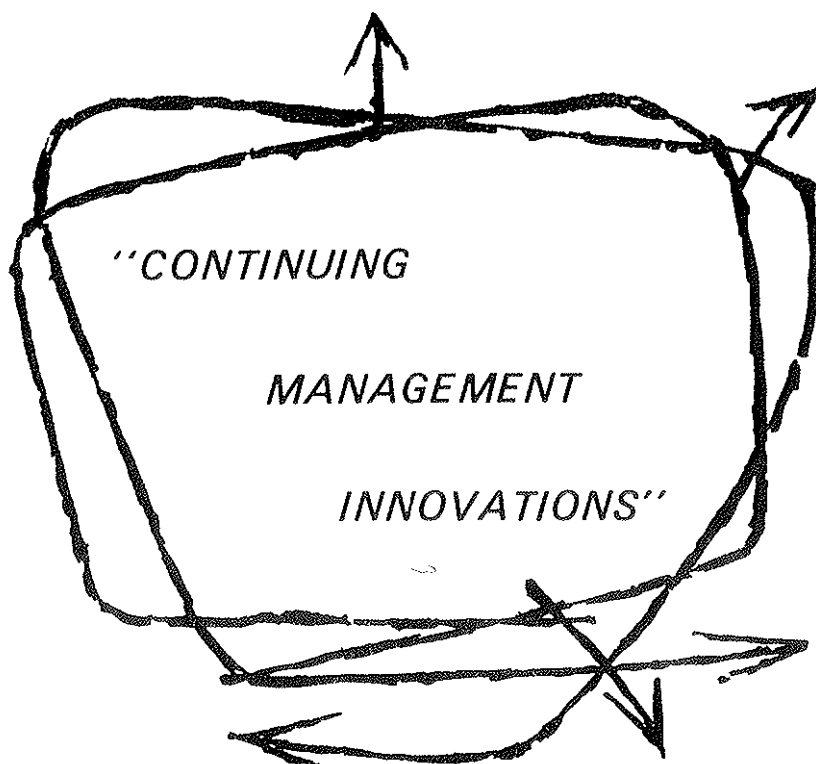


Proceedings of the
18th Annual Conference
of
The Rural Electric Management
Development Council



*Sioux Falls, South Dakota
May 20-22, 1975*

S C O P E

	<u>Page No.</u>
Council Preamble	1
Viewpoints	2
Objectives	3
List of Officers and Committees for 1975	4
Attendance List	5
Member List	7
Program Outline	9
Presentations:	
1. Board and Management Policies, Operating Guides and Procedures By: Virgil Herriott, General Manager Sioux Valley Empire Electric Association, Inc. Coleman, South Dakota	11
2. System Planning By: C. E. Viverette, Executive Vice President Blue Ridge Electric Membership Corporation Lenoir, N. C.	90
3. Reorganization to Meet Member Needs By: Barbara Deverick, Manager Organizational Planning Blue Ridge Electric Membership Corporation Lenoir, N. C.	93
4. Communicate - We Must By: Robert Kabat, Director Management Services NRECA Washington, D. C.	96
5. Report of Activities of Research Committee By: Ed Gaither, Chairman Research Committee	114
6. Review of Draft of Management Evaluation Guide By: James M. Kiley Project Coordinator	115
7. Improving the Effectiveness of REA's Cost Comparison Program By: Charles Weaver, Head Management Assistance Program NRECA Washington, D. C.	121

	<u>Page No.</u>
Minutes	126
Treasurer's Report	133
REC Attendance REcord	136
Criteria for Membership	137
Organization Chart	139
Fucntions of Officers and Committees	140
List of 1976 Officers and Committees	141

COUNCIL PREAMBLE

In March 1969 the NRECA membership adopted viewpoints and objectives for rural electrification as prepared by the Long Range Study Committee. This action has significance only when member systems identify with, and develop programs in support of, these viewpoints and objectives. Success in the implementation of such action programs is dependent upon excellent leadership and the effective management of resources, especially human resources.

NRECA, through its Management Services Department, has carried on effective training and development programs for rural electric system managements, both elected and employed, and the results of these programs are obvious in the upgrading of the quality of management in recent years. However, NRECA has limited resources for the research, experimentation, and innovations in management practices that will be required to meet the demands of a rapidly changing social order. Moreover, REA continues to withdraw its advice and assistance to borrowers.

Thus, it is clear that some systems must assume a more active role in assuring competent, dynamic management for the future. There are people within the program who are qualified and willing to see that the necessary study and research are undertaken toward this end. Such people have formed the Rural Electric Management Development Council and the following statements express their viewpoints and objectives:

STATEMENT OF VIEWPOINTS

1. We believe that the future success of the rural electric program is dependent upon dynamic management and leadership and that this can best be accomplished through a planned program of Management Training and Career Development utilizing up-to-date management principles and techniques.
2. We believe that research and development of new concepts and approach to management must be undertaken if rural electric systems are to effectively fulfill the responsibilities inherent in the objectives of the rural electric program.
3. We believe that the development of up-to-date management programs depend on a willingness to innovate, study, and review present management principles and practices and then translate the results of such studies into meaningful programs.
4. We believe that management principles and techniques must be under constant study and review and that this study and review can be done most effectively on a group basis by those most interested and willing to contribute.
5. We believe that dynamic rural electric system management will be enhanced where there has been a maximum exchange of ideas and experiences between those organizations making applications of up-to-date principles and techniques.
6. We believe that we should share with all consumer-owned rural electric systems, the results of our management practices, experiences and innovations, also believe that this sharing will be best accomplished through NRECA and other appropriate organized groups.

OBJECTIVES

- A. To bring together key management people who have demonstrated their application of up-to-date management principles and techniques and who evidence a strong interest and willingness to contribute to study, research, and innovation in the application of management to the rural electric system operations.
- B. To contribute to the strengthening of management in the rural electric program by undertaking management research in areas of current concern and interest.
- C. To develop new management concepts, approaches and techniques that will enable rural electric management to utilize the resources and provide the leadership required for meeting the needs of the people in the ever changing rural area environment.
- D. To develop the means whereby the results of management research and innovation can be clearly defined and widely disseminated to all rural electric systems.

OFFICERS AND COMMITTEES FOR 1975 DEVELOPMENT COUNCIL

Chairman	. . . James Golden	Term expires in 1975
Vice Chairman	. . . Charles Overman	Term expires in 1976
Treasurer	. . . Bevis Hanna	Term expires in 1977
Secretary	. . . Barbara Deverick	

PROGRAM

Chairman	. . . James Kiley	Term expires in 1975
	James M. Hubbard	Term expires in 1977
	Everett Bristol	Term expires in 1975
	Mark McNeil	Term expires in 1976

NOMINATING

Chairman	. . . Clyde Hukills	Term expires in 1977
	Richard Sellinger	Term expires in 1975
	Willard Grager	Term expires in 1975
	Millard Goff	Term expires in 1976

MEMBERSHIP

Chairman	. . . Robert Weathers	Term expires in 1977
	Clifford Robinson	Term expires in 1975
	Virgil Herriott	Term expires in 1976
	Olaf Sandvick	Term expires in 1977

MANAGEMENT RESEARCH

Chairman	. . . Ed Gaither	Term expires in 1977
	James Kiley	Term expires in 1975
	Charles Overman	Term expires in 1976
	Cecil Viverette	Term expires in 1976

- A. All committee members and officers elected for a 3-year term.
- B. Chairman of each standing committee named by the Nominating Committee and serve for 3 years when elected.

RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL

1975 ANNUAL CONFERENCE REGISTRATION

Adams Electric Cooperative, Inc.
P. O. Box 130
Gettysburg, Pennsylvania 17325
Charles Overman, General Mgr.

Blue Ridge Electric Memb. Corp.
P. O. Box 112
Lenoir, North Carolina 28645
C. E. Viverette, Executive Vice Pres.
Barbara Deverick, Mgr. Org. Planning/
Administrative Asst.

Carroll Electric Cooperative Corp.
P. O. Box 368
Berryville, Arkansas 72616
Robert Weathers, Manager
Randy Bruton, Office Manager

Cass County Elec. Coop., Inc.
Kindred
North Dakota 58051
Willard Grager, Gen. Mgr.
Lawrence Moderow, Asst. Mgr.

Four County Elec. Memb. Corp.
Burgaw, North Carolina
28425
L. P. Beverage (Bill), Gen. Mgr.

Kay Electric Cooperative
P. O. Box 607
Blackwell, Oklahoma 74631
Clyde Hukills, Manager

Linn County REC
Marion, Iowa 52302
Jack Hicks, Manager

Morgan Co. Rural Elec. Assn.
P. O. Box 738
Fort Morgan, Colorado 80701
Bevis Hanna, Staff Assistant

Ozarks Electric Cooperative
Box 848
Fayetteville, Arkansas 72701
Millard Goff, Gen. Mgr.
Tom Townsend, Adm. Asst.

San Isabel Electric Services, Inc.
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Pueblo, Colorado 81002
Ed Gaither, Manager

Shenandoah Valley Electric Cooperative
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Mark McNeil, Gen. Mgr.

Sioux Valley Empire Elec. Assn., Inc.
P. O. Box 216
Colman, South Dakota 57017
Virgil Herriott, Gen. Mgr.
James M. Kiley, Asst. Mgr.
Four Other Staff Members

United REMC
P. O. Box 739
Huntington, Indiana 46750
William Loomis, Manager

West Plains Electric Cooperative, Inc.
1260 W. Villard
Dickinson, N. D. 58601
A. L. Shjeflo, Manager
Olaf Sandvick, Staff Asst.

White River Valley Elec. Coop., Inc.
Branson, Mo. 65616
Clifford Robertson, Staff Asst.

Whitley Co. R. E. M. C.
P. O. Box 171
Columbia City, Indiana 46725
Wayne W. Johnson, Mgr.

Yampa Valley Elec. Association, Inc.
P. O. Box 1218
Steamboat Springs, Colorado 80477
James Golden, Gen. Mgr.
Ev Bristol, Chief Eng. /Staff Asst.

GUEST REGISTRATION - 1975 RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL

Richard C. Smith
Deputy Assistant Administrator
REA
Washington, D. C. 20250

Charles Weaver
Head, Management Assistance Program
REA
Washington, D. C. 20250

Stuart Rich
Professor of Economics
University of Wisconsin
Whitewater, Wisconsin

Edward Spencer
Southwest Coordinator
CFC
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Washington, D. C. 20024

Tom Fennell
General Manager
South Dakota REA
P.O. Box 1138
Pierre, South Dakota 57501

Robert Kabat
Director, Management Services
NRECA
2000 Florida Avenue, N. W.
Washington, D. C. 20009

THE RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL

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Central Kansas Electric Coop., Inc.
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Great Bend, Kansas 67530

L. J. Schultz, General Manager
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P. O. Box 3518
Anchorage, Alaska 99501

Wes W. Schulz, Manager
Cornhusker Public Pr. District
P. O. Box 9
Columbus, Nebraska 68601

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Cotton Electric Cooperative
226 North Broadway
Walters, Oklahoma 73572

John Dolinger, General Manager
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P. O. Box 1007
Clarksville, Tennessee 37040

Tim Clower, General Manager
Douglas Co. Elec. Memb. Corp.
P. O. Box 897
Douglasville, Georgia 30134

Marv Athey, Manager of Finance
East Central Electric Association
Braham, Minnesota 55006

L. P. Beverage, General Manager
Four County Electric Membership Corporation
Burgaw, N. C. 28425

Clyde Hukills, General Manager
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Blackwell, Oklahoma 74631

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Linton, North Dakota 58552

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Marion, Iowa 52302

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Mecklenburg Electric Cooperative
Chase City, Virginia 23924

B. A. Hanna, Jr., Staff Assistant
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Dayton, Virginia 22821

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1260 W. Villard
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Clifford Robertson, Adm. Off.
White River Valley Elec. Coop., Inc.
Branson, Missouri 65616

James Golden, General Manager
Yampa Valley Elec. Assn., Inc.
Box 1218
Steamboat Springs, Colorado 80477

Wayne W. Johnson, General Manager
Whitley County R. E. M. C.
P. O. Box 171
Columbia City, Indiana 46725

Jackson Purchase Electric Cooperative Corp.
P. O. Box 3188
Paducah, Kentucky 42001

1975 MANAGEMENT DEVELOPMENT COUNCIL
ANNUAL MEETING

Ramada Inn, Sioux Falls, S. D.

May 20, 21 & 22, 1975

Tuesday, May 20, 1975

- 8:30 - 9:00 a. m. Registration
- 9:00 - 9:30 Welcome & Preliminary Report of Committee Chairmen
- 9:30 - 10:00 Progress Report on Management Innovation & Developments--
(Any system that has implemented improved Management
practices or techniques will be given the opportunity to
explain the improvement & distribute copies of materials or
exhibits.)
- 10:00 - 10:15 Coffee Break
- 10:15 - 12:00 Meeting Member Challenges to Rate Changes and Other
Programs and Practices -- Robert Kabat, Director,
Mgmt. Services - NRECA
- 12:00 - 1:30 Lunch
- 1:30 - 3:00 p. m. Continuation of "Meeting Member Challenges..."
A discussion period will be held to get reactions & suggestions
regarding what can be done in the areas Bob Kabat discussed
and ways to effectively get this across to rural electric systems.

Wednesday, May 21, 1975

- 8:30 - 9:00 a. m. Report of Activities of Research Committee -- Ed Gaither,
Chairman
- 9:00 - 10:15 Review of First Complete Draft of Rural Electric
Management Evaluation Guide -- James M. Kiley, Project Coord.
- 10:15 - 10:30 Coffee Break
- 10:30 - 12:00 A detailed review and critique of draft of Management
Evaluation Guide -- Barbara Deverick, Charles Overman,
Everett Bristol & Jim Kiley
(These four have been involved in the consolidation of the
contributions received for inclusion in the guide. It is
planned that each of the 12 areas covered in the guide will
be reviewed in detail. Those in attendance will be given
the opportunity to suggest changes, additions or deletions
to the draft.)
- 12:00 - 1:30 p. m. Lunch
- 1:30 - 3:15 Continued discussion.
- 3:15 - 3:30 Coffee Break
- 3:30 - 4:30 Continued discussion.

Thursday, May 22, 1975

- 8:30 - 10:00 a. m. Improving the effectiveness of REA's Cost Comparison
Program -- Charles Weaver, Head, Management Assistance
Program, Rural Electrification Adm. , Wash., D. C.
- 10:00 - 10:15 Coffee Break
- 10:15 - 12:00 Business Meeting -- James Golden, Council Chairman, presiding
- 12:00 Adjournment.

BOARD AND MANAGEMENT

POLICIES, OPERATING GUIDES AND PROCEDURES

Virgil Herriott, General Manager
Sioux Valley Empire Electric Association, Inc.
Coleman, South Dakota

Board policies at Sioux Valley have been re-written. The Cooperative now has only ten board policies which cover the ten major objectives of the Cooperative. A policy is a statement on how decisions will be made.

The policy statements were briefly reviewed with the council members and examples of operating guides to implement policies were given.

The monthly reports made to the board of directors cover the Key Performance areas. These reports list the objective, the results achieved and include the present conditions relating to the KPA and the future needs. The board can then make the determination as to whether or not the results statement needs to be revised.

Once each year, the statement of objectives are reviewed as are the results statements.

The changes in policy and development of operating guides and procedures were done in a step by step manner -

1. Existing policy was revised.
2. Operating guide or procedure was developed and presented to the board for approval.

Management staff determined when written guide is needed.

DISCUSSION

Beverage: Why was equity left out on policy statement #5?

Herriott: Equity is a result but not a goal. Look at co-ops with high and co-ops with low equity and ask yourselves which members are better off.

BOARD

and

MANAGEMENT

POLICIES, OPERATING GUIDES

and

PROCEDURES

Sioux Valley Empire Electric Association, Inc.
Colman, South Dakota

SIOUX VALLEY EMPIRE ELECTRIC ASSOCIATION, INC.
COLMAN, SOUTH DAKOTA

BOARD POLICIES AND OPERATING GUIDES

To assure consistent decisions and action in carrying on the programs and activities of the Cooperative, the Board of Directors shall provide general guidelines to be followed in arriving at decisions. These general guidelines shall be referred to as "Board Policies" and such policies as are adopted by the Board from time to time shall reflect the point of view, or philosophy, of the Board in dealing with situations which occur in key areas of Cooperative operations.

The Board of Directors may also adopt more specific guidelines wherein there is a desire for less latitude in decision making, and wherein more specific practices are intended to be followed by the Board and by employees of the Cooperative. These more specific guidelines shall be known as "Board Operating Guides".

The General Manager shall be accountable to the Board of Directors for compliance with Board Policies and Board Operating Guides. He shall also be accountable for seeing that all policies and operating guides are interpreted to, understood and accepted by all employees, or others affected. The General Manager may, at his discretion, establish such Management Operating Guides, procedures and instructions as he deems necessary to assure the proper implementation and interpretation of Board Policies and Board Operating Guides.

All employees shall be given the opportunity, through the consultative process, to make suggestions for, and to contribute to, the formulation of new, or modifications of, existing policies and operating guides.

This statement was adopted by the Sioux Valley Electric Board of Directors on March 18, 1974 and shall become effective immediately and remain in effect until revised, or rescinded by the Board of Directors.

INDEX

BOARD POLICY - <u>POWER SUPPLY</u>	<u>No.</u> 1
BOARD POLICY - <u>ELECTRIC SERVICE</u>	2
<u>OPERATING GUIDE</u>	<u>No.</u>
Extension of Electric Service	2-1
Relocation of Facilities	2-2
Underground Service to Consumers	2-3
Responsibility for Hazardous Facilities & Equipment	2-4
Electric Service to Publicly Owned Parks & Recreation Areas	2-5
BOARD POLICY - <u>ELECTRIC POWER MARKETING</u>	3
<u>OPERATING GUIDE</u>	
Application of Patronage Dividend Payments on Delinquent Accounts	3-1
Billing & Collection for Electric Service	3-2
BOARD POLICY- <u>MEMBER AND COMMUNITY SERVICES</u>	4
BOARD POLICY - <u>FINANCIAL CONDITION</u>	5
<u>OPERATING GUIDE</u>	
Financial Management	5-1
Receipt & Disbursement of Funds	5-2
Use & Signing of Checks	5-3
Retirement of Capital Credits to Estates of Deceased Patrons	5-4
Liability of the Cooperative for Damage to Persons or Property	5-5
<u>MANAGEMENT OPERATING GUIDES</u>	
Charges in connection with House Moves	5-50
Responsibility for Receipt & Disburse- ment of Funds	5-51
<u>PROCEDURE</u>	
Use of Protectograph Check Signer	
Processing of Request for the Retirement of Capital Credits to the Estates of Deceased Patrons	

BOARD POLICY - PRODUCTIVITY

6

<u>Operating Guides</u>	<u>No.</u>
Safe Working Practices	6-1
Purchase of Materials, Supplies & Equipment for use by the Cooperative	6-2

BOARD POLICY - EMPLOYEE TRAINING & DEVELOPMENT

7

<u>Operating Guides</u>	<u>No.</u>
Employment Practices	7-1
Employee Training Programs	7-2
Performance Review Program	7-3
Equal Employment Opportunity	7-4

BOARD POLICY - MANAGEMENT AND LEADERSHIP

8

<u>Operating Guides</u>	<u>No.</u>
Functions of the Board of Directors	8-1
Manager Search & Selection	8-2
Nomination & Election of Officers & Representatives of Board of Directors	8-3
Directors' Attendance at Meetings	8-4
Board and General Manager Relations	8-5
Organization Plan	8-6
Employee Wages & Benefits Adminis- tration.	8-7
Line & Staff Relationships	8-8

Board Procedures

Wage & Salary Administration	
Manager Search & Selection	
Nomination & Election of Officers & Representatives of the Board of Directors	

BOARD POLICY - MEMBER RELATIONS

9

<u>Operating Guides</u>	<u>No.</u>
Membership in the Cooperative	9-1
Minuteman Program	9-2
Member Complaints	9-3
Solicitations & Sale of Merchandise at the Cooperative's annual meeting	9-4

BOARD POLICY - CORPORATE CITIZENSHIP

10

Membership in Civic & Commercial Organizations	10-1
Statements & News Releases on behalf of the Cooperative	10-2
Public Use of the Cooperative's Community Room	10-3
Political Activity of Directors & Employees of the Cooperative	10-4

SIoux VALLEY EMPIRE ELECTRIC ASSOCIATION, INC.
COLMAN, SOUTH DAKOTA

BOARD POLICY #1

POWER SUPPLY

I. OBJECTIVE

To work for and support programs of natural resource development that include the development of an abundance of low-cost power for the public benefit and to secure, through the exercise of ownership rights and/or effective representation, an abundant supply of highest quality wholesale power at costs which reflect the benefits of long-range power supply planning, the coordination of investment, and the principles of non-profit operation.

II. POLICY

1. Costs - The cost of our wholesale power supply should not exceed the costs required by East River in carrying out programs and activities in accordance with the provisions of the wholesale power contract and which have the support of East River's member-systems.
2. Availability - The Cooperative must have assurance that both our short and long-term needs for wholesale power have been anticipated and that our Board of Directors is informed of the approved plans for most effectively meeting these needs.
3. Reliability - The reliability and continuity of our wholesale power source must meet highest industry standards and reflect the application of equipment and practices which are designed to minimize the occurrence of outages and which permit the restoration of power supply service in the minimum time possible.
4. Representation - The Cooperative's representation at both East River and Basin should be of such a nature as will exert real influence on policies and programs of our power supply organizations, and information to the Board and to the Cooperative must be given in such a manner as will keep us well informed of the plans and progress of East River and other power supply organizations.
5. Coordination - Long-range planning of system design and capacity must reflect a coordinated effort between East River and the Cooperative and we should schedule specific coordination activities with representatives of East River and other power supply organizations.
6. Natural Resources Development - The Cooperative must continue to support power production plans which are consistent with the most effective utilization of our natural resources, recognizing appropriate environmental considerations.

III. RESPONSIBILITY

The Cooperative's representative on the East River Board of Directors shall be responsible for reporting to the Board significant developments and board action at East River, and the General Manager shall be accountable for interpretation and implementation of all other aspects of this policy, consistent with approved wholesale power contracts, work plans and budgets, board operating guides and other legal and contractual limitations.

Attest: Charles N. Larson Date: 3-18-74
Secretary

SIOUX VALLEY EMPIRE ELECTRIC ASSOCIATION, INC.
COLMAN, SOUTH DAKOTA

BOARD POLICY #2

ELECTRIC SERVICE

I. OBJECTIVE

To provide the member-consumers of the Cooperative with central station electric service which meets the highest industry standards in terms of availability, quality and continuity utilizing modern technology and in amounts necessary to adequately meet their ever-expanding power requirements.

II. POLICY

1. Availability - The practices of the Cooperative shall be such as to make available service from the Cooperative to any consumer who desires our service and who is legally eligible to receive it.
2. Type - The type of electric service provided to present and potential electric consumers shall reflect the application of modern technology and utility practices.
3. Timeliness - Consumers requesting service from the Cooperative shall have electric service made available to them according to the consumer's needs, whether this service is of a temporary or permanent nature. Plans and programs of the Cooperative shall reflect an anticipation of the seasonal changes in demand for service from the Cooperative.
4. Technology - The design of new distribution facilities shall include the application of up-to-date methods, techniques and equipment and be consistent with currently approved practices regarding the extension of electric service and the utilization of currently applicable apparatus and equipment. There shall be provision for periodic reports of compliance with such practices and there shall be available currently applicable plans and specifications for all types of approved distribution system construction.
5. Quality - The quality of the Cooperative's electric service shall be such as to comply with accepted industry standards and, in particular, the standards described in REA Bulletin 169.4.
6. Continuity - The distribution system shall be operated and maintained in such a manner that the frequency, type and duration of outages, the recording of outage data and the institution of remedial action shall comply with the provisions and standards contained in REA Bulletins 60-7 and 161-1. The standards of these bulletins shall be considered as minimum.
7. Capacity - The capacity of the Cooperative's distribution system shall be managed in a manner that assures adequate capacity to meet daily and seasonal peak load requirements and also assures that individual transformer and service capacity requirements are being properly anticipated and adequately met. The capacity of the system shall be designed to reflect the effective application of voltage regulators, boosters and capacitors, in addition to multi-phase lines and conductor capacity.

8. Engineering - The engineering function shall be conducted in such a manner as will permit professional interpretation of current operating statistics and data, as well as appropriate information regarding system performance and condition. Engineering services shall be performed on a timely basis, shall utilize approved plans and specifications, the provisions of REA policy bulletin and shall be consistent with Cooperative policy. The Engineering function shall include inspection of completed construction and the evaluation of construction costs compared to approved specifications and standards.

III. RESPONSIBILITY

The General Manager shall be accountable for the interpretation and implementation of this policy consistent with approved Work Plans and Budgets, Board Operating Guides, and other legal and contractual limitations.

ATTEST: Charles N. Larson
Secretary

Date: 4-15-74

SIoux VALLEY EMPIRE ELECTRIC ASSOCIATION, INC.
COLMAN, SOUTH DAKOTA

BOARD OPERATING GUIDE #2-1

EXTENSION OF ELECTRIC SERVICE

Any person, firm or organization desiring electric service from the Cooperative shall sign an Application for Service and Membership in the Cooperative. Upon receipt of such Application for Service, the Cooperative shall act in accordance with the following criteria:

- 1.. If the applicant requests electric service at a location not previously served with electricity and the location is within the areas wherein the Cooperative has the legal right to provide service, the Cooperative shall proceed with the construction of the necessary facilities as soon as practicable.
2. The Cooperative will not provide electric service to an applicant at a location previously or presently served by another power distribution organization, unless the applicant submits to the Cooperative a written release signed by his present or previous power supplier, or unless the Cooperative has been ordered to provide service to such applicant by a court of lawful jurisdiction.

Date Adopted: 5-17-74

BOARD OPERATING GUIDE #2-2

RELOCATION OF FACILITIES

The Cooperative will cooperate with all political subdivisions in the construction, improvement or rehabilitation of public streets and highways. It is expected that these political subdivisions will give reasonable notice to permit the Cooperative to relocate its lines to permit the necessary road construction.

If the Cooperative's poles, anchors or other appurtenances are located within the confines of the public right-of-way, the Cooperative shall make the necessary relocation at its own expense; if the Cooperative's poles, anchors or other appurtenances are located on private property, the political subdivision shall then agree to reimburse the Cooperative for any expenses involved in relocating its facilities; except that the Cooperative and the political subdivision shall each pay half of the expense involved in relocating facilities located on the line dividing the public and the private right-of-way.

When the Cooperative is requested to relocate its facilities for reasons other than road improvement, any expense involved will be paid for by the firm, person or persons requesting the relocation, unless one or more of the following conditions are met:

1. The relocation is made for the convenience of the Cooperative.
2. The relocation will result in a substantial improvement in the Cooperative's facilities or their location.
3. That the relocation is associated with other regularly scheduled conversion or construction work and can be done at the same time.

Date Adopted: 5-17-74

BOARD OPERATING GUIDE #2-3

UNDERGROUND SERVICE TO CONSUMERS

The following practices will be followed by the Cooperative whenever conditions dictate or a consumer requests underground electric service, either primary or secondary.

A. Platted Subdivisions

Underground service to platted subdivisions shall be the standard in those cases where the primary distribution system to the subdivision does not already exist in the overhead form. Service extensions within already-served (by overhead lines) subdivisions shall be underground or overhead as determined under paragraph "B" below. New extensions to new platted subdivisions shall not be constructed overhead except by specific approval of the General Manager.

B. Individual Consumer Services & In-Builds

1. Individual consumers may be served by underground primary and/or secondary in-builds without contribution to aid of construction, or without any conditions being imposed on the consumer, in those cases where it is deemed by the Cooperative for any reason to be in the best interest of the Cooperative, i.e., for the convenience of the Cooperative.
2. Individual consumers will be served underground at the request of the consumer and with no contribution in aid of construction provided that the portion of the line to be placed underground is new because the service is new or his service is being rebuilt.

3. Individual consumers already served overhead will be served underground at the request of the consumer, without restriction or exception, if the consumer makes a contribution in aid of construction equal to the total additional investment this will require, including loss due to retirement of the overhead facilities.

C. General Provisions

All underground installations will be installed to meet the REA specifications and requirements.

Date Adopted: 5-17-74

BOARD OPERATING GUIDE #2-4

RESPONSIBILITY FOR HAZARDOUS FACILITIES AND EQUIPMENT

The Cooperative shall adopt as a minimum standard the National Electric Safety Code and all Cooperative distribution facilities shall be installed according to approved specifications of the Rural Electrification Administration utilizing materials and supplies currently approved by the Rural Electrification Administration.

Whenever employees observe conditions or installations that are in conflict with these standards on the Cooperative's distribution facilities, they shall either correct the situation, or shall report it as soon as possible to the employee's immediate supervisor and/or department head. As soon as practical thereafter, remedial action shall be instituted to bring the facilities or installation within the above described standards.

Relative to consumer-owned facilities, if installations deemed hazardous to life or property are observed, a representative of the Cooperative shall be designated to contact the consumer and to inform him of the condition and provide him a specified, reasonable period of time in which to make the necessary correction. In those instances where the consumer refuses to take such remedial action, the Cooperative will, after giving reasonable written notice, terminate his electric service until such remedial action is taken.

Reports of all such instances involving corrective action required on consumer's facilities will be made to the General Manager, and by him to the Board of Directors.

Date Adopted: 5-17-74

BOARD OPERATING GUIDE #2-5

ELECTRIC SERVICE TO PUBLICLY-OWNED PARKS AND RECREATION AREAS

The widespread utilization by the people of publicly-owned parks and recreation areas is consistent with the Cooperative's viewpoint and interest. Representatives of the Cooperative shall work closely with appropriate representatives of public agencies responsible for the administration of publicly-owned parks and recreation areas to assure the maximum availability of required electric service lighting and service outlets.

The General Manager shall be responsible for seeing that Cooperative relationships are developed and maintained that will contribute to the maximum availability of electricity in publicly-owned parks and recreation areas.

Date Adopted: 5-17-74

SIoux VALLEY EMPIRE ELECTRIC ASSOCIATION, INC.
COLMAN, SOUTH DAKOTA

BOARD POLICY #3

ELECTRIC POWER MARKETING

I. OBJECTIVE

To achieve maximum acceptance of electric service from the Cooperative for meeting the power and energy requirements of existing and potential consumers in the Cooperative's service area, through active and continued promotion and the offering of truly low-cost, incentive-type electric rates that are competitive with other forms of energy.

II. POLICY

1. Rates and Service Policies

There shall be consistent application of retail rates and service policies that have been approved by the Board of Directors, and which have been subjected to review and comment by REA. These rates shall be such as to provide revenues adequate to meet anticipated financial requirements as described under Financial Condition. There shall be evidence of equitability in the costs of service between various classifications of consumers, as well as acceptance of the rates and service policies by present and potential consumers.

2. New Load Acquisition

There shall be established and maintained a program for becoming informed of, and for follow-up on, new loads which develop in the Cooperative's service area. There shall be reports of the results of this activity submitted periodically showing that the Cooperative's service is preferred over other power suppliers in the area. The Cooperative's legal right to extend electric service to consumers who desire it shall be maintained.

3. Advice and Assistance

Advice and assistance programs carried on by the Cooperative shall be carefully analyzed, at least annually, and evidence presented to indicate that the programs offered are consistent with current member needs and that such services are being offered on an effective and timely basis.

4. Promotions - Promotional programs designed to stimulate and encourage uses and applications of electricity as are deemed to be wise and beneficial and in the best interests of the consumers shall be planned and carried out.

5. Research and Development - The Cooperative's role in research and development activities shall be to maintain a current awareness of new product developments that have potential application to member needs, to keep aware of the results of research and development activities by others and to make contributions to research projects deemed to have specific application by the Cooperative, or its consumers.

III. RESPONSIBILITY

The General Manager shall be accountable for the interpretation and implementation of this policy consistent with approved Work Plans and Budgets, Board Operating Guides, and other legal and contractual limitations.

ATTEST: Charles N. Larson
Secretary

Date: 1-26-74

SIoux VALLEY EMPIRE ELECTRIC ASSOCIATION, INC.
COLMAN, SOUTH DAKOTA

BOARD OPERATING GUIDE #3-1

APPLICATION OF PATRONAGE DIVIDEND PAYMENTS ON DELINQUENT ACCOUNTS

The records of the Cooperative shall be maintained in such a manner as to determine those patrons that have delinquent amounts due the Cooperative, or unpaid amounts that have been written off by the Board of Directors. Whenever a cash retirement of patronage capital is made, such delinquent, or written off amounts shall be first deducted before any cash payment is made to the patron.

Date Adopted: 5-17-74

BOARD OPERATING GUIDE #3-2

BILLING AND COLLECTION FOR ELECTRIC SERVICE

RATES

Each consumer of the Cooperative shall be assigned to a Board approved rate schedule which most closely applies to the type of electric service he is receiving.

Large power rates and contracts and special rates shall be offered only after specific approval by the Board of Directors. Rates and contracts requiring approval of REA and CFC shall be placed in effect only after such approval.

METER READING, PENALTIES AND DISCONNECT DATES

There shall be in effect specific dates for meter reading, penalty application and disconnect that have been approved by the Board of Directors for application to all consumers of the Cooperative whether billed on a monthly, or annual basis.

BILLING OF CONSUMERS

Self-billing shall be utilized for all accounts whenever possible. Manually computed bills, budget billing and annual billing shall be utilized where the convenience and best interests of both the Cooperative and the consumer are served.

DISCONNECTS, RECONNECTS AND COLLECTION FEES

There shall be evidence that procedures assure consumers adequate notice and a fair hearing before termination of service for nonpayment.

If a consumer's electric bill is not paid by the date specified following the month in which his electric bill is due, his electric service will be disconnected unless credit arrangements satisfactory to the Cooperative have been arranged, or unless the amount due is held in dispute by the consumer. When it becomes necessary to call on a consumer for the purpose of collecting a delinquent account, a collection fee will be charged, in addition to the full amount due on the consumer's account. If the consumer's electric service has been disconnected for nonpayment of his electric bill, a reconnect fee will also be charged and added to the total amount due. This total amount due shall be paid before service is reconnected.

When a check issued to the Cooperative for payment of an electric energy account is refused for payment by the bank on which it is drawn, an appropriate handling charge shall be assessed to the consumer on the returned check. Return check charges will constitute a delinquent amount due and subject the consumer to the disconnection provisions of this Board Operating Guide.

SPECIAL DEPOSITS

When it becomes necessary to call on the consumer for the purpose of collecting his delinquent account more than twice in a 12-month period, the Cooperative shall require an advance deposit of equal to two months electric bills before electric service will be continued. If, after paying such a deposit, the consumer has not allowed his electric account to become delinquent for a 12-month period, his deposit shall be refunded in full.

Date Adopted: 6-17-74

SIoux VALLEY EMPIRE ELECTRIC ASSOCIATION, INC.
COLMAN, SOUTH DAKOTA

BOARD POLICY #4

MEMBER AND COMMUNITY SERVICES

I. OBJECTIVE

To identify and provide such services as are required by the members to assure their maximum beneficial application of electricity and to actively support or conduct activities and programs designed to improve facilities and services throughout the rural community.

II. POLICY

1. Merchandising and Services for Hire

The scope, type and number of merchandising and services for hire provided by the Cooperative for its members shall be designed to meet a previously determined need, they shall be available on a timely basis and shall be of high quality in terms of product and workmanship. The price of such merchandise and services shall be sufficient to recover appropriate costs to the Cooperative with every effort made to keep such prices competitive. Provision shall be made for determining the utilization of such services by consumers and for securing consumer reaction to the quality, cost and timeliness of such merchandise and services.

2. Community and Area Development Assistance and Services

The Cooperative shall assume a leadership role in community and area development activities by participating actively in programs designed to improve the rural community and to develop the rural area. Participation of the Cooperative may be provided in terms of manpower, equipment, services, or direct financial support to appropriate community and area development programs and groups.

III. RESPONSIBILITY

The General Manager shall be accountable for the interpretation and implementation of this policy consistent with approved Work Plans and Budgets, Board Operating Guides, and other legal and contractual limitations.

ATTEST: Charles N. Larson Date: 5-17-74
Secretary

Board Policy #5 - Financial Condition (continued)

12. Inventories - The Cooperative shall maintain sources of supply and inventories of materials, supplies and apparatus sufficient to permit the timely completion of additions to, and the maintenance and operation of, the distribution system. All receipts and disbursements to and from such inventories shall be carefully and accurately controlled. The level and turnover of the Cooperative's inventory shall be prescribed and reflected in the annual work plan.
13. Financial Audits - There shall be conducted annually an audit of the books and records of the Cooperative by a certified public accounting firm retained by the Board of Directors. The minimum standards for the audit shall comply with the requirements of REA and CFC. There shall be evidence of interim internal audits conducted by management, along with reports to the Board of Directors, of the financial condition indicated and the results determined.

III. RESPONSIBILITY

The Board of Directors shall be responsible for retaining a qualified certified public accounting firm to conduct annual financial audits and for interpreting their findings to the Board of Directors. The General Manager shall be accountable for the interpretation and implementation of all other aspects of this policy, consistent with REA policy bulletins, work plans and budgets, board operating guides and other legal and contractual limitations.

Attest: Charles N. Larson
Secretary

Date: 7-15-74

SIoux VALLEY EMPIRE ELECTRIC ASSOCIATION, IN.
COLMAN, SOUTH DAKOTA

BOARD OPERATING GUIDE #5-1

FINANCIAL MANAGEMENT

A. Financial Plans and Forecasts

1. Financial Forecasts

Financial forecasts, both capital and operating, projected at least 10 years into the future, shall be prepared which reflect anticipated programs and additions to plant, including the associated financing required. These financial forecasts shall contain estimates of revenue and expenses to determine if the Cooperative's rates are appropriate. These forecasts shall be reviewed annually and revised as necessary to assure that a realistic financial forecast is available to the Board of Directors at all times.

2. Annual Budgets

An annual budget shall be presented to the Board of Directors prior to December 31 each year, which contains a detailed estimate of revenue and expenses for the coming year. Upon approval by the Board of Directors, the programs, activities and expenditures contained therein may be implemented without subsequent action by the Board.

B. Additions to Plant

1. Distribution Plant

All additions to distribution plant, including extensions, increases in capacity and replacements eligible for loan fund financing shall be financed with loan funds. Initially, general funds shall be used for all construction, except that done under contract, with reimbursement from loan funds immediately upon the approval of the construction and the availability of loan funds.

2. General Plant

All additions, including replacement of general plant, shall be financed by general funds of the Cooperative, except certain major additions to general plant which the Board of Directors designates to be financed by loan funds.

C. Maintenance of Plant

The physical facilities of the Cooperative shall be maintained at their highest operational level, consistent with sound economic practices, and in accordance with the provisions of the REA-CFC mortgage. General funds shall be utilized for the renewal and replacement of plant that does not qualify for loan fund reimbursement.

D. Source and Use of Funds

1. Cash Flow Projections

Projections of the source and use of funds required by the Cooperative shall be prepared, reviewed and revised as frequently as necessary to assure the timely availability of funds for meeting current obligations of the Cooperative.

2. Loan Funds

a. Long-term Loans

1) REA Loans

The Cooperative shall secure the maximum amount of its required loan funds from REA. Continuing efforts will be made to influence the maximum annual appropriation of REA loan funds by the Congress of the United States.

2) CFC Loans

The Cooperative, as a member of the National Rural Utilities Cooperative Finance Corporation, (CFC), shall purchase capital term certificates in CFC and maintain eligibility for concurrent or other CFC loans to the Cooperative.

b. Short-term Loans

The Cooperative shall execute a Line of Credit agreement with CFC for the purpose of interim financing of plant additions and the maintenance of adequate working capital.

3. Rates

Rates adopted by the Cooperative shall be fair and equitable to all classifications of service and shall provide incentive to the members to make maximum beneficial use of the Cooperative's service. Rates shall be maintained at a level that will provide adequate revenue to meet operating costs and also be sufficient to meet prescribed financial goals and standards. Rates shall be adjusted whenever the financial plans of the Cooperative show that financial goals will not be met, or that revenue considerably in excess of requirements will be received.

4. Working Capital and Reserves

The funds required to establish working capital and reserve funds according to the provisions of REA Policy Bulletin 1-7 will be provided from general revenues and membership fees. Any funds available from general revenues in excess of these amounts shall be used to retire patronage capital.

5. Retirement of Long-term Debt

Long-term debt shall be retired according to the repayment schedule contained in the notes accompanying each loan.

6. Investment of Available Funds

All available funds in excess of those required for meeting current obligations shall be invested in short-term investments in the Cooperative Finance Corporation (CFC). All such investments shall be made recognizing the time at which such funds may be needed by the Cooperative. Any funds invested in associated enterprises shall conform to the requirements of the REA-CFC mortgage, and shall require specific approval of the Board of Directors.

E. Depreciation Rates

Depreciation rates on distribution and general plant shall be established by the Board of Directors normally within the guide lines provided by REA. Any deviations from these depreciation rate guidelines shall receive the specific approval of REA & of CFC if required. Accumulated provisions for depreciation in each account will be reviewed annually and recommendations made for changes or revisions in existing depreciation rates.

F. Nonprofit Operation

Revenue in excess of operating expenses shall be considered as capital furnished by the patrons to the Cooperative and be allocated to each patron's patronage capital account. The Cooperative shall periodically make general retirements of patronage capital whenever funds are available, consistent with the provisions of the REA-CFC mortgage and the bylaws of the Cooperative. Effective January 1, 1971, the Cooperative shall retire the patronage capital payable to the estates of patrons who die after that date. The Board of Directors shall determine annually the amount of money available for distribution to the patrons in the form of patronage capital.

G. Financial Reports

The Board of Directors shall be provided with such financial reports and data and at such times as are necessary to keep the Board fully informed and knowledgeable of the Cooperative's financial condition. The specific reports required and their timing shall be determined annually by the Board of Directors with the General Manager. The General Manager and his staff shall provide such interpretations of these financial reports as are necessary to indicate changes, trends and deviations from previous plans and expectations.

Date Adopted: 7-15-74

Paragraph D-6 Revised 1-27-75

BOARD OPERATING GUIDE #5-2

RECEIPT AND DISBURSEMENT OF FUNDS

A. Receipt of Funds

1. Funds received for the payment of electric service, or for other goods and services provided by the Cooperative, shall be deposited in the General Fund Account of the Cooperative in the Dakota State Bank of Colman, South Dakota.
2. Loan funds received from either REA or CFC shall be deposited in the appropriate Cooperative's bank account as specified by the Board of Directors. Funds in the Cooperative's Construction Fund Account shall be transferred to the Cooperative's General Fund Account for either expenditure or investment as soon as practical after receipt of such funds.

B. Disbursement of Funds

1. All expenditures of funds shall be made within the limits of approved capital and operating budgets or for goods and services that are specifically authorized by formal action of the Board of Directors.
2. Payments for goods or services received by the Cooperative shall be made by check issued by the Cooperative based on an approved invoice consistent with the provisions of Board Operating Guide #5-3, "Use and Signing of Checks". Cash payments for goods and services shall be based upon approved invoices or receipts and shall be limited to the amounts available in the Cooperative's change fund.
3. The General Manager shall present to the Board of Directors periodic reports showing actual expenditures compared to budgets and specifically authorized items and amounts. The General Manager shall also present periodic reports showing comparisons of the Cooperative's cash position to cash flow forecasts.
4. The CPA Auditing Firm retained by the Cooperative shall report annually to the Board regarding the adequacy of and compliance with internal control procedures established for the safeguard of the assets of the Cooperative.

Date Adopted: 7-15-74

BOARD OPERATING GUIDE #5-3

USE AND SIGNING OF CHECKS

A. Checks shall be issued for all bills, invoices, statements and claims for goods or services furnished in connection with the execution of approved work programs, contracts, budgets, etc., that have been approved for payment in accordance with the following authorization:

1. Special Construction Fund Checks

Special Construction fund checks shall be signed by the General Manager, except that in his absence they may be signed by the Assistant Manager. Special Construction fund checks shall be countersigned by the Treasurer, except that in his absence they may be countersigned by the President.

2. General Fund Checks

General Fund checks shall be signed by the General Manager, except that in his absence, they may be signed by the Assistant Manager. General Fund checks shall be countersigned by the Director of Accounting Services, except that in his absence they may be countersigned by the Senior Accountant.

3. Checks signed by the General Manager

Checks requiring the signature of the General Manager may have his signature affixed by the use of the Protectograph Check Signer. Appropriate control procedures for the use of this machine in affixing the General Manager's signature shall be established and maintained.

Date adopted: 7-15-74

BOARD OPERATING GUIDE #5-4

RETIREMENT OF CAPITAL CREDITS TO THE ESTATE OF DECEASED PATRONS

The Cooperative shall retire the patronage capital credits of deceased patrons whose death occurred on or after January 1, 1971. The cash payment of any patronage capital credits assigned to the deceased patron shall be made, subject to the review and approval of the Cooperative's legal counsel, upon the request of the legal representative (s) of the deceased patron's estate and upon the presentation of written proof of such legal representative's authority to represent the deceased patron's estate.

A procedure for processing the retirement of capital credits to deceased patron's estates shall be recommended by the Cooperative's legal counsel and approved by the Board of Directors. Any requests for patronage capital retirements not

complying with this Board Operating Guide or the related procedure shall be submitted to the Board of Directors by the Cooperative's legal counsel for specific board action.

Date Adopted: 7-15-74

BOARD OPERATING GUIDE #5-5

LIABILITY OF THE COOPERATIVE FOR DAMAGE TO PERSONS OR PROPERTY

A. Liability Insurance

The Cooperative maintains liability insurance coverage for the purpose of making payment to persons who are injured, or whose property was damaged in those cases where the Cooperative was legally liable for damages. The determination of liability is the responsibility of the Cooperative's insurance company, or the decision of the court.

B. Injury or Accident Reporting

In the case of injury, or accident, the employees shall notify their immediate supervisor, or a management representative, of the circumstances and facts surrounding such injury or damage. If the injury or damage is of a serious nature, the Cooperative's attorney shall also be notified as soon as possible.

Employees of the Cooperative are instructed not to make any admissions of responsibility, or liability, or to make any statements regarding the injury, or damage, other than to the Cooperative's management, attorney, or to the representatives of the Cooperative's insurance carrier, or such other factual reports as may be required by law. Members of the public sustaining injury, or damage, should be told by employees that a complete report will be made to the Cooperative and that the question of liability and damages will be determined by either the Cooperative, or its insurance company.

The Cooperative's insurance carrier shall be notified within 24 hours of the occurrence of an injury, or damage, in which a potential liability of the Cooperative may occur.

This Board Operating Guide shall be explained in detail and a copy provided to all employees of the Cooperative.

Date adopted: 7-15-74

SIOUX VALLEY EMPIRE ELECTRIC ASSOCIATION, INC.
Colman, South Dakota

MANAGEMENT OPERATING GUIDE NO. 5-50

CHARGES IN CONNECTION WITH HOUSE MOVES

Whenever the Cooperative is requested to assist a house mover in moving buildings through and under the Cooperative's distribution facilities, it is expected that a minimum of 24 hours notice will be given to permit the scheduling of our crews.

Charges shall be made by the Cooperative for time spent on the job by cooperative crews assisting with house moves. Such charges shall consist of the hours spent on the job at the currently approved "service for hire" rate. In addition, charges shall be made for any materials and supplies used in connection with the house move.

Virgil H. Herriott
General Manager

July 15, 1974
Date

MANAGEMENT OPERATING GUIDE NO. 5-51

RESPONSIBILITY FOR THE RECEIPT & DISBURSEMENT OF FUNDS

A. Receipt of Funds

All funds received by the Cooperative shall be processed and deposited to the accounts of the Cooperative consistent with established procedures that are approved by the General Manager and administered by the Director of Accounting Services.

B. Disbursement of Funds

1. Payroll

All employees are to prepare time cards which, after having been approved by the employee's supervisor, shall be forwarded to the accounting department for processing. The time cards shall provide, in sufficient detail, information which permits the employee's time to be charged to the appropriate account consistent with the work performed. Payroll checks shall be issued after each employee's earnings have been computed, less the authorized deductions.

2. Other General Fund Disbursements

- a. All General Fund disbursements, other than payroll, shall be on the basis of an approved invoice. Each invoice must identify the goods or services received by the Cooperative in sufficient detail to make positive identification and to provide for proper accounting thereof. The Director of Accounting Services shall establish and maintain a procedure approved by the General Manager for verifying the authenticity of the invoice, the receipt of the goods or services by the Cooperative, the unit prices and extensions thereof and scheduled payment, taking into account the availability of cash, budget authorization and discounts where appropriate.
- b. A countersignature, as provided in Board Operating Guide No. 5-3, "Use and Signing of Checks", shall be applied only after the supporting documents have been audited and it has been determined that the check is in the appropriate amount and made payable to the proper payee. The countersignature on a General Fund check is considered to be a certification of the above facts.
- c. A signature on a General Fund check is considered as authorization to the bank to pay the check when presented. Those authorized to sign checks on behalf of the Cooperative are designated in Board Operating Guide Number 5-3, "Use and Signing of Checks."

3. Change Fund Disbursements

The Director of Accounting Services shall establish, subject to the approval of the General Manager, procedures for processing cash disbursements from the Cooperative's Change Fund for the payment of personally presented invoices and for reimbursement to employees for minor out of pocket expenses incurred.

C. Internal Control Responsibility

1. Control Procedures

The Director of Accounting Services shall also be responsible for the establishing and maintenance of procedures required for the reconciliation and control of all monies received and deposited by the Cooperative.

2. Control Reports

The Director of Accounting Services shall present to the General Manager, monthly, reports of actual expenditures compared to approved budgets and other authorized expenditures. He shall also submit reports monthly, or more often if necessary, regarding the Cooperative's cash position as compared to cash flow forecasts.

3. Management of Working Capital

The Director of Accounting Services will manage the Cooperative's working capital in a manner that will assure the availability of funds to meet expenditures and at the same time permit the maximum amount of funds to be invested in CFC and earning interest.

4. Communications

Each department head is expected to keep the Director of Accounting Services informed regarding any unanticipated major expenditures, or any changes in the timing of approved major expenditures.

Attest: Virgil H. Herriott
General Manager

Date: July 15, 1974
Revised: 1-75

SIoux VALLEY EMPIRE ELECTRIC ASSOCIATION, INC.
COLMAN, SOUTH DAKOTA

MANAGEMENT PROCEDURE

USE OF PROTECTOGRAPH CHECK SIGNER

Effective date 7-15-74

1. The General Manager shall retain control over the use of the Protectograph Check Signer for affixing his signature to General Fund Checks. The Secretary to the General Manager is hereby designated as the individual who is authorized to use the machine for the purpose of affixing his signature. The two keys required for the operation of the machine shall be in her personal custody and shall not be available to any other employee.
2. The Secretary to the General Manager shall not affix the General Manager's signature to any check presented to her, unless the check has been previously countersigned by an authorized employee.
3. The Junior Accountant shall, monthly, reconcile the number of check signatures impressed by the machine as recorded on its meter with the log maintained by the Secretary to the General Manager.

Virgil H. Herriott
General Manager

SIoux VALLEY EMPIRE ELECTRIC ASSOCIATION, INC.
COLMAN, SOUTH DAKOTA

BOARD PROCEDURE

PROCESSING OF REQUEST FOR THE RETIREMENT OF CAPITAL CREDITS TO
THE ESTATES OF DECEASED PATRONS

Effective date: 7-15-74

1. Only those patrons whose death occurred on, or after, January 1, 1971 shall be eligible for the cash retirement of capital credits prior to general retirements.
2. A schedule by years of all of the patronage capital credits earned by the patron shall be prepared and used to determine the amount due the patron's estate.
3. Any unpaid amounts due the Cooperative, or written off by the Board of Directors, shall be deducted from the total patronage capital due the estate.
4. A written application for the deceased patron's capital credits must be prepared on a form provided by the Cooperative.
5. Written proof of the deceased patron's legal representative must be presented in the following manner:
 - a. Copy of written instrument, certified by a court of competent jurisdiction within sixty (60) days of presentation to the Cooperative, designating the legally constituted representative of such deceased person's estate (for example: Letters Testamentary, Letters of Administration, Letters of Curatorship, etc.).
 - b. In the event there has been no administration had on the estate of such deceased person, and in the further event that no administration is contemplated on the estate of such deceased person, and there are no debts legally enforceable against the estate of such deceased person (except such as may be due the Cooperative), then, and in that event, the Cooperative may, by its voucher, pay such patronage capital credit upon the presentation to the Cooperative of a statement under oath made by an heir-in-law of the decedent in conformance with the provisions of Chapter 30-11A SDCL, or acts amendatory thereof.
 - c. If, for any reason, requests for retirement of capital credits standing in the name of the members described herein do not meet the requirements herein set forth, then, in that event, the matter shall be referred to the Cooperative's attorney who shall make his written recommendation to the Board of Directors as to the disposition of such requests. The Board of Directors may, with or without recommendation, in their discretion, upon motion, determine the matter of such payment.
6. A periodic report shall be made to the Board of Directors by the General Manager of the number and amount of all capital credits retired during the current year to deceased patron's estates.
7. All applications shall be reviewed & approved by the Cooperative Attorney prior to any payments made hereunder.

Charles N. Larson
Secretary

Alan F. Glover
Attorney

SIoux VALLEY EMPIRE ELECTRIC ASSOCIATION, INC.
COLMAN, SOUTH DAKOTA

BOARD POLICY #6

PRODUCTIVITY

I. OBJECTIVE

To achieve the maximum beneficial use of available human, physical and financial resources through sound organizational structure, coordination and integration of activities and a continuous program of self-evaluation and improvement.

II. POLICY

A. Human Resources

1. Structure - The organization structure of the cooperative shall be reviewed at least annually and shall reflect an appropriate number of employees and positions to accomplish the goals reflected in the cooperative's annual work plan. Assignment of responsibility shall be made in such a manner as to insure the availability of those employees required to meet peak work loads and deadlines. Maximum opportunity shall be provided for developing required job skills and individual employee growth and development.
2. Direction and Coordination - Delegation of authority shall be such as will permit decisions regarding the work to be made at the lowest practical level. There shall be provision for the coordination of work within departments and between departments.
3. Morale and Motivation - Employee responsibility shall be broadly stated in written form and accompanied by required procedures. Employees affected shall be consulted prior to decision-making. Management and supervisory personnel shall deal with their employees on a fair and consistent basis. Periodic evaluations shall be made of employee attitudes and concerns, and such evaluations shall be interpreted and serve as the basis for initiating indicated remedial action.

B. Physical Resources

1. Distribution System - Tests, measurements and computations of consumer, feeder and substation loads shall be made to permit the continued determination of installed system capacity vs. loads. Such evaluations shall be considered an integral part of planning future system additions.
2. Headquarters Facilities - The cooperative's headquarters facilities shall be functionally designed and be adequate in terms of currently approved organization structures. Warehouse and storage facilities shall be provided consistent with inventory levels and types of materials and supplies required to carry out approved plans and programs.

Board Policy #6

3. Transportation and Work Equipment - There shall be a plan for the procurement, maintenance and replacement of transportation and work equipment. This plan shall be consistent with currently approved plans, organization structures and appropriate economic considerations.

C. Financial Resources

There shall be available long and short-range financial plans which indicate the source and use of funds required to carry out the programs and activities of the cooperative. Such plans shall anticipate the maximum use of long-term borrowed funds for meeting present and future capital needs. Periodic reports shall be provided to the board of the results of the utilization of all financial resources.

III. RESPONSIBILITY

The general manager shall be accountable for the interpretation and implementation of this policy consistent with the approved work plans and budgets, board operating guides and other local and contractual limitations.

ATTEST: Charles N. Larson
Secretary

Date: 10-21-74

SIoux VALLEY EMPIRE ELECTRIC ASSOCIATION, INC.
COLMAN, SOUTH DAKOTA

BOARD OPERATING GUIDE #6-1

SAFE WORKING PRACTICES

The board of directors recognizes the importance of safe working conditions for employees of the cooperative and hereby directs management to establish such safe working practices and to procure and maintain such tools and equipment that will permit all work performed by employees to be performed in the safest possible manner.

Safety rules and procedures shall be developed by the Joint Safety Committee and recommended for adoption to the board. These rules and procedures, plus such records and reports relating to safety, shall meet the requirements of OSHA, REA and other state and local requirements.

The general manager shall advise the board at least annually of the review and updating of safety rules and procedures and of the maintenance and filing of necessary safety records and reports.

Date adopted: 10-21-74

BOARD OPERATING GUIDE #6-2

PURCHASE OF MATERIALS, SUPPLIES AND EQUIPMENT

The maintenance of adequate inventories of acceptable materials, supplies and equipment is essential to providing adequate, dependable electric service to present and potential consumers of the cooperative. All possible economies shall be realized through competitive bidding and quantity purchases where possible. Cooperatively-owned sources of materials, supplies and equipment shall be utilized whenever possible to enhance the cooperative's bargaining position.

Purchases of major items of materials, supplies and equipment not provided for in the work plan and budget shall be submitted to the board as recommended budget amendments.

Date adopted: 10-21-74

SIoux VALLEY EMPIRE ELECTRIC ASSOCIATION, INC.
COLMAN, SOUTH DAKOTA

BOARD POLICY #7

EMPLOYEE TRAINING AND DEVELOPMENT

I. OBJECTIVE

To attract and retain highly qualified employees who understand and accept cooperative philosophy, and to provide, on a planned, systematic and continuing basis, training and development opportunities for all employees that will permit them to effectively perform present and future job requirements.

II. POLICY

1. Selection - There shall be maintained a process for securing adequate numbers of qualified applicants for all vacant, or newly created, positions with the cooperative. Job specifications shall be maintained which describe the key personal characteristics required for each position. The process shall also include a systematic evaluation of all applicants for positions with the cooperative.
2. Orientation - There shall be an orientation process which shall be followed in familiarizing all new employees with the cooperative, their job responsibility and various employee benefit programs. This orientation program shall include an explanation of the philosophy of the cooperative and key areas of emphasis in cooperative operations. A planned program of information for all employees shall be maintained with the primary emphasis on informing employees of new developments and plans, as well as those things which affect the employees and their working conditions.
3. Training and Development - The cooperative encourages employees to take advantage of additional training opportunities to expand their particular skills and to become qualified for greater responsibilities. Opportunities may also be provided for personal development experiences by employees subject to the specific approval of the general manager
4. Safety - The cooperative shall maintain safe working practices, policies and procedures which comply with industry and governmental safety standards. There shall be conducted, on a regular basis, training and information meetings at the cooperative which emphasize safety and required job skills.

III. RESPONSIBILITY

The Board of Directors shall be responsible for reviewing and approving the safe working practices and rules to be followed by employees of the cooperative. The general manager shall be accountable for the interpretation and implementation of all other aspects of this policy, consistent with approval work plans and budgets, board operating guides and other legal and contractual limitations.

ATTEST: Charles N. Larson
Secretary

Date: 10-21-74

SIoux VALLEY EMPIRE ELECTRIC ASSOCIATION, INC.
COLMAN, SOUTH DAKOTA

BOARD OPERATING GUIDE #7-1

EMPLOYMENT PRACTICES

The Board of Directors hereby establishes the following employment practices to assure consistent and fair treatment of all employees of the cooperative in compliance with applicable state and federal laws. Where these practices are found to be in conflict with state or federal laws, or other contractual agreements, the provisions of such laws or contracts shall apply.

I. CONDITIONS OF EMPLOYMENT

- A. Employees hired by the cooperative are considered as probationary employees during the first six months of their employment. During such period the cooperative reserves the right to dismiss such employees at any time with or without cause.
- B. Employees past the probationary stage of employment are expected to give two weeks advance notice in the event they decide to terminate their employment with the cooperative. Employees who are past their probationary period are subject to discipline, suspension or discharge, only for cause. Nonprobationary employees will be subject to immediate discharge only for major violations such as theft. Other violations of work rules or performance requirements will normally be dealt with in the following manner.
 - 1. A written warning describing the nature of the violation or deficiency along with specific corrective action to be accomplished by a specified date.
 - 2. Continued violation or deficient performance after "1" will be dealt with by suspending the employee without pay for a period not to exceed five days.
 - 3. Subsequent violations or deficiencies after "1" and "2" have been utilized will result in discharge.
- C. All vacancies shall be posted and held open for at least ten (10) working days. All vacancies shall be filled by promotion whenever there are employees who are able to qualify. In making promotions or filling vacancies, length of service shall be recognized whenever qualifications are equal or practically so. Applications of individuals for vacant positions who are not employees of the cooperative shall not be considered until after employee applicants who are qualified for the position have been considered.
- D. No member of an employee's or director's immediate family; that is, father, mother, husband, wife, son or daughter, sister or brother, shall be eligible for employment with the cooperative.
- E. An employee who leaves the employment of the cooperative to enter the Armed Forces, either by enlistment, or by draft, shall be reinstated upon application within ninety (90) days after becoming first eligible for honorable discharge, or is released from active duty, whichever occurs first provided the employee is capable of performing the work required. Upon reinstatement, such employee will be given credit for continuous service prior to entering the Armed Forces, plus full credit for time spent in such service.

- F. When an employee is on a leave of absence granted by the cooperative, such service will be considered as continuous.
- G. In the event an employee encounters a condition which is considered to be unfair treatment, it is the employee's duty to carry the complaint to the employee's immediate supervisor. If the complaint is not then satisfactorily answered, it is the employee's duty to reduce the complaint to writing and submit it to the employee's immediate supervisor and the assistant manager. The employee is encouraged to discuss and interpret the complaint to the assistant manager. The assistant manager, in reviewing the complaint, shall advise and consult all appropriate supervisors. If the complaint is still not satisfactorily answered, it shall be the employee's further duty to request a consultation with the general manager. It should be understood that a complaint involves a decision concerning the interpretation, or application, of applicable policies, rules or regulations directly affecting the employee.

In other instances where employees do not have a complaint but desire information or interpretations regarding general decisions or actions of the cooperative, they are encouraged to communicate with any other employee who is in a position to provide the desired information or interpretation.

II. WORK RULES

A. Work Period and Working Hours

1. The normal work week shall be 40 hours consisting of five, 8-hour work days, Monday through Friday, commencing at 8:00 a.m. and ending at 4:30 p.m., with one-half hour, 12:00 noon to 12:30 p.m., intermission for lunch.
2. Special circumstances involving certain employees may require a variation in these normal work hours, subject to the approval of the general manager. However, the 40-hour work week shall prevail in all instances.
3. Regular office hours from 8:00 a.m. to 4:30 p.m., Monday through Friday, will be maintained.
4. The cooperative pays nonexempt employees time and one-half for all time over 40 hours worked during one calendar week. Nonexempt employees will not be required to take time off for overtime worked or to be worked. Every effort will be made to equitably distribute overtime among nonexempt employees, considering qualifications and circumstances.
5. Employees whose positions are determined to be exempt from the overtime provisions of the Federal Wage and Hour Law shall be compensated on a monthly basis and not be subject to overtime pay, except that exempt employees who at the request of the cooperative are required to work for substantial periods of time in excess of 40 hours per week on a regular basis shall be provided appropriate compensatory time off or additional pay at the discretion of the general manager.

6. It is to be recognized that management and executive employees are employed by the cooperative and are held accountable for achieving certain prescribed results. The performance of such employees shall be appraised on the results accomplished and not on the hours worked as prescribed in the paragraphs above.
7. Nonexempt employees who are unable to get to work due to impassable roads or inclement weather during the regular work week will be provided the opportunity, if possible, during that calendar week, to make up such lost time at regular time pay rates.
8. The cooperative will not require its employees to work out of doors during inclement weather, unless such work is necessary to protect life or property, or to maintain service to the cooperative's consumers.
9. Employees shall be granted a 15-minutes coffee break once between starting time and noon and once between noon and quitting time.'

B. Pay Plan and Payroll Periods

1. Each employee will be assigned to a specific pay grade in the pay plan approved by the Board of Directors. The employee's level of pay within his assigned pay grade shall be as determined by the terms and conditions of the approved plan.
2. Payroll shall be computed on a calendar month basis and checks will be distributed within three working days following the end of the month. Employees will be permitted a mid-month advance not to exceed one-half of their regular monthly base salary, without overtime, minus applicable deductions.

C. Fees and Expenses

1. The cooperative will pay the fees for any special state licenses required for its employees.
2. Employees who, in the course of their work, or in their assigned attendance at meetings, incur travel, room and board or other out-of-the-pocket expenses, shall be reimbursed upon presentation of proper receipts and vouchers, according to the provisions of the currently approved Management Operating Guide "Employee Travel and Expense Accounts".

III. SUPPLEMENTAL BENEFITS

A. Holidays

The cooperative will pay each of its employees eight (8) hours regular pay for the following holidays:

1. New Year's Day.
2. Memorial Day.
3. Independence Day.
4. Labor Day.
5. Veterans' Day.
6. Thanksgiving Day.
7. Christmas Day.
8. Good Friday p.m.
9. Employees may choose between one-half day off the day before Christmas or one-half day off the day before New Year's each year.

When a holiday falls on a Sunday, the following day is considered to be the holiday. When a holiday falls on a Saturday, the previous day is considered to be the holiday. Whenever a nonexempt employee is required to work on a holiday, the cooperative will pay the employee the allowed straight time pay, plus time and one-half for the number of hours worked.

B. Vacation

Employees shall be entitled to paid vacation as follows:

1. All regular employees shall be eligible for, and shall take the vacation earned during the previous calendar year. Vacation time is not allowed to accumulate from year to year.
2. Vacation time shall accrue at the rate of ten (10) days per year, except that an employee who has worked more than five (5) full continuous calendar years with the cooperative will be entitled to one (1) extra day of vacation for each year in excess of five (5) years. An employee entitled to more than fifteen (15) days of vacation may elect to work and take pay at their regular pay rate for the days in excess of fifteen (15), except, however, that any employee entitled to more than twenty (20) days must take a cash payment at his regular rate of pay for all days in excess of twenty (20).
3. In the event any holiday listed in Section "A" falls within the the employee's vacation time, he shall be granted an additional day of vacation.
4. Requests for vacation must be approved by the employee's immediate supervisor and shall be made a reasonable time in advance so that they may be scheduled so as not to impair the work of the department. Length of service will be considered if it is necessary to limit requests for vacation during certain periods.
5. Cash payment in lieu of vacation time shall not be permitted, except as provided in Paragraph 2 above.

6. Employees voluntarily leaving the employment of the cooperative shall be paid in cash for any vacation time which they have earned and have not taken through the date of termination, providing they give two weeks notice prior to termination.

C. Sick Leave

1. Regular employees shall accrue sick leave at the rate of twelve (12) days per year. In the event an employee is unable to report for work due to sickness or injury, the employee will receive eight (8) hours of regular pay for each such regular work day he is absent, within the limits of his accumulated sick leave, provided, however, that employees will be permitted to use earned sick leave benefits, or vacation benefits, to supplement the 50% long-term disability income benefit up to a maximum of 70% of the employee's weekly wage at the time of disability. In the event of an on-the-job accident, the charge against his sick leave account shall be reduced by the amount of any Workmen's Compensation benefits received.
2. An employee who, because of his illness, is unable to report for work shall make every effort to notify his immediate supervisor in advance of the start of the normal working day. When sick leave extends beyond a period of one day, a doctor's certificate may be required by the supervisor. Sick leave taken can be charged against an employee's accrual on an hourly basis.
3. Time off for doctor, dental and other appointments, not of an emergency nature, shall be taken as vacation time by the employee. Doctor or dental visits, or other time off of an emergency nature, shall be covered by sick leave when cleared with the employee's supervisor.

D. Maternity Leave

Female employees shall be permitted to utilize accrued sick leave for time off incurred in connection with pregnancy and the birth of a child. Female employees shall be permitted to continue their employment during pregnancy for as long as she can normally perform her job responsibilities. If the female employee's job is such that the position can be held open until after a reasonable period of time following the delivery of the child, then she will be given her job back with no loss in seniority or pay status. If the female employee's job is such that it requires that she be replaced with a qualified person during her maternity leave, then she shall be placed on the preferential hiring list for consideration for future openings for which she may qualify.

E. Time Off in Event of Death or Serious Illness

The cooperative will grant an employee a leave of absence with pay in the event of death, or serious illness in the employee's immediate family, or on such instances as are cleared in advance through his supervisor and as approved by the assistant manager. The time allowed off with pay will be a reasonable amount, depending upon the circumstances, however, any time taken in addition to that previously approved will be without pay, or it can be charged against vacation.

F. Elections and Court Duties

1. Any person entitled to vote at any election held within the State of South Dakota shall, on the day of such election, be entitled to absent himself from his employment for a period of two (2) consecutive hours between the time of opening and the time of closing of the polls, provided such employee does not have a period of two (2) consecutive hours during the time the polls are open during which he is not required to be present at his place of employment. Such voter shall not, because of absenting himself, be liable to any penalty, nor shall a deduction be made on account of such absence from his usual wages. The employer may specify the hours during which such employee may absent himself as aforesaid.
2. Whenever election duties require a permanent employee to be absent from work he shall be given time off without pay. On jury duty and other madatory court duties, employees will be paid the difference between their regular salary and court pay.

G. Retirement and Insurance Benefits

The cooperative maintains the following retirement and insurance programs for the benefit of its employees and encourages their participation. These plans are available to all regular employees of the cooperative, subject to any waiting periods which may be described therein.

1. A Major Medical Insurance Plan for employees and their dependents-- the cooperative will pay one-half of the cost of the monthly premium for each employee and their dependents when participating in the plan. The other one-half is deducted monthly from the employee's earnings.
2. A retirement and insurance plan has been established through the National Rural Electric Cooperative Association and is according to specifications provided by them. It includes Double Salary Term Life Insurance, Retirement Benefits and the Supplemental Service Pension and Savings Plan. The cost of the Term Life Insurance is deducted monthly from the employee's earnings until he has completed three (3) full calendar years of employment. After an employee has completed three (3) full calendar years of employment, the employee's contribution will be equal to three (3%) of annual base salary to be deducted from the employee's monthly earnings, with the balance of the contribution to the Retirement and Insurance Plan to be paid by the cooperative.
3. A Long Term Disability Income Plan has been established through the National Rural Electric Cooperative Association and is according to specifications provided by them. The cooperative pays the full cost of this plan.
4. Group Term Life Insurance, wherein each employee can be insured for \$10,000, or one and one-half ($1\frac{1}{2}$) times his annual basic wage, whichever is greater, with one-half ($\frac{1}{2}$) of the cost deducted monthly from the employee's earnings, and the other one-half ($\frac{1}{2}$) paid by the cooperative.

H. Employee Retirement

Retirement at age 65, or before, is provided for in the Retirement Program maintained by the cooperative. The cooperative shall make available to employees who are approaching retirement information regarding their retirement options and, in addition, additional information and counseling shall be provided to these employees regarding other aspects of retirement well in advance of their anticipated retirement date.

Date adopted: 10-21-74

BOARD OPERATING GUIDE #7-2

EMPLOYEE TRAINING PROGRAMS

To permit the maintenance of highly skilled and well-trained employees and to assist in their continued growth and development, the cooperative shall establish and maintain the following training programs:

A. Job Skills Training

Management and supervisors shall see that the skills required by employees to perform their jobs safely and efficiently are developed, either here at the cooperative, or elsewhere, and that training is provided periodically for updating skills to meet changing job requirements.

B. Job Related Training

The cooperative's annual work plan and budget shall include provision for job related training opportunities for selected employees of the cooperative utilizing training programs provided locally, through SDREA, through NRECA and elsewhere. The opportunity to participate in such training programs shall be based on recommendations of the employee's supervisor, subject to the approval of the general manager.

C. Personal Development Training

It is recognized that the cooperative can benefit from employees participating in personal development training programs not directly related to their present job responsibilities. Requests for participation in personal development training programs shall be submitted through the employee's supervisor, subject to the approval of the general manager.

Date adopted: 10-21-74

BOARD OPERATING GUIDE #7-3

PERFORMANCE REVIEW PROGRAM

A program of performance review shall be maintained for all employees of the cooperative which is based on the evaluation of individual employee performance compared to job requirements and the identification of growth and development needs.

It is recognized that the review of employee performance, accompanied by coaching and counseling, is a continuing supervisor responsibility; however, there shall be established a regular schedule for performance summaries and the determination of individual development programs. Such schedule shall provide that performance summaries shall be prepared at least annually for all employees.

Performance summaries and development programs for employees covered by the bargaining unit shall be coordinated with the Union steward and/or business agent of the Union.

All supervisors shall be provided the orientation and training required to effectively carry out their responsibilities for performance review.

Date adopted: 10-21-74

BOARD OPERATING GUIDE #7-4

EQUAL EMPLOYMENT OPPORTUNITY

The cooperative shall establish such employment and recruiting practices and it shall assign job responsibility and provide training and development opportunities in a manner that will not be in discrimination of any individual based on race, color, religion, sex or national origin.

The cooperative shall comply with all legal and REA policy requirements in providing equal employment opportunity and it shall participate in Affirmative Action and related programs designed to provide increased employment opportunities to minority groups.

Date adopted: 10-21-74

SIOUX VALLEY EMPIRE ELECTRIC ASSOCIATION, INC.
COLMAN, SOUTH DAKOTA

BOARD POLICY No. 8

MANAGEMENT AND LEADERSHIP

I. Objective

To develop and maintain a management team of directors and management employees who understand and accept cooperative principles and philosophy and to provide them the opportunity to develop the management and leadership skills required for the application of the principles, tools and techniques of modern management in the development and maintenance of a vigorous and dynamic cooperative enterprise.

II. Policy

A. Board of Directors

1. Qualifications and Participation

The membership of the Cooperative shall be informed on a continuing basis of the qualifications, skills and time required for effective fulfillment of director responsibility. All members of the Board of Directors shall be provided the opportunity and encouraged to participate in director orientation and training programs. Opportunities for members of the Board of Directors to represent the Cooperative at meetings of associated organizations shall be provided on as widespread a basis as possible. The conduct of board meetings shall be in such a manner as to achieve open and widespread participation in board discussions and decisions by all members of the Board of Directors.

2. Board Performance - To assure continued effective performance by all members of the Board of Directors, there shall be conducted, annually, an appraisal of the board's responsibilities and performance by the board itself. This appraisal process should result in the identification of training and development needs of both the Board of Directors and individual members of the board.

3. Board-Manager Relationships

There shall be in effect a statement describing relationship of the Board of Directors with its general manager. This statement shall include a statement of specific delegations by the board to the general manager and shall be reviewed at least annually to assure mutual understanding. The board shall, annually, systematically appraise the performance of the general manager and develop with him a mutually acceptable plan of action for his continued growth and development.

4. Consultants

The Board of Directors, working with the general manager, shall identify and secure outside consultants as are necessary to assist them in properly fulfilling their functional responsibilities. The board shall provide for direct reports from consultants to the Board of Directors which contain recommended courses of action and advice and counsel to the board before decisions are made.

B. Employed Management

1. Qualifications

There shall be established in written form clearly defined responsibilities for the general manager and all members of the management staff. These shall be accompanied by a written statement of qualifications and personal characteristics required for each management position with the cooperative. There shall be established and conducted a program of appraisal and performance evaluation of all members of management to assure continued growth and development.

2. Management Philosophy

The possession of a knowledge of, and commitment to, cooperative philosophy is required on the part of all management employees of the cooperative. In addition, commitment to a management philosophy which recognizes the necessity for the team approach to accomplishing goals should be incumbent in all members of management.

3. Training and Development

There shall be established a process for identifying management training and development needs and for providing management training opportunities on a planned and scheduled basis.

4. Allied Organizations

The general manager shall develop and maintain a planned schedule of management attendance at meetings of allied organizations. It is expected that the general manager will take advantage of opportunities for his active involvement and participation in such organizations to represent the cooperative's philosophy and point of view and to influence plans and decisions of these organizations.

5. Board Leadership

The general manager shall be expected to advise and assist the board by making plans for meetings of the Board of Directors, by providing information, reports and presentations, and by assuming a leadership position with the Board of Directors.

III. Responsibility

The Board of Directors shall be responsible for conducting itself in compliance with appropriate provisions of the cooperative's bylaws and for the effective performance of those management responsibilities not delegated to the general manager. The general manager shall be accountable for the interpretation and

implementation of all other aspects of this policy consistent with REA policy bulletins, work plans and budgets, board operating guides and other legal and contractual limitations.

Attest: Charles N. Larson Date: 9-16-74
Secretary

SIoux VALLEY EMPIRE ELECTRIC ASSOCIATION, INC.
COLMAN, SOUTH DAKOTA

BOARD OPERATING GUIDE #8-1

FUNCTIONS OF THE BOARD OF DIRECTORS

The Board of Directors of the cooperative secures its authority from the provisions of the articles of incorporation and bylaws and the Board of Directors has responsibility and authority for exercising all corporate powers, except those which are specifically conferred upon, or reserved to the members of the cooperative. The Board of Directors shall function in fulfilling its responsibilities and authorities as follows:

A. Corporate Officers

The Board of Directors shall be guided by the provisions of Article VI of the bylaws of the cooperative in the election and determination of the duties and responsibilities of the officers of the cooperative.

B. Board of Directors

1. Planning

a. Viewpoints and Objectives

- (1) Determines the viewpoints, objectives, policies and major goals of the cooperative.
- (2) Reviews and acts on new or modifications of existing objectives and policies recommended by the general manager.
- (3) Sees that viewpoints, objectives and policies are uniformly interpreted to and understood by all concerned.

b. Long and Short-Range Plans

- (1) Reviews with the general manager studies of long-term forecasts and needs, and determines necessary long and short-range plans in the areas of organization, finance, facilities and services.
- (2) Analyzes and acts on annual work programs developed by the general manager and his staff.

c. Improvement of Services

Reviews general manager's reports of trends and developments and approves necessary recommendations for new, or improvements in, existing services.

d. Control Reports

Develops with the general manager standards of performance and a system of control reports to assure that the Board of Directors is kept continually informed and can appraise the performance of the cooperative.

2. Trusteeship

- a. Assumes responsibility for the security of assets for maintaining the financial soundness of the cooperative and establishes appropriate financial reserves to assure economic continuity of the cooperative.
- b. Provides for the establishment and maintenance of a complete accounting system that accurately reflects the financial condition of the cooperative, serves as an effective management control of operations, provides the board with appropriate control information and conforms to requirements of the Rural Electrification Administration.
- c. Causes to be made a full and complete audit of the accounts, books and financial condition of the cooperative at the end of each fiscal year and submits a report of such audit to the members at the next following annual meeting.
- d. Requires bond at the cooperative's expense from any officer or employee handling funds or property.
- e. Designates depository banks and financial institutions for the funds of the cooperative.
- f. Sees that high quality services are provided at lowest practical cost.
- g. Approves purchase, transfer and/or sales of all real estate.
- h. Establishes equitable director-districts and holds district information and nominating meetings annually in these districts.
- i. Determines annually the cooperative's financial condition in terms of its ability to make capital credits retirements.
- j. Sees that members are kept informed of the cooperative's plans, programs and progress.
- k. Keeps informed and growing in their own skills and understanding as board members; and occasionally arranges for evaluation of board performance to assure constant improvement and effective continuity.

C. Delegations to the General Manager

Within the limits of board objectives, policies, operating guides, budgets and legal requirements, the general manager shall assume responsibility and have authority for the following:

1. Direction of all management operations and activities of the cooperative, including the administration of approved policies, operating guides and plans, delegation of appropriate portions of his responsibilities with commensurate authority to his immediate staff, and authorization of further delegations to any level of management, but with full recognition that he may not be relieved of his overall responsibility, nor any portion of his accountability.
2. Development and formulation with participation of his staff of the cooperative's viewpoints, objectives and policies for recommendation to the Board of Directors.
3. Development and recommendation to the Board of Directors of long and short-range operating plans and programs.
4. Direction and assurance of compliance with corporate laws of the State and with requirements of regulatory agencies.
5. Interpretation of viewpoints, objectives, and policies to all employed personnel and agents.
6. Establishment of necessary programs and plans for communication up, down and across organization lines to assure effective coordination of operations.
7. Approval of accounting systems and procedures for sound financial management of the cooperative.
8. Signing and executing on behalf of the cooperative such reports, contracts, licenses, and other legal documents as are necessary to implement the approved policies of the Board of Directors and approved work programs and budgets.
9. Borrowing funds and pledging property as a security in accordance with authorizations of the Board of Directors.
10. Investment of available funds of the cooperative in accordance with approved policies.
11. Development and establishment of the organization structure necessary to carry out effectively the overall objectives of the cooperative.
12. Selection, appointment, transfer, promotion and releases of all employed personnel, except that he may request the advice of the Board of Directors regarding the appointment of his immediate staff.
13. Approval of salaries of all employed personnel of the cooperative, except for his own, within the limits of the approved wage and salary plan.

3. Establishing and Maintaining Legal Entity

Reviews regularly the articles of incorporation, the bylaws and appropriate federal and state laws to assure conformity of the cooperative's operations, analyzes recommendations for amendments to sections of the bylaws and submits revisions to the membership for approval. Reviews annually the results of a legal audit conducted by the cooperative's legal counsel.

4. Operating Requirements

a. Management and Organization

- (1) Selects the general manager, provides the necessary guides and authorizations for the general manager, delegates appropriate responsibility and commensurate authority for management and operations, establishes his salary, conducts an annual appraisal of his performance and makes provision for his growth and development.
- (2) Reviews with the general manager the overall organization requirements and reviews programs for developing improved employee performance and satisfactions to assure optimum service to members and consumers.
- (3) Approves the functions of the board, fixes the compensation for expenses for directors, and appoints, with the advice and counsel of the general manager, the legal counsel, financial auditors and other consultants.
- (4) Fills vacancies on the board for any unexpired term of office.

b. Resources and Facilities

- (1) Analyzes the long-range plans and work programs of the cooperative and determines resources needed to assure continued operations.
- (2) Determines the annual income, expenses and capital budgets based on approved work programs.
- (3) Approves the construction of buildings and the provision of other major facilities necessary for the operations of the cooperative.

c. Committees

Appoints necessary temporary committees of the board to conduct studies and investigations and to advise the board regarding special plans and programs.

d. Membership Meetings

Holds annual and district meetings of the membership one each year for the purpose of nominating and electing directors and reporting to the membership on plans, programs and progress.

e. Board Meetings

Conducts effective and well-planned monthly board meetings with a prepared agenda distributed to all members in advance of each meeting.

5. Controls

a. Operations and Productivity

- (1) Reviews regular reports of the general manager regarding progress of operations, trends and forecasts of results, and changes needed; determines if operations are proceeding according to objectives, policies or annual work programs and effects necessary remedial action through the general manager.
- (2) Analyzes regular reports regarding productivity compared to standards and reviews with the general manager any necessary replanning, changes or improvements.

b. Finance

- (1) Reviews regular statements of financial condition and of income and expense compared to budget with interpretations and counsels with the general manager regarding necessary replanning or adjustments of income and expense.
- (2) Reviews financial forecasts and statistical reports to check performance against plans and standards in the areas of power supply, financial condition, electric power marketing, electric service, productivity, member relations, employee development and relations, member and community services, management and leadership and corporate citizenship and counsels with the general manager regarding necessary corrective action.

c. Policies

Periodically appraises the effectiveness of the cooperative's policies and develops with the general manager any necessary changes or improvements.

d. Board Development

Reviews annually the performance of the board in terms of established standards, considers training and experience status of individual directors and develops plans and opportunities for continual training, development and improved performance of the Board of Directors.

C. Delegations to the General Manager

Within the limits of board objectives, policies, operating guides, budgets and legal requirements, the general manager shall assume responsibility and have authority for the following:

1. Direction of all management operations and activities of the cooperative, including the administration of approved policies, operating guides and plans, delegation of appropriate portions of his responsibilities with commensurate authority to his immediate staff, and authorization of further delegations to any level of management, but with full recognition that he may not be relieved of his overall responsibility, nor any portion of his accountability.
2. Development and formulation with participation of his staff of the cooperative's viewpoints, objectives and policies for recommendation to the Board of Directors.
3. Development and recommendation to the Board of Directors of long, and short-range operating plans and programs.
4. Direction and assurance of compliance with corporate laws of the State and with requirements of regulatory agencies.
5. Interpretation of viewpoints, objectives, and policies to all employed personnel and agents.
6. Establishment of necessary programs and plans for communication up, down and across organization lines to assure effective coordination of operations.
7. Approval of accounting systems and procedures for sound financial management of the cooperative.
8. Signing and executing on behalf of the cooperative such reports, contracts, licenses, and other legal documents as are necessary to implement the approved policies of the Board of Directors and approved work programs and budgets.
9. Borrowing funds and pledging property as a security in accordance with authorizations of the Board of Directors.
10. Investment of available funds of the cooperative in accordance with approved policies.
11. Development and establishment of the organization structure necessary to carry out effectively the overall objectives of the cooperative.
12. Selection, appointment, transfer, promotion and releases of all employed personnel, except that he may request the advice of the Board of Directors regarding the appointment of his immediate staff.
13. Approval of salaries of all employed personnel of the cooperative, except for his own, within the limits of the approved wage and salary plan.

14. Approval of all operating and capital expenditures within approved budgets.
15. Publication of periodicals, financial reports and educational materials to disseminate information concerning the policies, viewpoints and objectives of the cooperative and its services and products.
16. Negotiation of wholesale power contracts.
17. Determination of applicable rates for consumers within established rate structures.
18. Selection of the consulting engineer and management consultant.

Date adopted: 9-23-74

BOARD OPERATING GUIDE #8-2

MANAGER SEARCH AND SELECTION

The Board of Directors recognizes that its decision regarding the selection of a general manager for the cooperative is one of the most important and far-reaching decisions confronting the Board of Directors. Recognizing this, the board shall at all times establish and maintain a procedure to be followed in searching for candidates and for selecting the most qualified person available for the position of general manager when a vacancy in that position occurs.

Date adopted: 9-23-74

BOARD OPERATING GUIDE #8-3

NOMINATION AND ELECTION OF OFFICERS AND REPRESENTATIVES
OF THE BOARD OF DIRECTORS

The Board of Directors recognizes that to be most effective requires the involvement and full participation of all members of the board. To permit the maximum freedom of action in the selection of members of the board to serve as officers or representatives of the Board of Directors, the board shall establish and maintain a procedure for nominating and electing officers of the board and for nominating representatives of the board to serve on the Board of Directors of allied organizations. This procedure will assure compliance with the cooperative's bylaws and provide for the maximum exercise of democratic principles.

Date adopted: 9-23-74

BOARD OPERATING GUIDE #8-4

DIRECTOR'S ATTENDANCE AT MEETINGS

The Cooperative has, as a primary objective, the acceptance of the responsibilities associated with a leadership role in the rural electrification program. The obligations associated with the assumption of this responsibility include direct and active involvement of the members of the Board of Directors in board meetings and in other meetings directly relating to rural electrification and the Cooperative. To encourage maximum attendance and participation by members of the Board of Directors at such meetings, to determine director's fees and to assure fair and equitable reimbursement of directors for the expenses incurred in attendance at such meetings, the Board of Directors hereby adopts the following terms and conditions of attendance and reimbursement.

1. Attendance at meetings

a. Board and Committee Meetings

Members of the Board of Directors shall make every effort to attend all regular and special Board meetings, plus any meetings of committees to which they are appointed.

Notice of board and Committee meetings shall be provided to each director sufficiently in advance of each meeting to permit reasonable advance knowledge of the meeting, and to comply with appropriate bylaw requirements.

b. Meetings requiring a Delegate and Alternate

The Board of Directors may elect delegates and alternates to represent the Cooperative at meetings of organizations and associations of which the Cooperative is a member. It is highly desirable that opportunities to represent the Cooperative as a delegate or an alternate be equitably distributed among all of the directors.

Members of the Board of Directors not elected a delegate or alternate are also encouraged to attend these meetings whenever possible.

Delegates and/or alternates are encouraged to submit a written report of the meetings they attend.

c. Other Meetings

Members of the Board of Directors are encouraged to attend other meetings where, in the opinion of the Board, the Cooperative should be represented.

The Board may designate one director attending such other meetings as the official representative of the Cooperative and, as such, he shall be encouraged to submit a written report of the meeting.

Whenever one or more members of the Board attend meetings which are not anticipated at a prior Board of Director's meeting, they shall report such attendance at the next ensuing meeting of the Board for approval of their attendance at the meeting.

2. Director's Fees and Expenses

a. Director's Fees

(1) Board and Committee Meetings

For attending each regular, special or committee meeting of the Board of Directors, each director shall receive a director's fee of \$50.00 per day, except that the Secretary of the Board of Directors shall receive \$55.00 in director's fees for attendance at each regular and special Board meeting. The President of the Board of Directors is encouraged to make a special trip to the Cooperative's headquarters each month to prepare the proposed agenda with the General Manager. For this trip each month, the President shall receive a director's fee of \$50.00, plus travel expenses as per section 2b(1) of this policy.

(2) Delegates and Alternates

Directors representing the Cooperative as a delegate or an alternate at a meeting, shall receive \$55.00 director's fees for each day of attendance at such meetings, plus an appropriate number of days for travel to and from such meetings.

Other directors attending such meetings shall receive fees on the same basis as a delegate, except the fee shall be \$50.00 per day.

(3) Other Meetings

Directors attending other meetings where director representation is desired shall receive director's fees of \$50.00 per day, however, payment for attending unanticipated meetings shall be made only after specific approval has been given for their attendance.

Attendance at Minutemen meetings, or at such meetings as dinner meetings for legislators or newsmen, etc., are not considered meeting attendance for payment of director's fees but travel expenses as per section 2b(1) will be allowed.

(4) Other Cooperatives

Members of the Board of Directors who are elected to other Cooperative boards of directors, by virtue of their serving on this board, or who serve on the Board or committees of associated organizations, and where director's fees and expenses are not paid, shall be reimbursed as though they were delegates to such meetings. All other travel and expense conditions of this policy shall also apply.

b. Travel Allowances

(1) Board and Committee Meetings

Directors attending regular, special or committee meetings of the Board shall receive a travel allowance of 15¢ per mile for the round trip mileage involved.

(2) Other Meetings

For attendance at other meetings, pooling of transportation is encouraged. If the meeting is within South Dakota, or adjacent states, and a personal car is used, a travel allowance of 15¢ per mile, round trip, will be paid. Travel costs to meetings outside the above defined area shall be reimbursed on the basis of actual costs incurred, not to exceed the cost of round-trip, first-class air fare.

c. Other Expenses

Directors of the Cooperative attending duly authorized meetings shall be reimbursed for any room, board and other reasonable and necessary expenses incurred in connection with their attendance at such meetings. Whenever members of a director's family accompany the director to a meeting, the single room rate for that hotel will be allowed.

d. Audit of Director Fees and Expenses

The General Manager shall cause to be made monthly an audit of all statements of director fees and expenses submitted.

This audit shall consist of a review of the statements for compliance with this policy in terms of:

1. Board authorization for meeting attendance.
2. Proper per diem charges.
3. Expenses consistent with policy provisions.
4. Accurate totals and deductions.
5. An explanation of extraordinary expense.

In the case of apparent inconsistencies with this board operating guide & other specific Board authorizations, the General Manager shall first seek clarification from the individual director involved.

The General Manager shall prepare a written report to the Board Chairman whenever there are any unresolved inconsistencies with the provisions of this policy.

Date adopted: 9-23-74

SIoux VALLEY EMPIRE ELECTRIC ASSOCIATION, INC.
COLMAN, SOUTH DAKOTA

BOARD OPERATING GUIDE #8-5

BOARD AND GENERAL MANAGER RELATIONS

- A. The primary duties, responsibilities and functions of the Board of Directors shall be set forth in Board Operating Guide #8-1.
- B. In addition to the establishment of policies, the board shall be responsible for approval of the overall plans involving major operations, and basic requirements such as financial forecasts, budgets, other resources, facilities, investments and the control reports necessary to measure results. The board may also direct the general manager to conduct necessary replanning to take corrective action to conform to board objectives, policies and plans.
- C. Directors shall act collectively as the Board of Directors under an approved order of business. Each director shall recognize that he has no authority outside of the board meeting, except and unless he is specifically authorized or assigned a project with authority to act or speak for the board.
- D. When an individual board member receives a complaint from the membership or the public, he shall refer the complaint to the general manager and may request a full report to the board of the action taken. The general manager is expected to periodically inform the Board of Directors regarding evidence of members' satisfaction and the type and number of complaints.
- E. The general manager shall be given complete authority for managing the operations of the cooperative in accordance with board objectives and policies. His specific delegations are set forth in the functional statement of the Board of Directors, Board Operating Guide #8-1.
- F. The general manager shall be accountable to the Board of Directors for providing complete reports regarding strategic areas of operations in a manner that will allow full opportunity for the board to measure results of management and operations. The general manager may use, at his discretion, individual members of the general staff to present special reports for him to the Board of Directors.
- G. Employees will be delegated responsibility in accordance with an approved organizational plan and written job descriptions. No employee shall at any time receive, or be required to take instructions from any member of the Board of Directors, nor will an employee contact any director with any grievance or operating problem, it being clearly understood that the board, as the governing body of the organization, establishes and approves the general policies and not operating procedures.
- H. The general manager will be expected to provide leadership in the overall board and management function and to advise and assist the board with regard to viewpoints, objectives, policies and plans.

Date adopted: 9-23-74

BOARD OPERATING GUIDE #8-6ORGANIZATION PLAN

The Board of Directors of the Sioux Valley Electric Association, Inc. has established the following fifteen principles as the Organization Plan of the Cooperative:

1. The organization plan will be developed from the point of view of the activities required to achieve the objectives of the enterprise.
2. The activities will be grouped according to the natural likeness of the activities and according to the usual combinations of abilities and interests characteristic of persons.
3. Persons will be assigned to natural groups according to their abilities and interests.
4. Each person's responsibilities, authorities, and relationships will be (a) fully expressed in written form, (b) clearly understood, and (c) completely accepted not only by the individual himself, but also by all persons affected by that position.
5. Delegation of authority and the freedom to act will be clearly and appropriately defined and be adequate for the responsibilities assigned.
6. As many as possible of the decisions affecting specific operations and requiring approval before action, will be made only one organization step (level) above the person putting the decision into effect.
7. No person will report to more than one superior. (However, an individual may be assigned by his superior to serve or assist another organization unit and receive directions within the assigned sphere of service subject to understandings with the individual's official superior.)
8. The number of persons reporting to a superior will be few enough so that he can give each person adequate attention when he needs it and still leave the superior time for responsibilities other than direction and supervision, such as investigations, planning and doing those things which only the supervisor can do.
9. An attempt will be made to utilize natural groupings of persons based on friendships and like interests, for appropriate special projects.
10. Titles will be appropriate and consistent.
11. The organization plan will be kept flexible and sensitive to changing conditions and growing personnel.

12. Coordination of related organization units will be definitely provided for through both defined organization arrangements and defined policies and procedures. This coordination will be provided as close as possible to the operations affected.
13. The final control of the functions of inspection, quality control and audit of operations will not be subject to the supervisor directly in charge of the operations under review.
14. The organization plan will be clearly and fully described in a written organization manual containing functional and personnel charts for each organization unit, position description, statements of standing committee functions and statements of organization principles such as line and staff relationships.
15. One individual (who may be assisted by an advisory group) will be delegated the responsibility for keeping the organization manual up-to-date; auditing conformity to it; assuring that everyone affected fully understands the organization's plan and that they are trained in how to function effectively according to the plan.

Date adopted: 9-23-74

SIoux VALLEY EMPIRE ELECTRIC ASSOCIATION, INC.
COLMAN, SOUTH DAKOTA

BOARD OPERATING GUIDE #8-7

EMPLOYEE WAGES AND BENEFITS ADMINISTRATION

Actions of the Board of Directors relative to the establishment and maintenance of wage and salary plans and other employee benefit programs shall be guided by and evaluated for consistency with the following objectives:

- A. To establish wages, salaries and other employee benefit programs that will attract and retain qualified personnel and stimulate their superior performance, growth and development.
- B. To provide each person with a feeling that his or her salary compares fairly with what is paid for other positions having similar duties, difficulties and responsibilities both within the cooperative and with outside companies in the area.
- C. To assure both management and employees that performance will be appraised systematically, fairly and in the same manner; and that each employee will be provided with the advice, counsel, aid and training necessary to assist them, when necessary, to meet established standards of performance, demonstrate potentialities and abilities in the present position, and/or encourage them to equip themselves for more rewarding positions of greater responsibility.
- D. To enable management to provide these things on a fair, systematic and controlled, or predetermined, basis to avoid unnecessary salary expense and to permit the Board of Directors and management to more accurately determine budget requirements and long-range plans.

There shall be established and maintained appropriate board and management procedures for the establishment and maintenance of wage and employee benefit plans consistent with the above objectives.

Date adopted: 9-23-74

SIoux VALLEY EMPIRE ELECTRIC ASSOCIATION, INC.
COLMAN, SOUTH DAKOTA

BOARD OPERATING GUIDE #8-8

LINE AND STAFF RELATIONSHIPS

To assure the most effective management of the cooperative and to provide the opportunity for the maximum contribution of each executive and supervisor requires the delegation of the maximum possible authority to line executives and the availability of competent staff services. The responsibilities of line and staff executives shall be consistent with the following:

LINE EXECUTIVES

Line executives shall be responsible for securing end results in conformity with established objectives and policies; and they shall also be responsible for utilizing appropriate staff counsel and the services of staff personnel.

Line executives shall be expected to utilize staff services and to accord staff personnel full opportunity to make observations and to conduct appropriate studies and audits and to make recommendations in their respective specialized areas, as long as there is no interference with line operations by staff personnel in the conduct of their line responsibilities.

STAFF EXECUTIVES

Staff executives, within their designated administrative areas, shall be responsible for providing adequate and appropriate advice, technical assistance and services to line executives or departments, as required or requested, and for coordinating or certifying adherence to established laws, regulations, objectives, policies and practice; they shall also be responsible for reporting through appropriate channels.

Staff executives will be expected to provide the creative drive, develop the viewpoints and attitudes and to provide the methods and techniques through which line personnel can develop the knowledge and skills to both keep up-to-date with, and to effectively apply, the principles and practice of their specialized areas.

In conformity with the above criteria, line executives shall be required to accept and utilize appropriate staff advice and assistance unless, (1) approval is received from a higher line office through appropriate channels, or (2) unless the circumstances do not permit, in which event the line executive accepts full responsibility for the end results of their action.

The acceptance and utilization of staff advice and counsel affecting the line operation is also a responsibility assumed finally by the line executive affected in each instance.

BOG#8-8

Line executives should recognize that it is appropriate for supervisors to appraise their performance partly from the point of view of their receptivity to qualified staff services and their effectiveness in utilizing such services.

Staff executives should recognize that it is appropriate for their supervisors to appraise their performance partly in terms of their abilities to sell ideas and to develop persons to use them for both creating and activating ideas.

Date adopted: 9-23-74

BOG#8-8

Line executives should recognize that it is appropriate for supervisors to appraise their performance partly from the point of view of their receptivity to qualified staff services and their effectiveness in utilizing such services.

Staff executives should recognize that it is appropriate for their supervisors to appraise their performance partly in terms of their abilities to sell ideas and to develop persons to use them for both creating and activating ideas.

Date adopted: 9-23-74

SIoux VALLEY EMPIRE ELECTRIC ASSOCIATION, INC.
COLMAN, SOUTH DAKOTA

BOARD PROCEDURE

WAGE AND SALARY ADMINISTRATION

Effective 9-23-74

In accordance with the objectives as stated in the board operating guide 8-7, Wage and Salary Administration, the following wage and salary plan is established:

The positions of the cooperative will be divided into two wage and salary groups:

Integrated Pay Plan - consisting of all nonunion employees.

Union Bargaining Unit consisting of those employees represented by the Certified Bargaining Unit.

A. Integrated Pay Plan

1. The Integrated Pay Plan shall consist of a series of pay grades and rate ranges with the number of pay grades and the dollar value of each pay grade to be approved by the Board of Directors.
2. Market rates of pay in this plan shall be determined by the Board of Directors based upon an analysis of labor market and other appropriate data having direct influence on the market rates of pay for the pay grades in the plan.
3. The general manager shall submit annually the results of such labor market surveys, plus recommendations relative to the market level of wages and salaries for the Integrated Pay Plan.
4. The placement of positions in approved pay grades shall be as a result of position evaluation subject to the approval of the general manager.
5. Wage increases for employees within a particular pay grade shall be based on the specified time in the pay grade, plus meeting established standards of performance for the position.
6. The wage and salary plan shall be administered in a manner that each employee recognizes that his or her position has been evaluated objectively and his or her performance is being appraised fairly.
7. Standards of performance shall be set and a plan of "performance appraisal" provided with appropriate coaching and counseling by immediate supervisors to recognize individual accomplishment, to provide the opportunity for growth and development and to determine individual training needs.

Responsibility

The general manager shall be responsible for the administration and updating of the various wage and salary plans, and he shall adopt such administrative policies as are necessary to assure that this board procedure is being complied with.

SIoux VALLEY EMPIRE ELECTRIC ASSOCIATION, INC.
COLMAN, SOUTH DAKOTA

BOARD PROCEDURE

NOMINATION AND ELECTION OF OFFICERS AND REPRESENTATIVES
OF THE BOARD OF DIRECTORS

Effective 9-23-74

A. Nomination and Election of Officers of the Board

1. At the reorganization meeting of the Board of Directors held immediately following the annual meeting, each member of the Board of Directors will be given the opportunity to nominate in writing one member of the Board of Directors for the office of President. If a director is nominated for the office of President by a majority of the members of the Board of Directors, he shall be declared elected as President. If no one director is nominated by a majority of the members of the Board of Directors, a runoff election shall be held between the two directors receiving the highest number of nominations. The director receiving the highest number of votes in the runoff election will be declared elected.
2. This same procedure will be followed for nominating and electing directors to the offices of Vice President, Secretary and Treasurer in that order.

B. Selection of Nominees for the East River and SDREA Board of Directors

1. Any member of the Board of Directors is eligible to be selected as the official nominee of this Board of Directors to serve on the Board of Directors of either East River or SDREA.
2. Nominations will be made in writing and, if a director is nominated by a majority of the members of the Board of Directors, he shall be declared the official nominee of this Board of Directors. If no one director is nominated by a majority of the members of the Board of Directors, a runoff election shall be held between the two directors receiving the highest number of nominations. The director receiving the highest number of votes in the runoff election will be declared the official nominee of this Board of Directors.

SIoux VALLEY EMPIRE ELECTRIC ASSOCIATION, INC.
COLMAN, SOUTH DAKOTA

BOARD PROCEDURE

NOMINATION AND ELECTION OF OFFICERS AND REPRESENTATIVES
OF THE BOARD OF DIRECTORS

Effective 9-23-74

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2. This same procedure will be followed for nominating and electing directors to the offices of Vice President, Secretary and Treasurer in that order.

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1. Any member of the Board of Directors is eligible to be selected as the official nominee of this Board of Directors to serve on the Board of Directors of either East River or SDREA.
2. Nominations will be made in writing and, if a director is nominated by a majority of the members of the Board of Directors, he shall be declared the official nominee of this Board of Directors. If no one director is nominated by a majority of the members of the Board of Directors, a runoff election shall be held between the two directors receiving the highest number of nominations. The director receiving the highest number of votes in the runoff election will be declared the official nominee of this Board of Directors.

SIoux VALLEY EMPIRE ELECTRIC ASSOCIATION, INC.
COLMAN, SOUTH DAKOTA

BOARD PROCEDURE

MANAGER SEARCH AND SELECTION

Effective 9-23-74

1. In order to ensure that the best possible advice and assistance is made available to the Board, they will engage a professional consultant to advise and assist the Board in developing a detailed plan of action for manager search and selection, to receive and screen all applications and to provide assistance to the Board in their evaluation of applications and interview of applicants.
2. All applications will be reviewed against a Board approved Statement of Qualifications and Position Description. The Statement of Qualifications is attached and made part of this procedure.
3. Candidates will be considered both from within the Cooperative and from within and outside the program provided they meet the Board approved Statement of Qualifications, and it is judged they can perform the responsibilities and authorities described in the Position Description.
4. Applicants may be obtained through advertising and/or by the consultant seeking out qualified individuals depending on the circumstances and the detailed plan of action for manager search and selection agreed to by the Board at that time.
5. After the consultant screens the applications against the Board approved Statement of Qualifications and Position Description and thoroughly checks references, work experiences, academic record, etc., the most qualified applicants will be referred to a Screening Committee to be appointed by the Board.
6. The Screening Committee meeting with the consultant shall review the applicants referred to them and after systematically evaluating them, determine those to be invited to appear before the whole Board for the final interviews.
7. The Board, with the advice and assistance of the consultant, will interview the candidates following the plan of action developed in advance and, based on these interviews and their analysis of the results, determine the individual to whom the position will be offered.
8. Once on the job, the new General Manager will participate in a planned orientation program to be spelled out in the Board's detailed plan of action on manager search and selection.

SIoux VALLEY EMPIRE ELECTRIC ASSOCIATION
COLMAN, SOUTH DAKOTA

STATEMENT OF QUALIFICATIONS

POSITION OF MANAGER

Education

College degree in a field such as business administration, public administration, management or a technical area such as economics, engineering, etc. strongly preferred. College courses in areas such as personnel, budgeting, statistics, public speaking, journalism, accounting, economics and sociology desirable. Extensive training on the adult level in management desirable. Exceptionally favorable experience may be considered in lieu of or equivalent to a portion of the educational requirements, but must be in addition to the experience required below if used to meet educational requirements.

Experience

At least ten years of increasingly responsible administrative, management, or supervisory experience is required, including demonstrated leadership with public, consumer & community groups. At least half of these years should have been in the electric utility field, preferably rural electrification. Prior experience may have been in positions such as manager, assistant manager, staff assistant, or department head, preferably in a rural electric system. Experience in supervising and developing people, planning and developing work programs and budgets, developing and presenting reports and organizing and coordinating operations and measuring the end results of such operations is required. Experience in personally working with boards and member groups is highly desirable. Varied experience in responsible positions in the rural electrification program preferred.

Attitude

Must believe in and be dedicated to the rural electrification and Federal power programs and to basic cooperative philosophy and willing to become a proponent of these programs. Must have a strong interest in growing and developing in a program which will offer continual challenges. Must also have a strong interest in spending time on self-development. Must be willing to seek the counsel of the Board on areas where further development is needed. Must be willing to develop a team devoted to providing the best possible service to the members and to develop strong member and public support for the objectives, policies and plans of the cooperative. Must be willing to devote the time required for a position requiring active participation and leadership at state, regional and national meetings and affairs and with member and community groups at varying times. Must be interested in working with and helping rural people. Must be able to provide leadership to the board while realizing he works under the policy direction of the board of directors.

Knowledge

Should possess working knowledge of the various management areas such as board-manager relations, supervision, budgeting, personnel administration, planning and controls, etc., and be able to translate this knowledge into effective work programs. Should be familiar with basic accounting principles, financial management techniques and construction, operations and maintenance procedures and requirements in the electric utility industry. Knowledge of community, industrial and recreational development desirable. Knowledge of labor relations desirable.

Abilities and Skills

Should be able to speak effectively to varying groups and obtain their understanding and support. Should be able to effectively communicate material of a technical nature orally and in writing. Should be able to develop effective team work by the cooperative's employees and to counsel with them to encourage their growth and development. Should be skilled in planning and establishing effective controls to determine if plans are being carried out. Should be able to delegate effectively. Must be skilled as a leader and teacher of others. Should be skilled in the art of negotiation.

Personal Characteristics

Must be of the highest integrity, in good health and with personal habits above reproach. Must be a mature person with sound judgement. Must be able to meet people easily and able to work with people of varying backgrounds and command their respect. Must be interested in living in rural America.

Salary Range

The starting salary for this position ranges from \$ _____ to \$ _____ per year, depending on experience, training and other qualifications. The cooperative has comprehensive fringe benefits and makes available the following NRECA fringes: Super Medical, Savings Plan, Long-term Disability, Retirement and Security Plan and Deferred Compensation Plan. 12 days of sick leave per year may be accumulated with no limitation on accumulation, plus a vacation plan providing 10 days vacation and after five years of employment, an additional day for each additional year of employment.

Other Considerations

Colman is located in the Southeastern corner of South Dakota about 30 miles from Sioux Falls. With excellent highways and air travel available, travel to nearby recreational and urban areas is easily accomplished. There is excellent hunting and fishing. Dakota State College at Madison and South Dakota State University at Brookings, both of which are located in the co-op's service area, and the University of South Dakota at Vermillion, Augustana College and Sioux Falls College at Sioux Falls are five of the educational facilities which are near Colman. Also, several junior and technical colleges are located nearby. Excellent public and

parochial schools are available. The cooperative is active in state and national rural electric organizations.

The cooperative has an investment of over \$13 million and serves over 9,000 consumers on 3,600 miles of line, with annual gross revenue of almost \$3 million. This cooperative expects continued growth in the next ten years. The cooperative is a member of the East River Electric Power Cooperative from which it receives all its power requirements.

STIOUX VALLEY EMPIRE ELECTRIC ASSOCIATION, INC.
COLMAN, SOUTH DAKOTA

BOARD POLICY #9

MEMBER RELATIONS

I. OBJECTIVE

To achieve widespread understanding, participation and involvement of the member-owners of the Cooperative in activities, programs and experiences which provide them a real sense of ownership through a true demonstration of the application of the Cooperative principles and the democratic process.

II. POLICY

1. Membership in the Cooperative - It is expected that all applicants for electric service will become members of the Cooperative according to the provisions of Section 1 of Article I of the Cooperative's bylaws, except for applicants who request electric service of a temporary nature. Applicants for electric service who are already members of the Cooperative shall purchase a service deposit for each additional service location.
2. Member Participation and Support - There shall be in effect planned membership programs, activities and services designed to achieve maximum participation and support of the members in the Cooperative. Provisions shall be made to evaluate periodically the appropriateness and effectiveness of all such programs, activities and services.
3. Member Information - The Cooperative shall utilize its own publication and other publications to most effectively communicate with the membership and to inform them of new programs and developments. These publications and other communication media shall be utilized in a manner that will provide the most information and the maximum understanding by the members of the Cooperative.
4. Democratic Control - The Cooperative's bylaws and all board and operational policies shall be evaluated to assure that there exists among the members the maximum opportunity for the exercise of the democratic process. This concept shall apply equally to the Board's conduct of its own operations.
5. Member Attitudes and Needs - There shall be established a process for surveying and analyzing the attitudes, reactions and desires of the members in terms of existing programs, activities and services. The results of such surveys shall be interpreted in terms of necessary, new or revised programs, activities and services.

III. RESPONSIBILITY

The General Manager shall be accountable for the interpretation and implementation of this policy consistent with approved Work Plans and Budgets, Board Operating Guides, and other legal and contractual limitations.

Attest: Charles N. Larson Date: 6-17-74
Secretary

SIoux VALLEY EMPIRE ELECTRIC ASSOCIATION, INC.
COLMAN, SOUTH DAKOTA

BOARD OPERATING GUIDE #9-1

MEMBERSHIP IN THE COOPERATIVE

Upon receipt of a signed Application for Membership in the Cooperative, there shall be issued a certified membership certificate. Members who no longer comply with the provisions of Section 1 of Article I of the bylaws for continuing membership shall have their membership terminated upon the presentation of the membership certificate, or an approved instrument in lieu of the membership certificate. If a member fails, or refuses, to surrender the membership certificate, or execute an approved instrument in lieu thereof, the Cooperative may cancel such membership and notify the member by mailing a notice of termination of membership to the member's last known address. The membership fee, less any amounts due the Cooperative from the member, shall be refunded promptly upon compliance with the process outlined above.

The General Manager shall present periodically to the Board of Directors a report of the number of new memberships issued and number of memberships terminated during the preceding period.

Date adopted: 6-17-74

BOARD OPERATING GUIDE #9-2

MINUTEMAN PROGRAM

The Board of Directors shall establish and maintain an active Minuteman Program designed to involve an interested and informed group of selected members who will work actively to promote and support the Rural Electrification Program and the viewpoint and objectives of the Cooperative. The Minuteman Program shall be structured as follows:

1. Organization - The official Minuteman group shall be constituted as follows:
 - a. Regular Minutemen - The regular Minutemen group shall be comprised of 48 members, or wives of members, of the Cooperative. This group shall consist of four Minutemen from each director's district, at least one of whom shall be a woman, plus four Minutemen to be selected from the seasonal residential members of the Cooperative.
 - b. Permanent Minuteman Group - All former directors of the Cooperative living within the general area serviced by the Cooperative shall be appointed by the Board of Directors to serve as permanent Minutemen.
 - c. Ex Officio Minuteman Group - A representative from the governing body of each incorporated town served by the Cooperative shall be appointed to serve as an ex officio Minuteman.
2. Method and Term of Appointment - All regular Minutemen from each director district shall be nominated by the director from that district and approved by the Board of Directors. Nomination & appointment of seasonal members as Minutemen shall be the responsibility of the full board.

All regular Minutemen shall be appointed for a 4-year term and shall not be eligible for consecutive reappointment. The term of one regular Minuteman in each director district shall expire each year.

The ex officio Minutemen shall be appointed by the governing bodies of the respective towns.

3. Minuteman Meetings

The Minutemen shall meet periodically at the call of the Board of Directors to receive information and to discuss current problems and developments affecting rural electrification and the Cooperative. The Cooperative will provide each Minuteman with sufficient informational material to permit them to be adequately informed.

A schedule shall be prepared annually which provides the opportunity for all Minutemen to attend a regular meeting of the Board of Directors.

The Chairman of the Board of Directors may also designate Minutemen to serve on special committees to develop recommendations in appropriate areas to the Board of Directors.

4. Compensation - Minutemen shall be paid mileage for miles traveled to and from meetings approved by the Board of Directors at the currently approved mileage rate for directors of the Cooperative.

Date Revised: 1-27-75

SIoux VALLEY EMPIRE ELECTRIC ASSOCIATION, INC.
COLMAN, SOUTH DAKOTA

BOARD POLICY #10

CORPORATE CITIZENSHIP

I. OBJECTIVE

To assume a leadership position through recognizable efforts and actions designed to enhance the social, cultural and economic status of those living in the rural community, to secure favorable public opinion and understanding of the activities and programs carried on by the Cooperative and to develop the legislative support needed to permit the continued pursuit of our objectives.

II. POLICY

A. Governmental Relationships

1. State and Local - There shall be specific programs developed and carried out which are designed to communicate the needs and interests of the Cooperative to state and local elected representatives and governmental officials. Our communications with them shall be of such a nature that will permit the determination of their reaction to, and support of, the needs and interests of the Cooperative.
2. National - Effort shall be made to establish and maintain effective relationships with elected representatives to the national Congress. Other officials in government departments, or in the executive branch, shall be made aware of the needs of the Cooperative and this area for services available through their national offices. The General Manager shall be expected to report periodically to the Board and to enlist the Board's assistance and involvement in the establishment and maintenance of these important relationships.

B. Public Relationships

The Cooperative recognizes the importance of a favorable public image and the conduct of its operations may be influenced in an attempt to establish and maintain this favorable image. Most important in this process is the periodic determination of the Cooperative's image with the public. In addition, recognition will be given to the need for directors, the management and employees of the Cooperative to participate in worthwhile community endeavors and to provide leadership to these endeavors whenever possible.

III. RESPONSIBILITY

The General Manager shall be accountable for the interpretation and implementation of this policy consistent with approved Work Plans and Budgets, Board Operating Guides, and other legal and contractual limitations.

ATTEST: Charles N. Larson
Secretary

Date: 2-25-74

STIOUX VALLEY EMPIRE ELECTRIC ASSOCIATION, INC.
COLMAN, SOUTH DAKOTA

BOARD OPERATING GUIDE #10-1

MEMBERSHIP IN CIVIC AND COMMERCIAL ORGANIZATIONS

A. DIRECTORS

The Cooperative will pay the annual dues required for its directors to join civic and community clubs, except that each director shall make known his desire to join civic and commercial clubs, and shall obtain the approval of the Board of Directors before dues will be paid. The Cooperative shall continue to pay the director's dues in such organizations as long as the director actively participates in the affairs of the organization.

B. EMPLOYEES

The Cooperative will pay the annual dues required for employees to join civic and community clubs, except that each employee shall obtain the approval of the General Manager before the dues will be paid. The Cooperative shall continue to pay the employee's dues in such organization as long as the employee actively participates in the affairs of the organization.

BOARD OPERATING GUIDE #10-2

Date adopted: 3-18-74

STATEMENTS AND NEWS RELEASES ON BEHALF OF THE COOPERATIVE

A. PUBLIC STATEMENTS AND NEWS RELEASES

1. The Chairman of the Board of Directors, in cooperation with the General Manager, shall be considered the official spokesman of the Cooperative on statements and news releases regarding all matters relating to board policy and specific board actions. The Chairman may, at his discretion, direct the General Manager to speak, or issue statements, or interpretations, on his behalf.
2. The General Manager shall be designated the official spokesman of the Cooperative on all other matters pertaining to, and affecting, those areas of responsibility that have been delegated to him. The General Manager may, at his discretion, utilize the advice and counsel of the Board Chairman in his statements and news releases.

B. COMMUNICATIONS WITH ALLIED ORGANIZATIONS

1. The official representative of the Cooperative to an allied organization shall be expected to present the point of view and position of the Cooperative at board and committee meetings of the allied organization. The official representative is encouraged to utilize the assistance of the General Manager in such presentations and interpretations.
2. When specifically assigned by the Board of Directors, the General Manager will interpret the position of the Cooperative to allied organizations, or to other cooperatives who may be members of these allied organizations.

C. OTHER COMMUNICATIONS

Any situations which arise which do not clearly fall into one of the above outlined categories shall be referred to the Board of Directors for review and the determination of an official statement, or position, and a designated spokesman. Each such instance shall receive specific action and authorization from the Board of Directors.

D. REPORTS

In all such instances where official statements are made on behalf of the Cooperative, the person presenting such statements shall submit a report regarding the statement and his interpretations of the reaction to the statement to the Board of Directors at their first regular meeting following the presentation of such statement.

BOARD OPERATING GUIDE #10-3

Date adopted: 3-18-74

PUBLIC USE OF THE COOPERATIVE'S COMMUNITY ROOM

The Cooperative's community room facilities shall be made available to members and the public on a fair, consistent and controlled basis that results in maximum utilization of the community room and associated facilities. No specific group, either political, religious, civic, or other, shall be considered as excluded from the use of the community room, provided that they comply with the established "Rules and Regulations" governing its use.

Date adopted: 3-18-74

BOARD OPERATING GUIDE #10-4

POLITICAL ACTIVITY OF DIRECTORS AND EMPLOYEES OF THE COOPERATIVE

The Sioux Valley Empire Electric Association recognizes that the exercise of basic political rights is necessary to foster and maintain our democratic form of government. It also recognizes the rights and privileges of its directors and employees, as individual citizens, to express themselves on, and to participate in, political activities.

Representatives of both political parties have given strong support to the Cooperative, and we recognize that the Cooperative's future existence is dependent upon continued bi-partisan political support, however, the Cooperative will not endorse any political candidate or party, either by statement of endorsement, or by contribution of money or services.

Directors and employees of the Cooperative are encouraged to be active in the political party of their choice, but they shall not use their position with the Cooperative to endorse either political candidates or parties.

Members of the Board of Directors assume certain obligations to the Cooperative by virtue of their election or appointment to the Board. No person should consent to become, or remain, a director who can not properly fulfill his or her responsibilities to the Cooperative as a director, including being able to give the time necessary to discharge these responsibilities.

An employee also has obligations to the Cooperative, most of which are determined by the duties of the position. The Cooperative expects that its employees will not assume any other responsibilities which will prevent them from fulfilling the necessary requirements of their position.

A. DIRECTORS - POLITICAL ACTIVITY

1. Directors who choose to become candidates for political or appointive government offices will be expected to resign from their position with the Cooperative, if the duties of their elected or appointed office interfere with the normal execution of their duties as a director.

B. EMPLOYEES - POLITICAL ACTIVITY

1. The General Manager shall not be a candidate for, or accept appointment to, any governmental or political office without, either resigning his position, or receiving the express consent and approval of the Board of Directors.
2. When employees of the Cooperative choose to become a candidate for governmental office, or when they are elected or appointed to a governmental position or office, they shall be expected to review such candidacy or appointment with the General Manager. The General Manager shall decide whether or not such candidacy or service would prohibit the employee from properly fulfilling his obligations to the Cooperative as an employee. If the General Manager decides such candidacy or service does prohibit the employee from properly fulfilling his obligation, he shall require that the employee resign from his position, or take a leave of absence without pay.

Date adopted: 5-16-74

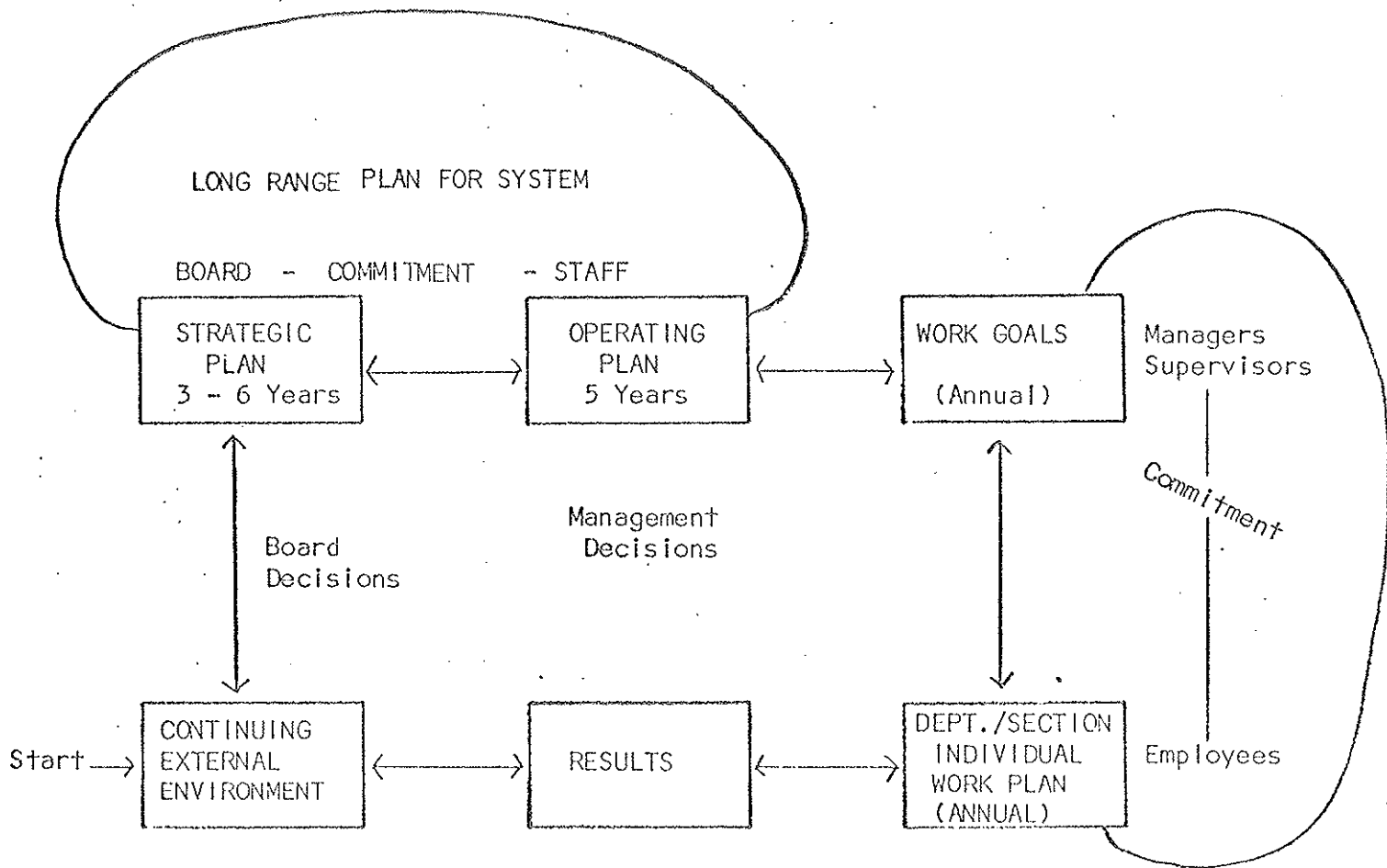
SYSTEM PLANNING

C. E. Viverette, Executive Vice President
Blue Ridge Electric Membership Corporation
Lenoir, North Carolina

Strategic planning is done by the Board of Directors. The Board develops overall goal statements to move system toward achieving system objectives. Management staff develops the operating plan which sets specific goals for three to five years and gives basic direction to operating personnel. Annual work plans, including work goals, are developed by department managers and supervisors in consultation with their personnel. These annual work plans are priced; this becomes the annual system budget.

Control includes a continuing review of the results being achieved against goals set and an evaluation of the external forces affecting system operations. This information is used for re-planning at all levels.

BLUE RIDGE ELECTRIC MEMBERSHIP CORPORATION



FLOW CHART OF SYSTEM PLANNING AND IMPLEMENTATION PROCESS

August 1974

MEMBERS	BOARD	EX. V. P.	MGT. STAFF	STAFF MGRS.	DIST. MGRS.	DEPT/DIST.	SECTION	CREW PERSON
Direct	Input	Input	Assist in development	Input	Input Re: Member needs & ideas	Input	No	No
Approve through Board	Approve	Conceptual thinking	Strategic Planning	Conceptual thinking				
Input (Identifying needs)	OK	Concepts Guidance Leadership	Develop Refine Decide Change	Long Range Planning 3-6 Years	Input Apply strategic planning into long range plan. Make definitive plan.	Input Specific infor. Makes studies	No	No
Input		Final review and approve	Coordinate OK's	Intermediate Planning	Direct	Detail	Input	
Feedback Re: Progress, Service, etc.	OK	Evaluate (Progress)	Initiate Replan	1 - 3 Years	Review Evaluate to staff mgrs.	Makes studies Sets goals	& Goals	Input
Input	Review control information	Receive Review Evaluate reports Feedback to Board	Review control information	Short Range day-to-day planning 1 Year	Review Control Initiate Replan	Audit & control Initiate Replan	Replan Work Improve ment	Work Improve ment

REORGANIZATION TO MEET MEMBER NEEDS

Barbara Deverick, Manager
Organizational Planning
Blue Ridge Electric Membership Corporation
Lenoir, North Carolina

Because of the rapidly changing environment in which the cooperative operates, including a continuing escalation in fuel charges directly affecting the monthly member billing, it was necessary to make more personnel available to discuss member needs and problems on a one-to-one basis with the members.

Our cooperative met this challenge by reorganizing our district offices to make directly available three people to discuss member problems with the member who visits the office and several operating people available to assist the member relations personnel in handling problems in the field. In the office, the District Manager, the Director of Member Relations and the Member Representative are all available to talk with the member. The Director of Member Relations, working with the Operating Superintendent and Coordinator, has available the number of operating personnel he needs to make field investigations. While the operating personnel are making these investigations and meeting the member needs for information or assistance, they are under the direction of the Member Relations Director. This system is working well and the number of member complaints and questions have dropped dramatically.

The reorganization helped to bring about these results as did our total member communications program.

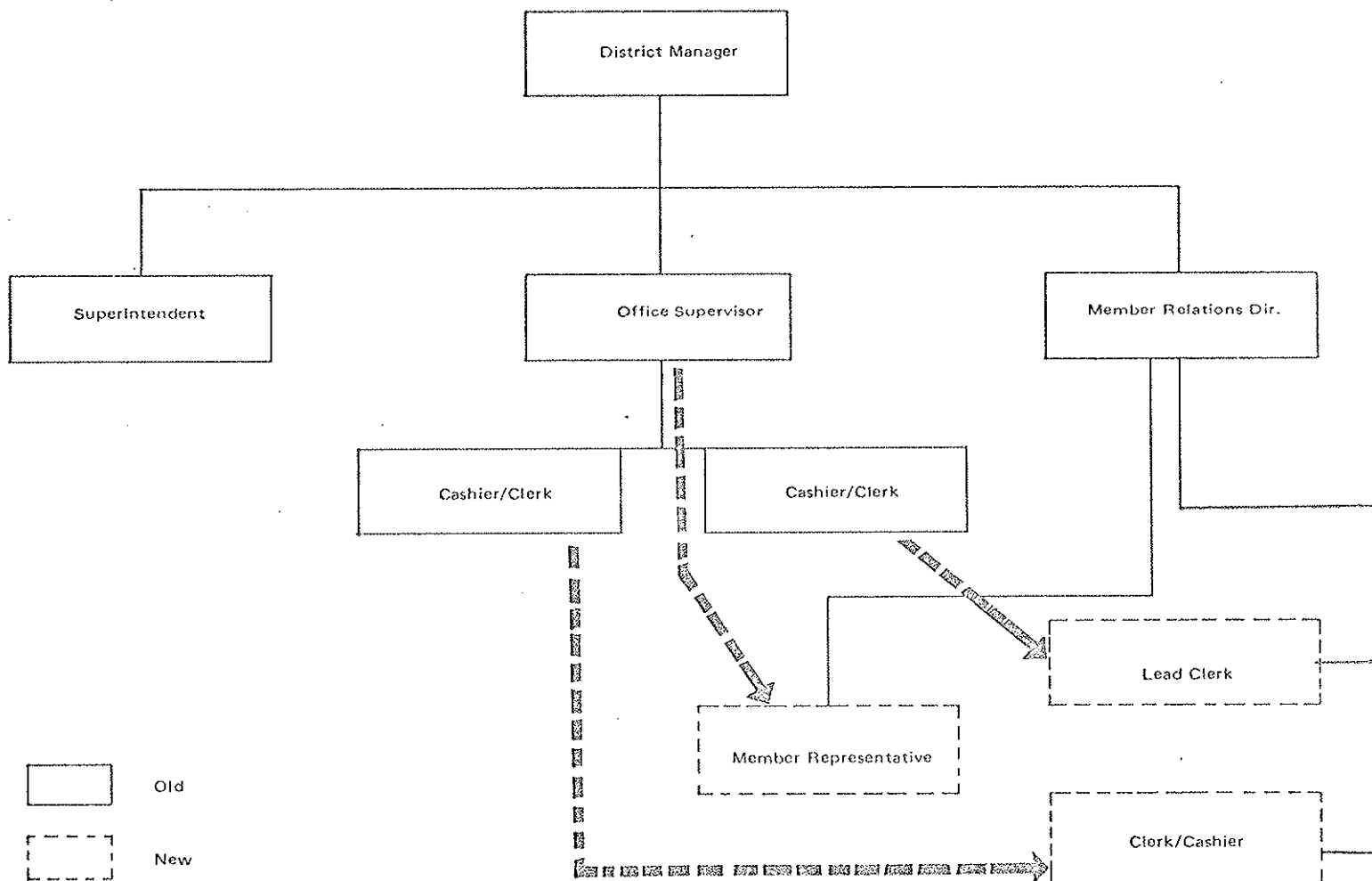
THERE'LL BE SOME CHANGES MADE . . .

. . . And there have been. For the last two months, Blue Ridge Electric has been involved in some of the most extensive changes in our history. The changes were made to work more efficiently and to better meet the changing job requirements.

The need for these changes has been primarily two-fold. One, the general economic conditions resulting in the slowdown in construction demands placed on Blue Ridge Electric; and two,

the increased needs of our members during times of high electric bills and uncertainty about the economic future of our area. In order to meet our members' needs in this period, we needed to make certain we had adequate numbers of well-trained people available to talk with the members, at the members' convenience, to help them understand the many confusing events taking place, such as fuel cost, rulings by the State Utilities Commission, what their cooperative is doing to combat high costs, etc.

District Member Relations



In each district the Member Services Representative became Member Relations Director, and the Office Supervisor became the Member Representative. The Member Representative is freed from an active regular job in the office and is able to devote all her time to dealing directly with the members, including orientation, taking memberships, handling member complaints and inquiries by telephone, mail and personal

contacts.

These changes were made so the districts could better respond to the needs of the membership. We are now organized to have someone available whose job it is to sit down and solve a problem presented by a member.

BLUE RIDGE ELECTRIC MEMBERSHIP CORPORATION

STATEMENT OF DISTRICT MANAGER ON RESULTS OF ORGANIZATIONAL CHANGES:

The district is a more efficient and effective department as a result of the organizational changes which were made the first of the year.

The members are getting the kind of service they deserve. If they are paying a bill they are waited on promptly and courteously in an atmosphere which says "You are a member and it is a pleasure for us to serve you." If they want something other than to pay a bill they are promptly referred to someone else who takes care of their needs in a professional manner. It may mean that before a person leaves the office he will have talked with two, three, or even four people but instead of feeling that he is getting the run around he leaves feeling that he has been dealing with people who know what they are talking about and that he has been given the information he needs first hand.

The changes have also strengthened our working relationships between the Operating Section and the Office Section. Example: Lead Clerk screens all calls between eight and nine o'clock in the morning for the Coordinator.

Why has it worked? The reason I think it has been a good change is because I could see a real need for it and I had some input in the planning.

When the plan for the changes was adopted by the Executive Vice President this District, and I am sure all districts and departments, were dedicated to making it work.

As soon as I had communicated the changes to the people who would be affected, I talked with my two Supervisors and asked them to look at any other areas in their Sections where things were not working, or where employees were not performing up to standard. We agreed that this would be a good time to make any changes that we knew should be made. We also agreed that we would allow a reasonable amount of time to implement these changes but we also felt that we needed to give quite a bit of urgency to the plan in order for our people to feel that it was important.

We are sure some of these changes cost us points on our opinion survey but we are also sure that we have a much stronger department as a result of the changes. To me this is the important thing. After all we are not running a popularity contest.

I also know that it is absolutely imperative that the Operating Superintendent and the Member Relations Director level with me at all times. If I can't depend on them to tell me how it really is, then I can't do anything but fail.

COMMUNICATE WE MUST

Robert I. Kabat, Director
Management Services
NRECA

Management Development Council
Ramada Inn
Sioux Falls, South Dakota
May 20, 1975

Introduction

No one can doubt for a moment that we're in a real crisis. And a crisis that could erupt dangerously because of the potential but long dormant power of our member-consumers. True, we're part of the electric utility industry and we share in its energy financing, cost control and technology problems. We're also identified with the cooperative movement and must share in its concerns too, with its ever living though sometimes dormant search for freedom from monopolies, cartels and domination by absentee owners whether it is in production or in consumption activities.

Surely, we are also involved, perhaps in a hydra-headed split personality way in consumerism and its cousin, environmentalism, and in the search for "the good life."

Of course we understand "the good life" relies heavily on affluence for all through continually improving technology and productivity.

We're involved in one of our personalities as a utility, as a victim of consumerism, environmentalism trying to improve technology and combat rising costs to supply more energy for the good life for all.

We're involved in the other personality as consumer-owned organizations committed to democracy, social experimentation, openness of society.

Truly, we're in a dilemma. We're likely to show schizophrenic symptoms as a program before long. Some have, in fact, appeared.

Before we trace our way into this crisis and hopefully to a solution, perhaps it would be wise to realize that there is no perfect solution with the multiplicity of interests we have.

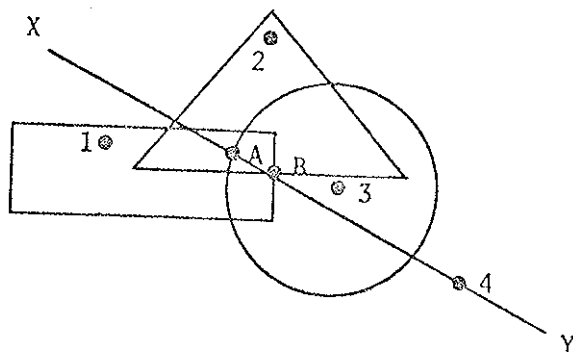
The Reconciliation of Interests Dilemma

If you will digress with me for a moment and look at a diagram expressing the concept it will help, I believe, to improve the reality of our ultimate actions in the crisis. Daniel Gray of the distinguished consulting firm of Arthur D. Little of Cambridge, Massachusetts has an interesting concept and diagram in his monograph on productivity.(1) At the risk of your momentary confusion, I'll repeat his words as he applied them to "improving productivity." I think they could be applied as well to our situation, the situation expressed in the title of my remarks. He says:

"Guidelines for a New Approach

The Nature of the Design Problem: You Have to Compromise

There is a particular type of reconciliation problem that arises whenever a system must satisfy a set of criteria based on a number of partially contradictory principles. For example, if a system for the enhancement of productivity must satisfy the criteria of individuality and flexibility as well as those of interdependence and stability, it must violate each in order to serve all. The following schematic diagram illustrates the problem.



The rectangle, the triangle, the circle and the line each symbolize a criterion. In each one is a dot (1, 2, 3, 4) representing the ideal location from the point of view of that criterion alone. None of these ideal points is possible however, if all of the criteria are to be met at least to some extent. Thus the solution can only be some point on the line X-Y between A and B (the 'zone of compatibility'), since only there are all the criteria met. Any perfectionist of the circular, linear, triangular or rectilinear persuasion will not like the reconciliation formula." (2)

Let us say that line X-Y represents the continuum along which we must determinate action to meet our crisis. The rectangle represents the technological - financial cost parameters we must meet in the electric industry. The triangle is the multifacet consumer-environmentalist parameters including EPA, Ralph Nader and his followers. The circle represents our past complacency in member relations solidified in present management and board attitudes. Well, you can see we'll be very lucky to get an "A through B" solution to satisfy everyone a little. The whole darn thing might blow up. But that is what we're going to have to realize now, there will be no perfect solution. We're going to have to determine the long term importance to our survival of the forces involved in our response to the crisis in member relations and then live with the result. It will be unsatisfactory to many, but believe me, the rural electricians have come into that era where decisions in a framework of uncertainty are the name of the game. But let's look at how we got where we are.

The Early Beginnings - Why Consumer Co-ops in Rural Electrification

Nothing will be gained by basing our actions on anything but facts. We cannot delude ourselves that the creation by TVA of co-operative distributors and the Indiana and Ohio farm organizations' development of cooperative electric associations was anything more than a desire to promote rural electrification using the terms of the Executive Order and later the Rural Electrification Act.

The consumer cooperative ideas of the Rochdale Pioneers were not a consideration. The farm organizations were marketing and supply cooperative organizations. How could they have anticipated the problems of a rural electric consumer cooperative, forty years later, with 50,000 "compulsory" member-consumers who have slips of paper which say they have a Capital Credit on the books of a rural electric system.

Cooperative associations had existed and supplied electricity on a limited scale to small groups in Iowa in the 1920's. Some cooperative electric associations had existed in the Scandinavian Countries. There really was no significant history of how the cooperative organization form or the theories and ideas of self-help "free" associations would operate in a monopoly service industry. In other words, the use of the cooperative organization method for rural electrification was a pragmatic choice arising in the political and economic forces of the 30's to fill the gap in rural electric service left by the profit minded utilities. The cooperative form was useful because the farmers were familiar with the idea.

So rural electrification became a program and a movement with its own resources and its own desire to perpetuate itself. For the thirty year cycle for the lifetimes of the incorporators and through the slow growth period of the rural areas, the fundamental difficulty of maintaining a cooperative ownership philosophy just did not appear.

The original members understood the need to accumulate capital. Most rural electric co-ops could get a reasonable number of members to an annual meeting. They could get good replacements for the infrequent vacancies on their boards. They seemed viable as consumer cooperatives. Then the environment began to change.

The Rural Electric Cooperative Today

The rural electric co-ops grew more rapidly as the exodus from the cities began, and prosperity brought second homes and recreational areas to their areas. It became more difficult to get the interest of busy newcomers to the co-ops service area. It became more difficult to get quality people to serve on the boards. At the same time, more and more the membership organization was required to act like a utility - to give equally good service, to seek territorial protection, and finally to seek money from Wall Street through CFC. Remember, all the while we have been stressing the importance of member services and member relations. Most cooperatives with good management programs have an objective in each of these areas:

To maintain the cooperative as a continuing membership organization by consistent education of members in the purposes of the cooperative and involvement of members in guiding the Board in operation of the cooperative.

To aim at promoting the widest possible beneficial use of electric energy in residential, agricultural, commercial and industrial applications in the cooperative's service area to make rural living easier and to improve the income levels of its members.

In addition, many cooperatives have actively undertaken the job of helping to improve the communities in which they operate. They have expressed and implemented a social responsibility well beyond the aims of most investor owned utilities.

Well managed co-ops have Key Performance Areas in member relations and service leadership and key indicators in each of these areas. Their boards get regular reports of the results of the annual work program in these Key Performance Areas. These well

managed co-ops make regular surveys of member information and opinion. They are concerned with securing board members who support the cooperative way of doing business. They orient and educate their employees in what it means to serve a member-owner. So what are the problems?

A Look at the Problems in the Mid 70's

1. Most rural electric systems face increasing fuel costs and escalating rates which in many cases have resulted in strong member-consumer reaction.
2. Many systems face a membership which has changed from the apathetic disinterested membership of the 60's and early 70's to a very vocal, questioning and, at times, antagonistic membership. They find they're dealing with a membership which is increasingly frustrated over a situation which they feel is a "rip off" but which they can do little about. This has produced anger, stress and even aggression.
3. Many systems have had great difficulty in coping with this. They generally informed the member but didn't involve him. They pretty much ran systems closed except to a few - the Board (although not even all of them in every case) and the manager and perhaps a few of his key staff.
4. Generally, the leadership feared openness - they might face embarrassing questions or even contest for seats on the board.
5. Many systems really operated like small power companies isolating themselves from their member-consumers attitudes and concerns. Often they did this not realizing they were sitting on a very explosive situation.
6. Much of the leadership in the program knew little about basic cooperative principles and philosophy and could care less.
7. Some of the new leadership - both managers and directors - tended to be more conservative than their predecessors and more technically oriented and for them the member challenges have been especially hard to cope with.
8. Many systems now have the attention of their consumer-members for the first time and wish they didn't. In some cases they have reacted by withdrawing further into their shell. This could be disastrous.
9. Many forget the justification for public support by the Congress and others - support because they're consumer owned and completely dedicated to improving the areas they serve. To operate only as power companies could mean the withdrawal of this support leaving them facing many of the same problems faced by the power companies but with fewer resources to meet them. Again, this could be disastrous.
10. The attitude of the systems has hardened toward consumer groups in spite of their being consumer owned and having to work with consumer oriented organizations in broad coalitions to achieve needed legislation.
11. Many systems have not leveled with their members about increasing fuel costs and rates. Many feel the worst is over as fuel costs in some cases have dropped or leveled off. They don't want to look at long range energy costs and the greatly increased costs of new generating facilities. They don't want to level with their consumers about the serious energy problems we face.

12. Many boards and employees have little understanding of what has happened or why and so even if they want to help in these times of adversity, they can't.
13. Many systems continue to communicate - inform - as they have in the past - inserts in the statewide magazine or through their own newsletter, fancy annual reports, advertising and a big annual meeting. Is this member information program adequate in the mid 70's?
14. Many systems have not taken a hard look at their operations to see if they can operate leaner, more productively. Some are still moving into fancy headquarters buildings which they wished never existed. Some who have made real efforts to trim the fat find it hard to convince their members and state regulatory commissions they have done so.
15. In conclusion, the systems face three choices in meeting their consumer challenges - move away, move against or move towards. Too many have picked the first two choices or some combination of them.

So what can be done about the problem?

Let's Face the Problem - Communicate or Involve?

This gets us back to the knotty question: can a utility service monopoly gain and keep the interest of its consumer-owners? Consider that it is constrained by financial circumstances from giving capital credit refunds. Consider that it may have a transient membership, suburban, exurban, retirees, recreational users. Can you communicate with your members - tell them how it is? Or, must you reexamine that whole approach and its semantics.

"Communicate" is a battered, abused word meaning practically anything from sending up smoke signals to extra sensory perception. Let's try to put a limit on it's meaning for our discussion today. First, it is more than telling, influencing, propogandizing, making information available. The only workable meaning for us is that we are communicating when the messages flowing between two persons have arrived at a stage where the images, ideas, which each is trying to pass to the other have the same meaning to the receiver as to the sender.

Messages can be transmitted in a variety of ways - orally, in writing, in word symbols or by facial expression, attitude, behavior (action or inaction). Any signal or message which a receiver interprets through his background of experience to have a meaning for him is a communication. Remember the old training movie "The Boss Didn't Say Good Morning."

We have had the mistaken concept (most of our systems) for a long time that if we put out a newsletter, had a radio or TV spot, billboard and so on, and informed our member-consumers what we thought they should know, we were doing a good job of communicating. Well, maybe!

How your members (and the publics) you wish to inform receive and interpret your "communications" with them is the sum total of their experience with your employees, your facilities, your methods and procedures, your rates and policies from the time they requested service - all interpreted in terms of their feelings and attitudes which have been developed by their experience. In other words, if a utility wishes to have a good image with its consumers it must provide good, reliable, convenient, consumer oriented services; its employees must be courteous and helpful; its

buildings and service centers must be attractive, clean and efficient looking. And especially in periods of inflation and rising costs, it must be efficient, cost conscious and fair.

If a cooperative wishes to have a good image in members' minds as a democratically owned and controlled utility, it not only must, in our view, meet all the image requirements of the stockholder owned utility, it must have demonstrated all of the attitudes and behavior on the part of the board and employees that shows the nature of the cooperative ownership to the consumer who therefore has become a member in fact as well as in name.

Before the co-op consumer becomes a member in fact, we've got to stop "communicating" and start "involving." Even if we put over our facts and they are clearly understood by our consumers, which is not easy in these times, we still don't have member support. As Charles Ingraham of Ohio State University said:

"Many cooperatives have based their hope for success on the premise that if the membership really knew about the cooperative's activities or programs, this would result in supporting action by the membership. The assumption that knowledge will bring change has caused many a change agent to learn the deeper meaning of frustration."(3)

Knowledge doesn't beget understanding. Your facts are molded in with my set of attitudes, feelings, and other things I believe to be knowledge.

And, as the Indian, S. K. Parukh said:

"The quality of human relationships is based on feelings, attitudes, values. Knowledge in this area is futile because it does not meet the test of understanding"(4)

So in reality our problem is not to communicate, not to impart knowledge of our cooperative's aims and problems and of our cooperative philosophy. We've tried this for years with our consumers; it has been hammered away at in conferences, institutes and seminars to our boards and managers. The problem is as Mr. Parukh says to impart a change in attitudes, feelings and values. How do we do that?

Sociologists and social psychologists have long agreed that the way to secure participation and involvement in any voluntary group activity is to base your appeal on known needs and interests - Again quoting Doctor Ingraham:

"Member involvement depends on meaningful rewards. Rewards vary with individuals. An individual may be concerned with self expression, recognition, the need to feel useful and important, the desire for new knowledge, the need to meet other people, or a constructive use of leisure time, etc. You must discover the appropriate reward for each member."(5)

We believe that in the rural electric program as a whole today there resides the elements of a good member relations member involvement program. These elements can be drawn together in an ideal program and applied with local adaptations, IF there is the will to do so. This will to be a member co-op must be sufficient to change the behavior of hundreds of co-ops where only lip service is given to member relations and cooperative ownership. It is sad but realistic to acknowledge that there is a large gap between ideals and practice; a big hurdle between wanting member participation

and implementing the change. It's time we took another "giant step" - this time into bonafide consumer ownership. It is time because the indications are that the reserve of member loyalty and cooperative idealism we once had has dropped to a new low.

There are fourteen statements quoted in an appendix to my remarks from rural electric leaders. They regard member support through whatever means, their involvement, and their participation, as the most crucial problem of the rural electrics for survival. These are from a Management Quarterly survey of a year or so ago.

One key point of these leaders' opinion is that they regard the boards, managers and staffs of rural electrics as lacking in belief in the cooperative philosophy. They question how can such system management be expected to develop cooperative member attitudes. Their other key point is a repetition of a question that has haunted us, and one that has been conferenced to death, and still not answered: It is "How do we get our members interested and participating in co-op affairs." It is kind of late and rather useless for a rural electric board and manager to ask this question when an irate member-consumer group is holding meetings, signing petitions and making a multitude of demands that appear irrational to someone running an electric utility. It's time then to look at the past efforts to secure membership support and realize they were pretty ineffective. The board and manager were operating on the pleasant fiction we've heard around the country "If you don't hear from them, they're satisfied. When they think something's wrong they'll come to the annual meeting." They sure will and they are and it may be too late for the co-op.

How do you get an electric utility consumer who is a member, a compulsory member, of a consumer electric co-op to act like an owner-member? We repeat, we are convinced the answer is in the successful member relations practices in our 996 rural electrics. All we have to do is identify these successful practices in a composite ideal program. Then we have to persuade the boards-managers and staffs to adopt them and implement them, adapting as they go. As John Gardner said:

"When we talk about revitalizing a society, we tend to put exclusive emphasis on finding new ideas. But there is usually no shortage of new ideas; the problem is to get a hearing for them. And that means breaking through the crusty rigidity and stubborn complacency of the status quo."(6)

The Ideal Member Relations, Communication & Involvement Program

1. The Board and Manager understand and support the basic cooperative principles - one man - one vote, non-profit operation with margins allocated in proportion to use, continuous education in cooperative philosophy, etc. They not only give lip service to this philosophy and principles, they put them into practice. They look at the cooperative as a vehicle for economic self-help and people-centered social development. They know they are different from a private power company and they make this difference important to the members.

2. They have an active Member Advisory Committee which meets regularly to discuss issues and problems faced by the cooperative as well as the end results being achieved. Involved in the Committee are some of those who have been most vocal in their criticism of the cooperative. If an Advisory Committee member fails to attend two committee meetings in a row, he is replaced on the committee. The committee is broadly representative of the total membership including women, minorities and different occupational groups.

The committee divides into working subcommittees in areas such as Legislation and Governmental Affairs, Member Meetings, Community Development and Affairs, Member Services (in a broad sense), Youth and Young Adults, etc. Each subcommittee is served by a key staff member, minutes are kept of all meetings and the committee members are always advised of action taken on the recommendations to the Board and staff. They are involved, not just being informed. They are the key to developing strong member understanding and support.

3. All new members are visited by a Member Services Representative who not only explains the rates and the service rules and regulations but also how the cooperative is owned and controlled by the member and how the member participates in this process. The new member is urged to attend the New Member Orientation Program to be held in their own area where they will have the opportunity to meet their director and participate in a program conducted by the Member Advisory Committee where the objectives, goals, plans and programs of the cooperative are discussed as well as the problems the cooperative faces in achieving them. At these small informal meetings the new member will have ample time to raise questions and express concerns. They will also be urged to attend their district meetings when held and to participate in the many activities of the cooperative. Time consuming? Yes, but it may be the "Twenty Minutes to Save the Co-op".

4. The cooperative is trying to meet as many needs of its members as possible as determined by member attitude surveys which are thoroughly reviewed by the Member Advisory Committee's subcommittee on Member Services which makes recommendations to the Board. Among these needs might be: small periodic member meetings to discuss practical ways to conserve electricity; new energy saving appliances, equipment and tools; new home maker techniques; family budgeting and economic planning; ways to improve family life and relationships; how to improve our community, etc.

Other needs might include:

A Member Credit Union which can encourage savings and satisfy some of the members needs for credit.

Member Insurance Program which might include life insurance, major medical, accident coverage, provided better coverage can be attained at lower costs than available elsewhere. Members could volunteer to serve on the claims committee and to enlist other members in the plans.

Serving as a Neighborhood Meter Reader.

Assisting at Annual and Other Member Meetings.

Serving as a community reporter for the co-op publication.

Serving on the Omnibus Group which studies member attitudes and complaints and makes recommendations to the Board on possible changes in policies, programs and services.

Participating in educational activities such as visits to the co-op, the Statewide, the Legislature, other types of cooperatives, the power supply co-op, etc.

Helping develop the Job Exchange, a listing of job opportunities in the co-op service area to be included in the newsletter.

Many of these activities are staff by volunteers who believe their co-op should be the focal point for satisfying individual member needs and making the area a better place to live.

5. The cooperative has completely open elections. Either directors are nominated at district meetings or members of the nominating committee are elected at such meetings or directors are nominated by petition. There are no board appointed nominating committees.

6. The Board realizes it doesn't know all it should to provide the leadership needed. An hour at each board meeting is dedicated to an in depth discussion of a principle, an issue, a concern, etc. Once a quarter they hold a half day meeting with a recognized specialist in areas requiring more detailed study and discussion. The Board room becomes a center for adult education. They too are completely dedicated to an open co-op, an involved membership, an organization dedicated to the consumer and to community betterment. The Board is receptive to new and innovative approaches to developing member understanding and support and to providing sources to develop a stronger multi-purpose co-op, not just a provider of electricity.

The Board has adopted a suggested statement of qualifications as a guide to the nominating group. Their Bylaws have been amended to provide for the same retirement age for directors as the employees. There is a healthy degree of turnover on the Board.

7. The co-op does many things to educate its employees - monthly employee meetings, visits to other co-ops, attendance at training programs both at the co-op and away, etc. The employees know the co-op is consumer owned and controlled. They understand the problems the co-op faces and are able to discuss them with the members in terms of their needs. They are completely dedicated to the members.

8. The modern board and management group in this ideal co-op, of course, regularly measures its success in achieving effective electric service, through KPA's and indicators we well know. In addition, they take steps regularly to measure achievements in their member relations objective which we quoted above. They use both an employee attitude or opinion survey and a member survey occasionally (the latter on a sampling basis). They have some KPA's in Member Relations which are a little unusual.

They endeavor to maintain member involvement in committee and group work at a ratio of one per 500 members per year. They hope to do better.

They record member participation other than that on committees as any member contacted with non-electric service activities and their goal in this KPA is one per 200 members per year.

They are helped to achieve this by tours of the cooperative and its power supplier, by invitations to certain "open" board meetings, by the Junior Board of Directors (both young

men and women are on this group), and all of the affairs and organizations which the board established member committees have originated .

9. Their member services personnel are deeply involved in their Member Relations, Communication and Involvement programs. All have received the necessary training in the behavioral sciences and group dynamics to be able to effectively carry out their new responsibilities and are skilled in working with people under stress and in confrontation situations, motivating people, getting individuals to work together effectively in groups and in changing attitudes. They are completely dedicated to consumer ownership and control, to community betterment, to working with strong and challenging member groups.

10. The co-op is constantly experimenting with ways to communicate with the members - is the fancy Annual Report effective - do we know member reaction to it, should we use bill stuffers rather than a newsletter, should we advertise at all, do we really know our current member attitudes and feelings - do we know their image of the cooperative.

11. The co-op is continually examining every operation to determine if it can't be improved, every piece of construction to determine if its needed now or could it be constructed more economically, every vacancy to determine if it must be filled. Nothing is sacred because that's the way it has always been done. The co-op has developed a highly productive, lean organization staffed by competent and dedicated employees who are well trained and competitively paid.

Truly it is a remarkable co-op. How did they get any participation from busy and uninterested consumers with children and home duties and competing interests.

It tooks years of struggle, innovation, research and planning. They really tailored their efforts around the interests they discovered in their survey of members. They were flexible, if the members wouldn't come to a distant meeting they went to local meetings. If they wouldn't speak up in large groups, they had small group meetings and organized the large meeting with Phillips 66 buzz groups. They were able to find some volunteer help and once the ball got to rolling it gained momentum. The whole secret, they say, was the authentic image the co-op established as being open to member control, completely aboveboard and fair in telling the good and the bad. And above all being an efficient cost-conscious electric utility with the plus of a deep concern for the people it served, its employees, and its community area. The Ideal Co-op hasn't stopped growing - 6,500 to start, now 15,000 maybe 25,000 to 50,000 members some day. So the innovations and adaptations to their member owner goals have had to continue, too.

The Crisis Demands Our Comprehensive Solution

We repeat that everything already is known and available to have a good member participation program. We have listed in the appendix the articles in Management Quarterly from 1960 to date describing successful programs of all kinds. REA and NRECA have labored to help the cooperatives for years. Unfortunately, at this time the co-op shares in the utility industry crisis of confidence and action is going to be much more difficult for the co-op which wishes to reform. Our action probably has to be on a coordinated, program-wide scale. If you don't see this necessity, we suggest you read "How to Challenge Your Local Electric Utility".

When you read this you get a feeling of the new environment the industry is in. Even though the investor owned utility companies are referred to throughout the 104 page volume, the data of this environmentalist - consumerist-activist book can be equally applied to rural electrics and municipals. For example, let's look at the "Introduction" which gives the purpose of the book.

"There is a major battle emerging in this country between a very powerful industry and large numbers of concerned citizens. Its outcome will determine the manner in which electricity is provided to the public, and the costs - both environmental and economic - that we must pay for it.

The electric power industry is out of control. It is one of the largest and fastest growing industries in the nation. Every year more people's lives are affected by the power industry as it spreads its generating plants and transmission lines across our land.

The impact of the power industry on the environment is becoming all too evident. Indians in the west are watching their homelands become electrical generating colonies for power-hungry American cities. At the same time, urban residents find themselves subject to increasing numbers of air pollution alerts, caused in large part by smoke from power plants. Rural Americans watch as their farms and forests are cut by the expanding tangle of power lines. In the future more power is certain to bring us more oil spills, more strip mines, and a network of dangerous nuclear power plants.

To finance the growth in our nation's power supply, the utilities are asking their customers to pay higher and higher rates. For many utilities, a rate increase has become an annual affair; future rate increases are destined to be larger and even more frequent.

As environmentalists, we must reject the power industry's claims that such expansion is necessary and desirable. And as consumers, we must protest the way we are paying for the electric utilities' expensive and irresponsible policies. The purpose of this manual is to alert people to the need for fundamental changes in one of our country's most powerful institutions, and to provide individuals and citizens' organizations with the tools needed to challenge the operations of their local utilities. This booklet will help to strengthen the movement to force our nation's power companies to be more responsive to public needs."

Only the breeder reactor gets approval, nuclear power generation is out in this action plan. One gets the general view that these activists want a reduction in the use of energy; they want a no-growth scene where the "Greening of America" can come about. You get the impression that if public or consumer owned electric systems replace the private utilities they must be entirely different in the views of these researchers: "Any power system which will be truly responsive to environmental concerns will have to be controlled by the public". Truly the consumer-environmentalist movement isn't going to go away. We've got to reckon with it, accommodate ourselves to it, and understand and cooperate with it. And we've still got to run an electric utility service organization that meets all the problems of the industry and resolves them, too.

Some of our cooperatives are facing serious problems with groups of member-consumers and state commissions just as in the rest of the industry. A forum at the recent Annual Directors Conference brought to our view some of these. As Louis Strong said about Kentucky:

"Members change almost overnite in their attitude toward directors, towards their cooperative. You may have been the good guys with the white hats once, but when you raise rates that quickly that much, we have found that this changes very rapidly. Members are organizing protest groups and they're circulating petitions throughout much of the area. I spent all last week before the Public Service Commission, before Committees of the House and Senate, and in conference with the Governor. This is the kind of situation we are facing in some of our areas. Now there are some of our areas in Western Kentucky which are going on just like always, very little change. I think this is only temporary."

Louis' advice is this:

"Before this happens (protest groups appear) the best thing you can do is to begin to organize area leader groups. Now this takes some work. I think this thing works. Now I think if you are largely rural you can go in and pick a few families in every community and I'd emphasize the woman. I'd rather have a strong woman than a strong man in this area. But involve husband and wife teams if you can, who are community leaders, who are looked upon as leaders. Bring them in to dinner meetings and sit down and discuss this problem. Now if you are urban, it's much more difficult; you don't know who is a leader. A person doesn't know his neighbor, I think you still have to do it.

The worst situation is when a politician who's trying to reach higher office gets a hold of one of these issues and he can demagogue this into higher office, he hopes. These people attack a cooperative at its most vulnerable points. For example, if the board's wives have ever attended a National meeting or anything at the co-op's expense they bally hoo this to high heaven. They take any kind of issue; it involves every embarrassing question that you could possibly ask a cooperative, for example:

'How much do you pay your manager? Many members do not understand the salary levels that you have to pay employees.'

In answer to the question, 'Is the leadership among these co-ops common to only one co-op or is it spreading to more than one co-op?....'

Mr Strong said, 'It has sprung up in various areas, but there is one particular leader who is collecting \$500 from as many members as he can throughout the State. He's canvassing the state and promising that if they give him \$500 he'll bring their electric rates down. He's given quite a few \$500 and he's hiring some attorneys and its moving.'

And Sailey Ennis, Manager at Washington Electric Cooperative, Montpelier, Vermont said in conclusion:

"My Board got too complacent. I think that things were going too smooth. I think if we'd had some new younger blood on the board, now I'm talking about tenure, I'm not talking about in age, then I think maybe we'd have been better prepared for the situation when it hit us."

Gerald Diddle of Associated Power Supply Systems in Missouri expressed the view that:

"Whether we like it or not we are in a new era of 'consumerism' that's not going to go away."

And Louis Strong added:

"We are part of the electric utility industry in this country and we are going to be a part of the serious adjustment that has to come and you are going to be the bearer of bad news to your members whether you like it or not."

As you know, the National Board has revitalized the Association's role in member relations activities. We have a staff in Management Services and are ready to help. If we are to succeed its got to be an all hands operation with no illusions, no pulling punches, a lot of things are going to change. The question remains will we be involved in fashioning the changes or will we be just reacting defensively. It's time to act, not react.

Footnotes

1. Organizational Productivity - the Human Dimension.
2. Ibid
3. NRECA Annual Directors Conference, 1973.
4. "Knowledge and Perception," Management Quarterly, Winter, '72 - '73.
5. NRECA Annual Directors Conference, 1972.
6. "Renewal in Societies and Men," Looking Ahead, The National Planning Association, April, 1963.

Quotes from MQ's Survey of most Crucial Problems of the Rural Electrics; February, 1974:

1. Corporate-oriented or technical-minded Management with no understanding of the Cooperative structure especially member participation, member and social services, and who have no concept of the non-profit system or the PR and political aspects of co-ops.
2. Our elected officials do not feel that the American people can be trusted with the truth. I'm afraid that in many ways we operate cooperatives in the same way. Ways must be found to give our members a voice and we must tell them the truth.
3. Having an understanding by the new manager of cooperative principles.
4. If we cannot overcome the increasing apathy of our members, they will surely turn their cooperatives over to investor owned interests.
5. The most crucial problem facing the rural electric co-op is the possibility of becoming complacent and operating the co-op for the benefit of management employees or directors and not being aware of member needs and the programs which might enhance the mode of living in rural areas as well as industrial development.
6. The electric cooperative managements and the directors will not change modes of operation rapidly enough to meet the challenges of the new membership. I fear that our program is too hidebound in tradition and will not "sense" the needs quickly enough.
7. Member and public education concerning the meaning, significance and continuing justification for cooperative ownership of rural electrics. 90% of business failure can be traced to leadership. Unless they "feel" that the cooperative and its problems are their business, members will tend more and more to oppose the growth and investments necessary to maintain adequate, dependable electric supply and service, and the public will be increasingly skeptical of what it already considers a government-subsidized program that is no longer justifiable.
8. Board members must update themselves and better understand their responsibilities and the cooperative program. Too many of our board members are still coming from the retired and agricultural backgrounds.
9. Securing the sympathetic identification of the rank and file membership with the principles, objectives and ideals of rural electric co-ops.
10. Lack of interest in the co-op by the membership. Not concerned about the well being of their organization.
11. Threats of future sellouts to IOU's. - How do we convince our Membership it is to their advantage to be members of an electric cooperative?

12. Now, especially, there is need for dialog between Co-op mangement and the members as consumers and joint owners. What techniques can the Board and Manager use to help members understand the complexity of new operating problems? Would it be useful to solicit membership ideas about how to cope with the changed service situation?
13. How to keep from being regarded by the members and the public as just another power supplier. Between 50% and 90% of the co-ops today are good examples - in my opinion.
14. How develop among directors and Key Staff personnel an enthusiastic understanding of the Rural Electric as a cooperative not merely a utility? Sell outs will seldom occur in real cooperatives. Annual meetings will be different.
15. Effective and meaningful members control and participation.

Articles in Management Quarterly

- "For More Effective Membership Participation", Joe Snyder, Spring, 1961, p. 7.
- "What Do Your Members Think?", Norma Raymond, Spring, 1961, p. 15.
- "Formal Program of Employee Orientation on Co-op Philosophy", Arthur L. Mitchell, Fall, 1962, pps. 14-16.
- "Services You Never Thought of Providing", Clyde Aultz, Fall, 1965 pp. 8-12.
- "Reaching the New Membership", Charles E. Carter, Jr., Spring, 1968 pp. 38-39.
- "A Look Back from 2017", Management Memo by Robert I. Kabat, Spring, 1968, pp. 23-26.
- "The Day of the Invisible Utility is Over", Byron Ostenveil, at Public Utilities Advertising Association Annual Conference, Summer, 1968, p. 1.
- "Bring the Member Closer", Management Memo by Robert I. Kabat, Winter, 1968-69, pp. 48-50.
- "My Philosophy of Cooperative Management", by Murray D. Lincoln, Summer, 1970, pp. 7-10.
- "Hiring Members to Read Co-op Meters", Joan Gilbert, Fall, 1971, pp. 25-27.
- "Community Meetings: Going to Members Helps a Consolidation Succeed", by R. J. McLaughlin, Spring, 1971, pp. 14-16.
- "Community Meter Readers" and "A Junior Board of Directors" in "The Idea Exchange", Summer, 1974, pp. 31-32.

Summary

These things we must do now:

1. Operate leaner, more productive organizations and continually emphasize to the members by citing concrete examples.
2. Operate a completely open democratic organization in every way possible from the nomination and election of directors to strong membership involvement programs.
3. Always level with our members not only about today but about what the future might hold.
4. Educate all our employees to what is happening and why and respond to the members in terms of their human needs.
5. Continually work to improve your image as an organization dedicated to the consumer; democratically run and working for community betterment - a co-op which is a real center for volunteerism where the basic economic, social and psychic needs of individuals are met.

Don't move away or move against but let's move toward our people, our consumers, our members.

DISCUSSION FOLLOWING KABAT'S PRESENTATION

- Vivrette: Can't see how a manager can be knowledgeable in power costs without being involved in power procurement. Do any cooperatives give members complete information on rate filings to the commission in advance and seek to get their support before the commission?
- Shjeflo: Do any cooperatives ever get turned down on rate increase requests by commission?
- Goff: It is common practice to get turned down and be told to restructure; may get only part of what has been requested.
- Golden: Commission generally responds positively, however, there is sometimes a delay in action due to backlog of requests.
- Weathers: Commission will allow only the minimum TIER and DSC.
- Goff: Can't live with return on equity if you have low equity.
- McNeil: Commission assumed 40% equity and allowed ... % of return on 40% equity. Virginia has emergency surcharge, however, when you ask for emergency surcharge, it takes so much time you can get a rate increase approved in the same length of time.
- Kabat: VEPCO has taken tremendous heat from the news media and public; this has taken some of the heat off the cooperatives in their area.
- Sandvick: Will power costs really go to 5¢ per KWH?
- Herrriott: You talk about running a lean ship - let's don't cut away the real muscle of the co-op; must be very careful.
- Deverick: Some co-ops have focused their efforts on trying to out-do the power company on the thing they do best - providing electricity. Not sure co-ops should do this. Co-ops have some unique things as "co-ops" which will strengthen ties with the membership if used. Let's sell the co-op concept if we truly believe in it.
- Herrriott: Let's don't apologize for selling electricity. We offer an alternative to exhaustion of oil and gas resources. We must face up to the environmentalists and see that there is a balance in conserving energy and making the best use of all our resources. We must make sure both sides of the issues get before the board.
- The Directors Conference which NRECA put on is good. It is fine for Kabat to teach about how we ought to run our co-ops. When is NRECA going to practice what Kabat is preaching?

REPORT OF ACTIVITIES OF RESEARCH COMMITTEE

Ed Gaither, Chairman

Last year at the council meeting in Myrtle Beach, we presented project information which the committee had worked on all year with Ed Wilson. You reviewed and evaluated this information at the meeting. The committee was directed to continue its work. The committee met at NRECA's Annual Managers' Conference in Denver and spent an evening discussing the project and the directions we should take. Virgil Herriott met with the committee, in Jim Kiley's absence, and Virgil agreed that Jim Kiley could serve as project coordinator.

The committee met in Chicago in November for a day to evaluate progress. It met another time at the NRECA Annual Meeting in New Orleans in January to assess the status of the project. The draft was reviewed in New Orleans with representatives of REA, CFC and NRECA and received their support for the project. Each agency was asked to give us names of people who could contribute to the project. We sent out requests to 30 people; response was not as great as we had hoped for.

When replies had been received, the materials were sent to the evaluation team - Charles Overman, Barbara Deverick, Ev Bristol and Jim Kiley - who evaluated and compiled the various sections of the Management Evaluation Guide. Today, you'll be asked to help to further improve the draft. This will be a real working session. The Committee will meet with REA, CFC and NRECA representatives at lunch to seek their advice and assistance. We hope to get sponsorship for printing, distribution, and use. The guide is being presented to you today for critical review and improvement.

A major goal of our Research Committee is to see this Evaluation Guide put into final form where it can be used as a practical management improvement tool by Rural Electric Cooperatives throughout the United States.

While we feel the completion of this draft represents a major step towards our goal, we, at the same time, recognize that a substantial amount of work remains to be done in editing and improving the draft to put it into useable, acceptable form.

We appreciate the work of all who have contributed to the project, the evaluation team who I mentioned earlier, and especially do we appreciate the fine work of the project coordinator, Jim Kiley. We are pleased and proud of the job Jim has done.

James Kiley, Project Coordinator

Today is going to be work session; yesterday was fun and games - today we are going to try to put you to work a little bit. I want to repeat one more time our appreciation and thanks to all of those who have contributed thus far to the management evaluation guide. There are several ways in which I think contributions can be made; one way is to make actual contribution of words and thought, and another is - and just as important way of contributing - is through support and promotion and encouragement and it's taken all of these, plus the efforts of a number of individuals to get this first complete draft in the condition it is now in. I would like to especially thank Barbara Deverick, Ed Bristol, Charlie Overman who waded through the ream of initial contributions in an attempt to eliminate duplications and consolidate certain sections of this draft. We relied quite heavily on suggestions of people from Charlie Weaver at REA; Bob Kabat and John Myer at NRECA and from Chuck Gill at CFC. We recognize how busy the managers' schedules are and in some instances, the fellows were frank in telling us that circumstances just wouldn't permit them to put the time in on this that they felt was deserving. In other instances, people who were invited did take the time and we got some excellent contributions from a large number of people so my involvement is primarily in the mechanics and logistics area. I am familiar with this. I think when you see the first draft you will recognize the large amount of time and effort that has gone into this project by those who have contributed.

Now what we would like to do today, I think the most important thing we can accomplish here today is to make sure that all of us in this room become thoroughly familiar with the concept that we are attempting to reflect in the evaluation guide. The basic idea is still present, I feel, that we started out with and that is basically this - Of a systematic organized approach to asking the right question of a board of directors, a manager, or staff of a rural electric Cooperative. If they take the systematic approach and ask themselves the right question, then the concept says that then that system will come up with the best possible answers as to the course of action and the activity which it should pursue in order to do a good job of serving the needs of the member - really that's why we are all in business. So, this is basically the simple concept involved.

Now, the words in the guide, the particular technique, the approach have been put together and are all subject to change, improvement, revision, elimination - whatever it takes to make the ultimate document work and get it so it is used by the systems - that's the ultimate task.

Now what we plan to do is go through this until we get a general review of the content and make up of the guide and then we are going to set up in four different groups. We would like Barbara to be at one table; Ed at one table; Charlie at another one and I will be at one and when we get into these sessions we are going to just go into detail and will be taking a critical look at the questions, whether they are the right questions, some left out, or some should be eliminated and we are really going into these various sections in detail. Now if you are assigned to a table but would like to move around and participate with different groups, we encourage that too. So for the rest of the morning, what we plan to do is first generally review the document and then to break up into groups sometime after coffee break and work until noon with your assigned group and then this afternoon, you can move around and move into areas that you happen to be interested in.

O.K. - open the guide and the first couple of pages were recited by Ed. Let's turn to the page that says "introduction." I would like to go through this with you and I think if we take a little extra time and solicit questions on something that is not clear, I think it's important in the discussion we are going to have in the balance of the day, that all of us have the same understanding as to how this guide is designed to work so if you will follow through with me on the introduction and how to use the guide - (See Exhibit #___).

The idea is when answering the questions, to put some kind of a track behind you. For example, if a question is raised in an area and you answer it then either "yes" or "no" then in the right hand column we are provided place for reference codes which says that this is covered in an existing board or operating policy. If you have it covered, and your position is stated in writing, that's it; whether the answer is yes or no. But you may conclude you want to put down number 2 which says that this is something we need to develop, a new board or operational policy on, so that we do have a position stated, or that you would conclude that you need to see the reference guide at the back of the section which will show you the appropriate REA policy, training opportunities, books, literature and resource people that are available in that area. You might decide that our position is so and so and this is a legal requirement or 5, it is a bylaws requirement, or 6, it's a mortgage requirement, or 7, it's a contractual requirement, so as you have 4, 5, 6, or 7, you don't just arbitrarily make changes in those things, so why spend a lot of time worrying about it, unless you want to amend the bylaws, the contract or the mortgage or some of those things in order to translate the thing into prospective; and No. 8, you would say if you have covered your position, or your stand in the Organizational Manual. No. 9 is covered by an existing standard or goal; No. 10 would be required for development of a standard or goal; No. 11 would be covered by an existing program and 12 would say that the new or revised program is required. You may use 1, 2 or 3 of these numbers in response to a particular question. The whole idea behind it of course is just to again provide you with some reference when we come back and try to evaluate the results by going through the guide.

Before we break up into groups, let's see if there are questions or comments....

QUESTIONS & COMMENTS

- Bob Kabat : Won't you need a section on how to use the guide? For example, you may want to take one small section of the guide at each board meeting over a period of say two or three years to cover it. With information on how to use the guide, people will understand more of the practicality.
- Jim Kiley : That's an excellent suggestion, Bob. The more practical ideas we have on how to use it, the better the use it will be put to.
- Dick Smith : Perhaps you need a reference code #13 which would say "The Answer is No, But We're Satisfied."
- Jim Kiley : That's a good suggestion - this would permit a Cooperative to give a negative answer and indicate where they are satisfied with the negative answer.
- Millard Goff : Do you think all Cooperatives will know what is meant by Operational Policies? In some systems, these are non-existent.
- Jim Kiley : The document may not be of value to all systems - maybe to some 75%.
- Loomis : Maybe this would be a good place to start to develop examination for Manager applicants - certification or qualification.
- Kabat : I hope we're going to discuss how we're going to get systems to use the guide. RES's support will be the key to the success of this project.
- Kiley : We've received support and guidance from REA.
- Kabat : If this could be similar to the 5-star member services program and the emphasis REA gave to this.
- Smith : We wanted our field men to get into board meetings. It is amazing how many managers avoid the opportunity of having them. OFR's time is limited and I'm not sure we have enough field people to do the job. For the guide to be a good guide, it must have the degree of sophistication you're endeavoring to put in this project. We're really concerned about the bottom 50% of the REC's .
- Jim Kiley : Perhaps the OFR could concentrate on this 50% and NRECA on the other 50% and through joint effort, including CFC, of the three groups and all of them giving enthusiastic support and coordinating their attention, perhaps the distribution of the guide could be more effectively accomplished that way.
- Herrriott : Look at the NRECA safety accreditation program. Simple, but not many REC's have done this. Maybe we could concentrate on the systems that are really able to use the guide.
- Viverette : Maybe one way we could approach the systems to make use of the guides would be to approach the systems seeking new managers.
- Loomis : Could the guide be used by NRECA for Management Accreditation Program?
- Kabat : It would be difficult to certify on paper answers.

QUESTIONS & COMMENTS

- Viverette : Safety program is a finite program in which do's and don'ts are followed by the electric power industry. There are basic standards in the safety program. In management of REC's, there are no such standards.
- Beverage : Safety program has been pushed by Safety Directors. We would need the same thing in a management program.
- Kabat : Guide could be used by systems for first time to get them to think about management needs. If you do this, you will do a good service to the RE Program.
- Weaver : A dues supported association finds it difficult to sit in judgment on member systems.
- Kiley : To attempt to dictate precise standards and goals for each system would be difficult.
- Loomis : A certificate could be issued for going through the evaluation guide process.
- Kiley : Have a list of systems which have completed the evaluation.
- Spencer : I would be reluctant to give certificates to systems for just going thru the process. I can see very much value in using this evaluation guide. It could be introduced through state workshops, could work through MDM groups.
- Kiley : We talked about the possible role of statewide and other groups. Must have the support of REA, CFC, NRECA, G & T's, etc.
- Beverage : What are we trying to accomplish here today?
- Kiley : Hope to come up with recommendation of how to use the guide. You use, and recommend to your neighbors.
- Grager : I raised the question earlier - are we asking ourselves the right questions as managers? This guide has been developed as a result of this question and the guide will assure I will ask myself the right questions.
- Weathers : The guide is a useful tool if we will use it honestly. Certification may not be necessary.
- Kiley : Certification is a form of recognition - if it is earned. If we (the group) commit to use the guide and promote, we will accomplish the objectives for which it was developed.
- Hukills : We must promote the use of the guide back home. If we could get the support of REA, NRECA, CFC, etc., it would help in the promotion.
- Kiley : If each manager here uses the guide himself, then you can promote it with others.
- Beverage : NRECA developed KPA's 20 years ago. There hasn't been acceptance of these yet. How do we hope to get acceptance of the guide?

QUESTIONS & COMMENTS

- Herriott : Maybe the difficulties which co-ops are, and will be, facing in the future will accelerate the acceptance.
- Beverage : This is important - how are we going to apply this?
- Herriott : First part of the process is to develop the tool and then find a way to get acceptance and use.
- Weathers : I serve on the NRECA management advisory committee and in January when the management development guide concept was presented to the committee at its meeting in New Orleans, the Administrator of REA was present and was very interested in the project.
- Kabat : I feel strongly that if the guide is to be used by systems which are not so well managed, this must have REA's active support. If this isn't done, the guide will be used by only about 10% of the systems.
- Smith : The management assistance program of REA has been an evolutionary process. It has changed since Charles Weaver has taken over. REA is concerned that the OFR's have to work with marginal systems where there is a loan security problem. We would like to review the guide with OFR's - could REA get 100 copies?
- Herriott : If Dick Smith wants 100 copies and a resource person from the research committee, the council should provide it.
- Weaver : Harold Kocntz will speak to the OFR's at their conference and will talk about how to tell bad management from good.
- Kiley : The committee could provide the resource person and the copies of the guide.
- Hukills : If OFR's could have input they would have a higher degree of acceptance of the guide.
- Kiley : Let's move on to look at the 12 areas contained in the guide.
(Kiley reviews the 12 subject headings)
- Beverage : Looks to me like we should take first things first - if so, let's look at member and community services first.
- Kiley : The design of the guide is really a cafeteria approach - a system can go to any of the 12 sections which a manager and board may choose to examine first.
- Sandvick : Referring to questions in each of the 12 areas, who do you propose to answer these questions - board? manager? staff?
- Kiley : Both - all groups.
- Kabat : Could have board members do this individually and then have answers compiled.
- Goff : Should the board and manager seek outside opinions in answering the questions?

QUESTIONS & ANSWERS

- Kiley : Outsiders can't assure you they can understand the management of the system.
- Kabat : Stick with the people involved - board, attorney, manager, staff - at the very most, you could involve an outside consultant.
- Viverette : Stick with people who can bring about some change.
- Smith : Did you deliberately leave out distribution co-op relationships with G & T's?
- Viverette : This is the type of input we want when we take an indepth look at each section this afternoon.
- Rich : Speaking as a teacher, it would be helpful if there is a divider for the introduction "How to Use"; reference code numbers, makes for easier use. Where reference code is used, you will probably use several code numbers after one question.
- Weathers : Cash management - is it covered?
- Spencer : Was thought given which would entice the board and manager to give over-all answer, for example - "Is your power supply adequate? If not, use list of questions to help improve."
- Kiley : Let's review the reference guide section.
- Weathers : Reference guide must be kept up-to-date. Could we have a coordinator in the council who will do this?
- Kiley : One reason why we put guide in loose leaf form is so it can be up-dated.
- Spencer : Perhaps you can make reference to where REA bulletins can be obtained.
- Smith : Is there a belief of the board and managers in the philosophy of capital credits assignment and retirement? Have we covered philosophy and spirit of capital credits?
- Loomis : We would be well advised to keep questions on specifics.

IMPROVING THE EFFECTIVENESS OF REA'S COST COMPARISON PROGRAM

Charles Weaver, Head
Management Assistance Program
REA
Washington, D. C.

REA has employed for the first time a statistical economist. The economist will do models of what happens in a merger. Studies to this point have indicated that the most effective cooperative, from the standpoint of operations, should have about 20,000 members. REA will set up econometric models to study merger.

REA is working to get financial forecasting on the computer to make the forecast a more flexible tool; A G & T Cooperative in Missouri will do this this year.

REA is seeking to develop a random sampling or other method which will tell early in the year what happened in the rural electric program for previous year. This process will bring us closer to being able to do cost comparison in construction unit costs.

Weaver then discussed the Management Research Project which follows:

REA MANAGEMENT RESEARCH PROJECT

FY 1976

Mission Statement: The faculty fellows would work in the Rural Electrification Administration (REA), U. S. Department of Agriculture. REA is the agency providing loans to electric and telephone utilities, mostly cooperatives, serving rural consumers throughout the nation. The faculty fellows would be assigned to the Loans and Borrowers' Management Branch under the Office of the Assistant Administrator - Electric. In addition to other functions, this branch is responsible for research into the management effectiveness of the utilities and dissemination of the results so as to bring about improvement.

Project Assignment: As a member of the staff, the faculty fellow would be involved in complex projects concerning cost data development and analysis plus investigation of management styles and techniques associated with different cost levels in rural electric distribution systems. The faculty fellow would have considerable latitude in development of methods to achieve results. He would be expected to play a practical role in the project and would in some aspects serve as team leader in conducting the studies. Throughout the tour, the faculty fellow would serve in a consultive role to the branch and to the Office of the Assistant Administrator providing recommendations and insights based on his academic background and management knowledge.

Specific Project: Evaluate and refine methods of measurement of rural electric utility distribution systems' operating efficiencies, including comparison of standard and actual costs. Through field investigation as an individual or project leader, study differences in management of systems whose cost records vary from computed standards. Develop report including recommended program for agency, field and individual systems to reach for highest practicable productivity levels. Basic Purpose: Lower consumer rates.

Tentative Work Plan: Through visits by self and/or other Management Analysts and/or Operations Field Representatives will review management techniques of approximately 30 borrowers. Borrowers chosen will be equally distributed between those either above or below at least one Standard Error compared to Computed Value of total O & M, Consumer Accounting and Administrative and General Expenses as reported in Expense Comparison Study for 1974. Final decision as to management style measurement will be made after June 30, 1975, the employment of the Faculty Fellow (Dr. Stuart Rich) but tentatively will follow an approach similar to the following:

Management Style Evaluation

By: Analyst, OFR, FE & Staff (?)
and self (?)

I. Subjective Judgments

A.

1. Authoritarian
2. Benevolent Authoritarian
3. Participative/Consulting
4. Permissive

B. Employee Identification with Organization and Goals - By Interview and Observation -

1. "Just a Job"
2. "Good Place to work"
3. Highly informed and enthusiastic

C. Goals as Expressed by Management and Board

1. Service at lowest possible cost
2. Best possible service at lowest practicable cost
3. #2 plus member involvement other than required at annual meeting
4. #4 plus wider community leadership
5. #4 plus wider community leadership - state, regional and national

II. Objective Measures

A. Evidence of MBO in regular operations

1. Essentially no budgeting
2. Annual overall budget in dollars
3. Annual budgeting by department or district
4. #2 plus at least quarterly reports for which appropriate managers or supervisors are responsible
5. #3 plus work unit goals
6. #4 plus at least quarterly reports for which appropriate managers or supervisors are responsible
7. #5 plus work and job order standards at least down to first-line supervisor.

II. Objective Measures - cont'd

- B. MBO in Board Planning and Review - from agenda and minutes, committee documents, policy statements, sample reports to Board, Director Interview
 - 1. Heavily involved in detail
 - 2. Heavily involved in dollar major work units planning and review of results at least annually through some equivalent of KPA/KI-type control system.
 - 3. #2 but with some system of monthly or quarterly reporting
 - 4. Form 7/7a with narrative summary
 - 5. Form 7/7a only, or less
- C. Delegation
 - 1. No clear statement of delegation to General Manager from Board in policies, or position description.
 - 2. Delegation to General Manager and policies clearly define responsibility and broad authority to manage
 - 3. #2 plus clear responsibility and authority defined for Manager's Staff and others with organizational units
 - 4. #3 plus annual work plans and budgets for all major units
 - 5. #4 plus annual control reports covering results compared to plans
 - 6. #5 plus monthly or quarterly control reports
- D. Personal Characteristics of General Manager
 - 1. Temperament (by tests?)
 - 2. Education and experience
 - a. Age
 - b. Years as Manager
 - c. Years in Program
 - d. Previous work specialty before becoming managerial
 - e. Education in years
 - f. Major field in college
 - g. Number days in short-course training (such as NRECA's)
 - h. Number of companies since school in which permanently employed
 - 3. Number of elective offices or major committee leadership appointments (R. E. program or community)

III. Other Data

- A. Average (non storm or power supplier) hours outage/consumer
- B. Line loss
- C. Number consumers 1974
- D. Number consumers 1969
- E. Number employees 1974
- F. Average number days 1974 off-job training/exempt employee
- G. Average number days 1974 off-job training/non-exempt employee
- H. Average years education, post high school/exempt employee
- I. Average years on board, current directors
- J. Average number days 1974 short-course training/director
- K. Average TIER 1972 - 1974
- L. Average DSC 1972 - 1974

III. Other Data - cont'd

- M. Average PRR 1972 - 1974
- N. Average MRR 1972 - 1974
- O. Union representation
 - inside employees
 - outside employees
- P. Organizational structure -
 - Fully departmentalized plus line and staff structure
 - Fully departmentalized with no more than one staff professional
 - Partially departmentalized
 - Minimally staffed so that individual employees have wide variety of duties

Weaver introduced Stuart Rich, Federal Faculty Fellow who will be working on the project.

QUESTIONS AND COMMENTS

- Golden: Why do costs go up when systems reach 25,000 members?
- Weaver: Don't really know, but this is consistent.
- Overman: I hope that Stuart Rich will look at when these changes started to occur, was it when a catastrophe occurred, or was the change deliberately planned for?
- Loomis: Stuart, do you think the general approach of a parametric analysis would be good to use in this cost comparison, perhaps a sue of a graph with power costs projected which could be used to project when this occurs?
- Weaver: This won't be a part of Stu's project.
- Weaver: Stu'd thesis was a look at future of electric heat in rural America done for Arvin Industries in 1957-58.
- Rich: Short run forecast was on the button; with the energy situation as it is today, I'm very optimistic about electric heat today. Looking forward to working with co-op managers in carrying out the cost comparison project.
- Herriott: In looking at the deviations in the multiple correlations report, may be the co-op with the greatest deviation would be best meeting member needs? Is this bad?
- Weaver: Fast growing systems have higher costs, particularly in administration and general expense. My guess is up and out systems are more efficiently operating.
- Loomis: One area not covered in your analysis is the co-op's role in community, providing services which people need other than electricity. Suggest that you take this social impact into consideration in your study.
- Viverette: Directors and staff are using the training they have received through the Cooperative in their private businesses and in their community roles.
- Herriott: What will we do with the study?
- Weaver: It will be published and used in REA and NRECA.
- Herriott: Then the council should have Stu back next year to report on the study.

The 1975 Rural Electric Management Development Council Annual Meeting was held at the Ramada Inn, Sioux Falls, South Dakota, May 20 through 22. Jim Golden, Chairman of the Council, opened the meeting at 9:00 a.m. on May 20 and extended a welcome to all attending, particularly new members and other guests. Mr. Golden noted the death of C. W. Thompson, member of the council, which had occurred since the 1974 meeting. The Chairman appointed Barbara Deverick secretary for the meeting. He then recognized Jim Kiley who welcomed the group to South Dakota and gave a review of the program. Virgil Herriott discussed the events planned during the meeting, including a visit to the Earth Resources Orbiting Satellite Data Center. Committee Chairmen gave brief comments concerning the work of their committee, with full reports to come later in the meeting. Attendance report indicated 34 persons in attendance, representing 18 rural electric cooperatives, REA, CFC, and NRECA.

Resignation of Members The business session was held on May 22, Chairman Golden presided. He reported that Show Me Power, Missouri, Carroll Electric Cooperative, Georgia and Slope Electric Cooperative, North Dakota had asked to be dropped from the membership list of the council.

Ed Gaither, Chairman, stated that the research committee has \$885.08 left, through this report, of the funds appropriated for the project on which the committee was working.

Invoice Approved for Research Project Work An invoice in the amount of \$2,465.14 for the preparation of the Management evaluation guide was presented by Sioux Valley Empire Electric Association, Inc. This included time of James Kiley and materials involved in the preparation. Bill Beverage moved the approval and payment of the invoice. Bob Weathers seconded the motion and it was unanimously adopted by the council members.

James Kiley stated that 50 copies of the evaluation guide would probably run between \$10 and \$15. The question was raised as to whether or not there was the likelihood of recovering the costs of the manual. It was thought that possibly this cost could be recovered in the sale of the manuals.

Treasurer Report Chairman Golden called on treasurer, Bevis Hanna, for his report. A copy of the treasurer's report was provided to each member present. The report indicated that a net gain of \$106.94 was realized for the period ending April 30, 1975 and that 25 cooperatives had paid their 1975 dues as of April 30. Copies of the operating statement and balance sheet are attached to these minutes. Upon motion made by Jim Kiley and seconded by Cecil Viverette, the council approved the report of the treasurer.

Nominating Committee Report Chairman Golden then recognized the nominating committee chairman, Clyde Hukills, for his report. Clyde reported that the nominating committee had met and made the following nominations:

- For Council Chairman . . Charles Overman - Term Expiring in 1978
- For Vice Chairman . . Bill Beverage - Term Expiring in 1976
(Bill to replace Charles Overman in this office)
- For Program Chairman . . Everette Bristol - Term Expiring in 1978

Nominating Committee Report (cont'd)

For member of Program Committee . . Derl Hinson - Term Expiring 1978
 For member of Program Committee . . Bill Loomis - Term Expiring 1977
 (To replace James Hubbard)

For member of Nominating Committee . . Randy Bruton - Term Expiring 1978
 For member of Nominating Committee . . Mark McNeil - Term Expiring 1978
 For member of Membership Committee . . Lawrence Moderow - Term Expiring 1978

For member of Management Research Committee . . James Kiley - Term Expiring in 1978
 For Member of Management Research Committee . . James Golden - Term Expiring 1976
 (Replacing Charles Overman who had replaced Willard Grager)

Election

Chairman Golden called for other nominations for the offices - there were none. Ed Gaither moved that the nominations be closed and that the secretary be directed to cast a unanimous ballot for those candidates nominated. Cecil Viverette seconded the motion and it was adopted. (See page 1&2 for a complete listing of 1976 council officers and committees.)

1976 Meeting Location and Time

Chairman Golden then stated that the next order of business was the selection of the site for the 1976 council meeting. Millard Goff extended the council an invitation to meet in Oklahoma City, Oklahoma. Bob Kabat stated that he hoped that the council would consider holding a meeting at the University of Nebraska at Lincoln sometime in the future. A vote on the invitations to Hot Springs and Oklahoma City indicated that the group favored Hot Springs, Arkansas for the site of the 1976 Council Meeting. Chairman Golden thanked both Goff and Hukills for the invitations and stated the 1976 Council Meeting would be held in Hot Springs. The group then discussed the time of the meeting. It was felt that Tuesday, Wednesday and Thursday were the best days for the meeting during the month of May. The group left the setting of the exact date to the new Chairman, Charles Overman, to give some flexibility in arrangements and programming. The council urged that the dates be set as soon as possible so that other events could be scheduled so as not to conflict.

Resolution for Speight

Cliff Robertson indicated that Norwood Speight, General Manager of White River Valley Electric Cooperative, Branson, Missouri, a member of the council, would be retiring during 1975. Upon motion by Bob Weathers and seconded by Olaf Sandvick, the council adopted the following resolution of appreciation to Norwood for his work with the council:

(See page 3 for Resolution)

RESOLUTION OF APPRECIATION
TO
NORWOOD SPEIGHT

WHEREAS, Norwood Speight, General Manager of White River Valley Electric Cooperative, Branson, Missouri, has been a member of the Rural Electric Management Development Council for more than eighteen years, and

WHEREAS, he has provided leadership within the council as it related to the role of civic and community involvement of management personnel in rural electric systems, and

WHEREAS he shared his knowledge and experience with the members of the council and fostered continued management development, and

WHEREAS he evidenced his commitment to the practice of the principles of good management through his position as General Manager of the White River Valley Electric Cooperative and his participation in the council,

NOW THEREFORE BE IT RESOLVED that the Rural Electric Management Development Council assembled May 22, 1975 at Sioux Falls, South Dakota, expresses its sincere appreciation to NORWOOD SPEIGHT for his many years of dedicated support and participation in the council, and wish him continued success and much happiness as he retires from his position as General Manager of White River Valley Electric Cooperative.

President

Secretary

Thanks and
Appreciation

Chairman Golden extended his thanks to Virgil Herriott and James Kiley of Sioux Valley Empire Electric Association for the excellent arrangements and serving as hosts for the meeting. He thanked Barbara Deverick for her work as secretary and the preparation of the 1974 council proceedings.

Chairman Golden then relinquished the chair to incoming Chairman Charles Overman. Chairman Overman extended thanks to James Golden for the excellent job he had done as chairman of the council during the past three years. He thanked the council for placing its confidence in him to serve as its chairman and assured the council of his commitment to the objectives of the organization.

Report of
Membership
Committee

Chairman Overman then recognized Bob Weathers, Chairman of the Membership Committee, for the report from that committee. Weathers called upon Virgil Herriott to review the objectives of the council and the criteria for becoming a member and remaining a member.

Report of
Membership
Committee
(cont'd)

The membership committee recommended that it would like to see a statement for continuing membership in that council to the effect that each member should make a planned contribution to the council program at least every three years. Virgil Herriott stated that if the council and its members are to be effective, then the members must be willing to have planned participation. The committee further recommended that the number ten (10) set in the functions of the committee with regard to the number of systems to be selected for membership annually, be stricken from the statement.

There was discussion concerning the recommendations of the membership committee. Ed Gaither moved that the council accept the recommendations of the membership committee and request the committee to re-write the membership criteria for both eligibility and continuing membership in the council and bring back their recommendations for consideration of the council at its 1976 meeting. The motion was seconded by Willard Grager and adopted by the council.

Willard Grager stated that we must look at member systems management development as a criteria for continuing membership. Cecil Viverette stated that it was basic that members attend the meetings and make contributions. James Golden stated that he liked the recommendation of the membership committee and looked forward to the report they would bring back to the 1976 council meeting.

Approve
Membership
Nominees

Bob Weathers then presented seven systems to be considered for membership in the council. The list of these systems follows:

Lumbee River Electric Membership Corporation
P.O. Box 830
Red Springs, North Carolina 28377
Derl Hinson, General Manager

Haywood Electric Membership Corporation
P.O. Drawer 9
Waynesville, North Carolina 28786
John Browning, Manager

Wright-Hennepin Co-op Electric Association
Maple Lake, Minnesota 55358
Marvin Athey, Manager

Wake Electric Membership Corporation
P.O. Box 872
Wake Forest, N. C. 27687
Douglas P. Leary, Manager

First Electric Co-op Corporation
P.O. Box 400
Jacksonville, Arkansas 72076
Carl A. Williams, Manager

Pioneer Rural Electric Cooperative, Inc.
P.O. Box 605
Piqua, Ohio 45356
Robert L. Roberts, Manager

Approve Oklahoma Electric Co-op
Membership P.O. Box 1208
Nominees Norman, Oklahoma 73069
(cont'd) Clyde Rudolph, Manager

Bob Weathers stated these systems met membership criteria and moved the approval of these seven systems for membership in the council. Millard Goff seconded the motion and it was adopted.

Eliminate Cecil Viverette stated that the council did not make use of the
Executive Executive Assistant and moved that this office be stricken from the
Assistant statement of functions of officers and committees. Olaf Sandvick
seconded the motion and it was adopted.

Research Chairman Overman then recognized Ed Gaither, Chairman of the
Committee Research Committee for his report. Ed Gaither reported that the
Report group discussion held the previous day on the management develop-
ment guide had been most beneficial and he called on each of the
group discussion leaders - Charles Overman, Barbara Deverick,
Everette Bristol and James Kiley - to review with the group the
results of the discussion held. Following the brief reports,
each discussion leader was requested to forward revisions coming
from their discussion group to James Kiley for incorporation into
the management evaluation guide. Ed stated that the committee
needed to complete the revision of the guide as soon as possible.
He reported that the committee had been invited to make presen-
tations at the RESMA meeting in June and to the NRECA Management
Advisory committee in July. Ed stated that additional funding was
needed if the committee was to complete the refining of the guide.
It was stated that Milton Chase and Charles Robinson should be
asked to review the guide and offer their suggestions.

Ed said the committee had discussed a marketing plan, the ways and
means for getting maximum exposure and use of the guide. He stated
this had been explored with REA and NRECA and that Bob Kabat planned
to make use of the guide in the 1976 Managers Conference.

Appropriate Ed concluded his report by stating that the committee requested an
Research additional allocation of funds to complete the project. The group
Funds expressed its appreciation to Ed and members of the committee for the
fine work done on the project and stated that they were satisfied
with the project to date and felt funds should be appropriated to
finish the development of the guide. Bill Beverage moved that the
council allocate an additional \$5,000 to the work of the research
committee to complete the project. Millard Goff seconded the
motion and it was adopted.

The question of how distribution of the guide would be made was
raised. Charles Overman stated that he was under the impression
that the committee had this responsibility. Millard Goff stated
that he hoped the council would re-coup some of the cost in the
sale of the manuals. He raised the question of how far the council
should go in printing and distributing the manuals to REC's.

Appreciation to Research Committee Clyde Hukills moved that the council express its appreciation for the fine work of the committee and commend the committee for its progress in the development of the guide. Bill Beverage seconded the motion and it was adopted. Chairman Overman expressed his appreciation to the committee for its fine work.

Appreciation to Herriott and Kiley Clyde Hukills moved that the council express its appreciation to Virgil Herriott, James Kiley and Sioux Valley Empire Electric Association, Inc. for the hospitality shown the council members at the meeting. The motion was seconded by Bob Weathers and adopted.

Appreciation to Golden Chairman Overman stated that past Chairman Golden had been much involved in the research project and thanked him for his work. Ed Gaither moved that the council express its appreciation to James Golden for the excellent job he had done in chairing the council for the past three years. Barbara Deverick seconded the motion and it was adopted.

Approval of New Members Chairman Overman stated that it was necessary to approve the four new members of the council who had representation at the meeting. These members met the membership criteria but had not been previously approved by the council.

Bob Weathers moved that the following named systems be accepted as members of the council:

Linn County Rural Electric Cooperative Association
P.O. Box 69
Marion, Iowa
Jack K. Hicks, Manager

United Rural Electric Membership Cooperative
P.O. Box 739
Huntington, Indiana 46750
William Loomis, Manager

Whitley County Rural Electric Membership Cooperative
P.O. Box 638
Columbia City, Indiana 46725
Wayne Johnson, Manager

South Dakota Rural Electric Association
P.O. Box 1138
Pierre, South Dakota 57501
Tom Fennell, Manager

Clyde Hukills seconded the motion and it was adopted.

MINUTES OF THE 1975 RURAL ELECTRIC MANAGEMENT DEV. COUNCIL ANNUAL MEETING

Chairman Overman called for other business, there being none, he declared the meeting adjourned.

Barbara Deverick, Secretary

THE RURAL ELECTRIC MANAGEMENT
DEVELOPMENT COUNCIL

OPERATING STATEMENT

PERIOD ENDING APRIL 30, 1975

Income:

1975 Dues (Schedule A)	\$2,500.00
Interest from Investment	<u>673.20</u>
Total	\$3,173.20

Expenses:

Professional Fees and Expenses:

Bob Kabat	\$ 486.55
Edward F. Wilson	1,184.23

Research Committee:

May 6 - 7, 1974 Meeting	90.02
August 21, 1974 Meeting	115.89
November 11, 1974 Meeting	537.83
January 18 - 20, 1975 Meeting	508.18

Others:

1974 Meeting Room - Coffee Service, etc. . .	117.81
Flowers (Charlie Thompson)	<u>25.75</u>
Total	\$3,066.26
Net Gain	<u>\$ 106.94</u>

THE RURAL ELECTRIC MANAGEMENT
DEVELOPMENT COUNCIL

SCHEDULE A

1975 Dues Paid as of April 30, 1975

Morgan County REA	03-05-75	\$100.00
Tri-County Electric Cooperative, Inc.	03-12-75	100.00
West Plains Electric Cooperative	03-12-75	100.00
Cass County Electric Cooperative	03-13-75	100.00
Blue Ridge EMC	03-17-75	100.00
Carroll Electric Cooperative	03-17-75	100.00
Douglas County EMC	03-17-75	100.00
Kay Electric Cooperative	03-17-75	100.00
KEM Electric Cooperative	03-17-75	100.00
Lumbee River EMC	03-17-75	100.00
Yampa Valley Electric Association	03-17-75	100.00
East Central Electric	03-20-75	100.00
Ozarks Electric Cooperative	03-20-75	100.00
Morgan County REMC	03-22-75	100.00
White River Valley Electric Cooperative	03-22-75	100.00
Shenandoah Valley Electric Cooperative	03-24-75	100.00
Chugach Electric Association, Inc.	03-27-75	100.00
Four County EMC	04-01-75	100.00
Central Kansas Electric Cooperative	04-03-75	100.00
Adams Electric Cooperative	04-04-75	100.00
Cumberland EMC	04-04-75	100.00
Mecklenburg Electric Cooperative	04-04-75	100.00
San Isabel Electric Services	04-07-75	100.00
Sioux Valley Empire Electric Association	04-11-75	100.00
Cornhusker PPD	04-17-75	100.00
Total		\$2,500.00

THE RURAL ELECTRIC MANAGEMENT
DEVELOPMENT COUNCIL

BALANCE SHEET

April 30, 1975

ASSETS

Current:

Cash in Bank	\$ 1,121.53
Investments (Note 1)	<u>12,819.81</u>
Total	<u>\$13,941.34</u>

LIABILITIES AND MEMBERS' EQUITY

Members' Equity:

Retained Earnings	\$13,834.40
Net Gain	<u>106.94</u>
Total	<u>\$13,941.34</u>

Note 1 - Investments:

The Farmers State Bank - Fort Morgan, Colorado

Time Certificate of Deposit 3780	\$ 2,534.61
(5 1/2% Compounded 90 Days - Due June 5, 1975)	
Time Certificate of Deposit 3512	5,285.20
(5 1/2% Compounded 90 Days - Due June 18, 1975)	
Time Certificate of Deposit 3925	<u>5,000.00</u>
(5 1/2% Compounded 90 Days - Due July 10, 1975)	
Total	\$12,819.81

CRITERIA FOR MEMBERSHIP
IN THE
RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL

I. ACTIVE MEMBERSHIP

Active membership shall be limited to consumer-owned rural electric systems.

Eligibility:

- A. Member-systems shall be willing to accept and support the Viewpoints and Objectives of the Development Council and be governed by the membership criteria.
- B. Member-systems shall have demonstrated the practice of sound management as set forth in the Nomination for Membership.
- C. Member-systems shall be committed to the concept of continuing, comprehensive management development.
- D. Member-systems shall participate in the Development Council through the General Manager and not more than two other employees responsible for the implementation of broad management programs within the system. These participants shall meet the following requirements:
 1. Shall have developed a basis of broad understanding and support of the principles of progressive management and have demonstrated their ability to adapt conceptual thinking to successful general management, particularly as it relates to consumer-owned systems.
 2. Shall have demonstrated active involvement in delegation of authority, accountability for results, and other management techniques in implementing the broad objectives.
 3. Shall evidence a willingness to innovate, experiment, and search for improved methods.
 4. Shall be willing to share the results of such activities with other rural electric systems.

II. ASSOCIATE MEMBERSHIP

Associate memberships may be held by other consumer-owned enterprises which shall meet the criteria set forth for active membership, but shall be without vote.

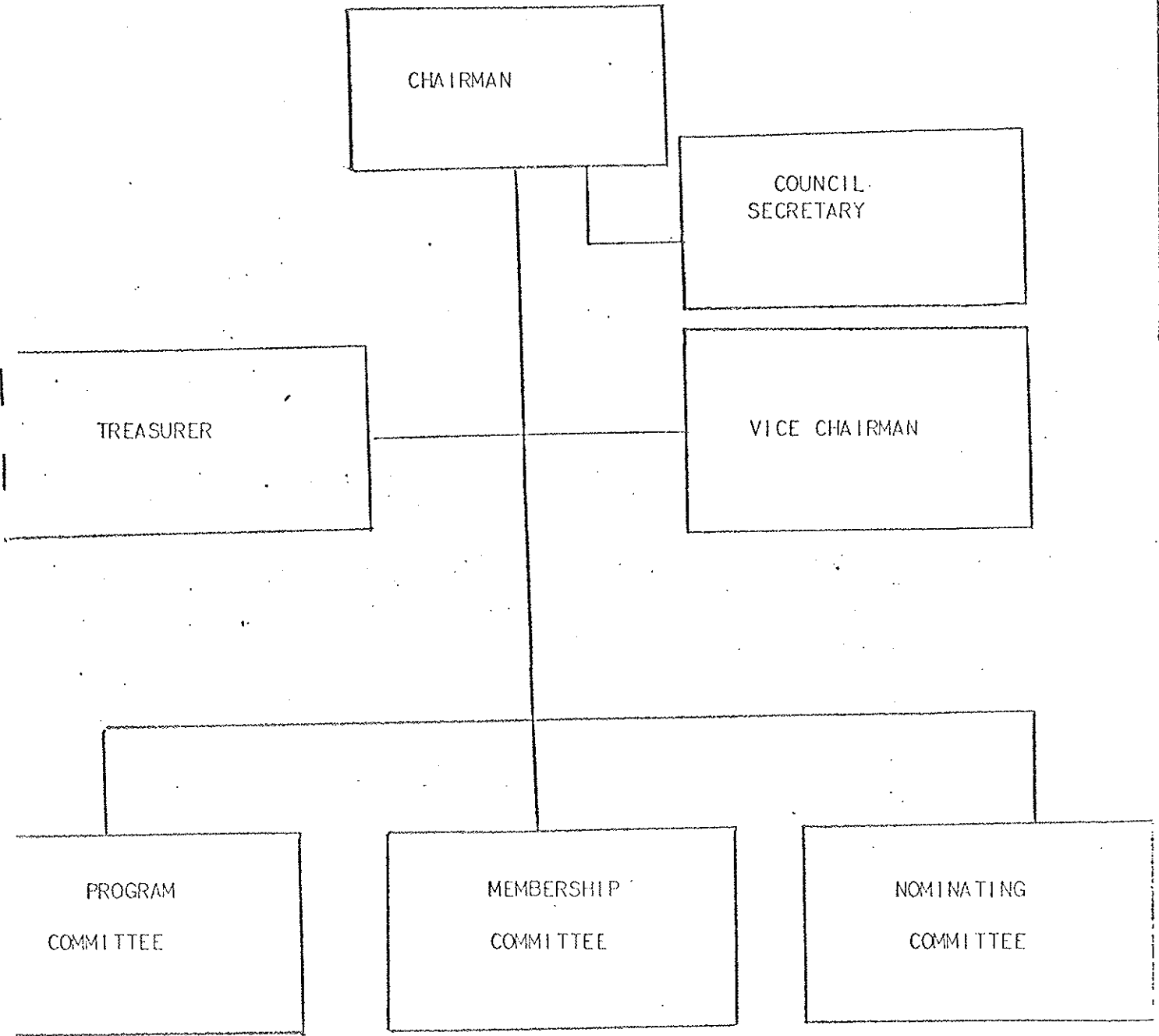
III. REQUIREMENTS FOR CONTINUING MEMBERSHIP

- A. Active and associate member-systems shall pay an annual membership due of \$100.00, whether or not they attend the annual meeting, and shall bear proportionately the cost of research projects and other expenses in excess of the amounts accumulated through annual dues.

III. REQUIREMENTS FOR CONTINUING MEMBERSHIP - cont'd

- B. Continuing membership in the organization will depend on the individual participants, as designated by the member-system, as follows:
1. Shall give constructive support to the purposes and programs of the organization.
 2. Shall attend all general meetings of the Development Council unless absent with valid cause as expressed in writing.
 3. Shall participate as requested in research projects which have been authorized by the organization.
 4. Shall appear on a Development Council annual meeting program as requested except with valid cause.

RURAL ELECTRIC MANAGEMENT DEVELOPMENT COUNCIL



FUNCTIONS

CHAIRMAN:

To act as general coordinator of the activities of the Development Council and preside at all business meetings. To issue notice of all regular meetings of the membership or special meetings of the cabinet. (The cabinet to be composed of the Chairman, Vice Chairman, Treasurer, and all committee chairmen). To represent the Development Council in relation to other organizations. Term of office to be three (3) years.

VICE CHAIRMAN:

To assume all duties of the Chairman in the absence of or inability of that officer. Term of office to be three (3) years.

TREASURER:

To collect all monies due the Development Council including regular membership dues and special assessments. To pay all bills submitted in proper form. To prepare an annual financial statement and forward to the Secretary for inclusion in the annual conference summary. Term of office to be three (3) years.

SECRETARY:

To be appointed annually by the Chairman. To keep a record of all proceedings, prepare, publish, and distribute annual conference summary. (May be assisted by Management Services Department of NRECA.)

COMMITTEES

All committees to be composed of a Chairman and three (3) members. The Chairman to be nominated by the nominating committee. All committee chairmen and committee members to serve staggered terms of three (3) years each.

PROGRAM CHAIRMAN:

To determine program content and format for the annual conference and secure outside speakers and appropriate participation from the membership. To provide for subject continuity in programming when desirable. To select the time and place for the annual conference and make all conference arrangements. (This can be accomplished through the Management Services Department of NRECA, including registration). The committee chairman shall preside at all program sessions.

MEMBERSHIP COMMITTEE:

Under the criteria established for admission to membership, select organizations each year who are actively engaged in management in the rural electrification field who will be offered membership in the Development Council. Evaluate compliance of member systems with criteria.

NOMINATING COMMITTEE:

To nominate all officers and committee chairmen, as necessary, for submission to the annual conference for election. All nominations shall be submitted in writing, certified by the chairman of the committee, and deposited with the conference secretary.

Amended 5/75

OFFICERS AND COMMITTEES FOR 1976 DEVELOPMENT COUNCIL

Chairman . . .	Charles Overman	Term expires in 1978
Vice Chairman . .	L. P. "Bill" Beverage	Term expires in 1976
Treasurer . . .	Bevis Hanna	Term expires in 1977
Secretary . . .		Appointed Annually by Chairman

PROGRAM

Chairman . . .	Everett Bristol	Term expires in 1978
	Bill Loomis	Term expires in 1977
	Derl Hinson	Term expires in 1978
	Mark McNeil	Term expires in 1976

NOMINATING

Chairman . . .	Clyde Hukills	Term expires in 1977
	R. Andy Bruton	Term expires in 1978
	Mark McNeil	Term expires in 1978
	Millard Goff	Term expires in 1976

MEMBERSHIP

Chairman . . .	Robert Weathers	Term expires in 1977
	Lawrence Moderow	Term expires in 1978
	Virgil Herriott	Term expires in 1976
	Olaf Sandvick	Term expires in 1977

MANAGEMENT RESEARCH

Chairman . . .	Ed Gaither	Term expires in 1977
	James Kiley	Term expires in 1978
	James Golden	Term expires in 1976
	Cecil Viverette	Term expires in 1976

- A. All committee members and officers elected for a 3-year term.
- B. Chairman of each standing committee named by the Nominating Committee and serve for 3 years when elected.