

KIT CARSON ELECTRIC COOPERATIVE, INC.

MEETING OF THE BOARD OF TRUSTEES

July 29, 2014

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, July 29, 2014 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>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; Steve Fuhlendorf, Public Information 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. Fuhlendorf 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. The President recommended that Employee Relations/CEO Evaluation be discussed in Executive Session. It was moved by Mr. Smith, seconded by Mr. Jassmann, and unanimously approved, that the agenda be approved, as amended.

The minutes for the Board of Trustees regular meeting held June 24, 2014 were presented. It was moved by Mr. Rodarte, seconded by Mr. Duran and unanimously approved, that the minutes for June 24, 2014 be approved as presented.

The minutes for the Board of Trustees Special Board Meeting held July 16, 2014 were presented. It was moved by Mr. Jassmann, seconded by Mr. Smith, and unanimously approved, that the minutes for July 16, 2014 be approved as presented.

*Minutes for
July 16, 2014
Special Board
Meeting*

Mr. Reyes presented the CEO's report for June 2014. Financials for June 2014 were reviewed. Mr. Reyes reported margins for the month of June were at (\$341,500), year to date margins were at \$476,869 and last year were at \$563,468. KCEC sold 6.4 million less kWh this year compared to last year. Residential kWh sold was 3 million less, small commercial were 1.4 million less, large commercial were 1.2 million less and Chevron Mine 600,000 less kWh. Mr. Reyes reported total expenses were lower. Discussion was held on revenue if the customer charge was \$20.00 versus \$14.50. Mr. Reyes stated KCEC would have had about \$1,000,000 in margins versus the current year to date margin of \$476,869. Mr. Smith stated KCEC needs to increase the customer charge in order to stabilize financials. Mr. Adang recommended increasing the customer charge and reducing the kWh rate. Discussion was held on Chevron Mining loss and Taos Ski Valley expansion. The Balance sheet was reviewed. Mr. Reyes reported there were 125 new services compared to 74 new services last year, so there is growth. Ms. Mylet asked if KCEC would be withdrawing loan funds. Mr. Reyes reported some funds have been withdrawn. KCEC may request a new loan at a lower interest rate. Assets and liabilities were at \$130,133,304. Discussion was held on disconnect/reconnect fees. Mr. Smith recommended changing the seasonal reconnect fee. Mr. Torres reported the Safety Committee met July 15, 2014, information is in the packet and may be reviewed at leisure. Following discussion it was moved by Mr. Rodarte, seconded by Mr. Jassmann, and unanimously approved, that the CEO report for June 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.

CEO Report

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 \$10,109.17 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*

Mr. Ortega recommended the appointment of NRECA Voting Delegate and Alternate be placed on the August 26, 2014 Board Meeting agenda since form was not due until August 29, 2014.

Appointment of NRECA Voting Delegate and Alternate

Resolution approving Term Sheet Provisions as Preliminary Agreement of Tri-State's rate filings in Advice Notice No. 19 was presented as follows:

Resolution of Tri-State Term Sheet/

WHEREAS, *Kit Carson Electric Cooperative, Inc. (Kit Carson) protested Tri-State Generation and Transmission Association's (Tri-State) Advice Notice No. 19 rate filing at the New Mexico Public Regulation Commission (NMPRC) on September 27, 2013; and*

Authorization on Contested Term Sheet

WHEREAS, *on March 5, 2014, the NMPRC granted a Joint Motion to Appoint a Mediator filed by Kit Carson and three other New Mexico member cooperatives of Tri-State protesting Tri-State's proposed rate increase in its Advice Notice No. 19, and appointed a mediator in the case; and*

WHEREAS, *Kit Carson has participated since that time with Tri-State and other New Mexico member cooperatives of Tri-State in the NMPRC sponsored mediation to attempt to come to resolution of the issues and matters in various matters pending before the NMPRC, including Case Nos. 12-00375-UT and 13-00321-UT; and*

WHEREAS, *Kit Carson has provided input throughout this process as evidenced by numerous communications and the participation of Kit Carson's representatives in mediation meetings, in which they presented Kit Carson's concerns and its position on the various issues in an effort to achieve resolution of the various pending Tri-State rate filings; and*

WHEREAS, *the mediation discussions have resulted in a Preliminary Agreement among Kit Carson, Tri-State and the remaining New Mexico member cooperatives of Tri-State, the terms of which provide for certain items to be delivered to the New Mexico member cooperatives in exchange for an agreement for a temporary rate for Tri-State to go into effect, in order to provide a path to enable the pursuit of a global settlement in the long term for Tri-State's New Mexico member cooperatives; and*

WHEREAS, *the terms of this Preliminary Agreement have been reviewed by the Board of Trustees (Board) and the Board approves the terms of this Preliminary Agreement as presented by Tri-State in its*

communications on July 25, 2014; and

WHEREAS, Kit Carson's Board has directed its Chief Executive Officer to proceed with further communications and all necessary actions to consummate the Preliminary Agreement, provided that no further material changes or revisions are made to the Preliminary Agreement from that circulated on July 25, 2014, and complete all actions necessary to execute the Preliminary Agreement on behalf of Kit Carson.

It was moved by Mr. Smith, seconded by Mr. Jassmann, and approved, that Resolution 7-3-14, Resolution Approving Term Sheet Provisions as Preliminary Agreement of Tri-State's Rate Filings in Advice Notice No. 19 be approved as presented.

The President distributed Power Supply Appointment of Committee Appointments for 2014/2015 as follows: Power Supply Committees

Legal/Regulatory/Opt Out

Peter Adang – Chairperson
Manuel Medina
Bruce Jassmann
Virgil Martinez
Ambrose Mascarenas

Member Relations/PR

David Torres – Chairperson
Luisa Valerio-Mylet
Virgil Martinez
Peter Adang
Arthur Rodarte
Ambrose Mascarenas

Technical/Contract

Jerry Smith – Chairperson
Cristobal Duran
Luisa Valerio-Mylet
Arthur Rodarte
David Torres

Negotiations

Bobby Ortega – Chairperson
Jerry Smith
Cristobal Duran
Manuel Medina
Bruce Jassmann

The President reported the Committees were formed as a result of the Draft Term Sheet. The Committees will be required to report to the full Board.

Mr. Ortega reported donation totals and correspondence are 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 July 11, 2014; Mr. Jassmann recommended approval. It was moved by Mr. Rodarte, seconded by Mr. Smith, and unanimously approved, that the payables for June 2014 be accepted as presented. Payables Committee

Mr. Smith reported that the NMRECA meeting was held June 26 & 27, 2014. Mr. Smith reported that the decision on the location of the 2015 Annual Meeting will be made at the next meeting, a bid was received from Sagebrush. Mr. McGraw reported that long term interest has been increasing, it is at 3.07%. He reported that Mr. Grant Clawson offered the Board another saddle for auctioning. Mr. Smith reported that the next NMRECA Board meeting would be held July 31 & August 1, 2014 and the NMRECA Annual BBQ would be held August 28, 2014. NMRECA Board Meeting

Mr. Rodarte reported he attended the Tri-State Board Meeting held July 1 & 2, 2014. Mr. Rodarte reported the overview of the Budget was discussed and would be discussed more thoroughly at the August Board meeting. The potential refinancing of a portion of Tri-State's debt was also discussed. He reported that Tri-State would be appointing a committee consisting of Tri-State Directors, Member System Directors and Managers to discuss the Dispute Resolution Policy. He reported that Virginia Mondragon from Mora-San Miguel Electric, would replace Diego Quintana, Bill Patterson from Delta-Montrose would replace Marshall Collins and Jack Sibold from San Miguel Power replaced Marcus Wilson. Mr. Rodarte reported Year To Date savings for KCEC as of May 2014 due to the Tri-State rate protest was at \$422,000. Mr. Reyes reported he had received the June report and the total savings from the protest were at \$2.1 million. Tri-State Year to date margins were at \$17,653,000. The next Tri-State Board meeting would be held August 12 & 13, 2014. Tri-State Board Meeting

The President called for a recess at 10:20 a.m. Recess

Meeting was reconvened by the order of the President, Mr. Bobby Ortega, at 10:34 a.m. Meeting Reconvened

Mr. Reyes reported the Broadband Committee met July 22, 2014. Mr. Reyes reported that the North is lit up including the Questa Schools. Testing was being done in the Los Cordovas area in Taos. He reported the Broadband Committee

biggest issue right now is getting enough contractors to complete the service drops; three additional underground contractors have been hired. TCS may assist with overhead contractors. Mr. Reyes reported that Attorney Patricia Ives, Cuddy & McCarthy, has been retained to review contracts. Ms. Ives specializes in providing telecom legal services.

It was moved by Mr. Duran seconded by Mr. Jassmann and unanimously approved, that the Board go into Executive Session at 10:47 a.m. for discussion on CEO Evaluation. Executive Session

The meeting was reconvened at 11:06 a.m. It was moved by Mr. Adang, seconded by Mr. Smith and unanimously approved that Luis A. Reyes Jr., CEO receive a 6% wage increase retro to May 8, 2014. Meeting Reconvened

There being no further business to come before the Board, it was moved and duly seconded and unanimously approved, that the Board of Trustees of Kit Carson Electric Cooperative, Inc. be adjourned until August 26, 2014 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 11:07 a.m. Meeting Adjourned

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

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


Secretary

Approved this 26 day of August, 2014


President