

Otero County Electric
Cooperative, Inc.



2025 ANNUAL REPORT

AGENDA

- 8:30 AM - Registration
- 10:00 AM - Call to Order - Charlie Mulcock, President
- Flag Presentation - Cloudcroft Boy Scout Troop & Cub Scout Pack
- Invocation - Larry Evans, Pastor, Cloudcroft Baptist Church
- Welcome to Cloudcroft - Mayor Tim King
- Determination of a Quorum
- Reading of the Notice of the 86th Annual Meeting of Members of Otero County Electric Cooperative, Inc. - Board Secretary, Marty Mills
- Consideration of the Minutes from the 85th Annual Meeting
- Officer & Manager Reports
- Recognition of Scholarship Recipients
- Election of Trustees - Attorney, Tom Overstreet
- Scheduled Speakers
 - Duane Highley - Chief Executive Officer - Tri-State Generation & Transmission
 - Vince Martinez - Chief Executive Officer - NM Rural Electric Cooperative Association
- 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.

Central District

Marty Mills

Southeast District

Denny Burnett

Northeast District

David Powers

Southwest District

Tim Rabon



PRESIDENT'S REPORT

My name is Charlie Mulcock, and it's truly an honor for me to serve as the President of the Board of Trustees, representing the Southeast District. Seeing so many of you here today reaffirms the strong community we have within our cooperative. I deeply appreciate you taking time out of your busy schedules to engage with us and show your interest in our co-op.

I encourage you to voice your concerns and ask questions at this meeting. The opportunity to discuss and share your thoughts is something unique to cooperatives and not something you find with for-profit utilities.

As Mario shared in his report, our commitment to safety is paramount. It matters not just for our dedicated employees, but also for you, our valued members, and your properties. We are investing around \$1 million annually in vegetation management and right-of-way clearance. I understand how beautiful our trees are, but we also need to be aware of the potential dangers they pose if they fall into power lines. Your cooperation in this effort is incredibly helpful, and I thank you for it.

We're also excited about the work of the OCEC Educational Foundation, which will be awarding \$117,000 this fall to support 63 students seeking higher education, both academic and vocational. Since 1989, our foundation has proudly assisted 415 students in their educational journeys by giving \$1,959,450 through the Spring 2025 semester.

Additionally, Operation Round Up continues to lend a helping hand to various community organizations and members facing difficult situations. It's heartening to see how far this program has come, having funded over \$986,000 for many impactful projects over the years.

As part of our cooperative structure, many of you will be receiving a capital credit check as a share of the \$857,000 distribution. This reflects our commitment to ensuring that our members benefit directly from our success.

Finally, I want to take a moment to recognize our incredible employees, who truly are the backbone of our cooperative. As Mario highlighted, they're the ones who keep the lights on, regardless of the time or conditions. Thank you to each of them for their unwavering dedication!

I'm grateful for your presence here today. Best of luck with the door prizes, and I hope you enjoy lunch. Together, let's continue to make Otero County Electric Cooperative a shining example of community spirit. God Bless America!



TREASURER'S REPORT

I welcome you to this annual meeting and appreciate being the board treasurer for Otero County Electric Cooperative. This is a brief report on the financial condition of your co-op, along with other relevant financial information.

Overall, OCEC continued with steady performance in 2024, with our total margin allocated to members of \$2.4 million.

Despite the disconnects from the South Fork and Salt Fires, our average number of consumers remained flat in 2024. The average usage per consumer decreased in 2024 as compared to 2023, which is composed of many factors, but we are all working toward more efficient power usage.

Your co-op had another good year financially in 2024. We experienced a warm summer with high demand and, with that, higher revenue in the summer months.

You have received a basic financial statement reflecting the state of our co-op as of December 31, 2024. The total assets are \$131 million, and your owner equity is \$43 million at year-end. The plant value grew 4% as did your equity position to 33%. This is significant and confirms the financial strength of the Co-op.

Our margin allocated to members in 2024 was \$2.4 million. Due to these strong operating results, as mentioned earlier, we were able to defer \$1.4 million from the 2024 margins. This brings our total deferred revenue to \$2.9 million. These funds are held in a separate earning account and will be used for unexpected expenses, special improvement projects, or supplemental margin in the coming years. The goal is for these funds to assist with unforeseen issues and hopefully delay the next rate increase.

Another item of note is that the Carrizozo Solar Farm operated all year and saved members \$233,000 in purchased power costs with a cumulative project savings of \$1,022,000, since February 2018.

Capital credit retirement continues to be one of our goals. This year, we will retire approximately \$857,000 in patronage back to you, covering all of 1999 and most of 2000 allocated patronage capital. This exemplifies the Cooperative principle of returning to the members

net revenue not needed for operations. We are able to do this without any negative effects to the financial health of your Co-op.

We are glad to see some stability in the interest markets and are anticipating no increase in 2025 with some possibility of a slight reduction.

Finally, there has been much discussion about tariffs and their effect on business expenses. We have discussed this with our primary supplier and I am pleased to report that, at this point, we are anticipating some, but not a substantial increase in our costs of supplies due to tariffs.

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

Thank you for your support and I hope you have a great time at this annual meeting.



FINANCIAL REPORT

Balance Sheet

What We Own as of December 31, 2024

Net Utility Plant	\$	101,978,278
Other Property & Investments	\$	20,545,261
Current Assets	\$	8,159,998
Deferred Charges	\$	1,100,491
Total	\$	131,784,028

What We Owe as of December 31, 2024

Patronage Capital & Other Equity	\$	43,049,874
Long-Term Debt	\$	72,402,584
Long-Term Liabilities	\$	1,874,479
Current Liabilities	\$	9,722,694
Deferred Credits	\$	4,734,397
Total	\$	131,784,028

Statement of Income & Patronage

Total Operating Revenue	\$	34,380,137
Purchased Power Expense	\$	(16,660,897)
Operating Expenses	\$	(9,884,840)
Depreciation & Amortization	\$	(4,597,427)
Interest Expenses	\$	(2,577,921)
Total Expenses	\$	(33,721,085)
Operating Margin	\$	659,052
Non-operating Margin	\$	332,373
Realized Margin	\$	991,425

Extraordinary Events

Tri-State G&T Capital Credit Allocation	\$	1,050,621
Other Capital Credits and Patronage Dividends	\$	364,294
Reportable Margin	\$	2,406,340

GENERAL MANAGER'S REPORT

Another year has passed, and as we celebrate the 86th Anniversary of Otero County Electric Cooperative, we continue to experience change at what seems to be an ever-increasing rate. Interestingly enough, this change is much more external than internal. The decisions that take place in Denver, Santa Fe, and Washington, D.C. have tremendous impacts on our cooperative, our members, and our job is to adapt for the benefit of our membership.

As we have discussed in the past, safety is our highest priority. This applies to our membership and to our employees. Member safety means we must deliver power to each of you in a safe and reliable manner. We follow strict standards related to building, operating, and maintaining our electrical system. This keeps our system reliable, so you have dependable electric service, which we all rely on for daily living. Employee safety means making sure each of our employees goes home safe each day to their families. We implement safety rules, provide personal protective equipment, and utilize tools and equipment to make their job safer, not only because we care about them, but because this ultimately benefits our members.

Our employees are literally this cooperative's most valuable asset. Without them, we can't keep the lights on. Injuries are costly, both in time and money, not to mention the individual hardship on the employee and their family. For these reasons, we spend a lot of time and effort on safety. Our crews perform a "job briefing" before each and every job, which allows them to plan the job, identify specific hazards to the specific work and location, and identify all they need to do to complete the job safely. We also hold monthly safety meetings to provide safety training and discuss "near misses", "good catches", and any incidents that resulted in injury or property damage. These discussions help us not only to learn from each other's mistakes, but also to learn what others are doing right.

These efforts over time have had a tremendous impact on our safety culture. Not only are our employees and their families enjoying the fruit of good health and well-being, but our members are enjoying economic benefits. First, we are losing very little productivity due to on-the-job injuries. Additionally, with very few lost-time injury claims over the past few years, we are seeing actual dollars saved in insurance premiums. For

2025, our "experience modifier", which directly impacts the cost of our workers' compensation insurance, came in at 0.78, resulting in a 22%, or \$36,000 reduction in premium for the year.

Another safety area we are extremely focused on is vegetation management and wildfire mitigation. At the conclusion of 2024, one substantial change was transitioning from contract vegetation management crews to internal crews. Rogers Tree Service (RTS) has been assisting OCEC with right-of-way (ROW) maintenance and vegetation management for almost 25 years. They have done a great job, as is evident by the reduced outage time during storms compared to 20 or 30 years ago. However, due to several factors, RTS and OCEC agreed it would be mutually beneficial to purchase their equipment and transition all of the RTS crew members to internal OCEC employees. For OCEC, this provided several benefits. First of all, we were able to continue our efforts in-house at little to no additional cost, while other utilities are seeing costs for vegetation management double or triple in recent years. Second, we can more efficiently manage these crews on a daily basis. Finally, it simply provides more internal control over the work being done, providing our members with the same excellent in-house service on par with the rest of the cooperative.

As was mentioned last year, these efforts will improve reliability and reduce the risk of wildfire, two of our highest priorities. This is not without impacts to members, their properties, and costs impacting member rates. Please be patient, understanding, and cooperative with these efforts and especially with our employees. They are simply trying to do a job to benefit the entire membership, which will result in fewer outages and decreased chances of wildfire ignition.

Financially, OCEC continues to do well. Member margins were steady, allowing us to defer another \$1.4 million in revenue, which can be used to offset expenses in future years. Our last rate increase was in 2020, and we do not anticipate any increases in the near future. We continue to retire over \$800 thousand in patronage capital annually, demonstrating the benefits of the cooperative business model.

As was mentioned at the beginning of this report, external forces tend to have as much of an effect as

GENERAL MANAGER'S REPORT (continued)

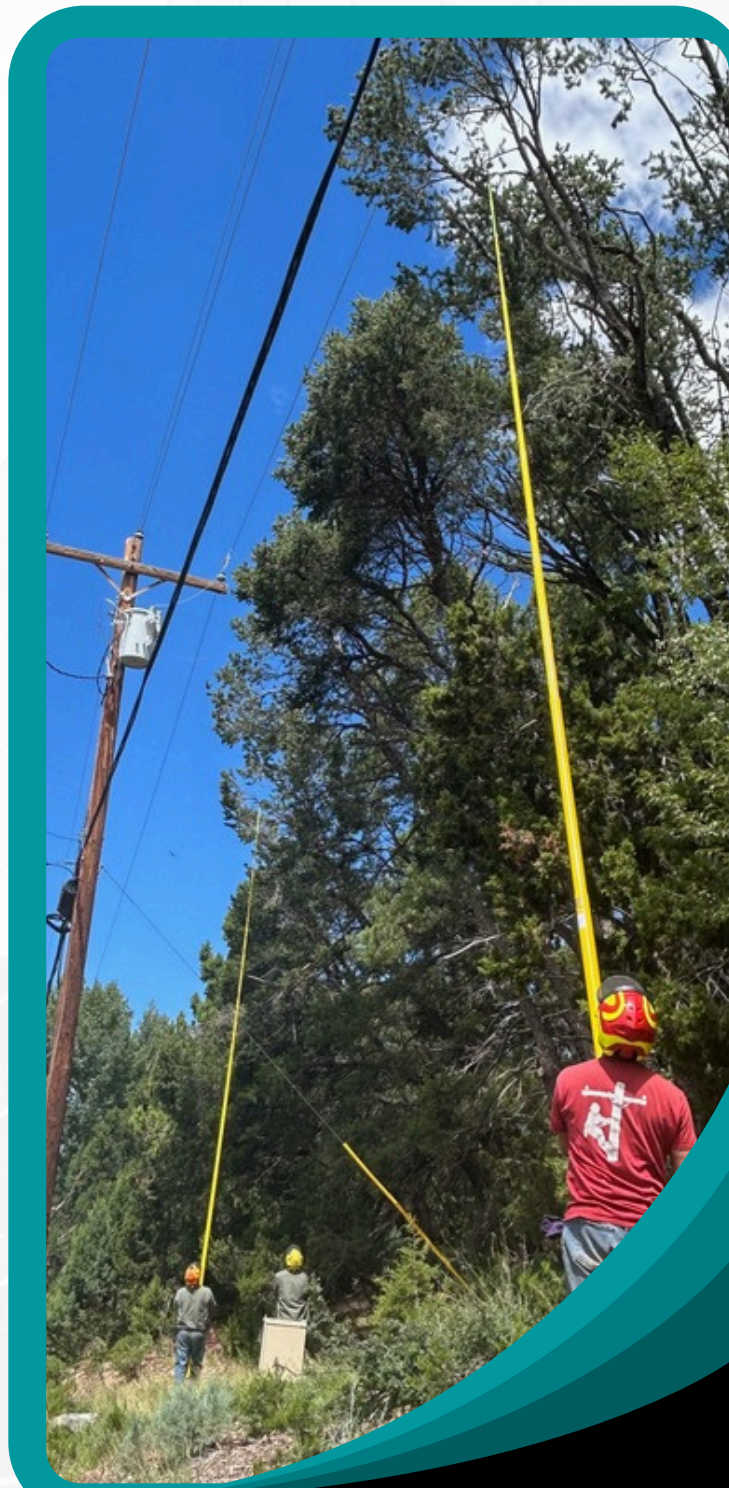
what happens here at OCEC. Tri-State, our cooperative generation and transmission provider, is experiencing rapid change. As part of their Electricity Resource Planning (ERP) process in Colorado, Tri-State identified the need to invest heavily in generation and transmission infrastructure over the next 6 years. This will include transmission lines, wind and solar generation, batteries, and a natural gas plant to firm up reliability. This will require substantial capital investment, which will drive increased wholesale rates to OCEC and its members.

Simultaneously, Tri-State recently completed contract extension efforts, resulting in extensions by 88% of Tri-State's load until 2066. The 2066 timeframe allows them to obtain 35-year financing for the long-term capital investments needed to ensure reliable generation for decades to come. Ten of the eleven New Mexico Tri-State members extended their previous contract term (2050) by 16 years, including OCEC.

The buzzword across the industry is "resource adequacy". As we have discussed in prior years, the transition to non-dispatchable generation, paired with extreme weather and retirements of dispatchable generation, several utilities have experienced resource adequacy problems around the world. With increased demand due to electrification, electric vehicles, and power-hungry data centers to serve the world's increased use of computing technology, including rapid adoption of Artificial Intelligence (AI), this problem is getting worse. Generation capacity is projected to be in short supply, which will result in decreased reliability and higher costs. To be clear, this is a national problem... one that we are fortunate to have a cooperative G&T in Tri-State to share this risk along with 37 other distribution member co-ops.

Each year that passes, I believe more in the cooperative business model. Whether it be our lenders, our insurer, our billing/information system, our statewide, our national trade association, or our power supply, most of the business partners we rely on are cooperatives. This means their focus is just like ours, always on the members who own us. We have a voice in their direction and governance, as you do with us. Like OCEC, they are not profit-driven, only service-driven.

I have been blessed to work for an organization whose sole purpose is to serve. The employees and trustees of OCEC, through their dedication, sacrifice, and hard work, demonstrate their commitment to service every day. I am honored to have been given the opportunity to lead this organization, and I pray that this cooperative continues to serve you well. Thank you for your participation and support as a member of Otero County Electric Cooperative.



2024 ANNUAL MEETING MINUTES

The 85th Annual Meeting of the Members of the Otero County Electric Cooperative, Inc. (OCEC) was held on August 3, 2024, at the Cloudcroft High School Gymnasium.

Mr. Charlie Mulcock, OCEC Board President, called the meeting to order at 10:09 a.m.

The Cloudcroft Boy Scouts and Cub Scouts presented the colors to the stage area. Lee-Ann Conner performed the National Anthem, followed by the Pledge of Allegiance.

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

Mr. Vincent Turner, 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 85th Annual Meeting of the Members. Mr. Romero thanked Jocelyne Driscoll-Gillespie, Superintendent of Cloudcroft Schools, and her staff for the use of the facilities for the Annual Meeting.

At 10:18 a.m. the presence of a quorum was announced.

Ms. Marty Mills, OCEC Board Secretary, read the Notice of the 85th 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.

Ms. Margaret Western moved to dispense with the reading of the minutes from the 84th Annual Meeting of the members and approve them as presented, Ms. Judy Maderas 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 2023 Financial Report for the membership. Mr. Shafer stated the Cooperative had another good year financially with total assets of \$126 million and member-owner's equity at \$41.5 million

at year-end. Operating margins for the year were \$2.8 million, with \$1.5 million in operating revenue deferred, resulting in a net margin of \$1.3 million. The deferred revenue is invested in a separate, interest-bearing account and can be used in the future for special projects and may alleviate the need for rate increases. Mr. Shafer reported OCEC retired approximately \$869,000.00 in patronage back to members for the years 1998 and 1999.

Mr. Romero addressed the membership and discussed OCEC's efforts to prevent wildfire through vegetation management and line maintenance programs. OCEC inspects and maintains rights-of-way on over 2,000 miles of line. Mr. Romero asked for cooperation from the membership as OCEC identifies and removes danger trees from the rights-of-way. 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. Romero encouraged everyone to read his full report which was provided in the Annual Meeting packet.

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 that the foundation has given 392 scholarships and over \$1.72 million since its inception in 1989. The current scholarship amount is \$1,500.00 per semester for the first two semesters and increases to \$2,000.00 per semester for the remaining six fall and spring semesters. The current recipients who were in attendance were called to the stage and congratulated by the Trustees.

The 2024 - 2025 scholarship recipients are:

Bianca Artiaga, Mescalero
Krista Barbie, Alamogordo
Melissa Barela, Carrizozo
Emily Barnes, Mayhill
Miyah Beug, Cloudcroft
Sanjna Bhakta, Capitán
Presley Blackburn, Ruidoso
Daniel Bluedorn, Cloudcroft
Bryanna Bradshaw, Cloudcroft
Sonia Bravo, Ruidoso
Juliana Brinegar, La Luz
Ashley Burch, Carrizozo
Randall Campbell, Artesia

2024 ANNUAL MEETING MINUTES (continued)

Valeria Chacon, Hondo
Arliyana Chee, Mescalero
Jacob Cook, Cloudcroft
Kate Cooper, Tinnie
Alan Darnold, Alamogordo
Caitlin Daugherty, Nogal
Karime Fernandez, Hondo
Diego Gallegos, San Patricio
Ethan Gallerito, Mescalero
Ricardo Gaston, Alamogordo
Layla Gaston, Tularosa
Julie Gonzales, Carrizozo
Maycee Griffin, Tularosa
Baylyn Grinder, Alamogordo
Grayson Guerra, La Luz
Kelsie Guevara, Carrizozo
Guiselle Guillen, Hondo
Clate Harwell, Artesia
Mercedes Hazen, Nogal
Amanda Hibbard, Pinon
Kaylee Hickman, Cloudcroft
Tyler Hiles, Mescalero
James Jarratt, Artesia
Joshua Jobe, Alamogordo
Jasmine Kennedy, Capitan
Ramie Kinney, Ruidoso
Alexis Lucero, Alamogordo
Kiersten Lucero, Alamogordo
Charisma Mangas, Mescalero
Lazo McCarroll, Ruidoso
Nathan McMillan, High Rolls
Montana McMinn, Ruidoso
Lucas Medina, Cloudcroft
Ruben Misquez, Capitan
Albert Montoya, Goddard
Seth Morales, Alto
Samuel Myers, La Luz
Kyler Netzer, Alamogordo
Angelina Ontiveros, Hondo
Paulina Paulik, Cloudcroft
Winney Pollard, Cloudcroft
Cooper Pritchett, Ruidoso
Fabian Prudencio, Glenco
Angelo Rocha, Mescalero
Dominic Romero, Cloudcroft
Manuel Salas, Mescalero
Alex Singer, La Luz
Emily Spaniel, Alto
Eleck Stone, Corona
Syanne Telles, Tularosa

Ashtyn Van Arnam, Alamogordo
Abigail Weaver, Hondo
Kacee Whipple, Capitan
Wyatt Wilson, Capitan
Bailey Wrye, Capitan
Sydney Zamora, Carrizozo

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

Mr. Scott Shafer from the Northwest District was elected by acclamation.

Mr. Preston Stone from the Northwest District was elected by acclamation.

Mr. Charlie Mulcock from the Southeast District was elected by acclamation.

Mr. Romero congratulated Mr. Ryan Guevara, journeyman lineman and crew chief, as OCEC's 2024 Long Rope Safety Award recipient.

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

Rayce Collins – 5 years
Tanner Dean – 5 years
Garrett Hacker – 5 years
Baylee Sanderson – 5 years
Leah Freeman – 10 years
Ryan Guevara – 10 years
Christopher Hughes – 10 years
Jessica Gaston – 15 years
Becky Wimsatt – 15 years
Donny J Shafer – 20 years
Lance H Wright – 20 years
Dewey E Keller – 35 years
Mark A Martin – 35 years

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

David Powers – 5 years
Bill Bird – 35 years
Preston Stone – 40 years

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

2024 ANNUAL MEETING MINUTES (continued)

Ms. Mona Baker made a motion to adjourn the business meeting., Ms. Patty Covington seconded. Motion carried. Mr. Mulcock adjourned the meeting at 11:25 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.



2025 SCHOLARSHIP RECIPIENTS

The Otero County Electric Education Foundation was established in 1989 and has helped hundreds of students achieve their dream of attending college. Since the beginning of the scholarship program, over \$1.7 million 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 2025 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 2025 semester, 63 students will be receiving assistance through this worthwhile program, with 18 new scholarships awarded to the Class of 2025.

OCEC is proud to announce the following students as recipients.

Korbyn Beauregard, Artesia
Ellie Beug, Cloudcroft
Daniel Chacon, Hondo
Taylor Curtis, Mayhill
Jeremiah HIII, Carrizozo
Caylin Kinney, Alto
Tianna Lyons, Mescalero
Sophia Newton, La Luz
Warrick Nowell, Capitan
Wyatt Renfro, Cloudcroft
Makayla Rocha, Mescalero
Orlando Ruiz, Alto
Xavier Ruiz, Bent
Mia Simpson, Alto
Timberly Stanbrough, Timberon
Jaya Trujillo, Alto
Ayla Yarbrough, Cloudcroft
Z'maury Zamora, Carrizozo



ELECTRIC COOPERATIVE YOUTH TOUR

The Electric Cooperative Youth Tour is an educational and leadership program designed for high school students, sponsored by electric cooperatives across the United States. Each June, this annual event brings together young leaders from across the country to learn about the electric cooperatives and government. Participants have the unique opportunity to experience Washington, D.C., where they meet with lawmakers, visit historical sites, and make friendships that will last a lifetime.

Otero County Electric Cooperative has sponsored students with this trip since 2017. Throughout this time, the cooperative has sent 22 students from the local area to attend the Youth Tour. By selecting

motivated delegates, Otero County Electric not only provides them with valuable insights into civic engagement and the cooperative business model but also fosters leadership development and community involvement.

This commitment to youth empowerment highlights Otero County Electric's dedication to education and the cultivation of informed citizens who understand the importance of civic participation. Through its ongoing support of the Electric Cooperative Youth Tour, Otero County Electric Cooperative invests in shaping the next generation of leaders, ensuring a bright future for our communities.

2025 YOUTH TOUR DELEGATES



Kenya Fernandez Chacon
Hondo High School



Emily Grinder
Alamogordo High School



Marisa Romero
Cloudcroft High School



Isabella Salcido
Hondo High School



