

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

The Board of Directors of Yampa Valley Electric Association, Inc. convened at 3715 East US Hwy 40, Craig, Colorado at 11:00 a.m. on May 17, 2013 for the regular meeting.

Vice-Chairman Pat McClelland reconvened the meeting of April 19, 2013, declared all business was concluded and upon a motion being duly made and seconded, the April 19th meeting was adjourned. The Chairman then called the May 17th meeting to order.

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

After the Vice-Chairman declared the April 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. Board members and Dan Brewer, Interim Manager, and Tom Sharp, attorney for the Association, 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 1:15 p.m.

Interim General Manager Dan Brewer, Attorney Tom Sharp, Marty Hinson, Robert Miller, Lisa Myers, Jody Cork, and Doug Warner were in attendance. One co-op member--Jeff Troeger was also in attendance.

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

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

The Vice-Chairman asked if there were any public comments.

Jeff Troeger informed the Board that his electric car was outside and asked if anyone was interested in looking at it. He also discussed his concern about a candidate for the Director District #5. He believes this candidate may have a financial interest and a political agenda.

Vice-Chairman McClelland asked if there were any director comments.

Frank Roitsch would like to thank Bill Caynor for giving him a tour of the YVEA headquarters facilities.

Russ Garrity wanted to send his fondest thoughts and best wishes to Dean Brosious and his wife Marianne.

Glynda Sheehan asked Lisa Myers about the Arbor Day event. Lisa responded that there were 375 trees given away by 11:45 a.m. We would like to continue giving trees away on an annual basis. Lisa also mentioned that they gave trees away in Craig as well.

Vice-Chairman McClelland attended the NRECA Legislative Conference in Washington, D.C. and stated that the Legislators were on break so they got to talk to the staff. Senator Bennett was at a meeting in Steamboat, so Mr. McClelland presented him with comments about the whole delegation in Washington, D.C. and Senator Bennett was very receptive.

Vice-Chairman McClelland introduced Caroline Fisher who made a presentation to the Board regarding Culture in Today's Co-ops. Ms. Fisher presented the Board with some ideas on going forward to have an improved organization.

Mr. McGill served as Chairman of the Policy Committee meeting held earlier in the morning. He reported that the Caring Consumers Foundation Board of Directors has five Directors; two from the east side, two from the west side, YVEA Chairman of the Board, and YVEA Vice-Chairman. The Policy Committee believes it would be best to keep the two east and two west members of the public, but have the YVEA Board appoint who the fifth member would be. The fifth member would need to be a member of the YVEA Board or the YVEA General Manager.

Mr. McGill also stated that they would like to have the CCF Bylaws changed to two year, three consecutive terms.

A motion was made and seconded to make a preliminary decision on these changes for a final consideration at the June or July Board meeting.

Mr. McGill said the Committee did not have time to consider the Charitable Contributions Policy.

The Policy Committee decided that Board Policy #7-7 was complicated and there should be an internal study on what other co-ops do in Colorado, where we are, and then the whole Board can make a decision.

Mr. McGill talked about Board Policy #1-7 – Director’s Expenses and Reimbursements, and stated that the Committee thought that there would be a conflict with the General Manager approving Board expense sheets. The Committee suggested that in lieu of review and approval by the General Manager, the expense sheets be reviewed quarterly by the vice-chairman, and then he would make a recommendation to the rest of the board if he concludes that any reimbursement was improper or violated the Policy #1-7.

A motion was made, seconded and approved to change Board Policy #1-7 to review the expense sheets quarterly by the vice-chairman and to remove the discretionary approval authority by the General Manager.

A discussion was held on document retention and destruction. The Committee feels that documents in digital form require a lot more oversight to dispose of. The Committee thinks it would be a good idea to check with RUS and CFC and see what their views are. It was also asked if we need a digital destruction policy. The Committee decided that document retention and destruction should be discussed further at the next Policy Committee meeting.

Vice-Chairman McClelland asked Lisa Myers to give a presentation on the NRECA R & S prepayment options. Ms. Myers said that we have the opportunity to buy it down retroactively to January 2013, to save 25% on the premium. The cost if paid by May 31, 2013 would be \$3,473,638.

Mr. McClelland said if we choose to borrow the full amount, it would add debt, spend some cash and reduce equity. Mr. Garrity asked Mr. McClelland his thoughts and he said it makes some sense, but there are no guarantees. As it is right now, if we do nothing, the line will get steeper. Mr. McClelland doesn’t think that we are making a big mistake by doing this plan. Mr. McClelland invited Mr. Miller’s opinion and Mr. Miller stated that one-half of the co-ops are already doing this. Mr. Fox recommended that we shop Co-Bank and CFC for the best interest rates before financing the \$3.4 million investment.

There was a lengthy discussion on borrowing the full amount or pay half in cash and borrow the other half. The interest rates are low right now so it might be better to borrow the full amount and keep the cash until we need it. The length of the loan was discussed and Mr. Miller suggested it to be a five year loan. At the end of five years we’ll be able to analyze whether we did the right thing or not.

A motion was made and seconded, with one against, to borrow from Co-Bank or CFC the full 100% and pay back over a period of 5 years, with a goal of locking in by May 31, 2013.

RESOLVED, that a loan of \$3,473,638 be borrowed from Co-Bank or CFC to be paid back within five years, with a goal of locking in the co-op’s participation in the “Accelerated Funding Payment” option by May 31, 2013.

Mr. Brewer said that IREA and Tri-State are not ready to settle the transmission case. We are ready to settle, but the case cannot be fully settled without the consent of others over whom we have no control. Mr. Brewer recommended that we need to remain in the case but hopefully minimize our litigation expenses. PSCo has called for another settlement conference which will probably be within a week or so.

Xcel Production Case has not been filed. The rate of return proposed is 10.4 currently and we would agree to anything lower than 10%. FERC may knock down the ROE to be less than 10%. Mr. Brewer has inquired of Bob O’Neill, our FERC attorney, regarding the litigation costs and potential cost savings if the case is successful. Mr. Brewer said the cost to YVEA may be \$350 to \$400 thousand per year of added cost if Xcel rate of return is confirmed at the level Xcel requests. Mr. Brewer will keep

the Board informed, and the Board has not determined whether or not to intervene in the Xcel case after it is filed.

Bob O'Neill has reviewed the proposed Solar Garden contract. He felt uncomfortable with parts of the contract. We will get a marked-up copy from Bob O'Neill to review concerns with Paul from CEC. It was noted that Poudre Valley is getting ready to expand their solar garden project.

There will be a meeting with Susan Holland about the Catamount dam project.

Mr. Hinson commented that methane gas is at 7 cents. Mr. Brewer said the Governor has not signed Senate Bill 252 yet. He has several questions in several areas he did not understand, and we don't know if he's going to sign it or not.

Mr. Miller reviewed the Financial and Statistical Reports for the month of April. We made \$423,000 less than what was projected. We are down \$900,000 in cumulative annual margin year to date. This is all due to an increase in our coincident kW billing from Xcel, since our peak use has been "on" the Xcel peak for several months. Hopefully, we will have a recommendation from C.H. Guernsey, rate consultants, as to how to provide incentives to shave our Xcel peak demand and move off of the Xcel peak.

Mr. Ellgen asked if there was any way to predict Xcel's peak. According to Mr. Brewer there is. Most wholesale utility suppliers will share that information with distribution cooperatives, and Mr. Brewer assumes that Xcel will do so if asked.

A board member mentioned that the Form 7 Notes prepared and supplied to the Directors as a summary of the Form 7 are much better than the summary previously provided by Mr. Covillo.

Mr. Ellgen requested to move the Executive Summary to the beginning of the financials.

A motion was made and seconded to accept the financials.

RESOLVED, that the financial reports for April and year to date be accepted as presented.

Mr. Caynor was not at the meeting to present the safety report. Mr. Brewer said that we had a foreman that injured his back in December 2010 and came back to work full time but it is hard for him to keep working. A lineman in Craig injured his hand and is out for 30 days.

A motion was made and seconded to accept the safety report as presented.

RESOLVED, that the safety report be accepted for the month of April as presented.

Mr. Hinson introduced Doug Warner as this month's employee who was elected to attend the Board meeting.

Mr. Hinson gave the Engineering Report and said that he recommends that we accept the Colorado Powerline, Inc. bid of \$1,918,903.40. There is a \$500 per day fee if they don't finish on time. The Board asked Mr. Brewer to sign the contract with Colorado Powerline, Inc. There was a discussion about Mr. Brewer signing contracts over \$100,000. A motion was made and seconded that Mr. Brewer be authorized to sign the contract for Colorado Powerline, Inc.

Mr. Hinson mentioned that we have 344,000 Renewable Energy Certificates (REC) in the bank at WREGIS, and asked the Board for their input on what to do with them. The REC's will expire in 5 years. There is still a market for older REC's and he doesn't see any point of letting them expire if there is still a market for it.

The Board authorized Dan Brewer to make a decision to sell or not to sell any of the REC's.

The 15 year wind farm purchase power agreement with Ponnequin expires March 31, 2014. YVEA bought 46,890 KWH last month in wind energy, but we need to make a decision if it is cost effective to renew this contract. The matter was postponed to a later Board meeting.

Mr. Hinson talked about internship interviews for an apprentice engineer, and proposed to submit an offer, to one of the candidates, from the Colorado School of Mines, for a permanent position.

The Board requested to have a more in-depth description of construction projects.

John Rabaglia with RUS will be here next week to do an operations and maintenance inspection. He will also do the Civil Rights Inspection for handicap accessible, etc.

Vice-chairman McClelland asked for the Human Resources report. Mr. Brewer said that Ms. Myers had to leave early so he would give her report. Ms. Myers has been training on performance appraisals for supervisors. Ms. Melissa Watson will start work on Monday, May 20th as the new Manager of Consumer Accounts.

Mr. McGill gave the CREA report and said 90% of the meeting was about Senate Bill 252. He said other co-ops are more affected than we are.

Mr. McGill talked about a new teachers building that CSU would like to build. CREA would like to buy a wall in this building for \$50,000 and would like a contribution from all the co-ops for over a period of 5 years, which would amount to \$500 per co-op per year. It was decided that YVEA would support this contribution.

Mr. McGill gave the Western United report and said that this year will be their best year since 2007. The CEO anticipates that they will have exceeded their budget by over \$6 million.

WU has changed banks from Wells Fargo to Summit Bank and Trust and believes they will save \$7 thousand a year.

Vice-Chairman McClelland asked for any Unfinished Business. There was none.

Vice-Chairman McClelland asked for any New Business.

Jeff Troeger expressed his concern about a candidate who turned in a petition for Director District #5. It was discussed and decided that Tom Sharp would further review this matter and provide an opinion to the Board.

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 director eligibility, real estate negotiations, and personnel matters.

At 5:40 p.m. the board ended the executive session and there being no further business, the meeting was recessed at 5:41 p.m. until such time as may be necessary to reconvene.

Secretary

APPROVED:

Chairman of the Board