

**MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS  
OF THE SIOUX VALLEY-SOUTHWESTERN ELECTRIC COOPERATIVE, INC.  
November 23, 2020**

The regular meeting of the Board of Directors of Sioux Valley-Southwestern Electric Cooperative, Inc. (DBA Sioux Valley Energy) was held on November 23, 2020 commencing at 8:30 a.m. via teleconference. Teleconference was necessary due to the COVID-19 pandemic.

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
Don DeGreef	Gregg Johnson	Allan Kooima
Bruce Martinson	Lucas Roskamp	Dave Daniel
Gary Fish	Mark Rogen	

All directors were present. Also present were Attorney Alan Peterson, General Manager Tim McCarthy, management staff members Betty VanDerWerff, Carrie Vugteveen, Ted Smith and Debra Biever along with Executive Assistant, Brenda Schelhaas.

**REVIEW AND CONSIDERATION OF AGENDA**

The agenda was presented for consideration. President Weinacht asked that SDREA Annual Meeting delegate and alternate be added under Notices of Meetings. He also asked that SDREA Board Director and SDREA Legislative Committee Member be added under Other Business. A motion to approve the agenda as amended was made by Mr. Daniel, seconded by Mr. Johnson. The motion carried.

**REVIEW AND CONSIDERATION OF BOARD MEETING MINUTES**

A motion to approve the minutes of the October 26, 2020 regular board meeting was made by Mr. Fish, seconded by Mr. Rogen. The motion carried.

**SAFETY STEERING COMMITTEE ANNUAL UPDATE**

Manager McCarthy called upon the Safety Steering Committee (SSC) to give the Board an update on activities and the ongoing efforts to enhance the safety culture at Sioux Valley Energy. The committee shared the I Will Values and the I Will safety video featuring SSC members. The committee also discussed the Safety Balanced Scorecard and focused on CS2. Education and outreach to members, public, and schools on electrical safety. Their analysis showed the economic impact of public contact incidents for members and Sioux Valley Energy. Members present from the Safety Steering Committee were Debra Biever, Nick Smith, Matt Determan, Kyle Thomsen, Steve Dvergsten, Sheila Gross, Mike Uhing, Jason Langford and Mike Oines.

YEAR END PROJECTION

Manager McCarthy reviewed the 2020 operating budget year end projections. His review included the original 2020 budget and the financial impact of lower sales and budget cuts.

REVIEW AND CONSIDERATION OF PROPOSED RESOLUTION-GENERAL RETIREMENT AND FORFEITURE OF UNCLAIMED CAPITAL CREDITS

Manager McCarthy called upon Betty VanDerWerff to present a proposed resolution for the 2020 general capital credit retirement and declaration of forfeiture of unclaimed capital credits. The resolution included a \$1,980,000 general retirement of capital credits along with forfeiture of unclaimed capital credits retired in 2014.

As stated in the resolution, Mr. Fish made a motion to approve a \$1.98 million general capital credit retirement, along with the forfeiture of the 2014 unclaimed capital credits, seconded by Mr. Martinson. The motion carried.

WHEREAS, the Cooperative bylaws provide for the retirement of capital credits to members and former members of the Cooperative; and

WHEREAS, the Cooperative bylaws also provide that any unclaimed retired capital credits be irrevocably assigned and retained by the Cooperative.

THEREFORE, BE IT RESOLVED; that the Board of Directors of Sioux Valley Energy does hereby approve a general retirement of capital credits for 2020 in the amount of \$1,980,000,

AND BE IT FURTHER RESOLVED; that the Board of Directors of Sioux Valley Energy declares the forfeiture of unclaimed capital credits retired in 2014 to South Dakota accounts unless claimed within six months from the date of this resolution or notification required by the state.

REVIEW AND CONSIDERATION OF BASIN LOAD FORECAST REPORT FOR SIOUX VALLEY ENERGY

Manager McCarthy called upon Ted Smith to review the 2021 Basin load forecast for the time period from 2021 to 2050. Mr. Rogen made a motion to approve the 2021 Basin load forecast resolution, seconded by Mr. DeGreef. The motion carried.

WHEREAS, Basin Electric Power Cooperative has completed a detailed forecast of total demand and energy requirements for the period of 2021 through 2050; and

WHEREAS, the forecast was prepared in accordance with current Rural Utilities Service regulations using reasonable methodologies and assumptions; and

WHEREAS, the Board of Directors of Sioux Valley-Southwestern Electric Cooperative Inc. has reviewed the study and its conclusions;

THEREFORE, BE IT RESOLVED that the Board of Directors of Sioux Valley-Southwestern Electric Cooperative Inc. does hereby adopt and approve the 2021 update of the 2020 Load Forecast prepared by Basin Electric Power Cooperative as a reasonable forecast of the future demand and energy requirements for 2021 through the year 2050.

And that the action taken and /or resolutions adopted as above set out have never been rescinded, altered, amended, modified or repealed, and are of the date hereof in full force and effect.

REVIEW AND CONSIDERATION OF RUS LABOR ONLY CONSTRUCTION CONTRACT-UNDERGROUND CONSTRUCTION

Manager McCarthy called upon Ted Smith to present the proposed labor only contracts for underground construction work for 2021 and 2022 with the total amount of each contract not to exceed \$4 million. Bid packages were sent to five pre-qualified contractors. May Construction, Inc. and Lakes States Construction, Inc. were the lowest bidders. Mr. Daniel made a motion to authorize the labor only contracts to May Construction, Inc. and Lake States Construction, Inc., seconded by Mr. Fish. The motion carried.

REVIEW AND CONSIDERATION OF CITY OF BROOKINGS ANNEXATION RESOLUTIONS

Manager McCarthy called upon Ted Smith who presented and reviewed two transfer of service territory agreements between the city of Brookings and Sioux Valley-Southwestern Electric Cooperative, Inc. A motion was made by Mr. DeMent to approve the proposed annexation agreements, seconded by Mr. Roskamp. The motion carried.

City of Brookings Resolution 20-048

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 June 1, 2020 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: Resolution 20-048; The resolution annexing Blocks 21 & 22 of Timberline Addition, including the adjacent portions of right-of-way contained within, in the East 1,365' of the North ½ of the Northwest ¼, except Clites Addition and except the East 264' thereof in Section 34, Township 110 North, Range 50 West of the 5<sup>th</sup> P.M., in Brookings County, 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 any

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 November 23, 2020. 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.

City of Brookings Resolution 20-049

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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: Resolution 20-049; The resolution annexing North ½ of the South West ¼ of Section 34, Township 110 North, Range 50 West of the 5<sup>th</sup> P.M., in Brookings County, 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".

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### STRATEGIC PLANNING

Manager McCarthy discussed the items on the agenda for strategic planning in 2021. The agenda includes rate strategy, asset direction and a long-term capital credit retirement plan.

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

Manager McCarthy reviewed wholesale power purchases, sales, revenue and the open balance register.

Manager McCarthy discussed the growth in economic activity around the Hartford area. Jay Buchholz has been assisting Hartford on an interim basis with their economic development activities as they look to hire someone in that role.

Manager McCarthy and Carrie Vugteveen have been working with East River and Southeastern Electric to develop plans for the virtual legislative forum on December 2<sup>nd</sup>.

Manager McCarthy discussed the Special Meeting of the Membership that was held on November 12<sup>th</sup>. Approximately 85 people logged onto the meeting, which included members, employees and board members. At the Special Meeting, a motion was made and seconded to approve the proposed bylaw changes. The meeting was recessed and will reconvene on December 2<sup>nd</sup>. The Credential Committee, made up of members, will count the ballots. As of today, over 2,800 ballots have been returned which is over 10% of the membership.

Manager McCarthy provided information about the Member Advisory Council (MAC) meeting that was held on November 12<sup>th</sup> following the Special Meeting of the Membership. Discussion included: an overview of COVID-19 operational changes; a summary of budget cuts and rate increase delay; and a review of the Co-op Connections Card program. After the Co-op Connections Card program review and discussion, the MAC indicated they felt there was value for the membership in maintaining the program.

Manager McCarthy reviewed key highlights from the East River General Manager's Report including FERC interventions, McKenzie vs. Basin Electric and Upper Missouri, the Basin Members Only Meeting, the legalization of marijuana in South Dakota, the Flexible Financing for Rural America Act, the Volkswagen (VW) Settlement and the D.C. Circuit Court arguments on the Affordable Clean Energy Rule.

Manager McCarthy called upon Debra Biever to discuss the VW Settlement. Sioux Valley Energy has completed the application process for Round One of the VW Settlement. The State of South Dakota began the selection process November 14<sup>th</sup> and plans to award grants by mid to late December.

ACCEPT MANAGER'S REPORT

A motion to accept the Manager's Report was made by Mr. Martinson, seconded by Mr. Johnson. The motion carried.

REPORTS ON POWER SUPPLY MEETINGS

East River – Mr. DeMent reported on his attendance of the East River board meeting.

L & O Power – Mr. Leuthold reported on his attendance of the Basin District 2 L & O Caucus and the L & O Power board meeting.

REPORTS ON MEETINGS ATTENDED

SDREA Board Meeting – Mr. Kooima reported on his attendance of the SDREA board meeting.

NOTICES OF MEETINGS, SELECTION OF DELEGATES AND ATTENDANCE AUTHORIZATION

Legislative Forum - All directors were authorized to attend the virtual Legislative Forum, December 2, 2020 by a motion made by Mr. Leuthold, seconded by Mr. Johnson. The motion carried.

Board Leadership Class 905.10 - Directors Roskamp, Kooima and Leuthold were authorized to attend Board Leadership Class 905.10, December 3, 2020 in Pierre, SD by a motion made by Mr. Martinson, seconded by Mr. Rogen. The motion carried.

Board Leadership Class 977.10 - Directors Roskamp, Kooima, Leuthold, Daniel, DeMent and DeGreef were authorized to attend the virtual Board Leadership Class 977.10, December 4, 2020 by a motion made by Mr. Johnson, seconded by Mr. Fish. The motion carried.

SDREA Annual Meeting, January 14-15, 2021 Pierre, SD-Director Weinacht was nominated to serve as the voting delegate with Director Kooima as alternate by a motion made by Mr. DeGreef, seconded by Mr. Leuthold. The motion carried.

MREA Voting Delegate and Alternate-Director Johnson was nominated to serve as the voting delegate for all 2021 MREA membership meetings and Director Leuthold as alternate by a motion made by Mr. Rogen, seconded by Mr. Martinson. The motion carried.

OTHER BUSINESS

SDREA Board Director-Director Kooima was nominated to serve a three-year term on the SDREA Board of Directors by a motion made by Mr. Daniel, seconded by Mr. DeGreef. The motion carried.

SDREA Legislative Committee Member-Director Rogen was nominated to serve a three-year term on the SDREA Legislative Committee by a motion made by Mr. Leuthold, seconded by Mr. Fish. The motion carried.

EXECUTIVE SESSION

Mr. Fish made a motion to move into executive session to discuss internal cooperative business, seconded by Mr. Johnson at 11:00 a.m. The motion carried. All directors were in attendance. The executive session adjourned at 11:35 a.m.

NEXT MEETING

The next regular board meeting will be held on Monday, December 21, 2020 at 8:30 a.m. The 2021 Work Plan and Budget Meeting will be held on Tuesday, December 22, 2020 at 8:30 a.m. Both meetings will be held at the East River Oahe Training Center.

ADJOURNMENT

Mr. DeMent made a motion, seconded by Mr. Roskamp to adjourn the Sioux Valley Energy board meeting at 11:40 a.m. The motion carried.

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Allan Kooima, Secretary

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