

2017

Annual Report

OFFICIAL NOTICE OF 68TH ANNUAL MEMBERSHIP MEETING

Tuesday, July 17, 2018

Lane County Fairgrounds

Proof

AGENDA

6:30 P.M. Dinner | **STAN HOSS**
7:30 P.M. Call to Order | **PRESIDENT RICHARD JENNISON**

Early Bird Prize Drawing

Introduction of Guests

Report of Quorum

Approval of Minutes of 2017 Annual Meeting

Treasurer's Report

Recognition of Employees and Trustees

2018 Washington, D.C., Youth Tour Report

BURKE SHAPLAND & MELANIE WHIPPLE

2017 Steamboat Springs, CO, Camp Report

MARIO LUNA & MADISON SEERY

Manager's Report | **ED WILTSE**

Guest Speaker | **STUART S. LOWRY, SUNFLOWER CEO**

Election of Trustees

Unfinished Business

New Business

Proof

GUEST SPEAKER



STUART S. LOWRY is president and CEO of Sunflower Electric Power Corp., a member-owned generation and transmission cooperative headquartered in Hays. He began working at Sunflower in August 2011. Before 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 co-ops statewide and provided advice on a wide range of corporate, policy and regulatory matters. Lowry serves as a representative on the Southwest Power Pool Members Committee. He is a graduate of the University of Kansas and the Washburn School of Law. He and his wife, Lauren, are the parents of Meghan, Connor and Griffin.

NOMINATING COMMITTEE REPORT

A meeting of the Nominating Committee was held on Monday, June 4, 2018, 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 Lex Bush representing Lane and Gove counties; Randy Scheuerman and John Beaton representing Scott and Logan counties; Kenneth Schlegel and Lane Copeland representing Rush and Ness counties; and Marvin Bohling and Dan Wehkamp representing Finney and Hodgeman counties. Also attending were Joseph Gasper, Attorney, and Ed Wiltse, General Manager.

By vote the Committee nominated the following individuals:

- ▶ **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

2017 HIGHLIGHTS FROM THE BOARD PRESIDENT & GENERAL MANAGER



RICHARD JENNISON
Board President

The 68th Annual Meeting of the Members of Lane-Scott Electric Cooperative will be held at the Lane County Fairgrounds on July 17, 2018. The Lane-Scott Electric Board of Trustees and employees invite you to a complimentary barbecue dinner beginning at 6:30 p.m., followed by the annual business meeting at 7:30 p.m. Please attend and exercise your democratic rights as a member of your electric cooperative.

Electric co-ops are just as much about the members we serve as we are about energy, so we invite everyone to enjoy the evening. Bring your family to enjoy the carnival rides prior to the meeting, and attend the business meeting for a chance to win a door prize. We will have many prizes, such as small appliances, hand tools and electric bill credits. But remember, you can't win if you don't attend, so make sure to stay for the business meeting.

We are pleased to report that Lane-Scott completed a successful year in 2017, with operating margins of more than \$800,000. As

a cooperative, we belong to the people we serve, and our rates are set to cover the cost of doing business, not to generate profits for shareholders. We are your neighbors; your rates are our rates. This year, bill cycles for the native territory and the Mid-Kansas territory were consolidated, which has improved efficiencies in operating practices and reduced costs associated with maintaining separate billing practices.

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

This year's system improvements include the

installation of two new regulator banks to provide voltage support out of the Beeler substation, and increase service reliability to the Utica area. We also replaced miles of copper weld wire with new wire and poles to bring greater reliability and capacity to our electrical system.

Members continue to utilize SmartHub, an innovative online 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 schedule payments.

Electric reliability remains a priority and in 2017, Lane-Scott tested more than 2,150 poles and spent nearly \$75,000 on tree-trimming efforts. These endeavors protect our members and facilities, while reducing the potential for line damage and outages.

Lane-Scott is committed to workplace safety to ensure the safety

of our employees and members. We conduct monthly safety meetings designed to provide proper training and work procedures. The commitment by our employees to remain accident free has resulted in more than 26,000 hours without a lost-time accident. Additionally, educating our members about safety is important, too. In the past year, 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.

As always, we strive to offer reasonably-priced services and be responsive to our member's needs. That is why Lane-Scott continues to offer electrical and heating and air conditioning service to our members. Our two master electricians and a heating and air

conditioning specialist on staff can meet your electrical, appliance installation and repair, heating and cooling needs.

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 the communities in which we live by assuming leadership roles on 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 a volunteer fire department. Lane-Scott also 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 Electro-Rally electric car program, rodeos, Pheasants Forever, and Wild West

CONTINUED ON PAGE 7

BOARD CANDIDATES

NESS | RUSH COUNTIES



HAROLD HOSS is the incumbent Trustee serving Ness and Rush counties. He is a lifelong resident of Ness County. Hoss graduated from Ness 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 33 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.

LANE | GOVE COUNTIES



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 36 years currently serving as president. He is an active member in the United Methodist Church of Healy.

LOGAN | SCOTT COUNTIES



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 12 years and is a past member of the Scott Cooperative Association Board.

2017 HIGHLIGHTS | CONTINUED

Cat Backers. In addition, in the summer we sponsor two youth programs—a leadership camp in Steamboat Springs, Colorado, during which students learn how a cooperative operates for the benefit of its members; and a tour of Washington, D.C., during which our youth learns about how our federal government works to serve all Americans.

Lane-Scott is a member owner of Sunflower Electric Power Corporation and Mid-Kansas Electric Company, both of which provide wholesale generation and transmission. Sunflower staff serve as our chief engineering consultants and assist Lane-Scott in areas such as Spill Compliance Plans, transmission services and substation design.

The Sunflower and Mid-Kansas Boards of Directors, both of which seat trustees from Lane-Scott, value generation

fuel diversity for electric reliability and affordability. The current fuel resources used by Sunflower and Mid-Kansas include natural gas, coal, wind, and a small slice of hydro. However, in February, Mid-Kansas announced a future solar project that will be the largest solar facility in Kansas. Mid-Kansas will purchase energy from the 20-megawatt facility, which is scheduled for construction in southwest Kansas in 2019. This project, known as the Johnson Corner Solar Project, will not only provide energy during our highest demand times—usually July and August—but also due to its location, it will also defer or eliminate costly transmission upgrades. It's one more way your electric cooperative can keep costs as low as possible, while using new and innovative technology.

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. This spring, the Kansas Legislature passed SB 323, which addresses several issues, one of which includes requirements for service territory annexation. One of the new provisions provides compensation for electric cooperative territory that is annexed by a municipality, thus offsetting the local co-op's cost for developed infrastructure and relinquished future revenue.

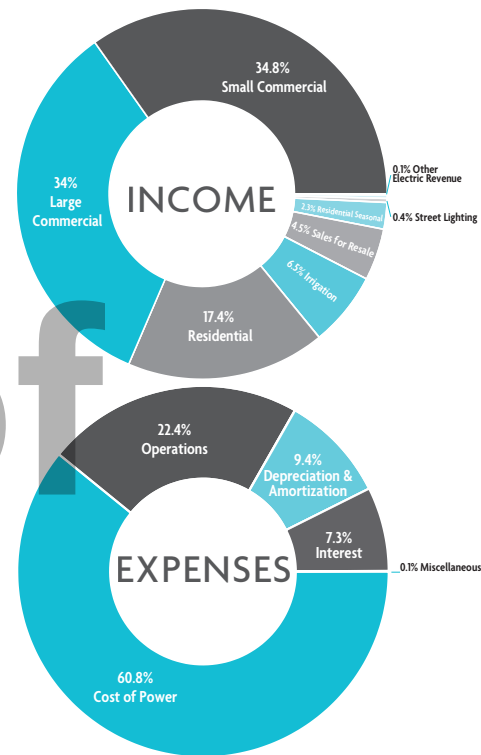
This past year was an interesting and challenging year, but by working cooperatively, it was a successful year. Be assured that the Lane-Scott Trustees and employees remain member focused and committed to the cooperative principles that have served you for years.

FINANCIAL REPORT

STATEMENT OF OPERATIONS

FOR YEAR ENDING DECEMBER 31, 2017

	2017	2016	2015
Income			
Operating Revenue	\$16,786,658	\$16,464,867	\$16,605,232
Expenses			
Cost of Power	\$9,715,189	\$9,967,587	\$10,241,265
Operations	\$3,572,698	\$3,121,390	\$3,407,047
Depreciation & Amortization	\$1,496,428	\$1,473,729	\$1,439,471
Interest	\$1,168,086	\$1,191,078	\$1,181,378
Miscellaneous	\$8,707	\$11,320	\$8,089
Total Expenses	<u>\$15,961,108</u>	<u>\$15,765,104</u>	<u>\$16,277,250</u>
Operating Margins	\$825,550	\$699,763	\$327,982
Non-Operating Margins	<u>\$960,257</u>	<u>\$1,259,819</u>	<u>\$1,452,165</u>
Patronage Capital or Margins	<u>\$1,785,807</u>	<u>\$1,959,582</u>	<u>\$1,780,147</u>



BALANCE SHEET AS OF DECEMBER 31, 2017

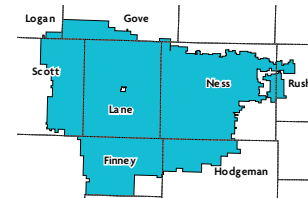
ASSETS	2017	2016	2015
Total Utility Plant	\$49,647,131	\$49,074,611	\$47,456,324
Less Depreciation	(14,524,412)	(13,643,025)	(13,613,629)
Net Value of our System	\$35,122,719	\$35,431,586	\$33,842,695
Cash & Temporary Investments	\$13,543,636	\$11,981,868	\$10,110,824
Receivables	\$1,392,780	\$1,578,681	\$1,591,704
Pre-Payments	\$0	\$3,675	\$0
Materials & Supplies	\$393,723	\$353,377	\$378,830
Other Current Assets	\$5,235	\$3,512	\$3,306
Deferred Debits	\$1,089,817	\$1,245,175	\$1,453,792
Total Assets	\$51,547,910	\$50,597,874	\$47,381,151
LIABILITIES			
Long Term Debt	\$31,688,624	\$32,689,549	\$31,412,224
Capital Leases	\$456,019	\$403,399	\$264,005
Accounts Payable	\$946,277	\$870,622	\$1,007,944
Consumer Deposits	\$118,512	\$116,713	\$102,588
Other Current & Accrued Liabilities	\$591,877	\$528,001	\$518,258
Total Liabilities	\$33,801,309	\$34,608,284	\$33,305,019
Equities & Margins	\$17,746,601	\$15,989,590	\$14,076,132
Total Liabilities & Equity	\$51,547,910	\$50,597,874	\$47,381,151

PROPERTY TAXES PAID BY COUNTY

	2017	2016	2015	2014
Finney	\$23,903	\$21,323	\$24,014	\$19,824
Gove	\$11,019	\$10,835	\$10,525	\$8,228
Hodgeman	\$31,302	\$26,703	\$28,654	\$21,583
Lane	\$299,234	\$265,678	\$263,636	\$215,410
Logan	\$911	\$844	\$929	\$756
Ness	\$247,365	\$232,055	\$230,923	\$182,882
Scott	\$73,344	\$64,432	\$69,972	\$62,997
Rush	\$16,720	\$13,534	\$15,016	\$13,105
Totals	\$703,798	\$635,404	\$643,669	\$524,785

SERVICE TERRITORY

Lane-Scott provides electricity to approximately 6,100 services in Finney, Gove, Hodgeman, Lane, Logan, Ness, Rush and Scott counties.



2017 ANNUAL MEETING MINUTES

The year 2017 annual meeting of the members of Lane-Scott Electric Cooperative, Inc. was held on Tuesday, July 18, 2017, at the Lane County Fair Grounds in Dighton, Lane County, Kansas. The meeting commenced at 7:30 p.m., pursuant to notices 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: Kim Christiansen of KEC; Allen Westfall of Stanion Electric; Lyle Kroeker and Carlos Ibarro of Kriz Davis; and Sunflower Electric Power Corporation was represented by Stuart Lowry, Steve Hausler, and Clare Gustin.

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

Joseph Gasper, legal counsel, reported a 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 145 members were in attendance, constituting a quorum.

President Jennison referred the members to the printed minutes of the 2016 Annual Meeting appearing in the notice of the annual meeting. On motion duly made, seconded and carried, the reading of the minutes of the 2016 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.

Richard Sorem was recognized for his service as a Trustee for 15 years.

Gentry Shapland and Clayton Beutler presented a report about the Washington DC Youth Tour in 2017.

Manager Ed Wiltse presented his manager's report, emphasizing:

- ▶ This is the 67th annual meeting of Lane-Scott Electric.
- ▶ Sales decreased overall in 2016 mainly due to the decrease in demand for oil production.

- ▶ Lane-Scott finished the year with operating margins of \$690,000 and met all of their financial covenants as required by lenders.
- ▶ A 3.7 percent rate increase will take place in August which will combine the rates of the two systems. Later this year, it is expected to combine the billing cycle for both the native and MidKansas systems so that the billing dates will be the same to allow for a more efficient use of staff.
- ▶ SmartHub is still in use and is a technology to assist members in managing their bills and to review their usage.
- ▶ Over the past year, 1,600 poles were tested and tree trimming continued to help minimize issues during storms and to improve reliability of the system.
- ▶ A second feed was built to Utica, which will allow for back feeding to help increase reliability.
- ▶ Workplace safety continues to be stressed, and Lane-Scott is currently at 220,000 hours of no loss time.
- ▶ Safety programs are provided to local fire

departments, EMS, schools and other public services.

- ▶ The Lane-Scott employees were recognized for their continued hard work to keep the cooperative moving forward.
- ▶ Manager Wiltse's office is always open for any questions or concerns with the cooperative.
- ▶ Stan Hoss and Howard Richards were recognized for the food and public-address system respectively.
- ▶ President Jennison then called for additional registrations. There were no additional registrations.
- ▶ Manager Wiltse introduced the guest speaker Chief Executive Officer Stuart Lowry from of Sunflower Electric and asked him to speak. Highlights of his presentation are as follows:
- ▶ Sunflower provides wholesale generation and transmission to Lane-Scott.
- ▶ This year marks the tenth anniversary of entering into the agreement to build Holcomb 2. On March 17, the Kansas Supreme Court approved the final permit for the construction of the unit. This has

fulfilled Sunflower's end of the contract and it is now up to Tri-State on how and when to move forward on the project. There is an eighteen-month window to begin construction.

- ▶ In the 10 years since the project first began, there have been changes including more wind generation being built and a decrease in demand from oil production. Currently, there is an abundance of generation to cover the demand but there still are areas of transmission that need improvement to transport the electricity to areas of need.
- ▶ Sunflower remains committed to low cost generation of reliable electricity.
- ▶ Natural gas is cheap at this time, but it has been volatile in price in the past.

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; Richard Sorem, representing Finney County and Hodgeman County; and Paul Seib Jr., representing

Ness County and Rush 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 8:04 p.m. on July 18, 2017.

At various times during the meeting, attendance prizes were given away to members by drawing. The winners were: August Zordel, Sacred Heart Church, Ian Lund, Steve Heath, Boyd Shupe, Dean Ummel, Kathy McCammond, Debbie Hagans, Alan Scott, Calvin Ehmke, Scott Sherwin, James Higgins, Jon Hawkinson, Bruce Huber, Terry Donecker, Sylvia Martin, Nicholas Doll, Howard Burnett, Dan Wehkamp and Joyce Ellis.

2018 YOUTH TOUR & CAMP WINNERS



BURKE SHAPLAND

Electric Cooperative Youth Tour
Washington, D.C.



MELANIE WHIPPLE

Electric Cooperative Youth Tour
Washington, D.C.



JAQUELINE GONZALEZ

Cooperative Youth Leadership Camp
Steamboat Springs, Colorado



GENTRY SHAPLAND

Cooperative Youth Leadership Camp
Steamboat Springs, Colorado

BURKE SHAPLAND and **MELANIE WHIPPLE** were selected by Lane-Scott Electric to attend the 58th annual Electric Cooperative Youth Tour in Washington, D.C. In June, they joined more than 1,800 high school students nationwide to experience our nation's capital, government and history.

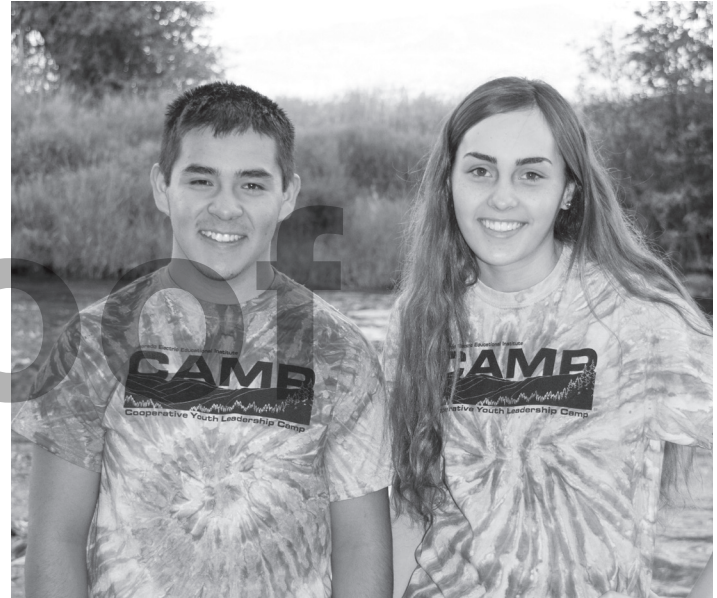
This year's delegation of 35 Kansas and four Hawaii youth began their trip with a banquet and night tour of our state's capitol. While in D.C., delegates visited the many memorials, the Holocaust Memorial Museum, Smithsonian Museums, Mount Vernon, Arlington National Cemetery and attended a major league baseball game at Nationals Park.

JAQUELINE GONZALEZ and **GENTRY SHAPLAND** were selected to attend the 42nd annual Cooperative Leadership Camp in Steamboat Springs, Colorado. Joining their peers from Colorado, Oklahoma and Wyoming, approximately 100 youth learned about the cooperative principles at the week-long leadership retreat. This camp gives participants an authentic camp feel with river rafting, a volleyball tournament, swimming, a dance and a talent show. Several demonstrations and presentations enhanced students' knowledge about electric cooperatives. Campers toured Trapper Mine, Craig Power Plant and experienced a high-voltage safety demonstration.

2017 YOUTH TOUR & CAMP ATTENDEES



In 2017, Clay Beutler (left) and Gentry Shapland represented Lane-Scott Electric during their visit to the Capitol to meet with representatives.



Mario Luna (left) and Madison Seery represented Lane-Scott Electric at the 2017 Cooperative Youth Leadership Camp.

COOPERATIVE TRUSTEES



RICHARD JENNISON
Board President
Lane & Gove counties



CRAIG RAMSEY
Vice President
Scott & Logan counties



PAUL SEIB, JR.
Secretary
Ness & Rush counties



ERIC DOLL
Treasurer
Finney & Hodgeman counties



ED GOUGH
Trustee
Lane & Gove counties



CHAD GRIFFITH
Trustee
Scott & Logan counties



HAROLD HOSS
Trustee
Ness & Rush counties



RAD ROEHL
Trustee
Lane & Gove counties



RICHARD SOREM
Trustee
Finney & Hodgeman counties

LANE-SCOTT EMPLOYEES

ED WILTSE

General Manager

KATHY LEWIS

Manager of Financial Services

REBECCA CAMPBELL

Billing Clerk

CARRIE BORELL

Information Technology

KELLI HERNANDEZ

HR Specialist / Accounting Assistant

KALO MANN

Master Electrician

MICHAEL POLLOCK

Master Electrician

MARK MCCULLOCH

HVAC Technician

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

KAYLA BORELL

Seasonal Office Assistant

BALINDA CONINE

Part-time Custodian

CALLY BRETZ

Part-time Member Service Representative

WYATT MARSTELLER

Part-time Lawn Maintenance

THIS IS YOUR

REGISTRATION CARD

BRING THIS CARD TO THE ANNUAL MEETING

VISIT US ON THE WEB AT WWW.LANESCOTT.COOP

OFFICIAL NOTICE

The Annual Meeting of the members of the Lane-Scott Electric Cooperative, Inc., will be held at the Lane County Fairgrounds, Tuesday, July 17, 2018, 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 2017 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: **HAROLD HOSS**, Ness and Rush counties; **RICHARD (DICK) JENNISON**, Lane and Gove counties; and **CRAIG RAMSEY**, Scott and Logan counties. Other nominations may be made by petition or from the floor at the meeting.

Of the persons nominated, and any other nominations made by petition, or from the floor, it will be necessary to elect three trustees to succeed the persons whose terms expire at the meeting.

**THIS IS YOUR REGISTRATION CARD.
PLEASE BRING IT TO THE ANNUAL MEETING.**

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

RETURN SERVICE REQUESTED

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

Proof