

***SOUTHSIDE ELECTRIC COOPERATIVE
2018 ANNUAL MEETING
HOOPER PARK, CREWE, VIRGINIA
SEPTEMBER 22, 2018 @ 11:15 A.M.***

The Annual Meeting of the members of Southside Electric Cooperative was held at Hooper Park, 1500 feet west of the Cooperative Headquarters Office, on U. S. Highway No. 460, in the Town of Crewe, State of Virginia, at 11:15 a.m. on Saturday, September 22, 2018.

INTRODUCTIONS

Ronald White, Vice President of Member & Public Relations, introduced Frank W. Bacon, Board Chair of Southside Electric Cooperative, to the membership. Board Chair Bacon presided over the meeting.

Pastor Stedman Payne, Sr. of Abundant Life Ministries in Hurt, Virginia was introduced and gave the invocation.

The membership was asked to rise for the presentation of the Colors by the Nottoway County High School JROTC Color Guard, led by John Kleg. Ronald White, VP of Member & Public Relations and retired Army Lieutenant Colonel, gave the Pledge of Allegiance and L. A. Fowlkes of Nottoway County High School sang the National Anthem. The Color Guard then retired the Colors.

Board Chair Bacon also recognized the special guests attending the Annual Meeting.

Ronald White announced the winner of the Grand Prize drawing, Vance E. Franklin of Phenix, Virginia.

McKaellen Wilkerson of Crewe, who attends Kenston Forest, spoke regarding her experience at the NRECA Youth Tour in Washington, DC.

BUSINESS MEETING

The business meeting was called to order and motion was requested from the membership to appoint Frank F. Rennie, IV, Southside Electric Cooperative's General

Counsel, as parliamentarian over the business session of the meeting, and to appoint Christine Marston, Executive Assistant, as recording secretary of the meeting.

On motion made and seconded:

“Frank F. Rennie, IV is appointed as Parliamentarian over the Business Session of the meeting and Christine Marston is appointed as Recording Secretary.”

MOTION CARRIED

Board Chair Bacon introduced Marcus Harris President/CEO of Old Dominion Electric Cooperative, the SEC’s generation and transmission cooperative, to give some remarks.

SECRETARY’S REPORT

Board Chair Bacon introduced the members of the Board of Directors of Southside Electric Cooperative, and then called Paul S. Bennett, Secretary of the Board of Directors, to read the notice of the meeting and quorum statement. After proof of due notice of the meeting, the attendance was checked, and it was determined that 616 members were present in person, and 1,816 members were present by proxy, said members constituting a quorum of the membership for the purpose of this meeting. A list of those present in person and by proxy will be retained by the Cooperative.

On motion made and seconded:

“The reading of the minutes of the 2017 Annual Meeting of members is dispensed with, since a copy of such minutes was published in the Cooperative Living magazine and said minutes are approved as written.”

MOTION CARRIED

REPORT OF OFFICERS

The next order of business, according to the *Bylaws*, was the presentation of reports of officers, which will be attached to and made a part of the Annual Meeting Minutes. This included the Board Chair’s report and the President/CEO’s report.

On motion made and seconded:

“The reports of officers are approved as presented.”

MOTION CARRIED

UNFINISHED BUSINESS

The floor was opened for unfinished business, but there was none.

NEW BUSINESS

The floor was opened for new business. Board Chair Bacon introduced General Counsel Frank Rennie to conduct the remainder of the meeting.

Nominations were received for Districts I, II and III pursuant to the Bylaws. Board members are elected for a 3-year term and petitions must be received by all nominees not less than 60 days before the Annual Meeting of the members. A list of candidates for all districts shall be mailed to each member not less than 10 days before any meeting where directors are to be elected. Accordingly, the following were placed in nomination:

District I – William T. White
District II – Earl C. Currin, Jr.
District III – Charles J. Friedl

A Credentials and Elections Committee, made up of SEC members, has been appointed to oversee the election process which will be conducted by parliamentary rule. Unopposed nominees may be elected by acclamation.

On motion made and seconded:

“Nominees for Districts I, II and III are unanimously elected by acclamation to represent their territorial district.”

MOTION CARRIED

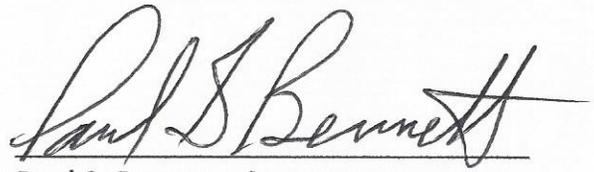
General Counsel Rennie then proceeded with the remainder of the meeting.

QUESTION AND ANSWER SESSION & ADJOURNMENT

General Counsel Rennie opened the floor for a question and answer period. There were none.

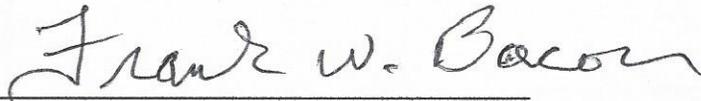
Ronald White, Vice President of Member & Public Relations was called to the stage to draw and announce the winner of the Proxy Prize. That winner is David Barrett of Powhatan Virginia.

There being nothing further to come before the meeting, it was adjourned at
11:55 p.m.



Paul S. Bennett, Secretary

Approved:



Frank W. Bacon, Board Chair



Christine Marston, Recording Secretary

CHAIR'S REPORT

WELCOME

Good morning. On behalf of your Board of Directors, welcome to your annual meeting. We want to thank you for attending to learn more about your cooperative, and to develop a better understanding of some of the cooperative's accomplishments.

Our annual meetings are always great events. Our employees work diligently to make sure there are lots of activities to participate in. Some are beneficial to you personally like the health fair, others more educational, like our right of way exhibit, while others are both educational and entertaining like the pole climbing demonstrations. We want to make sure you enjoy yourselves and find that taking time out of your weekend was time well-spent.

BOARD RESPONSIBILITIES

On behalf of the entire Board, I want to thank you for your confidence in us, and for giving us the opportunity to represent you on the cooperative Board. Sometimes members ask me to describe our responsibilities as Directors. I would like to take a few minutes to discuss our roles and the various things we do on your behalf. First, we are a policy setting Board, which means we don't manage the cooperative daily. We develop and adopt policies that our CEO and the management team use in the daily operation of the cooperative. This is different from a lot of Boards, but it is very effective at Southside Electric

Cooperative. Your Board members attend monthly meetings where we receive reports from management that allow us to gauge how well policies are being followed, and how well the cooperative is performing in all areas. We review monthly financial statements and reports pertaining to safety, reliability, cyber security, operations, customer service and legal issues. We review proposed legislation and develop plans on how to address any concerns we have over potential impacts to you as cooperative members living in rural areas. We also review any member concerns during these monthly meetings. In preparation for our monthly meetings we review a Board packet that is usually quite lengthy but provides great detail about the progress of the cooperative. We also receive status reports on approved projects. Annually, we review the audited financial report provided by our audit firm, Adams Jenkins and Cheatham. We also conduct strategic planning sessions and governance assessments on a regular basis. On a regular basis throughout each month, we read and study issues, events, and best practices taking place across the industry that could impact your cooperative. We constantly strive for continuous improvement of service to you, our members. We visit our legislators in Richmond and Washington to discuss issues that we all face as rural constituents. We also attend community events as representatives of your cooperative. One of our most important responsibilities is to attract and retain a quality CEO. The search process for this takes approximately a year to complete. You can see that serving on the cooperative Board

keeps us busy on a regular basis throughout each month. The average time each director spends performing cooperative responsibilities exceeds 40 hours per month. While it takes dedication and commitment, your Board members appreciate the opportunity to serve you.

ACCOMPLISHMENTS

Your board receives many compliments regarding all aspects of the cooperative, particularly about the reliability and service you receive as members of Southside Electric. We are always happy to hear that our goals regarding both reliability and service challenge management and the employees to exceed your expectations. I am happy to tell you that your cooperative continues to receive its highest scores in our history from our American Customer Satisfaction Index surveys. We get detailed, quarterly reports as these surveys are completed. I want you to know that your Board and management team take these surveys seriously and always welcome your feedback. Our service reliability which measures how well we “keep the lights on” continues to improve. CEO Jeff Edwards will provide more details on reliability during his report.

It is important to the Board that we find ways to improve our communities. You will see cooperative employees and directors at numerous community events. Your cooperative sponsors and participates in many of these activities to make improvements, even if in a small way. We have really focused on helping youth that live in our service area. It can be

something as simple as setting scoreboards for sporting events, or changing lights on tall poles at ballfields. The Board is particularly proud of one project we began three years ago, the establishment of the Southside Opportunity Fund. This fund raises money and awards scholarships for children of cooperative members. We have awarded a total of \$60,000 in scholarships in just three years. All monies awarded are obtained by fundraising efforts like our annual golf and skeet shooting tournaments. Both events raise approximately \$15,000 each, annually. We also had two lots donated by cooperative members in Runaway Bay subdivision in Campbell county. These lots will be auctioned off and the money raised will be placed into the SOF bank account to support additional scholarship.

CONCLUSION

I will end by reminding you that it is a pleasure to serve as your representative on the Board of the cooperative, and a pleasure to be able to contribute to our local areas in such a positive fashion. I will now call on our CEO, Jeff Edwards to present the CEO report.

PRESIDENT/CEO ANNUAL REPORT

Good morning. It is always great to see such a large group of cooperative members at our annual meeting. I think it is safe to say that we have the largest attendance of any electric cooperative in Virginia, and it is indeed a pleasure to serve as the CEO at a cooperative where the members take such an interest in the happenings of their electric cooperative.

I attended an educational program recently where they attempted to tell the group how to best communicate with the new members the cooperatives are serving. They told us we should take advantage of social media, use Facebook, Twitter, Instagram, etc. We have been doing this for several years and very successfully I might add. They also told us to not refer to members as owners, instead we should use the term member-consumers. I am not sure I agree with that concept. I think it is safe to assume that everyone in attendance at today's meeting understands that you are indeed the owners of Southside Electric Cooperative. The capital credits we retire in December each year is evidence of that ownership. Dr. Bacon has already mentioned that we will be retiring \$3 million dollars this year to our

owners, for a total retirement of \$56.1M since our inception, and \$11.5M over the past 3 years. I know he has already gave you that total, but it sounds so good I wanted to say it again.

The directors you have elected that are on stage behind me are another sign of your ownership. You all select these individuals to serve on the Board, and they are responsible for seeing that the cooperative is meeting your needs. They do a great job of looking out for your interests and making sure the membership as a whole is protected.

I want to take a few minutes and review some of our accomplishments since we met last year. We are always looking for ways to save on expenses since every dollar that we spend must be recovered through our electric rates. We began offering paperless billing a few years ago and have saw the number of members participating in that process increase to approximately 7,400 accounts. I realize that doesn't seem significant, but that number of participants equals savings of almost \$70,000 annually. As the number of participants continues to grow, so will the savings.

Your management team has worked diligently to reduce bad debt write-offs and the expense of collections. 10 years ago, we wrote off approximately \$1M annually in bad debt. Through improvements in our business processes, we have reduced that dramatically, and wrote off slightly more than \$3000 in 2017, a 99% reduction in net write offs. With the reduction in correlated collection expenses, our annual cumulative savings exceeds \$1.5M. That is money we don't have to collect from you.

We have purchased all of our wholesale power supply from our Generation and Transmission cooperative, Old Dominion Electric Cooperative for over 30 years. There is a provision in our contract that allows us to purchase 5% of our power from other providers. We have analyzed that option for several years and chose to exercise that take in May of this year. This results in power cost savings of more than \$1M annually for a period of 5 years.

We also closed all documents regarding the construction of the Powhatan to Amelia transmission line. This project not only resulted in much improved reliability for the members served out of the Amelia substation, it resulted in annual savings of \$442K due to transmission credits. When added to our other construction projects built over

the last 10 years, we experience savings from transmission credits of almost \$1.8M annually.

When you combine the aforementioned projects, we have cut over \$4.3M from our annual expenses by proactively managing programs that improve our service to you while substantially reducing expenses. These are the types of programs that the Board expects us to identify and take advantage of on your behalf.

Like most businesses, almost all work is done using technology, computers, servers, mobile devices, etc. This creates exposure to people with bad intentions, so we must be ever vigilant when it comes to cyber security. Our Board has reviewed and adopted a cyber security policy to protect your interests. They also receive a monthly cyber security report so that they are constantly up to date regarding any and all attempted intrusions. This process included upgrading firewalls to improve security relating to mobile devices.

Our management team completed, and the Board approved our 2017 – 2020 Construction Work Plan. This plan details how the majority of the cooperative's time and money will be spent over the next 4 years. This includes major projects, and estimates, based upon

historical performance, and how many new services we expect to add during that time. We have seen little to no growth over the past 9 years, but I can now report we are seeing a slight increase in member growth.

The Engineering Department updated our reliability plan. This plan identifies our worst performing circuits and outlines mitigation plans to improve service on those circuits. This updated plan includes new reliability goals established by the Board of Directors during their strategic planning session. These are ambitious goals and require complete dedication by all SEC employees to achieve. We have seen tremendous improvements in our reliability and our improvement trend continues to garner recognition from you, our members.

As I mentioned earlier, we have seen a slight uptick in member connections over the past year, and we also added the VCU hospital in South Hill. That was the largest single load we added last year. The hospital is a great addition to our membership with a steady, 24 hour a day, 7 day a week presence on our system.

I hope you have encountered SEC employees at various community events as you participate in those around our service territory. We have made a conscious effort to

increase our attendance across the territory and have received numerous compliments about our presence or sponsorship of these events. Please stop by and visit with our employees when you see the SEC tent. We always enjoy meeting and talking to our members.

Dr. Bacon mentioned earlier the success we have had with the Southside Opportunity Fund. We also continue to offer our Day in the Life of a Lineman program to create awareness of job opportunities available in the power line industry. Our support of the Power Line Workers program at SVCC has been a tremendous success and we have graduated over 150 students from this program since its inception, several of whom now work for us.

Lastly, in an on-going effort to better understand your thoughts about our level of service, we continue to conduct 4 annual member satisfaction surveys. Your feedback is extremely valuable for us as we embark on planning future projects and to help us identify the need for other services.

As always, I want to recognize the employees at SEC. They are wearing the maroon shirts and hats and are the ones who provide you with exemplary service every day.

I also want to thank my wife Jane and my two sons who always support me, giving me the time to concentrate on managing the cooperative. I appreciate their support very much.

Lastly, I want to thank the Board and you the members, for allowing me to serve as your CEO. I truly have the best job in the world.

I hope you have a great day and that you have enjoyed our meeting.