

**MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE SIOUX VALLEY-SOUTHWESTERN ELECTRIC COOPERATIVE, INC.
July 26th, 2016**

The regular meeting of the Board of Directors of the Sioux Valley-Southwestern Electric Cooperative, Inc. (dba. Sioux Valley Energy) was held on July 26th, 2016 commencing at 8:30 a.m. at the Colman headquarters in Colman, South Dakota.

The meeting was called to order by Secretary Allen Kooima who presided until President Rodney DeMent became present at 9:15 a.m. and Allan Kooima, Secretary, then 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	Dave Daniel
Arlyn Zylstra	Gary Fish	

All directors were present, also present were Attorney Alan Peterson, General Manager Tim McCarthy, management staff member Betty VanDerWerff along with Staff Assistant and Communications Specialist Amy Voelker.

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. Zylstra. The motion carried.

REVIEW AND CONSIDERATION OF MINUTES

A motion to approve the minutes of the regular board meeting of June 28th, 2016 was made by Mr. Rogen, seconded by Mr. Johnson. The motion carried.

INTRODUCTION OF NEW EMPLOYEE

Chinelle Christensen introduced Angela Boughton, our newest employee in dispatch.

REVIEW AND CONSIDERATION OF VISION BROOKINGS CAMPAIGN

Manager McCarthy presented the Vision Brookings Campaign. He asked for a 5 year commitment starting in 2017 with a \$1000 per year donation for a total of \$5000. We are just completing our previous 5 year commitment. Mr. Rogen made a motion to approve the 5 year commitment to the Vision Brookings Campaign with donation of \$1000 per year for a total of \$5000, second by Mr. Fish. The motion carried by majority vote.

REVIEW AND CONSIDERATION OF PROPOSED DISTRIBUTION TO DISTRIBUTION INTERCONNECTION AGREEMENT BETWEEN SVE AND INTERSTATE POWER AND LIGHT COMPANY RESOLUTION

Manager McCarthy requested board approval of the Distribution to Distribution Interconnection Agreement by and between Sioux Valley-Southwestern Electrical Cooperative, Inc. and Interstate Power and Light Company resolution. Mr. Fish made a motion to approve and adopt the following resolution, seconded by Mr. Martinson. The motion carried.

WHEREAS, the Interstate Power and Light Company and Sioux Valley Southwestern Electric Cooperative, Inc., are engaged in the distribution and sale of power and energy in northern Iowa and southern Minnesota, and

WHEREAS, IPL and Southern Minnesota Energy Cooperative, a Minnesota electric cooperative (“SMEC”) entered into an Asset Purchase and Sale Agreement dated as of September 3, 2013 (the “IPL Purchase Agreement”), pursuant to which IPL agreed to sell to SMEC substantially all of its distribution assets in southern Minnesota ; and

WHEREAS, the transactions contemplated by the IPL Purchase Agreement were consummated on July 31, 2015, and in connection with such closing, IPL and SMEC entered into a Distribution to Distribution Interconnection Agreement dated July 31, 2015 (the “Distribution Agreement”); and

WHEREAS, SMEC entered into an Asset Purchase and Sale Agreement dated as of December 15, 2015 with the Cooperative (the “Cooperative Purchase Agreement”), pursuant to which SMEC agreed to sell to the Cooperative substantially all of SMEC’s distribution assets in the Cooperative’s territory; and

WHEREAS, the Cooperative Purchase Agreement provided that the Distribution Agreement be partially assigned by SMEC to the Cooperative and to three other member cooperatives of SMEC; and

WHEREAS, in order to clarify the respective rights and responsibilities of each of the parties to the Distribution Agreement with respect to the subject material thereof, such parties have agreed to terminate the Distribution Agreement upon the execution and delivery of the new Distribution to Distribution Interconnection Agreement.

NOW THEREFORE BE IT RESOLVED, that the Sioux Valley-Southwestern Electric Cooperative Inc. (DBA Sioux Valley Energy) approve the Distribution to Distribution Interconnection agreement and so authorize their CEO/Manager to execute the agreement on behalf of the cooperative.

REVIEW AND CONSIDERATION OF PROPOSED MASTER JOINT USE AGREEMENT FOR DISTRIBUTION UNDERBUILD RESOLUTION

Manager McCarthy requested board approval of the Master Joint Use Agreement – ITC State of Minnesota County of Rock resolution. Mr. Hansen made a motion to approve and adopt the following resolution, seconded by Mr. Zylstra. The motion carried.

WHEREAS, Southern Minnesota Energy Cooperative (on behalf of its cooperative members) and ITC Midwest, LLC have negotiated a Master Joint Use Agreement, and

WHEREAS, an agreement of the cooperatives and ITC was necessary as underbuild construction exists on the property purchased from Alliant Energy,

NOW THEREFORE BE IT RESOLVED, that the Sioux Valley-Southwestern Electric Cooperative Inc. (DBA Sioux Valley Energy) Board of Directors approve the Master Joint Use Pole agreement for distribution underbuild and so authorize their CEO/Manager to execute the agreement on behalf of the cooperative.

REVIEW AND CONSIDERATION OF BOP 8-102

Manager McCarthy requested approval for the changes of BOP 8-102. Mr. Drost made a motion to approve and adopt the changes, seconded by Mr. Daniel. The motion carried.

REVIEW OF MEMBER ADVISORY COUNCIL (MAC) TOPICS

Topics for consideration were offered for the next Member Advisory Council meeting. Manager McCarthy presented the topics of Basin Rates, Key Trend Analysis, REC Program, Pipestone County Ordinance, Load/Member Growth Trends, Strategic Planning Outcomes, Solar Output for Year One, and New Shop Update.

REVIEW OF MID-YEAR RATE INCREASE

Manager McCarthy called upon Betty VanDerWerff to review the mid-year rate increase. East River Board of Directors voted to offset the Basin 2016 mid-year rate increase with excess margins and most of the remaining margin stabilization fund. It is estimated that \$500,000 would remain in the margin stabilization fund to use in 2017. The rate increase would be passed thru to TransCanada pipeline and the Class D members in 2016.

REVIEW OF FINANCIAL REPORT AND CONSIDERATION OF ANNUAL MEETING WAIVER FOR UTILITY SAFETY INNOVATIONS LLC

The Board of Directors was given a consent in writing to action as the Member of Utility Safety Innovations LLC in lieu of the annual meeting. Mr. Martinson made a motion to approve the consent in writing to waive the annual meeting, seconded by Mr. Hansen. The motion carried.

REVIEW OF CFC KEY RATIO TREND ANALYSIS

Manager McCarthy called upon Betty VanDerWerff to review the Key Ratio Trend Analysis report showing key system operating, expense and growth ratios for a five-year period ending December 2015 at the board meeting. This report included comparisons to other cooperatives in the nation, in South Dakota and Minnesota.

REVIEW OF PIPESTONE COUNTY ORDINANCE

Manager McCarthy gave an update on Pipestone County as they propose a new zoning ordinance that would change utility line setbacks. If this change is approved it could have significant cost impacts to Sioux Valley Energy in the future. A public hearing was scheduled on July 26. Paul Mantz and Jim Kuyper attended the meeting to give input to the county commissioners.

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 April through June, 2016 and found all expenses to be in order. The report was accepted and payment of the General Manager's statement in the amount of \$2,225.51 was approved per a motion by Mr. Kooima, seconded by Mr. Weinacht. The motion carried.

REVIEW AND CONSIDERATION OF ATTORNEY'S QUARTERLY EXPENSE STATEMENT

Amy Voelker presented the quarterly expense statements for Attorney Peterson. A motion to approve payment of the Attorney's expense statements for April through June, 2016 in the amount of \$14,864.24 was made by Mr. Martinson, seconded by Mr. Kooima. 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 the East River MAC meeting.

Manager McCarthy reported that we set an all-time summer peak load in June.

Manager McCarthy reported that the 2015-2016 EmPOWER Youth Leadership Program was a huge success. There are 62 students signed up for this year's program and 32 of the students went on the youth excursion to North Dakota July 25th -28th.

Manager McCarthy reported that he attended the Heartland Conference in Madison. Heartland is currently developing a strategic plan and it will focus on goals for over the next 3-5 years.

ACCEPT MANAGER'S REPORT

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

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

CoBank Directors Conference – Directors DeMent, Weinacht and Daniel reported on their attendance at the CoBank Directors Conference in Colorado Springs, CO.

SDREA Legal Seminar & NRECA Legal Seminar – Attorney Al Peterson reported on his attendance at the SDREA & NRECA legal seminars he attended.

MREA District 5 Meeting – Directors Johnson, Zylstra, Kooima, and DeMent reported on their attendance at the MREA District 5 Meeting in Sleepy Eye, MN.

NOTICES OF MEETINGS, SELECTION OF DELEGATES/ATTENDANCE AUTHORIZATION

NRECA Regional 6 Meeting – Mr. Kooima made a motion to authorize Dave Daniel to attend the NRECA Regional 6 Meeting September 21st & 22nd, seconded by Mr. Zylstra. The motion carried.

Midwest Resolutions Committee – Mr. Drost requested to attend the Midwest Resolutions Committee Meeting in Denver, CO on September 20th, 2016. Mr. Rogen made a motion to authorize Gary Drost to attend, seconded by Mr. Kooima. The motion carried.

EXECUTIVE SESSION

NEXT MEETING

The next regular board meeting will be held on August 23rd, 2016 at the Colman headquarters.

ADJOURNMENT

Mr. Zylstra made a motion, seconded by Mr. Weinacht, to adjourn the Sioux Valley Energy board meeting at 2:45 p.m. The motion carried.

Allan Kooima, Secretary

Approved: _____