

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

The regular meeting of the Board of Directors of the Sioux Valley-Southwestern Electric Cooperative, Inc. (dba. Sioux Valley Energy) was held on October 27, 2015 commencing at 9:10 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	Gary Fish
Henning Hansen	Gregg Johnson	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 Betty VanDerWerff, Debra Biever, Ted Smith, Jake VanDewater along with Staff Assistant and Communications Specialist Sheila Gross. Also in attendance were employees Kim Hansen, Brenda Schelhaas, and Lori George. Richard Berreth, Advisory Council member for District #1, was also present. Sara Christiansen of Ideation Consulting attended to present the new leadership coaching model.

REVIEW AND CONSIDERATION OF AGENDA

The agenda was presented for consideration. Manager McCarthy added an action item for notice to buy-down SMEC assets and Attorney Peterson added an update on the MN Legal Group lawsuit. A motion to approve the amended agenda was made by Mr. Zylstra, seconded by Mr. Martinson. The motion carried by majority vote.

REVIEW AND CONSIDERATION OF MINUTES

A motion to approve the minutes of the regular board meeting of September 30th, 2015 was made by Mr. Martinson, seconded by Mr. Hansen. The motion carried by majority vote.

NEW LEADERSHIP COACHING MODEL

Sara Christiansen of Ideation Consulting presented the new leadership coaching model that management and supervisors are now using. The new model reinforces a team culture and emphasizes continuous improvement and learning while focusing on the balanced scorecard goals of the organization.

**REVIEW AND CONSIDERATION OF SECTIONS 3 AND 4 BOARD POLICIES –
ENERGY UTILIZATION AND MARKETING AND MEMBER AND COMMUNITY
SERVICES**

Carrie Law, Ted Smith and Betty VanDerWerff reviewed the board policies and associated operating guides in Sections 3 and 4. The policies reviewed included Board Policy #3 Energy Utilization and Marketing; BOG 3-1 Net Metering/Billing; Board Policy #4 Member and Community Services; BOG 4-1 Community Service and Economic Development Programs; and BOG 4-2 Value-Added Patronage Loan Program. A minor word addition was made to Board Policy #3 and language was added to BOG 3-1 for the exception of the acquired territory from Alliant Energy along with the addition of L&O Power for electric energy purchases. No changes were recommended to Board Policy #4. The board discussed value-added projects referred to in BOG 4-1 and 4-2 and felt these policies warranted further consideration. Those policies will be reviewed again at the November board meeting. A motion was made by Mr. Kooima to accept the review and recommended changes of Board Policy #3, BOG 3-1 and Board Policy #4, seconded by Mr. Martinson. The motion carried by majority vote. Copies of the above policies and operating guides are attached to and made a part of these minutes.

REVIEW AND CONSIDERATION OF AFFIRMATIVE ACTION PLAN FOR 2015

Manager McCarthy called upon Deb Biever who reviewed the three different Affirmative Action programs addressed in the Cooperative's Affirmative Action Plan for calendar year 2015—one for females and minorities, one for individuals with disabilities and one for protected veterans. A motion was made by Mr. Rogen, seconded by Mr. Johnson, to adopt the 2015 Affirmative Action Plan and affirm that the Cooperative is complying with the requirements of the plan.

REVIEW AND CONSIDERATION OF SMEC BUY-DOWN OF ASSETS RESOLUTION AND LETTER

Manager McCarthy reviewed a resolution and reference letter to Southern Minnesota Energy Cooperative of notice to buy-down SMEC assets. The resolution and letter provide a thirty day notice to purchase the assets in our service area. Mr. Johnson made a motion to adopt the following resolution and to submit the notice letter, seconded by Mr. Kooima. The motion carried by majority vote.

WHEREAS, Sioux Valley-Southwestern Electric Co-op (SVE) needs to provide a 30 day notice to Southern Minnesota Energy Cooperative (SMEC) to purchase its assets in its service area; and

BE IT RESOLVED, that Sioux Valley-Southwestern Electric Board of Directors authorize its general manager, Tim McCarthy, to provide notice to SMEC to purchase all assets in its service area and in coordination with the other eleven cooperatives in SMEC;

BE IT FURTHER RESOLVED, the Sioux Valley-Southwestern Electric Board of Directors authorize its General Manager, Tim McCarthy, to execute the Southern Minnesota Energy Cooperative Asset Purchase Agreement (APA), Wholesale Power Agreement and all ancillary documents required to complete the buy-down of the assets in its service area.

REVIEW AND CONSIDERATION OF PROPOSED WRITE-OFF OF UNCOLLECTIBLE ACCOUNTS

Brenda Schelhaas, Manager of Customer Services, reviewed the proposed write-off of uncollectible electric energy and accounts receivable-other accounts. The total write-off amount is \$17,435.51 compared to \$30,876.98 in 2014. This involves 91 accounts compared to 130 accounts in 2014. We will retain \$12,538.70 in unretired capital credits to offset part of this write-off, resulting in a net write-off of \$4,896.81.

REVIEW AND LIVE DEMONSTRATION OF OUTAGE NOTIFICATION PROGRAM FOR TECHNOLOGY SAVINGS MEASURES

Manager McCarthy called upon Ted Smith to review the outage management system (OMS) for technology savings measures. He presented the history of the OMS, operational benefits, software costs, and estimated savings from the system. The net benefit of the OMS is projected at \$79,523 in labor savings. A live demonstration was held in the dispatch center.

REVIEW AND CONSIDERATION OF 2016 DISTRICT MEETING SCHEDULE

Mr. Weinacht made a motion to approve the 2016 proposed district meeting schedule, seconded by Mr. Rogen. The meeting time was set for 7:00 p.m. Carrie Law reviewed the proposed agenda.

REVIEW AND CONSIDERATION OF ATTORNEY'S QUARTERLY EXPENSE STATEMENT

Sheila Gross presented the quarterly expense statements for Attorney Peterson. A motion to approve payment of the Attorney's expense statements for July through September, 2015 in the amount of \$13,183.46 was made by Mr. Kahler, seconded by Mr. Martinson. The amount includes \$165.36 for Utility Safety Innovations, LLC. The motion carried by majority vote.

REVIEW AND CONSIDERATION OF GENERAL MANAGER'S REPORT

Manager McCarthy reviewed key highlights of his written report along with the East River General Manager's report. He reported on wholesale power purchases, sales, and revenue. He also discussed the October 5th legislative meeting at the Pipestone Service Center with MN Senator Weber and Representative Shomacker.

Manager McCarthy gave an update on the SMEC purchase price and reported that final reconciliations will be completed soon.

Manager McCarthy also reviewed the agenda for the upcoming Member Advisory Council meeting on November 19th. The board discussed seeking town council representatives per the guidelines in BOG 9-1 and suggested ideas for improving engagement and utilization of the Council.

Manager McCarthy reported that the marketing team had visited several local grain elevators promoting “Doughnut Days” and electrical safety during the harvest season.

Manager McCarthy called upon Carrie Law for program and legislative updates. She discussed the plan to form a committee to determine the future of the water heater program and gave a progress report on the SDREA Legislative Committee and Metes and Bounds issue.

Manager McCarthy’s written report also included new services for the month; service interruptions; a report on financial condition; member, community and government relation activities; employee training and development; and the September safety and wellness report.

ACCEPT MANAGER’S REPORT

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

REVIEW AND CONSIDERATION OF GENERAL MANAGER’S QUARTERLY EXPENSE STATEMENT

Arlyn Zylstra, Treasurer, reported that he reviewed the General Manager’s expense and credit card statements for the period of July through September, 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 \$2,355.63 was approved per a motion by Mr. Kooima, seconded by Mr. Johnson. 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.

REPORTS ON MEETINGS ATTENDED

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

NOTICES OF MEETINGS, SELECTION OF DELEGATES/ATTENDANCE AUTHORIZATION

Legislative Forum – All directors were authorized at the September board meeting to attend the Sioux Valley Energy/Southeastern Electric Legislative Forum in Sioux Falls on November 23rd. Those expressing interest in attending included directors DeMent, Drost, Fish, Hansen, Kahler, Kooima, and Rogen in addition to Attorney Peterson.

SDREA Board Leadership Training – Notice of the SDREA Board Leadership Training in Pierre, SD on December 4th was presented. Mr. Kooima was authorized to attend per a motion by Mr. Rogen, seconded by Mr. Zylstra. The motion carried by majority vote.

Midwest Resolutions Committee – Mr. Drost was authorized to attend the Midwest Resolutions Committee as part of the Midwest Annual Meeting per a motion by Mr. Weinacht, seconded by Mr. Kooima. The motion carried by majority vote.

SDREA Annual Meeting – Notice of the SDREA Annual Meeting that will be held in Pierre, SD on January 14th – 15th was presented. All directors were authorized to attend per a motion by Mr. Martinson, seconded by Mr. Kahler. The motion carried by majority vote.

OTHER BUSINESS

Attorney Peterson gave an update on a lawsuit involving the MN Legal Group in which MN cooperatives attempted to get taxes refunded for revenue that was reallocated as capital credits. The Supreme Court did not rule in their favor.

EXECUTIVE SESSION

Mr. Zylstra made a motion, seconded by Mr. Martinson, to move into executive session at 1:53 p.m. for the purpose of discussing holidays and the market rate tariffs. Mr. Kooima made a motion to adjourn the executive session at 2:15 p.m., seconded by Mr. Drost. The motion carried by majority vote.

APPROVAL OF MARKET RATE TARIFFS

Mr. Kooima made a motion, seconded by Mr. Hansen, to approve the market rate tariffs for ADP, Dakota Ethanol and Valero as discussed in executive session. The motion carried by majority vote.

NEXT MEETING

The next board meeting will be held on Tuesday, November 24th, 2015 at the Colman headquarters.

ADJOURNMENT

Mr. Zylstra made a motion, seconded by Mr. Weinacht, to adjourn the Sioux Valley Energy board meeting at 2:20 p.m. The motion carried by majority vote.

Allan Kooima, Secretary

Approved: _____