

**MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS  
OF THE SIOUX VALLEY-SOUTHWESTERN ELECTRIC COOPERATIVE, INC.  
May 26, 2015**

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, 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, Carrie Law, Debra Biever, and Jake VanDewater, and Staff Assistant and Communications Specialist Sheila Gross. Director-Elect Gregg Johnson and employees Paul Mantz, Janae Phillips, and Ben Pierson also attended.

**REVIEW AND CONSIDERATION OF AGENDA**

The agenda was presented for consideration. Additional items for the agenda included a change in authorization for RUS reporting along with L&O Power Cooperative issues of appointing Gregg Johnson to the their board and selecting a delegate and alternate for special business. A motion to approve the amended agenda as presented 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 board meeting of April 28<sup>th</sup>, 2015 was made by Mr. Drost, seconded by Mr. Hansen. The motion carried by majority vote.

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

Chair Rogen 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. Board members had an opportunity to express their interest in officer positions. Attorney Peterson described the policy for the nomination and election process.

**REVIEW OF BASIN CONTRACT EXTENSION/EAST RIVER DRAFT AMENDMENTS**

Manager McCarthy reviewed the draft amendments for contract extensions through year 2075 for Basin Electric and East River Electric. East River would like to have member contracts signed by July to coincide with the timing of them joining the Southwest Power Pool. Manager McCarthy supports the contract extension. Basin will provide a depreciation savings credit to Class A members who sign to extend their contract. An amendment to extend the L&O Power contract will also be coming.

**REVIEW AND CONSIDERATION OF COBANK PROXY VOTE**

Since Sioux Valley Energy is a voting member of CoBank, it has the option to vote for or against the bylaw amendments proposed by the restructuring committee. Chair Mark Rogen was authorized to vote on the board's behalf for the CoBank bylaw amendments through proxy vote by a motion from Mr. Hansen, seconded by Mr. DeMent. The motion carried by majority vote.

**REVIEW AND CONSIDERATION FOR SMEC FINANCING/RESOLUTION FOR RUS  
LOAN AMENDMENT**

Manager McCarthy presented a proposed resolution for consideration that would move up to \$4-million in available loan funds from distribution budget purpose to acquisition purpose in the RUS 2012-2015 Construction Work Plan. To date we have drawn down \$3-million of the \$39.1-million FFB loan. Mr. Martinson made a motion to adopt the following resolution, seconded by Mr. Zylstra. The motion carried by majority vote.

**WHEREAS**, Sioux Valley-Southwestern Electric Cooperative has requested and received approval from the Rural Utilities Service (RUS) for the construction of the work designated in the 2012-2015 Construction Work Plan and financing through RUS "AR8" Loan under Budget Purpose No. 1 - Distribution,

**WHEREAS**, it was subsequently determined that existing "AR8" Loan funds in the amount of up to \$4,000,000 under the Budget purpose No. 1- Distribution could be better utilized for the acquisition of the Alliant Territory in Rock County Minnesota under Budget purpose No. 5 - Acquisitions, if a Budget Transfer were requested.

**NOW, THEREFORE**, be it resolved that Sioux Valley-Southwestern Electric Cooperative hereby requests RUS approval of a Budget Transfer of up to \$4,000,000 of current "AR8" Loan funds from Budget Purpose No. 1 to Budget Purpose No. 5 as needed for financing the acquisition of RUS approved facilities that qualify for RUS loan funds.

#### REVIEW AND CONSIDERATION OF RUS RESOLUTION FOR CHANGE IN AUTHORIZATION

Due to the resignation of the accounting manager, a resolution was presented for consideration to change the authorized certifier for Sioux Valley Energy. Mr. Weinacht made a motion to adopt the following resolution, seconded by Mr. Fish. The motion carried by majority vote.

**RESOLVED** that Tim McCarthy, the General Manager/CEO of the Corporation, be the Certifier on behalf of the Corporation, who shall be responsible for submitting and certifying to the Rural Utilities Service, an agency of the United States Department of Agriculture delivering Rural Development Utilities Programs, any and all data required by RUS Form 674:

**RESOLVED** that Betty VanDerWerff, the Director of Finance and Accounting/CFO of the Corporation, be the Security Administrator on behalf of the Corporation, who shall give access to the Corporation's data, as appropriate, to other employees, officers, or contractors of the Corporation, for the purpose of complying with RUS Form 674: and

**RESOLVED** that both shall comply with the Instructions for RUS Form 674 in regard to use of the government's data collection system.

#### REVIEW AND CONSIDERATION OF FUTURE AUDITING FIRM

The audit of the 2014 books was the third of a three-year 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 due to transactions with the Alliant Energy acquisition and Sioux Valley Wireless sale, and soliciting proposals for new auditing services. Mr. Zylstra 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.

#### REVIEW AND CONSIDERATION OF MEMBER ADVISORY COUNCIL (MAC) MEETING DATE

Dates for consideration were offered for the next Member Advisory Council meeting date. Mr. Drost made a motion to schedule the next MAC meeting date for August 19, 2015, at the Pipestone Service Center, seconded by Mr. Zylstra. The motion carried by majority vote.

#### REVIEW OF NRECA RELIABILITY INDICES

Ted Smith shared that Ben Pierson, System Engineer, and Michele Nielson, Manager of Engineering, will be assisting with his duties during his leave of absence. Ted called upon Ben Pierson 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. He reviewed the main areas of focus for the strategic planning session in July. He reported on the wholesale power purchases, sales and revenue; annual meeting preparations; and the upcoming open house for the new Pipestone Service Center. Manager McCarthy gave updates on the water heater legislation for grid-enabled water heaters, approved REED loans, and the system interface plans for the Brandon Service Center solar project.

Manager McCarthy's written report also included new service requests; service interruptions; estate capital credit retirements; L&O Power Cooperative capital credits; member, public, and government relation activities; an update on employee changes and the medical insurance plan; and the April safety and wellness report.

Manager McCarthy called upon Jake VanDewater to review the Sioux Valley Wireless report. He reported on activities including legal and licensing information; head-end equipment; customer care; meetings and training; and marketing promotions, along with a summary of new services and disconnects for the month of April.

## ACCEPT MANAGER'S REPORT

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

## APPOINTMENT OF REPLACEMENT DIRECTOR FOR L&O POWER COOPERATIVE AND DESIGNATION OF DELEGATE/ALTERNATE FOR SPECIAL MEETING

The Board discussed the necessity to appoint a director to represent the Cooperative on the L&O Power Cooperative Board to replace current director Jan Bobendrier whose term as a director would be expiring. It was then moved by Director Allan Kooima, seconded by Director Mark Kahler, and unanimously carried that effective June 2<sup>nd</sup>, 2015, Gregg Johnson be appointed as Director for L&O Power Cooperative to replace current director Jan Bobendrier and to serve the remainder of her term until the next Annual Meeting of L&O Power Cooperative, and that a copy of this Board action be forwarded to L&O Power Cooperative for appropriate action by the members of L&O Power Cooperative.

The Board then discussed appointment of a Delegate and Alternate to represent the Cooperative at any special meeting of the Members of L&O Power Cooperative to be held in the future to approve appointment of Gregg Johnson as director, and to take action on any further matters to be brought before the members of L&O Power Cooperative. It was then moved by Director Gary Drost, seconded by Director Bruce Martinson, and unanimously carried that Arlyn Zylstra serve as delegate and Gary Drost serve as alternate delegate for any special meeting of L&O Power Cooperative, with such Delegate and Alternate instructed to place the name of Gregg Johnson into nomination as director for the L&O Power Cooperative Board of Directors for the ensuing year.

NRECA 2015 Summer School for Directors – Notice of the NRECA Summer School opportunities for Directors was presented last month for June 5<sup>th</sup>-10<sup>th</sup> in Hilton Head, South Carolina and July 10<sup>th</sup>-15<sup>th</sup> in Branson, Missouri. Mr. Martinson and Director-Elect Johnson were authorized at the April meeting, but will not be attending.

CFC Forum – Notice of the CFC Forum scheduled for June 7<sup>th</sup>-10<sup>th</sup> in Chicago, Illinois was presented last month. Mr. Rogen was authorized at the April meeting, but will not be attending.

CoBank Energy Directors Conference – Notice of the CoBank Energy Directors Conference that will be held on July 13<sup>th</sup> – 15<sup>th</sup> in Colorado Springs, Colorado was presented. Mr. DeMent was authorized to attend per a motion by Mr. Weinacht, seconded by Ms. Bobendrier. The motion carried by majority vote.

New Director Orientation/MREA Energy Issues Summit – Notice of the New Director Orientation and MREA Energy Issues Summit that will be held in St. Cloud, Minnesota on August 10<sup>th</sup> – 13<sup>th</sup> was presented. All directors were authorized to attend the Energy Issues Summit and Gregg Johnson was also authorized to attend the new director orientation per a motion from Mr. Martinson, seconded by Mr. DeMent. The motion carried by majority vote. Directors Weinacht, Kooima, Hansen, Martinson, Zylstra, Kahler, and Johnson expressed interested in attending the summit.

#### EXECUTIVE SESSION

Mr. Zylstra made a motion, seconded by Mr. Hansen to move into executive session for the purpose of discussing legal matters at 11:05 a.m. Manager McCarthy, Attorney Peterson, and all directors were present. Mr. Martinson made a motion to adjourn the executive session at 11:24 a.m., seconded by Mr. Weinacht. The motions carried by majority vote.

#### NEXT MEETING

The next board meeting will be Tuesday, June 23<sup>rd</sup>, 2015 at the Brandon Service Center beginning at 1:00 p.m.

#### ADJOURNMENT

Chair Rogen declared the meeting adjourned at 11:24 a.m.

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Rodney DeMent, Secretary

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