

**MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS
MOUNTAIN VIEW ELECTRIC ASSOCIATION, INC.
HELD NOVEMBER 15, 2011**

A Regular Meeting of the Board of Directors of Mountain View Electric Association, Inc. was held November 15, 2011 at the Falcon Operations Center, 11140 East Woodmen Road, Falcon, Colorado 80831, beginning at approximately 9:00 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:

Ms. Donna Andersen-VaNess
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, Mrs. Ellen Copley, Administrative Manager, and Mr. Jack P. Wolfe, Attorney for the Association, who recorded these minutes at the request of the Secretary.

INVOCATION

Director Gresham 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 a report on the Ellicott Substation Transformer, a request for purchase of energy at wholesale by Colorado Springs Utilities, discussion of possible changes to Board Policy B-003 "Board-CEO Relations", 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 regular October 18, 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 October 18, 2011 meeting of the Board of Directors be approved as submitted.

APPROVAL OF 2012-2013 EXTERNAL AUDIT AGREEMENT

CEO Herron called the Board's attention to a proposal letter and form of Audit Agreement that the Association had received from Schmidt & Company LLC, which previously had been distributed to the Board, to perform the Association's annual external audit, prepare IRS tax forms and provide technical advice during 2012 and 2013. The Board discussed the possibility of finding other audit firms and the Association's policy to change "audit partners" within a firm on a periodic basis. Following discussion, and upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the Association enter into an agreement, in the form presented to this meeting, with Schmidt & Company LLC to perform the Association's annual external audit, prepare IRS tax forms and provide technical advice during 2012 and 2013.

At this Point Association Operations Manager Claud Hugley joined the meeting.

PURCHASE OF LAND TO IMPROVE ACCESS TO FOREST LAKES SUBSTATION

CEO Herron advised the Board that the Association had not heard back yet concerning the necessary release of lien on land that the Association was seeking to purchase adjacent to Forest Lakes Substation.

ANNUAL POLICY REVIEW FOR SAFETY ACHIEVEMENT

CEO Herron advised the Board that the Safety Achievement Program, that the Association participated in with CREA, required review of certain employee policies related to safety. Mrs. Copley then proceeded to review the various policies with the Board. Following discussion, and upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that Association Employee Policy E-104 "Drug-Free Workplace Policy and Statement" is approved in its current form as presented to this meeting; and it was further.

RESOLVED, that Association Employee Policy E-105 “Safety” is approved in its current form as presented to this meeting, with deletion of participation of a Board member as a member of the committee, and that a copy of the policy, as approved, be attached to the minutes of this meeting; and it was further

RESOLVED, that Association Employee Policy E-107 “DOT Drug and Alcohol Testing Policy” is approved in its current form as presented to this meeting; and it was further

RESOLVED, that management review matters discussed at this meeting and bring Association Employee Policy E-306 “Hazard Recognition”, with possible further revisions, to a future meeting of the Board for consideration and approval ; and it was further

RESOLVED, that Association Employee Policy E-307 “PCB Spill Prevention and Clean-Up Measures” is approved with proposed changes as presented to this meeting, and that a copy of the policy, as approved, be attached to the minutes of this meeting; and it was further

RESOLVED, that Association Employee Policy E-308 “Hazard Communication” is approved with proposed changes as presented to this meeting, and that a copy of the policy, as approved, be attached to the minutes of this meeting.

Following further discussion, it was suggested that CEO Herron investigate the possibility of a better term for “alcohol” in policies E-104 and E-107 in order to eliminate confusion with non-consumable versions of chemical alcohols, and report his findings to the Board.

Mr. Hugley then left the meeting.

REFINANCE A PORTION OF DEBT TO RUS

CEO Herron reminded the Board that it resolved to refinance a portion of the Association’s RUS debt at the last regular meeting of the Board without sufficient notice under Colorado Open Meeting Laws, and that the action needed to be reaffirmed. Following discussion, and upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the Association refinance \$6,151,236 of its oldest debt to the United States Rural Utilities Service by borrowing an equivalent amount in a series of loans from National Cooperative Services Corporation with a cumulative effective interest rate of 3.94%, and that the officers of the Association, including the CEO, be authorized to execute all documents necessary to effectuate the refinancing.

REPRICING OF NRUCFC LOAN 9018

CEO Herron reminded the Board that it resolved to select a repricing rate on NRUCFC Loan 9018 at the last regular meeting of the Board without sufficient notice under Colorado Open Meeting Laws, and that the action needed to be reaffirmed. Following discussion, and upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the Association chooses a repricing period of eight years, with an interest rate of 4.6%, effective November 1, 2011, for NRUCFC Loan 9018, and that the CEO be authorized to execute all documents necessary to effectuate the choice of repricing period.

WORK ORDER PROCESSING FOR SEPTEMBER, 2011

CEO Herron called the Board's attention to a copy of Work Order Processing Form 219 for September, 2011, which previously had been distributed to the Board, in the amount of \$515,603.64. Following discussion, and upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that Work Order Processing Form 219 for September, 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 June 30, 2011 and reaching a 90-day inactive status as of September 29, 2011, in the amount of \$14,539.97, resulting in a ratio of uncollectible accounts to revenue for the twelve months ending September 30, 2011 of 0.166%.

PRESIDENT'S REPORT

Review Lamplighter Meetings. Association Member Services Manager Darryl Edwards joined the meeting and called the Board's attention to his report on attendance and costs of the individual 2011 Lamplighter Meetings, which previously had been distributed to the Board. Discussion followed concerning the difference in cost per person at the different locations, and whether this was appropriate. Following discussion, the report was accepted as presented.

Review of Board/Staff Retreat. President Martin called for comments on the recently concluded Board/Staff Retreat, and discussion followed. Mr. Edwards then left the meeting.

CEO Performance Evaluation. Following motion duly made, seconded and unanimously carried, the Board convened in Executive Session at 10:34 a.m. to discuss CEO Herron's annual evaluation. CEO Herron, Mrs. Copley and Attorney Wolfe left the meeting at the beginning of the Executive Session, but CEO Herron rejoined at 11:50 a.m. The Board returned to regular session at 12:10 p.m., at which time Mrs. Copley and Attorney Wolfe rejoined the meeting. No action was taken during Executive Session, the minutes of which are kept in the confidential files of the Association.

Following return from Executive Session, and upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that CEO Herron's compensation be adjusted in accordance with the discussion held during the Executive Session, effective January 1, 2012.

RECESS

The Board recessed for lunch at 12:15 p.m. and reconvened at 1:00 p.m. During the recess, member and former Director Duane Steinke and Association Manager of Engineering David Waldner joined the meeting, together with Association Facilities Coordinator Rod Hilt, System Engineers, Mike Garland and Les Ulfers, Staking Tech Foreman Marty Unruh and CAD/Mapping Team Lead Cindy Falls.

TIERRA VISTA COMMUNITIES

CEO Herron and Mr. Waldner reviewed their knowledge of the background of a potential solar energy installation at the Tierra Vista Base Housing Project at Schriever Air Force Base, and called the Board's attention to the September 20, 2011 letter from Tierra Vista, which previously had been distributed to the Board. They reported that there had been no new developments since the previous month's Board meeting, and indicated that they were waiting for the visit from Tierra Vista representatives at this meeting.

GIS Committee Update. Mr. Waldner led the Board through a Power Point presentation on the status of the Association's Geographic Information System project, that was identified as a priority in the Association's Technical Workplan. He noted that managing information is a key advantage of such a project, but it is also the driver for system design, cost of initial data collection and cost of ongoing maintenance. It allows coordination of all systems in the company to use the same data.

Mr. Waldner then reviewed the process being used to select a vendor; Mr. Garland reviewed budget projections based on input from various possible vendors for implementation of a system, as well as personnel requirements and costs; and Mr. Waldner advised the Board that staff was focusing on two possible vendors for a system.

Mr. Waldner then discussed plans for implementation of a system over the next three years, and following discussion, CEO Herron recommended that the Association proceed with the project. Following discussion, it was the consensus of the Board that staff include the appropriate project costs in the 2012 Budget.

Mr. Hilt, Mr. Garland Mr. Ulfers, Mrs. Unruh and Ms. Falls then left the meeting.

TIERRA VISTA COMMUNITIES CONT'D

Peter Sims and Byron Glenn of Lend Lease Corporation joined the meeting and discussed the background of the Tierra Vista privatized base housing project at Schriever Air Force Base. Mr. Sims advised the Board that his company hoped to build a 1.02MW solar generation project at Tierra Vista, either as a ground array on seven of the 35 acres of open space that they control or as rooftop units on their 242 homes in Tierra Vista. Discussion followed concerning some of the possible options for interconnecting the project to the Association's system, and some of the issues involved in the various options. Mr. Sims asked that the Board consider what the Association could do to accommodate an interconnection to its system, and President Martin announced that the Board would take the matter under advisement. Mr. Sims and Mr. Glenn left the meeting, and discussion continued.

CEO'S REPORT

CSU Southern Delivery System. CEO Herron and Mr. Waldner reported on a recent meeting with representatives of Colorado Springs Utilities concerning service to pumping plants for the Southern Delivery System. Following discussion, and upon motion duly made, seconded and unanimously carried, the Board convened in Executive Session at 2:53 p.m. to consider a confidential memorandum from Attorney Wolfe. Mr. Steinke then left the meeting. The Board reconvened in regular session at 3:30 p.m. No actions were taken during the Executive Session, the minutes of which are kept in the confidential files of the Association.

Schriever Air Force Base. Mr. Waldner reported on the status of transfer of the Geesen-Schriever 115kv Transmission Line and portions of the Schriever AFB Substation.

Ellicott Substation Transformer. CEO Herron and Mr. Waldner reported on their visit to the General Electric Transformer Repair Shop in Aurora, Colorado, to view the Ellicott Substation Transformer that had been untanked after its failure. They reported that due to the transformer's design, and the cost to repair, it was decided not to attempt further repairs of the transformer.

Bradley Heights Subdivision. CEO Herron reported that during their recent meeting with representatives of Colorado Springs Utilities, they were asked whether the Association would be able to sell power and energy to CSU at wholesale for five years to assist CSU in providing service to the Bradley Heights Subdivision that had previously

been annexed by the City of Colorado Springs. He reported that after inquiries at Tri-State, he advised CSU that Tri-State had no rate or policy for the Association to purchase for resale at wholesale, and thus that the Association would not be able to comply with the request. Mr. Waldner then left the meeting.

Review of Financial Report for the Period Ending September 30, 2011. Mrs. Copley called the Board's attention to the statement of operations and balance sheet for the period ending September 30, 2011, which previously had been submitted to the Board. She reported that for the period, year-to-date operating revenue for the period was approximately \$1,466,000 over budget; purchase power expense was approximately \$1,720,000 over budget; operation and maintenance expense was approximately \$100,000 under budget; consumer accounts expense, Member Services costs and administrative and general expenses were approximately \$219,000 under budget; depreciation and amortization expense was approximately \$15,000 under budget; and interest on long term debt was approximately \$116,000 under budget; resulting in operating margins of approximately \$166,000 over budget. Interest income, G&T and other capital credits and extraordinary items were approximately \$341,000 under budget; resulting in total margins for the period of approximately \$176,000 under budget. The year-to-date Operating TIER was 1.40, and the TIER was 1.31. The Association equity as a percent of total assets was 36.38%. Following discussion, and upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the Financial Report for the period ending September 30, 2011 be, and the same hereby is, accepted as submitted, and that a copy be attached to the minutes of this meeting.

Reports of Depository Banks. CEO Herron called the Board's attention to the Second Quarter Financial Report of Big Sandy Holding Company and Mile High Banks, which previously had been distributed to the Board. Discussion followed.

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

Load Control Report. CEO Herron distributed a report on operation of the Association's SCADA System through the end of October, 2011. Discussion followed.

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

Association Identity Theft Prevention Program. Mrs. Copley called the Board's attention to the Annual Report to the Board of the Association's Identity Theft ("Red Flags") Prevention Program, which previously had been distributed to the Board. She noted that the report included incident reports, a copy of the Association's Identity Theft Prevention Policy and the training flyer used by the Association. She reported that the

program appeared to be effective, that no significant incidents occurred and that she had no recommendations for changes to the program. Discussion followed.

Tri-State Voluntary Renewable Resource Program Rate. CEO Herron reported that he had received notice of a change in Tri-State's Renewable Resource Program Rate for 2012, and that he would address possible Association responses at the previously scheduled November 28, 2011 Special Meeting of the Board.

Other Items for Board Information. CEO Herron distributed the following items to the Board: Summary of New Member Questionnaire responses; Association Outage Report for October, 2011; Summary of Special Equipment Costs for September, 2011; Minutes of Association Staff Meetings held October 6, 2011; "Highlights" from October 18, 2011 Board of Directors Meeting; CREA October, 2011 "Industry Update"; CREA October, 2011 "State Legislative Report"; CREA October 27-28, 2011 "Federal Board Report"; CREA Operating Statements for the period ending September 30, 2011; Mountain View Round Up Fund, Inc. Participation Update and Financial Report dated October 31, 2011; Tri-State G&T Financial Report for the period ending September 30, 2011; Minutes of Tri-State G&T October 4-5, 2011 Board of Directors meeting; Western United Sales and Financial Reports for the period ending October 31, 2011; Minutes of Western United October 27, 2011 Board of Directors Meeting; Western United October 27, 2011 letter transmitting patronage capital refund, Patronage Dividend Certificate and Non-Member Dividend Certificate; Calendar of Scheduled Meeting Dates.

ATTORNEY'S REPORT

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

REPORTS

Safety Committee. Director Gresham called the Board's attention to minutes of Association Safety Committee meetings held on October 5, 2011 and October 19, 2011, which previously had been distributed to the Board. He then reported on the events at those meetings, and discussion followed.

Basin Electric Power Cooperative. Directors Springer and Gordon reported on the recent Basin Electric Annual Meeting of Members.

Colorado Rural Electric Association. Director Paddock and CEO Herron reported on recent activities at CREA, and discussion followed.

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

Western United Electric Supply Corporation. Director Mathis reported on recent activities at Western United.

BOARD POLICY B-003 "BOARD-CEO RELATIONS"

The Board discussed a portion of Board Policy B-003 that it was felt needed clarification. Following discussion, CEO Herron stated that there were several sections of the policy that needed to be cleaned up, and that it would be brought back to the Board for consideration at a future meeting.

CEO REPORT CONT'D

Copper Theft. Mr. Hugley rejoined the meeting and reported on a recent theft of copper wire from Geesen Substation. Discussion followed.

ADJOURN

There being no further business to come before the Board, upon motion duly made, seconded and unanimously carried, the meeting adjourned at 4:52 p.m.

Milton L. Mathis, Secretary-Treasurer

APPROVED:

Donna Andersen-Van Ness

Ricky L. Gordon

Allen E. Gresham

Joseph D. Martin

Mountain View Electric Association, Inc.
Board of Directors Regular Meeting
November 15, 2011

Milton L. Mathis

B.D. Paddock

Barry Springer