

**MINUTES OF THE
JEMEZ MOUNTAINS ELECTRIC COOPERATIVE, INC.
BOARD OF TRUSTEES
FRIDAY, MARCH 26, 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 9:00 a.m. on the above-cited date, at JMEC Headquarters, 19365 S.R. 84/285, Hernandez, New Mexico.

This meeting was conducted in accordance with the Public Health Emergency Order issued by the State of New Mexico.

2. & 3. Following the Pledge of Allegiance, John Ramon Vigil, Secretary, called roll and confirmed the presence of a quorum. Trustees present not listed as attending “virtually” were in attendance at the JMEC Headquarters Boardroom.

Present:

Dennis Trujillo, Chair
Bruce Duran, Vice Chair
John Ramon Vigil, Secretary
Dolores McCoy, Treasurer
Stanley Crawford, Asst. Secretary/Treasurer
Lucas J. Cordova
Johnny Jaramillo
Leo Marquez
Marissa Maestas-Muller
Nick Naranjo
Charlie Trujillo [*virtually*]

Absent:

None

JMEC Staff Present:

Ernesto Gonzales, Outgoing General Manager
Michael Hastings, General Manager
Laura Rendón, Executive Assistant
Geraldine Romero, Accounting

Others Present

William Coburn, *Rio Grande Sun*
Guzman Energy Representative

Chair Trujillo welcomed Michael Hastings the new General Manager.

4. APPROVAL OF THE AGENDA

Mr. Gonzales requested the inclusion of a discussion regarding the annual meeting.

Mr. Naranjo introduced an amendment to replace Lucas Cordova as the Tri-State representative. The motion was seconded and failed by majority vote.

ACTION: Mr. Vigil moved to approve the agenda with the inclusion of a discussion regarding the annual meeting. Ms. Maestas-Muller seconded and the motion passed without opposition.

5. ACTION ITEMS

A. Approval of January 29, 2012 Regular Board Meeting Minutes

ACTION: Mr. Marquez moved to approve and Ms. Maestas-Muller seconded. The motion to approve the minutes passed by unanimous voice vote.

B. Approval of February 26, 2021 Regular Board Meeting Minutes

ACTION: Mr. Cordova moved to approve the February minutes. Mr. Jaramillo seconded and the motion passed without opposition.

C. Approval of February 2021 Membership List

Mr. Gonzales said staff recommends approval.

ACTION: Mr. Vigil moved to approve the February 2021 membership list. Mr. Jaramillo seconded and the motion passed by unanimous voice vote.

6. GENERAL MANAGER'S UPDATE

A. Guzman Energy Presentation

Mr. Crawford reminded the Board of the short period of time JMEC has to accept the buy-out offer from Tri-State. He introduced a representative of Guzman Energy. The representative provided the following information regarding the firm:

- Guzman has been in operations for eight years
- They are a full-service wholesale power provider
- They deliver reliable and affordable power
- They work with communities to identify their energy goals and customize solutions to promote economic competitiveness and sustainability
- They provide energy in a similar manner to Tri-State and serve as a one-stop shop
- They buy and sell energy assets
- The firm is based in Denver and raises money through partnerships
- Basically they manage power
- They are currently in the process of building solar, wind and gas projects throughout New Mexico and Colorado

- From a reliability standpoint natural gas is part of their portfolio

Focusing on JMEC and its relationship with Tri-State the Guzman representative offered that:

- The buy-out would cost approximately \$24 million to \$35.2 million– the cost to end the contract depending on the megawatt usage/purchase
- The cost of financing is an important component to the buyout
- A recent transaction Guzman conducted was financed at 5.5 percent
- The length of the loan is 15 to 20 years
- Fixed lot power – price of power is fixed as are the loan terms
- There may be cheaper capital for JMEC in marketplace
- Guzman will work with JMEC on economic development initiatives, infrastructure operations, etc. and participate in community events
- It is anticipated the new administration will increase tax on electric
- Guzman will not size for excess power and there will be a seamless transition
- There is a 90-day window once the buyout is agreed to transition power
- Guzman has 100 percent served its customers

Mr. Marquez referred to JMEC's ongoing cost of service study that does not include transitioning out of Tri-State. Appreciating Mr. Marquez's concern, Chair Trujillo said the Board needs to have as much information as possible when making decisions.

It was stated that Kit Carson rates are high because they paid off their exit fee in a shorter time period

The Board thanked the Guzman firm for their presentation.

[The Board recessed for five minutes]

GM Hastings said an RFP will be necessary if JMEC initiates partial buyout with Tri-State, and in conjunction with that, there should be strategic planning to determine what's more important rates for the members or overall cost. This is a huge component to making changes.

Mr. Crawford said the Board needs to determine the next steps and whether the buyout is too big of an issue right now. Develop a plan.

Mr. Marquez said he did not have the information necessary to make decisions regarding Tri-State.

GM Hastings reminded the Board that there is a contractor studying the partial buyout. Once that information is presented, the Board can determine whether they want to move forward on an RFP for power supply and portfolio composition.

Mr. Gonzales pointed out that the cost of service study is separate from the partial buyout study.

The partial buyout study is reviewing the requirements of the non-Tri-State load, the same energy that Guzman Energy was making a pitch for today, offered GM Hastings. There are consultants, including Guernsey, that do RFPs and have connections within the industry and can turn the study quickly. The first consideration is determining whether JMEC wants to do the partial buyout before issuing an RFP.

Mr. Vigil recommended a study session to review the information.

GM Hastings said JMEC has asked Tri-State what their projection is regarding where they will be with renewables over the next five plus years.

B. 1. Business Services & Finances

Geraldine Romero, Finance Department reviewed the consumer and plant statistics and noted the following for February and year to date:

- TIER for 2021 – 3.40
- OTIER for 2021 – 3.05
- There were 31,327 consumers
- Solar net metering was 361
- Revenue for KWH sold 13 cents
- Revenue generated by mile was \$1,025.94
- Cost of purchase power as a percentage of revenue was 60 percent
- Total kilowatt hours purchased was 35.1 million
- Total kilowatt hours sold was 33.71 million
- Average kilowatt hour purchased was 8 cents and average kilowatt cost for residential and small commercial was 14 cents
- Total miles of line was 4,148
- Depreciation as a percent of plant is 50 percent
- There are 102 employees – 11 less than last year
- Net worth 50 percent
- Expense per consumer is \$6.4/Admin and General expense per consumer \$10.31
- 4.3 million fewer kilowatt hours were sold in comparison to last year
- Electric revenue was down by \$287,000 from last year
- Other revenue is down \$17,000 from last year
- Kinder Morgan had charges of approximately \$39,202 last year same charges were \$208,422

Ms. Romero reviewed the accounts receivable noting that 60+ days are \$1.1 million. Bad debt write-offs are up \$2,000 from last year. Mr. Marquez expressed concern that the losses are not sustainable and with losses from Kinder Morgan and consumers not paying their bill, he expressed his concern.

There were salary savings in the personnel vacancies, stated the Chair, but the engineer position has recently been filled and he starts on April 6th.

GM Hastings said the engineer has been involved with co-ops for many years and is currently working with the Mid-Continent ISO, a very large transmission operation. He

did check on the engineer's references, and was told by a co-op that, if they could, they would rehire him in a minute. He mentioned that the market for utility-type engineers is currently very tight, and he understood it was important that JMEC retain an engineer who could hit the ground running.

A discussion ensued regarding the role of management and the Board in hiring staff and setting salaries.

Regarding outages, Mr. Gonzales noted that there were very few during the past few months of bad weather. The maintenance that has been employed over the years is effective.

Continuing with the financial report, Ms. Romero indicated the following:

- The beginning bank balance was \$8.5 million
- Cash collected was \$2.2 million
- Cash transfers occurred from Cuba, Century Bank to WellsFargo
- Bad debt recovery through a 3rd party was \$1,292
- Total deposits at \$6,506,057
- Total bank balance was \$10 million
- Following cash disbursements the book balance as of February 2021 was \$4,248,807

Ms. Romero reviewed the bank balances, investments, and identified liquid and non-liquid accounts.

Mr. Gonzales said that, in response to the Board's concern regarding FDIC insurance, money was transferred and will appear on the March financial report. Chair Trujillo requested the information regarding transfers be presented to the Finance Committee.

2. Finance Committee Meeting – February 2021 information

Ms. McCoy, Finance Committee Chair, said the committee met yesterday, March 25th with a quorum and reviewed the February 2021 financial information.

a. General Fund Expenditures

Ms. McCoy said the committee reviewed the expenditures and all questions were addressed.

ACTION: Ms. McCoy moved to accept the general fund expenditures for informational purposes. Mr. Vigil seconded. The motion passed with Mr. Naranjo abstaining.

b. Credit Cards

Ms. McCoy said the total charges were \$3,170.80 and were reviewed by the committee..

ACTION: For informational purposes, Ms. McCoy moved to accept the credit card charges and Mr. Jaramillo seconded. The motion passed by unanimous voice vote.

c. Attorney Expenses

ACTION: For informational purposes, Ms. McCoy moved to approve the attorney fees. Mr. Cordova seconded. The motion passed by majority [9-1] voice vote.

Mr. Vigil repeated his previous request for monthly status statements from the attorneys.

d. Consultant Expenses

None were presented to the Committee.

e. Trustee Vouchers

Mr. Marquez expressed his concern that some of the vouchers had a large discrepancy between the corresponding checks. Ms. Romero said mileage and tax may have been added. She offered to isolate the mileage.

ACTION: Ms. McCoy moved to accept the trustee vouchers for informational purposes. Ms. Maestas-Muller seconded. The motion passed without opposition.

f. February 2021 Cash Flow Analysis

Ms. Romero addressed this item under 6.B.1.

g. Purchase of Metering Equipment

Mr. Gonzales said the co-op needs to replace some meters and move the old ones to other areas. The cost will be approximately \$8,000 and while Board action is not necessary he wanted to bring it forward. The Finance Committee discussed it yesterday.

ACTION: Motion by Mr. Vigil and second by Mr. Jaramillo. The motion passed by majority voice vote with Mr. Marquez voting against.

h. Previous Finance Committee Discussion

Mr. Gonzales said a discussion occurred at last month's Finance Committee regarding a draw on RUS funds in the amount of \$1.94 million for cash flow purposes. JMEC would be allowed to draw 2 percent interest on that money. He said the item was discussed during last month's executive session and met with agreement. However, once back in open session, action on this item was neglected. During the interim, he discussed the item with the Executive Committee as well as the Finance Committee, and the draw was taken to take advantage of the interest rate. That transaction took place in March.

Mr. Marquez said this after-the-fact action served no purpose.

Mr. Vigil surveyed the Board and it was determined all the Board members were made aware of drawdown.

ACTION: Mr. Jaramillo moved to approve the action taken by management resulting in the drawdown. Mr. Duran seconded and the motion passed by majority [8-2] voice vote with Mr. Naranjo and Mr. Marquez voting against.

[The Board recessed for 10 minutes]

6. NEW BUSINESS

1. Cost of Service Study

GM Hastings said there was a working session on the Cost of Service Study conducted by Guernsey Consultants. He highlighted the following points:

- The study indicates an annual cash increase of \$462,000 was needed.
- The summary shows a customer or facility charge rate change from \$14 – the lowest in the state – up to \$19
- The overall increase would be 4 percent for the consumer
- It is never a good time for a rate increase – nobody likes them
- It is important to balance the needs of the Co-op to maintain solvency and the needs of the members to keep the rates low
- The Co-op is down 12 employees which has been a cost savings – although a new engineer and accountant are coming on board
- The biggest issue JMEC faces is cash flow – current cash flow/equity level is eroding
- For the financial health of the Co-op, a rate increase needs to be pursued

GM Hastings recommended moving forward with the rate increase to ensure the solvency of the Co-op into the future. The customer charge/facility charge is impacted by the addition of solar, and the study shows that the cost per member is \$30, and increasing the cost to \$19 will assist in getting the non-power costs into alignment with the costs. Co-ops around the state have taken the customer charge/facility charge to over \$50. That is the trend in co-ops throughout the country. He appreciated that the timing was difficult with the impact of Covid but it's important to proceed with the increase.

Mr. Gonzales noted that the last increase was in 2013 and in 2017 there was a recommendation for a small bump that did not occur. The increase will need to go before PRC and written notice to the customers. If there are no contesters, the increase becomes effective after 45 days. However, if there are contesters it could take six or more months. He mentioned that the past due accounts will take a long time to recover.

Mr. Marquez said the consumers will be in an uproar about the increase. Consumers are going to question what JMEC did with the PPP loan and what proactive incentives were initiated.

Mr. Duran said no matter when an increase is implemented there will be opposition. He recommended moving forward, as did Chair Trujillo.

The increase would provide \$355,000 of new revenue to JMEC monthly. Mr. Gonzales noted that following PRC approval, JMEC will not see benefit until 2023.

Chair Trujillo requested including management and the consultant's recommendation of an increase to the customer/facility charge as an action item on a Special Meeting.

Mr. Marquez mentioned there may be other opportunities for JMEC to increase additional revenue that should be considered.

Mr. Jaramillo reminded the Board of the attorney fees JMEC will incur to initiate the increase.

The Board of Directors recessed at 12:35 for lunch and Executive Session.

The other items on the agenda included:

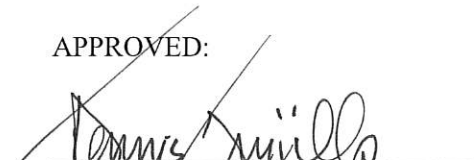
7. **COMMITTEE REPORTS**
 - A. **Foundation Committee**
 - B. **Communications Committee**
 - C. **Work Session**
 - D. **Audit Committee**
 - E. **Vegetation Committee**

8. **NEW BUSINESS**
 - A. **Tri-State -**
 - B. **Resolutions**

9. **ADJOURN**

The Board adjourned following completion of the agenda.


Secretary, John Ramon Vigil

APPROVED:

Chairman, Dennis Trujillo