

KIT CARSON ELECTRIC COOPERATIVE, INC.

MEETING OF THE BOARD OF TRUSTEES

October 27, 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, October 27, 2015 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>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.

<i>Mr. Smith led the Board in reciting the Pledge of Allegiance.</i>	<i>Pledge of Allegiance</i>
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<i>Mr. Smith led the Board in a word of prayer.</i>	<i>Prayer</i>
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<i>The President announced a quorum was present and the Board was ready to proceed with the transaction of business.</i>	<i>Quorum</i>
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<i>The agenda was presented. It was moved by Mr. Jassmann, seconded by Mr. Smith, and unanimously approved, that the agenda be approved as presented.</i>	<i>Agenda</i>
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<i>The minutes for the Board of Trustees regular meeting held September 29, 2015 were presented. It was moved by Mr. Duran, seconded by Mr. Jassmann, and unanimously approved, that the minutes for September 29, 2015 be approved as presented.</i>	<i>Minutes for September 29, 2015 Regular Meeting</i>
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<i>Mr. Reyes presented the CEO's report for September 2015. Financials for September 2015 were reviewed. Margins for the month of September were at (\$421,233). Year to date margins were at (\$659,442).</i>	<i>CEO Report</i>
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Mr. Reyes reported Administrative and General Expenses were higher due to legal fees tied to Tri-State Opt Out. He reported that internal expenses have been managed and that tree trimming continues to be the highest cost maintenance item. Mr. Reyes reported that closing arguments would be held in regards to the Conchas Fire; that he would keep the Board informed on the results. Mr. Reyes reported that interest on long term debt increased. The Balance sheet was reviewed. Mr. Reyes reported new services connected last year were 188 compared to this year at 182. Total assets and liabilities were at \$133,487,229. Mr. Torres asked if it was too late for fiber drops. Mr. Reyes reported that the focus is on Angel Fire, Red River & Ute Park areas. Mr. Reyes reported that there would be a meeting with CoBank on November 10, 2015 to discuss refinancing broadband and electric. Mr. Martinez joined the meeting at 9:15 a.m. Mr. Reyes reviewed KPA's. He reported that KCEC has 28,488 customers. Year to date TIER was 0.73, for the month of September was at -0.55. Year to date DSC was 0.95, for the month of September was 0.32. Year to date OTIER was 0.82, for the month of September was -0.40. Mr. Reyes reviewed the Delinquent Report. He reported year to date credit card payments were \$7,159,280. Discussion was held on whether or not debt could be sold. Discussion was held on medical certifications. Mr. Torres asked if KCEC would pursue prepaid metering. Mr. Reyes reported that it would have to be introduced into a rate case and have a separate filing, this would eliminate members having to pay a deposit. Mr. Torres reported the Safety Committee met October 9, 2015. Mr. Torres reported there were corrections that needed to be made to the minutes of the meeting. The corrections are as follows; 1) number of days with no loss time accidents, should be 23 days not 238 days, 2) paragraph two on page two in regards to no accidents to report, should reflect one vehicle accident 3) add to the minutes that safety incentive proposal required by the end of November. Mr. Torres recommended approval of the Safety Report with corrections. The Safety Report is included in the Board packet for review. Following discussion it was moved by Mr. Jassmann, seconded by Mr. Rodarte, and unanimously approved, that the CEO report for September 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 \$11,178.60 be approved as

Capital Credits
To Estates

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.

The President reported donation totals and correspondence are 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 October 9, 2015. Mr. Jassmann recommended approval. It was moved by Mr. Rodarte, seconded by Mr. Duran, and unanimously approved, that the payables for September 2015 be accepted as presented. Payables Committee

Mr. Smith reported that the 2015 NMRECA Meeting was held October 1 & 2, 2015 at the Hotel Encanto de Las Cruces. He reported there would be a meeting at the Hotel St. Francis in Santa Fe, NM on November 5, 2015 from 3:00 p.m. to 5:00 p.m. Tri-State and Western Farmers would be discussing carbon and its affect. Mr. Smith reported discussion was held on the budget. Mr. Groenewold advised the Board that G & T's dues will increase in 2016. Mr. Smith reported the next NMRECA meetings would be held on November 5 & 6, 2015. NMRECA Board Meeting

Mr. Rodarte reported he attended the Tri-State Board Meeting held October 6 & 7, 2015. He reported that the directors voted unanimously to develop a term sheet and ultimate agreement with Kit Carson Electric Cooperative for their withdrawal from Tri-State. Mr. Rodarte reported the 2016 long-term financial forecast was reviewed. Next month's Board meeting will be held November 10 & 11, 2015. Mr. Rodarte reported that discussion will be held on continuing funding for the Holcomb project and an analysis of property owned by Tri-State would be completed by the end of the year. Tri-State Board Meeting

Mr. Reyes provided an update on the Broadband Project. He reported that crews were focusing on splicing in the outlying areas; Red River, Angel Fire and Ute Park. He reported all lines are up they need to be spliced and tested in the Penasco area. Mr. Reyes reported that he would be meeting with CoBank in regards to additional finance requirements to meet the needs of the members. Mr. Reyes reported he has met with Chris Batis/Taos Net. He reported that KCEC has separated with AEG and are working out the final terms of the separation. TCS the primary underground contractor is assisting with overhead services, also local contractors are assisting with drops Broadband

and splicing. Mr. Martinez reported that in the Cerro area members are indicating that they have filled out applications and still do not have drops. Mr. Reyes asked Mr. Martinez to provide names for follow up. Mr. Martinez stated that his boss commended and thanked Isaac Martinez and Alfredo Lopez for their work as they were very helpful in correcting problems that he was having at his location. Ms. Valerio-Mylet asked Mr. Reyes if monies for the Broadband project had been spent. Mr. Reyes reported that all monies had been spent therefore KCEC is using lines of credit and working on a loan package. He reported he is also working with RUS to see if there are additional funds available since other projects were not completed. Mr. Torres reported that he had attended a Taos Municipal Schools IT Committee Meeting and was surprised that 10% to 20% of kids do not have access to internet. Mr. Torres requested that an effort be made to ensure that every student has access to the Internet. Mr. Reyes reported that KCEC does have public access computers that students can use. He reported that KCEC is working with the State of New Mexico Public Education to get 5mb of internet service per student in rural schools.

Mr. Adang reported that the By-law and Policy Committee met on October 19, 2015. The By-Law and Policy Committee's recommendations are as follows. By-Law & Policy Committee

Policy No. 2.11 – Contracts for Minor Projects was presented with no changes. It was moved by Mr. Rodarte, seconded by Mr. Smith, and unanimously approved that Policy No. 2.11 be approved as presented.

Policy No. 2.12 – Identity Theft Prevention Policy: No action taken. Recommendation was made that this policy be reviewed by legal counsel to determine whether it requires modifications. Also, administration should consider hiring a computer expert to ensure current practice is sufficient to prevent identity theft.

Policy No. 2.13 – Service of Legal Process was presented with format changes to comply with Policy No. 1.17. It was moved by Mr. Smith, seconded by Mr. Jassmann, and unanimously approved that Policy No. 2.13 be approved with changes.

Policy No. 2.14 – Claims and Accidents was presented with no changes. It was moved by Mr. Rodarte, seconded by Mr. Duran, and unanimously approved that Policy No. 2.14 be approved as presented.

Policy No. 2.15 – Sale or Donation of Vehicles, Equipment or Materials was presented with format changes to comply with Policy No. 1.17. It was moved by Mr. Smith, seconded by Mr. Duran, and unanimously approved that Policy No. 2.15 be approved with changes.

Policy No. 2.16 – Contractor's Insurance was presented with format changes to comply with Policy No. 1.17. It

was moved by Mr. Duran, seconded by Mr. Jassmann, and unanimously approved that Policy No. 2.16 be approved with changes.

Policy No. 2.19 – Capital Credit Liens and Offsets was presented with format changes to comply with Policy No. 1.17. It was moved by Mr. Rodarte, seconded by Mr. Jassmann, and unanimously approved that Policy No. 2.19 be approved with changes.

Policy No. 2.20 – Rate Study Guidelines was presented with no changes. It was moved by Mr. Smith, seconded by Mr. Jassmann, and unanimously approved that Policy No. 2.20 be approved as presented.

Policy No. 2.21 – Use of Credit Cards or Debit Cards by Members was presented with format changes to comply with Policy No. 1.17. Additionally, the Committee recommended that it be amended to allow members to pay their bills with debit cards since the Cooperative is already doing that. It was moved by Mr. Smith, seconded by Mr. Jassmann, and unanimously approved that Policy No. 2.21 be approved with changes.

Policy No. 2.22 – Trustee Donations was presented with no changes. It was moved by Mr. Rodarte, seconded by Mr. Smith, and unanimously approved that Policy No. 2.22 be approved as presented.

Policy No. 2.23 – Credit Card Use (by the Cooperative) was presented with format changes to comply with Policy No. 1.17. It was moved by Mr. Jassmann, seconded by Mr. Rodarte, and unanimously approved that Policy No. 2.23 be approved with changes.

Mr. Adang requested a vote be taken on the *Other Business* Proposed 2015 Rate Adjustment. The President called for a roll call vote. The results of the vote were as follows:

Mr. Torres – Yes
Mr. Rodarte – Yes
Mr. Jassmann – Yes
Mrs. Valerio-Mylet – Yes
Mr. Duran – Yes
Mr. Ortega – Yes
Mr. Smith – Yes
Mr. Martinez – No
Mr. Adang – Yes

Mr. Reyes reported that he had spoken to Mr. Medina and he was in support of the Proposed 2015 Rate Adjustment.

There being no further business to come *Meeting* before the Board, it was moved by Mr. Smith, seconded by *Adjourned* Mr. Jassmann, and unanimously approved, that the Board of Trustees of Kit Carson Electric Cooperative, Inc. be adjourned until November 24, 2015 at 9:00 a.m. the date and time of the next Board meeting. Unless changed and, thereupon, the President declared the meeting

October 27, 2015 Board Meeting

adjourned at 10:07 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

Approved this th 24 day of November, 2015

President

