

KIT CARSON ELECTRIC COOPERATIVE, INC.

MEETING OF THE BOARD OF TRUSTEES

June 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 Thursday, June 23, 2016 at 9:07 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>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, Carmella Suazo, Administrative Assistant; Johnny Valerio, Financial Manager; and Joyce Archuleta, Executive Secretary, who recorded the day's proceedings.

Mr. Torres 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.

Mrs. Carmella Suazo, Notary Public administered an oath of office to Mr. Robert Bresnahan, newly elected Trustee and re-elected Trustees Mr. Arthur Rodarte, Mr. Bruce Jassmann, Mr. Jerry Smith, Mrs. Luisa Valerio-Mylet, Mr. Cristobal Duran and Mr. Ambrose Mascarenas.

The agenda was presented. The President requested that item 11.c. Propane Director Removal & Possible Action be moved to Executive Session. It was moved by Mr. Smith, seconded by Mr. Jassmann, and unanimously approved, that the agenda be approved as

amended.

The minutes for the Board of Trustees regular meeting held May 31, 2016 were presented. It was moved by Mr. Jassmann, seconded by Mr. Smith, and approved, that the minutes for May 31, 2016 be approved as presented. Mr. Rodarte abstained as he was not present for the meeting. Mr. Martinez voted against the approval of the minutes. He stated in the Board Member Concerns section of the meeting there was a concern that was not recorded.

*Minutes for
May 31, 2016
Regular
Meeting*

The minutes for the Board of Trustees Re-Organization Meeting held June 18, 2016 were presented. It was moved by Mr. Rodarte, seconded by Mr. Duran, and approved, that the minutes for June 18, 2016 be approved as presented. Mr. Martinez abstained as he was not present. Mr. Medina joined the meeting at 9:18 a.m.

*Minutes for Re-
Organization
Meeting, June
18, 2016*

Mr. Reyes presented the CEO's report for June 2016. Financials for May 2016 were reviewed. Margins for the month of May were at (\$228,751). Year to date margins were at \$115,117 compared to (\$55,222) last year. Mr. Reyes reported that electric operating margins were at \$264,091 compared to \$35,039 last year, with a budget this year of \$92,187. Mr. Reyes reported that the operating revenue last year was \$16,650,460 compared to this year \$16,844,393. He reported the cost of power last year was \$9,645,629 and this year was \$9,387,095. He reported that operations, maintenance and consumer account expenses were down. Mr. Reyes reported that Administrative and General Expenses were higher; this was tied to the rate case. The Balance sheet was reviewed. Mrs. Valerio-Mylet asked what could be done since it has been over one year for the loss of the large Chevron load. Mr. Reyes reported that KCEC needs to overcome the loss; however isn't overcome in a year's time. Since there was no economic development to replace the load. Mr. Reyes reported that there is still a concerted effort to encourage energy efficiency. KCEC still has fixed costs to serve members. Chevron paid total cost of power; residential customers pay average cost of power. Mr. Martinez suggested that a report be generated going back to 2014 to compare the amount of income from Chevron. This report would make it clear on how much usage Chevron had in 2014 compared to current. The Balance Sheet was reviewed. Mr. Reyes reported that new connects were the same as last year. He reported KCEC is operating on lines of credit, since in the summertime KCEC doesn't generate sufficient cash. He reported total assets were at \$140,462,562. Mr. Reyes reported total long term debt was \$84,293,310. He

CEO Report

reported Tri-State capital credits in the amount of \$41,310,050 would have to be written off next year to discount the \$12 million (early retirement with no discounted value). Mr. Reyes reported KCEC has 22,509 residential members, 2,156 seasonal members, 3,977 commercial members and only 10 members that have 1 mega watt or higher. The Power Requirement Sheet reflects 314,772 on kw input (metered) it should be 31 mega watts. Mr. Reyes reported that the KPA's were not available due to the timing of the June Board meeting. Financials reflect that a rate increase is needed. Mr. Reyes reported the Tri-State Exit would be discussed in Executive Session. He reported that Public Service Company of New Mexico and Tri-State contracts had been finalized. Mr. Reyes asked Mr. Mascarenas to schedule a Solar Committee meeting to address the solar component for the rebuttal testimony. Mr. Reyes reported on recent outages due to lightning. Underground was replaced on Adobe Lane. He reported that without the rate increase KCEC would not be able to continue to replace system equipment that is failing. Crews continue to work on system improvements and tree trimming. Mr. Reyes reported that KCEC staff continues to keep expenses down; however, KCEC needs to purchase vehicles. Mr. David Torres reported the Safety Committee met June 14, 2016. He reported that there were no accidents to report for the month of May. He reported that KCEC was currently at 103 days of no loss lost time accidents as of June 2, 2016. Mr. Torres reported that the RESAP Safety Improvement Plan would be submitted by Richard Garcia. Discussion was held on PCB spill prevention and testing. Mr. Reyes reported that all EPA rules and regulation should be up to date and being followed. Mr. Martinez reported that lightning could be the cause for accidents and asked that crews take their time and work with care to complete jobs. The Safety Report was in the Board packet for review. Following discussion it was moved by Mr. Rodarte, seconded by Mr. Duran, and unanimously approved, that the CEO report for May 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. Medina, seconded by Mr. Mascarenas, and unanimously approved, that payments to these Estates in the amount of \$9,598.07 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 announced the Committee Appointments Committee
for 2016/2017 as follows: Appointments

Bid Committee

Ambrose Mascarenas, Chairperson
Cristobal Duran
Bruce Jassmann
Manuel Medina
Virgil Martinez

Employee Relations/Evaluation Committee

Bobby Ortega, Chairperson
Cristobal Duran
Ambrose Mascarenas
Manuel Medina
Arthur Rodarte
Jerry Smith
Luisa Valerio-Mylet

Finance/Audit

Bruce Jassmann, Chairperson
Virgil Martinez
Ambrose Mascarenas
Manuel Medina
David Torres

Safety Committee

David Torres
Jerry Smith – Alternate

NMRECA

Jerry Smith
Cristobal Duran – Alternate

Payables

Bruce Jassmann, Chairperson
Chris Duran
Manuel Medina
Bobby Ortega

Solar Committee

Ambrose Mascarenas, Chairperson
Bruce Jassmann
Arthur Rodarte
David Torres
Robert Bresnahan

Broadband Committee

*Bobby Ortega, Chairperson
Cristobal Duran
Manuel Medina
Arthur Rodarte
Jerry Smith
David Torres*

By-Law And Policy Committee

*David Torres, Chairperson
Bruce Jassmann
Luisa Mylet
Ambrose Mascarenas
Robert Bresnahan*

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 10:00 a.m. *Recess*

Meeting was reconvened by the order of the President at 10:13 a.m. *Meeting Reconvened*

Mr. Jassmann presented Payables for the Electric and Internet Divisions. The Payables Committee met on June 10, 2016. Mr. Jassmann recommended approval. It was moved by Mr. Rodarte, seconded by Mr. Duran, and unanimously approved, that the payables for May 2016 be accepted as presented. *Payables Committee*

Mr. Smith reported that the NMRECA meeting would held June 23 & 24, 2016. He reported that he did have an item that would need to be discussed in Executive Session. *NMRECA Board Meeting*

Mr. Rodarte reported he attended the Tri-State Board Meeting held June 6 & 7, 2016. Mr. Rodarte distributed a handout in regard to solar. He reported Rick Gordon announced that a Rate Committee and Contract Committee would once again be created. The President thanked Mr. Rodarte for his service as KCEC Tri-State representative for the many years served. Mr. Rodarte thanked the KCEC Board of Trustees for giving him the opportunity to serve in that capacity. *Tri-State Board Meeting*

Mr. Reyes reported the Broadband Committee met on June 2, 2016. Mr. Reyes reported there were 2,500 subscribers on the network. He reported that Kit Carson Technologies is working on IPV4 conversions. Mr. Reyes reported that he had met with Taos Net and asked for the final proposal. He reported he is working *Broadband*

directly with Chris Batis and the goal is to have an Executed Agreement by July 15, 2016. Mr. Reyes reported that REDI NET and Colorado ties are complete. He reported that the electric and broadband maps have been integrated. Mr. Reyes reported he would send Trustees a link to Google earth to view the map and determine which areas are lit. He reported that they need to start work in the Tres Piedras area. Mr. Medina reported that he has received complaints on customer service at KCT, the phone calls are not being returned. He stated that something needs to be done to improve customer service. Mrs. Valerio-Mylet reported that she is also receiving complaints. Mr. Reyes reported that he had met with telecom employees and addressed the issues. Mr. Medina stated when Mr. Reyes is not in the office things don't get done. He stated KCT needs a professional to manage that office. Mr. Torres stated that the Federal Court ruled internet as a utility. People have high expectations from their broadband provider. He stated people will be patient, however; people become frustrated if neighbor gets service and they don't. Mr. Reyes reported that the drop list is divided into three lists, people that wanted KCT services, those that wanted Taos Net and those that wanted drop only. He reported that KCEC customers need to be connected first. Mr. Reyes reported that drops add value to homes; an average drop costs \$1,400. Mr. Martinez stated he received a letter from Angel Fire recognizing two telecom employees; Mr. Martinez recommended the employees be recognized. Mr. Rodarte recalled that not long ago there were propane issues and now propane is doing a good job. He suggested that the telecom management be brought before the Board to discuss expectations. Mr. Smith reported that Angel Fire customers were happy with internet services. Mr. Ortega asked that a Broadband Committee meeting be scheduled for July 7, 2016 at 3:00 p.m. Mr. Ortega stated that command center concerns were discussed at the KCEC Annual Meeting. He suggested that discussion be held with the Board of Trustees so that KCEC has a clear path and direction on how KCEC is dealing with the command center debt. Mrs. Valerio-Mylet stated once customers are connected to the fiber they are very happy with the service.

Mr. Torres reported the By-Law & Policy Committee met on June 14, 2016. Discussion was held on the Drug Policy and training on substance abuse. He reported there were challenges in the policy; committee is working on drafting new language.

It was moved by Mr. Duran, seconded by Mr. Jassmann, and unanimously approved, that the Board go into Executive Session at 10:59 a.m. for discussion on the


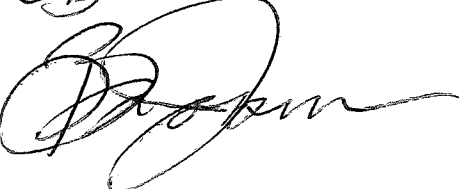
removal of Mr. Edwin Atencio from Kit Carson Energy Board and also Tri-State Exit.

The meeting was reconvened at 11:52 a.m. Meeting
After discussion it was moved by Mr. Smith, seconded by Reconvened
Mr. Mascarenas and approved to remove Mr. Edwin
Atencio from the Kit Carson Energy Board. A show of
hands vote was taken results were 10 in favor and Mr.
Martinez against.

There being no further business to come Meeting
before the Board, it was moved by Mr. Duran, seconded Adjourned
by Mr. Smith, and unanimously approved, that the Board
of Trustees of Kit Carson Electric Cooperative, Inc. be
adjourned until July 26, 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 11:55 a.m.

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, David
Torres and Luisa Valerio-Mylet.

Secretary 
Approved this 26 day of July, 2016 

President