

MINUTES OF SPECIAL SESSION BOARD MEETING
SPECIAL SESSION BOARD MEETING
MUNICIPAL UTILITIES DEPARTMENT
WEDNESDAY, OCTOBER 3RD, 2018

The Municipal Utilities Board convened in special session at Municipal Utilities Board Room Watertown, SD on Wednesday, October 3rd, 2018 at 12:00 p.m. with President Mike Luken presiding.

Board members present: Mike Luken, John Holley, Greg Solum, Lisa Carrico and Chris Carter. Staff Members present: Steve Lehner, Adam Karst, Bert Magstadt, Sheila Mennenga and Lisa Pahl.

ITEM 7119

Motion by Carrico with second by Holley to approve the Agenda.
Motion carried.

ITEM 7120

Motion by Holley with second by Solum to approve General Manager to sign Resolution 7119 authorizing the purchase of natural gas from Central Plains Energy Project.

RESOLUTION NO.: 7119

**A RESOLUTION OF THE WATERTOWN MUNICIPAL UTILITIES BOARD
AUTHORIZING THE PURCHASE OF NATURAL GAS FROM CENTRAL
PLAINS ENERGY PROJECT; APPROVING THE EXECUTION AND
DELIVERY OF A GAS SUPPLY AGREEMENT AND OTHER DOCUMENTS
RELATING TO SAID PURCHASE; CONSENTING TO THE ASSIGNMENT
OF CERTAIN OBLIGATIONS UNDER THE GAS SUPPLY AGREEMENT IN
CONNECTION WITH THE ISSUANCE OF BONDS BY CENTRAL PLAINS
ENERGY PROJECT; AND ADDRESSING RELATED MATTERS**

WHEREAS, Central Plains Energy Project ("CPEP") is a separate legal entity and a public body corporate and politic (including a not-for-profit corporation) organized under the laws of the State of Nebraska and an instrumentality of its members pursuant to the provisions of the Nebraska Interlocal Cooperation Act (Chapter 13, Article 8, Reissue Revised Statutes of Nebraska, as amended (the "Act")); and

WHEREAS, CPEP was formed, among other reasons, for the purpose of acquiring, financing, and managing secure and economically priced supplies of natural gas for sale to its members and other public gas distribution systems and joint action agencies inside and outside the State of Nebraska pursuant to the provisions of the Act; and

WHEREAS, CPEP has planned and developed a project to acquire long-term gas supplies from J. Aron & Company LLC, a New York limited liability company and an affiliate of The Goldman Sachs Group, Inc., pursuant to a Prepaid Natural Gas Sales Agreement, to meet a portion of the requirements of Watertown Municipal Utilities (the "Gas Purchaser"), and other public gas distribution systems that elect to participate (each, a "Project Participant") through a prepayment (the "Prepaid Project"); and

WHEREAS, CPEP will issue its Gas Project Revenue Bonds, Series 2018 (the "CPEP Bonds") to finance the acquisition of gas supplies under the Prepaid Project; and

WHEREAS, Gas Purchaser is a Department of the Municipality of Watertown, organized under the laws of the State of South Dakota; and

WHEREAS, Gas Purchaser has determined that it is in the best interest of its customers to be a Project Participant and thereby purchase a portion of Gas Purchaser's natural gas requirements from CPEP pursuant to a natural gas supply contract to be entered into by CPEP and Gas Purchaser (the "Gas Supply Agreement"); and

WHEREAS, under the Gas Supply Agreement, Gas Purchaser will agree to purchase from CPEP the amounts of gas specified in the Gas Supply Agreement, at the prices specified in the Gas Supply Agreement, for a term specified in the Gas Supply Agreement; and

WHEREAS, the CPEP Bonds will be issued pursuant to a Trust Indenture between CPEP and a corporate trustee (the "Indenture") and purchased by the underwriters or original purchasers of the CPEP Bonds (the "Underwriters") pursuant to one or more bond purchase agreements or similar agreements; and

WHEREAS, CPEP will pledge to the payment of the CPEP Bonds certain assets of CPEP, including the Gas Supply Agreement between CPEP and Gas Purchaser; and

WHEREAS, Gas Purchaser shall have no financial liability with respect to the CPEP Bonds, and Gas Purchaser's only obligations relating to the Prepaid Project herein shall be as set forth in the Gas Supply Agreement; and

WHEREAS, in order to authorize the purchase of natural gas from CPEP and the execution of the Gas Supply Agreement, to consent to the assignment of the Gas Supply Agreement to secure the CPEP Bonds, to authorize the sale of the gas purchased from CPEP, and to authorize and take such other necessary and appropriate action in furtherance of the Prepaid Project, Watertown Municipal Utilities adopts this Resolution.

NOW, THEREFORE, BE IT HEREBY RESOLVED by the Watertown Municipal Utilities Board (the "Governing Body"), as follows:

SECTION 1: Watertown Municipal Utilities ("Gas Purchaser") is authorized to enter into a Gas Supply Agreement with CPEP, pursuant to which Gas Purchaser will purchase natural gas from CPEP as provided in the Gas Supply Agreement. The Gas Supply Agreement shall (a) have a term of not greater than 366 months, (b) provide for the purchase by Gas Purchaser of not more than 3,000 MMBtu per day, and (c) provide for a projected minimum savings (prior to payment of the project administration fee as set forth in the Gas Supply Agreement) through monthly and annual discounts of not less than 25 cents per MMBtu to Gas Purchaser for the initial rate period and an average of not less than 25 cents per MMBtu on a cumulative basis through the end of each reset period (but never less than 20 cents per MMBtu in any reset period), unless Gas Purchaser elects to purchase gas at a lesser discount during any reset period, as set forth in the Gas Supply Agreement.

SECTION 2: The Gas Supply Agreement shall be in substantially the form submitted and attached hereto as Exhibit A, which such form is hereby approved, with such completions, deletions, insertions, revisions, and other changes as may be approved by the officers executing same with the advice of counsel, their execution to constitute conclusive evidence of their approval of any such changes.

SECTION 3: The sale of the gas purchased by Gas Purchaser from CPEP shall be resold by Gas Purchaser to its retail customers in its service area, pursuant to published tariffs or pursuant to qualified requirements contracts approved by tax counsel to CPEP.

SECTION 4: The General Manager (the "Authorized Officer") is hereby authorized to execute and deliver the Gas Supply Agreement and the Board Secretary (the "Attesting Officer") is hereby authorized to attest the Gas Supply Agreement.

SECTION 5: The officers, employees, and agents of Gas Purchaser are hereby authorized and directed to take such actions and do all things necessary to cause the purchase of said gas to take place, including the payment of all amounts required to be paid in order to purchase the gas in accordance with the Gas Supply Agreement.

SECTION 6: The Governing Body consents to the assignment and pledge of all of CPEP's right, title and interest under the Gas Supply Agreement, including the right to receive performance by Gas Purchaser of its obligations thereunder, to

secure the payment of principal of and interest on the CPEP Bonds.

SECTION 7: The officers and employees of Gas Purchaser, as well as any other agent or representative of Gas Purchaser, are hereby authorized and directed to cooperate with and provide CPEP, the underwriters of the CPEP Bonds, and their agents and representatives with such information relating to Gas Purchaser as is necessary for use in the preparation and distribution of a preliminary official statement or other disclosure document used in connection with the sale of the CPEP Bonds. After the CPEP Bonds have been sold, any officer or employee of Gas Purchaser, or any agent or representative designated by Gas Purchaser, shall make such completions, deletions, insertions, revisions, and other changes in the preliminary official statement relating to Gas Purchaser not inconsistent with this Resolution as are necessary or desirable to complete it as a final official statement for purposes of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"). The Governing Body hereby covenants and agrees that Gas Purchaser will cooperate with CPEP in the discharge of CPEP's obligations to provide annual financial and operating information and notification as to material events with respect to Gas Purchaser as may be required by the Rule. Any officer or any employee of Gas Purchaser, or such other agent or representative of Gas Purchaser as shall be appropriate, is hereby authorized and directed to provide such information as shall be required for such compliance, and such officer or employee may execute a continuing disclosure agreement with respect to the provision of such information if requested to do so by the underwriters of the CPEP Bonds.

SECTION 8: The CPEP Bonds are not obligations of Gas Purchaser but are limited obligations of CPEP payable solely from the revenues and receipts pledged by CPEP under the Indenture, including the revenues and receipts arising from the sale of gas to Project Participants. By consenting to the assignment of the Gas Supply Agreement and agreeing to provide information for inclusion in the official statement, Gas Purchaser is not incurring any financial liability with respect to the CPEP Bonds.

SECTION 9: All acts and doings of the officers any employees of Gas Purchaser or any other agent or representative of Gas Purchaser which are in conformity with the purposes and intent of this Resolution and in furtherance of the execution and delivery of and performance under the Gas Supply Agreement, and in furtherance of the issuance and sale of the CPEP Bonds, shall be and the same hereby are in all respects approved and confirmed, including without limitation the execution and delivery by the officers of Gas Purchaser of all

certificates and documents as they shall deem necessary in connection with the Gas Supply Agreement and the CPEP Bonds.

SECTION 10: If any section, paragraph or provision of this Resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this Resolution.

SECTION 11: All other resolutions or orders, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed and this Resolution shall be in immediate effect from and after its adoption.

SECTION 12: This Resolution shall take effect immediately upon its adoption.

ITEM 7121

Pursuant to SDCL 1-25-2(4) Carter moved with second by Holley to move to Executive Session for discussing contract negotiations with employees. The Board does not expect to take action when they reconvene to regular session. Motion carried.

Board President declared Executive Session done and they reconvened to regular session. Motion by Holley with second by Carter to adjourn. Motion carried.

The Watertown Municipal Utilities Department does not discriminate in employment opportunities or provision of services on the basis of race, color, religion, sex, national origin, age, disability, or any other characteristic protected by law.

Dated at Watertown South Dakota this 3rd day of October, 2018.

ATTEST:

Lisa Pahl
Board Secretary
Municipal Utilities Board

Mike Luken
President
Municipal Utilities Board