

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 the Hugo office of the Association, on Tuesday, September 27, 2011 at the hour of 4:00 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   | Jim Lewis       |

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 guest Kristie Constance.

Approval of Agenda: Without objection, the Board approved the meeting agenda as distributed.

Approval of Minutes: It was unanimously approved to accept the minutes for both the regular and special meetings of the board on August 23, 2011.

Next Meeting Date: Without objection the date for the next regular meeting of the Board was set for October 25, 2011, at 4:00 p.m., in the Stratton office of the Association.

Public Comments: There were no public comments.

Check Register Review: The Check Register of the Association for August 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.

Operational Policies: Policies #430, Safety Glasses (previously #442); #432, Employee Clothing (previously #443); #433, Drug & Alcohol Testing for All Employees (previously #441); and #434, Drug & Alcohol Testing for CDL Employees (previously #440) were presented to the Board for review. After discussion, including questions regarding the Touchstone Energy logo for #432, input from Mountain States Employers Council on #433 and #434, and logistics of implementation and frequency of testing under #433 and #434, the following resolution was unanimously approved:

“BE IT RESOLVED: That Policies #430, #432, #433 and #434 are approved as presented.”

AMI Project: A lengthy discussion was had regarding three potential AMI vendors; Tantalus, Sensus, and Metrum. Among other things, questions were raised in regard to pros and cons of RF versus cellular technologies, infrastructure requirement differences, technical support, and costs. General Manager Power presented a status report and a staff recommendation upon which the following resolution was unanimously approved:

“BE IT RESOLVED: That the Tantalus pilot project be terminated with KC Electric owned equipment related to Tantalus be sold, the bid from Metrum be rejected due to price, and Sensus be selected and install an additional 100 meters to verify system functionality.”

Adjournment and Reconvene: Without objection the meeting was adjourned for dinner at approximately 5:15 p.m. and reconvened at approximately 5:45 p.m.

Purchase of ATV: Operations Manager Shutte presented four bids to the Board for purchase of a side by side ATV with an enclosure and snow treads. Among other things, a discussion was had regarding the potential uses for the equipment and availability of service for the equipment. The following resolution was approved, with dissent from Mr. Michal noted:

“BE IT RESOLVED: That Staff is authorized to purchase a side by side ATV as presented from Tractor Works in the amount of \$21,618.79.”

CoBank Membership: A Resolution was distributed to the Board for membership in CoBank. It was discussed that CoBank has from time to time very competitive loan rates and investment opportunities and the membership in CoBank will allow KC Electric to have another choice when selecting a financing or investment option. Therefore the following resolution was unanimously approved:

“BE IT RESOLVED: That KC Electric will complete the resolution as distributed to make application for membership in CoBank and will make a \$1,000.00 membership fee.”

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 \$29,210.25.”

Inventory of Work Orders: Operations Manager Shutte mentioned some of the work done was for a compressor station at the Arapahoe Substation, transformer and bus work done at the Sand Creek Substation and a portion of line rebuilt east of the Stratton substation. The following resolution was then unanimously approved:

“BE IT RESOLVED: That the Inventory of Work Orders #380 for \$387,601.43 and #381 for \$54,242.61 are hereby approved.”

General Manager’s Report: General Manager Power generally reported on or discussed, among other things: (1) Indeterminate Line Extension updates and progress of new loads for oil drilling; (2) AED program update that a few schools were now in process of ordering AED’s that KC Electric will reimburse them after the purchase; (3) Tri-State Transmission Meeting update; (4) Personnel changes resulting from the Staking Engineer taking a job with Tri-State; (5) Sign placed in the boardroom as a reminder that reads “Due Diligence, Obedience, Loyalty”; and (6) A beginning discussion of possible retail rate increase in 2012 in response to the expected wholesale rate increase from Tri-State.

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

- a. CFO Briscoe presented a slideshow of the financial operations for August 2011 and reported the annual audit was recently completed with a report to the board expected in a couple months.
- b. Superintendent Norris reported no First Report of Injuries were reported in August. Safety meetings were held in Stratton on the topic of Accident Investigations and Hugo on the topic of Accident Prevention. Norris also reported that quarterly truck and tool inspections were completed in August.
- c. Operations Manager Shutte reported on or discussed, among other things, progress of new loads, Basin SRS after hours dispatching, substation mowing completed, underground cable repair and pole change outs. A question was asked and discussion followed regarding current code requirement for line clearance and damages resulting from tall farm equipment hitting lines. Some equipment is now being manufactured that exceeds the current clearance requirements
- d. Member Service Representative Orrell reported there have been many high bill complaint calls due to the heat wave during the late summer. Orrell also reported on the KC Electric and Mountain View Electric co-sponsored Farm Safety Just4Kids that was done at the Hugo fairgrounds where approximately 80 students were given demos of electric safety, railroad safety and other safety topics.

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

- a. CREA: (1) There will be an Energy Information Conference sponsored by CREA; (2) The CREA Board was in executive session over the course of two days for strategic planning purposes; and (3) It is expected there will be some Net Metering bills proposed during the legislative session this coming year.
- b. Western United: (1) WUE sales have been strong; (2) Past due accounts are down and new contracts will be required to be accompanied with a Letter of Credit; and (3) WUE Committee meetings are now scheduled on off days from the regular Board meeting which adds costs and Mr. Mills has expressed that he's opposed to the schedule.

Tri-State Report: Mr. Bledsoe reported to the Board, among other things: (1) Mr. Bledsoe's report in the distributed packet contained information regarding Tri-State's current financial condition, the proposed 2012 budget and rate increase, a Tri-State membership meeting and future rate design; (2) Tri-State is in negotiations to purchase a coal mine that is near rail service and has resources to supply the Craig power plant as the current Trapper Mine is not sufficient for continued future supply; (3) Mr. Bledsoe also discussed the next Tri-State Board meeting agenda for informative purposes.

Miscellaneous Business: A discussion was had regarding distribution of the Check Register report and it was determined no additional legal exposure was created by the distribution and thus the report would continue to be sent. Review of the Board expense reports was also discussed and any action to revise the method for approval was tabled for further consideration of the appropriate approval process.

Adjournment: President Penny declared the meeting adjourned at approximately 8:05 p.m.

APPROVED:

  
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President

  
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Secretary-Treasurer