

OFFICIAL NOTICE OF THE ANNUAL MEETING

Southwest Iowa Rural Electric Cooperative

he Annual Meeting of the Members of Southwest Iowa Rural Electric Cooperative will be held at the Lenox Community Center located at 210 E Dallas Street at Lenox, Iowa, at 6:30 p.m. on Thursday, September 8, 2022 to take action upon the following matters:

- 1. The reports of officers, directors and committees;
- 2. The election of three (3) Directors; and
- 3. All other business which may legally come before the meeting or any adjournment or adjournments thereof.

In connection with the election of Directors scheduled for this meeting, the following members have been nominated for Director by the Committee on Nominations appointed by the Board of Directors of the Cooperative pursuant to the By-Laws.

THREE-YEAR TERM

(Three to be elected)

REGION #1: DISTRICT #4:

Terry Barnes ~ Janet "Jan" Gray

REGION #2: DISTRICT #8:

Alan Spencer ~ Aaron Williams

REGION #2: AT-LARGE:

Nicholas Gray ~ Mark Herzberg

You are urged to attend the meeting, hear the reports of the officers, election of directors and transact such other business as may come before the meeting.

Ken Peppmeier

Ken Peppmeier - Secretary Dated this 10th day of August, 2022.





ANNUAL

MEETING

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Annual President's and General Manager's Report

Please make plans to attend the Annual Meeting of the Members on September 8th. Each membership registering at the annual meeting will receive a \$10 energy credit on their electric bill plus a chance to win *FREE ELECTRICITY for a whole year as the grand prize or *FREE ELECTRICITY for six months as the consolation prize. If you've never been to an Annual Meeting or haven't attended recently, please join us and your fellow members this year and participate in one of the most valuable benefits of being a member – the election of your local board of directors.

The ballot for this year is being mailed separately so look for it in your mailbox and follow the instructions provided. Your mail-in ballot must reach our office <u>BEFORE</u> the meeting to be counted. You may also cast your ballot in person at the Annual Meeting.

Following the COVID-constrained conditions of 2020, we had high hopes for a return to normal in 2021 but that was not to be. As COVID stuck around, we began to see supply chain issues mount and the materials we rely on to operate started getting harder to source and delivery times were being extended. As you can see on our balance sheet, the materials and supplies on hand increased substantially from 2020 to 2021. This was due to accumulating excess inventory but also price increases for that inventory. These conditions have gotten much worse in 2022 and it has affected our ability to move forward on many of our major construction projects. Even so, we have been able to meet our members' needs for service upgrades and new builds so far.

All things considered, 2021 was another solid year for your electric cooperative. Sales of electricity (105,430,756 kilo-watt hours) were 2.47% less than 2020 and 4.67% below budget. After all expenses, we recorded total margins of \$1,243,395 which was 9.97% more than 2020 and 48.79% more than budget. This better-than-expected result was mainly due to the forgiveness of the \$524,793 Paycheck Protection Program funding we received in 2020. During the year deferred patronage dividends of \$385,203 were retired (paid out) to current and former members. Since inception, a total of \$9,608,695 has been returned to the members. We were able to successfully execute our business plan, meet the financial targets set by our lenders, and an independent audit of the books resulted in a clean audit opinion.

We've had several personnel changes in 2021 and 2022. We lost all three of our Line Foremen to retirement. Bill Scharfenkamp, Ken Van Wyhe and Danny Stamps all decided to enter the next chapter of their lives. With these three retirements we lost a combined 96 years of system knowledge and experience. Other employees resigned for various reasons and other opportunities. This led to several promotions of existing employees and to new hires, Kylee Fleharty, Brady Williams, Brycen Wallace, Cody Stackhouse, Jesse Hitt, and Eric Hensley. We were also fortunate to welcome back former employee Justin Murphy as our Line Superintendent in September 2021. In May 2022, Duane Schafer, Director of Operations, announced his retirement after 39 years of service to the cooperative and its members. Duane also took a lot of system knowledge with him but promoting Justin Murphy to that position has provided a seamless transition. We have a great group of employees who are committed to continually learning and adapting to better serve your needs.

In January of this year, we kicked off a project to complete a GPS inventory of our entire electrical system. We contracted with Davey Resource Group to do the fieldwork and we hope to complete this inventory early in 2023. This work will provide the data we need to upgrade to a GIS mapping system as well as a new line staking solution. The mapping system will be updated constantly as changes are made and we will have access to that data in the field which will provide great benefits and increased efficiency for our operations.

As you well know, inflation and supply chain issues have driven the cost of goods and services dramatically higher. And, after a many-years decline in the cost of wholesale power we are now seeing natural gas prices sky rocket and market purchases for power substantially higher. These higher costs for purchased power are passed along to you through the Energy Adjustment Charge (EAC) on your monthly electric bill. In some instances, this may result in a lower credit EAC and, at other times, an additional EAC charge. We have been able to operate with our existing electric rates since 2011 and only the increases, and in most instances the decreases, of purchased power costs have been passed along. It is almost unheard of to operate for 10+ years without increasing rates which is a testimonial to our ability to manage costs and operate efficiently. A Cost-of-Service Study is scheduled for early 2023 to examine if additional revenue is needed and to examine the equity of the existing rate structure. As that process gets underway, we will communicate the results, and any rate changes, to you as they become known.

The news headlines today are filled with predictions of possible summer blackouts during peak power demand times. For the electric grid to remain stable, electric generation must always be greater than load or a system collapse (blackout) will occur. Utilities maintain grid stability by balancing load and generation continuously. Generation shortcomings are due to the ongoing transformation away from "always on" generating units such as coal-fired plants to resources like wind and solar that are not always available to provide energy during times of peak demand. We support an "all-of-theabove" approach that commits to generating power as efficiently and cost-effectively as possible to protect the power grid and provide for a reasonable transition of the electric utility industry

It's a pleasure to serve you and we hope to see you at the annual meeting on September 8th. If you are not feeling well on the date of the annual meeting, please do not attend. Also, if you are not fully vaccinated for COVID, please wear a mask to minimize the risk to other attendees. Thank you!



Phil Kinser CEO / General Manager



Marilyn Werner President

*Win 1 Year FREE Electricity

Attend your Cooperative's Annual Meeting for the opportunity to win the grand prize – **1 year's worth of FREE electricity!** At the conclusion of the meeting, one lucky member's name will be drawn. That member will receive the monthly availability charge and up to 1,000 kilowatt/hours per month **FREE** for **1 year**.

If that's not reason enough to attend - another lucky member's name will be drawn for the second grand prize – **6 months** worth of FREE electricity. That member will receive the monthly service availability charge and up to 1,000 kilowatt/hours per month free for **6 months**.

Make plans to join us for an enjoyable evening and the chance to win 1 year or 6 months worth of FREE electricity! NOTE: Winners must be members of Southwest Iowa Rural Electric Cooperative, be registered and present at the Annual Meeting at the time of the drawing. Credit will be given for actual usage up to 1,000 kilowatt/hours per month with no carryover of kWh's allowed. Credit will be given in consecutive months starting with usage beginning on October 1st.

Southwest Iowa Rural Electric Cooperative Board of Directors and employees are NOT eligible to win.

ANNUAL MEETING PROGRAM

Thursday * September 8, 2022 * Lenox Community Center at 210 E Dallas Street

Registration of Members & Guests 5:30p.m. to 6:30 p.m. Meal cooked by Taylor County Cattlemen Vendor Prize Drawings Welcome and Invocation 6:30 p.m. Meeting Notice - Ken Peppmeier, Secretary Minutes of 2021 Annual Meeting Nominating Committee Report Treasurer's Report President's Remarks - Marilyn Werner Guest Speaker - Henry Bevington-Youth Tour 2022 Participant Manager's Report - Phil Kinser Report of Election Results Adjournment Drawing for FREE ELECTRICITY PRIZES

ATTENDANCE GIFT: \$10 CREDIT ON MEMBERS' ELECTRIC BILL GRAND PRIZE: 1 YEAR FREE ELECTRICITY* 2ND PRIZE: 6 MONTHS FREE ELECTRICITY*

Southwest Iowa Rural Electric Cooperative Annual Meeting of Members - September 9, 2021

The Annual Meeting of the Members of Southwest Iowa Rural Electric Cooperative was held at the Lenox Community Center in Lenox, Iowa at 6:30 p.m., on the 9th day of September 2021.

The meeting was called to order by Marilyn Werner, President of the Cooperative, who presided as Chairman, and Kay Fast, Treasurer of the Cooperative, acted as Secretary of the meeting and kept the minutes thereof.

Chair Werner introduced the guests in attendance at the meeting. Special recognition was awarded to Directors and employees for their years of service. Also present was attorney James of Sullivan & Ward, P.C. She thanked Taylor County Cattlemen for grilling steaks for the meal.

An invocation was offered by Kay Fast and followed by the recitation of the Pledge of Allegiance.

The Chair stated that the members who had registered at the door had been checked, and that a quorum was present for the transaction of business. She stated that it would be in order for the registration to be accepted in lieu of roll call, whereupon a motion was duly made, seconded and carried, to accept the members' registration at the door in lieu of roll call. A list of the members who registered in attendance at the meeting is attached to these minutes and made a part hereof by reference. Ms. Fast, acting as Secretary, then presented a copy of the Notice of the meeting, together with proof of the due mailing thereof to all members of the Cooperative, and such Notice and proof were ordered to be annexed to the minutes of this meeting.

The Chair stated that the next order of business was the election of four Directors for a term of three years each. She reported that, in accordance with the By-Laws, the Board of Directors had appointed from the members of the Cooperative a Nominating Committee consisting of John A. Overholtzer, Carolyn Burroughs, and Charles Abarr who had nominated the following members as candidates for Director:

THREE YEAR TERM (Four to be elected)

Region 1 - District No. 1 Alan Gates Jason Smith Region 2 - District No. 5 Roger Breach Karen Carlson Deena Moore Region 1 - District No. 3 Dale Walkup Marty Schnoor Bryan M. Comer Region 2 - District No. 7 Dana Morgan David Mullen The Report of the Nominating Committee was ordered to be identified by the Secretary and annexed to the minutes of the meeting. The Chairman then appointed John A. Overholtzer, Mary Kay Overholtzer, Joe Kernen, Lisa Kernen, Carolyn Burroughs, Tina Boswell, Charles Abarr, and Dick Jackson as Inspectors of Balloting. The ballots were delivered to the Inspectors, who

Upon motion duly made, seconded and carried, the reading of the minutes of the Annual Meetings of the Members of Southwest Iowa Rural Electric Cooperative held on September 5, 2019, and September 10, 2020 were waived. The minutes were thereupon declared approved and were ordered to be filed in the records of the Cooperative.

proceeded to count the same.

The annual report of the Treasurer was presented. The members had received copies of the Treasurer's report, in the form of the balance sheet and statement of revenue and expense for the year ending 2020, both of which were published in the Annual Meeting program distributed to the members. Following discussion, the annual report of the Treasurer was approved and directed to be filed in the records of the Cooperative. The annual report of the President was presented. Copies of the President's report

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2021 Annual Meeting of the Members (continued)

had been distributed to the members and appeared in the Annual Meeting program. President Werner introduced the directors and their spouses. Following discussion, the annual report of the President was directed to be filed in the records of the Cooperative.

General Manager Phil Kinser introduced CIPCO CEO Bill Cherrier. CEO Cherrier gave an update on the Cooperative's energy mix and plant operations. He also discussed energy production levels in relation to load, replacement of fossil fuel plants, wind generation, solar generation, and future energy infrastructure.

The annual report of Manager Kinser was presented. After presentation, the report was directed to be filed in the records of the Cooperative. Mr. Kinser introduced the employees of the Cooperative and commented on the length of service of the employees.

The Certificate of Inspectors of Election was then presented and read, certifying that the following members, having received the highest number of votes cast, had been duly elected as Directors of the Cooperative to hold office for the term specified, and until their successors shall have been duly elected and qualified:

THREE YEAR TERM

Region 1 - District No. 1 Jason Smith Region 2 - District No. 5 Deena Moore Region 1 - District No. 3 Dale Walkup Region 2 - District No. 7 Dana Morgan The Chairman directed the Secretary to annex the Certificate of the Inspectors of Election to the minutes of the meeting, and thereupon declared the above members duly elected directors of the Cooperative to hold office for the term specified, and until their successors shall have been elected and qualified.

Meal was provided by Taylor County Cattlemen prior to the meeting.

Each registered member received a door prize of \$10.00 credit on member's electric bill and participated in a drawing for Grand Prize of one-year free electricity and second prize of six months free electricity.

There being no further business to come before the meeting, upon motion duly made, seconded and unanimously carried, the meeting adjourned.

Nominee Bio's



Terry Barnes: Region 1 - District 4

Terry and his wife Peggy reside in southwest Ringgold County. They have two sons, Travis (wife Tessa) and Shannon (wife Tracy)

along with 4 granddaughters and one grandson. When they are not tending to their livestock, they are keeping up with their grandchildren's activities. Terry is a member of Topaz Lodge #438 of Kellerton, Iowa.



Janet "Jan" Gray: Region 1 – District 4

Jan lives on farm north of Lamoni. She has a daughter, Jill. Jan is employed at Infinity Health as purchasing agent. She has been a Southwest Iowa REC member for 30 years.



Alan Spencer: Region 2 – District 8

Alan and his wife, Andrea, live on an acreage West of Stanton, IA. They have three children, Clark (15), Grant (13), and Addie (10). Spencer has a BS and MS

Degree in Agricultural Education from Iowa State

University. For the past 24 years, Spencer has served as the Ag Ed Instructor/FFA Advisor at West Marshall High School, Manson-NW Webster High School, and Red Oak High School and as the Iowa FFA Executive Director at the Iowa Department of Education. He is a graduate of Villisca High School and grew up on the family farm near Morton Mills. The Spencer's are members of Immanuel Lutheran Church near Clarinda. Spencer has served on a wide variety of boards and committees and recently completed a three-year term as President of the Iowa Association of Agricultural Educators.



Aaron Williams: Region 2 – District 8

Aaron, his wife Hannah and their newborn son Lyle live on the family farm 3 miles SW of Villisca. Since graduating from Iowa State University he has been raising

hogs as well as a corn/soy row crop operation. He currently is the Page County Farm Bureau President. His hobbies include golf, being with friends and family, and going to sporting events.



Nicholas Gray: Region 2 – AT LARGE

Nick grew up on a small farm on the edge of Villisca, Iowa. After graduating from Villisca High School, Nick attended Northwest Missouri State University. He graduated with a double major in Business Management and Marketing. Nick spent 12 years in banking as a Credit Analyst, Ag Lender, and Market President. He then transitioned into managing and selling real estate. Nick currently lives on a farm outside of Villisca with his wife, Susan, and 3 children: Sloane, Brandt, and Maverick. Susan is a Respiratory Therapist at the Clarinda Regional Health Center, and his children attend Stanton Community Schools. Nick also has his own small farming operation. In his free time, he enjoys the outdoors, as well as coaching his kids in football, baseball, and basketball.



Mark Herzberg: Region 2 – AT LARGE

Mark and his wife Dawnette have four children: Chelsea, Jackie, Emily, Olivia and four grandchildren. They have a

farming operation near Villisca. Mark is also an Asgrow-Dekalb and Wyffels seed dealer. He is active in the Mt. Calvary Church, FFA Alumni and is a past UFMC Associate Board member. Being on the Southwest Iowa REC Board of Directors has been a learning experience for Mark. He enjoys working with the rest of the board members, staff and management to guide the Cooperative.

Financial Report - December 31, 2021

ASSETS Balance Sheet		
ELECTRIC PLANT	12-31-21	12-31-20
Electric plant in service	\$49,124,404	\$47,772,315
Construction work in progress	\$823,199	\$675,758
LESS: Accumulated Depreciation	(17,060,417)	(16,288,561)
Electric Plant (net)	32,887,186	32,159,512
OTHER ASSETS AND INVESTMENTS	4,294,019	4,357,549
CURRENT ASSETS		
Cash and cash equivalents	1,005,093	877,104
Restricted cash	463,507	377,957
Accounts receivable (net)	1,208,377	1,281,598
Materials and supplies	617,685	416,008
Other current and accrued assets	88,923	68,983
	3,383,585	3,021,650
DEFERRED CHARGES	34,778	41,288
_	\$40,599,568	\$39,579,999
LIABILITIES AND MEMBERS' EQUITY		
EQUITIES AND MARGINS		
Patronage Capital	\$8,011,061	\$7,706,384
Other Equities	10,411,923	9,841,220
	18,422,984	17,547,604
LONG-TERM DEBT, less current maturities	19,544,838	18,935,270
CURRENT LIABILITIES		
Accounts payable	739,478	776,702
Current Maturities of long-term debt	850,000	789,000
Notes Payable	0	524,793
Other current and accrued liabilities	910,910	878,139
	2,500,388	2,968,634
DEFERRED CREDITS	131,358	128,491
	\$40,599,568	\$39,579,999

Statements of Revenue and Expense

OPERATING REVENUE	\$11,748,776	\$11,971,402
OPERATING EXPENSES		
Cost of power	6,151,929	6,327,578
Distribution expenses - operations & maintenance	2,024,613	1,989,947
Consumer accounting / information / assistance	539,831	520,478
Administrative and general expense	850,090	802,229
Interest on long-term debt	735,440	798,784
Taxes and other deductions	19,624	16,855
Depreciation and amortization	1,300,497	1,336,329
	11,622,024	11,721,291
Operating margins before patronage allocations	126,752	250,111
DEFERRED PATRONAGE ALLOCATIONS (non-cash)	468,480	680,209
Net Operating Margins	595,232	930,320
NONOPERATING MARGINS	648,163	200,342
NET MARGINS	\$1,243,395	\$1,130,662

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2020

2021

5.50

5.47

11.01

11.08

2020

2021



Mount Ayr Employees



Justin Murphy 19 Years Director of Operations

Tanner Rinehart

14 Years

Line Foreman

David Head

10 Years

Lineman



1 Year Customer Service Representative



Sarah Newton Director of Finance/ Administrative Services



3 Years Accountant



Connor Giles 2 Years Apprentice Lineman



Eric Henslev 1 Year Member Service Technician

Stanton Employees



Denise Hallquist 45 Years Customer Service Representative



Luke Brockshus 2 Years Apprentice Lineman



Marilyn Rubel 35 Years Accountant





Paul Vanderholm 25 Years Lineman



Tim Pfeiffer Scott Geer 15 Years Director of Member Line Foreman

Shayne Larson

10 Years

Lineman



35 Years

Brady Williams Year Apprentice Lineman

Board of Directors



Marilyn Werner 29 Years President



Ken Peppmeier

12 Years

Secretary

.

Dana Morgan

8 Years

Director





Mark Herzberg 12 Years Vice President





Terry Barnes

3 Years

Director

Jason Smith

7 Years Director



Deena Moore 7 Years Director



Dale Walkup 42 Years Director

Corning Employees





Phil Kinser 34 Years CEO / General Manager

Suzy Olson *lears* Administrative Assistant



Les Helvie 20 Years Line Foreman





JD Hitt 1 Year Apprentice Lineman



Brycen Wallace 1 Year Apprentice Lineman

Dustin Smith 3 Years Lineman



Zach Schafer 18 Years Lineman



Cody Stackhouse Years Apprentice Lineman



Steven Grace 3 Years Apprentice Lineman

2021 Central Iowa Power Cooperative Power Supply Report

By: Dale Walkup, Representative on the CIPCO Board of Directors

After a tumultuous time period during the pandemic, 2021 was a year of normalizing operations, creating new ways to work, and propelling ambitious projects to completion. CIPCO reaffirmed its commitment to moving forward with operations and strategies that ensure safe, reliable, and cost-effective power for our 13 Member-owners.

In 2021 we witnessed multiple new generation sources come online to support the power needs of CIPCO's member systems, like Southwest Iowa REC. The \$85 million Summit Lake expansion, the largest project in CIPCO's 75-year history, realized a successful "first fire" of the new natural gas-reciprocating engines. As CIPCO continued testing electrical systems, tuned emissions control equipment and completed the final performance test, full commercial operation of the new engines was achieved on April 15. The repowered 110 MW peaking facility has performed well.

Adding to CIPCO's generation mix through Power Purchase Agreements (PPA) were the commercial operation achievements of both Wapello Solar, LLC, a 100 MWAC solar facility owned by Clēnera, and Independence Wind, a 54 MW facility in Delaware County owned by BHE Renewables. Both projects enhance CIPCO's generation mix as a source of low-cost power, providing needed energy and capacity across the system. This diversity in generation is critical to CIPCO's ability to effectively serve Southwest Iowa REC. On the heels of Wapello Solar's launch in April, CIPCO and Clēnera announced plans for a new 100 MWAC PPA, Coggon Solar, in northern Linn County. The announcement drew resistance from local residents who made a public push to retain the solar site's 640 acres of land for agricultural use. Diligent work between CIPCO and Clēnera moved the project forward.

Southwest Iowa REC and CIPCO strive to provide safe, affordable, and reliable power to our consumer members across the system. High-profile generation projects are often in the news, but projects essential to CIPCO's transmission operations are key components of CIPCO's mission. Each year, CIPCO completes a number of line and substation projects to ensure safe and reliable electric delivery across the system, including nearly 44 miles of transmission line work in 2021.

Weather continues to test rural electric cooperatives across the state, and 2021 was no exception. In February, a large portion of the country experienced a major snow and ice event, followed by record cold temps that debilitated utilities across the country. Energy demand and associated prices quickly moved upward as a number of generation assets were rendered unusable in parts of the country not accustomed to such cold weather. While CIPCO and its members largely escaped power outages, the financial impacts were felt throughout the year. Toward the end of the year, Iowa experienced the first-ever recorded derecho in the month of December that brought tornadoes with it as well. While system damage did not equal that of the August 2020 derecho, the one-day event caused significant dame to 69 kV and 161 kV lines and structures.

CIPCO's commitment to reliability led to a system-wide outage rate of 0.29 hours per consumer without the December derecho and 1.31 with the derecho included. For 2021, Southwest Iowa REC's was 0.02 hours per customer without the December derecho, and 0.34, with the weather event.

Despite rising energy costs in 2021, both Standard & Poor's and Fitch Ratings maintained CIPCO's 'A' ratings which confirm CIPCO's financial strength. Returning patronage capital is a fundamental component of the cooperative business model. CIPCO remains dedicated to sound financial practices that allow margins to be returned to its members in the form of patronage. In 2021, CIPCO returned patronage totaling \$332,618 to Southwest Iowa REC.

CIPCO celebrated its 75th year in 2021, and I want to thank you for the privilege to serve on both the Southwest Iowa REC and CIPCO board of directors. The actions we take are designed to strengthen the systems and ensure CIPCO is well-positioned to serve member-owners now and into the future.



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ear Southwest Iowa REC, Thank you for giving me the opportunity to go to Washington D.C. I have learned many new things and have made new friends. Thanks again, -Henry Bevington

outhwest Iowa

Rural Electric Cooperative

Your Touchstone Energy® Cooperative

Southwest Iowa REC,

Thank you for selecting me to receive the scholarship. I plan to put it to use at Iowa State University, working towards becoming a vet. Thank you so much,

REC,

Thank you for choosing me for your scholarship. I will be attending SWCC in the fall where I will use this scholarship for tuition.

-Cody Larson

-Karsyn Poston

Corning

1801 Grove Ave., Corning, IA 50841 Mount Ayr 1502 W. South St., Mount Ayr, IA 50854 Stanton 415 Broad Ave., Stanton, IA 51573

Phone Number: (888) 220-4869

THANK TOU

2022 Energy Efficiency & Beneficial Electrification Program Delivery Costs = \$.0028/kwh

Board of Directors

Marilyn Werner, President F Mark Herzberg, Vice President Ken Peppmeier, Secretary Kay Fast, Treasurer Deena Moore Terry Barnes Dana Morgan Dale Walkup Jason Smith

Phil Kinser, CEO

Southwest Iowa REC is an equal opportunity provider and employer.