

*KIT CARSON ELECTRIC COOPERATIVE, INC.*

*MEETING OF THE BOARD OF TRUSTEES*

*October 25, 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, October 25, 2016 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>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>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. Torres led the Board in reciting the Pledge of Pledge of Allegiance. Mr. Medina joined the meeting at 9:08 a.m. Allegiance*

*Mrs. Valerio-Mylet led the Board in a word Prayer of prayer. Mr. Smith asked that we keep Mr. Leandro Abeyta, Central New Mexico Trustee, who has passed away in our prayers.*

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

*The minutes for the Board of Trustees regular meeting held September 27, 2016 were presented. It was moved by Mr. Smith, seconded by Mr. Duran, and* Minutes for September 27, 2016

*unanimously approved, that the minutes be approved as presented.*

*Regular Meeting*

*The President welcomed Mr. Juan Valdez, Kit Carson Energy Chairman of the Board and Mr. Lawrence Vigil, Manager. They presented to KCEC a check in the amount of \$125,382.97 for their intercompany loan leaving a balance of \$873,000. Mr. Smith reported that the customer service at KCE, KCEC and KCT was outstanding. Mr. Valdez thanked Mr. Smith for his dedicated and honest years serving on the KCEC Board. Mr. Torres stated the propane image has been changed, is a very positive image, employees and Board have done an exceptional job. KCEI is professional and profitable and is achieving mission to keep propane prices low. Mr. Medina reported that it had been months since anyone called to complain, he has been hearing good things about KCE, everyone is doing a good job. Mr. Martinez thanked them for a good job and asked the price of propane. Mr. Vigil reported that price of propane was \$1.99 per gallon. Mr. Martinez asked how many employees KCE had. Mr. Vigil reported they had 13 employees. Mr. Martinez requested a breakdown of employee expenses, he thinks the employees need to be compensated. Mr. Rodarte thanked Mr. Valdez and Mr. Vigil, KCE is doing a great job.*

*Mr. Reyes presented the CEO's report for September 2016. Financials for September 2016 were reviewed. Mr. Reyes distributed a handout on the quarterly review. He reported margins for the month of September were (\$163,725). He reported that in August, September and October kWh usage decreases. Year to date operating margins were \$364,008. Quarterly reports for 2015/2016 were reviewed. Mr. Reyes reported that Administrative and General Expenses were higher; this was due to legal fees and consulting fees relative to the rate case. Mr. Reyes reported that KCEC is not replacing employees as they leave and are being more effective on tree trimming. Sales are flat since sales are driven by weather and load. Mr. Reyes reported that the new hotel at TSV is scheduled to open in December but will have a soft opening. The Chevron Reclamation project is behind in testing and were to go online with waste water treatment by October 1, 2016, they have not gone online. Chevron has brought a portable unit, they need to be in compliance with the Environmental Protection Agency and don't anticipate they will go online until February 2017. Mr. Reyes reported last year's margins were at (\$656,918) compared to this year \$364,008. Mr. Reyes reviewed the 2016 Budget handout, employees and department heads have been more efficient and that is reflected in the numbers. Mr. Reyes reported*

*CEO Report*

that the increase in property taxes and the loss of Chevron should be allowed to be a pass thru. They are driving the rate increase. The Balance sheet was reviewed. Total assets were at \$144,509,164. Mr. Reyes reported that when the Guzman Energy contract was structured it was based on forecast, KCEC went back 10 years to calculate how much energy was sold and went forward 10 years to estimate how much energy would be sold. The fuel adjustment is important to recover the cost of power which also includes the exit fee for five years. Chevron will now be paying their share of the fuel adjustment. Mr. Reyes reported that the Solar Plan will lower transmission cost. He reported that KCEC has asked Guzman Energy to look at strategies, Guzman Energy has three loads in New Mexico, and KCEC is the largest. He reported Guzman Energy has a bid for the City of Socorro. Mr. Rodarte asked about storage. Mr. Reyes reported KCEC has five megawatts that are owned and controlled by KCEC. The KPA's were reviewed. Mr. Reyes reported year to date TIER was 1.14, OTIER was 1.19. Year to date DSC was 1.10. The Balance sheet was reviewed. Mr. Reyes reported that there were less new connects than last year. Year to date there were 142 compared to 182 last year. Mr. Virgil Martinez recommended that KCEC employees get trained to enter Chevron facilities. Mr. Reyes reported that KCEC has an agreement with Chevron for access onto the Chevron properties. KCEC employees also received Tri-State 115 system training. KCEC currently has 23 linemen who participate in training. Mr. Bresnahan asked if KCEC had a plan to increase load. Mr. Reyes stated local government needs to build the economy and attract business. Outage hours per consumer were reviewed. Mr. Reyes reported that KCEC has to submit to RUS an outage report, by minutes as to how much an average customer is out. He reported that employees continue to look at efficiencies and cost cutting. Mr. Torres reported the Safety Committee met October 10, 2016. He reported that KCEC was currently at 247 days of no loss time accidents as of October 25, 2016. 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 September 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. Duran, and unanimously approved, that payments to these Estates in the amount of \$10,005.47 be approved as presented with the provision that such payment would not impair the

Capital Credits  
To Estates

*financial condition of the Cooperative and that any balance owed would be paid in the future after approval of the Board.*

*The President reported donation totals and correspondence were 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 10:18 a.m.*

*Meeting  
Reconvened*

*The President personally thanked Mr. Smith for all his years of service, dedication, commitment and knowledge he brought to the KCEC Board, it was invaluable. He wished him the best as he moved forward to the next chapter in his life. He thanked him on behalf of the KCEC Board of Trustees; he let Mr. Smith know that he would never know how much he impacted the Board with his knowledge. He asked Mr. Smith to stay in contact with KCEC. The President presented Mr. Smith with a small token of appreciation on behalf of the KCEC Board of Trustees. Mr. Smith stated it was a pleasure and honor to spend the last 16 years on the KCEC Board of Trustees. He stated he would miss the friendships and relationships he gained but would now be close to his family. Mr. Smith state he sees nothing but the best going forward for KCEC because of the leadership. Employees have worked hard to decrease expenses and improve efficiencies. Mr. Torres thanked Mr. Smith for his insight and wisdom on electricity and owes him a debt of gratitude.*

*Mr. Jassmann presented Payables for the Electric and Internet Divisions. The Payables Committee met on October 10, 2016. Mr. Jassmann recommended approval. It was moved by Mr. Duran, seconded by Mr. Rodarte, and unanimously approved, that the payables for September 2016 be accepted as presented.*

*Payables  
Committee*

*Mr. Smith reported he attended the NMRECA meeting in Las Cruces, NM on October 5 & 6, 2016. Mr. Smith reported there were several discussions on making changes at the NMPRC on the protest process. He reported that Socorro Electric brought before the NMRECA Board a resolution asking NMRECA to pursue a change in the law to allow mail in ballots to be included as count for their quorum requirements. He reported a large amount of time was spent to recommend other alternatives, they were asked to withdraw their request, the Socorro Electric Board was unwilling to withdraw, it was voted down fifteen to one. Keven Groenwold*

*NMRECA  
Board Meeting*

presented the 2017 draft budget. Dues would increase. He reported on the need to increase salaries for employees, to get them to competitive rate of pay for respective positions. Mr. Smith reported that ex NMPRC Chief of staff Vince Martinez has been hired by NMRECA. He reported that the next NMRECA meeting would be held November 3 & 4, 2016.

Mr. Reyes reported the Broadband Committee met on Monday, October 3, 2016. Discussion would be held in Executive Session. Broadband  
Committee

Mr. Rodarte asked Mr. Reyes if Guzman Energy had a program awarding scholarship to high school students similar to Tri-State. Mr. Reyes reported that Tri-State would award \$1,000.00 per year. He stated he would inquire with Guzman about scholarship programs. He also stated that KCEC could do something internally. Board Member  
Concerns

It was moved by Mr. Duran, seconded by Mr. Medina and unanimously approved, that the Board go into Executive Session at 10:36 a.m. Executive  
Session

Meeting was reconvened at 11:43 a.m. The President reported the CEO evaluation was discussed. It was moved by Mr. Duran, seconded by Mr. Medina and unanimously approved that a \$10,000.00 bonus to Mr. Luis A. Reyes, Jr., CEO, be approved. The bonus must be processed through Kit Cason Energy, Inc. Meeting  
Reconvened

There being no further business to come before the Board, it was moved by Mr. Duran, seconded by Mr. Medina and unanimously approved, that the Board of Trustees of Kit Carson Electric Cooperative, Inc. meeting be adjourned until November 29, 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 11:45 a.m. Meeting  
Adjourned

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

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

*October 25, 2016 Meeting of the Board of Trustees.*

  
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Secretary

Approved this 29 day of November, 2016

  
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President