

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, July 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 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, June 28, 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, June 28, 2011, at 4:00 p.m. in the Stratton office of the Association in Stratton, 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 Stratton office of the Association in Stratton, Colorado on Tuesday, June 28, 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 June 28, 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, August 23, 2011, at 4:00 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, August 23, 2011, at 4:00 p.m., in the Stratton office of the Association in Stratton, Colorado.

3. Consider Public Presentations and Member Comments: There were no public presentations or member comments. President Penny ordered the meeting to continue in accordance with the meeting agenda.

4. Presentation of Check Register for June 2011: President Penny called the Board's attention to the Check Register for June 2011, as set forth under tab 1 of the meeting packet. After the monthly Check Register for June 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 June 2011 was an information item only and that no further Board action was necessary regarding the Check Register for June 2011.

5. Consider Emergency Additions and Announcements: President Penny requested any emergency additions to the meeting agenda and/or announcements. General Manager Power requested the Board of Directors to consider amending operation policy 138 regarding a time intension to be modified by extending the one (1) year time period regarding additional member coming on to the extended line and the necessity of cost to the additional member to three (3) years. Thereupon, upon motion by Mr. Thaller and seconded by Mrs. Naugle, the following resolution was unanimously passed and adopted by the Members of the Board of Directors:

“BE IT RESOLVED: That policy 138 regarding line extensions be modified by changing the one (1) year time period to three (3) years as related to additional members coming on the line within the three (3) years from the completion of the extended line instead of one (1) year.”

6. 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 ordered the meeting to proceed in accordance with the meeting agenda.

7. Consider Operational Policies #120, #428, and #429. Mr. Power and Mr. Briscoe discussed fully Policies #120, #428, and #429 with the Board of Directors. After these policies had been fully reviewed the Board of Directors and staff could not reach an agreement regarding Policy #428 and President Penny by executive order ratified and approved by the Board of Directors did order the proposed Policy #428 to be tabled to be reworked and presented again at the next regular monthly meeting of the Members of the Board of Directors to be held at 4:00 P.M. on August 23, 2011 at the Stratton, Colorado office. Thereafter upon motion by Mr. Thaller and seconded by Ritchey, the following resolution was unanimously passed and adopted by the Members of the Board of Directors:

“RE IT RESOLVED: That Policy #120 is accepted as presented, Policy #429 is accepted as changed. Staff is requested to include Policy #120 as presented and Policy #429 as changed in the permanent records of the Association effective as of this date, July 26, 2011.”

8. Consider Special Equipment Purchase: President Penny called the Boards attention to the Summary of Special Equipment Purchases for June 2011 in the total amount of \$22,051.96 as set forth under tab 2 of the meeting packet. After the Summary of Special Equipment Purchases for June 2011, had been reviewed item by item and then as a whole, upon motion by Mr. Mills 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 the Summary of Special Equipment Purchases for June 2011 as set forth under tab 2 of the meeting packet in the amount of \$22,051.96 is approved and staff is authorized to pay the same.”

9. Consider Inventory of Work Orders for June 2011: President Penny called the Board’s attention to the Inventory of Work Orders for June 2011 as set forth in the meeting packet under tab 2 for the amount of \$301,883.69 and work order #378 in the amount of \$17,802.55. All such funds qualify for payment by loan funds. After the Work Order on RUS Form 219 was fully reviewed by the Board of Directors, upon motion by Mr. Ritchey 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 Work Orders for June 2011 as set forth under tab 2 of the meeting packet in the amount of \$301,883.69 and \$17,802.55 are approved and staff is authorized to pay the same. All of such funds are eligible for loan fund designation.”

10. General Manager’s Report for June 2011: President Penny requested General Manager Tim Power to give his General Manager’s Report for June 2011. Mr. Power reported on the AMI Project and the progress thereof and the Tri-State Manager’s Meeting. Mr. Power also reported on the Patented New Indeterminate Line Extension and an update thereof. Manager Power also informed the Board of Directors that a patented wholesale power rate increase by Tri-State is in their financial plan. Manager Power called the Board’s attention to his report on the most

likely energy rate scenario from Tri-State as of July 2011 and discussed the report item by item and then as a whole as set forth in his report.

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

11. Consider the Financial Report for June 2011: President Penny requested Office Manager Briscoe to present the June 2011 Financial Report to the Board of Directors. Office Manager Briscoe called the Board's attention to the June 2011 Notes to Form 7 Income Statement as set forth under tab 3 of the meeting packet, paying particular attention to the following:

Operating Revenue (Line 1) – Revenue for June was within \$1,000 of budget. Within the different classes, residential and commercial were both a little under budget and irrigation was about \$94,000 over. Year to date Revenue was up \$1,092,000 over last year and \$294,000 over budget.

Cost of Purchased Power (Line 3) - Cost of Purchased Power was also within \$1,000 of budget in June. Mills per kwh were 75.4.

Operational Expenses (Line 4-10) – The total of Operation Expenses in May were \$368,000, which was \$35,000 over budget. The majority of the coverage was due to labor in Operations and Maintenance. Specifically, some of the overage is due to overtime for outage restoration but the bulk was actually from a difference of how labor was allocated. Operations labor was budgeted to be allocated 47% to construction (work orders capitalized to the balance sheet) with 45% to be allocated to Operations and Maintenance (expense items on the income statement). The actual allocation through June is 31% to construction with 59% to operations and maintenance.

Depreciation, Interest and Other (Lines 12-18) – Depreciation is slightly under budget partially due to less work orders being completed than expected. Interest Expense is under budget for the year by \$15,000 due to the low interest rate environment and the effect of the RUS refinance completed at the end of last year.

Operating Margin (Line 20) – In June Operating Margin was under budget by \$23,000 showing an actual loss of \$180,000 compared to a budgeted loss of \$158,000.

Non-Operating Revenue and Expenses (Line 21-27) - None Operating margins were on par with budget for June.

Total Margin (Line 28) – The net result was a Total Margin in May of \$-175,537 which was \$24,761 below the budgeted Margin of \$-150,776. The year to date Margin was \$680,014. Year to date the margin is \$17,744 under 2010 but \$120,699 over budget.

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

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

6-7-11 –A safety meeting was held at the Hugo office. Mike Weideman's topic. Heat Related Illness. The employees also participated in a fire evacuation drill.

6-14-11 –A safety meeting was held at the Stratton facility. After an enriched discussion of close calls, Dan Whitesides (CREAJTS) gave a presentation of Hazard Recognition. Rubber gloves were changed out.

Loss Control Committee Activities:

None

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

13. Operations (Work) Report for the month of June 2011: President Penny requested Mr. Shutte to present his Operations (Work) Report for the month of June 2011. Mr. Shutte called the Board's attention to the Operations (Work) Report for the month of June 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.

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

- a. CREA - News and Information dated July 8, 2011 and discussed briefly the main items of interest set forth therein.
- b. No meeting held prior to our July 26, 2011, meeting.

Western United Electric Supply Corporation

- a. General Report - financially Western United is in a very good position.
- b. Margins less because of the payment of Capital Credits.

After Mr. Mills had reported on the Operation of CREA and Western United for the month of July 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 July 2011: President Penny requested Mr. Bledsoe to give his July 2011 report on Tri-State as set forth under tab 9 of the meeting packet. Mr. Bledsoe reported on the following topics:

- a. Tri-State Financial Condition,
- b. Tri-State Audit,
- c. Tri-State Budget,
- d. Tri-State General Managers activities, and the possible 4.5% rate increase to member systems,
- e. Rate design.

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. President Penny presented to the Board of Directors topics which he intends to discuss in the special meeting of the Board of Directors at 1:00 p.m. on August 23, 2011, to wit:

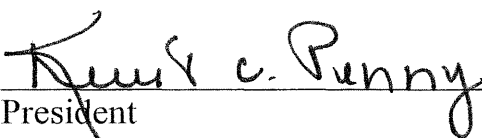
All matters related to the Association relations with the following:

- a. Potential New Indeterminate Loads for 2011-2012,
- b. Tri-State Transmission Tie-In,
- c. AMI,
- e. Insurance (High Deductible),
- f. Board Meeting Minutes and Format Changes,
- g. Other.

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 6:15 p.m. on Tuesday, July 26, 2011, until the next regular monthly meeting to be held in Stratton, Colorado, on Tuesday, August 23, 2011, at 4:00 p.m.

After the meeting had been adjourned, President Penny on behalf of the Board of Directors recognized that this July 26, 2011 meeting of the Board was the last meeting of the Board where Dick Thomas will be present to take and prepare the meeting minutes and advise the Board of Directors, Dick's retirement to be effective as of August 31, 2011. President Penny and the Board of Directors expressed their appreciation for Dick's thirty-eight years of service and had soft drinks and a piece of a memory cake thanking Dick for his thirty-eight years of service.

APPROVED:



President



Secretary-Treasurer