

**MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE SIOUX VALLEY-SOUTHWESTERN ELECTRIC COOPERATIVE, INC.
December 21st, 2015**

The regular meeting of the Board of Directors of the Sioux Valley-Southwestern Electric Cooperative, Inc. (dba. Sioux Valley Energy) was held on December 21, 2015 commencing at 8:45 a.m. at the Colman headquarters in Colman, South Dakota.

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

Roll call showed the following members present:

Rodney DeMent	Gary Drost	Gary Fish
Henning Hansen	Gregg Johnson	Mark Kahler
Allan Kooima	Bruce Martinson	Mark Rogen
Allan Weinacht	Arlyn Zylstra	

All directors were present. Also present were Attorney Alan Peterson, General Manager Tim McCarthy, management staff members Betty VanDerWerff, Debra Biever, Carrie Law, and Ted Smith, along with Staff Assistant and Communications Specialist Sheila Gross.

REVIEW AND CONSIDERATION OF AGENDA

The agenda was presented for consideration. Manager McCarthy added a resolution authorizing the sale of assets and the approval of the special board meeting minutes from December 10th and 14th, 2015. A motion to approve the amended agenda was made by Mr. Zylstra, seconded by Mr. Martinson. The motion carried.

REVIEW AND CONSIDERATION OF MINUTES

A motion to approve the minutes of the regular board meeting of November 24th, 2015 was made by Mr. Weinacht, seconded by Mr. Kahler. The motion carried.

A motion to approve the special teleconference minutes of the board meeting of December 10th, 2015 was made by Mr. Martinson, seconded by Mr. Drost. The motion carried.

A motion to approve the special minutes of the board meeting of December 14th, 2015 was made by Mr. Weinacht, seconded by Mr. Kooima. The motion carried.

RESOLUTION AUTHORIZING SALE OF ASSETS

Manager McCarthy presented a resolution authorizing the sale of the Sioux Valley Wireless assets. Mr. Kooima made a motion to approve and adopt the following resolution, seconded by Mr. Johnson. The motion carried.

WHEREAS, there has been presented to the directors and officers of the corporation a Purchase Agreement whereby all or substantially all of the assets of Sioux Valley Wireless, Colman, South Dakota, are to be sold, conveyed, and transferred to SpeedConnect, LLC, upon the terms and conditions and for the consideration therein; and

WHEREAS, the board of directors of this corporation deems it to be for the best interests of this corporation and its shareholders that all or substantially all assets of Sioux Valley Wireless be sold as stated in the Purchase Agreement;

RESOLVED, that this corporation approve the sale to SpeedConnect, LLC, of the business, property and assets of the business known as Sioux Valley Wireless to be sold pursuant to the terms and provisions of, and for the consideration provided in, the Purchase Agreement, which has been presented to and discussed at this meeting.

RESOLVED FURTHER, that the President and General Manager/CEO of this corporation hereby are authorized, empowered and directed on behalf of this corporation, to execute and deliver, upon consummation of the sale, all agreements, assignments and other instruments, and do all other things, on behalf of this corporation, convenient or necessary to carry out the Purchase Agreement and to execute any and all documents, on behalf of this corporation, to that end.

REVIEW AND CONSIDERATION OF THIRD AMENDMENT AND AGREEMENT FOR AMENDMENT TO WHOLESALE POWER CONTRACT WITH L&O POWER COOPERATIVE

Manager McCarthy presented the third amendment and agreement for amendment to the wholesale power contract with L&O Power Cooperative. The agreements extend the contract to December 31, 2075 and address the Alliant Energy acquired service territory. Mr. Drost made a motion to approve and adopt the following agreements, seconded by Mr. Zylstra.

THIRD AMENDMENT TO WHOLESALE POWER CONTRACT WITH L&O POWER COOPERATIVE

THIS AGREEMENT to Amend Wholesale Power Contract is hereby made and entered into this _____ day of _____, 2015 by and between L and O Power Cooperative, hereinafter “Seller”, and Sioux Valley Southwestern Electric Cooperative, Inc., hereinafter “Buyer”, as follows:

WHEREAS, Seller and Buyer (through its predecessor, Southwestern Minnesota Cooperative Electric) entered into a certain “Wholesale Power Contract – Federated Cooperative” on February 22, 1978, providing for a term extending to December 31, 2020, and;

WHEREAS, Seller and Buyer entered into an Amendment to Wholesale Power Contract dated January 1st, 1996, to accommodate the merger between Southwestern Minnesota Cooperative and Sioux Valley Empire Electric Association, Inc., effective January 1, 1996, wherein it was agreed, among other things, that L and O Power Cooperative would continue to sell and deliver to Member all electric power and energy which Member shall require for Member’s system which operates within of the service territory of Southwestern Minnesota Cooperative Electric, as of December 31, 1995, and;

WHEREAS, Seller and Buyer then thereafter entered into an Amendment to the Wholesale Power Contract to extend the term of the Contract to December 31, 2039 and a Second Amendment to Wholesale Power Contract, to extend the term to December 31, 2050, all to coincide with extensions of the term of the Wholesale Power Contract between Seller and Basin Electric Power Cooperative, and;

WHEREAS, Seller has now entered into an Agreement with Basin Electric Power Cooperative, extending the term of the Wholesale Power Contract between L and O Power Cooperative and Basin Electric Power Cooperative until December 31, 2075, and it is in the best interests of the Seller and Buyer that the term of the Wholesale Power Contract between Seller and Buyer extend for the same period as the Wholesale Power Contract between L and O Power Cooperative and Basin Electric Power Cooperative.

IT IS THEREFORE AGREED, in consideration of mutual covenants and agreements herein, as follows:

1. Paragraph 1. of the original “Wholesale Power Contract – Federated Cooperative” entered into February 22nd, 1978, by and between Seller and Southwestern Minnesota Cooperative Electric (Member’s predecessor) is amended by striking same and inserting in lieu thereof, the following new Paragraph 1:
 1. **General.** Seller shall sell and deliver to the Member and Member shall purchase and receive from the Seller, to the extent that Seller shall have such power and energy, and facilities available, all electric power and energy which the Member shall require for Member’s system which operates within all of the service territory of the prior member, Southwestern Minnesota Cooperative Electric as of December 31, 1995, and also all power and energy, to the extent that Seller shall have such power and energy and facilities available, which is needed by Member to serve that portion of the former Alliant Energy service territory acquired by Member, which deliveries are anticipated to begin on or around the year 2025, provided, however that such agreement to serve such former Alliant Service territory owned by Member is conditioned upon Seller and Member reaching a mutual agreement on the terms, conditions, and allocation of expense to provide such service;
2. Paragraph 10. **Term**, as previously amended is hereby further amended by striking and deleting the date shown therein, “December 31, 2050” and inserting in lieu thereof “December 31, 2075.”
3. All other terms and provisions of the “Wholesale Power Contract – Federated Cooperative”, shall remain in full force and effect, except as amended herein;
4. This Amendment shall be subject to the approval of the Administration of the Rural Utilities Service.

AGREEMENT FOR AMENDMENT TO WHOLESALE POWER CONTRACT L & O POWER COOPERATIVE

THIS AGREEMENT is hereby entered into this ____ day of _____, 2015, by and between L and O Power Cooperative, hereinafter referred to as “Seller” and Sioux Valley Southwestern Electric Cooperative, Inc., hereinafter referred to as Member, as follows;

WHEREAS, Seller and Member had previously entered into a Wholesale Power Contract – Federated Cooperative, with Southwestern Minnesota Cooperative Electric (which is the predecessor of Member) dated February 22, 1978, and;

WHEREAS, such Wholesale Power Contract – Federated Cooperative, has been amended a number of times for the purpose of extending the term of the Contract, and was also amended by “Amendment to Wholesale Power Contract” for the purpose of accommodating the merger between Southwestern Minnesota Cooperative Electric and Sioux Valley Empire Electric Association, Inc., with said Amendment dated January 1st, 1996, and;

WHEREAS, Seller and Member are now entering into a Third Amendment to Wholesale Power Contract to extend the term of such Contract to December 31, 2075, and to also provide agreements relating to Seller serving Member for electric power and energy needed by Member to serve former Alliant Energy service territory for deliveries anticipated to begin on or around the year 2025, and;

WHEREAS, it is appropriate that the Amendment to Wholesale Power Contract dated January 1st, 1996 be now amended so that its provisions are consistent with the foregoing Third Amendment to Wholesale Power Contract.

IT IS THEREFORE AGREED, in consideration of the mutual covenants and agreements herein, that the Amendment to Wholesale Power Contract dated January 1st, 1996, be amended as follows:

1. Paragraph 2. thereof be amended by adding the following new final paragraph thereto:
Seller shall also sell and deliver to Member and Member shall purchase and receive from the Seller, to the extent that Seller have such power and energy and facilities available, which is needed by Member to serve that portion of the former Alliant Energy Service territory acquired by member, which deliveries are anticipated to begin on or around the year 2025, provided, however, that such agreement to serve such former Alliant Service territory owned by Member conditioned upon Seller and Member reaching mutual agreement on the terms, conditions and allocation of expense for Seller to provide such service.
2. All other terms and provisions the Amendment to the Wholesale Power Contract dated January 1st, 1996, shall remain in full force and effect, except as amended herein;
3. This Amendment shall be subject to the approval of the Administrator of the Rural Utilities Service.

REVIEW AND CONSIDERATION OF FOUR-YEAR CONSTRUCTION WORK PLAN

Manager McCarthy called upon Ted Smith to present the 2016-2019 Construction Work Plan. The four-year work plan totals \$71,736,249 and includes construction of 500 miles of line. Mr. Hansen made a motion to approve the four-year construction work plan and adopt the following resolution, seconded by Mr. Weinacht. The motion carried.

WHEREAS, the Sioux Valley Energy 2016 – 2019 Construction Work Plan has been prepared by DGR Engineering, Rock Rapids IA, in accordance with RUS Bulletin 1724D-101B; and

WHEREAS, the purpose of this plan is to provide a check of the system and load growth, and to recommend improvements consistent with the long range planning that will prepare the system to adequately carry future peak loads,

NOW, THEREFORE BE IT RESOLVED, by the Board of Directors of Sioux Valley Energy, that the 2016 – 2019 Construction Work Plan be herewith approved, and that the necessary steps be taken to complete the planned installations, construction and conversion, in order to bring the system to needed capacities and reliability so as to carry the anticipated peak loads and provide reliable electric service in accordance with standards expected and needed by the membership of this cooperative.

REVIEW AND CONSIDERATION OF ATTORNEY FEES

Attorney Peterson reviewed the fees associated with the monthly retainer and supplemental hourly work for Lynn, Jackson, Shultz and Lebrun, P.C. Mr. Rogen made a motion to approve Attorney Peterson's request for a 5% increase in the hourly rate, seconded by Mr. Kooima. The motion carried.

APPOINTMENT OF MEMBER ADVISORY COUNCIL MEMBERS

In accordance with Board Operating Guide #9-1, directors nominated members from their respective districts to serve on the Member Advisory Council. A motion was made by Mr. Martinson and seconded by Mr. Zylstra that the following nominees be reappointed to the Member Advisory Council effective January 1, 2016.

District #1: no expiring term
District #2: John Kleinjan
District #3: Don Froelich
District #4: no expiring term
District #5: Marvin VanKekerix
District #6: Jed Huisman and Cheryl Carstens
District #7: Cherie DeMent
District #8: Keith Bosch
District #9: Nancy Hinricher
District #10: no expiring term

REVIEW AND CONSIDERATION OF GENERAL MANAGER'S REPORT

Manager McCarthy reviewed key highlights of his written report along with the East River General Manager's report. He reported on wholesale power purchases, sales, and revenue and gave an update on the year-end financial projections for 2015.

Manager McCarthy also reported on restructuring changes to the former marketing department (now known as energy services) and community relation activities.

Manager McCarthy's written report also included new services for the month; service interruptions; the financial condition; member, community and government relation activities; employee training and development; and the November safety and wellness report.

Manager McCarthy reviewed the Sioux Valley Wireless report. He reported on activities including head-end equipment maintenance, customer care, and meetings, along with a summary of new services and disconnects for the month of November.

ACCEPT MANAGER'S REPORT

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

REPORTS ON POWER SUPPLY MEETINGS

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

Basin Electric Board Meeting – Mr. Drost reported on his attendance at the Basin Electric board meeting.

L&O Power Board Meeting – Mr. Johnson reported on his attendance at the L&O Power board meeting.

REPORTS ON MEETINGS ATTENDED

SDREA Board Leadership Training – Mr. Kooima reported on his attendance at the SDREA board leadership session on grassroots strategy.

Midwest Annual Meeting – Directors DeMent, Drost, Martinson and Weinacht reported on their attendance at the Midwest Annual Meeting.

NRECA Director Winter School – Mr. Johnson reported on his attendance at the NRECA Director Winter School. He has completed the CCD program.

NOTICES OF MEETINGS, SELECTION OF DELEGATES/ATTENDANCE AUTHORIZATION

SDREA Annual Meeting – Mr. Rogen made a motion to authorize Mr. Fish to attend the SDREA Annual Meeting on January 14th – 15th in Pierre, seconded by Mr. Drost. The motion carried.

NRECA Annual Meeting – Mr. Kahler made a motion to select Mr. DeMent as delegate and Mr. Weinacht as alternate for the NRECA Annual Meeting, seconded by Mr. Fish. The motion carried. NRTC will hold their annual meeting in conjunction with NRECA. Mr. Kahler made a motion to select Mr. Drost as delegate and Mr. DeMent as alternate for the NRTC annual meeting, seconded by Mr. Fish. The motion carried.

MREA Annual Meeting – Notice of the MREA Annual Meeting that will be held on March 21st – 23rd in St. Paul, MN was given. Mr. Johnson was authorized to attend per a motion by Mr. Weinacht, seconded by Mr. Zylstra. The motion carried.

CoBank Regional Customer Meeting - Fargo – Notice of the CoBank Regional Customer Meeting in Fargo on March 31st – April 1st was presented. Directors Kooima and Hansen were authorized to attend per a motion by Mr. Weinacht, seconded by Mr. Zylstra. The motion carried.

OTHER BUSINESS

The dates for the December 2016 board meeting and work plan and budget meeting were set for December 19th and 20th per a motion by Mr. Kooima, seconded by Mr. Rogen. The motion carried.

EXECUTIVE SESSION

Mr. Zylstra made a motion, seconded by Mr. Martinson, to move into executive session at 12:00 p.m. for the purpose of discussing legal matters. Mr. Hansen made a motion to adjourn the executive session at 12:15 p.m., seconded by Mr. Martinson. The motion carried.

NEXT MEETING

The next regular board meeting will be held on January 26th, 2016 at the Colman headquarters.

ADJOURNMENT

Mr. Zylstra made a motion, seconded by Mr. Martinson, to adjourn the Sioux Valley Energy board meeting at 12:15 p.m. The motion carried.

Allan Kooima, Secretary

Approved: _____

**MINUTES OF A SPECIAL MEETING OF THE BOARD OF DIRECTORS
OF SIOUX VALLEY-SOUTHWESTERN ELECTRIC COOPERATIVE, INC.
December 21, 2015**

A special meeting of the Board of Directors of the Sioux Valley-Southwestern Electric Cooperative, Inc. (d.b.a. Sioux Valley Energy) was held on December 21st, 2015 at 1:00 p.m. at the Cooperative's headquarters at Colman, SD.

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

Roll call showed the following members present:

Rodney DeMent	Gary Drost	Gary Fish
Henning Hansen	Gregg Johnson	Mark Kahler
Allan Kooima	Bruce Martinson	Mark Rogen
Allan Weinacht	Arlyn Zylstra	

All directors were present. Also present were Attorney Alan Peterson, General Manager Tim McCarthy, management staff members Betty VanDerWerff, Debra Bieber, Carrie Law, and Ted Smith, along with Staff Assistant and Communications Specialist Sheila Gross.

REVIEW AND CONSIDERATION OF 2016 WORK PLAN AND BUDGET

Manager McCarthy reviewed the introductory portion of the proposed Work Plan and Budget including key highlights for 2016. Manager McCarthy stated that existing rate levels are not sufficient to meet the Cooperative's financial requirements at the budgeted expense levels. The strategic leadership team recommends using \$950,000 of the \$4.93-million deferred revenue reserve in lieu of increasing member rates.

Manager McCarthy (assisted by Deb Bieber, Ted Smith, Betty VanDerWerff and Carrie Law) reviewed the proposed Work Plan and Budget and responded to questions from the Board. The key performance areas of Power Supply, Energy Services Marketing, Electric Service, Member and Community Service, Financial Condition, Productivity, Employee Training and Development, Member Relations, Corporate Citizenship and Management and Leadership were reviewed. Key highlights reviewed included the following:

- Wholesale power purchases for 2016 are projected at 818,369 Mwh, a 6.34% increase over the 2015 purchases budget. Purchases are distributed 83.5% from East River, 14.75% from L&O, and 1.75% from SMEC.
- Revenue from energy sales is budgeted at \$74.5-million. Sales are forecasted at 791,151 MWh, an increase of 6.10% over the 2015 budget.
- Existing rate levels are not sufficient to meet our financial requirements at budgeted expense levels. An additional \$950,000 will be required.
- Operating margins are budgeted at \$1.7-million and total net margins are expected to be \$4.8-million resulting in a Times Interest Earned Ratio (TIER) of 1.95 and Modified Debt Service Coverage (MDSC) ratio of 1.35.
- Our equity level is projected at 36%. Using our current retirement policy, we have budgeted to retire \$1.8-million in capital credits.
- The proposed capital budget for distribution plant additions and replacements totals \$17.62-million compared to \$14.92-million in 2015. It includes the replacement of 125 miles of aging line compared to 100 miles in 2015.
- A net cost of approximately \$2.65-million has been budgeted for 370 new services, compared to 414 in 2015. Members are projected to contribute \$931,500 towards new service line extension costs.
- Labor rates for wiring jobs are proposed to increase to \$57.50/hr in May from \$52.50 with the trip charge remaining at \$42.50.
- We have budgeted \$243,500 for the acquisition of 5 vehicles, \$58,500 for trailers, and \$192,250 for construction equipment and tools.
- We have budgeted to add a Right of Way/Staking Engineer position in 2016 and are considering positions in Customer and Employee Relations, Energy Services, and Accounting and Finance.
- 2016 includes a budget of \$1-million for a new shop and equipment storage facility at Colman.
- A budget of \$13,000 is proposed for Power System Engineering to conduct a rate update based upon the last cost of service study.
- We have budgeted \$20,000 for supervisor training and an additional \$32,100 for continued training and consulting with Caterpillar Safety Services.

- NRECA will be providing our medical insurance for 2016 saving approximately 5% in premium costs compared to 2015.
- We have budgeted \$10,000 for network security testing and consulting services and an additional \$15,500 for network security liability insurance.
- We have budgeted \$15,500 for the LED lighting rebate program. East River Electric will give a \$2.50/bulb match for SD members.
- We plan to target low-income elderly housing in MN as an attempt to meet CIP's requirements for low-income members.
- \$25,000 has been budgeted to continue our EmPOWER Youth Leadership Program initiative in 2016.
- We have budgeted \$240,000 for a new water heater program for 2016. We propose selling 85 and 105 gallon Marathon lifetime warranted water heaters for \$200, with no monthly load management bill credit, which calculates to under a 5-year payback. East River will provide a rebate of \$3 per gallon for SD members.
- We plan to promote key-account engagement initiatives including educational opportunities, monthly communications, "wellness" visits, and the Ivue Green program.
- We are proposing a new renewable energy program for commercial members in 2016 that gives them the opportunity to green up their portfolio by purchasing green tags.
- A \$25 bill credit per member has been budgeted again in 2016 to increase attendance at district meetings.
- We plan to host another family fun/member appreciation event in conjunction with the annual meeting in 2016. Per the Board of Directors' recommendation, we will investigate indoor venue options at the Brookings Swiftel Center. A Bylaw amendment vote will be presented to the membership in June for the board recommendation on filling director vacancies.
- We propose initiating an ACRE—Co-op Owners for Political Action program in 2016. We have budgeted \$6,000 to host a training/information dinner for new ACRE members.
- We will continue to develop a "we" culture for employees to actively participate in work processes and a safe and healthy work environment.

Based on a recommendation by Manager McCarthy, a motion to adopt the 2016 Work Plan and Budget, as presented, was made by Mr. Weinacht, seconded by Mr. Fish. The motion carried.

ADJOURNMENT

Mr. Zylstra made a motion to adjourn the meeting adjourned 4:20 p.m., seconded by Mr. Drost.

Allan Kooima, Secretary

Date Approved: _____

SIOUX VALLEY-SOUTHWESTERN ELECTRIC COOPERATIVE, INC.

**SPECIAL MEETING OF BOARD OF DIRECTORS
December 14, 2015**

Pursuant to a waiver of notice, a special meeting of the Board of Directors of the Sioux Valley-Southwestern Electric Cooperative, Inc. was held December 14th, 2015 in Brandon, SD commencing at 6:00 p.m.

The meeting was called to order by President Rodney DeMent and Allan Kooima, Secretary, acted as Secretary for the meeting.

Roll call showed the following members present:

Rodney DeMent
Gregg Johnson
Bruce Martinson
Arlyn Zylstra

Gary Drost
Mark Kahler
Mark Rogen

Henning Hansen
Allan Kooima
Allan Weinacht

All directors were present except Gary Fish. Directors Johnson, Martinson, and Drost joined the meeting via teleconference. Also present were Attorneys Alan Peterson and Miles Schumacher, General Manager Tim McCarthy, Director of Finance and Accounting Betty VanDerWerff, and Staff Assistant and Communications Specialist Sheila Gross.

SOUTHERN MINNESOTA ENERGY COOPERATIVE PURCHASE AGREEMENT

Manager McCarthy presented the details of the allocation of transaction costs for Sioux Valley Energy's purchase agreement as part of the Southern Minnesota Energy Cooperative.

Allan Kooima made a motion to allow Manager McCarthy to enter into the modified purchase agreement based upon the calculations presented. Mark Rogen seconded the motion. The motion carried.

ADJOURNMENT

Mark Kahler made a motion to adjourn the special meeting at 6:42 p.m., seconded by Henning Hansen. The motion carried.

Allan Kooima, Secretary

Date Approved: _____

SIoux VALLEY-SOUTHWESTERN ELECTRIC COOPERATIVE, INC.
Colman, South Dakota 57017

SPECIAL TELECONFERENCE MEETING OF BOARD OF DIRECTORS
December 10, 2015

Pursuant to a waiver of notice, a special teleconference meeting of the Board of Directors of the Sioux Valley-Southwestern Electric Cooperative, Inc. was held December 10th, 2015 commencing at 7:45 p.m.

The meeting was called to order by President Rodney DeMent and Allan Kooima, Secretary, acted as Secretary for the meeting.

Roll call showed the following members present:

Rodney DeMent
Henning Hansen
Allan Kooima
Arlyn Zylstra

Gary Drost
Gregg Johnson
Bruce Martinson

Gary Fish
Mark Kahler
Allan Weinacht

All directors were present except Mark Rogen. Also present were Attorney Miles Schumacher, General Manager Tim McCarthy, and Staff Assistant and Communications Specialist Sheila Gross.

WAIVER OF NOTICE

President Rodney DeMent presented a waiver of notice for the special teleconference meeting. A motion was made by Allan Kooima to accept the waiver of notice, seconded by Mark Kahler. There was no opposition to the motion.

PURCHASE AGREEMENT FOR THE SALE OF SIOUX VALLEY WIRELESS

Bruce Martinson made a motion to approve the action of the Sioux Valley Wireless board of directors and accept the recommendation to approve the purchase agreement with SpeedConnect for the sale of Sioux Valley Wireless. Arlyn Zylstra seconded the motion. The motion carried.

ADJOURNMENT

Allan Weinacht made a motion to adjourn the teleconference meeting at 7:50 p.m., seconded by Gary Drost. The motion carried.

Allan Kooima, Secretary

Date Approved: _____