

KIT CARSON ELECTRIC COOPERATIVE, INC.

MEETING OF THE BOARD OF TRUSTEES

July 26, 2016

A meeting of the Board of Trustees of Kit Carson Electric Cooperative, Inc. was called to order by the Vice President, Mr. Cristobal Duran, on Thursday, July 26, 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:

Bob Bresnahan	Present
Cristobal Duran	
Bruce Jassmann	
Virgil Martinez	
Ambrose Mascarenas	
Arthur Rodarte	
Jerry Smith	
David Torres	
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. Jassmann led the Board in reciting the Pledge of Pledge of Allegiance. Mr. Torres joined the meeting at Allegiance 9:10 a.m.

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

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

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

The minutes for the Special Board of Trustees Minutes for Meeting held March 7, 2016 were presented. It was March 7, 2016 moved by Mr. Rodarte seconded by Mr. Mascarenas, and Special Board approved, that the minutes for March 7, 2016 Special of Trustees Board Meeting of Trustees be approved as presented. Meeting

*The minutes for the Board of Trustees regular meeting held June 23, 2016 were presented. It was moved by Mr. Rodarte, seconded by Mr. Martinez, and approved, that the minutes for June 23, 2016 be approved as presented.*

*Minutes for  
June 23, 2016  
Regular  
Meeting*

*Mr. Reyes presented the CEO's report for July 2016. Financials for June 2016 were reviewed. Margins for the month of June 2016 were at \$6,294. Year to date margins were at \$138,100 compared to (\$148,622) last year. Mr. Reyes reported that electric operating margins were at \$270,011 compared to (\$38,466) last year, with a budget this year of (\$171,528). Mr. Reyes reported that the operating revenue last year was \$19,488,581 compared to this year \$19,634,978. He reported the cost of power last year was \$10,877,988 and this year was \$11,142,930. Mr. Reyes reported that on June 30, 2016, \$37 million was wired to Tri-State. Mr. Reyes reported that Guzman Energy had reported that load for July was higher than expected, also July was hotter than the past years, therefore sales may have increased for the month of July. Discussion was held on irrigation rates, it may be possible to tailor an irrigation rate since Guzman has one demand and Tri-State had two. This would not be done until next year after there would be data. 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. Discussion was held on the Interest on long term debt; Mr. Valerio reported the blended interest rate was 3.81%. The Balance sheet was reviewed. Mr. Reyes reported total assets were at \$141,273,953. Mr. Reyes reported that the Broadband value is not booked in this balance. Long term debt was reviewed. Mr. Reyes reported new connects this year were at 101 compared to last year's 96. He reported that KCE would need 600 new customers per year to not have to increase rates. Discussion was held on the 2,853 total miles energized and amount of tree trimming required. Mr. Reyes distributed a six month financial comparison for 2016 compared to 2015, discussion was held. Mr. Smith requested quarterly financials to include Kit Carson Telecom and Kit Carson Energy, Inc. Discussion was held on whether or not KCEC should withdraw from Federal Court Case since KCEC withdrew from Tri-State. Mr. Reyes reported that legal fees are about \$225,000 for the rate case. If the rate case was settled it would save KCEC \$100,000. He reported that if the proposed rate increase was approved KCEC would meet financial targets in December. Mr. Reyes distributed and reviewed information in regards to the 2014 Cooperative comparisons. This comparison was provided to the New*

*CEO Report*

Mexico Public Regulation Commission to distribute to interveners. Mr. Reyes reported on outages. He reported that a lot of the outages are due to birds and lightning. There are more outages; however the length of outage has decreased and fewer consumers are affected due to fuse cutouts being installed. Crews continue to work on system improvements and tree trimming. Mr. David Torres reported the Safety Committee met July 15, 2016. He reported that there were no accidents to report for the month of June. He reported that KCEC was currently at 131 days of no loss lost time accidents as of June 30, 2016. Mr. Torres reported that he had met with Mr. James Teague with Federated Rural Insurance who conducted inspection for the year, Mr. Teague had very encouraging words for KCEC. He reported that Mr. Teague mentioned improvements that would need to be implemented and would be covered by the Safety Improvement Plan. Mr. Torres reported that he did review a comprehensive list of claims. Paul Estrada was the person who could answer questions on premiums and whether or not the premiums would be increasing or decreasing. The Safety Report was in the Board packet for review. Following discussion it was moved by Mr. Smith, seconded by Mr. Jassmann, and unanimously approved, that the CEO report for June 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 Vice President reported requests have been received from Estates for retirement of capital credits. It was moved by Mr. Rodarte, seconded by Mr. Martinez, and unanimously approved, that payments to these Estates in the amount of \$5,663.39 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

Mr. Reyes reported the Kit Carson Energy, Inc. Annual Meeting would be held August 30, 2016 following the KCEC Board of Trustees monthly meeting. Mr. Reyes reported that \$300,000 had been paid to KCEC since last year. Mr. Reyes reported that in Executive Session he would be reviewing Kit Carson Telecom and Kit Carson Energy six month financials.

KCEI Annual  
Meeting

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

Donations &  
Correspondence

Mr. Jassmann presented Payables for the

Payables

*Electric and Internet Divisions. The Payables Committee met on July 11, 2016. Mr. Jassmann recommended approval. It was moved by Mr. Rodarte, seconded by Mrs. Valerio-Mylet, and unanimously approved, that the payables for June 2016 be accepted as presented.*

Committee

*Mr. Smith reported he attended 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 August 4 & 5, 2016 and that on Thursday, August 4, 2016 a Strategic Planning session would be held at the Hotel Santa Fe for Board Members and Managers, the session would be held in Executive Session. Mr. Smith reported the Region 8 & 10 Meeting would be held in St. Louis, Missouri on October 11 – 13, 2016. Mr. Smith reported that the deadline was today for the August 17 & 18, 2016 Director training that would be held in Albuquerque, NM. Mr. Smith reported that Socorro Electric's mail in ballot vote issue was discussed. Mr. Smith reported that he was the Chair of that committee. A meeting will be held on September 1, 2016 the pros and cons will be weighed at this meeting.*

NMRECA  
Board Meeting

*Mr. Reyes reported the Broadband Committee met on July 7, 2016. Mr. Reyes reported there would be discussion on Broadband during Executive Session.*

Broadband  
Committee

*Mr. Torres reported the By-Law & Policy Committee did not meet.*

By-Law &  
Policy  
Committee

*Mr. Martinez reported that he had attended the CoBank Director's Conference in Colorado Springs, CO. He stated only seven director's from New Mexico were present at the Conference. Mr. Martinez recommended that Trustees attend the conference.*

Other Business

*The Vice President called for a recess at 10:14 a.m.*

Recess

*Meeting was reconvened by the order of the President at 10:23 a.m.*

Meeting  
Reconvened

*The Vice President called for Executive Session at 10:23 a.m.*

Executive  
Session

*The meeting was reconvened at 11:31 a.m. No action was taken.*

Meeting  
Reconvened

*There being no further business to come before the Board, it was moved by Mr. Martinez,*

Meeting  
Adjourned

seconded by Mr. Jassmann, and unanimously approved, that the Board of Trustees of Kit Carson Electric Cooperative, Inc. be adjourned until August 31, 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 11:33 a.m.

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

Robert Bresnahan, Cristobal Duran, Bruce Jassmann, Virgil Martinez, Ambrose Mascarenas, Arthur Rodarte, Jerry Smith, David Torres and Luisa Valerio-Mylet.

  
Secretary

Approved this 30 day of August, 2016

  
President