

Colorado 39 - Kit Carson  
K.C. Electric Association, Inc.

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 office of the Association in Stratton, Colorado, on Tuesday, April 26, 2011 at the hour of 4:00 p.m. This meeting was held in accordance with the Call and Waiver of Notice which is attached hereto and specifically made a part of these Minutes 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 did request Secretary-Treasurer Terry Tagtmeyer to call the roll of the Members of the Board of Directors. Thereupon, Mr. Tagtmeyer did call the roll of the Members of the Board of Directors and did report that the following Members were present:

|                |                 |
|----------------|-----------------|
| Luanna Naugle  | Kevin Penny     |
| Robert Bledsoe | Dan Mills       |
| James Lewis    | Terry Tagtmeyer |
| Marvin Thaller | Dave Ritchey    |

Mr. Tagtmeyer also reported that General Manager Timothy Power, Member Services Manager Ben Orrell, Operations Manager Larry Shutte, Office Manager Chance Briscoe, and Line Superintendent Paul Norris of staff, and Kathy A. Drescher, representative for Richard D. Thomas, Attorney for the Association, were also present.

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. Secretary-Treasurer Terry Tagtmeyer requested Mrs. Drescher to record the Minutes of this meeting.

1. Consider Minutes of the Regular Monthly Meeting of the Board of Directors held on Tuesday, March 29, 2011: President Penny requested Secretary-Treasurer Terry Tagtmeyer to read the Minutes of the regular monthly meeting of the Board of Directors held on Tuesday, March 29, 2011, at 4:00 p.m. in the Hugo office of the Association in Hugo, Colorado. Thereupon, and upon motion by Mr. Mills and seconded by Mr. Ritchey, the following resolution was unanimously passed and adopted by the Members of the Board of Directors:

“BE IT RESOLVED: That the Minutes of the regular monthly meeting of the Members of the Board of Directors of K.C. Electric Association, Inc., held in the Hugo office of the Association in Hugo, Colorado on Tuesday, March 29, 2011, at 4:00 p.m., copies of which were mailed to each of the Members of the Board of Directors, are, by these presents, ratified and approved.”

President Penny did request Terry Tagtmeyer, as Secretary-Treasurer of the Association, to make the March 29, 2011, Minutes of the regular monthly meeting of the Board of Directors a part of the permanent records of this Association.

2. Consider Next Meeting Date: President Penny informed the Members of the Board of Directors that the next scheduled monthly meeting date of the Board of Directors is Tuesday, May 24, 2011, at 4:00 p.m. in the Hugo office of the Association in Hugo, Colorado. After this matter was fully discussed by the Board of Directors, President Penny, by executive order, ratified and approved by the Board of Directors did declare that the next regular monthly meeting of the Board of Directors of K.C. Electric Association, Inc., will be held on Tuesday, May 24, 2011, at 7:00 p.m., in the Hugo office of the Association in Hugo, Colorado.

3. Consider Public Comments: President Penny did introduce Mr. Clay C. Gilkerson of WyCo Energy to the Members of the Board of Directors. Mr. Gilkerson informed the Board of Directors that WyCo Energy is a distributor of wind turbines based through John Deere and would like to sell to K.C. Electric 50 KW endurance turbines. Mr. Gilkerson did discuss his plans and goals with the Board of Directors noting they could run into a handicap with the Net Metering Policy set by the State. After discussion and questions and answers President Penny did thank Mr. Gilkerson for his presentation and did declare it as an information item only. President Penny did then order the meeting to proceed in accordance with the meeting agenda.

4. Presentation of Check Register for March 2011: President Penny called the Board's attention to the Check Register for March 2011, as set forth under tab 1 of the meeting packet. After the monthly Check Register for March 2011 had been fully reviewed, item by item and then as a whole by the Board of Directors and after staff had answered all questions of the Board of Directors regarding items set forth in the Check Register, President Penny, by executive order, ratified and approved by the Board of Directors, did declare that the consideration of the monthly Check Register for the month of March 2011 was an information item only and that no further Board action was necessary regarding the Check Register for March 2011.

5. Consider Ratification of Prior Actions of the Board of Directors: President Penny informed the Board that there were no prior actions of the Board of Directors that are to be ratified. Thereupon, President Penny did order the meeting to proceed in accordance with the meeting agenda.

6. Consider Emergency Additions and Announcements: President Penny requested any emergency additions to the meeting agenda and/or announcements. There being no emergency additions to the meeting agenda and/or announcements, President Penny ordered that the meeting will proceed in accordance with the meeting agenda.

7. Consider Operational Policies 423, 424, and 425: President Penny called the Board's attention to the fact that the Operational Policies E-449 renumbered 423, E-451 renumbered 424, and E-450 renumbered 425, are up for review. President Penny requested General Manager Tim Power to review the operational policies with the Members of the Board of Directors, and thereafter the policies were reviewed item by item, and then as a whole. Thereupon, upon motion by Mr. Thaller and seconded by Mr. Tagtmeyer, the following resolution was unanimously passed and adopted by the Members of the Board of Directors:

“BE IT RESOLVED: That policies 423, 424, and 425 are approved.”

8. Consider NRECA International Foundation Request for Donation: President Penny did bring to the Board's attention the letter to General Manager Power from NRECA shown under tab 2. After discussion of the letter, upon motion by Mr. Thaller and seconded by Mr. Bledsoe, the following resolution was unanimously passed and adopted by the Members of the Board of Directors:

“BE IT RESOLVED: That the March 27, 2011, letter from NRECA is an information item only with no further Board action necessary.”

9. Consider Special Equipment Purchases: President Penny called the Board's attention to the Special Equipment Summary for March 2011 as set forth under tab 2 of the meeting packet for the total amount of \$14,476.44. General Manager Powers did inform the Board that the report had been compiled manually so was not on his Power Point display and that the meters purchased were not currently eligible for loan funds and he would have to amend the paperwork to make them eligible. After the Special Equipment Summary for March 2011 had been fully reviewed, upon motion by Mr. Ritchey and seconded by Mr. Mills, the following resolution was unanimously passed and adopted by the Members of the Board of Directors:

“BE IT RESOLVED: That the Special Equipment Summary in the amount of \$14,476.44 is, by these presents, hereby approved and staff is authorized to pay the same.”

10. General Manager's Report for March 2011: President Penny requested General Manager Tim Power to give his General Manager's Report for March 2011. Thereupon, General Manager Tim Power gave a brief report to the Board of Directors on the following topics:

a. Outage Management Procedures.

b. Tri-State Manager's meeting held April 6, 2011, General Manager Power informed the Board there had been a good turnout of managers for the meeting.

c. CFC Financial Workshop Update.

d. AMI Pilot Update, General Manager Power did update the Board on the Tantalus program.

e. General Manager Power also informed the Board that he received notification that the RUS loan funds are now available.

f. Fred Grantham of Morgan County Rural Electric Association has stepped down from his position as General Manager.

After General Manager Power had completed his General Manager's Report for the March operations of the Association, President Penny by executive order, ratified and approved by the Board of Directors did accept the General Manager's Report for March 2011 and did declare that no further Board action was necessary regarding the General Manager's Report for March 2011.

11. Consider the Financial Report for March 2011: President Penny requested Office Manager Briscoe to give the March 2011 Financial Report to the Board of Directors. Office Manager Briscoe called the Board's attention to the March 2011 Notes to Form 7 Income Statement as set forth under tab 3 of the meeting packet. Office Manager Briscoe then discussed the Income Statement Note with the Board and presented a slideshow supporting the Income Statement, noting that he would begin at the May meeting including a slide showing the monthly load factor. Office Manager Briscoe also discussed the CFC financial workshop with the Board noting that CFC could be required to change to the international standard. This could affect future loans because the equity will show as a debt due to capital credits owed to members.

After Mr. Briscoe had completed his Financial Report for March 2011, President Penny by executive order, ratified and approved by the Board of Directors did accept the Financial Reports and did declare that no further Board action was necessary regarding these reports.

12. Consider Safety Report for March 2011: President Penny requested Mr. Norris to present his Safety and Loss Control Report for March 2011 to the Board of Directors. Mr. Norris called the Board's attention to the Safety and Loss Control Report for March 2011, as set forth under tab 4 of the meeting packet and thereupon discussed the following with the Members of the Board of Directors:

Accident Report:

None

Loss Prevention Activities:

3-14-11 – K.C. Electric held its Annual Health Screening at the Stratton office. All employees participated and filled out a survey with the results.

Loss Control Committee Activities:

None

After Mr. Norris had completed his Safety and Loss Control Report for March 2011, President Penny, by executive order, ratified and approved by the Board of Directors, did accept the Safety and Loss Control Report for March 2011, and did declare that no further Board action was necessary regarding this report.

13. Operations (Work) Report for the month of March 2011: President Penny requested Mr. Shutte to present his Operations (Work) Report for the month of March 2011. Mr. Shutte called the Board's attention to the Operations (Work) Report for the month of March 2011, as set forth in the meeting packet under tab 5 and thereafter discussed the Operations (Work) Report item by item and then as a whole.

Mr. Shutte also presented to the Board his request for a new bucket truck to replace a 2007 truck with engine problems and a 1998 aerial unit which is outdated. After each bid was discussed as a whole and all questions had been answered, upon motion by Mr. Tagtmeyer and seconded by Mr. Bledsoe, the following resolution was unanimously passed and adopted by the Members of the Board of Directors:

“BE IT RESOLVED: That staff is authorized and directed to negotiate the purchase of a cab and chassis from Burlington Ford and an aerial unit from Layton including a trade-in with a net purchase price of \$107,536.90.”

After Mr. Shutte had completed his Operations (Work) Report, President Penny, by executive order, ratified and approved by the Board of Directors, did accept the Operations (Work) Report and did declare that no further Board action was necessary regarding the Operations (Work) Report.

14. Member Services Report for April 2011: President Penny requested Mr. Orrell to present his Member Services Report for April 2011 to the Board of Directors. Mr. Orrell called the Board's attention to the Member Services Report of April 2011, as set forth under tab 6 of the meeting packet, and thereafter discussed the Member Services Report with the Board item by item and then as a whole.

After Mr. Orrell had completed his report President Penny, by executive order, ratified and approved by the Members of the Board of Directors, did accept the Member Services Report and did declare that no further Board action was necessary regarding this report.

15. Consider Reports on CREA and Western United: President Penny requested Mr. Mills to present his report on CREA and Western United Electric Supply Corporation (tab7- meeting packet).

a. CREA: Mr. Mills called the Board's attention to Colorado Rural Electric Association news and information set forth in the meeting packet under tab 7 calling attention to the most important items set forth therein.

b. Western United Electric Supply Corporation Financial Report: Mr. Mills reported to the Board on the financial condition of Western United stating they want to open a new warehouse in New Mexico with small inventory and see how it goes. Mr. Mills also brought it to the Board's attention that all products purchased for the Tantalus project will come through Western United.

After Mr. Mills had reported on the Operation of CREA and Western United for the month of March 2011, President Penny, by executive order, ratified and approved by the Board of Directors, did accept the reports and declared that no further Board action was necessary regarding these reports.

16. Tri-State Report for April 2011: President Penny requested Mr. Bledsoe to report on the Operation of Tri-State for the month of April 2011.

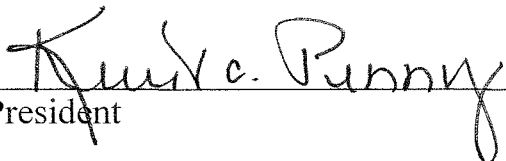
- a. Tri-State Financial Condition.
- b. Tri-State Annual Meeting.
- c. Strategic Planning.
- d. Rate design.
- e. Miscellaneous News.


- 1) Member rate increase from Basin. Possible 20% (10 mills) increase by 2020.
- 2) No capital credits this year and a midyear rate increase to Tri-State will occur in 2011.
- 3) The preliminary quantification of compliance, regulatory and environmental cost to Tri State (or the Consumer) is 14.16 mills/kwh. **Cost for 2010--\$212,782,824.00 or 18.33% of our cost to produce electricity.**
- 4) The Affordability/Education Campaign has costs Tri State under \$1 million so far.
- 5) Possible 3%-5% rate increase coming for 2012.

After Mr. Bledsoe had completed his report, President Penny by executive order, ratified and approved by the Board of Directors did accept the Report of the Operations of Tri-State presented by Mr. Bledsoe and did declare that no further Board action was necessary regarding this report.

17. Miscellaneous Business: President Penny called for any and all other business that may come before a regular monthly meeting of the Board of Directors. For the matter of clarification the Board of Directors did again discuss briefly the presentation of Mr. Clay C. Gilkerson. There being no further business to come before this meeting, President Penny, by executive order, ratified and approved by the Board of Directors, did adjourn this meeting at 7:00 p.m. on Tuesday, April 26, 2011, until the next regular monthly meeting to be held in Hugo, Colorado, on Tuesday, May 24, 2011, at 4:00 p.m.

APPROVED:

  
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 President

  
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 Secretary-Treasurer