

MOUNTAIN PARKS ELECTRIC, INC.

Regular Meeting of the Board of Directors

Granby, Colorado

October 6, 2011

8:00 A.M.

Attendance

Present: Greg Norwick, Stan Cazier, Carl Trick, Jeff Hauck, Richard Zieff, Ross Caldwell, Levi Williamson, Joe Pandey, Les Shankland, Greg Guthridge, and Alex Buhayar (Buhayar arrived at approximately 9:00 a.m.).

Call to Order

President Norwick called the meeting to order at 8:00 a.m.

Determination of Quorum

A quorum was declared.

Minutes

The Board reviewed the meeting minutes from the September 8, 2011 meeting.

MOTION: Director Hauck moved to approve the September 8, 2011 meeting minutes as presented. The motion passed unanimously.

Bills for Payment

The Board reviewed the list of cash disbursements for September, 2011. Director Zieff asked for clarification regarding two payments, and Director Trick asked for clarification regarding three payments. Director Hauck thanked MPE for the memorial fund donation for his father.

MOTION: Director Zieff moved to ratify the September, 2011 cash disbursements from general funds as per the attached cash disbursement list which forms a part of these minutes. The motion passed unanimously.

Public Comment Period

Fraser Valley Metropolitan Recreation District representatives Scott Ledin, Kevin Haupt, and John Glancey addressed the Board regarding MPE's under billing. Mr. Ledin stated that the amount now due to MPE would have a large financial impact on the District. He explained that the District is a public non-profit entity and that they answer to the District's constituents. Mr. Glancey stated that it is hard for the District to pay costs such as this that were not in the

budget. He also related that the District is cutting costs because of lower revenue. The Board asked questions and explained MPE's structure as a cooperative. The Fraser Valley representatives left the meeting.

Alex Buhayar entered the meeting.

Attorney Activity and Fees Report

The Board reviewed Attorney Williamson's activity and fees summary report for September 2011, a copy is attached and forms a part of these minutes.

MOTION: Director Trick moved to accept Attorney Williamson's report. The motion passed unanimously.

Action Items

Action Item #1

Reconsider Action on Medical, Prescription, Dental and Life Insurances for 2012

Pandy reported that there was an error in the premium calculations presented to the Board at the September Board meeting. The actual increase in premium is 10.5% over 2011 premiums. Pandy recommended continuing with the same plans. Director Zieff asked whether MPE funds the employee's HSA. Pandy stated that MPE funds up to \$900 for an individual and up to \$2400 for a family. Director Trick asked Pandy if he has looked for better rates outside of NRECA. Pandy reported that he has. Director Trick stated that the Board should make NRECA aware that NRECA's timeline for renewing these insurance policies is too short and that MPE's NRECA representative has not helped MPE lower its premiums. Director Caldwell expressed concern that MPE is paying for the entire increase for employees on the individual medical plans.

Motion: Director Cazier moved to approve the NRECA insurance plans as recommended by General Manager Pandy. The motion passed unanimously.

Action Item #2

2011 Wage Information and Alternatives for 2012

Pandy presented a written summary of MPE wages, wages of western slope coops, potential wage increases (including the overall cost to MPE with step increases), and the projected effect on MPE's finances. To stay 5% above the western slope average wage, MPE would need to raise wages 3.84%. Pandy recommended a 2% wage increase due to the poor local economy. Director Zieff asked why MPE needs to operate on a margin. Pandy stated that it is a mortgage requirement. Director Zieff stated that MPE should not generate more margin than is required. Director Cazier stated that it is prudent to build a reserve for unexpected events.

Motion: Director Caldwell moved to approve Pandy's recommended wage increase of 2% (2.82% with step increases). Discussion followed. Director Trick stated that he does not

believe the members in his district would approve a wage increase if rates are increased by 5%. Pandy stated that MPE wages were 9.5% above the western slope average in 2004, and they would be .4% below the average with a 2% increase. Director Hauck stated that he is not in favor of a 2% increase. Director Cazier stated that a 2% increase is less than the cost of living increase and that 2% is as conservative as the Board can do while still treating the employees fairly. Director Zieff stated that a 2% wage increase amounts to \$89,000, compared to \$1.25 million increase to MPE's other costs. The motion passed with Directors Trick and Hauck voting no.

Action Item #3

Consider Tri-State Wholesale Rate Increase Impact on MPE

Pandy presented a written report demonstrating the increase to MPE's members as a result of Tri-State's rate increase. Pandy also presented an initial 2012 operations budget. Pandy asked for guidance regarding potential rate increases to include in the MPE budget. Directors Zieff and Cazier stated that MPE should not raise rates by more than Tri-State's increase of 4.8%. Director Norwick would like to see a budget with a 0% rate increase, with a patronage refund. Cazier reminded the Board that, pursuant to RUS accounting rules, MPE is not accounting for depreciation on capital contributions. Cazier would like to see the actual figure on the budget. Director Hauck stated that a 4.8% increase would be acceptable to him.

General Managers Report

The General Manager's report as prepared by General Manager Pandy, a copy of which is attached and forms a part of these minutes, was reviewed.

Pandy presented a draft letter to Tri-State regarding Tri-State's rate increase. Pandy proposes that he and Directors Norwick and Caldwell sign the letter. Director Cazier recommended a few revisions to the letter.

Pandy presented the Tri-State Financial Forecast. Director Caldwell reported on the regular meeting of the Tri-State Board of Directors. Tri-State acquired a combined cycle natural gas plant in Ft. Lupton, CO. Tri-State is now considering purchasing wind power to combine with the plant. Tri-State also purchased the ColoWyo coal mine. The Board is scheduled to vote in November on the new rate design.

Pandy reported that MPE will receive \$44,000 from the BLM for tree clearing. Club 20 requested a contribution for its endowment fund. Pandy will attend Basin's Annual Meeting. MPE has received \$171,108 from CSU for tree clearing. Pandy presented an article from Electric Light & Power regarding natural gas. MPE received a patronage refund from CFC for approximately \$5,800. Director Caldwell asked if MPE has considered using pre-paid meters. Shankland stated that MPE has considered them and that MPE does not currently use pre-paid meters.

Finance Report

The Finance/Office Services report as prepared by Sifers, a copy of which is attached and forms a part of these minutes, was reviewed.

MOTION: Director Cazier moved to accept the Finance Report. The motion passed unanimously.

Engineering Report

The engineering report as prepared by Shankland, a copy of which is attached and forms a part of these minutes, was reviewed. The engineering department is busy with work plan projects. As part of MPE's BLM permit application, the BLM is requiring MPE to ask for permission to conduct a cultural resource study on private land. MPE has asked the landowner twice and been denied twice. The BLM might deny the permit request if the landowner will not agree to the study. On the Lake John project, the BLM is prohibiting overhead lines within 100 feet of the river. This caused MPE to move the line, where there is now a problem with an endangered plant.

The Technology Work Plan is still not completed. The plan includes an expensive communication system for SCADA communication. Shankland asked the consultant to include only high priority items during the first five years of the plan. When completed, Shankland will ask the consultant to present the plan to the Board. Director Trick asked why the plan includes a communication system for AMI when the Board has not approved an AMI system. Shankland stated that the current AMR system is not appropriate for the Fraser Valley and that he does not recommend continuing with it. He stated that approval of the Technology Work Plan is not an approval to purchase all of the items in the plan. Director Zieff asked if MPE has requirements regarding where a member can place a meter. Shankland stated that there are requirements and that any member with questions should talk to MPE employees before placing the meter. Director Hauck asked if MPE has looked at its residential meters for billing errors. Guthridge reported that MPE has looked at a sampling of meters and found no significant errors.

The Board recessed at 12:00 p.m. for lunch.

The Board reconvened at 1:20 p.m. with the same directors and employees in attendance.

Operations Report

The Operations and Safety report as prepared by Guthridge, a copy of which is attached and forms a part of these minutes, was reviewed. Guthridge presented the Metering Standard

Operating Procedures. He revised the procedures to add one more employee to the verification process. This should help ensure accurate metering.

MOTION: Director Caldwell moved to approve the safety report. The motion passed unanimously.

Communications & Member Services

The Communications & Member Services report as prepared by Knerr, a copy of which is attached and forms a part of these minutes, was reviewed.

External Affairs/Key Accounts Report

The External Affairs/Key Accounts Report as prepared by Rob Taylor, a copy of which is attached and forms a part of these minutes, was reviewed. Director Trick asked whether MPE should pass 100% of Tri-State's net metering rebate to MPE's members. Pandy recommends passing 100% of the rebate to the member.

IT Report

The IT Report as prepared by Rust, a copy of which is attached and forms a part of these minutes, was reviewed.

Human Resources & Administration

The Human Resources & Administration report as prepared by Green, a copy of which is attached and forms a part of these minutes, was reviewed.

Executive Session

MOTION: Director Zieff moved to enter into executive session to discuss confidential personnel matters (including the General Manager's review) and confidential member matters, and to receive privileged legal advice, with the following in attendance, Stan Cazier, Carl Trick, Jeff Hauck, Richard Zieff, Ross Caldwell, Greg Norwick attorney Levi Williamson, and Joe Pandy.

The motion passed unanimously.

MOTION: Director Zieff moved to exit from executive session. The motion passed unanimously.

MOTION: Director Zieff moved to increase General Manager Pandy's base salary by 2% and to give him a one-time bonus of \$7,000 to be used as he sees fit (e.g. either paid in

cash, life insurance, or other similar manner). The motion passed with Director Trick voting no.

Old Business

None.

New Business

None.

The meeting adjourned at 3:00 p.m.

Secretary/Treasurer