

YAMPA VALLEY ELECTRIC ASSOCIATION, INC.
ANNUAL MEETING OF MEMBERS

The Annual Meeting of Members of Yampa Valley Electric Association, Inc. hereinafter called the "Association" was held at the Hayden High School Auditorium in Hayden, Colorado at 10:00 am on Saturday, June 16, 2012.

Dean Brosious, Chairman of the Board, called the meeting to order and announced that 63 members were registered which constituted a quorum for the transaction of all business. Members then recited the Pledge of Allegiance.

Next, the invocation was given.

An early bird door prize, a \$50 Wal-Mart gift certificate, was awarded to Louise Haslem. The gift card was provided by Xcel Energy.

Mr. Brosious introduced the Board of Directors, Tom Sharp, the Associations' attorney, and General Manager, Larry Covillo. Mr. Sharp was appointed as parliamentarian for the meeting.

Mr. Covillo, General Manager of the Association, introduced special guests from the Denver area: John Svensk, Wholesale Sales Account Manager of Xcel Energy; from CREA the Executive Director Kent Singer; and District 26 Colorado House of Representatives candidate, Mr. Chuck McConnell. Mr. McConnell complimented Yampa Valley Electric Association on providing Coloradoans with some of the lowest power costs in the State.

The podium was returned back to the Chairman who then called for the selection of a Teller Committee. Mr. Brosious informed the audience that a Teller Committee was needed because the votes are not counted ahead of time. Jody Cork, Kathy Bertrand, Tamie Buskirk, and Dorothy Perry were appointed. Upon motion being made and seconded, the Teller Committee was approved and asked to begin the count of ballots.

Mr. Brosious called on Robert Miller to present the Secretary's report. Mr. Miller read the Affidavit of Mailing the Notice of the Annual Meeting and the Proof of Publication. A motion was made, seconded and carried to dispense with the reading of the minutes from the 2011 meeting of the Members. Upon motion being duly made and seconded, the following resolution was unanimously adopted:

RESOLVED that the minutes of the 2011 Annual Meeting of Members are approved.

Mr. Brosious called upon Mr. Miller to present the Treasurer's report. Mr. Miller referred members to their copies of the Financial Report as of December 31, 2011 as presented in the Annual Report. The Balance Sheet and the Receipt and Expense Report were then reviewed. Mr. Miller also presented the favorable audit opinion from the CPA audit firm of Schmidt and Company. Upon motion being duly made and seconded the following resolution was unanimously adopted:

RESOLVED that the Treasurer's Report be accepted as presented.

Mr. Brosious welcomed the members to the 72nd annual meeting and thanked them for their participation. He then gave his report as Chairman of the Board. In his report, Mr. Brosious talked about the Cooperative's place in the world. Electric Cooperatives service 12% of consumers in the United States while maintaining 75% of the electrical transmission lines across the country. The needs of consumer are continuing to be met by Rural Electric Cooperatives.

Mr. Brosious noted the continuing concern of increasing power supply costs. A recently completed contract extension with Xcel provides for production of 1% of the local power supply from local sources. Three potential projects proposed to fulfill the 1% local power supply are: 1. Catamount dam hydropower, 2. Solar garden, and 3. Elk head Reservoir dam hydropower.

Also noted by Mr. Brosious, were the new regulations for new coal powered plants. None of the currently operating coal plants meet the new regulations and have been grandfathered in. Interestingly, he noted no gas powered plant would comply with EPA regulations at this altitude either. He acknowledged the board will have challenges ahead as new plants are required. In his report, Mr. Brosious reassured the members that we are financially sound and commented that \$7.1 million of capital credit from 1997 & 1998 was retired and disbursed. He emphasized this is the largest capital credit retirement in the history of Yampa Valley Electric. He then concluded his report by introducing Mr. Larry Covillo.

Mr. Covillo presented his report as President and General Manager of the Association. He welcomed the members to the 72nd Annual Meeting of YVEA. Mr. Covillo said the Association continues to struggle with the local economy. He said the local economy is not getting better. The number of customers is decreasing. However, in 2011 slightly more KWh were sold. Currently, he said sales for 2012 are on par with the number of KWh sold for 2007. Load factor efficiencies also helped the bottom line in 2011. While the customer base is declining, YVEA will continue to make improvements to meet future customer growth.

In Mr. Covillo's report it was noted operating expenses increased \$322,000. Not much of the increase came from power supply contracts but came from man hours worked to improve reliability and equipment repairs. Of the \$322,000 operating expense increase \$120,000 originated from legal fees to fight Xcel energy's rate case. Rate cases cost the Association money to fight. FERC has not approved the final rate case. However, RUS has approved our rate case. Once the final rate case is approved, the settlement will extend the contract with Xcel for another 20 years to 2042 with a ramp out after 12 years. The ramp out would allow YVEA to find a new power supplier after 12 years if a supplier is available to meet power demands with efficiency. Mr. Covillo also spoke about another rate case regarding the transmission charges. This case would provide for formulating a rate for transmission charges in January with a True-Up in 12 months.

Mr. Covillo emphasized YVEA is a leader in Renewables. YVEA has more renewables in its portfolio than any other cooperative in Colorado. The State of Colorado mandate requires renewable power sources to be 3% of the portfolio by 2000 and 10% by 2020. Currently YVEA's renewables are at 14.8% of its portfolio excluding Hayden. This is 5 times the state mandate. He explained that those cooperatives not meeting the state mandate may buy green tags which represent renewable but are not actual produced renewable and allow the cooperative to satisfy the mandate if actual renewable is not available. With YVEA's 14.8% renewables at 5 times the state mandate, YVEA can bank green tags for future use or to sell at a later date. Renewables for 2012 were at \$26 million with 270 million KWh banked.

Mr. Covillo reported strong lobbying efforts in regards to the new EPA regulations governing Coal powered plants. New emission rules include 1000lbs of carbon emissions per mega watt hour. No new plant in Routt or the surrounding counties can be built to meet this regulation. The EPA regulations call for all plants to be cleaned up however it costs so much to retrofit plants the plants will be shutdown and replaced with gas powered plants. Retrofitting will cost the U.S. billions. These increased costs will be passed on to consumers.

On a positive note, Mr. Covillo said the Association because of its strong financial position was able to refund \$7.1 million in Capital Credits. The board's goal is to retire between 10-14 years of Capital Credits. This will help with the board's goal to reduce equity to 65% as well. The \$7.1 million is 2.5 times any Capital Credit ever given by YVEA. Some customers received over \$1 million.

Mr. Covillo then discussed the Association's subsidiaries front. The real estate in Gunnison is still on the market. Once the real estate is sold the assets of Paradigm Services company will be combined. The FCC set all BTA licensing to expire 5/31/13 unless due diligence had been done. Two partnerships were formed with regard to BTA licensing; one partnership is with the company who developed the Las Vegas license and the other is with a cooperative in Walla Walla, Washington. The cooperative in Walla Walla, Washington will buy our license and develop. YVEA is down to two licenses from 37 with the hope the two remaining will have some future value.

Mr. Covillo concluded that all in all, your Association continues to operate on a strong financial basis when compared to State and National Averages and that should allow us to maintain rates that stay below the national and state average for the foreseeable future. Mr. Covillo reiterated the goal is to keep rates down.

With regards to the allowing the board to amend the By-Laws of YVEA, except for sale and Director qualifications, Mr. Covillo reported that the By-Laws were amended in 2012 to comply with State Law. This amendment changed the sentencing in the By-Laws to reflect that once a member receives a ballot by mail they do not get another ballot to replace the mail-in ballot.

He then thanked all of the employees of Yampa Valley Electric for their hard work and dedication to keeping outages down and thanked the Board of Directors for their guidance and support through the year.

Mr. Covillo again thanked the members for their attendance and opened the floor to questions.

Dick Klumker from South Routt brought up the question of integration of renewables into the system and how integrating renewables in Spain has not been good. Mr. Covillo acknowledged Mr. Klumker's comment and the integration of renewables as being a problem. Mr. Covillo also referred to the need for continued lobbying. The EPA's regulations for eliminating CO2 emissions does not make economic sense. The installed 10% KWh from wind farms is counted on.

There being no further questions or comments from the floor, the meeting proceeded to the next agenda item, being the election of Directors.

Mr. Covillo conducted the director election for Districts #1, #8, & #9. District 1 is the Wyoming District. Peggy Espey has opted out of being reelected so now the position for District #1 is open and the board will be reviewing resumes to appoint a replacement.

In Director District #6, Sam Haslem has resigned due to health reasons. The board will appoint a new representative.

For Director District #8, which is the Steamboat and South to Stagecoach, Scott McGill ran unopposed and according to By-Laws was therefore declared reelected.

Mr. Covillo reported two petitions were received for the position in Director District #9, representing South Routt including Yampa and Toponas to Eagle County. The two people running were: Chuck Perry and Russell Garrity.

Each candidate in turn then addressed the membership with their comments and summarized their editorials as provided in the 2011 Annual Report.

The members then marked their yellow ballots for the Director Elections of District #1, District #8 and District #9. Mr. Covillo declared the election process as closed.

All the ballots were collected to be combined with those returned by mail.

Mr. Covillo called for any unfinished business.

Glenn Redding commented the EPA has gone overboard. Jim Meineke commented on the letter on the back of the program and how impressive the writing was. He commented at what a fine young gentleman the student writer was.

Mr. Covillo called for any new business.

Dean Brosious, Chairman of the Board, got up to the podium. He publicly acknowledged and thanked Peggy Espey for her service as District #1's representative in the Snake River Valley and Wyoming. Mr. Brosious also thanked Sam Haslem personally, for the board, and for the membership contingency for his 20+ years of service and presented him with a gift of a Metered lamp.

The Teller Committee returned the director election results to the meeting:

* In District 9, Russell Garrity received 1,167 votes; and Chuck Perry received 1,123 votes. Mr. Garrity was therefore elected in District #9. Mr. Brosious thanked Chuck Perry for a terrific job serving on the board for YVEA.

Jim Chappell conducted the drawing for door prizes. One \$50 gift certificate to Wal-Mart was provided by ESC Engineering of Fort Collins. Two \$50 gift certificates to Cabela's were provided by Western United. Other Wal-Mart \$25 gift certificates were provided by YVEA.

Mr. Brosious invited the members to a catered lunch in the school cafeteria down the hall from the Auditorium to be served after the close of the meeting.

Mr. Brosious announced the conclusion of the regular business meeting for 2012 and asked for any questions. There being no further business he asked for a motion to adjourn and upon motion being duly made, seconded and unanimously approved, the meeting adjourned.

Secretary

APPROVED:

Chairman of the Board