

**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 October 19, 2012 for the regular meeting.

Chairman Dean Brosious reconvened the meeting of September 21, 2012, declared all business was concluded and upon motion being duly made and seconded, the September 21st meeting was adjourned. The Chairman then called the October 19th meeting to order.

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

After the Chairman declared the October 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 11:10 a.m., and the board ended the executive session and returned to its public meeting session, after a lunch break, at approximately 12:35 p.m.

General Manager Larry Covillo, Attorney Tom Sharp, Bill Caynor, Todd Chapman, Robert Miller and Marty Hinson were in attendance. Approximately 16 members were also in attendance.

The Chairman asked if there were any public comments. A letter from the Yampa Valley Sustainability Council was presented to the Board by Mr. Paul Potyen. The letter encouraged the YVEA Board to meet with the YVSC Board to discuss opportunities to promote energy efficiency. The majority of the other comments were in support of a community solar garden. Members made comments supporting the community solar garden as to the benefits for renters; to help market Steamboat as a progressive community; to provide jobs in the solar industry and to offer the opportunity for members who do not have the space for solar panels to be able to access solar power through a community garden.

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 submitted.

Chairman Brosious asked if there were any Director comments. There were no comments.

Chairman Brosious changed the agenda order to move item # 12 forward for discussion for the benefit and interests of the members present. A motion was duly made and seconded that the Executive Committee move forward in negotiating a contract with the Clean Energy Collective (CEC) to begin the process of constructing a community solar garden within YVEA's service area.

Mr. Covillo asked Mr. Caynor to present the safety report for the month of September. In the month, there were 9,523 hours worked with one minor "lost-time" and zero "no-lost time" injuries reported. There were 35,329 miles driven in the month with zero vehicle accidents reported. Mr. Caynor was asked about the investigation process following such accidents. He explained that each accident is reviewed by the Safety Committee with the goal of determining the cause and how to prevent future

accidents. With no further questions, a motion was duly made and seconded that the safety report be approved as submitted.

In his General Manager's report, Mr. Covillo updated the Board on the Xcel Energy rate cases. He reported that Xcel has presented four revisions to the new formulary rates effective January 1, 2013, and each revision has different numbers. YVEA's main concern is the requested 10.25 percent rate of return on the transmission side. YVEA and other power purchasers are requesting the rate of return be lowered to around nine percent in the case before FERC on the 2012 transmission rate filing. Mr. Covillo relayed that a technical conference involving FERC Staff and the parties to the case would be held in November. Covillo further explained that a settlement conference is scheduled for December in Washington before a judge. The judge is aware of the issues and will make sure that the case moves along. It is predicted that the judge will not interfere among the participants in the negotiations, but will approve a settlement and forward it to FERC.

Mr. Covillo reported to the board that Mr. Chapman has visited the approximately 10 meter locations that still have covered meters. Upon discovering inconsistent communication with these members, it was reported that one final attempt will be made with each member requesting the covering be removed or modified. If no mutually agreed upon solution is reached, then the service will be disconnected.

The final miscellaneous item in the General Manager's report was Mr. Covillo presenting his notice to retire effective March 4, 2013. Chairman Brosious received the notice and announced the Executive Committee will begin the recruiting process for a new General Manager.

In the Paradigm Services report, Mr. Covillo stated that the Paradigm realtor has had conversation with two prospects, but one offer has been withdrawn. An additional prospect has expressed interest, but has not submitted a proposal. At the suggestion of the listing agent, the asking price for the store location has been reduced to \$450,000.

In the BTA Associates, LLC report, Mr. Covillo reported that the FCC did approve the Denver and Las Vegas license extensions through 2018. The approval for the sale of the Walla Walla, OR license is still pending. Mr. Covillo noted that hundreds of licenses are pending awaiting approval by the FCC.

Mr. Miller presented the KPA report noting the quarterly number compared to the standard number for each item. The Board thanked him for the report and stated it was a very easy to follow and understand the report.

Mr. McGill reported that CREA did not meet in September and there was no report.

In his Western United (WU) report, Mr. McGill stated that WU did not meet in September, but he did receive a report by email. Mr. McGill relayed the basic financials of the company.

Mr. Brosious reported that the Policy Committee met at 10 a.m. to review several board policies. Policy No. 1-16 would establish responsibilities for electronic communication devices. A motion was duly made and seconded to adopt the new board policy as submitted by the committee. Policy No. 3-1 was presented to remove James Chappell and replace with Todd Chapman as an authorized signer for the withdrawal of monies from the General Operating, Capital Credits and Payroll Accounts. This change was necessary due to the retirement of James Chappell. The same recommendation was made to replace Mr. Chappell with Mr. Chapman as an authorized co-signer for the same account. A motion was duly made and seconded to accept the two recommended changes to Board Policy No. 3-1. The committee also made the recommendation to the board to include item #11 to the "Viewpoints" of the Board

Policies. The new language is as follows: That the Association has an environmental responsibility to supply as much renewable energy to our members as is fiscally responsible. Particularly from sources available in our service area. It is understood that as time goes on and technology improves, that the price being paid for this energy should continue to decrease toward the wholesale prices paid our major electricity suppliers. A motion was duly made and seconded to accept this new viewpoint and make the necessary revision.

The committee recommended the revision to Board Policy No. 1-3 to make a change to item #3 and replace the word “sole” to “primary.” The second sentence of item #4 was removed and replaced with the following language: Work assignments shall be given by the General Manager and other Supervisors in accordance with approved operating procedures and policies. All employees are allowed to have discussions with Board Members to encourage the free exchange of information regarding the general business and work environment of the Association. No Board Member shall give instruction to employees regarding operational matters. A motion was duly made and seconded to accept these two revisions to Board Policy No. 1-3.

Mr. Covillo and Mr. Miller reviewed the financial and statistical reports for the month of September. Revenue was up, but sales were below budget for residential and commercial customers. Power costs were above budget and construction activity was increasing. A motion was duly made and seconded to accept the report as submitted.

Mr. Covillo informed the board it was time to join or renew their ACRE and CARE membership. Several board members submitted the dues for their 2012/2013 membership.

Mr. Roitsch raised a question about the overhead power line project on Butcherknife Trail and if there were any continued issues from members. Mr. Covillo explained his conversation with one member and the effort to sign a petition requesting the lines be moved underground. He informed the Board that the project was almost completed.

Under “New Business,” a motion was duly made and seconded to replace Jim Chappell with Todd Chapman as the Board’s Assistant Secretary due to Mr. Chappell’s retirement.

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. Such executive session convened at approximately 3:30 p.m. The Board ended the executive session and returned to its public meeting session.

Upon reconvening, motions were duly made, seconded, and unanimously adopted for the following resolutions:

RESOLVED, that the Executive Committee and the General Manager begin negotiating a Power Purchase Agreement with Clean Energy Collective, LLC.,

RESOLVED, that a special Board meeting be posted for an executive session, on the 30th of October, at 4:00 pm in the Steamboat Springs Office to discuss the process for replacing the General Manager.

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

Secretary

APPROVED:

Chairman of the Board