

**MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS  
OF THE SIOUX VALLEY-SOUTHWESTERN ELECTRIC COOPERATIVE, INC.  
September 24<sup>th</sup>, 2018**

The regular meeting of the Board of Directors of the Sioux Valley-Southwestern Electric Cooperative, Inc. (dba. Sioux Valley Energy) was held on September 24<sup>th</sup>, 2018 commencing at 8:30 a.m. at the Colman headquarters in Colman, South Dakota.

The meeting was called to order by President Allan Weinacht who presided and Allan Kooima, Secretary, acted as Secretary.

Roll call showed the following members present:

Rodney DeMent	Dan Leuthold	Allan Weinacht
Henning Hansen	Gregg Johnson	Allan Kooima
Bruce Martinson	Mark Rogen	Dave Daniel
Arlyn Zylstra	Gary Fish	

All directors were present. Also present were Attorney Alan Peterson, General Manager Tim McCarthy, management staff member Debra Biever, along with Executive Assistant Amy Voelker; Chinelle Christensen, Training and Development Coordinator and Darin Hofer, Metering Coordinator.

REVIEW AND CONSIDERATION OF AGENDA

The agenda was presented for consideration. A motion to approve the agenda was made by Mr. Daniel, seconded by Mr. Martinson. The motion carried.

REVIEW AND CONSIDERATION OF MINUTES

A motion to approve the minutes with the updated changes of the regular board meeting of August 27<sup>th</sup>, 2018, was made by Mr. Zylstra, seconded by Mr. Kooima. The motion carried.

INTRODUCTION OF NEW EMPLOYEE

Chinelle Christensen introduced new employee, Daren Hoffer, metering coordinator.

ACSI SCORE WEBINAR

Keith Koderly from Inside Information, LLC presented a webinar on the ACSI score for Sioux Valley Energy. He shared how the members are randomly selected, and statistics from this year's survey and past history on the ACSI scores.

REVIEW AND CONSIDERATION OF 2019 DISTRICT MEETING DATES

The proposed schedule of dates and locations for the 2019 district meetings was reviewed. Mr. Rogen made a motion to approve the 2019 proposed district meeting schedule, seconded by Mr. Kooima. The motion carried.

<u>DATE</u>	<u>DIRECTOR/DISTRICT</u>	<u>TOWN</u>	<u>LOCATION</u>
2/21/19	Leuthold (8)	Luverne, MN	Grand Prairie Event Center
2/25/19	Fish (6) & Rogen (6)	Brandon, SD	Brandon Valley High School
2/28/19	Johnson (9)	Pipestone, MN	Pipestone High School
3/4/19	Weinacht (5)	Colton, SD	Tri-Valley School
3/19/19	Hansen (1)	Elkton, SD	Elkton Community Center
3/21/19	Zylstra (10)	Edgerton, MN	Edgerton Public School
3/25/19	Kooima (2)	Volga, SD	Sioux Valley School
3/26/19	Martinson (3)	Flandreau, SD	William J. Janklow Community Center
3/28/19	DeMent (7)	Hartford, SD	West Central School
4/1/19	Daniel (4)	Madison, SD	Madison HS Commons

REVIEW AND CONSIDERATION OF RESOLUTION OF THE BOARD OF DIRECTORS AUTHORIZING THE AMENDMENT OF THE NRECA 401(K) PENSION PLAN

Manger McCarthy called upon Debra Biever to present the Board resolution to amend the NRECA 401(k) pension plan from the two-year contract that was ratified at the August board meeting. A motion to approve the resolution of the board of directors authorizing the amendment of the NRECA 401(k) pension plan by Mr. Hansen, seconded by Mr. Fish. The motion carried.

REVIEW AND CONSIDERATION OF REVENUE DEFFERAL AMENDMENT

Manager McCarthy presented the revenue deferral amendment. A motion to approve the revenue deferral amendment was made by Mr. Rogen, seconded by Mr. Zylstra. The motion carried.

WHEREAS, Sioux Valley-Southwestern Electric Cooperative has an approved revenue deferral plan with a balance of \$4,350,000 in which the revenue is scheduled to be recognized by December 31, 2018.

WHEREAS, Sioux Valley-Southwestern Electric Cooperative has sufficient margins in 2018 and will not need to recognize all of the deferred revenue by December 31, 2018.

WHEREAS, the cooperative's board of directors is aware of the potential impact on its tax exempt and "cooperative" statuses.

WHEREAS, the board of directors of the cooperative accept the responsibility for the implementation of the revenue deferral plan.

WHEREAS, all deferred amounts will be segregated in a special fund in cash until such time as a like amount is subsequently amortized into revenue.

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors of Sioux Valley Southwestern Electric Cooperative authorizes the Cooperative to submit an amendment to the current approved revenue deferral plan to extend the period in which the revenue will be recognized to December 31, 2022.

REVIEW AND CONSIDERATION OF AGREEMENT TRANSFER OF SERVICE TERRITORY BETWEEN CITY OF AURORA AND SIOUX VALLEY-SOUTHWESTERN ELECTRIC COOPERATIVE, INC

Manager McCarthy presented an agreement for transfer of service territory between the city of Aurora and Sioux Valley-Southwestern Electric cooperative Inc. A motion was made by Mr. Zylstra for the proposed annexation agreement, seconded by Mr. Daniel. The motion carried.

WHEREAS, the Cooperative and the City entered into a Territorial Agreement dated January 19, 1976, pursuant to the provisions of Chapter 49-34A, SDCL, which Agreement was approved and ratified by the Public Utilities Commission for the State of South Dakota, and

WHEREAS, thereafter the City did annex certain territories to the City, which territories were service territory of the Cooperative, and

WHEREAS, the City has proposed to purchase the facilities and assume service to all consumers in the newly annexed areas pursuant to letter proposals dated 6th of August 2018 and the Cooperative is required to transfer said territory in accordance therewith, now therefore,

FOR AND IN CONSIDERATION of the mutual promises, conditions and terms contained herein, the parties do hereby covenant, contract and agree as follows, to-wit:

I. The Cooperative hereby relinquishes all service rights to the City in the following described territory, to-wit:

South ½ of the NE ¼, except Spilde's Second Addition, Messner's Addition and the west ½ of the SW ¼ of the NE ¼ all in section three, Township 109 North, Range 49 West of the 5th P.M., City of Aurora, County of Brookings, State of South Dakota

in accordance with the maps attached hereto as "Exhibit A1".

II. The Cooperative hereby is required to sell and the City hereby is required to purchase the electric lines, poles, appurtenances and facilities located within and/or near the above described property and to pay for the costs of reintegrating the Cooperative's system, all in accordance with the schedule attached hereto as "Exhibit B".

III. The purchase price for facilities being sold to the City shall be \$0.00, as the cooperative does not have and facilities in the affected area.

IV. As and for additional consideration for the purchase of the Cooperative's facilities and the right to serve existing and all future customers within the above described territory assumed by the

City, the City furthermore agrees to pay as compensation for service rights, an annual amount equal to the sum of twenty-five percent of the gross revenues received from power sales to consumers of electric power within the annexed area. The obligation of the annexing municipality to compensate the utility for service rights shall continue for eleven years from the date of the offer to purchase by the annexing municipality. During the eleven-year period, compensation for service rights to any one customer location within the annexed area shall be paid by the annexing municipality for a period of seven years or until the expiration of the eleven-year period, whichever is less. Gross revenues received shall be determined by applying the rate in effect by the municipality at the time of purchase.

V. The City agrees to apply to the South Dakota Public Utilities Commission of the State of South Dakota for the transfer and assignment of the Cooperative's certified service territory to the City.

VI. It is understood and agreed that the Date of Possession of said territory shall be \_\_\_\_\_. The parties agree to work together to effect a smooth transition causing the least inconvenience to electric patrons located within the City.

VII. The Cooperative agrees to refund to its customers, as of, or prior to the Date of Possession, any refundable deposits and there shall be no assumption by the City of such refundable deposits. From and after the Date of Possession, the Cooperative agrees to indemnify, and save harmless the City against any and all claims based upon transactions occurring prior to the Date of Possession with respect to refundable deposits.

VIII. At the time of transfer of individual consumers, the consumer meters shall be jointly read by representatives of the City and the Cooperative. This reading shall be used to determine the final bill to be issued by the Cooperative and the initial reading for use by the City. The Cooperative shall be entitled to all revenues derived from sales prior to said meter reading, and shall be responsible for collection of those revenues, except: any receivables still outstanding 60 days following the transfer date shall be purchased by the City, and further collection shall be the responsibility of the City. The Cooperative shall make diligent effort to collect its revenues within the 60 day period.

IX. The Cooperative's cash retirement of consumers' retained capital credits shall be consistent with Cooperative policy.

X. The Cooperative shall assign to the City all right-of-way easements of record pertaining to the facilities to be purchased by the City through this Agreement. The City shall prepare the assignment documents.

## REVIEW AND CONSIDERATION OF RESOLUTION OF APPROVAL OF LAKE COUNTY PDM PLAN

Manager McCarthy presented the Lake County PDM (pre-disaster mitigation) plan approved by FEMA. A motion was made by Mr. Daniel to adopt this plan to make Sioux Valley Energy eligible for FEMA pre disaster funding, without having to go through Lake County, seconded by Mr. Rogen. The motion carried.

WHEREAS, Lake County received assistance in the preparation of the Lake County Pre-Disaster Mitigation Plan 2018-2023 from representatives of Sioux Valley Energy and received funding from the South Dakota Office of Emergency Management / FEMA; and

WHEREAS, several public planning meetings were held between November 2017 and July of 2018 regarding the development and review of the Lake County Pre-Disaster Mitigation Plan 2018-2023; and

WHEREAS, the Lake County Pre-Disaster Mitigation Plan 2018-2023 contains several potential future projects to mitigate hazard damage to utility providers infrastructure; and

WHEREAS, the Federal Emergency Management Agency (FEMA) has rendered its approval of the Lake County Pre-Disaster Mitigation Plan on September 10, 2018; and

WHEREAS, a duly-noticed public hearing was held by the Lake County Pre-Disaster Mitigation Team on June 12, 2018 to solicit public comment on the Lake County Pre-Disaster Mitigation Plan 2018-2023; and

WHEREAS, a duly-noticed public meeting was held by the Sioux Valley Energy Board on September 24, 2018 to formally approve and adopt the final Lake County Pre-Disaster Mitigation Plan 2018-2023.

NOW, THEREFORE BE IT RESOLVED that the Sioux Valley Energy Board adopts the Lake County Pre-Disaster Mitigation Plan 2018-2023.

### STRATEGIC ISSUE DISCUSSION

Manager McCarthy reviewed the actionable items from the strategic planning session that was held in August.

### BOARD EDUCATION

Directors started to watch a series of educational videos on a variety of governance topics. This month they watched "Pros and Cons of Peer Director Assessment:"

### POLICY REVIEW DISCUSSION

Manager McCarthy reviewed Board Policy 5; BOG 5-1, 5-2, 5-3, 5-4; Board Policy 6; and BOG 6-1 and 6-2. Mr. Fish made a motion, seconded by Mr. DeMent to approve updates and changes to the Board policy 5, BOG's 5-1, 5-2, 5-3, 5-4, Board policy 6 and BOG's 6-1, 6-2. The motion carried.

### REVIEW AND CONSIDERATION OF GENERAL MANAGER'S REPORT

Manager McCarthy reviewed key highlights of his written report including wholesale power purchases, sales, and revenue. He also reported on his attendance at the SDREA manager's meeting.

Manager McCarthy reported on the Basin MAC meeting that was held September 17<sup>th</sup> in Minneapolis, MN.

Manager McCarthy gave an update on the Business Development plans and stated East River has asked for input moving forward.

Manager McCarthy and Debra Biever shared the experience of the volunteer day that was held at the Colman office for "Sleep in Heavenly Peace".

Manager McCarthy shared that East River nominated him as a candidate for the Touchstone Energy board.

Manager McCarthy gave an update on the Basin Bylaws, Basin Resolutions, Southwest Power Pool (SPP), and CFC and CoBank Patronage. Also, the Regulatory/Legislative and Legal Issues including: EAP Releases Affordable Clean Energy Proposal, Farm Bill Conference Committee, VW Settlement Beneficiary Plan, and the American Coalition for Ethanol Annual Meeting and Conference update from the East River General Manager's report.

Manager McCarthy shared that Carrie Vugteveen delivered all ACRE checks to the local legislators.

Manager McCarthy gave an update that the new website is up and running.

### ACCEPT MANAGER'S REPORT

A motion to accept the manager's report was made by Mr. Zylstra, seconded by Mr. DeMent. The motion carried.

### REPORTS ON POWER SUPPLY MEETINGS

East River Board Meeting – Mr. DeMent reported on his attendance at the East River board meeting.

L&O POWER COOPERATIVE BOARD MEETING – Mr. Johnson reported on his attendance at the L&O Power Cooperative board meeting.

### REPORTS ON MEETINGS ATTENDED

NRECA Regional Meeting – Directors Weinacht, Martinson, DeMent, Johnson, Rogen and Hanson reported on the NRECA Regional meeting that was held September 17-19, 2018.

NOTICES OF MEETINGS, SELECTION OF DELEGATES/ATTENDANCE AUTHORIZATION

Winter School for Directors – Notice of the Winter School for Directors that will be held November 30 – December 5, 2018 in Nashville, TN was presented. Mr. Martinson made a motion to authorize Director Leuthold to attend, seconded by Mr. Daniel. The motion carried.

Mid-west Electric Consumer Annual Meeting – Notice was given for the Mid-west Consumer Annual Meeting that will be held December 10-13, 2018 in Denver, CO. Mr. Martinson made a motion to authorize Directors Johnson, Rogen, Kooima and Fish to attend the Mid-west Electric Consumer Annual Meeting with Mr. Rogen as voting delegate and Mr. Johnson as alternate, seconded by Mr. DeMent. The motion carried.

Legislative Luncheon – Notice was given for the SVE Legislative Luncheon that will be held on November 19, 2018. Mr. Hansen made a motion to authorize all directors to attend, seconded by Mr. Kooima. The motion carried.

CoBank Regional Meetings – Notice was given for the CoBank Regional Meetings. Mr. Hansen made a motion to authorize Director Rogen for the meeting in Omaha, NE that will take place February 21-22, 2019, Director Johnson for the meeting in Minneapolis, MN that will take place March 25-26, 2019 and Directors Hansen and Kooima for the meeting in Fargo, ND that will take place March 28-29, 2019, seconded by Mr. Leuthold. The motion carried.

Touchstone Energy Voting Delegate – Mr. Rogen made a motion to nominate Director Daniel as the voting delegate for the Touchstone Energy Annual Electronic Business Meeting and Board of Directors Election, seconded by Mr. Johnson. The motion carried.

EXECUTIVE SESSION

Mr. Kooima made a motion to move into executive session, seconded by Mr. Zylstra at 2:00 p.m. for the purpose of the general manager/CEO evaluation and board self-appraisals. Mr. Zylstra made a motion to adjourn executive session at 3:55 p.m., seconded by Mr. DeMent. The motion carried.

NEXT MEETING

The next regular board meeting will be held on October 29<sup>th</sup>, 2018 at Sioux Valley Energy headquarters in Colman, SD.

ADJOURNMENT

Mr. Zylstra made a motion, seconded by Mr. Fish, to adjourn the Sioux Valley Energy board meeting at 4:00 p.m. The motion carried.

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Allan Kooima, Secretary

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