

KIT CARSON ELECTRIC COOPERATIVE, INC.

MEETING OF THE BOARD OF TRUSTEES

January 31, 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, January 31, 2017 at 9:05 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>Bill Norris</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; Mr. Larry McGraw, RUS General Representative, and Joyce Archuleta, Executive Secretary, who recorded the day's proceedings.

Mr. Torres 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. Jassmann, and unanimously approved, that the agenda be approved as presented.

The minutes for the Board of Trustees regular meeting held December 28, 2016 were presented. It was moved by Mr. Rodarte, seconded by Mr. Mascarenas, and unanimously approved, that the minutes be approved as presented. Mr. Martinez abstained as he was not present.

The following employees were recognized and Employee awards were presented for years of service. Mr. Medina Recognition joined the meeting.

40 years - David Santistevan

20 years – Joyce Archuleta, Leonard Griego, Glen Romero and Alonzo Visarraga

10 years – Robert Martinez, Alfred Mascarenas, Rudy Mascarenas, David Medina, John Ortega & Matthew Suazo

Edward Trujillo was recognized for the KCEC Long Rope Safety Award.

Mr. Reyes presented the CEO's report for CEO Report December 2016. Mr. Reyes reported that most linemen start out in tree trimming and then move up to higher positions. Financials for December 2016 were reviewed. Mr. Reyes reported margins for the month of December were \$460,079. Year to date margins were \$1,306,680 compared to (\$1,244,287) last year. Mr. Reyes reported that Administrative and General Expenses were lower than last year. Mr. Reyes reported that (The Blake), Taos Ski Valley Hotel The Blake is officially scheduled to open tomorrow. KCEC should see usage increase in February and March. He reported that Chevron's waste water treatment plant hasn't been energized. Mr. Reyes reported Operating margins were \$1,118,679. He reported revenues and cost of power had increased. Mr. Reyes reported recent outages were tied to snow and wind. He reported that there was one tree trimming issue at Taos Ski Valley where a beaver had taken down a tree that fell on the electrical line. Mr. Reyes reported Administrative and General Expense was \$3,389,174 compared to \$3,548,203 last year. Mr. Reyes reported that KCEC had received another order on the Rate Case, information is being gathered to forward to the NMPRC. NMPRC unanimously voted not to rehear the rate case. NMPRC supported the Hearing Examiner's Recommended Decision. The intervener's only recourse is to file with the Supreme Court. Discussion was held on complaints that KCEC charged customers the new rate for usage prior to effective date. Discussion was held on Chevron Mining. The Balance sheet was reviewed. Mr. Reyes reported total assets were \$148,986,792. He reported there were 214 new services last year compared to 169 this year. Mr. Reyes reported that two million less kWh were sold this year compared to last year. Chevron's load loss has impacted KCEC. TIER was discussed. Mr. Reyes indicated that KCEC should be able to maintain TIER. Realistically, KCEC will not hit 1.6 TIER projected in rate case since test year was 2014. He reported that KCEC still has to build and maintain lines.

Line loss is electrical energy lost in the process of transmitting it over power lines. Factors include undersized (distribution) lines, tampered meters and delay in reading meters due to location of meter. Mr. Reyes reported year to date TIER was 1.38 and year to date OTIER was 1.24 and OTIER was 1.32. Mr. Torres reported the Safety Committee met January 17, 2017. He reported that there was one loss time accident. Mr. Torres reported that safety training by Mr. Roy O'Day was held on slips trips and falls. The Safety Report was in the Board packet for review. Following discussion it was moved by Mr. Medina, seconded by Mr. Duran, and unanimously approved, that the CEO report for January 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. Jassmann, seconded by Mr. Medina, and unanimously approved, that payments to these Estates in the amount of \$8,782.69 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 welcomed and introduced Mr. Larry McGraw, RUS General Representative. Mr. McGraw discussed the Lien Accommodation relative to the Loan Forecast and Financial Forecast Resolutions. Mr. Reyes reported that the loan would be for broadband not electric. \$8,000,000 would be borrowed from CoBank. Monies would be utilized for the finalization of the broadband project. Mr. McGraw reported that he was pleased with the improved financial condition of KCEC. He indicated RUS recommends increases in the system charge for margin stabilization. Following discussion it was moved by Mr. Rodarte, seconded by Mr. Duran and unanimously approved, that the Lien Accommodation & Loan Forecast and Financial Forecast Resolutions be approved as presented.

Approve RUS
Lien
Accommodation
& Loan
Forecast &
Financial
Forecast
Resolutions

The President presented the 2017 Budget for approval. Mr. Reyes recommended the approval of the 2017 Budget. Mr. Reyes reported staff would review activity at the Questa District office to determine if hours should be expanded. NRECA has been contracted to assist with a succession plan which is 20% to 25% of first year salary. If a budget adjustment is necessary the adjustment would be presented to the Board. There were no significant changes to the budget since presentation at Work Session held January 30, 2017. It was moved by

Approve 2017
Budget

Mr. Jassmann, seconded by Mr. Mascarenas and unanimously approved, that the 2017 Budget be approved as presented.

The President reported that the NRECA Annual Meeting would be held the same time as the February 2017 KCEC Board Meeting. The President suggested that the February Board Meeting be held on Friday, February 24, 2017, and that the Board Work Session be held on Thursday, February 23, 2017. It was moved by Mr. Rodarte, seconded by Mrs. Valerio-Mylet and unanimously approved, that the Board Work Session and Board Meeting be changed to February 23, 2017 and February 24, 2017.

Discussion was held on appointment of CFC 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. Torres as Voting Delegate and Mr. Duran as Alternate Voting Delegate.

The President called for a recess at 10:17 a.m.

Meeting was reconvened by the order of the President at 10:32 a.m.

Discussion was held on the 2015 Audit. Resolution No. 2-1-17 was presented. It was moved by Mr. Rodarte, seconded by Mr. Mascarenas and unanimously approved that the Audit Report for the year ending December 31, 2015 as prepared by Eide Bailly, Certified Public Accountants, and Resolution No. 2-1-17 be accepted as presented. Mr. Reyes reported that if there were groups that would like to meet with the Auditors a meeting could be set up. Mr. Martinez reported for the record that if a group would like to meet they should request a date and also pay for the costs for having the Auditor meet with the group.

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

Mr. Jassmann presented Payables for the Electric and Internet Divisions. The Payables Committee met on January 10, 2017. Mr. Jassmann recommended approval. It was moved by Mr. Medina, seconded by Mrs. Valerio-Mylet, and unanimously approved, that the payables for December 2017 be accepted as presented.

Mr. Duran reported he attended the NMRECA meeting on January 5 & 6, 2017. Mr. Duran reported

Change date of February Board Meeting

Appoint CFC Voting Delegate & Alternate

Recess

Meeting Reconvened

Accept 2015 Audit and Approve Resolution

Donations & Correspondence

Payables Committee

NMRECA Board Meeting

that a letter was received from Jemez Mountain Electric Cooperative (JMEC) that they would be withdrawing from NMRECA immediately, six month notice was not provided. He reported that their withdrawing would not affect the NMRECA dues. Mr. Medina asked if the Enchantment fee would be decreased since Jemez Mountain Electric was one of the larger cooperatives. Mr. Duran reported that there would be further discussion and budget cuts would be made if necessary so that dues would not increase. These discussions would be held in Executive Session. Mr. Duran reported that a special telephone conference meeting was held on January 20, 2017 based on JMEC withdrawing, it would reconvene at the next meeting in Executive Session. Mr. Duran reported that the Enchantment was not printed for JMEC in January, so there was no debt for JMEC. Mr. Duran reported that NMRECA would need to modify bylaws relative to membership withdrawal since there are gray areas, if JMEC would request to return to NMRECA there are no defined bylaws on how to handle their return. Mr. Martinez reported that Keven Groenewold should visit with all the cooperative, he has not supported KCEC on the rate cases and didn't support Northern Rio Arriba Electric Cooperative when they lost part of their system. Mr. Duran reported that the next NMRECA meeting would be held February 2 & 3, 2017.

Mr. Reyes reported the Broadband Committee met January 4, 2017. Mr. Reyes reported that there are a total of 4,600 customers. Mr. Reyes reported that they are trying to convert the Wildblue and fixed wireless customers to fiber. He reported that KCT provides fiber to 24 cell sites, Comnet, AT & T wireless (Angel Fire), Verizon (TSV, Red River, Taos & El Rito). Mr. Reyes reported that they are in contact with two companies that offer IP TV (Internet TV) this would be for the outlying areas where Comcast has left.

Broadband
Committee

Mr. Rodarte thanked Mr. Erich Balzer for attending the KCEC Board Meetings.

Board Member
Concern

There being no further business to come before the Board, it was moved by Mr. Norris, seconded by Mr. Martinez and unanimously approved, that the Board of Trustees of Kit Carson Electric Cooperative, Inc. meeting be adjourned until February 24, 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 11:08 a.m.

Meeting
Adjourned

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

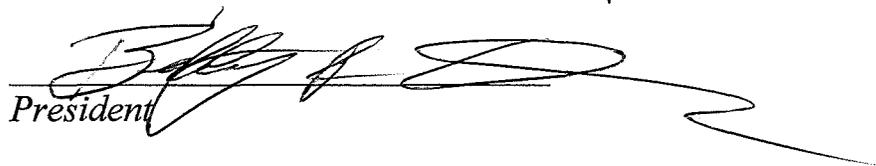
January 31, 2017 Regular Board Meeting

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



Secretary

Approved this 24 day of February, 2017



President