

THE *Southwestern*

A SOUTHWESTERN ELECTRIC COOPERATIVE MEMBER MAGAZINE

AUGUST 2024 • VOLUME 76 • ISSUE 8

Annual Meeting Edition

- Official Notice of the 86th Annual Meeting of Members
- Report for the Fiscal Year 2023

Cooperative & Community



Official Notice of the Annual Meeting

The 86th Annual Meeting of Southwestern Electric Cooperative members will be held at the American Farm Heritage Museum, in Greenville, Illinois, on Saturday, September 7, 2024. The business meeting, beginning at 10 a.m., will take action on the following matters:

1. Roll call: Reporting on the number of members present in order to determine if a quorum is met.
2. Election of directors.
3. Reading of the Official Annual Meeting Notice and proof of due publication and mailing thereof (or the waiver or waivers of the Notice, as the case may be).
4. Reading of the unapproved minutes from the previous Annual Meeting and taking of necessary action thereon.
5. Presentation, consideration, and acting upon the reports of officers, directors and committees.
6. Unfinished business.
7. New business.
8. Announcement of election results.
9. Adjournment.

Pursuant to the election of three directors (one from each voting district), the members listed below are presented as candidates for Southwestern Electric Cooperative's board of directors. Candidate names are listed in the order they'll appear on the ballot.

DISTRICT I (Macoupin, Madison, and St. Clair Counties): Incumbent William "Bill" Jennings.

DISTRICT II (Bond, Clinton, and Montgomery Counties): Incumbent Jerry Gaffner.

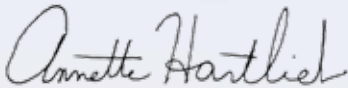
DISTRICT III (Clay, Fayette, Effingham, Marion, and Shelby Counties): Incumbent Jared Stine.

Voting will be offered at Southwestern Electric's Greenville office Aug. 23 – Sept. 6, weekdays from 8 a.m. – 4:30 p.m., with hours extended to 7 p.m. on Sept. 5. We are closed Monday, Sept. 2, in observance of Labor Day. Voting will also be offered at our St. Elmo warehouse Sept. 3 from 4 p.m. – 7 p.m., at our St. Jacob warehouse Sept. 4 from 4 p.m. – 7 p.m., and on Annual Meeting Day, Saturday, Sept. 7 from 8 a.m. – 10 a.m., at the American Farm Heritage Museum, 1395 Museum Avenue, Greenville, IL.

Members who present the registration card found on the back cover of this publication will receive a \$30 bill credit.

For additional voting and bill credit information see page 4.

Annette Hartlieb
Board Secretary



Southwestern Electric Cooperative, Inc.
Greenville, Illinois

July 25, 2024

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SOUTHWESTERN ELECTRIC COOPERATIVE, INC.

525 US Route 40, Greenville, IL 62246
(800) 637-8667
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FREEDOM POWER STATION

2516 N 2125 Street, St. Elmo, IL 62458

Auditor: CliftonLarsonAllen LLP

109 North Main Street,
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Southwestern Electric Cooperative provides energy to 24,000 members in communities throughout Southwestern Illinois and the St. Louis-Metro East.

As a not-for-profit utility, Southwestern Electric works to reduce the cost of service by encouraging residential, commercial and industrial development within its service area, dividing the fixed cost of service by a larger membership base.

Southwestern Electric Cooperative is guided by the premise that a member owned and locally operated utility should serve the best interests of our families, neighbors and communities.

American Farm Heritage Museum Venue for 86th Annual Meeting

Southwestern Electric Cooperative's 86th Annual Meeting of Members will be held at the American Farm Heritage Museum, 1395 Museum Avenue, Greenville, IL 62246.

Throughout the morning, linemen will offer live line demonstrations. They'll discuss electrical safety, illustrate the dangers of live wires, and address steps for safely removing yourself from a live-wire situation.

Parking will be available on the grounds of the American Farm Heritage Museum.

Questions or comments regarding the meeting may be directed to Susan File, vice president of member services, at susan.file@sweci.com or (800) 637-8667, ext. 5924.

Updated Voting Schedule

With this year's election uncontested, your co-op anticipates lower turnout at the polls. Consequently, we've opted to abbreviate our evening voting hours. There'll be no evening voting Aug. 27-29. The updated voting schedule appears below. We apologize for any inconvenience and look forward to seeing you soon.

\$30 bill credit with your pre-printed registration card, \$20 bill credit without your pre-printed registration card.
Bill credit to be applied on the October bill — same credit amounts offered for early and day-of-meeting voting.

St. Elmo warehouse, 2117 East 1850 Avenue, St. Elmo	Sept. 3 from 4 to 7 p.m.
St. Jacob warehouse, 10031 Ellis Road, St. Jacob	Sept. 4 from 4 to 7 p.m.
Greenville office, 525 US Route 40, Greenville	Sept. 5 open to 7 p.m.
American Farm Heritage Museum, 1395 Museum Avenue, Greenville, IL 62246	Sept. 7 from 8 to 10 a.m.

Members may also vote at Southwestern Electric's Greenville office Aug. 23 – Sept. 6, weekdays from 8 a.m. – 4:30 p.m.
We are closed Monday, Sept. 2, in observance of Labor Day.

Commercial & Inactive Memberships

Commercial Memberships

Commercial (business) members are advised that any representative wishing to vote will be asked to present satisfactory evidence that this person has been assigned to act as an agent of the business. A commercial member, like any other, is entitled to a single vote in cooperative elections.

Inactive Memberships

Only active members of the co-op are eligible to vote in the election.

Meeting Minutes

85th Annual Meeting of Southwestern Electric Cooperative Members September 9, 2023

The 85th Annual Meeting of Southwestern Electric Cooperative members was held on Saturday, September 9, 2023, at the Vandalia Statehouse State Historic Site in Vandalia, Illinois. Notice of the Annual Meeting was given to the members in accordance with the cooperative's bylaws.

At 10 a.m., Board President Ann Schwarm called the business meeting to order. The invocation was given by Vice President Jerry Gaffner, followed by the Pledge of Allegiance.

President Schwarm introduced her fellow directors, Chief Executive Officer Bobby Williams, and Corporate Counsel Michael Hertz from the law firm of Lucco, Brown, Dawson, and Hertz.

Hal Langham, chairperson of the Credentials and Election Committee, reported that the quorum was met for the meeting.

President Schwarm and CEO Williams acknowledged retired board members present at the meeting, guests from the Association of Illinois Electric Cooperatives (AIEC), guests from other Illinois Cooperatives, vendors, and employees.

The next order of business was the election of three members to the Board of Directors. Each would be elected to serve a three-year term, beginning on September 9, 2023. The term of each elected Director would end on the date of the 2026 Annual Meeting or when a qualified successor could be duly appointed. Chairperson Gordon Moore read the Nominations Committee report. He stated that on May 25, 2023, the members of the Nominations Committee met to nominate candidates for the Board of Directors. The candidates nominated were as follows: Michael Rehg and Marvin Warner in District I; James Tarasuik in District II; Annette Hartlieb in District III. In accordance with the bylaws, Brad Lurkins filed for candidacy by petition in District II. With no competition in District III, Rich Gusewelle made a motion to elect Annette Hartlieb as director for District III by acclamation. The motion was seconded by Gordon Moore and carried.

Attorney Hertz stated that the 2023 nine-member Credentials and Election Committee, consisting of three active members representing each district, was officially appointed on July 27, 2023. The Credentials and Election Committee was duly informed of their responsibilities on August 24, 2023. Voting was conducted at the Vandalia Statehouse between the hours of 8 a.m. and 10 a.m. on September 9. Absentee voting was offered at the cooperative's Greenville headquarters August 25 through September 8 from 8 a.m. to 4:30 p.m., with hours extended to 7 p.m. on August 30 and September 7. Absentee voting was also available at the co-op's St. Jacob warehouse August 29 and September 6 from 4 p.m. to 7 p.m., and at the St. Elmo warehouse August 31 and September 5 from 4 p.m. to 7 p.m.

Attorney Hertz stated that there were no proposed amendments to the bylaws to bring before the membership this year.

Secretary Hartlieb read the Official Notice of the Annual Meeting and provided proof of its mailing.

The minutes of the 84th Annual Meeting of Members, which was held in Highland on September 10, 2022, were printed in the Official Notice. Dennis Howell made a motion to approve the 2022 Annual Meeting minutes as reported in the Official Notice with no corrections, additions, or comments. The motion was seconded by Dan Grapperhaus and carried.

Treasurer Grapperhaus announced that the 2022 Treasurer's Report had been published with the Official Notice, in accordance with the cooperative's bylaws. She reported strong margins of \$4.4M in 2022 and confirmed the cooperative was in compliance with all provisions of the loan agreements with their lender.

CEO Williams reported on the cooperative's ongoing and future projects including substation construction, electric vehicle (EV) charger installation, software conversion, and implementation of a time-of-use rate. He also discussed power supply, demand, and legislation. Williams closed his remarks by thanking President Schwarm for her leadership as president of the board of directors.

President Schwarm gave her report to the membership on behalf of the Board of Directors. She discussed capital credits, changes to the capital credit policy, the cooperative's Power for Progress Scholarship program, Illinois Electric and Telephone Cooperatives' Youth Day, and her role on the Southwestern Electric Board of Directors.

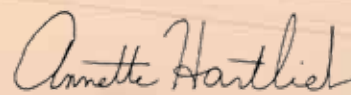
Next, President Schwarm recognized retiring director Sandy Nevinger. She thanked Nevinger for her dedication to the cooperative and the history and perspective she provided to the board. Nevinger thanked the membership and board, and she received a standing ovation.

President Schwarm asked if there was any unfinished or new business to discuss. Hearing none, Credentials and Election Committee Chairman Langham came forward and announced the election results.

Langham stated that the election was fairly and impartially conducted. In District I, Rehg received 838 votes and Warner received 1,136 votes. In District II, Tarasuik received 524 votes and Lurkins received 1,419 votes. In District III, Hartlieb was elected by acclamation and received 1,844 votes. Langham certified that Marvin Warner had been elected as director in District I and Brad Lurkins had been elected as director in District II.

With no further business to come before the membership, the meeting adjourned at 10:53 a.m.

Respectfully submitted,



Annette Hartlieb
Secretary

Your Cooperative, Your Community

Report from Board President Jerry Gaffner

Agriculture is in my blood. Unlike generations of my family before me, I didn't recognize my calling at an early age. I was working in St. Louis, pursuing a career in the tech industry, when my parents announced they were ready to retire. They shared their plans to sell the family farm, and in that moment, I understood how deeply I appreciated my past, and how much I wanted agriculture to be part of my future.

Buying the land wasn't about keeping the business. It was about getting back to my rural roots and building a life that honored my values, heritage and history. I've had my feet firmly planted in two worlds — tradition and innovation — ever since.

Drawing on those interests has served me well. As a board member, it's also helped me serve you.

I'm an entrepreneur and early adopter of new ideas. When it came to buying an electric vehicle and installing solar panels on our farm, I was ahead of the curve — in part, because I was interested in the technology. But I was also motivated by my responsibilities as a director. If Southwestern Electric was going to help its members make informed decisions about solar and EVs, I wanted to contribute to the conversation drawing from my own experience.

Southwestern Electric was founded by farmers. Agriculture will always be key to our co-op's reason for being. It's also central to my life. On our land, we've raised crops, cattle, and a family. For me, the countryside served by South-



western is home. This is my co-op. Our members are my community.

Our ideas about co-op and community have changed a lot over the last 80-odd years. When Southwestern Electric was formed in 1939, cooperatives and communities were defined by city limits, county lines and street signs. Members shared a common culture and many of the same values, life experiences, pastimes, and social and economic interests.

That isn't always the case today.

Each month, billions of people use social media to reach out across countries and continents in search of others who share their interests. In my opinion, global reach doesn't diminish the value of local community. It deepens it.

We are the sum of our stories. Those stories are told with and made richer by the people near us. They unfold against the backdrop of schools, places of worship, farms, homes and businesses we frequent daily.

Each time linemen restore our power after a storm, each spring when students from our schools earn co-op scholarships, each season Southwestern awards Operation Round Up grants to support local programs and services, and every September when we gather as members to visit, vote and plan the future of our organization, we're reminded that Southwestern is part of our story, that our cooperative is a community, and that as a community we can accomplish things we could never do alone.

TODAY'S TEAM, BUILDING TOMORROW

We're a co-op. We'll always abide by cooperative principles. But as I said, our cooperative is a community, and our community is changing.

When I joined the board in 2018, our members didn't drive country roads in electric vehicles. You didn't install solar panels in your pasture. You didn't adjust your thermostat on a tablet, or monitor energy usage using your phone, or check social media for outage updates.

Today you do.

Our employees are embracing new responsibilities to serve your evolving interests. Nowhere is this more evident than in our leadership team, where we've added depth, breadth, ideas and experience to our talent pool.

CEO Bobby Williams is leading our ongoing effort to modernize an aging distribution system. He's developing innovative approaches that will allow our small not-for-profit utility to thrive in a massive, profit-driven industry. Case in point, we recently decommissioned our natural gas-fired peaking unit, Freedom Power Station. After 20-plus years of exceptional performance, it had moved beyond the end of its projected service life. The cost of maintenance would have outpaced future financial returns.

To address expenses offset by Freedom Power Station, your CEO is developing a member-oriented, integrated resource plan. It applies new technology to an old concept,

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> *Continued from page 7*

and includes incentive rates to reward co-op members for helping Southwestern use less energy during periods of peak demand.

As head of our Information Technology department, Victor Buehler helped Southwestern integrate digital technology into its substations, field operations and network communications. As our new Chief Operating Officer, he's overseeing installation of Advanced Metering Infrastructure and software training that will help our employees help you.

Nathan Taylor, our new Chief Financial Officer, has close to a quarter-century of experience leading teams in the airline industry. Today he's coordinating the efforts of our accounting, billing, member services and energy management departments, while providing your board and management team with the financial insight and analysis we need to navigate a rapidly shifting power market.

At the forefront of our team are the employees you rely on daily. Equipped with years of experience and training, our member service representatives answer your questions and help you resolve issues quickly and efficiently, and our linemen and forestry crews work around the clock to help Southwestern deliver reliable power. Their ingenuity and ability to integrate new technology into our existing distribution system is second to none.

All told, we have more than 80 employees at Southwestern Electric Cooperative. You'll find their names at the back of this report. They are the stewards of our co-op community and key to our success.

FOR MEMBERS, NOT FOR PROFIT

We're constantly working to ensure Southwestern Electric offers affordable, reliable power. In the face of significant increases in the cost of materials and fees related to moving energy across the grid, we've used foresight, flexibility and planning to hold the line on rates. By comparison, last year Ameren Illinois petitioned the Illinois Commerce Commission to approve the largest rate increase in the company's history — more than \$435 million over four years. The Commission denied Ameren's request.

In part, their rate request was planned to address escalating market costs faced by all utilities. But it was also designed with profit in mind. Ameren, like all investor-owned utilities, is obligated to provide a return on investment for shareholders who don't necessarily live on Ameren's lines or pay their rates.

Southwestern Electric is a member-owned, not-for-profit utility. When your board makes a decision, we do it solely with you, our members in mind. We balance rates with infrastructure investments to provide reliable, affordable electricity. When we take in more revenue than we need to provide power, we return that money to you as a check or bill credit.

Your directors and employees also look for opportunities to improve service while saving our membership money.

Earlier this year, Southwestern teamed with five other Illinois electric cooperatives and a municipal utility to apply for a Department of Energy (DOE) grant that would save Southwestern members \$6.73 million on system improvements. Our management team invested hundreds of hours to compile technical data, both historical and future-facing, to support the grant application, and developed a Commu-



nity Benefits Plan that illustrates how the grant would help Southwestern serve its membership.

Led by Southwestern's energy manager, our employees responded with grace under pressure as new obligations accumulated daily when the submission deadline drew near. Our team is likely a David among Goliaths contending for DOE resources. Factors outside our reach will influence the outcome. That said, the application process alone has paid dividends.

We cultivated valuable relationships with other co-ops, sowing seeds of mutual respect and trust, building our sense of community. Were it not for our cooperative effort, we wouldn't have met many people who are now familiar names. Each relationship offers our team opportunities to teach, learn and grow.

The application process, which unfolded across months, inspired watershed discussions among our directors and employees. Those discussions brought clarity and definition to our vision for the future. They challenged us to take stock of who we are, what we offer, why we do what we do, how we evaluate our service to you, and potential points of improvement.

YOUR COOPERATIVE, YOUR COMMUNITY

The changing power market has placed ever-increasing demands on your board and employees. The challenges we've faced have strengthened our team so that we may better serve you, our cooperative, our community, today and in the years to come.

In an age when words like leadership, service and accountability often lack teeth, your board and employees see them

as a call to action. In the past year alone, I saw employees and directors assist members in matters large and small with exemplary professionalism and courtesy. I saw our people work seamlessly with their counterparts from other cooperatives and organizations, and accept responsibilities because they were blessed with an abundance of aptitude, ability and a spirit to serve.

I saw people in our offices coming together to accomplish things they could not do alone. I saw them working for the betterment of our members with no expectation of reward or recognition.

I saw dedication, humility, purpose and character.

I saw a deep and abiding love for community.

That's leadership. That's teamwork. That's our team. *Your* team. Working for and with you.

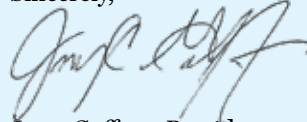
That's what it means to be a part of Southwestern Electric Cooperative, and a member of this community.

Thank you for building an intelligent, engaged, vibrant co-op community, 24,000 members strong.

And thank you for making me part of it.

I look forward to seeing you in September at the American Farm Heritage Museum in Greenville, where we can celebrate our past, plan for our future, and give thanks for today.

Sincerely,



Jerry Gaffner, President

Board of Directors

Southwestern Electric Cooperative, Inc.



Your Vision, Our Mission

Report from CEO Bobby Williams

W*ho do you want to be?* Eighty-six years ago the men and women who built this organization asked their friends and neighbors that question. They were farmers, many of them. They burned wood and coal and kerosene for heat and light. They wanted electricity to improve their way of life. Investor-owned utilities wouldn't serve them. There was no profit in it.

With no one to help them, they helped each other.

Who do you want to be?

They wanted to be people who could succeed despite circumstance. People with purpose, vision and grit. People who would achieve together what they couldn't accomplish alone. They wanted to be a cooperative.

They wanted to be a community.

Today we see Southwestern Electric's century mark on the horizon, and the question, ever relevant, remains.

Who do you want to be?

Our all-requirements power contract ends in 2033. That milestone offers opportunities. We have questions to ask and decisions to make.

Do we keep the eggs in one basket and remain a co-op with an all-requirements power contract? Or can we better serve our members and communities by buying power from different sources?

How do we improve our cooperative? How do we best serve our membership and our member-communities with the resources at hand? What additional resources do we need? What decisions can we confidently make today that will benefit our membership tomorrow? What's our vision for the future and how do we build and maintain momentum to carry us toward it? As a cooperative, how do we define ourselves?

Who do you want to be?



Your board and I will ask those questions of each other — and of you — time and again in the months and years to come.

As your elected representatives, your directors speak with your voice, reflect your vision, and embody the organizational priorities and values instilled by you. As CEO, it's my responsibility to honor your values and execute on your vision. Fortunately, I'm not working alone. I have more than 80 capable, dedicated, well-trained employees working with me. Just as importantly, we have you — 24,000 members in cities and suburbs, farms and neighborhoods, and on county roads and rural routes in 11 counties — to guide us.

As a group, you're uniquely positioned to help Southwestern solve an immediate challenge that begins with the end of an asset we've relied on for close to 25 years — Freedom Power Station.

VIRTUAL PLANT, REAL POWER

In June 2024, Southwestern Electric Cooperative decommissioned Freedom Power Station. Built in 1999, our natural gas-fired peaking unit, north of St. Elmo, first produced power in 2000. Its service life was rated at 20 years. Facing a fossil fuel moratorium, mounting operational costs, and increasing maintenance expenses, we couldn't justify investments to extend the life of the unit.

Decommissioning Freedom Power Station was a difficult decision. The unit offset heavy tariffs levied by the Midcontinent Independent System Operator (MISO), the organization responsible for managing power in our region of the

grid. Absent Freedom, Southwestern faces a sharp increase in fees associated with our demands on the grid. We can mitigate those fees by managing our demand.

We can manage our demand with help from you.

Many of you own and operate smart thermostats, intelligent appliances, backup generators, electric vehicles, solar arrays and battery storage. As a group, you manage several megawatts of generation and energy-saving home-based systems. By strategically timing the use of that technology, we can reduce Southwestern's impact on the grid. Rather than paying MISO more for our co-op's demand, we'd prefer to pay our membership for lowering it. And that's what we intend to do.

Beginning in 2028, Southwestern Electric will offer an incentive rate to members who help us offset our cooperative's energy requirements during periods of peak demand.

Own a standby generator that periodically runs a system check? Let us run that check during peak hours, and we'll lower your cost of power. Own a smart thermostat? Allow us the option of adjusting your home's temperature a few degrees during periods of peak demand, and you'll qualify for our incentive rate.

Co-ops employed the same strategy to conserve energy 20 years ago. We called it demand-side management. Today we're addressing the same idea with new terms and technology. In the industry it's referred to as aggregating consumer-owned, energy-related technology — or building a Virtual Power Plant.

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The first step toward making our Virtual Power Plant a reality is the software conversion I mentioned in last year's annual report. That conversion is underway.

The second step involves Southwestern Electric's first system-wide meter deployment in a quarter century. From 2025-2027, we'll replace 24,000 legacy meters with Advanced Metering Infrastructure (AMI) technology. AMI uses a two-way, radio-based system that allows us to exchange data with our meters in real-time. Communication can be automated or on-demand.

During outages, we'll be able to develop a more precise picture of problem points and use that information to restore your power in less time. We'll provide you with an app that speaks with our software and AMI, and delivers energy use information based on quarter-hour intervals. You can use the app to report outages, create customized alerts, and access a wealth of billing information. You'll also be able to access daily, monthly and annual graphs, and use those graphs to identify and analyze trends in your energy use.

If you choose to participate in our Virtual Power Plant program and take advantage of our incentive rate, we'll have the option of using AMI to communicate with your home's smart technology, to lower our co-op's impact on the grid during hours of peak demand.

The third and final step of building our Virtual Power Plant involves developing incentive rates that make participating in the program worthwhile. This approach to lowering our demand on the grid will mean hundreds of thousands of dollars in annual savings for the cooperative, and lower rates for members who choose to participate.

It's an opportunity for us to achieve together what we can't accomplish alone.

But we need your participation to make it a success. We'll share program details and incentive rate information in 2027.

COOPERATIVE COMMUNITY

In recent years, we've made a concerted effort to increase circuit redundancy and build robust power lines that link our substations, allowing our crews to reroute power during storms and transmission line outages. These efforts have paid dividends, reducing outage times for thousands of our members.

On occasion, we experience weather that downs power lines across our entire distribution system. Until recently, enlisting outside crews to aid our restoration efforts required engineering and operations personnel to spend hours on the phone.

Today we can recruit crews and equipment with a single call.

In 2022, Southwestern joined a statewide trade organization, the Association of Illinois Electric Cooperatives (AIEC). In the wake of a storm, AIEC's staff will contact co-ops in Illinois — or across the country — on our behalf. That leaves our team free to focus on restoring your power.

You've already benefited from this relationship. The year we joined AIEC, a severe storm swept across the Midwest, downing lines and interrupting power to about 8,500 Southwestern Electric members. Every county in our service area was affected. One call to AIEC brought assistance from four Illinois electric cooperatives. Likewise, AIEC has recruited Southwestern to assist other cooperatives. Over the last two years, we've sent linemen to eight co-ops, helping their crews restore heat and light.



Cooperation among cooperatives is a point of pride in our industry. We hope to extend that relationship beyond emergency aid. Later this year, we'll meet with other Illinois co-ops to discuss the merits of a cooperative owned and operated materials yard. A shared, centrally located materials yard could help participating cooperatives lower purchasing costs through economies of scale, ensure availability of materials with long lead times, and free up resources for new programs and services.

YOUR VISION, OUR MISSION

Southwestern Electric owns 28 substations and 3,500 miles of power line. We're diligent with our maintenance and improvements. We work hard to replace aging components before they affect the performance of our system. Last year, at our Pocahontas and Worden Substations, we failed to achieve that goal. Members served by these subs saw multiple outages. Some were caused by Ameren transmission line issues. Most were related to faults in our system.

In the months since, we've improved those substations. We're taking additional, ongoing measures to improve performance and ensure reliability at Pocahontas and Worden, and throughout our system.

We're auditing each of our 28 substations. We're cataloging components and assessing their age and performance history against manufacturer specifications. That information is informing our system investments and priority planning.

We're upgrading reclosers and fitting our substations with new intelligent electronic devices. Those devices allow us to collect and analyze real-time data at a granular level. They provide us with information we can use to address issues before they affect you.

We've also developed an aggressive preventive maintenance plan. In addition to the surveillance and maintenance we regularly practice, our operations and engineering teams will test internal elements, relays, connections, wiring, and other components to conduct inside-and-out evaluations of our substations.

In sum, we're dedicating employee hours, materials and planning to make every substation in our service area as reliable as possible.

Southwestern Electric is your accountable energy partner. It isn't enough to say those words. Each time you stop by our office, call with a question, or turn on your lights, I want you to see them.

Eighty-six years ago, the men and women who built this organization asked their friends and neighbors a question.

The question, ever relevant, remains.

Who do you want to be?

Your answer to that question is our vision for the future.

I look forward to helping you realize that vision in the years to come.

Sincerely,



Bobby Williams
Chief Executive Officer



Board Treasurer’s Report

Southwestern Electric Cooperative reported margins of \$1.3 million in 2023 and remains in compliance with all loan covenants. The balances presented in this report are final and have been audited.

Southwestern continued to experience impacts from the broader economy, including supply chain issues and higher costs for materials. Freedom Power Station was offline for most of 2023, resulting in lower revenues, which were partially offset by lower power production costs. Increased interest in 2023 was driven by debt associated with the 2022 buyout of a heat rate call option attached to our all-requirements energy contract.

This combination of lower revenue and higher costs resulted in lower net operating margins and net margins. Despite these challenges, the cooperative invested more than \$10 million in infrastructure construction and improvements in 2023.

The power of a cooperative lies in its member-owners. In 2023, your cooperative returned \$1.5 million in capital credits. As of December 31, 2023, Southwestern still held \$3.8 million in margin stabilization funds for use in future years.

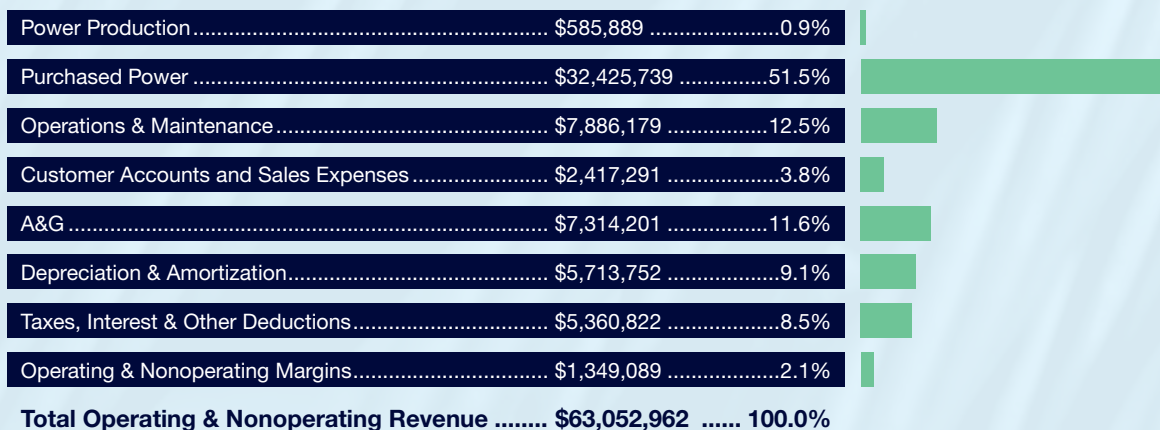
For additional information, please see the financial statements on the pages that follow.

Respectfully Submitted,

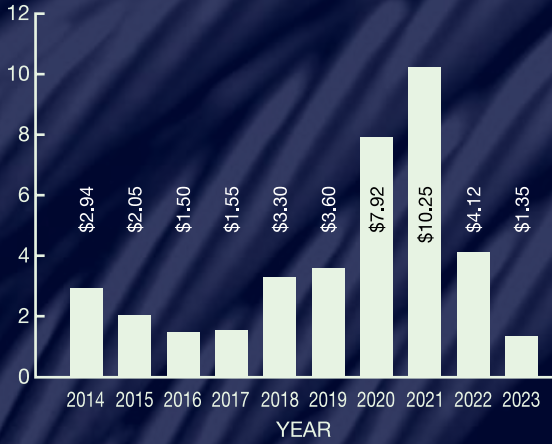


Sandy Grapperhaus
Board Treasurer

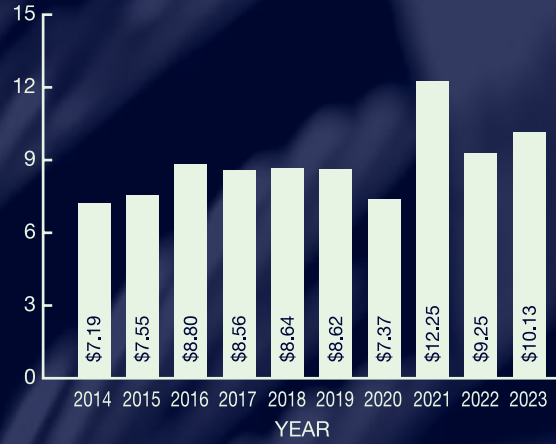
Where did the cooperative’s revenue go in 2023?



Margins
in millions of dollars



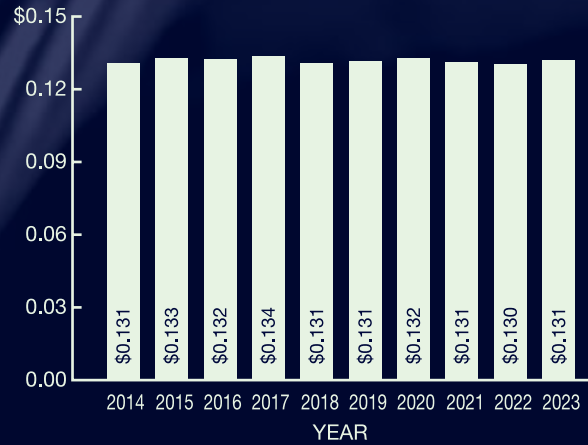
Capital Investment
in millions of dollars



Total Electricity Sold to Members
in millions of kWh



Rate per kWh to Residential Members
in dollars (includes Service Availability Charge)



Southwestern Electric Cooperative Financial Information

Statement of Operations	2023	2022	2021
OPERATING REVENUES			
Electric	\$61,292,097	\$63,364,855	\$61,893,176
Other	<u>360,243</u>	<u>349,854</u>	<u>314,615</u>
Total Operating Revenues	61,652,340	63,714,709	62,207,791
OPERATING EXPENSES			
Cost of Purchased Power	32,425,739	33,289,935	27,882,680
Power Production Expense - Operations	187,484	403,732	253,786
Power Production Expense - Maintenance	398,405	484,973	772,169
Transmission Expense - Maintenance	5,264	1,558	2,704
Distribution Expense - Operations	1,624,481	1,747,980	1,608,732
Distribution Expense - Maintenance	6,256,434	5,344,517	4,818,537
Consumer Account Expense	1,495,338	1,423,488	1,434,626
Consumer Service and Informational Expense	196,507	193,048	178,6100
Sales Expense	725,446	707,579	706,054
Administrative and General Expense	7,314,201	6,626,950	5,605,774
Depreciation and Amortization	5,713,752	5,771,224	5,657,926
Taxes	198,834	210,269	211,669
Other Interest	185,191	101,749	21,477
Other Deductions	<u>33,276</u>	<u>30,612</u>	<u>233,719</u>
Total Operating Expenses	<u>56,760,352</u>	<u>56,337,614</u>	<u>49,388,463</u>
OPERATING MARGINS BEFORE FIXED CHARGES	4,891,988	7,377,095	12,819,328
INTEREST ON LONG-TERM DEBT	<u>4,943,521</u>	<u>3,866,439</u>	<u>3,718,547</u>
NET OPERATING MARGINS	(51,533)	3,510,656	9,100,781
NONOPERATING MARGINS			
Interest Income	110,175	61,414	57,358
Patronage Capital Credits	993,118	932,841	905,244
Other Nonoperating Margins	<u>297,329</u>	<u>(387,210)</u>	<u>184,093</u>
Total Nonoperating Margins	<u>1,400,622</u>	<u>607,045</u>	<u>1,146,695</u>
NET MARGINS	<u>1,349,089</u>	<u>\$4,117,701</u>	<u>\$10,247,476</u>

Balances per finalized audit reports.

Balance Sheet (As of December 31, 2023)

ASSETS		EQUITIES & LIABILITIES	
Utility Plant		Equities	
Electric Plant in Service	\$211,874,153	Patronage Capital	\$61,961,909
Construction Work in Progress	<u>3,173,230</u>	Other Equities	<u>3,960,208</u>
Total	215,047,383	Total Equities	65,922,117
Less: Accumulated Provision for Depreciation	<u>(61,924,858)</u>		
Net Utility Plant	153,122,525	Long-Term Debt, Net Of Current Maturities	111,433,264
Other Assets and Investments		Accumulated Provision for Pension and Benefits	71,852
Investments in Associated Organizations	4,961,483		
Notes Receivable, Net of Current Portion	334,391		
Other Special Funds	<u>71,852</u>	Current Liabilities	
Total Other Assets and Investments	5,367,726	Current Maturities of Long-Term Debt	4,960,701
		Accounts Payable	3,407,248
Current Assets		Consumer Deposits	1,189,625
Cash and Cash Equivalents	10,934,822	Other Current and Accrued Liabilities	<u>1,749,990</u>
Accounts Receivable, Net	5,523,964	Total Current Liabilities	11,307,564
Materials and Supplies Inventory	3,772,571		
Current Portion of Notes Receivable	85,140	Deferred Credits	<u>5,725,011</u>
Prepayments	420,211		
Interest Receivable	<u>13,981</u>		
Total Current Assets	20,750,689		
Deferred Charges	<u>15,218,868</u>		
		Total Equities and Liabilities	<u>\$194,459,808</u>
Total Assets	<u>\$194,459,808</u>		

BOARD CANDIDATE PROFILES - DISTRICT I



**William "Bill"
Jennings**
Incumbent
District I
Alhambra

Since being elected to Southwestern Electric's board of directors in 2018, Bill Jennings has worked to identify challenges and opportunities in the energy industry as they relate to the membership.

Jennings earned the National Rural Electric Cooperative Association's (NRECA) Director Gold Certification in 2020 and has since contributed to the development of new NRECA courses. In the coming term, he intends to apply his training and experience to fulfill the key roles of a director, which he identifies as advocate, regulator and fiduciary. "Over the last six years, I've built a deep understanding of how interwoven these roles are, in terms of representing our co-op members' interests, and overseeing our policies, the performance of our CEO, our co-op's financial health, and our compliance with regulations that govern operations," he said.

Jennings noted that, at a national level, he sees a growing emphasis on renewable energy and carbon neutrality. "Most of the challenges faced by today's electric cooperatives relate to the rapid evolution of our industry," he said. "Southwestern, like every co-op in the country, is working to provide affordable, reliable energy as carbon-based generation sources are retired, renewables are integrated, and the demand for power — driven by the growing number of electric vehicles — rises."

Jennings has represented Southwestern members as a voting delegate at NRECA-led national and regional meetings where these topics are being addressed. "As a board, it's our responsibility to meet these challenges while offering affordable rates, reimbursing capital credits, and investing in our infrastructure to ensure safe, reliable electricity."

Addressing outages that come with an aging infrastructure is a board priority, Jennings said. "We are performing a comprehensive assessment

of all 28 substations owned by the cooperative. Using data from that analysis, our operations and engineering teams are executing strategic substation improvement plans." Jennings said Southwestern has assigned operations and engineering personnel to make ongoing improvements and monitor and maintain the co-op's substation network.

Southwestern will continue to invest in its right of way maintenance program, Jennings said, which manages vegetation across 3,500 miles of line in the co-op's distribution system. "We're also working with Ameren to improve the reliability of transmission lines that serve our substations," he noted.

"I have represented Southwestern Electric as a voting delegate at NRECA-led national and regional meetings and contributed to the ongoing dialogues that guide our future."

Jennings said the board's ongoing mission is to develop programs and policies that offer the greatest value to the membership. "As directors, we need to keep an open line of communication with the members so we understand their needs," he said, adding that communication promotes transparency and accountability.

Bill Jennings serves on Southwestern Electric's Policy & Bylaws Committee and Cyber Security Committee. He's been a Southwestern Electric member since 1993 and lives on a farm near Alhambra with his wife, Patty. They have two married children, Anna and Thomas.

BOARD CANDIDATE PROFILES - DISTRICT II



Jerry Gaffner
Incumbent
District II
Greenville

Jerry Gaffner views Southwestern Electric Cooperative as a vital partner to our region's farms and communities. "Rates and reliability are key to that partnership," he said. "We're constantly working to ensure the co-op offers affordable, reliable power. That requires a deep understanding of energy infrastructure, margins, operating expenses, and the power contracts which drive our rate structure."

Gaffner pointed out that Southwestern Electric has maintained affordable rates while investing in infrastructure and maintaining quality service, even as transmission, materials and capacity costs rise. "By comparison, last year Ameren Illinois petitioned the Illinois Commerce Commission for the largest rate increase in Ameren's history — more than \$435 million over four years," he said.

He noted that Ameren's rate filing, which was denied by the Commission, was in part designed to address rising market costs faced by all utilities. "But as an investor-owned utility, they have to satisfy the expectations of shareholders who don't live on their lines," he said. "We're a cooperative. Our members own the company. As a board, our sole focus is Southwestern's membership. Every decision we make is made with our members and member-communities in mind."

When it comes to reliability and service, Gaffner said investing in infrastructure, hiring quality employees, and implementing modern engineering technology will continue to ensure Southwestern meets the membership's energy requirements.

An advocate for cooperative values and rural electrification, during his next term Gaffner plans to pursue innovative approaches to keeping costs in check. He also wants to promote programs and services that serve Southwestern's growing membership, with a focus on energy efficiency and educational outreach.

"I am honored to serve the members of Southwestern Electric and I appreciate the opportunity to continue our work together," he said. "We have skilled, well-trained employees who care about our members and a membership that's engaged and growing. Together, we can navigate the challenges ahead, build on our successes, and ensure our cooperative remains strong and vibrant for future generations."

Gaffner, who graduated from the University of Illinois with a Bachelor of Science in Agricultural Economics, brings a background in agricultural business to his cooperative service. "I am president of Gaf-Fine Farms, Inc. We produce corn, soybeans and wheat, and have integrated technologies to lessen our carbon footprint," he noted. "Being self-employed requires me to think strategically in operations, and in financial and personnel issues."

"Together, we can navigate the challenges ahead, build on our successes, and ensure our cooperative remains strong and vibrant for future generations."

A director since 2018, Gaffner is president of Southwestern Electric's board of directors and the Executive Committee. He serves on the Scholarship Committee and Emerging Technologies Committee.

Jerry Gaffner has been a member of Southwestern Electric for more than 25 years. He resides on his farm northwest of Greenville with his wife, Sherri. They have five children, Jonah, Abby, Hannah, Anna and Ethan.

BOARD CANDIDATE PROFILES - DISTRICT III



Jared Stine
Incumbent
District III
St. Elmo

A strong sense of commitment to community prompted Jared Stine to serve the members of Southwestern Electric in 2018. In the years since, he's played a vital role in shaping the vision and values that guide the cooperative. "We are our membership's accountable energy partner," Stine said. "That must be front and center during board discussions. Competitive rates, reliable service, member satisfaction — these are the core elements a board must balance."

During his next term, Stine wants to see the co-op continue to prioritize infrastructure improvements and integrate new technology into its distribution system. "We have an aging infrastructure that must be diligently maintained and improved, as financially feasible," he noted. "Our members and our member communities count on us to provide quality service."

Stine described Southwestern as a key community partner, citing Operation Round Up (ORU) as a co-op initiative that helps community-oriented organizations provide programs and services.

ORU is funded and governed by Southwestern members. When members enroll in ORU, the co-op rounds their monthly electric bill up to the nearest dollar. The change is placed in the ORU fund. A board made up of co-op members meets quarterly to evaluate grant requests. Grants are awarded to a broad range of nonprofit and community organizations, representing a diverse array of projects, programs and services.

"You don't have to be a co-op member to apply for a grant. If your organization has a program or project that meets a community need, you should look into applying," Stine said.

"I think some organizations are hesitant to apply because they received a grant in the past, and others are hesitant because an earlier application wasn't successful," he added. "Either way, I'd encourage you to apply. If your organization is working to serve your community, our ORU committee wants to hear from you."

Stine referenced Southwestern's Power for Progress scholarship program as another way the co-op contributes to member-communities.

Since 1995, Power for Progress has provided \$298,000 in financial assistance to a total of 438 students. "Each year, our Scholarship Committee reviews dozens of applications," he said. "We see materials from some of the brightest students in the state."

The committee evaluates applications using an extensive list of criteria, including financial need, academic success, employment and participation in extracurricular and volunteer activities. "We're seeing more applications from students pursuing careers in the trades," noted Stine. "A job in a trade means a lifetime of rewarding work. You can find work anywhere in the country — or you can build a life in the town where you were raised. Bottom line, a trade gives you options."

"Competitive rates, reliable service, member satisfaction — these are the core elements a board must balance."

Stine serves as vice president of Southwestern Electric's board of directors and the co-op's Executive Committee. He chairs Southwestern's Scholarship Committee and serves on the Emerging Technologies Committee. He's served on the boards of various civic and community organizations, including St. Elmo Christian Church, where he and his family attend.

Members since 2009, Jared Stine and his wife, Krista, live south of St. Elmo, where with their family they operate a sixth-generation family farm. They have three children, Sydney, Anna and Wade.

A utility worker wearing a white hard hat and safety gear is silhouetted against a clear blue sky. The worker is positioned in a white bucket, which is part of a power line tower structure. The tower and its associated power lines are visible on the left side of the frame, extending into the distance. The worker is looking upwards and to the right. The bucket has a label that reads "MAXIMUM WEIGHT 600 LBS".

*As your elected representatives,
your directors speak with your
voice, reflect your vision, and
embody the organizational
priorities and values instilled
by you.* —CEO Bobby Williams

OUR TEAM

BOARD OF DIRECTORS



Sandy Grapperhaus
Treasurer
District I
Collinsville



William "Bill" Jennings
District I
Alhambra



Marvin Warner
District I
Pocahontas



Jerry Gaffner
President
District II
Greenville



Brad Lurkins
District II
Greenville



Ted Willman
District II
Greenville



Annette Hartlieb
Secretary
District III
Vandalia



Ann Schwarm
District III
Loogootee



Jared Stine
Vice President
District III
St. Elmo

PERSONNEL

STAFF MEMBERS

Michael Barns, *Art Director*
Victor Buehler, *Chief Operating Officer*
Dylan Casey, *Engineering Supervisor*
Susan File, *Vice President of Member Services*
Veronica Forbis, *Manager of Billing*
Russell Gilbert, *Freedom Power Plant General Manager*
Nathan Grimm, *Media Specialist*
Marissa Horn, *Human Resources Administrator*
Laura Hugel, *Accounting Manager*
Thaddius Intraivaia, *Director of Information Technology*
Craig Jennings, *Vice President of Engineering*
Andrew Jones, *Vice President of Business Development & Marketing*
Carrie Knebel, *Vice President of Human Resources*
Julie Lowe, *Energy Manager*
Daniel Page, *Forestry Manager*
Joe Richardson, *Vice President of Communications*
Brooke Scott, *Executive Assistant*
Neil Sperandio, *Manager of Operations*
Nathan Taylor, *Chief Financial Officer*
Bobby Williams, *Chief Executive Officer*
Michael Willman, *Vice President of Operations*

GREENVILLE

Office & Engineering Personnel

Allissa Bohlen, *Member Services Representative*
Logan Cayce, *Staking Engineer*
Casey Eberlin, *GIS Technician*
Nikki Emerick, *Dispatcher*
Laura Gall, *Accounting Clerk*
Natalie Goesten Kors, *Staking Engineer*
Renee Harnetiaux, *Work Order Coordinator*

Brad Koonce, *Custodian*
Tracy Kuttin-Ferguson, *Purchasing Agent*
Kathleen Lewey, *Staking Engineer*
Shelby Nobsbisch, *Dispatcher*
Carla Schneider, *Cashier/Receptionist*
Dean Schnurbusch, *Senior Staking Engineer*
Lauren Schoen, *Member Services Representative*
Andrea Strauch, *Dispatcher*
Holly Thiems, *IT Technical Support*
Ashley Towler, *Accounting Clerk*
Jo Ellen Wharton, *Meter Technician*
Jessica Whitehead, *Member Services Representative*
Toni Wodtke, *Member Services Representative*

Maintenance & Construction Personnel

Mark Chasteen, *Maintenance Foreman*
Braden Clark, *Journeyman Lineman*
Luke Cordes, *Journeyman Lineman*
Patrick Harris, *Warehouseman/Groundman/Truck Driver*
Brandon Jansen, *Journeyman Lineman*
Sonny Lampe, *Warehouseman/Groundman/Truck Driver*
Jimmy Revisky, *Construction Foreman*
Eric Rodgers, *1st Class Mechanic*
Clayton Snyder, *1st Class Mechanic*

Meter Department

Scott Fitzgerald, *Foreman/Polyphase Meterman & Tester*
Chris Schmid, *Lineman/Polyphase Meterman & Tester*

Forestry Department

Devin Aukamp, *Forestry Journeyman*
Jake Cain, *Forestry Journeyman*
Alex Goodin, *Forestry Foreman*

ST. JACOB

Office & Engineering Personnel

Kris Brissenden, *Staking Engineer*
Hannah Luketich, *Member Services Representative*
Brian Mills, *Staking Engineer*
Becky Spratt, *Member Services Representative*

Maintenance & Construction Personnel

Brian Bast, *Journeyman Lineman*
Leo Dublo, *Maintenance Foreman*
Chris Hamby, *Warehouseman/Groundman/Truck Driver*
Tyler Isaak, *Construction Foreman*
Dustin Kemp, *Journeyman Lineman*
Tyler Kunz, *Journeyman Lineman*
Joel LaFrance, *System-wide Troubleshooter/Maintenance Foreman*
Rick Mersinger, *Maintenance Foreman*
Rob Nesbit, *Maintenance Foreman*
Ricky Ricker mann, *Journeyman Lineman*
Josiah Roberts, *Journeyman Lineman*
Andy Wessel, *Construction Foreman*

Forestry Department

Dawson Chesnut, *Forestry Journeyman*
Nick Jett, *Forestry Foreman*

ST. ELMO FACILITY

Adam French, *Journeyman Lineman*
Ethan Fulk, *Journeyman Lineman*
Douglas Haarmann, *Construction Foreman*
Kyle Hails, *Maintenance Foreman*
Tyler Meseke, *Journeyman Lineman*
Keith Steiner, *Warehouseman/Groundman/Truck Driver*

FREEDOM POWER STATION

David Brandt, *Power Plant Technician*
Leo Leonhard, *Power Plant Technician*

VOTER REGISTRATION CARD 2024 Please sign and present this card at the registration table.

86th Annual Meeting of Members

Saturday, September 7, 2024



Member Signature _____

Please enroll me in Operation Round Up

PLEASE UPDATE YOUR CONTACT INFORMATION

Home Phone # (if applicable): _____ Cell Phone #: _____

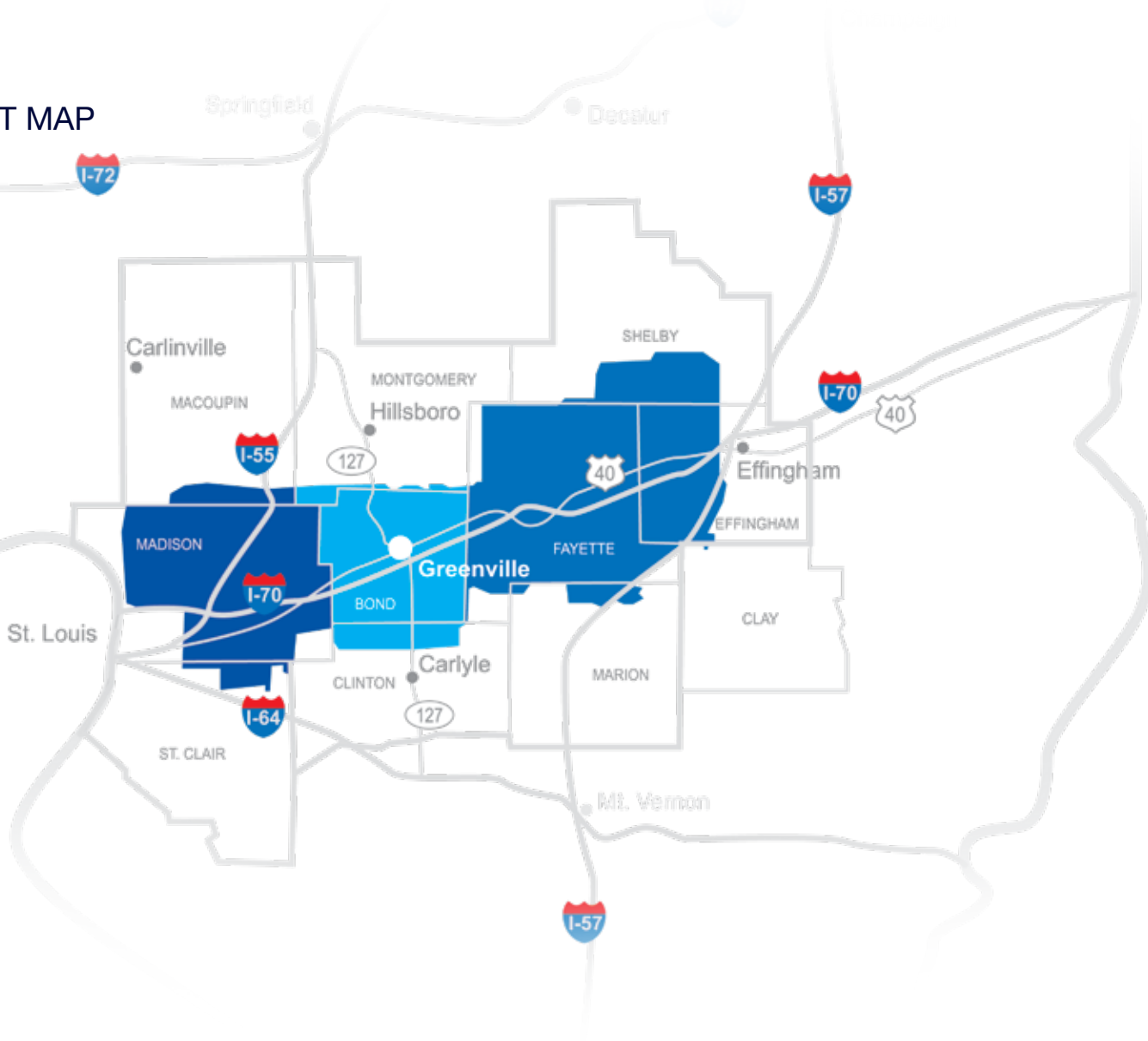
Service Address: _____ Billing Address: _____

Email Address: _____

Fill out and present this registration card to receive an additional \$10 bill credit!

DISTRICT MAP

- District I
- District II
- District III





Southwestern
Electric Cooperative, Inc.
Your Touchstone Energy® Cooperative 

