

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

February 21, 2018

A regular meeting of the Board of Directors of the Sulphur Springs Valley Electric Cooperative, Inc. (SSVEC) was held Wednesday, February 21, 2018 in the SSVEC Sierra Vista boardroom, 311 East Wilcox Drive, Sierra Vista, Arizona.

President English called the meeting to order at 9:28 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 - absent	11 - Ed Molina
6 - Dan Barrera - Vice President	13 - Gene Manring

All directors were present except Tom Goodman who was present for the Committee of the Whole and excused from the board meeting. 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 District 9 director candidates James Johnson and Mary J. Renfro and members Tom Kennedy, Ronald Faulkner, and Dennis Ehrenberger.

President English announced there was a quorum.

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

The agenda for this February 21, 2018 meeting was presented.

*APPROVAL OF
AGENDA*

Ms. Thatcher made a motion to approve the agenda as presented. The motion was seconded and carried.

The minutes of the regular meeting held January 17, 2018 were presented.

*APPROVAL OF
MINUTES*

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

District 13 candidate Edward Moskalonek joined the meeting.

Under the Call to Members, Mr. Ehrenberger stated that he served on the District 9 nominating committee and suggested changes to the nomination process. The suggestions were included in a letter written by Lanny Kope, chair of the District 9 nominating committee.

*CALL TO
MEMBERS*

President English thanked the members for attending the meeting.

Under the Call to Directors, Mr. Blair shared a card from former GCSECA communications director Jim Donahue.

Call to Directors

Mr. Blair shared a plaque in recognition of 100% SSVEC Board participation in Arizona ACRE and noted that the Board is also a 100 percent participant in national ACRE.

Mr. Manring asked if the cooperative was considering broadband. Mr. Huber stated that since SSVEC has partnered with TWN, broadband is not being considered at this time.

Mr. Manring asked if a Board tour of Coronado Farms could be set up. Management will follow up on the request.

The Executive Committee discussed the board meeting agenda.

*GOVERNANCE
COMMITTEE
REPORTS
Executive
Committee
Committee of the
Whole*

The Committee of the Whole reviewed the December 2017 Form 7, vouchers, audit agreement letters, and policies.

The Committee presented the December 2017 Form 7, which was included in the board report.

Finance

After full discussion, Mr. Manring made a motion to accept the December 2017 Form 7. Mr. Molina seconded the motion, which carried.

The Committee presented vouchers submitted by directors and the CEO in the amount of \$38,940.29. The vouchers contained expenses for the GCSECA Legislative Conference and Annual Meeting events.

After full discussion, Ms. Thatcher made a motion to accept the vouchers. The motion was seconded and carried.

The Committee presented letters of agreement from Bolinger, Segars, Gilbert & Moss to conduct July 1, 2017 – June 30, 2018 audits for SSVEC, the SSVEC Foundation and the SSVEC Charitable Trust. The letters and an executive summary were included in the board report.

*BSGM - SSVEC
Audit Letter of
Agreement*

After full discussion, Mr. Herron made a motion to accept the SSVEC letter of agreement. Mr. Manring seconded the motion, which carried.

Foundation and Charitable Trust agreement letters will be considered at future meetings of those Boards of Trustees.

The Committee of the Whole presented Policies C-5, Preference of Businesses Served by SSVEC; C-7, Conservation of Energy; and C-8, *Currents*, which were included in the board report.

*Policies
Policies C-5, C-7
& C-8 Readopted*

After full discussion, Mr. Molina made a motion to approve Policy C-5. Ms. Thatcher seconded the motion, which carried.

Ms. Thatcher made a motion to approve Policy C-7. Mr. Molina seconded the motion, which carried.

Mr. Herron made a motion to approve Policy C-8. Mr. Manring seconded the motion, which carried.

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

The Committee reviewed Policies C-10, Heat Pump Loan Program; C-11, Vandalism and Theft of Cooperative Property, Electrical Facilities & Electrical Service; and C-13, Submission of Community Information Items to Be Included with Monthly Bills, and will present them for consideration in March.

The Committee presented the agenda for the 2018 Annual Meeting, which was included in the board report.

*Annual Meeting
Agenda Approved*

Additions were requested.

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

This year's Annual Meeting will be held on Thursday, April 19, in the Willcox High School auditorium.

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

CEO Report

Mr. Huber discussed the CREST (Arizona Energy Modernization Plan), proposed by the Commissioner Tobin of the ACC, and capital credit legislation, which has passed the Senate and will be sent to the House for consideration. He also discussed a proposed constitutional amendment, paid for by a California billionaire, regarding clean energy, which is in the petition process.

Mr. Huber congratulated and presented NRECA Director Gold Certificates to Directors Thatcher, Nolan, English, Barrera and Manring.

Written staff reports were included in the board report.

STAFF REPORTS

Staff responded to questions asked by directors.

Mr. Chapman referred to an executive summary regarding the depreciation study (study), which was included in the board report.

*Depreciation
Study*

Mr. Chapman stated that, while all depreciation accounts needed to be reviewed, the planned meter conversion prompted the current study and request to change depreciation rates.

Mr. Chapman asked the Board to authorize management to submit a request to the Arizona Corporation Commission (ACC) to file the depreciation study without requiring a rate case. If the ACC agrees, the study will be filed for their consideration.

ACC approval of the depreciation rate would effect an increase in reported margins and would offset much of the accelerated meter writeoffs before the meter conversion is completed.

After full discussion, Mr. Nolan made a motion to authorize management to present the depreciation study to the ACC. If the ACC is favorable to accepting the study without a rate case, management is authorized to file the study with the ACC. Mr. Molina seconded the motion, which carried.

Mr. Chapman referred to an executive summary regarding a proposed budget amendment for the SSVEC Elfrida office remodeling project, which was included in the board report.

*Budget
Amendment:
Elfrida Office
Renovation*

Mr. Chapman explained the request to increase the capital budget for the Elfrida office renovation project from \$150,000 to \$175,000. Upgrades to the project scope include a new parking area with an ADA compliant parking space and safety features that were recommended by SSVEC's safety consultant.

After full discussion, Mr. Herron made a motion to increase the budget for the Elfrida office project to \$175,000. Mr. Molina seconded the motion, which carried.

Mr. Chapman referred to an executive summary regarding the Fort Huachuca (Fort) contract modification, which was included in the board report. The draft, modified contract was included in the iPad report.

*Fort Huachuca
Contract
Modification*

Mr. Chapman discussed Fort contract negotiations and a previous settlement agreement. He stated that the contract has been thoroughly reviewed by SSVEC's Fort personnel and our attorneys. With only a few items yet to be resolved, the contract is ready for signature. Mr. Chapman asked the Board to consider authorizing Mr. Huber to approve the contract once finalized.

After full discussion, Mr. Manring made a motion to authorize the CEO to make changes as needed and to sign the contract. Ms. Thatcher seconded the motion, which carried.

Ms. Renfro, Mr. Faulkner and Mr. Moskalonek left the meeting.

Mr. Wilson referred to the Advanced Metering Infrastructure (AMI) – AMR (Automatic Meter Reading) System Replacement Vendor Selection Report, which was included in the iPad report.

*AMI Vendor
Selection*

Mr. Wilson discussed AMI system and vendor comparisons, including meter quality, RF equipment, software integration, demand-side management capability, and vendor history.

Included in the report was SSVEC staff's recommended to implement the Landis+Gyr AMI system upon completion of a successful pilot program.

After full discussion, Ms. Thatcher made a motion to approve the use of the Landis+Gyr AMI system. Mr. Molina seconded the motion, which carried.

President English asked Ms. Thatcher and Mr. Barrera for the AEPCO Report. They reported on the February 14, 2018 board meeting.

AEPCO

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

Information regarding the request for Distinguished Service Award nominations was included in the board report.

The SSVEC Board discussed the nomination requirements and did not make a recommendation for this year's award.

President English and participants commented on the 2018 GCSECA Legislative Conference and Annual Meeting and the director course that followed.

GCSECA

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

Other Business

Nominating

Nominating Committee results were posted February 16, 2018.

*Committee
Results*

District 1

Kathy Thatcher

District 9

Lex Herron
James Johnson
Mary J. Renfro

District 13

Gene Manning
Edward Moskalonek

The deadline for filing a petition is March 5, 2018. Ballots will be mailed by March 28, 2018.

President English appointed Directors Nolan, Barrera and Molina to the biographical statement review committee.

The 2018 Election and Credentials Committee will be appointed in March.

The Board reviewed schedules for the 2018 NRECA Annual Meeting, the 2018 NRECA Directors Conference, the 2018 NRECA Legislative Conference and the 2018 CFC Forum, which were included in the board report.

The 2018 NRECA Legislative Conference will be held April 8 – 10 in Washington, DC. The list of past conference participants was included in the board report.

President English appointed Peter Gillespie to serve as SSVEC's director representative to the 2018 NRECA Legislative Conference. Mr. Huber and Mr. Nolan will also attend.

Mr. Kennedy, Mr. Ehrenberger and Mr. Johnson left the meeting.

With no objections stated, the Board entered into executive session at 12:07 p.m.

The regular meeting reconvened at 12:22 p.m.

There being no further business and no objections stated, President English adjourned the meeting at 12:22 p.m.

Respectfully submitted,

Secretary

Approved:

President