

EL99-018



Lincoln-Union Electric Company

P.O. Box 105
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RECEIVED

OCT 14 1999

SOUTH DAKOTA PUBLIC
 UTILITIES COMMISSION

October 8, 1999

Willard Bullard, Executive Director
 South Dakota Public Utilities Commission
 State Capitol
 Pierre, SD 57501-5070

Dear Mr. Bullard:

At the Annual Meetings of Lincoln-Union Electric Company of Alcester, SD (Lincoln-Union) on March 20, 1999 and Turner-Hutchinson Electric Cooperative of Marion, SD (Turner-Hutchinson) on April 8, 1999 the memberships approved the consolidation of these two Cooperatives. The new organization to be formed on January 1, 2000 will be Southeastern Electric Cooperative, Inc. Activities are in place to make this transition effective January 1, 2000.

Lincoln-Union and Turner-Hutchinson hereby request of the South Dakota Public Utilities Commission to transfer the existing territorial Agreements of the two existing entities to Southeastern Electric Cooperative, Inc., effective on January 1, 2000. We believe this request meets all the requirements as outlined in SDCL 49-34A-55 pertaining to the following items:

- elimination or avoidance of unnecessary duplication of facilities,
- providing adequate electric service to all areas and customers affected and,
- the promotion of the efficient and economical use and development of the electric system.

We have enclosed several items for your review pertaining to this consolidation of Lincoln-Union and Turner-Hutchinson to form Southeastern Electric Cooperative, Inc. Those items are as follows:

1. A copy of the approved Plan for Consolidation by the members at their Annual Meetings held on March 20, 1999 and April 8, 1999.
2. Minutes of each Cooperative's respective Annual Meeting and the reconvened Annual Meeting minutes for the purpose of counting ballots by LUEC.
3. A copy of the Articles of Consolidation/Incorporation, as approved by the Secretary of State of the State of South Dakota.

Mr. Willard Bullard
Page 2

Please feel free to give myself or Staff Assistant, John McDonald a call if you have any questions or need additional information.

Sincerely yours,



Brad Schardin
General Manager

Enclosures

Cc: Leonard Welter, LUEC Board President
Lynell Hofer, THEC Board President

MINUTES OF THE
ANNUAL MEETING OF MEMBERS OF THE
LINCOLN-UNION ELECTRIC COMPANY
MARCH 20, 1999

Pursuant to notice having been duly given, the 62nd Annual Meeting of the Lincoln-Union Electric Company (hereinafter called the "Cooperative") was held in the Beresford High School Auditorium, City of Beresford, Union County, South Dakota, on the 20th day of March, 1999.

A barbecued beef dinner was served to members prior to the meeting. Capital credit checks were available for members to pick up. A video/daycare was provided for children whose parents attended the business meeting.

The meeting was called to order at 1:00 p.m. by President Welter, who presided throughout the meeting, and Secretary Bruns kept the minutes thereof.

President Welter then asked those in attendance to join him in reciting the Pledge of Allegiance.

The Invocation was given by the Rev. John Mochel of Brooklyn Evangelical Free Church of rural Beresford.

Howard Kennedy, Mayor of the City of Beresford, then welcomed members and guests to the City of Beresford and commended members for the fine job being done by the Cooperative in providing electric distribution service to its membership. He also shared his childhood recollection of when the Cooperative extended power to his parents' farm.

President Welter then asked Secretary Bruns if a quorum was present. The Secretary stated he had checked the number of members registered, and that a quorum was present. The Secretary was instructed to attach a list of the members registered to the minutes of the meeting.

Secretary Bruns presented the notice of meeting together with the proof of due mailing to all members of the Cooperative.

The Secretary then stated that all members of the Cooperative had received a copy of the minutes of the Annual Meeting of Members held on March 21, 1998, as they had been published in the March, 1999, issue of the *Lincoln-Union News*. It was then duly moved and seconded that the reading of the minutes of the March 21, 1998, Annual Meeting be dispensed with and that they be approved as published in the newsletter. The motion passed unanimously and was declared carried.

President Welter announced that he would defer his comments in an effort to save time and stated that what he intended to speak about would be addressed later in the meeting. He concluded his comments by introducing the current Board members.

Director Ostraat was called upon to present the Treasurer's Report. Director Ostraat presented slides highlighting the financial report printed in the Annual Report and other items of interest. It was then duly moved, seconded, and carried that the Treasurer's Report for 1998 be approved as printed in the Annual Report.

The President then stated that the next order of business was the election of three directors to each hold office for a three-year term. He then stated that a Nominating Committee Meeting had been held in accordance with Cooperative Bylaws.

Orval Larson, Secretary of the 1999 Nominating Committee, was called on to present the Nominating Committee report. Mr. Larson informed members that, in accordance with the Nominating Committee Meeting held on February 4, 1999, the following members were nominated as candidates for directors:

District #1

Ron Anderson Beresford, SD
Wendy Lawrenson Beresford, SD

District #2

John Schutte Canton, SD
Leonard Welter Harrisburg, SD

District #3

Virgil Fodness Lennox, SD
Cletus Weis Tea, SD

President Welter then asked members to consider approving the Nominating Committee report as presented. It was then duly moved, seconded, and carried to approve said report as presented.

The report of the committee on nominations was ordered to be identified by the Secretary and a copy annexed to the minutes of this meeting.

President Welter then stated that in accordance with Cooperative Bylaws, Cooperative members Dean Albertson, Gary Bovill, Norman Kuper, Ron Larson, Robert Munsil, and Jim Pappens had been selected to serve on the 1999 Election and Credentials Committee. He then requested Project Attorney John Gubbrud to preside over the election.

Attorney Gubbrud then stated that no nominations for directors had been made by petition as provided in the Bylaws. He then called for nominations from the floor for each district. There being no nominations from the floor, he declared nominations closed. Project Attorney Gubbrud then introduced director candidates present, and the membership was instructed to vote by ballot they received upon registration for candidates of their choice.

The ballots for voting for director candidates were picked up by the Election and Credentials Committee members who proceeded to count and canvass the same.

Beresford Dance in Motion, under the direction of Sheridan Swee, then provided members and guests with a dance routine.

Manager Schardin thanked all for the opportunity to serve as manager and used a slide program to report on the record growth of our system. Other items highlighted were the capital credit retirement, marketing loans and rebates, the Turtle automatic meter reading program, and Year 2000 compliance. He also stated that he was proud of our electric rate stability over the past 11 years. However, according to the 1999 budget and financial projections, he indicated that the Cooperative will need to raise electric rates later this year, perhaps in the fall.

Manager Schardin then introduced all the Cooperative's employees. He presented Length of Service pins to Mike Peters (20 years), Rita Adams (15 years), Curt Holthe (15 years), and Mark Neu (10 years). He then presented a pin and an engraved watch to Tim Chance for 25 years of service.

Director Fodness introduced the guests and concluded by presenting an engraved watch to Director Ulrikson for his 25 years of service as a director.

Director Hofer next explained the scholarship program and announced that Amber Haan, daughter of Alvin and Carla Haan of Chancellor, was the recipient of the Cooperative's 1999 Basin Electric Power Cooperative \$1,000 scholarship.

President Welter then called for unfinished business; there being none, he called for new business.

President Welter then read a proposed resolution to defer the tabulation of the proposed consolidation vote and asked for discussion; being none, it was then duly moved, seconded, and carried that the resolution be approved. The Secretary was instructed to attach a copy of the resolution to the minutes of the meeting as Exhibit "A".

President Welter then commented on the consolidation and indicated that the Board unanimously agreed that according to the study and because of anticipated changes in our industry, such as deregulation, they believe that the consolidation is in the Cooperative's best interest and recommend its approval to the membership.

President Welter called on Manager Schardin to present the history and findings of the consolidation study. Manager Schardin presented a summary of the history of the shared management arrangement leading up to and through the completion of the consolidation study, including the assumptions used in the study. He presented the findings of various staff and employee committees in areas of Human Resources, Operations and Engineering, Administration and Finance, and Marketing and Customer Services. All combined, the projected accumulation of savings for all areas totaled \$2,884,709. These savings, along with improving or at least maintaining existing services and positioning the Cooperative to be able to better meet challenges, change, and perhaps deregulation which are foreseen in our industry's near future, were the highlights of the presentation.

President Welter then called for questions regarding the proposed consolidation and the information presented. After thorough discussion, it was then duly moved, seconded, and carried to call the question of consolidation to a ballot vote. The motion passed and was declared carried.

President Welter next called on Attorney Gubbrud to conduct the vote on the consolidation. Attorney Gubbrud then stated the rules for the vote and reiterated that, as per the resolution adopted earlier in the meeting, the tabulation of the ballots would be deferred until April 3, 1999, at which time the Election and Credentials Committee at the reconvening of this Annual Meeting would simultaneously count the ballots in conjunction with the Annual Meeting of Turner-Hutchinson Electric Cooperative, Inc., where they would count and canvass the same from their membership. He stated that until then, the ballots would be sealed and deposited in the State Bank of Alcester. Further, after tabulation, the result of each cooperative's vote will be made available to the membership by television, radio, and press releases.

The ballots for the proposed consolidation were picked up by the Election and Credentials Committee members who deposited and sealed them into a safety deposit box by each signing a seal and placing it on the same to prevent its opening without damaging the seal. The deposit box was then placed in the custody of Attorney Gubbrud to be deposited in the State Bank of Alcester and retrieved on April 8, 1999, for counting.

President Welter then called on John Gubbrud, Project Attorney, to present the report of the Election and Credentials Committee on the results of the election.

ELECTION OF DIRECTORS

<u>District</u>	<u>Name</u>	<u>Number of Votes</u>
District #1	Ron Anderson, Beresford, SD	161
	Wendy Lawrenson, Beresford, SD	112
District #2	John Schutte, Canton, SD	90
	Leonard Welter, Harrisburg, SD	189
District #3	Virgil Fodness, Lennox, SD	189
	Cletus Weis, Tea, SD	90

From the tally of the vote of the membership, Ron Anderson, Leonard Welter, and Virgil Fodness were elected as directors of the Cooperative to hold office for a term of three years or until their successors have been elected and qualified.

President Welter then asked for a motion to recess the meeting to the Cooperative's Headquarters in Alcester, SD, on April 8, 1999, at 7:30 p.m. to be presided over by Vice President Anderson. Upon motion duly made, seconded, and unanimously carried, the meeting was adjourned at 7:30 p.m.

Directors Anderson, Carlson, and Holmberg conducted the drawing for prizes and the Jackpot. Annexed hereto and made a part hereof is a copy of the 1999 Annual Report and a list of the prize winners. Members Daniel Rickett and Dana Lanz were drawn from the entire membership list but were not present at the Annual Meeting to claim the \$300 Jackpot drawing. The balance will be carried forward to the next Annual meeting.

The minutes for the reconvened Annual Meeting at 7:30 p.m. on April 8, 1999, at the Cooperative's Headquarters in Alcester are attached to these minutes as Exhibit "B".

Secretary

ATTEST

Chairman

NEW BUSINESS:

BOARD PROPOSAL:

I. A RESOLUTION TO DEFER TABULATION OF THE VOTE OF THE CONSOLIDATION PROPOSAL UNTIL TURNER-HUTCHINSON HAS AN OPPORTUNITY TO VOTE AND PROVIDE FOR SIMULTANEOUS PUBLIC ANNOUNCEMENT OF THE VOTE THEREON;

WHEREAS, a majority vote of both Cooperatives is necessary for adopting the consolidation proposal; and

WHEREAS, each cooperative membership should make their own determination of the consolidation proposal and to insure fair consideration thereof;

The Board of Directors of Lincoln-Union Electric Company hereby recommends to its membership that this Resolution be adopted at the annual meeting to provide that a written ballot vote of the members attending the meeting be taken on the consolidation issue, after the election of the Directors, and other business and this annual meeting of the membership of Lincoln-Union be recessed until the membership of Turner-Hutchinson Electric Cooperative has the opportunity to vote on their consolidation issues on April 8, 1999;

Further, that the Election and Credentials Committee be instructed to seal the written ballots collected on the consolidation proposal until the reconvened membership meeting held solely for the purpose of completing the tabulation of the vote on the consolidation proposal at the reconvened membership meeting to be held at the cooperative headquarters in Alcester, South Dakota, on the 8th day of April, 1999, beginning at 7:30 o'clock p.m.; and the public announcement of the vote of the consolidation issue shall be simultaneous with announcement of the Turner-Hutchinson vote on that evening, then this annual meeting shall adjourn sine die.

That the Elections and Credentials Committee, officers and staff of Lincoln-Union are hereby directed to take such actions as may be necessary to accomplish the purpose of this Resolution.

(A MAJORITY OF THE MEMBERS ORALLY VOTING CAN ADOPT THIS RESOLUTION)

MINUTES OF RECONVENED ANNUAL MEETING OF MEMBERS
AT COOPERATIVE HEADQUARTERS IN ALCESTER, SOUTH DAKOTA
APRIL 8, 1999

Pursuant to resolution duly adopted by the membership at the 1999 annual meeting of membership of Lincoln-Union Electric Company, held in Beresford, South Dakota, on March 20, 1999, the annual meeting was reconvened at 7:30 o'clock p.m. on April 8, 1999 at the cooperative headquarters in Alcester, South Dakota for the purpose of the Election and Credentials Committees tabulation of the vote of the membership on the consolidation proposal. Vice-President Ron Anderson presided over the meeting and John D. Gubbrud, Project Attorney, as acting secretary of the reconvened meeting.

All members of the Election and Credentials Committee being present in person, Project Attorney, John D. Gubbrud; Staff - Dwight Hemme, Office Manager; Mark Neu, Member Service; Employees - Curt Anderson, Kathy Waddell and several others were present for portions of the evening meeting.

Vice-Chairman, Anderson treated those present with birthday cake for his 50th birthday. Appreciation was expressed from all those in attendance for such treat.

Office Manager, Dwight Hemme, distributed expense vouchers for the committee members and expressed appreciation for their extra efforts to attend this evening reconvened meeting of the membership.


The minutes of the Election and Credentials Committee and Certificate of Consolidation Election are attached to these minutes and by this reference made a part hereof.

At approximately 8:45 o'clock p.m., the Chairman of the Turner-Hutchinson Election and Credentials Committee telephoned and exchanged information about the results of the election as follows:

	<u>Lincoln-Union</u>	<u>Turner-Hutchinson</u>
For Consolidation:	143	304
Against the Consolidation	139	44
Spoiled Ballots	<u>4</u>	<u>6</u>
Total Ballots Cast	286	354

A simultaneous public announcement of the election result was made to those present with notification via facsimile mail to the local television and news sources by the staff.

Vice-Chairman Anderson then adjourned the annual membership meeting *see die*.



John D. Gubbrud, Project Attorney
Acting for Secretary, Harley Bruns
Who was attending the Turner-
Hutchinson Electric Cooperative
Annual Meeting in Freeman, South
Dakota

LINCOLN-UNION ELECTRIC COMPANY
1999 ANNUAL MEETING RECONVENED AT
COOPERATIVE HEADQUARTERS
APRIL 8, 1999

MINUTES OF ELECTION AND CREDENTIALS COMMITTEE
FOR RECONVENED MEETING

Pursuant to Article III, Section 8, the following Lincoln-Union members being the duly appointed persons to serve on the 1999 Election and Credentials Committee: Dean Albertsen, Gary Bevill, Norman Kuper, Ron Larson, Robert Munsil, and Jim Poppens. The meeting reconvened pursuant to direction of the 1999 Annual Meeting of Members of Lincoln-Union Electric Company held at Betesford, South Dakota, at 12:00 noon on the 20th day of March, 1999 and it reconvened at cooperative headquarters at reconvened meeting of members held on April 8, 1999 beginning at 7:30 o'clock p.m.

The members of the committee inspected the sealed ballot box containing the ballots collected on the consolidation issue and found everything in order.

After breaking the seal, the committee members proceeded to count the ballots on the consolidation issue. The election results on the consolidation issue are included in the Certificate of Consolidation Election hereto attached and by this reference made a part hereof.

The Chairman coordinated the simultaneous public announcement of the vote on the consolidation with his counterpart at Turner-Hutchinson Electric Cooperative.

The marked ballots on the consolidation issue were deposited with Dwight Herme, Lincoln-Union Electric Company's Office Manager/Staff Assistant, with instructions to hold all ballots until time for filing protests or objections to the election to the election had expired and then authorized their destruction.

There being no further business of the committee, the committee adjourned; sent, subject to call of the chairman in the event of the filing of a protest or objection.


Secretary of 1999 Election and
Credentials Committee



Turner-Hutchinson

ELECTRIC COOPERATIVE, INC.

P.O. BOX 388
PHONE (605) 648-3619

501 SOUTH BROADWAY AVENUE
MARION, SOUTH DAKOTA 57043-0388
FAX (605) 648-3778

October 8, 1999

Willard Bullard, Executive Director
South Dakota Public Utilities Commission
State Capitol
Pierre, SD 57501-5070

Dear Mr. Bullard:

At the Annual Meetings of Lincoln-Union Electric Company of Alcester, SD (Lincoln-Union) on March 20, 1999 and Turner-Hutchinson Electric Cooperative of Marion, SD (Turner-Hutchinson) on April 8, 1999 the memberships approved the consolidation of these two Cooperatives. The new organization to be formed on January 1, 2000 will be Southeastern Electric Cooperative, Inc. Activities are in place to make this transition effective January 1, 2000.

Lincoln-Union and Turner-Hutchinson hereby request of the South Dakota Public Utilities Commission to transfer the existing territorial Agreements of the two existing entities to Southeastern Electric Cooperative, Inc., effective on January 1, 2000. We believe this request meets all the requirements as outlined in SDCL 49-34A-55 pertaining to the following items:

- elimination or avoidance of unnecessary duplication of facilities,
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- the promotion of the efficient and economical use and development of the electric system.

We have enclosed several items for your review pertaining to this consolidation of Lincoln-Union and Turner-Hutchinson to form Southeastern Electric Cooperative, Inc. Those items are as follows:

1. A copy of the approved Plan for Consolidation by the members at their Annual Meetings held on March 20, 1999 and April 8, 1999.
2. Minutes of each Cooperative's respective Annual Meeting.
3. A copy of the Articles of Consolidation/Incorporation, as approved by the Secretary of State of the State of South Dakota.

"We Put Value On the Line"

Mr. Willard Bullard

Page 2

Please feel free to give myself or Staff Assistant John McDonald a call if you have any questions or need additional information.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Brad Schardin".

Brad Schardin
General Manager

Enclosures

Cc: Leonard Welter, LUEC Board President
Lynell Hofer, THEC Board President

PROPOSITION FOR CONSOLIDATION
OF
LINCOLN-UNION ELECTRIC COMPANY
AND
TURNER-HUTCHINSON ELECTRIC COOPERATIVE, INC.
TO FORM
SOUTHEASTERN ELECTRIC COOPERATIVE, INC.

This Proposition for Consolidation is approved as of this 27th day of January, 1999, by the Boards of Directors of Lincoln-Union Electric Company and Turner-Hutchinson Electric Cooperative, Inc., (hereafter referred to as the consolidating cooperatives) both parties being South Dakota Rural Electric Cooperatives, organized under SDCL Chapter 47-21.

WHEREAS, it is deemed to be to the advantage of the members of both consolidating cooperatives in the promotion and encouragement of the fullest possible use of electric energy, practicing all conservation guidelines in the territories now served by the consolidating cooperatives, at the lowest cost consistent with sound economy and prudent management, that said cooperatives be consolidated under the laws of the State of South Dakota; and

WHEREAS, the board of directors of each of the consolidating cooperatives, after a review of the consolidation study, deem it advisable and in the best interests of each cooperative and its respective members that Lincoln-Union Electric Company and Turner-Hutchinson Electric Cooperative, Inc., consolidate to become a single cooperative.

NOW, THEREFORE, It is mutually agreed by and between the consolidating cooperatives, acting pursuant to the provisions of SDCL Chapter 47-21, that the consolidating cooperatives shall consolidate and form one South Dakota Rural Electric Cooperative on the following terms and conditions.

I.
CONSOLIDATION PROCEDURE

Lincoln-Union Electric Company at its annual meeting in March, 1999 and Turner-Hutchinson Electric Cooperative, Inc. at its annual meeting in April, 1999, or such other date as the board of directors of each cooperative shall approve, shall cause to be submitted to their respective memberships, the consolidation of the two cooperatives.

II
EFFECTIVE DATE OF THE CONSOLIDATION

Although the members will vote on consolidation in March and April, 1999, if approved the actual consolidation will not occur until January 1, 2000, at 12:01 o'clock A.M., or such later date as may be required for compliance with all statutory and legal requirements for consolidation. During this interim period, the consolidating cooperatives shall continue to conduct their separate business in the usual and ordinary course of said business. **HOWEVER**, neither of the consolidating cooperatives will do or perform any extraordinary act without the consent of the other. The consolidating cooperatives shall be limited to their respective normal business practice in the declaring of or retiring of dividends or credits in its membership capital accounts.

III.
NAME AND PRINCIPAL OFFICE

The name of the consolidated cooperative shall be Southeastern Electric Cooperative, Inc., (hereafter referred to as the consolidated cooperative). The general offices and principal places of business of the consolidating cooperatives are now located at 605 SD Hwy 11, Alcester, SD and 501 S. Broadway Avenue, Marion, SD. Following the consolidation, the principal office of the consolidated cooperative shall be designated as 501 S. Broadway Avenue, Marion, SD. Existing operational facilities at Marion and Alcester shall be maintained, as well as cooperative out-posts, unless the Board of Directors determines otherwise.

IV.
DIRECTORS, OFFICERS & MANAGEMENT

- A. The consolidated cooperative shall be governed by a Board of Directors of not less than seven (7) nor more than eleven (11) directors, the number to be determined by the Board of Directors. The service territory of the consolidating cooperatives shall be divided into director districts, with one director being elected from each district, by the membership. The Board of Directors shall determine district boundaries based on geographic dispersion of the system and the number of members in each district. However, until the annual meeting of the consolidated cooperative, to be held in 2001, there shall be a transitional Board of Directors.
1. The transitional Board of Directors shall consist of eighteen (18) Directors, which shall be the existing directors of the consolidating cooperatives at the time the consolidation is effective (January 1, 2000).
 2. If any director on the transitional Board of Directors, resigns, retires or becomes ineligible to continue to serve as a director, such position shall not be filled, unless such vacancy causes one of the consolidating cooperatives to have less than forty percent (40%) of the then existing board members. Should representation for a consolidating cooperative fall below forty percent (40%), then the board may either appoint a new member from the under represented consolidating cooperative territory to serve the

balance of the transitional period, or it may accept any plan of attrition agreed to by the board to reduce the representation of the other consolidating cooperative.

3. While the transitional Board of Directors is serving, all decisions of the board shall be by a "super majority", defined as two-thirds (2/3rds) or more of the then present and voting board. A quorum of the consolidated Board of Directors shall be the attendance of two-thirds (2/3rds) of the then serving board membership.
 4. At the annual meeting of members of the consolidated cooperative in 2001, an election will be conducted from among the current directors, for the purpose of electing one director from each district. Prior to the 2001 annual meeting, the consolidated Board of Directors shall determine in which district, directors will serve a one (1) year term, a two (2) year term, and a three (3) year term. Until the Board of Directors determines otherwise, there shall be eight (8) director districts. Four (4) director districts shall consist of the territory of Turner-Hutchinson Electric Cooperative, Inc. and that territory of Lincoln-Union Electric Company situated in Turner County, South Dakota. The remaining four (4) director districts shall consist of the balance of the Lincoln-Union Electric Company.
 5. After the 2001 annual meeting, all directors will be elected to a three (3) year term. Persons desiring to be on the Board of Directors, shall take out a petition and upon securing the signatures of fifteen (15) members from within their district, shall be placed on the ballot. Such petitions shall be due in the principal office of the Consolidated Cooperative no less than twenty-five (25) days before the annual meeting. Nominations from the floor shall not be permitted.
- B. The transitional Board of Directors shall elect the officers of the consolidated cooperative at a reorganizational meeting called for that purpose on or before January 1, 2000. The newly elected officers shall assume office on the effective date of the consolidation and shall hold office as set forth in the consolidated cooperative's bylaws.
- C. A Manager designated by the Board of Directors will direct the operations of the Cooperative. The Manager shall be responsible for the management and direction of the work force.

V.

CONDITIONS OF CONSOLIDATION

Upon said consolidation becoming effective and without any other or additional action:

- A. Each and all of the members of the consolidating cooperatives and all of the credits in the accounts of such members shall be converted into and become a member of or a credit in the accounts of the consolidated cooperative.
- B. The assigned service territories of the consolidating cooperatives shall be assigned to and become the assigned service territory of the consolidated cooperative.

- C. All of the assets of the consolidating cooperatives shall then become the assets of the consolidated cooperative. At the same time all of the liabilities of the consolidating cooperatives shall then become the liabilities of the consolidated cooperative.
- D. It is acknowledged that the consolidating cooperatives use different methods for the general retirement of membership capital. Therefore, the consolidated Board of Directors shall, establish an equitable system for the retirement of capital.
- E. No regular full-time employees of the consolidating cooperatives will be terminated as a direct result of the consolidation. All such employees will be retained by the consolidated cooperative in substantially similar pay grades and overall compensation. **HOWEVER**, the consolidated cooperative (as the employer) retains an at-will employment relationship with the employees of the consolidating cooperatives. All employees shall be subject to the employment policies and procedures established by the consolidated cooperative. Retirements, voluntary termination, or any other reason not directly resulting from the consolidation may occasion reductions in force.
- F. There will be no rate changes effected as a result of the consolidation. However, this shall not prevent the Board of Directors of the consolidated cooperative from establishing different rates from time to time based on appropriate rate making principles. Service rates for former members of the consolidating cooperatives need not be the same. However, it is an objective of the Board of Directors of the consolidating cooperatives, that common rates will be developed in the future when it becomes possible to do so without the membership of one of the consolidating cooperatives subsidizing the membership of the other.
- G. Board policies of the consolidating cooperatives will be reviewed by a joint policy committee, which will propose a new set of board policies to the consolidated Board of Directors. Until such time as the new board policies are adopted, the policies of the separate cooperatives shall continue to be in effect for the former members of that cooperative.
- H. Following the approval of the consolidation, the transitional Board of Directors shall take action to adopt Articles of Consolidation. The transitional Board of Directors shall also take action to adopt bylaws which will be proposed for ratification by the members of the Consolidated Cooperative at their Annual Meeting in the year 2000.
- I. Following the consolidation, if the Board of Directors of the consolidated cooperative shall consider or deem it advisable that any instrument or further assurance be desirable in order to evidence the vesting in the consolidated cooperative of the title of any property, assets or rights, the appropriate Officers of the consolidated cooperative are hereby authorized to execute and acknowledge all such instruments and to do any and all other additional acts or things as the Board of Directors may deem necessary or desirable to carry out the purposes or provisions of this Proposition for Consolidation.

VI.
APPROVAL BY RUS, CFC, PUC & OTHERS

Upon approval of the consolidation by the memberships of the consolidating cooperatives, notice shall be given to the Rural Utilities Services (RUS), the National Rural Utilities Finance Corporation (CFC), the South Dakota Public Utilities Commission (PUC), East River Electric Power Cooperative, Inc., and any other public regulatory bodies having jurisdiction over the consolidating cooperatives. The consolidation shall become effective on January 1, 2000 or upon receiving written notice of approval from the above entities, whichever shall occur last.

VII.
APPROVAL RECOMMENDATIONS

This Proposition of Consolidation has been approved and adopted by the Board of Directors of each of the consolidating cooperatives and shall be submitted to a meeting of the members of each of the consolidating cooperatives in the manner provided by law. If approved by a majority of the members voting thereon, this Proposition of Consolidation shall be adopted and shall become effective upon the dates set forth herein. The Boards of Directors of Lincoln-Union Electric Company and Turner-Hutchinson Electric Cooperative, Inc., approve and recommend to their members the adoption of this Proposition for Consolidation.

IN WITNESS WHEREOF, the parties have hereunto set their hand and respective seal on this the 27th day of January, 1999.

LINCOLN-UNION ELECTRIC COMPANY

(CORPORATE SEAL)

BY: Leonard Welter
President

ATTEST:

Harley Burns
Secretary

TURNER-HUTCHINSON ELECTRIC
COOPERATIVE, INC.

(CORPORATE SEAL)

BY: Lynell Bojer
President

ATTEST:

Don Keenan
Secretary

MINUTES OF
THE ANNUAL MEMBERSHIP MEETING
OF TURNER-HUTCHINSON ELECTRIC COOPERATIVE, INC.

Thursday, April 8, 1999

The 51st Annual Membership Meeting of Turner-Hutchinson Electric Cooperative, Inc. was held on Thursday, the 8th day of April, 1999 at the High School Auditorium in the city of Freeman, Hutchinson County, State of South Dakota pursuant to the annexed "Notice of Meeting".

Registration started at 5:00 PM. Prior to the meeting, a health screening was available from the Freeman Hospital, members could view various displays, an evening meal was served by Central Catering, and the Freeman Public High School provided musical entertainment. Children activities were available during the meeting under the supervision of the Freeman FHA.

Former directors and employees and other special guests in attendance were recognized before the meeting was called to order.

Lynell Hofer, Board President, called the meeting to order at 7:00 PM with 418 registered members present. The National Anthem was sung by Kay Waltner and Sheila Wipf, staff members of the Freeman High School Music Department, followed by an invocation by Rev. Richard Behringer, minister of the Frieden Reformed United Church of Christ of Tripp and an address of welcome by Clifford Tjaden, Mayor of Freeman. Doyle Guthmiller advised that a quorum was present and that the members were in legal session to transact official business of the cooperative.

A motion was duly made, seconded and adopted by voice vote to dispense with the reading of the Notice of the Meeting and approve the notice as mailed. A motion was also duly made, seconded and adopted by voice vote to dispense with the reading of the Minutes of the Previous Annual Meeting and approve the minutes as mailed.

To allow more time for discussion of the proposed consolidation, Lynell Hofer dispensed with the President's Report. He then introduced the board members, attorney and manager and thanked them and the employees for their dedicated service to the cooperative.

Don Heeren presented the Treasurer's Report in which he presented a slide show summarizing the financial statements for 1998 and the financial position of the cooperative. The Treasurer's Report was then approved upon a motion duly made, seconded and adopted by voice vote.

In the Manager's Report, Brad Schardin presented a slide show that reviewed the activities of the cooperative during 1998. Manager Schardin closed by introducing the employees of the cooperative.

Attorney Ken Bertsch explained the provisions of the bylaws regarding the nomination and election of directors. He introduced the director candidates for Districts #2, #5 and #8. Because all three director-candidates were unopposed, Attorney Bertsch asked for a motion to cast a unanimous ballot for the candidates. A motion was made, seconded and adopted declaring the following directors duly elected for a period of three years. Directors elected to hold office until their successor shall have been elected and shall have qualified.

District #2 – Dean Tieszen of Marion, South Dakota

District #5 – Leslie Mehlhaff of Tripp, South Dakota

District #8 – Leslie Hanson of Viborg, South Dakota

President Hofer introduced and briefly discussed the proposed consolidation of Turner-Hutchinson Electric Cooperative, Inc. and Lincoln-Union Electric Company. Manager Schardin was then introduced to present a slide show summarizing the process and results of the consolidation study. A question and answer period followed the presentations. Attorney Bertsch then chaired the meeting during the balloting on the proposed consolidation.

Following an explanation of the selection process for the scholarship program cosponsored by the cooperative and Basin Electric, Dean Tieszen announced that Nick Ortman of Marion was the winner of the \$1,000 scholarship for 1999. Nick accepted the scholarship and a certificate in recognition of his scholastic achievements. Nick is the son of Ron and Linda Ortman.

Lynell Hofer then called for any old or new business to come before the meeting. Attorney Bertsch and Lincoln-Union Electric Board President Leonard Welter reported the results of each cooperative's member vote on the proposed consolidation. Attorney Bertsch reported that Turner-Hutchinson members cast 348 ballots with 304 in favor of the consolidation and 44 opposed. President Welter reported that at Lincoln-Union's Annual Meeting held March 20, 1999, 282 ballots were cast with 143 in favor of the consolidation and 139 opposed. Having received a majority of the ballots cast at each cooperative's Annual Meeting, the consolidation of Turner-Hutchinson Electric Cooperative, Inc. and Lincoln-Union Electric Company to form Southeastern Electric Cooperative, Inc. was approved to become effective January 1, 2000.

Chairman Lynell Hofer then declared the 1999 Annual Meeting of the Members of Turner-Hutchinson Electric Cooperative, Inc. officially adjourned at approximately 8:50 PM upon a motion duly made, seconded and approved.

Secretary

State of South Dakota



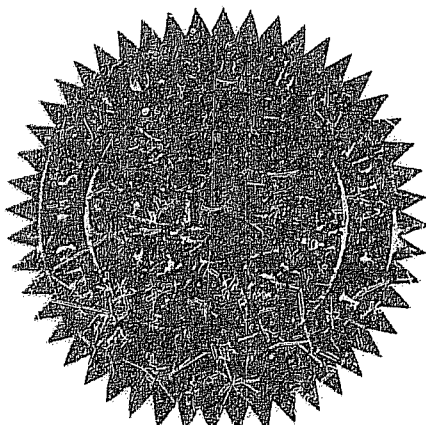
OFFICE OF THE SECRETARY OF STATE

CERTIFICATE OF CONSOLIDATION

I, JOYCE HAZELTINE, Secretary of State of the State of South Dakota, hereby certify that duplicate originals of the Certificate of Consolidation have been received in this office and are found to conform to law.

ACCORDINGLY, and by virtue of the authority vested in me by law, I hereby issue this Certificate of Consolidation to LINCOLN-UNION ELECTRIC COMPANY and TURNER-HUTCHINSON ELECTRIC COOPERATIVE, INC. to form SOUTHEASTERN ELECTRIC COOPERATIVE, INC.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of South Dakota at Pierre, the Capitol, this 30th day of June, 1999.



Joyce Hazeltine
JOYCE HAZELTINE
SECRETARY OF STATE

RECEIVED

JUN 30 1999

S.R. SEC. BY STATE

ARTICLES OF CONSOLIDATION
OF
SOUTHEASTERN ELECTRIC COOPERATIVE, INC.

These Articles of Consolidation are executed pursuant to the provisions of SDCL Section 47-21-27.

ARTICLE ONE - CONSOLIDATING COOPERATIVES

The name of each consolidating cooperative and the address of its principal office is as follows:

Lincoln-Union Electric Company	Turner-Hutchinson Electric Cooperative, Inc.
605 SD Hwy. 11	501 S. Broadway Avenue
PO Box 105	PO Box 388
Alcester, SD 57001-0105	Marion, SD 57043-0388

ARTICLE TWO - NEW COOPERATIVE

The name of the new cooperative and the address of its principal office are as follows:

Southeastern Electric Cooperative, Inc.
501 S. Broadway Avenue
PO Box 388
Marion, SD 57043-0388

ARTICLE THREE - STATEMENT OF AGREEMENT

The consolidating cooperatives, Lincoln-Union Electric Company and Turner-Hutchinson Electric Cooperative, Inc., hereby agree to the consolidation.

ARTICLE FOUR - DIRECTORS

The names and addresses of the transitional board of directors of the new cooperative are as follows:

Leonard Welter	Lynell Hofer
47705 273 rd St.	27618 431 st Ave.
Harrisburg, SD 57032-8224	Freeman, SD 57029-9630

Ronald Anderson
29526 468th Ave.
Beresford, SD 57004-6309

Leslie Mehlhaff
28256 418th Ave.
Tripp, SD 57376-9659

Harley Bruns
46715 282nd St.
Lennox, SD 57039-5639

Don Heeren
27150 459th Ave.
Parker, SD 57053-5306

John Ostraat
27780 482nd Ave.
Canton, SD 57013-5545

Jerry Graber
44797 281st St.
Parker, SD 57053-5915

Lee Carlson
29465 470th Ave.
Beresford, SD 57004-6460

Doyle Guthmiller
43579 288th St.
Menno, SD 57045-7308

Virgil Fodness
46973 284th St.
Lennox, SD 57039-5712

Leslie Hanson
28950 453rd Ave
Viborg, SD 57070

Chris Hofer
46730 271st St.
Tea, SD 57064-8006

Paul Luebke
21712 421st Ave.
Parkston, SD 57366-5201

Steve Holmberg
46551 293rd St.
Centerville, SD 57014-6320

Charles Olsen
45079 294th St.
Irene, SD 57037-5316

Herb Ulrikson
28548 480th Ave.
Canton, SD 57013-6144

Dean Tieszen, D.C.
PO Box 178
Marion, SD 57043-0178

The above-named persons shall serve as directors until such time as the Proposition for Consolidation designates.

ARTICLE FIVE - TERMS AND CONDITIONS

The terms and conditions of the consolidation and the mode of carrying the same into effect are as set forth in the Proposition for Consolidation, which was duly adopted by the Boards of Directors and membership of both consolidating cooperatives.

ARTICLE SIX – MEMBERSHIP

All members of the consolidating cooperatives shall become members of the consolidated cooperative. Other persons may become members of the consolidated cooperative as set forth in the consolidated cooperative's by-laws. Each member shall be entitled and restricted to only one (1) vote in the affairs of this cooperative.

ARTICLE SEVEN – PURPOSE

The purpose shall be and this consolidated cooperative shall have the power to engage in any and all business and activities authorized by law and for the further purpose of and to carry on the business of generating, manufacturing, purchasing, acquiring, accumulating, and transmitting electric energy, and distributing, selling, supplying and disposing of electric energy to its members, to governmental agencies and political subdivisions, and to other persons.

ARTICLE EIGHT - POWER TO INDEMNIFY

To the fullest extent permitted by The South Dakota Codified Law, as it now exists or may hereafter be amended, a director of the consolidated cooperative shall not be personally liable for monetary damages for breach of fiduciary duty as a director. However, this provision does not eliminate or limit the liability of a director for a breach of the director's duty of loyalty to the cooperative or its members for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, for any violation of Sections 47-5-15 to 47-5-19, inclusive, or for any transaction from which the director derived an improper personal benefit.

ARTICLE NINE – DURATION

The corporate life of the consolidated cooperative shall begin January 1, 2000 or upon filing of these Articles of Consolidation, whichever shall occur last. Unless changed by an amendment to these Articles of Consolidation or terminated by dissolution, the corporate life shall be perpetual.

ARTICLE TEN – DISSOLUTION OR LIQUIDATION

In the event of dissolution or liquidation of this cooperative, after (a) all debts and liabilities of the cooperative shall have been paid, and (b) all membership fees and capital furnished through patronage shall have been retired as provided in the bylaws, the remaining property and assets of the cooperative shall be distributed in accordance with the proposition to dissolve.

ARTICLE ELEVEN – BOARD OF DIRECTORS

The government of this cooperative and the management of its affairs shall be vested in a board of directors who shall be elected by and from the members, for such terms as the bylaws may prescribe. The board of directors shall have power to make and adopt such rules and regulations

not inconsistent with these Articles of Consolidation or the bylaws of the cooperative, as it may deem advisable for the management, administration, and regulation of the business and affairs of the cooperative.

ARTICLE TWELVE - AMENDMENTS

These Articles of Consolidation may be amended in the manner provided by law at a meeting of members provided that notice of such meeting shall have contained a copy of the proposed alteration, amendment, or repeal.

IN WITNESS WHEREOF, we have executed in duplicate these Articles of Consolidation on June 24, 1999.

LINCOLN-UNION ELECTRIC COMPANY

(CORPORATE SEAL)

BY: Leonard Walts
President

ATTEST:

John Ostrant
Secretary

TURNER-HUTCHINSON ELECTRIC
COOPERATIVE, INC.

(CORPORATE SEAL)

BY: Lenell Hefes
President

ATTEST:

Alan Keenan
Secretary

South Dakota Public Utilities Commission

WEEKLY FILINGS

For the Period of November 4, 1999 through November 10, 1999

If you need a complete copy of a filing faxed, overnight expressed, or mailed to you, please contact Delaine Kolbo within five business days of this filing.

Phone: 605-773-3705 Fax: 605-773-3609

CONSUMER COMPLAINTS

CT99-053 In the Matter of the Complaint filed by Storbeck Trucking, Inc., Huron, South Dakota, against Sprint Communications Company L.P. Regarding Unauthorized Switching of Services.

The Commission received a formal complaint from Doris Storbeck of Storbeck Trucking, Inc., Huron, South Dakota, on November 5, 1999, alleging that their intrastate long distance service was switched to Sprint without authorization. The Complainant is requesting that the charges be removed and compensation for inconvenience be awarded.

Staff Analyst: Leni Healy

Staff Attorney: Karen Cremer

Date Filed: 11/05/99

Intervention Deadline: NA

CT99-054 In the Matter of the Complaint filed by Tom and Corliss Vergeldt, Aberdeen, South Dakota, against MCI WorldCom Regarding Switching Rates.

On November 8, 1999, the Commission received a formal complaint from Tom and Corliss Vergeldt, Aberdeen, South Dakota, against MCI. The Complainants allege that a telemarketer promised they would get a rate of 5 cents per minute, any time of the day or night. The Complainants claim they questioned the telemarketer twice to confirm the rate. When they received the material sent by MCI, the Complainants discovered that their rates were not as described by the telemarketer. The Complainants called the numbers provided several times to get the service canceled. A representative of MCI indicated that they were not customers of MCI. They received a billing with high rates from MCI. The Complainants are seeking to have the charges dismissed, a \$1000 damage award and \$20,000 fine.

Staff Analyst: Leni Healy

Staff Attorney: Karen Cremer

Date Filed: 11/08/99

Intervention Deadline: NA

CT99-055 In the Matter of the Complaint filed by L & M Land Management, Huron, South Dakota, against Accutel Communications, Inc. Regarding Unauthorized Switching of Services.

On November 9, 1999, the Commission received a formal complaint from Ardelle Fosheim on behalf of L & M Land Management. The Complainant alleges that Accutel added charges to their telecommunications billing without authorization. The Complainant seeks to have all charges associated with this activity removed and \$1000 for inconvenience.

Staff Analyst: Leni Healy
Staff Attorney: Camron Hoseck
Date Filed: 11/09/99
Intervention Date: NA

ELECTRIC

EL99-017 In the Matter of the Filing for Approval of Changes to Assigned Service Areas of Intercounty Electric Association, Inc. and Tri-County Electric Association, Inc.

Tri-County Electric and Intercounty Electric have requested that the Commission transfer the existing territorial Agreements of the two existing entities to Central Electric Cooperative, Inc., effective January 1, 2000.

Staff Analyst: Martin Bettmann
Staff Attorney: Karen Cremer
Date Filed: 10/14/99
Intervention Deadline: NA

EL99-018 In the Matter of the Filing for Approval of Changes to Assigned Service Areas of Lincoln-Union Electric Company and Turner-Hutchinson Electric Cooperative, Inc.

Lincoln-Union Electric and Turner-Hutchinson Electric have requested that the Commission transfer the existing territorial Agreements of the two existing entities to Southeastern Electric Cooperative, Inc., effective January 1, 2000.

Staff Analyst: Martin Bettmann
Staff Attorney: Karen Cremer
Date Filed: 10/14/99
Intervention Deadline: NA

NATURAL GAS

NG99-008 In the Matter of the Filing by MidAmerican Energy Company for Approval of a Contract with Deviations with the University of South Dakota.

On November 8, 1999, MidAmerican Energy filed a proposed contract with deviations to serve the University of South Dakota at Vermillion pursuant to its Competitive Pricing Transportation Service currently tariffed with the Commission. The contract is the result of negotiations taking place after the University notified MidAmerican that it intended to build pipeline facilities to bypass MidAmerican.

Staff Analyst: Dave Jacobson
Staff Attorney: Camron Hoseck
Date Filed: 11/08/99
Intervention Deadline: NA

TELECOMMUNICATIONS

TC99-104 In the Matter of the Application of Connect!LD, Inc. for a Certificate of Authority to Provide Telecommunications Services in South Dakota.

Connect!LD, Inc. (Connect!) seeks a Certificate of Authority to offer presubscribed "1+" and toll free inbound services throughout South Dakota. Connect! intends to offer its services to business and residential customers.

Staff Analyst: Heather Forney
Staff Attorney: Camron Hoseck
Date Filed: 11/04/99
Intervention Date: 11/26/99

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You may subscribe or unsubscribe to the PUC mailing lists at <http://www.state.sd.us/puc/>



EL 99-01
Turner-Hutchinson

ELECTRIC COOPERATIVE, INC.

531 SOUTH BROADWAY AVENUE
P.O. BOX 388 MARION, SOUTH DAKOTA 57043
PHONE (605) 648-3619 FAX (605) 648

December 1999

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**SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION**

William Bullard, Executive Director
South Dakota Public Utilities Commission
State Capitol
Pierre SD 57501-5070

Dear Mr. Bullard:

Earlier this year a majority of the members voting at the annual meetings of Lincoln-Union Electric Company of Alcester, SD and Turner-Hutchinson Electric Cooperative of Marion, SD approved the proposed consolidation of these two cooperatives to form Southeastern Electric Cooperative, Inc.

Southeastern Electric will begin operating on January 1, 2000. Although the current facilities of both Lincoln-Union Electric and Turner-Hutchinson Electric will remain open, the office in Marion, SD has been designated as the official headquarters. Please use the address on this letterhead as the mailing address for Southeastern Electric beginning January 1, 2000.

We would appreciate your cooperation in making any necessary changes to your records. All correspondence should be addressed to our Marion office beginning next year. Also, if there are any business matters that need to be addressed as a result of this consolidation, please let us know at your earliest convenience.

Your assistance is greatly appreciated.

Sincerely,

Brad Schardin
General Manager

E-mail address: schardin@sunrisenet.com

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE FILING FOR)
APPROVAL OF CHANGES TO ASSIGNED)
SERVICE AREAS OF LINCOLN-UNION)
ELECTRIC COMPANY AND TURNER-)
HUTCHINSON ELECTRIC COOPERATIVE,)
INC.)

ORDER APPROVING
TERRITORIAL TRANSFER

EL99-018

On October 14, 1999, the South Dakota Public Utilities Commission (Commission) received a joint request from Lincoln-Union Electric Company (Lincoln-Union) and Turner-Hutchinson Electric Cooperative, Inc. (Turner-Hutchinson) for approval of the consolidation of the two cooperatives. According to the request, on March 20, 1999, Lincoln-Union membership voted to approve the consolidation. On April 8, 1999, Turner-Hutchinson membership voted to approve the consolidation of the two cooperatives. The new organization will be formed on January 1, 2000, and will be known as Southeastern Electric Cooperative, Inc. Lincoln-Union and Turner-Hutchinson are requesting approval to transfer the existing territorial Agreements of the two existing entities to Southeastern Electric Cooperative, Inc., effective on January 1, 2000. According to the filing, "[w]e believe this request meets all the requirements as outlined in SDCL 49-34A-55 pertaining to the following items:

elimination or avoidance of unnecessary duplication of facilities;
providing adequate electric service to all areas and customers affected and,
the promotion of the efficient and economical use and development of the electric system."

On November 15, 1999, at its regularly scheduled meeting, the Commission considered the matter. Commission Staff recommended approval.

The Commission finds that it has jurisdiction over this matter pursuant to SDCL 49-34A, specifically 49-34A-42 and 49-34A-55. Further, the Commission finds that the proposed territorial transfer will avoid the unnecessary duplication of facilities, provide adequate electric service to the customer, and promote the efficient and economical use and development of the electric systems of Lincoln-Union and Turner-Hutchinson. Finally the Commission finds that the approval of the joint request is in the public interest and the request shall be granted. As the Commission's final decision in this matter, it is therefore

ORDERED, that the request for approval of the territorial transfer is hereby granted.

Dated at Pierre, South Dakota, this 8th day of December, 1999.

CERTIFICATE OF SERVICE	
The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.	
By: <u><i>Alaine Kelbo</i></u>	
Date: <u>12/8/99</u>	
(OFFICIAL SEAL)	

BY ORDER OF THE COMMISSION:

James A. Burg
JAMES A. BURG, Chairman

Pam Nelson
PAM NELSON, Commissioner

Laska Schoenfelder
LASKA SCHOENFELDER, Commissioner