

KIT CARSON ELECTRIC COOPERATIVE, INC.

MEETING OF THE BOARD OF TRUSTEES

September 27, 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, September 27, 2016 at 9:08 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>Jerry Smith</i>	
<i>David Torres</i>	
<i>Luisa Valerio-Mylet</i>	

Also, present were: Luis A. Reyes, Jr., Chief Executive Officer, Carmella Suazo, Administrative Assistant; Johnny Valerio, Financial Manager; and Joyce Archuleta, Executive Secretary, who recorded the day's proceedings.

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

Mrs. Valerio-Mylet led the Board in a word of prayer. Mr. Medina joined the meeting at 9:12 a.m. *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. Mascarenas, 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 August 30, 2016 were presented. It was moved by Mr. Rodarte, seconded by Mr. Medina, and unanimously approved, that the minutes be approved as presented. *Minutes for August 30, 2016 Regular Meeting*

Mr. Reyes presented the CEO's report for August 2016. Financials for August 2016 were reviewed. Operating margins for the month of August were \$99,066. Year to date operating margins were \$655,547. Mr. Reyes reported revenue and cost of power had increased. Margins for the month of August were \$92,062. Year to date margins were at \$527,822 compared to (\$234,349) last year. Mr. Reyes reported that Administrative and General Expenses were higher; this was due to legal fees and consulting fees relative to the rate case. Discussion was held on Transmission Expense. Mr. Reyes reported that Public Service Company of New Mexico is FERC regulated and charges 2% and has to follow physics rule while Tri-State is not regulated so they charge 4.8%. Mr. Reyes distributed a handout in regards to Chevron and the impact on 10 year Energy Sales (kWh) Annual Average per rate class. Discussion was held. He reported that historically Chevron has subsidized residential customers. Line loss is reflected in the fuel adjustment. Chevron paid for transmission line and substation 100%. The cost to operate and maintenance to serve Chevron is minimal. Mr. Reyes asked the Trustees to share the information with the members, KCEC is not responsible for the closing of Chevron. The Balance sheet was reviewed. Mr. Reyes reported total assets were at \$143,553,556. The KPA's were reviewed. Mr. Reyes reported year to date TIER was 1.23, for the month of August was 1.32. Year to date DSC was 1.11, for the month of August was 1.15. Year to date OTIER was 1.29, for the month of August was 1.35. Mr. Reyes reported that we still have two more months of low usage, he reported that KCEC is weather driven. Mr. Torres asked if KCEC had made any inquiries on the number of electric cars in Taos. Mr. Reyes reported that he hasn't, and doesn't know the data base that would need to be used. Mr. Batis stated the best market would be municipal transportation. He stated that the Department of Energy may have information on their website in regards to the statistics on electric cars. Mr. Torres stated that the local dealerships should be encouraged to promote electric vehicles. Mr. Rodarte stated Tri-State has a charging station for vehicles. Mr. Martinez asked if it would be worth drafting an application to Taos County allowing a solar panel on each pole. Mr. Reyes stated he would have to look at the codes. Mr. Reyes reported that load was transferred this week from the substation in Red River to a mobile unit for a week. If all tests pass then Red River will be ready for the winter season. He reported that KCEC is preparing for the winter season. Mr. Torres reported the Safety Committee met September 9, 2016. He reported there were two vehicle accidents that were not employees fault. He reported that KCEC was currently at 225 days of no loss time accidents as of

September 27, 2016. Mr. Torres reported that he attended the Safety Coordinator Conference in Albuquerque, NM, which was well attended and had great speakers. Mr. Reyes reported on the RESAP certification, he stated the Board had asked for employee recognition. Mr. Reyes recommended that all electric employees receive a day off within the next six months. Employees have accomplished a culture of safety. He stated an Incentive Safety Incentive Program would be presented to the Board at the next meeting for next year to reward employees when goals are accomplished. Mr. Smith stated an Incentive Program is a good idea and each year goal be increased. Mr. Martinez stated a day off was a good idea. Mr. Bresnahan stated that team rewards motivate everyone. Mr. Reyes reported that the Program would include team and individual rewards. The Safety Report was in the Board packet for review. Following discussion it was moved by Mr. Smith, seconded by Mr. Jassmann, and unanimously approved, that the CEO report for August 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. Bresnahan, and unanimously approved, that payments to these Estates in the amount of \$14,553.82 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. Smith reported for the record that he would be resigning from NMRECA Board effective October 7, 2016. He also reported he would be retiring his position on the KCEC Board of Directors following the Board meeting scheduled for October 25, 2016. The President announced Mr. Smith had served on the KCEC Board of Directors for 16 years. He thanked Mr. Smith for his knowledge, expertise and friendship and wished him well in the next chapter of his life. Mr. Torres stated he appreciated Mr. Smith's insight, expertise, advice on safety and wealth of experience. The President announced that after the October 25, 2016 Board Meeting a luncheon would be held in Mr. Smith's honor. The President appointed Mr. Duran as Director and Mrs. Valerio-Mylet as Alternate for NMRECA Board. It was moved by Mr. Medina, seconded by Mr. Mascarenas and unanimously approved that Mr. Duran be appointed as Director and Mrs. Valerio-Mylet as Alternate for NMRECA.

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 10:18 a.m.

Recess

Meeting was reconvened by the order of the President at 10:33 a.m.

*Meeting
Reconvened*

Mr. Jassmann presented Payables for the Electric and Internet Divisions. The Payables Committee met on September 12, 2016. Mr. Jassmann recommended approval. It was moved by Mr. Medina, seconded by Mr. Rodarte, and unanimously approved, that the payables for August 2016 be accepted as presented.

*Payables
Committee*

Mr. Smith reported he attended the NMRECA meeting on September 1 & 2, 2016. Mr. Rick Gordon reported that Tri-State moved forward with an agreement between Tri-State, the owners of Craig Station, the Environmental Protection Agency, the State of Colorado, WildEarth Guardians and the National Parks Conservation Association to revise the Colorado Visibility and Regional and Haze State Implementation Plan. He reported that under the revised plan, Craig Station Unit 1 would be retired by December 31, 2025 and Nucla Station would be retired by December 31, 2022. Mr. Smith reported that the NMRECA Annual BBQ was well attended. Mr. Larry McGraw, RUS reported long term interest rates were 1.99% and short term at 0.33%. He reported that the next NMRECA meeting would be held October 6 & 7, 2016 at Hotel Encanto, Las Cruces, NM.

*NMRECA
Board Meeting*

The President reported a Broadband Committee meeting would be scheduled for Monday, October 3, 2016 at 3:00 p.m.

*Broadband
Committee*

Mr. Reyes reported the KCEC Questa office would be closed on the first Wednesday of each month for the next three months. Mr. Martinez was concerned for members that receive delinquent notices. Mr. Reyes asked if there were any problems to please let him know and a scheduling would be reviewed. He stated customers could request a payment arrangement. Mr. Medina suggested that the change be listed in the monthly newsletter.

Other Business

It was moved by Mr. Medina, seconded by Mr. Rodarte and unanimously approved, that the Board go into Executive Session at 10:44 a.m. to discuss Kit Carson Energy Inc. financials.

*Executive
Session*

Meeting was reconvened at 11:09 a.m. No Meeting
action taken. Reconvened

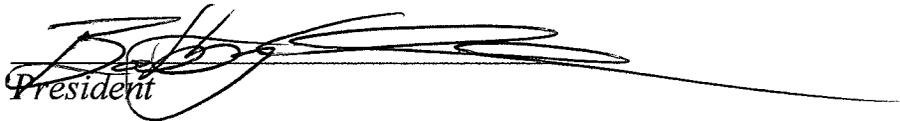
There being no further business to come Meeting
before the Board, it was moved by Mr. Smith, seconded by Adjourned
Mr. Jassmann, and unanimously approved, that the Board
of Trustees of Kit Carson Electric Cooperative, Inc. be
adjourned until October 25, 2016 at 9:00 a.m. the date
and time of the next Board meeting. Unless changed
and, thereupon, the President declared the meeting
adjourned at 11:10 a.m.

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, Jerry Smith, David
Torres and Luisa Valerio-Mylet.


Secretary

Approved this 25 day of October, 2016


President