

KIT CARSON ELECTRIC COOPERATIVE, INC.

MEETING OF THE BOARD OF TRUSTEES

August 25, 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, August 25, 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>Manuel Medina</i>	
<i>Bobby Ortega</i>	
<i>Arthur Rodarte</i>	
<i>Jerry Smith</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.

Mrs. Carmella Suazo led the Board in reciting the Pledge of Allegiance.

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

The minutes for the Board of Trustees regular meeting held July 28, 2015 were presented. It was moved by Mr. Rodarte, seconded by Mr. Medina, and unanimously approved, that the minutes for July 28, 2015 be approved as presented.

Mr. Reyes presented the CEO's report for July 2015. Financials for July 2015 were reviewed. Margins for the month of July were at \$86,278. Year to date margins were at (\$67,457). Mr. Reyes reported operating margins for July were at \$118,733 and year to date operating margins were at \$75,387. Administrative and General Expenses were higher due to legal fees tied to Tri-State Opt Out. Mr. Martinez joined the meeting at 9:11 a.m. The Balance sheet was reviewed. Mr. Reyes reported new services connected last year were 149 compared to this year at 37. Total assets and liabilities were at \$133,200,352. Mr. Reyes reported the Cost of Service study has been completed and would be discussed along with Tri-State Opt Out, during Executive Session. Mr. Smith reported the Safety Committee met August 10, 2015. He reported that KCEC is currently at 3 days of no loss time accidents. He reported the Safety Committee is still working on the Safe Haven Program. Mr. Smith reported the Committee was working on implementing a Safety Incentive Program. Richard Martinez and David Torres will review the Safety Incentive Program. Mr. Smith reported John Ortega applied for a grant that would provide one automated external defibrillator (AED) to KCEC. He applied for the Grant and would provide information to Kit Carson Telecom and Kit Carson Energy so they can also apply for the grant. Mr. Smith reported the RESAP program would be completed in early 2016. The Safety Report was in the Board packet for review. Following discussion it was moved by Mr. Jassmann, seconded by Mr. Duran, and unanimously approved, that the CEO report for July 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.

CEO Report

The President reported requests have been received from Estates for retirement of capital credits. It was moved by Mr. Rodarte, seconded by Mr. Jassmann, and unanimously approved, that payments to these Estates in the amount of \$15,071.71 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 appointed Mr. Smith as Voting Delegate and Mr. Duran as Alternate for the NRECA Regional Meeting to be held October 20-22, 2015 in Albuquerque, NM.

Appoint NRECA
Voting Delegate
and Alternate

Mr. Smith introduced Tim and Louise Herfel with Go Solar Go, future solar providers in the Angel Fire area. He also recognized Erich Balzer member from

Guests

Black Lake.

The President reported donation totals and correspondence are 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 August 10, 2015. Mr. Jassmann recommended approval. It was moved by Mr. Rodarte, seconded by Mr. Duran, and approved, that the payables for July 2015 be accepted as presented. *Payables Committee*

Mr. Smith reported that the 2015 NMRECA Meeting was held August 6 & 7, 2015. He reported discussion on strategic planning would be held in Las Cruces, NM at the October NMRECA Meeting. Mr. Smith reported that NMRECA 2013 Form 990 submitted to the Internal Revenue Service was incomplete causing a \$15,000 penalty, which was appealed and has since been dismissed. NMRECA Board has authorized Keven Groenwoeld and Dan Najjar to start working on an NMRECA PAC so that all political contributions would be made through the NMRECA PAC. Mr. Smith encouraged all Trustees to become members of ACRE after September 1, 2015. He reported the ACRE annual fee is \$25.00. Mr. Smith reported that CoBank in conjunction with NRECA is hosting a Leadership Program called The Gettysberg Training. This training is highly recommended for directors, managers and employees who are a vital asset to the cooperative's future. Mr. Smith reported that the NMRECA Annual BBQ would be held on Thursday, September 3, 2015 and encouraged all of the Board to attend. Mr. Smith reported meetings would be held on September 3 & 4, 2015. *NMRECA Board Meeting*

Mr. Rodarte reported he attended the Tri-State Board Meeting held August 4 & 5, 2015. He reported that discussion was held on the 2016 draft budget and rate design recommendations. Mr. Rodarte reported Margins for the month of June 2015 were at \$26,410 million. Mr. Rodarte reported that there would be no proposed rate increase in 2016, an 8% rate increase in 2017 and an 8% rate increase in 2018. He reported that discussion was held on the Las Conchas fire, a hearing would be held in Albuquerque, NM on September 28, 2015. Mr. Reyes reported that Tri-State had done a great job on a rate design, but after reading the tariff on page 33, Tri-State has left the regulatory charge in the Tarriff. Without any guidelines on how charges would be imposed cooperatives would not know what the rates would be. Mr. Adang stated KCEC should question the regulatory *Tri-State Board Meeting*

charge. When KCEC protests, KCEC could pay for Tri-State's legal fees, so when three cooperatives protest a rate hearing, Tri-State could assess legal fees to each protesting cooperative. Mr. Rodarte reported Tri-State is analyzing water rights owned by Tri-State. Next month's Board meeting will be held September 1 & 2, 2015.

Mr. Reyes provided an update on the Broadband Broadband Project. He reported that splicing and testing is being done. Less than one mile is lacking in the Penasco area. Taos Ski Valley is being completed; however we are still waiting on a Forest Service permit for Palo Flechado to complete the loop. He reported that the focus is on Angel Fire, Eagle Nest and Red River to get spliced and connected before winter. He reported the Colorado tie and the RediNet are completed. RUS documents have to be closed out by September 30, 2015. He reported that Kit Carson Telecom staff has been reorganized to be more responsive to issues.

The President called for a recess at 9:56 a.m. Recess

Meeting was reconvened by the order of the Meeting President at 10:05 a.m. Reconvened

The President announced he would like to Tim & Louise once again recognize Tim & Louise Herfel and give them Herfel, Go an opportunity to inform the Board of their project. They Solar Go informed the Board that they were excited to be involved with the Solar Project in Angel Fire and have a comprehensive project timeline. The President congratulated Tim & Louise Herfel and wished them good luck.

Mr. Adang reported that the By-law and By-Law & Policy Committee met on July 29, 2015. He reported that Policy the Committee's mission is to review all policies and by-laws. He reported there are currently 63 policies and 10 to 11 would be presented at each Board Meeting in order to complete by the end of the year. Mr. Adang presented the memo sent to the Board of Trustees summarizing the Committee's recommendations. Mr. Adang recommended that item three of the memo be discussed in Executive Session.

Policy No. 1.1 – Board of Trustees Duties, Responsibilities and Professional Development was presented with changes. It was moved by Mr. Smith, seconded by Mr. Jassmann, and unanimously approved that Policy No. 1.1, be approved with recommended changes.

Policy No. 1.2 – Executive Officers of the Board of Trustees was presented with no changes. It was moved Mr. Smith, seconded by Mr. Jassmann, and unanimously

approved that Policy No. 1.2 be approved as presented.

Policy No. 1.3 – Board of Trustees – Chief Executive Officer Relationship was presented with no changes. It was moved by Mr. Rodarte, seconded by Mr. Duran, and unanimously approved that Policy No. 1.3 be approved as presented.

Policy No. 1.4 – Fees for Members of the Board of Trustees was presented with changes. It was moved by Mr. Smith, seconded by Mr. Jassmann, that Policy No. 1.4 be tabled until further discussion in Executive Session.

Policy No. 1.5 – Standing Committees And Representation To Associated Boards was presented with changes. It was moved by Mr. Medina, seconded by Mr. Jassmann, and unanimously approved that Policy No. 1.5 be approved with recommended changes.

Policy No. 1.6 – Minutes of Regular and Special Board Meeting, Executive Sessions, Etc. was presented with no changes. It was moved by Mr. Smith, seconded by Mr. Medina, and unanimously approved that Policy No. 1.6 be approved as presented.

Policy No. 1.7 – Cooperative Elections was presented with changes. It was moved by Mr. Smith, seconded by Mr. Jassmann, and unanimously approved that Policy No. 1.7 be approved with recommended changes.

Policy No. 1.8 – Nominating Petitions for Trustees was presented with changes. It was moved by Mr. Smith, seconded by Mr. Rodarte, and unanimously approved that Policy No. 1.8 be approved with recommended changes.

Policy No. 1.9 – Qualifications for Eligibility to be Elected to the Board of Trustees was presented with no changes. It was moved by Mr. Rodarte, seconded by Mr. Medina, and unanimously approved that Policy No. 1.9 be approved as presented.

Policy No. 1.10 – Indemnification of Trustees was presented with no changes. It was moved by Mr. Medina, seconded by Mr. Smith, and unanimously approved that Policy No. 1.10 be approved as presented.

It was moved by Mr. Smith, seconded by Mr. Medina, and unanimously approved, that the Board go into Executive Session at 10:25 a.m. for discussion on item three of Board memo dated August 21, 2015 and also, to discuss Board Policy No. 1.4. Executive Session

Meeting was reconvened at 11:45 a.m. Discussion was held on tabling Kit Carson Electric Policy No. 1.4 - Fees for Members of Board of Trustees until the next meeting of the Board of Directors scheduled for September 29, 2015. Meeting Reconvened

There being no further business to come before the Board, it was moved by Mr. Smith, seconded by Mr. Duran, and unanimously approved, that the Board of Meeting Adjourned

Trustees of Kit Carson Electric Cooperative, Inc. be adjourned until September 29, 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 11:46 a.m.

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

Peter Adang, Cristobal Duran, Bruce Jassmann, Virgil Martinez, Manuel Medina, Bobby Ortega, Arthur Rodarte, Jerry Smith.


Secretary

Approved this 29 day of September, 2015


President