

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

October 21, 2009

A regular meeting of the Board of Directors of Holy Cross Energy, a Colorado corporation (hereinafter called "Holy Cross"), was held at the office of Holy Cross at 3799 Highway 82 in Garfield County, Colorado, at 9:00 A.M. on October 21, 2009.

The Secretary reported that all seven Directors were present, being Thomas R. Turnbull, Robert F. Starodaj, Harold F. Clark, George H. Shaeffer, Michael A. Glass, Lynn E. Dwyer and Adam L. Palmer. Director Emeritus George S. Lamb was also present.

The President adjourned the meeting of the Board of Directors originally convened on September 16, 2009, which had been continued until today's meeting.

The minutes of the regular meeting of the Board held September 16, 2009, were read and, upon motion duly made by Ms. Dwyer, seconded, put and unanimously approved.

A list of accounts payable was presented. After discussion, and upon motion duly made by Mr. Shaeffer, seconded, put and unanimously carried, such list was approved, and the payment of all items thereon was directed, approved and ratified. The President directed that said list be identified by the Secretary as that acted upon at this meeting.

The Board then reviewed the Treasurer's Report for September 2009. After discussion and upon motion duly made by Ms. Dwyer, seconded, put and unanimously carried, the Treasurer's Report was approved.

The Board then reviewed the Safety Report for September 2009, and the minutes for the Safety Operating Committee, dated October 16, 2009.

Upon motion made by Mr. Clark, seconded, put and unanimously carried, the following resolution was adopted:

RESOLVED: That the minutes of the Safety Operating Committee, dated October 16, 2009, are hereby approved.

Dean Andreatta, Journey Lineworker at the Glenwood Springs facility, with forty (40) years of service was recognized for his service and presented with a service award.

Attorney Kent Singer reported on pending litigation and regulatory matters. He reviewed the recent decision in the Gateway Canyons case as well as a Federal court ruling related to climate change litigation.

Mr. Ken Pinnock, Mountain States Employers Council, along with Management, gave a presentation with recommendations concerning wage, salary and benefit revisions.

Upon motion duly made by Mr. Glass, seconded, put and carried (with Ms. Dwyer, Mr. Palmer and Mr. Starodaj dissenting), the following resolutions were adopted:

RESOLVED: That effective November 1, 2009, the wage ranges for hourly employees, salaried employees and Department Managers shall be increased 2.5%, as shown on the attached "Position and Range Summary" dated November 1, 2009. The bonus pool for Department Managers shall remain at 10%, and for salaried Supervisory Staff shall remain at 5%.

FURTHER RESOLVED: That the salary range for the two General Managers under the Chief Executive Officer shall be increased 2.5% effective November 1, 2009, and the available bonus pool shall remain at the maximum of 15% of their combined salaries, to be awarded at the discretion of the Chief Executive Officer. General Manager ranges are shown on the attached November 1, 2009, schedule.

FURTHER RESOLVED: That effective November 1, 2009, the monthly housing allowance for eligible Eagle-Vail District and Aspen facility employees shall remain at \$650.00 and \$250.00 for eligible employees reporting to the Glenwood Headquarters facility. The Chief Executive Officer and General Managers will be excluded from receiving a housing allowance.

FURTHER RESOLVED: That the following range changes are adopted for Warehouse Foreman-District and Supervisor-System Operations and Graphics, as shown on the attached "Position and Range Summary" dated October 21, 2009.

FURTHER RESOLVED: That monthly premium amounts for the Holy Cross Electric Association Health and Welfare Trust shall be increased 2.5% effective January 1, 2010, as follows: \$736.00 for Individual coverage; \$1,472.00 for Individual Plus One coverage; and \$2,208.00 for Family coverage. The employees will be responsible for 10% of this monthly premium amount for 2010. Retirees covered by the Health and Welfare Trust will be responsible for the monthly premium amount for the coverage in which they are enrolled. Effective January 1, 2010, the Health and Welfare Trust plan design will remain basically the same as last year, with the addition of two benefit changes as required by Federal law.

FURTHER RESOLVED: That effective January 1, 2010, a 35% increase required to fund the NRECA Retirement Security Plan will be paid by Holy Cross with no cost

to employees at this time. All options will be reviewed to control retirement plan costs in the future.

Richard Brinkley, General Manager of Electric Operations and Engineering, discussed the desire to modify Employee Policy E-35 for recognition at an employee's retirement.

Upon motion duly made by Mr. Clark, seconded, put and unanimously carried, the following resolution was adopted:

RESOLVED: That Employee Policy Statement E-35, Service Recognition Award, is hereby adopted and approved effective November 1, 2009.

The Board then went into Executive Session to discuss the salary of the Chief Executive Officer. At the conclusion of the Executive Session, the Board resumed the regular meeting.

Upon motion duly made by Mr. Shaeffer, seconded, put and unanimously carried, the following resolution was adopted:

RESOLVED: That the annual salary of the Chief Executive Officer shall, at the Chief Executive Officer's request, remain at \$245,000.00, effective November 1, 2009.

Barry Croissant, Supervisor of Purchasing and Facilities, gave a status report on the headquarters expansion project. He reported that the fire suppression tank and the boiler were complete.

Tim Charlton, General Manager of Support Services, reported on matters under his supervision. Mr. Charlton summarized the updated load forecast study as well as the financial forecast model, and explained the need for the Board to approve the studies.

Upon motion made by Mr. Palmer, seconded, put and unanimously carried, the following resolution was adopted:

RESOLVED: That the revised Load Forecast Study be approved as presented at this meeting.

Upon motion made by Mr. Clark, seconded, put and unanimously carried, the following resolution was adopted:

RESOLVED: That the revised 2009 Financial Forecast Model be approved as presented at this meeting.

Mr. Charlton also reviewed a proposed change to Policy C-23 related to the disclosure of consumer information.

Upon motion made by Mr. Clark, seconded, put and unanimously carried, the following resolution was adopted:

RESOLVED: That Policy C-23 be revised to allow Holy Cross to provide payment balances to a non-member to facilitate payment of a bill and avoid disconnection of service.

Mr. Brinkley reported on matters under his supervision. Mr. Brinkley reported that the Town of Eagle requested a 90-day extension to continue negotiations with respect to the franchise agreement with Holy Cross.

Upon motion duly made by Mr. Clark, seconded, put and unanimously carried, the following resolution was adopted:

RESOLVED: That Management be authorized to take such steps as may be necessary to grant a 90-day extension of the franchise agreement with the Town of Eagle.

Mr. Brinkley also discussed the status of the Cooley Mesa office project, and requested the Board to approve two action items to move ahead with the project.

Upon motion duly made by Mr. Clark, seconded, put and unanimously carried, the following resolution was adopted:

RESOLVED: That Management be authorized to enter into a contract with Scott Green Excavation for work at the Cooley Mesa site in an amount not to exceed \$206,441.99.

Upon motion duly made by Ms. Dwyer, seconded, put and unanimously carried, the following resolution was adopted:

RESOLVED: That Management be authorized to make a final decision with respect to the fencing contract at the Cooley Mesa site and to execute such contract with the selected contractor.

Mr. Brinkley also reviewed the system outage report for September 2009.

Del Worley, Chief Executive Officer, reported on matters under his supervision.

Mr. Worley reviewed the requirements of the Energy Independence and Security Act and asked the Board to act on the Staff recommendations.

Upon motion duly made by Mr. Clark, seconded, put and unanimously carried, the following resolution was adopted:

RESOLVED: That the Staff recommendations as presented at this meeting with respect to the Energy Independence and Security Act of 2007 be adopted.

Mr. Worley discussed the need to appoint a delegate and an alternate delegate to the CREA Board.

Upon motion duly made by Mr. Clark, seconded, put and unanimously carried, the following resolution was adopted:

RESOLVED: That Mr. Glass be appointed as the Holy Cross delegate to the Colorado Rural Electric Association Board and that Mr. Worley be appointed as the alternate.

Mr. Worley described two models of a community renewable energy project for the Board's consideration. The consensus of the Board was to authorize Management to proceed with the project.

Mr. Worley also discussed a pending dispute with a Holy Cross consumer concerning a security deposit for service. (Mr. Glass excused himself from this part of the meeting due to a conflict of interest.) The Board approved Mr. Worley's suggested approach to resolving the issue.

Upon motion duly made by Mr. Glass, seconded, put and unanimously carried, the following resolution was adopted:

RESOLVED: That this Board Meeting is hereby continued until the next regular or special Board Meeting of Holy Cross, provided that the mileage for this day's attendance shall be paid to the Directors as described below.

Directors stated that the miles actually and necessarily traveled in attending this meeting were as follows: Turnbull 28, Starodoj 80, Clark 63, Shaeffer 75, Glass 106, Dwyer 40, Palmer 60 and Lamb 132.

The meeting recessed at 3:05 P.M. on October 21, 2009.

Secretary

APPROVED:

President