

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

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

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 10, 2012, 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 2011 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. Dick Jennison, representing Lane and Gove Counties; Harold Hoss, representing Ness and Rush Counties and Craig Ramsey, 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.



Electric Cooperative

A Touchstone Energy®
Cooperative



Official Notice of 62nd Annual Meeting

**Tuesday,
July 10, 2012**

**6:30 p.m. Dinner
7:30 p.m. Annual Meeting
Lane County Fairgrounds
Dighton, KS**

A photograph of a rural landscape at sunset. The sun is low on the horizon, casting a warm, golden glow over the scene. In the foreground, there are silhouettes of trees and a utility pole. In the background, a small, dark building with a chimney is visible against the bright sky.

2011 Annual Report

Guest Speaker

Stuart S. Lowry

President and Chief Executive Officer
Sunflower Electric Power Corporation

Stuart S. Lowry joined Sunflower in 2011 when he was selected by the Sunflower Board of Directors to serve as its fifth President and Chief Executive Officer.

Prior to joining Sunflower, he served as Executive Vice-President/General Counsel at Kansas Electric Cooperatives, Inc., the Kansas statewide organization.

Stuart and his wife, Lauren, have three children: Meg, Connor, and Griffin.



Stuart S. Lowry
President and
Chief Executive Officer
Sunflower Electric
Power Corporation

Nominating Committee Report

Report of Nominating Committee The Lane-Scott Electric Cooperative, Inc. June 4, 2012

A meeting of the Nominating Committee was held on Monday, June 4, 2012, commencing at 6:30 p.m. in the offices of the cooperative at 410 South High Street, Dighton, Kansas. Members of the Nominating Committee present were Alan James, and Robert Scheib representing Lane and Gove Counties; Randy Scheuerman 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 Dow Morris, Interim Manager.

By vote the Committee nominated the following individuals:

- **Richard (Dick) Jennison** for the position of Trustee representing Lane and Gove Counties
- **Harold Hoss** for the position of Trustee representing Ness and Rush Counties.
- **Craig Ramsey** for the position of Trustee representing Scott and Logan Counties.

This is your

Registration Card

BRING THIS CARD TO THE ANNUAL MEETING

Visit us on the web at www.lanescott.coop

The 7 Co-op Principles

Like cooperatives throughout Kansas and the nation, Lane-Scott Electric Cooperative is special because it is owned by the consumers it serves and because it is guided by a set of seven principles that reflect the best interests of those consumer-owners:

- 1. Voluntary and Open Membership**
- 2. Democratic Member Control**
- 3. Members' Economic Participation**
- 4. Autonomy and Independence**
- 5. Education, Training, and Information**
- 6. Cooperation Among Cooperatives**
- 7. Concern for Community**

Junior Board



Mathew McMillen



Catherine Huck



Chad Myers



Sarah Mulville



Mariah York



Leslie Speer



Austin Vieux



Darrick York

The Junior Board of Trustees 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 Board meets four times a year. Visit our website to learn more – www.lane-scott.com.

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** – Darrick York, son of Darrin and Jennifer York.
- **Representing Lane and Gove Counties** – Sarah Mulville, daughter of Tom and Roxie Mulville.
- **Representing Scott and Logan Counties** – Mariah York, daughter of Ken and Janet York.
- **Representing Scott and Logan Counties** – Catherine Huck, daughter of Lance and Irene Huck.
- **Representing Ness and Rush Counties** – Mathew McMillen, son of Myron and Karen Seib.
- **Representing Finney and Hodgeman Counties** – Austin Vieux, son of Doug and Melody Vieux.
- **Representing Lane and Gove Counties** – Leslie Speer, daughter of Dean and Amy Speer.
- **Representing Finney and Hodgeman Counties** – Chad Myers, son of Calvin and Diane Myers.

Program

Annual Meeting Agenda

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

7:30 p.m. Call to Order President Dick Jennison

- Early Bird Prize Drawing
- Introduction of Guests
- Report on Quorum
- Approval of Minutes of 2011 Annual Meeting
- Treasurer’s Report
- 2011 Steamboat Springs Youth Tour Report, Chad Myers and Loretta Harmison
- 2012 Washington, D.C., Youth Tour Report, Mathew Mullville and Liz Heath
- Interim Manager’s Report, Dow Morris
- Guest Speaker – Stuart Lowry, President and Chief Executive Officer, Sunflower Electric Power Corporation
- Junior Board of Trustees
- Election of Trustees
- Unfinished Business
- New Business

Visit our website at www.lanescott.coop

Report To Members

Message from the President and Interim General Manager

You are cordially invited by the Trustees and employees to attend the 62nd annual meeting of Lane-Scott Electric Cooperative on Tuesday, July 10th, 2012 to be held at the Lane County Fairgrounds. A meal will be served beginning at 6:30 p.m. with the meeting called to order at 7:30 p.m.



Richard Jennison
President



Dow Morris
Interim
General Manager

2011 was the first year since 2006 that Lane-Scott did not work on a FEMA project. While this freed up the line crews somewhat, new oil load has kept construction moving at a very fast pace. The upgrade to the Manning substation was almost completed and Lane-Scott also hired a tree trimming contractor to do maintenance for several months. We had suspended our pole testing program for several years due to the 2006 ice storm and related recovery. After re-instituting the program we changed out over 300 poles. Lane-Scott will continue to upgrade and maintain the system in order to provide you, our members, with reliable power at the lowest possible cost.

Lane-Scott is proud to announce that we completed another year with No-Lost-Time accidents. Through the end of 2011 the employees have now surpassed 622,000 hours worked with no-lost-time accidents dating back to January of 1999.

2011 was another year of growth for the Lane-Scott system as we installed approximately 110 new services during the year. We also started receiving inquiries from horizontal drilling companies about our ability to serve their anticipated potential load on our system. We continue to work with the city of Dighton as their wholesale energy provider. We also continue to do the operation and maintenance work on the city system.

It has been over five years since Lane-Scott purchased our share of the Aquila territory and we believe that we are very close to the final spindown of the former Aquila customers to allow them to become Lane-Scott members only. We attempt to visit with each city council in our service territory on an annual basis to keep the lines of communication open and address any issues or concerns that may arise.

High Line Services, Lane-Scott's wholly owned subsidiary continues to construct and do system maintenance for utilities across the Midwest and South. Crews have been and are working in Colorado, Missouri and Arkansas as well as at Lane-Scott. They also did storm work in the Northeast and the South in 2011.

Lane-Scott strives to be an asset to the communities we serve. Whether it be hanging Christmas lights, helping set up for summer festivals, providing cash donations or assisting in many other activities, we try to be there to help when requested. We continue to have an active Junior Board of Trustees who were able to go on several field trips in 2011. We have five Junior Trustees leaving the board who served in 2011. They are Catherine Huck of Scott City, Mathew McMillen of Ness City, Sarah Mulville of Dighton, Austin Vieux of Jetmore and Darrick York of Healy. We would like to thank them and the rest of the Junior

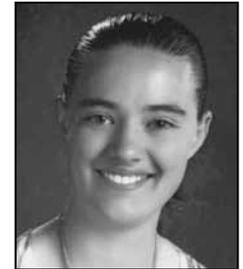
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Youth Tour

Washington, D.C. Youth Tour



Hanna Speer and Kate Hagans (above) stopped for a Kodak moment during the Youth Tour to Washington, D.C., in June 2011. Liz Heath and Matthew Mulville represented Lane-Scott at this year's 2012 Youth Tour to Washington, D.C.

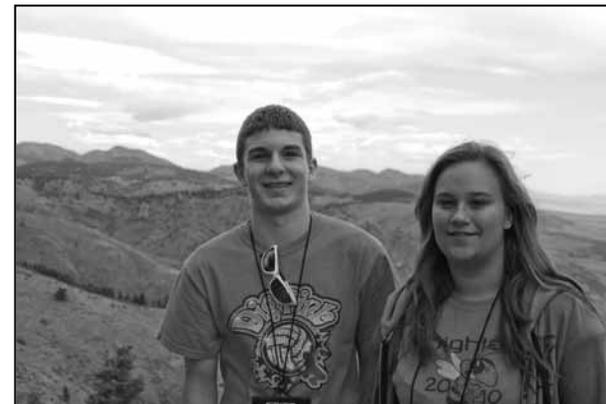


Liz Heath



Matthew Mulville

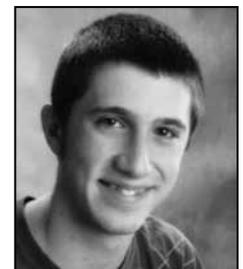
Cooperative Youth Leadership Camp



Chad Myers and Loretta Harmison (above) posed in the Rocky Mountains for a photo during last year's Cooperative Youth Leadership Camp in Steamboat Springs, CO. Ruth Hair and Michael Wehkamp will represent Lane-Scott at this year's 2012 camp.



Ruth Hair



Michael Wehkamp

Minutes of 2011 Annual Meeting

(continued from page 9)

- rising. An ECA has been adopted which will pass through the power cost;
- Lane-Scott is fortunate to have relatively low cost coal energy from Sunflower to provide base load energy service. Work continues on making the Holcomb expansion a reality; and,
- Lane-Scott received safety accreditation with 567,156 hours without a lost-time accident.

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

Manager Steffens introduced the guest speaker, Earl Watkins President and CEO of Sunflower Electric and asked him to speak. Highlights of his presentation are as follows:

- He will be retiring in September after 34 years at Sunflower Electric;
- Lane-Scott is owned by its members and Sunflower Electric is owned by its members as well;
- Sunflower focuses on all members not just the largest members;
- The Holcomb plant has become an economic benefit for the area over time. There has been a 5% load growth over the last year;
- The Holcomb expansion continues to move forward. The air permit litigation is before the Kansas Supreme Court and there are challenges in Washington D.C. as well. The EPA will be issuing new rules that may impact the project. The project would be a \$400 million economic value to the State of Kansas through the construction phase;
- Sunflower has budgeted approximately \$120 million for transmission upgrades and construction over the next three years;
- Sunflower employs 360 people of which approximately 100 will be eligible for retirement over the next five years;
- Stuart Lowry was introduced as the new CEO of Sunflower.

Manager Steffens recognized Junior Board of Trustees members John Clarke, Alyssa Scheuerman and C.J. Schaffer.

Tom Reed was announced as the winner of the \$125.00 credit for his electric bill.

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: Ed Gough, representing Lane County and Gove County; Paul Seib Jr., representing Ness County and Rush County; and, Richard Sorem, representing Finney County and Hodgeman 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 8:22 o'clock p.m. on July 12, 2011.

At various times during the meeting, attendance prizes were given away to members by drawing. The winners were: James Brown, Ilene Norton, Joy Peck, Steve Heath, Larry Myers, Keith Hartman, Enid Foos, Nelson Schwartz, Jon Hawkinson, Terry Penka, Jay Walker Jr., John Horacek, Janet Robertson, Kenneth Doebbeling, Robert Price, Eugene Shapland, Delmer Speer, Neil McWhirter, JLD Farms, Darrel Shaffer, Barbara Reinert, Larry Scott, Root Spraying Service, Gordon Breit, Edwin Habiger, E.R. Redburn, Evelyn Beltz, Tom Reed, Terry Blakely, Lawrence Krehbiel, Robert Borthwick.

Report To Members

(continued from page 2)

Board for their service in 2011. We also continue to send two high school students to The Youth Leadership Camp in Colorado Springs and the Youth Tour in Washington, D.C.

Sunflower Electric Power Corporation is our wholesale power provider. They serve as our chief engineering consultant as well and provide assistance to Lane-Scott in many other areas. As many of you are aware, Lane-Scott added an energy cost adjustment to your power bills last June to cover the increasing costs of wholesale power. We want to take this opportunity to point out that the largest portion of the increases are due to increasingly stringent government rules and regulations related to climate concerns. We feel as though many of those concerns are unjustified, so when you see the average cost of the kilowatt hours you purchase continue to rise you can thank groups such as the Sierra Club.

At the time this report was written the independent accounting firm retained by the Board of Trustees to perform the annual audit has not been able to complete their work. We can report that the unaudited financial statements show a net operating margin from the sale of electricity of approximately \$100,000. We expect overall margins to show a loss of approximately \$600,000.

In conclusion, 2011 is behind us and as we look forward to 2012 the Lane-Scott Trustees, employees and affiliated organizations are eager to work with our members and the communities we serve. Please visit our website at www.lanescott.coop as it has valuable information about your Lane-Scott Electric Cooperative.

Lane-Scott Employees

DOW MORRIS—Interim 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

MARY HEATH—Administrative Assistant

VIC TORSON—Manager of Electrical Operations

DAVID HOWARD—Construction Foreman

NATHAN BURNS—Maintenance Foreman

KASEY JENKINSON—Crew Chief

BEN MANN—Crew Chief

HENRY MORROW—Journeyman Lineman

DAL HAWKINSON—Journeyman Lineman

CHAD RUPP—Journeyman Lineman

LARRY KRAFT—Journeyman Lineman

MYRON SEIB—Journeyman Lineman

CHRIS TERHUNE—Journeyman Lineman

MARK LEWIS—Apprentice Lineman

DEANNE SHULL—Warehouse Clerk

KEVIN BRADSTREET—Meter Reader

BOB KENNEMER—Part Time-Maintenance Engineer

KAYLA BORELL—Part Time-Custodian

BRITTANY BURNS—Part Time-Custodian

SARAH MULVILLE—Part Time-Custodian

DREW BARBER—Summer Help

Members' Financial Report

STATEMENT OF OPERATIONS			
	2009	2010	2011
Income			
Operating Revenue	\$11,369,139	\$13,057,889	\$14,446,759
Expenses			
Cost of Power	\$7,342,998	\$8,480,304	\$9,162,901
Operations	\$2,730,804	\$2,863,754	\$3,218,357
Depreciation & Amortization	\$794,970	\$813,571	\$958,300
Interest	\$819,916	\$943,524	\$991,275
Miscellaneous	\$7,678	\$9,360	\$14,717
Total Expenses	\$11,696,366	\$13,110,513	\$14,345,550
Operating Margins	-\$327,227	-\$52,624	\$101,209
Non-Operating Margin	\$905,177	-\$417,297	-\$695,081
Patronage Capital Or Margins	\$577,950	-\$469,921	-\$593,872

Property Taxes Paid By County				
	2008	2009	2010	2011
Finney	\$12,889	\$13,878	\$11,777	\$13,997
Gove	\$7,342	\$7,051	\$4,975	\$5,535
Hodgeman	\$21,380	\$19,478	\$16,668	\$17,933
Lane	\$146,157	\$140,768	\$147,305	\$155,822
Logan	\$515	\$571	\$548	\$587
Ness	\$144,623	\$151,879	\$140,054	\$135,044
Scott	\$40,308	\$37,980	\$39,546	\$37,330
Rush	\$13,726	\$13,352	\$12,306	\$11,219
Totals	\$386,940	\$384,957	\$373,179	\$377,467

NOTE: At the time of this printing our independent accounting firm has not been able to complete the audit for 2011. Therefore, these financial statements are estimates, but we believe they closely reflect what the audited statements will show.

Minutes of 2011 Annual Meeting

The Lane-Scott Electric Cooperative, Inc.

The year 2011 annual meeting of the members of Lane-Scott Electric Cooperative, Inc. was held on Tuesday, July 12, 2011, at the Lane County Fair Grounds in Dighton, Lane County, Kansas. The meeting commenced at 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 Richard Jennison. President Jennison welcomed those in attendance and introduced guests including: Alan Westfall Stanion Electric; Larry Powell, Kansas Representative Dist. 117; Stuart Lowry of KEC; Ralph Ostemeyer, Kansas Senator; Trevor Pfaff of Universal Pegasus; Loren Ochs of Victory Electric; and Sunflower Electric Power Corporation was represented by Earl Watkins.

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 members address as it appears on the records of the cooperative and reported 161 members were in attendance, constituting a quorum.

President Jennison referred the members to the printed minutes of the 2010 Annual Meeting appearing in the notice of the annual meeting. On motion duly made, seconded and carried, the reading of the minutes of the 2010 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.

President Jennison next called for the employees of the cooperative to stand and be recognized. President Jennison commemorated Ed Gough for serving on the Board of Trustees for fifteen years.

Morgan Lawrence and Kate Hagans presented reports about their 2010 Steamboat Springs Youth Tour. Kate Hagans and Hannah Speer presented reports about their 2011 Washington DC Youth Tour.

Manager, Earl Steffens, presented his report, emphasizing:

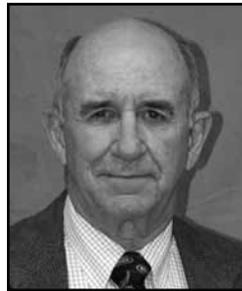
- He welcomed all members to the 61st Annual Meeting;
- Lane-Scott is owned by and benefits its members;
- The Manager, Board of Trustees and Employees, work to serve the members;
- The Lane Scott Employees were introduced;
- The Board of Trustees and legal counsel were recognized for their dedication;
- Competitive electric rates remain an overriding goal of the cooperative;
- The rebuilding of the system from the ice storm has been completed. 376 miles of line has been built on the system with assistance from Trevor Pfaff, engineer and FEMA;
- Safety of the employees is very important and the employees attend monthly safety meetings. Lane-Scott currently has 567,156 hours of no loss time;
- High Lines Services, a construction subsidiary, has hired a full time safety coordinator and a fleet mechanic. High Line Services has 122,000 hours without a lost-time accident;
- The Aquila acquisition that began in April 1, 2007 is still progressing. Lane-Scott is working on integrating all of the MKEC territory with the native territory;
- There were 130 new services added in 2010 with the largest growth in the oil load and irrigation. The linemen and office staff remain busy with this growth;
- Lane-Scott had negative margins of \$469,000 due mainly to the cost of power

(continued on page 10)

Board Candidates

■ **Harold Hoss** is the incumbent Trustee serving Ness and Rush Counties. He is a lifelong resident of Ness County. Hoss graduated from Hess City High School and Emporia State University. He and his wife, Joyce, have two grown children.

He has been a member of the Lane-Scott Electric Board of Trustees for 27 years. He is a past Trustee on the Ness City High School Board and United Credit Union of Ness City. He is a member of the Ness City American Legion, Knights of Columbus and Ransom VFW.



Harold Hoss

■ **Richard (Dick) Jennison** is the incumbent Trustee Serving Lane and Gove counties. Jennison is a lifelong resident of rural Healy in Lane County. He graduated from Healy High School and Kansas State University. Jennison and his wife, Diana, have three grown children.

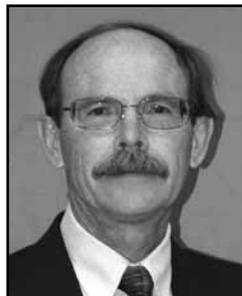
Jennison has been a member of the Lane-Scott Electric Board of Trustees for 30 years currently serving as President. He is an active member in the United Methodist Church of Healy.



Richard Jennison

■ **Craig Ramsey** is the incumbent Trustee serving Scott and Logan Counties. He is a lifelong resident of Scott County. He graduated from Scott Community High School, Colby Community College and Kansas State University.

Ramsey and his wife, Gina, have two grown children. He has served on the Lane-Scott Electric Board for six years and is currently serving on the Scott Cooperative Association Board.



Craig Ramsey

Members' Financial Report

BALANCE SHEET

	2009	2010	2011
ASSETS			
Total Utility Plant	\$32,789,053	\$36,709,652	\$38,614,950
Less Depreciation	(\$12,264,322)	(\$12,607,659)	(\$12,671,450)
NET VALUE OF OUR SYSTEM	\$20,524,731	\$24,101,993	\$25,943,500
Cash & Temporary Investments	\$3,062,932	\$2,803,341	\$4,567,243
Receivables	\$3,393,947	\$3,397,903	\$2,256,753
Pre-Payments	\$0	\$0	\$0
Materials & Supplies	\$933,320	\$471,447	\$461,540
Other Current Assets	\$2,760	\$2,760	\$2,760
Deferred Debits	\$304,330	\$270,047	\$281,450
TOTAL ASSETS	\$28,222,020	\$31,047,491	\$33,513,246
LIABILITIES			
Long Term Debt	\$10,767,771	\$14,631,862	\$18,412,098
Notes Payable	\$8,694,694	\$8,515,069	\$5,048,795
Accounts Payable	\$1,242,343	\$864,706	\$1,139,635
Consumer Deposits	\$118,727	\$124,967	\$120,367
Other Current & Accrued Liabilities	\$357,999	\$363,985	\$382,136
Deferred Credits	\$0	\$0	\$0
Equities & Margins	\$7,040,486	\$6,546,902	\$8,410,215
TOTAL LIABILITIES	\$28,222,020	\$31,047,491	\$33,513,246

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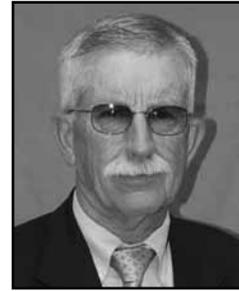
Your Neighbors Serving as Your Cooperative's Trustees



Ed Gough
Trustee
Lane & Gove counties



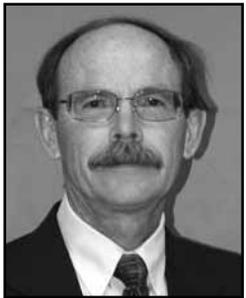
Dick Jennison
President
Lane & Gove counties



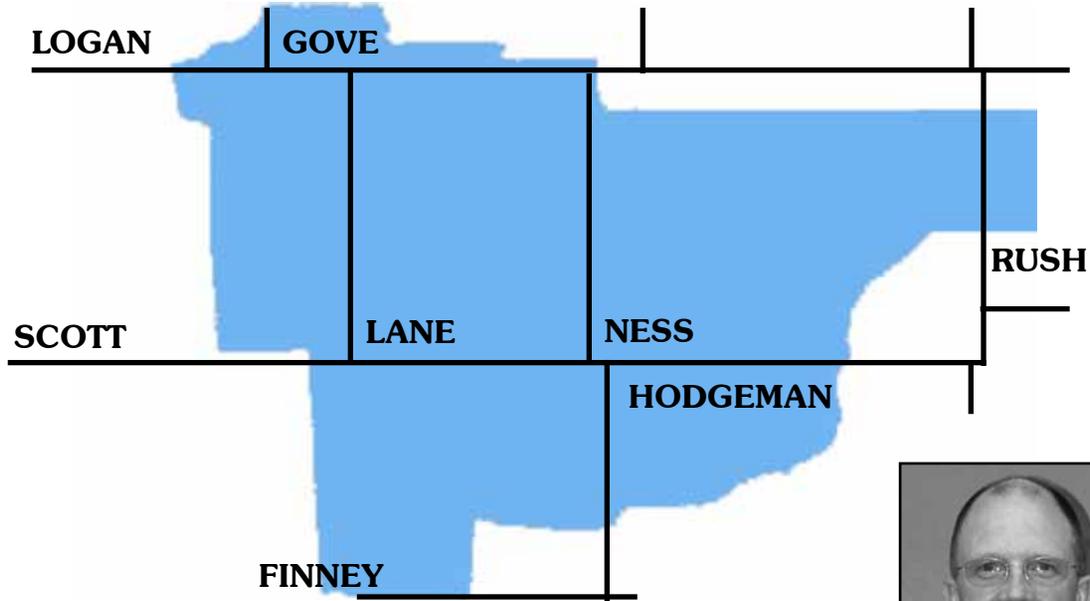
Bruce Wilkens
Trustee
Scott & Logan counties



Rad Roehl
Trustee
Lane & Gove counties



Craig Ramsey
Vice President
Scott & Logan counties



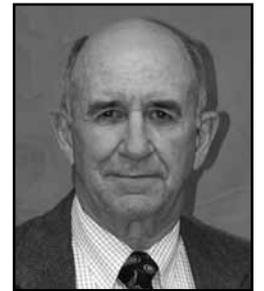
Paul Seib, Jr.
Secretary
Rush & Ness counties



Eric Doll
Treasurer
Finney & Hodgeman counties



Dick Sorem
Trustee
Finney & Hodgeman counties



Harold Hoss
Trustee
Rush & Ness counties

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