

**MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE SIOUX VALLEY-SOUTHWESTERN ELECTRIC COOPERATIVE, INC.
May 30th, 2017**

The regular meeting of the Board of Directors of the Sioux Valley-Southwestern Electric Cooperative, Inc. (dba. Sioux Valley Energy) was held on May 30th, 2017 commencing at 8:30 a.m. at Sioux Valley Energy headquarters, Colman, SD.

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	Dave Daniel
Henning Hansen	Arlyn Zylstra	Allan Kooima
Bruce Martinson	Mark Rogen	Allan Weinacht
Gary Fish	Gregg Johnson	

All directors were present. Also present were Attorney Alan Peterson, General Manager Tim McCarthy, management staff members Betty VanDerWerff, Ted Smith, Debra Bieber, and Carrie Law, along with Staff Assistant and Communications Specialist Amy Voelker. Kim Hansen, Manager of HR and Administrative Services was also present.

REVIEW AND CONSIDERATION OF AGENDA

The agenda was presented for consideration. An agenda item of strategic planning session date change was added. A motion to approve the amended agenda was made by Mr. Martinson, seconded by Mr. Hansen. The motion carried.

REVIEW AND CONSIDERATION OF MINUTES

A motion to approve the minutes of the regular board meeting of April 27th, 2017 was made by Mr. Zylstra, seconded by Mr. Johnson. The motion carried.

REVIEW AND CONSIDERATION OF STRATEGIC PLANNING SESSION DATE CHANGE

Due to a conflict with the strategic planning session date, a motion was made by Mr. Fish to reschedule the strategic planning session to a one day session on August 18th, 2017, seconded by Mr. Weinacht. The motion carried.

SD COOPERATIVE RATE COMPARISON

Manager McCarthy called upon Debra Bieber to present the SD Cooperative Rate Comparison. Debra reviewed rate comparisons for the South Dakota cooperatives including the facility charge, and usage levels of 1,000 KWH, and 2,500 KWH.

OPERATION ROUND-UP INTERNAL AUDIT

Manager McCarthy called upon Betty VanDerWerff to review the information of the completed internal financial audit of Operation Round-Up. There were no items of concern discovered.

REVIEW AND CONSIDERATION OF ALL-ELECTRIC HEAT-APARTMENT RATE

Manager McCarthy called upon Debra Bieber to present the all-electric heat-apartment rate. The recommendation made to the board is that Sioux Valley Energy makes this rate available to apartment buildings with 8 or more units that use electric heat as their only source of heat. The basic service charge would be \$15 per month and the energy charge would be \$0.0955 per kWh. Mr. Hansen made a motion to approve this rate effective May 2017 seconded by Mr. Weinacht. The motion carried.

TIME OF USE RATE UPDATE

Manager McCarthy called upon Ted Smith to present the time of use rate update to the board. Ted updated the information that we received from Basin and we will plan on moving forward once details are worked out.

RETIREMENT SECURITY PENSION PLAN AND COLLECTIVE BARGAINING AGREEMENT

Manager McCarthy called upon Debra Bieber to present information and update the board on the retirement security age 62 pension plan. Debra reviewed the current

union 30 year plan and gave the board an overview of the proposed changes that will be presented to the union for negotiation.

RATE MAKING THOURGH THE EYES OF THE PUC

Manager McCarthy called upon Jim Horan from MREA to give an update on rate making through the eyes of the PUC. Jim talked on the Minnesota legislation and reviewed current bills. Jim also discussed different types of rates and who sets rates as well as the challenges local cooperatives face at the PUC.

RETIREE MEDICAL HEALTH INSURANCE BENEFIT

Manager McCarthy called upon Debra Biever to present information on retiree medical insurance. Debra reviewed the current status of this insurance, cooperative comparisons, and the impact to Sioux Valley Energy if changes were made. Debra also presented the estimated financial impact for providing retiree medical insurance. Actuarial numbers would need to be evaluated by NRECA in order to get the actual financial impact. Discussion was held and the board was in agreement to move forward and get the actuarial numbers from NRECA for future discussion.

REVIEW AND CONSIDERATION OF TRANSFER OF SERVICE TERRITORY BETWEEN CITY OF BROOKINGS AND SIOUX VALLEY-SOUTHWESTERN ELECTRIC COOPERATIVE, INC. RESOLUTION

Manager McCarthy called upon Ted Smith to present the transfer of service territory resolution between the City of Brookings and Sioux Valley-Southwestern Electric Cooperative, Inc. Following the review and recommendation, a motion was made by Mr. Drost and seconded by Mr. Martinson that the following resolution be adopted. The motion carried.

THIS AGREEMENT made and entered into this day of , 2017 by and between SIOUX VALLEY-SOUTHWESTERN ELECTRIC COOPERATIVE, INC., hereinafter referred to as the "Cooperative" and the MUNICIPAL UTILITY BOARD for the CITY OF BROOKINGS, SOUTH DAKOTA, hereinafter referred to as the "City", WITNESSETH:

WHEREAS, the Cooperative and the City entered into a Territorial Agreement dated January 19, 1976, pursuant to the provisions of Chapter 49-34A, SDCL, which Agreement was approved and ratified by the Public Utilities Commission for the State of South Dakota, and

WHEREAS, thereafter the City did annex certain territories to the City, which territories were service territory of the Cooperative, and

WHEREAS, the City has proposed to purchase the facilities and assume service to all consumers in the newly annexed areas pursuant to letter proposals dated January 25th, 2016 and the Cooperative is required to transfer said territory in accordance therewith, now therefore,

FOR AND IN CONSIDERATION of the mutual promises, conditions and terms contained herein, the parties do hereby covenant, contract and agree as follows, to-wit:

I.

The Cooperative hereby relinquishes all service rights to the City in the following described territory, towit: Resolution 15-069; The South ½ of the Northwest ¼ of Section 34 T-110NR50W. in accordance with the maps attached hereto as "Exhibit A1 ".

II.

The Cooperative hereby is required to sell and the City hereby is required to purchase the electric lines, poles, appurtenances and facilities located within and/or near the above described property and to pay for the costs of reintegrating the Cooperative's system, all in accordance with the schedule attached hereto as "Exhibit B".

III.

The purchase price for facilities being sold to the City shall be \$0.00, as the cooperative does not have any facilities in the affected area.

IV.

As and for additional consideration for the purchase of the Cooperative's facilities and the right to serve

existing and all future customers within the above described territory assumed by the City, the City furthermore agrees to pay as compensation for service rights, an annual amount equal to the sum of twenty-five percent of the gross revenues received from power sales to consumers of electric power within the annexed area. The obligation of the annexing municipality to compensate the utility for service rights shall continue for eleven years from the date of the offer to purchase by the annexing municipality.

During the eleven-year period, compensation for service rights to any one customer location within the annexed area shall be paid by the annexing municipality for a period of seven years or until the expiration of the eleven-year period, whichever is less. Gross revenues received shall be determined by applying the rate in effect by the municipality at the time of purchase.

V.

The City agrees to apply to the South Dakota Public Utilities Commission of the State of South Dakota for the transfer and assignment of the Cooperative's certified service territory to the City.

VI.

It is understood and agreed that the Date of Possession of said territory shall be . The parties agree to work together to effect a smooth transition causing the least inconvenience to electric patrons located within the City.

VII.

The Cooperative agrees to refund to its customers, as of, or prior to the Date of Possession, any refundable deposits and there shall be no assumption by the City of such refundable deposits. From and after the Date of Possession, the Cooperative agrees to indemnify, and save harmless the City against any and all claims based upon transactions occurring prior to the Date of Possession with respect to refundable deposits.

VIII.

At the time of transfer of individual consumers, the consumer meters shall be jointly read by representatives of the City and the Cooperative. This reading shall be used to determine the final bill to be issued by the Cooperative and the initial reading for use by the City. The Cooperative shall be entitled to all revenues derived from sales prior to said meter reading, and shall be responsible for collection of those revenues, except: any receivables still outstanding 60 days following the transfer date shall be purchased by the City, and further collection shall be the responsibility of the City. The Cooperative shall make diligent effort to collect its revenues within the 60 day period.

IX.

The Cooperative's cash retirement of consumers' retained capital credits shall be consistent with Cooperative policy.

X.

The Cooperative shall assign to the City all right-of-way easements of record pertaining to the facilities to be purchased by the City through this Agreement. The City shall prepare the assignment documents.

XI.

IN WITNESS WHEREOF the parties have hereunto set their hand and seal the day and date first above written.

ANNUAL MEETING

Manager McCarthy called upon Carrie Law to give an update on how the annual meeting plans are coming.

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 the Basin UREA plant is moving forward at a good pace. They are looking at November 1 for a start-up date.

Manager McCarthy reported on the Leadercast "Powered by Purpose" that employees took part in at the Colman office. It focused on each employee's purpose within our organization.

Manager McCarthy reported that our new services are still up quite a bit.

Manager McCarthy reported that the key account rate discussions are going as well as expected. There has also been some interest in the VFD's.

Manger McCarthy and Ted Smith gave an update on the new possible loads in our service territory.

Manager McCarthy updated the board that we have received 42 applications so far for next year's EmPOWER program.

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.

L&O Power Board Meeting – Mr. Johnson reported on his attendance at the L&O Power board meeting.

NOTICES OF MEETINGS, SELECTION OF DELEGATES/ATTENDANCE AUTHORIZATION

NRECA REGIONAL 5 & 6 MEETING –The NRECA Regional 5 & 6 meeting will be held in Minneapolis, MN September 19-21. Mr. Weinacht made a motion to authorize Directors Johnson, Zylstra, Kooima, Hansen, Martinson and DeMent to attend, seconded by Mr. Drost. The motion carried.

EXECUTIVE SESSION

Mr. Daniel made a motion, seconded by Mr. Kooima, to move into executive session, to discuss territorial issues, at 2:10 p.m. Mr. Zylstra made a motion to adjourn executive session and the Sioux Valley Energy board meeting at 2:25 p.m., seconded by Mr. Kooima. The motion carried.

NEXT MEETING

The next regular board meeting will be held on June 20th, 2017 at the Colman headquarters.

Allan Kooima, Secretary

Approved: _____