

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

June 22, 2016

A regular meeting of the Board of Directors of the Sulphur Springs Valley Electric Cooperative, Inc. (SSVEC) was held Wednesday, June 22, 2016 in the SSVEC Benson Operations Boardroom, 1557 Cooperative Way, Benson, Arizona.

President English called the meeting to order at 9:36 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 Manring               |

All directors were present. Creden 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, Earl Wobensmith, and Char Bennett.

President English announced there was a quorum.

President English gave the invocation and led the Pledge of Allegiance.

The agenda for this June 22, 2016 meeting was presented.

*APPROVAL OF  
AGENDA*

Mr. Nolan made a motion to approve the agenda as presented. Mr. Molina seconded the motion, which carried.

The minutes of the regular meeting held May 25, 2016 were presented.

*APPROVAL OF  
MINUTES*

Mr. Herron suggested a correction.

Mr. Payne made a motion to approve the minutes as corrected. Mr. Herron seconded the motion, which carried.

The minutes of the May 25, 2016 Foundation meeting were presented for review.

No changes were suggested. The minutes will be considered at a future meeting of the Foundation Board of Trustees.

The minutes of the May 25, 2016 Charitable Trust meeting were presented for review.

No changes were suggested. The minutes will be considered at a future meeting of the Foundation Board of Trustees.

No members were present for the Call to Members,

*CALL TO  
MEMBERS*

Under the Call to Directors, Mr. Manring commended the employees who worked on the recent substation outage in Huachuca City. Mr. Huber noted that approximately 50 employees were involved.

*Call to Directors*

The Executive Committee discussed the board meeting agenda and Fort Huachuca issues.

*GOVERNANCE  
COMMITTEE  
REPORTS  
Executive  
Committee*

The Policy Committee presented Policies A-10, Directors' Fees, Travel and Expenses; F-1, Licensing Agreement; F-2, SSVEC Vehicles, which were included in the board report.

*Policy  
Committee*

Additional changes to Policy A-10 and its form, Director Expense Record, were recommended.

*Policies A-10,  
F-1 & F-2  
Readopted*

After full discussion and with the Committee's recommendation, Mr. Molina made a motion to approve Policy A-10 and the Director Expense Record as further revised. The motion carried.

With the Committee's recommendation, Mr. Molina made a motion to approve Policy F-1 as presented. The motion carried.

With the Committee's recommendation, Mr. Molina made a motion to approve Policy F-2 and its form as presented. The motion carried, with Mr. Nolan voting no.

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

The Committee reviewed Policies F-3, Power Procurement Procedures; F-4, Sale of Materials and Supplies; and F-5, Annexations, and will present them for Board consideration in July.

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

*Finance  
Committee*

With the Committee's recommendation, Mr. Nolan made a motion to accept the April 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 reviewed the revised Director Expense Record with the Board.

The Employee & Customer Relations Committee discussed annual meeting suggestions that had been presented during the pre-CFC Forum training that Ms. Thatcher had recently attended. Mr. Blair was asked to follow up on the viability of the suggestions for potential inclusion in SSVEC's annual meeting program.

*Employee &  
Customer  
Relations  
Committee*

Employee Orson Garnsey joined the meeting via telephone.

*CEO Report*

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

Mr. Huber discussed AEPCO's notice of building solar generation and reported that he had signed a non-binding request for 2 megawatts of power from the potential solar project.

Mr. Huber updated the Board on personnel changes.

Written staff reports were included in the board report.

STAFF  
REPORTS

Staff responded to questions asked by directors.

President English asked Mr. Wobensmith for the annual safety update.

Annual Safety  
Update

Mr. Wobensmith made a PowerPoint presentation, which was included in the board report, and updated the Board on the status of SSVEC's safety program and initiatives.

There were no lost-time accidents in 2015, for the third year in a row. SSVEC's 2014 Total Recordable Incident Rate "TRIR" was 1.1, compared to an industry rate of 2.8; SSVEC's Days Away, Restricted or Transfer Rate "DART" was 0.0, compared to 1.5 for the industry.

Completed initiatives include compliance with revised Occupational Safety & Health Administration "OSHA" standards for confined spaces. SSVEC's program was re-evaluated and changes were made accordingly.

SSVEC's 2015 Experience Modifier "EMOD" was an exemplary 0.71, which effected a savings of \$60,000 in the cooperative's worker's compensation premium with Federated Rural Electric Insurance Exchange (Federated).

Cost Savings -  
Worker's Comp  
Premium

Planned initiatives include implementation of Safety Bonus Procedure 2.17, which is designed to encourage SSVEC's culture of safety. Arizona Department of Occupational Safety & Health "ADOSH" will visit SSVEC facilities in late July as a part of the recertification process for the Safety and Health Achievement Recognition Program "SHARP", which recognizes good safety programs. The Rural Electric Safety Achievement Program "RESAP" recertification process will take place in late 2016. RESAP certification effects a five percent discount on our Federated liability insurance premium.

Liability  
Premium Cost-  
Savings

President English thanked Mr. Wobensmith for his update.

President English asked Ms. Thatcher and Mr. Barrera for the AEPCO Report. The summary of the June 1, 2016 board meeting was included in the board report.

AEPCO Report

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

Participants reported on the AEPCO Annual Meeting held June 2, 2016.

Participants reported on the 2016 CFC Forum they recently attended.

OTHER  
BUSINESS

The Board reviewed schedules for the 2016 GCSECA Summer Meeting, 2016 NRECA Conferences and training, 2016 NRECA Summer Schools, 2016 Gettysburg Leadership Experience, 2016 NRECA Region 8-10 Meeting, and 2016 NRECA Winter School.

A letter from the National Rural Utilities Cooperative Finance Corporation (CFC) requesting candidates for the District 10 director-director seat was included in the board report. The election will be finalized during the CFC District Meeting in October 2016, and the winning candidate will be seated during the 2017 CFC Annual Meeting.

Mr. Wobensmith left the meeting.

The Board entered into executive session at 12:42 p.m.

The regular meeting reconvened at 1:10 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 1:10 p.m.

Respectfully submitted,

Secretary

Approved:

President