

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, February 22, 2011 at the hour of 3:00 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
James Michal	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 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 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, January 25, 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, January 25, 2011, at 6:30 p.m. in the Hugo office of the Association in Hugo, Colorado. Thereupon, and 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 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, January 25, 2011, 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 January 25, 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, March 29, 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, March 29, 2011, at 4:00 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 January 2011: President Penny called the Board's attention to the Check Register for January 2011, as set forth under tab 1 of the meeting packet. After the monthly Check Register for January 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 January 2011 was an information item only and that no further Board action was necessary regarding the Check Register for January 2011.

5. Consider Emergency Additions and Announcements: President Penny informed the Board that the offices had just received a request for a certificate of our delegate and alternate to the annual meeting of the Tri-State Annual meeting. Wherefore, as an emergency addition to the meeting agenda, President Penny by executive order, ratified and approved by the Board of Directors did appoint Mr. Robert Bledsoe as our delegate to the Tri-State Annual Meeting. President Penny did declare that under the present circumstances no alternate delegate is necessary.

6. Consider Operational Policies: President Penny called the Board's attention to the fact that the Operational Policies 414, 415, 417, and 421, 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. Michal, the following resolution was unanimously passed and adopted by the Members of the Board of Directors:

"BE IT RESOLVED: That policy 414 is passed as presented, policy 415 passes as presented, policy 417 is passed as presented, and policy 421 passes as presented, and are accepted effective this date of February 22, 2011. Office Manager Briscoe is authorized and directed to place these policies in the policy book of the Association."

7. Consider AMI Pilot Project: General Manager Tim Power presented to the Board of Directors an Appendix-A Pricing for the K.C. Electric Association, Inc., 220MHZ WAN Solution-Pilot, Revised 1-31-11 as a handout at the Pilot Project Total Cost of \$91,815.90 together with a slide projection program regarding the Tantalus product and the proposed benefit to the Association. After the pricing invoice and slide program had been completed and the proposed pilot program discussed, upon motion by Mr. Lewis 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 Pilot Project for Automatic Meter Reading (AMI) presented to the Board of Directors through General Manager Tim Power is hereby accepted and staff and the corporate officers are authorized to execute all documents necessary with Tantalus to put the Pilot Project into being."

8. Bylaw Changes: President Penny called attention to the Bylaw changes and amendments that were sent out to each of the Board of Directors prior to the meeting and thereafter discussed the necessity for the changes being the new provisions, passed and adopted by the State Legislature. After the changes and amendments were discussed the Board of Directors did review the Bylaws section by section and then as a whole. Thereafter, upon motion by Mr. Tagmeyer 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 amended Bylaws of K.C. Electric Association Inc. have been fully reviewed section by section, whether amended or not and thereafter as a whole. The Bylaws and all amendments thereto are accepted and approved as presented and staff is authorized and directed to have professionally printed 250 copies thereof. The amended Bylaws shall take effect as of this date, February 22, 2011, and shall remain the Bylaws of K.C. Electric Association, Inc., until further Board Resolution and Order as permitted and authorized by the Bylaws of the Association."

9. Consider Formula for Computing Discount Rate to be Applied to Early Retirement of Capital Credits of Deceased Members: President Penny requested Office Manager Briscoe to present the proposed formula to be used to determine the discount rate to be applied to early retirements of capital credits of deceased members. Office Manager Briscoe presented a formula to be used to determine the discount rate for 2011 and each year thereafter until such time the Board of Directors find the

method no longer appropriate. After the proposed method was fully discussed, upon motion by Mr. Michal 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 formula to be used to compute the discount rate for 2011 and each year thereafter shall be as follows:

The Discount Rate to be applied for calculation of Capital Credits of a deceased member’s estate shall be indexed to the Weighted Cost of Capital of KC Electric. The Weighted Cost of Capital is the Weighted Cost of Equity plus the Weighted Cost of Debt. The Weighted Cost of Equity will be determined by the Goodwin Formula using an average of Growth in Total Capitalization reported on the CFC KRTA (Ratio 119) for the previous seven years, excluding the high and the low. The Weighted Cost of Debt shall be determined by the blended interest rate of the long term debt of KC Electric. The result of the calculation to be applied in 2011 is a Discount Rate of 6.12%. Examples of the foregoing Discount Rate formula are attached hereto and included herein by reference.”

10. Consider Interest Rate Term for Re-pricing of CFC Loan: President Penny requested General Manager Power to discuss with the Board of Directors the availability of re-pricing the terms of a CFC Loan. After General Manager Power had completed his presentation, upon motion by Mr. Bledsoe and seconded by Mr. Michal, the following resolution was unanimously passed and adopted by the Members of the Board of Directors:

“BE IT RESOLVED: That K.C. Electric Association, Inc., does, by these presents, re-price CFC Loan Number CO0399015001 for a term of one (1) year for payment with interest at a rate to be locked in March 2011 and effective April 1, 2011.”

11. Consider AED Program: General Manager Tim Power called the Board’s attention to the need, in our service territory, of a life saving heart defibrillator as a partial protection against a life terminating heart attack. After the matter had been fully discussed, upon motion by Mr. Ritchey 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 K.C. Electric Association, Inc., offers to furnish one AED defibrillator to each of the following high schools located in our service territory:

1. Hugo, Colorado,
2. Cheyenne Wells, Colorado,
3. Kit Carson, Colorado,
4. Seibert, Colorado,
5. Flagler, Colorado,
6. Stratton, Colorado,
7. Bethune, Colorado, and
8. Burlington, Colorado.

at a net cost of \$1,200.00 per defibrillator for a total of \$9,600.00, of which \$1,000.00 from the Tri-State charitable fund, which is the total fund, shall be paid with the balance of \$8,600.00 to be paid out of the

general fund of the Association. Staff is authorized to make such purchases forthwith.”

12. Consider Special Equipment Summary: President Penny called the Board’s attention to the Summary of Special Equipment as set forth under tab 2 of the meeting packet and thereafter reviewed each item with the Board of Directors. Thereupon, and 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 Special Equipment cost in the total amount of \$17,457.29, all of which is eligible for loan funds, is approved and staff is authorized to pay the same.”

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

- a. Key Account Visits Update - general report of key accounts contacted,
- b. Tri-State Managers’ Meeting Update – general report on highlights presented at meeting,
- c. Cost of Service Study - will give a detailed report next month,
- d. Board of Directors need to check their e-mails – need a better system.

After General Manager Power had completed his General Manager’s Report for the January 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 January 2011 and did declare that no further Board action was necessary regarding the General Manager’s Report for January 2011.

14. Consider the Financial Report for December 2010 – January 2011: President Penny requested Office Manager Briscoe to give the Board of Directors the Financial Report of December 2010 and January 2011. Office Manager Briscoe called the Board’s attention to December 2010 - Year End Notes to Form 7 Income Statement and the January 2011- Notes to Form 7 Income Statement, both of which were set forth under tab 3 of the meeting packet. Office Manager Briscoe thereafter discussed the Income Statement Note and presented a slide program supporting the Income Statement.

After Mr. Briscoe had completed his Financial Report for December 2010 and January 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.

15. Consider Safety Report for January 2011: President Penny requested Mr. Norris to present his Safety and Loss Control Report for January 2011 to the Board of Directors. Mr. Norris called the Board’s attention to the Safety and Loss Control Report for January 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:

1-4-2011 – The Safety meeting was held at the Stratton office. Kevin Marshal (CREA JTS) led the discussion about safety issues around the state and reviewed safety rules that should have been followed. After this, Kevin presented his topic: Equipment Grounding.

Loss Control Committee Activities – None

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

16. Operations (Work) Report for the month of January 2011: President Penny requested Mr. Shutte to present his Operations (Work) Report for the month of January 2011. Mr. Shutte called the Board's attention to the Operations (Work) Report for the month of January 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. In addition he called the Board's attention to the 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 February 2011: President Penny requested Mr. Orrell to present his Member Services Report for February 2011 to the Board of Directors. Mr. Orrell called the Board's attention to the Member Services Report of February 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.

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. CREA:

1. 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.
2. CREA, Narrative to the Operating Statements December 31, 2010 including Balance Sheet.
3. CREA Board of Directors Conference Call Meeting Minutes February 11, 2011.

4. General Operations of CREA.

B. Western United:

1. Sales and Financial Report for December 2010.
2. Year to Date Highlights – December 2010.

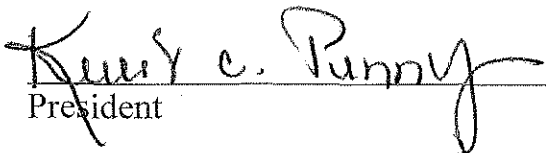
After Mr. Mills had reported on the Operation of CREA and Western United for the month of December 2010, President Penny, by executive order, ratified and approved by the Board of Directors, did accept the reports and declared that no further Board action was necessary regarding these reports.

19. Tri-State Report for February 2011: President Penny requested Mr. Bledsoe to report on the Operation of Tri-State Operation for the month of February 2011. Mr. Bledsoe reported that he was unable to fully attend the February 2011 Board meeting as he was called away as a member of his immediate family had taken seriously ill. Mr. Bledsoe, as a hand out, presented to the Board a Board Report regarding the operation of Tri-State prepared and dated February 2011, by Ken Anderson, General Manager. Mr. Bledsoe briefly discussed Mr. Anderson's report with the Members of the Board of Directors.

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.

21. 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 7:10 p.m. on Tuesday, February 22, 2011, until the next regular monthly meeting to be held in Hugo, Colorado, on Tuesday, February 29, 2011, at 4:00 p.m.

APPROVED:



President



Secretary-Treasurer