KIT CARSON ELECTRIC COOPERATIVE

2012 ANNUAL REPORT









BOARD OF TRUSTEES











Mr. Bobby Ortega President District 2

Mr. Manuel Medina Vice-President District 1

Mr. Cristobal Duran Secretary District 4

Mr. Bruce Jassman Treasurer District 5

Mr. Francis Cordova District 1



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Mr. Virgil Martinez District 2



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Mr. Arthur Rodarte District 3



Mr. Ambrose Mascarenas District 4



Mr. Jerry Smith District 5

CEO REPORT

Those of us living in the communities that make up our northern New Mexico service territory know we are truly blessed with the culture, history and natural beauty that surrounds us. We may not always agree about the issues that come up, but we are like-minded in our determination to improve the quality of life for our families, friends and neighbors.

We have had numerous examples of that determination in the past year, many affecting our economy, as we slowly move out of the Great Recession that has burdened our nation, as well as our local communities. The board of trustees, management and staff at Kit Carson Electric Cooperative, Inc. are proud to do our part to assist in this economic rebound. In 2012 we saw the Enchanted Light Fiber Optic Project begin with the installation of infrastructure that will bring state-of-the-art communications technology to every home and business serviced by KCEC. Over \$12 million was contributed to the local economy in 2012 from the Enchanted Light Project.

When a challenge arose that threatened the continuation of the project over 400 of our members attended a meeting of the New Mexico Public Regulation Commission (PRC) in Santa Fe to let them know how important the project is to the economies of our communities. Because of this great show of support we were able to continue the project and make great strides toward its completion scheduled for the beginning of 2015.

Also in regard to the Enchanted Light Fiber Optic Project, we have begun beta testing in certain areas to ensure when we begin "lighting up" sections of our service territory later in 2013 the technology will work to perfection. We will be offering not only internet service at speeds now only found in metropolitan areas, but also digital telephone and television, all over a fiber optic system that is owned by our members. This system will be a great benefit to our business community, as they will be able to compete on a global level. It will also benefit individuals, who will be able to take advantage of health care, education, entertainment and other communication resources at a level not found in other rural communities. KCEC fought hard to bring this technology to our community. We received the largest fiber optic grant in the nation and the largest overall grant in the state of New Mexico in 2009 after our community joined together to give us the direction to apply not only once, but three times before receiving the award.

Another example of our member's support is being shown in our opposition of Tri-State Generation and Transmission's request for yet another rate increase. The proposed rate increase is currently under suspension by the PRC, thus saving our members hundreds of thousands of dollars since the ruling was put into effect. We credit our members communicating with the members of the PRC with convincing them to not let the rates go into effect until Tri-State proved their financial need. This is the ninth rate increase proposed by Tri-State since we contracted with them in 2000 (with the promise of rate stability). Each increase has been opposed by KCEC. The first eight times we were the only cooperative out of the 44 in the Tri-State system that stood up and questioned the need to impose higher rates on our consumers. This time we have been joined by Springer and Continental Divide cooperatives. With three co-ops in opposition the PRC has regulation authority over Tri-State. Their decision to suspend the rate increase means Tri-State must prove the need for more revenue before the higher rates can go into effect. Tri-State has also filed suit in federal court claiming the PRC does not have authority to regulate them. We will continue to keep you informed as this case moves through the system.

Our communities are very energy and environmentally conscious, so Tri-State's limit of 5% of our energy consumption coming from renewable resources has once again united our members in opposition. KCEC has reached that limitation. In 2011 we were number two in the nation in solar watts per consumer.



Luis Reyes Chief Executive Officer



Richard Martinez Chief Operating Officer

CEO REPORT

We have since fallen out of the top ten due to our inability to go beyond the 5% limit. We encourage our members to remain involved and let the PRC, our congressional delegation and Tri-State know we remain committed to clean energy at a reasonable cost. Contact information can be found on our website at kitcarson.com.

In other highlights of 2012:

KCEC instituted the first Community Solar program in New Mexico. KCEC Community Solar allows our members to purchase solar panels on an array located behind Taos Charter School on Paseo del Canon. The array began producing at a capacity of nearly 100kW in August 2012. Our members can buy panels on the array and all electricity generated by those panels is credited directly to their KCEC bill. This allows individuals and businesses who rent or lease to own solar. Also those living in shaded areas, which would not be efficient for home installation can still take advantage of the energy saving and environmental benefits produced by our abundant sunshine.

*****Two other major solar projects were also completed in 2012. The first, energized in June 2012, is a 1.25MW array built on Rio Costilla Cooperative Livestock Association land near Amalia. The second a project completed by Blue Sky Energy, also 1.25MW, is located near the Rio Grande Gorge.

*****The reliability of the KCEC electric system continues to improve dramatically. In 2012 our members experienced only 113 major outages (20 or more consumers affected). This is a sharp decline from 356 in 2011 and 559 as recently as 2007. This improvement is a direct result of system improvements that have taken place of the past two years, as well as our well-trained staff of linemen. In addition to increased electrical reliability these upgrades contributed over \$16 million to the local economy through payroll, materials, rent, meals and lodging.

We continue to improve communication with our members. Our website at kitcarson.com has been completely revamped making it not only easier to find the information you need, but also making it much more convenient and less expensive to pay bills on-line. We have also begun sending out important updates via e-mail. If you are not one of approximately 5,000 members receiving our e-mail updates, please go to our website and click on the Customer Service tab, then the Update My Information tab to enter your e-mail address.

Solid earnings from Kit Carson Energy on propane sales allowed for a continued return on the investment made by KCEC to start up this subsidiary. Kit Carson Energy was formed in answer to a call to action by our members to bring propane prices down. This was accomplished and the company is now on firm financial footing.

*In all KCEC and the projects and programs we have developed have contributed over \$56.6 million to the economy of our communities.

We remain committed to our mission statement which reads, "To deliver exceptional customer service with efficiency, professionalism, accountability and develop sustainable economic opportunities." Your continued support makes this possible.

GOVERNMENT IN ACTION YOUTH TOUR WINNERS

Kit Carson Electric Coop. would like to thank the students who will represent our Cooperative and their schools on the Government In Action Youth Tour trip to Washington, D.C., in June.

Every year KCEC sponsors five high school Junior students from schools whose parents or guardians live in our service area to participate. Each student submitted a 750 word essay on the subject, "If we suddenly lost electricity as a resource, what would that mean to your current way of life?"

These students will be learning about electric cooperatives, American history and U.S. government on their trip. They will attend educational seminars and visit with their representatives in the House and the Senate. They will see historical sights in and around Washington D.C. and also learn about the cooperative business models.

Congratulations to the following students!

Stefanie SalazarQuesta High SchoolRyan RaelQuesta High SchoolKayla TorresTaos High SchoolJoshua EsquibelPenasco High SchoolRyan ValdezMesa Vista High School

District 2 District 2 District 1 District 4 District 3



SAFETY COLORING CONTEST

OVERALL WINNER -- ENOS GARCIA ELEMENTARY -- 2ND GRADE

HALEY MARTINEZ



Kit Carson Electric participates in a coloring contest sponsored by KCEC and the New Mexico Member Services Association. Second, third, and fourth grade students compete in this contest. Judges select an overall winner and one winner from each school and each grade level. The overall winner receives a \$100.00 check, a T-shirt, a Certificate of Achievement and a Prize Pack full of art supplies to continue with their artistic talents. All other winners receive a \$25.00 check, a T-shirt and a Certificate of Achievement. The following students were winners selected from the elementary schools in Kit Carson's service area in 2013:

Enos Garcia Elementary: Ranchos Elementary: Arroyos Del Norte: Taos Pueblo Day School: Taos Christian Academy Alta Vista Elementary: Roots and Wings: Rio Costilla Elementary: Red River Valley Charter: El Rito Elementary: Ojo Caliente/ Mesa Vista: Penasco Elementary: Eagle Nest Elementary:

2nd Grade

Haley Martinez Brooke Romero Jessica Weathers Jaya Lee Archuleta

David Paul Salazar Kirsten Hurst Ezra Terry Karina Rael Carmella Archuleta Isaac Martinez Lucian Badash-Dyer Jack Chavez

3rd Grade

Izabella Romero Rainey Chantal Enriquez Monique Vigil Kyanna Brown Jovana Struck Ashleigh Rael

Kameron Negrete Diego Maestas Justin Gallegos Maricela MacAuley Gavin Pflugrath

4th Grade

Aaliyah Cynthia Rael Juan Carlos Rodriguez Elle Green Amelia Arpan Amalia Wilson Cristashia Dominguez Owen Donovan Alexis Colbruno Aron Mack Jude Naranjo Adrianna Griego Naomi Snake Peyton Keyle Wride

KIT CARSON ELECTRIC EDUCATION FOUNDATION, INC.

June 1996 Kit Carson Electric Cooperative consumers voted in favor of a bylaw change that allowed the establishment of a charitable foundation for the purpose of charitable assignment of patronage capital unclaimed after a two-year period. The Foundation was incorporated December 13, 1996. The Kit Carson Electric Cooperative Trustees named a representative from each district in the Cooperative's service area. The following are the current Kit Carson Electric Education Foundation Directors.

Mr. Thomas Tafoya, President, District 1 (Taos) Mr. Steve Archuleta, Vice President, District 3 (Ojo Caliente) Ms. Sally Torres, Secretary/Treasurer, District 5 (Angel Fire) Ms. Catherine Garduno, District 4 (Penasco) Mr. David Arguello, District 2 (Questa)

Kit Carson Electric Education Foundation is available to qualified high school students who attend either a public or private school and whose parents are members of the Kit Carson Electric Cooperative service area. Scholarships are granted to qualifying high school students who will be attending a recognized and accredited institution of higher education. Applicants are selected by their levels of good character, academic achievement and can demonstrate a coherent degree plan and willingness to pursue a course of high learning. Over the past 17 years, the Foundation has been proud to help these students achieve their dreams where they may not have been able to move scholastically forward without the Foundations assistance.

Kit Carson Electric is proud to announce that since the inception of the Kit Carson Electric Foundation, it has awarded \$464,250.00 in scholarships. The total amount of scholarships per District from 1997 to 2013 is 500, District 1 has a total of 166, District 2 has a total of 86, District 3 has a total of 85, District 4 has a total of 84 and District 5 has a total of 79 scholarships awarded.

The total awarded donations for the year 1997 through 2010 is \$76,259.95. District 1 has been awarded \$26,250.00, District 2 has been awarded \$10,350.00, District 3 has been awarded \$13,410.00, District 4 has been awarded \$12,799.95 and District 5 has been awarded \$13,450.00.

Kit Carson Electric would like to thank the membership for making this possible.

SCHOLARSHIP RECIPIENTS

DISTRICT ONE

Devonne Fresquez Claire Jordy Michael Suazo Alejandro Tavarez Tegan Whitney

DISTRICT TWO

Samantha Almodovar Saige Flores Elijah Ortega

DISTRICT THREE

Jose Griego Montana Marquez Chastidy Trujillo

DISTRICT FOUR

Ashley Lopez Christopher Martinez Brianna Sanchez

CRISTOBAL M. DURAN SCHOLARSHIP

Jayleen Arguello Demetria Lopez Lakeisha Martinez

DISTRICT FIVE

Colleen Eungard Stephen Hawkes Elke May

BALANCE SHEET & INCOME STATEMENT

ASSETS

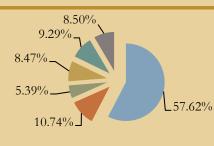
Utility Plant in Service

Construction Work in Progress

2012	FYPENSES	

Cost of Power	\$21,486,392	57.62%
Oper & Maint	4,005,886	10.74%
Cons Accts Exp	2,010,274	5.39%
Admin & Gen'l Exp	3,157,554	8.47%
Depreciation	3,463,301	9.29%
Interest Exp	3,169,529	8.50%

\$37,292,936



Revenue	\$38,700,093
Expenses	
Cost of Power	221,486,392
Operation & Maintenance Expense	4,005,886
Consumer Accounts Expense	2,010,274
Administrative & General Expense	3,157,554
Total Operation & Maintenance	\$30,660,106
Depreciation Expense	3,463,301
Interest Expense	3,169,529
Total Cost of Electric Service	\$37,292,936
Operating Margins	1,407,157
Interest Income	67,448
Non Operating Margins – Other	(286,095)
Other Capital Credits	1,227,440
Patronage Capital or Margins	\$2,415,950
Cost of Power	

Oper & Maint

Depreciation

■Interest Exp

Cons Accts Exp

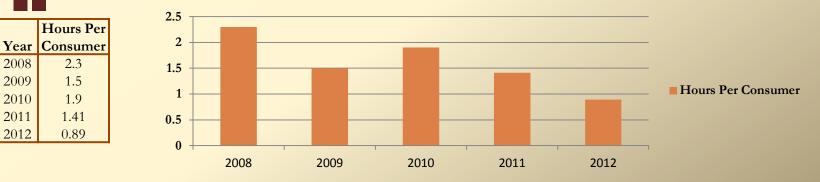
Admin & Gen'l Exp

Total Utility Plant	131,706,871
Less Accumulated Depreciation	40,243,420
Net Utility Plant	\$91,463,451
NonUtility Plant	(3,083,866)
Investment in Subsidiary	1,277,097
Investments – Assoc. Organizations	10,694,896
Total Other Property & Investments	\$8,888,127
Cash – General	103,272,417
Temporary Cash Investments	3,102,619
Notes Receivable	17,424
Accounts Receivable	8,106,539
Materials & Supplies	2,260,897
Prepayments	111,433
Other Assets	115,691
Deffered Debits	6,436,059
Total Current & Accrued Assets	\$33,423,079
Total Assets	\$133,774,657
LIABILITIES	
Patronage Capital	\$40,508,201
Other Margins	123,436
Total Margins & Equities	\$40,631,637
LONG TERM DEBT	\$85,580,935
Notes and Accounts Payable	4,885,530
Consumer Deposits	211,592
Other Liabilities	2,002,012
Total Current & Accrued Liabilities	\$7,099,134
Deffered Credits	462,951
Total Liabilities & Equities	\$133,774,657
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\$125,068,129

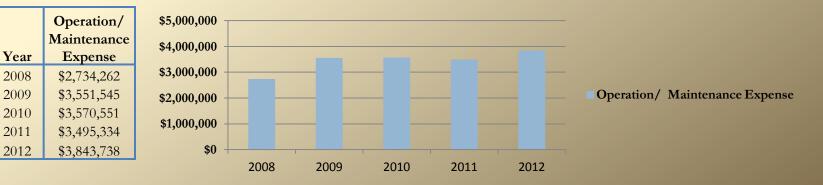
6,638,742

OPERATIONS & MAINTENANCE EXPENSE



Hours Per Consumer

Operation/Maintenance Expense



TAOS REGIONAL COMMAND & COMMUNICATIONS CENTER

The Taos Regional Command and Communications Center (TRCCC) is a 9,860 square foot state-of-the-art regional command and communications center that currently houses the Kit Carson Electric Co-op (KCEC) dispatch. We have the ability to house all emergency services such as 911, Forest Fire command, and all Homeland Security initiatives as required by each participant, as well as other potential emergencies such as the February 2011 natural gas outage.

This system will also be responsible for monitoring Cyber Security and our smart grid systems. TRCCC will also be the Network Operations Center for KCEC's Fiber Initiative project. The redundancy of the network to the TRCCC's centrally located facility 1146 Gusdorf Road allows for 24/7 uninterrupted signals.



"Improved Communication Leads to Safer Communities"



The cost of this project was approximately \$3 million. The U.S. Department of Agriculture provided a \$550,000 grant and \$2.3 million loan to fund the project. The State of New Mexico provided \$175,000 in capital outlay. This facility will serve each and every citizen in the region and all surrounding communities.

The building will be monitored and will maintain a complete lockdown 24/7, 365 days a year. Minimum access will be granted to command center employees, 911 dispatch employees and possibly maintenance crews.

The technology and software systems being used in this building allow, us to pin point and respond more quickly and safely to outages and any electrical emergency situations that may occur. The system upgrades were put into place to benefit all members of Kit Carson Electric Cooperative.

MEET THE EMPLOYEES



ADMINISTRATION DEPARTMENT

Back Row: Daniel Trujillo/Network Admin., Renee Romero/General Secretary, Joyce Archuleta/Executive Secretary, Angela Chavez/General Clerk, Stephen Fulendorf/Public Information Officer Front Row: Renee Chasteen/General Secretary, Nadine Varela/Project Coordinator, Carmella Suazo/Administrative Assistant, Sara Trujillo/Staff Secretary, Michelle Polanco/Receptionist



ACCOUNTING DEPARTMENT

Left to Right: Paul Martinez/Warehouse Supervisor, Geraldine Romero/ Accountant, Kenneth Varos/Warehouseman, Sandra Quintana/Payroll Clerk, Johnny Valerio/Financial Manager, Richard Jeantet/Purchasing Agent Not pictured: Honorio Rael/Senior Accountant



ENGINEERING DEPARTMENT

Left to Right: Ricky Leon/Staking Agent, Alfred Mascarenas/Mapping Assistant, Andrew Valerio/Staking Agent II, Aracelia Ortiz/Temp General Secretary, Juan Trujillo/ Staking Agent, Sara Trujillo/Staff Secretary, Steven Martinez/Mapping Technician, David Santistevan/Engineering Department Manager Not pictured: Mariano Valdez/SCADA Operator, Eve Trujillo/System /Dispatch Operator, Lorein Lucero/System/Dispatch Operator



BILLING DEPARTMENT

Back Row: Katherine Coca/Cashier, Patricia Calhoun/Meter Reader/Collector, Rose Marie Apodaca/Customer Service Rep., Annette Rael/Customer Service Rep., Ophelia Trujillo/Collections Supervisor, Tammy Rael/Billing Manager, Linda Cantu/Customer Service Rep., Carla Casias/Billing Supervisor, Crystal Martinez/Customer Service Rep., Wanda Munoz/Customer Service Rep., Roberta Romero/Cashier Bottom Row: Sandra Villalobos/Customer Service Rep., Nelson Tafoya/Meter Reader Collector Not Pictured: Amanda Leon/Customer Service Rep., Leonard Griego/ Meter Reader Collector **MEET THE EMPLOYEES**



DEPARTMENT

Left to Right: Robert Martinez/1st Yr. Meter man, Joshua Pacheco/2nd Yr. Apprentice Meter man, John Jaramillo/Journeyman Meter man, Gary Martinez/Journeyman Meter Repairman, John Ortega/2nd Yr. Apprentice Meter man, Richard Valerio/4th Yr. Apprentice Meter man, Julian Mondragon/4th Yr. Apprentice Meter man, Audrey Cordova/Customer Service Meter Department., Eligio Vigil/4th Yr. Apprentice Meter man, Roy Lopez/2nd Yr. Apprentice, Glen Romero/Meter Room Supervisor. Not pictured: David Medina/Meter Reader



DEPARTMENT

OPERATIONS

METER

Top Row: Wayne Valdez/Lead Lineman, Isaac Padilla/ 1st Yr. Apprentice Lineman, Alonzo Visarraga/Class A Operator, Nelson Romero/Tree Trimmer, Adam Montoya/Journeyman Lineman, Matthew Suazo/Lead Lineman, Matthew Torres/Tree Trimmer, Garrick Martinez/1st Yr. Apprentice, William Arko/Lead Lineman, Daniel A. Martinez/Journeyman Lineman, Carlos Rivera/Journeyman Lineman, Roman Apodaca/2nd Yr. Apprentice Lineman, Lee Quintana/Journeyman Lineman, Gordon Bond/3rd Yr. Apprentice Lineman, James Suazo/1st Yr. Apprentice Lineman, Edward Trujillo/Lead Lineman, Joe Ortega/ Class A Operator **Bottom Row:** Armando Ortega/Line Spotter, Horacio Archuleta/2nd Yr. Apprentice Lineman, Johnny Gurule/4th Yr. Tree Trimmer, Richard Garcia/Lead Lineman, Jaime Mares/Journeyman Lineman, Daniel Ocana/Temp Tree Trimmer, Johnny Sisneros/4th Yr. Apprentice Lineman **Not pictured:** Dennis Gonzales/Operations Supervisor, Michael Herrera/Lead Lineman, Fidel Lopez/Journeyman Lineman, Chris Ortega/Line Spotter, Ray Rael/Operations Supervisor, David Trujillo/3rd Yr. Apprentice Lineman

MECHANICS



DEPARTMENT

Left to Right: Jerry Chacon/Mechanic, Rudy Mascarenas/Mechanic, Gilbert Martinez/Mechanic Helper, Tommy Ocana/Mechanic

MEET THE EMPLOYEES



HUMAN RESOURCE/SAFETY/ GROUNDS MAINT

Left to Right: John Fernandez/Safety Coordinator, Deborah Madrid/Human Resource Staff Secretary, Ashley Dominguez/Part Time Summer Intern, Andrea Chavez/Human Resource Manager, Jake Ortega,/Temp Custodian.



KIT CARSON ENERGY

Back Row: Marissa Miera/Customer Service Rep., David Quintero/Driver, Matt Trujillo/Driver, Lawrence Vigil/Field Supervisor, Mark Tafoya/Driver, James Gurule/Meter Reader, Chris Trujillo/ Customer Service Rep.& Billing Collections, **Front Row:** Carla Esquibel/Office Supervisor, JoAnne Martinez/Manager, Helen Archuleta/Administrative Clerk, Jacob Roybal/Driver **Not Pictured:** Raymundo Terrazas



KIT CARSON TELECOM

Left to Right: Adelaida Dominguez/Telecom Administrator, Dave Branchal/Sales and Marketing, Glenn Love/ Installation Technician, Luis Chavira/Installation Technician, Michael Nolan/Billing Administrator, Isaac Martinez/Installation Technician, Matt Hoover/Acting Telecom Manager, Gilbert Romero/Tech Support, Martin Dimas/Network Administrator

ENERGY EFFICIENT PRODUCTS & SERVICES

Kit Carson Electric is helping save the Environment, our Natural Resources, and the Economy with our Go Green programs. It's free, convenient and assures your payments are received on time. No hassles, no driving, no paper, no checks, or late fees. Save time and money, pay and receive your bills online. For more information or to sign up today, call our customer service department at (575) 758-2258.



24 Hour Account Website Access www.kitcarson.com

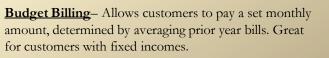
Customers can view/print account details, pay bills and get updated with KCEC project & products.

E-Billing

► Reduces the amount of paper and stress on the environment

- ► Is delivered to the email address of your choice
- ≻Your bill is never lost in the mail or late
- Avoid unnecessary trips to the post office

<u>Auto Pay Plan</u> – authorize KCEC to automatically withdraw monthly account charges from a credit card or checking/savings account.



Did you know you could purchase these energy efficient products at your local Co-op. office. "KCEC helping reduce, conserve & evolve."

Compact Florescent Lights (CFL)

13/60 Watt 20/75 Watt 23/100 Watt 15/65W Flood 18/75W Flood 23/120W Flood 3 Way 13/20/25 3 Way 12/21/32 15/20W Candelabra 15/60 Globe

ConvectAir Electric

Heaters

500W Apero 1250W Apero 750W Calypso 1500W Jazz

Electric Water Heaters

30 Gallon 40 Gallon 50 Gallon 65 Gallon 80 Gallon 120 Gallon 4 Gallon Point of Use

Electrical Thermal Storage (ETS) Unit Heaters

Prices Start from \$995.00

Safe, clean, comfortable heat
No smoke, no fumes, no mess
Easy to operate
100% efficient
Unique features: brick core & air discharge

For pricing information stop by the Co-op, or contact Andrea Chavez, Human Resource Manager- 758-2258 ext. 153 or Deborah Madrid, Human Resource Staff Secretary- 758-2258 ext. 192







KCEC MAIN OFFICE

118 Cruz Alta Road, Taos NM 87571 P.O. Box 578, Taos NM 87571 Customer Service # (575) 758-2258 & (575) 751-9064 Fax # (575) 758-4611 (Admin.) (575) 758-4611 (CS) To Report an Outage # 1-800-688-6780 Office Hours: Monday through Friday 8:00am – 4:30pm Maintenance and Construction Hours: 7:00am – 4:30pm



faintenance and Construction Hours: 7:00am – 4:30p After Hours and Holidays: Call Outage # Listed

KCEC QUESTA OFFICE

2468 N Hwy 522 P.O. Box 578, Taos NM 87571 Office Hours: Monday, Wednesday & Friday 8:00am to 4:30pm Closed for lunch from 12:00-12:45 (575) 586-2113 Fax # (575) 586-2278 *Office hours subject to change without notice.

KCEC PENASCO OFFICE

25 Hwy 75 (Next to Hwy Dept.) P.O. Box 578, Taos NM 87571 Office Hours: Tuesday & Thursday 9:00am to 3:00pm Closed for lunch from 12:00-12:30 (575) 587-1900 Fax # (575) 587-1999 *Office hours subject to change without notice.

Monthly Board Meeting: Annual Meeting: Last Tuesday of Every Month Yearly-June-Date (TBA)

