

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

October 19, 2016

A regular meeting of the Board of Directors of the Sulphur Springs Valley Electric Cooperative, Inc. (SSVEC) was held Wednesday, October 19, 2016 in the SSVEC Willcox headquarters boardroom, 350 North Haskell Avenue, Willcox, Arizona.

President English called the meeting to order at 9:33 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, Lainie Keltner, Jason Bowling, and Char Bennett.

President English announced there was a quorum.

Ms. Thatcher gave the invocation and led the Pledge of Allegiance.

The agenda for this October 19, 2016 meeting was presented.

*APPROVAL OF
AGENDA*

Mr. Goodman made a motion to approve the agenda as presented. The motion was seconded and carried.

The minutes of the regular meeting held September 21, 2016 were presented.

*APPROVAL OF
MINUTES*

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

The minutes of the September 21, 2016 SSVEC Foundation (Foundation) minutes were presented for review.

No corrections were suggested. The minutes will be presented for consideration at a future meeting of the Foundation's Board of Trustees.

The minutes of the September 21, 2016 SSVEC Charitable Trust (Trust) minutes were presented for review.

No corrections were suggested. The minutes will be presented for consideration at a future meeting of the Trust's Board of Trustees.

No members were present for the Call to Members.

*CALL TO
MEMBERS*

Under the Call to Directors, Ms. Thatcher and Mr. Hitchcock updated the Board on former director Don Kyte and his family.

CALL TO DIRECTORS

The Executive Committee reviewed the board meeting agenda and the 2016 planning session.

GOVERNANCE COMMITTEE REPORTS

The Board discussed potential sites for the Board’s 2017 planning session and a previous member request to hold the event in SSVEC service territory.

Executive Committee

Staff will research further and provide additional information before the Board makes their decision on the meeting site.

The Policy Committee presented Policies A-1, Objectives of the Cooperative; A-2, Relationship with Lenders; and A-3, Organization of the Board and Election of Officers, which were included in the board report.

Policy Committee

Policies A-1, A-2 & A-3 Readopted

After full discussion and with the Committee’s recommendation, Mr. Molina made a motion to approve Policy A-1 as presented. The motion carried.

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

An additional revision to Policy A-3 was suggested.

With the Committee’s recommendation, Mr. Molina made a motion to approve Policy A-3 as further amended. The motion carried. The policy was renamed “Election of Officers”.

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

The Committee reviewed Policies A-4, Board of Director Committees; A-5, Board of Directors – Chief Executive Officer Relationship; and A-6, Responsibilities of the Chief Executive Officer, and will present them for Board consideration in November.

Proposed revisions to Policy A-4 would disband the Employee & Customer Relations, with certain duties to be assumed by the Policy Committee, and would reassign the committee members to the Finance or Policy Committee. In anticipation of Board approval of the policy, committees met earlier as proposed.

BOARD COMMITTEES 2016-2017, as of October 2016

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

The Finance Committee presented Schedule of Writeoffs totaling \$23,005.29, which was included in the iPad report.

Finance Committee

With the Committee’s recommendation, Mr. Nolan made a motion to accept the Schedule of Writeoffs as presented. The motion carried.

The Committee presented the August 2016 Form 7 financial statement.

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

The Committee reviewed vouchers presented by a director and the CEO.

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

The Committee will meet with Staff on Friday, November 4, 2016, in Sierra Vista to review the preliminary 2017 budget.

The Committee presented an executive summary on the proposed allocation of 2015 capital credits, which was included in the board report.

Capital Credit Allocation

After full discussion and with the Committee's recommendation, Mr. Nolan made a motion to authorize the allocation of 2015 margins to Class A and Class B members in the amount of \$7,720,095. The motion carried.

The Committee presented an executive summary on the proposed 2016 capital credit retirement for Class A members, which was included in the board report.

Capital Credit Retirement

The Board considered the amount of capital credits to be retired, the method of retirement, and equity goals.

After full discussion and with the Committee's recommendation, Mr. Nolan made a motion to retire \$1,540,498 in capital credits to Class A members from 1989 allocations. The motion carried.

This amount will complete the retirement of 1989 allocations. With this retirement, the expected equity will be 36.52 percent, which exceeds the SSVEC goal of 35 percent equity by the year 2017.

The Employee and Customer Relations Committee presented the minutes of their September 19, 2016 meetings with employees and supervisors, which were included in the iPad report.

Employee & Customer Relations Committee

Committee members had reviewed and accepted the minutes prior to the board meeting. Management will prepare a response to issues raised during the meetings.

The Committee reviewed one Operation RoundUp grant that had been approved by staff.

Employee Annie Tyndall joined 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 led discussion on the proposed, updated Mission, Vision, Strategic Plan, which was included in the board report as a PowerPoint presentation.

Mr. Bowling and Ms. Tyndall reviewed the presentation, which included a strategy map, scorecards, strategic initiatives, and updated mission and vision statements.

After full discussion, Mr. Manring made a motion to accept the Mission, Vision, Strategic Plan as presented. Mr. Nolan seconded the motion, which carried.

Mission, Vision, Strategic Plan

Mission Statement

SSVEC is a cooperative delivering safe and reliable electric service, through people who provide exceptional support to our member-owners and the communities we serve.

*Mission and
Vision
Statements
Updated*

Vision Statement

Our vision is that SSVEC utilize an exceptional workforce and advancements in technology, to be financially strong, maintain stable rates and reliable service, while being responsible stewards of the environment.

Ms. Tyndall left the meeting.

Written staff reports were included in the board report.

*STAFF
REPORTS*

Staff responded to questions asked by directors.

Mr. Bowling referred to an executive summary regarding medical insurance renewals, which was included in the board report. He reported that moving to a self-insured medical insurance in January 2013 has saved SSVEC approximately \$1.21 million, or 18.5 percent, compared to what a fully insured platform would have cost. He discussed the request for Board approval to continue medical self-insurance administration with Blue Cross Blue Shield of Arizona, continue dental self-insurance administration with United Concordia and renewal of VSP vision insurance.

Cost Savings

*Insurance
Renewals*

After full discussion, Mr. Herron made a motion to accept the executive summary. Mr. Molina seconded the motion, which carried.

Ms. Keltner and Mr. Bowling left the meeting. Employee David Bryan joined the meeting.

Mr. Bryan referred to an executive summary regarding proposed amendment #3 to the 2015-2017 Construction Work Plan, which was included in the board report. The description of the projects and a proposed resolution were also included in the report. He made a PowerPoint presentation and discussed the projects described in the amendment.

*Amendment #3
to 2015-2017
CWP*

After full discussion, Mr. Nolan made a motion to adopt Resolution 2016-07. Mr. Manring seconded the motion, which carried.

BE IT RESOLVED, that additional electric loads north of Webb substation have been requested and received new or increased electric services and that additional loads are expected;

*Resolution
2016-07*

BE IT RESOLVED, that the three projects for Webb to Chiricahua was reviewed by the Board;

BE IT RESOLVED, that Management is directed to proceed with the new project estimated at \$1,823,324;

BE IT RESOLVED, that Management is directed to use general funds for project costs;

BE IT FURTHER RESOLVED, that after full consideration and discussion, a motion was made by Curtis Nolan, seconded by Gene Manring, and passed that this RESOLUTION is approved.

Mr. Bryan left the meeting.

President English asked Ms. Thatcher and Mr. Barrera for the AEPCO Report. They commented on the board meeting held October 6, 2016. *AEPCO Report*

The AEPCO Board was updated on risk management, finance, generation and environmental issues, approved patronage capital allocation, and set their 2017 meeting dates.

The SSVEC Board discussed AEPCO's previous proposal to Class A members to share a portion of a proposed 17 MW solar generating facility. SSVEC had previously approved purchasing 2 MW of solar from this project.

Employees Reggie Morales, Reggie Martinez, Matt Bevins and Jesus Hernandez joined the meeting. They joined the Board for lunch and left following the lunch break.

Directors Nolan, Barrera and Payne and Mr. Huber reported on the 2016 NRECA Region 8-10 Meeting and training that they recently attended. *Other Business*

Mr. Barrera reported that Trico Electric Cooperative director Marsha Thompson won the election for the CFC Region 10 director seat.

The Board reviewed schedules for the 2016 and 2017 NRECA Conferences and training, 2016 NRECA Winter School, 2017 NRECA Annual Meeting, and 2017 NRECA New Director Orientation and discussed participation in the 2017 GCSECA Annual Meeting & Legislative Conference.

The Board entered into executive session at 12:15 p.m.

The regular meeting reconvened at 2:35 p.m.

There being no further business and no objections, President English adjourned the meeting at 2:36 p.m.

Respectfully submitted:

Secretary

Approved:

President