

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

December 19, 2018

A regular meeting of the Board of Directors of the Sulphur Springs Valley Electric Cooperative, Inc. (SSVEC) was held Wednesday, December 19, 2018 in the SSVEC Benson Operations boardroom, 1557 Cooperative Way, Benson, Arizona.

President Barrera called the meeting to order at 9:37 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 except Pat English, who would join the meeting later. 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, and Char Bennett. Also present were Sierra Vista members Tom Kennedy, Ross Lampert, Ron Faulkner, and Joseph Beam and District 11 Search candidate Randy Redmond.

President Barrera announced there was a quorum.

Ms. Thatcher gave the invocation and led the Pledge of Allegiance.

The agenda for this December 19, 2018 meeting was presented.

*APPROVAL OF
ACENDA*

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

The minutes of the regular meeting held November 20, 2018 were presented.

*APPROVAL OF
MINUTES*

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

Under the Call to Members, President Barrera welcomed the members.

*CALL TO
MEMBERS*

Mr. Beam introduced himself.

Mr. Redmond thanked the Board for having open meetings.

Mr. Faulkner commented on SSVEC's capital credit retirement cycle and asked that the program be explained in a future *Currents* publication.

Mr. Kennedy expressed his interest in solar energy.

Mr. Lampert noted that the December board meeting agenda did not get posted on the SSVEC website.

Under the Call to Directors, Mr. Nolan commented on capital credit retirement as it relates to the longevity of SSVEC's infrastructure.

Call to Directors

Mr. Manring thanked Mr. Huber for his letter of response to Cascabel members regarding AMI meters.

Mr. Barrera noted that a member's capital credit retirement that is less than \$20 is issued in the form of a credit to an active account.

Mr. Barrera shared a greeting from former employee Kirby Chapman who is now the Sierra Vista Boys and Girls Club director.

Mr. Johnson commented on funds spent on capital improvements and principal paid on debt.

With no objections stated, the Board moved the Rural Economic Development Loans and Grants (REDLG) portion of the AEPCO Report earlier in the agenda.

REDLG Loan

*City of Benson
Airport Fuel Farm*

Geoff Oldfather, AEPCO Communications and Public Relations Manager, joined the meeting.

Mr. Oldfather referred to an executive summary and proposed resolution regarding a REDLG loan for the City of Benson airport's proposed fuel farm, which were included in the board report.

Mr. Oldfather explained the REDLG program and the requirement that AEPCO's distribution member must approve the loan request. Neither AEPCO nor its members are responsible for repayment of the loan. All existing REDLG loans are in good standing.

After full discussion, Mr. Nolan made a motion to adopt Resolution 2018-09. Ms. Thatcher seconded the motion, which carried.

WHEREAS, The United States Department of Agriculture, Office of Rural Economic Development has a loan financing program to encourage economic development and create jobs in rural areas served primarily by rural electric utility cooperatives, and;

*Resolution
2018-09 Adopted*

WHEREAS, this program, called the Rural Economic Development Loans and Grants (REDLG) program, provides grant money to rural electric generation and transmission cooperatives which can then use the funds to make loans to qualified businesses and individuals in its member cooperatives service territories, and;

WHEREAS, the loan process established by the USDA calls for applications to be reviewed by the member cooperatives' board of directors before being forwarded to the generation and transmission cooperatives for approval or denial by its board of directors, and;

WHEREAS, the City of Benson in Benson, Arizona, has submitted an Application to Arizona Electric Power Cooperative, Inc., (AEPCO) for two Rural Economic Development Loans and Grants (REDLG)

Loans; one totaling not more than \$182,231, to be drawn from a new revolving loan fund established from a new grant of the same amount, and one totaling not more than \$177,769, to be drawn from the existing revolving loan fund, for a combined total not to exceed \$360,000; for the purpose of constructing an automated aviation fuel dispensing facility at the Benson airport that would be accessible 24 hours a day, seven days a week, and which would increase traffic at the airport while creating a new source of revenue, and

will support one, and over time, up to three full-time jobs, and;

WHEREAS, these loans, should they be approved after review by the AEPCO Board of directors, will directly benefit an established airport facility in SSVEC service territory, and;

WHEREAS, the SSVEC board of directors believes these loans, should they be approved by the AEPCO board of directors, are in the best interests of its members, and;

WHEREAS, SSVEC assumes no liability for the loans and is solely intent on reviewing the loan application as part of the process established by the USDA;

BE IT RESOLVED, that the SSVEC board of directors, after review of the City of Benson loan application, recommends that it be forwarded to the AEPCO Board of directors for its consideration and approval or denial of the loans.

Mr. Oldfather thanked the Board and left the meeting.

The Executive Committee reviewed the board meeting agenda and 2019 board retreat proposal sites and discussed the District 11 vacancy.

*GOVERNANCE
COMMITTEE
REPORTS
Executive
Committee*

Information on two potential sites for the 2019 board retreat was included in the iPad report.

After full discussion, Mr. Nolan made a motion to hold the 2019 board retreat at J.W. Marriott Starr Pass. Mr. Manning seconded the motion, which carried.

The Committee of the Whole presented Policies A-28, Qualifications for Eligibility to Be Elected or Appointed to Serve on the Board of Directors; E-4, Holidays; and E-9, Code of Business Ethics and Compliance, which were included in the board report.

*Committee of the
Whole
Policies*

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

*Policies A-28, E-4,
& E-9 Readopted*

Mr. Thatcher made a motion to approve Policy E-4 as presented. Mr. Goodman seconded the motion, which carried.

Policy E-18, Pay Dates, was incorporated into Policy E-4 Holidays, E-4 was renamed Pay Dates and Holidays and E-18 subsequently rescinded.

Mr. Gillespie made a motion to approve Policy E-9 as presented. Ms. Thatcher seconded the motion, which carried.

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

Director English joined the meeting.

Policies E-22, Nepotism; E-23, Continuation of Group Coverage for Retired, Disabled, Terminated and Divorces Employees; and E-24, Rehabilitative Duty, were included in the board report and were reviewed by the Committee of the Whole for Board action in January.

The Committee of the Whole presented the October 2018 Form 7, which was included in the board report.

Finance

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

The Committee presented the operating and capital budgets of the 2019 Business Plan, which was included in the iPad report, for Board consideration.

*2019 Business
Plan Accepted*

Mr. Lee reviewed the 2019 capital and operating budgets with the Committee in November and the December Committee meeting.

Mr. Manring made a motion to accept the 2019 Business Plan as presented. Mr. English seconded the motion, which carried.

The operating budget estimates operating revenue of \$107.4 million, total operations and maintenance expense of \$88.4 million, total cost of electric service of \$106.7 million, patronage capital and operating margins of \$8.1 million, 44 percent equity, 2.82 TIER, and 2.63 DSC.

The capital budget totals \$3.9 million, including \$1 million in projects carried over from 2018.

The Committee presented a voucher submitted by the CEO in the amount of \$253.09.

After full discussion, Mr. Manring made a motion to accept the voucher. Mr. Payne seconded the motion, which carried.

The Board discussed the NRECA Electric Cooperative Governance Task Force Report section on Director Compensation.

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

CEO Report

Mr. Huber reported that the Chief Operations Officer position has been advertised and closes December 31, 2018. Interviews will be scheduled for early January 2019.

Mr. Huber discussed AEPCO's solar array issues, New Mexico wind energy potential and Arizona Corporation Commission policy statements on forest bio energy and electric vehicles.

Mr. Faulkner, Mr. Kennedy and Mr. Lampert left the meeting.

Written staff reports were included in the board report.

STAFF REPORTS

Staff responded to questions asked by directors.

President Barrera asked Ms. Thatcher to begin the AEPCO Report. They reported on the November 14, 2018 board meeting.

AEPCO

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

President Barrera asked Mr. English and Mr. Huber for the GCSECA Report. They reported on the December 11, 2018 special board meeting.

GCSECA Report

The GCSECA Board approved a policy requested by Trico Electric Cooperative (Trico). With the approval, Trico agreed to maintain its GCSECA membership in 2019. Subsequently, the GCSECA Board revised its 2019 budget.

The GCSECA Board terminated its CEO, John Wallace, and appointed Mohave Electric Cooperative CEO Tyler Carlson as its interim CEO.

The 2019 GCSECA Annual Meeting and Legislative Conference schedule was included in the board report. The event will be held January 28 – 31 in Tempe, Arizona. Director Course 964.1 was added to the schedule and will be held on January 31. Board consensus was to allow all eligible directors to attend the training, with an additional night's stay and per diem.

The SSVEC Board discussed ACRE and Arizona ACRE memberships and will make 2019 membership forms available in January. President Barrera noted that the SSVEC Board has been a 100 percent member for many years.

President Barrera referred to information regarding SSVEC's representation on the GCSECA Board of Directors and stated that Mr. English's term would expire in January 2019.

An election was conducted by secret ballot. Mr. English was re-elected to serve a two-year term on the GCSECA Board.

The 2019 Director Elections and Annual Meeting calendar was included in the board report.

Other Business

The proposed list of nominating committees for Districts 6 (Barrera), 8 (Gillespie) and 10 (Payne) was included in the board report.

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

District 6

Betty Williamson, temporary chair
Jim Thelander
Albert Fernandez
Janet Teague

District 10

Aaron Possien, temporary chair
Mike Buckler
Timothy Wyatt
Debra Mayne
Eugene Cattau

*Director
Elections:
Nomination
Committee*

District 8

Donald Kyte, temporary chair
Raymond Webster
Corrine Colton

Mr. Hitchcock recommended a fourth member be appointed to the District 8 nominating committee. Subsequently, the Board will consider the appointment of a revised District 8 nominating committee at the January board meeting.

Mr. Johnson asked the Board's permission to attend the 2019 NRECA Summer School Central as his annual trip and training.

After full discussion, Mr. Payne made a motion to authorize a waiver to Policy A-10 to allow Mr. Johnson to attend the summer school. Mr. English seconded the motion, which carried.

Mr. Beam and Mr. Redmond left the meeting.

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

With no objections stated, the Board entered into executive session at 12:13 p.m.

The regular meeting reconvened at 12:45 p.m.

The Board brought discussion regarding the District 11 vacancy to the regular meeting.

*Director Search
District 11
Appointment*

Mr. Nolan made a motion to appoint Randy Redmond to fill the District 11 vacancy. Mr. Goodman seconded the motion, which carried, with Mr. Manring voting no.

Mr. Redmond will be seated during the January 23, 2019 board meeting.

The Board discussed a CFC workshop for directors scheduled for April 3 and 4, 2019 in Tempe, Arizona.

Mr. Nolan made a motion to authorize directors to attend the workshop with a one-night stay and two days of per diem. Mr. English seconded the motion, which carried.

There being no further business and no objections stated, President Barrera adjourned the meeting at 12:30 p.m.

Respectfully submitted,

Secretary

Approved:

President