

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

DIRECT TESTIMONY
OF
Douglas S. Shepherd

DOCKET NO. 12-MKEE-410-RTS

1 **PART I - QUALIFICATIONS**

2 **Q. Please state your name and business address.**

3 A. My name is Douglas S. Shepherd. My business address is Kansas Electric Cooperatives, PO
4 Box 4267, Topeka, KS 66604.

5 **Q. By whom are you employed and what is your position?**

6 A. I am employed by Kansas Electric Cooperatives, Inc. ("KEC") as the Vice President of
7 Management Consulting Services.

8 **Q. Please describe the business activities of KEC.**

9 A. KEC is a service organization for Kansas rural electric cooperatives. It is organized as a
10 cooperative and is jointly owned by its member systems, which includes 29 distribution
11 cooperatives and three generation & transmission cooperatives. KEC provides a variety of
12 services on behalf of its members including: legislative and regulatory support, loss control
13 and safety education, communication services, board and employee training, publishing
14 services, rate and property tax consulting and apparatus testing.

15 **Q. Please describe your responsibilities with KEC.**

16 A. I am responsible for the management consulting department providing consulting services to
17 KEC's member systems on a fee-for-service basis in the areas of electric cost-of-service
18 ("COS") studies, retail rate design, large power contracts, customer-owned generation rates,
19 equity management planning, capital credit allocations, pole attachment charges, line
20 extension fees, sales taxes and property taxes.

1 **Q. What is your educational background?**

2 A. I graduated from the University of Nebraska-Lincoln in 1984 with a Bachelor of Science
3 degree in Agricultural Engineering. In 1986, I received my Masters of Business
4 Administration degree from the University of Nebraska-Lincoln with an emphasis in
5 Finance and Management Information Systems.

6 **Q. What is your professional background?**

7 A. I began working for KEC in 1988 as a Utility Rate Analyst performing COS studies and
8 processing rate applications filed with the Kansas Corporation Commission (“KCC” or
9 “Commission”). In 1992, I moved to the position of Director of Technical Services. In
10 addition to previous responsibilities, I coordinated economic and financial studies on behalf
11 of KEC members, assisted the government relations department with legislative analysis and
12 provided property tax consulting for KEC members.

13 From 1998 to 1999, I was employed by Kansas Electric Power Cooperative, Inc. (“KEPCo”)
14 in Topeka, Kansas, as Director of Rates and Regulatory Affairs. I acted as the liaison to
15 regulatory agencies, assisted member cooperatives with the development and negotiation? of
16 special large power electric rates and assisted in the development of potential diversified
17 service offerings.

18 I rejoined KEC in 1999 as Vice President of Member Services. My responsibilities included
19 all of those previously encompassed under the Director of Technical Services, and also
20 involved supervisory responsibilities over the accounting & finance and communications
21 departments. In 2011, my title was changed to Vice President of Management Consulting
22 Services.

1 **Q. Have you previously presented testimony before the KCC relative to rate change**
2 **applications?**

3 A. Yes. I submitted testimony on behalf of twenty rural electric cooperatives in Docket No.
4 140,728-U and on behalf of Sekan Electric Cooperative, Inc. in Docket No. 184,190-U. In
5 addition, I have prepared and processed 24 rate applications with the KCC since 1989.
6 However, all of these were filed under the “expedited” rate case procedure outlined in
7 K.A.R. 82-1-231a, which does not require pre-filed testimony.

8 **Q. Do you have any other rate related experience?**

9 A. Yes. In addition to the KCC filed cases, I have performed 32 additional rate and COS
10 studies for rate making purposes for electric cooperatives no longer under the jurisdiction of
11 the KCC.

12 I have also made presentations to utilities and industry groups on a variety of topics
13 including: COS studies, retail rate design, line extension policies, load management, equity
14 management, capital credits, property taxes, and sales taxes.

15

16 **PART II – PURPOSE OF TESTIMONY**

17 **Q. What is the purpose of your testimony in this proceeding?**

18 A. The purpose of my testimony is to present my analysis of the revenue requirement, COS
19 study, and rate design for the Mid-Kansas Electric Company, LLC (“Mid-Kansas”) division
20 serviced by Lane-Scott Electric Cooperative, Inc. (“Lane-Scott”), which I will refer to as the
21 Lane Scott Division.

22 **Q. Please briefly describe Mid-Kansas and the Lane-Scott Division.**

1 A. Mid-Kansas is a Kansas limited liability corporation owned by five Kansas consumer-owned
2 cooperatives and one subsidiary of a consumer-owned cooperative. Mid-Kansas was
3 formed for the purpose of acquiring the utility assets of Aquila, Inc., d/b/a Aquila Networks
4 – WPK (“Aquila”). The Lane-Scott Division refers to the area acquired by Mid-Kansas that
5 is served at the distribution level by Lane-Scott under a service contract with Mid-Kansas.
6 My analysis and testimony is based on the costs and rates associated with providing electric
7 service to the Lane-Scott Division consumers.

8 **Q. What are Mid-Kansas' objectives in filing this rate application?**

9 A. The primary objective is to allow Mid-Kansas to recover the costs of providing service to
10 customers in the Lane-Scott Division and to improve the financial condition of that division.
11 For the year ending December 31, 2010, the Lane-Scott Division had an adjusted operating
12 margin loss of \$76,247.

13 **Q. Didn't the Lane-Scott Division receive approval to increase rates in 2010?**

14 A. Yes, that is correct. The Commission last approved a rate increase for the Lane Scott
15 Division in Docket No. 09-MKEE-969-RTS, which was effective in January 2010.
16 However, the approved rate increase allowed an operating margin of only \$2,274.

17 **Q. Are you sponsoring any exhibits?**

18 A. Yes. I am sponsoring Exhibit DSS-1, which contains Sections C through R referenced in
19 Attachment A of the Application¹. The Sections contain the Schedules I refer to through-out
20 my testimony.

21 **Q. Have the exhibits been prepared by you or by others under your supervision?**

22 A. Yes.

¹ Identification of the Sections is based upon the alphas used for rate case filings under K.A.R. 82-1-231a. As such, not all Sections are applicable to this case, and those that are not applicable have been omitted. Section A is the Application and testimony, and Sections B, J, K, M, N, and O have been omitted because they are not applicable.

PART III - SUMMARY OF DIRECT TESTIMONY

1
2 **Q. Please summarize the increase being requested for the Lane-Scott Division.**

3 A. The overall rate increase requested is \$510,915 which is an overall increase of 13.34%.

4 **Q. Please provide your recommended distribution of this increase between the various**
5 **rate classes of the Lane-Scott Division.**

6 A. I recommend the increase be distributed among the various classes using the COS analysis
7 as a guide, but not a rigid directive. This distribution of the increase was considered and
8 approved by the Lane-Scott board of trustees and is discussed in greater detail later in my
9 testimony.

10
11 **PART IV - REVENUE REQUIREMENTS**

12 **Q. What Test Year did you use to establish the revenue requirements?**

13 A. The test year used to establish the revenue requirements was based on the twelve months
14 ending December 31, 2010.

15 **Q. Why did you choose to utilize a test year ending December 31, 2010 as opposed to**
16 **December 31, 2011, or a more current twelve month period?**

17 A. Mid-Kansas originally anticipated filing the rate Application for the Lane-Scott Division
18 back in December 2011, as evidenced by the Joint Motion filed in this docket by Mid-
19 Kansas, Commission Staff, and the Citizens' Utility Ratepayer Board (CURB).² At that
20 time, the 2011 calendar year had not yet ended and as such I was working with data from
21 calendar year 2010. My analysis, based on the December 31, 2010 test year, was already
22 well underway when Mid-Kansas was presented by Staff with more than sixty data requests
23 with instruction to have half of the responses due at the time of the Application filing and

² Joint Motion for Waiver of Filing Requirements, filed Dec. 5, 2011.

1 the other half due shortly thereafter. As a result I spent a great amount of time gathering
2 information to support the responses to Staff's discovery that were based on my analysis of
3 the 2010 calendar data. Using a calendar year ending December 31, 2011, or any other
4 updated test year, at this point would only delay the Lane Scott Division filing further as it
5 would require me to throw out much of the work already completed and conduct a new
6 analysis. Such a delay would be financially harmful to the Lane-Scott Division.

7 **Q. Please provide an overview of the revenue requirement analysis.**

8 A. A utility's revenue requirement is the sum of the operating expenses and the required
9 operating margin. The required operating margin must be sufficient in order to satisfy
10 lender requirements and equity management goals established by the board of directors.
11 This operating margin is calculated by multiplying the rate of return by the rate base.

12 **Q. How did you determine the rate of return ("ROR") for the Lane-Scott Division?**

13 A. I determined the Lane-Scott Division ROR by calculating the weighted average cost of
14 capital, which is the average of the cost of debt and the cost of equity, and arrived at an ROR
15 of 8.718% (Schedule G-1).

16 **Q. What is the cost of equity?**

17 A. The cost of equity is shown on Schedule G-3 and is calculated by using a formula
18 recommended by one of the cooperative's lenders: the National Rural Utilities Cooperative
19 Finance Corporation (CFC). The formula is a function of the cooperative's growth rate and
20 its capital credit rotation cycle. Because the Lane-Scott Division has operated the former
21 Aquila assets for a relatively short period of time, I utilized a growth rate of 6% and rotation
22 cycle of 20 years based on the native system of Lane-Scott Electric Cooperative in order to

1 have a more thorough analysis of the cost of equity. This produced a cost of equity of
2 8.718%.

3 **Q. What is the cost of debt?**

4 A. Presently, there is no long-term debt associated with the Lane-Scott Division. Lane-Scott
5 Electric Cooperative originally borrowed \$2.5 million to finance the purchase of the division
6 assets and retired this debt in 2010.

7 **Q. Please describe the revenue requirement analysis you completed for the Lane-Scott
8 Division.**

9 A. Schedule C-1 provides a summary of the Revenue Requirement. The adjusted rate base for
10 the Lane-Scott Division is \$4,985,862 and, as previously stated, the ROR is calculated to be
11 8.718%. This produces a required operating margin of \$434,667. The pro forma operating
12 margins are (\$76,247) which results in a revenue deficiency of \$510,915.

13 **Q. How is the rate base determined?**

14 A. A summary of the rate base is shown on Schedule C-2. It is comprised primarily of the net
15 plant in service plus materials & supplies, prepayments and cash working capital.

16 **Q. How were the pro forma operating margins determined?**

17 A. The pro forma operating margins are shown on Schedule I-1 and include five adjustments to
18 the test year. The adjustments are shown on Schedule I-1.1 and consist of Sales, Purchased
19 Power, Rate Case Expense, Amortization of Acquisition Premium, and Long-Term Debt.

20 **Q. How were the adjusted sales determined under present rates?**

21 A. The test year sales under the present rates are shown on Schedule I-3, which is a summary of
22 the present rates applied to the pro forma billing determinants for each rate schedule. The
23 test year and adjusted billing determinants are shown in Schedule I-2. The annualized

1 billing determinants are based on average billing units each month multiplied by the number
2 of meters at the end of the test year.

3 **Q. How was the retail ECA in Schedule I-3 determined in the calculation of pro forma**
4 **revenue?**

5 A. The average ECA for the test year was calculated on Schedule I-5. It compares the average
6 cost of wholesale power for the test year with the ECA base of \$0.074839 shown on Rate
7 Schedule 09-ECA filed in Docket 09-MKEE-969-RTS.

8 **Q. Please describe the pro forma adjustments to the purchased power expense.**

9 A. The pro forma purchased power expense was calculated by adjusting the test year expenses
10 for the change in volume due to the annualized sales as calculated in Schedule I-1.

11 **Q. Please explain the pro forma adjustment to administrative and general expenses for**
12 **rate case expense.**

13 A. A pro forma adjustment was made to reflect estimated cost of \$70,000 for rate case expenses
14 amortized over three years. This estimate was derived based on the estimates provided to
15 Lane-Scott by the outside consultants engaged in this matter, including myself and legal
16 counsel.

17 **Q. Please explain the adjustment to amortization expense.**

18 A. An adjustment was made to remove the negative \$99,758 amortization adjustment expense
19 from above the line and move it below the line as a non-operating expense. This is
20 consistent with the order in Docket No. 06-MKEE-524-ACQ.

21 **Q. Please explain the adjustment to remove Interest on Long-Term Debt.**

22 A. The Lane-Scott Division incurred \$28,281 in interest expense during the test year. This debt
23 was retired in June of 2010. At this time, the Company has no long-term debt.

1 **Q. Please summarize the operating results for the Lane-Scott Division for both actual**
2 **2010 and the Pro Forma Test Year.**

3 A. Schedule I-1 summarizes the operating results for the Lane-Scott Division on both an actual
4 and an adjusted basis for the test year. The actual operating margin was \$31,038 with the
5 adjusted operating margin at a loss of \$76,247.

6 **Q. Please summarize the increase Mid-Kansas is requesting for the Lane-Scott Division.**

7 A. The requested increase is \$510,915 which is an overall average increase of 13.34%.

8

9 **PART V - COST-OF-SERVICE ANALYSIS**

10 **Q. Have you performed a COS analysis?**

11 A. Yes, the COS analysis and supporting detail is found in Section L of Exhibit DSS-1.

12 **Q. What is the purpose behind performing a COS analysis?**

13 A. The primary purpose of a COS study is to determine the equitability or fairness of the rates
14 charged to each rate class. One of the fundamental premises of utility rate design is that
15 each rate class ought to pay for those costs that the utility incurs to provide service to that
16 class. These costs include not only operating and maintenance expenses but also the costs of
17 capital. The purpose of the COS study is to allocate the revenue, expenses and rate base
18 (investment) to all of the rate classes to determine the class rate of return. This class rate of
19 return is compared with the overall rate of return as a guide to allocate the revenue
20 requirement.

21 **Q. Do you believe that a COS analysis should be the sole criteria in designing rates?**

1 A. It should not be the sole criteria. The COS should be used as a guide. Other rate design
2 considerations include the impact of a rate change, continuity or gradual change of previous
3 rate signals, and the simplicity of a rate design.

4 **Q. Please describe the basic steps in performing a COS analysis.**

5 A. There are three major steps in preparing a COS. First, the utility's investments and costs are
6 functionalized or separated into generation, transmission and distribution related costs. Next
7 these costs are classified by demand-, energy- and customer-related costs. These costs are
8 then allocated to each rate class using various allocation factors appropriate for each type of
9 cost. For example, energy-related costs are allocated to the different rate classes based on
10 the pro rata amount of energy used by each class.

11 **Q. Please summarize the results of the COS study you performed for the Lane-Scott**
12 **Division.**

13 A. The summary of the COS study is shown on Schedule L-1. In general, the division shows a
14 negative 1.53% rate of return on rate base. The majority of the customers and sales are
15 found in the RS (residential), GSL (general service large) and GSS (general service small)
16 classes. These three classes make up over 90% of the customers and sales and have rates of
17 return of 0.19%, (0.18%) and (5.01%), respectively.

18

19

PART VI - RATE DESIGN

20 **Q. How should the results of a COS be applied?**

21 A. As I previously stated, the COS should be used as a guide in making changes to the revenue
22 of each class. For example, in order to bring each class in to line with the overall rate of
23 return, certain classes would see increases in excess of 50%. An abrupt 50% increase for a

1 customer's rate is inconsistent with the concept of gradualism and has too great an impact on
2 the customer. Recognizing that this class of customers should see an increase greater than
3 average, but not so much that it would create a hardship, I recommended to the Board that
4 they limit the increase on these classes to 15%. I further recommended that the two GSL
5 classes be increased a combined 12%. The balance of the increase was allocated to the
6 residential class. This resulted in an overall increase of 14.43% to the residential class.

7 **Q. The proposed schedules include a new rate schedule named Heat Pump Service. Please**
8 **explain this new rate schedule.**

9 A. Lane-Scott currently has a heat pump rate schedule available to members in the native
10 territory of the cooperative. The cooperative wishes to make a similar rate available to
11 members of the Lane-Scott Division. The schedule is applicable to members that
12 permanently install and use an electric heat pump as the major source of heating and cooling
13 of the residence.

14 **Q. What is the purpose of this rate?**

15 A. The purpose is to encourage members to choose a more efficient heating and cooling
16 system. An electric heat pump uses the outdoor air or earth as a source of heat during the
17 winter and a "sink" for heat in the summer. This is a more efficient use of resources which
18 allows the cooperative to serve these customers at a lower cost.

19 **Q. How was the rate determined?**

20 A. The proposed rate design is similar to the existing rate schedule for the native territory in
21 that the Lane-Scott Division would use a separate meter to sub-meter the heat pump use and
22 all energy delivered through the sub-meter is approximately three cents less than the
23 standard rate.

1 **Q. Have you prepared a comparison of the Present and Proposed Rates?**

2 A. Yes, Schedule Q-2 shows a comparison of the present and proposed rates.

3 **Q. Have you updated the ECA base to be used in calculating the future ECA factors?**

4 A. Yes, the new ECA base is calculated on Schedule I-5 and is \$0.071623 per kWh sold.

5 **Q. Have you prepared rate schedules reflecting the proposed changes discussed in your**
6 **testimony?**

7 A. Yes, Section R contains the present rate schedules, the present rate schedules with redlined
8 proposed changes and the proposed rate schedules.

9 **Q. Does this conclude your Direct Testimony for the Mid-Kansas Lane-Scott Division**
10 **rates?**

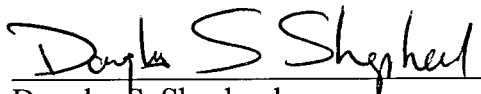
11 A. Yes.

VERIFICATION

STATE OF KANSAS)
) ss.
COUNTY OF SHAWNEE)

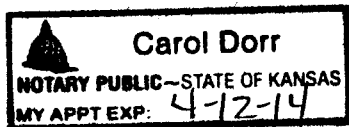
VERIFICATION

Douglas S. Shepherd, being duly sworn upon his oath deposes and says that he is Vice President of Management Consulting Services for Kansas Electric Cooperatives, Inc., that he has read and is familiar with the foregoing Direct Testimony, and that the statements contained therein are true and correct to the best of his knowledge, information and belief.



Douglas S. Shepherd
Vice President – Management Consulting Services
Kansas Electric Cooperatives, Inc.

Subscribed and sworn to before me this 1st day of August, 2012.





Notary Public

My Appointment Expires:

4-12-14

MID-KANSAS ELECTRIC COOPERATIVE – LANE-SCOTT DIVISION

EXHIBIT DSS-1

SECTION C

- C-1 Revenue Requirement
- C-2 Rate Base and Rate of Return
- C-2.1 Adjustments to Rate Base

SECTION D

- D-1 Summary of Year-End Plant Accounts

SECTION E

- E-1 Accumulated Provisions for Depreciation

SECTION F

- F-1 Cash Working Capital
- F-2 Thirteen Month Averages
- F-3 Lead-Lag Analysis

SECTION G

- G-1 Capital Structure and Rate-of-Return
- G-3 Cost of Equity

SECTION H

- H-1 Comparative Balance Sheet
- H-2 Comparative Income Statement
- H-3 Operating Revenue and Expenses by Account
- H-4 Summary of Purchased Power Costs

SECTION I

- I-1 Pro-Forma Income Statement
- I-1.1 Adjustments to Income Statement
- I-2 Annualization of kWh Sales
- I-3 Pro-Forma Revenue-Current Rates
- I-5 Calculation of ECA Revenues
- I-6 Annualization of Purchased Power Expense
- I-7 Calculation of Line-Loss

SECTION L

- L-1 Cost of Service Study Summary
- L-1.1 Cost of Service Study
- L-1.2 Allocation Factor Summary
- L-1.3 Allocation Factor Development
- L-1.4 Customer Charge Analysis
- L-2 Summary of Demand Allocation Factors
- L-3.1 Summary of Monthly NCP Demand Allocations
- L-3.2 Summary of Monthly CP Demand Allocations
- L-4 Calculation of Estimated Demand
- L-5 Average & Excess Demand Allocation Method
- L-6 Load Factor/Coincident Factor Demand Allocation Method
- L-7 Load Factor/Coincident Factor Conversion Table

SECTION P

Audited Financial Statements

SECTION Q

- Q-1 Rate Design
- Q-2 Comparison of Current and Proposed Rates by Class
- Q-3 Comparison of Monthly Bills

SECTION R

Present Rate Schedules
Present Rate Schedules with Redlined Proposed Changes
Proposed Rate Schedules

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

In the Matter of the Application of)
Mid-Kansas Electric Company, LLC for)
Approval to Make Certain Changes in its) Docket No. 12-MKEE-410-RTS
Charges for Electric Service in the)
Geographic Service Territory Served by)
Lane Scott Electric Cooperative, Inc.)

Section C – Revenue Requirement

Mid-Kansas Electric Company - Lane-Scott Division
 Revenue Requirement
 Test Year Ending - December 31, 2010

Line No.	Description	Test Year Actual	Proforma Adjustments	Adjusted Test Year
1	Rate Base	\$4,970,309	\$15,553	\$4,985,862 (1)
2	Rate of Return	<u>8.718%</u>		<u>8.718%</u> (2)
3	Required Operating Margins	\$433,312		\$434,667
4	Proforma Operating Margins	<u>\$31,038</u>	(\$107,285)	<u>(\$76,247)</u> (3)
5	Revenue Deficiency/(Surplus)	<u>\$402,274</u>		<u>\$510,915</u>

(1) Schedule C-2

(2) Schedule G-1

(3) Schedule I-1

Mid-Kansas Electric Company - Lane-Scott Division
Rate Base & Rate-of-Return
Test Year Ending - December 31, 2010

Line No.		Test Year Actual	Pro-Forma Adjustments	Adjusted Test Year	Rate Increase	Adj TY with Increase
1	Plant in Service (1)	\$9,932,138		\$9,932,138		\$9,932,138
2	Accumulated Depreciation (6)	5,544,472		5,544,472		5,544,472
3	Net Plant	\$4,387,666	\$0	\$4,387,666		\$4,387,666
4	Material & Supplies (2)	471,289		471,289		471,289
5	Prepayments (2)	16,101		16,101		16,101
6	Cash Working Capital (3)	95,253	\$15,553	110,806		110,806
7	CFC Investments (4)	0		0		0
8	KEC Investments (5)	0		0		0
9	RATE BASE	\$4,970,309	\$15,553	\$4,985,862	\$0	\$4,985,862
10	OPERATING REVENUES (7)	\$3,823,185	\$21,787	3,844,973	\$510,915	\$4,355,887
11	OPERATING EXPENSES (8)	3,792,147	129,072	3,921,220		3,921,220
12	MARGINS	\$31,038	(\$107,285)	(\$76,247)	\$510,915	\$434,667
13	RATE OF RETURN (9)	0.624%		-1.529%		8.718%

- (1) Schedule D-1, Page 2, Line 14
- (2) Schedule F-2
- (3) Schedule F-1, Line 14
- (4) Schedule C-3
- (5) Form 7
- (6) Schedule E-1, Line 5
- (7) Schedule I-1, Line 4
- (8) Schedule I-1, Line 16
- (9) Schedule G-1
- (10) Schedule I-1, Line 28

Mid-Kansas Electric Company - Lane-Scott Division
Adjustments to Rate Base
Test Year Ending - December 31, 2010

- 1 Adjustment to Cash Working Capital to reflect adjustments to total O&M expenses and purchased power on Schedule F-1

\$15,553

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Charges for Electric Service in the)
Geographic Service Territory Served by)
Lane Scott Electric Cooperative, Inc.)

Section D – Plant Investments by Functional Classification

Mid-Kansas Electric Company - Lane-Scott Division
Summary of Plant Accounts
Test Year Ending - December 31, 2010

Line No.	Acct. #		<u>12/31/08</u>	<u>12/31/09</u>	<u>12/31/10</u>	2009-2010 % Chg
		INTANGIBLE PLANT				
1	301	Organization	-	-	-	-
2	302	Franchises and Consents	-	-	-	-
3	303	Miscellaneous	-	-	-	-
4		TOTAL INTANGIBLE PLANT	-	-	-	-
		PRODUCTION PLANT				
5	340-6	Other Production Plant	-	-	-	-
6		TOTAL PRODUCTION PLANT	-	-	-	-
		TRANSMISSION PLANT				
7	350	Land and Land Rights	3,785	3,785	3,785	-
8	351	Clearing Right-of-Way	-	-	-	-
9	352	Structures and Improvements	29,361	29,361	29,361	-
10	353	Station Equipment	759,475	759,475	759,475	-
11	354	Towers and Fixtures	-	-	-	-
12	355	Poles, Towers & Fixtures	195,639	195,639	195,639	-
13	356	OH Conductors & Devices	320,914	320,914	320,914	-
14	357	Underground Conduit	-	-	-	-
15	358	Underground Conductors & Devices	-	-	-	-
16	359	Roads & Trails	-	-	-	-
17		TOTAL TRANSMISSION PLANT	\$1,309,175	\$1,309,175	\$1,309,175	-
		DISTRIBUTION PLANT				
18	360	Land & Rights	8,007	8,007	8,007	-
19	361	Structures and Improvements	8,372	8,372	8,372	-
20	362	Station Equipment	578,624	578,624	578,624	-
21	363	Storage Battery Equipment	-	-	-	-
22	364	Poles, Towers & Fixtures	2,977,470	3,000,003	3,033,849	1.13%
23	365	Overhead Conductors & Devices	3,389,779	3,399,307	3,443,295	1.29%
24	366	Underground Conduit	14,916	14,916	14,916	-
25	367	Underground Conductors & Devices	63,206	63,206	63,206	-
26	368	Line Transformers	123,138	123,138	119,506	(2.95%)
27	369	Services	441,000	453,873	457,983	0.91%
28	370	Meters	379,280	379,280	369,638	(2.54%)
29	371	Installation on Customer Premises	24,543	24,543	24,543	-
30	372	Leased Property	-	-	-	-
31	373	Street Light & Signal	140,954	140,954	140,954	-
32		TOTAL DISTRIBUTION PLANT	\$8,149,288	\$8,194,222	\$8,262,893	0.84%

Mid-Kansas Electric Company - Lane-Scott Division
Summary of Plant Accounts
Test Year Ending - December 31, 2010

Line No.	Acct. #		<u>12/31/08</u>	<u>12/31/09</u>	<u>12/31/10</u>	2009-2010 <u>% Chg</u>
		GENERAL PLANT				
1	389	Land & Rights	2,519	2,519	2,519	-
2	390	Structures & Improvements	44,887	44,887	44,887	-
3	391	Office Furniture & Equipment	32,303	32,303	32,303	-
4	392	Transportation Equipment	32,093	32,093	21,778	(32.14%)
5	393	Stores Equipment	-	-	-	-
6	394	Tools, Shop & Garage Equipment	18,654	18,654	18,654	-
7	395	Laboratory Equipment	11,239	11,239	11,239	-
8	396	Power Operated Equipment	210,022	210,022	210,022	-
9	397	Communications Equipment	17,774	18,573	18,573	-
10	398	Miscellaneous Equipment	97	97	97	-
11	399	Load Management	-	-	-	-
12		TOTAL GENERAL PLANT	<u>\$369,587</u>	<u>\$370,386</u>	<u>\$360,071</u>	<u>(2.78%)</u>
13	102-6	Unclassified Electric Plant in Service	-	-	-	-
14		TOTAL UTILITY PLANT IN SERVICE	<u>\$9,828,050</u>	<u>\$9,873,783</u>	<u>\$9,932,138</u>	<u>0.59%</u>
15	114	Plant Acquisition Adjustment	(2,994,049)	(2,994,049)	(2,937,808)	(1.88%)
16	107	Construction Work in Progress	2,722	(5,755)	75	(101.31%)
17		TOTAL UTILITY PLANT	<u>\$6,836,723</u>	<u>\$6,873,980</u>	<u>\$6,994,406</u>	<u>1.75%</u>

**BEFORE THE STATE CORPORATION COMMISSION
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Lane Scott Electric Cooperative, Inc.)

Section E – Accumulated Depreciation

Mid-Kansas Electric Company - Lane-Scott Division
 Accumulated Provisions for Depreciation
 Test Year Ending - December 31, 2010

Line No.	Acct. #		<u>12/31/08</u>	<u>12/31/09</u>	<u>12/31/10</u>	2009-2010 % Chg
		ACCUM. DEPR. OF PLANT IN SERV.				
1	108.5	Accum. Depr. of Transmission Plant	698,840	739,950	765,275	3.42%
2	108.6	Accum. Depr. of Distribution Plant	4,162,251	4,356,466	4,508,580	3.49%
3	108.7	Accum. Depr. of General Plant	242,119	258,628	270,617	4.64%
4	111.0	Accum. Amort. of Electric Utility Plant	-	-	-	-
5		TOTAL ACCUM. DEPR. OF PIS	\$5,103,210	\$5,355,044	\$5,544,472	3.54%
6	115.0	Accum. Amort. of Elect. Plant Acq.	(99,758)	(199,515)	(299,273)	50.00%
7	108.8	Retirement Work In Progress	0	0	(128)	#DIV/0!
8		TOTAL ACCUM. DEPR.	\$5,003,453	\$5,155,529	\$5,245,071	1.74%

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Section F – Working Capital

Mid-Kansas Electric Company - Lane-Scott Division
Cash Working Capital
Test Year Ending - December 31, 2010

Line No.	Description	Test Year Actual	Pro-Forma Adjustments	Adjusted Test Year
1	Total Operations and Maintenance Expenses (1)	\$3,792,147	\$129,072	\$3,921,220
2	Less: Purchased Power (2)	2,618,431	5,981	2,624,412
3	Expenses Requiring Working Capital	\$1,173,716	\$123,091	\$1,296,807
WORKING CAPITAL REQUIRED				
4	Forty-five day allowance (line 3 x 12.50%)	\$146,715	\$15,386	\$162,101
5	Purchased Power Lag (3) (line 2 x 2.78%)	72,792	166	72,959
6	Working Capital Required for Operation & Maintenance Expenses (line 4 + 5)	\$219,507	\$15,553	\$235,060
WORKING CAPITAL PROVIDED				
7	Accrued Property Tax (4)	\$70,683	\$0	\$70,683
8	Memberships (4)	0	0	0
9	Customer Deposits (4)	41,103	0	41,103
10	Withholding Taxes (4)	0	0	0
11	Accrued Vacation & Holidays (4)	12,467	0	12,467
12	Consumer Energy Prepayments (4)	0	0	0
13	Total Working Capital Provided	\$124,254	\$0	\$124,254
14	NET CASH WORKING CAPITAL REQUIRED (OR PROVIDED) (line 6 - 13)	\$95,253	\$15,553	\$110,806

- (1) Schedule I-1, Line 16
(2) Schedule I-1, Line 5
(3) Schedule F-3
(4) Schedule F-2

Mid-Kansas Electric Company - Lane-Scott Division
 Thirteen Month Averages
 Test Year Ending - December 31, 2010

	Material & Supplies 154	Prepayments 165.x	Consumer Energy Prepayments 253.x	Accrued Property Tax 236.1	Memberships 200.x	Customer Deposits 235	Withholding Taxes 241.x	Accrued Vac., Holidays & Sick Leave 242.3x
Dec-09	\$605,784	\$0	\$0	\$54,317	\$0	\$39,229	\$0	\$10,640
Jan-10	597,006	37,891	0	63,367	0	38,653	0	\$11,830
Feb-10	662,438	31,706	0	72,417	0	39,345	0	\$12,571
Mar-10	527,393	28,263	0	81,467	0	38,946	0	\$12,651
Apr-10	556,019	25,122	0	90,517	0	39,146	0	\$12,521
May-10	505,415	21,982	0	45,250	0	39,146	0	\$12,662
Jun-10	512,054	18,842	0	54,300	0	40,146	0	\$12,022
Jul-10	462,787	15,168	0	63,350	0	41,095	0	\$12,373
Aug-10	376,116	12,134	0	72,400	0	41,742	0	\$11,733
Sep-10	337,925	9,101	0	81,450	0	42,987	0	\$11,993
Oct-10	432,444	6,067	0	90,500	0	44,717	0	\$13,139
Nov-10	297,722	3,034	0	99,550	0	44,369	0	\$13,968
Dec-10	253,660	0	0	49,999	0	44,819	0	\$13,974
Total	\$6,126,763	\$209,309	\$0	\$918,884	\$0	\$534,340	\$0	\$162,077
13 Month Avg.	\$471,289	\$16,101	\$0	\$70,683	\$0	\$41,103	\$0	\$12,467

Material & Supplies - 154.0 Plant Materials & Supplies (estimate based on 75% of total system)

Prepayments - 165.12 Employee Group Insurance (estimate based on 47% of total system for 165.1 and 7% of total system for 165.11)

Accrued Vacation,
 Holidays & Sick Leave - 242.30 Accrued Employee Vacation (no accrual for holiday hours)

Mid-Kansas Electric Company - Lane-Scott Division
 Lead-Lag Analysis
 Test Year Ending - December 31, 2010

Line No.	REVENUE LAG	Meter Reading	Bill Due	Mid-point	Lag Days	% Revenue	Wtd Lag Days
1	Meter Reading	1	5 of 2nd month	15	50	100.0%	50.00
2	Revenue Lag					<u>100.0%</u>	<u>50.00</u>

Line No.	EXPENSE LEAD	Meter Reading	Bill Due	Mid-point	Lag Days	% Expense	Wtd Lead Days
3	Sunflower Purchases	30	25 of following month	15	40	100.00%	40.00
4	Expense Lead					<u>100.00%</u>	<u>40.00</u>

5	Revenue Lag Days	50.00					
6	Expense Lead Days	<u>40.00</u>					
7		<u>10.00</u>	Days				
8	% of 360 days =	<u>2.78%</u>					

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Section G – Capital Structure

Mid-Kansas Electric Company - Lane-Scott Division
 Capital Structure and Rate-of-Return
 Test Year Ending - December 31, 2010

Line No.	CAPITAL STRUCTURE	12/31/08	12/31/09	12/31/10
1	Equity (1)	(\$482,448)	(\$717,986)	(\$721,359)
2	less Memberships	0	0	0
3	Net Equity	(482,448)	(717,986)	(721,359)
4	Debt (2)	0	1,031,813	273,983
5	less EcoDevo	0	0	0
6	less RUS Grant	0	0	0
7	Net Debt	0	1,031,813	273,983
8	Total Capitalization	(\$482,448)	\$313,827	(\$447,376)
9	% Equity	100.000%	-228.784%	161.242%
10	% Debt	0.000%	328.784%	-61.242%
11	Total	100.00%	100.00%	100.00%

RATE-OF-RETURN

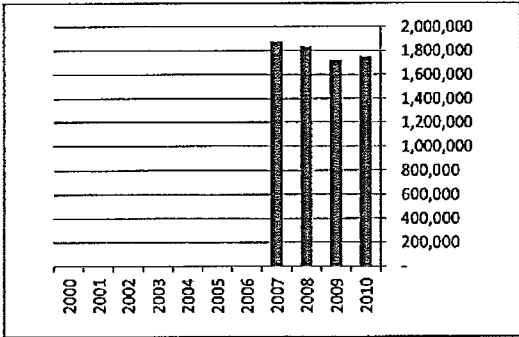
	Test Year	Pro-Forma Adjustment	Adjusted Capitalization	Percent	Cost of Capital	Rate of Return
12	Equity	(\$721,359)	(\$721,359)	100.000%	8.718% (3)	8.718%
13	Debt	273,983	(273,983)	(0)	0.000% (4)	0.000%
14	Total	(\$447,376)	(\$273,983)	(\$721,359)	100.00%	8.718%

- (1) Schedule H-1 (page 2, line 6)
 (2) Schedule H-1 (page 2, line 11)
 (3) Schedule G-3 (CFC Cost of Equity formula)
 (4) Schedule G-2

Mid-Kansas Electric Company - Lane-Scott Division
 Cost of Equity
 Test Year Ending - December 31, 2010

A. Rate of Growth
 Years Ending December 31st

Line No.	Year	Net Plant (1)	Years Compounded	Annual Compounded Growth	5-7 yr high	5-7 yr low
1	2010	1,749,335			0.00%	0.00%
2	2009	1,718,451	1	1.80%		
3	2008	1,833,270	2	-2.32%		
4	2007	1,874,244	3	-2.27%		
5	2006					
6	2005					
7	2004					
8	2003					
9	2002					
10	2001					
11	2000					
12						



C. Cost of Equity (CFC Formula)

	Variables	Values
19	Growth Rate	6.00%
20	Rotation Period	20
21	Cost of Equity	<u>8.718%</u>

$$Ke = \frac{[(1+g)^{(n+1)} - (1+g)^n]}{[(1+g)^n - 1]}$$

where:

Ke = Cost of Equity
 g = Anticipated Growth Rate
 n = Period of Capital Credit Rotation

(1) REA Form 7, Part C, Line 5

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**Section H – Comparative Balance Sheet; Comparative Income Statement;
Operating Revenue & Expenses by Account; Purchased Power**

Mid-Kansas Electric Company - Lane-Scott Division
Comparative Balance Sheet
Test Year Ending - December 31, 2010

Line No.		12/31/08	12/31/09	12/31/10	2009-2010 % Chg
<u>ASSETS</u>					
UTILITY PLANT					
1	Electric Plant	\$6,836,723	\$6,873,980	\$6,994,406	1.75%
	Less: Accumulated Provision				
2	for Depreciation & Amortization	(5,003,453)	(5,155,529)	(5,245,071)	1.74%
3	NET ELECTRIC PLANT	\$1,833,270	\$1,718,451	\$1,749,335	1.80%
OTHER PROPERTY AND INVESTMENTS					
4	Non-Utility Property-Net	-	-	-	-
5	Investments in Subsidiary Companies	-	-	-	-
6	Investments in Assoc. Org.	-	-	-	-
7	Investments in Economic Development Projects	-	-	-	-
8	Other Investments	-	-	-	-
9	Special Funds	-	-	-	-
10	TOTAL OTHER PROPERTY AND INVESTMENTS	\$0	\$0	\$0	-
CURRENT AND ACCRUED ASSETS					
11	Cash - General	(899,653)	(1,601,797)	(2,444,981)	52.64%
12	Cash - Const. Fund - Trustee	-	-	-	-
13	Special Deposits	-	-	-	-
14	Temporary Cash Investments	-	-	-	-
15	Notes Receivable-Net	-	-	-	-
16	Accounts Receivable-Net	576,426	574,863	598,901	4.18%
17	Materials & Supplies	-	-	-	-
18	Prepayments	-	-	-	-
19	Other Current & Accrued Assets	-	-	-	-
20	TOTAL CURRENT AND ACCRUED ASSETS	(\$323,227)	(\$1,026,934)	(\$1,846,080)	79.77%
21	DEFERRED DEBITS	-	-	-	-
22	TOTAL ASSETS & OTHER DEBITS	\$1,510,044	\$691,517	(\$96,745)	(113.99%)

Mid-Kansas Electric Company - Lane-Scott Division
Comparative Balance Sheet
Test Year Ending - December 31, 2010

Line No.	12/31/08	12/31/09	12/31/10	2009-2010 % Chg
<u>LIABILITIES & OTHER CREDITS</u>				
EQUITIES AND MARGINS				
1	-	-	-	-
2	-	-	-	-
3	(482,238)	(717,484)	(719,610)	0.30%
4	(502)	(502)	(2,041)	306.51%
5	293	-	293	-
6	<u>(\$482,448)</u>	<u>(\$717,986)</u>	<u>(\$721,359)</u>	<u>0.47%</u>
LONG-TERM DEBT				
7	-	-	-	-
8	-	-	-	-
9	-	1,031,813	273,983	(73.45%)
10	-	-	-	-
11	<u>\$0</u>	<u>\$1,031,813</u>	<u>\$273,983</u>	<u>(73.45%)</u>
CURRENT AND ACCRUED LIABILITIES				
12	-	-	-	-
13	1,461,818	-	-	-
14	390,760	245,871	212,295	(13.66%)
15	51,778	39,229	44,819	14.25%
16	88,134	92,590	93,518	1.00%
17	<u>\$1,992,491</u>	<u>\$377,690</u>	<u>\$350,632</u>	<u>(7.16%)</u>
18	-	-	-	-
19	-	-	-	-
20	<u>\$1,510,044</u>	<u>\$691,517</u>	<u>(\$96,745)</u>	<u>(113.99%)</u>

Mid-Kansas Electric Company - Lane-Scott Division
Comparative Income Statement
Test Year Ending - December 31, 2010

Line No.	Acct #		12/31/08	12/31/09	12/31/10	2009-2010 % Chg
1	400	OPERATING REVENUE	\$3,662,119	\$3,074,291	\$3,823,185	24.36%
		OPERATING EXPENSES				
2	401	Operation Expense	3,489,063	3,042,290	3,497,632	14.97%
3	402	Maintenance Expense	293,016	94,285	130,222	38.11%
4	403	Depreciation Expense	264,994	242,676	264,051	8.81%
5	404-407	Amortization Expense	(99,758)	(99,758)	(99,758)	-
6	408	Taxes	-	-	-	-
7		TOTAL OPERATING EXPENSES	\$3,947,315	\$3,279,494	\$3,792,147	15.63%
8		NET OPERATING REVENUE	(\$285,196)	(\$205,202)	\$31,038	(115.13%)
9	412-414	OTHER OPERATING INCOME	-	-	-	-
10		UTILITY OPERATING MARGIN	(\$285,196)	(\$205,202)	\$31,038	(115.13%)
		INCOME DEDUCTIONS				
11	425	Misc. Amortization	-	-	-	-
12	426	Misc. Income Deductions	4,507	4,153	4,635	11.58%
13	427	Interest on Long Term Debt	-	17,734	28,281	59.48%
14	427.4	Interest Charged to Construction - Credit	-	-	-	-
15	428	Amort. of Loan Expense	-	-	-	-
16	431	Other Interest Charges	31,919	8,156	248	(96.96%)
17		TOTAL INCOME DEDUCTIONS	\$36,426	\$30,043	\$33,164	10.39%
18		NET OPERATING MARGINS	(\$321,623)	(\$235,245)	(\$2,126)	(99.10%)
		NON-OPERATING INCOME				
19	415-416	Income from Mdse, Jobbing & Contract	-	-	(0)	-
20	417-424	Other Non-Operating Income	(31)	-	(1,539)	-
21	434-435	Net Extraordinary Items	-	-	-	-
22		TOTAL NON-OPERATING INCOME	(\$31)	\$0	(\$1,539)	-
23		PATRONAGE MARGINS	(\$321,653)	(\$235,245)	(\$3,665)	(98.44%)

Mid-Kansas Electric Company - Lane-Scott Division
Revenue and Expenses by Account
Test Year Ending - December 31, 2010

Line No.	Acct. #		12/31/08	12/31/09	12/31/10	2009-2010 % Chg
<u>OPERATING REVENUES</u>						
1	440-447	Sales of Electricity	\$3,646,202	\$3,060,499	\$3,807,796	24.42%
2	450-456	Other Operating Revenues	15,916	13,793	15,389	11.57%
3		TOTAL OPERATING REVENUES	<u>\$3,662,119</u>	<u>\$3,074,291</u>	<u>\$3,823,185</u>	<u>24.36%</u>
<u>OPERATING EXPENSES</u>						
<u>POWER COSTS</u>						
4	555	Purchased Power	<u>\$2,718,220</u>	<u>\$2,235,106</u>	<u>\$2,618,431</u>	<u>17.15%</u>
<u>TRANSMISSION-OPERATION</u>						
5	560	Operation Supervision & Engineering	-	-	-	-
6	561	Load Dispatching	-	-	1,185	-
7	562	Station Expenses	-	-	-	-
8	563	Overhead Line Expenses	-	-	228	-
9	564	Underground Line Expenses	-	-	-	-
10	565	Transmission of Electricity by Others	-	-	-	-
11	566	Miscellaneous Transmission Expenses	(60)	327	1,464	348.18%
12	567	Rents	-	-	-	-
13		TOTAL TRANSMISSION-OPERATION	<u>(\$60)</u>	<u>\$327</u>	<u>\$2,877</u>	<u>780.83%</u>
<u>TRANSMISSION-MAINTENANCE</u>						
14	568	Maintenance Supervision & Engineering	-	-	-	-
15	569	Maintenance of Structures	-	-	-	-
16	570	Maintenance of Station Equipment	-	-	-	-
17	571	Maintenance of Overhead Lines	-	-	9,577	-
18	572	Maintenance of Underground Lines	-	-	-	-
19	573	Maintenance of Misc. Trans. Plant	-	-	-	-
20		TOTAL TRANSMISSION-MAINTENANCE	<u>\$0</u>	<u>\$0</u>	<u>\$9,577</u>	<u>-</u>
21		TOTAL TRANSMISSION EXPENSES	<u>(\$60)</u>	<u>\$327</u>	<u>\$12,455</u>	<u>3712.46%</u>
<u>DISTRIBUTION - OPERATION</u>						
22	580	Operation Supervision & Engineering	8,960	9,537	14,751	54.66%
23	581	Load Dispatching	-	-	-	-
24	582	Station Expenses	4,090	5,091	4,693	(7.81%)
25	583	Overhead Line Expenses	125,824	116,821	113,863	(2.53%)
26	584	Underground Line Expenses	10,407	7,215	797	(88.96%)
27	585	Street Lighting & Signal System Exp.	21,405	19,123	30,781	60.96%
28	586	Meter Expenses	41,454	38,002	42,348	11.44%
29	587	Customer Installations Expenses	1,487	1,891	6,545	246.03%
30	588	Miscellaneous Distribution Expenses	36,473	28,803	48,668	68.97%
31	589	Rents	-	-	-	-
32		TOTAL DISTRIBUTION - OPERATION	<u>\$250,100</u>	<u>\$226,484</u>	<u>\$262,446</u>	<u>15.88%</u>

Mid-Kansas Electric Company - Lane-Scott Division
Revenue and Expenses by Account
Test Year Ending - December 31, 2010

Line No.	Acct. #		12/31/08	12/31/09	12/31/10	2009-2010 % Chg
DISTRIBUTION - MAINTENANCE						
1	590	Maintenance Supervision & Engineering	9,195	9,685	14,667	51.45%
2	591	Maintenance of Structures	-	-	-	-
3	592	Maintenance of Station Equipment	2,203	-	409	-
4	593	Maintenance of Overhead Lines	206,647	59,614	68,524	14.95%
5	594	Maintenance of Underground Lines	29,967	10,770	19,140	77.72%
6	595	Maintenance of Line Transformers	960	69	3,178	4537.37%
7	596	Maintenance of St. Ltg. & Signal Sys.	-	-	-	-
8	597	Maintenance of Meters	12,426	13	492	3603.39%
9	598	Maintenance of Misc. Distr. Plant	-	-	-	-
10		TOTAL DISTRIBUTION - MAINTENANCE	\$261,397	\$80,150	\$106,411	32.76%
11		TOTAL DISTRIBUTION EXPENSES	\$511,497	\$306,634	\$368,857	20.29%
CUSTOMER ACCOUNTS EXPENSES						
12	901	Supervision	-	-	-	-
13	902	Meter Reading Expenses	40,715	45,182	48,974	8.39%
14	903	Customer Records & Coll. Expenses	99,055	105,002	129,209	23.05%
15	904	Uncollectible Accounts	16,000	118	-	(100.00%)
16	905	Miscellaneous Cust. Accts. Expenses	-	-	-	-
17		TOTAL CUSTOMER ACCOUNTS EXP.	\$155,770	\$150,303	\$178,183	18.55%
CUSTOMER SERVICE & INFO EXPENSES						
18	907	Supervision	-	-	-	-
19	908	Customer Assistance Expenses	-	122	-	(100.00%)
20	909	Info & Instr Adv Expenses	8,414	10,027	10,521	4.92%
21	910	Misc Customer Serv and Info Expenses	-	320	-	-
22		TOTAL CUSTOMER SERVICE & INFO EXP.	\$8,414	\$10,469	\$10,521	0.49%
SALES EXPENSE						
23	911	Supervision	-	-	-	-
24	912	Demonstrating & Selling Expenses	-	113	23	(80.00%)
25	913	Advertising Expenses	-	-	-	-
26	914	Economic Development Expense	-	-	-	-
27	916	Miscellaneous Sales Expense	-	-	-	-
28		TOTAL SALES EXPENSE	\$0	\$113	\$23	(80.00%)

Mid-Kansas Electric Company - Lane-Scott Division
Revenue and Expenses by Account
Test Year Ending - December 31, 2010

Line No.	Acct. #		12/31/08	12/31/09	12/31/10	2009-2010 % Chg
ADMIN. AND GENERAL EXPENSES - OPERATION						
1	920	Administrative & General Salaries	163,564	173,188	232,000	33.96%
2	921	Office Supplies & Expenses	14,743	12,214	12,828	5.02%
3	922	Administrative Exp. Trans.-Credit	-	-	-	-
4	923	Outside Services Employed	13,857	79,669	22,633	(71.59%)
5	924	Property Insurance	-	-	-	-
6	925	Injuries & Damages	15,673	8,360	10,626	27.10%
7	926	Employee Pensions & Benefits	-	-	-	-
8	927	Franchise Requirements	-	-	-	-
9	928	Regulatory Commission Expenses	-	-	-	-
10	929	Duplicate Charges-Credit	(3,749)	(3,186)	(3,519)	10.44%
11	930.21	Director's Fees & Expense	46,458	50,014	55,360	10.69%
12	930.x	Miscellaneous	91,379	99,231	95,225	(4.04%)
13	931.0	Administrative Rents	14,694	-	-	-
14		TOTAL ADMIN. AND GEN. EXP. - OPER.	\$356,619	\$419,490	\$425,152	1.35%
ADMIN. AND GENERAL EXP. - MAINTENANCE						
15	932	Maintenance of General Plant	-	-	-	-
16	935	Maintenance of General Property	31,619	14,135	14,234	0.70%
17		TOTAL ADMIN. AND GEN. EXP. - MAINT.	\$31,619	\$14,135	\$14,234	0.70%
18		TOTAL ADMINISTRATIVE & GENERAL	\$388,238	\$433,625	\$439,386	1.33%
DEPRECIATION						
19	403.5	Depreciation-Transmission Plant	27,008	2,251	23,074	925.19%
20	403.6	Depreciation-Distribution Plant	228,888	231,335	231,934	0.26%
21	403.7	Depreciation-General Plant	9,098	9,090	9,043	(0.52%)
22		TOTAL DEPRECIATION	\$264,994	\$242,676	\$264,051	8.81%
AMORTIZATION						
23	404-407	Amortization Expense	(99,758)	(99,758)	(99,758)	-
TAXES						
24	408.1	Property Taxes	-	-	-	-
25	408.2-7	Other Taxes	-	-	-	-
26		TOTAL TAXES	-	-	-	-
27		TOTAL OPERATING EXPENSES	\$3,947,315	\$3,279,494	\$3,792,147	15.63%

Mid-Kansas Electric Company - Lane-Scott Division
Revenue and Expenses by Account
Test Year Ending - December 31, 2010

Line No.	Acct. #		12/31/08	12/31/09	12/31/10	2009-2010 % Chg
		OTHER OPERATING INCOME				
1	412	Revenues from Electric Plant	-	-	-	-
2	413	Expenses of Electric Plant	-	-	-	-
3		TOTAL OTHER OPERATING INCOME	-	-	-	-
		INCOME DEDUCTIONS				
4	425	Misc. Amortization	-	-	-	-
5	426	Misc. Income Deductions	4,507	4,153	4,635	11.58%
6	427	Interest on Long Term Debt	0	17,734	28,281	59.48%
7	427.4	Interest Charged to Construction - Credit	-	-	-	-
8	428	Amortization of Loan Expense	-	-	-	-
9	431	Other Interest Charges	31,919	8,156	248	(96.96%)
10		TOTAL INCOME DEDUCTIONS	36,426	30,043	33,164	10.39%
		NON-OPERATING INCOME				
11	415	Revenue from Mdse, Jobbing, & Contract	-	-	-	-
12	416	Expenses from Mdse, Jobbing, & Contract	-	-	(0)	-
13	417	Income from Nonutility Operations	-	-	-	-
14	418	Equity in Earnings	-	-	-	-
15	419	Interest & Dividend Income	-	-	-	-
16	421	Misc. Non-Operating Income	(31)	-	(1,539)	-
17	423	Generation & Transmission Capital Credits	-	-	-	-
18	424	Other Capital Credits	-	-	-	-
19		TOTAL NON-OPERATING INCOME	(\$31)	\$0	(\$1,539)	-
20		PATRONAGE MARGINS	(\$321,853)	(\$235,245)	(\$3,665)	(98.44%)

Mid-Kansas Electric Company - Lane-Scott Division
 Summary of Purchased Power Costs - Total System
 Test Year Ending - December 31, 2010

Billing Rates	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Total
MKEC Demand Charge	\$12.76	\$6.29	\$6.29	\$6.29	\$6.29	\$6.29	\$8.29	\$6.29	\$6.29	\$6.29	\$6.29	\$6.29	\$6.29
MKEC Energy Charge	\$0.042410	\$0.009898	\$0.009898	\$0.009898	\$0.009898	\$0.009898	\$0.009898	\$0.009898	\$0.009898	\$0.009898	\$0.009898	\$0.009898	\$0.009898
MKEC ECA Charge		\$0.035170	\$0.035180	\$0.033050	\$0.031400	\$0.037220	\$0.043220	\$0.043950	\$0.036020	\$0.036180	\$0.034540	\$0.038220	
OATT Charge	\$0.006360												
NITS ATRR		\$0.012556	\$0.012556	\$0.012556	\$0.012556	\$0.012556	\$0.012556	\$0.012556	\$0.012556	\$0.012556	\$0.012556	\$0.012556	\$0.012556
Schedule 1		\$0.011900	\$0.011900	\$0.010500	\$0.012700	\$0.013800	\$0.013400	\$0.012900	\$0.013600	\$0.012900	\$0.012100	\$0.012100	
Billing Units													
Wholesale Energy	3,434,290	2,985,686	2,973,272	2,567,051	2,807,407	3,906,701	4,462,110	4,355,317	3,477,768	2,978,585	2,984,389	3,358,025	40,290,601
CP Demand	5,627	5,113	4,866	4,546	6,350	9,049	9,128	9,208	7,950	5,963	5,278	5,011	78,089
Transmission CP		5,188	4,828	4,088	6,350	8,903	9,090	8,993	7,950	5,963	5,183	5,299	71,835
MKEC Transmission Peak		434,550	407,164	388,588	500,069	647,273	680,378	697,645	583,894	460,571	429,949	436,877	5,666,956
NITS ATRR		1,261,870	1,261,870	1,261,870	1,261,870	1,261,870	1,261,870	1,261,870	1,261,870	1,261,870	1,261,870	1,261,870	13,880,570
Schedule 1		41,671	41,671	41,671	41,671	41,671	41,671	41,671	41,671	41,671	41,671	41,671	458,381
Demand Cost	\$71,800.52	\$32,180.77	\$30,607.14	\$28,594.34	\$39,941.50	\$56,918.21	\$57,415.12	\$57,918.32	\$50,005.50	\$37,507.27	\$33,198.62	\$31,519.19	\$527,586.50
Energy Costs													
Energy	\$145,648.24	\$29,546.35	\$29,423.50	\$25,403.54	\$27,782.10	\$38,660.71	\$44,157.04	\$43,100.22	\$34,415.99	\$29,476.08	\$29,533.51	\$33,231.02	\$510,378.29
ECA		\$105,006.58	\$104,599.71	\$84,841.04	\$88,152.58	\$145,407.41	\$192,852.39	\$191,416.18	\$125,269.20	\$113,722.38	\$103,080.80	\$128,343.72	\$1,382,691.98
Total Energy Cost	\$145,648.24	\$134,552.93	\$134,023.21	\$110,244.57	\$115,934.68	\$184,068.12	\$237,009.43	\$234,516.40	\$159,685.20	\$143,198.45	\$132,614.31	\$161,574.73	\$1,893,070.27
Member OATT-09													
NITS ATRR	\$21,842.08	\$15,844.04	\$15,844.04	\$15,844.04	\$15,844.04	\$15,844.04	\$15,844.04	\$15,844.04	\$15,844.04	\$15,844.04	\$15,844.04	\$15,844.04	\$196,126.52
Schedule 1		\$495.88	\$495.88	\$437.55	\$529.22	\$575.06	\$558.39	\$537.56	\$566.73	\$537.56	\$504.22	\$504.22	\$5,742.26
Total Transmission Cost	\$21,842.08	\$16,339.92	\$16,339.92	\$16,281.59	\$16,373.26	\$16,419.10	\$16,402.43	\$16,381.60	\$16,410.77	\$16,381.60	\$16,348.26	\$16,348.26	\$201,868.79
Total Power Cost	\$239,290.84	\$183,053.62	\$180,970.27	\$155,120.50	\$172,249.44	\$257,405.43	\$310,826.99	\$308,816.31	\$226,101.46	\$197,087.32	\$182,161.19	\$209,442.18	\$2,622,525.56
per kWh	\$0.069677	\$0.061310	\$0.060866	\$0.060428	\$0.061355	\$0.065888	\$0.069659	\$0.070906	\$0.065013	\$0.066168	\$0.061038	\$0.062371	\$0.065090
Misc Charges/Credits													
Demand Charge		(4.094)											(4.094)
Grand Total	\$239,290.84	\$178,959.68	\$180,970.27	\$155,120.50	\$172,249.44	\$257,405.43	\$310,826.99	\$308,816.31	\$226,101.46	\$197,087.32	\$182,161.19	\$209,442.18	\$2,618,431.62

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

In the Matter of the Application of)
Mid-Kansas Electric Company, LLC for)
Approval to Make Certain Changes in its) Docket No. 12-MKEE-410-RTS
Charges for Electric Service in the)
Geographic Service Territory Served by)
Lane Scott Electric Cooperative, Inc.)

Section I – Statement of Operations

Mid-Kansas Electric Company - Lane-Scott Division
 Pro Forma Income Statement
 Test Year Ending - December 31, 2010

Line No.	Acct. #	(a) Actual Test Year	(b) Pro-Forma Adjustments	(c) Adjusted Test Year	(d) Rate Increase	(e) Adj. TY with Increase
OPERATING REVENUE						
1		\$3,807,796	21,787	\$3,829,584	\$510,915	\$4,340,498
2		15,389		15,389		15,389
3				0		0
4		<u>3,823,185</u>	<u>21,787</u>	<u>3,844,973</u>	<u>510,915</u>	<u>4,355,887</u>
OPERATING EXPENSES						
5	555	2,618,431	5,981	2,624,412		2,624,412
6	560-573	12,455		12,455		12,455
7	580-589	262,446		262,446		262,446
8	590-598	106,411		106,411		106,411
9	901-905	178,183		178,183		178,183
10	907-916	10,543		10,543		10,543
11	920-935	439,386	23,333	462,719		462,719
12	403.X	264,051		264,051		264,051
13	404-407	(99,758)	99,758	0		0
14	408.1	0		0		0
15	408.2-7	0		0		0
16		<u>3,792,147</u>	<u>129,072</u>	<u>3,921,220</u>	<u>0</u>	<u>3,921,220</u>
17		31,038	(107,285)	(76,247)	510,915	434,667
INTEREST EXPENSES						
18	427	28,281	(28,281)	0		0
19	427.4	0		0		0
20	431	248		248		248
21	425/6/8	4,635	(99,758)	(95,123)		(95,123)
22		<u>33,164</u>	<u>(128,039)</u>	<u>(94,875)</u>	<u>0</u>	<u>(94,875)</u>
23		(2,126)	20,754	18,628	510,915	529,542
NON-OPERATING MARGINS						
24	419	0		0		0
25	415,418,418,421	(1,539)		(1,539)		(1,539)
26	424	0		0		0
27		<u>(1,539)</u>	<u>0</u>	<u>(1,539)</u>	<u>0</u>	<u>(1,539)</u>
28		<u>(\$3,665)</u>	<u>\$20,754</u>	<u>\$17,089</u>	<u>\$510,915</u>	<u>\$528,003</u>

Mid-Kansas Electric Company - Lane-Scott Division
Pro Forma Adjustments
Test Year Ending - December 31, 2010

1 Adjustment to Sales of Electricity from annualization of sales:		
Annualized Pro Forma Sales	\$3,829,584	Schedule I-3
Actual Test Year Sales	<u>3,807,796</u>	Schedule H-3
Adjustment	<u>\$21,787</u>	
2 Adjustment to 555-Purchased Power Expense from annualization of sales:		
Annualized Pro Forma Purchased Power Expense	\$2,624,412	Schedule I-6
Actual Test Year Purchased Power Expense	<u>2,618,431</u>	Schedule H-3
Adjustment	<u>\$5,981</u>	
3 Adjustment to reflect rate case expense	\$70,000	
Amortized over three years	<u>3</u>	
Adjustment	<u>\$23,333</u>	
4 Adjustment to remove Amortization of Acquisition Adjustment from Operating Expenses to below the line		
Pro Forma Amortization of Acquisition Adjustment	\$0	
Actual Test Year Amortization of Acquisition Adjustment	<u>(\$99,758)</u>	
Adjustment	<u>\$99,758</u>	
5 Adjustment to remove Interest on Long-Term Debt		
Pro Forma Interest on Long-Term Debt	\$0	
Actual Test Year Interest on Long-Term Debt	<u>\$28,281</u>	
Adjustment	<u>(\$28,281)</u>	

Rate Class	Description	Adjusted Test Year kWh	Annualized kWh	Difference Amount	Difference Percent
09-RS	Residential Service-General	14,197,896	14,169,548	-28,348	-0.2%
09-RS	Residential Service-Space Heat	314,864	314,864	0	0.0%
09-GSS	General Service Small	5,298,095	5,365,705	67,610	1.3%
09-GSL	General Service Large	15,188,136	15,138,586	-49,550	-0.3%
09-Rider No. 1	General Service-Space Heating	511,286	511,286	0	0.0%
09-M-I	Municipal Service	5,007	5,007	0	0.0%
09-WP	Water Pumping, Municipal	394,860	381,673	-13,187	-3.3%
09-IP-I	Irrigation Service	47,637	47,503	-134	-0.3%
PAL	Street/Security Lighting	657,877	707,832	49,955	7.6%
	Total Sales	<u>36,615,658</u>	<u>36,642,003</u>	<u>26,345</u>	<u>0.1%</u>
Summer	July-October	14,803,485	14,771,630	-31,855	-0.2%
Winter	November-June	21,812,173	21,870,374	<u>58,201</u>	<u>0.3%</u>
	Total Sales	<u>36,615,658</u>	<u>36,642,003</u>	<u>26,345</u>	<u>0.1%</u>

Mid-Kansas Electric Company - Lane-Scott Division
Annualization of kWh Sales
Test Year Ending December 31, 2010

Description: Residential Service-General
Tariff: 09-RS
Billing code(s): KSK01, KSK07

Month	Test Year						Annualized					
	# Cust	kWh Sales	NCP Actual	NCP Billed	CP Actual	CP Billed	# Cust	kWh Sales	NCP Actual	NCP Billed	CP Actual	CP Billed
Jan-10	1,483	1,034,766					1,476	1,029,882				
Feb-10	1,485	996,249					1,476	990,211				
Mar-10	1,487	981,911					1,476	974,647				
Apr-10	1,482	726,794					1,476	723,852				
May-10	1,478	957,094					1,476	955,799				
Jun-10	1,480	1,630,126					1,476	1,625,720				
Jul-10	1,481	1,993,809					1,476	1,987,078				
Aug-10	1,475	1,739,714					1,476	1,740,893				
Sep-10	1,476	1,167,195					1,476	1,167,195				
Oct-10	1,471	772,016					1,476	774,640				
Nov-10	1,474	1,038,351					1,476	1,039,760				
Dec-10	1,476	1,159,871					1,476	1,159,871				
Total	17,748	14,197,896						14,169,548				

Summer (Jun-Sep)	6,530,844	6,520,886
Winter (Oct-May)	7,667,052	7,648,662
Total	14,197,896	14,169,548

Mid-Kansas Electric Company - Lane-Scott Division
Annualization of kWh Sales
Test Year Ending December 31, 2010

Description: Residential Service-Space Heat
Tariff: 09-RS
Billing code(s): KSK16, KS870

Month	Test Year						Annualized					
	# Cust	kWh Sales	NCP Actual	NCP Billed	CP Actual	CP Billed	# Cust	kWh Sales	NCP Actual	NCP Billed	CP Actual	CP Billed
Jan-10	36	36,281					36	36,281				
Feb-10	36	35,345					36	35,345				
Mar-10	36	25,027					36	25,027				
Apr-10	36	15,921					36	15,921				
May-10	36	18,145					36	18,145				
Jun-10	36	24,028					36	24,028				
Jul-10	36	32,510					36	32,510				
Aug-10	36	27,432					36	27,432				
Sep-10	36	18,526					36	18,526				
Oct-10	36	15,496					36	15,496				
Nov-10	36	29,337					36	29,337				
Dec-10	36	36,816					36	36,816				
Total	432	314,864						314,864				

Summer (Jun-Sep)	102,496	102,496
Winter (Oct-May)	<u>212,368</u>	<u>212,368</u>
Total	<u>314,864</u>	<u>314,864</u>

Mid-Kansas Electric Company - Lane-Scott Division
Annualization of kWh Sales
Test Year Ending December 31, 2010

Description: General Service Small
Tariff: 09-GSS
Billing code(s): KSK13, KSK24

Month	Test Year						Annualized					
	# Cust	kWh Sales	NCP Actual	NCP Billed	CP Actual	CP Billed	# Cust	kWh Sales	NCP Actual	NCP Billed	CP Actual	CP Billed
Jan-10	674	458,473					694	472,078				
Feb-10	685	437,381					694	443,128				
Mar-10	683	458,121					694	465,499				
Apr-10	684	368,110					694	373,492				
May-10	682	390,296					694	397,163				
Jun-10	680	476,985					694	486,805				
Jul-10	680	489,418					694	499,494				
Aug-10	684	485,046					694	492,137				
Sep-10	689	411,751					694	414,739				
Oct-10	694	375,379					694	375,379				
Nov-10	696	467,835					694	466,491				
Dec-10	694	479,300					694	479,300				
Total	8,225	5,298,095						5,365,705				

Summer (Jun-Sep)	1,863,200	1,893,176
Winter (Oct-May)	3,434,895	3,472,529
Total	5,298,095	5,365,705

Mid-Kansas Electric Company - Lane-Scott Division
Annualization of kWh Sales
Test Year Ending December 31, 2010

Description: General Service Large
Tariff: 09-GSL
Billing code(s): KSK14, KSK25

Month	Test Year						Annualized					
	# Cust	kWh Sales	NCP Actual	NCP Billed	CP Actual	CP Billed	# Cust	kWh Sales	NCP Actual	NCP Billed	CP Actual	CP Billed
Jan-10	204	1,127,761	4,255	2,591			200	1,105,648	4,171	2,540		
Feb-10	195	1,108,724	3,991	2,407			200	1,137,153	4,094	2,468		
Mar-10	195	1,241,883	3,908	2,327			200	1,273,726	4,008	2,386		
Apr-10	200	1,054,777	4,058	2,451			200	1,054,777	4,058	2,451		
May-10	202	1,092,173	4,371	2,706			200	1,081,359	4,328	2,679		
Jun-10	202	1,375,508	5,256	3,554			200	1,361,889	5,204	3,519		
Jul-10	203	1,409,028	5,286	3,581			200	1,388,205	5,208	3,528		
Aug-10	202	1,529,703	5,398	3,699			200	1,514,557	5,344	3,662		
Sep-10	202	1,453,715	5,212	3,553			200	1,439,322	5,160	3,518		
Oct-10	201	1,261,392	4,869	3,235			200	1,255,116	4,844	3,219		
Nov-10	201	1,334,501	4,450	2,840			200	1,327,862	4,428	2,826		
Dec-10	<u>200</u>	<u>1,198,971</u>	<u>4,022</u>	<u>2,432</u>			200	<u>1,198,971</u>	<u>4,022</u>	<u>2,432</u>		
Total	<u>2,407</u>	<u>15,188,136</u>	<u>55,076</u>	<u>35,376</u>				<u>15,138,586</u>	<u>54,870</u>	<u>35,229</u>		

Summer (Jun-Sep)	5,767,954	5,703,973	14,227
Winter (Oct-May)	9,420,182	9,434,613	21,002
Total	<u>15,188,136</u>	<u>15,138,586</u>	<u>35,229</u>

Mid-Kansas Electric Company - Lane-Scott Division
Annualization of kWh Sales
Test Year Ending December 31, 2010

Description: General Service-Space Heating
Tariff: 09-Rider No. 1
Billing code(s): KSK21, KSK23, KS725

Month	Test Year						Annualized					
	# Cust	kWh Sales	NCP Actual	NCP Billed	CP Actual	CP Billed	# Cust	kWh Sales	NCP Actual	NCP Billed	CP Actual	CP Billed
Jan-10	8	52,445	165	102			8	52,445	165	102		
Feb-10	8	51,552	155	94			8	51,552	155	94		
Mar-10	8	43,152	120	63			8	43,152	120	63		
Apr-10	8	29,302	108	49			8	29,302	108	49		
May-10	8	32,265	109	55			8	32,265	109	55		
Jun-10	8	45,313	115	62			8	45,313	115	62		
Jul-10	8	50,554	136	76			8	50,554	136	76		
Aug-10	8	44,718	116	58			8	44,718	116	58		
Sep-10	8	32,909	97	43			8	32,909	97	43		
Oct-10	8	31,324	83	33			8	31,324	83	33		
Nov-10	8	44,167	114	63			8	44,167	114	63		
Dec-10	8	53,585	137	75			8	53,585	137	75		
Total	96	511,286	1,456	774				511,286	1,456	774		

Summer (Jun-Sep)	173,494	173,494	240
Winter (Oct-May)	337,792	337,792	534
Total	511,286	511,286	774

Mid-Kansas Electric Company - Lane-Scott Division
Annualization of kWh Sales
Test Year Ending December 31, 2010

Description: Municipal Service
Tariff: 09-M-I
Billing code(s): KSK62

Month	Test Year				Annualized							
	# Cust	kWh Sales	NCP Actual	NCP Billed	CP Actual	CP Billed	# Cust	kWh Sales	NCP Actual	NCP Billed	CP Actual	CP Billed
Jan-10	7	14					7	14				
Feb-10	7	9					7	9				
Mar-10	7	24					7	24				
Apr-10	7	265					7	265				
May-10	7	186					7	186				
Jun-10	7	306					7	306				
Jul-10	7	811					7	811				
Aug-10	7	636					7	636				
Sep-10	7	824					7	824				
Oct-10	7	1,667					7	1,667				
Nov-10	7	247					7	247				
Dec-10	7	18					7	18				
Total	84	5,007						5,007				

Summer (Jun-Sep)	2,577	2,577
Winter (Oct-May)	<u>2,430</u>	<u>2,430</u>
Total	<u>5,007</u>	<u>5,007</u>

Mid-Kansas Electric Company - Lane-Scott Division
Annualization of kWh Sales
Test Year Ending December 31, 2010

Description: Water Pumping, Municipal
Tariff: 09-WP
Billing code(s): KSK49

Month	Test Year						Annualized					
	# Cust	kWh Sales	NCP Actual	NCP Billed	CP Actual	CP Billed	# Cust	kWh Sales	NCP Actual	NCP Billed	CP Actual	CP Billed
Jan-10	22	54,789					21	52,299				
Feb-10	22	51,086					21	48,764				
Mar-10	22	43,427					21	41,453				
Apr-10	22	15,679					21	14,966				
May-10	22	18,912					21	18,052				
Jun-10	22	28,200					21	26,918				
Jul-10	22	28,223					21	26,940				
Aug-10	22	27,487					21	26,238				
Sep-10	22	22,321					21	21,306				
Oct-10	21	21,958					21	21,958				
Nov-10	21	36,611					21	36,611				
Dec-10	21	46,167					21	46,167				
Total	261	394,860						381,673				

Summer (Jun-Sep)	106,231	101,402
Winter (Oct-May)	288,629	280,270
Total	394,860	381,673

Mid-Kansas Electric Company - Lane-Scott Division
Annualization of kWh Sales
Test Year Ending December 31, 2010

Description: Irrigation Service
Tariff: 09-IP-I
Billing code(s): KSK54

Month	Test Year						Annualized					
	# Cust	kWh Sales	NCP Actual	NCP Billed	CP Actual	CP Billed	# Cust	kWh Sales	NCP Actual	NCP Billed	CP Actual	CP Billed
Jan-10	12	765					10	638				
Feb-10	12	26					10	22				
Mar-10	12	13					10	11				
Apr-10	10	3,660					10	3,660				
May-10	10	1,772					10	1,772				
Jun-10	10	2,095					10	2,095				
Jul-10	10	19,334					10	19,334				
Aug-10	10	16,070					10	16,070				
Sep-10	10	182					10	182				
Oct-10	10	3,487					10	3,487				
Nov-10	10	146					10	146				
Dec-10	<u>10</u>	<u>87</u>					10	<u>87</u>				
Total	<u>126</u>	<u>47,637</u>						<u>47,503</u>				

Summer (Jun-Sep)	37,681	37,681
Winter (Oct-May)	<u>9,956</u>	<u>9,822</u>
Total	<u>47,637</u>	<u>47,503</u>

Mid-Kansas Electric Company - Lane-Scott Division
Annualization of kWh Sales
Test Year Ending December 31, 2010

Description: Street/Security Lighting
Tariff: PAL
Billing code(s): LT

Month	Test Year						Annualized					
	# Cust	kWh Sales	NCP Actual	NCP Billed	CP Actual	CP Billed	# Cust	kWh Sales	NCP Actual	NCP Billed	CP Actual	CP Billed
Jan-10	927	54,974					931	58,986				
Feb-10	927	54,965					931	58,986				
Mar-10	926	54,950					931	58,986				
Apr-10	927	54,938					931	58,986				
May-10	925	54,883					931	58,986				
Jun-10	930	54,992					931	58,986				
Jul-10	929	54,801					931	58,986				
Aug-10	927	54,502					931	58,986				
Sep-10	930	54,713					931	58,986				
Oct-10	934	54,761					931	58,986				
Nov-10	932	54,711					931	58,986				
Dec-10	931	54,687					931	58,986				
Total	11,145	657,877						707,832				

Summer (Jun-Sep)	219,008	235,944
Winter (Oct-May)	438,869	471,888
Total	657,877	707,832

	Customer			Demand			Energy				ECA Revenue (\$0.00322)	Total Rate Revenues	Total kWh	
	No. of Meters	\$/mo.	Customer Revenues	Annual kW or HP	\$/kW or HP	Demand Revenues	Summer		Winter					Energy Revenues
							kWh	\$/kWh	kWh	\$/kWh				
1 09-RS Residential Service-General (KSK01, KSK07)	1,476	10.00	177,120				6,520,886	0.10654	7,648,662	0.09654	1,433,137	-45,568	1,564,689	14,169,548
2 09-RS Residential Service-Space Heating (KSK16, KS870)	36	10.00	4,320				102,496	0.10654			29,512	-1,013	32,820	314,864
3 First 800 kWh									145,383	0.09654				
4 801-5800 kWh									66,985	0.06803				
5 Excess									0	0.09654				
6 09-GSS (KSK13, KSK24)	694	13.00	108,264				1,893,176	0.09518	3,472,529	0.08518	475,983	-17,256	566,991	5,365,705
7 09-GSL (KSK14, KSK25)	200	34.00	81,600			287,389	5,703,973	0.07696	9,434,613	0.07696	1,165,066	-48,685	1,485,369	15,138,586
8 Summer (over 9 kW)				14,227	9.35									
9 Winter (over 9 kW)				21,002	7.35									
10 09-Rider No. 1 (KSK21, KSK23, KS725)	8	34.00	3,264			6,166	173,494	0.07696	330,642	0.07696	39,273	-1,644	47,059	511,286
11 Summer (over 9 kW)				240	9.35				7,150	0.06640				
12 Winter (over 9 kW)				534	7.35									
13 09-M-I Municipal Service (KSK62)	7	11.95	1,004				2,577	0.10218	2,430	0.09218	487	-16	1,475	5,007
14 09-WP (KSK49)	21	17.50	4,410				101,402	0.10998	280,270	0.09998	39,174	-1,227	42,356	381,673
15 09-IP-I (KSK54)	10			145	34.00	4,930	37,681	0.08014	9,822	0.07014	3,709	-153	8,486	47,503

No. of Meters	Customer		Demand			Energy				ECA Revenue (\$0.00322)	Total Rate Revenues	Total kWh	
	\$/mo.	Customer Revenues	Annual kW or HP	\$/kW or HP	Demand Revenues	Summer		Winter					Energy Revenues
						kWh	\$/kWh	kWh	\$/kWh				
16	LT-Street/Security Lighting												
			82,616			235,944		471,888		0	-2,276	80,339	707,832
	Private Area Light - Existing Pole												
17	100W	80	7.19										
18	150W	2	11.60										
19	200W	1	12.48										
	Private Area Light - New Pole												
20	100W	5	13.20										
21	150W	1	13.98										
	Flood Light - Existing Pole												
22	150W	4	14.24										
23	400W	3	23.86										
24	1000W MH - Option A	1	27.60										
25	1000W MH - Option E	6	8.30										
	Flood Light - New Pole												
26	400W	3	26.02										
	Street Light - Existing Pole												
27	100W	50	8.18										
28	150W	1	9.07										
29	200W	16	10.87										
	Street Light - New Pole												
30	100W	2	1.99										
	Frozen Charges - HPS												
31	100W Single Globe - Option C	1	13.91										
32	100W Single Globe - Option D	1	8.47										
33	100W - Option A	260	7.30										
34	150W - Option A	12	12.71										
35	175W - Option A	65	6.42										
36	200W - Option A	12	9.70										
37	400W - Option A	2	21.29										
	Frozen Charges - MV												
38	175W - Option A	3	7.30										
39	175W - Option A	157	6.88										
40	175W - Option A	121	6.42										
41	400W - Option A	57	9.70										
42	400W - Option A	4	11.14										
	Frozen Charges - Flood												
43	400W - Option A	5	12.71										
44	1000W - Option A	1	21.29										
	Frozen Charges - Incandescent												
45	100W - Option A	5	2.66										
46	Extra Pole	34	1.42										
47	Ornamental Metal PL	15	2.38										
48	Special Light Contract	1	6.18										
49	Total Revenues		<u>\$462,598</u>			<u>\$298,485</u>		<u>\$3,186,340</u>	<u>-\$117,838</u>		<u>\$3,829,584</u>		
50	Total Energy					<u>14,771,630</u>		<u>21,870,374</u>					<u>36,642,003</u>

Mid-Kansas Electric Company - Lane-Scott Division
Calculation of ECA Revenues
Test Year Ending - December 31, 2010

1	Pro Forma Purchased Power Expense	\$2,624,412	(1)
2	Pro Forma Sales, kWh	36,642,003	(2)
3	Average Cost of Wholesale Energy	\$0.07162	(3)
4	Retail ECA Base	<u>\$0.07484</u>	(4)
5	Over (under) Base	(\$0.00322)	

- (1) Schedule I-6
- (2) Schedule I-2 Annualized
- (3) Line 1 / Line 2
- (4) Rate Schedule - Energy Cost Adjustment

Mid-Kansas Electric Company - Lane-Scott Division
 Annualization of Purchased Power Expense
 Test Year Ending - December 31, 2010

	Adjusted	
	Test Year	Annualized
1 Sales	36,615,658	36,642,003 (1)
2 less no loss sales		
3 Net Sales	<u>36,615,658</u>	<u>36,642,003</u>
4 Change, kWh		26,345
5 Change, %		0.07195%
6 Line Loss Factor		1.10021 (2)
7 Annualized Net Purchases (excl. no loss sales), kWh		40,314,065

	Power Costs (System less no loss sales)	Test Year (3)	Adj. (4)	Pro-Forma
8 CP Demand		\$527,587	380	\$527,966
9 CP Excess Demand			0	\$0
10 Transmission		201,869	145	\$202,014
11 Energy		510,378	367	\$510,746
12 Energy Cost Adjustments		1,382,692	995	\$1,383,687
13 Grand Total Purchased Power Costs		<u>\$2,622,526</u>	<u>\$1,887</u>	<u>\$2,624,412</u>
14 Avg Cost of Power, \$/kWh				0.06510

(1) Schedule I-2 Annualized

(2) Schedule I-7, Line 5

(3) Schedule H-4

(4) Volumetric charges increased by percentage change in kWh sales

Mid-Kansas Electric Company - Lane-Scott Division
 Calculation of Line Loss
 Year Ending December 31, 2010

1	Total Purchases, kWh	40,290,601	(1)
2	less no loss purchases	<u>0</u>	
3	Net Purchases, kWh	40,290,601	
4	Total Sales, kWh	36,620,677	(2)
5	less no loss sales	<u>0</u>	
6	Net Sales, kWh	36,620,677	
7	Total System	Line Loss, %	Line Loss Factor
		9.11%	1.10021

(1) Schedule H-4

(2) Sales summary less Rate KS899-Company Use (Matches Form 7)

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

In the Matter of the Application of)
Mid-Kansas Electric Company, LLC for)
Approval to Make Certain Changes in its) Docket No. 12-MKEE-410-RTS
Charges for Electric Service in the)
Geographic Service Territory Served by)
Lane Scott Electric Cooperative, Inc.)

Section L – Cost of Service Analysis

Mid-Kansas Electric Company - Lane-Scott Division
 Cost of Service Study Summary
 Test Year Ending-December 31, 2010

	TOTAL DOLLARS	RS	RS-H	GSS	GSL	GSL-Rider	MI	WP	I	PAL	PROOF
<u>COST OF SERVICE SUMMARY</u>											
1 RATE BASE	4,985,861	2,000,182	46,271	669,555	1,973,844	63,322	3,787	59,761	33,794	135,345	0
2 OPERATING REVENUES	3,844,973	1,570,966	32,951	569,268	1,491,350	47,249	1,481	42,526	8,520	80,662	0
3 PURCHASED POWER EXPENSE	2,624,412	981,463	22,861	375,705	1,132,220	35,620	386	27,622	4,308	44,227	0
4 GROSS MARGIN	1,220,560	589,503	10,091	193,563	359,130	11,628	1,095	14,904	4,211	36,434	0
5 OTHER OPERATING EXPENSES	1,296,807	585,676	13,855	227,122	362,746	11,865	1,821	13,686	7,550	72,486	0
6 OPERATING MARGIN	(76,247)	3,827	(3,764)	(33,559)	(3,616)	(236)	(727)	1,218	(3,338)	(36,052)	0
7 RATE OF RETURN	-1.53%	0.19%	-8.13%	-5.01%	-0.18%	-0.37%	-19.19%	2.04%	-9.88%	-26.64%	
8 RELATIVE RATE OF RETURN	1.0	(0.1)	5.3	3.3	0.1	0.2	12.6	(1.3)	6.5	17.4	
9 MARGIN @ TARGET ROR											
10 8.718%	434,667	174,376	4,034	58,372	172,080	5,520	330	5,210	2,946	11,799	0
11 INCREASE / (DECREASE) REQUIRED	510,915	170,549	7,798	91,931	175,695	5,757	1,057	3,992	6,285	47,851	0
12 ELECTRIC REVENUE	3,829,584	1,564,689	32,820	566,991	1,485,369	47,059	1,475	42,356	8,486	80,339	0
13 % INCR. (DECR.) OF ELECTRIC REVENUE	13.34%	10.90%	23.76%	16.21%	11.83%	12.23%	71.66%	9.42%	74.06%	59.56%	
14 <u>CUSTOMER RELATED COSTS</u>		20.73	20.25	18.27	79.68	66.49	15.24	30.88	35.20	1.58	
15 CUSTOMERS		1,476	36	694	200	8	7	21	10	931	
<u>PROPOSED</u>											
16 INCREASE/(DECREASE)	510,915	225,801	5,018	85,049	171,501	6,010	221	3,992	1,273	12,051	0
17 % INCR. (DECR.) OF ELECTRIC REVENUE	13.34%	14.43%	15.29%	15.00%	11.55%	12.77%	15.00%	9.42%	15.00%	15.00%	
18 RATE OF RETURN	8.72%	11.48%	2.71%	7.69%	8.51%	9.12%	-13.35%	8.72%	-6.11%	-17.73%	

	TOTAL DOLLARS	AF	RS 5	RS-H 6	GSS 7	GSL 8	GSL-Rider 9	MI 10	WP 11	I 12	PAL 13	PROOF	
TRANSMISSION PLANT													
350-359 Direct	0	0	0	0	0	0	0	0	0	0	0	0	0
350-359 Remainder	1,309,175	1	527,588	12,121	157,040	549,881	17,397	849	16,828	9,726	17,745	0	DEMAND 1 - A&E
	1,309,175		527,588	12,121	157,040	549,881	17,397	849	16,828	9,726	17,745	0	
50 TRANSMISSION PLANT		50	40.29926%	0.92583%	11.99536%	42.00211%	1.32887%	0.06483%	1.28537%	0.74293%	1.35544%	100.00000%	
DISTRIBUTION PLANT													
360 Land & Land Rights	8,007	1	3,227	74	960	3,363	106	5	103	59	109	0	DEMAND 1 - A&E
361 Structures and Improvements	8,372	1	3,374	78	1,004	3,516	111	5	108	62	113	0	DEMAND 1 - A&E
			0	0	0	0	0	0	0	0	0	0	
362 Station Equipment-Direct	0	0	0	0	0	0	0	0	0	0	0	0	
362 Station Equipment-Direct	0	0	0	0	0	0	0	0	0	0	0	0	
362 Station Equip-Direct	0	0	0	0	0	0	0	0	0	0	0	0	
362 Station Equip-Remainder	578,624	1	233,181	5,357	69,408	243,034	7,689	375	7,437	4,299	7,843	0	DEMAND 1 - A&E
	578,624		233,181	5,357	69,408	243,034	7,689	375	7,437	4,299	7,843	0	
51 STATION EQUIPMENT		51	40.29926%	0.92583%	11.99536%	42.00211%	1.32887%	0.06483%	1.28537%	0.74293%	1.35544%	100.00000%	
364 Poles & Towers-Direct	0	0	0	0	0	0	0	0	0	0	0	0	
364 Poles & Towers-Direct	0	0	0	0	0	0	0	0	0	0	0	0	
364 Poles & Towers-Remainder	3,033,849	1	1,222,619	28,088	363,921	1,274,281	40,316	1,967	38,996	22,539	41,122	0	DEMAND 1 - A&E
365 Overhead Conductors-Direct	0	0	0	0	0	0	0	0	0	0	0	0	
365 Overhead Conductors-Direct	0	0	0	0	0	0	0	0	0	0	0	0	
365 Overhead Conductors-Remainder	3,443,295	1	1,387,622	31,879	413,036	1,446,257	45,757	2,232	44,259	25,581	46,672	0	DEMAND 1 - A&E
	6,477,144		2,610,241	59,967	776,957	2,720,537	88,073	4,199	83,255	48,121	87,794	0	
52 OVERHEAD LINES		52	40.29926%	0.92583%	11.99536%	42.00211%	1.32887%	0.06483%	1.28537%	0.74293%	1.35544%	100.00000%	
366 UG Line-Direct	0	0	0	0	0	0	0	0	0	0	0	0	
366 UG Line-Remainder	14,916	1	6,011	138	1,789	6,265	198	10	192	111	202	0	DEMAND 1 - A&E
367 UG Line-Direct	0	0	0	0	0	0	0	0	0	0	0	0	
367 UG Line-Remainder	63,206	1	25,471	585	7,582	26,548	840	41	812	470	857	0	DEMAND 1 - A&E
	78,122		31,483	723	9,371	32,813	1,038	51	1,004	580	1,059	0	
53 UNDERGROUND LINES		53	40.29926%	0.92583%	11.99536%	42.00211%	1.32887%	0.06483%	1.28537%	0.74293%	1.35544%	100.00000%	
368 Regulators & Capacitors	0	1	0	0	0	0	0	0	0	0	0	0	DEMAND 1 - A&E
368 Phase Converters	0	0	0	0	0	0	0	0	0	0	0	0	
368 Capacitors - Direct	0	0	0	0	0	0	0	0	0	0	0	0	
368 Line Transformers - Direct	0	0	0	0	0	0	0	0	0	0	0	0	
368 Line Transformers - Remainder	119,506	12	41,024	1,001	44,214	30,740	1,230	149	446	704	0	0	ACCT 368 - TRANSFORMERS
	119,506		41,024	1,001	44,214	30,740	1,230	149	446	704	0	0	
54 LINE TRANSFORMERS		54	34.32786%	0.83726%	36.99695%	25.72243%	1.02890%	0.12439%	0.37317%	0.58904%	0.00000%	100.00000%	

2

	TOTAL DOLLARS	AF	RS	RS-H	GSS	GSL	GSL-Rider	Mi	WP	I	PAL	PROOF		
369 Services - Direct	0	0	0	0	0	0	0	0	0	0	0	0		
369 Services	457,983	13	176,221	4,298	121,779	145,299	5,850	836	2,507	1,194	0	0	ACCT 369 - SERVICES	
370 Meters - Direct	0	0	0	0	0	0	0	0	0	0	0	0		
370 Meters - Direct	0	0	0	0	0	0	0	0	0	0	0	0		
370 Meters - Direct	0	0	0	0	0	0	0	0	0	0	0	0		
370 Meters - Remainder	369,638	14	222,506	5,427	104,620	30,150	1,206	1,055	3,166	1,507	0	0	ACCT 370 - METERS	
371 Instal on Cust - Security Lights	0	0	0	0	0	0	0	0	0	0	0	0		
371 Instal on Cust - Phase Converters	0	0	0	0	0	0	0	0	0	0	0	0		
371 Instal on Cust - Load Levelers-AC	0	0	0	0	0	0	0	0	0	0	0	0		
371 Instal on Cust - Irrigation Load Cont.	0	0	0	0	0	0	0	0	0	0	0	0		
371 Instal on Cust - Remainder	24,543	1	9,891	227	2,944	10,309	326	16	315	182	333	0	DEMAND 1 - A&E	
372 Leased Property - Direct	0	0	0	0	0	0	0	0	0	0	0	0		
372 Leased Property - Remainder	0	0	0	0	0	0	0	0	0	0	0	0		
373 Street Lights	140,954	36	0	0	0	0	0	0	0	0	140,954	0	DIRECT CLASS PAL	
55 DISTRIBUTION PLANT			8,262,892	55	3,331,147	77,152	1,131,257	3,219,761	103,629	6,691	98,341	56,709	238,204	0
			40.31454%	0.93372%	13.69081%	38.96651%	1.25415%	0.08098%	1.19016%	0.68631%	2.88282%	100.00000%		
56 TRANS & DIST PLANT			9,572,067	56	3,856,735	89,273	1,288,297	3,769,642	121,027	7,540	115,169	66,435	255,949	0
			40.31245%	0.93264%	13.45892%	39.38169%	1.26437%	0.07877%	1.20318%	0.69405%	2.67392%	100.00000%		
REMAINING PLANT			360,071	56	145,153	3,358	48,462	141,802	4,553	284	4,332	2,499	9,628	0
389-398 General Plant	360,071	56	145,153	3,358	48,462	141,802	4,553	284	4,332	2,499	9,628	0	TRANS & DIST PLANT	
301-303 Intangible Plant	0	1	0	0	0	0	0	0	0	0	0	0	DEMAND 1 - A&E	
57 REMAINING PLANT			360,071	57	145,153	3,358	48,462	141,802	4,553	284	4,332	2,499	9,628	0
			40.31245%	0.93264%	13.45892%	39.38169%	1.26437%	0.07877%	1.20318%	0.69405%	2.67392%	100.00000%		
58 TOTAL PLANT IN SERVICE			9,932,138	58	4,003,888	92,631	1,336,769	3,911,444	125,579	7,824	119,501	68,934	265,577	0
			40.31245%	0.93264%	13.45892%	39.38169%	1.26437%	0.07877%	1.20318%	0.69405%	2.67392%	100.00000%		
ACCUMLATED DEPRECIATON			0	0	0	0	0	0	0	0	0	0	0	
108.5 Accumulated Deprec-Trans Direct	0	0	0	0	0	0	0	0	0	0	0	0		
108.5 Accumulated Deprec-Trans Remainder	765,275	50	308,400	7,085	91,797	321,431	10,169	496	9,837	5,685	10,373	0	TRANSMISSION PLANT	
108.6 Accumulated Deprec-Dist Direct	0	0	0	0	0	0	0	0	0	0	0	0		
108.6 Accumulated Deprec-Dist Direct	0	0	0	0	0	0	0	0	0	0	0	0		
108.6 Accumulated Deprec-Dist Remainder	4,508,580	55	1,817,613	42,097	617,261	1,756,836	56,545	3,651	53,659	30,943	129,974	0	DISTRIBUTION PLANT	
108.7 Accumulated Deprec-Gen Direct	0	0	0	0	0	0	0	0	0	0	0	0		
108.7 Accumulated Deprec-Gen Remainder	270,617	57	109,093	2,524	36,422	106,574	3,422	213	3,256	1,878	7,236	0	REMAINING PLANT	
111 Accumulated Amortization	0	0	0	0	0	0	0	0	0	0	0	0		
ACCUMLATED DEPRECIATON			5,544,472		2,235,106	51,706	745,481	2,184,842	70,136	4,360	66,752	38,507	147,583	0
NET PLANT			4,387,666		1,768,782	40,925	591,278	1,726,602	55,444	3,463	52,750	30,428	117,994	0

	TOTAL DOLLARS	AF	RS	RS-H	GSS	GSL	GSL-Rider	MI	WP	I	PAL	PROOF	
OPERATING REVENUES													
Base Revenue	3,947,422	45	1,610,257	33,832	584,247	1,534,054	48,703	1,491	43,584	8,639	82,616	0	BASE REVENUE
ECA Revenue	(117,838)	46	(45,668)	(1,013)	(17,256)	(48,685)	(1,644)	(16)	(1,227)	(153)	(2,276)	0	ECA REVENUE
PTA Revenue	0	47	0	0	0	0	0	0	0	0	0	0	PTA REVENUE
Facility Charge Revenue	0	0	0	0	0	0	0	0	0	0	0	0	
	<u>3,829,584</u>		<u>1,564,689</u>	<u>32,820</u>	<u>566,991</u>	<u>1,485,369</u>	<u>47,059</u>	<u>1,475</u>	<u>42,356</u>	<u>8,486</u>	<u>80,339</u>	<u>0</u>	
59 ELECTRIC REVENUE		59	40.85793%	0.85700%	14.80555%	38.78671%	1.22882%	0.03852%	1.10603%	0.22159%	2.09786%	100.00000%	
Forfeited Discount Revenue	0	0	0	0	0	0	0	0	0	0	0	0	
Other Revenue	15,389	45	6,278	132	2,278	5,981	190	6	170	34	322	0	BASE REVENUE
CFC Interest	0	56	0	0	0	0	0	0	0	0	0	0	TRANS & DIST PLANT
	<u>15,389</u>		<u>6,278</u>	<u>132</u>	<u>2,278</u>	<u>5,981</u>	<u>190</u>	<u>6</u>	<u>170</u>	<u>34</u>	<u>322</u>	<u>0</u>	
60 OTHER REVENUE		60	40.79262%	0.85707%	14.80071%	38.86218%	1.23379%	0.03777%	1.10410%	0.21884%	2.09291%	100.00000%	
	<u>3,844,973</u>		<u>1,570,966</u>	<u>32,951</u>	<u>569,268</u>	<u>1,491,350</u>	<u>47,249</u>	<u>1,481</u>	<u>42,526</u>	<u>8,520</u>	<u>80,662</u>	<u>0</u>	
61 OPERATING REVENUE		61	40.85767%	0.85700%	14.80553%	38.78701%	1.22884%	0.03851%	1.10602%	0.22158%	2.09784%	100.00000%	
PURCHASED POWER													
555 Demand-CP Base Direct	0	0	0	0	0	0	0	0	0	0	0	0	
555 Demand-CP Base Direct	0	0	0	0	0	0	0	0	0	0	0	0	
555 Demand-CP Base Direct	0	0	0	0	0	0	0	0	0	0	0	0	
555 Demand-CP Base Remainder	527,966	4	180,489	4,717	71,463	253,174	6,630	67	5,558	1,334	4,535	0	DEMAND 4 -- PURCHASED 12 CP
555 Demand-CP Excess-Direct	0	0	0	0	0	0	0	0	0	0	0	0	
555 Demand-CP Excess-Direct	0	0	0	0	0	0	0	0	0	0	0	0	
555 Demand-CP Excess-Direct	0	0	0	0	0	0	0	0	0	0	0	0	
555 Demand-CP Excess Remainder	0	0	0	0	0	0	0	0	0	0	0	0	
555 Demand-Annual DCA-Direct	0	0	0	0	0	0	0	0	0	0	0	0	
555 Demand-Annual DCA-Direct	0	0	0	0	0	0	0	0	0	0	0	0	
555 Demand-Annual DCA-Direct	0	0	0	0	0	0	0	0	0	0	0	0	
555 Demand-Annual DCA-Remainder	0	0	0	0	0	0	0	0	0	0	0	0	
555 Demand-Westar DCA-Direct	0	0	0	0	0	0	0	0	0	0	0	0	
555 Demand-Westar DCA-Direct	0	0	0	0	0	0	0	0	0	0	0	0	
555 Demand-Westar DCA-Direct	0	0	0	0	0	0	0	0	0	0	0	0	
555 Demand-Westar DCA-Remainder	0	0	0	0	0	0	0	0	0	0	0	0	
555 Demand-NCP-Direct	0	0	0	0	0	0	0	0	0	0	0	0	
555 Demand-NCP-Direct	0	0	0	0	0	0	0	0	0	0	0	0	
555 Demand-NCP-Direct	0	0	0	0	0	0	0	0	0	0	0	0	
555 Demand-NCP Remainder	202,014	3	68,392	1,855	28,829	96,364	2,557	80	2,331	519	3,096	0	DEMAND 3 -- PURCHASED NCP
555 Demand-Delivery Point-Direct	0	0	0	0	0	0	0	0	0	0	0	0	
555 Demand-Delivery Point-Direct	0	0	0	0	0	0	0	0	0	0	0	0	
555 Demand-Delivery Point-Direct	0	0	0	0	0	0	0	0	0	0	0	0	
555 Demand-Delivery Point-Remainder	0	0	0	0	0	0	0	0	0	0	0	0	
555 Energy-Direct	0	0	0	0	0	0	0	0	0	0	0	0	
555 Energy-Direct	0	0	0	0	0	0	0	0	0	0	0	0	
555 Energy-Direct	0	0	0	0	0	0	0	0	0	0	0	0	
555 Energy Remainder	510,746	6	197,506	4,389	74,791	211,014	7,127	70	5,320	662	9,866	0	ENERGY 1 -- PURCHASED KWH
555 ECA-Direct	0	0	0	0	0	0	0	0	0	0	0	0	
555 ECA-Direct	0	0	0	0	0	0	0	0	0	0	0	0	
555 ECA-Direct	0	0	0	0	0	0	0	0	0	0	0	0	
555 ECA-(Jun-Sep)	557,811	7	246,244	3,870	71,491	215,995	6,552	97	3,829	1,423	8,910	0	ENERGY 1 -- PURCHASED KWH (SUMMER)
555 ECA-(Oct-May)	825,876	8	288,831	8,020	131,131	358,273	12,756	92	10,584	371	17,820	0	ENERGY 1 -- PURCHASED KWH (NON-SUMMER)
555 EcoDevo	0	0	0	0	0	0	0	0	0	0	0	0	
555 REC Credits	0	0	0	0	0	0	0	0	0	0	0	0	
	<u>2,624,412</u>		<u>981,463</u>	<u>22,861</u>	<u>375,705</u>	<u>1,132,220</u>	<u>35,620</u>	<u>386</u>	<u>27,622</u>	<u>4,308</u>	<u>44,227</u>	<u>0</u>	
62 PURCHASED POWER		62	37.39743%	0.87109%	14.31579%	43.14183%	1.35727%	0.01472%	1.05250%	0.16416%	1.68522%	100.00000%	
ELECTRIC REV. LESS PURCH. POWER PER KWH	1,205,171		583,226	9,959	191,285	353,150	11,438	1,089	14,734	4,178	36,112	0	
			0.0412	0.0316	0.0356	0.0233	0.0224	0.2175	0.0386	0.0879	0.0510		

	TOTAL DOLLARS	AF	RS	RS-H	GSS	GSL	GSL-Rider	MI	WP	I	PAL	PROOF
TRANSMISSION EXPENSE												
560-73 Trans Exp-Direct	0	0	0	0	0	0	0	0	0	0	0	0
560-73 Trans Exp	12,455	50	5,019	115	1,494	5,231	166	8	160	93	169	0
												0 TRANSMISSION PLANT
DISTRIBUTION OPER												
580 Super & Engineer	14,751	55	5,947	138	2,020	5,748	185	12	176	101	425	0
581 Load Dispatching	0	55	0	0	0	0	0	0	0	0	0	0
582 Station Expenses	4,693	51	1,891	43	563	1,971	62	3	60	35	64	0
583 OH Line Exp	113,863	52	45,886	1,054	13,658	47,825	1,513	74	1,464	848	1,543	0
584 URG Line Exp	797	53	321	7	96	335	11	1	10	6	11	0
585 Street Ltg & Signal Exp	30,781	36	0	0	0	0	0	0	0	0	30,781	0
586 Meter Exp	42,348	14	25,492	622	11,986	3,454	138	121	363	173	0	0
587 Cust Instal Exp	8,545	8	3,940	96	1,852	534	21	19	56	27	0	0
588 Misc. Distribution Expense	48,668	55	19,620	454	6,663	18,964	610	39	579	334	1,403	0
589 Rents	0	55	0	0	0	0	0	0	0	0	0	0
	262,448		103,097	2,415	36,838	78,831	2,541	268	2,708	1,521	34,227	0
63 DIST EXPENSE-OPERATION		63	39.28305%	0.92019%	14.03631%	30.03697%	0.96817%	0.10224%	1.03170%	0.57968%	13.04170%	100.00000%
DISTRIBUTION MAINTENANCE												
590 Maint Super & Engineer	14,667	55	5,913	137	2,008	5,715	184	12	175	101	423	0
591 Maint Structures	0	55	0	0	0	0	0	0	0	0	0	0
592 Maint Station Equipment	409	51	165	4	49	172	5	0	5	3	6	0
593 Maint Overhead Lines	68,524	52	27,615	634	8,220	28,781	911	44	881	509	929	0
594 Maint Underground Lines	19,140	53	7,713	177	2,296	8,039	254	12	248	142	259	0
595 Maint Transformers	3,178	54	1,091	27	1,176	818	33	4	12	19	0	0
596 Maint Street Lights	0	0	0	0	0	0	0	0	0	0	0	0
597 Maint Meters	492	14	296	7	139	40	2	1	4	2	0	0
598 Maint Miscellaneous	0	55	0	0	0	0	0	0	0	0	0	0
	106,411		42,793	988	13,888	43,566	1,389	74	1,323	776	1,617	0
64 DIST EXPENSE-MAINTENANCE		64	40.21496%	0.92678%	13.05121%	40.94100%	1.30497%	0.06986%	1.24301%	0.72898%	1.51922%	100.00000%
	381,311		150,909	3,516	52,220	127,628	4,095	351	4,190	2,390	36,013	0
65 TRAN & DIST EXPENSE		65	39.57631%	0.92221%	13.69474%	33.47072%	1.07394%	0.09198%	1.09895%	0.62668%	9.44447%	100.00000%
CUSTOMER ACCOUNTS												
901 Supervision	0	8	0	0	0	0	0	0	0	0	0	0
902 Meter Reading Expenses	48,974	9	29,480	719	13,861	3,995	160	140	419	200	0	0
903 Cust Records & Collection	129,209	8	77,778	1,897	36,571	10,539	422	369	1,107	527	0	0
904 Uncollectable Accounts	0	8	0	0	0	0	0	0	0	0	0	0
905 Misc Customer Accounts Exp	0	8	0	0	0	0	0	0	0	0	0	0
	178,183		107,258	2,616	50,432	14,534	581	509	1,526	727	0	0
66 CUSTOMER ACCOUNTS		66	60.19576%	1.46819%	28.30343%	8.15661%	0.32626%	0.28548%	0.85644%	0.40783%	0.00000%	100.00000%

	TOTAL DOLLARS	AF	RS	RS-H	GSS	GSL	GSL-Rider	MI	WP	I	PAL	PROOF	
CUSTOMER SERVICE													
907-10 Serv & Info	10,521	8	6,333	154	2,978	858	34	30	90	43	0	0	CONS 1 - SIMPLE CUSTOMER RATIO
	10,521		6,333	154	2,978	858	34	30	90	43	0	0	
67 CUSTOMER SERVICE		67	60.19576%	1.46819%	28.30343%	8.15661%	0.32626%	0.28548%	0.85644%	0.40783%	0.00000%	100.00000%	
SALES EXPENSE													
911 Supervision	0	8	0	0	0	0	0	0	0	0	0	0	CONS 1 - SIMPLE CUSTOMER RATIO
912 Demonstrating & Selling	23	8	14	0	6	2	0	0	0	0	0	0	CONS 1 - SIMPLE CUSTOMER RATIO
913 Advertising Expense	0	8	0	0	0	0	0	0	0	0	0	0	CONS 1 - SIMPLE CUSTOMER RATIO
916 Misc Sales Expense	0	8	0	0	0	0	0	0	0	0	0	0	CONS 1 - SIMPLE CUSTOMER RATIO
	23		14	0	6	2	0	0	0	0	0	0	
68 SALES EXPENSE		68	60.19576%	1.46819%	28.30343%	8.15661%	0.32626%	0.28548%	0.85644%	0.40783%	0.00000%	100.00000%	
69 SUBTOTAL EXPENSES (EXCL POWER)	570,037	69	264,514	6,287	105,636	143,021	4,711	890	5,807	3,159	36,013	0	
			46.40292%	1.10297%	18.53133%	25.08981%	0.82640%	0.15604%	1.01866%	0.55422%	6.31763%	100.00000%	
ADMIN & GEN EXP													
920 Admin & General Salaries	232,000	69	107,655	2,559	42,993	58,208	1,917	362	2,363	1,286	14,657	0	SUBTOTAL EXPENSES (EXCL POWER)
921 Office Supplies & Expense	12,828	69	5,952	141	2,377	3,218	106	20	131	71	810	0	SUBTOTAL EXPENSES (EXCL POWER)
922 Admin Expense - (Credit)	0	69	0	0	0	0	0	0	0	0	0	0	SUBTOTAL EXPENSES (EXCL POWER)
923 Outside Services Employed	45,966	69	21,330	507	8,518	11,533	380	72	468	255	2,904	0	SUBTOTAL EXPENSES (EXCL POWER)
924 Property Insurance	0	69	0	0	0	0	0	0	0	0	0	0	SUBTOTAL EXPENSES (EXCL POWER)
925 Injuries & Damage	10,626	69	4,931	117	1,969	2,666	88	17	108	59	671	0	SUBTOTAL EXPENSES (EXCL POWER)
926 Emp. Pensions & Benefits	0	69	0	0	0	0	0	0	0	0	0	0	SUBTOTAL EXPENSES (EXCL POWER)
927 Franchise Requirements	0	69	0	0	0	0	0	0	0	0	0	0	SUBTOTAL EXPENSES (EXCL POWER)
928 Regulatory Commission Exp	0	69	0	0	0	0	0	0	0	0	0	0	SUBTOTAL EXPENSES (EXCL POWER)
929 Duplicate Charges-(Credit)	(3,519)	69	(1,633)	(39)	(652)	(883)	(29)	(5)	(35)	(20)	(222)	0	SUBTOTAL EXPENSES (EXCL POWER)
930 Misc General Expense	150,584	69	69,876	1,661	27,905	37,781	1,244	235	1,534	835	9,513	0	SUBTOTAL EXPENSES (EXCL POWER)
931 Rents	0	69	0	0	0	0	0	0	0	0	0	0	SUBTOTAL EXPENSES (EXCL POWER)
932 -935 Maint Gen Plant	14,234	69	6,605	157	2,638	3,571	118	22	145	79	899	0	SUBTOTAL EXPENSES (EXCL POWER)
	462,719		214,715	5,104	85,748	116,095	3,824	722	4,714	2,564	29,233	0	
70 ADMIN & GENERAL EXPENSE		70	46.40292%	1.10297%	18.53133%	25.08981%	0.82640%	0.15604%	1.01866%	0.55422%	6.31763%	100.00000%	
DEPRECIATION													
403.x Depreciation Exp-Trans Direct	0	0	0	0	0	0	0	0	0	0	0	0	
403.5 Depreciation Exp-Trans Remainder	23,074	50	9,299	214	2,768	9,692	307	15	297	171	313	0	TRANSMISSION PLANT
403.x Depreciation Exp-Dist Direct	0	0	0	0	0	0	0	0	0	0	0	0	
403.x Depreciation Exp-Dist Direct	0	0	0	0	0	0	0	0	0	0	0	0	
403.6 Depreciation Exp-Dist Remainder	231,934	55	93,503	2,166	31,754	90,377	2,909	188	2,760	1,592	6,686	0	DISTRIBUTION PLANT
403.x Depreciation Exp-Gen Direct	0	0	0	0	0	0	0	0	0	0	0	0	
403.7 Depreciation Exp-Gen Remainder	9,043	57	3,645	84	1,217	3,561	114	7	109	63	242	0	REMAINING PLANT
	264,051		106,447	2,464	35,739	103,629	3,330	210	3,166	1,826	7,241	0	
71 DEPRECIATION		71	40.31313%	0.93299%	13.53471%	39.24599%	1.26103%	0.07949%	1.19892%	0.69152%	2.74220%	100.00000%	

	TOTAL DOLLARS	AF	RS	RS-H	GSS	GSL	GSL-Rider	MI	WP	I	PAL	PROOF
TAXES												
408.1 Property Taxes	0	0	0	0	0	0	0	0	0	0	0	0
408.2-7 Other Taxes	0	0	0	0	0	0	0	0	0	0	0	0
72 TAXES	0	72	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
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73 TOTAL EXPENSES	3,921,220	73	39.96561%	0.93633%	15.37346%	38.12501%	1.21098%	0.05630%	1.05345%	0.30241%	2.97646%	100.00000%
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RATE BASE												
Net Plant	4,387,666		1,768,782	40,925	591,278	1,726,602	55,444	3,463	52,750	30,428	117,994	0
Materials and Supplies	471,289	58	189,988	4,395	63,430	185,602	5,959	371	5,670	3,271	12,602	0
Prepayments	16,101	58	6,491	150	2,167	6,341	204	13	194	112	431	0
Cash Working Capital-O&M Exp	235,060	73	93,943	2,201	36,137	89,616	2,847	132	2,476	711	6,996	0
Accrued Property Tax	(70,683)	58	(28,494)	(659)	(9,513)	(27,836)	(894)	(56)	(850)	(491)	(1,890)	0
Memberships	0	8	0	0	0	0	0	0	0	0	0	0
Consumer Deposits	(41,103)	8	(24,742)	(603)	(11,634)	(3,353)	(134)	(117)	(352)	(168)	0	0
Accrued Vac. & Hol.	(12,467)	69	(5,785)	(138)	(2,310)	(3,128)	(103)	(19)	(127)	(69)	(788)	0
Cons Energy Prepay	0	8	0	0	0	0	0	0	0	0	0	0
CFC & KEC Investments	0	56	0	0	0	0	0	0	0	0	0	0
74 RATE BASE	4,985,861	74	40.11709%	0.92604%	13.42907%	39.58883%	1.27002%	0.07596%	1.19860%	0.67780%	2.71458%	100.00000%
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OPERATING REVENUES	3,844,973		1,570,966	32,951	569,268	1,491,350	47,249	1,481	42,526	8,520	80,662	0
OPERATING EXPENSES	3,921,220		1,567,139	36,715	602,827	1,494,966	47,485	2,208	41,308	11,858	116,714	0
MARGIN	(76,247)		3,827	(3,764)	(33,559)	(3,616)	(236)	(727)	1,218	(3,338)	(36,052)	0
RATE OF RETURN	-1.53%		0.19%	-8.13%	-5.01%	-0.18%	-0.37%	-19.19%	2.04%	-9.88%	-26.64%	0.00%
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INTEREST												
Interest on LTD	0	56	0	0	0	0	0	0	0	0	0	0
Other Interest	248	58	100	2	33	98	3	0	3	2	7	0
Other Deductions	(95,123)	58	(38,346)	(887)	(12,803)	(37,461)	(1,203)	(75)	(1,145)	(660)	(2,544)	0
75 INTEREST	(94,875)	75	40.31245%	0.93264%	13.45692%	39.38169%	1.26437%	0.07877%	1.20318%	0.69405%	2.67392%	100.00000%

	TOTAL DOLLARS	AF	RS	RS-H	GSS	GSL	GSL-Rider	MI	WP	I	PAL	PROOF
<u>COST OF SERVICE SUMMARY</u>												
1 RATE BASE	4,985,861		2,000,182	46,271	669,555	1,973,844	63,322	3,787	59,761	33,794	135,345	0
2 OPERATING REVENUES	3,844,973		1,570,968	32,951	569,268	1,491,350	47,249	1,481	42,528	8,520	80,662	0
3 PURCHASED POWER EXPENSE	2,624,412		981,463	22,861	375,705	1,132,220	35,620	386	27,622	4,308	44,227	0
4 GROSS MARGIN	1,220,560		589,503	10,091	193,563	359,130	11,628	1,095	14,904	4,211	36,434	
5 OTHER OPERATING EXPENSES	1,296,807		585,676	13,855	227,122	362,746	11,865	1,821	13,686	7,550	72,486	0
6 OPERATING MARGIN	(76,247)		3,827	(3,764)	(33,559)	(3,616)	(236)	(727)	1,218	(3,338)	(36,052)	0
7 RATE OF RETURN	-1.529%		0.191%	-8.135%	-5.012%	-0.183%	-0.373%	-19.193%	2.038%	-9.879%	-26.637%	
8 RELATIVE RATE OF RETURN	1.00		(0.13)	5.32	3.28	0.12	0.24	12.55	(1.33)	6.46	17.42	
9 MARGIN @ TARGET ROR			8.718%	8.718%	8.718%	8.718%	8.718%	8.718%	8.718%	8.718%	8.718%	
10	434,667		174,376	4,034	58,372	172,080	5,520	330	5,210	2,946	11,799	0
11 INCREASE / (DECREASE) REQUIRED	510,915		170,549	7,798	91,931	175,695	5,757	1,057	3,992	6,285	47,851	0
12 % INCR. (DECR.) OF ELECTRIC REVENUE	13.34%		10.90%	23.76%	16.21%	11.83%	12.23%	71.66%	9.42%	74.06%	59.56%	

AF#	DESCRIPTION	RS	RS-H	GSS	GSL	GSL-Rider	MI	WP	I	PAL	PROOF
0		0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0%
1	DEMAND 1 -- A&E	40.29926%	0.92583%	11.99536%	42.00211%	1.32687%	0.06483%	1.28537%	0.74293%	1.35544%	100%
2	DEMAND 2 -- LF/CF	40.91790%	0.94522%	11.47552%	42.46112%	1.32952%	0.03279%	1.30603%	0.33037%	1.20152%	100%
3	DEMAND 3 -- PURCHASED NCP	33.85517%	0.92347%	13.28099%	47.70170%	1.26559%	0.02984%	1.15386%	0.25672%	1.53265%	100%
4	DEMAND 4 -- PURCHASED 12 CP	34.18578%	0.89334%	13.53551%	47.95263%	1.25572%	0.01270%	1.05272%	0.25260%	0.85900%	100%
5	DEMAND 5 -- PURCHASED 2 CP	40.43599%	0.82349%	11.94087%	43.92966%	1.05889%	0.01635%	0.75161%	0.89364%	0.14948%	100%
6	ENERGY 1 -- PURCHASED KWH	38.67023%	0.85930%	14.64359%	41.31484%	1.39535%	0.01366%	1.04163%	0.12964%	1.93175%	100%
7.4	ENERGY 1 -- PURCHASED KWH (SUMMER)	44.14466%	0.69387%	12.81630%	38.61438%	1.17451%	0.01745%	0.68647%	0.25509%	1.59728%	100%
7.8	ENERGY 1 -- PURCHASED KWH (NON-SUMMER)	34.97271%	0.97103%	15.87778%	43.13878%	1.54452%	0.01111%	1.28151%	0.04491%	2.15766%	100%
8	CONS 1 -- SIMPLE CUSTOMER RATIO	60.19576%	1.46819%	28.30343%	8.15661%	0.32626%	0.28548%	0.85644%	0.40783%	0.00000%	100%
9	CONS 2 -- WTD W/ METER READINGS	60.19576%	1.46819%	28.30343%	8.15661%	0.32626%	0.28548%	0.85644%	0.40783%	0.00000%	100%
10	CONS 3 -- SINGLE PHASE	66.06983%	1.61146%	31.06535%	0.00000%	0.00000%	0.31334%	0.94002%	0.00000%	0.00000%	100%
11	CONS 4 -- THREE PHASE	0.00000%	0.00000%	0.00000%	91.74312%	3.66972%	0.00000%	0.00000%	4.58716%	0.00000%	100%
12	ACCT 368 -- TRANSFORMERS	34.32786%	0.83726%	36.99695%	25.72243%	1.02890%	0.12439%	0.37317%	0.58904%	0.00000%	100%
13	ACCT 369 -- SERVICES	38.47758%	0.93848%	26.59020%	31.72576%	1.27737%	0.18248%	0.54745%	0.28069%	0.00000%	100%
14	ACCT 370 -- METERS	60.19576%	1.46819%	28.30343%	8.15661%	0.32626%	0.28548%	0.85644%	0.40783%	0.00000%	100%
15	DIRECT CLASS RS	RS	100.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	100%
16	DIRECT CLASS RS-H	RS-H	0.00000%	100.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	100%
17	DIRECT CLASS GSS	GSS	0.00000%	0.00000%	100.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	100%
18	DIRECT CLASS GSL	GSL	0.00000%	0.00000%	0.00000%	100.00000%	0.00000%	0.00000%	0.00000%	0.00000%	100%
19	DIRECT CLASS GSL-Rider	GSL-Rider	0.00000%	0.00000%	0.00000%	0.00000%	100.00000%	0.00000%	0.00000%	0.00000%	100%
20	DIRECT CLASS MI	MI	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	100.00000%	0.00000%	0.00000%	100%
21	DIRECT CLASS WP	WP	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	100.00000%	0.00000%	100%
22	DIRECT CLASS I	I	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	100.00000%	100%
36	DIRECT CLASS PAL	PAL	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	100.00000%	100%
37	DIRECT CLASS		0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0%
38	DIRECT CLASS		0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0%
39	DIRECT CLASS		0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0%
40	DIRECT CLASS		0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0%
41	DIRECT CLASS		0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0%
42	DIRECT CLASS		0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0%
43	DIRECT CLASS		0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0%
44	DIRECT CLASS		0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0%
45	BASE REVENUE		40.79262%	0.85707%	14.80071%	38.86218%	1.23379%	1.10410%	0.21884%	2.09291%	100%
46	ECA REVENUE		38.67023%	0.85930%	14.64359%	41.31484%	1.39535%	1.04163%	0.12964%	1.93175%	100%
47	PTA REVENUE		0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0%
48	FACILITY CHARGE REVENUE		0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0%
49	FORFEITED DISCOUNT REVENUE		0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0%

AF#	DESCRIPTION	RS	RS-H	GSS	GSL	GSL-Rider	MI	WP	I	PAL	PROOF
50	TRANSMISSION PLANT	40.29926%	0.92583%	11.99536%	42.00211%	1.32887%	0.06483%	1.28537%	0.74293%	1.35544%	100%
51	STATION EQUIPMENT	40.29926%	0.92583%	11.99536%	42.00211%	1.32887%	0.06483%	1.28537%	0.74293%	1.35544%	100%
52	OVERHEAD LINES	40.29926%	0.92583%	11.99536%	42.00211%	1.32887%	0.06483%	1.28537%	0.74293%	1.35544%	100%
53	UNDERGROUND LINES	40.29926%	0.92583%	11.99536%	42.00211%	1.32887%	0.06483%	1.28537%	0.74293%	1.35544%	100%
54	LINE TRANSFORMERS	34.32786%	0.83726%	36.99695%	25.72243%	1.02890%	0.12439%	0.37317%	0.58904%	0.00000%	100%
55	DISTRIBUTION PLANT	40.31454%	0.93372%	13.69081%	38.96651%	1.25415%	0.08098%	1.19016%	0.68631%	2.88282%	100%
56	TRANS & DIST PLANT	40.31245%	0.93254%	13.45892%	39.38169%	1.26437%	0.07877%	1.20318%	0.69405%	2.67392%	100%
57	REMAINING PLANT	40.31245%	0.93264%	13.45892%	39.38169%	1.26437%	0.07877%	1.20318%	0.69405%	2.67392%	100%
58	TOTAL PLANT IN SERVICE	40.31245%	0.93264%	13.45892%	39.38169%	1.26437%	0.07877%	1.20318%	0.69405%	2.67392%	100%
59	ELECTRIC REVENUE	40.85793%	0.85700%	14.80555%	38.78671%	1.22882%	0.03852%	1.10603%	0.22159%	2.09786%	100%
60	OTHER REVENUE	40.79262%	0.85707%	14.80071%	38.86218%	1.23379%	0.03777%	1.10410%	0.21884%	2.09291%	100%
61	OPERATING REVENUE	40.85767%	0.85700%	14.80553%	38.78701%	1.22884%	0.03851%	1.10602%	0.22158%	2.09784%	100%
62	PURCHASED POWER	37.39743%	0.87109%	14.31579%	43.14183%	1.35727%	0.01472%	1.05250%	0.16416%	1.68522%	100%
63	DIST EXPENSE-OPERATION	39.28305%	0.92019%	14.03631%	30.03697%	0.96817%	0.10224%	1.03170%	0.57968%	13.04170%	100%
64	DIST EXPENSE-MAINTENANCE	40.21496%	0.92678%	13.05121%	40.94100%	1.30497%	0.06986%	1.24301%	0.72898%	1.51922%	100%
65	TRAN & DIST EXPENSE	39.57631%	0.92221%	13.69474%	33.47072%	1.07394%	0.09198%	1.09895%	0.62668%	9.44447%	100%
66	CUSTOMER ACCOUNTS	60.19578%	1.46819%	28.30343%	8.15661%	0.32626%	0.28548%	0.85644%	0.40783%	0.00000%	100%
67	CUSTOMER SERVICE	60.19576%	1.46819%	28.30343%	8.15661%	0.32626%	0.28548%	0.85644%	0.40783%	0.00000%	100%
68	SALES EXPENSE	60.19576%	1.46819%	28.30343%	8.15661%	0.32626%	0.28548%	0.85644%	0.40783%	0.00000%	100%
69	SUBTOTAL EXPENSES (EXCL POWER)	48.40292%	1.10297%	18.53133%	25.08981%	0.82640%	0.15604%	1.01866%	0.55422%	6.31763%	100%
70	ADMIN & GENERAL EXPENSE	46.40292%	1.10297%	18.53133%	25.08981%	0.82640%	0.15604%	1.01866%	0.55422%	6.31763%	100%
71	DEPRECIATION	40.31313%	0.93299%	13.53471%	39.24599%	1.26103%	0.07949%	1.18892%	0.69152%	2.74220%	100%
72	TAXES	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0%
73	TOTAL EXPENSES	39.96561%	0.93633%	15.37346%	38.12501%	1.21098%	0.05630%	1.05345%	0.30241%	2.97646%	100%
74	RATE BASE	40.11709%	0.92804%	13.42907%	39.58883%	1.27002%	0.07596%	1.19860%	0.67780%	2.71458%	100%
75	INTEREST	40.31245%	0.93264%	13.45892%	39.38169%	1.26437%	0.07877%	1.20318%	0.69405%	2.67392%	100%
76	VACANT										0%
77	VACANT										0%
78	VACANT										0%
79	VACANT										0%
80	VACANT										0%
81	VACANT										0%
82	VACANT										0%
83	VACANT										0%
84	VACANT										0%
85	VACANT										0%
86	VACANT										0%
87	VACANT										0%
88	RESIDENTIAL METERS	97.61905%	2.38095%								100%
89	VACANT										0%
90	VACANT										0%
91	VACANT										0%
92	VACANT										0%
93	VACANT										0%
94	VACANT										0%
95	VACANT										0%
96	VACANT										0%
97	VACANT										0%

Mid-Kansas Electric Company - Lane-Scott Division
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AF Description		RS	RS-H	GSS	GSL	GSL-Rider	MI	WP	I	PAL	TOTAL
DEMAND											
1 DEMAND 1 -- A&E	Sched. L-2	40.29926%	0.92583%	11.99536%	42.00211%	1.32887%	0.06483%	1.28537%	0.74293%	1.35544%	100.00000%
2 DEMAND 2 -- LF/CF	Sched. L-2	40.91790%	0.94522%	11.47552%	42.46112%	1.32952%	0.03279%	1.30603%	0.33037%	1.20152%	100.00000%
3 DEMAND 3 -- PURCHASED NCP	Sched. L-2	33.85517%	0.92347%	13.28099%	47.70170%	1.26559%	0.02984%	1.15386%	0.25672%	1.53265%	100.00000%
4 DEMAND 4 -- PURCHASED 12 CP	Sched. L-2	34.18578%	0.89334%	13.53551%	47.95263%	1.25572%	0.01270%	1.05272%	0.25260%	0.85900%	100.00000%
5 DEMAND 5 -- PURCHASED 2 CP	Sched. L-2	40.43599%	0.82349%	11.94087%	43.92966%	1.05889%	0.01635%	0.75161%	0.89364%	0.14948%	100.00000%
ENERGY											
Annualized kWh Sales (Jun-Sep)		6,520,886	102,496	1,893,176	5,703,973	173,494	2,577	101,402	37,681	235,944	14,771,630
Annualized kWh Sales (Oct-May)		7,648,662	212,368	3,472,529	9,434,613	337,792	2,430	280,270	9,822	471,888	21,870,374
Annualized kWh Sales		14,169,548	314,864	5,365,705	15,138,586	511,286	5,007	381,673	47,503	707,832	36,642,003
Line Loss Factor	Sched. L-5	1.10021	1.10021	1.10021	1.10021	1.10021	1.10021	1.10021	1.10021	1.10021	
Annualized kWh Purchases		15,589,543	346,418	5,903,427	16,655,692	562,524	5,509	419,922	52,263	778,767	40,314,065
6 ENERGY 1 -- PURCHASED KWH		38.67023%	0.85930%	14.64359%	41.31484%	1.39535%	0.01366%	1.04163%	0.12964%	1.93175%	100.00000%
Annualized kWh Purchases (Jun-Sep)		7,174,374	112,768	2,082,900	6,275,594	190,881	2,835	111,564	41,457	259,589	16,251,962
7 ENERGY 1 -- PURCHASED KWH (SUMMER)		44.14466%	0.69387%	12.81630%	38.61438%	1.17451%	0.01745%	0.68647%	0.25509%	1.59728%	100.00000%
Annualized kWh Purchases (Oct-May)		8,415,169	233,650	3,820,527	10,380,098	371,644	2,674	308,357	10,806	519,178	24,062,103
8 ENERGY 1 -- PURCHASED KWH (NON-SUMME		34.97271%	0.97103%	15.87778%	43.13878%	1.54452%	0.01111%	1.28151%	0.04491%	2.15766%	100.00000%
CUSTOMER											
Test Year-End Average Customers		1,476	36	694	200	8	7	21	10	931	3,383
Weighting Factor		1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.00	
Weighted Customers		1,476	36	694	200	8	7	21	10	0	2,452
8 CONS 1 -- SIMPLE CUSTOMER RATIO		60.19576%	1.46819%	28.30343%	8.15661%	0.32626%	0.28548%	0.85644%	0.40783%	0.00000%	100.00000%
Annual Mtr Readings		12	12	12	12	12	12	12	12		
Weighted for Meter Readings		17,712	432	8,328	2,400	96	84	252	120	0	29,424
9 CONS 2 -- WTD W/ METER READINGS		60.19576%	1.46819%	28.30343%	8.15661%	0.32626%	0.28548%	0.85644%	0.40783%	0.00000%	100.00000%
Single Phase Customers		1,476	36	694			7	21			2,234
Weighting Factor		1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	
Weighted Customers		1,476	36	694	0	0	7	21	0	0	2,234
10 CONS 3 -- SINGLE PHASE		68.06983%	1.61146%	31.06535%	0.00000%	0.00000%	0.31334%	0.94002%	0.00000%	0.00000%	100.00000%
Three Phase Customers					200	8			10		218
Weighting Factor		1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	
Weighted Customers		0	0	0	200	8	0	0	10	0	218
11 CONS 4 -- THREE PHASE		0.00000%	0.00000%	0.00000%	91.74312%	3.66972%	0.00000%	0.00000%	4.58716%	0.00000%	100.00000%

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AF Description	RS	RS-H	GSS	GSL	GSL-Rider	MI	WP	I	PAL	TOTAL
ACCOUNT 368 -- TRANSFORMERS										
Investment	\$119,506									
Base Cost	\$1,085.00									
Consumers	1,476	36	694	200	8	7	21	10	931	3,383
Installed kVA	25	25	30	150	150	10	10	45		
kVA per Consumer	25	25	30	150	150	10	10	45	0	
Cost / consumer	\$1,085.00	\$1,085.00	\$2,487.00	\$6,000.00	\$6,000.00	\$829.00	\$829.00	\$2,748.00		
Cost Ratio	1.000	1.000	2.292	5.530	5.530	0.764	0.764	2.533	0.000	
Weighted Consumers	1,476	36	1,591	1,106	44	5	16	25	0	4,300
12 ACCT 368 -- TRANSFORMERS	34.328%	0.837%	36.997%	25.722%	1.029%	0.124%	0.373%	0.589%	0.000%	100.000%
ACCOUNT 369 -- SERVICES										
Investment	\$457,983									
Base Cost	\$984.77									
Consumers	1,476	36	694	200	8	7	21	10	931	3,383
Cost / consumer	\$984.77	\$984.77	\$1,446.77	\$5,993.38	\$5,993.38	\$984.77	\$984.77	\$947.52		
Cost Ratio	1.000	1.000	1.469	6.086	6.086	1.000	1.000	0.962	0.000	
Weighted Consumers	1,476	36	1,020	1,217	49	7	21	10	0	3,836
13 ACCT 369 -- SERVICES	38.478%	0.938%	26.590%	31.726%	1.277%	0.182%	0.547%	0.261%	0.000%	100.000%
ACCOUNT 370 -- METERS										
Investment	\$369,638									
Base Cost	\$411.00									
Consumers	1,476	36	694	200	8	7	21	10	931	3,383
Cost / consumer	\$411.00	\$411.00	\$411.00	\$411.00	\$411.00	\$411.00	\$411.00	\$411.00		
Cost Ratio	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.000	
Weighted Consumers	1,476	36	694	200	8	7	21	10	0	2,452
14 ACCT 370 -- METERS	60.196%	1.468%	28.303%	8.157%	0.326%	0.285%	0.856%	0.408%	0.000%	100.000%

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AF Description		RS	RS-H	GSS	GSL	GSL-Rider	MI	WP	I	PAL	TOTAL
DIRECT ASSIGNMENTS											
15 DIRECT CLASS RS	RS	100.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	100.000%
16 DIRECT CLASS RS-H	RS-H	0.000%	100.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	100.000%
17 DIRECT CLASS GSS	GSS	0.000%	0.000%	100.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	100.000%
18 DIRECT CLASS GSL	GSL	0.000%	0.000%	0.000%	100.000%	0.000%	0.000%	0.000%	0.000%	0.000%	100.000%
19 DIRECT CLASS GSL-Rider	GSL-Rider	0.000%	0.000%	0.000%	0.000%	100.000%	0.000%	0.000%	0.000%	0.000%	100.000%
20 DIRECT CLASS MI	MI	0.000%	0.000%	0.000%	0.000%	0.000%	100.000%	0.000%	0.000%	0.000%	100.000%
21 DIRECT CLASS WP	WP	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	100.000%	0.000%	0.000%	100.000%
22 DIRECT CLASS I	I	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	100.000%	0.000%	100.000%
36 DIRECT CLASS PAL	PAL	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	100.000%	100.000%
37 DIRECT CLASS		0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
38 DIRECT CLASS		0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
39 DIRECT CLASS		0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
40 DIRECT CLASS		0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
41 DIRECT CLASS		0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
42 DIRECT CLASS		0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
43 DIRECT CLASS		0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
44 DIRECT CLASS		0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%

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AF Description	RS	RS-H	GSS	GSL	GSL-Rider	MI	WP	I	PAL	TOTAL
<u>REVENUES</u>										
45 BASE REVENUE	1,610,257 40.79262%	33,832 0.85707%	584,247 14.80071%	1,534,054 38.86218%	48,703 1.23379%	1,491 0.03777%	43,584 1.10410%	8,639 0.21884%	82,616 2.09291%	3,947,422 100.00000%
46 ECA REVENUE	(45,568) 38.67023%	(1,013) 0.85930%	(17,256) 14.64359%	(48,685) 41.31484%	(1,644) 1.39535%	(16) 0.01366%	(1,227) 1.04163%	(153) 0.12964%	(2,276) 1.93175%	(117,838) 100.00000%
47 PTA REVENUE	0 0.00000%	0 0.00000%	0 0.00000%	0 0.00000%	0 0.00000%	0 0.00000%	0 0.00000%	0 0.00000%	0 0.00000%	0.00 0.00000%
48 FACILITY CHARGE REVENUE	0.00 0.00000%	0.00 0.00000%	0.00 0.00000%	0.00 0.00000%	0.00 0.00000%	0.00 0.00000%	0.00 0.00000%	0.00 0.00000%	0.00 0.00000%	0.00 0.00000%
49 FORFEITED DISCOUNT REVENUE	0.00 0.00000%	0.00 0.00000%	0.00 0.00000%	0.00 0.00000%	0.00 0.00000%	0.00 0.00000%	0.00 0.00000%	0.00 0.00000%	0.00 0.00000%	0.00 0.00000%
89 RURAL ENERGY CREDIT										0 0.00000%

Mid-Kansas Electric Company - Lane-Scott Division
Customer Charge Analysis
Test Year Ending-December 31, 2010

PLANT SUMMARY	
Total Plant	9,932,138
Accumulated Depreciation	5,544,472
Percent of Total Plant	55.82355%
Depreciation Expense	254,051
Percent of Total Plant	2.65855%
Rate of Return	6.71800%

	Customer Class.	RS	RS-H	GSS	GSL	GSL-Rider	MI	WP	I	PAL	PROOF	
CUSTOMER RELATED T&D PLANT												
360 Land & Land Rights	8,007	50%	1,613	37	480	1,881	53	3	51	30	54	0
362 Station Equipment	578,524	50%	118,891	2,879	34,704	121,517	3,845	188	3,719	2,149	3,921	0
364/365 Overhead Lines	8,477,144	50%	1,305,121	29,984	388,478	1,360,269	43,036	2,100	41,628	24,080	43,897	0
366/367 Underground Lines	78,122	50%	15,741	362	4,686	16,406	519	25	502	290	529	0
368 Line Transformers	119,506	100%	41,024	1,001	44,214	30,740	1,230	149	448	704	0	0
369 Services	457,983	100%	178,221	4,298	121,779	145,299	5,850	836	2,507	1,194	0	0
370 Meters	369,638	100%	222,506	5,427	104,620	30,150	1,206	1,055	3,166	1,507	0	0
TOTAL CUST. RELATED T&D PLANT			1,877,203	43,749	698,480	1,704,381	58,686	4,352	51,967	29,905	48,348	
TOTAL T&D PLANT	9,572,067		3,858,735	89,273	1,288,297	3,769,842	121,027	7,540	115,169	66,435	255,949	0
CUSTOMER T&D/TOTAL T&D PLANT	47.1588%		48.6482%	49.0064%	54.2173%	45.2133%	46.0111%	57.7207%	45.1225%	45.0140%	18.8896%	
GENERAL & INTANGIBLE PLANT												
CUSTOMER RELATED GEN PLANT	360,071		145,153	3,358	48,462	141,802	4,553	284	4,332	2,499	9,628	0
	169,805		70,614	1,648	26,275	64,113	2,095	164	1,955	1,125	1,819	0
TOTAL CUSTOMER RELATED PLANT			1,947,818	45,395	724,755	1,788,494	57,780	4,516	53,922	31,030	50,157	
ACCUMULATED DEPRECIATION			1,087,341	25,341	404,584	987,236	32,255	2,521	30,101	17,322	28,005	
NET CUSTOMER RELATED PLANT			860,477	20,054	320,171	781,258	25,525	1,995	23,821	13,708	22,162	

	Customer Class.	RS	RS-H	GSS	GSL	GSL-Rider	MI	WP	I	PAL	PROOF	
580 Super & Engineer	14,751	50%	2,973	69	1,010	2,874	92	6	88	51	213	
583 OH Line Exp	113,863	50%	22,943	527	6,829	23,912	757	37	732	423	772	
584 URG Line Exp	797	50%	161	4	48	167	5	0	5	3	5	
588 Meter Exp	42,348	100%	25,492	622	11,986	3,454	138	121	363	173	0	
588 Misc. Distribution Expense	48,668	50%	9,810	227	3,332	9,482	305	20	290	167	702	
589 Rents	0	50%	0	0	0	0	0	0	0	0	0	
593 Maint Overhead Lines	68,524	50%	13,807	317	4,110	14,391	455	22	440	255	464	
594 Maint Underground Lines	19,140	50%	3,857	89	1,148	4,020	127	6	123	71	130	
595 Maint Transformers	3,178	100%	1,091	27	1,176	818	33	4	12	19	0	
597 Maint Meters	492	100%	296	7	139	40	2	1	4	2	0	
901/905 Customer Accounts	178,183	100%	107,258	2,616	50,432	14,534	581	509	1,526	727	0	
907/910 Customer Service	10,521	100%	6,333	154	2,978	858	34	30	90	43	0	
920/932 A&G	462,719	47.159%	101,257	2,407	40,438	54,749	1,803	341	2,223	1,209	13,785	
Depreciation Expense			22,876	533	8,512	20,770	679	53	633	364	589	
Rate of Return			75,016	1,748	27,912	68,110	2,225	174	2,077	1,195	1,932	
TOTAL CUST RELATED EXP			387,094	8,747	152,162	191,225	6,383	1,281	7,781	4,225	17,603	
CUSTOMERS			1,476	36	694	200	8	7	21	10	931	
BILLING PERIODS			12	12	12	12	12	12	12	12	12	
CUSTOMER CHARGE			20.73	20.25	18.27	79.88	66.49	15.24	30.88	35.20	1.58	

Mid-Kansas Electric Company - Lane-Scott Division
Summary of Demand Allocation Factors
Year Ending December 31, 2010

	RS	RS-H	GSS	GSL	GSL-Rider	MI	WP	I	PAL	Total
Demand 1 (A & E)	40.29926%	0.92583%	11.99536%	42.00211%	1.32887%	0.06483%	1.28537%	0.74293%	1.35544%	100.00000%
Demand 2 (LF/CF)	40.91790%	0.94522%	11.47552%	42.46112%	1.32952%	0.03279%	1.30603%	0.33037%	1.20152%	100.00000%
Demand 3 (Purchased NCP)	33.85517%	0.92347%	13.28099%	47.70170%	1.26559%	0.02984%	1.15386%	0.25672%	1.53265%	100.00000%
Demand 4 (Purchased 12 CP)	34.18578%	0.89334%	13.53551%	47.95263%	1.25572%	0.01270%	1.05272%	0.25260%	0.85900%	100.00000%
Demand 5 (Purchased 2 CP)	40.43599%	0.82349%	11.94087%	43.92966%	1.05889%	0.01635%	0.75161%	0.89364%	0.14948%	100.00000%

Mid-Kansas Electric Company - Lane-Scott Division
Summary of Monthly CP Demands
Year Ending December 31, 2010

	<u>Calculated CP Demand</u>										Adj.	Actual
	RS	RS-H	GSS	GSL	GSL-Rider	MI	WP	I	PAL	Total	Power Supplier CP ¹	Power Supplier CP
Jan-10	2,591	106	1,237	3,754	151	0	148	2	158	8,146	5,631	5,627
Feb-10	2,502	103	1,169	3,684	141	0	139	0	158	7,898	5,117	5,113
Mar-10	2,467	76	1,221	3,608	110	0	120	0	129	7,732	4,870	4,866
Apr-10	1,896	51	1,005	3,652	98	1	49	11	16	6,780	4,549	4,546
May-10	2,425	57	1,061	3,895	100	1	58	5	16	7,618	6,355	6,350
Jun-10	3,881	73	1,271	4,683	105	1	82	11	16	10,123	9,056	9,049
Jul-10	4,635	96	1,300	4,687	124	2	82	106	16	11,048	9,135	9,128
Aug-10	4,123	83	1,283	4,810	106	2	80	88	16	10,590	9,215	9,208
Sep-10	2,894	58	1,103	4,644	89	2	67	1	16	8,874	7,956	7,950
Oct-10	2,014	50	1,009	4,360	75	4	69	11	129	7,720	5,967	5,963
Nov-10	2,613	88	1,224	3,985	104	1	108	0	158	8,280	5,282	5,278
Dec-10	2,878	107	1,253	3,619	125	0	132	0	158	8,274	5,015	5,011
Total	34,919	948	14,135	49,382	1,326	12	1,135	236	989	103,083	78,145	78,089

Forced CP Demand

Jan-10	1,791	73	855	2,595	104	0	102	1	109	5,631
Feb-10	1,621	67	757	2,387	91	0	90	0	103	5,117
Mar-10	1,554	48	769	2,272	69	0	76	0	81	4,870
Apr-10	1,272	34	674	2,451	66	0	33	8	11	4,549
May-10	2,023	48	885	3,249	83	0	48	5	13	6,355
Jun-10	3,471	66	1,137	4,190	93	1	74	10	14	9,056
Jul-10	3,832	79	1,075	3,876	102	2	68	87	13	9,135
Aug-10	3,588	72	1,116	4,185	92	1	70	77	14	9,215
Sep-10	2,595	52	989	4,164	80	2	60	1	14	7,956
Oct-10	1,556	38	780	3,370	58	3	53	8	100	5,967
Nov-10	1,667	56	780	2,542	66	0	69	0	101	5,282
Dec-10	1,744	65	760	2,194	75	0	80	0	96	5,015
Total	26,715	698	10,577	37,473	981	10	823	197	671	78,145
12 CP	0.34186	0.00893	0.13536	0.47953	0.01256	0.00013	0.01053	0.00253	0.00859	1.00000
Sum Jul-Aug	7,420	151	2,191	8,061	194	3	138	164	27	18,349
2 CP	0.40436	0.00823	0.11941	0.43930	0.01059	0.00016	0.00752	0.00894	0.00149	1.00000

¹CP adjusted for sales growth from Schedule I-6.

Mid-Kansas Electric Company - Lane-Scott Division
Summary of Monthly NCP Demands
Year Ending December 31, 2010

	RS	RS-H	GSS	GSL	GSL-Rider	MI	WP	I	PAL	Total
Jan-10	3,179	130	1,470	4,589	182	0	190	4	162	9,907
Feb-10	3,070	127	1,390	4,504	171	0	179	0	162	9,603
Mar-10	3,028	94	1,452	4,410	132	0	155	0	162	9,433
Apr-10	2,327	63	1,195	4,465	119	2	63	25	162	8,420
May-10	2,976	71	1,262	4,761	120	2	74	12	162	9,439
Jun-10	4,761	90	1,511	5,725	126	3	106	14	162	12,499
Jul-10	5,687	118	1,546	5,730	149	6	106	132	162	13,636
Aug-10	5,059	102	1,525	5,880	128	5	103	110	162	13,073
Sep-10	3,551	72	1,311	5,677	107	6	86	1	162	10,974
Oct-10	2,471	61	1,200	5,330	91	11	88	24	162	9,439
Nov-10	3,206	108	1,455	4,872	126	2	139	1	162	10,070
Dec-10	3,532	132	1,490	4,425	150	0	171	1	162	10,062
Total	42,845	1,169	16,808	60,369	1,602	38	1,460	325	1,940	126,555
Percent	33.855%	0.923%	13.281%	47.702%	1.266%	0.030%	1.154%	0.257%	1.533%	100.000%
Maximum	5,687	132	1,546	5,880	182	11	190	132	162	13,922

Mid-Kansas Electric Company - Lane-Scott Division
Development of Demand Allocation Factors
Year Ending December 31, 2010

Description Residential
Tariff RS
Billing code(s) KSK01, KSK07

Line Loss Factor 1.10021
Coincident Factor 0.815

Month	Customers	kWh	LLF	Factor A	Factor B	NCP Demand	CP Demand
Jan-10	1,476	1,029,882	1.10021	1,484	1.947	3,179	2,591
Feb-10	1,476	990,211	1.10021	1,484	1.880	3,070	2,502
Mar-10	1,476	974,647	1.10021	1,484	1.854	3,028	2,467
Apr-10	1,476	723,852	1.10021	1,484	1.425	2,327	1,896
May-10	1,476	955,799	1.10021	1,484	1.823	2,976	2,425
Jun-10	1,476	1,625,720	1.10021	1,484	2.916	4,761	3,881
Jul-10	1,476	1,987,078	1.10021	1,484	3.483	5,687	4,635
Aug-10	1,476	1,740,893	1.10021	1,484	3.098	5,059	4,123
Sep-10	1,476	1,167,195	1.10021	1,484	2.175	3,551	2,894
Oct-10	1,476	774,640	1.10021	1,484	1.513	2,471	2,014
Nov-10	1,476	1,039,760	1.10021	1,484	1.964	3,206	2,613
Dec-10	<u>1,476</u>	<u>1,159,871</u>	1.10021	1,484	2.163	<u>3,532</u>	<u>2,878</u>
Total	<u>17,712</u>	<u>14,169,548</u>				<u>42,845</u>	<u>34,919</u>

$$\text{Factor A} = C * [(1 - 0.4 * C) + 0.4 * (C^2 + 40)^{0.5}]$$

$$\text{Factor B} = ((\text{kWh}/C)^{0.885}) * 0.005925$$

where C = Customers, kWh = Energy Use

Mid-Kansas Electric Company - Lane-Scott Division
Development of Demand Allocation Factors
Year Ending December 31, 2010

Description Residential - Space Heating
Tariff RS-H
Billing code(s) KSK16, KS870

Line Loss Factor 1.10021
Coincident Factor 0.811

Month	Customers	kWh	LLF	Factor A	Factor B	NCP Demand	CP Demand
Jan-10	36	36,281	1.10021	44	2.696	130	106
Feb-10	36	35,345	1.10021	44	2.634	127	103
Mar-10	36	25,027	1.10021	44	1.941	94	76
Apr-10	36	15,921	1.10021	44	1.300	63	51
May-10	36	18,145	1.10021	44	1.460	71	57
Jun-10	36	24,028	1.10021	44	1.872	90	73
Jul-10	36	32,510	1.10021	44	2.446	118	96
Aug-10	36	27,432	1.10021	44	2.105	102	83
Sep-10	36	18,526	1.10021	44	1.487	72	58
Oct-10	36	15,496	1.10021	44	1.270	61	50
Nov-10	36	29,337	1.10021	44	2.234	108	88
Dec-10	<u>36</u>	<u>36,816</u>	1.10021	44	2.731	<u>132</u>	<u>107</u>
Total	<u>432</u>	<u>314,864</u>				<u>1,169</u>	<u>948</u>

$$\text{Factor A} = C * [(1 - 0.4 * C) + 0.4 * (C^2 + 40)^{0.5}]$$

$$\text{Factor B} = ((\text{kWh}/C)^{0.885}) * 0.005925$$

where C = Customers, kWh = Energy Use

Mid-Kansas Electric Company - Lane-Scott Division
Development of Demand Allocation Factors
Year Ending December 31, 2010

Description General Service Small
Tariff GSS
Billing code(s) KSK13, KSK24

Line Loss Factor 1.10021
Coincident Factor 0.841

Month	Customers	kWh	LLF	Factor A	Factor B	NCP Demand	CP Demand
Jan-10	694	472,078	1.10021	702	1.904	1,470	1,237
Feb-10	694	443,128	1.10021	702	1.800	1,390	1,169
Mar-10	694	465,499	1.10021	702	1.880	1,452	1,221
Apr-10	694	373,492	1.10021	702	1.547	1,195	1,005
May-10	694	397,163	1.10021	702	1.634	1,262	1,061
Jun-10	694	486,805	1.10021	702	1.956	1,511	1,271
Jul-10	694	499,494	1.10021	702	2.001	1,546	1,300
Aug-10	694	492,137	1.10021	702	1.975	1,525	1,283
Sep-10	694	414,739	1.10021	702	1.698	1,311	1,103
Oct-10	694	375,379	1.10021	702	1.554	1,200	1,009
Nov-10	694	466,491	1.10021	702	1.884	1,455	1,224
Dec-10	<u>694</u>	<u>479,300</u>	1.10021	702	1.929	<u>1,490</u>	<u>1,253</u>
Total	<u>8,328</u>	<u>5,365,705</u>				<u>16,808</u>	<u>14,135</u>

$$\text{Factor A} = C * [(1 - 0.4 * C) + 0.4 * (C^2 + 40)^{0.5}]$$

$$\text{Factor B} = ((\text{kWh}/C)^{0.885}) * 0.005925$$

where C = Customers, kWh = Energy Use

Mid-Kansas Electric Company - Lane-Scott Division
Development of Demand Allocation Factors
Year Ending December 31, 2010

Description General Service Large
Tariff GSL
Billing code(s) KSK14, KSK25

Line Loss Factor 1.10021
Coincident Factor 0.818

Month	Customers	kWh	kW	LLF	NCP Demand	CP Demand
Jan-10	200	1,105,648	4,171	1.10021	4,589	3,754
Feb-10	200	1,137,153	4,094	1.10021	4,504	3,684
Mar-10	200	1,273,726	4,008	1.10021	4,410	3,608
Apr-10	200	1,054,777	4,058	1.10021	4,465	3,652
May-10	200	1,081,359	4,328	1.10021	4,761	3,895
Jun-10	200	1,361,889	5,204	1.10021	5,725	4,683
Jul-10	200	1,388,205	5,208	1.10021	5,730	4,687
Aug-10	200	1,514,557	5,344	1.10021	5,880	4,810
Sep-10	200	1,439,322	5,160	1.10021	5,677	4,644
Oct-10	200	1,255,116	4,844	1.10021	5,330	4,360
Nov-10	200	1,327,862	4,428	1.10021	4,872	3,985
Dec-10	<u>200</u>	<u>1,198,971</u>	<u>4,022</u>	1.10021	<u>4,425</u>	<u>3,619</u>
Total	<u>2,400</u>	<u>15,138,586</u>	<u>54,870</u>		<u>60,369</u>	<u>49,382</u>

Mid-Kansas Electric Company - Lane-Scott Division
Development of Demand Allocation Factors
Year Ending December 31, 2010

Description General Service - Space Heating
Tariff GSL-Rider
Billing code(s) KSK21, KSK23, KS725

Line Loss Factor 1.10021
Coincident Factor 0.828

Month	Customers	kWh	kW	LLF	NCP Demand	CP Demand
Jan-10	8	52,445	165	1.10021	182	151
Feb-10	8	51,552	155	1.10021	171	141
Mar-10	8	43,152	120	1.10021	132	110
Apr-10	8	29,302	108	1.10021	119	98
May-10	8	32,265	109	1.10021	120	100
Jun-10	8	45,313	115	1.10021	126	105
Jul-10	8	50,554	136	1.10021	149	124
Aug-10	8	44,718	116	1.10021	128	106
Sep-10	8	32,909	97	1.10021	107	89
Oct-10	8	31,324	83	1.10021	91	75
Nov-10	8	44,167	114	1.10021	126	104
Dec-10	<u>8</u>	<u>53,585</u>	<u>137</u>	1.10021	<u>150</u>	<u>125</u>
Total	<u>96</u>	<u>511,286</u>	<u>1,456</u>		<u>1,602</u>	<u>1,326</u>

$$\text{Factor A} = C * [(1 - 0.4 * C) + 0.4 * (C^2 + 40)^{0.5}]$$

$$\text{Factor B} = ((\text{kWh}/C)^{0.885}) * 0.005925$$

where C = Customers, kWh = Energy Use

Mid-Kansas Electric Company - Lane-Scott Division
Development of Demand Allocation Factors
Year Ending December 31, 2010

Description Municipal Service - Commercial Service Time Clock
Tariff MI
Billing code(s) KSK62

Line Loss Factor 1.10021
Coincident Factor 0.325

Month	Customers	kWh	LLF	Factor A	Factor B	NCP Demand	CP Demand
Jan-10	7	14	1.10021	14	0.011	0	0
Feb-10	7	9	1.10021	14	0.007	0	0
Mar-10	7	24	1.10021	14	0.018	0	0
Apr-10	7	265	1.10021	14	0.148	2	1
May-10	7	186	1.10021	14	0.108	2	1
Jun-10	7	306	1.10021	14	0.168	3	1
Jul-10	7	811	1.10021	14	0.397	6	2
Aug-10	7	636	1.10021	14	0.321	5	2
Sep-10	7	824	1.10021	14	0.403	6	2
Oct-10	7	1,667	1.10021	14	0.752	11	4
Nov-10	7	247	1.10021	14	0.139	2	1
Dec-10	<u>7</u>	<u>18</u>	1.10021	14	0.014	<u>0</u>	<u>0</u>
Total	<u>84</u>	<u>5,007</u>				<u>38</u>	<u>12</u>

$$\text{Factor A} = C * [(1 - 0.4 * C) + 0.4 * (C^2 + 40)^{0.5}]$$

$$\text{Factor B} = ((\text{kWh}/C)^{0.885}) * 0.005925$$

where C = Customers, kWh = Energy Use

Mid-Kansas Electric Company - Lane-Scott Division
Development of Demand Allocation Factors
Year Ending December 31, 2010

Description Water Pumping, Municipal
Tariff WP
Billing code(s) KSK49

Line Loss Factor 1.10021
Coincident Factor 0.777

Month	Customers	kWh	LLF	Factor A	Factor B	NCP Demand	CP Demand
Jan-10	21	52,299	1.10021	29	6.003	190	148
Feb-10	21	48,764	1.10021	29	5.643	179	139
Mar-10	21	41,453	1.10021	29	4.887	155	120
Apr-10	21	14,966	1.10021	29	1.984	63	49
May-10	21	18,052	1.10021	29	2.342	74	58
Jun-10	21	26,918	1.10021	29	3.335	106	82
Jul-10	21	26,940	1.10021	29	3.338	106	82
Aug-10	21	26,238	1.10021	29	3.260	103	80
Sep-10	21	21,306	1.10021	29	2.712	86	67
Oct-10	21	21,958	1.10021	29	2.785	88	69
Nov-10	21	36,611	1.10021	29	4.378	139	108
Dec-10	<u>21</u>	<u>46,167</u>	1.10021	29	5.376	<u>171</u>	<u>132</u>
Total	<u>252</u>	<u>381,673</u>				<u>1,460</u>	<u>1,135</u>

$$\text{Factor A} = C * [(1 - 0.4 * C) + 0.4 * (C^2 + 40)^{0.5}]$$

$$\text{Factor B} = ((\text{kWh}/C)^{0.885}) * 0.005925$$

where C = Customers, kWh = Energy Use

Mid-Kansas Electric Company - Lane-Scott Division
Development of Demand Allocation Factors
Year Ending December 31, 2010

Description Irrigation Service
Tariff I
Billing code(s) KSK54

Line Loss Factor 1.10021
Connected HP 145

Month	Customers	kWh	Est. Op. kW ¹	LLF	NCP Demand	Coincident Factor	CP Demand
Jan-10	10	638	4	1.10021	4	45%	2
Feb-10	10	22	0	1.10021	0	45%	0
Mar-10	10	11	0	1.10021	0	45%	0
Apr-10	10	3,660	23	1.10021	25	45%	11
May-10	10	1,772	11	1.10021	12	45%	5
Jun-10	10	2,095	13	1.10021	14	80%	11
Jul-10	10	19,334	120	1.10021	132	80%	106
Aug-10	10	16,070	100	1.10021	110	80%	88
Sep-10	10	182	1	1.10021	1	80%	1
Oct-10	10	3,487	22	1.10021	24	45%	11
Nov-10	10	146	1	1.10021	1	45%	0
Dec-10	<u>10</u>	<u>87</u>	<u>1</u>	1.10021	<u>1</u>	45%	<u>0</u>
Total	<u>120</u>	<u>47,503</u>	<u>295</u>		<u>325</u>		<u>236</u>

¹Monthly kWh/Peak kWh * Connected HP * 0.746 kW/HP / 90% Efficiency

Mid-Kansas Electric Company - Lane-Scott Division
Development of Demand Allocation Factors
Year Ending December 31, 2010

Description Street/Security Lighting
Tariff PAL
Billing code(s) LT

Line Loss Factor 1.10021
Coincident Factor 0.842

Month	Customers	kWh	LLF	NCP Demand	Coincident Factor	CP Demand
Jan-10	931	58,986	1.10021	162	98%	158
Feb-10	931	58,986	1.10021	162	98%	158
Mar-10	931	58,986	1.10021	162	80%	129
Apr-10	931	58,986	1.10021	162	10%	16
May-10	931	58,986	1.10021	162	10%	16
Jun-10	931	58,986	1.10021	162	10%	16
Jul-10	931	58,986	1.10021	162	10%	16
Aug-10	931	58,986	1.10021	162	10%	16
Sep-10	931	58,986	1.10021	162	10%	16
Oct-10	931	58,986	1.10021	162	80%	129
Nov-10	931	58,986	1.10021	162	98%	158
Dec-10	<u>931</u>	<u>58,986</u>	1.10021	<u>162</u>	98%	<u>158</u>
Total	<u>11,172</u>	<u>707,832</u>		<u>1,940</u>		<u>989</u>

NCP = Mo. Sales / (55% Load Factor * 730 hrs/mo.)

Mid-Kansas Electric Company - Lane-Scott Division
Average & Excess Demand Allocation Method
Year Ending December 31, 2010

System Coincident Peak Demand, kW	9,215
System Average Demand, kW	4,602
Excess Demand, kW	<u>4,613</u>

Line Class	RS	RS-H	GSS	GSL	GSL-Rider	MI	WP	I	PAL	Total
1 Maximum Demand ¹	5,687	132	1,546	5,880	182	11	190	132	162	13,922
2 Annual kWh ²	14,169,548	314,864	5,365,705	15,138,586	511,286	5,007	381,673	47,503	707,832	36,642,003
3 Line Loss Factor ²	1.10021	1.10021	1.10021	1.10021	1.10021	1.10021	1.10021	1.10021	1.10021	
4 Average Demand ³	1,780	40	674	1,901	64	1	48	6	89	4,602
5 Excess Demand ⁴	3,907	92	872	3,978	118	11	142	126	73	9,320
6 Ratio	0.41925	0.00992	0.09353	0.42688	0.01263	0.00116	0.01529	0.01355	0.00780	1.00000
7 Allocated Excess ⁵	1,934	46	431	1,969	58	5	71	62	36	4,613
8 Allocated Demand ⁶	3,713	85	1,105	3,870	122	6	118	68	125	9,215
9 A&E Demand	0.40299	0.00926	0.11995	0.42002	0.01329	0.00065	0.01285	0.00743	0.01355	1.00000

¹Schedule L-3.2

²Schedule L-4

³(Line 2 * Line 3) / 8760 hrs

⁴Line 1 - Line 4

⁵Line 6 * System Excess

⁶Line 4 + Line 7

Mid-Kansas Electric Company - Lane-Scott Division
Load Factor/Coincident Factor Demand Allocation Method
Year Ending December 31, 2010

Line Class	RS	RS-H	GSS	GSL	GSL-Rider	MI	WP	I	PAL	Total
1 Peak Demand ¹	5,687	132	1,546	5,880	182	11	190	132	162	13,922
2 Average Demand ²	1,780	40	674	1,901	64	1	48	6	89	4,602
3 Load Factor ³	0.313	0.300	0.436	0.323	0.353	0.055	0.252	0.045	0.550	
4 Coincident Factor ⁴	0.815	0.811	0.841	0.818	0.828	0.325	0.777	0.283	0.842	
5 CP Demand ⁵	4,635	107	1,300	4,810	151	4	148	37	136	11,327
6 LF/CF Demand ⁷	0.40918	0.00945	0.11476	0.42461	0.01330	0.00033	0.01306	0.00330	0.01202	1.00000
7 Allocated Peak ⁸	3,770	87	1,057	3,913	123	3	120	30	111	9,215

¹Schedule L-3.2

²Schedule L-5

³Line 2 / Line 1

⁴Schedule L-7

⁵Schedule L-5

⁶Line 1 * Line 4

⁷Line 6 / Total

⁸Line 7 * System Peak

LOAD FACTOR / COINCIDENT FACTOR CONVERSION TABLE (1)

Load Factor	Coincident Factor	Load Factor	Coincident Factor	Load Factor	Coincident Factor
0%	0.00%	34%	82.50%	68%	84.50%
1%	5.70%	35%	82.80%	69%	84.60%
2%	11.80%	36%	83.10%	70%	84.70%
3%	17.50%	37%	83.30%	71%	84.80%
4%	23.20%	38%	83.50%	72%	85.00%
5%	28.30%	39%	83.70%	73%	85.20%
6%	32.50%	40%	83.90%	74%	85.40%
7%	36.30%	41%	84.00%	75%	85.70%
8%	40.00%	42%	84.00%	76%	85.90%
9%	43.70%	43%	84.10%	77%	86.20%
10%	47.10%	44%	84.10%	78%	86.40%
11%	50.30%	45%	84.20%	79%	86.70%
12%	53.00%	46%	84.20%	80%	87.10%
13%	55.60%	47%	84.20%	81%	87.50%
14%	57.90%	48%	84.20%	82%	87.90%
15%	60.30%	49%	84.20%	83%	88.40%
16%	62.70%	50%	84.20%	84%	88.80%
17%	65.00%	51%	84.20%	85%	89.40%
18%	67.20%	52%	84.20%	86%	89.90%
19%	69.00%	53%	84.20%	87%	90.50%
20%	70.80%	54%	84.20%	88%	91.00%
21%	72.40%	55%	84.20%	89%	91.70%
22%	73.90%	56%	84.20%	90%	92.30%
23%	75.30%	57%	84.20%	91%	93.00%
24%	76.60%	58%	84.20%	92%	93.70%
25%	77.70%	59%	84.20%	93%	94.30%
26%	78.50%	60%	84.20%	94%	95.10%
27%	79.40%	61%	84.20%	95%	95.80%
28%	80.10%	62%	84.20%	96%	96.70%
29%	80.60%	63%	84.20%	97%	97.50%
30%	81.10%	64%	84.20%	98%	98.20%
31%	81.50%	65%	84.30%	99%	99.10%
32%	81.80%	66%	84.30%	100%	100.00%
33%	82.20%	67%	84.40%		

(1) NARUC "Cost Allocation Manual", 1973, Pg. 93

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

In the Matter of the Application of)
Mid-Kansas Electric Company, LLC for)
Approval to Make Certain Changes in its) Docket No. 12-MKEE-410-RTS
Charges for Electric Service in the)
Geographic Service Territory Served by)
Lane Scott Electric Cooperative, Inc.)

Section P – Audited Financial Statements

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

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LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

OFFICERS, BOARD OF TRUSTEES AND GENERAL MANAGER

<u>Name</u>	<u>Office</u>	<u>Address</u>
Richard Jennison	President	Healy, Kansas
Craig Ramsey	Vice-President	Scott City, Kansas
Paul Seib, Jr.	Secretary	Ness City, Kansas
Eric D. Doll	Treasurer	Ingalls, Kansas
Richard Sorem	Trustee	Jetmore, Kansas
Ed Gough	Trustee	Dighton, Kansas
Harold Hoss	Trustee	Ness City, Kansas
Bruce E. Wilkens	Trustee	Scott City, Kansas
Rad Roehl	Trustee	Dighton, Kansas
Earl N. Steffens	General Manager	Dighton, Kansas



Dreyer & Kelso, P.C., P.A.

Certified Public Accountants
5799 Broadmoor - Suite 712
Mission, Kansas 66202
913-831-1150 • Fax: 913-831-0538

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Lane-Scott Electric Cooperative, Inc.
Dighton, KS

We have audited the accompanying consolidated balance sheets of Lane-Scott Electric Cooperative, Inc. as of December 31, 2009 and 2008, and the related consolidated statements of revenue and patronage capital and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Cooperative's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lane-Scott Electric Cooperative, Inc. as of December 31, 2009 and 2008 and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated April 28, 2010, on our consideration of Lane-Scott Electric Cooperative, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

December 31, 2009 and 2008

ASSETS

	<u>2009</u>	<u>2008</u>
UTILITY PLANT		
Electric plant in service	\$ 28,688,275	\$ 28,500,130
Construction work in progress	<u>4,100,777</u>	<u>1,861,353</u>
	32,789,052	30,361,483
Less: accumulated depreciation	<u>(12,264,322)</u>	<u>(12,272,609)</u>
Total Utility Plant	<u>20,524,730</u>	<u>18,088,874</u>
INVESTMENTS		
Subordinated certificates	223,444	223,542
Investments in associated organizations	539,272	505,053
Other investments	35,577	52,340
Non-utility property	<u>1,598,154</u>	<u>1,218,138</u>
Total Investments	<u>2,396,447</u>	<u>1,999,073</u>
CURRENT ASSETS		
Cash and cash equivalents	427,816	550,805
Accounts receivable (less allowance for doubtful accounts of \$63,000 in 2009 and \$61,000 in 2008)	4,098,149	3,879,190
Materials and supplies	930,560	1,194,367
Other current assets	<u>65,472</u>	<u>2,824</u>
Total Current Assets	<u>5,521,997</u>	<u>5,627,186</u>
DEFERRED CHARGES	<u>304,329</u>	<u>331,478</u>
TOTAL ASSETS	<u>\$ 28,747,503</u>	<u>\$ 26,046,611</u>

The accompanying notes to consolidated financial statements
are an integral part of this consolidated statement

MEMBERS' EQUITY AND LIABILITIES

	<u>2009</u>	<u>2008</u>
MEMBERS' EQUITY		
Patronage capital	\$ 6,900,262	\$ 6,344,051
Other equities	<u>140,222</u>	<u>140,813</u>
Total Members' Equity	<u>7,040,484</u>	<u>6,484,864</u>
LONG-TERM DEBT		
Mortgage notes	11,272,832	9,842,488
Capital leases	48,926	128,610
Other long-term debt	<u>334,228</u>	<u>265,528</u>
	11,655,986	10,236,626
Less: current maturities	<u>(1,145,000)</u>	<u>(390,000)</u>
Total Long-Term Debt	<u>10,510,986</u>	<u>9,846,626</u>
DEFERRED INCOME TAX	<u>301,954</u>	<u>205,076</u>
CURRENT LIABILITIES		
Current maturities of long-term debt	1,145,000	390,000
Notes payable	8,109,252	7,408,913
Accounts payable	872,861	870,271
Accrued interest payable	14,558	23,959
Accrued taxes	225,337	241,972
Income tax payable	37,585	89,765
Other current liabilities	<u>382,415</u>	<u>414,979</u>
Total Current Liabilities	<u>10,787,008</u>	<u>9,439,859</u>
DEFERRED CREDITS	<u>107,071</u>	<u>70,186</u>
TOTAL MEMBERS' EQUITY AND LIABILITIES	<u>\$ 28,747,503</u>	<u>\$ 26,046,611</u>

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF REVENUE AND PATRONAGE CAPITAL
FOR THE YEARS ENDED DECEMBER 31

	<u>2009</u>	<u>2008</u>
OPERATING REVENUE		
Sale of electricity	\$ 11,339,234	\$ 11,774,992
Subsidiary revenue	7,108,926	4,060,200
Other operating revenue	<u>29,906</u>	<u>37,659</u>
Total Operating Revenue	<u>18,478,066</u>	<u>15,872,851</u>
OPERATING EXPENSE		
Cost of power	7,342,998	8,015,571
Cost of subsidiary revenue	4,566,489	2,350,372
Transmission expense	327	-0-
Distribution - operations	749,131	705,737
Distribution - maintenance	445,424	549,448
Consumer accounts	370,864	340,415
Customer service and information	126,255	99,879
Administrative and general	1,860,393	1,363,635
Depreciation and amortization	1,277,198	976,344
Taxes	27,604	8,285
Interest on long-term debt	544,488	496,501
Interest expense - other	<u>324,000</u>	<u>238,352</u>
Total Operating Expense	<u>17,635,171</u>	<u>15,144,539</u>
NET OPERATING MARGIN	<u>842,895</u>	<u>728,312</u>
NON-OPERATING MARGIN		
Interest income	17,172	23,262
Other non-operating income	<u>80,501</u>	<u>105,487</u>
Total Non-Operating Margin	<u>97,673</u>	<u>128,749</u>
CAPITAL CREDITS	<u>51,307</u>	<u>66,749</u>
NET MARGINS BEFORE INCOME TAXES	991,875	923,810

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF REVENUE AND PATRONAGE CAPITAL
FOR THE YEARS ENDED DECEMBER 31

	<u>2009</u>	<u>2008</u>
INCOME TAXES		
Deferred	\$ 96,878	\$ 155,263
Current	<u>317,049</u>	<u>329,005</u>
Total Income Taxes	<u>413,927</u>	<u>484,268</u>
NET MARGINS FOR PERIOD	577,948	439,542
PATRONAGE CAPITAL - BEGINNING OF YEAR	<u>6,344,051</u>	<u>5,948,716</u>
Retirement of capital credits	6,921,999 <u>(21,737)</u>	6,388,258 <u>(44,207)</u>
PATRONAGE CAPITAL - END OF YEAR	<u>\$ 6,900,262</u>	<u>\$ 6,344,051</u>

The accompanying notes to consolidated financial statements
are an integral part of this consolidated statement

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 18,376,493	\$ 13,458,747
Interest and dividends received	17,172	23,262
Cash paid to suppliers and employees	(15,571,593)	(12,963,702)
Interest paid	(877,889)	(730,411)
Income taxes paid	<u>(369,229)</u>	<u>(259,247)</u>
Net Cash Provided (Used) By Operating Activities	<u>1,574,954</u>	<u>(471,351)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in plant	(3,230,826)	(1,143,892)
Materials and supplies	263,807	(218,436)
Non-utility property	(862,244)	(941,684)
Temporary cash investments	-0-	152,637
Other investing activities	14,861	459,056
Patronage capital recovery	<u>19,088</u>	<u>4,339</u>
Net Cash Provided (Used) By Investing Activities	<u>(3,795,314)</u>	<u>(1,687,980)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan funds received	2,705,818	1,102,000
Retirement of long-term debt	(1,286,458)	(396,411)
Advances on line of credit	14,982,157	12,885,577
Repayments on line of credit	(14,281,818)	(11,123,412)
Retirement of capital credits	(21,737)	(44,207)
Other financing activities	<u>(591)</u>	<u>1,797</u>
Net Cash Provided (Used) By Financing Activities	<u>2,097,371</u>	<u>2,425,344</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(122,989)	266,013
Cash and cash equivalents - Beginning of year	<u>550,805</u>	<u>284,792</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ <u>427,816</u>	\$ <u>550,805</u>

The accompanying notes to consolidated financial statements
are an integral part of this consolidated statement

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

	<u>2009</u>	<u>2008</u>
RECONCILIATION OF NET MARGIN TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net margin	\$ 577,948	\$ 439,542
Adjustments to reconcile net margin to net cash provided by operating activities:		
Depreciation and amortization	1,277,198	976,344
Patronage capital credits from suppliers	(51,307)	(66,749)
Deferred income tax	96,878	155,263
(Increase) decrease in accounts receivable	(218,959)	(738,630)
(Increase) decrease deferred charges	27,149	(53,609)
(Increase) decrease other assets	(62,648)	80,628
Increase (decrease) in accounts payable	2,590	363,743
Increase (decrease) in interest payable	(9,401)	4,442
Increase (decrease) in accrued taxes	(16,635)	(1,169)
Increase (decrease) in other liabilities	(32,564)	80,047
Increase (decrease) in deferred credits	36,885	(1,780,961)
Increase (decrease) in income tax payable	<u>(52,180)</u>	<u>69,758</u>
 Net Cash Provided (Used) Operating Activities	 <u>\$ 1,574,954</u>	 <u>\$ (471,351)</u>

The accompanying notes to consolidated financial statements
are an integral part of this consolidated statement

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2009 and 2008

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements include the accounts of Lane-Scott Electric Cooperative, Inc. (a Kansas not-for-profit corporation) and its wholly owned subsidiary High Line Services, L.L.C. (a Kansas for-profit corporation). All significant intercompany transactions and balances have been eliminated.

The Cooperative is a Rural Electric Cooperative whose principal business is the distribution of electrical power to residences and businesses located in seven counties in western Kansas.

High Line Services, L.L.C. provides overhead line construction services to electric utilities, in Kansas and surrounding areas.

The Cooperative employs the Uniform System of Accounts prescribed by the Rural Utilities Service (RUS). As a result, the application of generally accepted accounting principles by the Cooperative differs in certain respects from such application by non-regulated enterprises. Such differences concern primarily the time at which various items enter into the determination of net margins in order to follow the principle of matching costs and revenue.

Revenue from the subsidiary's long-term construction contracts are recognized on the percentage-of-completion method. As of December 31, 2009 and 2008, the contracts in progress were substantially complete and the excess of their billings over the costs incurred to date was not significant enough to warrant an adjustment. Because of the inherent uncertainties in estimating costs, it is reasonably possible that the estimate used will change in the near term.

Depreciation is recorded on the composite basis for transmission and distribution plant assets, including those acquired from MKEC as noted below, and on the unit basis for general plant assets, and is charged to capital and operating accounts at rates adopted by the Board of Trustees in conformity with guidelines provided by RUS, or by ruling from the Kansas Corporation Commission (KCC) in the case of those acquired from MKEC, as noted below. Depreciation provisions are computed on additions beginning the month after they are placed in service. When units of property are retired, their average cost (specific unit cost for substantially all of the general plant) is removed from utility plant and the cost, less net salvage, is removed from allowances for depreciation. The discount on the acquisition of the MKEC assets is written off over the same period as the transmission and distribution plant assets acquired. Expenditures for normal repairs and maintenance are charged to operations as incurred.

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2009 and 2008

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Continuing property records are maintained on a current basis. These provide the average installed cost of the plant in service.

Investments in associated organizations are carried at face value of equity certificates. Other amounts included in investments are generally carried at cost.

Materials and supplies are stated at average cost.

For purposes of the Statement of Cash Flows, the Cooperative considers all short-term deposits and highly liquid investments with an original maturity date of three months or less to be cash and cash equivalents.

The Cooperative follows industry practice of recording revenue concurrently with its billings to customers, net of taxes collected for various taxing authorities, and recording cost of power upon receipt of their billing from the supplier.

In conformity with its bylaws, the Cooperative conducts its operations on a cooperative nonprofit basis. Annual revenue, in excess of the cost of providing service, is allocated in the form of "capital credits" to the customers' capital accounts on the basis of patronage.

CERTAIN SIGNIFICANT RISKS AND UNCERTAINTIES

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Three members accounted for approximately 14% and 15% of the electric revenues reported for the years ended December 31, 2009 and 2008, respectively, and the loss of any one could have an adverse effect on the Cooperative. Management does not expect that the business relationship with any of these members will be lost.

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

CERTAIN SIGNIFICANT RISKS AND UNCERTAINTIES (Continued)

Several Kansas electric cooperatives, including Lane-Scott Electric Cooperative, Inc. (parent) accounted for substantially all of the revenues reported by High Line Services, L.L.C. for the years ended December 31, 2009 and 2008. The loss of any of these customers could have an adverse effect on the Company, however, management expects the business relationship to continue with the Kansas electric cooperatives for the near term.

Concentrations of credit risk arises from the Cooperative's granting of credit to its member customers, uninsured funds deposited in federally insured financial institutions which may be in excess of the insurance limits at various times during the year.

ASSETS PLEDGED

Substantially all assets of the Cooperative are pledged as security for long-term debt to RUS, and concurrent mortgage notes to the National Rural Utilities Cooperative Finance Corporation (CFC).

UTILITY PLANT

A summary of the utility plant and accumulated depreciation follows:

	December 31	
	2009	2008
Intangible plant	\$ 494	\$ 494
Transmission plant	1,309,174	1,309,174
Distribution plant	27,381,392	27,385,517
General plant	2,991,264	2,798,994
Electric plant acquisition adjustment	(2,994,049)	(2,994,049)
Total Electric Plant	28,688,275	28,500,130
Construction work in progress	<u>4,100,777</u>	<u>1,861,353</u>
	<u>32,789,052</u>	<u>30,361,483</u>

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

UTILITY PLANT

	December 31	
	2009	2008
Accumulated depreciation:		
Transmission plant	\$ 739,949	\$ 698,839
Distribution plant	10,230,631	10,363,692
General plant	1,448,609	1,263,382
Electric plant acquisition adjustment	(199,515)	(99,758)
	12,219,674	12,226,155
Retirement work in progress	44,648	46,454
	12,264,322	12,272,609
Net Utility Plant	\$ 20,524,730	\$ 18,088,874

Distribution plant is depreciated, under the straight-line composite basis, at the annual rate of 3.08%.

General plant is depreciated over the estimated useful life of the assets, under the straight-line method, at various rates ranging from 3.34% to 14.00%.

The Cooperative, along with five other Kansas electric cooperatives, formed Mid-Kansas Electric Company (MKEC) to acquire the assets and customers of Aquila, Inc. - Kansas operations. The Cooperative took responsibility for the billing and collection associated with the consumers in its share of the new territories and also took ownership of the "plant" assets involved in the transaction. The total number of consumers served increased from approximately 3,100 to slightly more than 6,000.

These transmission and distribution plant assets are depreciated based on a study of rates that was performed and the subsequent ruling from the Kansas Corporation Commission on the transaction, as a whole.

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

NON-UTILITY PROPERTY

	<u>December 31</u>		<u>Depreciation Method & Years</u>
	<u>2009</u>	<u>2008</u>	
Building and land	\$ 9,000	\$ 9,000	S/L 20 Years
Vehicles	1,415,268	997,639	S/L 5-7 Years
Equipment	1,422,345	977,730	S/L 3-7 Years
Intangible asset	<u>32,108</u>	<u>32,108</u>	S/L 5 Years
Total Non-Utility Property	<u>2,878,721</u>	<u>2,016,477</u>	
 Accumulated Depreciation:			
Property and equipment	1,248,459	766,231	
Intangible asset	<u>32,108</u>	<u>32,108</u>	
Total Accumulated Depreciation	<u>1,280,567</u>	<u>798,339</u>	
Net Non-Utility Property	<u>\$1,598,154</u>	<u>\$1,218,138</u>	

ACCOUNTS RECEIVABLE

The Cooperative carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Cooperative evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on past history of bad debt write-offs, collections, and current credit conditions. Electric accounts receivable are generally considered past due if payment is not received by the due date of the bill. It is the Cooperative's policy that electric accounts are generally turned over to the collecting agent after all collection efforts have been exhausted and the service has been disconnected. The Board of Trustees will approve write off of electric bad debts once a year for accounts that have been disconnected and turned over to the collecting agent. The subsidiary has not had any bad debts since inception. Payments received on accounts after they are written off are considered a recovery of the bad debt. As of December 31, 2009 and 2008, the Cooperative had approximately \$51,000 and 36,000, respectively, in accounts receivable that were over 90 days old and the balance in the allowance for bad debts approximated \$63,000 and 61,000, respectively.

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

SUBORDINATED CERTIFICATES

	December 31	
	<u>2009</u>	<u>2008</u>
Capital term certificates	\$221,958	\$221,958
Zero term certificates	<u>1,486</u>	<u>1,584</u>
Total	<u>\$223,444</u>	<u>\$223,542</u>

The capital term certificates yield 5.00% and the zero term certificate has no yield. All of the certificates have various maturity dates through the year 2080.

INVESTMENT IN ASSOCIATED ORGANIZATIONS

This category consists mainly of patronage capital due from organizations of which the Cooperative is a member.

	December 31	
	<u>2009</u>	<u>2008</u>
Patronage capital - CFC	\$ 39,325	\$ 24,857
Patronage capital - Federated	58,284	53,144
Equity investment - Sunflower Power Cooperative, Inc.	303,000	303,000
Investment in KEC	34,249	34,249
Patronage capital - S & T Telephone	76,393	66,658
Other associated organizations	<u>28,021</u>	<u>23,145</u>
Total	<u>\$539,272</u>	<u>\$505,053</u>

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

OTHER INVESTMENTS

	<u>December 31</u>	
	<u>2009</u>	<u>2008</u>
Economic Development Loans	<u>\$35,577</u>	<u>\$52,340</u>

The Cooperative carries its loans at cost and management considers them to be collectible. The loans were current as of December 31, 2009 and 2008, and are secured by letters of credit.

OTHER CURRENT ASSETS

	<u>December 31</u>	
	<u>2009</u>	<u>2008</u>
Prepaid insurance	\$14,551	\$ 39
Prepaid income tax	48,136	-0-
Interest receivable	2,760	2,760
Other current assets	<u>25</u>	<u>25</u>
Total	<u>\$65,472</u>	<u>\$2,824</u>

DEFERRED CHARGES

	<u>December 31</u>	
	<u>2009</u>	<u>2008</u>
Long-range work plans	\$ 51,932	\$ 69,818
Acquisition of assets from investor-owned utility (MKEC)	<u>252,397</u>	<u>261,660</u>
Total	<u>\$304,329</u>	<u>\$331,478</u>

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

DEFERRED CHARGES (Continued)

The above accumulated expenses were incurred prior to the acquisition of assets from MKEC as noted above. They are amortized over future periods, as allowed under the Statement of Financial Accounting Standards No. 71 (SFAS 71) "Accounting for the Effects of Certain Types of Regulation". Amortization expense amounted to \$9,262 and \$16,209 for the years ended December 31, 2009 and 2008, respectively.

INCOME TAXES

The Cooperative has a letter of exemption from Federal income tax, issued by the Internal Revenue Service, and files IRS Form 990 annually. High Line Services, L.L.C. files IRS Form 1120 annually per its election to be taxed as a C Corporation.

In addition, the subsidiary has temporary differences related to the depreciable assets (use of different depreciation methods and lives for financial statements and income tax purposes). The deferred tax liability represents future tax return consequences of those differences, which will either be deductible or taxable when the assets or liabilities are recovered or settled.

The subsidiary has current income tax expense (benefit) as follows:

	<u>December 31</u>	
	<u>2009</u>	<u>2008</u>
Current:		
Federal	\$308,585	\$270,966
State	<u>8,464</u>	<u>58,039</u>
Total Current	<u>\$317,049</u>	<u>\$329,005</u>
Deferred:		
Federal	\$79,924	\$128,091
State	<u>16,954</u>	<u>27,172</u>
Total Deferred	<u>\$96,878</u>	<u>\$155,263</u>

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

INCOME TAXES (Continued)

Financial Accounting Standards Board Interpretation No. 48 (FSP FIN 48), Accounting for Uncertainty in Income Taxes, which is codified at FASB ASC 740, Income Taxes, was issued in 2006. Hence, there have been three amendments to defer the effective date of implementation, including the most recent, FSP FIN 48-3 (ASC 740), which deferred the implementation date to fiscal years beginning on or after December 15, 2008. The Cooperative adopted FSP FIN 48 (ASC 740) effective January 1, 2009. An evaluation of whether or not it has any uncertain tax positions is determined on an annual basis by the Cooperative. While the Cooperative believes it has adequately provided for all tax positions, amounts asserted by taxing authorities could be different than the positions taken by the Cooperative. The Cooperative recognizes any interest and penalties assessed by taxing authorities in income tax expense.

MEMBERS' EQUITY

	<u>Patronage Capital Credits</u>	<u>Patronage Capital Unallocated</u>	<u>Other Equities</u>	<u>Total</u>
Balance December 31, 2007	\$ 5,151,957	\$ 796,759	\$139,016	\$ 6,087,732
Net margin, year 2008	-0-	439,542	-0-	439,542
Allocation, year 2007	957,875	(957,875)	-0-	-0-
Retirement of capital credits	(44,207)	-0-	-0-	(44,207)
Other changes	<u>-0-</u>	<u>-0-</u>	<u>1,797</u>	<u>1,797</u>
Balance December 31, 2008	6,065,625	278,426	140,813	6,484,864
Net margin, year 2009	-0-	577,948	-0-	577,948
Allocation, year 2008	761,180	(761,180)	-0-	-0-
Retirement of capital credits	(21,737)	-0-	(46)	(21,783)
Other changes	<u>-0-</u>	<u>-0-</u>	<u>(545)</u>	<u>(545)</u>
Balance December 31, 2009	<u>\$ 6,805,068</u>	<u>\$ 95,194</u>	<u>\$ 140,222</u>	<u>\$ 7,040,484</u>

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

MEMBERS' EQUITY (Continued)

Under the provisions of the RUS mortgage agreement, until the equities and margins equal or exceed thirty percent of the total assets of the Cooperative, the retirement of capital credits is generally limited to twenty-five percent of the patronage capital or margins from the prior calendar year. The CFC mortgage agreement provisions differ slightly. This limitation does not usually apply to capital credit retirements made exclusively to estates.

The total equities of the Cooperative are 25% of the total assets as of both December 31, 2009 and 2008. Other equities consist of donated capital and retired capital credits gain.

LONG-TERM DEBT

Long-term debt consists principally of mortgage notes payable to RUS and CFC, and other long-term debt, with various maturities through the year 2040.

The following is a summary of these notes:

	<u>December 31</u>	
	<u>2009</u>	<u>2008</u>
RUS mortgage notes	\$ 9,516,460	\$ 9,768,192
CFC mortgage notes	1,756,372	74,296
Capital leases	48,926	128,610
Other long-term debt	<u>334,228</u>	<u>265,528</u>
	11,655,986	10,236,626
Less: current maturities	(1,145,000)	(390,000)
Total Long-Term Debt	<u>\$ 10,510,986</u>	<u>\$ 9,846,626</u>

The RUS notes have fixed rates that ranged from 2.00% to 5.00% as of both December 2009 and 2008.

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

LONG-TERM DEBT (Continued)

The CFC notes have fixed and variable rates that ranged from 4.95% to 5.65% as of December 31, 2009, and from 5.65% to 6.35% as of December 31, 2008.

Other long-term debt represents an amount from the United States Department of Agriculture (USDA) to be used by the Cooperative as rural economic development grant funds in the amount of \$150,382, and loans to the subsidiary from NCSC in the amount of \$183,846 at fixed and variable rates ranging from 6.05% to 6.50% as of December 31, 2009, and \$115,146 at fixed rates ranging from 6.20% to 6.50% as of December 31, 2008. Substantially all of the subsidiary's assets are pledged as security on the notes to NCSC.

The capital leases represent several leases pertaining to construction equipment leased by the subsidiary. The leases have interest rates that ranged from 5.50% to 6.50% as of both December 31, 2009 and 2008, and are secured by the subsidiary equipment.

As of December 31, 2009 and 2008, CFC was committed to advance loan funds to the Cooperative in the amounts of \$188,182 and \$2,700,000, respectively, for which a loan agreement has been executed.

Based on current obligations, principal payments toward the above long-term debt for the next five years will require approximately:

2010	\$1,145,000
2011	\$ 465,000
2012	\$ 380,000
2013	\$ 355,000
2014	\$ 360,000

OTHER CURRENT LIABILITIES

	December 31	
	2009	2008
Customers' deposits	\$118,726	\$127,307
Accrued payroll	120,476	159,817
Accrued vacation	125,171	123,878
Other current liabilities	18,042	4,477
Total	\$382,415	\$414,979

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

SHORT-TERM LINES OF CREDIT

The Cooperative has a \$2,000,000 line of credit, perpetual in nature, established with CFC. \$1,428,411 and \$1,822,095 had been drawn as of December 31, 2009 and 2008, respectively, at interest rates of 4.25% and 5.00%, respectively. Certain pre-conditions may be required of the Cooperative prior to additional draw down of funds, such as repayment of all advances once a year.

The Cooperative also has a \$6,000,000 line of credit with CFC that expires on January 31, 2012. \$6,000,000 and \$4,125,000 had been drawn as of December 31, 2009 and 2008, respectively, at interest rates of 4.25% and 5.00%, respectively. The same pre-conditions may be required of the Cooperative prior to additional draw down of funds.

During the year ended December 31, 2009, the Cooperative established a third line of credit with CFC that expires on September 22, 2010. \$610,841 had been drawn as of December 31, 2009, at an interest rate of 4.95%. The same pre-conditions may be required of the Cooperative prior to additional draw down of funds.

The subsidiary has a \$750,000 line of credit, which expires March 10, 2010, established with NCSC. \$70,000 had been drawn as of December 31, 2009, at an interest rate of 6.05%, and no funds had been drawn as of December 31, 2008. Certain pre-conditions may be required of the subsidiary prior to draw down of funds. The line is secured by the subsidiary assets with a guarantee from the parent Cooperative. Subsequent to December 31, 2009, the line of credit was renewed for one year.

DEFERRED CREDITS

	December 31	
	2009	2008
Customers' energy prepayments	<u>\$107,071</u>	<u>\$70,186</u>

CASH FLOWS INFORMATION

	December 31	
	2009	2008
Cash and cash equivalents:		
General funds	<u>\$427,816</u>	<u>\$550,805</u>

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

PENSION PLAN

Substantially all employees of the Cooperative participate in the NRECA Retirement and Security Program, a defined benefit pension plan qualified under the Internal Revenue Code. The Cooperative makes annual contributions to the Program equal to the amounts accrued for pension expense. In this multiemployer plan the accumulated benefits and plan assets are not determined or allocated separately by individual employer. Pension expense incurred during the years ended December 31, 2009 and 2008 consisted of the following:

	December 31	
	2009	2008
Current payments to plan	<u>\$356,156</u>	<u>\$276,250</u>

The Cooperative supplements this plan with an NRECA sponsored 401(k) to which the Cooperative contributes a matching amount of up to 2% of the employees qualified salary. The Cooperative's contribution for 2009 and 2008 was \$58,768 and \$52,838 respectively.

The subsidiary also maintains an NRECA sponsored 401(k) plan, to which it contributes. The subsidiary's contribution for 2009 and 2008 was \$42,689 and \$4,761, respectively.

Management expects benefit payments for the parent and subsidiary plans to approximate the following for the next ten years:

2010	\$ 590,000
2011	\$ 607,000
2012	\$ 626,000
2013	\$ 645,000
2014	\$ 663,000
2015 to 2019	\$3,631,000

The Cooperative has learned from NRECA that the defined benefit plan mentioned above is under-funded, and additional increases in the contributions, assuming no changes are made to the plan, may be required in addition to those already implemented by NRECA in the near-term. This may include an increase to future contributions to the plan and possibly a past service pension cost assessment. The amount of these potential increases is unknown, but may be significant to future operating results and financial statements taken as a whole.

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2009 and 2008

RELATED PARTY TRANSACTIONS

The Cooperative is a member of Sunflower Electric Power Cooperative (Sunflower), which is an electric generation and transmission cooperative, and MKEC. Each provides electric power and energy to its members. The Cooperative obtains all its purchased power from Sunflower and MKEC, which amounted to \$7,336,998 and \$8,003,571 for the years ended December 31, 2009 and 2008, respectively. Although there are a limited number of electrical power suppliers, management believes there would be no lapse in service if there were a change in electrical power suppliers. Such a change might result in a higher cost of power to the Cooperative and, in turn, higher billing rates to its members.

The amount payable for purchased power to Sunflower and MKEC is \$674,253 and \$754,243 at December 31, 2009 and 2008, respectively.

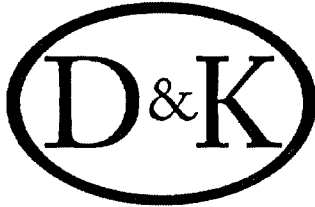
During the year ended December 31, 2008, the Cooperative made lease payments on use of facilities to MKEC in the amount of \$14,694. The lease expired during the year ended December 31, 2008.

As noted above, a significant amount of the subsidiary's revenue for the years ended December 31, 2009 and 2008 was from the parent and other Kansas electric cooperatives. The transactions were conducted at arms length.

Other related party transactions consisted of normal routine business conducted through organizations of which the Cooperative is a member and normal sales to its members.

COMMITMENTS

Under its wholesale power agreement, the Cooperative is committed to purchase its electric power and energy requirements from Sunflower and MKEC until April 1, 2021.



Dreyer & Kelso, P.C., P.A.

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS
AND INTERNAL CONTROL OVER FINANCIAL REPORTING**

The Board of Trustees
Lane-Scott Electric Cooperative, Inc.
Dighton, KS

We have audited the consolidated financial statements of Lane-Scott Electric Cooperative, Inc. as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated April 28, 2010. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

Compliance

As part of obtaining reasonable assurance about whether Lane-Scott Electric Cooperative, Inc.'s consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Lane-Scott Electric Cooperative, Inc.'s control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the consolidated financial statements and not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lane-Scott Electric Cooperative, Inc.'s internal control over financial reporting.

The Board of Trustees
Lane-Scott Electric Cooperative, Inc.
Page Two

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements in the financial statements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's consolidated financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. This limitation is a known feature of the financial reporting process. Thus, it is possible to design into the process safeguards to reduce, though not eliminate, the risk. We consider the following to be a significant deficiency in internal control:

Lack of segregation of duties in inventory, payroll, and general ledger, including journal entries, bank reconciliations and financial statement preparation. A fundamental concept in a good system of internal control is the separation of duties. The basic premise is that no one individual should have access to both physical assets and the related accounting records, or to all phases of a transaction. If the separation of duties is inadequate, there is a resulting danger that intentional fraud or unintentional errors could occur and not be detected. While we recognize that your organization is not large enough to permit an adequate segregation of duties in all aspects, and is attempting to segregate duties as much as possible, it is important that you be aware of this condition.

A material weakness is a significant deficiency, or combination of significant deficiencies, such that there is a reasonable possibility that a material misstatement of the consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. Our consideration of the internal control over financial reporting was for the limited purpose described in this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiency described above is a material weakness, as defined above.

The Board of Trustees
Lane-Scott Electric Cooperative, Inc.
Page Three

We will be happy to discuss this matter with you and, at your request, assist in the implementation of our recommendation, or other corrective measures.

This report is intended solely for the information and use of the audit committee, management, the Rural Utilities Service, and supplemental lenders, and is not intended to be, and should not be, used by anyone other than these specified parties.

Dreyer & Kelso, P.C., P.A.

April 28, 2010

SUPPLEMENTAL INFORMATION



Dreyer & Kelso, P.C., P.A.

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**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL INFORMATION**

The Board of Trustees
Lane-Scott Electric Cooperative, Inc.
Dighton, KS

The report on our audit of the basic consolidated financial statements of Lane-Scott Electric Cooperative, Inc. for the years ended December 31, 2009 and 2008 appears on page 1. Those audits were made for the purpose of forming an opinion on the basic consolidated statements taken as a whole. The supplemental information that follows is presented for purposes of additional analysis, and is not a required part of the basic consolidated financial statements. In addition, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Dreyer & Kelso, P.C., P.A.

April 28, 2010

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

CONSOLIDATING BALANCE SHEET

December 31, 2009

ASSETS

	<u>Lane-Scott Electric Cooperative</u>	<u>High Line Services LLC</u>	<u>Eliminations</u>	<u>Consolidated 12/31/09</u>
UTILITY PLANT				
Electric plant in service	\$ 28,688,275	\$ -0-	\$ -0-	\$ 28,688,275
Construction work in progress	<u>4,100,777</u>	<u>-0-</u>	<u>-0-</u>	<u>4,100,777</u>
Less: accumulated deprn	32,789,052 <u>(12,264,322)</u>	-0- <u>-0-</u>	-0- <u>-0-</u>	32,789,052 <u>(12,264,322)</u>
Total Utility Plant	<u>20,524,730</u>	<u>-0-</u>	<u>-0-</u>	<u>20,524,730</u>
INVESTMENTS				
Subordinated certificates	223,444	-0-	-0-	223,444
Investments in associated organizations	2,394,579	26,561	(1,881,868)	539,272
Other investments	35,577	-0-	-0-	35,577
Non-utility property	<u>-0-</u>	<u>1,598,154</u>	<u>-0-</u>	<u>1,598,154</u>
Total Investments	<u>2,653,600</u>	<u>1,624,715</u>	<u>(1,881,868)</u>	<u>2,396,447</u>
CURRENT ASSETS				
Cash and cash equivalents	412,065	15,751	-0-	427,816
Accounts receivable (less allowance for doubtful accounts of \$63,000)	3,501,018	973,689	(376,558)	4,098,149
Materials and supplies	930,560	-0-	-0-	930,560
Other current assets	<u>2,785</u>	<u>62,687</u>	<u>-0-</u>	<u>65,472</u>
Total Current Assets	<u>4,846,428</u>	<u>1,052,127</u>	<u>(376,558)</u>	<u>5,521,997</u>
DEFERRED CHARGES	<u>304,329</u>	<u>-0-</u>	<u>-0-</u>	<u>304,329</u>
TOTAL ASSETS	<u>\$ 28,329,087</u>	<u>\$2,676,842</u>	<u>\$(2,258,426)</u>	<u>\$ 28,747,503</u>

MEMBERS' EQUITY AND LIABILITIES

	Lane-Scott Electric Cooperative	High Line Services LLC	Eliminations	Consolidated 12/31/09
EQUITIES AND MARGINS				
Patronage capital	\$ 6,900,262	\$ -0-	\$ -0-	\$ 6,900,262
Other equities	<u>140,222</u>	<u>1,881,868</u>	<u>(1,881,868)</u>	<u>140,222</u>
Total Equities and Margins	<u>7,040,484</u>	<u>1,881,868</u>	<u>(1,881,868)</u>	<u>7,040,484</u>
LONG-TERM DEBT				
Mortgage notes	11,272,832	-0-	-0-	11,272,832
Capital leases	-0-	48,926	-0-	48,926
Other long-term debt	<u>150,382</u>	<u>183,846</u>	<u>-0-</u>	<u>334,228</u>
	11,423,214	232,772	-0-	11,655,986
Less: current maturities	<u>(935,000)</u>	<u>(210,000)</u>	<u>-0-</u>	<u>(1,145,000)</u>
Total Long-Term Debt	<u>10,488,214</u>	<u>22,772</u>	<u>-0-</u>	<u>10,510,986</u>
DEFERRED INCOME TAX	<u>-0-</u>	<u>301,954</u>	<u>-0-</u>	<u>301,954</u>
CURRENT LIABILITIES				
Current maturities on long-term debt	935,000	210,000	-0-	1,145,000
Notes payable/line-of-credit	8,039,252	70,000	-0-	8,109,252
Accounts payable	1,242,343	7,076	(376,558)	872,861
Accrued interest payable	14,558	-0-	-0-	14,558
Accrued taxes	218,269	7,068	-0-	225,337
Income tax payable	-0-	37,585	-0-	37,585
Other current liabilities	<u>243,896</u>	<u>138,519</u>	<u>-0-</u>	<u>382,415</u>
Total Current Liabilities	<u>10,693,318</u>	<u>470,248</u>	<u>(376,558)</u>	<u>10,787,008</u>
DEFERRED CREDITS	<u>107,071</u>	<u>-0-</u>	<u>-0-</u>	<u>107,071</u>
TOTAL MEMBERS' EQUITY AND LIABILITIES	<u>\$ 28,329,087</u>	<u>\$ 2,676,842</u>	<u>\$(2,258,426)</u>	<u>\$ 28,747,503</u>

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

CONSOLIDATING STATEMENT OF REVENUE

December 31, 2009

	Lane-Scott Electric Cooperative	High Line Services LLC	Eliminations	Consolidated 12/31/09
OPERATING REVENUE				
Sale of electricity	\$11,339,234	\$ -0-	\$ -0-	\$11,339,234
Subsidiary revenue	-0-	7,108,926	-0-	7,108,926
Other operating revenue	<u>29,906</u>	<u>-0-</u>	<u>-0-</u>	<u>29,906</u>
Total Operating Revenue	<u>11,369,140</u>	<u>7,108,926</u>	<u>-0-</u>	<u>18,478,066</u>
OPERATING EXPENSE				
Cost of power	7,342,998	-0-	-0-	7,342,998
Cost of subsidiary revenue	-0-	4,566,489	-0-	4,566,489
Transmission expense	327	-0-	-0-	327
Distribution - operations	749,131	-0-	-0-	749,131
Distribution - maintenance	445,424	-0-	-0-	445,424
Consumer accounts	370,864	-0-	-0-	370,864
Customer service and information	126,255	-0-	-0-	126,255
Administrative and general	1,038,813	821,580	-0-	1,860,393
Depreciation & amortization	794,970	482,228	-0-	1,277,198
Taxes	-0-	27,604	-0-	27,604
Interest on long-term debt	495,915	48,573	-0-	544,488
Interest expense - other	<u>324,000</u>	<u>-0-</u>	<u>-0-</u>	<u>324,000</u>
Total Operating Expense	<u>11,688,697</u>	<u>5,946,474</u>	<u>-0-</u>	<u>17,635,171</u>
NON-OPERATING MARGIN				
Interest income	14,740	2,432	-0-	17,172
Other non-operating income	<u>835,951</u>	<u>48,775</u>	<u>(804,225)</u>	<u>80,501</u>
Total Non Operating Margin	<u>850,691</u>	<u>51,207</u>	<u>(804,225)</u>	<u>97,673</u>
CAPITAL CREDITS	<u>46,814</u>	<u>4,493</u>	<u>-0-</u>	<u>51,307</u>
NET MARGIN BEFORE INCOME TAX	<u>577,948</u>	<u>1,218,152</u>	<u>(804,225)</u>	<u>991,875</u>
INCOME TAX				
Deferred	-0-	96,878	-0-	96,878
Current	<u>-0-</u>	<u>317,049</u>	<u>-0-</u>	<u>317,049</u>
Total Income Tax	<u>-0-</u>	<u>413,927</u>	<u>-0-</u>	<u>413,927</u>
NET MARGIN	<u>\$ 577,948</u>	<u>\$ 804,225</u>	<u>\$(804,225)</u>	<u>\$ 577,948</u>

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

CONSOLIDATING BALANCE SHEET

December 31, 2008

ASSETS

	<u>Lane-Scott Electric Cooperative</u>	<u>High Line Services LLC</u>	<u>Eliminations</u>	<u>Consolidated 12/31/08</u>
UTILITY PLANT				
Electric plant in service	\$ 28,500,130	\$ -0-	\$ -0-	\$ 28,500,130
Construction work in progress	<u>1,861,353</u>	<u>-0-</u>	<u>-0-</u>	<u>1,861,353</u>
	30,361,483	-0-	-0-	30,361,483
Less: accumulated deprn	<u>(12,272,609)</u>	<u>-0-</u>	<u>-0-</u>	<u>(12,272,609)</u>
Total Utility Plant	<u>18,088,874</u>	<u>-0-</u>	<u>-0-</u>	<u>18,088,874</u>
INVESTMENTS				
Subordinated certificates	223,542	-0-	-0-	223,542
Investments in associated organizations	1,559,982	22,717	(1,077,646)	505,053
Other investments	52,340	-0-	-0-	52,340
Non-utility property	<u>-0-</u>	<u>1,218,138</u>	<u>-0-</u>	<u>1,218,138</u>
Total Investments	<u>1,835,864</u>	<u>1,240,855</u>	<u>(1,077,646)</u>	<u>1,999,073</u>
CURRENT ASSETS				
Cash and cash equivalents	548,873	1,932	-0-	550,805
Accounts receivable (less allowance for doubtful accounts of \$61,000)	3,366,575	676,460	(163,845)	3,879,190
Materials and supplies	1,194,367	-0-	-0-	1,194,367
Other current assets	<u>(5,170)</u>	<u>7,994</u>	<u>-0-</u>	<u>2,824</u>
Total Current Assets	<u>5,104,645</u>	<u>686,386</u>	<u>(163,845)</u>	<u>5,627,186</u>
DEFERRED CHARGES	<u>331,478</u>	<u>-0-</u>	<u>-0-</u>	<u>331,478</u>
TOTAL ASSETS	<u>\$ 25,360,861</u>	<u>\$1,927,241</u>	<u>\$(1,241,491)</u>	<u>\$ 26,046,611</u>

MEMBERS' EQUITY AND LIABILITIES

	Lane-Scott Electric Cooperative	High Line Services LLC	Eliminations	Consolidated 12/31/08
EQUITIES AND MARGINS				
Patronage capital	\$ 6,344,051	\$ -0-	\$ -0-	\$ 6,344,051
Other equities	<u>140,813</u>	<u>1,077,646</u>	<u>(1,077,646)</u>	<u>140,813</u>
Total Equities and Margins	<u>6,484,864</u>	<u>1,077,646</u>	<u>(1,077,646)</u>	<u>6,484,864</u>
LONG-TERM DEBT				
Mortgage notes	9,842,488	-0-	-0-	9,842,488
Capital leases	-0-	128,610	-0-	128,610
Other long-term debt	<u>150,382</u>	<u>115,146</u>	<u>-0-</u>	<u>265,528</u>
	9,992,870	243,756	-0-	10,236,626
Less: current maturities	<u>(250,000)</u>	<u>(140,000)</u>	<u>-0-</u>	<u>(390,000)</u>
Total Long-Term Debt	<u>9,742,870</u>	<u>103,756</u>	<u>-0-</u>	<u>9,846,626</u>
DEFERRED INCOME TAX	<u>-0-</u>	<u>205,076</u>	<u>-0-</u>	<u>205,076</u>
CURRENT LIABILITIES				
Current maturities on long-term debt	250,000	140,000	-0-	390,000
Notes payable/lines-of-credit	7,408,913	-0-	-0-	7,408,913
Accounts payable	918,087	116,029	(163,845)	870,271
Accrued interest payable	23,959	-0-	-0-	23,959
Accrued taxes	211,298	30,674	-0-	241,972
Income tax payable	-0-	89,765	-0-	89,765
Other current liabilities	<u>250,684</u>	<u>164,295</u>	<u>-0-</u>	<u>414,979</u>
Total Current Liabilities	<u>9,062,941</u>	<u>540,763</u>	<u>(163,845)</u>	<u>9,439,859</u>
DEFERRED CREDITS	<u>70,186</u>	<u>-0-</u>	<u>-0-</u>	<u>70,186</u>
TOTAL MEMBERS' EQUITY AND LIABILITIES	<u>\$ 25,360,861</u>	<u>\$ 1,927,241</u>	<u>\$(1,241,491)</u>	<u>\$ 26,046,611</u>

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

CONSOLIDATING STATEMENT OF REVENUE

December 31, 2008

	Lane-Scott Electric Cooperative	High Line Services LLC	Eliminations	Consolidated 12/31/08
OPERATING REVENUE				
Sale of electricity	\$11,774,992	\$ -0-	\$ -0-	\$11,774,992
Subsidiary revenue	-0-	4,060,200	-0-	4,060,200
Other operating revenue	<u>37,659</u>	<u>-0-</u>	<u>-0-</u>	<u>37,659</u>
Total Operating Revenue	<u>11,812,651</u>	<u>4,060,200</u>	<u>-0-</u>	<u>15,872,851</u>
OPERATING EXPENSE				
Cost of power	8,015,571	-0-	-0-	8,015,571
Cost of subsidiary revenue	-0-	2,350,372	-0-	2,350,372
Distribution - operations	705,737	-0-	-0-	705,737
Distribution - maintenance	549,448	-0-	-0-	549,448
Consumer accounts	340,415	-0-	-0-	340,415
Customer service and Information	99,879	-0-	-0-	99,879
Administrative and general	966,476	397,159	-0-	1,363,635
Depreciation & amortization	772,421	203,923	-0-	976,344
Taxes	-0-	8,285	-0-	8,285
Interest on long-term debt	472,533	23,968	-0-	496,501
Interest expense - other	<u>238,352</u>	<u>-0-</u>	<u>-0-</u>	<u>238,352</u>
Total Operating Expense	<u>12,160,832</u>	<u>2,983,707</u>	<u>-0-</u>	<u>15,144,539</u>
NON-OPERATING MARGIN				
Interest income	17,977	5,285	-0-	23,262
Other non-operating income	<u>713,904</u>	<u>14,518</u>	<u>(622,935)</u>	<u>105,487</u>
Total Non Operating Margin	<u>731,881</u>	<u>19,803</u>	<u>(622,935)</u>	<u>128,749</u>
CAPITAL CREDITS	<u>55,842</u>	<u>10,907</u>	<u>-0-</u>	<u>66,749</u>
NET MARGIN BEFORE INCOME TAX	<u>439,542</u>	<u>1,107,203</u>	<u>(622,935)</u>	<u>923,810</u>
INCOME TAX				
Deferred	-0-	155,263	-0-	155,263
Current	<u>-0-</u>	<u>329,005</u>	<u>-0-</u>	<u>329,005</u>
Total Income Tax	<u>-0-</u>	<u>484,268</u>	<u>-0-</u>	<u>484,268</u>
NET MARGIN	<u>\$ 439,542</u>	<u>\$ 622,935</u>	<u>\$(622,935)</u>	<u>\$ 439,542</u>



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Board of Trustees
Lane-Scott Electric Cooperative, Inc.
Dighton, KS

Compliance

We have audited the compliance of Lane-Scott Electric Cooperative, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2008. Lane-Scott Electric Cooperative, Inc.'s major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Lane-Scott Electric Cooperative, Inc.'s management. Our responsibility is to express an opinion on Lane-Scott Electric Cooperative, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about whether Lane-Scott Electric Cooperative, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Lane-Scott Electric Cooperative, Inc.'s compliance with those requirements.

In our opinion Lane-Scott Electric Cooperative, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2009.

The Board of Trustees
Lane-Scott Electric Cooperative, Inc.
Page Two

Internal Control Over Compliance

The management of Lane-Scott Electric Cooperative, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Lane-Scott Electric Cooperative, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion of the effectiveness of Lane-Scott Electric Cooperative, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a significant deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Trustees, management, the Rural Utilities Service, supplemental lenders, federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Dreyer & Kelso, P.C., P.A.

April 28, 2010

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

DEPARTMENT OF HOMELAND SECURITY
PUBLIC ASSISTANCE GRANT
(CFDA NO. 97.036)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2009

CASH RECEIPTS

Receipts from pass-through entity (State of Kansas)	<u>\$ 3,794,886</u>
Total Cash Receipts	<u>\$ 3,794,886</u>

CASH DISBURSEMENTS

Disaster related disbursements	<u>\$(4,665,881)</u>
Total Cash Disbursements	<u>\$(4,665,881)</u>

EXCESS CASH DISBURSEMENTS OVER CASH RECEIPTS	<u>\$(870,995)</u>
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LANE-SCOTT ELECTRIC COOPERATIVE, INC.

DEPARTMENT OF HOMELAND SECURITY
PUBLIC ASSISTANCE GRANT
(CFDA NO. 97.036)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2009

SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

Material weaknesses identified: none

Significant deficiencies identified that are not considered to be material weaknesses: none

Federal Awards

Internal control over major program:

Material weaknesses identified: none

Significant deficiencies identified that are not considered to be material weaknesses: none

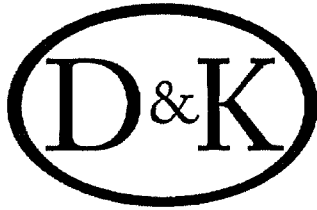
Type of auditors' report issued on compliance for major program: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 501(a) of Circular A-133: none

Major Program:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
97.036	Department of Homeland Security Public Assistance Grant

Auditee did not qualify as a low-risk auditee.



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INDEPENDENT AUDITORS' REPORT ON LOAN FUND EXPENDITURES

The Board of Trustees
Lane-Scott Electric Cooperative, Inc.
Dighton, KS

We have audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of Lane-Scott Electric Cooperative, Inc. as of December 31, 2009 and the related statements of operations and patronage capital and cash flows for the year then ended, and have issued our report thereon dated April 28, 2010.

During the period of this review, Lane-Scott Electric Cooperative, Inc. received advances of \$1,361,818 on CFC loan 9003-1, \$700,000 on CFC loan 9003-2, and \$450,000 on CFC loan 9003-3, as controlled by CFC's Loan Agreements and Mortgage. In conducting our audit, nothing came to our attention that caused us to believe that the Association was in noncompliance with the intended purpose of the loan funds as contemplated in the Loan Agreement for CFC loans 9003-1, 9003-2, and 9003-3. However, our audit was not primarily directed toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the Board of Trustees and management of Lane-Scott Electric Cooperative, Inc. and National Rural Utilities Cooperative Finance Corporation and should not be used by anyone other than these specified parties.

Dreyer & Kelso, P.C., P.A.

April 28, 2010

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

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LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

OFFICERS, BOARD OF TRUSTEES AND GENERAL MANAGER

<u>Name</u>	<u>Office</u>	<u>Address</u>
Richard Jennison	President	Healy, Kansas
Craig Ramsey	Vice-President	Scott City, Kansas
Paul Seib, Jr.	Secretary	Ness City, Kansas
Eric D. Doll	Treasurer	Ingalls, Kansas
Ed Gough	Trustee	Dighton, Kansas
Harold Hoss	Trustee	Ness City, Kansas
Rad Roehl	Trustee	Dighton, Kansas
Richard Sorem	Trustee	Jetmore, Kansas
Bruce E. Wilkens	Trustee	Scott City, Kansas
Earl N. Steffens	General Manager	Dighton, Kansas



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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Lane-Scott Electric Cooperative, Inc.
Dighton, KS

We have audited the accompanying consolidated balance sheets of Lane-Scott Electric Cooperative, Inc. as of December 31, 2010 and 2009, and the related consolidated statements of revenue and patronage capital and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Cooperative's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lane-Scott Electric Cooperative, Inc. as of December 31, 2010 and 2009 and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated May 9, 2011, on our consideration of Lane-Scott Electric Cooperative, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Board of Trustees
Lane-Scott Electric Cooperative, Inc.
Page Two

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as whole.

Dreyer & Kelso, P.C., P.A.

May 9, 2011

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

December 31, 2010 and 2009

ASSETS

	<u>2010</u>	<u>2009</u>
UTILITY PLANT		
Electric plant in service	\$ 33,211,952	\$ 28,688,275
Construction work in progress	<u>3,640,304</u>	<u>4,100,777</u>
	36,852,256	32,789,052
Less: accumulated depreciation	<u>(12,607,661)</u>	<u>(12,264,322)</u>
Total Utility Plant	<u>24,244,595</u>	<u>20,524,730</u>
INVESTMENTS		
Subordinated certificates	223,340	223,444
Investments in associated organizations	594,806	539,272
Other investments	20,539	35,577
Non-utility property	<u>1,316,420</u>	<u>1,598,154</u>
Total Investments	<u>2,155,105</u>	<u>2,396,447</u>
CURRENT ASSETS		
Cash and cash equivalents	659,647	427,816
Accounts receivable (less allowance for doubtful accounts of \$48,000 in 2010 and \$63,000 in 2009)	3,375,815	4,098,149
Materials and supplies	471,447	930,560
Other current assets	<u>1,442,463</u>	<u>65,472</u>
Total Current Assets	<u>5,949,372</u>	<u>5,521,997</u>
DEFERRED CHARGES	<u>270,047</u>	<u>304,329</u>
TOTAL ASSETS	<u>\$ 32,619,119</u>	<u>\$ 28,747,503</u>

The accompanying notes to consolidated financial statements
are an integral part of this consolidated statement

MEMBERS' EQUITY AND LIABILITIES

	<u>2010</u>	<u>2009</u>
MEMBERS' EQUITY		
Patronage capital	\$ 6,406,455	\$ 6,900,262
Other equities	<u>140,446</u>	<u>140,222</u>
Total Members' Equity	<u>6,546,901</u>	<u>7,040,484</u>
LONG-TERM DEBT		
Mortgage notes	14,481,480	11,272,832
Capital leases	-0-	48,926
Other long-term debt	<u>214,712</u>	<u>334,228</u>
	14,696,192	11,655,986
Less: current maturities	<u>(464,330)</u>	<u>(1,145,000)</u>
Total Long-Term Debt	<u>14,231,862</u>	<u>10,510,986</u>
DEFERRED INCOME TAX	<u>301,954</u>	<u>301,954</u>
CURRENT LIABILITIES		
Current maturities of long-term debt	464,330	1,145,000
Notes payable	9,515,069	8,109,252
Accounts payable	889,377	872,861
Accrued interest payable	13,882	14,558
Accrued taxes	249,513	225,337
Income tax payable	-0-	37,585
Other current liabilities	<u>314,445</u>	<u>382,415</u>
Total Current Liabilities	<u>11,446,616</u>	<u>10,787,008</u>
DEFERRED CREDITS	<u>91,786</u>	<u>107,071</u>
TOTAL MEMBERS' EQUITY AND LIABILITIES	<u>\$ 32,619,119</u>	<u>\$ 28,747,503</u>

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF REVENUE AND PATRONAGE CAPITAL
FOR THE YEARS ENDED DECEMBER 31

	<u>2010</u>	<u>2009</u>
OPERATING REVENUE		
Sale of electricity	\$ 13,026,709	\$ 11,339,234
Subsidiary revenue	3,735,276	7,108,926
Other operating revenue	<u>31,180</u>	<u>29,906</u>
Total Operating Revenue	<u>16,793,165</u>	<u>18,478,066</u>
OPERATING EXPENSE		
Cost of power	8,480,304	7,342,998
Cost of subsidiary revenue	3,167,119	4,566,489
Transmission expense	12,454	327
Distribution - operations	817,043	749,131
Distribution - maintenance	434,147	445,424
Consumer accounts	428,732	370,864
Customer service and information	142,427	126,255
Administrative and general	1,711,339	1,860,393
Depreciation and amortization	1,365,225	1,277,198
Taxes	36,987	27,604
Interest on long-term debt	723,317	544,488
Interest expense - other	<u>278,639</u>	<u>324,000</u>
Total Operating Expense	<u>17,597,733</u>	<u>17,635,171</u>
NET OPERATING MARGIN (LOSS)	(804,568)	<u>842,895</u>
NON-OPERATING MARGIN		
Interest income	15,470	17,172
Other non-operating income	<u>254,196</u>	<u>80,501</u>
Total Non-Operating Margin	<u>269,666</u>	<u>97,673</u>
CAPITAL CREDITS	<u>81,479</u>	<u>51,307</u>
NET MARGINS (LOSS) BEFORE INCOME TAXES	(453,423)	991,875

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF REVENUE AND PATRONAGE CAPITAL
FOR THE YEARS ENDED DECEMBER 31

	<u>2010</u>	<u>2009</u>
INCOME TAXES		
Deferred	\$ -0-	\$ 96,878
Current	<u>16,500</u>	<u>317,049</u>
Total Income Taxes	<u>16,500</u>	<u>413,927</u>
NET MARGINS (LOSS) FOR PERIOD	(469,923)	577,948
PATRONAGE CAPITAL - BEGINNING OF YEAR	<u>6,900,262</u>	<u>6,344,051</u>
Retirement of capital credits	6,430,339 <u>(23,884)</u>	6,921,999 <u>(21,737)</u>
PATRONAGE CAPITAL - END OF YEAR	\$ <u>6,406,455</u>	\$ <u>6,900,262</u>

The accompanying notes to consolidated financial statements
are an integral part of this consolidated statement

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 17,754,410	\$ 18,376,493
Interest and dividends received	15,470	17,172
Cash paid to suppliers and employees	(16,555,525)	(15,571,593)
Interest paid	(1,002,632)	(877,889)
Income taxes paid	<u>(99,099)</u>	<u>(369,229)</u>
Net Cash Provided (Used) By Operating Activities	<u>112,624</u>	<u>1,574,954</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in plant	(4,533,436)	(3,230,826)
Materials and supplies	459,113	263,807
Non-utility property	(269,920)	(862,244)
Other investing activities	15,142	14,861
Patronage capital recovery	<u>25,945</u>	<u>19,088</u>
Net Cash Provided (Used) By Investing Activities	<u>(4,303,156)</u>	<u>(3,795,314)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan funds received	4,873,000	2,705,818
Retirement of long-term debt	(1,832,794)	(1,286,458)
Advances on lines of credit	18,799,507	14,982,157
Repayments on lines of credit	(17,393,690)	(14,281,818)
Retirement of capital credits	(23,884)	(21,737)
Other financing activities	<u>224</u>	<u>(591)</u>
Net Cash Provided (Used) By Financing Activities	<u>4,422,363</u>	<u>2,097,371</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	231,831	(122,989)
Cash and cash equivalents - Beginning of year	<u>427,816</u>	<u>550,805</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ <u>659,647</u>	\$ <u>427,816</u>

The accompanying notes to consolidated financial statements
are an integral part of this consolidated statement

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

	<u>2010</u>	<u>2009</u>
RECONCILIATION OF NET MARGIN (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net margin (loss)	\$(469,923)	\$ 577,948
Adjustments to reconcile net margin (loss) to net cash provided by operating activities:		
Depreciation and amortization	1,365,225	1,277,198
Patronage capital credits from suppliers	(81,479)	(51,307)
Deferred income tax	-0-	96,878
(Increase) decrease in accounts receivable	722,334	(218,959)
(Increase) decrease deferred charges	34,282	27,149
(Increase) decrease other assets	(1,376,991)	(62,648)
Increase (decrease) in accounts payable	16,516	2,590
Increase (decrease) in interest payable	(676)	(9,401)
Increase (decrease) in accrued taxes	24,176	(16,635)
Increase (decrease) in other liabilities	(67,970)	(32,564)
Increase (decrease) in deferred credits	(15,285)	36,885
Increase (decrease) in income tax payable	(37,585)	(52,180)
 Net Cash Provided (Used) Operating Activities	 <u>\$ 112,624</u>	 <u>\$ 1,574,954</u>

The accompanying notes to consolidated financial statements
are an integral part of this consolidated statement

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2010 and 2009

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements include the accounts of Lane-Scott Electric Cooperative, Inc. (a Kansas not-for-profit corporation) and its wholly owned subsidiary High Line Services, L.L.C. (a Kansas for-profit corporation). All significant intercompany transactions and balances have been eliminated.

The Cooperative is a Rural Electric Cooperative whose principal business is the distribution of electrical power to residences and businesses located in seven counties in western Kansas. As a regulated enterprise with a member-elected board of directors, the Cooperative accounts for such regulation under professional accounting standards ASC 980, Regulated Industries. The accounting policies followed by the Cooperative are in conformity with generally accepted accounting principles as they apply to a regulated electric utility.

High Line Services, L.L.C. provides overhead line construction services to electric utilities, in several states.

The Cooperative employs the Uniform System of Accounts prescribed by the Rural Utilities Service (RUS). As a result, the application of generally accepted accounting principles by the Cooperative differs in certain respects from such application by non-regulated enterprises. Such differences concern primarily the time at which various items enter into the determination of net margins in order to follow the principle of matching costs and revenue.

Revenues from construction contracts are recognized on the basis of costs incurred during the period, plus the fee earned. Revenues from incomplete construction contracts are recognized on the percentage-of-completion method. Under this method, progress towards completion is recognized according to the percentage of incurred costs to the estimated total costs of the job. Because of the inherent uncertainties in estimating costs, it is reasonably possible that the estimates used will change within the near term.

Contract costs include all direct material and labor costs and those indirect costs related to the performance of a contract. General and administrative costs are charged to expense as incurred. Provisions for estimated losses, if any, on uncompleted contracts are made in the period in which such losses are determined. There were no such contracts, with any anticipated losses, for both the years ended December 31, 2010 and 2009.

The asset, "Cost plus earned income in excess of billings", represents revenues recognized in excess of amounts billed. This is shown under the caption "Other Current Assets" in the Balance Sheet.

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2010 and 2009

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation is recorded on the composite basis for transmission and distribution plant assets, including those acquired from MKEC as noted below, and on the unit basis for general plant assets, and is charged to capital and operating accounts at rates adopted by the Board of Trustees in conformity with guidelines provided by RUS, or by ruling from the Kansas Corporation Commission (KCC) in the case of those acquired from MKEC, as noted below. Depreciation provisions are computed on additions beginning the month after they are placed in service. When units of property are retired, their average cost (specific unit cost for substantially all of the general plant) is removed from utility plant and the cost, less net salvage, is removed from allowances for depreciation. The discount on the acquisition of the MKEC assets is written off over the same period as the transmission and distribution plant assets acquired. Expenditures for normal repairs and maintenance are charged to operations as incurred.

Continuing property records are maintained on a current basis. These provide the average installed cost of the plant in service.

The Cooperative has determined that it does not have any long-lived assets for which it has a contractual or legal obligation to remove in the future.

Investments in associated organizations are carried at face value of equity certificates. Other amounts included in investments are generally carried at cost.

Materials and supplies are stated at average cost.

For purposes of the Statement of Cash Flows, the Cooperative considers all short-term deposits and highly liquid investments with an original maturity date of three months or less to be cash and cash equivalents.

The Cooperative follows industry practice of recording revenue concurrently with its billings to customers, net of taxes collected for various taxing authorities, and recording cost of power upon receipt of their billing from the supplier.

In conformity with its bylaws, the Cooperative conducts its operations on a cooperative nonprofit basis. Annual revenue, in excess of the cost of providing service, is allocated in the form of "capital credits" to the customers' capital accounts on the basis of patronage.

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2010 and 2009

CERTAIN SIGNIFICANT RISKS AND UNCERTAINTIES

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Two members accounted for approximately 10% of the electric revenues for the year ended December 31, 2010, and three members accounted for approximately 14% of the electric revenues reported for the year ended December 31, 2009, and the loss of any one of these members could have an adverse effect on the Cooperative. Management does not expect that the business relationship with any of these members will be lost.

Several electric cooperatives, including Lane-Scott Electric Cooperative, Inc. (parent) accounted for substantially all of the revenues reported by High Line Services, L.L.C. for the years ended December 31, 2010 and 2009. The loss of any of these customers could have an adverse effect on the Company, however, management expects the business relationship to continue with the Kansas electric cooperatives for the near term.

Concentrations of credit risk arises from the Cooperative's granting of credit to its member customers, uninsured funds deposited in federally insured financial institutions which may be in excess of the insurance limits at various times during the year.

ASSETS PLEDGED

Substantially all assets of the Cooperative are pledged as security for long-term debt to RUS, the Federal Financing Bank (FFB), and concurrent mortgage notes to the National Rural Utilities Cooperative Finance Corporation (CFC).

UTILITY PLANT

A summary of the utility plant and accumulated depreciation follows:

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010 and 2009

UTILITY PLANT (Continued)

	December 31	
	<u>2010</u>	<u>2009</u>
Intangible plant	\$ 494	\$ 494
Transmission plant	1,309,174	1,309,174
Distribution plant	31,517,483	27,381,392
General plant	3,322,610	2,991,264
Electric plant acquisition adjustment	<u>(2,937,809)</u>	<u>(2,994,049)</u>
Total Electric Plant	33,211,952	28,688,275
Construction work in progress	<u>3,640,304</u>	<u>4,100,777</u>
	<u>36,852,256</u>	<u>32,789,052</u>
Accumulated depreciation:		
Transmission plant	765,276	739,949
Distribution plant	10,560,112	10,230,631
General plant	1,640,924	1,448,609
Electric plant acquisition adjustment	<u>(299,273)</u>	<u>(199,515)</u>
	12,667,039	12,219,674
Retirement work in progress	<u>(59,378)</u>	<u>44,648</u>
	<u>12,607,661</u>	<u>12,264,322</u>
Net Utility Plant	<u>\$ 24,244,595</u>	<u>\$ 20,524,730</u>

Distribution plant is depreciated, under the straight-line composite basis, at the annual rate of 3.08%.

General plant is depreciated over the estimated useful life of the assets, under the straight-line method, at various rates ranging from 3.34% to 14.00%.

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010 and 2009

UTILITY PLANT (Continued)

The Cooperative, along with five other Kansas electric cooperatives, formed Mid-Kansas Electric Company (MKEC) to acquire the assets and customers of Aquila, Inc. - Kansas operations. The Cooperative took responsibility for the billing and collection associated with the consumers in its share of the new territories and also took ownership of the "plant" assets involved in the transaction. The total number of consumers served increased from approximately 3,100 to slightly more than 6,000.

These transmission and distribution plant assets are depreciated based on a study of rates that was performed and the subsequent ruling from the Kansas Corporation Commission on the transaction, as a whole.

NON-UTILITY PROPERTY

	<u>December 31</u>		<u>Depreciation Method & Years</u>
	<u>2010</u>	<u>2009</u>	
Building and land	\$ 9,000	\$ 9,000	S/L 20 Years
Vehicles	1,470,143	1,415,268	S/L 5-7 Years
Equipment	1,539,211	1,422,345	S/L 3-7 Years
Intangible asset	<u>32,108</u>	<u>32,108</u>	S/L 5 Years
Total Non-Utility Property	<u>3,050,462</u>	<u>2,878,721</u>	
Accumulated Depreciation:			
Property and equipment	1,701,933	1,248,459	
Intangible asset	<u>32,108</u>	<u>32,108</u>	
Total Accumulated Depreciation	<u>1,734,041</u>	<u>1,280,567</u>	
Net Non-Utility Property	<u>\$1,316,420</u>	<u>\$1,598,154</u>	

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010 and 2009

ACCOUNTS RECEIVABLE

The Cooperative carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Cooperative evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on past history of bad debt write-offs, collections, and current credit conditions. Electric accounts receivable are generally considered past due if payment is not received by the due date of the bill. It is the Cooperative's policy that electric accounts are generally turned over to the collecting agent after all collection efforts have been exhausted and the service has been disconnected. The Board of Trustees will approve write off of electric bad debts once a year for accounts that have been disconnected and turned over to the collecting agent. The subsidiary has not had any bad debts since inception. Payments received on accounts after they are written off are considered a recovery of the bad debt. As of December 31, 2010 and 2009, the Cooperative had approximately \$50,000 and \$51,000, respectively, in accounts receivable that were over 90 days old and the balance in the allowance for bad debts approximated \$48,000 and \$63,000, respectively.

SUBORDINATED CERTIFICATES

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
Capital term certificates	\$221,958	\$221,958
Zero term certificates	<u>1,382</u>	<u>1,486</u>
Total	<u>\$223,340</u>	<u>\$223,444</u>

The capital term certificates yield 5.00% and the zero term certificate has no yield. All of the certificates have various maturity dates through the year 2080.

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010 and 2009

INVESTMENT IN ASSOCIATED ORGANIZATIONS

This category consists mainly of patronage capital due from organizations of which the Cooperative is a member.

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
Patronage capital - CFC	\$ 59,574	\$ 39,325
Patronage capital - Federated	69,903	58,284
Equity investment - Sunflower Power Cooperative, Inc.	303,000	303,000
Investment in KEC	54,971	34,249
Patronage capital - S & T Telephone	76,732	76,393
Other associated organizations	<u>30,626</u>	<u>28,021</u>
Total	<u>\$594,806</u>	<u>\$539,272</u>

OTHER INVESTMENTS

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
Economic Development Loans	<u>\$20,539</u>	<u>\$35,577</u>

The Cooperative carries its loans at cost and management considers them to be collectible. The loans were current as of December 31, 2010 and 2009, and are secured by letters of credit.

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010 and 2009

OTHER CURRENT ASSETS

	December 31	
	2010	2009
Prepaid insurance	\$ 48,577	\$14,551
Prepaid income tax	93,150	48,136
Income tax refund receivable	238,176	-0-
Interest receivable	2,760	2,760
Cost plus earned income in excess of billings on long-term contracts - subsidiary	1,059,775	-0-
Other current assets	25	25
Total	\$1,442,463	\$65,472

DEFERRED CHARGES

	December 31	
	2010	2009
Long-range work plans	\$ 26,912	\$ 51,932
Acquisition of assets from investor-owned utility (MKEC)	243,135	252,397
Total	\$270,047	\$304,329

The above accumulated expenses were incurred prior to the acquisition of assets from MKEC as noted above. They are amortized over future periods, as allowed under the Statement of Financial Accounting Standards No. 71 (SFAS 71) "Accounting for the Effects of Certain Types of Regulation". Amortization expense amounted to \$9,262 for both the years ended December 31, 2010 and 2009.

INCOME TAXES

The Cooperative has a letter of exemption from Federal income tax, issued by the Internal Revenue Service, and files IRS Form 990 annually. High Line Services, L.L.C. files IRS Form 1120 annually per its election to be taxed as a C Corporation.

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010 and 2009

INCOME TAXES (Continued)

In addition, the subsidiary has temporary differences related to the depreciable assets (use of different depreciation methods and lives for financial statements and income tax purposes). The deferred tax liability represents future tax return consequences of those differences, which will either be deductible or taxable when the assets or liabilities are recovered or settled.

The subsidiary has current income tax expense (benefit) as follows:

	December 31	
	2010	2009
Current:		
Federal	\$ -0-	\$308,585
State	<u>16,500</u>	<u>8,464</u>
Total Current	<u>\$16,500</u>	<u>\$317,049</u>
 Deferred:		
Federal	\$ -0-	\$79,924
State	<u>-0-</u>	<u>16,954</u>
Total Deferred	<u>\$ -0-</u>	<u>\$96,878</u>

For the year ended December 31, 2010, the subsidiary has a net operating loss of \$669,935 and has filed a claim for refund in accordance with Internal Revenue Code regulations. The amount claimed of \$238,176 is recognized and is included in the caption "Other Current Assets" in the Balance Sheet.

Financial Accounting Standards Board Interpretation No. 48 (FSP FIN 48), Accounting for Uncertainty in Income Taxes, which is codified at FASB ASC 740, Income Taxes, was issued in 2006. Hence, there have been three amendments to defer the effective date of implementation, including the most recent, FSP FIN 48-3 (ASC 740), which deferred the implementation date to fiscal years beginning on or after December 15, 2008. The Cooperative and subsidiary both adopted FSP

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010 and 2009

INCOME TAXES (Continued)

FIN 48 (ASC 740) effective January 1, 2009. An evaluation of whether or not it has any uncertain tax positions is determined on an annual basis by both entities. While both entities believe they have adequately provided for all tax positions, amounts asserted by taxing authorities could be different than the positions taken by the entities. The Cooperative recognizes any interest and penalties assessed by taxing authorities in income tax expense, whereas the subsidiary recognizes any interest and penalties separate from income tax expense.

MEMBERS' EQUITY

	<u>Patronage Capital Credits</u>	<u>Patronage Capital Unallocated</u>	<u>Other Equities</u>	<u>Total</u>
Balance December 31, 2008	\$ 6,065,625	\$ 278,426	\$ 140,813	\$ 6,484,864
Net margin, year 2009	-0-	577,948	-0-	577,948
Allocation, year 2008	761,180	(761,180)	-0-	-0-
Retirement of capital credits	(21,737)	-0-	(46)	(21,783)
Other changes	<u>-0-</u>	<u>-0-</u>	<u>(545)</u>	<u>(545)</u>
Balance December 31, 2009	6,805,068	95,194	140,222	7,040,484
Net margin (loss), year 2010	-0-	(469,923)	-0-	(469,923)
Allocation, year 2009	813,194	(813,194)	-0-	-0-
Retirement of capital credits	(23,884)	-0-	(68)	(23,952)
Other changes	<u>-0-</u>	<u>-0-</u>	<u>292</u>	<u>292</u>
Balance December 31, 2010	<u>\$ 7,594,378</u>	<u>\$(1,187,923)</u>	<u>\$ 140,446</u>	<u>\$ 6,546,901</u>

Under the provisions of the RUS mortgage agreement, until the equities and margins equal or exceed thirty percent of the total assets of the Cooperative, the retirement of capital credits is generally limited to twenty-five percent of the patronage capital or margins from the prior calendar year. The CFC mortgage agreement provisions differ slightly. This limitation does not usually apply to capital credit retirements made exclusively to estates.

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010 and 2009

MEMBERS' EQUITY (Continued)

The total equities of the Cooperative are 20% and 24% of the total assets as of December 31, 2010 and 2009, respectively. Other equities consist of donated capital and retired capital credits gain.

LONG-TERM DEBT

Long-term debt consists principally of mortgage notes payable to RUS and CFC, and other long-term debt, with various maturities through the year 2045.

The following is a summary of these notes:

	December 31	
	2010	2009
RUS mortgage notes	\$ 9,270,859	\$ 9,516,460
FFB mortgage notes	4,873,000	-0-
CFC mortgage notes	337,621	1,756,372
Capital leases	-0-	48,926
Other long-term debt	214,712	334,228
	14,696,192	11,655,986
Less: current maturities	(464,330)	(1,145,000)
Total Long-Term Debt	\$ 14,231,862	\$ 10,510,986

The RUS notes have fixed rates that ranged from 2.00% to 5.00% as of both December 2010 and 2009.

The CFC notes have fixed and variable rates that ranged from 4.95% to 5.1% as of December 31, 2010, and from 4.95% to 5.65% as of December 31, 2009.

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010 and 2009

LONG-TERM DEBT (Continued)

Other long-term debt represents an amount from the United States Department of Agriculture (USDA) to be used by the Cooperative as rural economic development grant funds in the amount of \$150,382, and loans to the subsidiary from NCSC in the amount of \$64,330 at fixed and variable rates ranging from 6.05% to 6.50% as of December 31, 2010, and \$183,846 at fixed and variable rates ranging from 6.05% to 6.50% as of December 31, 2009. Substantially all of the subsidiary's assets are pledged as security on the notes to NCSC.

The capital leases represent several leases pertaining to construction equipment leased by the subsidiary. The leases have interest rates that ranged from 5.50% to 6.50% as of December 31, 2009, and were secured by the subsidiary equipment. The leases were paid in full during the year ended December 31, 2010.

As of both December 31, 2010 and 2009, CFC was committed to advance loan funds to the Cooperative in the amount of \$188,182, for which a loan agreement has been executed.

As of December 31, 2010, FFB was committed to advance loan funds to the Cooperative in the amount of \$4,987,000, for which a loan agreement has been executed.

Based on current obligations, principal payments toward the above long-term debt for the next five years will require approximately:

2011	\$464,330
2012	\$380,000
2013	\$295,000
2014	\$295,000
2015	\$310,000

OTHER CURRENT LIABILITIES

	December 31	
	2010	2009
Customers' deposits	\$124,967	\$118,726
Accrued payroll	29,877	120,476
Accrued vacation	134,988	125,171
Other current liabilities	24,613	18,042
Total	\$314,445	\$382,415

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010 and 2009

SHORT-TERM LINES OF CREDIT

The Cooperative has a \$2,000,000 line of credit, perpetual in nature, established with CFC. \$1,985,069 and \$1,428,411 had been drawn as of December 31, 2010 and 2009, respectively, at an interest rate of 4.25% for both years. Certain pre-conditions may be required of the Cooperative prior to additional draw down of funds, such as repayment of all advances once a year.

The Cooperative also has a \$6,000,000 line of credit with CFC that expires on January 31, 2012. \$6,000,000 had been drawn as of both December 31, 2010 and 2009, at an interest rate of 4.25% for both years. The same pre-conditions may be required of the Cooperative prior to additional draw down of funds.

During the year ended December 31, 2009, the Cooperative established a third line of credit with CFC that expired on September 22, 2010. \$610,841 had been drawn as of December 31, 2009, at an interest rate of 4.95%.

During the year ended December 31, 2010, the Cooperative established a line of credit with CoBank that expires on September 30, 2011. \$530,000 had been drawn as of December 31, 2010, at an interest rate of 3.52%.

The subsidiary has a \$1,000,000 line of credit, which expires June 17, 2011, established with NCSC. \$1,000,000 had been drawn as of December 31, 2010, at an interest rate of 6.05%, and \$70,000 had been drawn as of December 31, 2009, at an interest rate of 6.05%. Certain pre-conditions may be required of the subsidiary prior to draw down of funds. The line is secured by the subsidiary assets with a guarantee from the parent Cooperative.

DEFERRED CREDITS

	December 31	
	2010	2009
Customers' energy prepayments	<u>\$91,786</u>	<u>\$107,071</u>

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010 and 2009

CASH FLOWS INFORMATION

	December 31	
	2010	2009
Cash and cash equivalents:		
General funds	<u>\$659,647</u>	<u>\$427,816</u>

PENSION PLAN

Substantially all employees of the Cooperative participate in the NRECA Retirement and Security Program, a defined benefit pension plan qualified under the Internal Revenue Code. The Cooperative makes annual contributions to the Program equal to the amounts accrued for pension expense. In this multiemployer plan the accumulated benefits and plan assets are not determined or allocated separately by individual employer. Pension expense incurred during the years ended December 31, 2010 and 2009 consisted of the following:

	December 31	
	2010	2009
Current payments to plan	<u>\$488,450</u>	<u>\$356,156</u>

The Cooperative supplements this plan with an NRECA sponsored 401(k) to which the Cooperative contributes a matching amount of up to 2% of the employees qualified salary. The Cooperative's contribution for 2010 and 2009 was \$63,429 and \$58,768, respectively.

The subsidiary also maintains an NRECA sponsored 401(k) plan, to which it contributes. The subsidiary's contribution for 2010 and 2009 was \$56,534 and \$42,689, respectively.

Management expects benefit payments for the parent and subsidiary plans to approximate the following for the next ten years:

2011	\$ 627,000
2012	\$ 645,000
2013	\$ 664,000
2014	\$ 685,000
2015	\$ 705,000
2016 to 2020	\$3,857,000

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2010 and 2009

PENSION PLAN (Continued)

The Cooperative has learned from NRECA that the defined benefit plan mentioned above is under-funded, and additional increases in the contributions, assuming no changes are made to the plan, may be required in addition to those already implemented by NRECA in the near-term. This may include an increase to future contributions to the plan and possibly a past service pension cost assessment. The amount of these potential increases is unknown, but may be significant to future operating results and financial statements taken as a whole.

RELATED PARTY TRANSACTIONS

The Cooperative is a member of Sunflower Electric Power Cooperative (Sunflower), which is an electric generation and transmission cooperative, and MKEC. Each provides electric power and energy to its members. The Cooperative obtains all its purchased power from Sunflower and MKEC, which amounted to \$8,474,304 and \$7,336,998 for the years ended December 31, 2010 and 2009, respectively. Although there are a limited number of electrical power suppliers, management believes there would be no lapse in service if there were a change in electrical power suppliers. Such a change might result in a higher cost of power to the Cooperative and, in turn, higher billing rates to its members.

The amount payable for purchased power to Sunflower and MKEC is \$638,164 and \$674,253 at December 31, 2010 and 2009, respectively.

As noted above, a significant amount of the subsidiary's revenue for the years ended December 31, 2010 and 2009 was from the parent and other electric cooperatives. The transactions were conducted at arms length.

Other related party transactions consisted of normal routine business conducted through organizations of which the Cooperative is a member and normal sales to its members.

COMMITMENTS

Under its wholesale power agreement, the Cooperative is committed to purchase its electric power and energy requirements from Sunflower and MKEC until April 1, 2021.

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

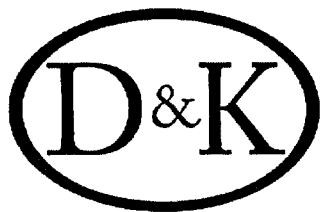
December 31, 2010 and 2009

COMMITMENTS (Continued)

During the year ended December 31, 2010, the Cooperative entered into an agreement to guarantee a portion of MKEC's debt obligations. The amount guaranteed by the Cooperative as of December 31, 2010 is \$205,733. This guarantee is subject to the provisions in Financial Accounting Standards Board Interpretation No. 45 (FIN 45), which is codified at FASB ASC 159, and requires a liability to be recorded in the financial statements of the guarantor based on an estimate of the likelihood the guarantor will incur the obligation. As of December 31, 2010, the amount of the potential liability, as calculated under FIN 45, is insignificant to the consolidated financial statements taken as a whole. Therefore, no liability is recorded in the consolidated financial statements.

SUBSEQUENT EVENTS

Management has made an evaluation of subsequent events and transactions for the period December 31, 2010 through the date of the audit report and determined that there were no material events that would require recognition or disclosure in the financial statements under SFAS No. 165, Subsequent Events, as codified at FASB ASC 855-10.



Dreyer & Kelso, P.C., P.A.

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS
AND INTERNAL CONTROL OVER FINANCIAL REPORTING**

The Board of Trustees
Lane-Scott Electric Cooperative, Inc.
Dighton, KS

We have audited the consolidated financial statements of Lane-Scott Electric Cooperative, Inc. as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated May 9, 2011. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

Compliance

As part of obtaining reasonable assurance about whether Lane-Scott Electric Cooperative, Inc.'s consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Lane-Scott Electric Cooperative, Inc.'s control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the consolidated financial statements and not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lane-Scott Electric Cooperative, Inc.'s internal control over financial reporting.

The Board of Trustees
Lane-Scott Electric Cooperative, Inc.
Page Two

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented, or detected, by the entity's internal control. We noted no matters involving internal control over financial statements and its operation that we consider to be material weaknesses.

This communication is intended solely for the information and use of the audit committee, management, the Rural Utilities Service, and supplemental lenders, and is not intended to be, and should not be, used by anyone other than these specified parties.

Dreyer & Kelso, P.C., P.A.

May 9, 2011

LANE-SCOTT ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND UNRESOLVED PRIOR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2010

SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

Material weaknesses identified: none

Significant deficiencies identified that are not considered to be material weaknesses: none

There are no unresolved findings from the previous audit.

SUPPLEMENTAL INFORMATION



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**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL INFORMATION**

The Board of Trustees
Lane-Scott Electric Cooperative, Inc.
Dighton, KS

The report on our audit of the basic consolidated financial statements of Lane-Scott Electric Cooperative, Inc. for the years ended December 31, 2010 and 2009 appears on page 1. Those audits were made for the purpose of forming an opinion on the basic consolidated statements taken as a whole. The supplemental information that follows is presented for purposes of additional analysis, and is not a required part of the basic consolidated financial statements. In addition, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Dreyer & Kelso, P.C., P.A.

May 9, 2011

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

CONSOLIDATING BALANCE SHEET

December 31, 2010

ASSETS

	Lane-Scott Electric Cooperative	High Line Services LLC	Eliminations	Consolidated 12/31/10
UTILITY PLANT				
Electric plant in service	\$ 33,211,952	\$ -0-	\$ -0-	\$ 33,211,952
Construction work in progress	<u>3,640,304</u>	<u>-0-</u>	<u>-0-</u>	<u>3,640,304</u>
	36,852,256	-0-	-0-	36,852,256
Less: accumulated deprn	<u>(12,607,661)</u>	<u>-0-</u>	<u>-0-</u>	<u>(12,607,661)</u>
Total Utility Plant	<u>24,244,595</u>	<u>-0-</u>	<u>-0-</u>	<u>24,244,595</u>
INVESTMENTS				
Subordinated certificates	223,340	-0-	-0-	223,340
Investments in associated organizations	1,924,878	34,477	(1,364,549)	594,806
Other investments	20,539	-0-	-0-	20,539
Non-utility property	<u>-0-</u>	<u>1,316,420</u>	<u>-0-</u>	<u>1,316,420</u>
Total Investments	<u>2,168,757</u>	<u>1,350,897</u>	<u>(1,364,549)</u>	<u>2,155,105</u>
CURRENT ASSETS				
Cash and cash equivalents	634,559	25,088	-0-	659,647
Accounts receivable (less allowance for doubtful accounts of \$48,000)	3,347,083	108,103	(79,371)	3,375,815
Materials and supplies	471,447	-0-	-0-	471,447
Other current assets	<u>2,785</u>	<u>1,439,678</u>	<u>-0-</u>	<u>1,442,463</u>
Total Current Assets	<u>4,455,874</u>	<u>1,572,869</u>	<u>(79,371)</u>	<u>5,949,372</u>
DEFERRED CHARGES	<u>270,047</u>	<u>-0-</u>	<u>-0-</u>	<u>270,047</u>
TOTAL ASSETS	<u>\$ 31,139,273</u>	<u>\$2,923,766</u>	<u>\$(1,443,920)</u>	<u>\$ 32,619,119</u>

MEMBERS' EQUITY AND LIABILITIES

	Lane-Scott Electric Cooperative	High Line Services LLC	Eliminations	Consolidated 12/31/10
EQUITIES AND MARGINS				
Patronage capital	\$ 6,406,455	\$ -0-	\$ -0-	\$ 6,406,455
Other equities	<u>140,446</u>	<u>1,364,549</u>	<u>(1,364,549)</u>	<u>140,446</u>
Total Equities and Margins	<u>6,546,901</u>	<u>1,364,549</u>	<u>(1,364,549)</u>	<u>6,546,901</u>
LONG-TERM DEBT				
Mortgage notes	14,481,480	-0-	-0-	14,481,480
Other long-term debt	<u>150,382</u>	<u>64,330</u>	<u>-0-</u>	<u>214,712</u>
	14,631,862	64,330	-0-	14,696,192
Less: current maturities	<u>(400,000)</u>	<u>(64,330)</u>	<u>-0-</u>	<u>(464,330)</u>
Total Long-Term Debt	<u>14,231,862</u>	<u>-0-</u>	<u>-0-</u>	<u>14,231,862</u>
DEFERRED INCOME TAX	<u>-0-</u>	<u>301,954</u>	<u>-0-</u>	<u>301,954</u>
CURRENT LIABILITIES				
Current maturities on long-term debt	400,000	64,330	-0-	464,330
Notes payable/lines-of-credit	8,515,069	1,000,000	-0-	9,515,069
Accounts payable	864,706	104,042	(79,371)	889,377
Accrued interest payable	13,882	-0-	-0-	13,882
Accrued taxes	215,115	34,398	-0-	249,513
Other current liabilities	<u>259,952</u>	<u>54,493</u>	<u>-0-</u>	<u>314,445</u>
Total Current Liabilities	<u>10,268,724</u>	<u>1,257,263</u>	<u>(79,371)</u>	<u>11,446,616</u>
DEFERRED CREDITS	<u>91,786</u>	<u>-0-</u>	<u>-0-</u>	<u>91,786</u>
TOTAL MEMBERS' EQUITY AND LIABILITIES	<u>\$ 31,139,273</u>	<u>\$ 2,923,766</u>	<u>\$(1,443,920)</u>	<u>\$ 32,619,119</u>

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

CONSOLIDATING STATEMENT OF REVENUE

December 31, 2010

	Lane-Scott Electric Cooperative	High Line Services LLC	Eliminations	Consolidated 12/31/10
OPERATING REVENUE				
Sale of electricity	\$ 13,026,709	\$ -0-	\$ -0-	\$ 13,026,709
Subsidiary revenue	-0-	3,735,276	-0-	3,735,276
Other operating revenue	<u>31,180</u>	<u>-0-</u>	<u>-0-</u>	<u>31,180</u>
Total Operating Revenue	<u>13,057,889</u>	<u>3,735,276</u>	<u>-0-</u>	<u>16,793,165</u>
OPERATING EXPENSE				
Cost of power	8,480,304	-0-	-0-	8,480,304
Cost of subsidiary revenue	-0-	3,167,119	-0-	3,167,119
Transmission expense	12,454	-0-	-0-	12,454
Distribution - operations	817,043	-0-	-0-	817,043
Distribution - maintenance	434,147	-0-	-0-	434,147
Consumer accounts	428,732	-0-	-0-	428,732
Customer service and Information	142,427	-0-	-0-	142,427
Administrative and general	1,028,953	682,386	-0-	1,711,339
Depreciation & amortization	813,571	551,654	-0-	1,365,225
Taxes	-0-	36,987	-0-	36,987
Interest on long-term debt	664,885	58,432	-0-	723,317
Interest expense - other	<u>278,639</u>	<u>-0-</u>	<u>-0-</u>	<u>278,639</u>
Total Operating Expense	<u>13,101,155</u>	<u>4,496,578</u>	<u>-0-</u>	<u>17,597,733</u>
NON-OPERATING MARGIN				
Interest income	14,599	871	-0-	15,470
Other non-operating income (loss)	<u>(513,751)</u>	<u>250,625</u>	<u>517,322</u>	<u>254,196</u>
Total Non Operating Margin	<u>(499,152)</u>	<u>251,496</u>	<u>517,322</u>	<u>269,666</u>
CAPITAL CREDITS				
	<u>72,495</u>	<u>8,984</u>	<u>-0-</u>	<u>81,479</u>
NET MARGIN (LOSS) BEFORE INCOME TAX				
	<u>(469,923)</u>	<u>(500,822)</u>	<u>517,322</u>	<u>(453,423)</u>
INCOME TAX				
Current	<u>-0-</u>	<u>16,500</u>	<u>-0-</u>	<u>16,500</u>
Total Income Tax	<u>-0-</u>	<u>16,500</u>	<u>-0-</u>	<u>16,500</u>
NET MARGIN (LOSS)	<u>\$(469,923)</u>	<u>\$(517,322)</u>	<u>\$517,322</u>	<u>\$(469,923)</u>

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

CONSOLIDATING BALANCE SHEET

December 31, 2009

ASSETS

	Lane-Scott Electric Cooperative	High Line Services LLC	Eliminations	Consolidated 12/31/09
UTILITY PLANT				
Electric plant in service	\$ 28,688,275	\$ -0-	\$ -0-	\$ 28,688,275
Construction work in progress	<u>4,100,777</u>	<u>-0-</u>	<u>-0-</u>	<u>4,100,777</u>
	32,789,052	-0-	-0-	32,789,052
Less: accumulated deprn	<u>(12,264,322)</u>	<u>-0-</u>	<u>-0-</u>	<u>(12,264,322)</u>
Total Utility Plant	<u>20,524,730</u>	<u>-0-</u>	<u>-0-</u>	<u>20,524,730</u>
INVESTMENTS				
Subordinated certificates	223,444	-0-	-0-	223,444
Investments in associated organizations	2,394,579	26,561	(1,881,868)	539,272
Other investments	35,577	-0-	-0-	35,577
Non-utility property	<u>-0-</u>	<u>1,598,154</u>	<u>-0-</u>	<u>1,598,154</u>
Total Investments	<u>2,653,600</u>	<u>1,624,715</u>	<u>(1,881,868)</u>	<u>2,396,447</u>
CURRENT ASSETS				
Cash and cash equivalents	412,065	15,751	-0-	427,816
Accounts receivable (less allowance for doubtful accounts of \$63,000)	3,501,018	973,689	(376,558)	4,098,149
Materials and supplies	930,560	-0-	-0-	930,560
Other current assets	<u>2,785</u>	<u>62,687</u>	<u>-0-</u>	<u>65,472</u>
Total Current Assets	<u>4,846,428</u>	<u>1,052,127</u>	<u>(376,558)</u>	<u>5,521,997</u>
DEFERRED CHARGES				
	<u>304,329</u>	<u>-0-</u>	<u>-0-</u>	<u>304,329</u>
TOTAL ASSETS	<u>\$ 28,329,087</u>	<u>\$2,676,842</u>	<u>\$(2,258,426)</u>	<u>\$ 28,747,503</u>

MEMBERS' EQUITY AND LIABILITIES

	Lane-Scott Electric Cooperative	High Line Services LLC	Eliminations	Consolidated 12/31/09
EQUITIES AND MARGINS				
Patronage capital	\$ 6,900,262	\$ -0-	\$ -0-	\$ 6,900,262
Other equities	<u>140,222</u>	<u>1,881,868</u>	<u>(1,881,868)</u>	<u>140,222</u>
Total Equities and Margins	<u>7,040,484</u>	<u>1,881,868</u>	<u>(1,881,868)</u>	<u>7,040,484</u>
LONG-TERM DEBT				
Mortgage notes	11,272,832	-0-	-0-	11,272,832
Capital leases	-0-	48,926	-0-	48,926
Other long-term debt	<u>150,382</u>	<u>183,846</u>	<u>-0-</u>	<u>334,228</u>
	11,423,214	232,772	-0-	11,655,986
Less: current maturities	<u>(935,000)</u>	<u>(210,000)</u>	<u>-0-</u>	<u>(1,145,000)</u>
Total Long-Term Debt	<u>10,488,214</u>	<u>22,772</u>	<u>-0-</u>	<u>10,510,986</u>
DEFERRED INCOME TAX	<u>-0-</u>	<u>301,954</u>	<u>-0-</u>	<u>301,954</u>
CURRENT LIABILITIES				
Current maturities on long-term debt	935,000	210,000	-0-	1,145,000
Notes payable/line-of-credit	8,039,252	70,000	-0-	8,109,252
Accounts payable	1,242,343	7,076	(376,558)	872,861
Accrued interest payable	14,558	-0-	-0-	14,558
Accrued taxes	218,269	7,068	-0-	225,337
Income tax payable	-0-	37,585	-0-	37,585
Other current liabilities	<u>243,896</u>	<u>138,519</u>	<u>-0-</u>	<u>382,415</u>
Total Current Liabilities	<u>10,693,318</u>	<u>470,248</u>	<u>(376,558)</u>	<u>10,787,008</u>
DEFERRED CREDITS	<u>107,071</u>	<u>-0-</u>	<u>-0-</u>	<u>107,071</u>
TOTAL MEMBERS' EQUITY AND LIABILITIES	<u>\$ 28,329,087</u>	<u>\$ 2,676,842</u>	<u>\$(2,258,426)</u>	<u>\$ 28,747,503</u>

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

CONSOLIDATING STATEMENT OF REVENUE

December 31, 2009

	Lane-Scott Electric Cooperative	High Line Services LLC	Eliminations	Consolidated 12/31/09
OPERATING REVENUE				
Sale of electricity	\$11,339,234	\$ -0-	\$ -0-	\$11,339,234
Subsidiary revenue	-0-	7,108,926	-0-	7,108,926
Other operating revenue	<u>29,906</u>	<u>-0-</u>	<u>-0-</u>	<u>29,906</u>
Total Operating Revenue	<u>11,369,140</u>	<u>7,108,926</u>	<u>-0-</u>	<u>18,478,066</u>
OPERATING EXPENSE				
Cost of power	7,342,998	-0-	-0-	7,342,998
Cost of subsidiary revenue	-0-	4,566,489	-0-	4,566,489
Transmission expense	327	-0-	-0-	327
Distribution - operations	749,131	-0-	-0-	749,131
Distribution - maintenance	445,424	-0-	-0-	445,424
Consumer accounts	370,864	-0-	-0-	370,864
Customer service and information	126,255	-0-	-0-	126,255
Administrative and general	1,038,813	821,580	-0-	1,860,393
Depreciation & amortization	794,970	482,228	-0-	1,277,198
Taxes	-0-	27,604	-0-	27,604
Interest on long-term debt	495,915	48,573	-0-	544,488
Interest expense - other	<u>324,000</u>	<u>-0-</u>	<u>-0-</u>	<u>324,000</u>
Total Operating Expense	<u>11,688,697</u>	<u>5,946,474</u>	<u>-0-</u>	<u>17,635,171</u>
NON-OPERATING MARGIN				
Interest income	14,740	2,432	-0-	17,172
Other non-operating income	<u>835,951</u>	<u>48,775</u>	<u>(804,225)</u>	<u>80,501</u>
Total Non Operating Margin	<u>850,691</u>	<u>51,207</u>	<u>(804,225)</u>	<u>97,673</u>
CAPITAL CREDITS				
	<u>46,814</u>	<u>4,493</u>	<u>-0-</u>	<u>51,307</u>
NET MARGIN BEFORE INCOME TAX				
	577,948	1,218,152	(804,225)	991,875
INCOME TAX				
Deferred	-0-	96,878	-0-	96,878
Current	<u>-0-</u>	<u>317,049</u>	<u>-0-</u>	<u>317,049</u>
Total Income Tax	<u>-0-</u>	<u>413,927</u>	<u>-0-</u>	<u>413,927</u>
NET MARGIN				
	<u>\$ 577,948</u>	<u>\$ 804,225</u>	<u>\$(804,225)</u>	<u>\$ 577,948</u>



Dreyer & Kelso, P.C., P.A.

Certified Public Accountants
 5799 Broadmoor - Suite 712
 Mission, Kansas 66202
 913-831-1150 • Fax: 913-831-0538

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
 MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
 IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Board of Trustees
 Lane-Scott Electric Cooperative, Inc.
 Dighton, KS

Compliance

We have audited the compliance of Lane-Scott Electric Cooperative, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2009. Lane-Scott Electric Cooperative, Inc.'s major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Lane-Scott Electric Cooperative, Inc.'s management. Our responsibility is to express an opinion on Lane-Scott Electric Cooperative, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about whether Lane-Scott Electric Cooperative, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Lane-Scott Electric Cooperative, Inc.'s compliance with those requirements.

In our opinion Lane-Scott Electric Cooperative, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2010.

The Board of Trustees
Lane-Scott Electric Cooperative, Inc.
Page Two

Internal Control Over Compliance

The management of Lane-Scott Electric Cooperative, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Lane-Scott Electric Cooperative, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion of the effectiveness of Lane-Scott Electric Cooperative, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a significant deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Trustees, management, the Rural Utilities Service, supplemental lenders, federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Dreyer & Kelso, P.C., P.A.

May 9, 2011

LANE-SCOTT ELECTRIC COOPERATIVE, INC.**SCHEDULE OF FEDERAL AWARDS****DEPARTMENT OF HOMELAND SECURITY
PUBLIC ASSISTANCE GRANT
(CFDA NO. 97.036)****FOR THE YEAR ENDED DECEMBER 31, 2010****CASH RECEIPTS**

Receipts from pass-through entity (State of Kansas)	<u>\$ 1,067,878</u>
Total Cash Receipts	<u>\$ 1,067,878</u>

CASH DISBURSEMENTS

Disaster related disbursements	<u>\$(1,124,071)</u>
Total Cash Disbursements	<u>\$(1,124,071)</u>

EXCESS CASH DISBURSEMENTS OVER CASH RECEIPTS	<u>\$(56,193)</u>
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LANE-SCOTT ELECTRIC COOPERATIVE, INC.**NOTES TO SCHEDULE OF FEDERAL AWARDS****DEPARTMENT OF HOMELAND SECURITY
PUBLIC ASSISTANCE GRANTS
(CFDA NO. 97.036)****FOR THE YEAR ENDED DECEMBER 31, 2010****BASIS OF PRESENTATION**

The accompanying schedule of federal awards (Schedule) includes the federal grant activity of Lane-Scott Electric Cooperative, Inc. (Cooperative) for the year ended December 31, 2010. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Lane-Scott Electric Cooperative, Inc., it is not intended to and does not present the financial position, results of operations, and cash flows of Lane-Scott Electric Cooperative, Inc.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Receipts and disbursements on the Schedule are reported on the modified accrual basis of accounting. Receipts are presented on a cash basis and the disbursements are recognized on the accrual basis and following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Cooperative is a sub-recipient of the State of Kansas (pass-through entity).

LANE-SCOTT ELECTRIC COOPERATIVE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DEPARTMENT OF HOMELAND SECURITY
PUBLIC ASSISTANCE GRANT
(CFDA NO. 97.036)
FOR THE YEAR ENDED DECEMBER 31, 2010

SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued:	unqualified
Internal control over financial reporting:	
Material weaknesses identified:	none
Significant deficiencies identified that are not considered to be material weaknesses:	none

Federal Awards

Internal control over major program:	
Material weaknesses identified:	none
Significant deficiencies identified that are not considered to be material weaknesses:	none
Type of auditors' report issued on compliance for major program:	unqualified
Any audit findings disclosed that are required to be reported in accordance with section 501(a) of Circular A-133:	none

Major Program:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
97.036	Department of Homeland Security Public Assistance Grant

Auditee did not qualify as a low-risk auditee.

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

In the Matter of the Application of)
Mid-Kansas Electric Company, LLC for)
Approval to Make Certain Changes in its) Docket No. 12-MKEE-410-RTS
Charges for Electric Service in the)
Geographic Service Territory Served by)
Lane Scott Electric Cooperative, Inc.)

**Section Q – Comparison of Present and Proposed Rate Schedules,
and Comparison of Monthly Bills**

Mid-Kansas Electric Company - Lane-Scott Division
Rate Design
For the Test Year Ending December 31, 2010

		Differential from Summer		Avg. Rev. \$/kWh
TY Single Phase Electric Revenue				
Residential			1,564,689	
Residential-Space Heating			32,820	
Total			1,597,508	
Increase			14% 230,819	
Revenue Requirement			1,828,327	
Residential				
TY Electric Revenue			1,564,689	0.110
Increase			14% 225,801	0.016
Revenue Requirement			1,790,490	0.126
Customer Charge	1,476		\$10.00 177,120	
Summer Energy	6,520,886		\$0.11926 777,679	
Winter Energy	7,648,662	(0.01000)	\$0.10926 835,691	
			1,790,490	
Residential-Space Heating				
TY Electric Revenue			32,820	0.104
Increase			15% 5,018	0.016
Revenue Requirement			37,837	0.120
Customer Charge	36		\$10.00 4,320	
Summer Energy	102,496		\$0.11926 12,224	
Winter Energy				
First Block Ending	800	145,383	(0.01000) \$0.10926 15,885	
Second Block Ending	5,800	66,985	(0.03851) \$0.08075 5,409	
Excess	99,999	0	(0.01000) \$0.10926 0	
			37,837	
General Service Small				
TY Electric Revenue			566,991	0.106
Increase			15% 85,049	0.016
Revenue Requirement			652,039	0.122
Customer Charge	694		\$16.00 133,248	
Summer Energy	1,893,176		\$0.10316 195,297	
Winter Energy	3,472,529	(0.01000)	\$0.09316 323,495	
			652,039	

Mid-Kansas Electric Company - Lane-Scott Division
Rate Design
For the Test Year Ending December 31, 2010

		Differential from Summer		Avg. Rev. \$/kWh
TY General Service Large Electric Revenue				
GSL			1,485,369	
GSL-Rider			47,059	
Total			<u>1,532,428</u>	
Increase			12% 177,511	
Revenue Requirement			<u>1,709,939</u>	
General Service Large				
TY Electric Revenue			1,485,369	0.098
Increase			12% 171,501	0.011
Revenue Requirement			<u>1,656,870</u>	0.109
Customer Charge	200		\$34.00 81,600	
Demand Charge (Summer)	14,227		\$8.00 113,816	
Demand Charge (Winter)	21,002		\$8.00 168,016	
Energy Charge	15,138,586		\$0.08544 1,293,438	
			<u>1,656,870</u>	
General Service Large-Rider				
TY Electric Revenue			47,059	0.092
Increase			13% 6,010	0.012
Revenue Requirement			<u>53,069</u>	0.104
Customer Charge	8		\$34.00 3,264	
Demand Charge (Summer)	240		\$8.00 1,920	
Demand Charge (Winter)	534		\$8.00 4,272	
Energy Charge	504,136		\$0.08544 43,073	
Energy Charge (Heating)	7,150	(0.01000)	\$0.07544 539	
			<u>53,069</u>	
Municipal				
TY Electric Revenue			1,475	0.295
Increase			15% 221	0.044
Revenue Requirement			<u>1,696</u>	0.339
Customer Charge	7		\$11.95 1,004	
Summer Energy	2,577		\$0.14315 369	
Winter Energy	2,430	(0.01000)	\$0.13315 324	
			<u>1,696</u>	
Water Pumping				
TY Electric Revenue			42,356	0.111
Increase			9% 3,992	0.010
Revenue Requirement			<u>46,348</u>	0.121
Customer Charge	21		\$17.50 4,410	
Summer Energy	101,402		\$0.11722 11,887	
Winter Energy	280,270	(0.01000)	\$0.10722 30,051	
			<u>46,348</u>	
Irrigation				
TY Electric Revenue			8,486	0.179
Increase			15% 1,273	0.027
Revenue Requirement			<u>9,759</u>	0.205
Customer Charge	10		\$0.00 0	
Horsepower Charge	145		\$34.00 4,930	
Summer Energy	37,681		\$0.10372 3,908	
Winter Energy	9,822	(0.01000)	\$0.09372 921	
			<u>9,759</u>	

Mid-Kansas Electric Company - Lane-Scott Division
Rate Design
For the Test Year Ending December 31, 2010

		Differential from Summer		Avg. Rev. \$/kWh
PAL				
TY Electric Revenue			80,339	
Increase			12,051	15%
Revenue Requirement			92,390	
Private Area Light - Existing Pole				
100W	80	8.12	7,796	
150W	2	13.12	315	
200W	1	14.06	169	
Private Area Light - New Pole				
100W	5	15.03	902	
150W	1	15.85	190	
Flood Light - Existing Pole				
150W	4	16.15	775	
400W	3	26.85	966	
1000W MH - Option A	1	30.25	363	
1000W MH - Option E	6	8.06	580	
Flood Light - New Pole				
400W	3	29.33	1,056	
Street Light - Existing Pole				
100W	50	9.26	5,555	
150W	1	10.21	122	
200W	16	12.20	2,343	
Street Light - New Pole				
100W	2	2.14	51	
Frozen Charges - HPS				
100W Single Globe - Option C	1	13.91	167	
100W Single Globe - Option D	1	8.47	102	
100W - Option A	260	7.30	22,776	
150W - Option A	12	12.71	1,830	
175W - Option A	65	6.42	5,008	
200W - Option A	12	9.70	1,397	
400W - Option A	2	21.29	511	
Frozen Charges - MV				
175W - Option A	3	7.30	263	
175W - Option A	157	6.88	12,962	
175W - Option A	121	6.42	9,322	
400W - Option A	57	9.70	6,635	
400W - Option A	4	11.14	535	
Frozen Charges - Flood				
400W - Option A	5	12.71	763	
1000W - Option A	1	21.29	255	
Frozen Charges - Incandescent				
100W - Option A	5	2.66	160	
Extra Pole	34	1.42	579	
Ornamental Metal PL	15	2.38	428	
Special Light Contract	1	6.18	74	
			84,950	(7,440)

Mid-Kansas Electric Company - Lane-Scott Division
 Comparison of Current and Proposed Rates by Customer Class
 For the Test Year Ending December 31, 2010

Class	Current	Test Year ECA(1)	Effective Net Rate	Change	Proposed
Residential - General					
Customer Charge	\$10.00			\$0.00	\$10.00
Energy Charge (Summer)	\$0.10654	(\$0.00322)	\$0.10332	\$0.01594	\$0.11926
Energy Charge (Winter)	\$0.09654	(\$0.00322)	\$0.09332	\$0.01594	\$0.10926
Residential - Space Heating					
Customer Charge	\$10.00			\$0.00	\$10.00
Energy Charge (Summer)	\$0.10654	(\$0.00322)	\$0.10332	\$0.01594	\$0.11926
Energy Charge (Winter)					
First 800 kWh	\$0.09654	(\$0.00322)	\$0.09332	\$0.01594	\$0.10926
801-5800 kWh	\$0.06803	(\$0.00322)	\$0.06481	\$0.01594	\$0.08075
Excess kWh	\$0.09654	(\$0.00322)	\$0.09332	\$0.01594	\$0.10926
General Service Small					
Customer Charge	\$13.00			\$3.00	\$16.00
Energy Charge (Summer)	\$0.09518	(\$0.00322)	\$0.09196	\$0.01120	\$0.10316
Energy Charge (Winter)	\$0.08518	(\$0.00322)	\$0.08196	\$0.01120	\$0.09316
General Service Large					
Customer Charge	\$34.00			\$0.00	\$34.00
Demand Charge (Summer)	\$9.35			(\$1.35)	\$8.00
Demand Charge (Winter)	\$7.35			\$0.65	\$8.00
Energy Charge	\$0.07696	(\$0.00322)	\$0.07374	\$0.01170	\$0.08544
Municipal Service					
Customer Charge	\$11.95			\$0.00	\$11.95
Energy Charge (Summer)	\$0.10218	(\$0.00322)	\$0.09896	\$0.04419	\$0.14315
Energy Charge (Winter)	\$0.09218	(\$0.00322)	\$0.08896	\$0.04419	\$0.13315
Water Pumping Service					
Customer Charge	\$17.50			\$0.00	\$17.50
Energy Charge (Summer)	\$0.10998	(\$0.00322)	\$0.10676	\$0.01046	\$0.11722
Energy Charge (Winter)	\$0.09998	(\$0.00322)	\$0.09676	\$0.01046	\$0.10722
Irrigation					
Customer Charge	\$0.00			\$0.00	\$0.00
Horsepower Charge	\$34.00			\$0.00	\$34.00
Energy Charge (Summer)	\$0.08014	(\$0.00322)	\$0.07692	\$0.02680	\$0.10372
Energy Charge (Winter)	\$0.07014	(\$0.00322)	\$0.06692	\$0.02680	\$0.09372

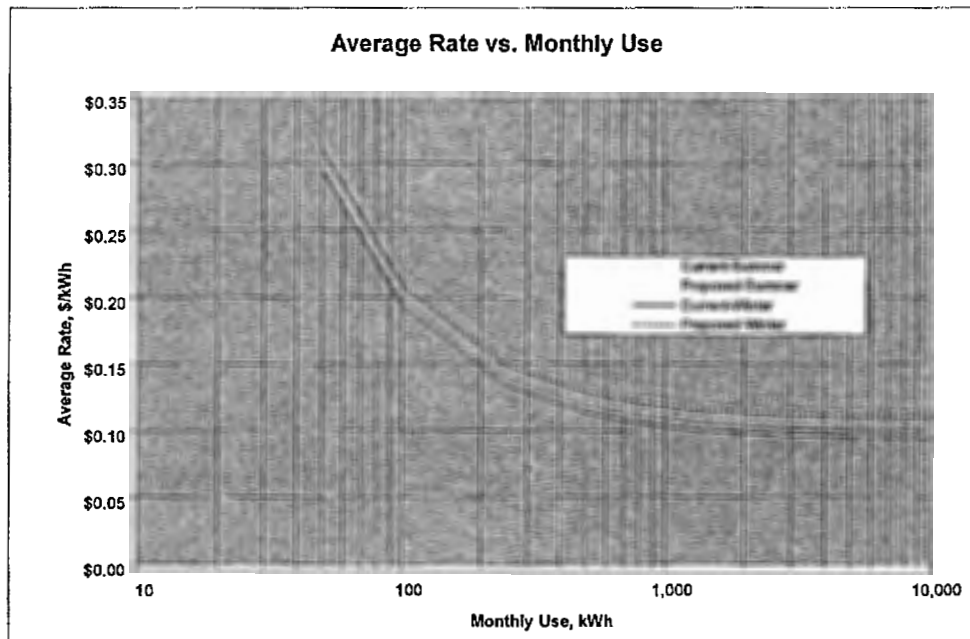
(1) The Energy Cost Adjustment (ECA) will fluctuate with the cooperative's wholesale cost of power. This adjustment is the difference between the cooperative's actual cost of power and the base cost of power. During the test year, this difference was an average credit of \$0.00322 per kWh.

Mid-Kansas Electric Company - Lane-Scott Division
Rate Comparison
Residential - General

	Rates				
	Summer			Winter	
	Current	Proposed		Current	Proposed
Customer Charge	\$10.00	\$10.00		\$10.00	\$10.00
Demand Charge					
Energy Block-1	99,999	99,999		99,999	99,999
Energy Charge-1	0.10654	0.11926		0.09654	0.10926
Energy Block-2					
Energy Charge-2					
Energy Block-3					
Energy Charge-3					
ECA*	(0.00322)			(0.00322)	

* "Current" ECA is the Test Year average. This average ECA is rolled into the proposed rates.

Monthly Use, kWh	Monthly Bills							
	Summer				Winter			
	Current	Proposed	Chg. \$	Chg., %	Current	Proposed	Chg. \$	Chg., %
0	10.00	10.00	0.00	0.0%	10.00	10.00	0.00	0.0%
50	15.17	15.96	0.80	5.3%	14.67	15.46	0.80	5.4%
100	20.33	21.93	1.59	7.8%	19.33	20.93	1.59	8.2%
250	35.83	39.81	3.98	11.1%	33.33	37.31	3.98	12.0%
500	61.66	69.63	7.97	12.9%	56.66	64.63	7.97	14.1%
750	87.49	99.44	11.95	13.7%	79.99	91.94	11.95	14.9%
1,000	113.32	129.26	15.94	14.1%	103.32	119.26	15.94	15.4%
1,250	139.15	159.07	19.92	14.3%	126.65	146.57	19.92	15.7%
1,500	164.98	188.89	23.91	14.5%	149.98	173.89	23.91	15.9%
2,000	216.64	248.52	31.88	14.7%	196.64	228.52	31.88	16.2%
3,000	319.96	367.78	47.82	14.9%	289.96	337.78	47.82	16.5%
4,000	423.28	487.04	63.76	15.1%	383.28	447.04	63.76	16.6%
5,000	526.60	606.30	79.70	15.1%	476.60	556.30	79.70	16.7%
10,000	1,043.20	1,202.60	159.40	15.3%	943.20	1,102.60	159.40	16.9%

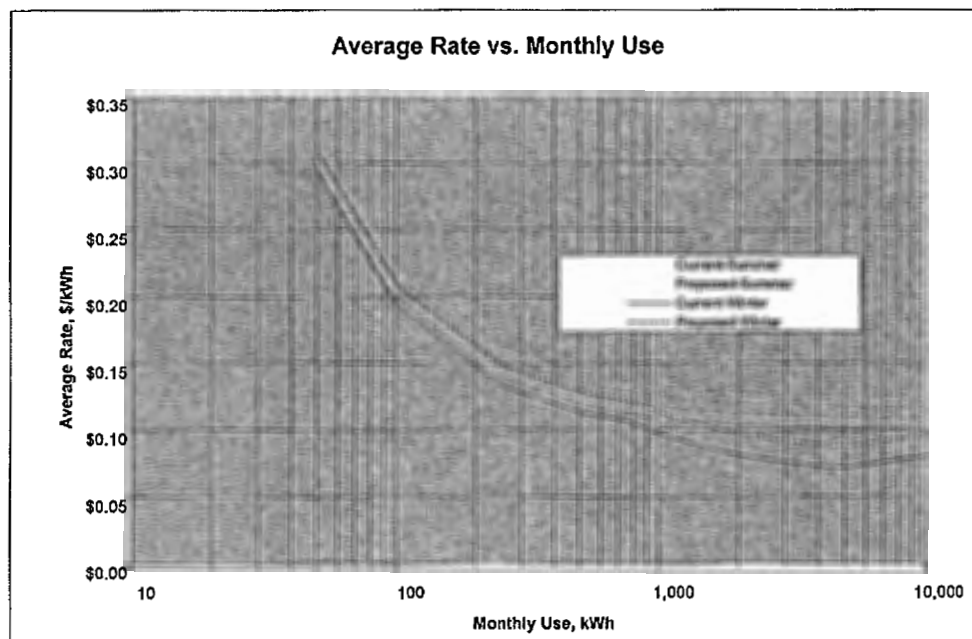


Mid-Kansas Electric Company - Lane-Scott Division
Rate Comparison
Residential - Space Heating

	Rates				
	Summer			Winter	
	Current	Proposed		Current	Proposed
Customer Charge	\$10.00	\$10.00		\$10.00	\$10.00
Demand Charge					
Energy Block-1	99,999	99,999		800	800
Energy Charge-1	0.10654	0.11926		0.09654	0.10926
Energy Block-2				5,800	5,800
Energy Charge-2				0.06803	0.08075
Energy Block-3				99,999	99,999
Energy Charge-3				0.09654	0.10926
ECA*	(0.00322)			(0.00322)	

* "Current" ECA is the Test Year average. This average ECA is rolled into the proposed rates.

Monthly Use, kWh	Monthly Bills							
	Summer				Winter			
	Current	Proposed	Chg, \$	Chg., %	Current	Proposed	Chg, \$	Chg., %
0	10.00	10.00	0.00	0.0%	10.00	10.00	0.00	0.0%
50	15.17	15.96	0.80	5.3%	14.67	15.46	0.80	5.4%
100	20.33	21.93	1.59	7.8%	19.33	20.93	1.59	8.2%
250	35.83	39.81	3.98	11.1%	33.33	37.31	3.98	12.0%
500	61.66	69.63	7.97	12.9%	56.66	64.63	7.97	14.1%
750	87.49	99.44	11.95	13.7%	79.99	91.94	11.95	14.9%
1,000	113.32	129.26	15.94	14.1%	97.62	113.56	15.94	16.3%
1,250	139.15	159.07	19.92	14.3%	113.82	133.75	19.92	17.5%
1,500	164.98	188.89	23.91	14.5%	130.02	153.93	23.91	18.4%
2,000	216.64	248.52	31.88	14.7%	162.43	194.31	31.88	19.6%
3,000	319.96	367.78	47.82	14.9%	227.24	275.06	47.82	21.0%
4,000	423.28	487.04	63.76	15.1%	292.05	355.81	63.76	21.8%
5,000	526.60	606.30	79.70	15.1%	356.86	436.56	79.70	22.3%
10,000	1,043.20	1,202.60	159.40	15.3%	800.65	960.05	159.40	19.9%

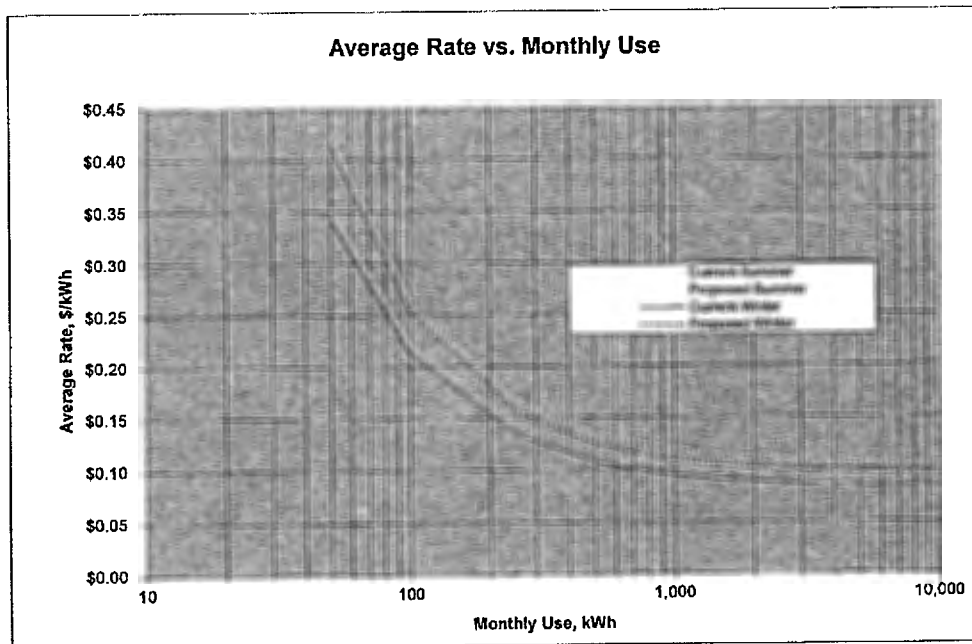


Mid-Kansas Electric Company - Lane-Scott Division
Rate Comparison
General Service Small

	Rates				
	Summer			Winter	
	Current	Proposed		Current	Proposed
Customer Charge	\$13.00	\$16.00		\$13.00	\$16.00
Demand Charge					
Energy Block-1	99,999	99,999		99,999	99,999
Energy Charge-1	0.09518	0.10316		0.08518	0.09316
Energy Block-2					
Energy Charge-2					
Energy Block-3					
Energy Charge-3					
ECA*	(0.00322)			(0.00322)	

* "Current" ECA is the Test Year average. This average ECA is rolled into the proposed rates.

Monthly Use, kWh	Monthly Bills							
	Summer				Winter			
	Current	Proposed	Chg. \$	Chg., %	Current	Proposed	Chg. \$	Chg., %
0	13.00	16.00	3.00	23.1%	13.00	16.00	3.00	23.1%
50	17.60	21.16	3.56	20.2%	17.10	20.66	3.56	20.8%
100	22.20	26.32	4.12	18.6%	21.20	25.32	4.12	19.4%
250	35.99	41.79	5.80	16.1%	33.49	39.29	5.80	17.3%
500	58.98	67.58	8.60	14.6%	53.98	62.58	8.60	15.9%
750	81.97	93.37	11.40	13.9%	74.47	85.87	11.40	15.3%
1,000	104.96	119.16	14.20	13.5%	94.96	109.16	14.20	15.0%
1,250	127.95	144.95	17.00	13.3%	115.45	132.45	17.00	14.7%
1,500	150.94	170.74	19.80	13.1%	135.94	155.74	19.80	14.6%
2,000	196.92	222.32	25.40	12.9%	176.92	202.32	25.40	14.4%
3,000	288.88	325.47	36.59	12.7%	258.88	295.47	36.59	14.1%
4,000	380.84	428.63	47.79	12.5%	340.84	388.63	47.79	14.0%
5,000	472.80	531.79	58.99	12.5%	422.80	481.79	58.99	14.0%
10,000	932.60	1,047.58	114.98	12.3%	832.60	947.58	114.98	13.8%

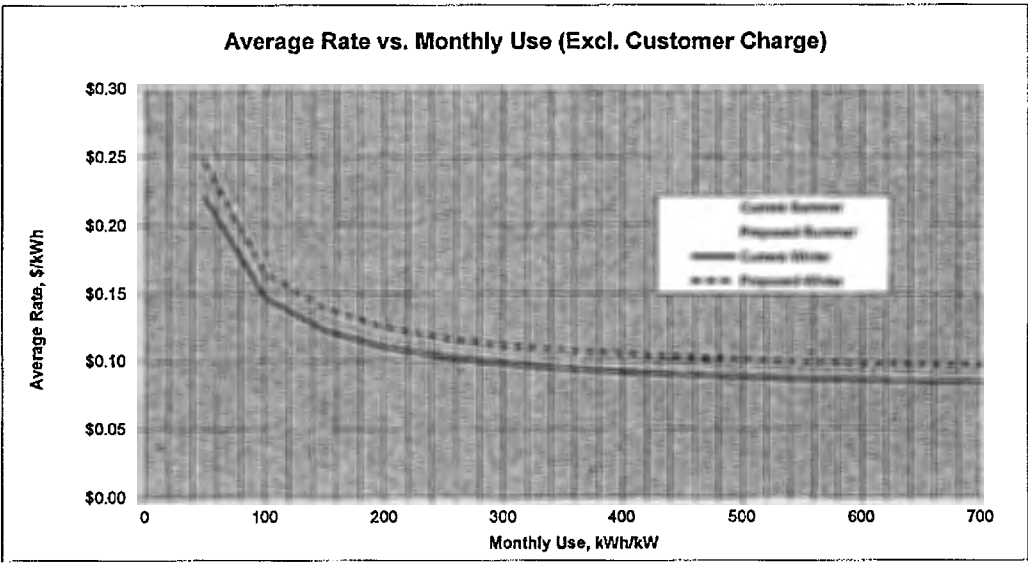


Mid-Kansas Electric Company - Lane-Scott Division
Rate Comparison
General Service Large

	Rates				
	Summer			Winter	
	Current	Proposed		Current	Proposed
Customer Charge	\$34.00	\$34.00		\$34.00	\$34.00
Demand Charge	\$9.35	\$8.00		\$7.35	\$8.00
Energy Charge	0.07696	0.08544		0.07696	0.08544
ECA*	(0.00322)			(0.00322)	

* "Current" ECA is the Test Year average. This average ECA is rolled into the proposed rates.

Mo. Use, kWh/kW	Monthly Bills (\$/kW), excl. customer charge							
	Summer				Winter			
	Current	Proposed	Chg, \$	Chg, %	Current	Proposed	Chg, \$	Chg, %
0	9.35	8.00	(1.35)	-14.4%	7.35	8.00	0.65	8.8%
50	13.04	12.27	(0.77)	-5.9%	11.04	12.27	1.23	11.2%
100	16.72	16.54	(0.18)	-1.1%	14.72	16.54	1.82	12.4%
150	20.41	20.82	0.40	2.0%	18.41	20.82	2.40	13.1%
200	24.10	25.09	0.99	4.1%	22.10	25.09	2.99	13.5%
250	27.79	29.36	1.57	5.7%	25.79	29.36	3.57	13.9%
300	31.47	33.63	2.16	6.9%	29.47	33.63	4.16	14.1%
350	35.16	37.90	2.74	7.8%	33.16	37.90	4.74	14.3%
400	38.85	42.18	3.33	8.6%	36.85	42.18	5.33	14.5%
450	42.53	46.45	3.91	9.2%	40.53	46.45	5.91	14.6%
500	46.22	50.72	4.50	9.7%	44.22	50.72	6.50	14.7%
550	49.91	54.99	5.08	10.2%	47.91	54.99	7.08	14.8%
600	53.59	59.26	5.67	10.6%	51.59	59.26	7.67	14.9%
650	57.28	63.54	6.25	10.9%	55.28	63.54	8.25	14.9%
700	60.97	67.81	6.84	11.2%	58.97	67.81	8.84	15.0%

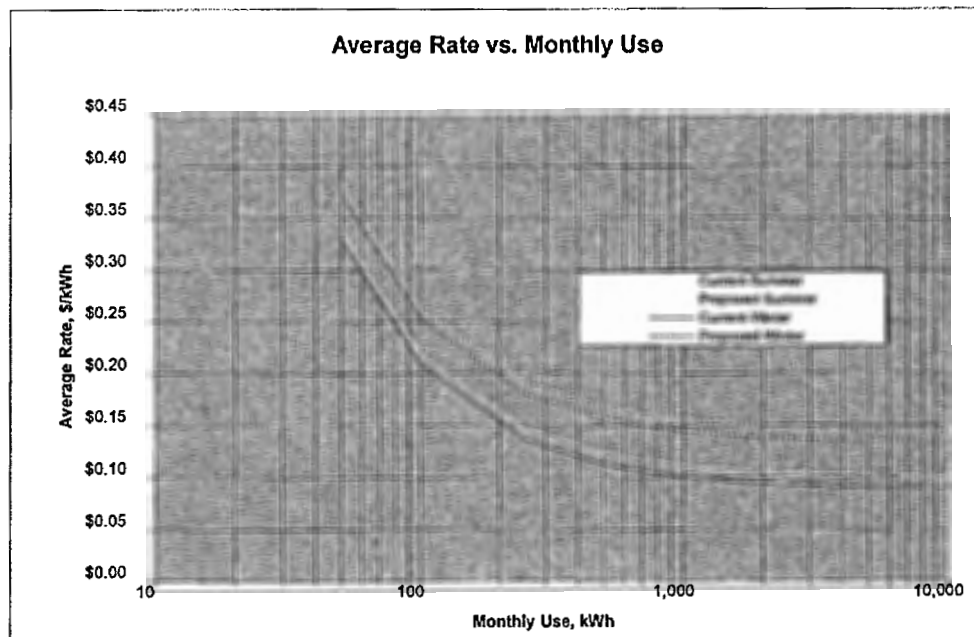


Mid-Kansas Electric Company - Lane-Scott Division
Rate Comparison
Municipal Service

	Rates				
	Summer			Winter	
	Current	Proposed		Current	Proposed
Customer Charge	\$11.95	\$11.95		\$11.95	\$11.95
Demand Charge					
Energy Block-1	99,999	99,999		99,999	99,999
Energy Charge-1	0.10218	0.14315		0.09218	0.13315
Energy Block-2					
Energy Charge-2					
Energy Block-3					
Energy Charge-3					
ECA*	(0.00322)			(0.00322)	

* "Current" ECA is the Test Year average. This average ECA is rolled into the proposed rates.

Monthly Use, kWh	Monthly Bills							
	Summer				Winter			
	Current	Proposed	Chg. \$	Chg., %	Current	Proposed	Chg. \$	Chg., %
0	11.95	11.95	0.00	0.0%	11.95	11.95	0.00	0.0%
50	16.90	19.11	2.21	13.1%	16.40	18.61	2.21	13.5%
100	21.85	26.27	4.42	20.2%	20.85	25.27	4.42	21.2%
250	36.69	47.74	11.05	30.1%	34.19	45.24	11.05	32.3%
500	61.43	83.53	22.10	36.0%	56.43	78.53	22.10	39.2%
750	86.17	119.31	33.14	38.5%	78.67	111.81	33.14	42.1%
1,000	110.91	155.10	44.19	39.8%	100.91	145.10	44.19	43.8%
1,250	135.65	190.89	55.24	40.7%	123.15	178.39	55.24	44.9%
1,500	160.39	226.68	66.29	41.3%	145.39	211.68	66.29	45.6%
2,000	209.87	298.26	88.39	42.1%	189.87	278.26	88.39	46.6%
3,000	308.83	441.41	132.58	42.9%	278.83	411.41	132.58	47.5%
4,000	407.79	584.56	176.77	43.3%	367.79	544.56	176.77	48.1%
5,000	506.75	727.71	220.96	43.6%	456.75	677.71	220.96	48.4%
10,000	1,001.55	1,443.48	441.93	44.1%	901.55	1,343.48	441.93	49.0%

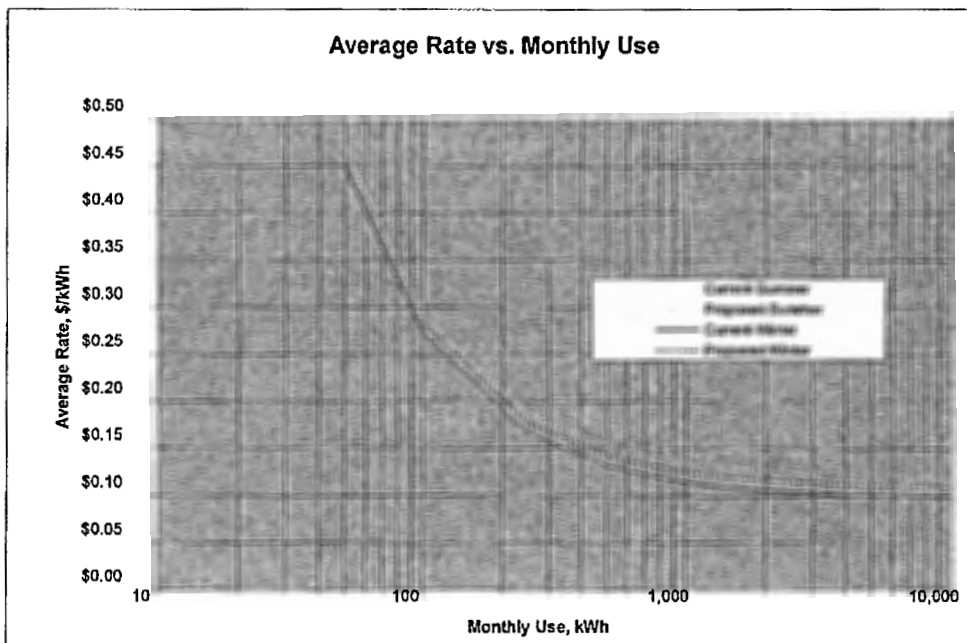


Mid-Kansas Electric Company - Lane-Scott Division
Rate Comparison
Water Pumping Service

	Rates				
	Summer			Winter	
	Current	Proposed		Current	Proposed
Customer Charge	\$17.50	\$17.50		\$17.50	\$17.50
Demand Charge					
Energy Block-1	99,999	99,999		99,999	99,999
Energy Charge-1	0.10998	0.11722		0.09998	0.10722
Energy Block-2					
Energy Charge-2					
Energy Block-3					
Energy Charge-3					
ECA*	(0.00322)			(0.00322)	

* "Current" ECA is the Test Year average. This average ECA is rolled into the proposed rates.

Monthly Use, kWh	Monthly Bills							
	Summer				Winter			
	Current	Proposed	Chg, \$	Chg., %	Current	Proposed	Chg, \$	Chg., %
0	17.50	17.50	0.00	0.0%	17.50	17.50	0.00	0.0%
50	22.84	23.36	0.52	2.3%	22.34	22.86	0.52	2.3%
100	28.18	29.22	1.05	3.7%	27.18	28.22	1.05	3.9%
250	44.19	46.81	2.62	5.9%	41.69	44.31	2.62	6.3%
500	70.88	76.11	5.23	7.4%	65.88	71.11	5.23	7.9%
750	97.57	105.42	7.85	8.0%	90.07	97.92	7.85	8.7%
1,000	124.26	134.72	10.46	8.4%	114.26	124.72	10.46	9.2%
1,250	150.95	164.03	13.08	8.7%	138.45	151.53	13.08	9.4%
1,500	177.64	193.33	15.69	8.8%	162.64	178.33	15.69	9.6%
2,000	231.02	251.95	20.93	9.1%	211.02	231.95	20.93	9.9%
3,000	337.78	369.17	31.39	9.3%	307.78	339.17	31.39	10.2%
4,000	444.54	486.39	41.85	9.4%	404.54	446.39	41.85	10.3%
5,000	551.30	603.61	52.31	9.5%	501.30	553.61	52.31	10.4%
10,000	1,085.10	1,189.73	104.63	9.6%	985.10	1,089.73	104.63	10.6%



Mid-Kansas Electric Company - Lane-Scott Division
Rate Comparison
Irrigation

		15 Hp Rates			
		Summer		Winter	
		Current	Proposed	Current	Proposed
Customer Charge			\$0.00		\$0.00
Horsepower Chg		\$34.00	\$34.00	\$34.00	\$34.00
Energy Block-1		99,999	99,999	99,999	99,999
Energy Charge-1		0.08014	0.10372	0.07014	0.09372
Energy Block-2					
Energy Charge-2					
Energy Block-3					
Energy Charge-3					
Energy Block-4					
Energy Charge-4					
ECA*		(0.00322)		(0.00322)	

* "Current" ECA is the Test Year average. This average ECA is rolled into the proposed rates.

		Annual Bills (\$/hp)							
		Summer Use				Winter Use			
Ann. Use, kWh/hp		Current	Proposed	Chg, \$	Chg., %	Current	Proposed	Chg, \$	Chg., %
0		510.00	510.00	0.00	0.0%	510.00	510.00	0.00	0.0%
25		538.85	548.89	10.05	1.9%	535.10	545.14	10.05	1.9%
50		567.69	587.79	20.10	3.5%	560.19	580.29	20.10	3.6%
75		596.54	626.68	30.15	5.1%	585.29	615.43	30.15	5.2%
100		625.38	665.58	40.20	6.4%	610.38	650.58	40.20	6.6%
125		654.23	704.47	50.25	7.7%	635.48	685.72	50.25	7.9%
150		683.07	743.37	60.30	8.8%	660.57	720.87	60.30	9.1%
175		711.92	782.26	70.35	9.9%	685.67	756.01	70.35	10.3%
200		740.76	821.16	80.40	10.9%	710.76	791.16	80.40	11.3%
250		798.45	898.95	100.50	12.6%	760.95	861.45	100.50	13.2%
300		856.14	976.74	120.60	14.1%	811.14	931.74	120.60	14.9%
350		913.83	1,054.53	140.70	15.4%	861.33	1,002.03	140.70	16.3%
400		971.52	1,132.32	160.80	16.6%	911.52	1,072.32	160.80	17.6%

