

KIT CARSON ELECTRIC COOPERATIVE, INC.

MEETING OF THE BOARD OF TRUSTEES

August 30, 2016

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, August 30, 2016 at 9:06 a.m. in the Marcelino Martinez Room of the headquarters building of the Cooperative, Taos, New Mexico. The following Trustees were present:

Bob Bresnahan	Present
Cristobal Duran	
Bruce Jassmann	
Virgil Martinez	
Ambrose Mascarenas	
Manuel Medina	
Bobby Ortega	
Arthur Rodarte	
Jerry Smith	
Luisa Valerio-Mylet	

Also, present were: Luis A. Reyes, Jr., Chief Executive Officer, Carmella Suazo, Administrative Assistant; Richard Martinez, Chief Operating Officer; Johnny Valerio, Financial Manager; and Joyce Archuleta, Executive Secretary, who recorded the day's proceedings.

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

Mr. Reyes led the Board in a word of prayer. Prayer

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

The agenda was presented. It was moved by Mr. Smith, seconded by Mr. Martinez, and unanimously approved, that the agenda be approved as presented. Agenda

The minutes for the Board of Trustees regular meeting held July 26, 2016 were presented. It was moved by Mr. Rodarte, seconded by Mrs. Valerio-Mylet, and unanimously approved, that the minutes be approved as presented. Minutes for July 26, 2016 Regular Meeting

Mr. Reyes presented the CEO's report for August 2016. Financials for July 2016 were reviewed. Margins for the month of July 2016 were at \$296,571. CEO Report

Year to date margins were at \$435,914 compared to (\$62,173) last year. Mr. Reyes reported that July margins were high based on July power bill, it is now broken up into three components, Public Service Company of New Mexico (PNM), Tri-State and Guzman Energy. Mr. Martinez asked the concept relative to Questa and Amalia solar power. Mr. Reyes reported that Tri-State gave KCEC credit, the value of the Amalia contract helped pay down the exit fee. Net present value was used for credit value instead of over a 10 year period. KCEC needs to finish transferring Renewable Energy Certificates from Tri-State's bank under KCEC to Guzman Energy's bank under KCEC. KCEC has options that haven't been examined. Discussion was held on wheeling charge, the power bill from PNM and Tri-State losses and transmission costs. Mr. Reyes reported that Tri-State's average proposed rate increase for 2017 was 6.78%. Mr. Reyes reported that Administrative and General Expenses were higher; this was due to legal fees and consulting fees relative to the rate case. Mr. Duran joined the meeting at 9:25 a.m. Mr. Martinez asked if the Legislature could control the transmission cost. Mr. Reyes reported that KCEC could speak to FERC so that Tri-State follows the FERC rule. Mr. Reyes reported Operating Margins for this year were \$556,636 compared to \$80,430 last year. Mr. Reyes reported the freeze in hiring will continue unless it is a critical position and KCEC continues to only purchase what is needed. Mr. Jassmann reported that he had reviewed the HR/PR Report and noticed that KCEC had less than 99 employees, he reported Mr. Reyes and KCEC Staff are doing a great job at keeping employees at critical positions. Mr. Reyes reported that KCEC is maintains tree trimming due to growth and wind. He reported that KCEC is also trimming also for CenturyLink, Comcast and other companies who have a pole attachment agreement. Mr. Valerio-Mylet reported that KCEC tree trimming crews do a fantastic job. She asked Richard Martinez to convey to the crews that they are doing a great job. The Balance sheet was reviewed. Mr. Reyes reported new connects have decreased. Mr. Reyes reported he attended the Town of Taos meeting in support of new hotel, several residents opposed the new hotel. Mr. Reyes reported total assets were at \$142,281,150. He reported long term debt was to service the members, (transformers, meters and poles) and solar requested by members. The President requested receivables for KCEC, KCT and KCEI be reviewed at the next Board work session. Discussion was held on the fuel adjustment, Mr. Reyes reported that the fuel adjustment changes on a monthly basis and is based on the cost of power and kWh sold, this is not a function of operations. Mr. Reyes discussed the UNM complex outage, he reported the outage affected UNM Taos

complex, Martina's and the Ranchos Post Office, since it caused three phase transformers to only have single phase power. KCEC is reviewing if enclosure operated properly. Mr. Reyes reported that there was a scheduled meeting with Mr. Leo Guzman and Mr. Jeff Heit, Guzman Energy on Friday, September 2, 2016 at 8:00 a.m. in Santa Fe. Mr. Johnny Valerio distributed the KPA's. Mr. Bresnahan reported that he had an inquiry in regards to the \$5.00 net metering charge. Mr. Reyes reported that the \$5.00 charge was in KCEC's Rate 13, Qualifying Facility Tariff. Mr. Reyes reported that 200 net meter accounts received tariff when investigating a complaint filed by a solar customer. He reported that NMPRC Staff told KCEC to apply the tariff properly. Mr. Bresnahan requested that anytime there is a change advance notice be provided so the change can be explained. Mr. Reyes stated the \$5.00 charge could be reviewed rate hearing has been finalized. Mr. Richard Martinez reported the Safety Committee met August 16, 2016. He reported that KCEC was currently at 192 days of no loss time accidents as of August 30, 2016. There was one accident reported with no lost time. Mr. Martinez reported that there was a delay in receiving the RESAP certificate; however KCEC should be receiving it soon. Mr. Martinez reported that Richard Garcia, Safety Coordinator, had been completing surprise field visits to ensure employees are wearing hard hats. Mr. Medina reported that hard hats need to be worn and shirts need to be tucked in and recommended employees be disciplined for not following safety requirements. Mr. Smith suggested that employees be recognized for reaching goal for RESAP Certification Program. The President requested that an Incentive Program or recognition plan be presented at the next Board of Trustees Meeting. The Safety Report was in the Board packet for review. Following discussion it was moved by Mr. Medina, seconded by Mr. Smith, and unanimously approved, that the CEO report for July 2016 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. Rodarte, and unanimously approved, that payments to these Estates in the amount of \$8,719.09 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

The President appointed Mrs. Valerio-Mylet Appoint CFC

as CFC Voting Delegate and Mr. Reyes as Alternate for the NRECA Regional Meeting to be held October 11 - 13, 2016 in St. Louis, MO.

Voting Delegate and Alternate

The President appointed Mrs. Valerio-Mylet as NRECA Voting Delegate and Mr. Reyes as Alternate for the NRECA Regional Meeting to be held October 11 - 13, 2016 in St. Louis, MO.

Appoint NRECA Voting Delegate and Alternate

The President reported that there were four positions up for re-appointment of the Kit Carson Energy, Inc. Board of Directors. He reported a letter was received from their Board of Directors, and officers recommending the re-appointment of Mrs. Betty Hagenstad, Mr. Dennis Jacquez, Mrs. Jeannie Masters and Mr. Joel Perovich. It was moved by Mr. Smith, seconded by Mr. Jassmann and unanimously approved that Mrs. Betty Hagenstad, Mr. Dennis Jacquez, Mrs. Jeannie Masters and Mr. Joel Perovich be re-appointed to the Kit Carson Energy, Inc. Board of Directors for a three year term. Mr. Virgil Martinez requested that the names and phone numbers be listed on the KCEC website.

Re-Appoint KCE, Inc. Directors

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

Donations & Correspondence

The President called for a recess at 10:22 a.m.

Recess

Meeting was reconvened by the order of the President at 10:40 a.m.

Meeting Reconvened

Mr. Jassmann presented Payables for the Electric and Internet Divisions. The Payables Committee and Broadband Committee met on August 9, 2016. Mr. Jassmann recommended approval. It was moved by Mr. Duran, seconded by Mr. Rodarte, and unanimously approved, that the payables for July 2016 be accepted as presented.

Payables Committee

Mr. Smith reported he attended the NMRECA meeting on August 4 & 5, 2016. Mr. Larry McGraw reported that long term interest was 1.93% and short term interest was .28%. Mr. Dean Church reported that CoBank finances were solid. Mr. Smith reported that discussion on the 2017 NMRECA Annual Meeting was held, The Annual Meeting would be held in Ruidoso, NM. He reported that discussion was held on a three year contract in an effort to reduce the price. Mr. Smith reported that discussion was held on Socorro Electric mail in ballot vote issue, it was tabled. KCEC opposes due to fraud and cost to prevent fraud. Mr. Reyes reported when there is a proposed change in legislation

NMRECA Board Meeting

the entire law is reviewed and open to change. Discussion. Mr. Smith reported the 2016 NMRECA Annual Barbecue would be held September 1, 2016 at 6:00 p.m. He reported that Hotel Santa Fe would provide transportation to NMRECA for the barbecue. He reported that the next NMRECA meeting would be held September 1 & 2, 2016.

Mr. Reyes reported the process for scheduling and installs was refined. He reported there were 400 new fiber customers in August. Everyone now wants a drop once they have heard about the speed of fiber. Mr. Reyes reported that KCT is finalizing the contract with Taos Net, Taos Net will have to incur debt. He reported that KCEC and Taos Net should be allies regarding issues such as debt. Mr. Reyes reported currently there are 3200 fiber customers, 144 Wildblue customers, 373 wireless customers and 176 voice customers.

*Broadband
Committee*

The President recommended that the Employee Relations Committee meet on Tuesday, October 4, 2016 at 10:00 a.m. He requested that evaluation forms be sent to the Committee prior to the meeting and also that Mr. Reyes complete his self assessment prior to the Employee Relations Committee meeting.

Other Business

Mr. Virgil Martinez reported that there was a low line on Evergreen Road in Quest. Mr. Reyes reported that Tri-State currently has 13 letters, including a letter from NORA Electric requesting no increase.

*Board Member
Concerns*


There being no further business to come before the Board, it was moved by Mr. Smith, seconded by Mr. Medina, and unanimously approved, that the Board of Trustees of Kit Carson Electric Cooperative, Inc. be adjourned until September 27, 2016 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 10:57 a.m.

*Meeting
Adjourned*


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

Robert Bresnahan, Cristobal Duran, Bruce Jassmann, Virgil Martinez, Ambrose Mascarenas, Manuel Medina, Bobby Ortega, Arthur Rodarte, Jerry Smith, and Luisa Valerio-Mylet.

Meeting of Board of Trustees August 30, 2016


Secretary

Approved this 27 day of September, 2016


President