

**MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE SIOUX VALLEY-SOUTHWESTERN ELECTRIC COOPERATIVE, INC.
January 27, 2015**

The regular meeting of the Board of Directors of the Sioux Valley-Southwestern Electric Cooperative, Inc. (dba. Sioux Valley Energy) was held on January 27, 2015 commencing at 8:30 a.m. at the Cooperative's headquarters in Colman, South Dakota.

The meeting was called to order by President Mark Rogen who presided and Rodney DeMent, Secretary, acted as Secretary for the meeting.

Roll call showed the following members present:

Jan Bobendrier	Rodney DeMent	Gary Drost
Gary Fish	Henning Hansen	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 Ted Smith, Betty VanDerWerff, Debra Biever, and Jake VanDewater, and Staff Assistant and Communications Specialist Sheila Gross. East River General Manager Tom Boyko attended to present information for the Southwest Power Pool agenda item. Additional guests included: Jennie Patrick, Marketing Specialist; Director #9 board candidates Robert Fritz and Steven Lange; and Member Advisory Council Members Greg Benda, Dian Hoven and Floyd Snoozy. The additional guests attended the meeting prior to the executive session.

REVIEW AND CONSIDERATION OF AGENDA

The agenda was presented for consideration. A motion to approve the agenda was made by Mr. Martinson, seconded by Mr. Kooima. The motion carried by majority vote.

REVIEW AND CONSIDERATION OF MINUTES

A motion to approve the minutes of the regular board meeting of December 22nd, 2014 was made by Mr. Drost, seconded by Mr. Zylstra. The motion carried by majority vote.

A motion to approve the minutes of the special work plan and budget board meeting of December 22nd, 2014 was made by Mr. Weinacht, seconded by Mr. Kooima. The motion carried by majority vote.

EAST RIVER'S ENTRY IN SOUTHWEST POWER POOL

East River Manager Tom Boyko gave an overview of the Southwest Power Pool (SPP) and responded to questions from the board. Approximately 700 miles of their 2800-mile transmission line is eligible for SPP. The firm C.H. Guernsey has been hired to analyze the operational and financial aspects of joining. Mr. Boyko feels joining the SPP is positive for East River and its members systems. If East River decides to proceed, they would join in January of 2016.

REVIEW AND CONSIDERATION OF PROPOSED RESOLUTION OF THE MOODY COUNTY PRE-DISASTER MITIGATION PLAN 2014-2018

Ted Smith presented a proposed resolution for the Moody County Pre-disaster Mitigation plan for 2014-2018. The multi-hazard mitigation plan is updated every five years in order for the county to be eligible to receive FEMA funding. Sioux Valley Energy, as a participating jurisdiction in the plan, can apply for funds directly to FEMA for hazard mitigation projects in Moody County through this grant program. A motion to adopt the following resolution was made by Mr. Hansen, seconded by Mr. Martinson. The motion carried by majority vote.

WHEREAS, the Sioux Valley Energy Board of Directors supports the contents of the Moody County Pre-Disaster Mitigation Plan 2014-2018; and

WHEREAS, the Moody County Pre-Disaster Mitigation Plan 2014-2018 will be utilized as a guide for planning as related to FEMA Pre-Disaster Mitigation, and other purposes as deemed appropriate by the Sioux Valley Energy Board of Directors.

NOW THEREFORE IT BE RESOLVED, that the Sioux Valley Energy Board of Directors do hereby adopt, support, and will facilitate the implementation of the Moody County Pre-Disaster Mitigation Plan 2014-2018.

APPOINTMENT OF CREDENTIALS AND ELECTION COMMITTEES FOR DISTRICT MEETINGS

The Board reviewed the list of members who have agreed to serve on the credential and election committees for district meetings. Mr. Martinson made a motion to approve the following members to the credential and election committees for the 2015 district meetings, seconded by Mr. Hansen. The motion carried by majority vote.

District #10-Monday, March 9th

Jerry Aadland
Jim Folkerts
Kathy Hachmann
Dan Niemeyer
Wayne Uilk

District #11-Monday, March 16th

Jason VanBelle
Norman Overgaard
Arden Fick
Bruce Boelman
Harold Fick

District #9-Thursday, March 19th

Ivan Kuhlman
Elisabeth Roelofs
Anita Johnson
Nancy Hinricher
Connie Hillard

REVIEW AND CONSIDERATION OF PROPOSED 2015 ANNUAL MEETING VENUE, DATE AND LOCATION

Manager McCarthy called upon Jennie Patrick to present the annual meeting venue options to the board. Jennie described the details of a Tuesday evening mini-rodeo at the McCrossan Boys Ranch and a Saturday morning 5K run in Brandon. Ms. Bobendrier made a motion to accept the recommendation of the mini-rodeo at the McCrossan Boys Ranch in Sioux Falls on Tuesday, June 2nd for the 2015 annual meeting, seconded by Mr. Weinacht. The motion carried by majority vote.

PRE-AUDIT BOARD/AUDITOR DISCUSSION (VIA TELECONFERENCE)

Craig Popenhagen from the Clifton Larson Allen CPA firm facilitated a pre-audit discussion with the board via teleconference. Mr. Popenhagen provided information on the upcoming audit for Sioux Valley Energy and Sioux Valley Wireless including focus areas and auditing/accounting standards. The audit is scheduled for the week of March 2nd.

REVIEW AND CONSIDERATION OF BYLAW AMENDMENT LANGUAGE FOR REDISTRICTING RECOMMENDATIONS AND ASSIGNMENT OF CAPITAL CREDITS

Chair Rogen called up Attorney Peterson to review the proposed amendments to Article IV and VII in the Bylaws. Mr. Peterson read the proposed revision to Bylaw Article VII paragraph 6 of section 4 – Assignment of Capital Credits. The recommended revision is consistent with state law. A motion to approve the following proposed amendment to be presented to the membership at the annual meeting was made by Mr. Martinson, seconded by Mr. Kooima. The motion carried by majority vote.

Paragraph 6 of Section 4. Assignment of Capital Credits proposal to be amended to read:

“The assignment, gift or forfeiture of Capital Credits shall become effective only upon the expiration of the time and in the matter and under the conditions provided by the state law applicable to the Member’s capital credit allocation.”

Attorney Peterson read the proposed redistricting revisions to Bylaw Article IV – Directors which included revision to the first sentence of Section 2, the preamble to Section 4, and district descriptions as discussed by the board at their November 25, 2014 meeting. Mr. DeMent recommended to add “and thereafter the elected directors shall serve a three year term” to the District No. 6 description for consistency. Following considerable discussion from the board and a review of the original proposal submitted by the Member Advisory Council Redistricting Study Committee, a motion was made by Mr. Drost to approve the following proposed amendment which includes Mr. DeMent’s recommended addition. Mr. Fish seconded the motion. The motion carried by majority vote. The proposed amendment will be presented to the membership at the annual meeting.

Article IV. Directors proposal to be amended to read:

The first sentence of Section 2 be amended to read:

“The Cooperative shall be comprised of ten (10) director districts.”

The preamble to Section 4 be amended to read:

“The territories served by the Cooperative shall be divided into ten (10) districts. Each district, other than District No. 6, shall be represented by one Director. The ten (10) districts shall be as follows:”

The following district descriptions in Section 4 be amended to read:

“District No. 6 shall be made up of those Townships in Minnehaha County, South Dakota, which lie within Range 47, 48, 49 and Townships 101, 102, 103 and 104. Two “at large” Directors will represent District No. 6. At the first election following the passage of this amendment, one at large director shall be elected for a two year term and thereafter the elected director shall serve a three year term, and one at large director shall be elected for a three year term.”

“District No. 8 shall be made up of those Townships in Rock County, Minnesota, which lie within Range 44, 45, 46 and 47 and Townships 101 and 102.”

“District No. 9 shall be made up of those Townships in Pipestone County, Minnesota, which lie within Range 44, 45, 46 and 47 and Townships 106, 107 and 108. The first Director elected from District 9 following the passage of this amendment shall be seated for a two year term and thereafter the elected director shall serve a three year term.”

”District No. 10 shall be made up of those Townships in Pipestone County, Minnesota and Rock County, Minnesota, which lie within Range 44, 45, 46 and 47 and Townships 103, 104 and 105. The first Director elected from District 10 following the passage of this amendment shall be seated for a one year term and thereafter the elected director shall serve a three year term.”

ADDITIONAL MEMBER ADVISORY COUNCIL (MAC) APPOINTMENTS/REVIEW OF BOG #9-1 – ADVISORY COUNCIL

Additional members were nominated to serve on the Member Advisory Council. A motion was made by Mr. Martinson and seconded by Mr. Kahler to approve the following appointments to the Member Advisory Council for 2015. The motion carried by majority vote.

District #1: Tom Davis
District #6: Reid Christopherson
District #11: Tony Gacke

The board also reviewed Board Operating Guide #9-1 – Advisory Council to discuss term limits and qualifications. The board decided to leave the language relating to terms as is and to not include language for qualifications. Mr. DeMent made a motion to revise the delegation of arrangements related to Council meetings under Section III – Responsibility to the General Manager/CEO, seconded by Mr. Hansen. Advisory Council member Greg Benda suggested distributing BOG #9-1 to MAC members so they are aware of the policy.

REVIEW AND CONSIDERATION OF GENERAL MANAGER'S REPORT

Manager McCarthy reviewed key highlights of his written report. He reported on wholesale power purchases, sales and revenue for the month. Total kWh purchases from East River Electric for December were 61,611,094 compared to 62,998,432 budgeted, or 2.20% under budget and 5.87% less than December 2013. Total kWh purchases from L & O for December were 11,553,595 compared to 11,973,922 budgeted; 3.51% under budget and 10.48% less than December 2013. Total kWh sales for December were 69,645,819 compared to 64,801,008 budgeted; 7.48% over budget and 2.27% more than December 2013. Revenue from kWh sales for December was \$6,367,206 compared to \$5,978,432 budgeted; 6.50% over budget.

Manager McCarthy stated we received RUS approval to amend the current revenue deferral plan by adding \$1-million in 2014. The balance of deferred revenue as of year-end 2014 is \$3,930,000.

Manager McCarthy called upon Deb Biever who shared that we will soon be announcing a new payment option to the membership for added convenience. Payments through MoneyGram Services will interface with our billing system. We are in the process of conducting internal testing.

Manager McCarthy also called upon Deb Biever to give a construction update on the Pipestone Service Center. Deb showed progress pictures and stated that the subcontractors are busy completing all of the finishing work. At this point, it appears the facility will be completed earlier than March 31st.

Manager McCarthy reported that Sioux Valley Energy received the "Business of the Year" award from the Pipestone Chamber of Commerce at their annual meeting. The award was based on our commitment to the community demonstrated by our Operation Round Up program, participation in the recycling paper truck, building of the new service center, and Debra Biever's leadership on the Chamber board for the past four years. Debra accepted the award on Sioux Valley Energy's behalf.

Manager McCarthy called upon Jennie Patrick to give an update on the EmPOWER Youth Leadership session that was held on January 19th in Brookings, SD. She reported that 27 students attended and positive feedback was received on the session which focused on teamwork and cooperative principles. The Soda Pop Co-op that the group is operating is a great learning tool for the teens.

Manager McCarthy shared that the stray voltage legislation is getting positive support and cooperation from the Dairy Association and legislators thanks to the diligent efforts of Ed Anderson of SDREA and Carrie Law.

Manager McCarthy provided an update on SMEC activities. The SMEC meeting for all cooperative board members took place in Austin, MN on January 19th. The final documents were reviewed with a few changes recommended by Attorney Peterson. Manager McCarthy stated that the cost of the acquisition is looking more positive. Negotiations continue with the Chamber of Commerce.

Manager McCarthy's written report also included new service requests, service interruptions, estate capital credit retirements, member, public, and government relation activities, an update on employee changes and the medical insurance plan, and the December safety and wellness report.

Manager McCarthy called upon Jake VanDewater to review the Sioux Valley Wireless report. He reported on activities including head-end equipment, customer care, meetings, and marketing promotions, along with 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. Martinson, seconded by Mr. Hansen. The motion carried by majority vote.

REVIEW AND CONSIDERATION OF GENERAL MANAGER'S EXPENSE STATEMENT

Arlyn Zylstra, Treasurer, reported that he reviewed the General Manager's expense and credit card statements for the period of October through December and found all expenses to be in order. The report was accepted and payment of the General Manager's statement in the amount of \$874.93 was approved per a motion by Mr. Martinson, seconded by Mr. Hansen. The motion carried by majority vote.

REVIEW AND CONSIDERATION OF ATTORNEY'S QUARTERLY EXPENSE STATEMENT

Sheila Gross presented the quarterly expense statements for Attorney Peterson. Counsel charges related to the sale of Sioux Valley Wireless will be charged to the subsidiary. A motion to approve payment of the Attorney's expense statements for October through December, 2014 in the amount of \$19,741.00 was made by Ms. Bobendrier, seconded by Mr. Kooima. The motion carried by majority vote.

REPORTS ON POWER SUPPLY MEETINGS

East River Board Meeting – Chair 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 – Directors Bobendrier, Drost, and Zylstra reported on their attendance at the L&O Power Cooperative board meeting.

REPORTS ON MEETINGS ATTENDED

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

SDREA Annual Meeting – Directors DeMent, Drost, Fish, Hansen, Kahler, Kooima, Martinson, and Rogen reported on their attendance at the SDREA Annual Meeting.

SMEC Meetings – Director Bobendrier reported on her attendance at the SMEC public hearing in Storden, MN on January 15th and Directors DeMent, Drost, and Rogen reported on their attendance at the January 19th SMEC Board of Directors' Meeting.

Member Advisory Council Meeting – Directors gave feedback on the MAC meeting held on January 22, 2015.

NOTICES OF MEETINGS, SELECTION OF DELEGATES AND AUTHORIZATION FOR ATTENDANCE

CFC Annual Meeting – Notice of the selection of a delegate and alternate to the CFC Annual Meeting that will be held in conjunction with the NRECA Annual Meeting was given. Mr. Zylstra made a motion to nominate Gary Drost as delegate and Ted Smith as alternate, seconded by Mr. Weinacht. The motion carried by majority vote.

OTHER BUSINESS

District meeting scripts were distributed. Manager McCarthy directed the board to contact Carrie Law if they wanted to make any changes.

Mr. Zylstra inquired about the follow-up to a discussion held at the July 2014 board meeting regarding carve-out rates for special occasion events such as an annual church picnic for groups that don't have regular electric service. Special festival carve-out rates have not been included in the rate study.

EXECUTIVE SESSION

Mr. Rogen declared an executive session at 2:10 p.m. for the purpose of reviewing legal matters and adjourned the executive session at 2:55 p.m.

NEXT MEETING

The next board meeting date will be Friday, February 20th, 2015 at the Colman headquarters beginning at 8:30 a.m.

ADJOURNMENT

The Sioux Valley Energy board meeting was adjourned at 2:55 p.m. by a motion from Mr. Zylstra, seconded by Mr. Martinson. The motion carried by majority vote.

Acting Secretary

Date Approved: _____