

**MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS  
OF THE SIOUX VALLEY-SOUTHWESTERN ELECTRIC COOPERATIVE, INC.  
May 26<sup>th</sup>, 2016**

The regular meeting of the Board of Directors of the Sioux Valley-Southwestern Electric Cooperative, Inc. (dba. Sioux Valley Energy) was held on May 26<sup>th</sup>, 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	Allan Weinacht
Henning Hansen	Gregg Johnson	Allan Kooima
Bruce Martinson	Mark Rogen	
Arlyn Zylstra	Gary Fish	

All directors were present except for Mark Kahler. Also present were Attorney Alan Peterson, General Manager Tim McCarthy, management staff members Betty VanDerWerff, Debra Biever, and Carrie Law, along with Staff Assistant and Communications Specialist Amy Voelker. Director-elect Dave Daniel and Advisory Council member Tom Davis also attended the meeting.

**REVIEW AND CONSIDERATION OF AGENDA**

The agenda was presented for consideration. Review and consideration of a voice vote or ballot vote at the annual meeting, for article IV, section 9, was added to the agenda. A motion to approve the amended agenda was made by Mr. Drost, seconded by Mr. Johnson. The motion carried.

**REVIEW AND CONSIDERATION OF MINUTES**

A motion to approve the minutes of the regular board meeting of April 26<sup>th</sup>, 2016 was made by Mr. Kooima, seconded by Mr. Rogen. The motion carried.

**REVIEW OF BOARD PRESIDENT POSITION DESCRIPTION/RESPONSIBILITIES  
AND EXPRESSION OF INTEREST FOR SERVING AS A BOARD OFFICER**

Chair DeMent reported that the annual board reorganization would take place at the regular June board meeting and called the board's attention to the position description for board president. Chair DeMent indicated his interest in serving as Board President for the upcoming year and asked members of the Board to indicate their individual interest in serving as a board officer.

**REVIEW AND CONSIDERATION OF VOICE VOTE OR BALLOT VOTE AT THE  
ANNUAL MEETING**

Manager McCarthy held discussion with the board about having a voice vote in place of a ballot vote at the annual meeting for the proposed bylaw amendment. Consensus from the board is to ask the membership to hold a voice vote. There will be ballots available if the membership would request a ballot vote.

**REVIEW AND CONSIDERATION OF BYLAW ARTICLE VII**

Attorney Peterson reviewed Article VII (Non-profit operations) – Attorney Peterson had no concerns in regards to these bylaw sections.

**REVIEW AND CONSIDERATION OF FUTURE AUDITING FIRM**

The audit of the 2015 books was conducted on a one-year contract extension agreement with the Clifton Larson Allen firm. Board consideration was given for several options--offering the current firm another multi-year contract, hiring them for an additional year, and soliciting proposals for new auditing services. Mr. Fish made a motion to offer a one-year contract extension to the Clifton Larsen Allen firm, seconded by Mr. Kooima. The motion carried by majority vote.

**EMPOWER YOUTH PRESENTATION**

Jennie Patrick, along with students Sam Ykema, Carter Schmidt, and Ethan Geraets, did a presentation from the past year of EmPOWER sessions for the board. They presented information on each session of the program, along with the conferences and trips they have participated in.

## REVIEW AND CONSIDERATION OF PROPOSED TEN-YEAR FINANCIAL FORECAST

Manager McCarthy called upon Betty VanDerWerff to present and request board approval of the recently completed ten-year financial forecast. This financial forecast is a prerequisite to receiving a RUS loan. Mr. Rogen made a motion to approve and adopt the following resolution, seconded by Mr. Martinson. The motion carried.

**WHEREAS**, the board of directors of Sioux Valley-Southwestern Electric Cooperative, Inc. has reviewed the attached long-range financial forecast prepared by the cooperatives staff; and

**WHEREAS**, the financial forecast includes estimates taken from the board approved Basin 2015 Load Forecast update which has been approved by the Rural Utilities Service (October 21, 2015) and the 2016-2019 Construction Work Plan which has been approved by Rural Utilities Service; and

**WHEREAS**, the long range financial forecast is based on board approved policies, operating rules and plans and sets forth appropriate management goals, all of which are acceptable to the Board of Directors as an overall plan of operations;

**NOW, THEREFORE BE IT RESOLVED**, by the Board of Directors of Sioux Valley-Southwestern Electric, hereby approves and accepts the long range financial forecast, as proposed, as a plan of operations and authorizes and directs the manager of the cooperative to take those appropriate actions necessary to achieve the goals outlined therein, including the implementation of any retail rate increases which may be indicated to be necessary.

## REVIEW AND CONSIDERATION OF PROPOSED RUS LOAN APPLICATION

Manager McCarthy called upon Betty VanDerWerff to present the resolution required as part of the loan request. The required documents have been completed for the application for a guaranteed Federal Financing Bank (FFB) loan to the Rural Utilities Service (RUS). Mr. Weinacht made a motion to approve and adopt the following resolution, seconded by Mr. Kooima. The motion carried.

**WHEREAS**, THE Sioux Valley-Southwestern Electric Cooperative, Inc. 2016-2019 Construction Work Plan has been prepared by DGR Engineering, Rock Rapids, IA; in accordance with RUS Bulletin 1724D-101B; and

**WHEREAS**, Amendments 1-8 to the 2016-2019 Construction Work Plan have been presented to date; and

**WHEREAS**, the purpose of this plan, including amendments, is to provide a quadrennial 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-Southwestern Electric Cooperative, Inc., that the 2016-2019 Construction Work Plan including amendments 1-8 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 PROSED AMENDED WORK PLAN

Manager McCarthy called upon Betty VanDerWerff to present the resolution that authorizes the Cooperative to submit an application for \$73,197,000 guaranteed FFB loan to the Rural Utilities Service (RUS) for financing the four-year construction work plan (2016-2019). Mr. Zylstra made a motion to approve and adopt the following resolution, seconded by Mr. Martinson. The motion carried.

**WHEREAS**, it has been determined on the basis of the current Construction Work Plan that financing is needed for electric facilities as shown on RUS Form 740c, Cost Estimates and Loan Budget for Electric Borrowers, as follows:

RUS Guaranteed Federal Financing Bank (FFB) Loan Requested for Facilities  
\$73,197,000

**NOW THEREFORE BE IT RESOLVED**, that Sioux Valley-Southwestern Electric Cooperative, Inc. makes application to the Rural Utilities Service pursuant to 7 CFR Part 1710 for a guaranteed FFB loan in the approximate amount of \$73,197,000 to be used in accordance with the provisions of 7 CFR Part 1710 to finance the above mentioned facilities.

**BE IT ALSO RESOLVED**, that the RUS guaranteed FFB loan shall bear a maturity date to cover an approximate period of 35 years.

**BE IT ALSO RESOLVED**, that the Board of Directors of Sioux Valley-Southwestern Electric Cooperative, Inc. authorizes its officers to execute and attest all necessary papers, documents, and applications related to the foregoing.

**BE IT FURTHER RESOLVED**, that Board President, Board Secretary and General Manager are authorized on behalf of the Borrower (a) to execute and deliver from time to time advance requests, maturity extension election notices, prepayment election notices and refinancing election notices, in the form of such instruments attached to the note payable to FFB, and (b) to specify information and select option as provided in such instruments.

**BE IT FURTHER RESOLVED**, that the Sioux Valley-Southwestern Electric Cooperative, Inc. hereby authorizes the RUS to release appropriate information and data relating to the application to the FFB and any existing supplemental lenders.

#### REVIEW AND CONSIDERATION OF PROPOSED CHANGE FOR STREET LIGHT RATES

Manager McCarthy called upon Debra Biever to present the proposed rate change for street lights that will be offered to members starting June 2016. A recommendation was made to streamline them all into one class and narrow them down to four options, an SL-11, SL-12, SL-155, or an SL-20M. A motion was made by Mr. Kooima to approve the street light rates, seconded by Mr. Drost. The motion carried.

#### REVIEW AND CONSIDERATION OF PROPOSED CHANGES FOR BOG 5-4

A minor change was made to BOG 5-4 Billing and Collection for Electric and Subsidiary Services that was recommended to replace Sioux Valley Wireless with Subsidiary Services. A motion was made by Mr. Kooima and seconded by Mr. Hansen to approve the recommended change. 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 East River MAC meeting, SMEC board meeting via conference call, legislative conference in Washington, DC with Carrie Law, MREA conference call, Sioux Falls Chamber event, and PSE conference call with Debra Biever.

Manager McCarthy reported that a cut in the fence around the warehouse was found, and a police report was filed.

Manager McCarthy updated the board that SMEC members will be able to purchase water heaters at the discounted rate. They will sign an agreement that will allow us to add the load control onto their water heater once the infrastructure is in place within our new territory. It may be a couple years until the infrastructure is in place.

Manager McCarthy reviewed the information that was developed for the low-income program in Minnesota to meet CIP requirements.

Manager McCarthy reported employees, Paul Mantz, Brenda Schelhaas and Dawn Schneider, attended the MREA grassroots day.

Manager McCarthy gave an update on CI Team Three on the development of leading indicator safety goals for the entire organization. The pilot will begin with three departments this fall.

Manager McCarthy reported that Ted Smith traveled to St. Paul to participate on the customer engagement and education panel at a workshop hosted by the Minnesota PUC.

#### ACCEPT MANAGER'S REPORT

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

#### REVIEW AND CONSIDERATION OF ALTERNATIVE DATE FOR DECEMBER BOARD MEETING

Due to a conflict with the December board meeting date, dates were considered for the regular Board meeting and Work Plan and Budget review. Mr. Drost made a motion to schedule December 21<sup>st</sup> for the meeting date; Mr. Kooima seconded the motion.

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. Johnson and Mr. Zylstra reported on his attendance at the L&O Power Cooperative board meeting.

REPORTS ON MEETINGS ATTENDED

AWEA REPORT – Mr. Fish reported on an AWEA conference that he attended.

EXECUTIVE SESSION

Mr. Zylstra made a motion, seconded by Mr. Weinacht, to move into executive session at 1:49 p.m. for the purpose of reviewing legal matters. The motion carried. Those in attendance of the executive session included the directors, Attorney Alan Peterson, General Manager Tim McCarthy, management staff members Betty VanDerWerff, Debra Biever, and Carrie Law, along with Staff Assistant and Communications Specialist Amy Voelker. Mr. Drost made a motion to adjourn the executive session at 1:51 p.m., seconded by Mr. Zylstra. The motion carried.

NEXT MEETING

The next regular board meeting will be held on June 28<sup>th</sup>, 2016 at the Colman headquarters.

ADJOURNMENT

Mr. Zylstra made a motion, seconded by Mr. Martinson, to adjourn the Sioux Valley Energy board meeting at 1:55 p.m. The motion carried.

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Allan Kooima, Secretary

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