

## Record of Minutes

### Colorado 31 Larimer

#### Poudre Valley Rural Electric Association, Inc.

November 24, 2009

President Keith D. Croonquist called the meeting to order at 9:00 a.m. All Directors were present, except director Park (ill). Also attending were CEO Brad Gaskill, CFO Jeff Wadsworth, [Operations Services Manager Tim Stanton was on annual leave], Human Resources and Safety Services Manager Duane Ziller, Member Services / External Affairs Manager Myles Jensen, Engineering Services Manager Jim Byrne and Attorney Randolph Starr and Michael Westbrook.

There being no further business to come before the October 27, 2009, meeting of the Board, upon motion duly made, seconded and carried, the meeting was adjourned.

President Croonquist called the regular November Board meeting to order.

Changes to the Agenda were made by President Croonquist: Add 9N Town of Johnstown use tax ordinance; Add 16D Resolution honoring Ray Clifton; and Add 16E request for funding of \$100 to the Larimer County Ag Advisory Board. A report about Danny Martinez was given. [09:05]

President Croonquist asked for comment from the public, and there was no comment. [09:05]

Upon motion duly made, seconded and carried, the following matters were adopted unanimously by the Board:

1. Upon motion duly made, seconded and carried, the Minutes of the Board Meeting on October 27, 2009, were approved.
2. Work Order Form 219 (#792-10-09) in the amount of \$119,394.27.
3. Construction contracts for November, 2009, on the list given to the Board prior to the meeting.
4. Estate capital credits discounted payment on the list given to the Board prior to the meeting in the amount of: \$ None. [09:05]

CEO Gaskill distributed additional documents received since the Board packet had been mailed. Discussion about the letters included in the Board materials and on other documents ensued. [09:21]

Manager Wadsworth gave a verbal and PowerPoint® report on various financial matters. Questions were asked by members of the board and answered

by members of staff. Upon motion duly made, seconded and carried the financial report was accepted. [09:57] Manager Wadsworth gave a report about the CFC debt repricing proposal by printed slides from a PowerPoint® presentation that had been sent to the Board prior to the meeting, and then he gave a verbal update to the slides. The board discussed the proposal. [10:06]

CEO Gaskill presented the management's 2010 proposed Capital and Operating Budget. The materials had been sent to the Board prior to the meeting. A few revised sheets were given to the Board at the meeting as substitutes for sheets in the version sent to the Board. CEO Gaskill and each of the Managers presented the Budget. A break was taken for lunch during the presentation of the Budget. [12:02]

At this time the regular luncheon break was taken. [reconvene at 12:42]

Presentation of the Budget continued by the Managers. Upon motion duly made, seconded and carried the 2010 Capital and Operating Budgets were approved as presented. [13:14]

CEO Gaskill reported on the status of: A) Moblesource payment update; B) update on the proposed sale of about 1.59 acres to the Windsor-Severance Fire Protection District with input from Manager Byrne~discussion ensued about the text of the proposed contract of sale of the lot and the board gave direction to management about the terms of the contract; [at this time Attorney Westbrook left the Board room~13:40]; C) update on status of Town of Wellington franchise; D) update on Timberline Energy's (now Larimer Energy, LLC) 1.5Mw Larimer County landfill methane generation project from which the Association will purchase the electric output with input from Manager Byrne~discussion of the sale of "carbon offsets" by Larimer Energy to the Colorado Carbon Fund in apparent violation of its contract with the Association; E) update on the Association's AMI project with input from Manager Jensen; F) update on the status of the Richard Lake to Waverly transmission line project of Tri-State with input from Manager Byrne; G) update on Boomerang Substation construction project with input from Manager Byrne; H) update on the Front Range Energy, PRESYS Energy Group and Association demonstration project with input from Manager Byrne; I) Carestream metering issue discussion with input from Manager Byrne; J) RUS Form 300 "Review Rating Summary" (Operations and Maintenance Program and Records); K) Proposed changes to the General Rules and Regulations of the Association (included in the board materials); and upon motion duly made, seconded and carried the proposed changes, except for the change regarding after hours reconnections were approved and the changes were authorized to be published for effectiveness on January 1, 2010; L) Proposed changes to the Service Connection and Line Extension Tariff (distributed by CEO Gaskill at the meeting) with input from Manager Byrne; and a motion duly made and seconded to approve the proposed changes, except for minor typographical changes, and the motion was defeated (to be placed on the

December agenda for action); M) Review of Administrative And Team Member Policies (included in the board materials); and N) Discussion of new Town of Johnstown use tax on substation and other electric equipment. [15:41]

CEO Gaskill gave his report by printed slides from his PowerPoint® presentation that had been sent to the Board prior to the meeting, and then he gave a verbal update to the slides. [15:49]

Manager Ziller gave his report by printed slides from his PowerPoint® presentation that had been sent to the Board prior to the meeting, and then he gave a verbal update to the slides. [15:55]

Manager Byrne gave his report by printed slides from his PowerPoint® presentation that had been sent to the Board prior to the meeting, and then he gave a verbal update to the slides. [15:55]

Manager Jensen gave his report by printed slides from his PowerPoint® presentation that had been sent to the Board prior to the meeting, and then he gave a verbal update to the slides. [15:55]

CFO Wadsworth gave his report by printed slides from his PowerPoint® presentation that had been sent to the Board prior to the meeting, and then he gave a verbal update to the slides. [15:59]

CEO Gaskill [Manager Stanton was unable to attend] gave Manager Stanton's report by printed slides from his PowerPoint® presentation that had been sent to the Board prior to the meeting, and then gave a verbal update to the slides. [15:59]

Upon motion duly made, seconded and carried the management reports were accepted. [16:00]

The written safety report of November 10, 2009, was sent to the Board prior to the meeting. CEO Gaskill reviewed the contents of the report. Upon motion duly made, seconded and carried, the safety report was accepted. [16:12]

Attorney Starr reported on a PUC case filed against Mountain Parks Electric and his representation. [16:13]

Director Michie reported on Tri-State matters. A written report on Tri-State had been distributed prior to the meeting. [16:20]

Director Diehl reported on WUESC matters. A written report on WUESC had been distributed prior to the meeting. [16:21]

Director Schneider reported on CREA matters. A written report on CREA had been distributed prior to the meeting. [16:27]

CEO Gaskill presented a number of matters for action by the board:

A. CEO Gaskill lead a review of Board Policies in Article 2 ~ Member Matters, Policies 2.03 and 2.04; and Article 3 ~ Employee Matters, Policy 3.05. The changes were included in the materials sent to the Board prior to the meeting. Upon motion duly made, seconded and carried the changes, as proposed, were adopted. [16:28]

B. CEO Gaskill presented the Resolution and Adoption Agreement from the NRECA Limited-Use Health FSA program. Upon motion duly made, seconded and carried the following Resolutions approving the Adoption Agreement were approved:

RESOLUTION AND CERTIFICATIONS  
OF THE BOARD OF DIRECTORS

Poudre Valley Rural Electric Association, Inc.  
Fort Collins, CO  
No. 06-031

WHEREAS, Poudre Valley Rural Electric Association, Inc. (PVREA) is a member of the National Rural Electric Cooperative Association (“NRECA”);

WHEREAS, the 125 Plan is a cafeteria plan under Section 125 of the Internal Revenue Code of 1986, as amended (“Code”), that provides one or more of the following benefits at the discretion of the 125 Plan sponsor: a premium-only-plan (POP) that allows employees to pay for insurance premiums on a pre-tax basis, a health care flexible spending account (the “Health FSA”) under Section 105 of the Code, and/or a dependent care assistance account (the “Dependent Care Account”) under Section 129 of the Code;

WHEREAS, the 125 Plan is sponsored by NRECA member employers, and administered by Cooperative Benefit Administrators, Inc. (“CBA”), a wholly-owned subsidiary of NRECA;

WHEREAS, IRS Notice 2005-42 permits sponsors of Code Section 125 plans to modify the “use-it-or-lose-it rule” of their plans to permit participants in the Health FSAs and the Dependent Care Accounts to continue to incur qualified expenses for a given plan year during the 2-1/2 month grace period that follows the close of such plan year (the “New Grace Period Rule”);

WHEREAS, NRECA has determined that the 125 Plan, as administered by CBA, shall be administered, effective as of January 1, 2006, to provide for the New Grace Period Rule for Health FSAs and Dependent Care Accounts to the extent that the Plan, as sponsored by the Employer, offers Health FSA and/or Dependent Care Account benefits to its participants;

WHEREAS, NRECA has determined that Health FSAs of the 125 Plan, as administered by CBA, shall be administered, effective April 21, 2006, to comply with the Security Standards for the Protection of Electronic Protected Health Information at 45 CFR Parts 160 and 164, subpart C, promulgated under the Health Insurance Portability and Accountability Act of 1995 (the “HIPAA Security Rule”);

WHEREAS, PVREA wishes to adopt the 125 Plan, and Section 13 of the 125 plan authorizes PVREA to amend the 125 Plan, with the approval of the Board of Directors;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of PVREA hereby amends the 125 Plan, effective as of the first day of January 2010, in the form attached hereto.

BE IT FURTHER RESOLVED, that the officers of PVREA are authorized and directed to take any and all actions required to implement and administer the 125 Plan, including, but not limited to, execution of a plan document or plan amendment, as applicable, in the form attached hereto, and the submission of reimbursement requests.

BE IT FURTHER RESOLVED, that the officers of PVREA are authorized and directed to execute an Administrative Services Agreement, in the form attached hereto, that sets forth the responsibilities of CBA and PVREA, including the payment of administrative fees by PVREA.

RESOLUTION AND CERTIFICATIONS

OF THE BOARD OF DIRECTORS

Poudre Valley Rural Electric Association, Inc.  
Fort Collins, CO

No. 06-031 (Sub-Groups 003/004)

WHEREAS, Poudre Valley Rural Electric Association, Inc. (PVREA) is a member of the National Rural Electric Cooperative Association (“NRECA”);

WHEREAS, the 125 Plan is a cafeteria plan under Section 125 of the Internal Revenue Code of 1986, as amended (“Code”), that provides one or more of the following benefits at the discretion of the 125 Plan sponsor: a premium-only-plan (POP) that allows employees to pay for insurance premiums on a pre-tax basis, a health care flexible spending account (the “Health FSA”) under Section 105 of the Code, and/or a dependent care assistance account (the “Dependent Care Account”) under Section 129 of the Code;

WHEREAS, the 125 Plan is sponsored by NRECA member employers, and administered by Cooperative Benefit Administrators, Inc. (“CBA”), a wholly-owned subsidiary of NRECA;

WHEREAS, IRS Notice 2005-42 permits sponsors of Code Section 125 plans to modify the “use-it-or-lose-it rule” of their plans to permit participants in the Health FSAs and the Dependent Care Accounts to continue to incur qualified expenses for a given plan year during the 2-1/2 month grace period that follows the close of such plan year (the “New Grace Period Rule”);

WHEREAS, NRECA has determined that the 125 Plan, as administered by CBA, shall be administered, effective as of January 1, 2006, to provide for the New Grace Period Rule for Health FSAs and Dependent Care Accounts to the extent that the Plan, as sponsored by the Employer, offers Health FSA and/or Dependent Care Account benefits to its participants;

WHEREAS, NRECA has determined that Health FSAs of the 125 Plan, as administered by CBA, shall be administered, effective April 21, 2006, to comply with the Security Standards for the Protection of Electronic Protected Health Information at 45 CFR Parts 160 and 164, subpart C, promulgated under the Health Insurance Portability and Accountability Act of 1995 (the “HIPAA Security Rule”);

WHEREAS, the Employer wishes to adopt the 125 Plan for the benefit of its employees;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of PVREA hereby adopts the 125 Plan, effective as of the first day of January 2010, in the form attached hereto.

BE IT FURTHER RESOLVED, that the officers of PVREA are authorized and directed to take any and all actions required to implement and administer the 125 Plan, including, but not limited to, execution of a plan document or plan amendment, as applicable, in the form attached hereto, and the submission of reimbursement requests.

BE IT FURTHER RESOLVED, that the officers of PVREA are authorized and directed to execute an Administrative Services Agreement, in the form attached hereto, that sets forth the responsibilities of CBA and PVREA, including the payment of administrative fees by PVREA.

**C. CEO Gaskill and Manager Byrne presented a Resolution to approve the contract for the construction of the Boomerang Substation. Upon motion duly made, seconded and carried the following Resolution was adopted generally approving the contract with Besler, Inc of Rapid City, South Dakota in the amount of \$1,494,040.71: [16:30]**

RESOLUTION

Poudre Valley Rural Electric Association, Inc  
Fort Collins, Colorado

No. 06-031

WHEREAS, Poudre Valley Rural Electric Association, Inc. (Poudre) needs to construct the Boomerang Substation; and,

WHEREAS, Poudre’s current loan “AH44” by way of the current 2006-2009 CONSTRUCTION WORK PLAN or Construction Work Plan Amendment thereto, with the Rural Utilities Service Revolving Fund include the necessary funds for the project; and,

WHEREAS, the Board of Directors of Poudre has authorized the engineering staff of Poudre to put out for competitive bids for the construction of the Boomerang Substation; and,

WHEREAS, on November 12, 2009, Poudre received and opened six (6) competitive bids for the construction of the Boomerang Substation (see attached sheet); and,

WHEREAS, of the six competitive bids received, Besler, Inc. submitted the lowest cost proposal for the construction of the Boomerang Substation, and,

WHEREAS, Poudre's engineering staff recommended the acceptance of the bid by Besler, Inc.

NOW, THEREFORE, BE IT RESOLVED, that Poudre accepts the bid of Besler, Inc of Rapid City, South Dakota in the amount of \$1,494,040.71 for the construction of the Boomerang Substation.

D. CEO Gaskill presented a request for a contribution to the Longs Peak Council, Boy Scouts of America (continued from last month). Upon motion duly made, seconded and carried on a divided vote a donation of \$500 was approved to the Longs Peak Council, Boy Scouts of America.

E. Director Johnson distributed a request for funding of \$100 to the Larimer County Ag Advisory Board. [16:40]

Director Johnson reviewed the summary of the Board self evaluation survey. [16:46]

F. CEO Gaskill presented a Resolution honoring Ray E. Clifton for his service as Executive Director of the Colorado Rural Electric Association. Upon motion duly made, seconded and carried the following Resolution was passed unanimously:

#### **RESOLUTION**

WHEREAS, Ray E. Clifton has announced his retirement as the Executive Director of Colorado Rural Electric Association effective on January 2, 2010; and

WHEREAS, Ray E. Clifton was employed by the Colorado Rural Electric Association in January, 1986, and has served as the Association's Executive Director for 24 years; and

WHEREAS, Ray E. Clifton has been faced with numerous challenges as Executive Director, including deregulation of electric distribution cooperatives, attacks by municipalities on the electric service territory of the members of the Association, retail wheeling, and many other legislative initiatives affecting the fundamental operations of the Rural Electrification Program at both the state and national level; and

WHEREAS, Ray E. Clifton has met and overcome each challenge and the Colorado Rural Electric Association today is strong financially and structurally; and

WHEREAS, Ray E. Clifton has served on numerous boards and panels affecting the electric cooperatives in Colorado and has served in other positions of leadership within the state of Colorado; and

WHEREAS, Ray E. Clifton has received awards for his leadership and knowledge of the electric industry including the George Haggard Award for Excellence In Journalism (three times), and the Colorado Power Council's "Leadership In The Industry Award;" and

WHEREAS, Ray E. Clifton has demonstrated his loyalty, friendship, leadership, and dedication to the electric cooperatives in Colorado and across the United States and to Rural Electric Cooperative ideals; and

WHEREAS, Ray E. Clifton has continued throughout his career to demonstrate the highest degree of fairness, honesty, trustworthiness, and dedication to the cooperative principles and goals;

NOW THEREFORE, Ray E. Clifton is officially recognized for his significant achievements for the Colorado Rural Electric Association; and the Board officially recognizes Ray E. Clifton's contribution to CREA and to Poudre Valley Rural Electric Association for the past 24 years.

[16:49]

Discussion ensued about Item E. for a request for funding of \$100 to the Larimer County Ag Advisory Board for a booth. Management will deal with the matter. [16:54]

Other past and upcoming meetings were discussed: PVREA Member Information meeting on October 27, and Basin Electric Power Cooperative annual meeting [Bismarck] on November 4-5; and PVREA Children's Christmas Party on December 5, PVREA Board Meeting on December 22, NRECA Annual Member Meeting February 14-17, 2010, and CREA Annual Member Meeting February 27-March 2, 2010. [17:07]

Each of the Board members reported on the contents of their respective Board billing sheets. Upon motion duly made, seconded and carried, the reports were approved. Upon motion duly made, seconded and carried, the CEO's expense report was approved. Upon motion duly made, seconded and carried the General Counsel's expense report was approved. [17:22] A motion was made, seconded and carried to have the Association pay 1/12<sup>th</sup> of the medical insurance reimbursement amount commencing by direct deposit or by check on the first Friday in December and the first Friday of each month thereafter for the 2010 and later year's. [17:32]

Upon motion duly made, seconded and unanimously carried the board entered executive session to consider documents or testimony given in confidence generally relating to employee and employee compensation matters. No action was taken by the board to make final policy decisions or adopt or approve any resolution, rule, regulation, or formal action, any contract, or any action calling for the payment of money. [17:57]

A motion to exit the executive session was made, seconded and carried. [17:57] Discussion ensued about having a response by the Board to the letter dated November 16, 2009, from the IBEW. Upon motion duly made, seconded and carried the Board representatives in the negotiations, management and legal counsel prepare a response to the letter. [18:02]

There being no further business to come before the meeting, upon motion duly made, seconded and carried, the meeting was recessed until December 22, 2009, at 9:00 A.M. [18:02]

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Thaine J. Michie –Secretary

ATTEST:

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Keith D. Croonquist – President

NOTE: The 2009 and 2010 Board meeting dates have been set as follows: December 22, 2009, January 26, 2010, February 23, 2010, March 27 (reorganization + full agenda), 2010, April 27, 2010, May 25, 2010, June 29, 2010, July 27, 2010, August 31, 2010, September 28, 2010, October 26, 2010,

November 30, 2010, December 21, 2010. The annual meeting of members for 2010 will be at the Embassy Suites Convention Center in Loveland on Saturday, March 27, 2010.