

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, March 17, 2016
2211 Elk River Road
Steamboat Springs, Colorado

The Board of Directors of Yampa Valley Electric Association, Inc., reconvened at 2211 Elk River Road, Steamboat Springs, Colorado at 11:00 a.m. on March 17, 2016. Chairman Dean Brosious reconvened the recessed meeting of February 25, 2016. Upon calling roll, it was reported that the following Directors were present: Dean Brosious, Pat McClelland, Frank Roitsch, Russell Garrity, Mike Brinks, Larry Ellgen, Tom Fox, Scott McGill and Glynda Sheehan. Also present were General Counsel, Tom Sharp, General Manager, Diane Johnson, and Board Secretary Larissa Wilson. 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.

1. Call to Order

Upon calling roll, it was reported that the following Directors were present: Dean Brosious, Pat McClelland, Frank Roitsch, Russell Garrity, Mike Brinks, Larry Ellgen, Tom Fox, Scott McGill and Glynda Sheehan. Also present were General Counsel, Tom Sharp; General Manager, Diane Johnson; Chief Operating Officer, Steve Johnson; Manager of Accounting Services and Warehouse and Facilities, Amy Mahon; Board Secretary Larissa Wilson; Human Resources Manager, Randi Owens; Member Relations Manager, Kathy Bertrand; Communications and Public Relations Manager, Tammi Strickland; and Member-owner Jeff Troeger.

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 Larissa Wilson, Board Secretary 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.

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 noted he had an opportunity to watch, “Disruptive Change” by Salim Ismail, and also noted information from the Energy Information Association suggests that leading sources of electric energy may be solar, wind, and natural gas.

5. Director Comments

Mr. Brinks wished directors and staff a happy St. Patrick's Day, and offered his congratulations to Mr. John Cromer's daughter on her state bowling achievements.

Mr. Garrity noted Mr. Jason Hall's presentation at the February board meeting was impressive.

Mr. McGill noted he enjoyed the CREA annual meeting and was impressed with the presentation on strategic changes and their impact on today's cooperative.

ACTION ITEMS

6. Acceptance of the Financial and Statistical Reports for February

Ms. Mahon provided financial and statistical reports for the month of January and presented reports and highlights from the month of February.

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

A motion accepting the financial and statistical reports for February was made by Mr. Brinks, seconded by Mr. McClelland, and carried with a unanimous vote.

PENDING APPROVAL ITEMS

There were no Pending Approval Items.

INFORMATION ITEMS

7. Staff Reports

A. Finance

Ms. Johnson noted a cost of service study vendor will be chosen this week. Guernsey and Prime Group are the two finalists. Both vendors are very similar in price and competency. Ms. Johnson also noted that staff requests the board establish an ad hoc committee for the study. Mr. Brosious appointed Mr. Garrity and Mr. Ellgen to the committee. The ad hoc committee will disband once the study is final. Mr. Garrity inquired as to the anticipated kickoff date of the study. Ms. Johnson responded that the week of April 4, 2016 is the expected kickoff date of the study. The schedule will be confirmed with the selected vendor.

B. Operations

I. Safety

There were no questions.

II. Operations

Mr. Fox inquired as to the contingency plan for Baggs, Wyoming. Mr. Johnson responded that staff is researching options for keeping that area live when providing maintenance, or during an outage.

III. Engineering

Mr. Garrity inquired as to the purpose and financial responsibility of various projects. Mr. Johnson explained that if the project is at the request of the member, the expense will then be the member's responsibility. Ms. Johnson added that the Association is actively researching alternatives in an effort to build and maintain sustainable relationships with our members.

Ms. Sheehan inquired as to the possibility of utilizing drone technology. Mr. Johnson replied that the possibility has been researched and when Federal Aviation Administration regulations loosen, the Association may entertain the possibility.

IV. IT

Mr. McGill noted that he is pleased to see his Call to Order application properly working.

C. Human Resources

Ms. Sheehan noted the position for Member Services Supervisor is currently the only position listed on the website. Ms. Owens clarified that all other positions have interviews underway.

D. Communications & PR

Mr. Brosious noted that at the CREA annual meeting the Association was presented with the Colorado Country Life Excellence in Newsletters 2016 Best Newsletter Content Award. Mr. Brosious also noted an independent third party was responsible for the decision. The Association was also recognized for its board of directors achieving 100% Board Leadership Certification.

Mr. Garrity congratulated Ms. Strickland on Operation Round Up participation numbers. Mr. Fox noted there is satisfaction in knowing that the fund is now able to positively impact so many more members. Mr. Sharp noted new board members will be recruited to replace two out-going board members whose terms have expired. The new members will go through a training process with the out-going members.

Ms. Strickland noted she attended the CEC function at Storm Peak Brewery. It was well attended by a mix of customers. Mr. Troeger noted that he was aware of three or four people who bought panels at the event. Ms. Strickland noted a CEC marketing group talked to Member Services Representatives to update them on the option to buy two different sizes of panels.

Ms. Johnson noted that she and Sara Jones from Yampa Valley Sustainability Council spoke with Alpine bank and Yampa Valley Bank, who both committed to varying levels of financial support of the Cen\$ible Energy Rebate Program.

E. Member Relations

Ms. Sheehan inquired as to the status of this year's Member Appreciation Day. Ms. Bertrand explained that the planning process has just begun, with the expectation of a possible July date. Mr. Fox asked if members are able to get involved in the planning process and participate during the event. Ms. Johnson explained that overwhelming participation would lead to the event being unmanageable.

F. Facilities and Warehouse

Mr. Fox noted he is pleased to see Mr. Ed Pierce learning about Association property, snow storage, drainage, and how to best convert the property from summer usage to winter usage.

8. Building Update

Ms. Johnson provided the board with building blocking plan drawings of the remodel of the Steamboat Springs campus. Questions and discussion followed.

9. AMI

Mr. Johnson and Ms. Bertrand provided an update on the AMI project. Billing and meter deployment are running well and the system is performing well.

10. CREA

Mr. McGill noted the meeting last month was right before the annual meeting, and materials have been previously distributed to the board. Mr. McGill noted that CREA saved members \$111,000 on the annual meeting, through hotel negotiations and fixed fee classes, among other savings.

Mr. McGill noted the bill changing cooperatives' current election law requires members to place ballots in security envelope which can be counted by third party ballot counters, and candidates are allowed to inspect ballots after the election.

Mr. McGill also noted that in addition to Colorado Country Life accolades, the Association is also a member of the Safe Electricity Program, and is granted access to a DVD available explaining the dangers of electrical fire. Mr. Johnson added that staff has viewed the DVD and will add this component to training. Ms. Johnson will contact Mr. Randy Westberg at CREA to discuss electronic distribution of reference materials.

11. Western United

Mr. McGill noted there was no regular meeting of the board. The annual report has been published. Western United is now offering a recloser repair service. In terms of sales per employee, Western United was first in the country. They redeemed capital credits from fiscal year 2008.

12. CEC

Mr. Brosious noted that based on the Storm Peak event, CEC may have sold a few more panels. Mr. Troeger added that CEC has been a lot more responsive.

DISCUSSION ITEMS

13. Open Director Discussion

A. "Disruptive Change" by Salim Ismail

Mr. Brosious requested that directors please view the one-hour video "Disruptive Change" by Salim Ismail. Mr. Brosious noted that the statement Mr. Ismail makes is that technology is changing more rapidly than society is willing to accept. Open discussion followed. Mr. Brosious requested that directors continue discussion and look at alternatives to current technology because the business model of today may not necessarily be the model of the future.

OTHER ITEMS

14. Unfinished Business

Mr. Fox noted that vendors may be unaware that Mr. Russ Kopsa is the onsite Field Service Representative in Craig, and that more services are offered at the Craig location than the public may be aware of. Mr. Fox also noted that acronyms seen in staff reports should be clarified or a Glossary should be made available to directors. Ms. Johnson replied that staff will fully define or spell out acronyms in future reports.

15. New Business

A motion was made by Mr. Fox, and duly seconded by Mr. Roitsch, amending Board Policy 3-5 Capital Credits and Equity Management Plan, to include the following language:

7. Capital credits may be retired early to members who have accounts that have become uncollectible; relieving all debt owed to the Association. The balance of capital credits will remain as allocated capital credits. When retired out of order, these refunds will be discounted to the present net worth. The discount will be indexed to the ten year Treasury Bond rate as published on January 1 of each year.

Questions and discussion followed. Mr. Sharp noted sentence 3 and 4 of the amendment are inconsistent with Section 2 Article 8 of Association bylaws; the discount has to be on a voluntary, not mandatory basis. Mr. Sharp recommended omitting sentences 3 and 4, or tabling 3 and 4 to be reviewed at the next meeting so due process of amending Association bylaws can be followed.

Mr. Fox then amended his previous motion to read:

7. Capital credits may be retired early to members who have accounts that have become uncollectible; relieving all debt owed to the Association. The balance of capital credits will remain as allocated capital credits.

Mr. Fox also moved that the approval of sentences 3 and 4 be tabled pending staff evaluation. Mr. Roitsch duly seconded Mr. Fox's motion.

Mr. McGill inquired as to when an account is deemed uncollectable. Staff offered clarification of terms. Mr. McGill then amended Mr. Fox's motion, modifying "Relieving all debt" to "to pay all debt", requiring the amendment to read:

7. Capital credits may be retired early to members who have accounts that have become uncollectible; to pay all debt owed to the Association. The balance of capital credits will remain as allocated capital credits.

Mr. Roitsch duly seconded Mr. McGill's motion.

A vote on the motion amending Board Policy 3-5 Capital Credits and Equity Management Plan to modify the amended language was called and the motion passed unanimously.

A vote on the motion amending Board Policy 3-5 Capital Credits and Equity Management Plan to include additional amended language was called and the motion passed unanimously.

Mr. McGill suggested the Association investigate hiring high school students to work on the Association website as part of an internship. Ms. Strickland will consider the recommendation.

Mr. Roitsch noted that United Power just signed a solar contract at a rate that is less than the Tri-State wholesale rate. Ms. Johnson replied that the contract may be a purchase power contract. Clarification of Purchase Power Agreement and Interconnect Agreement was discussed.

Mr. Roitsch requested that staff research contracting professional hackers to audit the integrity of the Association's information infrastructure. Ms. Johnson responded that staff is currently preparing a Request for Proposal for that very purpose. Mr. Johnson added that the timeline for a vulnerability assessment is currently the third quarter of 2016, and that a penetration assessment is part of the planned vulnerability assessment. Ms. Mahon is meeting with Federated to review the Association's insurance coverage related to vulnerability.

Mr. Roitsch noted he enjoyed the legislative session and prior evening festivities. Mr. Roitsch enjoyed learning the laws regarding the changes in handling of security ballots as well as the presentation delivered by Ms. Diane Mitsch Busch on the history and virtues of the electric cooperative industry.

Mr. McGill noted the FCC is attempting to collect delinquent fees from BTA, however, the entity has been entirely liquidated.

16. Recess

A motion to recess this regular meeting of the directors of Yampa Valley Electric Association, Inc., until 11:00 am on Thursday, April 21, 2016 was made, duly seconded, and passed unanimously. The Chairman then declared this regular meeting recessed at 3:38 p.m.

17. Reconvening Recessed March 17, 2016 Meeting of the Board of Directors

The Board of Directors of Yampa Valley Electric Association, Inc., reconvened at 2211 Elk River Road, Steamboat Springs, Colorado at 11:00 a.m. on March 30, 2016. Chairman Dean Brosious reconvened the recessed meeting of March 17, 2016. Upon

calling roll, it was reported that the following Directors were present: Dean Brosious, Pat McClelland, Frank Roitsch, Mike Brinks, Larry Ellgen, and Scott McGill. Also present were General Counsel, Tom Sharp, General Manager, Diane Johnson, and Board Secretary Larissa Wilson, and Special Guest, Cam Boyd.

18. Call to Order

Upon calling roll, it was reported that the following Directors were present: Dean Brosious, Pat McClelland, Frank Roitsch, Mike Brinks, Larry Ellgen, and Scott McGill. Also present were General Counsel, Tom Sharp; General Manager, Diane Johnson; Board Secretary Larissa Wilson; Special Guest, Cam Boyd. Present for Executive Session only, via conference call, were Russell Garrity and Glynda Sheehan. Tom Fox was not in attendance and has recused himself from any discussion on this real estate contract negotiation.

19. 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 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, General Counsel, Tom Sharp; Diane Johnson, General Manager, Larissa Wilson, Board Secretary, and Special Guest, Cam Boyd 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 12:00 p.m.

20. Action on Real Estate Contract Negotiations

A motion was made by Mr. McClelland that the Association respectfully decline the request by the Re-2 School District to extend the existing Purchase Contract on the Overlook Property for 90 days, and to authorize the General Manager to refund the \$500 earnest money deposit if the District does not in fact close by the April 8 deadline. Mr. Roitsch seconded the motion.

Discussion among the directors present regarding this motion included the following concerns:

1. The directors are concerned that there is a substantial possibility that the District will not be able to obtain the financing to close the transaction by the end of any 90-day extension.
2. The broker advisor to the Association board has advised that there is material interest from other prospective buyers of the Overlook Property that may be awaiting the outcome of the success or failure of the current Purchase Contract.
3. The board is sensitive to the needs of the District to await the outcome of any recommendations from the citizens' committee appointed by the School Board, but such process is likely to be lengthy and uncertain with respect to the Overlook Property.
4. During the investigation phase of the current contract, the District had been concerned about certain title objections it made, but the board determined that these will not negatively impact sale of the property to another prospective buyer.
5. The Overlook Property may be continuing to appreciate in value.

The board concluded that it was in the best interest of the Association to decline the requested extension, but expressed the view that it would consider future possible negotiations with the District if at that time the Association remains in ownership of the Overlook Property.

The board voted unanimously in favor of the motion.

15. New Business

There was no New Business.

16. Recess

A motion to recess this meeting of the directors of Yampa Valley Electric Association, Inc., until 11:00 am on Thursday, April 21, 2016 was made, duly seconded, and passed unanimously. The Chairman then declared this regular meeting recessed at 12:14 p.m.

Chairman of the Board

Dated: April 21, 2016

Secretary of the Board

Dated: April 21, 2016