

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 Stratton, CO, on Tuesday, October 25, 2011 at the hour of 4:45 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 | Robert Bledsoe | Terry Tagtmeyer |
| Dan Mills | Jim Michal | 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, and Attorney Jeff Cure.

Approval of Minutes: It was unanimously approved to accept the minutes for the regular meeting of the board on September 27, 2011.

Next Meeting Date: Without objection the date for the next regular meeting of the Board was set for November 22, 2011 at 4:00 p.m. in the Hugo office of the Association. The subsequent meeting was also scheduled to be held at 3:30 p.m. on December 15, 2011 in Burlington, CO.

Public Comments: There were no public comments.

Check Register Review: The Check Register of the Association for September 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: There were no prior actions to ratify.

Auditor's Report: A teleconference was held with the auditing firm of Dreyer and Kelso to review the audit for fiscal year ending July 31, 2011. Kevin Kelso and Tom Hancock represented Dreyer and Kelso during the phone conference. Mr. Kelso fully reviewed the audit report, corresponding notes, and attachments. Upon completion of the auditor's report the following resolution was unanimously approved:

“BE IT RESOLVED: That the audit report from Dreyer and Kelso for fiscal year ending July 31, 2011 is accepted as presented.”

Audit Agreement: After the audit report, the issue of conversion from a fiscal year ending in July to a calendar year end of December was discussed with Mr. Kelso. Among other things, questions were asked regarding the benefits of converting to a calendar year end, potential increased costs to change the audit period, and requirements from other agencies to change the year end. It was determined that further information was necessary prior to the formal agreement with the auditing firm and the issue would be addressed at a future meeting of the Board.

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.

Franchise Agreements: The proposed franchise agreements with the Towns of Stratton and Vona have each been approved by the respective towns. The following resolution was unanimously approved:

“BE IT RESOLVED: That KC Electric does accept the electric light, power and heat franchise granted to it by the Towns of Stratton and Vona.”

Operational Policy and Rate Tariffs: Having previously discussed the proposed Rate Tariffs for 2012 during the Special Meeting of the Board to discuss the 2012 rate increase, the following resolution was unanimously approved:

“BE IT RESOLVED: That Policy #500 and Rate Tariffs 1, 2, 3, 5 & 5B, 6 and 6A, 7 & 7A, 8, 9, 14, 15 and R are approved as presented.”

Capital Credit General Retirement: Management recommendation was to follow the methodology used in the previous year and retire through General Retirement one twenty-fifth of the outstanding allocated Capital Credits as of December 2010. Among other things, consideration was given to resulting financial condition after the retirement, other large fund outlays expected in the near term, and estate retirements in 2011. Upon conclusion of the discussion the following resolution was unanimously approved:

“BE IT RESOLVED: That KC Electric will retire, through a General Retirement, an amount of \$1,200,000, which will retire outstanding capital credits from 1989 and a portion of 1990.”

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 \$48,856.06.”

General Manager’s Report: General Manager Power generally reported on or discussed, among other things: (1) Steps closing down the AMI pilot project with Tantalus; (2) Recap of the discussion points made during the presentation by NRTC regarding the AMI Sensus project at the Special Meeting of the Board of Directors; (3) Tri-State Manager’s Meeting and potential changes to RUS loan application requirements as mentioned by the RUS representative attending the meeting; (4) Update on new oil drilling loads and elevator expansion; and (5) Consideration of beginning Operation Round Up at KC Electric, upon which the Board expressed interest in exploring the options in upcoming Board meetings.

During the discussion regarding the AMI Sensus project many options were considered for an expanded deployment without a commitment for full deployment. Options included expansion of meter deployment all the way around the existing tower, expansion of meter deployment around a section of the existing tower, and option of additional tower installation and meter deployment of irrigation route meters. Upon the conclusion of the discussion the following resolution was unanimously passed:

“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.”

At the conclusion of the General Manager’s report (7:25 p.m.), the Board unanimously voted to enter Executive Session for discussion of potential new service to be provided by KC Electric. The Board came out of Executive Session at 8:20 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 September 2011.
- b. Superintendent Norris reported no First Report of Injuries. Safety meetings were held in Stratton on the topics of DOT Rules and Regulations, along with Accident Prevention and in Hugo on the topic of Accident Prevention. Norris also reported members of the Operations Department gave a demonstration at the Farm Safety 4 Just Kids at the Hugo fair grounds.
- c. Operations Manager Shutte reported on or discussed, among other things, Tri-State is behind on its proposed scheduled regarding purchase of members’ substation equipment and KC Electric is expecting a visit from Tri-State in January 2012 for an

inspection of equipment, a review of Basin's SRS after hours dispatch service, and a review of the reports presented in the Board Packet.

- d. Member Service Representative Orrell 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:

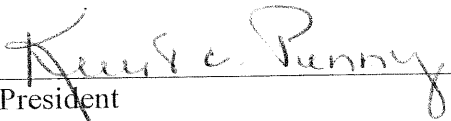
- a. CREA: (1) No meeting was held since the last KC Electric Board Meeting; and (2) New legislation being proposed that would keep EPA from classifying coal ash waste as a hazardous material.
- b. Western United: No meeting was held since the last KC Electric Board Meeting.

Tri-State Report: Mr. Bledsoe reported to the Board, among other things: (1) Tri-State's financial condition whereby margins were at \$12 million, which was \$126,000 over budget; (2) Tri-State agreed to purchase a 272-magawatt natural gas power plant in Fort Lupton, CO; (3) The new rate design proposed by Tri-State will likely be voted on at the December meeting; (4) Tri-State is planning to issue an RFP for 50 MW of renewable energy; and (5) A review of the existing wind and solar projects that Tri-State is involved with.

Miscellaneous Business: There was no Miscellaneous Business.

Adjournment: President Penny declared the meeting adjourned at approximately 9:00 p.m.

APPROVED:



President



Secretary/Treasurer