

*KIT CARSON ELECTRIC COOPERATIVE, INC.*

*MEETING OF THE BOARD OF TRUSTEES*

*JANUARY 26, 2010*

*A meeting of the Board of Trustees of Kit Carson Electric Cooperative, Inc. was called to order by the President, Bobby R. Ortega, on Tuesday, January 26, 2010 at 9:10 a.m. in the Marcelino Martinez Room of the headquarters building of the Cooperative, Taos, New Mexico. The following Trustees were present:*

<i>Francis Cordova</i>	<i>Present</i>
<i>Chris Duran</i>	
<i>Bruce Jassmann</i>	
<i>Toby Martinez</i>	
<i>Virgil Martinez</i>	
<i>Ambrose Mascarenas</i>	
<i>Manuel Medina</i>	
<i>Bobby R. Ortega</i>	
<i>Arthur Rodarte</i>	
<i>Jerry Smith</i>	
<i>Luisa Valerio-Mylet</i>	

*Also, present were: Luis Reyes, Chief Executive Officer, Alex Romero, Chief Operating Officer, Johnny Valerio Assistant Manager/Financial Manager, Carmella Suazo, Administrative Assistant, Margaret Gonzales, Executive Secretary, who recorded the day's proceedings and guests. A copy of the guest list is filed in the Transfer of Documents and is hereby made a part of the minutes of this meeting.*

*Mr. V. Martinez led the Board in reciting the Pledge of Allegiance.*

*Mr. Romero 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. Mr. V. Martinez asked that offering assistance to the people in Haiti where victims of an earthquake be included on the agenda. The President announced the item would be discussed under Other Business. It was moved by Mr. Mascarenas, seconded by Mr. Duran, and unanimously approved, that the agenda be approved as amended.*

*The minutes for the Board of Trustees regular meeting held December 29, 2009 were presented. It was moved by Mr. Rodarte, seconded by Mr. T. Martinez and unanimously approved, that the minutes be approved as presented.*

*Minutes for  
December 29,  
2009 Board  
Meeting*

*The President welcomed guests Phillip Martin from Chevron Mining, Village of Questa Malaquias Rael, who was recently appointed to the Kit Carson Energy, Inc. Board as the Chairman, Village of Questa Councilwoman Louise Padilla, and Village of Questa Administrator Brent Jaramillo. Mr. Reyes reported discussion was held with the Board regarding working with the Chevron Mining on a solar array project. The contract is currently under negotiations, therefore, discussions regarding the terms of the contract will be discussed under executive session and remain confidential until an agreement has been executed. He recommended that the members of the Village of Questa be allowed in executive session. It was moved by Mr. Medina, seconded by Mr. Smith, and unanimously approved that the Board enter into executive session at 9:20 a.m.*

*Executive  
Session  
Chevron Solar  
PPA*

*The meeting was reconvened by the order of the President Mr. Bobby Ortega at 10:12 a.m. He stated discussion was held on an agreement with Chevron Technologies, Inc. during executive session. If there are any specific questions regarding the agreement they should be directed to Mr. Reyes or Mr. Phillip Martin. He stated the Board unanimously supports the solar project..*

*Meeting  
Reconvened*

*Mr. Reyes presented the CEO's report for December. Pre-audit numbers are included in the financials. Post audit numbers would be provided in a few months. Margins for the December were \$120,976. The Cooperative had a loss of (\$111,657). The capital credit disbursement from Tri-State will assist with TIER. Discussion was held on the decrease in revenue due to energy efficiency and the economy, and the decrease in small commercial accounts. Seasonal, large commercial and the Chevron – Molycorp accounts were reviewed. Discussion was held on the need to restructure the rates in order to increase revenues while complimenting energy efficiency and renewable energy. Discussion was held on the decrease in revenue, petitioning Tri-State to review its rate structure including decreasing Tri-State's current two-peak rate structure to one, informing the membership via the newsletter regarding its intentions on redesigning its rates and the reason, the possibility of implementing standby rates for businesses, the Chevron – Molycorp contract that will expire next year, how the rates would*

*CEO's Report*

*affect KPA's, miles of line and continued system growth throughout the Cooperative's service territory. The Balance Sheet was reviewed. The Cooperative has assets of \$106,596,139. RUS debt was reviewed. The KPA's were reviewed including the number of consumers and line loss. TIER was 1.05 year to date and DSC was 1.10 year to date. The Delinquent report was reviewed including payment arrangements, payment options and electronic billing (e-billing). Discussion was held on the Enchantment Magazine distributed by NMRECA. Lengthy discussion was held on financial concerns and control of projects expressed by Mrs. Valerio-Mylet, the margin rate design the Cooperative follows, the need of an in depth review of assets, services offered today that may be charged a fee in the future, the Cooperative's net worth, the Cooperative meeting creditor requirements, the necessity of the Cooperative to keep debt in order for business to continue, the importance of continuing projects to provide reliable service, the impact a rate increase would have on consumers, keeping up with projects to avert additional costs, evaluating the assets of the Cooperative, reviewing the balance sheet in detail and tree trimming maintenance. Mr. Smith provided the Electric Safety report. The Electric Safety Committee met January 11, 2010 to review and discuss safety information relative to December 2009. There were no vehicle accidents, rubber glove testing was conducted, OSHA requirements were reviewed. Discussion was held on the ice building up under the solar canopy in the parking lot. It was moved by Mr. Smith, seconded by Mr. Rodarte, and unanimously approved that a sander or salter be purchased in the amount of \$1,100.00 or \$1,200.00 to melt the ice under the solar canopy. Mr. Rodarte provided the Propane Safety report. The Propane Safety Committee met January 11, 2010 to review and discuss safety information relative to December 2009. Discussion was held on a propane vehicle accident and its repair cost for the fender that was damaged; another vehicle accident where the tires broke off the truck and the interjection of technology to alleviate propane from freezing. Mr. Reyes reported the Kit Carson Energy, Inc. Board would adopt policies and subsequently form their own safety committee. Mr. Rodarte would continue to serve on the Propane Safety Committee until a Kit Carson Energy, Inc. Director is appointed to the Committee. Further discussion was held on tires that fell off the truck and walkaround inspections. It was moved by Mr. Cordova, seconded by Mr. Medina, and unanimously approved that the CEO report for December 2009 be approved as presented. A copy of the CEO report is included in the transfer of documents and is hereby made part of the minutes of the meeting.*

Mr. Reyes reported requests have been received from Estates for retirement of Capital Credits. Mr. Reyes recommended the approval of \$9,131.85 for payment. It was moved by Mr. Medina, seconded by Mr. Jassmann, and unanimously approved, that payments to these Estates in the amount of \$9,131.85 be approved as presented with the provision that such payment will not impair the financial condition of the Cooperative and that any balance owed will be paid in the future after approval of the Board.

Capital Credits  
to Estates

Mr. Reyes reported two Tri-State scholarships are available in the amount of \$500.00. Districts 1, 4, and 5 have been awarded four scholarships. Districts 2 and 3 have been awarded three scholarships. It was recommended that the scholarships be drawn from District 2 and 3. District 2 was drawn; therefore, District 2 will select two recipients for the Tri-State scholarships.

Tri-State  
Scholarship

Mr. Reyes reported one Basin Electric Power Cooperative scholarship is available in the amount of \$1,000.00. Districts 1, 3 and 4 have been awarded one scholarship. District 2 and 5 have been awarded two scholarships. It was recommended that the scholarships be drawn from District 1, 3, and 4. District 3 was drawn; therefore, District 3 will be able to select the recipient for the Basin Electric scholarship.

Basin Electric  
Scholarship

The President reported the donation totals for 2009 and other correspondence are included in the packet. Mr. Reyes distributed a 2007 Write-Off list for the Board's review.

Donations &  
Correspondence

Mr. Jassmann reported Payables for the Electric, Propane and Internet Divisions were reviewed. The Payables Committee met on January 11, 2010. He recommended the approval of the payables as presented. It was moved by Mr. Jassmann, seconded by Mr. Rodarte and unanimously approved that the Payables for December 2009 be approved as presented.

Payables  
Committee

Mr. Duran reported the Bid Committee met January 20, 2010 to review bids for stock item materials continuous forms, office supplies and two snowmobiles. Staff recommended the bid for continuous forms be awarded to the lowest bidder per item. It was moved by Mr. Jassmann, seconded by Mrs. Valerio-Mylet, and unanimously approved, that the bid for stock materials be awarded to the lowest bidder per item. Staff recommended the bid for continuous forms be awarded to

Bid Committee

*the lowest bidder per item. It was moved by Mr. Jassmann, seconded by Mr. Medina, and unanimously approved, that the bid for continuous forms be awarded to the lowest bidder per item. Staff recommended the bid for office supplies be awarded to the lowest bidder per item. It was moved by Mr. Smith, seconded by Mr. Jassmann, and unanimously approved, that the bid for office supplies be awarded to the lowest bidder per item. Staff recommended Eagle Nest Marina be awarded the bid in the amount of \$14,980.00 after a \$3,526.00 trade in allowance for two snowmobiles. Eagle Nest Marina was the only vendor within the Cooperative's service territory and would be available for maintenance and supplies. It was moved by Mr. Mascarenas, seconded by Mr. Jassmann and unanimously approved that the bid be awarded to Eagle Nest Marina. Discussion was held on the size of the snowmobiles.*

*Mr. Medina reported he attended the NMRECA Board Meeting held January 8, 2010. Discussion was held on the CoBank Director's Conference that would be held in Colorado Springs, CO in May 2010. Mr. John Barela, candidate for the U.S. Congress who addressed the NMRECA Board, an increase being sought by CRN, and Federated Rural Electric Insurance Exchanges desire to have their voting take place at the NRECA Regional Meetings instead of the Annual Meeting were discussed. Discussion was held on Kit Carson Electric Resolution 5-12-09 that was approved by the Kit Carson Electric Board in December 2009 and presented to the NMRECA Board by Mr. Medina. Discussion was held on the dues formula and the need to request that the dues formula be reviewed. Mrs. Valerio-Mylet recommended that the Trustee appointed to serve on the NMRECA Board be appointed for a two or three year term. Discussion was held on proposed areas of the budget Mr. Medina presented to the NMRECA to be reduced. The next NMRECA meeting will be held February 4-5, 2010. Lengthy discussion was held on acquiring support for Kit Carson Electric Resolution 5-12-09. Mr. Smith stated the purpose of the resolution was for NMRECA to cut costs so that dues would not increase and to notify NMRECA that if they do not make cuts KCEC would not continue being a member. The need for the Cooperative to stand firm on its decision was also discussed.*

NMRECA Board

Tri-State Board

*Mr. Rodarte reported he attended the Tri-State Board meeting January 5-6, 2010. The Springerville lease buyout, problems with the GES financial status, the 245 million dollars Tri-State has in cash, Tri-State's 2.87 million dollars in assets, Tri-State's*

margins of \$81.9 million dollars in margins, a poll given to members regarding MCP/TCP billing, a handout distributed by Mr. Rodarte regarding a strategic session regarding Tri-State's revenue recovery options, the transfer of the Nebraska litigation hearing to Colorado. A reception that is being planned for Harold "Hub" Thompson's retirement as Tri-State's Chairman that will be held during the NRECA Annual Meeting in Atlanta, GA February 14-17, 2010, Hub's replacement and green house gas sequestration were discussed.

Donation to  
Victims of Haiti  
Earthquake and  
MHMP

Discussion was held on Mr. V. Martinez' request to discuss a possible donation to the victims of the earthquake in Haiti. Discussion was held on funneling the funds through David Torres, new Kit Carson Energy, Inc. Director who is helping with the recovery efforts, the need for the Cooperative to assist local people in need as well, a suggestion by Mr. Medina to give half of the donation approved to the victims of Haiti and the other half to the KCEC members helping members program (MHMP), and possibly targeting the donation for the purchase of tents. It was moved by Mr. V. Martinez that a \$5,000.00 donation be provided to the victims of the earthquake in Haiti. Mr. Smith seconded the motion adding that \$3,000.00 be given for the victims of Haiti and \$2,000.00 for the MHMP. Mr. V. Martinez modified his motion. Mr. Rodarte made an amendment to the motion that \$3,000.00 be given to the MHMP and \$2,000.00 to the victims of the earthquake in Haiti. Mr. V. Martinez rejected the amendment to the motion. Discussion was held on the motion and the cost of tents. Mr. Medina made a motion that \$2,500.00 be given to the victims of the earthquake in Haiti and \$2,500.00 be given to the MHMP. Discussion was held on Mr. Rodarte's Tri-State allocation for donations and whether or not those funds could be donated as well. Mr. V. Martinez amended his motion to reflect that \$2,500.00 be donated to the victims of the earthquake in Haiti and \$2,500.00 be donated to the MHMP. The motion was acted upon and unanimously approved. Mr. Mascarenas made a motion that Mr. Rodarte's Tri-State allocation of \$1,000.00 for donations be given to the MHMP. Mr. Rodarte explained he did not know if a lump sum could be donated or if the MHMP qualifies for a donation. He would have to check with Tri-State to determine how the funds may be disbursed since there may be a \$250.00 or \$500.00 disbursement limit. Mr. Mascarenas withdrew his motion. Further Discussion was held on Tri-State donations.

Adjournment

There being no further business to come before the Board, it was moved by Mr. V. Martinez, seconded by Mr. Jassmann, and unanimously approved,

*that the Board of Trustees of Kit Carson Electric Cooperative, Inc. be adjourned until February 23, 2010 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 11:40 a.m.*

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

*Francis Cordova, Chris Duran, Bruce Jassmann, Toby Martinez, Virgil Martinez, Ambrose Mascarenas, Manuel Medina, Bobby R. Ortega, Arthur Rodarte, Jerry Smith, and Luisa Valerio-Mylet.*

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*Secretary*

*Approved this \_\_\_\_ day of \_\_\_\_\_, 2010*

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*President*