

KIT CARSON ELECTRIC COOPERATIVE, INC.

SPECIAL MEETING OF THE BOARD OF TRUSTEES

June 17, 2022

A meeting of the Board of Trustees of Kit Carson Electric Cooperative, Inc. (KCEC) was called to order by the President, Mr. Bobby Ortega, on Friday, June 17, 2022, at 10:05 a.m. in the Marcelino Martinez Room of the headquarters building of the Cooperative, Taos, New Mexico. The following Trustees were present:

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Cristobal Duran

Martin Dimas

Bobby Ortega

Arthur Rodarte

Bernie Torres

David Torres

Luisa Valerio-Mylet

Sylvia Vigil

Present

Also, present were Luis A. Reyes, Jr., Chief Executive Officer, Richard Martinez, Chief Operating Officer, Carmella Suazo, Assistant Manager, and Joyce Archuleta, Executive Secretary who recorded the day's proceedings.

It was declared a quorum was present.

Quorum

The President welcomed newly elected Board Members Sylvia Vigil and Martin Dimas.

Mr. Rodarte led the Board in reciting the Pledge of Allegiance.

Pledge of Allegiance

Mrs. Valerio-Mylet led the Board in a word of Prayer.

Prayer

The agenda was presented. It was moved by Mr. Duran, seconded by Mr. Rodarte, and unanimously approved, that the agenda be approved as presented.

Agenda

The President welcomed Andy Spillum and Matt Hollick, Eide Bailly, LLP.

Mr. Andy Spillum, Eide Bailly, presented the 2021 Audit. He reported that a letter was sent to the Board of Trustees stating KCEC received a clean opinion for KCEC's 2021 Audit. He reported Broadband was profitable and would assist with stabilizing electric rates. Mr. Spillum stated KCEC was a cutting-edge cooperative with unique and diverse issues and challenges. The President asked why the Audit review was late this year. Mr. Spillum reported that one of the key individuals that would assist Matt Hollick

Review & Approve 2021 Audit Report & Approve Resolution No. 2-6-22 - Audit

with KCEC Audit had left Eide Bailly to become a flight attendant also, Matt Hollick had been married in April and took time off work. Mr. Reyes reported that RUS, CoBank and NMPRC had all been notified of the Audit being later than usual. The 260 Communication letter, Audit Report and Financial statements were reviewed. Discussion was held. The Independent Auditor's report letter was reviewed, KCEC had a clean opinion. The significant changes were the two solar projects. In the next two years accounting for leases would require that the asset be capitalized. Mr. Spillum reported accounts receivable continues to grow due to broadband. Uncollectibles need to be reviewed more often. Mr. Reyes reported that during COVID, KCEC could not disconnect. Outstanding balances require payment arrangements, KCEC cannot disconnect for past due amounts during COVID. The President requested a write off list be presented to the Board. Mr. Spillum reported patronage capital could be allocated for 2021; in previous years patronage capital was not allocated due to loss. Mr. Reyes reported due to Tri-State exit \$12 million had been written off on capital credits to exit Tri-State. Mr. Spillum reported that the \$1.4 million loan for Paycheck Protection Program (PPP) was forgiven in 2021 so it became part of income. Discussion was held on deferring broadband income due to the 85/15 rule. Mr. Reyes reported KCI's goal was to connect everyone to fiber; therefore, KCI would continue to pursue funding for broadband. Discussion was held on cash flow, financing activities, refinancing, rate structure review, the lower cost of energy which would be passed to customers through the fuel adjustment and the loan from Rural Digital Opportunity Fund (RDOF). Mr. Spillum stated John Shafto was doing a good job and worked with auditors closely. After discussion it was moved by Mr. Rodarte, seconded by Mr. Duran, and unanimously approved to accept the 2021 Audit as presented and Resolution No. 2-6-22 as follows:

BE IT RESOLVED that the Audit Report for the year ending December 31, 2021, as prepared by Eide Bailly, Certified Public Accountants, be accepted in the form presented.

There being no further business to come before the Board, it was moved by Mr. Duran, seconded by Mrs. Valerio-Mylet, and unanimously approved, that the Board of Trustees of Kit Carson Electric Cooperative, Inc. be adjourned until June 28, 2022, 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 10:57 a.m.

*Meeting
Adjourned*

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

Cristobal Duran, Martin Dimas, Bobby Ortega, Arthur Rodarte, Bernie Torres, David Torres, Luisa Valerio-Mylet and Sylvia Vigil


Secretary

Approved this 28 day of June 2022


President