

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

BOARD OF TRUSTEES MEETING

FRIDAY, AUGUST 21, 2020

HERNANDEZ, NEW MEXICO

1. This meeting of the Jemez Mountains Electric Cooperative, Inc. Board of Trustees was called to order by Chairman Leo Marquez at 9:00 A.M. on the above-cited date, at JMEC Headquarters, 19365 S.R. 84/285, Hernandez, NM.

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, Nick Naranjo, Secretary, called roll and confirmed the presence of a quorum.

Those present in the Board room were: Trustees Marquez, Naranjo, Tapia, Crawford, Cordova, McCoy and Vigil. Trustees D. Trujillo and C. Trujillo participated by phone.

PRESENT:

Leo Marquez, Chair
Charlie Trujillo, Vice Chair
Nick Naranjo, Secretary
John Tapia, Asst. Secretary/Treasurer
Lucas J. Cordova
Stanley Crawford
Delores McCoy
Dennis Trujillo
John Ramon Vigil

ABSENT:

Johnny Jaramillo, Treasurer
Bruce Duran

JMEC STAFF PRESENT:

Ernesto Gonzales, General Manager
Teresa Chavez, Chief Financial Officer
Karen Wisdom, Contract Administrator and Compliance Officer
Laura Rendón, Executive Assistant
Russ Groves, Engineer

GUEST(S):

Molly Montgomery, *Rio Grande Sun*
Dominic Salazar, Santa Cruz Irrigation District

4. APPROVAL OF THE AGENDA

Manager Gonzales requested the additions of a contract with Santa Cruz Irrigation Line Upgrade under 5, Action Items, an engineering report and RUS Form 7 discussion under 6, General Manager's Update.

Mr. Crawford requested Executive Session to include discussions regarding the role of the Executive Committee, as well, as the budget.

ACTION: Upon motion by Mr. Vigil and second by Mr. Tapia, the agenda was approved as amended. [Mr. C. Trujillo did not vote on this item.]

5. ACTION ITEMS

A. Santa Cruz Irrigation District Line Upgrade Contract

Manager Gonzales stated that the District received capital outlay funding from the State for the upgrade. The State has required initiation of the project prior to reimbursement. At this time, he recommends that JMEC contract with the irrigation district to facilitate the three-phase power project.

ACTION: Mr. Naranjo moved to approve the contract and Mr. Cordova seconded. The motion passed by unanimous [9-0] roll call vote.

Dominic Salazar, Santa Cruz Irrigation District, thanked the Board for their support. He said the upgrade will allow for state-of-the-art valves to improve conservation and distribution of water.

B. Approval of July 2020 Board Minutes

ACTION: Mr. Cordova moved to approve and Mr. Naranjo seconded. The motion passed without opposition.

C. Approval of July 2020 Membership List

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

6. GENERAL MANAGER'S UPDATE

A. Employee Recognition

1. Chad Stacy – 20 years of service

Manager Gonzales congratulated Chad Stacy for his service to JMEC. He currently works in the Jemez District office Line Department.

2. RUS Form 7

The impact of COVID has limited the membership's participation at meetings and in an attempt to further transparency and provide access to financial information, Manager

Gonzales said that management discussed posting JMEC's Form 7 on its website with RUS. It was determined that, with a disclaimer that it is "unaudited," it can be posted monthly. At year-end, the audited Form 7 can be posted.

ACTION: Mr. Tapia moved to post certain financial information on the JMEC website appropriately labeled "unaudited." Mr. Naranjo seconded. The motion passed by unanimous roll call vote.

2. Engineer's Report: System Reliability Measurements

Engineer Russ Groves said JMEC's vision is to be the best electric cooperative in New Mexico based on price, customer service and reliability, which will enhance the quality of life for the communities served.

Mr. Groves said reliability is one of the measurements used to define how good a job JMEC is doing. Reliability indices are the definitive measurement used throughout the country. These measurements allow JMEC to compare itself to other utilities. The measurement also assists JMEC in determining where improvements are needed.

The two indices used by RUS are:

- SAIDI - System Average Interruption Duration Index
- CAIDI - Customer Average Interruption Duration Index

SAIDI is reported annually on Form 7. The report describes average outage time and what it is related to: power supplier, extreme storm, pre-arranged and all other. The "all other" is what RUS monitors. Definitions for "all other" are quite dense. RUS bulletin 1738 defines a satisfactory rating, which is less than 200 minutes of customer outage per year. RUS advises that, "the utility should strive to provide the level of service needed by the load consistent with the cost the customer is willing to bear."

Mr. Groves reviewed JMEC's entire system numbers, noting that its weakest performance was in 2017 with 495 minutes and 2019 was 359 minutes. Although there is improvement, it is still well above 200. In 2017, the Board passed a resolution acknowledging the excess in the RUS standard and a corrective plan.

Dispatch tracks outages via an outage management system. A report is generated and broken down by substation. The AMI system is a useful tool which could be placed on the JMEC information dashboards. The AMI is on the four-year workplan, which with meters and other parts of the system will cost around \$6 million. Manager Gonzales said that system would be completed with borrowed money.

With dry weather and lightning, Mr. Groves said the safety issues outweigh concerns about an outage. Lightning will shut a system down, and a crew is necessary to turn it back on.

Regarding current fires, Manager Gonzales said at this time there is no danger to any JMEC lines. The firefighters have not seen damage to poles; however, they are now

reviewing those issues. Lines in the fire area are not energized. Once a crew can safely go in, the area poles will be inspected and lines energized.

B. Business Services & Finance

1. July 2020 Financial Information

Teresa Chavez, Chief Financial Officer, reviewed the July ratios and statistics. What follows are highlights of the report:

- TIER and OTIER are negative: TIER -.40 and OTIER -.42
- There were 31,099 consumers, a decrease of 16 from last year
- Large Commercial KWH was down from last year's 344,796 to 180,653 – this is attributed to Kinder Morgan and other closed businesses
- Total connects for all three districts were 201, a decrease from last year of 37
- Total disconnects were 179, a decrease from last year
- Solar meters: 248 residential, 42 small commercial, 3 large commercial
- Revenue has indicated a decrease of 6 percent of margins as a percentage of revenue
- There was a reduction in KWH purchased
- Line loss at 13 percent has decreased from last year at 19 percent

Mr. D. Trujillo asked whether any of the COVID relief funding could be used to address JMEC's financial losses. Manager Gonzales said NRECA is trying to allow the co-ops to refinance all high interest loans. He understood NRECA is lobbying hard to assist cooperatives. Lower interest rates will indirectly assist JMEC losses and finances. He noted that vacant positions have been filled with existing employees resulting in vacancy cost savings for the Co-op of approximately \$600,000.

Manager Gonzales noted that the cost of poles, transformers, and conductors have all increased, and the low cost of fuel is temporary.

Regarding the cost of service study which the Board requested, Manager Gonzales said that he felt an amendment could be attached to the existing Jack Moss contract for the study. There had been a recommendation from a lender to increase the residential facilities charge from \$14.50 to \$16.50. PRC requires a study to implement any increase. Once filed with the PRC, the consumers have the right to contest it and it could take 15 months to implement.

Mr. Tapia supported starting the process as soon as possible and amending the Moss contract. Manager Gonzales said it was important that the study extend out in time to protect JMEC from finding itself in the same position in two years.

Mr. D. Trujillo said that he understood increasing the facility charge was an option, but requested the study include additional options. Mr. Tapia said that aside from a reduction in employees, the other option is a reduction in operations/services provided to consumers.

Mr. Naranjo remarked that JMEC has one of the lowest facility rates, and he introduced the following motion:

ACTION: Mr. Naranjo moved to direct management to move forward with the cost of service study and Mr. Cordova seconded. The motion passed by unanimous roll call vote.

Returning to her report, Ms. Chavez noted:

- Debt/loan stats show RUS at 86 percent and CoBank/CFC at 14 percent
- Currently 109 employees
- KWH sold was 27,774,719 a decrease of 2,618,478 from last year
- Electric revenue depicted a decrease as well as and other revenues
- Kinder Morgan revenue was \$39,380, the minimum charge, compared to last year's \$536,862; indicating a 12 percent decrease in JMEC's total revenues
- Cost of purchased power was down \$300,000+
- A new report on solar net metering was presented, and staff offered to re-review the data for accuracy
- There was a decrease of \$532,621 for energy accounts receivable
- Current accounts receivable are 70 percent compared to 82 percent last year

The Board expressed concern regarding the customers that are falling behind with payments. The consumers need to be educated that the moratorium does not forgive the debt. A finer breakdown of delinquencies was requested by number of consumers, etc. The importance of having a debt collection plan in place ready to implement following the termination of the COVID moratorium was emphasized.

It was noted that Tri-State and NRECA are working to offset costs.

A discussion ensued regarding the need to evaluate JMEC employees' benefit package including retirement, and whether the current vacant positions require filling.

B. Finance Committee Meeting – July 2020 information

John Tapia, member of the Finance Committee, presented the information in Mr. J. Jaramillo's absence.

1. General Fund Expenditures

Mr. Tapia noted that the committee reviewed expenditures and raised concern regarding the significant costs for engine and transmission repairs. It appeared that JMEC equipment was being mistreated. Manager Gonzales said management will investigate the issue and ensure proper vehicle maintenance is enforced.

Mr. Tapia also noted that the recurring internet service costs are significant, and the committee requested staff investigate working with REDI Net.

Questions arose about the supplier NAPA, and management was directed to investigate those charges.

Regarding the new building, expenses are at \$10.6 million and there appears to be one additional payment. Management is evaluating additional costs which have included hardware and contingency items. Mr. Tapia noted that management has been very diligent with change orders; however, the contingency budget requires additional review.

ACTION: Mr. Tapia moved to accept the general fund expenditures for informational purposes. Mr. Naranjo seconded. The motion passed without opposition.

2. Credit Cards

Mr. Tapia said the Wells Fargo credit card charge of \$3,883.61 made by the authorized users on the one account was reviewed by the committee.

ACTION: For informational purposes, Mr. Tapia moved to accept the credit card charges and Mr. Naranjo seconded. The motion passed by unanimous roll call vote.

3. Attorney Expenses

Mr. Tapia said that, with regard to major litigation, the insurance company is paying the majority of those charges. The Co-op is paying the legal fees for the rate and easement issues. He understood the Contract Administrator and Compliance Officer Wisdom and Manager Gonzales were investigating the charges further.

Ms. McCoy said she has not reviewed the invoices.

ACTION: For informational purposes, Mr. Tapia moved to accept the attorney expenses. Mr. Cordova seconded. The motion passed with Ms. McCoy abstaining.

4. Consultant Expenses

Mr. Tapia provided the charges as follows:

The Prime Group ROW/6	\$ 800.00
FBT Architects	\$ 4,648.55
Geo-Test, Inc.	\$ 2,873.16
Burns & McDonnell	\$ 8,800.32
Totaling	\$17,122.03

Ms. Wisdom said she was holding FBT's last payment until final items are addressed. Burns & McDonnell might have one final invoice.

ACTION: Mr. Tapia moved to accept the consultant fees and Mr. Naranjo seconded. The motion passed by unanimous voice vote.

5. Trustee Vouchers

Pursuant to Mr. Crawford's request, staff prepared a breakdown of trustee expenses by committees. Mr. Tapia acknowledged that there have been a lot of executive committee meetings to address the litigation activity. The vouchers are available for review.

ACTION: Mr. Tapia moved to accept the trustee vouchers. Mr. Naranjo seconded. The motion passed by majority [8-1] roll call vote with Ms. McCoy voting against.

6. July 2020 Cash Flow Analysis

Ms. Chavez reviewed the July 2020 cash flow analysis highlighting the following:

- Beginning cash balance, \$9,882,544
- Total deposits, \$4,073,696
- Total beginning balance plus deposits, \$13,956,241
- Cash disbursements, \$4,719,029
- Ending book balance, \$9,237,212
- Total cash account balance, \$10,000,329
- Total investments balance, \$127,056

7. 2020 Revised Budget Review

Mr. Tapia said that the usual method to establish a budget utilizes the Form 7 as a base line; however, with the pandemic, the base line is being recalibrated lower than the RUS number.

Chair Marquez said he would be calling a special Board meeting following Labor Day.

Mr. Tapia said the original budget on the new building was \$16 million and following modifications to the plans the building was budgeted at \$10 million. Contingencies were not budgeted. The Finance Committee recommends establishing a contingency budget.

Chair Marquez said contingencies were fully expected, however, the Board did not take formal action to budget this item. Manager Gonzales said it was his understanding a 20 percent contingency was discussed by the Board without formal approval. He recommended the Board take formal action allowing for contingencies.

Ms. Wisdom assured the Board that management would be scrutinizing every bill that comes forward within the contingency.

ACTION: Mr. Naranjo moved to approve a 20 percent contingency budget and Mr. Tapia seconded, noting that he hoped a third party would review the bills.

Manager Gonzales said all procedures will be followed in reviewing invoices and if a review by a third party is necessary it will occur. Mr. Tapia requested the finance committee receive an in-depth update on the building expenses.

The motion passed by majority [8-1] voice vote with Mr. D. Trujillo voting against.

Explaining his vote, Mr. D. Trujillo said the Board agreed on \$10 million budget, and he wanted more explicit information before committing to a 20 percent contingency.

That concluded the Finance Committee report.

7. COMMITTEE REPORTS

A. Energy Committee

Mr. Tapia said there was a discussion on rapid chargers and, according to Mr. Cordova, Tri-State will pay for one of them.

Mr. Tapia reported on the Residential Solar Financing project and said the contract with Century Bank is complete. JMEC's legal counsel is finalizing collateralization of the loan, and once that is complete applications will be taken. An announcement of the program will be posted on website with a diagram of the process.

Mr. D. Trujillo stressed the importance of communicating to the member that they are the responsible party. He asked what JMEC's role was in the event of a default. Manager Gonzales said that the consumer needs proof from JMEC that they are in good standing. JMEC is collateralizing the loans. In terms of the process, Mr. Tapia said the consumer first gets proof that they are members in good standing with JMEC. The next step for the consumer is to obtain an estimate from one of the four approved vendors. The consumer then forwards the estimate to the bank for a final decision. The Co-op is responsible, and legal counsel Chuck Garcia is finalizing terms with Century Bank and RUS.

The \$500,000 is considered to be JMEC general funds, stated Manager Gonzales. However, as a borrower of RUS and other lenders, those lenders carry the primary/first. Recognizing there may be loan defaults, Mr. D. Trujillo said he'd like further discussion with Mr. Garcia.

It was mentioned that a solar system approved for 10kw expanded the following year and installed an additional 10kw. Mr. Tapia said staff will be investigating this issue and he recommended developing a solar policy that prohibits system expansion without Co-op approval.

Regarding rapid chargers, Mr. Tapia said four locations were discussed; Cuba, Española, Abiquiu and Jemez Springs. At this point, the committee recommends directing staff to obtain estimates.

The necessary civil work is occurring for the solar array in Cuba. Once the civil work is completed the racking system installation will commence. Staff is checking on any FERC responsibilities. The target date for finishing construction is the end of October.

Rate 14 is JMEC solar rate as approved by PRC. Jack Moss has completed his study, Chuck Garcia has reviewed it and prepared it for PRC filing. Manager Gonzales said that the primary change relates to qualifying facilities with net metering. For any JMEC consumer with net metering that meter will be on the rate rider for the easements JMEC

has with the Native Americans. The second part is to correct an issue where consumers not using net metering were subsidizing those on the rate rider. Also, JMEC will be filing for a variance where we don't have to report excess on a monthly basis, and instead do it on an annual basis. It will be a separate filing.

Management requests approval to proceed, which includes providing notice to the membership, following PRC regulations, etc.

ACTION: Mr. Cordova moved to direct staff to proceed with the Rate 14 changes and the variance. Mr. Tapia seconded. The motion passed by unanimous roll call vote.

B. Communications Committee

Notification to the consumer about Rate 14 needs PRC approval before it is issued. It may be protested.

The newsletter will feature articles regarding the solar project in Cuba and the residential solar program. The following newsletter will focus on the new building and its art work.

Mr. Crawford commented that there have been some minor scheduling issues with the newsletters, and he would be developing a format with scheduling deadlines.

C. Policy Committee

Mr. Cordova said the JMEC Personnel Policy Manual has not been revised since 1994. Legal counsel reviewed the policy, made changes and the revised manual was sent out to the Board for review.

Manager Gonzales confirmed that the revised manual was sent to all Board members, and that the updates conform to current State law and statutes.

ACTION: Mr. Cordova moved to approve the JMEC Personnel Policy Manual as revised. Mr. Tapia seconded and the motion passed by unanimous roll call vote.

8. NEW BUSINESS

A. Tri-State

Mr. Cordova said Tri-State has revised two of its policies which will be presented to the Tri-State Board for enactment. One has to do with a payment methodology and the other concerns partial power requirements. If a co-op chooses to participate in a buy-down, they will not have full Tri-State membership and may buy from other sources. The co-op will still be required to purchase at least 50 percent of its power from Tri-State, and will be required to pay down a portion of its debt. The remaining power can be produced or purchased from an outside source. In a sense, it will serve to facilitate buying out of Tri-State. Tri-State is also proposing an open season and will make a block of megawatts available.

B. Update on New Mexico Fires

Ms. Wisdom said that she and Tony Martinez participated in a phone conference update on the Rio en Medio fire with the Santa Fe National Forest staff. The biggest concern is the Nambe Watershed and the water quality. The incident team is working to steer the fire from the watershed. JMEC's line from the Lucky Star up to the tower is de-energized and the users – FAA, DEA, tribal law enforcement – are on generators. At this point it is zero percent contained and 600 acres in extent.

9. EXECUTIVE SESSION

ACTION: Mr. Tapia moved to meet in Executive Session. Mr. Crawford seconded and the motion passed by unanimous roll call vote.

[The Board met in Executive Session from 11:45 to 12:36]

ACTION: Mr. Naranjo moved to advertise for the position of Controller of Funds as defined under Article VI Section 8.1. Mr. Crawford seconded. The motion passed without opposition.

10. ADJOURN

Upon motion by Mr. Crawford and second by Mr. Tapia, Chair Marquez adjourned the meeting at 12:40 p.m.



APPROVED

[Signature]
Chairman, Leo Marquez

[Signature]
Secretary, Nick Naranjo