

KIT CARSON ELECTRIC COOPERATIVE, INC.

MEETING OF THE BOARD OF TRUSTEES

December 28, 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 Thursday, December 28, 2017 at 9:03 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>Cristobal Duran</i>	<i>Present</i>
<i>Bruce Jassmann</i>	
<i>Ambrose Mascarenas</i>	
<i>Bobby Ortega</i>	
<i>Arthur Rodarte</i>	
<i>Bernie Torres</i>	
<i>David Torres</i>	
<i>Luisa Valerio-Mylet</i>	

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

Mr. David Torres led the Board in reciting the Pledge of Allegiance. *Pledge of Allegiance*

Mr. Bernie Torres 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. Mascarenas, seconded by Mr. Bresnahan, and unanimously approved, that the agenda be approved as presented. *Agenda*

The minutes for the Board of Trustees regular meeting held November 28, 2017 were presented. It was moved by Mr. Rodarte, seconded by Mr. Duran, and unanimously approved, that the minutes be approved as presented. *Minutes for November 28, 2017 Regular Meeting*

Mr. Reyes presented the CEO's report for November 2017. Financials were reviewed. Mr. Reyes reported that for the month of November margins were at *CEO Report*

\$97,140; year to date were \$845,67. Mr. Reyes reported a decrease in sales due to warm weather and the lack of snow impacts KCEC. Mr. Reyes reported that KCEC operates 2,800 miles of line and is obligated to maintain regardless of kWh sold. The Balance sheet was reviewed. Mr. Reyes reported new services this year were 214 compared to 149 last year. He reported total assets were \$171,207,995. Mr. Reyes reported he would be meeting with CoBank in January for consideration of refinancing high interest debt. He reported that KCEC would be improving communications with Guzman Energy by meeting on a quarterly basis. Handouts were distributed, Mr. Reyes reviewed kWh trends by class. He reported that our communities are not growing. When KCEC sells less kWh the fuel adjustment increases. KCEC is a very energy efficient community and fixed costs do not decrease. He reported kWh decreased due to energy efficient appliances, LED bulbs and use of iPads instead of personal computers. Also, behind the meter connects have increased. Mr. Reyes reported that technologies would change the way utilities address price pressures; therefore, rate design is very important. Mr. Reyes reported the Red River project was completed. Mr. Ortega reported that he had driven thru Red River and was impressed with the project. Mr. Reyes reported that there were local skilled contractors working on the project. Nine miles of the Taos Ski Valley underground project was energized. He reported Kit Carson Energy Inc. margins were \$90,000 less than last year due to warmer weather. Kit Carson Internet had 6,000 subscribers and \$220,000 year to date profit. Mr. D. Torres reported the Safety Committee met December 18, 2017. He reported KCEC was 101 days with no lost time accidents. He reported there was a downward trend in number of accidents. In 2015 there were ten accidents with 487 lost time days. In 2016 there were five accidents with 133 lost time days and in 2017 there were three accidents with 11 lost time days. Following discussion, it was moved by Mr. Mascarenas, seconded by Mr. Duran, and unanimously approved, that the CEO report for November 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. Duran, seconded by Mr. Bresnahan, and unanimously approved, that payments to these Estates in the amount of \$9,849.75 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 welcomed Mrs. Jill Cline, Youth Minister at St. James Episcopal Church, she introduced a group of youth accompanying her to the meeting. Handouts were distributed to the Board. Discussion was held on the use of the former Children's Clinic building owned by Kit Carson Electric Cooperative, the need for youth to have a common ground to socialize without being in danger and have access to healthy recreation for youth 13 to 19 years of age. Mrs. Cline introduced Elizabeth Pacheco and Sidney Cline, who made a presentation on Common Grounds. This included the availability from the program for youth, including money making ideas. Common Ground is proposing a Taos Team Coop and Café through a Youth Outreach Mission Project. They reported St. James Episcopal Church had agreed to provide liability insurance and utilities in coordination for the mission efforts of Common Grounds and was seeking that KCEC provide a location. Mrs. Cline reported that the proposed lease would be between KCEC and St. James Episcopal Church. The President thanked Ms. Pacheco and Ms. Cline for their presentation. Mr. Reyes reported he had been working with Jill Cline on the project, and that one of the issues was the liability. The lease agreement has been reviewed by KCEC's Corporate Counsel. The lease is up to five years with renewal options and termination provisions. He recommended KCEC approve the lease agreement since there is a segment of the population 13 to 19 years of age, that need a safe place to hang out. The President reported he was very impressed with the youth presentation and had the opportunity to work with St. James Episcopal Church through Centinel Bank. Mr. Torres thanked the young ladies for their great presentation. Jill Cline reported that they would partner with organizations such as Dream Tree to offer services. It was moved by Mr. Torres, seconded by Mr. Duran, and unanimously approved, authorizing Mr. Reyes to move forward and execute a lease between KCEC and St. James Episcopal Church for the Youth Outreach Mission Project. Ms. Candyce O'Donnell, Taos County Commissioner thanked KCEC for their leadership and stepping forward to assist with this project.

Jill Cline –
Youth Outreach
Mission Project

The President called for a recess at 10:12 a.m. Recess

Meeting was reconvened by the order of the President at 10:24 a.m. Mr. Jassmann joined the meeting. Meeting Reconvened

The President welcomed Mr. Chris Miller, Chief Operating Officer, Guzman Energy (Guzman), who made a presentation to the Board. A handout was distributed. Mr. Miller provided an update on the Solar Deployment Project. He reported that progress had been made on solar development. Mr. Miller reported that KCEC's creation of new business model had been mentioned in a book written by Mason Willrich, *Modernizing America's Electricity Infrastructure*. Mr. Reyes reported that the contract between Guzman and KCEC was a 10-year contract; however, KCEC and Guzman have been discussion the terms of the contract and the pros and cons of extending the contract to 15 years. Mr. Bresnahan questioned if wind was included into the mix. Mr. Miller stated no. Mr. Reyes recommended approval of years seven and eight pricing since they were part of the 10-year pricing contract and that year's nine and ten pricing be reviewed. He reported that quarterly meetings would be held with Guzman Energy; therefore, years nine and ten would be discussed in the future. Mr. Bresnahan asked when it is feasible for KCEC to consider battery storage would it change long term pricing. Mr. Miller stated the cost of storage is expensive; however, the cost curve would decrease by reducing the amount of energy purchased. Mr. Rodarte reported that the relationship between KCEC and Guzman has been very positive, and he felt that the relationship would continue to be positive for years to come. Following discussion, it was moved by Mr. Rodarte, seconded by Mr. B. Torres, and unanimously approved, to authorize Mr. Reyes to execute amendment four for years seven and eight pricing. Mr. Bresnahan voted in favor; however, he stated solar cost has decreased and stated he had questions on the trend of storage. The prices have been cut in half and KCEC has learned solar has limits. It is uncertain if the trend will continue since the amount of demand is growing and drop prices are decreasing. Increase in natural gas would affect all energy producers not just KCEC and Guzman. Mr. Reyes asked Guzman to add to quarterly meeting discussion on buying long term savings versus buying from the market on the spot. Mr. Miller reported that currently it was being managed based on load projections; 60% fixed and 40% on the spot. FERC requires Guzman to match load profile and cover peak demand load. Mr. Duran asked Mr. Miller if Guzman had been approached to duplicate KCEC's model. Mr. Miller reported that Guzman has been approached regarding KCEC.

Guzman Energy
Presentation –
Approval of
Power Sales
Agreement Year
Seven and Eight

Mr. Reyes reported that he had been KCEI negotiating the Managing Fee Agreement with Kit Carson Management,

Energy Inc. the annual managing fee would increase from \$120,000 to \$180,000, with a three-year contract and an annual review. Mr. Reyes recommended approval of the KCEI Management Fee Agreement. He reported that the KCEI Board would subsequently approve it at their meeting later today. It was moved by Mr. Duran, seconded by Mr. Jassmann, and unanimously approved, changes to the KCEI Management Fee Agreement be approved.

Shared Services
and Rental
Agreement
Increase

Discussion was held on appointment of NRECA Voting Delegate and Alternate for NRECA Annual Meeting to be held February 22 thru February 28, 2018 in Nashville, TN. The President appointed Mr. Manuel Medina as Voting Delegate and Mrs. Luisa Valerio-Mylet as Alternate Voting Delegate.

Appoint NRECA
Voting Delegate
& Alternate

Discussion was held on appointment of NRTC Voting Delegate and Alternate for NRTC Annual Meeting to be held February 22 thru February 28, 2018 in Nashville, TN. The President appointed Mrs. Luisa Valerio-Mylet as Voting Delegate and Mr. Manuel Medina as Alternate Voting Delegate.

Appoint NRTC
Voting Delegate
& Alternate

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

Donations &
Correspondence

Mr. Jassmann presented Payables for the Electric and Internet Divisions. The Payables Committee met on December 11, 2017. Mr. Jassmann recommended approval. It was moved by Mr. Rodarte, seconded by Mrs. Valerio-Mylet, and unanimously approved, that the payables for November 2017 be approved as presented.

Payables
Committee

Mr. Duran reported that he attended the NMRECA meetings November 30 & December 1, 2017. He reported the Budget was reviewed and approved. Mr. Reyes reported initially NMRECA budget reflected a \$12,000 increase in dues, and the final budget reflects a \$2,900.00 decrease in NMRECA dues for KCEC. Mr. Reyes reported the 30-day Legislative session started January 16, 2018. Mr. Duran reported the next NMRECA meeting would be held January 4 & 5, 2018.

NMRECA
Board Meeting

Mr. Reyes reported that Kit Carson Telecom had 6,000 subscribers and is continuing to increase. He reported billing issues had been resolved and collections were under control. Mr. Reyes reported the focus is now on Taos since outlying areas have can't dig moratoriums. He provided an update on economic development; a meeting was held with all Mayors and Town Managers to partner with municipalities leverage assets to create jobs.

Broadband
Committee

He reported KCEC would be a support player and the Intergovernmental Council (IGC) would take the lead.

Mr. Mascarenas reported the Ribbon Cutting Ceremony at Picuris Pueblo on December 18, 2017 was successful. Mr. Chris Miller provided a status on solar projects during the Guzman Energy Presentation. Mr. Reyes reported one megawatt can power 500 to 600 average homes. He reported that Angel Fire is proposing to change the Angel Fire Solar Array Project from a one megawatt to two megawatts.

Mr. D. Torres reported the Bylaw & Policy Committee met on December 19, 2017. He reported Board Policy 3.20, Workplace Harassment was reviewed, recommended amending. He reported the Committee is reviewing Board Policy 3.21, Drug/Alcohol, Board Policy 3.27, Drug/Alcohol Use by Commercial Driver, Board Policy 3.28, Employee Code of Conduct and Board Policy 3.29, Bargaining Unit Employee Code of Conduct. It was moved by Mr. Rodarte, seconded by Mr. B. Torres, and unanimously approved, that Board Policy 3.20, Workplace Harassment be approved as amended

Mr. D. Torres reported he had been appointed to represent Region 10 on the NRECA Electric Cooperative Director Advisory Group for a two-year term. The President requested that the group revisit trainings offered to Trustee. Mr. Rodarte reported he attended training in December on Board Culture and understanding Electric Business. The President reported strategic planning would be discussed with Mr. Reyes in January.

It was moved by Mr. Jassmann, seconded by Mr. B. Torres and unanimously approved, that the Board go into Executive Session at 11:25 a.m.

Meeting was reconvened at 11:43 a.m. No action was taken.

There being no further business to come before the Board, it was moved by Mr. Mascarenas, seconded by Mr. B. Torres and unanimously approved, that the Board of Trustees of Kit Carson Electric Cooperative, Inc. meeting be adjourned until January 30, 2018 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 11:44 a.m.

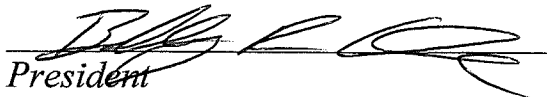
The following Trustees were present at the end of the meeting:

December 28, 2017 Board Meeting

*Bob Bresnahan, Cristobal Duran, Bruce Jassmann,
Ambrose Mascarenas, Bobby Ortega, Arthur Rodarte,
Bernie Torres and David Torres and Luisa Valerio-Mylet.*


Secretary

Approved this 30 day of January 2018


President