



Corning | Mount Ayr | Stanton

Southwest lines

A monthly publication for members of Southwest Iowa Rural Electric Cooperative

August 2015

Official Notice of the Annual Meeting

Southwest Iowa Rural Electric Cooperative

THE 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 7:00 p.m. on Tuesday, September 22, 2015 to take action upon the following matters:

- 1.The reports of officers, directors and committees;
- 2.The election of four (4) 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 (Four to be elected)

REGION #1:

DISTRICT #1:

Jason Smith

DISTRICT #3:

David Freed ~ Dale Walkup

REGION #2:

DISTRICT #5:

Deena Moore ~ Michelle Rice

DISTRICT #7:

Dana Morgan ~ David Mullen

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.

Dated this 10th day of August, 2015.

Dale Walkup - Secretary

Annual Meeting Program • Tuesday • September 22, 2015 • Lenox Community Center at 210 E Dallas Street

5:30 p.m. to 7:00 p.m.

Registration of Members & Guests
Meal cooked by Taylor County Cattlemen
Enjoy your meal while listening to the musical talents of **Roger Burger**
Vendor Prize Drawings

7:00 p.m.

Welcome and Invocation
Meeting Notice – Dale Walkup, Secretary
Minutes of 2014 Annual Meeting
Nominating Committee Report
Treasurer's Report
President's Remarks – Rich Fast
Manager's Report – Phil Kinser
Report of Election Results
Adjournment
Entertainment – **Jean Sheridan** – Humorist
Drawing for FREE ELECTRICITY PRIZES



See pg. 8 for details!

GRAND PRIZE
1 Year Free Electricity

2ND PRIZE
6 Months Free Electricity

ATTENDANCE GIFT
\$10 Credit on Members' Electric Bill

Annual President's and General Manager's Report

PLEASE MAKE PLANS TO ATTEND THIS year's Annual Meeting on September 22nd.

Each member 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 second place prize. If you've never been to an Annual Meeting, attend 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 BEFORE the meeting to be counted. You may also cast your ballot in person at the Annual Meeting.

The very cold temperatures experienced in the early months of 2014 helped set a new annual sales record of 106,258,775 kilowatt-hours. This was an increase of 2.42% over 2013, our previous annual record. Record sales combined with below budget expenses and associated organization patronage allocations resulted in record margins of \$1,414,465. During the year, deferred patronage dividends of \$485,065 were retired (paid out) to current and former members. Since inception, a total of \$7,129,195 has been returned to the members. We were able to meet the financial targets set by our lenders and an independent audit of the books resulted in a clean opinion.

We are dedicated to providing our members with the highest level of electric system reliability possible. In 2014, we spent \$1.74 million on operations and maintenance of the distribution system and also budgeted \$3.675 million for construction work plan projects. The largest project involved construction of the new Knowlton Substation near Diagonal which was constructed at a below budget cost of \$603,577. Continual improvement and investment in the electric system is needed to limit service interruptions. Our Average Service Availability Index (ASAI) in 2014 was 99.9903%, excluding major storm events. In other words, the average member was without power only 51 minutes during the year. This performance was better than the Iowa REC average of 96 minutes and better than our

neighboring investor-owned utilities' performance of between 110 and 146 minutes.

We have continued to invest in our local communities as well. Last year we provided 12 - \$500 scholarships to graduating high school seniors, a \$1,000 scholarship to a student attending a Power Lineman program, and \$500 toward a scholarship at Southwestern Community College in Creston for its Electric Technology program. Since being formed in 2009 and thanks to the generosity of our members, Operation Roundup® has awarded \$133,475 to community organization projects and individuals with a demonstrated need. Many of our employees also donate their time and talents to various community organizations and events. We also had a fairly active year for our Revolving Loan Fund (RLF). Three loans totaling \$329,110 were made to Stanton Friends for the construction of a multi-purpose community center (Viking Center); Pursuit of Independence for construction of an administrative building in Lenox; and to Hearts and Hugs Daycare to purchase a building in Corning to house their operations.

There has been a lot of interesting discussion in the news and elsewhere regarding distributed generation (DG), primarily small wind and solar. Across the U.S., consumer interest in installing an on-site electric generation source has increased dramatically. Favorable tax incentive policies, technological improvements and decreased installation costs have all contributed to this movement. The thought of going "off-grid" or selling excess power back to the utility to make money has appeal to many. In reality, whether installing your own source of on-site electric generation or not, you have a need for, and a vested interest in, maintaining the electric grid. Everyone needs the electric grid – either to purchase from or sell to – and should pay their fair share to maintain and improve it. The interest in DG has caused us to re-examine how our electric rate structures are developed to ensure that cost fairness for all members is maintained. We are currently conducting a cost-of-service study that will help guide us as we seek to provide a fair and balanced rate structure philosophy that will meet the needs

of the cooperative and its members now and in the future. If you are considering an investment in your own on-site electric generation source, contact us early in the process. We have trusted information, checklists, and questions to ask that can help you make an informed decision. Take the time necessary to thoroughly research your options and the desired outcome.

So far in 2015 we have implemented several changes. A new phone system has been installed and a single centralized phone number was put in place that allows our members to reach any of our offices or employees more efficiently. Also, Southwest Iowa REC has contracted with Cooperative Response Center (CRC), a new after-hours call center. CRC provides services to over 300 electric utility members and associate members in 41 states, representing over 4.7 million consumers. This change will result in a greater capacity to handle after-hours outage calls and provide an enhanced level of service to our member-consumers. In addition, we will be implementing some new member engagement software platforms this year. SmartHub® and Pay-by-Phone are intended to give our members access to their account and usage information and provide enhanced payment options. More information on these new service offerings will be forthcoming. Finally, we are implementing a Meter Data Management System (MDMS). An MDMS converts the large volumes of meter data we collect to more useful formats for business operation and customer support purposes.

It's a pleasure to serve you and we hope to see you at the annual meeting on September 22nd.

Thank you.



Phil Kinser
CEO / General Manager



Rich Fast
President

**See details on FREE ELECTRICITY promotion elsewhere in this annual report.*

2014 Annual Meeting of Members

THE ANNUAL MEETING OF THE MEMBERS of Southwest Iowa Rural Electric Cooperative was held at the Lenox Community Center in Lenox, Iowa at 7:00 p.m., on the 23rd day of September, 2014.

The meeting was called to order by Carroll Baker, President of the Cooperative, who presided, and Dale Walkup, Secretary of the Cooperative, acted as Secretary of the meeting and kept the minutes thereof.

The Chairman introduced the guests in attendance at the meeting.

An invocation was offered by Director Richard Ballantyne.

The Secretary reported that the members present in person had been checked, and that said members constituted at least fifty (50) members of the Cooperative, and constituted a quorum of the members of the Cooperative.



The 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 Chairman stated that the next order of business was the election of three Directors for a term of three years each. He 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, Blaine

Sunderman, Doug Calkins and Doug England.

The Report of the Nominating Committee was then presented, nominating the following members for directors:

THREE YEAR TERM (Three to be Elected)

Region #1:

District #2: Deborah Creveling ~ Marilyn Werner

At-Large: Charles England ~ Ken Peppmeier

Region #2:

District #6: Lee Brooke ~ Richard Fast

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 Priscilla England, Doug England, Blaine Sunderman, Elaine Calkins, Doug Calkins, Sharon Walkup and Mary Lou Roberts as Inspectors of Balloting. The ballots were delivered to the Inspectors, who proceeded to count the same.

Upon motion duly made, seconded and carried, the reading of the minutes of the Annual Meeting of the Members of Southwest Iowa Rural Electric Cooperative held on September 17, 2013 were waived. The minutes were thereupon declared approved and were ordered to be filed in the records of the Cooperative.

The annual report of the President was presented. Copies of the President's report had been distributed to the members and appeared in the Annual Meeting program. President Baker 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.

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 2013, 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 General Manager, Phil Kinser, was presented. After the 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 (Three to be Elected)

Region #1:

District #2: Marilyn Werner

At-Large: Ken Peppmeier

Region #2:

District #6: Richard Fast

Secretary Walkup recognized the service of President Carroll Baker who is retiring after 44 years of service. Chairman Baker thanked the members for support.

The meal was provided by Taylor County Cattlemen prior to the meeting.

Each registered member received a door prize of a \$10.00 credit on their electric bill and participated in a drawing for a grand prize of one year free electricity and second prize of six months free electricity. Entertainment was provided by Lee Cole's Magicomedy.

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

Dale Walkup - Secretary

Financial Report - December 31, 2014

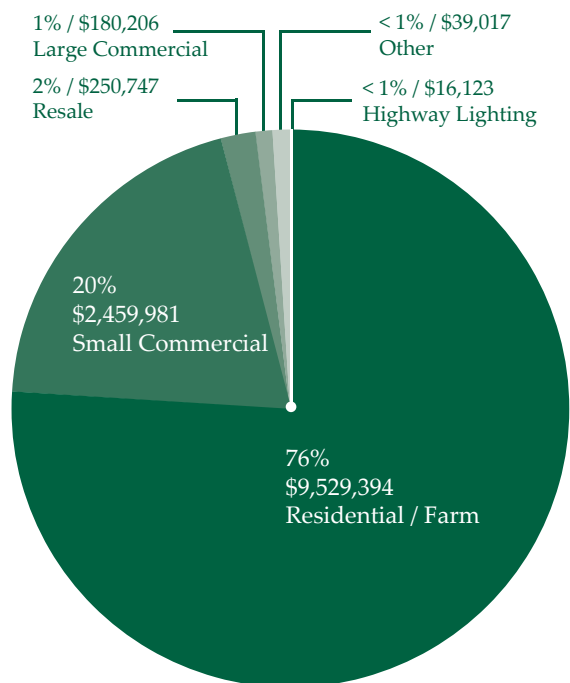
Balance Sheet

ASSETS	12-31-14	12-31-13
ELECTRIC PLANT		
Electric plant in service	\$39,330,276	\$38,526,345
Construction work in progress	\$1,419,966	\$573,325
LESS: Accumulated Depreciation	(13,445,675)	(12,987,558)
Electric Plant (net)	<u>27,304,567</u>	<u>26,112,112</u>
OTHER ASSETS AND INVESTMENTS	3,140,226	2,710,701
CURRENT ASSETS		
Cash and cash equivalents	750,009	876,057
Accounts receivable (net)	1,345,032	1,402,566
Materials and supplies	448,447	482,635
Other current and accrued assets	<u>340,546</u>	<u>235,935</u>
	2,884,034	2,997,193
DEFERRED CHARGES	52,318	72,717
	<u>\$33,381,145</u>	<u>\$31,892,723</u>
LIABILITIES AND MEMBERS' EQUITY		
EQUITIES AND MARGINS		
Patronage Capital	\$6,010,740	\$5,435,675
Other Equities	<u>7,082,571</u>	<u>6,720,291</u>
	13,093,311	12,155,966
LONG-TERM DEBT, less current maturities	16,869,413	16,010,917
CURRENT LIABILITIES		
Accounts payable	858,452	1,062,928
Current Maturities of long-term debt	739,000	700,000
Notes Payable	840,000	988,146
Other current and accrued liabilities	<u>825,260</u>	<u>781,711</u>
	3,262,712	3,532,785
DEFERRED CREDITS	155,709	193,055
	<u>\$33,381,145</u>	<u>\$31,892,723</u>

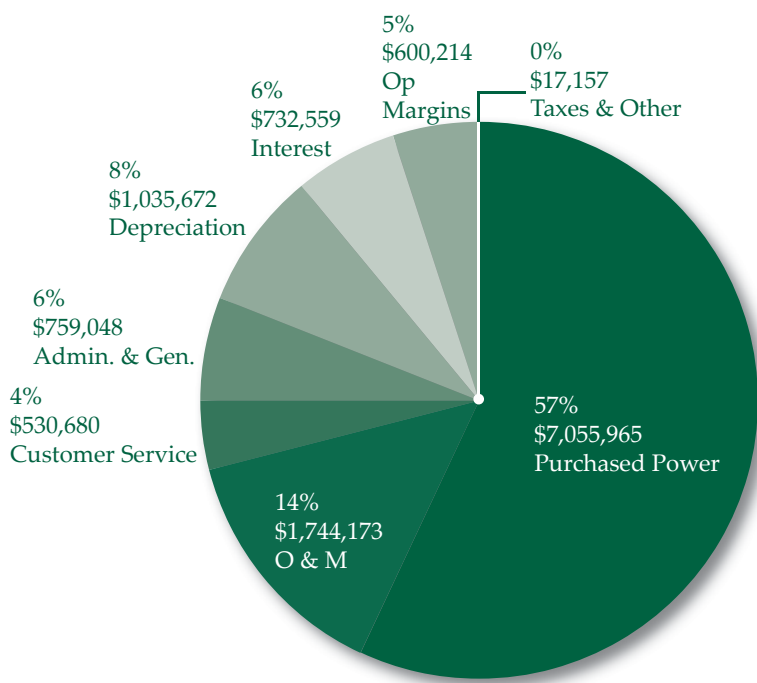
Statements of Revenue and Expense

OPERATING REVENUE	\$12,475,468	\$12,381,720
OPERATING EXPENSES		
Cost of power	7,055,965	7,000,154
Distribution expenses - operations & maintenance	1,744,173	1,799,657
Consumer accounting / information / assistance	530,680	581,883
Administrative and general expense	759,048	804,448
Taxes and other deductions	17,157	20,263
Depreciation and amortization	<u>1,035,672</u>	<u>1,072,309</u>
	11,142,695	11,278,714
Operating margins before fixed charges	1,332,773	1,103,006
FIXED CHARGES		
Interest on long-term debt	732,559	718,946
Operating margins before patronage allocations	600,214	384,060
DEFERRED PATRONAGE ALLOCATIONS (non-cash)	727,445	495,581
Operating Margins	1,327,659	879,641
NONOPERATING MARGINS	86,810	67,047
NET MARGINS	<u>\$1,414,469</u>	<u>\$946,688</u>

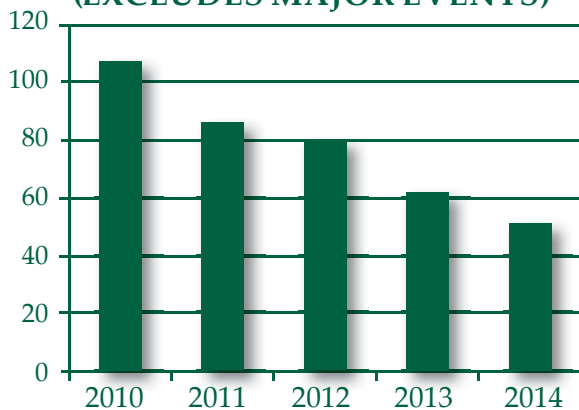
WHERE THE MONEY COMES FROM



WHERE THE MONEY GOES



OUTAGE MINUTES PER CONSUMER (EXCLUDES MAJOR EVENTS)



Report of Nominating Committee • June 22, 2015 • Corning, Iowa

THE NOMINATING COMMITTEE OF SOUTHWEST IOWA RURAL ELECTRIC Cooperative, duly appointed by the Board of Directors, hereby nominates the following members of the Cooperative for the office of Director for the ensuing term of three (3) years each, all to be elected at the Annual Meeting to be held September 22, 2015:

THREE-YEAR TERM

- | | |
|------------------------|---|
| Region 1 – District #1 | Jason Smith ~ Jack Stephens*** |
| Region 1 – District #3 | David Freed ~ Dale Walkup |
| Region 2 – District #5 | Deena Moore ~ Michelle Rice ~ Glen Roberts*** |
| Region 2 – District #7 | Dana Morgan ~ David Mullen |

Doug Calkins
Chairman Doug Calkins

***After being nominated, Jack Stephens and Glen Roberts requested that their nominations be voided and that their names not appear on the ballot for the election.



Pictured, from left-right: Doug Calkins, Charles Abarr, Kenny Schaefer, Stacey Truman and Fred Berggren.

Nominees for Director

Region 1 - District #1



Jason Smith

Jason lives one and a half miles south of Diagonal, works for Southern Iowa Rural Water Association and farms as well. Jason is on the Farm Bureau Board, Ringgold County FSA Board, Eagle Lake Board and is also a member of the Diagonal Lions Club. In his spare time Jason enjoys spending time with family and friends. His hobbies include hunting and fishing.

Region 1 - District #3



David Freed

David resides in Ringgold County where he was born and raised. David is the owner of the Community Meat Locker in Mount Ayr. David has 3 children and 5 grandchildren. He is a member of the Ringgold County Cattleman's Association. David enjoys spending time with family and friends.



Dale Walkup - incumbent

Dale and his wife, Sharon, live on a farm east of Redding. Their family includes daughters Amy and Ann, and son James. Dale and Sharon also have five grandchildren. The Walkups have a corn/bean row crop farming operation and a cow/calf herd. Dale is currently a Ringgold County Conservation Board member,

Clinton Township Trustee, Treasurer of Redding Frontier Days, and a member of Redding United Methodist Church. He has served on the REC Board of Directors since 1980. He is also Southwest Iowa REC's representative on the Central Iowa Power Cooperative (CIPCO) board, our power supplier.

Region 2 - District #5



Deena Moore

Deena and her husband Corey live on a farm near Corning. They have 3 daughters Mikayla, Kennedy and Joslynn. Deena has a Bachelor's of Science degree from the University of Iowa and is currently employed as the legal assistant for Engel and Maharry, PLC in Corning.

She is also an active member of the Corning United Methodist Church and the Icarian Players. She has been active with various committees within the church. She has also been a volunteer soccer, basketball and softball coach for the Corning Youth Club for many years. Her special interests currently are attending her children's extra-curricular activities, camping, and horseback riding.



Michelle Rice

Michelle has over 20 years of experience in the healthcare industry and is currently a Healthcare Program Director for Allseating Corporation based in Toronto, Canada. Michelle has been active in a variety of professional and civic organizations including EDAC, IIDA, Planetree, and AAHID Advisory. Michelle resides

in Corning with her fiancé, Todd Crill, and has two daughters, Casey and Taylor, who attend college.

Region 2 - District #7



David Mullen

David lives in Washington Township in Northwest Adams County with his wife Phyllis. They have 4 children and 10 grandchildren. They live on a farm that is mostly crop and pasture. David is a member of the Adams County 4-H Endowment Board. He was a First Responder for the Fire Department. David is a veteran

who served in Vietnam – 5/46 196th INF Recon. David's hobbies include reading and traveling. His children are Chris Mullen (spouse Lori), Amy Applegate (spouse Dean), Sara Lumdsen (spouse Derek) and Bethany Know (spouse Michael).



Dana Morgan - incumbent

Dana and wife Dena live near Corning. They have one daughter, Addison. Dana is the Vice President of Sales at New Balance Commodities in Nodaway. He is also the owner of Morgan Land & Cattle Company and is the Vice President of the Adams County Cattlemen.

He has served as Secretary on the Iowa County Ducks Unlimited Chapter and has been involved in the Young Cattlemen's Leadership Program and with the Agriculture Future of America (AFA).

Corning Employees



Phil Kinser
27 Years
CEO / General Manager



Sam Elsberry
1 Year
Apprentice Lineman



Gary Goldsmith
40 Years
Line Foreman



Les Helvie
13 Years
Lineman



Jamie McManis
2 Years
Administrative Assistant



Danny Stamps
34 Years
Lineman



Mike Stargell
39 Years
Lineman

Mount Ayr Employees



John Allen
20 Years
Director of
Member Services



Justin Murphy
17 Years
Lineman



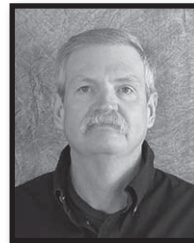
Zach Schafer
11 Years
Lineman



Ginny Eighmy
26 Years
Director of Finance
& Admin. Services



Sarah Newton
2 Years
Accountant



Bill Scharfenkamp
17 Years
Line Foreman



David Head
3 Years
Apprentice Lineman



Tanner Rinehart
7 Years
Lineman



Nathan Weeda
10 Years
Lineman



Ben Knapp
17 Years
Line Foreman



Duane Schafer
32 Years
Director of
Operations



Wendy Wimer
27 Years
Customer Service
Representative

Stanton Employees



Scott Geer
28 Years
Lineman



Marilyn Rubel
28 Years
Cost Accountant



Denise Hallquist
38 Years
Customer Service
Representative



Tysen Sederburg
22 Years
Lineman



Shayne Larson
3 Years
Lineman



Ken Van Wyhe
28 Years
Line Foreman



Tim Pfeiffer
8 Years
Member Services
Representative



Paul Vanderholm
18 Years
Lineman

Board of Directors



Richard Fast
9 Years
President



Marilyn Werner
22 Years
Vice President



Jack Stephens
14 Years
Treasurer



Dale Walkup
35 Years
Secretary



Richard Ballantyne
8 Years



Mark Herzberg
5 Years



Dennis Meier
18 Years



Dana Morgan
1 Year



Ken Peppmeier
1 Year



Glen Roberts
37 Years

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 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.

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

Members first.
Every day.
That's the power
of co-op
membership.

Touchstone Energy®
Cooperatives of Iowa
sponsoring the Iowa State Fair's
4-H Exhibits Building

Iowa State Fair
OFFICIAL SPONSOR
AUG 13-23 11

Visit our booth and register to win a GoPro® camera kit.



Find us on
Facebook

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

NEW PHONE NUMBER FOR ALL LOCATIONS:
(888) 220-4869

Board of Directors
Richard Fast, President
Marilyn Werner, Vice President
Jack Stephens, Treasurer
Dale Walkup, Secretary
Richard "Dick" Ballantyne

Mark Herzberg
Dennis Meier
Dana Morgan
Ken Peppmeier
Glen Roberts

Phil Kinser, CEO