

**MINUTES OF THE
JEMEZ MOUNTAINS ELECTRIC COOPERATIVE, INC.**

BOARD OF TRUSTEES

FRIDAY, DECEMBER 3, 2021

HERNANDEZ, NEW MEXICO

1. This meeting of the Jemez Mountains Electric Cooperative, Inc. Board of Trustees was called to order by Chairman Dennis Trujillo at 9:08 a.m. on the above-cited date, at the new JMEC Headquarters, 19365 S.R. 84/285, Hernandez, New Mexico.

2. & 3. Following the Pledge of Allegiance, John Ramon Vigil, Secretary, called roll and confirmed the presence of a quorum as follows:

Present:

Dennis Trujillo, President
Manuel Bustos, Vice President
John Ramon Vigil, Secretary
Dolores McCoy, Treasurer
Stanley Crawford, Asst. Secretary/Treasurer
Lucas J. Cordova
Elias Coriz
Bruce Duran
Marissa Maestas-Muller
Marcie Martinez

Absent:

Dennis Gallegos

JMEC Staff Present:

Michael Hastings, CEO and General Manager
Dennis Astley, Director of Engineering/Engineering Operations
Tina Trujillo Archuleta, Administrative Professional
Geraldine Romero, Manager of Accounting
Andrew Chavez, IT Manager

Others Present:

Katherine "Kitty" Leslie, Daniels Insurance
Josh Howard, Legal Counsel
Karen Farrell, Wordswork – stenographic services

4. APPROVAL OF THE AGENDA

GM Hastings noted that the agenda was revised with the addition of item 5, remarks from JMEC members, and deletion of item 6.d. regarding Tri-State-JMEC contract amendments.

ACTION: Mr. Cordova moved to approve the agenda. Mr. Crawford seconded and the motion passed by unanimous voice vote.

5. JMEC MEMBER COMMENTS – None were presented.

6. ACTION ITEMS

A. Review and Approve the October 29, 2021 Regular Board Meeting Minutes

ACTION: Mr. Vigil moved to approve the minutes as presented. Mr. Coriz seconded and the motion passed by unanimous voice vote.

B. Approval of the October 2021 Membership List

ACTION: Mrs. McCoy moved to approve the October 2021 membership list. Mr. Crawford seconded and the motion passed by unanimous voice vote.

C. Selection of JMEC Statewide Board Director

President Trujillo said JMEC will become a Statewide member on January 1, 2022 and needs to appoint a JMEC representative. Statewide holds monthly meetings in Santa Fe that the JMEC representative would be required to attend.

Trustees Crawford, Bustos and Martinez expressed an interest in serving.

Administrative Professional Trujillo Archuleta distributed ballots, legal counsel Howard counted the votes and announced that Mr. Bustos was elected by majority vote as follows: Mr. Bustos, 6 votes, Mr. Crawford, 2 votes and Ms. Martinez, 2 votes. Mr. Bustos was declared as the JMEC's 2022 Statewide representative.

D. 2022 Insurance Program Update

Katherine Leslie, Daniels Insurance, distributed an insurance overview that included coverage, limits, deductible amounts, renewal premiums and expiring premiums.

Ms. Leslie said when she developed the quote it was her understanding that the old building would be demolished. If the building were to be reused, because of its age it should be on a separate schedule. Any goods housed in the old building are part of the overall insurance as is anything within 1,000 feet of the Co-op's property. She emphasized that liabilities have skyrocketed during the pandemic but she was able to bring down the property insurance.

Mr. Duran said he was not aware of any change in plans to demolish the old building. He recommended putting that building on a builders risk policy in the interim.

GM Hastings said the new building was constructed with a certain number of employees in mind; however, since he began his tenure with JMEC it has become apparent that more employees are necessary to serve the membership. Additionally, there is a discussion about JMEC entering the broadband business which will require more employees to house. Remediation will need to occur on the old building whether it is torn down or not. He opined that retaining the old building was a better option than adding on to the new headquarters building. Temporary paper record storage could also be maintained at the old building as well as additional employees. Chair Trujillo recommended discussing the status of the old building after Ms. Leslie's presentation.

Ms. Leslie recommended the old building be insured on an actual cash value basis. The vast amount of the Co-op's premium is within general liability – the industry as a whole has a liability issue. Hartford picks up the first \$5 million as primary coverage and then there is an excess liability with \$20 million coverage. She said she planned on increasing that to around \$30 million. Regarding automobile coverage, JMEC has 70 relatively new trucks, six private passenger cars and 31 trailers. And while New Mexico has seen a 20 percent increase in auto insurance she was pleased with the premium she was able to secure and attributed it to the JMEC employees good driving record.

Ms. Leslie reviewed the excess liability which includes fire and auto as well as property losses. There is \$25 million in this group. The premium has increased as a result of utility-related fires. Obtaining insurance in this category is challenging and she noted that the new coverage is reduced by \$2 million and is costing more.

To retain wildfire coverage, the Co-op will be required to conduct scheduled pole inspections and replacements. GM Hastings said he and Mr. Astley discovered that the pole inspections conducted in 2016 revealed the need for replacement of transmission and distribution poles, cross-arms, and other equipment. Those items were budgeted and included in the four-year plan; however, over the last few years those replacements have not occurred and have been cut from the JMEC budget. For the size of this co-op, 150 to 200 poles should be replaced annually. Staff has developed a plan starting with a January 2022 pole inspection cycle and the issuance of an RFP for a contractor to conduct the inspections. Additionally, JMEC will start replacing poles identified in the previous study.

Chair Trujillo said the Co-op incurred a loss of \$1.8 million from the El Medio fire that they were unable to recover from insurance. On behalf of the Co-op, he sent a letter to the U.S. Forest Service requesting compensation but at this point there has been no response. Ms. Leslie said poles are too expensive to cover from a premium standpoint and while there may be an existing utility with pole coverage, she is unaware of them. She understood transformers and lines can be covered under the blanket coverage.

Ms. Leslie offered to investigate pole coverage based on \$1 million to \$1.8 million. She noted lines, substations, temporary generators, are all covered and added it was unfortunate the Governor did not declare the fire an emergency because FEMA would

have stepped in. Speaking from experience, GM Hastings said the cost of pole insurance is cost prohibitive.

Mr. Coriz recommended pursuing contact with US Forest Service. Mr. Cordova recalled that the U.S. Forest Service sent JMEC a bill regarding Las Conchas that was never paid.

Mr. Duran was disappointed that the insurance companies settle and pay out too quickly without discovery which affects future premiums.

Ms. Leslie offered to investigate wildfire insurance and member lawsuits. She noted that the second schedule of \$33 million of transformers and substations includes any damage/claim, not just wildfire.

Ms. Leslie continued with her review of crime, cyber, management liability and volunteer accident policy. The cyber/social engineering premium doubled. Although no coverage was lost, it is a \$10,000 deductible rather than \$5,000. GM Hastings outlined a cyber incident that occurred last summer and a cyber security firm that assisted in the situation. Ms. Leslie said a number of insurance companies rejected offering cyber protection because of the Co-op's previous claim. Rejecting firms provide an analysis supporting their rejection and she offered to send that out.

The Co-op has experienced a number of claims under its management liability and several are ongoing. The deductible is quite high.

The total premium for 2022 came in at \$622,596 the expiring premium was \$591,687. Ms. Leslie said bottom line, JMEC is up in premiums and down in coverage. She was pleased it was only a 5 percent increase. Requested materials will be sent to Ms. Trujillo Archuleta to forward to the trustees.

E. Approval: Statewide Self-Insurer's Workers' Comp Resolution for 2022

GM Hastings said Statewide's safety program is embedded with the Workers' Compensation Self-Insurance program. As members of Statewide, JMEC will be part of that program. Statewide requires a resolution attesting to participation in the program for 2022.

ACTION: Mr. Crawford moved to approve the resolution and Mr. Coriz seconded. [Action was postponed.]

A request to review the resolution was made and a copy was distributed.

GM Hastings said he has over 10 years of experience managing self-insurance workers' comp programs and JMEC's premium is very high at just under \$300,000. The reason is that the experience modifier for JMEC is very high. With a good claims history and not a lot of cost for the Worker's Comp program, .8 is a good number and the best he has seen is .72 which is excellent. JMEC's is 1.28, well above the default level of 1.00 and is the highest among the co-ops in Statewide's program. The 1.28 is based on JMEC's losses from 2018 through 2020, a three-year period. He mentioned that 2021 has been good

with few claims. With a .8 the Co-op would save over \$100,000 year. The past decision to leave Statewide and not participate in a safety program has cost JMEC. GM Hastings said JMEC is making progress by joining Statewide – Safety meetings, more employee training and a new safety committee have already been initiated at JMEC.

Chair Trujillo noted that Statewide is already stepping up to the plate and recently included JMEC in transformer training.

In regards to lobbying, Chair Trujillo said Statewide as well as Tri-State provide services. Mr. Vigil said it would be valuable to identify JMEC's legislative priorities and he added there is money for broadband that the Co-op may be able to take advantage of.

Statewide has estimated JMEC's dues at \$180,000 for 2022. A cost benefit analysis of joining Statewide will be shared with the Board when available.

The safety program includes 10 safety meetings per year led by a safety professional at each of JMEC's three locations as well as various training sessions throughout the year. JMEC's Jim Wiseman does provide a number of safety-related services for JMEC. GM Hastings said the safety and training budget had been reduced annually since 2017. Kudos were extended to the excellent job Mr. Wiseman has done for the Co-op.

Upon motion by Mr. Vigil and second by Ms. Maestas-Muller the Board recessed while a virtual connection was arranged with EnerVision.

F. Power Market Overview – EnerVision – Mary Ellen Cole

GM Hastings introduced EnerVision, the firm retained to analyze the wholesale electric market, how it relates to a partial buy-out of Tri-State, and purchase of power from a third party. He said Elaine Johns, EnerVision President/CEO, has assisted with studies for other co-ops he managed.

Mary Ellen Cole, EnerVision Principal, introduced Elaine Johns and Emily Faltemier who were on the call. Ms. Johns provided a history of the firm that is headquartered in Atlanta and said they work in over 35 states with over 150 clients. Ms. Cole stated she specializes in power supply and management consulting. Each of the consultants introduced themselves noting their extensive education and experience in the industry.

Ms. Johns discussed EnerVision and stated that their wheelhouse is power supply plans, analysis, solicitations and contract negotiations.

Ms. Cole provided a high level review of the wholesale power market, how data was collected and what it indicates for JMEC. The wholesale power market contains three basic forms: full requirement where the supplier provides 100 percent of the needs, i.e., what JMEC has with Tri-State; partial requirements where the supplier provides a specified portion of the need; and a structure transaction which could be a block of power over a specified number of hours. Wholesale sellers fall under FERC jurisdiction. Those not under FERC jurisdiction do not cross state lines. Generally, wholesale capacity

energy is sold separately from transmission. However, there are situations where the transmission is bundled with the wholesale power.

A market base rate is simply a price at which the product is offered within the market. Whatever rate the marketer chooses to sell the power at may or may not have a relationship between what it costs to produce that energy and what is being paid. The rates are pre-established via contract between the purchaser and seller. FERC has jurisdiction to ensure a wholesaler cannot control or affect general price availability. She identified the different groups within the wholesale market: RTOs (regional transmission operators) and ISOs (Independent System Operators), and how they coordinate the electric grid within their territory.

With a map displayed, Ms. Johns noted that the Tri-State is not currently in an RTO. It is expected that Tri-State will become a member of the Southwest Power Pool's (SPP) RTO. GM Hastings said he knew that Tri-State was working to organize another market and SPP may be the best solution for Tri-State. Ms. Johns said if Tri-State joins SPP its market opens and this transparent market will drive the price of electricity.

Ms. Cole outlined the study Enervision performed. She discussed how wholesale pricing is based and that IOUs (investor-owned utilities) often sell at market-based prices so that they can sell their power outside their territory. They have wholesale marketing affiliates, thus expanding their reach. With FERC having jurisdiction over the transmission systems across the country, the FERC has expanded it to open access, meaning the transmission system of any transmission owner is available across the country. Cooperatives and others are able to access the market in a way not available 20 years ago and this presents lower cost options than current IOUs may provide.

The study included publicly available pricing from sellers around JMEC and similarly situated utilities or those that would be relevant to develop alternatives to Tri-State. The data came from a wide variety of sources but most came from FERC and utility reports. Not included were demand rates, energy rates and transmission and ancillary services. The comparison backed out items that were not included in Tri-State's billing so an apples to apples comparison could be made.

Ms. Cole identified the companies that were used for the comparison and marketers with quarterly reports which included Guzman, Morgan Stanley, Shell, Next Era and Twin Eagle who were used as sample marketers within the area. Although Tri-State is not in an RTO, RTOs were included for review with what their average rates have been.

Full requirement customers' data was taken from the annually required FERC Form 1. The average appeared to be between 4 and 5 cents per kwh for full requirement customers which is what JMEC is. Marketers with quarterly transactions are not necessary full requirement customers. Kit Carson and Delta Montrose are relatively new full requirement customers of Guzman Energy. The price for electricity they pay is roughly 4 cents per kwh. Kit Carson is higher at 6 to 8 cents because it currently includes its exit fees from Tri-State. Guzman funded Kit Carson's exit from Tri-State.

Morgan Stanley Capital Group has no utilities based in New Mexico but operates across the country and regardless of where they are located the rate for electricity is 5 cents per kwh or below. Shell has a wide range of where transactions occur, and the average rate is within 3 to 5.5 cents per kwh over the past three years. Next Era Energy is fairly aggressive in servicing new loads and is similar with 3 and 4 cents per kwh. Although JMEC is not currently in an RTO or ISO, the pricing was provided for an all-in cost. This includes energy, reserves, liability and ancillaries and the price is within 2 to 5 cents per kwh.

The data depicts that JMEC has a higher cost than neighbor utility marketers and the surrounding RTO and ISO markets. Ms. Cole reminded the Board that this is a high level review that indicates that there are savings available for JMEC with an alternate provider. Noting that the future is unknown – closures of coal plants could impact prices, difficulty building natural gas replacement, natural gas prices and government administrative directives all influence the price – the data does indicate that JMEC has a strong potential for better options.

The next steps would be figuring out the options for exiting Tri-State, whether full or partial exit. Once it is determined what amount of JMEC's load can be sourced from an alternate provider, EnerVision recommends that JMEC issues an RFP process to determine specific pricing.

Mr. Crawford asked whether there was a role for EnerVision in assisting with a partial or full buyout at Tri-State. GM Hastings said, yes, he would want a consultant assisting in making the right choice for the JMEC membership.

GM Hastings said whatever the buyout cost is, the best idea or goal would be to buy power somewhere else low enough that the members would not see an increase in the price of overall of electricity. The power market has gotten a little higher in the past few months. Tri-State offered to prepare a draft MOU regarding a partial buyout and that has not occurred. At this point, JMEC has a great deal of activity going on in the west side as far as new oil development and new transmission lines may be required that Tri-State will partner in paying for. These are oil companies that may require an additional 40 megawatts. As a comparison Kinder Morgan, used approximately 9 megawatts.

GM Hastings said in his discussions with Kinder Morgan it appears they are not coming back on line at this time; however, they are seeking savings on the contract monthly minimums.

Chair Trujillo said it was important JMEC fully understand its options of what is best for the Co-op and be poised to move expeditiously. GM Hastings said the discounts that FERC is considering is an important component. He noted that Ms. Campbell is reaching out to Guernsey who conducted a partial buyout study for JMEC earlier this year. This is an important long term decision for this Board. A conversation ensued that Tri-State was not a good co-op player and Mr. Duran mentioned that many JMEC members do not see JMEC as a good co-op player. The issue of capital credits was discussed.

The Board recessed for lunch at 11:50 a.m. to 12:30 p.m.

Returning to open session, Chair Trujillo advised management that a number of Board members need to leave the meeting early afternoon and he requested moving to Executive Session next.

10. EXECUTIVE SESSION

- A. Personnel and Legal Matters**
- B. Other Items**

ACTION: Mr. Cordova moved to go into Executive Session. Mr. Vigil seconded and the motion passed by unanimous voice vote.

[The Board met in Executive session from 12:30 p.m. to 1:55 p.m.]

ACTION: With a motion by Mr. Crawford and second by Ms. Martinez, the Board reconvened in open session. [Mr. Cordova was not present for this action.]

Based on discussions during executive session, Chair Trujillo requested the following required follow-up actions.

ACTION: Mr. Crawford moved to approve the 2022 union contract as negotiated by JMEC management and the union. Mr. Coriz seconded.

GM Hastings noted that the contract is for a three-year period; 2022, 2023 and 2024.

The motion passed by unanimous vote. [Mr. Cordova was not present for this action.]

ACTION: Ms. Maestas-Muller moved to approve issuing an RFP for a forensic audit with the results to be presented to the Board. Mr. Crawford seconded and the motion passed by unanimous voice vote. [Mr. Cordova was not present for this action.]

Chair Trujillo requested a motion to table item 7 a. and b., and items 8 a. through f until the December 17, 2021 board meeting. So moved by Mr. Coriz and second by Mr. Vigil. The motion passed without opposition.

Announcements: An open house/ribbon cutting ceremony for the new headquarters is scheduled for Monday, December 6, 2021 from 1 p.m. to 4 p.m.

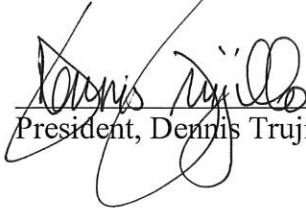
11. ADJOURN

There being no further business to come before the Board, Mrs. McCoy moved to adjourn. Mr. Vigil seconded and Chair Trujillo adjourned this meeting at 2:10 p.m.



Secretary, John Ramon Vigil

APPROVED:



President, Dennis Trujillo

DRAFT

- subject to approval -