



Subject: PURCHASING PROCEDURE		Policy No: 301	
Original Issue: 11/30/05	Last Revised: 11/30/05	Last Reviewed: 11/30/05	Page 1 of 1

BOARD OF TRUSTEES POLICY

POLICY STATEMENT

ELECTRIC PLANT

1. Contract Construction

Material required for construction performed by a contractor will be supplied by the contractor as a part of the contract. Any deviation will require specific approval of the Board of Trustees.

2. Special Items of Equipment Requirements

The Manager is authorized to purchase line items such as transformers, regulators, and reclosures as needed to meet normal requirements.

Substation items will be purchased by formal bidding and will require authorization and approval from the Board of Trustees.

GENERAL PLANT

1. Supply Items

The Manager is authorized to purchase supplies necessary to the daily conduct of the Cooperative.

2. Vehicles, Furniture and Equipment

The Board of Trustees shall be informed of requirement and purchases, exceeding \$10,000, and no such purchases should be made without specific approval from the Board of Trustees.

3. Maintenance

The Manager is authorized to purchase those services and supplies necessary to maintain equipment in a satisfactory condition.



Subject: PETTY CASH DISBURSEMENTS			Policy No: 304
Original Issue: 08/08/67	Last Revised: 11/22/17	Last Reviewed: 11/22/17	Page 1 of 1

BOARD OF TRUSTEES POLICY

POLICY STATEMENT

A petty cash fund in the amount of \$200.00 will be maintained for the purpose of paying out small amounts not warranting issuance of a general fund check.

Disbursements from petty cash for the payment of charge statements shall not exceed twenty dollars (\$20.00).

The petty cash fund will be under the care of the accounting department will be responsible for the accounting of all disbursements.



Subject: GUIDE FOR SYSTEM COLLECTORS OF DELINQUENT ACCOUNTS		Policy No: 305	
Original Issue: 11/25/1970	Last Revised: 6/27/2018	Last Reviewed: 6/27/2018	Page 1 of 1

BOARD OF TRUSTEES POLICY

POLICY STATEMENT

The Cooperative will have collectors where deemed essential for the convenience of rural members and the most efficient collection process. Collector agent shall be licensed in the state of New Mexico for collections and carry liability insurance

Operations of and compensation for collection agency will be determined by agreement between the Board of Trustees and the collector. The Cooperative will furnish necessary energy delinquent member information within 45 days of past final due date. Account will be assigned into collection status by collector.

Neatness and accuracy in listing consumers' names and amounts submitted is essential in order that proper credit be given to the individual. Prompt submission of collections on designated dates is imperative to maintain proper control in the Socorro office.

Reports covering payments, complaints, requests for service, and inquiries by members must be handled promptly and as directed. Consumers' shall receive a letter from collector agent indicating they are collecting on SEC's behalf. This letter shall be sent out the next business day following the consumers' account changing in to collection status. Collector must submit consumers to credit bureau within 31 days of sending the letter if no payment has been made by the consumer.



President

6/27/2018

Date



Subject: PATRONAGE CAPITAL ASSIGNMENT		Policy No: 306	
Original Issue:	Last Revised:	Last Reviewed:	Page 1 of 1

BOARD OF TRUSTEES POLICY

POLICY STATEMENT

The certified public accountant performing the audit of the affairs of the Cooperative will certify to the amount of money to be transferred to the patronage capital account for the year of the audit.

Due to the cost of establishing service, no member shall be deemed to have contributed to the patronage capital account that has been a member for less than one year of whose total electricity purchased is less than one hundred dollars.

Time and purchases will be carried forward from one fiscal year to the next in determining eligibility. However, participation will start only in the year during which the requirements have been fulfilled.

The amount of each eligible patron's credit will be determined annually by dividing the amount certified by the certified public accountant and transferred to the patronage capital account, by the amount obtained after subtracting the energy sales of non-eligible members from the total sales of electric energy for the year and applying the resulting factor to the total electric bill of each eligible patron for the year.

Patronage capital will be credited to the individual patron's account at the earliest practicable date.



Subject: PATRONAGE CAPITAL RETIREMENTS		Policy No: 307	
Original Issue: 09/20/1977	Last Revised: 04/30/2018	Last Reviewed: 04/30/2018	Page 1 of 1

BOARD OF TRUSTEES POLICY

POLICY STATEMENT

Prior to making a patronage capital retirements, The Socorro Electric Cooperative, Inc., shall

- Meet the provisions of the current and/or applicable loan contracts.
- By specific action of the Board of Trustees, authorize the amount of capital to be retired and prescribe the year during which the patronage capital was contributed.
- Notify the Administrator of the Rural Utility Service.
- Retire capital on a yearly basis or any portion of Operating Margins and Non-Operating Margins from associated organizations that the cooperative has received payment thereof, as duly authorized by the Board of Trustees.
- Apply patronage capital payments as a credit to the account of delinquent members and forward any remaining balance to the members.
- Make payment of patronage capital retirement only to the member of record or his/her legal representative.
- In the event of the death of a member, the Board of Trustees may authorize payment of patronage capital retirement at a discounted rate of Operating Margins and Non-Operating Margins from associated organizations that the cooperative has received payment of in accordance of the Bylaws. All the deceased member's account(s) must be closed before payment can be made to the estate of the deceased member.
- In the event of death of a member and the surviving joint member continues as a patron, retirement of patronage capital may be made as prescribed in the Bylaws Section 8.03, Retiring and Refunding Capital Credits.
- Patronage capital assigned shall not become payable until the cumulative sum for those years in which payment is authorized shall equal or exceed five dollar (\$5.00).

President

4/30/2018

Date



Subject: USE AND INVESTMENT OF GENERAL FUNDS			Policy No: 308
Original Issue: 09/20/77	Last Revised: 06/27/2018	Last Reviewed: 06/27/2018	Page 1 of 1

BOARD OF TRUSTEES POLICY

POLICY STATEMENT

The General Funds of The Socorro Electric Cooperative, Inc., shall be maintained at an appropriate level as follows:

OTHER GENERAL FUNDS

Excess General Funds not needed for working capital and reserve purposes, shall be used in the following order of priority:

- Capital Credit Retirements and Rate Stabilization

The Board of Trustees shall consider rate stabilization or retiring Patronage capital, consistent with by-law provision agreements with the Rural Utility Service's requirements or regulatory bodies, and prudent financial management, when funds are available for this purpose after the requirements listed above have been met.

- Remaining General Funds

Any remaining general funds shall be used for additional advance payments, retirement of debt, or additions to plant, as approved by Board of Trustees of The Socorro Electric Cooperative, Inc.

DEPOSITS AND INVESTMENTS

Safety and liquidity shall be the primary consideration in the investment of any funds outlined above.

- Demand Depository

Funds placed in checking accounts on which no return is received should be in financial institutions insured by the Federal Deposit Insurance Corporation and approved by the Board of Trustees. Such funds shall be kept at a minimum, consistent with the operating needs of the Cooperative.



President

6/27/2018
Date



Subject: FINANCIAL FORECAST			Policy No: 312
Original Issue: 11/5/1982	Last Revised: 08/18/2021	Last Reviewed: 08/18/2021	Page 1 of 2

BOARD OF TRUSTEES POLICY

POLICY STATEMENT

OBJECTIVE

The objective of this policy is to establish a comprehensive Financial Forecast Plan for The Socorro Electric Cooperative, Inc., establishing reasonable equity level goals which take into consideration the Cooperative's contractual obligations to its mortgage holders, its members and the impact of the Cooperative's rate of growth upon the goals and the retail rates necessary to achieve the equity goals.

POLICY

It shall be the policy of The Socorro Electric Cooperative, Inc., based upon its present and projected rate of growth, to develop long-range plans and forecast which will:

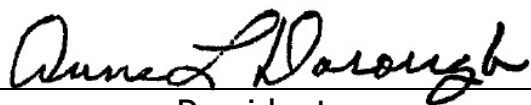
- Minimize the risks associated with insolvency and maintain an optimal cost of capital. Management shall maintain an equity ratio of not less than 35%. Equity ratio is defined as Total Margins & Equity divided by Total Assets and Other Debits, as calculated by National Rural Utilities Cooperative Finance Corporation (NRUCFC) Key Ratio Trend Analysis (KRTA) Ratio#16.
- Keep Rate design fair and reasonably structured between the collection of revenue and incurring of expenses among all revenue classes. These revenues will be adequate to cover debt service, operating and maintenance expenses. Cooperative rates and charges to classes of members will be based on the "cost-of-service" concept keeping the Cooperative above its loan covenants.
- Maintain above loan covenant ratio(s) to the extent possible without increases in its retail rate for electricity which would place an unreasonable burden on its rate payer members. The Cooperative shall seek to maintain USDA Rural Utility Services (RUS), NRUCFC, and CoBank loan covenant in accordance with the mortgage requirements Coverage Ratios.
 - NRUCFC and CoBank Modified Debt Service Coverage (MDSC) of 1.35. MDSC (2 of 3-year high average) is defined as the average of the high two MDSC ratios of the last three years, as calculated by NRUCFC KRTA Ratio #11.
 - RUS Margins requirements of a minimum Times Interest Earned Ratio (TIER) of 1.25 as calculated by NRUCFC KRTA Ratio #6, and a minimum Operating TIER of 1.10 as calculated by NRUCFC KRTA Ratio #8.



Subject: FINANCIAL FORECAST		Policy No: 312	
Original Issue: 11/5/1982	Last Revised: 08/18/2021	Last Reviewed: 08/18/2021	Page 2 of 2

- Keep levels of Cash and Cash Equivalent (General Funds), balance of no less than 2% and no more than 5% of the Cooperative's Total Utility Plant (TUP), as calculated by NRUCFC KRTA Ratio #30.
- Operating on a non-profit basis for the mutual benefit of its members and in accordance with provisions set forth in the Cooperative's By-Laws, it shall be the policy of the Cooperative to rotate patronage capital on approximately a 25 year cycle in accordance with the provisions set forth in our Policies, Capital Credits.
- General Fund Investment in Plant Facilities
 1. The Cooperative shall utilize General Funds in the purchase of new or replacement items of General Plant equipment and structures. When in accordance with approved Cooperative rules and regulations the Cooperative shall utilize non-refundable contributions-in-aid-of construction to the extent practical in funding two-year construction projects.
 2. The Cooperative shall budget and implement maintenance and other programs designated to extend the life of its installed electrical system to the greatest limit possible without jeopardizing safety and/or reliability of service.
 3. These targets and goals shall be used by The Socorro Electric Cooperative Management in developing Financial Forecasts, Budgets and in recommending proper timing of retail rate changes to achieve the goals set forth in this policy.
- Responsibility for Review

The Financial Forecast Plan shall be evaluated periodically by Management and the Board of Trustees based upon the most current available data. Amendments to this plan are subject to approval of the Rural Utility Service.



President

08/18/2021

Date