

PRESORTED
FIRST CLASS MAIL
U. S. POSTAGE PAID
TOPEKA, KANSAS
PERMIT NO. 651

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

RETURN SERVICE REQUESTED

**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 22, 2014, in Dighton. The events will begin at 6:30 p.m. with a meal catered by Stan Hoss, and the business meeting to follow.

The election of three trustees, approval of the minutes of the 2013 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: Ed Gough, representing Lane and Gove Counties; Richard Sorem, representing Finney and Hodgeman Counties and Paul Seib Jr., 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.



Electric Cooperative

A Touchstone Energy®
Cooperative 

Official Notice of 64th Annual Meeting

**Tuesday,
July 22, 2014**

6:30 p.m. Dinner

7:30 p.m. Annual Meeting

**Lane County Fairgrounds
Dighton, KS**



2013 Annual Report

Guest Speaker

Stuart S. Lowry

President and Chief Executive Officer,
Sunflower Electric Power Corporation



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.

Mr. Lowry holds a B.S. in journalism from the University of Kansas and a J.D. degree from the Washburn University School of Law.

He is a strong proponent of Sunflower's culture, which is based on the core values of respect and dignity, trustworthiness, integrity, accountability, technical competence, and servant leadership. The consistent application of these values enables Sunflower to always make sound decisions as the company continues to live its mission statement of providing reliable, long-term power supply and transmission services to its Member-Owners.

Nominating Committee Report

Report of Nominating Committee The Lane-Scott Electric Cooperative, Inc. June 2, 2014

A meeting of the Nominating Committee was held on Monday, June 2, 2014, 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 Joe Cramer and Robert Scheib 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 Grover Whipple 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.

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

DOW MORRIS—Assistant Manager

KATHY LEWIS—Manager of Financial Services

BOB VENTERS—Resale Manager/Member Services

NATE BURNS—Manager of Operations

JODI MARSTELLER—Administrative Assistant

REBECCA CAMPBELL—Billing Clerk

CARRIE BORELL—Customer Service Representative

KALO MANN—Master Electrician

MARK MCCULLOCH—Hvac Technician

MICHAEL POLLOCK—Master Electrician

DAVID HOWARD—General 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—Journeyman Lineman

LEIGHTON AYERS—Journeyman Lineman

KEVIN BRADSTREET—Apprentice Lineman

DIRK TORSON—Summer Intern

DEANNE SHULL—Warehouse Clerk

BOB KENNEMER—Part-Time Maintenance Engineer

KAYLA BORELL—Part-Time Custodian

KIARA BUDD—Part-Time Custodian

DIAMOND BROWN—Part-Time Custodian

Junior Board



Kayla Borell



Taylor Gabel



Taylor George



Rebecca Doll



Cecily Rebarchek



Ramey Sorem



Leslie Speer



Mariah 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. 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** – Cecily Rebarchek – Cecil and Becky Rebarchek;
- **Representing Lane and Gove Counties** – Kayla Borell – Kent and Carrie Borell;
- **Representing Scott and Logan Counties** – Mariah York – Ken and Janet York;
- **Representing Scott and Logan Counties** – Taylor George – Neil and Judy George;
- **Representing Ness and Rush Counties** – Taylor Gabel – Kevin and Shelly Gabel;
- **Representing Finney and Hodgeman Counties** – Ramey Sorem – Richard and Melinda Sorem;
- **Representing Lane and Gove Counties** – Leslie Speer – Dean and Amy Speer;
- **Representing Finney and Hodgeman Counties** – Rebecca Doll – Jesse and Mary Doll.

Program

Annual Meeting Agenda

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

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

- Early Bird Prize Drawing
- Introduction of Guests
- Report on Quorum
- Approval of Minutes of 2013 Annual Meeting
- Treasurer’s Report
- Recognition of Employees and Trustees
- 2013-14 Steamboat Springs Youth Tour Report, Lauren Sargent, Braden Mishler, and Rebecca Harmison
- 2014 Washington, D.C., Youth Tour Report, Payden Shapland and Regan Foes
- Manager’s Report – Ed Wiltse
- Guest Speaker – Stuart S. 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 General Manager

July—it's the heart of summer, the time we reflect on the democratic principles on which our nation was founded. At Lane-Scott Electric Cooperative, we think it's also the perfect time to hold our 64th annual meeting and put into action the third of the seven cooperative principles: democratic member control.

Purchasing power from Lane-Scott Electric gives you membership, and as a member-owner, you have voting rights. We encourage you to exercise your voting privilege at Lane-Scott's annual meeting to be held at the Lane County Fairgrounds on July 22. Beginning at 6:30 p.m., a barbeque dinner will be served free of charge to all members of Lane-Scott, followed by the business meeting at 7:30 p.m. in the grandstand. Of course, it wouldn't be a Lane-Scott annual meeting without drawings for great door prizes throughout the meeting, along with an opportunity for kids of all ages to enjoy the carnival rides.

Use Your Member Voice

At a time when increasing government regulations are impacting our lives, the rights that come with being a locally owned and controlled cooperative are even more important. Lane-Scott's annual meeting is your chance to elect those who will direct your electric cooperative with your best interests in mind. Although all seven cooperative principles are important, democratic member control is paramount and, in my opinion, is the core of the cooperative business model.

Nine locally elected Lane-Scott members sit on the Lane-Scott Board of Trustees, with three seats up for election each year. In accordance with Lane-Scott's bylaws, the nominating committee has submitted the names of three candidates; however, other nominations can be made by petition or from the floor at the annual meeting. I can't stress enough the importance of your participation in Lane-Scott's annual meeting on July 22. As a member-focused, not-for-profit utility, our mission is to serve your energy needs, and your input is a critical element of this mission.

At the annual meeting, we will report on the results of Lane-Scott's self-regulation vote, conducted from June 2 to July 1. A vote for self-regulation of Lane-Scott means you trust your fellow cooperative members to set fair and affordable rates for electric service without compromising the reliability and safety of the system. By allowing electric cooperatives the opportunity to vote for self-regulation, the Kansas Legislature confirmed what we already know: the democratic nature of electric cooperatives puts responsible authority in the hands of the members where it belongs.

Year in Review: Operations and Finances

While the annual meeting gives members the opportunity to position Lane-Scott for the future, it's also a time to reflect on where we've been. The past year has brought many opportunities and challenges—some new and some recurring—but the common element is that we continue to approach each undertaking with your best interest in mind.

Of course, our main objective is operating Lane-Scott effectively and efficiently so that we can continue to provide you with quality service and the lowest possible energy cost. Successfully meeting this goal not only requires actively maintaining current assets but also

(continued on page 3)



Richard Jennison
President



Ed Wiltse
General Manager

Youth Tour

Washington, D.C. Youth Tour



Ruth Hair and Taylor Gabel (above) stopped for a Kodak moment during the Youth Tour to Washington, D.C., in June 2013. Payden Shapland and Regan Foos represented Lane-Scott at this year's 2014 Youth Tour to Washington, D.C.



Payden Shapland



Regan Foos

Cooperative Youth Leadership Camp



Lauren Sargent and Braden Mishler (above) posed in the Rocky Mountains for a photo during last year's Cooperative Youth Leadership Camp in Steamboat Springs, CO. Braden Mishler and Rebecca Harmison will represent Lane-Scott at this year's 2014 camp.



Braden Mishler



Rebecca Harmison

Minutes of 2013 Annual Meeting

(continued from page 9)

- Lane-Scott employees have 673,000 no lost time hours which is 14 years without lost time due to an accident.
- Lane-Scott remains dedicated to cooperative principles and providing electricity at the lowest cost and highest reliability.

President Jennison then called for additional registrations. There were two additional registrations.

Manager Wiltse introduced the guest speaker, Kyle Nelson, Vice-President of Sunflower Electric and asked him to speak. Highlights of his presentation are as follows:

- The Holcomb expansion continues to move forward but still faces various legal and regulatory challenges. The EPA rules regulating greenhouse gasses is expected to be released in November.
- The MATS rule as proposed by the EPA requires limits that are not reliably measurable with the available technology.
- The Kansas Supreme Court decision on the Sierra Club appeal of the KDHE air permit should be released any time.
- Tri-State continues to remain a committed partner to the Holcomb expansion project.
- Sunflower will begin construction on the Rubart Station project which is natural gas based generation. This is the first new generation constructed by Sunflower in 30 years. The cost of the project is \$130 million and will employ eight full time employees.

Manager Wiltse recognized outgoing Junior Board of Trustees members Riley Sorem and Chad Myers.

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; Bruce Wilkens, representing Scott County and Logan County; and, Eric Doll, 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 8:08 o'clock p.m. on July 9, 2013.

At various times during the meeting, attendance prizes were given away to members by drawing. The winners were: James Brown, E. Joe Hanks, Rita Green, Leland Moore, Joyce Shull, Melvin Hair, Darryl Johnson, Darwin Whipple, Wick Grain, Roselma Farmer, Mishler Oil, Lazy C2 Ranch, Sara's Storage Sheds, Enid Foos, Larry Horacek, Don Hineman, Walker Farms, Scott Sherwin, Ernest Mudd, Rockin M, Calvin Ehmke, Bill Taldo, and Warren Sherwin.

Report To Members

(continued from page 2)

strategically planning for the future. In the past year, kilowatt hour sales increased by 2 percent, not a large increase but steady. This trend is expected to continue in the near future as the oil industry expands its drilling operations. The Beeler Substation was completed and is enhancing capacity and reliability in the area. To further strengthen our distribution system, we rebuilt lines to increase capacity, tested 2,000 poles and replaced those that were rejected, and hired a contractor to trim trees. To better position Lane-Scott financially, short-term debt was refinanced to low interest, long-term debt. In addition, we would be remiss if we didn't mention that your Lane-Scott staff once again earned the No Lost Time Award for safety, an accomplishment dating back to 1999.

Lane-Scott was able to close 2013 with positive operating margins and meet all loan requirements with margins from the sale of electricity of more than \$518,000.

Year in Review: Concern for Community

Another close-to-home priority for Lane-Scott is our concern for community. Employees take pride in our service area and participate in activities such as hanging Christmas lights, serving on the city council and school board, coaching youth sports, and assisting in community clean up. Lane-Scott sponsors students on the Government in Action Youth Tour to Washington, D.C., and the Cooperative Youth Leadership Camp to Steamboat Springs, Colo. Additionally, our cooperative gives local youth the opportunity to serve on the Junior Board of Trustees.

Year in Review: Working with our G&Ts

Lane-Scott continues to work closely with Sunflower and Mid-Kansas, our wholesale generation and transmission (G&T) providers, on your behalf. Developments also occurred in relation to the Holcomb Expansion Project (HIL2), an 895 coal-based resource that Sunflower and its partner are still considering to meet long-term power needs. Last fall, the Kansas Supreme Court issued its opinion in the Sierra Club versus Kansas Department of Health and Environment (KDHE) case and remanded the Prevention of Significant Deterioration (PSD) construction air permit back to KDHE.

In its decision, the Supreme Court addressed sections of the permit issued by KDHE, specifically instructing the Agency to apply new air quality standards for nitrogen dioxide and sulfur dioxide. From the time Sunflower updated the permit application in late 2009 to the time the permit was issued by KDHE in December 2010, these new standards were made final by the EPA. The Court's remand also specifically instructed KDHE to include the updated Mercury and Air Toxics (MATS) Standards for new power plants in the permit. On May 30, KDHE issued an addendum to the PSD Air Permit consistent with the remand directive from the Kansas Supreme Court.

Lane-Scott, along with our G&Ts, weighed in on discussions about environmental regulations. For example, in March, the U.S. Fish & Wildlife Service listed the lesser prairie chicken as threatened under the Endangered Species Act. The listing has elicited concern from electric cooperatives since a "threatened" status will restrict land use and have a negative economic impact, ultimately increasing the electric rates of Kansas consumers. We also weighed in on the EPA's push to restrict carbon dioxide emissions from both new and existing fossil-fuel units, requirements that will likely come at a high cost with little gain. We will continue to monitor these regulations and will actively engage in appropriate measures to ensure that we can continue to deliver reliable electricity at the lowest possible cost.

It's Who We Are; It's What We Do

It's true that the electric industry continues to face enormous challenges, but we know that Lane-Scott is up to the test. The hard work, vision, and concern for community of those who formed this cooperative continue to be a driving force in our daily endeavors. You can be sure that we are member focused and make each decision with you in mind.

Members' Financial Report

Minutes of 2013 Annual Meeting

STATEMENT OF OPERATIONS

	2011	2012	2013
Income			
Operating Revenue	\$14,446,759	\$15,223,186	\$16,371,981
Expenses			
Cost of Power	\$9,162,901	\$9,876,010	\$10,588,848
Operations	\$3,218,357	\$3,081,911	\$3,072,273
Depreciation & Amortization	\$958,300	\$1,113,616	\$1,196,962
Interest	\$991,275	\$903,352	\$984,424
Miscellaneous	\$14,717	\$14,058	\$11,020
Total Expenses	\$14,345,550	\$14,988,947	\$15,853,527
Operating Margins	\$101,209	\$234,239	\$518,454
Non-Operating Margins	\$161,058	\$1,920,947	\$714,392
Patronage Capital Or Margins	\$262,267	\$2,155,186	\$1,232,846

Property Taxes Paid By County

	2010	2011	2012	2013
Finney	\$11,777	\$13,997	\$15,693	\$19,124
Gove	\$4,975	\$5,535	\$5,537	\$7,956
Hodgeman	\$16,668	\$17,933	\$18,796	\$21,454
Lane	\$147,305	\$155,822	\$168,525	\$189,045
Logan	\$548	\$587	\$606	\$721
Ness	\$140,054	\$135,044	\$146,407	\$164,682
Scott	\$39,546	\$37,330	\$49,536	\$60,687
Rush	\$12,306	\$11,219	\$12,499	\$13,591
Totals	\$373,179	\$377,467	\$417,599	\$477,260

The Lane-Scott Electric Cooperative, Inc.

The year 2013 annual meeting of the members of Lane-Scott Electric Cooperative, Inc. was held on Tuesday, July 9, 2013, 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 Senator; Mitch Holmes, Kansas Senator; John Ewy, Kansas Representative; Don Hineman, Kansas Representative; Lyle Kroeker, Carlos Ibarra, and Jodi Clark, Kriz Davis; Melissa Doebler of KEC; Sunflower Electric Power Corporation was represented by Clare Gustin, Nikki Pfannenstiel and Kyle Nelson.

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 137 members were in attendance, constituting a quorum.

President Jennison referred the members to the printed minutes of the 2012 Annual Meeting appearing in the notice of the annual meeting. On motion duly made, seconded and carried, the reading of the minutes of the 2012 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.

Michael Wehkamp and Ruth Hair presented reports about their Steamboat Springs Youth Tour in 2012. Ruth Hair presented a report about her Washington DC Youth Tour in 2013.

Manager, Ed Wiltse, presented his report, emphasizing:

- The Lane-Scott employees were recognized for their continued hard work to keep the cooperative moving forward. Some employees were unable to attend the meeting as they were repairing line damaged by the high heat and wind.
- Manager Wiltse introduced his wife Lisa and reported he has been the manager at Lane-Scott for seven months after being the manager at Ninnescah Electric for three years.
- The kW/h sales have increased two percent in the last year due mainly to an increase in the oil load. A power study has been completed and its findings display a need to install a new substation at Beeler due to the increased load.
- The load under Sunflower generation continues to grow and Sunflower continues to work with federal regulators to attempt to continue to provide reliable electricity without impacting the environment.
- Lane-Scott employees continue to remain active in the communities by serving on various committees as well as assisting local governments with installing Christmas lights and other assistance.
- Lane-Scott ended the year with positive operating margins and met all loan covenants required by its lenders.

(continued on page 10)

Board Candidates

■ **Ed Gough** has been a member of Lane-Scott Electric Cooperative, Inc. Board of Trustees for 18 years. Ed moved to Lane County in 1973 from Mound City, KS. He and his wife, Paula live in rural Lane County.

Ed retired as the Assistant Manager of Lane County Feeders of Dighton. His hobbies include golfing, hunting and fishing and helping on the family farm. Ed is also an accomplished vocalist and musician and has performed in 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 is the 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 Sorem** grew up on a dry land farm in northwest Hodgeman County, on which he currently farms with his wife, Linda and two daughters Riley, age 19 and Ramey, age 17.

Sorem went through the Jetmore school system and graduated from the University of Kansas with a Bachelor of Science in Electrical Engineering. In 1982 Richard 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

Members' Financial Report

BALANCE SHEET

	2011	2012	2013
ASSETS			
Total Utility Plant	\$38,614,950	\$40,768,184	\$43,722,618
Less Depreciation	-12,671,450	-13,524,603	-13,255,949
NET VALUE OF OUR SYSTEM	\$25,943,500	\$27,243,581	\$30,466,669
LIABILITIES			
Cash & Temporary Investments	\$2,131,948	\$3,701,398	\$8,310,290
Receivables	\$2,256,753	\$2,425,771	\$1,901,561
Pre-Payments	\$0	\$0	\$4,507
Materials & Supplies	\$461,540	\$487,854	\$509,781
Other Current Assets	\$2,760	\$2,760	\$2,817
Deferred Debits	\$281,450	\$271,242	\$1,893,530
TOTAL ASSETS	\$31,077,951	\$34,132,606	\$43,089,155
Long Term Debt	\$18,412,098	\$18,602,045	\$31,177,461
Notes Payable	\$5,048,795	\$5,844,264	\$1,009,558
Accounts Payable	\$1,139,635	\$1,077,474	\$1,074,646
Consumer Deposits	\$120,367	\$108,389	\$103,904
Other Current & Accrued Liabilities	\$382,135	\$393,181	\$445,286
Deferred Credits	\$0	\$0	\$0
Equities & Margins	\$5,974,921	\$8,107,253	\$9,278,300
TOTAL LIABILITIES	\$31,077,951	\$34,132,606	\$43,089,155

Your Neighbors Serving as Your Cooperative's Trustees



Ed Gough
Trustee
Lane & Gove counties



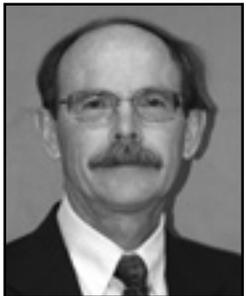
Richard Jennison
President
Lane & Gove counties



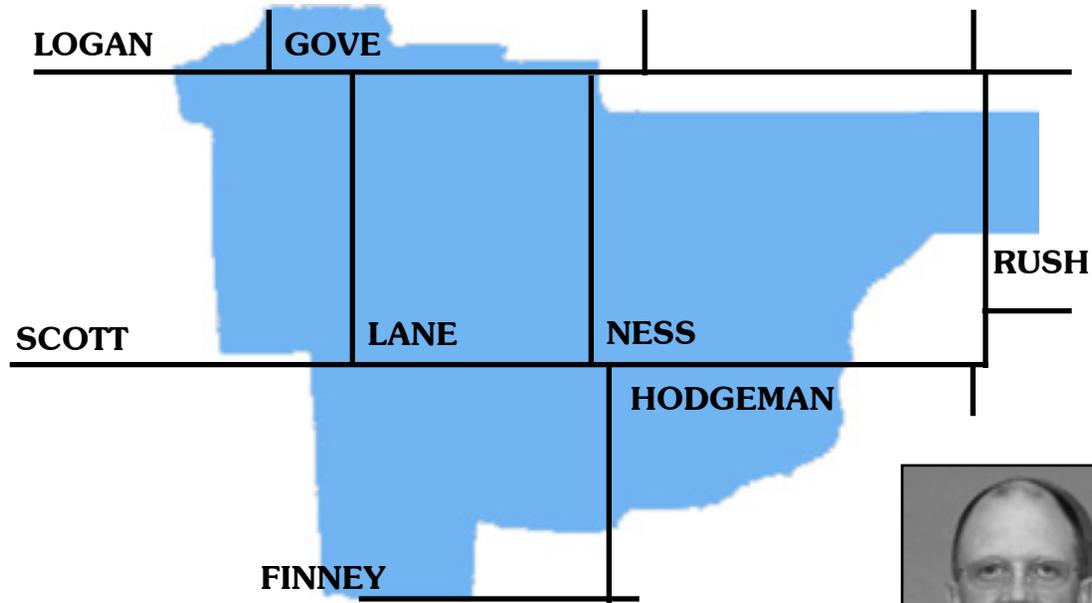
Bruce Wilkens
Trustee
Scott & Logan counties



Rad Roehl
Trustee
Lane & Gove counties



Craig Ramsey
Vice President
Scott & Logan counties



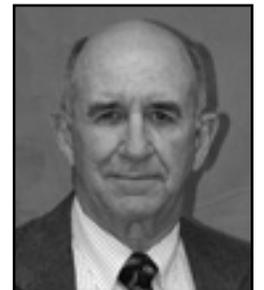
Paul Seib, Jr.
Secretary
Rush & Ness counties



Eric Doll
Treasurer
Finney & Hodgeman counties



Richard 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.