

*KIT CARSON ELECTRIC COOPERATIVE, INC.*

*MEETING OF THE BOARD OF TRUSTEES*

*February 27, 2015*

*A meeting of the Board of Trustees of Kit Carson Electric Cooperative, Inc. was called to order by the President, Mr. Bobby Ortega, on Friday, February 27, 2015 at 9:03 a.m. in the Marcelino Martinez Room of the headquarters building of the Cooperative, Taos, New Mexico. The following Trustees were present:*

<i>Peter Adang</i>	<i>Present</i>
<i>Cristobal Duran</i>	
<i>Bruce Jassmann</i>	
<i>Virgil Martinez</i>	
<i>Ambrose Mascarenas</i>	
<i>Manuel Medina</i>	
<i>Bobby Ortega</i>	
<i>Arthur Rodarte</i>	
<i>Jerry Smith</i>	
<i>David Torres</i>	
<i>Luisa Valerio-Mylet</i>	

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

*Mr. Martinez led the Board in reciting the Pledge of Allegiance.*

*Mrs. Valerio-Mylet 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 agenda was presented. It was moved by Mr. Jassmann, seconded by Mr. Rodarte, and unanimously approved, that the agenda be approved, as presented. Mr. Medina joined the meeting at 9:06 a.m.*

*The minutes for the Board of Trustees regular meeting held January 27, 2015 were presented. It was moved by Mr. Duran, seconded by Mr. Jassmann, and unanimously approved, that the minutes for January 27, 2015 be approved as presented.*

Mr. Reyes reported that Mr. Valdez was not present. Mr. Valdez had concerns with right of ways and substations in the Ojo Caliente Land Grant area. Mr. Reyes reported that information was mailed to Mr. Valdez regarding his concerns.

Mr. Floyd  
Valdez  
Concerns

The President welcomed Mr. Toby Martinez. Mr. Martinez thanked the Board for the opportunity to provide background on the New Mexico Special Method of Valuation and how it ties into Taos County reassessment. Mr. Martinez reported on how reassessment affects the members and the acequias. He reported that there is a group of 20 individuals that meet every two weeks to address issues. Peggy Nelson facilitates the meetings that include individuals from Taos County Assessor's Office, Taos Soil & Water and various other groups. He reported the Assessor's Office in 2013 reviewed 900 properties which resulted in the loss of agriculture land tax status for 600 properties. In 2014, there were 70 properties evaluated. Mr. Martinez reported that on Friday, April 10, 2015 a Fair will be held at the Taos County Agricultural Center. There will be 15 informational booths with ideas on how to help local people. Mr. Virgil Martinez thanked Mr. Martinez for helping the people; he stated there is a need to focus on ranching and farming. Mr. Martinez requested monetary support to advertise the upcoming Fair and possibly a resolution supporting efforts to reassess properties. Mr. Reyes reported the content of the ad would be important, also KCEC could insert a flyer or include information in the member monthly electric bills. Mr. Adang suggested that each Board member contribute a portion of their donation allowance. The President asked the Board to meet with Mrs. Suazo and let her know if they are interested in contributing. The President also recommended it be advertised in the monthly Enchantment. Mr. Adang requested that KCEC get the proper credit for supporting the Fair.

Mr. Toby  
Martinez  
Update on Taos  
County  
Landowner  
Reassessment

Mr. Reyes presented the CEO's report for January 2015. Financials for January 2015 were reviewed. Margins for the month of January were at \$332,766. Mr. Reyes reported that members are using less kwh. Discussion was held on revenues and cost of power. A bylaw change will be proposed at the 2015 Tri-State Annual Meeting to be held in April 2015. The change gives the Board latitude to create a policy that addresses capital credits. The cost of service issue has not been resolved; the renewable energy issue was kept at 5%. Mr. Reyes reported that KCEC is financially challenged; therefore KCEC must continue discussions to change power suppliers and increase customer charge.

CEO Report

Mr. Reyes reported in regards to the cost of service he has been in contact with The Prime Group to create a template that KCEC staff would complete. Mr. Martinez stated rate increases affect members and recommended KCEC cut back on expenses. The President stated the challenge we face is that industry cost will continue to increase. Mr. Reyes stated the customer charge is weather dependent. Staff continues to cut expenses. The President stated the Board would have to address the issues at some point and would have to do what is right for the membership and the Board would need to work together. A handout was distributed which included rate design changes. Mr. Reyes stated Tri-State is proposing increases in wholesale rates for the next three years. Mr. Medina stated KCEC Board continues to fight for members and has protested each rate increase. Mr. Martinez stated seasonal members should be charged at a different level. Mr. Reyes stated KCEC had proposed a different level however the NMPRC required it be the same as a residential member. Mr. Reyes distributed a letter from Picuris Pueblo regarding their interest in exploring solar power to provide energy needs for the Pueblo. Picuris Pueblo would like to be the first solar powered Pueblo in New Mexico. Mr. Rodarte asked if Picuris Pueblo would receive funding. Mr. Reyes stated Picuris Pueblo would receive funding and KCEC system would benefit for these types of projects. He reported House Bill 330 that KCEC is opposing Amends the Rural Electric Cooperative Act to establish that a cooperative is obligated to provide retail utility service on lands under the jurisdiction or control of a tribe, if the service is provided according to the same rates, rules and forms applicable to cooperative's other members. KCEC has a good relationship with Taos Pueblo and Picuris Pueblo, therefore right of way issues can be resolved without legislation if all sides work together. The Bill proposed changes would not require KCEC to have an obligation to serve the tribes; however a tribe could take a position that if utility doesn't obtain and pay for a right of way they would require utility to remove electric lines. Mr. Reyes reported that other legislation; TIDD, formation at Taos Ski Valley would get KCEC to about 20 megawatts in 20 years. KCEC is 95% complete on the construction documents and encouraging TSV to hire local for this project. Mr. Smith reported the Safety Committee met February 10, 2015. He reported KCEC was at 31 days with no lost time accidents and no near misses. He reported that there was one vehicle accident. Mr. Smith reported that the Safety Report was in the Board packet for review. Mr. Smith reported that he did have an item that needed to be discussed in Executive Session. Following discussion it was moved by Mr. Rodarte, seconded by Mr. Jassmann, and unanimously approved,

that the CEO report for January 2015 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.

Mr. Reyes presented Resolution 1-2-15, Approval of Resolution Adopting Leadership Commitment to the Rural Electric Safety Achievement Program. It was moved by Mr. Rodarte, seconded by Mr. Jassmann, and unanimously approved that Resolution 1-2-15 be approved as presented.

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 \$20,307.88 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.

Discussion was held on the date for the 2015 Annual Meeting. Mr. Reyes suggested that discussion be held on proposing a bylaw change for the KCEC Annual Meeting date change to April or May. Mr. Reyes recommended approval of Saturday, June 13, 2015 for the 2015 Annual Meeting. It was moved by Mr. Smith, seconded by Mr. Jassmann, and unanimously approved that the 2015 Annual Meeting be held on Saturday, June 13, 2015.

Discussion was held on appointment of Tri-State Voting Delegate and Alternate for Tri-State Annual Meeting to be held April 6 - 9, 2015 in Broomfield, CO. Discussion was held on KCEC's position relative to the proposed capital credit bylaw amendment. Mr. Rodarte stated he would vote as directed by KCEC. The President appointed Mr. Rodarte as Voting Delegate and Mr. Bruce Jassmann as Alternate Voting Delegate.

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

The President called for a recess at 10:07 a.m.

Meeting was reconvened by the order of the President, at 10:20 a.m.

Mr. Jassmann presented Payables for the Electric and Internet Divisions. The Payables Committee

met on February 16, 2015. Mr. Jassmann recommended approval. It was moved by Mr. Rodarte, seconded by Mrs. Valerio-Mylet, and unanimously approved, that the payables for January 2015 be accepted as presented.

Mr. Smith reported that the NMRECA meeting was held February 5 & 6, 2015. Mr. Smith reported that House Bill 330 – Electric Coop Lines through Tribal Land – Amends the Rural Electric Cooperative Act to establish that a cooperative is obligated to provide retail utility service on lands under the jurisdiction or control of a tribe, if the service is provided according to the same rates, rules and forms applicable to cooperative's other members. He reported it comes down to the obligation to serve. Tribes would be required to follow same rules as other members relative to right of way, if not the cooperative doesn't have an obligation to serve the tribes. CFR states cooperatives have to pay right of way fees since tribe's are a sovereign nation. Mr. Smith reported NMRECA is preparing for the 2015 NMRECA Annual Meeting. He thanked Luisa Mylet for her assistance in preparing article for Enchantment. Mr. Smith reported the next NMRECA Board meeting would be held March 5 & 6, 2015.

NMRECA  
Board Meeting

Mr. Rodarte reported he attended the Tri-State Board Meeting held February 3 & 4, 2015. He reported the Board voted to adopt the recommendations of the Contract Committee, which included that no changes be made to the all-requirements contract. Mr. Rodarte reported that the Tri-State Financial Goals Policy was discussed and that next year there would be a 2.9% increase and 11 ½% increase the following year and 3% increase the following year. He reported that margins for 2014 were \$60,674. Mr. Rodarte reported that the 2015 Tri-State Annual Meeting would be held April 6 – 9, 2015 at the Omni Interlocken Hotel in Broomfield, CO. Mr. Rodarte distributed a handout on Tri-State patronage allocation. Mr. Rodarte reported that Delta-Montrose had filed a petition with FERC, now that Tri-State is no longer an RUS borrower, three things should happen. 1) FERC should be jurisdictional utility for Tri-State. 2) Qualifies Delta-Montrose the right to interconnect with the qualifying facility in their area. 3) Right to negotiate price and purchase power from another supplier. He reported Tri-State has not yet taken a position on this but it will be discussed at the next Tri-State Board meeting. Mr. Rodarte reported that discussion at the next meeting would include the 2014 financial results and the 2014 load performance. Mr. Rodarte reported the next Tri-State Board Meeting would be held March 3 & 4, 2015.

Tri-State  
Board Meeting

Mr. Reyes reported the Broadband Committee

Broadband

did not meet in the month of February. He reported that 88% of the overhead is complete, Penasco and US Hill are lacking, 98% of the underground is complete, still lacking 5 1/2 miles. Mr. Reyes reported that Taos Ski Valley, our biggest customer, was connected. Village of Questa, Village of Red River and Taos Mountain Casino were also connected. He reported 13 additional crews were brought in and making good progress, the goal is to complete 250 installs per week. As of yesterday \$46.2 million had been drawn down. Mr. Reyes reported we have a balance of \$17.3 million and had requested that the Federal Government send the balance. He reported that the project deadline is September 30, 2015. Mr. Reyes reported that a Broadband Committee meeting would be held in March.

Mr. Rodarte reported that Tri-State approved the 1.5 megawatt solar for KCEC. He also reported on the Burlington Northern Santa Fe lawsuit; Tri-State is expecting a \$24 million settlement by next month. Mr. Jassmann on behalf of the Mayor and Council from the Village of Eagle Nest, thanked Mr. Reyes and Mr. Richard Martinez for getting the street lights operating properly. Other Business

It was moved by Mr. Mascarenas, seconded by Mr. Torres, and unanimously approved, that the Board go into Executive Session at 10:47 a.m. Executive Session

The meeting was reconvened at 11:10 a.m. No action taken during Executive Session. Meeting Reconvened

There being no further business to come before the Board, it was moved by Mr. Duran, seconded by Mr. Jassmann, and unanimously approved, that the Board of Trustees of Kit Carson Electric Cooperative, Inc. be adjourned until March 31, 2015 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 11:11 a.m. Meeting Adjourned

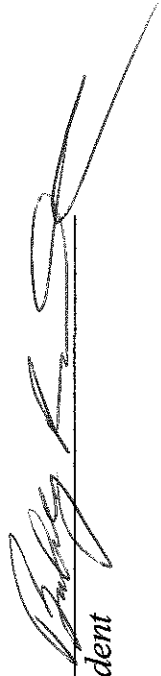
The following Trustees were present at the end of the meeting:

Peter Adang, Cristobal Duran, Bruce Jassmann, Virgil Martinez, Ambrose Mascarenas, Manuel Medina, Bobby Ortega, Arthur Rodarte, Jerry Smith, David Torres and Luisa Valerio-Mylet.

  
Secretary

Approved this 31 day of March, 2015

*February 27, 2015 Board Meeting Minutes*

  
President