

KIT CARSON ELECTRIC COOPERATIVE, INC.

MEETING OF THE BOARD OF TRUSTEES

February 23, 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, February 23, 2016 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>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. Medina led the Board in reciting the Pledge of Allegiance.

Mrs. Carmella Suazo 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. Mrs. Mylet requested that agenda item be amended to include two additional policies. Policy No. 2.1, Capital Credits and Policy No. 2.12, Identity Theft Prevention. The policies had been tabled at previous meetings. It was moved by Mr. Smith, seconded by Mr. Jassmann, and unanimously approved, that the agenda be approved as amended.

Minutes for the Board of Trustees regular meeting held January 26, 2016 were presented. It was moved by Mr. Rodarte, seconded by Mr. Jassmann, and unanimously approved, that the minutes for January 26,

2016 be approved as presented.

Mr. Reyes presented the CEO's report for January 2016. Financials for January 2016 were reviewed. Mr. Reyes reported that year to date margins were \$391,751. The Balance sheet was reviewed. Mr. Reyes reported total assets and liabilities were \$138,950,914. Construction work in progress was \$4,434,825. Services connected and retired reviewed. System improvements will continue. KCEC will draw down balance on work plan. Mr. Reyes reported total long term debt was \$85,625,331 which includes construction work in progress. Year to date TIER was 2.46. Year to date DSC was 2.21. Mr. Reyes reported that the Rate case application for revision of retail electric rates was filed with the NMPRC. He reported that there could be a Just Cause Hearing. KCEC has been assigned a Hearing Examiner. The Hearing Examiner will review the application. The NMPRC has nine months to act on revision of retail electric rates. Mr. Reyes reported on the outage that occurred in Angel Fire on February 11, 2016, he reported that KCEC had installed new cable and new switch gear for that section of line. He reported that there was a Tri-State interruption on February 16, 2016. Angel Fire, Eagle Nest, Bobcat Pass and Red River were dropped; Tri-State was doing voltage readings and tripped a breaker. Mr. Richard Martinez reported the Safety Committee met February 10, 2016. He reported currently 53 days of no loss time accidents. Mr. Martinez reported that there would be a RESAP site visit the first week in May. Mr. Reyes reported on the incidents where lug nuts are loose or missing therefore the tires are actually coming off the vehicle and that the incidents were being reviewed. Mr. Reyes reported on a concern that Mr. Martinez had on a previous vehicle accident, crew was trouble shooting in the Penasco area and an elk/deer ran in front of truck. Following discussion it was moved by Mr. Smith, seconded by Mr. Medina, and unanimously approved, that the CEO report for January 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. Smith, seconded by Mr. Jassmann, and unanimously approved, that payments to these Estates in the amount of \$10,616.31 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.

The President reported that Mr. Peter Adang had submitted a letter of resignation effective February 16, 2016. He reported that Mr. Adang would be moving to the Placitas, NM area to be closer to family and first class medical facilities. The President reported that the Board was not prepared for action in this regard. It was moved by Mr. Duran, seconded by Mr. Smith and unanimously approved to accept Mr. Adang's resignation. Mr. Rodarte suggested that KCEC send Mr. Adang a plaque in recognition for his service on the Board.

Trustee
Resignation and
Possible Action

Discussion was held on the date for the 2016 Annual Meeting. The President recommended approval of Saturday, June 11, 2016 for the 2016 Annual Meeting. It was moved by Mr. Duran, seconded by Mr. Jassmann, and unanimously approved that the 2016 Annual Meeting be held on Saturday, June 11, 2016.

2016 Annual
Meeting Date

Discussion was held on appointment of Tri-State Voting Delegate and Alternate for 2016 Tri-State Annual Meeting scheduled to be held April 4 thru 6, 2016 at the Omni Interlocken in Broomfield, CO. The President appointed Mr. Rodarte as Voting Delegate and Mr. Mascarenas as Alternate Voting Delegate. The President reported that it was very important that all Trustees attend the Tri-State Annual Meeting.

Appoint Tri-
State Voting
Delegate and
Alternate

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

Donations &
Correspondence

The President called for a recess at 9:35 a.m.

Recess

Meeting was reconvened by the order of the President at 9:44 a.m.

Meeting
Reconvened

Mr. Jassmann presented Payables for the Electric and Internet Divisions. The Payables Committee met on February 12, 2016. Mr. Jassmann recommended approval. It was moved by Mr. Rodarte, seconded by Mrs. Mylet, and approved, that the payables for January 2016 be accepted as presented.

Payables

Mr. Smith reported that the NMRECA Meeting was held February 4 & 5, 2016. Mr. Smith reported that House Bill 229 – Relating to Taxation – An Act – Requiring that a contribution made to a utility for the expansion, improvement or replacement of service or facility of the utility shall not be subject to valuation for property tax purposes. Amendments passed unanimously.

NMRECA
Board Meeting

Mr. Smith reported the next NMRECA meetings would be held on March 3 & 4, 2016.

Mr. Rodarte reported he attended the Tri-State Board Meeting held February 2 & 3, 2016. Mr. Rodarte reported that discussion was held on regulation litigation. He reported that discussion was also held on Policy # 101; he distributed a letter regarding proposed changes to board policies 101 and 117. Mr. Rodarte distributed a copy of the 2015 Patronage Capital Allocation for review. He reported that the Tri-State Annual meeting would be held April 5 – April 7, 2016 at the Omni Interlocken Hotel and that the guest speaker would be Wyoming Governor Matt Mead. The vote on the term sheet and definitive agreement which is the exit of wholesale contract would be at the April Board Meeting. Mr. Rodarte reported year to date margins were at \$51 million. Mr. Rodarte reported the next Tri-State meetings would be held on March 1 & 2, 2016.

Mr. Reyes provided an update on Broadband, he reported crews were focusing on the Penasco, Ojo Caliente and Angel Fire areas. Mr. Ortega asked Mr. Reyes to check on efficiencies, it was reported to him that there were five employees working on one service drop. Mr. Torres joined the meeting at 9:58 a.m. Mr. Smith reported when crews have gone out they are not organized. Mr. Ortega asked that a Broadband Committee meeting be scheduled for March. Mr. Reyes reported that Kit Carson Telecom is changing strategies to be more efficient.

Mr. Torres reported that the By-law and Policy Committee met on January 22, 2016 to review Board Policies 2.12 through Board Policy 3.25 and Policy 2.1 Capital Credits and 2.12 Identity Theft Prevention that were tabled at an earlier Board Meeting. The following recommendations were made:

Board Policy No 2.1 – Capital Credits. It was recommended that language changes be made to any reference to individual member would include that if either spouse dies, the surviving spouse would be entitled to the capital credits, this would be effective February 23, 2016.

It was moved by Mr. Duran, seconded by Mr. Rodarte, and unanimously approved that Board Policy No. 2.1 Capital Credits be approved as amended, effective February 23, 2016.

Board Policy No. 2.12 – Identity Theft Prevention – It was recommended that only the last four digits of social

security be kept for the records.

It was moved by Mr. Rodarte, seconded by Mr. Medina and unanimously approved that Board Policy No. 2.12 Identity Theft Protection be approved as amended.

Board Policies 2.12 through 3.25

All policies have been re-formatted to comply with Policy No. 1.17.

- A. **Board Policy No. 2.12** – Petty Cash. Amounts were changed to reflect the sum in Petty Cash Account. Recommended adoption.
- B. **Board Policy No. 2.14** – Contract Meter Readers – Liability insurance amounts increased. Recommended adoption.
- C. **Board Policy No. 2.15** – Tampering with Meters and Other Equipment. Two minor language changes were made. Recommended adoption.
- D. **Board Policy No. 2.16** – There were two policies designated as 2.11, it was recommended that the policy on Meter Location – Jurisdiction be moved and merged with Policy No. 2.16 – Setting Meters. Recommended adoption.
- E. **Board Policy No. 2.17** – Service Extension. There were no recommended changes. Recommended re-adoption.
- F. **Board Policy No. 2.18** – Service Charge – There were no recommended changes. Recommended re-adoption.
- G. **Board Policy No. 2.19** – Service to Consumers with Multiple Businesses on One Property. There were no recommended changes. Recommended re-adoption.
- H. **Board Policy No. 2.20** – Rental of Mobile Substation Unit. There were minor language changes. Recommended adoption.
- I. **Board Policy No. 2.20** – Since there were two policies designated as No. 2.20 recommended renumbering Moving Lines for Third parties to 2.21 and also recommended policies that follow to be renumbered so they are sequential. There were no recommended changes. Recommended re-adoption.
- J. **Board Policy No. 2.21** – (Recommended renumbering to 2.22). Moving lines from State or County Roads. There were minor language changes. Recommended adoption.
- K. **Board Policy No. 2.22** – (Recommended renumbering to 2.23). Payment of Accounts – Employees, Trustees, Officers. Content was amended to include payment arrangements. Adoption as amended was recommended.

- L. **Board Policy No. 2.23** – (Recommended renumbering to 2.24). Collection of Electric Bills. There were minor language changes. Adoption as amended was recommended.
- M. **Board Policy No. 2.24** – (Recommended renumbering to 2.25). Service Complaints. There were no recommended changes. Recommended re-adoption.
- N. **Board Policy No. 2.25** – (Recommended renumbering to 2.26). Electric Service to Residence of Seriously Ill Persons. Recommended change from General Manager to Chief Executive Officer. Adoption as amended was recommended.
- O. **Board Policy No. 2.26** – (Recommended renumbering to 2.27). Budget Billing Plan. There were no recommended changes. Recommended re-adoption.
- P. **Board Policy No. 2.28** – Safety. There were no recommended changes. Recommended re-adoption.
- Q. **Board Policy No. 2.34** – Meter Security (Recommended renumbering to 2.29). There were no recommended changes. Recommended re-adoption.
- R. **Board Policy No. 3.13** – (Recommended renumbering to 2.30). Safety Requirements. There were no recommended changes. Recommended re-adoption.
- S. **Board Policy No. 3.17** – (Recommended renumbering to 2.31). Employees Engaging in Wiring of Other Electrical Installations. There were some minor language changes. Adoption as amended was recommended.
- T. **Board Policy No. 3.23** – (Recommended renumbering to 2.32). Tree Trimming. There were some typographical errors corrected and minor language changes. Adoption as amended was recommended.
- U. **Board Policies No. 3.24** – Solar Photo Voltaic Installation and Incentive Program for Community Solar and **Policy No. 3.25** – Community Solar. Recommended rescinding both policies since the State of New Mexico is reviewing.

It was moved by Mr. Rodarte, seconded by Mr. Jassmann, and unanimously approved that Kit Carson Electric Board Policies No. 2.12 through Policy No. 3.25 be approved as recommended. Mr. Torres reported that Internet Division policies would be reviewed next.

Mr. Smith reported that the medical certificate delinquent amount continues to increase he reported he continues to request that NMRECA review current rule *Board Member Concerns*

relative to the medical certifications due to the abuse. Mr. Martinez asked if there was a copper theft policy. Mr. Reyes reported that there is a copper theft policy in place and there is also a state law relative to copper theft.

It was moved by Mr. Duran, seconded by Mr. Medina, and approved, that the Board go into Executive Session at 10:26 a.m. Executive Session

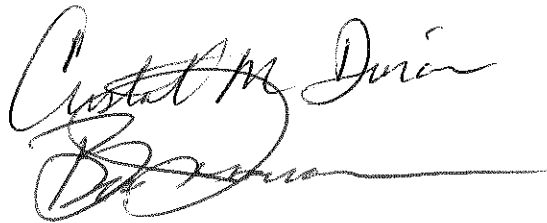
Meeting was reconvened at 11:12 a.m. No Meeting action taken. Reconvened

There being no further business to come before the Board, it was moved by Mr. Rodarte, seconded by Mrs. Mylet, and unanimously approved, that the Board of Trustees of Kit Carson Electric Cooperative, Inc. be adjourned until March 29, 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 11:12 a.m. Meeting Adjourned

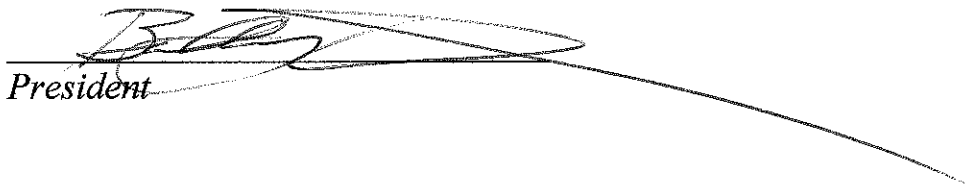
The following Trustees were present at the end of the meeting:

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

Secretary



Approved this 28 day of March, 2016



President