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

October 18, 2017

A regular meeting of the Board of Directors of the Sulphur Springs Valley Electric Cooperative, Inc. (SSVEC) was held Wednesday, October 18, 2017 in the SSVEC Willcox headquarters boardroom, 350 North Haskell Avenue, Willcox, Arizona.

President English called the meeting to order at 9:48 a.m. Members arriving at any time during the meeting would be recognized. The following directors were present:

CALL TO ORDER

District

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|----------------------------------|------------------------------|
| 1 - Kathy Thatcher – Secretary | 8 - Peter Gillespie - absent |
| 2 - Curtis Nolan – Treasurer | 9 - Lex Herron |
| 3 - Pat English - President | 10 - Gary Payne - absent |
| 4 - Tom Goodman | 11 - Ed Molina |
| 6 - Dan Barrera - Vice President | 13 - Gene Manring |

All directors were present except Gary Payne and Peter Gillespie, who were 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, Jason Bowling, and Char Bennett. Also present were members Tim Bowlby, Carol Dunagan, Claudia Mink and David Mink, representing the Cochise County Nursing Home Association. Grand Canyon State Electric Association (GCSECA) Chief Executive Officer John Wallace was also present.

President English announced there was a quorum.

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

The agenda for this October 18, 2017 meeting was presented.

*APPROVAL OF
AGENDA*

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

The minutes of the regular meeting held September 20, 2017 were presented.

*APPROVAL OF
MINUTES*

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

The minutes of the SSVEC Foundation meeting held September 20, 2017 were presented.

No changes were recommended. The minutes will be considered at a future meeting of the Foundation's board of trustees.

The minutes of the SSVEC Charitable Trust (Trust) meeting held September 20, 2017 were presented.

No changes were recommended. The minutes will be considered at a future meeting of the Trust's board of trustees.

Under the Call to Members, Mr. Bowlby gave a presentation on the mission and accomplishments of the Cochise County Nursing Home Association, which is working to provide skilled nursing home care in the Willcox area.

CALL TO MEMBERS

President English thanked the members for their presentation. Mr. Bowlby, Mr. and Mrs. Mink and Mrs. Dunagan left the meeting.

Under the Call to Directors, Mr. Goodman reported on the recent Patagonia Fall Festival, which he attended, and suggested that directors consider attending similar events to show support for community events and members.

Call to Directors

Mr. Barrera agreed that it is important to be involved in the community and stated that he and SSVEC employees participated in Benson's Butterfield Stage Days events.

Mr. Nolan reported that NRECA CEO Jim Matheson will meet with Arizona attendees during the 2017 Region 8 - 10 meeting schedule to discuss Arizona-related issues.

The Executive Committee discussed the board meeting agenda, which was included in the board report, the 2017 board retreat, and the 2018 board retreat site and dates.

GOVERNANCE COMMITTEE REPORTS

Executive Committee

The Board previously set their 2018 board retreat dates. Discussion was held regarding a proposed change to the dates.

After full discussion, Mr. Nolan made a motion to change the 2018 board retreat dates to September 25 and 26. Mr. Molina seconded the motion, which carried.

The Board compared potential sites for the 2018 board retreat.

After full discussion, Mr. Nolan made a motion to hold the 2018 board retreat in Tubac. Mr. Barrera seconded the motion, which failed.

After additional discussion, Mr. Herron made a motion to hold the 2018 board retreat at Casino del Sol. Mr. Molina seconded the motion, which carried.

The Committee of the Whole presented the Schedule of Writeoffs totaling \$19,063.41.

Committee of the Whole

After full discussion, Mr. Molina made a motion to accept the Schedule of Writeoffs. Mr. Nolan seconded the motion, which carried.

Finance

The Committee reviewed a voucher submitted by the CEO and presented it for Board consideration.

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

The Board discussed the August 2017 Form 7, which was included in the board report.

Mr. Herron made a motion to accept the August 2017 Form 7. Ms. Thatcher seconded the motion, which carried.

An executive summary and supporting information regarding the proposed 2016 allocation of capital credits were included in the board report.

2016 Capital Credit Allocation

After full discussion, Mr. Nolan made a motion to approve the 2016 capital credit allocation. Mr. Herron seconded the motion, which carried.

SSVEC margins from 1990 will be assigned in the amount of \$5,940,911 to Class A members, affiliated organizations' margin allocation will be assigned in the amount of \$2,661,635 to Class A members, and contract margins of \$273,154 will be assigned to Fort Huachuca, the only Class B member.

An executive summary regarding the proposed 2017 retirement of capital credits was included in the board report.

*2017 Capital
Credit
Retirement*

After full discussion, Mr. Manning made a motion to retire \$250,000 of 1990 allocations to Class A members. Ms. Thatcher seconded the motion.

After additional discussion, Mr. Molina amended the motion to retire \$500,000 of 1990 allocations. Mr. Herron seconded the amendment. The amendment carried.

The amended motion carried.

Capital credit refunds will be processed in December.

Employees Annie Tyndall, David Bryan and Guillermo Batt joined the meeting.

The Committee of the Whole presented Policies B-6, Operating Budget; B-7, Financial Forecast; and B-8, Insurance Coverage, which were included in the board report.

Policies

After full discussion, Mr. Molina made a motion to approve Policies B-5, B-6 and B-7 as presented. The motion was seconded and carried.

*Policies B-6,
B-7 & B-8
Readopted*

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

The Committee reviewed Policies A-27, Nomination Committee. Policy A-27 will be presented for Board consideration in November. Policies A-28 and B-9 will be further reviewed and presented at a later date.

Mr. Nolan shared a *Legal Reporting Service* article on fraud, which will be included for review in conjunction with Policy B-9.

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

CEO Report

Mr. Huber reported on Phase Two of the rate case. The recommended opinion is expected to be ready for the Arizona Corporation Commission's November open meeting.

Mr. Huber discussed the proposed AEPCO/ATC agreement. He included a list of ATC owner and shareholder information in his report.

The ATC agreement is seen by AEPCO as a source for future transmission needs and requires the approval of all AEPCO member cooperatives. Mr. Huber will meet with AEPCO to discuss concerns before bringing the agreement to the Board for consideration.

President English asked if there were any objections to changing the order of the agenda to allow Mr. Wallace to give his report. No objections were stated.

*GCSECA
Update*

President English welcomed Mr. Wallace and asked him for his update.

Mr. Wallace distributed copies of his talking points and updated the Board on legislative issues, including rate case streamlining and new financing and refinancing cases.

Mr. Wallace left the meeting following the lunch break.

Written staff reports were included in the board report.

*STAFF
REPORTS*

Staff responded to questions asked by directors.

Mr. Bryan referred to an executive summary regarding proposed Amendment #5 to the 2015-2017 Construction Work Plan, which was included in the board report. The description of the projects, budget information and a proposed resolution were also included in the report. Mr. Batt reviewed the documents with the Board.

*Resolution
2017-09
CWP
Amendment 5*

After full discussion, Mr. Herron made a motion to adopt Resolution 2017-10. Ms. Thatcher seconded the motion, which carried.

BE IT RESOLVED, that two additional projects were presented and reviewed.

BE IT RESOLVED, that the 2015-17 CWP will be extended into 2018 and additional monies are needed.

BE IT RESOLVED, that there are projects in the 2015-17 CWP that will not be completed by December 2017. These projects are still needed; their budgets will be carried over until December 2018.

BE IT RESOLVED, that the Amendment #5 to 2015-17 Construction Work Plan was reviewed by the Board;

BE IT RESOLVED, that Management is directed to use general funds of \$2,670,000 for the projects described:

BE IT FURTHER RESOLVED, that after full consideration and discussion, a motion was made by Lex Herron seconded by Kathy Thatcher and passed that this RESOLUTION is approved.

Mr. Bryan referred to an executive summary and proposed resolution regarding the Power Requirement Study, which were included in the board report.

*Resolution
2017-09
PRS*

After full discussion, Mr. Nolan made a motion to adopt Resolution 2017-09. Mr. Molina seconded the motion, which carried.

BE IT RESOLVED, that the 2017 Power Requirements Study, prepared jointly by Sulphur Springs Valley Electric Cooperative, Inc., and Arizona G&T Cooperatives staff, was reviewed by the Board of Directors.

BE IT FURTHER RESOLVED, that after full consideration and discussion, a motion was made by Curtis Nolan, seconded by Ed Molina and passed that the 2017 Power Requirements Study is acceptable and considered as a reasonable forecast of the electric requirements for the

Sulphur Springs Valley Electric Cooperative during the study period through 2038, and that it be submitted to Arizona G&T Cooperatives, for their forecasting, and that the study results be used by Sulphur Springs Valley Electric Cooperative, Inc., for load forecasting and budgeting needs.

BE IT FURTHER RESOLVED, the Power Requirements Study be deemed a document internal to Sulphur Springs Valley Electric Cooperative; further, that its use and purpose be and the same is hereby restricted to the internal purposes of satisfying Sulphur Springs Valley Electric Cooperative lender requirements; further, except for transmission planning, that there be no external release or use of the Study; further, that any use by a third party or any other entity for purposes of power supply generation, energy and/or capacity acquisition or requirements analysis without express Board Authorization is unauthorized and is prohibited, further, declaring, except for transmission planning, it is the intent of the Board no person or entity receive, rely upon, incorporate, or otherwise use the Study or its data without express Board authorization; further, that any release of the Study be accompanied by this restriction on use, which release shall not be deemed authorized without approval by the Board.

Mr. Bryan and Mr. Batt left the meeting.

Mr. Bowling referred to an executive summary regarding medical insurance renewals, which was included in the board report. He stated that moving to self-insured medical insurance in January 2013 has saved SSVEC approximately \$2.5 million or 18.8 percent, compared to a fully-insured platform. He discussed the request for Board approval to continue medical self-insurance administration with Blue Cross Blue Shield of Arizona and continue dental self-insurance administration with United Concordia. We are in the last year of a rate lock with VSP (Vision Service Plan). NRECA long-term disability, life and other insurances had minimal increases and had been renewed.

*Insurance
Renewals for
2018*

Cost Savings

After full discussion, Mr. Manring made a motion to approve the insurance renewals as presented. Mr. Herron seconded the motion, which carried.

Mr. Bowling presented Policy E-5, Insurance and Retirement, which was included in the board report. Proposed revisions would bring SSVEC into compliance with the changes to the medical insurance plan.

*Policy E-5
Readopted*

After full discussion, Mr. Nolan made a motion to adopt Policy E-5 as presented. Ms. Thatcher seconded the motion, which carried.

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

Ms. Tyndall left the meeting.

President English asked Ms. Thatcher and Mr. Barrera for the AEPCO Report. They reported on the October 10, 2017 strategic planning session and the October 11, 2017 board meeting.

AEPCO

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

The Metropolitan Water District of southern California joined AEPCO as a Class D member.

Mr. Barrera reported on the ACES conference and Audit Risk workshop that he recently attended on behalf of AEPCO.

The Board reviewed schedules for the 2017 NRECA conferences, 2017 NRECA Regions 8 & 10 Meeting, and 2018 NRECA conferences. *Other Business*

With no objections, the Board entered into executive session at 1:45 p.m.

The regular meeting reconvened at 1:59 p.m.

There being no further business and no objections stated, President English adjourned the meeting at 1:59 p.m.

Respectfully submitted,

Secretary

Approved:

President