

**MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE SIOUX VALLEY-SOUTHWESTERN ELECTRIC COOPERATIVE, INC.
August 21st, 2015**

The regular meeting of the Board of Directors of the Sioux Valley-Southwestern Electric Cooperative, Inc. (dba. Sioux Valley Energy) was held on August 21, 2015 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	Henning Hansen
Gregg Johnson	Mark Kahler	Allan Kooima
Bruce Martinson	Mark Rogen	Allan Weinacht
Arlyn Zylstra		

All directors were present except for Gary Fish and Gary Drost joined the meeting via teleconference. Also present were Attorney Alan Peterson, General Manager Tim McCarthy, management staff members Betty VanDerWerff, Carrie Law, Debra Biever, Ted Smith, Jake VanDewater and Staff Assistant and Communications Specialist Sheila Gross. Leann Nelson attended for a brief introduction as the new Manager of Accounting and Reggie Gassman attended to present the solar agenda item.

REVIEW AND CONSIDERATION OF AGENDA

The meeting began with a tour of the mechanic shop and warehouse area. The agenda was presented for consideration. Manager McCarthy added the review of section five policies to agenda item #6, two items were added to other business, and Mr. Drost added a discussion item relative to the MAC appointment of a SMEC member. A motion to approve the amended agenda as presented was made by Mr. Martinson, seconded by Mr. Weinacht. The motion carried by majority vote.

REVIEW AND CONSIDERATION OF MINUTES

A motion to approve the minutes of the regular board meeting of July 28th, 2015 was made by Mr. Rogen, seconded by Mr. Kooima. The motion carried by majority vote.

SOLAR ARRAY SYSTEM – FIRST RESPONDER AWARENESS

Reggie Gassman, Manager of Customer and Electrical Services, gave an overview of the voltage and connectivity of our solar array system, safety aspects, and first responder awareness in case of an accident. Safety Coordinator Terry Ebright will be facilitating first responder training with the local fire and emergency departments.

REVIEW AND CONSIDERATION OF REVISED LANGUAGE FOR ELECTION OF DIRECTORS FOR UNEXPIRED TERMS

Attorney Peterson presented proposed language to the Bylaws Article IV Section 9 – Vacancies and BOP 8-102 – Search for Director Candidates/Filling Vacancies. The revised language sets guidelines for the election process of directors to fill unexpired terms instead of the appointment by the board of directors. Consensus of the directors was to give further review of the proposed notice timeline to ensure it allows adequate time. Attorney Peterson will give an update to the notice timeline at the next board meeting.

REVIEW AND CONSIDERATION OF SECTION 5 BOARD POLICIES – FINANCIAL CONDITION

Betty VanDerWerff reviewed the board policies and associated operating guides in Section 5. Board Policy #5 Financial Condition; BOG 5-1 Financial Management; BOG 5-2 Receipt and Disbursement of Funds; BOG 5-3 Cash Disbursement Authorization; and BOG 5-4 Billing and Collection for Electric and Subsidiary Services. Minor language changes were recommended in the policies. A motion was made by Mr. Weinacht to accept the review of Section 5 policies with the recommended changes, seconded by Mr. Kooima. The motion carried by majority vote. Copies of the above policies and operating guides are attached to and made a part of these minutes.

RATE DESIGN FOLLOW-UP

Deb Biever presented additional information on rate design as a follow-up to the strategic planning session with the board. Considerations were given to what level the facility charge should be, bill impact scenarios for covering 82%-100% of the cost of service, timeframe for increasing the facility charge, and the most appropriate billing term to encompass cost of service. A motion was made by Mr. Johnson to increase the facility charge level to 100% of the cost of service and to change the billing terminology of facility charge to basic service. The motion did not receive a second. Mr. Drost made a motion to increase the facility charge level to 82% of the cost of service and to change the billing terminology of facility charge to basic service, seconded by Mr. Kahler. The motion carried by majority vote. A communication campaign will be developed to notify members of the billing terminology change which will be implemented within the next few months. Information and bill impact scenarios will be explained at district meetings to give notice of the change in cost of service level and the revenue neutral rate design that will go into effect in May of 2016.

TIMELINE/PROCESS FOR BOARD AND GENERAL MANAGER/CEO APPRAISAL FORMS

Chair DeMent reviewed the timeline and process for appraisals of the board and General Manager/CEO. The directors should submit their forms to Sheila Gross by September 14th to summarize the results. The board should also include feedback on services from Attorney Peterson.

REVIEW AND CONSIDERATION OF PROPOSED REED RESOLUTION FOR MADISON COMMUNITY HOSPITAL

Betty VanDerWerff presented the Madison Community Hospital REDLG/grant that was approved by USDA and requires signatures of the board president and secretary at this time. A resolution was presented to reaffirm Sioux Valley Energy's participation in the REED fund.

The board approved a request from Madison Community Hospital for a \$300,000 Rural Economic Development Grant at the August, 2012 board meeting. This loan will help pay for new radiology equipment. Mr. Weinacht made a motion to reaffirm the board's participation in the REED revolving fund for the Madison Hospital and to adopt the following resolution, seconded by Mr. Mr. Kooima. The motion carried by majority vote.

WHEREAS, the Rural Electric Economic Development, Inc. Revolving Loan Fund (REED Fund) was created by a group of electric cooperatives, including Sioux Valley-Southwestern Electric Cooperative, Inc., as a private, non-profit, 501.c.3 corporation to assist in development that promotes growth in rural areas, contributes to job/wealth creation and improves the infrastructure and economic base needed to keep the rural economy viable; and

WHEREAS, Sioux Valley-Southwestern Electric Cooperative, Inc. has received a Rural Economic Development (REDL&G) Grant from USDA Rural Development to assist the Madison Community Hospital and will administer proceeds of the grant according to the REED Fund Revolving Loan Fund Plan dated March 2012;

NOW, THEREFORE BE IT RESOLVED that the Board of Directors of Sioux Valley-Southwestern Electric Cooperative, Inc., adopts statements set forth in this resolution and further adopts the Revolving Loan Fund Plan for Rural Electric Economic Development, Inc. as approved by the U.S. Department of Agriculture's Rural Development.

CLEAN POWER PLAN PRESENTATION

Manager McCarthy presented preliminary information that had been shared by East River on the Clean Power Plan including efficiency goals and timelines.

REVIEW OF CFC KEY RATIO TREND ANALYSIS

Betty VanDerWerff reviewed the Key Ratio Trend Analysis report showing key system operating, expense and growth ratios for a five year period ending December 2014. The report included comparisons to other cooperatives in the nation, in South Dakota and Minnesota, and in the East River system.

REVIEW OF EAST RIVER PROPOSED RESOLUTIONS

Manager McCarthy discussed the proposed resolutions for East River Electric recommended by their Resolutions Committee that will be voted on at the East River annual meeting.

DISCUSSION OF ADDITIONAL BOARD AGENDA TOPICS

Manager McCarthy asked directors for input on any additional items or topics that they would like included as part of the regular monthly agenda. The employee turnover data from the last three years was presented as follow-up from an inquiry at the strategic planning session.

FOLLOW-UP ON EDGERTON MEMBER MEETING

The Board of Directors discussed member feedback from the Edgerton member meeting held on August 6th that provided information on the underground to overhead line conversion projects. The presentation information was also included as part of the manager's column in the September edition of the Cooperative Connections magazine.

FOLLOW-UP ON DISTRICT MEETING FACILITIES

Carrie Law reviewed the anticipated counts and options available for facilities for the 2016 district meetings for board consideration and input. Dates and locations for the meetings will be finalized at the next board meeting.

REVIEW AND CONSIDERATION OF GENERAL MANAGER'S REPORT

Manager McCarthy reviewed key highlights of his written report. He reported on wholesale power purchases, sales, revenue, and new services for the month; key account visits, and employee participation on various community committees.

He also reported on his attendance at the East River Member Advisory Council and Basin Electric's financial forecast and proposed rates.

Manager McCarthy gave an update on possible new and expanding electrical loads for Sioux Valley Energy.

He discussed a recent inspection at the Pipestone Service Center from the MN Pollution Control Department.

Betty VanDerWerff gave a high level review of the Form 7 for the month of July, the operating revenue and expense summary statement, and year-end projections.

Deb Biever shared information on the Line Patrol Charity Ride that will be hosted by Sioux Valley Energy on September 11th and 12th. The 501(c)3 charity headed up by SDREA uses the donations to support cooperative families during crisis situations. Our employees have raised over \$7,500 for the charity this year.

Manager McCarthy stated that we are considering the date of September 28th to hold an open house for the new SMEC members. Due to director schedule conflicts, alternative dates will be researched. Mr. Drost discussed adding a new SMEC member on to the Advisory Council along with reaching out to the associated town councils for representation. Ted Smith reported on his attendance at the SMEC board meeting and reported that half of the meters have been installed for our new members.

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

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.

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 – Directors Drost, Johnson, and Zylstra reported on their attendance at the L&O Power Cooperative board meeting.

REPORTS ON MEETINGS ATTENDED

MREA New Director Orientation/Energy Issues Summit – Directors Hansen, Johnson, Kahler, Kooima, Martinson, Weinacht and Zylstra reported on their attendance at the MREA Energy Issues Summit. Mr. Johnson also reported on the new director orientation session.

NOTICES OF MEETINGS, SELECTION OF DELEGATES/ATTENDANCE AUTHORIZATION

CFC/RESCO Meetings in conjunction with NRECA Regional Meeting – CFC and RESCO will hold their annual meetings in conjunction with the NRECA Regional Meeting. Mr. Martinson volunteered to be delegate for CFC and Mr. Hansen volunteered to be delegate for RESCO. Mr. Rogen made a motion to select Mr. Martinson as delegate for the CFC annual meeting and Mr. Hansen as alternate and to select Mr. Hansen as delegate for the RESCO annual meeting and Mr. Martinson as alternate, seconded by Mr. Zylstra. The motion carried by majority vote.

Basin Annual Meeting – Notice of the Basin Annual Meeting that will be held November 3rd – 5th in Bismarck, North Dakota was given. Mr. Hansen made a motion to authorize attendance for directors DeMent, Hansen, Kahler, Martinson, Weinacht, and Zylstra, seconded by Mr. Martinson. Mr. Rogen made a motion to select Mr. Weinacht as delegate to the meeting and Mr. Kahler as alternate, seconded by Mr. Kooima. The motions carried by majority vote.

Midwest Annual Meeting – Notice of the Midwest Annual Meeting that will be held in Denver, Colorado on December 7th – 10th was presented. Mr. Hansen made a motion to authorize Directors DeMent, Martinson and Weinacht to attend and to select Mr. Martinson as delegate and Mr. DeMent as alternate, seconded by Mr. Kooima. The motion carried by majority vote.

OTHER BUSINESS

Mr. Rogen inquired about the depth lines are burrowed under culverts and the process for assisting with applicable locates. Ted Smith reported that we follow the One-Call laws and procedures for locates.

Mr. Zylstra reported a member security light repair issue that Ted Smith will follow up on.

EXECUTIVE SESSION

Mr. Martinson made a motion, seconded by Mr. Zylstra to move into executive session for the purpose of discussing legal matters at 2:30 p.m. Manager McCarthy, Attorney Peterson, all directors on the roll call, and management staff members were present. Mr. Zylstra made a motion to adjourn the executive session at 2:43 p.m., seconded by Mr. Kahler. The motions carried by majority vote.

NEXT MEETING

The next board meeting will be Wednesday, September 30th, 2015 at the Colman headquarters.

ADJOURNMENT

Mr. Zylstra made a motion to adjourn the meeting at 2:43 p.m., seconded by Mr. Weinacht. The motion carried by majority vote.

Allan Kooima, Secretary

Approved: _____