

**MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE SIOUX VALLEY-SOUTHWESTERN ELECTRIC COOPERATIVE, INC.
January 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 January 26th, 2016 commencing at 9:30 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	Henning Hansen
Gregg Johnson	Mark Kahler	Allan Kooima
Bruce Martinson	Mark Rogen	Allan Weinacht
Arlyn Zylstra		

All directors were present except for Gary Fish. 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. Justin Moose, Manager of Information Technology, was present to review the cyber security test results.

REVIEW AND CONSIDERATION OF AGENDA

The agenda was presented for consideration. Manager McCarthy added a discussion item for the Utility Safety Innovations subsidiary. 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 December 21st, 2015 was made by Mr. Drost, seconded by Mr. Kooima. The motion carried.

A motion to approve the special work plan and budget minutes of the board meeting of December 21st, 2015 was made by Mr. Weinacht, seconded by Mr. Hansen. The motion carried.

CYBER SECURITY TEST RESULTS

Manager McCarthy called upon Justin Moose, Manager of Information Technology, to present the results of the network security testing conducted by Helix Company. The testing including an external network assessment, web application testing, and social engineering. Helix provided results and guidance on solutions to improve security. We performed very well on the cyber security testing and the vulnerabilities identified have been addressed.

PRE-AUDIT BOARD/AUDITOR DISCUSSION VIA TELECONFERENCE

Craig Popenhagen from the Clifton Larson Allen CPA firm conducted a pre-audit conference call with the Board of Directors and leadership team. The audit is scheduled for the week of February 29th and will be presented at the April board meeting.

REVIEW AND CONSIDERATION OF COST OF SERVICE RATE UPDATE

Manager McCarthy called upon Deb Biever to present the cost of service rate update from Power System Engineering. The service rate update brings the basic service charge to 80-82% of the true cost of service while utilizing a revenue neutral structure that will decrease the kWh charge. The leadership team recommendation would adjust the rate classes of farm/rural residential, residential and general service accounts effective May 2016. Bruce Martinson made a motion approve the leadership team recommendations to adjust the rate classes and rates as presented, seconded by Mr. Weinacht. The motion carried.

REVIEW AND CONSIDERATION OF CREDENTIALS AND ELECTION COMMITTEES FOR DISTRICT MEETINGS

The credentials and election committees willing to serve for the election meetings that will be held in districts 1, 2, 3, and 4 were presented. Mr. Kooima made a motion to approve the following credentials and election committees, seconded by Mr. Hansen. The motion carried.

District #2-Monday-March 7

Mark Berkland
Ronald Knutson
Kevin Vostad
Ann Vostad
Barb Hillestad

District #3-Monday-March 14

Randy Gross
Connie Fitzgerald
Fred Olson
Joyce DeClerk
Tom Kansanbeck

District #1-Tuesday-March 15

Richard Berreth
Tom Davis
Chuck Lorden
John Kleinjan
Norris Patrick

District #4-Monday-March 21

Greg Benda
Jim Evans
Mark Moran
Brenda Franken
Don Wheeler

APPOINTMENT OF OPERATION ROUNDUP TRUSTEE FOR ROCK COUNTY

Deb Bieber stated that a new Operation Roundup Trustee needs to be appointed for Rock County in lieu of Bruce Boelman's retirement from the Operation Roundup Board. Directors Drost and Zylstra are soliciting candidates and will formally appoint the new trustee at the February board meeting.

REVIEW AND CONSIDERATION OF PROPOSED 2016 ANNUAL MEETING VENUE, DATE AND LOCATION

Manager McCarthy called upon Carrie Law to present options for the 2016 Annual Meeting venue, date and location. Two entertainment options were given with the recommendation of holding the event at the Swiftel Center in Brookings, SD on Monday, June 6th, 2016. Mr. Hansen made a motion to approve the recommended date and location of the 2016 Annual Meeting, and recommended exploring additional venue options for consideration at the February board meeting. Mr. Kahler seconded the motion. The motion carried.

APPOINTMENT OF ADVISORY COUNCIL MEMBERS

Two additional members were appointed to the Advisory Council In accordance with Board Operating Guide #9-1. James Stratton replaced Keith Bosch in District #8 and Brenda Franken was added to District #4. Mr. Rogen made a motion to approve the appointment of these two additional members to the Advisory Council, seconded by Mr. Kooima. The motion carried.

UPDATE ON UTILITY SAFETY INNOVATIONS SUBIDIARY

Manager McCarthy called upon Betty VanDerWerff to give an update on Utility Safety Innovations. She reported on the recall process of the rubber elbow cover-ups and recommended the board take action to write off the investment of Utility Safety Innovations for the 2015 tax year. Mr. Kahler made a motion to approve the investment write off for 2015, seconded by Mr. Drost. The motion carried.

QUARTERLY REVIEW OF BALANCED SCORECARD OBJECTIVES

Manager McCarthy gave the quarterly review of the balanced scorecard objectives.

REVIEW OF BYLAWS – ARTICLE I MEMBERSHIP

Attorney Peterson began the review of the Cooperative's Bylaws and Articles of Incorporation with discussing the Articles of Incorporation and Article I Membership.

REVIEW AND CONSIDERATON OF GENERAL MANAGER'S REPORT

Manager McCarthy reviewed key highlights of his written report including wholesale power purchases, sales, and revenue. He reported that the true-up transaction costs for SMEC are still being finalized and that billing corrections are being made to Sioux Valley Energy based upon the accounting of new members and substations in our acquired territory.

He also discussed the East River General Manager's report and the Managers' Advisory Committee meetings for Basin Electric and East River Electric. The Clean Power Plan stay has been denied.

Manager McCarthy announced that Carrie Law was re-elected to the Touchstone Energy Board of Directors.

Manager McCarthy stated that we have begun promoting our renewable energy green tag program to key accounts.

Manager McCarthy gave an update on the employee safety perception survey, the Affordable Care Act Cadillac Tax, and the RUS approval of the construction work plan.

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 December safety and wellness report.

Manager McCarthy called upon Deb Biever to review the Sioux Valley Wireless report. She reported on head-end equipment maintenance and gave a summary of new services and disconnects for the month of December.

ACCEPT MANAGER'S REPORT

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

REVIEW AND CONSIDERATION OF GENERAL MANAGER'S QUARTERLY STATEMENT OF EXPENSES

Arlyn Zylstra, Treasurer, reported that he reviewed the General Manager's expense and credit card statements for the period of October through December, 2015 and found all expenses to be in order. The report was accepted and payment of the General Manager's statement in the amount of \$4,016.97 was approved per a motion by Mr. Martinson, seconded by Mr. Kooima. The motion carried.

REVIEW AND CONSIDERATION OF ATTORNEY'S QUARTERLY EXPENSE STATEMENT

Sheila Gross presented the quarterly expense statement for October through December, 2015 for Lynn, Jackson, Shultz and Lebrun, P.C. in the amount of \$21,848.31. A motion to accept the attorney's quarterly expense statement was made by Mr. Kooima, seconded by Mr. Zylstra. 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. Zylstra reported on his attendance at the L&O Power board meeting.

REPORTS ON MEETINGS ATTENDED

SDREA Board Meeting – Mr. Hansen reported on his attendance at the SDREA board meeting.

SDREA Annual Meeting – The directors and leadership team reported on their attendance at the SDREA Annual Meeting.

NOTICES OF MEETINGS, SELECTION OF DELEGATES/ATTENDANCE AUTHORIZATION

CFC Annual Meeting – Mr. Rogen made a motion to select Mr. Hansen as delegate and Mr. Martinson as alternate for the CFC Annual Meeting that will be held in conjunction with the NRECA Annual Meeting, seconded by Mr. Drost. The motion carried.

OTHER BUSINESS

Director Bruce Martinson was recognized for receiving the Director Gold credential certificate. In order to earn this certificate, directors need to hold the CCD and BLC credentials and earn three additional credits from the Board Leadership Certificate series of courses.

EXECUTIVE SESSION

Mr. Zylstra made a motion, seconded by Mr. Johnson, to move into executive session at 3:00 p.m. for the purpose of discussing legal matters. Mr. Drost made a motion to adjourn the executive session at 3:20 p.m., seconded by Mr. Kooima. The motion carried.

NEXT MEETING

The next regular board meeting will be held on February 29th, 2016 at the Colman headquarters.

ADJOURNMENT

Mr. Hansen made a motion, seconded by Mr. Zylstra, to adjourn the Sioux Valley Energy board meeting at 3:20 p.m. The motion carried.

Allan Kooima, Secretary

Approved: _____