

Lane-Scott Electric Cooperative



2015 Annual Report



**Official Notice of 66th
Annual Membership Meeting**

Tuesday, July 19, 2016

Lane County Fairgrounds

Annual Meeting Agenda

- 6:30 p.m. Dinner catered by **STAN HOSS**
- 7:30 p.m. Call to Order by President **DICK JENNISON**
- Early Bird Prize Drawing
- Introduction of Guests
- Report of Quorum
- Approval of Minutes of 2015 Annual Meeting
- Treasurer's Report
- Recognition of Employees and Trustees
- 2016 Washington, D.C., Youth Tour Reports
- ALEXIS CLARKE** and **BRENDAN WHIPPLE**
- Manager's Report by **ED WILTSE**
- Guest Speaker – **STUART S. LOWRY**, CEO of
Sunflower Electric Power Corporation
- Junior Board of Trustees
- Election of Trustees
- Unfinished Business
- New Business

Nominating Committee Report

Lane-Scott Electric Cooperative, Inc.

June 13, 2016

A meeting of the Nominating Committee was held on Monday, June 13, 2016, commencing at 6:30 p.m. in the offices of the cooperative at 410 South High Street in Dighton.

Members of the Nominating Committee present were **JOE CRAMER** and **LEX BUSH** representing Lane and Gove counties; **RANDY SCHEUERMAN** and **JOHN BEATON** representing Scott and Logan counties; **KENNETH SCHLEGEL** and **LANE COPELAND** representing Rush and Ness counties; and **MARVIN BOHLING** and **DAN WEHKAMP** representing Finney and Hodgeman counties. Also attending were **JOSEPH GASPER**, Attorney, and **ED WILTSE**, General Manager.

By vote the committee nominated the following individuals:

▶ **RAD ROEHL**

for the position of Trustee representing Lane and Gove counties

▶ **ERIC DOLL**

for the position of Trustee representing Finney and Hodgeman counties

▶ **CHAD GRIFFITH**

for the position of Trustee representing Scott and Logan counties

Guest Speaker

STUART S. LOWRY is President and CEO of Sunflower Electric Power Corporation, a member-owned Generation and Transmission cooperative headquartered in Hays. He joined Sunflower in August 2011 as the fifth President and CEO in Sunflower's history. Prior to joining Sunflower, he served as CEO at Kansas Electric Cooperatives, Inc., from 2004 to 2011. Prior to that he practiced law, served as counsel to electric cooperatives statewide and provided advice on a wide range of corporate, policy and regulatory matters. He currently serves as a cooperative sector representative on the Southwest Power Pool Members Committee.

Stuart is a native of Valley Falls and a graduate of the University of Kansas and the Washburn School of Law. Stuart and his wife, Lauren, are the parents of three children, Meghan, Connor and Griffin.



Stuart Lowry
President & CEO of
Sunflower Electric
Power Corporation

Message from the Presid

The 66th Annual Meeting of the members of Lane-Scott Electric Cooperative will be held at the Lane County Fairgrounds on July 19, 2016. On behalf of the Lane-Scott Electric Trustees and employees, you are invited to a complimentary barbecue dinner beginning at 6:30 p.m. and to the annual business meeting at 7:30 p.m.

In keeping with past tradition, carnival rides will be available prior to the meeting, and door prizes will be given away during the meeting. Your presence is important to the well-being of Lane-Scott. We encourage you to attend so that you may exercise your democratic rights as a member of your electric cooperative.

This past year was a success, even though we experienced a decrease in revenue of approximately \$1.4 million. This was largely driven by a 4.6 percent decrease in kilowatt-hour sales, primarily due to lower energy demand by our large industrial customers. With our diligent efforts to control costs, we still closed the year with operating margins of over \$327,000 and met all of our financial loan covenants.

We continue to improve our electrical distribution system and have implemented SmartHub technology. This is an innovative electronic tool that allows you to manage all aspects of your Lane-Scott account on your computer, smart phone or tablet. With SmartHub you can pay your bill online, view your billing history, look at daily usage, and set recurring check payments.

In 2015, Lane-Scott tested more than 2,800 poles and spent almost \$100,000 on tree-trimming efforts. These endeavors protect our members and reduce the potential for line damage and outages.

Lane-Scott's commitment to workplace safety extends to our employees as well as to our members. We conduct monthly safety meetings to ensure proper training and work procedures are adopted. This commitment by our employees to remain accident free has assisted us in working over 169,000 hours without a lost time accident.

Our linemen and member services department conducted numerous safety demonstrations and safety awareness trainings at local schools, county road departments, emergency management responders, rural fire departments and sheriff departments.

Lane-Scott continues to offer electrical and heating and air conditioning service to our members. We have two master electricians and a heating and air conditioning specialist on staff to meet your needs.



Richard Jennison
Board President



Ed Wiltse
General Manager

ent and General Manager

We are committed to being an excellent energy provider, and we are just as committed to building a better community. Lane-Scott employees showed their dedication to communities in which we live by assuming leadership roles in school and church boards. Our volunteerism could also be found in church activities, community clean-up, and participation in helping hang city Christmas decorations, coaching and assisting in youth sports and activities, and serving on a volunteer fire department.

Lane-Scott provides sponsorships for 4-H, the Electro-Rally electric car program, rodeos, Pheasants Forever, and Wild West Cat Backers. We planned educational activities for the Junior Board of Trustees, and sponsored two Youth Tour programs that took place in Steamboat Springs, CO, and Washington, D.C.

Lane-Scott and each of you continue to benefit from our relationship with Sunflower Electric Power Corporation and MidKansas Electric Company—the wholesale generation and transmission companies of which Lane-Scott is a member-owner.

Having access to wholesale generation and transmission services not only helps Lane-Scott keep costs as low as possible, it also means having energy advocates who let elected officials know how state and federal regulations and policies will impact you.

In 2014, the U.S. Fish and Wildlife Service (USFWS) listed the Lesser Prairie Chicken (LPC) as a threatened species. The listing would have a large impact on the work of Lane-Scott because about half of the species' population lives in western Kansas. For the last two years G&T staff have been actively involved in finding ways to mitigate the listing's impact on electric ratepayers. In early May the Obama Administration announced that the lesser prairie chicken is no longer considered a threatened species.

Waters of the U.S., also known as WOTUS, is yet another regulation that demonstrates the importance of Sunflower's and Mid-Kansas' roles in protecting the interests of Lane-Scott and our members. WOTUS significantly expands the reach of the Clean Water Act, and the number of classified stream miles in Kansas increases from 30,620 to more than 150,000 miles. Electric cooperatives, along with the National Rural Electric Cooperative Association (NRECA), from across the nation spoke out against the expanded Clean Water Act during the public comment period last fall, and in October a federal appeals court issued a nationwide stay that temporarily blocks the enforcement of WOTUS.

From 1950 to 2016... that's 66 years and, yes, that's a lot of annual meetings. Rest assured that the Lane-Scott Board and employees remain committed to the cooperative principles that have served the members for 66 years.

Members' Fin

Statement of Operations

for year ending of December 31, 2015

	2015	2014	2013
Income			
Operating Revenue	\$16,605,232	\$18,005,804	\$16,371,981
Expenses			
Cost of Power	\$10,241,265	\$11,679,641	\$10,588,848
Operations	\$3,407,047	\$3,056,145	\$3,072,273
Depreciation & Amortization	\$1,439,471	\$1,373,925	\$1,196,962
Interest	\$1,181,378	\$1,191,538	\$984,424
Miscellaneous	\$8,089	\$21,857	\$11,020
Total Expenses	\$16,277,250	\$17,323,106	\$15,853,527
Operating Margins	\$327,982	\$682,698	\$518,454
Non-Operating Margins	\$1,452,165	\$2,389,362	\$714,392
Patronage Capital Or Margins	\$1,780,147	\$3,072,060	\$1,232,846

Property Taxes Paid By County

	2015	2014	2013	2012
Finney	\$24,014	\$19,824	\$19,124	\$15,693
Gove	\$10,525	\$8,228	\$7,956	\$5,537
Hodgeman	\$28,654	\$21,583	\$21,454	\$18,796
Lane	\$263,636	\$215,410	\$189,045	\$168,525
Logan	\$929	\$756	\$721	\$606
Ness	\$230,923	\$182,882	\$164,682	\$146,407
Scott	\$69,972	\$62,997	\$60,687	\$49,536
Rush	\$15,016	\$13,105	\$13,591	\$12,499
Totals	\$643,669	\$524,785	\$477,260	\$417,599

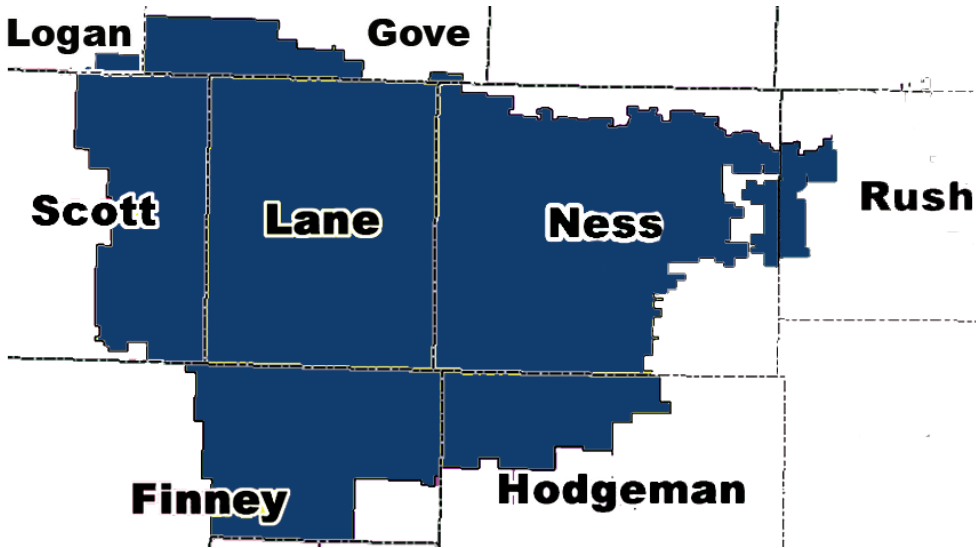
Financial Report

Balance Sheet

as of December 31, 2015

	2015	2014	2013
ASSETS			
Total Utility Plant	\$47,456,324	\$46,007,936	\$43,722,618
Less Depreciation	-13,613,629	-13,243,579	-13,255,949
Net Value of our System	\$33,842,695	\$32,764,357	\$30,466,669
Cash & Temporary Investments	\$10,110,824	\$9,671,951	\$8,310,290
Receivables	\$1,591,704	\$1,960,941	\$1,901,561
Pre-Payments	\$0	\$8,517	\$4,507
Materials & Supplies	\$378,830	\$418,952	\$509,781
Other Current Assets	\$3,306	\$2,907	\$2,817
Deferred Debits	\$1,453,792	\$1,662,003	\$1,893,530
Total Assets	\$47,381,151	\$46,489,628	\$43,089,155
LIABILITIES			
Long-Term Debt	\$31,676,229	\$32,476,154	\$31,177,461
Notes Payable	\$0	\$0	\$1,009,558
Accounts Payable	\$1,007,944	\$1,107,736	\$1,074,646
Consumer Deposits	\$102,588	\$107,268	\$103,904
Other Current & Accrued Liabilities	\$518,258	\$477,695	\$445,286
Equities & Margins	\$14,076,132	\$12,320,775	\$9,278,300
Total Liabilities	\$47,381,151	\$46,489,628	\$43,089,155

Lane-Scott's Service Territory



Lane-Scott provides electrical power to more than 6,200 services in the Western Kansas counties of Finney, Gove, Hodgeman, Lane, Logan, Ness, Rush and Scott.

Your Neighbors Serving as Your Cooperative's Trustees



Eric Doll

Treasurer

Finney & Hodgeman counties



Ed Gough

Trustee

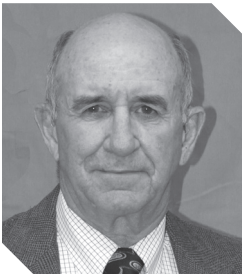
Lane & Gove counties



Chad Griffith

Trustee

Scott & Logan counties



Harold Hoss

Trustee

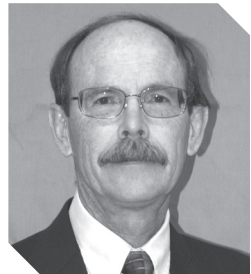
Ness & Rush counties



Richard Jennison

President

Lane & Gove counties



Craig Ramsey

Vice President

Scott & Logan counties



Rad Roehl

Trustee

Lane & Gove counties



Paul Seib, Jr.

Secretary

Ness & Rush counties



Richard Sorem

Trustee

Finney & Hodgeman counties

Board Candidates

ERIC DOLL is the incumbent Trustee serving Finney and Hodgeman counties.

Doll is a lifelong resident of Finney County. He is a graduate of Garden City High School and Fort Hays State University. He and his wife, Shelly, have three children.

He has been a member of the Lane-Scott Board of Trustees since 1995. He is the owner/operator of Doll Land & Cattle, Inc.

Doll is a former director for the Kansas Cattlemen's Association, and he has previously served as a member of the Finney County Farm Bureau Board.



Eric Doll

CHAD GRIFFITH joined the Lane-Scott Board of Trustees in 2014.

He graduated from Scott Community High School in 1986 and from Kansas State University with a degree in Business Administration-Finance in 1991. He currently owns and operates his farm and ranch in the area.

He and his wife, Suzanne, have four children.

The Griffiths are members of the First Baptist Church of Scott City. Griffith has been active on several boards over the years.



Chad Griffith

RAD ROEHL joined the Lane-Scott board of Trustees in October 2009. He represents Lane and Gove counties.

Roehl is a graduate of Dighton High School and Kansas State University with a Bachelor of Science Degree in agriculture. He and his wife, Kathryn, are lifelong residents of Lane County and have three grown sons. They farm in the surrounding area.

He is a past member of the Farmers Co-op Elevator Board.



Rad Roehl

Youth Tour

Electric Cooperative Youth Tour *to Washington, D.C.*



Alexis Peck (left) and Morgan Tucker in our nation's Capitol while on Youth Tour 2015. At right, Alexis Clarke and Brendan Whipple will attend this year.



Alexis Clarke



Brendan Whipple

Cooperative Youth Leadership Camp *to Steamboat Springs, CO*



Payden Shapland enjoys the Elk River during the Cooperative Youth Leadership Camp in 2015.

Minutes of 2015

The year 2015 annual meeting of the members of Lane-Scott Electric Cooperative, Inc. was held on Tuesday, July 21, 2015, at the Lane County Fair Grounds in Dighton, Lane County, Kansas. The meeting commenced at 7:30 p.m., pursuant to notice mailed to all members in accordance with the bylaws of the cooperative.

The meeting was called to order by President Richard Jennison. President Jennison welcomed those in attendance and introduced guests including: Don Hineman, Kansas Representative; Blaine Elliot, Techline; John Sachse, representative from Senator Moran's office; Kim Christiansen of KEC; Matt Pfannenstiel and Dennis Deines, Western Electric and; Sunflower Electric Power Corporation was represented by Stuart Lowry, Clare Gustin and Nikki Pfannenstiel.

President Jennison introduced the members of the Board of Trustees, the manager and legal counsel.

Joseph Gasper, legal counsel, certified notice of the annual meeting was mailed to members at each member's address as it appears on the records of the cooperative and reported 160 members were in attendance, constituting a quorum.

President Jennison referred the members to the printed minutes of the 2014 Annual Meeting appearing in the notice of the annual meeting. On motion duly made, seconded and carried, the reading of the minutes of the 2014 Annual Meeting was waived and the minutes were approved as printed.

President Jennison referred the members to the Treasurer's Report appearing in the notice of the annual meeting. On motion duly made, seconded and carried, the reading of the Treasurer's Report was waived and the report appearing in the notice of the annual meeting was approved as printed.

Ben Mann was recognized for his 15 years of service to the cooperative.

Payden Shapland presented a report about her Steamboat Springs Youth Tour in 2015. Alexis Peck and Morgan Tucker presented a report about their Washington, D.C., Youth Tour in 2015.

Manager Ed Wiltse presented his report, emphasizing:

- ▶ The Lane-Scott employees were recognized for their continued hard work to keep the cooperative moving forward. Myron Seib's birthday was recognized. The Lane-Scott employees assisted with local communities on various cleanup projects.
- ▶ The vote for the self-regulation was passed the previous year, and work continues on combining the two systems.
- ▶ The system saw an 8 percent increase in sales and revenue due mostly to an increase in industrial load relating to oil production.
- ▶ The year-end margins were \$680,000, which met all of the financial covenants required by lenders.
- ▶ The crews continue to work on reliability upgrades to the system. Over 2,000 poles were tested in the last year and trees have been trimmed around the power lines, both of which help reliability of the system.
- ▶ The automatic meters continue to be installed. These meters automatically read the monthly usage and will be integrated into updates that will assist the crews during outages.
- ▶ Lane-Scott continues to be committed to safety. Safety programs are provided to local fire departments,

Annual Meeting

EMS, schools and other public services.

- ▶ The EPA rules regarding the Clean Water Act and the threatened listing of the lesser prairie chicken will increase costs to comply with these rules.
- ▶ Manager Wiltse's office is always open for any questions or concerns with the cooperative.

President Jennison then called for additional registrations. There were no additional registrations.

Manager Wiltse introduced the guest speaker, Kim Christiansen, Manager of Government Relations of KEC, and asked her to speak. Highlights of her presentation are as follows:

- ▶ Her duties are primarily to lobby the Kansas Legislature on behalf of the electric cooperatives in Kansas.
- ▶ KEC sponsors the youth tour and publishes the *Kansas Country Living* magazine.
- ▶ Don Hineman was recognized as a good representative for the people in western Kansas as well as his work in the long legislative session.
- ▶ The lesser prairie chicken listing as a threatened species has a very real impact on industry in the area. The listing prohibits any activity that may harass, annoy or kill the bird, subject to a \$50,000 fine per event. The prairie chicken populations have increased both in 2013 and 2014.
- ▶ The EPA's new regulations regarding the Clean Water Act appear to be an attempt for the federal government to be able to regulate all water in the USA. This will have an effect on electric generation as we move forward.
- ▶ The new Clean Power Plan proposed by the EPA will result in less power being produced by coal and more by renewables. The net effect is that the cost of power will increase over time.
- ▶ There is a need for members to support their electric cooperatives and to visit with governmental representatives to support the cooperatives.

Manager Wiltse recognized outgoing Junior Board of Trustees members Kayla Borell and Ramey Sorem.

Attorney Gasper presided over the election of trustees. The members of the nominating committee met and submitted names of three individuals as nominees for three trustee positions: Richard Jennison, representing Lane County and Gove County; Harold Hoss, representing Ness County and Rush County; and Craig Ramsey, representing Scott County and Logan County. Attorney Gasper called for additional nominations from the floor. There were no additional nominations. On motion duly made, seconded and carried the nominations ceased and a unanimous ballot was cast for the named nominees.

President Jennison called for unfinished business. There was no unfinished business. President Jennison called for new business. There was no new business.

President Jennison called for a motion to adjourn. By motion duly made, seconded and carried the meeting was adjourned at 8:10 p.m. on July 21, 2015.

At various times during the meeting, attendance prizes were given away to members by drawing. The winners were: Steve Heath, Mark Flax, Allen Schuler, Glenda Roane, Al Berndt, Lane Copeland, Richard Gillett, Ramona Meis, Terry Penka, Joyce Shull, Carl Keilman, Lois McLeish, Scott Tucker, James Higgins, Terry Donecker, Joy Peck, Jon Hawkinson, Leroy Stoecklein, Van Hanks and Robert Price.

Lane-Scott Junior Board



David DeBusk



Rebecca Doll



Jared Fellhoelter



Dylan Foos



Chandler Janssen



Alexis Peck



Taysia Sunley



Allie Woods

The Junior Board of Trustees is an educational program that encourages youth in our community to learn about cooperatives. This includes field trips and boardroom discussions on the operation and organization of cooperatives in general with emphasis on electrical cooperatives. Visit our website to learn more – www.lanescott.coop. The current members of the Junior Board are shown above. Parents of the board members and the counties they represent are:

Representing Lane and Gove counties

- ▶ **DAVID DEBUSK** – Matthew DeBusk and Mindy Brumbaugh
- ▶ **DYLAN FOOS** – Mark and Stacey Foos
- ▶ **ALEXIS PECK** – Joy Peck

Representing Scott and Logan counties

- ▶ **CHANDLER JANSSEN** – Troy and Julie Janssen
- ▶ **TAYSIA SUNLEY** – Byler and Terra Sunley

Representing Ness and Rush counties

- ▶ **JARED FELLHOELTER** – Pat and Annetta Fellhoelter

Representing Finney and Hodgeman counties

- ▶ **REBECCA DOLL** – Jesse and Mary Doll
- ▶ **ALLIE WOODS** – Shane and Kim Woods

This is your

Registration Card

BRING THIS CARD TO THE ANNUAL MEETING

Visit us on the web at www.lanescott.coop

Lane-Scott Employees

- ▶ **ED WILTSE** – General Manager
- ▶ **KATHY LEWIS** – Manager of Financial Services
- ▶ **JODI MARSTELLER** – Administrative Assistant
- ▶ **REBECCA CAMPBELL** – Billing Clerk
- ▶ **CARRIE BORELL** – Customer Service Representative
- ▶ **BOB VENTERS** – Resale Manager/Member Services
- ▶ **KALO MANN** – Master Electrician
- ▶ **MARK MCCULLOCH** – HVAC Technician
- ▶ **MICHAEL POLLOCK** – Master Electrician
- ▶ **NATE BURNS** – Manager of Electrical Operations
- ▶ **DAVID HOWARD** – General Foreman
- ▶ **KASEY JENKINSON** – Crew Chief
- ▶ **BEN MANN** – Crew Chief
- ▶ **HENRY MORROW** – Journeyman Lineman
- ▶ **DAL HAWKINSON** – Journeyman Lineman
- ▶ **CHAD RUPP** – Journeyman Lineman
- ▶ **CHRIS TERHUNE** – Journeyman Lineman
- ▶ **LARRY KRAFT** – Journeyman Lineman
- ▶ **MYRON SEIB** – Journeyman Lineman
- ▶ **KEVIN BRADSTREET** – Journeyman Lineman
- ▶ **MARK LEWIS** – Journeyman Lineman
- ▶ **LEIGHTON AYERS** – Journeyman Lineman
- ▶ **DEANNE SHULL** – Warehouse Clerk
- ▶ **ALAN SCOTT** – Part-time Maintenance
- ▶ **KAYLA BORELL** – Summer Office Assistant
- ▶ **KIARA BUDD** – Part-time Custodian
- ▶ **ALEXIS PECK** – Part-time Custodian

Lane-Scott Electric Cooperative, Inc.
P. O. Box 758
Dighton, KS 67839-0758

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Official Notice of Annual Meeting

The Annual Meeting of the members of the Lane-Scott Electric Cooperative, Inc. will be held at the Lane County Fairgrounds, Tuesday, July 19, 2016, 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 2015 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 offices of trustees. **ERIC DOLL**, representing Finney and Hodgeman counties; **RAD ROEHL**, representing Lane and Gove counties and **CHAD GRIFFITH**, representing Scott and Logan 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.

**This is your registration card.
Please bring it to the Annual Meeting.**