



## Board of Directors

### Annual Meeting

~ Minutes ~

PO Box 1  
Johnson City, TX 78636  
[www.pec.coop](http://www.pec.coop)

Call PEC Toll Free  
1-888- 554-4732

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Saturday, June 18, 2016

10:30 AM

Dripping Springs High School PAC

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#### I. Registration and In-Person Voting

Registration and in-person voting began at 8:00 AM, voting closed at 10:00 AM, and the business meeting began at 10:30 AM.

#### II. Call to Order

President James Oakley welcomed everyone to the 2016 Annual Meeting and called to order the meeting of the members at Dripping Springs High School Performing Arts Center, 940 West Highway 290, Dripping Springs, Texas.

#### III. Invocation

Reverend Richard Young of Wimberley United Methodist Church in Wimberley delivered the invocation.

#### IV. Pledge of Allegiance and Star Spangled Banner

Representatives from the Dripping Springs Boy Scout Troop 101 posted the flags and two of the 2016 Youth Tour Winners Ian Blout and Mackenzie Smith led the Pledge of Allegiance. PEC Scholarship winners Lianne Dubbs, Caleb McCarthy, Darby Ramsdell, and Anthony Montes led the Texas Pledge. Emma Minigh of the Dripping Springs High School Choir led the National Anthem.

#### V. Introduction of Directors and Elected Officials

President James Oakley recognized special guests in attendance as: Carl B. Mica - Central Texas Regional Director with U.S. Senator Ted Cruz's office, Greg Bentch - Legislative Director with State Representative Tony Dale's office, State Representative Paul D. Workman, Joe Bain - Mayor City of Lakeway, Harvey L Davis - Mayor City of Hays, Damon Fogley - Kyle City Council Member, Wendell McLeod - Liberty City Council Member, Randa Stephenson - LCRA Vice President of Wholesale Markets, Heather Richardson - LCRA Account Manager, and Ken Gajdos - Vice President of CoBank Electric Distribution Division.

President James Oakley then introduced the PEC Board of Directors and staff: Cristi Clement - Director District 1, Emily Pataki - Director District 2, Kathryn Scanlon - Director District 3, Chris Perry - Director District 4, Paul Graf - Director District 6, Amy Akers - Director District 7, John Hewa - Chief Executive Officer, and Outside General Counsel Don Richards. President James Oakley also recognized the 2016 Board Candidates: For District 4 - Jim Powers, District 5 - Carlos Palasciano, James Oakley.

#### VI. Announcement of Early Voting Incentives Prizes

PEC employee Matt Gonzales announced winners of the independent random drawing done by Survey and Ballot Systems as: Home Theatre Package - Steven Clamons: Nest Learning Thermostats - Barnett Baker Jr., Michael J. Thibodeaux, Velda R. Readle, Michael Kearney, Laurie Hockenberry, Valentina Ward, Calvin Ng, John S. Farnham, Pedro Cavazos, and Scott Wilson; \$100 Gift Cards - Stephen Matthews, Gerald Webb, Melissa Van Rite, Don L. Clark, Michael L. Carlson, Patricia Robinson, Michael A. Troutman, Irene Galvan, Michael Kemp, and Thomas Todd.

## **VII. Approve Minutes of 2015 Annual Membership Meeting**

President James Oakley stated that without objection from the members the reading of the minutes would be dispensed and the minutes were approved as presented.

## **VIII. President's Report**

President James Oakley presented the President's Report as attached (appendix VIII.A.i.) which reviewed the Cooperative's accomplishments, objectives, rapid growth, and plans for the future. President James Oakley asked that all veterans present stand to be recognized for their service to our nation. President James Oakley and CEO John Hewa acknowledged some of the Cooperative's employees who were also veterans, and asked all PEC employees present to stand for recognition.

## **IX. CEO's Report**

CEO John Hewa presented the CEO's Report as shown in the attached PowerPoint presentation (appendix IX.A.i). Mr. Hewa reviewed the Cooperative's achievements and reported on future objectives. Mr. Hewa reported on the Cooperative's work on new technologies, new efficiencies, lower costs, member service commitment, operational strength, powering the future, member engagement, focus on value, seven consecutive rate reductions, time of use rates, outage management, and enhanced energy solutions.

## **X. Introduction and Member Comments with Follow-up as Needed (3 minute limitation or as otherwise directed by Board)**

President James Oakley announced that comments from members would be limited to three minutes and asked members to observe the Decorum Policy. During the Annual Meeting, the following members spoke on topics including but not limited to:

Roy White - this member was not present to speak.

Ernest Altgelt - transparency, past employee issues, and conflicts of interest.

Brenda Ford - recognition of PEC linemen, and request for more member involvement on new software systems.

Mark Axford - low cost power press release, community solar, expansion of roof top solar, and power contracts.

Bernard Molberg - exploration of benefits of solar installations within schools.

Bob and Denise Benson - appreciation for excellent service, service availability charge, and direct debit.

Fritz Holt - the Cooperative's primary purpose, and greater efficiencies gained if not participating in grants and gifts to public.

Randy Klouse - appreciation on rate reductions, ebill and autopay options; the Cooperative's higher rates than those in competitive market; and encouraged purchase from low cost power providers instead of from LCRA.

Carlos Gonzales - request for electric vehicle incentive programs.

Tom "Smitty" Smith - acknowledgement of changes at the Cooperative and of Director Chris Perry's service, and disagreed that entering into the deregulated market would be beneficial to the Cooperative.

Cathy Redson - solar technology, net metering, growth of customer subsidized solar, and request for annual true up.

Bradford Wible - mitigation of industrial securities, personal and cyber securities.

In response to member comment and throughout this section CEO John Hewa reported on the Cooperative's lower rates, top reliability, rapid growth, openness and transparency, information available on PEC website, invitations to attend meetings, distributed solar generation, transmission costs, electronic billing, member prepayments, community giving programs, Power of Change program, lowering power costs, loan programs, time of use rates, growth of solar, the monitoring of cyber security, and investments in physical security concerns. President James Oakley acknowledged departing Director Chris Perry's industry knowledge.

#### **XI. Certificate of Secretary-Treasurer Regarding Member Quorum**

Board Secretary -Treasurer Paul Graf announced that based on the information provided, a quorum was present and that the certificate be attached to the minutes (appendix XI.A.i).

#### **XII. Announcement of Election Results**

President James Oakley introduced Account Manager Tony Hoff from Survey and Ballot Systems (SBS) who announced the election results as shown on the attached PowerPoint presentation (appendix XII.A.i). President James Oakley added that a written certification of the results would be included in the minutes of the July 2016 Regular Board Meeting. (See receipt of certified election results beginning on page 11 of the July 2016 Regular Board Minutes.) President James Oakley stated that pursuant to the Cooperative's bylaws, the terms as directors would begin upon adjournment of this meeting and that all directors would be asked to sign the director affirmations immediately following the adjournment of this meeting.

#### **XIII. Announcement of Door Prizes**

President James Oakley asked PEC employee Jerold Terry to draw the door prizes and stated that current directors and employees were not eligible to win. The door prize winners were: \$150 Gift Cards - Lorna Shepherd, David Barker, Marcos Perez, Ernest Altgelt, Geneva Gammon, Michele Hall, Bobby Dye, Marcus Patterson, Stephen Gieselman, and Kevin McPherson; Energy-efficient Smart TV - Lon Harper, Julianna Lennox, and Arthur Cannon; Ford F150 Truck - Cheryn Ryan.

#### **XIV. June 18, 2016 Regular Board Meeting upon conclusion of Annual Meeting at the Dripping Springs High School Performing Arts Center**

President James Oakley stated that the next regular meeting of the PEC Board of Directors would be held immediately upon the conclusion of this Annual Meeting at the Dripping Springs High School Performing Arts Center.

**XV. Adjourn**

President James Oakley thanked members and employees for attending, and thanked the Dripping Springs Independent School District for use of their facility. There being no further business to come before the Board of Directors, the meeting was adjourned at 12:22 pm.

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Amy Akers, Secretary

APPROVED:

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Emily Pataki, President

## 2016 President's Report

Board President James Oakley

Good morning! This event is held every year, and it's important to us that you are here. PEC is a non-profit Cooperative; it is owned and governed by you, the members. This event is a good time to learn more about your Co-op and visit with some of your neighbors.

I, myself, am a fifth-generation Texan from Burnet, and I'm devoted to serving this beautiful region and the wonderful people who live here. During the past century, Central Texans have shown extraordinary grit in transforming a harsh landscape of rock, cactus and floods into one of the most desirable areas in the country. And since 1938, the formation of Lower Colorado River Authority (LCRA) and PEC has been an important part of that success story.

Today, we're the largest and fastest growing electric distribution cooperative in the U.S. We grew by another 10,000 meters in 2015. What once was a small rural co-op is now more than 280,000 strong, with new homes and businesses being added every day. The Hill Country is rapidly evolving, and PEC is evolving with it.

PEC promised lower rates, and last year we delivered reductions that saved a typical home about \$322 dollars a year compared to the prior year. What's remarkable is that despite lower rates, PEC members get more for their money as modern technologies and efficiencies are in place in nearly every aspect of the organization. When the Co-op saves, so do you, and when it works more efficiently, it doesn't only save you money, it saves you time. It means, lower rates, faster service, better electric reliability, and it's changing the way members interact.

All of us here at the Co-op understand that it's important to preserve the region's natural beauty. Last year, I was honored to be able to lead the PEC Board's adoption of a new Strategic Plan. This document outlines the Cooperative's objectives through 2017, including the goal to meet or exceed, in its energy mix, the ERCOT or national average, in renewable power if cost effective. PEC has been developing viable, non-subsidized renewable energy programs, some of which launched last year. An example of this is the on-bill financing for residential rooftop solar, a program called emPower Loans. I'm especially pleased that we've committed to pursue this in a cost-effective way, reducing costs and rates to members even as the amount of renewable energy in our portfolio increases.

The Co-op has always been a strong local employer, recognized with outstanding employees and we will continue to recruit the best and brightest people who can keep PEC at the forefront of the rapidly changing electric industry. To accommodate a strong workforce and meet rapid area growth, we've mapped out a plan to build state-of-the-art operations centers in strategic areas of the Co-op's service territory. These campuses

will feature LEED-certified, energy-efficient construction, payment drive-throughs, self-service kiosks and electric charging stations for public use. Our first such facility, the Northwest Operations Center, is currently under construction in Marble Falls. This Operations Center, alone, is expected to reduce administrative and general costs by nearly \$1 million per year. These improved facilities that are an investment for the Co-op's inevitable growth are being achieved while reducing rates.

Moving forward, projections show that the Hill Country's rapid development won't slow down anytime soon. We expect astounding regional growth in the foreseeable future. Our members and this region depend on our success. As we look to the future, we are studying the needs of the membership and what role PEC could fill in bringing forth solutions. One of those areas that is essential to regional prosperity and quality of life is access to affordable, high speed, broadband internet services. We are in the early stages of the study regarding the role that PEC could take in partnership to solve this region's need.

No doubt, the Hill Country's success story isn't over and the Cooperative stands ready for the future – whatever it may hold.



PEDERNALES ELECTRIC COOPERATIVE

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WELCOME TO THE  
**2016 PEC ANNUAL MEETING**



Attachment: PEC\_Slides\_During\_Meeting\_FINAL (3884 : CEO's Report)

## TEXAS PLEDGE:

"Honor the Texas flag;  
I pledge allegiance to thee,  
Texas, one state under God,  
one and indivisible."







## EARLY VOTING PRIZE WINNERS

<p><b>Home Theater Package</b></p> <p>Steven Clamons</p>	<p><b>Nest Learning Thermostats</b></p> <p>Barnett Baker Jr.  Michael J. Thibodeaux  Velda R. Readel  Michael Kearney  Laurie Hockenberry  Valentina Ward  Calvin Ng  John S. Farnham  Pedro Cavazos  Scott Wilson</p>	<p><b>\$100 Gift Cards</b></p> <p>Stephen Matthews  Gerald Webb  Melissa Van Rite  Don L. Clark  Michael L. Carlson  Patricia Robinson  Michael A. Troutman  Irene Galvan  Michael Kemp  Thomas Todd</p>
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Attachment: PEC\_Slides\_During\_Meeting\_FINAL (3884 : CEO's Report)



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2016 PEC ANNUAL MEETING



PEDERNALES ELECTRIC COOPERATIVE

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**BOARD PRESIDENT  
DISTRICT 5 DIRECTOR**

JAMES OAKLEY

Attachment: PEC\_Slides\_During\_Meeting\_FINAL (3884 : CEO's Report)



## WORKING FOR YOU

- **Lower Rates – \$322/Year Savings**
- **New 2015-2017 Strategic Plan**
- **New emPower Loans – On-Bill Solar PV Financing**
- **Balanced Energy Portfolio – Lowering Rates While Adding Renewables**
- **State-of-the-Art PEC Facility Coming to Marble Falls**
- **Exploring Broadband Services & Solutions**






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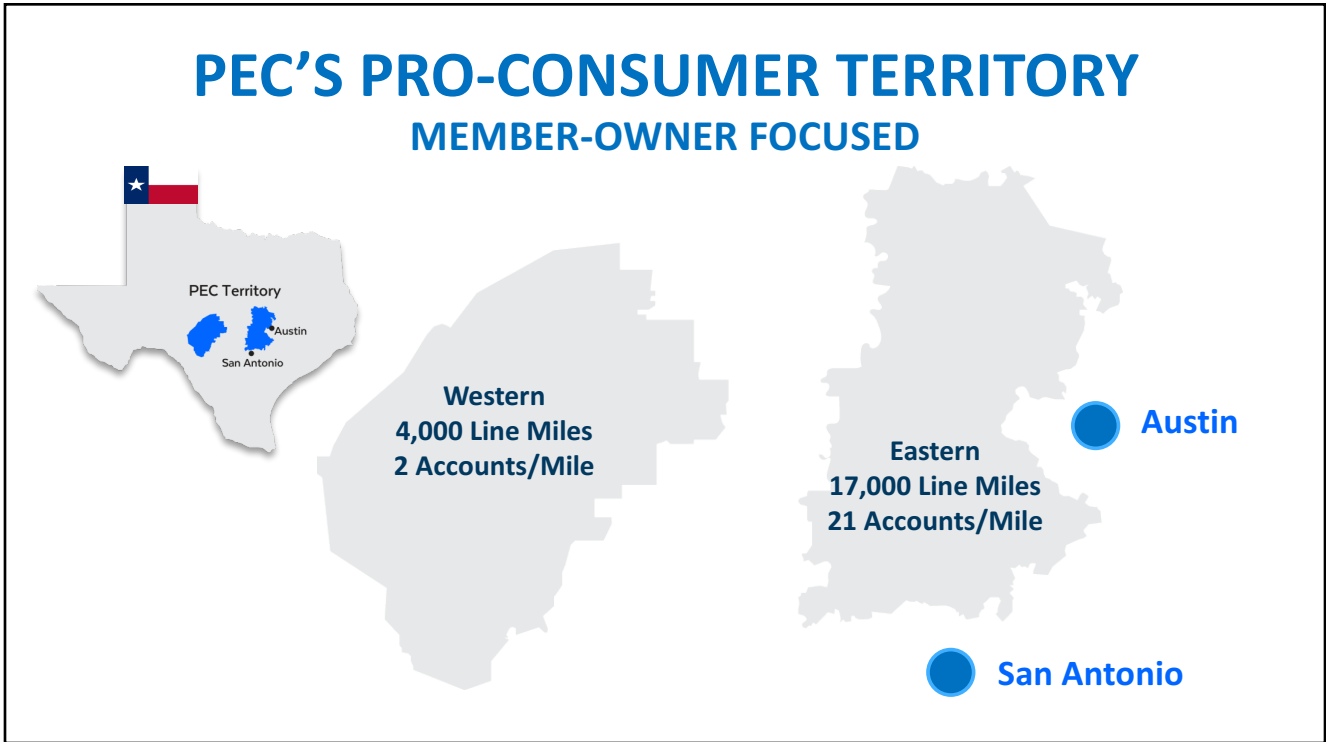
**WORKING FOR YOU**

John D. Hewa  
Chief Executive Officer

Attachment: PEC\_Slides\_During\_Meeting\_FINAL (3884 : CEO's Report)



Attachment: PEC\_Slides\_During\_Meeting\_FINAL (3884 : CEO's Report)

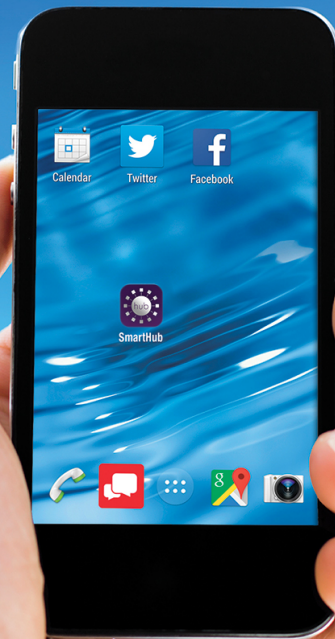


## A PIVOTAL YEAR OF ACHIEVEMENT

- ✓ Multiple **Cost Reductions**
- ✓ Top **Reliability** and **Satisfaction** Scores
- ✓ Safely Maintained **21,000 Miles** of Line
- ✓ Added over **10,000 New Meters**
  
- ✓ Additional Tools to Meet Member Needs:
  - **New Online Portal**
  - **Mobile App for Acct Management**
  - **Automated Phone Payment System**



Attachment: PEC\_Slides\_During\_Meeting\_FINAL (3884 : CEO's Report)






**GREAT TEAMWORK  
NEW TECHNOLOGIES  
NEW EFFICIENCIES...**

**LOWER COST**



# MEMBER SERVICE COMMITMENT



Attachment: PEC\_Slides\_During\_Meeting\_FINAL (3884 : CEO's Report)

## NEW TECHNOLOGIES NEW EFFICIENCIES LOWER COST



- ✓ Enterprise System Saving \$7 million per year
- ✓ Improved Billing with Added Features
- ✓ Enhanced Web Portal - SmartHub
- ✓ Mobile App
- ✓ Self-Service Kiosks
- ✓ More Payment Options
- ✓ Efficient In-Office Tools

New Heights in Employee Efficiency

# MEMBER SERVICE COMMITMENT



Since October 2015  
Enterprise Launch



## Engaged Staff

- Personally Attended to **300,000 Member Calls**
- Working With Members on Complex Issues In a **Compassionate & Professional Way**
- **Responding** After Hours for Storm Outages

## 24/7 System Efficiencies

- **160,000 SmartHub** Registrations
- Processed **616,000 Self-Service** Payments
- 32% Inbound Callers Selecting Automation
- **61,000 Members on Paperless Billing** with \$400,000 Est. Savings on Printing & Postage

**PEC Employees & New Technologies Made 1,000,000 Member Connections**

# OPERATIONAL STRENGTH

- Efficient Mobile Work Management & Electronic Ticketing
- System Inventory **Cataloging Over 500,000** Pieces of Equipment
- **76 Voltage Conversion** Upgrades
- **14,000 Line Extensions** Constructed
- Aerial Inspection Program for **17,000 Junction Poles**
- Centralized Vegetation and Outage Management Initiatives
- Implementing New Technology

**Promoting Internal Efficiencies & Controlling Costs**



Attachment: PEC\_Slides\_During\_Meeting\_FINAL (3884 : CEO's Report)



## OPERATIONAL STRENGTH



- Automated Vehicle Locator System (AVL)
- Mobile Refueling to Keep Trucks & Crews On the Go **Saving \$1.2 M Per Year**
- Mobile Fleet Maintenance **Saving \$1 M Per Year**
- Meter Audit Resulting in **\$2.3 M Annual Savings**
- Lighting Audit for Savings and Environmental Benefits
- Voltage Control Program to Reduce Transmission Costs, Est. **\$500,000 Annual Savings**

## POWERING THE FUTURE



### A Balanced Portfolio Across Multiple Wholesale Providers

- New Contract 50 MW Wind Power **Saving Est. \$2 Million** Over Next Yr.
- Honeywell Energy Platform for Home & Commercial Audits
- Streamlined Interconnection Process
- Eclipsing the **1,000 Member** Mark for Interconnections
- Adding **15 MW of Cost-Beneficial** Member & Community Solar
- Completed Integrated Resource Plan Study
- emPower Loan Program – **A Non-Subsidy, Wise Alternative to Rebates**



# ENGAGING MEMBERS

A collage of three photographs. The left photo shows three young boys wearing white hard hats and orange safety gear, smiling. The middle photo shows two young girls and two women, all smiling, holding a colorful project board with the text 'The Power of It!' and 'Grand Project!'. The right photo shows a young boy holding a small solar panel mounted on a wooden base.

... AND FUTURE MEMBERS

The logo for the organization, featuring the letters 'PE' in a stylized font with a lightning bolt symbol.

Attachment: PEC\_Slides\_During\_Meeting\_FINAL (3884 : CEO's Report)

## WORKING TOGETHER

- Meetings Open, Transparent & Live-Streamed
- Social Media Outreach
- Energy News Online
- Scholarship and Youth Program
- Community Grants
- 5<sup>th</sup> Annual Hill Country Solar Tour
- Regional Economic Development Website
- New Key Accounts Newsletter
- Power of Change Program

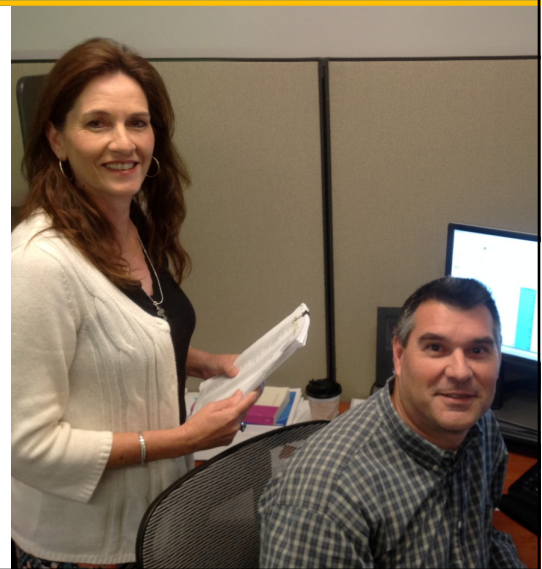
**Cost-of-Service & Rate Study With Participation of 8,000 Members**



## VALUE FOCUSED

- 2015 **Unqualified Audit** With No Negative Comments
- Carefully **Investing \$165 M** in New Infrastructure
- Improved Equity as a Percent of Assets to **37%**
- Refinanced \$78.2 M of Bond **Saving \$15.3 M**
- Revenue Adjustment Factor to **Reduce Revenue**

**Returned \$88.8 Million in Capital Credits Since 2007**



Attachment: PEC\_Slides\_During\_Meeting\_FINAL (3884 : CEO's Report)

# VALUE FOCUSED

## PEC TEAM EFFICIENCIES

- Focused on Strategic Plan
- **Leveraging New Technology**
- Streamline Internal Processes
- **Capitalizing on Automation**
- **Maintaining Personal Touch**

## MARKET CONDITIONS

- **Favorable** ERCOT Market
- Low-Cost Natural Gas
- **Beneficial** Wind and Solar
- LCRA Cost Reductions

## GROWTH

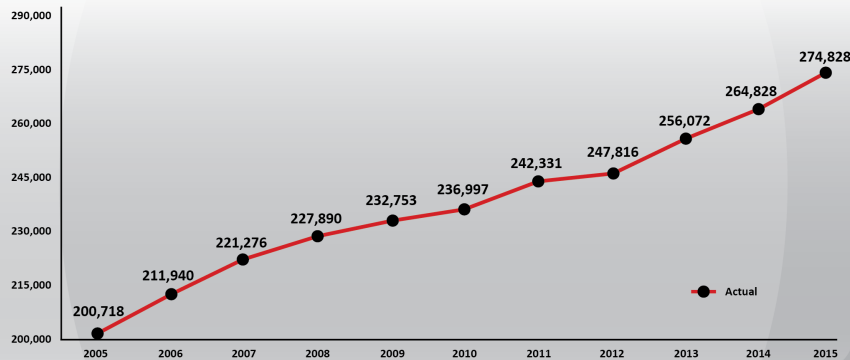
- **4 – 5 Times** National Rate
- New Economies of Scale
- Proactive and Wise Planning
- **10,000 Meters Added** Last Yr.
- **10,000+ Expected** This Yr.

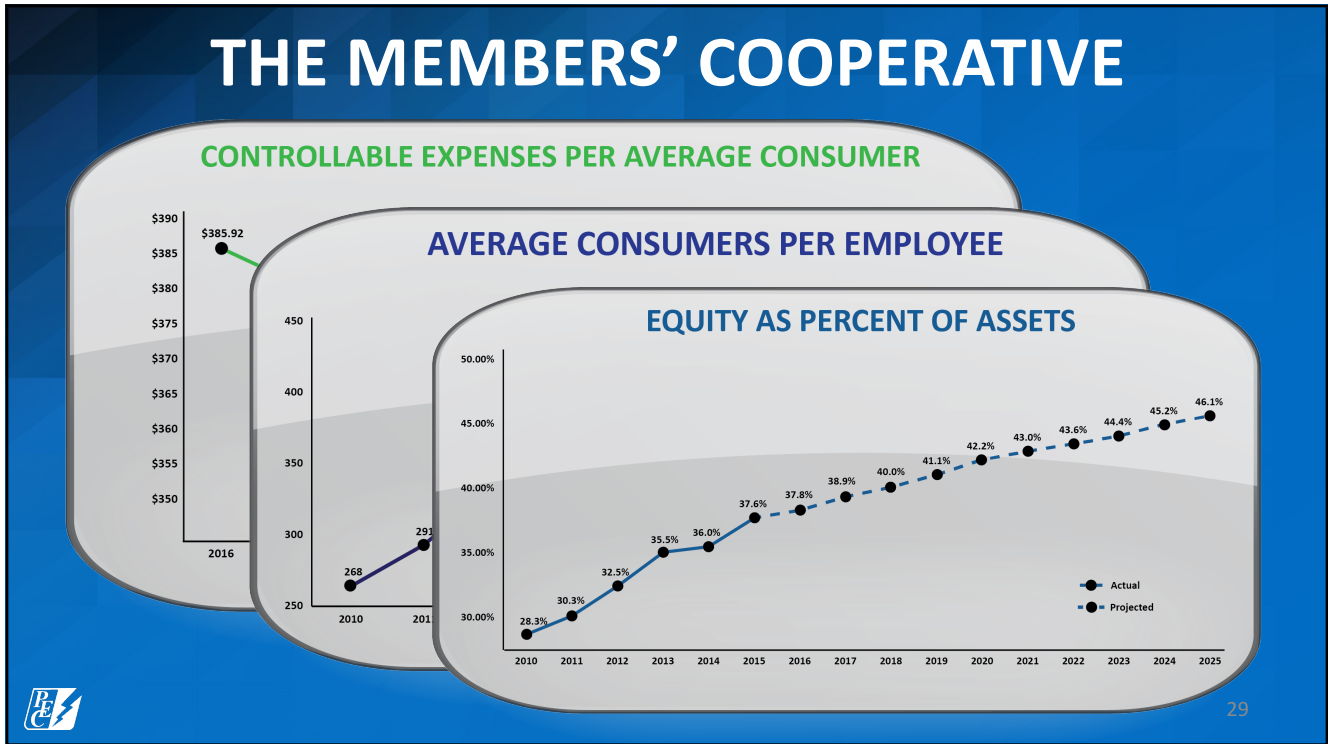
**EMPLOYEE COUNT MATCHING 2002 – A TIME WITH 116,000 FEWER METERS**

**ADDING NEW METERS TO EQUAL AN AVERAGE U.S. ELECTRIC CO-OP EVERY 14 MONTHS**

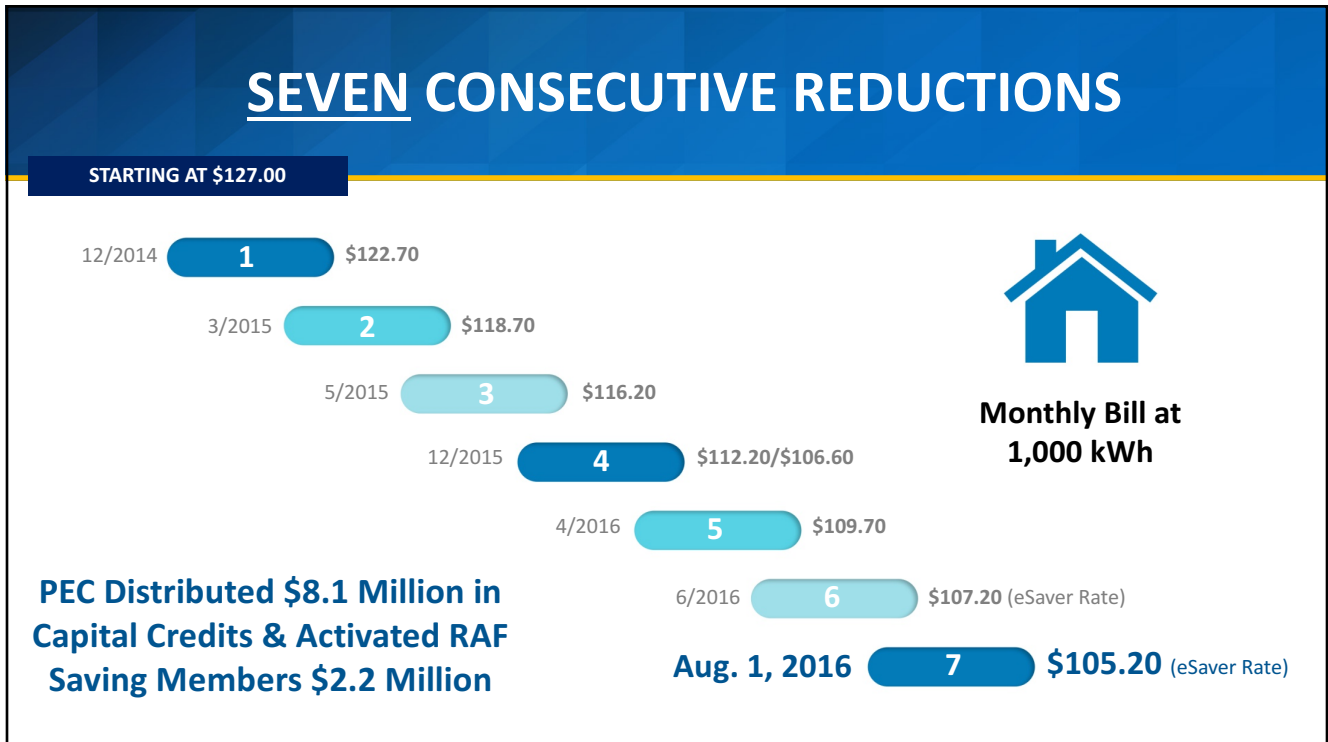
# KEEPING PACE

**10 YEAR GROWTH (SERVICES - METER COUNT)**






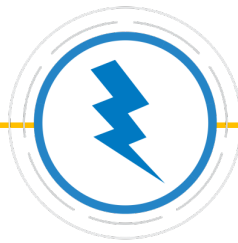
Attachment: PEC\_Slides\_During\_Meeting\_FINAL (3884 : CEO's Report)



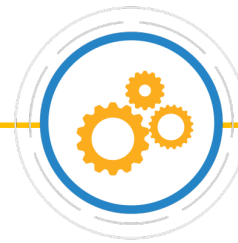
# ON THE HORIZON



**TIME OF USE RATES**  
New Voluntary TOU  
Rate Option Will Allow  
Members To Manage Their  
Energy Use & Costs



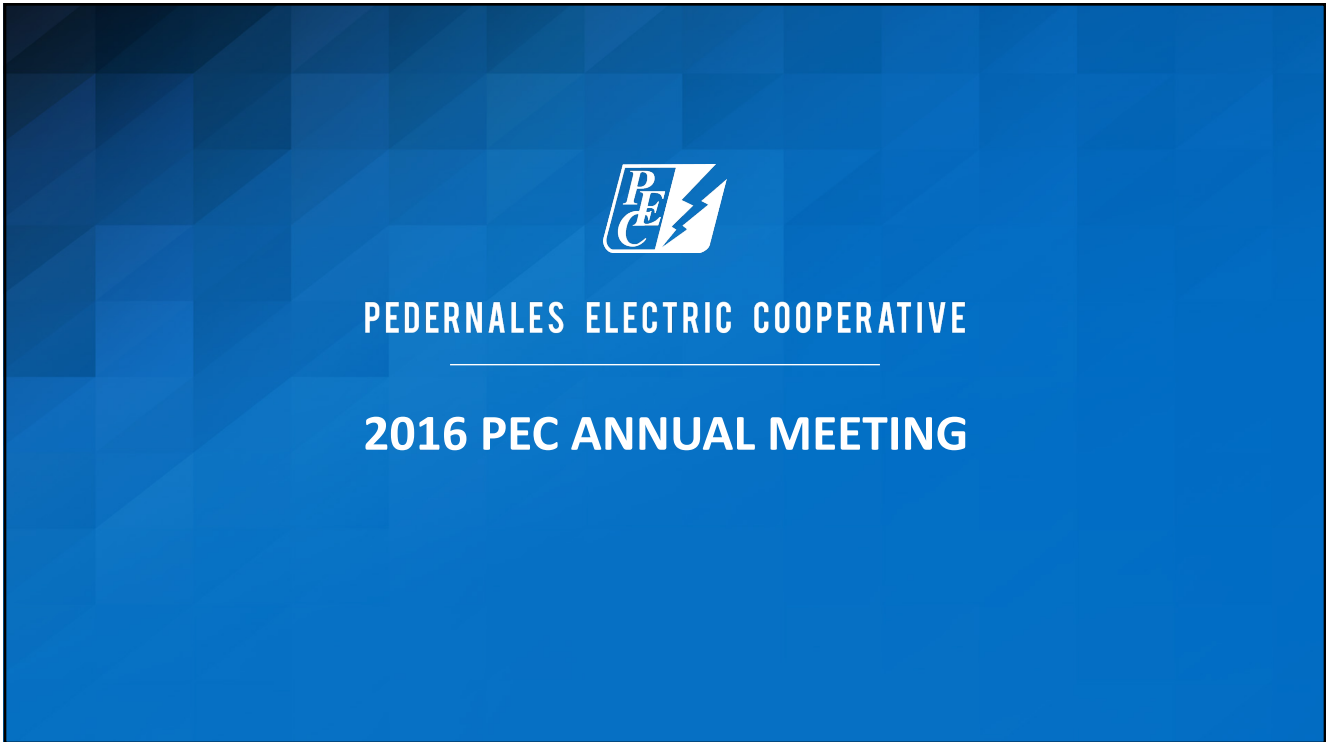
**OUTAGE MANAGEMENT**  
New Integrated System  
Will Provide Enhanced  
Outage Reporting &  
Dynamic Mapping



**ENHANCED ENERGY  
SOLUTIONS &  
INFORMATION**  
New Programs To Meet  
Member Needs &  
Energy Demands



Attachment: PEC\_Slides\_During\_Meeting\_FINAL (3884 : CEO's Report)



Attachment: PEC\_Slides\_During\_Meeting\_FINAL (3884 : CEO's Report)

# MEMBER DOOR PRIZES



2010 F-150 4x4 Supercab surplus PEC pickup



Energy-efficient smart TVs



\$150 gift cards

Must be present to win. Directors, employees, director candidates and their spouses and dependents are not eligible.



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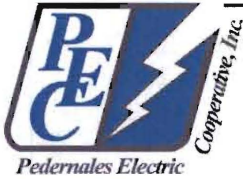


PEDERNALES ELECTRIC COOPERATIVE

2016 PEC ANNUAL MEETING

Attachment: PEC\_Slides\_During\_Meeting\_FINAL (3884 : CEO's Report)





P.O. Box 1 Johnson City, Texas 78636-0001

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## CERTIFICATE OF SECRETARY REGARDING MEMBER QUORUM

I, Paul Graf, Secretary of the PEDERNALES ELECTRIC COOPERATIVE, INC. (hereafter called the "Cooperative") do hereby certify to the best of my knowledge based on information provided to me by the Chief Executive Officer of the Cooperative or his designee the following:

- (1) the total number of members of the Cooperative on the record date of this Annual Meeting is 235,393.
- (2) five percent (5%) the Cooperative's total membership therefore is 11,770.
- (3) the number of members present in person (registered) is 414.
- (4) the number of members casting a vote by mail or electronically is 26,485.
- (5) the total number of members therefore participating in this Annual Meeting is 26,899.

The number of members present in person (registered) or casting a vote by mail, electronically or on their own behalf exceeds 5,000. Therefore, as Secretary of the Cooperative, I declare a Member Quorum (as defined in the Bylaws) present this day June 18, 2016 at 10:30 AM at the Dripping Springs High School Performing Arts Center, at 940 US Highway 290 West, Dripping Springs, Texas in order to conduct the business of the Cooperative as listed in the notice of the Annual Meeting.

An amendment to the PEC Articles of Incorporation has also been placed before the membership for decision at this meeting. Pursuant to the Cooperative's current Articles of Incorporation and the Texas Electric Cooperative Act, approval of the proposed Articles amendment requires at least two-thirds (2/3) voting approval based on the participation in the election by at least five percent (5%) of PEC's total membership. (5% of PEC's total membership is approximately 12,000 members). The 5 percent (5%) threshold has already been exceeded by the very large participation in this year's election process. As such, when the vote totals are announced today, the proposed amendment must now receive approval by at least two-thirds (2/3) of those Members who chose to vote on the amendment question.

IN WITNESS WHEREOF, I have hereunto set my hand this 18th day of June, 2016.


  
 \_\_\_\_\_  
 Paul Graf, Secretary



**PEDERNALES ELECTRIC COOPERATIVE, INC.**

2016 Board of Director Election


6/18/2016

**PEDERNALES ELECTRIC COOPERATIVE, INC. SUMMARY** 

2016 Board of Director Election	
Eligible Voters :	235,393
Mail Ballots :	16,477
Web Ballots :	10,006
Annual Meeting Ballots :	181
Total Return :	26,664
Percent Return :	11.33%

**PEDERNALES ELECTRIC COOPERATIVE, INC.  
RESULTS** 

2016 Board of Director Election	
Director District 4	
Jim Powers :	22,954
Director District 5	
Carlos Palasciano:	6,381
James Oakley:	19,527

**PEDERNALES ELECTRIC COOPERATIVE, INC.  
RESULTS** 

2016 Board of Director Election	
Right of Members to Speak at PEC Board Meetings	
For :	24,270
Against:	1,743

Attachment: SBS FinalReport 2016-06-18 2perpgg (3874 : Announcement of Election Results)



PEDERNALES ELECTRIC  
COOPERATIVE, INC.

2016 Board of Director Election

6/18/2016