

OTERO COUNTY ELECTRIC



COOPERATIVE, INC.

Your Touchstone Energy® Cooperative 

ANNUAL MEETING REPORT

2022

AGENDA

- 8:30 AM - Registration
- 10:00 AM - Call to Order - Charlie Mulcock, President
- Flag Presentation - Cloudcroft VFW
- Invocation - Dan Sherrell, Pastor, Cloudcroft United Methodist Church
- Welcome to Cloudcroft - Mayor, Bill Denney
- Determination of a Quorum
- Reading of the Notice of the 83rd Annual Meeting of Members of Otero County Electric Cooperative, Inc. - Board Secretary, Marty Mills
- Consideration of the Minutes from the 82nd Annual Meeting
- Officer & Manager Reports
- Recognition of Scholarship Recipients
- Election of Trustees - Attorney, Tom Overstreet
- Scheduled Speakers
 - Keven Groenewold - Chief Executive Officer - NM Rural Electric Cooperative Association
 - Barry Ingold - Chief Operating 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.

NORTHEAST DISTRICT

David Powers

SOUTHEAST DISTRICT

Denny Burnett

CENTRAL DISTRICT

Marty Mills

SOUTHWEST DISTRICT

Tim Rabon



PRESIDENTIAL ADDRESS

Charlie Mulcock

I am proud to represent the Southeast District of OCEC. I am also honored and extremely humbled to serve as President of an outstanding Board of Trustees who are dedicated and have diverse skills and visions to set policy for the operation of the co-op. OCEC provides power to 14,763 members with electricity flowing to 21,677 meters served by 2,824 miles of transmission and distribution lines. Many of us would not enjoy the lifestyle that electricity affords if it were not for OCEC and the Rural Electrification Program.

In my 35+ years of service on this Board, I can never remember a time that has been more challenging and potentially ruinous to the power industry than right now. National energy policy seems to be dictated by the progressive wing of the Democratic Party and the adoption of the green new deal. Their policies call for the immediate abandonment of fossil fuel generation and the transition to unreliable green power that is nowhere ready to provide sufficient reliable power. The extreme winter storm that hit Texas in February last year should provide ample evidence to the folly of these policies. However, the current administration continues to declare a war on the fossil fuel industry that has caused massive inflation, record fuel prices and has enabled our international adversaries to fund the war in Ukraine and fortify their militaries with our dollars spent on petroleum products. Our costs at OCEC reflect the national trend and our employees feel the same pinch as workers across the nation are suffering. So far, we have been able to provide excellent service without a rate increase and hopefully, we will be able to continue without a rate increase in the near future. This is truly a testimonial to the efforts of our exemplary management team and our employees who continue to cut costs and work more efficiently.

OCEC prides itself in giving back to the members we serve. Since its' inception in 2012, Operation Round Up (ORU) has distributed \$723,000 to the communities, schools, civic organizations, and individuals in our service area. Kids playing ball, senior citizens getting hot meals or individuals rebuilding their burned-out homes are just a few of the very worthwhile uses of ORU funds.

The OCEC Educational Foundation assists the youth of our communities as they continue their higher education, both academically and vocationally. Since its' establishment, the foundation has provided 341 students with \$1,397,450 for their continued education. There are currently 79 students enrolled in eligible programs who will receive \$100,500 in the fall semester of 2022. An emphasis has been placed on vocational studies resulting in 12 students currently enrolled in vocational programs. Surely this investment in our youth will pay future dividends!

We have problems but none that are insurmountable. If the politicians who created these problems will go away or allow the professionals in the energy industry to solve these problems, everything can be okay. OCEC has more than its fair share of these professionals. Our 61 employees are dedicated to providing safe and reliable power at a fair cost. These are the people who answer the bell, day or night, and keep the lights on in all kinds of conditions. They are the heroes and I say THANK YOU!

TREASURER'S REPORT

Scott Shafer

I am Scott Shafer representing the Northwest District, and I appreciate again being the board treasurer for Otero County Electric Cooperative in 2021. This is a brief report on the financial condition of your co-op along with other relevant financial information.

You have received a basic financial statement reflecting the state of our co-op as of December 31, 2021. The total assets have grown to \$129 million, and your owner equity is \$40 million at year-end. The assets continue to grow with additions and improvements made to our plant and distribution system.

In 2020 we participated in the Paycheck Protection Program (PPP) offered to businesses during the height of the COVID outbreak. We were not sure what the effects of the shutdown would be on the co-op and the board chose to make the conservative decision and get the funding to offset a potentially significant drop in sales and lost revenue due to nonpayment of bills.

We received \$1,272,900 in funding through this program. Subsequently, we requested and received forgiveness of the loan. This flowed through the income and expense statement and helped us attain a very strong operating year with a net realized margin of just under \$2,900,000.

Capital credit retirement continues to be one of our goals and this year we will retire over \$800,000 in patronage back to members. This payout will be made to members who had service in the years 1996, 1997, and 1998.

The PPP loan forgiveness, as mentioned earlier, offered the board an opportunity to do something really special. Every member will be receiving a portion of the \$1.3 million as these funds will be retired under the LIFO (last in first out) methodology. All members in 2021, the year we recognize this special funding, will receive a portion of this benefit.

This is a great year for capital credit retirement as Otero County Electric Co-op members will receive their portion of \$2,079,000. 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 on financial health of your co-op.

FINANCIAL REPORT

Balance Sheet

What We Own as of December 31, 2021

Net Utility Plant	\$	94,551,438
Other Property & Investments	\$	15,891,469
Current Assets	\$	17,269,741
Deferred Charges	\$	1,439,104
Total	\$	129,151,752

What We Owe as of December 31, 2021

Patronage Capital & Other Equity	\$	40,287,478
Long-Term Debt	\$	77,412,629
Long-Term Liabilities	\$	2,320,589
Current Liabilities	\$	7,403,848
Deferred Credits	\$	1,727,208
Total	\$	129,151,752

Statement of Income & Patronage

Total Operating Revenue	\$	33,314,150
Purchased Power Expense	\$	(15,537,702)
Operating Expenses	\$	(9,282,561)
Depreciation & Amortization	\$	(4,927,579)
Interest Expenses	\$	(2,745,576)
Total Expenses	\$	(32,493,418)
Operating Margin	\$	820,732
Non-operating Margin	\$	1,242,268
Realized Margin	\$	2,063,000

Extraordinary Events

Tri-State G&T Capital Credit Allocation	\$	363,433
Other Capital Credits & Patronage Dividends	\$	459,420
Reportable Margin	\$	2,885,853

GENERAL MANAGER UPDATE

Mario Romero

Our first year has passed since coming out of the heart of the global COVID-19 pandemic. Like many of you, Otero County Electric Cooperative (OCEC) had to figure out what the “new normal” was going to look like. Fortunately, in our mission of serving our members by providing **safe, reliable, and affordable** electricity, we have successfully managed what the pandemic threw at us and are back to our “new normal.”

Unlike investor-owned utilities, co-ops like OCEC are owned by the people they serve. We don't have competing interests between shareholders and ratepayers. For co-ops, they are one in the same, except instead of shareholders, we have member-owners. For this reason, your interests are the only interests that matter when our staff and board make decisions to carry out our mission.

Unfortunately, this does not make our job any less complicated. We still have internal competing interests. The most obvious example is balancing the cost of maintaining/improving reliability, with the cost our members must pay to accomplish this. Another example is the trade-off between increasing amounts of renewable energy to address climate concerns, and the reliability historically provided by dispatchable carbon-based generation. Despite what you might hear in the public spheres of media and the internet, these are complex issues with no simple solutions.

Before I get into some of these complex issues, I'd like to discuss one item that is more straightforward. Safety is listed first in our mission statement for a reason...safety is always our priority. As we have reported in previous years, we continue to operate with a safety-first attitude, implementing and continuing all the programs and strategies (job briefings, personal protective equipment, monthly safety meetings, hazard reporting, wildfire mitigation, etc.) mentioned in previous years to protect both the public and our employees. In 2021, OCEC had no on the job, lost-time injuries. In addition, one of our crew chiefs, Matthew Chavez, was awarded the most prestigious safety award among New Mexico cooperatives, for his dedication to safety and his daily commitment to ensuring everyone around him goes home safe. These accomplishments are testaments to our employees and the support they receive from our board.

After safety, reliability is the next item mentioned in our mission. Again, this is not by accident. As our Board President, Charlie Mulcock, often reminds us, “The cost of power is awfully important, but it pales in comparison to the cost of not having power.” You likely know this to be true and realize it when you experience prolonged power outages. While long outages have become less frequent over the years, primarily due to our efforts in making our distribution system more reliable and resilient against major storms, unfortunately, our whole industry is beginning to have serious concerns over the reliability of power supply as we transition away from very reliable dispatchable generation to intermittent renewable generation.

This summer, the North American Electric Reliability Corporation, which is the quasi-governmental entity responsible for monitoring grid reliability, issued an assessment warning that several parts of North America are at elevated or high risk of energy shortfalls this summer. Closer

GENERAL MANAGER UPDATE (continued)

Mario Romero

to home, PNM received authorization to postpone the retirement of their coal-fired San Juan Plant due to concerns they would not be able to serve their summer load. While OCEC's power supplier, Tri-State Generation & Transmission Association (Tri-State), has plenty of generation capacity to serve its loads, Tri-State does not operate in a vacuum and is interconnected with the larger grid, which makes Tri-State, and ultimately OCEC, subject to reliability concerns resulting from expected increases in demand for electricity, along with generation shortfalls of the larger electric grid.

For our members (and consumers of electricity in general), our analysis leads us to believe wholesale power costs will likely increase over the next few years. At the same time, we expect an increased chance of power supply shortages that may affect grid reliability. At a local level, we have little to no control over this issue. This is a problem that can only be resolved through either a change to environmental/energy policy at the state and federal level, or longer-term, through technological breakthroughs in energy storage, carbon capture, or some other means of dispatchable clean energy. With OCEC Trustee, Tim Rabon, serving as Chairman of the Tri-State Board of Directors, OCEC is in a better position than most co-ops to have some influence on policy.

On a more positive note, the financial performance of OCEC has been excellent. Member rates have been stable and have actually decreased slightly over the last two years. The small decrease has been realized by our members through the "fuel adjustment" line item on monthly bills, resulting primarily from a wholesale power rate reduction of 4% from Tri-State. Combined with modest increases in revenue due to slight increases in energy sales, OCEC margins have been healthy. In addition, as Board Treasurer, Scott Shafer, stated in his report, OCEC will be returning almost \$1.3 million in margins to anyone who was a member in 2021. Pairing that with our normal capital credit retirement from 1996-1998, we are returning over \$2 million in patronage capital back to our members.

The interests of our members are our only interest. Everything we do is to benefit our members and communities. As is mentioned in this year's President's Report, our scholarship program and Operation Round Up (ORU) are two great examples of how we support our members and communities. Through OCEC's Education Foundation, members and/or their children have received \$1.4 million in scholarships to attend NM colleges, universities, and trade schools. Through ORU, our members have donated \$723,000 to local schools, non-profit organizations, or to fellow members in need, simply by rounding up their bill to the nearest dollar. Those pennies turn into tens of thousands of dollars annually and make a real difference in our communities. A big thank you goes out to all our members who participate.

Finally, I would like to recognize all the employees of OCEC. They are an exceptional group of men and women, who have chosen a career of serving others. I can report to you, our members, how blessed you are to have such a dedicated, competent, and caring group of people serving you. Many of us take electricity for granted. The next time your power is out, remember there is a

GENERAL MANAGER UPDATE (continued)

Mario Romero

dedicated group of people working to restore it. In fact, all those times you have power, the same people are working behind the scenes to keep the lights on. Thank you for your membership, thank you for your participation, and most of all, thank you for supporting your cooperative and its employees.



2021 ANNUAL MEETING MINUTES

The 82nd Annual Meeting of the Members of the Otero County Electric Cooperative, Inc. (OCEC) was held on August 7, 2021, at the Cloudcroft High School Gymnasium.

Member registration and voting was held in the gymnasium. A drive-thru option was also available at the OCEC Headquarters Building.

Mr. Charlie Mulcock, OCEC Board President, called the meeting to order at 10:08 AM.

The Cloudcroft Veterans of Foreign Wars presented the colors to the stage area. The National Anthem was played followed by the Pledge of Allegiance.

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 82nd 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.

Mr. Mulcock requested a moment of silence in memory of Mr. Bill Mershon. Mr. Mershon was the OCEC General Manager from 1982 until his retirement in 2002. Mr. Mershon was a major supporter of the Cooperative and the community and will be missed.

At 10:26 AM the presence of a quorum was announced.

Ms. Marty Mills, OCEC Board Secretary, read the Notice of the 82nd 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. James Evrage moved to dispense with the reading of the minutes from the 80th Annual Meeting of the members and approve them as presented, Ms. Mary Luna 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. Mulcock highlighted the Treasurer's Report in Scott Shafer's absence. Mr. Mulcock reported the Cooperative is in good financial condition and continues to meet lender requirements while reinvesting in the system, improving reliability and holding rates at an affordable level. The 2019 and 2020 Financial Reports were presented to the membership.

Mr. Romero addressed the audience stating that it was great to see everyone in person after the 2020 Annual Meeting of the Members was canceled due to the pandemic. Mr. Romero continued that despite the challenges of the last year, the pandemic had very little impact on the Cooperative's mission of serving the membership. Mr. Romero thanked the OCEC employees for their dedication and flexibility.

2021 ANNUAL MEETING MINUTES (continued)

Mr. Mulcock returned to the stage and spoke about 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 322 scholarships and over \$1.2M since its inception in 1989. The current scholarship amount is \$1,000 per semester for eight consecutive fall and spring semesters. The current recipients that were in attendance were called to the stage and congratulated by the Trustees.

The 2021 – 2022 scholarship recipients are:

Emily Barnes, Mayhill	Sanjna Bhakta, Capitan	Micaelah Cabazal, Alamogordo
Ember Cervantes, Mescalero	Kate Cooper, Tinnie	Caitlin Daugherty, Nogal
Dylan Daves, Ruidoso Downs	Joseph Foy, Ruidoso	Ethan Gallerito, Mescalero
Grayson Guerra, La Luz	Kaitlin Guevara, Carrizozo	Clate Harwell, Artesia
Mercedes Hazen, Nogal	Kaylee Hickman, Cloudcroft	Samantha Kazhe, Mescalero
Ashlynn Keel, Cloudcroft	Nikolis Landry, High Rolls	Amariah Lester, Mescalero
Antanaya Mendez, Mescalero	Ethan Ortiz, Carrizozo	Susannah Orwoll, La Luz
Fabian Prudencio, Glencoe	George Rocha, Mescalero	Roman Rocha, Mescalero
Estrella Sedillo, Capitan	Max Seidel, Cloudcroft	Syanne Telles, Tularosa
Dallas Toler-Holcomb, La Luz	Sharylee Tsinnijinne, Mescalero	Madisyn Yuzos, Mescalero
Miakoda Yuzos, Mescalero	Sydney Zamora, Carrizozo	

Mr. Mulcock reported the OCEC Education Foundation established a new scholarship in the amount of \$4,000 for the CNM Ingenuity Electric Line-worker Pre-Apprentice Program at the Rio Rancho campus. All eligible candidates were encouraged to apply.

Mr. Denny Burnett, OCEC Vice President, recognized Jacob Cook, Ashlyn Keel and Riley Truex as OCEC's delegates to the 2020 Government-in-Action Youth Tour in Washington D.C. The 2020 and 2021 tours were cancelled due to the pandemic and the students were each awarded a one-time scholarship of \$1,500 as consolation. Mr. Burnett congratulated the students and wished them well in their future endeavors.

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

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

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

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

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

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

2021 ANNUAL MEETING MINUTES (continued)

Mr. Overstreet announced the candidates nominated by petition for the Central District and the election results.

Mario Estrada – 47 votes

Cheri Hass – 72 votes

Mr. Overstreet declared Ms. Cheri Hass as the duly elected Trustee for the Central District.

Mr. Overstreet read the results of the proposed bylaw amendment to grant the Board of Trustees the ability to hold the annual meeting in multiple locations and the authority to cancel or postpone any meeting of the Cooperative that could pose a threat to public health, safety or welfare. There were 214 total ballots cast for the amendment to the bylaws. There were 196 votes FOR and 18 votes AGAINST the bylaw amendment. The proposed bylaw amendment PASSES.

A motion to destroy the ballots was made by Mr. James Evrage and seconded by Mr. Donaciano Chavez, motion carried.

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

Mike Winrow – 25 years

Saben Lessentine – 25 years

Mr. Romero recognized Mr. Charlie Mulcock for his 30 years as an OCEC Trustee and thanked him for his service to the Cooperative and its members.

Mr. Romero reported that Tri-State Generation and Transmission, OCEC's power supplier, serves forty two members in four states with diverse portfolio generation resources. Tri-State is transitioning to more renewable energy by retiring coal assets and acquiring large wind and solar projects. Mr. Romero continued that Tri-State has had five consecutive years without a rate increase and in March 2021, Tri-State recognized a two-percent rate decrease, which was passed on to OCEC members on their next monthly bill. Tri-State will reduce rates by an additional two percent in 2022.

Mr. Romero announced that Mr. Tim Rabon, OCEC Trustee, was recently elected to serve as the Chairman of the Tri-State Board of Directors. Mr. Romero congratulated Mr. Rabon and stated that his leadership at Tri-State will be vital over the next several years for both Tri-State and Otero County Electric Cooperative, Inc.

Mr. Rabon addressed the audience, stating that Tri-State and OCEC were both governed by the cooperative model and were truly controlled by their members and the seven cooperative principles. Mr. Rabon thanked the membership and the board for their support.

Mr. Mulcock called for any unfinished business, there being none, Mr. Mulcock called for any new business. There being none, Mr. Mulcock adjourned the meeting at 11:17 AM.

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

2022 SCHOLARSHIP RECIPIENTS

The Otero County Electric Education Foundation was started in 1989 and has assisted hundreds of students fulfill their dream of attending college. Since the beginning of the scholarship program, over \$1.3 million dollars has been awarded to local graduates pursuing a degree or certificate at a New Mexico university, college, or vocational school.

The initial award is \$1,000 per semester for first-year students. This year, the Board approved an increase in the scholarship amount to \$1,500 per semester for second- through fourth-year students provided they meet the enrollment and grade-point average requirements. Total award amount for students attending 8 semesters is \$11,000.

In the Fall 2022 semester, 79 students will be receiving assistance through this worthwhile program, with 33 new scholarships awarded to the Class of 2022.

OCEC is proud to announce the following students as recipients.

- | | | |
|-------------------------------|----------------------------|------------------------------|
| Bianca Artiaga, Mescalero | Duncan Balatche, Mescalero | Melissa Barela, Carrizozo |
| Daniel Bluedorn, Cloudcroft | Annika Carrillo, Mescalero | Kameryn Chino, Mescalero |
| Fabian Dolan, Mescalero | Aireonna Duffy, Mescalero | Shana Elkins, Pinon |
| Perico Enjady, Mescalero | Karime Fernandez, Hondo | Diego Gallegos, San Patricio |
| Ricardo Gaston, Tularosa | Kelsie Guevara, Carrizozo | Guiselle Guillen, Hondo |
| Miguel Guillen, Ruidoso Downs | Daylon Hall, Capitan | Amanda Hibbard, Pinon |
| Tyler Hiles, Mescalero | Brooke Ilgen, Capitan | Kalla Keaton, Ruidoso |
| Jarien Lapaz, Mescalero | Seth Morales, Alto | Samuel Myers, La Luz |
| Daniel Najar, Carrizozo | Pearl Pike, Mescalero | Dewey Pollock, Mescalero |
| Alex Singer, La Luz | Gary Skin, Mescalero | Emma Traylor, Capitan |
| Bailey Wrye, Capitan | | |

OCEC would also like to recognize Colton Gililland, Tularosa; Kasen Flotte, Cloudcroft; and Matteo Vasile, Mescalero for being awarded a scholarship to attend CNM Ingenuity, Inc. where they will be enrolled in the Electric Lineworker Pre-Apprentice Program.

Jesi Watson, Cloudcroft, also received a scholarship from Basin Electric Power Cooperative.

Help us congratulate these students on their accomplishments and wish them well on their new adventure!





1-800-548-4660



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