

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

September 21, 2016

A regular meeting of the Board of Directors of the Sulphur Springs Valley Electric Cooperative, Inc. (SSVEC) was held Wednesday, September 21, 2016 in the SSVEC Benson Operations boardroom, 1557 Cooperative Way, Benson, Arizona.

President English called the meeting to order at 9:16 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: Kirby Chapman, Jack Blair, Daniel Wilson, Ricardo Garcia, Orson Garnsey, and Char Bennett. Also present were Benson member Sara Kazmarzyk and Bolinger, Segars, Gilbert & Moss lead auditor Bob Beam.

President English announced there was a quorum.

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

The agenda for this September 21, 2016 meeting was presented.

*APPROVAL OF
AGENDA*

A correction to the date stated on the agenda attachment was requested.

Mr. Barrera made a motion to approve the agenda as amended. Mr. Herron seconded the motion, which carried.

The minutes of the regular meeting held August 17, 2016 were presented.

*APPROVAL OF
MINUTES*

Mr. Manring made a motion to approve the minutes as presented. Mr. Payne seconded the motion, which carried.

The minutes of the regular meeting held July 29, 2015 were presented for correction.

*Revisit July 29,
2015 Minutes*

Mr. Huber stated that the approved writeoffs amount should have stated \$35,482.02.

A motion was made, seconded and carried to correct the July 29, 2015 minutes as recommended.

Under the Call to Members, Mrs. Kazmarzyk thanked the Board for holding their meeting locally. She expressed concern about power outages she has experienced and commented on executive salaries as they were reported by a local radio station operator

*CALL TO
MEMBERS*

Mr. Huber told Mrs. Kazmarzyk that staff would look into the outages and respond to her.

Under the Call to Directors, Mr. Barrera reported that he recently enjoyed a visit with former director Harold Hinkley.

*Call to
Directors*

Mr. Manring expressed his thanks for the thoughtfulness shown following his grandson's accident.

Mr. Herron expressed appreciation for the recent article in *Currents* regarding our youth programs, stating that it was well written and publicized the cooperative's involvement in the community.

Mrs. Kazmarzyk left the meeting.

The Executive Committee discussed the board meeting and the strategic planning agendas and the proposed 2017 SSVEC calendar.

*GOVERNANCE
COMMITTEE
REPORTS
Executive
Committee*

The Committee presented the proposed 2017 SSVEC calendar of SSVEC meetings and events and a proposed resolution.

After full discussion, Mr. Manring made a motion to adopt Resolution 2016-06 as presented. Mr. Molina seconded the motion, which carried.

WHEREAS, the Sulphur Springs Valley Electric Cooperative, Inc. (SSVEC) Bylaws Section 5.01, "Regular Meetings", requires the Board of Directors to set monthly meeting dates and sites by resolution;

*Resolution
2016-06:
2017 Board
Meeting
Schedule*

AND, WHEREAS, SSVEC Board Policy A-11, "Board Meetings, Reports and Agendas", governs the scheduling of meetings of the Board of Directors;

AND, WHEREAS, the Board of Directors has fully discussed the suggested schedule of meeting dates and meeting sites for 2017;

BE IT RESOLVED THAT, the Board of Directors of Sulphur Springs Valley Electric, Inc., hereby adopts the following 2017 Schedule of Board Meetings:

January 18 - Willcox, February 22 – Sierra Vista, March 22 – Benson, April 19 - Willcox, May 17 – Sierra Vista, June 21 – Benson, July 19 – Willcox, August 23 – Sierra Vista, September 20 – Benson, October 18 – Willcox, November 21 – Sierra Vista, and December 20 - Benson.

BE IT FURTHER RESOLVED THAT, the Board of Directors hereby adopts a meeting date and site for the 2017 Annual Meeting:

April 20, 2017 – Benson

BE IT FURTHER RESOLVED THAT, all regular board meetings will be scheduled to commence at 9:30 a.m. and that these are the dates, places, and time set for the SSVEC Board of Directors' regular meetings for 2017.

Mr. Huber led discussion on potential dates for the Board's 2017 planning session.

After full discussion, Ms. Thatcher made a motion to hold the 2017 planning session on September 25 - 26. The motion was seconded and carried.

The site of the 2017 planning session will be determined at a later date.

The Policy Committee presented Policies F-8, Record Retention; G-1, Environmental Compliance; G-2, Hazards Communications Program, PCB Spills Containment Program; Spill Prevention & Control Countermeasure Plan; and G-3, Recycling, which were included in the board report.

*Policy
Committee*

*Policies F-8,
G-1, G-2 & G-3
Readopted*

An additional revision to Policy F-8 was recommended.

After full discussion and with the Committee's recommendation, Mr. Molina made a motion to approve Policy F-8 as further amended. The motion carried.

An additional revision to Policy G-1 was requested.

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

With the Committee's recommendation, Mr. Molina made a motion to approve Policy G-2 as presented. The motion carried.

With the Committee's recommendation, Mr. Molina made a motion to approve Policy G-3 as presented. The motion carried.

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

The Committee reviewed Policies A-1, Objectives of the Cooperative; A-2, Relationship with Lenders; and A-3, Organization of the Board and Election of Officers, and will present them for Board consideration in October.

The Finance Committee presented the June 2016 and July 2016 Form 7 financial statements.

*Finance
Committee*

With the Committee's recommendation, Mr. Nolan made a motion to accept the June 2016 and July 2016 Form 7 financial statements. The motion carried.

The Committee reviewed vouchers presented by the directors and the CEO.

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

Mr. Nolan asked Mr. Beam for the annual audit reports. Copies of the SSVEC, SSVEC Charitable Trust (Trust) and SSVEC Foundation (Foundation) audit reports for the audit year July 1, 2015 through June 30, 2016 had been previously mailed to directors and management. Mr. Beam had reviewed the audit reports with the Finance Committee prior to the board meeting.

Mr. Beam reviewed the SSVEC audit balance sheet, statement of income and patronage capital, and statement of cash flows. He noted his review of two issues – Fort Huachuca collectability and outstanding bills on the self-insured health plan. No adjusting journal entries were made or needed for this audit.

*Annual Audit
Report*

The balance sheet showed utility plant at \$341.3 million, long-term debt at \$155.8 million, and assets at \$295.4 million with equity of \$107 million, or 36.2 percent.

The statement of income and patronage capital showed operating revenues of \$98 million, operating margins of \$10.8 million and net margins of \$8.6 million.

The statement of cash flows showed net cash from operating activities of \$21.4 million, net cash from financing activities of (\$6 million), investing activities were (\$15.8 million) and year-end cash and equivalents totaled (\$503,000).

Mr. Beam reported that there were no issues with the Foundation and Trust audits. Approval of the Foundation and Trust audit reports would be considered at the meetings of those Boards.

After full discussion and with the Committee's recommendation, Mr. Nolan made a motion to accept the July 1, 2015 – June 30, 2016 SSVEC audit report. The motion carried.

President English thanked Mr. Beam for his reports as he left the meeting.

The Employee and Customer Relations Committee reported on their September 19, 2016 meetings with employees and supervisors and requested a survey be conducted to gather employees' opinions on the meetings.

*Employee &
Customer
Relations
Committee*

The Committee discussed the solar site ribbon cutting ceremony scheduled for December 21, 2016.

AEPCO Chief Executive Officer Patrick Ledger joined the meeting.

Mr. Ledger reported on AEPCO's consideration of distressed generation. The Apache Solar Project (Project) executive summary, project overview, proposed planning & subscription agreement and proposed power purchase agreement were included in the board report.

*AEPCO: Solar
Project*

AEPCO is offering a proposal to Class A members to acquire solar energy from a 17 MW solar generating facility. Interested distribution members may submit a non-binding indication of interest in participating in the project. Mr. Ledger discussed potential power supply and environmental issues and provided a financial analysis of the proposed Project.

Mr. Ledger thanked the Board for their time as he left the meeting.

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

CEO Report

Mr. Huber discussed plans for a ribbon-cutting ceremony at the solar field and suggested moving the December 21, 2016 board meeting to the Apache Power Plant in Cochise. Following the meeting, a luncheon and dedication ceremony would be held at the solar site.

Resolution 2015-11, which set board meeting dates and sites for 2016, was presented with the proposed revision to the December meeting site.

*Resolution
2015-11
Revised:
Change to
December
2016 Meeting
Site*

After full discussion, Ms. Thatcher made a motion to adopt the revision to Resolution 2015-11. Mr. Manring seconded the motion, which carried.

WHEREAS, the Sulphur Springs Valley Electric Cooperative, Inc. (SSVEC) Bylaws Section 5.01, "Regular Meetings", requires the Board of Directors to set monthly meeting dates and sites by resolution;

AND, WHEREAS, SSVEC Board Policy A-11, "Board Meetings, Reports and Agendas", governs the scheduling of meetings of the Board of Directors;

AND, WHEREAS, the Board of Directors has fully discussed the suggested schedule of meeting dates and meeting sites for 2016;

BE IT RESOLVED THAT, the Board of Directors of Sulphur Springs Valley Electric, Inc., hereby adopts the following revised 2016 Schedule of Board Meetings:

January 20 - Willcox, February 24 – Sierra Vista, March 23 – Benson, April 20 - Willcox, May 25 – Sierra Vista, June 22 – Benson, July 27 – Willcox, August 17 – Sierra Vista, September 21 – Benson, October 19 – Willcox, November 22 – Sierra Vista, and December 21 – Apache Plant, Cochise.

BE IT FURTHER RESOLVED THAT, the Board of Directors hereby adopts a meeting date and site for the 2016 Annual Meeting:

April 21, 2016 – Sierra Vista

BE IT FURTHER RESOLVED THAT, all regular board meetings will be scheduled to commence at 9:30 a.m. and that these are the dates, places, and time set for the SSVEC Board of Directors' regular meetings for 2016.

Mr. Huber discussed the board retreat agenda, a planned employee survey in 2017, and scorecard goals.

Written staff reports were included in the board report.

*STAFF
REPORTS*

Staff responded to questions asked by directors.

Senior staff recently held a retreat to review the scorecard for goals and the mission and vision statements.

Employee Danna Judd joined the meeting. She joined the Board for lunch and left following the lunch break.

President English asked Ms. Thatcher and Mr. Barrera for the AEPCO Report. The summary of the August 10, 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 noted that the Board previously authorized him to tentatively subscribe to a 2 MW portion of AEPCO's proposed solar project. He discussed the options and pros and cons of the Planning and Subscription Agreement and the Power Purchase Agreement, which had been discussed earlier by Mr. Ledger. He then asked the Board's consideration of the agreements.

After full discussion, Mr. Nolan made a motion to authorize Management to finalize and sign the Planning and Subscription and the Power Purchase agreements.

Ms. Thatcher seconded the motion, which carried.

GCSECA

The Board reviewed the July 19, 2016 GCSECA board meeting minutes, which were included in the board report.

The GCSECA Board changed their 2017 summer meeting site from Flagstaff to Marana.

The Board reviewed schedules for the 2016 and 2017 NRECA Conferences and training, 2016 NRECA Region 8-10 Meeting and 2016 NRECA Winter School and preliminary information on the 2017 NRECA Annual Meeting.

Other Business

Mr. Nolan reported on the NRECA Gettysburg Leadership Experience he recently attended.

The Board entered into executive session at 1:17 p.m.

The regular meeting reconvened at 2:27 p.m.

There being no further business and no objections, President English adjourned the meeting at 2:28 p.m.

Respectfully submitted,

Secretary

Approved:

President