

**MINUTES OF THE SPECIAL MEETING OF
THE BOARD OF DIRECTORS
OF MOUNTAIN VIEW ELECTRIC ASSOCIATION, INC.,
HELD NOVEMBER 5-6, 2011**

A Special Board/Staff Retreat of the Board of Directors of Mountain View Electric Association, Inc. was held November 5-6, 2011 at the Embassy Suites Hotel, Colorado Springs, Colorado, commencing at approximately 8:30 a.m.

CALL TO ORDER

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

Those directors present at the beginning of the meeting were:

Mrs. Donna Andersen-VanNess
Mr. Ricky L. Gordon
Mr. Allen E. Gresham
Mr. Joseph D. Martin, Jr.
Mr. Milton L. Mathis
Mr. B. D. Paddock
Mr. Barry Springer

constituting a quorum. There were also present at the meeting Scott Luecal of Luecal Consulting, Mr. Jim C. Herron, CEO, Mrs. Ellen Copley, Administrative Services Manager, Mr. Darryl Edwards, Member Services Manager, Mr. Claud Hugley, Operations Manager, Mr. David Waldner, Engineering Manager, Ms. Melodie Lukow, Accounting Supervisor, and Mr. Jack P. Wolfe, Attorney for the Association who recorded and transcribed these minutes at the request of the Secretary.

INVOCATION

Director Gordon delivered the invocation to start the meeting.

APPROVAL OF AGENDA

The agenda which previously had been distributed to the Board was approved as distributed, with the understanding that certain items may be taken out of order.

COST OF SERVICE STUDY

Mr. Gary Stephens, of National Rural Utilities Cooperative Finance Corporation (CFC) joined the meeting by telephone, and reported on the Cost of Service Study that he and Association staff had been working on. He called the Board's attention to a

Power Point presentation that had been prepared for the report, and he guided the Board through the slides of the presentation.

Mr. Stephens indicated that what is commonly referred to as a “cost of service study” actually consists of three studies: revenue requirements, cost of service and rate setting. He then reviewed the results of the completed revenue requirements study, based on a rate base consisting of the average of 2009 year-end and 2010 year-end data and using both a modified Goodwin Return on Rate Base Method and TIER Method. Discussion followed.

Mr. Stephens next reviewed the general methodology and results of the completed cost of service study. Discussion followed.

Mr. Stephens then presented a set of cost-based rates that he had developed from the cost of service study. Finally, he advised the Board that cost based rates should not necessarily become the Association’s adopted rates, but rather that actual adopted rates factor in many other factors, including changes from existing rates, management objectives, the need to encourage appropriate member behavior and the expected membership acceptance of the rates. Following further discussion, CEO Herron distributed the detailed revenue requirements and cost of service studies to the Board, the telephone connection with Mr. Stephens was terminated and Mrs. Lukow left the meeting.

RISK ASSESSMENT

President Martin reminded the Board that risk assessment was one of the remaining major uncompleted goals of the Association’s recent Strategic Planning session, and he introduced Scott Luecal.

Mr. Luecal led a discussion to identify sources of risk and to gain an understanding of the sources, and the Board started to develop a list of risks.

RECESS

The Meeting recessed for lunch at 12:05 p.m., and reconvened at 12:50 p.m.

RISK ASSESSMENT

The Board completed a list of 44 identified risks that were possible or likely over the next three to five years, and then rated each on its potential impact, low to high, and its likelihood of occurrence. Mr. Luecal then developed two ranked lists in order of impact and likelihood.

Attorney Wolfe then left the meeting.

The Board discussed the risks in order of impact and likelihood, and following discussion, the Board formed a consensus around six areas of focus:

1. Rates, including the relationship between future wholesale and retail rates;
2. Unfavorable legislation and regulations;
3. Employee benefit costs and maintaining competitiveness in the labor market;
4. Employee safety;
5. System integrity and reliability given an aging infrastructure; and
6. Optimizing use of new technologies.

The Board then discussed possible initiatives in these areas, and Mr. Luecal said he would forward his notes to CEO Herron to facilitate future discussion.

RECESS

The Board recessed for the evening at 5:17 p.m. and reconvened the next day at 1:00 p.m. During the recess, Mr. Luecal left the meeting, and Attorney Wolfe rejoined the meeting.

EXECUTION OF NCSC DOCUMENTS TO REFINANCE CERTAIN RUS LOANS

CEO Herron reminded the Board that at its most recent meeting, it had resolved to refinance the Association's oldest RUS loans with a set of fixed rate loans from NCSC. Attorney Wolfe then reviewed the general terms of the Promissory Note and Loan Agreement with NCSC that would be necessary to accomplish the refinancing. Following discussion, and upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the Cooperative borrow from National Cooperative Services Corporation ("NCSC"), from time to time as determined by the persons designated by the Board of Directors of the Cooperative, an aggregate amount not to exceed Six Million, Four Hundred Thousand and No/100 Dollars (\$6,400,000.00) pursuant to a loan agreement with NCSC governing such loan, substantially in the form of the loan agreement presented to this meeting (the "Loan Agreement"); and it was further

RESOLVED, that the proceeds of this loan be used to refinance certain of the Cooperative's existing indebtedness with its other lenders; and it was further

RESOLVED, that the individuals listed below are hereby authorized to execute and deliver to NCSC the following documents:

- (a) as many counterparts as shall be deemed advisable of the Loan Agreement; and

- (b) one or more promissory notes payable to the order of NCSC, which in the aggregate shall not exceed the principal amount of \$6,400,000.00, substantially in the form of the note presented to this meeting; and it was further

RESOLVED, that each of the following individuals is hereby authorized in the name and on behalf of the Cooperative to execute and to deliver all such other documents and instruments as may be necessary or appropriate, to make all payments, to execute any future amendments to said Loan Agreement as such individual may deem appropriate within the amount of the promissory notes so authorized herein and to do all such other acts as in the opinion of such authorized individual acting may be necessary or appropriate in order to carry out the purposes and intent of the foregoing resolutions:

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| President | Joseph D. Martin |
| Vice President | B.D. Paddock |
| Secretary-Treasurer | Milton L. Mathis |
| Assistant Secretary | Allen E. Gresham |
| CEO | Jim C. Herron |

COST OF SERVICE STUDY

CEO Herron reviewed the details and results of the Revenue Requirements and Cost of Service Studies that he had distributed to the Board the day before. He noted that the studies as presented were not yet complete, since all test year adjustments were not included and he felt that some allocation factors needed additional examination. Discussion followed. He then indicated that it looked as though \$2.6 million in additional revenue would be needed in 2012 to cover the recently announced Tri-State rate increase.

The Board then discussed philosophies of how to recover the needed additional revenue: grid access, energy or demand components of rates; and agreed that the discussion would continue at the previously scheduled special meeting of the Board on November 28, 2011.

RISK ASSESSMENT

The Board briefly reviewed the six focus areas developed during the previous day's risk assessment discussion, and following discussion, it was the consensus of the Board that further discussion be added to the agenda of the November 28, 2011 Special Meeting of the Board.

Mountain View Electric Association, Inc.
Special Board Retreat Meeting
November 5-6, 2011

ADJOURN

There being no further business to come before the Board, upon motion duly made, seconded and unanimously carried, the meeting adjourned at approximately 3:30 p.m.

Milton L. Mathis, Secretary-Treasurer

APPROVED:

DONNA ANDERSEN-VAN NESS

RICKY L. GORDON

ALLEN E. GRESHAM

JOSEPH D. MARTIN, JR.

MILTON L. MATHIS

B. D. PADDOCK

BARRY SPRINGER