

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

June 21, 2017

A regular meeting of the Board of Directors of the Sulphur Springs Valley Electric Cooperative, Inc. (SSVEC) was held Wednesday, June 21, 2017 in the SSVEC Benson Operations boardroom, 1557 Cooperative Way, Benson, 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 |
| 6 - Dan Barrera - Vice President | 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, Ricardo Garcia, Orson Garnsey, Daniel Wilson, 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 21, 2017 meeting was presented.

*APPROVAL OF
AGENDA*

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

The minutes of the regular meeting held May 17, 2017 were presented.

*APPROVAL OF
MINUTES*

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

No members were present for the Call to Members.

*CALL TO
MEMBERS*

Under the Call to Directors, Mr. Manring complimented Mr. Blair on his presentation on SSVEC to the Sierra Vista Rotary Club. He commended the crews for their work during the recent and current wildfires.

*Call to
Directors*

The Executive Committee reviewed the board meeting agenda.

*GOVERNANCE
COMMITTEE
REPORTS
Executive
Committee*

The Committee of the Whole presented Policy A-26, Board of Directors Employee & Customer Relations Committee, which was included in the board report.

Policy Review

After full discussion and with the recommendation of the Committee, Mr. Barrera made a motion to rescind Policy A-26. Mr. Herron seconded the motion, which carried.

*Policy A-26
Rescinded*

The Committee brought Policy A-4, Board of Director Committees, for consideration. The policy was included in the board report.

An additional change was suggested.

With the Committee's recommendation, Mr. Barrera made a motion to adopt Policy A-4 as further amended. The motion was seconded and carried.

*Policy A-4
Readopted*

The approved policy is attached to and made a part of these minutes.

Due to the changes to Policy A-4 and the restructuring of board committees, the former Employee & Customer Relations Committee's annual meetings with employees will not be held. Instead, an employee survey will be conducted.

*Restructured
Board
Committees*

The Committee will present Policies B-1, Cash Management Program; B-2, Annual Audit; and B-3, Equity Management, for consideration in July.

The Committee of the Whole presented the April 2017 Form 7, which was included in the board report.

Finance Review

With the Committee's recommendation, Mr. Nolan made a motion to accept the April 2017 Form 7. Ms. Thatcher seconded the motion, which carried.

The Committee reviewed vouchers presented by directors and the CEO in the amount of \$14,398.54.

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

President English asked Mr. Huber for his CEO Report. A written report was included in the board report. Mr. Huber thanked everyone for their cards, thoughts and prayers on the passing of his mother.

CEO Report

Mr. Huber reported on the 2017 CFC Forum he recently attended.

Written staff reports were included in the board report.

*STAFF
REPORTS*

Staff responded to questions asked by directors.

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.

*Annual Safety
Update*

There were no lost-time accidents in 2016, for the fourth year in a row. SSVEC's 2016 Total Recordable Incident Rate (TRIR) rate was 1.5, compared to the industry rate (2015) of 2.3. Days Away, Restricted or Transferred (DART) was 0.5, compared to the industry rate of 1.1.

Completed initiatives include the updated safety bonus program and Safety Bonus Procedure 2.17. Mr. Wobensmith stated that the program is working well. In 2016, 289 near-misses were reported and 264 hazards were defined and fixed. In 2016, 80 percent of employees received safety rewards.

SSVEC's 2016 Experience Modifier (EMOD) was 0.63, which effected a savings of \$81,245 in the cooperative's worker's compensation premium with Federated Rural Electric Insurance Exchange.

*Workers Comp
Premium
Savings*

SSVEC facilities were recertified in 2016 by the Safety and Health Achievement Recognition Program (SHARP), which recognizes good safety programs.

Planned initiatives include Rural Electric Safety Achievement Program (RESAP) recertification, which was postponed from late 2016. The recertification process will take place when GCSECA's loss control director position has been filled. RESAP certification effects a five percent discount on the cooperative's liability insurance premium.

*Liability
Insurance
Premium
Savings*

Additional initiatives include the implementation of a training management system and a continuation of our focus on keeping lost-time accidents at zero.

President English thanked Mr. Wobensmith for his update as he left the meeting.

Mr. Blair reported that a member phone survey will be conducted on July 10 – 11, 2017. The survey will be announced via Facebook and printed media. Results of the survey will be reported to the Board during their September board retreat.

Mr. Garcia updated the Board on recent and current wildfires that have affected members and equipment in SSVEC's service territory.

Mr. Wilson made a PowerPoint presentation and reported on the effects of solar generation on system loads and operational parameters. The presentation was included in the board report.

Effects of Solar

Mr. Wilson reported that on June 19 at 6:00 p.m. AEPCO set a record peak of 677.5 megawatts. SSVEC's peak was 209.1 megawatts, and coincident peak was 198.3 megawatts. Output from the new solar system would typically be 12 megawatts; however, output on June 19 fluctuated from 1.2 to 6.8 megawatts, which signifies that solar power is not always picked up at 100 percent.

The Board reviewed schedules for the 2017 NRECA conferences, 2017 GCSECA Summer Meeting, 2017 NRECA Regions 8 & 10 Meeting, and 2018 NRECA conferences.

Other Business

Directors Goodman, Payne and Manring reported on the 2017 CFC Forum and workshops they recently attended.

Mr. Goodman left the meeting.

Mr. Barrera noted that in 2018 the CFC Forum and the ACES Conference will be held consecutively in Indianapolis. He suggested that directors consider attending the two conferences as their 2018 national meeting, provided that the Board approves.

AEPCO Chief Executive Officer Patrick Ledger joined the meeting.

With no objections stated, President English recessed the meeting at 11:54 a.m. to conduct Foundation and Charitable Trust meetings.

The regular meeting resumed at 12:46 p.m., following the Foundation and Trust meetings and the executive session.

President English asked Mr. Ledger for his AEPCO update.

AEPCO Report

AEPCO did not hold a board meeting in June.

Mr. Ledger discussed the Clean Power Plan, generation and transmission projects, and Western

Area Power Authority's proposed increase.

Mr. Ledger stated that for the fifth consecutive year, AEPCO has retired patronage capital to its member cooperatives. He presented a capital credit check for \$247,715.94 to President English and thanked SSVEC for their support.

*Capital Credit
Check*

President English thanked Mr. Ledger for attending the meeting.

There being no further business and no objections stated, President English adjourned the meeting at 1:13 p.m.

Respectfully submitted,

Secretary

Approved:

President