

**MINUTES OF A SPECIAL MEETING OF THE BOARD OF DIRECTORS  
OF SIOUX VALLEY-SOUTHWESTERN ELECTRIC COOPERATIVE, INC.  
December 18, 2025**

A special meeting of the Board of Directors of the Sioux Valley-Southwestern Electric Cooperative, Inc. (DBA Sioux Valley Energy) was held on December 18, 2025, commencing at 8:30 a.m. in the Brandon Frontier Room.

The meeting was called to order by President Dan Leuthold, who presided, and Secretary Don DeGreef, who acted as Secretary.

Roll call showed the following members present:

Rodney DeMent	Dan Leuthold	Gary Fish
Don DeGreef	Dr. Leslie Heinemann	Dave Daniel
Ann Vostad	Lucas Roskamp	Mark Rogen
Allan Weinacht	Gregg Johnson	

Also present were Attorney Mike Nadolski, General Manager Tim McCarthy, Strategic Leadership Team members Jason Maxwell, Justin Moose, Carrie Vugteveen, Ted Smith, and Kimberlee Hansen along with Executive Assistant Brenda Schelhaas. Guest in attendance was Chris Graff.

**REVIEW AND CONSIDERATION OF AGENDA**

The agenda was presented for consideration. A motion to approve the agenda was made by Mr. Weinacht, seconded by Ms. Vostad. The motion carried.

**REVIEW AND CONSIDERATION OF 2026 WORK PLAN AND BUDGET**

Manager McCarthy reviewed the introductory portion of the proposed Work Plan and Budget including key highlights for 2026. Manager McCarthy stated that existing rate levels were not sufficient to meet our financial requirements at the budgeted expense levels. Estimated revenues were approximately \$10.5 million short. In November 2025, the Board approved a \$10.5 million rate increase to meet loan requirements in 2026.

Manager McCarthy (assisted by Kimberlee Hansen, Chris Graff, Ted Smith, Jason Maxwell, Justin Moose, and Carrie Vugteveen) reviewed the proposed Work Plan and Budget and responded to questions from the Board. The key performance areas of Financial, Electric Service, Productivity, Beneficial Electrification and Renewable Energy, Employee Training and Development, Member and Community Service, and Management and Leadership. Key highlights reviewed included the following:

- Wholesale power purchases for 2026 are projected at 1,006,452 MWh, a 1.0% increase over the 2025 purchases budget. Purchases are distributed 85% from East River and 15% from L&O.

- Total revenue of \$126.2 million includes \$125.5 million from energy sales and \$639,028 other revenue which includes wheeling charges and REC sales. Sales are forecasted at 979,490 MWh, an increase of 1.8% over the 2025 budget.
- Total power costs are budgeted at \$78.5 million which is up \$9.0 million from the 2025 budget. Almost 75% of the increase is due to increased charges from East River and L&O. East River's costs do not include any margin stabilization credit.
- Total margins are budgeted at \$9.175 million for 2026. This would result in a Times Interest Earned Ratio (TIER) of 1.98 and Modified Debt Service Coverage (MDSC) ratio of 1.37.
- The proposed capital budget for distribution plant additions and replacements totals \$25.452 million compared to \$20.56 million in 2025. The top five categories for expenditures are improvements (\$10.09 million), conductor replacements (\$4.56 million), transformers and metering (\$3.85 million), new extensions (\$2.59 million), and sectionalizing equipment (\$2.39 million).
- A net cost of approximately \$2.59 million has been budgeted for 526 new services, compared to 505 budgeted in 2025. Members are projected to contribute \$968,327 toward new service line extension costs.
- We plan to test and treat approximately 5,000 poles in eastern Minnehaha, Rock, and Pipestone Counties. This will be year ten in a 12-year testing cycle. We have included \$120,000 in our line maintenance budget (including grounds testing) to have a contractor complete this work in 2026.
- Cable-locating expenses for locators and one-call fees combined are budgeted to be \$724,000 for 2026 versus a projected cost of \$656,000 for 2025.
- We will perform line clearance on a total of 28 townships at a cost of \$660,000 versus a budget of \$650,000 for 24 townships in 2025.
- General plant additions and replacements for 2026 are budgeted at \$238,500 compared to a budget of \$234,900 in 2025. Included in the budget is \$150,000 for the remodel of the Colman community room to allow Dispatch to move into a storm shelter area, \$20,000 to replace a drain culvert at the Colman facility, \$5,000 to install pallet racking at the Madison outpost, \$60,000 to install new steel pole bunks at the Colman, Brandon, and Pipestone warehouses, and \$3,500 to upgrade office furniture.
- Vehicle purchases are budgeted at \$776,000.
- Seven laptop computers for 2026 are budgeted at an estimated cost of \$26,250 along with two desktop computers at \$3,000. We have also budgeted \$20,000 for the replacements and additions of tablet devices. We are budgeting \$29,000 for software maintenance, support, and end use devices as well as \$40,000 to replace two of the host servers. We are budgeting \$150,000 for the replacement of the Storage Area Network (SAN) and related equipment in our Colman data center, \$14,000 to renew the Brandon SAN contract, and \$49,000 to renew the

Dell Cybervault contract for another three years. We have budgeted \$16,800 for miscellaneous computer equipment and supplies.

- Our annual cellular phone expenses are estimated at \$68,400. Telephone system support from East River for hardware maintenance and labor is budgeted at \$37,700. East River is replacing the fiber optic network that connects the Colman and Brandon service centers as well as several of the substations in the southern part of our service territory. We are budgeting \$50,000 for SVE's portion of the project for the continued use of the network. We have budgeted \$13,200 for local telephone services at each office and \$4,800 for long distance and 800 number telephone services. We have budgeted \$10,800 for the network link to the Pipestone service center. An additional \$9,750 has been budgeted for expenses with the ER radio system. We have budgeted \$30,000 for data service for the in-vehicle tablet devices to be used with the NISC AppSuite software.
- We continue to budget for support and maintenance fees for NISC iVUE at approximately \$243,550. An additional \$45,550 has been budgeted for support of the NISC MDMS (Meter Data Management System) and MDMS Distributions Analytics software packages.
- We have budgeted \$7,500 for network security testing and consulting services.
- We have budgeted \$46,000 for the support and maintenance contracts with Aclara. We are budgeting \$240,000 for cellular service for the meters we will receive and install in 2026.
- We have budgeted to sell 450 Marathon water heaters in 2026.
- We have budgeted \$143,200 for electric heat/cooling programs in 2026.
- We do not plan to add any new positions to the workforce in 2026. We have budgeted for four temporary apprentice line helper interns to help the Brandon and Colman area crews.
- We have budgeted \$30,000 for consulting fees, \$40,000 to work with LDR Leadership to train our coaches and employees in positive performance coaching, decision-making, management skills, and leading effective teams, and \$10,000 to work with outside consultation on departmental strategic planning initiatives.
- We have budgeted \$65,000 for leadership training in 2026. We will continue to enhance our "Coaches Circle" supervisor meetings to focus on training and professional development sessions based on core competencies, emotional intelligence (EQ), and leadership skills that have been identified for our leadership team. Development will also be focused on succession planning and building our Culture of Care and Safety Excellence.
- We have budgeted \$40,000 for the LEAD (Leadership, Empowerment, and Development) and LEAD II programs.

- We have budgeted for attendance at training sessions offered through NRECA, SDREA, and MREA. We have also budgeted for attendance at meetings that are job-related. The total budget for these areas is \$255,400.
- \$52,700 has been budgeted for EmPOWER program in 2026.
- We continue to incorporate opportunities for key account engagement. We have budgeted \$5,500 for key account activities.
- We have budgeted \$2,000 for Touchstone Energy related activities.
- We have budgeted \$71,000 for the annual meeting and \$171,500 for district meetings. Labor is not included in these budget numbers.
- We have budgeted \$122,800 for economic and community development. We plan to continue with contributions to targeted economic development organizations and local chambers of commerce. We will also provide contributions to local foundations and associations that promote area economic development.
- We have budgeted \$104,250 for donations in 2026.
- We have budgeted \$167,950 for member communications and public relations. Some of our communication efforts will include information regarding safety, energy services, new member communications, the monthly newsletter, the annual report, and bylaws.
- We have budgeted \$55,500 for community events and activities. Some of these events include tailgating, summer fairs, booster club sponsorships, etc.
- We plan to continue the Emergency Assistance Fund program that was started in 2005. We have budgeted \$7,500 in 2026 to assist members who demonstrate an urgent need.
- We have budgeted \$45,000 for the monthly member satisfaction survey and the annual ACSI survey in 2026.
- Director expenses are budgeted at \$295,730 for 2026. This budget includes \$61,100 for retainers, \$212,300 for meetings and training, and \$22,330 for DOM insurance.

#### REVIEW AND CONSIDERATION OF 2026 WORK PLAN AND BUDGET

Mr. Fish made a motion to approve the 2026 Work Plan and Budget, seconded by Mr. Weinacht. The motion carried.

#### ADJOURNMENT

Mr. Roskamp made a motion to adjourn the Sioux Valley Energy special meeting at 11:20 a.m., seconded by Dr. Heinemann. The motion carried.

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Donald DeGreef, Secretary

Date Approved: \_\_\_\_\_