

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 Hugo office of the Association in Hugo, Colorado, on Tuesday, January 25, 2011 at the hour of 6:30 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:

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|----------------|-----------------|
| 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. President Penny introduced Dee Ann Blevins and Denise Evans, members and employees who were attending the meeting for information only.

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 Thursday, December 16, 2010: President Penny requested Secretary-Treasurer Terry Tagtmeyer to read the Minutes of the regular monthly meeting of the Board of Directors held on Thursday, December 16, 2010, at 3:30 p.m. at Spices on the Green in Burlington, 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 at Spices on the Green in Burlington, Colorado on Thursday, December 16, 2010, at 3:30 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 December 16, 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, February 22, 2011, at 3:00 p.m. in the Stratton office of the Association in Stratton, 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, February 22, 2011, at 3:00 p.m., in the Stratton office of the Association in Stratton, 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 December 2010: President Penny called the Board's attention to the Check Register for December 2010, as set forth under tab 1 of the meeting packet. After the monthly Check Register for December 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 December 2010 was an information item only and that no further Board action was necessary regarding the Check Register for December 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 Operational Policies: President Penny called the Board's attention to the fact the Operational Policies 206, 207, 208, 402, 403, 416-420, are up for review. President Penny requested General Manager Tim Power to review the operational policies with the Members of the Board of Directors. After the policies were reviewed one by one and 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 policy 206 is omitted, policy 207 passes as amended, policy 208 is omitted, policy 402 passes as presented, policy 403 passes as presented, policy 414 and 415 are tabled, policy 416 passes as presented, policy 217 is omitted, policy 418 passes as presented, policy 419 passes as presented, policy 420 passes as presented, effective this date of January 25, 2011."

7. Select 2011 CREA Delegate and Alternate: President Penny called the Board's attention to the fact that it is necessary for the Board to select the 2011 CREA Delegate and Alternate from our Board to represent K.C. Electric Association, Inc. in CREA meetings. Thereupon, President Penny did by executive order, ratified and approved by the Board of Directors, did appoint Mr. Mills as the Delegate and Mr. Bledsoe as the Alternate representatives for K.C. Electric Association, Inc. to represent the Association as the 2011 CREA Delegate and Alternate.

8. Consider and Appoint Nominating Committee: President Penny informed the Board of Directors that it is necessary to appoint a nominating committee as provided by Article IV Directors, Section 3. Nominations and Election of Directors. Thereupon, the following persons were nominated to serve on the 2011 Nominating Committee for the express purpose of nominating candidates to fill vacancies in the Board of Directors of the Association as provided by the Bylaws of the Association:

Barry Hinkhouse
719-340-1573
PO Box 12
Burlington, Colorado 80807

Joe Gurley
970-664-2495
24887 Road S
Vona, Colorado 80861

Leon Allen
719-767-5458
55889 County Road Q
Arapahoe, Colorado 80802

Alternates

Randy Peterson
719-346-5202

Randy Gordon
970-664-2277

Toby or Amy Johnson
962-3578

Veda or Gary McNeely
962-3228

Ronald White
962-3450

Thereupon, and 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 Barry Hinkhouse, Joe Gurley, and Leon Allen as Committee Members, with Randy Peterson, Randy Gordon, Toby or Amy Johnson, Veda or Gary McNeely, and Ronald White and each of them as Alternates, have been nominated and approved to serve as the nominating committee to fill vacancies in the Board of Directors of K.C. Electric Association, Inc. at the election to be held at the annual meeting of the members of the Association to be held on Thursday, June 2, 2011.

Mr. Barry Hinkhouse, Mr. Joe Gurley, and Mr. Leon Allen are hereby accepted and appointed as the Nominating Committee and that they and each of them are directed to submit their nominations to the Board of Directors for acceptance and ratification at the regular meeting of the Board of Directors, held at least sixty (60) days prior to the Annual meeting held on Thursday, June 2, 2011.”

9. Consider Capital Credits, Early Retirement, Deceased Members, for year 2011: President Penny called the Board’s attention to the necessity of fixing the discount rate percentage to be used in computing the amount of early retirement of capital credits for deceased members. General Manager Tim Power reminded the Board that presently the Board has reviewed increasing an annual cap of \$75,000.00 for total early retirement in any given year and has set 7.5% to be used as one of the elements used annually by the Association to determine the amount of the early retirement of Capital Credits. After the matter of increasing the annual cap of the payments of early retirement of Capital Credits was discussed, 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 annual cap on retiring and paying early retirement of Capital Credits for deceased members are hereby raised from \$75,000.00 to \$150,000.00 starting January 1, 2011. No action was taken regarding the amount of the percentage used in the formula to determine the amount to be early retired and paid.”

10. Consider Resolution Regarding the Proposed Loan from Federal Financing Bank (FFB) in an Amount not to Exceed \$3,823,000.00: President Penny called the Board’s attention to the necessity of considering the passage of an appropriate resolution to secure a loan from the Federal Financing Bank (FFB) in an amount not to exceed \$3,823,000.00 to be guaranteed by the United States of America, the Government acting through the Administrator of the Rural Utilities Service (RUS). After this matter was fully reviewed by the Board of Directors, upon motion by Mr. Bledsoe and seconded by Mr. Ritchey, the following Resolution was unanimously passed and adopted by the Members of the Board of Directors of K.C. Electric Association, Inc., hereinafter referred to as the Corporation and/or Borrower:

“Resolution

1. RESOLVED that the Corporation borrow from the Federal Financing Bank (‘FFB’) an amount not to exceed \$3,823,000.00, to be guaranteed by the United States of America (the ‘Government’), acting through the Administrator of the Rural Utilities Service (‘RUS’); and

2. RESOLVED that the corporation accept the terms and conditions which the Administrator of RUS has established for obtaining its guarantee of the FFB loan, as such terms and conditions are set forth; and

3. RESOLVED that the President is authorized on behalf of the Corporation to execute and deliver under its corporate seal, which the secretary is directed to affix and attest:

(a) as many counterparts respectively as shall be deemed advisable of an agreement with the Government, in the form of the RUS Loan Contract submitted to this meeting; and

(b) a note payable to FFB and guaranteed by RUS in the principal amount of \$3,823,000.00, substantially in the form of the FFB note submitted to this meeting; and

(c) the note payable to the Government, acting through the Administrator of RUS, substantially in the form of the Reimbursement Note submitted to this meeting; and

4. RESOLVED that the officers of the Corporation be, and each of them is authorized in the name and on behalf of the Corporation, to execute all such instruments, make all such payments and do all such other acts as in the opinion of the officer of officers acting may be necessary or appropriate in order to carry out the purposes and intent of the foregoing resolutions; and

5. RESOLVED that Kevin Penny as the President and Terry Tagtmeyer as the Secretary-Treasurer of K.C. Electric Association, Inc. are authorized to act in such corporate positions and to perform the functions of such positions and are authorized on behalf the Borrower (a) to execute and deliver from time to time advance request, maturity extensions election notices, prepayment elections notices and refinancing election notices, in the form of such instruments attached to the note payable to FFB, and (b) to specify information and selection options as provided in such instruments.”

11. Consider Bids on Enclosed Trailers: President Penny requested General Manager Tim Power to discuss the bids submitted to the Association for an enclosed cargo trailer received by the Association from the following:

- a. S&E Sales & Service
PO Box 87
17507 State Highway 59
Seibert, Colorado 80834
For a total of \$8,479.99

- b. Doolittle
2455 Doolittle Drive
Holts Summit, Montana 65043
For a total of \$7,783.00, less tax

After this matter was fully discussed by the Board of Directors, 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 bid of S&E Sales and Service for an enclosed cargo trailer for the total amount of \$8,479.99 as per the specifications submitted bearing the date of January 11, 2011, is hereby accepted.”

12. Consider Special Equipment Purchase: President Penny called the Board’s attention to the Summary of Special Equipment purchases as set forth under tab 2 of the meeting packet in the total capitalized cost of \$33,686.86, all of which are eligible for loan funds. After the Summary of Special Equipment purchases for December 2010 had been fully reviewed, 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 Summary of Special Equipment purchases for December 2010, as set forth under tab 2 of the meeting packet in the amount of \$33,686.86, all of which are eligible for loan funds, is hereby accepted and approved and staff is authorized to pay the same.”

13. Consider Inventory of Work Orders for December 2010: President Penny called the Board’s attention to the Inventory of Work Orders set forth on RUS Form 219 for December 2010, in the net amount of \$151,112.91, which are subject to loan funds subject to advance by RUS. After the Inventory of Work Orders for December 2010 was fully reviewed by the Board of Directors, upon motion by Mr. Tagtmeyer 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 Inventory Work Orders set forth on RUS Form 219 for December 2010 in the net amount of \$151,112.91, subject to loan funds to be advanced by RUS, all set forth under tab 2 of the meeting packet, are approved and staff is authorized to pay the same.”

14. Consider Manager’s Report for December’s Operations: President Penny requested General Manager Tim Power to give his Operations Report for December 2010 to the Members of the Board of Directors:

General Manager Power reported and briefed the Board of Directors on the following matters:

- a. Hugo Office Renovations Update – Board of Directors Tour – Board approved with no objections,
- b. AMI Project Update – briefly discussed from project presentation – including suppliers and estimated cost,
- c. ECM Meeting Update – request confirmation of any Board Members attendance,
- d. KC Wind Farm Rate Update – general discussion,
- e. Cost of Service Study Update – Done, will have next meeting.

After General Manager Power had completed his General Manager's Report for the December 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 December 2010 and did declare that no further Board action was necessary regarding this report.

15. Consider the Financial Report for December- January: President Penny requested Office Manager Briscoe to present a slide program reviewing RUS Form 7 paying particular attention to the following:

- Review of charts: (a) Revenue by month vs. budget,
- (b) Operating Margins by month,
- (c) Total KWH sold by month,
- (d) Residential sales by month.

Discussed – RUS Form 7, Summary including accounts receivable.

Supplemental Topic: Wellness program – pedometer- company program - a fun approach to keeping well.

After Mr. Briscoe had presented the Financial Report of the Association for December 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.

16. Consider Safety Report for December 2010: President Penny requested Mr. Norris to present his Safety and Loss Control Report for December 2010 to the Board of Directors. Mr. Norris called the Board's attention to the Safety and Loss Control Report for December 2010, 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:

- 12-7-10 – The annual Testing of Hotsticks and Grounding equipment took place at the Stratton facility.
- 12-13-10 – Mike Weideman inspected personal tools, harnesses, and lanyards.
- 12-15-10 – Mike Weideman's topic for the Hugo safety meeting was Ladder Safety.

Loss Control Committee Activities – None

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

17. 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 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.

18. Member Services Report for January 2011: President Penny requested Mr. Orrell to present his Member Services Report for January 2011 to the Board of Directors. Mr. Orrell called the Board's attention to the Member Services Report of January 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.

19. 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. Mr. Mills called attention to the Safety Benchmarking Safety Results also set forth under tab 7 of the meeting packet.
3. Reported in general regarding the operation of CREA.

B. Western United:

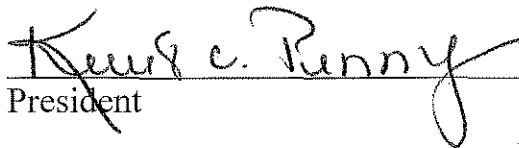
1. Positive profit realized by Western United.
2. Business has materially increased – discussed possible payment of Capital Credits.

After Mr. Mills had reported on the Operation of CREA and Western United for the month of January 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.


20. Tri-State Report for January 2011: President Penny requested Mr. Bledsoe to report on the Operation of Tri-State Operation for the month of January 2011. Mr. Bledsoe called the Board's attention to his written report set forth under tab 9 of the meeting packet. After Mr. Bledsoe had completed his report, President Penny, by executive order, ratified and approved by the Board of Directors, did accept Mr. Bledsoe's report 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 9:48 p.m. on Tuesday, January 25, 2011, until the next regular monthly meeting to be held in Stratton, Colorado, on Tuesday, February 25, 2011, at 3:00 p.m.

APPROVED:



President



Secretary-Treasurer