

KIT CARSON ELECTRIC COOPERATIVE, INC.

MEETING OF THE BOARD OF TRUSTEES

December 28, 2016

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, December 28, 2016 at 9:10 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	
Manuel Medina	
Bill Norris	
Bobby Ortega	
Arthur Rodarte	
David Torres	
Luisa Valerio-Mylet	

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. 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 agenda was presented. It was moved by Mr. Duran, seconded by Mr. Rodarte, and unanimously approved, that the agenda be approved as presented.

The minutes for the Board of Trustees regular meeting held November 29, 2016 were presented. The President stated that in Executive Session minutes are not taken, he requested that "the altercation between Mr. Martinez and Mr. Duran be stricken from the minutes. It was moved by Mr. Torres, seconded by Mrs. Valerio-Mylet, and unanimously approved, that the minutes be approved as amended.

The minutes for the Board of Trustees Special Board Meeting held Monday, December 5, 2016 were presented. It was moved by Mr. Bresnahan, seconded by Mr. Medina, and unanimously approved that the minutes be approved as presented. Mr. Rodarte abstained as he was not present for the meeting.

*Minutes for
December 5,
2016 Special
Board Meeting*

Mr. Reyes presented the CEO's report for November 2016. Financials for November 2016 were reviewed. Mr. Reyes reported margins for the month of November were \$371,383. Operating margins were \$294,642. He reported that year to date margins were at \$837,729 compared to (\$836,087) last year. Mr. Reyes reviewed legal expenses. Mr. Reyes reported that Administrative and General Expenses were lower than last year. Mr. Reyes distributed for review a spreadsheet of 11 months of actual load. Discussion was held. Mr. Reyes reported there were 149 new services this year compared to 214 new services last year. He reported that Chevron has not started reclamation; therefore they may be subject to fines. Mr. Reyes reported that local investors connected accounts for green houses to grow medical marijuana. Green houses are very energy intensive, use a lot of lighting and heating to grow the variety of plants. The Balance sheet was reviewed. Mr. Reyes reported total assets were \$145,437,578. Mr. Reyes distributed a handout on the comparison between the present rates and the approved rates, Final Order per the NMPRC dated December 7, 2016. Mr. Reyes reviewed the rates; he stated Rate 4 customers that have a high load factor get a rate decrease. He reported on the efficiency and timing of the fuel adjustment, KCEC doesn't keep any of fuel adjustment collected it is forwarded to Guzman Energy. Discussion was held on long term debt. Mr. Torres asked if KCEC offers assistance with demand side management. Mr. Reyes reported that KCEC has assisted in the past with demand side management and KCEC still conducts energy audits for large loads. Demand is a big driver for large power accounts. KCEC would have to contract someone to assist with demand side management. Mr. Bresnahan reported that energy efficiency is a problem for revenue; therefore KCEC should keep working toward separating system charge and energy cost. Mr. Reyes distributed information relative to the Power Cost Adjustment factor for November 2016 for review and discussion. Mr. Medina requested a report that lists the adjustment factor for each month since KCEC executed power supply contract with Guzman Energy. KCEC has been with Guzman Energy in regards to the fuel adjustment. Mr. Reyes reported in January the fuel adjustment factor would be a credit. The factor in July was 3.6. Mr. Reyes reported that a spreadsheet could be generated with this

CEO Report

information. Mr. Reyes reported that Public Service Company of New Mexico is eliminating the inverted block rate. Mr. Reyes reported year to date TIER was 1.26 and year to date OTIER was 1.28. Discussion was held on the higher wheeling charge from Tri-State compared to PNM wheeling charge. The President reported that he and Mr. Reyes met with Tamara Reynolds, Dean Church and the head of the Credit Committee of CoBank in Denver. It was a very positive meeting. CoBank was pleased with KCEC financials and KCEC's future. Mr. Reyes reported that CoBank stated KCEC was not doing enough to promote KCEC's achievements. Mr. Torres recommended CoBank send KCEC a letter referencing the meeting and KCEC's financial condition and that NMRECA and NMPRC be copied. Mr. Jassmann joined the meeting at 10:13 a.m. Mr. Torres reported the Safety Committee met November 10, 2016. He reported that KCEC was currently at 29 days of no loss time accidents as of November 29, 2016. He presented to the Board the Certificate of Safety Achievement from the National Rural Electric Cooperative Association. He commended Mr. Reyes, Richard Martinez, Richard Garcia and the Safety Committee for their assistance in achieving the Certificate of Achievement. The Safety Report was in the Board packet for review. Following discussion it was moved by Mr. Duran, seconded by Mr. Jassmann, and unanimously approved, that the CEO report for November 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 President reported requests have been received from Estates for retirement of capital credits. It was moved by Mr. Rodarte, seconded by Mr. Duran, and unanimously approved, that payments to these Estates in the amount of \$8,699.85 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

Discussion was held on appointment of NRECA Voting Delegate and Alternate for NRECA Annual Meeting to be held February 26 thru March 1, 2017 in San Diego, CA. The President appointed Mr. Duran as Voting Delegate and Mr. Medina as Alternate Voting Delegate.

Appoint 2017
NRECA Annual
Meeting Voting
Delegate &
Alternate

Discussion was held on appointment of NRTC Voting Delegate and Alternate for NRTC Annual Meeting to be held February 26 thru March 1, 2017 in San Diego, CA. The President appointed Mr. Torres as Voting Delegate and Mr. Duran as Alternate Voting Delegate.

Appoint 2017
NRTC Annual
Meeting Voting
Delegate &
Alternate

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

*Donations &
Correspondence*

The President called for a recess at 10:22 a.m.

Recess

Meeting was reconvened by the order of the President at 10:35 a.m.

*Meeting
Reconvened*

Mr. Jassmann presented Payables for the Electric and Internet Divisions. The Payables Committee met on December 11, 2016. Mr. Jassmann recommended approval. It was moved by Mr. Rodarte, seconded by Mr. Duran, and unanimously approved, that the payables for November 2016 be accepted as presented.

*Payables
Committee*

Mr. Duran reported he attended the NMRECA meeting on December 2 & 3, 2016. KCEC's dues would increase by \$2,739.00 in 2017. Mr. Duran reported that Socorro Electric Cooperative would not deduct legal expenses from dues incurred relative to trying to change the law to allow mail in proxy ballots to be included as count for their quorum requirements. Mr. Duran reported the NMRECA budget and a salary increase for Keven Groenewold was approved. Mr. Rodarte asked if there were any bills that would be supported by NMRECA. Mr. Reyes reported that he asked them to consider re-regulation; this would be formalized at the next meeting. Community solar legislation might be considered. Mr. Duran reported that Continental Divide is considering a Broadband Project. He reported that the next NMRECA meeting would be held January 5 & 6, 2017.

*NMRECA
Board Meeting*

Mr. Reyes reported the Broadband Committee did not meet in December. Mr. Reyes reviewed a list that includes monthly service charge for cooperatives throughout the country. Mr. Reyes reported that the Broadband project is 99% complete. He reported that Kit Carson Telecom had tested the Star2Star Beta telephone system and would now implement the telephone service. He reported that Star2Star would be responsible for porting, switching, and the equipment. Currently there are 3,814 fiber customers, 289 fixed wireless customers, 10 dialup customers, 154 Wild Blue customers, 362 phone customers and 11 DSL customers. A total of 4,600 customers. Mr. Reyes reported that KCT provides fiber to 24 cell sites, Comnet, AT & T wireless (Angel Fire), Verizon (TSV, Red River, Taos & El Rito). He reported that customers that use VOIP service would use existing jacks and would keep existing telephone number. The service includes unlimited long distance for lower 48 states. Mr. Reyes reported that a proposal has been made

*Broadband
Committee*

to Continental Divide. Mr. Reyes reported that KCT is finalizing negotiations with Taos Net, they are waiting on equipment. Mr. Reyes reported that he is in discussions with RUS about spinning off KCT to a subsidiary. The President inquired on how after hours customer support for Broadband is handled. Mr. Reyes reported that after hour's calls are handled thru KCEC dispatch and weekends thru Sierra Dispatch. The President stated that it would be good to cross train dispatch on broadband services and issues. Mr. Reyes reported that KCT is contacting companies that offer 24/7 customer service support and provide IP TV over the network. Discussion was held on two day internet outage. Mr. Reyes reported it was a hardware and software outage. A Broadband Committee meeting was scheduled for Wednesday, January 4, 2017 at 3:00 p.m. A Budget Work Session was scheduled for Tuesday, January 24, 2017 at 12:00 p.m. and a Strategic Planning Session was scheduled for Friday, January 13, 2017 at 12:00 p.m. Mr. Reyes reported the Legislative Session begins January 17, 2017.

Mr. Reyes reported that he met with Guzman Solar Energy in regards to the six year sola plan, they will be conducting site visits. He reported that KCEC might have to accelerate the first two years due to interest and cost to borrow monies. Mr. Reyes reported there have been three public meetings to discuss solar plan Mr. Reyes reported that there have also been inquiries from Chevron.

Mr. Torres asked if the Policy Committee should meet to discuss Trustee Code of Conduct. The President stated that the Policy Committee should meet to review.

Mr. Rodarte inquired on the policy on retiring capital credits for businesses that have closed. Mr. Reyes stated that he would review the bylaws. Mr. Medina thanked the Board of Trustees for the meeting change due to funeral arrangements for his mother. He wanted to state for the record that discussion on the fuel adjustment and the fuel adjustment information provided today was very beneficial for the Board. The Trustee who questions fuel adjustment and consumer bills was not present for this meeting. Mrs. Mylet-Valerio stated in regards to the broadband installation at the Blumenshein Museum, the installers were very polite and courteous.

There being no further business to come before the Board, it was moved by Mr. Duran, seconded by Mr. Jassmann and unanimously approved, that the Board of Trustees of Kit Carson Electric Cooperative, Inc. meeting be adjourned until January 31, 2017 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:

Robert Bresnahan, Cristobal Duran, Bruce Jassmann, Manuel Medina, Bill Norris, Bobby Ortega, Arthur Rodarte, and Luisa Valerio-Mylet and David Torres.


Secretary

Approved this 31 day of January, 2017


President