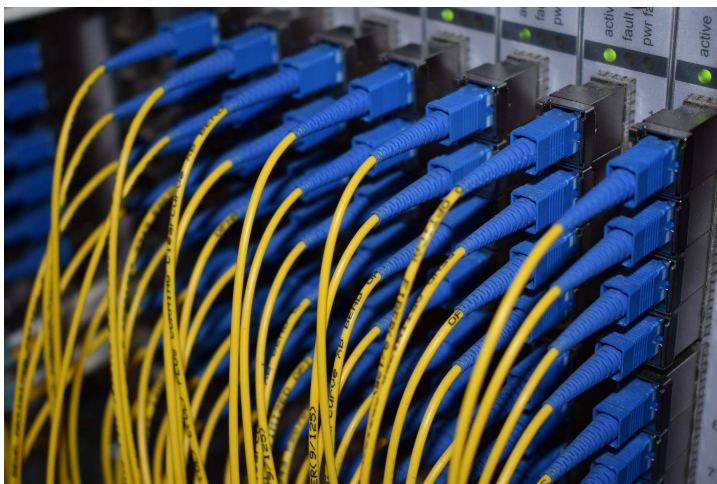




KIT CARSON

Electric Cooperative • Internet • Propane

KCEC's
Commitment to
100% Peak
Daytime Solar
by 2022

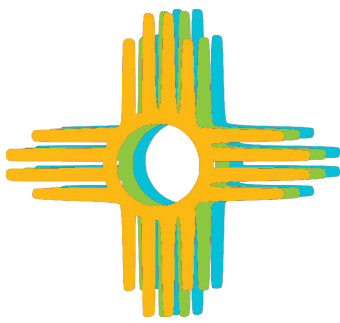


Providing
Broadband
Internet to Rural
Communities

Stabilizing
Propane Prices
in the Enchanted
Circle Since
2000



2017 Annual Report



KCEC Board of Trustees



Cristobal Duran
District 4
Vice President



Bobby Ortega
District 2
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Luisa Mylet
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Secretary



David Torres
District 1



Arthur Rodarte
District 3



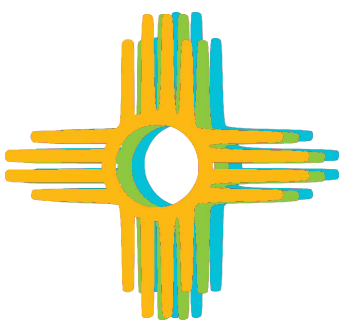
Ambrose Mascarenas
District 4



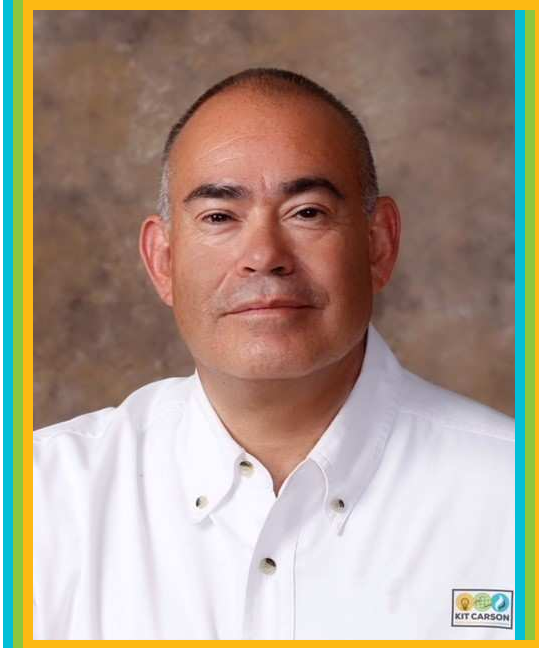
Bob Bresnahan
District 1



Bernie Torres
District 2



CEO Report



Luis A. Reyes, Jr.
Chief Executive Officer

On behalf of the Board of Trustees, CEO-Luis A. Reyes Jr., the management team and employees of Kit Carson Electric, Kit Carson Propane, and Kit Carson Internet, it has been our distinct pleasure serving our members throughout 2017. The Kit Carson family of companies has made and continues to make great strides in our service territory, in providing the quality products and quality of life services that our members have come to rely on. All of our successes would not have been possible without the dedication of our employees and most importantly, the continued support from - "YOU" - our members. We will continue to work hard on your behalf by remaining aligned with our core values and Cooperative Principles. Thank you for a successful year!

In 2016-2017, KCEC embarked on several successful ventures. One of the most notable was the successful exit of our 2040 contract with Tri-State. This action allowed KCEC to secure our new power supplier, Guzman Energy. Now our members have a ten-year short-term, fixed cost of power purchase contract and a plan to develop 35MW's of Solar Power by 2022. This will allow KCEC to generate 100% of its year-round day time power supply from the sun. KCEC was also successful in negotiating our much-needed rate increase which is tied directly to fixed costs and system reliability. Overhead line modernization and maintenance was one of the key components within the need for the rate increase. KCEC deploys an extremely aggressive tree trimming program which greatly protects member's lives, properties and mitigates the risk of forest fires. In this year of unprecedented drought, tree trimming is imperative for the health of our watersheds, forest and homes. We continue to upgrade the electric grid through new developments and by replacing existing aging infrastructure. As communities and local governments call for more underground infrastructure, the new installations are providing vital improvements in system reliability. This year KCEC completed major infrastructure upgrades in Red River, NM and Taos Ski Valley, NM.

KCEC is committed to keeping costs low given the business challenges we face. Some of those are the continuing increases in property taxes and tribal taxes. Other challenging elements are the cost of business expenses, the reduction in kilowatt hour (kWh) due to energy efficiency, lack of community growth, the large kWh loss of the Chevron Mining load which was 14% of Kit Carson Electric's overall load, and all fixed costs of the grid. Be assured, KCEC will be addressing all these challenges in its new business model design in the near future.

Kit Carson Electric wishes to sincerely thank our members for supporting your local Electric Cooperative.

On behalf of Kit Carson Electric, its CEO, Board of Trustees and Employees; "Thank You" for supporting "Your" Member Owned Cooperative.

Sincerely,

Luis A. Reyes, Jr.
CEO



Richard Martinez
Chief Operating Officer





KCEC's project is creating an energy road-map to develop up to 35 megawatts (MW) in small solar arrays by 2022 that will result in providing 34 percent of the total electricity demand and 100% during daylight hours on sunny days. KCEC will also implement a battery technology demonstration project, thus further advancing the renewable energy opportunities in the Enchanted Circle.

KCEC currently has approximately nine MWs of solar renewables online, which accounts for 24 percent of the daytime load. An additional 10 MWs of solar energy are planned and scheduled for construction in 2018. These solar arrays—ranging between one and three MWs—will be placed strategically in KCEC's extensive service territory for optimal performance. Additionally, the project will spur economic development and create jobs in rural locations.

Solar Arrays Constructed in 2017



Tres Piedras, NM 1MW

The Tres Piedras solar array was the first array online as part of the KCEC's Solar Deployment Project. This array provides power for approximately 500 KCEC homes



Picuris Pueblo, NM 1MW

The Picuris Pueblo array is the biggest solar array on any pueblo in New Mexico. This array provides power for approximately 500 KCEC homes around the Penasco, NM area.

KCEC Arrays Scheduled for 2018

Array	Size Of Array	Current Status of Project	Estimated Construction Cost
Angel Fire, NM	2,000 kW (2MW)	KCEC waiting on contracts.	\$4.6 Million
Eagle Nest, NM	1,000 kW (1MW)	Started groundwork construction.	\$2.3 Million
Taos, NM (Town Of Taos Water Treatment)	1,000 kW (1MW)	Soil and Geo Anaylsis testing in progress.	\$2 Million
Taos, NM (Town Of Taos Water Treatment)	3,000 kW (3MW)	Soil and Geo Anaylsis testing in progress.	\$6.9 Million
Northern NM College (El Rito, NM)	1,500k W (1.5MW)	Executed Contracts	\$3.55 Million
Questa, NM	1,500 kW (1.5 MW)	Executed Contracts	\$3.55 Million





KIT CARSON

Internet



KCI Fiber Optic Update



Andrew Gonzales

Kit Carson Internet Manager

Kit Carson Internet serves over 6,000 customers including members who reside in areas where broadband was not available or service was limited.

Additionally, to date the project has created 405 jobs, 90% which have been local; which were tied to physical main line construction. It has also given our local contractors and their laborers the experience and the skill sets to bid, and obtain projects outside the KCI service territory. As broadband has become a major national focus to bridge the digital divide by telecom companies, other electric cooperatives, governmental entities, and communities in general, KCI's project will continue to enhance job creation on many levels, KCI is extremely proud that through this project we have had the ability to expose the talents through local labor force that existed right here within our community, and that those individuals, along with many more to come now have the opportunity to capitalize on opportunities available through this ever advancing technology. This endeavor has greatly added to the economic viability of our surrounding communities.

As we look to the future, Kit Carson Internet will continue to expand its services to other territories and will continue to be a leader in the telecommunications industry. As we continue to deploy fiber optic services to residents and businesses, Kit Carson Internet will embrace the spirit of the Cooperative model in delivering products and services to those that are underserved, in offering the best quality of life services in the telecommunications industry at the most affordable prices possible.

Today's fast-paced and exciting world requires that individuals, families and businesses be able to communicate rapidly in ways never dreamed possible. Computers and the Internet have become irreplaceable tools for personal correspondence, student research and a vast array of business applications. Based on a decision made by the members of Kit Carson Electric Cooperative, there was a consensus to bring internet services to all its members throughout. In January 2000, Kit Carson Internet opened its doors offering Dial UP, DSL and fixed wireless services making it possible to connect with the world around us. But, because of the mountains and difficult terrain, it soon became clear that wireless couldn't serve all the members adequately.

In an effort to offer broadband services to everyone, Kit Carson Electric, through a multi-million dollar federal grant embarked on the "Fiber to the Home" project which launched in 2010. The fiber project today, consists of over 3,000 miles of Fiber optic broadband infrastructure who now provides advanced broadband services to Taos and the surrounding areas throughout Taos County and the Enchanted Circle including Eagle Nest, Angel Fire, Ojo Caliente and El Rito in Río Arriba County with speeds ranging from 40 Mbps to 1GB.



"It's KCI's commitment to serve rural communities in Northern NM"

Luis A. Reyes, Jr., CEO



Lawrence Vigil
Propane Manager

Kit Carson Electric Cooperative, Inc., (KCEC) in the true cooperative spirit, sought out to transform the mannerisms of propane businesses within Taos and its surrounding areas by focusing on the need for real customer service in Northern New Mexico. Subsequent to the request of its membership, Kit Carson Propane was formed in 2000. Since then Kit Carson Propane (KCP) has transformed the face of propane within KCEC's service territory and in surrounding areas by providing safe and affordable propane and related propane services. This endeavor has proven to enhance the propane experience by providing services without the need for misleading gimmicks or hidden fees.

In order to save on costs, KCP is aggressively promoting and offering customers E-billing and E-pay options. Our up-to-date website keeps our customers informed with our current daily propane prices and customer specials. KCP also, has a 24-hour 7-days a week standby crew who is always ready to serve its customers with Propane or other after hour emergencies.

In 2018 KCP expanded its summer hours and is opening its doors and bottle dock at 7:00 a.m. and closing them at 5:30 p.m. (bottle dock closes at 5:15 p.m.) Our fully trained staff of friendly employees are ready to assist you with excellent customer service.

KCP remains a resilient and viable propane company offering the best propane prices. We continue to set the bar as far as the price per gallon and excellence in service. KCP's continued sustainability is proven with its \$700,000 in payments to KCEC for the inter-company loan in 2017-18.

KCP continues to participate in community events whenever possible i.e. Taos Feeds Taos, Home and Garden Expo, Taos County Fair, Taos Mountain Balloon Rally, Trunk O' Treat, For The Health of it, The Town of Taos electric light parade, Taos Tiger Basketball and Taos High School Cheer Program and more.

The potential future of KCP is providing bottle dock services at its outlying locations in the Ojo Caliente, Penasco and Questa areas where customers can drop off a payment or fill a propane cylinder. This will allow us to better serve our customers.

An essential part of KCP's contribution to the community is the promotion of an environment of positive leadership and teamwork. When you enter the office there is a feeling of family. For anyone who isn't already, we would love you to be part of our family.



Kit Carson Propane Team



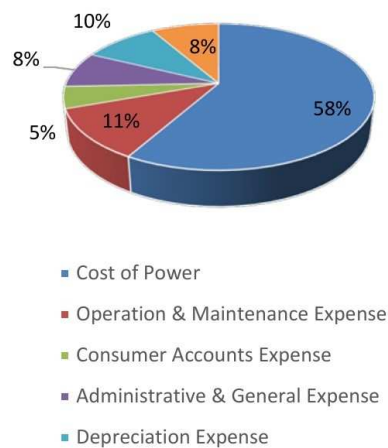
Kit Carson Propane Board of Trustees

Thank You

Balance Sheet & Income Statement

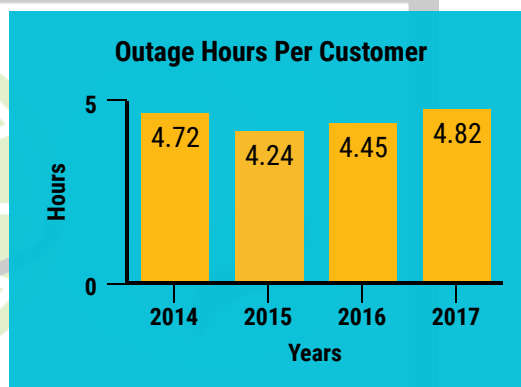
Assets	
Utility Plant in Service	\$ 145,964,400
Construction Work in Progress	5,234,646
Total Utility Plant	151,199,046
Less Accumulated Depreciation	55,123,043
Net Utility Plant	\$ 96,076,003
NonUtility Plant	38,610,101
Investment in Subsidiary	978,688
Investments - Assoc. Organizations	2,582,317
Total Other Property & Investments	\$ 42,171,106
Cash - General	1,702,822
Temporary Cash Investments	-
Notes Receivable	8,607
Accounts Receivable	8,287,808
Materials & Supplies	1,928,179
Prepayments	115,896
Other Assets	115,391
Deferred Debits	39,494,681
Total Current & Accrued Assets	\$ 51,653,384
Total Assets	\$ 189,900,493
Liabilities	
Patronage Capital	\$ 28,546,068
Other Margins	438,776
Total Margins & Equities	\$ 28,984,844
Long Term Debt	\$ 117,697,535
Notes and Accounts Payable	5,500,249
Consumer Deposits	289,727
Other Liabilities	1,878,297
Total Current & Accrued Liabilities	\$ 7,668,273
Deferred Credits	35,549,841
Total Liabilities & Equities	\$ 189,900,493

Revenue	\$ 42,818,681
Expenses:	
Cost of Power	25,367,832
Operation & Maintenance Expense	4,901,212
Consumer Accounts Expense	2,095,419
Administrative & General Expense	3,433,390
Total Operation & Maintenance	\$ 35,797,853
Depreciation Expense	4,096,361
Interest Expense	3,652,400
Total Cost of Electric Service	\$ 43,546,614
Operating Margins	(727,933)
Interest Income	24,799
Non Operating Margins - Other	462,799
Other Capital Credits	428,324
Patronage Capital or Margins	\$ 187,989

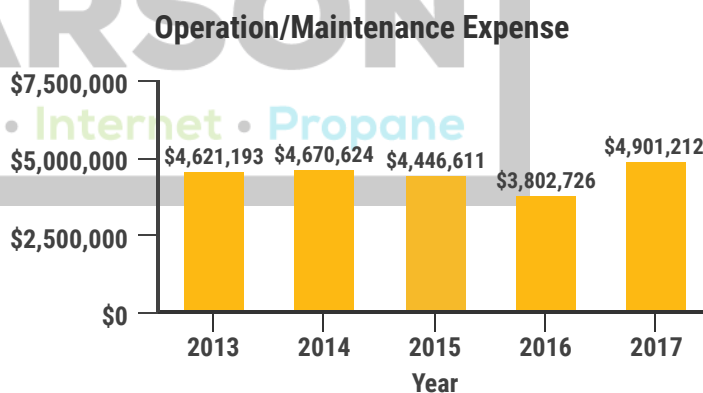


Operations & Maintenance Expense

Year	Outage Hours Per Consumer
2014	4.72
2015	4.24
2016	4.45
2017	4.82



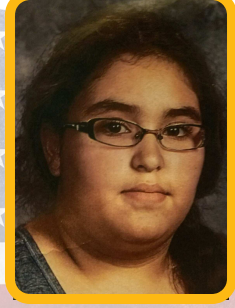
Year	Operation/ Maintenance Expense
2013	\$4,621,193
2014	\$4,670,624
2015	\$4,446,611
2016	\$3,802,726
2017	\$4,901,212



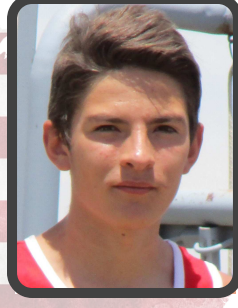
2018 GIA Youth Tour Winners



Augustine Campos
Mesa Vista High School



Violet Maestas
Penasco High School



Justin Madrid
Taos High School



Josh Fambro
Taos High School



Kaitlyn Terrazas
Mesa Vista High School

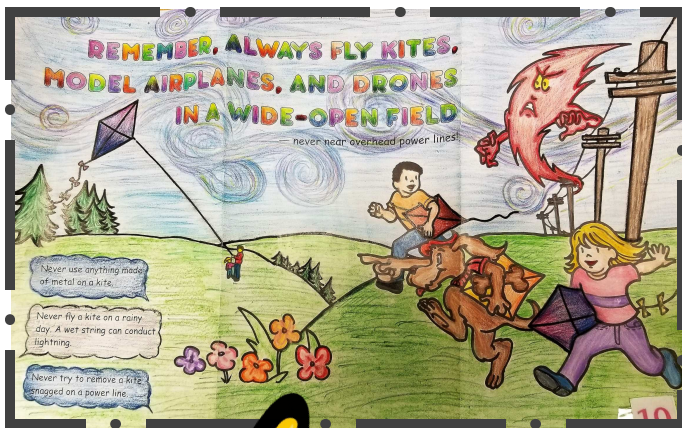
Every year KCEC sponsors five high school Junior students from schools; whose parents or guardians live in our service area to participate in the youth tour. Each student submitted a 750 word essay on this subject;

"Kit Carson Electric is on the road to 100% daytime solar energy. What does this mean to you and your community?"

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 also visit historical sites in and around Washington D.C. and learn about the cooperative business models. CONGRATULATIONS!!

KCEC Safety Coloring Contest

Overall Winner & 2nd Place Statewide Winner
Salma Khweis- 2nd Grade-Enos Garcia



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 check, a T-shirt and a Prize Pack full of art supplies to continue their artistic talents. All other winners receive a \$25 check and a goodies bag. The following students were winners selected from the elementary schools in Kit Carson's service area for 2018.



Each year KCEC visits participating elementary schools to ensure our students are educated on electrical safety!

School	2nd Grade	3rd Grade	4th Grade
Enos Garcia	Salma Khweis	Cary Moyer	
Taos Pueblo Day School	Taya Concha	Janice Spotted Corn	Karmen Fogerty
T.I.S.A	Abby Thorton	Juniper Greely	Janasia Syed
Alta Vista Elementary	Nicole Caraveo	Mariana Ortega	Jocelyne Ortega
Rio Costilla Elementary	Sierra Ortiz	Esperanza Vallejos	Marissa Ortiz
Red River Valley Charter	Alex Ortega	Zoe Larson	Michelle Martinez
El Rito Elementary	Donovan Lucero	LeAndra Archuleta	
Ojo Caliente/Mesa Vista			Sonny Lucero
Penasco Elementary	Sofia Pacheco	Walter Trujillo	Jaden Archuleta
Eagle Nest Elementary	Felipe Luevano	Charlie Castillo	Marissa Warren

Kit Carson Education Foundation, Inc.

Class of 2018 Scholarship Recipients

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. Steve Archuleta, President, District 3 (Ojo Caliente)
- Mr. Thomas Tafoya, Vice President, District 1 (Taos)
- Mr. Justin Torres, Secretary/Treasurer, District 5 (Angel Fire)
- Mr. Franklin Fernandez Jr., Director, District 4

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 higher learning. Over the past 20 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 Foundation's assistance.

Kit Carson Electric is proud to announce that since the inception of the Kit Carson Electric Foundation, it has awarded \$462,500 in scholarships. 559 scholarships have been awarded since 1997, as follows: District 1 = 186, District 2 = 96, District 3 = 95, District 4 = 94 and District 5 = 88.



District 1

Santiago Cortez
Jan "Mattias" Donaldson
Arriana Gallegos
Veronice Quintana
Jude Suazo



District 2

Larissa Passino
Anna Marie Sanchez

District 3

Nicholas Lovato
Savanah Martinez

District 4

Estrella Gonzales
Aryana Quintana

District 5

Noah McDonald

Cristobal Duran Scholarship

Estrella Gonzales
Julian Lopez
Maria Montoya
Aryana Quintana



2018 Guzman Energy Scholarships

District 1

Marissa Brown
Destiny Rose Cardenas
Jaclyn Gallegos
Omar Hernandez
Julia Johnson-Jaramillo
Tomas Jose Madrid
Marisa Martinez
Ariessa Medina
Natalie Solis
Jared Torres
Aryanna Zarazua

Via an exclusive partnership with Kit Carson Electric Cooperative (KCEC), Guzman Energy is working to enable northern new Mexico counties of Taos, Colfax and Rio Arriba to achieve summer-solar independence by 2022. Guzman also seeks to raise the bar on community development, and one such initiative comes when Guzman Energy, in conjunction with KCEC, honors 21 students hailing from five districts with \$21,000 in scholarship funds toward the 2018 spring semester.

District 4

Dominique Abeyta

District 5

Ameila Hoffman

District 2

Aaliyah Duran
Devonna Flory
Katrina Montoya
Helena Padilla
Kenneth Shannon

District 3

Bryanna Jaramillo
Santana Marquez
Marisol Archuleta

COLLEGE

Meet the Employees

Accounting Department



Left to Right: Richard Jeantet/Purchasing Agent , Geraldine Romero/Senior Accountant , Paul Martinez/Warehouse Supervisor, Sandra Quintana/Payroll Clerk, Agustina Torres/Part Time Bookkeeper, Deborah Madrid/Accountant, Johnny Valerio/Financial Manager, Kenny Varos/Warehouseman.



Engineering Department



Left to Right: David Santistevan/Engineering Department Manager, Aracelia Ortiz/General Secretary, Steven Martinez/Mapping Technician, Alfred Mascarenas/Mapping Assistant, Andrew Valerio/Staking Agent II, Renee Romero/Staff Secretary, Rick Leon/Staking Agent I.

Administration Department



Left to Right: Michelle Polanco/Receptionist, Elizabeth Trujillo/Part-time Receptionist , Cathy Romero/Receptionist, Brianna Trujillo/General Secretary, Carmella Suazo/Administrative Assistant, Nadine Varela/Project Coordinator, Daniel Trujillo/Network Administrator, Joyce Archuleta/Executive Secretary.

HR/PR/OD/Safety



Left to Right: John Anthony Ortega/Assistant Safety Coordinator, Richard Garcia/Safety Coordinator, Erin Sanborn/Organizational Development Coordinator, Jake Ortega/Custodian, Lynn Gilley/Human Resources Director, Michael Santistevan/Public Relations Coordinator.

Billing Department



Back Row Left to Right: Kathy Coca/Collections I, DeAndra Chavez/Collections CSR, Victoria Espinoza/Cashier, Sandra Villalobos/CSR, Desserae Cordova/CSR, Brittany Sanchez/CSR, Ophelia Trujillo/Collections Supervisor, **Front Row:** Rose Marie Apodaca/CSR, Ariana Gurule/CSR, Dani Kesson/CSR, Annette Rael/Customer Service Supervisor, Roberta Romero/CSR, Carmella Suazo/Administrative Assistant. **Not Pictured:** Nelson Tafoya/Collector, Leonard Griego/Collector, Megan Martinez/Cashier.

Meter Department



Left to Right: Glen Romero/Meter Supervisor, Julian Mondragon/Journeyman Meterman, Eligio Vigil/Journeyman Meterman, David Medina/Meter Reader, Audrey Cordova/CSR, Richard Valerio/4th Apprentice Meterman, Nathaniel Mascarenas/Meter Reader, John Jaramillo/ Journeyman Meterman.

Mechanics



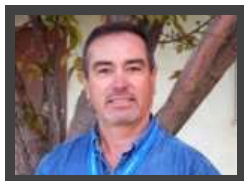
Left to Right: Tommy Ocana, Jerry Chacon.

Line Locators



Left to Right: Armando Ortega, Rodney Arellano.

Operations Department



Dennis Gonzales
Line Supervisor URD



Ray Rael
Line Supervisor OH



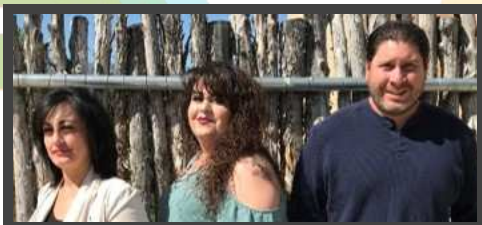
Front Row Left to Right: Raymundo Rael/Line Supervisor, Antonio Salazar/3rd Year Apprentice Lineman, Justin Varela/2nd Year Apprentice Lineman, Darrell Vigil/2nd Year Apprentice Lineman, Anthony Vigil/3rd Year Apprentice Lineman, Jaime Mares/Journeyman Lineman, Fidel Lopez/Journeyman Lineman, Johnny Gurule/Groundsman, **2nd Row:** Joe Ortega/Class A Operator, Gordon Bond/Journeyman Lineman, Edward Trujillo/Journeyman Lineman, Orlando Dimas/Tree Trimmer, Mathew Suazo/Journeyman Lineman, Jacob Martinez/1st Year Line man Apprentice, Daniel Baez/Tree Trimmer, Victor Rael/Tree Trimmer, Austin Martinez/1st Year Apprentice Lineman, **3rd Row:** Pedro Herrera/Tree Trimmer, Carlos Rivera/Journeyman Lineman, Adam Montoya/Journeyman Lineman, Gary Maestas/2nd Year Apprentice Lineman, Michael Medina/Journeyman Lineman, William Arko/Journeyman Lineman. **Not Pictured:** Alonzo Visarraga/Class A Operator, Horacio Archuleta/Sr.Groundsman, Josh Rodriguez/2nd Year Apprentice Lineman

Kit Carson Internet



Front Row Left to Right: Logan Gurule/Tech Support, Joey Provencher/Tech Support, Stacey Danis/CSR, Francina Trujillo./CSR, Sandra Richardson/CSR, Brenda Cordova/Internet Assistant Manager, Denise Ortega/CSR, Louise Gallegos/CSR, Laura Valerio-Withers/Tech Support, Adelaida Dominguez/Phone Admin, Andrew Gonzales/Internet Manager, **Second Row:** Daniel Trujillo/Interim IT Manager, Jose Lovato/OSP/FOS Engineer/Manager, Lucas Martinez/Installer II, Luis Chavira/Technician II, Janet Cunico/Billing/CSR, David Branchal/OSP Coordinator/Supervisor, Zeke Mares/Engineering Tech I, **Third Row:** Isaac Martinez/Lead Technician, Michael Marquez/Technician II, Johnny Griego/Inventory Control, Sidney Trujillo/Tech I, Alfredo Lopez/Technician I, Edwin Cordova/Staking Agent I, Nathan Montoya/Technician I, **4th Row:** Dale Quintana/Technician I, DeAngelo Trujillo/Installer II, David Trujillo/Technician I.

Dispatch Center



Left to Right: Lisa Muniz/System Dispatch Operator, Eve Trujillo/System Dispatch Operator, Mariano Valdez/SCADA Operator



Kit Carson Propane



Back Row Left to Right: Fernando Salazar/Driver, Carla Esquibel/Office Manager, LauraLee Martinez/ CSR, Melissa Martinez/Billing/CSR II, Margaret Gonzales/Assistant Manager/Collections/Accountant, Corine Dimas/CSR, Dominique Rodarte/CSR **Front Row:** James Gurule/Meter Reader, Fernando Salazar/Driver, Robert Cisneros/Service Tech, Lawrence Vigil/Propane Manager, Gilbert Marquez/Driver, Matt Trujillo/Service Tech, Raymundo Terrazaz/Field Supervisor/Safety Coordinator

Contact Us



KCEC Main Office

118 Cruz Alta Rd, Taos, NM 87571
PO Box 578, Taos, NM 87571
Main Office: (575)-758-2258
Customer Service: (575)-751-9064
Report and Outage: (575)-758-6100

Office Hours

Monday-Friday: 8:00am-4:30pm
Maintenance and Construction Hours: 7:00am-3:30pm

After Hours and Holidays: (575)-758-6100
Automated Bill Pay: (575)751-8132



KCI Main Office

116 Cruz Alta Rd, Taos, NM 87571
PO Box 578, Taos, NM 87571
Main Office: (575)-758-4838
Customer Service available
365/24/7 days

Office Hours

Monday- Friday: 8:00am- 4:30pm

Visit Us at
www.kitcarson.com



KCEI Main Office

201 Cruz Alta Rd, Taos, NM 87571
PO Box 550, Taos, NM 87571
Main Office: (575)-758-7757

Office Hours

Summer Hours(April 16th - Aug 3)
Monday- Friday: 7:00am- 5:30pm

Winter Hours (Aug 4 -April 15)
Monday-Friday: 8:00am-4:30pm