A General Session of the Board of Directors was held on August 25, 2011, at the Lower Valley Energy Afton office. The meeting was called to order at 9:00 a.m. by Board Chairman, Rod R. Jensen.

BOARD MEMBERS PRESENT: Fred Brog, Peter Cook, Rod R. Jensen, Ted Ladd, Dean S. Lewis, Linda Schmidt, and Nancy Winters.

OTHERS PRESENT: James R. Webb, President/CEO; Chad V. Jensen, Vice President; Steve Duerr, Attorney; Rick Knori, Director of Engineering; Bill Spaulding, Director of Operations; Martell Brower, Director of Gas Operations; Wade Hirschi, Compliance Officer; Michael McBride, CFO; Brian Tanabe, Communications Manager; Jerry Hansen; Shelly Simonton, JHESP Executive Director; Gay Petersen, Executive Assistant/HR.

The minutes of the June 25, 2011, were accepted as presented.

Steve Duerr conducted board officer elections. A motion was made and seconded to approve the continuation of the existing slate of officers with Rod R. Jensen as Board Chairman, Peter L. Cook as Vice Chairman, and Linda Schmidt as Secretary/Treasurer. Motion was adopted.

It was also approved that Nancy Winters, Dean S. Lewis, and Linda Schmidt will serve on the Lower Valley Energy Audit Committee. Ted Ladd will remain on the JHESP committee. Linda Schmidt will continue as the LVE representative at WREA and Fred Brog will continue as Lower Valley's ICUA representative.

James R. Webb discussed the annual policy review of Board Policies 509, Sexual Harassment, 512, Drug Free Workplace and 209, Ethics. A motion was made and seconded to approve all policies as they stand. Motion was adopted. Voting was unanimous.

James R. Webb reviewed the President/CEO report.

Discussion was held about the seasonal electric rates previously approved by the Board, impacts of the BPA load shaping charges, customer usage patterns and the uncertainty of the new BPA billing determinates. Usage of the 2.9 million Residential Exchange Settlement to offset any rate increase was also discussed.

A motion was made and seconded to pass through the estimated 8 percent BPA rate increase now using the 2.9 million Residential Exchange Settlement to apply as a credit on consumer bills over two years and to not implement the seasonal rate structure as approved last meeting. The Board will revisit this issue in August 2012. Motion was adopted.

Management recommended increasing the demand floor from 50KW to 100 KW. The Board decided to wait until we have the cost of service study from EES.

A motion was made and seconded to continue the patronage capital program as now designed and rescind the Board motion from the June 25, 2011, meeting to apply patronage capital to the monthly bills. Motion was adopted. Voting was unanimous.

James R Webb continued with the President/CEO report.

He discussed the BPA vintage rate and LVE’s Tier 2 strategy to meet the BPA September 30 notice and to sign the NESC Restated Load Commitment.
A motion was made to approve the Tier 2 power supply and BPA September 30 notice in Exhibit 2 of the President/CEO report and to sign the NESC Restated Load Commitment. Motion was adopted. Voting was unanimous.

James R. Webb discussed the status of the Southeast Idaho Exchange and work ICUA is doing to ensure an equitable replacement.

A motion was made and seconded authorizing Lower Valley to pursue applying for FEMA money to help in repairs necessary from the high water damage to our system this year. Motion was adopted. Voting was unanimous.

A motion was made and seconded to approve a budget adjustment in the amount of $44,500 for a natural gas compression station and equipment lease at the Rim Station. Motion was adopted. Voting was unanimous.

A motion was made and seconded to approve a budget adjustment in the amount of $29,400.00 for AC mitigation for the Hoback Pipeline. Motion was adopted. Voting was unanimous.

Discussion was held regarding customer reaction to the Enterlyte information on the Lower Valley Energy bills. It was decided to put the Enterlyte information on hold and not have it appear on any more Lower Valley Energy customer bills.

Wade Hirschi and Shelly Simonton presented the JHESP Revolving Loan Fund Proposal. Shelly spoke about the JHESP goals and conservation and efficiency plans.

A motion was made and seconded to approve using the Lower Valley Energy BPA conservation money for the JHESP loan program. Motion was adopted. Voting was unanimous.

A motion was made and seconded authorizing management to apply for a $740,000 loan and a $300,000 grant from REDL&G. Motion was adopted. Voting was unanimous.

James R. Webb reviewed the work plan goal accomplishment as of July 2011.

James R. Webb reviewed the 2011 401k system goal accomplishment as of July 2011.

James R. Webb discussed the July 2011 financial statements.

James R. Webb reviewed the natural gas and propane balancing accounts.

The Board discussed the economic development request for support from Jackson Hole Air.

A motion was made and seconded to approve donating $15,000.00 to Jackson Hole Air in support of the economy. Motion was adopted.

Fred Brog reported on ICUA issues.

Linda Schmidt updated the Board on the latest WREA meeting.

The Board reviewed the WREA dues.

The consent agenda items were accepted as presented.

Bill Spaulding reported on the near misses identified in the safety meeting.
A motion was made and seconded, consistent as we have always intended, current employees retain their 1.3 defined benefit level in our NRECA defined benefit plan and new employees hired after January 1, 2011 will receive a .5 benefit level with an additional 3% unmatched contribution in their 401k plan. Motion was adopted. Voting was unanimous.

It was also noted that at the next board meeting the Board will meet with any employees to discuss questions regarding the NRECA defined benefit plan at 11:00 a.m.

A motion was made and seconded to adopt the following resolution: Motion was adopted. Voting was unanimous.

RESOLUTION
AUTHORIZING THE AMENDMENT OF THE
RETIREMENT SECURITY PLAN
RUS #51011-001A & 51011-001B:

WHEREAS, Lower Valley Energy is a participating employer in the NRECA sponsored defined benefit plan, the Retirement Security Plan, and;

WHEREAS, The Board of Directors of Lower Valley Energy (“the Board”) now desires to amend this plan pursuant to Section 18.02 of the pension plan document, and does hereby authorize the amendment effective the first day of November 2011 by executing the appropriate Adoption Agreements;

BE IT RESOLVED that effective November 1, 2011, the Retirement Security Plan is divided into two Plans: 51011-001A and 51011-001B. The amendments to the Plans are as follows:

Plan 51011-001A:

• Eligible Employees are Employees covered under a collective bargaining agreement and Employees hired, re-hired, or transferred prior to January 1, 2011
• The Plan shall be amended to exclude the following additional classifications of Employees from participating in this Plan:
  o Non-Union Employees hired, re-hired, or transferred on or after January 1, 2011.
  o Employees covered by a collective bargaining agreement.

Plan 51011-001B: The provisions of the Plan are the same as Plan 51011-001 on October 31, 2011, with the exception of the following:

• Eligible Employees are Non-union Employees who are hired, rehired or transferred on or after January 1, 2011
• The following additional classification is excluded from participation:
  o Non-union Employees who are hired, re-hired, or transferred before January 1, 2011.
  o Employees covered by a collective bargaining agreement.
• Effective November 1, 2011, the graduated benefit level is 0.5%.

BE IT FURTHER RESOLVED, that the Board recognizes that certain nondiscrimination tests will be required to be performed with respect to this plan amendment. The Board further recognizes that any corrective action necessitated as a result of annual nondiscrimination testing would likely entail additional contributions for which the Co-op agrees to retain liability.
BE IT FURTHER RESOLVED, that the Board does hereby authorize and direct the President/CEO, James R. Webb, to execute all necessary documents and to take any and all further actions necessary to carry out the intentions of the Board as indicated in this resolution.

Steve Duerr declined to offer legal advice on this issue.

Meeting adjourned at 2:55 p.m.

Rod R. Jensen, Chairman

Linda Schmidt, Secretary/Treasurer