



ANNUAL REPORT 2002

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March/April 2003

Official Notice Of Annual Meeting For Wheatland Members

The annual meeting for members of Wheatland Electric Cooperative, Inc. will be held at 12:30 a.m. (MST), Wednesday, April 2, 2003 at the Hamilton County 4-H Building in Syracuse, Kansas. Registration and a luncheon for members and guests will begin at 11:30 a.m.

During the meeting, action will be taken on the following matters:

1. Reports of officers, trustees, committees and employees.
2. The election of trustees of the cooperative: one each from District 2, Leoti, District 3, Tribune and Dis-

trict 4, Syracuse. Each term is for three years.

3. Any other business which may come before the meeting or adjournment of the annual meeting of the members.

In connection with the election of trustees to be held at this meeting, the following members have been nominated for the position of trustee by the nominating committee which met on February 10, 2003, pursuant to the by-laws as amended:

District 2	Charles Ayers
District 3	Roe Johnson

District 5 Ron Davis

Additional nominations for trustee may be made from the floor during the annual meeting.

(s) Edwin Wasinger, Secretary

In respect to proxies, the by-laws provide "A member may give his/her proxy only to another member or to an adult relative living in the same home with such member, and no person may hold and vote more than one proxy at any meeting."

The official proxy form is included on page three of the annual report to the members.

Wheatland Laying Groundwork for Future

With feet firmly rooted in the past our eyes look to the future. There is a time to build and a time to tear down. For us this is a time to build...

For the past generation we have been applying our resources to our customers' needs. We have worked to make our system fit an evolving electric utility industry. We have actively participated in area economic development and worked to redefine what it means to be an electric service utility. The State of California jumped on the "deregulation highway" and got run over from both directions. The venture claimed many victims and changed the way we do business here in Kansas. Enron did the same thing. Their business model and

evolving relationship with Arthur Andersen, their financial advisor and auditor, broke many molds and eventually the company. Now, closer to home, the fallout from those blasts have affected Westar, Aquila and other regional utilities. To avoid playing "defense" for many years to come – a common response to others' failed initiatives into the brave new world – we have chosen to establish our own path into the future based on our customers' unique needs.

Our mission was and is rural development. That was the driving force behind rural electrification. It continues to be our focus in 2003. We have our critics and there is some disagreement within as to whether or not to pursue certain endeavors, but let me describe the trip we've been on and point out some mile markers we've passed along

the way.

We have begun each initiative by going through the following planning process:

- *Determine customers' needs.
 - *Evaluate organizational assets and capabilities.
 - *Develop a business plan.
 - *Secure financing.
 - *Periodically test the "new" organization's products/services against customers' needs.
- Customers' needs were defined to be:
- *Cheap, reliable electricity
 - *Good quality water
 - *Local access to new technology
 - *Broadband connection to the e-world
 - *High quality jobs "at home" in rural Kansas
 - *Project financing

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Annual Report from Page 1 Cheap, Reliable Electricity.

The quest for cheap and reliable electricity is a many part story involving electric utility deregulation, Sunflower debt restructuring and new business initiatives.

Electric Utility Deregulation.

Deregulation and regulation run in cycles. If a monopoly is regulated, there is a move toward deregulation. If unregulated, there is often a push toward regulation. The most recent push toward deregulation began in earnest in 1992 with the opening of the electric transmission system to all power providers. This was followed by several states (with high energy costs) adopting deregulation timetables and posturing for the new competitive environment. Delivery of electric energy through a constricted (albeit "open") transmission system caused price excursions and opportunity for abuse and manipulation. Other states are taking a more guarded approach toward deregulation, now, and Kansas is one of them. The spectre of deregulation in the United States has helped us to get our rates to "market" price.

Sunflower Debt Restructuring & Reorganization.

The Sunflower debt was restructured for the first time in 1987 because increasing wholesale electric rates and reduced customer use were creating a death spiral. Wholesale rates moved up from 2.5¢ to 7.6¢ per kwh in the mid 1980's when the death spiral began. Sunflower was unable to make timely debt service payments because of reduced electric energy use and price sensitivity so, in 1987, their debt was restructured. Then, in response to strong pressure to have "market" rates by the time Kansas was deregulated, Sunflower again sought to have its debt restructured in the mid-1990s. The process was finally completed in 2002 after many years of effort and expected resistance from creditors. Current wholesale rates of 4.5¢ per kwh are judged by some to be at market.

New Business Initiatives.

Additional generation capacity is planned for Holcomb Station, for Garden City Station and along transmission lines throughout our territory. Legislation has encouraged this. It is rural development at its best. Many development opportunities emerge when such infrastructure is in place. Additional transmission lines and substations have been built in the area and more will be necessary as these projects develop.

High Plains Energy (offering propane, refined fuels, filter washing, convenience stores), InfiniTec (offering computer hardware and software, e-services, networking, class room training), Wheatland Broadband Services (offering broadband connections and internet services), our water treatment facility (offering processed water and delivery pipeline), and other Wheatland ventures have added jobs and brought people and businesses to our service area.

Our members identified these and other needs that we have adopted as our own. Details on some of them follow.

Water.

Wheatland has always owned some water rights. We acquired more as we bought/installed additional generation. Since 1992, when we purchased some land from the Garden City Company, we have been working to put existing water resources to more beneficial use in Finney County. In 1998 we hired Burns & McDonnell to evaluate water needs in Finney County and our ability to provide for those needs. The existing reverse osmosis plant on west Kansas Avenue was installed in response to customers' needs. The water along the Arkansas River needs to be treated before it can be used for many purposes. Because of sulfates present in the water, a reverse osmosis process was considered to be the method of choice for cleaning the water. Wheatland has spent over \$8 million on the plant so far and plans to spend an additional \$12 million on pipeline and treatment skids over the years.

Technology.

Repeated conversations with area local governmental agency representatives and small- to intermediate-sized business about the need for computer expertise in our small communities resulted in Wheatland buying InfiniTec in 1999. A company of six employees in a single business location (Hays) at the time of purchase, InfiniTec has grown to 45 employees with offices in Garden City, Wichita and Topeka as well as Hays. Acquisitions of key computer hardware and software companies and the hiring of additional personnel with unique capabilities have allowed us to bring needed technical services to the rural areas of western Kansas. There are many reasons the larger computer service companies focus on the more populated sections of Kansas and locate their businesses in those areas. With Wheatland's ownership of InfiniTec, we are highly motivated to keep the roots of the company in western Kansas. InfiniTec has customers in nearly all Kansas counties.

Internet services.

Changing from an electric company to a competitive energy provider required more and better communications capabilities. It was *deja vu* when we were told that we would probably never be considered worth the investment required to bring us high speed internet service (shades of yesteryear in the electric distribution business.) With our newfound technical expertise in place we focused on providing what few others would consider – high speed internet service to the rural areas of our service territory – at a reasonable price. Our system is currently being used mostly for data transmission but we hope to add systems monitoring & control, voice communications and other services in the near future.

We mentioned earlier that we have always identified our mission as rural development. To us that means jobs creation, project financing, adding

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OPERATING STATEMENT**YEAR ENDED DECEMBER 31, 2002****Revenues:**

Operating \$51,320,493

Total Operating Revenue \$51,320,493**Expenses:**

Cost Of Power \$32,495,792

Operating & Maintenance \$ 5,788,511

Depreciation \$ 3,489,186

Total Interest \$ 2,377,844

Taxes \$ 1,852,110

Other \$ 113,261

Total Expenses \$46,116,704**Operating Margins \$ 5,203,789****Non-Operating Margins (\$ 1,727,475)****Margins \$ 3,476,314****BALANCE SHEET, DECEMBER 31, 2002****Assets:**

Electric Plant \$98,944,270

Less: Depreciation \$26,495,264

Net Plant \$72,449,006**Investments \$ 5,661,420**

Cash \$ 2,274,392

Receivables \$11,526,307

Materials & Supplies \$ 2,194,987

Prepayment & Others \$ 2,229,343

Total Current Assets \$18,225,029**Deferred Debits \$ 6,928,770****Total Assets \$103,264,225****Liabilities:****Long Term Debt \$56,530,707**

Accounts Payable \$ 6,575,551

Other Current Liabilities \$ 2,186,741

Total Current Liabilities \$ 8,762,292**Deferred Credits \$ 257,750****Total Liabilities \$65,550,749****Equities:**

Patronage Capital \$37,367,282

Other Capital \$ 346,194

Total Equities \$37,713,476**Total Liabilities & Equities \$103,264,225****OFFICIAL PROXY FOR THE ANNUAL MEETING OF THE MEMBERS OF****WHEATLAND ELECTRIC COOPERATIVE, INC. TO BE HELD WEDNESDAY, APRIL 2, 2003**

Know All Men By These Presents:

That I, the undersigned member of Wheatland Electric Cooperative, Inc. do hereby constitute and appoint

Carrier's Name (**please print**)

to be my lawful attorney, substitute and proxy for me in my name, place and stead, to vote and represent me at the annual meeting of the members of Wheatland Electric Cooperative, Inc., to be held at Syracuse, Kansas, on the 2nd day of April, 2003, and to any adjournment or adjournments, and I hereby grant my proxy full power and authority to act in my stead and with the same effect as I might or could do were I present at such meeting in person; and I will hereby ratify and confirm all that my said attorney or proxy may lawfully do at such meeting in my place and stead. It is understood by me that this proxy shall not be valid unless it is filed with the secretary of the cooperative before, or at the time of the meeting at which the proxy is to be used; and further, that if I am personally present at such meeting, then the proxy shall be void.

IN WITNESS OF, I have hereunto set my hand this _____ day of _____ 2003

Member (**print**)_____
Witness (**print**)_____
Member (**signature**)_____
Witness (**signature**)

Proxy invalid after 60 days from execution

WHEATLANDELECTRIC COOPERATIVE, INC. OPERATING STATISTICS - FIVE YEAR HISTORY

CATEGORY	YEAR				
	2002	2001	2000	1999	1998
Total operating revenue (X 1,000)	\$51,320	\$51,352	\$51,637	\$50,133	\$49,958
Total energy sales (kwh) (X 1,000)	691,489	685,241	734,729	703,752	701,840
Average revenue (\$/kwh)	\$.0742	\$.0744	\$.0703	\$0.0712	\$0.0708
Cost of power (X 1,000)	\$32,496	\$33,000	\$36,298	\$34,240	\$35,951
Total purchases (kwh) (X 1,000)	720,652	707,741	757,908	721,228	724,347
Average cost of power (\$/kwh)	\$.0451	\$.0466	\$.0479	\$0.0474	\$0.0497
Other operation and maintenance (X 1,000)	\$7,640	\$6,979	\$4,969	\$4,781	\$4,608
Total operation and maintenance (X 1,000)	\$40,136	\$39,979	\$41,267	\$40,253	\$41,586
Gross operating margin (X 1,000)	\$11,184	\$11,372	\$8,757	\$9,879	\$8,372
Gross operating margin (\$/kwh)	\$.0162	\$.0166	\$.0119	\$0.0140	\$0.0119
Depreciation expense (X 1,000)	\$3,489	\$3,289	\$3,060	\$2,602	\$2,583
Property taxes (X 1,000)	\$1,616	\$1,437	\$1,413	\$902	\$845
Other taxes (X 1,000)	\$236	\$215	\$199	\$202	\$190
Long term debt (X 1,000)	\$56,531	\$55,495	\$52,910	\$51,577	\$43,380
Long Term Interest expense (X 1,000)	\$2,512	\$3,023	\$3,152	\$2,522	\$2,325
Avg. monthly bill (residential)	\$84.30	\$81.38	\$76.08	\$77.75	\$80.96
Avg. monthly kwh (residential)	760	729	729	695	730
Avg. residential rate (\$/kwh)	\$.1109	\$.1115	\$.1044	\$0.1119	\$0.1109
Net operating margin (X 1,000)	\$5,203	\$4,015	\$2,539	\$5,475	\$4,108
Times interest earned ratio (TIER)	2.38	2.34	2.13	3.43	2.77

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value to area products, providing leadership to "get the job done" and providing the necessary infrastructure to enable the development.

Jobs Creation.

Good jobs are critical to rural areas. We have worked with area development groups to attract people to western Kansas. We have helped attract and finance dairies, hog finishing operations,

grain processing plants, wind energy farms, new coal-fired generation, etc., in addition to the above mentioned businesses.

Project Financing.

Project financing for many of these endeavors has been another part of the rural development effort in which we have participated. Working with area development agencies, we have

drawn millions of dollars into western Kansas for area projects. Wheatland has invested millions of its funds in these projects and service businesses, also.

As always we look forward to serving you. We can now serve you in new and exciting ways. The future holds even more opportunities as we work to satisfy the needs of our members. Thank you for your support and cooperation.

Capital Credits

In December 2002 checks were issued to 4,149 Wheatland Members for the refund of Capital Credits allocated in 1982. Those checks totaled \$662,339.89 and were sent to current or past Wheatland Members across the United States.

