

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

June 20, 2018

A regular meeting of the Board of Directors of the Sulphur Springs Valley Electric Cooperative, Inc. (SSVEC) was held Wednesday, June 20, 2018 in the SSVEC Benson Operations boardroom, 1557 Cooperative Way, Benson, Arizona.

President Barrera called the meeting to order at 9:31 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	8 - Peter Gillespie
2 - Curtis Nolan – Treasurer	9 - James Johnson
3 - Pat English	10 - Gary Payne
4 - Tom Goodman - Secretary	11 - Ed Molina - absent
6 - Dan Barrera - President	13 - Gene Manring – Vice President

All directors were present except Ed Molina, 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, Earl Wobensmith, and Char Bennett.

President Barrera announced there was a quorum.

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

The agenda for this June 20, 2018 meeting was presented.

*APPROVAL OF
AGENDA*

Mr. Huber requested an addition to the executive session agenda.

Mr. English made a motion to approve the agenda as amended. Mr. Goodman seconded the motion, which carried.

The minutes of the regular meeting held May 23, 2018 were presented.

*APPROVAL OF
MINUTES*

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

Mr. Nolan initiated discussion on board meeting participation by phone and whether a policy update is required. The Board determined that permission to participate in a board meeting by phone would be considered on a case-by-case basis.

No members were present for the Call to Members.

*CALL TO
MEMBERS*

Under the Call to Directors, Mr. Goodman thanked the Board for allowing him to participate in the May board meeting via phone.

Call to Directors

Mr. Barrera reported that the Thomas family is extremely grateful for cooperative family's support during Ashton's medical treatment.

Ms. Thatcher reminded directors that SSVEC directors will provide an item for the Arizona ACRE (AzACRE) auction, which will be held during the GCSECA summer meeting schedule.

The Executive Committee reviewed the board meeting agenda and discussed the board's AzACRE auction donation.

*GOVERNANCE
COMMITTEE
REPORTS
Executive
Committee
Committee of the
Whole*

The Committee presented Policies E-4, Holidays; E-5, Insurance & Retirement; and E-6, Employee Education, which were included in the board report.

Policies

After full discussion, Mr. Payne made a motion to approve Policy E-4 as presented. The motion was seconded and carried.

Mr. Nolan made a motion to approve Policy E-5 as presented. Mr. Goodman seconded the motion, which carried.

*Policies E-4, E-5,
& E-6 Readopted*

Ms. Thatcher made a motion to approve Policy E-6 as presented. Mr. Payne seconded the motion, which carried.

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

The Committee reviewed Policies E-7, Participation in Training Conferences and/or Professional & Trade Association Meetings; E-8, Apprenticeship Program; and E-9, Code of Business Ethics and Compliance, and will present them for consideration in July.

The Committee presented the April 2018 Form 7, which was included in the board report.

Finance

After full discussion, Mr. English made a motion to accept the April 2018 Form 7. Ms. Thatcher seconded the motion, which carried.

The Committee presented vouchers submitted by directors and the CEO in the amount of \$10,407.22.

After full discussion, Mr. Johnson made a motion to accept the vouchers. Mr. Goodman seconded the motion, which carried.

Mr. Chapman referred to an executive summary regarding Wells Fargo Payment Automation Manager Program and Policy B-1, Cash Management Program, which were included in the board report. He explained the program, which is a service by which SSVEC can pay its vendors electronically.

*Wells-Fargo
Payment
Automation
Manager
Program
Approved*

After full discussion, Mr. Payne made a motion to approve the implementation of the Wells Fargo Payment Automation Manager Program and subsequent revisions to Policy B-1. The motion was seconded and carried.

Policy B-1 Revised

Mr. Chapman discussed a proposed resolution regarding the 2018 Construction Work Plan loans, which was included in the board report.

*CWP Loans
Resolution
2018-05*

After full discussion, Mr. English made a motion to adopt Resolution 2018-05. Mr. Manning seconded the motion, which carried.

WHEREAS, the Board of Directors of Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC") has determined that SSVEC should obtain financing for certain general capital expenditures described in its 2018 Construction Work Plan approved by the Board of Directors at its March 21, 2018 meeting, as such 2018 Construction Work Plan may be amended from time to time (the "2018 Capital Expenditures");

WHEREAS, the SSVEC's existing CFC Loan AZ014-V-9052 and existing CoBank Loan No. RX085T1 are intended to finance expenditures described in SSVEC's construction work plans, and both such loans have a face principal amount of \$72,680,000 (although the total amount outstanding under both of these existing loans may not exceed \$72,680,000 at any time);

WHEREAS, the total available amount remaining under such existing CFC and CoBank loans is \$56,680,000, and the existing draw period under such loans expires on December 31, 2020;

WHEREAS, the staff of SSVEC has recommended to the Board of Directors that SSVEC, in order to ensure that financing is available for, among other things, the 2018 Capital Expenditures, undertake the following transactions (collectively, the "Transactions"):

- (1) Amending CFC Loan AZ014-V-9052 to extend expiration of the draw period for advances thereunder from December 31, 2020 to December 31, 2024, together with other amendments thereto as determined necessary or appropriate by an Authorized Officer (as defined below) (the "CFC Amendment"), or alternatively entering into a new loan from National Rural Utilities Cooperative Finance Corporation ("CFC") in a face amount not to exceed \$56,680,000 (the "CFC Loan"), to be secured under the Indenture of Mortgage, Security Agreement and Financing Statement, dated as of July 11, 2014, between SSVEC and U.S. Bank National Association, as Trustee (as the same may be supplemented or amended from time to time, including by the Supplemental Indenture (as defined below), the "Indenture"); and
- (2) Amending CoBank Loan No. RX0850T1 (Multiple Advance Term Loan/Construction Work Plans) to extend the expiration of the draw period for advances thereunder from December 31, 2020 to December 31, 2024, together with other amendments thereto determined necessary or appropriate by an Authorized Officer (as defined below) (the "CoBank Amendment"), or alternatively entering into a new loan from CoBank, ACB ("CoBank") in a face amount not to exceed \$56,680,000 (the "CoBank Loan"), to be secured under the Indenture;

WHEREAS, in connection with the Transactions, the staff of SSVEC wishes to submit an application to the Arizona Corporation Commission requesting approval of such Transactions;

WHEREAS, the Board of Directors of SSVEC desires to authorize certain officers and staff (i) to seek approval of the Transactions from the Arizona Corporation Commission, (ii) to pursue, negotiate, execute and deliver all documents necessary to effect or evidence the Transactions and (iii) to perform its obligations or exercise its rights under the each of the Transactions; and

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors does hereby authorize and empower SSVEC to make application to the Arizona Corporation Commission for approval of each of the Transactions, the proceeds of which are to be used to finance capital expenditures relating to SSVEC's system, including without limitation all or a portion of the 2018 Capital Expenditures.

RESOLVED FURTHER, that the Board of Directors hereby authorizes and empowers SSVEC to enter into each of the Transactions and select the structure and

determine the terms and conditions of such Transactions (including, without limitation, by choosing (i) whether to enter into the CFC Amendment or the CFC Loan and (ii) whether to enter into the CoBank Amendment or the CoBank Loan) as deemed advisable and in the interest of SSVEC by the President, Treasurer, Secretary, Chief Executive Officer or Chief Financial Officer of SSVEC (each of the foregoing, an "Authorized Officer"); *provided* that all terms and conditions of each of the Transactions must be consistent with the terms of (i) this Resolution and (ii) any order or decision of the Arizona Corporation Commission applicable to SSVEC.

RESOLVED FURTHER, that each of the Authorized Officers if authorized and empowered, for and on behalf of SSVEC and in its name, to negotiate, determine the form and content of (subject to the limitations set forth herein), enter into, execute and deliver (with or without attestation of the Secretary or an Assistant Secretary of SSVEC, and SSVEC is authorized and empowered to perform its obligations under, agreements, documents and instruments pertaining to the Transactions, which may, without limitation, include the following (collectively, the "Transaction Documents"):

- (1) one or more loan or credit agreements or contracts, supplements to master loan agreement, or amendments or supplements to, or letter agreements amending or modifying, any existing loan or credit agreement, master loan agreement or supplement to master loan agreement with CFC or CoBank, as applicable;
- (2) to the extent SSVEC enters into the CFC Loan, one or more promissory notes to be made to the order of CFC, in an aggregate face principal amount not exceeding the maximum amount of the CFC Loan (collectively, the "CFC Note");
- (3) to the extent SSVEC enters into the CoBank Loan, one or more promissory notes to be made to the order of CoBank, in an aggregate face principal amount not exceeding the maximum amount of the CoBank Loan (collectively, the "CoBank Note," and together with the CFC Note, the "Notes");
- (4) to the extent SSVEC enters into the CFC Loan or the CoBank Loan, a supplemental indenture, pursuant to Article XII of the Indenture (the "Supplemental Indenture"), for purposes which may include (among others), of (a) creating any of the Notes to be authenticated and secured as "Additional Obligations" under the Indenture and (b) confirming the lien of the Indenture unto the Trustee; and
- (5) any amendments, modifications, extensions, waivers or restatements of any of the foregoing as determined to be appropriate by an Authorized Officer.

Each of the Transaction Documents shall be in such form and have such terms and conditions as the Authorized Officers, or any one of them, shall determine to be in the interest of SSVEC, *provided* that all terms and conditions of the Transaction Documents must be consistent with the terms of (i) this Resolution and (ii) any order or decision of the Arizona Corporation Commission applicable to SSVEC.

RESOLVED FURTHER, to the extent SSVEC enters into the CFC Loan or the CoBank Loan, that the Board of Directors hereby authorizes and requests that the Trustee authenticate and deliver, pursuant to Article IV of the Indenture, the applicable Note with the specific series designation thereof to be as provided for in the Supplemental Indenture or as set forth in an Officers' Certificate delivered pursuant to Section 2.1 of the Indenture.

RESOLVED FURTHER, that each of the Authorized Officers is authorized to sign, execute, certify to, verify, acknowledge, deliver, accept, file, record and do or cause to be done all such acts and things, to pay or cause to be paid all such costs and expenses, to obtain all such consents from third parties and to execute and deliver in the name and on behalf of SSVEC (with or without attestation of the Secretary or an Assistant Secretary of SSVEC) all the Transaction Documents and such other documents, instruments, certificates and agreements (and to make any changes, amendments, modifications or waivers thereto), all as may be determined to be advisable by an Authorized Officer in order to carry out and comply with the purposes and intent of this Resolution in all respects.

RESOLVED FURTHER, that the final determination and approval of the form, terms and provisions of any Transaction Document or any other document or instrument to be executed on behalf of SSVEC pursuant to this Resolution may be conclusively evidenced by the execution of the same by any Authorized Officer, and the final determination that the taking of any action or the causing of any action is in the interest of SSVEC or is appropriate or advisable shall be conclusively evidenced by the taking of such action or the causing of such action by any Authorized Officer.

RESOLVED FURTHER, that each and every action taken by any Authorized Officer prior to the date of the adoption of this Resolution which would have been authorized by this Resolution but for the fact that such actions were taken prior to such date are hereby ratified, approved, confirmed and adopted in all respects.

The resolution will be presented to the ACC for their consideration.

The Board reviewed the NRECA Electric Cooperative Governance Task Force Report, Board of Directors Role, which was previously mailed and included in the iPad report. Directors, Mr. Huber and Mr. Hitchcock discussed their roles in good governance, responsibilities and obligations.

*Governance Task
Force Report:
Board of
Directors Role*

The Board will discuss self-evaluation during the July board meeting.

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

CEO Report

Mr. Huber discussed summer peaking and the power market and reported that he had recently attended the 2018 CFC Forum.

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 was one lost-time accident in 2017. SSVEC's 2017 Total Recordable Incident Rate (TRIR) was 0.6, compared to the industry rate of 2.1. Days Away, Restricted or Transferred (DART) was 0.6, compared to the industry rate of 1.1.

In 2017, 417 near-miss incidents were reported and 314 hazards were identified and abated.

Completed initiatives include Rural Electric Safety Achievement Program (RESAP) recertification in 2017.

SSVEC's 2017 Experience Modifier (EMOD) was .62, which effected a savings of \$104,393 in the cooperative's worker's compensation premium with Federated Rural Electric Insurance Exchange.

*Worker's Comp
Premium Savings*

Planned initiatives include the implementation of a training management system and an increased focus on the Significant Injuries and Fatalities (SIF) index. Mr. Wobensmith presented a short video of the Kaizan Solutions management system and noted the plan to evaluate qualified electrical employees on an annual basis.

AEPCO did not hold a board meeting in June.

AEPCO

AEPCO will hold a new director orientation October 9, 2018. The preliminary agenda was included in the board report.

The Board reviewed schedules for the 2018 NRECA conferences, 2018 CoBank Energy Directors Conference, 2018 GCSECA Summer Meeting, and 2018 NRECA Regions 8 – 10 Meeting, which were included in the board report.

Other Business

GCSECA will hold its 2018 summer meeting in Tucson July 30 – August 1 and will host director training on August 2.

Participants reported on the 2018 CFC Forum, which they recently attended.

With no objections stated, the Board entered to executive session at 11:38 a.m.

The regular meeting reconvened at 11:56 a.m.

There being no further business and no objections stated, President Barrera adjourned the meeting at 11:56 a.m.

Respectfully submitted,

Secretary

Approved:

President