

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

October 24, 2018

A regular meeting of the Board of Directors of the Sulphur Springs Valley Electric Cooperative, Inc. (SSVEC) was held Wednesday, October 24, 2018 in the SSVEC Willcox headquarters boardroom, 350 North Haskell Avenue, Willcox, Arizona.

President Barrera called the meeting to order at 9:35 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 - vacant
6 - Dan Barrera - President	13 - Gene Manring – Vice President

All directors were present. District 11 was vacant. Creden W. Huber, Chief Executive Officer, Chris Hitchcock, General Counsel, and the following SSVEC employees were also present: Jack Blair, Orson Garnsey, Daniel Wilson, Jason Bowling, Ron Lee, Annie Tyndall, Curtiss Peterson, and Char Bennett. Various members and residents of the Cascabel area were also present. Graham Kaiser, CoBank Relationship Manager – Electric Distribution, and Northern Cochise Nursing Home Association (NCNHA) representatives John Cropper, Carol Dunagan, David Mink and Claudia Mink, were also present.

President Barrera announced there was a quorum.

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

The agenda for this October 24, 2018 meeting was presented.

*APPROVAL OF
AGENDA*

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

The minutes of the regular meeting held September 19, 2018 were presented.

*APPROVAL OF
MINUTES*

Mr. Nolan requested a correction.

Mr. Goodman made a motion to approve the minutes as amended. Mr. Payne seconded the motion, which carried.

The Board reviewed the minutes of the September 19, 2018 SSVEC Foundation (Foundation) Meeting, which will be considered during a future meeting of the Foundation's Board of Trustees.

*REVIEW
FOUNDATION
MINUTES*

The Board reviewed the minutes of the September 19, 2018 SSVEC Charitable Trust (Trust) Meeting, which will be considered during a future meeting of the Trust's Board of Trustees.

*REVIEW TRUST
MINUTES*

Under the Call to Members, Mr. Kaiser and President Barrera presented a check for \$10,000 to the NCNHA group. The check represents a matching grant from CoBank and SSVEC. On behalf of the group, Mrs. Dunagan thanked CoBank and SSVEC for the grant. The NCNHA group left the meeting.

*CALL TO
MEMBERS*

Elena Foreman, daughter of member Jesse Foreman, read a Cascabel community letter regarding smart meters. The group asked SSVEC to not install wireless smart meters in their area.

Cascabel member, Birgit De Gregorio, also read a letter, and Cascabel resident, Rachel Smith, provided a letter.

President Barrera thanked the Cascabel group for attending the meeting. The group thanked the Board for their time and left the meeting.

Guest Mike Nolan, Director Nolan's brother, joined the meeting.

Under the Call to Directors, Mr. Nolan introduced his brother, who was interested in following the board meeting process.

Call to Directors

The Executive Committee reviewed the board meeting agenda and the proposed 2019 Strategic Plan, and discussed the District 11 vacancy.

*GOVERNANCE
COMMITTEE
REPORTS*

The proposed 2019 Strategic Plan had been reviewed during the recent board retreat and was included in the iPad board report.

*Executive
Committee*

After full discussion, Mr. English made a motion to accept the 2019 Strategic Plan as presented. Mr. Payne seconded the motion, which carried.

*2019 Strategic
Plan*

Mr. Barrera updated the Board on the District 11 director search process. The deadline for receipt of resumes is November 2, 2018.

The Committee of the Whole presented Policies E-16, Employee Suggestions; E-17, Pre-Employment Physicals and Drug and Alcohol Testing; E-18, Pay Dates; and Policy D-5, AMI Opt Out Policy, which were included in the board report.

*Committee of the
Whole*

Policies

After full discussion, Mr. Payne made a motion to approve Policy E-16 as presented. Mr. English seconded the motion, which carried.

*Policies E-16, E-17
& E-19 Readopted*

Ms. Thatcher made a motion to approve Policy E-17 as presented. Mr. English seconded the motion, which carried.

*New Policy D-5
Adopted*

Mr. Goodman made a motion to approve Policy E-18 as presented. Mr. Payne seconded the motion, which carried.

Employee Guillermo Batt joined the meeting.

Mr. Huber recommended the title of Policy D-5 be changed to Meter Relocation Policy.

Mr. English made a motion to approved Policy D-5 as amended. Mr. Payne seconded the motion, which carried. Mr. Nolan voted no.

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

The Committee reviewed Policies E-19, Employee Participation in Drawings; E-20, Fellow-Employee Litigation Claims; and E-21, Deferred Compensation, and will present them for consideration in November.

The Committee of the Whole presented the Schedule of Writeoffs totaling \$14,292.78.

Finance

After full discussion and with the Committee's recommendation, Mr. Nolan made a motion to accept the Schedule of Writeoffs as presented. The motion carried.

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

After full discussion and with the Committee's recommendation, Mr. Nolan made a motion to accept the August Form 7. The motion carried.

The Committee presented vouchers submitted by directors and the CEO in the amount of \$14,306.61. The GCSECA board meeting, the Region 10 meeting and an AEPCO meeting contributed to these expenses.

After full discussion and with the Committee's recommendation, Mr. Nolan made a motion to accept the vouchers. The motion carried.

The Board postponed discussion on the NRECA Electric Cooperative Governance Task Force Report, Director Nominations, until the November meeting.

An executive summary and supporting information regarding the proposed 2017 allocation of capital credits were included in the board report.

Capital Credits

After full discussion and with the Committee's recommendation, Mr. Nolan made a motion to accept the 2017 capital credit allocation of \$4,935,011. The motion carried.

2017 Allocation

Affiliated organizations' margin allocation will be assigned in the amount of \$2,746,894 and contract margins of \$1,416,230 will be assigned to Fort Huachuca, the only Class B member.

An executive summary regarding the proposed 2018 retirement of capital credits was included in the board report.

After full discussion, Mr. Nolan made a motion to maintain the 30-year retirement cycle and to retire \$2,322,219.97 on a first-in/first-out basis. Mr. Manning seconded the motion, which carried. Ms. Thatcher voted no, stating that she prefers a combination of first-in/first-out and last-in/first out.

2018 Retirement

This retirement will clear 1990 and 1991 allocations and a portion of 1992 allocations.

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

CEO Report

Mr. Huber stated that the Foundation Board of Trustees had not set the parameters for the Washington Youth Tour (Tour) and scholarship programs during their May 2018 meeting. With the Tour competition approaching, he asked the Board's consideration of funding the youth programs. The Board agreed to fully fund nine Tour students and to offer 30 \$1,500 scholarships for 2018. These decisions will be ratified during a future meeting of the Foundation.

Mr. Huber discussed AEPCO's request for contract extensions and stated that distribution members' CEOs will meet to discuss the request and subsequent revised rate schedules.

Written staff reports were included in the board report.

STAFF REPORTS

Staff responded to questions asked by directors.

Mr. Kaiser updated the Board on CoBank's financial statement and reported that a one-time patronage distribution of \$171,143 was previously sent to SSVEC. He thanked the Board for their time and left the meeting.

Mr. Wilson introduced Mr. Batt.

2018 Power Requirement Study

An executive summary, PowerPoint presentation and proposed resolution regarding the 2018 Power Requirement Study (PRS) were included in the board report.

Mr. Batt stated that the PRS is a forecast for the next 20 years of SSVEC's energy, peak demand and number of customers. He discussed What the PRS is used for and how it is completed.

After full discussion, Mr. Nolan made a motion to adopt Resolution 2018-08. Mr. English seconded the motion, which carried.

BE IT RESOLVED, that the 2018 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.

Resolution 2018-08

BE IT FURTHER RESOLVED, that after full consideration and discussion, a motion was made by Curtis Nolan, seconded by Pat English, and passed that the 2018 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 2039, 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.

Ms. Tyndall and Mr. Batt left the meeting.

An executive summary regarding 2019 medical insurance renewals was included in the board report.

2019 Insurance Program

Mr. Bowling discussed the requests to continue with medical self-insurance with Blue Cross Blue Shield of Arizona, dental self-insurance with United Concordia and renewal of VSP vision insurance.

Mr. Bowling reported that since SSVEC moved to self-insurance in 2013, the cooperative has saved approximately \$2.5 million compared to a fully insured platform. In 2014, SSVEC moved to self-insure employee dental coverage, resulting in a \$124,277 savings.

Cost Savings

After full discussion, Mr. English made a motion to continue with insurance renewals as presented. Ms. Thatcher seconded the motion, which carried.

President Barrera started the AEPCO Report. The summary of the October 10, 2018 meeting was included in the board report. *AEPCO*

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

An article provided by AEPCO regarding battery storage talking points was included in the board report.

The Board reviewed schedules for the 2018 and 2019 NRECA conferences and the 2019 NRECA Annual Meeting and NRECA Directors Conference, which were included in the board report. *Other Business*

Participants reported on the NRECA Region 10 Meeting, which they recently attended.

With no objections, the Board entered into executive session at 12:27 p.m.

The regular meeting reconvened at 1:25 p.m.

Mr. Blair distributed copies of maps for the Board's tour of Coronado Dairy, scheduled to follow this meeting.

There being no further business and no objections stated, President Barrera adjourned the meeting at 1:27 p.m.

Respectfully submitted,

Secretary

Approved:

President