

Lane-Scott Electric Cooperative, Inc.

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Manager of Financial Services

Bob Venters
Resale Manager

In Case of an Outage

If your electricity is off for more than a few minutes, call 800-407-2217. Office hours are 8 a.m. to 5 p.m. After-hours calls will be answered by the dispatch and standby personnel.

24-hour Electrician Service

If you are without electricity or have an electrical emergency on your side of the meter, we have a master electrician on staff available 24 hours a day.

FROM THE MANAGER

Year in Review

On behalf of the Trustees and employees of Lane-Scott Electric Cooperative and High Line Services, LLC, we would like to extend a special invitation for you to attend the 61st annual meeting of your cooperative.

Infrastructure

In 2010, Lane-Scott saw some very good things happen. Our Federal Emergency Management Agency (FEMA) project is finished. I am sure you have all noticed the amount of new line that has gone up in all areas of the cooperative. After working on this for the last four years, all of us are glad to have this project behind us, all 376 miles of it. This has been a tremendous undertaking for our cooperative, but it has greatly improved the Lane-Scott system.

Currently, we are in the process of putting in a substation transformer that will more than double the size of our Manning substation. This area has seen substantial growth, and with the addition of a pipeline pumping station we were in need of the capacity.

Lane-Scott tested 3,500 poles this year and had tree trimming crews on our system for approximately six months. Lane-Scott is continually working to upgrade our total plant and has a maintenance program to make sure your utility plant is in the best condition possible.

Safety

Safety is never taken for granted at Lane-Scott. Our employees have a monthly safety meeting with instruction from Kansas Electric Cooperatives, Inc. (KEC). This year our employees received a certificate for "No-Lost-Time Accidents" for 567,156 hours worked without a lost-time accident. This dates back to January 20, 1999. The safety of our employees and our members is always on our minds.

MKEC & Aquila Acquisition

The Aquila acquisition took place on April 1, 2007, and we've now had a little over three years to get to know

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Earl Steffens

We are excited about 2011 & look forward to working with you in the future.

Lane-Scott Electric Cooperative

Annual Meeting Notice

Lane County Fairgrounds

Tuesday, July 12, 2011, at 6:30 p.m.

Please plan to attend.

July 2011						
S	M	T	W	U	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24/31	25	26	27	28	29	30

Annual Meeting 2011

The Annual Meeting of the members of the Lane-Scott Electric Cooperative, Inc., will be held at the Lane County Fairgrounds, Tuesday, July 12, 2011, in Dighton.

The events will begin at 6:30 p.m. with a meal catered by Stan Hoss, with the business meeting to follow.

The election of three Trustees, approval of the minutes of the 2010 Annual Meeting, the Treasurer's report and Manager's report are all on the agenda.

The committee on nominations, appointed by the Board of Trustees, has nominated the following members as candidates for the office of Trustee:

- ▶ **ED GOUGH**, representing Lane and Gove counties;
- ▶ **PAUL SEIB, JR.**, representing Ness and Rush counties; and
- ▶ **RICHARD (DICK) SOREM**, representing Finney and Hodgeman counties.

Other nominations may be made by petition or from the floor at the meeting. Of the persons nominated, and any other nominations made by petition, or from the floor, it will be necessary to elect three trustees to succeed the persons whose terms expire at the meeting.

Lane-Scott Changes Rate Structure to Include an ECA

At the June 6, 2011, Lane-Scott Board of Trustees meeting, the Board adopted an energy cost adjustment (ECA) as part of its rate structure. This will be effective July 1, 2011, and will be shown on your July statement. This new to the native Lane-Scott members only as our MKEC members already have an ECA as part of their rate structure.

What is the ECA?

Energy cost adjustment (ECA) is a line item on your bill that reflects the monthly difference in the cooperative's cost of purchasing wholesale power and the amount included in the retail rates.

Why does the cooperative need an ECA?

The cooperative sets its electric rates based on the known costs of purchasing and delivering electric power, as well as financing, building, operating and maintaining the electric distribution system. If these costs exceed the expected amount recovered through the sale of electricity, the cooperative is faced with the prospect of a general rate increase.

Wholesale power costs are usually more volatile than the other expenses. In fact, the cost changes every month. In order to avoid a general rate increase with every change in the wholesale power costs, most electric utilities use an energy cost adjustment clause as part of its rates.

Why does wholesale power cost fluctuate so much?

Wholesale power costs change for a number of reasons for which the cooperative has little control. First of all, most wholesale power suppliers charge higher rates during their peak season than during their off-peak season. Our power supplier, Sunflower Electric Power Corpora-

tion's demand for electric power generation is greatest during the summer months, largely driven by irrigation and the use of residential air conditioners.

Sunflower's fuel mix can also impact the cost of power. Sunflower either generates or purchases electricity from sources using a variety of fuel options including coal, natural gas and wind. Although some fuels cost less than others, many factors can affect the availability of a generating source such as maintenance schedules, availability of gas and whether the wind is blowing to generate electricity.

Finally, the price of wholesale power can be affected by the supply and demand of electricity in the marketplace. This can be affected by a change in demand due to weather or decreased supply cause by a plant shutdown in another state.

How does the ECA affect my bill?

The cost of power built in to the retail rates is called the power cost base. When the monthly cost of power exceeds the base, the ECA is a charge and when the monthly cost is less than the base, the ECA appears as a credit. The monthly ECA will be higher for the months of June, July and August and will drop down significantly if we follow the usage history over the past two years.

What are the future expectations of the ECA?

The ECA will include additional costs paid to our power supplier that are not included in the base retail rates. We expect the cost to generate electricity will increase with the implementation of renewable energy standards, the clean air act and other such standards that are difficult to project at this time.

FROM THE MANAGER Year in Review

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each other. I feel both the Lane-Scott native system and the new MKEC territory are coming together nicely. The next phase is for MKEC to have all the members officially become Lane-Scott members and for Lane-Scott to proceed with a deregulation vote of the MKEC members. It is our goal to have the deregulation process completed by September 2011, but it may be sometime next year before we will be able to bring the rates of all Lane-Scott members together. Lane-Scott appreciates the opportunity to visit with each of the city councils in our area during the year. This has proven to be a good method of communication to discuss any issues.

Growth

Growth in 2010 was very good at Lane-Scott. We installed 130 new services, with the majority of these being oil wells or irrigation, both new and converted from other energy

sources to electric. This growth has been very consistent over the last few years.

Lane-Scott and the City of Dighton continue to work together on both the operations and maintenance agreements for the city's electrical system and the purchase of wholesale power. This relationship has had many positive benefits for both entities.

Financial

Financially, Lane-Scott showed a bottom line negative margin of \$469,921, which produced a negative Times Interest Earned Ratio (TIER). We need a minimum TIER of 1.25 to meet the financial covenants of our lenders. Of this total negative margin, Lane-Scott showed a negative \$52,624 on the operating side.

Our Board of Trustees adopted a monthly (ECA) on June 6, 2011, to pass through the cost of purchasing wholesale power not reflected in the rates to the members.

The negative margins last year on the operating side of Lane-Scott were due to the increase in power

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Nominating Committee Report

A meeting of the Nominating Committee was held on Monday, June 6, 2011, at 6:30 p.m. in the offices of the cooperative at 410 South High Street, Dighton.

Members of the Nominating Committee present were: Alan James, and Robert Scheib representing Lane and Gove counties; Randy Scheurman and John Beaton representing Scott and Logan counties; Lane Copeland representing Rush and Ness counties; and Marvin Bohling and Grover Whipple representing Finney and Hodgeman counties. Also attending were Joseph Gasper, Attorney, and Earl Steffens, General Manager.

2011 Trustee Nominees

- **Ed Gough**
Lane and Gove counties
- **Paul Sieb, Jr.**
Ness and Rush counties
- **Richard (Dick) Sorem**
Finney and Hodgeman counties

2011 Board of Trustees Nominee Profiles

ED GOUGH has been a member of Lane-Scott Electric Cooperative, Inc. Boards of Trustees for 15 years.

Gough moved to Lane County in 1973 from Mound City. He and his wife, Paula, live in rural Lane County.

He is the Assistant Manager of Lane County Feeders of Dighton. His hobbies include golf, hunting and fishing. Gough is also an accomplished vocalist and musician and has performed in local events.

PAUL SEIB, JR., is the current Secretary of Lane-Scott Electric Cooperative's Board of Trustees. He and his wife, Shelby, farm in rural Ness County where they raised six children. Shelby also operates a jewelry store in Ness City.

Seib has served on the Lane-Scott

Board of Trustees for 33 years. He also serves as Lane Scott's representative to Sunflower Electric Power Corporation, where he is past Chairman of the Board.

He is currently serving as a director for Farm Credit Services in Ness City. He is past director on various boards including Western Fuels and Western Power Producers.

RICHARD (DICK) SOREM grew up on a dry land farm in northwest Hodgeman County, on which he currently lives with his wife, Linda, and two daughters Riley, 16, and Ramey, 14.

Sorem went through the Jetmore



Ed Gough



Paul Sieb, Jr



Richard Sorem

school system and graduated from the University of Kansas with a Bachelor of Science in Electrical Engineering. In 1982, he returned to farm with his father and took over the farm when his father retired in 1992.

Currently Sorem serves on The Farmers State Bank Board of Directors. In his spare time, he enjoys bicycling, hunting and any activities that involve his children.



Thank You!
Thank You!
Thank You!

Thank You Notes to Lane-Scott

Lane Scott,

Thank you for helping in sponsoring the buckle for the Reserve Breeding Heifer at the Cowboy Classic. Your support is greatly appreciated.

Zane Ward

Lane Scott,

Thanks for the beautiful flowers. Your expression of sympathy will always be remembered.

Kay Snodgrass family

Lane Scott,

Thank you very much for the flower arrangement you sent for Gwenn's memorial service. Your thoughtfulness is greatly appreciated.

Bob Kennemer family

High Line Services,

Thank you for the beautiful plant.

Johnny Robinson family

Lane Scott,

The U.T.I.C.A. May Day committee would like to thank you for your monetary donation to our show. It helped make it a success.

U.T.I.C.A. May Day Committee

Lane Scott,

Thank you for sponsoring the buckle for Reserve Market Animal at the Cowboy Classic. Your support is greatly appreciated. I really appreciate you sponsoring the belt buckle!

Kelsie Shapland

FROM THE MANAGER Year in Review

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cost. We did have an increase in your rates in October 2009 and with the ECA we expect to have the positive operating margins necessary to fulfill our financial covenants with our lender.

High Line Services, LLC

High Line Services, LLC, showed negative margins of \$517,319; this was mainly due to extremely wet weather the first quarter from which we were unable to recover.

High Line Services has "No-Lost-Time Accidents" for 122,000 hours worked. High Line Services also added a full-time safety coordinator and full-time mechanic to help with our fleet of trucks. High Line Services has 38 employees, with crews in Missouri, Arkansas and Kansas. High Line Services has a good stable work force and is off to a much better financial start this year.

Generation & Transmission

Sunflower Electric Power Corporation continues to be a valuable partner for us. Sunflower is who we purchase power from, but they also provide expertise in many areas that benefit Lane-Scott, such as economic development, the Aquila acquisition and youth activities.

I'm sure many of you are aware of the transmission line upgrade from Scott City to Dighton. This is a FEMA project and will help with capacity needs. Sunflower has also been working tirelessly to get the Holcomb Power Plant to become a reality. Lane-Scott and our members appreciate their efforts.

L. Earl Watkins, Sunflower CEO, will be retiring this year. It has been a pleasure to work with Earl, and we realize that one of the truly great leaders in the electric industry will be leaving our midst. Thanks, Earl, for

all you have done for western Kansas and our Sunflower family.

Community

Lane-Scott is committed to the improvement of all the communities we serve. Through volunteer work, monetary donations and just being there to help when we are needed. Community and youth activities are vital to the success of our communities.

In 2002, Lane-Scott started a Junior Board of Trustees. The activities this year included a visit to the Westar wind farm just north of Marienthal. We have three Junior Trustees leaving us this year: John Clark, Ness City, representing Ness and Rush counties; Alyssa Scheuerman, Scott City, representing Scott and Logan counties; and C.J. Shaffer, Dighton, representing Lane and Gove counties.

Lane-Scott takes an active role in supporting our young people, as we realize that our youth are our future. Lane-Scott is sponsoring two youth to Washington, D.C., and two youth to Steamboat Springs, CO. The trip to Washington, D.C., helps our young people learn about how our federal government works in our nation's capitol, along with all the history behind it. In Steamboat Springs, students learn how the cooperative system operates and the many advantages for its members.

If you ever need information about Lane-Scott, visit our website at www.lanescott.coop. It is a great way to review what your cooperative is about, and I would encourage you to look at it and use it for your energy efficiency needs.

In closing, 2010 was an eventful, interesting and challenging year. By our Trustees, quality Lane-Scott employees, Sunflower Electric, KEC, RUS and CFC, Peak Power, our members and the local communities working together, we met the tests in the past and stand ready to meet all future challenges. Lane-Scott is excited about 2011 and looks forward to working with all of you in the future.

