

KIT CARSON ELECTRIC COOPERATIVE, INC.

MEETING OF THE BOARD OF TRUSTEES

September 26, 2017

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 26, 2017 at 9:00 a.m. at the Penasco Community Center, Penasco, New Mexico. The following Trustees were present:

<i>Bob Bresnahan</i>	<i>Present</i>
<i>Cristobal Duran</i>	
<i>Bruce Jassmann</i>	
<i>Ambrose Mascarenas</i>	
<i>Manuel Medina</i>	
<i>Bobby Ortega</i>	
<i>Arthur Rodarte</i>	
<i>Luisa Valerio-Mylet</i>	

Also, present were: Richard Martinez, Chief Operating Officer, Carmella Suazo, Administrative Assistant; Johnny Valerio, Financial Manager; Erin Sanborn, Business and Organization Development and Joyce Archuleta, Executive Secretary, who recorded the day's proceedings.

Mr. Reyes reported that Mr. David Torres was on US Relief at the Caribbean and Mr. Bernie Torres had notified him that he had a vacation planned at this time.

The President welcomed Candyce O'Donnell, District V Taos County Commissioner.

Mr. Duran led the Board in reciting the Pledge of Allegiance.

Mrs. Mary Mascarenas 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 requested that Ms. Evangeline Donkersley be added to the agenda, after the approval of minutes. It was moved by Mr. Rodarte, seconded by Mr. Duran, and unanimously approved, that the agenda be approved as amended.

The minutes for the Board of Trustees regular meeting held August 28, 2017 were presented. It was moved by Mr. Mascarenas, seconded by Mr. Duran, and unanimously approved, that the minutes be approved as presented.

Minutes for August 28, 2017 Regular Meeting

The President welcomed Ms. Evangeline Donkersley. Ms. Donkersley distributed a handout. She reported she was seeking financial assistance to construct a Veterans Memorial & Cultural Center in the Penasco area. She presented to the Board several stories in regards to veterans and soldiers who never returned home. Ms. Donkersley stated funds raised would include hiring contractors, electricians, plumbers, students from Penasco High School, etc. which would bring economic development to the community. The President recommended that Ms. Donkersley contact Mr. Francis Cordova from Taos and Mr. Larry Sanchez from Questa to seek assistance to construct the memorial. He asked Ms. Donkersley to provide updates to Mr. Mascarenas and Mr. Duran as the plan gets more definitive.

Ms. Evangeline Donkersley

Mr. Reyes presented the CEO's report for August 2017. The President recognized Mr. Nelson Lopez, newly appointed Kit Carson Energy, Inc. Director. Financials were reviewed. Mr. Reyes reported for the month of August Patronage Capital & Operating margins were at (\$256,095); year to date were \$24,517. Mr. Reyes reported that Operation expenses this year were \$2,150,900 compared to \$1,008,834 last year. Discussion was held on Operation Distribution Expense and special equipment. Administrative and General Expenses were less. He reported that legal fees on the rate case last year were about \$100,000. Mr. Reyes reported that complaints submitted by Bill Whaley and Jerome Lucero cost approximately \$40,000. One of the complaints regarding a street light could have been taken care of locally. He reported the only complaint pending at the New Mexico Public Regulation Commission, was the Tri-State G&T complaint on how the buyout was booked. Mr. Reyes reported that growth and kWh usage were declining. He reported development of an economic plan was important to increase KCEC's load. The solar arrays will help KCEC maximize and manage growth; however KCEC's business model and rate design need to change. Staff is doing a good job in managing expenses that can be controlled. The Balance sheet was reviewed. Mr. Reyes reported new services this year were 139 compared to 119 last year. Mr. Reyes reported total assets were \$170,173,577. Mr. Duran left the meeting at 9:50 a.m. Mr. Reyes reported that construction work in progress hasn't continued to increase. Mr. Reyes reported that CoBank would meet with KCEC to consider

CEO Report

restructuring debt and discuss financials. He reported that KCEC has 2,800 miles of line; KCEC is taxed in five jurisdictions, three counties and two tribes. Mr. Reyes reported that 90% of new construction is underground and underground is more expensive. Discussion was held on the Delinquent Report, the President proposed write-offs be presented to the Board for consideration. Mr. Valerio reported the auditors recommended the allowance be sufficient to cover the amount over 90 days. They recommended a systematic write off process should be in place quarterly by year end. Mr. Reyes reported major projects include winterizing the system with a series of substation outages for maintenance. The Red River underground line upgrade project and Taos Ski Valley project converting 6.6 miles from overhead to underground are ongoing. Another ongoing project in Taos is on La Serna Circle. Operations is creating a feeder and building a loop so less homes are affected when an outage occurs in this areas. Mr. Reyes reported that tree trimming is ongoing. He reported Picuris Pueblo Solar array is a fixed solar array system; a tracking system could not be installed since concrete had to be used due to the rocky terrain. Richard Martinez reported the Safety Committee did not meet since there was not a quorum. He reported more crew visits were being conducted and crews were more engaged in safety. Following discussion it was moved by Mrs. Valerio-Mylet, seconded by Mr. Jassmann, and unanimously approved, that the CEO report for August 2017 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. Medina, and unanimously approved, that payments to these Estates in the amount of \$11,701.36 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 appointed Mr. Duran as Voting Delegate and Mr. Reyes as Alternate for the NRECA Regional Meeting to be held October 31 – November 2, 2017 in Scottsdale, AZ.

Appoint CFC
Voting
Delegate &
Alternate

The President appointed Mr. Duran as Federated Insurance Voting Delegate and Mr. Reyes as Alternate for the NRECA Regional Meeting to be held October 31 – November 2, 2017 in Scottsdale, AZ.

Appoint
Federated
Insurance
Voting Delegate
& Alternate

Friday, October 6, 2017 in Las Cruces, NM. Mr. Reyes reported that the propane prices had increased .21 cents due to Hurricane Harvey, the largest oil refinery is located in Houston, TX. He reported effective October 1, 2017 Kit Carson Energy Inc. would increase prices. KCEI pre-purchased 300,000 gallons.

Mr. Mascarenas reported that the Solar Committee met on September 14, 2017. He reported that an information binder on the history and sites of the solar projects had been completed. He reported the Tres Piedras solar array was completed. Eagle Nest solar array had been started and Syncarpha had been reviewing other sites for 2018. Picuris Pueblo solar array should be completed by the end of the month and operational within six weeks. Mr. Reyes reported that solar arrays would always peak between 11:00 a.m. – 3:00 p.m. in the summer and winter. The President recommended that KCEC create an informational chart indicating areas served by solar during daylight hours. He also recommended that KCEC inform the community of projects that are occurring. The President recommended that Economic Development Ventures be added to the Agenda monthly. Taos Mountain Energy Bars located at Questa Business Park increased sales 120% KCEC had a role in completing the building.

Mr. Reyes reported that the Bylaw & Policy Committee met September 13, 2017. Commissioner O'Donnell reported that there is broadband at the Penasco Community Center for the use of the community. She is in the understanding the KCT will be donating computers to the Community Center. Once the computers have been donated she would like to contact UNM for training. Commissioner O'Donnell thanked KCEC for their assistance. Commissioner O'Donnell reported that one of the main complaints in her District is that there is not enough law enforcement coverage in the area. Mr. Lopez reported that Penasco as a community would need to come together and agree to improve the community and work together. Commissioner O'Donnell reported that the Solid Waste Transfer Station in Chamisal is open and also the Center for reusable items including clothing & books has been open and encouraged the community to take advantage of this program. The Committee reviewed and recommended amending Board Policy No. 1.1, Board of Trustees Duties, Responsibilities and Professional Development and Board Policy No. 3.11 Holidays. Policies. He reported that the Committee also reviewed Board Policy No. 1.13, Access to Membership List; the Committee did not recommend any changes. Mr. Reyes reported the Committee also reviewed Board Policy No. 1.15, Scholarships and Board Policy No. 2.25,

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 10:02 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 September 11, 2017. Mr. Jassmann recommended approval. It was moved by Mr. Rodarte, seconded by Mrs. Valerio-Mylet, and unanimously approved, that the payables for August 2017 be approved as presented. Payables Committee

Mr. Reyes reported that the IPV4 to IPV6 conversion was complete. He reported that there are over 5,500 subscribers. Kit Carson Telecom is receiving calls on slow speeds due to the conversion. There have been e-mails sent to KCT customers with simple instructions on how to update routers. Mr. Reyes reported that as of October 4, 2017 Windstream customers can switch to KCT for telephone service. Mr. Andrew Gonzales, Kit Carson Telecom Manager reported there are 15 to 20 applications received on a daily basis and that customers must sign a contract. He reported KCT has received requests from T-Mobile and Sprint to install a cell tower near the Penasco Substation; however, they must use KCT as their internet provider. Mr. Reyes reported that KCT is working on getting wireless customers to convert to fiber. He reported that Community Centers are requesting discounted or free internet, at certain locations KCT can continue to work with them to apply for e-rate monies. Mr. Duran returned to the meeting at 10:18 a.m. Broadband Committee

Mr. Duran reported that he attended the NMRECA Meetings held August 31 – September 1, 2017. Mr. Spradlin reported to the Board that the ACRE Membership year has changed from fiscal year to a calendar year. Mr. Larry McGraw reported that RUS is still searching for an RUS Administrator. He also reported that the long term interest rate is 2.48% and short term rate is 1.03%. Mr. Duran reported that one of the big issues discussed was the occidental big load for Springer Electric and how to propose a bill to intervene in rate cases such as Tri-State Generation & Transmission. He reported that at the Manager's Meeting discussion was held on a Farm Bill proposed for lunch programs. Mr. Duran reported that the next NMRECA meetings would be held Thursday, October 5, 2017 and NMRECA Board Meeting

Interconnection of Distributive Resources up to 10 MW; both policies are still being reviewed. He reported that the Bylaw & Policy would meet on Wednesday, October 11, 2017 at 9:00 a.m. It was moved by Mr. Rodarte, seconded by Mr. Jassmann, and unanimously approved, that Board Policy 1.1, Board of Trustees Duties, Responsibilities and Professional Development and Board Policy No. 3.11, Holidays be approved as amended.

It was moved by Mr. Duran, seconded by Mr. Rodarte and unanimously approved, that the Board go into Executive Session at 10:55 a.m. The President thanked everyone for attending the meeting.

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

There being no further business to come before the Board, it was moved by Mr. Bresnahan, seconded by Mr. Mascarenas, and unanimously approved, that the Board of Trustees of Kit Carson Electric Cooperative, Inc. meeting be adjourned until October 30, 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 11:25 a.m.

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

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


Secretary

Approved this 30 day of October, 2017


President