

MINUTES
SOUTHSIDE ELECTRIC COOPERATIVE
MEETING OF THE BOARD OF DIRECTORS
APRIL 21, 2016 @ 1:30 P.M.
HEADQUARTERS BOARD ROOM

PRESENT: Frank W. Bacon (Chairman)
Earl C. Currin, Jr. (Vice Chairman)
Paul S. Bennett (Secretary)
Herbert E. Winn (Treasurer)
Charles J. Friedl
Brenda H. Johnson
Michael A. Lobue
William T. White

Frank F. Rennie, IV (General Counsel)
Christine Marston (Minute Taker)

STAFF: Jeffrey S. Edwards, President/CEO
George A. Felts, VP of Engineering & Operations Services
Danny J. Hammond, VP of Finance & Corporate Services
Jean H. Morris, VP of Human Resources
Allan A. Sharrett, VP of Public & Member Relations

Dr. Frank Bacon presided and gave the invocation. Board members will alternate giving the invocation beginning next month.

PREVIOUS MINUTES

On motion made and seconded:

“The Minutes of the March 17, 2016 Board Meeting are approved as presented.”

MOTION CARRIED

ODEC REPORT

The ODEC report was given by Earl Currin and Jeff Edwards.

PRESIDENT/CEO’S REPORT

1. The Financial and Statistical report for March 2016 was reviewed and is attached to and made a part of the Minutes.
2. The Board was provided information regarding cybersecurity events during the month of March 2016.
3. The Institute of Electrical & Electronics Engineers (IEEE) outage data and safety report for March 2016 were reviewed in detail:

IEEE Outage Data

- a. System Average Interruption Duration Index (SAIDI), System Average Interruption Frequency Index (SAIFI) and System Customer Average Interruption Duration Index (CAIDI) were below historical five-year values.
- b. There were no Dominion Virginia Power (DVP) or Appalachian Electric Power (AEP) supply outages during the month.
- c. There was one SEC power supply outage during the month at Sugar Hill substation. The outage was caused by a failed voltage regulator in the substation.
- d. There were no major event days during the month.

Safety Report

- a. No lost-time injuries reported in March.
 - b. Total lost-time accumulated in March was 0 days
 - c. As of March 31st, employees have worked 995 days without a lost time injury.
 - d. Daren Hanson, the new Director of Safety and Loss Control, started working on April 4th.
4. Scholarship Foundation Committee report:
- a. Awarded 10 scholarships; 3 from Districts I & II and 4 from District III of SEC's service territory.
 - b. Reviewed and approved the scholarship application for the Powerline Worker's program, General Counsel will finalize this document for distribution.
 - c. Approved the Articles of Incorporation and Bylaws of the Committee. They will be submitted to the State Corporation Commission (SCC) for approval.
 - d. Working on filing an application to the IRS to establish a 501 (c) 3 corporation. This will enable donations to be tax deductible.
 - e. Discussed fundraising projects. A golf tournament is scheduled in May. Staff to propose additional projects during the next meeting.
 - f. The next meeting of the Committee is scheduled for July 21, 2016.
5. The Cooperative was contacted by Freedom Hunters requesting support for their outdoor program opportunities for veterans. Freedom Hunters is a military outreach program that provides hunting and fishing adventures to wounded veterans. Approximately 250 veterans in the Richmond area could not be taken on hunts due to being in a wheelchair. Freedom Hunters needs donations in order to buy a track type wheelchair. The Cooperative will begin holding raffles every other month to help raise money for this program.
6. Another way the Cooperative is getting involved in the communities we serve is by allowing employees time off to volunteer with charitable organizations. Employees

are allowed two days a year to volunteer to an approved organization. A list of organizations has been developed by staff.

7. The Virginia Maryland Delaware Association of Electric Cooperatives received the Chancellor's Award for Philanthropy from Virginia Community College System after being nominated by Southside Virginia Community College (SVCC) for its contributions to the Powerline Workers program. Jeff Edwards, CEO with Southside Electric Cooperative and John Lee, CEO with Mecklenburg Electric Cooperative Attended the award ceremony as representatives for the other cooperatives.
8. The Cooperative held Membership Advocacy Committee (MAC) meetings in Powhatan, Farmville and Altavista recently. Each meeting was well attended with many positive comments and questions being received.
9. A consumer purchased a three-acre lot in Campbell county. This property is located within the Cooperative's territory with 8/100 of the lot in DVP's territory. The residence is located on the property that is clearly in SEC's territory. The consumer didn't like the Cooperative's line extension cost and requested service from DVP. A teleconference was held between SEC, DVP and the SCC. DVP has and will continue to refuse to provide service.

NEW BUSINESS

1. In preparation for the VMDAEC Annual Meeting, selection of directors and a voting delegate are needed:
 - a. Directors: Frank W. Bacon and Jeffrey S. Edwards
 - b. Voting Delegate: Frank W. Bacon

On motion made and seconded:

"The directors and voting delegate to the VMDAEC Board are reaffirmed and approved."

MOTION CARRIED

2. In preparation for the Old Dominion Electric Cooperative (ODEC) Annual Meeting, selection of directors and voting delegates are needed for the ODEC Board:
 - a. Directors: Earl C. Currin, Jr. & Jeffrey S. Edwards
 - b. Voting Delegate: Earl C. Currin, Jr.

On motion made and seconded:

"The directors and voting delegate to the ODEC Board are reaffirmed and approved."

MOTION CARRIED

Agenda item President/CEO Evaluation was moved to the end of the agenda.

DIRECTOR EDUCATION

A review on using the iPad, including a demonstration of managing emails and email accounts, was given. A continuation of this presentation will be given at next month's Board meeting. Reference materials were provided.

LEGAL REPORT

The RUS Historical Impact Report has been received on the Dinwiddie transmission line project. The State Historic Preservation Office is reviewing the report and SEC is waiting on approval.

CowenGates is finalizing the closing of the property purchase in Altavista. They are working with SEC to finalize contracts that SEC will use when selecting a contractor. General contractor interviews are scheduled for May 10th with groundbreaking in August.

A legal audit is currently being performed at the Cooperative; changes to the Bylaws and Terms and Conditions will be recommended once finalized.

Correspondence has been received from C.W. Wright Construction, a Cooperative contractor, regarding a lawsuit that has been filed due to someone being injured while they were performing work for SEC. They have agreed to takeover defense of the case.

EXECUTIVE SESSION

The Board went into Executive Session at 3:05 p.m. to discuss the yearly evaluation of the President/CEO. All directors had completed a formal review process and returned the evaluation forms to the Board Chairman prior to the meeting. Upon return to regular session at 3:32 p.m., the Board announced that the CEO performance evaluation exceeded overall performance standards. Goals reviewed in the evaluation were established during the strategic planning process and include:

- Follow the Seven Cooperative Principles
- Promotes SEC's Guiding Principles
- Steady improvements in reliability performance
- Increased member satisfaction
- Sustain financial performance
- Sustain top-tier safety performance
- Achieve power cost equity and reliable power supply
- Promote self-regulated status

- Promote policies that align with SEC's best interests
- Increase member participation in cost effective service programs
- Qualified, engaged and productive workforce
- Greater role in the community

All goals were exceeded and the Board recommended an increase in the President/CEO's salary of 7% to \$450,000 annually.

Upon motion made and seconded:

“The Board approved an increase in salary to \$450,000 based on his performance.”

MOTION CARRIED

DIRECTOR CONCERNS & ADJOURNMENT

There being no further business to discuss, the meeting adjourned at 3:35 p.m. The next meeting of the Board of Directors is scheduled for Thursday, May 19, 2016 at 1:30 p.m.

Paul S. Bennett, Secretary

Frank W. Bacon, Chairman

Christine Marston, Minute Taker

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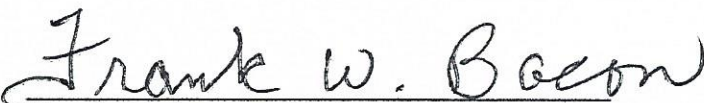
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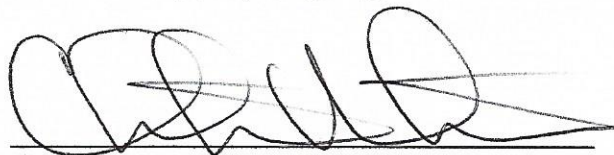
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STATEMENT OF GENERAL FUNDS AND OTHER ASSETS

March 31, 2016

General Fund

Cash in Banks 3,760,043.87

General Funds Invested

CFC - CTC's 2,170,361.40
 CFC - Patronage Capital 2,084,401.02
 Federated Insurance Corporation 358,992.00
 TEC Trading Incorporated 622,500.00
 Town of Hurt 1,000.00

Notes and Accounts Receivable

Electric Consumer 8,840,526.44
 Other Accounts Receivable 3,374,033.35

21,211,858.08

Material and Supplies in Stock 897,270.87

Construction Work in Progress
 to be Paid from Construction Funds 0.00

TOTAL 22,109,128.95

Construction Funds Available
 First Citizens Bank 0.00

NOTES STATISTICS

	<u>CFC</u>	<u>RUS & FFB</u>	<u>COBANK</u>	<u>CFC, COBANK & FIRST CITIZENS BANK LINE OF CREDIT</u>
Balance Available for Advance				29,000,000.00
Gross Obligations	56,316,814.17	117,940,250.53	17,082,428.90	11,000,000.00
Interest Paid This Year	686,342.89	623,526.41	62,778.07	52,846.96

**Southside Electric Cooperative
For the Month Ending March 2016**

Comparative Operating Statistics

	Y-T-D 2015	Y-T-D 2016	March 2016
New Services Connected	126	135	53
Meters Removed	517	553	241
Meters Reinstalled	413	461	178
Services Idle, Excluding Seasonal	4,265	4,512	4,512
Number of Services Retired	14	8	5
Total Consumers Receiving Service	55,159	55,475	55,475
Total Miles Energized	8,221	8,249	8,249

Meters Installed - New Services

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
January	33	34	38	28	45	49
February	37	38	39	25	37	33
March	53	12	30	27	44	53
April	48	30	33	42	47	
May	30	32	37	41	54	
June	60	37	41	58	46	
July	58	40	46	50	60	
August	43	59	57	76	72	
September	48	43	55	45	53	
October	36	49	54	54	53	
November	47	39	95	48	41	
December	47	41	45	56	45	
Total	540	454	570	550	597	135

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General Ledger

Financial And Operating Report Electric Distribution

INCOME STATEMENT FOR MAR 2016

Item	-----Year - To - Date-----			-----Period - To - Date-----	
	Last Year	This Year	Budget	Current	Budget
1. Operating Revenue and Patronage Capital	40,005,527.50	33,348,635.08	36,965,239.00	8,507,583.66	11,144,972.00
2. Power Production Expense	0.00	0.00	0.00	0.00	0.00
3. Cost of Purchased Power	25,581,707.08	20,495,845.90	23,640,544.00	5,050,594.92	7,392,159.00
4. Transmission Expense	0.00	0.00	0.00	0.00	0.00
5. Regional Market Expense	0.00	0.00	0.00	0.00	0.00
6. Distribution Expense - Operation	824,159.68	1,080,086.55	965,643.00	355,769.90	297,797.00
7. Distribution Expense - Maintenance	2,881,705.04	2,850,611.91	2,732,991.00	925,242.16	900,188.00
8. Customer Accounts Expense	562,357.28	532,860.89	527,875.00	196,851.26	175,952.00
9. Customer Service and Informational Expense	679,038.02	678,148.89	733,991.00	213,466.50	226,114.00
10. Sales Expense	141,399.06	128,236.24	135,000.00	61,418.67	50,000.00
11. Administrative and General Expense	<u>1,529,020.11</u>	<u>1,646,990.08</u>	<u>1,490,446.00</u>	<u>525,199.09</u>	<u>474,263.00</u>
12. Total Operation & Maintenance Expense (2 thru 11)	32,199,386.27	27,412,780.46	30,226,490.00	7,328,542.50	9,516,473.00
13. Depreciation & Amortization Expense	2,421,915.44	2,619,857.17	2,647,698.75	876,129.70	882,566.25
14. Tax Expense - Property & Gross Receipts	372,000.00	390,000.00	390,000.00	130,000.00	130,000.00
15. Tax Expense - Other	0.00	0.00	0.00	0.00	0.00
16. Interest on Long-Term Debt	1,442,886.72	1,425,494.33	1,488,600.00	424,527.93	496,200.00
17. Interest Charged to Construction - Credit	0.00	0.00	0.00	0.00	0.00
18. Interest Expense - Other	697.69	1,866.69	576.00	618.27	192.00
19. Other Deductions	<u>3,215.87</u>	<u>11,072.31</u>	<u>8,031.00</u>	<u>1,190.90</u>	<u>2,677.00</u>
20. Total Cost of Electric Service (12 thru 19)	36,440,101.99	31,861,070.96	34,761,395.75	8,761,009.30	11,028,108.25
21. Patronage Capital & Operating Margins (1 minus 20)	3,565,425.51	1,487,564.12	2,203,843.25	-253,425.64	116,863.75
22. Non Operating Margins - Interest	30,104.74	26,894.92	30,017.00	9,107.64	10,007.00
23. Allowance for Funds Used During Construction	0.00	0.00	0.00	0.00	0.00
24. Income (Loss) from Equity Investments	0.00	0.00	0.00	0.00	0.00
25. Non Operating Margins - Other	2,604.17	-4,465.28	-10,928.00	-506.45	-3,642.00
26. Generation and Transmission Capital Credits	369,924.50	180,000.00	180,000.00	60,000.00	60,000.00
27. Other Capital Credits and Patronage Dividends	0.00	77,854.00	0.00	77,854.00	0.00
28. Extraordinary Items	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
29. Patronage Capital or Margins (21 thru 28)	<u>3,968,058.92</u>	<u>1,767,847.76</u>	<u>2,402,932.25</u>	<u>-106,970.45</u>	<u>183,228.75</u>
Operating - Margin	3,968,058.92	1,767,847.76	2,402,932.25	-106,970.45	183,228.75
Non Operating - Margin	0.00	0.00	0.00	0.00	0.00
Times Interest Earned Ratio - Operating	3.47	2.04			
Times Interest Earned Ratio - Net	3.75	2.24			
Times Interest Earned Ratio - Modified	3.49	2.06			

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General Ledger Financial And Operating Report Electric Distribution

BALANCE SHEET FOR MAR 2016

	<u>Last Year</u>	<u>This Year</u>	<u>Variance</u>
ASSETS AND OTHER DEBITS			
1. Total Utility Plant in Service	313,306,656.18	327,150,780.47	13,844,124.29
2. Construction Work in Progress	8,050,805.95	16,584,158.02	8,533,352.07
3. Total Utility Plant (1 + 2)	321,357,462.13	343,734,938.49	22,377,476.36
4. Accum. Provision for Depreciation and Amort.	88,661,994.37	99,129,496.02	10,467,501.65
5. Net Utility Plant (3 - 4)	232,695,467.76	244,605,442.47	11,909,974.71
6. Non-Utility Property (Net)	33,989.81	29,696.88	-4,292.93
7. Invest. in Subsidiary Companies	0.00	0.00	0.00
8. Invest. in Assoc. Org. - Patronage Capital	44,312,805.17	45,545,467.02	1,232,661.85
9. Invest. in Assoc. Org. - Other - General Funds	2,445,690.73	2,530,353.40	84,662.67
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	0.00	0.00	0.00
11. Invest. in Economic Development Projects	0.00	0.00	0.00
12. Other Investments	1,065,976.67	832,210.38	-233,766.29
13. Special Funds	0.00	0.00	0.00
14. Total Other Property & Investments (6 thru 13)	47,858,462.38	48,937,727.68	1,079,265.30
15. Cash - General Funds	8,109,453.90	3,760,043.87	-4,349,410.03
16. Cash - Construction Funds - Trustee	0.00	0.00	0.00
17. Special Deposits	0.00	0.00	0.00
18. Temporary Investments	0.00	0.00	0.00
19. Notes Receivable (Net)	0.00	0.00	0.00
20. Accounts Receivable - Sales of Energy (Net)	13,301,074.43	8,840,526.44	-4,460,547.99
21. Accounts Receivable - Other (Net)	5,048,649.47	3,374,033.35	-1,674,616.12
22. Renewable Energy Credits	0.00	0.00	0.00
23. Material and Supplies - Electric & Other	676,738.97	897,270.87	220,531.90
24. Prepayments	465,128.83	596,642.51	131,513.68
25. Other Current and Accrued Assets	6,493,245.63	5,369,031.62	-1,124,214.01
26. Total Current and Accrued Assets (15 thru 25)	34,094,291.23	22,837,548.66	-11,256,742.57
27. Regulatory Assets	486,698.54	166,867.02	-319,831.52
28. Other Deferred Debits	6,718,901.25	5,851,540.28	-867,360.97
29. Total Assets and Other Debits (5 + 14 + 26 thru 28)	321,853,821.16	322,399,126.11	545,304.95

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General Ledger Financial And Operating Report Electric Distribution

BALANCE SHEET FOR MAR 2016

	Last Year	This Year	Variance
LIABILITIES AND OTHER CREDITS			
30. Memberships	228,455.00	229,600.00	1,145.00
31. Patronage Capital	97,667,812.65	99,054,185.71	1,386,373.06
32. Operating Margins - Prior Years	0.00	0.00	0.00
33. Operating Margins - Current Year	3,968,058.92	1,767,847.76	-2,200,211.16
34. Non-Operating Margins	0.00	0.00	0.00
35. Other Margins and Equities	128,133.77	124,781.40	-3,352.37
36. Total Margins & Equities (30 thru 35)	101,992,460.34	101,176,414.87	-816,045.47
37. Long-Term Debt - RUS (Net)	17,153,888.69	4,622.37	-17,149,266.32
38. Long-Term Debt - FFB - RUS Guaranteed	107,229,575.78	114,580,139.16	7,350,563.38
39. Long-Term Debt - Other - RUS Guaranteed	0.00	0.00	0.00
40. Long-Term Debt - Other (Net)	56,609,277.21	69,904,271.07	13,294,993.86
41. Long-Term Debt - RUS Econ. Devel. (Net)	0.00	0.00	0.00
42. Payments - Unapplied	0.00	0.00	0.00
43. Total Long-Term Debt (37 thru 41 - 42)	180,992,741.68	184,489,032.60	3,496,290.92
44. Obligations Under Capital Leases - Noncurrent	0.00	0.00	0.00
45. Accumulated Operating Provisions	115,057.86	115,057.86	0.00
46. Total Other Noncurrent Liabilities (44 + 45)	115,057.86	115,057.86	0.00
47. Notes Payable	12,300,161.95	11,000,000.00	-1,300,161.95
48. Accounts Payable	7,549,960.34	6,315,358.03	-1,234,602.31
49. Consumers Deposits	2,720,018.43	2,463,898.79	-256,119.64
50. Current Maturities Long-Term Debt	7,378,953.00	6,850,461.00	-528,492.00
51. Current Maturities Long-Term Debt - Econ. Devel.	0.00	0.00	0.00
52. Current Maturities Capital Leases	0.00	0.00	0.00
53. Other Current and Accrued Liabilities	2,491,192.67	2,534,692.44	43,499.77
54. Total Current & Accrued Liabilities (47 thru 53)	32,440,286.39	29,164,410.26	-3,275,876.13
55. Regulatory Liabilities	0.00	0.00	0.00
56. Other Deferred Credits	6,313,274.89	7,454,210.52	1,140,935.63
57. Total Liab. & Other Credits (36+43+46+54 thru 56)	321,853,821.16	322,399,126.11	545,304.95
Current Assets To Current Liabilities	1.05	0.78	to 1
Margins and Equities To Total Assets	31.69	31.38	%
Long-Term Debt To Total Utility Plant	56.32	53.67	%

Statements of Cash Flows

Southside Electric Cooperative

	Period ended March 31, 2016	Period ended March 31, 2015
Cash flows from operating activities		
Electric revenue received	\$ 33,514,782	\$ 37,443,533
Power supply paid	(20,697,441)	(24,242,653)
Operating expenses paid	(8,399,577)	(7,116,927)
Interest received	26,895	30,105
Interest paid	(1,427,361)	(1,443,584)
<i>Cash flows provided by operating activities</i>	3,017,298	4,670,474
Cash flows from investing activities		
Investment in electric plant, net	(6,096,913)	(2,787,801)
Contributions in aid of construction	-	-
Costs of removal	-	-
Proceeds from disposal of plant	100,834	130,417
Installment loans issued	(359,187)	(375,423)
Proceeds from sale of investments	-	-
Investment in CoBank	(1,000)	-
Proceeds from retirement of CTC's	15,952	-
<i>Cash flows used in investing activities</i>	(6,340,314)	(3,032,807)
Cash flows from financing activities		
Proceeds from lines of credit	3,000,000	-
Payments on lines of credit	-	(3,500,000)
Proceeds from long term debt	2,400,000	7,000,000
Principal payments on long term debt	(1,911,635)	(1,928,147)
Capital credits paid to members, net	(91,378)	(102,292)
Proceeds from capital credits	17,305	10,788
Deposits collected from customers	(13,008)	9,473
Net change in memberships	200	215
<i>Cash flows provided by financing activities</i>	3,401,484	1,490,037
Net change in cash	78,468	3,127,704
Cash at December 31, 2015 and 2014	3,681,576	4,981,750
Cash at March 31, 2016 and 2015	\$ 3,760,044	\$ 8,109,454

PART D. CONSUMER SALES AND REVENUE DATA					March 2016			
CLASS OF SERVICE		THIS MONTH			YEAR-TO-DATE			
		No. Receiving Service a.	kWh Sold b.	Amount c.	No. Minimum Bills d.	Avg. No. Receiving Service e.	kWh Sold Cumulative f.	Amount Cumulative g.
1.	Residential Sales (excl seas.)	53,252	65,243,598	7,034,064	20	53,254	220,426,116	28,577,562
2.	Residential Sales Seasonal							
3.	Irrigation Sales							
4.	Comm. & Ind 1000 KVA or Less	1,862	4,422,358	486,259	28	1,860	14,226,951	1,630,582
5.	Comm. & Ind Over 1000 KVA	15	6,791,557	494,783	0	15	21,915,387	1,589,182
6.	Public St. & Highway Lighting							
7.	Other Sales to Public Authority	346	4,167,636	394,517	6	346	12,345,947	1,292,272
8.	Sales for Resale - REA Borr.							
9.	Sales for Resale - Other							
10.	(1 thru 9)	55,475	80,625,149	8,409,623	54	55,475	268,914,401	33,089,597
11.	Other Electric Revenue	xxxxxxxxxxxx	xxxxxxxxxxxx	97,961	xxxxxxxxxxxx	xxxxxxxxxxxx	xxxxxxxxxxxx	259,038
12.	Total (10 + 11)	xxxxxxxxxxxx	xxxxxxxxxxxx	8,507,584	xxxxxxxxxxxx	xxxxxxxxxxxx	xxxxxxxxxxxx	33,348,635
PART D. CONSUMER SALES AND REVENUE DATA								
ITEM	THIS MONTH a.	YEAR-TO-DATE b.	ITEM	THIS MONTH a.	YEAR-TO-DATE b.			
1. Net kWh Generated			6. Office Use	216,749	645,226			
2. kWh Purchased	67,987,803	276,223,434	7. Total unaccounted For (4 less 5 & 6),	(12,854,095)	6,663,807			
3. Interchange kWh - Net			8. Percent System Loss (7/4)x100 . .	(18.91)	2.41			
4. Total kWh (1 thru 3)	67,987,803	276,223,434	9. Maximum Demand (kW)	202,805	266,598			
5. Total kWh - Sold	80,625,149	268,914,401	10. Month When Maximum Demand Occurred . . .		February 2016			