

KIT CARSON ELECTRIC COOPERATIVE, INC.

MEETING OF THE BOARD OF TRUSTEES

September 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, September 29, 2015 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:

Present

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

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. Bruce Jassmann led the Board in reciting the Pledge of Allegiance.

Pledge of Allegiance

Mrs. Mylet led the Board in a word of prayer.

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. Jassmann, seconded by Mr. Smith, and unanimously approved, that the agenda be approved as presented.

Agenda

The minutes for the Board of Trustees regular meeting held August 25, 2015 were presented. It was moved by Mr. Smith, seconded by Mr. Jassmann, and unanimously approved, that the minutes for August 25, 2015 be approved as presented. Mrs. Valerio-Mylet abstained, as she was not present.

Minutes for August 25, 2015 Regular Meeting

Mr. Reyes presented the CEO's report for August 2015. Financials for August 2015 were reviewed. Margins for the month of August were at (\$167,940). Year to date margins were at (\$235,387). Mr. Reyes reported operating margins for August were at (\$128,556) and year to date operating margins were at \$(53,159). Administrative and General Expenses were higher due to legal fees tied to Tri-State Opt Out. Mr. Reyes reported that he would be meeting with CoBank at the NMRECA Meeting that will be held next week in Las Cruces, NM. He reported they would discuss loan refinancing of some existing KCEC notes, and also Telecom refinancing. He reported he would have a more in depth report at the next Board meeting. He reported Revenues were less. Mr. Reyes reported there had been preliminary discussions with Chevron, October 2016 is the deadline. He reported Taos Ski Valley has started construction on the base lodge, which would include a hotel, shops, and condominiums. The phase should be completed by October 2016. Mr. Reyes reported that the construction of the infrastructure started today. Next year in May or June construction should begin once again. Temporary offices have been built, the plan is to make the hotel the center and make a walk way around to shops and restaurants. The Balance sheet was reviewed. Mr. Reyes reported new services connected last year were 168 compared to this year at 24. Total assets and liabilities were at \$133,449,730. Mr. Reyes reported stagnant growth, rates need to be reviewed and adjusted. Mr. Martinez commented on the system charge increase per the last rate adjustment and stated members have disconnected their accounts due to increase. Mr. Reyes stated the system charge includes new transformers, depreciation and other costs. He reported that in January 2015 total kWh sold were 28,539,558 compared to kWh sold in August 2015 were 18,866,514, historically margins are less during the summer months. Mr. Reyes reported year to date TIER was 0.89, year to date DSC was 1.07. Mr. Reyes reported KCEC has had a series of substation outages for maintenance and winterizing, crews are also continuing tree trimming in the forest areas. Mr. Torres reported the Safety Committee met September 14, 2015. The Safety Report was in the Board packet for review. Following discussion it was moved by Mr. Jassmann, seconded by Mr. Rodarte, and unanimously approved, that the CEO report for August 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.

underwent surgery while in Italy, and is now at a Washington hospital in stable condition. Mr. Smith reported the next NMRECA meetings would be held on October 1 & 2, 2015.

Mr. Rodarte reported he attended the Tri-State Board Meeting held September 1 & 2, 2015. He reported on the approval of the Budget. Mr. Reyes reported that seven to eight New Mexico Cooperative Manager's would be in Bernalillo to meet with Ken Reif, Senior Vice President, Tri-State to discuss the removal of the regulatory charge. Mr. Reyes reported that at the Manager's meeting, discussion would be held on back pay. Mr. David Spradlin, Mr. Gary Rinker, Mr. Chris Martinez and Mr. Luis Reyes would not be in attendance, and three of these Managers would be opposed to the outstanding issue. Mr. Reyes reported that he would keep the Board updated on the outcome. Mr. Rodarte reported that Leo Breckel made a motion for a 50% cap for \$1 million, for the irrigating cooperatives; after discussion, it was voted down 21 to 18. Mr. Rodarte reported that the outcome of the passage of the A39 rate would be an average of 73.32 mils per kW, a decrease of .21 from last year. Mr. Rodarte reported Margins for the month of July 2015 were at \$26,569 million. Mr. Rodarte reported that discussion was held on the Las Conchas fire, litigation was scheduled to start today in Albuquerque, NM. He reported that Jury selection would start tomorrow. Next month's Board meeting will be held October 6 & 7, 2015.

Mr. Reyes provided an update on the Broadband Broadband Project. He reported that several crews were working in the higher elevation areas. Red River, Angel Fire and Eagle Nest. Taps were being done in Penasco. Red River and Angel Fire should be ready for testing tomorrow. Penasco should be ready for testing within seven to ten days, after crews will move into the Taos area. Mr. Reyes reported they are working with Taos Net on trying to get contract terms to access the network by October 12, 2015. We continue to work with CenturyLink and Wiscom, two other providers for access to the network.

The President called for a recess at 10:00 a.m. Recess

Meeting was reconvened by the order of the President at 10:12 a.m. Meeting Reconvened

Mrs. Mylet reported that the By-law and Policy Committee met on August 24, 2015. The By-Law and Policy Committee's recommendations are as follows. By-Law & Policy Committee

Policy No. 1.4 - Fees for Members of the Board of Trustees was presented. It was moved by Mr. Smith, seconded by Mr. Martinez, that Policy No. 1.4 be tabled until further discussion.

Policy No. 1.11 - Requests From Members for Cooperative Information was presented with no changes.

Policy No. 1.12 - Requests From Members or Other Persons to Address Meetings of the Board of Trustees was presented with no changes.

Policy No. 1.13 - Access to Membership List was presented with no changes.

Policy No. 1.14 - Acquisition of Real Estate was presented with no changes.

Policy No. 1.15 - Scholarships was presented with no changes. Discussion was held on the re-appointment of Foundation Directors.

Policy No. 1.16 - Trustees Code of Conduct was presented with no changes.

Policy No. 1.17 - Policy Development was presented with no changes.

Policy No. 2.1 - Capital Credits. Discussion as held on whether or not the surviving spouse of an estate should receive 100% (\$500 per year) regardless of how account is listed. It was moved by Mr. Rodarte, seconded by Mr. Smith, that Policy No. 2.1 be tabled until further discussion.

Policy No. 2.2 - Privacy and Confidentiality was presented with no changes.

Policy No. 2.3 - Control or Cooperative Funds

Policy No. 2.4 - General and Reserve Funds

Policy No. 2.5 - Expense and Revenue Allocation was presented with no changes.

It was moved by Mr. Smith, seconded by Mr. Duran, and unanimously approved, that Board Policies be approved with proposed updates and revisions, except for Policy No. 1.4 and Policy No. 2.1 which were tabled.

Mr. Martinez stated the weeds at the Questa District office need to be pulled or removed with a brush hog. Penasco District office weeds need to be pulled or removed as well. Discussion was also held on who is responsible for equipment devices inside a home relative to internet service. Mr. Reyes stated it is the consumer's responsibility to protect their own equipment. Mr. Torres complimented employees who assisted him with installing a second router, he recommended a self help card be provided to customers.

*Board Member
Concerns*

It was moved by Mr. Duran, seconded by Mr. Rodarte, and unanimously approved, that the Board go into Executive Session at 10:36 a.m.

*Executive
Session*

Meeting was reconvened at 11:00 a.m. No Meeting
action taken. Reconvened

Mr. Lawrence Vigil, Kit Carson Energy Manager and Mr. Juan Valdez, Kit Carson Energy, Board President presented two checks to KCEC one in the amount of \$150,000 for payment on the inter company loan and a second check in the amount of \$50,000 for the building loan.

There being no further business to come Meeting
before the Board, it was moved and duly seconded and Adjourned
unanimously approved, that the Board of Trustees of Kit Carson Electric Cooperative, Inc. be adjourned until October 27, 2015 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 11:11 a.m.

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

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 27 day of October, 2015



President