

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, November 23, 2010 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:

Kevin Penny	Dan Mills
Robert Bledsoe	Terry Tagtmeyer
Marvin Thaller	Dave Ritchey
James Michal	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, October 26, 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, October 26, 2010, at 6:30 p.m. in the Stratton office of the Association in Stratton, Colorado. Thereupon, and upon motion by Mr. Tagtmeyer 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 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, October 26, 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 October 26, 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 Thursday, December 16, 2010, at 3:30 p.m. in Burlington at Spices on the Green in Burlington, 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 Thursday, December 16, 2010, at 3:30 p.m. in Burlington at Spices on the Green in Burlington, 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 proceed in accordance with the meeting agenda.

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

5. Consider Emergency Additions and Announcements to the Meeting Agenda for Tuesday, November 23, 2010: President Penny called the Board's attention to a pending request for 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 of Seventy-five thousand and no/100 Dollars (\$75,000.00). President Penny informed the Board that a portion of the pending request for Seventy-seven thousand and no/100 Dollars (\$77,000.00) early retirement of Capital Credits will be paid by the Board's 2010 retirement of Capital Credits and that the unpaid balance of the “pending request” should be paid after January 1, 2011. This payment program would leave a balance

leave a balance of the 2010 early retirement cap which would allow payment of any additional smaller amount of request for early retirement received by the Association before December 31, 2010. After the matter had been fully reviewed, upon motion by Mr. Thaller 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 unpaid balance of the pending request for early retirement of Capital Credits in the amount of Seventy-seven thousand no no/100 Dollars (\$77,000.00) not paid by the 2010 retirement of Capital Credits shall be paid after January 1, 2011.”

6. Consider Ratifications 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 Review of Association Policies 404, 405, 406, 407, 408, 409, and 410: President Penny called the Board’s attention to Association policies 404, 405, 406, 407, 408, 409, and 410, as set forth in the meeting packet under tab 2. Thereafter, Mr. Briscoe briefly discussed each policy with the Members of the Board of Directors. Thereafter, 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 404, 405, 406, 407, 408, 409, and 410 as set forth under tab 2 of the meeting packet are individually approved and confirmed, subject to amendments, effective on this date, November 23, 2010. Secretary-Treasurer Tagtmeyer is authorized and directed to place these policies in the permanent records (Policy Book) of the Association.”

8. Consider Special Equipment Purchases: President Penny called the Board’s attention to the Inventory of Special Equipment Cost for October as set forth under tab 2 of the meeting packet. After the Inventory of Special Equipment had been fully reviewed by the Board of Directors, 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 Inventory of Special Equipment Cost for October in the total amount of \$23,366.00 as set forth under tab 2 of the meeting packet is hereby approved and staff in authorized to pay the same.”

9. Consider Inventory of Work Orders for October 2010: President Penny called the Board of Directors’ attention to the Work Orders for October 2010, as set forth under tab 2 of the meeting packet in the total amount of \$120,059.42 all of which are subject to loan funds. After all of the Inventory of Work Orders were examined, upon motion by Mr. Thaller 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 Work Orders for October 2010, in the amount of \$120,059.42, all eligible for loan funds, are accepted and approved and staff is authorized to pay the same.”

10. Consider Manager's Report: President Penny requested General Manager Tim Power to present his Manager's Report for October to the Members of the Board of Directors. Manager Power reported to the Members of the Board of Directors the following topics and discussed each topic with the Members of the Board of Directors:

- a. ECM Meeting Update,
- b. KC Wind Farm Update – Start up time; next month will give a better picture!
- c. Cost of Service Study Update – Will receive December or January,
- d. Web Site Update – Sometime next month – December 2010,
- e. CARE/ACRE Sign-Up – General request – sign up applications,
- f. Tri-State Substation Purchase Update – No time date set. Meet morning November 23, 2010, and telephone conference call,
- g. 2011 Budget Preview – reviewed prepared 2011 Operating and Capital Budget.

After Manager Power had delivered his October 2010 Manager's Report, President Penny by executive order, ratified and approved by the Board of Directors, did accept the General Manager's Report presented by Mr. Power and did declare that no further Board action was necessary regarding the General Manager's Report.

11. Consider Financial Report for October 2010: During a projector presentation regarding the Financial Report of the Association for October 2010 Office Manager Briscoe called the Board's attention to the October 2010 Notes to Form 7 Income Statement paying particular attention to the following:

Operating Revenue (Line 1) – Revenue for September was higher than budget by \$343,000.00. The majority of the excess over budget was from Irrigation and Large Commercial (\$185,000.00 and \$122,000.00 respectively). The year to date revenue now exceeds the budget by about \$640,000.00 and over last year by over \$1,268,000.00.

Cost of Purchased Power (Line 3) – Cost of Power was budgeted to be about 65% of revenue but for the month of October was only about 61% so the increased revenue translated to increased gross margin. Compared to last year to date, the excess Purchased Power was only about 40% of revenue (derived from comparing last year revenue and cost of power to this year's revenue and cost of power).

Operational Expenses (Lines 4-10) - Station Expenses were down about \$10,000.00 below budget, Distribution Expenses were below budget by about \$51,000.00, Customer Expenses were below budget by about \$14,000.00, while Administration Expense was about \$13,000.00 above budget. The net operating expenses were about \$62,000.00 below budget for October. Year to date Operational Expenses were budgeted to be about \$3.1M, the actual expenses were just under \$3.1 M and last year the expenses were about \$2.9 M.

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

Operating Margin (Line20) - The month of October continued with a strong Operating Margin. October was budgeted for an Operating Loss of \$137,000.00 but was actually a positive \$93,000.00 for a net effect of \$230,000.00 over budget. Year to date Operating Margin now exceeds budget by \$834,000.00 and last year's Operating Margin by \$530,000.00.

Non-Operating Revenue and Expenses (Lines 21-27) - No significant Non-Operating Revenue or Expenses for October.

Total Margin (Line 28) - Total Margin was strong for the month of October and year to date continues to exceed budget and last year (\$829,000.00 and \$523,000.00, respectively).

After Mr. Briscoe had presented the financial report of the Association for October 2010 as set forth under tab 3 of the meeting packet, upon motion by Mr. Bledsoe 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 Financial Report for the month of October 2010 as set forth under tab 3 of the meeting packet is hereby accepted subject to audit.”

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

10-12-10 – A safety meeting was held at the Stratton facility. Close calls, PPE compliance, and safety issues with contractors were discussed, Kevin Marshal (CREA JTS instructor), and Mike Weideman (CREA RCC), observed and recorded the pole top and bucket rescue annual training. Rubber gloves were also changed out.

c. No Loss Control Committee Activities were held.

After the Board had fully reviewed the Safety and Loss Control Report of Mr. Norris for October 2010 as set forth under tab 4 of the meeting packet, upon motion by Mr. Mills 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 the Safety and Loss Control Report for October 2010 as set forth under tab 4 of the meeting packet presented by Mr. Norris is, by these presents, accepted and approved by the Board of Directors with no further Board action being necessary.”

13. Operations (Work) Report for November 2010: President Penny requested Mr. Shutte to present his Operations (Work) Report for November 2010. Mr. Schutte called the Board's attention to the Operations (Work) Report for November 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. Schutte 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 October – November 2010: President Penny requested Mr. Orrell to present his Member Services Report for October - November 2010 to the Board of Directors. Mr. Orrell called the Board's attention to the Member Services Report of October- November 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. Mr. Orrell called attention to fact that the Colorado has been assigned the Hilton Orlando Hotel for the NRECA annual meeting, with registration being opened in mid- November.

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 (tabs 7 and 8 – Meeting packet: nothing contained in meeting packet).

- Mr. Mills informed and discussed with the Board of Directors the increase in the CREA annual dues and discussed in general the action of the Board of Directors of CREA.

- In regard to Western United Electric Supply Corporation, Mr. Mills informed the Board that new members (customers) were coming on board and were responsible for at least one half of the increased business of Western United Electric Supply Corporation, Mr. Mills reported that sales were over budget.

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.

16. Consider Tri-State Report for November 2010: President Penny requested Mr. Bledsoe to present his November 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 Sept 2010 were \$14 Million

The Year to Date Net Margins thru Aug 2010 was \$71.7 Million or \$22.3 Million ahead of budget.

Tri-State's Credit Rating

The Tri State's credit rating has been upgraded by Moody's Investors Service from Baa1 to A3. Tri-State's stable outlook, sound financial profile and ample liquidity resources were acknowledged by Moody's.

Strategic Planning

Included in the packet is a printed version of the Strategic Planning Goals.

2011 Energy Efficiency Credits

The Tri-State Board approved the 2011 EEC Program with many changes. Ben has the new information.

Membership Meeting

A Tri-State Membership Meeting was held at 1 p.m. on November 10. It was a good meeting. Following an update on current issues and activities, There was a review at the Board's strategic planning process, goal development and the integrated initiatives from staff that support these goals. A copy of the goals are in the packet.

Renewable project updates

Tri-State has received the first 20-megawatts from Cimarron 1. The last 10 Megawatts will be delivered by the end of Nov.

Tri-State has begun receiving energy from the Kit Carson Windpower Project and the power from the project will be fully available at the end of the month.

New Mexico's Cap and Trade Program

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. For instance, Tri-State would have to purchase just under 1.9 Million allowances or credits to be able to generate electricity from the Escalante Station in New Mexico. Very Expensive. See the summary in the packet.

Miscellaneous News

A) The 2011 Energy Efficiency Credits Program, The Integrated Resource Plan, The Rate Curriculum Class that Staff presented to the Board and the presentation that Staff gave at the special membership meeting can be viewed at <http://www.tristategt.org/Members/Membership-Session-A-2010.cfm>.

B) The 2009 member sales were higher by 1.5% over 2008. Year to date, electricity sales to Members is higher by 6.7% over 2009.

C) As it looks now, expect a rate increase of 5 mills in 2012 and 6 mills in 2013.

Request for donations to help supply special rain gauge for specific area contained in our service area. After this matter had been fully reviewed, President Penny, by executive order ratified and approved by the Board of Directors, did authorize staff to pay out of the Tri-State charitable fund the sum of Two hundred fifty and no/100 Dollars (\$250.00) to Mr. Nolan Doesken, a climatologist from Colorado State University to help fund a special rain gauge in our service area.

Mr. Bledsoe called the Board's attention to member sales of electricity for the month of September 2010, and year to date member sales of electricity year to date through September 2010.

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 November, 2010, and did declare that no further Board action regarding this report was necessary.

17. President Penny requested that the Board of Directors go into Executive Session for the express purpose of considering "Employee Wage Review." There upon, and upon motion by Mr. Tagtmeyer 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 in response to President Penny's request for an Executive Session to consider 'Employee Wage Review' the Board of Directors of K.C. Electric Association, Inc., did agree and did go into Executive Session including General Manager Tim Power at 9:22 p.m. on Tuesday November 23, 2010, for the express purpose of holding an 'Employee Wage Review'."

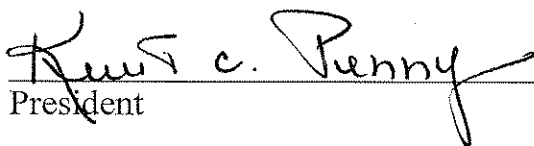
The Board of Directors came out of Executive session at 10:40 p.m. on Tuesday, November 23, 2010.

18. Consider Employee Wage Review: President Penny requested the Board of Directors to consider the "Employee Wage Review." After this matter had been fully discussed by the Board of Directors, the recommendations of Mr. Power as the General Manager of the Association and other relevant matters regarding the size of the Association and the responsibility of the employees in each job classification, 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 recommendations of Mr. Tim Power, General Manager of K.C. Electric Association, Inc., regarding employee wages, effective January 1, 2011, is hereby accepted and approved."

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 11:25 p.m. on Tuesday, November 23, 2010, until the next regular monthly meeting to be held in Burlington, Colorado, on Thursday, December 16, 2010.

APPROVED:



President



Secretary-Treasurer