

Yampa Valley Electric Association, Inc.

Conclusion of Recessed Regular Meeting of the Board of Directors from Prior Month
and Regular Meeting of Board of Directors

Thursday, April 17 2014

32 Tenth Street

Steamboat Springs, Colorado

The Board of Directors of Yampa Valley Electric Association, Inc., reconvened at 32 Tenth Street, Steamboat Springs, Colorado, at 11:00 a.m. on April 17, 2014. Chairman Dean Brosious reconvened the recessed meeting of March 20, 2014 (the "Recessed Meeting"). 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 that the Recessed Meeting was re-opened, there was no further business. 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.

The Board of Directors then immediately convened at 32 Tenth Street, Steamboat Springs, Colorado, at 11:05 a.m. for its regular board meeting.

1. Call to Order

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. Also present were General Manager, Diane Johnson; COO Steve Johnson; Managers Lisa Myers, and Melissa Watson; Randi Owens, and members Jeff Troeger, Dennis Lum, and John Spezia.

2. Executive Session

After the Chairman declared the meeting open, a motion was made, 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, contract negotiations and pending or threatened litigation. Board members, Diane Johnson, General Manager and Randi Owens were in attendance during such executive session. Such executive session convened at approximately 11:06 a.m., and the board ended the executive session and returned to its public meeting session at approximately 1:00 p.m.

3. Approval of Minutes

A motion approving the amended minutes from the Recessed Meeting (other than the reconvened portion of such meeting this day) was made, duly seconded, and passed unanimously.

4. Member-Owner Comment

Mr. Troeger thanked the board for making the board materials available to members. Mr. Troeger expressed his opinion that one of the lines in a board policy up for review ought to be changed to better reflect cooperative principles. Mr. Troeger also inquired if the board planned to release a copy of the cost of service study. Mr. John Spezia asked if members were allowed to attend the board planning session. Mr. Spezia also suggested that when members are redirected to the CEC Solar Garden website from the YVEA website that the Association make it clear that they are not being redirected to a fraudulent or dangerous website. Mr. Lum thanked the board for welcoming him to the board meeting and expressed his delight at being able to attend.

5. Director Comments

Ms. Sheehan thanked the line workers that promptly addressed the outages issues that had occurred the previous Saturday. Mr. McClelland thanked Peabody for their sponsorship at the Directors Conference. Mr. Fox shared that there was a webinar available to directors on the topic of micro grids that proved to be a valuable resource and encouraged other directors to utilize this resource. Mr. Garrity recognized Mr. Johnson for his positive impact on the Association in such a short time.

6. ACTION ITEMS

a. Acceptance of the Financial and Statistical Report

Mr. Miller presented the financial and statistical report. A motion accepting the financial and statistical report for March was made by Ms. Sheehan, seconded by Mr. Brinks, and carried with a unanimous vote.

b. Resolution 14-04: Retirement of Capital Credits

The Finance Committee recommended that the Association retire \$1,620,000 as of April 17th being a retirement of a portion of the unpaid capital credits accrued for the calendar year 2000, and that such retirement be refunded to the members entitled thereto as soon as practical. Ms. Johnson clarified the difference between allocation of capital credits and retirement of capital credits. Mr. Ellgen made a motion to accept Resolution 14-04; the motion was seconded by Mr. Fox, and passed with a unanimous vote.

c. Resolution 14-05: Revision to Board Policy 3-2 Rates for Electric Service

The Finance Committee presented staff's recommendation for revising this policy that would set a minimum goal TIER, that would provide staff with appropriate parameters for future financial decision making.. Ms. Johnson explained that TIER is a financial ratio that describes the financial strength of the Association. Setting a minimum TIER goal will provide the appropriate parameters for future financial decision making.

WHEREAS, the Board of Directors of YVEA now desire to alter and amend certain provisions of Board Policy 3-2 as noted and stated below.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors hereby alters and amends Board Policy 3-2 of YVEA as follows:

ADD the following new number of Board Policy 3-2 to read as follows:

“6. Rates should be adjusted in a manner necessary to maintain a minimum goal TIER of 2.0”

Mr. Brinks made a motion to accept Resolution 14-05; the motion was seconded by Mr. McClelland, and passed with a unanimous vote.

d. Resolution 14-06: Revision to Board Policy 3-5 Capital Credits and Equity Management

The Finance Committee presented a revision to Board Policy 3-5 that would set the following goals for the association: maintain an equity range between 60-65%, set a range of capital credit retirements of 33-50%, and revise the capital credit rotation to not exceed 20 years. Ms. Johnson explained that providing these boundaries will help the Association to maintain a predetermined financial state.

WHEREAS, the Board of Directors of YVEA now desire to alter and amend certain provisions of Board Policy 3-5 as noted and stated below.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors hereby alters and amends Board Policy 3-5 of YVEA as follows:

1. **REVISE** the first sentence of #3-A to now read: “The goal of the Association is to maintain equity between 60-65% and to retire capital credits on a rotation not to exceed twenty years.”
2. **DELETE** the following sentence from #3-A “The goal should be achieved by 2022.”
3. **ADD** the following language to #5-A: “The goal of the Association is to retire a percentage of capital credits shall not fall below 30% and shall not exceed 50% of the prior year’s assigned net margins.”

Mr. McClelland made a motion to accept Resolution 14-06; the motion was seconded by Mr. Garrity, and passed with a unanimous vote.

e. Resolution 14-07: Resolution Creating and Appointing Chief Operating Officer Position

Ms. Johnson presented the following resolution to the bylaws and recommended appointing Mr. Johnson to this new position. Ms. Johnson explained that currently our bylaws state that only the board has the power to create a new position and that eventually staff will present a resolution allowing the General Manager to create and appoint new positions within the Association.

Resolution No. 14-7

**RESOLUTION CREATING CHIEF OPERATING OFFICER POSITION
AND
APPOINTING AN EMPLOYEE TO SUCH POSITION**

WHEREAS, the Board of Directors for Yampa Valley Electric Association, Inc. (“YVEA”) is empowered pursuant to Section 1 of Article V of the Bylaws of YVEA to create additional officer positions for the Association; and

WHEREAS, the Board of Directors for YVEA is empowered pursuant to Section 13 of Article V of the Bylaws of YVEA to fix the powers, duties, and compensation of such additional officer positions created by the Board; and

WHEREAS, the Board of Directors has determined to create a Chief Operating Officer position in the Association, and to set forth the powers, duties, and compensation of such position.

NOW, THEREFORE, PURSUANT TO such authorities in the Bylaws of YVEA, the Board of Directors of YVEA hereby adopts, approves, and takes the following actions:

1. There is hereby created the officer position in the Association of Chief Operating Officer of the Association (the “COO”).
2. The COO shall have the following powers and duties: As a member of YVEA's senior management team, the Chief Operating Officer (COO) shall be responsible for the supervision of all operations functions including: distribution/transmission, information technology, engineering, field services, substations, radio communications, and metering and overall operations management of YVEA. The COO is responsible for providing high quality leadership, communication and supervision for the area. The COO is also responsible for planning, scheduling and implementing a variety of work to effectively and efficiently operate the area, through subordinates, in accordance with prudent utility practices and in compliance with applicable Colorado State laws, and rules and regulations adopted by the YVEA Board of Directors.

3. The COO shall have such other duties, powers, and responsibilities as may from time to time be assigned to such COO by the President of the Association.

4. The COO shall be subordinate to and shall be subject to the direction and supervision of the President of the Association. The COO shall report directly to, and be accountable for performance of the COO's duties directly to, the President of the Association.

5. The Board shall appoint a person to be the COO pursuant to Section 2 of Article V of the Bylaws, in the same manner and timing as all other officers of the Association are appointed by the Board.

6. The compensation of the COO of the Association shall be determined from time to time by the President of the Association. The COO shall be entitled to receive employment benefits of the Association substantially similar to those benefits provided to employees of the Association other than the President or General Manager.

7. The President of the Association shall have the power and authority to change, increase, and decrease or eliminate the powers and duties of the COO, and shall have the authority to terminate the employment of the COO for cause.

8. In the event of any conflict between this Resolution and Policy 1-11 of the Board, the provisions of this Resolution shall control. In the event of any conflict between this Resolution and the Bylaws of the Association, the provisions of the Bylaws of the Association shall control.

9. Effective immediately, Steve Johnson of Steamboat Springs, Colorado, is hereby appointed to serve as COO of the Association, such appointment to be effective until the date of appointment by the Board of Directors of all other officers of the Association and until such COO's successor shall be appointed and qualified.

Ms. Sheehan made a motion to accept Resolution 14-07; the motion was seconded by Mr. McClelland, and passed with a unanimous vote. APPROVED AND ADOPTED by the Board of Directors of the Yampa Valley Electric Association, Inc., this 17th day of April, 2014.

f. Audit Committee Recommendation Regarding the 2013 Financial Audit

The Audit Committee recommended approving the 2013 Financial Audit and asked if there were any questions concerning the report. Ms. Sheehan made a motion to accept the 2013 Financial Audit; the motion was seconded by Mr. McClelland, and passed with a unanimous vote.

INFORMATION ITEMS

g. Staff Reports

i. Safety

Mr. Johnson reported that in March we had an OSHA recordable incident where an employee slipped on ice and suffered a major knee injury that will take several weeks of recovery. Ms. Johnson added that it might become necessary to be more assertive with members about clearing their property to ensure the safety of our employees.

ii. Technology

Mr. Garrity asked for a summary of the process used to developing the technology plan for the Association. Mr. Johnson explained that the consultants relied on gathering information and holding focus groups to provide the necessary recommendations.

iii. Operations.

There were no questions regarding the Operations report.

iv. Engineering

There were no questions regarding the Engineering report.

v. Member Services

Ms. Johnson explained that Member Services were currently working on a project to re-brand the Association. She noted that more information about this project would be provided during the board planning session in May.

vi. Finance

Mr. Miller reported that the allocation letter has been mailed and the capital credit retirement checks would be mailed during the 1st week in June.

Mr. McClelland made a motion to accept staff reports; the motion was seconded by Mr. Fox, and passed with a unanimous vote.

h. Review of the Annual Meeting

Staff provided the timeline and procedures for the Annual Meeting format and election process for directors.

i. CREA Report

Mr. McGill shared that Mr. Kent Singer encouraged those who attend the NRECA Annual Meeting to also attend the TechAdvantage Expo.

j. Western United Report

Mr. McGill reported that there was no meeting for Western United this month. Ms. Johnson shared that the Association practice for buying new equipment is to allow companies to submit bids.

k. BTA Report

There has been little change as the Association is still trying to get out of this venture.

l. Paradigm Report

Mr. McClelland shared that there has been an interested buyer, but nothing has come of this interest yet.

m. CEC Solar Garden

Mr. Brosious expressed his discomfort with not being able to give staff direction on this topic and he feels that it is in the best interest of the board to support this project. Ms. Johnson explained what she felt support and branding of this project would look like. After some discussion, many of the directors agreed to support the project and gave Staff such direction.

n. Attorney Representation

Mr. Fox explained that he was seeking clarity about the role of the corporate attorney. Mr. Sharp explained that he represents the entity and members. He is hired and responsible to the board by ensuring they make decisions within the parameters set by the bylaws and the law. However, if the board consciously chooses to become contrary to the interests of the members, then the attorney's responsibility is to the members.

7. OTHER ITEMS

a. Unfinished Business

i. Board Planning Session

1. There was some question as to the format of the upcoming board planning session. Ms. Johnson shared that though the agenda has not yet been finalized, she believed the first day would be largely informational and the second day would allow directors to focus on strategic issues.

ii. Release of Cost of Service Study

- iii. The decision was made to release a summarized, redacted version of the study. This is available upon request. Members may come to the Steamboat Springs office to request and receive a copy of the summary.

Board Policies

Mr. McGill asked if it was possible for members to get a copy of the Association Board Policies. Ms. Johnson shared that many of those policies are extremely outdated and that staff is in the process of updating them, therefore it does not make sense to make those available until they have been revised.

b. New Business

There was no new business.

c. Recess

A motion to recess this regular meeting of the directors of Yampa Valley Electric Association, Inc., until 11:00 am on Thursday, May 15, 2014, was made, duly seconded, and passed unanimously. The Chairman then declared this regular meeting recessed at 3:57 p.m.

Chairman of the Board

Dated: June 19, 2014

Secretary of the Board

Dated: June 19, 2014