

KIT CARSON ELECTRIC COOPERATIVE, INC.

MEETING OF THE BOARD OF TRUSTEES

January 30, 2018

A meeting of the Board of Trustees of Kit Carson Electric Cooperative, Inc. was called to order by the President, Mr. Bobby Ortega, on Tuesday, January 30, 2018 at 9:05 a.m. in the Marcelino Martinez Room of the headquarters building of the Cooperative, Taos, New Mexico. The following Trustees were present:

<i>Cristobal Duran</i>	<i>Present</i>
<i>Bruce Jassmann</i>	
<i>Ambrose Mascarenas</i>	
<i>Manuel Medina</i>	
<i>Bobby Ortega</i>	
<i>Arthur Rodarte</i>	
<i>Bernie Torres</i>	
<i>David Torres</i>	

Also, present were: Johnny Valerio, Chief Financial Officer; Carmella Suazo, Administrative Assistant; and Joyce Archuleta, Executive Secretary, who recorded the day's proceedings.

Mr. Duran led the Board in reciting the Pledge of Allegiance.

Mr. Mascarenas led the Board in a word of prayer.

The President announced a quorum was present and the Board was ready to proceed with the transaction of business.

The President requested that the following meetings be held as follows: Work Session/Budget Presentation, February 21, 2018 at 8:30 a.m. Solar Committee Meeting, February 16, 2018 at 1:00 p.m. Bylaw & Policy Committee Meeting, February 14, 2018 at 9:00 a.m. and Broadband Committee Meeting, February 15, 2018 at 3:00 p.m. It was moved by Mr. Duran, seconded by Mr. Jassmann, and unanimously approved, that the agenda be approved as presented.

The minutes for the Board of Trustees regular meeting held December 28, 2017 were presented. It was moved by Mr. Rodarte, seconded by Mr. Mascarenas, and unanimously approved, that the minutes be approved as presented.

Mr. Reyes introduced Mrs. Lynn Gilley, new Human Resource Manager. Mrs. Gilley reported that she was very pleased to be at KCEC and looked forward to working with the Board of Trustees. The President welcomed Mrs. Gilley and wished her luck on her new position. Mr. Reyes presented the CEO's report for December 2017. Financials were reviewed. Mr. Reyes reported that for the month of December margins were at \$72,861; year to date were \$18,567. Mr. Reyes reported due to the lack of moisture, KCEC will need to review the best approach to maintain and trim trees in the forest since it will be dry. He reported there was a decrease in Administrative and General expenses. The things that can be controlled, staff is doing a good job controlling. Mr. Reyes reported a 4% decrease in residential class sales, small commercial class 4% decrease in sales, seasonal class increased as a result of reclassifying accounts and large commercial class had an increase of 1.3% in sales. He reported that for the month of November five million less kWh were sold. He reported crews are currently tree trimming and maintaining the lines due to warm weather and lack of growth. The Balance sheet was reviewed. Mr. Reyes reported new services this year were 254 compared to 169 last year. He reported KCEC is operating 2,900 miles of line and 143 miles of transmission. He reported total assets were \$172,775,913. Mr. Reyes reported that if the amount proposed in the rate case was approved. KCEC would have hit financial targets. He reported that Chevron has not hit targets relative to power needs. Not pumping and cleaning enough water, he reported they are only meeting half of their obligation. The President recommended sending a certified letter to Chevron requesting to schedule a meeting and request their 2018 energy expectations so that KCEC can make appropriate budget assumptions. Mr. Rodarte requested how to build load be a topic for discussion at the Strategic Session. The President reported a Strategic Session would be scheduled for some time in March. Mr. Reyes reported Year to Date TIER was 1.01 and Year to Date DSC was 1.03. Mr. Reyes reported the Taos Ski Valley and Red River projects were complete. He reported that in 2017 credit/debit card payments continued to increase, it is important to change the rate structure to capture a portion of the costs associated with the credit/debit card payments. He reported that the State of New Mexico winter moratorium period is from November 15 thru March 15 so delinquencies increase. Discussion was held on the many issues in regard to accounts becoming delinquent. The President reported that operational efficiencies should be considered and that paper billings decrease. He requested when the department heads present their budgets that they report on the efficiencies

they have implemented. Mr. D. Torres reported the Safety Committee met January 10, 2018. He reported KCEC was 99 days with no lost time accidents. He reported that nominations for Long Rope Safety Awards were due. Mr. Torres reported that the Safety Committee would be working with Department Heads to develop safety goals by department. Mr. Mascarenas reported that he was approached regarding the main entrance of the KCEC building not being handicap accessible. Mr. D. Torres reported he was part of the NRECA Director Advisory Group, he reported they had a telephone conference meeting in which they had an online survey asking for opportunities and challenges. One of the questions was what challenges keep you up at night? One of the issues was Cyber Security, NRECA will take this into consideration and make it an agenda item at the March meeting. He reported the first in person meeting would be held in March 2018. Mr. Reyes reported that Kit Carson Energy Inc. margins were \$338,000 compared to \$265,000 in 2016. Kit Carson Telecom margins were \$271,000. He reported all three entities would need to focus on efficiencies. Following discussion, it was moved by Mr. Medina, seconded by Mr. Jassmann, and unanimously approved, that the CEO report for December 2017 be approved as presented. A copy of the CEO report is included in the Transfer of Documents and is hereby made a part of the minutes of this meeting.

The President reported requests have been received from Estates for retirement of capital credits. It was moved by Mr. Duran, seconded by Mr. Jassmann, and unanimously approved, that payments to these Estates in the amount of \$11,422.80 be approved as presented with the provision that such payment would not impair the financial condition of the Cooperative and that any balance owed would be paid in the future after approval of the Board.

Capital Credits
to Estates

Mr. Reyes reported CoBank was restating current debt due to compliance changes; however, all balances and interest, and the terms and provisions remain the same. CoBank is bringing notes into compliance, not adding debt just restating current debt. Johnny Valerio, Chief Financial Officer has reviewed the documents with CoBank. Mr. Reyes reviewed the associated documents. He requested the approval of the Resolution and associated documents related to long term debt with CoBank. Mr. B. Torres reported he had attended the CoBank meeting in Denver, CO., he expressed to Mr. Reyes that he was very impressed on how prepared he was for presentation to CoBank. It was moved by Mr. Rodarte, seconded by Mr. Jassmann, and unanimously approved to approve the Resolution &

Approval of
Resolution &
Associated
Documents
Related to
CoBank Long
Term Debt

associated documents related to restatement of CoBank long term debt.

The President recommended the February Board meeting date be changed to February 22, 2018 due to the 2018 NRECA Annual Meeting. It was moved by Mr. Medina, seconded by Mr. Mascarenas, and unanimously approved, that the February Board Meeting be held February 22, 2018. Mr. Reyes reported that on February 12 & 13, 2018 training was scheduled for Workplace Harassment, per Board Policy all employees and Trustee must attend training annually.

February Board Meeting Date

Discussion was held on appointment of CFC Voting Delegate and Alternate for NRECA Annual Meeting to be held February 22 thru February 28, 2018 in Nashville, TN. The President appointed Mr. Manuel Medina as Voting Delegate and Mr. Cristobal Duran as Alternate.

Appoint CFC Voting Delegate & Alternate

The President called for a recess at 10:08 a.m.

Recess

Meeting was reconvened by the order of the President at 10:23 a.m.

Meeting Reconvened

The President reported donation totals and correspondence were in the packet and may be reviewed at leisure.

Donations & Correspondence

Mr. Jassmann presented Payables for the Electric and Internet Divisions. The Payables Committee met on January 10, 2018. Mr. Jassmann recommended approval. It was moved by Mr. Rodarte, seconded by Mr. Medina, and unanimously approved, that the payables for December 2017 be approved as presented.

Payables Committee

Mr. Duran reported that he attended the NMRECA meetings January 4 & 5, 2018. Mr. Reyes reported that there would be an NMRECA Manager's meeting on January 4, 2018 at 9:30 a.m. He stated if any of the Board would be in Santa Fe they should attend the meeting as Sandy Jones, New Mexico Public Regulation Commissioner would be at the meeting and discussion would be held on rate protest process. He reported that bills being tracked are related to Broadband/Wireless. He reported that there is a bill being dropped on Ag-exemption for farmers, you cannot take the ag-exemption away if a farmer chooses not to use the land. The Economic Development in Questa, NM has a big part in agriculture. Mr. Duran reported the Committee regarding Jemez joining NMRECA was abolished until further notice. Jemez requested assistance from KCEC on solar since KCEC has a strong national reputation. Jemez and

NMRECA Board Meeting

KCEC will work together on Redi-Net opportunities and deregulation. Mr. Duran reported the next NMRECA meeting would be held February 1 & 2, 2018.

Mr. Reyes reported on Kit Carson Telecom Broadband
financials. He reported KCT is focusing on aerial Committee &
hookups, underground hookups are being completed if Economic
conduit is in place. Mr. Reyes reported KCT had over Development
6,000 subscribers. Goal for 2018 is 8,000 subscribers.
He reported KCT has 600 telephone customers and is
currently resolving battery issues. He provided an update
on economic development; he reported Erin Sanborn is
doing a great job working with elected officials. He
reported she has been making progress with the
Intergovernmental Council (IGC). Mr. B. Torres inquired
if the collections for the Broadband customers was the
same as the electric customers. Mr. Reyes reported that
KCT can disconnect customers for nonpayment after a
certain period and is not required to mail or deliver
delinquent notices.

Mr. Mascarenas reported that Solar was Solar
discussed in the Board Work Session. Mr. Reyes reported Committee
that they met with Syncarpha and found another
appraiser for the El Rito project. Syncarpha would pay
for the re-appraisal.

Mr. D. Torres reported the Bylaw & Policy Bylaw & Policy
Committee met on January 10, 2018. He reported the Committee
Committee is continuing to review Board Policy 3.21,
Drug/Alcohol, Board Policy 3.27, Drug/Alcohol Use by
Commercial Driver, Board Policy 3.28, Employee Code
of Conduct and Board Policy 3.29, Bargaining Unit
Employee Code of Conduct.

There being no further business to come before Meeting
the Board, it was moved by Mr. Jassmann, seconded by Adjourned
Mr. B. Torres and unanimously approved, that the Board
of Trustees of Kit Carson Electric Cooperative, Inc.
meeting be adjourned until February 22, 2018 at 9:00
a.m. the date and time of the next Board meeting. Unless
changed and, thereupon, the President declared the
meeting adjourned at 10:56 a.m.

The following Trustees were present at the end of the
meeting:

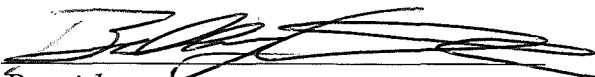
Cristobal Duran, Bruce Jassmann, Ambrose
Mascarenas, Manuel Medina, Bobby Ortega, Arthur
Rodarte, Bernie Torres and David Torres.

January 30, 2018 Board Meeting Minutes



Secretary

Approved this 22 day of February 2018



President