

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 Stratton office of the Association in Stratton, Colorado, on Tuesday, October 26, 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
James Lewis	Marvin Thaller
James Michal	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. Ron Wolfrum and Darren Fox, employees of K.C. Electric, Inc. 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, September 28, 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, September 28, 2010, at 3:00 p.m. in the Hugo Community Depot in Hugo, Colorado. Thereupon, and 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 Minutes of the regular monthly meeting of the Members of the Board of Directors of K.C. Electric Association, Inc., held in the Hugo Community Depot in Hugo Colorado on Tuesday, September 28, 2010, at 3:00 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 September 28, 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, November 23, 2010, at 6:30 p.m. in the Hugo office in Hugo, 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, November 23, 2010 at 6:30 p.m. in the Hugo office in Hugo, Colorado.

3. Consider Public Comments: President Penny requested of the Board of Directors and any one 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. It was brought to the Board of Directors' attention that in accordance with the disconnect policies, an attempt to contact Chris Dobler was made but Mr. Dobler was not available.

4. Presentation of Check Register for September 2010: President Penny called the Board's attention to the Check Register for September 2010, as set forth under tab 1 of the meeting packet. After the monthly Check Register for September 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 September 2010 was an information item only and that no further Board action was necessary regarding the Check Register for September 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 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 Annual Financial Audit of Dreyer & Kelso, P.C., P.A.: President Penny initiated a conference call to Dreyer & Kelso, the Certified Public Accountant retained by K.C. Electric Association, Inc. of 5799 Broadmoor – Suite 712, Mission, Kansas 66202, and set the call up for a conference call with the Board of Directors. Thereafter the Annual Financial Audit for the fiscal year ending July 31, 2010 of the operation of the Association was reviewed section by section and then as a whole with the Board of Directors together with two information letters to the Board of Directors from Dreyer & Kelso related to the Annual Financial Audit under consideration. After Dreyer & Kelso had completed their oral review of the Annual Financial Audit and the related letters, President Penny requested the Board of Directors to consider the 2 year proposed Audit Agreement submitted to the Board of Directors by Dreyer & Kelso, P.C., P.A. for the fiscal years ending July 31, 2011 and 2012. After the Annual Fiscal Audit by Dreyer & Kelso, P.C., P.A. had been fully reviewed together with the proposed 2 year Audit Agreement proposed by Dreyer & Kelso, P.C., P.A. and after the Board had discussed changing the Auditors in order to maintain independent financial audits of the Association Annual Audits, 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 Annual Financial Audit of the operation of K.C. Electric Association, Inc. of the fiscal year including July 31, 2010 proposed and submitted by Dreyer & Kelso, P.C., P.A. together with the two information letters are, by these presents, accepted and approved with no further Board action being necessary.

“BE IT FURTHER RESOLVED: That the Firm of Dreyer & Kelso, P.C., P.A., Certified Public Accountants be retained as the Auditors of the fiscal operations of K.C. Electric Association, Inc. and the proposed two (2) year Audit Agreement prepared by Dreyer & Kelso, P.C., P.A., for the fiscal years ending July 31, 2011 and 2012 is, by these presents, approved and accepted and the officers of the corporation are authorized and directed to execute and deliver the agreement placing the corporate seal thereon.”

8. Consider Load Forecast Approval for Tri-State (and RUS): President Penny called the Board’s attention to the purposed Board Resolution set forth in the meeting packet under Tab 2 regarding the Load Forecast prepared by Tri-State Generation and Transmission Association, Inc. approving the Load Forecast for 2010. After the matter had been fully discussed by the Board of Directors, upon motion by Mr. Thaller and seconded by Mr. Lewis, the following resolution was unanimously passed and adopted by the Members of the Board of Directors:

“BE IT RESOLVED: Whereas, the General Manager of K.C. Electric Association, Inc. has reviewed the 2010 Load Forecast prepared by Tri-State Generation and Transmission Association, Inc.”

“NOW, THEREFORE, BE IT RESOLVED: That the 2010 Load Forecast is hereby approved and Terry Tagtmeyer, Secretary-Treasurer of the Association is authorized to certify a copy of this Resolution, placing the seal of the Association thereon, staff being directed to send the certified copy of the Resolution to Tri-State.”

9. Review of Policies Numbered 109, 111, 112, 114, 115, 116, and 118: President Penny called the Board's attention to policies No. 109, 111, 112, 114, 115, 116, and 118 as set forth under tab 2 of the meeting packet. Thereafter Mr. Briscoe discussed briefly each policy with the Board of Directors. Thereafter, 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 policies 109, 111, 112, 114, 115, 116, and 118 as set forth under tab 2 of the meeting packet as presented to the Board of Directors are individually approved and confirmed, effective on this date October 26, 2010. Secretary-Treasurer Tagtmeyer is authorized to place these policies in the permanent records (Policy Book) of the Association."

10. Consider Retirement of Capital Credits: General Manager Power presented a proposal to the Board of Directors stating that K.C. Electric Association, Inc. has a little over Thirty Million Dollars (\$30,000,000.00) in Patronage Capital to be paid and called the Board's attention that in 2009 K.C. Electric Association, Inc. retired just over \$742,000.00. After this matter had been fully discussed, including a review of the Association's present financial condition, upon motion by Mr. Bledsoe 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 Board of Directors, together with the recommendation from the staff, does find and does determine that the net financial condition of K.C. Electric Association will not be adversely impaired by the immediate retirement of an amount equal to one twenty-fifth (1/25) of the amount of the unretired Capital Credits of the Association as of December 31, 2009. The retirement capital shall be made in order of priority according to the year in which the capital was first furnished and credited, the capital first allocated by K.C. Electric Association, Inc., being the Capital Credits first retired (FIFO) as set forth under Article VIII Non-Profit Operation Section 2 of the By Laws of K.C. Electric, Inc. This resolution shall be effective this day, Tuesday, October 26, 2010."

11. Consider Special Equipment Purchases: President Penny called the Board's attention to the Inventory of Special Equipment in the total amount of \$24,266.15 for the month of September 2010 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. Michal 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 Costs, all of which will be eligible for loan funds as set forth in the meeting packet under tab 2 in the total amount of \$24,266.15 is hereby approved and staff is authorized to pay the same."

12. General Manager's Report: President Penny requested General Manager Tim Power to present his Manager's Report for September 2010 to the Members of the Board of Directors. General Manager Power reported on each of the following matters and discussed each subject with the Members of the Board of Directors:

- a. Key account visits updated,
 - 1. Should upfront costs be reviewed?
 - 2. Nick Cagill-outage problems,
 - 3. Notice of planned outages,
- b. Tri-State Managers Meeting update,
- c. Region VII update,
- d. Online bill pay (Quick pay) is up and running,
- e. K.C. Wind Farm rate upgrade, accept our original rate,
- f. Hugo meeting room update, change front of building,
- g. Member Satisfaction Survey Report,
- h. Sales tax exemptions for Ag Business updates,
- i. Cost of Service Study Update, basically good,
- j. Budget Preparation.

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

13. Financial Report: During a projector presentation by Mr. Briscoe, he called the Board's attention to the September 2010 Notes to Form 7, Income Statements as set forth under tab 3 of the meeting packet paying particular attention to the following:

Operating Revenue (Line 1) – Revenue for September was higher than budget by \$382,000.00. About \$230,000.00 was from excess Irrigation revenue and just over \$100,000.00 from Large Commercial. The year to date revenue now exceeds the budget by about \$297,000.00 and over last year by over \$900,000.00.

Cost of Purchase Power (Line 3) – Although revenue now exceeds budget year to date, the Cost of Power is still below budget by about \$321,000.00 but above prior year by about \$284,000.00.

Operational Expenses (Lines 4-10) – On the whole, all operating expenses were about \$19,000.00 under budget for the month of September. Total expenses for Operations, Customer Service and Administration were \$278,000.00 and the budget was \$297,000.00.

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

Operating Margin (Line 20) – All of the above translate to a positive operating margin. September was budgeted to have an operating loss of \$100,000.00 but was a

positive \$71,000.00 for a net effect of \$171,000.00 over budget. Year to date Operating Margin is about \$600,000.00 over budget and \$350,000.00 over prior year.

Non-Operating Revenue and Expenses (Line 21-27) – All in line with budget expectations for the month of August with the exception that Other Capital Credits were budgeted to be \$35,000.00 but were actually \$27,000.00 in September.

Total Margin (Line 28) – As with Operating Margin above the net result is a positive Margin over budget of \$164,000.00 for the month and \$600,000.00 for the year to date.

After the presentation by Office Manager Chance Briscoe had been completed and after the Board of Directors had fully reviewed the financial and statistical information with the presentation, 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 Financial Report for the month of September, 2010 as set forth under tab 3 of the meeting packet is hereby accepted subject to audit.”

14. Consider Safety and Loss Control Report: President Penny requested Mr. Norris to present his Safety and Loss Control Report for September 2010 to the Board of Directors. Mr. Norris called the Board’s attention to the Safety and Loss Control Report of September 2010, as set forth under tab 4 of the meeting packet and thereupon discussed the following with the Board of Directors:

a. Employee 16 cut finger,

b. The following Loss Prevention activities took place:

9-11, 12-2010 – K.C. Electric was subject to the observation portion of the Rural Electric Safety Accreditation Program for the years 2007 – 2009. For this part, the observation team followed guidelines set forth by the program administrators and inspected the plant accordingly. The team was impressed with K.C. Electric’s focus on safety and cooperation.

c. No Loss Control Committee Activities were held.

After the Board had fully reviewed the Safety and Loss Control Report of Mr. Norris for September 2010 as set forth under tab 4 of the meeting packet, upon motion by Mr. Ritchey 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 September 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.”

15. Operations (Work) Report for October 2010: President Penny requested Mr. Shutte to present his Operations (Work) Report for October 2010 Mr. Schutte called the Board’s attention to the Operations (Work) Report for October 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 and the supplemental substation graph which accompanied the Operations Report. In addition he called the Board's attention to outages for the month of October.

Reported voltage drop – Seibert Co-op Elevator. Co-op's problem, K.C. has given the consumer notice of their problem, received positive response.

Called attention to 56 outages as reported in the meeting packet.

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.

16. Member Services Report for September – October 2010: President Penny requested Mr. Orrell to present his Member Services Report for September - October 2010 to the Board of Directors. Mr. Orrell called the Board's attention to the Member Services Report of September- October 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.

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.

17. Consider Reports on CREA and Western United for September – October 2010: 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 – No meeting since August report 440 years of coal reserves.

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.

18. Consider Tri-State Report for October 2010: President Penny requested Mr. Bledsoe to present his October 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 August 2010 were \$12.8 Million

The Year to Date Net Margins thru August 2010 was \$57.7 Million or \$13.7 Million ahead of budget.

Energy Risk Management Program #

On October 8, Tri-State closed on an additional \$100 million in first mortgage bonds at an interest rate of 5.5%. After the premium and fees, proceeds were put into the RUS cushion of credit where the money will earn 5% interest until

it is used to make our quarterly mortgage payments to RUS. Tri-State has now borrowed \$500 million at a weighted interest rate of 6.1% since June 1, 2010.

Strategic Planning

The Tri-State Board completed the first step of our strategic planning process during the October board meeting. Mr. Bledsoe is now waiting to see the hard copy of the results of this process.

2011 Energy Efficiency Credits #

Varies changes and modifications to the energy efficiency credits program were discussed. Staff will present their final 2011 EEC Program to the Board in November. Mr. Bledsoe has a copy of the potential changes at the meeting.

Membership Meeting #

A Tri-State Membership Meeting is scheduled for 1 p.m. on November 10. It should be a good meeting answering any questions that the membership may have. The results of the Land Range Economic Forecast, the Strategic Planning progress, and the reasons for borrowing \$500 million dollars will be on the agenda.

Long Range Economic Forecast

In October, the LREF was presented and approved and will be submitted to the RUS.

Miscellaneous News

A) There was a three-unit outage at Craig Station related to upgrades to the plant's water delivery system. They switched to the back intake water system to inspect the main water delivery system when the backup failed. The units were out for about 24 hours. To make matters worse, Nucla was already down for maintenance. The national gas pipe line to Rifle was also down. No major fiscal impact to Tri-State.

B) Tri-State is on Moody's up grade watch list.

C) Mr. Bledsoe was rewarded Board Leadership Award by Tri-State.

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

19. President Penny requested an Executive Session with Mr. Power to discuss and evaluate his job as General Manager. Upon motion by Mr. Ritchey 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 the Board of Directors shall go into executive session with Mr. Timothy Power to discuss and evaluate his job to date as General Manager of the Association.”

The Board of Directors went into executive session at 9:14 p.m. on October 26, 2010. The Board of Directors and Mr. Power came out of executive session at 10:38 p.m. on October 26, 2010.

20. 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 10:40 p.m. on Tuesday, October 26, 2010, until the next regular monthly meeting to be held at the Hugo Office in Hugo, Colorado, on Tuesday, November 23, 2010.

APPROVED:

Kenneth C. Penny
President

Lesly Jaymyer
Secretary-Treasurer