

Minutes of the Board of Directors of the  
Sulphur Springs Valley Electric Cooperative, Inc.

May 25, 2016

A regular meeting of the Board of Directors of the Sulphur Springs Valley Electric Cooperative, Inc. (SSVEC) was held Wednesday, May 25, 2016 in the SSVEC Sierra Vista Boardroom, 311 East Wilcox Drive, Sierra Vista, Arizona.

President English called the meeting to order at 9:32 a.m. Members arriving at any time during the meeting would be recognized. The following directors were present:

*CALL TO ORDER*

District

- |                                |                                 |
|--------------------------------|---------------------------------|
| 1 - Kathy Thatcher – Secretary | 8 - Peter Gillespie             |
| 2 - Curtis Nolan - Treasurer   | 9 - Lex Herron                  |
| 3 - Pat English - President    | 10 - Gary Payne                 |
| 4 - Tom Goodman                | 11 - Ed Molina – Vice President |
| 6 - Dan Barrera                | 13 - Gene Manning               |

All directors were present. Crede W. Huber, Chief Executive Officer, Chris Hitchcock, General Counsel, and the following SSVEC employees were also present: Jack Blair, Kirby Chapman, Daniel Wilson, Ricardo Garcia, Steve Morrison, and Char Bennett.

President English announced there was a quorum.

Mr. Nolan gave the invocation and led the Pledge of Allegiance.

The agenda for this May 25, 2016 meeting was presented.

*APPROVAL OF  
AGENDA*

Mr. Goodman made a motion to approve the agenda as presented. Mr. Barrera seconded the motion, which carried.

The minutes of the regular meeting held April 20, 2016 were presented.

*APPROVAL OF  
MINUTES*

Mr. Herron made a motion to approve the minutes as presented. Mr. Nolan seconded the motion, which carried.

The minutes for the April 21, 2016 special meeting were presented.

Mr. Barrera made a motion to approve the minutes as presented. The motion was seconded and carried.

The minutes for the April 21, 2016 annual meeting were presented for review.

No changes were suggested. The minutes will be presented to SSVEC membership during the 2017 annual meeting.

The minutes for the April 21, 2016 regular meeting were presented.

Ms. Thatcher made a motion to approve the minutes as presented. Mr. Molina seconded the motion, which carried.

No members were present for the Call to Members.

*CALL TO  
MEMBERS*

Under the Call to Directors, Mr. Nolan stated that Board Policy A-10, Directors' Fees, Travel and Expenses, is under review and revision and withdrew his previous request to attend the NRECA Summer School West. He asked the Board to consider, upon re-adoption of Board Policy A-10, his participation in the NRECA Leadership Gettysburg Experience. This training would provide a point toward Director Gold recertification.

*CALL TO DIRECTORS*

After full discussion, Mr. Molina made a motion to make an exception to Policy A-10 as it is currently written and to approve Mr. Nolan's request to attend the Gettysburg Leadership Experience. Ms. Thatcher seconded the motion, which carried.

President English reported that a new alternate SSVEC representative to the GCSECA Board of Director meetings was needed and then appointed Mr. Molina to the position.

Directors and key staff reviewed Policy A-29, Conflicts of Interest, and each signed the related form.

*Policy A-29*

The Executive Committee discussed the board meeting agenda and Policy A-29.

*GOVERNANCE COMMITTEE REPORTS Executive Committee*

President English appointed the 2016-2017 Board committees during the April 21, 2016 regular meeting.

*Board Committees 2016-2017*

Executive	Finance/Budget	Policy	Employee Relations
English, Chair	Nolan, Chair	Molina, Chair	Thatcher, Chair
Molina	Manring	Goodman	Gillespie
Thatcher	Barrera	Herron	Payne
Nolan			

The Policy Committee presented Policies E-25, Sexual & Other Harassment; E-29, Employee Complaint Resolution; and E-30, HIPAA Privacy Policies and Procedures for the Sulphur Springs Valley Electric Cooperative, Inc. Health Care Flexible Spending Account, Health Reimbursement Arrangement, Long-Term Disability, and Paid Time Off Policy, which were included in the board report.

*Policy Committee*

*Policies E-25, E-29 & E-30 Readopted*

After full discussion and with the Committee's recommendation, Mr. Molina made a motion to approve Policy E-25 as presented. The motion carried.

Grammatical corrections to Policy E-29 were suggested.

With the Committee's recommendation, Mr. Molina made a motion to approve Policy E-29 as further amended. The motion carried.

With the Committee's recommendation, Mr. Molina made a motion to approve Policy E-30 as presented. The motion carried.

The approved policies are attached to and made a part of these minutes.

The Committee reviewed Policies A-10, Directors' Fees, Travel and Expenses; F-1, Licensing Agreement; F-2, SSVEC Vehicles, and will present them for Board consideration in June.

Mr. Nolan reported that the Committee had identified their strategic issues: SSVEC's rate case, AEPCO generation, contract labor, long-term financial position and the Fort Huachuca contract.

*Finance Committee*

The Committee presented the March 2016 Form 7, which was included in the board report.

With the Committee's recommendation, Mr. Nolan made a motion to accept the March 2016 Form 7 as presented. The motion carried.

The Committee reviewed vouchers presented by directors and the CEO.

With the Committee's recommendation, Mr. Nolan made a motion to accept the vouchers. The motion carried.

Mr. Nolan referred to a letter regarding the CFC Integrity Fund, which was included in the board report. He noted that in past years SSVEC has provided a \$5,000 donation to this fund, which has national and regional impact. The fund assists cooperatives facing territorial integrity issues or other challenges that threaten a system's ability to exist under the cooperative business model.

*CFC Integrity Fund*

After full discussion and with the Committee's recommendation, Mr. Nolan made a motion to recommend that SSVEC write a check in the amount of \$5,000 to the CFC Integrity Fund. The motion carried.

With no objections stated, the Board entered into Executive session at 9:54 a.m.

The Board returned to the regular meeting at 10:11 a.m.

Mr. Morrison did not return to the regular meeting.

The Employee & Customer Relations Committee reviewed the 2016 Annual Meeting survey results, which were included in the board report.

*Employee & Customer Relations Committee*

The Committee reviewed proposed revisions to Policy E-2, Compensation and Job Evaluation, which was included in the board report.

After full discussion and with the Committee's recommendation, Ms. Thatcher made a motion to re-adopt Policy E-2 as presented. The motion carried.

*Policy E-2 Readopted*

The updated Policy E-2 establishes the provisions of overtime, double time and on-call pay and meal allowances.

The Committee reviewed three Operation RoundUp applications of which two had been approved by staff.

The Committee discussed scholarship and Washington Youth Tour funding and will make their recommendations during the SSVEC Foundation meeting of trustees scheduled to be held after this regular board meeting.

President English asked Mr. Huber for his CEO Report. A written report was included in the board report.

*CEO Report*

Mr. Huber shared a thank you note and updated the Board on employee Orson Garnsey's progress and recovery timeline.

Mr. Huber updated the Board on the SSVEC strategic plan. A written report was included in the board report.

*Strategic Plan Update*

Mr. Huber noted that lessons from recent training are being implemented and that some strategic plan documents will be reformatted. Board-approved goals will not be changed. He distributed copies of scorecards that each department uses to implement and follow the strategic plan's goals.

Controllable costs are under control, agency ratings and equity are on track, and we have exceeded the Board's goal for the members per employee ratio.

Mr. Huber reported that he had visited the Mesquite Substation site and the solar site at Apache Station.

Employee David Bane joined the meeting.

Written staff reports were included in the board report.

*STAFF  
REPORTS*

Staff responded to questions asked by directors.

Mr. Bane made a PowerPoint presentation and reported on the proposed 2017 REST Plan (Plan). An executive summary and a proposed resolution were included in the board report.

*2017 REST  
Plan*

Mr. Bane discussed the goals of the Plan and budget projections. He noted that the REST program is fully funded by the REST surcharge and has no impact on the SSVEC budget.

Requested changes include the removal of incentives for alternative energy, which would then be handled on a case-by-case basis as requests occur, and ending participation in the AZ Goes Solar website, which has seen very little member interest.

After full discussion, Mr. Nolan made a motion to adopt Resolution 2016-04. Mr. Herron seconded the motion, which carried.

WHEREAS, Sulphur Springs Valley Electric Cooperative (SSVEC), an electric cooperative company in Arizona, is required to submit annual updates to the REST program and tariff, in the course of normal operations.

*Resolution  
2016-04*

BE IT RESOLVED that the Board of Directors of SSVEC has reviewed the 2017 REST program presented by the SSVEC Management and Staff and fully supports the 2017 REST plan to be submitted to the ACC for approval.

Mr. Bane referred to an executive summary and proposed power contract regarding Apache Nitrogen, which were included in the board report.

*Apache  
Nitrogen  
Contract*

Mr. Bane noted that Apache Nitrogen Products, Inc. (APNI) was SSVEC's first industrial load in 1952. Their current 15-year contract will expire this year. The new, proposed contract would be a one-year contract that renews automatically each year with future rate case updates.

After full discussion, Mr. Manring made a motion to approve the contract for submittal to the Arizona Corporation Commission (ACC) for consideration. The motion was seconded and carried.

Mr. Bane left the meeting.

President English asked Ms. Thatcher and Mr. Barrera for the AEPCO Report. The summary of the May 11, 2016 board meeting was included in the board report.

*AEPCO Report*

The AEPCO Board was updated on risk management, finance, generation and environmental issues.

Mr. Huber referred to AEPCO's executive summary and related information regarding the Environmental Compliance Adjustment Rider (ECAR), which were included in the board report. He stated that all of the G&T's member cooperatives must authorize the filing of the ECAR tariff, which

*ECAR Tariff*

provides a mechanism to define costs incurred due to environmental regulations on coal generation units.

After full discussion, Mr. Barrera made a motion to authorize AEPCO to implement the ECAR tariff upon approval by the ACC. Mr. Molina seconded the motion, which carried.

Information regarding AEPCO's request for designation of voting delegates was included in the board report. President English appointed Ms. Thatcher and Mr. Barrera as voting delegates to AEPCO's annual and special meetings for the coming year. He appointed Mr. Manring and Mr. Nolan as alternate voting delegates.

Employees Jorge Lara, Jay Kiplinger and Robb Jacobs joined the meeting. They introduced themselves and joined the Board for lunch. Employee Daniel Myers joined the meeting during the lunch break and introduced himself.

Mr. Lara, Mr. Kiplinger, Mr. Jacobs and Mr. Myers left the meeting. Mr. Bane returned to the meeting.

Mr. Herron and Mr. Huber reported on the 2016 NRECA Legislative Conference they recently attended.

The Board reviewed schedules for the 2016 GCSECA Summer Meeting, 2016 NRECA Conferences and training, the 2016 CFC Forum, 2016 Summer Schools and the 2016 CoBank Directors Conference.

The NCSC annual meeting will be held during the 2016 CFC Forum schedule. Information regarding the meeting and designation of a voting delegate was included in the board report.

President English appointed Mr. Huber as SSVEC's voting delegate to the NCSC annual meeting.

The Board returned to executive session at 12:20 p.m.

The regular meeting reconvened at 1:07 p.m.

A motion was made, seconded and carried to adjourn the meeting.

With no objections and there being no further business, President English adjourned the meeting at 1:08 p.m.

Respectfully submitted,

Secretary

Approved:

President