



# 2024 ANNUAL MEETING REPORT





# Agenda

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- 8:30 AM – Registration
- 10:00 AM – Call to Order – Charlie Mulcock, President
- Flag Presentation – Cloudcroft Boy Scout Troop & Cub Scout Pack
- Invocation – Gary Truex, Pastor, Cloudcroft Church of Christ
- Welcome to Cloudcroft – Mayor, Vincent Turner
- Determination of a Quorum
- Reading of the Notice of the 85th Annual Meeting of Members of Otero County Electric Cooperative, Inc. – Board Secretary, Marty Mills
- Consideration of the Minutes from the 84th Annual Meeting
- Officer & Manager Reports
- Recognition of Scholarship Recipients
- Election of Trustees – Attorney, Tom Overstreet
- Scheduled Speakers
- Charise Swanson – Chief Executive Officer – NM Rural Electric Cooperative Association
- Duane Highley – Chief Executive Officer – Tri-State Generation & Transmission
- Old Business
- New Business
- Adjournment
- Door Prizes
- Barbecue Lunch

# Election of Trustees

## ARTICLE IV – SECTION 3. Nominations.

Nominations for Trustees to be elected shall be by Petition signed by fifteen (15) or more members acting together, and who are bona fide residents of the district for which the nomination is made. The Petition shall be filed not less than twenty-five (25) days or more than forty-five (45) days before the date of the Meeting of the Members in which Trustees are to be elected. Nominations for the position of Trustee from the floor, at the annual Meeting of Members, is not allowed. The secretary shall include with the notice of the meeting, at least ten (10) days before the date of the meeting, a

statement of the number of Trustees to be elected and the names and addresses of the candidates. Notwithstanding anything contained in this SECTION, failure to comply with any of the provisions of this SECTION shall not affect in any manner whatsoever the validity of any election of Trustee.

The following members have submitted a petition with the appropriate number of signatures to be considered for a position on the Board of Trustees.

### Northwest District

Preston Stone

### Northwest District

Scott Shafer

### Northeast District

Charlie Mulcock

OCEC Board of Trustees. Back Row, left to right: Kenny Blazer, Bill Bird, Preston Stone, Denny Burnett, and Tim Rabon. Front Row, left to right: Scott Shafer, Marty Mills, Charlie Mulcock, Cheri Hass, and David Powers.



# President's Report

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Charlie Mulcock

I am privileged to represent the Southeast District as a Trustee. I also serve as Chairman of the Board, and I am humbled and honored to serve in both capacities and take these duties seriously.

Political pressure and regulations have put the electrical industry in situations it has never before experienced. We are being forced to close reliable and functional baseload generation plants prematurely and replace that generation with unreliable, highly subsidized generation that works only when the wind blows or the sun shines. The stated purpose of this action is to reduce emissions of greenhouse gases. This may or may not be scientifically correct, but no efforts are being made to eliminate these contaminants in China, Russia, or other foreign countries. This is a global problem and must be dealt with by international action, not just the US taxpayer.

Combined with this ill-conceived generation strategy, our already compromised electric grid is being further challenged by a mandated electric vehicle policy that also lives only because of billions of our tax dollars subsidizing the EV program. Increased electrical usage coupled with non-reliable generation capabilities could lead to a disaster that will make Storm Uri look like child's play. Surely, our elected officials will come to their senses and develop a pragmatic, workable scientific solution to a political problem.

In these times of hyperinflation, few items cost less than they did in 2020. However, OCEC

customers have actually paid less for power than they did in previous years. That's not the case for food, housing, gasoline, and many other items.

Our co-op will fund academic and vocational scholarships for 68 students in the 2024-2025 school year. Since the inception of our scholarship program, we have invested \$1.7 million in our youth's future.

Operation Round Up is a voluntary program that gives a helping hand to organizations and civic groups in our service area. Nearly \$900,000 has been spent on worthwhile projects since the program began in 2012.

OCEC has not been immune from the rampant inflation we all are experiencing. In addition, retail sales have seen only moderate increases for several years, but our margins have increased, and capital credits continue to be returned to our owners/members. This is directly attributable to our dedicated, well-trained employees and highly professional management team, who continue to work more efficiently and professionally. These employees are the backbone of our cooperative. They keep the lights burning and answer the bell anytime, anywhere, in all conditions and weather. You are the HEROES, and we are fortunate and grateful that you work at OCEC. The Board and I say THANKS for a job very well done.

# Treasurer's Report

Scott Shafer

I represent the Northwest District and appreciate again being the Board Treasurer for Otero County Electric. This is a brief report on the financial condition of your co-op, along with other relevant financial information.

OCEC had another good year financially in 2023. We experienced a warm summer with high demand and higher revenue in the summer months.

You have received a basic financial statement reflecting the state of our Co-op as of December 31, 2023. The total assets are \$126 million, and your owner equity is \$41.5 million at year-end. The plant value grew 2%, or \$2 million, even though there was a reduction in total assets, primarily due to the use of short-term investments. Once again, our debt decreased in 2023 by \$3 million. We were able to fund operations and plant growth with short-term investments plus net operating revenue.

One of the key items of note for you, the owner, is the increase in your equity position from 31.8% to 32.75% at year end. This is significant and confirms the financial strength of the cooperative.

Operating margins for the year were also strong, with net margins of \$1.3 million. However, you should know we deferred \$1.5 million of operating revenue in 2023. This is the first time we have used this financial tool. This deferred revenue can be used in the future for special projects or general operation expenses and may assist in delaying a rate increase.

Another item of note is the successful reactivation of the Carrizozo Solar Farm. This resulted in significant power cost savings of \$50,000 in 2023 and a total of \$789,000 since its installation in 2018.

Capital credit retirement continues to be one of our goals. This year, we will retire approximately \$869,000 in patronage back to you, covering all of 1998 and most of 1999 allocated patronage capital. This exemplifies the cooperative principle of returning to the members net revenue not needed for operations. We can do this without any negative effects on the financial health of the co-op.

I hope you find this information valuable, and you can know that our goal continues to be reliable power at an affordable price.



# Financial Report

## Balance Sheet

### What We Own as of December 31, 2023

Net Utility Plant	\$	98,306,164
Other Property & Investments	\$	18,168,148
Current Assets	\$	8,586,016
Deferred Charges	\$	1,213,362
<b>Total</b>	<b>\$</b>	<b>126,273,690</b>

### What We Owe as of December 31, 2023

Patronage Capital & Other Equity	\$	41,531,670
Long-Term Debt	\$	71,432,454
Long-Term Liabilities	\$	1,809,401
Current Liabilities	\$	7,916,375
Deferred Credits	\$	3,583,790
<b>Total</b>	<b>\$</b>	<b>126,273,690</b>

## Statement of Income & Patronage

Total Operating Revenue	\$	34,229,360
Purchased Power Expense	\$	(16,683,534)
Operating Expenses	\$	(10,062,617)
Depreciation & Amortization	\$	(4,434,408)
Interest Expenses	\$	(2,609,713)
<b>Total Expenses</b>	<b>\$</b>	<b>(33,790,272)</b>
Operating Margin	\$	439,088
Non-operating Margin	\$	355,733
Realized Margin	\$	794,821

## Extraordinary Events

Tri-State G&T Capital Credit Allocation	\$	125,831
Other Capital Credits and Patronage Dividends	\$	380,069
Reportable Margin	\$	1,300,721

# General Manager's Report

Mario Romero

I'd like to start this year's annual report by addressing a question I have been asked quite frequently in recent months... "Do I need to buy a backup generator?" While that is a decision each person needs to make for themselves, I'd like to address the two issues that would cause me to consider a home backup generator... availability of electric generation during extreme heat/cold weather events and risks associated with wildfire.

Resource adequacy, the ability of electric utilities to have enough generation to meet demand at any given time, continues to be a major concern among utilities, regulators, and some elected officials. Federal and state policies aimed at addressing climate change continue to result in early closures of always-available fossil fuel generation while simultaneously increasing dependency on intermittent generation like wind and solar. This combination, absent proven economically viable solutions to store energy, is a recipe for increased risk to shortfalls in generation when we need it most... on the hottest days and coldest nights of the year.

As you may know, we are members of Tri-State Generation and Transmission Association (Tri-State), which operates as a not-for-profit, member-owned cooperative, much like Otero County Electric Cooperative (OCEC). As our power provider, they are responsible for both complying with government regulations and ensuring they have enough resources to meet their membership's electricity demands at any given time. Tri-State has been advocating for an "all of the above" approach to generation. This means each generation technology has its place in an overall mix of resources that can reduce carbon, keep rates affordable, and ensure the always-available generation we depend on and expect.

Wind and solar do a great job producing inexpensive energy at fixed prices, which helps to stabilize rates. When they are producing, wind and solar offset/replace the fossil fuel that would normally be burned, which reduces carbon emissions and saves on the cost of that

fuel. Unfortunately, these carbon-free resources can't be controlled or "dispatched" as electricity demand increases. Therefore, they must be backed up by either fossil fuel plants or by some type of energy storage, which you, the end-consumer, ultimately pay for in your power bill.

Tri-State deals with this very complicated issue through the age-old wisdom of not putting all our eggs in one basket. Their current fleet of generation includes coal, natural gas, fuel oil, hydropower, wind, and solar, which provides a mix of low-cost carbon-free energy from wind and solar, along with always-available dispatchable generation to provide the capacity needed to supply electricity demand at any given time. Going forward, Tri-State will continue to add large amounts of wind and solar that will meet carbon reduction requirements and will also provide inexpensive, fixed-cost energy. They also plan to add a combination of battery storage and natural gas generation to address expected capacity needs, even during extreme weather events when demand is often at its highest.

Despite these efforts, since we are in an interconnected grid, we are still at the mercy of our neighbors. Grid operators rely on each grid participant to cover their expected load, plus a little extra (reserve margin). This allows neighbors to cover each other's needs if electricity demand is higher than projected or if a unit unexpectedly trips offline. Tri-State's reserve margin is and will remain quite high. Unfortunately, the reserve margin for the industry as a whole is decreasing as nuclear, coal, and natural gas plants are retired, exposing everyone, including Tri-State members, to increased likelihood of outages due to a lack of power supply. To address this, Tri-State is pushing for industry-wide adoption of their own reliability metrics, which will require everyone to raise the reliability bar to the same level as Tri-State.

The other major concern I'd like to address is the risk of wildfire and numerous downstream effects. Particularly in the western half of the



# General Manager's Report

Mario Romero

United States, this is becoming a huge issue. In our mountainous, densely forested, and arid service territory, we directly deal with this every day. OCEC spends around \$1 million every year on vegetation management. Each spring, much of our system is set to one-shot/non-reclose to reduce the risk of wildfire ignition by powerlines. This practice forces our reclosers (breakers) to simply open when they detect a problem on the line. Normally, the reclosers open and reclose several times in case the problem is temporary in nature. Think of lightning or an animal getting into the line then falling to the ground, both of which are only temporary problems on the line. Since the re-close function is disabled, a temporary problem will cause the outage to remain until a lineman patrols the area and restores power. This negatively affects reliability for our members. Despite these efforts, OCEC simply cannot prevent every tree on our system from falling and ultimately contacting energized overhead lines. Every time this happens, it is a potential source of ignition for a fire.

Recent lawsuits related to utility-involved wildfires are making liability insurance either unavailable or increasingly expensive. Some lawsuits are in the billions of dollars, drastically exceeding insurance policy limits, making bankruptcy due to wildfire litigation a legitimate cause of concern for all electric utilities, including cooperatives. Regardless if the utility is owned by investors, a cooperative, or a municipality, the end consumer will pay the cost of any large claim or bankruptcy.

In response, some utilities and various state regulators in California and Colorado have resorted to the practice of "Public Safety Power Shutoffs" (PSPS), in which the utility preemptively shuts off the power during times of extreme fire danger. This spring Public Service Company of New Mexico (PNM) filed a PSPS with the New Mexico Public Regulations Commission (NMPRC). OCEC will monitor and may actively participate in this process if necessary. If this practice is imposed on OCEC, members would likely experience many con-

secutive days without power multiple times a year. No matter what the NMPRC decides on PNM's PSPS filing, OCEC and, ultimately, its members will be affected.

Dealing with all these issues is going to require perseverance and a long-term commitment to mitigating risk. We will all need to advocate for better management of our public lands, including permitting reform and fuel reduction. Those of us who own property need to consider thinning vegetation to minimize impacts from wildfire. As OCEC members and owners, I'd also ask for your cooperation on our right-of-way maintenance and vegetation management program. Our employees and contractors often run into resistance from members when we are simply trying to maintain our rights-of-way to prevent power outages and fires. As a cooperative, we are very sensitive to responding to our member's concerns. While we understand the need to address them, every hour spent addressing concerns is an hour not spent doing the work that may prevent the next power outage or fire.

On a much more positive note, your cooperative is doing quite well. Despite inflation, we have not had a rate increase since the beginning of 2020. Moderate growth has contributed to increased energy sales, which has increased revenues enough to offset increases in expenses. In 2023, our Board approved a staff recommendation to defer revenue for use in future years. This deferral will have no impact on margin allocations or retirements for our members. This is an accounting entry used by many co-ops in other states to stabilize rates by booking excess margins from a year when excess margins were generated to a year when additional margin is needed. Although complicated, it is a useful financial tool that will likely delay the need for the next rate increase. It is also a good indication of the financial health of the cooperative, since by definition, we were able to reduce our 2023 revenues and still meet the financial ratios established by the Rural Utility Service (RUS) and other lenders.

# General Manager's Report

Mario Romero

Operationally, like last year, we remain quite busy, increasing crew size and regularly using contractors to keep up. Moderate growth, continued heavy line maintenance, and pole replacements, along with make-ready work for broadband attachments, are all contributing to the workload.

As you may know, the federal government is spending money in unprecedented amounts. Hundreds of billions of dollars are being spent on decarbonization of the transportation and energy sectors (wind, solar, batteries, electric vehicles, etc.), broadband expansion and grid resilience. Each of these touches our business in one way or another. We have applied for several grants, but thus far, we have only been successful in the project mentioned last year, which is a grid resilience grant of almost \$1 million awarded to the Mescalero Apache Tribe that will assist in rebuilding power lines in Mescalero. We will continue to pursue available federal funds, especially those that will help in improving reliability and mitigate risks associated with wildfire.

Finally, I would be remiss if I didn't mention the team you have working to serve this cooperative, its members, and its communities. This team is made up of dedicated, hardworking, and competent employees and trustees. The employees do the work, but the Board of Trustees provides the direction and support. Both depend on each other and have a spirit of service and concern for our cooperative members. A couple of notable accomplishments are worth mentioning. First, OCEC earned a 2023 Customer Satisfaction Award from the American Customer Satisfaction Index (ACSI) for Co-op Energy

Utilities. OCEC was recognized for receiving an ACSI score within the top 25 percentile of scores when compared to cooperatives publicly measured in the ACSI Annual Energy Utility Study for 2023. Second, and more importantly, I am pleased to share that for the second time in just three years, one of Otero's Linemen was recognized as the statewide Long Rope Safety Award winner for the State of New Mexico. This year, Ryan Guevara, Crew Chief in Alto, was honored with the top cooperative safety award for his commitment and positive attitude toward keeping himself and fellow linemen safe. Congratulations to Ryan, and congratulations to the entire staff and board for these noteworthy accomplishments.



Ryan Guevara was presented the 2024 LONG ROPE SAFETY AWARD at the New Mexico Rural Electric Cooperative Association Annual Meeting in May.

From left, Travis Sullivan (Southwestern Electric), Bobby Ferris (Lea County Electric), Ryan Guevara, Cade Standifer (Oklahoma Association of Electric Cooperatives), and Mario Romero (Otero County Electric). Photo Courtesy of Macario "Mac" Juarez (Continental Divide Electric)

# Annual Meeting Minutes

2023

The 84th Annual Meeting of the Members of the Otero County Electric Cooperative, Inc. (OCEC) was held on August 5, 2023, at the Cloudcroft High School Gymnasium.

Mr. Charlie Mulcock, OCEC Board President, called the meeting to order at 10:00 a.m.

The Cloudcroft Boys Scouts and Cub Scouts presented the colors to the stage area. The National Anthem was played followed by the Pledge of Allegiance.

Pastor Gary Truex of the Cloudcroft Church of Christ led the invocation.

Mr. Bill Denney, Cloudcroft Mayor, welcomed everyone to the Village of Cloudcroft and encouraged all to support the village's local businesses while in town.

Mr. Mario Romero, OCEC General Manager, welcomed members and guests to the 84th Annual Meeting of the Members. Mr. Romero thanked Tana Daugherty, Superintendent of Cloudcroft Schools, and her staff for the use of the facilities for the Annual Meeting.

At 10:12 a.m. the presence of a quorum was announced.

Ms. Marty Mills, OCEC Board Secretary, read the Notice of the 84th Annual Meeting of the Members of Otero County Electric Cooperative Inc. and presented proof of the mailing of the meeting notice to the members of record, as provided in the Bylaws.

Mr. Keith Spaniel moved to dispense with the reading of the minutes from the 83rd Annual Meeting of the members and approve them as presented, Mr. Leopoldo Molina seconded, motion carried.

Mr. Mulcock stated the President's, Treasurer's and General Manager's Reports were provided in the goody bags that were handed out during registration.

Mr. Scott Shafer, Board Treasurer, presented the Treasurer's Report and the 2022 Financial Report to the membership. Mr. Shafer stated the Cooperative is in good financial condition and continues to meet lender requirements while reinvesting in the system, improving reliability and keeping rates at an affordable level. Mr. Shafer reported OCEC retired over \$800,000.00 in patronage back to members for the year 1998.

Mr. Romero addressed the membership stating that OCEC's mission is to provide safe, reliable and affordable electricity to its member owners. Mr. Romero stated that OCEC participates in wind and solar projects, when economical, while balancing challenges regarding reliability and affordability. Mr. Romero thanked the OCEC Board and Employees for their hard work and thanked the membership for their support and participation in the annual meeting.

Mr. Mulcock spoke about Operation Round Up, which offers financial aid to community and civic organizations in OCEC's service area as well as a helping hand for individuals and families with medical expenses or house fires. The program is funded by rounding up participating members' monthly electric bills to the next dollar. Ms. Danica Newton with Cloudcroft Schools came to the stage and discussed how Operation Round Up funding had helped the Cloudcroft Technology Student Association participate in competitions at the state and national levels. Ms. Newton thanked Operation Round Up for the support of the student club.

Mr. Mulcock discussed the Otero County Electric Education Foundation. The funds from the program are generated from unclaimed and donated patronage capital credits. Mr. Mulcock reported the foundation has given 364 scholarships and over \$1.56M since its inception in 1989. The current scholarship amount is \$1,000 per semester for the first two semesters and increases to \$1,500 per semester for the

# Annual Meeting Minutes

2023

remaining six fall and spring semesters. The current recipients that were in attendance were called to the stage and congratulated by the Trustees.

The 2023 – 2024 scholarship recipients are:

Ricardo Almanza, Hondo  
Nickolas Archuleta, Carrizozo  
Bianca Artiaga, Mescalero  
Krista Barbie, Alamogordo  
Melissa Barela, Carrizozo  
Emily Barnes, Mayhill  
Sanjna Bhakta, Capitan  
Daniel Bluedorn, Cloudcroft  
Sonia Bravo, Ruidoso  
Ashley Burch, Carrizozo  
Micaelah Cabazal, Alamogordo  
Sanniyyah Comanche, Mescalero  
Jacob Cook, Cloudcroft  
Kate Cooper, Tinnie  
Alan Darnold, Alamogordo  
Caitlin Daugherty, Nogal  
Velasquez, Fallon, Hondo  
Karime Fernandez, Hondo  
Joseph Foy, Ruidoso  
Diego Gallegos, San Patricio  
Ethan Gallerito, Mescalero  
Ricardo Gaston, Alamogordo  
Layla Gaston, Tularosa  
Julie Gonzales, Carrizozo  
Bonnie Gonzalez, Las Cruces  
Samuel Griffin, Carrizozo  
Grayson Guerra, La Luz  
Kaitlin Guevara, Carrizozo  
Kelsie Guevara, Carrizozo  
Guiselle Guillen, Hondo  
Braden Hadley, Mescalero  
Clate Harwell, Artesia  
Mercedes Hazen, Nogal  
Amanda Hibbard, Pinon  
Kaylee Hickman, Cloudcroft  
Tyler Hiles, Mescalero  
Emilly Hill, Carrizozo  
Mary Howard, Capitan  
James Jarratt, Artesia  
Kalla Keaton, Ruidoso  
Jasmine Kennedy, Capitan  
Dionna LaPaz, Mescalero  
Jada Long, Capitan  
Alexis Lucero, Alamogordo

Shacie Marr, Tularosa  
Lazo McCarroll, Ruidoso  
Nathan McMillan, High Rolls  
Montana McMinn, Ruidoso  
Albert Montoya, Goddard  
Seth Morales, Alto  
Samuel Myers, La Luz  
Daniel Najar, Carrizozo  
Angelina Ontiveros, Hondo  
Pearl Pike, Mescalero  
Cooper Pritchett, Ruidoso  
Kaden Sago, Ruidoso  
Noah Salas, Tularosa  
Manuel Salas, Mescalero  
Zane Seidel, Cloudcroft  
Sierra Shoemaker, Cloudcroft  
Alex Singer, La Luz  
Santanita Smith, Mescalero  
Emily Spaniel, New Mexico Military Institute  
Darius Sundayman, Mescalero  
Joel Villanueva, Carrizozo  
Kagen Watson, Cloudcroft  
D'Anna Willingham, Carrizozo  
Zach Wilson, Capitan  
Bailey Wrye, Capitan

Mr. Mulcock introduced Mr. Tom Overstreet, Attorney, to conduct the election of trustees by petition.

Mr. Bill Bird from the Northeast District was elected by acclamation.

Ms. Cheri Hass from the Central District was elected by acclamation.

Mr. Kenny Blazer from the Southwest District was elected by acclamation.

Mr. Romero recognized the following OCEC employees for their years of service:

J.D. Brown – 5 years  
Joe del Palacio – 5 years  
Cheryl Gililand – 5 years  
Jerry Porteous – 10 years  
Leslie Samora – 20 years  
Kelley Sanders – 20 years  
Andrew Carrell – 25 years  
John Martin – 25 years

# Annual Meeting Minutes

2023

Mr. Romero recognized the following OCEC Trustees for their years of service:  
Kenny Blazer, Southwest District – 10 years  
Marty Mills, Central District – 10 years

Mr. Mulcock called for any unfinished business, there being none, Mr. Mulcock called for any new business, there was none.

Ms. Gloria Fernandez made a motion to adjourn

the business meeting. Ms. Kathleen Polson seconded. Motion carried. Mr. Mulcock adjourned the meeting at 11:02 a.m.

Mr. Bob Flotte and Mr. Matt Flotte began the ticket drawing and the distribution of door prizes. The membership enjoyed a barbeque lunch.



# Scholarship Recipients

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2024

The Otero County Electric Education Foundation was started in 1989 and has assisted hundreds of students in fulfilling their dream of attending college. Since the beginning of the scholarship program, over \$1.7 million dollars has been awarded to local graduates pursuing a degree or certificate at any accredited university, college, or vocational school.

The initial award for the class of 2024 is \$1,500 per semester for first-year students. It increases to \$2,000 per semester for second through fourth-year students, provided they meet the enrollment and grade-point average requirements. The total award amount for students attending eight semesters is \$15,000.

In the Fall 2024 semester, 68 students will be receiving assistance through this worthwhile program, with 24 new scholarships awarded to the Class of 2024.

OCEC is proud to announce the following students as recipients.

Miyah Beug - Cloudcroft  
Presley Blackburn - Alto  
Bryanna Bradshaw - Cloudcroft  
Juliana Brinegar - La Luz  
Randall Campbell - Pinon  
Valeria Chacon - San Patricio  
Arliyanna Chee - Mescalero  
Maycee Griffin - Tularosa  
Baylyn Grinder - Alamogordo  
Joshua Jobe - La Luz  
Ramie Kinney - Alto  
Kiersten Lucero - Alamogordo  
Charisma Mangas - Mescalero  
Lucas Medina - High Rolls  
Ruben Misquez - Capitan  
Kyler Netzer - Alamogordo  
Paulina Paulik - Cloudcroft  
Winney Pollard - Mayhill  
Angelo Rocha - Mescalero  
Dominic Romero - Cloudcroft  
Eleck Stone - Capitan  
Ashtyn Van Arnam - Tularosa  
Abbigail Weaver - Picacho  
Kacee Whipple - Glencoe  
Wyatt Wilson - Capitan



