

**MINUTES OF A SPECIAL (BUDGET) MEETING OF THE BOARD OF DIRECTORS
OF MOUNTAIN VIEW ELECTRIC ASSOCIATION, INC.,
HELD DECEMBER 13, 2011**

A Special Meeting of the Board of Directors of Mountain View Electric Association, Inc. was held December 13, 2011, at the Falcon Operations Center, Falcon, Colorado, commencing at approximately 9:07 a.m. The purpose of the meeting was to review and approve the 2012 Budget.

CALL TO ORDER

President Joseph D. Martin, who presided, called the meeting to order. Secretary-Treasurer Milton L. Mathis acted as Secretary of the meeting. Those Directors present at the beginning of the meeting were:

Mrs. Donna J. Andersen-Van Ness
Mr. Rick L. Gordon
Mr. Allen E. Gresham
Mr. Joseph D. Martin
Mr. Milton L. Mathis
Mr. B.D. Paddock
Mr. Barry R. Springer

constituting a quorum.

There were also present at the meeting the following employees of the Association:

Mr. Jim Herron, Chief Executive Officer
Mr. David Waldner, Engineering Manager
Mr. Claud Hugley, Operations Manager
Mr. Darryl Edwards, Member Services Manager
Mrs. Ellen Copley, Administrative Manager

Mrs. Copley recorded these minutes at the request of the Secretary-Treasurer.

INVOCATION

Director Mathis delivered the Invocation to begin the meeting.

APPROVAL OF AGENDA

The agenda which previously had been distributed to the Board was approved as distributed, with the addition of the election of an interest rate term for the pending RUS FFB loan drawdown.

APPROVAL OF CHANGES TO ADMINISTRATIVE POLICY A-012

Member Services Manager Darryl Edwards reviewed the proposed changes to Administrative Policy A-012: Energy Efficiency Credit Program, which had previously been submitted to the Board. Mr. Edwards explained that the changes would continue to keep the Association program in line with the program offered by Tri-State G&T, while providing an opportunity of costs savings to the Association and continuing the benefit to our Members. Following discussion, and upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the proposed changes to Administrative Policy A-012 be accepted as presented, and that a copy of the revised policy be attached to the minutes of this meeting.

2012 BUDGET

CEO Herron called the Board's attention to the Budget report which had previously been distributed to the Board.

MAJOR IMPACTS OF THE 2012 BUDGET

CEO Herron began the presentation of the Operating Budget by outlining the assumptions used in the Budget as well as the major impacts to the Association financial statements. He pointed out that the 2012 Operating Budget included an increase in the wholesale power costs from Tri-State G&T, and projections of a rate increase to the Members in the amounts previously approved by the Board.

Mr. Herron reported that the Operating Budget provided for two new employees to initiate the Geographic Information System (GIS) project, and an additional Consumer Relations Representative.

Mr. Herron explained that the labor and labor overhead amounts reflected salary and benefit levels approved at the 2012 Wage and Salary Meeting of the Board. He then reviewed the estimates for transportation, property insurance and property taxes that are allocated to various departments. Mr. Herron also pointed out the cost-comparison worksheet included to illustrate the major impacts of the Operating Budget.

OPERATING REVENUE

CEO Herron called the Board's attention to the revenue projections for 2012 by rate class, including assumptions used in calculating the growth in Members, and kWh usage applied to the Association's current retail rates and those in effect on bills calculated after February 1, 2012.

COST OF POWER

CEO Herron also presented a comparison of 2011 wholesale power costs and line losses to what was projected for 2012.

TRANSMISSION EXPENSE

Operations Manager Claud Hugley reviewed the estimated transmission costs for 2012, reminding the Board that the expenses could vary greatly from year to year depending on the transmission maintenance that is required.

OPERATIONS EXPENSE

Mr. Hugley described the anticipated expenses for the operations department, including costs of the GIS project, relay and battery testing in distribution substations, and an increase in education expenses.

MAINTENANCE EXPENSE

Mr. Hugley presented the projected expenses for distribution plant maintenance in 2012, including contracted services costs for line locating and tree trimming. He pointed out that the distribution pole inspection program would be ramped up in 2012. He also discussed the associated costs of using the services of the Cooperative Response Center for overflow and after-hours outage calls.

CONSUMER ACCOUNTS EXPENSE

Administrative Manager Ellen Copley then addressed the proposed budget for the consumer accounting department, pointing out that the labor and labor overhead costs had been increased to include the additional Consumer Relations Representative. She also reviewed billing-related expenses and the details of credit card fees, as well as the Cooperative Response Center Customer Care program utilized for billing-related calls received after-hours and during periods of high call volume during work hours.

CUSTOMER SERVICE, INFORMATION AND SALES EXPENSE

Member Services Manager Darryl Edwards reviewed the budget figures for his department, explaining the impact of the reassignment of duties among employees. He discussed the proposed Touchstone Energy and other advertising budgets, the newly revised Energy Efficiency Credits program, and the Association's commitment to area economic development councils.

ADMINISTRATIVE AND GENERAL EXPENSE

Mrs. Copley then presented the estimated administrative expenses for 2012, including the utilization of contract labor for building maintenance and janitorial needs at the Falcon Operations Center. She also discussed projected Outside Services for the year which include legal and consulting fees. Mr. Edwards addressed questions from the Board pertaining to the Annual Meeting and Lamplighter Meeting costs.

OTHER OPERATING EXPENSES

Mrs. Copley reviewed the assumptions for depreciation expenses, interest on long-term debt, interest on consumer deposits, and other deductions.

NON-OPERATING MARGINS

Mrs. Copley then projected interest income as well as other non-operating revenues for the upcoming year. Mr. Edwards reviewed the EnergyShield, renewable interconnection projects, and the discontinuance of a partnership with the Governor's Energy Office for solar and wind projects.

CAPITAL CREDIT ALLOCATIONS

Mrs. Copley reported that the Tri-State capital credit allocations for 2011 and 2012 were based on the Tri-State budgets for those years, and the allocations for other association organizations were based on the 2011 allocation amounts.

RECESS

The meeting recessed for lunch at approximately 12:00 p.m. and reconvened at approximately 12:35 p.m.

FINANCIAL RATIOS

CEO Herron recapped the total Operating Budget and the resulting financial ratios as illustrated in a series of thirty graphs included in the Budget report.

ADOPTION OF THE 2012 OPERATING BUDGET

Following discussion on the information presented and the resulting financial ratios, it was the consensus of the Board that the CEO's recommendation to defer the receipt of the capital credit refund from Tri-State to January 2012 was appropriate. Upon motion duly made, seconded and unanimously carried, it was

RESOLVED that the 2012 Operating Budget be approved as presented.

Discussion followed regarding the annual donations made to the area volunteer fire departments. Upon motion duly made, seconded and unanimously carried, it was

RESOLVED that the 2012 donations to the volunteer fire departments be increased from \$500 each to \$1,000 each.

CAPITAL BUDGET

The Department Managers then reviewed their respective Capital Budgets which totaled \$1,093,665 for 2012. Mr. Hugley requested the replacement of nine vehicles and the addition of two new pieces of equipment to the Association fleet, and discussed other capital items for the Operations Department. Engineering Manager David Waldner reviewed requests for hardware and software for the GIS project, and new power quality monitors included in the capital budget for the Engineering Department. Mrs. Copley covered the Administrative Department capital budget, which included the costs associated with the 2012 company-wide computer budget and the purchase of a replacement document shredder for the Limon office. Mr. Edwards explained the need for an upgrade to the AV equipment in the Falcon meeting rooms.

ADOPTION OF THE 2012 CAPITAL BUDGET

Following discussion and upon motion duly made, seconded and unanimously carried, it was

RESOLVED that the 2012 Capital Budget be approved as presented.

CONSTRUCTION BUDGET

Mr. Waldner reviewed the estimated construction projections for 2012, explaining that the listed projects represented approximately thirty-three percent of the total dollars for the projects included in the 600 codes in the 2010-2012 Construction Work Plan, previously approved by the Board. He also noted the inclusion of \$500,000 for the GIS system inventory and engineering costs for the Anderson and Limon Substations, resulting in a total construction budget of \$14,380,241 for 2012.

ADOPTION OF THE 2012 CONSTRUCTION BUDGET

Following discussion and upon motion duly made, seconded and unanimously carried, it was

RESOLVED that the 2012 Construction Budget be approved as presented.

ELECTION OF INTEREST RATE TERM FOR RUS FFB LOAN DRAWDOWN

CEO Herron informed the Board that it was necessary to request a \$5,000,000 drawdown of FFB loan funds, and while Administrative Policy A-002 gives the CEO the authority to make the drawdown it does not give the authority to select an interest rate term or interest rate without Board approval. Mr. Herron recommended that the Board approve a 30-year interest rate, currently at 2.65%, and advised the Board that the actual interest rate will be determined on the date the drawdown request is received by RUS. Following discussion and upon motion duly made, seconded and unanimously carried, it was

RESOLVED that the Board authorize the 30-year interest rate term on the \$5,000,000 FFB loan drawdown currently being submitted to RUS.

Mr. Herron reminded the Board that this action was taken without sufficient notice under the Colorado Open Meeting laws, and that it would need to be reaffirmed at the next regular meeting of the Board.

ADJOURN

There being no further business to come before the Board, upon motion duly made, seconded and unanimously carried, the meeting adjourned at approximately 2:00 p.m.

Milton L. Mathis, Secretary-Treasurer

APPROVED:

Donna J. Andersen-Van Ness

Rick L. Gordon

Allen E. Gresham

Joseph D. Martin

Mountain View Electric Association
2012 Budget Meeting
December 13, 2011

Milton L. Mathis

B.D. Paddock

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