

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 Hugo, Colorado on Tuesday, May 26, 2015 at the hour of 4:00 p.m. The meeting was called to order by President Kevin Penny. The following Members were present and constituted a quorum:

Kevin Penny	Luanna Naugle	Wayne Parrish
Robert Bledsoe	Marvin Thaller	Jim Michal
Dave Ritchey	Terry Tagtmeyer	Dan Mills

Also present were General Manager David Churchwell, Chief Financial Officer Bo Randolph, Operations Manager Paul Norris, Member Service Specialist Ben Orrell, Accountant Sue Dutro, Data Processing Supervisor Kristie Constance and Attorney Jeff Cure.

Approval of Minutes: It was unanimously approved to accept the minutes for the regular meeting of the Board on April 28, 2015.

Next Meeting Date: Without objection, the date for the next regular meeting of the Board was confirmed June 23, 2015 at 4:00 p.m. in Stratton, Colorado.

Public Comments: Kevin Kelso, of Dreyer and Kelso, PC, PA, joined the meeting via teleconference to review the 2014 Audit Report. Mr. Kelso reviewed, among other things, the topics of materiality, compliance with debt requirements, auditor's report, and a comprehensive review of the financial statements included in the report.

Disbursements Report Review: The Disbursements Report of the Association for April 2015 was reviewed and, after the Board had an opportunity to review and ask questions, Mr. Penny declared the Disbursements Report as an informational item requiring no Board action.

Emergency Items: None.

2014 Financial Audit: After discussion the following resolution was unanimously approved:

“BE IT RESOLVED: That the audit for the fiscal year ending December 31, 2014 conducted by Dryer and Kelso is hereby accepted by the Board of Directors as presented.”

Two Year Audit Agreement: Mr. Churchwell presented a two year audit agreement with Dreyer & Kelso, P.C., P.A. After discussion, the following resolution was unanimously approved:

“BE IT RESOLVED: That K.C. Electric will engage Dreyer & Kelso, P.C., P.A. for the audit of the financial statements of K.C. Electric Association for the years ending in December 31, 2015 and 2016.”

RUS Z8 Loan Approval: Mr. Churchwell presented a board resolution requesting a Federal Financing Bank Loan which will be sent to Rural Utility Service (RUS) for approval. After discussion, the following resolution was unanimously approved:

“BE IT RESOLVED: That K.C. Electric authorizes a Board Resolution Requesting a Federal Financing Bank Loan for \$ 10,849,000 for facilities and reimbursement.”

Bank Signature Authorizations: Mr. Churchwell presented a resolution from The Eastern Colorado Bank of Cheyenne Wells, Colorado authorizing CFO Bo Randolph the authority to conduct business on behalf of K.C. Electric. After discussion, the following resolution was unanimously approved:

“BE IT RESOLVED: Bo Randolph is authorized to conduct business on behalf of K.C. Electric with The Eastern Colorado Bank of Cheyenne Wells.”

Mr. Churchwell presented a resolution from Colorado East Bank and Trust of Stratton, Colorado authorizing CFO Bo Randolph the authority to conduct business on behalf of K.C. Electric. After discussion, the following resolution was unanimously approved:

“BE IT RESOLVED: Bo Randolph is authorized to conduct business on behalf of K.C. Electric with Colorado East Bank and Trust of Stratton.”

Operational Policies: Up for review was Policy #117, Service Releases; Policy #300, Delegation of Authority from Board to General Manager; and Policy #301, General Manager’s Attendance at Meetings. After discussion, the following resolution was unanimously approved:

“BE IT RESOLVED: That Policy #117 is approved as amended, and Policies #300 and #301 are approved as presented.”

Unit #10 Truck Replacement: Mr. Norris presented bids for a new pickup box delete and bids to repair and transfer an existing service body. After discussion, the following resolution was unanimously approved:

“BE IT RESOLVED: That K.C. Electric management is hereby authorized to purchase a 2015 Chevy 2500 box delete from Vince’s GM Center for \$27,716.60 (with trade-in) and have JR Oilfield repair and transfer an existing service body for \$ 6,500.”

Idle Service Policy: A brief discussion was held on our idle service policy with no action being taken.

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 \$66,898.69.”

Inventory of Work Orders: After review and discussion, the following resolution was unanimously approved:

“BE IT RESOLVED: That Inventory of Work Orders #415, in the amount of \$93,341.04 and # 416, in the amount of \$ 14,497.72, is hereby approved.”

General Manager’s Report: Mr. Churchwell reported on the following: Tri-State update including notification of the Tri-State rate design, Southwest Power Pool, ColoWyo and Trapper mines, Rate committee progression, CREA JT&S program updates and K.C. employee changes.

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

- a. Mr. Churchwell presented a slideshow of the financial report for April 2015.
- b. Mr. Norris reported there were no First Reports of Injury or Near Misses. A recap was given of the safety meetings held in Hugo and Stratton. A safety committee meeting was held in Stratton, and the K.C. safety manual committee has reviewed CREA’s recommended changes to our safety manual and sent it back to CREA for review.
- c. Mr. Norris reported on the outages experienced in the past month and discussed ongoing maintenance and pole replacements being completed by K.C. crews.
- d. Mr. Orrell referenced his report in the Board packet which summarized activities of Member Services for April 2015. Ben updated the Board on annual meeting preparations and asked the Board of Directors who would be attending the pre-annual meeting dinner.

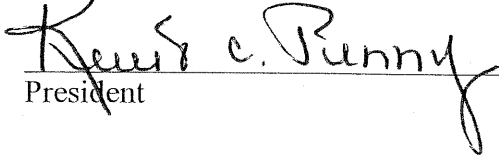
CREA Report: Mr. Mills referenced his report in the board packet and reported, among other things, a recap of legislative activities, CREA employee changes, and future CREA Board meetings.

WUE Report: Mr. Mills referenced his report in the board packet and reported that WUE sales continue to be strong but future growth in sales may be slowed by the downturn in the oil industry.

Tri-State G&T Report: Mr. Bledsoe referenced his report in the board packet and answered questions from Board members.

Adjournment: Mr. Penny declared the meeting adjourned at approximately 7:30 p.m.

APPROVED:



President



Secretary/Treasurer