



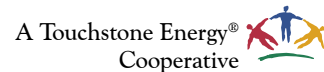
Electric Cooperative

**Official Meeting
Notice**

Tuesday, July 12, 2005

6:30 p.m. Dinner 7:30 p.m. Annual Meeting

Lane County Fairgrounds, Dighton, KS



2004 ANNUAL REPORT



Photo by Tanya Burns

Lane-Scott Electric Cooperative Headquarters Building

**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 12, 2005 in Dighton.

The meeting will begin at 6:30 p.m. with a catered dinner by Stan Hoss.

Electing three trustees, approving the minutes of the 2004 annual meeting, the treasurer’s report and the 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. Paul Seib, Jr. representing Ness County; Richard (Dick) J. Sorem representing Hodgeman county and Ed Gough representing Lane county.

Other nominations may be made by petition or from the floor of 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.



Dedication



RICHARD RAMSEY

Richard D. Ramsey, 71, passed away December 22, 2004 at Scott County Hospital following a battle with cancer.

Richard was a very dedicated trustee whose knowledge and experience will be missed by his fellow trustees and the management of Lane-Scott.

He graduated from Scott Community High School where he was a member of the National Honor Society. He received a degree in Agriculture from Kansas State University. He was a life long resident of Scott County and a member of the First United Methodist Church, Men's Prayer Group and the Scott City Investors. He served on many church, 4-H and county committees and served as a County Commissioner. He was a member of the Lane-Scott Electric Board for 16 years and also served on the Kansas Electric Cooperative, Inc. Board of Trustees. He was very dedicated to his farming, family, church and community and was always there to serve and support.

Richard is survived by his wife, Joyce, a son Craig, his wife Gina, children Kristin and Marc of Scott City; a son Brad, his wife Trish, children Alex and Reagan of Boerne, TX; a daughter Susan Hardy, her husband Tad and son Elliot of Baton Rouge, LA and two sisters, Nancy Hess, Scott City and Betty Jean Tedford of Allenspark, CO.



Program



Annual Meeting Agenda

6:30 p.m. Dinner catered by Stan Hoss

7:30 p.m. Call to Order..... President Larry Jasper

- Early Bird Prize Drawing
- Introduction of Guests
- Report on Quorum
- Approval of Minutes of 2004 Annual Meeting
- Treasurer's Report
- 2004 Steamboat Springs Youth Tour Report, Marc Ramsey
- Washington D.C. Youth Tour Report, Ashley Ming & Amanda Mumma
- Manager's Report, Earl Steffens
- Drawing for Door Prizes
- Junior Board of Trustees
- Election of Trustees
- Unfinished Business
- New Business

Visit our website at www.lane-scott.com



Report To Members



**Larry Jasper
President**

Message From The President And The General Manager



**Earl N. Steffens
General Manager**

On behalf of the Trustees and employees of Lane-Scott Electric Cooperative, Inc., I would like to extend a special invitation for you to attend the fifty-fifth annual meeting of your cooperative. Lane-Scott Electric Cooperative, Inc. continues to achieve excellence in their safety program; in this last year we completed our safety accreditation with a score of 92%, one of the top scores in the state. Our employees have worked 245,451 hours with “No Lost Time Accidents”; this is thru the end of 2004. Lane-Scott is very proud of this as we continue to build on this total.

Lane-Scott Electric Cooperative, Inc. had a very good year financially. Our margins for 2004 at the cooperative were \$475,385. Lane-Scott Electric Cooperative, Inc. is required to make a 1.25 TIER (times interest earnings ratio) to meet our mortgage requirements, this year our TIER was at 3.25. Our Resale Department showed profits of \$35,295 for the year as well as providing a valuable service to our members and customers in the community. Our subsidiary, High Line Services, LLC, showed significant improvement over last year but did show an operating loss of \$203,358 for the year. Lane-Scott continues to have a good working relationship with the City of Dighton and we extended our wholesale power contract with them at no cost increase. Lane-Scott currently has an equity level of 42%. Lane-Scott also completed our RUS loan for \$1,675,000; this will be used for the 2005-2007 work plans. Currently, at the end of 2004, our outstanding long-term loans with RUS are at \$4,141,895 and \$719,636 with CFC. Lane-Scott has a total utility plant of \$15,102,342.

Lane-Scott operations department was extremely busy this year; we were in the third year of our four-year work plan and showed good progress by adding just over one million dollars to our total plant. We now have just two major areas of work in 2005 to complete our 2002-2005 work plan; that is our AMR (automatic meter reading) project and three-miles of double circuit work

coming out of the Dighton substation. Lane-Scott has added 85 new services this year, as compared to other years 30-40 was the average. The new transformer in the Manning substation was installed and is now operational; this provides reliability for our members in the Manning area. The GIS (global information system) project was nearly complete, this will give us much valuable information about our total system that we use everyday to better serve our members and make our own system maps. This type of data will also help our engineers better predict where the future line construction projects should be to better serve the needs of our members. In 2004, Lane-Scott had only 8,379 total outage hours for the system, this was above our all time low of 7,952 hours. In 2004, Lane-Scott purchased 72,482,207 kilowatt hours from our power supplier, Sunflower Electric Power Corporation. With our line maintenance program we continue to keep our annual line loss at a respectable 7.27% and for all loads combined we have maintained a very good overall power factor of 79%. Maintaining our electrical system is a big job and our linemen go out in many difficult weather conditions to make sure that our members have electricity to run their homes and businesses.

Lane-Scott Electric Cooperative, Inc. continues to pay back capital credits and retired to our members \$200,256 in 2004, these were from the years of 1982-1984. Lane-Scott is now on a 20-year rotation of capital credits; this has been one of the Board of Trustees goals and we are happy to be able to meet it. Lane-Scott Electric Cooperative, Inc. has paid back to its members \$1,532,986 in capital credits since it started.

In 2002, Lane-Scott Electric started a Junior Board of Trustees. We have two junior board members that will be leaving us this year; Steven Frank of Ness City and Seth Scheuerman of Scott City; we will recognize them for their time on the Junior Board of Trustees. Lane-Scott hopes this education was worthwhile to them and will help them in their future. Today’s youth will be the future of this and other cooperatives. With this in mind, Lane-Scott is sponsoring two youth trips, one trip to Washington D.C. and the other to Steamboat Springs, CO. This year our Junior Board of Trustees was recognized for its achievements in the Rural Power Newsletter published by KEC. Lane-Scott also offers a \$500 scholarship for a family member of a Lane-Scott Electric Cooperative, Inc. member going into the electrical utility field.

Economic development is an area that Lane-Scott Electric Cooperative, Inc. is very interested in, this year a loan was made to Sharp Bros. Seed for the remodeling of the “Hometown Pride” grocery store in Healy.

Safety is never taken for granted at Lane-Scott. Our goal is to bring our employees home safely to their families each and every day. You can be proud of your Lane-Scott employees. Their diligence and competence keeps the lights on without causing danger to employees, members or the public. We are thankful for good patronage from our members and our top-notch Lane-Scott Electric Cooperative employees.



Members' Financial Report



Statement of Operations

	2002	2003	2004
Operating Revenue	\$6,100,028	\$6,006,954	\$6,088,114
Wholesale Cost of Power	\$3,120,950	\$3,383,707	\$3,350,071
System Operations & Maintenance Exp.	\$643,863	\$914,460	\$716,677
Consumer Billing & Service Expense	\$177,398	\$174,282	\$185,210
Administrative & General Expense	\$610,214	\$586,589	\$595,942
Total Operations & Maint. Exp.	\$4,552,425	\$5,059,038	\$4,847,900
Depreciation Expense	\$375,276	\$438,839	\$425,132
Tax Expense	\$0	\$0	\$0
Interest on Long Term Debt	\$171,490	\$206,599	\$219,628
Other Deductions	\$28,506	\$6,431	\$3,360
Total Cost of Electric Service	\$5,127,697	\$5,710,907	\$5,496,020
Operating Margins	\$972,331	\$296,047	\$592,094
Non-Operating Margins Interest	\$20,680	\$24,222	\$25,896
Income From Equity Investments	(\$108,766)	(\$383,294)	(\$203,358)
Margins Other	\$1,438	\$22,320	\$56,447
Other Capital Credits & Dividends	\$11,481	\$6,971	\$4,306
Patronage Capital Or Margins	\$897,164	-\$33,734	\$475,385

Property Taxes Paid By County

	2001	2002	2003	2004
Finney	\$8,735	\$10,608	\$15,462	\$12,527
Gove	\$2,847	\$4,058	\$5,721	\$5,329
Hodgeman	\$9,431	\$11,775	\$17,556	\$16,929
Lane	\$80,860	\$98,372	\$140,619	\$120,772
Logan	\$335	\$435	\$598	\$494
Ness	\$32,303	\$42,682	\$56,822	\$48,559
Scott	\$15,285	\$21,363	\$29,403	\$29,028
TOTALS	\$149,796	\$189,293	\$266,180	\$233,637



Members' Financial Report



Balance Sheet

	2002	2003	2004
ASSETS			
Total Cost of Our System	\$13,307,995	\$14,337,026	\$15,102,342
Less: Depreciation	(\$5,599,431)	(\$5,788,719)	(\$6,131,373)
NET VALUE OF OUR PLANT	\$7,708,564	\$8,548,307	\$8,970,969
Cash & Temporary Investments	\$71,519	\$288,463	\$158,945
Investments in Associated Organizations	\$463,392	\$414,578	\$542,236
Owed to Us for Electricity & Misc. Service	\$716,518	\$730,861	\$715,828
Expenses Paid in Advance	\$0	\$0	\$0
Value of Materials on Hand	\$334,978	\$302,725	\$279,397
Misc. Deferred Debits	\$126,330	\$123,567	\$0
TOTAL ASSETS	\$9,421,301	\$10,408,501	\$10,667,375
LIABILITIES			
Long-Term Loans Owed to REA & CFC	\$3,881,267	\$5,065,968	\$5,170,319
Notes Payable	\$0	\$0	\$0
What We Owe for Insur., Taxes, Supplies, etc.	\$238,797	\$323,457	\$221,128
Consumer Deposits	\$42,062	\$43,639	\$43,168
Other Current & Accrued Liabilities	\$509,589	\$420,653	\$387,715
TOTAL LIABILITIES	\$4,671,715	\$5,853,717	\$5,822,330
NET WORTH			
Memberships	\$0	\$0	\$0
Patronage Capital Credits	\$4,693,825	\$4,471,030	\$4,752,125
Other Equities	\$55,761	\$83,754	\$92,920
TOTAL VALUE OF OUR EQUITY	\$4,749,586	\$4,554,784	\$4,845,045
TOTAL LIABILITIES & EQUITY	\$9,421,301	\$10,408,501	\$10,667,375
OUR SYSTEM EQUITY	50.4%	43.8%	45.4%
T.I.E.R. (REA Minimum = 1.50)	6.29	0.83	3.24
% OF DEPRECIATED PLANT IN SERVICE	42.1%	40.4%	40.6%

Nominating Committee Report

Report of Nominating Committee

The Lane-Scott Electric Cooperative, Inc.

May 23, 2005

A meeting of the Nominating Committee was called to order at 6:30 o'clock p.m. on Monday, May 23, 2005, in the offices of the cooperative at 410 South High Street, Dighton, Kansas. Members of the Nominating Committee present were Alan James, Joe Cramer, and Robert Scheib representing Lane and Gove Counties; Randy Scheuerman and John Beaton representing Scott and Logan Counties; Kenneth Schlegel representing Ness County; and Marvin Bohling, Lane Copeland and Grover Whipple representing Finney and Hodgeman Counties. Also attending were Joseph Gasper, Attorney, and Earl N. Steffens, General Manager.

By vote the Committee nominated the following individuals:

Ed Gough for the position of Trustee representing Lane and Gove Counties

Dick Sorem for the position of Trustee representing Finney and Hodgeman Counties.

Paul Seib, Jr. for the position of Trustee representing Ness County.

There being no further business, the meeting of the nominating committee was adjourned at 6:40 p.m. on motion made by Alan James, seconded by Robert Scheib, and carried.

Lane-Scott Electric Cooperative

Has Electricians as well as Heating and Air Conditioning personnel on staff for all of your residential, agricultural and commercial needs. We give free estimates on all jobs. If we can assist you in any way with your needs call 620-397-5327 or 800-407-2217 or stop by our office at 410 South High for any questions or needs that you might have.

Board Candidates

■ **Paul Seib, Jr.**, Secretary of Lane-Scott Electric Cooperative, Inc. Paul and his wife Shelby farm in rural Ness County where they raised six children. They operate a family farm and ranch raising wheat, milo, and feeder cattle. Shelby also operates a jewelry store in Ness City. Paul has served on the Lane-Scott Electric Cooperative, Inc. Board of Trustees for thirty years. Paul is the Lane-Scott Electric Cooperative, Inc. representative to our power supplier, Sunflower Electric Power Corporation, where he is past Chairman of the Board. Paul currently is 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.



Paul Seib, Jr.

■ **Ed Gough** has been a member of Lane-Scott Electric Cooperative, Inc. Boards of Trustees for nine years. Ed moved to Lane County in 1973 from Mound City, Ks. He and his wife, Paula live in rural Lane County.

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



Ed Gough

■ **Richard (Dick) J. 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, age 10 and Ramey, age 8. Dick went thru the Jetmore school system and graduated from the University of Kansas with a Bachelor of Science in Electrical Engineering. In 1982 Dick returned to farm with his father and took over the farm when his father retired in 1992. Currently Dick serves on several boards including, Hodgeman County Health Center Board of Trustees and the Farmers St. Bank Board of Directors. In his spare time Dick enjoys bicycling and any activities that involve his children.



Dick Sorem

Minutes of 2004 Annual Meeting

The Lane-Scott Electric Cooperative, Inc.

The year 2004 annual meeting of the members of Lane-Scott Electric Cooperative, Inc. was held on Tuesday, July 13, 2004, at the Lane County Fairgrounds in Dighton, Lane County, Kansas. The meeting commenced at approximately 7:30 o'clock 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 Larry Jasper. President Jasper welcomed those in attendance and introduced guests including: Dan Keener, Republican candidate from Rush Center for the Kansas House of Representatives from the 118th District; Charles Ayers, Democratic candidate from Leoti for the Kansas House of Representatives representing the 118th District, Trustee for Wheatland Electric Cooperative, Inc. and Chairman of the Board of Directors of Sunflower Electric Power Corporation; L. Earl Watkins, Jr., President and CEO of Sunflower Electric Power Corporation; David L. Schneider, Manager of Western Cooperative Electric Association, Inc.; Clare Gustin of Sunflower Electric Power Corporation; Steve Miller of Sunflower Electric Power Corporation; Dennis Deines, Member Services Director of Western Cooperative Electric Association, Inc.; and Alan Westfall and Doyle Stoecklein, representing Stanion Electric.

Secretary Seib certified notice of the annual meeting was mailed to members on June 29, 2004, at each member's address as it appears on the records of the cooperative. Secretary Seib reported 142 members were in attendance, constituting a quorum.

President Jasper referred the members to the printed minutes of the 2003 annual meeting appearing in the notice of the annual meeting. On motion duly made, seconded and carried, the reading of the minutes of the 2003 annual meeting was waived, and the minutes were approved as printed.

President Jasper 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 presentation of the Treasurer's report was waived and the report appearing in the notice of annual meeting was approved as printed.

President Jasper next called for the employees of the cooperative to stand and be recognized. President Jasper introduced new employees: Dal Hawkinson, with the line crew; James Stenzel, with the summer line crew; and Steven Campbell, the meter reader for the City of Dighton. President Jasper also introduced the board of directors and the cooperative's attorney.

President Jasper introduced Megan Roemer and Rane Nolan, who spoke about their experiences during the cooperative youth tour at Steamboat Springs, Colorado, sponsored by Lane-Scott. President Jasper next introduced Steven Frank, who with Rane Nolan, spoke about their experiences in Washington, D.C., as participants in the youth tour sponsored by Lane-Scott.

The Manager's report was given by Earl Steffens. Manager Steffens noted the meeting is the 54th annual meeting of Lane-Scott Electric Cooperative, Inc. Alan Scott, who retired in May of 2004, was recognized for 34 years of service to the cooperative. Cooperative principles recognize the member's equity contributions and the importance

of returning equity to members. To date more than 1.3 million dollars has been returned to members. Revenues and margins permitting, the trustees would like for members' equity to be returned not more than 20 years after the year of contribution. During the prior year more than one million dollars was invested in Lane-Scott's utility plant. The total utility plant investment is now greater than 14 million dollars. Wholesale power costs from Sunflower Electric Power Corporation have been stable. An investment in High Line Services, L.L.C., a wholly owned subsidiary, has reduced Lane-Scott's equity ratio from 54% to 43%. In the mid 1990's, Lane-Scott's utility plant was 57% depreciated. Utility plant investments have reduced the depreciated portion down to 40%. During May and June, High Line Services had positive margins. Lane-Scott is near the end of a four-year work plan and is beginning work on the next four-year plan. Technology has been implemented, such as GIS mapping of the utility plant. By the end of the year all automated meter-reading meters should be in place. Using automated meters enables Lane-Scott to gather useful data. Lane-Scott's employees have worked more than 200,000 hours without a lost-time accident. Safety accreditation will be sought in August of 2004. Non-operating margins from the electrician department and the City of Dighton operating agreement have been positive. Dispatching services for customer call-ins has been returned to the local sheriff's office. A new transformer has been installed at Manning, enabling a backup supply of electric service for many customers. High Line Services has two divisions, power line contractors and infrared services. Lane-Scott is a member of Kansas Electric Cooperatives, that provides printing services for the *Country Living* magazine and safety training. Manager Steffens introduced Larry Detwiler, the Loss Control and Safety Director of Kansas Electric Cooperatives. Other services include apparatus testing, legislative issues and providing Lane-Scott's website. Lane-Scott encourages youth activities, including a junior board of trustees, 4-H sponsorship, the youth tours to Washington, D. C. and Steamboat Springs, sponsorship of an electric car competition and scholarships. Manager Steffens introduced the current and past junior board of trustees, and closed by thanking the members for attending the annual meeting.

President Jasper then called for any additional registrations. There were none.

President Jasper then turned the meeting over to attorney Ramsey, who advised the members that the nominating committee met and submitted names of three individuals as nominees for three Trustee positions: Larry Jasper, representing Lane County and Gove County; Bruce Wilkens, representing Scott County and Logan County; and Eric Doll, representing Finney County and Hodgeman County. Attorney Ramsey 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.

Attorney Ramsey returned the meeting to President Jasper, who called for unfinished business. At this time Chance Zimmerman, who worked as a lineman in Colorado and who is recovering from a life threatening electrocution injury, addressed the crowd about safety. After the words offered by Chance Zimmerman, President Jasper called for any additional business. There was none. There being no new business, President Jasper called for a motion to adjourn. By motion duly made, seconded and carried, the meeting was adjourned at 8:17 o'clock p.m. on July 13, 2004.

At various times during the meeting, attendance prizes were given away to members by drawing. The winners were: Betty Scheuerman, Pawnee Acre Community BLDG c/o Joyce Reed, Robert & Mary Ann Ming, Edwin McLeish, Mildred Oyler, Leonard Queen, Joyce E. Shull, Lenora Edwards, Tracy Hagans, Raymond Lamoree, Dale Schadel, E.R. Redburn, Edwin Stormont, Roberta Shay, Waldo Houghton, Joan Trebilcock, Fred Goodman, E.R. Redburn, Anthony Ivey, Robert Dowell, Elmer Erskin, and Keith Hartman.



Your Neighbors Serving as Your Cooperative's Trustees



Ed Gough
Trustee
Lane & Gove Counties



Dick Jennison
Vice President
Lane & Gove Counties



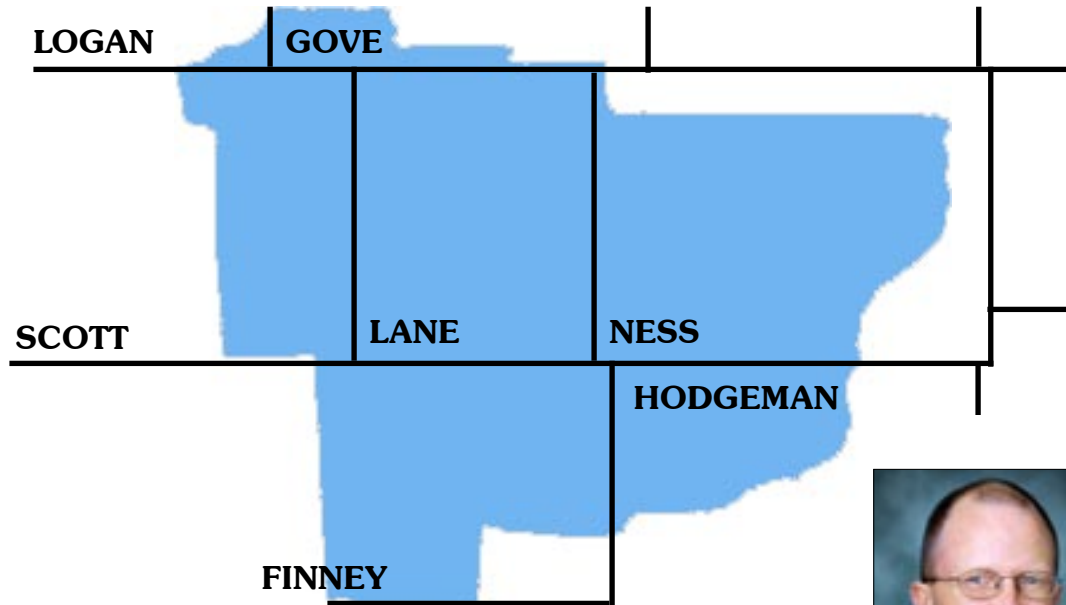
Bruce Wilkens
Trustee
Scott & Logan Counties



Larry V. Jasper
President
Lane & Gove Counties



Craig Ramsey
Trustee
Scott & Logan Counties



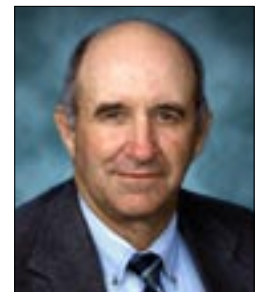
Paul Seib, Jr.
Secretary
Ness County



Eric Doll
Trustee
Finney & Hodgeman Counties



Dick Sorem
Treasurer
Finney & Hodgeman Counties



Harold Hoss
Trustee
Ness County

Lane-Scott provides electrical power to more than 2,500 services in the Western Kansas Counties of Lane, Scott, Gove, Ness, Finney, Logan and Hodgeman.



Junior Board of Trustees



Ashley Ming



Camron Dane Shay



Joanna Fay



Steve Frank



Ian Huck



Traci Goebel



Seth Scheuerman



Ellen Huschka

Each of the members of the Board of Trustees shall appoint a high school student to serve as a member of the Junior Board of Trustees for Lane-Scott Electric Cooperative, Inc. for a period of one year. The length of service to the Junior Board of Trustees shall not exceed two years.

No person shall be eligible to become a member of the Junior Board of Trustees:

- a) Whose parent or guardian is not a member and bona fide resident of the county or counties that the member is to represent.
- b) The parent or guardian is not using, receiving, or purchasing a Co-operative Service in the county or counties that the member is to represent.

This is an educational program to encourage youth in our community to learn about cooperatives. This will include field trips and boardroom discussions on the operation and organization of cooperatives in general with emphasis on electrical cooperatives.

The Junior Board of Trustees will meet four times a year, most of these will be in the summer. The timing of the meetings will be such as not to interfere with other activities.

Lane-Scott Electric Cooperative, Inc. Makes Paying Your Electric Bills Easy!

Lane-Scott's AUTOPAY option allows the amount of your monthly electric bill to be automatically deducted from your bank account. There's no check to write, no payment to mail, no more forgetting to pay – and, best of all, AUTOPAY WILL COST YOU NOTHING! In fact, you will save money and time – no check writing costs, no postage expense, and more time for you!

For more information or to request an AUTOPAY authorization form, please call the co-op at (620) 397-5327 or 1-800-407-2217.

What Is An Electric Cooperative?

An electric cooperative is an independent electric utility incorporated under the laws of its state and controlled by the consumers who are served. Electric cooperatives are established to provide reliable, affordable electric service to their customers. The customer has control over the assets and operations through voting and electing members to serve on the cooperative's board of directors.

[Visit us on the web at www.lane-scott.com](http://www.lane-scott.com)