

**MINUTES OF THE
JEMEZ MOUNTAINS ELECTRIC COOPERATIVE, INC.
BOARD OF TRUSTEES MEETING
Friday, September 28, 2018
HERNANDEZ, NEW MEXICO**

1. This regular meeting of the Jemez Mountains Electric Cooperative, Inc. Board of Trustees was called to order by Chairman Nick Naranjo at 9:00 A.M. on the above-mentioned date, at JMEC Headquarters, 9365 S.R. 84/285, Hernandez, NM.

2. & 3. Following the Pledge of Allegiance, Charlie Trujillo, Secretary, called roll and confirmed the presence of a quorum as follows:

PRESENT:

Nick Naranjo, Chair
Leo Marquez, Vice Chair
Charlie Trujillo, Secretary
Johnny Jaramillo, Treasurer
Lucas J. Cordova, Trustee
Bruce Duran, Trustee
Dolores McCoy, Trustee
David D. Salazar, Trustee
Victor Salazar, Trustee
John Tapia, Trustee at Large

ABSENT:

Dennis Trujillo, Trustee

JMEC STAFF PRESENT:

Donna Montoya-Trujillo, General Manager/Chief Financial Officer
Karen Wisdom, Contract Administrator and Compliance Officer
Eli Gallegos, Purchasing
Teresa Chavez, Account Manager
Eva DeAgüero, Director, Business Services
Dwight Herrera, HR Director
Lenny Ortiz, Vegetation Coordinator
Andrew Chavez, Director, IT
Nathan Duran, District Manager
Mary Sandoval Cuba Office
Sonya Binion, Cuba Office, Engineering
Noah Trujillo, Vegetation

OTHERS PRESENT:

Amanda Martinez, *Rio Grande Sun*

Jeff Butler, National Rural Utilities Cooperative Finance Corporation

4. APPROVAL OF AGENDA

Ms. Montoya-Trujillo requested that items 9 B. and 10 A. be heard during Executive Session.

ACTION: Mr. V. Salazar moved to approve the agenda as amended. Mr. Trujillo seconded and the motion passed by unanimous [10-0] voice vote.

5. RECOGNITION OF GUESTS & STAFF

A. KRTA Report

Jeff Butler, Cooperative Finance Corporation, vice president, said the report is good and there were no negatives. He highlighted the following points using JMEC's actuals and the peer groups' median:

- FDR signed the Rural Electrification Administration Act in 1939
- KRTA is a key ratio trend analysis using data from the RUS Form 7 that allows for peer group comparisons
- There are 813 cooperatives in the country and 50 are comparable to JMEC in size; data is used from a five-year period, 2013 - 2017
- JMEC's number of consumers served during that five-year period is fairly flat
- In 2015 co-ops across the country plateaued which he attributed to the country's shift in population to more urban
- Six out of the past eight years have shown a decline in co-ops' sales of KWH across the country - attributed to greater efficiency in appliances
- Rates work better with greater sales of KWH
- JMEC did better in KWH 2017 sales
- JMEC is making enough margins/profit to pay in term of its TIER and OTIER
- A sign of rates failing to perform is when there is degradation in the mortgage coverage ratios
- Most co-ops strive to maintain rates as low as possible for their membership
- Equity as a percentage of assets reflects the amount of the cooperative that the membership owns - JMEC is at 48.75 percent
- Most cooperatives mirror JMEC's equity as a percentage of assets. The highest potential for rate reduction is the utilization of long-term debt
- JMEC has good short-term liquidity
- JMEC's "all in cost" across all revenue and rate classes for selling a KWH is 12.9 cents
- JMEC has made progress in lowering its write-offs
- O & M, administrative, general and consumer accounting expenses are comparable to peer groups
- JMEC has a much larger line system than other in the country

- JMEC has seen a \$5 million increase over the five-year period in post cost purchases - paying approximately 7.5 cents per KWH
- Total cost of electric service per total KWH sold was 1.32 cents
- Full-time employee related ratios have been fairly consistent
- CFC recommends that co-ops keep current and competitive in wages to recruit and retain journeymen linemen
- JMEC's overtime is in line with the industry - correlation with overtime and accidents is high with linemen
- The average consumers/meters per employee ratio is 1 to 250 while JMEC's is 1 to 300 which is more efficient
- JMEC had flat growth in consumers as well as new service
- The reduction in miles of line is due to the Jicarilla and updated mapping
- On average, per mile of line a municipal utility would have 47 meters; an investor-owned utility would have 35 and a cooperative seven. JMEC has 7.3.
- Most co-ops are working to retire capital credits; last time JMEC paid capital credits was 1985
- Line loss is comparable to other co-ops in the state; 1 percent line loss equates to \$295,000
- SAIDI, system average interruption duration index, JMEC's new outage management system, is providing better data and better tracking. The utility metric goal is 250 minutes off-line for customer reliability

Mr. Butler said he hoped the information allowed the Board to better understand how they are trending. In conclusion he stated that JMEC's rates are functioning to generate the necessary margins to accomplish the Board's goals.

[The Board recessed for 10 minutes.]

7. ACTION ITEMS

A. Approval of August 2018 Board minutes

ACTION: Mr. C. Trujillo moved approval as published. Mr. Marquez seconded and the motion passed by unanimous [10-0] voice vote.

B. Approval of August 2018 Membership List

Ms. Montoya-Trujillo said there were 179 new members.

ACTION: Mr. Marquez moved to approve the membership list. Mr. Tapia seconded and the motion passed by unanimous [10-0] voice vote.

C. Approval of Resolution 2018-04

Ms. Montoya-Trujillo said this resolution authorizes Eva De Marie DeAgüero as a signatory to sign or co-sign transactions on accounts located at Wells Fargo

Bank for JMEC. She noted two signatures are required on checks. Ms. Montoya-Trujillo read the resolution which identified the individuals with authorization to sign transactions.

ACTION: Mr. Jaramillo moved to approve Resolution 2018-04. Mr. Marquez seconded and the motion passed by unanimous [10-0] voice vote.

Mr. D Salazar mentioned that Century Bank is interested in JMEC's banking business. Chair Naranjo noted that JMEC has \$250,000 CD with them.

8. GENERAL MANAGER'S UPDATE

A. Employee Recognition

i. Mary Sandoval - 30 years of service

Ms. Montoya-Trujillo introduced Mary Sandoval a 30-year employee of the co-op who has worked in several positions. She received an award and round of applause.

ii. Noah Trujillo - July Employee of the Month

Ms. Montoya-Trujillo said Noah Trujillo is vegetation coordinator assistant and has provided incredible support in vegetation management and tree trimming efforts. He received an award and round of applause.

iii. Sonya Binion - August Employee of the Month

Ms. Binion works out of the Cuba office within the engineering department on easements, rights-of-way, and DOT permits, stated Ms. Montoya-Trujillo. Ms. Binion received an award and a round of applause.

B. Business Services & Finance OMS System Update Status

Ms. Montoya-Trujillo highlighted the following:

- The TIER is 1.85 and budgeted at 2.10
- The OTIER is 1.80 and budgeted at 1.56
- Year-to-date TIER is 1.75, slightly lower than the budgeted amount
- Year-to-date OTIER is 1.56, in line with the budget
- There is a drop of 71 consumers from August 2017
- Residential average KWH usage was 544
- Small consumer average KWH usage showed an increase from last year
- Large commercial average KWH usage showed a decrease from last year
- Public authority KWH usage was up from last year of which Lighting was down. LED lighting has significant lower KWH usage
- There were 288 consumers per employee
- Revenue per KWH sold was \$0.13
- Revenue per mile was \$1,053.014
- Purchased power as a percent of revenue was 64 percent

- Operating expense as a percent of revenue was 24 percent
- Margins as a percent of revenue was down from last year's 5 percent to 4 percent
- 35,554,660 KWH were purchased from Tri-State
- 33,491,862 KWH were sold
- JMEC's own KWH use was 55,038
- There was a line loss of 2,007,769 which is tracking at 7 percent and in the future a 12-month line loss will be provided
- Total miles of line was 4,124 with 7.53 customers per mile
- RUS loans as a percent of total loans was 79 percent
- Co-Bank and CFC loans make up 21 percent of the total outstanding long-term debt
- Kinder Morgan's KWH use increased - staff continues to work with KM to utilize their three pumping stations and she hoped to provide an amendment to their contract using their total usage to determine load requirements

Wheeling refers to JMEC wheeling for another entity, i.e., Los Alamos.

Ms. Montoya-Trujillo reviewed accounts receivable, and aging of accounts receivable noting that 83 percent of the accounts were current. Bad debt write-offs came down in September but are still higher than desired. Mr. Marquez said the Audit Committee is monitoring the bad debts and pointed out that power cannot be shut off when there is a documented medical issue. Ms. Montoya-Trujillo said bad debts are sent to a collection agency.

Ms. McCoy said there is a credit card scam going on in Cuba where the scammer's phone number is identified as JMEC. Ms. Montoya-Trujillo said an alert would be posted on the website and staff will monitor the situation. There is a collaborative effort amongst a group of co-ops to work on this issue. Chair Naranjo recommended a public serve ad on the radio in English and Spanish.

2. Finance Committee Meeting

Johnny Jaramillo, Chair of the Finance Committee, reported that the committee met with a quorum yesterday, Thursday, September 27th at the Hernandez office and reviewed the finance-related materials for August 2018.

a. General Fund Expenditures

ACTION: Mr. Jaramillo moved to accept the general fund expenditures for information. Mr. Marquez seconded. The motion passed without opposition.

b. Credit Cards

Mr. Jaramillo said the committee reviewed the Wells Fargo credit card charges made by three authorized users. The total charges for the month were \$7,674.20.

The charges include staff travel for trainings and the manager attended a conference

ACTION: Mr. Jaramillo moved to accept the Wells Fargo charges of \$7,674.20. Mr. Marquez seconded and the motion passed by unanimous [10-0] voice vote.

c. Attorney Expenses

Mr. Jaramillo provided the attorney expenses as follows: Long, Komer & Associates, \$5,090.41, and Cuddy & McCarthy, \$1,208.53. The total attorney fees were \$6,298.94. The attorney invoices were circulated for the Board's review. Ms. Montoya-Trujillo said Cuddy & McCarthy has been on contract with JMEC since 2013.

ACTION: Mr. Jaramillo moved to accept the attorney expenses. His motion was seconded by Mr. V. Salazar and the motion passed by unanimous [10-0] voice vote.

d. Consultant Expenses

Mr. Jaramillo provided the charges as follows:

Wilson & Company, Inc.	\$ 3,643.43
Transmission & Dist.	2,845.74
FBT Architects	51,646.28
Marron and Associates	4,890.13
Miller Tech Consultants	10,202.19
Total	\$83,227.77

Ms. Montoya-Trujillo said Miller Technologies provided fire suppression and floodplain analysis for the Hernandez site. Marron and Associates provides archaeological surveys for the tree trimming efforts. The invoices were distributed for examination.

Mr. D. Salazar said additional safety precautions were necessary for JMEC's cashiers and the offices in general. Ms. Montoya-Trujillo said the Cuba office has been improved for additional safety for the tellers and this issue is being addressed by the architects for the new building. She said the new headquarters will include badge entry, key entry, and bullet-resistant glass. An RFP is being issued to redesign the Jemez Springs office with security in mind.

ACTION: Mr. Jaramillo moved to accept the consultant expenses of \$83,227.77. His motion was seconded by Mr. Marquez and passed by unanimous [10-0] voice vote.

e. Trustee Vouchers

Mr. Jaramillo said the August vouchers were vetted by management and reviewed by the Finance Committee. He noted the information was provided to the Board members. Mr. Tapia said there were a few travel related errors that required staff attention.

ACTION: Mr. Jaramillo moved to approve the trustees' vouchers as presented to the Finance Committee for August 2018. His motion was seconded by V. Salazar. The motion passed by majority [9-1] vote with Ms. McCoy opposed. She explained that her no vote was in response to lacking information about the committee meeting.

f. August 2018 Bank Account Summary
i. Resolution 2018-04

The resolution was acted on earlier in the meeting. [See page 3]

g. RFPs, Contracts and Purchasing
i. WAPA Contract

Ms. Montoya-Trujillo said an RFP was issued in August to perform work for the WAPA project located on the west side. The project calls for changing a single line to a three-phase. The contractor will do the work and JMEC will provide the materials. Three proposals were received and following an evaluation staff recommends the contract be awarded to Elite Power and Recovery as the lowest bidder and taking into account JMEC's past experience with the firm. The project will be paid for by WAPA.

ACTION: Mr. Jaramillo moved to award the contract to Elite Power and Recovery. His motion was seconded by Mr. Tapia and passed by unanimous [10-0] voice vote.

ii. Request to issue RFP for Jemez Springs office redesign - Informational

Ms. Montoya-Trujillo said an architect has worked on plans for the office to address a staff safety. The project is ready to move forward with an RFP for construction.

iii. Miller Engineering - REMOVED from agenda

iv. Update: US Electrical Contract

Ms. Montoya-Trujillo said the Highway 4 project is nearly complete; however, there were problems that arose during the boring under task order 2 of the US Electrical contract. They encountered rock and were required to abandon the original boring site and relocate on the other side and veer off the original project path site. Staff will be required to return to DOT and submit engineer stamped as-built documents. The project was covered in JMEC's four-year work plan and the overrun does not require an amendment to the plan. The cost overrun is reimbursable under the RUS loan.

Ms. Montoya-Trujillo reminded the Board that this project is critical in addressing fire danger and took 5 miles of overhead lines underground.

Staff is requesting a modification to the US Electrical contract in the amount of \$130,000 to cover the cost overrun. The contract stipulated a change in cost for unanticipated rock.

ACTION: Recognizing the importance of the project and based on staff's recommendation, Mr. Jaramillo moved to approve the contract amendment in the amount of \$130,000. His motion was seconded by Mr. Marquez and passed by unanimous voice vote.

v. Marron and Associates - Monitoring Gilman to Porter task order

Ms. Montoya-Trujillo presented a request to increase Marron and Associates contract for site monitoring for the Gilman to Porter circuit as requested by the US Forest Service. It is expected the increase will be \$27,000 and will be absorbed by the Affordable Tree Trimming contract in the area which is estimated at a savings of \$42,000.

Lenny Ortiz, Vegetation Coordinator, said the area is between the Girl Scouts and the Gilman tunnel. Marron found 17 sites in a three-mile area that require monitoring during tree trimming.

Mr. Tapia mentioned that JMEC should be getting a new permit from the US Forest Service. Mr. Ortiz confirmed that, adding the permit will be valid for 30 years.

ACTION: Mr. Jaramillo moved to approve the increase to the Marron and Associates contract. Mr. Tapia seconded and the motion passed by unanimous [10-0] voice vote.

h. Requests for Donation

Mr. Jaramillo said JMEC received three requests which were vetted by staff for the necessary non-profit status.

ACTION: Mr. Jaramillo moved to approve a \$120 donation to the Jemez Mountain Public School; \$150 to the City of Española RACE(Rio Arriba Community Empowerment) Project, and \$250 to the Cuba FFA (Future Farmers of America). Mr. Cordova seconded and the motion passed by unanimous [10-0] voice vote.

That concluded the Finance Committee business.

9. COMMITTEE REPORTS

a. Audit Committee

Mr. Marquez said the committee met on September 19th with a quorum and heard a presentation from Secure Payment Solutions, a credit card company out of Albuquerque. Management will consider their offer.

The committee reviewed the meter tapering list, received an update on tree trimming activities, and reviewed the contract reports.

B. Renewable Energy Committee

C. Personnel Committee

These items will be heard in Executive Session.

10. BOARD REPORTS

A. Tri-State Reports

This item will be heard in Executive Session.

11. NEW BUSINESS -

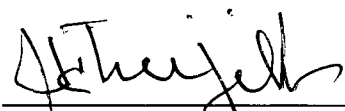
No new business was brought forward.

12. EXECUTIVE SESSION

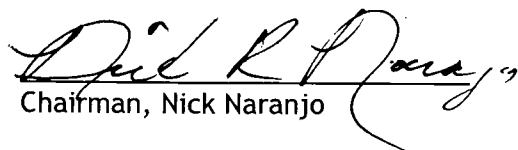
The Board took a break and then recessed to executive session at 11:15 a.m.

13. ADJOURNMENT

Chair Naranjo declared this meeting adjourned following Executive Session.


Secretary, Harold "Charlie" Trujillo

APPROVED:


Chairman, Nick Naranjo

