

TRUSTEE PERSPECTIVE

Answering the Tough Questions

BY DON MONTGOMERY DIST. 5 TRUSTEE



Don Montgomery

I want to tell you how very proud I am to be a part of such an incredible cooperative that puts members first. The Board of Trustees has the responsibility to make decisions that will positively affect our members. I think it's also important to remember that each and every Trustee is also a member. The decisions we make in the boardroom not only affect you, but they affect

our neighbors and us, as well. I've been asked some tough questions in the last few weeks about the upcoming consolidation vote, and I want to address some of those head on and with transparency.

What happens to the Boards when we consolidate?

Currently, we have 18 board members between the two cooperatives. On January 1, 2017, that number shrinks to 12. We have three trustees from each side who are willing to concede their seats at the table as we move forward with the new cooperative. Rest assured, that even if your Trustee steps down voluntarily, you will still have representation. The new Board will then determine the voting districts and how everything will come together. I can tell you that both Boards have done their due diligence to make the upcoming transition a smooth one.

Will current employees be able to keep their jobs?

The timing of the consolidation works in our favor. We have several upcoming retirements, and LJEC has had multiple retirements in the past few months that have allowed us to adjust employee roles to fill any gaps and eliminate duplication. We have also hired 10 new employees. Natural attrition has helped us achieve efficiencies that aid in saving money. No employee will lose their job due to the consolidation. We will keep both offices (McLouth and Topeka), so your customer service will go unchanged. Both locations will keep field staff as-is, and many folks have assumed roles at both cooperatives. I'm very proud of the staff at both locations for stepping up to the challenge to make the transition successful.

Why do you want to change my cooperative?

The answer is that everything, over time, changes. However, it is our goal to use this change to improve your service while also cutting costs. The bottom line is that both cooperatives have done everything they can to cut costs and save money, and consolidation will help us continue to cut costs. If not now, it will come up later. Consolidation is not new to this industry. Today's business environment is changing, and we must change with it.

What's the difference between the alliance and the consolidation?

The differences are management and savings. With the consolidation, we create a new cooperative (FreeState Electric Cooperative, Inc.). If the consolidation does not pass, the alliance will still exist as FreeState Electric Cooperative, Inc., and it will manage Kaw Valley Electric and LJEC separately, but we would not be able to achieve the savings we expect with the consolidation, which could lead to raising rates.

Why are we consolidating with LJEC?

LJEC makes sense geographically, and their size and operations nearly mirror us at Kaw Valley. These similarities will provide us with a smooth transition. In addition, LJEC, like Kaw Valley, is a financially stable cooperative. By joining, we will help everyone achieve big goals.

The bottom line is that the consolidation will benefit our members on both sides. I want to encourage you to reach out to myself, other board members, or the staff at Kaw Valley. We are all here to provide answers to any questions you have about the upcoming consolidation vote. We want to discuss this change with you and want you to be confident in your vote on April 19. You can also find more information at www.voteysApril19.com or by emailing info@kve.coop.

DON MONTGOMERY is a second generation electric cooperative trustee. He lives near Burlingame and has represented District 5 for one year.

“We are here to provide answers to questions you have about the upcoming vote.”

Future Cooperative Name and Logo Announced

Leavenworth-Jefferson Electric and Kaw Valley Electric have announced a new name and logo for the future consolidated cooperative.

FREESTATE ELECTRIC COOPERATIVE, INC., will be the name of the newly formed cooperative that will be official on January 1, 2017, providing the membership of both LJEC and Kaw Valley vote to accept

the proposed Articles of Consolidation and Consolidation Agreement during both cooperative's annual meetings on April 19, 2016.

Currently, both cooperatives are operating under a cooperative alliance that has seen a significant reduction in costs. The new cooperative is forecasted to save \$20 million over the next 10 years.

“The backbone of this cooperative alliance and bringing these cooperatives together is savings for the membership over the next 10 years,” said Chris Parr, assistant general manager of LJEC and part of the alliance's senior leadership team. “When we break that large total down per member, we see avoided costs of doing business averaging about \$137 per year per member, overall.”

“Members will not see rates decrease,” added Parr. “However, rates will remain stable, and we will be able to delay rate increases for possibly the next three to five years.”

The last rate increase for LJEC was 2010 with a projected increase in 2015, and the last rate increase for Kaw Valley Electric was 2012 with a projected increase in 2017.

“Both cooperatives have done all we can do to avoid increasing rates,” Parr said. “The typical cycle for rural electric rates is to see increases or some adjustment every three to four years, and we were just outside that



Steve Foss, CEO of FreeState Electric Cooperative, Inc., introduces the new name and logo for the future consolidated cooperative.

target as we looked forward. Without coming together, rate stabilization is just not possible.”

“We have seen efficiencies across the board, and we are seeing numbers exceeding those forecast in regards to savings,” said Parr. “We have been able to share equipment and resources, and reduce duplication of products and services. Eight retirements in the last 15 months have allowed us to adjust the roles of current employees, as well as hire 10 new employees to keep both facilities operating at the same level our members expect and deserve.”

During the transition, Jerry Manning, Kaw Valley General Manager, will move into a different role for the cooperatives. Both Boards of Trustees named Steve Foss, current LJE General Manager, the CEO of FreeState Electric Cooperative. Foss will lead both cooperatives as the membership approaches the vote in April, and January 1, 2017, implementation of the new cooperative.

“It was an easy decision knowing that the employees and this new cooperative are in capable hands,” said Manning. “Steve has a unique opportunity ahead of him, and I feel that the timing is right to begin the transition.”

Manning added, “I went to the board and asked them to consider moving in this direction now, rather

than later because I feel it's important to establish the leadership team and direction as we move forward. I will still be working for our members, and I will continue to be a part of the move toward FreeState Electric Cooperative.”

Foss has been general manager at LJEC for the past eight years and has 32 years of electric cooperative experience.

“I'm grateful for the opportunity to lead the alliance and blend these two cooperatives into one,” said Foss. “We have a talented group of employees who work hard for our membership.”

“We have already begun to transition in several areas on the business side and day-to-day operations,” Foss added. “Both offices in Topeka and McLouth will remain open, and no employees will lose their job throughout this process. The joining of these two cooperatives will be beneficial to not only our members and employees but the communities we serve.”

The calling center will be located in the Topeka office, and other functions to McLouth. The timeline for moving functions is throughout 2016 with completion slated for January 1, 2017.

“We felt it was vital to our small community to take a look at the functions of the consolidated cooperative and identify what would benefit this community,” Foss said. “Moving our financial accounts, and billing functions will not only help The Bank of McLouth, but it will help our Post Office, as well.”

FreeState Electric Cooperative will be the largest rural electric cooperative in eastern Kansas, and will become the fourth largest rural electric cooperative membership in the state of Kansas at 14,691 member-owners.



A Touchstone Energy Cooperative
1100 SW Auburn Rd., Topeka, KS 66604
785-478-3444
www.kve.com

KAW VALLEY ELECTRIC COOPERATIVE

LightTalk

Kaw Valley Electric Cooperative, Inc.

Jerry Manning - General Manager

Board of Trustees

Dallas Caster Ashburn President

Rob Sage Dover Vice-President

Robert Lynch Berryton Secretary

Larry Batel Overbrook Treasurer

Gene "Pete" Allen Holvick Trustee

Bill Conley Delta Trustee

Don Montgomery Burlingame Trustee

Mark Wulfkuhle Clinton Trustee

Lloyd Wulfkuhle Staff Trustee

Gregory Lee Legal Counsel

Energy Efficiency Tip of the Month

Consider purchasing rechargeable batteries, which are more cost effective than disposable batteries, and an ENERGY STAR charger. In the U.S. alone, more energy-efficient battery chargers could save families \$170 million annually.

FROM THE MANAGER Transitioning Toward the Future

It's been pretty exciting here at Kaw Valley Electric, and we have a lot to tell our members this month.

First things first, Kaw Valley and Leavenworth-Jefferson Electric revealed the new name and logo for the future consolidated cooperative. Pending approval, the cooperatives will join on January 1, 2017, under the name of **FREESTATE ELECTRIC COOPERATIVE, INC.** The new name and logo gives us an identity to work toward and a clear vision for the future.

In addition to the new name and logo, I am excited to announce that Steve Foss, LJE General Manager, has been named the CEO of the cooperative alliance. In January, I asked the board to consider moving in this direction now, rather than later, because I feel it's important to establish the leadership team and direction as we move forward.

But I'm not going anywhere just yet. While I will be taking on different roles for both the cooperatives, I'm still here for our members. I'm still here for our employees, and I'm still going to be a part of the alliance as it moves toward consolidation.

My decision to approach the board was an easy one. Steve holds similar values and goals as myself, which has helped this cooperative

alliance and move toward the future go so smoothly. These two cooperatives have covered a lot of ground in a short period, but there is still a lot of work to do as we take steps forward. We are both blessed with the right people in the right places at the right time.

I have all the confidence in the world in Steve, the senior leadership, and the employees of both cooperatives as we move forward to the consolidation vote in April. Our membership drives our willingness to work together for a common goal.

We have made a lot of progress during this time of transition. I truly look forward to blending both cooperatives into one great cooperative, and I know Steve is the right person to move it forward from this point. As we embrace change together, we can see the true potential of what lies ahead for us as one cooperative.

As always, we encourage you to contact us with any questions, concerns, or feedback you may have about your cooperative membership or services. You can contact us at info@kve.coop or 785-478-3444.



Jerry Manning

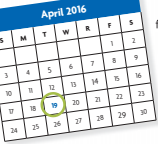
Official Notice of Kaw Valley Annual Meeting

To the attention of all members of Kaw Valley Electric Cooperative, Inc., organized and existing under and by virtue of Chapter 17, Article 46, of the laws and the State of Kansas.

You are hereby notified that on the 19th day of April 2016, the Annual Meeting of said Kaw Valley Electric Cooperative, Inc., referred to above, will be held at 6:30 p.m. at the Kaw Valley Electric Cooperative office building,

1100 SW Auburn Rd., Topeka, Shawnee, County Kansas, to take action upon the following matters:

1. The report of officers, trustees and committees.
2. The election of three trustees of the cooperative.
3. The election of the Articles of Consolidation.
4. The election of the Consolidation Agreement.
5. All other business which may come before the meeting or any adjournment or adjournments thereof.



Get to Know Your 2016 Board Nominees

The Kaw Valley Electric Annual Business Meeting provides the cooperative with an avenue to elect its Board of Trustees. This is the chance for all Kaw Valley members to have their voice heard.

You will have the chance to ask questions of the current Board of Trustees and staff, but more importantly, this is your chance to vote on the issues that affect the cooperative.

On January 28, 2016, members of the Nominating Committee, appointed by the Kaw Valley Board of Trustees, met to present candidates for election to the Kaw Valley Board of Trustees.

The nominees listed at right are presented to the membership for election at the upcoming Annual Business Meeting.

Make your voice heard! Cast your vote on April 19.

Voting District 1, Trustee District No. 3

ROB SAGE
Co-op member since 1990

Work Experience

Farmer, 32 years in crop and cattle operation; Farm Bureau Insurance Agent, Wabaunsee County, 14 years



Rob Sage

Past and Present Community Involvement

Volunteer for the Shawnee County Fire District No. 4, Dover Heritage Days, Member of Dover Federated Church, coach of youth athletics

Past and/or Present Board or Organization Office(s)

Kaw Valley Electric Co-op, Board Trustee; USD No. 330 School Board, President; Shawnee County Extension Office, Board Member; Wabaunsee County Farm Bureau, Board Member; Dover Ball Assn., President; Pauline Co-op, Associate Board Member; Shawnee County Fire District No. 4, Board Member

DANYEL MILLS
Co-op Member since 2004

Work Experience

22 years of experience as a Lead Branch Manager or Branch Manager at US Bank, UMB Bank, and CoreFirst Bank & Trust. One year as VP Business Banker at Capital City Bank



Danyel Mills

Past and Present Community Involvement

Capper Foundation, Board Programs & Services Committee; Reality US, Volunteer; Chamber Member; Junior Achievement Classroom, Volunteer (past)

Past and/or Present Board or Organization Office(s)

Individual Support Systems (merged with Capper Foundation) Board Chairperson, Finance Committee, and Endowment Committee (past)

Voting District 2, Trustee District No. 6

LARRY BUTEL
Co-op Member since 1989

Work Experience

Cargill Inc., Commodity Merchant; Farmer/Rancher Management; and Butel Farm Inc., cattle, row crops, wheat and hay operation, 25 years



Larry Butel

Past and Present Community Involvement

Overbrook Rotary Club, Cornerstone Family Schools, Gideons, Oage County Leadership Graduate

Past and/or Present Board or Organization Office(s)

Kaw Valley Electric Cooperative Trustee, board member for Kansas State Board of Overbrook, Cornerstone Family Schools, Wakarusa Watershed Joint #35, Gideons International

HERB WARREN
Co-op Member since 2002

Work Experience

Retired City Administrator 35 years with Jostens in multiple management and supervisory roles



Herb Warren

Why would you like to be elected to the Kaw Valley Board of Trustees?

I'm involved in many professional organizations throughout his career. I remember when we got electricity to our home back in the day, I believe the rural electric cooperative has been an important part of rural life, and I think it is important to our rural communities, as well. Kaw Valley is a great co-op, with outstanding people, and I feel like they build infrastructure we should be proud of as members.

LOUIS HAFNER
Co-op Member since 1977

Work Experience

Retired in 2009 after 35 years with Jostens in multiple management and supervisory roles



Louis Hafner

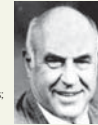
Why would you like to be elected to the Kaw Valley Board of Trustees?

I'd like to be a part of the Board because I believe that it is the member's duty to not only take advantage of having a voice but to be the voice that can influence and effect change for the better.

ROBERT LYNCH
Co-op Member since 1956

Work Experience

Farming Operation, Owner/Operator, 59 years; Goodyear Tire, 27 years; and Douglas County Native Grass Drill, Operator, 18 years



Robert Lynch

Past and Present Community Involvement

Stull United Methodist Church, Member, Trustee, Usher, Sunday School Class President, Treasurer; Stull Busy Beavers 4-H, Community Leader; Shawnee County Conservation District, Advisory Board Member; Shawnee County Farm Bureau Board, Member

Past and/or Present Board or Organization Office(s)

Kaw Valley Electric, Board Trustee, Secretary; Berrington High School Alumni Assn., President, Vice-President, Treasurer; Shawnee County Soil Conservation District Board, Vice President, Treasurer (past).

Members Vote on April 19

On April 19, members will vote for three district trustees, as well as the Articles of Consolidation and the Consolidation Agreement.

The district trustees up for election have provided information about themselves in the article below. If you have any questions about the slate of nominees or the voting ballot you can contact Kevin Gregg, Assistant Manager, at 785-478-6111.

Members will also vote on consolidation with LJEC. These documents are accessible at bit.ly/Consolidation-Articles. Printed copies are also available by request and can be mailed directly to the member.

Statement of Nondiscrimination

In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status,

income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, etc.) should contact the responsible Agency or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at How to File a Program Discrimination Complaint and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information

requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by: (1) mail, U.S. Department of Agriculture, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410; (2) fax: (202) 690-7442; or (3) email program.intake@usda.gov. DA is an equal opportunity provider, employer, and lender.

Get plugged in. Join the Conversation

Join the conversation about the upcoming consolidation vote. Join leadership from Kaw Valley and Leavenworth-Jefferson Electric Cooperatives to discuss the future of your electric cooperative and learn how plugging in to the future can stabilize your rates, and improve your service.

March 2 11 a.m. to 1 p.m. Kaw Valley Electric Office	March 8 2 p.m. to 3:30 p.m. Somerset Hall Cafe, Dover	March 24 11 a.m. to 1 p.m. Auburn Community Center
March 3 11 a.m. to 1 p.m. LJEC Office	March 10 - just added! 10 a.m. to Noon Valley Falls Library	

www.voteyesApril19.com