

Mora-San Miguel Electric Cooperative, Inc.
Three-Part Wildfire Damage Mitigation Project
Report on Resilience Investments

Since its establishment in 1940, Mora-San Miguel Electric Cooperative (MSMEC) has followed the electric cooperative model rooted in the Rural Electric Act (REA) and supported by the United States Department of Agriculture, Rural Utility Service (RUS). Throughout its 80 years of operation, MSMEC has continually balanced investing in its system's grid resilience and keeping electricity rates reasonable for its members.

Report on Past Three Years of Resilience Investments, 2020-2022

MSMEC's resilience investments were influenced by a number of factors in the 2020-2022 period. In 2020, the Coronavirus (COVID-19) pandemic drastically changed normal business operations. Utilities were deemed 'essential businesses' and permitted to operate on a limited basis, however, supply issues and isolation requirements for ill employees led to a significant reduction in resilience investments for these years. In this period, MSMEC also lost several journeyman linemen to investor-owned utilities and privately owned line construction contractors that offered higher pay than the electric cooperative's rate. With a reduced workforce, MSMEC was unable to meet its goals for resiliency efforts. In 2022, MSMEC's service territory was located in the midst of the largest wildfire in New Mexico's history, the Hermit's Peak/Calf Canyon wildfire. MSMEC shifted its efforts first to the safety of its employees and members by shutting off power and assisting in evacuation efforts and then to rebuilding and restoring its system. The wildfire damage has been estimated at over \$22 million. MSMEC has spent nearly \$8 million to date on rebuilding and repairing its system. MSMEC's response to the natural disaster resulted in an investment in grid resiliency, but all of the cooperative's efforts were directed to the service area impacted by the wildfire.

As a RUS loan recipient, MSMEC is bound by its loan covenants to adhere to the guidelines provided by RUS in the form of regulations, rules, guidance documents, bulletins, and the advice of local General Field Representatives. MSMEC must comply and report to RUS on nearly every aspect of its business including financial accountability. Using a RUS-approved accounting system, MSMEC has compiled the following table of its investments on grid resilience for the period of 2020-2022.

Past Three Years Report on Resilience Investments					
2020 - 2022					
2020	Labor	Material	Overhead & Transportation	Outside Contractors	Total
1 System Improvement CWIP	\$ 1,683	\$ 878	\$ 4,739	\$ 40,177	\$ 47,477
2 System Improvement Work Orders	\$ 87,146	\$ 55,726	\$ 81,180		\$ 224,052
3 Maintenance & Operations	\$ 766,862	\$ 68,668	\$ 152,968	\$ 16,898	\$ 1,005,396
4 Vegetation Management	\$ 95,171		\$ 15,393		\$ 110,564
Total Resilience Investments for 2020	\$ 950,861	\$ 125,272	\$ 254,281	\$ 57,075	\$ 1,387,489
2021	Labor	Material	Overhead	Outside Cor	Total
1 System Improvement CWIP	\$ 43,702	\$ 16,826	\$ 130,592	\$ 542,559	\$ 733,678
2 System Improvement Work Orders	\$ 30,677	\$ 18,890	\$ 27,073		\$ 76,640
3 Maintenance & Operations	\$ 798,831	\$ 54,823	\$ 278,609		\$ 1,132,263
4 Vegetation Management	\$ 69,952	\$ 686	\$ 24,322		\$ 94,960
Total Resilience Investments for 2021	\$ 943,163	\$ 91,224	\$ 460,596	\$ 542,559	\$ 2,037,541
2022	Labor	Material	Overhead	Outside Cor	Total
1 System Improvement CWIP	\$ 203,229	\$ 685,534	\$ 607,523	\$5,191,900	\$ 6,688,186
2 System Improvement Work Orders	\$ 25,469	\$ 20,309	\$ 18,859		\$ 64,637
3 Maintenance & Operations	\$ 831,651	\$ 196,957	\$ 252,416	\$ 2,353	\$ 1,283,377
4 Vegetation Management	\$ 59,906	\$ 335	\$ 17,247	\$ 2,694	\$ 80,183
Total Resilience Investments for 2022	\$1,120,255	\$ 903,135	\$ 896,045	\$5,196,947	\$ 8,116,382
Grand Total for Past Three Years Resilience Investments	\$3,014,279	\$1,119,632	\$ 1,610,922	\$5,796,580	\$11,541,412
Hermits Peak/Calf Canyon Wildfire Expenses	\$ 195,392	\$ 683,681	\$ 583,986	\$5,237,004	\$ 6,700,063
Grand Total Less Wildfire Expense	\$2,818,887	\$ 435,950	\$ 1,026,936	\$ 559,576	\$ 4,841,350

1. System Improvement CWIP (Construction Work In Progress): MSMEC's expenditures on grid resiliency measures for labor (including benefits), materials, overhead and outside contractors/equipment. Expenditures listed are for dates and amounts paid on work orders but remain open because the work has not been completed. Only figures from the applicable years were used and only from work orders that were categorized as system improvements and replacements.
2. System Improvement Work Orders: MSMEC's expenditures on grid resiliency measures for labor (including benefits), materials, overhead, and outside contractors/equipment for work orders closed out for 2020, 2021 and 2022.
3. System Improvement Maintenance & Operations: MSMEC's expenditures on grid resiliency measures that were not recorded on a work order, but directly posted to general ledger accounts. These amounts include labor (including benefits), material and

transportation posted for work performed on the powerline was extracted from MSMEC's general ledger accounts listed below for the years 2020-2022.

The general ledger accounts¹ used:

- a. 580-Operations Supervision and Engineering,
- b. 582-Station Expense,
- c. 583-Overhead Line Expense,
- d. 584-Underground Line Expense

The maintenance accounts include:

- a. 592-Maintenance of Station Equipment,
- b. 593-Maintenance of Overhead Lines (except for 593.4 that is accounted in #4.),
- c. 594-Maintenance of Underground Lines,
- d. 595-Maintenance of Line Transformers.

Presently at MSMEC, line workers spend approximately 80% of their time keeping the power on through resilience investments. Even while responding to an outage (generally expensed in the Operations accounts), MSMEC's employees take steps to harden the system to avoid future outages such as, cutting back vegetation, replacing cross arms or transformers, or installing fuses or avian protection.

- 4. Vegetation Management: MSMEC's expenditures on grid resiliency measures specifically for vegetation management. General ledger account 593.4 records activity related to tree trimming or removal.

Report on Current and Future Resilience Investments, 2023-2026

MSMEC will continue its investments on grid resiliency over the next three years, 2023-2026.

Line, pole and equipment repair and/or replacement, line, pole and equipment additions, line patrols, and vegetation management will be scheduled by priority and outage response.

MSMEC plans to hire a journeyman lineman in 2023. The advertisement for this position has been open for some time and will stay open until filled. Once the additional journeyman lineman is hired, MSMEC will take a more systematic approach to its line maintenance as an additional line crew will be created that can be dedicated solely to maintenance efforts.

MSMEC expects to spend approximately \$15 million to complete its rebuilding and restoration efforts from damage caused by the Hermit's Peak/Calf Canyon wildfire over the next two years. As there is a likelihood of burned trees falling on powerlines, MSMEC will patrol to identify the trees most likely to fall. Additional funds are included in MSMEC's budget for vegetation management for both MSMEC line crews and contracted tree trimming crews.

¹ RUS Bulletin 1767B-1, Uniform System of Accounts - Electric

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Next Three Year Report on Resilience Investments					
2023 - 2025					
2023	Labor	Material	Overhead	Outside Contractors	Total
System Improvement CWIP	\$ -	\$ -	\$ -	\$ -	\$ -
System Improvement Work Orders	\$ 100,000.00	\$ 70,000.00	\$ 100,000.00	\$ 10,100,000.00	\$ 10,370,000.00
Maintenance & Operations	\$ 861,476.00	\$ 100,000.00	\$ 100,000.00	\$ 20,000.00	\$ 1,081,476.00
Vegetation Management	\$ 100,000.00		\$ 20,000.00	\$ 50,000.00	\$ 170,000.00
Total Resilience Investments for 2023	\$1,061,476.00	\$ 170,000.00	\$ 220,000.00	\$ 10,170,000.00	\$ 11,621,476.00
2024	Labor	Material	Overhead	Outside Contractors	Total
System Improvement CWIP	\$ -	\$ -	\$ -	\$ -	\$ -
System Improvement Work Orders	\$ 100,000.00	\$ 70,000.00	\$ 100,000.00	\$ 5,400,000.00	\$ 5,670,000.00
Maintenance & Operations	\$ 861,476.00	\$ 100,000.00	\$ 100,000.00	\$ 20,000.00	\$ 1,081,476.00
Vegetation Management	\$ 100,000.00		\$ 20,000.00	\$ 50,000.00	\$ 170,000.00
Total Resilience Investments for 2024	\$1,061,476.00	\$ 170,000.00	\$ 220,000.00	\$ 5,470,000.00	\$ 6,921,476.00
2025	Labor	Material	Overhead	Outside Contractors	Total
System Improvement CWIP	\$ -	\$ -	\$ -	\$ -	\$ -
System Improvement Work Orders	\$ 100,000.00	\$ 70,000.00	\$ 100,000.00	\$ 100,000.00	\$ 370,000.00
Maintenance & Operations	\$ 861,476.00	\$ 100,000.00	\$ 100,000.00	\$ 20,000.00	\$ 1,081,476.00
Vegetation Management	\$ 100,000.00		\$ 20,000.00	\$ 50,000.00	\$ 170,000.00
Total Resilience Investments for 2025	\$1,061,476.00	\$ 170,000.00	\$ 220,000.00	\$ 170,000.00	\$ 1,621,476.00
Grand Total for Next Three Years Resilience Investments	\$3,184,428.00	\$ 510,000.00	\$ 660,000.00	\$ 15,810,000.00	\$ 20,164,428.00
Hermits Peak/Calf Canyon Wildfire Expenses	\$ -	\$ -	\$ -	\$ 15,300,000.00	\$ 15,300,000.00
Grand Total Less Wildfire Expense	\$3,184,428.00	\$ 510,000.00	\$ 660,000.00	\$ 510,000.00	\$ 4,864,428.00