

*KIT CARSON ELECTRIC COOPERATIVE, INC.*

*MEETING OF THE BOARD OF TRUSTEES*

*March 28, 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 Monday, March 28, 2016 at 9:10 a.m. in the Marcelino Martinez Room of the headquarters building of the Cooperative, Taos, New Mexico. The following Trustees were present:*

<i>Cristobal Duran</i>	<i>Present</i>
<i>Bruce Jassmann</i>	
<i>Virgil Martinez</i>	
<i>Ambrose Mascarenas</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. Mascarenas led the Board in reciting the Pledge of Allegiance.*

*Mr. Virgil Martinez 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. Jassmann, seconded by Mr. Rodarte, and unanimously approved, that the agenda be approved as presented.*

*Minutes for the Board of Trustees regular meeting held February 23, 2016 were presented. It was moved by Mr. Rodarte, seconded by Mr. Smith, and unanimously approved, that the minutes for February 23, 2016 be approved as presented.*

*Mr. Reyes presented the CEO's report for February 2016. Financials for February 2016 were*

reviewed. Mr. Reyes reported that year to date margins were \$400,214. Margins for 2015 were \$394,047. Mr. Reyes reported that Chevron was basically operating at minimum, the mill is physically disconnected from the electric grid, this is the lowest usage KCEC has seen in decades. He reported that even though we had plenty of moisture it was a relatively mild February; the ski resorts don't make a lot of snow so we continue to see usage go down. Mr. Reyes reported the cost of power is higher; KCEC is under the new rate. Mr. Reyes reported Administrative and General Expenses were higher due to legal fees relative to professional services regarding the Tri-State buyout and Rate case. He reported interrogatories have started which will increase legal expense. Mr. Smith asked what was driving the cost of Operation Distribution Expense. Mr. Valerio stated when meters are purchased operation expense decreases since costs are reduced by estimated amount to install meters. When meters are installed the expense increases since labor is no longer capitalized. Mr. Reyes reported year to date operating margins were \$485,745. The Balance sheet was reviewed. Mr. Reyes reported there were 22 new services compared to 13 new services last year. Mr. Reyes reported total assets and liabilities were \$141,263,387. KCEC had 54,119 mega watts in January and 51,721 mega watts in February, which corresponds with the lesser load. The KPA's were reviewed. Mr. Reyes reported KCEC year to date has 28,539 customers. Year to date TIER was 1.75, year to date DSC was 1.73 and year to date OTIER was 1.91. Mr. Reyes reported CoBank was working on refinancing, however, lien accommodation and RUS approval was required. Mr. Rodarte asked if the different rate class has caused an issue with the protesters. Mr. Reyes reported large accounts subsidize residential accounts. And if they get penalized if they use less. Mr. Reyes reported that most interrogatories have been in regards to broadband and propane. He reported testimony from interveners was due in June or July. KCEC has filed testimony. Mr. Reyes reported that KCEC is required to mail a notice to all members that the Rate Case Hearing would be the week of August 15, 2016. He reported that KCEC has filed a protective order, which gives the interveners information, any information that would be confidential; an agreement of confidentiality would need to be signed. Mr. Reyes reported that the NMPRC would like to review how KCEC bills net meter accounts. KCEC currently has about 280 net meter accounts. Mr. Reyes reported that KCEC continues to work on tree trimming. He reported focus was on the Tri-State exit which would be discussed in Executive Session. Mr. Torres reported the Safety Committee met March 10, 2016. He reported that he was unable to attend; Mr. Reyes did attend the meeting and

would report on the meeting. Mr. Reyes reported on the trucks losing tires, crews must check the lug nuts and do the walk around. He reported that discussion was held on the use of cell phones, this has become such a big distraction and employees are placing themselves in unsafe conditions by wanting to use their cell phones. Following discussion it was moved by Mr. Duran, seconded by Mr. Smith, and unanimously approved, that the CEO report for February 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. Mr. Virgil Martinez stated he had a safety concern he would like to discuss in Executive Session.

The President reported requests have been received from Estates for retirement of capital credits. It was moved by Mr. Mascarenas, seconded by Mr. Jassmann, and unanimously approved, that payments to these Estates in the amount of \$13,032.60 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

Discussion was held on appointment of NMRECA Voting Delegate and Alternate for 2016 Annual Meeting Annual Meeting scheduled to be held May 24 thru May 26, 2016 at the The Lodge at Sierra Blanca and Ruidoso Convention Center. The President appointed Mr. Smith as Voting Delegate and Mr. Duran as Alternate Voting Delegate.

Appoint  
NMRECA  
Voting Delegate  
and Alternate

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

Donations &  
Correspondence

The President called for a recess at 9:47 a.m.

Recess

Meeting was reconvened by the order of the President at 9:56 a.m.

Meeting  
Reconvened

Mr. Jassmann presented Payables for the Electric and Internet Divisions. The Payables Committee met on March 10, 2016. Mr. Jassmann recommended approval. It was moved by Mr. Rodarte, seconded by Mr. Mascarenas, and approved, that the payables for February 2016 be accepted as presented.

Payables

Mr. Smith reported that the NMRECA Meeting was held March 3 & 4, 2016. Mr. Smith reported that discussion was held on the Legislative Session. He reported that the bills that were supported by

NMRECA  
Board Meeting

NMRECA were passed, this included SB-47 that clarifies contributions in aid of construction are valued at zero in electric utility plant valuation. This maintains property tax assessments as the status quo. Discussion was held on lodging and meeting room accommodations for the NMRECA Annual Meeting that would be held in Ruidoso, NM. Mr. Smith reported the next NMRECA meetings would be held on March 31 & April 1, 2016. Mr. Reyes reported that Congressman Ben Ray Lujan would be visiting KCEC on Friday, April 1, 2016, at 11:00 a.m. he asked the Board of Trustees to attend.

Mr. Rodarte reported he attended the Tri-State Board Meeting held March 1 & 2, 2016. Mr. Rodarte reported that action was taken on Board Policy 101 which addresses the issue of Delta Montrose and the "Fixed Cost Recover Mechanism". He reported discussion was held on the Tri-State Annual Meeting that would be held April 5 – 7, 2016. Mr. Rodarte distributed a copy of the Member Withdrawal Methodology, discussion was held. He reported the capital credit allocation increased. KCEC allocation amount increased to \$958 million. Mr. Rodarte reported the next Tri-State meeting would be held on April 5 - 7, 2016, the dates of the Tri-State Annual Meeting.

Mr. Reyes provided an update on Broadband. He reported that there was 1,700 customers connected and over 5,000 drops not yet connected. He reported cell towers have been connected to our Network; he reported we now have enough drops and existing customers to break even. He reported one crew was focusing on the Penasco area, one crew in the Ojo Caliente area and also the Taos area. Mr. Reyes reported that Kit Carson Telecom would be migrating IPV4 to IPV6. Mr. Ortega asked where the Broadband was on redundancy. Mr. Reyes reported Kit Carson Telecom got the loop, Questa is tied in with Amalia and are working to finalize getting the additional pair from Redinet. Mr. Reyes reported that they are working on getting to the Joseph M. Montoya building in Santa Fe. Mr. Reyes reported that locals are working on fiber drops to the home.

Mr. Torres reported that the By-law and Policy Committee met on March 4, 2016 to review Internet Board Policies 1.1 through Board Policy 2.24 and Kit Carson Electric Policy 2.26. The following recommendations were made:

**Board Policy No 1.1** – Scope. There were no recommended changes. Recommended re-adoption.

**Board Policy No. 1.2** – Board of Trustees. Changed "consumers" to "customers" and "insure" to "ensure".

*Recommended adoption as amended.*

**Board Policy No. 2.1** – Chief Executive Officer. Language changes were made. Recommended adoption as amended.

**Board Policy No. 2.2** – Organization Policy. Language changes were made. Recommended adoption as amended.

**Board Policy No. 2.3** – Control of General Funds. Minor language changes were made. Recommended adoption as amended.

**Board Policy No. 2.5** – Payroll Account. Recommended language changes to conform to current practice. Recommended adoption as amended.

**Board Policy No. 2.8** – Operating Budget. There were no recommended changes. Recommended re-adoption.

**Board Policy No. 2.10** – Bonds and Insurance – There were no recommended changes. Recommended re-adoption.

**Board Policy No. 2.23** – Collection of Bills. Language changes were made. Recommended adoption as amended.

**Board Policy No. 2.24** – Payment of Accounts. Employees, Trustees, Officers. Minor language changes were made. Recommended adoption as amended.

**Board Policy No. 2.26** – Kit Carson Electric Policy – Capitalization Policy. This is a new policy that auditors recommended be approved. Recommended adoption.

*It was moved by Mr. Jassmann, seconded by Mr. Rodarte, and unanimously approved that Kit Carson Internet Board Policies No. 1.1 through Policy No. 2.24 and Kit Carson Electric Board Policy 2.26 be approved as recommended. Mr. Torres reported that the By Laws would be reviewed next.*

*It was moved by Mr. Smith, seconded by Mr. Duran, and unanimously approved, that the Board go into Executive Session at 10:23 a.m. for discussion on the Tri-State Exit and safety concern.*

*Meeting was reconvened at 10:40 a.m. No action taken.*

*Executive Session  
Reconvened*

*There being no further business to come before the Board, it was moved by Mr. Jassmann, seconded by Mr. Duran, and unanimously approved, that the Board of Trustees of Kit Carson Electric Cooperative, Inc. be adjourned until April 26 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 10:41 a.m.*

*Meeting  
Adjourned*

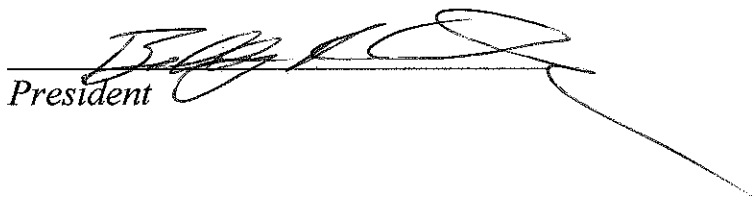
*Meeting of the Board of Trustees, March 28, 2016*

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

*Cristobal Duran, Bruce Jassmann, Ambrose Mascarenas, Virgil Martinez, Bobby Ortega, Arthur Rodarte, Jerry Smith, David Torres and Luisa Valerio-Mylet.*

  
Secretary

*Approved this 26 day of April, 2016*

  
President