

Yampa Valley Electric Association, Inc.
Regular Meeting of the Board of Directors

Thursday, February 20, 2014
32 Tenth Street

The Board of Directors of Yampa Valley Electric Association, Inc., reconvened at 32 Tenth Street, Steamboat Springs, Colorado at 11:00 a.m. on February 20, 2014. Chairman Dean Brosious reconvened the recessed meeting of January 16, 2014.

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

After the Chairman declared the January 16, 2014 recessed meeting (the “Recessed Meeting”) of the board of directors re-opened, a motion was made and duly seconded and passed unanimously that the board of directors go immediately into an executive session under “new business” to consider documents and testimony given in confidence, and the general topics of such executive session will be to discuss and consider (pending and potential property acquisitions, personnel matters, pending or threatened litigation, etc). Board members, Diane Johnson, General Manager, Tom Sharp, General Counsel for the Association, and Randi Owens were in attendance during such executive session. Such executive session convened at approximately 11:00 a.m., and the board ended the executive session and returned to its public meeting session at approximately 1:00 p.m. Upon closing the executive session, the Chairman declared that all business of the Recessed Meeting was concluded and called for a motion to adjourn. Upon motion being made, duly seconded, and passed unanimously, the Recessed Meeting was adjourned.

1. Call to Order

- a. Present:** Directors: Dean Brosious, Pat McClelland, Frank Roitsch, Russell Garrity, Tom Fox, Mike Brinks, Glynda Sheehan, Larry Ellgen, Scott McGill; General Manager, Diane Johnson; Managers, Steve Johnson, Lisa Myers, and Melissa Watson; Also present, Randi Owens
- b. Absent:** Manager of Engineering, Marty Hinson; Manager of Finance Administration, Robert Miller

2. Executive Session

3. Approval of Minutes

A motion approving the minutes from the January 16th meeting with was made and passed with a unanimous vote.

4. Public Comment

John Spezia thanked the board for the proposed rate change for net metered members. Mr. Spezia had some questions concerning the executive session of the board of directors. He requested that the agenda items for executive session be made public. Mr. Spezia also expressed his interest in potential rate adjustments.

Jeff Troeger echoed Mr. Spezia’s interest with respect to rates. He encouraged the board to examine other ways to take control of power costs He supplied examples like encouraging energy efficiency or generating power.

5. Director’s Comments

Mr. Roitsch thanked Ms. Owens for creating a detailed itinerary for NRECA’s upcoming Annual Meeting. Mr. Garrity thanked staff for the uniformity and formatting of the board packet, which makes it easier to process the provided information. Mr. Fox commented that several members have shared positive remarks concerning the Colorado Country Life magazine. Mr. McClelland noted that the CREA Annual Meeting was possibly the best

he had ever attended. Ms. Sheehan shared that she had been hearing positive things from contractors in the community who expressed that they are pleased with the direction the Association is headed. Mr. Ellgen reiterated Ms. Sheehan's sentiments.

6. ACTION ITEMS

a. Naming of Association Officers (Resolution 14-01)

WHEREAS, Article V of the Yampa Valley Electric Association Bylaws states in Section 1 that "the officers of the Association shall be a Chairman of the Board, one or more Vice Chairmen of the Board, a President, one or more Vice Presidents, Secretary and Treasurer, and such other officers as may be determined by the Board of Directors from time to time. The offices of Secretary and Treasurer may be held by the same person;"

AND WHEREAS, Section 2 of such Bylaws states that "the Chairman and Vice Chairman shall be members of the Board of Directors. Other officers may be, but shall not be required to be, members of the Board of Directors;"

AND WHEREAS, Section 7 of such Bylaws states that "the President
(a) shall be the principal executive officer of the Association;
(b) may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board of Directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Association, or shall be required by law to be otherwise signed and executed; and
(c) in general shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time;"

AND WHEREAS, Section 8 of such Bylaws states that "the Vice President, in the absence of the President, or in the event of his inability to act, the Vice President or if more than one then any Vice President designated by the President, shall perform the duties of the President, and when so acting, shall have all the power of and be subject to all the restrictions upon the President and shall perform such other duties as from time to time may be assigned to them by the President;"

AND WHEREAS, Section 9 of such Bylaws states that "the Secretary shall
(a) keep the minutes of the members and the Board of Directors in one or more books provided for that purpose;
(b) see that all notices are duly given in accordance with these Bylaws or as required by law;
(c) be custodian of the corporate records and of the seal of the Association and see that the seal of the Association is affixed to all documents, the execution of which is on behalf of the Association under the seal duly authorized in accordance with the provisions of these Bylaws;
(d) keep a register of the post office address of each member which shall be furnished to the Secretary by such member;
(e) have general charge of the books of the Association in which the record of the members is kept;
(f) keep on file at all times a complete copy of the Bylaws of the Association containing all amendments thereto, which copy shall always be open to the inspection of any member; and
(g) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to them by the President;"

AND WHEREAS, Section 10 of such Bylaws states that “the Treasurer shall
(a) have charge and custody of and be responsible for all funds and securities of the Association;
(b) receive and give receipts for moneys due and payable to the Association from any source whatsoever, and deposit all such moneys in the name of the Association in such bank of banks as shall be selected in accordance with the provisions of these Bylaws; and
(c) in general perform all duties incident to the office of Treasurer and such other duties as from time to time may be assigned to them by the President;”

AND WHEREAS, such Bylaws state that “any of the duties of the respective officers may be delegated to such other officers, assistants and employees as the Board of Directors shall determine;”

AND WHEREAS, section 11 of such Bylaws states that “the Board of Directors may appoint a Manager who may be, but who shall not be required to be, the President of the Association. The Manager shall perform such duties as the Board of Directors may from time to time require of them and shall have such authority as the Board of Directors may from time to time invest in them. They shall have authority to hire, assign, promote, discharge and discipline other employees of the Association.”

NOW, THEREFORE BE IT RESOLVED, that the Board of Yampa Valley Electric Association does hereby name the officers of Yampa Valley Electric Association, Inc.: Dean Brosious, Chairman of the Board; Pat McClelland, Vice-Chairman of the Board; Diane Johnson, President and General Manager; Steve Johnson, Vice President; Robert Miller, Treasurer; and Randi Owens, Secretary.

A motion was made by Ms. Sheehan, seconded by Mr. Ellgen, and carried with a unanimous vote.

b. Charter and Resolution for Compensation and Benefits Ad-hoc Committee

Ms. Johnson presented a charter for creating a compensation benefits ad-hoc committee to evaluate the way the Association currently handles these matters and to propose recommendations. A motion accepting the resolution and charter for the ad-hoc compensation and benefits committee was made by Mr. Fox, seconded by Mr. Brinks, and carried with a unanimous vote.

Mr. Fox nominated, Mr. Ellgen seconded and the board unanimously elected Mr. Garrity and Mr. Roitsch to serve on this committee on behalf of the board of directors. Ms. Johnson explained that the first action of the committee would be to hire an outside consultant to do a study. The committee would then bring back recommendations to the board.

c. Set Date for May Board Retreat

Ms. Owens presented several options with respect to when and where to hold the board retreat in May. There was some discussion as to timing and cost. The board provided the following direction: to hold the retreat, as well as, a regular meeting in May; to organize a retreat that is financially prudent.

d. Set Date for Annual Meeting

Ms. Watson presented a date to hold this year's annual meeting. The board expressed their desire to hold a regular meeting of the board of directors in addition to the annual meeting. After some discussion of availability, it was decided to hold the 2014 Annual Meeting on Thursday, June 26th.

e. Acceptance of the Financial and Statistical Report

A motion accepting the financial and statistical report for January was made by Mr. Ellgen, seconded by Mr. McClelland, and carried with a unanimous vote.

f. Resolution Regarding Potential Site for Headquarters

Mr. Fox moved that the Board (i) approve the offer to purchase property discussed in Executive Session and give the General Manager authority to negotiate a purchase price not to exceed the amount agreed upon in executive session. This motion ratifies the General Manager's execution of such contract on behalf of the Association, and (ii) authorizes the manager to take all actions and execute all documents and make all payments from Association funds necessary or proper to complete performance of the purchase contract and acquisition of the property, including making any non-material changes in the contract (without increasing the purchase price) which become reasonably necessary to complete the acquisition. This motion was seconded by Mr. McClelland and passed with a unanimous vote.

g. Approval of the 2014 Budget (Tabled from December 2013)

Ms. Johnson recommended holding the approval of the budget until the five-year financial forecast has been presented. The board concurred.

After reviewing the five-year financial forecast, the directors returned to the topic of the 2014 budget. A motion was made by Mr. Roitsch, seconded by Mr. McClelland, and passed with an 8-1 vote. Mr. Ellgen reiterated that he trusted staff and supported staff, but continued to be uncomfortable with the substantial spending in this budget because of financial pressures that will face the Association. Mr. Brosious commented that philosophically he was confident that staff would always be prudent when considering spending. Mr. Brinks noted that since staff reviewed the budget for a third time, he trusts their judgment. Ms. Johnson noted that historically the Association has been conservative with spending on a large scale, resulting in less than adequate staffing, aging infrastructure and buildings that no longer functioning as needed Ms. Johnson reiterated that the spending is necessary, but it is also up to staff to making wise decisions on large and small budget items to ensure that we are managing the Association in a fiscally responsible manner.

7. INFORMATION ITEMS

a. Five-Year Financial Forecast

Mr. Brosious reviewed the various scenarios that were provided by staff. Ms. Johnson expressed that the original plan for this presentation was to have Mr. Miller be available to allow the board the ability to construct their own scenarios. Ms. Johnson also noted that the scenarios are conservative as they do not account for any load-growth. Also, they assume a 33% level of capital credit retirements.

There was discussion as to which scenarios to utilize for planning purposes. The directors agreed on a base case with staff providing future recommendations for rate adjustments.

One member requested opening this discussion up to a public forum.

b. Discussion to Provide for Flexible Funding Source During Transition from Current to New Headquarters

This discussion was tabled until executive session to allow the directors to negotiate contracts as needed.

c. Staff Reports

i. Safety

Mr. Steve Johnson noted that there were no incidents to report in January. Ms. Sheehan asked about the employees who serve as representatives on the Joint-Safety Team. Ms. Johnson shared that the team is comprised of positions across the Association and between both office locations. She reiterated that safety is a high-priority of the Association and isn't limited to specific positions.

Mr. Ellgen expressed that he is enjoying the new format of the department reports.

Mr. Garrity asked if the results of working with CREA had been positive. Mr. Johnson confirmed that it has been a positive experience. Ms. Johnson shared that CREA is creating a Risk Management and Safety Team and she nominated Mr. Johnson to serve on the committee and he was selected.

Mr. Roitsch noted that he had heard good things about Eddie Magee, YVEA, from Mike Williams of CREA.

Mr. Brosious asked if having Ben Vannoy, YVEA, discuss the incident he was involved in with other Colorado cooperatives was helpful in creating a culture of safety. Ms. Johnson confirmed that Mr. Vannoy's willingness to take responsibility for the event and share how it has affected him and YVEA is positive. Mr. Johnson also shared that Nate Fentress accompanied Mr. Vannoy, which was fitting since he was there during the accident.

Mr. McGill noted that he would like to see the return of near-misses to the safety report.

ii. Technology

There were no questions or comments concerning the technology report.

iii. Operations

There were no questions or comments concerning the operations report.

iv. Engineering

There were no questions or comments concerning the engineering report.

v. Human Resources

Ms. Myers shared that the annual Association Christmas party will be at Three Peaks Grill this year. Ms. Myers also highlighted the new-employee orientation/onboarding process, which helps the new employee acclimate to the Association as a whole. Ms. Sheehan had a question regarding the

compliance testing on the Human Resources report, which was answered by Ms. Myers.

vi. Member Services

Ms. Watson commented that her Member Services report includes information about the upcoming issue of Colorado Country Life to ensure everyone is updated on the information presented each month. Mr. Garrity highly encouraged yearly surveys to assess member satisfaction.

d. Senate Bill-252 (Impacts and Recommendations)

There was discussion as to CREA's stance on Senate Bill-252's requirements. Ms. Johnson commented that there is generally an assumption that the Association needs to build-up to meeting the requirements by 2020. Ms. Johnson encouraged a conversation as to how soon the board would like to see the Association be in compliance. Additionally, Ms. Johnson suggested that one approach to meeting the requirements would be to allocate a certain amount of funding toward the goal each year.

Mr. Ellgen asked if the Association buying their energy from Xcel, who is utilizing renewable energy, counts toward meeting the requirements of the bill. Ms. Johnson explained that purchasing renewable energy from Xcel allows us to meet and, at this point in time, exceed one part of the requirements. It does not contribute to the requirement that 1% of energy output be from renewable distributed generation sources.

There was some discussion as to possible sources of distributed generation available to the Association now and in the future. Ms. Johnson requested direction as to how aggressively the board wanted staff to move toward compliance. There was much discussion as to the board's desired speed and motivation to meet the requirements of Senate Bill-252. Ms. Johnson noted that staff will start including projected costs of meeting regulation in our five year forecast.

e. 2013 in Retrospect

Ms. Johnson asked the board for clarification with respect to the amount of detail and helpfulness of the annual "Retrospect" produced by staff. The directors largely vocalized that it was not a document they use regularly. Ms. Johnson proposed creating a wallet-sized document that summarized the previous year that would help directors and employees address members' questions quickly if approached.

f. CREA Report

Mr. McGill requested guidance as to what the board would like to see happen with accommodations in DC. He provided several options from CREA and was told there was no tangible benefit for having all Colorado cooperative stay at one specific hotel. Mr. McGill also commented that several organizations have started offering broadband and that success seemed to vary.

g. Western United Report

Mr. McGill reported that Western United have implemented an automatic clearing house with accounts payable and have saved a substantial amount of money. Ms. Watson shared that the Association was moving in a similar direction. Mr. McGill also noted that Mountain States conducted an audit and found that they had been over-paying NRECA. He suggested this might be worth looking at.

8. OTHER ITEMS

a. Unfinished Business

Mr. McClelland reported that the tax issue with Paradigm had been resolved.

Mr. McGill provided an informal BTA report.

Mr. Brosious noted that part of the farm bill passed through the USDA includes provisions for a loan for rural energy efficiency efforts. He encouraged the board and staff to research the bill to determine if it would be beneficial to utilize the program. Ms. Johnson noted that the way the bill works would make the Association a lender to members, which is an uncomfortable position to take. She commented that it would be more enticing if it were a grant and not a loan. She also stated that staff is investigating possible grant opportunities.

Mr. Brosious, Mr. Roitsch, and Ms. Sheehan requested a copy of CREA's annual report.

b. New Business

There was no new business.

c. Recess

A motion to recess the regular meeting of the directors of Yampa Valley Electric Association until 1:30pm on Friday, February 21st was made by Mr. Roitsch, seconded by Mr. McClelland, and passed with a unanimous vote at 4:06pm.

Chairman of the Board

Dated: March 20, 2014

Secretary of the Board

Dated: March 20, 2014