

KIT CARSON ELECTRIC COOPERATIVE, INC.

MEETING OF THE BOARD OF TRUSTEES

October 28, 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, October 28, 2014 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>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. Reyes led the Board in reciting the Pledge of Allegiance. *Pledge of Allegiance*

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

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

Mr. Reyes introduced Mr. Bill Brown, with Renewable Taos. Mr. Reyes stated KCEC has been working closely with Renewable Taos on energy related *Bill Brown Renewable Taos Renewable*

issues including the transition plan for more renewable. Resolution
The Joint Resolution was distributed. Mr. Brown thanked the Board for the opportunity to speak at the Board Meeting. He stated that he was a member of Renewable Taos, a Taos based non-profit organization, and for many years he has been an energy consultant for the Town of Taos, Taos County and communities in the San Luis Valley. He stated that since October 2013 most or all of the Governments represented in the KCEC service area have unanimously approved the Joint Resolution on Renewable Energy. Mr. Brown stated they are seeking endorsements of the Resolution from the Taos Pueblo, Picuris Pueblo, UNM Taos, SMU and others to demonstrate the broad support for the Resolution and would like to see the Joint Resolution adopted by the KCEC Board of Trustees at the earliest opportunity. Mr. Martinez joined the meeting at 9:20 a.m. Discussion was held on the Joint Resolution. Discussion was also held on the obstacles to local generation of renewable energy such as the wholesale contract between KCEC and Tri-State. Mr. Brown stated Renewable Taos was pursuing a piece of legislation that community solar be exempt from renewable caps approved by G & T's. Mr. Adang stated it would be a worthwhile resolution for KCEC to participate in. Mr. Smith stated he supports solar energy; however, solar generation vs. energy generation is complex, the cost of solar is higher and there is not a way to store solar or wind energy. It was moved by Mr. Smith and seconded by Mr. Medina that the Board take Joint Resolution under consideration before approving. Following additional discussion Mr. Reyes stated he asked Renewable Taos to seek support from governments. Discussion was held on the importance to change the customer charge. Mr. Reyes reported he would go into more detail regarding the Joint Resolution during Executive Session. Mr. Adang stated when a motion is tabled the item is not addressed again. Mr. Smith stated the motion was not to table. Mr. Torres stated KCEC should pursue solar as an alternative form of energy. The resolution proposes discussing alternatives. Mr. Medina stated the pros and cons need to be discussed. Mrs. Mylet stated KCEC is bound to the Tri-State contract and asked if poor people would be able to afford solar. The President stated KCEC is a leader in renewable energy and indicated he would have preferred discussing the resolution in a work session first. Mr. Smith amended his previous motion to discuss the Joint Resolution at the November 24, 2014 Board work session and vote on the Joint Resolution at the November 25, 2014 Board Meeting. Mr. Medina amended his motion, the amended motion was unanimously approved.

Mr. Reyes presented the CEO's report for CEO Report
September 2014. Financials for September 2014 were reviewed. Mr. Reyes reported KCEC continues to see declining revenues and declining kWh usage. Total cost of service is less than last year and also less than budget. Internally the budget has been reduced twice this year. He reported kWh sales are down 4.42%. He reported the total cost of electric service was lower last year compared to this year. Mr. Reyes distributed a handout of kWh by class for discussion. Discussion was held on Chevron's closure, and TSV increased load requirements. He stated rate design and customer charge change are necessary. He reported that more tree trimming has resulted in a more reliable system. Mr. Martinez suggested that effects of the Chevron Mine closure need to be addressed with Governor Susana Martinez. Mr. Ortega suggested that a meeting with elected officials of the Town and County be set up after elections and Mr. Reyes, Mr. Martinez and himself should be present to discuss the impact of jobs lost at Chevron Mine and Holy Cross Hospital. Mr. Reyes reported he met with TSV, Inc. yesterday and they have hit construction targets and are on schedule. Mr. Reyes reported that he requested they use local contractors first. The Balance Sheet was reviewed. Mr. Reyes reported that TSV started to make snow then had to stop due to warm weather. Mr. Reyes reported Total Assets were \$128 million. Mr. Reyes reported he would be discussing Broadband and Tri-State during Executive Session. KCEC is closing large work orders and the \$80,000 management fee paid to KCEC by KCEI is reflected on line 21 of the balance sheet. Mr. Torres reported the Safety Committee met October 10, 2014. He reported that substantial discussion was held on the RESAP program and the advantage to participating in the program such as discounts on workman's comp. The Safety Report is in the Board packet for your review. Mr. Jassmann joined the meeting at 10:17 a.m. Following discussion it was moved by Mr. Duran, seconded by Mr. Jassmann, and unanimously approved, that the CEO report for September 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 Capital Credits
To Estates
received from Estates for retirement of capital credits. It was moved by Mr. Medina, seconded by Mr. Jassmann and unanimously approved, that payments to these Estates in the amount of \$13,577.41 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. 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 10:33 a.m. Meeting Reconvened

Mr. Jassmann presented Payables for the Electric and Internet Divisions. The Payables Committee met on October 10, 2014. Mr. Jassmann recommended approval. It was moved by Mr. Rodarte, seconded by Mr. Medina, and unanimously approved, that the payables for September 2014 be accepted as presented. Payables Committee

Mr. Smith reported that the NMRECA meeting was held October 2 & 3, 2014 in Las Cruces. He reported that the 2015 budget was presented and includes a number of increases, including a 3.5% increase in dues. He reported that postage and salaries also reflect a large increase. Discussion was held on dues factor being based on revenue instead of number of customers since all cooperatives receive the same value. Discussion was held on position NMRECA is advertising and whether or not position is justified. Mr. Torres left the meeting at 10:44 a.m. Mr. Smith reported that there would be a Budget Committee meeting on Thursday, November 6, 2014, he invited everyone to attend. Mr. Adang suggested KCEC consider adopting a resolution stating an increase is not justified. Mr. Smith requested that the resolution not be adopted until after the NMRECA November meeting. Mr. Smith reported the next NMRECA Board meeting would be held November 6 & 7, 2014. NMRECA Board Meeting

Mr. Rodarte reported he attended the Tri-State Board Meeting held October 7 & 8, 2014. He reported the Board reviewed the Long Range Economic Forecast (LREF). Mr. Rodarte discussed handout Series 23, KCEC was 1.94% total purchase of sales. He reported that Tri-State margins for August were at \$74 million. Mr. Rodarte reported that savings for KCEC members thru August 2014 were at \$1.3 million due to the protest. Mr. Rodarte reported the Contract and Rate Committees would meet Thursday, November 13, 2014. Mr. Ortega reported that he attended the Rate Committee meeting and would summarize the meeting as a dynamic and interesting meeting. He stated there was a presentation on the cost of service study, a consultant has been hired, it seems that Tri-State is required to do a cost of service study but it needs to be independent and not driven by Tri-State Board Meeting

Tri-State. Mr. Ortega found it very interesting that Policy 514, Rate Setting policy, was voted on with no discussion. Negative ratings were discussed. It seems member unrest has caused negative ratings. The next Tri-State Board meeting would be held November 11 & 12, 2014.

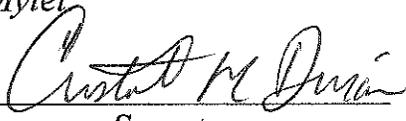
It was moved by Mr. Smith seconded by Mr. Executive Medina and unanimously approved, that the Board go Session into Executive Session at 11:08 a.m. to discuss broadband, Tri-State, Chevron and union negotiation issues.

The meeting was reconvened at 12:05 a.m. No Meeting action taken during Executive Session. Reconvened

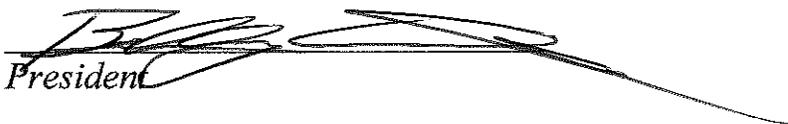
There being no further business to come Meeting before the Board, it was moved by Mr. Duran, seconded Adjourned by Mr. Martinez, and unanimously approved, that the Board of Trustees of Kit Carson Electric Cooperative, Inc. be adjourned until November 25, 2014 at 9:00 a.m. the date and time of the next Board meeting. Unless changed and, thereupon, the President declared the meeting adjourned at 12:06 p.m.

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

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


Secretary

Approved this 25 day of November, 2014


President