

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

**December 1, 2023**

**HERNANDEZ, NEW MEXICO**

1. This meeting of the Jemez Mountains Electric Cooperative, Inc. Board of Trustees was called to order by Board President Dennis Trujillo at 9:14 a.m. on the above-cited date, at the JMEC Headquarters, 19365 S.R. 84/285, Hernandez, New Mexico.

2. & 3. Following the Pledge of Allegiance, roll call confirmed a quorum as follows:

**Trustees Present:**

Dennis Trujillo, President  
Manuel Bustos, Vice President  
Marcie Martinez, Secretary  
Dolores McCoy, Treasurer [remotely]  
Henry Roybal, Asst. Secretary/Treasurer  
Lucas J. Cordova  
Elias Coriz  
Dennis Gallegos  
Marissa Maestas-Muller  
Danny Velarde  
John Ramon Vigil [9:30 arrival and 11:45 departure]

**Trustee(s) Excused:**

None

**JMEC Staff Present:**

Michael Hastings, CEO and General Manager  
Dennis Astley, Director of Engineering/Engineering Operations  
Geraldine Romero, CFO  
Tina Trujillo Archuleta, Manager of Administration and External Affairs  
Karen Wisdom, Senior Manager of Contracts, Compliance and Special Projects  
Tomas Barela, Broadband Manager  
Dwight Herrera, Senior Manager of Human Resources and Support Services  
Tammy Trujillo, Manager of Member Services

**Others Present:**

Joseph Yar, JMEC General and Utility Counsel  
Shawna Tillberg, Paralegal  
Tom Beamon, Financial Consultant  
George Lynch, Kelso Lynch Auditors

Bill Boas

Two representatives from CoBank

Karen Farrell, Wordswork, Secretarial Services

**4. REMARKS FROM JMEC MEMBERS** - None were presented

**5. CONSENT AGENDA**

- a. Approval of Agenda
- b. Review/Approval of the October 27, 2023 Board Meeting Minutes
- c. Approval of the September and October 2023 Member Lists

GM Hastings requested the Board defer action on the member lists to give staff additional time to provide the information in a different format.

**ACTION:** With that change, Mr. Cordova moved to approve the Consent Agenda as amended. Ms. Martinez seconded and the Motion passed without opposition.

**6. OTHER REPORTS**

**a. President's Report**

President Trujillo reported on the following:

- The CEO search is ongoing and the ad hoc committee has met several times.
- George Lynch is present to provide a preliminary inventory audit. The contract with the current legal counsel is expiring and an RFP was issued. An ad hoc committee will be created to review the RFPs and he invited interested trustees to contact him.
- December is a busy month to tie up end of the year issues, especially the 2024 budget.
- Ms. Trujillo Archuleta will work with the Board to schedule a special Board meeting.

**b. Statewide Report**

Mr. Bustos reported that Statewide will be meeting on December 8<sup>th</sup> to work on the budget. Chief Executive Officer Charise Swanson is seeking more support from the Statewide members.

**c. Tri-State Report**

Mr. Coriz reported that Tri-State met in November, and the discussion was centered on the pending litigation with United Power. FERC has not determined the buyout of assets. La Plata Electric Cooperative has recently filed a lawsuit against Tri-State. Mr. Coriz said he continues to discuss Tri-State's policy #115 but, at this point, there has been no resolution.

GM Hastings said that the details regarding the United Power settlement are not public at this point and will be very relevant to the other 41 co-ops. Tri-State's 2019 bylaw amendments to allow for partial or full buyouts in an expeditious fashion has not

occurred, and that is the basis of La Plata's lawsuit. JMEC has a unique environment with its customer base of pueblos wanting to do solar projects. As a co-op, JMEC wants to provide a stable power supply at an overall competitive price. Tri-State is not particularly "co-op people." He commented that his successor will have to resolve these issues with Tri-State.

## **7. CEO AND GENERAL MANAGER'S UPDATE – Discussion and Action**

### **a. Miscellaneous Matters**

#### **i. JMEC Insurance Renewal**

Kitty Leslie with Daniel Insurance said the past three years have been very difficult within the insurance industry. She said that after the primary \$2 million, JMEC's policy will have a wild fire exclusion. This is a nationwide and industry wide issue. The Maui/Lahaina fire nailed the insurance shut, stated Ms. Leslie. JMEC has made tremendous improvements with vegetation management, yet within this tight insurance market nothing can be done.

Ms. Leslie provided a spreadsheet providing a comparison of the expiring premiums and the renewal premiums. She noted that that the volunteer/board accident policy is no longer available; however, Statewide provides that coverage.

A Lengthy discussion ensued regarding the difficulty at finding wildfire insurance.

Ms. Leslie recommended JMEC continue its vegetation management program and continue to use investigators.

GM Hastings planned on talking to the other New Mexico co-op managers to gain support on requesting assistance from the PRC. The legislators need to understand that there is no insurance available for catastrophic fires. GM Hastings said a rate rider is necessary, as well as educating the legislators.

Ms. Martinez commented that, along with the vegetation management system, there is a pole replacement management program in place and asked if this made any impact. Ms. Leslie said it's a good thing but it does not change the non-renewal wild fire insurance.

GM Hastings said he would be meeting with other New Mexico electrical co-op managers to discuss legislative assistance.

**ACTION:** Mr. Cordova moved to approve the 2024 JMEC insurance program plus an umbrella for \$22 million. Mr. Coriz seconded. The Motion passed by unanimous voice vote.

#### **ii. George Lynch – Preliminary Report**

GM Hastings said that George Lynch has conducted audits for JMEC, and recently performed an inventory audit in Hernandez, Cuba and Jemez Springs.



George Lynch said that in previous years there were issues with materials and inventory this year the numbers are a lot better.

There are some issues regarding work orders and internal control that require improvement. There are departmental issues, and with improved communications they can be corrected.

At this point, there are financial issues that must be addressed in order for JMEC to meet its requirements. These issues are also associated with the current assessment by the auditor.

A co-op the size of JMEC can expect an audit to take 250 hours but with financial concerns, he expected the audit to take 450 hours requiring larger sample sizes. In terms of inventory improvements, Mr. Lynch said everything is tied in much better than last year. Items are neatly stacked and easy to keep track of it. The issues appear to be paperwork- related.

GM Hastings discussed historical issues as well as improvements related to inventory and their impact on financial concerns. He also indicated that staffing has both improved but also is still lacking.

GM Hastings said it is a process to fix the Co-op, and while good progress has been made, more is necessary. GM Hastings said that the Co-op has to plan for another rate case, which needs to be seriously considered.

Ms. Martinez expressed a concern that the issues discovered in the last audit were not fully resolved.

### **iii. 4G Contract Amendment**

GM Hastings said that the Ski Basin/Tesuque Peak project is progressing since the permit was obtained. There have been accessibility issues due to environmental concerns.

A meeting with Santa Fe County may occur to discuss WOTUS issues. Mr. Roybal offered to attend. The notion of reaching out to the Governor of Tesuque Pueblo and former Governor Charlie Dorme was suggested.

GM Hastings requested the Board's ratification of the amendment to the existing contract that was within budget. In regards to a remobilization fee, GM Hastings said he hoped 4G could work through it until it is done and noted that it is not covered in the agreement and requires negotiation.

GM Hastings said a consultant has been hired to conduct the SWPPP.

**ACTION:** Ms. Martinez moved to ratify the contract amendment. Mr. Roybal seconded. The Motion passed by majority [6-3] voice vote with Trustees Cordova, Gallegos and Velarde voting against. [The President does not vote]

**iii. JMEC 2022 Form 990 (Tax Return)**

GM Hastings said that this is an annual form required by the IRS for all not-for-profit tax-exempt entities. He noted one correction regarding the at-large Board member who is voted in by the Board. He encouraged the Board to review the form.

Ms. Martinez asked about a conflict-of-interest statement error within the 990 that has been ongoing for five years. GM Hastings said Mr. Beamon will be correcting it.

**iv. Purchase of Property for Española Substation**

GM Hastings said a property has been located to relocate the Española substation currently in the Cook's Lumber Yard.

Dennis Astley, Director of Engineering/Engineering Operations, presented a proposed purchase agreement for property.

Concerns regarding cost, access, utilities, zoning and permit issues came up.

Mr. Astley assured the Board that an environmental assessment would occur prior to purchasing and designing the site as well as an appraisal and management would work with a realtor to develop a purchase agreement. GM Hastings said all the due diligence issues would be addressed before asking for the Board's approval. The purchase would be subject to acceptable reports.

It was mentioned that the cost proposed for that site was far above fair market value. Additionally, background information was offered regarding the owner's previous plans on that location.

Mr. Cordova preferred the seller prove suitability with an environmental study and appraisal.

The general consensus of the board was a concern regarding the price for the property and whether the location could support a substation.

[At this point, Mr. Vigil left the meeting.]

**b. Business Services and Finance**

**i. October 2023 Financial Reports**

GM Hastings reviewed the RUS Form 7 statement of operations. The current financial situation is a result of various factors including:

- Power cost
- Revenue
- Expenses
- Interest rates are going up
- G & T capital credits –
- New services



- Construction work in progress
- The net utility plant value
- Meter replacement

GM Hastings said it was appropriate for the Board to consider authorizing a cost-of-service study now, with the idea of going forward first quarter 2024 with a rate case. He reminded the Board that in December 2021, JMEC requested and needed a rate increase of 11.68 percent. A year later, following another cost-of-service study indicating the same, the PRC approved 9.33 percent. JMEC needed 11.68 percent and leaving 2.5 percent on the table has hurt the Co-op. PRC needs to understand that JMEC asked for what they needed and had to settle for less and now with inflation, interest rates and salary increases, JMEC needs another rate increase. JMEC is either the lowest or the second lowest rate among co-ops in New Mexico and JMEC's utility charge is the lowest in the state. He also noted that the co-op is losing load from roof-top and small pueblo solars.

Ms. Martinez suggested developing a comparison of rates for reference, and Mr. Yar offered to compile that data. Ms. Martinez expressed the need to educate the JMEC membership prior to considering another rate increase.

[The Board recessed for lunch from 12:00 to 12:45]

## **ii. RUS-Related Items**

GM Hastings introduced Tom Beamon, consultant with Bolinger, Segars, Gilbert & Moss. Mr. Beamon explained that Bolinger is an independent audit firm with approximately 120 electric cooperatives. He does not conduct audits; he is within the advisory services division, and advises on financial matters and rate case. In regards to an error in the 990 regarding an election process, Mr. Beamon said it will be fixed. He provided his professional history which included corporate banking, lending in the energy industry, CFC, and extended credentials in energy finance.

Mr. Beamon said that JMEC's current standing did not happen overnight, and it will take a lot of work to get out of it. He noted that there has been a great deal of progress and much more is needed. Transitions are tough on cooperatives, and getting a new GM/CEO is difficult. He offered the following points:

- Culture is set at the top – the Board and management.
- Distribution systems are capital intensive and require external financing. A co-op cannot generate enough money on an affordability basis through cash flow to pay for everything.
- External financing comes from banks, RUS, CFC, CoBank, etc.
- The plant assets last a long time and require significant planning and coordination to procure and deploy them efficiently.
- The system is constantly changing demanding more or less load.
- SAIDI, system average interruption duration index, indicates JMEC has far more interruptions to its service than co-ops in New Mexico and Tri-State members. Reliability is an artifact of operational excellence and plant investment. JMEC's outages are skewed more towards the infrastructure component.

- OTIER, is a metric to determine how much the co-op has to cover its interest. This matters because JMEC is an RUS borrower. It should be part of the co-op's DNA to operate with a margin of safety. Losing Kinder Morgan was difficult for JMEC to absorb.
- A hefty capital spending cycle is required to replace failing infrastructure and it is irresponsible to ignore fixing the system while not recognizing the cost.
- A formula to determine rate of return was discussed and it was noted that a rate case is recommended every two or three years.
- Best industry practice is to have a margin of safety and lender requirements are a minimum, financial goals should be set higher than the minimum, and unexpected expenses should be considered.

JMEC will need a term loan to continue the endeavor of fixing the co-op. He recommended that JMEC look out further than RUS, adding he doubted RUS would approve the workplan within six months. As an independent voice, Mr. Beamon recommended looking for additional lending on a term basis besides RUS. He acknowledged the two representatives present at the meeting from CoBank.

Reliability and affordability are many times competing goals, and JMEC needs to define its success, stated Mr. Beamon. Decisions need to be made as a Board and made together enthusiastically for a common goal. While goals of co-ops may differ, the math for compliance on lending is the same for everyone. Build a margin of safety and show consistency and reliability.

### **iii. Finance Committee Meeting**

Finance Committee member Henry Roybal presented the committee's report, noting that they met yesterday, November 30, 2023, with all members present.

#### **a. October 2023 General Fund Expenditures**

**ACTION:** For informational purposes, Mr. Roybal moved to approve the October 2023 JMEC general fund expenditures list. Ms. Martinez seconded. The Motion passed by unanimous voice vote.

#### **b. October 2023 Staff Credit Cards**

**ACTION:** For informational purposes, Mr. Roybal moved to approve the October 2023 staff credit card charges. Ms. Maestas-Muller seconded. The Motion passed by unanimous voice vote.

#### **c. October 2023 Attorney Expenses**

**ACTION:** Mr. Roybal moved to approve the October 2023 attorney expenses. Mr. Coriz seconded. The Motion passed by unanimous voice vote.

#### **d. October 2023 Consulting Expenses**



**ACTION:** Mr. Roybal moved to approve the October 2023 consulting expenses. Mr. Velarde seconded. The Motion passed by unanimous voice vote.

**e. October 2023 Trustee Reimbursement Vouchers**

**ACTION:** Mr. Roybal moved to approve the October 2023 trustee reimbursement vouchers. Mr. Velarde seconded. The Motion passed by unanimous voice vote.

That concluded the Finance Committee report.

**8. COMMITTEE REPORTS**

**a. Audit Committee**

In Mr. Vigil's absence, GM Hasting provided the report, noting that Mr. Lynch covered most of the material. The co-op will have a red flag on its 2023 audit. An RFP will be issued for an auditor.

**b. Policy Committee**

Ms. Martinez said that the committee met on November 15<sup>th</sup>. Policy 112, which was tabled by the Board, was discussed, and will be brought back for consideration in the future. Policy 101 requires additional revisions, and will also be brought forward at a future meeting.

**Policy 117, Whistleblower Policy.** The policy was emailed to the Board, and the main change has to do with the investigation time.

**ACTION:** Ms. Martinez moved to approve Policy 117 and Procedure 117P.

Mr. Yar recommended amending the policy language, "It is the Cooperative's policy to reserve the right to retain an independent third-party to perform all investigations..." That would give the Board option regarding a third-party.

Mr. Coriz preferred the policy mandates that an independent investigator will be retained to ensure the whistleblower is granted due process. Ms. Maestas-Muller said adding reserve the right gives JMEC the option.

Mr. Yar noted that the language he proposed allows the Board the discretion of whether to send the complaint to a third-party.

Mr. Coriz seconded and the Motion to approve Policy 117 and 117P as presented passed by unanimous voice vote.

Ms. Martinez said that the committee developed priorities for review of policies and she invited the Board to advise her of any policies that they would like reviewed. She noted they would be reviewing policies that correspond to elections, a new policy on board members serving on other boards, agenda and minutes, employee conflicts, Foundation, donations, trustee per diem and credit card (Policy 112) clarification.



**e. Broadband Committee**

Ms. Martinez reported for Mr. Coriz, who was unable to attend the committee's November 28<sup>th</sup> meeting. She said the committee received an update on the grant opportunities that JMEC is working on, and grants received by service-area pueblos. Tomas Barela provided information to the committee regarding competitive issues with Kit Carson, WindStream, ComNet and several of the pueblo's internet plans. An MOU is being developed to work with NORA on broadband issues. Offering broadband to the JMEC membership will be a tremendous service to the community, noted Ms. Martinez.

Mr. Coriz commented that Mr. Barela was making great progress, and he reiterated the full Board's support of moving forward with broadband. Offering broadband will financially benefit JMEC, but more importantly, it will change the economics of JMEC's service area.

**f. Vegetation Committee**

Mr. Cordova reported on the last meeting's items noting that recent bids have come in two to three times higher than the estimates. Lenny Ortiz is reviewing the circuits and will re-review the budget with the committee. Several of the RFPs were re-released. San Pedro, Alcalde, La Mesilla, and Hernandez were included in the priorities.

**9. EXECUTIVE SESSION**

**a. Legal Matters**

**b. Personnel Matters**

**i. CEO Search Committee Report**

**ACTION:** Ms. Martinez moved to go into executive session and Ms. Muller seconded. The Motion passed by unanimous voice vote.

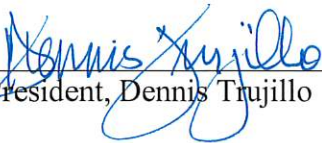
[The Board met in Executive Session from 2:25 p.m. to approximately 3:45 p.m.]

**10. NEW BUSINESS**

**11. ADJOURN**

Having completed the agenda and with no further business to come before the Board, President Trujillo adjourned this meeting at 3:45 p.m.

APPROVED:

  
\_\_\_\_\_  
President, Dennis Trujillo

  
\_\_\_\_\_  
Secretary, Mariee Martinez

