

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

December 20, 2017

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

President English called the meeting to order at 9:38 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, Ron Lee, and Char Bennett.

President English announced there was a quorum.

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

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

*APPROVAL OF  
AGENDA*

Mr. Huber requested the removal of Item 10.a.1), Fort Contract and 10.b.2), Depreciation Study. These topics will be considered at a future meeting.

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

The minutes of the regular meeting held November 21, 2017 were presented.

*APPROVAL OF  
MINUTES*

Mr. Herron made a motion to approve the minutes as presented. The motion was seconded and carried.

No members were present for the Call to Members.

*CALL TO  
MEMBERS*

Under the Call to Directors, Mr. Nolan stated that he plans to attend the 2018 NRECA Legislative Conference as his annual national meeting.

*Call to  
Directors*

Mr. Herron raised concerns about recent articles in the *Sierra Vista Herald* regarding members who have solar facilities and the members' perception of SSVEC's opinion of net metering members and discussed suggested actions to improve the relationship. Mr. Huber noted that SSVEC promotes solar and its positive aspects.

The Executive Committee reviewed the board meeting agenda.

*GOVERNANCE  
Committee  
Reports  
Executive*

The Committee of the Whole (Committee) presented the October Form 7, which was included in the board report.

*Committee of the Whole*

*Finance*

After full discussion, Mr. Goodman made a motion to accept the October Form 7. The motion was seconded and carried.

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

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

The Committee presented the operating and capital budgets of the 2018 Business Plan (Plan), which were included in the iPad report, for consideration.

*2018 Business Plan Accepted*

Mr. Nolan reported that the Board's ad hoc committee met with staff on December 11, 2017 to review the proposed 2018 capital and operating budgets and, subsequently, recommended acceptance.

Mr. Lee reviewed the 2018 capital and operating budgets with the Committee prior to the board meeting.

Mr. Manring made a motion to accept the 2018 Business Plan as presented. Mr. Molina seconded the motion, which carried.

The operating budget estimates operating revenue of \$108 million, total operations and maintenance expense of \$82.4 million, total cost of electric service of \$101.3 million, patronage capital and operating margins of \$10.2 million, 37.71 percent equity, 2.93 TIER, and 2.26 DSC.

The capital budget totals \$3.4 million, including \$1.3 million in projects carried over from 2017.

The Committee presented Policies A-28, Qualifications for Eligibility to be Elected or Appointed to Serve on the Board of Directors, B-9, Fraud, and C-1, Cooperative Mailing List.

*Policy Policies A-28, B-9 & C-1 Readopted*

After full discussion, Mr. Nolan made a motion to approve Policy A-28 and its form as presented. Ms. Thatcher seconded the motion, which carried.

*Policy A-18 Rescinded*

Policy A-18, Biographical Information of Candidates for the Board of Directors, was incorporated into Policy A-28 and consequently rescinded.

Additional changes to Policy B-9 were recommended.

Mr. Manring made a motion to approve Policy B-9 as further amended. The motion was seconded and carried.

Mr. Goodman made a motion to approve Policy C-1 and its form as presented. Mr. Nolan seconded the motion, which carried.

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

The Committee reviewed Policies C-2, Member Committees; C-3, Availability of Board Agendas and Other Reports and Information; and C-4, Board Meeting Publicity and Call to Members, and will present them for consideration in January.

The Board will review Policy E-25, Sexual and Other Harassment, in January.

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

*CEO Report*

Mr. Huber presented NRECA Credentialed Certified Director certificates and pins to Directors Gillespie and Payne and NRECA Board Leadership certificates and pins to Directors Herron and Molina and congratulated them on their achievements.

Mr. Huber complimented and thanked employees who volunteered their time for area Christmas parades. He shared two plaques received from the Benson Chamber of Commerce in recognition of SSVEC and its employees for their support of the Benson Christmas parade.

Mr. Huber reported on the recent employee survey and subsequent meetings. He and Mr. Bowling met with supervisor, foremen and employee groups in each area and will follow up on points made during the meetings.

Written staff reports were included in the board report.

*STAFF  
REPORTS*

Staff responded to questions asked by directors.

Mr. Garnsey updated the Board on the status of the Personal Identifiable Information project. He reviewed data stores, payment card data, employee education, application controls and defense in depth.

Mr. Garnsey and Mr. Lee left the meeting.

Mr. Chapman referred to an executive summary regarding the meter depreciation adjustment, which was included in the board report.

*Meter  
Depreciation*

Mr. Chapman reported on the study for replacement of SSVEC's metering system. The TS1 meters are no longer vendor-supported. The remaining TS2 meters are reaching the end of their useful life, and vendor support will be discontinued within three years. We anticipate replacing meters over the next few years and believe it is prudent to write off a portion of the old meters as a non-cash expense at this time. The undepreciated balance of the older meters is approximately \$9 million. The executive summary recommended writing off \$5 million in 2017 and the remainder as meters are retired.

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

President English asked Ms. Thatcher and Mr. Barrera for the AEPCO Report. They reported on the December 13, 2017 board meeting.

*AEPCO*

The AEPCO Board was updated on risk management, finance, generation and environmental issues and approved the 2018 Capital Transmission Plan and patronage capital retirement.

The Board reviewed schedules for the 2018 NRECA Annual Meeting, 2018 Directors Conference, and 2018 GCSECA Legislative Conference and Annual Meeting.

*Other Business*

The 2018 Director Elections and Annual Meeting calendar was included in the board report.

*2018 Director  
Election*

The proposed list of nominating committees for Districts 1 (Thatcher), 9 (Herron) and 13 (Manring) was included in the board report.

*Nominating  
Committees  
Appointed*

After full discussion, Mr. Barrera made a motion to appoint the nominating committees as presented. Mr. Molina seconded the motion, which carried.

District 1

Carol Dunagan, temporary chair  
Fred Smith  
Kathy Klump  
Nancy Jean Welker  
Woody Johnson

District 13

Thomas Hessler, temporary chair  
Anni Tiemann  
Trudy Berry  
David Grieshop

District 9

Lanny Kope, temporary chair  
Carolyn Buchanan  
Dennis Ehrenberger  
Sandra Little  
Mike Nagle

All incumbent directors declared their intent to seek re-election.

President English appointed voting delegates and alternates for annual meetings scheduled during the 2018 NRECA Annual Meeting.

<u>Meeting</u>	<u>Delegate</u>	<u>Alternate</u>
NRECA	Curtis Nolan	Creden Huber
CFC	Curtis Nolan	Creden Huber
Federated	Creden Huber	Curtis Nolan
NRTC	Creden Huber	Curtis Nolan
NISC	Creden Huber	Curtis Nolan

With no objections stated, the Board entered into executive session at 11:37 a.m.

The regular meeting reconvened at 11:58 a.m.

There being no further business and no objections stated, President English adjourned the meeting at 11:58 a.m.

Respectfully submitted,

Secretary

Approved:

President