

*KIT CARSON ELECTRIC COOPERATIVE, INC.*

*MEETING OF THE BOARD OF TRUSTEES*

*December 29, 2015*

*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, December 29, 2015 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>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, 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. 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. Rodarte, seconded by Mr. Medina, and unanimously approved, that the agenda be approved as presented.*

*Minutes for the Board of Trustees regular meeting held November 24, 2015 were presented. It was moved by Mr. Smith, seconded by Mr. Duran, and unanimously approved, that the minutes for November 24, 2015 be approved as presented.*

*Mr. Reyes presented the CEO's report for*

November 2015. Financials for November 2015 were reviewed. Margins for the month of November were at \$26,403. Year to date margins were at \$33,964,664 compared to \$34,742,117 last year. Mr. Reyes reported that every cost controlled by management is less than last year. Mr. Reyes reported Administrative and General Expenses were higher due to legal fees relative to professional services regarding Tri-State activity and the start of the rate case. The total cost of operation and maintenance is almost the same as last year. He reported that internal expenses have been managed and that tree trimming continues to be the highest cost maintenance item. The Balance sheet was reviewed. Mr. Reyes reported new services connected last year were 246 compared to this year at 214. He reported there would be additional load on the system by 2017. Mr. Reyes reported that a Holiday Inn Express and a Smith's Super Store would be coming soon. Across from Walgreens, a Dollar Tree and possibly a coffee shop will be opened. Mr. Reyes stated growth stabilizes rates. He reported that the TSV project is on track and should be ready for testing in June or July of 2016. Mrs. Mylet asked Mr. Reyes to explain the Tri-State rate increase that would go into effect in January. Mr. Reyes reported that Tri-State hired a third party to conduct a cost of service study, there were some differences that were reconciled. He reported that there is now a two tier system, an energy rate and a transmission demand and generation demand rate. KCEC will now receive a power bill with KCEC's peak and Tri-State's peak, this is now harder to manage due to the fact KCEC will not know when Tri-State peak would be, but historically Tri-State peaks in the summer. Mr. Torres asked if the Federal Finance Board (RUS) increase would affect TIER. Mr. Johnny Valerio reported lines of credit and future loans would be affected since margins are lower. Mr. Reyes reported long term debt was at \$78,095,773 which includes solar and the Tri-State merge. Total assets and liabilities were at \$135,570,956. KPA's were discussed Mr. Reyes reported year to date TIER was at 0.73, year to date DSC was at 1.04 and year to date OTIER was at 0.83. Mr. Torres reported the Safety Committee met December 10, 2015. Mr. Torres reported there was one lost time accident for the month of December. The President inquired on status of 2016 budget. Mr. Richard Martinez stated a draft would be sent mid January. Mr. Smith inquired on the status of Black Lake feeder and switch replacement. Mr. Martinez stated it is being evaluated. Mr. Torres reported that he would have a summary of the loss time accidents for the year at the next Board Meeting. He reported that if a Safety Incentive Program was not in place by the end of the year Mr. Smith and he would propose an incentive. Mr. Martinez asked if near misses were reported. Mr.

Torres reported that they are not part of the Safety Report. Mr. Martinez reported it is very important that they get reported for prevention and that communication is very important. The Safety Report is included in the Board packet for review. Following discussion it was moved by Mr. Rodarte, seconded by Mr. Mascarenas, and unanimously approved, that the CEO report for November 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. Smith, seconded by Mr. Medina, and unanimously approved, that payments to these Estates in the amount of \$10,820.75 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 donation totals and correspondence are in the packet and may be reviewed at leisure.

Donations &  
Correspondence

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

Appoint 2016  
NRECA Annual  
Meeting Voting  
Delegate &  
Alternate

Discussion was held on appointment of NRTC Voting Delegate and Alternate for NRTC Annual Meeting to be held February 14, 2016 in New Orleans, LA. The President appointed Mr. Reyes as Voting Delegate and Mr. Medina as Alternate Voting Delegate.

Appoint 2016  
NRTC Annual  
Meeting Voting  
Delegate &  
Alternate

Mr. Smith reported that the 2015 NMRECA Meeting was held December 3 & 4, 2015. Mr. Smith reported that the Budget and the dues were approved for 2016. He reported there would be an increase in dues. KCEC's increase is about \$7,000. Mr. Smith reported that at the next meeting the agenda would be set for the Legislative session. Mr. Art Jaramillo, Cuddy & McCarthy joined the meeting at 9:52 a.m. Mr. Smith reported the NMRECA Board evaluated Mr. Groenewold's performance and he was granted a 2.75% increase an estimated \$6,000 increase in his salary. Mr. Smith reported the next NMRECA meetings would be held on January 7 & 8, 2016.

NMRECA  
Board Meeting

Mr. Rodarte reported he attended the Tri-State

Tri-State

*Board Meeting held December 1 & 2, 2015. Mr. Rodarte reported that Tri-State was pleased with the new rate design effective January 1, 2016. Mr. Rodarte reported the Board authorized a retirement of \$10 million in capital credits to the membership. He reported the next Strategic Planning Session would be held January 11-12, 2016. Discussion would include the Holcomb project, resource planning and the Clean Power Plan. Mr. Rodarte reported that discussion was held on the Conchas fire, Tri-State is awaiting the cost for Tri-State so that they can appeal. NRECA appointed JoAnn Emerson's Deputy as interim CEO. A search for NRECA CEO will begin in January. Mr. Rodarte reported year to date margins were at \$56.9 million. Mr. Rodarte reported the next Tri-State meetings would be held on January 5 & 6, 2016.*

*Board Meeting*

*Mr. Ortega presented Payables for the Electric and Internet Divisions. The Payables Committee met on December 10, 2015. Mr. Ortega recommended approval. It was moved by Mr. Rodarte, seconded by Mr. Duran, and approved, that the payables for November 2015 be accepted as presented. Mr. Martinez opposed the approval of payables.*

*Payables*

*Mr. Juan Valdez, Chairman and Mr. Lawrence Vigil, Manager, Kit Carson Energy, Inc. presented Kit Carson Electric Board of Trustees with a check in the amount of \$100,000.00 toward Kit Carson Energy's inter company loan.*

*Kit Carson Energy, Inc. Presentation*

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

*Recess*

*Meeting was reconvened by the order of the President at 10:24 a.m.*

*Meeting Reconvened*

*Mr. Ortega reported there would be a change in the Agenda due to Mr. Art Jaramillo, Cuddy & McCarthy being present. It was moved by Mr. Mascarenas, seconded by Mr. Medina, and approved, that the Board go into Executive Session at 10:25 a.m.*

*Executive Session*

*Meeting was reconvened at 12:49 p.m. No action taken. Mr. Martinez left the meeting.*

*No Meeting Reconvened*

*Mr. Adang reported that the By-law and Policy Committee met on November 25, 2015. The By-Law and Policy Committee's recommendations are as follows.*

*By-Law & Policy Committee*

**Policy No. 3.14** – *Safety Incentive Program was presented with format changes to comply with Policy No. 1.17.*

**Policy No. 3.15** – *Use of Cooperative Vehicles* was presented with format changes to comply with Policy No. 1.17 and the language has been updated (e.g. “General Manager” to “Chief Executive Officer”).

**Policy No. 3.16** – *Disposal of property with value of less than \$500.00* was presented with format changes to comply with Policy No. 1.17 and the language has been updated (e.g. “General Manager” to “Chief Executive Officer”).

**Policy No. 3.17** – *Underground Excavations* was presented with format changes to comply with Policy No. 1.17.

**Policy No. 3.18** – *Military Leave* was presented with format changes to comply with Policy No. 1.17 and language has been updated.

**Policy No. 3.19** – *Employee Disabilities Policy* was presented with format changes to comply with Policy No. 1.17 and language has been updated.

**Policy No. 3.20** – *Workplace Harassment* was presented with format changes to comply with Policy No. 1.17.

**Policy No. 3.22** – *Entitlement to Leave* was presented with format changes to comply with Policy No. 1.17.

**Policy No. 3.24** – *Activities in Membership Elections – Political Activities* was presented with format changes to comply with Policy No. 1.17 and the language has been updated (e.g. “General Manager” to “Chief Executive Officer”).

**Policy No. 3.25** – *Policy on Firearms and Other Deadly Weapons* was presented with format changes to comply with Policy No. 1.17 and the language has been updated (e.g. “General Manager” to “Chief Executive Officer”).

**Policy No. 3.26** – *Policy on Sage Behavior in the Workplace* was presented with format changes to comply with Policy No. 1.17 and language has been updated.

It was moved by Mr. Smith, seconded by Mr. Rodarte, and unanimously approved that Policy No. 3.14, Policy No. 3.15, Policy No. 3.16 and Policy No. 3.17, Policy No. 3.18, Policy No. 3.19, Policy No. 3.20, Policy No. 3.22, Policy No. 3.24, Policy No. 3.25 and Policy No. 3.26 be approved with changes.

**Policy No. 3.21** – *Drug/Alcohol* was presented with format changes to comply with Policy No. 1.17. In addition, section one on page one was amended to add a fourth circumstance for drug testing, namely random testing by a third party laboratory to conform to current practice. Also, on page two, the definition of “Alcohol Abuse” was amended to eliminate the .08 alcohol level; and, under “Procedures, Section one” the last sentence about union representation was eliminated. Board Policy No. 3.21 should be re-adopted as amended. It was moved by Mr. Jassmann, seconded by Mr. Smith, and unanimously approved that Policy No. 3.21 be approved

with changes.

Mr. Adang reported that by the February 2016 Board meeting all policies should be reviewed and approved.

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. He reported AT&T on networking trying to finalize Comnet. Century Link terms have been agreed to. It is a ten year agreement with five year renewal terms.

There being no further business to come before the Board, it was moved by Mr. Medina, seconded by Mr. Duran, and unanimously approved, that the Board of Trustees of Kit Carson Electric Cooperative, Inc. be adjourned until January 26, 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 12:05 p.m.

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

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

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Secretary

Approved this 25 day of January, 2016

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President