

KIT CARSON ELECTRIC COOPERATIVE, INC.

MEETING OF THE BOARD OF TRUSTEES

March 27, 2018

A meeting of the Board of Trustees of Kit Carson Electric Cooperative, Inc. (KCEC) was called to order by the President, Mr. Bobby Ortega, on Tuesday, March 27, 2018 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>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>	
<i>Luisa Valerio-Mylet</i>	

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

Mr. Duran 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 President requested that New Business, Item b. Approval of Guzman Energy Power Sales Agreement – Years Nine & Ten and Item c. Approval of Guzman Energy Five Year Contract Extension 2011-2015 be discussed in Executive Session. It was moved by Mr. Rodarte, seconded by Mr. Jassmann, and unanimously approved, that the agenda be approved as amended.

The minutes for the Board of Trustees regular meeting held February 22, 2018 were presented. It was moved by Mr. Mascarenas, seconded by Mr. Rodarte, and unanimously approved, that the minutes be approved as presented. Mrs. Valerio-Mylet and Mr. Bresnahan abstained as they were not present at the Meeting.

Mr. Reyes reported on the Financials for February 2018. He reported year to date margins were \$536,387. Margins for February 2018 were \$138,091. Mr. Reyes reported that the lack of housing impacts usage. Line 7 increased since a part time Collector was added to the department. He reported that maintenance expense may increase as KCEC works to mitigate fires, Kit Carson Energy, Inc. (KCEI) year to date margins were \$314,000 and Kit Carson Internet (KCI) margins were \$111,000. He reported that operational efficiencies were being reviewed and would provide an update at the next Board Meeting. Mr. Reyes reported that he would also have an update on the Bed & Breakfast (B&B) accounts that were changed from Residential Rate 1 to Small Commercial Rate 3. Mr. Rodarte requested a list by District be distributed to the Board of Trustees. Mr. Reyes reported that KCEC is currently working with the Town of Taos, Village of Taos Ski Valley and Taos County as the B&B's should be paying gross receipt tax and lodgers tax. Mr. Reyes reported ebilling increased 6.5% the first two months of 2018. Staff was reviewing software programs for efficiencies. Mr. Reyes reported that during summer months working hours were being reviewed by KCEC, KCI and KCEI. Mr. Duran asked when the Penasco office would be open. Mr. Reyes reported that KCEI would be having the Annual Customer Appreciation Day. Mr. Duran requested that the yard in Penasco be cleaned prior to the scheduled Customer Appreciation Day. The Balance sheet was reviewed. Mr. Reyes reported total assets were \$172,468,336. He reported that Mr. Valerio was preparing for a visit from auditors, Eide Bailey, Inc. on April 2, 2018. Mr. Reyes reported that Rural Utility Services USDA (RUS) had completed an audit on the construction funds for the period July 1 2013 through October 31, 2017. They found that KCEC was capitalizing assets twice; when transformer was installed it was not charged to appropriate expense account therefore, an adjustment was made to the total loan amount. Mr. Reyes reported that the transmission bill for February was estimated since an invoice from Public Service Co. of New Mexico (PNM) was not received. He reported that KCEC had a \$50,000 credit from last month. The bill is part of the fuel adjustment factor, therefore; estimated \$160,000 based on average bills so fuel adjustment would not be for two months next month. KPA's were reviewed. Year to date TIER was 2.04 and year to date DSC was 1.41. Mrs. Valerio-Mylet reported that the Safety Committee met March 13, 2018. She reported that KCEC had 161 days of no lost time accidents as of March 13, 2018. Mrs. Valerio-Mylet reported that department heads were invited to attend the Safety Committee Meeting. The

Safety Committee would be starting the 2018 Campaign to Embrace a Safety Culture. Discussion was held on how to get employees to report safety violations. Mr. Reyes reported Commercial Driver's License (CDL) training through University of New Mexico (UNM) was being considered. Mr. Jassmann asked if the defensive driving courses help decrease insurance costs. He recommended scheduling Defensive Driving Courses for all employees. Mrs. Valerio-Mylet recommended department heads attend the Safety Committee meetings each quarter. Federated Insurance will audit facilities tomorrow. Following discussion, it was moved by Mr. Jassmann, seconded by Mr. Mascarenas, and unanimously approved, that the CEO report for February 2018 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. Jassmann, seconded by Mrs. Valerio-Mylet, and unanimously approved, that payments to these Estates in the amount of \$8,387.05 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

It was moved by Mr. Durán, seconded by Mr. B. Torres and unanimously approved, that the Board go into Executive Session at 9:40 a.m. to discuss agenda items b and c.

Executive Session

Meeting was reconvened at 11:01 a.m. No action was taken.

Meeting Reconvened

Discussion was held in Executive Session regarding years nine and ten of Guzman Energy Power Sales Agreement. It was moved by Mr. Bresnahan, seconded by Mr. Duran, and unanimously approved, to Approve Guzman Energy Power Sales Agreement for years nine & ten.

Approval of Guzman Energy Power Sales Agreement – Years Nine & Ten

Discussion was held in Executive Session regarding Guzman Energy five-year contract extension. It was moved by Mr. Duran, seconded, by Mr. Jassmann and unanimously approved, to table the Approval of Guzman Energy Five Year Contract Extension years 11 - 15 and continue negotiations.

Approval of Guzman Energy Five Year Contract Extension Year 11 - 15

Discussion we held on the Approval of Resolution No. 3-3-18 regarding providing a one-year written Notice of Withdrawal to NMRECA to become

Approval of Resolution No. 3-3-18 Notice of

effective in one-year if KCEC's goals are not addressed or accomplished working in conjunction with NMRECA. Following discussion, it was moved by Mr. Bresnahan, seconded by Mr. Mascarenas, and unanimously approved, to adopt Resolution No. 3-3-18 to direct Mr. Reyes to request that the NMRECA take appropriate measures to review KCEC's proposed goals and meet and discuss KCEC's proposed goals to determine if the NMRECA can support and address such goals. A copy of the resolution is attached hereto and made a part of the minutes.

NMRECA Goals including Exit Provisions

Discussion was held on appointment of NMRECA Voting Delegate and Alternate for 2018 NMRECA Annual Meeting that will be held May 22 thru May 24, 2018 at the Lodge at Sierra Blanca and Ruidoso Convention Center. The President appointed Mr. Duran as Voting Delegate and Mrs. Valerio-Mylet as Alternate.

Appoint NMRECA Voting Representative

Discussion was held on the date for the 2018 KCEC Annual Meeting. The President recommended approval of Saturday, June 9, 2018 for the 2018 KCEC Annual Meeting. It was moved by Mr. Duran, seconded by Mrs. Valerio-Mylet, and unanimously approved, that the 2018 KCEC Annual Meeting be held on Saturday, June 9, 2018.

2018 KCEC Annual Meeting Date

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

Donations & Correspondence

Mr. Jassmann presented Payables for the Electric and Internet Divisions. The Payables Committee met on March 8, 2018. Mr. Jassmann recommended approval. It was moved by Mr. Rodarte, seconded by Mr. Bresnahan, and unanimously approved, that the payables for February 2018 be approved as presented.

Payables Committee

Mr. Duran reported that he attended the NMRECA meetings March 1 & 2, 2018. Mr. Duran reported he presented a report at KCEC Board Work Session yesterday and that discussion was held on written notice to NMRECA as outlined in Resolution No. 3-318. Mr. Duran reported the next NMRECA meeting would be held March 29 & 30, 2018.

NMRECA Board Meeting

Mr. Reyes reported on Kit Carson Internet financials. He reported KCI had 6,200 subscribers. Mr. Reyes reported year to date margins were \$111,000. He reported there was two outages in March, one due to the fire in Las Vegas, NM and one week later a cut line by the Santo Domingo Pueblo. CenturyLink found the cut line but didn't repair as they did not want to be on tribal land

Broadband Committee & Economic Development

after dark. Mr. Reyes reported cell carriers were not transferred to redundant line. The President reported the next Broadband Committee Meeting would be held Thursday, April 12, 2018 at 3:00 p.m.

Mr. Mascarenas reported that discussion on Solar Solar was held at the Board Work Session. He reported Committee that all three contracts had been signed. Soil results had been received for the Taos site, and stated Village of Angel Fire was working with Guzman Energy. The President asked if there were any sites in the Penasco area. Mr. Reyes reported there were three proposed sites; however electric service was single phase and would have to upgrade to three phase. Picuris Pueblo has proposed another site for a second array. Mr. Mascarenas reported the second appraisal was completed for El Rito, in kind work would have to be provided. Contract was signed last week for the Questa solar project that would be built on Lupe Young's land, 10 to 12 acres for 1.5 MW solar system.

Mr. Reyes reported the Bylaw & Policy Bylaw & Policy Committee met on March 14, 2018. He reported the Committee reviewed Board Policy 1.2, Executive Officers of the Board of Trustees – No changes recommended. Board Policy 1.3, Board of Trustees – Chief Executive Officer Relationship – Committee reviewing and Board Policy 3.20 Workplace Harassment – Recommendation was made to add “bullying” to Board Policy 3.20 Workplace Harassment. It was moved Mrs. Valerio-Mylet, seconded by Mr. Bresnahan, and unanimously approved, that Board Policy 3.20 be approved with recommended changes.

Mr. Reyes reported that KCEC, KCI and KCEI Other Business offices would be closed on Good Friday, March 30, 2018. Mr. Reyes reported he would be scheduling a meeting with RUS to provide an update.

There being no further business to come Meeting before the Board, it was moved by Mr. B. Torres, Adjourned seconded by Mr. Jassmann and unanimously approved, that the Board of Trustees of Kit Carson Electric Cooperative, Inc. meeting be adjourned until April 24, 2018 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.


March 27, 2018 Regular Board Meeting

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

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


Secretary

Approved this 24 day of April 2018


President