



# PEDERNALES ELECTRIC COOPERATIVE

Board of Directors Agenda - Final

09/16/2022 | 9:00 AM | PEC Headquarters Auditorium

**201 S. Ave F, Johnson City, TX 78636**

Open Session of this Regular Meeting will be held in the PEC Auditorium and will be recorded in accordance with Board Meetings Policy. Members are able to watch this meeting by livestream from the PEC website at <https://pec.legistar.com/Calendar.aspx>.

## Call to Order and Roll Call

9:00 AM Meeting called to order on September 16, 2022 at PEC Headquarters Auditorium, 201 South Avenue F, Johnson City, TX.

The following agenda items may be considered in a different order than they appear.

## Adoption of Agenda

### Consent Items

1. [2022-296](#) **Friday, August 19, 2022 - Regular Meeting Minutes  
Tuesday, August 30, 2022 - Special Meeting Minutes**

**Attachments:** [2022-08-19 OS minutes draft 1](#)  
[2022-08-30 OS minutes draft v1](#)

### Cooperative Monthly Reports

2. [2022-297](#) **Cooperative Update - J Parsley**

**Attachments:** [CEO Update 2022-297 v4](#)

3. [2022-298](#) **Cooperative Financial Update - R Kruger**

**Attachments:** [CFO Update Flash Report-2022-298-Draft](#)

4. [2022-299](#) **Cooperative Operations Update - E Dauterive**

**Attachments:** [Operations Update 2022-299 v3](#)

### Member Comments (3 minute limitation or as otherwise directed by Board)

5. [2022-300](#) **Member Comments**

**Attachments:** [Decorum Policy - 3 minute limitation notice](#)

### Action Items / Other Items

6. [2022-315](#) **Resolution - Approval of Directive(s) for Delegates Regarding Upcoming NRECA Regional Meeting - JP Urban**

**Attachments:** [NRECA Resolutions update Sept 2022](#)

7. [2022-312](#) Resolution - Review and Approval of Policy for Establishing Procedures for Disposition of All or a Substantial Portion of the Cooperative's Property - D Ballard

**Attachments:** [Policy and Procedure for the Disposition of All or a Substantial Portion of the Cooperative's Property REDLINE - 2022-107](#)  
[Policy and Procedure for the Disposition of All or a Substantial Portion of the Cooperative's Property CLEAN - 2022-107](#)

8. [2022-313](#) Resolution - Approval for Renewal of 2023 Medical Insurance Benefits - R Smith

9. [2022-316](#) Draft Resolution - Approval of Election Policy and Procedures Amendments Related to 2022 Annual Director Post-Election Analysis - S Romero/D Ballard

**Attachments:** [Draft Resolution - Election Policy and Procedures 2022-316 - REDLINE](#)  
[Draft Resolution - Election Policy and Procedures - 2022-316 – CLEAN v2](#)

10. [2022-320](#) Draft Resolution - Approval to Establish 2023 Annual Meeting Date and Location - D Ballard

11. [2022-281](#) Draft Resolution - Approval of Review and Amendments to Rate Policy

**Attachments:** [PPT - Approval of Rate Policy - 2022-281-FINAL](#)  
[Rate Policy-Clean - 2022-281-FINAL](#)  
[Rate Policy-Redline - 2022-281-FINAL](#)

12. [2022-283](#) Draft Resolution - Approval of Rebalance and Equitable Consideration of Director District Boundaries - R Fischer

**Attachments:** [WorkingBoardDistrictDraft071922a](#)  
[WorkingBoardDistrictDraft071922\\_VD1a](#)  
[WorkingBoardDistrictDraft071922\\_VD2a](#)  
[WorkingBoardDistrictDraft071922\\_VD3a](#)  
[WorkingBoardDistrictDraft071922\\_VD4a](#)  
[WorkingBoardDistrictDraft071922\\_VD5a](#)  
[WorkingBoardDistrictDraft071922\\_VD6a](#)  
[WorkingBoardDistrictDraft071922\\_VD7a](#)

#### Proposed Future Items / Meetings (subject to final posting)

13. [2022-301](#) List of Board Approved Future Meetings

**Attachments:** [2022 Board Meeting Calendar](#)

14. [2022-302](#) Board Planning Calendar (Written Report in Materials)

**Attachments:** [3 Month Outlook Calendar v2](#)  
[PEC Annual Board Planning Calendar v2](#)

#### Recess to Executive Session

#### Executive Session - Legal Matters

15. [2022-303](#) Matters in Which the Board Seeks the Advice of Its Attorney as Privileged Communications in the Rendition of Professional Legal Services

16. [2022-304](#) Litigation and Related Legal Matters - D Ballard
17. [2022-305](#) Resolution - Approval of Authorization for Initiation, Settlement, or Disposition of Litigation Matter(s) - D Ballard

**Executive Session - Contract and Competitive Matters**

18. [2022-325](#) Resolution - Approval of Filing of Application as to its Certificate of Convenience and Necessity (CCN) with Public Utility Commission of Texas for Service Territory Boundary Change - A Hagen/C Powell
19. [2022-198](#) Draft Resolution - Approval of Filing of Interim Transmission Cost of Service with Public Utility Commission of Texas - C Powell
20. [2022-314](#) Resolution - Approval of 2023 Power Supply Plan and 2023 Power Supply Plan Delegation of Authority - D Thompson/L Cunningham
21. [2022-317](#) Draft Resolution - Approval of 2023 Rate Plan - N Mack/D Thompson
22. [2022-307](#) Markets Monthly Report - D Thompson
23. [2022-319](#) Discussion of Power Supply Contractual Resources - R Kruger/D Thompson
24. [2022-306](#) Transmission Operations and Control Center Update - C Moos/J Warren/J Louis/J Treviño
25. [2022-324](#) Draft Resolution - Approval of Fuel Related Services Provider - C Moos

**Executive Session - Real Estate Matters**

26. [2022-308](#) Resolution(s) - Approval of Real Property Acquisitions or Real Property Dispositions - E Dauterive/C Moos
27. [2022-309](#) Resolution(s) - Approval of Capital Improvement Plan Budget Amendments for Real Property Acquisitions - E Dauterive/C Moos

**Executive Session - Safety and Security Matters**

28. [2022-310](#) Safety and Security Matters

**Executive Session - Personnel Matters**

29. [2022-311](#) Personnel Matters
30. [2022-323](#) CEO Action Plan Quarterly Update - J Parsley

**Reconvene to Open Session****Items from Executive Session****Adjournment**



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**File #:** 2022-296, **Version:** 1

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**Friday, August 19, 2022 - Regular Meeting Minutes**  
**Tuesday, August 30, 2022 - Special Meeting Minutes**

**Submitted By:** Sylvia Romero on behalf of Don Ballard, General Counsel

**Department:** General Counsel

**Financial Impact and Cost/Benefit Considerations:** N/A

The Cooperative's Bylaws require that meeting minutes for meetings of the Members and Board of Directors be authenticated as outlined below.

**Article V, Section 7. Secretary:** The Secretary shall: be responsible for minutes of meetings of the Members and the Board of Directors; be responsible for authenticating the Cooperative's records; and in general, perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned by the Board of Directors.



**Meeting Minutes - Draft**

**Board of Directors**

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Friday, August 19, 2022

9:00 AM

PEC Headquarters Auditorium

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**201 S. Ave F, Johnson City, TX 78636**

Open Session of this Regular Meeting will be held in the PEC Auditorium and will be recorded in accordance with Board Meetings Policy. Members are able to watch this meeting by livestream from the PEC website at <https://pec.legistar.com/Calendar.aspx>.

**Call to Order and Roll Call**

This meeting was called to order at 9:05 a.m. on August 19, 2022 at the PEC Headquarters Auditorium, 201 South Avenue F, Johnson City, Texas.

**Present:** 7 - Vice President Milton Rister, Director Emily Pataki, President Mark Ekrut, Director Travis Cox, Director James Oakley, Secretary/Treasurer Paul Graf, and Director Amy Akers

**Adoption of Agenda**

The agenda was adopted as posted and without objection.

**Consent Items**

Without objection the items listed under Consent Items were approved by general consent.

1. [2022-261](#) **Friday, July 15, 2022 - Regular Meeting Minutes**

**Attachments:** [2022-07-15 OS Minutes draft v2](#)

**Cooperative Recognitions**

2. [2022-286](#) **Recognition of PEC Participation at Annual Texas Lineman's Rodeo - W McKee/B Magott**

Mr. Wayne McKee, Vice President, Safety & Technical Training, shared a video from the 2022 Annual Texas Lineman's Rodeo. Mr. Brian Maggot, Director, Safety and Technical Training, announced the PEC award recipients who participated in the 2022 Annual Texas Lineman's Rodeo. President Mark Ekrut said the Board would take a short break for a photo opportunity. The Board took a break from 9:06 a.m. to 9:16 a.m.

**Cooperative Monthly Reports****3. [2022-262](#) Cooperative Update - J Parsley**

**Attachments:** [CEO Aug Update - 2022-262-FINAL](#)

Ms. Julie Parsley, Chief Executive Officer (CEO), discussed the recent Hill Country wildfires, and recognized PEC employee volunteer fire fighters and Emergency Services (EMS) workers. Ms. Parsley provided a summary update, which included the announcement of the new ERCOT CEO, Mr. Pablo Vegas; a legislative update; the capital credits allocations; the Stronger Together employee podcast; the Camp Save-a-Watt meet a lineworker event; the PEC Community Grants (application deadline September 30, 2022); the Fill the Bucket annual school supply drive; the PEC procurement team received the first Bonfire (a digital software bid sourcing platform) Procurement award; and employee thank you messages. President Ekrut shared a compliment about a PEC employee he received from a member.

**4. [2022-263](#) Cooperative Financial Update - R Kruger**

**Attachments:** [CFO Update -2022-263-Final](#)  
[Financial Statements-2022-263-Final](#)  
[2022 07 Financial Flash Report](#)

Mr. Randy Kruger, Chief Financial Officer (CFO), presented the July financial results. More details regarding the financial results may be found in the attached reports. Mr. Kruger discussed the economic forecast, gas storage, forward natural gas prices, forward power pricing, market heat rates, European gas shortages, and the impact of inflation, commodity costs, and interest rates. Director Graf inquired how the impact of energy prices in Europe may affect PEC. Mr. Kruger said the European supply chain demand and worldwide diesel production will impact the cost of fuel for PEC fleet vehicles.

**5. [2022-264](#) Cooperative Operations Update - E Dauterive**

**Attachments:** [2022-8-19 Operations Report Revised](#)

Mr. Eddie Dauterive, Chief Operations Officer (COO), congratulated the PEC employees who participated in the Texas Lineman's Rodeo. He discussed safety and technical training; system growth; reliability; distribution maintenance; member relations; and the BCRUA line project. Director Oakley asked what the percentage of new line extensions are underground and overhead. Mr. Dauterive replied that the underground line extensions have tripled.

**Member Comments (3 minute limitation or as otherwise directed by Board)**

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**6. [2022-265](#) Member Comments**

**Attachments:** [Decorum Policy - 3 minute limitation notice](#)

There were no members wanting to address the Board.

**Action Items / Other Items****7. [2022-258](#) Resolution - Verizon Contract Amendment for Automated Vehicle Locator (AVL) - C Moos**

**Body:** **NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE**, that the Chief Executive Officer, or designee, is hereby authorized and directed to negotiate, execute, and deliver an amendment to the contract for Automated Vehicle Location services; and

**BE IT FURTHER RESOLVED**, that the Chief Executive Officer or designee is authorized to take all such actions as needed to implement this resolution.

Mr. Cody Moos, Director, Security, Facilities and Corporate Real Estate, presented the resolution and asked the Board for approval.

**A motion was made by Director Oakley, seconded by Director Akers, that this item be approved. The motion carried by the following vote:**

**Yes:** 7 - Rister, Pataki, Ekrut, Cox, Oakley, Graf, and Akers

**8. [2022-107](#) Draft Resolution - Review and Approval of Policy for Establishing Procedures for Disposition of All or a Substantial Portion of the Cooperative's Property - D Ballard**

**Body:** **BE IT RESOLVED BY THE BOARD OF DIRECTORS** that pursuant to its regular review of Board policies, the Board has reviewed and adopts the Policy for Establishing Procedures for Disposition of All or a Substantial Portion of the Cooperative's Property, with such changes, if any, as were approved by the Board; and

**BE IT FURTHER RESOLVED** that the Chief Executive Officer, or designees, are hereby authorized to take all such action as may be necessary to implement this resolution.

**Attachments:** [Policy and Procedure for the Disposition of All or a Substantial Portion of the Cooperative's Property REDLINE - 2022-107](#)  
[Policy and Procedure for the Disposition of All or a Substantial Portion of the Cooperative's Property CLEAN - 2022-107](#)

Mr. Don Ballard, General Counsel, provided a summary of the draft resolution and said the final resolution will be presented to the Board for approval at the September Board meeting.

**9. [2022-279](#) Post Member-Election Analysis and Annual Review - D Ballard/S Romero**

**Attachments:** [Post Member Election Analysis 2022-279](#)

Mr. Don Ballard, General Counsel, discussed the 2022 Annual Director Election

Post-Analysis as required by the Elections Policy and Procedures (EPP), Section 9.2. Mr. Ballard shared feedback gathered from the membership, Board candidates, the Qualifications and Elections Committee (QEC), PEC staff, and the Board, of suggestions improving the election process. Mr. Ballard said any changes to the EPP requiring Board approval will be presented to the Board next month. Mr. Ballard presented the suggested post-analysis feedback as follows.

- Create a date certain for preparing the membership list used for petition signature verification during the annual director election.
- Remove the candidate video recording.
- Explore efficiencies in sending the Annual Membership Meeting notice.
- Discontinue use of printed or mailed biography booklets.
- Explore the possibility of members opting-out of mailed ballot.
- Consider column-format of biographical material mailed to the membership.
- Campaign donations disclosures.
- Additional voter history list to Board candidates one week following the election.
- Remove all references to “early” for voting incentives, only provide incentive for online voting, saving postage.

The Board deliberated the post-analysis feedback for consideration.

#### Proposed Future Items / Meetings (subject to final posting)

#### 10. [2022-266](#) List of Board Approved Future Meetings

**Attachments:** [2022 Board Meeting Calendar](#)

President Mark Ekrut said the list of Board approved future meetings is included in the meeting materials.

#### 11. [2022-267](#) Board Planning Calendar (Written Report in Materials)

**Attachments:** [3 Month Outlook Planning Calendar](#)  
[PEC Annual Board Planning Calendar](#)

President Mark Ekrut stated that the proposed Board Planning Calendar is included in the meeting materials.

#### Recess to Executive Session

President Mark Ekrut announced the items to be discussed in Executive Session and at 10:36 a.m., stated the Board would go into Executive Session.

#### Executive Session - Legal Matters

#### 12. [2022-268](#) Matters in Which the Board Seeks the Advice of Its Attorney as Privileged Communications in the Rendition of Professional Legal Services

#### 13. [2022-269](#) Litigation and Related Legal Matters - D Ballard

[2022-270](#) Resolution - Approval of Authorization for Initiation, Settlement, or Disposition of Litigation Matter(s) - D Ballard



15. [2022-280](#) Directors' Conflict of Interest Training and Directors' Code of Conduct Training - R Fischer

**Executive Session - Contract and Competitive Matters**

16. [2022-277](#) 2022 Property (Real and Personal) Tax Appraisal and Assessment Update - K Jones/S Houghton
- [2022-282](#) Resolution - Approval of Filing of Application as to Its Certificate of Convenience and Necessity with Public Utility Commission of Texas for Resolution of Service Territory Boundary Issues - A Hagen/C Powell
18. [2022-284](#) Draft Resolution - Approval for Renewal of 2023 Medical Insurance Benefits - R Smith
19. [2022-285](#) E Source Segmentation Discussion and Follow-up - J Urban/C Porter
20. [2022-271](#) Transmission Operations and Control Center Update - C Moos/J Warren/J Louis/J Treviño
21. [2022-159](#) Draft Resolution - Approval of 2023 Power Supply Plan and 2023 Power Supply Plan Delegation of Authority - D Thompson/L Cunningham
22. [2022-272](#) Markets Monthly Report - D Thompson

**Executive Session - Real Estate Matters**

23. [2022-273](#) Resolution(s) - Approval of Real Property Acquisitions or Real Property Dispositions - E Dauterive/C Moos
24. [2022-274](#) Resolution(s) - Approval of Capital Improvement Plan Budget Amendments for Real Property Acquisitions - E Dauterive/C Moos

**Executive Session - Safety and Security Matters**

25. [2022-275](#) Safety and Security Matters
26. [2022-278](#) Cyber Security Biannual Update - S Stoppelmoor

**Executive Session - Personnel Matters**

27. [2022-276](#) Personnel Matters

**Reconvene to Open Session**

At 3:13 p.m., the Board reconvened to the open session meeting.

## Items from Executive Session

The following agenda items were discussed in executive session and set for approval in open session.

The executive session legal matters items were approved as resolutions **#2022-270** and **#2022-332**, as listed below.

### 14. [2022-270](#)

#### **Resolution - Approval of Authorization for Initiation, Settlement, or Disposition of Litigation Matter(s) - D Ballard**

**Body: NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE**, that the Cooperative file appeals with respect to its personal property taxes in certain Counties on the terms discussed this day in Executive Session, and

**BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE** that the Chief Executive Officer, or designees, are hereby authorized to make such determinations as necessary with respect to the appeals and execute, acknowledge and deliver any such documents, and otherwise take any actions as needed to implement this resolution.

**A motion was made by Director Oakley, seconded by Director Akers, that this item be approved. The motion carried by the following vote:**

**Yes:** 7 - Rister, Pataki, Ekrut, Cox, Oakley, Graf, and Akers

### 2022-332

#### **Resolution - Approval of Authorization for Initiation, Settlement, or Disposition of Litigation Matter(s) - D Ballard**

**Body: NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE**, that the Cooperative file appeals with respect to its real property taxes in Williamson County on the terms discussed this day in Executive Session, and

**BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE** that the Chief Executive Officer, or designees, are hereby authorized to make such determinations as necessary with respect to the appeals and execute, acknowledge and deliver any such documents, and otherwise take any actions as needed to implement this resolution.

**A motion was made by Director Akers, seconded by Director Cox, that this item be approved. The motion carried by the following vote:**

**Yes:** 7 - Rister, Pataki, Ekrut, Cox, Oakley, Graf, and Akers

### 17. [2022-282](#)

#### **Resolution - Approval of Filing of Application as to Its Certificate of Convenience and Necessity with Public Utility Commission of Texas for Resolution of Service Territory Boundary Issues**

**Body: NOW THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE** that the Cooperative is authorized to resolve certain service territory boundary issues that involve the Cooperative on the terms discussed this day in Executive Session;

**BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE** that the Cooperative file an appropriate application to its Certificate of Convenience and Necessity with the Public Utility Commission of Texas as discussed in Executive Session; and

**BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE** that the Chief Executive Officer, or designees, are authorized to negotiate any other terms as necessary for disposition of the matter and execute, acknowledge and deliver any such documents, and otherwise take any actions as needed to implement this resolution.

**A motion was made by Secretary/Treasurer Graf, seconded by Director Pataki, that this item be approved. The motion carried by the following vote:**

**Yes:** 7 - Rister, Pataki, Ekrut, Cox, Oakley, Graf, and Akers

**Adjournment**

There being no further business to come before the Board of the Directors, the meeting was adjourned at 3:14 p.m.

Approved:

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

\_\_\_\_\_  
Mark Ekrut, President



**Meeting Minutes - Draft**

**Board of Directors**

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Tuesday, August 30, 2022

9:30 AM

PEC Headquarters Auditorium

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**201 S. Ave F, Johnson City, TX 78636**

Open Session of this Workshop Session will be held in the PEC Auditorium and will be audio recorded in accordance with Board Meetings Policy.

**Call to Order and Roll Call**

This meeting was called to order at 9:31 a.m. on August 30, 2022 at the PEC Headquarters Auditorium, 201 South Avenue F, Johnson City, Texas.

**Present:** 7 - Vice President Milton Rister, Director Emily Pataki, President Mark Ekrut, Director Travis Cox, Director James Oakley, Secretary/Treasurer Paul Graf, and Director Amy Akers

**Adoption of Agenda**

The agenda was adopted as posted and without objection.

**Discussion and Deliberation of Workshop Items - M Ekrut**

President Mark Ekrut said the Board is holding the workshop to discuss PEC's energy and power supply contractual matters. He said the Board is not taking any action at the meeting.

**Member Comments (3 minute limitation or as otherwise directed by Board)**

1. [2022-288](#) **Member Comments**

**Attachments:** [Decorum Policy - 3 minute limitation notice](#)

There were no members wanting to address the Board.

**Action Items / Other Items - None**

**Recess to Executive Session**

President Mark Ekrut announced the items to be discussed in Executive Session and at 9:32 a.m., stated the Board would go into Executive Session.

**Executive Session - Legal Matters**

2. [2022-291](#) **Matters in Which the Board Seeks the Advice of Its Attorney as Privileged Communications in the Rendition of Professional Legal**

**Services**

**Executive Session - Contract and Competitive Matters**

- 3.     [2022-290](#)     **Workshop Session on Strategies and Assessment of Power Supply Matters Including Power Supply Portfolio Review and Power Supply Contract Matters**
  
- 4.     [2022-292](#)     **Workshop Session on Strategies and Assessment of Financial Planning Scenarios, Including Operational Expense and Capital Budgets**

**Executive Session - Real Estate Matters**

- 5.     [2022-293](#)     **Workshop Session on Strategies and Assessment of Facilities and Real Estate**

**Executive Session - Safety and Security Matters**

- 6.     [2022-294](#)     **Workshop Session on Strategies and Assessment of Safety Matters**
  
- 7.     [2022-295](#)     **Workshop Session on Strategies and Assessment of Electric System and Its Security and Reliability**

**Executive Session - Personnel Matters**

- 8.     [2022-289](#)     **Workshop Session on Strategies and Assessment of Personnel and Structure of Organization and Its Departments**

**Reconvene to Open Session**

At 12:46 p.m., the Board reconvened to the open session meeting.

**Workshop Session Open Discussion**

**Adjournment**

There being no further business to come before the Board of the Directors, the meeting was adjourned at 12:46 p.m.

Approved:

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

\_\_\_\_\_  
Mark Ekrut, President



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**File #: 2022-297, Version: 1**

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**Cooperative Update - J Parsley**

**Submitted By: Sylvia Romero on behalf of Julie Parsley**

**Department: Chief Executive Officer**

**Financial Impact and Cost/Benefit Considerations: N/A**



# Cooperative Update

Julie C. Parsley | Chief Executive Officer

Open Session – September 16, 2022

# Fifth PUC Commissioner Announced

Governor Greg Abbott has appointed **Kathleen Jackson** to serve as commissioner on the Public Utility Commission of Texas

- Previous board member of the Texas Water Development Board
- Professional Engineer
- Chairman Peter Lake directed Commissioner Jackson to oversee all issues at the PUC related to energy efficiency and demand-side energy management



**Kathleen Jackson**  
PUC Commissioner



# Legislative Update: Timeline

## September – October

- House and Senate Committees continue to meet and study interim charges

## November

- Elections (November 8)
- Committee Reports on interim charges are due to the House and Senate
- Legislative prefiling begins

## January

- 88<sup>th</sup> Texas Legislature begins



# Legislative Update: Interim Charges

## **Texas House Committee on State Affairs Interim Charges**

- Reviewing the implementation of key legislation related to broadband service on cooperative utility poles, governance of the PUC and ERCOT, and the prevention of power outages during weather emergencies.

## **Texas Senate Business and Commerce Committee interim Charges**

- Studying issues related to broadband expansion, supply chain, the ERCOT wholesale electric market, and impacts to the Texas electric grid including the natural gas supply.



# Housing and Population Projections

Further information will be provided

# Controlled Outages & Critical Load Letter in Bills

SB 3 requires all utility customers to receive a communication twice a year on ERCOT-mandated, controlled outages. Our next communication will go out in October.

Key information for members:

- Controlled outages are extreme power emergencies, and all members should prepare for an interruption in service
- Members registered in the Critical Load Program and the Medical Necessity Program are not guaranteed uninterrupted electric service
- Members should have a contingency plan

For information on PEC's Critical Load Program, visit [pec.coop/critical-load](http://pec.coop/critical-load) or call 830-454-3114



## Important information about ERCOT-mandated controlled outages

The Electric Reliability Council of Texas (ERCOT) manages the flow of electric power to more than 26 million Texans and represents about 90% of the state's electric load. ERCOT is responsible for keeping the electric grid reliable and facilitating the market in which Pedernales Electric Cooperative (PEC) participates.

To help manage and protect the grid, ERCOT uses a series of emergency procedures in times of unusually high demand. These procedures are designed to protect the reliability of the electric system and prevent a total loss of power across the entire ERCOT grid. When demand for electricity on the ERCOT grid is greater than the supply of generated electricity, all electric utilities in the ERCOT region, including PEC, may be required to lower demand on their systems. ERCOT will typically request consumers to conserve energy and will issue conservation alerts. As a last resort to help protect the reliability of the statewide electric grid, ERCOT may order controlled outages, also referred to as rotating outages, load shedding, or service interruptions.

Controlled outages are temporary interruptions of electrical service as directed by ERCOT. PEC participates in controlled outages during periods of generation capacity shortages. Within PEC's Emergency Operations Plan, the cooperative outlines how it will manage its curtailment priorities during controlled outages.

Below is key information in the event PEC is required to participate in a controlled outage event.

- ERCOT-mandated controlled outages are extreme power emergencies in which the cooperative responds to directives from ERCOT. PEC will not have knowledge of the length and duration of the directive, and electric utilities are required to continue to comply with ERCOT instructions until ERCOT determines outages are no longer required.
- If ERCOT orders controlled outages, all members should assume their power could be interrupted without advance notice. Efforts will be made as much as possible to provide advance notification of pending service interruptions. These include updates on [pec.coop](http://pec.coop), social media, email, and text messages; however, notice may not be provided.
- During ERCOT-mandated controlled outage events, PEC is unable to predict when an individual member's power will be back on. PEC takes measures to ensure controlled outages are applied in a fair manner across the membership. Typically, a controlled outage is implemented on a rotating schedule to distribute outages fairly among

pec.coop



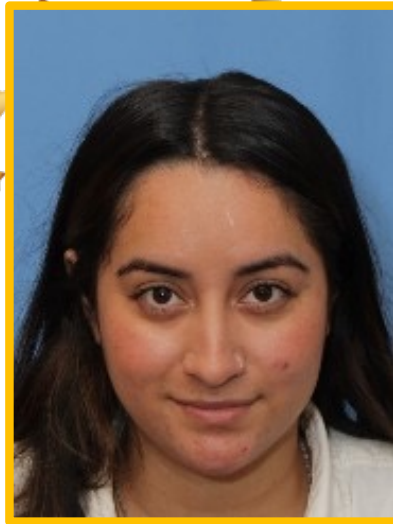
## Stronger Together: Fleet Maintenance

This month we explore a “day in the life” of our Fleet Maintenance group, showing how this vital team keeps the cooperative rolling!

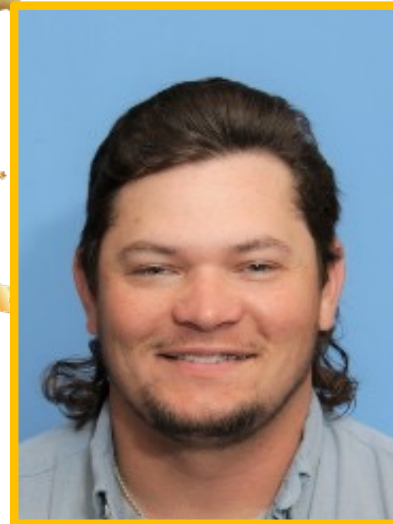
# Employee Kudos



**Patrick Marley**  
Journeyworker  
*Kyle*



**Jessica Martinez**  
Member Relations Agent  
*Dripping Springs*



**Spencer Ray**  
Journeyworker  
*Marble Falls*

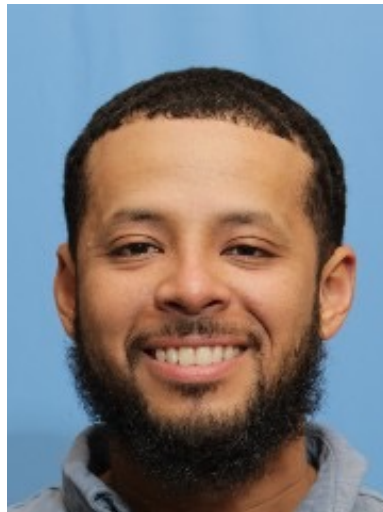


**Delia Garza**  
Member Relations  
Analyst  
*Kyle*

# PEC Good Samaritans



**Sam Castro**  
Journeyworker  
*Oak Hill*



**Austin Hernandez**  
Lineworker  
Apprentice 3  
*Oak Hill*









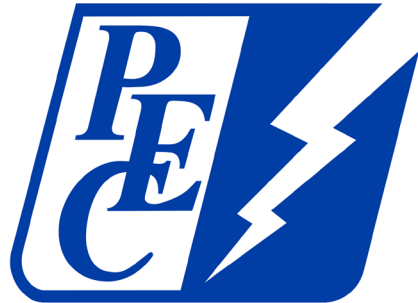
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**File #:** 2022-298, **Version:** 1

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**Cooperative Financial Update - R Kruger**

**Submitted By:** Renee Oelschleger on behalf of Randy Kruger  
**Department:** Chief Financial Officer



# August 2022 Financial Presentation to the Board

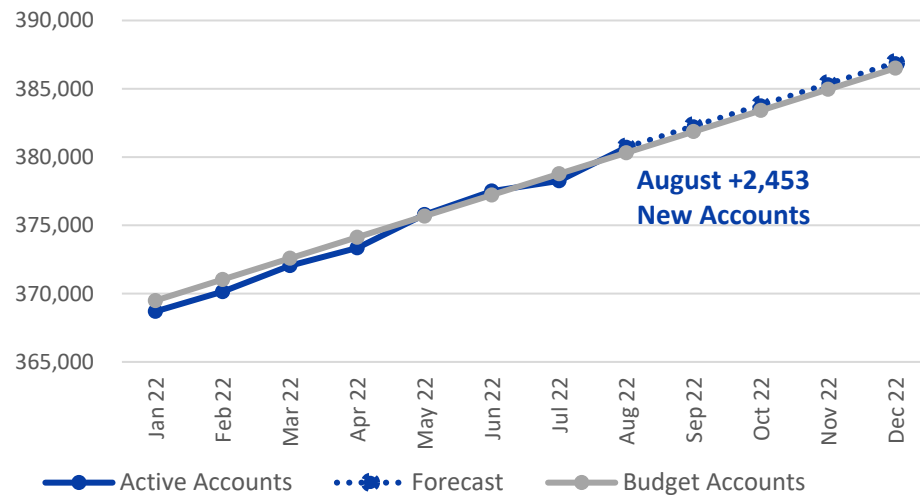
Randy Kruger | Chief Financial Officer

# Finance at a Glance – August 2022

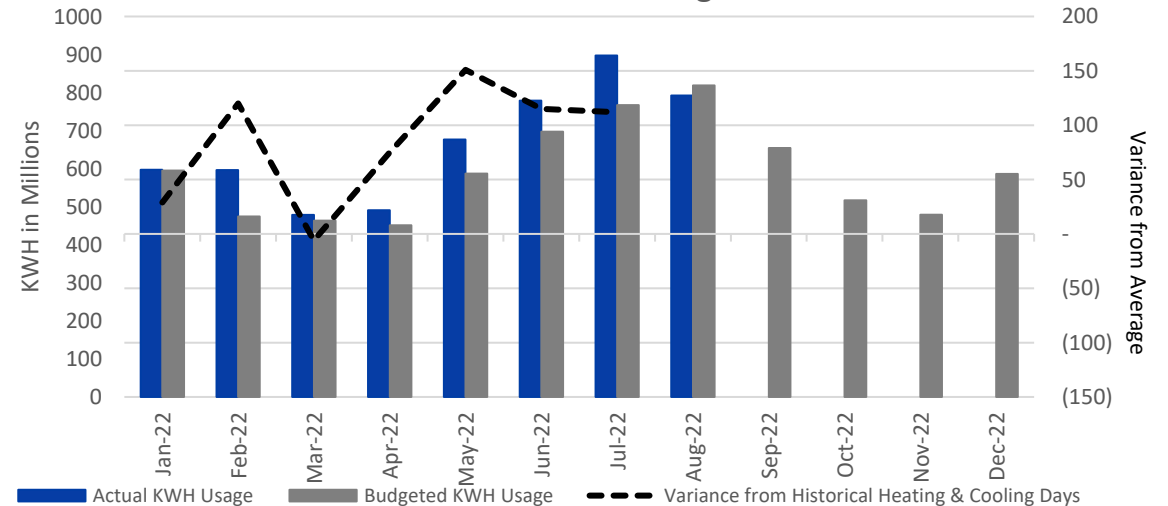
	MTD (\$ in millions)			YTD (\$ in millions)		
	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)
<b>MWH Sold</b>	792,478	818,696	(26,219)	5,308,908	4,854,621	454,286
<b>Gross Margins</b>	\$ 33.0	\$ 34.1	\$ (1.1)	\$ 236.0	\$ 225.9	\$ 10.1
<b>Net Margins</b>	\$ 9.6	\$ 9.0	\$ 0.5	\$ 41.4	\$ 36.1	\$ 5.3
<b>EBIDA</b>	\$ 21.7	\$ 19.0	\$ 2.6	\$ 142.1	\$ 116.0	\$ 26.1
<b>Revenue O/(U)</b>	\$ 10.6	\$ 5.6	\$ 5.0	\$ 27.9	\$ 24.0	\$ 3.8
<b>EBIDA(X)</b>	\$ 32.3	\$ 24.6	\$ 7.6	\$ 169.9	\$ 140.0	\$ 30.0

	Liquidity Coverage (\$ in millions)
Cash & Marketable Securities	\$ 14.8
Short Term Facilities	505.0
Less: Short Term Borrowings	91.9
Available Liquidity	\$ 427.9
<b>Liquidity Coverage (Days)</b>	<b>245</b>

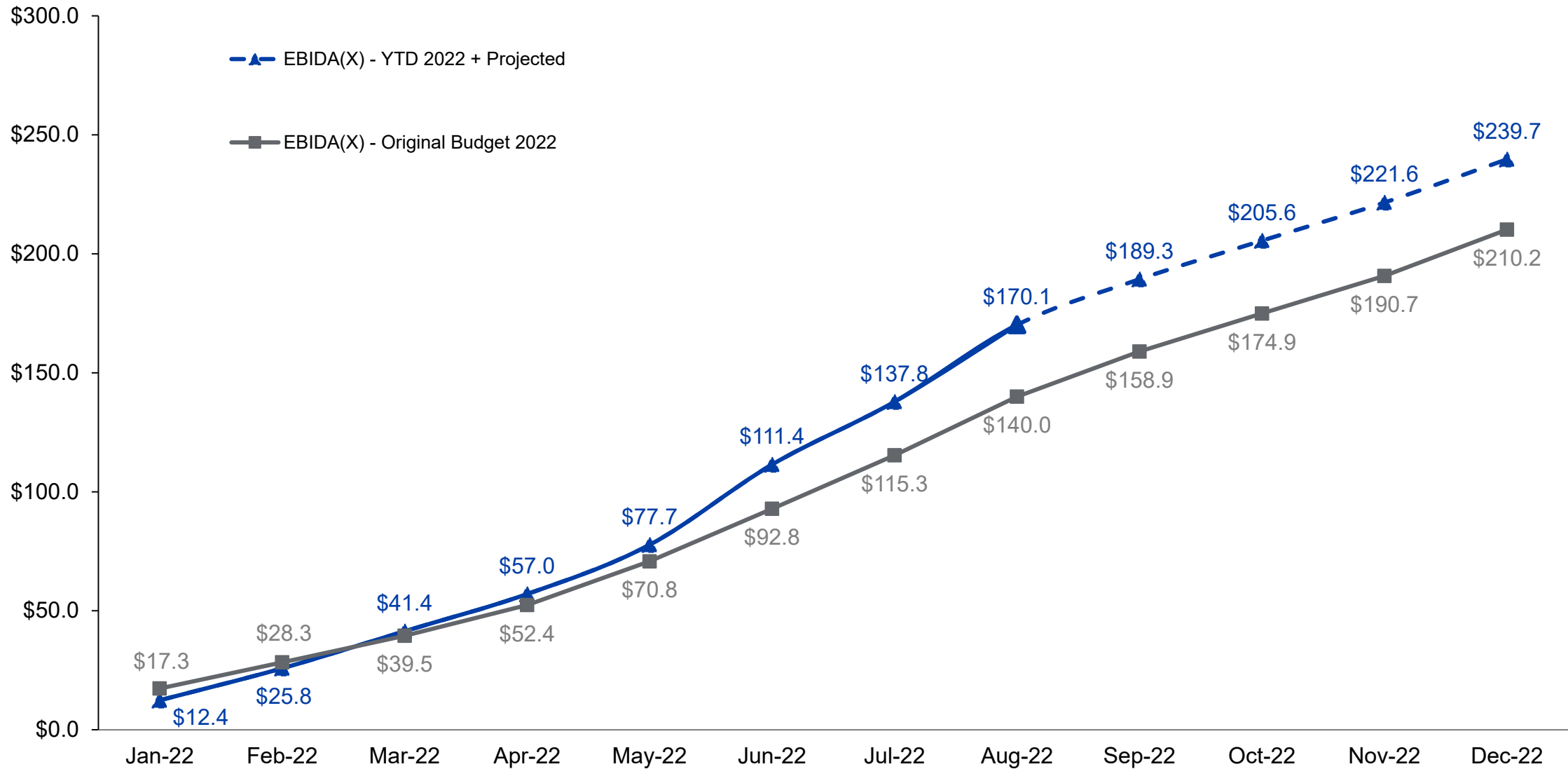
Active Account Growth



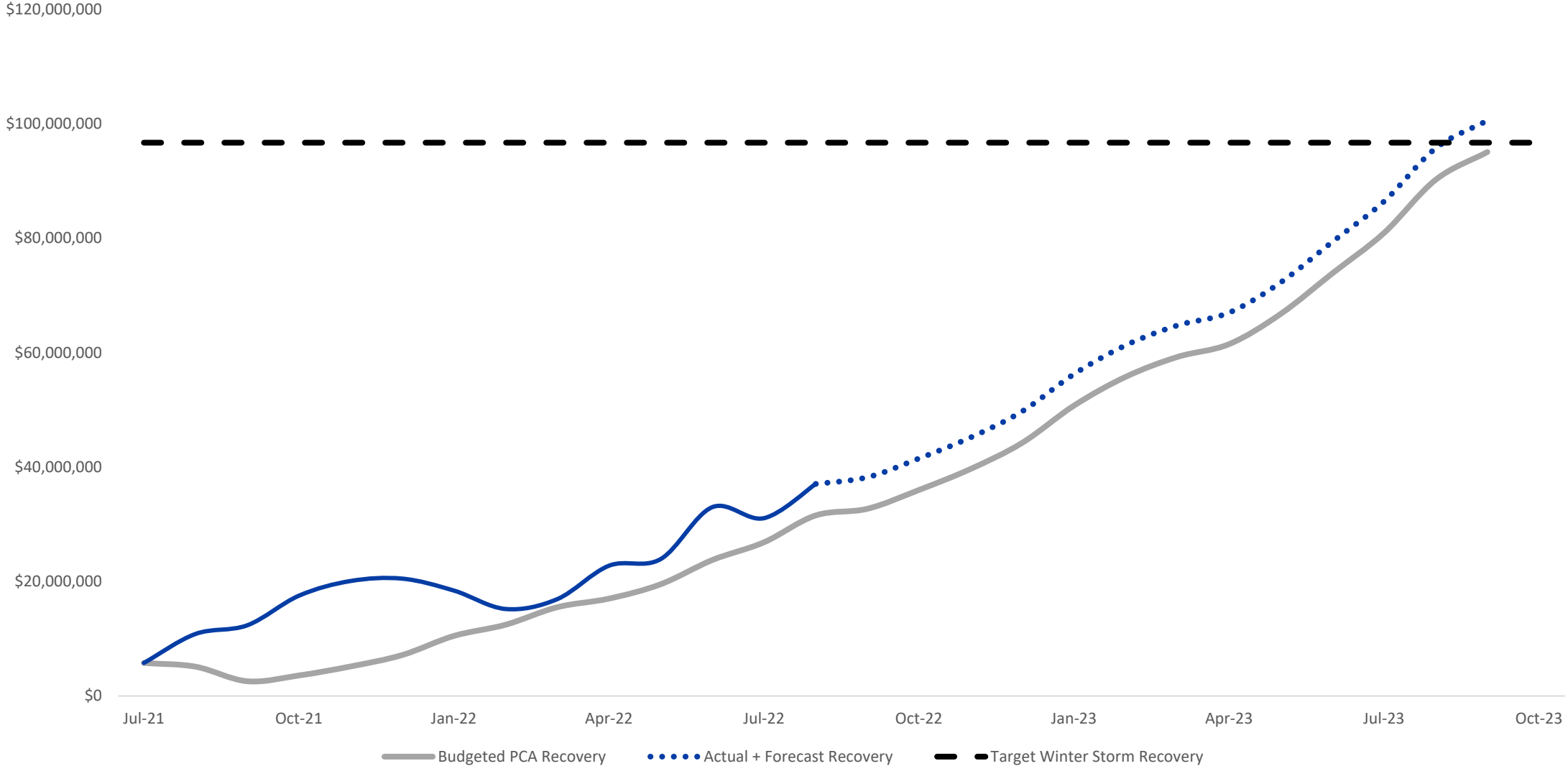
Weather and kWh Usage



# EBIDA(X) Year to Date (in millions)



# PCA + FPCRFR O/(U) Winter Storm Recovery

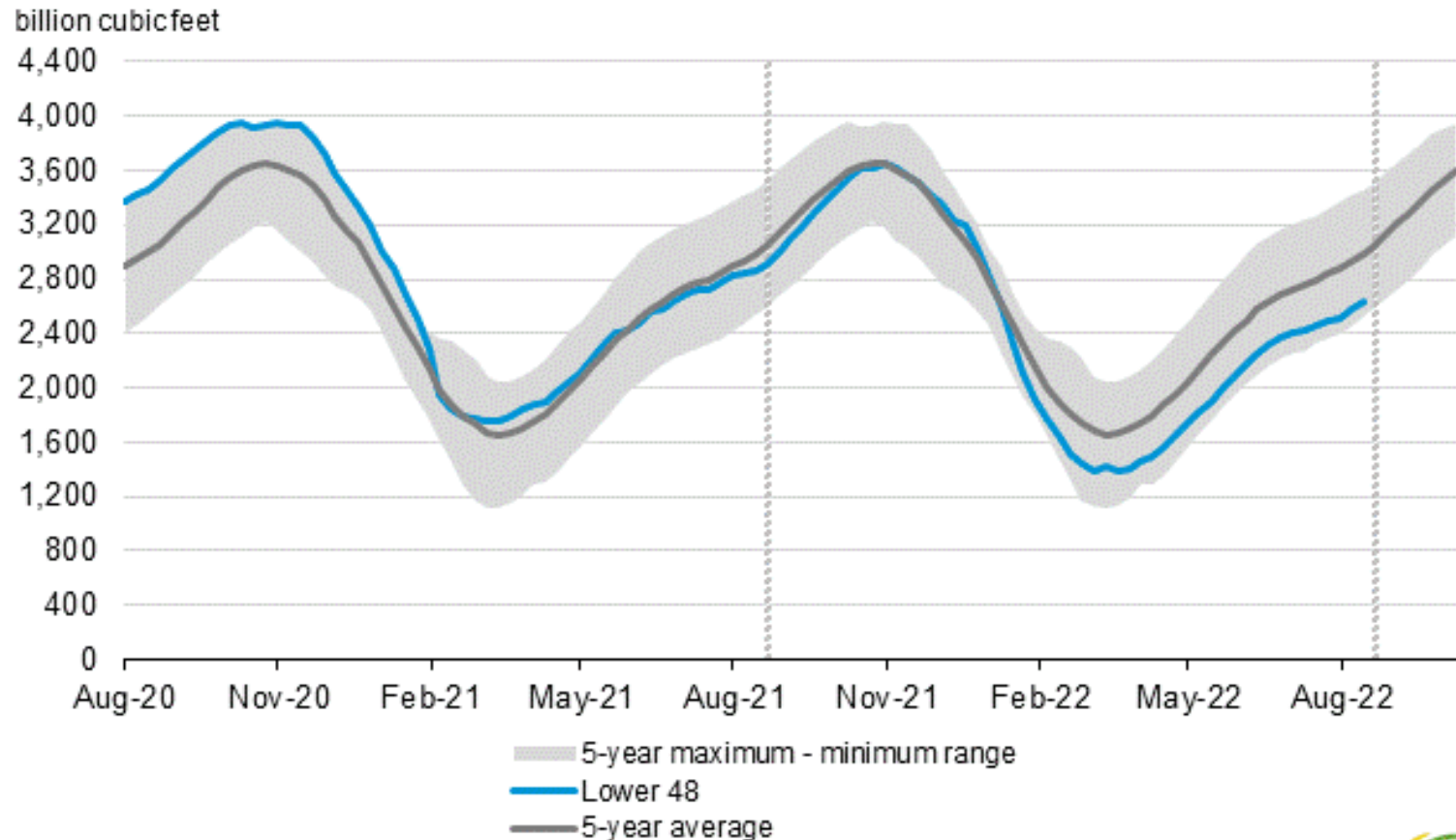


Note: Preliminary Financial Results

# Gas Storage

- High temperatures and flat production keeping storage near 5 year minimum

Working gas in underground storage compared with the 5-year maximum and minimum



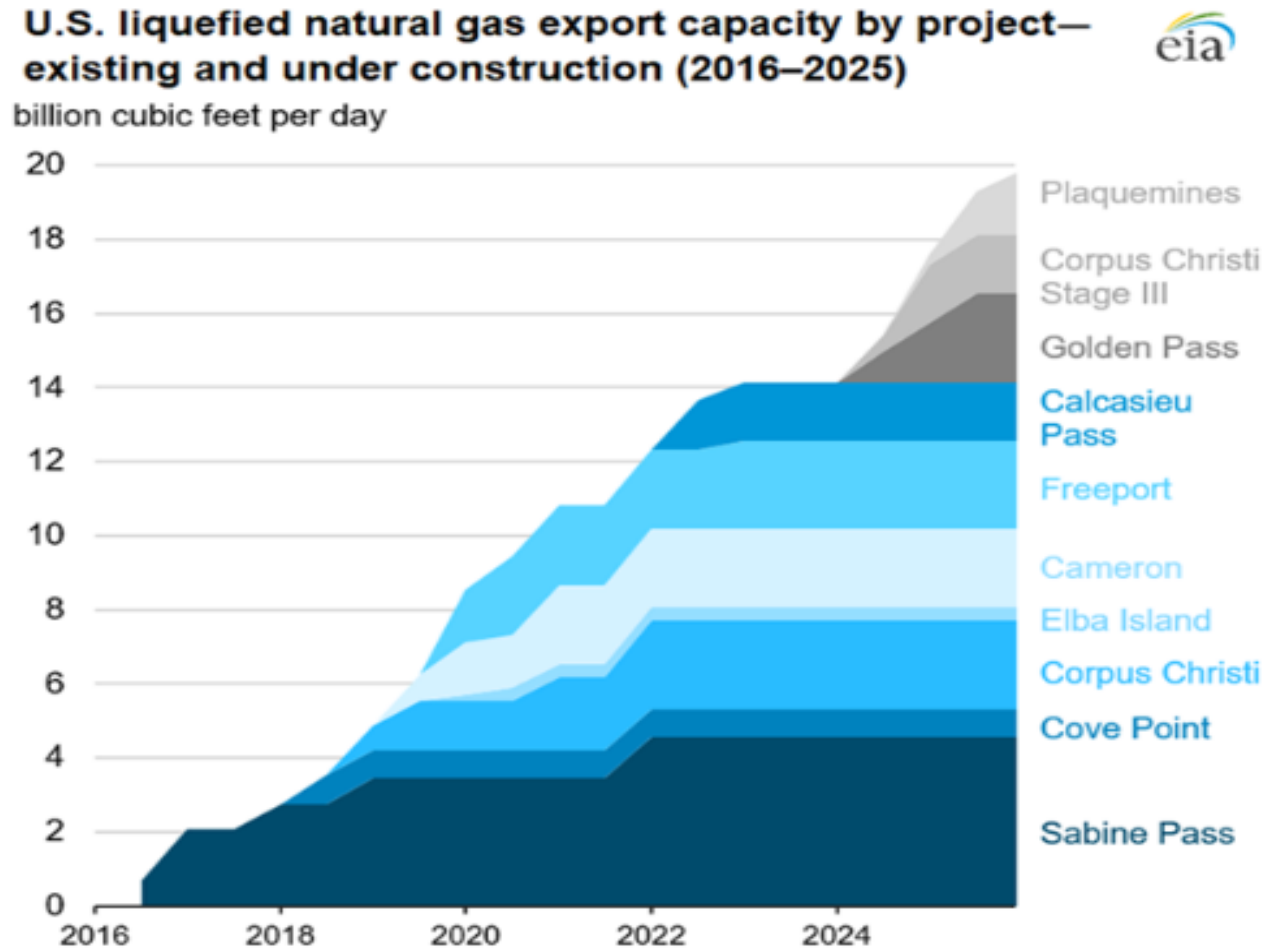
Source: U.S. Energy Information Administration



Note: The shaded area indicates the range between the historical minimum and maximum values for the weekly series from 2017 through 2021. The dashed vertical lines indicate current and year-ago weekly periods.

# LNG Export Capacity Growing

- U.S. leads the world in LNG export capacity which will increase by 5.7 Bcf/day through 2025

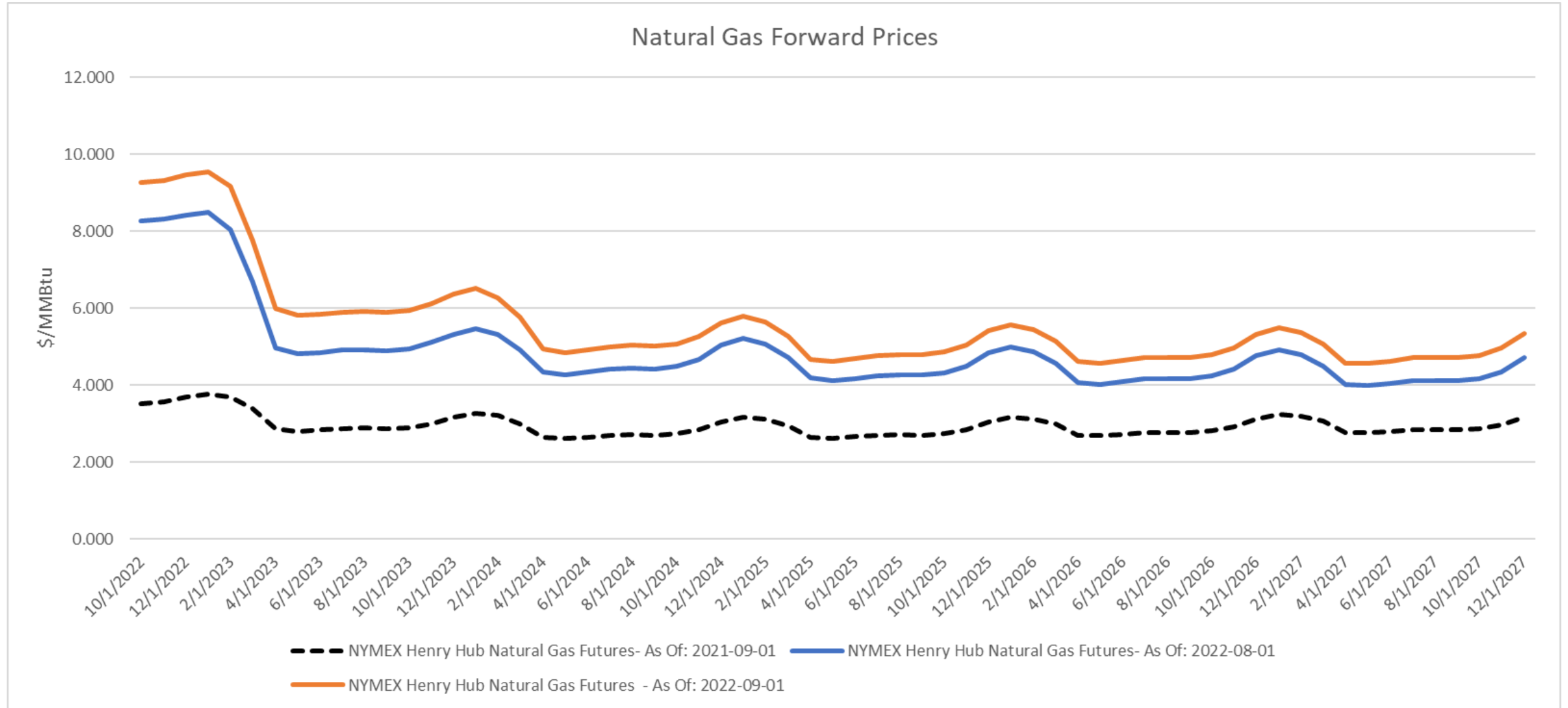


Data source: U.S. Energy Information Administration, [Liquefaction Capacity File](#)

Note: The chart shows U.S. LNG peak export capacity buildout by project. Online dates of LNG export projects under construction are our estimates based on trade press.

# Forward Natural Gas Prices

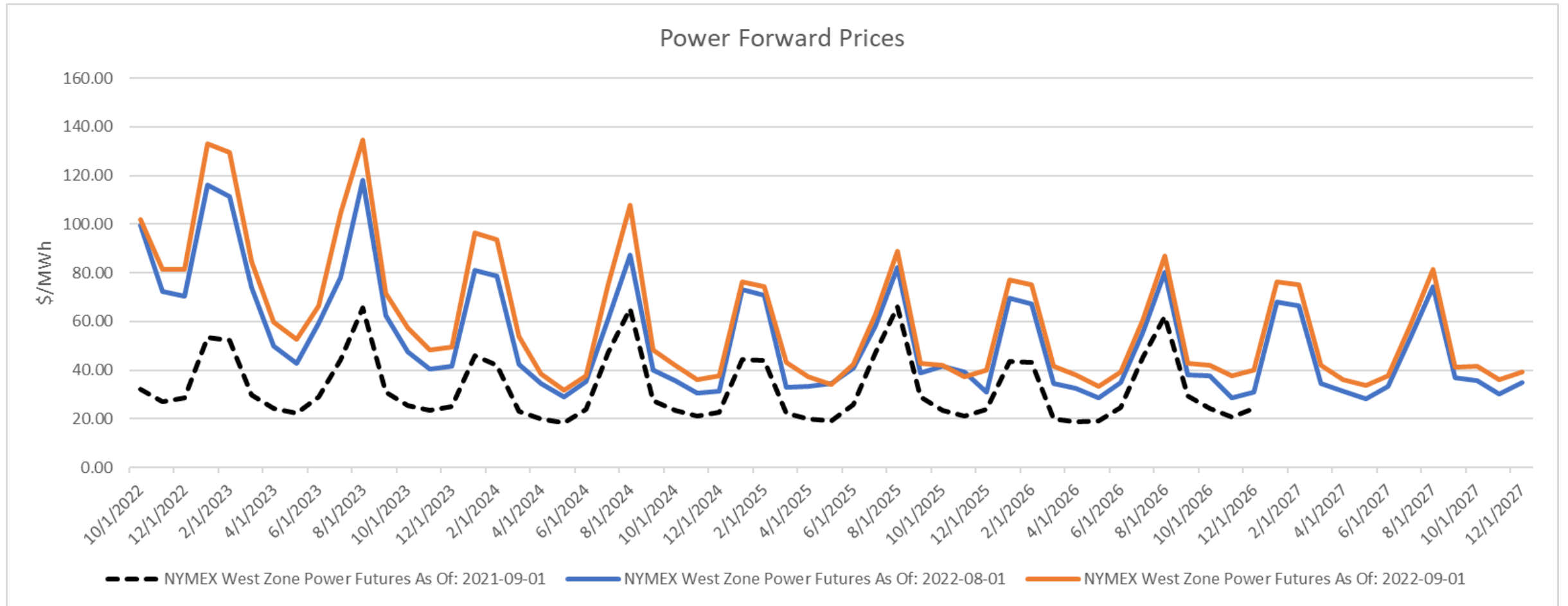
Natural gas prices are up since last month and up from budget





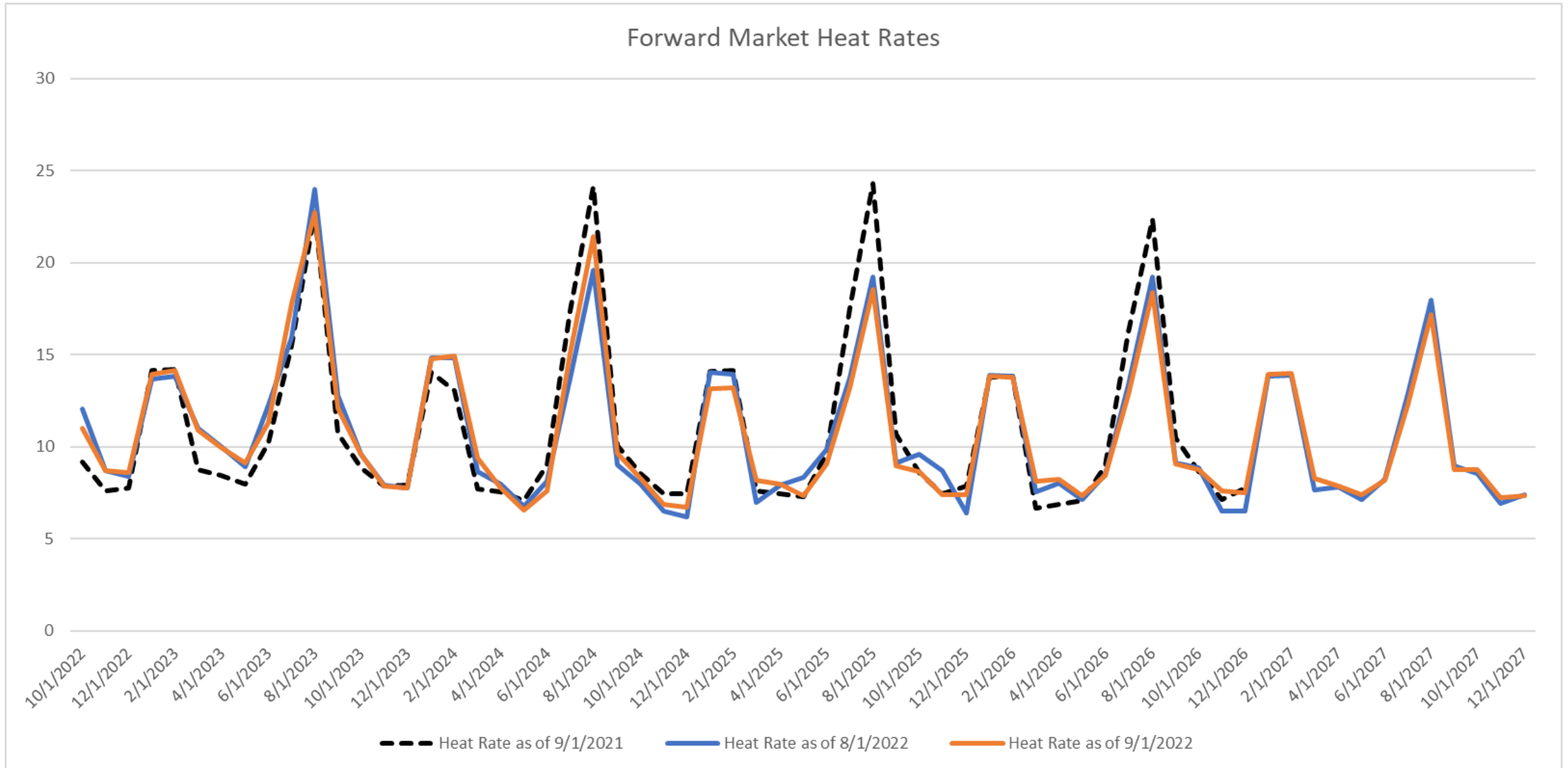
# Forward Power Prices

Forward power prices have followed gas prices



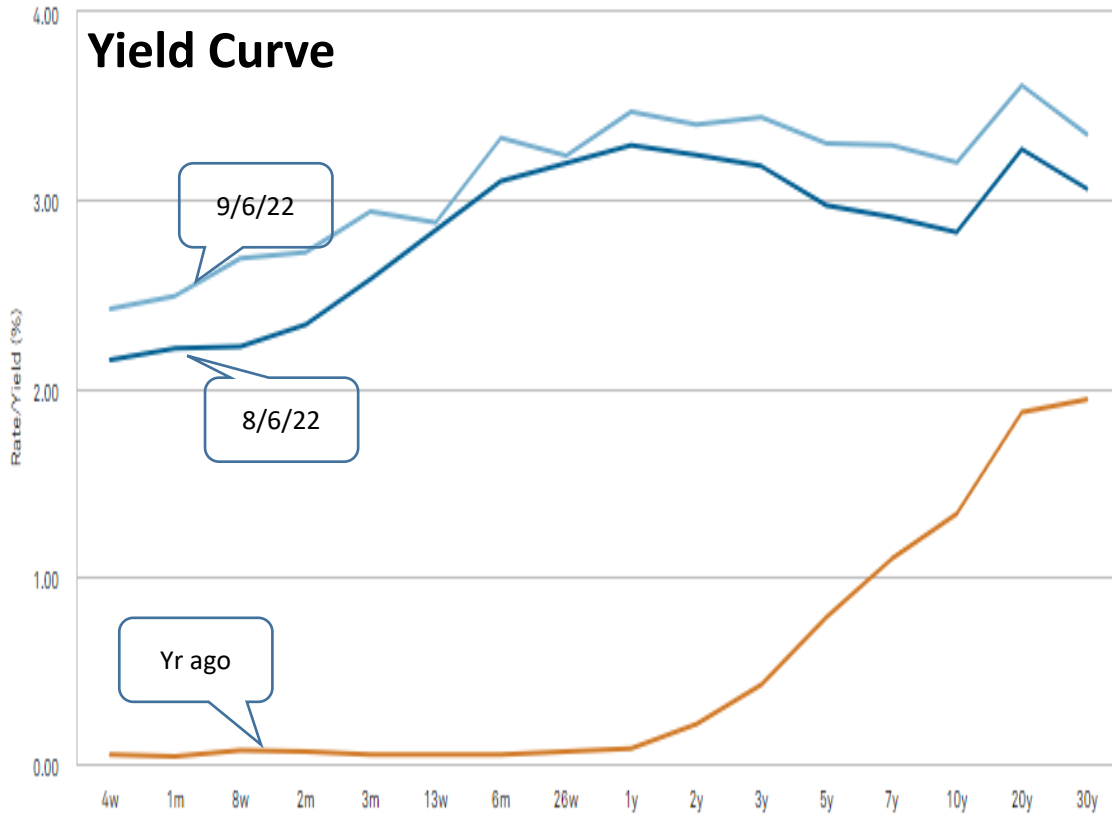
# Market Heat Rates

Heat rates relatively unchanged from last month and outer years down from budget



# Interest Rates

- 10-yr treasury rate approaching June highs and yield curve remains inverted



### 10-Year Note



# Fear and Loathing in the Energy Markets

**FINANCIAL TIMES**

German companies halt production to cope with rising energy prices

**Newsweek**

Californians Told Not to Charge Electric Cars Days After Gas Car Sales Ban

**yahoo!finance**

UK Inflation Could Top 22% Next Year, Warns Goldman Sachs

**The Guardian**

More than 70% of pubs do not expect to survive winter as energy costs soar

**FOX 7  
AUSTIN**

More than 20 million US households are behind on utility bills

**The New York Times**

Europe is Sacrificing Its Ancient Forests for Energy



**PROUD**



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**File #: 2022-299, Version: 1**

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**Cooperative Operations Update - E Dauterive**

**Submitted By: Renee Oelschleger on behalf of Eddie Dauterive**

**Department: Chief Operations Officer**

**Financial Impact and Cost/Benefit Considerations: N/A**



# Operations Report

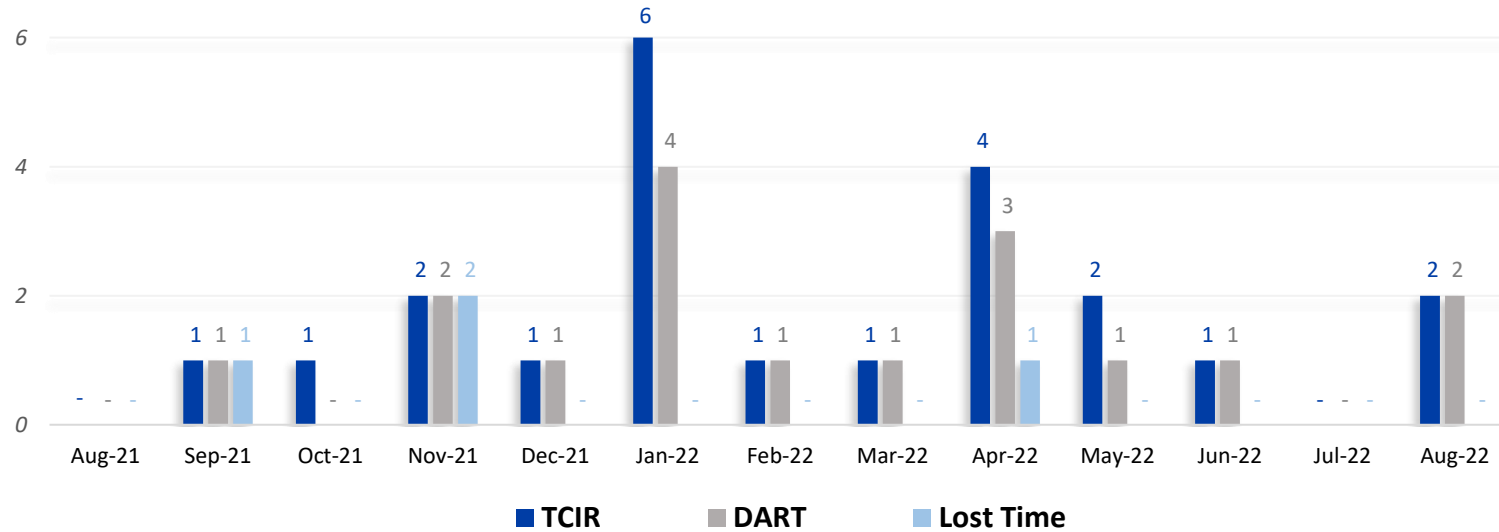
Eddie Dauterive | Chief Operations Officer

# Safety & Technical Training

## Personal Incidents

### Reportable Injuries, Days Away, and Lost Time Incidents

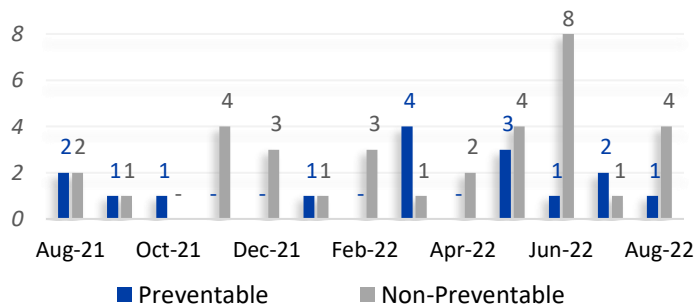
2021 YTD: DART Days - 272, Lost Time Days - 138  
 2022 YTD: DART Days - 146, Lost Time Days - 10



## Vehicle Incidents

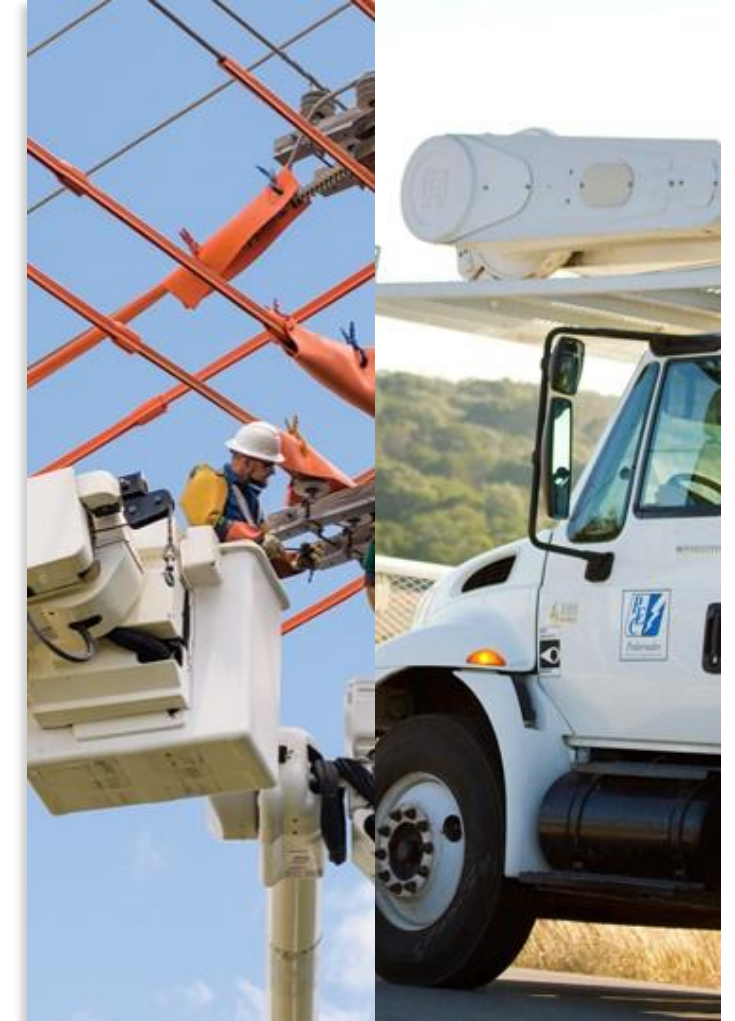
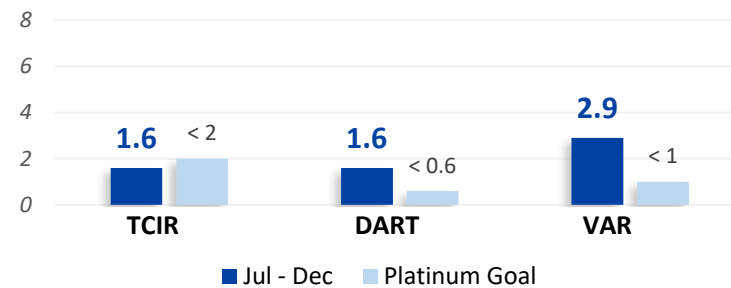
### Preventable & Non-Preventable

Preventable:  
 2021 YTD: 12  
 2022 YTD: 12



## KPI Progression

### 2022 Period Two

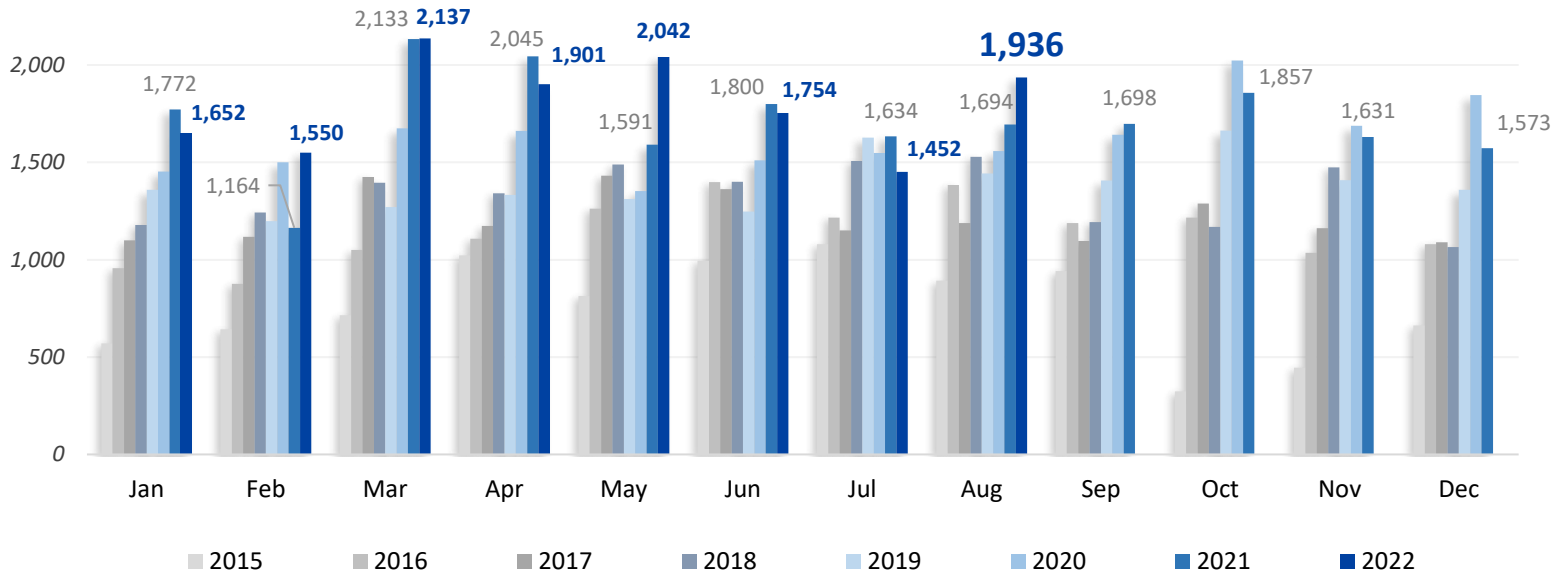




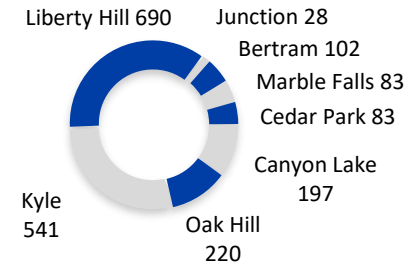
# System Growth

## Line Extensions Completed

2019: 16,640    2020: 19,458    2021: 20,592    2022 YTD: 14,424



## Line Extensions Per District (1,936)

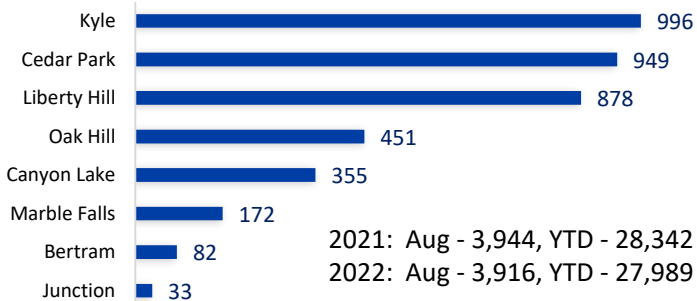


## Miles of Distribution Line:

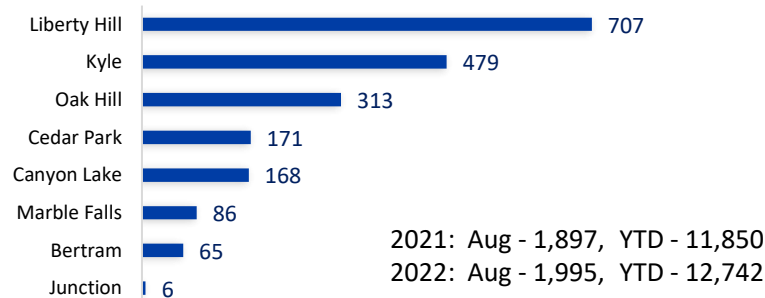
Underground: 6,643 (27%)  
 Overhead: 17,565 (73%)  
 Total: 24,208



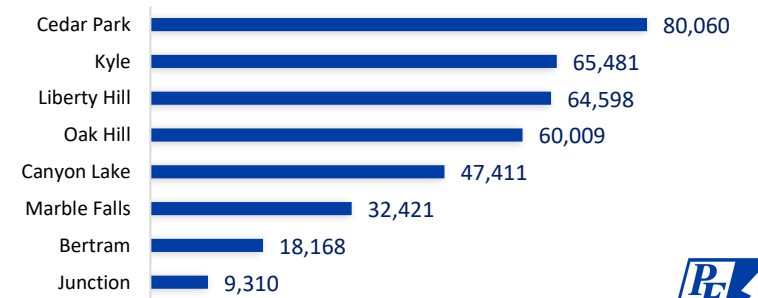
## Member Applications (3,916)



## Meter Growth (1,995)

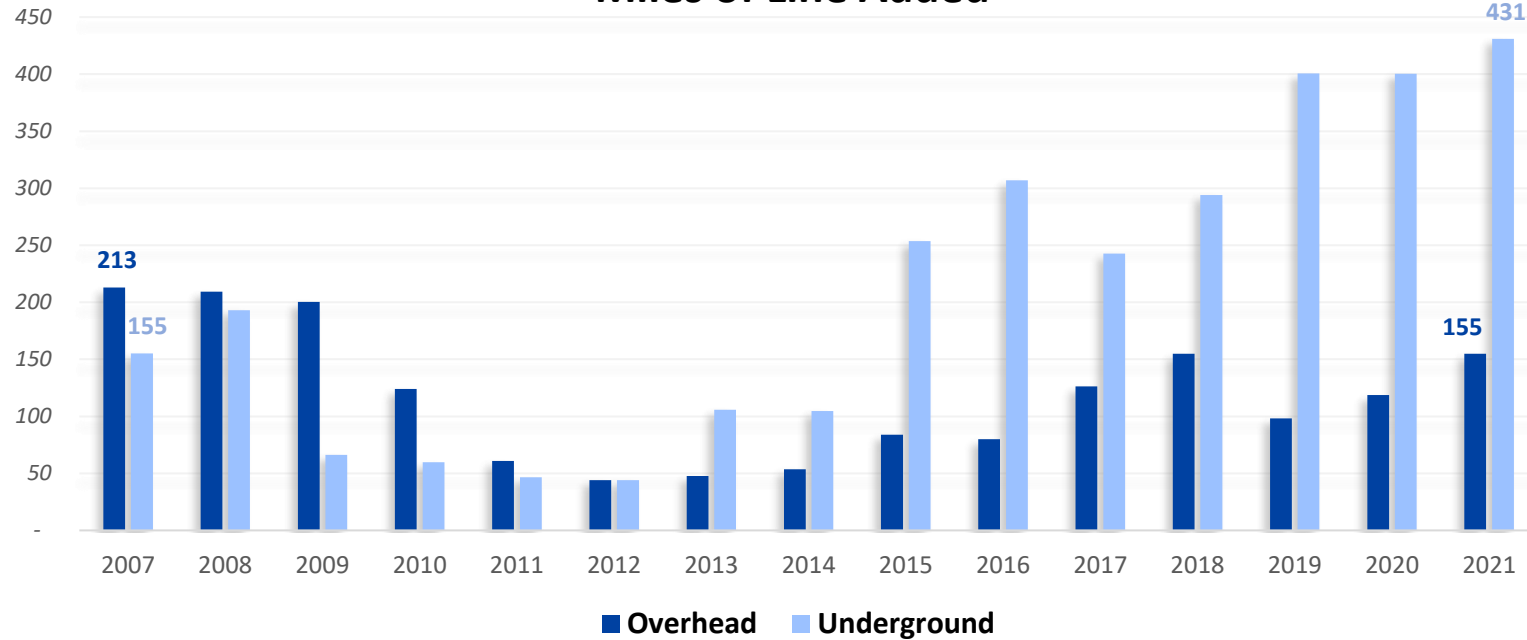


## Meter Totals (377,458)

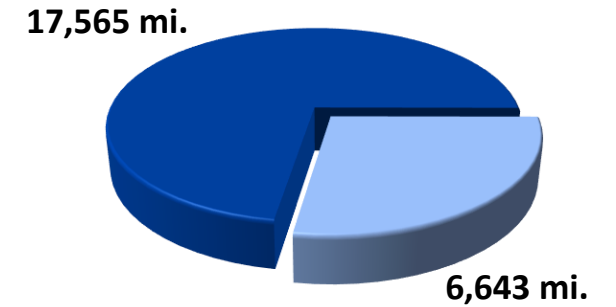


# System Growth – Overhead v. Underground

### Miles of Line Added

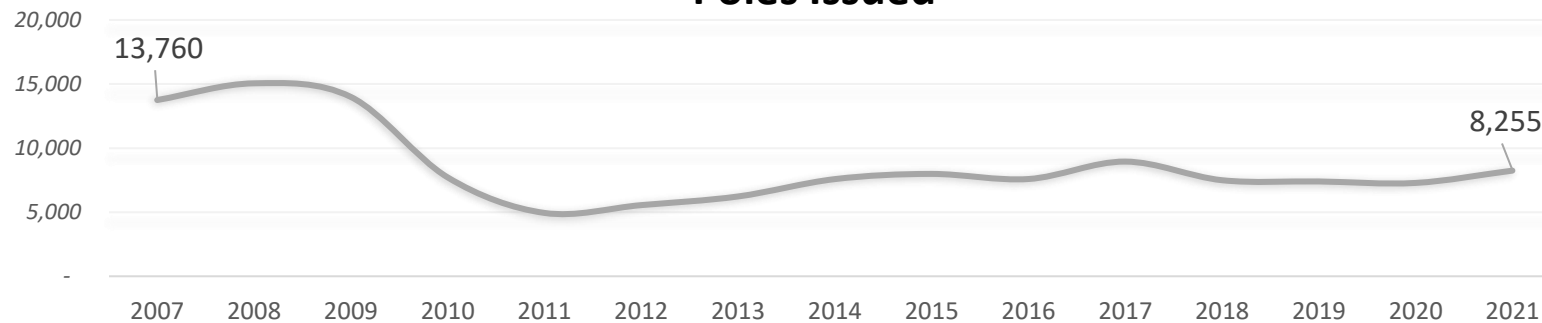


### Total Miles of Line 24,208 mi.



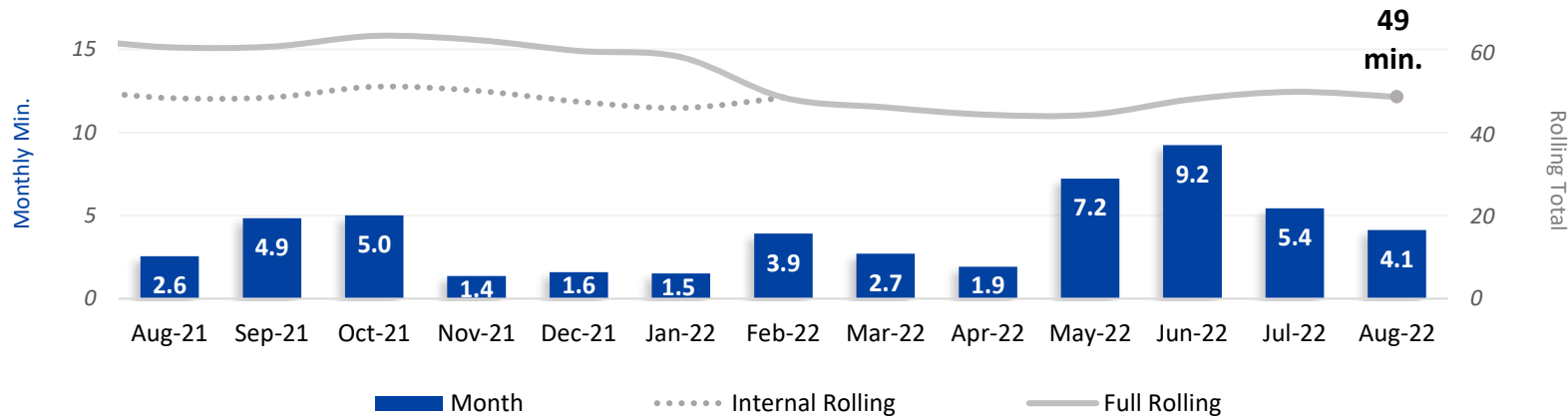
	OH %	URD %
2017	77.3%	22.7%
2018	76.9%	23.1%
2019	75.6%	24.4%
2020	74.4%	25.6%
2021	73.3%	26.7%
Current	72.6%	27.4%

### Poles Issued

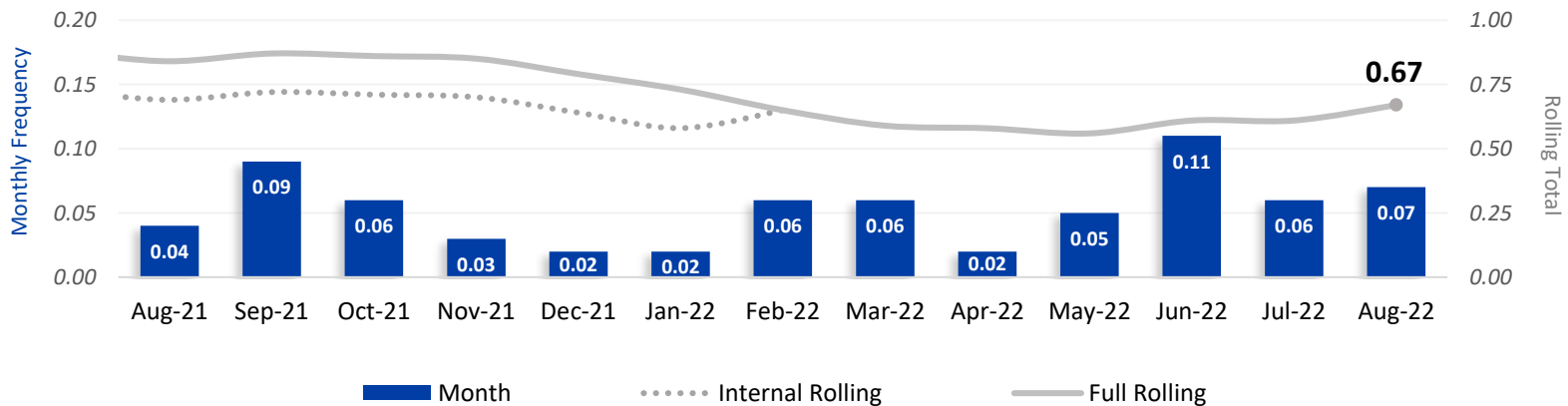


# Reliability

## System Average Interruption Duration Index (SAIDI)



## System Average Interruption Frequency Index (SAIFI)



# Improved Outage Messaging

## SMS (Text) Outage Messaging in Development

### Inbound Outage Reporting

**Goal:** Allow all members to alert PEC of their individual service interruption via SMS.

#### Timeframes:

- Sep. 2023 – Development ongoing
- Oct. 2023 – Testing w/ live outage data
- Nov. 2023 – Member messaging begins



### Outbound Notifications

**Goal:** Notify members on the AMI system with updates to recognized service interruptions:

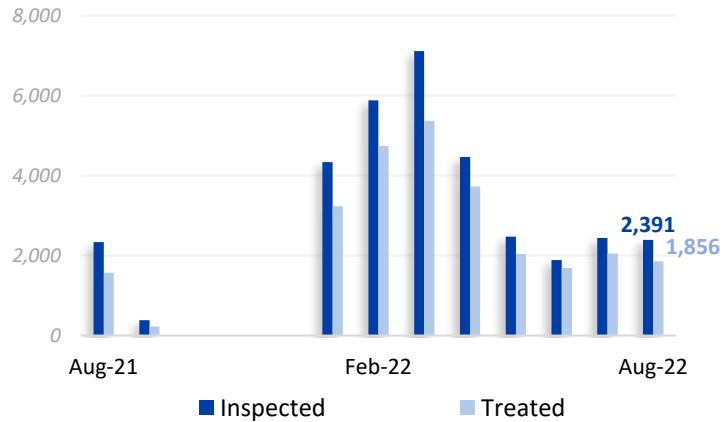
1. PEC awareness of interruption
2. Update of time to restoration (ETR)
3. Confirmation of restoration

# Distribution Maintenance

## Pole Testing & Treatment (PTT)

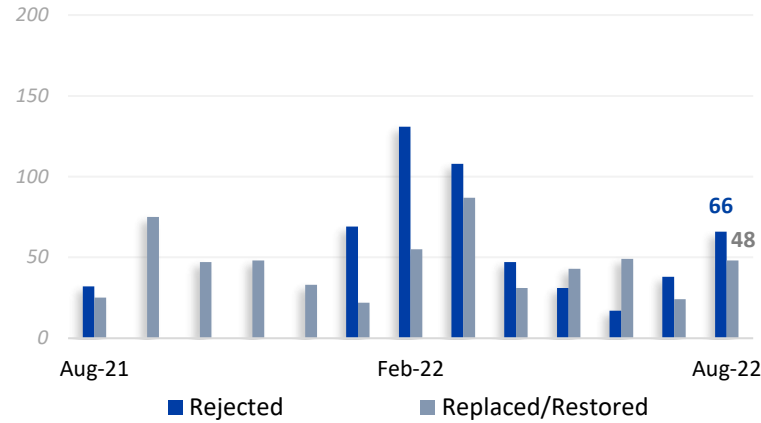
### Poles Inspected & Treated

2021 YTD: Inspections - 39,104, Treated - 30,287  
 2022 YTD: Inspections - 30,985, Treated - 24,715



### Poles Rejected & Replaced/Restored

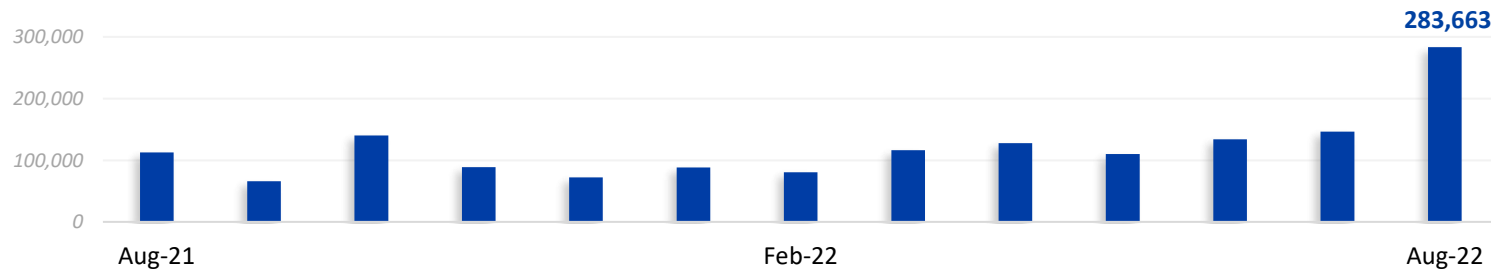
2021 YTD: Rejected - 626, Restored - 630  
 2022 YTD: Rejected - 507, Restored - 359



## Vegetation Management

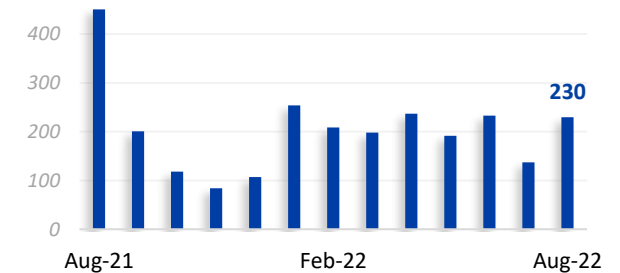
### Vegetation Pruned (Ft.)

2021 YTD: 2,476,327 ft. Aug. Locations Worked: 1,160 Aug. Poles Cleared: 519  
 2022 YTD: 1,087,909 ft. Aug. URD Clearings: 408



## URD Pad Restorations

2021 YTD: 3,129  
 2022 YTD: 1,690

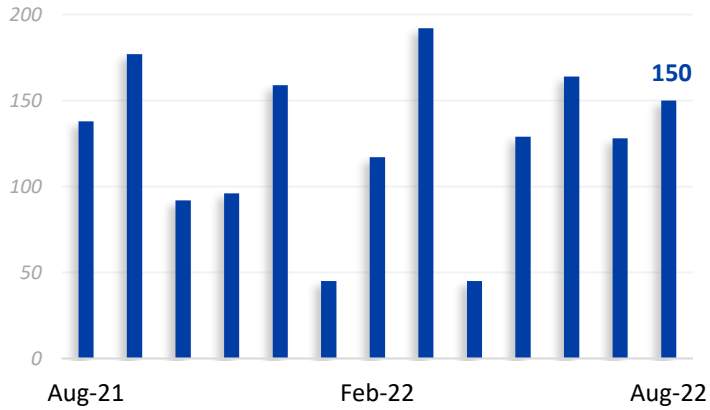


# Distribution Maintenance

## Technical Services

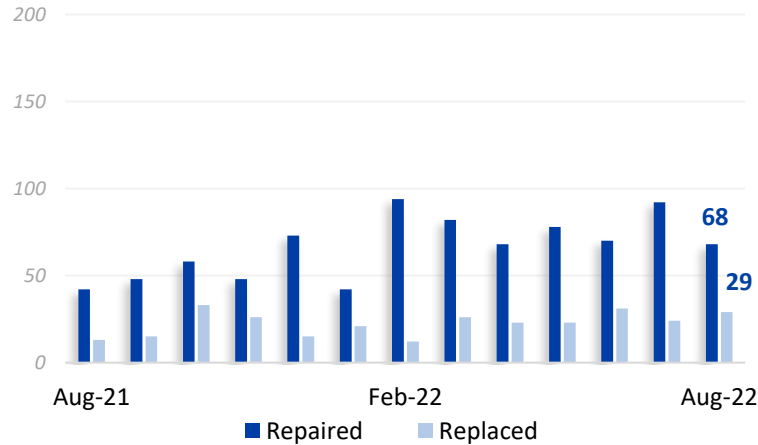
### Equipment Inspections

2021 YTD: 904  
2022 YTD: 970



### Equipment Repaired & Replaced

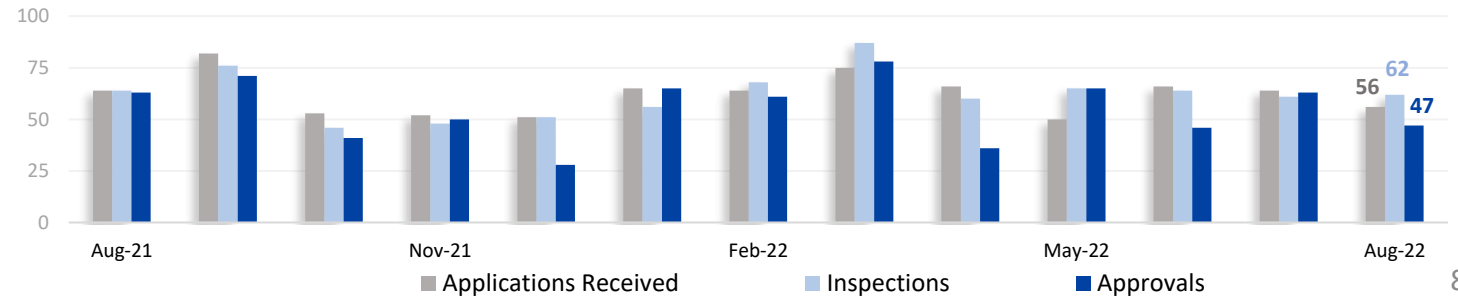
2021 YTD: Repaired - 403, Replaced - 251  
2022 YTD: Repaired - 512, Replaced - 189



## Pole Contacts

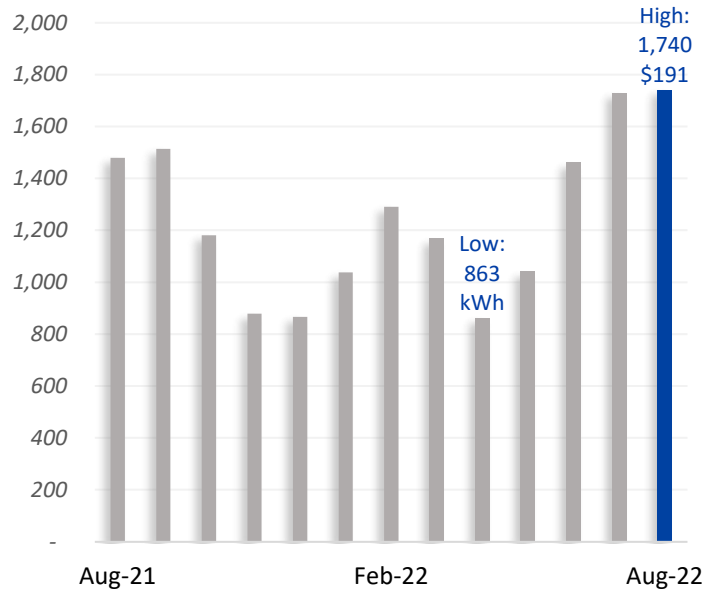
### Applications Received & Permits Issued

2021 YTD: Received - 481, Inspected - 516, Approved - 510  
2022 YTD: Received - 506, Inspected - 523, Approved - 461



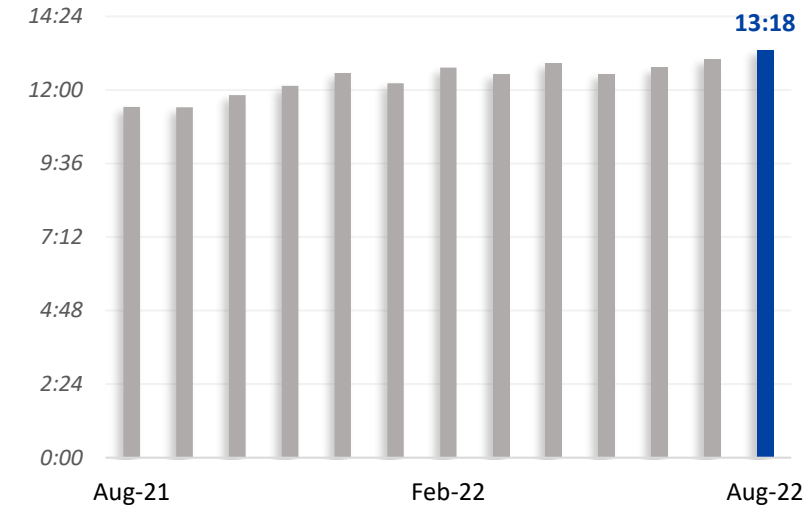
# Member Relations

## Average Residential Usage



## Member Contacts

### Average Handle Time

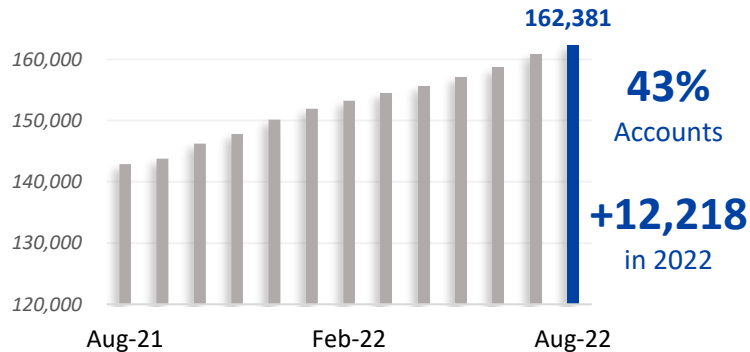


## Contact Types

2021: 419,277 Contacts

Main Contact Types	Aug. Totals	
Service Request	10,956	29%
Payment	6,656	18%
Billing Inquiry	5,575	15%
Payment Arrangement	2,839	8%
Account Update	1,847	5%
Autopay Deposit Waiver	1,236	3%

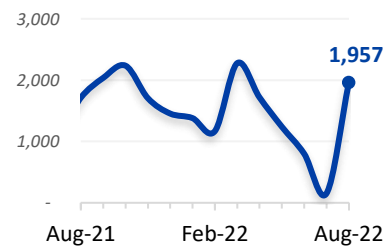
## Paperless Enrollments



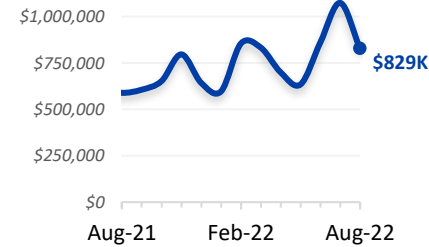
## Collections

14 days with no collection activity due to high temp.

### Remote Disconnects

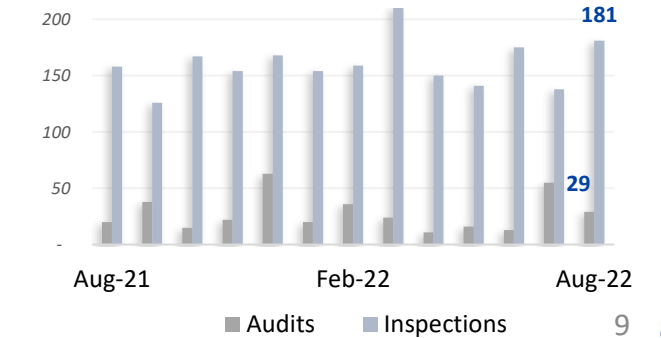


### Aged Balances



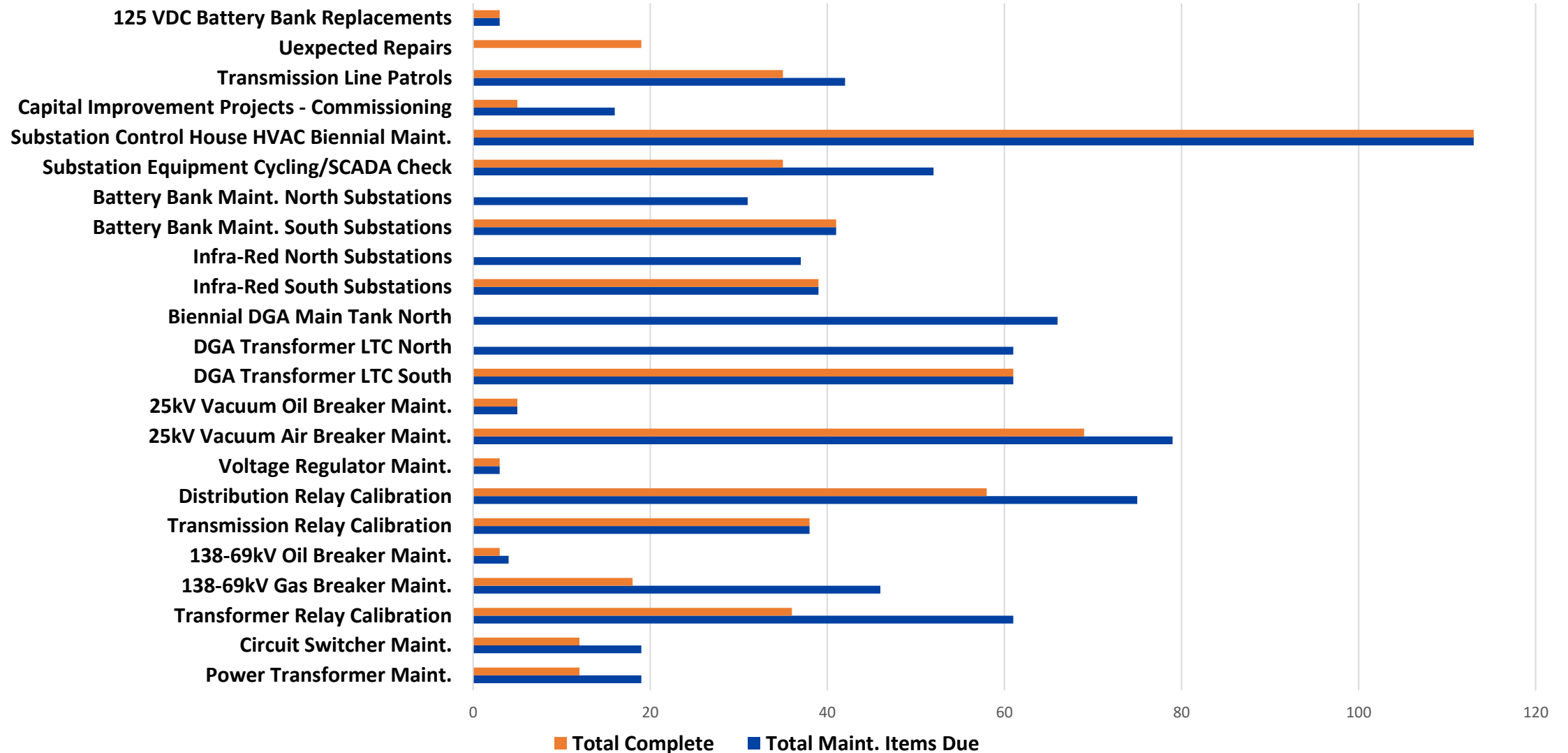
## Energy Services

2021 YTD: Audits - 224, Insp. - 1,013  
2022 YTD: Audits - 204, Insp. - 1,309



# Substation & Transmission Maintenance

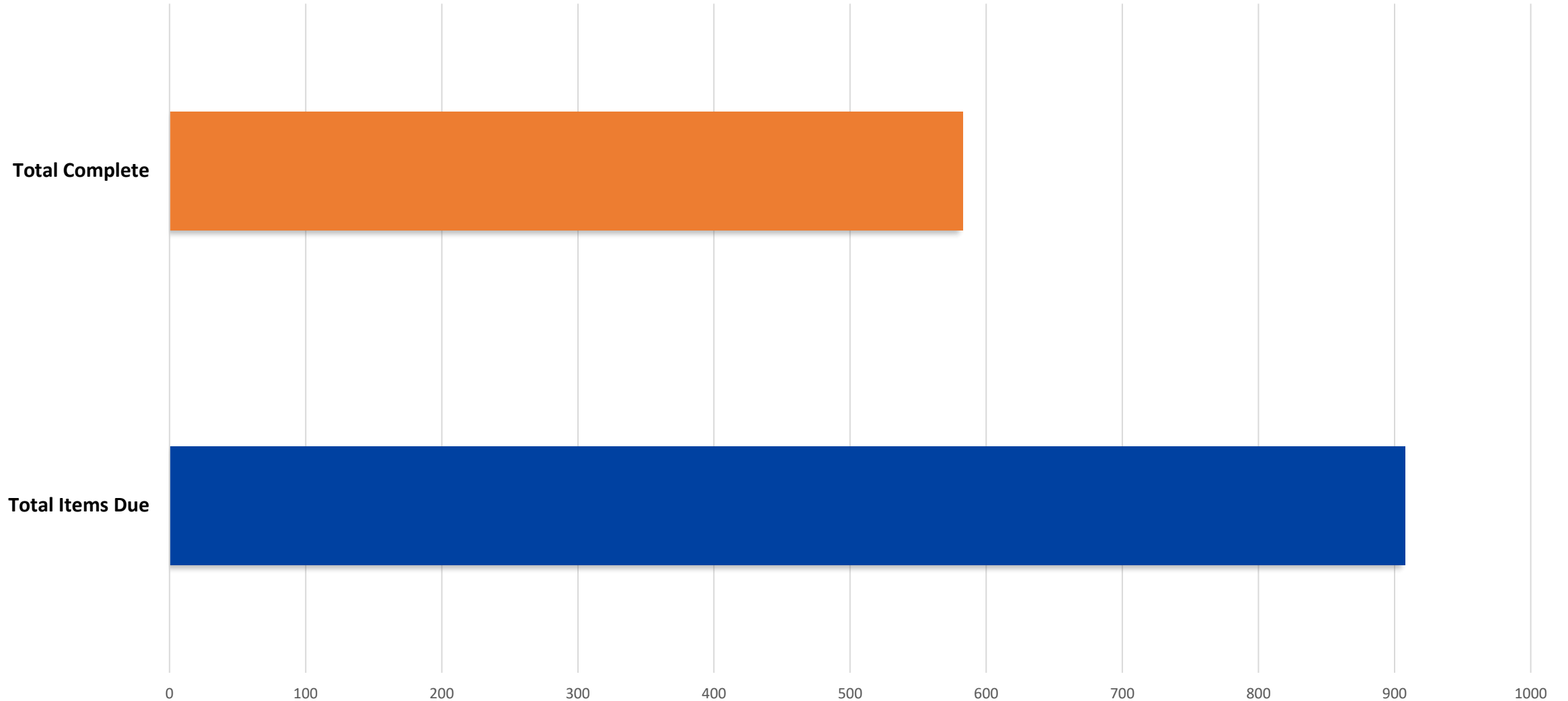
## 2022 Itemized Maintenance By Equipment





# 2022 Substation & Transmission Maintenance

Overall Status Year-to-Date



# Substation Engineering Projects

## Overall Status

Project	Project Phase	Description	Completion Date	Percent Complete
WS - BH Remote Ends	Construction	Upgrade line protection relay panels	May 2022	100%
GB T4 Transformer Relay Panel Replacement	Construction	Upgrade T4 transformer panel from electromechanical to digital relays	May 2022	100%
CC T1 Total Breaker Addition	Engineering	Add total breaker to T1 transformer for reliability	Oct 2022	81%
KY T1 Upgrade	Engineering	Upgrade T1 transformer	Nov 2022	77%
138 kV Breaker Replacements	Engineering	Replace four end-of-life oil circuit breakers with SF6 breakers	Dec 2022	69%
Substation Satellite Clock Installations	Construction	Install satellite clocks at substation for time synchronization to relays	Jan 2023	83%
BR Bus Upgrade	Engineering	Upgrade bus to double-bus double-breaker	Apr 2023	69%
SJ T3 Addition	Engineering	Add third power transformer	Jun 2023	36%
LH T4 Addition	Engineering	Add third power transformer	Jun 2023	31%
BU T1 Upgrade	Engineering	Upgrade T1 transformer	Aug 2023	19%
HE Substation	Engineering	Construct new substation	Sep 2023	42%
Mobile Substation Upgrades	Engineering	Upgrade circuit switchers and relay protection on three mobile substations	Oct 2023	42%
JN Substation Upgrade	Engineering	Upgrade T1 transformer and add line breakers (AEP)	Oct 2023	54%
MF - TP - CV Remote Ends	Engineering	Upgrade line protection relay panels	May 2024	45%

# Planning Engineering Projects

## Overall Status

Project	Completion Date	Percent Complete
Load Projections Study	Jan 2022	100%
UFLS Study	May 2022	100%
4CP Study	May 2022	100%
Summer Contingency	Jun 2022	100%
Regulator Settings	Jun 2022	98%
Capacitor Settings	Jul 2022	90%
Antler Battery Study	Aug 2022	100%
CIP Study	Aug 2022	95%
Mock UFLS Study	Nov 2022	0%
Winter Contingency	Dec 2022	0%
20 Year Plan	Jan 2023	25%
2 Year System Protection Coordination Review	Jan 2024	60%

# Transmission Projects

## Overall Status

Project	Project Phase	Description	Completion Date	Percent Complete
T319 SA to FC	Procurement	Increase clearance to meet USACE requirements	Dec 2022	45%
T415 MK to HN	Procurement	Respacing shield wire and conductor to reduce outage vulnerability during extreme weather	Jan 2023	45%
2022 Transmission Assessment	Planning	NERC required annual planning assessment	Feb 2023	1%
T324 ML to HT	Engineering	Harden transmission line to meet severe weather requirements	Apr 2023	40%
T315 MF to TP	Construction	Harden transmission line to meet severe weather requirements	May 2023	50%
T416 DS to RF	Engineering	Developer funded transmission line relocation	Dec 2023	5%
T353 LA to SJ	Engineering	Add Fiber to existing transmission line	Dec 2023	1%
T760 NL to HE	Engineering	Harden transmission line to meet severe weather requirements	Dec 2023	10%
T327 HE to LA	Engineering	Harden transmission line to meet severe weather requirements	May 2024	10%
T623 TP to CV	Engineering	Harden transmission line to meet severe weather requirements	May 2024	10%
T323 PF to MF	Construction	Reconductor (Phase 1)	Dec 2024	50%
CV to FS	Engineering	Harden transmission line to meet severe weather requirements	Dec 2024	0%
T333 LV to NL	Engineering	Harden transmission line to meet severe weather requirements	May 2025	5%
FS to RF	Engineering	Harden transmission line to meet severe weather requirements	Dec 2025	0%
T323 PF to MF	Engineering	Overhaul (Phase 2)		2%

# AMI Distribution

- Junction exchanges for TWACs meter upgrades are complete.
- Exchanges in the Eastern territory remain on hold due supply shortages:
  - Estimating receipt of additional residential 2S AMI meters in 1<sup>st</sup> quarter, 2023.
  - Closely monitoring the current inventory of both AMI and TWACs meters for use through June 2023.
- Deployment of specialty meter exchanges (polyphase AMI) is complete:
  - Polyphase meters are for commercial and industrial locations, 2S AMI meters are for residential locations.
  - All large power meter exchanges are complete.
  - Small number of remaining polyphase meters will be exchanged with future residential meter exchanges.

## Western Territory - TWACs Upgrades

- Junction Exchanges: 100%
- Meters exchanged: 6,887
- Letters & Emails: 6,633
- Member Complaints: 8

## Eastern Territory - 2S AMI Exchanges

- Liberty Hill District: 100%
- Cedar Park: 40%
- Meters Exchanged: 121,000
- Letters & Emails: 166,000
- Member Opt-Outs: 54

## Specialty AMI Exchanges

- Liberty Hill: 2,144
- Junction: 68
- Kyle: 1,963
- Oak Hill: 1,748
- Marble Falls: 509
- Canyon Lake: 217
- Bertram: 159
- Cedar Park: 259

# Facilities

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## **Cedar Park Access**

The Cedar Park access road to Anderson Mill has been completed.

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## **Dripping Springs Storage Yard**

The new fence has been installed and a new top-coat on the existing base material has been installed. Other improvements pending city permit.

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## **Johnson City**

Installing generators at the mailroom and the Haley Rd gate and fuel pumps.

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## **Junction**

Finalizing design and obtaining bids for yard renovations, pending substation design.

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## **Leander Development**

Building construction is in-progress and on schedule.

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## **Marble Falls**

Finalizing design, resolving encroachments, gathering bids and obtaining city approval for yard renovations.



pec.coop



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**File #:** 2022-300, **Version:** 1

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## Member Comments

**Submitted By:** Sylvia Romero  
**Department:** General Counsel  
**Financial Impact and Cost/Benefit Considerations:** N/A

All Cooperative Members have the right to speak up to 3 minutes limitation or as otherwise directed by the Board, and attend any meetings called by the Board of Directors as defined in the Cooperative's Articles of Incorporation.

Members are also able to watch this meeting by livestream from the PEC website at <https://pec.legistar.com/Calendar.aspx>.

Board meeting dates, agendas and supporting materials are available online <https://pec.legistar.com/Calendar.aspx>.

Members may also provide input by using the following methods. Comments are provided to all board directors.

- Members may submit comments and requests to the board by email or U.S. mail.
- Please direct board meeting email messages to: [PECBoard@peci.com](mailto:PECBoard@peci.com) <<mailto:PECBoard@peci.com>>.

### Articles of Incorporation, Article IX, Section 3, Member Bill of Rights - Open Meetings:

A Member has the right to attend every regular, special, or called meeting of the Board of Directors and its committees, except for executive sessions as allowed by policy or law. All meetings shall be called with proper notice, and any final action, decision, or vote on a matter shall be made in an open meeting.

### Articles of Incorporation, Article IX, Section 5, Member Bill of Rights - Right to Speak:

A Member has the right to speak at every regular, special, or called meeting of the Board of Directors and its committees, except for executive sessions, on any PEC matter at a time designated by the Board.

Members' attendance and their right to speak at all meetings called by the Board of Directors is further outlined in the Decorum Meetings Policy.

### Decorum Meetings Policy, Purpose:

As a democratically-controlled and Member-owned Cooperative, Member participation in Pedernales Electric Cooperative ("Cooperative" or "PEC") affairs is valued and respected and individuals should be allowed to state opinions. Meetings or functions of the Cooperative whether conducted on or off premises shall be conducted in a professional and courteous manner.



## **Decorum Policy**

### **PEDERNALES ELECTRIC COOPERATIVE, INC.**

**1. Purpose:**

As a democratically-controlled and Member-owned Cooperative, Member participation in Pedernales Electric Cooperative (“Cooperative” or “PEC”) affairs is valued and respected and individuals should be allowed to state opinions. Meetings or functions of the Cooperative, whether conducted on or off premises, shall be conducted in a professional and courteous manner.

**2. Scope:**

This Policy applies to all Participants at meetings of PEC Board of Directors (“Board”) and any other business meeting or function of the Cooperative, whether on or off PEC premises.

**3. Definitions:**

Participants – Collectively includes Cooperative Board Directors, employees, Members, or any other attendees at PEC business meetings or functions.

**4. Policy Statement and Implementation:**

**4.1. PEC Business Meetings or Functions.** Participants in any business meeting or function shall maintain an environment free of abusive, slanderous, or bullying behavior. To protect the security and safety of persons attending such meetings, all Participants shall respect an individual’s physical space and refrain from any form of physical intimidation or abuse. Any behavior demonstrating or threatening violence, attack, or physical abuse is not tolerated.

4.1.1. Meeting Participants may not display placards, bumper stickers, signs, or other campaigning, or political advocacy materials within the premises of a meeting or function, other than those materials displayed on the individual Participants’ body or clothing. Campaigning and electioneering for PEC elections is governed by the Cooperative’s Election Policy and Procedures.

4.1.2. Meeting Participants shall refrain from disruptive or distracting behavior. Personal or character attacks, or improperly sidetracking the attention of other Participants with subject matter that is irrelevant to PEC or unrelated to PEC are examples of disruptive or distracting behavior.

**4.2. Board Meetings.** PEC Board meetings are conducted in accordance with the Open Meetings Policy and the current edition of *Robert’s Rules of Order Newly Revised*, as practicable, and “Procedure for Small Boards” (for example, *Robert’s Rules of Order Newly Revised* § 49 (11th ed. Cambridge, Mass.: Perseus Publishing, 2011)).

4.2.1. All Participants wishing to address the Board during the designated portion of a Board meeting shall sign a registry identifying themselves prior to speaking, and shall open their remarks by stating their name and whether they are a Cooperative Member. Time allotted by the Board for each speaker cannot be shared or allotted with other speakers. The allotted time shall include and commence from the beginning of the

## **Decorum Policy**

### **PEDERNALES ELECTRIC COOPERATIVE, INC.**

speaker's remarks and include any time that passes during questioning or colloquy between the speaker and the Board. Additional time may be granted to a person by the Board President, or upon a majority vote of the Board.

- 4.2.2. When any Member or Participant wishes to provide written or demonstrative materials to the Board or others, such Member or Participant must, prior to the meeting's start, provide the information to the Board Secretary or their designee for distribution.
- 4.2.3. Participants shall refrain from disruptive or distracting behavior. Personal or character attacks, speaking out of turn, approaching or standing at the Board meeting dais without the permission of the Presiding Officer, or improperly sidetracking the attention of other Participants with subject matter that is irrelevant to PEC or unrelated to PEC are examples of disruptive behavior.

#### **5. Procedure Responsibilities:**

- 5.1. PEC Business Meetings or Functions. Directors and Employees shall maintain order and preserve the decorum of any business meeting or function conducted on or off the Cooperative premises.
- 5.2. Board Meetings. The Presiding Officer shall maintain order and preserve the decorum of Board meetings as provided in this Policy. Each Board Director shall cooperate with the Presiding Officer in preserving order and decorum, and no Participant shall, by conversation or otherwise, delay or interrupt the proceedings of the Board, nor disturb any person while speaking.

#### **6. Enforcement:**

- 6.1. When Member or Participant behavior violates this Policy, is severe, or threatens physical safety or property, the Presiding Officer, CEO, or responsible Cooperative employee may require the Member or Participant to leave the PEC premises, meeting, function, or discussion.
- 6.2. Repeated or Severe Violation.
  - 6.2.1. PEC Business Meetings or Functions. Upon repeated or severe violation of this Policy, the Board, CEO, or their designee, may prohibit a person from attendance at PEC meetings, functions, or discussions. The duration of the prohibition shall be based upon the severity and nature of the violation.
  - 6.2.2. Board Meetings. Upon repeated or severe violation of this Policy, the Board may prohibit a person from attendance at PEC Board meetings. The duration of the prohibition shall be based upon the severity and nature of the violation.

#### **7. Superseding Effect:**

This Policy supersedes all previous policies and memoranda concerning the subject matter. Only the Approver may authorize exceptions to this Policy.

## Decorum Policy

### PEDERNALES ELECTRIC COOPERATIVE, INC.

**8. References and Related Documents:**

Open Meetings Policy

*Robert's Rules of Order Newly Revised* (11th ed. Cambridge, Mass.: Perseus Publishing, 2011).

Policy Title:	Decorum Policy
Review Frequency:	Every 5 years
Last Reviewed:	October 16, 2020
Date Adopted:	March 15, 2010
Effective Date:	October 16, 2020
Amendment Dates:	September 21, 2015, October 16, 2020
Adopted by:	Board of Directors
Applies to:	All Participants at meetings of the Board of Directors any other business meeting or function of the Cooperative whether on or off PEC premises.
Administrator:	Board of Directors and CEO
Superseding Effect	This Policy supersedes all previous policies and memoranda concerning the subject matter. Only the Approver may authorize exceptions to this policy.



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File #: 2022-315, Version: 1

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**Resolution - Approval of Directive(s) for Delegates Regarding Upcoming NRECA Regional Meeting - JP Urban**

**Submitted By: Susanne Greenseth on behalf of JP Urban**

**Department: External Relations**

**Financial Impact and Cost/Benefit Considerations: N/A**

NRECA Resolutions Process

The National Resolutions Committee met at NRECA's headquarters in Arlington, Virginia on June 24, 2022. A live stream of the meeting was broadcast on Cooperative.com. Due to audio equipment technical difficulties, audio was not available on the live stream throughout the meeting. Committee members will attend each Regional Meeting and be available to answer questions regarding their June 24 deliberations.

The 2022 Compendium, and any new resolutions from the regions' committees, will be considered by the regions' voting delegates during their business meetings. These meetings kicked off September 6-8 with Regions 1 and 4 in Indiana. PEC is part of NRECA's Region 10, which will hold its meeting (along with Region 8) on October 24-26, 2022 in Little Rock, AR. After all feedback is compiled from the regional meeting participants, the final resolutions will be adopted at the 2023 NRECA Annual Meeting, which occurs March 3-8, 2023 in Nashville, Tennessee.

If any, the Board may now consider PEC positions and directives for voting delegates on the matters presented.

**RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE**, that PEC's voting delegate and alternate voting delegate follow the Board's directive regarding the proposed NRECA resolutions as discussed by the Board this day; and

**BE IT FURTHER RESOLVED** that the Chief Executive Officer, or designee is authorized to take all such actions necessary to implement this resolution.



# 2022 NRECA Proposed Resolutions

JP Urban | Executive Vice President, External Relations

# Resolutions Process Update

## National Resolutions Committee

**Chair (2022): Mac McLennan, Region 6**  
**Vice Chair (2022): Tom Houston, Region 8**

**Matt Boshaw, General Manager and CEO**  
Central Electric Cooperative, Pennsylvania

Region 1 Legislative Chair

**Chris Stephens, President and CEO**  
Coweta-Fayette Electric Cooperative, Georgia

Region 2 Regional Representative  
Regulatory Member

**Kristin Dolan, CEO**  
Wild Rice Electric Cooperative, Minnesota

Region 6 Legislative Vice Chair

**David Callis, Executive Vice Pres. and CEO**  
Tennessee Electric Cooperative Assoc., Tennessee

Region 3 Regional Representative  
Legislative Member

**Ted Hilmes, Exec. Vice President and CEO**  
KAMO Power, Oklahoma

Region 8 Regulatory Chair

**Craig Grooms, Vice Pres., Eng'g and Ops.**  
Buckeye Power, Ohio

Region 4 Regional Representative  
Regulatory Member

**Mac McLennan, President and CEO**  
Minnkota Power Cooperative, North Dakota

Region 6 Regulatory Vice Chair

**Gary Martin, Director**  
Menard Electric Cooperative, Illinois

Region 5 Regional Representative  
Regulatory Member

**Tom Houston, General Manager**  
Webster Electric Cooperative, Missouri

Region 8 CMEC Chair

**Chad Waldow, General Manager and CEO**  
Stanton County Public Power District, Nebraska

Region 7 Regional Representative  
Legislative Member

**Blaine Warzecha, General Manager and CEO**  
Victoria Electric Cooperative, Texas

Region 10 CMEC Vice Chair

**Mark Hayden, General Manager and CEO**  
Missoula Electric Cooperative, Montana

Region 9 Regional Representative  
Legislative Member

# **NRECA 2022 Compendium**

## **4 New Proposed Resolutions**

- (1) Premature Retirement of Generation Assets
- (2) Support for a Reasonable Transition of the Electric Utility Industry
- (3) Support to Preserve Adequate Supply Chain Access for Critical Infrastructure
- (4) Support of Demand Response Programs

# **2 Proposed Amendments**

**Recommended  
for Adoption**

(5) Spent Fuel and Nuclear Waste

(6) Support of Broadband for Rural  
America



# Next Steps

- **Sept – Oct:** Regional Meetings
- **Jan 11:** National Resolutions & Member Standing Committee Meetings
- **Late Jan:** Final Proposed Resolutions available
- **Feb:** PEC Board updated on final proposed resolutions before NRECA Annual Meeting in March
- **Mar 3-8:** Annual Meeting in Nashville, delegates vote March 7
- **April:** Final booklet mailed

# Future Meetings

2022 Region 8 & 10 Meeting

*Little Rock*

Oct 24 - 26

2023 Annual Meeting & POWERXCHANGE

*Nashville*

March 3 - 8

2023 Legislative Conference

*Washington DC*

April 16-19



PEDERNALES ELECTRIC COOPERATIVE



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File #: 2022-312, Version: 1

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**Resolution - Review and Approval of Policy for Establishing Procedures for Disposition of All or a Substantial Portion of the Cooperative's Property - D Ballard**

**Submitted By: Mark Beyer**

**Department: Compliance and Regulatory**

**Financial Impact and Cost/Benefit Considerations:**

Pursuant to the Board's Policy on Policies, the Board routinely reviews all Board policies as part of its policy management program. Under the Board's approved review schedule, the Board may now consider review of the Policy for Establishing Procedures for Disposition of All or a Substantial Portion of the Cooperative's Property. The purpose of the Policy is to establish the procedures to (1) identify requirements for an unsolicited proposal to be considered as a Qualified Offer; and (2) identify the process by which a Qualified Offer will be evaluated.

**BE IT RESOLVED BY THE BOARD OF DIRECTORS** that pursuant to its regular review of Board policies, the Board has reviewed and adopts the Policy for Establishing Procedures for Disposition of All or a Substantial Portion of the Cooperative's Property, with such changes, if any, as were approved by the Board; and

**BE IT FURTHER RESOLVED** that the Chief Executive Officer, or designees, are hereby authorized to take all such action as may be necessary to implement this resolution.

**POLICY ~~AND PROCEDURE ESTABLISHING PROCEDURES~~ FOR THE  
DISPOSITION OF  
ALL OR A SUBSTANTIAL PORTION OF THE COOPERATIVE'S  
PROPERTY  
PEDERNALES ELECTRIC COOPERATIVE, INC.  
BOARD ADOPTED: JULY 19, 2010**

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**RECITALS:**

~~1. Pedernales Electric Cooperative (the "Cooperative") was created, and for more than 50 years has served, to bring electric service to homes, businesses, farms and ranches in areas where service was not otherwise available;~~

~~2.—The Cooperative was organized to provide its members with adequate and reliable electric service and to assist its members in the efficient and economical use of energy;~~

~~3.—The Cooperative is a viable business, which is efficiently performing the services for which it was organized;~~

~~4.—The Cooperative is also a vital part of the numerous communities which it serves, and as such, has concerns that include the interests of those communities as well as of other constituencies of the Cooperative;~~

~~5.—The Cooperative is operated as a nonprofit corporation, whereby all revenues not required for payment of its operating and maintenance expenses, principal and interest on its outstanding obligations, and reserves for improvements, new construction, depreciation, and contingencies are allocated to its members in proportion to the amount of business done with such members, as capital credited to the members' accounts, and those capital credits are retired to the members in accordance with state law and the Articles of Incorporation and Bylaws of the Cooperative;~~

~~6.—The Board of Directors (the "Board") recognizes the possibility that the Cooperative could in the future receive an unsolicited offer to acquire all or a substantial portion of the Cooperative's assets of various types (referred to in this Policy as "Property"), whether by purchase, merger, lease, or otherwise;~~

~~7.—The Board has determined that in order for the Directors to carry out their fiduciary duties to the Cooperative, minimize the costs and disruption to the Cooperative involved in undertaking repeated due diligence reviews, and abide by the terms of its Articles of Incorporation, Bylaws, and any applicable laws or regulations, it is in the best interest of the Cooperative and its members to establish certain procedures to govern the Cooperative's receipt, consideration, and final action on such an offer; and~~

~~8.1. The Cooperative's objectives in establishing this Policy are to (i) identify requirements for an unsolicited proposal to be considered as a Qualified Offer, as defined in this Policy; and (ii) identify the process by which a Qualified Offer will be~~

~~evaluated, in a manner consistent with the Directors' fulfillment of their fiduciary responsibilities and which will allow assessment of such proposals in sufficient depth to determine whether a sale of the Cooperative's assets under the terms of the proposal would be in the best interest of the Cooperative and its members.~~

~~NOW, THEREFORE, BE IT RESOLVED:~~

~~1.—That the Board of the Cooperative hereby adopts the following Policy in order to establish certain policies and procedures relating to offers, which shall be followed unless, the Board determines that an exception is required by the particular circumstances; and~~

~~2.—That this Policy is designed only to provide guidance for the Cooperative's Board and shall not be construed to create rights in the Cooperative's members, a party submitting an offer to the Cooperative, or any other person, corporation, or other entity.~~

~~POLICY:~~

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# Policy for the Disposition of All or a Substantial Portion of the Cooperative's Property

## I. Purpose ~~GENERAL POLICY~~

~~The Pedernales Electric Cooperative ("PEC" or "Cooperative")'s and its Board of Directors ("Board") has established objectives in establishing this Policy, and accompanying Procedure, for the Disposition of All or a Substantial Portion of the Cooperative's Property. Policy are in order to (i) identify requirements for an unsolicited proposal to be considered as a Qualified Offer (as defined within the accompanying Procedure), as defined in this Policy; and (ii) identify the process by which a Qualified Offer will be~~

~~evaluated, in a manner consistent with the Directors' fulfillment of their fiduciary responsibilities and which will allow assessment of such proposals in sufficient depth to determine whether a sale of the Cooperative's assets under the terms of the proposal would be in the best interest of the Cooperative and its members.~~

## II. Scope

~~This Policy, and accompanying Procedure, applies to the Board and all PEC employees and Members.~~

## III. Policy Implementation

~~Article X of the Cooperative's PEC Bylaws addresses the requirements and procedures to be met and followed with respect to the disposition sale of all or a substantial portion of the the Cooperative's Pproperty ies. The PEC Articles of Incorporation separately requires Member approval prior to any sale or transfer of all or substantially all of the assets of the Cooperative.~~

~~The present unanimous position of the Board is that the Cooperative is not for sale. The sale of all, or substantially all, of PEC's Pproperty ies and the transfer to a purchaser of the Cooperative's consumers and service areas would cause the Cooperative to cease its legal existence (it would be dissolved); and, therefore, unless the sale is to another nonprofit cooperative entity, PEC would also to cease furnishing electric service on a cooperative, nonprofit basis. Similarly, the sale of PEC's facilities serving a substantial portion of the Cooperative's service area could significantly affect PECthe Cooperative's ability to provide provision of service to the remainder of its service area.~~

~~This position of the Board does not mean that a proposal to purchase the necessarily would Cooperative would not be recommended by the Board or approved by vote of the Cooperative's Mmembers. Rather, the position is simply that the Board presently views the Cooperative as an excellent, viable cooperative enterprise, performing well and beneficially the services for which it was organized on the basis of the principles and purposes embodied in its organization, and. Therefore, the Board perceives there is no need or useful purpose into inviteing, much less encourageing, a proposal to purchase. The Board believes special considerations are in order in connection with a proposal made by any prospective purchaser.~~

## IV. Procedure Implementation

~~The Board has established the accompanying Procedure to be followed in the event that an~~



unsolicited offer to purchase all or a substantial portion of the Cooperative's Property is made.

**V. Enforcement**

The Board will enforce this Policy and accompanying Procedure. Violation of this Policy may result in disciplinary action up to, and including, termination.

**VI. References and Related Documents**

Articles of Incorporation

Bylaws

<u>Policy Title:</u>	<u>Policy and Procedures for the Disposition of All or a Substantial Portion of the Cooperative's Property</u>
<u>Review Frequency:</u>	<u>Every Five Years</u>
<u>Last Reviewed:</u>	<u>September 16, 2022</u>
<u>Date Adopted:</u>	<u>July 19, 2010</u>
<u>Effective Date:</u>	<u>September 16, 2022</u>
<u>Amendment Dates:</u>	<u>July 19, 2010, September 16, 2022</u>
<u>Approver:</u>	<u>Board of Directors</u>
<u>Applies to:</u>	<u>This Policy, and accompanying Procedure, applies to the Board, and all PEC employees and Members</u>
<u>Administrator:</u>	<u>Board of Directors</u>
<u>Superseding Effect</u>	<u>This Policy supersedes all previous policies and memoranda concerning the subject matter. Only the Approver may authorize exceptions to this policy.</u>

# Procedure for the Disposition of All or a Substantial Portion of the Cooperative's Property

## I. Purpose

~~The purpose of this Procedure is to describe the process for In-receiving, evaluating, and acting upon an unsolicited proposal by an prospective purchaser ("Interested Party") to purchase all or a substantial portion of part of the Cooperative's Property in accordance with the PEC Bylaws's Property, the following rules and procedures will be applicable and adhered to except as may and Articles of Incorporation.~~

## II. Scope

~~This Procedure applies when the proposal is to purchase or lease all or a substantial portion of the Cooperative's Property representing all or a substantial portion of the Cooperative's service area.~~

## III. Procedure

~~In receiving, evaluating and acting upon an unsolicited proposal by a prospective purchaser ("Interested Party") to purchase all or part of the Cooperative's Property, the following rules and procedures will be applicable and adhered to except as may These rules and procedures shall apply when the proposal is to purchase all or a substantial portion of the Cooperative's Property representing, in the Board's determination, all or a substantial portion of the Cooperative's service area, or when the proposal is for the Cooperative to lease and/or sell such Property.~~

### 1. Notify the Board

~~Upon receipt of a proposal that is within the scope of this Procedure, representatives of management of the Cooperative ("Management") as identified by the PEC Board of Directors ("Board") in connection with each proposal shall promptly notify the Board in writing and attach a copy of the received proposal.~~

### 2. Provide an Opportunity for the Interested Party to Re-Submit the Proposal

~~Management Preliminary Determination. Upon its receipt of a proposal, the Cooperative's management shall promptly notify the Board in writing and attach a copy of the proposal. After notifying the Board, Management shall provide the Interested Party with a copy of this Policy, and Policy and Procedure and notify the Interested Party in writing that the proposal will be evaluated based on the provisions of this Policy and Procedure.~~

~~The Interested Party shall be given not more than ten (10) calendar days after receipt of the Policy and Procedure to (i) notify the Cooperative of a date certain by which the Interested Party will re-submit its proposal in compliance with the terms of this Procedure, or alternatively (ii) notify the Cooperative that it wishes its initial submittal to be considered under the terms of this Procedure.~~

~~If the proposal is timely re-submitted or reconfirmed by the Interested Party, Management shall make a preliminary determination as to whether the proposal constitutes a Qualified Offer, based on the criteria set out below.~~

### 3. Make Preliminary Determination of a Qualified Offer-Criteria

If the proposal is re-submitted in a timely manner or reconfirmed by the Interested Party, Management shall make a preliminary determination as to whether the proposal constitutes a "Qualified Offer", based on the criteria set out below, -In order for the proposal to be considered a "Qualified Offer" and, as such, to be officially evaluated and acted upon by the Board, it must

~~a.~~ Bbe tendered in good faith;

~~b.~~ a.

~~c.~~ Bbe in typewritten/word-processed or printed form;

~~d.~~ b.

~~e.~~ Reasonably address all substantive aspects of an offer, including specification of an acquisition price and all other material terms, which are binding upon the Interested Party until a specified date or until rejected, and which, if accepted, will, subject to the required legal approval of the Cooperative's Members and any others, ripen into an approved Definitive Agreement~~enforceable contract~~;

~~f.~~ c.

~~g.~~ Not contain provisions that ~~are in conflict with~~conflict with this Policy and Procedure as determined by the Board, or with the Cooperative's Articles of Incorporation, Bylaws, or any applicable law or other policies;

~~h.~~ d.

~~i.~~ sSpecify a date, not earlier than 180 days next following the proposal's (or as, applicable, re-submitted proposal's) delivery to the Cooperative, on and after which, if not accepted by the Board, the proposal will expire;

~~j.~~ e.

~~k.~~ Bbe accompanied by the name(s), address(es) and telephone number(s) of the person(s) representing the Interested Party with whom Management may communicate and from whom it may secure authoritative answers and decisions relating to the proposal;

~~l.~~ f.

~~l.~~ dDisclose the identity of the Interested Party and be executed by authorized representatives of the Interested Party;

~~m.~~ g.

~~n.~~ pProvide substantiation, in reasonable detail satisfactory to the Board, of the financial ability of the Interested Party to finance the transaction described in the proposal;

~~o.~~ h.

~~p.~~ Contain an agreement by the Interested Party to the following non-disclosure provisions: The Interested Party shall not issue press releases or discuss the Qualified Offer with the media, or disclose provisions of the Qualified Offer or the existence or content of discussions or negotiations between the Interested Party and the Cooperative to the public or to any third party without prior written consent of the Cooperative; provided, however that such disclosures may be made by the

Interested Party to its accountants, attorneys, lenders, and investors on a “need-to-know” basis only when such parties agree to be bound by the non-disclosure provisions of this Policy Procedure; and the Interested Party shall cause such parties to comply with these non-disclosure provisions.

q.i.

~~f.~~ i Indicate facts in the proposal which can be reasonably assessed on an initial basis as providing significant value to the Cooperative in the following areas:

s.i.

- (1) Level of retail rates that would be charged to the Cooperative’s Mmembers;
- (2) Quality of customer service provided to the Cooperative’s Mmembers;
- (3) Benefits associated with local presence and support of communities in which the Cooperative’s Mmembers reside and in which it provides service; and
- (4) Ability of Mmembers to participate and have influence in the operation of the Cooperative through their representation on the Board.

~~t.~~ Demonstrate adequate financial capability and creditworthiness to implement the proposal, including an indication in writing of the Interested Party’s willingness to deposit with a financial institution mutually agreed to by the parties in an interest-bearing account an administrative cost reserve in the amount of \$ 500,000 or such greater amount the Board may determine to be appropriate, promptly upon the Interested Party’s being informed in writing by the Cooperative that the proposal is otherwise qualified for consideration under this Procedure Policy. The agreement providing for the administrative cost reserve deposit shall be in a form acceptable to the Cooperative. The administrative cost reserve deposit shall be subject to conditions approved by the Cooperative, including a provision that the

u.k. principal amount of the deposit may be drawn on by the Cooperative, without reimbursement to the Interested Party, to:

- (1) Pay all costs (including but not limited to accounting, engineering, and legal) of studies, reviews, analyses, and appraisals by and for the Cooperative in its evaluation and consideration of the Qualified Offer (including the Cooperative's internal staff costs associated with such evaluation and consideration), whether or not ultimately accepted; and
- (2) Pay costs incurred by the Cooperative in seeking regulatory approvals.

If the proposal is withdrawn or rejected, any remaining balance in the administrative cost reserve shall be paid to the Interested Party without interest when the Board certifies that all costs set forth in ~~clauses II.3(k)(i) and II.3(k)(ii)~~ of this section have been paid in full.

#### 4. Submit Qualified Offer to the Board for Final Determination Decision as to Qualified Offer

~~Based on its application of the foregoing factors to the proposal, representatives of management of the Cooperative as identified by the Board in connection with each particular proposal ("Management") shall submit their assessment to the Directors, Board and the Directors Board shall make a final determination as to whether the proposal is a Qualified Offer.~~

v.a. ~~Board Determines that the~~ Proposal is Not Qualified. ~~If the Board determines that the proposal is not a thus Qualified Offer, it shall be summarily rejected by the Board. The Interested Party shall have no opportunity to correct or re-submit a proposal that has been rejected by the Board as unqualified. Any subsequent proposal submitted by an Interested Party within three (3) years following the Board's rejection of the Interested Party's initial proposal pursuant to this process shall not be considered by the Cooperative, and Cooperative and shall be summarily rejected.~~

b. ~~Board Determines that the Proposal is Qualified. Initiation of Phase I and Phase II Evaluations.~~ If the proposal is ~~thus~~ determined to be a Qualified Offer, and the administrative cost reserve provided for in ~~Part Section III.3(k) above II.3(k)~~ is properly deposited under a form of agreement approved by the Board, the Board shall promptly institute ~~the following procedures as~~ Phase I and Phase II of ~~the~~ evaluation process:

#### 2.5. Conduct Phase I Evaluation

a. Commencement of Evaluation. The Board shall undertake an evaluation of the Qualified Offer. The evaluation shall ~~take into account~~ consider the provisions of this ~~Procedure~~ Policy, including the Standards for Evaluation set out in ~~Part III Appendix A.~~ Management may retain such consultants, advisors, and outside counsel as it deems appropriate in connection with its evaluation.

~~b.~~

~~c.~~ Determine Communications Liaison. The Board shall designate one or more individuals from the Cooperative to receive all communications, including telephone calls and written communications, from the Interested Party, the

\_\_\_\_\_ ~~M~~members, and the media. The designated individual ~~{s}~~ shall understand and follow this ~~Procedure~~, but not have authority to bind the Board or the Cooperative on any matter regarding the Qualified Offer. The Interested Party shall not communicate or discuss the proposal with any Member of the Cooperative other than the designated individual ~~{s}~~.

b. \_\_\_\_\_

d. ~~Send Copies of Qualified Offer Copies to Counsel and Address Loan Effect Inquiries.~~ The Board shall send a copy of the Qualified Offer to the Cooperative's attorney and such other attorneys and advisors as appropriate; and it shall determine, through appropriate inquiries, the effects of the Qualified Offer upon the Cooperative's mortgage, loan, or bond documents, or other instruments relating to the Cooperative's outstanding debt.

c. \_\_\_\_\_

e. ~~Conduct Rate and Service Quality Comparisons.~~ The Board shall obtain an initial comparison of the Cooperative's and the Interested Party's present (if the Interested Party is presently engaged in the provision of electric services) and reasonably foreseeable future rates, fees, and charges, assuming the future operation of the Cooperative by the Interested Party, including service extension requirements, other service rules and regulations, adequacy and reliability of service, and any other considerations relevant to the provision of electric service.

f.d. \_\_\_\_\_

g. ~~Gather Information From Interested Party.~~ The Board shall request detailed information from the Interested Party, such as annual reports, tax returns, and form 10-K filings dating back at least five (5) years; full copies of all relevant audits, internal planning documents, and employee policy manuals; a current stockholder or proposed investor list; a list of all pending court and administrative proceedings relevant to the proposed transaction; and any relevant operations manuals, engineering studies, construction plans, and environmental impact statements.

h.e. \_\_\_\_\_

i. ~~Obtain Tax Impact Opinion.~~ The Board shall request the Interested Party to submit an expert opinion, from such experts acceptable to the Cooperative, setting forth the potential tax liabilities of the transaction to the Cooperative and the ~~M~~members.

j.f. \_\_\_\_\_

k.g. ~~Complete Phase I Evaluation/Recommendation.~~ If the Board determines that, after preliminary investigation, which shall be reported to the Board with Management's assessment, the Board determines that, based on the findings to date, the Qualified Offer warrants proceeding with the expense of further investigation in greater depth, the Board shall implement Phase II, a second phase of the investigation.

3. \_\_\_\_\_

4. ~~Conduct Phase II Evaluation Phase II Evaluation. If the Board has determined that the Qualified Offer justifies further investigation in greater depth, Phase II of the investigation shall be conducted with the following features, and with the assistance of such consultants, advisors, and outside counsel as deemed appropriate in connection with its evaluation:~~

6.

a. ~~Provide Additional Investment Cost Reserve Addition.~~ As a condition of ~~this second~~ ~~Phase II~~, the Interested Party shall be required to deposit an additional sum of not less than \$750,000 into the administrative cost reserve. The additional deposit amount may be increased if the ~~Board Directors~~ determines that the Cooperative's evaluation efforts so require, and the Interested Party shall deposit the additional sum so required.

~~b. Provide Additional~~

~~e.b.~~ Cooperative Information. If requested, the Cooperative shall provide additional information to the Interested Party regarding the Cooperative's finances and operations, subject to the Interested Party's execution of a confidentiality agreement in form acceptable to the Cooperative.

~~d. Provide a~~

~~e.c.~~ Revised and Final Proposal. The Interested Party may thereafter submit a revised and final proposal to the Cooperative, reflecting the complete and definitive terms and conditions associated with the proposed transaction that is contemplated by the Qualified Offer.

~~f. Conduct a~~

~~g.d.~~ Valuation Study. In evaluating the Interested Party's proposal or final proposal (if a revised final proposal is submitted), Management shall obtain reports by two or more independent persons or firms that are ("valuers") expert in such matters, utilizing commonly accepted valuation methods, who shall be appointed by the Board and who shall render their respective opinions and findings as to valuation matters specified by Management, which matters may include the following:

~~(1)~~

~~(2)~~ (1) The value of the Cooperative's physical properties and assets;

~~(3)~~

~~(4)~~ (2) The value of its Property interests (including intangible interests such as, for instance, its service area rights);

~~(5)~~

~~(6)~~ (3) The competitive going concern business value of the Cooperative, taking into account the present and reasonably foreseeable future market for its electric services;

~~(7)~~

~~(8)~~ (4) The value of new and expanded residential, industrial, ~~commercial~~ commercial, and other-type growth that may be reasonably anticipated within the Cooperative's service areas in the immediate and reasonably foreseeable future;

~~(9)~~

~~(10)~~ A comparison of the Cooperative's and the Interested Party's present (if the Interested Party is presently engaged in providing electric service) and reasonably foreseeable future adequacy and reliability of service, rates,

| fees and



~~(11)~~(5) charges, service rules, regulations, and other terms and conditions of service, and;

~~(12)~~—

~~(13)~~(6) All other considerations meaningfully bearing upon the ability, willingness, intent, and expected effects of the respective parties in providing electric service. Such reports shall be limited to that portion of the Cooperative's Property which is the subject of the Qualified Offer, if such offer applies to less than all or substantially all the Cooperative's Property. Such ~~valuers~~ experts may also be assigned the responsibility of rendering their opinions as to the value of the loss to the Cooperative's ~~consumers of a cooperative Member or~~ mutual benefit organization for providing their electric services on a nonprofit, area-coverage basis at the lowest cost consistent with sound business principles, as opposed to receiving such service from a for-profit investor-owned utility, and as to the effect on the value and continued operations of the Cooperative's remaining systems, if any. However, Management shall also study the foregoing value factors and report its conclusions to the Board and the Board shall make its own final determination thereof, with the assistance of recommendations made by Management. The Board will review in accordance with their fiduciary duties give good-faith regard to the reports and opinions of such ~~experts~~ valuers on all matters covered by their reports and opinions, reserving the right, however, to reject or accept such aspects thereof as the Board, after due consideration, may in its own sole discretion and judgment so determine.

h.e. Other Phase II Measures. Taking into consideration the provisions of this ~~Policy~~ Procedure, and the Standards for Evaluation set out in ~~Part III~~ Appendix A, the Board shall also undertake such other consultations, studies, deliberations, and other measures, and engage such advisors as it deems appropriate and sufficient to enable it to inform itself of all matters that are relevant and material to its decision as to whether to approve and recommend to the ~~M~~members or to reject the Qualified Offer.

## 7. Notify the Interested Party of a ~~Notice on~~ Rejection

—If the Board rejects the Qualified Offer in connection with the Phase I or Phase II ~~investigation~~ evaluation, it shall promptly ~~so~~ notify the Interested Party.

## 8. Provide Offer for Expanded ~~Option for~~ Solicitation Process

—If at any point in its evaluation process the Board determines that an expanded process for soliciting proposals from other potentially qualified entities is desirable and in the best interests of the Cooperative and its ~~M~~members, upon a vote of two-thirds (2/3) of the Directors, such a process may be implemented in lieu of continuing with ~~this~~ se p ~~Procedures set out in this Policy~~. In such event, the Interested Party will be ~~so~~ informed in writing and any remaining balance in the administrative cost reserve fund shall be paid, without interest, to the Interested Party.

## 5.9. Provide Consideration by Board of Approval of Qualified Offer

If, after evaluation of the Qualified Offer in accordance with their fiduciary duties and the standards in Appendix A and mutual agreement by the Board and the Interested Party to any changes in the Interested Party's proposed definitive agreement, two-thirds (2/3) of the Directors comprising the Board may determine by affirmative vote that the sale, transfer, lease, merger, or other acquisition proposed by the Qualified Offer is in the best interest of the Cooperative and its Mmembers under the terms of such definitive agreement with any changes in the Interested Party's proposed definitive agreement as required by the Board.

Upon such determination, the Board shall:

- a. Formalize such determination, as part of such affirmative vote, by adopting a resolution consistent with the provisions of the Bylaws, and notify the Interested Party of the Cooperative's intent to further pursue the proposed transaction contemplated by the definitive agreement ("~~Approved~~ Definitive Agreement"), subject to the necessary approval thereof by the Cooperative's Mmembers and any other required approvals; and subject to agreement by the Interested Party to the following terms and conditions, to be included in the ~~Approved~~ Definitive Agreement:

~~(1)~~ —

~~(2)~~(1) That the Cooperative is released from or otherwise satisfies its wholesale power contracts;

~~(3)~~ —

~~(4)~~(2) That any adverse tax impacts upon the Cooperative as an entity and its present and former Mmembers will be minimized to the extent practicable;

~~(5)~~ —

~~(6)~~(3) That all existing employees of the Cooperative are offered continued employment for at least three (3) years upon terms at least equal to those enjoyed by the Cooperative's employees at the time the Qualified Offer was submitted to the Board with the employment terms to be considered to include wages, salaries, severance benefits, insurance and pension benefits, fringe benefits, rank and job title, place of employment, and residence;

~~(7)~~ —

~~(8)~~(4) That the total consideration to be paid by the Interested Party will be paid directly to the Cooperative or its account; provided that a Qualified Offer of merger may provide for issuance of stock to the Cooperative's Mmembers in exchange for their capital credits and Mmembership interests;

~~(9)~~ —

~~(10)~~(5) That the transaction will become void if all regulatory, lender, and contractual approvals are not obtained within a reasonable time after Mmember approval;

~~(11)~~ —

~~(12)~~ That earnest money in an amount reasonably determined by majority vote

of the Board be deposited by the Interested Party with the financial institution referenced in ~~Part~~Section -III.3(k) of this ~~Procedure~~Policy to ensure the continued good-faith commitment of the Interested Party to proceed to consummation of the proposed transaction, under terms determined by the Board; to satisfy this requirement, the

~~(13)~~(6) Board may designate any remaining portion of the administrative cost reserve fund not needed for defrayal of evaluation costs to be utilized for such escrow, together with any additional amounts deemed appropriate;

~~(14)~~—

~~(15)~~(7) That the members will be notified of the Approved Definitive Agreement and of its substantive features;

~~(16)~~—

~~(17)~~(8) That there will be a call of a meeting of the Mmembers for the purpose of acting on the proposed transaction contemplated by the Approved Definitive Agreement, consistent with Part Section III.10 below; and

~~(18)~~—

~~(19)~~(9) a Any other terms and conditions reasonably determined by the Board to be necessary or appropriate in implementing the transaction contemplated by the Qualified Offer for inclusion in the Approved Definitive Agreement.

- b. Notify ~~the National Rural Utilities Cooperative Finance Corporation (“CFC”) and/or any other~~ applicable lenders of the Cooperative, to the extent such lenders have not already been notified, of the terms of the Approved Definitive Agreement and of the results of the Board’s evaluation process;

~~c.~~—

~~d.~~c. Upon execution by the Interested Party of the Approved Definitive Agreement incorporating the foregoing elements, notify the Mmembers that a proposal has been received constituting a Qualified Offer and that has been determined by the Board after the two-phase evaluation process to warrant submittal to the Mmembers for their review and consideration determination. The notification shall contain an accurate summary description of the Qualified Offer and of the Approved Definitive Agreement, shall state that the Board has provisionally approved the Approved Definitive Agreement for submittal to the Mmembers based on the evaluation process required by this Procedure policy, shall briefly describe the Procedures that the Board has followed in evaluating the Qualified Offer and the results of such evaluation, shall provide the name of the person Mmembers may contact with questions regarding the Qualified Offer and the evaluation process, and shall apprise the Mmembers that a copy of the formal Qualified Offer, relevant materials relating to the evaluation, and the Approved Definitive Agreement may be reviewed or copied by them at the Cooperative’s principal office and area offices at any reasonable hour during normal business days and in accordance with PEC’s Open Records Policy.

## **10. Conduct Procedure for a Member Meeting**

—The conduct of the Mmember meeting and related mail-balloting on the Approved Definitive Agreement shall be so undertaken as to minimize the financial cost and operational disruption of the conduct of the Cooperative’s business, consistent with the following:

e.a. The Board shall promptly fix the time, date, and place of the meeting and shall prescribe the wording and method of disseminating, collecting, and counting the ~~written~~ ballots to be employed in the voting. In fixing the date of the meeting, the Board shall have due regard for the ability of the ~~M~~members to become fully apprised of the ~~Approved~~ Definitive Agreement so as to enable them to make an informed decision through their votes submitted in connection with the meeting, which shall in any event be called and held in compliance with the Cooperative's applicable Bylaw provisions and policies regarding meetings.

f. \_\_\_\_\_

g.b. If the Board determines that false or incorrect information is being disseminated by one or more persons, whether in favor of or opposed to the proposed transaction, and that such information may materially affect the outcome of the meeting and election, the Board may abort or withdraw the call of the meeting. Thereafter, the Board may either rescind its determination to approve the ~~Approved~~ Definitive Agreement, if it determines that the Interested Party was responsible, in whole or in substantial part, for the dissemination of such false or incorrect information; or it may reschedule the meeting and voting, conditioned upon the correction of such false or incorrect information by the person(s) responsible and upon their agreement to pay the cost of publishing such corrections in a manner prescribed by the Board, and/or upon their agreement to refrain from disseminating false or incorrect information relative to such newly fixed meeting and voting; and/or the Board may take any other action it deems appropriate in the circumstances.

h. \_\_\_\_\_

i.c. The Board shall otherwise conduct the meeting and the voting, and count and announce the result of the votes cast, in accordance with such plans and procedures as it shall establish in a manner consistent with any applicable provisions of law or of the Cooperative's Articles of Incorporation or Bylaws.

## **11. Conditions Applicable on Rejection of Qualified Offer or ~~Approved~~ Definitive Agreement**

—If the Qualified Offer is rejected, either initially by the Board at the conclusion of Phase I or Phase II, or by the ~~M~~members in connection with their consideration of the ~~Approved~~ Definitive Agreement, any further proposal from the Interested Party submitting such a Qualified Offer within (3) three years thereafter shall be summarily rejected by the Board unless it materially differs from the rejected Qualified Offer and ~~Approved~~ Definitive Agreement.

## **12. Approval of ~~Approved~~ Definitive Agreement**

In order for a Definitive Agreement to be considered "approved" by Membership, it requires an approval vote of sixty-six 2/3 percent (as stated in the Articles of Incorporation) and two-thirds (2/3) (as stated in the Bylaws) of all Members of the Cooperative, either in person or by Member proxy ("Approved Definitive Agreement").

—If the ~~M~~members vote to approve the ~~Approved~~ Definitive Agreement, the Cooperative shall take all actions reasonably necessary to effect the transaction contemplated thereby and, if necessary, dissolve and wind up the business of the Cooperative; provided, however, that it shall be the responsibility of the Interested Party to obtain all necessary regulatory and contractual approvals. Unless such approvals are obtained within such reasonable

time as determined by the Board included in the Approved Definitive Agreement, the proposed transaction shall be deemed terminated and null and void.

|| \_\_\_\_\_

=====

#### **IV. Definitions**

**Interested Party** – A prospective purchaser of all or a substantial portion of the Cooperative's Property.

**Property** – The Cooperative's assets of various types.

**Management** – Representatives of management of the Cooperative as identified by the PEC Board of Directors.

**Qualified Offer** – An unsolicited proposal that meets the established criteria as determined by the Board of Directors.

**Definitive Agreement** – An agreement approved by the Board provisionally between an Interested Party and the Cooperative as to a sale of the assets of the Cooperative in accordance with this Policy and Procedure which then requires Member approval.

**Approved Definitive Agreement** – An agreement approved by the Members of the Cooperative for the sale of all or a substantial portion of the Cooperative.

#### **V. References and Related Documents**

Articles of Incorporation

Bylaws

Open Records Policy

#### **APPENDIX A: STANDARDS FOR EVALUATION BY THE BOARD**

After having received and approved the status of a Qualified Offer ~~under Part II.4~~, in evaluating and acting on a Qualified Offer under Phases I and II of the evaluation process set out in the ~~is Procedure~~, the following criteria, as well as any other criteria which the Board may determine to be appropriate under the circumstances, will be ~~taken into account~~considered by the Board:

1. **Members' Best Interest.** ~~Whether the Qualified Offer is in the best interest of the Cooperative's members.~~ In determining whether the Qualified Offer is in the ~~M~~members' best interest, the Board will consider both economic and non-economic matters, both at the present time and for the reasonably foreseeable future.
2. **Electric Service Quality.** If the Interested Party is engaged in the provision of electric service, the reliability and character of the electric service provided by the Interested Party, at the time of the Qualified Offer and as projected into the reasonably foreseeable future, including timeliness and priority of service restoration after outages, and regard for good engineering and operating standards, as compared with the Cooperative.
3. **Consumer Service Quality.** If the Interested Party is engaged in the provision of electric service, the character and quality of consumer services provided by the Interested Party as compared with the Cooperative's, including convenience for consumers of billing and bill-paying procedures, consideration and provision for consumers with special electrical needs or in hardship cases, procedures and personnel available for dealing with consumer complaints, extension/connection/~~and~~ reconnection policy with respect to new and existing consumers, concern for property owners and occupants in obtaining rights of way and constructing and maintaining facilities, and courtesy and personal regard in all official relationships with consumers and service applicants.
4. **Personnel Effects.** Effects on the Cooperative's existing personnel, with respect to job security and advancement potential in a new organization, level of wages, salaries and fringe benefits, relocation policies, and other applicable policies.
5. **Electric Rate Effects.** Effects of the proposed transaction contemplated by the Qualified Offer on electric rates and other fees and charges of the Interested Party, compared with the Cooperative's, looking both at the inception and at the indefinite future (but for a minimum of five years), and also taking into account the value of the Cooperative's capital credit structure. In addition, the Board may consider how the ~~M~~members' rates may be impacted in the future by the proposed transaction and the effect of the proposed transaction on the Cooperative's regulatory status.



5. —

6. **Community Relationship Effects.** Effects of the proposed transaction contemplated by the Qualified Offer on existing relationships of the Cooperative with the communities which it ~~servesserves~~, or which are adjacent to its service area, and their various civic, educational, business, and other community organizations.

7. —

8-7. **Asset Value Comparison.** Whether the expected value and profitability of the Cooperative's Property to the Interested Party, after ~~taking into account~~ considering, among other relevant factors, the Cooperative's financial forecasts, are of greater future value to the Cooperative's Mmembers through continued or improved Cooperative operations.

9. —

10-8. **Business Organization Comparison.** How the Qualified Offer and its expected consequences, if with an investor-owned utility, a municipal utility, or a financial investor, compare with a possible merger or consolidation with one or more other cooperatives.

11. —

12-9. **Contract Relations Effects.** Effects of the proposed transaction contemplated by the Qualified Offer on present contractual relations of the Cooperative with its wholesale power suppliers, industry associations, CFC and other lenders, and other entities with which the Cooperative has existing executory contracts.

13. —

14-10. **Assessment of Total Consideration.** Whether the proposal clearly states the total consideration to be paid by the Interested Party and its manner of ~~payment, and~~ payment and makes provision for the discharge of the Cooperative's liabilities and the retirement and distribution of any surplus consistent with outstanding capital credit accounts, all in accordance with applicable law and the Cooperative's Articles of Incorporation and Bylaws.

15. —

16-11. **Capital Credit Retirement Evaluation.** The extent to which the proposed transaction would result in a maximization of value of Mmembers' equity interests in the Cooperative, including the value of and any premium to the value of Mmembers' patronage capital accounts upon retirement, ~~taking into account~~ considering all relevant considerations relating to the future service of the Cooperative's end users.

17. —

18-12. **Effects of Partial Purchase.** Effects on any of the foregoing criteria of a Qualified Offer to purchase Property used by the Cooperative to serve only a portion of its service area and distribution facilities, with respect to the resulting effects on the remaining portions of the Cooperative's system.

19. —

20. **Results of Valuation Assessments.** The results of the reports concerning the value of the Cooperative. Although the Board shall consider all such information and opinions, it shall have the final responsibility to make the Cooperative's official determination of value and whether acceptance of the Qualified Offer is in the best interests of the Cooperative and should be presented to the Mmembers for approval.

13.

21.14. Compliance with Laws, Policies. Whether the Qualified Offer complies with all applicable laws, regulations, and requirements of the Cooperative's Articles of Incorporation, Bylaws, and policies, including the provisions of this Policy and Procedure, and with all requirements of any of the Cooperative's mortgage, loan, or bond documents.

22.15. Financial Capability. Whether the Interested Party is financially able to consummate the Qualified Offer. The Board may also consider the source and feasibility of the proposed financing.

23.16. Solicitation of Other Proposals. Whether the Cooperative should seek other potential bidders for the Cooperative ~~in order to~~ maximize the value of the Cooperative for its Members.

24.17. Environmental Factors. Whether operation of the Cooperative's facilities and service to its end-users is likely to be conducted by the Interested Party with continuation or enhancement of the Cooperative's present progressive policies relating to environmental protection, increased use of renewable energy sources and technologies, and energy efficiency, as evidenced by past practice of the Interested Party or credible current commitments.

25. Other Standards. Other standards determined by the Board to be relevant to reasonable assessment of any such Qualified Offer ~~in light of~~ considering its anticipated effects on the Cooperative's system and the Cooperative and its Members.

26.

~~The Board, acting in good faith after informing itself of all relevant information and data and after implementation of relevant provisions of this Policy, will decide whether to reject a Qualified Offer or approve and recommend a Qualified Offer in the form of an Approved Definitive Agreement to the members for approval, based upon its determination of what is in the best interests of the Cooperative and its members.~~

28. RESPONSIBILITY:

29.

~~30.18. It shall be the responsibility of the Board to implement the provisions of this Policy.~~



# POLICY AND PROCEDURE FOR THE DISPOSITION OF ALL OR A SUBSTANTIAL PORTION OF THE COOPERATIVE’S PROPERTY

Effective Date: September 16, 2022

## POLICY AT A GLANCE

It is the position of PEC’s Board of Directors that the Cooperative is not for sale; however, it is also the position that a Qualified Proposal made by a perspective buyer warrants appropriate due diligence and consideration in accordance with this Policy and Procedure.

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# **POLICY FOR THE DISPOSITION OF ALL OR A SUBSTANTIAL PORTION OF THE COOPERATIVE'S PROPERTY**

## **1. PURPOSE**

The Pedernales Electric Cooperative ("PEC" or "Cooperative") and its Board of Directors ("Board") has established this Policy, and accompanying Procedure, for the Disposition of All or a Substantial Portion of the Cooperative's Property in order to (1) identify requirements for an unsolicited proposal to be considered as a Qualified Offer (as defined within the accompanying Procedure); and (2) identify the process by which a Qualified Offer will be evaluated.

## **2. SCOPE**

This Policy, and accompanying Procedure, applies to the Board and all PEC employees and Members.

## **3. POLICY IMPLEMENTATION**

The PEC [Bylaws](#) address the requirements to be met with respect to the disposition of all or a substantial portion of the Cooperative's Property. The PEC [Articles of Incorporation](#) separately requires Member approval prior to any sale or transfer of all or substantially all of the assets of the Cooperative.

The position of the Board is that the Cooperative is not for sale. The sale of all, or substantially all, of PEC's Property would cause the Cooperative to cease its legal existence (it would be dissolved); therefore, unless the sale is to another nonprofit cooperative entity, PEC would cease furnishing electric service on a cooperative, nonprofit basis. Similarly, the sale of PEC's facilities serving a substantial portion of the Cooperative's service area could significantly affect PEC's ability to provide service to the remainder of its service area.

This position of the Board does not mean that a proposal to purchase the Cooperative would not be recommended by the Board or approved by vote of the Cooperative's Members. Rather, the position is that the Board presently views the Cooperative as an excellent, viable cooperative enterprise, performing the services for which it was organized, and therefore there is no need to invite, much less encourage, a proposal to purchase.

## **4. PROCEDURE IMPLEMENTATION**

The Board has established the accompanying Procedure to be followed in the event that an unsolicited offer to purchase all or a substantial portion of the Cooperative's Property is made.

## **5. POLICY ENFORCEMENT**

The Board will enforce this Policy and accompanying Procedure. Violation of this Policy and accompanying Procedure may result in disciplinary action up to, and including, termination.

## **6. REFERENCES AND RELATED DOCUMENTS**

[Articles of Incorporation](#)

[Bylaws](#)





Date adopted:	July 19, 2010
Last reviewed:	September 16, 2022
Review frequency:	Every Five Years
Amendment dates:	July 19, 2010, September 16, 2022
Effective date:	September 16, 2022
Approver:	Board of Directors
Applies to:	This Policy, and accompanying Procedure, applies to the Board, and all PEC employees and Members
Administrator:	Board of Directors
Superseding effect:	This Policy supersedes all previous policies and memoranda concerning the subject matter. Only the Approver may authorize exceptions to this Policy.

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# PROCEDURE FOR THE DISPOSITION OF ALL OR A SUBSTANTIAL PORTION OF THE COOPERATIVE'S PROPERTY

## 1. PURPOSE

The purpose of this Procedure is to describe the process for receiving, evaluating, and acting upon an unsolicited proposal by an Interested Party to purchase all or a substantial portion of the Cooperative's Property in accordance with the PEC [Bylaws](#) and [Articles of Incorporation](#).

## 2. SCOPE

This Procedure applies when the proposal is to purchase or lease all, or a substantial portion, of the Cooperative's Property representing all or a substantial portion of the Cooperative's service area.

## 3. PROCEDURE

### 3.1 Notify the Board

Upon receipt of a proposal that is within the scope of this Procedure, representatives of management of the Cooperative ("Management") as identified by the PEC Board of Directors ("Board") in connection with each proposal shall promptly notify the Board in writing and attach a copy of the received proposal.

### 3.2 Provide an Opportunity for the Interested Party to Re-Submit the Proposal

After notifying the Board, Management shall provide the Interested Party with a copy of this Policy and Procedure and notify the Interested Party in writing that the proposal will be evaluated based on the provisions of this Policy and Procedure.

The Interested Party shall be given not more than ten (10) calendar days after receipt of the Policy and Procedure to (1) notify the Cooperative of a date certain by which the Interested Party will re-submit its proposal in compliance with the terms of this Procedure, or alternatively (2) notify the Cooperative that it wishes its initial submittal to be considered under the terms of this Procedure.

### 3.3 Make Preliminary Determination of a Qualified Offer

If the proposal is re-submitted in a timely manner or reconfirmed by the Interested Party, Management shall make a preliminary determination as to whether the proposal constitutes a "Qualified Offer", based on the criteria set out below, and to be officially evaluated and acted upon by the Board:

- 3.3.1 Be tendered in good faith;
- 3.3.2 Be in typewritten/word-processed or printed form;
- 3.3.3 Reasonably address all substantive aspects of an offer, including specification of an acquisition price and all other material terms, which are binding upon the Interested Party until a specified date or until rejected, and which, if accepted, will, subject to the required legal approval of the Cooperative's Members and any others, ripen into an Approved Definitive Agreement;





- 3.3.4 Not contain provisions that conflict with this Policy and Procedure as determined by the Board, or with the Cooperative's [Articles of Incorporation](#), Bylaws, or any applicable law or other policies;
- 3.3.5 Specify a date, not earlier than 180 days next following the proposal's (or as, applicable, re-submitted proposal's) delivery to the Cooperative, on and after which, if not accepted by the Board, the proposal will expire;
- 3.3.6 Be accompanied by the name(s), address(es) and telephone number(s) of the person(s) representing the Interested Party with whom Management may communicate and from whom it may secure authoritative answers and decisions relating to the proposal;
- 3.3.7 Disclose the identity of the Interested Party and be executed by authorized representatives of the Interested Party;
- 3.3.8 Provide substantiation, in reasonable detail satisfactory to the Board, of the financial ability of the Interested Party to finance the transaction described in the proposal;
- 3.3.9 Contain an agreement by the Interested Party to the following non-disclosure provisions: The Interested Party shall not issue press releases or discuss the Qualified Offer with the media, or disclose provisions of the Qualified Offer or the existence or content of discussions or negotiations between the Interested Party and the Cooperative to the public or to any third party without prior written consent of the Cooperative; provided, however that such disclosures may be made by the Interested Party to its accountants, attorneys, lenders, and investors on a "need-to-know" basis only when such parties agree to be bound by the non-disclosure provisions of this Procedure; and the Interested Party shall cause such parties to comply with these non-disclosure provisions;
- 3.3.10 Indicate facts in the proposal which can be reasonably assessed on an initial basis as providing significant value to the Cooperative in the following areas:
  - 3.3.10.1 Level of retail rates that would be charged to the Cooperative's Members;
  - 3.3.10.2 Quality of customer service provided to the Cooperative's Members;
  - 3.3.10.3 Benefits associated with local presence and support of communities in which the Cooperative's Members reside and in which it provides service; and
  - 3.3.10.4 Ability of Members to participate and have influence in the operation of the Cooperative through their representation on the Board;
- 3.3.11 Demonstrate adequate financial capability and creditworthiness to implement the proposal, including an indication in writing of the Interested Party's willingness to deposit with a financial institution mutually agreed to by the parties in an interest-bearing account an administrative cost reserve in the amount of \$500,000 or such greater amount the Board may determine to be appropriate, promptly upon the Interested Party's being informed in writing by the Cooperative that the proposal is otherwise qualified for consideration under this Procedure. The agreement providing for the administrative cost reserve deposit shall be in a form acceptable to the Cooperative. The administrative cost reserve deposit shall be subject to conditions approved by the Cooperative, including a provision that the principal amount of the deposit may be drawn on by the Cooperative, without reimbursement to the Interested Party, to:





- 3.3.11.1 Pay all costs (including but not limited to accounting, engineering, and legal) of studies, reviews, analyses, and appraisals by and for the Cooperative in its evaluation and consideration of the Qualified Offer (including the Cooperative's internal staff costs associated with such evaluation and consideration), whether or not ultimately accepted; and
- 3.3.11.2 Pay costs incurred by the Cooperative in seeking regulatory approvals.

Note: If the proposal is withdrawn or rejected, any remaining balance in the administrative cost reserve shall be paid to the Interested Party without interest when the Board certifies that all costs set forth in this section have been paid in full.

### 3.4 Submit Qualified Offer to the Board for Final Determination

Based on its application of the foregoing factors to the proposal, Management shall submit their assessment to the Board and the Board shall make a final determination as to whether the proposal is a Qualified Offer.

- 3.4.1 Board Determines that the Proposal is Not Qualified. If the Board determines that the proposal is not a Qualified Offer, it shall be summarily rejected by the Board. The Interested Party shall have no opportunity to correct or re-submit a proposal that has been rejected by the Board as unqualified. Any subsequent proposal submitted by an Interested Party within three (3) years following the Board's rejection of the Interested Party's initial proposal pursuant to this process shall not be considered by the Cooperative and shall be summarily rejected.
- 3.4.2 Board Determines that the Proposal is Qualified. If the proposal is determined to be a Qualified Offer, and the administrative cost reserve provided for in Section 3.3.11 above is properly deposited under a form of agreement approved by the Board, the Board shall promptly institute Phase I and Phase II of the evaluation process.

### 3.5 Conduct Phase I Evaluation

- 3.5.1 Commence Evaluation. The Board shall undertake an evaluation of the Qualified Offer. The evaluation shall consider the provisions of this Procedure, including the Standards for Evaluation set out in Appendix A. Management may retain such consultants, advisors, and outside counsel as it deems appropriate in connection with its evaluation.
- 3.5.2 Determine Communications Liaison. The Board shall designate one or more individuals from the Cooperative to receive all communications, including telephone calls and written communications, from the Interested Party, the Members, and the media. The designated individual(s) shall understand and follow this Procedure, but not have authority to bind the Board or the Cooperative on any matter regarding the Qualified Offer. The Interested Party shall not communicate or discuss the proposal with any Member of the Cooperative other than the designated individual(s).
- 3.5.3 Send Copies of Qualified Offer to Counsel and Address Loan Effect Inquiries. The Board shall send a copy of the Qualified Offer to the Cooperative's attorney and such other attorneys and advisors as appropriate; and it shall determine, through appropriate inquiries, the effects of the Qualified Offer upon the Cooperative's mortgage, loan, or bond documents, or other instruments relating to the Cooperative's outstanding debt.







- 3.5.4 Conduct Rate and Service Quality Comparisons. The Board shall obtain an initial comparison of the Cooperative's and the Interested Party's present (if the Interested Party is presently engaged in the provision of electric services) and reasonably foreseeable future rates, fees, and charges, assuming the future operation of the Cooperative by the Interested Party, including service extension requirements, other service rules and regulations, adequacy and reliability of service, and any other considerations relevant to the provision of electric service.
- 3.5.5 Gather Detailed Information from Interested Party. The Board shall request detailed information from the Interested Party, such as annual reports, tax returns, and form 10-K filings dating back at least five (5) years; full copies of all relevant audits, internal planning documents, and employee policy manuals; a current stockholder or proposed investor list; a list of all pending court and administrative proceedings relevant to the proposed transaction; and any relevant operations manuals, engineering studies, construction plans, and environmental impact statements.
- 3.5.6 Obtain Tax Impact Opinion. The Board shall request the Interested Party to submit an expert opinion, from such experts acceptable to the Cooperative, setting forth the potential tax liabilities of the transaction to the Cooperative and the Members.
- 3.5.7 Complete Phase I Evaluation/Recommendation. If the Board determines that, based on the findings to date, the Qualified Offer warrants proceeding with the expense of further investigation in greater depth, the Board shall implement Phase II of the investigation.

### **3.6 Conduct Phase II Evaluation**

- 3.6.1 Provide Additional Investment Cost Reserve. As a condition of Phase II, the Interested Party shall be required to deposit an additional sum of not less than \$750,000 into the administrative cost reserve. The additional deposit amount may be increased if the Board determines that the Cooperative's evaluation efforts so require, and the Interested Party shall deposit the additional sum so required.
- 3.6.2 Provide Additional Cooperative Information. If requested, the Cooperative shall provide additional information to the Interested Party regarding the Cooperative's finances and operations, subject to the Interested Party's execution of a confidentiality agreement in form acceptable to the Cooperative.
- 3.6.3 Provide a Revised and Final Proposal. The Interested Party may thereafter submit a revised and final proposal to the Cooperative, reflecting the complete and definitive terms and conditions associated with the proposed transaction that is contemplated by the Qualified Offer.
- 3.6.4 Conduct a Valuation Study. In evaluating the Interested Party's proposal or final proposal (if a revised final proposal is submitted), Management shall obtain reports by two or more independent persons or firms that are expert in such matters, utilizing commonly accepted valuation methods, who shall be appointed by the Board and who shall render their respective opinions and findings as to valuation matters specified by Management, which matters may include the following:
  - 3.6.4.1 The value of the Cooperative's physical properties and assets;
  - 3.6.4.2 The value of its Property interests (including intangible interests such as, for instance, its service area rights);





- 3.6.4.3 The competitive going concern business value of the Cooperative, taking into account the present and reasonably foreseeable future market for its electric services;
  - 3.6.4.4 The value of new and expanded residential, industrial, commercial, and other-type growth that may be reasonably anticipated within the Cooperative's service areas in the immediate and reasonably foreseeable future;
  - 3.6.4.5 A comparison of the Cooperative's and the Interested Party's present (if the Interested Party is presently engaged in providing electric service) and reasonably foreseeable future adequacy and reliability of service, rates, fees and charges, service rules, regulations, and other terms and conditions of service, and;
  - 3.6.4.6 All other considerations meaningfully bearing upon the ability, willingness, intent, and expected effects of the respective parties in providing electric service. Such reports shall be limited to that portion of the Cooperative's Property which is the subject of the Qualified Offer, if such offer applies to less than all or substantially all the Cooperative's Property. Such experts may also be assigned the responsibility of rendering their opinions as to the value of the loss to the Cooperative's Members or mutual benefit organization for providing their electric services on a nonprofit, area-coverage basis at the lowest cost consistent with sound business principles, as opposed to receiving such service from a for-profit investor-owned utility, and as to the effect on the value and continued operations of the Cooperative's remaining systems, if any. However, Management shall also study the foregoing value factors and report its conclusions to the Board and the Board shall make its own final determination thereof, with the assistance of recommendations made by Management. The Board will review in accordance with their fiduciary duties the reports and opinions of such experts on all matters covered by their reports and opinions, reserving the right, however, to reject or accept such aspects thereof as the Board, after due consideration, may in its own sole discretion and judgment so determine.
- 3.6.5 Other Phase II Measures. Taking into consideration the provisions of this Procedure, and the Standards for Evaluation set out in Appendix A, the Board shall also undertake such other consultations, studies, deliberations, and other measures, and engage such advisors as it deems appropriate and sufficient to enable it to inform itself of all matters that are relevant and material to its decision as to whether to approve and recommend to the Members or to reject the Qualified Offer.

### **3.7 Notify the Interested Party of a Rejection**

If the Board rejects the Qualified Offer in connection with the Phase I or Phase II evaluation, it shall promptly notify the Interested Party.

### **3.8 Provide Offer for Expanded Solicitation**

If at any point in its evaluation process the Board determines that an expanded process for soliciting proposals from other potentially qualified entities is desirable and in the best interests of the





Cooperative and its Members, upon a vote of two-thirds (2/3) of the Directors, such a process may be implemented in lieu of continuing with this Procedure. In such event, the Interested Party will be informed in writing and any remaining balance in the administrative cost reserve fund shall be paid, without interest, to the Interested Party.

### **3.9 Consideration by Board of Approval of Qualified Offer**

If, after evaluation of the Qualified Offer in accordance with their fiduciary duties and the standards in Appendix A, two-thirds (2/3) of the Directors comprising the Board may determine by affirmative vote that the sale, transfer, lease, merger, or other acquisition proposed by the Qualified Offer is in the best interest of the Cooperative and its Members under the terms of such definitive agreement with any changes in the Interested Party's proposed definitive agreement as required by the Board.

Upon such determination, the Board shall:

- 3.9.1 Formalize such determination, as part of such affirmative vote, by adopting a resolution consistent with the provisions of the Bylaws, and notify the Interested Party of the Cooperative's intent to further pursue the proposed transaction contemplated by the definitive agreement ("Definitive Agreement"), subject to the necessary approval thereof by the Cooperative's Members and any other required approvals; and subject to agreement by the Interested Party to the following terms and conditions, to be included in the Definitive Agreement:
  - 3.9.1.1 That the Cooperative is released from or otherwise satisfies its wholesale power contracts;
  - 3.9.1.2 That any adverse tax impacts upon the Cooperative as an entity and its present and former Members will be minimized to the extent practicable;
  - 3.9.1.3 That all existing employees of the Cooperative are offered continued employment for at least three (3) years upon terms at least equal to those enjoyed by the Cooperative's employees at the time the Qualified Offer was submitted to the Board with the employment terms to be considered to include wages, salaries, severance benefits, insurance and pension benefits, fringe benefits, rank and job title, place of employment, and residence;
  - 3.9.1.4 That the total consideration to be paid by the Interested Party will be paid directly to the Cooperative or its account, provided that a Qualified Offer of merger may provide for issuance of stock to the Cooperative's Members in exchange for their capital credits and Membership interests;
  - 3.9.1.5 That the transaction will become void if all regulatory, lender, and contractual approvals are not obtained within a reasonable time after Member approval;
  - 3.9.1.6 That earnest money in an amount reasonably determined by majority vote of the Board be deposited by the Interested Party with the financial institution referenced in Section 3.3.11 of this Procedure to ensure the continued good-faith commitment of the Interested Party to proceed to consummation of the proposed transaction, under terms determined by the Board; to satisfy this requirement, the Board may designate any remaining portion of the administrative cost reserve fund not needed for defrayal of evaluation costs to be utilized for such escrow, together with any additional amounts deemed appropriate;





- 3.9.1.7 That the members will be notified of the Definitive Agreement and of its substantive features;
  - 3.9.1.8 That there will be a call of a meeting of the Members for the purpose of acting on the proposed transaction contemplated by the Definitive Agreement, consistent with Section 3.10 below; and
  - 3.9.1.9 Any other terms and conditions reasonably determined by the Board to be necessary or appropriate in implementing the transaction contemplated by the Qualified Offer for inclusion in the Definitive Agreement.
- 3.9.2 Notify applicable lenders of the Cooperative, to the extent such lenders have not already been notified, of the terms of the Definitive Agreement and of the results of the Board's evaluation process;
- 3.9.3 Upon execution by the Interested Party of the Definitive Agreement incorporating the foregoing elements, notify the Members that a proposal has been received constituting a Qualified Offer and that has been determined by the Board after the two-phase evaluation process to warrant submittal to the Members for their review and consideration. The notification shall contain an accurate summary description of the Qualified Offer and of the Definitive Agreement, shall state that the Board has provisionally approved the Definitive Agreement for submittal to the Members based on the evaluation process required by this Procedure, shall briefly describe the Procedure that the Board has followed in evaluating the Qualified Offer and the results of such evaluation, shall provide the name of the person Members may contact with questions regarding the Qualified Offer and the evaluation process, and shall apprise the Members that a copy of the formal Qualified Offer, relevant materials relating to the evaluation, and the Definitive Agreement may be reviewed or copied by them at the Cooperative's principal office and area offices at any reasonable hour during normal business days and in accordance with PEC's [Open Records Policy](#).

### **3.10 Conduct a Member Meeting**

The conduct of the Member meeting and related balloting on the Definitive Agreement shall be so undertaken as to minimize the financial cost and operational disruption of the conduct of the Cooperative's business, consistent with the following:

- 3.10.1 The Board shall promptly fix the time, date, and place of the meeting and shall prescribe the wording and method of disseminating, collecting, and counting the ballots to be employed in the voting. In fixing the date of the meeting, the Board shall have due regard for the ability of the Members to become fully apprised of the Definitive Agreement so as to enable them to make an informed decision through their votes submitted in connection with the meeting, which shall in any event be called and held in compliance with the Cooperative's applicable Bylaw provisions and policies regarding meetings.
- 3.10.2 If the Board determines that false or incorrect information is being disseminated by one or more persons, whether in favor of or opposed to the proposed transaction, and that such information may materially affect the outcome of the meeting and election, the Board may abort or withdraw the call of the meeting. Thereafter, the Board may either rescind its determination to approve the Definitive Agreement, if it determines that the





Interested Party was responsible, in whole or in substantial part, for the dissemination of such false or incorrect information; or it may reschedule the meeting and voting, conditioned upon the correction of such false or incorrect information by the person(s) responsible and upon their agreement to pay the cost of publishing such corrections in a manner prescribed by the Board, and/or upon their agreement to refrain from disseminating false or incorrect information relative to such newly fixed meeting and voting; and/or the Board may take any other action it deems appropriate in the circumstances.

- 3.10.3 The Board shall otherwise conduct the meeting and the voting, and count and announce the result of the votes cast, in accordance with such plans and procedures as it shall establish in a manner consistent with any applicable provisions of law or of the Cooperative's Articles of Incorporation or Bylaws.

### **3.11 Conditions Applicable on Rejection of Qualified Offer or Definitive Agreement**

If the Qualified Offer is rejected, either initially by the Board at the conclusion of Phase I or Phase II, or by the Members in connection with their consideration of the Definitive Agreement, any further proposal from the Interested Party submitting such a Qualified Offer within (3) three years thereafter shall be summarily rejected by the Board unless it materially differs from the rejected Qualified Offer and Definitive Agreement.

### **3.12 Approval of Approved Definitive Agreement**

In order for a Definitive Agreement to be considered "approved" by Membership, it requires an approval vote of sixty-six 2/3 percent (as stated in the Articles of Incorporation) and two-thirds (2/3) (as stated in the Bylaws) of all Members of the Cooperative, either in person or by Member proxy ("Approved Definitive Agreement").

If the Members vote to approve the Definitive Agreement, the Cooperative shall take all actions reasonably necessary to effect the transaction contemplated thereby and, if necessary, dissolve and wind up the business of the Cooperative; provided, however, that it shall be the responsibility of the Interested Party to obtain all necessary regulatory and contractual approvals. Unless such approvals are obtained within such reasonable time as determined by the Board included in the Approved Definitive Agreement, the proposed transaction shall be deemed terminated and null and void.

## **4. DEFINITIONS**

- 4.1 Approved Definitive Agreement** – An agreement approved by the Members of the Cooperative for the sale of all or a substantial portion of the Cooperative.
- 4.2 Definitive Agreement** – An agreement approved by the Board provisionally between an Interested Party and the Cooperative as to a sale of the assets of the Cooperative in accordance with this Policy and Procedure which then requires Member approval.
- 4.3 Interested Party** – A prospective purchaser of all or a substantial portion of the Cooperative's Property.
- 4.4 Management** – Representatives of management of the Cooperative as identified by the PEC Board of Directors.
- 4.5 Property** – The Cooperative's assets of various types.





- 4.6 **Qualified Offer** – An unsolicited proposal that meets the established criteria as determined by the Board of Directors.

## 5. REFERENCES AND RELATED DOCUMENTS

[Articles of Incorporation](#)

[Bylaws](#)

[Open Records Policy](#)

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## APPENDIX A STANDARDS FOR EVALUATION BY THE BOARD

After having received and approved the status of a Qualified Offer, in evaluating and acting on a Qualified Offer under Phases I and II of the evaluation process set out in the Procedure, the following criteria, as well as any other criteria which the Board may determine to be appropriate under the circumstances, will be considered by the Board:

- 1. Members' Best Interest.** In determining whether the Qualified Offer is in the Members' best interest, the Board will consider both economic and non-economic matters, both at the present time and for the reasonably foreseeable future.
- 2. Electric Service Quality.** If the Interested Party is engaged in the provision of electric service, the reliability and character of the electric service provided by the Interested Party, at the time of the Qualified Offer and as projected into the reasonably foreseeable future, including timeliness and priority of service restoration after outages, and regard for good engineering and operating standards, as compared with the Cooperative.
- 3. Consumer Service Quality.** If the Interested Party is engaged in the provision of electric service, the character and quality of consumer services provided by the Interested Party as compared with the Cooperative's, including convenience for consumers of billing and bill-paying procedures, consideration and provision for consumers with special electrical needs or in hardship cases, procedures and personnel available for dealing with consumer complaints, extension/connection/reconnection policy with respect to new and existing consumers, concern for property owners and occupants in obtaining rights of way and constructing and maintaining facilities, and courtesy and personal regard in all official relationships with consumers and service applicants.
- 4. Personnel Effects.** Effects on the Cooperative's existing personnel, with respect to job security and advancement potential in a new organization, level of wages, salaries and fringe benefits, relocation policies, and other applicable policies.
- 5. Electric Rate Effects.** Effects of the proposed transaction contemplated by the Qualified Offer on electric rates and other fees and charges of the Interested Party, compared with the Cooperative's, looking both at the inception and at the indefinite future (but for a minimum of five years), and also taking into account the value of the Cooperative's capital credit structure. In addition, the Board may consider how the Members' rates may be impacted in the future by the proposed transaction and the effect of the proposed transaction on the Cooperative's regulatory status.
- 6. Community Relationship Effects.** Effects of the proposed transaction contemplated by the Qualified Offer on existing relationships of the Cooperative with the communities which it serves, or which are adjacent to its service area, and their various civic, educational, business, and other community organizations.
- 7. Asset Value Comparison.** Whether the expected value and profitability of the Cooperative's Property to the Interested Party, after considering, among other relevant factors, the Cooperative's financial forecasts, are of greater future value to the Cooperative's Members through continued or improved Cooperative operations.
- 8. Business Organization Comparison.** How the Qualified Offer and its expected consequences, if with an investor-owned utility, a municipal utility, or a financial investor,





compare with a possible merger or consolidation with one or more other cooperatives.

9. **Contract Relations Effects.** Effects of the proposed transaction contemplated by the Qualified Offer on present contractual relations of the Cooperative with its wholesale power suppliers, industry associations, CFC and other lenders, and other entities with which the Cooperative has existing executory contracts.
10. **Assessment of Total Consideration.** Whether the proposal clearly states the total consideration to be paid by the Interested Party and its manner of payment and makes provision for the discharge of the Cooperative's liabilities and the retirement and distribution of any surplus consistent with outstanding capital credit accounts, all in accordance with applicable law and the Cooperative's Articles of Incorporation and Bylaws.
11. **Capital Credit Retirement Evaluation.** The extent to which the proposed transaction would result in a maximization of value of Members' equity interests in the Cooperative, including the value of and any premium to the value of Members' patronage capital accounts upon retirement, considering all relevant considerations relating to the future service of the Cooperative's end users.
12. **Effects of Partial Purchase.** Effects on any of the foregoing criteria of a Qualified Offer to purchase Property used by the Cooperative to serve only a portion of its service area and distribution facilities, with respect to the resulting effects on the remaining portions of the Cooperative's system.
13. **Results of Valuation Assessments.** The results of the reports concerning the value of the Cooperative. Although the Board shall consider all such information and opinions, it shall have the final responsibility to make the Cooperative's official determination of value and whether acceptance of the Qualified Offer is in the best interests of the Cooperative and should be presented to the Members for approval.
14. **Compliance with Laws, Policies.** Whether the Qualified Offer complies with all applicable laws, regulations, and requirements of the Cooperative's Articles of Incorporation, Bylaws, and policies, including the provisions of this Policy and Procedure, and with all requirements of any of the Cooperative's mortgage, loan, or bond documents.
15. **Financial Capability.** Whether the Interested Party is financially able to consummate the Qualified Offer. The Board may also consider the source and feasibility of the proposed financing.
16. **Solicitation of Other Proposals.** Whether the Cooperative should seek other potential bidders for the Cooperative to maximize the value of the Cooperative for its Members.
17. **Environmental Factors.** Whether operation of the Cooperative's facilities and service to its end-users is likely to be conducted by the Interested Party with continuation or enhancement of the Cooperative's present progressive policies relating to environmental protection, increased use of renewable energy sources and technologies, and energy efficiency, as evidenced by past practice of the Interested Party or credible current commitments.
18. **Other Standards.** Other standards determined by the Board to be relevant to reasonable assessment of any such Qualified Offer considering its anticipated effects on the Cooperative's system and the Cooperative and its Members.







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**File #:** 2022-313, **Version:** 1

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**Resolution - Approval for Renewal of 2023 Medical Insurance Benefits - R Smith**

**Submitted By:** Ericca Klein on behalf of Human Resources

**Department:** Human Resources

**Financial Impact and Cost/Benefit Considerations:** As discussed in Executive Session

Pursuant to the Employee Compensation Policy, PEC provides health insurance, life insurance, disability insurance, and other optional coverages for employees. Health benefits are a critical piece of PEC's overall employee compensation package. In providing benefits, PEC balances cost effective plans with maintaining a competitive level of benefits for all employees. Medical and Dental Plans are competitively procured periodically where they are evaluated for effectiveness and need. PEC medical plans are based on a calendar year, January 1 - December 31. PEC has an opportunity to renew medical insurance benefits through 2023. The Board may now consider approving a renewal Medical Plan agreement for PEC employees through 2023.

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE** that the Board approve renewal of the employee health insurance contract of the Cooperative for an additional period based upon the terms and conditions with insurance provider(s) presented to the Board during Executive Session; and

**BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE,** Executive Officer, or designee, is authorized to take all such actions as needed to implement this resolution.



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File #: 2022-316, Version: 1

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**Draft Resolution - Approval of Election Policy and Procedures Amendments Related to 2022 Annual Director Post-Election Analysis - S Romero/D Ballard**

**Submitted By: Sylvia Romero, Governance Manager**

**Department: Legal Services**

**Financial Impact and Cost/Benefit Considerations:**

Pursuant to the Board's Election Policy and Procedures Section 9.2, "within two months after the Annual Meeting at which Election Results are announced, the General Counsel will conduct a review of all facets of the PEC Elections, and will present to the Board any recommended modification to PEC Bylaws or Election Policy or Procedures."

Additionally, pursuant to its Policy on Policies, the Board routinely reviews all policies as part of its policy management.

The Board may now review and consider amendments to the Election Policy & Procedures. The purpose of the Election Policy is to ensure that PEC Elections are conducted in a fashion that maximizes and exemplifies Democratic Member Control.

**BE IT RESOLVED BY THE BOARD OF DIRECTORS** that pursuant to the Election Policy and Procedures and its regular review of Board policies, the Board has reviewed and adopts the Election Policy and Procedures presented to and discussed by the Board this day, with any amendments, as were discussed and approved by the Board; and

**BE IT FURTHER RESOLVED** that the General Counsel, or designee, is authorized to take all such action as may be necessary to implement this resolution.



# ELECTION POLICY AND PROCEDURES

Effective Date: October ~~15, 2021~~ 21, 2022

## POLICY AT A GLANCE

PEC and its Board of Directors recognize that matters put to a vote of Members are a cornerstone of PEC’s governance and compliance with the Cooperative Principle of **Democratic Member Control**.

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# Election Policy

## 1. PURPOSE

The Pedernales Electric Cooperative, Inc. (“PEC” or “the Cooperative”) and its Board of Directors (“Board”) recognize that matters put to a vote of Members (“PEC Elections”) are a cornerstone of PEC’s compliance with the Cooperative Principle of Democratic Member Control.

PEC further recognizes that the Internal Revenue Service has identified meaningful Democratic Member Control as a requirement for the tax exemption granted to PEC and other electric cooperatives.

The Board has retained the oversight of PEC Elections. In furtherance of the Board’s oversight of PEC Elections, this Election Policy (“Election Policy”) and accompanying Election Procedures (“Election Procedures”) are intended to ensure that PEC Elections are conducted in a fashion that maximizes and exemplifies Democratic Member Control. A copy of this Election Policy and the Election Procedures shall be included in materials made available to persons running in a Director Election (“Candidates”).

## 2. SCOPE

PEC shall seek to increase voter awareness and turnout in PEC Elections through educational efforts, communications, programs and effective use of technology. All PEC Elections shall be conducted in a manner that is uniform, impartial and fair to all Candidates and positions that are subject to vote.

The Board recognizes that consistent, credible PEC Elections are essential to maintaining Member confidence in PEC, and the key vehicle by which Members hold Directors accountable and influence the direction of the Cooperative, both through election of Directors (“Director Election”) and elections on issues of importance to the Cooperative (“Non-Director Election”). It is the policy of the Board that PEC Elections shall be administered in as impartial a manner as possible, utilizing the services of an independent, third-party (“Election Service Provider”) who will certify the accuracy of voting.

## 3. POLICY AND IMPLEMENTATION

PEC shall seek to maximize Member involvement and empowerment of Members in the electoral process through direct means, including the use of the Qualifications and Elections Committee called for in the PEC Bylaws. The Cooperative will, through its governing documents, policies and practices, encourage candor and maximum disclosure of actual and potential conflicts of interest by Candidates for PEC Director positions, including incumbent Directors. And, as a corollary to its Election vigilance, the Cooperative will provide robust Director removal and replacement mechanisms to address breaches of fiduciary duties by Directors.

## 4. PROCEDURE RESPONSIBILITIES

The procedural policies are delegated by the Board pursuant to the specifics which are detailed in the “Election Policy and Procedures,” a copy of which is attached, and incorporated herein.



## 5. POLICY ENFORCEMENT

Ultimate responsibility for enforcement of PEC elections lies with the Board. However, day-to-day enforcement, and any appeals, are detailed in the “Election Policy and Procedures” attached hereto, and incorporated herein.

## 6. REFERENCES AND RELATED DOCUMENTS

This Policy shall be read in conjunction with and incorporates by reference sections dealing with Elections within the Texas Electric Cooperative Act ([Texas Utilities Code Chapter 161](#)), the Member Bill of Rights and other sections of the [PEC Articles of Incorporation](#) and [PEC Bylaws](#).

Date adopted:	November 19, 2012
Last reviewed:	September <del>17, 2021</del> <u>16, 2022</u>
Review frequency:	Every year
Amendment dates:	January 21, 2014, September 15, 2014, October 20, 2014, December 8, 2014, August 18, 2015, January 19, 2016, November 14, 2016, October 16, 2017, October 15, 2018, October 18, 2019, December 13, 2019, October 16, 2020, October 15, 2021, <u>October 21, 2022</u>
Effective date:	October <del>15, 2021</del> <u>21, 2022</u>
Approver:	Board of Directors
Applies to:	All PEC Board of Directors, Employees and Members
Administrator:	General Counsel
Superseding effect:	This Policy supersedes all previous policies and memoranda concerning the subject matter. Only the Approver may authorize exceptions to this Policy.



# Election Procedures

## 1 INTRODUCTION

These Election Procedures (“Procedures”) are intended to ensure consistent compliance with the Election Policy (“Policy”) of Pedernales Electric Cooperative, Inc. (“PEC” or “the Cooperative”), applicable law, and PEC’s Articles of Incorporation and Bylaws (collectively, “Governing Documents”), which are incorporated by reference, including terms defined therein.

## 2 ROLES AND RESPONSIBILITIES

### 2.1 Board of Directors

The Board of Directors will:

- Exercise oversight of PEC Elections in a fashion that maximizes and exemplifies Democratic Member Control
- Ensure full compliance with the PEC governing documents and the law
- Designate the PEC Election Service Provider (as defined in the PEC Bylaws)
- Determine the location, date, and time of each year’s Annual Meeting
- Approve the Election Timeline for each election
- Direct the General Counsel to draft any Ballot language needed for a non-Director Election
- Appoint members to serve as a Qualifications and Elections Committee
- Call any Special Member Meeting required by the Bylaws for any Election to fill a vacant Board seat or for any other purpose, establish a timeline for nominations, voting and elections for such Special Member Meeting, and make any modifications to these procedures needed to effectuate such an Election
- Annually consider any needed modifications to the Election Policy and these Procedures
- Perform any other functions specified by the Board in these Procedures
- Approve the final ballot presented to PEC members

### 2.2 General Counsel

General Counsel within the Election Policy or Election Procedures means the Board of Director’s General Counsel whether an employee or outside counsel or their designee.

The General Counsel will:

- Work to ensure PEC Elections are conducted consistent with law, PEC’s Governing Documents, Election Policy and Procedures and other directives of the Board
- Work with PEC internal departments to ensure implementation of the Election Policy and Procedures
- Make determinations on the conduct of the election and candidates, presenting issues to the Qualifications and Elections Committee or the Board of Directors as appropriate
- Apprise the Board of and provide counsel on Election-related issues
- Prepare each year’s Election Timeline





- Designate campaigning zone for PEC Annual Meeting
- Make inquiry into the Bylaw-mandated qualifications of Candidate Applicants (as defined herein) and recommend qualified Candidates to the Board for inclusion on the Ballot, as such duty is delegated by the PEC Chief Executive Officer (“CEO”)
- Craft proposed Non-Director Election Ballot language as directed by the Board
- Initiate and oversee the evaluation and recommendation to the Board of an Election Service Provider
- Serve as or designate a single point of contact for the Election Service Provider
- Annually recommend any needed modifications to the Election Policy and Procedures
- Perform such other duties related to an Election as the Board may designate

### 2.3 **Qualifications and Elections Committee**

- Working with the General Counsel, the Qualifications and Elections Review Committee appointed under the Bylaws (“Qualifications and Elections Committee”), determine whether Candidate Applicants satisfy the qualifications to be eligible for election as a director
- Recommend a slate of Qualified Candidate Applicants to the Board
- Rule on any appeals brought forward by the General Counsel regarding decisions impacting the elections prior to the Annual Meeting
- Rule on any post-election contest

### 2.4 **Governance Team**

The Governance Team, including the Board Reporting Secretary, under the direction of the General Counsel, will:

- Coordinate and administer elections as directed and provided by this Policy and Procedures
- Perform the duties specified herein as designee of the Board Secretary
- Receive and maintain all records related to Director qualifications and nominations
- Make available to Members all required Director Election Nomination forms and related materials
- Serve as the point of contact or designate a person to provide answers to any questions about the Election process from Directors, Candidates, or Members

### 2.5 **Election Service Provider**

The Election Service Provider appointed by the Cooperative will:

- Provide services as specified in the Bylaws, Election Policy and Procedures, consistent with law and its contract with PEC
- Print, distribute, and collect the Ballots
- Tabulate and certify the election results
- Archive and manage all election materials, including destruction of materials from previous elections, according to terms of its contract with PEC



### 3 ESTABLISHING ANNUAL MEETING DATE, TIME, AND LOCATION AND ELECTION TIMELINE

#### 3.1 Establishing Annual Meeting Date, Time, and Location

At or before the August Regular Board Meeting, but no later than December, each year, the Board will determine the date, time, and location of the next year's Annual Meeting.

#### 3.2 Timeline

At a Regular Board Meeting at least 6 months prior to each Annual Meeting, the General Counsel or designee will develop and present to the Board a proposed timeline, with specific dates and deadlines for Election-related events, in the format shown in Appendix A of these Election Procedures ("Election Timeline"). The Board will consider, amend, if desired, and approve the Election Timeline at or before a Regular Board Meeting at least 5 months prior to each Annual Meeting.

#### 3.3 Coordination Meeting

Upon each Board approval of an Election Timeline, the General Counsel shall convene a meeting of internal PEC personnel and representatives of the Election Service Provider to plan the overall Election Timeline and the roles and responsibilities of each individual. Attendees at the meeting shall include the Governance Team, the General Counsel, representatives of the Election Service Provider, and representatives from Member Relations, Legal Services, Communications, and the IT departments, and such other personnel as may be necessary to coordinate and implement the Election process.

### 4 SELECTION OF ELECTION SERVICE PROVIDER

#### 4.1 Annual Decision

At or before the August Regular Board meeting each year, the General Counsel will recommend to the Board whether to extend the contract for the services of the Election Service Provider then retained by the Cooperative under the Bylaws and the Board will make a determination whether to extend the contract or seek an alternate Election Service Provider. Any such extension may be implemented without competitive procurement, notwithstanding any PEC policy or procedure.

#### 4.2 Competitive Procurement

When the Board decides to solicit for election service providers, the Board shall direct the General Counsel to initiate a competitive procurement to identify and recommend to the Board the most qualified Election Service Provider. In any such decision the Board should recognize that such procurement will typically take between four and six months. Unless the Board directs otherwise, a competitive procurement will be performed every three years.

#### 4.3 Criteria

Criteria for recommendation or selection of an Election Service Provider will include: experience, technical capability, past performance, understanding of and ability to comply with PEC Bylaws, policies and procedures, capability to integrate with PEC IT infrastructure, and ability to preserve and enhance the credibility of the Election process. Any prospective



Election Service Provider must meet the technical and security qualifications established by PEC and attached as Appendix B. Any such vendor shall establish its qualifications in this regard by providing detailed descriptions of demonstrated performance in quality-control methods and testing, system security specifications, and policies regarding storage, transmittal, access to and retention of Member information and voting data.

An Election Service Provider may serve the Cooperative only upon having agreed not to share with any person not employed by the Election Service Provider partial or complete voting results before the final tabulated and public announcement by the Election Service Provider at a meeting of Members; provided, however, the Election Service Provider may periodically provide the vote information described in [Section 7.11 these Procedure](#).

## 5 RECORD DATE(S)

By adoption of these Election Procedures, under the authority specified in the Article II, Section 9 of the PEC Bylaws, the Board hereby specifies the following Record Dates for Annual PEC Director Elections:

### 5.1 Petition signatures

The Record Date for a Member to be eligible to sign a nomination petition is the date of the verification of the signatures by PEC, meaning that a signature will be counted when the signatory is a Member on the date of verification. This provision shall not prevent reverification of a signature on a subsequent day, if a signatory becomes a Member before the deadline for signature verification, as allowed by these procedures. This provision shall not prevent the use of signature of a Member who appears on the Cooperative's Membership List as provided by this Policy.

Member signatures on a nomination petition will also be counted as eligible petition signatures when the Member appears on the Membership List, as provided ~~by the Cooperative to~~ Candidate Applicants [pursuant to Section 7.7 \(Membership List Availability\)](#), in the Director District for which the Candidate Applicant is running.

### 5.2 Casting Ballot

The Record Date for a Member to cast a Ballot in a Director Election is the close of business on the eighth (8<sup>th</sup>) day preceding the date of the Member Meeting at which the announcement of election results are made, meaning that only parties that are Members at the close of that Record Date will be eligible to have their Ballot counted, and to be counted toward the Member Quorum for that Member Meeting or Director District Election. At the close of business on that Record Date, or as soon as practicable thereafter, PEC will provide the Election Service Provider with an up-to-date list of PEC Members as of the Record Date.

## 6 PREPARATION AND APPROVAL OF BALLOT

### 6.1 Non-Director Elections

The Board may, from time-to-time, submit matters under consideration by the Board to a vote of the Members. The vote in any such Non-Director Election shall be advisory only, except in such cases where a vote of Members is required by law or the PEC Bylaws, such as a vote to amend the PEC Articles of Incorporation. No later than the Regular Board Meeting 5 months



prior to an election, the Board will direct the General Counsel to prepare proposed Ballot wording for any items to be put to a vote in a Non-Director Election. Any such matters will be presented by the General Counsel in a way to enhance Member understanding of such measures, including any Board recommendation or position concerning such a vote.

## 6.2 Director Elections

### 6.2.1 Nominations

#### 6.2.1.1 Ballot Materials and Application

##### 6.2.1.1.1 Posting and Availability

The Governance Team will work with the PEC Communications and Member Relations departments to ensure one week prior to the date of the Regular Board Meeting 5 months prior to each election, the following items are made available to PEC Members on the PEC website and in PEC offices: Nominations applications and petitions; Director District map(s); Election timeline; PEC Bylaws; PEC Conflict of Interest Policy; and Conflict of Interest certification and disclosures; PEC Election Policy and Procedures; information about Membership List availability and procedures for obtaining and use of the list.

##### 6.2.1.1.2 Waiver

The application form for Board candidacy will include a waiver, which all persons seeking nomination to the Ballot ("Candidate Applicants") must execute to authorize PEC or its agent to perform background checks to verify the Candidate Applicant meets the Bylaw qualifications to serve as Director.

##### 6.2.1.1.3 Affirmation of Eligibility and Adherence to Election Rules

Candidate Applicants must affirm that the Candidate Applicant meets PEC Bylaw eligibility requirements to serve as a Director both at the time the application is filed and after the Candidate becomes a Director, if elected. Each Candidate Applicant must provide their date of birth, address history and other information, including specific questions or requests for information, the General Counsel deems necessary to confirm that the Candidate Applicant meets Bylaw requirements to serve as a Director.

Candidate Applicants must affirm that the Candidate Applicant will adhere to the policies, rules, requirements, or procedures established by the Cooperative for Director Elections.

##### 6.2.1.1.4 Candidate Application – Use of Legal Name

Candidate Applicants shall provide their legal name on the application to indicate the name as they wish it to appear on the Ballot, biography, questionnaire, PEC website and all PEC election materials. Names must be in a form substantially similar to the Member's legal name; however, the name may contain "commonly-known-as"



nicknames or abbreviated, diminutive forms of the legal name. Nicknames shall not be allowed if they are created solely for use in a PEC Director election. Titles, forms of address, designations, honorifics, professional titles or other credentials, such as education, military rank, or occupation, are prohibited. PEC shall publicly disclose and use the legal name provided by the Candidate Applicant in all election materials.

#### **6.2.1.1.5 Biographical and Platform Materials**

Candidate Applicants must provide biographical material in electronic format that can be opened by Microsoft Word to the Governance Team (as designee of the Board Secretary), as part of the application. Biographical materials are limited to 800 words, in the following required format: single spacing, Arial font with 11 point size, containing personal background information and the Candidate's stance on matters of importance to PEC and its Members. Word count will be measured using the Word Count function of Microsoft Word. If a Candidate Applicant submits biographical materials exceeding 800 words, or with incorrect spacing or incorrect font, the Governance Team will, if time allows, notify the Candidate Applicant. Candidate Applicants may submit revisions to biographical materials until the deadline for submission of application materials. Each Candidate Applicant is solely responsible for the content of his or her submitted biographical materials (including grammar, spelling, and punctuation) and PEC staff will not proofread, edit or otherwise alter any biographical materials, other than to truncate any biographical materials exceeding 800 words or to format in PEC election materials in order to efficiently utilize space or provide consistency. PEC will distribute Candidate Biographical Materials and Candidates' photographs by email to all PEC Members who receive PEC email notifications.

#### **6.2.1.1.6 Candidate Questionnaire**

Candidate Applicants have the option to complete and provide a board Candidate Questionnaire in electronic format that can be opened by Microsoft Word to the Governance Team (as designee of the Board Secretary), as part of the application. Candidate Questionnaire materials are limited to 400 words excluding questions. Word count will be measured using the Word Count function of Microsoft Word. If a Candidate Applicant submits Candidate Questionnaire materials exceeding 400 words (excluding questions), the Governance Team will, if time allows, notify the Candidate Applicant. Candidate Applicants may submit revisions to Candidate Questionnaire materials until the deadline for submission of application materials. Each Candidate Applicant is solely responsible for the content of his or her submitted Candidate Questionnaire materials (including grammar, spelling, and punctuation) and PEC staff will not proofread, edit or otherwise alter any Candidate Questionnaire materials, other than to truncate any Candidate Questionnaire materials exceeding 400 words (excluding questions). PEC will distribute Candidate Questionnaire by email to all PEC Members who receive PEC email notifications.

### **6.2.1.2 Petition Process and Signature**

To be nominated and included on the Ballot for a Director Election, a Candidate Applicant must submit, on a PEC-promulgated form or a copy of such form, verifiable signatures of at least 50 PEC Members with Voting Residence (as defined in the Bylaws) within the Director District for which the Candidate Applicant is seeking nomination,



along with a conflict-of-interest certification and disclosure form as required by the Bylaws. Executed conflict-of-interest and code of conduct forms shall be posted to the PEC website along with other election and candidate information.

**Any signatures submitted by a Candidate Applicant must be originals, not copies, submitted on the petition form promulgated by the Cooperative during the year in which the election is held, or a copy of such a form.**

No Candidate Applicant will be given access to a nomination petition form before such time as those forms are made available to all Members on the PEC website and at PEC offices. A Member may sign the petition of more than one Candidate Applicant. For Joint Memberships, as that term is defined in the Bylaws, either spouse may sign a petition, but only one signature from any joint membership will be counted for any Candidate Applicant. Any officer of an entity Member, as listed in Texas Secretary of State records, or any person listed in PEC's records as authorized to act on behalf of an entity Member, may sign a petition on behalf of that entity Member. Petition forms will include spaces for the printed name, signature, address and Membership List line number to assist in verification of signatures (see Signature Verification below).

### **6.2.1.3 Confidentiality**

PEC employees performing duties under these procedures shall, to the fullest extent practicable, keep confidential the name of any Member who has made inquiry about seeking nomination, or has identified him or herself as a Candidate Applicant or potential Candidate Applicant, unless such Member has consented to such disclosure or has publicly made known his or her intended candidacy. Candidate Applicant names, as provided by the Candidate Applicant in the nominations and petitions Application, may be disclosed publically, in alphabetical order by Director District, at or after the time their names have been disclosed to the Qualifications and Elections Committee. Candidate Applicant names may be disclosed to the Qualifications and Elections Committee Members the first business day following the Candidate Application and Petition deadline.

All information received from a Candidate Applicant ("Candidate Information"), is confidential until Candidate Applicant names are disclosed publically by PEC. The term Candidate Information does not include a request for a Membership List made pursuant to PEC's Bylaws. Requests for the Membership List shall be handled through the Membership List Policy. Any request for the names of persons who requested the Membership List shall be made through PEC's Open Records Policy, and any responses to such a request shall be provided to all Candidate Applicants, Candidates, and the Board.

Upon request and after names are disclosed publicly by PEC, PEC may release Candidate Information, including Candidate Applications as provided by this policy. Candidate Application materials may be released pursuant to PEC's Open Records Policy which includes exceptions to disclosure. The Member Privacy Policy does not apply to Candidate Application materials unless otherwise provided herein.

#### **6.2.1.3.1 Confidentiality – Nomination Petitions**

All signatory-specific information on nomination petitions submitted to PEC by a Candidate Applicant is private Member information under the Member Privacy Policy, not subject to disclosure under Open Records Policy.



#### **6.2.1.3.2 Confidentiality – Candidate Election Material**

All Candidate Applicant Biographical and Platform Materials, and Questionnaire, are confidential until candidates are Qualified and approved for the Ballot. PEC shall publically disclose Qualified Candidate Biographical and Platform Materials, Questionnaire, at the same time and at least 5 days before Voting begins.

#### **6.2.1.3.3 Directors access to Candidate Information**

Directors may not seek or be provided access to Candidate Information by PEC employees, except as necessary for such Directors to perform duties mandated by law, PEC Governing Documents or this Policy, notwithstanding Directors' usual access to confidential Cooperative information.

#### **6.2.1.4 Deadline for Candidate Application**

To be considered for inclusion on the Ballot for election as a Director, a Candidate Applicant must deliver by hand or certified, trackable delivery method with signature required, a completed original application and petitions to the Governance Team (as designee of the Board Secretary) at PEC Headquarters, 201 South Avenue F, Johnson City, Texas, 78636, no later than 5 p.m. on the last business day falling 82 days or more before the date of the Member Meeting at which a Director Election is announced. Delivery to an alternate PEC address, delivery after the deadline, or mailing an item with a postmark before the deadline will not satisfy this requirement and will result in the application's rejection.

#### **6.2.1.5 Signature Verification**

The PEC Member Relations Department will verify the signatures on petitions by Candidate Applicants. A signature will be accepted as an eligible petition signature when the signer is identified in PEC account records as a Member with Voting Residence within the district for which election is being sought.

Member signatures on a nomination petition will also be counted as eligible petition signatures when the Member appears on the Membership List, as provided ~~by the Cooperative~~ to Candidate Applicants pursuant to Section 7.7 (Membership List Availability), in the Director District for which the Candidate Applicant is running.

Signatures that cannot be identified because they are illegible or cannot be matched to an active PEC Member will not be counted as verifiable signatures.

Member Relations will verify signatures in the order they are presented on petitions, and will stop the verification process once 50 signatures have been verified, or when the list of signatures is exhausted without having reached the qualifying number. Members Services will notify the General Counsel and the Governance Team and provide a written summary of findings regarding signature verification.

**Candidate Applicants are strongly encouraged to gather and submit more than 50 signatures to provide a margin of error for disallowed signatures.** If time allows before the Candidate Application and Petition deadline, the Governance Team will inform Candidate Applicants of the circumstances of questionable signatures. Candidate



Applicants may submit supplemental signatures or request a reevaluation of signatures based on Members' changing account records until the deadline for submitting signatures (e.g., if a person has had himself or herself added to a Joint Membership in PEC's records).

#### **6.2.1.6 Qualifications And Elections Committee**

At least a week before the Regular Board meeting 4 months prior to an election, each Director may submit to the Governance Team the name of a person or persons residing in the Director's District eligible and willing to serve on the Qualifications and Elections Committee, as described in the Bylaws. At the Regular Board meeting 4 months before an election, the Board will appoint the Qualifications and Elections Committee, with no less than three (3) nor more than seven (7) members, preferably with one member from each Director District.

The resolution will set compensation, if any, deadlines, reimbursement, allowances for telephonic meetings, and any other terms specified by the Board, and will specify that the Committee shall operate in accordance with the Bylaws and these Election Procedures.

Members of the Qualifications and Elections Committee will have access to personal candidate information. The Qualifications and Elections Committee will use personal candidate information only as needed for service on the Qualifications and Elections Committee and will not further disclose the information unless required as a matter of law.

#### **6.2.1.7 Verification of Bylaw Qualifications**

The Qualifications and Elections Committee, with the assistance of the General Counsel, will recommend and report to the Board whether Candidate Applicants are qualified and eligible for election or service as a Director in Article III of the PEC Bylaws. The Qualifications and Elections Committee will recommend a slate of qualified Candidates to the Board for inclusion on the Director Election Ballot. Before attempting to verify the substantive qualifications described in the Bylaws and below, the Qualifications and Elections Committee will determine whether the Candidate Applicant has submitted required signatures, verified under Signature Verification of this Policy, and completed the conflict-of-interest certification and disclosure form required by the Bylaws. Upon request by the Qualifications and Elections Committee, a Candidate Applicant must provide information necessary to confirm that the Candidate Applicant meets Bylaw requirements to serve as a Director. Any requested information should be reasonably tailored to seek only the information necessary for a determination. In all matters, the Qualifications and Elections Committee shall assume the truth of matters asserted by Candidate Applicants, and act accordingly, unless the Committee has identified a reasonable and specific basis for acting otherwise. The General Counsel will





retain an independent third-party background verification firm (“Background Verifier”) to assist the Qualifications and Elections Committee in verification of the following eligibility requirements as described below:

- a) Be twenty-one (21) years of age or older on or by the date of the Member meeting at which the election is held;

**Background Verifier will attempt to locate voter registration information or driver’s license for a Candidate Applicant, which will provide proof of age. If no voter registration or driver’s license is found, a Candidate Applicant will be asked to provide a birth certificate, passport or other proof of age.**

- b) Have earned a high school diploma from an accredited institution, or obtained state certification through General Educational Development tests (GED), by the date of the Annual Meeting at which the Director is elected;

**Candidate Applicant will be asked to provide proof of having received the required credential, which may include degrees earned or other subsequent achievements that require such diploma or GED as prerequisites (e.g. law enforcement certification or other professional licensing requiring such a degree).**

- c) Be a United States citizen;

**Background Verifier will attempt to locate voter registration information for a Candidate Applicant, which will provide proof of citizenship. If no voter registration is found, a Candidate Applicant will be asked to provide a birth certificate, passport or other proof of United States citizenship.**

- d) Be a Member in good standing of the Cooperative, by having met and adhered to the Cooperative’s payment policies in accordance with credit requirements contained in the Cooperative’s Tariff and Business Rules, as amended from time to time, and any other requirements for membership in good standing established by Board resolution;

**The PEC Member Relations department will verify the Candidate Applicant’s membership in the Cooperative and will review the billing history of the Candidate Applicant to verify good standing. Findings will be provided to the General Counsel for transmittal to the Qualifications and Elections Committee.**

- e) While a Director and during the five (5) years immediately prior to becoming a Director, not have been an employee of the cooperative;

**The PEC Human Resources and Finance Departments will review employment and other records for indications that the Candidate Applicant has been an employee, and will provide any relevant information discovered to the General Counsel for transmittal to the Qualifications and Elections Committee. The Candidate Applicant’s affirmation of eligibility will be relied upon as to relatives’**



**prior employment or Board service. If the Qualifications and Elections Committee or General Counsel becomes aware of potential disqualification under this provision, the Cooperative staff will assist in the effort to confirm those circumstances.**

- f) While a Director, not have a child, spouse, domestic partner, parent, sibling, parent-in-law, stepchild, grandparent, or grandchild who is an employee or Director of the Cooperative;

**If the Qualifications and Elections Committee or General Counsel becomes aware of potential disqualification under this provision, the Cooperative staff will assist in the effort to confirm those circumstances.**

- g) Have his or her primary residence receiving continuous electric service from the Cooperative for one year, and be located at the beginning of the calendar year of the election, in the district for which election is sought. Primary residence shall be determined based on factors including, but not limited to, real property rights, homestead exemption, electricity usage patterns, voter registration location, and address on a driver's license;

**Background Verifier will research the factors listed above and complete a standardized report to the General Counsel, identifying the indicators supporting or contradicting the Candidate Applicant's primary residence within the district where election is sought. The PEC Member Relations Department will research and report to the General Counsel on the continuity of electric service at the address. The General Counsel and the Qualifications and Elections Committee may seek clarification from the Candidate Applicant regarding information provided by Background Verifier or Member Services.**

- h) Annually complete and sign a conflict-of-interest certification and disclosure form approved by the Board of Directors;

**The General Counsel will verify that any incumbent Director running for reelection has met this requirement, and that any non-Director Candidate Applicant has executed the same, separately-required form for Candidates under the Bylaws.**

- i) While a Director or during the three (3) years immediately prior to becoming a Director, not sought to advance or have advanced a:
  - 1. Competing Interest with the Cooperative;
  - 2. Financial Interest that would likely impair the ability of the Director to serve the best interests of the Cooperative; or
  - 3. Conflicting Position that would likely impair the ability of the Director to serve the best interests of the Cooperative.

A "competing interest with the Cooperative" exists when judgment concerning the cooperative (such as financial, legal or general business decisions) is influenced or



may be reasonably influenced by another interest (such as financial or non-financial gain or interest).

A “Financial Interest” is likely to impair a Director’s ability to serve the best interests of the Cooperative if that Director has received more than ten percent (10%) of the Director’s annual gross income from serving as an employee, consultant, or contractor with or for a person or an entity that has done business with the Cooperative in the preceding three years.

A “Conflicting Position” is likely to impair a Director’s ability to serve the best interests of the Cooperative if there exists a possibility of that position requiring the Director to make business, legal or policy decisions adverse to the Cooperative or its membership. Examples of such conflicting positions include, but are not limited to:

1. Serving as an employee, consultant, or contractor assigned to negotiating or managing contracts with the Cooperative for any person or entity that has been a consultant, contractor, vendor, or bidder of the Cooperative during the preceding three years;
2. Having held an executive level or board position of a financial institution that has held Cooperative assets during the preceding three years; or
3. Having held an elected position to a public entity which has the authority to lawfully impose franchise fees.

**The Qualifications and Elections Committee will use its discretion, as advised by the General Counsel, to determine whether this qualification has been met. The determination will be based upon information provided by the Candidate Applicant under the Bylaws or this Policy or information required by the Qualifications and Elections Committee, including biographical information and the conflict-of-interest certification and disclosure form. The Committee may consider other sources of information, including public documents presented to or gathered at the direction of the Committee.**

- j) Not be or have been convicted of a misdemeanor involving moral turpitude or a felony pursuant to state or federal laws;

**Background Verifier will conduct a criminal records check of Candidate Applicants and report findings to the General Counsel. “Moral turpitude” will have the meaning ascribed to it in Texas administrative and case law.**

- k) Not currently be a member of the Qualifications and Elections Committee described herein;

**This qualification will be self-evident.**

- l) Not have been previously removed or disqualified as a Director as provided for under these Bylaws;



**General Counsel will determine and report to the Qualifications and Elections Committee whether this qualification has been met.**

- m) Have the capacity to enter into legally binding contracts;

**Beyond the age verification called for previously, no actions will routinely be taken to verify this qualification beyond receiving a Candidate Applicant's certification of eligibility and the winning Candidate's Affirmation to that effect, However, the General Counsel and the Qualifications and Elections Committee will make inquiry into any potential violation of which they become aware.**

- n) Be willing to devote such time and effort to his or her duties as a Director as may be necessary to oversee the Cooperative's business and affairs including: except as otherwise provided by the Board of Directors for good cause, beginning with election to the Board of Directors, attend at least seventy-five (75) percent of all regular and special called Board Meetings during each period from Annual Meeting to Annual Meeting; and obtain the Credentialed Cooperative Director (CCD) designation from NRECA within the first 18 months after election to the Board; attend state and national association meetings and Director continuing education training as needed to maintain current knowledge and improve awareness of potential risks to the Cooperative;

**The General Counsel will verify with the Governance Team that any sitting Director or former Director previously subject to this provision has fulfilled this qualification. No actions will be taken to verify other persons' qualifications in this regard.**

- o) Not be employed by another Director, or be employed by an entity over which another Director exercises substantial control.

**No steps will routinely be taken to verify this qualification, beyond examination of information provided by the Candidate Applicant or others, including conflict-of-interest forms and certifications. However, if the General Counsel or the Qualifications and Elections Committee becomes aware of a potential violation, they will take steps to determine whether the qualification is satisfied, including seeking information from the Candidate Applicant as allowed by the Bylaws.**

- p) Execute and provide the relevant documents, waivers, or other materials reasonably needed to verify satisfaction of these qualifications, including criminal background checks to be performed by the Cooperative. A person subject to this provision shall not be requested or required to provide personal or business tax returns, financial or business records, or non-public, personal details unless legal counsel has justified and certified in writing and the majority of disinterested Qualifications and Elections Committee members have determined by record vote that conformity with Director Qualifications cannot be determined without such records. If such certification is made and the records are provided, the Cooperative and its agents shall not publicly disclose such records except with the consent of the person providing them, or in the course of a legal proceeding or as required by law.



**The Qualifications and Elections Committee, with the assistance of the General Counsel, will determine whether a person refusing to execute or provide the relevant documents under this section will be disqualified for failing to meet this qualification.**

- q) While a Director, act in good faith and represent the best interests of the Cooperative as a whole, representing all members on an impartial basis.

**No actions will routinely be taken to verify this qualification beyond receiving a Candidate Applicant's certification of eligibility and the winning Candidate's Affirmation to that effect, but the Qualifications and Elections Committee and General Counsel will make inquiry into any potential violation of which they become aware. Any such inquiry is for purposes of determining Candidate Applicant eligibility, and not ongoing enforcement of this Bylaw provision.**

#### **6.2.1.8 Notification to Candidate Applicants of Proposed Findings Regarding Qualifications**

The Qualifications and Elections Committee will provide written findings to the Governance Team regarding each Candidate Applicant's qualifications to serve as a Director. The Governance Team will notify each Candidate Applicant of those findings, and advise them of the schedule for the Qualifications and Elections Committee to finally determine eligibility. Any Candidate Applicant receiving notice that the Committee has preliminarily found them not to have met the Bylaw qualifications to serve as a Director will be advised of such finding and its basis, and invited to present written or other information to the Committee that supports the Candidate Applicant's qualifications.

#### **6.2.1.9 Recommendation of Candidate Slate**

At least 2 months prior to an election, the Qualifications and Elections Committee will present to the Board the slate of qualified Candidates based on the inquiry described above. The Qualifications and Elections Committee and the General Counsel will also identify and explain the circumstances of any Candidate Applicant who has been found not qualified or has otherwise not met the requirements to be a Candidate. The General Counsel will present to the Board any information submitted for the Board's consideration by any Candidate Applicant not recommended for inclusion on the Ballot.

#### **6.2.1.10 Approval and Certification of Ballot**

At a Regular Meeting of the Board at least 2 months prior to an election, the Board will consider, approve and certify the Candidate slate and Ballot language for any Non-Director Election matters for vote. Any Director will recuse himself or herself or abstain from any discussion, deliberation or vote concerning the qualifications of Candidate Applicants in any Director Election in which the Director is a Candidate Applicant. Candidates for each Director District will be considered separately, to maximize the opportunity for Directors to participate in voting. Candidate Names shall appear on the Ballot in the form and order as provided herein.



## 7 VOTING AND PROCESSES DURING ELECTION PERIOD

### 7.1 Candidate Orientation and Photos

In the week preceding the Regular Meeting of the Board that is two (2) months before an election, an orientation will be conducted by PEC staff for Candidate Applicants at the Johnson City PEC Headquarters. The agenda may include, among other things: the history of PEC; CEO remarks; Board responsibilities and time demands; compensation and legal duties of Directors; review of the Election process and timeline; the drawing of names for Ballot position and a question-and-answer period. PEC will take Candidate pictures for use in PEC-generated Election-related press and promotional material, as described in Candidate Photographs (Section [7.57-6](#)) below. Candidates for election who are incumbent directors, or past directors, may not use any picture of themselves which was paid for, or created by PEC, for use in a PEC official capacity.

### 7.2 Withdrawal from Election

At any time before the Board approves the Ballot, a Candidate may withdraw from a Director Election by notifying the Governance Team in writing or by email at [election@peci.com](mailto:election@peci.com) of his or her withdrawal. Any Candidate wishing to withdraw after the Board approves the Ballot and before election results are released (“Withdrawn Candidate”) should give written notice to the Governance Team. The Cooperative will use reasonable methods to advise the Membership of the withdrawal. If time allows, the withdrawn Candidate’s name will be removed from the paper ballot, and in that case from any electronic ballot as well. If time does not allow removal from the paper ballot, the name will remain on both the paper and electronic ballots, and the election website will not be altered to remove the Candidate’s name. Any votes cast for a Withdrawn Candidate will be counted but the winner will be selected in accordance with Director Election (Section 8.7.2) below.

### 7.3 Communications Plan

At or before the Regular Board Meeting five (5 ) months before an election, the PEC Communications Department will present to the Board an Election Communications Plan (“Communications Plan”), outlining the communications efforts that will be employed to inform PEC members of the issues in any Non-Director Election and the Candidates, and the contact information for Members who have questions about the election process. At a minimum, the Communications Plan will include prominent references to the Election on PEC’s Internet site, posting of Candidates’ biographical materials and conflict-of-interest certification and disclosure form, ~~video presentations of Candidates~~, use and distribution of printed materials and information on how to obtain answers to Election-related questions, obtain Ballots (including replacement Ballots), and cast Ballots; and PEC Corporate Statistics in a form approved by the Board in the Communications Plan (a sample is attached as appendix D of this policy). PEC Corporate Statistics may be communicated multiple times during the election cycle as approved in the Communications plan.



## 7.4 Preparation and Distribution of Ballots

### 7.4.1 Printed Ballots

After approval of the Ballot, the Governance Team and General Counsel, as designees of the Board Secretary, will direct the Election Service Provider to prepare and print Ballots and accompanying biographical material (“Ballot Materials”) sufficient for distribution to the appropriate PEC Members in the form specified in the Bylaws, including wording sufficient to constitute required notice of the Election, website information, and credentials for electronic voting.

Candidate’s names will appear on the Ballot Materials in the order as drawn at Candidate Orientation as described in Section 7.1

Between 25 and 30 days before the Election, the Election Service Provider will, at the direction of the Governance Team (as designee of the Board Secretary), deliver by mail Ballot Materials to the appropriate PEC Members. The Election Service Provider will mail Ballot Materials no later than 16 days before the Member Meeting at which Election Results are Announced to any PEC Member that has joined the Cooperative since the date of the initial mailing of Ballot Materials.

#### 7.4.1.1 Voting and Receipt of Ballots

**Only the Election Service Provider shall accept ballots. Ballots are not to be accepted on PEC Premises or by PEC Employees, Directors or Candidates.**

### 7.4.2 Website

The Election Service Provider will, at the time of mailing, make available on the Internet a secure website for online voting, including [Candidate](#) biographical material, ~~and videos of Candidates recorded by PEC.~~

### 7.4.3 Emails

The Election Service Provider will on the first day of the election, send emails to all Members for whom PEC has valid email addresses with election information, voting credentials, and direct, “one-click” links that allow Members to access the voting website and vote without manually entering credentials. The Election Service Provider will send follow-up emails according to the Election Timeline approved by the Board. Members who have opted-out of receiving communications from PEC will not receive these email notifications.

## ~~7.5 Candidate Video Recording~~

~~Following the week after a Ballot is approved by the Board, PEC will conduct a video recording opportunity for all Candidates at the Johnson City Headquarters. Candidates are strongly encouraged to video record a statement for inclusion on the Election Service Provider voting website and the PEC Internet webpage. The length of the video will be five (5) minutes unless otherwise determined by the Board when it approves the Ballot, based on the number of Candidates on the Ballot and the technical capabilities of and terms of the contract with the Election Service Provider. Candidates will speak in the order determined by drawing for ballot placement, with Districts in ascending numerical order.~~



~~Any candidate unable to attend the video recording will be afforded a single make-up opportunity within seven (7) business days prior to the video recording opportunity to record their statement. If a make-up session is scheduled and the Candidate fails or is unable to appear, no additional videotaping opportunities will be offered. If no video recording is made, the website will so note.~~

~~Candidate's videos shall be posted to the website at the same time as all other Candidate Materials.~~

### 7.67.5 Candidate Photographs

At the Candidate Orientation and Photographs described above (Section 7.1), PEC will take pictures of Candidates for use in PEC-generated Election-related press and promotional material. Alternatively, Candidates wishing to provide photographs for use by PEC must provide the image electronically before the Candidate Orientation. Candidates must affirm in writing that any such image is copyright-free and that the person has and grants PEC permission to use the photo. Photos copied or digitally scanned from driver's licenses or other sources are not acceptable. To be used, photos must meet the following criteria:

- Contain a current image or one taken within the proceeding 5 years
- JPEG or other electronic file type, with approval of PEC
- No other person pictured
- Plain background, preferably free of objects or "clutter"
- Full color
- High resolution (300 dpi or greater)
- Must be a copyright-free image or provide a no cost letter of permission or license for use
- Sized and cropped such that the height of the head is between 50 and 85 percent of the vertical dimension of the photograph.
- Taken in full-face view directly facing the camera
- Questions about the suitability of a photograph should be addressed in the manner described in Section [7.77.6](#) and submitted far enough in advance to allow preparation of an alternative photograph if the original submission is not acceptable

### 7.77.6 Questions by Candidates About the Election Process

The Governance Team, or designees, is the point of contact for any questions about the Election process from Members, Candidate Applicants, or Candidates. Questions must be submitted by email to [election@peci.com](mailto:election@peci.com). The Governance Team, or designees, is also the point of contact for any questions by Candidates, Candidate Applicants, or Qualified Candidates about PEC operations. The Governance Team will provide or designate a person to provide all Candidate Applicants or Candidates copies of any question submitted and answers. Questions and answers are provided without the name of the person that submitted the question. Exceptions to this rule may be made with the approval of the General Counsel, based on sensitivity of subject matter, or in cases where a question and answer apply uniquely to a questioner.

Directors who are Candidates should likewise address election issues through the Governance Team and not through the direct access to PEC staff. Questions from Directors who are Candidates should also submit their questions by email to [election@peci.com](mailto:election@peci.com).





### 7.87.7 Membership List Availability

In accordance with the Bylaws and the PEC Membership List Policy, Director Candidates and Candidate Applicants may obtain an electronic or printed list of PEC members, including member addresses, election district numbers and unique line numbers for each Member by contacting [openrecords@peci.com](mailto:openrecords@peci.com). The Candidate requestor must provide the director district to which the member is seeking election, name, address, and other contact information. The requestor must affirm in a sworn, notarized affidavit to use the list only for nomination or candidacy to the PEC Board of Directors and no other purpose.

Consistent with Section 6.2.1.5 (Signature Verification) For Election purposes only, the Membership List will be made available to Candidate Applicants requestors 2 months before the Deadline for Candidate Application in Section 6.2.1.4 in the first month, January, of each calendar year. The issuance of this Membership List provided to Candidate Applicants pursuant to this Section may be utilized for Verification of Petition Signatures pursuant to Sections 5.1 and 6.2.1.5 does not prohibit Candidate requestors or cooperative members to request other lists prior to or after this list has been generated. The purpose of this Membership List is to allow Board Candidate Applicants the opportunity to utilize the same list for signatures required on the petition form as described in section 5.1 of these procedures.

### 7.97.8 Campaigning on PEC Premises

Members may not engage in Campaigning (as that term is defined herein) on PEC premises or PEC events, except at PEC-sanctioned Candidate events, or within a zone designated by the General Counsel for campaigning at PEC events. PEC premises include parking lots, the exterior and interior of PEC-operated facilities or those same areas of any facility where a Member Meeting or Board Meeting is conducted.

“Campaigning” is: the distribution of materials designed to influence the outcome of a Cooperative election; direct communications to Members designed to influence the outcome of a Cooperative election, including gathering of signatures on petitions; displays of placards, bumper stickers, signs or other campaign promotional material, other than those displayed on vehicles or on wearing apparel or accessories.

#### 7.9.1 PEC Employee Campaigning

Employees should be mindful that PEC has established an independent election process to promote consistent and credible elections by the Membership. As such, employees should make known that any Campaigning in which they voluntarily choose to participate is on their own behalf, on their personal time and that the employee's campaign activities don't reflect any endorsement by PEC. Employees may sign candidate petitions (when they are also PEC Members) and campaign for candidates just as any other non-employee. Participation in Board Director Campaigning, however, is voluntary.

Employees shall not Campaign on Cooperative time, premises or use Cooperative resources for Campaigning, such as PEC phones, e-mail, or vehicles. Employees who choose to Campaign must not do so while in a PEC uniform or PEC branded apparel.

### 7.107.9 Use of PEC Brand



Candidates may not deploy web pages or other campaign materials that suggest that their candidacy is endorsed or supported by PEC, and specifically may not use any PEC logos or, trademarks. “Hot links” to the PEC electronic media are acceptable. Candidates who are incumbent directors may not use their PEC provided email addresses or any PEC provided resources for correspondence related to the election.



## 7.447.10 **Access to Vote Information; Updates on Voter Turnout; Election Results**

No PEC employee, Director, Candidate or person acting on their behalf, except as described in this Section, shall seek or accept from the Election Service Provider access to information about details of votes cast by a PEC Member or Members, other than aggregated information about voting turnout or voting methodology across the entire Cooperative, as described in this section.

**PEC Employees.** Only PEC employees who are specifically responsible for implementing, developing and testing registration software for use in an Election shall have access to data indicating if a member has voted or not voted and the method by which their vote was submitted. This data shall not contain any member's individual voting selection(s).

Once weekly after Ballots are initially mailed, the General Counsel, or designee, will provide voting updates to Candidates and the Board. Those updates will be based on information transmitted by the Election Service Provider and will include the aggregate number of Ballots cast and received Cooperative-wide and by Director election district, with comparisons to similar, historical data. The updates shall include method by which votes were cast. Those updates shall not include the specific number of votes cast for any particular Candidate or issue in a Non-Director Election.

**Election Results.** Upon conclusion of the deadline for casting ballots, but no later than four (4) days prior to the Member Meeting at which Election Results are announced, the Election Service Provider shall certify and provide the Election Results to the General Counsel, or designee. The General Counsel, or designees, shall release the results to Candidates and the Board of Directors three (3) days prior to the Member Meeting at which Election Results are announced. Immediately after relasing the Election Results to Candidates and the Board of Directors, the General Counsel, or designees, will release the Election Results to the Membership, but no later than three (3) days prior to the Member Meeting at which Election Results are announced.

### 7.44.17.10.1 **Candidates' Access to Voting History**

After a Candidate has been duly qualified and approved to be listed on the Ballot, the Candidate may request and be provided a Voter History List that contains only the names and mailing addresses of Members who voted in any, or each, director district election for the three (3) elections involving the Candidate's director district immediately preceding the current Election. The Voter History List shall not contain any information that could indicate or otherwise reveal any selections made by the Member in the election (for example, for whom the Member voted or how the Member voted on any question). To obtain the Voter History List, a Candidate must request this information by contacting the Governance Team at [election@peci.com](mailto:election@peci.com). The accuracy and completeness of the list is undisputable. The candidate must affirm in a sworn, notarized affidavit to use the list only as directly related to the PEC Board of Directors election and for no other purpose. Any member may by written communication to the Cooperative choose to have his/her/its member information excluded from any Voter History List.



## **7.41-27.10.2 Interim Voting Totals**

Once weekly after Ballots are initially mailed, the election status of total votes cast Cooperative-wide and by Director election district may be posted to the PEC website and released publicly. No records of a member's individual vote, or a candidates running vote total shall be disclosed.

## **7.427.11 Quality Control**

Before the Regular Meeting of the Board four months prior to the Member Meeting where election results are announced, the Election Service Provider shall provide PEC a list of quality-control steps to be taken before the Member Meeting, including process for the release and announcement of election results, to assure the accuracy of voter rolls and vote counts ("Pre-Member Meeting Quality Control") and after tabulation to verify the accuracy of Election results before such results are announced at the Member Meeting (Post-Tabulation, Pre-Announcement Quality Control).

Pre-Member Meeting Quality Control shall include, but not be limited to, the following steps:

- Verify the previous removal or remove from the voting database the votes of any person or entity that was not a PEC Member as of the close of business on the day before Annual Meeting.
- Remove from the voting database the votes of any Member that has "double voted," by submitting a paper Ballot received by the Election Service Provider after that same Member has electronically voted.
- Verify that the PEC voter registration system is loaded with the list of PEC Members as of the record date.
- Verify that the PEC voter registration system accurately reflects whether or not a Member has previously voted.

## **7.437.12 Completion and Certification of Quality Control, Votes Cast in Advance of Member Meeting, and Mailing of Notice to Members**

The Election Service Provider must perform all Post-Tabulation and Pre-Release or Pre-Announcement Quality Control tasks, and must certify in writing to the PEC General Counsel that each step has been completed delivery of Election Results to the General Counsel. The Election Services Provider shall deliver the Elections Results to the General Counsel, or designee, no later than four (4) days before the Member Meeting at which the Elections Results are announced.

Before the Member Meeting, the General Counsel will prepare and transmit to the Governance Team certifications of the following:

- Notice of the Member Meeting was mailed in accordance with the Bylaws.
- The number of votes cast by mail or electronically, or as otherwise approved by the Board of Directors.

Before a Member Meeting, the Governance Team will prepare for execution by the Board Secretary at the Member Meeting, a certificate affirming that quorum was satisfied at the meeting or for a Director Election, for filing with the official records of the Cooperative.



## 8 MEMBER MEETING AND TABULATION OF VOTES

### 8.1 One Member-One Vote

Each Member shall be entitled to one (1) vote upon each matter submitted to a vote of the Membership. Any officer of an entity Member, as listed in Texas Secretary of State records, or any person listed in PEC's records as authorized to act on behalf of an entity Member, may cast a vote on behalf of that entity Member.

Each Member of a Director district shall be entitled to one (1) vote upon each Director election for that individual Director district, and only Members of a Director district may vote in that Director district election

A Member's individual Director district is established by the location of the Member's Primary Account as that term is defined in the Tariff and Business Rules. For a Member with multiple accounts, a Member may request and PEC will only change a Member's Primary Account once every (3) three years.

### 8.2 Voting Prior to the Member Meeting; Deadline for Casting a Ballot

The Election Services Provider will tabulate all ballots cast at a time and date before the date of the Member Meeting as established by the Board of Directors on the Election Timeline ("Deadline for Casting a Ballot"). At the same time, the Election Services Provider will perform its quality control related to the voting procedures, process for release and announcement of elections results, and provide the certification to the General Counsel required in Completion and Certification of Post-Tabulation, Pre-Release and Pre-Announcement Quality Control (Section 8.8).

Deadline for Casting a Ballot. The Deadline for Casting an Election ballot shall be no later than seven (7) days prior to the Member Meeting at which the Elections Results are announced. All ballots must be received by the Election Services Provider by the Deadline for Casting a Ballot.

### 8.3 Proxies Prohibited

Except in instances specifically mandated by law or PEC Governing Documents, a Member may not appoint another individual person to vote on any matter for the Member.

### 8.4 Tabulation; Release of Election Results; Announcement of Election Results

The Election Service Provider will tabulate results in accordance with the PEC Bylaws. The first vote of a Member received by the Election Service Provider will be counted as the vote cast by that Member, and Members will not be allowed to change previously cast votes.

Any paper ballot received by mail at the Election Service Provider by the Deadline for Casting a Ballot (Section 8.2) shall be deemed and counted as having been cast before the deadline for mail-in balloting specified in the Bylaws, unless the Election Service Provider or PEC has conclusive information that the ballot was cast after the deadline.

Paper votes will be scanned electronically by the Election Service Provider into a data record as they are received, with questionable and zero-vote Ballots pulled, hand counted and entered into the data. Online votes will have been recorded in a data record as they were cast,



with multiple levels of verification and security. Duplicate Ballots cast by Members who have already previously voted online will be removed before tabulation.

The Election Service Provider shall prevent any ballot from being cast electronically after the Deadline for Casting a Ballot (Section 8.2).

The Election Services Provider will tabulate and count ballots in such a way to favor the intention to cast a vote on each item on a returned ballot. The Election Services Provider will examine voter marks to determine voter intent.

The Election Services Provider shall deliver the Elections Results to the General Counsel, or designee, no later than four (4) days before the Member Meeting at which the Election Results are announced.

**Release of Election Results prior to Member Meeting.** The General Counsel, or designee, shall release the results to Candidates and the Board of Directors three (3) days prior to the Member Meeting at which Election Results are announced. Immediately after relasing the Election Results to Candidates and the Board of Directors, the General Counsel, or designee, will release the Election Results to the Membership, but no later than three (3) days prior to the Member Meeting at which Election Results are announced.

**Announcement of Election Results at the Member Meeting.** At the Member Meeting, the Election Service Provider, or another person designated by the Board of Directors, will announce the vote totals for each Director election district ("Election Results")

## 8.5 **Process if Member Disputes Having Cast Vote**

If a Member disputes a record showing they have previously cast a Ballot, a new Ballot may be cast by the Member and counted only if submitted prior to the Deadline for Casting a Ballot, and upon a written affirmation signed by the Member that he or she has not previously voted, example attached as Exhibit C. For any Joint Membership, such a written affirmation must be signed by both Joint Members to be effective.

## 8.6 **Determination of Outcome/Winner**

### 8.6.1 **Non-Director Election**

Members shall be deemed to have approved an option in a Non-Director Election if: (1) a Member Quorum, as defined in the Bylaws, is established and certified, and (2) the Non-Director Election option receives the highest number of votes.

### 8.6.2 **Director Election**

The Candidate for each Director Position receiving the highest number of votes shall be elected, unless the Candidate receiving the highest number of votes is a Withdrawn Candidate, in which case the non-withdrawn Candidate receiving the highest number of votes shall be elected. In the event of a tie, the winner shall be determined by a drawing by lot to be conducted by the Election Service Provider. In the event of a tie in a Director Election, in conducting a drawing by lot, a representative of the Election Service Provider will place in a box as many slips of paper as there are nominees in the tie, with a single slip marked "elected" and the remaining slips marked "not elected." In alphabetical order by last name, each of the Director Candidates in the tie shall blindly draw one (1) slip from the box.



The Director Candidate drawing the slip marked "elected" shall be elected to the Director position in question.

#### **8.7 Completion and Certification of Post-Tabulation, Pre-Announcement Quality Control**

After tabulation, and no later than four (4) days before the Member Meeting at which the Elections Results are announced, the Election Service Provider must certify in writing to the PEC General Counsel all Post-Tabulation, Pre-Release and Pre-Announcement Quality Control steps were taken.

#### **8.8 Release, Announcement and Certification of Election Results**

At the conclusion of validation and tabulation of the Ballots and certification of quality control but no later than four (4) days before the Member Meeting at which the elections results are announced, the Election Service Provider shall provide to the General Counsel a written certification of the election results for inclusion in the Minutes of the Member Meeting and a Regular Meeting of the Board after the Member Meeting. The General Counsel, or designee, shall release the election results as provided by these Procedures. The Election Services Provider, or another person as designated by the Board of Directors, will announce the election results at the Member Meeting. If any Candidate is a Withdrawn Candidate, the Election Service Provider shall announce that that Candidate is a Withdrawn Candidate and that that Candidate is ineligible to be elected notwithstanding the number of votes cast for that Candidate.

#### **8.9 Post-Election Director Acknowledgments**

Immediately after the conclusion of the Member Meeting, all elected Directors must execute and deliver to the Governance Team (i) the conflict-of-interest disclosure form, (ii) the Director Affirmation as to their eligibility to be a Director, and (iii) the acknowledgment of the Directors' Code of Conduct.

#### **8.10 Election Contests**

The General Counsel shall be the arbiter of any issue related to PEC Elections, subject to appeal to the Qualifications and Elections Committee. Any challenge to the election must be filed at the Pedernales Electric Cooperative Headquarters, located in Johnson City, Texas by 5pm on the second (2<sup>nd</sup>) business day following the Release of the Election Results.



## 9 ACTIONS AFTER ANNUAL MEETING

### 9.1 District-by-District Results

Within five business days of the Member Meeting at which Election Results are announced, the Election Service Provider will provide to PEC a breakdown of voting results by district, showing the total number of Members from each district that voted, the total number from each district voting for each Candidate or Non-Director Election Ballot item, and the total number from each district that voted but did not cast a vote in a race or Non-Director Election matter.

### 9.2 Post-Election Analysis

Within two months after the Annual Meeting at which Election Results are announced, the General Counsel will conduct a review of all facets of the PEC Elections, and will present to the Board any recommended modification to PEC Bylaws or Election Policy or Procedures.





# APPENDIX A

## Election Timeline - Sample

Appendix A: Election Timeline ( <b>SAMPLE</b> )			
Item	Section	Party	Due Date
Consider Election Service Contract	<del>4.14.1</del>	GC/BOD	At or before the August Regular Board meeting each year
Establish Annual Meeting Date and Location	<del>3.13.4</del>	BOD	At or before the August Regular Board Meeting each year
Present Election Timeline	<del>3.23.2</del>	GC	December Regular Board Meeting
Approve Election Timeline	<del>3.23.2</del>	BOD	January Regular Board Meeting
Conduct Internal Coordination Meeting	<del>3.33.3</del>	GC/ Public Affairs / GM / IT/ GT / Legal / Member Relations/ Mapping / Election Service Provider	Prior to the January Regular Board Meeting
Communications Plan presented to the Board of Directors	<del>7.37.3</del>	Public Affairs Department	At or before the January Regular Board Meeting of each year
Post and make available Ballot Materials and Nomination Application	<del>6.2.1.1.16.2.1.4.4</del>	GT/ Public Affairs / Member Relations	By January Regular Board Meeting each year.
Election Service Provider send Quality Control Steps to the General Counsel	<del>7.10.17.11.1</del>	Election Service Provider/GC	Prior to the February Regular Board Meeting (timeline reflects packet deadline).
Director will submit to the Governance Team the name of a person or persons residing in the Director's District eligible and willing to serve on the Qualifications and Elections Committee	6.2.1.6	BOD/GT	At least a week preceding the February Regular Board meeting
Direct the General Counsel to prepare proposed Non-Director Election items	<del>6.16.4</del>	BOD	No later than the January Regular Board Meeting each year
Board will appoint the Qualifications and Elections Committee	6.2.1.6	BOD/QEC	At the February Regular Board meeting



**Appendix A: Election Timeline (SAMPLE)**

<b>Item</b>	<b>Section</b>	<b>Party</b>	<b>Due Date</b>
Candidate Application to be delivered to the Governance Team at PEC Headquarters in Johnson City	<u>6.2.1.46-2.1.4</u>	<i>Candidate Applicant/GT</i>	No later than 5 p.m. on the last business day falling 82 days or more before the date of the Annual Meeting
Candidate Orientation and Photos	<u>7.17.4</u> <u>7.57-6</u>	<i>Candidate Applicant(s)/PEC staff</i>	The week preceding the April Regular Meeting of the Board each year
Election withdrawal deadline for removal from Ballot	<u>7.27-2</u>	<i>Candidate Applicant</i>	Before approval of Ballot by Board
Presentation and approval of Candidate slate, Ballot, and any Non-Director Election items	<u>6.2.1.96-2.1.9,</u> <u>6.2.1.106-2.1.49</u>	<i>Qualifications and Elections Committee /GC</i>	At the April Regular Meeting of the Board each year
Candidate <del>video recording and</del> photographs	7.1, 7.5, <u>7.57-6</u>	<i>Candidate Applicant(s) / Governance Team / Public Affairs</i>	Following the week after the Ballot is approved by the Board
Mailing of Ballots	<u>7.4.17.4.1</u>	<i>Election Service Provider, as directed by GC / GM</i>	Between 25 and 30 days before the Annual Meeting
Online voting site goes live	<u>7.4.27.4.2</u>	<i>Election Service Provider</i>	Between 25 and 30 days before the Annual Meeting
Initial voting email notifications	<u>7.4.37.4.3</u>	<i>Election Service Provider</i>	Between 25 and 30 days before the Annual Meeting
Certifications prepared of mailing of Annual Meeting Notices, number of votes cast electronically and by mail, quorum verification for use at Annual Meeting.	<u>7.127.13</u>	<i>GC and GM</i>	Between one and eight days before Annual Meeting.
Supplemental mailing of ballots to Members since previous mailing	7.4.1	<i>Election Service Provider/IT</i>	As specified in this timeline
Update on voter turnout by Director election district	<u>7.107.11</u>	<i>GC and GM</i>	Once weekly after Ballots are initially mailed
Supplemental mailing of ballots to Members since previous mailing	7.4.1	<i>Election Service Provider/IT</i>	As specified in this timeline



**Appendix A: Election Timeline (SAMPLE)**

<b>Item</b>	<b>Section</b>	<b>Party</b>	<b>Due Date</b>
Update on voter turnout by Director election district	<u>7.107-11</u>	<i>GC and GM</i>	Once weekly after Ballots are initially mailed
Deadline for mailing or webcasting ballots	8.4	<i>Election Service Provider</i>	Eight days before Annual Meeting
Reminder voting emails	<u>7.4.37-4.3</u>	<i>Election Service Provider</i>	Dates to be determined each year when timeline presented to the Board of Directors
Record Date for Casting Ballot, transmittal by PEC of Members eligible to vote to Election Service Provider	5.2	<i>IT</i>	Close of business on the eighth day before Annual Meeting
Update on Voter Turnout by Director election district	<u>7.107-11</u>	<i>GC and GM</i>	Once weekly after Ballots are initially mailed
Pre-Annual Meeting Quality Control	<u>7.127-13</u>	<i>Election Service Provider</i>	At the close of the final business day before the Annual Meeting
Post-Tabulation, Pre-Announcement Quality Control	<u>8.78-7</u>	<i>Election Service Provider</i>	On the date of Annual Meeting after the results are tabulated
Announcement and Certification	<u>8.88-8</u>	<i>Election Service Provider</i>	On the date of Annual Meeting after the results are tabulated
Post-Election Director Acknowledgments	<u>8.98-9</u>	<i>BOD</i>	On the date of Annual Meeting after the meeting has concluded
District-by-District Results	<u>9.19-4</u>	<i>Election Service Provider</i>	Within five business days of the Annual Meeting
Post-Election Analysis	<u>9.29-2</u>	<i>GC and GM</i>	Within one month after the Annual Meeting

**Legend:**

BOD – Board of Directors  
 ESP – Election Services Provider  
 GM – Governance Manager  
 GT – Governance Team  
 GC – General Counsel  
 IT – Information Technology  
 QEC – Qualifications and Elections Committee



## APPENDIX B

### Election Service Provider Technical and Security Qualifications

Before being awarded a contract with Pedernales Electric Cooperative, any Election Service Provider shall establish to the Cooperative's satisfaction that it has met the following technical and security qualifications listed below or as included in the Cooperative's procurement requirements and not limited to the following.

#### 1. Policies and Procedures

The Election Service Provider must establish and follow the following internal policies and procedures:

- a. **Acceptable Use Policy** addressing use and ownership, security and proprietary information, unacceptable use, system and network activities, and communications.
- b. **Information Sensitivity Policy** addressing information disclosure and sensitivity.
- c. **Password Policy** addressing a standard for creation of strong passwords, the protection of those passwords, and the frequency of change.
- d. **Physical Security Policy** addressing security access to all parts of the provider's building and its contents, assets and equipment.
- e. **Logical Access Procedure** addressing how user access accounts are created, changed, terminated, and monitored within the application architecture to ensure standardization across all information technology systems and ensure the appropriate data owners are contacted, informed and approved for each user access request. All user access requests must be documented using procedures outlined in this process, minimizing unauthorized access to proprietary information and technology.
- f. **Change Management Policy** addressing the steps required to analyze, authorize, test, implement and document application changes (i.e., patches, upgrades, and reports).
- g. **Quality Control Procedure** addressing project requirements checklist, project hand-off, proofing, testing, data receipt, vendor QC checks, certification of reports, close-race/recount, and onsite QC.
- h. **Client Services Procedure** addressing hard/electronic material exchanges or material development, secured client group drive, approvals, printing/ mailing, project change, handling of bounces, and member/participant support.
- i. **Production Procedure(s)** addressing physical material inventory, assembly, shipping/receiving, vaults/security, processing, scanning/verifying, observation, and auditing.
- j. **Disaster Recovery Procedure** addressing categories of threat (i.e., personal health and safety, facility relocation, business interruptions (technology), and business interruptions (human resources)), and a standing emergency planning team, critical operations, suppliers and contractors, shelter-in-place plan for alternate location, communications, cyber security, records back-up, annual plan review, and the projected recovery period.

#### 2. Confidentiality of Data

The Election Service Provider shall contractually agree not to share voting details (the contents of any ballot received by the Election Service Provider) with PEC. Any data transmitted within the Election Service Provider shall be sent via CD, encrypted email, or



https transfers. Access to PEC data shall be limited to a list of vendor employees with a business need for such access, subject to PEC review.

### **3. Network/Security**

The Election Service Provider shall provide enterprise-class facilities that keep mission-critical infrastructure continuously available. Secure network architecture shall include: firewalls, intrusion detection, server hardening, network and server monitoring; VeriSign E-commerce level certificates; and encryption with 128-bit private key and 1024-bit public key.

### **4. Physical security**

All physical materials relating to elections shall be stored in facilities providing two or more of the following physical barriers to entry:

- a. Pass-card entry
- b. Biometric recognition
- c. Continuously monitored digital surveillance equipment
- d. Standard 19-inch lockable cabinets

### **5. Connectivity**

The voting website must have reliable Internet connectivity, uninterruptible telecommunication infrastructure (e.g., multiple independent connections to Tier 1 Internet access providers that maintain and balance Internet traffic). The Election Service Provider's voting website shall be accessible across multiple browsers and operating systems, including MacOS and Windows, and shall be available for PEC testing before "go-live."

### **6. Power**

Data storage and server facilities must have power redundancy (e.g., uninterruptible power supplies, power conditioning units, and high capacity generators) to help maintain an effortless environment.

### **7. Data Backups**

The Election Service Provider must back up PEC data offsite at a minimum of nightly.

### **8. Vulnerability Testing**

The Election Service Provider shall, upon request, provide PEC a certificate from an outside security testing vendor certifying that the Election Service Provider has passed vulnerability and penetration tests of all aspects of network, servers, and applications security.



**APPENDIX C: Affidavit Affirming No Previous Vote Cast for Annual Director Election**

My name is \_\_\_\_\_, and \_\_\_\_\_, and I (we)  
(Name of person executing affidavit) (If any, name of joint member)

hereby affirm the following:

- I am authorized to cast a vote as an Individual or Joint Member or as an authorized representative of an entity, \_\_\_\_\_, and \_\_\_\_\_, of  
(Member Name) (If any, name of joint member)  
\_\_\_\_\_ that is a Member of the Pedernales Electric  
(Member address)  
Cooperative, Inc., (PEC) in Director Voting District Number \_\_\_\_\_ for the PEC Election  
(Director District Number)  
being conducted on \_\_\_\_\_.  
(Date)
- Neither I, my spouse, nor any other person authorized to vote on behalf of the Member listed above has, to my knowledge, previously cast a vote in this election.
- Any vote recorded as having previously been cast for this Member, was not in fact the vote of the Member, and should not be counted. I will not hold Pedernales Electric Cooperative or its agents in any way liable, and accept any liability, for PEC's not counting any such vote.

Executed by:

\_\_\_\_\_  
(Member Signature)

\_\_\_\_\_  
(If any, Joint Member Signature)

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**STATE OF TEXAS**  
**COUNTY OF** \_\_\_\_\_

This instrument was acknowledged before me on \_\_\_\_\_ by \_\_\_\_\_  
(Date) (Member Name)

\_\_\_\_\_  
Notary Public (Signature)

(SEAL)

Printed Name: \_\_\_\_\_

My Commission Expires: \_\_\_\_\_

**STATE OF TEXAS**  
**COUNTY OF** \_\_\_\_\_

This instrument was acknowledged before me on \_\_\_\_\_ by \_\_\_\_\_  
(Date) (Joint Member Name)

\_\_\_\_\_  
Notary Public (Signature)

(SEAL)

Printed Name: \_\_\_\_\_

My Commission Expires: \_\_\_\_\_



## Appendix D

### PEC CORPORATE STATISTICS (SAMPLE)

#### ~~Key statistics about your electric cooperative~~

~~At PEC, we are more than an electric utility. We are a cooperative owned by our membership, and we believe it is important to share key information with our members.~~

~~Review some key facts about your cooperative below. Additional information, such as an archive of annual reports, Form 990 compensation reporting, and key industry ratios, is available at [pec.coop/archives](http://pec.coop/archives).~~

<del>Average Cost Comparison (December 2020)</del>	<del>1,000 kWh</del>	<del>1,250 kWh</del>	<del>1,500 kWh</del>	<del>2,000 kWh</del>
<del>PEC residential average</del>	<del>\$105.18</del>	<del>\$128.60</del>	<del>\$147.77</del>	<del>\$190.36</del>
<del>Texas residential average*</del>	<del>\$118.70</del>	<del>\$157.34</del>	<del>\$178.05</del>	<del>\$237.40</del>
<del>National residential average*</del>	<del>\$128.00</del>	<del>\$163.20</del>	<del>\$192.00</del>	<del>\$256.00</del>

~~Notes: PEC's total cost to purchase energy is based on the actual cost billed to members.~~

~~Source of U.S. EIA information is Form EIA-861M, Monthly Electric Power Industry Report, Table 5.6A - Average Price of Electricity to Ultimate Customers by End-Use Sector.~~

~~\*Total cost to purchase energy is estimated from the cost per kWh multiplied by the total energy purchased at 1,000; 1,250; 1,500; and 2,000 kWh.~~

Active accounts (3/1/21)	351,340	2020 average outage time per account	42 minutes
Members (3/1/21)	295,688	2020 percent growth in meters	5.6%
Miles of line (3/1/21)	23,309	2020 J.D. Power Electric Utility Residential Customer Satisfaction Study score	842
Employees (3/1/21)	875	Board meetings held in 2020	15
Capital credits distributed in 2020	\$6.3 million	Members voting in 2020 PEC Board election	17,570
Fitch bond rating (affirmed January 2021)	AA-	Percentage of members participating in 2020 online voting who were "very satisfied" or "satisfied" with the online voting process	96%
2020 total assets	\$1.9 billion	2020 PEC open records requests	31
Equity as a percentage of assets	40.06% <sup>1</sup>	2020 community support and member assistance	\$445,000
2020 revenue	\$643.5 million <sup>1</sup>		
2020 revenue percentage allocated to power cost	55.45% <sup>1</sup>		
2020 distribution operating expenses per average meter	\$415 <sup>1</sup>		

<sup>1</sup>Pre-audit figures, subject to change

Revised March 2021



## Key statistics about your electric cooperative

**At PEC, we are more than an electric utility. We are a cooperative owned by our membership, and we believe it is important to share key information with our members.**

Review some key facts about your cooperative below. Additional information, such as an archive of annual reports, Form 990 compensation reporting, and key industry ratios is available at [pec.coop/archives](http://pec.coop/archives).

Average Cost Comparison (December 2021)	1,000 kWh	1,250 kWh	1,500 kWh	2,000 kWh
PEC residential average	\$113.47	\$136.83	\$160.20	\$206.93
Texas residential average*	\$125.50	\$156.88	\$188.25	\$251.00
National residential average*	\$137.50	\$171.88	\$206.25	\$275.00

Notes: PEC's total cost to purchase energy is based on the actual cost billed to members.

Source of U.S. EIA information is Form EIA-861M, Monthly Electric Power Industry Report, Table 5.6A - Average Price of Electricity to Ultimate Customers by End-Use Sector.

\*Total cost to purchase energy is estimated from the cost per kWh multiplied by the total energy purchased at 1,000; 1,250; 1,500; and 2,000 kWh.

Service territory square miles	<b>8,100</b>	Capital credits distributed in 2021	<b>\$5.7 million</b>
Number of cities served	<b>45</b>	Fitch bond rating (affirmed January 2022)	<b>AA-</b>
Number of counties served	<b>24</b>	2021 total assets	<b>\$2.0 billion<sup>1</sup></b>
Active accounts (3/1/22)	<b>370,148</b>	2021 percent growth in meters	<b>5.4%</b>
Residential accounts	<b>339,523</b>	Board meetings held in 2021	<b>17</b>
Large power accounts	<b>1,356</b>	Members voting in 2021 PEC Board Election	<b>16,933</b>
Small power accounts	<b>29,120</b>	Percentage of members participating in 2021 online voting who were "very satisfied" or "satisfied" with the online voting process	<b>96.2%</b>
Miles of line (3/1/22)	<b>23,908</b>	2021 community and member support	<b>\$470,410</b>
Employees (3/1/22)	<b>883</b>		

<sup>1</sup>Pre-audit figures, subject to change

Revised March 2022





# ELECTION POLICY AND PROCEDURES

Effective Date: October 21, 2022

## POLICY AT A GLANCE

PEC and its Board of Directors recognize that matters put to a vote of Members are a cornerstone of PEC’s governance and compliance with the Cooperative Principle of **Democratic Member Control**.

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# Election Policy

## 1. PURPOSE

The Pedernales Electric Cooperative, Inc. (“PEC” or “the Cooperative”) and its Board of Directors (“Board”) recognize that matters put to a vote of Members (“PEC Elections”) are a cornerstone of PEC’s compliance with the Cooperative Principle of Democratic Member Control.

PEC further recognizes that the Internal Revenue Service has identified meaningful Democratic Member Control as a requirement for the tax exemption granted to PEC and other electric cooperatives.

The Board has retained the oversight of PEC Elections. In furtherance of the Board’s oversight of PEC Elections, this Election Policy (“Election Policy”) and accompanying Election Procedures (“Election Procedures”) are intended to ensure that PEC Elections are conducted in a fashion that maximizes and exemplifies Democratic Member Control. A copy of this Election Policy and the Election Procedures shall be included in materials made available to persons running in a Director Election (“Candidates”).

## 2. SCOPE

PEC shall seek to increase voter awareness and turnout in PEC Elections through educational efforts, communications, programs and effective use of technology. All PEC Elections shall be conducted in a manner that is uniform, impartial and fair to all Candidates and positions that are subject to vote.

The Board recognizes that consistent, credible PEC Elections are essential to maintaining Member confidence in PEC, and the key vehicle by which Members hold Directors accountable and influence the direction of the Cooperative, both through election of Directors (“Director Election”) and elections on issues of importance to the Cooperative (“Non-Director Election”). It is the policy of the Board that PEC Elections shall be administered in as impartial a manner as possible, utilizing the services of an independent, third-party (“Election Service Provider”) who will certify the accuracy of voting.

## 3. POLICY AND IMPLEMENTATION

PEC shall seek to maximize Member involvement and empowerment of Members in the electoral process through direct means, including the use of the Qualifications and Elections Committee called for in the PEC Bylaws. The Cooperative will, through its governing documents, policies and practices, encourage candor and maximum disclosure of actual and potential conflicts of interest by Candidates for PEC Director positions, including incumbent Directors. And, as a corollary to its Election vigilance, the Cooperative will provide robust Director removal and replacement mechanisms to address breaches of fiduciary duties by Directors.

## 4. PROCEDURE RESPONSIBILITIES

The procedural policies are delegated by the Board pursuant to the specifics which are detailed in the “Election Policy and Procedures,” a copy of which is attached, and incorporated herein.

## 5. POLICY ENFORCEMENT

Ultimate responsibility for enforcement of PEC elections lies with the Board. However, day-to-day enforcement, and any appeals, are detailed in the “Election Policy and Procedures” attached hereto, and incorporated herein.

## 6. REFERENCES AND RELATED DOCUMENTS

This Policy shall be read in conjunction with and incorporates by reference sections dealing with Elections within the Texas Electric Cooperative Act ([Texas Utilities Code Chapter 161](#)), the Member Bill of Rights and other sections of the [PEC Articles of Incorporation](#) and [PEC Bylaws](#).

Date adopted:	November 19, 2012
Last reviewed:	September 16, 2022
Review frequency:	Every year
Amendment dates:	January 21, 2014, September 15, 2014, October 20, 2014, December 8, 2014, August 18, 2015, January 19, 2016, November 14, 2016, October 16, 2017, October 15, 2018, October 18, 2019, December 13, 2019, October 16, 2020, October 15, 2021, October 21, 2022
Effective date:	October 21, 2022
Approver:	Board of Directors
Applies to:	All PEC Board of Directors, Employees and Members
Administrator:	General Counsel
Superseding effect:	This Policy supersedes all previous policies and memoranda concerning the subject matter. Only the Approver may authorize exceptions to this Policy.

# Election Procedures

## 1 INTRODUCTION

These Election Procedures (“Procedures”) are intended to ensure consistent compliance with the Election Policy (“Policy”) of Pedernales Electric Cooperative, Inc. (“PEC” or “the Cooperative”), applicable law, and PEC’s Articles of Incorporation and Bylaws (collectively, “Governing Documents”), which are incorporated by reference, including terms defined therein.

## 2 ROLES AND RESPONSIBILITIES

### 2.1 Board of Directors

The Board of Directors will:

- Exercise oversight of PEC Elections in a fashion that maximizes and exemplifies Democratic Member Control
- Ensure full compliance with the PEC governing documents and the law
- Designate the PEC Election Service Provider (as defined in the PEC Bylaws)
- Determine the location, date, and time of each year’s Annual Meeting
- Approve the Election Timeline for each election
- Direct the General Counsel to draft any Ballot language needed for a non-Director Election
- Appoint members to serve as a Qualifications and Elections Committee
- Call any Special Member Meeting required by the Bylaws for any Election to fill a vacant Board seat or for any other purpose, establish a timeline for nominations, voting and elections for such Special Member Meeting, and make any modifications to these procedures needed to effectuate such an Election
- Annually consider any needed modifications to the Election Policy and these Procedures
- Perform any other functions specified by the Board in these Procedures
- Approve the final ballot presented to PEC members

### 2.2 General Counsel

General Counsel within the Election Policy or Election Procedures means the Board of Director’s General Counsel whether an employee or outside counsel or their designee.

The General Counsel will:

- Work to ensure PEC Elections are conducted consistent with law, PEC’s Governing Documents, Election Policy and Procedures and other directives of the Board
- Work with PEC internal departments to ensure implementation of the Election Policy and Procedures
- Make determinations on the conduct of the election and candidates, presenting issues to the Qualifications and Elections Committee or the Board of Directors as appropriate
- Apprise the Board of and provide counsel on Election-related issues
- Prepare each year’s Election Timeline

- Designate campaigning zone for PEC Annual Meeting
- Make inquiry into the Bylaw-mandated qualifications of Candidate Applicants (as defined herein) and recommend qualified Candidates to the Board for inclusion on the Ballot, as such duty is delegated by the PEC Chief Executive Officer (“CEO”)
- Craft proposed Non-Director Election Ballot language as directed by the Board
- Initiate and oversee the evaluation and recommendation to the Board of an Election Service Provider
- Serve as or designate a single point of contact for the Election Service Provider
- Annually recommend any needed modifications to the Election Policy and Procedures
- Perform such other duties related to an Election as the Board may designate

### 2.3 **Qualifications and Elections Committee**

- Working with the General Counsel, the Qualifications and Elections Review Committee appointed under the Bylaws (“Qualifications and Elections Committee”), determine whether Candidate Applicants satisfy the qualifications to be eligible for election as a director
- Recommend a slate of Qualified Candidate Applicants to the Board
- Rule on any appeals brought forward by the General Counsel regarding decisions impacting the elections prior to the Annual Meeting
- Rule on any post-election contest

### 2.4 **Governance Team**

The Governance Team, including the Board Reporting Secretary, under the direction of the General Counsel, will:

- Coordinate and administer elections as directed and provided by this Policy and Procedures
- Perform the duties specified herein as designee of the Board Secretary
- Receive and maintain all records related to Director qualifications and nominations
- Make available to Members all required Director Election Nomination forms and related materials
- Serve as the point of contact or designate a person to provide answers to any questions about the Election process from Directors, Candidates, or Members

### 2.5 **Election Service Provider**

The Election Service Provider appointed by the Cooperative will:

- Provide services as specified in the Bylaws, Election Policy and Procedures, consistent with law and its contract with PEC
- Print, distribute, and collect the Ballots
- Tabulate and certify the election results
- Archive and manage all election materials, including destruction of materials from previous elections, according to terms of its contract with PEC

### 3 ESTABLISHING ANNUAL MEETING DATE, TIME, AND LOCATION AND ELECTION TIMELINE

#### 3.1 Establishing Annual Meeting Date, Time, and Location

At or before the August Regular Board Meeting, but no later than December, each year, the Board will determine the date, time, and location of the next year's Annual Meeting.

#### 3.2 Timeline

At a Regular Board Meeting at least 6 months prior to each Annual Meeting, the General Counsel or designee will develop and present to the Board a proposed timeline, with specific dates and deadlines for Election-related events, in the format shown in Appendix A of these Election Procedures ("Election Timeline"). The Board will consider, amend, if desired, and approve the Election Timeline at or before a Regular Board Meeting at least 5 months prior to each Annual Meeting.

#### 3.3 Coordination Meeting

Upon each Board approval of an Election Timeline, the General Counsel shall convene a meeting of internal PEC personnel and representatives of the Election Service Provider to plan the overall Election Timeline and the roles and responsibilities of each individual. Attendees at the meeting shall include the Governance Team, the General Counsel, representatives of the Election Service Provider, and representatives from Member Relations, Legal Services, Communications, and the IT departments, and such other personnel as may be necessary to coordinate and implement the Election process.

### 4 SELECTION OF ELECTION SERVICE PROVIDER

#### 4.1 Annual Decision

At or before the August Regular Board meeting each year, the General Counsel will recommend to the Board whether to extend the contract for the services of the Election Service Provider then retained by the Cooperative under the Bylaws and the Board will make a determination whether to extend the contract or seek an alternate Election Service Provider. Any such extension may be implemented without competitive procurement, notwithstanding any PEC policy or procedure.

#### 4.2 Competitive Procurement

When the Board decides to solicit for election service providers, the Board shall direct the General Counsel to initiate a competitive procurement to identify and recommend to the Board the most qualified Election Service Provider. In any such decision the Board should recognize that such procurement will typically take between four and six months. Unless the Board directs otherwise, a competitive procurement will be performed every three years.

#### 4.3 Criteria

Criteria for recommendation or selection of an Election Service Provider will include: experience, technical capability, past performance, understanding of and ability to comply with PEC Bylaws, policies and procedures, capability to integrate with PEC IT infrastructure, and ability to preserve and enhance the credibility of the Election process. Any prospective



Election Service Provider must meet the technical and security qualifications established by PEC and attached as Appendix B. Any such vendor shall establish its qualifications in this regard by providing detailed descriptions of demonstrated performance in quality-control methods and testing, system security specifications, and policies regarding storage, transmittal, access to and retention of Member information and voting data.

An Election Service Provider may serve the Cooperative only upon having agreed not to share with any person not employed by the Election Service Provider partial or complete voting results before the final tabulated and public announcement by the Election Service Provider at a meeting of Members; provided, however, the Election Service Provider may periodically provide the vote information described in these Procedure.

## 5 RECORD DATE(S)

By adoption of these Election Procedures, under the authority specified in the Article II, Section 9 of the PEC Bylaws, the Board hereby specifies the following Record Dates for Annual PEC Director Elections:

### 5.1 Petition signatures

The Record Date for a Member to be eligible to sign a nomination petition is the date of the verification of the signatures by PEC, meaning that a signature will be counted when the signatory is a Member on the date of verification. This provision shall not prevent reverification of a signature on a subsequent day, if a signatory becomes a Member before the deadline for signature verification, as allowed by these procedures. This provision shall not prevent the use of signature of a Member who appears on the Cooperative's Membership List as provided by this Policy.

Member signatures on a nomination petition will also be counted as eligible petition signatures when the Member appears on the Membership List, as provided to Candidate Applicants pursuant to Section 7.7 (Membership List Availability), in the Director District for which the Candidate Applicant is running.

### 5.2 Casting Ballot

The Record Date for a Member to cast a Ballot in a Director Election is the close of business on the eighth (8<sup>th</sup>) day preceding the date of the Member Meeting at which the announcement of election results are made, meaning that only parties that are Members at the close of that Record Date will be eligible to have their Ballot counted, and to be counted toward the Member Quorum for that Member Meeting or Director District Election. At the close of business on that Record Date, or as soon as practicable thereafter, PEC will provide the Election Service Provider with an up-to-date list of PEC Members as of the Record Date.

## 6 PREPARATION AND APPROVAL OF BALLOT

### 6.1 Non-Director Elections

The Board may, from time-to-time, submit matters under consideration by the Board to a vote of the Members. The vote in any such Non-Director Election shall be advisory only, except in such cases where a vote of Members is required by law or the PEC Bylaws, such as a vote to amend the PEC Articles of Incorporation. No later than the Regular Board Meeting 5 months

prior to an election, the Board will direct the General Counsel to prepare proposed Ballot wording for any items to be put to a vote in a Non-Director Election. Any such matters will be presented by the General Counsel in a way to enhance Member understanding of such measures, including any Board recommendation or position concerning such a vote.

## 6.2 Director Elections

### 6.2.1 Nominations

#### 6.2.1.1 Ballot Materials and Application

##### 6.2.1.1.1 Posting and Availability

The Governance Team will work with the PEC Communications and Member Relations departments to ensure one week prior to the date of the Regular Board Meeting 5 months prior to each election, the following items are made available to PEC Members on the PEC website and in PEC offices: Nominations applications and petitions; Director District map(s); Election timeline; PEC Bylaws; PEC Conflict of Interest Policy; and Conflict of Interest certification and disclosures; PEC Election Policy and Procedures; information about Membership List availability and procedures for obtaining and use of the list.

##### 6.2.1.1.2 Waiver

The application form for Board candidacy will include a waiver, which all persons seeking nomination to the Ballot ("Candidate Applicants") must execute to authorize PEC or its agent to perform background checks to verify the Candidate Applicant meets the Bylaw qualifications to serve as Director.

##### 6.2.1.1.3 Affirmation of Eligibility and Adherence to Election Rules

Candidate Applicants must affirm that the Candidate Applicant meets PEC Bylaw eligibility requirements to serve as a Director both at the time the application is filed and after the Candidate becomes a Director, if elected. Each Candidate Applicant must provide their date of birth, address history and other information, including specific questions or requests for information, the General Counsel deems necessary to confirm that the Candidate Applicant meets Bylaw requirements to serve as a Director.

Candidate Applicants must affirm that the Candidate Applicant will adhere to the policies, rules, requirements, or procedures established by the Cooperative for Director Elections.

##### 6.2.1.1.4 Candidate Application – Use of Legal Name

Candidate Applicants shall provide their legal name on the application to indicate the name as they wish it to appear on the Ballot, biography, questionnaire, PEC website and all PEC election materials. Names must be in a form substantially similar to the Member's legal name; however, the name may contain "commonly-known-as"

nicknames or abbreviated, diminutive forms of the legal name. Nicknames shall not be allowed if they are created solely for use in a PEC Director election. Titles, forms of address, designations, honorifics, professional titles or other credentials, such as education, military rank, or occupation, are prohibited. PEC shall publicly disclose and use the legal name provided by the Candidate Applicant in all election materials.

#### **6.2.1.1.5 Biographical and Platform Materials**

Candidate Applicants must provide biographical material in electronic format that can be opened by Microsoft Word to the Governance Team (as designee of the Board Secretary), as part of the application. Biographical materials are limited to 800 words, in the following required format: single spacing, Arial font with 11 point size, containing personal background information and the Candidate's stance on matters of importance to PEC and its Members. Word count will be measured using the Word Count function of Microsoft Word. If a Candidate Applicant submits biographical materials exceeding 800 words, or with incorrect spacing or incorrect font, the Governance Team will, if time allows, notify the Candidate Applicant. Candidate Applicants may submit revisions to biographical materials until the deadline for submission of application materials. Each Candidate Applicant is solely responsible for the content of his or her submitted biographical materials (including grammar, spelling, and punctuation) and PEC staff will not proofread, edit or otherwise alter any biographical materials, other than to truncate any biographical materials exceeding 800 words or to format in PEC election materials in order to efficiently utilize space or provide consistency. PEC will distribute Candidate Biographical Materials and Candidates' photographs by email to all PEC Members who receive PEC email notifications.

#### **6.2.1.1.6 Candidate Questionnaire**

Candidate Applicants have the option to complete and provide a board Candidate Questionnaire in electronic format that can be opened by Microsoft Word to the Governance Team (as designee of the Board Secretary), as part of the application. Candidate Questionnaire materials are limited to 400 words excluding questions. Word count will be measured using the Word Count function of Microsoft Word. If a Candidate Applicant submits Candidate Questionnaire materials exceeding 400 words (excluding questions), the Governance Team will, if time allows, notify the Candidate Applicant. Candidate Applicants may submit revisions to Candidate Questionnaire materials until the deadline for submission of application materials. Each Candidate Applicant is solely responsible for the content of his or her submitted Candidate Questionnaire materials (including grammar, spelling, and punctuation) and PEC staff will not proofread, edit or otherwise alter any Candidate Questionnaire materials, other than to truncate any Candidate Questionnaire materials exceeding 400 words (excluding questions). PEC will distribute Candidate Questionnaire by email to all PEC Members who receive PEC email notifications.

#### **6.2.1.2 Petition Process and Signature**

To be nominated and included on the Ballot for a Director Election, a Candidate Applicant must submit, on a PEC-promulgated form or a copy of such form, verifiable signatures of at least 50 PEC Members with Voting Residence (as defined in the Bylaws) within the Director District for which the Candidate Applicant is seeking nomination,

along with a conflict-of-interest certification and disclosure form as required by the Bylaws. Executed conflict-of-interest and code of conduct forms shall be posted to the PEC website along with other election and candidate information.

**Any signatures submitted by a Candidate Applicant must be originals, not copies, submitted on the petition form promulgated by the Cooperative during the year in which the election is held, or a copy of such a form.**

No Candidate Applicant will be given access to a nomination petition form before such time as those forms are made available to all Members on the PEC website and at PEC offices. A Member may sign the petition of more than one Candidate Applicant. For Joint Memberships, as that term is defined in the Bylaws, either spouse may sign a petition, but only one signature from any joint membership will be counted for any Candidate Applicant. Any officer of an entity Member, as listed in Texas Secretary of State records, or any person listed in PEC's records as authorized to act on behalf of an entity Member, may sign a petition on behalf of that entity Member. Petition forms will include spaces for the printed name, signature, address and Membership List line number to assist in verification of signatures (see Signature Verification below).

### **6.2.1.3 Confidentiality**

PEC employees performing duties under these procedures shall, to the fullest extent practicable, keep confidential the name of any Member who has made inquiry about seeking nomination, or has identified him or herself as a Candidate Applicant or potential Candidate Applicant, unless such Member has consented to such disclosure or has publicly made known his or her intended candidacy. Candidate Applicant names, as provided by the Candidate Applicant in the nominations and petitions Application, may be disclosed publically, in alphabetical order by Director District, at or after the time their names have been disclosed to the Qualifications and Elections Committee. Candidate Applicant names may be disclosed to the Qualifications and Elections Committee Members the first business day following the Candidate Application and Petition deadline.

All information received from a Candidate Applicant ("Candidate Information"), is confidential until Candidate Applicant names are disclosed publically by PEC. The term Candidate Information does not include a request for a Membership List made pursuant to PEC's Bylaws. Requests for the Membership List shall be handled through the Membership List Policy. Any request for the names of persons who requested the Membership List shall be made through PEC's Open Records Policy, and any responses to such a request shall be provided to all Candidate Applicants, Candidates, and the Board.

Upon request and after names are disclosed publicly by PEC, PEC may release Candidate Information, including Candidate Applications as provided by this policy. Candidate Application materials may be released pursuant to PEC's Open Records Policy which includes exceptions to disclosure. The Member Privacy Policy does not apply to Candidate Application materials unless otherwise provided herein.

#### **6.2.1.3.1 Confidentiality – Nomination Petitions**

All signatory-specific information on nomination petitions submitted to PEC by a Candidate Applicant is private Member information under the Member Privacy Policy, not subject to disclosure under Open Records Policy.

#### **6.2.1.3.2 Confidentiality – Candidate Election Material**

All Candidate Applicant Biographical and Platform Materials, and Questionnaire, are confidential until candidates are Qualified and approved for the Ballot. PEC shall publically disclose Qualified Candidate Biographical and Platform Materials, Questionnaire, at the same time and at least 5 days before Voting begins.

#### **6.2.1.3.3 Directors access to Candidate Information**

Directors may not seek or be provided access to Candidate Information by PEC employees, except as necessary for such Directors to perform duties mandated by law, PEC Governing Documents or this Policy, notwithstanding Directors' usual access to confidential Cooperative information.

#### **6.2.1.4 Deadline for Candidate Application**

To be considered for inclusion on the Ballot for election as a Director, a Candidate Applicant must deliver by hand or certified, trackable delivery method with signature required, a completed original application and petitions to the Governance Team (as designee of the Board Secretary) at PEC Headquarters, 201 South Avenue F, Johnson City, Texas, 78636, no later than 5 p.m. on the last business day falling 82 days or more before the date of the Member Meeting at which a Director Election is announced. Delivery to an alternate PEC address, delivery after the deadline, or mailing an item with a postmark before the deadline will not satisfy this requirement and will result in the application's rejection.

#### **6.2.1.5 Signature Verification**

The PEC Member Relations Department will verify the signatures on petitions by Candidate Applicants. A signature will be accepted as an eligible petition signature when the signer is identified in PEC account records as a Member with Voting Residence within the district for which election is being sought.

Member signatures on a nomination petition will also be counted as eligible petition signatures when the Member appears on the Membership List, as provided to Candidate Applicants pursuant to Section 7.7 (Membership List Availability), in the Director District for which the Candidate Applicant is running.

Signatures that cannot be identified because they are illegible or cannot be matched to an active PEC Member will not be counted as verifiable signatures.

Member Relations will verify signatures in the order they are presented on petitions, and will stop the verification process once 50 signatures have been verified, or when the list of signatures is exhausted without having reached the qualifying number. Members Services will notify the General Counsel and the Governance Team and provide a written summary of findings regarding signature verification.

**Candidate Applicants are strongly encouraged to gather and submit more than 50 signatures to provide a margin of error for disallowed signatures.** If time allows before the Candidate Application and Petition deadline, the Governance Team will inform Candidate Applicants of the circumstances of questionable signatures. Candidate

Applicants may submit supplemental signatures or request a reevaluation of signatures based on Members' changing account records until the deadline for submitting signatures (e.g., if a person has had himself or herself added to a Joint Membership in PEC's records).

#### **6.2.1.6 Qualifications And Elections Committee**

At least a week before the Regular Board meeting 4 months prior to an election, each Director may submit to the Governance Team the name of a person or persons residing in the Director's District eligible and willing to serve on the Qualifications and Elections Committee, as described in the Bylaws. At the Regular Board meeting 4 months before an election, the Board will appoint the Qualifications and Elections Committee, with no less than three (3) nor more than seven (7) members, preferably with one member from each Director District.

The resolution will set compensation, if any, deadlines, reimbursement, allowances for telephonic meetings, and any other terms specified by the Board, and will specify that the Committee shall operate in accordance with the Bylaws and these Election Procedures.

Members of the Qualifications and Elections Committee will have access to personal candidate information. The Qualifications and Elections Committee will use personal candidate information only as needed for service on the Qualifications and Elections Committee and will not further disclose the information unless required as a matter of law.

#### **6.2.1.7 Verification of Bylaw Qualifications**

The Qualifications and Elections Committee, with the assistance of the General Counsel, will recommend and report to the Board whether Candidate Applicants are qualified and eligible for election or service as a Director in Article III of the PEC Bylaws. The Qualifications and Elections Committee will recommend a slate of qualified Candidates to the Board for inclusion on the Director Election Ballot. Before attempting to verify the substantive qualifications described in the Bylaws and below, the Qualifications and Elections Committee will determine whether the Candidate Applicant has submitted required signatures, verified under Signature Verification of this Policy, and completed the conflict-of-interest certification and disclosure form required by the Bylaws. Upon request by the Qualifications and Elections Committee, a Candidate Applicant must provide information necessary to confirm that the Candidate Applicant meets Bylaw requirements to serve as a Director. Any requested information should be reasonably tailored to seek only the information necessary for a determination. In all matters, the Qualifications and Elections Committee shall assume the truth of matters asserted by Candidate Applicants, and act accordingly, unless the Committee has identified a reasonable and specific basis for acting otherwise. The General Counsel will

retain an independent third-party background verification firm (“Background Verifier”) to assist the Qualifications and Elections Committee in verification of the following eligibility requirements as described below:

- a) Be twenty-one (21) years of age or older on or by the date of the Member meeting at which the election is held;

**Background Verifier will attempt to locate voter registration information or driver’s license for a Candidate Applicant, which will provide proof of age. If no voter registration or driver’s license is found, a Candidate Applicant will be asked to provide a birth certificate, passport or other proof of age.**

- b) Have earned a high school diploma from an accredited institution, or obtained state certification through General Educational Development tests (GED), by the date of the Annual Meeting at which the Director is elected;

**Candidate Applicant will be asked to provide proof of having received the required credential, which may include degrees earned or other subsequent achievements that require such diploma or GED as prerequisites (e.g. law enforcement certification or other professional licensing requiring such a degree).**

- c) Be a United States citizen;

**Background Verifier will attempt to locate voter registration information for a Candidate Applicant, which will provide proof of citizenship. If no voter registration is found, a Candidate Applicant will be asked to provide a birth certificate, passport or other proof of United States citizenship.**

- d) Be a Member in good standing of the Cooperative, by having met and adhered to the Cooperative’s payment policies in accordance with credit requirements contained in the Cooperative’s Tariff and Business Rules, as amended from time to time, and any other requirements for membership in good standing established by Board resolution;

**The PEC Member Relations department will verify the Candidate Applicant’s membership in the Cooperative and will review the billing history of the Candidate Applicant to verify good standing. Findings will be provided to the General Counsel for transmittal to the Qualifications and Elections Committee.**

- e) While a Director and during the five (5) years immediately prior to becoming a Director, not have been an employee of the cooperative;

**The PEC Human Resources and Finance Departments will review employment and other records for indications that the Candidate Applicant has been an employee, and will provide any relevant information discovered to the General Counsel for transmittal to the Qualifications and Elections Committee. The Candidate Applicant’s affirmation of eligibility will be relied upon as to relatives’**

**prior employment or Board service. If the Qualifications and Elections Committee or General Counsel becomes aware of potential disqualification under this provision, the Cooperative staff will assist in the effort to confirm those circumstances.**

- f) While a Director, not have a child, spouse, domestic partner, parent, sibling, parent-in-law, stepchild, grandparent, or grandchild who is an employee or Director of the Cooperative;

**If the Qualifications and Elections Committee or General Counsel becomes aware of potential disqualification under this provision, the Cooperative staff will assist in the effort to confirm those circumstances.**

- g) Have his or her primary residence receiving continuous electric service from the Cooperative for one year, and be located at the beginning of the calendar year of the election, in the district for which election is sought. Primary residence shall be determined based on factors including, but not limited to, real property rights, homestead exemption, electricity usage patterns, voter registration location, and address on a driver's license;

**Background Verifier will research the factors listed above and complete a standardized report to the General Counsel, identifying the indicators supporting or contradicting the Candidate Applicant's primary residence within the district where election is sought. The PEC Member Relations Department will research and report to the General Counsel on the continuity of electric service at the address. The General Counsel and the Qualifications and Elections Committee may seek clarification from the Candidate Applicant regarding information provided by Background Verifier or Member Services.**

- h) Annually complete and sign a conflict-of-interest certification and disclosure form approved by the Board of Directors;

**The General Counsel will verify that any incumbent Director running for reelection has met this requirement, and that any non-Director Candidate Applicant has executed the same, separately-required form for Candidates under the Bylaws.**

- i) While a Director or during the three (3) years immediately prior to becoming a Director, not sought to advance or have advanced a:
1. Competing Interest with the Cooperative;
  2. Financial Interest that would likely impair the ability of the Director to serve the best interests of the Cooperative; or
  3. Conflicting Position that would likely impair the ability of the Director to serve the best interests of the Cooperative.

A "competing interest with the Cooperative" exists when judgment concerning the cooperative (such as financial, legal or general business decisions) is influenced or



may be reasonably influenced by another interest (such as financial or non-financial gain or interest).

A “Financial Interest” is likely to impair a Director’s ability to serve the best interests of the Cooperative if that Director has received more than ten percent (10%) of the Director’s annual gross income from serving as an employee, consultant, or contractor with or for a person or an entity that has done business with the Cooperative in the preceding three years.

A “Conflicting Position” is likely to impair a Director’s ability to serve the best interests of the Cooperative if there exists a possibility of that position requiring the Director to make business, legal or policy decisions adverse to the Cooperative or its membership. Examples of such conflicting positions include, but are not limited to:

1. Serving as an employee, consultant, or contractor assigned to negotiating or managing contracts with the Cooperative for any person or entity that has been a consultant, contractor, vendor, or bidder of the Cooperative during the preceding three years;
2. Having held an executive level or board position of a financial institution that has held Cooperative assets during the preceding three years; or
3. Having held an elected position to a public entity which has the authority to lawfully impose franchise fees.

**The Qualifications and Elections Committee will use its discretion, as advised by the General Counsel, to determine whether this qualification has been met. The determination will be based upon information provided by the Candidate Applicant under the Bylaws or this Policy or information required by the Qualifications and Elections Committee, including biographical information and the conflict-of-interest certification and disclosure form. The Committee may consider other sources of information, including public documents presented to or gathered at the direction of the Committee.**

- j) Not be or have been convicted of a misdemeanor involving moral turpitude or a felony pursuant to state or federal laws;

**Background Verifier will conduct a criminal records check of Candidate Applicants and report findings to the General Counsel. “Moral turpitude” will have the meaning ascribed to it in Texas administrative and case law.**

- k) Not currently be a member of the Qualifications and Elections Committee described herein;

**This qualification will be self-evident.**

- l) Not have been previously removed or disqualified as a Director as provided for under these Bylaws;

**General Counsel will determine and report to the Qualifications and Elections Committee whether this qualification has been met.**

- m) Have the capacity to enter into legally binding contracts;

**Beyond the age verification called for previously, no actions will routinely be taken to verify this qualification beyond receiving a Candidate Applicant's certification of eligibility and the winning Candidate's Affirmation to that effect, However, the General Counsel and the Qualifications and Elections Committee will make inquiry into any potential violation of which they become aware.**

- n) Be willing to devote such time and effort to his or her duties as a Director as may be necessary to oversee the Cooperative's business and affairs including: except as otherwise provided by the Board of Directors for good cause, beginning with election to the Board of Directors, attend at least seventy-five (75) percent of all regular and special called Board Meetings during each period from Annual Meeting to Annual Meeting; and obtain the Credentialed Cooperative Director (CCD) designation from NRECA within the first 18 months after election to the Board; attend state and national association meetings and Director continuing education training as needed to maintain current knowledge and improve awareness of potential risks to the Cooperative;

**The General Counsel will verify with the Governance Team that any sitting Director or former Director previously subject to this provision has fulfilled this qualification. No actions will be taken to verify other persons' qualifications in this regard.**

- o) Not be employed by another Director, or be employed by an entity over which another Director exercises substantial control.

**No steps will routinely be taken to verify this qualification, beyond examination of information provided by the Candidate Applicant or others, including conflict-of-interest forms and certifications. However, if the General Counsel or the Qualifications and Elections Committee becomes aware of a potential violation, they will take steps to determine whether the qualification is satisfied, including seeking information from the Candidate Applicant as allowed by the Bylaws.**

- p) Execute and provide the relevant documents, waivers, or other materials reasonably needed to verify satisfaction of these qualifications, including criminal background checks to be performed by the Cooperative. A person subject to this provision shall not be requested or required to provide personal or business tax returns, financial or business records, or non-public, personal details unless legal counsel has justified and certified in writing and the majority of disinterested Qualifications and Elections Committee members have determined by record vote that conformity with Director Qualifications cannot be determined without such records. If such certification is made and the records are provided, the Cooperative and its agents shall not publicly disclose such records except with the consent of the person providing them, or in the course of a legal proceeding or as required by law.

**The Qualifications and Elections Committee, with the assistance of the General Counsel, will determine whether a person refusing to execute or provide the relevant documents under this section will be disqualified for failing to meet this qualification.**

- q) While a Director, act in good faith and represent the best interests of the Cooperative as a whole, representing all members on an impartial basis.

**No actions will routinely be taken to verify this qualification beyond receiving a Candidate Applicant's certification of eligibility and the winning Candidate's Affirmation to that effect, but the Qualifications and Elections Committee and General Counsel will make inquiry into any potential violation of which they become aware. Any such inquiry is for purposes of determining Candidate Applicant eligibility, and not ongoing enforcement of this Bylaw provision.**

#### **6.2.1.8 Notification to Candidate Applicants of Proposed Findings Regarding Qualifications**

The Qualifications and Elections Committee will provide written findings to the Governance Team regarding each Candidate Applicant's qualifications to serve as a Director. The Governance Team will notify each Candidate Applicant of those findings, and advise them of the schedule for the Qualifications and Elections Committee to finally determine eligibility. Any Candidate Applicant receiving notice that the Committee has preliminarily found them not to have met the Bylaw qualifications to serve as a Director will be advised of such finding and its basis, and invited to present written or other information to the Committee that supports the Candidate Applicant's qualifications.

#### **6.2.1.9 Recommendation of Candidate Slate**

At least 2 months prior to an election, the Qualifications and Elections Committee will present to the Board the slate of qualified Candidates based on the inquiry described above. The Qualifications and Elections Committee and the General Counsel will also identify and explain the circumstances of any Candidate Applicant who has been found not qualified or has otherwise not met the requirements to be a Candidate. The General Counsel will present to the Board any information submitted for the Board's consideration by any Candidate Applicant not recommended for inclusion on the Ballot.

#### **6.2.1.10 Approval and Certification of Ballot**

At a Regular Meeting of the Board at least 2 months prior to an election, the Board will consider, approve and certify the Candidate slate and Ballot language for any Non-Director Election matters for vote. Any Director will recuse himself or herself or abstain from any discussion, deliberation or vote concerning the qualifications of Candidate Applicants in any Director Election in which the Director is a Candidate Applicant. Candidates for each Director District will be considered separately, to maximize the opportunity for Directors to participate in voting. Candidate Names shall appear on the Ballot in the form and order as provided herein.

## 7 VOTING AND PROCESSES DURING ELECTION PERIOD

### 7.1 Candidate Orientation and Photos

In the week preceding the Regular Meeting of the Board that is two (2) months before an election, an orientation will be conducted by PEC staff for Candidate Applicants at the Johnson City PEC Headquarters. The agenda may include, among other things: the history of PEC; CEO remarks; Board responsibilities and time demands; compensation and legal duties of Directors; review of the Election process and timeline; the drawing of names for Ballot position and a question-and-answer period. PEC will take Candidate pictures for use in PEC-generated Election-related press and promotional material, as described in Candidate Photographs (Section 7.5) below. Candidates for election who are incumbent directors, or past directors, may not use any picture of themselves which was paid for, or created by PEC, for use in a PEC official capacity.

### 7.2 Withdrawal from Election

At any time before the Board approves the Ballot, a Candidate may withdraw from a Director Election by notifying the Governance Team in writing or by email at [election@peci.com](mailto:election@peci.com) of his or her withdrawal. Any Candidate wishing to withdraw after the Board approves the Ballot and before election results are released (“Withdrawn Candidate”) should give written notice to the Governance Team. The Cooperative will use reasonable methods to advise the Membership of the withdrawal. If time allows, the withdrawn Candidate’s name will be removed from the paper ballot, and in that case from any electronic ballot as well. If time does not allow removal from the paper ballot, the name will remain on both the paper and electronic ballots, and the election website will not be altered to remove the Candidate’s name. Any votes cast for a Withdrawn Candidate will be counted but the winner will be selected in accordance with Director Election (Section 8.7.2) below.

### 7.3 Communications Plan

At or before the Regular Board Meeting five (5 ) months before an election, the PEC Communications Department will present to the Board an Election Communications Plan (“Communications Plan”), outlining the communications efforts that will be employed to inform PEC members of the issues in any Non-Director Election and the Candidates, and the contact information for Members who have questions about the election process. At a minimum, the Communications Plan will include prominent references to the Election on PEC’s Internet site, posting of Candidates’ biographical materials and conflict-of-interest certification and disclosure form, , use and distribution of printed materials and information on how to obtain answers to Election-related questions, obtain Ballots (including replacement Ballots), and cast Ballots; and PEC Corporate Statistics in a form approved by the Board in the Communications Plan (a sample is attached as appendix D of this policy). PEC Corporate Statistics may be communicated multiple times during the election cycle as approved in the Communications plan.

## 7.4 Preparation and Distribution of Ballots

### 7.4.1 Printed Ballots

After approval of the Ballot, the Governance Team and General Counsel, as designees of the Board Secretary, will direct the Election Service Provider to prepare and print Ballots and accompanying biographical material (“Ballot Materials”) sufficient for distribution to the appropriate PEC Members in the form specified in the Bylaws, including wording sufficient to constitute required notice of the Election, website information, and credentials for electronic voting.

Candidate’s names will appear on the Ballot Materials in the order as drawn at Candidate Orientation as described in Section 7.1

Between 25 and 30 days before the Election, the Election Service Provider will, at the direction of the Governance Team (as designee of the Board Secretary), deliver by mail Ballot Materials to the appropriate PEC Members. The Election Service Provider will mail Ballot Materials no later than 16 days before the Member Meeting at which Election Results are Announced to any PEC Member that has joined the Cooperative since the date of the initial mailing of Ballot Materials.

#### 7.4.1.1 Voting and Receipt of Ballots

**Only the Election Service Provider shall accept ballots. Ballots are not to be accepted on PEC Premises or by PEC Employees, Directors or Candidates.**

### 7.4.2 Website

The Election Service Provider will, at the time of mailing, make available on the Internet a secure website for online voting, including Candidate biographical material..

### 7.4.3 Emails

The Election Service Provider will on the first day of the election, send emails to all Members for whom PEC has valid email addresses with election information, voting credentials, and direct, “one-click” links that allow Members to access the voting website and vote without manually entering credentials. The Election Service Provider will send follow-up emails according to the Election Timeline approved by the Board. Members who have opted-out of receiving communications from PEC will not receive these email notifications.

## 7.5 Candidate Photographs

At the Candidate Orientation and Photographs described above (Section 7.1), PEC will take pictures of Candidates for use in PEC-generated Election-related press and promotional material. Alternatively, Candidates wishing to provide photographs for use by PEC must provide the image electronically before the Candidate Orientation. Candidates must affirm in writing that any such image is copyright-free and that the person has and grants PEC permission to use the photo. Photos copied or digitally scanned from driver’s licenses or other sources are not acceptable. To be used, photos must meet the following criteria:

- Contain a current image or one taken within the proceeding 5 years
- JPEG or other electronic file type, with approval of PEC
- No other person pictured
- Plain background, preferably free of objects or “clutter”
- Full color
- High resolution (300 dpi or greater)
- Must be a copyright-free image or provide a no cost letter of permission or license for use
- Sized and cropped such that the height of the head is between 50 and 85 percent of the vertical dimension of the photograph.
- Taken in full-face view directly facing the camera
- Questions about the suitability of a photograph should be addressed in the manner described in Section 7.6 and submitted far enough in advance to allow preparation of an alternative photograph if the original submission is not acceptable

## 7.6 Questions by Candidates About the Election Process

The Governance Team, or designees, is the point of contact for any questions about the Election process from Members, Candidate Applicants, or Candidates. Questions must be submitted by email to [election@peci.com](mailto:election@peci.com). The Governance Team, or designees, is also the point of contact for any questions by Candidates, Candidate Applicants, or Qualified Candidates about PEC operations. The Governance Team will provide or designate a person to provide all Candidate Applicants or Candidates copies of any question submitted and answers. Questions and answers are provided without the name of the person that submitted the question. Exceptions to this rule may be made with the approval of the General Counsel, based on sensitivity of subject matter, or in cases where a question and answer apply uniquely to a questioner.

Directors who are Candidates should likewise address election issues through the Governance Team and not through the direct access to PEC staff. Questions from Directors who are Candidates should also submit their questions by email to [election@peci.com](mailto:election@peci.com).

## 7.7 Membership List Availability

In accordance with the Bylaws and the PEC Membership List Policy, Director Candidates and Candidate Applicants may obtain an electronic or printed list of PEC members, including member addresses, election district numbers and unique line numbers for each Member by contacting [openrecords@peci.com](mailto:openrecords@peci.com). The Candidate requestor must provide the director district to which the member is seeking election, name, address, and other contact information. The requestor must affirm in a sworn, notarized affidavit to use the list only for nomination or candidacy to the PEC Board of Directors and no other purpose.

Consistent with Section 6.2.1.5 (Signature Verification), the Membership List will be made available to Candidate Applicants 2 months before the Deadline for Candidate Application in Section 6.2.1.4. The Membership List provided to Candidate Applicants pursuant to this Section may be utilized for Verification of Petition Signatures pursuant to Sections 5.1 and 6.2.1.5.

## 7.8 Campaigning on PEC Premises

Members may not engage in Campaigning (as that term is defined herein) on PEC premises or PEC events, except at PEC-sanctioned Candidate events, or within a zone designated by the General Counsel for campaigning at PEC events. PEC premises include parking lots, the exterior and interior of PEC-operated facilities or those same areas of any facility where a Member Meeting or Board Meeting is conducted.

“Campaigning” is: the distribution of materials designed to influence the outcome of a Cooperative election; direct communications to Members designed to influence the outcome of a Cooperative election, including gathering of signatures on petitions; displays of placards, bumper stickers, signs or other campaign promotional material, other than those displayed on vehicles or on wearing apparel or accessories.

### 7.9.1 PEC Employee Campaigning

Employees should be mindful that PEC has established an independent election process to promote consistent and credible elections by the Membership. As such, employees should make known that any Campaigning in which they voluntarily choose to participate is on their own behalf, on their personal time and that the employee's campaign activities don't reflect any endorsement by PEC. Employees may sign candidate petitions (when they are also PEC Members) and campaign for candidates just as any other non-employee. Participation in Board Director Campaigning, however, is voluntary.

Employees shall not Campaign on Cooperative time, premises or use Cooperative resources for Campaigning, such as PEC phones, e-mail, or vehicles. Employees who choose to Campaign must not do so while in a PEC uniform or PEC branded apparel.

## 7.9 Use of PEC Brand

Candidates may not deploy web pages or other campaign materials that suggest that their candidacy is endorsed or supported by PEC, and specifically may not use any PEC logos or, trademarks. “Hot links” to the PEC electronic media are acceptable. Candidates who are incumbent directors may not use their PEC provided email addresses or any PEC provided resources for correspondence related to the election.

## 7.10 Access to Vote Information; Updates on Voter Turnout; Election Results

No PEC employee, Director, Candidate or person acting on their behalf, except as described in this Section, shall seek or accept from the Election Service Provider access to information about details of votes cast by a PEC Member or Members, other than aggregated information about voting turnout or voting methodology across the entire Cooperative, as described in this section.

PEC Employees. Only PEC employees who are specifically responsible for implementing, developing and testing registration software for use in an Election shall have access to data indicating if a member has voted or not voted and the method by which their vote was submitted. This data shall not contain any member's individual voting selection(s).

Once weekly after Ballots are initially mailed, the General Counsel, or designee, will provide voting updates to Candidates and the Board. Those updates will be based on information transmitted by the Election Service Provider and will include the aggregate number of Ballots cast and received Cooperative-wide and by Director election district, with comparisons to similar, historical data. The updates shall include method by which votes were cast. Those updates shall not include the specific number of votes cast for any particular Candidate or issue in a Non-Director Election.

**Election Results.** Upon conclusion of the deadline for casting ballots, but no later than four (4) days prior to the Member Meeting at which Election Results are announced, the Election Service Provider shall certify and provide the Election Results to the General Counsel, or designee. The General Counsel, or designees, shall release the results to Candidates and the Board of Directors three (3) days prior to the Member Meeting at which Election Results are announced. Immediately after relasing the Election Results to Candidates and the Board of Directors, the General Counsel, or designees, will release the Election Results to the Membership, but no later than three (3) days prior to the Member Meeting at which Election Results are announced.

#### **7.10.1 Candidates' Access to Voting History**

After a Candidate has been duly qualified and approved to be listed on the Ballot, the Candidate may request and be provided a Voter History List that contains only the names and mailing addresses of Members who voted in any, or each, director district election for the three (3) elections involving the Candidate's director district immediately preceding the current Election. The Voter History List shall not contain any information that could indicate or otherwise reveal any selections made by the Member in the election (for example, for whom the Member voted or how the Member voted on any question). To obtain the Voter History List, a Candidate must request this information by contacting the Governance Team at [election@peci.com](mailto:election@peci.com). The accuracy and completeness of the list is undisputable. The candidate must affirm in a sworn, notarized affidavit to use the list only as directly related to the PEC Board of Directors election and for no other purpose. Any member may by written communication to the Cooperative choose to have his/her/its member information excluded from any Voter History List.

#### **7.10.2 Interim Voting Totals**

Once weekly after Ballots are initially mailed, the election status of total votes cast Cooperative-wide and by Director election district may be posted to the PEC website and released publicly. No records of a member's individual vote, or a candidates running vote total shall be disclosed.

### **7.11 Quality Control**

Before the Regular Meeting of the Board four months prior to the Member Meeting where election results are announced , the Election Service Provider shall provide PEC a list of quality-control steps to be taken before the Member Meeting, including process for the release and announcement of election results, to assure the accuracy of voter rolls and vote counts ("Pre-Member Meeting Quality Control") and after tabulation to verify the accuracy of Election results before such results are announced at the Member Meeting (Post-Tabulation, Pre-Announcement Quality Control).



Pre-Member Meeting Quality Control shall include, but not be limited to, the following steps:

- Verify the previous removal or remove from the voting database the votes of any person or entity that was not a PEC Member as of the close of business on the day before Annual Meeting.
- Remove from the voting database the votes of any Member that has “double voted,” by submitting a paper Ballot received by the Election Service Provider after that same Member has electronically voted.
- Verify that the PEC voter registration system is loaded with the list of PEC Members as of the record date.
- Verify that the PEC voter registration system accurately reflects whether or not a Member has previously voted.

#### 7.12 **Completion and Certification of Quality Control, Votes Cast in Advance of Member Meeting, and Mailing of Notice to Members**

The Election Service Provider must perform all Post-Tabulation and Pre-Release or Pre-Announcement Quality Control tasks, and must certify in writing to the PEC General Counsel that each step has been completed delivery of Election Results to the General Counsel. The Election Services Provider shall deliver the Elections Results to the General Counsel, or designee, no later than four (4) days before the Member Meeting at which the Elections Results are announced.

Before the Member Meeting, the General Counsel will prepare and transmit to the Governance Team certifications of the following:

- Notice of the Member Meeting was mailed in accordance with the Bylaws.
- The number of votes cast by mail or electronically, or as otherwise approved by the Board of Directors.

Before a Member Meeting, the Governance Team will prepare for execution by the Board Secretary at the Member Meeting, a certificate affirming that quorum was satisfied at the meeting or for a Director Election, for filing with the official records of the Cooperative.

## **8 MEMBER MEETING AND TABULATION OF VOTES**

### **8.1 One Member-One Vote**

Each Member shall be entitled to one (1) vote upon each matter submitted to a vote of the Membership. Any officer of an entity Member, as listed in Texas Secretary of State records, or any person listed in PEC’s records as authorized to act on behalf of an entity Member, may cast a vote on behalf of that entity Member.

Each Member of a Director district shall be entitled to one (1) vote upon each Director election for that individual Director district, and only Members of a Director district may vote in that Director district election

A Member's individual Director district is established by the location of the Member's Primary Account as that term is defined in the Tariff and Business Rules. For a Member with multiple accounts, a Member may request and PEC will only change a Member's Primary Account once every (3) three years.

## 8.2 **Voting Prior to the Member Meeting; Deadline for Casting a Ballot**

The Election Services Provider will tabulate all ballots cast at a time and date before the date of the Member Meeting as established by the Board of Directors on the Election Timeline (“Deadline for Casting a Ballot”). At the same time, the Election Services Provider will perform its quality control related to the voting procedures, process for release and announcement of elections results, and provide the certification to the General Counsel required in Completion and Certification of Post-Tabulation, Pre-Release and Pre-Announcement Quality Control (Section 8.8).

**Deadline for Casting a Ballot.** The Deadline for Casting an Election ballot shall be no later than seven (7) days prior to the Member Meeting at which the Elections Results are announced. All ballots must be received by the Election Services Provider by the Deadline for Casting a Ballot.

## 8.3 **Proxies Prohibited**

Except in instances specifically mandated by law or PEC Governing Documents, a Member may not appoint another individual person to vote on any matter for the Member.

## 8.4 **Tabulation; Release of Election Results; Announcement of Election Results**

The Election Service Provider will tabulate results in accordance with the PEC Bylaws. The first vote of a Member received by the Election Service Provider will be counted as the vote cast by that Member, and Members will not be allowed to change previously cast votes.

Any paper ballot received by mail at the Election Service Provider by the Deadline for Casting a Ballot (Section 8.2) shall be deemed and counted as having been cast before the deadline for mail-in balloting specified in the Bylaws, unless the Election Service Provider or PEC has conclusive information that the ballot was cast after the deadline.

Paper votes will be scanned electronically by the Election Service Provider into a data record as they are received, with questionable and zero-vote Ballots pulled, hand counted and entered into the data. Online votes will have been recorded in a data record as they were cast, with multiple levels of verification and security. Duplicate Ballots cast by Members who have already previously voted online will be removed before tabulation.

The Election Service Provider shall prevent any ballot from being cast electronically after the Deadline for Casting a Ballot (Section 8.2).

The Election Services Provider will tabulate and count ballots in such a way to favor the intention to cast a vote on each item on a returned ballot. The Election Services Provider will examine voter marks to determine voter intent.

The Election Services Provider shall deliver the Elections Results to the General Counsel, or designee, no later than four (4) days before the Member Meeting at which the Election Results are announced.

**Release of Election Results prior to Member Meeting.** The General Counsel, or designee, shall release the results to Candidates and the Board of Directors three (3) days prior to the Member Meeting at which Election Results are announced. Immediately after relasing the Election Results to Candidates and the Board of Directors, the General Counsel, or designee,

will release the Election Results to the Membership, but no later than three (3) days prior to the Member Meeting at which Election Results are announced.

**Announcement of Election Results at the Member Meeting.** At the Member Meeting, the Election Service Provider, or another person designated by the Board of Directors, will announce the vote totals for each Director election district (“Election Results”)

## 8.5 **Process if Member Disputes Having Cast Vote**

If a Member disputes a record showing they have previously cast a Ballot, a new Ballot may be cast by the Member and counted only if submitted prior to the Deadline for Casting a Ballot, and upon a written affirmation signed by the Member that he or she has not previously voted, example attached as Exhibit C. For any Joint Membership, such a written affirmation must be signed by both Joint Members to be effective.

## 8.6 **Determination of Outcome/Winner**

### 8.6.1 **Non-Director Election**

Members shall be deemed to have approved an option in a Non-Director Election if: (1) a Member Quorum, as defined in the Bylaws, is established and certified, and (2) the Non-Director Election option receives the highest number of votes.

### 8.6.2 **Director Election**

The Candidate for each Director Position receiving the highest number of votes shall be elected, unless the Candidate receiving the highest number of votes is a Withdrawn Candidate, in which case the non-withdrawn Candidate receiving the highest number of votes shall be elected. In the event of a tie, the winner shall be determined by a drawing by lot to be conducted by the Election Service Provider. In the event of a tie in a Director Election, in conducting a drawing by lot, a representative of the Election Service Provider will place in a box as many slips of paper as there are nominees in the tie, with a single slip marked "elected" and the remaining slips marked "not elected." In alphabetical order by last name, each of the Director Candidates in the tie shall blindly draw one (1) slip from the box.

The Director Candidate drawing the slip marked "elected" shall be elected to the Director position in question.

## 8.7 **Completion and Certification of Post-Tabulation, Pre-Announcement Quality Control**

After tabulation, and no later than four (4) days before the Member Meeting at which the Elections Results are announced, the Election Service Provider must certify in writing to the PEC General Counsel all Post-Tabulation, Pre-Release and Pre-Announcement Quality Control steps were taken.

## 8.8 **Release, Announcement and Certification of Election Results**

At the conclusion of validation and tabulation of the Ballots and certification of quality control but no later than four (4) days before the Member Meeting at which the elections results are announced, the Election Service Provider shall provide to the General Counsel a written certification of the election results for inclusion in the Minutes of the Member Meeting and a Regular Meeting of the Board after the Member Meeting. The General Counsel, or designee,

shall release the election results as provided by these Procedures. The Election Services Provider, or another person as designated by the Board of Directors, will announce the election results at the Member Meeting. If any Candidate is a Withdrawn Candidate, the Election Service Provider shall announce that that Candidate is a Withdrawn Candidate and that that Candidate is ineligible to be elected notwithstanding the number of votes cast for that Candidate.

#### **8.9 Post-Election Director Acknowledgments**

Immediately after the conclusion of the Member Meeting, all elected Directors must execute and deliver to the Governance Team (i) the conflict-of-interest disclosure form, (ii) the Director Affirmation as to their eligibility to be a Director, and (iii) the acknowledgment of the Directors' Code of Conduct.

#### **8.10 Election Contests**

The General Counsel shall be the arbiter of any issue related to PEC Elections, subject to appeal to the Qualifications and Elections Committee. Any challenge to the election must be filed at the Pedernales Electric Cooperative Headquarters, located in Johnson City, Texas by 5pm on the second (2<sup>nd</sup>) business day following the Release of the Election Results.

### **9 ACTIONS AFTER ANNUAL MEETING**

#### **9.1 District-by-District Results**

Within five business days of the Member Meeting at which Election Results are announced, the Election Service Provider will provide to PEC a breakdown of voting results by district, showing the total number of Members from each district that voted, the total number from each district voting for each Candidate or Non-Director Election Ballot item, and the total number from each district that voted but did not cast a vote in a race or Non-Director Election matter.

#### **9.2 Post-Election Analysis**

Within two months after the Annual Meeting at which Election Results are announced, the General Counsel will conduct a review of all facets of the PEC Elections, and will present to the Board any recommended modification to PEC Bylaws or Election Policy or Procedures.

## APPENDIX A

### Election Timeline - Sample

Appendix A: Election Timeline ( <b>SAMPLE</b> )			
Item	Section	Party	Due Date
Consider Election Service Contract	4.1	<i>GC/BOD</i>	At or before the August Regular Board meeting each year
Establish Annual Meeting Date and Location	3.1	<i>BOD</i>	At or before the August Regular Board Meeting each year
Present Election Timeline	3.2	<i>GC</i>	December Regular Board Meeting
Approve Election Timeline	3.2	<i>BOD</i>	January Regular Board Meeting
Conduct Internal Coordination Meeting	3.3	<i>GC/ Public Affairs / GM / IT/ GT / Legal / Member Relations/ Mapping / Election Service Provider</i>	Prior to the January Regular Board Meeting
Communications Plan presented to the Board of Directors	7.3	<i>Public Affairs Department</i>	At or before the January Regular Board Meeting of each year
Post and make available Ballot Materials and Nomination Application	6.2.1.1.1	<i>GT/ Public Affairs / Member Relations</i>	By January Regular Board Meeting each year.
Election Service Provider send Quality Control Steps to the General Counsel	7.10.1	<i>Election Service Provider/GC</i>	Prior to the February Regular Board Meeting (timeline reflects packet deadline).
Director will submit to the Governance Team the name of a person or persons residing in the Director's District eligible and willing to serve on the Qualifications and Elections Committee	6.2.1.6	<i>BOD/GT</i>	At least a week preceding the February Regular Board meeting
Direct the General Counsel to prepare proposed Non-Director Election items	6.1	<i>BOD</i>	No later than the January Regular Board Meeting each year
Board will appoint the Qualifications and Elections Committee	6.2.1.6	<i>BOD/QEC</i>	At the February Regular Board meeting

<b>Appendix A: Election Timeline (SAMPLE)</b>			
<b>Item</b>	<b>Section</b>	<b>Party</b>	<b>Due Date</b>
Candidate Application to be delivered to the Governance Team at PEC Headquarters in Johnson City	6.2.1.4	<i>Candidate Applicant/GT</i>	No later than 5 p.m. on the last business day falling 82 days or more before the date of the Annual Meeting
Candidate Orientation and Photos	7.1 7.5	<i>Candidate Applicant(s)/PEC staff</i>	The week preceding the April Regular Meeting of the Board each year
Election withdrawal deadline for removal from Ballot	7.2	<i>Candidate Applicant</i>	Before approval of Ballot by Board
Presentation and approval of Candidate slate, Ballot, and any Non-Director Election items	6.2.1.9, 6.2.1.10	<i>Qualifications and Elections Committee /GC</i>	At the April Regular Meeting of the Board each year
Candidate Photographs	7.1, 7.5, 7.5	<i>Candidate Applicant(s) / Governance Team / Public Affairs</i>	Following the week after the Ballot is approved by the Board
Mailing of Ballots	7.4.1	<i>Election Service Provider, as directed by GC / GM</i>	Between 25 and 30 days before the Annual Meeting
Online voting site goes live	7.4.2	<i>Election Service Provider</i>	Between 25 and 30 days before the Annual Meeting
Initial voting email notifications	7.4.3	<i>Election Service Provider</i>	Between 25 and 30 days before the Annual Meeting
Certifications prepared of mailing of Annual Meeting Notices, number of votes cast electronically and by mail, quorum verification for use at Annual Meeting.	7.12	<i>GC and GM</i>	Between one and eight days before Annual Meeting.
Supplemental mailing of ballots to Members since previous mailing	7.4.1	<i>Election Service Provider/IT</i>	As specified in this timeline
Update on voter turnout by Director election district	7.10	<i>GC and GM</i>	Once weekly after Ballots are initially mailed
Supplemental mailing of ballots to Members since previous mailing	7.4.1	<i>Election Service Provider/IT</i>	As specified in this timeline

Appendix A: Election Timeline (SAMPLE)			
Item	Section	Party	Due Date
Update on voter turnout by Director election district	7.10	<i>GC and GM</i>	Once weekly after Ballots are initially mailed
Deadline for mailing or webcasting ballots	8.4	<i>Election Service Provider</i>	Eight days before Annual Meeting
Reminder voting emails	7.4.3	<i>Election Service Provider</i>	Dates to be determined each year when timeline presented to the Board of Directors
Record Date for Casting Ballot, transmittal by PEC of Members eligible to vote to Election Service Provider	5.2	<i>IT</i>	Close of business on the eighth day before Annual Meeting
Update on Voter Turnout by Director election district	7.10	<i>GC and GM</i>	Once weekly after Ballots are initially mailed
Pre-Annual Meeting Quality Control	7.12	<i>Election Service Provider</i>	At the close of the final business day before the Annual Meeting
Post-Tabulation, Pre-Announcement Quality Control	8.7	<i>Election Service Provider</i>	On the date of Annual Meeting after the results are tabulated
Announcement and Certification	8.8	<i>Election Service Provider</i>	On the date of Annual Meeting after the results are tabulated
Post-Election Director Acknowledgments	8.9	<i>BOD</i>	On the date of Annual Meeting after the meeting has concluded
District-by-District Results	9.1	<i>Election Service Provider</i>	Within five business days of the Annual Meeting
Post-Election Analysis	9.2	<i>GC and GM</i>	Within one month after the Annual Meeting

**Legend:**

BOD – Board of Directors

ESP – Election Services Provider

GM – Governance Manager

GT – Governance Team

GC – General Counsel

IT – Information Technology

QEC – Qualifications and Elections Committee

## APPENDIX B

### Election Service Provider Technical and Security Qualifications

Before being awarded a contract with Pedernales Electric Cooperative, any Election Service Provider shall establish to the Cooperative's satisfaction that it has met the following technical and security qualifications listed below or as included in the Cooperative's procurement requirements and not limited to the following.

#### 1. Policies and Procedures

The Election Service Provider must establish and follow the following internal policies and procedures:

- a. **Acceptable Use Policy** addressing use and ownership, security and proprietary information, unacceptable use, system and network activities, and communications.
- b. **Information Sensitivity Policy** addressing information disclosure and sensitivity.
- c. **Password Policy** addressing a standard for creation of strong passwords, the protection of those passwords, and the frequency of change.
- d. **Physical Security Policy** addressing security access to all parts of the provider's building and its contents, assets and equipment.
- e. **Logical Access Procedure** addressing how user access accounts are created, changed, terminated, and monitored within the application architecture to ensure standardization across all information technology systems and ensure the appropriate data owners are contacted, informed and approved for each user access request. All user access requests must be documented using procedures outlined in this process, minimizing unauthorized access to proprietary information and technology.
- f. **Change Management Policy** addressing the steps required to analyze, authorize, test, implement and document application changes (i.e., patches, upgrades, and reports).
- g. **Quality Control Procedure** addressing project requirements checklist, project hand-off, proofing, testing, data receipt, vendor QC checks, certification of reports, close-race/recount, and onsite QC.
- h. **Client Services Procedure** addressing hard/electronic material exchanges or material development, secured client group drive, approvals, printing/mailing, project change, handling of bounces, and member/participant support.
- i. **Production Procedure(s)** addressing physical material inventory, assembly, shipping/receiving, vaults/security, processing, scanning/verifying, observation, and auditing.
- j. **Disaster Recovery Procedure** addressing categories of threat (i.e., personal health and safety, facility relocation, business interruptions (technology), and business interruptions (human resources)), and a standing emergency planning team, critical operations, suppliers and contractors, shelter-in-place plan for alternate location, communications, cyber security, records back-up, annual plan review, and the projected recovery period.

#### 2. Confidentiality of Data

The Election Service Provider shall contractually agree not to share voting details (the contents of any ballot received by the Election Service Provider) with PEC. Any data transmitted within the Election Service Provider shall be sent via CD, encrypted email, or



https transfers. Access to PEC data shall be limited to a list of vendor employees with a business need for such access, subject to PEC review.

### **3. Network/Security**

The Election Service Provider shall provide enterprise-class facilities that keep mission-critical infrastructure continuously available. Secure network architecture shall include: firewalls, intrusion detection, server hardening, network and server monitoring; VeriSign E-commerce level certificates; and encryption with 128-bit private key and 1024-bit public key.

### **4. Physical security**

All physical materials relating to elections shall be stored in facilities providing two or more of the following physical barriers to entry:

- a. Pass-card entry
- b. Biometric recognition
- c. Continuously monitored digital surveillance equipment
- d. Standard 19-inch lockable cabinets

### **5. Connectivity**

The voting website must have reliable Internet connectivity, uninterruptible telecommunication infrastructure (e.g., multiple independent connections to Tier 1 Internet access providers that maintain and balance Internet traffic). The Election Service Provider's voting website shall be accessible across multiple browsers and operating systems, including MacOS and Windows, and shall be available for PEC testing before "go-live."

### **6. Power**

Data storage and server facilities must have power redundancy (e.g., uninterruptible power supplies, power conditioning units, and high capacity generators) to help maintain an effortless environment.

### **7. Data Backups**

The Election Service Provider must back up PEC data offsite at a minimum of nightly.

### **8. Vulnerability Testing**

The Election Service Provider shall, upon request, provide PEC a certificate from an outside security testing vendor certifying that the Election Service Provider has passed vulnerability and penetration tests of all aspects of network, servers, and applications security.

**APPENDIX C: Affidavit Affirming No Previous Vote Cast for Annual Director Election**

My name is \_\_\_\_\_, and \_\_\_\_\_, and I (we)  
(Name of person executing affidavit) (If any, name of joint member)

hereby affirm the following:

- I am authorized to cast a vote as an Individual or Joint Member or as an authorized representative of an entity, \_\_\_\_\_, and \_\_\_\_\_, of  
(Member Name) (If any, name of joint member)  
\_\_\_\_\_ that is a Member of the Pedernales Electric  
(Member address)  
Cooperative, Inc., (PEC) in Director Voting District Number \_\_\_\_\_ for the PEC Election  
(Director District Number)  
being conducted on \_\_\_\_\_.  
(Date)
- Neither I, my spouse, nor any other person authorized to vote on behalf of the Member listed above has, to my knowledge, previously cast a vote in this election.
- Any vote recorded as having previously been cast for this Member, was not in fact the vote of the Member, and should not be counted. I will not hold Pedernales Electric Cooperative or its agents in any way liable, and accept any liability, for PEC's not counting any such vote.

Executed by:

\_\_\_\_\_  
(Member Signature)

\_\_\_\_\_  
(If any, Joint Member Signature)

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**STATE OF TEXAS**  
**COUNTY OF** \_\_\_\_\_

This instrument was acknowledged before me on \_\_\_\_\_ by \_\_\_\_\_  
(Date) (Member Name)

\_\_\_\_\_  
Notary Public (Signature)

(SEAL)

Printed Name: \_\_\_\_\_

My Commission Expires: \_\_\_\_\_

**STATE OF TEXAS**  
**COUNTY OF** \_\_\_\_\_

This instrument was acknowledged before me on \_\_\_\_\_ by \_\_\_\_\_  
(Date) (Joint Member Name)

\_\_\_\_\_  
Notary Public (Signature)

(SEAL)

Printed Name: \_\_\_\_\_

My Commission Expires: \_\_\_\_\_

## Appendix D

### PEC CORPORATE STATISTICS (SAMPLE)

## Key statistics about your electric cooperative

**At PEC, we are more than an electric utility. We are a cooperative owned by our membership, and we believe it is important to share key information with our members.**

Review some key facts about your cooperative below. Additional information, such as an archive of annual reports, Form 990 compensation reporting, and key industry ratios is available at [pec.coop/archives](http://pec.coop/archives).

Average Cost Comparison (December 2021)	1,000 kWh	1,250 kWh	1,500 kWh	2,000 kWh
PEC residential average	\$113.47	\$136.83	\$160.20	\$206.93
Texas residential average*	\$125.50	\$156.88	\$188.25	\$251.00
National residential average*	\$137.50	\$171.88	\$206.25	\$275.00

Notes: PEC's total cost to purchase energy is based on the actual cost billed to members.

Source of U.S. EIA information is Form EIA-861M, Monthly Electric Power Industry Report, Table 5.6A - Average Price of Electricity to Ultimate Customers by End-Use Sector.

\*Total cost to purchase energy is estimated from the cost per kWh multiplied by the total energy purchased at 1,000; 1,250; 1,500; and 2,000 kWh.

Service territory square miles	<b>8,100</b>	Capital credits distributed in 2021	<b>\$5.7 million</b>
Number of cities served	<b>45</b>	Fitch bond rating (affirmed January 2022)	<b>AA-</b>
Number of counties served	<b>24</b>	2021 total assets	<b>\$2.0 billion<sup>1</sup></b>
Active accounts (3/1/22)	<b>370,148</b>	2021 percent growth in meters	<b>5.4%</b>
Residential accounts	<b>339,523</b>	Board meetings held in 2021	<b>17</b>
Large power accounts	<b>1,356</b>	Members voting in 2021 PEC Board Election	<b>16,933</b>
Small power accounts	<b>29,120</b>	Percentage of members participating in 2021 online voting who were "very satisfied" or "satisfied" with the online voting process	<b>96.2%</b>
Miles of line (3/1/22)	<b>23,908</b>	2021 community and member support	<b>\$470,410</b>
Employees (3/1/22)	<b>883</b>		

<sup>1</sup>Pre-audit figures, subject to change



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File #: 2022-320, Version: 1

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## Draft Resolution - Approval to Establish 2023 Annual Meeting Date and Location - D Ballard

**Submitted By:** Sylvia Romero on behalf of Don Ballard

**Department:** General Counsel

**Financial Impact and Cost/Benefit Considerations:** This action will have no impact to 2023 budgeted funds for Annual Meeting planning.

Pursuant to the Cooperative's Bylaws, the Board designates the date and location of PEC's Annual Membership Meeting. Generally, the date is on a Saturday in the second quarter of the calendar year, or such date and time each year, as may be designated by the Board. The Annual Membership Meeting may be in any county in which the Cooperative provides service. The Cooperative shall designate the date and location no later than the last quarter of the calendar year preceding the annual meeting ("Annual Meeting").

Following the 2020 Annual Meeting, the Board of Directors expressed interest in continuing to have the Annual Meeting in Johnson City and the third Friday in June. Staff recommends hosting the 2023 Annual Meeting at the cooperative's E. Babe Smith Headquarters prior to the regularly scheduled June 16, 2023 Board meeting.

**Bylaws, Article II, Section 1. Annual Meeting.** The annual meeting of the Members shall be held on a Saturday in the second quarter of the calendar year, or such date and time each year, as may be designated by the Board of Directors of the Cooperative, at such place in any county in which the Cooperative provides service as is designated by the Board of Directors of the Cooperative no later than the last quarter of the calendar year preceding the annual meeting ("Annual Meeting"). The purposes of the Annual Meeting are to elect Directors and transact such other business as listed in the notice of the Annual Meeting. If the election of Directors shall not be held on the day designated by the Board of Directors for any Annual Meeting, or at any adjournment thereof, the Board of Directors of the Cooperative shall cause the election to be held at a Special Member Meeting (as defined herein) as soon thereafter as may be convenient. Failure to hold the Annual Meeting as designated herein shall not result in forfeiture or dissolution of the Cooperative. At the Annual Meeting, a report shall be provided regarding the activities of the Cooperative during the past year, and audit reports of the accounts, books and financial condition presented to the Board shall be submitted to the Members.

**BE IT RESOLVED BY THE BOARD OF DIRECTORS** that the 2023 Annual Membership Meeting of the Pedernales Electric Cooperative, Inc. ("PEC") be held within the PEC service territory at the Cooperative's E. Babe Smith Headquarters in Johnson City, Texas, on Friday, June 16, 2023, at 9:00 a.m.; and

**BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE**, that the Chief Executive Officer, or designee, is authorized to take all such other actions necessary to implement this resolution.



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**File #:** 2022-281, **Version:** 1

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## **Draft Resolution - Approval of Review and Amendments to Rate Policy**

**Submitted By:** David Thompson

**Department:** Markets

**Financial Impact and Cost/Benefit Considerations:** None

Pursuant to the Board's Policy on Policies, the current Rate Policy is to be reviewed this year by August 2022.

The PEC Board of Directors last approved changes to the Rate Policy in July 2019 (prior to July 2019, the PEC Board of Directors previously approved a Rate Policy in July 2011). Those 2019 changes included clearly assigning responsibilities regarding rate design, and rate recovery processes as well as monitoring of rate recovery. Requirement for an Annual Rate Plan was established as well as codifying that a Cost-of-Service Study is required at least every three years. The Rates Committee was established as well and was tasked with monitoring and providing recommendations to the Board.

The recommended updates to the Rate Policy for 2022 include:

- Formatting the Policy to align with the latest policy format;
- Changing the review cycle to every 5 years to align with other policy review periods; and
- Updating Rates Committee members

The PEC Board of Directors has exclusive jurisdiction to set all terms of access, conditions, and rates applicable to the services provided by the Cooperative other than as provided by Texas state law. The federal Public Utility Regulatory Policies Act of 1978 (PURPA) as amended in 2005 and in 2007 also dictates that nonregulated entities, which includes PEC, consider and determine whether to implement ratemaking standards as described in PURPA (16 USC Section 2621) including:

- (1) Cost of service;
- (2) Declining block rates;
- (3) Time-of-day rates;
- (4) Seasonal rates;
- (5) Interruptible rates;
- (6) Load management techniques;
- (7) Integrated resource planning;
- (8) Investment in conservation and demand management;
- (9) Energy efficiency investment in power generation and supply;
- (10) Consideration of effects of wholesale power purchases on utility cost of capital; effects of leveraged capital structures on the reliability of wholesale power suppliers; and assurance of adequate fuel supplies.

2005 amendments:

- (11) Net metering;
- (12) Fuel sources;
- (13) Fossil fuel generation efficiency;
- (14) Time-based metering and communications;
- (15) Interconnection

2007 amendments:

- (16) Integrated resource planning
- (17) Rate design modifications to promote energy efficiency investments;
- (18) Consideration of smart grid investments; and
- (19) Smart grid information.

PEC adopted various Board resolutions in 2007, 2008 and 2009 as to requirements found within Section 2621 of PURPA.

In July 2007, the Board considered certain PURPA standards and determined PEC would not adopt PURPA standards pertaining to the following: 1) Net Metering Standard, 2) Fuel Sources Standard, 3) Fossil Fuel Generation Technology Standard, 4) Time-Based Metering and Communications Standard, and 5) the Interconnection Standard.

In October 2008, the Board required a public hearing to consider and determine whether to implement additional ratemaking standards addressing energy efficiency, integrated resource planning, rate design modifications to promote energy efficiency investments, consideration of smart grid investments, and access to smart grid information.

In March 2009, the Board adopted modified PURPA standards as to: 1) integrating energy efficiency resources into resource planning and making cost-effective energy efficiency a priority resource; 2) modifying rate designs to promote energy efficiency investments; 3) assessing investments in smart grid technologies before investing in non-advanced technologies; and 4) making smart grid information available to members.

Although the Cooperative adopted its Rate Policy in 2011, which included reference to the following concepts found in the PURPA standards: 1) cost of service requirements, 2) load management techniques, 3) investment in conservation and demand planning, 4) energy efficiency investment in power generation and supply and in 2010 the Cooperative referenced in its Resource Planning Policy the following concepts found in the PURPA standards: 1) Integrated resource planning and 2) consideration of effects of wholesale power purchases on utility cost of capital; effects of leveraged capital structures on the reliability of wholesale power suppliers and assurance of adequate fuel supplies, the Cooperative never formally declared its positions on the following PURPA standards:

- (1) Cost of service;
- (2) Declining block rates;
- (3) Time-of-day rates;
- (4) Seasonal rates;
- (5) Interruptible rates;
- (6) Load management techniques;
- (7) Integrated resource planning;
- (8) Investment in conservation and demand management;
- (9) Energy efficiency investment in power generation and supply; and
- (10) Consideration of effects of wholesale power purchases on utility cost of capital; effects of leveraged capital structures on the reliability of wholesale power suppliers and assurance of adequate fuel supplies.

Cooperative staff has performed cost of service studies and publicly reported its findings for test years 2007, 2015 and 2017 during which the aforementioned PURPA rate standards were evaluated as possible rate recovery options.

Additionally, the Cooperative held numerous open Board Meetings and Member Forums events throughout the

Cooperative's service territory to gather member feedback related to rate preferences, rate options, and the cost of service study process and their findings.

October 20th, 2008 - Member Forum Event

March 2009 - Open Board Meeting

April 6<sup>th</sup> and 16<sup>th</sup>, 2009 - Member Forum Events

May 11, 2009 - Member Forum Event

February 2015 - Membership survey and Member Forum Events in Kyle, Junction, Cedar Park, and Johnson City.

In addition to Member Forum Events, the Cooperative provides members the opportunity to express their views in person at open meetings held each month. Furthermore, members are encouraged to submit comments on all rate related matters to staff or the Board of Directors.

The 2019 Resolution of the Board adopting its Rate Policy made the following determinations:

- (1) The Cooperative acknowledged that it considered all components of PURPA (16 USC Section 2621), as amended;
- (2) that the Cooperative previously considered and adopted resolutions in 2007 and in 2009 as to PURPA standards 16 USC Section 2621(d)(11), (d)(12), (d)(13), (d)(14), (d)(15), (d)(16), (d)(17), (d)(18) and (d)(19);
- (3) after provision of notice and consideration at an open meeting, consistent with the requirements of 16 USC Section 2621, 2622, and 2631, based on findings from cost of service analysis, the Cooperative has considered and determined it is appropriate to implement or not implement the following PURPA standards:
  - The Cooperative considered and determined it is appropriate to implement the **cost of service** standard established in PURPA 16 USC Section 2621 (d) (1) as it is in alignment with the Cooperative's objectives of equitable rates, accurate price signals, stability, and cost recovery.
  - The Cooperative considered and determined it is appropriate not to implement the **declining block rates** standard established in PURPA 16 USC Section 2621 (d) (2) as it is not in alignment with Cooperative's objectives of equitable rates, accurate price signals, stability, and cost recovery.
  - The Cooperative considered and determined it is appropriate to implement the **time of day rates** standard established in PURPA 16 USC Section 2621 (d) (3) as it is in alignment with Cooperative's objectives of equitable rates, accurate price signals, stability, and cost recovery. The Cooperative implemented Time of Use Rates in February of 2018.
  - The Cooperative considered and determined it is appropriate to implement the **seasonal rates** standard established in PURPA 16 USC Section 2621 (d) (4) as it is in alignment with Cooperative's objectives of equitable rates, accurate price signals, stability, and cost recovery. Seasonal Rates were implemented through the Time of Use Rates; The Cooperative implemented Time of Use Rates in February of 2018.
  - The Cooperative considered and determined it is appropriate not to implement the **interruptible rates** standard established in PURPA 16 USC Section 2621 (d) (5) as it is not in alignment with Cooperative's objectives of equitable rates, accurate price signals, stability, and cost recovery.
  - The Cooperative considered and determined it is appropriate not to implement the **load management techniques** standard established in PURPA 16 USC Section 2621 (d) (6) as it is not in alignment with

Cooperative's objectives of equitable rates, accurate price signals, stability, and cost recovery.

- The Cooperative considered and determined it is appropriate not to implement the **integrated resource planning** standard established in PURPA 16 USC Section 2621 (d) (7) as it is not in alignment with Cooperative's objectives of equitable rates, accurate price signals, stability, and cost recovery.
- The Cooperative considered and determined it is appropriate not to implement the **investment in conservation and demand management** standard established in PURPA 16 USC Section 2621 (d) (8) as it is not in alignment with Cooperative's objectives of equitable rates, accurate price signals, stability, and cost recovery.
- The Cooperative considered and determined it is appropriate not to implement the **energy efficiency investment in power generation and supply** standard established in PURPA 16 USC Section 2621 (d) (9) as it is not in alignment with Cooperative's objectives of equitable rates, accurate price signals, stability, and cost recovery.
- The Cooperative considered and determined it is appropriate not to implement the **consideration of effects of wholesale power purchases on utility cost of capital; effects of leveraged capital structures on the reliability of wholesale power suppliers and assurance of adequate fuel supplies** standard established in PURPA 16 USC Section 2621 (d) (10) as it is not in alignment with Cooperative's objectives of equitable rates, accurate price signals, stability, and cost recovery.

PURPA was amended in 2021 and requires a utility to consider the following:

- (20) Demand-response practices; and
- (21) Electric vehicle charging programs.

The Board has not yet reviewed or considered these amendments; the Board anticipates review in Fall 2023 prior to the November 2023 deadline for consideration.

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF PEDERNALES ELECTRIC COOPERATIVE, INC.** that the Cooperative authorizes the adoption of the attached amended Rate Policy which supersedes such policies as referred to therein; an

**BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE,** the Cooperative reserves the right to re-consider the adoption and implementation of any of these federal standards if it deems it beneficial and in alignment with the Cooperative's objectives, its Rate Policy or any other Board-approved Policy; and

**BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE,** that the CEO, or designee, is authorized to take all such other actions necessary to implement this resolution.





# Approval of Review & Amendments to Rate Policy

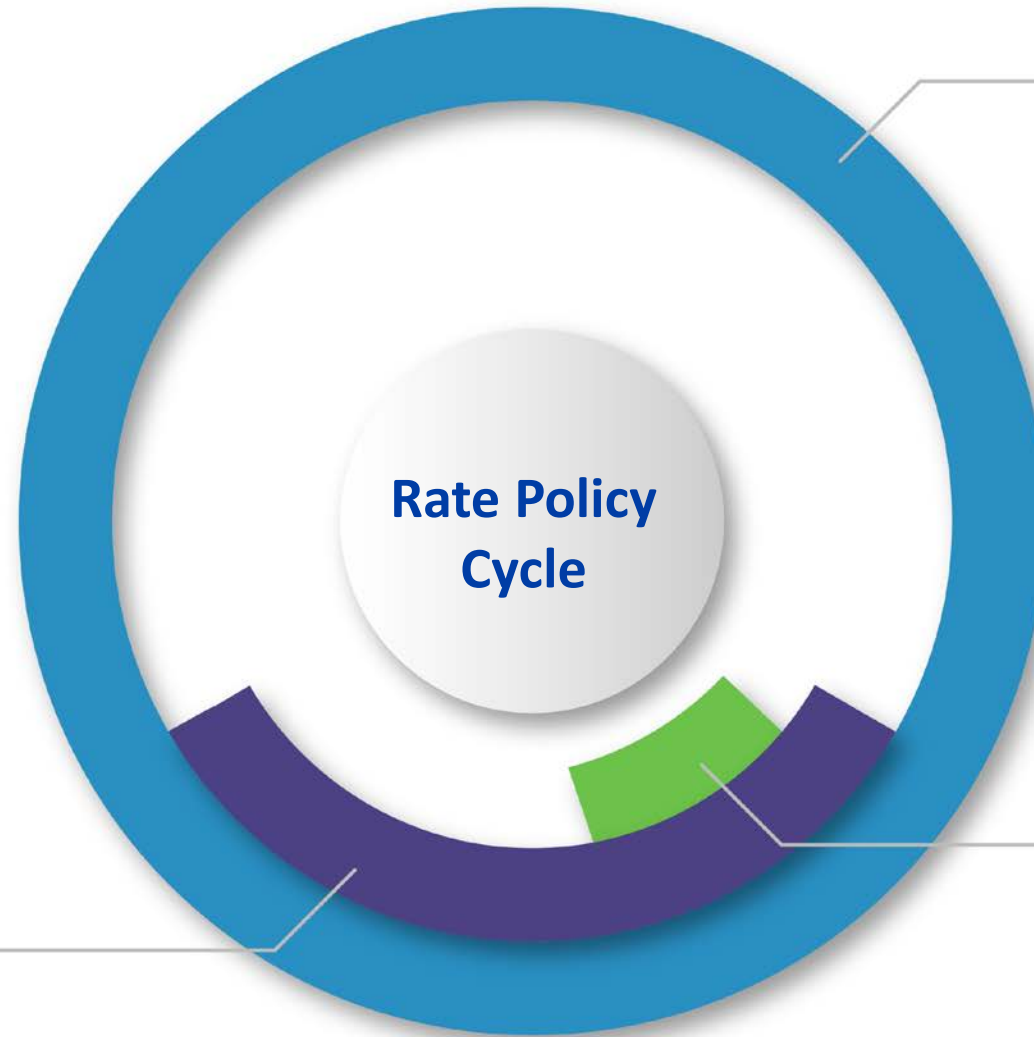
**Natalia A. Mack** | Rates Manager

# Rate Policy

## Background

- First introduced in July 2011 and last updated in August of 2019
- The Rate Policy guides the Rate Policy Cycle which includes:
  - Cost of Service Study requirement
  - Rate Plan requirement
  - Quarterly reporting
- In addition, the Rate Policy provides detail on:
  - Rate design objectives
  - Guidelines for rate adjustments or changes
  - Oversight from Rates Committee
  - Makeup of Rate Committee
- Scheduled for review August 2022

# Rate Policy Cycle



Rate Policy Cycle

## EVERY YEAR

### Rate Plan

- Presented to both the Rates Committee and the Board of Directors
- Recommendations for upcoming year

## EVERY 3 YEARS

### Cost of Service Study

- All rates, fees and allowances reviewed
- Due to complete new study in 2023

## EVERY QUARTER

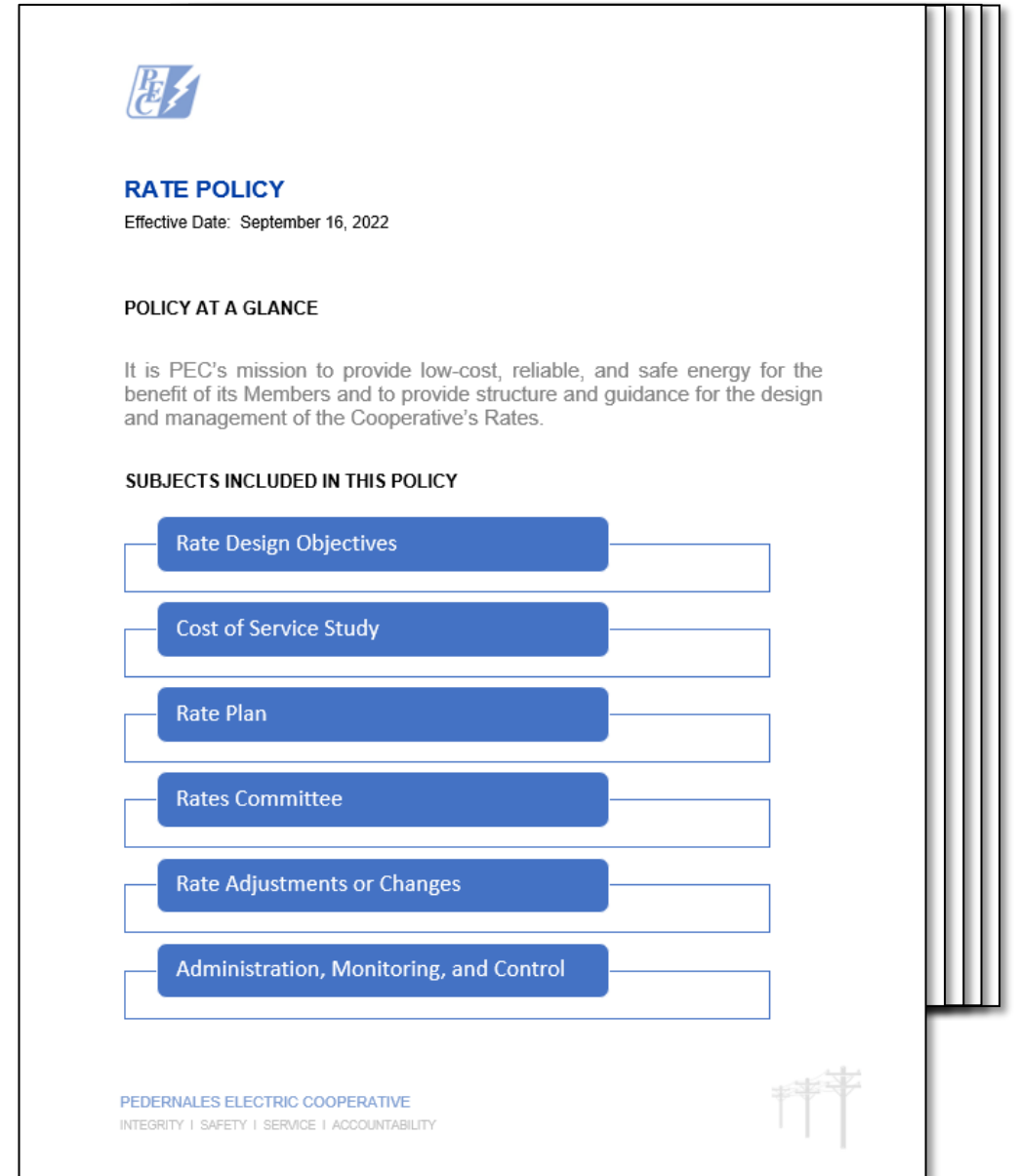
### Board of Directors Report

- Implementation of the Rate Plan
- Reserve balances
- Revenue recovery
- Rate competitiveness

# Rate Policy

## Changes Proposed

- Update Policy format to align with latest Board Policy formatting
- Update language in purpose of policy to align with PEC mission statement
- Addition of Vice President of Member Relations to Rates Committee
- Changed review cycle from 3 years to 5 years
- Other minor formatting



The image shows the cover page of a document titled "RATE POLICY". At the top left is the PEC logo, which consists of the letters "P", "E", and "C" in a stylized arrangement with a lightning bolt. Below the logo, the title "RATE POLICY" is written in blue, followed by "Effective Date: September 16, 2022". The section "POLICY AT A GLANCE" contains the mission statement: "It is PEC's mission to provide low-cost, reliable, and safe energy for the benefit of its Members and to provide structure and guidance for the design and management of the Cooperative's Rates." Below this, the section "SUBJECTS INCLUDED IN THIS POLICY" lists seven items, each in a blue rounded rectangle with a white border: "Rate Design Objectives", "Cost of Service Study", "Rate Plan", "Rates Committee", "Rate Adjustments or Changes", and "Administration, Monitoring, and Control". At the bottom left, the text "PEDERNALES ELECTRIC COOPERATIVE" is followed by the tagline "INTEGRITY | SAFETY | SERVICE | ACCOUNTABILITY". At the bottom right is a graphic of three utility poles.

**PEC**

**RATE POLICY**  
Effective Date: September 16, 2022


**POLICY AT A GLANCE**

It is PEC's mission to provide low-cost, reliable, and safe energy for the benefit of its Members and to provide structure and guidance for the design and management of the Cooperative's Rates.

**SUBJECTS INCLUDED IN THIS POLICY**

- Rate Design Objectives
- Cost of Service Study
- Rate Plan
- Rates Committee
- Rate Adjustments or Changes
- Administration, Monitoring, and Control

**PEDERNALES ELECTRIC COOPERATIVE**  
INTEGRITY | SAFETY | SERVICE | ACCOUNTABILITY





PEDERNALES ELECTRIC COOPERATIVE



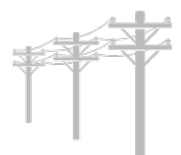
## RATE POLICY

Effective Date: October 21, 2022

### POLICY AT A GLANCE

It is PEC's mission to provide low-cost, reliable, and safe energy for the benefit of its Members and to provide structure and guidance for the design and management of the Cooperative's Rates.

### SUBJECTS INCLUDED IN THIS POLICY



## 1. PURPOSE

Pedernales Electric Cooperative, Inc. (“PEC” or “Cooperative”), is committed to providing low-cost, reliable, and safe energy for our Members. The [Tariff and Business Rules](#) for Electric Service (“Tariff”), as approved by the Cooperative’s Board of Directors (“Board”), details the Cooperative’s Rates. The purpose of the Rate Policy (“Policy”) is to provide structure and guidance to design and manage the Cooperative’s Rates.

## 2. SCOPE

- 2.1. This Policy governs the design process of the Cooperative’s Rates.
- 2.2. This Policy governs the planning, management, reporting, and oversight of the processes to manage the Cooperative’s Rates.
- 2.3. This Policy governs the interactions with the annual budget cycle and the enterprise risk management process.

## 3. POLICY AND IMPLEMENTATION

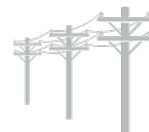
### 3.1. Defined Objectives

The Rate design process will be guided by the following objectives and in accordance with any applicable federal or state law related to Rates:

- 3.1.1. Equitable Rates – Costs will be allocated to members in a just and reasonable, equitable, and non-discriminatory manner as supported by the Cost of Service Study.
- 3.1.2. Accurate Price Signals – Rates will strive to send accurate Price Signals to members, as metering infrastructure and billing software allows.
- 3.1.3. Stability – Rates will be designed to recover the Cooperative’s costs, while limiting the impact of short-term cost increases and decreases to Member’s rates.
- 3.1.4. Cost recovery – Rates and other charges for electric energy and other facilities, supplies, equipment, or services provided by the Cooperative must be sufficient at all times to:
  - 3.1.4.1. Pay all operating and maintenance expenses necessary or desirable for the prudent conduct of its business;
  - 3.1.4.2. Pay the principal and interest on the obligations issued or assumed by the Cooperative in performing the purpose for which the Cooperative was organized;
  - 3.1.4.3. Create reserves to support the other defined objectives; and
  - 3.1.4.4. Generate margins adequate to meet annual lender requirements and long-term financial objectives as per the Cooperative’s [Equity Management Plan Policy](#).

### 3.2. Cost of Service Study

- 3.2.1. A Cost of Service Study will be conducted at least once every three (3) years. The study will inform Rate design and will serve as an input to the Rate Plan.
- 3.2.2. The Cost of Service Study will include a review of all Rates listed in the Tariff.

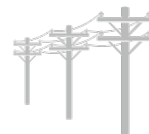


### **3.3. Rate Plan**

- 3.3.1.** The Rate Plan will define how the Cooperative anticipates recovering its costs from Members for services provided during the upcoming year.
- 3.3.2.** The Rate Plan will be presented to the Board annually and will be consistent and in alignment with the annual budget cycle.
- 3.3.3.** Approval by the Board will authorize management to execute the Rate Plan.
- 3.3.4.** The Rate Plan will have the following major components:
  - 3.3.4.1.** Forecasted revenue collections from Rates for at least a 12-month period;
  - 3.3.4.2.** Forecasted reserves for at least a 12-month period; and
  - 3.3.4.3.** Recommendations for changes to Rates for at least a 12-month period.

### **3.4. Rates Committee**

- 3.4.1.** The Board establishes a Rates Committee generally composed of the following roles:
  - 3.4.1.1.** Chief Executive Officer;
  - 3.4.1.2.** Chief Financial Officer;
  - 3.4.1.3.** Controller;
  - 3.4.1.4.** Vice President of Member Relations;
  - 3.4.1.5.** Vice President of Markets;
  - 3.4.1.6.** Rates Manager; and
  - 3.4.1.7.** An in-house Legal designee to serve as a legal advisor to the Rates Committee.
- 3.4.2.** The Rates Committee is charged with the administration of this Policy and is granted authority and responsibilities to:
  - 3.4.2.1.** Oversee responsibilities and activities assigned as part of this Policy;
  - 3.4.2.2.** Recommend controls and periodically review the effectiveness of all aspects of this Policy; and
  - 3.4.2.3.** Retain outside advisors and organizations to assist the Cooperative in completing a Cost of Service Study or any other studies as needed in connection with this Policy.
- 3.4.3.** A member of the Rates Committee will report at least quarterly to the Board on the implementation of the approved Rate Plan. The report to the Board will consist of the following:
  - 3.4.3.1.** Current cost recovery and forecasted cost recovery for at least 12 months;
  - 3.4.3.2.** Description of any adjustments needed to complete the execution of the Rate Plan; and
  - 3.4.3.3.** Recommendations if an event or condition arises that may result in an impact to the Cooperative's reserve balances or its ability to recover costs.
- 3.4.4. Rate Adjustments or Changes**
  - 3.4.4.1.** The Rates Committee will propose Rate adjustments or changes to the Board as part of the Rate Plan and at such other times as necessary to meet





the Cooperative's objectives as defined in this Policy.

- 3.4.4.2. The Board will consider all proposed Rates and Rate adjustments or changes and approve the proposed Rates and Rate adjustments which the Board determines appropriate.
- 3.4.4.3. Members may obtain information about Rates or adjustments or changes to Rates as may be publicly available in open session materials for Board Meetings or otherwise in accordance with the Cooperative's [Open Records Policy](#) or state and federal law.
- 3.4.4.4. Members may choose to participate and intervene in any Rate adjustments or changes by submitting comments in writing to the Board or providing comments at a Board Meeting or other member forum addressing Rates.
- 3.4.4.5. The Cooperative anticipates informing affected Members of any new Rate, or Rate adjustment or change at least 30 days prior to the effective date of such Rate.

#### 3.4.5. Administration, Monitoring, and Control

- 3.4.5.1. The Board has exclusive jurisdiction to set all terms of access, conditions, and Rates applicable to the services provided by the Cooperative other than as provided by Texas state or federal law.
- 3.4.5.2. The Rates Committee is responsible for the execution and documentation of functions needed to administer and implement the Rate Plan.
- 3.4.5.3. The Board will monitor the Rates of the Cooperative.
- 3.4.5.4. The Board will review and determine whether to authorize any adjustments or changes recommended by the Rates Committee.

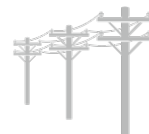
## 4. DEFINITIONS

The definitions below are commonly utilized by power industry professionals. The definitions are meant to clarify this Policy and may not align with other uses of the terms.

- 4.1. **Cost of Service Study** – A study that identifies all costs associated with providing service to a Member and/or Member class.
- 4.2. **Price Signals** – Information conveyed to Members through the establishment or adjustment of Member Rates, which provides transparency to the Member regarding the Cooperative's cost to serve or provide services.
- 4.3. **Rate(s)** – Any compensation, tariff, charge, fare, rental, or classification that is directly or indirectly demanded, observed, charged, or collected by the Cooperative for any service, product, or commodity and any rule, practice, or contract affecting the compensation, tariff, charge, fare, toll, rental, or classification.
- 4.4. **Rate Plan** – A Board approved plan that is updated annually and defines how the Cooperative anticipates recovering its costs.

## 5. POLICY ENFORCEMENT

Violation of this Policy may result in disciplinary action, up to and including termination.



## 6. REFERENCES AND RELATED DOCUMENTS

[16 U.S.C. § 2621 \(“PURPA”\)](#)

[Chapter 41 of Texas Utilities Code](#)

[Chapter 161 of Texas Utilities Code](#)

[Articles of Incorporation](#)

[Bylaws](#)

[Tariff and Business Rules](#)

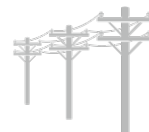
[Equity Management Plan Policy](#)

[Strategic Plan](#)

Cost of Service Studies

PEC Budget

Date adopted:	July 2011
Last reviewed:	October 21, 2022
Review frequency:	Every Five Years
Amendment dates:	August 16, 2019, October 21, 2022
Effective date:	October 21, 2022
Approver:	Board of Directors
Applies to:	The Board of Directors and the Rates Committee
Administrator:	Vice President, Markets
Superseding effect:	This Policy supersedes all previous policies and other binding resolutions concerning the subject matter herein. A resolution or action by the Board as it pertains to Rates may not conflict with Texas state law or federal law applicable to the Cooperative.



# Rate Policy

## PEDERNALES ELECTRIC COOPERATIVE, INC.

### 1. Purpose:

1.1. Pedernales Electric Cooperative, Inc. ("PEC" or "Cooperative"), ~~in its mission~~ is committed to providing ~~low-cost, safe, reliable, and safe, and low-cost~~ energy solutions for ~~the benefit of~~ our ~~M~~members. The Tariff and Business Rules for Electric Service ("Tariff"), as approved by the Cooperative's Board of Directors ("Board"), details the Cooperative's Rates. The purpose of the Rate Policy ("Policy") is to provide structure and guidance to design and manage the Cooperative's Rates.

### 2. Scope:

- 2.1. This Policy governs the design process of the Cooperative's Rates.
- 2.2. This Policy governs the planning, management, reporting, and oversight of the processes to manage the Cooperative's Rates.
- 2.3. This Policy governs the interactions with the annual budget cycle and the enterprise risk management process.

### 3. Definitions:

~~The definitions below are commonly utilized by power industry professionals. The definitions are meant to clarify this Policy and may not align with other uses of the terms.~~

- ~~3.1. Cost of Service Study – a study that identifies all costs associated with providing service to a member and/or member class.~~
- ~~3.2. Price Signals – information conveyed to members through the establishment or adjustment of member Rates, which provides transparency to the member regarding the Cooperative's cost to serve or provide services.~~
- ~~3.3. Rate(s) – any compensation, tariff, charge, fare, rental, or classification that is directly or indirectly demanded, observed, charged, or collected by the Cooperative for any service, product, or commodity and any rule, practice, or contract affecting the compensation, tariff, charge, fare, toll, rental, or classification.~~
- ~~3.4. Rate Plan – a Board approved plan that is updated annually and defines how the Cooperative anticipates recovering its costs.~~

### 4.3. Policy and Statement and Implementation:

~~The Rate design process will be guided by the following objectives and in accordance with any applicable federal or state law as to Rates:~~

#### 3.1. Defined Objectives

~~The Rate design process is guided by the following objectives and in accordance with any applicable federal or state law related to Rates:~~

- ~~4.1.1-3.1.1.~~ Equitable Rates – Costs will be allocated to members in a just and reasonable, equitable, and non-discriminatory manner as supported by the Cost of Service Study.
- ~~4.1.2-3.1.2.~~ Accurate Price Signals – Rates will strive to send accurate Price Signals to members, as metering infrastructure and billing software

## Rate Policy

### PEDERNALES ELECTRIC COOPERATIVE, INC.

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4.1.3.3.1.3. Stability – Rates will be designed to recover the Cooperative's costs, while limiting the impact of short-term cost increases and decreases to Member's rates.

4.1.4.3.1.4. Cost recovery – Rates and other charges for electric energy and other facilities, supplies, equipment, or services provided by the Cooperative must be sufficient at all times to:

4.1.4.1.3.1.4.1. Pay all operating and maintenance expenses necessary or desirable for the prudent conduct of its business;

4.1.4.2.3.1.4.2. Pay the principal and interest on the obligations issued or assumed by the Cooperative in performing the purpose for which the Cooperative was organized;

4.1.4.3.3.1.4.3. Create reserves to support the other defined objectives; and

4.1.4.4.3.1.4.4. Generate margins adequate to meet annual lender requirements and long-term financial objectives as per the Cooperative's Equity Management Plan Policy.

#### 4.2.3.2. Cost of Service Study

4.2.1.3.2.1. A Cost of Service Study will be conducted at least once every three (3) years. The study will inform Rate design and will serve as an input to the Rate Plan.

4.2.2.3.2.2. The Cost of Service Study will include a review of all Rates listed in the Tariff.

#### 4.3.3.3. Rate Plan

3.3.1. The Rate Plan will define how the Cooperative anticipates recovering its costs from Members for services provided during the upcoming year.

3.3.2. The Rate Plan will be presented to the Board annually and will be consistent and in alignment with the annual budget cycle.

3.3.3. Approval by the Board will authorize management to execute the Rate Plan.

4.3.1.3.3.4. The Rate Plan will have the following major components:

4.3.1.1.3.3.4.1. Forecasted revenue collections from Rates for at least a 12-month period;

4.3.1.2.3.3.4.2. Forecasted reserves for at least a 12-month period; and

3.3.4.3. Recommendations for changes to Rates for at least a 12-month period.

#### Responsibilities:

##### General Roles and Responsibilities

The Board has exclusive jurisdiction to set all terms of access, conditions, and Rates applicable to the services provided by the Cooperative other than as provided by Texas state or federal law.

#### 3.4. Rates Committee

3.4.1. The Board establishes a Rates Committee comprised generally composed of the following roles:

3.4.1.1. Chief Executive Officer (CEO);

## Rate Policy

### PEDERNALES ELECTRIC COOPERATIVE, INC.

3.4.1.2. Chief Financial Officer ~~(CFO)~~;

~~4.3.1.3.~~3.4.1.3. Controller;

3.4.1.4. Vice President of Member Relations;

3.4.1.5. Vice President of Markets;

3.4.1.6. Rates Manager; and

3.4.1.7. An in-house Legal designee to serve as a legal advisor to the Rates Committee.

3.4.2. The Rates Committee is charged with the administration of this Policy and is granted authority and responsibilities to:

3.4.2.1. Oversee responsibilities and activities assigned as part of this Policy;

3.4.2.2. Recommend controls and periodically review the effectiveness of all aspects of this Policy; and

3.4.2.3. Retain outside advisors and organizations to assist the Cooperative in completing a Cost of Service Study or any other studies as needed in connection with this Policy.

3.4.3. A member of the Rates Committee will report at least quarterly to the Board on the implementation of the approved Rate Plan. The report to the Board will consist of the following:

3.4.3.1. Current cost recovery and forecasted cost recovery for at least 12 months;

3.4.3.2. Description of any adjustments needed to complete the execution of the Rate Plan; and

3.4.3.3. Recommendations if an event or condition arises that may result in an impact to the Cooperative's reserve balances or its ability to recover costs.

3.4.4. Rate Adjustments or Changes

3.4.4.1. The Rates Committee will propose Rate adjustments or changes to the Board as part of the Rate Plan and at such other times as necessary to meet the Cooperative's objectives as defined in this Policy.

3.4.4.2. The Board will consider all proposed Rates and Rate adjustments or changes and approve the proposed Rates and Rate adjustments which the Board determines appropriate.

3.4.4.3. Members may obtain information about Rates or adjustments or changes to Rates as may be ~~publically~~publicly available in open session materials for Board Meetings or otherwise in accordance with the Cooperative's Open Records Policy or state and federal law.

3.4.4.4. Members may choose to participate and intervene in any Rate adjustments or changes by submitting comments in writing to the Board or providing comments at a Board Meeting or other member forum addressing Rates.

3.4.4.5. The Cooperative anticipates informing affected ~~M~~members of any new Rate, or Rate adjustment or change, at least 30 days prior to the effective date of such Rate.

3.4.5. Administration, ~~+~~Monitoring, and Control

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## Rate Policy

### PEDERNALES ELECTRIC COOPERATIVE, INC.

- 3.4.5.1. The Board has exclusive jurisdiction to set all terms of access, conditions, and Rates applicable to the services provided by the Cooperative other than as provided by Texas state or federal law.
- 3.4.5.2. The Rates Committee ~~is~~ will be responsible for the execution and documentation of functions needed to administer and implement the Rate Plan.
- 3.4.5.3. The Board will monitor the Rates of the Cooperative.
- 3.4.5.4. The Board will review and determine whether to authorize any adjustments or changes recommended by the Rates Committee.

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#### 4. Definitions:

The definitions below are commonly utilized by power industry professionals. The definitions are meant to clarify this Policy and may not align with other uses of the terms.

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- 4.1. Cost of Service Study – A study that identifies all costs associated with providing service to a Mmember and/or Mmember class.
- 4.2. Price Signals – Information conveyed to Mmembers through the establishment or adjustment of Mmember Rates, which provides transparency to the Mmember regarding the Cooperative's cost to serve or provide services.
- 4.3. Rate(s) – Any compensation, tariff, charge, fare, rental, or classification that is directly or indirectly demanded, observed, charged, or collected by the Cooperative for any service, product, or commodity and any rule, practice, or contract affecting the compensation, tariff, charge, fare, toll, rental, or classification.
- 4.4. Rate Plan – A Board approved plan that is updated annually and defines how the Cooperative anticipates recovering its costs.

#### 4. Procedure Responsibility:

##### 4.1. General Roles and Responsibilities

- 4.1.1. The Board has exclusive jurisdiction to set all terms of access, conditions, and Rates applicable to the services provided by the Cooperative other than as provided by Texas state or federal law.

##### 4.2. Rates Committee

- 4.2.1. The Board establishes a Rates Committee comprised of the following roles:
  - 4.2.1.1. Chief Executive Officer (CEO);
  - 4.2.1.2. Chief Financial Officer (CFO);
  - 4.2.1.3. Controller;
  - 4.2.1.4. Vice President of Markets;
  - 4.2.1.5. Rates Manager; and
  - 4.2.1.6. An in-house Legal designee to serve as a legal advisor to the Rates Committee.

## **Rate Policy**

### **PEDERNALES ELECTRIC COOPERATIVE, INC.**

- ~~4.2.2. The Rates Committee is charged with the administration of this Policy and is granted authority and responsibilities to:~~
- ~~4.2.2.1. Oversee responsibilities and activities assigned as part of this Policy;~~
  - ~~4.2.2.2. Recommend controls and periodically review the effectiveness of all aspects of this Policy; and~~
  - ~~4.2.2.3. Retain outside advisors and organizations to assist the Cooperative in completing a Cost of Service Study or any other studies as needed in connection with this Policy.~~
- ~~4.2.3. A member of the Rates Committee will report at least quarterly to the Board on the implementation of the approved Rate Plan. The report to the Board will consist of the following:~~
- ~~4.2.3.1. Current cost recovery and forecasted cost recovery for at least 12 months;~~
  - ~~4.2.3.2. Description of any adjustments needed to complete the execution of the Rate Plan; and~~
  - ~~4.2.3.3. Recommendations if an event or condition arises that may result in an impact to the Cooperative's reserve balances or its ability to recover costs.~~

#### **4.3. Rate Adjustments or Changes**

- ~~4.3.1. The Rates Committee will propose Rate adjustments or changes to the Board as part of the Rate Plan and at such other times as necessary to meet the Cooperative's objectives as defined in this Policy.~~
- ~~4.3.2. The Board will consider all proposed Rates and Rate adjustments or changes and approve the proposed Rates and Rate adjustments which the Board determines appropriate.~~
- ~~4.3.3. Members may obtain information about Rates or adjustments or changes to Rates as may be publically available in open session materials for Board Meetings or otherwise in accordance with the Cooperative's Open Records Policy or state and federal law.~~
- ~~4.3.4. Members may choose to participate and intervene in any Rate adjustments or changes by submitting comments in writing to the Board or providing comments at a Board Meeting or other member forum addressing Rates.~~
- ~~4.3.5. The Cooperative anticipates informing affected members of any new Rate, or Rate adjustment or change at least 30 days prior to the effective date of such Rate.~~

#### **4.4. Administration; Monitor and Control**

- ~~4.4.1. The Rates Committee will be responsible for the execution and documentation of functions needed to administer and implement the Rate Plan.~~
- ~~4.4.2. The Board will monitor the Rates of the Cooperative.~~
- ~~4.4.3. The Board will review and determine whether to authorize any adjustments or changes recommended by the Rates Committee.~~

## Rate Policy

### PEDERNALES ELECTRIC COOPERATIVE, INC.

**5. Policy Enforcement:**

Violations of this Policy may result in disciplinary action, up to and including, termination.

**6. Superseding Effect:**

~~6.1. This Policy supersedes all previous policies and other binding resolutions concerning the subject matter herein.~~

~~6.2. A resolution or action by the Board as it pertains to Rates may not conflict with Texas state law or federal law applicable to the Cooperative.~~

**7.6 References and Related Documents:**

- ~~8.4.~~ 16 U.S.C. § 2621 ("PURPA")
- Chapter 41 of Texas Utilities Code
- Chapter 161 of Texas Utilities Code
- Articles of Incorporation
- Bylaws
- Tariff and Business Rules
- Equity Management Plan Policy
- Strategic Plan
- Cost of Service Studies
- PEC Budget

Policy Title:	Rate Policy
Review Frequency:	Every <del>Three</del> Five Years
Last Reviewed:	<del>August 16, 2019, _____</del> , <u>October 21, 2022</u>
Date Adopted:	July 2011
Effective Date:	<u>October 21, 2022</u> <del>August 16, 2019</del>
Amendment Dates:	August 16, 2019, <u>October 21, 2022 _____, 2022</u>
Approver:	Board of Directors
Applies to:	<u>The Board of Directors and the Rates Committee</u> <del>CEO, CFO, Controller, VP of Markets, and Rates Manager</del>
Administrator:	Vice President, Markets
Superseding Effect	This Policy supersedes all previous policies and other binding resolutions concerning the subject matter herein.





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File #: 2022-283, Version: 1

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## Draft Resolution - Approval of Rebalance and Equitable Consideration of Director District Boundaries - R Fischer

**Submitted By:** Sylvia Romero for Ross Fischer

**Department:** General Counsel

**Financial Impact and Cost/Benefit Considerations:** N/A

The Cooperative's Bylaws Article III, Section 1, requires seven (7) Director Districts which "equitably represent the Members." The Board may revise Director Districts boundaries "based upon equitable considerations determined by the Board of Directors"; e.g., Number of Members, Investment, Geography, etc.

### PEC Bylaws Article III, Section 1

**General Powers and Director Districts. General Powers.** The business and affairs of the Cooperative shall be managed by a Board (the "Board of Directors"), consisting of a director (a "Director") from each of the Cooperative's seven (7) Director Districts (as defined herein), except for such vacancies as are allowed by law or these Bylaws. The Board of Directors shall exercise all of the powers of the Cooperative except such as by law, by the Articles of Incorporation of the Cooperative, or by these Bylaws are conferred upon or reserved to the Members or otherwise delegated to the Chief Executive Officer. The Board of Directors shall have the ability to appoint member advisory Committees.

**Director Districts.** Based upon Memberships, Cooperative growth or other equitable considerations determined by the Board of Directors, the Board of Directors shall divide the general area in which the Cooperative provides Electric Service (the "Service Area") into seven (7) districts that equitably represent the Members (the "Director Districts"). As necessary, based upon equitable considerations determined by the Board of Directors, the Board of Directors may revise the Director District boundaries."

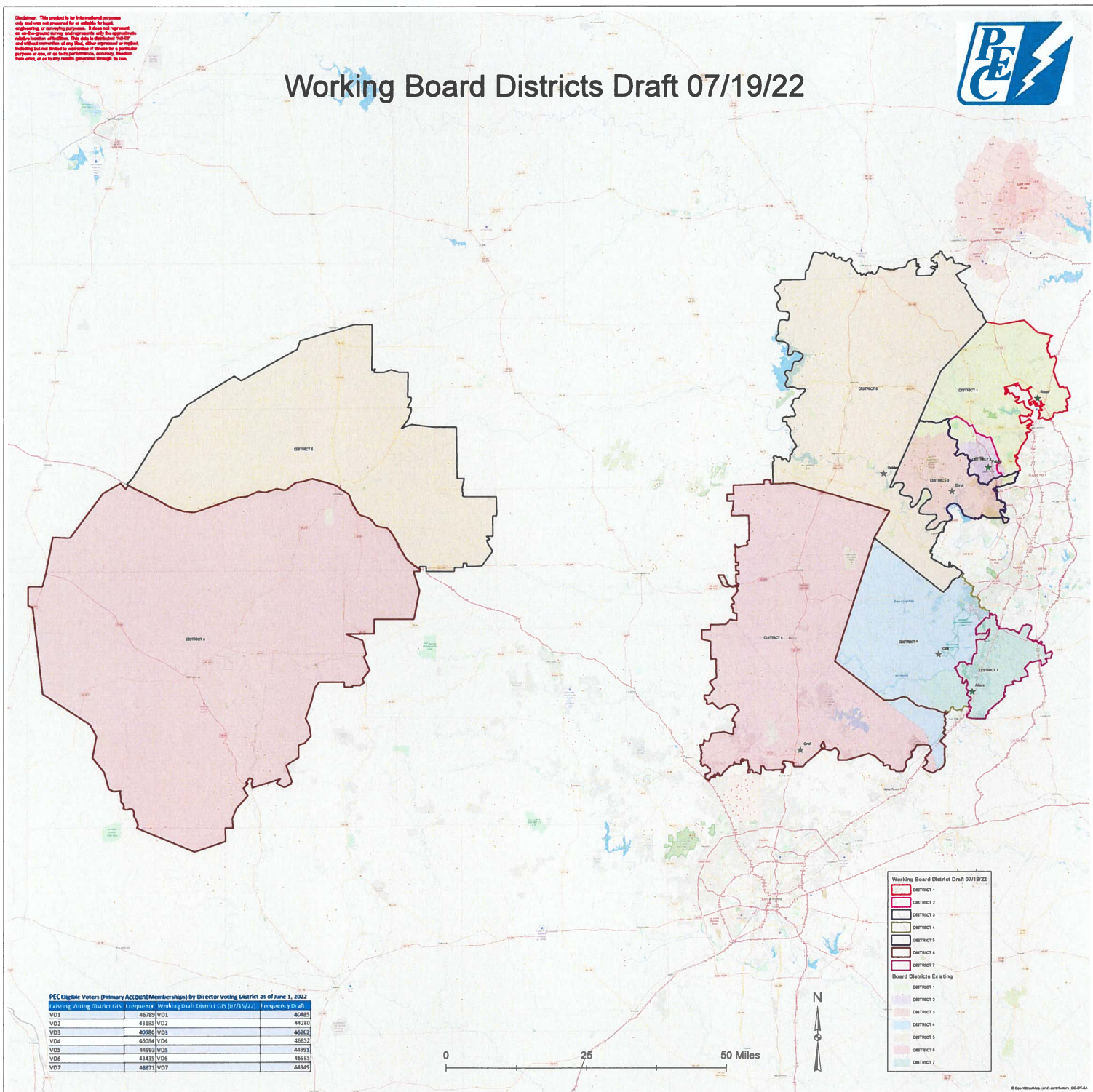
**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD,** that the Board hereby adopts the Director District boundary revisions as presented this day, to be effective for future Director elections; and

**BE IT FURTHER RESOLVED,** that the Chief Executive Officer and General Counsel, or designee, is authorized to take any actions necessary to implement this resolution.

**Disclaimer:** This product is an informational document only and is not prepared for or intended to be used for engineering, or planning purposes. It does not represent an endorsement or approval of any kind, other than the approval of the information contained herein. The data is derived from GIS and other information of any kind, other than the information included but not limited to information of others for a particular purpose or use, or as to its performance, accuracy, timeliness, or as to any results generated through its use.



# Working Board Districts Draft 07/19/22



**PEC Eligible Voters (Primary Account Memberships) by Director Voting District as of June 1, 2022**

Existing Voting District Code	Frequency	Working Board District Code (07/19/22)	Frequency
VD1	46789	VD1	46483
VD2	43116	VD2	44280
VD3	40588	VD3	46262
VD4	46084	VD4	46852
VD5	44993	VD5	44993
VD6	43435	VD6	46053
VD7	48671	VD7	44340

**Working Board District Draft 07/19/22**

- DISTRICT 1
- DISTRICT 2
- DISTRICT 3
- DISTRICT 4
- DISTRICT 5
- DISTRICT 6
- DISTRICT 7

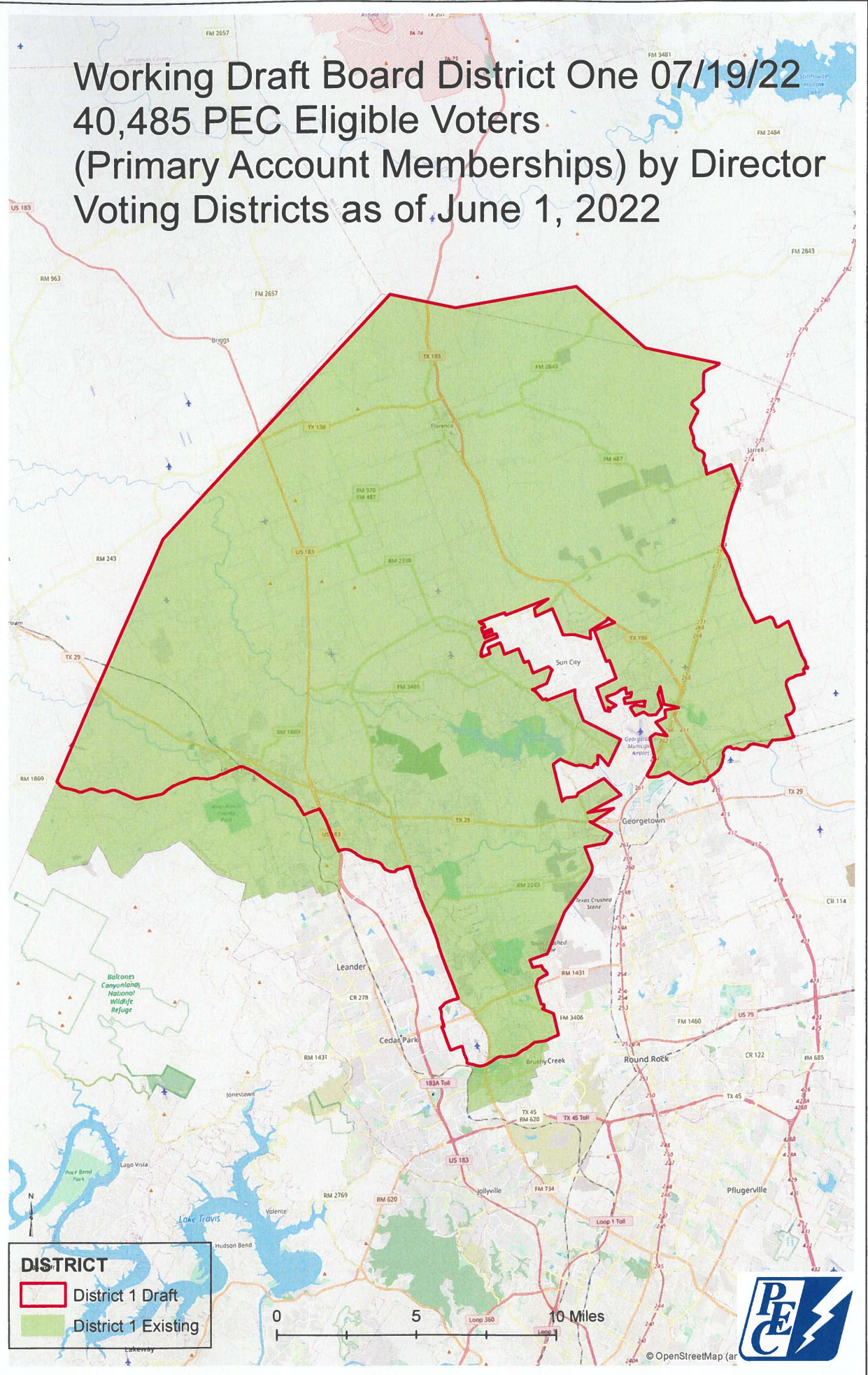
**Board Districts Existing**

- DISTRICT 1
- DISTRICT 2
- DISTRICT 3
- DISTRICT 4
- DISTRICT 5
- DISTRICT 6
- DISTRICT 7

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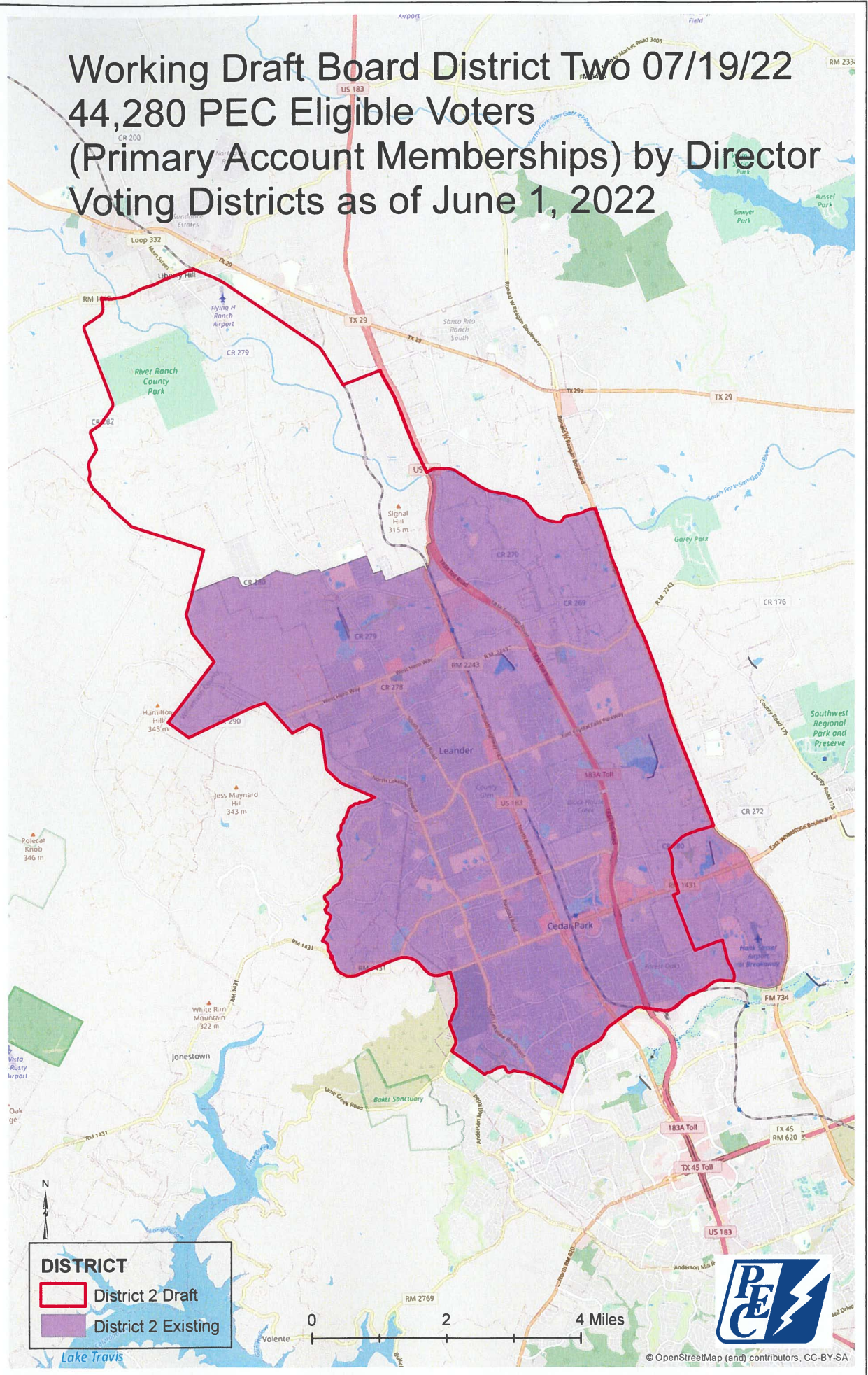
# Working Draft Board District One 07/19/22

## 40,485 PEC Eligible Voters (Primary Account Memberships) by Director Voting Districts as of June 1, 2022



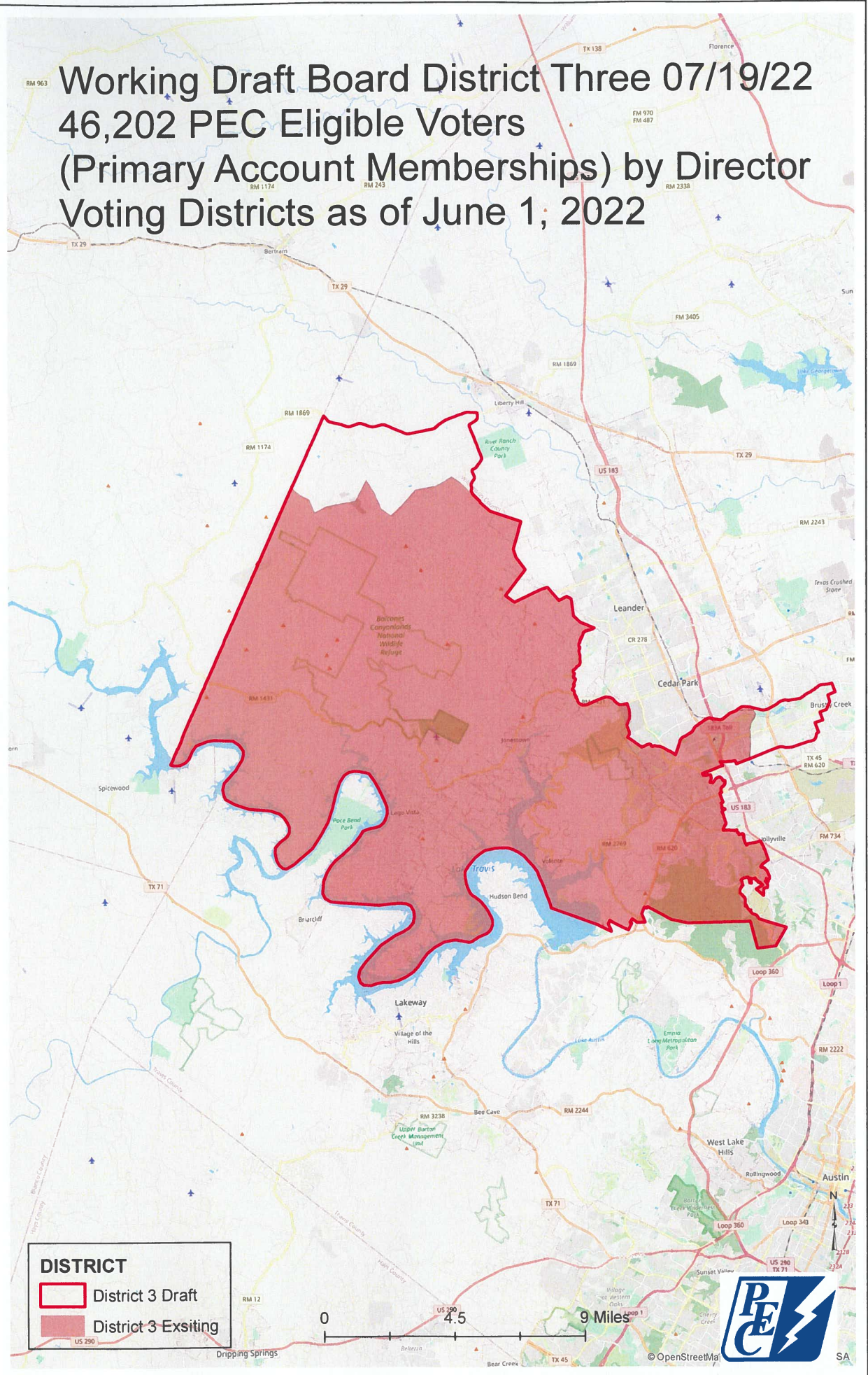
# Working Draft Board District Two 07/19/22

## 44,280 PEC Eligible Voters (Primary Account Memberships) by Director Voting Districts as of June 1, 2022



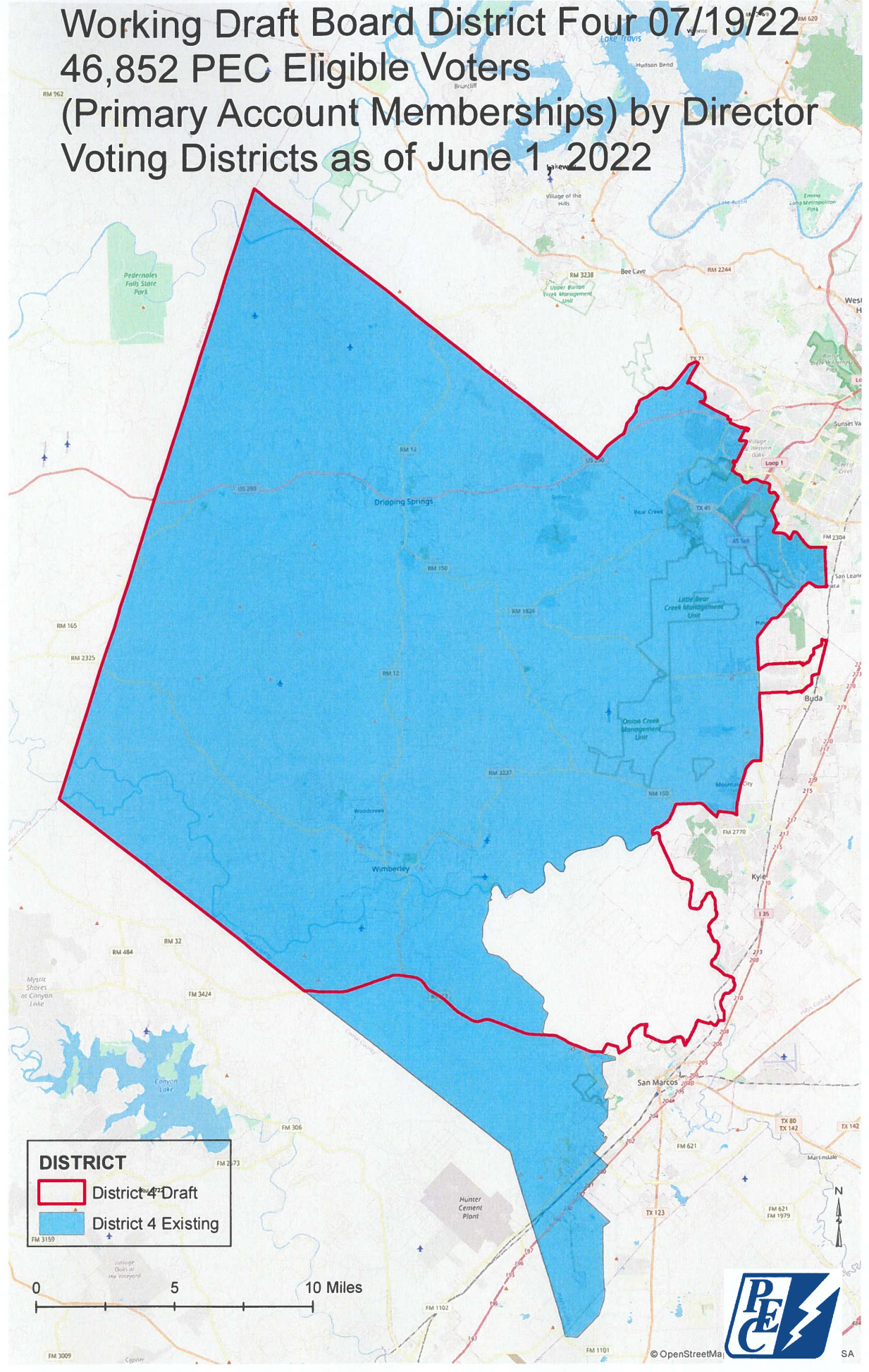
# Working Draft Board District Three 07/19/22

## 46,202 PEC Eligible Voters (Primary Account Memberships) by Director Voting Districts as of June 1, 2022



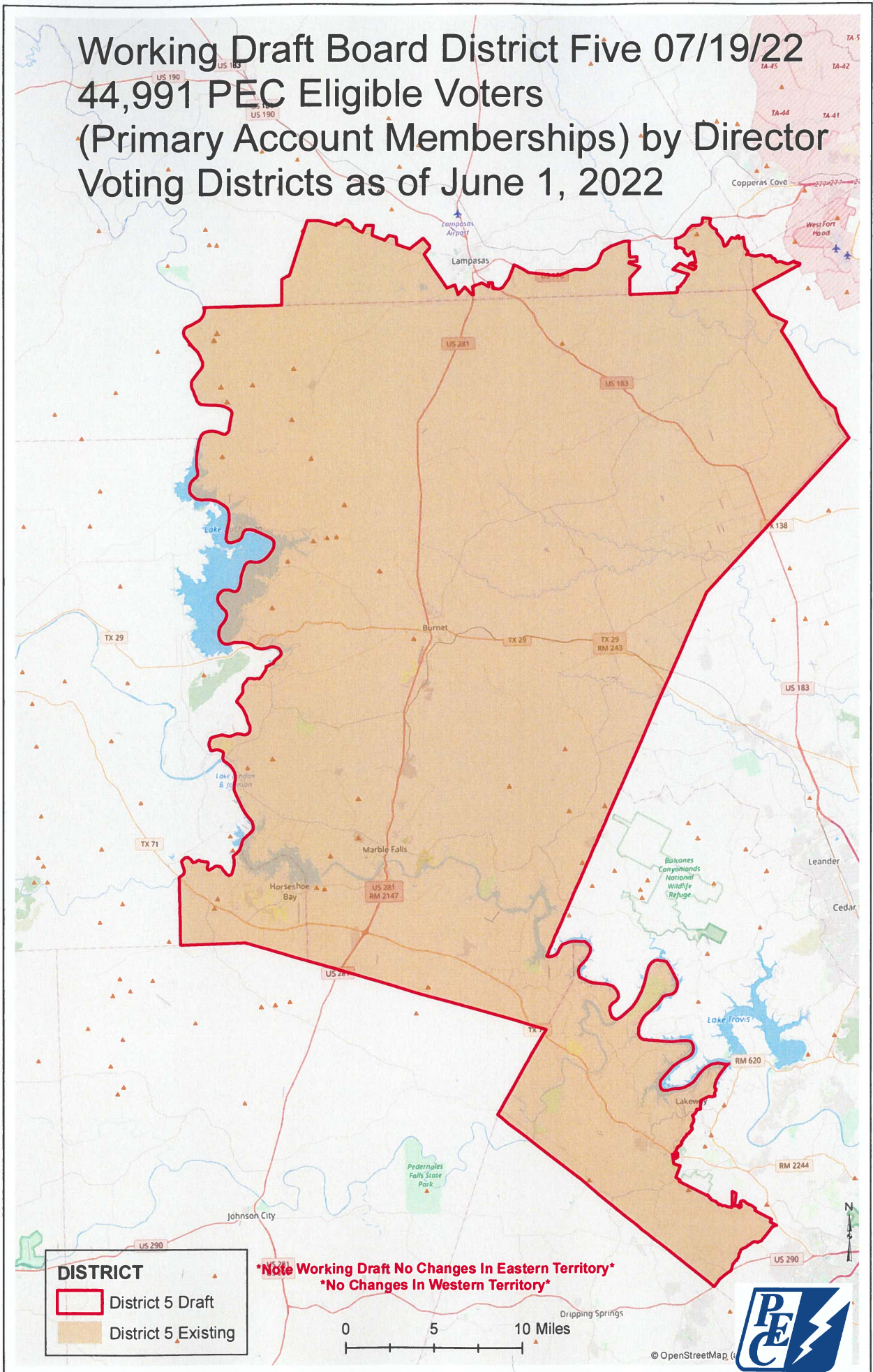
# Working Draft Board District Four 07/19/22

## 46,852 PEC Eligible Voters (Primary Account Memberships) by Director Voting Districts as of June 1, 2022





# Working Draft Board District Five 07/19/22

## 44,991 PEC Eligible Voters (Primary Account Memberships) by Director Voting Districts as of June 1, 2022



**\*Note Working Draft No Changes In Eastern Territory\***  
**\*No Changes In Western Territory\***

**DISTRICT**

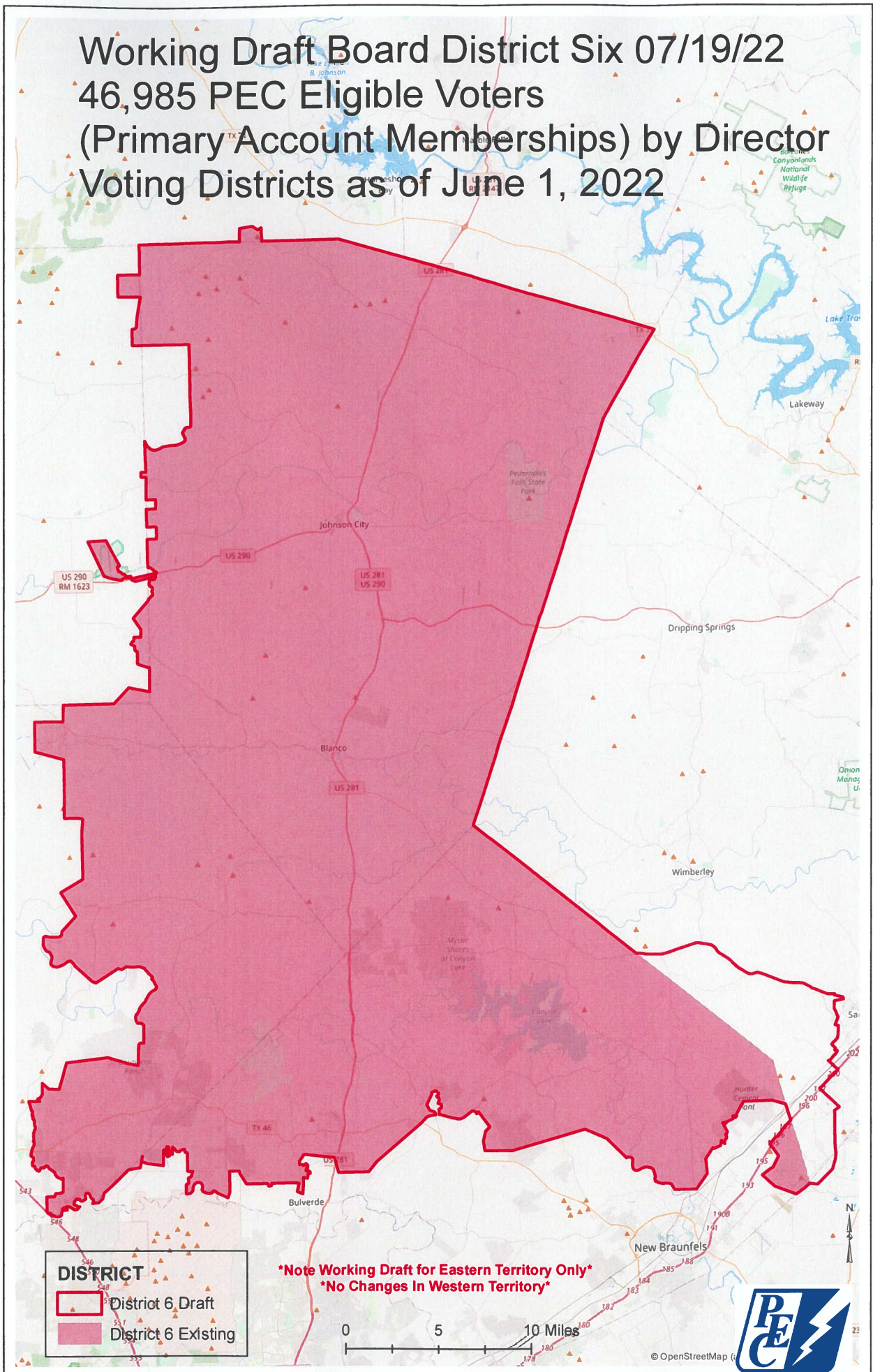
-  District 5 Draft
-  District 5 Existing



© OpenStreetMap (

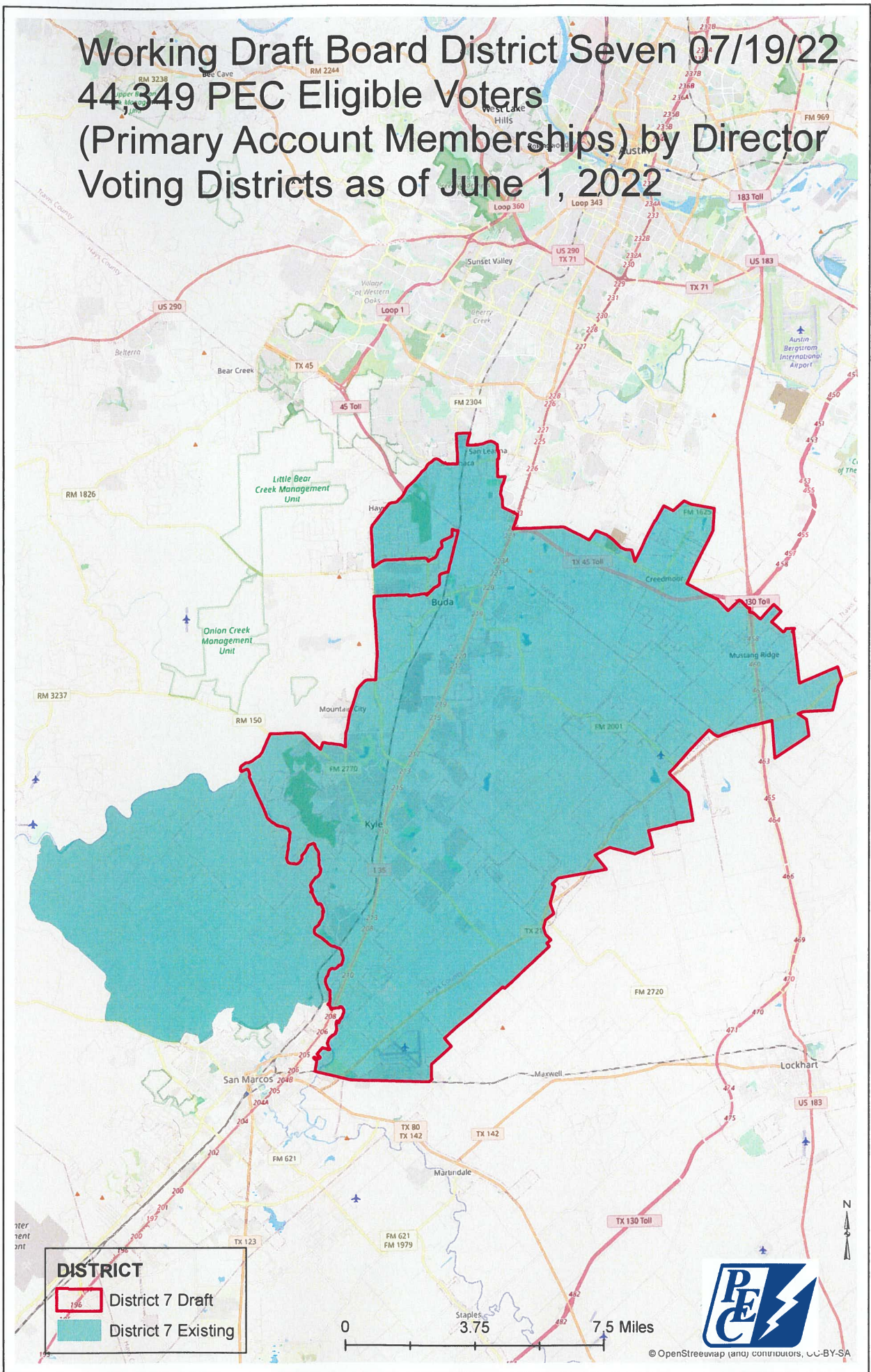
# Working Draft Board District Six 07/19/22

46,985 PEC Eligible Voters  
(Primary Account Memberships) by Director  
Voting Districts as of June 1, 2022





# Working Draft Board District Seven 07/19/22 44,349 PEC Eligible Voters (Primary Account Memberships) by Director Voting Districts as of June 1, 2022





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File #: 2022-301, Version: 1

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## List of Board Approved Future Meetings

**Submitted By:** Sylvia Romero  
**Department:** General Counsel  
**Financial Impact and Cost/Benefit Considerations:** N/A

From time to time, the Board may set the annual Board meetings schedule as attached to this agenda item. Further, the Cooperative's Bylaws describe the types of meetings, notice requirements, and Board quorum as outlined below.

**BYLAWS ARTICLE IV - Meetings of Directors Section 1. Regular Board Meetings:** A regular meeting of the Board of Directors shall be held on the third Monday of each month at the E. Babe Smith Headquarters Building of the Cooperative in Blanco County, Texas, unless another meeting location, time and/or date is set by the Board of Directors ("Regular Board Meeting").

**Section 2. Special Board Meetings:** Special meetings of the Board of Directors ("Special Board Meetings") may be called by the President or any four (4) Directors. The person or persons authorized to call a Special Board Meeting may fix the time and place for the holding of any Special Board Meeting called by them.

**Section 3. Telephonic or Electronic Participation in Board Meetings:** For good cause and with approval of the Board of Directors, a Regular Board Meeting or Special Board Meeting (each a "Board Meeting") may be conducted with Directors participating but not physically present but deemed present in person through a means of communication by which all Directors participating in the Board Meeting may simultaneously hear, reasonably and verifiably identify themselves, and generally simultaneously and instantaneously communicate with each other during the Board Meeting. Directors that are not physically present may deliberate and vote on the question of approving telephonic or electronic participation. A vote to approve telephonic or electronic participation in any Board Meeting is exempt from the notice requirements herein specified. Such Board Meeting shall be compliant with the Cooperative's Open Meetings Policy, and Members shall have the opportunity to monitor the Board Meeting electronically or in person. A Director may be compensated for a Board Meeting at which that Director participated but was not physically present only with Board approval.

**Section 4. Notice:** Notice of the time, place and purpose of any Regular Board Meeting shall be given at least seventy-two (72) hours previous thereto, by written notice, delivered personally, electronically, or by mail, to each Director at the Director's last known address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed with postage thereon prepaid. Meeting notices and agendas will be posted on the Cooperative's website at least seventy-two (72) hours before each Regular Board Meeting. In an emergency or when there is an urgent necessity, the notice of a Board Meeting or the supplemental notice of a subject added as an item to the agenda for a Board Meeting for which notice has been posted in accordance with this Section is sufficient if it is posted for at least two (2) hours before the Board Meeting is convened. An emergency or an urgent necessity exists only if immediate action is required because of a reasonably unforeseeable situation. The Board of Directors shall clearly identify the emergency or urgent necessity in the notice or supplemental notice under this Section.

**Section 5. Board Quorum:** Four (4) or more Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, except in the case when four (4) or more vacancies exist on the Board, in which case a majority of the Board shall constitute a quorum ("Board Quorum").

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## *2022 Board Meeting Calendar*

*(Previously Approved: 12/17/21, 1/21/22, and 2/18/22)*

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- January 21, 2022 Regular Meeting at 9:00 am on Friday at the PEC Headquarters
- February 18, 2022 Regular Meeting at 9:00 am on Friday at the PEC Headquarters
- March 22 – 23, 2022 Special Meeting at 9:00 am on Tuesday and Wednesday at Horseshoe Bay
- March 24, 2022 Regular Meeting at 9:00 am on Thursday at the PEC Headquarters
- \*\*\* • April 14, 2022 Regular Meeting at 9:00 am on Thursday at the PEC Headquarters
- May 20, 2022 Regular Meeting at 9:00 am on Friday at the PEC Headquarters
- June 17, 2022 Annual Membership Meeting at 9:00 am on Friday at the PEC Headquarters
- June 17, 2022 Regular Meeting immediately following the conclusion of the 2022 Annual Membership Meeting, on Friday at the PEC Headquarters
- July 15, 2022 Regular Meeting at 9:00 am on Friday at the PEC Headquarters
- August 19, 2022 Regular Meeting at 9:00 am on Friday at the PEC Headquarters
- August 30, 2022 Special Meeting at 9:30 a.m. on Tuesday at the PEC Headquarters
- September 16, 2022 Regular Meeting at 9:00 am on Friday at the PEC Headquarters
- October 21, 2022 Regular Meeting at 9:00 am on Friday at the PEC Headquarters
- November 18, 2022 Regular Meeting at 9:00 am on Friday at the PEC Headquarters
- December 16, 2022 Regular Meeting at 9:00 am on Friday at the PEC Headquarters

\*\*\* Note: April 15 is Good Friday and a PEC holiday.



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**File #:** 2022-302, **Version:** 1

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**Board Planning Calendar (Written Report in Materials)**

**Submitted By:** Sylvia Romero

**Department:** General Counsel

**Financial Impact and Cost/Benefit Considerations:** N/A

In connection with agenda planning and strategy, the Cooperative provides an annual calendar of all agenda items to ensure compliance and governance matters. The annual calendar also includes ad hoc items.

### 3-Month Outlook Planning Calendar - October through December 2022

Item #	Month	Item	Owner	Due Date Notes	Strategic Item / Compliance Item	Reoccurring / Ad-hoc
<b>OCT</b>						
1	10	Annual Review of Strategic Plan	Chief Executive Officer	October Regular BOD Meeting	Strategic	Reoccurring
2	10	Approval Resolution – Approval of 2021 IRS Form 990 - B Miller, Bolinger, Segars, Gilbert & Moss, LLP (BSGM)	Chief Financial Officer	October Regular BOD Meeting	Compliance	Reoccurring
3	10	Approval Resolution – Approval of 2023 Rate Plan	Markets/Power Supply	October Regular BOD Meeting	Strategic	Reoccurring
4	10	Approval Resolution - Approval of Filing of Interim Transmission Cost of Service with Public Utility Commission of Texas	Compliance & Regulatory	October Regular BOD Meeting	Compliance	Ad-hoc
5	10	Approval Resolution - Approval of Rebalance and Equitable Consideration of Director District Boundaries	General Counsel	September Regular BOD Meeting	Strategic	Ad-hoc
6	10	Approval Resolution – Approval to Establish Annual Meeting Date and Location	Public Affairs	October Regular BOD Meeting	Compliance	Reoccurring
7	10	Approval Resolution - Review and Approval of Rate Policy	Markets	October Regular BOD Meeting	Compliance	Every 5-Years
8	10	Approval Resolution(s) – Approval of Capital Improvement Plan Budget Amendments for Real Property Acquisitions	Chief Operations Officer	October Regular BOD Meeting	Strategic	Reoccurring
9	10	Approval Resolution(s) – Approval Resolution of Real Property Acquisitions or Real Property Dispositions	Chief Operations Officer	October Regular BOD Meeting	Strategic	Reoccurring
10	10	CFC Districts 8 & 10 Meetings - Little Rock, AR	General Counsel	October 25, 2022	Informational	Reoccurring
11	10	Chief Executive Officer Action Plan and Annual Performance Goals Quarterly Update	Board of Directors	October Regular BOD Meeting	Compliance	Quarterly
12	10	Cooperative Financial Update	Chief Financial Officer	October Regular BOD Meeting	Strategic	Reoccurring
13	10	Cooperative Operations Update	Chief Operations Officer	October Regular BOD Meeting	Strategic	Reoccurring
14	10	Cooperative Update	Chief Executive Officer	October Regular BOD Meeting	Strategic	Reoccurring
15	10	Draft Resolution – Approval of 2023 Capital Improvement Plan (CIP), Including Items Concerning Competitive Matters, Personnel, Contracts, and Real Estate	Chief Financial Officer	October Regular BOD Meeting	Compliance	Reoccurring
16	10	Draft Resolution - Approval of Legislative Policy	Chief Executive Officer	October Regular BOD Meeting	Compliance	Reoccurring
17	10	Draft Resolution - Approval of Power Supply Contractual Resources	Markets	October Regular BOD Meeting	Strategic	Ad-hoc
18	10	Draft Resolution - Review and Approval of the Enterprise Risk Management (ERM) Policy	Compliance & Regulatory	October Regular BOD Meeting	Compliance	Reoccurring
19	10	Draft Resolution - Review and Approval of the Environmental Policy	Compliance & Regulatory	October Regular BOD Meeting	Compliance	Reoccurring
20	10	Enterprise Risk Management (ERM) Update	VP, Compliance & Regulatory	October Regular BOD Meeting	Strategic	Biannual
21	10	Markets Monthly Report	VP, Markets	October Regular BOD Meeting	Strategic	Reoccurring
22	10	NRECA Pre-Meeting Director Training	General Counsel	TBD	Informational	Reoccurring
23	10	NRECA Regions 8 & 10 Meetings	General Counsel	OCT 24-26, 2022	Informational	Reoccurring
24	10	Personnel Matters	Human Resources	October Regular BOD Meeting	Strategic	Reoccurring
25	10	Plan Administration Committee (PAC) Update - Drew McCorckle, CAPTRUST Advisors	General Counsel	October Regular BOD Meeting	Compliance	Reoccurring
26	10	Plan Administration Committee (PAC) Update by Committee Chairperson - M Hansen	General Counsel	October Regular BOD Meeting	Compliance	Reoccurring
27	10	Recognition of PEC Linemen Participation at Annual International Rodeo	Chief Operations Officer	October Regular BOD Meeting	Strategic	Ad-hoc
28	10	Safety and Security Matters	Chief Operations Officer	October Regular BOD Meeting	Strategic	Reoccurring

### 3-Month Outlook Planning Calendar - October through December 2022

Item #	Month	Item	Owner	Due Date Notes	Strategic Item / Compliance Item	Reoccurring / Ad-hoc
<b>OCT</b>						
29	10	Transmission Operations and Control Center Update	Chief Operations Officer	October Regular BOD Meeting	Strategic	Reoccurring
<b>NOV</b>						
30	11	2023 Legislative Positions	General Counsel	November Regular BOD Meeting	Strategic	Reoccurring
31	11	Approval Resolution – Approval of 2023 Operating Budget and Capital Improvement Plan (CIP), Including Items Concerning Competitive Matters, Personnel, Contracts, and Real Estate	Chief Financial Officer	November Regular BOD Meeting	Compliance	Reoccurring
32	11	Approval Resolution - Approval of Legislative Policy	Chief Executive Officer	November Regular BOD Meeting	Compliance	Reoccurring
33	11	Approval Resolution - Approval of Power Supply Contractual Resources	Markets	November Regular BOD Meeting	Strategic	Ad-hoc
34	11	Approval Resolution - Review and Approval of the Enterprise Risk Management (ERM) Policy	Compliance & Regulatory	November Regular BOD Meeting	Compliance	Reoccurring
35	11	Approval Resolution - Review and Approval of the Environmental Policy	Compliance & Regulatory	November Regular BOD Meeting	Compliance	Reoccurring
36	11	Approval Resolution(s) – Approval of Capital Improvement Plan Budget Amendments for Real Property Acquisitions	Chief Operations Officer	November Regular BOD Meeting	Strategic	Reoccurring
37	11	Approval Resolution(s) – Approval of Real Property Acquisitions or Real Property Dispositions	Chief Operations Officer	November Regular BOD Meeting	Strategic	Reoccurring
38	11	CFC Independent Borrowers Executive Summit (IBES) - Huntington Beach, CA	General Counsel	NOV 7-9, 2022	Informational	Reoccurring
39	11	Cooperative Financial Update	Chief Financial Officer	November Regular BOD Meeting	Strategic	Reoccurring
40	11	Cooperative Operations Update	Chief Operations Officer	November Regular BOD Meeting	Strategic	Reoccurring
41	11	Cooperative Update	Chief Executive Officer	November Regular BOD Meeting	Strategic	Reoccurring
42	11	Draft Resolution – Approval of 2023 Board of Directors List of Proposed Future Meetings	Board President	November Regular BOD Meeting	Compliance	Reoccurring
43	11	Draft Resolution – Approval of 2023 Election Communications Plan	Public Affairs	November Regular BOD Meeting	Compliance	Reoccurring
44	11	Draft Resolution – Approval of 2023 Election Timeline	General Counsel	October Regular BOD Meeting	Compliance	Reoccurring
45	11	Ethics and Compliance Update	Ethics and Compliance Officer	November Regular BOD Meeting	Compliance	Biannual
46	11	Markets Monthly Report	VP, Markets	November Regular BOD Meeting	Strategic	Reoccurring
47	11	Personnel Matters	Human Resources	November Regular BOD Meeting	Strategic	Reoccurring
48	11	Recognition of Veterans Day	Board President	November Regular BOD Meeting	Compliance	Reoccurring
49	11	Resolution - Approval of Delegation of Authority for Power Supply Transactions	Markets	November Regular BOD Meeting	Strategic	Ad-hoc
50	11	Safety and Security Matters	Chief Operations Officer	November Regular BOD Meeting	Strategic	Reoccurring
51	11	Transmission Operations and Control Center Update	Operations	November Regular BOD Meeting	Strategic	Reoccurring
<b>DEC</b>						
52	12	Approval Resolution – Approval of 2023 Board of Directors List of Proposed Future Meetings	Board President	December Regular BOD Meeting	Compliance	Reoccurring
53	12	Approval Resolution – Approval of 2023 Election Communications Plan	Chief Executive Officer	December Regular BOD Meeting	Strategic	Reoccurring
54	12	Approval Resolution – Approval of 2023 Election Timeline	General Counsel	December Regular BOD Meeting	Compliance	Reoccurring

### 3-Month Outlook Planning Calendar - October through December 2022

Item #	Month	Item	Owner	Due Date Notes	Strategic Item / Compliance Item	Reoccurring / Ad-hoc
<b>DEC</b>						
55	12	Approval Resolution – Approval of Appointment of Members to PEC Plan Administration Committee (PAC)	VP, Human Resources	December Regular BOD Meeting	Strategic	Reoccurring
56	12	Approval Resolution – Approval of Real Property Acquisitions or Real Property Dispositions	Chief Operations Officer	December Regular BOD Meeting	Strategic	Reoccurring
57	12	Approval Resolution - Review and Approval of 2022 CEO Action Items and Performance Evaluation	Chief Executive Officer	December Regular BOD Meeting	Strategic	Reoccurring
58	12	Approval Resolution(s) – Approval of Capital Improvement Plan Budget Amendments for Real Property Acquisitions	Chief Operations Officer	December Regular BOD Meeting	Strategic	Reoccurring
59	12	Cooperative Financial Update	Chief Financial Officer	December Regular BOD Meeting	Strategic	Reoccurring
60	12	Cooperative Operations Update	Chief Operations Officer	December Regular BOD Meeting	Strategic	Reoccurring
61	12	Cooperative Update	Chief Executive Officer	December Regular BOD Meeting	Strategic	Reoccurring
62	12	Draft Resolution – Approval of 2023 Key Performance Indicators Plan Methodology	Chief Operations Officer	December Regular BOD Meeting	Strategic	Reoccurring
63	12	Draft Resolution – Approval of Directive for Delegates Regarding Upcoming Regional & National Meetings	Public Affairs	December Regular BOD Meeting	Strategic	Reoccurring
64	12	Draft Resolution - Approval to Amend Tariff and Business Rules - Rate Plan Annual Items	Markets	December Regular BOD Meeting	Strategic	Ad-hoc
65	12	Markets Monthly Report	VP, Markets	December Regular BOD Meeting	Strategic	Reoccurring
66	12	NRECA Winter School for Directors	General Counsel	TBD	Informational	Reoccurring
67	12	Personnel Matters	Human Resources	December Regular BOD Meeting	Strategic	Reoccurring
68	12	Safety and Security Matters	Chief Operations Officer	December Regular BOD Meeting	Strategic	Reoccurring
69	12	Transmission Operations and Control Center Update	Operations	December Regular BOD Meeting	Strategic	Reoccurring

# PEC Annual Planning Calendar

Item #	Month	Description	Owner	Due Date Notes	Strategic Item / Compliance Item	Reoccurring / Ad-hoc
1	1	2022 Election Timeline Update	General Counsel	January Regular BOD Meeting	Compliance - Election Policy and Procedures	Reoccurring
2	1	2022 NEXT Conf., Indian Wells, CA	General Counsel	JAN 31, 2022 - FEB 2, 2022	Informational	Reoccurring
3	1	Approval Resolution - Approval for \$150 Million Delayed Bond Funding Offer	Chief Financial Officer	January Regular BOD Meeting	Strategic	Ad-Hoc
4	1	Approval Resolution – Approval of 2022 Key Performance Indicators Plan Methodology	Chief Operations Officer	January Regular BOD Meeting	Strategic	Reoccurring
5	1	Approval Resolution – Approval of 2022 NRECA Annual Membership Dues	Chief Executive Officer	January Regular BOD Meeting	Compliance	Reoccurring
6	1	Approval Resolution – Approval of Directive for Delegates Regarding Upcoming Regional & National Meetings	Public Affairs	January Regular BOD Meeting	Strategic	Reoccurring
7	1	Approval Resolution – Approval of TEC Annual Membership Dues	Chief Executive Officer	January Regular BOD Meeting	Strategic	Reoccurring
8	1	Approval Resolution(s) – Approval of Capital Improvement Plan Budget Amendments for Real Property Acquisitions	Chief Operations Officer	January Regular BOD Meeting	Strategic	Reoccurring
9	1	Approval Resolution(s) – Approval of Real Property Acquisitions or Real Property Dispositions	Chief Operations Officer	January Regular BOD Meeting	Strategic	Reoccurring
10	1	Cooperative Financial Update	Chief Financial Officer	January Regular BOD Meeting	Strategic	Reoccurring
11	1	Cooperative Operations Update	Chief Operations Officer	January Regular BOD Meeting	Strategic	Reoccurring
12	1	Cooperative Update	Chief Executive Officer	January Regular BOD Meeting	Strategic	Reoccurring
13	1	Draft Resolution – Approval of 2022 NRECA Annual Meeting Voting Delegates, 2022 CFC District Voting Delegates, and 2022 NRTC Voting Delegates	General Counsel	January Regular BOD Meeting	Strategic	Reoccurring
14	1	Draft Resolution – Approval for Directing the General Counsel to Prepare 2022 Proposed Non-Director Election Ballot Item(s)	General Counsel	January Regular BOD Meeting	Strategic	Reoccurring
15	1	Draft Resolution – Approval of Appointments to 2022 Qualifications and Elections Committee	General Counsel	January Regular BOD Meeting	Compliance	Reoccurring
16	1	Markets Monthly Report	VP, Markets	January Regular BOD Meeting	Strategic	Reoccurring
17	1	Personnel Matters	Human Resources	January Regular BOD Meeting	Strategic	Reoccurring
18	1	Review of 2022 CEO Action Items	Chief Executive Officer	January Regular BOD Meeting	Strategic	Reoccurring
19	1	Safety and Security Matters	Chief Operations Officer	January Regular BOD Meeting	Strategic	Reoccurring
20	1	Transmission Operations and Control Center Update	Chief Executive Officer	January Regular BOD Meeting	Strategic	Reoccurring
21	2	2022 Election Timeline Update	General Counsel	February Regular BOD Meeting	Compliance - Election Policy and Procedures	Reoccurring
22	2	2022 Financial and Risk Outlook	Chief Financial Officer	February Regular BOD Meeting	Strategic	Ad-Hoc
23	2	Approval Resolution – Approval for Directing the General Counsel to Prepare 2022 Proposed Non-Director Election Ballot Item(s)	General Counsel	February Regular BOD Meeting	Strategic	Reoccurring
24	2	Approval Resolution – Approval of Appointments to 2022 Qualifications and Elections Committee	General Counsel	February Regular BOD Meeting	Compliance	Reoccurring
25	2	Approval Resolution - Approval to Amend 2022 Board of Directors List of Proposed Future Meetings	Board of Directors	February Regular BOD Meeting	Compliance	Ad-Hoc
26	2	Approval Resolution(s) – Approval of Capital Improvement Plan Budget Amendments for Real Property Acquisitions	Chief Operations Officer	February Regular BOD Meeting	Strategic	Reoccurring
27	2	Approval Resolution(s) – Approval of Real Property Acquisitions or Real Property Dispositions	Chief Operations Officer	February Regular BOD Meeting	Strategic	Reoccurring
28	2	Cooperative Financial Update	Chief Financial Officer	February Regular BOD Meeting	Strategic	Reoccurring
29	2	Cooperative Operations Update	Chief Operations Officer	February Regular BOD Meeting	Compliance	Reoccurring
30	2	Cooperative Transmission Operations Growth Strategy	Chief Executive Officer	February Regular BOD Meeting	Strategic	Ad-Hoc
31	2	Cooperative Update	Chief Executive Officer	February Regular BOD Meeting	Strategic	Reoccurring
32	2	Cyber Security Biannual Update	Compliance & Regulatory	February Regular BOD Meeting	Strategic	Biannual



# PEC Annual Planning Calendar

Item #	Month	Description	Owner	Due Date Notes	Strategic Item / Compliance Item	Reoccurring / Ad-hoc
33	2	Draft Resolution - Approval of Capital Improvement Plan Budget Amendment for Additional Engineering Project T319	Engineering	February Regular BOD Meeting	Compliance	Ad-Hoc
34	2	Draft Resolution - Approval of Capital Improvement Plan Budget Amendment for Additional Engineering Project T415	Engineering	February Regular BOD Meeting	Compliance	Ad-Hoc
35	2	Draft Resolution - Review and Approval of the Budget Policy	Controller	February Regular BOD Meeting	Compliance	Reoccurring
36	2	Key Performance Indicator (KPI) of 2021 Period 2 Results	Chief Operations Officer	February Regular BOD Meeting	Strategic	Reoccurring
37	2	Markets Monthly Report	VP, Markets	February Regular BOD Meeting	Strategic	Reoccurring
38	2	Personnel Matters	Human Resources	February Regular BOD Meeting	Strategic	Reoccurring
39	2	Review of 2022 Chief Executive Officer (CEO) Action Items	Chief Executive Officer	February Regular BOD Meeting	Strategic	Ad-Hoc
40	2	Safety and Security Matters	Chief Operations Officer	February Regular BOD Meeting	Strategic	Reoccurring
41	2	Wildfire Mitigation and Prevention Program Update	Chief Operations Officer	February Regular BOD Meeting	Strategic	Ad-hoc
42	3	2022 Election Timeline Update	General Counsel	March Regular BOD Meeting	Compliance - Election Policy and Procedures	Reoccurring
43	3	80th NRECA Annual Membership Business Meeting (Nashville, TN)	General Counsel	March 8, 2022	Informational	Reoccurring
44	3	Approval Resolution - Approval of Capital Improvement Plan Budget Amendment for Additional Engineering Project T319	VP, Engineering	March Regular BOD Meeting	Strategic	Ad-Hoc
45	3	Approval Resolution - Approval of Capital Improvement Plan Budget Amendment for Additional Engineering Project T415	VP, Engineering	March Regular BOD Meeting	Strategic	Ad-Hoc
46	3	Approval Resolution - Review and Approval of the Budget Policy	Chief Financial Officer	March Regular BOD Meeting	Compliance	Reoccurring
47	3	Approval Resolution(s) – Approval of Capital Improvement Plan Budget Amendments for Real Property Acquisitions	Chief Operations Officer	March Regular BOD Meeting	Strategic	Reoccurring
48	3	Approval Resolution(s) – Approval of Real Property Acquisitions or Real Property Dispositions	Chief Operations Officer	March Regular BOD Meeting	Strategic	Reoccurring
49	3	Cooperative Financial Update	Chief Financial Officer	March Regular BOD Meeting	Strategic	Reoccurring
50	3	Cooperative Operations Update	Chief Operations Officer	March Regular BOD Meeting	Strategic	Reoccurring
51	3	Cooperative Update	Chief Executive Officer	March Regular BOD Meeting	Strategic	Reoccurring
52	3	Draft Resolution – Approval and Certification of 2022 Election Ballot	General Counsel	March Regular BOD Meeting	Compliance	Reoccurring
53	3	Draft Resolution – Approval of 2022 Annual Meeting Agenda	General Counsel	March Regular BOD Meeting	Compliance	Reoccurring
54	3	Draft Resolution - Approval of 2022 Annual Membership Meeting Agenda	General Counsel	March Regular BOD Meeting	Compliance	Reoccurring
55	3	Draft Resolution – Approval of 2022 Cooperative Response Center (CRC) Voting Delegates	Chief Operations Officer	March Regular BOD Meeting	Compliance	Reoccurring
56	3	Draft Resolution - Engineering Project T324 - McCarty Lane to Hunter Rebuild - Eminent Domain	VP, Engineering	March Regular BOD Meeting	Strategic	Ad-Hoc
57	3	Draft Resolution - Review and Approval of the Capitalization Policy	Chief Financial Officer	March Regular BOD Meeting	Compliance	Reoccurring
58	3	Draft Resolution - Revision of Pole Attachment Rate Structure	Chief Operations Officer	March Regular BOD Meeting	Strategic	Ad-Hoc
59	3	Draft Resolution - Update to Pole Attachment Rate Structure	Chief Operations Officer	March Regular BOD Meeting	Strategic	Ad-Hoc
60	3	Markets Monthly Report	VP, Markets	March Regular BOD Meeting	Strategic	Reoccurring
61	3	Personnel Matters	Human Resources	March Regular BOD Meeting	Strategic	Reoccurring
62	3	Real Estate Update	Chief Operations Officer	March Regular BOD Meeting	Strategic	Bi-Annual
63	3	Safety and Security Matters	Chief Operations Officer	March Regular BOD Meeting	Strategic	Reoccurring
64	3	Transmission Operations and Control Center Update	Chief Operations Officer	March Regular BOD Meeting	Strategic	Reoccurring
65	4	2022 Election Timeline Update	General Counsel	April Regular BOD Meeting	Compliance - Election Policy and Procedures	Reoccurring

# PEC Annual Planning Calendar

Item #	Month	Description	Owner	Due Date Notes	Strategic Item / Compliance Item	Reoccurring / Ad-hoc
66	4	Approval of 2022 Budget Amendments for Depreciation and Facilities Improvements	Finance	April Regular BOD Meeting	Strategic	Ad-Hoc
67	4	Approval Resolution – Approval and Certification of 2022 Election Ballot	General Counsel	April Regular BOD Meeting	Compliance	Reoccurring
68	4	Approval Resolution – Approval of 2021 Financial Audit and Management Letter by Bolinger, Segars, Gilbert & Moss (BSGM)	Chief Financial Officer	April Regular BOD Meeting	Compliance	Reoccurring
69	4	Approval Resolution – Approval of 2022 Annual Meeting Agenda	General Counsel	April Regular BOD Meeting	Strategic	Reoccurring
70	4	Approval Resolution - Approval of 2022 Annual Membership Meeting Agenda	General Counsel	April Regular BOD Meeting	Compliance	Reoccurring
71	4	Approval Resolution – Approval of 2022 Cooperative Response Center (CRC) Voting Delegates	Chief Operations Officer	April Regular BOD Meeting	Compliance	Reoccurring
72	4	Approval Resolution – Approval of Director Candidates for 2022 Pedernales Electric Cooperative Board of Director's Election Ballot	General Counsel	April Regular BOD Meeting	Compliance	Reoccurring
73	4	Approval Resolution - Approval of Power Supply Contractual Resources	Chief Executive Officer	April Regular BOD Meeting	Strategic	Ad-Hoc
74	4	Approval Resolution - Engineering Project T324 - McCarty Lane to Hunter Rebuild - Eminent Domain	VP, Engineering	April Regular BOD Meeting	Strategic	Ad-Hoc
75	4	Approval Resolution - Review and Approval of the Capitalization Policy	Chief Financial Officer	April Regular BOD Meeting	Compliance	Reoccurring
76	4	Approval Resolution - Revision of Pole Attachment Rate Structure	Chief Operations Officer	March Regular BOD Meeting	Strategic	Ad-Hoc
77	4	Approval Resolution - Update to Pole Attachment Rate Structure	Chief Operations Officer	April Regular BOD Meeting	Strategic	Ad-Hoc
78	4	Approval Resolution(s) – Approval of Capital Improvement Plan Budget Amendments for Real Property Acquisitions	Chief Operations Officer	April Regular BOD Meeting	Strategic	Reoccurring
79	4	Approval Resolution(s) – Approval of Real Property Acquisitions or Real Property Dispositions	Chief Operations Officer	April Regular BOD Meeting	Strategic	Reoccurring
80	4	Audit Committee Meeting – 2021 Audit	Chief Financial Officer	April Audit Committee Meeting	Compliance	Reoccurring
81	4	Chief Executive Officer Action Plan and Annual Performance Goals Quarterly Update	Board of Directors	April Regular BOD Meeting	Compliance	Quarterly
82	4	CoBank Southwest Customer Meeting	General Counsel	APR 3-4, 2022	Informational	Reoccurring
83	4	Cooperative Financial Update	Chief Financial Officer	April Regular BOD Meeting	Strategic	Reoccurring
84	4	Cooperative Operations Update	Chief Operations Officer	April Regular BOD Meeting	Strategic	Reoccurring
85	4	Cooperative Update	Chief Executive Officer	April Regular BOD Meeting	Strategic	Reoccurring
86	4	Distribution System Planning Update	VP, Engineering	April Regular BOD Meeting	Strategic	April/September
87	4	Draft Resolution - Approval of Human Resources Information Systems (HRIS)	Human Resources	April Regular BOD Meeting	Strategic	Ad-Hoc
88	4	Draft Resolution - Approval of Pole Inspection, Treatment, and Restoration Contract	Chief Operations Officer	April Regular BOD Meeting	Strategic	Ad-hoc
89	4	Draft Resolution - Approval of Transmission Operations Connectivity Services Agreement	VP, Technology	April Regular BOD Meeting	Strategic	Ad-hoc
90	4	Draft Resolution - Approval to Amend Tariff and Business Rules - As-Built Items	Markets	April Regular BOD Meeting	Strategic	Ad-hoc
91	4	Draft Resolution - Approval to Amend Tariff and Business Rules - Standardization and Process Alignment Items	Markets	April Regular BOD Meeting	Strategic	Ad-Hoc
92	4	Draft Resolution - Engineering Project T315/323 - Marshall Ford to Trading Post - Construction Contract over \$3M	VP, Engineering	April Regular BOD Meeting	Strategic	Ad-Hoc
93	4	Draft Resolution - Review and Approval of Human Resources Information Systems (HRIS) RFP	Human Resources	April Regular BOD Meeting	Compliance	Reoccurring
94	4	Draft Resolution - Review and Approval of LCRA Fiber Sharing 5-Year Agreement	Chief Operations Officer	April Regular BOD Meeting	Strategic	Ad-hoc
95	4	Enterprise Risk Management (ERM) Update	VP, Compliance & Regulatory	April Regular BOD Meeting	Strategic	Biannual
96	4	Markets Monthly Report	VP, Markets	April Regular BOD Meeting	Strategic	Reoccurring
97	4	Personnel Matters	Human Resources	April Regular BOD Meeting	Strategic	Reoccurring
98	4	Presentation of 2021 Financial Audit and Management Letter by Bolinger, Segars, Gilbert & Moss (BSGM)	Chief Financial Officer	April Audit Committee Meeting	Strategic	Reoccurring

# PEC Annual Planning Calendar

Item #	Month	Description	Owner	Due Date Notes	Strategic Item / Compliance Item	Reoccurring / Ad-hoc
99	4	Qualifications and Elections Committee (QEC) Recommendation of Qualified Candidates - QEC Representative	General Counsel	April Regular BOD Meeting	Compliance	Reoccurring
100	4	Report on Property, Liability, and Corporate Insurance Policies	General Counsel	April Regular BOD Meeting	Strategic	Ad-Hoc
101	4	Safety and Security Matters	Chief Operations Officer	April Regular BOD Meeting	Strategic	Reoccurring
102	4	Strategies and Assessment of Power Supply Matters Including Power Supply Portfolio Review and Power Supply Contract Matters	Markets	April Regular BOD Meeting	Strategic	Ad-Hoc
103	4	Transmission Operations and Control Center Update	Support Services	April Regular BOD Meeting	Strategic	Reoccurring
104	5	2022 Election Timeline Update	General Counsel	May Regular BOD Meeting	Compliance - Election Policy and Procedures	Reoccurring
105	5	Approval Resolution - Approval of Pole Inspection, Treatment, and Restoration Contract	Chief Operations Officer	May Regular BOD Meeting	Strategic	Ad-hoc
106	5	Approval Resolution - Approval of Power Supply Contractual Resources	Chief Executive Officer	May Regular BOD Meeting	Strategic	Ad-Hoc
107	5	Approval Resolution - Approval of pre-ordering Fleet Assets for 2023-2025	Operations	May Regular BOD Meeting	Strategic	Ad-Hoc
108	5	Approval Resolution - Approval of Transmission Operations Connectivity Services Agreement	VP, Technology	May Regular BOD Meeting	Strategic	Ad-hoc
109	5	Approval Resolution - Approval to Amend Tariff and Business Rules - Standardization and Process Alignment Items	Markets	May Regular BOD Meeting	Strategic	Ad-Hoc
110	5	Approval Resolution - Review and Approval of 2022 CEO Performance Evaluation and Compensation	Board of Directors	May Regular BOD Meeting	Compliance	Reoccurring
111	5	Approval Resolution - Review and Approval of Human Resources Information Systems (HRIS) Software Agreement	Human Resources	May Regular BOD Meeting	Compliance	Reoccurring
112	5	Approval Resolution(s) – Approval of Capital Improvement Plan Budget Amendments for Real Property Acquisitions	Chief Operations Officer	May Regular BOD Meeting	Strategic	Reoccurring
113	5	Approval Resolution(s) – Approval of Real Property Acquisitions or Real Property Dispositions	Chief Operations Officer	May Regular BOD Meeting	Strategic	Reoccurring
114	5	CEO Action Plan Quarterly Update	Chief Executive Officer	May Regular BOD Meeting	Strategic	Reoccurring
115	5	Cooperative Financial Update	Chief Financial Officer	May Regular BOD Meeting	Strategic	Reoccurring
116	5	Cooperative Operations Update	Chief Operations Officer	May Regular BOD Meeting	Strategic	Reoccurring
117	5	Cooperative Update	Chief Executive Officer	May Regular BOD Meeting	Strategic	Reoccurring
118	5	Distribution System Planning Update	VP, Engineering	May Regular BOD Meeting	Strategic	Ad-Hoc
119	5	Draft Resolution - Approval of Human Resources Information Systems (HRIS)	Human Resources	May Regular BOD Meeting	Strategic	Ad-Hoc
120	5	Draft Resolution – Review and Approval of Privacy and Confidentiality Policy and Incorporation of Identity Theft Prevention Policy	General Counsel	May Regular BOD Meeting	Compliance	Reoccurring
121	5	Draft Resolution - Review and Approval to Rescind Identity Theft Prevention Policy and Incorporate into Privacy and Confidentiality Policy	General Counsel	May Regular BOD Meeting	Compliance	Ad-Hoc
122	5	Ethics and Compliance Update	Ethics and Compliance Officer	May Regular BOD Meeting	Strategic	Biannual
123	5	Financial Planning Information, Sensitivity, and Scenario Analyses	Chief Financial Officer	May Regular BOD Meeting	Strategic	Ad-Hoc
124	5	Markets Monthly Report	VP, Markets	May Regular BOD Meeting	Strategic	Reoccurring
125	5	Moment of Silence in Commemoration of Memorial Day	Board President	May Regular BOD Meeting	Strategic	Reoccurring
126	5	Personnel Matters	Human Resources	May Regular BOD Meeting	Strategic	Reoccurring
127	5	Resolution - Approval to Amend Tariff and Business Rules - As-Built Items	Markets	May Regular BOD Meeting	Strategic	Ad-hoc
128	5	Safety and Security Matters	Chief Operations Officer	May Regular BOD Meeting	Strategic	Reoccurring
129	5	Strategies and Assessment of Power Supply Matters Including Power Supply Portfolio Review and Power Supply Contract Matters	Markets	May Regular BOD Meeting	Strategic	Ad-Hoc

# PEC Annual Planning Calendar

Item #	Month	Description	Owner	Due Date	Notes	Strategic Item / Compliance Item	Reoccurring / Ad-hoc
130	5	Transmission Operations and Control Center Update	Chief Operations Officer	May	Regular BOD Meeting	Strategic	Reoccurring
131	6	Acknowledgement and Seating of Directors Elected at Annual Meeting	General Counsel	June	Regular BOD Meeting	Compliance - Bylaws	Reoccurring
132	6	Approval Resolution - Approval of Texas Electric Cooperative (TEC) Delegates for TEC Annual Meeting	General Counsel	June	Regular BOD Meeting	Compliance - TEC	Reoccurring
133	6	Approval Resolution – Review and Approval of Privacy and Confidentiality Policy and Incorporation of Identity Theft Prevention Policy	General Counsel	June	Regular BOD Meeting	Compliance	Reoccurring
134	6	Approval Resolution - Review and Approval to Rescind Identity Theft Prevention Policy and Incorporate into Privacy and Confidentiality Policy	General Counsel	June	Regular BOD Meeting	Compliance	Ad-Hoc
135	6	Approval Resolution(s) – Approval of Capital Improvement Plan Budget Amendments for Real Property Acquisitions	Chief Operations Officer	June	Regular BOD Meeting	Strategic	Reoccurring
136	6	Approval Resolution(s) – Approval of Real Property Acquisitions or Real Property Dispositions	Chief Operations Officer	June	Regular BOD Meeting	Strategic	Reoccurring
137	6	Approval to Review and Reaffirm/Amend Audit Committee Charter	General Counsel	June	Regular BOD Meeting	Compliance - Bylaws	Reoccurring
138	6	CFC Forum/Annual Membership Meeting - Boston, MA	General Counsel	June 20, 2022		Informational	Reoccurring
139	6	Conduct Annual Membership Meeting	Chief Executive Office	During June		Compliance - Bylaws	Reoccurring
140	6	Cooperative Financial Update	Chief Financial Officer	June	Regular BOD Meeting	Strategic	Reoccurring
141	6	Cooperative Operations Update	Chief Operations Officer	June	Regular BOD Meeting	Strategic	Reoccurring
142	6	Cooperative Update	Chief Executive Office	June	Regular BOD Meeting	Strategic	Reoccurring
143	6	Draft Resolution - Approval of Award to Negotiate Contract for Election Services Provider	General Counsel	June	Regular BOD Meeting	Compliance	Reoccurring
144	6	Election - Office of President	General Counsel	June	Regular BOD Meeting	Compliance	Reoccurring
145	6	Election - Office of Secretary and Treasurer	General Counsel	June	Regular BOD Meeting	Compliance	Reoccurring
146	6	Election - Office of Vice President	General Counsel	June	Regular BOD Meeting	Compliance	Reoccurring
147	6	Legislative Update	VP, External Affairs	June	Regular BOD Meeting	Strategic	Ad-Hoc
148	6	Markets Monthly Report	VP, Markets	June	Regular BOD Meeting	Strategic	Reoccurring
149	6	NRECA Summer School East - Charleston, SC	General Counsel	JUN 3-7, 2022		Informational	Reoccurring
150	6	Personnel Matters	Human Resources	June	Regular BOD Meeting	Strategic	Reoccurring
151	6	Receipt of Conflict of Interest Disclosure Form, Director Affirmation and Directors' Code of Conduct Acknowledgement for Directors	General Counsel	At conclusion of Annual Meeting		Compliance - Code of Conduct, Conflict of Interest Policies	Reoccurring
152	6	Resolution - Approval of Amendment to Sun Coast Fuel Supplier Contract for 2018-2022	Chief Operations Officer	June	Regular BOD Meeting	Strategic	Ad-hoc
153	6	Resolution – Approval of the Appointment of Audit Committee and Audit Committee Chairperson	General Counsel	June	Regular BOD Meeting	Compliance - Bylaws	Reoccurring
154	6	Safety and Security Matters	Chief Operations Officer	June	Regular BOD Meeting	Strategic	Reoccurring
155	6	Transmission Operations and Control Center Update	Chief Operations Officer	June	Regular BOD Meeting	Strategic	Reoccurring
156	7	Annual Review of Conflicts of Interest Certification and Disclosure Forms from Directors	General Counsel	July	Regular BOD Meeting	Compliance - Bylaws	Reoccurring
157	7	Approval Resolution - Approval of Award to Negotiate Contract for Election Services Provider	General Counsel	August	Regular BOD Meeting	Compliance	Reoccurring
158	7	Approval Resolution - Approval of Written Certification of the Election Results	General Counsel	Annual Meeting Minutes and for first Regular or Special Board Meeting Minutes after Annual Meeting		Compliance – Election Policy and Procedures	Reoccurring
159	7	Approval Resolution – Approval to Appoint CFC Voting Delegates for CFC District Meeting	General Counsel	July	Regular BOD Meeting	Compliance - CFC	Reoccurring
160	7	Approval Resolution – Approval to Appoint NRECA Voting Delegates for NRECA Regional Meeting, October 24-26, 2022	General Counsel	July	Regular BOD Meeting	Compliance - NRECA	Reoccurring

# PEC Annual Planning Calendar

Item #	Month	Description	Owner	Due Date Notes	Strategic Item / Compliance Item	Reoccurring / Ad-hoc
161	7	Approval Resolution – Proposal for Allocation of 2021 Net Margins to Capital Credits	Chief Financial Officer	July Regular BOD Meeting	Strategic	Reoccurring
162	7	Approval Resolution(s) – Approval of Capital Improvement Plan Budget Amendments for Real Property Acquisitions	Chief Operations Officer	July Regular BOD Meeting	Strategic	Reoccurring
163	7	Approval Resolution(s) – Approval of Real Property Acquisitions or Real Property Dispositions	Chief Operations Officer	July Regular BOD Meeting	Strategic	Reoccurring
164	7	Chief Executive Officer Action Plan and Annual Performance Goals Quarterly Update	Board of Directors	July Regular BOD Meeting	Compliance	Quarterly
165	7	CoBank Energy Directors Conference - Chicago, IL	General Counsel	JUL 12-14, 2022	Informational	Reoccurring
166	7	Cooperative Financial Update	Chief Financial Officer	July Regular BOD Meeting	Strategic	Reoccurring
167	7	Cooperative Operations Update	Chief Operations Officer	July Regular BOD Meeting	Strategic	Reoccurring
168	7	Cooperative Update	Chief Executive Officer	July Regular BOD Meeting	Strategic	Reoccurring
169	7	Draft Resolution - Approval of Amendments to PEC Bylaws	General Counsel	July Regular BOD Meeting	Compliance	Reoccurring
170	7	E Source Segmentation Discussion	Public Affairs	July Regular BOD Meeting	Informational	Ad-hoc
171	7	Election Update - Annual Voter Turnout	General Counsel	July Regular BOD Meeting	Compliance – Election Policy and Procedures	Reoccurring
172	7	Key Performance Indicator (KPI) Update of 2022 Period 1 Results	Chief Operations Officer	July Regular BOD Meeting	Strategic	Reoccurring
173	7	Markets Monthly Report	VP, Markets	July Regular BOD Meeting	Strategic	Reoccurring
174	7	NRECA Summer School Central/West	General Counsel	JUL 22-26, 2022	Informational	Reoccurring
175	7	Personnel Matters	Human Resources	July Regular BOD Meeting	Strategic	Reoccurring
176	7	Resolution - Approval of 2022 Capital Improvement Plan Budget Amendment for Individual Project Wirtz-Flatrock-Paleface	Engineering	July Regular BOD Meeting	Strategic	Ad-hoc
177	7	Safety and Security Matters	Chief Operations Officer	July Regular BOD Meeting	Strategic	Reoccurring
178	7	TEC Annual Meeting - Gaylord Texan Resort	General Counsel	JUL 31-AUG 3, 2022	Informational	Reoccurring
179	7	Texas Public Power Association (TPPA) Annual Meeting	General Counsel	JUL 25-27, 2022	Informational	Reoccurring
180	7	Transmission Operations and Control Center Update	Chief Operations Officer	July Regular BOD Meeting	Strategic	Reoccurring
181	8	2022 Property (Real and Personal) Tax Appraisal and Assessment Update	Controller	August Regular BOD Meeting	Strategic	Reoccurring
182	8	Approval Resolution - Approval of Filing of Application as to its Certificate of Convenience and Necessity with Public Utility Commission of Texas for Resolution of Service Territory Boundary Issues	General Counsel	August Regular BOD Meeting	Compliance	Ad-hoc
183	8	Approval Resolution - Verizon Contract Amendment for Automated Vehicle Locator (AVL)	Chief Operations Officer	August Regular BOD Meeting	Strategic	Ad-hoc
184	8	Approval Resolution(s) – Approval of Capital Improvement Plan Budget Amendments for Real Property Acquisitions	Chief Operations Officer	August Regular BOD Meeting	Strategic	Reoccurring
185	8	Approval Resolution(s) – Approval of Real Property Acquisitions or Real Property Dispositions	Chief Operations Officer	August Regular BOD Meeting	Strategic	Reoccurring
186	8	Cooperative Financial Update	Chief Financial Officer	August Regular BOD Meeting	Strategic	Reoccurring
187	8	Cooperative Operations Update	Chief Operations Officer	August Regular BOD Meeting	Strategic	Reoccurring
188	8	Cooperative Update	Chief Executive Officer	August Regular BOD Meeting	Strategic	Reoccurring
189	8	Cyber Security Biannual Update	Compliance & Regulatory	August Regular BOD Meeting	Strategic	Biannual
190	8	Directors’ Conflict of Interest Training and Directors’ Code of Conduct Training	Board Counsel	August Regular BOD Meeting	Compliance	Reoccurring
191	8	Distribution System Planning Update	VP, Engineering	September Regular BOD Meeting	Strategic	April/September
192	8	Draft Resolution - Approval for Renewal of 2023 Medical Insurance Benefits	Human Resources	August Regular BOD Meeting	Compliance	Reoccurring
193	8	Draft Resolution – Approval of 2023 Power Supply Plan and 2023 Power Supply Plan Delegation of Authority	Markets/Power Supply	August Regular BOD Meeting	Strategic	Reoccurring

# PEC Annual Planning Calendar

Item #	Month	Description	Owner	Due Date Notes	Strategic Item / Compliance Item	Reoccurring / Ad-hoc
194	8	Draft Resolution – Review and Approval of Policy for Establishing Procedures for Disposition of All or a Substantial Portion of the Cooperative’s Property	General Counsel	August Regular BOD Meeting	Compliance	Reoccurring
195	8	E Source Segmentation Discussion and Follow-up	Public Affairs	August Regular BOD Meeting	Informational	Ad-hoc
196	8	Markets Monthly Report	VP, Markets	August Regular BOD Meeting	Strategic	Reoccurring
197	8	Personnel Matters	Human Resources	August Regular BOD Meeting	Strategic	Reoccurring
198	8	Post Member-Election Analysis and Annual Review	General Counsel	August Regular BOD Meeting	Compliance - Election Policy and Procedures	Reoccurring
199	8	Recognition of PEC Participation at Annual Texas Lineman's Rodeo	Chief Operations Officer	August Regular BOD Meeting	Informational	Reoccurring
200	8	Safety and Security Matters	Chief Operations Officer	August Regular BOD Meeting	Strategic	Reoccurring
201	8	Transmission Operations and Control Center Update	Chief Operations Officer	August Regular BOD Meeting	Strategic	Reoccurring
202	9	Approval Resolution - Approval for Renewal of 2023 Medical Insurance Benefits	Benefits & Compensation Manager	September Regular BOD Meeting	Compliance	Reoccurring
203	9	Approval Resolution – Approval of 2023 Power Supply Plan and 2023 Power Supply Plan Delegation of Authority	Markets/Power Supply	September Regular BOD Meeting	Strategic	Reoccurring
204	9	Approval Resolution – Approval of Directive(s) for Delegates Regarding Upcoming NRECA Regional Meeting	Public Affairs	September Regular BOD Meeting	Strategic	Ad-hoc
205	9	Approval Resolution - Approval of Filing of Application as to its Certificate of Convenience and Necessity (CCN) with Public Utility Commission of Texas for Resolution of Service Territory Boundary Change	General Counsel	September Regular BOD Meeting	Compliance	Ad-hoc
206	9	Approval Resolution – Review and Approval of Policy for Establishing Procedures for Disposition of All or a Substantial Portion of the Cooperative’s Property	General Counsel	September Regular BOD Meeting	Compliance	Reoccurring
207	9	Approval Resolution(s) – Approval of Capital Improvement Plan Budget Amendments for Real Property Acquisitions	Chief Operations Officer	September Regular BOD Meeting	Strategic	Reoccurring
208	9	Approval Resolution(s) – Approval of Real Property Acquisitions or Real Property Dispositions	Chief Operations Officer	September Regular BOD Meeting	Strategic	Reoccurring
209	9	Audit Committee Review of IRS Form 990	Chief Financial Officer	September Audit Committee Meeting	Strategic	Reoccurring
210	9	CEO Action Plan Quarterly Update	Chief Executive Officer	September Regular BOD Meeting	Strategic	Reoccurring
211	9	Cooperative Financial Update	Chief Financial Officer	September Regular BOD Meeting	Strategic	Reoccurring
212	9	Cooperative Operations Update	Chief Operations Officer	September Regular BOD Meeting	Strategic	Reoccurring
213	9	Cooperative Update	Chief Executive Officer	September Regular BOD Meeting	Strategic	Reoccurring
214	9	Discussion of Power Supply Contractual Resources	Markets/Power Supply	September Regular BOD Meeting	Strategic	Ad-hoc
215	9	Draft Resolution – Approval of 2023 Rate Plan	Markets/Power Supply	September Regular BOD Meeting	Strategic	Reoccurring
216	9	Draft Resolution – Approval of Election Policy and Procedures Amendments Related to 2022 Annual Director Post-Election Analysis	General Counsel	September Regular BOD Meeting	Compliance - Election Policy and Procedures	Reoccurring
217	9	Draft Resolution - Approval of Filing of Interim Transmission Cost of Service with Public Utility Commission of Texas	Regulatory	September Regular BOD Meeting	Compliance	Ad-hoc
218	9	Draft Resolution - Approval of Fuel Related Service Provider	Chief Operations Officer	September Regular BOD Meeting	Strategic	Ad-hoc
219	9	Draft Resolution - Approval of Rebalance and Equitable Consideration of Director District Boundaries	General Counsel	September Regular BOD Meeting	Strategic	Ad-hoc
220	9	Draft Resolution - Approval to Establish 2023 Annual Meeting Date and Location	Public Affairs	September Regular BOD Meeting	Strategic	Reoccurring
221	9	Draft Resolution - Review and Approval of Rate Policy	Markets	September Regular BOD Meeting	Compliance	Every 5-Years
222	9	Markets Monthly Report	VP, Markets	September Regular BOD Meeting	Strategic	Reoccurring

# PEC Annual Planning Calendar

Item #	Month	Description	Owner	Due Date Notes	Strategic Item / Compliance Item	Reoccurring / Ad-hoc
223	9	Personnel Matters	Human Resources	September Regular BOD Meeting	Strategic	Reoccurring
224	9	Safety and Security Matters	Chief Operations Officer	September Regular BOD Meeting	Strategic	Reoccurring
225	9	Transmission Operations and Control Center Update	Chief Operations Officer	September Regular BOD Meeting	Strategic	Reoccurring
226	10	Annual Review of Strategic Plan	Chief Executive Officer	October Regular BOD Meeting	Strategic	Reoccurring
227	10	Approval Resolution – Approval of 2021 IRS Form 990 - B Miller, Bolinger, Segars, Gilbert & Moss, LLP (BSGM)	Chief Financial Officer	October Regular BOD Meeting	Compliance	Reoccurring
228	10	Approval Resolution – Approval of 2023 Rate Plan	Markets/Power Supply	October Regular BOD Meeting	Strategic	Reoccurring
229	10	Approval Resolution - Approval of Filing of Interim Transmission Cost of Service with Public Utility Commission of Texas	Compliance & Regulatory	October Regular BOD Meeting	Compliance	Ad-hoc
230	10	Approval Resolution - Approval of Rebalance and Equitable Consideration of Director District Boundaries	General Counsel	September Regular BOD Meeting	Strategic	Ad-hoc
231	10	Approval Resolution – Approval to Establish Annual Meeting Date and Location	Public Affairs	October Regular BOD Meeting	Compliance	Reoccurring
232	10	Approval Resolution - Review and Approval of Rate Policy	Markets	October Regular BOD Meeting	Compliance	Every 5-Years
233	10	Approval Resolution(s) – Approval of Capital Improvement Plan Budget Amendments for Real Property Acquisitions	Chief Operations Officer	October Regular BOD Meeting	Strategic	Reoccurring
234	10	Approval Resolution(s) – Approval Resolution of Real Property Acquisitions or Real Property Dispositions	Chief Operations Officer	October Regular BOD Meeting	Strategic	Reoccurring
235	10	CFC Districts 8 & 10 Meetings - Little Rock, AR	General Counsel	October 25, 2022	Informational	Reoccurring
236	10	Chief Executive Officer Action Plan and Annual Performance Goals Quarterly Update	Board of Directors	October Regular BOD Meeting	Compliance	Quarterly
237	10	Cooperative Financial Update	Chief Financial Officer	October Regular BOD Meeting	Strategic	Reoccurring
238	10	Cooperative Operations Update	Chief Operations Officer	October Regular BOD Meeting	Strategic	Reoccurring
239	10	Cooperative Update	Chief Executive Officer	October Regular BOD Meeting	Strategic	Reoccurring
240	10	Draft Resolution – Approval of 2023 Capital Improvement Plan (CIP), Including Items Concerning Competitive Matters, Personnel, Contracts, and Real Estate	Chief Financial Officer	October Regular BOD Meeting	Compliance	Reoccurring
241	10	Draft Resolution - Approval of Legislative Policy	Chief Executive Officer	October Regular BOD Meeting	Compliance	Reoccurring
242	10	Draft Resolution - Approval of Power Supply Contractual Resources	Markets	October Regular BOD Meeting	Strategic	Ad-hoc
243	10	Draft Resolution - Review and Approval of the Enterprise Risk Management (ERM) Policy	Compliance & Regulatory	October Regular BOD Meeting	Compliance	Reoccurring
244	10	Draft Resolution - Review and Approval of the Environmental Policy	Compliance & Regulatory	October Regular BOD Meeting	Compliance	Reoccurring
245	10	Enterprise Risk Management (ERM) Update	VP, Compliance & Regulatory	October Regular BOD Meeting	Strategic	Biannual
246	10	Markets Monthly Report	VP, Markets	October Regular BOD Meeting	Strategic	Reoccurring
247	10	NRECA Pre-Meeting Director Training	General Counsel	TBD	Informational	Reoccurring
248	10	NRECA Regions 8 & 10 Meetings	General Counsel	OCT 24-26, 2022	Informational	Reoccurring
249	10	Personnel Matters	Human Resources	October Regular BOD Meeting	Strategic	Reoccurring
250	10	Plan Administration Committee (PAC) Update - Drew McCorkle, CAPTRUST Advisors	General Counsel	October Regular BOD Meeting	Compliance	Reoccurring
251	10	Plan Administration Committee (PAC) Update by Committee Chairperson - M Hansen	General Counsel	October Regular BOD Meeting	Compliance	Reoccurring
252	10	Recognition of PEC Linemen Participation at Annual International Rodeo	Chief Operations Officer	October Regular BOD Meeting	Strategic	Ad-hoc
253	10	Safety and Security Matters	Chief Operations Officer	October Regular BOD Meeting	Strategic	Reoccurring
254	10	Transmission Operations and Control Center Update	Chief Operations Officer	October Regular BOD Meeting	Strategic	Reoccurring
255	11	2023 Legislative Positions	General Counsel	November Regular BOD Meeting	Strategic	Reoccurring

# PEC Annual Planning Calendar

Item #	Month	Description	Owner	Due Date Notes	Strategic Item / Compliance Item	Reoccurring / Ad-hoc
256	11	Approval Resolution – Approval of 2023 Operating Budget and Capital Improvement Plan (CIP), Including Items Concerning Competitive Matters, Personnel, Contracts, and Real Estate	Chief Financial Officer	November Regular BOD Meeting	Compliance	Reoccurring
257	11	Approval Resolution - Approval of Legislative Policy	Chief Executive Officer	November Regular BOD Meeting	Compliance	Reoccurring
258	11	Approval Resolution - Approval of Power Supply Contractual Resources	Markets	November Regular BOD Meeting	Strategic	Ad-hoc
259	11	Approval Resolution - Review and Approval of the Enterprise Risk Management (ERM) Policy	Compliance & Regulatory	November Regular BOD Meeting	Compliance	Reoccurring
260	11	Approval Resolution - Review and Approval of the Environmental Policy	Compliance & Regulatory	November Regular BOD Meeting	Compliance	Reoccurring
261	11	Approval Resolution(s) – Approval of Capital Improvement Plan Budget Amendments for Real Property Acquisitions	Chief Operations Officer	November Regular BOD Meeting	Strategic	Reoccurring
262	11	Approval Resolution(s) – Approval of Real Property Acquisitions or Real Property Dispositions	Chief Operations Officer	November Regular BOD Meeting	Strategic	Reoccurring
263	11	CFC Independent Borrowers Executive Summit (IBES) - Huntington Beach, CA	General Counsel	NOV 7-9, 2022	Informational	Reoccurring
264	11	Cooperative Financial Update	Chief Financial Officer	November Regular BOD Meeting	Strategic	Reoccurring
265	11	Cooperative Operations Update	Chief Operations Officer	November Regular BOD Meeting	Strategic	Reoccurring
266	11	Cooperative Update	Chief Executive Officer	November Regular BOD Meeting	Strategic	Reoccurring
267	11	Draft Resolution – Approval of 2023 Board of Directors List of Proposed Future Meetings	Board President	November Regular BOD Meeting	Compliance	Reoccurring
268	11	Draft Resolution – Approval of 2023 Election Communications Plan	Public Affairs	November Regular BOD Meeting	Compliance	Reoccurring
269	11	Draft Resolution – Approval of 2023 Election Timeline	General Counsel	October Regular BOD Meeting	Compliance	Reoccurring
270	11	Ethics and Compliance Update	Ethics and Compliance Officer	November Regular BOD Meeting	Compliance	Biannual
271	11	Markets Monthly Report	VP, Markets	November Regular BOD Meeting	Strategic	Reoccurring
272	11	Personnel Matters	Human Resources	November Regular BOD Meeting	Strategic	Reoccurring
273	11	Recognition of Veterans Day	Board President	November Regular BOD Meeting	Compliance	Reoccurring
274	11	Resolution - Approval of Delegation of Authority for Power Supply Transactions	Markets	November Regular BOD Meeting	Strategic	Ad-hoc
275	11	Safety and Security Matters	Chief Operations Officer	November Regular BOD Meeting	Strategic	Reoccurring
276	11	Transmission Operations and Control Center Update	Operations	November Regular BOD Meeting	Strategic	Reoccurring
277	12	Approval Resolution – Approval of 2023 Board of Directors List of Proposed Future Meetings	Board President	December Regular BOD Meeting	Compliance	Reoccurring
278	12	Approval Resolution – Approval of 2023 Election Communications Plan	Chief Executive Officer	December Regular BOD Meeting	Strategic	Reoccurring
279	12	Approval Resolution – Approval of 2023 Election Timeline	General Counsel	December Regular BOD Meeting	Compliance	Reoccurring
280	12	Approval Resolution – Approval of Appointment of Members to PEC Plan Administration Committee (PAC)	VP, Human Resources	December Regular BOD Meeting	Strategic	Reoccurring
281	12	Approval Resolution – Approval of Real Property Acquisitions or Real Property Dispositions	Chief Operations Officer	December Regular BOD Meeting	Strategic	Reoccurring
282	12	Approval Resolution - Review and Approval of 2022 CEO Action Items and Performance Evaluation	Chief Executive Officer	December Regular BOD Meeting	Strategic	Reoccurring
283	12	Approval Resolution(s) – Approval of Capital Improvement Plan Budget Amendments for Real Property Acquisitions	Chief Operations Officer	December Regular BOD Meeting	Strategic	Reoccurring
284	12	Cooperative Financial Update	Chief Financial Officer	December Regular BOD Meeting	Strategic	Reoccurring
285	12	Cooperative Operations Update	Chief Operations Officer	December Regular BOD Meeting	Strategic	Reoccurring
286	12	Cooperative Update	Chief Executive Officer	December Regular BOD Meeting	Strategic	Reoccurring
287	12	Draft Resolution – Approval of 2023 Key Performance Indicators Plan Methodology	Chief Operations Officer	December Regular BOD Meeting	Strategic	Reoccurring



## PEC Annual Planning Calendar

Item #	Month	Description	Owner	Due Date Notes	Strategic Item / Compliance Item	Reoccurring / Ad-hoc
288	12	Draft Resolution – Approval of Directive for Delegates Regarding Upcoming Regional & National Meetings	Public Affairs	December Regular BOD Meeting	Strategic	Reoccurring
289	12	Draft Resolution - Approval to Amend Tariff and Business Rules - Rate Plan Annual Items	Markets	December Regular BOD Meeting	Strategic	Ad-hoc
290	12	Markets Monthly Report	VP, Markets	December Regular BOD Meeting	Strategic	Reoccurring
291	12	NRECA Winter School for Directors	General Counsel	TBD	Informational	Reoccurring
292	12	Personnel Matters	Human Resources	December Regular BOD Meeting	Strategic	Reoccurring
293	12	Safety and Security Matters	Chief Operations Officer	December Regular BOD Meeting	Strategic	Reoccurring
294	12	Transmission Operations and Control Center Update	Operations	December Regular BOD Meeting	Strategic	Reoccurring



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**File #:** 2022-303, **Version:** 1

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**Matters in Which the Board Seeks the Advice of Its Attorney as Privileged Communications in the Rendition of Professional Legal Services**

**Submitted By:** Susanne Greenseth on behalf of Don Ballard

**Department:** General Counsel

**Financial Impact and Cost/Benefit Considerations:** If any, as discussed in executive session.



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**File #: 2022-304, Version: 1**

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**Litigation and Related Legal Matters - D Ballard**

**Submitted By: Susanne Greenseth on behalf of Don Ballard**  
**Department: General Counsel**  
**Financial Impact and Cost/Benefit Considerations: N/A**



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**File #: 2022-305, Version: 1**

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**Resolution - Approval of Authorization for Initiation, Settlement, or Disposition of Litigation Matter(s) -  
D Ballard**

**Submitted By: Susanne Greenseth on behalf of Don Ballard**

**Department: General Counsel**

**Financial Impact and Cost/Benefit Considerations:**



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**File #: 2022-325, Version: 1**

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**Resolution - Approval of Filing of Application as to its Certificate of Convenience and Necessity (CCN) with Public Utility Commission of Texas for Service Territory Boundary Change - A Hagen/C Powell**

**Submitted By: Aisha Hagen/Christian Powell**

**Department: General Counsel**

**Financial Impact and Cost/Benefit Considerations: As discussed in executive session.**



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**File #: 2022-198, Version: 1**

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**Draft Resolution - Approval of Filing of Interim Transmission Cost of Service with Public Utility  
Commission of Texas - C Powell**

**Submitted By: Christian Powell**

**Department: Compliance & Regulatory**

**Financial Impact and Cost/Benefit Considerations: As discussed in Executive Session.**



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**File #: 2022-314, Version: 1**

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**Resolution - Approval of 2023 Power Supply Plan and 2023 Power Supply Plan Delegation of Authority  
- D Thompson/L Cunningham**

**Submitted By: Susanne Greenseth on behalf of David Thompson/ Lance Cunningham**

**Department: Markets**

**Financial Impact and Cost/Benefit Considerations: As discussed in Executive Session**



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**File #: 2022-317, Version: 1**

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**Draft Resolution - Approval of 2023 Rate Plan - N Mack/D Thompson**

**Submitted By: Susanne Greenseth on behalf of David Thompson**

**Department: Markets**

**Financial Impact and Cost/Benefit Considerations: As discussed in Executive Session.**





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**File #:** 2022-307, **Version:** 1

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**Markets Monthly Report - D Thompson**

**Submitted By:** David Thompson

**Department:** Markets

**Financial Impact and Cost/Benefit Considerations:**



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**File #: 2022-319, Version: 1**

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**Discussion of Power Supply Contractual Resources - R Kruger/D Thompson**

**Submitted By: David Thompson**

**Department: Markets/Power Supply**

**Financial Impact and Cost/Benefit Considerations: As discussed in Executive Session.**



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**File #:** 2022-306, **Version:** 1

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**Transmission Operations and Control Center Update - C Moos/J Warren/J Louis/J Treviño**

**Submitted By:** Sylvia Romero on behalf of Cody Moos/John Warren/Joe Louis/Jose Treviño

**Department:** Operations

**Financial Impact and Cost/Benefit Considerations:** As discussed in executive session.



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**File #:** 2022-324, **Version:** 1

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**Draft Resolution - Approval of Fuel Related Services Provider - C Moos**

**Submitted By:** Susanne Greenseth on behalf of Cody Moos

**Department:** Operations

**Financial Impact and Cost/Benefit Considerations:**



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**File #: 2022-308, Version: 1**

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**Resolution(s) - Approval of Real Property Acquisitions or Real Property Dispositions - E Dauterive/C Moos**

**Submitted By: Renee Oelschleger on behalf of Eddie Dauterive**

**Department: Chief Operations Officer**

**Financial Impact and Cost/Benefit Considerations: As discussed in executive session.**



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**File #: 2022-309, Version: 1**

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**Resolution(s) - Approval of Capital Improvement Plan Budget Amendments for Real Property Acquisitions - E Dauterive/C Moos**

**Submitted By: Renee Oelschleger on behalf of Eddie Dauterive**

**Department: Chief Operations Officer**

**Financial Impact and Cost/Benefit Considerations: As discussed in Executive Session.**



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**File #: 2022-310, Version: 1**

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## **Safety and Security Matters**

**Submitted By: Support Services**

**Department: Support Services**

**Financial Impact and Cost/Benefit Considerations: N/A**



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**File #: 2022-311, Version: 1**

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## **Personnel Matters**

**Submitted By: Human Resources**

**Department: Human Resources**

**Financial Impact and Cost/Benefit Considerations: N/A**





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**File #:** 2022-323, **Version:** 1

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**CEO Action Plan Quarterly Update - J Parsley**

**Submitted By:** Sylvia Romero on behalf of Julie Parsley  
**Department:** Chief Executive Officer  
**Financial Impact and Cost/Benefit Considerations:** N/A