

*KIT CARSON ELECTRIC COOPERATIVE, INC.*

*MEETING OF THE BOARD OF TRUSTEES*

*January 27, 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, January 27, 2015 at 9:08 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>Ambrose Mascarenas</i>	
<i>Manuel Medina</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. Duran led the Board in reciting the Pledge of Allegiance.* *Pledge of Allegiance*

*Mr. 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. Jassmann, and unanimously approved, that the agenda be approved, as presented.* *Agenda*

*The President introduced Councilwoman Ms. Christy Germscheid from the Village of Angel Fire. Ms. Germscheid introduced members of the audience who traveled to address the KCEC Board of Directors they included members from the Village of Angel Fire, Angel Fire Resort and Solar Energy Co. Go Solar Go. She reported to the Board how appreciative the Village of Angel Fire was to be selected as one of the areas for the*

*Community Solar Array Project. The President thanked the group for their showing support for what KCEC is doing relative to solar renewables. Mr. Smith reported that it has been a pleasure working with these groups in trying to get the array and trying to get lighting on the sports field so it can be utilized at night. Mr. Jassmann reported that he is very happy with the project moving forward. Mr. Reyes reported that he had been working with Tri-State Generation and Transmission to get approval for the solar array project. The item will be on the Tri-State agenda in February. If it is approved at Tri-State, KCEC would expect construction to begin the end of May and to be online early fall.*

*The President introduced Mr. Hal Bailey, Senior Vice President of Washington Federal and Russ Coyle, Angel Fire Branch Manager. Mr. Bailey reported that the Representative from Vantiv Merchant Services was not able to attend due to a family emergency. Mr. Bailey and Mr. Coyle made a presentation. Mr. Coyle reported that they were hoping to seek approval to work with KCEC's technical department and address KCEC's current process relative to merchant services and determine if Washington Federal could beat the costs and security levels. The President stated Mr. Reyes or Mr. Valerio could coordinate a follow-up meeting with Washington Federal representatives to discuss options.*

*The minutes for the Board of Trustees regular meeting held December 30, 2014 were presented. It was moved by Mr. Rodarte, seconded by Mr. Smith, and unanimously approved, that the minutes for December 30, 2014 be approved as presented.*

*Mr. Reyes presented the CEO's report for December 2014. Financials for December 2014 were reviewed. Margins for the month of December 2014 were at \$54,007. Year to Date margins were at \$330,946. Operating margins this year were at \$592,936 compared to \$828,670 last year. Handout was distributed which included rate design changes. Mr. Reyes distributed Financial Analysis of expenses. He reported that KCEC is less than one percent off of 2014 budget when property tax is applied across every account. Quarterly reports have helped staff in adjusting every month without harming the integrity of the system or jeopardizing safety. For 2015 no major developments. In 2014 had less revenue, overall operated at a lower cost with a bigger system. The system continues to grow KCEC added 270 new meters this year. Mr. Reyes distributed and reviewed the allocation of property tax, franchise tax and gross receipt tax. Mr. Smith reported that NMRECA would be following the bill presented by the Association of Counties*

of NM who are proposing a county franchise tax. NMRECA is in the position to oppose the franchise fee. Mr. Reyes stated once capital credit allocations are included TIER will change. Mr. Martinez joined the meeting at 9:34 a.m. Mr. Reyes reported that Kit Carson Energy Inc. fiscal year will be changed to July. KCEC will get a bigger dividend from Kit Carson Energy Inc. Discussion was held on rate making to increase the customer charge and decrease the kWh charge and also possibly decrease the wholesale cost of power. Discussion was held on adding classes for ranchers i.e. stock tank. Mr. Reyes reported that the total cost of tree trimming for 2014 was \$564,000 as a result of trimming less outages are occurring. Mr. Adang stated the Delinquent Report total is \$200,000 higher than last year. Mr. Reyes reported that the biggest increase is with the medical certifications, members that have the medical certification cannot be disconnected. Mr. Smith reported that Medical Certification and Winter Moratorium had been brought to the attention of NMRECA's Legislative Committee. Laws need to be studied; however issue is very sensitive to Legislators. The Balance sheet was reviewed. KPA's were discussed. Year to date TIER was 1.10. TIER for the month of December was 1.21. Year to date DSC was 1.10. DSC for the month of December was 1.14. Year to date OTIER was 1.19. OTIER for the month of December was 1.32. Mr. Reyes reported for the record KCEC has been meeting with Portal Locks regarding a possible economic development venture. After several meetings, it is not a venture KCEC should entertain. KCEC could consider renting the Village of Questa Business Park building to Portal Locks; however a business loan should not be approved at this time. Mr. Reyes reported KCEC needs to concentrate on Tri-State, broadband and the major projects within KCEC's territory. Mr. Torres reported the Safety Committee met January 9, 2015. Mr. Torres expressed his thanks to Mr. Martinez for the crews that worked all night to restore an outage. He recommended the outage report include the outage duration. He reported KCEC was at 8 days with no lost time accidents and no near misses. KCEC is averaging one lost time accident per month. He reported that he had requested the 2014 summary of accidents and hoped to have it for the February 2015 Board Meeting. He reported that the RESAP program is a year long process and would be at no cost to KCEC. He reported that a Board Resolution would be needed to fully integrate the RESAP program. Mr. Torres reported that the Safety Report was in the Board packet for review. Following discussion it was moved by Mr. Duran, seconded by Mr. Jassmann, and unanimously approved, that the CEO report for December 2014 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 \$16,053.62 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 presented the 2015 Budget. Mr. Reyes recommended the approval of the 2015 Budget. It is a 1.49% increase over 2013 budget. The accrual budget was changed to reflect property tax. Mr. Reyes stated major purchases and filling vacant positions i.e. System Engineer have been deferred. Vehicles included in the budget will be leased versus purchased. Mr. Torres asked Mr. Reyes to convey appreciation to the employees for helping cut costs. It was moved by Mr. Rodarte, seconded by Mr. Smith, and unanimously approved, that the 2015 Budget be approved as presented.*

*Approval of  
2015 Budget*

*Discussion was held on appointment of CFC Voting Delegate and Alternate for NRECA Annual Meeting to be held February 22 thru 25, 2015 in Orlando, FL. The President appointed Mr. Medina as Voting Delegate and Mrs. Mylet as Alternate Voting Delegate.*

*Appoint 2015  
CFC Voting  
Delegate &  
Alternate*

*Discussion was held on the date for the 2015 Annual Meeting Date. It was the consensus of the Board to approve the date the for 2015 Annual Meeting at the February 27, 2015 Board Meeting.*

*Proposed 2015  
Annual Meeting  
Date*

*The President reported that the NRECA Annual Meeting would be held the same time as the February 2015 KCEC Board Meeting. The President suggested that the February Board Meeting tentatively be held on Friday, February 27, 2015.*

*February Board  
Meeting Date*

*Mr. Reyes reported two Tri-State scholarships are available in the amount of \$500.00 each. To date District 1, 2 and 3 have been awarded six scholarships; Districts 4 & 5 have been awarded five scholarships. It was recommended that the two scholarships be awarded to Districts 4 and 5; therefore, District 4 and District 5 would each select one recipient from their District.*

*Tri-State  
Scholarship*

*Mr. Reyes reported one Basin Electric Power Cooperative scholarship is available in the amount of \$1,000.00. To date District 1 and 3 have been awarded*

*Basin  
Scholarship*

three scholarships; Districts 2, 4 and 5 have been awarded two scholarships. It was recommended that one scholarship be drawn from Districts 2, 4 and 5. District 2 was drawn; therefore District 2 would select one recipient from their District. Mr. Ortega asked Mrs. Archuleta to inquire with Basin Electric if the scholarship amount could be divided so that two \$500.00 scholarships could be awarded.

Mr. Ortega reported donation totals and correspondence are in the packet and may be reviewed at leisure. Donations & Correspondence

The President called for a recess at 10:18 a.m. Recess

Meeting was reconvened by the order of the President, Mr. Bobby Ortega, at 10:36 a.m. Meeting Reconvened

Mr. Jassmann presented Payables for the Electric and Internet Divisions. The Payables Committee met on January 16, 2015. Mr. Jassmann recommended approval. It was moved by Mr. Duran, seconded by Mrs. Valerio-Mylet, and unanimously approved, that the payables for December 2014 be accepted as presented. Payables Committee

Mr. Smith reported that the NMRECA meeting was held January 8 & 9, 2015. Mr. Smith reported that the NMRECA Board meeting was discussed at yesterday's Board Work Session. He reported NMRECA is supporting House Bill 70 relating to taxation: amending a section of the income tax act to extend the solar market development tax credit through 2020. Mr. Smith reported the next NMRECA Board meeting would be held February 5 & 6, 2015. NMRECA Board Meeting

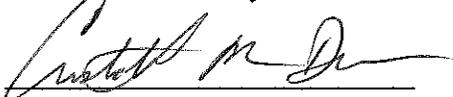
Mr. Rodarte reported he attended the Tri-State Board Meeting held January 6 & 7, 2015. He reported that the Tri-State Board meeting was discussed at yesterday's Board Work Session. Mr. Rodarte reported Tri-State has \$53 million in margins. Discussion would be held at the next meeting on the revision of Financial Goals Policy. Mr. Rodarte reported Tri-State approved \$128 million in margins for 2015 and that Tri-State would endorse Policy 115 in regards to 5% solar. He reported on Policy 118 anything over 5% that Tri-State would complete the solar project not the cooperative. He reported a proposed Bylaw change regarding capital credits would be presented at the April 2015 Annual Meeting, amendment gives Tri-State Board ability to decide if first in first(FIFO) out or last in last out (LILO). The Las Conchas fire was discussed. Mr. Rodarte reported the next Tri-State Board Meeting would be held February 3 & 4, 2015. Tri-State Board Meeting

Mr. Reyes reported the Broadband Committee Broadband did not meet in the month of January. He reported Broadband project was discussed at yesterday's Board Work Session.

There being no further business to come Meeting before the Board, it was moved by Mr. Jassmann, Adjourned seconded by Mr. Martinez, and unanimously approved, that the Board of Trustees of Kit Carson Electric Cooperative, Inc. be adjourned until February 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 10:47 a.m.

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

Peter Adang, Cristobal Duran, Bruce Jassmann, Virgil Martinez, Ambrose Mascareñas, Manuel Medina, Bobby Ortega, Arthur Rodarte, Jerry Smith, David Torres and Luisa Valerio-Mylet.

  
Secretary

Approved this 27 day of February, 2015

  
President