

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

BOARD OF TRUSTEES MEETING

Friday, December 21, 2018

HERNANDEZ, NEW MEXICO

1. This regular meeting of the Jemez Mountains Electric Cooperative, Inc. Board of Trustees was called to order by Chairman Nick Naranjo at 9:00 A.M. on the above-mentioned date, at JMEC Headquarters, 9365 S.R. 84/285, Hernandez, NM.

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

PRESENT:

Nick Naranjo, Chair
Leo Marquez, Vice Chair
Charlie Trujillo, Secretary
Johnny Jaramillo, Treasurer
Lucas J. Cordova, Trustee
Dolores McCoy, Trustee
Victor Salazar, Trustee
John Tapia, Trustee at Large
Dennis Trujillo, Trustee

ABSENT:

David D. Salazar, Trustee
Bruce Duran, Trustee

JMEC STAFF PRESENT:

Donna Montoya-Trujillo, General Manager/Chief Financial Officer
Karen Wisdom, Contract Administrator and Compliance Officer
Eli Gallegos, Purchasing
Laura Rendon, Executive Assistant
Teresa Chavez, Account Manager
Andrew Chavez, Director, IT
Nathan Duran, District Manager
Russell Groves, Engineer
Dwight Herrera, HR Administrator
Eva Deaguero, Billing Manager
Lenny Ortiz, Vegetation Management
James Sanchez, Mechanic
Geraldine Romero, Accounting

OTHERS PRESENT:

Chuck Wright, Dixon

Stan Crawford, Dixon

Abigail Valadez, Granddaughter of Trustee McCoy

Sophia Valadez, Granddaughter of Trustee McCoy

4. APPROVAL OF AGENDA

Manager Montoya-Trujillo requested the addition of approval of a tentative agreement reached with the union on December 19th to the agenda. Terms will be discussed during executive session.

Mr. Marquez requested discussion of a financial RFP and a Board-related letter during executive session.

ACTION: Mr. Tapia moved to approve the agenda as amended. Mr. Jaramillo seconded and the motion passed by unanimous [9-0] voice vote.

5. RECOGNITION OF GUESTS & STAFF

Those present introduced themselves.

6. BUSINESS WITH GUEST(S)

None was presented.

7. ACTION ITEMS

A. Approval of October 26, 2018 Board minutes

Manager Montoya-Trujillo reminded the Board that the minutes were tabled at the last meeting to allow additional time for review.

ACTION: Mr. Tapia moved to approve. Mr. Jaramillo seconded and the motion passed without opposition.

B. Approval of November 16, 2018

Mr. D. Trujillo noted two errors:

Page 4, 4th paragraph: Ms. McCoy said she had not received the minutes...

Page 4, last paragraph, last sentence: Rather than Mr. Jaramillo it should read Ty Jaramillo for clarification.

ACTION: Mr. Jaramillo moved to approve the minutes as corrected. Mr. C. Trujillo seconded and the motion passed without opposition.

C. Approval of November 2018 New Membership List

Manager Montoya-Trujillo announced there were 105 new members.

ACTION: Mr. Cordova moved to approve. Mr. D. Trujillo seconded and the motion passed without opposition.

D. Approval of 2019 Budget

Ms. Montoya-Trujillo said the Board's comments from the December 5th special meeting have been incorporated into the budget. Estimates of power sold were based on the five-year average except large commercial which is based on anticipated average. The estimated revenue from electric sold was modified and divided by rate classes. She discussed how the large power revenue class was budgeted and noted it was quite conservative.

Regarding expenses, Manager Montoya-Trujillo pointed out the outflow was divided by category. Depreciation impacts ratio and other but is not a cash outflow item. Construction and retirement is a cash outflow item which is capitalized and does not impact the tier.

Distribution expense and operations reflect actual dollar amounts. She identified transportation as comprising gas, shop expenses, mechanic salaries and any items related to keeping the fleet mobile. She identified the request for contractual services, labor and benefits, and transportation.

The request for the operating budget for 2019 budget \$2,335,635. That supports 47 FTEs.

The contractual budget of \$389,900 was divided by training, dues, engineering fees, general maintenance for engineering software, visual patrol of the lines, pole testing, etc.

Manager Montoya-Trujillo said she runs budget reports monthly and provides that information to the Board.

Regarding the engineering department, Manager Montoya-Trujillo said there are currently 21 FTEs and she is requesting a new position: GIS tech to assist the current mapper and develop BIA information regarding easements and rights-of-way with the Navajo Nation.

The subscription to the *Rio Grande Sun* and some training costs were removed as requested at the Special Meeting. Airline expenses for the Board were increased. IT has been split out but the numbers have not changed. Additional descriptions on vehicles, as requested, were incorporated. Two-way radio upgrades were included at \$150,000 to improve coverage issues. Total capital outlay is \$4,311,200.

Mr. Tapia asked about the four-year work plan and Manager Montoya-Trujillo said the plan is in its second year.

DIRECTION: Present expenditures to date on the four-year work plan with a breakdown by jobs.

Manager Montoya-Trujillo indicated that Engineer Manager Groves is developing priorities.

The Board commended Manager Montoya-Trujillo for her efforts on the budget.

ACTION: Mr. Tapia moved to approve the 2019 budget. Mr. V. Salazar seconded and the motion passed by unanimous [9-0] voice vote.

8. GENERAL MANAGER'S UPDATE

A. Safe Haven Program

Manager Montoya-Trujillo said as a community service, the co-op has initiated a Safe Haven Program. In the event of an emergency or threat, the co-op will coordinate with law enforcement. The program will be publicized on JMEC's website and social media.

Mr. D. Trujillo recommended an outreach effort to all the schools within JMEC's service area advising them of the program.

B. Filing Certificate of Electrical Compliance with the PRC

Manager Montoya-Trujillo said this is a new form that requires any new oil field to be inspected by a federally qualified inspector prior to energizing. In the past, New Mexico CID performed the inspections; however, the inspections no longer fall under CID's purview. In order to protect themselves, the state's co-ops want to have a qualified third party conduct the inspections. The form to be filed with PRC alerts any new oil field service requestors of the inspection requirement. The PRC form was developed with statewide participation of CID, NM Oil & Gas Association, and PRC. Six other co-ops have filed the form. None of JMEC's process will change and instead it provides an additional protection.

C. Employees of the Month

Geraldine Romero from the accounting department was introduced as November's employee of the month.

James Salazar from the mechanics department was introduced as December's employee of the month.

The employees received a round of applause.

Also acknowledged were Mr. James Salazar, Ms. Rendon, Ms. Wisdom and all those who helped make the float for the Annual Española Electric Light Parade: JMEC's float received 1st prize for a non-profit and 2nd place in best of show.

9. GENERAL MANAGER'S UPDATE

A. Business Services & Finance

Ms. Montoya-Trujillo highlighted the following statistics for November:

- The TIER is 1.51 and budgeted at 2.10
- The OTIER is 1.40 and budgeted at 1.56
- Year-to-date TIER is 1.75
- Year-to-date OTIER is 1.52
- There were 31,088 consumers
- Residential average KWH usage was 512 - increase attributed to cold weather
- Small commercial average KWH usage was 3,436 - increase attributed to cold weather
- Large commercial average KWH usage was down - attributed to Kinder Morgan
- Total connects in November were 185
- Total disconnects in November were 140
- Revenue per KWH sold was \$0.13 - flat from last year
- Revenue generated per mile was \$987.46
- Purchased power as a percent of revenue was 66 percent
- Operating expense as a percent of revenue was 24 percent
- Margins as a percent of revenue was 2 percent
- 35,795,909 KWH were purchased from Tri-State
- 31,580,392 KWH were sold
- JMEC's own KWH use was 114,308
- Line loss calculation of 4,101,209 KWH was approximately 11 percent - that number will reduce with timing differences and is expected to be 6 percent
- Average cost for KWH remained fairly consistent from last month
- Total miles of line was 4,158 with 7.53 customers per mile
- Plant investment per mile is \$29,212.60
- Inventory as a percentage of plant is 1.94 percent up from 1.47 percent last year
- Idle meters were at 4.70 percent
- RUS loans as a percent of total loans was 79 percent; Co-Bank and CFC loans make up 21 percent of the total outstanding long-term debt
- There are 111 employees
- Total net worth is up to 50 percent from last year same time 48 percent

Mr. Jaramillo asked that staff work to reduce the line loss.

Ms. Montoya-Trujillo reviewed the KWH sold on a comparative basis from 2016 to date. Budgeting is accomplished through a three-year trend and this November was cooler than the past three years.

The electric revenue is trending within budget. Other revenues - wheeling, joint pole use and service charges - look more significant than they are because the numbers are lower. The co-op averages revenues of \$100,000 monthly in this category. Referring to Kinder Morgan, JMEC is working closely with them to determine their future KWH usage.

Referring to the cost of power, Manager Montoya-Trujillo said it was higher than anticipated because the month was colder.

Mr. D. Trujillo asked which entity of a pole use agreement was responsible for compliance issues, e.g., pole testing, load bearing, etc. Manager Montoya-Trujillo responded that the user is required to bear the costs; however, JMEC allocates back the costs for pole inspections. Contract Administrator and Compliance Officer Karen Wisdom said the joint use licensing is conducted through agreement and requires the user to provide a National Joint Use Notification System Certificate and engineering to tie onto the pole.

Reviewing the energy cost receivables, Manager Montoya-Trujillo said these figures are in line with 2016 and 2017 and are in fact very strong.

Mr. Tapia pointed out that in the past few years many co-ops have raised their rates. He requested an analysis of where JMEC's rates fall.

2. Finance Committee Meeting

Johnny Jaramillo, Chair of the Finance Committee, reported that the committee met with a quorum, Thursday, December 20th at the Hernandez office, and reviewed the finance-related materials for November 2018.

a. General Fund Expenditures

ACTION: Mr. Jaramillo moved to accept the general fund expenditures for information. Mr. Marquez seconded and the motion passed by unanimous voice vote.

Chair Naranjo noted that the property taxes JMEC paid were the largest expense of the month.

b. Credit Cards

The committee reviewed the Wells Fargo credit card charges made by four authorized users. The total for the month was \$8,589.72. Mr. Jaramillo noted the breakdown by user was also provided and reviewed.

ACTION: Mr. Jaramillo moved to accept the Wells Fargo charges of \$8,589.72. Mr. Marquez seconded and the motion passed without opposition.

c. Attorney Expenses

Mr. Jaramillo provided the attorney expenses as follows: Cuddy and McCarthy, \$6,607.51 and Long, Komer & Assoc., \$6,351.52. The total attorney fees were \$12,959.03.

ACTION: Mr. Jaramillo moved to accept the attorney expenses. His motion was seconded by Mr. Marquez and the motion passed by unanimous voice vote. [Mr. Cordova was not present for this action.]

DIRECTION: Staff to provide the total attorney expenses for 2018.

d. Consultant Expenses

Mr. Jaramillo said Bolinger/Segars/Gilbert & Moss invoiced JMEC for tax preparation in the amount of \$1,200.

ACTION: Mr. Jaramillo moved to accept the consultant expenses of \$1,200. His motion was seconded by Mr. Tapia and passed by unanimous voice vote.

e. Trustee Vouchers

The November vouchers were vetted by management and reviewed by the Finance Committee. Mr. Jaramillo noted the information was provided to the Board members. He indicated that there may have been some vouchers that were not submitted in time for this report. He reviewed the vouchers as provided by staff and signed off on them.

ACTION: Mr. Jaramillo moved to approve the trustees' vouchers. His motion was seconded by Mr. Cordova. The motion passed by majority [8-1] vote with Ms. McCoy opposed.

f. November 2018 - Bank Account Summary

Mr. Jaramillo said this was provided as an informational item to the committee.

g. RFPs, Contracts and Purchasing

None were presented for November.

h. Requests for Donation

Executive Assistant Rendon said the co-op received a request from the Soup Kitchen in the amount of \$500 to assist in feeding the homebound, homeless, and indigent members of the community.

ACTION: Mr. Jaramillo moved to approve the donation to the Soup Kitchen in the amount of \$500. His motion was seconded by Mr. C. Trujillo and passed by unanimous voice vote.

That concluded the Finance Committee business.

6. COMMITTEE REPORTS

a. Audit Committee

Mr. Marquez said the committee met on December 3rd and reviewed the work orders status. He commended staff for their attention to the orders. Meter tampering has been substantially reduced. The committee reviewed contracts. The committee met again on December 10th and staff reported on a spot check of JMEC vehicles.

b. School Committee

Ms. McCoy reported that the School Committee met on December 18th and discussed the junior board and the youth tour going to DC. The committee is recommending the junior board consists of four board members from each school and four would be chosen to go to DC. The spelling bees were also discussed and the committee will bring more information to the Board in January.

10. BOARD REPORTS

a. Tri-State Report

Mr. Cordova said they will hold strategic planning meetings on January 8th and 9th and he understood they would be considering changing the classes of membership. The class changes would address the trend of providers looking to generate their own power and purchase from other sources. If the Board approves the membership class change, it will be presented to the membership for a by-law change at the annual April meeting. Once the classes are defined in January, Mr. Cordova said he will present that information to the Board.

Mr. Tapia noted that one of the changes will be the length of the contract with Tri-State as well as services.

Mr. Cordova said no rate increase was forecast for the next few years.

11. EXECUTIVE SESSION

The Board met in Executive Session from 10:15 - 10:40 a.m.

Returning to open session, the following motion was made:

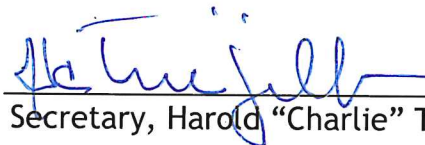
ACTION: Mr. Tapia moved to grant Manager Montoya-Trujillo the authority to proceed with the union contract with the terms outlined in Executive Session. Mr. Cordova seconded and the motion passed by unanimous voice vote.

12. NEW BUSINESS


None was presented.

13. ADJOURNMENT

Chair Naranjo declared this meeting adjourned at 10:45 a.m.


Secretary, Harold "Charlie" Trujillo

APPROVED:


Chairman, Nick Naranjo

