

*KIT CARSON ELECTRIC COOPERATIVE, INC.*

*MEETING OF THE BOARD OF TRUSTEES*

*November 25, 2014*

*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, November 25, 2014 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>Peter Adang</i>         | <i>Present</i> |
| <i>Cristobal Duran</i>     |                |
| <i>Bruce Jassmann</i>      |                |
| <i>Virgil Martinez</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.*

*Mrs. Mylet led the Board in reciting the Pledge of Allegiance.* *Pledge of Allegiance*

*Mrs. Mylet 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. It was moved by Mr. Torres, seconded by Mr. Duran, and unanimously approved, that the agenda be approved, as presented.* *Agenda*

*The minutes for the Board of Trustees regular meeting held October 28, 2014 were presented. It was moved by Mr. Rodarte, seconded by Mr. Duran and unanimously approved, that the minutes for October 28, 2014 be approved as presented.* *Minutes for October 28, 2014 Regular Meeting*

*Mr. Reyes presented the CEO's report for October 2014. Financials for October 2014 were reviewed. Margins for the month of October 2014 were at \$33,322. Year to Date margins were at \$163,050* *CEO Report*

compared to \$313,579 last year. Operating margins were at \$378,203 compared to \$488,920 last year. Mr. Reyes reported KCEC continues to see declining revenues and declining kWh usage. Mr. Reyes reported that KCEC may start to use the extra space at the Telecom building for public use. He reported since the protest started KCEC has saved \$3 million. Legal fees have decreased since a global settlement has been reached. Regarding Federal court, legal fees have increased due to appeal filed. Mr. Reyes reported that outages are less and shorter in duration. Mr. Smith commended Richard Martinez and his crews on a great job on the recent transmission outage that affected Red River, Angel Fire and Eagle Nest. Mr. Reyes reported that staff continues to review where cuts can be made and ways to operate efficiently. Mr. Reyes reported five non disclosure agreements would be discussed during executive session. Mr. Martinez joined the meeting at 9:17 a.m. The Balance sheet was reviewed. Mr. Reyes reported there has been modest growth. He reported on construction work in progress. Mr. Reyes reported total assets were \$129,037,953. Mr. Reyes reviewed the KPA's. He reported the blended cost of interest was at 4.5%. Mr. Medina joined the meeting at 9:26 a.m. Discussion was held on the Taos County Emergency Center and the KCEC Command Center. Mr. Reyes reported that the Town of Taos provided a 90 day notice; December would be their last month leasing the command center. Mr. Reyes reported that KCEC has been actively trying to find a data center to move into the location. Mr. Rodarte asked if it would be appropriate to move KCEC dispatch to the Telecom building. Mr. Reyes reported that the only reason would be a good financial reason, if someone wanted to purchase the current KCEC dispatch building or a long term contract. Mr. Reyes reported crews would be working on maintenance in November and December. Mr. Reyes distributed and discussed a handout regarding the Contract Committee polling questions. Mr. Torres reported the Safety Committee met November 10, 2014. Mr. Jassmann joined the meeting at 10:02 a.m. He reported there was one lost time accident. Mr. Torres reported that he had requested from the Safety Committee a list of lost time accidents and corrective action. He also requested goals for 2015. Need to be proactive in preventing accidents. Mr. Torres reported that he, Richard Garcia and Richard Martinez had met with Roy O'Day in regards to the RESAP program. He stated it was a worthwhile program that begins with leadership and commitment; also there is no cost to be part of the program. Mr. Torres reported that the Safety Report was in the Board packet for review. Mr. Reyes reported that board member fees were down from last year. Following discussion it was moved by Mr. Duran, seconded by Mr.

Medina and unanimously approved, that the CEO report for October 2014 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. Duran, seconded by Mr. Medina and unanimously approved, that payments to these Estates in the amount of \$11,807.81 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 presented Joint Resolution No. 4-11-14 on the study to develop and implement renewable energy in Taos County and North Central New Mexico and recommended Board approval. It was moved by Mr. Torres seconded by Mr. Adang and unanimously approved, that Joint Resolution No. 4-11-14 be approved as presented. Mr. Smith abstained with no comment.

Review and  
Approve Joint  
Resolution  
No.4-11-14

Mr. Reyes reported that discussion on NMRECA budget was held at yesterday's Board work session and no action was taken. Mr. Reyes asked for comments to be taken to NMRECA. Mr. Martinez stated for the record that he was very unhappy with the way Keven Groenwold is running statewide and would vote against the budget.

Review and  
Approve  
NMRECA 2015  
Proposed  
Budget  
Resolution No.  
5-11-14

Discussion was held on extending the agreement between KCEC and International Brotherhood of Electrical Workers; current terms and conditions would be extended for one year and proposing a 2.9% wage increase. Mr. Reyes recommended that the IBEW contract be extended. It was moved by Mr. Martinez seconded by Mr. Duran and unanimously approved, that Agreement between KCEC and IBEW be extended for one year and that wages increase by 2.9%.

Extension to  
Agreement  
between KCEC  
and IBEW

Mr. Ortega reported donation totals and correspondence are in the packet and may be reviewed at leisure.

Donations &  
Correspondence

Mrs. Suazo invited the Board of Directors to the KCEC Annual Christmas Dinner to be held at the Sagebrush Inn and Conference Center on Saturday, December 6, 2014, dinner will start at 5:30 p.m.

2014 Christmas  
Dinner

Ms. Andrea Chavez and Mrs. Deborah Madrid presented to the Board wellness bags. The Annual Health Fair was held November 19<sup>th</sup>, 2014 at the Llano

Community Center. They reported to the Board how effective the Wellness Program has been in regards to insurance premiums and employee enthusiasm in participating in the program.

The President called for a recess at 10:18 a.m. Recess

Meeting was reconvened by the order of the President, Mr. Bobby Ortega, at 10:35 a.m. Meeting Reconvened

Mr. Jassmann presented Payables for the Electric and Internet Divisions. The Payables Committee met on November 10, 2014. Mr. Jassmann recommended approval. It was moved by Mr. Rodarte, seconded by Mr. Medina, and unanimously approved, that the payables for October 2014 be accepted as presented. Payables Committee

Mr. Smith reported that the NMRECA meeting was held November 6 & 7, 2014. The Board met with Mr. Keven Groenwold at the Board work session the day before, Mr. Smith stated to the Board that he appreciated their honesty with Mr. Groenwold. Mr. Smith will contact Mr. Groenwold with some recommendations to reduce the budget by approximately \$60,000. He would recommend the Board consider a membership fee for the two G & T's based on phase in applications, lease vehicle vs. purchase, remove contract labor, enchantment changes and change budget cycle to three year budget and to have annual barbeque only during Presidential/Governor election years and have a breakfast instead at the beginning of the Legislature and invite all cooperatives to meet with Legislators. Also discussed was retirement disaster at the national level. Mrs. Mylet thanked Mr. Smith for inviting Mr. Groenwold to the Board work session, it was very positive. Mr. Smith reported the next NMRECA Board meeting would be held December 6 & 7, 2014. NMRECA Board Meeting

Mr. Rodarte reported he attended the Tri-State Board Meeting held November 11 & 12, 2014. He reported that the Board approved the submittal of the Long Range Economic Forecast (LREF). While Tri-State is no longer an RUS borrower, the members that participate in the RUS program still require the LREF from their power supplier to put into their projections. He reported that staff continues to assist the Board on the capital credit allocation methodology. Mr. Rodarte reported that the Rate Committee would be discussing the cost of service at the next meeting. Mr. Rodarte distributed a handout on the TR-1 rate to non-New Mexico class A members, this is a Colorado/Nebraska and Wyoming global settlement rate. Mr. Reyes reported that it is a true demand energy rate for high load factor Tri-State Board Meeting

cooperatives, this is a conventional energy demand rate that expires December 31, 2015. Mr. Adang asked how it would translate to wholesale rate. Mr. Reyes reported it would be higher but less than A37 rate. Discussion was held on the capital credit retirement allocations, Mr. Reyes reported KCEC would not receive capital credits for about 35 years; Tri-State currently owes KCEC approximately \$10,000,000. Mr. Rodarte reported margins for the end of October were \$68 million. Mr. Rodarte reported that the topics for discussion at the next meeting would be the capital credits retirement and RFP's on renewable proposals will be discussed in Executive session. Mr. Reyes reported bifurcated rates would not be needed since RUS debt was refinanced. If member unrest not resolved it may affect Tri-State's potential to borrow. Mr. Rodarte reported the Contract and Rate Committees would meet Thursday, December 11, 2014. The next Tri-State Board meeting would be held December 2 & 3, 2014.

Mr. Reyes reported the Broadband Committee met November 20, 2014. He reported that there would be in house crews set up to assist with service drops. Mr. Reyes reported that 96% of underground is complete and 85% of aerial is complete. He reported that 76% of monies have been spent. Mr. Reyes distributed financial status and update. He reported that there needs to be better communication and employees need to be held accountable for deadlines. He reported there would be flex working hours to be more accommodating to consumers since they have to be home to get internet service connected. Mr. Reyes reported that the aerial should be complete by March 31, 2015 deadline. Discussion was held on low lines. Broadband

It was moved by Mr. Duran seconded by Mr. Medina and unanimously approved, that the Board go into Executive Session at 11:27 a.m. to discuss Tri-State. Mr. Rodarte was excused from Executive Session at 11:28 a.m. Executive Session

The meeting was reconvened at 11:42 a.m. No action taken during Executive Session. Meeting Reconvened

There being no further business to come before the Board, it was moved by Mr. Duran, seconded by Mr. Medina, and unanimously approved, that the Board of Trustees of Kit Carson Electric Cooperative, Inc. be adjourned until December 30, 2014 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 11:44 a.m. Meeting Adjourned

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

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

  
Secretary

*Approved this 30 day of December, 2014*

  
President