

*KIT CARSON ELECTRIC COOPERATIVE, INC.*

*MEETING OF THE BOARD OF TRUSTEES*

*May 31, 2016*

*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, May 31, 2016 at 9:07 a.m. in the Marcelino Martinez Room of the headquarters building of the Cooperative, Taos, New Mexico. The following Trustees were present:*

<i>Cristobal Duran</i>	<i>Present</i>
<i>Bruce Jassmann</i>	
<i>Virgil Martinez</i>	
<i>Ambrose Mascarenas</i>	
<i>Manuel Medina</i>	
<i>Bobby Ortega</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. Jassmann led the Board in reciting the Pledge of Allegiance.*

*Mrs. Valerio-Mylet led the Board in a word of prayer.*

*The President recognized and congratulated Mr. Robert Bresnahan on being elected to the KCEC Board of Trustees. He informed Mr. Bresnahan that his first Board Meeting would be June 23, 2016.*

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

*Minutes for the Board of Trustees regular meeting held April 26, 2016 were presented. It was moved by Mr. Jassmann, seconded by Mrs. Valerio-Mylet, and unanimously approved, that the minutes for April 26,*

2016 be approved as presented.

*Mr. Reyes presented the CEO's report for April 2016. Financials for April 2016 were reviewed. Mr. Reyes reported margins for the month of April were at \$169,698. Year to date margins were \$343,867 compared to \$165,283 last year. He reported cost of power was higher. Mr. Reyes reported Operating margins for electric operations were at \$491,622 compared to \$233,708 last year. He reported that a portion was tied to legal fees relative to professional services regarding the Tri-State exit and to the Rate case. Mr. Reyes reported that KCEC continues to answer interrogatories and the Rate Case is still scheduled for mid August 2016. Mr. Reyes reported that there has been a request from two interveners for more time, KCEC will oppose. The President reported that KCEC continues to get criticized to debt on equity. He recommended a chart be created comparing KCEC to other cooperatives. KCEC is not out of line. Mr. Smith reported that CFC recommends between 30% and 40% equity to debt. The President reported that he had visited with CoBank in regards to KCEC not meeting TIER; he reported CoBank understood where and why KCEC would not hit TIER requirements again. Mr. Reyes reported that areas where KCEC staff controls, they are trying to continue to keep expenses lower. Mr. Reyes reported that he met with Mr. Larry McGraw, RUS, GFR and KCEC needs to submit a corrective action plan. Mr. Reyes reported that debt pays for poles, wires, meters, transformers, substations, transmission lines and associated equipment. It pays only for construction, for labor for only engineers and for line crews. Debt does cover staff salaries. Mr. Reyes reported that the economic landscape needs to change and more electricity needs to be sold. The Balance sheet was reviewed. Mr. Reyes reported that there was 52 connects compared to 41 last year. He reported KCEC operates 2,850 miles of line, which continues to grow. Mr. Reyes reported total assets and liabilities were \$140,452,533; which does not include the Broadband assets or the contribution in aid for construction. Mr. Ortega reported that KCEC needs to educate the public on KCEC debt, he suggested that KCEC be prepared to discuss the debt at the upcoming Annual Meeting. Mr. Torres suggested an outreach campaign would be good and also a debt Q & A. Mr. Smith reported that National Rural Utilities Cooperative Finance Corporation (CFC) would be hosting CFC Financial Workshop for New Mexico Directors again at next year's NMRECA Annual Meeting and he encouraged Trustees to attend, he stated it is very interesting and beneficial. Discussion was held on the outages that occurred last weekend. Mr. Reyes reported that KCEC*

CEO Report

now offers text power but members need to opt in to receive the message when an outage occurs. He reported that outage information also is sent out via Facebook and the KCEC website. Mr. Ortega suggested an opt in campaign at the Annual Meeting. Mr. Martinez reported that he gets many calls from members that are on oxygen concentrators, he recommended that these members be placed on a list for outages. Mr. Reyes reported that any member on oxygen concentrator needs to contact KCEC and advise that they are on oxygen, if KCEC is aware there are things that can be done to re-route power in certain areas to these members. Mr. Mascarenas reported that members on oxygen should have extra bottles/tanks of oxygen available for emergencies. The KPA's were reviewed. Mr. Reyes reported year to date TIER was 1.30, year to date DSC was 1.15 and year to date OTIER was 1.43. Mr. Reyes reported the cost of power was levelizing. Mr. Torres reported the Safety Committee met May 10, 2016. He reported there were 73 days of no loss time accidents to report as of May 3, 2016. He reported the RESAP inspection was completed. He reported Richard Garcia is implementing a Safety Improvement Plan which will show areas of improvement taken each year over the next three years. Mr. Smith reported that he had been approached by Mr. Roy O'Day in Ruidoso at the NMRECA Annual Meeting, Mr. O'Day expressed to Mr. Smith how proud he was with KCEC on the outcome of the RESAP inspection and commended KCEC and Mr. Richard Garcia, Safety Coordinator for their hard work. Following discussion it was moved by Mr. Smith, seconded by Mr. Duran, and unanimously approved, that the CEO report for April 2016 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. Martinez, seconded by Mr. Smith, and unanimously approved, that payments to these Estates in the amount of \$8,831.28 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 reported that there was a conflict in the June Board Work Session and Meeting dates. He suggested that the June Board Work Session and Meeting be changed to June 23 & 24, 2016. It was moved by Mr. Mascarenas, seconded by Mr. Duran and unanimously approved that the dates for the June Board Work Session and Meeting be changed to June 23 & 24,

June Board  
Work Session &  
Meeting Dates

2016.

*The President reported that there were two vacancies on the Kit Carson Electric Education Foundation Board. Mr. Duran recommended Mr. Franklin Fernandez, Jr. be appointed as District Four KCEEF Director. He reported Mr. Fernandez was a retired educator and was interested in serving on the KCEEF Board. It was moved by Mr. Duran, seconded by Mr. Mascarenas, and unanimously approved, that Mr. Franklin Fernandez, Jr. be appointed as District Four Director for the KCEEF. The President reported that Mrs. Cathy Romo who was appointed for District Two at the April Board Meeting decided not to accept the position of Director. She reported she would like to enjoy her retirement and not make a commitment to the KCEEF. The President reported a Director for District Two would be appointed at a later date.*

*Appoint  
District Four  
KCEEF  
Director*

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

*Donations &  
Correspondence*

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

*Recess*

*Meeting was reconvened by the order of the President at 10:14 a.m.*

*Meeting  
Reconvened*

*The President reported that the change of KCEC's board meeting in June would cause a conflict with Mr. Smith attending the NMRECA meeting. He suggested that the June Work Session and Meeting be changed to June 22 & 23, 2016, to accommodate the NMRECA Board meeting. The President asked to rescind the previous motion; it was moved by Mr. Duran, seconded by Mr. Torres and unanimously approved to rescind the previous motion. It was moved by Mr. Duran, seconded by Mr. Smith and unanimously approved that the June Board Work Session and Meeting be held June 22 & 23, 2016.*

*June Meeting  
Date Change*

*Mr. Jassmann presented Payables for the Electric and Internet Divisions. The Payables Committee met on May 9, 2016. Mr. Jassmann recommended approval. It was moved by Mr. Smith, seconded by Mr. Medina, and unanimously approved, that the payables for April 2016 be accepted as presented.*

*Payables*

*Mr. Smith reported that the NMRECA Annual Meeting was held in Ruidoso, NM, May 24 - 26, 2016. Mr. Smith reported that the meeting went very well. He attended the CFC Financial Workshop for Directors.*

*NMRECA  
Board Meeting*

*Discussion was held on the economic update and understanding the financial statement and how it is composed. Mr. Smith reported that discussion was held on the income statement and balance sheet and how it is affected by capital credits and interest and how it is determined whether or not capital credits will be retired. He reported that discussion was held on electric rates. Mr. Smith recommended that the Board attend the workshop next year. Mr. Smith reported that that the location for next year's NMRECA Annual Meeting had not been finalized, he did ask that they re-insert El Monte Sagrado as one of the possible locations for the Annual Meeting, he reported bids would be sent. Mr. Smith reported that there was very good attendance for the ACRE breakfast. He reported that Commissioner Aubrey Dunn spoke on how his group at the NM State Land Office is working with cooperatives on re-permitting that will be required in 2018, all old permits will expire. Mr. Smith reported that Commissioner Valerie Espinoza indicated there were no changes in aid to construction. Mr. Smith reported that he and Mr. Reyes met with Commissioner Sandy Jones to discuss the purchase power agreement in relations to new power supplier. Mr. Smith reported that Keven Groenewold, NMRECA Executive Vice President reported on Legislature & property tax bill. He reported the Business meeting went well, the audit went well. The Board re-organized by acclamation. All officers remained the same. He reported that he was still the Secretary-Treasurer. Mr. Ortega reported that he met with Mr. Kim Judkins, NRECA's Personal Investment and Retirement, Senior Field Representative. Mr. Ortega reported that he asked Mr. Judkins to continue to encourage KCEC employees to participate and get educated on portfolio allocations. He requested that the report of how many employees contributing be presented at the next Board Meeting.*

*Mr. Reyes reported the Tri-State Board Meeting was held May 10 & 11, 2016. He reported margins were \$5,407 million. Mr. Reyes reported that Tri-State has declining revenues. He reported that the rating agencies that report on Tri-State have published their updated ratings on long-term debt and shorter-term commercial paper program. All three rating agencies affirmed investment grade ratings, with S & P and Fitch revising their outlooks on Tri-State to stable. Moody's affirmed Tri-State's stable outlook. Mr. Reyes reported that member energy sales volumes were 4.1% under budget. Non-member energy sales volumes were 19.2% below budget. Tri-State refinanced from RUS debt to Wall Street debt. Mr. Reyes reported that a Strategic planning session is scheduled for next week. KCEC and Tri-State continue to work on exit. The next Tri-State*

meeting is scheduled to be held on June 6 & 7, 2016.

Mr. Reyes provided an update on Broadband. *Broadband Committee*  
Mr. Reyes reported that there are 2,200 fiber subscribers and this continues to grow 75 to 100 per week. He reported that they are refining scheduling to improve efficiencies. He reported one of the big accomplishments was that KCT acquired Flybox Wi-Fi which provides reliable uncapped high speed internet access throughout the Town of Red River. Mr. Reyes reported that the contract with Verizon has been finalized. KCT now has agreements with AT&T, Commnet and Verizon and will start negotiating with Sprint. He reported KCT is working on replacing Wildblue with fiber. Mr. Reyes reported that 80% of KCEC's territory is lit; KCT continues focusing on Penasco and Ojo Caliente areas. He reported KCT has over 5,000 drops.

Mr. Torres reported that the By-law and Policy Committee did not meet in the month of May. *By-Law & Policy Committee*

Mr. Medina congratulated the Trustees for being re-elected. He reported that a KCEC Board member is giving anti KCEC people information on Mr. Medina's Crane Service and Mr. Ortega's RV Park. Members have the opportunity to obtain information from KCEC. Mr. Mascarenas stated KCEC Board member also got candidates to run against incumbents. Mr. Medina congratulated Mr. Robert Bresnahan on being elected to the KCEC Board of Directors. Mr. Ortega stated there was no room for personal attacks, they are unprofessional and unethical. *Board Member Concerns*

It was moved by Mr. Smith, seconded by Mr. Jassmann and unanimously approved, that the Board go into Executive Session at 10:59 a.m. *Executive Session*

Meeting was reconvened at 11:51 a.m. No action taken. *Meeting Reconvened*

There being no further business to come before the Board, it was moved by Mr. Mascarenas, seconded by Mr. Jassmann, and unanimously approved, that the Board of Trustees of Kit Carson Electric Cooperative, Inc. be adjourned until June 23, 2016, 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 11:52 a.m. *Meeting Adjourned*

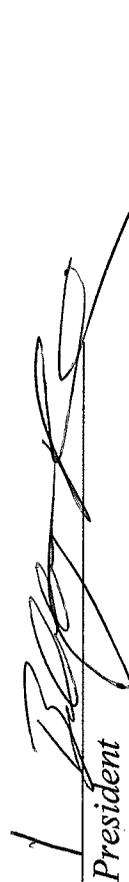
The following Trustees were present at the end of the meeting: Cristobal Duran, Bruce Jassmann, Ambrose Mascarenas, Manuel Medina, Virgil Martinez, Bobby Ortega, Jerry Smith, David Torres and Luisa

*Board of Trustee meeting May 31, 2016*

*Valerio-Mylet.*

  
Secretary

*Approved this 23 day of June, 2016*

  
President