

MINUTES OF THE
JEMEZ MOUNTAINS ELECTRIC COOPERATIVE, INC.
BOARD OF TRUSTEES
FRIDAY, JULY 29, 2022
HERNANDEZ, NEW MEXICO

1. This regular monthly meeting of the Jemez Mountains Electric Cooperative, Inc. Board of Trustees was called to order by Board President Dennis Trujillo at 9:11 a.m. on the above-cited date, at the new JMEC Headquarters, 19365 S.R. 84/285, Hernandez, New Mexico.

2. & 3. Following the Pledge of Allegiance, President Trujillo confirmed the presence of a quorum as follows:

Present:

Dennis Trujillo, President
Manuel Bustos, Vice President
John Ramon Vigil, Secretary
Dolores McCoy, Treasurer
Stanley Crawford, Asst. Secretary/Treasurer
Lucas J. Cordova
Elias Coriz
Bruce Duran
Dennis Gallegos
Marissa Maestas-Muller
Marcie Martinez

Absent:

None

JMEC Staff Present:

Michael Hastings, CEO and General Manager
Dennis Astley, Manager of Engineering and Engineering Operations
Tina Trujillo Archuleta, Administrative Professional
Geraldine Romero, Interim CFO
Dwight Herrera, HR Manager
Carmen Campbell, Cuba District Manager and Tribal Liaison
Tony Martinez, Marketing, and communications coordinator
Nora Tosa, District Office Clerk/Cashier
Randy Vigil, Operations Manager

Others Present:

Frank Coppler, JMEC Counsel
Debbie Doyle, Wordswork – secretarial services

4. APPROVAL OF THE AGENDA

Mr. Duran requested the inclusion of the President's report under 9. Committee Reports. GM Hastings requested discussion to change the dates of the August Board (8/26) and Finance Committee (8/25) meetings under Action Item 6. E.

ACTION: Mr. Cordova moved to approve the Agenda as amended. Mr. Duran seconded and the Motion passed without opposition.

5. JMEC MEMBER COMMENTS - There were no audience members present.

6. ACTION ITEMS

A. Review and Approve: May 12, 2022 Regular Special Board Meeting Minutes

ACTION: Mr. Bustos moved to approve the minutes as presented and Mr. Duran seconded. The motion passed without opposition. [Mr. Cordova was not present for this action.]

While discussing the membership list, Ms. Martinez recognized that the agenda caption 6.A. should be special meeting minutes and she indicated she wanted to review them with her additional comments.

Recognizing that the caption was incorrect, and the minutes were not included in the Board packet, Mr. Duran introduced a Motion to:

ACTION: Reconsider the previous action and table the item until next month. Ms. Maestas-Muller seconded and the motion passed without opposition. [Mr. Coriz was not present for this action.]

B. Review and Approve: June 24, 2022 Regular Board Meeting Minutes

ACTION: Mr. Duran moved to approve the Minutes as presented and Ms. Maestas-Muller seconded. The Motion passed without opposition. [Mr. Cordova was not present for this action.]

C. Approval of the July 2022 Membership List

GM Hastings noted that at the Special District meetings 2 and 4, the Board approved the June membership. Staff is now presenting the additional new members since July.

ACTION: Mr. Cordova moved to approve the July membership list. Ms. Martinez seconded and the motion passed by unanimous voice vote.

GM Hastings noted that an individual owning more than one residence may only vote once. However, each distinct business account has a vote.

D. Set Special JMEC Board Meeting Date

President Trujillo recommended a special meeting for the Board for the presentation of the forensic audit. The forensic auditor has completed the audit.

GM Hastings provided the auditor's available dates and following discussion, Thursday August 18, 2022 at 1 p.m. was selected.

E. Rescheduling of the August Board Meeting

There was agreement to hold the Regular Board meeting on Thursday, August 25, 2022, and the Finance Committee meeting, Wednesday, August 24, 2022.

7. OTHER REPORTS

A. Tri-State Director Report

- i. Tri-State Partial Buyout Report**
- ii. Tri-State Total Buyout Report**

GM Hastings said the partial and full buyout dockets at the FERC have not had much happen in the last month. United Power objected to the agreed-to settlement in the partial buyout docket which has stalled things until probably October 2022 for FERC action on the partial buyout docket. That provides JMEC additional time to review options.

On the total buyout, all the hearings have been held and a ruling is expected during second quarter of 2023. The cost of a total buyout is the issue in these FERC consolidated dockets.

GM Hastings reminded the Board the total and partial buyouts are connected concepts. Tri-State's survival is based on the total buyout price Tri-State could be forced into bankruptcy. If Tri-State prevails it's possible that United Power and the Nebraska co-op that wants a total buyout will not pursue it further because of the high cost. He noted that Tri-State and United Power are in discussions.

Mr. Duran reported that at last month's Tri-State board meeting the Board authorized the purchase of a JM Shafer Cooling Tower. The transformer that was going to be installed for United Power's benefit and previously voted down by the Board, came back to the Board this month and was approved. Also, a resolution to complete the implementation to transition to Oracle Cloud was approved. There was concern that funds would be lost on this Oracle transaction.

Mr. Duran thanked the Board for their confidence in him and appointing him as the JMEC Tri-State director.

8. CEO and GENERAL MANAGER'S UPDATE

A. Miscellaneous Matters

i. Work Anniversaries – JMEC Employees

GM Hastings recognized Tony Martinez, Nora Tosa, and Carmen Campbell on their 20-year anniversaries with JMEC.

The employees were congratulated, plaques were given and photos taken.

ii. Update on Pueblo Solar Projects

GM Hastings said this item was discussed with the Energy Committee. A number of the Pueblos are concerned about the Tri-State buyout details Mr. Hastings reminded the Board that each Pueblo should be treated the same way. A meeting is scheduled with Senator Shendo from the Jemez Pueblo in early August with the Energy Committee and the Jemez Pueblo developer/consultant ICAST. These discussions are preliminary because at this point there is no partial buyout agreement.

GM Hastings pointed out that if the PRC approves the facility charge increase, the Co-op will be in good shape. In fact, with the facility charge increase community-wide solar projects could be explored.

Mr. Cordova requested further discussion on this topic during executive session.

President Trujillo said it was important the Co-op focus on what is best for the entire membership.

iii. Cerro Pelado Fire Report

GM Hastings said the Co-op is near completion of rebuilding the line that was destroyed by the fire. An FOIA (Freedom of Information Act) request has been made to the U.S. Forest Service with questions to ascertain who started the fire. Until the USFS assumes responsibility for the fire, the Co-op is unable to reach out for reimbursements of costs except possibly through FEMA. The Co-op has spent over \$2.5 million to-date in non-budgeted funds to address fire-related damage.

Mr. Coriz said local government needs to take a bigger role in this issue. He noted that Santa Fe County enacted a resolution calling on the USFS for assistance. Reaching out to New Mexico's congressional delegation is an appropriate next step.

President Trujillo recommended reviewing JMEC's special use permit with the USFS.

Frank Coppler, JMEC General Counsel, said he understood a group of landowners affected by the fire filed a case against the USFS and the NM Attorney General is considering joining. The primary purpose of the lawsuit is to make the federal government take responsibility for the fire. The Federal Tort Claims Act gives the federal

government immunity from liabilities for the damage claims. The lawsuit will provide a tool for the congressional delegation to put funds in the budget to pay those damages.

8. B. Business Services and Finance
i. June 2022 Financial Report

GM Hastings said the June 2022 Form 7 represents six months of operations at JMEC. The approved budget relied on rate case money starting July 1, 2022, which appears not be happening until October or later. Referring to Form 7, GM Hastings provided an analysis of this year's actual versus the budget performance. Operating revenue is down which he attributed to Covid. He noted that operations and maintenance costs, including staff as well as the contractors and the fire costs, were high. For the year, the Co-op has lost \$256,000 through six months – doing worse this year than last. June has shown a loss of \$445,000.

Referring to the balance sheet, GM Hastings noted that the net utility plant number is exceedingly low at \$81 million which he attributed to the fact that JMEC has not added to its infrastructure in many years other than the new headquarters building. The low net utility plant number prohibits JMEC's ability to leverage funds to construct and improve infrastructure facilities. The west side needs a new transmission line that will cost approximately \$25 million, a project greatly impacting the Co-op's equity. JMEC is approximately 25 percent below the average electric co-op of JMEC's size capital expenditures.

Mr. Vigil advocated developing work plans with Board input and GM Hastings said currently staff is developing four-year and 10-year work plans. Abiquiu and Española improvements have been in discussion for 12 years, noted Mr. Coriz.

GM Hastings pointed out that JMEC needs the entire rate case approved to make improvements and meet the necessary financial ratios. This item can be discussed further during executive session.

The Abiquiu substation will be built on BLM land and staff is working with the agency on that. There are other possibilities for relocating the substation at Cook's.

Mr. Vigil pointed out that the Llano/San Juan circuit needs a substation.

Returning to Form 7, GM Hastings noted that cash and temporary investments are at \$9.8 million and was \$15 million when he started in March 2021. The Co-op is bleeding cash and spending more than it is making.

Geraldine Romero, interim CFO, highlighted that:

- YTD, total services in place 31,528
- YTD, total miles energized 4,159.79

Ms. Romero provided the June data as follows:

- TIER and OTIER were negative; however, both are positive YTD
- June 2022, beginning balance, \$3.4 million
- June 2022, total collected deposits, \$7.5 million

- June 2022, total disbursements, \$7.8 million
- June 2022, ending book balance was \$3.2 million
- June 2022, investment balance, \$6 million
- June 2022, total liquid accounts, \$8.8 million
- June 2022, total non-liquid accounts, \$989,334
- YTD, 31,510 consumers
- YTD, average residential kwh usage, 596
- YTD, average small commercial kwh usage, 3,548
- YTD, average large commercial kwh usage, 184,688
- YTD, cost of purchase power as a percent of revenue, 61 percent
- Operating expense as a percent of revenue, 31 percent
- YTD purchased kwh, 31 million
- YTD, sold kwh, 30.2 million
- YTD, line loss was 2 percent – last year it was 6 percent
- Average cost for residential is 14 cents
- June 2022, there were 112 employees – last year 102

She noted the graphs were provided for additional comparative information.

ii. Finance Committee Meeting

Mrs. McCoy, Finance Committee Chair, said that the Committee met yesterday, July 28, 2022 and reviewed the Agenda items as well as the expenses from the Cerro Pelado fire and were provided an update on vehicles purchased.

a. June 2022 General Fund Expenditures

ACTION: For informational purposes, Mrs. McCoy moved to approve the June 2022 general fund expenditures list. Ms. Martinez seconded and the Motion passed by unanimous voice vote. [Mr. Vigil was not present for this action.]

b. June 2022 Staff Credit Cards

ACTION: Mrs. McCoy moved to approve the staff credit card charges. Mr. Cordova seconded and the Motion passed by unanimous voice vote [Mr. Vigil was not present for this action.]

c. June 2022 Attorney Expenses

ACTION: Mrs. McCoy moved to approve the June 2022 attorney expenses. Ms. Martinez seconded. The motion passed by unanimous voice vote. . [Mr. Vigil was not present for this action.]

d. June 2022 Consulting Expenses

ACTION: Mrs. McCoy moved to approve the June 2022 consulting expenses. Ms. Maestas-Muller seconded and the Motion passed by unanimous voice vote. [Mr. Vigil was not present for this action.]

e. June 2022 Trustee Vouchers

ACTION: Mrs. McCoy moved to approve the June 2022 trustee vouchers. Mr. Coriz seconded. The Motion passed by unanimous voice vote. [Mr. Vigil was not present for this action.]

That concluded the Finance Committee report.

Dennis Astley, Manager of Engineering and Engineering Operations, estimated the cost for a new Española substation at \$4 million. GM Hastings said management will bring forward priorities to the Board for their review and approval.

9. COMMITTEE REPORTS

A. Communications Committee

Mr. Crawford said the Committee met on August 18th. Employee of the Month will be renamed to Employee Spotlight and Ruby Chacon will be featured for the month in the *Enchantment* along with the prize winners at the meetings, and possibly an article on the rate case.

Ms. Martinez said JMEC was investigating programs for texting customers providing information on outages and other pertinent information.

B. Policy Committee

Ms. Martinez said the Committee met earlier this week and continues to work on policies. Updated, edited in a redline format policies have been emailed to the Trustees for review. Recommended changes can be forwarded to Ms. Martinez or GM Hastings and the plan is to act on the policies at the August Board meeting. The Committee has provided, via email, seven policies for review: Code of Conduct, 102; Roles and Responsibilities of BOT, 103; Relationship between the BOT and the GM, 104; Roles and Responsibilities of the GM, 105, and, Compensation and/or expense reimbursement, 112. The Committee is considering a few new policies which have also been provided. She requested that the Board review the policies.

The Committee continues to review the Foundation related policies that require legal review before finalizing. Grievance, EV charger, and GM/Staff open door policies are all under consideration. Ms. Martinez said the Committee works from a policy priority list and other policies come up during that review. She again encouraged the Trustees to review the policies and email any suggestions to her or GM Hastings.

GM Hastings said he and HR Manager Herrera are developing a personnel policy to address Covid-related issues. Mr. Herrera said JMEC follows the state and federal Covid guidelines.

President Trujillo said a policy addressing the issuance and tracking of policies is needed and Ms. Martinez said that is one of the next priorities of the committee.

C. Energy Committee

Mr. Crawford said the Committee met on August 18, 2022, and discussed the partial buyout that GM Hastings reviewed earlier. The fast charger at Bode's was removed and discussions are ongoing with Mike's Mini-Mart in Velarde. President Trujillo noted that the new owners of Bode's may be interested in working with JMEC.

GM Hastings said an EV charger policy will be developed. President Trujillo reminded the members that they determined all proceeds from an EV charger should go to the JMEC membership.

D. Annual Meeting Planning Committee

Mr. Vigil said the Committee has met a few times since the last Board meeting. Two Special District meetings have occurred and achieved a quorum and the three bylaw amendments passed at those two meetings overwhelmingly. The members were pleased with the chance to win a used JMEC vehicles and the ATV. Advertising has been successful, and he reviewed the schedule for the remaining special district meetings. He expressed concern about reaching a quorum for Districts 5 and 6. District 3 will have the Rio Arriba County Fair and entertainment is planned for other district meetings. Meter readers will be distributing the cards in Districts 5 and 6.

Mr. Vigil encouraged the Trustees to talk to the membership about attending the remaining meetings.

E. Broadband Committee

Mr. Coriz said the Committee met earlier this month and GM Hastings provided an update on the Broadband Service Agreement with Kit Carson Electric Cooperative.

GM Hastings updated the Board stating that Kit Carson did not receive the \$25 million grant because USDA views the request as redundant in a service area where Windstream has fiber. JMEC will continue to work on negotiations with Kit Carson.

Mr. Coriz said the Committee received an update on the NRTC broadband study.

GM Hastings said management receives updates on the available grants and JMEC's grant writer is in contact weekly.

ACTION: Mr. Duran moved to hire a broadband engineering firm ACRS Engineering and Ms. Martinez seconded. The motion passed without opposition.

Mr. Coriz said the JMEC linemen will need to be certified to install broadband. Once the feasibility Study is concluded, staff will review a training schedule. GM Hastings said an

additional crew may be necessary for installations. A firm in Alamogordo provides training for stringing the broadband and will come to Hernandez to train. The training is for a week and the lineman crew will be short staffed during that period. He said Tomas Barela and IT staff would also be trained.

GM Hastings said Kit Carson will be providing the Española headquarters additional broadband.

GM Hastings said the SatView cable on JMEC poles would either be lashed over with new fiber or taken down and new fiber attached to the messenger wire. As far as the REDI-Net attached to JMEC poles, he said they would try to work together to utilize their fiber.

F. Building and Grounds Committee

Mr. Coriz said the Committee met twice during the month with management in attendance along with a senior project manager from Bradbury Stamm. There were neither contractors nor structural engineers who participated in the walk-through of the old headquarters. The committee recommends to the Board Phase 3 which include demolition of the old headquarters.

Mr. Coriz noted that the JMEC headquarters signage was also discussed at the committee meeting.

President Trujillo encouraged the Board to move forward with Phase 3.

ACTION: Mr. Bustos moved to approve and move forward with Phase 3. Ms. Martinez seconded.

Mr. Vigil said he was disappointed there was no way to save the old headquarters building but would support the Motion.

Mr. Gallegos agreed that the building should be demolished. He cautioned that the new broadband division may need more space than the new headquarters can offer and placement of the solar panels and carport may require reconfiguration. Ms. Martinez said the committee discussed the original Bradbury Stamm contract which included the manufactured parking structure and solar panels. These have been paid for, and the site was already designated.

Mr. Coriz reminded the Board that the RFP has been issued twice and he was confident all options have been exhausted.

GM Hastings said the demolition is for the old building and the parts attached to it. The old warehouse and meter shop will be retained.

The motion to demolish the old headquarters passed without opposition.

Ms. Martinez asked whether there were JMEC paid-for materials left over from the Mosher project that might still be in his possession. GM Hastings said he and Ms. Wisdom are working on that issue. Mosher served as a subcontractor for Bradbury Stamm and their involvement is necessary.

Mr. Coriz said at the two July Committee meetings, they reviewed the change order process for the new headquarters facility. The review included crosschecking the construction minutes and each change order. Change orders included the solar panels in the amount of \$230,000 and network switches for \$231,000. The change orders totaled just over \$700,000. He said the review assured him there was no fraud or malfeasance.

G. Audit Committee

Ms. Martinez advised the Board that the Committee met July 10, 2022, with all its members, JMEC staff, and forensic auditor Steve Dawson via Webex. The audit paralleled the Building and Grounds Committee's review of the new headquarters. Mr. Dawson found no fraud in the construction and overall there was good and clean documentation kept by Ms. Wisdom and Ms. Romero. There are some processes that Mr. Dawson will recommend to better streamline work at JMEC.

Mr. Dawson identified processes that need strengthening and will provide an in-depth report on these items.

Regarding the forensic audit, Mr. Dawson discussed previous manager/CEO separation from service payments and the solar projects. Ms. Martinez said there were no illegal activities regarding the separation of service. More information will be provided regarding the solar projects. She said Mr. Dawson lauded JMEC employees, especially Ms. Wisdom, who were very helpful in his work.

While acknowledging that staff did an outstanding job tracking the construction of the new headquarters, Mr. Coriz said a project manager should have been retained for a job of that size.

Ms. Martinez recommended that the Special Board meeting when Mr. Dawson presents his findings should be announced to the membership to attend.

At 12:05, the Board recessed for lunch.

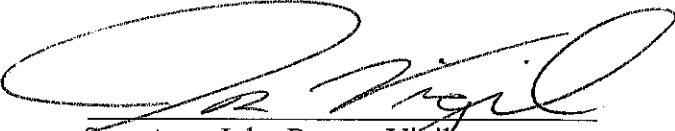
10. EXECUTIVE SESSION

At 12:37 pm the Board reconvened. Mrs. McCoy made a motion to go into executive session. The Motion was seconded by Mr. Coriz and warned unanimously. The Board discussed legal matters and personal matters. At 2:06 pm, a motion was made by Mrs. Martinez and seconded by Mrs. Maestas-Muller to come out of Executive session, The motion carried unanimously.

11. NEW BUSINESS – None was presented.

12 ADJOURN

Having completed the Agenda and with no further business to come before the Board, President Trujillo adjourned this meeting at 2:07 p.m.



Secretary, John Ramon Vigil

APPROVED:



President, Dennis Trujillo