

KIT CARSON ELECTRIC COOPERATIVE, INC.

MEETING OF THE BOARD OF TRUSTEES

July 24, 2017

A meeting of the Board of Trustees of Kit Carson Electric Cooperative, Inc. was called to order by the President, Mr. Bobby Ortega, on Monday, July 24, 2017 at 9:04 a.m. in the Marcelino Martinez Room of the headquarters building of the Cooperative, Taos, New Mexico. The following Trustees were present:

<i>Bob Bresnahan</i>	<i>Present</i>
<i>Cristobal Duran</i>	
<i>Bruce Jassmann</i>	
<i>Ambrose Mascarenas</i>	
<i>Bobby Ortega</i>	
<i>Arthur Rodarte</i>	
<i>Bernie Torres</i>	

Also, present were: Richard Martinez, Chief Operating Officer, Carmella Suazo, Administrative Assistant; Johnny Valerio, Financial Manager; Erin Sanborn, Business and Organization Development and Joyce Archuleta, Executive Secretary, who recorded the day's proceedings.

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

The President sadly reported on the passing of colleague Bill Norris, District Five Trustee and asked for a moment of silence. Mr. Bernie Torres 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. Mr. Rodarte reported an updated capital credit to estates report would be provided to the Board. It was moved by Mr. Duran, seconded by Mr. Jassmann, and unanimously approved, that the agenda be approved as presented. *Agenda*

The President introduced member Stephanie Gutz. Ms. Gutz had a question in regards to her most current bill. She reported to the board that the system charge of \$20.50 is excessive for three days of service and had respectfully requested that KCEC prorate the charge. *Member Concern*

Mr. Reyes responded that the customer charge is the base rate regardless of kWh usage, the base charge is for the minimum service required, pole, transformer, meter, wire and substation. If there is no usage KCEC still incurs the cost to have service available. The charge cannot be prorated since part of the charge is to pay debt service and administrative costs. KCEC incurs the cost of \$20.50 per meter even if there is no usage. The President reported that KCEC still has demand and must maintain the infrastructure of electric system. The President reported that KCEC did extensive research on what other cooperatives charge. KCEC must still be able to maintain the infrastructure to offer electric service. Ms. Gutz thanked the Board for hearing her concern and for the explanation.

The minutes for the Board of Trustees regular meeting held June 27, 2017 were presented. It was moved by Mr. Rodarte, seconded by Mr. Mascarenas, and unanimously approved, that the minutes be approved as presented.

*Minutes for
June 27, 2017
Regular
Meeting*

The President welcomed Mr. Dean Church, KCEC's primary supplemental lender. Mr. Church distributed a handout, discussion was held. He reported CoBank remains very strong and has fulfilled its mission to serve rural America. Mr. Church gave an update on the condition and changes of CoBank. He reported that CoBank has a lending relationship with 14 of the 16 New Mexico cooperatives and New Mexico Rural Electric Cooperative Association. Mr. Rodarte asked if there were any New Mexico Board members on the CoBank Board. Mr. Church reported there was one, Mr. Ken Shaw with Central New Mexico Electric Cooperative. Discussion was held on the selection process for a CoBank Director. Nominating Committee selects applicants to be placed on Director ballot, then members vote. He reported short term rates will continue to increase; however long term rates will remain low. Mr. Church reported on the Sharing Success Program, this program matches up to \$5,000 per year for donations to nonprofit organizations.

CoBank Update

Mr. Reyes reported that KCEC is considering opening the Questa and Penasco District offices for an additional day during the summer for propane services.

Mr. Reyes presented the CEO's report for June 2017. He reported that KCEC has been with Guzman Energy for one year. Discussion was held on the exit fee. Mr. Reyes reported the biggest concern would be continued energy efficiency and no growth; therefore, smart growth is encouraged in the community. Mr.

CEO Report

Rodarte inquired on solar storage. Mr. Reyes reported solar storage would be discussed in Executive Session since non disclosure agreements were in place. Financials were reviewed. Mr. Reyes reported that margins for the month of June were at \$320,381; year to date were (\$104,721) compared to \$139,342 last year. Mr. Reyes reported usage is less. Operation expenses and Administrative and General Expenses were less. Mr. Reyes reported that the rate case had cost the members about \$1.1 million. KCEC is exploring decoupling which is margin stabilization. This would encourage members to be energy efficient. Mr. Rodarte asked if KCEC still utilized meter readers. Mr. Richard Martinez reported that KCEC currently has three contract meter readers that read meters in Questa, Costilla & Angel Fire. KCEC's goal is to replace 2,500 turtle meters by the second quarter of next year. This is being completed in phases; two days per week are scheduled for meter changes. The Balance sheet was reviewed. Mr. Reyes reported total assets were \$169,543,336. He reported that there was 101 new connects last year compared to 92 connects this year, there has been 200 connects for telecom per month. He reported that the propane management fee would increase from \$120,000 to \$180,000 per year. The agreement should be finalized by September. He reported that there was a large outage yesterday in the Angel Fire, Eagle Nest and Black Lake areas. Crews would patrol area to determine cause of the outage. Mr. Martinez reported the Safety Committee met July 10, 2017. KCEC was currently at 220 days with no lost time accidents. Mr. Martinez reported that a quarterly newsletter was being sent out by the Safety Committee included in the newsletter is a safety quiz, this will make the employee more aware and the first employee to answer the quiz is rewarded. Following discussion it was moved by Mr. Duran, seconded by Mr. Jassmann, and unanimously approved, that the CEO report for June 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. Rodarte, seconded by Mr. Duran, and unanimously approved, that payments to these Estates in the amount of \$6,791.84 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 Mr. Duran as NRECA Voting Delegate and Mrs. Valerio-Mylet as Alternate for the NRECA Regional Meeting to be held October 31 – November 2, 2017 in Scottsdale, AZ.

Appoint NRECA Voting Delegate and Alternate

Mr. Reyes recommended the approval of the 2016 Audit. The audit was presented last month by Mr. Andy Spillum, Eide Bailly. Following discussion it was moved by Mr. Mascarenas, seconded by Mr. Jassmann and unanimously approved that, resolution No. 3-7-17 be approved as follows:

2016 Audit Approval

BE IT RESOLVED, that the Audit Report for the year ending December 31, 2016 as prepared by Eide Bailly, Certified Public Accountants, be accepted in the form presented.

Mr. Mascarenas recommended that Mr. Nelson Lopez, retired educator be appointed as the District Four Kit Carson Energy Director. It was moved by Mr. Duran, seconded by Mr. Mascarenas and unanimously approved that Mr. Nelson Lopez be appointed as the District Four Kit Carson Energy Director.

Appoint District Four Kit Carson Energy Representative

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 10:16 a.m.

Recess

Meeting was reconvened by the order of the President at 10:28 a.m.

Meeting Reconvened

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

Payables Committee

Mr. Duran reported that the next NMRECA meetings would be held Thursday, July 27, 2017 and Friday, July 28, 2017. He reported that on Thursday the Manager's meeting would be held; there would be no committee meetings. He reported that the NMRECA audit was a clean audit. Mr. Duran reported that NMRECA was thankful for the host cooperatives for the NMRECA Annual Meeting in Ruidoso, NM. Mr. Reyes reported that the NMRECA Annual BBQ would be held on Thursday, August 31, 2017. He reported that Congressman Steve Pearce and Congresswoman Michelle Lujan Grisham have announced they will run for Governor. KCEC has

NMRECA Board Meeting

to stay active and find out who will do well for rural interests. He reported that Aubrey Dunn, Land Commissioner has announced he will run for Representative. Mr. Reyes reported that Representative Ben Ray Lujan will visit August 14, 2017 at 1:30 p.m. to catch up on KCEC's programs. Mr. Duran reported that CFC has an opening on the Board. He reported that there were four Board Members interested from New Mexico. Mr. Rodarte recommended that Bobby Ortega apply for a position on CoBank Board since he has banking experience. The next NMRECA Meetings will be held August 3 & 4, 2017.

Mr. Reyes reported that Kit Carson Telecom (KCT) has over 5,000 subscribers on the network. He reported an average of 200 new installs per month. KCT is focusing on a different battery system for six hours of battery for telephone service when there is a power outage. Mr. Reyes reported the goal is not to hit goals but to exceed them.

Broadband
Committee

Mr. Mascarenas reported that the Tres Piedras Solar Array project has been completed, five projects have been approved for the start of construction with the estimated time to be December 2017. The Picuris Pueblo project is delayed due to the rocky terrain and also they are having financial problems matching the grant. Mr. Reyes reported that Picuris Pueblo has requested an extension from July 31, 2017 to December 31, 2017.

Solar
Committee

Mr. Reyes reported that the Bylaw & Policy Committee met July 12, 2017. The Committee decided a work plan would be created and all policies would be reviewed. He reported that the committee would be meeting once a month.

Bylaw & Policy
Committee

The President reported that CEO evaluation would be discussed in Executive Session.

Employee
Relations

Mr. Rodarte reported that Kit Carson Electric Education Foundation is lacking a District Two Director. Mr. Reyes reported the current Directors were not very active, they do not want to do fundraising. KCEEF balance is \$16,000. He reported that Steve Archuleta is the President of the KCEEF.

Board Member
Concerns

It was moved by Mr. Rodarte, seconded by Mr. Jassmann and unanimously approved, that the Board go into Executive Session at 10:49 a.m.

Executive
Session

Meeting was reconvened at 11:37 a.m. The Board reviewed CEO evaluation. It was moved by Mr.

Meeting
Reconvened

Rodarte, seconded by Mr. Mascarenas and unanimously approved, that the CEO salary increase 8% retro to May 8, 2017. The employment agreement would be reviewed and updated by Mr. Reyes and the President. The 8% increase would be 1/3 from each entity; KCEC, KCT and KCEI.


There being no further business to come before the Board, it was moved by Mr. Jassmann, seconded by Mr. Duran and unanimously approved, that the Board of Trustees of Kit Carson Electric Cooperative, Inc. meeting be adjourned until August 29, 2017 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 11:40 a.m.

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

Bob Bresnahan, Cristobal Duran, Bruce Jassmann, Ambrose Mascarenas, Bobby Ortega, Arthur Rodarte, and Bernie Torres.


Secretary

Approved this 28 day of August, 2017


President