

KIT CARSON ELECTRIC COOPERATIVE, INC.

MEETING OF THE BOARD OF TRUSTEES

April 26, 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, April 26, 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>Arthur Rodarte</i>	
<i>Jerry Smith</i>	
<i>Luisa Valerio-Mylet</i>	

The President reported that Mr. David Torres was absent due to him serving in Ecuador with the Disaster Relief.

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. Medina led the Board in reciting the Pledge of Allegiance.

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

Minutes for the Board of Trustees regular meeting held March 28, 2016 were presented. It was moved by Mr. Rodarte, seconded by Mr. Mascarenas, and unanimously approved, that the minutes for March 28, 2016 be approved as presented.

Mr. Reyes presented the CEO's report for

March 2016. Financials for March 2016 were reviewed. Mr. Reyes reported a loss of (\$168,271) from the operating margins. He reported margins were at (\$205,514). Margins for 2015 were \$483,423. Mr. Reyes reported that the month of March was relatively warm and ski area closed at the end of March; however the cost of power increased. Mr. Reyes reported operation and maintenance increased, crews working on maintenance but no major activity on system. He reported that the Hotel at Taos Ski Valley is about 60% complete. The Chevron water treatment plant is still under construction. KCEC has not been able to get a date from Chevron for testing. KCEC does not have finite load calculations. Mr. Reyes reported that a new Holiday Inn Express would be breaking ground this spring. He reported that Planning and Zoning approved a Retirement Village concept for the bypass area. Mr. Smith reported that Taos is in need of a large hotel. Taos and Angel Fire were removed from NMRECA Annual Meeting location list. Mr. Reyes reported that the new Hotel at Taos Ski Valley will have 100 rooms. Ms. Valerio-Mylet reported that El Monte Sagrado has several rooms and that they have large meeting rooms. Mr. Smith reported he would have NMRECA contact El Monte Sagrado in regards to rates. Mr. Reyes reported the cost of power is increasing and revenue is decreasing. He reported that a meeting would be held April 27, 2016 in Questa in regards to \$4 million embarked for projects tied to remediation, Restoration of Red River is one of the major projects. Mr. Reyes explained the process Chevron would be using to clean up the mock. Mr. Reyes reported Administrative and General Expenses should stabilize after August; this was higher due to legal fees relative to professional services regarding the Tri-State buyout and Rate case. He reported this would be discussed further in Executive Session. Mr. Reyes reported the Rate Case was scheduled for August 15, 2016 for five days. Mr. Smith asked what was driving the increase for Line 5, Distribution Expense, Operation, Mr. Richard Martinez stated he would find out. Mr. Reyes reported that KCEC was in compliance with the passage of the New Mexico Renewable Portfolio Standard (RPS) and met its 2015 RPS requirements. Cooperatives have to have 5% renewable and Investor Owned Utilities have to have 10% renewable. Cooperatives from now until the year 2020 have to increase renewable by 1% each year, cooperatives can also use credits and not have to have hard assets or can get RECS from Tri-State. The Balance sheet was reviewed. Mr. Reyes reported total assets and liabilities were \$141,680,961; which does not reflect contribution in aid for construction. The balance sheet is consolidated. The KPA's were reviewed. Mr. Reyes reported year to date TIER was 1.20, year to date DSC was 1.03 and year

to date OTIER was 1.35. The President asked if KCEC would meet covenants set by CoBank. Mr. Reyes reported covenants would not be met. KCEC could request a waiver due to the pending rate case. Mr. Reyes reported cost of power continues to increase. Mr. Reyes reported that there were outages due to heavy snow. KCEC continues to work on tree trimming. Mr. Martinez reported that when there is an outage, members are calling him to complain that they are unable to get information on outages due to no answer or busy signals. Mr. Reyes reported that dispatch receives several calls and at times dispatch cannot keep up with all the calls. He reported that a message was being placed on the phone system to inform members on the status of the outage. Mr. Richard Martinez reported the Safety Committee met April 11, 2016. He reported there were no accidents to report. Mr. Martinez reported the RESAP program inspection would be May 3, 4 and May 5, 2016. Following discussion it was moved by Mr. Rodarte, seconded by Mr. Medina, and unanimously approved, that the CEO report for March 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. Rodarte, seconded by Mr. Medina, and unanimously approved, that payments to these Estates in the amount of \$9,236.14 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. Mr. Martinez had a question in regards to retirement of capital credits and who was able to receive capital credits. Discussion was held.

Capital Credits
To Estates

Mr. Reyes reported that there were two vacancies on the Kit Carson Electric Education Foundation Board. The President recommended Mrs. Cathy Romo be appointed as District Two KCEEF Director. He reported Mrs. Romo was a retired teacher. It was moved by Mr. Duran, seconded by Mr. Medina, and unanimously approved, that Mrs. Kathy Romo be appointed as District Two Director for the KCEEF. Mr. Reyes reported that a Director for District Four would be appointed at a later date. Discussion was held on the KCEEF Directors; Ms. Valerio-Mylet asked if the KCEC Board Trustees attended the meetings, she stated she would like to attend the next meeting. The President recommended that the KCEEF be invited to provide a report to the KCEC Board.

Appoint
District Two
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 10:13 a.m.

*Meeting
Reconvened*

Mr. Jassmann presented Payables for the Electric and Internet Divisions. The Payables Committee met on April 11, 2016. Mr. Jassmann recommended approval. It was moved by Mr. Rodarte, seconded by Mr. Duran, and approved, that the payables for March 2016 be accepted as presented.

Payables

Mr. Smith reported that the NMRECA Meeting was held March 31 & April 1, 2016. Mr. Smith reported that discussion was held on possible legislation of solar issues, he reported that KCEC would need guidance relative to community solar. Mr. Smith reported that NMRECA would be obligated to pay for Springer Electric Attorney fees that NMRECA utilized. He reported that discussion was held on NRUCFC – Integrity Fund requesting financial assistance with legal and legislative expenses regarding litigation concerning property tax valuation. Mr. Smith reminded the Board that the 2016 Legislative Conference would be held May 1 - 3, 2016 in Washington, DC that Mr. Reyes and Mr. Ortega would be attending. Mr. Smith reminded the Board that the 2016 NMRECA Annual Meeting would be held May 24 – 26, 2016 at the Ruidoso Convention Center in Ruidoso, NM. He reported that the CFC Financial Workshop for Directors would be held on Monday, May 23, 2016 in conjunction with the NMRECA Annual meeting. The workshop is free. Mr. Smith reported that Ms. Kathy Buhl, CFC had retired after 31 years of service and has been replaced by Mr. Chip Marks.

*NMRECA
Board Meeting*

Mr. Rodarte reported he attended the Tri-State Board Meeting held April 6 & 7, 2016. Mr. McInnes reported that Tri-State remains operationally and financially strong. Mr. Rodarte reported that discussion was held on the Clean Power Plan. Mr. Rodarte reported that Mr. Rick Gordon, Tri-State thanked Mr. Tony Casados for his service on the Executive Committee. Mr. Rodarte reported that after the re-organization Mr. Rick Gordon was reelected Chairman of the Tri-State Board. Mr. Joe Wheeling, La Plata Electric Association was elected Vice Chairman, Mr. Leo Brekel, Secretary, Mr. Stuart Morgan, Treasurer, Mr. Matt Brown, First Assistant Secretary and Julie Kilty, Second Assistant

*Tri-State
Board Meeting*

Secretary. He reported the Executive Committee's three at large positions were filled by incumbents Bill Mollenkopf, Empire Electric, Cortez, CO and newly elected members Hal Keeler, Columbus Electric, Deming, NM and Tim Rabon, Otero County, Cloudcroft, NM. Mr. Rodarte reported that Tri-States owes \$950 million in capital credits to its members; \$101 million is owed to United Power, the largest cooperative with Tri-State. Mr. Rodarte reported that Tri-State has \$4 million in margins. Mr. Rodarte reported that Tri-State received a Request for Information (RFI) from the City of Socorro; Tri-State was not going to respond to the request. Mr. Reyes reported that the City of Socorro wants to generate their own power and are in a dispute with Socorro Electric on franchise issues. In the state of New Mexico municipalities are broken up into Class A and Class B; only Class A members can have municipalities generate their own power and municipalize. Mr. Rodarte reported that discussion would be held on refinancing of loans. Mr. Rodarte reported that discussion was held on the Conchas Fire. He reported that KCEC negotiations were going well. The next Tri-State meeting is scheduled to be held on May 10 & 11, 2016.

Mr. Reyes provided an update on Broadband. Broadband
Committee
Mr. Reyes distributed a map, he explained that green areas are lit and ready for installation, red areas are ready for testing and splicing. He reported the east side of the map was ready with 4,500 drops and that there was 1,800 fiber connections completed. He reported crews were focusing on Penasco, Ojo Caliente, Taos and Angel Fire areas. Municipalities have a no dig period from November 1 to April 1. Mr. Reyes reported that KCT has nine installers with 100 installs completed last week. He reported Kit Carson Technologies has 154 businesses and anchor institutions, the only school district KCT does not serve is the Taos Schools and the only municipality it does not serve is Taos. KCT provides internet to Town of Red River 911 and is back up for Taos 911.

Ms. Valerio-Mylet reported that the By-law By-Law &
Policy
Committee
and Policy Committee met April 13, 2016 and were reviewing By-Laws. She reported there would be no recommended changes until the review was completed.

Discussion was held on capital credit Other Business
allocations provided to members. Mr. Reyes reported once the audit is completed an allocation notice would be sent to members. Mr. Richard Martinez reported Line 5 increased by \$100,000. Property tax increased by \$6,000.00, other increases were due to material and labor costs. Mr. Ortega recommended that in the future KCEC staff be prepared to respond to variances.

It was moved by Mr. Smith, seconded by Mr. Executive
Mascarenas and unanimously approved, that the Board Session
go into Executive Session at 10:52 a.m.

Meeting was reconvened at 11:34 a.m. No Meeting
action taken. Reconvened

There being no further business to come Meeting
before the Board, it was moved by Mr. Duran, seconded Adjourned
by Mr. Medina, and unanimously approved, that the
Board of Trustees of Kit Carson Electric Cooperative,
Inc. be adjourned until May 31, 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 11:35 a.m.

The following Trustees were present at the end
of the meeting: Cristobal Duran, Bruce Jassmann,
Ambrose Mascarenas, Manuel Medina, Virgil Martinez,
Bobby Ortega, Arthur Rodarte, Jerry Smith, and Luisa
Valerio-Mylet.


Secretary

Approved this 31 day of May, 2016


President