

KIT CARSON ELECTRIC COOPERATIVE, INC.
MEETING OF THE BOARD OF TRUSTEES

April 28, 2025

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 Monday, April 28, 2025, at 9:06 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>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, John Shafto, Chief Financial Officer, Richard Martinez, Chief Operations Officer, Cletus Stoflet, Accounting Manager, Michael Santistevan, Public Relations Coordinator, and Brianna Trujillo, Executive Secretary who recorded the day's proceedings. The President stated that Mr. Manuel Medina was running late but would be attending.

<i>It was declared a quorum was present.</i>	<i>Quorum</i>
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<i>Ms. Vigil led the Board in reciting the Pledge of Allegiance.</i>	<i>Pledge of Allegiance</i>
<i>Mrs. Valerio-Mylet led the Board in a word of Prayer.</i>	<i>Prayer</i>

<i>The agenda was presented. The President recommended that item 9e. Review & Approve Resolution No. 4-4-25 - Lineberry Foundation Property Purchase, be discussed during executive session. Mr. Reyes recommended that item 9b. Review & Approve Resolution No. 3-4-25 - Final 2024 Audit Report be discussed before the CEO Report. The President reported that Mr. David Fernandez was present and requested to address the Board, the President recommended that Mr. Fernandez' presentation be added to the agenda as item 8, before the Final 2024 Audit Report. It was moved by Mr. Dimas, seconded by Mrs. Valerio-Mylet, and unanimously approved that the agenda be approved as amended.</i>	<i>Agenda</i>
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<i>The minutes for the Board of Trustees regular Meeting, held March 25, 2025, were presented. It was moved by Mr.</i>	<i>Minutes</i>
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Rodarte, seconded by Mr. Jassmann, and unanimously approved that the minutes for March 25, 2025, be approved as presented.

The President welcomed Mr. David Fernandez, President, The Northern Río Grande National Heritage Area (NRGNHA). Mr. Fernandez reported that NRGNHA was a cultural advocacy organization that covers Taos, Rio Arriba and Santa Fe Counties. NRGNHA works to conserve cultural and natural heritage of Northern New Mexico. Mr. Fernandez distributed a hard copy of Land Water People Time Magazine to the Board and explained that the annual magazine has been printed for the last nine years. Mr. Fernandez stated that he was interested in writing a story in the next edition of the magazine about the history of KCEC and the impact that KCEC has had on the Northern New Mexico communities. He reported that NRGNHA was federally funded through the National Park Service and needed funding for the magazine printing and distribution costs, approximately \$7,500.00; he asked if KCEC had programs available to consider a request for donations. The President reported that KCEC had programs available to contribute to organizations working toward community projects; he recommended that Mr. Fernandez meet with Mr. Reyes to discuss NRGNHA's needs and project details. The President stated he was in support of NRGNHA's work to preserve the culture and heritage of Northern New Mexico and asked when the magazine would be printed. Mr. Fernandez reported that the magazine would be printed in late August or early September.

David Fernandez, Northern Río Grande National Heritage Area

Mr. Manuel Medina arrived at the Meeting at approximately 9:17 a.m.

The President welcomed Mr. Kellan Garrison, Partner, Eide Bailley LLP. Mr. Garrison provided a presentation of Eide Bailly's 2024 Independent Auditor's Report. Mr. Garrison summarized financial information; he reported an increase in Electric Operating Revenues in the amount of \$2,684,924 that was offset by an increase in Operating Expenses in the amount of \$2,683,428.00. Mr. Garrison reported an overall Net Margin of \$6,108,140 for 2024, compared to \$6,197,317 in 2023. Mr. D. Torres asked about the increase in Interest on Long-term Debt; Mr. Garrison explained that contributing factors to that increase were a true-up from 2023 that flowed into 2024, and higher interest costs. Mr. Garrison summarized the Statement of Operations with Solar Reclass, he reported that Operating Expenses were adjusted to include solar expenses as a component of cost of power and transmission instead of being included in subsidiary earnings. The President requested that the schedule of Lease Payments be provided for his review. Mr. Garrison summarized Governance Communications, including significant risks, corrected misstatements and

Resolution No. 3-4-25 - Final 2024 Audit Report

uncorrected misstatements. The President asked what caused uncorrected misstatements, Mr. Garrison explained that timing issues caused uncorrected issues which haven't been adjusted. Mr. Garrison summarized the Internal Controls report, including deficiencies in preparation of financial statements and lack of proper segregation of duties. Mr. Reyes explained that KCEC financials were solid, the Taos and Angel Fire Solar Arrays tie into leases for 2024, and that Solar was in PPAs and captured through the fuel adjustment. Mr. Reyes stated that KCEC had a small accounting team, and new hires would be considered with new projects. He commended John, Cletus and Accounting staff. He added that transmission costs were increasing. Mr. Medina asked Mr. Garrison if there was a specific area that he felt KCEC needed to improve on. Mr. Garrison stated that there weren't any additional areas of concern other than the significant deficiencies reported in the Audit, he added that KCEC was a complex Cooperative with a small accounting team. Mr. Ortega asked Mr. Garrison if he had identified any Operational Deficiencies related to financing. Mr. Garrison stated there were no significant deficiencies related to financing, and that KCEC benefitted from Cooperative rates with lenders, he recommended that KCEC take advantage of that. Mr. Rodarte asked about the 85/15 rule. Mr. Reyes reported that KCEC should not defer projects due to the 85/15 rule. Mr. Garrison explained that KCEC had passed the income test and there were no concerns regarding the tax regulation this year; if the Cooperative failed the income test, taxes would increase for that year; however, patronage activities could be deducted the following year, and the Cooperative would revert to non-profit exempt status the following year. Mr. Coyle asked what would change in 2025 to increase revenue. Mr. Stoflet explained that there were less Propane sales in 2024 due to warmer weather during the winter months, if KCP increases margins KCP would increase revenue. Mr. Shafto stated that Mr. Stoflet's return had relieved the staffing shortage, he thanked the Board for their support. Discussion was held regarding Mr. Shafto's retirement and Mr. Stoflet's promotion to Chief Financial Officer effective today. The President presented Resolution No. 3-4-25 accepting the 2024 Audit Report as prepared by Eide Bailly, Certified Public Accountants. It was moved by Mr. Duran, seconded by Mrs. Valerio-Mylet and unanimously approved that Resolution No. 3-4-25 be approved as presented. A copy of the Resolution was included in the Transfer of Documents and is hereby made a part of the minutes of this meeting.

Mr. Reyes presented the CEO report for March 2025. He reported that KCEC was conducting a cost-of-service analysis to adjust rates, he stated that KCEC would need to be mindful of the impact to members. Mr. Reyes reported that KCEC wholesale cost of power was over \$0.06 in March 2025 and that the wholesale cost of power was \$0.08 when

CEO Report

KCEC exited with Tri-State Generation and Transmission Association, Inc. (Tri-State). He reported that Tri-State and Public Service Company of New Mexico (PNM) had formulary rates, Tri-State does not have distribution and was about \$0.02 higher than PNM. Mr. Reyes stated that 20% of Tri-State's load was from United Power, which Tri-State would lose next year in addition to 35% of the load that Tri-State already lost. Mr. Reyes reported that there were two recent fires, one in Grants and another in Socorro, NM. Mr. Shafro reported that T&D Services performed work order inspections for numerous KCEC work orders. Discussion was held regarding upcoming projects in KCEC's territory that have been approved and could increase load. Mr. Reyes reported that the cost of power was 42.5% of the member's bill and when KCEC was with Tri-State it was 75% of the member's bill. Mr. D. Torres reported that he was not able to attend the Safety Committee meeting on April 11, 2025, he deferred to Mr. Reyes to provide the Board with an update. Mr. Reyes reported that the Operations Safety Day training, held on April 3, 2025, was successful. He stated that Operations employees were skilled in many areas and that KCEC would determine additional training needed with feedback provided from employees. Safety Day for office employees was held on April 23, 2025; all KCEC offices were closed from 8:00 – 10:00 a.m. so that all inside employees could attend. Mr. Reyes stated that the Safety Committee discussed the importance of reporting near misses. He reported that National Rural Electric Cooperative Association (NRECA) Market Research conducted a confidential survey for employees, to gain a better understanding of the culture at KCEC, including corporate culture tied to safety. NRECA would follow up with on-site employee discussions in May 2025, with the goal of gaining additional insights into what is working well, not working well, and ideas for improvements. Mr. D. Torres reported that he noticed the new safety signs mounted inside and outside of the headquarters building to promote safety. Mr. D. Torres asked about the tool used for ground rod setting, which was related to a recent accident and a previous accident. Mr. Reyes explained that the new tool which was used did not work properly and that the Committee discussed other methods for setting these ground rods and alternative tools. It was moved by Mr. Duran, seconded by Mr. Medina, and unanimously approved that the CEO Report for March 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 Capital Estates in the amount of \$18,941.79. It was moved by Mr. Credits to Rodarte, seconded by Ms. Vigil, and unanimously approved Estates that those payments be made to Estates.

The President presented the Agreement Modifying Future Advance Promissory Note among KCEC, the Federal Financing Bank (FFB) and the Rural Utilities Service (RUS). The Agreement was to execute a one-year extension of the Advance Period for the “AW8” Loan. It was moved by Mr. Rodarte, seconded by Mr. Duran, and unanimously approved that the Agreement Modifying Future Advance Promissory Note for the “AW8” Loan be approved as presented.

*Agreement
Modifying
Future
Advance
Promissory
Note*

Mr. Reyes reported that the Amended and Restated Solar Generating and Battery Storage Power Purchase Agreement Between Shallow Basket Energy, LLC, Kit Carson Electric Cooperative, Inc., Guzman Energy LLC, and Guzman Amethyst had received administrative approval by RUS. Mr. Reyes explained that KCEC purchases power from Shallow Basket Energy LLC, and that KCEC sells power to Guzman Energy, he stated the Amended PPA was carefully vetted considering KCEC’s risk and that he recommended Board approval. It was moved by Mr. Duran, seconded by Mr. Medina, and unanimously approved that the Amended and Restated Solar Generating and Battery Storage Power Purchase Agreement Between Shallow Basket Energy, LLC, Kit Carson Electric Cooperative, Inc., Guzman Energy LLC, and Guzman Amethyst be approved as presented. The President requested that a roll call vote be taken. A Roll Call vote taken by Carmella Suazo, Assistant Manager (yes in favor, no against) was taken as follows:

*Amended
and Restated
Solar
Generating
and Battery
Storage PPA*

*Mr. D. Torres – Yes
Mr. Rodarte – Yes
Mr. Jassmann – Yes
Mrs. Valerio-Mylet – Yes
Mr. Duran – Yes
Mr. Ortega – Yes
Mr. Medina – Yes
Mr. Dimas – Yes
Ms. Vigil – Yes
Mr. Coyle – Yes*

Mr. Reyes reported that there were proposed amendments to KCEC By-Laws regarding Article I, Section 2, Joint Membership, Article II, Section 1, Annual Meeting, Article III, Section 2, Qualifications and Tenure, Article III, Section 3, Election of Trustees from Different Areas, and Article VII, Section 2, Patronage Capital. He reported that the proposed amendments were noticed for KCEC’s 2024 Annual Meeting but could not be acted upon due to the lack of a quorum. The proposed amendments would include the clean-up of language and include domestic partners who are not legally married to constitute a joint membership, and the terms “spouse” or “spouses” would include domestic partners. Mr. Reyes explained that there were no other requests from members for changes, it was recommended that KCEC

*Proposed
Bylaw
Changes*

present the proposed amendments to KCEC By-Laws at the 2025 Annual Meeting. It was moved by Mr. Medina, seconded by Mr. Duran, and unanimously approved that the proposed amendments to KCEC By-Laws regarding Article I, Section 2, Joint Membership, Article II, Section 1, Annual Meeting, Article III, Section 2, Qualifications and Tenure, Article III, Section 3, Election of Trustees from Different Areas, and Article VII, Section 2, Patronage Capital, noticed for KCEC’s 2024 Annual Meeting, be presented at the 2025 Annual Meeting.

<i>The President reported that the NRECA 2025 Director Election was scheduled to be held at the New Mexico Rural Electric Cooperative Association (NMRECA) Annual Meeting on May 14, 2025, in Albuquerque, NM. KCEC could vote for the NRECA Director representing the state of New Mexico. Mr. Reyes reported that David Spradlin, Springer Electric Cooperative, was currently the NRECA Director representing New Mexico and he was running for another term. Discussion was held about whether KCEC would participate in the election. It was the consensus of the Board that the appointment of voting delegate and alternate for NRECA 2025 Director election be tabled.</i>	<i>Voting Delegate & Alternate for 2025 NRECA Director Election</i>
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<i>Mr. Jassmann reported the Payables Committee met on April 14, 2025. Mr. Jassmann recommended approval. It was moved by Mr. Rodarte, seconded by Mr. Dimas, and unanimously approved that Payables for March 2025 be approved as presented.</i>	<i>Payables Committee</i>
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<i>Mr. Reyes reported that the KCEC Hydrogen Safety Assessment project was scheduled for June 16 - 18, 2025, in partnership with ENTRUST Solutions Group (EN). The project was supported by a grant from the United States Department of Energy (DOE). He reported that KCEC and EN would review and discuss the hydrogen safety assessment, focused on Questa, NM, Penasco, NM, and the Town of Taos on the first day, public listening and feedback sessions would be scheduled to address questions and suggestions from cooperative members and community leaders on the second day, then incorporate feedback into the safety plan on the third day to determine what more will be studied. Mr. Reyes reported that land and water concerns were close to being resolved, KCEC was in close contact with RUS and the project was moving forward. ENTRUST will be attending the 2025 Annual Meeting to respond to questions.</i>	<i>Green Hydrogen Committee</i>
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<i>Mr. Reyes reported that the Broadband Committee met April 25, 2025. He reported that Kit Carson Internet (KCI) had 14,600 subscribers and reported \$200,000.00 more in profits year to date compared to last year. Mr. Reyes asked the Board to encourage members to request new service while RDOF grant money was available. Mr. Reyes reported that</i>	<i>Broadband Committee</i>
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funding was no longer paused, battery backups were installed at broadband hubs to keep communications online in the event of a power outage, and that. KCI was working on system and service upgrades. Mr. Reyes reported that the Abiquiu project was pending environmental clearance, and that KCEC would consult CoBank regarding funding opportunities. Mr. Reyes reported that KCEC and Jemez Mountain Electric (JMEC) had an agreement regarding the Alcalde Broadband project, but the state was unsure about transferring grant funding from JMEC to KCEC, Mr. Reyes stated he was scheduled to meet with JMEC and the Cabinet Secretary of the Department of Information Technology (DoIT).

Mr. Rodarte reported that the Solar Committee did not meet in April 2025. He reported that the Amalia II Solar Groundbreaking Ceremony was held on April 22, 2025, and went very well. Mr. Reyes reported that the Amalia II project was the second largest array and would generate 8.75 MW of solar and 8.75 MW of battery storage, expanding KCEC’s capacity to approximately 51MW of daytime solar. He reported that a job fair would be scheduled in June and that locals were appreciative of the opportunity to be involved in the project. Mr. Rodarte asked if KCEC would consider installing more batteries into the system. Mr. Reyes reported that KCEC would identify areas in need of batteries, and that municipalities and government agencies may be eligible to receive grants to install batteries.

Solar
Committee

The Public Relations Committee was not scheduled to meet in April 2025.

Public
Relations
Committee

Mr. D. Torres reported that the Bylaw & Policy Committee did not meet in April 2025.

Bylaw &
Policy
Committee

Mr. Duran reported that the Bid Committee met on April 24, 2025. The Committee reviewed material bids for the Abiquiu Broadband project, from WESCO International, Western United Electric Supply, Border States Electric Supply, National Electric Supply and Greybar. The Committee recommended the bid from Greybar for \$1.484 million, which was not the lowest bid, but have presence in New Mexico. Mr. Reyes reported that the Committee also considered material cost subject to change in 2026 and decided to purchase all materials in 2025. It was moved by Mr. Medina, seconded by Ms. Vigil, and unanimously approved that KCEC accept the bid in the amount of \$1.484 million from Greybar.

Bid
Committee

Mr. Reyes reported that May would be very busy and reminded the Board of the 2025 Scholarship Recipient breakfast scheduled for May 15, 2025, at 8:30 a.m. Mr. Reyes reported that he would be speaking at the NM Energy Policy Symposium on May 7, 2025, in Espanola, NM. He

Other
Business

would also be presenting at the NM Public Regulation Commission (PRC) informational workshop on May 8, 2025, in Santa Fe, NM, regarding wildfire mitigation and utility preparedness.

Mr. Rodarte asked if a strategic session would be scheduled in 2025. The President stated that a strategic session would be scheduled in the fall. The President reported that the CEO Evaluation would be scheduled in June or July since May was a busy month.

Board
Member
Concerns

The President called for an Executive Session to discuss the Lineberry Foundation Property Purchase. It was moved by Ms. Vigil, seconded by Mr. Medina, and unanimously approved that the Board enter Executive Session at 11:00 a.m.

Executive
Session

The meeting was reconvened by the order of the President at 11:21 a.m. It was moved by Mr. Rodarte, seconded by Mr. Duran, and unanimously approved that Resolution No. 4-4-25 - Lineberry Foundation Property Purchase be approved as presented.

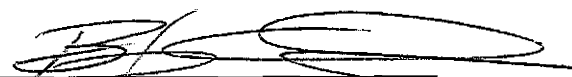
There being no further business to come before the Board, it was moved by Mr. Duran, seconded by Mr. Medina, and unanimously approved, that the Board of Trustees of Kit Carson Electric Cooperative, Inc. be adjourned until May 27, 2025, at 9:00 a.m. the date and time of the next Board meeting. Unless changed and, thereupon, the President declared the meeting adjourned at 11:22 a.m. The following Trustees were present at the end of the meeting:

Meeting
Adjourned

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


Secretary

Approved this 27TH day of MAY 2025.


President