

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

September 20, 2017

A regular meeting of the Board of Directors of the Sulphur Springs Valley Electric Cooperative, Inc. (SSVEC) was held Wednesday, September 20, 2017 in the SSVEC Benson Operations boardroom, 1557 Cooperative Way, Benson, Arizona.

President English called the meeting to order at 9:32 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 - absent |
| 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 except Lex Herron, who was necessarily absent and excused. 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, and Char Bennett. Also present were Bob Beam, Bolinger, Segars, Gilbert & Moss, and Tamra Reynolds, Lea Sanders and Jeff Bracker, CoBank.

President English announced there was a quorum.

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

The agenda for this September 20, 2017 meeting was presented.

*APPROVAL OF
AGENDA*

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

The minutes of the regular meeting held August 23, 2017 were presented.

*APPROVAL OF
MINUTES*

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

There were no members present for the Call to Members.

*CALL TO
MEMBERS*

Under the Call to Directors, Mr. Goodman reported on a member's complaint regarding his under-billed account and subsequent catch-up billing.

*Call to
Directors*

The Executive Committee reviewed the board meeting agenda and draft board retreat agenda, which were included in the board report.

*GOVERNANCE
COMMITTEE
REPORTS*

An addition to the September 25 – 26, 2017 board retreat agenda was requested.

*Executive
Committee*

Mr. Manring made a motion to approve the board retreat agenda as amended. Mr. Molina seconded the motion, which carried.

The Board reviewed the proposed 2018 calendar of board meeting dates, which was included in the board report. After full discussion, Mr. Nolan made a motion to adopt Resolution 2017-08 to set meeting dates and sites. Mr. Manring seconded the motion, which carried.

*2018 Board
Meeting Date*

*Resolution
2017-08
Adopted*

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 2018;

BE IT RESOLVED THAT, the Board of Directors of Sulphur Springs Valley Electric, Inc., hereby adopts the following 2018 Schedule of Board Meetings:

January 17 - Willcox	July 18 – Willcox
February 21 – Sierra Vista	August 22 – Sierra Vista
March 21 – Benson	September 19 – Benson
April 18 - Willcox	October 24 – Willcox
May 23 – Sierra Vista	November 20 – Sierra Vista
June 20 – Benson	December 19 - Benson

BE IT FURTHER RESOLVED THAT, the Board of Directors hereby adopts a meeting date and site for the 2018 Annual Meeting:

April 19, 2018 – Willcox

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 2018.

The Board discussed a date and site for the 2018 board retreat.

After full discussion, Mr. Nolan made a motion to set the 2018 board retreat for September 24 – 25. The motion was seconded and carried.

The Board will determine the site of the 2018 board retreat at a future meeting.

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

Mr. Barrera made a motion to accept the July 2017 Form 7. Mr. Molina seconded the motion, which carried.

The Committee reviewed vouchers submitted by a director and the CEO and presented them for Board consideration.

A motion was made, seconded, and carried to accept the vouchers.

Mr. Nolan asked Mr. Beam for the annual audit report. Copies of the SSVEC, SSVEC Charitable Trust (Trust) and SSVEC Foundation (Foundation) audit reports for the audit year July 1, 2016 through June 30, 2017 had been previously mailed to directors and management. Mr. Beam had reviewed the audit reports with the Committee of the Whole prior to the board meeting. *Annual Audit Report*

Mr. Beam reviewed the SSVEC audit balance sheet, statement of income and patronage capital, and statement of cash flows.

The balance sheet shows utility plant at \$362 million, long-term debt at \$149 million, and assets at \$302 million, with equity of \$118 million, or 39 percent.

The statement of income and patronage capital showed operating revenues of \$105 million, operating margins of \$14.6 million and net margins of \$13 million.

The statement of cash flows showed net cash from operating activities of \$23 million, net cash from financing activities of (\$9 million), investing activities were (\$12 million), and year-end cash and equivalents totaled \$5.4 million.

After full discussion, Mr. Molina made a motion to accept the July 1, 2016 – June 30, 2017 SSVEC audit report. Ms. Thatcher seconded the motion, which carried.

Approval of the Foundation and Trust audit reports would be considered at the meetings of those Boards.

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

The Committee of the Whole presented Policies B-3, Equity Management; B-4, Capital Credits; and B-5, Capital Credit Retirements - Estates, which were included in the board report.

Policies

After full discussion, Mr. Molina made a motion to approve Policy B-3 as presented. Mr. Goodman seconded the motion, which carried.

*Policies B-3,
B-4 & B-5
Readopted*

Mr. Manring made a motion to approve Policy B-4 as presented. The motion was seconded and carried.

An additional change to Policy B-5 was recommended.

A motion was made, seconded and carried to approve Policy B-5 as further amended.

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

The Committee will present Policies B-6, Operating Budget; B-7, Financial Forecast; and B-8, Insurance Coverage, for Board consideration in October.

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

CEO Report

Mr. Huber reported on the Phase Two brief of the rate case. Closing and reply briefs were included in the iPad report. The recommended opinion is expected to be ready for the Arizona Corporation Commission's (ACC) November open meeting.

An employee survey is underway and is in lieu of previously-held annual meetings with employees. Management's response to employees will be presented in an October-November time frame.

A review of the recently completed member survey will be presented during the 2017 board retreat.

Ms. Reynolds and Mr. Bracker provided an update on CoBank and patronage capital program changes. Prior to this board meeting, SSVEC and CoBank presented a check in the amount of \$10,000 to All the Kings Horses Children's Ranch located in Benson. For several years, CoBank has provided a matching donation through the CoBank Charitable Giving Program to a member cooperative's nonprofit organization.

*CoBank
Matching
Donation*

President English thanked Ms. Reynolds, Mr. Bracker and Ms. Sanders for their presentations as they left the meeting.

Mr. Huber reported that SSVEC filed to intervene and to open the Net Metering document to revise the rules per ACC decision in an attempt to have cooperatives exempted. He asked the Board to, in retrospect, authorize the intervention.

After full discussion, Ms. Thatcher made a motion to approve SSVEC's intervention in the Net Metering docket. Mr. Molina seconded the motion, which carried.

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. They reported on the September 13, 2017 board meeting.

AEPCO

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

President English started the GCSECA Report. He reported on the board meeting held September 7, 2017.

GCSECA

The GCSECA Board reviewed their 2018 draft budget and scheduled their 2018 summer meeting for July 30 – August 2 at Casino del Sol, which is in cooperative service territory.

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

Other Business

With no objections, the Board recessed the regular meeting at 11:18 a.m. to hold SSVEC Foundation and SSVEC Charitable Trust meetings.

The regular meeting reconvened at 11:35 a.m.

With no objections stated, the Board entered to executive session at 11:35 a.m.

The regular meeting reconvened at 2:00 p.m.

There being no further business and no objections stated, President English adjourned the meeting at 2:00 p.m.

Respectfully submitted,

Secretary

Approved:

President