

**MINUTES OF THE
JEMEZ MOUNTAINS ELECTRIC COOPERATIVE, INC.
BOARD OF TRUSTEES
FRIDAY, APRIL 30, 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.

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
Geraldine Romero, Accounting
Dennis Astley, Engineer
Lenny Ortiz, Vegetation Program Manager

Others Present

Andy Spillum, Eide Bailly [*virtually*]

4. Approval of the Agenda

Staff requested the following amendments to the agenda:

- 5.c., 2020 Audit Report/Resolution, be moved up on the agenda to 5.a.
- 5.f., Cost of Service Study be heard under 6.A.2.

ACTION: Mr. Naranjo moved to approve the agenda as amended and Mr. Cordova seconded. The motion passed by unanimous [11-0] voice vote.

Announcements:

Today was recognized as Ernesto Gonzales' last day at JMEC and Chair Trujillo thanked him for his dedicated service to JMEC as General Manager.

The Co-op presented Mr. Gonzales with commemorative inscription on Nambe Ware that recognized him for his years of service.

Mr. Marquez requested a moment of silence for the passing of Robert Martinez who served on the JMEC Board of Trustees for many years.

5. ACTION ITEMS

c. 2020 Audit Report/Resolution

Chair Trujillo said this report was presented to the Audit Committee and is now being presented to the Board for action. The report and resolution will be forwarded to RUS.

Andy Spillum with Eide Bailly shared his screen to review key elements of the 2020 audit. He identified the auditing team, calendar of dates, and the audit methods and procedures. He highlighted the required communications that included the audited financial statements and communications with the Board to discuss any findings. The critical piece of an annual audit is ascertaining the reliability of the month-to-month financial statements. JMEC's financial statements include significant estimates which include depreciation expenses, and allowance for receivable accounts.

Mr. Spillum noted an adjustment to correct estimates in order to include labor cost which relates to the installation of special equipment – transformers or meters – that resulted in a credit was made to expenses in the amount of \$318,000 increasing the margin. A second journal entry during the audit was to increase the reserves on uncollectables. There are two accounts receivables – other and customers. The two combined were increased. That increased expenses by \$661,000; of which \$493,000 was a result of other receivables more than 12 months old. The customer accounts over 90 days was included in the increase; however, if these are collected within the year that can be adjusted

There were uncorrected items from the prior year taxes on the balance sheet as prepaid and because of the timing they show as a prepaid rather than expense.

As a result of those adjustments there were a couple of findings: 1) In accordance with audit standards an internal control deficiency was noted – which is very common for co-

ops (70 to 80 percent) due to limited staff and the cost benefit, and 2) Material misstatements – the allowance from collectables and the special equipment.

Mr. Spillum said the auditor's opinion is unmodified and considered a clean opinion which is the highest level. Other than a couple of journal entries everything was good.

He noted the changes on the liability, namely the PPP loan that is expected to be forgiven in 2021 of \$1.4 million as well as a deferred credit having to do with special equipment. The operating revenues were down for the year. The largest change was the customer account expense – the uncollectables. The Co-op has a sizable increase in borrowing thus increasing the long-term debt and will need to generate operating activities well in excess of the principal payment of the long term debt. In 2021 that payment will be \$3.5 million.

Regarding inventory, Mr. Spillum said the audit shows \$2.3 million in inventory. Mr. Marquez reminded the Board that to improve inventory control they had discussed initiating an inventory barcode system.

ACTION: Mr. Cordova moved to approve the 2020 audit report and the audit-related resolution to submit to RUS. Mr. Naranjo seconded and the motion passed by unanimous [11-0] voice vote.

Mr. Gonzales said in 2020 JMEC borrowed \$3+ million in May at 1.5 percent interest and in June \$5+ million at an interest rate of 1.25 percent. The money was used for cash flow and borrowed because the interest rate was low. JMEC's high interest rate loans were not paid down because of the penalties. GM Hastings said the NRCA is working on the issue as far as federal legislation so co-ops can refinance the RUS loans without penalty.

Chair Trujillo said there is a phone meeting with Senator Heinrich and one of the topics will be the loan penalties.

5. A. Approval of March 29, 2012 Regular Board Minutes

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

B. Approval of March 2021 Membership List

GM Hastings said management was recommending approval.

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

D. Tri-State Partial Buy-Out [See page 5 for action]

Chair Trujillo noted that there have been several discussions regarding the buy-out.

GM Hastings said since the last meeting he has talked to Guzman representative Andrew Heinle who offered a modification to the information presented in March. The price of the power supply remains the same but there were some modifications to the transmission and an offer to share savings. If JMEC were to do a partial buy-out with Tri-State, it would be necessitate the issuance of an RFP for power supply, to at least three suppliers, because it's multi-year and millions of dollars – JMEC's biggest expense.

Guzman's proposal is a wash for JMEC compared to staying with Tri-State. There are unknowns with Tri-State although they have indicated stable rates for the next 10 years. Tri-State is offering a plan of 75 percent in renewable energy. Guzman plans to increase renewables but the proposal does not map that out.

GM Hastings said his recommendation is to stay the course with Tri-State.

Chair Trujillo said Guzman may be at an advantage having reviewed Tri-State's offer and figures. The RFP would basically be for transmission, not generation. GM Hastings said whomever JMEC contracts with would have to pay transmission to Tri-State although the power would be sourced from another company. Mr. Marquez said he liked knowing where the power was coming from.

Mr. Crawford said he too has talked to Mr. Heinle since the last meeting and was inclined to support the partial buy-out.

Mr. Cordova said the discussion may include privileged information and conversations regarding power should occur in closed session. He moved to go into executive session. Mr. Jaramillo seconded and the motion passed without opposition.

[The Board met in closed session from 9:45 a.m.to 11:05 a.m.]

Upon motion by Mr. Naranjo and second by Mr. Marquez, the Board returned to open session by unanimous voice vote.

Employee Recognition

GM Hastings introduced JMEC's new engineer, Dennis Astley.

Eva DeAgüero, Billing Manager, was recognized upon her retirement and for her long career at the Co-op. She has agreed to work a couple days a week to assist during the elections and transition with staff. GM Hastings presented her with Nambe Ware and photos were taken for the newsletter.

Alvin Romero was recognized for his 10-year anniversary at the Co-op. A gift was presented and photos taken.

Sherryl Cecchetti, was recognized for her 10-years of service to the Co-op. Ms. Cecchetti started in Cuba as a general office assistant and has advanced to Accountant I. She was presented a gift and photos were taken for the newsletter.

RFP Updates

Vegetation Program Coordinator Lenny Ortiz advised the Board that an RFP issued for the San Juan circuit in Española generated two bids. Both contained discrepancies and were rejected. The RFP will be reissued in May.

D. Tri-State Partial Buy-Out (Cont.)

ACTION: Mr. Marquez moved to follow the recommendation of the GM and postpone any actions regarding a buy-out with Tri-State. Mr. Cordova seconded.

Mr. Crawford acknowledged the various uncertainties in the situation; however, resolution of those uncertainties could be addressed by starting the buy-out and the RFP process.

The motion passed by majority [6-5] roll call vote.

E. Cable Vacate Letter

GM Hastings said REDI-Net has requested that JMEC vacate the TV line along State Road 76 which has over 400 poles. Granting the request could open JMEC to potential litigation with WindStream. If the Board were to approve the vacation, he requested that the motion be worded as follows:

“That the JMEC Board of Trustees approve and authorize General Manager, Michael Hastings, to move forward with requests from pole attachment Licensees to occupy the area on the pole and/or remove the attachments formerly owned by Satview Broadband, LLC, in accordance with the Order of Final Judgment in the Co-op’s court case against Satview. Approvals of Licensee request will be authorized if the Licensee is compliant with all requirements for new attachments and fees paid in accordance with a current License Agreement.”

ACTION: Mr. Cordova introduced the motion as stated above. Mr. Jaramillo seconded and the motion passed by unanimous [10-0] voice vote with Mr. Marquez recusing himself from this item.

Mr. Marquez said it was his understanding that REDI-Net plans on going under the road..

6. GENERAL MANAGER’S UPDATE

a. New Building Update

GM Hastings said Windstream is currently working on getting the fiber to the new building. Andrew Chavez, IT Director, said Windstream is about three-quarters into installing the communications link to the new buildings. He anticipated it would be completed mid-May. The audio-visual contractor is currently installing the high-tech equipment in the Boardroom. Following this meeting, the Board was invited to tour the building.

[The Board recessed from 11:25 to 12:15.]

A. Business Servicers & Finance

GM Hastings noted that March had been a financially tough month for the Co-op.

Geraldine Romero, Finance Department, reviewed the March financial report as follows:

- The TIER was .13 and the OTIER .32 – TIER was not met for the month
- Year to date, the TIER is 2.32 and OTIER 2.18 were met
- There were 31,362 consumers
- There were a total of 208 connects and 187 disconnects
- Total solar net metering 401 installs
- The revenue generated per mile was \$945.33
- Cost of purchase power as a percentage of revenue was 61 percent
- Operating expense as a percentage of revenue was 28 percent
- Total kilowatt hours purchased was 32.163 million
- Total kilowatt hours sold was 28.341 million
- Co-op kilowatt usage was 160,900
- Average kilowatt hour purchased was 7 cents and average kilowatt cost was 14 cents
- Total miles of line was 4,151
- Number of consumers per mile was 7.56
- Plant investment per mile \$30,656
- Depreciation as a percent of plant = 50 percent
- Inventory as a percentage of plant, 1.85 percent
- RUS loans as a percentage of total loans, 87 percent
- Co-Bank/CFC loans as a percentage of total loans, 13 percent
- There were 104 employees
- Net worth 49 percent
- Admin and general expense per consumer is \$12.25

Mr. Jaramillo noted the increase in line loss. GM Hastings attributed that to the tapering off of Kinder Morgan services.

Mr. Gonzales said the disconnects are not related to delinquency/non-payments.

Ms. Romero pointed out that JMEC's quarterly payments were due during March.

GM Hastings said the Co-op is making progress on small line extensions and net metering. He said additional staff in the engineering department would be helpful in this regard but the Co-op's current financial position makes hiring problematic. Mr. Vigil understood the staffing issue but opined that work orders need to be addressed. GM Hastings said Mr. Astley brings strong abilities to prioritize jobs and provide training to enhance efficiency.

Mr. Astley said all of the new services have been addressed and the solar installations will be addressed next. There is a big project with the Bureau of Reclamation and

Department of Energy in Los Alamos that will be an engineering priority. He assured the Board that they were working through the backlog.

Regarding the Santa Cruz Dam Project, Mr. Gonzales said the Co-op is not holding up the project but there is a property owner not granting easement without compensation. The other necessary ROWs were provided without compensation.

- The aging invoices 60 to 90 days are \$1.2 million, last year it was \$327,000

The state moratorium on disconnects lifts on May 5th and JMEC will be sending out notices to approximately 4,000 customers regarding their bills. GM Hastings said staff has designed a program where in the first month the customer can seek financial assistance and develop a payment plan that, according to PRC rules up to six months can be used to become current. PRC may extend that payoff period. The customers have been made aware of their options. Without a disconnect notice people generally do not voluntarily come forward.

Ms. Maestas-Muller recommended including the links for utility assistance on the JMEC webpage.

Ms. Romero reviewed the cash flow analysis:

- Beginning bank balance was \$4.2 million
- Customer payments: cash \$2.5 million, credit card \$1.1 million, electronic checks \$494,00, ACH payments \$740,000
- Transfer from Century Bank to Wells Fargo, \$2.5 million
- RUS loan advance, \$1 million
- Wheeling payment from Los Alamos, \$8,301
- Bad debt recovery, \$1,545
- Miscellaneous cash received, \$70,644
- Total deposits = \$8.5 million
- Beginning balance plus deposits = \$12.7 million
- Accounts payable disbursements = \$968,000
- Payroll transfer = \$325,000
- Payroll quarterly taxes = \$189,000
- 401 contributions = \$72,000
- 401k loans = \$10,000 – next month will be higher
- Tri-State power bill = \$2.5 million
- RUS loan payment = \$978,000
- CFC quarterly loan payment = \$312,000
- Bank service charges = \$1,700
- Co-Bank annual loan payment = \$236,000
- NSF checks = \$9,266
- Total disbursements = \$8.4 million
- Ending balance as of March 2021 = \$4.30 million
- Cash accounts: Wells Fargo general fund \$2.8 million, Century Bank general fund \$1.3 million, Century Bank consumer payments \$193,000, Wells Fargo capital

credits \$181,000, Wells Fargo construction account \$100, Wells Fargo Cuba \$334,000, Jemez Valley Credit Union \$330,000, petty cash \$1,000

- Account balances as of 3/2021 = \$5.1 million
- Investment balances was \$10.1 million
- Total liquid accounts is \$14.8 million
- Non-liquid is \$505,000

Ms. Romero reviewed the Form 7 which RUS uses to assess the Co-op's financial situation. She noted that the year to date operating revenue patronage capital was \$12.7 million and the cost of purchase of power was \$7.7 million. Total operation and maintenance was \$10.4 million, and total cost of electric service \$12.1 million. Mr. Gonzales noted that with fewer employees and reduced attorney fees, the Co-op has realized a savings.

Referring to Form 7, construction work in progress is \$13 million. Mr. Gonzales said that once the building is complete that line item will clear and the building will be itemized as plant and depreciate over time.

Mr. Duran asked how the new building's budget increased from \$9 million to \$14 million. While he was not GM at the time, Mr. Gonzales said he understood the building was projected at \$10 million. There were change orders which included the hoists in the mechanics. Since the building was in construction it was not part of Eide Bailly's audit.

At this point, JMEC's costs are below what was budgeted. GM Hastings said the Board requested a quarterly report of budget versus actual. He noted that the operating revenues are down.

B. Finance Committee Meeting – March 2020 information

Ms. McCoy, Finance Committee Chair, said the committee met yesterday, April 29th and reviewed the March financial information.

1. General Fund Expenditures

ACTION: Mr. Jaramillo moved to accept the general fund expenditures for informational purposes. Ms. Maestas-Muller seconded. The motion passed by unanimous voice vote.

2. Credit Cards

Ms. McCoy said the charges were reviewed by the committee.

ACTION: For informational purposes, Mr. Vigil moved to accept the credit card charges and Ms. Maestas-Muller seconded.

Ms. Romero identified \$3,000+ of the charges were for DOT permits.

The motion passed by unanimous voice vote.

That concluded the Finance Committee Report.

[Mr. Jaramillo excused himself from the remainder of the meeting.]

7. COMMITTEE REPORTS

A. Communications Committee

With Ms. Rendón's departure, Mr. Crawford said he was unsure of the progress with the May newsletter. Staff was asked to confirm the newsletter's status.

Mr. Crawford said the June newsletter will focus on the election. Regarding the website, the annual meeting has the wrong date and separate independent district maps would be useful. Mr. Gonzales said the maps could be developed from GPS. Mr. Crawford noted that the trustee photos on the website need attention.

Regarding the scholarships and school-related business, Ms. Maestas-Muller asked if staff was monitoring Ms. Rendón's emails. GM Hastings said he was reviewing the emails and the application deadline for scholarships has passed and there are 13 applicants so far.

B. Renewable Energy

Mr. Crawford said Guzman representative Andrew Heinle made a presentation to the committee. Action on the fast-chargers at Abiquiu was postponed. GM Hastings said management met with a consultant/contractor regarding fast-chargers and plans are being developed.

In response to Mr. Duran's question, GM Hastings said he received a letter from the Jacona Land Grant.

Chair Trujillo recommended conducting a study for the placement of fast-chargers. Mr. Crawford said NM DOT may have additional useful information. Mr. Gonzales said Tri-State would contribute \$44,000 and the bid that was received was for \$86,000. Mr. Cordova said it was important to find a location where the Co-op could recoup its investment. Mr. Astley said he had experience with a fast charging station in Trinidad, Colorado which Tesla installed and he suggested reaching out to other co-ops in the state to discuss fast chargers.

Mr. Crawford requested that staff contact NM DOT and perhaps Tesla on fast charging station information.

C. Policy Committee

1. Elections Resolution

Mr. Vigil said the Policy Committee met with counsel and worked on the resolution. There was contradictory language in the bylaws that counsel addressed. The appeal process for the election section was removed (Section 10) and a recount can be called by a majority vote of the Board. Section 10 has been eliminated. Also, under "NO

ELECTION CONTESTS,” the following sentence was removed: ~~After such recount or review the board may by a majority vote finding a particular contest to have been permeated by voter suppression, fraud or undue influence, order another election.~~

Included in the resolution was that a voter may be asked to show identification.

Mr. Marquez cautioned about litigation and said the bylaws will need to be revised to support the resolution.

A discussion occurred regarding how many votes a member owning more than one meter was entitled to. It was determined that a member, regardless of how many residential meters is under that member’s name, is allowed one vote. Business meters were handled differently.

ACTION: Mr. Cordova moved to approve the resolution with the elimination of Section 10 and removal of the sentence as noted above. The motion passed without opposition. [Mr. Jaramillo was not present for this action.]

The resolution should be forwarded to the Board prior to posting it on website.

8. New Business

A. Resolutions - Authorized Signers of JMEC Financial Institution Accounts, RUS Form 675

Mr. Gonzales said the resolutions and the RUS form adds GM Michael Hastings as a signatory and removes his name as well as that of Eva DeAgüero.

ACTION: Ms. Maestas-Muller moved to approve the authorized signers of JMEC financial institution accounts and the RUS Form 675. Mr. Cordova seconded and the motion passed by unanimous [10-0] voice vote. [Mr. Jaramillo was not present for this action.]

B. Tri-State Report

Mr. Cordova reported that Tri-State received applications from the federal government to address stranded assets. At this point, there is no guarantee the funds will come through but apparently the power plants that are out of commission and slated for demolition may receive financial assistance. A methane power company is interested in purchasing the closed Escalante generating station which will save Tri-State the expense of demolition.

C. NMRECA - Statewide

Chair Trujillo requested that staff develop a document containing the pros and cons of rejoining Statewide. Stating he appreciated the expense of joining, he asked that the benefits be itemized.

Mr. Cordova noted that NRECA (National Rural Electric Cooperative Association) has been asked to seek federal assistance to offset the cost of new federal regulations. He

commented that belonging to Statewide may be helpful to lobby for assistance with the governor's mandate that suspends nonpayment disconnects.

Chair Trujillo requested that GM Hastings discuss joining Statewide with other cooperative GMs in New Mexico. Mr. Duran agreed and said while their lobbying efforts are a benefit, he understood there were issues within the organization.

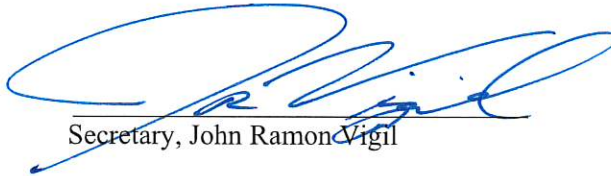
Mr. Cordova recalled that in the past, JMEC was the largest contributor to Statewide and did not have a seat on the executive board.

9. EXECUTIVE SESSION

Executive Session occurred earlier in the meeting.

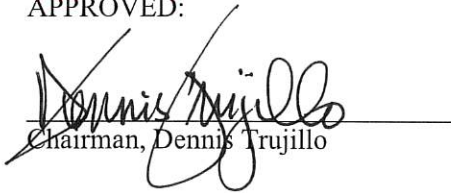
10. ADJOURN

Having completed the agenda and with no further business to come before the Board, Chair Trujillo adjourned this meeting at 1:50 p.m.



Secretary, John Ramon Vigil

APPROVED:



Chairman, Dennis Trujillo