

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

November 22, 2016

A regular meeting of the Board of Directors of the Sulphur Springs Valley Electric Cooperative, Inc. (SSVEC) was held Tuesday, November 22, 2016 in the SSVEC Sierra Vista office boardroom, 311 East Wilcox Drive, Sierra Vista, Arizona.

President English called the meeting to order at 9:34 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, Ron Lee, and Char Bennett. Also present was GDS consultant David Brian.

President English announced there was a quorum.

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

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

*APPROVAL OF
AGENDA*

A motion was made, seconded and carried to approve the agenda as presented. The motion carried.

The minutes of the regular meeting held October 19, 2016 were presented.

*APPROVAL OF
MINUTES*

A motion was made, seconded and carried to approve the minutes as presented. The motion carried.

No members were present for the Call to Members.

*CALL TO
MEMBERS*

Under the Call to Directors, Mr. Nolan stated the finance committee's reminder to directors to comply with Board Policy A-10 when deciding on their 2017 meeting and training requests.

*Call to
Directors*

With no objections stated, the Board entered into executive session at 9:39 a.m.

The regular meeting reconvened at 11:07 a.m.

The Executive Committee reviewed the board meeting agenda and discussed options for the September 25 – 26, 2017 planning retreat site.

*GOVERNANCE
COMMITTEE
REPORTS
Executive
Committee*

Information on potential planning retreat sites was included in the board report.

After full discussion, a motion was made and seconded to hold the 2017 planning retreat in Tubac, AZ. The motion failed.

After additional discussion, Mr. Herron made a motion to hold the 2017 planning retreat at Casino del Sol in Tucson, AZ. Mr. Molina seconded the motion. The motion carried.

The Policy Committee presented Policies A-4, Board of Director Committees, and A-5, Board of Directors – Chief Executive Officer Relationship, which were included in the board report.

Policy Committee

Additional changes to Policy A-4 were suggested.

Policies A-4, A-5 & A-6 Readopted

After full discussion and with the Committee's recommendation, Mr. Molina made a motion to approve Policy A-4 as further amended. The motion carried.

Revisions to Policy A-4 include the reduction from three to two board subcommittees. The Employee & Customer Relations Committee's duties were absorbed by the Finance and Policy Committees. In addition, Policy A-26, Board of Directors Employee and Customer Relations Committee, is hereby rescinded.

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

Additional changes to Policy A-5 were suggested.

With the Committee's recommendation, Mr. Molina made a motion to approve Policy A-5 as further amended. The motion carried.

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

The Committee reviewed Policies A-6, Responsibilities/Evaluation of the Chief Executive Officer; A-7, Qualifications and Selection of the Chief Executive Officer; A-8, Chief Executive Officer Participation in National, Statewide, and Other Meetings and Training Conferences; and A-9, Board Consultants, and will present them for Board consideration in December.

Mr. Molina asked Mr. Blair for the TWN update. Mr. Blair reported that TWN, SSVEC's internet partner, now has 3,355 active customers, including 495 new customers and 40 new VOIP customers year-to-date through October.

The Finance Committee presented the September 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 September 2016 Form 7. The motion carried.

The Committee reviewed a voucher presented by the CEO.

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

The Committee met with staff on November 4, 2016 to review the proposed 2017 capital and operating budgets. Copies of the documents had been previously distributed and were included in the iPad board report.

Mr. Lee made a PowerPoint presentation and highlighted key figures of the proposed budgets.

The proposed operating budget estimates operating revenue of \$100 million, total operations and maintenance expense of \$77.2 million, total cost of electric service of \$94.8 million, patronage capital and operating margins of \$8.2 million, 38.7 percent equity, 2.40 TIER and 2.06 DSC.

*2017
Operating
Budget
Approved*

After full discussion and with the Committee's recommendation, Mr. Nolan made a motion to approve the 2017 operating budget. The motion carried.

The proposed capital budget totals \$2.8 million. Capital expenditures total \$2.3 million and \$.5 million in projects carried over from 2016.

*2017 Capital
Budget
Approved*

After full discussion and with the Committee's recommendation, Mr. Nolan made a motion to approve the 2017 capital budget. The motion carried.

Mr. Manring commended management and staff for their continuing diligence and attention to budget details.

Employee Mae Lin joined the meeting and introduced herself.

Ms. Lin and Mr. Lee joined the Board for lunch and then 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 updated the Board on the recently approved rates, which were effective November 1. A letter to members regarding the new rates will be included as a December bill insert. Copies of the letter had been previously distributed.

The value of solar docket is ongoing and is on the ACC's December agenda.

Mr. Huber reported on the CFC IBES conference he recently attended.

Mr. Nolan asked that an additional expense record, presented by a director, be included in the previously approved voucher amount. No objections were stated.

Written staff reports were included in the board report.

*STAFF
REPORTS*

Staff responded to questions asked by directors.

President English asked Ms. Thatcher and Mr. Barrera for the AEPCO Report. The summary of the meeting held October 6, 2016 was included in the board report.

AEPCO Report

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

President English asked Mr. Huber to begin the GCSECA Report. The minutes of the meeting held November 3, 2016 were included in the board report.

GCSECA Report

The GCSECA Board approved changing the AzACRE membership year to September 1 – August 31 to coincide with the NRECA ACRE membership year.

The 2017 GCSECA Legislative Conference and Annual Meeting will be held January 23 – 25 in Tempe, AZ. SSVEC directors stated their intent to participate.

The Board reviewed schedules for the 2016 and 2017 NRECA Conferences and training, 2016 NRECA Winter School, 2017 NRECA Annual Meeting, 2017 NRECA New Director Orientation, and 2017 NRECA Directors Conference.

Other Business

The calendar for the 2017 Director Elections and Annual Meeting was included in the board report. Elections are scheduled for Districts 2 (Nolan), 3 (English), 4 (Goodman) and 11 (Molina). Nominating committees will be appointed at the December meeting.

The Board returned to executive session at 1:37 p.m.

The regular meeting reconvened at 1:53 p.m.

There being no further business and no objections, President English adjourned the meeting at 1:53 p.m.

Respectfully submitted,

Secretary

Approved:

President