

MINUTES OF REGULAR MONTHLY MEETING  
OF  
THE BOARD OF DIRECTORS OF K.C. ELECTRIC ASSOCIATION, INC.

The regular monthly meeting of the Board of Directors of K.C. Electric Association, Inc., a Colorado cooperative corporation, was held pursuant to a previous executive order of President Kevin Penny, such order being ratified and approved by the Members of the Board of Directors, in the Stratton Community Building in Stratton, Colorado, on Tuesday, August 23, 2011 at the hour of 4:00 p.m. This meeting was held in accordance with the Call and Waiver of Notice together with the Certificate of Posting of Regular Meeting in the offices of the Association. The meeting was called to order by President Kevin Penny who then introduced Jeff Cure. President Penny then requested Secretary-Treasurer Terry Tagtmeyer to call the roll of the Members of the Board of Directors. Thereupon, roll was called and all Members of the Board of Directors were present. Mr. Tagtmeyer further indicated that all necessary staff were present along with one guest, Mr. Claire Vigesaa representing Tri-State.

Thereupon, President Penny did declare a quorum of Directors present, the meeting duly called and duly convened in accordance with the Bylaws of the Association and in accordance with the previous executive order of President Penny as heretofore entered, and did declare the meeting was ready to proceed with all the business to be brought before a regular monthly meeting of the Members of the Board of Directors of the Association as provided for in the Bylaws, the Call and Waiver of Notice, the Notice of Regular Meeting, and the meeting Agenda. Thereupon, President Penny did order the meeting to proceed in accordance with the meeting Agenda which was prepared, posted, and previously mailed to each of the Members of the Board of Directors as provided for by statute and the Bylaws of the Association.

1. Consider Minutes of the Regular Monthly Meeting of the Board of Directors held Tuesday, July 26, 2011: President Penny indicated that the Minutes of the regular monthly meeting of the Board held on Tuesday, July 26, 2011, in the Hugo office were previously mailed to the Board. There was discussion about a revision made to the minutes to keep some entity names confidential. It was properly moved, seconded, and carried by a unanimous voice vote that the following resolution be adopted by the Board:

“BE IT RESOLVED: The Minutes for the July 26, 2011 Board of Directors Meeting for K.C. Electric Association, Inc., are ratified and approved as amended.”

2. Consider Public Presentations and Member Comments: President Penny introduced Claire Vigesaa, a representative speaker for Tri-State Generation and Transmission Association, Inc. Mr. Vigesaa spoke about the Tri-State member transmission facilities acquisition program.

Mr. Vigesaa informed the Board that Tri-State has been impressed with K.C. Electric for its diligence and professionalism throughout the acquisition process. He gave a thorough update regarding K.C. Electric's proposed acquisitions and Tri-State's goals and objectives in working with K.C. Electric.

Mr. Vigesaa informed the Board of the next steps in the acquisition process. He indicated that Tri-State is reviewing the information submitted by K.C. Electric and it would then develop a schedule of assets and provide the necessary documents, which would include a facilities management agreement and transfer of ownership contract. He stated that the projected closing date would be in the second quarter of 2012.

President Penny and several other Directors voiced concerns about timely responses to outages when Tri-State was involved. Mr. Vigesaa asserted that remedial procedures would be put in place to ensure quick responses to outages.

General Manager Power inquired as to when K.C. Electric was actually committed under the acquisition program. Mr. Vigesaa stated that, even subsequent to closing, K.C. Electric could buy its assets back at net book value minus any expenses incurred in the buy-back transfer.

The Board inquired about the remote possibility of a Tri-State successor and how K.C. Electric would be protected under those circumstances. Mr. Vigesaa stated that a successor company would be unlikely but reminded the Board that Tri-State would own the assets after closing. He then asserted that any successor company would be bound by the buy-back provision in K.C. Electric's contract and such provision would allow K.C. Electric to repurchase its assets at net book value minus closing expenses.

President Penny asked for member comments. No comments were made.

3. Presentation of Check Register for July 2011: President Penny directed the Board's attention to the Check Register for July 2011. President Penny declared the check register as an information item only and that no further Board action was necessary.

4. Consider Next Meeting Date: President Penny informed the Board of the next monthly Meeting of the Board of Directors scheduled for September 27, 2011 at 4:00pm at the Hugo office.

5. Consider Emergency Items Requiring Board Action: President Penny informed the Board of franchise expiration for the Towns of Vona and Stratton. President Penny stated that he had signed a Notice of Intention of Franchise Agreement on August 8, 2011 for the Town of Vona because of deadline concerns.

President Penny called for a motion to approve execution and delivery of a Notice of Intention of Franchise Agreement with the Town of Stratton and to make application for franchise with the Town of Stratton and to further approve the previously signed Notice of Intention of Franchise Agreement with the Town of Vona and to make application for franchise with the Town of Vona.

It was properly moved, seconded, and carried by a unanimous voice vote that the following resolution be adopted by the Board:

“BE IT RESOLVED: That the execution and delivery of a Notice of Intention of Franchise Agreement and to make application for franchise with the Town of Stratton and the Town of Vona be ratified and approved.”

6. Board Actions from July 2011 Meeting to be Reaffirmed: President Penny stated there were no board actions from the July meeting of the Board to be reaffirmed.

7. Consider Policy #428 & #431: President Penny called the Board's attention to two policies with proposed changes.

General Manager Power informed the Board of his discussions with Mountain States regarding the Equal Employment Opportunity Policy #428. He stated that Mountain States recommends the following: (1) the policy be titled as an Equal Employment Opportunity Policy; (2) the policy be expanded to include protections from harassment from existing employees and non-employees; and (3) the language defining a class of persons 40 and over remain in the policy. He further indicated that the Mountain States policy is attorney drafted and court tested.

President Penny called for a motion to approve Policy #428 as presented. It was properly moved, seconded, and carried by a unanimous voice vote that the following resolution be ratified and approved.

“BE IT RESOLVED: That the Equal Employment Opportunity Policy #428 presented and reviewed at the August 23, 2011 Board meeting be ratified and approved as presented.”

President Penny then indicated that Policy #431 needs updated to show that employees of K.C. Electric will be paid by direct deposit. After discussion, it was properly moved, seconded, and carried by a unanimous voice vote that the following resolution be ratified and approved.

"BE IT RESOLVED: That the Payday Policy #431 presented and reviewed at the August 23, 2011 Board meeting be ratified and approved as presented."

8. Consider Renewal Approval of Current Insurance Plans and Approval of New Insurance Plan: President Penny informed the Board that action is requested on the renewal of the following current insurance plans: (1) Director Accidental Death and Dismemberment Insurance, (2) Business Travel Accident Insurance, (3) Life Insurance, (4) Long-Term Disability Insurance, (5) Medical Insurance, and (6) Prescription Drug Plan. President Penny further stated that approval is requested on a proposed new high deductible health, dental, and vision insurance plans, with dental and vision paid 100 percent by the employee.

There was discussion regarding the function of the new plan and its distinction from the current plan. There is discussion about rates, comparisons, and practical examples of plan functionality. Illustrative scenarios of the plans were discussed and, by reference, are herein incorporated and attached to these minutes.

President Penny called for a motion to approve the new plan and renewal of the current plans. It was properly moved, seconded, and carried by a unanimous voice vote that the following resolution be ratified and approved.

"BE IT RESOLVED: That the current insurance policies of K.C. Electric be renewed and that the new high deductible health, dental and vision insurance plans, as reviewed and presented on August 23, 2011 at the meeting of the Board of Directors, be ratified and approved."

9. Consider Special Equipment Purchases: President Penny informed the Board of the \$55,515.19 cost for special equipment purchases. The Board then reviewed the accounting for the special equipment purchases. President Penny called for a motion to approve the cost for special equipment purchases as presented and reviewed in the accounting.

It is properly moved, seconded, and carried by a unanimous voice vote that the following resolution be ratified and approved.

"BE IT RESOLVED: That the \$55,515.19 cost for special equipment purchases presented and reviewed by the Board on August 23, 2011 are ratified and approved."

10. General Manager's Report: President Penny requested General Manager Power to give his General Manager's Report. Mr. Power reported on the AMI Project and the progress thereof indicating that the Board will need to make a decision on AMI at next month's Board Meeting. Mr. Power discussed the Tri-State Manager's Meeting including dialogue regarding rate increases and proposed products and services from Tri-State. Mr. Power then updated the Board on the potential new indeterminate line extension project and the desire to test a dispatch service.

President Penny thanked Mr. Power and declared that no Board action was necessary.

11. Finance Report for July 2011: President Penny requested Office Manager Briscoe to present the July 2011 Financial Report. Mr. Briscoe called the Board's attention to the July 2011 Notes to Form 7 Income Statement as set forth in the meeting packet. Mr. Briscoe indicated that operating revenue was up and operational expenses were in line with the budget if you take out the cost of power. He reported that the operating margin was over budget and had a healthy increase in July with an increase in power to irrigation customers. President Penny thanked Mr. Briscoe and declared that no Board action was necessary.

12. Safety Report for July 2011: President Penny requested Mr. Norris present his Safety Report for July 2011. Mr. Norris indicated that K.C. Electric had no accidents or injuries for the month of July. He further reported that both a general safety meeting and hazard pandemic recognition course were held at the Stratton and Hugo Office on July 7<sup>th</sup> and attendance records are on file at the office. He stated that no Loss Control Committee activities were held. President Penny thanked Mr. Norris and declared that no Board action was necessary.

13. Operations Report for July 2011: President Penny requested Mr. Shutte to present his Operations Report for July 2011. Mr. Shutte discussed the work report for the month and the total outages for the month and year. He mentioned the loss of one meter due to lightning in July. President Penny thanked Mr. Shutte and declared that no Board action was necessary.

14. Member Services Report for July 2011: President Penny requested Mr. Orrell to present his Member Services Report for July. Mr. Orrell discussed member complaints and indicated that he had a few high bill complaints that were resolved successfully. President Penny thanked Mr. Orrell and declared that no Board action was necessary.

15. CREA and Western United Reports: President Penny requested Director Mills to present his report on CREA and Western United. Mr. Mills addressed the CREA handout on cost/risk containment for electric cooperative's medical and retirement programs. He also indicated that CREA had a strategic planning session scheduled for August 24, 2011.


Mr. Mills reported that Western United was still doing well and that it has paid out 5% of what has been spent with it over the past 10 years in capital credits. He indicated that the margins were 8% below budget but was still a \$400,000 increase from last year. President Penny thanked Mr. Mills and declared that no Board action was necessary.

16. Tri-State Report: President Penny requested Director Bledsoe to give his report on Tri-State. Mr. Bledsoe reported that there would be a 4.8% rate increase. However, he indicated that \$10 million of deferred revenue would be recognized in 2012 to hold down rates in the 2012 budget. He stated that increased prices for coal are affecting the rates along with the environmental assessment requirements. He reported that the Holcomb unit had a twelve-month window to start construction after a non-appealable air permit is issued. President Penny thanked Mr. Bledsoe and declared that no Board action was necessary.

17. Miscellaneous Business: President Penny called for any and all other business that needed to come before the Board at the monthly meeting. No other business was presented. President Penny with the unanimous consent of the Board adjourned the meeting at 6:55pm on August 23, 2011.

APPROVED:

  
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President

  
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Secretary-Treasurer