

KIT CARSON ELECTRIC COOPERATIVE, INC.

MEETING OF THE BOARD OF TRUSTEES

June 27, 2023

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 Tuesday, June 27, 2023, at 9:11 a.m. in the Marcelino Martinez Room of the headquarters building of the Cooperative, Taos, New Mexico. The following Trustees were present:

<i>Russ Coyle</i>	<i>Present</i>
<i>Martin Dimas</i>	
<i>Cristobal Duran</i>	
<i>Bruce Jassmann</i>	
<i>Manuel Medina</i>	
<i>Bobby Ortega</i>	
<i>Arthur Rodarte</i>	
<i>Bernie Torres</i>	
<i>David Torres</i>	
<i>Luisa Valerio-Mylet</i>	
<i>Sylvia Vigil</i>	

Also present, were Luis A. Reyes, Jr., Chief Executive Officer, Carmella Suazo, Assistant Manager, Richard Martinez, Chief Operations Officer, Michael Santistevan, Public Relations Coordinator and Brianna Trujillo, Executive Secretary who recorded the day's proceedings.

It was declared a quorum was present. *Quorum*

Mr. Dimas led the Board in reciting the Pledge of Allegiance. *Pledge of Allegiance*

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

Mrs. Carmella Suazo, Notary Public, administered an Oath of Office to Mr. Manuel Medina and Mr. David Torres, re-elected Trustees for District 1, and Mr. Bobby Ortega and Mr. Bernie Torres, re-elected Trustees for District 2. *Oath of Office*

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 minutes for the Board of Trustees regular Meeting, held May 30, 2023, were presented. Ms. Sylvia Vigil requested that the minutes be corrected to reflect that Mr. D. Torres left the meeting at approximately 10:00 a.m. and was not present at the time of adjournment. It was moved by Mr. Jassmann, seconded by Mr. Medina, and unanimously approved that the minutes for May 30, 2023, *Minutes May 30, 2023, Regular Meeting*

be approved as amended.

Mr. Kellen Garrison, Certified Public Accountant for Eide Review & Baily, presented the 2022 Audit Report, as of December Approve 2022 31, 2022, and 2021. The 2022 Audit presentation had been Audit Report emailed to Trustees. Mr. John Shafto, Chief Financial & Approve Officer was on vacation and was not present at the Resolution No. meeting. Mr. Rodarte asked how many hours were 3-6-23 - Audit required to complete the 2022 Audit. Mr. Garrison reported that the 2022 Audit required about 300 hours to complete. KCEC financial statements were in conformity with accounting principles generally accepted in the United States of America. KCEC had adopted the provisions of FASB Accounting Standards Codification Topic 842, Leases, as of January 1, 2022. Mr. Garrison summarized the Auditor's Report and Financial Statements for KCEC and subsidiaries. Mr. Ortega asked if KCEC had received any reimbursement for the 2021 – 2022 Snow Squall. Mr. Reyes explained that KCEC had to re-submit all data required for reimbursement to the new agent for the US Department of Homeland Security. Mr. Ortega suggested that KCEC inquire about the reimbursement when a meeting is scheduled with Governor Michelle Lujan-Grisham to discuss The Village of Questa's Green Hydrogen Project. The Angel Fire Solar Facility LLC and Taos Mesa Solar Facility LLC were discussed. Mr. Ortega asked how Kit Carson Internet's (KCI) income could be used to support future projects or rate stabilization. Mr. Garrison stated that KCI had been successful with the support of KCEC members, and the profit from KCI could be used to fund KCEC capital credit allocations/retirements. Mr. Medina recommended rate stabilization instead of retiring capital credits. Mr. Garrison summarized Cash Flows, he reported KCEC had \$9.5 million through Operating Activities and \$10 million in investments, the overall change in Cash in 2022 was \$1 million. Mr. Garrison reviewed the changes relative to FASB Accounting Standards Codification Topic 842, Leases, which was adopted as of January 1, 2022. Discussion was held on how KCEC relates to other Cooperatives regarding past due accounts. Mr. Reyes explained that KCEC was regulated and could not disconnect past due accounts if the consumer had a complaint filed with the NM Public Regulation Commission (PRC). Mr. Garrison reported that some Cooperatives were not regulated, based on the State and area. Discussion was held regarding past due accounts and strategies to help KCEC collect unpaid balances. Mr. Garrison reviewed Required Governance Communications, he reported a total of 9 corrected misstatements for the year, 4 adjustments for KCEC and 5 adjustments for KCP. Mr. Garrison reported there were 4 uncorrected misstatements for KCEC, due to credit balances within work orders to a liability account,

miscalculation of finance lease liabilities, unrecorded leases and under depreciation of assets. There were 2 uncorrected misstatements for KCP, due to unrecorded leases and income tax provision. Mr. Garrison reviewed Internal Controls. He reported deficiencies in detecting and correcting misstatements on a timely basis this year. He reported deficiencies in the preparation of Financial Statements and lack of proper segregation of duties, re-occurring from last year. Mr. B. Torres asked how the re-occurring deficiencies could be addressed and stated that KCEC's Finance Department was doing a great job. Mr. Garrison reported that many companies like KCEC are not large enough to perfectly prepare financial statements and correct every misstatement, he explained that KCEC would have to invest in expanding staff to mediate these deficiencies. Mr. Garrison reviewed the US Department of Agriculture, Rural Utilities Service (RUS) Compliance Letter. Mr. Reyes reported that the Audit was a consolidated audit which included KCEC, KCI and KCP, he explained that KCEC would work with Auditors and RUS to develop a report for KCEC only to proceed with grant applications for Green Hydrogen and Battery Storage projects. Mr. D. Torres thanked Mr. Garrison for the presentation and summaries of subsidiaries. It was moved by Mrs. Valerio-Mylet, seconded by Mr. Duran, and unanimously approved to accept the 2022 Audit as presented and Resolution No. 3-6-23 as follows:

BE IT RESOLVED that the Audit Report for the year ending December 31, 2022, as prepared by Eide Bailly, Certified Public Accountants, be accepted in the form presented.

The President called for Executive Session, to discuss Board of Trustee relations. It was moved by Mrs. Valerio-Mylet, seconded by Mr. Medina, and unanimously approved that the Board enter Executive Session at 10:10 a.m. *Executive Session*

The Meeting was reconvened by the order of the President at 11:24 a.m., no action was taken during Executive Session. Mr. Manuel Medina left the meeting after Executive Session.

Mr. Reyes presented the CEO report for May 2023. Mr. Reyes reported \$4.6 million in margins, year to date, versus \$3.2 last year. He reported KCEC had a decrease in revenue due to less power sales. He reported that KCI and KCP continue to do well, KCP sales have decreased due to warmer weather during the summer months. He reported cost of power was 41% of KCEC's total expense, compared to 75% in 2015 before KCEC partnered with Guzman Energy. KCEC cost of power is at \$0.056 cents, compared to other Cooperatives at \$0.073 cents. Mr. *CEO Report*

Reyes reported the biggest struggle is building load in the summer months, he stated that EVs may help load. He reported that \$5.9 million in margins was the highest that KCEC had made in its history. Mr. Reyes explained that these financial statements are for electric only, growth in cannabis accounts were not long-term solutions, electrification in different forms would help increase load. Ms. Vigil asked how much people would pay to use EV charging stations and whether the property/business owners where the charging stations were placed would be paid a percentage of the profit or receive discounted rates to use the charger. Mr. Reyes reported that retail prices for EV charging were at \$0.35 - \$0.45 cents, depending on whether station was a slow-charging or fast-charging station. He stated that businesses were not paid to have charging stations at their location, the chargers serve as another form of advertising to appeal to EV customers. Ms. Vigil asked if the Ojo Sarco Fire Department could be considered for an EV Charging station location, since it was part of Rio Arriba County and off the main highway. Mr. Reyes explained that the Ojo Sarco Fire Department and Community Center were locations of interest for an EV fast-charging station. Discussion was held regarding EV charging stations and the requirements/factors for choosing the location of the charging stations. Mr. Reyes reported that KCEC was closing on the Angel Fire Solar Facility. Discussion was held on battery capacity and the sale of excess power through Guzman. Mr. Reyes reported that upon closing, Angel Fire Energy Solar Facility LLC would benefit from a 40% Investment Tax Credit and a discount on the interest rate with CoBank. He also reported that KCEC would receive an offer sheet for Amalia Solar that week. Mr. Ortega stated Rio Costilla Cooperative Livestock Association (RCCLA)'s Finance Officer requested an update regarding the Amalia Solar expansion. Mr. Reyes stated that the Purchase Power Agreement was completed and negotiations for the cost of the land and term sheet were in progress and that RCCLA would be notified once finalized. A ribbon-cutting ceremony has not been scheduled for Angel Fire Solar Facility. Mr. Reyes reported that public meetings regarding the Green Hydrogen Project in Questa were scheduled for August 17, 2023, at 6:00 p.m. in Questa and August 19, 2023, at 10:00 a.m. in Taos. Zoom links for public meetings will be available. The National Renewable Energy Laboratory (NREL) had received a grant from the US Department of Energy (DOE) to facilitate these public meetings which are an essential part of the Feasibility Study. He explained that KCEC would be present at the meetings to offer technical support. KCEC included a brief survey in KCEC's July's Newsletter. Mr. Reyes stated that the 115 kV Transmission Line Project was moving slowly, due to the limitations of new infrastructure on protected lands. BLM was reviewing rules to cross national

monuments. Mr. Reyes reported that Congressional funding of the Green Hydrogen project was also in progress. Mr. D. Torres reported that the Safety Committee met June 9, 2023. He reported that there were no vehicle accidents for the month of May, there was one near-miss accident reported when an employee was unloading poles at a job site. The Cooperative was at 15 days of no lost time accidents. He reported that another safety standdown would be scheduled, for office employees to inspect vehicles for safety. It was moved by Mr. Rodarte, seconded by Mr. Jassmann, and unanimously approved that the CEO report for May 2023 be approved as presented. A copy of the CEO report was included in the Transfer of Documents and is hereby made a part of the minutes of this meeting.

The President reported requests had been received from Estates in the amount of \$12,255.17. It was moved by Mr. Jassmann, seconded by Mr. D. Torres, and unanimously approved that those payments be made to Estates. Mr. D. Torres asked if year-end capital credit balances could be reported to members. Mr. Reyes explained that in 2022 the KCEC Audit which was just approved reflected a margin; therefore, an allocation could be prepared. When margins are negative allocations can't be made.

Capital Credits
to Estates

Mr. Reyes suggested changing the date of the July Board Meeting to either Friday, July 28, 2023, or Monday, July 31, 2023; since CoBank's Director's Conference was scheduled during the regularly scheduled date. It was moved by Mr. B. Torres, seconded by Mr. Dimas, and unanimously approved that the Board Work Session be held Friday, July 28, 2023, and the July Board Meeting be held on Monday, July 31, 2023.

Date Change
for July Board
Meeting

The President announced the Committee Appointments for 2023/2024 as follows:

Committee
Appointments

Mr. Coyle would be added to the Broadband Committee and Mr. Duran would be added to the Bylaw and Policy Committee; all other Committee appointments remain the same.

Mr. Jassmann reported the Payables Committee met on June 12, 2023. Mr. Jassmann recommended approval. It was moved by Mr. Rodarte, seconded by Mr. Dimas, and unanimously approved that Payables for May be approved as presented.

Payables
Committee

Mr. Reyes reported that the Broadband Committee met on June 21, 2023. An Executive Summary was emailed to Trustees. He reported that Kit Carson Internet (KCI) had reached 12,250 customers and should reach 13,000 by the end of 2023 and had made an offer for a new Marketing

Broadband
Committee

Position. Mr. Reyes reported \$2 million dollars in margins for KCI, about the same or more than last year. Mr. Reyes reported that KCI had experienced an internet outage the day before, crews handled the outage successfully and customers were back online that same day. Mr. Rodarte asked whether KCEC could proceed with the Broadband expansion project if Jemez Mountain Electric Cooperative (JMEC) would not approve a Pole Attachment Agreement. Mr. Reyes explained that KCEC would continue to work with JMEC, as advised by the Administrator for RUS. JMEC members requesting fiber optic service in the proposed area might encourage JMEC to execute an agreement.

Mr. Rodarte reported the Solar Committee met June 12, 2023. Mr. Reyes reported that KCEC was 6 months ahead of schedule regarding the sale of excess power. Currently excess power is sold to Delta Montrose in Raton, NM, through Guzman Energy, KCEC and Guzman were currently finalizing a formal contract to sell excess power. Mr. Reyes reported that the Feasibility Study for Taos Pueblo's 5MW Solar Project was almost complete; like Picuris Pueblo, Taos Pueblo tribe members would benefit from a credit on their bill. Picuris Pueblo members currently receive a \$50.00 credit in the summer months and a \$75 credit during the winter months. Mr. Reyes reported a term sheet for the Amalia Solar Expansion Project still had to be finalized and that KCEC owns or controlled about 60MW of generation. Mr. Reyes reported that KCEC would engage NREL to conduct a Feasibility Study regarding a Biomass Project from dead and down trees in El Rito, NM and other rural areas within KCEC's territory.

Solar
Committee

Mr. D. Torres reported that the Bylaw and Policy Committee met June 16, 2023. He reported the Committee had reviewed eight new KCEC Cybersecurity Policies: No. 2.33 Cybersecurity, No. 2.34 Network Security, No. 2.35 Acceptable Network Use, No. 2.36 Email, No. 2.37 Network Access, No. 2.38 Backup, No. 2.39 Data Disposal and No. 2.40 Guest Access. Mr. D. Torres reported that the Committee had recommended that the new KCEC Cybersecurity policies be approved as presented. Discussion was held regarding the importance of cybersecurity and the Cooperative's advancement in the matter. It was moved by Mr. Jassmann, seconded by Mr. Duran, and unanimously approved that KCEC Cybersecurity No. 2.33 Cybersecurity, No. 2.34 Network Security, No. 2.35 Acceptable Network Use, No. 2.36 Email, No. 2.37 Network Access, No. 2.38 Backup, No. 2.39 Data Disposal and No. 2.40 Guest Access be approved as presented.

Bylaw & Policy
Committee

Mrs. Valerio-Mylet reported that the Public Relations Committee met June 5, 2023. She reported that the Committee had prepared for KCEC's 2023 Annual Meeting. Senator Roberto "Bobby" Gonzales and Representative Kristina Ortez were recognized, KCEC Members enjoyed the Mariachi music during registration, KCEC received kudos from Members in attendance. Mrs. Mylet stated the Committee would discuss ways to encourage younger generations to attend future annual meetings. Mr. B. Torres recommended that the recognition of KCEC's sponsors be presented better at future meetings. Mr. Ortega agreed and suggested that KCEC recognize sponsors on KCEC's newsletter and social media outlets. Mr. Ortega also recommended that the Committee discuss the possibility of recording live testimonials in the future, like that of Maye Montoya, who requested to speak at the Annual Meeting and thanked KCEC for the scholarship awarded to her this year.

Public Relations

Mr. Ortega asked how Kit Carson Propane (KCP) customer appreciation events had turned out. Mr. Reyes reported that all customer appreciation events were successful. He added that a limitation on the number of bottles may need to be implemented for future events, this caused inconvenient wait times for other customers in line. Mr. Ortega reported that he attended the KCP customer appreciation event in Questa, NM on June 22, 2023. He recommended that KCP implement a rate difference for KCP customers versus non-customers. Mr. Rodarte reported that KCP customers would also appreciate the upcoming July Special of \$2.25 per gallon. Mr. Ortega also recommended that KCP organize bottle recertification process upon customers' arrival at future appreciation events, instead of at the tank. He explained that some customers were informed that their bottles could not be reused after waiting in line.


Board member concerns

There being no further business to come before the Board, it was moved by Mr. Duran, seconded by Ms. Vigil, and unanimously approved, that the Board of Trustees of Kit Carson Electric Cooperative, Inc. be adjourned until July 31, 2023, 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 12:37 p.m. The following Trustees were present at the end of the meeting:

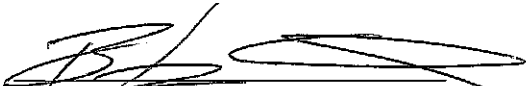
Meeting Adjourned

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

KCEC Meeting of The Board of Trustees, June 27, 2023


Secretary

Approved this 31ST day of JULY 2023.


President