

**MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE SIOUX VALLEY-SOUTHWESTERN ELECTRIC COOPERATIVE, INC.
April 26th, 2016**

The regular meeting of the Board of Directors of the Sioux Valley-Southwestern Electric Cooperative, Inc. (dba. Sioux Valley Energy) was held on April 26th, 2016 commencing at 8:30 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	Allan Kooima
Bruce Martinson	Mark Rogen	Allan Weinacht
Arlyn Zylstra	Mark Kahler	

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 Amy Voelker. Employees Sheila Gross, Ben Pierson, and LeAnn Nelson also attended. Director-elect for District #4, Dave Daniel, joined the meeting.

REVIEW AND CONSIDERATION OF AGENDA

The agenda was presented for consideration. Review and consideration of year end margins and the December work plan and budget meeting date were added to the agenda. A motion to approve the amended agenda was made by Mr. Drost, seconded by Mr. Kooima. The motion carried.

REVIEW AND CONSIDERATION OF MINUTES

A motion to approve the amended minutes of the regular board meeting of March 26th, 2016 was made by Mr. Drost, seconded by Mr. Kooima. The motion carried.

REVIEW AND CONSIDERATION OF REC SALES AND PRICING

Manager McCarthy called upon Debra Biever to present the Renewable Energy Credit Rate (REC) that will be offered to members late summer of 2016. A recommendation was made to set the rate at \$2.00 per REC that is equivalent 1 MWh of green energy attributes. A motion was made by Mr. Martinson to approve the rates for the REC Sales and Pricing, seconded by Mr. Kooima. The motion carried.

REVIEW AND CONSIDERATION OF COOPERATIVE DEBT LIMIT RESOLUTION

Manager McCarthy called upon Betty VanDerWerff to present a proposed resolution to increase the corporate debt limit from \$195-million to \$275-million. Mr. Zylstra made a motion to approve and adopt the following resolution, seconded by Mr. Kahler. The motion carried.

WHEREAS, the corporate debt limit of Sioux Valley-Southwestern Electric Cooperative Inc. was established at one hundred ninety-five million dollars (\$195,000,000) as set by previous board resolution,

WHEREAS, future construction work over the next four years will require a substantial investment in new electric plant facilities to meet the growing electric service needs of our membership.

WHEREAS, a major portion of the cost to construct new electric plant facilities will be financed with long-term debt; and

WHEREAS, Sioux Valley-Southwestern Electric Cooperative Inc.'s mortgage pledges all of its property to secure notes payable to the Government, in the aggregate principal amount, not to exceed the corporate debt limit at any one time; and

WHEREAS, the Board of Directors have the authority to set the corporate debt limit.

NOW, THEREFORE, BE IT,

RESOLVED, that the Sioux Valley-Southwestern Electric Cooperative Inc. Board of Directors hereby approves and adopts a corporate debt limit of two hundred seventy-five million dollars (\$275,000,000) as of April 26, 2016.

REVIEW AND CONSIDERATION OF CFC/US BANK CREDIT CARD RESOLUTION

Manager McCarthy called upon Betty VanDerWerff to present a proposed resolution to change the Sioux Valley Energy credit card vendor to CFC/US Bank. Mr. Fish made a motion to approve and adopt the following resolution, seconded by Mr. Rogen. The motion carried.

RESOLVED, that the Cooperative establish or continue its participation in a corporate credit card program under the terms, conditions and provisions of the One Card Program Reimbursement Agreement (the "Agreement"), and to reimburse CFC, together with interest, for any amounts that CFC is required to pay U.S. BANK of behalf of the Cooperative pursuant to the terms of the Agreement; and,

RESOLVED, that the General Manager/CEO of the Cooperative be and is hereby authorized to execute the Agreement on behalf of the Cooperative, to execute any future amendments to said agreement as such individual may deem appropriate, and to execute such further documents as may be necessary or appropriate in order to comply with CFC's or U.S. Bank's requirements; and,

RESOLVED, that it is the intent of the Board that upon execution and delivery of the Agreement to CFC, and when executed by CFC, the Agreement shall constitute a valid and binding agreement between CFC and the Cooperative, enforceable in accordance with its terms; and

RESOLVED, that the appropriate officers are authorized to take all other actions they deem advisable to carry out the purpose of these resolutions.

REVIEW AND CONSIDERATION OF LONG RANGE PLAN RESOLUTION

Manager McCarthy called upon Ted Smith to present the results of the Long Range Plan. Ted Smith reported that a Long Range Plan was completed by DGR Engineering with assistance from Sioux Valley Energy Employees. The Long Range Plan is an extensive system planning study to evaluate the expansion and upgrades needed to meet load for the next 20 years. The plan, required by RUS, is designed to serve as a guide for the Cooperative when considering short and long term system improvements. Following a review and recommendation, a motion was made by Mr. Rogen, seconded by Mr. Johnson, that the following resolution be adopted approving the long range plan as presented. The motion carried.

WHEREAS, THE Sioux Valley Southwestern Electric Cooperative Inc (DBA Sioux Valley Energy). 2016 Electric System Long-Range Plan has been prepared by DGR Engineering of Rock Rapids, IA, in accordance with RUS Bulletin 1724D-101A; and

WHEREAS, the purpose of this plan is a management tool and a guide for (1.) the most practical and economical means of serving future loads while maintaining high quality of service to the consumers; (2.) an outline for anticipated system changes in terms of major facilities, demand levels and associated costs; and (3.) an indication of future system financial planning and decision making.

NOW, THEREFORE BE IT RESOLVED, by the Board of Directors of Sioux Valley Energy, that the 2016 Electric System Long-Range Plan be herewith approved, and thus the board directs the future Construction Work Plans be prepared in accordance with RUS Bulletin 1724D-101B be based on this Long Range Plan and that the Long Range Plan be reviewed as to its validity prior to preparation of a Construction Work Plan.

REVIEW AND CONSIDERATION OF YEAR END MARGINS

Manager McCarthy called upon Betty VanDerWerff to present the recommendation to distribute the 2015 year-end margins equally to legacy and SMEC customers with the exception of the allocated East River and L & O capital credits going to legacy customers only. Mr. Weinacht made a motion to approve the distribution of year end margins, seconded by Mr. Drost. The motion carried.

REVIEW AND CONSIDERATION OF CREDENTIALS AND ELECTION COMMITTEE FOR ANNUAL MEETING

A list of Cooperative members who indicated they would be willing to serve on the Credentials and Election committee for the 2016 annual meeting was presented. A motion to appoint the following individuals to the Credentials and Election committee for the June 6th annual meeting was made by Mr. Weinacht, seconded by Mr. Drost. The motion carried. Committee includes: Greg Benda, John Kleinjan, Tom Dave, Duane Harvey, Connie Fitzgerald, Connie Hillard, and Dian Hoven.

REVIEW AND CONSIDERATION OF COLMAN SHOP PROJECT

Manager McCarthy called upon Ben Pierson to give an update on the Colman Shop Construction Project. The bid was awarded to Summit Contracting Inc.

REVIEW AND CONSIDERATION OF BYLAWS ARTICLE V & VI DIRECTORS

Attorney Peterson reviewed Article V (Meeting of Directors) & VI (Officers) – Attorney Peterson had no concerns in regards to these bylaw sections.

REVIEW OF OUTAGE INDICES FOR 2015

Manager McCarthy called upon Ted Smith to review the NRECA reliability indices. The report compares our outage numbers to our peers. Sioux Valley Energy is solidly in the first quartile for both the system average interruption duration index (SAIDI) and customer average interruption duration index (CAIDI). We are in the very top of the second quartile for the system average interruption frequency index (SAIFI).

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 East River, L&O Power, and Basin Electric Managers' Advisory Committee meetings.

Manager McCarthy stated that overall attendance numbers were up for district meetings, and Sioux Valley Energy had 527 members sign up to be part of the advocacy network.

Manager McCarthy stated that Ted Smith represented Sioux Valley Energy at the PUC meeting in Pierre for the utilities and dairies in relation to stray voltage.

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

ACCEPT MANAGER'S REPORT

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

REVIEW AND CONSIDERATION OF GENERAL MANAGER'S QUARTERLY EXPENSE STATEMENT

Arlyn Zylstra, Treasurer, reported that he reviewed the General Manager's expense and credit card statements for the period of January through March, 2016 and found all expenses to be in order. The report was accepted and payment of the General Manager's statement in the amount of \$784.26 was approved per a motion by Mr. Zylstra, seconded by Mr. Drost. The motion carried.

REVIEW AND CONSIDERATION OF ATTORNEY'S QUARTERLY EXPENSE STATEMENT

Amy Voelker presented the quarterly expense statements for Attorney Peterson. A motion to approve payment of the Attorney's expense statements for January through March, 2016 in the amount of \$14,261.03 was made by Mr. Drost, seconded by Mr. Weinacht. The motion carried.

REVIEW AND CONSIDERATION OF 2015 FINANCIAL AUDIT REPORT

Chair DeMent called upon Betty VanDerWerff who introduced Craig Popenhagen of the Clifton Larson Allen, LLP auditing firm who reviewed the financial audit of the books and records for Sioux Valley Southwestern Electric Cooperative and its subsidiaries.

Mr. Popenhagen stated that the Cooperative is in strong financial condition and exercising effective internal controls. Mr. Popenhagen reported the unmodified opinion of the 2015 consolidated financial statements. A motion to approve the 2015 Audit Report, as presented, was made by Mr. Fish, seconded by Mr. Kooima. The motion carried.

REVIEW AND CONSIDERATION OF ALTERNATIVE DATE FOR DECEMBER BOARD MEETING

Due to a conflict with the December board meeting date, a discussion was held to reschedule the December board meeting to an alternate date. This consideration has been tabled until the May board meeting.

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

REPORTS ON MEETINGS ATTENDED

L & O Annual Meeting – The directors and staff gave feedback on their attendance at the L & O Annual Meeting.

Co-Bank Fargo Meeting – Directors Kooima, Hansen and Martinson reported on their attendance at the Co-Bank Fargo Meeting.

MAC Meeting – Directors reported on the MAC Meeting.

SDREA CCD Fast Track – Mr. Fish reported on his attendance at the SDREA CCD Fast Track.

NOTICES OF MEETINGS, SELECTION OF DELEGATES/ATTENDANCE AUTHORIZATION

Energy Issues Summit MREA – Notice was given for the MREA Energy Issues Summit that will be held on August 10th -11th in St. Cloud, Minnesota. Mr. Zylstra made a motion to authorize all directors to attend, seconded by Mr. Weinacht. The motion was carried.

SDREA Fast Track – Notice of the SDREA Fast Track Meeting that will be held in Pierre, South Dakota on August 10th – 12th was presented. Director-elect Daniel was authorized to attend per a motion by Mr. Weinacht, seconded by Mr. Martinson. The motion carried.

EXECUTIVE SESSION

Mr. Weinacht made a motion, seconded by Mr. Kooima, to move into executive session at 1:35 p.m. for the purpose of discussing matters related to Sioux Valley Wireless. Those in attendance of the executive session included the directors, 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 Amy Voelker and employee Sheila Gross. Mr. Zylstra made a motion to adjourn the executive session at 1:45 p.m., seconded by Mr. Johnson. The motion carried.

REVIEW AND CONSIDERATION OF SVW MINUTES

A motion to approve the Sioux Valley Wireless minutes as presented in executive session of the regular board meeting of February 29th, 2016. A motion was made by Mr. Hansen, seconded by Mr. Johnson. The motion carried.

REVIEW AND CONSIDERATION OF SVW FIRST QUARTER ATTORNEY FEES

A motion to approve the Sioux Valley Wireless first quarter attorney fees as presented in executive session was made by Mr. Drost, seconded by Mr. Kooima. The motion carried.

NEXT MEETING

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

ADJOURNMENT

Mr. Kooima made a motion, seconded by Mr. Kahler, to adjourn the Sioux Valley Energy board meeting at 2:05 p.m. The motion carried.

Allan Kooima, Secretary

Approved: _____