

**MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS
MOUNTAIN VIEW ELECTRIC ASSOCIATION, INC.
HELD DECEMBER 20, 2011**

A Regular Meeting of the Board of Directors of Mountain View Electric Association, Inc. was held December 20, 2011 at the Limon Headquarters Building, 1655 - 5th Street, Limon, Colorado 80828, beginning at approximately 9:12 a.m.

CALL TO ORDER

The meeting was called to order by President Joseph D. Martin who presided. Secretary-Treasurer Milton L. Mathis acted as Secretary of the meeting.

Those Directors present at the beginning of the meeting were:

Mr. Ricky L. Gordon
Mr. Allen E. Gresham
Mr. Joseph D. Martin
Mr. Milton L. Mathis
Mr. B.D. Paddock
Mr. Barry Springer

constituting a quorum. There were also present at the beginning of the meeting Mr. Jim C. Herron, CEO, Mr. Claud Hugley, Operations Manager, and Mr. Jack P. Wolfe, Attorney for the Association, who recorded these minutes at the request of the Secretary.

INVOCATION

Director Paddock delivered the Invocation to begin the meeting.

MEMBER INPUT

There were no members present at the meeting except Directors and staff.

APPROVAL OF AGENDA

The agenda which previously had been distributed to the Board was approved as distributed with the addition of discussion of the newly adopted Tri-State A-3x rate, discussion of LKA Associates performance as architect for the Falcon Operations Center expansion, and with the understanding that certain items may be taken out of order.

APPROVAL OF BOARD MINUTES

President Martin called the Board's attention to the draft of the minutes of the November 5-6, 2011 Board of Directors Retreat meeting, which previously had been

distributed to the Board. A suggested minor change was discussed. Following discussion, and upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the minutes of the November 5-6, 2011 Retreat meeting of the Board of Directors be approved as submitted and amended per Board discussion.

President Martin then called the Board's attention to the draft of the minutes of the regular November 15, 2011 Board of Directors meeting, which previously had been distributed to the Board. Following discussion, and upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the minutes of the regular November 15, 2011 meeting of the Board of Directors be approved as submitted.

President Martin then called the Board's attention to the draft of the minutes of the special November 28, 2011 Board of Directors meeting, which previously had been distributed to the Board. Following discussion, and upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the minutes of the special November 28, 2011 meeting of the Board of Directors be approved as submitted.

SELECTION OF PROPERTY AND LIABILITY INSURANCE CARRIER FOR 2012

CEO Herron called the Board's attention to a table of the coverages and premiums contained in bids received for the Association's property and liability insurance for 2012, which table previously had been distributed to the Board. He reviewed the bids with the Board, and discussion followed concerning the amount of umbrella coverage. Following discussion, and upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the Association contract with Federated Rural Electric Insurance Exchange for its 2012 property and liability insurance in accordance with the bid presented to this meeting, and with umbrella coverage increased to \$13 million.

LABOR ONLY DISTRIBUTION CONSTRUCTION CONTRACT

CEO Herron called the Board's attention to a memo from Mr. Hugley concerning the negotiation of the Association's labor only distribution construction contract, which memo previously had been distributed to the Board. CEO Herron and Mr. Hugley discussed the proposed contract and the Association's experience with Foothills Energy Services. Following discussion, and upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the Association enter into a contract with Foothills Energy Services for distribution construction services for the period 2012 through 2014 in the form present at this meeting.

At this point, Director Andersen-Van Ness joined the meeting.

CEO'S REPORT

Safety Improvement Plan. CEO Herron discussed staff's thinking on the make-up of the various Association safety committees. He noted the Association is approaching the end of the three year Rural Electric Safety Achievement Program ("RESAP") cycle, and that the three year plan would be reviewed by staff during the coming year. CEO Herron and Mr. Hugley then discussed the status of the Safety Improvement Plan and the concerns of staff that are being addressed. Discussion followed. Following the discussion, Mr. Hugley left the meeting.

ELECTION OF INTEREST TERM FOR RUS FFB LOAN DRAWDOWN.

CEO Herron reminded the Board that it resolved to select an interest term for the pending RUS FFB Loan drawdown at its December 13, 2011 meeting of the Board without sufficient notice under Colorado Open Meeting Laws, and that the action needed to be reaffirmed. He 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 a term or interest rate. Mr. Herron recommended that the Board approve a 30-year rate, that was at 2.65% on December 13th, and advised the Board that the actual 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 a 30-year interest rate term on the \$5,000,000 FFB loan drawdown currently being submitted to RUS.

WORK ORDER PROCESSING FOR OCTOBER, 2011

CEO Herron called the Board's attention to a copy of Work Order Processing Form 219 for October, 2011, which previously had been distributed to the Board, in the amount of \$415,807.13. Following discussion, and upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that Work Order Processing Form 219 for October, 2011, as presented to the Board, be and the same hereby is approved.

DELETION OF UNCOLLECTIBLE ACCOUNTS

CEO Herron called the Board's attention to a report on certain uncollectible accounts, which previously had been distributed to the Board. Following discussion, and upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the Association delete uncollectible accounts from the Association Accounts Receivable, as of July 31, 2011 and reaching a 90-day inactive status as of October 31, 2011, in the amount of \$11,778.82, resulting in a ratio of uncollectible accounts to revenue for the twelve months ending October 31, 2011 of 0.167%.

APPOINTMENT OF 2012 BOARD COMMITTEES

President Martin advised the Board that he had decided on Board committee appointments in accordance with the Bylaws as follows:

Executive Committee
President Martin, Chair
Vice President Paddock
Sec-Treasurer Mathis
Asst. Sec. Gresham

Education Committee
Director Springer, Chair
Director Gresham
Director Paddock
Pres. Martin, Ex-Officio

Building and Facilities
Director Mathis, Chair
Director Gordon
Director Andersen-Van Ness
Pres. Martin, Ex-Officio

2012 Annual Meeting
Director Springer, Chair
Director Mathis
Pres. Martin, Ex-Officio

2013 Annual Meeting
Director Gresham, Chair
Director Paddock
Pres. Martin, Ex-Officio

President Martin then advised the Board that matters of audit, budget, policy and wages and salaries would continue to be considered by the full Board, acting as a committee of the whole.

ATTENDANCE AT MEETINGS OF ASSOCIATED ORGANIZATIONS

The Board then discussed who would be authorized to attend meetings of various associated organizations, and following discussion, it was the consensus of the Board that the following attendance would be authorized:

NRECA Legislative Conference: CEO Herron and Directors Gresham, Martin and Springer;

Western Conference of Public Service Commissioners: Attorney Wolfe and Director Springer;

Midwest Electric Consumers Association Annual Meeting: Directors Andersen-Van Ness, Martin and Springer; and

Basin Electric Power Cooperative Annual Meeting: Director Andersen-Van Ness.

It was further decided that all Directors would be authorized to attend the following meetings:

either NRECA Annual Meeting or NRECA Directors' Conference;
CREA Annual Meeting and Innovation Conference;
Western United Annual Meeting;
Tri-State G&T Annual Meeting and Member meetings;
NRECA Region VII Meeting; and
CFC Financial Forum.

VOTING DELEGATES AT MEETINGS OF ASSOCIATED ORGANIZATIONS

President Martin reminded the Board that it was necessary to authorize voting delegates at the meetings of associated organizations attended by Directors. Following discussion, and upon motion duly made, seconded and unanimously carried it was

RESOLVED, that the following directors are authorized to vote on behalf of the Association at meetings of the following organizations:

	<u>Delegate</u>	<u>Alternate</u>
Basin Electric	Andersen Van-Ness	-
NRUCFC	Paddock	Mathis
CREA	Andersen Van-Ness	Springer
Federated Insurance	Mathis	Paddock
Midwest Consumers	Springer	Andersen Van-Ness
NRECA	Mathis	Gresham
NRTC	Martin	Paddock
NCSC	Martin	Mathis
Tri-State	Paddock	Springer
Western United	Gresham	Andersen Van-Ness
NISC	Gresham	Martin

At this point, Association Manager of Engineering David Waldner and Member Services Manager Darryl Edwards joined the meeting.

RISK MANAGEMENT ASSESSMENT

President Martin reminded the Board that facilitator Scott Luecal's report on the recent risk management assessment session at the Board Retreat had been sent to each Director on December 19th. He then asked how the Board wished to proceed. The Board discussed incorporating an evaluation of controlability, as well as a listing of strengths and

opportunities, with the risk assessment before adding the results to the Association Strategic Plan. The Board then reviewed the list of risks from Mr. Luecal's report, and following discussion, it was the consensus of the Board that any revisions to the list that Directors wished should be brought to the regular January, 2012 meeting of the Board, at which time the Board would begin developing a list of opportunities and strengths.

TRANSFER OF GEESEN SCHRIEVER 115KV TRANSMISSION LINE AND ASSOCIATED SUBSTATION EQUIPMENT TO TRI-STATE G&T

CEO Herron and Mr. Waldner reported on the progress in transferring the Geesen-Schriever 115kv Transmission Line to Tri-State G&T, noting that all of the engineering and legal hurdles had been overcome. CEO Herron called the Board's attention to the following documents all of which previously had been distributed to the Board: (1) Amendment to Right-of-Way No. 2590 Book 25 with the State of Colorado Board of Land Commissioners, (2) Contract No. TS10-1033 with Tri-State G&T; (3) Bill of Sale to Tri-State G&T. (4) Assignment of Easements and Rights-of-Way to Tri-State G&T, (5) Partial Release for execution by RUS and NRUCFC, (6) RUS Form 369 "Request to Sell Capital Assets", and (7) Facilities Management Agreement with Tri-State. He reminded the Board that it had previously authorized staff only to begin work on the transfer, and that actual approval of the transfer was still needed. CEO Herron, Mr. Waldner and Attorney Wolfe then reviewed the various documents presented. They reminded the Board that since many of the facilities were constructed with contributions in aid of construction received from the Air Force, Tri-State would only be required to reimburse Mountain View the net book value of the plant that Mountain View had constructed with its own money. Following discussion, and upon motion duly made, seconded and unanimously carried it was

RESOLVED, that the Association transfer its Geesen-Schriever 115kv Transmission Line and associated substation termination equipment, including the substation transformers at Schriever Substation, to Tri-State Generation and Transmission Association, Inc., as described in Contract TS10-1033, the Bill of Sale and Assignment of Easements and Rights-of-Way presented to this meeting, free and clear of all liens; and it was further

RESOLVED, that the Association request that the United States of America and National Rural Utilities Cooperative Finance Corporation release their liens on said equipment, easements and rights-of-way; and it was further

RESOLVED, that the Association President is authorized to execute the Bill of Sale and Assignment of Easements and Rights-of-Way, in the form presented to this meeting; and the Association's CEO is authorized to execute any other documents necessary to complete the transfer.

RECESS

The Board recessed for lunch at 12:05 p.m. and reconvened at 12:45 p.m.

APPOINTMENT OF 2012 NOMINATING COMMITTEE

President Martin reminded the Board of the need to appoint a nominating committee to nominate candidates for the positions held by directors whose terms expire at the 2012 Annual Meeting of Members. Following discussion, and upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the 2012 Nominating Committee consist of:

Michael Bass, representing Director District 1
Byrel Woolsey, representing Director District 4, and
Tim Troxel, representing Director District 6.

CEO'S REPORT

Tierra Vista. Mr. Waldner reported that representatives of Tierra Vista had informed him that they were no longer considering a stand-alone solar electric generation installation, but rather were proceeding with plans for 177 roof-top units with total capacity of approximately 800KW. He has advised Tierra Vista of the need for a level 3 study under the Association's interconnection rules.

Schriever Air Force Base. Mr. Waldner reported on load tap changer problems that were discovered in one of the substation transformers, the resultant outage and related problems. He reported that the repairs to the load tap changer were proceeding on schedule.

CEO Herron then reported on a recent meeting with Air Force representatives concerning a possible large renewable resource to be built on the base and transfer of maintenance responsibility for the Geesen-Schriever 115kv Transmission Line and associated substation equipment. The Air Force indicated that they were giving priority to a new contract for electric service to the base.

Purchase of Land to Improve Access to Forest Lakes Substation. Mr. Waldner reported on progress in securing a contract for purchase of land. Discussion followed.

Scholarship Recipient Selection Process. CEO Herron called attention to the copy of Association Administrative Policy A-010 "Scholarship Program", which previously had been distributed to the Board, and he circulated a copy of the Scholarship Application form being used. The Board discussed the manner in which recipients are selected. Following discussion, and upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that no changes be made to Association Administrative Policy A-010 "Scholarship Program".

REPORTS

2012 Annual Meeting Committee. Mr. Edwards distributed a memo listing the decisions that had been made thus far, and remaining issues, concerning the arrangements for the 2012 Annual Meeting of Members. Mr. Waldner demonstrated a proposed free give-away. Following discussion, it was the consensus of the Board that staff should move forward with meeting planning as discussed at this meeting.

Education Committee. Director Andersen Van-Ness reported on the Committee's selection of winners in the Youth Tour Essay Contest, and noted that staff had a list of the top ten essays, in order, in the event that alternates were needed.

CSU Southern Delivery System. CEO Herron called the Board's attention to confidential opinion memos prepared by Attorneys Wolfe and O'Leary on the subject of providing electric service to the southern SDS pumping station, both of which had previously been distributed to the Board. Attorney Wolfe reported to the Board on his comparison of the two opinions. Following discussion, and upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the Association retain special counsel to work with Attorney Wolfe to seek a declaratory judgment order that the Association has the right to serve the southern pumping station of the CSU Southern Delivery System.

PRESIDENT'S REPORT CONT'D

CREA Resolutions. President Martin called the Board's attention to the resolutions that had been proposed for adoption by Colorado Rural Electric Association, which previously had been distributed to the Board. He asked that the Directors read the resolutions and bring input on needed changes to the regular January, 2012 meeting of the Board.

Tri-State A-3x Rate. The Board discussed the recent action by the Tri-State G&T Board of Directors adopting the proposed A-3x rate structure for implementation in 2013. Questions arose concerning whether the Tri-State Wholesale Electric Service Contract provided a basis for, or prohibited, penalties, and whether the A-3x rate structure was enforceable. Following discussion, it was the consensus of the Board that Attorney Wolfe provide the Board on opinion memo on this subject.

CEO'S REPORT CONT'D

Review of Financial Report for the Period Ending October 31, 2011. CEO Herron called the Board's attention to the statement of operations and balance sheet for the period ending October 31, 2011, which previously had been submitted to the Board. He reported that for the period, year-to-date operating revenue for the period was approximately \$1,651,000 over budget; purchase power expense was approximately \$1,575,000 over budget; operation and maintenance expense was approximately \$163,000 under budget; consumer accounts expense, Member Services costs and administrative and general expenses were approximately \$226,000 under budget; depreciation and amortization expense was approximately \$26,000 under budget; and interest on long term debt was approximately \$136,000 under budget; resulting in operating margins of approximately \$616,000 over budget. Interest income, G&T and other capital credits and extraordinary items were approximately \$76,000 under budget; resulting in total margins for the period of approximately \$540,000 over budget. The year-to-date Operating TIER was 1.42, and the TIER was 1.38. The Association equity as a percent of total assets was 36.61%. Following discussion, and upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the Financial Report for the period ending October 31, 2011 be, and the same hereby is, accepted as submitted, and that a copy be attached to the minutes of this meeting.

RUS Loan Fund Audit Review. CEO Herron called attention to a memo, which previously had been distributed to the Board, reporting on the results of the recently concluded RUS Loan Fund Audit. Discussion followed.

Reports of Depository Banks. CEO Herron called the Board's attention to the Third Quarter Financial Reports of banks where the Association kept deposit accounts. Discussion followed.

Safety Report. CEO Herron called the Board's attention to the Association's November, 2011 Safety Report. Discussion followed.

Load Control Report. CEO Herron called the Board's attention to a report on operation of the Association's SCADA System through the end of November, 2011.

Major Projects. CEO Herron reported on recent communications concerning a request by LKA Associates, the architect for the Falcon Operations Center Expansion Project, for a recommendation based on their performance. Discussion followed.

Personnel Matters. CEO Herron called the Board's attention to the November, 2011 Personnel Change Report, which previously had been distributed to the Board. He then reported that there were no new incidents reported to MySafeWorkplace.

Response to Rate Increase. CEO Herron reported that staff had received no contacts from members to date concerning the recently adopted rate increase.

Capital Credit Refunds. CEO Herron reported that capital credit refund checks, which previously had been approved by the Board, were mailed on December 14, 2011.

2012 Bill Insert Schedule. CEO Herron called the Board's attention to the table of bill inserts that were scheduled for 2012, which previously had been distributed to the Board. Discussion followed.

Life Support List. CEO Herron reminded the Board that it had been past practice to circulate the Association's Life Support List among the Directors each December, and he reported on the purpose of the list and the Association's practice in dealing with accounts on the list. Following discussion, it was the consensus of the Board that the Life Support List no longer be circulated among the Directors on an annual basis.

Follow up to Wording in Employee Policies E-104 and E-107. CEO Herron reminded the Board that it had asked that he look at possible changes to the terms used to describe alcohol in the work place in these policies, and he reported on the conclusion that he had come to. Following discussion, and upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the terms used to describe alcohol in Employee Policies E-104 and E-107 be revised as reported by CEO Herron, and that copies of the policies, with the revised terminology be attached to the minutes of this meeting.

Other Items for Board Information. CEO Herron distributed the following items to the Board: Summary of New Member Questionnaire responses; Association Outage Report for November, 2011; Summary of Special Equipment Costs for October, 2011; Minutes of Association Staff Meetings held November 1, 17 and 28, 2011; "Highlights" from November 15, 2011 Board of Directors Meeting; Minutes of December 1-2, 2011 CREA Board of Directors meeting; CREA December, 2011 "Industry Update"; Federated Rural Electric Insurance Exchange November 17, 2011 letter reporting on Safety and Loss Prevention Assessment visit to the Association; Draft minutes of Mountain View Round Up Fund, Inc. November 15, 2011 Board of Directors meeting, including adopted 2012 budget and 2010 Audit Report; Mountain View Round Up Fund, Inc. Participation Update and Financial Report dated November 30, 2011; Tri-State G&T December, 2011 "Board Report"; Tri-State G&T Financial Report for the period ending October 31, 2011; Minutes of Tri-State G&T November 2, 2011 Board of Directors meeting; minutes of November 2, 2011 Tri-State Rate Committee Session of Board of Directors; Western United Sales and Financial Reports for the period ending November 30, 2011; Calendar of Scheduled Meeting Dates.

ATTORNEY'S REPORT

Attorney Wolfe reported on legal matters of interest to the Association, and discussion followed.

REPORTS

Basin Electric Power Cooperative. Director Gordon reported on recent activities at Basin.

Colorado Managers Association. CEO Herron reported on recent activities of the Managers Association.

Colorado Rural Electric Association. Directors Paddock and Springer reported on recent activities at CREA, and discussion followed.

Mid-West Electric Consumers Association. President Martin and Director Paddock reported on the recently concluded Mid-West Annual Meeting.

Tri-State Generation and Transmission Association, Inc. Director Gordon reported on recent activities at Tri-State.

PER DIEM COMPENSATION ALLOWED FOR MEETING ATTENDANCE

President Martin called the Board's attention to a table of maximum allowed per diems for attending meetings of associated organizations, which previously had been distributed to the Board. Following discussion, and upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the table of maximum allowed per diem days for attendance at meetings of associated organizations is approved in the form presented to this meeting.

ADJOURN

There being no further business to come before the Board, upon motion duly made, seconded and unanimously carried, the meeting adjourned at 4:42 p.m.

Milton L. Mathis, Secretary-Treasurer

APPROVED:

Donna Andersen-Van Ness

Ricky L. Gordon

Allen E. Gresham

Joseph D. Martin

Milton L. Mathis

B.D. Paddock

Barry Springer