

KIT CARSON ELECTRIC COOPERATIVE, INC.

MEETING OF THE BOARD OF TRUSTEES

July 28, 2015

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, July 28, 2015 at 9:06 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.

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

Mr. Reyes 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. Jassmann, seconded by Mr. Smith, and unanimously approved, that the agenda be approved as presented. *Agenda*

The minutes for the Board of Trustees regular meeting held June 30, 2015 were presented. It was moved by Mr. Jassmann, seconded by Mr. Medina, and unanimously approved, that the minutes for June 30, 2015 be approved as presented. Mr. Martinez abstained as he was not present at the June 30, 2015 meeting. *Minutes for June 30, 2015 Regular Meeting*

The President introduced Ceilidh Creech with Portal Locks. Ms. Creech provided a product brochure to the Board. She reported that Portal Locks is a company that manufactures cyber security devices. Ms. Creech stated that Portal Locks is manufacturing in Albuquerque, NM and would like to explore the possibility of opening a facility in Taos County. Ms. Creech requested sponsorship from KCEC for a loan from the USDA Rural Economic Loan Program. She stated information on this program was in the product handout. Ms. Creech thanked KCEC for their time and consideration. Mr. Martinez thanked Ms. Creech for trying to create jobs in Taos County. Mr. Torres stated it was great technology and very promising.

*Ceilidh Creech
Portal Locks*

Mr. Reyes presented the CEO's report for June 2015. Financials for June 2015 were reviewed. Margins for the month of June were at (\$93,621). Year to date margins were at (\$152,646) compared to \$511,024 last year. Mr. Reyes reported that the operating revenue last year was \$19,993,877 compared to this year \$19,488,581. He reported the cost of power last year was \$11,155,504 and this year was \$10,877,988. He reported the two major factors related to the cost of power increase were the two mil adder for the Global Settlement and the change in electric load profile. Mr. Reyes reported that the Chevron Waste Water Treatment Plant was scheduled for April 2015; but however, they are not online. Mr. Reyes reported that the Solar installation now belongs to Chevron Power it used to be Chevron Technologies and before that EMC. He reported that they have not been in contact with KCEC for several months. Mr. Reyes reported that KCEC is working with local communities to pass and enforce ordinances for trimming around properties. He reported that in the summer time people do not want KCEC trimming their trees due to the shade. Mr. Reyes reported that KCEC continues to look at internal operation efficiencies. Mr. Torres asked Mr. Reyes if there was technology that could be used to stunt the growth of trees. Mr. Reyes reported that might be possible on private properties. He reported that on Forest Service, BLM and Tribal lands there is language that prohibits spraying any type of pesticides that are not approved by that institute. The Balance Sheet was reviewed. Mr. Reyes reported new services connected last year were 125 compared to this year at 32. He reported that if the Cooperative is not growing rates cannot be sustained. Mr. Reyes reported that there is very little growth, Taos Ski Valley currently is building the new hotel but, they would not move forward with the second phase unless they have two good snow years. Mr. Reyes reported the Taos Ski Valley project would be done

CEO Report

in a two year time frame. The first phase must be completed by October 1, 2016. Total assets were at \$133,200,352. Mr. Reyes reported year to date TIER was 0.92 and year to date DSC was 1.02. The Delinquent Report was reviewed, Mr. Reyes reported on the tampering of meters. Discussion was held on the write off list. Mr. Ortega requested the write off list be presented to the Board for approval at the August 25, 2015 Board Meeting. Mr. Martinez requested a list by District of member who have submitted Medical Certification forms. Mr. David Torres reported the Safety Committee met July 10, 2015. He reported that KCEC is currently at 37 days of no loss time accidents. Mr. Torres reported the Committee was working on implementing a Safety Incentive Program. Mr. Martinez suggested a check list to inspect equipment be utilized by every operator. Mr. Reyes reported that there is a walk around and a check list that is used daily. He reported that Richard Garcia has the authority to red tag any vehicle that is not safe. Discussion was held on the Safety Incentive Program. The Safety Report was in the Board packet for review. Following discussion it was moved by Mr. Smith, seconded by Mr. Duran, and unanimously approved, that the CEO report for June 2015 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. Jassmann, and unanimously approved, that payments to these Estates in the amount of \$8,294.12 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.

Mr. Reyes reported that KCEC has been working with Picuris Pueblo regarding a 1MW solar array. The array would be between Vadito and the KCEC substation. A purchase power agreement would need to be executed. Mr. Reyes is recommending approval; project will take KCEC to 5% cap. It was moved by Mr. Duran, seconded by Mr. Medina, to approve, and accept the Picuris Pueblo 1MW Solar Project. Discussion was held, Mr. Reyes reported that the Bureau of Indian Affairs is assisting and supporting the Solar Project. Mr. Martinez suggested that KCEC table the project until more advice is obtained regarding 5% cap. Mr. Reyes reported Picuris Pueblo could tie into KCEC grid or they have an option to go behind the meter. He reported that this helps create a partnership between Picuris Pueblo

Capital Credits
To Estates

Approve Picuris
Pueblo Solar
Project for
1MW

and KCEC when negotiating right of ways. Motion carried unanimously to approve and support the Picuris Pueblo 1MW Solar Project.

The President reported donation totals and correspondence are in the packet and may be reviewed at leisure. Donations & Correspondence

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

Meeting was reconvened by the order of the President at 10:26 a.m. Meeting Reconvened

Mr. Jassmann presented Payables for the Electric and Internet Divisions. The Payables Committee met on July 10, 2015. Mr. Jassmann recommended approval. It was moved by Mr. Rodarte, seconded by Mr. Medina, and approved, that the payables for June 2015 be accepted as presented. Mr. Martinez opposed. Payables Committee

Mr. Smith reported that the 2015 NMRECA Meeting was held June 25, 2015. He reported that it was a one day meeting this month. Mr. Smith reported that comments were reviewed on the Annual Meeting that was held in Taos, NM. Comments were very positive. He reported that a planning session for review of Keven Groenwold's work load has been scheduled. Mr. Smith reported that the NMRECA Annual BBQ would be held on Thursday, September 3, 2015 and he encouraged all of the Board to attend. Mr. Smith reported a meeting would be held on August 7, 2015 with Tri-State on rate design, this meeting is the same day as the NMRECA Board Meeting. NMRECA Board Meeting

Mr. Rodarte reported he attended the Tri-State Board Meeting held July 7 & 8, 2015. He reported that discussion was held on the over view of the rate design issue and the rate cap true up at the end of the year. He reported that discussion was held on the Las Conchas fire, on July 31, 2015 a mediation was scheduled for all parties, on August 18, 2015 a pre trial conference is scheduled and on September 28, 2015 a hearing would be held in Albuquerque, NM. Mr. Rodarte reported Margins for the month of May 2015 were at a deficit of \$1,316,000. Next month's Board meeting will be held August 5 & 6, 2015. Tri-State Board Meeting

Mr. Reyes provided an update on the Broadband Project. He reported Atlantic Engineering Group (AEG) does not have enough crews and their contract ends July 31, 2015. Mr. Reyes reported that KCEC would be converting to IPV6 from IPV4 due to lack of IP addresses. He reported connections between Broadband

RediNet and KCEC had been completed. Mr. Medina left the meeting at 10:45 a.m.

Mr. Adang reported that he attended the 2015 CoBank CoBank Energy Directors Conference held at the Broadmoor in Colorado Springs, CO. He reported it was a good conference held at a great location. He reported the speakers were very interesting and the conference was very worthwhile. He recommended that Directors attend future CoBank conferences. Mr. Martinez also attended the CoBank Energy Directors Conference. He reported that the conference was held at a great location and also reported the speakers were very interesting.

It was moved by Mr. Jassmann, seconded by Mr. Rodarte, and unanimously approved, that the Board go into Executive Session at 10:50 a.m.

The meeting was reconvened at 11:20 a.m. Action taken during Executive Session included discussion on the Safety Program. Mr. Torres and Mr. Smith were appointed ADHOC Committee to discuss the Safety Incentive Program. Motion to rescind action to move forward with hearing on Tri-State. Discussion was held by Mr. Smith on tabling the action to move forward with the Tri-State Hearing. It was moved by Mr. Adang, seconded by Mr. Rodarte, and unanimously approved to rescind on the motion made at the April Board meeting to initiate proceedings with NMPRC to reactivate the rate case.

There being no further business to come before the Board, it was moved by Mr. Smith, seconded by Mr. Jassmann, and unanimously approved, that the Board of Trustees of Kit Carson Electric Cooperative, Inc. be adjourned until August 25, 2015 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 11:22 a.m.

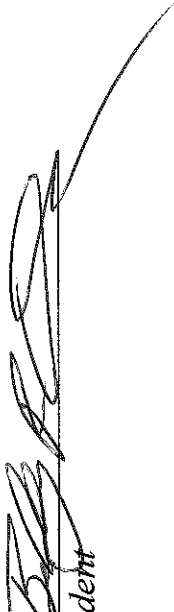
The following Trustees were present at the end of the meeting:

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


Secretary

July 28, 2015 Board Meeting Minutes.

Approved this 25 day of August, 2015


President