

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

A regular meeting of the Board of Directors of K.C. Electric Association, Inc. was held in Burlington, CO, on Thursday, December 15, 2011 at the hour of 3:30 p.m. The meeting was called to order by President Kevin Penny. The following Members were present and constitute a quorum:

Luanna Naugle	Kevin Penny	Terry Tagtmeyer
Dan Mills	Dave Ritchey	Marvin Thaller
Robert Bledsoe	Jim Michal	Jim Lewis

Also present were General Manager Tim Power, Operations Manager Larry Shutte, CFO Chance Briscoe, Member Service Representative Ben Orrell, and Attorney Jeff Cure.

Approval of Minutes: After a correction to the Western United report, it was unanimously approved to accept the minutes for the regular meeting of the board on November 22, 2011.

Next Meeting Date: Without objection the date for the next regular meeting of the Board was confirmed for January 24, 2012 at 4:00 p.m. in Hugo, CO.

Public Comments: There were no public comments.

Check Register Review: The Check Register of the Association for November 2011 was reviewed and after the Board had an opportunity to review and ask questions, President Penny declared the Check Register as an informational item requiring no Board action.

Ratification of Prior Action of the Board of Directors: No prior actions to be ratified.

2012 Budget: The 2012 budget packet had been previously distributed to the Board and the contents were reviewed. Also distributed were revised statements to include information obtained after distribution of the original budget packet. Among other things, discussion was had regarding the new proposed debt, borrowing option under RUS and other third party lenders, timing of a new Work Plan, large construction projects planned for 2012, and operation and administrative expense forecasts. Upon completion of the discussion, the following resolution was unanimously approved:

“BE IT RESOLVED: That the proposed budget, along with the revisions, is hereby approved for 2012.”

Operational Policies: Policy #132, Retirement of Capital Credits of a Deceased Member; and policy #414, Holidays were presented to the Board for review. Upon review of Policy #132 it was determined to forego Board action until more information is obtained regarding estate retirements in regard to accounts that are in trusts. After discussion regarding Policy #414, the following resolution was unanimously approved:

“BE IT RESOLVED: That Policy #414 is approved as presented.”

Early Retirement of Capital Credit Cap: It was proposed to approve the cap for 2012 early retirements of \$75,000. Among other things, it was discussed what the typical cap had been set at in recent years and if that amount had been sufficient to cover the applications for early retirement. Additionally, it was discussed that the cap of \$150,000 was to be exceeded in 2011 without Board action to increase the cap. Upon conclusion of the discussion, the following resolution was unanimously approved:

“BE IT RESOLVED: That the cap for early retirements in 2011 be increased to \$150,589.30 and the cap be set at \$75,000.00 for 2012.”

Nominating Committee: A slate of names was proposed for the nomination committee for the 2012 election of the Board of Directors. After review and discussion, the following resolution was unanimously approved:

“BE IT RESOLVED: That Leroy Loutzenhiser, Archie Cloud, and Steve Miller are approved as the nominating committee for the 2012 election of the Board of Directors.”

Office Cleaning Contracts: Two contracts were reviewed for the office cleaning services of the Hugo and Stratton offices. The contracts included a three percent increase in rate. After discussion, the following resolution was unanimously approved:

“BE IT RESOLVED: That the 2012 office cleaning contracts with Kristy’s Kleaning and Melissa Monks are approved as presented.”

NRECA Voting Delegate: After discussion, the following resolution was unanimously approved:

“BE IT RESOLVED: That Robert Bledsoe is appointed as the voting delegate, with Marvin Thaller as the alternate, for the NRECA 2012 Annual and Regional Meeting.”

Youth Tour and Youth Camp: There were two applicants for the 2012 Youth Leadership Tour to Washington D.C. and the Cooperative Youth Leadership Camp in Colorado. After review of the applications and reading the written essays, the following resolution was unanimously approved:

“BE IT RESOLVED: That Kelcie Smith is selected to have the choice of attending either the Youth Tour or the Youth Camp and Merry Cecilia Hornung was selected to attend the other event.”

Special Equipment Summary: After review and discussion, the following resolution was unanimously approved:

“BE IT RESOLVED: That the Special Equipment Summary is hereby approved in the amount of \$66,800.25.”

Inventory of Work Orders: After review and discussion, the following resolution was unanimously approved:

“BE IT RESOLVED: That the Inventory of Work Orders #383 for \$102,386.15 is hereby approved.”

General Manager’s Report: General Manager Power generally reported on or discussed, among other things: (1) 14 of 22 managers recently attended the CREA Manager’s Meeting; (2) CREA is looking into a statewide medical insurance program for member cooperatives in Colorado; (3) Update on the status of KC Electric purchasing the electric system of the City of Burlington (KC Electric is currently waiting for further contract information from the City; (4) Update of a new line extension for service to an oil pumping field; and (5) Update on the status of the Sensus AMI meter deployment schedule.

Staff Reports: The staff made the following reports and answered Board questions:

- a. CFO Briscoe presented a slideshow of the financial operations for November 2011 and reviewed the status of the General Retirement of Capital Credits.
- b. Operations Manager Shutte reported on or discussed, among other things, a review of the reports presented in the Board packet, safety training for November 2011, and answered questions regarding the pole testing program and substation double testing.
- c. Member Service Representative Orrell referred to his report in the Board packet and asked for questions of which there were none.

Reports on CREA and Western United: Mr. Mills reported to the Board, among other things:

- a. CREA: (1) The general consensus is approval of the job performance of CREA's CEO; and (2) Reviewed that cell phone use is prohibited for commercial motor vehicles.
- b. Western United: (1) IREA representative attended his first meeting after IREA was accepted into WUE; (2) WUE is approximately \$7M under sales but still above budgeted margin; and (3) WUE recently retired capital credits of which KC Electric received \$5,197.40.

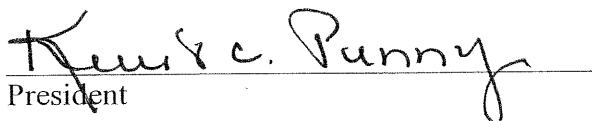
Tri-State Report: Mr. Bledsoe's reported to the Board, among other things: (1) The Board of directors of Tri-State passed the new rate design to take effect in January 2013; (2) A cursory review of the new Tri-State rate design and that the plan will be to have a Tri-State representative attend a future board meeting to educate the board on the new rate characteristics; and (3) Six new hybrid trucks have been purchased and are being used in the Tri-State fleet of vehicles.

Miscellaneous Business: The Board discussed the potential of raising the height of lines at crossings and asked staff to figure the costs of doing so and to report the findings at a future meeting. Also it was discussed that a proposal is being made at CREA to address Global Climate Change and associated science of the topic. After conclusion of the discussion it the following resolution was unanimously approved:

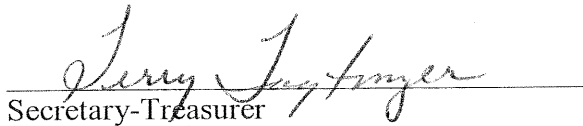
“BE IT RESOLVED: That KC Electric supports the existing CREA position on Global Climate Change and the associated science as not conclusive and hereby direct the General Manager to draft a letter for President Penny to sign and mail to CREA in support of the current position.”

Adjournment: President Penny declared the meeting adjourned at approximately 6:35 p.m.

APPROVED:



President



Secretary-Treasurer