

KIT CARSON ELECTRIC COOPERATIVE, INC.

MEETING OF THE BOARD OF TRUSTEES

February 22, 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 Thursday, February 22, 2018 at 9:25 a.m. in the Alumni Meeting Room at Northern New Mexico College, El Rito Campus, El Rito, 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: Luis A. Reyes, Jr., Chief Executive Officer, Richard Martinez, Chief Operating Officer; Carmella Suazo, Administrative Assistant; Andrew Gonzales, KCT Manager and Joyce Archuleta, Executive Secretary, who recorded the day's proceedings.

The President thanked everyone for attending the meeting in the snow storm.

<i>Mr. Duran led the Board in reciting the Pledge of Allegiance.</i>	<i>Pledge of Allegiance</i>
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Mr. Mascarenas led the Board in a word of prayer.

<i>The President announced a quorum was present and the Board was ready to proceed with the transaction of business.</i>	<i>Quorum</i>
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<i>The agenda was presented. It was moved by Mr. Jassmann, seconded by Mr. Medina, and unanimously approved, that the agenda be approved as presented.</i>	<i>Agenda</i>
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<i>The minutes for the Board of Trustees regular meeting held January 30, 2018 were presented. It was moved by Mr. Rodarte, seconded by Mr. Jassmann, and unanimously approved, that the minutes be approved as presented.</i>	<i>Minutes for January 30, 2018 Regular Meeting</i>
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The President requested that staff present at the meeting introduce themselves to the audience. He then asked members of the audience to introduce themselves. He asked members if they had any questions or concerns that could be discussed while waiting for Mr. Reyes to arrive. Mr. Horacio Martinez asked when [CS1] telephone service would be available in the Canon Plaza area. Mr. Andrew Gonzales reported that Kit Carson Telecom is working with Star2Star and stated if members have Broadband to their homes, the telephone service should be available. Mr. Gonzales will follow up. Mrs. Maybel Ocana inquired if fax service would be available thru KCT and would each member have to pay for their own equipment. Mr. Gonzales reported that there would be fax services available, members would have to purchase their own equipment and that there would be an additional charge for fax service. Mr. John Ussery congratulated KCEC on renewable energy projects. He recommended a partnership to integrate biomass fuel for forest restoration. Mr. Reyes joined the meeting at 9:33 a.m. Mr. Jake Arnold thanked KCEC for their solar leadership. The President reported on the great partnership with Guzman Energy, they are working with KCEC on solar projects. He reported that KCEC is looking forward to the completion of the El Rito solar project. Appraisal issues have been resolved. Dr. Bailey expressed sincere gratitude on the leadership vision to embrace renewable energy. He reported that there was an issue with the appraisal on the land in El Rito; however, another appraisal would be completed in six to eight weeks. He reported it is more than just a solar array for El Rito, it also includes an educational aspect and would assist to revitalize the campus' destination. The campus would be able to offer key trade programs and they would also be considering a First Responder Academy that is needed for Fire Departments and Forest Service and would assist with the tradition of heritage celebrations that were celebrated in the past. This would not have been possible without the partnership, he thanked Mr. Reyes and members of the Board of Trustees for their leadership. The President asked what the enrollment was at the College. Dr. Bailey reported there were 1,200 students enrolled and there were 241 employees, with an annual budget of \$26 million. He reported that they had reached out to the AFL-CIO and local unions to determine the need for Apprenticeship Programs.

Mr. Reyes presented the CEO's report for CEO Report January 2018. He reported financials were not available due to the Board Meeting being held on an earlier date. He reported preliminary margins for the month of January were \$436,000, which don't include Kit Carson

Telecom or Kit Carson Energy, Inc. Financials will be sent to the Board when they are available. Mr. Reyes provided an update on the solar projects. He reported KCEC would be at 50% capacity by October with the commitment from KCEC and the college to move forward. He stated the project would be upgraded from 1 MW to 1.5 MW. Mr. Reyes reported that KCEC was working with a group from Silver City to work collaboratively with local communities on down and dead trees. He reported he had been in contact with Gordon West. Mr. Reyes reported that he met with a group of individuals in the Penasco, Tres Ritos area who were very interested in solar. He reported that KCEC Solar Development includes Taos, (4) MW, El Rito, (1.5) MW, Eagle Nest, (1.0) MW, Angel Fire, (2) MW and Questa, (1.5) MW. He reported there were ten new solar projects under contract for 2018 that would be built by local labor. Mr. Reyes reported on Broadband. He reported there were currently 6,100 subscribers. Kit Carson Internet has migrated fixed wireless to fiber. The Broadband Project audit must be finalized since the project was funded by the federal government. He reported there was a scheduled meeting with the auditors on March 14, 2018. Auditor has been asked to review the new tax code and provisions that could affect KCEC. Mr. Reyes reported on the 85/15 rule; 85% of income must be from members. Mr. Reyes reported on the Request for Proposal (RFP) for battery storage. The RFP would be to the marketplace. He reported that KCEC was trying to mitigate potential rate increases. Mr. Reyes reported that KCEC was working with Rio Arriba County and Jemez Mountain Electric Cooperative to develop a solar program. He reported the first project for Jemez Mountain Electric would be with Rio Arriba County for (1) MW solar project. KCEC requested that Rio Arriba County assist KCEC with RediNet access. Mr. D. Torres reported the Safety Committee met February 14, 2018. He reported KCEC was 141 days with no lost time accidents. Discussion was held on active shooter training, and member engagement assault, he reported that discussion would be held with the Bylaw & Policy Committee on implementing a policy. Mr. D. Torres reported the Safety Committee would be implementing a safety campaign, and would be requesting ideas from employees, staff and management so everyone would be engaged in safety. He reported the Safety Committee would be meeting 48 hours after incidents that have occurred at KCEC for discussion and review. He stated the goal was to embrace a safety culture. Mr. Bernie Torres joined the meeting at 10:01 a.m. Following discussion, it was moved by Mr. Duran, seconded by Mr. Jassmann, and unanimously approved, that the CEO report for January 2018 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. Medina, and unanimously approved, that payments to these Estates in the amount of \$8,821.52 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 the 2018 Budget had been presented and reviewed at the Board Work Session/Budget Presentation meeting held yesterday. Discussion was held on DSC and TIER. Mr. Reyes recommended the approval of the 2018 Budget. It was moved by Mr. Rodarte, seconded by Mr. Jassmann, and unanimously approved to approve the 2018 Budget.

*Approval of
2018 Budget*

Mr. Reyes reported RUS is requested request authorization for departure from RUS' accounting requirements to account for deferred debits and credits taken by KCEC related to KCEC's withdrawal from membership in the Tri-State G&T. He stated Resolution No. 2-2-18 and a letter to RUS and attachments were in the Board packet. The exit fee was in the cost of power as a deferred debit, for six years. RUS was not aware this was for six years they thought it would be for 30 years. Of the \$37 million exit fee \$6.5 million has been paid. Eide Bailey provided a letter explaining how KCEC handled the exit fee. It was moved by Mr. Mascarenas, seconded by Mr. Duran, and unanimously approved to approve RUS Deferred Cost Resolution No. 2-2-18.

*RUS Deferred
Cost Resolution
No. 2-2-18*

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 February 9, 2018. Mr. Jassmann recommended approval. It was moved by Mr. Rodarte, seconded by Mr. Medina, and unanimously approved, that the payables for January 2018 be approved as presented.

*Payables
Committee*

Mr. Duran reported that he attended the NMRECA meetings February 1 & 2, 2018. He reported that CoBank would be hosting webinar seminars and suggested that KCEC take advantage of these seminars. He reported the following Bills were supported by

*NMRECA
Board Meeting*

NMRECA. HB 77 – Energy Storage System Tax Credits, HC 128 – Broadband Component Gross Receipts, HB 207 – Library Broadband Infrastructure Fund, HJM 15 – VW Settlement Funds for Electric Vehicles, HM 23 – Memorial declaring February 1, 2018 “New Mexico Rural Electric Cooperative Day” in the Senate and SM 11 – A memorial declaring February 1, 2018 “New Mexico Rural Electric Cooperative Day” in the Senate. Mr. Duran reported the NRECA 2018 Annual Meeting would be held in Nashville, TN, February 22 – 28, 2018. He reported the next NMRECA meeting would be held March 1 & 2, 2018.

Mr. Reyes reported on Kit Carson Telecom Broadband financials. He reported KCT currently has 6100 subscribers. Mr. Reyes reported that the focus is on overhead drops. He reported that District Three had the most telephone customers. KCT is working on telephone service and new construction. Mr. Reyes reported KCT continues to assist Continental Divide build their network. He reported KCT has 600 telephone customers and is currently resolving battery issues. Committee & Economic Development

Mr. Mascarenas reported that Solar was discussed in the Board Work Session. He reported Syncarpha had started GEO testing. Installation for Eagle Nest solar project should be completed by June. Mr. Reyes reported that they met with Syncarpha and found another appraiser for the El Rito project. Syncarpha would pay for the second appraisal. Discussion was held on solar panel tax increase and unfair trade practice filed by the United States. The tax impact for a \$2,000,000 project would be \$100,000. Solar Committee

Mr. D. Torres reported the Bylaw & Policy Committee met on February 14, 2018. He reported the Committee reviewed Board Policy 3.21, Drug/Alcohol, and recommended no changes, Board Policy 3.27, Drug/Alcohol Use by Commercial Driver, recommended no changes, Board Policy 3.28, Employee Code of Conduct, reviewing and Board Policy 3.29, Bargaining Unit Employee Code of Conduct, reviewing and Board Policy 2.2, Privacy and Confidentiality, recommended no changes. It was moved by Mr. Jassmann, seconded by Mr. Medina and unanimously approved, that Board Policy 3.21 Drug/Alcohol, Board Policy 3.27, Drug/Alcohol Use by Commercial Drivers and Board Policy 2.2 Privacy and Confidentiality be approved with no changes. Mr. Reyes reported that the ByLaw & Policy Committee was working on language changes for Board Policy 3.28 Employee Code of Conduct and Board Policy 3.29 Bargaining Unit Employee Code of Conduct. He reported that the Committee would also be reviewing how Bylaw & Policy Committee

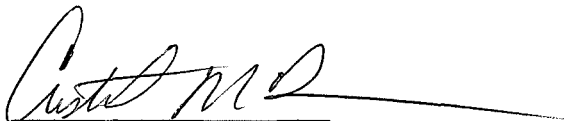
an employee handles an assault. Employees need to be safeguarded.

Mr. Reyes reported Workplace Harassment, Other Business Workplace/Sexual Harassment training had been re-scheduled for all employees and Trustees/Directors. The training would be held March 5 & 6, 2018.


There being no further business to come Meeting before the Board, it was moved by Mr. Jassmann, Adjourned seconded by Mr. Mascarenas and unanimously approved, that the Board of Trustees of Kit Carson Electric Cooperative, Inc. meeting be adjourned until March 27, 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 10:31 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.


Secretary

Approved this 27 day of March 2018


President