BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Joint Application of Sunflower Electric Power Corporation and Mid-Kansas Electric Company, Inc. for an Order Approving the Merger of Mid-Kansas Electric Company, Inc. into Sunflower Electric Power Corporation.	))))))	Docket No. 19-SEPE-054-MER

JOINT APPLICATION FOR APPROVAL OF MERGER

COMES NOW, Sunflower Electric Power Corporation ("Sunflower") and Mid-Kansas Electric Company, Inc. ("Mid-Kansas") (collectively, Sunflower and Mid-Kansas are hereinafter referred to as the "Joint Applicants") and pursuant to K.S.A. §§ 66-101, 66-104, 66-131, 66-136 and 17-78-104, 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 merger of Sunflower and Mid-Kansas. The Joint Applicants have agreed that Mid-Kansas shall merge into Sunflower, with Sunflower as the surviving entity. In support of their joint application, the Joint Applicants state as follows:

I. BACKGROUND

1. Sunflower is a nonprofit, membership corporation organized and existing under K.S.A. 17-6001 *et seq.*, and all laws supplemental and amendatory thereto, operating as a cooperative, 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. Sunflower's principal office is located at 301 West 13th Street, P.O. Box 1020, 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 by its Member cooperatives: Lane-Scott Electric Cooperative, Inc., Dighton, Kansas ("Lane-Scott"); Pioneer Electric Cooperative, Inc., Ulysses, Kansas ("Pioneer"); Prairie Land Electric Cooperative, Inc., Norton, Kansas ("Prairie Land"); 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 referred to as the "Sunflower Members").

3. Mid-Kansas is a nonprofit, membership corporation, 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.

4. 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 by its Members: Lane-Scott, Prairie Land, Western, Victory, Wheatland, and Southern Pioneer Electric Company, Ulysses, Kansas, ("Southern Pioneer"), a subsidiary of Pioneer, (collectively referred to as the "Mid-Kansas Members").

II. HISTORY OF COMPANIES.

A) Sunflower Electric Power Corporation

5. Sunflower Electric Cooperative, Inc. ("SEC") was formed in 1957 by several of the current distribution cooperative members to provide wholesale power to

the cooperative members who then remarketed the power at retail to rural areas in western Kansas.

6. Initially, SEC operated a small gas steam generator in Hill City, Kansas. Eventually, it operated gas generation units at its current Garden City complex owned previously by one of its Members, Wheatland. These units were eventually transferred to SEC. In 1983, SEC added a 349 MW coal fired generation unit ("Holcomb 1") at Holcomb, Kansas. The Holcomb 1 generation unit has served as the primary power source for Sunflower.

7. Today, Sunflower owns and operates Holcomb 1, a 98 MW, gas-steam generating unit ("S2"), two gas-fired, simple-cycle combustion turbines ("S4" and "S5" which are each 71 MW), and a 16 MW, gas-fired, simple-cycle combustion turbine ("S3"). Additionally, Sunflower holds a power purchase agreement ("PPA") for 50.4 MW on the first phase of the Smoky Hills wind project. Sunflower's transmission system consists of 222 miles of 345 kV extra high voltage ("EHV") transmission line and 984 miles of 115 kV transmission line**.**

8. Secured financing for SEC was primarily provided by the Rural Electrification Administration ("REA"). Also, the Wichita Bank for Cooperatives, (now known as "CoBank, ACH") and National Rural Utilities Cooperative Finance Corporation ("CFC") provided financing to SEC.

9. In the mid-1980s, Kansas suffered one of its worst economic declines since the Great Depression. The economic decline resulted in significant loss of electric load in western Kansas at approximately the same time as Holcomb 1 was energized.

The loss of significant load resulted in SEC being unable to service its secured debt in 1987.

10. As a result, SEC and its creditors entered into a debt restructuring arrangement. The restraints from the debt restructuring agreement were very restrictive and significantly limited the operations of SEC.

11. SEC remained under the terms of the debt restructuring arrangement until 2002, at which time Sunflower was formed. Sunflower, SEC and SEC's creditors entered into a corporate restructuring arrangement resulting in the transfer of substantially all of SEC's assets to Sunflower in return for repayment of specific debt obligations to SEC's secured and unsecured debtors. The corporate restructuring removed some of the more severe financial covenants and restrictions, but the operation of Sunflower was significantly limited by its inability to obtain financing. The limitations were not due to Sunflower's financial performance but rather because the REA (now known as Rural Utilities Service ("RUS")) refused to approve any borrowing which did not result in RUS debt being paid down.

12. With the final payment on secured debt to RUS in December 2016, a major impediment to the merger of Sunflower and Mid-Kansas has been removed.

B) Mid-Kansas Electric Company, Inc.

13. Mid-Kansas is a Kansas nonprofit, membership corporation operated on a cooperative basis.

14. Mid-Kansas owns generation resources which are all fueled by natural gas. The largest unit is the Fort Dodge Station Unit 4 ("FD4" - previously known as the Judson Large unit) which is a 149 MW, gas-steam generating unit. Mid-Kansas also

owns Rubart Station facility which is a 110 MW, gas-reciprocating engine generating facility, Great Bend Station Unit 3 ("GB3" – previously known as the Arthur Mullergren unit) which is a 82 MW, gas-steam generating unit; Clifton Station Unit ("CL1") which is a 85 MW, simple-cycle combustion turbine; Cimarron River Station Unit 1 ("CR1") which is a 50 MW, gas-steam generating unit, and the Cimarron Station Unit 2 ("CR2") which is a 15 MW, simple-cycle combustion turbine. All assets described above are owned by Mid-Kansas and operated and maintained by Sunflower under an operating agreement between the two sister companies. Additionally, Mid-Kansas holds multiple PPAs with various entities including 24 MW on the second phase of the Smoky Hills wind project, 104 MW on the Shooting Star wind project, and 156 MW of coal-fired generation from Westar's Jeffrey Energy Center. Mid-Kansas recently executed a PPA for a 20 MW solar project which will be constructed and enter service in 2019. Mid-Kansas' transmission system consists of 30 miles of 345 kV EHV transmission line, 192 miles of 230 kV transmission line, 143 miles of 138 kV transmission line, and 886 miles of 115 kV transmission line.

15. In July 2005, the six Sunflower Members formed Mid-Kansas Electric Company, LLC. It was formed to pursue the acquisition of the western Kansas wholesale and retail electric operation of Aquila, Inc. ("Aquila-WPK").

16. Aquila-WPK solicited bids for the purchase of the generation, transmission and distribution assets of Aquila-WPK located in western Kansas. The facilities and service areas were located adjacent to or in close proximity to the Sunflower Members' distribution system and Sunflower's generation and transmission facilities which made the acquisition attractive to the Sunflower Members. See **Exhibit JA-1** attached which

depicts the service territories of Sunflower and Mid-Kansas. The terms of the bidding process required the bid be submitted by a single bidder. It was not possible for Sunflower to submit a bid as it would have required approval by RUS, including approval of debt financing, which was not possible. At the suggestion of RUS, Mid-Kansas was formed to submit a bid on behalf of the Sunflower Members.

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

18. From the inception of the acquisition, it was the intent of the Mid-Kansas Members to separate the generation and transmission functions from the distribution functions with Mid-Kansas to retain the generation and transmission functions and the Mid-Kansas Members to succeed to the distribution functions. The operational structure was to be a mirror image of the Sunflower and Member structure in which Sunflower maintains and operates the generation and transmission functions and the Sunflower Members maintain and operate the distribution functions.

19. It was also always the Sunflower and Mid-Kansas Members' intention to merge Sunflower and Mid-Kansas at the first opportune time to do so. That time has finally arrived.

20. In anticipation of the eventual merger, numerous interim steps were taken by Mid-Kansas to not only facilitate the eventual merger but to make it as seamless as possible. Since the acquisition, Mid-Kansas and Sunflower sought to integrate the two electric systems and capture as many synergies and savings as possible between the

two companies while still maintaining the distinction and integrity of the two separate legal entities.

21. One of the first steps was to enter into the Amended and Restated Lease and Service Agreement between Mid-Kansas and the Mid-Kansas Members to provide the retail electric service to Mid-Kansas' certificated retail service area and lease the Mid-Kansas distribution assets. Although the certificated retail customers remained Mid-Kansas' certificated retail customers, the Mid-Kansas Members treated them as their retail customers for service and billing purposes. This was done so that former Aquila-WPK retail customers saw the six Mid-Kansas Members as their retail provider and when the eventual transfer of the retail certificate occurred, the retail customers would not see a change in their retail service provider.

22. To further facilitate the integration of the two systems, on July 26, 2007, Mid-Kansas submitted its Application in Docket No. 08-MKEE-099-MIS ("08-099 Docket") requesting authority to transfer its distribution assets and enter into service agreements with the Mid-Kansas Members to service its retail electric customers pursuant to the terms of the Stipulation and Agreement in the 06-524 Docket ("524 Stipulation"), reconfirming its previous obligation that Mid-Kansas "will file a request to transfer the distribution assets and certificated territory as soon after the Effective Date as reasonably possible."[1] As part of the 08-099 Docket, Mid-Kansas submitted for approval an Electric Customer Service Agreement ("Service Agreement") with each Mid-Kansas Member. The Service Agreements replaced the Amended and Restated Lease and Service Agreement previously executed and approved by the Commission.

[1] 524 Stipulation, at ¶23.

The Service Agreements required each of the Mid-Kansas Members to provide to Mid-Kansas certain services in a specified geographical territory (each a "Member Zone") to enable Mid-Kansas to serve its certificated retail customers located in such Member Zone, all in accordance with the terms of the Service Agreements.

23. On December 21, 2007, the Commission issued an Order Approving Spindown of Distribution Assets in the 08-099 Docket approving the transfer of ownership of the distribution assets of Mid-Kansas, including 34.5 kV distribution lines, to the respective Mid-Kansas Members. The distribution assets transferred to the respective Mid-Kansas Members were to be utilized, in part, for the service of Mid-Kansas' certificated retail customers as required by the Service Agreements.

24. Mid-Kansas also filed to establish retail rates in each of the Member Zones, establishing six retail rates and tariffs.[2] Subsequent retail rate filings were also filed to update the rates based upon cost of service.

25. On January 7, 2013, Mid-Kansas and the Mid-Kansas Members filed Docket No. 13-MKEE-447-MIS ("13-447 Docket") to seek Commission approval to transfer the Mid-Kansas certificated retail territory to the Mid-Kansas Members in accordance with the six Member Zones. On October 15, 2013, the Commission approved transfer of the former Aquila-WPK certificated retail territories to the respective Mid-Kansas Members.[3] As a result, Mid-Kansas' operational structure became a mirror image of Sunflower's as a generation and transmission electric utility, serving wholesale customers and the Mid-Kansas Members. The Sunflower Members

[2] Docket No. 09-MKEE-969-RTS ("09-969 Docket") for customers located in Western, Prairie Land, Victory, Southern Pioneer and Lane-Scott's Member Zones; Docket No. 11-MKEE-439-RTS for customers located in Wheatland's Member Zone.
[3] See Amended Order Approving Unanimous Settlement Agreement, 13-447 Docket (filed October 15, 2013).

and Mid-Kansas Members in turn provide retail electric service to a large segment of central and western Kansas.

26. On November 7, 2017, Mid-Kansas Electric Company, LLC converted to a nonprofit, membership corporation, operating on cooperative principals and is now known as Mid-Kansas Electric Company, Inc.[4]

III. JURISDICTION

27. The Commission has jurisdiction in this proceeding pursuant to K.S.A. §§ 66-101, 66-104, 66-131, 66-136 and 17-78-104.

IV. MERGER TRANSACTION

28. The attached Agreement and Plan of Merger ("Merger Agreement") in **Exhibit JA-2** sets out in specific detail the terms and conditions of the merger of two equals. The prior planning has facilitated the merger, making this a relatively simple merger plan.

29. In summary, the Mid-Kansas Members will contribute their equity ownership in Mid-Kansas to Sunflower. Contemporaneously with the contribution, Mid-Kansas will be merged into Sunflower, resulting in Sunflower becoming the surviving corporation and being obligated to perform the applicable obligations of Mid-Kansas while succeeding to all rights of Mid-Kansas.

30. The capital accounts of the Mid-Kansas and Sunflower Members will be combined and as provided in the Bylaws attached to the Merger Agreement will be accounted for and treated accordingly.

[4] See Order Adopting Staff Report and Recommendation, Docket 18-MKEE-014-MIS (filed October 10, 2017).

31. The current serving directors of Sunflower will constitute the Board of Directors until the first annual meeting following the merger at which time the Board of Directors shall be reconstituted as provided for in the Bylaws.

32. At merger, Southern Pioneer will become a Class B Member of Sunflower with such Member rights as set forth in the Bylaws. In addition, Southern Pioneer will enter into a wholesale power purchase agreement to purchase all its wholesale power supply from Sunflower, earning capital credits based upon usage as do the Sunflower Members.

V. SUPPORTING TESTIMONY

33. Testimony in support of the merger is submitted by Stuart S. Lowry, President and CEO of Sunflower and Mid-Kansas, as well as Davis Rooney, Vice President and Chief Financial Officer, and Kyle E. Nelson, Senior Vice President and Chief Operating Officer of Sunflower and Mid-Kansas. In addition, each Sunflower Member and Southern Pioneer have filed testimony in support of the merger of the two companies.

VI. THE PROPOSED TRANSACTION WILL PROMOTE THE PUBLIC INTEREST

34. Joint Applicants state that the merger of Sunflower and Mid-Kansas, with Sunflower as the surviving corporation (the "Transaction"), is in the public interest and meets and fully satisfies the criteria established by this Commission in evaluating a proposed merger or acquisition. Those criteria standards are as follows:[5]

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

[5] 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.

(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.

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

35. The Joint Applicants are also aware of the Commission’s position as stated in a prior transaction that the Commission’s primary concern is the public convenience. The interest of the public utility company already serving the territory is secondary and the applicant’s consideration third.[6]

36. The Joint Applicants also took into account this Transaction is a true merger of two electric utilities that are equals and one contemplated and planned for

[6] Kansas Gas & Electric Co. v. Public Service Commission, 122 Kan. 462, 466, 251, P.1097 (1977).

since the acquisition of the Aquila-WPK assets in 2007 by Mid-Kansas. No acquisition premium or other financial consideration was made for this merger; thus, the Transaction does not require the evaluation of purchase price or premium paid. The Transaction contemplates the Mid-Kansas Members contributing each Member's ownership equity in Mid-Kansas, resulting in Mid-Kansas being merged into Sunflower with Sunflower becoming the surviving corporation. With these understandings, Joint Applicants will address the merger criteria.

37. To the extent applicable, Joint Applicants set forth their 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 Transaction will create a company with a stronger credit profile that will result in lower debt costs. Sunflower, at the end of 2017, has an equity to total capitalization ratio of 55%. Mid-Kansas has an equity to total capitalization ratio of 13%. Once the two companies are merged, the equity to total capitalization ratio will be 30%. As testified to by Davis Rooney, CFO for both companies, the resulting credit profile of the merged company indicates a strong financial condition which is attractive to financial institutions. In analyzing Moody's credit matrix for cooperative G&T's, companies with stronger credit profiles are more likely to achieve lower borrowing costs than companies with less attractive credit profiles. This benefit is addressed in more specific detail in Mr. Rooney's testimony.

The Transaction also makes the individual companies less vulnerable to the impact on rates due to loss of load by large individual retail and wholesale customers. As Mr. Lowry testifies to, loss of large retail customers of a Member can materially impact the wholesale rates of Mid-Kansas or Sunflower on a standalone basis. Once merged, the loss of a significant load can be more easily absorbed without the need for rate modification. Mr. Lowry's testimony provides greater detail of the benefit of the economies of scale achieved by the Transaction and the how important stable rates are to Members and their retail customers, especially large industrial customers.

(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:

As noted above, there is no purchase price and no acquisition premium in this transaction. However, as mentioned earlier and supported by the testimony of Mr. Lowry, the Boards of Directors and management of Sunflower and Mid-Kansas have sought since the acquisition of Aquila-WPK to integrate the two electric systems to capture as much of the savings and synergies of the two companies as possible while still maintaining the integrity of two distinct corporate entities. As a result, savings typically touted to occur in a merger will not occur as they have already been captured. However, there will be some savings through the elimination of duplication of efforts. It will no longer be necessary to maintain two sets of books, require two audits, file two regulatory filings and to perform other duplicated functions. There will obviously be savings from the elimination of those duplicated functions. The elimination of these duplicative tasks is estimated to free up over 1,200 hours of time by staff, allowing staff to focus on other matters. Mr. Rooney provides more specific details on the amount of savings. However, because of prior prudent management, the savings are expected to be minimal.

An additional significant benefit of the Transaction will be the reduction of risk due to a less than desired generation profile for both companies. Through the merger, Sunflower, as the surviving company, will have a more balanced generation resource profile as Mid-Kansas does not have any coal resources other than the PPA with Westar. By merging the two companies, Sunflower will have a greater volume of power available from Mid-Kansas' gas units and Mid-Kansas will have a greater volume of power available from Sunflower's coal unit to provide a more prudent balanced resource portfolio going forward. Mr. Rooney and Mr. Nelson address this in their testimony in support of the Transaction.

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

Response:

There are specific savings which are identified in Mr. Rooney's testimony. However, as stated before, over the years Sunflower and Mid-Kansas management have endeavored to eliminate and reduce costs where possible by operating as near as possible as an integrated electric system. For example, instead of hiring employees to run and operate Mid-Kansas in addition to the employees of Sunflower, management elected to run Mid-Kansas with the employees of Sunflower, thereby reducing the total number of employees it otherwise would have required. Management has diligently and continuously searched for areas it could save on operations where possible. Therefore,

significant savings will not be readily identifiable in this transaction, but common sense supports a conclusion that savings will be achieved from the Transaction. Elimination of duplicating financial reports and double book entries will provide savings as well. Currently, both companies are making regulatory filings with the Commission and FERC. After the Transaction there will be only one, thereby reducing regulatory oversight and cost. The most significant savings will be achieved through reduced cost of debt attributable to a stronger credit profile and financial statement.

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

Response:

There is no premium being paid. This is a merger of equals with no party paying the other to consummate the merger.

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

Response:

The proposed Transaction will not have an adverse effect on competition as it exists in the State of Kansas. The size of the two companies is relatively small, and even after the merger will be relatively small. The combined company will continue to be a market participant and a transmission owner in the Southwest Power Pool ("SPP") and subject to all provisions of the SPP tariff and the transmission planning processes. The advent of open access transmission service combined with a maturing structured market in the SPP eliminates any market power concerns with this Transaction.

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

Response:

Both Sunflower and Mid-Kansas have a strong commitment to good environmental stewardship. Currently, the two companies have approximately 154 MWs of wind generation and are in the process of developing a 20 MW solar farm, and the companies' respective fossil fuel generation units comply with applicable emission controls and limits. The Joint Applicants have always strived to operate in an environmentally responsible manner. Management expects that commitment to continue and feels the Transaction will have a positive effect on its ability after merger to continue in its good environmental stewardship.

(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 Transaction will have a beneficial impact on the state and local economies and the communities Mid-Kansas, Sunflower and the Members serve. The Transaction will result in a stronger, more efficient Sunflower through its greater financial strength, more efficient operations, increased ability to mitigate the impact of load disruptions and improved economies of scale, all of which will lower costs and stabilize wholesale rates in today's uncertain utility environment. The Transaction will not result in any labor dislocations. The Joint Applicants do not foresee any reduction in workforce due to the Transaction as labor needs have been planned in anticipation of merging the two companies. The Transaction will undoubtedly have a beneficial impact on the state and local communities.

(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:

The Transaction will not alter the Commission's jurisdiction and the Commission's capacity to effectively regulate public utility operations will not be diminished by the Transaction. In fact, the Commission will have one less public utility to regulate after the merger. This should effectively free up Commission time and manpower to effectively regulate and audit other utility operations.

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

Response:

Both Mid-Kansas and Sunflower are nonprofit, membership corporations. Neither have shareholders but do have members. The Members and their retail customers will continue to enjoy the same efficient wholesale service as they were provided before the merger. Because the efforts to operate as nearly as possible as an integrated electric system, the Transaction will be seamless. Also, each Member has expressed their support of the Transaction, indicating each Member believes the Transaction is in their best interest.

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

Response:

By combining the energy resources of each company to more efficiently and effectively operate the gas and coal units for the benefit of the two companies,

the Transaction will maximize the use of Kansas energy resources. The more efficient balanced resource portfolio will allow the merged company to more effectively manage and diversify fuel sources.

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

Response:

For the many reasons cited above, the Transaction will reduce the possibility of economic waste. The merged company will be able to more effectively manage the operations of the combined facilities. The elimination of duplicative tasks, a more diverse generation portfolio, simplified operational structure, greater economies of scale, stronger credit profile and improved rate stabilization and greater diversification of risk will undoubtedly result in economic proficiency not currently attainable by the standalone utilities.

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

Response:

The Transaction will not have any impact on public safety. Both companies are committed to an effective safety program for the employees and the general public. There will be no change in the level of commitment to public safety.

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

H. Davis Rooney
Vice President and Chief Financial Officer
Sunflower Electric Power Corporation
301 West 13th Street
P.O. Box 1020
Hays, KS 67601
drooney@sunflower.net

Jeff Bieker
Manager Treasury Services
Sunflower Electric Power Corporation
301 West 13th Street
P.O. Box 1020
Hays, KS 67601
jbieker@sunflower.net

James Brungardt
Manager Regulatory Relations
Sunflower Electric Power Corporation
301 West 13th Street
P.O. Box 1020
Hays, KS 67601
jbrungardt@sunflower.net

Reneé Braun
Corporate Paralegal and Contracts Supervisor
Sunflower Electric Power Corporation
301 West 13th Street
P.O. Box 1020
Hays, KS 67601
rbraun@sunflower.net

WHEREFORE, Joint Applicants pray that the Commission (1) issue an Order approving the Transaction, (2) find that the Transaction meets the merger standards and is in the public interest, (3) authorizing Mid-Kansas and Sunflower to proceed in accordance with the terms of the Merger Agreement and Plan and Transaction-related instruments and agreements, (4) approve the adoption of the tariffs, rules, regulations and policies of Sunflower as the tariffs, rules and policies of the surviving corporation, and to take any and all actions that may be reasonably necessary and incidental to the performance of the Transaction, and (5) 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

Dustin Kelley, #24633
Managing Counsel
Sunflower Electric Power Corporation
301 West 13th Street
P.O. Box 1020
Hays, KS 67601
dkelley@sunflower.net

Attorneys for Joint Applicants

VERIFICATION

STATE OF KANSAS)
) **ss:**
COUNTY OF ELLIS)

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 Joint Applicants; 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 3rd day of August, 2018.

Notary Public

Seal: NOTARY PUBLIC - State of Kansas
MELISSA A. HUBBARD
My Appt. Exp. September 11, 2018

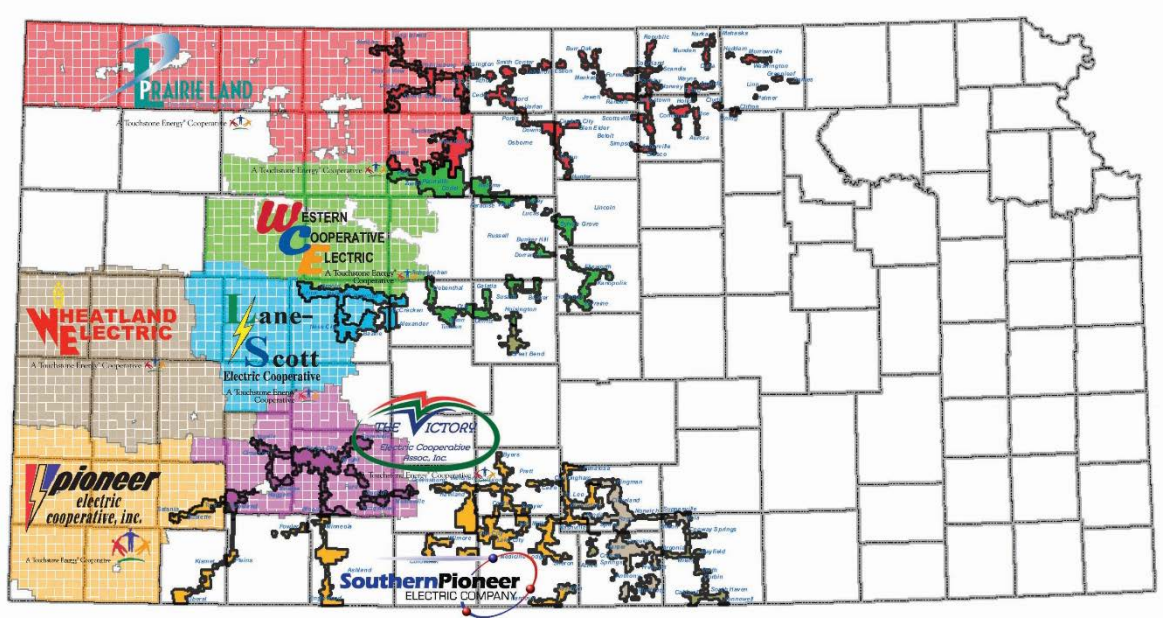
My Commission expires: 9-11-2018

EXHIBIT JA-1

SUNFLOWER MEMBER AND MID-KANSAS MEMBER TERRITORIES

The map below illustrates each of the Sunflower Members' and Mid-Kansas Members' service territories. The lighter shaded areas in western Kansas represent the historic and largely rural service territory of the Sunflower Members. The darker shaded areas largely in central Kansas represent the former Aquila service territory as allocated to each member and served by the Mid-Kansas Members. These territories consist primarily of small towns and more developed outlying areas with a higher population density than the more rural Sunflower Member territory.

Member Service Territories



Source: Company Provided

EXHIBIT JA-2

AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER ("**Agreement**"), dated as of [DATE], by and between Sunflower Electric Power Corporation, a Kansas nonprofit, nonstock membership corporation ("**Sunflower**"), and Mid-Kansas Electric Company, Inc., a Kansas nonprofit, nonstock membership corporation ("**Mid-Kansas**").

WHEREAS, the respective Boards of Directors of Sunflower and Mid-Kansas have each approved and adopted this Agreement and the transactions contemplated by this Agreement, in each case after making a determination that this Agreement and such transactions are advisable and fair to, and in the best interests of, such corporation and its membership; and

WHEREAS, pursuant to the transactions contemplated by this Agreement and on the terms and subject to the conditions set forth herein, Mid-Kansas, in accordance with the law of the State of Kansas, will merge with and into Sunflower, with Sunflower as the surviving corporation (the "**Merger**"); and

WHEREAS, for federal income tax purposes, the parties intend that the Merger qualify as a tax-free reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended.

NOW, THEREFORE, in consideration of the mutual covenants, terms and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Merger. Upon the terms and subject to the conditions set forth in this Agreement, and in accordance with K.S.A. Section 17-6705, Mid-Kansas shall be merged with and into Sunflower at the Effective Time (as hereinafter defined). Following

the Effective Time, the separate corporate existence of Mid-Kansas shall cease, and Sunflower shall continue as the surviving corporation (the "**Surviving Corporation**"). The effects and consequences of the Merger shall be as set forth in this Agreement and the law of the State of Kansas.

2. Effective Time.

(a) Subject to the provisions of this Agreement, the parties shall duly prepare, execute and file a certificate of merger (the "**Certificate of Merger**") complying with K.S.A. Section 17-6701 with the Secretary of State of the State of Kansas with respect to the Merger. The Merger shall become effective upon the filing of the Certificate of Merger or as of the effective date set forth therein (the "**Effective Time**").

(b) The Merger shall have the effects set forth in the law of the State of Kansas. Without limiting the generality of the foregoing, as of the Effective Time, (i) all the properties, rights, privileges, immunities, powers and franchises of Mid-Kansas shall vest in Sunflower, as the Surviving Corporation, and (ii) all debts, liabilities, obligations and duties of Mid-Kansas shall become the debts, liabilities, obligations and duties of Sunflower, as the Surviving Corporation.

3. Organizational Documents. The Bylaws as attached hereto as Exhibit A shall be the Bylaws of the Surviving Corporation until thereafter amended as provided therein or by the law of the State of Kansas, and the Articles of Incorporation of Sunflower in effect at the Effective Time, as amended pursuant to the Certificate of Merger, shall be the Articles of Incorporation of the Surviving Corporation until thereafter amended as provided therein or by the law of the State of Kansas.

4. Directors and Officers. The directors and officers of Sunflower immediately prior to the Effective Time shall be the directors and officers of the Surviving Corporation as of and after the Effective Time and shall hold office until the earlier of their respective death, resignation or removal or their respective successors are duly elected or appointed and qualified in the manner provided for in the Articles of Incorporation and Bylaws of the Surviving Corporation or as otherwise provided by the law of the State of Kansas.

5. Membership, Capital Credit and Other Equity Interests. At the Effective Time, by virtue of the Merger and without any action on the part of Sunflower or Mid-Kansas or the Members of Mid-Kansas:

(a) Each Class A, Class B and Class C membership interest of Sunflower issued and outstanding immediately prior to the Effective Time shall remain outstanding after the Effective Time. Such Sunflower Members shall retain any and all of their respective Sunflower capital credits outstanding immediately prior to the Effective Time.

(b) Each Class A, Class B and Class C membership interest of Mid-Kansas shall be cancelled and cease to exist and no consideration, except as outlined in this Section 5, shall be delivered to the holders of such membership interests in exchange for such cancelled membership interests.

(c) Members of Mid-Kansas that are currently Class A Members of Sunflower shall remain as Class A Members of Sunflower and Southern Pioneer Electric Company shall become a Class B Member of Sunflower.

(d) Each Mid-Kansas Member shall receive Sunflower capital credits in a face amount equal to the face amount of such Mid-Kansas Member's Mid-Kansas capital

credits immediately prior to the Effective Time, subject to the provisions of the Surviving Corporation's Bylaws.

(e) Each Mid-Kansas Member shall receive Sunflower equity interests in a face amount equal to the face amount of such Mid-Kansas Member's Mid-Kansas equity interests immediately prior to the Effective Time, subject to the provisions of the Surviving Corporation's Bylaws.

6. Conditions to Closing. The obligations of each party to consummate the transaction contemplated by this Agreement shall be subject to the fulfillment, at or prior to the closing of the transaction contemplated by this Agreement, each of the following conditions:

(a) This Agreement shall have been duly adopted by Sunflower and Mid-Kanas as required by K.S.A. Section 17-6705.

(b) The filings of Sunflower and Mid-Kansas pursuant to the Hart-Scott Rodino Act, if any, shall have been made and the applicable waiting period and any extensions thereof shall have expired or been terminated.

(c) No governmental entity with jurisdiction over Sunflower, Mid-Kansas or the transaction shall have enacted, issued, promulgated, enforced or entered into any order, writ, judgment, injunction, decree, stipulation, determination or award which is in effect and has the effect of making the transaction contemplated by this Agreement illegal, otherwise restraining or prohibiting consummation of such transaction or causing the transaction contemplated hereunder to be rescinded following completion.

(d) Sunflower and Mid-Kansas shall have received all applicable consents, authorizations, orders and approvals from governmental entities having jurisdiction over

Sunflower, Mid-Kansas or the transaction in form and substance reasonably satisfactory to Sunflower and Mid-Kansas and no such consent, authorization, order or approval shall have been revoked.

(e) Sunflower and Mid-Kansas shall have received any other applicable consents, authorizations, orders and approvals related to the transaction in form and substance reasonably satisfactory to Sunflower and Mid-Kansas and no such consent, authorization, order or approval shall have been revoked.

7. Termination. This Agreement may be terminated at any time prior to the closing without liability to any party to this Agreement:

(a) By the mutual written consent of Sunflower and Mid-Kansas; or

(b) By Sunflower or Mid-Kansas if any of the conditions in Section 6 are not fulfilled.

8. Entire Agreement. This Agreement together with the Certificate of Merger constitutes the sole and entire agreement of the parties to this Agreement with respect to the subject matter contained herein, and supersedes all prior and contemporaneous understandings, representations and warranties, and agreements, both written and oral, with respect to such subject matter.

9. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns.

10. No Third-Party Beneficiaries. This Agreement is for the sole benefit of the parties hereto and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other person any

legal or equitable right, benefit or remedy of any nature whatsoever, under or by reason of this Agreement.

11. Headings. The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

12. Amendment and Modification; Waiver. This Agreement may only be amended, modified or supplemented by an agreement in writing signed by each party hereto. No waiver by any party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. Except as otherwise set forth in this Agreement, no failure to exercise, or delay in exercising, any rights, remedy, power or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

13. Severability. If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

14. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Kansas without giving effect to any choice or conflict of law provision or rule (whether of the State of Kansas or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than those of the State of Kansas.

15. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, email or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to be effective as provided for above.

SUNFLOWER ELECTRIC POWER CORPORATION	**MID-KANSAS ELECTRIC COMPANY, INC.**
Wes Campbell, Chairman	Steve Epperson, Chairman

EXHIBIT A

BYLAWS

BYLAWS

OF

SUNFLOWER ELECTRIC POWER CORPORATION

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Continued

BYLAWS
OF
SUNFLOWER ELECTRIC POWER CORPORATION

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 Sunflower Electric Power Corporation (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 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, 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 Class A 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 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 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) outstanding capital credits and equity interests (issued to former owners of Mid-Kansas Electric Company, Inc. upon the merger of Mid-Kansas Electric Company, Inc. with and into the Corporation) 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. The Board shall determine the allocation of the remaining property rights among the Class A and Class B 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 third Friday _____ 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 address as it appears on the records of the Corporation, with postage thereon prepaid. If by facsimile or via email, such notice shall deemed to be delivered when transmitted to each of the members, delegates and alternate delegates at his facsimile or email 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; provided however, notwithstanding anything to the contrary herein, Class B members shall be permitted to vote for the election of Directors, the sale of substantially all of the corporate assets, and the alteration, 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 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; provided however, in the case of Pioneer Electric Cooperative, Inc.(“Pioneer”), and provided it is a Class A member and its wholly owned subsidiary, Southern Pioneer Electric Company (“Southern Pioneer”), is a Class B member at the time, Pioneer’s two Directors may be either a senior management employee or Board of Director or Trustee of Southern Pioneer or Pioneer, as Pioneer

and Southern Pioneer shall determine. Of each Class A member's two Directors, one shall be a senior management employee of the Class A Member and in the case of Pioneer and Southern Pioneer, be a senior management employee of either. 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.

With the exception of Pioneer and Southern Pioneer as provided for above, no person shall be eligible to become or remain a Director in the Corporation who is not (i) a member of the Board of Trustees 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 Southern Pioneer as provided for above, 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.

Section 3. Nominations.

Candidates for Director shall be nominated by Class A and Class B members at the meeting of the members at which Directors are to be elected. No delegate or alternate delegate of a Class A or Class B member may nominate more than two candidates.

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

Section 4. Election and Tenure of Office.

(A) Directors shall be elected by vote 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.

(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 and Class B 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 and Class B 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 and Class B members at such meeting for the period of time to the next annual meeting, at which the Class A and Class B 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 and Class B 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 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 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 sits as a member of the Board of Directors. When serving in the absence of the Director for whom he was elected, 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 the Director for whom he was elected Alternate 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 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 Bylaw, 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 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 deemed to be delivered when transmitted to each Director and to each member at his 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 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 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 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 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 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 may authorize any other officer or agent of the Corporation to sign, execute and acknowledge such documents or instruments in his 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 sole discretion, deems appropriate, and he 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 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 duties in such sum and with such surety or sureties as the Directors shall determine. He 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 is so appointed to be assistant or as to which he 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 and duties of the officers, agents, and senior employees shall be fixed by the President other than the powers, duties and compensation of the President which shall be set by the Board 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.

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 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 and equity interests (issued to former owners of Mid-Kansas Electric Company, Inc. upon the merger of Mid-Kansas Electric Company, Inc. with and into the Corporation) 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. The Board shall determine the allocation of the remaining property rights among the 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. The Board of Directors shall determine the method, basis, priority, and order of retirement, if any, for all amounts heretofore furnished as capital.

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 and Class B 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, shall comply with applicable laws and rules and regulations of any regulatory body. 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, and employees 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 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 lndemnitee to repay such amount if it shall ultimately be determined, by a court of competent jurisdiction or otherwise, that the lndemnitee 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, or employee 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 Indemnitee.

The Corporation may purchase and maintain insurance on behalf of any one or more lndemnitees 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 and Class B 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.