

KIT CARSON ELECTRIC COOPERATIVE, INC.

MEETING OF THE BOARD OF TRUSTEES

November 29, 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, November 29, 2016 at 9:14 a.m. in the Marcelino Martinez Room of the headquarters building of the Cooperative, Taos, New Mexico. The following Trustees were present:

<i>Bob Bresnahan</i>	<i>Present</i>
<i>Cristobal Duran</i>	
<i>Bruce Jassmann</i>	
<i>Virgil Martinez</i>	
<i>Ambrose Mascarenas</i>	
<i>Manuel Medina</i>	
<i>Bobby Ortega</i>	
<i>Arthur Rodarte</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. Valerio-Mylet led the Board in reciting the Pledge of Allegiance. *Pledge of Allegiance*

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

The minutes for the Board of Trustees regular meeting held October 25, 2016 were presented. It was moved by Mr. Rodarte, seconded by Mr. Mascarenas, and unanimously approved, that the minutes be approved as presented. *Minutes for October 25, 2016 Regular Meeting*

Mr. Reyes presented the CEO's report for October 2016. Financials for October 2016 were reviewed. Mr. Reyes reported margins for the month of October were \$111,210. Operating margins were \$115,246. He reported that year to date operating margins were at \$621,445 and year to date margins were at \$475,217. Mr. Reyes reported that in the residential class KCEC purchased 500,000 kWh's less compared to last year. He reported that maintenance costs would continue to keep the system reliable and that KCEC was not contracting outside contractors to complete tree trimming. Mr. Reyes reported that Administrative and General Expenses were on budget. If the New Mexico Public Regulation Commission modifies the proposed rate increase, KCEC would have to conduct a Cost of Service Study and file a new proposed rate increase in about six months. He reported that KCEC continues to see a decline in kWh's used. Mr. Jassmann stated that Public Service Company of New Mexico had filed another rate increase with NMPRC. Mr. Reyes reported that NMPRC decreased PNM's proposed rate increase a few months ago; therefore, PNM had to file another proposed rate increase. Mr. Rodarte reported that KCEC had spoken with Legislators regarding modifying legislation relative to protests. Mr. Reyes reported that there are some key Democrat Legislators that want to study the oversight of the NMPRC because of these types of issues. He reported that there should be regulation that allows cooperatives to increase rates 2½% per year to cover increased costs for items that we have no control over such as property taxes and equipment costs. Mr. Medina stated he is surprised that the NMPRC does not see these rate increases, since everything around us keeps increasing. Mr. Reyes reported that cooperatives are filing rate increases; however, other cooperative rate cases are not protested. The President asked how KCEC was approaching the preparation of budgets. Mr. Reyes reported that KCEC is working on pro formas for the three divisions based on 10 months and preparing budgets. The President requested that departments should present operational efficiencies in addition to budget cuts during budget presentation. Mr. Bresnahan asked if Colorado commission oversees Tri-State. Mr. Reyes reported no and 40 of 48 states are not regulated. In Colorado cooperatives can opt out of regulation. Mr. Reyes reported Texas has the most cooperatives and is not regulated, Arizona is regulated. Mr. Martinez reported that a budget study session should be scheduled for December. Mr. Torres stated that it would be helpful to know where employees are cutting expenses so that the members could be informed. Mr. Reyes reported that KCEC is not filling vacant positions unless safety is jeopardized. Staffs wages have been frozen, major

expenses have been deferred and KCEC is leasing vehicles versus purchasing vehicles. He also reported that District office hours have been scaled down. Mr. Reyes reported TIER for October was 1.38 and 1.16 year to date. OTIER for October was 1.40 and year to date was 1.21. He reported on the delinquent report, the active total was \$252,523; of that total a portion \$148,389 is due to medical certification. He reported 259 consumers had payment arrangements in the amount of \$214,817. The President recommended a write off of closed accounts. Mr. Reyes reported a list would be presented at the December Board Meeting. Mr. Martinez recommended a true statement or breakdown on solar arrays. Mr. Reyes reported a solar array is a power station; therefore, power goes into the grid. KCEC can't measure since it is included in total cost of power. A spreadsheet could be provided that lists power generated and expenses for each array. Mr. Torres reported the Safety Committee met November 10, 2016. He reported that KCEC was currently at 282 days of no loss time accidents as of November 29, 2016. Mr. Richard Martinez reported that the RESAP certificate was approved; however KCEC hasn't received it yet. The Safety Report was in the Board packet for review. Following discussion it was moved by Mr. Mascarenas, seconded by Mr. Duran, and unanimously approved, that the CEO report for October 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. Duran, seconded by Mr. Martinez, and unanimously approved, that payments to these Estates in the amount of \$9,439.03 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

The President reported that Mr. Charles Hasford and Mr. Bill Norris were interviewed for the District Five Trustee position. It was moved by Mr. Jassmann, seconded by Mr. Duran, and unanimously approved that Mr. Bill Norris be appointed to vacant District Five Trustee position until 2020. Mr. Martinez abstained as he was not present during the interviews. Mr. Jassmann stated that both members were very qualified. He thanked the Board for giving Mr. Norris the chance to serve on the Board. Mr. Torres stated that KCEC express thanks to Charles Hasford for interviewing and thank him for his interest in serving as Trustee.

Appoint District
Five Trustee

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 10:04 a.m.

Recess

Meeting was reconvened by the order of the President at 10:15 a.m.

*Meeting
Reconvened*

Mr. Jassmann presented Payables for the Electric and Internet Divisions. The Payables Committee met on November 10, 2016. Mr. Jassmann recommended approval. It was moved by Mr. Rodarte, seconded by Mrs. Valerio-Mylet, and unanimously approved, that the payables for October 2016 be accepted as presented.

*Payables
Committee*

Mr. Duran reported he attended the NMRECA meeting on November 3 & 4, 2016. Mr. Duran reported that this was his first month on the NMRECA Board. He reported there would be an increase in dues. He reported that Jemez Mountain Electric voted to exit NM Self Insurance Fund which may affect the budget. Mr. Reyes reported that the Self-Insurer's Committee would review a re-entry fee for cooperatives that leave and want to return. Mr. Duran reported that Keven Groenwold's evaluation was discussed. He reported he had lobbied to be appointed to Mr. Jerry Smith's Secretary/Treasurer position; however, he didn't receive a nomination. Mr. Torres left the meeting at 10:25 a.m. Mr. Martinez stated Keven Groenwold needs to be more active. Socorro Electric Cooperative has indicated any cost incurred to change the law to allow mail in ballots to be included as count for their quorum requirements would be deducted from Socorro's dues. Mr. Duran reported that the NMEUSA Underground and Overhead Climbing School is being relocated to the Central New Mexico Community College facility in Rio Rancho, NM. He reported that the next NMRECA meeting would be held December 1 & 2, 2016.

*NMRECA
Board Meeting*

Mr. Reyes reported that currently there are over 3,600 fiber customers and 4,000 subscribers. Some businesses have multiple accounts but we won't hit goal of 5,000 by the end of the year. Mr. Reyes reported he would be meeting with Taos Net to discuss specifics. He reported that beta testing for VOIP with Star2Star Communications is taking place and if testing is successful it will be deployed in January. Underground construction will stop due to weather. Aerial will continue during the winter.

*Broadband
Committee*

Mr. Reyes reported a Solar Plan for 2017 Solar would be presented to members interested in solar. He reported that KCEC wouldn't carry any debt on solar facilities, investor carries the debt. The plan is to limit the cost to KCEC. Mr. Martinez stated people will protest location of facility since they don't want this in their back yards. He stated legal fees should also be paid by investors. Mr. Mascarenas suggested that KCEC go out into the community and get feedback and support. Mr. Reyes reported the first meeting would be held today at 1:00 p.m. Mr. Bresnahan reported that today is a good time to appeal to the environmentalists to support KCEC.

Mrs. Valerio-Mylet reported that she had Board Member received several calls in regards to the higher bills. Concerns Customers are upset that their bills are higher. Mr. Ortega left the meeting. Mrs. Valerio-Mylet suggested that an explanation be sent out to the customers explaining the reason for the higher bills. Mr. Reyes reported that bills increased due to the fuel adjustment, which also includes the exit fee. Mr. Rodarte asked for an update on the relationship with Guzman Energy. Mr. Reyes reported that Guzman Energy has purchased power for 2017. He reported he is working with Guzman Energy on the Solar Plan and would be meeting quarterly with Guzman Energy. Mr. Reyes reported that in the future Guzman Energy may also invest in Broadband. The relationship with Guzman Energy is very positive. Mr. Ortega returned to the meeting. Mr. Bresnahan asked if members were attacking KCEC for leaving Tri-State and entering into contracts with Guzman Energy. Mr. Reyes reported that people attacked KCEC when KCEC went from Plains Electric to Tri-State and people now attacking for leaving Tri-State to Guzman Energy. Mr. Reyes reported that Comcast was moving but didn't know if their assets were being sold. KCT is negotiating with a company from Salt Lake City to provide IP TV over the network.

It was moved by Mr. Jassmann, seconded by Executive Mr. Rodarte and unanimously approved, that the Board Session go into Executive Session at 10:55 a.m.

Meeting was reconvened at 11:25 a.m. No Meeting action taken. Reconvened

There being no further business to come Meeting before the Board, it was moved by Mr. Medina, seconded Adjourned by Mr. Duran and unanimously approved, that the Board of Trustees of Kit Carson Electric Cooperative, Inc. meeting be adjourned until December 27, 2016, at 9:00 a.m. the date and time of the next Board meeting. Unless changed and, thereupon, the President declared the

Meeting of Board of Trustees November 29, 2016

meeting adjourned at 11:25 a.m. ~~An altercation occurred between Mr. Martinez and Mr. Duran.~~

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

Robert Bresnahan, Cristobal Duran, Bruce Jassmann, Virgil Martinez, Ambrose Mascarenas, Manuel Medina, Bobby Ortega, Arthur Rodarte, and Luisa Valerio-Mylet.


Secretary

Approved this 28 day of December, 2016


President