

*KIT CARSON ELECTRIC COOPERATIVE, INC.*

*MEETING OF THE BOARD OF TRUSTEES*

*January 25, 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 Monday, January 25, 2016 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>Ambrose Mascarenas</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. Smith 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. The President stated Mr. Michael Romero, Candidate for Congress and Mr. Steve Rozenboom, CFO for Holy Cross Hospital would make their presentations before the CEO Report. It was moved by Mr. Smith, seconded by Mr. Duran, and unanimously approved, that the agenda be approved as amended.*

*Minutes for the Board of Trustees regular meeting held December 29, 2015 were presented. It was moved by Mr. Rodarte, seconded by Mr. Smith, and unanimously approved, that the minutes for December 29,*

2015 be approved as presented.

The President introduced Mr. Michael Romero Candidate for Congress. Mr. Romero reported that he is a resident of Vadito, NM. Mr. Romero provided a brief history on his career which included Taos County Deputy for two years. He reported that the Republican Party approached him to run for Congress. Mr. Martinez stated he was in support of Mr. Romero. The President thanked Mr. Romero for meeting with the Board.

The President introduced Mr. Steve Rozenboom, CFO, Holy Cross Hospital. Mr. Rozenboom stated he was at the meeting to discuss the Holy Cross Hospital Mill Levy. He reported that the election would be held on March 8, 2016. He distributed a poster that identified issues and the impact to the average home owner. Mr. Rozenboom reported that in 2013 and 2014 there was significant losses and in 2015 there was moderate improvement. He reported that the hospital building was owned by Taos County; however, the hospital was responsible for maintenance of the building. He reported that proceeds from the mill levy would not be for operations the hospital mill levy would be for deferred maintenance and medical equipment. Mr. Martinez stated he is a big supporter of Holy Cross Hospital and is satisfied with services. Mr. Torres asked what the alternative would be if the mill levy was not passed and what vital health care services would residents have to go without. Mr. Rozenboom reported that if the mill levy did not pass there would be changes, he stated some employees haven't received wage increases in two, three and some in four years. Mr. Mascarenas asked if the Penasco building would be re-opened. Mr. Rozenboom stated the clinic would not be re-opened. The building would be sold since it is not financially feasible to keep open since El Centro has a clinic in Penasco. It was moved by Mr. Duran, seconded by Mr. Martinez and unanimously approved that KCEC go on record of supporting the Holy Cross Hospital Mill Levy and that a letter of support be drafted.

Mr. Reyes presented the CEO's report for December 2015. Financials for December 2015 were reviewed. Mr. Reyes reported that year to date Operating Margins were (\$462,067) and for the month of December were at \$59,790. Year to date margins were at (\$819,228). Margins for the month of December were at \$20,083. Mr. Reyes reported that revenues were down about \$1,000,000. The cost of power was high and consumer accounts expense increase was due to an increase in postage. Mr. Reyes reported Administrative and General Expenses were higher due to legal fees

relative to professional services regarding the Tri-State buyout and protest. The total cost of operation and maintenance was less than last year. Mr. Torres asked why the long term interest expense was higher. Mr. Reyes reported that KCEC continues to borrow for electric operations. Mr. Rodarte asked how depreciation would affect plant. Mr. Reyes reported as the plant gets older there are older lines and transformers that need to be replaced; therefore depreciation would increase. When capital is replaced depreciation increases. If capital is not replaced maintenance costs increase. He reported that 66% of residential members are under the average kWh of 480, and that kWh usage continues to decline. Members are more conservative and KCEC continues to see this trend. Mr. Reyes reported Taos Ski Valley is on track and on target. KCEC has not had discussion with Chevron but it seems that the waste water treatment is on schedule; however, KCEC doesn't know the schedule of how Chevron will run the trains. They will require electricity to pump water but it will not be a constant load. The Balance sheet was reviewed. Mr. Reyes reported there was little growth. Mr. Reyes reported new services connected last year were 270 compared to this year at 230. He reported that there was no community plan for economic development. Mr. Reyes reported that KCEC had received the final order in regards to the rate increase and KCEC is preparing for the rate case. KCEC has 30 days to prepare testimony and exhibits. Mr. Reyes reported there was one major outage on December 30, 2015 that affected Angel Fire and Black Lake. He had met with Mr. Smith, Mr. Jassmann and the community in regards to the outage. He reported there was also a fire in Ojo Caliente and KCEC was asked to shut down the power due to chemicals; however KCEC was not able to reach the pole due to the chemicals. Mr. Torres reported the Safety Committee met December 10, 2015. He reported in the Board packet there was a summary of accidents for 2014 and 2015; he reported there was an average of 10 accidents per year. Mr. Torres reported there would be training on slips, trips and falls, which was the majority of injuries. Mr. Torres reported that Richard Martinez has drafted an Incentive Program and it has been submitted for approval. Following discussion it was moved by Mr. Duran, seconded by Mr. Mascarenas, and unanimously approved, that the CEO report for December 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. Martinez, seconded by Mr. Rodarte,

Capital Credits  
To Estates

and unanimously approved, that payments to these Estates in the amount of \$11,794.04 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.

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

Discussion was held on appointment of CFC Voting Delegate and Alternate for NRECA Annual Meeting to be held February 14 thru 17, 2016 in New Orleans, LA. The President appointed Mr. Duran as Voting Delegate and Mrs. Mylet as Alternate Voting Delegate. Appoint 2016 CFC Annual Meeting Voting Delegate & Alternate

Mrs. Suazo reported two Tri-State scholarships were available in the amount of \$500.00 each. To date all five Districts have been awarded six scholarships; therefore two \$500.00 scholarships would be selected from the five Districts. Drawn was one \$500.00 scholarship from District 2 and one \$500.00 scholarship from District 4; therefore District 2 and District 4 would each select one recipient from their District. Tri- State Scholarship

Mrs. Suazo reported one Basin Electric Power Cooperative scholarship is available in the amount of \$1,000.00. To date District 1, District 2 and District 3 have been awarded three scholarships; District 4 and District 5 have been awarded two scholarships. It was recommended that one scholarship be drawn from Districts 4 and District 5. District 5 was drawn; therefore District 5 would select one recipient from their District. Basin Scholarship

Mr. Ortega presented Payables for the Electric and Internet Divisions. The Payables Committee met on January 11, 2016. Mr. Ortega recommended approval. It was moved by Mr. Rodarte, seconded by Mr. Duran, and approved, that the payables for December 2015 be accepted as presented. Payables

Mr. Smith reported that the NMRECA Meeting was held January 7 & 8, 2016. Mr. Larry McGraw, RUS reported that Ms. Annie Holloway-Jones, Assistant Administrator-Electric, Office of Loan Organization and Approval would be retiring after 49 years of service. Mr. Larry McGraw reported that the long-term interest rate was at 2.58% and short term at 0.20%. Mr. Smith reported that after the 2016 CFC NMRECA Board Meeting

*Annual Meeting it is presumed that Mr. Grant Clawson would be Chairman of the Board for CFC. Mr. Smith reported that Mr. Groenewold presented to the Board information on the NMSU Foundation, Inc. Endowment Report for 2014-15; Carl M. Turner Endowed Scholarship. After discussion it was decided not to contribute until further review. Mr. Smith reported that the NMRECA Annual Meeting would be held at the Lodge at Sierra Blanca and Convention Center in Ruidoso, NM, May 24 - May 26, 2016. He reported that the Legislative Almanac is now available on an app for Android and Apple computers and can be downloaded from the NMRECA website. Mr. Smith reported that NMRECA is looking into House Bill 63 – Relating to Workers compensation and Senate Bill 47 – Relating to Taxation, he reported Senate Bill 47 would impact KCEC and that we need to support this bill. Mr. Joseph C de Baca is the new Board Member at Mora-San Miguel Electric Cooperative. Mr. Smith reported the next NMRECA meetings would be held on February 4 & 5, 2016.*

*Mr. Rodarte reported he attended the Tri-State Board Meeting held January 5 & 6, 2016. Mr. Rodarte reported that discussion was held on Clean Power Plan. He reported that 27 states were in opposition of the Clean Power Plan. Mr. Jassmann joined the meeting at 10:08 a.m. He reported the next Strategic Planning Session would be held January 11-12, 2016. Discussion would be held on the Clean Power Plan. He reported that Joe Martin, President of Mountain View Electric Board and David Spradlin, Manager of Springer Electric spoke to Tri-State on the importance of participating in the Action Committee for Rural Electrification (ACRE). Mr. Rodarte reported year to date margins were at \$56 million. Mr. Rodarte reported the next Tri-State meetings would be held on February 2 & 3, 2016.*

*Tri-State  
Board Meeting*

*Mr. Reyes provided an update on Broadband, he reported there was now 1,300 subscribers and crews were focusing on the Pilar, Penasco and Ojo Caliente areas. Mr. Reyes reported there were still fixed wireless customers that would need to be moved to fiber. He reported there were two AT & T sights up and working and a Verizon sight up and working. He reported they would be meeting with Comnet this week. Mr. Martinez reported that he had been receiving calls in regards to customers having issues with their internet. Mr. Reyes reported that there had been some problems with the fixed wireless customers and also customers had been running out of IP addresses, when your modem has to be reset you lose your IP address. Kit Carson Technologies has purchased an additional 1200 IP addresses. Mr. Mascarenas reported that it was brought to his attention*

*Broadband  
Committee*

that customers had not received bills in two months. Mr. Reyes reported that they were assessing how many customers were not being billed.

The President called for a recess at 10:12 a.m. Recess

Meeting was reconvened by the order of the Meeting  
President at 10:25 a.m. Reconvened

Mr. Adang reported that the By-law and By-Law &  
Policy Committee met on December 28, 2015 to review Policy  
Board Policies 3.27 through Board Policy 4 and Kit Committee  
Carson Electric Policies 1.1 through 2.11 and made the  
following recommendations.

Board Policies 3.27 through 4

- A. **Board Policy No. 3.27** – Policy on Alcohol and Drug Use by Commercial Drivers. This has been re-formatted to comply with Policy No. 1.17. Recommended adoption.
- B. **Board Policy No. 3.28** – Employee Code of Conduct and **Board Policy No. 3.29** – Bargaining Unit Employees code of Conduct have been re-formatted to comply with Policy No. 1.17, language changes have been made so that Board Policy No. 3.28 conforms to Board Policy 3.29 so that policies are identical. Recommended adoption.
- C. **Board Policy No. 4** – Procedures for Maintaining the Policy Manual. No changes were made. Recommended re-adoption.

It was moved by Mr. Rodarte, seconded by Mr. Jassmann, and unanimously approved that Policy No. 3.27, Policy No. 3.28, Policy No. 3.29 and Policy No. 4 be approved with changes.

Kit Carson Electric Policies 1.1 through 2.11

- A. **Kit Carson Electric Policy No. 1.1** – Scope; **Kit Carson Electric Policy No. 1.2** – Board of Trustees; **Kit Carson Electric Policy No. 1.3** – Engineer; **Kit Carson Electric Policy No. 2.1** – Chief Executive Officer; **Kit Carson Electric Policy No. 2.2** – Organization; **Kit Carson Electric Policy No. 2.3** – Control of General Funds; **Kit Carson Electric Policy No. 2.4** – Control of Special Construction Funds. These policies have been re-formatted to comply with Policy No. 1.17, typographical errors have been corrected. It was recommended that Policy No. 1.1 through Policy No. 2.11 be re-adopted as amended.
- B. **Kit Carson Electric Policy No. 2.5** – Payroll Account – This policy was amended to conform to current practice, namely, payment on every other

*Wednesday rather than Friday and payment by direct deposit rather than check. It was recommended that Policy No. 2.5 be-adopted as amended.*

- C. **Kit Carson Electric Policy No. 2.6** – Monthly Reports to Trustees; **Kit Carson Electric Policy No. 2.7** – Financial Requirements and Expenditure Reports; **Kit Carson Electric Policy No. 2.8** – Operating Budget; **Kit Carson Electric Policy No. 2.9** – Reimbursement of General Funds from Loan Funds. These policies were re-formatted to comply with Policy No. 1.17, typographical errors were corrected. It was recommended that policies No. 2.6, Policy No. 2.7, Policy No. 2.8 and Policy No. 2.9 be re-adopted as amended.
- D. **Kit Carson Electric Policy No. 2.10** – Bonds and Insurance – This policy was changed to require that all changes in policy coverage must be approved by the Board. It was recommended that policy No. 2.10 be adopted as amended.
- E. **Kit Carson Electric Policy No. 2.11** – Meter Location and Kit Carson Electric Policy No. 2.11 Security Deposits – Since there are two policies designated as 2.11, it was recommended that the policy on Meter Location be moved and merged with Policy No. 2.16 which also deals with meters. (This would be covered at the next session). The remaining Policy No. 2.11 on Security Deposits is unchanged except for typographical errors that have been corrected. Policy No. 2.11 on Security Deposits. It was recommended that policy be re-adopted as amended.

*It was moved by Mr. Jassmann, seconded by Mr. Smith, and unanimously approved that Kit Carson Electric Policy No. 1.1, Policy No. 1.2, Policy No. 1.3, Policy No. 2.1, Policy No. 2.2, Policy No. 2.3, Policy No. 2.4, Policy No. 2.5, Policy No. 2.6, Policy No. 2.7, Policy No. 2.8, Policy No. 2.9, Policy No. 2.10 and Policy No. 2.11 be approved with changes.*

*Mr. Adang reported that Policy No. 2.1 Capital Credits and Policy No. 1.4 Fees for Members of the Board of Trustees were tabled and need to be reviewed. Mr. Smith withdrew his motion to table Policy No. 1.4 Fees for Members of the Board of Trustees and approve as presented. It was moved by Mr. Jassmann, seconded by Mr. Mascarenas, and unanimously approved that Policy No. 1.4 be approved as presented. Policy No 2.1 Capital Credits and Policy No. 2.12 Identity Theft Prevention would be introduced at the next Board Meeting.*

Mr. Rodarte requested an update on the Kit Board Member  
Carson Electric Education Foundation. Mrs. Archuleta Concerns  
reported that the Kit Carson Electric Education  
Foundation met on January 21, 2016. The 2016 Budget  
was approved. She reported that the Kit Carson Electric  
Education Foundation is still lacking a representative  
from District Two. Mrs. Archuleta reported that the  
number of words on the application essay was increased  
from 100 words to 150 words. The deadline to submit  
Scholarship applications would be April 15, 2016.

There being no further business to come Meeting  
before the Board, it was moved by Mr. Duran, seconded Adjourned  
by Mr. Smith, and unanimously approved, that the Board  
of Trustees of Kit Carson Electric Cooperative, Inc. be  
adjourned until February 23, 2016 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 10:38 a.m.

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

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

  
Secretary

Approved this 23 day of February, 2016

  
President