

KIT CARSON ELECTRIC COOPERATIVE, INC.

MEETING OF THE BOARD OF TRUSTEES

February 24, 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 Friday, February 24, 2017 at 9:05 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>Present</i>
<i>Cristobal Duran</i>	
<i>Bruce Jassmann</i>	
<i>Virgil Martinez</i>	
<i>Ambrose Mascarenas</i>	
<i>Manuel Medina</i>	
<i>Bill Norris</i>	
<i>Bobby Ortega</i>	
<i>Arthur Rodarte</i>	
<i>Luisa Valerio-Mylet</i>	

Also, present were: 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. Reyes was not present due to the passing of his father

Mr. Duran led the Board in reciting the Pledge of Allegiance.

Mrs. Valerio-Mylet led the Board in a word of prayer. Mrs. Valerio-Mylet asked for a moment of silence for Mr. Luis A. Reyes, Sr.

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

The minutes for the Board of Trustees regular meeting held January 31, 2017 were presented. It was moved by Mr. Rodarte, seconded by Mr. Jassmann, and unanimously approved, that the minutes be approved as presented.

The President welcomed Mr. Juan Valdez, Kit Carson Chairman and Mr. Lawrence Vigil, Manager, Kit Carson Energy, Inc. Mr. Vigil presented Kit Carson Electric Board of Trustees with a check in the amount of \$200,000.00 toward Kit Carson Energy's intercompany loan. Leaving a balance of \$672,000. Mr. Vigil reported that they have a short term goal to have the loan paid by next year. The President thanked Mr. Vigil and Mr. Valdez. Mr. Medina joined the meeting at 9:08 a.m. The President stated the payment reflects KCEI's success. The President suggested that a press release be submitted stating \$535,000 was paid to KCEC in 2016.

The President welcomed Ms. Melissa Larson. Ms. Larson stated she was a resident of Taos for over 30 years. She stated her non-profit business was located where there is a mix of residential and commercial members. She had requested to have her account changed to from a small commercial rate to a residential rate but, her request was denied. She stated that there are no paid employees at her business only volunteers so she should not be considered an official business Ms. Larson reported that she is appealing with KCEC to have the rate changed. She has excessive billings and tries to control energy. The President stated that Ms. Larson had already been thru the process with KCEC. Ms. Larson stated she was before the Board due to having a financial hardship. The name of her business is Wholly Rags, a textile recycling business. Mr. R. Martinez reported that he had met with Ms. Larson and reviewed the tariffs and rules. The tariffs specify how a residential or commercial account is classified. He reported that there were several non-profit organizations also classified as small commercial; however he had assessed the location. There is a mixture of residential and small commercial accounts at the properties near Ms. Larson. KCEC determined account would remain a small commercial Rate 3 account. The President stated that this complaint was submitted to the NMPRC. Mr. R. Martinez reported that KCEC responded to NMPRC. NMPRC closed out the complaint, and did not ask KCEC to consider changing the rate. Ms. Larson stated that Gas Company of New Mexico changed her account to a residential rate. The President thanked Ms. Larson for bringing her concerns to the Board. KCEC is within the billing parameters as to how this account should to be billed. He asked Mr. R. Martinez if there was a way to change the billing structure to address these kinds of situations. Mr. R. Martinez reported that changes to rates had to be submitted to the NMPRC for approval. The President reported that in the last rate case, KCEC proposed a low

income discount, it was disallowed. He expressed to Ms. Larson that KCEC is sensitive to the needs and challenges that members are experiencing. The NMPRC disallowed the low income rate, since it was considered social rate making. Ms. Larson indicated she appealed to telephone company to change from business to residential. She asked if telephone company changed her account to a residential account would KCEC change her account to a residential rate since Luis Reyes indicated he would. Mr. Ortega stated that would be a management decision; however, based on tariffs, account is classified as a small commercial account. Mr. Mascarenas asked how many small commercial accounts there were. Mr. R. Martinez reported there were 3,725 small commercial accounts.

Mr. R. Martinez presented the CEO's report CEO Report
for January 2017. Financials for were reviewed. Mr. R. Martinez reported operating margins were \$4,488,077. He reported that cost of power increased compared to last year. Operation expenses had decreased compared to last year. Administrative and General Expenses had increased compared to last year. Mr. R. Martinez reported margins for the month were \$579,124. He reported year to date margins were \$1,306,680 compared to (\$1,244,287) last year, total operation and maintenance expense was \$3,277,536 compared to \$2,966,543 last year. He reported revenues and cost of power had increased. The Balance sheet was reviewed. Mr. R. Martinez reported total assets were \$147,996,961. He reported cycle one and cycle two residential accounts were adjusted to reflect rate for usage prior to December 14, 2016. He reported Cycle three adjustments would be completed prior to next billing. He reported there were 13 new services last year compared to nine this year. Mr. R. Martinez reported that KCEC was working on refinancing debt. Mr. Valerio reported that in January 2017 KCEC refinanced some of the CoBank variable rates to a fixed rate of 2.7%, he reported the variable rate was 3.7%. Mr. R. Martinez reported that KCEC did receive plans for a new 22 unit all electric apartment complex. Mr. Medina asked if KCEC had received information on the new proposed bowling alley. Mr. R. Martinez reported that plans had not been submitted to KCEC yet. Discussion was held on growing marijuana and the amount of power used for the growing houses. Mr. R. Martinez reported that these accounts are large commercial accounts that operate 24/7. Mr. R. Martinez reported year to date TIER was 5.06 and year to date OTIER was 3.07. Discussion was held on Chevron's usage and line extension for a well for dust control at the tailings. Mr. R. Martinez reported the Safety Committee was scheduled to meet February 14, 2017. There was no

quorum so a meeting was not held. The next meeting is scheduled for March 10, 2017. Following discussion it was moved by Mr. Rodarte, seconded by Mr. Jassmann, and unanimously approved, that the CEO report for January 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. Jassmann, and unanimously approved, that payments to these Estates in the amount of \$11,194.40 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 the date for the 2017 Annual Meeting. The President recommended approval of Saturday, June 10, 2017 for the 2017 Annual Meeting. Scheduled community events have been reviewed. It was moved and unanimously approved that the 2017 Annual Meeting be held on Saturday, June 10, 2017.

2017 Annual
Meeting Date

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 February 10, 2017. Mr. Jassmann recommended approval. It was moved by Mr. Rodarte, seconded by Mr. Medina, and unanimously approved, that the payables for January 2017 be accepted as presented.

Payables
Committee

Mr. Duran reported he attended the NMRECA meeting on February 2 & 3, 2017. He reported that NMRECA had created a link to track bills discussed at the Legislature and that the NRECA Annual Meeting would be held February 25 thru March 1, 2017 in San Diego, CA. He reported there was discussion on Jemez Mountain Electric Cooperative (JMEC) withdrawing from NMRECA. He reported that pursuant to the Bylaws, NMRECA would bill JMEC even though there has been no cost incurred by JMEC. He reported as of July 14, 2017 JMEC would not be a member of NMRECA. Pursuant to the bylaws JMEC would be required to dues from January to July 2017, if they refused to pay the dues and were interested in returning to NMRECA they would need to pay before they could return. Mr. Duran reported that discussion was held on the Youth Tour, JMEC awarded students to attend, their tour would be a

NMRECA
Board Meeting

separate trip and not part of NRECA Youth Tour. Mr. Mascarenas asked if the dues would increase. Mr. Duran reported that for 2017 the dues would not increase, they may increase in 2018. Mr. Jassmann reported that he understood that NMRECA Cooperatives funded the training for linemen and asked if JMEC linemen participate at no charge? He stated it would not be fair for JMEC to continue to participate in trainings, since it is a benefit of being a member of NMRECA. Mr. Duran reported that the next NMRECA meeting would be held March 2 & 3, 2017. Mr. V. Martinez stated NMRECA Annual meetings are being held at casino's which are not family friendly.

Mr. Andrew Gonzales, Manager, Kit Carson Broadband Telecom (KCT) presented an update. He reported that there are a total of 5,100 customers, KCT continues to surpass revenue targets, and that eight more cell sites have fiber through KCT. AT& T and Verizon have requested cell sites on power poles and substations so that cell towers would not have to be erected, this reduces costs and allows for a quicker cell site implementation. Mr. Gonzales reported that KCT signed a partnership with Continental Divide Electric Cooperative (CDEC) for fiber optics in Grants, NM. KCT is offering head end services to supply another cooperative's needs. There would be no cost for KCT, CDEC would be funding the project. KCT would be assisting with the technical aspect and making recommendations on the type of equipment that would be needed; however there would be a per customer fee for head end service. The project is five miles servicing a bank, schools, library and city building. Mr. Gonzales reported that Star2Star, who is providing services requested an additional two week extension to finalize testing, Voice Over Internet Protocol (VoIP). He reported other projects include, Blanca Electric who has requested a 10 gig circuit from Taos to Grants and San Luis Valley Electric has also requested fiber for a route from San Luis, CO. to Albuquerque which would create reliability and sustainability. Mr. Medina asked if the billing issues had been resolved. Mr. Gonzales reported that they are working on issues, when KCT added taxes to VoIP accounts double bills were created. Mr. Gonzales reported that KCT would be implementing an accounts receivable procedure. He reported that they are reviewing reports, 45 days accounts are disconnected manually, they haven't activated the automatic disconnect feature. Mr. Mascarenas asked if Wildblue customers would have to pay the connect fees. Mr. Gonzales reported that any existing KCT customers would not incur a connect fee.

Mr. Mascarenas reported that Mr. Chris Solar Miller and Mr. Chris Riley, Guzman Energy Committee representatives provided an informative update on the Solar Deployment. The projects should be completed by 2022. He reported that solar site visits were conducted. The first project would be at Picuris Pueblo. Mr. R. Martinez reported that six projects would be completed this year. About six to seven acres required per project. A preliminary model would be completed by next week. Mr. Bresnahan asked if there was anything being done in regards to storage. Mr. R. Martinez reported that provisions for storage are being reviewed by SoCore. Mr. Mascarenas reported that the Solar Committee would meet in March.

Mr. V. Martinez reported that he had a Executive concern to be discussed in Executive Session. It was Session moved by Mr. Jassmann, seconded by Mr. Norris and unanimously approved, that the Board go into Executive Session at 10:16 a.m.

Meeting was reconvened at 10:25 a.m. No Meeting action taken. Reconvened

There being no further business to come before the Board, Meeting it was moved by Mr. Jassmann, seconded by Mr. Duran Adjourned and unanimously approved, that the Board of Trustees of Kit Carson Electric Cooperative, Inc. meeting be adjourned until March 28, 2017 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 10:25 a.m.

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

Robert Bresnahan, Cristobal Duran, Bruce Jassmann, Virgil Martinez, Ambrose Mascarenas, Manuel Medina, Bill Norris, Bobby Ortega, Arthur Rodarte, and Luisa Valerio-Mylet.


Secretary

Approved this 28 day of March, 2017


President