

KIT CARSON ELECTRIC COOPERATIVE, INC.

MEETING OF THE BOARD OF TRUSTEES

June 25, 2024

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 25, 2024, 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:

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<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>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, John Shafto, Chief Financial Officer, Michael Santistevan, Public Relations Coordinator, and Brianna Trujillo, Executive Secretary who recorded the day's proceedings. The President reported that Mr. Bernie Torres would not be attending.

It was declared a quorum was present.

Quorum

Mr. Coyle 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. Rodarte, seconded by Mr. Medina, and unanimously approved that the agenda be approved as presented.

Agenda

Mr. Medina requested a separate motion for approval of the Minutes for May 28, 2024, regular Meeting and the Minutes for June 15, 2024, reorganization Meeting. The minutes for the Board of Trustees regular Meeting, held May 28, 2024, were presented. It was moved by Mr. Medina, seconded by Mrs. Valerio-Mylet, and unanimously approved that the minutes for May 28, 2024, be approved as presented. The minutes for the Board of Trustees reorganization Meeting, held June 15, 2024, were presented. It was moved by Mr. Duran, seconded by Mr. Rodarte and unanimously approved that the minutes for June 15, 2024, be approved as presented.

Minutes for May 28, 2024, Regular Meeting & June 15, 2024, Reorganization Meeting

The President welcomed Mr. Kellan Garrison, Partner, Eide Bailley LLP. Mr. Garrison provided a presentation of Eide Bailley's 2023 Auditor's Report. Mr. Garrison explained that KCEC Plant was the biggest asset and was an area that required more time to complete. Mr. Rodarte asked if KCEC was required to share the Auditor's Report with lenders. Mr. Garrison explained that Eide Bailley provides a report to USDA's Rural Utilities Service (RUS), Mr. Reyes added that KCEC would provide the Audit Report to lenders and potential partners if requested. Mr. Garrison reported that the difference in Long-Term Assets and Liabilities for 2023 versus 2022 were due to the completion of Solar projects in 2023 that were still under construction in 2022. Discussion was held on Gross Receipt Tax on property and vehicle leases. Mr. Ortega asked how many agents were involved in the audit and whether the Audit was completed onsite. Mr. Garrison reported that the Audit team included one Manager, one Senior Accountant, two Associate Accountants and himself. He reported that the Manager did not come to Taos, but Mr. Garrison and the others spent a week onsite at the end of March 2024 and worked remotely for another week. Mr. Garrison reported that the decrease in Operating Expenses for 2023 was due to KCEC's Tri-State Exit Fee payoff in 2022, reflected in Amortization Expense. He added that the difference in Subsidiary Earnings included Solar expenses as well as Net Income Increases for Propane and Internet in 2023. Mr. Ortega asked how KCEC could measure Internet performance and growth compared to other Companies within the industry. Mr. Garrison explained that KCEC would need to compare KCI performance to a company that offers the same services; however, Cooperative Finance Corporation's (CFC) Key Ratio Trend Analysis (KRTA) could be used as a benchmark. Mr. Garrison reported increase of Cash Flows in 2023 versus 2022 were due to lower Line of Credit and an increase in Cash Flows from Operating Activities. Mr. Medina asked Mr. Garrison to elaborate on Allowance for Credit Losses. Mr. Garrison explained that when estimated receivables were identified as uncollectable, it would be required to change accounts receivable on the balance sheet. Mr. Rodarte asked if Eide Bailley provided ratios for the Cooperative, Mr. Garrison reported that Eide Bailley does not provide ratios in the Audit Report. Mr. Reyes explained that Mr. Shafto provided performance ratios in the monthly financial statements, he added that KCEC was unique within the Industry, offering Broadband, Propane and Solar; it was difficult to compare KCEC to other Cooperatives. Mr. Reyes commended Mr. Shafto and the accounting team for their dedication and ability to manage the financial needs of such a complex Cooperative. Mr. Ortega thanked Mr. Shafto and the accounting team for their hard work and stated that it was important to work toward improving staff shortages. Mr.

Coyle asked if the Cooperative's current financial stability would support a rate increase. Mr. Reyes explained that the audit report being reviewed was based on consolidated financials for five companies (KCEC, KCI, KCP, Taos Mesa LLC and Angel Fire LLC); however, financial reports and Cooperative needs would be vetted at the time a rate increase was considered. Discussion was held on cost increases for various goods and services that were being absorbed by KCEC. The 2023 Audit Report still required a second partner to review; therefore, approval would be presented at a later date.

Mr. Reyes presented the CEO report for May 2024. He reported that maintenance expenses had increased due to fire mitigation efforts. Discussion was held regarding the South Fork and Salt fires in Ruidoso, NM. Mr. Rodarte asked if differences in insurance costs and coverage for the Cooperative could be provided at the next Board Meeting. Mr. Reyes explained that homeowners were facing finance and insurance challenges due to wildfire risk, he stated KCEC's fire mitigation efforts could help Members. Mr. Reyes reported that KCEC Members were notified that the Operations Department would place protective devices on non-reclose in forested areas, which may cause frequent and prolonged power interruptions since the protocol would be to patrol the affected area before restoring power. KCEC also notified Members to report whether they required Electric and/or Internet service for medical purposes. Mr. Reyes reported that he would meet with Taos County and the Town of Red River to discuss fire mitigation updates and determine how to work together to prevent wildfires. Mr. Reyes reported that emergency power shut offs would be considered according to weather conditions and forecasts during peak fire seasons in high-risk areas. Mr. Coyle recommended that immediate notice of these emergency shut offs be provided to Members, considering prolonged response times in those high-risk areas. Mr. Santistevan explained that text and email notifications would go out to KCEC Members who provide their cell phone number and email address for these notifications. Mr. Reyes reported that Upper Red River, Cabresto Canyon, Taos Canyon, Valle Escondido, Elizabeth Town, Iron Mountain, Idlewild, Lakeview Pines, Black Lake, Vadito eastward to the Mora county line, El Valle, Ojo Sarco, Vallecitos, Canon Plaza, Petaca, Las Tablas, San Antonio Mountain and Los Pinos were areas of focus. He added that KCEC's Microgrid project would begin next year. Mr. Rodarte asked if KCEC had identified the number of consumers that would be affected in these specific areas. Mr. Reyes reported that KCEC was gathering the number of Members affected and would provide that information to the Board. Mr. Reyes reported KCEC must maintain adequate inventory for maintaining the current electrical system and for unforeseen and future events during the

CEO Report

year. He reported that KCEC was prioritizing and releasing work orders based on safety, reliability, material availability and supply chain projections. Mr. Coyle asked if increasing inventory would offset future price increases. Mr. Reyes reported that KCEC would consult Mr. Robert Romero, Lobbyist, regarding the New Mexico Public Regulation Commission (PRC) jurisdiction to review rates proposed by rural electric cooperatives before those rates take effect and discuss how this power and jurisdiction could be granted to the rural electric cooperative's Board of Trustees. Mr. Reyes reported that KCEC would continue to focus on upgrades to the system to support resiliency, investment in plant assets, and fire mitigation. Mr. D. Torres reported that the Safety Committee met June 10, 2024, there were no vehicle accidents, near misses, or lost time accidents for the month of May; the Cooperative had 130 days without a lost time accident.

Mr. Medina left the meeting at approximately 10:21 a.m.

There was one reported accident where an employee was setting a ground rod with a sledgehammer, when his hand was pinched between them; the employee needed stitches but returned to work the next day. The Committee discussed proper tools for driving ground rods, which would be purchased. Mr. D. Torres reported that a KCI employee rescued a skunk that was found in the parking lot with its head stuck in a jar. Mr. Dimas asked if the injured employee was wearing gloves. Mr. Martinez reported that the employee was wearing leather gloves, however the force of the hammer still caused an injury to his hand. It was moved by Mr. Duran, seconded by Mr. Dimas, and unanimously approved that the CEO report for May 2024 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 \$12,322.27. It was moved by Mr. Rodarte, seconded by Mr. Jassmann, and unanimously approved that those payments be made to Estates. Capital Credits to Estates

Mr. Jassmann reported the Payables Committee met on June 10, 2024. Mr. Jassmann recommended approval. Discussion was held on the purchase of nitrogen tanks. It was moved by Mr. Rodarte, seconded by Mr. Coyle, and unanimously approved that Payables for May 2024 be approved as presented. The President stated Committee Assignments would be announced at the July Board meeting. Payables Committee

The President reported that the Green Hydrogen Committee met on June 11, 2024. Mr. Reyes reported that The U.S. Department of Agriculture had not provided grant Green Hydrogen Committee

award notification, it was nine months past the deadline to provide notice. KCEC was looking at alternative financing and there were many companies interested in potential partnership. Mr. Reyes reported that he met with Guzman Energy and another company in Denver, CO on June 24, 2024, regarding the Green Hydrogen Project.

Mr. Reyes reported that the Broadband Committee met on June 21, 2024. He reported that Kit Carson Internet (KCI) continues to grow in subscribers, was fully staffed, and new service connections were completed between 7 to 14 days. Mr. Reyes reported that Picuris Pueblo was interested in providing wireless internet service in the Penasco area; he met with Governor Craig Quanchello and stated that KCEC would challenge this attempt. Mr. Reyes reported that he was in contact with Mr. Joseph Sanchez, Manager, Jemez Mountain Electric Cooperative, who continues to meet with their Broadband Committee to discuss partnership with KCEC for broadband expansion.

*Broadband
Committee*

Mr. Rodarte reported the Solar Committee met June 7, 2024. KCEC has installed 48 EV chargers in the service territory and would install 10 additional fast-charging stations. Mr. Reyes reported that each charger cost approximately \$100 thousand and required three-phase power. He reported that the Amalia II Solar project was in progress, pending rural addressing with Taos County Planning and Zoning. The Taos Pueblo Solar project was pending full Tribal approval, Mr. Reyes reported that Taos Pueblo was working toward other new construction projects also. Mr. Reyes reported that he was discussing opportunities to sell power to the Los Alamos County Department of Public Utilities, who provides wholesale electric services to the Los Alamos National Laboratory (LANL). Mr. Rodarte asked what would be required for KCEC and JMEC to establish a partnership to build solar. Mr. Reyes explained that JMEC would need to work within their contract with Tri-State Generation and Transmission Association, KCEC would consider the benefits for KCEC Members.

*Solar
Committee*

Mr. D. Torres reported that the Bylaw & Policy Committee did not meet in June 2024.

*Bylaw & Policy
Committee*

Mrs. Valerio-Mylet reported that the Public Relations Committee met on June 5, 2024. She reported that the Committee worked with KCEC staff to prepare for the 2024 Annual Meeting which was a great success. Mr. Rodarte stated that the Public Relations Committee was doing a great job engaging the community. Mrs. Valerio-Mylet praised the Committee, Mr. Santistevan and other KCEC staff and employees for their work, she thanked the President for establishing the Committee. She thanked the Trustees that had completed video interviews, which were

*Public
Relations
Committee*

displayed at the Annual Meeting, and encouraged the others to also schedule a video interview.

Mr. Rodarte asked if there were any Legislative Interim Committee meetings scheduled in the KCEC territory. Mr. Reyes reported that he was monitoring the tentative Calendar, there may be opportunities for KCEC to participate in meetings scheduled in Questa or Red River in August 2024, regarding Green Hydrogen. Mr. Rodarte reported that KCEC staff expressed concern for the condition of the KCEC headquarters building at the work session, he asked if KCEC would consider building new office space or upgrades. Mr. Reyes explained that the required maintenance and repairs have been completed when necessary to keep the building safe and functional. He stated plant supplies and equipment should be a priority, remodeling of the building could be considered. Discussion was held. Mr. Coyle asked if KCP would consider hosting a customer appreciation event for the District 5 area and whether notice of the customer appreciation events could be sent by text or email. Mr. Reyes reported that he would present this recommendation to the KCP Board, as there was potential for growth in District 5 area. Ms. Vigil reported that she might attend the Mora San Miguel Annual Meeting, scheduled for Saturday, June 29, 2024.

Board Member
Concerns

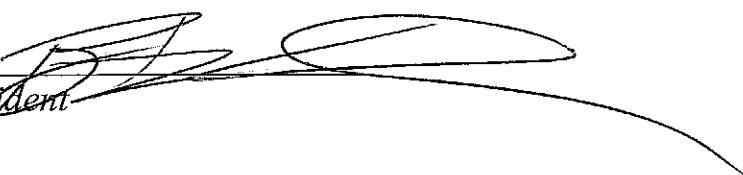
There being no further business to come before the Board, it was moved by Mr. Duran, seconded by Mr. Coyle, and unanimously approved, that the Board of Trustees of Kit Carson Electric Cooperative, Inc. be adjourned until July 30, 2024, at 9:00 a.m. the date and time of the next Board meeting. Unless changed and, thereupon, the President declared the meeting adjourned at 11:01 a.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, David Torres, Luisa Valerio-Mylet, and Sylvia Vigil


Secretary

Approved this 30TH day of JULY 2024.


President