

MINUTES
REGULAR MEETING
BOARD OF TRUSTEES
THE SOCORRO ELECTRIC COOPERATIVE, INC.

DECEMBER 19, 2013

A Regular Meeting of the Board of Trustees of The Socorro Electric Cooperative, Inc. was held on Thursday, December 19, 2013 in Socorro, New Mexico.	INDEX
The Meeting was called to order at 5:30 p.m. by Luis Aguilar, President.	CALL TO ORDER
Secretary Wolberg called roll and reported those Trustees present and attending the meeting as follows:	ROLL CALL
TRUSTEES PRESENT:	
Luis Aguilar, President Representative, District III	
Prescilla Mauldin, Vice-President Representative, District III	
Donald Wolberg, Secretary Representative, District III	
Charles Wagner, Trustee* Representative, District II	
Dave Wade, Trustee Representative, District IV	
Anne L. Dorough, Trustee Representative, District V	
TRUSTEES ABSENT:	
Leo C. Cordova, Treasurer Representative, District I	
ALSO PRESENT:	
Joseph Herrera, CEO/General Manager Eileen Latasa, HR Manager/Executive Asst. Bruce Wiggins, Attorney Darin Foster, Attorney	
SEC MEMBERS PRESENT:	
Jimmy Dorough, James Cherry, Priscilla Cora Gwin, Cyndi Mae Wade, Elva Osterreich, Bob Hayes, Paul Stoehr, Greg Long, Linda Smiley, A.B. Hickox, Charlene West, Gene Cole	
Secretary Wolberg declared a Quorum of Trustees present.	QUORUM
President Aguilar led everyone in the Pledge of Allegiance.	PLEDGE OF ALLEGIANCE
There being no additions or changes to the agenda, a motion was made by Trustee Wolberg to approve the agenda as presented. Motion carried unanimously.	APPROVAL OF AGENDA
After review of the Draft of the Minutes of the Regular Meeting on November 21, 2013, a motion was made by Trustee Wolberg and seconded by Trustee Mauldin to approve the Draft of the Minutes with corrections. Motion carried unanimously.	REVIEW OF PREVIOUS MINUTES
There was no public comment brought forth by members present.	PUBLIC INPUT
Attorney Foster presented the following update on litigation:	ATTORNEY REPORT
I was asked by Manager Herrera, SEC counsel and certain members of the board to give an update on the state of litigation, dating back to <u>1/2011</u> . Former SEC Attorney Francish filed a suit to have a <u>court review</u> the bylaws voted on by the membership and sought declaratory action to determine whether the bylaws were in accordance with N.M. Law and named members of the co-op defendants as determined by Attorney Francish, in order to get the judge to declare whether bylaw changes were valid and legal and followed state law. Mr. Francish did not seek money or compensation from the membership and asked the law firm of Kennedy & Han for assistance.	

The first item of business for the court was to dismiss out the membership but a small number of individuals did not want to be dismissed out or removed as defendants. If these individuals would have allowed us to streamline the process and dismiss out everyone, legal bills would have been less than \$5,000, instead some members proceeded to countersue their own coop. Trustee Wagner attempted to sue the coop, in violation of his trust duties, and named himself as plaintiff and brought in counsel from Texas with charges of illegalities with capital credits as the enticement for a potential large pay-out.

In May, 2011 the court issued an order that the membership has the right to make bad decisions and approve bad bylaws changes, but some the bylaw revisions which management and the board were concerned about could cause serious difficulties with the operation of the coop.

If the case would have been allowed to end there, approximately \$15,000 would have been spent in legal fees and the question about the validity of the bylaw changes would have been answered. New bylaws were put into practice and followed as closely as possible by the manager, the board and counsel for the last two years, which was the entire suit brought by the coop. The SEC was prepared to have the entire suit wind down in May, 2011 when the court ordered that certain parts did not make sense, can't apply and should be removed and motions were re-drafted.

Since then, Trustee Wagner, in violation of his fiduciary duty to the Board, continued to pursue with the class action lawsuit to seek capital credits and corrections of other activities that Mr. Wagner alleged were going on in 2010/2011. Motions were filed in Fall of 2011 by Attorney Foster that there was no evidence of fraud and that Mr. Wagner was the plaintiff in a case in which he sits on the board of the entity he sued and is an inappropriate plaintiff, in addition, NM statutes were not followed in his countersuit.

Plaintiff's attorney agreed that Mr. Wagner was not a proper plaintiff and was totally inappropriate. He identified two new individuals who were wanting to be substituted. During a hearing in 2012, the court stated that legally that argument was correct, but he would allow the substitution if procedural steps were done in accordance with N.M. law. A special meeting was held and counsel from Texas came and stated they were interested in the capital credits issue. The underlying concerns were addressed by the Board. Special meetings were held with the accountants and attorneys so that plaintiff's attorney could review SEC accounts and equity position and hear the explanation of capital credits. Capital credits have been paid by SEC to the members up to 1983.

Plaintiff's attorneys took a good look and stated that there was no case, and what they were told was not what as it appeared and met with the court. After discussing the case with the judge, he stated that the SEC has done what was required and complied with the bylaws and the only issue remaining was capital credits. No official action was taken until September, 2013. Mr. Wagner should not have brought the case, was an improper plaintiff and his attorneys did not want to go forward with substitution of new plaintiffs.

The judge granted all motions filed by Attorney Foster dating back to Spring, 2012.

An Order Granting Dispositive Motion was filed by the court in September, 2013 in the 13th Judicial District whereby the case against the SEC was dismissed.

Attorney Foster stated that attorney fees totaled about \$30,795 in 2011, of which the vast majority was spent after May, 2011, in 2012 fees totaled \$22,788 which went to Mr. Wagner's cross claim lawsuit and couldn't be paid by insurer due to a trustee alleging fraud by other trustees. Attorney fees totaled an additional \$16,045 to get the case resolved.

Charlene West, SEC Member, interrupted Mr. Foster at this point in his report and completely disrupted the meeting. President Aguilar repeatedly requested that Ms. West sit down or leave the meeting and Ms. West refused.

President Aguilar called for a recess until local authorities arrived to escort Ms. West from the meeting.

Attorney Foster continued with the report.

BOARD RECESS

RETURN TO
REGULAR SESSION

Manager Herrera explained the Landlord/Tenant Agreement submitted to the N.M.P.R.C. for consideration and approval which would clarify the Application for Service Procedures for implementation by the SEC.

CONSIDERATION OF
LANDLORD/TENANT
AGREEMENT

A motion was then made by Trustee Dorough and seconded by Trustee Wagner approving the Landlord/Tenant Agreement for submission to the N.M.P.R.C. Motion carried unanimously.

EXPENDITURE
REPORT

Manager Herrera reported that expenditures for the month of November, 2013 totaled \$618,272.38.

There being no questions from the Board, a motion was by Trustee Wolberg and seconded by Trustee Dorough to approve the Expenditure Report for November, 2013 as information. Motion carried unanimously.

There being no questions from the Board on the Credit Card Report for November, 2013, a motion was made by Trustee Wolberg and seconded by Trustee Wade to approve the Credit Card Report for November, 2013 as information. Motion carried unanimously.

CREDIT CARD
REPORT

*Trustee Wagner left the meeting at 6:30 p.m.

Manager Herrera reviewed the RUS Form 7 for November, 2013 with the Board.

RUS FORM 7

There being no questions from the Board, a motion was made by Trustee Wolberg and seconded by Trustee Wade to accept the RUS Form 7 for November, 2013 as information. Motion carried unanimously.

Manager Herrera explained the Energy Delinquent Report for November, 2013 and stated that the Liheap Winter Moratorium has been in effect since November 15, 2013.

DELINQUENT
REPORT

A motion was made by Trustee Mauldin and seconded by Trustee Dorough to accept the Delinquent Report for November, 2013 as information. Motion carried unanimously.

Manager Herrera reviewed the Outage Report for October 21 to November 15, 2013 by adding that the longest outage lasted 8.5 hours.

OUTAGE REPORT

Manager Herrera reported no loss-time accidents during November, 2013 and Year-to-Date.

SAFETY REPORT

Manager Herrera reported on the cost for each 2013 District Meeting as follows:

OTHER

• District I	\$ 9,882.82	No quorum present
• District II	\$14,526.18	
• District III	\$15,616.00	
• District IV	\$ 6,919.82	No quorum present
• District V	\$13,150.58	No quorum present
• Total	\$59,332.32	

Manager Herrera also reported that crews were currently working on tree-trimming in the North area and in Socorro.

Trustee Wolberg reported on the Member Application/Cancellation Report as follows:

MEMBER APPLICATION/
CANCELLATION REPORT

• New Connects	32
• Re-Connects	119
• Disconnects	150

A motion was made by Trustee Mauldin and seconded by Trustee Dorough to approve the Member Application/Cancellation Report for November, 2013 as information. Motion carried unanimously.

Manager Herrera reviewed the NMRECA Report with the Board by stating that discussion centered on REC reporting and compliance; the 2014 N.M. Legislative Session, and update on the ACA which doesn't affect the SEC; and ROW issues affecting N.M. co-ops.

NMRECA REPORT

Trustee Wolberg updated the Board on the on-going issues affecting Tri-State regarding the A36, A37, and A38 rate structure, litigation, EPA restrictions and N.M.P.R.C. protests by N.M. co-ops.

TRI-STATE REPORT

President Aguilar thanked Trustee Wolberg for his time spent with Tri-State and the NMRECA and the tremendous job he has done with both entities.

Trustee Wolberg, Chairman of the Policy Committee, reported that the committee met on December 11, 2013 to review several policies.

POLICY COMMITTEE
REPORT

After reading the proposed revision to Policy 111, Trustees Orientation Meeting, a motion was made by Trustee Dorough and seconded by Trustee Mauldin to accept the policy revision as recommended by the Policy Committee. Motion carried unanimously.

Trustee Wolberg explained the revision to Policy 101, Purpose and Responsibility Of the Board of Trustees.

A motion was made by Trustee Mauldin and seconded by Trustee Dorough to accept the revision to Policy 101 as recommended. Motion carried unanimously.

Trustee Wolberg explained the recommended revision to Policy 106, Annual Meeting with Washington D.C. Based RUS and CFC Delegation.

Trustee Dorough made a motion and seconded by Trustee Wade to approve the recommended revision to the Policy 106. Motion carried unanimously.

Trustee Wolberg read the recommended revision to Policy 107, Representative to the Board of Trustees of Tri-State G&T.

After discussion on the recommended revisions, a motion was made by Trustee Dorough and seconded by Trustee Wade to insert 'general manager or trustee' and any funds paid to the general manager will revert to the coop.

Trustees Wade and Dorough voted in favor of the motion; Trustees Wolberg and Mauldin were opposed. President Aguilar voted in favor of the motion. Motion carried.

A motion was then made by Trustee Dorough and seconded by Trustee Mauldin to approve the revision to Policy 107, as amended. Motion carried with Trustee Wolberg opposed.

Trustee Wolberg read the recommended revisions to Policy 110, Representative to Board of Trustees of the NMRECA.

A motion was made by Trustee Mauldin to approve the recommended revision to Policy 110.

Trustee Dorough made a motion to insert 'general manager or trustee' to Policy 110. Trustee Wade seconded the motion. Motion failed with Trustee Dorough voting in favor of the motion and Trustees Wade, Wolberg and Mauldin opposed.

President Aguilar called for the vote on Trustee Mauldin's motion to accept the recommended changes to Policy 110. Motion carried unanimously.

Trustee Wolberg reviewed the addition of employee Policy 226, Telephone, Cell Phone and Other Electric Wireless Device Policy,

A motion was then made by Trustee Mauldin and seconded by Trustee Dorough to approve the addition of Policy 226. Motion carried unanimously.

The recommended revision to Policy 119, Code of Conduct was explained by Trustee Wolberg.

A motion was made by Trustee Mauldin and seconded by Trustee Dorough to approve the recommended revision to Policy 119, Code of Conduct. Motion carried unanimously.

Trustee Wolberg explained the recommended revisions to Policy 113, Appointment of Committees.

A motion was made by Trustee Mauldin and seconded by Trustee Dorough to accept the recommended revision to Policy 113, Appointment of Committees as presented. Motion carried unanimously.

Attorney Wiggins recommended the Retirement of Patronage Capital to the Estates of Leo Montoya for \$3,224.04 and CC Robison in the amount of \$929.88.

OTHER
BUSINESS

A motion was made by Trustee Wade and seconded by Trustee Wolberg to approve Attorney Wiggins recommendation for the Retirement of Patronage Capital to the Estates of Leo Montoya and CC Robison. Motion carried unanimously.

Manager Herrera explained the 2012 Form 990 prepared by Bolinger, Segars, Gilbert and Moss, LLP, and the letter written by Bill Miller, which supports the Cooperative's status as a 501 (c) 12 Tax Exempt Organization.

A motion was made by Trustee Mauldin and seconded by Trustee Wolberg to accept for submission the 2012 Form 990. Motion carried unanimously.

Manager Herrera requested authorization to attend the NRECA Annual Meeting In Nashville, Tennessee in March, 2014.

A motion was made by Trustee Mauldin and seconded by Trustee Wolberg to approve Manager Herrera's request to attend the 2014 NRECA Annual Meeting. Motion carried unanimously.

President Aguilar presented and congratulated Trustee Dorough with her Certified Credentialed Director Certificate issued by NRECA.

ADDRESS BY
BOARD
CHAIRMAN

Manager Herrera recognized outgoing Trustees Wolberg, Mauldin and Aguilar and presented them each with a commemoration for their service to the cooperative.

Attorney Wiggins informed the that it was his opinion that the Bolnick Report, Part 1 could be released through an Inspection of Public Records (IPRA) request.

A motion was then made by Trustee Wade and seconded by Trustee Wolberg to give Authorization to Manager Herrera to release Part 1, Bolnick Report through an IPRA request. Motion carried unanimously.

CONSIDERATION
OF BOLNICK
REPORT, PART 1

Manager Herrera explained to the Board that a request had been made to open an SEC Business Center on the Alamo Reservation which would be utilized for accepting electric payments, generating service orders, etc. Manager Herrera stated that the Wells Fargo Bank has be accepting electric payments for many years. Manager Herrera also stated that requests to open business centers in District V and District I could follow.

CONSIDERATION
OF SEC
BUSINESS
CENTER

There was no action taken by the Board on consideration of the Business Center at the Alamo Reservation.

A motion was made by Trustee Wade and seconded by Trustee Dorough to designate Manager Herrera as SEC's representative to both the NMRECA and Tri-State G&T Board of Directors. Motion carried unanimously.

CONSIDERATION
OF
APPOINTMENT
OF TRI-STATE &
NMRECA
REPRESENTATIVE

Manager Herrera informed the Board that he had no items open for discussion for an Executive Session.

EXECUTIVE
SESSION

After discussion, a motion was made by Trustee Dorough and seconded by Trustee Wade to set the date and time for the Re-Organization Meeting for Friday, January 17, 2014 at 3:00 p.m. Motion carried unanimously.

SET DATE/TIME
FOR
REORGANIZATION
MEETING

A motion was made by Trustee Dorough and seconded by Trustee Wolberg to set the date and time for the Regular Meeting for Wednesday, January 29, 2014 for 1:00 p.m. Motion carried unanimously.

SET DATE/TIME
FOR REGULAR
MEETING

There being no further items open for discussion, a motion was made by Trustee Wolberg and seconded by Trustee Mauldin to adjourn the meeting. Motion carried unanimously.

ADJOURNMENT

President Aguilar adjourned the meeting at 7:53 p.m.

Donald Wolberg, Secretary

APPROVED:

Luis Aguilar, President

I, Don Wolberg, do hereby certify that I am the Secretary of the Board of Trustees of The Socorro Electric Cooperative, Inc., hereinafter called the "Cooperative" and that the above is a true and exact copy of the Minutes of the Regular Meeting held on December 19, 2013. A Quorum of Trustees was present and acted upon throughout the Meeting and none of the Minutes contained on the above copy have been rescinded or modified.

Donald Wolberg, Secretary