

KIT CARSON ELECTRIC COOPERATIVE, INC.

MEETING OF THE BOARD OF TRUSTEES

February 25, 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, February 25, 2014 at 9:12 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>Chris Duran</i>	
<i>Bruce Jassmann</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; Steve Fuhlendorf, Public Information Officer; Carmella Suazo, Administrative Assistant; Johnny Valerio, Financial Manager; and Joyce Archuleta, Executive Secretary who recorded the day's proceedings.

Ms. Valerio-Mylet led the Board in reciting the Pledge of Allegiance. *Pledge of Allegiance*

Ms. Valerio-Mylet 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. Smith, seconded by Mr. Duran, and unanimously approved, that the agenda be approved as presented. Mr. Medina joined the meeting. *Agenda*

The minutes for the Board of Trustees regular meeting held January 28, 2014 were presented. It was moved by Mr. Mascarenas, seconded by Mr. Smith and unanimously approved, that the minutes for January 28, 2014 be approved as presented. *Minutes for January 28, 2014 Regular Meeting*

Mr. Reyes presented the CEO's report for *CEO Report*

January 2014. Financials for January 2014 were reviewed. Mr. Reyes reported margins for January were \$713,226. Discussion was held on operating revenue, cost of power, long term debt and interest rate for four year work plan. He reported that KCEC members have saved \$1,419,004 due to the rate protest. Legal expenses for the rate case, Federal Case and Supreme Court total over \$200,000. Total legal fees in 2013 were paid by KCEC; in 2014 Jemez Electric and KCEC will split legal fees. Also, consultant costs would be divided by four Cooperatives. Discussion was held on eligibility requirements to qualify for an RUS hardship loan. Today KCEC does not have any hardship loans. The Balance sheet was discussed. Assets and liabilities were at \$129,289,094. Mr. Reyes reported that 33,887,000 kWh were purchased and 32,087,034 kWh's were sold in January. Discussion was held on the importance of modifying the rate design to ensure KCEC is able to meet its financial targets and possibly increasing the monthly customer service charge and decreasing the kWh rate. Mr. Smith suggested that KCEC start an advertising campaign to include energy efficiency program and products. Mr. Reyes reported that Kit Carson Energy, Inc. is now selling propane for \$3.20 per gallon. KPA's were reviewed. Line loss was at 6.34% for January. TIER was at 3.75 for January. DSC was at 2.37 for January. He reported financials for January 2013 were in order. Mr. Reyes distributed and discussion was held on notes related to KCEC/Tri-State Generation & Transmission Association Mediation. Recommendations were made as follows; combine item 2 and item 4 and add review Tri-State financial goals policy; move item 6 to item 3; move item 3 to item 4, make item 5 renewable energy and add language from 5% to a high percentage. Mr. Adang stated that an independent cost of service would justify rates however; the Board's fiduciary duty to members is to offer the most reliable rates and cost of service will not ensure that KCEC has the best power supplier at the best price. Mr. Smith suggested a review of Tri-State Financial Policy. Discussion was held on the February 17, 2014 meeting held at Central Electric in Moriarity. Mr. Torres reported the Safety Committee met February 10, 2014. He reported KCEC was at 35 days with no lost time accidents. Following discussion it was moved by Mr. Mascarenas, seconded by Mr. Duran, and unanimously approved, that the CEO report for January 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 received from Estates for retirement of capital credits. It was moved by Mr. Duran, seconded by Mr. Rodarte and unanimously approved, that payments to these Estates in

Capital Credits
To Estates

the amount of \$5,828.64 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.

Discussion was held on appointment of Tri-State Voting Delegate for Tri-State Annual Meeting to be held April 1, 2014 in Broomfield, CO. The President appointed Mr. Rodarte as Voting Delegate and Mr. Torres as Alternate.

Discussion was held on appointment of NMRECA Representative for March 2014 meeting since Mr. Smith, Representative and Mr. Duran, Alternate were unable to attend the March meeting. Mr. Smith reported that the President would be able to attend as a voting member, anyone else appointed would only be allowed to ask questions and not vote. Resolution No. 02-01-14 was discussed allowing Mr. Ortega to participate and exercise the full voting power of the acting member for the March 2014 NMRECA Board meeting. It was moved by Mr. Smith, seconded by Mr. Duran, and unanimously approved, that Resolution No. 02-01-14 be approved as presented. A copy of Resolution No. 02-01-14 is included in the Transfer of Documents and is hereby made a part of the minutes of this meeting.

Mr. Ortega reported donation totals and correspondence are in the packet and may be reviewed at leisure.

The President called for a recess at 10:03 a.m.

Meeting was reconvened by the order of the President, Mr. Bobby Ortega, at 10:16 a.m.

Mr. Ortega presented Payables for the Electric and Internet Divisions. The Payables Committee met on February 10, 2014; Mr. Ortega recommended approval. It was moved by Mr. Duran, seconded by Mr. Smith, and unanimously approved, that the payables for January 2014 be accepted as presented.

Mr. Smith reported that the NMRECA meeting was held February 6 & 7, 2014. Mr. Jassmann joined the meeting at 10:17 a.m. Mr. Smith reported that copper wire theft is a major problem and it is now a fourth degree felony. Next meeting would be held March 13 & 14, 2014.

Mr. Rodarte reported he attended the Tri-State Board Meeting held February 4 & 5, 2014. Mr. Rodarte reported that the 2014 Tri-State Annual meeting would be

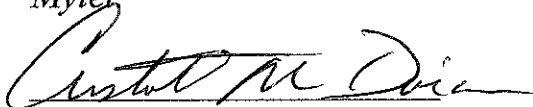
held at the OMNI Interlocken Resort in Broomfield, CO. Tri-State margins at the end of 2013 were \$72 million. Mr. Rodarte distributed study regarding power plants. He reported that at the March 2014 meeting Tri-State will finalize the dispute resolution to be presented at the 2014 Tri-State Annual meeting.

Mr. Reyes reported the Broadband Committee did not meet the month of February 2014. Mr. Reyes distributed an economic development fact sheet. He reported that a pricing sheet would be available to the Board by the end of the day. He reported that Community meetings for District 1 and District 2 would be scheduled. He reported Steve Fuhlendorf and Jose Lovato would be attending a meeting scheduled for this evening with the Village of Angel Fire Council in Angel Fire. Mr. Reyes stated that group or association meetings could be scheduled.

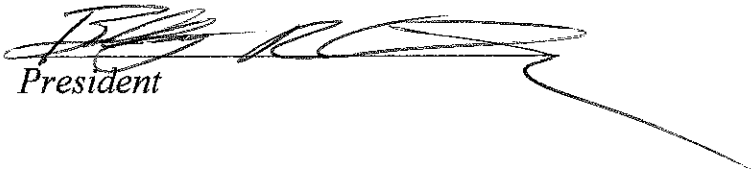
There being no further business to come before the Board, it was moved by Mr. Duran, seconded by Mr. Mascarenas, and unanimously approved, that the Board of Trustees of Kit Carson Electric Cooperative, Inc. be adjourned until March 25, 2014 at 9:00 a.m. the date and time of the next Board meeting. Unless changed and, thereupon, the President declared the meeting adjourned at 10:37 a.m.

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

Peter Adang, Chris Duran, Bruce Jassmann, Ambrose Mascarenas, Manuel Medina, Bobby Ortega, Arthur Rodarte, Jerry Smith, David Torres and Luisa Valerio-Mylet


Secretary

Approved this 25 day of March, 2014


President