

EXECUTIVE REPORT

Prairie Land Electric Cooperative experienced another good year in 2016. We were able to fulfill our mission in providing our member-owners with safe, reliable power at favorable prices, and, at the same time, make improvements on an electric system that encompasses nearly 7,000 miles of line across 18 counties in northern Kansas.

We are committed to replacing aging power lines and making sure that our crews have good equipment to do the job. In 2016, more than \$9 million was invested in electric plant and equipment that will improve reliability and meet future load growth on the system. That amount includes more than \$5.7 million of investment in distribution and transmission facilities, \$1.1 million in general plant and equipment, and another \$2 million in construction work in progress.

Most of our line construction follows a construction work plan and budget to insure that costs are spread equally over the years. However, there are times when unplanned events occur, like storms or equipment failures that must be addressed. One such event occurred at midnight on June 27th, when a large transformer failed at the Phillipsburg 115/34.5 kV substation north of town.

The Phillipsburg substation not only serves the town of Phillipsburg, it serves several surrounding communities, as well. Prairie Land crews worked through the night getting power re-routed and the substation back in service by 6 AM that morning. A temporary mobile transformer was installed to meet the summer load requirements and another spare transformer was installed to provide additional reliability until the new replacement transformer can be installed later this summer. The cost of the project will exceed \$1.8 million when completed.

In March 2016, retail rates were consolidated between our Mid-Kansas and Prairie Land divisions into one common set of rates. The new rates, based on projected kWh sales, was designed to generate sufficient revenues to meet margin and equity goals set by the Prairie Land board. To-date, kWh sales have been below projections and, consequently, the revenue generated from the new rates is less than anticipated. Subsequently, our 2016 operating margin of \$1.965 million was less than \$3.268 million budgeted. The under-performance of the consolidated rates will need to be addressed by raising our service access charge to insure more recovery of fixed costs and relying less on volumetric kWh sales.

Prairie Land Electric continues to support the communities we serve. In 2016, the Prairie Land board approved a \$110,943 loan to the Sheridan County Health complex for new endoscope and colonoscopy equipment. The loan funds came from Prairie Land's rural development revolving loan program and will be paid back over a ten year period. Currently, we have over \$800,000 in rural development loans to eight different projects. We also continued our annual donation of \$500 each to seventeen county fairs or 4H clubs in our service territory.

In closing, we would like to thank Gilbert Berland for his 33 years of dedicated service on the Prairie Land board. He was first elected to the Norton-Decatur board in 1983 and served as Vice-President from 1991—1996, and President from 1997—April 2010. Gilbert also served on the Kansas Electric Power Cooperative board as Prairie Land's Trustee Representative.

As always, please call or stop by our office if you have questions or concerns.



Ronald G. Griffith
President



Allan Miller
CEO



Annual Report 2016

Employees

YRS

YRS

| | | | |
|---------------------|----|-------------------|----|
| Barry Madden | 42 | Jacob Epley | 11 |
| David Hickert | 41 | Scott Georgeson | 11 |
| Allan Miller | 41 | Blake Krien | 11 |
| Dean Wiseman | 41 | April Karnopp | 11 |
| Dave Beems | 39 | Lacey Smith | 11 |
| David Newell | 38 | Brett McChesney | 11 |
| Chuck Look | 38 | Jarod Rohr | 11 |
| Steve Christy | 38 | Garrett Willour | 11 |
| John McDonald | 37 | Sara Campbell | 10 |
| Connie Pfannenstiel | 34 | John Atkins | 10 |
| Brian McKenna | 33 | Cory Johnson | 10 |
| Norman Kats | 31 | Dominic Urban | 10 |
| LeRoy Hays | 31 | Tom Huber | 10 |
| Kevin Black | 30 | Matt Knox | 10 |
| Jim Coash | 30 | Julie Douglas | 9 |
| Marion Hayes | 29 | Jamie LeDuc | 9 |
| Jeff Hardiek | 29 | Jeremy Harding | 9 |
| Carl Meats | 29 | Tyler Rutherford | 9 |
| Dennis Thomas | 29 | Eric Thompson | 9 |
| David Tiemeyer | 28 | Travis Stites | 9 |
| Shawn Miller | 27 | Kade Kolman | 9 |
| Jeanette Deneault | 24 | Lynette Jones | 9 |
| Gary Beikman | 24 | Nathan Simmons | 8 |
| Kirk Girard | 22 | David Rose | 8 |
| Anna Foley | 22 | Brandon Blue | 7 |
| Darin Bortz | 19 | Monica Kats | 7 |
| Everett Mendenhall | 17 | Ryan Goheen | 6 |
| Spencer Ketterl | 17 | Cally Engel | 5 |
| Marshall Hespe | 17 | Shane Schumaker | 5 |
| Greg Cooper | 17 | Chance Bieker | 4 |
| Gregg Glennemeier | 16 | Deb Lydic | 4 |
| David Bainter | 14 | Ashley Christy | 4 |
| Alisha Stark | 14 | Landon Keiswetter | 3 |
| Waylon Lawson | 14 | Austin Wieden | 3 |
| Vonley Frey | 14 | Taylor Rahe | 3 |
| Luke Lister | 14 | Bryant Patterson | 2 |
| Ryan Culwell | 14 | Ryan Swatzell | 2 |
| Andrew Gilsdorf | 13 | Alesha Vahling | 2 |
| Keath Christy | 13 | Sondra Marvin | 2 |
| Justin Mueting | 13 | Dalton Schneider | 2 |
| Karla Lawrence | 12 | Kenzie Griffiths | 1 |
| Kelly Jones | 12 | Shane Touslee | 1 |
| Mike Eitzmann | 11 | Ann Cox | <1 |

FINANCIAL REPORT

BALANCE SHEET

ASSETS:

| | |
|----------------------------|--------------------|
| Total Utility Plant | 175,684,599 |
| Less Depreciation | (59,857,694) |
| Net Value of System | 115,826,905 |
| Cash | 1,376,818 |
| Investments | 35,221,273 |
| Receivables | 5,833,142 |
| Materials & Supplies | 1,241,191 |
| Pre-payments | 282,076 |
| Other Current Assets | 574,558 |
| Deferred Debits | 6,350,047 |

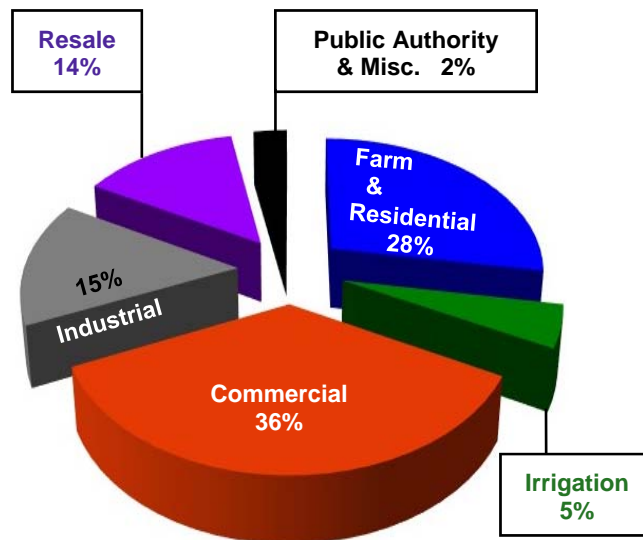
TOTAL ASSETS 166,706,010

LIABILITIES:

| | |
|--------------------------|------------|
| Long Term Debt | 90,059,596 |
| Deposits | 926,378 |
| Notes & Accounts Payable | 6,711,562 |
| Current Liabilities | 3,298,616 |
| Deferred Credits | 382,855 |
| Equities & Margins | 61,859,556 |
| Current Maturities | 3,467,447 |

TOTAL LIABILITIES 166,706,010

ELECTRIC SALES REVENUE:



INCOME STATEMENT

INCOME:

Electric Revenue **66,756,826**

EXPENSES:

| | |
|---------------|------------|
| Power Cost | 43,055,036 |
| Operations | 10,439,033 |
| Depreciation | 4,750,910 |
| Taxes | 2,574,065 |
| Interest | 3,779,158 |
| Miscellaneous | 193,353 |

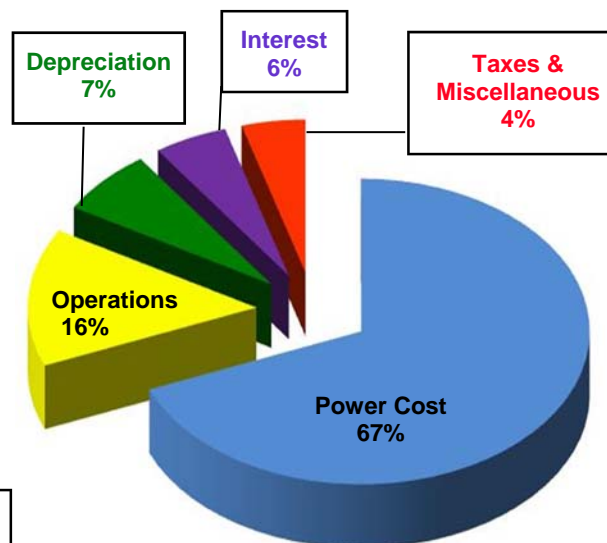
TOTAL EXPENSES 64,791,555

Operating Margin 1,965,271

Non-Operating Margin 6,277,256

Total Margins for 2016 8,242,527

OPERATING EXPENSES:



Board of Trustees

| Name | Address |
|-----------------------------|------------------|
| Ronald Griffith, President | Smith Center, KS |
| Mike Rogers, Vice President | St. Francis, KS |
| Kenneth Carter, Secretary | Jennings, KS |
| Robert Paxson, Treasurer | Penokee, KS |
| Keith Ross | Long Island, KS |
| Donald Solko | Herndon, KS |
| Ivan Bohl | Norton, KS |
| Jerry Gallagher | Concordia, KS |
| Otto Levin | Kensington, KS |
| William Peterson | Clifton, KS |
| Sandy Benoit | Damar, KS |

Interesting Statistics

| | 2016 |
|-----------------------------|--------------|
| # of Prairie Land Members | 14,181 |
| # of Connected Meters | 24,951 |
| Miles of Line | 6,968 |
| Meters per Mile of Line | 3.6 |
| Investment per Mile of Line | \$25,213 |
| Investment per Meter | \$7,041 |
| Kilowatt Hours Purchased | 634,984,287 |
| Kilowatt Hours Sold | 613,966,590 |
| Kilowatt Hour Losses | 21,017,697 |
| Line Loss % | 3.31% |
| Long-Term Debt | \$90,059,596 |
| Plant Additions | \$9,002,365 |
| Plant Retirements | \$2,713,327 |
| # of New Services Added | 121 |
| # of Services Retired | 134 |
| # of Full-time Employees | 86 |