upon conversion, Mid-Kansas will remain subject to the jurisdiction of the Commission to the same extent as it was regulated before conversion.

(e) The effect of the transaction on affected public utility shareholders.

Response: Mid-Kansas is a member owned, limited liability company and upon conversion, Mid-Kansas will remain a member owned entity. It has no shareholders.

(f) Whether the transaction maximizes the use of Kansas energy resources.

Response: The conversion will have no effect on the current use of Kansas energy resources.

(g) Whether the transaction will reduce the possibility of economic waste.

Response: The conversion will reduce the possibility of economic waste by restoring the eligibility of Mid-Kansas to receive public assistance in the event of a federally declared natural disaster. In that perspective, the conversion will reduce the possibility of economic waste.

(h) What impact, if any, the transaction has on the public safety.

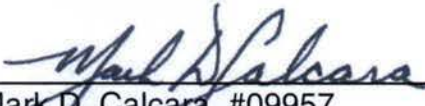
Response: The transaction will have no effect on public safety. Mid-Kansas will continue to maintain the high level of emphasis on public safety as it did before conversion.

35. For these reasons, Mid-Kansas contends the conversion to a nonprofit, non-stock membership corporation, operated on cooperative principles will be in the public interest and should be approved by the Commission.

WHEREFORE, Applicant prays that the Commission (1) find the conversion to be in the public interest; (2) issue an Order approving the conversion of Mid-Kansas to a nonprofit, non-stock membership corporation, operated on cooperative principles; (3) acknowledge that the Certificate of Convenience, rates, charges, classifications or schedule of charges, or any rule or regulation or practice pertaining to the service or rates after conversion will apply for the converted entity and be the same as before

conversion and, (4) for such other and further relief as the Commission may deem just and proper.

Respectfully submitted,



Mark D. Calcara, #09957
Taylor P. Calcara, #25561
Watkins Calcara, Chtd.
Suite 300, 1321 Main Street
P.O. Drawer 1110
Great Bend, Kansas 67530
(620) 792-8231 telephone
(620) 792-2775 facsimile
Attorneys for Applicant

VERIFICATION

STATE OF KANSAS)
)
COUNTY OF ELLIS) ss:

I, Mark D. Calcara, of lawful age, being first duly sworn upon his oath, does state:

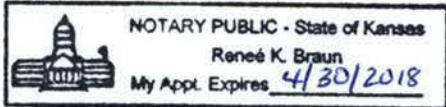
That he is an attorney for the above-named petitioner; that he has read the above and foregoing Intervention, and, upon information and belief, states that the matters therein appearing are true and correct.



Mark D. Calcara

SUBSCRIBED AND SWORN to before me this 12th day of July, 2017.

Seal:





Notary Public

My Commission expires: April 30, 2018

Attachment A

Agreement of Conversion

See Attached

AGREEMENT OF CONVERSION

This Agreement of Conversion ("Agreement") is made and entered into as of the ____ day of ____, 2017 (the "Effective Date") by and among Lane-Scott Electric Cooperative, Inc., Prairie Land Electric Cooperative, Inc., Southern Pioneer Electric Company, The Victory Electric Cooperative Association, Inc., Western Cooperative Electric Association, Inc., and Wheatland Electric Cooperative, Inc. (collectively referred to as the "Members" or "Incorporators").

RECITALS

A. The Members desires to convert Mid-Kansas Electric Company, LLC ("Company") to a Kansas nonprofit, non-stock membership corporation to be named Mid-Kansas Electric Company, Inc. (the "Corporation").

B. The Members of the Company are as follows:

Lane-Scott Electric Cooperative, Inc.
Prairie Land Electric Cooperative, Inc.
Southern Pioneer Electric Company
The Victory Electric Cooperative Association, Inc.
Western Cooperative Electric Association, Inc.
Wheatland Electric Cooperative, Inc.

C. Each of the Members owned an equity interest in the Company (a "Percentage Interest") pursuant to that certain Operating Agreement of the Company dated July 6, 2005 (the "Prior Operating Agreement").

D. Section 3.3 of the Prior Operating Agreement created a separate capital account (each a "Capital Account") to be maintained for each Member, which balance reflects an equity interest in the Company.

E. Article IV of the Amended and Restated Operating Agreement effective as of March 11, 2017, (the "Current Operating Agreement") requires that the Company declare and pay a patronage dividend (the "Patronage Dividend") to each Member in an amount equal to the Company's Federal taxable income from its furnishing of electric power and energy to the Members.

F. The Members are also the Incorporators who executed the Corporation's Articles of Incorporation (the "Incorporators"), who by consent, duly approve this Agreement.

G. It is the purpose of this Agreement to set forth the understandings of the Members and the Incorporators with respect of the foregoing.

AGREEMENT

NOW, THEREFORE, in consideration of the representations, warranties contained herein, and other valuable consideration, the sufficiency of which is hereby acknowledged, the Members agree as follows:

1. The Company, effective as of the date a Certificate of Conversion is filed with the Kansas Secretary of State, shall be deemed to be converted to a Kansas nonprofit, non-stock membership corporation (the "Conversion").

2. The Corporation shall be organized pursuant to Articles of Incorporation in the form attached hereto as Exhibit A to be filed with the Kansas Secretary of State on or about the Effective Date, and shall be governed pursuant to the terms of the Bylaws in the form attached hereto as Exhibit B upon the effective time of the Conversion.

3. At the effective time of the Conversion, the Percentage Interest of each Member in the Company shall automatically convert into a Class A membership interest in the Corporation with all rights, duties and privileges as set forth in Bylaws.

4. The Corporation shall create an equity interest for each Class A Member in an amount equal to the balance of each such Member's Capital Account balance with the Company as reported on the final Schedule K-1. The Corporation may from time to time redeem all or any part of such equity interest as determined by the Board of Directors (the "Board") of the Corporation under such method and timing as determined by the Board in its sole and absolute discretion, provided however, that no redemption shall be made prior to the date twenty years after the effective date of this Conversion.

5. The Corporation shall continue the business of the Company and shall be deemed to be the successor of the Company for all purposes and in all respects assuming all rights, obligations and liabilities of the Company, including but not limited to, the Company's obligation to pay the Patronage Dividends to the Members for the period provided for under the Current Operating Agreement, and the Company shall have no further existence or operations independent from the Corporation.

6. This Agreement shall be binding upon and shall inure to the benefit of the Members and their legal representatives, successors, and assigns. Any change or amendment of the terms of this Agreement, to be effective, shall be in writing and shall be approved by the Members and signed by the Company.

7. This Agreement shall be governed by, constructed and enforced in accordance with, the laws of the State of Kansas, and all rights and remedies shall be governed by such laws, without regard to its principal of conflicts of laws.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned has executed the Agreement as of the date first above written.

MEMBERS / INCORPORATORS:

Lane-Scott Electric Cooperative, Inc.

By: _____
Name:
Title:

Prairie Land Electric Cooperative, Inc.

By: _____
Name:
Title:

Southern Pioneer Electric Company

By: _____
Name:
Title:

The Victory Electric Cooperative Association, Inc.

By: _____
Name:
Title:

Western Cooperative Electric Association, Inc.

By: _____
Name:
Title:

Wheatland Electric Cooperative, Inc.

By: _____
Name:
Title:

EXHIBIT A

Articles of Incorporation

See Attached.

**ARTICLES OF INCORPORATION
OF
MID-KANSAS ELECTRIC COMPANY, INC.**

The undersigned by these Articles of Incorporation do voluntarily associate together for the purpose of forming a nonprofit, non-stock membership corporation (the "Corporation") under the provisions of K.S.A. 17-6001, et. seq., and all laws amendatory thereof and supplemental thereto, and do hereby certify:

ARTICLE I
NAME

The name of the Corporation is: Mid-Kansas Electric Company, Inc.

ARTICLE II
NONPROFIT NONSTOCK CORPORATION

Corporation is a nonprofit, non-stock membership corporation and shall have no authority to issue capital stock.

ARTICLE III
DURATION

The period of duration of the Corporation is perpetual.

ARTICLE IV
PURPOSE

The object or objects and purpose or purposes of which the Corporation is formed are:

(a) To generate, manufacture, purchase, acquire and accumulate electric energy for its members and for others permitted by law, and to transmit, distribute, furnish, sell and dispose of such electric energy to its members and to others permitted by law, and to construct, erect, purchase, lease as lessee and in any manner acquire, own, hold, maintain, operate, sell, dispose of, lease as lessor, exchange and mortgage electric generating plants, lands, buildings, structures, dams, works, machinery, supplies, apparatus, equipment, and electric transmission and distribution lines or systems necessary, convenient or useful for carrying out and accomplishing any or all of the foregoing purposes within and without the State of Kansas;

(b) To acquire, own, hold, use, exercise and, to the extent permitted by law, to sell, mortgage, pledge, hypothecate and in any manner dispose of franchises, rights, privileges, licenses, rights of way and easements necessary, useful or appropriate to accomplish any or all of the purposes of the Corporation;

(c) To purchase, receive, lease as lessee, or in any other manner acquire, own, hold, maintain, use, convey, sell, lease as lessor, exchange, mortgage, pledge or otherwise dispose of any and all real and personal property or any interest therein

necessary, useful or appropriate to enable the Corporation to accomplish any or all of its purposes;

(d) To borrow money, to make and issue bonds, notes and other evidence of indebtedness, secured or unsecured, for monies borrowed or in payment for property acquired, or for any of the other objects or purposes of the Corporation; to secure the payment of such bonds, notes or other evidence of indebtedness by mortgage, or deed or deeds of trust upon, or by the pledge of or other lien upon, any or all of the property, rights, privileges, or permits of the Corporation, wheresoever situated, acquired or to be acquired; and

(e) To do and perform either for itself or its members any and all acts and things, and to have and exercise any and all powers, as may be necessary or convenient to accomplish any or all of the foregoing purposes, or as may be permitted by the Act under which this Corporation is formed.

ARTICLE V
INCORPORATORS

The incorporators and their mailing addresses are as follows:

Lane-Scott Electric Cooperative, Inc.
P.O. Box 758
Dighton, KS 67839

Prairie Land Electric Cooperative, Inc.
P.O. Box 360
Norton, KS 67654

Southern Pioneer Electric Company
P.O. Box 430
Ulysses, KS 67880

The Victory Electric Cooperative
Association, Inc.
P.O. Box 1335
Dodge City, KS 67801

Western Cooperative Electric
Association, Inc.
P.O. Box 278
WaKeeney, KS 67672

Wheatland Electric Cooperative, Inc.
P.O. Box 230
Scott City, KS 67871

ARTICLE VI
RESIDENT AGENT AND REGISTERED OFFICE

The name and street address of the resident agent and registered office in the State of Kansas is Mark D. Calcara, 301 W. 13th Street, Hays, Ellis County, Kansas, 67601.

ARTICLE VII
EFFECTIVE DATE

The effective date of this document is the date it is filed by the Secretary of State of Kansas.

I declare under penalty of perjury under the laws of the state of Kansas that the foregoing is true and correct, and that I have remitted the required fee.

Dated this _____ day of _____, 2017.

INCORPORATORS:

Lane-Scott Electric Cooperative, Inc.

Prairie Land Electric Cooperative, Inc.

Southern Pioneer Electric Company

The Victory Electric Cooperative Association, Inc.

Western Cooperative Electric Association, Inc.

Wheatland Electric Cooperative, Inc.

EXHIBIT B

Bylaws

See Attached.

**BYLAWS
OF
MID-KANSAS ELECTRIC COMPANY, INC.**

Table of Contents

	<u>Page</u>
ARTICLE I - MEMBERSHIP	26
Section 1. Requirements for Membership.....	26
Section 2. Membership Certificates	27
Section 3. Membership Fees	27
Section 4. Termination of Membership.....	27
Section 5. Expulsion of Members	28
Section 6. Effect of Termination of Membership.....	28
ARTICLE II - RIGHTS AND LIABILITIES OF MEMBERS.....	28
Section 1. Property Interest of Members.....	28
Section 2. Non-Liability for Debts of the Corporation	29
ARTICLE III - MEETING OF MEMBERS	29
Section 1. Annual Meeting.....	29
Section 2. Special Meeting	29
Section 3. Notice of Members' Meetings.....	29
Section 4. Delegates.....	30
Section 5. Quorum.....	30
Section 6. Voting	30
Section 7. Proxy and Mail Voting.....	31
Section 8. Order of Business	31
Section 9. Fees and Expenses	32
ARTICLE IV - DIRECTORS	32
Section 1. General Powers	32
Section 2. Qualifications	32
Section 3. Nominations.....	32
Section 4. Election and Tenure of Office.....	33
Section 5. Removal of Directors by Members.....	33
Section 6. Vacancies	34
Section 7. Compensation	34
Section 8. Alternate Directors	34
ARTICLE V - MEETINGS OF DIRECTORS.....	35
Section 1. Regular Meeting	35
Section 2. Special Meetings	35
Section 3. Notice of Directors' Meetings.	35
Section 4. Quorum.....	36

Section 5. Manner of Acting.....	36
Section 6. Presence of Others.....	36
Section 7. Executive Session	36
ARTICLE VI - OFFICERS	36
Section 1. Number	36
Section 2. Election and Term of Office	37
Section 3. Removal	37
Section 4. Vacancies	37
Section 5. Chairman of the Board.....	37
Section 6. Vice Chairman of the Board.....	37
Section 7. President	38
Section 8. Vice President.....	38
Section 9. Secretary	38
Section 10. Treasurer	39
Section 11. Assistant Secretaries and Assistant Treasurers.....	39
Section 12. Other Assistants and Acting Officers	39
Section 13. Bonds of Officers	39
Section 14. Compensation.....	40
Section 15. Reports	40
ARTICLE VII - NONPROFIT OPERATION	40
Section 1. Interest or Dividends on Capital Prohibited	40
Section 2. Patronage Capital in Connection with Furnishing Electric Energy.....	40
ARTICLE VIII - DISPOSITION OF PROPERTY	42
ARTICLE IX - SEAL.....	42
ARTICLE X - FINANCIAL TRANSACTIONS	42
Section 1. Contracts	42
Section 2. Checks, Drafts, Etc.	43
Section 3. Deposits.....	43
Section 4. Fiscal Year	43
ARTICLE XI - MISCELLANEOUS.....	43
Section 1. Membership in Other Organizations	43
Section 2. Waiver of Notice.	43
Section 3. Rules and Regulations.....	43
Section 4. Accounting System and Reports.....	44
Section 5. Indemnity	44
ARTICLE XII - AMENDMENTS.....	45

**BYLAWS
OF
MID-KANSAS ELECTRIC COMPANY, INC.**

**ARTICLE I
MEMBERSHIP**

Section 1. Requirements for Membership.

Except for the incorporators, which shall be members, any person, firm, association, corporation or body politic or subdivision thereof may become a member of Mid-Kansas Electric Company, Inc. (hereinafter called the "Corporation") upon:

- (A) Executing a written application for membership therein;
- (B) Agreeing to contract for the delivery or purchase from the Corporation of electric power and energy or services as hereinafter specified;
- (C) Agreeing to comply with and be bound by the Articles of Incorporation and Bylaws of the Corporation and any amendments thereto and such rules and regulations as may from time-to-time be adopted by the Board of Directors; and
- (D) Paying the membership fee hereinafter specified;

provided, however, that no applicant shall become a member unless and until he or she or it has been accepted for membership by the Board of Directors or by the members of the Corporation. No member may hold more than one membership in the Corporation and no membership in the Corporation shall be transferable except as may be hereinafter provided.

At each meeting of the members held subsequent to the expiration of a period of six months from the date of incorporation of the Corporation, all applications received more than 90-days prior to such meeting which have not been accepted or which have been rejected by an affirmation vote of 70% of the Board of Directors shall be submitted by the Secretary to such meeting of the members, and, subject to compliance by the applicant with the requirements hereinabove set forth, such application may be accepted by an affirmative vote of 70% of the members at such meeting. The Secretary shall give each such applicant at least 10 days written notice of the date of the members' meeting to which his, her or its application will be submitted and such applicant shall be entitled to be present and heard at the meeting.

There shall be three classes of membership: Class A, Class B and Class C. Class A membership shall include any incorporator of the Corporation and any rural electric distribution cooperative or similarly formed corporation or limited liability company operated cooperatively that, (i) for its entire system, (ii) for designated delivery points, or (iii) for a designated service territory, purchases electric power and energy at wholesale from the Corporation for sale at retail to its consumers under a written all requirements electric power and energy contract with the Corporation. Class B membership shall include any corporation, limited liability company and any rural electric distribution cooperative or similarly formed corporation or limited liability company that is a wholly owned subsidiary of a Class A member that, (i) for its entire system, (ii) for designated delivery points, or (iii) for a designated service territory, purchases electric power and energy at wholesale from the Corporation for sale at retail to its consumers under a written all requirements electric power and energy contract with the Corporation. Class C membership shall include all other persons, firms, associations, corporations, limited liability companies or bodies politic or subdivisions thereof that purchase electric power and energy at wholesale from the Corporation for resale that have entered into a written wholesale power agreement to purchase electric energy from the Corporation or receives services that are provided by the Corporation. Unless otherwise specifically designated, any reference herein to "member," "members," or "membership" shall be deemed to include all classes of membership.

Section 2. Membership Certificates.

Membership in the Corporation shall be evidenced by a membership certificate which shall be in such form and shall contain such provisions as shall be determined by the Board of Directors. Such Certificate shall be signed by the Chairman of the Board or President and by the Secretary of the Corporation and the Corporate Seal shall be affixed thereto. No membership certificate shall be issued for less than the membership fees, if any, fixed in these Bylaws, nor until such membership fee has been fully paid for. In case a membership certificate is lost, destroyed or mutilated, a new certificate may be issued therefor, upon such uniform terms and indemnity to the Corporation as the Board of Directors may prescribe.

Section 3. Membership Fees.

The membership fee for a Class A member shall be \$1000 and the membership fee for a Class B and C member shall be as fixed and determined by the Board of Directors.

Section 4. Termination of Membership.

A member may withdraw from membership upon compliance with such equitable terms and conditions as the Board of Directors may prescribe; provided, however,

that no member shall be permitted to withdraw until it has met all its contractual obligations to the Corporation.

Section 5. Expulsion of Members.

The Board of Directors may, by the affirmative vote of not less than 70% of all the Directors, recommend the expulsion of any Class A or Class B member who fails to comply with any of the provisions of the Articles of Incorporation, Bylaws or Rules or Regulations adopted by the Board of Directors from time-to-time, but only if such Class A or Class B member shall have been given written notice by the Secretary of the Corporation that such failure makes it liable to expulsion from membership, and such failure shall have continued for at least 10-days after such notice was given. Within 30-days after the Board shall have recommended expulsion of a member, a meeting of the Class A members shall be held at which such member recommended for expulsion shall be given an opportunity to present its case by counsel or otherwise, and the Board shall have the same opportunity, after which a vote shall be taken on the expulsion of such member. An affirmative vote by 70% of the Class A members present at the meeting shall be required in order to expel a Class A or Class B member. The resolution of expulsion shall set forth the reasons for the expulsion and shall state the conditions on which the expelled member may be readmitted to membership. A Class C member may be expelled, with or without cause, by the affirmative vote of not less than 70% of all the Directors at any time and upon such expulsion the Corporation shall repay any and all membership fee paid by the former Class C member, if any.

Section 6. Effect of Termination of Membership.

Upon the withdrawal, cessation of existence or expulsion of a member, the membership of such member shall thereupon be terminated, and the membership certificate of such member shall be surrendered forthwith to the Corporation, and upon failure to surrender such certificate shall be canceled. Termination of membership in any manner shall not release a member from any debts or liabilities of such member due the Corporation.

ARTICLE II RIGHTS AND LIABILITIES OF MEMBERS

Section 1. Property Interest of Members.

Members shall have no individual or separate interest in the property or assets of the Corporation except that upon dissolution, after (a) all debts and liabilities of the Corporation shall have been paid, and (b) all capital furnished through patronage shall have been returned, as provided in these Bylaws, the remaining property and assets of the Corporation shall be distributed among the Class A and Class B members and former Class A and Class B members in the proportion which the

aggregate patronage of each bears to the total patronage of all members. Class C members shall not participate in any or all distribution of the property and assets of the Corporation other than the return of any and all membership fee paid by the Class C member, if any.

Section 2. Non-Liability for Debts of the Corporation.

The private property of the members shall be exempt from execution or other liability for the debts of the Corporation, and no member shall be liable or responsible for any debts or liabilities of the Corporation.

**ARTICLE III
MEETING OF MEMBERS**

Section 1. Annual Meeting.

The annual meeting of the members shall be held on the **[first Tuesday in May of each year]**, or such other day in **[May]** as may be selected by the Board of Directors as provided herein, at such place in the State of Kansas as shall be designated in the notice of the meeting, for the purposes of electing Directors, passing upon reports for the previous fiscal year and transacting such other business as may come before the meeting. It shall be the responsibility of the Board of Directors to make adequate plans and preparations for the annual meeting. If the day fixed for the annual meeting shall be a legal holiday, such meeting shall be held on the next succeeding business day. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Corporation.

Section 2. Special Meeting.

Special meetings of all members or any voting class of members may be called by the Chairman of the Board, President, by resolution of the Board of Directors, or upon a written request signed by any six Directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided to the members or any voting class of members, as directed. Special meetings of the members may be held at any place within the State of Kansas, specified in the notice of the special meeting.

Section 3. Notice of Members' Meetings.

Notice stating the place, day and hour of the meeting, and in the case of a special meeting or an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is called, shall be delivered not less than 10 days, nor more than 25 days before the date of the meeting either personally or by mail, telephone, facsimile, electronically via email or at the direction of the Chairman or the persons calling the meeting, to each

member or voting class of members, as the case maybe, and to each person serving as delegate and alternate delegate in accordance with the provisions of Section 4 of this Article.

If mailed, such notice shall be deemed to be delivered when deposited in the United States Mail within the State of Kansas, addressed to each of the members, delegates and alternate delegates at his or her address as it appears on the records of the Corporation, with postage thereon prepaid. If by facsimile or via email, such notice shall be deemed to be delivered when transmitted to each of the members, delegates and alternate delegates at his or her address as it appears on the records of the Corporation. The failure of any member, delegate, or alternate delegate to receive notice of an annual or special meeting of the members or voting class of members shall not invalidate any action which may be taken by the members at any such meeting.

Section 4. Delegates.

The directors or trustees or governing body of each firm, association, corporation or body politic or subdivision member shall designate a delegate and an alternate delegate to represent such corporate group member at all member meetings of the Corporation. Not less than 15 days before each annual meeting, the Secretary, General Manager, or CEO, as the case may be, of each such member shall certify to the Secretary of the Corporation the name and mailing, facsimile and email address of its delegate and alternate delegate. Between annual meetings, the Secretary of each member shall inform the Secretary of the Corporation in writing of any change of delegates or alternate delegates from time-to-time as such changes might occur.

Section 5. Quorum.

Delegates representing 51% of the Class A members shall constitute a quorum. If less than a quorum is present at the meeting, a majority of those present in person may adjourn the meeting from time-to-time without further notice.

Section 6. Voting.

At all meetings of the members at which a quorum is present all questions shall be decided by a vote of a majority, unless a greater majority is required herein, of the Class A members voting thereon, including but not limited to election of Directors, the acceptance of applicants for membership, the removal of Directors or officers, expulsion of a member, dissolution, liquidation, consolidation or merger of the Corporation or amendment or repeal of the Articles of Incorporation or the Bylaws of the Corporation.

Each member eligible to vote upon a matter shall be entitled to only one vote, and no more, upon each matter submitted to a vote at a meeting of the members.

Cumulative voting shall not be permitted.

The vote of each member shall be cast only by a duly authorized delegate or, in his or her absence, by a duly authorized alternate delegate. At all membership meetings of the Corporation each member shall be entitled to have both delegates and alternate delegates present and either the delegate or the alternate delegate, but not both, shall vote upon each matter upon which such member is eligible to vote which is submitted to a vote of a meeting of the members.

Nothing contained in this section shall be construed to grant to any member more than one vote or to affect in any manner whatsoever the validity of any action taken at the meeting of the members.

Section 7. Proxy and Mail Voting.

Voting by proxy or by mail shall not be permitted.

Section 8. Order of Business.

The order of business at the annual meeting of the members, and so far as practicable, at all other meetings of the members, shall be essentially as follows:

- (A) Report upon the members represented and the number of delegates and alternate delegates present, for purposes of determining the establishment of a quorum;
- (B) Reading of the notice of the meeting and proof of the mailing thereof, or the waiver or waivers of the meeting, as the case may be;
- (C) Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon;
- (D) Presentation and consideration of reports of officers, Directors and committees;
- (E) Nomination and election of Directors;
- (F) Unfinished business;
- (G) New business; and,
- (H) Adjournment.

Section 9. Fees and Expenses.

No fees or expenses shall be paid by the Corporation to the delegates or alternate delegates of the members for the attendance of any meeting of the members by such delegates or alternate delegates.

**ARTICLE IV
DIRECTORS**

Section 1. General Powers.

The business and affairs of the Corporation shall be managed by a Board of Directors which shall exercise all of the powers of the Corporation except such as are by law, the Articles of Incorporation or the Bylaws conferred upon the officers of the Corporation or reserved by the members. The Board of Directors shall consist of two Directors from each Class A member of the Corporation. Of each Member's two Directors, one shall be a senior management employee of the Member. If a Class A member merges, consolidates, acquires or otherwise combines with one or more Class A members, such surviving entity shall in no event be entitled to more than two Directors.

Section 2. Qualifications.

No person shall be eligible to become or remain a Director in the Corporation who is not (i) a member of the Board of a Class A member of the Corporation or (ii) a senior management employee of a Class A member of the Corporation. For purposes of this Section, "senior management employee" shall mean either the manager (or chief executive officer) of a Class A member, or such other employee of a member reporting directly to such manager who is formally designated to act for such manager in the manager's absence or incapacitation. Other than as provided in Section 1 above, each Class A member shall have equal representation on the Board of Directors of the Corporation.

Section 3. Nominations.

Candidates for Director shall be nominated by Class A members at the meeting of the members at which Directors are to be elected. No delegate or alternate delegate of a Class A member may nominate more than two candidates. The floor shall remain open for nominations for at least 1 minute subsequent to the making of the last nomination.

The name of each candidate, together with the name of the corporate member of which he or she is associated, shall be announced or posted before any vote is taken.

Section 4. Election and Tenure of Office.

- (A) The following persons named as Directors shall compose the Board of Directors until the first annual meeting of the members or until their successors shall have been elected, and shall have qualified. Directors shall be elected by ballot at each annual meeting of the members by the members to serve until their terms expire or until their successors shall have been elected and shall have qualified. If an election of Directors shall not have been held on the day designated herein for the annual meeting, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the members within a reasonable time thereafter. The initial Board of Directors, shall be **[insert list of Initial Directors]**.
- (B) At the first annual meeting, six director positions (one from each member) shall be elected for a term of two years, and the remaining director positions shall be elected for a term of one year. Thereafter, all Directors' terms shall be for two years staggered as above set forth.
- (C) Each member delegate of a Class A member may vote for as many candidates as the number of Directors to be elected. Directors shall be elected by the plurality vote of the Class A members.
- (D) The number of members constituting the Board of Directors shall automatically be increased by two Directors for each new Class A member whose application is accepted by the Board of Directors or members, said increase to take effect on the date of such acceptance, and the new Class A member shall nominate the new Directors, who shall be voted on by the Board of Directors and, if elected, the new Directors shall serve until the next annual meeting of the members. Thereafter, the additional Directors shall be elected for two years staggered as provided for hereinabove.

Section 5. Removal of Directors by Members.

Any Class A member may bring charges against any Director and, by filing with the Secretary such charges in writing together with a petition signed by at least six Directors, may request the removal of such Director by reason thereof. Such Director shall be informed in writing of the charges at least 10 days prior to the meeting of the members at which the charges are to be considered and shall have an opportunity at the meeting to be present in person or represented by counsel and to present evidence with respect to the charges; and the person or persons bringing the charges against him shall have the same opportunity. The question of the removal of such Director shall be considered and voted upon at the meeting of the members by Class A members only, and any vacancy created by such removal may be filled by vote of the Class A members at such meeting for the period of time to the next annual meeting, at which the Class A members shall

elect a Director for the unexpired portion, if any, of the term of the removed Director.

Section 6. Vacancies.

Subject to the provisions of these Bylaws with respect to the filling of vacancies caused by the removal of Directors by the Class A members, a vacancy occurring on the Board of Directors shall be filled by the affirmative votes of a majority of the remaining Directors for the period of time to the next annual meeting at which time the Class A members shall elect a Director for the unexpired portion of the term, if any.

Section 7. Compensation.

Board members shall not receive any salary for their services as such, except that members of the Corporation may by resolution authorize a fixed sum for each day or portion thereof spent on Corporation business, such as attendance at meetings, conferences, and training programs or performing committee assignments when authorized by the Board. If authorized by the Board, board members may also be reimbursed for expenses actually and necessarily incurred in carrying out such Corporation business or granted a reasonable per diem allowance by the Board in lieu of detailed accounting for some of these expenses. No board member shall receive compensation for serving the Corporation in any other capacity, nor shall any close relative of a board member receive compensation for serving the Corporation, unless the payment and amount of compensation shall be specifically authorized by a vote of the Class A members or the service by the board member or his or her close relative shall have been certified by the Board as an emergency measure.

Section 8. Alternate Directors.

For each Director elected to the Board of Directors, there shall, in the same manner and for the same term, be simultaneously elected to the Board of Directors an Alternate Director, which Alternate Director, in the absence of, but only in the absence of the Director for whom he or she was elected Alternate Director, shall have all the power of a Director, including, but not by way of limitation, the right to sit on the Board of Directors as a member of the Board of Directors and to vote upon all matters to come before the Board of Directors at regular or special meetings, and the right to sign a waiver of notice of any meeting at which he or she sits as a member of the Board of Directors. When serving in the absence of a Director, the Alternate shall be entitled to receive the fixed sum and expense reimbursement, if any, for each day or portion thereof spent on the Corporation's business as would have been received by the Director in whose absence the Alternate Director served. Any reference in the Articles of Incorporation of the Corporation, or in these Bylaws to "Board of Directors," "Directors," or "Director" shall, except as to notice of meetings, be construed to include an Alternate Director

who, in the absence of a Director sits on the Board of Directors or takes any other action as a Director. No person shall be eligible to become or remain an Alternate Director unless he or she meets all the qualifications provided for in the Bylaws for a Director. The provisions in these Bylaws for nomination, election, tenure of office, removal, vacancy and compensation of a Director shall apply to each Alternate Director; provided, however, that in no event shall an Alternate Director be empowered to act as an officer of the Corporation. Alternate Directors shall not receive any salary for their services as such, except that the Board of Directors may by resolution authorize a fixed sum for each day or portion thereof spent on Corporate business, such as attendance at meetings, conferences, and training programs or performing committee assignments when authorized by the Board. If authorized by the Board, Alternate Directors may also be reimbursed for expenses actually and necessarily incurred in carrying out such Corporate business or granted a reasonable per diem allowance by the Board in lieu of detailed accounting for such expenses.

ARTICLE V MEETINGS OF DIRECTORS

Section 1. Regular Meeting.

A regular meeting of the Board of Directors shall be held without notice, other than this By-Law, immediately after, and at the same place as the annual meeting of the members. Regular meetings of the Board of Directors shall be held at such time and place as the Board of Directors may provide by resolution. Such regular meetings may be held without notice other than such resolution fixing the time and place thereof.

Section 2. Special Meetings.

Special meetings of the Board of Directors may be called by the Chairman of the Board of Directors, the President of the Corporation, or by any six Directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The Chairman, the President or the Directors calling the meeting shall fix the time and place which shall be centrally located for all Directors for the holding of the meeting.

Section 3. Notice of Directors' Meetings.

Notice of the time, place and purpose of any special meeting of the Board of Directors shall be delivered to each Director and to each member not less than five days previous thereto, either personally, or by U.S. mail, telephone, facsimile or electronically via email by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the Chairman, the President, or by the Directors calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail within the State of Kansas, addressed to the

Director and member at his, her or its address, respectively, as it appears on the records of the Corporation with postage thereon prepaid. If by facsimile or via email, such notice shall be deemed to be delivered when transmitted to each Director and to each member at his, her or its address as it appears on the records of the Corporation.

Section 4. Quorum.

A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, provided, that if less than such majority of the Directors are present at said meeting, a majority of the Directors present may adjourn the meeting.

The Secretary shall notify any absent Directors of the time and place of any adjourned meeting.

Section 5. Manner of Acting.

At a meeting in which a quorum is present, an affirmative vote of a majority of the Directors present shall be the Act of the Board of Directors; provided, however, matters involving the setting or modification of rates or rate designs, the allocation or payment of patronage dividends or incurring debt of more than **[\$10 million]**, must pass by an affirmative vote of 70% of the Directors present to be considered an act of the Board.

Section 6. Presence of Others.

Any delegate, alternate delegate, manager, director or trustee of a member shall be entitled to be present at any board meeting and shall have a voice in the proceedings; provided, however, that only Directors of the Corporation shall be entitled to vote.

Section 7. Executive Session.

An executive session of the Board of Directors may be called at any time by either the presiding officer of the board meeting or a majority of the Class A member Directors present at the board meeting, at which executive session any Director, Alternate Director or member manager, or persons as otherwise allowed, shall be entitled to attend.

ARTICLE VI OFFICERS

Section 1. Number.

The principal officers of the Corporation shall be a Chairman and a Vice Chairman of the Board of Directors, a President, one or more Vice Presidents, a Secretary

and a Treasurer, each of whom shall be elected by written ballot by the Board of Directors of the Corporation. Such other officers and assistant officers as may be deemed necessary, may be elected or appointed by the Board of Directors. Any two or more offices may be held by the same person. An officer of the Corporation does not need to be an employee of the Corporation.

Section 2. Election and Term of Office.

The officers of the Corporation to be elected by the Directors of the Corporation shall be elected by the Directors at the annual meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until his/her successor shall have been duly elected, or until his/her death or until he/she shall resign or shall have been removed in the manner hereinafter provided.

Section 3. Removal.

Any officer or agent elected or appointed by the Directors may be removed by the Directors whenever in its judgment the best interest of the Corporation shall be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment shall not of itself create contract rights.

Section 4. Vacancies.

A vacancy in any principal office because of death, resignation, removal, disqualification or otherwise, shall be filled by the Directors for the unexpired portion of the term.

Section 5. Chairman of the Board.

The Chairman of the Board shall, unless otherwise determined by the members or the Board of Directors, preside at all meetings of the members and the Directors and shall have such other duties and powers as may be granted from time-to-time to the office by the Board of Directors.

Section 6. Vice Chairman of the Board.

In the absence of the Chairman, or in the event of his or her inability or refusal to act, the Vice Chairman shall perform the duties of the Chairman, and so acting, shall have all the powers of and be subject to all the restrictions upon the Chairman. The Vice Chairman shall also perform such other duties as from time-to-time may be assigned to him by the Board of Directors.

Section 7. President.

The President, unless otherwise determined by the Directors of the Corporation, shall be the general manager and the chief executive officer of the Corporation and, subject to the control of the Directors, shall in general supervise and control all of the business and affairs of the Corporation. He or she shall have authority, subject to such rules as may be prescribed by the Directors, to appoint such agents and employees of the Corporation as he or she shall deem necessary, to prescribe their powers, duties and compensation, and to delegate authority to them. Such agents and employees shall hold office at the discretion of the President. He or she shall have authority to sign, execute and acknowledge, on behalf of the Corporation, all deeds, mortgages, bonds, stock certificates, proxies, contracts, leases, reports and all other documents or instruments necessary or proper to be executed in the course of the Corporation's regular business, or which shall be authorized by resolution of the Directors of the Corporation; except as otherwise provided by law or the Directors, he or she may authorize any other officer or agent of the Corporation to sign, execute and acknowledge such documents or instruments in his or her place and stead; and, in the event the Directors elect more than one Vice President, the President may designate one Vice President as the Executive Vice President and one or more Vice Presidents as Senior Vice Presidents, as the President, in his or her sole discretion, deems appropriate, and he or she shall designate in such event, in writing, the Vice President authorized to act for the President during the absence or inability to act of the President. In general, he or she shall perform all duties incident to the office of President and such other duties as may be prescribed by the Directors from time-to-time.

Section 8. Vice President.

Any Vice President shall, in the absence or disability of the President, perform the duties and exercise the powers of the President, and shall perform such other duties as may, from time-to-time, be prescribed by the Directors.

Section 9. Secretary.

The Secretary shall: (a) keep the minutes of the Directors' meeting in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) be custodian of the corporate records and of the seal of the Corporation, and see that the seal of the Corporation is affixed, as necessary, to all documents the execution of which on behalf of the Corporation under its seal is duly authorized; (d) keep a register of the post office address of each member and Director which shall be furnished to the Secretary by such member and Director; (e) sign with the Chairman certificates of membership in the Corporation, the issuance of which shall have been authorized by resolution of the Directors; (f) keep on file at all times a complete copy of the Articles of Incorporation and Bylaws of the

Corporation containing all amendments thereto (which copy shall always be open to the inspection of any member) and at the expense of the Corporation forward a copy of the Bylaws and of all amendments thereto to each member and to each Director and Alternate Director; and (g) in general, perform all duties incident to the office of Secretary and have such other duties and exercise such authority as from time-to-time may be delegated or assigned to him by the Chairman or by the Directors of the Corporation.

Section 10. Treasurer.

If required by the Directors of the Corporation, the Treasurer shall give a bond for the faithful discharge of his or her duties in such sum and with such surety or sureties as the Directors shall determine. He or she shall: (a) have charge and custody of and be responsible for all funds and securities of the Corporation; receive and give receipts for monies due and payable to the Corporation from any source whatsoever, and deposit all such monies in the name of the Corporation in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of these Bylaws; and (b) in general, perform all duties incident to the office of Treasurer and have such other duties and exercise such other authority as from time-to-time may be delegated or assigned to him by the Chairman or by the Directors of the Corporation.

Section 11. Assistant Secretaries and Assistant Treasurers.

There shall be such number of Assistant Secretaries and Assistant Treasurers as the Directors of the Corporation may from time-to-time authorize. The Assistant Secretaries and Assistant Treasurers, in general, shall perform such duties and have such authority as shall from time-to-time be delegated or assigned to them by the Secretary or the Treasurer, respectively, by the Chairman or the Directors of the Corporation.

Section 12. Other Assistants and Acting Officers.

The Directors shall have the power to appoint any person to act as assistant to any officer, or to perform the duties of such officer whenever for any reason it is impracticable for such officer to act personally, and such assistant or acting officer so appointed by the Directors shall have the power to perform all the duties of the office to which he or she is so appointed to be assistant or as to which he or she is so appointed to act, except as such power may be otherwise defined or restricted by the Directors.

Section 13. Bonds of Officers.

The Treasurer and any other officer or agent of the Corporation charged with responsibility for the custody of any of its funds or property shall give bond in such sum and with such surety as the Board of Directors shall determine. The Board of

Directors in its discretion may also require any other officer, agent or employee of the Corporation to give bond in such amount with such surety as it shall determine.

Section 14. Compensation.

The powers, duties and compensation of officers, agents, and senior employees shall be fixed by the Board of Directors, subject to the provisions of these Bylaws with respect to officers' duties and compensation for Directors and close relatives of Directors.

Section 15. Reports.

The officers of the Corporation shall submit at each annual meeting of the members reports covering the business of the Corporation for the previous fiscal year. Such reports shall set forth the condition of the Corporation at the close of such fiscal year and shall be submitted to the members at least 30-days prior to the holding of the meeting.

**ARTICLE VII
NONPROFIT OPERATION**

Section 1. Interest or Dividends on Capital Prohibited.

Though organized pursuant to the General Corporation Code of Kansas, K.S.A. 17- 6001, et seq., the Corporation shall at all times be operated on a cooperative, nonprofit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Corporation on any capital furnished by its patrons.

Section 2. Patronage Capital in Connection with Furnishing Electric Energy.

In the furnishing of electric energy, the Corporation's operations shall be so conducted that all Class A and Class B members will, through their patronage, furnish capital for the Corporation. In order to induce patronage and to assure that the Corporation will operate on a nonprofit basis the Corporation is obligated to account on a patronage basis to all its Class A and Class B members and to declare a patronage dividend in an amount equal to the Corporation's Federal taxable income (computed after reduction for any losses incurred during the current or prior year and deductible by the Corporation in computing its current taxable income and prior to any patronage dividend deduction) from its furnishing of electric power and energy to its Class A and Class B members. All such amounts in excess of operating costs and expenses at the moment of receipt by the Corporation are received with the understanding that they are furnished by the Class A and Class B members as capital. The Corporation is obligated to pay in cash or by credits (as determined in the sole discretion of the Board of Directors) to a capital account for each Class A and Class B member all such patronage dividends. The books and records of the Corporation shall be set up and kept in

such a manner that at the end of the fiscal year the amount of capital, if any, so furnished by each Class A and Class B member is clearly reflected and credited in an appropriate record to the capital account of each Class A and Class B member, and the Corporation shall within a reasonable time after the close of the fiscal year notify each Class A and Class B member of the amount of capital so credited to his or her account. All such amounts credited to the capital account of any Class A and Class B member shall have the same status as though they had been paid to the Class A and Class B member in cash in pursuance of a legal obligation to do so and the Class A and Class B member had then furnished the Corporation corresponding amounts for capital.

All other amounts received by the Corporation from its operations in excess of costs and expenses shall, insofar as permitted by law, be (a) used to offset any losses incurred during the current or any prior fiscal year and (b) to the extent not needed for that purpose, allocated to its Class A and Class B members on a patronage basis and any amount so allocated shall be included as part of the capital credited to the accounts of Class A and Class B members, as herein provided. For purposes of this Article VII, patronage shall be allocated based on each Class A and Class B member's relative percentage revenue contribution to fixed costs and margins. The revenue contribution to fixed cost and margins is calculated by subtracting variable costs from revenue. The Corporation shall use the cost of coal, natural gas, chemicals, coal/ash handling, and quicklime as well as any other costs deemed appropriate by the Corporation's Board of Directors in the determination of variable cost. Thus, the general patronage allocation percentage for each Class A and Class B member shall be equal to the Class A and Class B member's share of the Corporation's annual revenue from member sales less allocated variable costs.

In the event of dissolution or liquidation of the Corporation, after all outstanding indebtedness of the Corporation shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of Class A and Class B members. If, at any time prior to dissolution or liquidation, the Board shall determine that the financial condition of the Corporation will not be impaired thereby, the capital credited to Class A and Class B members' accounts may be retired in full or in part. Any such retirements of capital shall be made in order of priority according to the year in which the capital was furnished and credited, the capital first received by the Corporation being first retired.

Capital credited to the account of each Class A and Class B member shall be assignable only on the books of the Corporation pursuant to written instruction from the assignor and only to successors in interest unless the Board, acting under policies of general application, shall determine otherwise.

The members of the Corporation, by dealing with the Corporation, acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws shall

constitute and be a contract between the Corporation and each member, and both the Corporation and members are bound by such contract, as fully as though each member had individually signed a separate instrument containing such terms and provisions. The provisions of this article of the Bylaws shall be called to the attention of each member of the Corporation by posting in a conspicuous place in the Corporation's office.

For purposes of this Article VII, member shall include any and all Class A and Class B Members and any other patron who enters into a patronage agreement with the Corporation for any time after the execution of such patronage agreement.

ARTICLE VIII DISPOSITION OF PROPERTY

The Corporation may not sell, mortgage, lease or otherwise dispose of or encumber all or any substantial portion of its property unless such sale, mortgage, lease or other disposition or encumbrance is authorized at a meeting of the members thereof by the affirmative vote of not less than 70% of all the Class A members of the Corporation, and unless the notice of such proposed sale, mortgage, lease or other disposition or encumbrance shall have been contained in the notice of the meeting; provided, however, that notwithstanding anything herein contained, the Board of Directors of the Corporation, on a unanimous vote, without authorization by the members thereof, shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust upon, or the pledging or encumbering of, any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Corporation, whether acquired or to be acquired and wherever situated, as well as the revenues and income therefrom, upon such terms and conditions as the Board of Directors shall determine, to secure any indebtedness of the Corporation.

ARTICLE IX SEAL

The Corporate Seal of the Corporation shall be in the form of a circle and shall have inscribed thereon the name of the Corporation and words, "Corporate Seal, Kansas."

ARTICLE X FINANCIAL TRANSACTIONS

Section 1. Contracts.

Except as otherwise provided in these Bylaws, the Board of Directors may authorize any officer or officers, agent or agents, employee or employees, to enter into any contract or execute and deliver any instrument in the name and on behalf of the Corporation, and such authority may be general or confined to specific instances.

Section 2. Checks, Drafts, Etc.

All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents, employee or employees of the Corporation in any such manner as provided in these Bylaws or as shall from time-to-time be determined by resolution of the Board of Directors.

Section 3. Deposits.

All funds of the Corporation shall be deposited from time-to-time to the credit of the Corporation in such bank or banks as the Board of Directors may select.

Section 4. Fiscal Year.

The fiscal year of the Corporation shall begin on the first day of January of each year and shall end on the thirty-first day of December of the same year.

**ARTICLE XI
MISCELLANEOUS**

Section 1. Membership in Other Organizations.

The Corporation shall not become a member of or purchase stock in any other organization without a majority vote of the Directors.

Section 2. Waiver of Notice.

Any member, delegate, alternate delegate, or Director may waive in writing any notice of a meeting required to be given by these Bylaws. The attendance of a member, delegate, alternate delegate or Director at any meeting shall constitute a waiver of notice of such meeting by such member, delegate, alternate delegate or Director, except in the case a member, delegate, alternate delegate or Director shall attend a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened.

Section 3. Rules and Regulations.

The Board of Directors shall have power to make and adopt such rules and regulations, not inconsistent with law, the Articles of Incorporation or these Bylaws, as it may deem advisable for the management of the business and affairs of the Corporation.

Section 4. Accounting System and Reports.

The Board of Directors shall cause to be established and maintained a complete accounting system which, among other things, and subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time-to-time be designated by the Board of Directors. The Board of Directors shall also after the close of each fiscal year cause to be made a full and complete audit of the accounts, books and financial conditions of the Corporation as of the end of such fiscal year. A copy of each and its report shall be submitted to each member at least 30-days prior to the holding of the annual meeting.

Section 5. Indemnity.

The Corporation, to the fullest extent permitted by law, shall indemnify and hold harmless all officers, directors, trustees, employees, and agents of the Corporation (individually an "Indemnitee") from and against any and all losses, claims, demands, costs, damages, liabilities, expenses of any nature (including attorneys' fees and disbursements), judgments, fines, settlements, and other amounts arising from any and all claims, demands, actions, suits, or proceedings, civil, criminal, administrative, or investigative, in which an Indemnitee may be involved, or threatened to be involved, as a party or otherwise, arising out of or incidental to the business of the Corporation, if (1) the Indemnitee acted in good faith and in a manner he or she or she reasonably believed to be in, or not opposed to, the interests of the Corporation, and, with respect to any criminal proceeding, had no reason to believe his or her conduct was unlawful, (2) did not breach his or her duty of loyalty to the Corporation (3) did not derive an improper personal benefit from the transaction and (4) the Indemnitee's conduct did not constitute actual fraud, gross negligence, or willful or wanton misconduct. The termination of any action, suit, or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere, or its equivalent, shall not, in and of itself create a presumption or otherwise constitute evidence that the Indemnitee acted in a manner contrary to that specified in (1) or (2) above.

Expenses (including legal fees and expenses) incurred in defending any proceeding specified above shall be paid by the Corporation in advance of the final disposition of such proceeding upon receipt of an undertaking (which need not be secured) by or on behalf of the Indemnitee to repay such amount if it shall ultimately be determined, by a court of competent jurisdiction or otherwise, that the Indemnitee is not entitled to be indemnified by the Corporation hereunder.

The indemnification provided by herein shall be in addition to any other rights to which each Indemnitee may be entitled under any agreement, as a matter of law or otherwise, as to action in the Indemnitee's capacity as an officer, director, trustee, partner, employee, or agent of the Corporation, and shall continue as to an Indemnitee who has ceased to serve in such capacity and shall inure to the benefit

of the heirs, successors, assigns, administrators, and personal representatives of such Indemnatee.

The Corporation may purchase and maintain insurance on behalf of any one or more Indemnitees against any liability which may be asserted against or expense which may be incurred by such person in connection with the Corporation's activities, whether or not the Corporation would have the power to indemnify such person against such liability under these provisions.

Any indemnification hereunder shall be satisfied solely out of the assets of the Corporation and the members shall not be subject to personal liability by reason of these indemnification provisions.

The provisions of this section are for the benefit of the Indemnitees and the heirs, successors, assigns, administrators, and personal representatives of the Indemnitees and shall not be deemed to create any rights for the benefit of any other persons.

ARTICLE XII AMENDMENTS

These Bylaws may be altered, amended or repealed by an affirmative vote of 70% of the Class A members at any regular or special members' meeting, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal. In addition, these Bylaws may be altered, amended or repealed by an affirmative vote of 70% of the Directors provided that after taking such action, the members are provided notice at least 10 days thereafter of the action taken.