

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

BOARD OF TRUSTEES MEETING

Friday, November 29, 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
Dolores McCoy, Trustee
John Tapia, Trustee at Large
Dennis Trujillo, Trustee

ABSENT:

David D. Salazar, Trustee
Victor Salazar, Trustee
Lucas J. Cordova, 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

OTHERS PRESENT:

Kitty Leslie, HUB International Insurance
Amanda Martinez, *Rio Grande Sun*
Chuck Wright, Dixon
T. Ortiz, Member
C.M. Sperberg-McQueen, La Mesilla

4. APPROVAL OF AGENDA

ACTION: Mr. D. Trujillo moved to approve the agenda. Mr. Cordova seconded and the motion passed by unanimous [7-0] voice vote.

5. RECOGNITION OF GUESTS & STAFF

Donna Montoya-Trujillo, General Manager/Chief Financial Officer, introduced Russell Groves JMEC's new engineer. Mr. Groves said he was relocating from Kansas City where he served as the manager of engineering for a municipal utility. The Board welcomed Mr. Groves to JMEC.

Those present introduced themselves.

6. BUSINESS WITH GUEST(S)

Chuck Wright, Dixon, addressed the Board regarding the link between the devastating wildfires in California and climate change. Firefighters have said the "fire season" has been replaced with all-year fire season. He commended the Board for their efforts in renewable energy and de-carbonizing the grid. As a member of JMEC's advisory board working with the solar committee, he emphasized the importance of communication and said additional details regarding the power purchase agreement would be useful.

Mr. Tapia remarked that the Alcalde 2.5 megawatt system will cost \$7 million to \$8 million. The offset credit is approximately 2 to 3 cents.

Mr. D. Trujillo encouraged staff to provide additional details regarding the Alcalde system on the JMEC website.

7. PRESENTATION - Insurance Renewal

HUB International Insurance broker Kitty Leslie said that the insurance energy business is experiencing rate increases similar to airports/airplanes following 9-11. The California Camp Fire has impacted the industry and a PG&E power line may be indicated in the fire similar to Las Conchas. JMEC's insurer, Zurich, has left the business. Hartford has assumed most of Zurich's power company coverage. The peril of wildfire is not being offered by many providers. Ms. Leslie said she has been working hard to contain costs, including workers' compensation. She has been negotiating hard to get what was a 47 percent increase down to 12.6 percent which includes a \$42 million liability coverage.

Regarding workers' compensation, Ms. Leslie said that, since leaving Statewide, the co-op has been in traditional insurance for work-related injuries. The co-op's experience modifier has increased; however, the safety program is helping to keep the modifiers down. She will work with Mr. Wiseman and Mr. Duran to review the reports. She suggested accepting a \$2,500 rather than \$1,000

deductible. She noted a \$65,000 price hike in workers' comp which is partially attributable to an increase in what is referred to as "outside" labor.

Ms. Leslie said the workers' compensation component can be handled at the December meeting; however, the general liability should be acted upon quickly to seal the current rates.

There was consensus to discuss the general liability during executive session.

Ms. Leslie provided a "snapshot" of property limits, cyber coverage, business auto coverage and the directors' and officers' and employment practices liabilities, and noted there were no significant changes. She shared the cyber coverage details with IT director Chavez.

8. ACTION ITEMS

A. Approval of October 26, 2018 Board minutes

Ms. McCoy said she had received the minutes and requested tabling the item until next month. There was consensus to do so.

B. Approval of October 2018 Membership List

Ms. Montoya-Trujillo said there were 178 new members.

ACTION: Mr. Jaramillo moved to approve the membership list. Mr. Marquez seconded and the motion passed by unanimous [7-0] voice vote.

C. Approval of Kinder Morgan Contract Amendment

Ms. Montoya-Trujillo noted that Kinder Morgan's contract amendment request was analyzed by staff and the terms were fully fleshed out. Kinder Morgan requested a decrease in their load requirements, which was negotiated.

There was consensus to discuss this item during executive session.

D. Approval of Ty Trujillo Lobbying Contract

Ms. Montoya-Trujillo said the duration of the contract is five months for a total of \$10,000. She reminded the Board that Statewide provided lobbying services in the past and it was important that JMEC has representation. This item was presented and approved by the Finance Committee.

ACTION: Mr. Jaramillo moved to approve the lobbying contract with Ty Trujillo. Mr. Marquez seconded.

Ms. Montoya-Trujillo said a draft of the contract was available. Mr. Jaramillo is a member of a legal firm in Santa Fe and she was unaware of any relationship with Board members.

Mr. Marquez said the firm is recognized throughout the state.

The motion passed by majority [6-1] voice vote with Ms. McCoy voting against. Explaining her vote, Ms. McCoy said she required additional information before she was prepared to vote. Mr. Tapia agreed and requested that staff provide contracts for the Board's perusal, when feasible, prior to action.

9. GENERAL MANAGER'S UPDATE

A. Business Services & Finance

Ms. Montoya-Trujillo provided an update on current staff projects to include:

- The 2019 budget
- End of the year activities - audits, taxes
- The four-year work plan
- An RFP for El Llano underground boring
- TS1 meters are being replaced with TS2s in the substations where feasible
- Implementation of a new metering system as a priority for next year
- Safety wise - JMEC continues to work on the plan and training sessions

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

- The TIER is 1.25 and budgeted at 2.10
- The OTIER is 1.02 and budgeted at 1.56
- Year-to-date TIER is 1.77, a very strong number
- Year-to-date OTIER is 1.53
- Residential average KWH usage was 418
- Small consumer average KWH usage showed a decrease from last year
- Large commercial average KWH usage was down
- Public authority KWH usage was up from last year same period
- Total connects in October were 285
- Total disconnects in October were 233
- Revenue per KWH sold was \$0.13
- Revenue generated per mile was \$910.77
- Purchased power as a percent of revenue was 64 percent
- Operating expense as a percent of revenue was 26 percent
- Margins as a percent of revenue was 1 percent
- 31,941,986 KWH were purchased from Tri-State - down from last year
- 28,488,266 KWH were sold
- JMEC's own KWH use was 63,994
- Average cost for KWH remained fairly consistent from last month
- Total miles of line was 4,125 with 7.53 customers per mile
- Plant investment per mile is \$29,017.83
- Idle meters were at 4.34 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 109 employees

Ms. Montoya-Trujillo reviewed the KWH sold on a comparative basis from 2016 to date. The electric revenue is within budget. Reviewing the revenues obtained from Kinder Morgan, Ms. Montoya-Trujillo said staff will be monitoring. The cost of power is within range and is tracking the trends within budget. The accounts receivable portfolio was characterized as very strong.

[The Board recessed for ten minutes]

2. Finance Committee Meeting

Johnny Jaramillo, Chair of the Finance Committee, reported that the committee met with a quorum, Thursday, November 15th at the Hernandez office, and reviewed the finance-related materials for October 2018. He asked that Finance Committee items 4 a through d having to do with the new JMEC building headquarters, be discussed during executive session.

a. General Fund Expenditures

ACTION: Mr. Jaramillo moved to accept the general fund expenditures for information. Mr. C. Trujillo seconded.

Ms. McCoy had a number of questions regarding the expenditures and Ms. Montoya-Trujillo answered each. Regarding an expenditure for a herbicide, staff purchased 1,000 gallons to address an invasive growth.

Ms. McCoy requested asterisks be placed by reimbursable-type expenses.

The motion passed by majority [6-1] voice vote. Ms. McCoy voted against.

b. Credit Cards

The committee reviewed the Wells Fargo credit card charges made by the five authorized users. The total for the month was \$6,269.44.

ACTION: Mr. Jaramillo moved to accept the Wells Fargo charges of \$6,269.44. Mr. D. Trujillo seconded and the motion passed without opposition.

Ms. Montoya-Trujillo identified the charges to the Marriott for lineman training.

c. Attorney Expenses

Mr. Jaramillo provided the attorney expenses as follows: Wiggins, Williams & Williams, \$516.18; Cuddy and McCarthy, \$12,866.70 and

Long, Komer & Assoc., \$15,076.57. The total attorney fees were \$28,459.45 and represent multiple months.

ACTION: Mr. Jaramillo moved to accept the attorney expenses. His motion was seconded by Mr. Marquez and the motion passed by unanimous voice vote.

d. Consultant Expenses

Mr. Jaramillo provided the charges as follows:

Transmission & Dist.	\$ 2,103.56
Marron & Assoc.	798.37
Total	\$ 2,901.93

He indicated that the committee reviewed the invoices and charges.

ACTION: Mr. Jaramillo moved to accept the consultant expenses of \$2,901.93. His motion was seconded by Mr. Tapia and passed by unanimous [7-0] voice vote.

e. Trustee Vouchers

The October vouchers were vetted by management and reviewed by the Finance Committee. Mr. Jaramillo noted the information was provided to the Board members.

ACTION: Mr. Jaramillo moved to approve the trustees' vouchers. His motion was seconded by Mr. C. Trujillo. The motion passed by majority [6-1] vote with Ms. McCoy opposed.

Explaining her vote, Ms. McCoy said that without minutes or an agenda of committee meetings, she could not vote on the vouchers.

f. October 2018 - Bank Account Summary

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

g. RFPs, Contracts and Purchasing

- i. **Approval of the Kinder Morgan Contract Amendment** - moved to Executive Session
- ii **Approval of the Ty Trujillo Lobby Contract** [See page 3]
- iii. **Approval of \$100,000 to be placed in trust for the Jemez Pueblo negotiations** - moved to Executive Session

iv. Approval for RFP for boring for El Llano project

Ms. Montoya-Trujillo said the boring work is required to replace faulty wiring. Once proposals from the RFP are received the information will be presented to the Finance Committee for action.

Mr. Marquez thanked staff for moving on the project, adding that it impacts 1,300 to 1,500 customers.

h. Requests for Donation

No requests were presented.

That concluded the Finance Committee business.

6. COMMITTEE REPORTS

a. Audit Committee

Mr. Marquez said the committee met on November 19th and reviewed work orders, meter tampering and contract initiation and execution. He commended staff for their efforts regarding work orders and contracts.

b. Energy Committee

Mr. Marquez said the Energy Committee met on November 9th and heard a presentation from Raymond Ortiz on REDI Net. JMEC permits were discussed at the meeting and he requested an update from Ms. Wisdom.

Karen Wisdom, Contract Administrator and Compliance Officer, said staff has been working with the Forest Service for four years on renewing the Westside Master Permit. The permit is over 30 years old. New requirements for the permit include an operations plan and a vegetation management plan. There have been substantial delays that are not a result of JMEC's actions. She has received assurances from Forest Service that permitting will be moving forward. The current permit has been extended through to December 31, 2019. Staff has also been working with the Carson National Forest to renew that permit. The permit delays are not unique to New Mexico and are occurring throughout the country.

Mr. D. Trujillo suggested staff contact the Regional/Albuquerque Forest Service office, which has more resources/personnel.

As an agenda item, Mr. Tapia asked that Lenny Ortiz brief the Board on risk areas with regards to vegetation.

c. Personnel Committee

Mr. C. Trujillo said the committee met Wednesday, November 14th. Ms. Montoya-Trujillo said she updated the committee on union negotiations, which are scheduled next week, and staffing activities. She will be presenting the committee with department staffing counts and needs, as well as an organizational chart.

7. NEW BUSINESS

None was presented.

8. EXECUTIVE SESSION

The Board met in Executive Session from 11 a.m. to 12:00 p.m. Returning to open session, the following motions were made.

INSURANCE

ACTION: Mr. D. Trujillo moved to approve the insurance renewals, including the workers' comp, under the terms discussed during the presentation. Mr. Jaramillo seconded and the motion passed by unanimous voice vote.

Mr. Tapia requested that, if the premiums continue to increase, an RFP is issued for next year.

JMEC HEADQUARTERS

ACTION: Mr. Tapia moved that, "with a capped budget of \$10 million and an approved funding source of \$2 million to be borrowed from RUS at the best interest rate possible and \$8 million to come out of cash reserves, that the RFP for the building of the new headquarters be issued with final review and approval to occur prior to entering into such contract." Mr. Jaramillo seconded and the motion passed by unanimous voice vote.

KINDER MORGAN CONTRACT AMENDMENT

ACTION: Per the manager's request, Mr. Jaramillo moved to "amend the Kinder Morgan contract to reduce the load requirement to 55 percent on the terms that it be in effect for only 12 months to be renegotiated at that time." Mr. Tapia seconded and the motion passed by unanimous voice vote.

Mr. Tapia requested that management try to get an idea of the terms offered to Kinder Morgan by other power distributors.


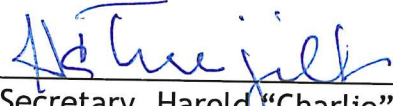
JEMEZ PUEBLO/RIGHT-OF-WAY

ACTION: Mr. D. Trujillo made a motion to "set aside \$100,000 to be placed in a trust fund and continue negotiation with the Pueblo of Jemez based on their


demand letter and try to come up with an agreement for use of the right-of-way on tribal lands.” The motion was seconded by Mr. Jaramillo and passed unanimously.

9. ADJOURNMENT

Chair Naranjo declared this meeting adjourned at 12:17 p.m.



Secretary, Harold "Charlie" Trujillo

APPROVED:


Chairman, Nick Naranjo

