

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 Hugo, CO, on Tuesday, November 22, 2011 at the hour of 4:05 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

Also present were General Manager Tim Power, Operations Manager Larry Shutte, CFO Chance Briscoe, Line Superintendent Paul Norris, Member Service Representative Ben Orrell, Attorney Jeff Cure and employee guests Sue Dutro and Dee Ann Blevins.

Approval of Minutes: It was unanimously approved to accept the minutes for the regular and special meetings of the board on October 25, 2011.

Next Meeting Date: Without objection the date for the next regular meeting of the Board was confirmed for December 15, 2011 at 3:30 p.m. in Burlington, CO.

Public Comments: Virginia Chaffin addressed the Board regarding her application for early retirement of the Capital Credit account for Everett's Auto & Truck of which her deceased husband was the owner. The account had not been eligible for early retirement under the current policy since it was a business account. Mrs. Chaffin requested the payment be considered since it was a Sole Proprietorship and not a corporation or other business entity. After Mrs. Chaffin addressed the Board the matter was tabled for action to allow for Board discussion and verification of the business status.

Check Register Review: The Check Register of the Association for October 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: The Board reviewed and unanimously affirmed the following resolution passed at the regular meeting on October 25, 2011:

“BE IT RESOLVED: That management is directed to purchase and install AMI equipment with an estimated cost of \$378,000. Equipment to include one or two additional towers and irrigation/commercial meters for the area (generally defined as the irrigation/commercial route read by Flagler and Stratton crews). Implementation of the Multi-Speak integration to NISC's software from Sensus is also approved.”

Approval of the NRTC/Sensus AMI Agreement: A discussion was had regarding the contract between NRTC and KC Electric for the AMI project. Mr. Power stated Attorney Cure has reviewed portions of the contract and made some suggestions that NRTC agreed to incorporate into the agreement. Additionally Mr. Power pointed out that the agreement does not commit KC Electric to full deployment of the project, but lays out the terms for whatever portion KC Electric does deploy. Upon completion of the discussion the following resolution was unanimously approved:

“BE IT RESOLVED: That General Manager Power is authorized to sign and deliver the contract to NRTC for the Sensus AMI project.”

Approval to Purchase a Sensus Server: A decision was required to move forward with the Sensus AMI project. Either an agreement with Sensus was necessary to provide hosted services or a server was required for internal hosting by KC Electric. Among other things, the Board discussed with management the costs of the two options, the potential pros and cons of each

option, the warranty available for purchase of a server and internet reliability of a hosted service. Upon completion of the discussion the following resolution was unanimously approved:

“BE IT RESOLVED: That management is authorized to purchase a server from NRTC/Sensus with an estimated price, including setup, of \$77,200.”

Operational Policies: Policies #122, Energy Efficiency & Conservation Programs; #127, Scholarship Programs; and #432, Employee Clothing were presented to the Board for review. After discussion, including questions of RUS requirements as they pertain to #122 and current OSHA requirements regarding flame retardant clothing to #432, the following resolution was unanimously approved:

“BE IT RESOLVED: That Policies #122, #127 and #432 are approved as presented.”

Purchase of Truck: Three options were presented by Operations Manager Shutte for the purchase of a ¾ ton extended cab truck to replace service truck, Unit 13. Among other things, the specifications of each truck were reviewed, the need to replace the old truck was discussed, and the price quotations were reviewed. Upon completion of the discussion the following resolution was unanimously approved:

“BE IT RESOLVED: That staff is authorized to purchase a new ¾ ton extended cab from Vince’s GM Center for \$24,934.52, after trade-in.”

Approval of 2012 Employee Pay Increases: Without objection President Penny delayed the pay increase discussion until the end of the meeting.

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 \$8,346.13.”

Inventory of Work Orders: Operations Manager Shutte reviewed some of the work completed, such as pole replacements from pole inspections and storm damage repairs. The following resolution was then unanimously approved:

“BE IT RESOLVED: That the Inventory of Work Orders #382 for \$219,711.22 are hereby approved.”

General Manager’s Report: General Manager Power generally reported on or discussed, among other things: (1) Basin Electric delivered books to commemorate their 50 year anniversary which are available to employees, directors, or others on a first come basis; (2) Status of the project for new line extension for Citation Oil and Gas along with a presentation by CFO Briscoe of the financial impact of the new extension and a review of the project timeframe from Operations Manager Shutte; (3) Update on the presentation made by KC Electric to the City Council of the City of Burlington to purchase their electric system; (4) Review of the service being provided by Basin’s SRS for after-hour dispatch; (5) Update on the Republican River issue and the signed documents provided by the state to release information to the state regarding meter numbers and kWh usage; and (6) A thank you letter was received from Poudre Valley for the help KC Electric provided during its recent snow and ice storm.

During the discussion of the potential purchase of the electric facilities of the City of Burlington President Penny and General Manager Power discussed further meetings KC Electric representatives had with officials from the City. It was determined the City was only showing lukewarm interest in selling its facilities at this time. The Board of Directors and General Manager Power further discussed the situation and what to do next. It was suggested that KC Electric should write a letter to the City explaining KC Electric’s hesitancy to pursue the potential purchase until the City showed more interest. No official board action was taken.

During the discussion of the service provided by Basin’s SRS for after-hours dispatch some concern was raised over the cost of the service and the overall benefit to the membership. Among other things, good and bad member experiences were discussed, the potential impact an

AMI deployment will have on after-hours dispatching, costs associated with other potential options to dispatch after-hours, and overtime expenses associated with different options. After the discussion it was the consensus to continue with Basin's service until AMI is deployed then re-visit the need for such service.

Adjournment and Reconvene: Without objection the meeting was adjourned for dinner at approximately 6:00 p.m. and reconvened at approximately 6:30 p.m.

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

- a. CFO Briscoe presented a slideshow of the financial operations for October 2011 and discussed a potential need to clarify KC Electric's recognition of a "Membership" and what qualifications may need to be applied for joint memberships.
- b. Superintendent Norris reported no First Report of Injuries. Safety meetings were held in Stratton on the topic of Pole-top and Bucket Rescue and in Hugo on the topic of Hazards in the Workplace. Norris also commended General Manager Power on the presentation to the City of Burlington and the emphasis on safety that KC Electric displays.
- c. Operations Manager Shutte reported on or discussed, among other things, a review of the progress after the personnel changes, the winding down of the Tantalus AMI pilot project, work on the Bethune tower for the Sensus AMI project, progress of the Citation Oil and Gas line extension, and a review of the reports presented in the Board Packet.
- d. Member Service Representative Orrell reported on or discussed, among other things, that KC Electric calendars for 2012 are now available, three schools are now participating in the AED Program, the Nominating Committee will need to be appointed by February 2012 and reminded the Board that during the upcoming Board Meetings they will have the opportunity to review applications for the youth trip to Washington D.C. and scholarship applications to be awarded next summer.

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

- a. CREA: (1) There will be no rate increase for CREA or CCL dues in 2012; and (2) a JT&S instructor quit CREA and is not being replaced.
- b. Western United: (1) IREA applied to join WUE and the application has been approved; (2) WUE is approximately \$2M under sales budget after tightening terms with contractors and the Western group has seen increased competition; (3) WUE has cut back some staff; (5) ERMCO was not expected to pay WUE a capital credit retirement but now has agreed to; and (5) 51% of member cooperatives are now on Inventory Management with WUE.

Tri-State Report: In Mr. Bledsoe's absence General Manager Power discussed among other things the current rate proposal being considered by the Tri-State Board. The Tri-State board will vote on the proposed rate structure in December 2011, but many members have expressed concerns over the proposed rate and the effects of the Predictive Demand component.

Executive Session: It was unanimously voted to enter Executive Session at approximately 7:00 p.m. for the purposes of discussing 2012 employee wage increases. The Board came out of Executive Session at approximately 7:45 p.m.

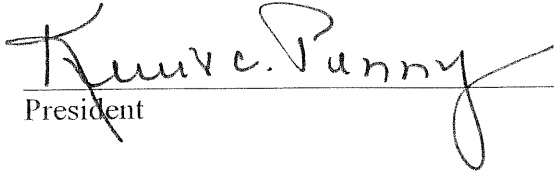
2012 Employee Wage Increases: After the discussion in Executive Session the following resolution was unanimously approved:

"BE IT RESOLVED: That the recommendations of General Manager Power regarding employee wages, effective January 1, 2012, is hereby accepted and approved."


Miscellaneous Business: There was no Miscellaneous Business.

Adjournment: President Penny declared the meeting adjourned at approximately 8:00 p.m.

APPROVED:



President



Secretary-Treasurer