

Proposed Amendments to Socorro Electric Cooperative, Inc. Bylaws

We encourage your attention, attendance, feedback and your vote!

The Socorro Electric Cooperative (SEC) Board of Trustees (Board) has proposed amendments to the bylaws. These proposed amendments have been posted for review by the members on the SEC website at www.socorroelectric.com. SEC members will vote on these proposed amendments to the bylaws at the Annual Meeting on April 14, 2012. The SEC Board welcomes and encourages your questions and comments on these amendments.

Overview

Like all electric cooperatives, SEC is governed by a set of documents. These include the Articles of Incorporation, Bylaws and SEC's policies and procedures. Bylaws outline the general governance of SEC and provide guidance on many issues such as membership, elections and financial management of the cooperative. Since the last bylaw changes, SEC's Board has determined that further revisions to the bylaws to reflect changes in governance due to factors such as population changes and new ideas on how to function more efficiently or effectively are appropriate.

There are two primary categories of bylaw amendments the SEC Board is proposing at this time:

Editorial Amendments – these are revisions that would correct terminology or clarify existing language.

Substantive Amendments – these are revisions that would change the content of items or add new items, such as the election of At-Large Trustees.

All of the proposed changes detailed below can be viewed on SEC's website where members and others can compare the current text to the new language or in a final document that shows what the new bylaws would be if all amendments were approved.

Proposed Substantive Changes

Article III, Section 1 and Article V would be changed to allow for two "At Large" Trustees in addition to the current five Trustees.

The service area of SEC covers approximately 11,500 square miles, an area larger than 8 states of the United States and larger than the commonwealth of Massachusetts. More than 41,000 power poles carry the lines to individual members. More than 3,500 miles of line hang from the power poles, a distance greater than that from New York to Los Angeles. It is imperative that this vast area served by SEC be overseen by a representative and Board of Trustees large enough to accomplish the work of the cooperative. SEC's Board members are required to represent SEC at local, state, regional, and national meetings, conferences, committees, panels, hearings, etc., each year. It is imperative that the Board consist of sufficient numbers to meet required

obligations. Other boards of electric cooperatives in New Mexico long ago realized this fact. Nearly every other New Mexico electric cooperative has a board with more members than SEC:

Central New Mexico Electric Cooperative: 8
Central Valley Electric Cooperative: 7
Columbus Electric Cooperative: 9
Continental Divide Electric Cooperative: 9
Farmers Electric Cooperative: 7
Jemez Mountains Electric Cooperative: 11
Kit Carson Electric Cooperative: 11
Lea County Electric Cooperative: 10
Mora-San Miguel Electric Cooperative: 5
Northern Rio Arriba Electric Cooperative: 9
Otero County Electric Cooperative: 7
Roosevelt County Electric Cooperative: 7
Sierra Electric Cooperative: 9
Southwestern Electric Cooperative: 9
Springer Electric Cooperative: 8

Similarly, every electric cooperative that crosses state lines has a larger board than SEC:

Navopache Electric Cooperative: 8 (NM and AZ)
Duncan Valley Electric Cooperative: 8 (NM and AZ)
Rio Grande Electric Cooperative: 13 (NM and TX)

As can be seen, one board that crosses state lines has 13 members; two New Mexico boards have 11 members; four have 9 members; two have 8 members; four consist of 7 members; one has 10; one has 8 (three with 8 if cooperatives that cross state lines are included) and only one has 5. It is clear that there is a critical number of Board members needed to carry out the functions of the cooperative. In addition, there are other member interests that could be addressed with a larger board, including, for example, irrigation communities, Native American community and the ranching community. The Board feels the best way to address these needs is by the following bylaw changes.

Article III, Section 1 (Annual Meeting) Section 30.1 would be edited to reference the addition of two “At Large” Trustees.

Article V, Trustees would be amended in several sections to allow for two Trustees At Large to be elected at the Annual Members Meeting. Once elected, the At Large Trustees immediately would begin serving their four year terms. SEC would be required to give notice of the At Large vacancies at least ninety days before the Annual Meeting and candidates for the At Large Trustee positions would be required to declare their candidacy by the last Friday in the month of January of the year such elections are held.

Article V, Section 5, Removal of Trustees

To protect the interests of SEC members, allow for the deliberation of SEC business in an orderly manner, ensure the integrity of the Board and a work environment for the employees free from disruptive actions or harassment by any Trustee, or absence from three or more consecutive regular or special Board meetings without substantial cause, a mechanism is required for these objectives to be met without interfering with a Trustee's ability to share his or her opinions, SEC Bylaws, or transparency of Board actions and accountability to the members. Therefore, if by a vote of 80 percent (80%) of the full Board, any Trustee is determined to be in violation of the above, upon advice of counsel, that Trustee may be suspended from Board participation until such time that a Special Meeting of the Trustee's district, or in the case of a Trustee At Large, a Special Meeting of the Membership, can be convened, but not to exceed 60 days after the suspension action of the Board. This mechanism will allow for the orderly conduct of SEC business while ensuring that Board Members are free to voice their opinions and concerns.

Article V, Section 7, Compensation of Trustees

To contain costs to members and the cooperative and carry out the business of SEC, expenditures of the Board will be limited to the following. In any year, Board expenditures must be less than or not to exceed one percent (1%) of revenues for that year, calculated and adjusted as necessary on a monthly basis. Expenditures will be prioritized and authorized in the following manner: 1) attendance at all regular, special and annual Board and other SEC meetings; 2) attendance at regular, special and other meetings of local, regional and national organizations where SEC Trustees are appointed board members of those organizations, or appointed delegates, or in the normal course of activities expected to attend to represent the interests of SEC; 3) attendance at seminars or courses required for Trustees to receive certification; 4) for expenses incurred by designated Trustees to be present for hearings, lawsuits, and depositions involving SEC; 5) attendance at times and places requested by organizations, local, state and federal governmental agencies or officials for panels, hearings, or events that serve SEC and its members; 6) or for expenses related to a Trustee's health insurance, and only if approved by the Board of SEC.

Article V, Section 8, Division into Districts

Article V, Section 8 of the Bylaws provides that the area served by SEC is to be divided into five districts of as equal member population as possible. National Rural Electric Cooperation Association, which represents over 960 electric cooperatives in the United States, provides the following guidance on drawing boundaries and determining districts and "communities of interest" within any electric cooperative:

There needs to be a rational basis for the line drawing and that need not be limited to head count. Trying to ensure some rough equity around suburban/rural/nature of load (like irrigation or farm vs. industrial or residential). Working around other geographic boundaries are also legitimate considerations for drawing district lines. District lines should be reexamined periodically, preferably on a routine basis every so many years.

To meet these goals, SEC conducted a redistricting study of our service territory. The boundaries of SEC's five districts have been determined and are as follows:

Article VI, Section 3, Notice of Trustees' Special Meeting.

This bylaw proposal changes the notice of special meeting from five to three days, as provided for in New Mexico's Open Meetings Act.

Article VI, Section 4, Notice of Trustees' Emergency Meeting.

This bylaw proposal incorporates the notice required for an emergency meeting that is contained in New Mexico's Open Meetings Act and allows for such a meeting to be called with little or no notice if the issue to be addressed by the Board threatens the health, safety or property of a member or members or would likely result in substantial financial loss to the members.

Article VIII, Section 8, Donations

This bylaw proposal recognizes that an important aspect of the cooperative's commitment to our community is through donation and sponsorships to nonprofit corporations and will allow the Board to provide financial contributions and sponsorships and contributions of SEC personnel and equipment for use in the cooperative's service area where appropriate.

Article XII, Section 6, Recovery of Costs

A disturbing fact of electric cooperative existence in New Mexico and elsewhere is the growth of the number of lawsuits filed against cooperatives. Legal actions can stem from regulatory, environmental, or policy origins, and public hearings before commissions or courts of law are the appropriate venues for adjudication of these matters. Unfortunately, there are a growing number of frivolous actions filed solely for monetary gain or other less than substantive reasons. For example, one New Mexico electric cooperative faces claims of \$1,000-\$5,000 per day for alleged trespass because it has lines providing electricity to certain customers. The defense of any action brought against SEC involves legal and other fees which increase our cost of doing business even when there may be insurance protection for the cooperative. This bylaw proposal incorporates SEC's right to seek recovery of the costs incurred in defending the cooperative in those instances where the actions brought are determined to be frivolous.

Proposed Editorial Amendments

Article I, Section 1, Requirements for Membership - Would be edited to clarify that membership is granted after the person or entity completes the entire application process.

Article III, Section 10, Order of Business at Annual Meetings - Would be edited to clarify that the second item of business at the Annual Meeting is to determine whether a quorum of the members is present and that the fourth order of business is to read and approve the minutes of the prior meeting.

Article III, Section 11, Order of Business at District Meetings - Would be edited to clarify that the second item of business at the District Meeting is to determine whether a quorum of the members is present and that the fourth order of business is to read and approve the minutes of the prior meeting.

[see also Tracked Changes and Final Version with Changes]

Whom to Contact

Our ability to have an efficient and effective discussion at the Annual Meeting on April 14, 2012 and to ensure good democratic process depends on good communication and full access to the Board's reasoning behind these amendments. As such, if you have any questions or comments about the proposed amendments to the bylaws, please contact Joseph Herrera, General Manager either via e-mail jherrera@socorroelectric.com or via phone 1-800-835-7575.