

**MINUTES OF REGULAR BOARD MEETING
OF
HOLY CROSS ENERGY**

AUGUST 17, 2011

A regular meeting of the Board of Directors of Holy Cross Electric Association, Inc., a/k/a Holy Cross Energy (hereinafter called "Holy Cross"), a Colorado corporation, was held at the main office at 3799 Highway 82 in Garfield County at 9:06 a.m. on August 17, 2011.

The Secretary reported that all seven Directors were present being Michael A. Glass, Lynn E. Dwyer, Thomas R. Turnbull, David C. Munk, Harold F. Clark, Megan M. Gilman and Adam L. Palmer. Staff attending included Chief Executive Officer Delvan Worley, Chief Financial Officer Tim Charlton, Chief Operating Officer Richard Brinkley and General Legal Counsel Randolph W. Starr. Also present were Tonya Warmenhoven, Lead Meter Reader at the Vail District Office; Rick Arnhold, Senior Manager at the Vail District Office; and Tom Grange, Senior System Operations Technician at the Glenwood Springs facility.

President Glass adjourned the meeting of the Board of Directors originally convened on July 20, 2011, which had been continued until today's meeting.

Upon motion duly made by Director Dwyer, seconded, put to a vote and unanimously carried, the following resolution was adopted:

RESOLVED that the minutes of the regular meeting of the Board held July 20, 2011, be approved.

President Glass asked for comments of members of the public present. As there were no members of the public present there were no comments made.

A list of general fund disbursements was presented. Questions about certain expenditures were asked by Board members and answered by Mr. Charlton and Mr. Worley. No action was taken as the accounts that were paid have already been accomplished in accordance with Board policy.

The Board then reviewed the Treasurer's Report for June 30, 2011, presented by Director Munk and Mr. Charlton.

Upon motion duly made by Director Turnbull, seconded, put to a vote and unanimously carried, the following resolution was adopted:

RESOLVED that the Treasurer's Report be approved.

There was no Safety Operating Committee meeting for June 2011 as the employee safety recognition breakfast was held on July 20. The Board reviewed the Safety Report for July 2011 and the minutes for the Safety Operating Committee meeting, dated August 9, 2011, that were distributed at the Board meeting. After discussion, and upon motion duly made by Director Turnbull, seconded, put to a vote and unanimously carried, the following resolution was adopted:

RESOLVED that the Minutes of the Safety Operating Committee dated August 9, 2011, be approved.

At this time Michael Whiddon, Accountant; Marilyn Dorman, Accounting Supervisor; and Bourk Dreyer, with Dreyer & Kelso, P.C., P.A, entered the Board room.

President Glass introduced employees Tonya Warmenhoven, with 30 years of service; Rick Arnhold, with 15 years of service; and Tom Grange, with 15 years of service. The Board recognized each employee for service to Holy Cross. At the conclusion of the presentation these employees left the Board room.

Attorney Starr reported on the status of the CACJA PUC proceedings.

Mr. Charlton and Mr. Dreyer presented the audit of Holy Cross's financial records for the fiscal year ended April 30, 2011. The audit had been sent to the Board prior to the meeting. Questions were asked by members of the Board and Mr. Charlton and Mr. Dreyer responded to the questions. After discussion, and upon motion duly made by Director Turnbull, seconded, put to a vote and unanimously carried, the following resolution was adopted:

RESOLVED that the audit of the financial statements of Holy Cross for the fiscal year ended April 30, 2011, be accepted.

Mr. Charlton and Mr. Dreyer presented a proposed change in the accounting for Holy Cross that would recognize estimated unbilled electric revenue on a monthly basis. Information about the impact on the finances of Holy Cross if the proposed change was adopted had been distributed to the Board prior to the meeting. Questions were asked by members of the Board and Mr. Charlton and Mr. Dreyer responded to the questions. No action was taken on the proposal. At the conclusion of the report Mr. Whiddon and Ms. Dorman left the Board room.

Attorney Starr presented a proposed new Corporate Policy C-27 entitled "Conflict of Interest." The proposed new corporate policy would deal with conflicts of interest of the members of the Board of Directors. The form of the policy was derived from sample policies used by other electric cooperatives. During the discussion Steve Casey, Manager Member Services, entered the Board room. Questions were asked by members of the Board and Mr. Starr responded to the questions.

Attorney Starr continued the discussion of conflicts of interest and gave a short educational presentation about the fiduciary duties of members of the Board of Directors. Questions were asked by members of the Board and Mr. Starr responded to the questions.

Mr. Charlton presented a proposed member equity refund that would occur in December 2011. Information about the impact on the finances of Holy Cross if the refund was made was identified to the Board at the meeting. Questions were asked by members of the Board and Mr. Charlton responded to the questions. After discussion, and upon motion duly made by Director Turnbull, seconded, put to a vote and unanimously carried, the following resolution was adopted:

RESOLVED that Holy Cross shall refund 25% of the 1996 member equity allocations of approximately \$2,785,000 in December 2011.

At this time, a luncheon break was taken. Mr. Dreyer left the Board room at the conclusion of the break.

Mr. Worley presented proposed changes to Tariffs, Rules and Regulations Sheet No. 16 (Residential Services - Time of Day - Optional), Sheet No. 17 (General Services - Small and Irrigation - Time of Day - Optional), Sheet No. 21 (General Services - Totalized Tariff), a/k/a Vail, and Sheet No. 22 (General Services - Aspen Ski Company Snowmaking/Ski Lift Tariff). These proposed changes are precipitated by the change in the wholesale rate tariff of Public Service Company of Colorado to Holy Cross. Questions were asked by members of the Board and Mr. Worley responded to the questions. After discussion, and upon motion duly made by

Director Munk, seconded, put to a vote and unanimously carried, the following resolution was adopted:

RESOLVED that the Tariffs, Rules and Regulations Sheet No. 21 and Sheet No. 22 as presented in draft format to the Board by management are hereby approved for publication of notice to the consumers of Holy Cross with the effective date of the revised rates to be October 1, 2011.

President Glass indicated that his employer has a financial relationship with Roundup River Ranch and that he will not participate in the discussion or decision on any matter related to that company. President Glass left the Board room for the discussion related to that company; and Vice President Dwyer assumed the duties of chairperson. Mr. Casey presented a request by Roundup River Ranch for funding of a solar electric generation project under the WE CARE budget. Questions were asked by members of the Board and Mr. Casey responded to the questions. A motion was made by Director Turnbull, seconded and unanimously carried to table this request. At this time President Glass reentered the Board room.

Mr. Worley gave an update on the status of existing renewable energy generation projects with comments by Mr. Casey. Mr. Casey presented an update on the status of Navigant's Five-Year Energy Efficiency Plan for Holy Cross. Questions were asked by the Board and answered by Mr. Casey and Mr. Worley. At the conclusion of the report Mr. Casey left the Board room.

Mr. Brinkley, in the absence of Barry Croissant, Supervisor of Purchasing and Facilities, gave a report on the status of the campus expansion and other current activities in addition to Mr. Croissant's written report of August 12, 2011.

Mr. Charlton gave a report on the matters under his supervision in addition to his written report of August 12, 2011. Mr. Charlton also discussed current activities, including State Treasurer unclaimed property self-audit, the quarterly financial report for the Second Quarter ending July 31, 2011 (materials distributed to the Board prior to the meeting) and other matters.

Mr. Brinkley reported on matters under his supervision in addition to his written report of August 12, 2011. Mr. Brinkley reviewed the system outage report for July 2011. Mr. Brinkley also discussed current engineering issues, current electric operations issues, the status of the Minturn franchise, the results of the WECC audit and other issues.

After further discussion about Tariffs, Rules and Regulations Sheet No. 16 and Sheet No. 17, and upon motion duly made by Director Munk, seconded, put to a vote and unanimously carried, the following resolution was adopted:

RESOLVED that Tariffs, Rules and Regulations Sheet No. 16 and Sheet No. 17 as presented in draft format to the Board by management (as revised and delivered at the meeting to add Option B effective November 1, 2011) are hereby approved for publication of notice with the effective date of the revised rates to be November 1, 2011.

Mr. Worley reported on matters under his supervision in addition to his written report of August 12, 2011. Mr. Worley reviewed the status of the proposed rate increase by Public Service Company of Colorado, current activities and other issues.


President Glass reported on the CREA Board meeting.

Arrangements for the Rocky Mountain Electrical League Fall Convention in Santa Ana Pueblo, New Mexico, on September 11 - 13, 2011; the National Rural Electric Cooperative

Association Region VII Meeting in Denver, Colorado, on October 11 – 13, 2011; and the CREA Energy Innovations Summit in Denver, Colorado, on October 14, 2011, were discussed.


Directors stated that the miles actually and necessarily traveled in attending this meeting were as follows: Glass 106, Dwyer 40, Turnbull 28, Munk 36, Clark 63, Palmer 60 and Gilman 120.

President Glass recessed the meeting at 3:00 p.m. until 9:00 a.m. on September 21, 2011. The next meeting will be held at Holy Cross's office at 3799 Highway 82 in Glenwood Springs, Colorado.



Secretary - Thomas R. Turnbull

APPROVED:



President – Michael A. Glass

NOTE: The 2011 Board meeting dates have been set as follows: September 21, 2011; October 19, 2011; November 16, 2011 and December 21, 2011. The 2012 Board meeting dates have been set as follows: January 18, 2012; February 15, 2012; March 21, 2012; April 18, 2012; May 16, 2012; June 20, 2012; July 18, 2012; August 15, 2012; September 19, 2012; October 17, 2012; November 21, 2012 and December 19, 2012.