

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, September 28, 2010 at the hour of 3:00 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:

Kevin Penny	Dan Mills
Robert Bledsoe	Terry Tagtmeyer
James Lewis	Marvin Thaller
James Michal	Dave Ritchey
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, 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, August 24, 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, August 24, 2010, at 6:30 p.m. in the Stratton office of the Association in Stratton, Colorado. Thereupon, and 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 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, August 24, 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 August 24, 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, October 26, 2010, at 6:30 p.m. in the Stratton office 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, October 26, 2010 at 6:30 p.m. in the Stratton office in Stratton, 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. There being no such comments, President Penny ordered the meeting to proceed in accordance with the meeting agenda.

4. Presentation of Check Register for August 2010: President Penny called the Board's attention to the Check Register for August 2010, as set forth under tab 1 of the meeting packet. After the monthly Check Register for August 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 August 2010 was an information item only and that no further Board action was necessary regarding the Check Register for August 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 Insurance Renewals: President Penny called the Board's attention to the Benefit Plan Rating and Renewal Schedule and rates as set forth under tab 2 of the meeting packet and requested General Manager Power to present schedules by slide presentation to review the schedule and rates with the Board of Directors. After the Benefit Plan Rating Schedule and Renewal Rates had been fully examined and reviewed, 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 Benefit Plan Rating Schedule and the information contained in the slide presentation including renewal rates as presented to the Board of Directors under tab 2 of the meeting packet are accepted and approved and staff is directed to take the necessary steps to put the total benefit plan in full force and effect."

8. Consider Provision to Wind Power Sales Rate: General Manager Power presented to the Board of Directors the purposed revision of the Commercial and Industrial Wind Power Sales Rate -0009 as set forth under tab 2 of the meeting packet. After the revised Commercial and Industrial Wind Power Rate -0009 was examined, 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 the Revised Commercial and Industrial Wind Power Sales Rate -0009 as set forth under tab 2 of the meeting packet is approved and accepted effective this date September 28, 2010."

9. Review of Policies Numbered 110, 113, 117, 119, 124, 125, 126: Office Manager Chance Briscoe presented to the Board of Directors the purposed policies numbered 110, 113, 117, 119, 124, 125, and 126 as set forth under tab 2 of the meeting packet.

After these policies were presented and examined, upon motion by Mr. Lewis 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 above policies as presented are hereby approved and effective this day of September 28, 2010."

10. Consider Special Equipment Purchases: President Penny called the Board's attention to the Summary of Special Equipment Purchases as set forth under tab 2 of the meeting packet for a total cost of \$19,535.27 all of which are eligible for loan funds. After the Summary of Special Equipment Purchases in the total amount of \$19,535.27 as set forth under tab 2 of the meeting packet had been fully reviewed by the Board of Directors, upon motion by Mr. Thaller and seconded by Mr. Michal the following resolution was unanimously passed and adopted by the Board of Directors:

"BE IT RESOLVED: That the Summary of Special Equipment costs for August 2010 as set forth under tab 2 of the meeting packet in the total amount of \$19,535.27, all of which is eligible for loan funds, is approved and staff is authorized to pay for the same."

11. Consider Work Orders RUS Form 219, for August 2010: President Penny called the Board's attention to RUS Form 219 Inventory of Work Orders for August 2010 as set forth under tab 2 of the meeting packet in the total amount of \$247,989.61 all which are eligible for loan funds. After this matter had been fully reviewed by the Board of Directors upon motion by Mr. Ritchey 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 RUS Form 219 Inventory of Work Orders for August 2010, in the amount of \$247,989.61, all of which are eligible for loan funds, are hereby approved and staff in ordered to pay for the same."

12. General Managers Report: President Penny requested General Manager Tim Power to present his Manager's Report for August 2010. General Manager Power reported on the following items discussing with the Board each item:

- a. Key account visits updated, members satisfied,
- b. Eastern Colorado Managers Meeting update major discussion take off billing information- non-coincident peak,
- c. Sales tax exemptions for Ag Business update, going well,
- d. Cost of Service Study update, proceeding- first stage complete,
- e. Inventory of ideal service – small loads,
- f. Line loss investigation update,
- g. Customer satisfaction survey – 85 score – good score, like to use advertising support our satisfactory customers satisfaction,
- h. Purchased truck, used duplicates – above \$5,000.00 under maximum allowed.

After Mr. Power had completed his General Manager's Report for August, 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: After the slide show presentation by Mr. Briscoe, President Penny called the Board's attention to the August 2010 notes to Form 7 Income Statement, the General Ledger RUS Form 7 Summary, set forth under tab 3 of the meeting packet paying particular attention to the following:

Operating Revenue (Line 1) - Revenue for August was higher than budget by \$212,000.00. The majority of the overage was from Irrigation which was \$172,000.00 over budget. This also included \$47,000.00 of adjustments, the majority of which came from two mis-read accounts from July that lowered Revenue in August and was overstated in July. The year to date result is under budget by about \$85,000.00 but over last year to date by \$387,000.00.

Cost of Purchased Power (Line 3) – Purchased Power was above budget by about \$84,000.00 due to the increased sales in August.

Transmission, Distribution Operations, Distribution Maintenance (Line 4-6) – Operations was above budget by about \$20,000.00 in the month of August. The two main factors for the overage were additional substation maintenance and tree trimming which was budgeted to be done in July.

Customer Accounts and Administrative Expenses (Lines 7-10) – This group of accounts was above budget by about \$18,000.00. Due to timing, the month August had two readings for Irrigation accounts making that line item \$16,000.00 that was only budgeted for \$8,000.00. Another \$5,000.00 of the overage was for Office Supplies and Expenses which were some IT expenses and the annual fee for the Deferred Executive Compensation Plan administered by Homestead Funds.

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

Operating Margin (Line 20) - The increased revenue accounted for Operating Margin over budget. The month's budget was about \$96,000.00 with an actual Operating Margin of \$186,000.00. The annual budgeted Operating Margin was \$658,000.00 and the year to date through August was \$1,091.00.

Non-Operating Revenue and Expenses (Lines 21-27) - All in line with budget expectations for the month of August.

Total Margin (Line 28) – The net result was a Total Margin of \$189,000.00 for August while budget was \$101,000.00. The year to date Total Margin was \$1,176,000.00 with a budgeted margin of \$752,000.00 and last year to date of \$931,000.00.

After the slide 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 slide presentation, upon motion by Mr. Michal 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 Financial Report for the month of August, 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 August 2010, to the Board of Directors. Mr. Norris called the Board's attention to the Safety and Loss Control Report of August 2010, as set forth under tab 4 of the meeting packet and thereupon discussed the following with the Board of Directors:

a. No employee was injured.

b. The following Loss Prevention activities took place:

8/10/10- A safety meeting was held in Stratton. Mike Weideman gave a re-certification class for all flaggers. A RESAP update was given along with a general discussion about safety.

8/11/10- Federal Insurance inspected all of K.C. Electric's facilities and did a crew visit.

8/12/10- The Hugo office employees reviewed the May Day procedure and then participated in a live drill of a May Day call.

c. No Loss Control Committee Activities were held.

After Mr. Norris had completed his Safety and Loss Control Report for August 2010, upon motion by Mr. Michal 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 the Safety and Loss Control Report for August 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 September 2010: President Penny requested Mr. Shutte to present his Operations (Work) Report for September 2010. Mr. Shutte called the Board’s attention to the Operations (Work) Report for September 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 September.

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.

16. Member Services Report for August - September 2010: President Penny requested Mr. Orrell to present his Member Services Report for August - September 2010 to the Board of Directors. Mr. Orrell called the Board’s attention to the Member Services Report of July - August 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 CREA and Western United Reports: President Penny requested Mr. Mills to present his report on CREA and Western United. Mr. Mills called the Board’s attention to the following items set forth under tab 7 of the meeting packet:

I. CREA –

1. Colorado Rural Electric Association, News and Information,
2. General Information Regarding Operation of CREA,
3. Discussion about listing of names on ballot,
4. Wind Power Generation – Windsor, Colorado.

- II. Western United Electric Supply Corporation, five candidates for president of CREA Board, Sales are expanding.

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 Electrical Supply Corporation and did declare that no further Board action was necessary regarding these reports.

18. Consider Tri-State Report: President Penny requested Mr. Bledsoe to give his August 2010 Tri-State Report to the Board of Directors. Mr. Bledsoe called the Board's attention to his report for September 2010, as set forth under tab 9 of the meeting packet.

Mr. Bledsoe reported on the following:

Tri-State Financial Condition

The net margins for July 2010 were \$17 Million

The Year to Date Net Margins thru June 2010 was \$45 Million or \$11 Million ahead of budget.

Energy Risk Management Program

No News

Strategic Planning

The Tri-State Board will complete the first step of our strategic planning process during the October Board meeting.

2011 Budget

The Tri-State Board approved 2011 budgets and rate schedules for 2011 with no increase in our wholesale rates to the Membership.

Tri-State Board Education

The Board continued with their ongoing revenue and rate curriculum education, with a focus on how different rate structures compare to our existing rate structure.

Membership Meeting

A Tri-State Membership Meeting is scheduled for November 10-11.

Long Range Economic Forecast

The LREF includes pro-forma balance sheet, statement of operations and general funds summary, explanation of all assumptions, supporting data and analysis used in the forecast, projected cash flows, projected borrowings, projected kW and kWh sales, projected operating costs and projected revenues.

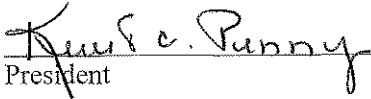
In October, the LREF will be presented for approval to be submitted to the RUS.

After Mr. Bledsoe had completed his Tri-State Report for September 2010, President Penny by executive order, ratified and approved by the Board of Directors, did accept Mr. Bledsoe's report for the month of September 2010, and did declare

that no further Board action was necessary regarding the Tri-State Report for September 2010.

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. President Penny asked the Board of Directors to give General Manager Power authority to remodel the office, including heating and cooling systems. President Penny by executive order approved by the Board of Directors directed General Manager Power to continue with remodeling the Board of Directors' Board Room and the air conditioning and heating systems for the Hugo office. 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 5:00 p.m. on Tuesday, September 28, 2010, until the next regular monthly meeting to be held at the Stratton Office in Stratton, Colorado, on Tuesday, October 26, 2010, at 6:30 P.M.

APPROVED:



President



Secretary-Treasurer