



Lane- Scott Electric Cooperative

A Touchstone Energy® Cooperative 

2018

Annual Report

OFFICIAL NOTICE OF 69TH
ANNUAL MEMBERSHIP MEETING

Tuesday, July 16, 2019

LANE COUNTY FAIRGROUNDS

**GUEST
SPEAKER**



STUART S. LOWRY is president and CEO of Sunflower Electric Power Corp., a member-owned generation and transmission cooperative headquartered in Hays. Before joining Sunflower in August 2011, he had served as CEO at Kansas Electric Cooperatives, Inc. since 2004. Before 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 Washburn University School of Law. He and his wife, Lauren, are the parents of Meghan, Connor and Griffin.

NOMINATING COMMITTEE REPORT

A meeting of the Lane-Scott Electric Nominating Committee was held on Monday, June 10, 2019, at 6:36 p.m. in the offices of the cooperative at 410 South High Street in Dighton.

Members of the Nominating Committee present were Ben Cramer, Jay Schmalzried and Lex Bush representing Lane and Gove counties; Dan Wehkamp and Doug Vieux representing Finney and Hodgeman counties; Randy Scheuerman and John Beaton representing Logan and Scott counties; Lane Copeland and Kenney Schlegel representing Ness and Rush counties. Also attending were attorney Joseph Gasper and General Manager Richard McLeon.

By vote the committee nominated the following individuals:

- ▶ **ERIC DOLL** for the position of Trustee representing Finney and Hodgeman counties.
- ▶ **CHAD GRIFFITH** for the position of Trustee representing Scott and Logan counties.
- ▶ **RAD ROEHL** for the position of Trustee representing Lane and Gove counties.

AGENDA

6:30 P.M.

Dinner

STAN HOSS BBQ

7:30 P.M.

Call to Order

PRESIDENT RICHARD JENNISON

Early Bird Prize Drawing

Introduction of Guests

Report of Quorum

Approval of Minutes of 2018 Annual Meeting

Treasurer's Report

Recognition of Employees and Trustees

2019 Electric Cooperative Youth Tour Report

CAITLIN SMEE & KILEY WHIPPLE

2018 Cooperative Youth Leadership Camp Report

GENTRY SHAPLAND & TRINITY PIERCE

Manager's Report

RICHARD MCLEON

Guest Speaker

STUART S. LOWRY, SUNFLOWER CEO

Election of Trustees

Unfinished Business

New Business



2018 HIGHLIGHTS

FROM THE BOARD PRESIDENT & GENERAL MANAGER



RICHARD JENNISON

Board President



RICHARD MCLEON

General Manager

The 69th Annual Meeting of the Members of Lane-Scott Electric Cooperative will be held at the Lane County Fairgrounds on Tuesday, July 16, 2019. The Lane-Scott Electric Board of Trustees and employees invite you to a complimentary barbecue dinner at 6:30 p.m., with the business meeting following at 7:30 p.m. Please attend so that you may exercise your democratic rights as a member of your electric co-op.

Electric co-ops are just as much about people as we are about energy, and we want everyone to enjoy the evening. Once again carnival rides will be available before the meeting, and door prizes, including K-State football tickets, will be given away during the meeting.

Financial Status

Lane-Scott Electric completed a successful year in 2018, with operating margins of more than \$679,000. As a member-owned, not-for-profit business, our rates are set to cover the cost of doing business, not to generate profits for shareholders. We are proud to report our residential rates ranked the fifth lowest of the 31 co-op and investor-owned utilities in Kansas, 8.9% below the average rate at the end of 2017.

System Improvements

Lane-Scott remains committed to improving our electrical distribution system and focusing on service reliability and additional capacity. With the assistance of Sunflower Electric's engineering staff, Lane-Scott rebuilt the Alexander Substation, installing a larger transformer and switch gear. Efforts were also incorporated to make the substation safer to operate for Lane-Scott employees. The upgrades to the substation will allow for increased operating flexibility, providing Lane-Scott the ability to reduce outages.

In 2018, system improvements included additional regulator banks for voltage support to the lines near Bazine and Laird, and one that will help support the back feeds to Utica. Several recloser banks were upgraded with electronically controlled

breakers to help manage loads.

Electric reliability remains a priority, and in 2018 Lane-Scott tested over 3,200 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.

Looking Out for Members

Our Information Technology and Compliance Department works with agencies and co-ops to keep your accounts and personal information secure. As technology breaches become more common, cybersecurity is critical to our electric cooperative. We installed safeguards to protect hardware and equipment, along with securing our technology network.

The Member Service Department has made improvements to better communicate with and engage our members. We keep our website, www.lanescott.coop, up-to-date and have plans to redesign. Our Facebook activity has increased and allowed us to connect with members on social media. Kansas Country Living magazine continues to feature local news from Lane-Scott.

Commitment to Community

Electric co-ops are community-focused organizations, and we belong to the communities we serve. Our co-op is led by our members, and our leaders and employees live right in our communities. We are your neighbors, friends, family and fellow community volunteers.

Lane-Scott takes an active role in supporting our youth. Two annual scholarships are available to high school seniors or graduates. During the summer, we sponsor two youth programs: The Cooperative Youth Leadership Camp in Steamboat Springs, Colorado, and the Electric Cooperative Youth Tour in Washington, D.C. In addition, we support local 4-H programs and county fairs, the Dighton High School Electrathon team, booster clubs and various sports sponsorships.

Several new programs will be taking place, including a food drive, safety campaigns, back-to-school promotions, Kansas State football tickets and local restaurant gift card giveaways. Co-op Connections cards will be distributed to all members and offer free product and service discounts at participating pharmacies and local and national retail businesses.

Members continue to use SmartHub technology. This is an innovative tool that allows you to manage your Lane-Scott account on your computer, smartphone or tablet. You can pay your bill, view your billing history, look at daily usage, and setup recurring payments.

Safety is a Top Priority

Lane-Scott is committed to workplace safety of our employees and members.

CONTINUED ON PAGE 6

2018 HIGHLIGHTS | CONTINUED

We conduct monthly safety meetings designed to provide proper training and work procedures. This commitment by our employees to remain accident free has resulted in Lane-Scott working 73,614 hours from June 15, 2017, to Dec. 31, 2018, without a lost-time accident. We are making an extra effort to locate low clearance lines and encourage members to report lines that need to be raised. We conduct numerous safety and awareness demonstrations for schools and public organizations. Safety information can also be found on our website and in our local pages in Kansas Country Living magazine.

Additional Services

Lane-Scott's resale department offers competitively priced services. We continue to offer electrical, heating and air conditioning service to our members. Our two master electricians and master heating and air conditioning specialist on staff can meet your home heating and cooling needs.

Generating Your Power

Lane-Scott is a member-owner of Sunflower Electric Power Corporation and Mid-Kansas Electric Company, both of which provide wholesale generation and transmission services to their members. 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.

The Johnson Corner Solar Project, located in Johnson City, was announced in 2018 to further expand the fuel portfolio. It will be the largest solar project in Kansas, consisting of approximately 86,000 solar panels and will have a capacity of 20 megawatts. The projected completion date is mid-2020.

The partnership with our wholesale generation and transmission service helps Lane-Scott keep costs low. Additionally, staffed energy professional advocates actively inform state and federal elected officials of regulations and policies affecting rural Kansas.

The electric industry is one of continual change, and this past year is no different. New system builds and upgrades continue to provide better service. Richard McLeon was hired to replace General Manager Ed Wiltse after his retirement, and two new office employees were hired to fill position vacancies. The Lane-Scott trustees and employees remain true to the cooperative spirit and continue to build and value the relationships we have with our members.

BOARD CANDIDATES

FINNEY & HODGEMAN
COUNTIES



ERIC DOLL is a lifelong resident of Finney County. He is a graduate of Garden City High School and Fort Hays State University. He and his wife, Shelly, have three children. He has been a member of the Lane-Scott board of trustees since 1995. He is the owner/operator of Doll Land & Cattle, Inc. Doll is a former director for the Kansas Cattlemen's Association, and he has previously served as a member of the Finney County Farm Bureau board.

LOGAN & SCOTT
COUNTIES



CHAD GRIFFITH joined the Lane-Scott board of trustees in 2014. He graduated from Scott Community High School in 1986 and from Kansas State University with a degree in Business Administration-Finance in 1991. He owns and operates his farm and ranch in the area. He and his wife, Suzanne, have four children. The Griffiths are members of the First Baptist Church of Scott City. Griffith has been active on several boards over the years.

LANE & GOVE
COUNTIES



RAD ROEHL joined the Lane-Scott board of trustees in October 2009. He represents Lane and Gove counties. Roehl is a graduate of Dighton High School and Kansas State University with a bachelor of science degree in agriculture. He and his wife, Kathryn, are lifelong residents of Lane County and have three grown sons. They farm in the surrounding area. He is a past member of the Farmers Co-op elevator board. In his spare time, Rad enjoys attending area school events and spending time with his family.

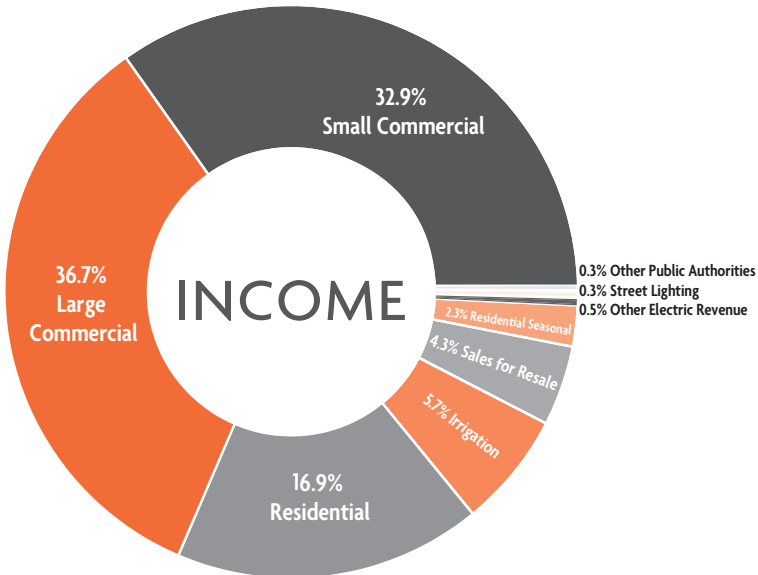
FINANCIAL REPORT

THIS FINANCIAL REPORT IS UNAUDITED

STATEMENT OF OPERATIONS

FOR YEAR ENDING DECEMBER 31, 2018

	2018	2017	2016
Income			
Operating Revenue	\$17,802,551	\$16,786,658	\$16,464,867
Expenses			
Cost of Power	\$10,698,587	\$9,715,189	\$9,967,587
Operations	\$3,682,453	\$3,572,698	\$3,121,390
Depreciation & Amortization	\$1,517,330	\$1,496,428	\$1,473,729
Interest	\$1,213,814	\$1,168,086	\$1,191,078
Miscellaneous	\$10,931	\$8,707	\$11,320
Total Expenses	<u>\$17,123,115</u>	<u>\$15,961,108</u>	<u>\$15,765,104</u>
Operating Margins	\$679,436	\$825,550	\$699,763
Non-Operating Margins	<u>\$662,335</u>	<u>\$960,257</u>	<u>\$1,259,819</u>
Patronage Capital or Margins	<u>\$1,341,771</u>	<u>\$1,785,807</u>	<u>\$1,959,582</u>



BALANCE SHEET AS OF DECEMBER 31, 2018

ASSETS	2018	2017	2016
Total Utility Plant	\$52,475,269	\$49,647,131	\$49,074,611
Less Depreciation	(15,398,228)	(14,524,412)	(13,643,025)
Net Value of our System	\$37,077,041	\$35,122,719	\$35,431,586
Other Property & Investments	\$10,396,169	\$10,359,134	\$9,737,709
Cash & Temporary Investments	\$1,295,130	\$3,184,502	\$2,244,159
Receivables	\$1,685,430	\$1,392,780	\$1,578,681
Pre-Payments	\$11,388	\$0	\$3,675
Materials & Supplies	\$374,002	\$393,723	\$353,377
Other Current Assets	\$3,141	\$5,235	\$3,512
Deferred Debits	\$948,413	\$1,089,817	\$1,245,175
Total Assets	\$51,790,714	\$51,547,910	\$50,597,874
LIABILITIES & EQUITY			
Long Term Debt	\$30,490,966	\$31,688,624	\$32,689,549
Capital Leases	\$318,223	\$456,019	\$403,399
Accounts Payable	\$1,176,985	\$946,277	\$870,622
Consumer Deposits	\$125,592	\$118,512	\$116,713
Other Current & Accrued Liabilities	\$615,627	\$591,877	\$528,001
Total Liabilities	\$32,727,393	\$33,801,309	\$34,608,284
Equities & Margins	\$19,063,321	\$17,746,601	\$15,989,590
Total Liabilities & Equity	\$51,790,714	\$51,547,910	\$50,597,874

PROPERTY TAXES PAID BY COUNTY

County	2018	2017	2016	2015
Finney	\$27,362	\$23,903	\$21,323	\$24,014
Gove	\$12,122	\$11,019	\$10,835	\$10,525
Hodgeman	\$37,331	\$31,302	\$26,703	\$28,654
Lane	\$325,427	\$299,234	\$265,678	\$263,636
Logan	\$1,018	\$911	\$844	\$929
Ness	\$287,402	\$247,365	\$232,055	\$230,923
Scott	\$85,889	\$73,344	\$64,432	\$69,972
Rush	\$19,220	\$16,720	\$13,534	\$15,016
Totals	\$795,771	\$703,798	635,404	\$643,669

2018 ANNUAL MEETING MINUTES

The 2018 annual meeting of the members of Lane-Scott Electric Cooperative, Inc. was held on Tuesday, July 17, 2018, at the Lane County Fairgrounds in Dighton, Lane County, Kansas. The meeting commenced at 7:30 p.m., pursuant to notice mailed to all members in accordance with the bylaws of the cooperative.

The meeting was called to order by President Richard Jennison. President Jennison welcomed those in attendance and introduced guests: Doug Shepherd of Kansas Electric Cooperatives, Inc.; Allen Westfall of Stanion Electric; Carlos Ibarra of Border States; Tom Ruth of Western Cooperative Electric; Richard Billinger, Kansas Senator; Don Hineman, Kansas Representative; and Stuart Lowry, Clare Gustin, Cindy Hertel and Nikki Pfannenstiel all from Sunflower Electric Power Corporation.

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 155 members were in attendance, constituting a quorum.

President Jennison referred the members to the printed minutes of the 2017 Annual Meeting appearing in the notice of the annual meeting. On motion duly made, seconded and carried, the reading of the minutes of the 2017 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.

Henry Morrow was recognized for 15 years of employment.

Burke Shapland and Melanie Whipple presented a report about the 2018 Electric Cooperative Youth Tour to Washington, D.C.

Madison Seery presented a report on her trip to the Cooperative Youth Leadership Camp in Steamboat Springs, Colorado.

Manager Ed Wiltse presented his manager's report, in which he

- ▶ recognized all Lane-Scott employees for their continued work in offering reliable electric service to members, and emphasized:
- ▶ Lane-Scott finished the year with operating margins of \$800,000 and met all of their financial covenants as required by lenders. Distribution equity is up to 20% and overall equity is 35%.
- ▶ The SmartHub is available for members and is another technology to assist members in managing their bills and reviewing their usage history.
- ▶ Lane-Scott also offers electrician and HVAC services to its members.
- ▶ 2,100 poles were tested and \$75,000 was spent on tree trimming over the past year to help minimize issues during storms and to improve reliability of the system.
- ▶ The Alexander Substation has been completed and will result in improved reliability and capability. The Twin Springs project to bring an additional substation to the southern part

of the territory will begin in 2019. Sunflower will install switches west of Dighton to allow for smaller portions of the system to be shut down when needed.

- ▶ Workplace safety continues to be stressed at Lane-Scott.
- ▶ Safety programs are provided to local fire departments, EMS, schools and other public services.

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

Manager Wiltse introduced the guest speaker, Stuart Lowry, CEO of Sunflower Electric, and asked him to speak. Highlights of his presentation are as follows:

- ▶ There are two companies, Sunflower Electric and MKEC, which are both operated independently. MKEC was formed in 2006 with the Aquila acquisition. Sunflower and MKEC provide generation and transmission services.
- ▶ The board of directors has decided to merge the two companies into one entity as both are financially strong. A merger will allow for the assets of both entities to be utilized under one company providing adequate equity for lenders. It is expected that the merged company will have better loan rates.
- ▶ The regulatory filing for the merger will be filed with the Kansas Corporation Commission in the next month with hope to have the merger completed by January 1, 2020.
- ▶ A solar development southwest of Johnson City has been announced. This will be the largest solar project in Kansas and construction is expected to begin in the fall. Operation is expected to begin in the third quarter of 2019.
- ▶ Transmission costs continue to rise, in part, due to transmission costs associated with increased wind production. The Southwest Power Pool governs the expense of the new transmission.

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: Richard Jennison, representing Lane County and Gove County; Craig Ramsey, representing Scott County and Logan County; and Harold Hoss, 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.

President Jennison recognized Stan Hoss and Howard Richards for the meal and public address system, respectively.

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 17, 2018.

At various times during the meeting, attendance prizes were given away to members by drawing. The winners were: Schwartz Family Farms, Darryl D. Johnson Revocable Living Trust, Justin Whipple, Debbie Hagans, Ronald Boese, Rex Borthwick, Gilbert Borger, Kathy McCammond, Lazy C 2 Ranch, Calvin Ehmke, Don Hineman, Tom Reed, Lawrence Krehbiel, Scott Tucker, Robert Price, Bar X Inc., Lynn Schmidt, Roselma Farmer, John Koehn, Rodney Struble, Constance Hanks and Dan Wehkamp.

2019 YOUTH TOUR WINNERS



CAITLIN SMEE



KILEY WHIPPLE

CAITLIN SMEE and **KILEY WHIPPLE** represented Lane-Scott Electric on the 59th annual Electric Cooperative Youth Tour in Washington, D.C. They joined more than 1,800 high school students nationwide for a week-long experience of our nation's capital, government and history. This year's delegation of 36 Kansas and four Hawaii youth began their trip with a banquet and night tour of our state's capitol in Topeka. While in D.C., delegates visited the many memorials including the Air Force, Martin Luther King, Jr., Jefferson, Vietnam, Korean, and Lincoln Memorials and Iwo Jima. They also toured the Law Enforcement Museum, Ford's Theatre and Peterson House, Smithsonian museums, Fort McHenry, the National Aquarium, Mount Vernon, National Archives, Holocaust Memorial Museum, Arlington National Cemetery, the National Zoo and the National Cathedral. They experienced a riverboat cruise on the Potomac River, attended a major league baseball game and a performance of "Hello Dolly" at the Kennedy Center's Opera House.

2018 YOUTH TOUR WINNERS



BURKE SHAPLAND



MELANIE WHIPPLE

2019 CAMP WINNERS



LEXIS BEESLEY



KADEN BRADSTREET

LEXIS BEESLEY and **KADEN BRADSTREET** were selected to attend the 43rd Annual Cooperative Youth Leadership Camp in Steamboat Springs, Colorado. Joining more than 100 youth from Colorado, Oklahoma and Wyoming, they learned about the cooperative principles at the weeklong leadership retreat. This camp gives participants an authentic camp feel with river rafting, a volleyball tournament, swimming, a dance and talent show. Several demonstrations and presentations enhanced students' knowledge about electric cooperatives. Campers toured Trapper Mine, Craig Power Station and experienced a high-voltage safety demonstration.

2018 CAMP WINNERS



TRINITY PIERCE



GENTRY SHAPLAND

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

THIS IS YOUR

REGISTRATION CARD

BRING THIS
CARD TO THE
ANNUAL MEETING



VISIT US AT WWW.LANESCOTT.COOP

LANE-SCOTT EMPLOYEES

RICHARD MCLEON
General Manager

KATHY LEWIS
Manager of Financial Services

REBECCA CAMPBELL
Billing Clerk

CARRIE BORELL
Information Technology

ANN MARIE JENNINGS
Member Service Coordinator

DIANA KUHLMAN
Cashier

KALO MANN
Master Electrician

MARK MCCULLOCH
HVAC Technician

MICHAEL POLLOCK
Master Electrician

NATE BURNS
Manager of Electrical Operations

DAVID HOWARD
General Foreman

KASEY JENKINSON
Crew Chief

BEN MANN
Crew Chief

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

STACEY FOOS
Part-Time Custodian

DELLON SHELTON
Summer Line Helper

ISAAC TORSON
Summer HVAC Helper

**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

K-STATE FOOTBALL TICKET DRAWING

Two tickets in section 422 will be drawn during
the Lane-Scott Annual Meeting

**MUST BE A LANE-SCOTT MEMBER
& PRESENT TO WIN!**

K-State vs. Bowling Green

9.7.19

K-State vs. Baylor

10.5.19

K-State vs. Oklahoma

10.26.19

K-State vs. West Virginia

11.16.19

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 16, 2019, 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 2018 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.

ERIC DOLL, representing Finney and Hodgeman Counties; **CHAD GRIFFITH**, representing Scott and Logan Counties and **RAD ROEHL**, representing Lane and Gove 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.