

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, at Spices on the Green in Burlington, Colorado 80807, on Thursday, December 16, 2010 at the hour of 3:30 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:

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

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 Richard D. Thomas, Attorney for the Association.

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 Mr. Thomas to record the Minutes of this meeting.

1. Consider Minutes of the Regular Monthly Meeting of the Board of Directors held on Tuesday, November 23, 2010: President Penny requested Secretary-Treasurer Terry Tagtmeyer to read the Minutes of the regular monthly meeting of the Board of Directors held on Tuesday, November 23, 2010, at 6:30 p.m. in the Hugo office of the Association in Hugo, Colorado. Thereupon, and upon motion by Mr. Tagtmeyer 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, November 23, 2010, at 6:30 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 November 23, 2010, 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, January 25, 2011, at 6:30 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, January 25, 2011, at 6:30 p.m., in the Hugo office of the Association in Hugo, Colorado.

3. Consider Public Comments: President Penny requested Members of the Board of Directors and anyone present being members of the Association and the general public to present any comments they may have regarding the operation of K.C. Electric Association, Inc., or related thereto; there being no public comments, President Penny requested the meeting to proceed in accordance with the meeting agenda.

4. Presentation of Check Register for November 2010: President Penny called the Board's attention to the Check Register for November 2010, as set forth under tab 1 of the meeting packet. After the monthly Check Register for November 2010 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 November 2010 was an information item only and that no further Board action was necessary regarding the Check Register for November 2010.

5. 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

6. Consider Ratifications of Prior Actions of the Board of Directors: President Penny called the Board's attention to the matter of the early retirement of Capital Credits in the amount of Seventy-seven thousand and no/100 Dollars (\$77,000.00) and the early retirement annual cap in the amount of Seventy-five thousand and no/100 Dollars (\$75,000.00) and the Board's action regarding the early retirement of Capital Credits in excess of the annual cap to be paid after January 1, 2011. After this emergency item had been fully reviewed, upon motion by Mr. Bledsoe and seconded by Mr. Thaller, the following resolution was unanimously passed and adopted by the Members of the Board of Directors.

"BE IT RESOLVED: That the action of the Board of Directors taken at the November 23, 2010 Board of Directors meeting regarding early retirement of Capital Credits is hereby ratified and approved."

7. Consider Approval of 2011 Budget: President Penny called attention to the proposed budget for the calendar year 2011. After the budget for the operations of K.C. Electric Association, Inc., for the calendar year 2011 had been fully reviewed, upon motion by Mr. Mills and seconded by Mr. Thaller, the following resolution was unanimously passed and adopted by the Members of the Board of Directors:

"BE IT RESOLVED: That the Operation Budget for K.C. Electric Association Inc., for the calendar year 2011, is hereby approved and accepted."

8. Review of Operation Policies 400, 401, 411-415: President Penny called the Board's attention to Operation Policies numbered 400, 401, 411-415, as set forth in the meeting packet under tab 2. President Penny requested Mr. Power to review each policy as presented with the Board of Directors. After Mr. Power had reviewed each proposed policy with the Board, upon motion by Mr. Thaller 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 policies 400, 401, 411, 412, and 413, as set forth under tab 2 of the meeting packet and amended are individually approved and confirmed, subject to amendments, effective on this date December 16, 2010. Secretary-Treasurer Tagmeyer is authorized and directed to place these policies in the permanent records (Policy Book) of the Association. Policies 414 and 415 are tabled until the next scheduled meeting of the Board of Directors on Tuesday, January 25, 2011, in Hugo, Colorado."

9. Consider Approval of 2011 Office Cleaning Contracts: President Penny called the Board's attention to the 2011 office cleaning contracts for the Stratton office, presented to the Board of Directors at the meeting. Manager Power informed the Board that the monthly payment for services had been increased by three percent (3%) to consider the cost of living insurance which would increase the monthly payment to \$560.00/month. After the contract had been fully reviewed, upon motion by Mr. Ritchey and seconded by Mr. Lewis, the following resolution was unanimously passed and approved by the Members of the Board of Directors:

"BE IT RESOLVED: That the Stratton office cleaning contract as presented to the Board as a handout at this meeting for the calendar year starting January 1, 2011 is hereby accepted and approved and President

Penny and Secretary-Treasurer Tagtmeyer are authorized to execute and deliver this contract after placing the seal of the Association thereon.”

10. Selection of Delegates and Alternate for NRECA Annual Meeting:

President Penny, before requesting the Board of Directors to consider the selection of a delegate and alternate to represent the Association at the Annual NRECA annual meeting, requested the names of the Board of Directors who were going to attend the Annual NRECA Meeting. No one of the Board of Directors were going to be attending. President Penny declared by executive order, ratified and approved by the Board of Directors, that the Association would not be represented at the Annual NRECA Meeting and ordered the meeting to proceed.

11. Selection of Youth Tour and Youth Camp Scholarship Winners:

a. Victoria Hornung from Kit Carson High School was selected to go to Washington D.C. – Tri-State’s contribution of \$250.00 was awarded to Victoria.

b. Chelsea Dickey from Kit Carson High School was selected to attend the summer camp at Glen Eden, Colorado.

c. Lindsey Burkholder from Genoa-Hugo High School was also selected to attend the summer camp at Glen Eden, Colorado.

12. Consider Special Equipment Purchase: President Penny called the Board’s attention to the Special Equipment Summary for November 2010 set forth under tab 2 of the meeting packet in the amount of \$24,589.84, all of which are subjects to loans. After the Summary of Special Equipment Costs was fully reviewed, upon motion by Mr. Mills and seconded by Mr. Lewis, the following resolution was unanimously passed and adopted by the Members of the Board of Directors:

“BE IT RESOLVED: That the Summary of Special Equipment Costs for November 2010 in the total amount of \$24,589.84 is approved and accepted and staff is directed to pay the same.”

13. General Manager’s Report: President Penny requested General Manager Power to give his report for the November Operation of the Association. General Manager Power reported on the following subjects and discussed each one with the Members of the Board of Directors:

a. Key Account Visit update- are rates going up 2011- no- probably 2012, rates could be different.

b. CREA Manager’s Meeting Update:

1. Newly elected Congressman-discussion,
2. Consider Co-op item on a case by case basis.
3. Ski Resort- lost to Grand Valley- extension and not upgrade.
4. K.C. Wind Farm update, rates, producing a lot of power.
5. Cost of study update, hope to have something for January meeting.
6. Web-site update- has been updated discussed Quick Pay.

After Mr. Power had completed his General Manager’s Report for November, President Penny by executive order, ratified and approved by the Board of Directors

did accept the Report of Mr. Power and did declare that no further Board action was necessary.

14. Consider Financial Report for November 2010: During a projector presentation of the financial condition of the Association for the month of November 2010 Office Manager Briscoe called the Board's attention to the November 2010 Notes to Form 7 Income Statement paying particular attention to the following:

Operating Revenue (Line 1) – Revenue for November was higher than budget by \$143,000. Both Irrigation and Large Commercial were up from budget in November but Small Commercial was a little under the budget. The year to date revenue now exceeds the budget by about \$780,000.00.

Cost of Purchased Power (Line 3) – Cost of Purchase Power was up in correlation with the monthly revenue. Cost of Power was budgeted to be 62.88% of revenue but was slightly higher at 63.72% in November.

Operational Expenses (Lines 4-10) – The total operational expenses were budgeted for \$273,000.00 but were actually \$254,000.00. Year to date the operational expenses are about \$53,000.00 under budget but about \$227,000.00 over last year to date.

Depreciation, Interest and Other (Lines 12-18) – All in line with budget expectations.

Operating Margin (Line 20) - Though still positive the Operating Margin was not as strong in November as October. The month was budgeted for a loss of \$40,000.00 but actually was a gain of about \$26,000.00. This puts the year to date Operating Margin about \$1.6 million above budget and more than \$1.2 million above last year to date.

None-Operating Revenue and Expenses (Lines 21-27) – No significant Non-Operating Revenue or Expenses for October.

Total Margin (Line 28) – As with Operating Margin, the Total Margin for the year is up substantially from the budget and year to date last year, \$1.6 million and \$1.2 million, respectively.

Capital Credit Retirement Notes

The capital credit retirement has been processed and checks should be in the mail December 9th.

Total Retirement - \$1,265,012.30	1985 - \$322,758.01
	1986 - \$274,631.43
	1989 - \$54,443.14

About \$90,000.00 was either put to the Unclaimed category or was too small to pass the \$20 minimum. So, the net disbursement of checks totaled \$1,175,667.48.

After Mr. Briscoe had presented the Financial Report of the Association for November 2010, as set forth under tab 3 of the meeting packet, President Penny by executive order, ratified and approved by the Members of the Board of Directors did accept and approve the Financial Report subject to audit and did declare that no further Board action was necessary regarding the Financial Report.

15. Consider Safety and Loss Control Report for November 2010: President Penny requested Mr. Norris to present his Safety and Loss Control Report for November 2010 to the Board of Directors. Mr. Norris called the Board's attention to the Safety and Loss Control Report of November 2010, as set forth under tab 4 of the meeting packet and thereupon discussed the following with the Board of Directors:

a. Accident Report (First Report of Injury):

None

b. The following Loss Prevention activities took place:

11-9-10 – A safety meeting was held at the Stratton facility. After a general safety discussion, Paul Norris taught a class titled: "Basic Training for Digger and Truck Mounted Crane Operators." Rubber gloves were changed out.

c. No Loss Control Committee Activities were held.

After Mr. Norris had completed his Safety and Loss Control Report for November 2010. President Penny by executive order, ratified and approved by the Board of Directors, did accept the Safety and Loss Control Report and did declare that no further Board action was necessary regarding this report.

16. Operations (Work) Report for the partial month of December 2010: President Penny requested Mr. Shutte to present his Operations (Work) Report for the partial month of December 2010. Mr. Shutte called the Board's attention to the Operations (Work) Report for partial month December 2010, 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. In addition he called the Board's attention to outages recorded and the daily demand readings.

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.

17. Member Services Report for November - December 2010: President Penny requested Mr. Orrell to present his Member Services Report for November - December 2010 to the Board of Directors. Mr. Orrell called the Board's attention to the Member Services Report of November - December 2010, 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.

18. Consider Reports on CREA and Western United: President Penny requested Mr. Mills to present his report on CREA and Western United Electric Supply Corporation (tabs 7 and 8 – Meeting packet)

a. Report on Annual Meeting of CREA,

- b. Cory Gardener spoke at Meeting,
- c. Promote Green Power,
- d. Grain Marketing Co-op – wants to use CREA lobbyist- probably will not happen,
- e. Gateway Canyon – May fold – lost case in District Court, extension policy ruled effective.
- f. Directors of Co-op Boards need to have Safety and Loss Control OSHA class.

Western United Electric Supply Corporation short meeting – out of state members providing good financial support.

After Mr. Mills had completed his reports on CREA and Western United Electric Supply Corporation, President Penny, by executive order, ratified and approved by the Board of Directors, did accept Mr. Mills' report on CREA and Western United Electric Supply Corporation and did declare that no further Board action was necessary regarding these reports.

19. Consider Tri-State Report for December 2010: President Penny requested Mr. Bledsoe to present his December 2010 Report to the Board of Directors. Mr. Bledsoe called the Board's attention to the following information documents set forth in the meeting packet under tab 9 and did briefly discuss each item and informational matters:

Tri-State Financial Condition

The net margins for Oct 2010 were \$2.9 Million
 The Year to Date Net Margins thru Oct 2010 was \$68.9 Million or \$21.1 Million ahead of budget.

Tri-State's Patronage capital refund authorized

The Board authorized a \$10 million patronage capital refund from margins allocated to Members in 1996. The Member can elect a distribution date on Dec 17, 2010 or January 14, 2011.

Strategic Planning

In January, the Board will begin a strategic review of our long-term resource needs;

Rate Design

In your KC packet in the Tri State section, you will find pages that are in color, Page 1 and 2 represents the many choices the Tri-State Board had to choose from in order to come with a rate philosophy that the major of the Board can agree on. We first voted on the 36 choices and narrowed them down to the 20 that are on page 3. We then voted on the 20 choices in an effort to narrow the choices down to 10. Listed below are the choices chosen, with number 1 getting the most votes and number 10 getting the least number of votes.

- 1. Maintain the postage stamp rate structure.
- 2. Longevity.
- 3. Optimization of Tri State's assets.

4. Assure each member shares mutually in costs of service thereby avoid widening the cost of power spread between highest and lowest members.
5. Use something other than the 58% demand/ 42% energy component split.
6. Rates at lowest level consistent with adequate reliability and sound fiscal policy.
7. Use the 58% demand/ 42% energy component split.
8. Consider strategic and efficiency rates for specific types of member loads.
9. Encourage/incentivize member to improve or optimize their load curve.
10. Fair and Equitable rates.

The Tri State Board will hold a Rate Discussion every Wednesday morning of our monthly Board Meetings until we can come up with a Rate Philosophy that the majority of the Board can agree upon. Managers are welcome to attend and speak their piece.

Renewable project updates

Tri-State is now receiving power from the Kit Carson Windpower Project and the Cimarron solar project.

New Mexico's Cap and Trade Programs

The passage by the New Mexico Environmental Improvement Board of a carbon cap-and-trade program for the state could have a significant impact on Tri-State and its Members. In case this program does not come about, the EIB has passed a new rule in regard to Air Quality Control. See the summary in the packet.

- On December 6, the New Mexico Environmental Improvement Board (EIB) voted 4-1 to adopt a greenhouse gas emissions cap rule.
- Tri-State's initial cost analysis of the NMED cap-and trade rule shows cost in the first eight years of the Program (through 2020) between \$21 million and \$76 million.
- Tri-State's possible remedies include legal action, administrative solutions and state legislation.

Miscellaneous News

- A) Mac McLennan is leaving Tri-State effective January 1, 2011, to become CEO of our sister G&T, Minnkota Power,
- B) Hidi Morgan a Tri-State (lobbyist) is also leaving to become a lobbyist for Black Hills Power,
- C) Craig Power Station.

The State of Colorado has recommended, and Tri-State supports, the installation of Selective Non-Catalytic Reduction (SNCR) to reduce the emissions of nitrogen oxides (NOx) at a cost of \$40 million dollars with a \$10 million dollars per year for annual operating expenses.

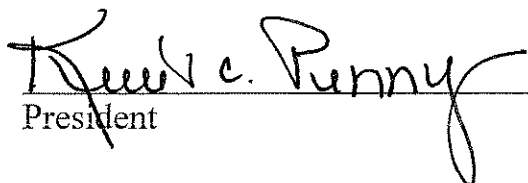
A coalition of environmental interest groups and local governments are proposing a significantly more expensive emission control technology called Selective Catalytic Reduction that is unnecessary at this time and is over 16 times (\$640,000,000.00) more costly than the State's recommendation for SNCR.

After Mr. Bledsoe had completed his Report on Tri-State, President Penny by executive order, ratified and approved by the Board of Directors, did accept Mr.

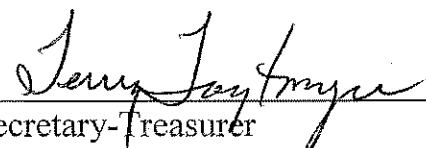
Bledsoe's report on Tri-State for December, 2010, and did declare that no further Board action regarding this report was necessary.

19. Miscellaneous Business: President Penny called for any and all other business that may come before a regular monthly meeting of the Board of Directors. 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 6:21 p.m. on Thursday, December 16, 2010, until the next regular monthly meeting to be held in Hugo, Colorado, on Tuesday, January 25, 2010, at 6:30 p.m.

APPROVED:



President



Secretary-Treasurer