



2016 Annual Report

**Official Notice of
67th Annual Membership Meeting**

Tuesday, July 18, 2017
Lane County Fairgrounds

Annual Meeting Agenda

- 6:30 p.m. Dinner catered by **STAN HOSS**
- 7:30 p.m. Call to Order by President **RICHARD JENNISON**
- Early Bird Prize Drawing
- Introduction of Guests
- Report of Quorum
- Approval of Minutes of 2016 Annual Meeting
- Treasurer's Report
- Recognition of Employees and Trustees
- 2017 Washington, D.C., Youth Tour Reports
- GENTRY SHAPLAND** and **CLAYTON BEUTLER**
- 2017 Cooperative Youth Leadership Camp Report
- MARIO LUNA** and **MADISON SEERY**
- Manager's Report by **ED WILTSE**
- Guest Speaker – **STUART S. LOWRY**, CEO of
Sunflower Electric Power Corporation
- Election of Trustees
- Unfinished Business
- New Business

Nominating Committee Report

Lane-Scott Electric Cooperative, Inc.

June 5, 2017

A meeting of the Nominating Committee was held on Monday, June 5, 2017, 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 **ALAN JAMES**, **JOE CRAMER** and **LEX BUSH** representing Lane and Gove counties; **RANDY SCHEUERMAN** and **JOHN BEATON** representing Scott and Logan counties; **KENNETH SCHLEGEL** 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:

- ▶ **ED GOUGH**
for the position of Trustee representing Lane and Gove counties
- ▶ **PAUL SEIB JR.**
for the position of Trustee representing Ness and Rush counties
- ▶ **RICHARD SOREM**
for the position of Trustee representing Finney and Hodgeman 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 67th Annual Meeting of the members of Lane-Scott Electric Cooperative will be held at the Lane County Fairgrounds on July 18, 2017. On behalf of the Lane-Scott Electric Board of Trustees and employees, you are invited to a complimentary barbecue dinner beginning at 6:30 p.m. The annual business meeting will start at 7:30 p.m.

In keeping with tradition, carnival rides will be available before the meeting, and door prizes will be given away during the meeting. We encourage you to attend to exercise your democratic rights as a member of your electric cooperative.

We are pleased to report that Lane-Scott Electric completed a successful year in 2016 with operating margins of more than \$699,000. A modest 3.7 percent overall rate increase was implemented in August 2016. Rates for the native territory and the MKEC territory were consolidated into one identical set of rates. This provides efficiencies in operating practices and reduces the costs associated with maintaining separate billing practices.

Lane-Scott has remained committed to making improvements to our electrical distribution system and has focused on areas needing improved service reliability and additional capacity. With the assistance of Sunflower Electric's engineering staff, Lane-Scott's operations personnel has studied and evaluated the electrical system requirements for the next four to five years. This study will provide information to be used for the Construction Work Plan. This plan will provide guidelines for system improvements and future construction projects.

Members continue to use the online SmartHub technology that is available. 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. We continue to work with the after-hours dispatch service to meet our members' needs during after-hours outages.

Electric reliability remains a priority, and in 2016 Lane-Scott tested more than 1,550 poles and spent almost \$75,000 on tree-trimming efforts. These endeavors protect our members and facilities, while reducing the potential for line damage and outages.

Lane-Scott's commitment to workplace safety extends beyond our employees



Richard Jennison
Board President



Ed Wiltse
General Manager

ent and General Manager

and includes our members. We conduct monthly safety meetings to ensure proper training and work procedures are adopted and followed. This commitment by our employees to remain accident free has resulted in working more than 220,000 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 services to our members. We strive to be reasonably priced and responsive to our members' needs. We have two master electricians and a heating and air conditioning specialist on staff.

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

Lane-Scott takes an active role in supporting our young people as we realize that the youth are our future. Lane-Scott provides sponsorships for 4-H and county fairs, the ElectroRally electric car program, rodeos, Pheasants Forever, and Wild West Cat Backers.

We sponsor two Youth Tour programs that take place in Steamboat Springs, Colorado, and Washington, D.C. The trip to Washington, D.C., helps our youth learn how our federal government works, along with the rich history behind our nation's capital. In Steamboat Springs, students learn how the cooperative system operates and the many benefits it offers our members.

Sunflower Electric is our wholesale power provider and we continue to benefit from our relationship with them. They serve as our chief engineering consultant and assist Lane-Scott in areas such as Spill Compliance Plans and transmission services for added capacity requirements. 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 – our member.

This past year was an interesting and challenging year, but by working cooperatively, it was a successful year. Be assured that Lane-Scott trustees and employees remain member focused and committed to the cooperative principles that have served you for 67 years.

Members' Fin

Statement of Operations

for year ending December 31, 2016

	2016	2015	2014
Income			
Operating Revenue	\$16,464,867	\$16,605,232	\$18,005,804
Expenses			
Cost of Power	\$9,967,587	\$10,241,265	\$11,679,641
Operations	\$3,121,390	\$3,407,047	\$3,056,145
Depreciation & Amortization	\$1,473,729	\$1,439,471	\$1,373,925
Interest	\$1,191,078	\$1,181,378	\$1,191,538
Miscellaneous	\$11,320	\$8,089	\$21,857
Total Expenses	\$15,765,104	\$16,277,250	\$17,323,106
Operating Margins	\$699,763	\$327,982	\$682,698
Non-Operating Margins	\$1,259,819	\$1,452,165	\$2,389,362
Patronage Capital Or Margins	\$1,959,582	\$1,780,147	\$3,072,060

Property Taxes Paid By County

	2016	2015	2014	2013
Finney	\$21,323	\$24,014	\$19,824	\$19,124
Gove	\$10,835	\$10,525	\$8,228	\$7,956
Hodgeman	\$26,703	\$28,654	\$21,583	\$21,454
Lane	\$265,678	\$263,636	\$215,410	\$189,045
Logan	\$844	\$929	\$756	\$721
Ness	\$232,055	\$230,923	\$182,882	\$164,682
Scott	\$64,432	\$69,972	\$62,997	\$60,687
Rush	\$13,534	\$15,016	\$13,105	\$13,591
Totals	\$635,404	\$643,669	\$524,785	\$477,260

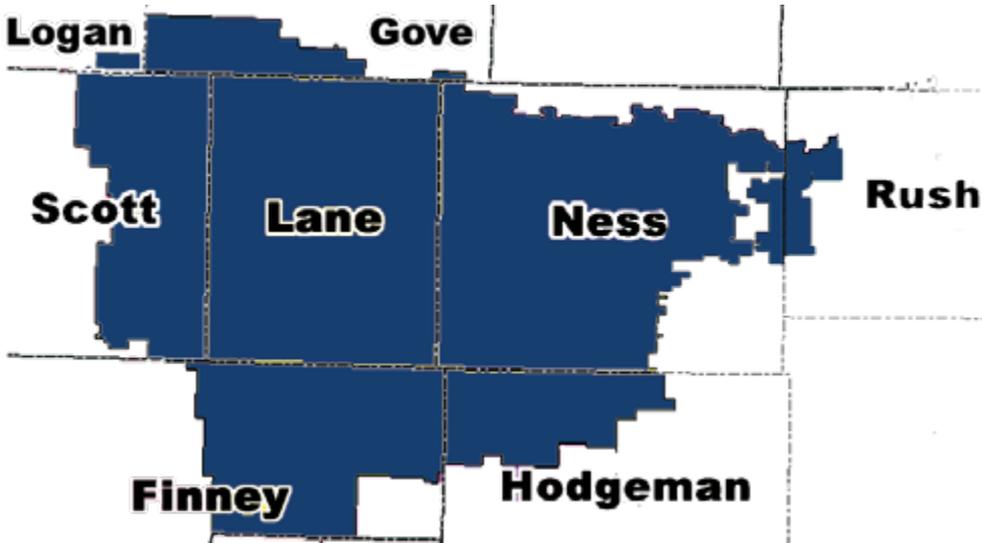
Financial Report

Balance Sheet

as of December 31, 2016

	2016	2015	2014
ASSETS			
Total Utility Plant	\$49,074,611	\$47,456,324	\$46,007,936
Less Depreciation	-13,643,025	-13,613,629	-13,243,579
Net Value of our System	\$35,431,586	\$33,842,695	\$32,764,357
Cash & Temporary Investments	\$11,981,868	\$10,110,824	\$9,671,951
Receivables	\$1,578,681	\$1,591,704	\$1,960,941
Pre-Payments	\$3,675	\$0	\$8,517
Materials & Supplies	\$353,377	\$378,830	\$418,952
Other Current Assets	\$3,512	\$3,306	\$2,907
Deferred Debits	\$1,245,175	\$1,453,792	\$1,662,003
Total Assets	\$50,597,874	\$47,381,151	\$46,489,628
LIABILITIES			
Long Term Debt	\$32,689,549	\$31,412,224	\$32,476,154
Capital Leases	\$403,399	\$264,005	\$0
Notes Payable	\$0	\$0	\$0
Accounts Payable	\$870,622	\$1,007,944	\$1,107,736
Consumer Deposits	\$116,713	\$102,588	\$107,268
Other Current & Accrued Liabilities	\$528,001	\$518,258	\$477,695
Deferred Credits	\$0	\$0	\$0
Equities & Margins	\$15,989,590	\$14,076,132	\$12,320,775
Total Liabilities	\$50,597,874	\$47,381,151	\$46,489,628

Lane-Scott's Service Territory



Lane-Scott provides electrical power to approximately 6,100 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

ED GOUGH has been a member of Lane-Scott Electric Cooperative, Inc., Board of Trustees for 21 years. Gough moved to Lane County in 1973 from Mound City. He and his wife, Paula, live in rural Lane County.

Gough retired as the Assistant Manager of Lane County Feeders of Dighton. His hobbies include golfing, hunting, fishing and helping on the family farm. He is also an accomplished vocalist and musician who has performed at local events.



Ed Gough

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.

The Seibs attend Sacred Heart Catholic Church of Ness City. He has served on the Lane-Scott Electric Cooperative, Inc. Board of Trustees since 1975.

Seib is the Lane-Scott Electric representative to our power supplier, Sunflower Electric Power Corporation, where he is past Chairman of the Board. He serves on the MKEC board, as well. He is past director for Farm Credit Services in Ness City. He is past director on various boards including Western Fuels and Western Power Producers.



Paul Seib, Jr

RICHARD (DICK) J. SOREM grew up on a dry land farm in northwest Hodgeman County, on which he currently farms with his wife, Linda. They have two grown daughters.

Sorem went through the Jetmore 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.

He is a past member of The Farmers State Bank Board of Directors. In his spare time, he enjoys bicycling, hunting and any activities that involve his children.



Richard Sorem

Youth Tour

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



Left: Alexis Clarke and Brendan Whipple in our nation's Capitol on Youth Tour in 2016.

Below: Clayton Beutler and Gentry Shapland will attend the tour this year.



Clayton Beutler



Gentry Shapland

Cooperative Youth Leadership Camp *to Steamboat Springs, CO*

Mario Luna and Madison Seery will attend the Cooperative Youth Leadership Camp in Steamboat Springs, Colorado, July 14-20, 2017.

Congratulations to All of Our Winners!



Mario Luna



Madison Seery

Minutes of 2016 Annual Meeting

The year 2016 annual meeting of the members of Lane-Scott Electric Cooperative, Inc. was held on Tuesday, July 19, 2016, 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: James Lane, representative from Senator Roberts' office; Doug Shepherd of KEC; Allen Westfall of Stanion Electric; Lyle Kroeker of Kriz Davis; Luke West of Wheatland; Sunflower Electric Power Corporation was represented by Stuart Lowry, Steve Hausler, Bill Branch and Nikki Pfannenstiel.

President Jennison next 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 146 members were in attendance, constituting a quorum.

President Jennison referred the members to the printed minutes of the 2015 Annual Meeting appearing in the notice of the annual meeting. On motion duly made, seconded and carried, the reading of the minutes of the 2015 Annual Meeting was waived and the minutes were approved as printed.

President Jennison next 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.

Bob Venters, Resale Manager/Member Services, was recognized for his 30 years of service to the cooperative.

Alexis Clarke and Brendan Whipple presented a report about their Washington, D.C., Youth Tour experiences in 2016.

Manager, Ed Wiltse, presented his report, emphasizing:

- ▶ Lane-Scott employees were recognized for their continued hard work to keep the cooperative moving forward.
- ▶ S&T, Howard Richards, Luke West and Stan Hoss were thanked for their assistance with the annual meeting.
- ▶ The system saw a decrease in sales and revenue due mostly to a decrease in industrial load relating to oil production.
- ▶ The year-end margins were \$327,000, which met all of the financial covenants required by lenders.
- ▶ Lane-Scott continues to invest in technology upgrades that will increase co-op productivity.
- ▶ Smart Hub has been instituted and a display was set up for demonstrations. Smart Hub allows members to access their accounts, as well as other information online.
- ▶ The crews continue to work on reliability upgrades to the system. More than 2,800 poles were tested in the last year, and trees have been trimmed around the power lines, both of which help reliability of the

system. Workplace safety continues to be stressed and Lane-Scott is currently at 170,000 hours of no loss time.

- ▶ Safety programs are provided to local fire departments, EMS, schools and other public services.
- ▶ Lane-Scott continues its relationship with Sunflower Electric from the production of electricity, engineering assistance and political assistance.
- ▶ A cost of service study was recently completed and a rate increase of 3.77% overall will be implemented August 1, 2016.
- ▶ 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, Stuart Lowry, Chief Executive Officer of Sunflower Electric and asked him to speak. Highlights of his presentation are as follows:

- ▶ Sunflower generates electricity from various generation units including the Holcomb coal generation unit.
- ▶ Sunflower works to curtail the cost of production as those costs are transferred through to its members affecting rates of the end users. Approximately 70% of Lane-Scott's expenses are for the purchase of electricity.
- ▶ There are many changes occurring in the electric industry and Sunflower continues to move forward to meet these future challenges.
- ▶ The Southwest Power Pool (SPP) is a regional transmission group, of which Sunflower is a member. The SPP determines transmission line development within its borders as well as allocating the cost of the construction. Wind Energy development continues to drive the need for additional transmission line to move the electricity from the windmills to the end users.
- ▶ Sunflower is currently producing more energy than its members require so the excess energy is being sold on the market which helps to keep rates low for the members.
- ▶ The Holcomb expansion has regulatory hurdles to pass but those are still being navigated.

Manager Wiltse recognized outgoing Junior Board of Trustees members David Debusk, Jared Fellhoelter, Taysia Sunley and Allie Woods.

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: Rad Roehl, representing Lane County and Gove County; Eric Doll, representing Finney County and Hodgeman County; and, Chad Griffith, 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.

There being no new business, President Jennison called for a motion to adjourn. By motion duly made, seconded and carried the meeting was adjourned at 8:06 p.m. on July 19, 2016.

At various times during the meeting, attendance prizes were given away to members by drawing. The winners were: Pamela Jennison, John Horacek, Chet Quance, Al Berndt, Patricia Reimer, Allen Schuler, Gail Stanley, Joe Hanks Trust, Donald and Ruth Mai Trust, Lynn Schmidt, H. Wagner, Lawrence Krehbiel, Martina Holmes, Hubert Kraft, Larry Horacek, James Brown, Debra Adkins and Guy Johnston.

7 Co-op Principles

1

VOLUNTARY AND OPEN MEMBERSHIP

Co-ops are voluntary organizations open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2

DEMOCRATIC MEMBER CONTROL

Co-ops are democratic organizations controlled by their members, who actively participate in setting policies and making decisions. The elected representatives are accountable to the membership. In primary co-ops, members have equal voting rights (one member, one vote) and co-ops at other levels are organized in a democratic manner.

3

MEMBERS' ECONOMIC PARTICIPATION

Members contribute equitably to, and democratically control, the capital of their co-op. At least part of that capital is usually the common property of the co-op. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the co-op, possibly by setting up reserves, part of which at least would be indivisible; benefitting members in proportion to their transactions with the co-op; and supporting other activities approved by the membership.

4

AUTONOMY AND INDEPENDENCE

Co-ops are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain autonomy.

5

EDUCATION, TRAINING AND INFORMATION

Co-ops provide education and training for their members, elected representatives, managers, and employees so that they can contribute effectively to the development of their co-ops. They inform the general public, particularly young people and opinion leaders, about the nature and benefits of cooperation.

6

COOPERATION AMONG CO-OPS

Co-ops serve their members most effectively and strengthen the co-op movement by working together through local, national, regional and international structures.

7

CONCERN FOR COMMUNITY

While focusing on member needs, co-ops work for the development of their communities through policies accepted by their members.

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** – Information Technology
- ▶ **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
- ▶ **LEIGHTON AYERS** – Journeyman Lineman
- ▶ **DEANNE SHULL** – Warehouse Clerk
- ▶ **BOB KENNEMER** – Part-Time Maintenance
- ▶ **KAYLA BORELL** – Summer Office Assistant
- ▶ **ALEXIS PECK** – Part-Time Custodian
- ▶ **BALINDA CONINE** – Part-Time Custodian
- ▶ **CALLY BRETZ** – Part-Time Member Service Representative

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

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RETURN SERVICE REQUESTED

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 18, 2017, 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 2016 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: **RICHARD SOREM**, representing Finney and Hodgeman counties; **ED GOUGH**, representing Lane and Gove counties and **PAUL SEIB**, representing Ness and Rush 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.**