

**YAMPA VALLEY ELECTRIC ASSOCIATION, INC.
REGULAR MEETING OF THE BOARD OF DIRECTORS**

The Board of Directors of Yampa Valley Electric Association, Inc. convened at 32 Tenth Street, Steamboat Springs, Colorado at 11:00 a.m. on August 17, 2012 for the regular meeting.

Vice-Chairman Pat McClelland reconvened the meeting of July 20, 2012, declared all business was concluded and upon motion being duly made and seconded, the July 20th meeting was adjourned. The Vice-Chairman then called the August 17th meeting to order.

Upon calling the roll, it was reported that the following directors were present: Mike Brinks, Larry Ellgen, Russ Garrity, Tom Fox, Pat McClelland, Scott McGill, Frank Roitsch and Glynda Sheehan. Mr. Dean Brosious was absent.

After the Vice-Chairman declared the August meeting of the Board open and the agenda for the meeting was approved, a motion was made and duly seconded and passed unanimously that the board of directors go immediately into an executive session pursuant to CRS §40-9.5-108 for consideration of documents and testimony given in confidence, and for the general topic of personnel matters. Only board members were in attendance during such executive session. Such executive session convened at approximately 11:05 a.m., and the board ended the executive session and returned to its public meeting session, after a lunch break, at approximately 12:30 p.m.

General Manager Larry Covillo, Attorney Tom Sharp, Bill Caynor, Jim Chappell, Robert Miller and Marty Hinson were in attendance. Guests in attendance included YVEA members Jeff Troeger, Ben Perdue, Deb Metscher, David Franzel, Sonja Franzel, David Hood, and Colorado River District Representatives Ray Tenney and John Currier.

The Vice-Chairman asked if there were any public comments. Ms. Metscher expressed her displeasure with the aesthetics of the new power line along McKinley Street. She also felt there was a communication breakdown between YVEA, the City of Steamboat Springs and residents of McKinley Street. Mr. Hood and Mr. & Mrs. Franzel agreed with Ms. Metscher's comments. Several Board members apologized for the communication breakdown in the cost estimates. Mr. Sharp stated that he felt the process did not fail, possibly the communications did, but not the process according to the franchise agreement. The YVEA Board reaffirmed the February 14, 2012 option that was made available to Ms. Metscher and her neighbors, to underground the initial 530 feet of the project along McKinley Street at the invoiced amount of \$122,311.25. The YVEA Board also stressed the time to complete the underground portion of the project is short. Mr. Tenney and Mr. Currier, highlighted the options available on the Elkhead hydro project. They stated the need for the Colorado River District to sharpen their pencils and provide YVEA with a definite prospectus at the November Board meeting.

The Board considered approval of the minutes of the previous meeting. Upon a motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED, that the minutes of the previous meeting are approved as amended.

YVEA Manager of Information Technology, Kelli Root, provided information to the Board on the use of the Apple I-pads.

Vice-Chairman McClelland asked if there were any Director Comments. Mr. Roitsch and Ms. Sheehan thanked the Board for their appointments to the Board. Mr. McGill stated his appreciation of the use of I-pads as a way to achieve a paperless communication process.

Mr. Covillo asked Mr. Caynor to present the safety report for the month of July. In the month, there were 10,904 hours worked with zero "lost time" and zero "no-lost time" injuries reported. There were 35,394 miles driven in the month with zero vehicle accidents reported. The Board again stated their appreciation with the employee's safety performance. Upon being duly made and seconded, the following resolutions were unanimously adopted:

RESOLVED, that the safety report be accepted as presented.

Mr. Covillo continued his General Manager's Report. Mr. Covillo stated the Xcel transmission rate case has a FERC hearing set for late September in Washington D.C. He noted this rate case involves 15+ different entities, all with different issues and concerns. Mr. Covillo noted that Xcel Energy has filed to purchase a natural gas generation facility near its Pawnee Coal fired plant near Brush, Colorado. YVEA will file an intervention in the case for informational purposes only at this time.

Mr. Covillo reported that he attended the CREA Manager's Meeting. A major topic of discussion was the increase in the NRECA health insurance. There were speakers on self-insuring, but to accomplish that task, a large contingent of coops must agree to participate. The impact of new health laws are yet to be known. Mr. Covillo stated a speaker on smart grid metering told the managers that they can expect a 10% push back from customers with 1% being active in their opposition. CREA and its members are now participating in a new MSDS compliance website. Mr. Covillo reported that in the 2012-2013 legislative session, there appears that legislation will be introduced to increase the mandate for renewables.

Mr. Covillo reported that Shell Oil has paid an invoice to rebuild several miles of line in the Hamilton area. He also reported that there was a fire near the Hayden Station that burned two 69kV poles and four distribution poles; all will need to be replaced. Mr. Covillo also noted that the updated U.S. Routt National Forest master plan has been completed and approved.

In the Paradigm Services, LLC report, Mr. Covillo stated that the Paradigm Board has received two initial offers on property in Gunnison. The Paradigm Board noted their willingness to sell the property and authorized Mr. Covillo negotiate a reasonable offer.

In the BTA Associates, LLC report, Mr. Covillo reported that a partnership agreement was sent to XO Communication to formalize the agreement to make the Denver and Las Vegas, Nevada licences operational in compliance with FCC rules so the licenses may be maintained for future use.

Mr. Covillo presented the Cooperative Finance Corporation's (CFC) Key ratio Trend Analysis to the Board. The KTRA profiles 145 key areas comparing YVEA to other utilities within the State, the nation and of comparable consumer size. Mr. Covillo noted that the Association was given very favorable rankings (top 10%) in 36 areas. Mr. Covillo recommended the Board review the analysis at their pleasure and if any questions or concerns arise, direct the comments at next month's meeting.

In a letter enclosed in the Board packet, the Chairman of the Board disclosed the following committee assignments for the upcoming year:

2012-2013 COMMITTEE ASSIGNMENTS

EXECUTIVE COMMITTEE

Brosious, Chairman
McClelland
Ellgen
McGill
Brinks

AUDIT COMMITTEE

Ellgen, Chairman
Brosious
Fox
Sheehan

POLICY COMMITTEE

McGill, Chairman
Brosious
Fox
Roitsch

FINANCE COMMITTEE

McClelland, Chairman
Brosious
Roitsch
Garrity

MEMBER SERVICES COMMITTEE

Brinks, Chairman
Brosious
Sheehan
Garrity

Mr. Covillo reviewed the financial and statistical reports for the month of July. Mr. Covillo noted that Revenue is slightly ahead of budget, because the power cost adjustment is ahead of budget. Energy sales are below budget; load factor is comparable to budget; operating expenses are below budget. A motion was duly made and seconded; the following resolution was unanimously adopted:

RESOLVED that the financial and statistical reports be and are hereby accepted.

In the CREA report, Mr. Covillo noted his attendance at the July CREA Board meeting. He reported that he enjoyed Mr. Paul Erickson's talk. Several CREA policies were reviewed and discussed. The possible makeup of the State legislature was also discussed. Mr. McGill stated he would attend the next meeting.

In the Western United report, Mr. McGill stated there was no meeting in July, but he still has concerns about the budget methodology.

Vice-Chairman McClelland asked for an unfinished business. Mr. Covillo noted that he included the CFC loan resolution for Board approval. Considerable discussion followed. Upon being duly made and seconded, the Board considers and unanimously adopts:

RESOLVED, that the Cooperative borrow from National Rural Utilities Cooperative Finance Corporation (“CFC”), from time to time as determined by the persons designated by the board of directors of the Cooperative, (i) Fifteen Million and 00/100 Dollars (\$15,000,000.00) designated as Loan CO036-A-9024, (ii) Fourteen Million Five Hundred Thousand and 00/100 Dollars (\$14,500,000.00) designated as Loan CO036-A9025, and (iii) Five Million Five Hundred Thousand and 00/100 Dollars (\$5,500,000.00) designated as Loan CO036-A-9026, as set forth in the loan agreement designated as Loans CO036-A-9024 & 9025 and the loan agreement designated as Loan CO036-A9026 with CFC governing such loans, substantially in the form of the loan agreements presented to this meeting (the “Loan Agreements”);

RESOLVED, that the proceeds of the loans be used for the purpose set forth in the Loan Agreements.

Mr. Covillo then presented the Board with a projected renewable energy cost proposal for Catamount Dam, Elkhead Dam, Peabody Dam and the Clean Energy Collective solar-garden. Considerable discussion followed. The Vice-Chairman called for a consensus of the Board to see if there is interest in seeking “Requests for Information” (RFI) for renewable energy projects, at a delivered energy price that would be above the current wholesale energy costs of the Association. In a split vote, the consensus of the Board was to proceed with having Mr. Covillo gather RFIs.

Vice-Chairman McClelland asked for any new business. Mr. Covillo stated he would present to the Policy Committee in October a policy regarding the use and ownership of I-Pads.

There being no further business, the meeting was recessed until such time as may be necessary to reconvene

Secretary

APPROVED:

Chairman of the Board