



Board of Directors

Regular Meeting

~ Minutes ~

PO Box 1
Johnson City, TX 78636
www.pec.coop

Call PEC Toll Free
1-888- 554-4732

Tuesday, January 17, 2017

9:00 AM

PEC Headquarters Auditorium

Open Session of this Regular Meeting was held in the PEC Auditorium and was video recorded in accordance with Board Meetings Policy. Members were able to watch this meeting by live-stream from the PEC website at <http://www.pec.coop/boardvideos>

1. Call to Order and Roll Call

9:06 AM Meeting called to order on January 17, 2017 at PEC Headquarters Auditorium, 201 South Avenue F, Johnson City, TX.

Attendee Name	Title	Status	Arrived
Cristi Clement	District 1 Director	Present	9:06 AM
Kathryn Scanlon	District 3 Director	Present	9:06 AM
Jim Powers	District 4 Director	Present	9:06 AM
James Oakley	District 5 Director	Present	9:06 AM
Paul Graf	District 6 Director	Present	9:06 AM
Amy Lea SJ Akers	District 7 Director	Present	9:06 AM
Emily Pataki	District 2 Director	Present	9:06 AM

2. Adoption of Agenda

The agenda was adopted as posted without objection.

3. Consent Items

President Emily Pataki stated that without objection the items listed under Consent Items were approved by general consent.

A. Monday, December 19, 2016 Regular Meeting

RESULT: UNANIMOUS CONSENT

B. (Resolution 2017-1) Deferral of Aerial Inspection Expense for Vegetation Management

RESULT: UNANIMOUS CONSENT

4. Cooperative Monthly Reports

A. Cooperative Update - 2017 Look Ahead - J Hewa

CEO John Hewa reviewed the Cooperative Update PowerPoint presentation as attached (appendix 4.A.1.). In response to a director statement, CEO John Hewa reported that members would be able to utilize the time of use rate calculator to evaluate their past and future usage under the voluntary time of use rate.

B. Power Supply & Energy Services Report - I Sterzing

VP of Power Supply & Energy Services Ingmar Sterzing reviewed the Power Supply & Energy Services Report PowerPoint presentation as attached (appendix 4.B.1.) and answered a question regarding the Cooperative's current Transmission Cost of Service (TCOS) rate.

C. Financial Services Report (December 2016 & January 2017 to be presented at February meeting)

President Emily Pataki stated that the December 2016 and January 2017 Financial Services Report would be presented at the February meeting.

D. Corporate Services Report

The written materials for Corporate Services were distributed at the meeting as attached (appendix 4.D.1.).

E. Operations Report (written report in materials)

The written materials for Operations Report were included in the Board package.

F. Engineering and Energy Innovations Report (written report in materials)

The written materials for Engineering and Energy Report were included in the Board package.

G. Member Services Report (written report in materials)

The written materials for Member Services Report were included in the Board package.

H. Information Technology Report (written report in materials)

The written materials for Information Technology Report were included in the Board package.

I. Communications & Business Services Report (written report in materials)

The written materials for Communications & Business Services Report were included in the Board package.

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

President Emily Pataki reminded all present of the Decorum Policy and the three minute time limit. President Emily Pataki stated that members could also communicate anytime with the Board of Directors by email and their addresses were posted on the PEC website. The following members spoke on topics including but not limited to:

Ernest Altgelt - Director Oakley matter, request for related legal fees, openness and transparency.

Larry Landaker - Martin Luther King, Jr's birthday, and request not to accept the Complaint Committee's recommendation.

Ann Matlock - celebration of Martin Luther King Jr. holiday, request removal of Director Oakley.

Elizabeth Walters - posting from Larry Landaker, support for Director Oakley, suggest that Directors Clement and Scanlon leave the Board.

At 9:45 am President Emily Pataki reminded everyone to follow the Decorum Policy and announced a short break. At 9:54 am the meeting reconvened. President Emily Pataki reviewed the Decorum Policy, asked for no person attacks and acknowledged the time to sign up to speak had ended.

A.B. Walters - waste of time and funds regarding Director Oakley matter and lawsuit by Director Clement, political agendas, request Directors Scanlon and Clement resignation, and request for involved upper management to depart.

Doug Moore - negative effect of Director Oakley matter.

Chris Debremaecker - request for Director Oakley's removal from Board.

Amy Mollberg - request for more than "slap on wrist" discipline for Director Oakley.

Joyce Smith - support for Director Oakley, expense of complaint filed, request that politics not be placed before PEC concerns.

Mary Jane Avery - support for Director Oakley, request to reject the Complaint in full, time and expense on complaint meetings and the lawsuit by Directors Clement & Scanlon, and wasteful spending on the Texas Coop magazine.

John Watson - request for Director Oakley's removal from Board.

Marion Hoy - negative effect of Director Oakley matter.

Julia McCullough - the waste of funds, and request to set an example against racism.

Londa Chandler - Austin American Statesman article, and wastefulness of formal complaint and lawsuit filed.

Gloria Pollard - expense of complaint and lawsuit, conflict of interest for those directors suing the Cooperative, request for good power at lowest possible cost.

Arnold Levine - thanked Directors for their service on the Complaint Committee, request to consider view points of each other side, to move forward, to work together and return to core mission of providing excellent electric service at lowest possible cost.

Mary Doran - be a leader and change the community, appreciation for member comment process and protection of employees who spoke.

Barbara McElroy - acceptable social discourse.

Lori Hanish - support for Director Oakley, matter appears to be political, and freedom of speech.

Donna Wilcox - request for lawsuit filed by Directors Scanlon and Clement to be dropped immediately, time wasted on Director Oakley matter, and return to business of running our low cost reliable electricity providing business.

At 10:36 am President Emily Pataki announced at short break and at 10:44 am the meeting reconvened.

6. Action Items / Other Items

A. (Resolution 2017-2) 2017-2020 Strategic Plan - E Pataki, J Hewa, P Muhoro
President Emily Pataki, CEO John Hewa and Strategic Officer Dr. Peter Muhoro reviewed the Strategic Plan Overview PowerPoint presentation as attached (appendix 6.A.1).

RESULT:	ADOPTED [UNANIMOUS]
MOVER:	James Oakley, District 5 Director
SECONDER:	Paul Graf, District 6 Director
AYES:	Clement, Scanlon, Powers, Oakley, Graf, SJ Akers, Pataki

B. (Resolution 2017-3) Complaint Regarding Director James Oakley - Director Removal and Discipline – Complaint Committee Report and Recommendations – Response from Director Oakley (Bylaws Article III, Section 5) - Director E Pataki

At 11:02 am President Emily Pataki announced that the Board would go into Executive Session for confidential communications with legal counsel to receive advice on litigation where the Board seeks legal advice regarding the Complaint Regarding Director James Oakley - Complaint Committee Report and Findings. At 12:03 pm the Board reconvened to Open Session. Following a motion by Director Paul Graf and second by President Emily Pataki, President Pataki stated that the Complaint Committee's report and recommendation was included in the package (appendix 6.B.1. & 2.) and asked for any discussion. Director Clement made a statement regarding the matter and read the substitute resolution as attached (appendix 6.B.3.). Director Kathy Scanlon seconded the substitute motion. Director James Oakley commented on his social media post, the events following, and the director removal and disciplinary process. The Board voted 2-4, with Directors Powers, Graf, Akers, and Pataki opposed; the substitute motion failed. The Board then voted 6-0 to approve the original motion to accept the Committee's recommendations as presented in the package.

RESULT:	ADOPTED [UNANIMOUS]
MOVER:	Paul Graf, District 6 Director
SECONDER:	Emily Pataki, District 2 Director
AYES:	Clement, Scanlon, Powers, Oakley, Graf, SJ Akers, Pataki

C. (Resolution 2017-4) Employee Compensation Policy (Approval) - J Beggs
Human Resources Manager Brooke Arldt stated that a draft of the policy was presented to the Board in December and offered to answer any questions.

RESULT:	ADOPTED [UNANIMOUS]
MOVER:	Amy Lea SJ Akers, District 7 Director
SECONDER:	Paul Graf, District 6 Director
AYES:	Clement, Scanlon, Powers, Oakley, Graf, SJ Akers, Pataki

D. (Resolution 2017-5) Appointment of Member to the Plan Administration Committee - J Beggs

RESULT: **ADOPTED [UNANIMOUS]**
MOVER: Amy Lea SJ Akers, District 7 Director
SECONDER: Jim Powers, District 4 Director
AYES: Clement, Scanlon, Powers, Oakley, Graf, SJ Akers, Pataki

RESULT: **RECOMMENDED** Next: 2/20/2017 9:00 AM

RESULT: **ADOPTED [UNANIMOUS]**
MOVER: Kathryn Scanlon, District 3 Director
SECONDER: Paul Graf, District 6 Director
AYES: Clement, Scanlon, Powers, Oakley, Graf, SJ Akers, Pataki

RESULT: ADOPTED [UNANIMOUS]
MOVER: Kathryn Scanlon, District 3 Director
SECONDER: Cristi Clement, District 1 Director
AYES: Clement, Scanlon, Powers, Oakley, Graf, SJ Akers, Pataki

Revised 2/7/2017

time to study and make suggestions. Director Cristi Clement seconded the motion to table. The Board voted 4-2-1, with Powers and Oakley opposed and Pataki abstained. President Emily Pataki stated that this item was tabled and would be on the February Board agenda.

RESULT:	TABLED [4 TO 2]	Next: 2/20/2017 9:00 AM
MOVER:	Kathryn Scanlon, District 3 Director	
SECONDER:	Cristi Clement, District 1 Director	
AYES:	Cristi Clement, Kathryn Scanlon, Paul Graf, Amy Lea SJ Akers	
NAYS:	Jim Powers, James Oakley	
ABSTAIN:	Emily Pataki	

- I. (Resolution 2017-8) 2017 Appointment of Qualifications and Elections Committee (Approval) - D Ballard

General Counsel Don Ballard reviewed the proposed resolution for the appointment of the Qualifications and Elections Committee.

RESULT:	ADOPTED [UNANIMOUS]
MOVER:	Amy Lea SJ Akers, District 7 Director
SECONDER:	Cristi Clement, District 1 Director
AYES:	Clement, Scanlon, Powers, Oakley, Graf, SJ Akers, Pataki

- J. (Resolution (ID # 3611)) Board Responsibilities and Delegation of Authority Policy (Approval) - J Hewa & D Ballard

President Emily Pataki stated that due to time constraints this item would be placed on next month's agenda.

RESULT:	DEFERRED	Next: 2/20/2017 9:00 AM
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- K. Legislative Briefing - 85th Regular Session (2017) - J Hewa

CEO John Hewa reported that the 85th Legislative Session began January 10, 2017 and would last 140 days. Speaker of the House Joe Straus was reelected to a fifth term and Kel Seliger was elected Senate President Pro Tem. Mr. Hewa stated that the Cooperative was working closely with the Texas Electric Cooperative (TEC) Association in monitoring any legislation that might be filed and impact electric cooperatives. Mr. Hewa stated that the following issues were being monitored: the licensing and permitting of cellular antennas mounts on distribution utility equipment, third party ownership of solar and other power generation on homes of consumers, discussions regarding changes to rates and transmission cost of service filing, coalitions and interests regarding eminent domain, grid security, utility territorial issues, and potential taxation for tax exempt utilities. Mr. Hewa reported that staff would be attending the TEC Legislative Rally on January 30 & 31 and attending appointments with our representatives. Mr. Hewa reported that he was serving on the TEC Government Relations Committee which meets regularly to discuss legislation that has been filed or may be filed.

- L. Direct General Counsel to Prepare Proposed Non-Director Election Items

General Counsel Don Ballard stated that pursuant to the Elections Policy and Procedures section 6.1, it was the proper time to direct any non-director election items for the ballot, if there were any. There were no matters identified or discussed.

M. 2017 Election Update - D Ballard

General Counsel Don Ballard stated that nomination application materials would be posted on the website today and made available in paper copy at PEC offices for those who wish to be considered for candidates on the 2017 election. Mr. Ballard reported that the completed application materials must be submitted to the Board Recording by 5:00 pm March 27, 2017 at the PEC Headquarters.

7. Future Items for Board Consideration

A. Board Meeting Planning Calendar (written report in materials)

President Emily Pataki stated that the Board Meeting Planning Calendar was included in the package materials.

8. Proposed Future Meetings (subject to final posting)

A. February 20, 2017 Regular Meeting at 9:00 am on Monday at the PEC Headquarters

B. March 20, 2017 Regular Meeting at 9:00 am on Monday at the PEC Headquarters

C. April 17, 2017 Regular Meeting at 9:00 am on Monday at the PEC Headquarters

D. May 15, 2017 Regular Meeting at 9:00 am on Monday at the PEC Headquarters

E. June 17, 2017 Annual Membership Meeting at 10:30 am on Saturday at the Leander Independent School District Don Tew Performing Arts Center in Leander, Texas

F. June 19, 2017 Regular Meeting at 9:00 am on Monday at the PEC Headquarters

G. July 17, 2017 Regular Meeting at 9:00 am on Monday at the PEC Headquarters

H. August 21, 2017 Regular Meeting at 9:00 am on Monday at the PEC Headquarters

I. September 18, 2017 Regular Meeting at 9:00 am on Monday at the PEC Headquarters

J. October 16, 2017 Regular Meeting at 9:00 am on Monday at the PEC Headquarters

President Emily Pataki provided an overview of the types of items to be discussed in Executive Session. At 12:45 pm President Emily Pataki stated that the Board would go into Executive Session.

9. Executive Session

A. Legal Matters

1. Update on Litigation and Related Legal Matters

2. Matters in Which the Board Seeks the Advice of Its Attorney as Privileged Communications in the Rendition of Professional Legal Services

3. Ethics and Compliance Report Quarterly Update - J Christiansen
4. (Resolution (ID # 3868)) Complaint Regarding Director James Oakley - Director Removal and Discipline – Complaint Committee Report and Recommendations – Response from Director Oakley (Bylaws Article III, Section 5) - Director E Pataki

B. Contract and Competitive Matters

1. (Resolution (ID # 3840)) Regional Vendor Alliance Procurement Pilot - T Golden
2. (Resolution (ID # 3841)) Power Purchase and Power Supply Contract Options - I Sterzing

C. Real Estate Matters

1. Facilities and Real Estate Update and Review

D. Security Matters

1. Safety and Security Matters - C Moos
2. Cyber Security Update - T Shaheed

E. Personnel Matters

1. Personnel Matters Update

10. Reconvene to Open Session at 4:05 pm

11. Items from Executive Session

- A. (Resolution 2017-9) Regional Vendor Alliance Procurement Pilot - T Golden

RESULT:	ADOPTED [UNANIMOUS]
MOVER:	Cristi Clement, District 1 Director
SECONDER:	Jim Powers, District 4 Director
AYES:	Clement, Scanlon, Powers, Oakley, Graf, SJ Akers, Pataki

12. Adjourn

There being no further business to come before the Board of Directors, meeting was adjourned at 4:07 pm

Paul Graf, Secretary

APPROVED:

Emily Pataki, President

**Board of Directors**

PO Box 1
Johnson City, TX 78636

Meeting: 01/17/17 09:00 AM

RESOLUTION 2017-1

DOC ID: 3866 A

Subject: Deferral of Aerial Inspection Expense for Vegetation Management

Submitted By: Tracy Golden

Department: Financial Services

Background:

Accounting procedures related to Aerial Inspection for Vegetation Management.

Financial Impact and Cost/Benefit Considerations:

Expenditure of Cooperative funds estimated in the amount of up to \$560,000.00 over a period of up to five years.

**Pedernales Electric Cooperative, Inc.
Regular Meeting
January 17, 2017**

RESOLUTION 2017-1

Deferral of Aerial Inspection Expense for Vegetation Management

WHEREAS, the Cooperative Board of Directors approved the 2017 Budget on December 19, 2016;

WHEREAS, the 2017 Budget recommended the 2017 Expense Deferral list include an estimated \$560,000 Aerial Inspection for Vegetation Management;

WHEREAS, the Board of Directors wishes to spread up to \$560,000 of the costs, through the rate making process, related to Aerial Inspection for Vegetation Management over a period of up to five years;

WHEREAS, as the Cooperative's regulator, the Board of Directors of the Cooperative has authority to order the Cooperative to defer and amortize a cost that would normally be expensed in the year incurred;

NOW, THEREFORE, BE IT RESOLVED AND ORDERED, BY THE BOARD OF DIRECTORS OF THE COOPERATIVE that the up to \$560,000 of costs related to the Aerial Inspection for Vegetation Management be deferred over a period of up to five years.

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

RESULT: UNANIMOUS CONSENT



Cooperative Update

John D. Hewa, CEO

January 17, 2017

Cooperative snapshot

As of Dec. 31, 2016

287,422

Active Accounts

12,140

Total Meter Growth
(2016)

\$56M

2016 Margin (EST)

38%

2016 Equity (EST)

723

Employees



88%

December
service level*On pace for 91% in Jan.*

14,700

Members served
in offices

00:15

Average phone
wait time

28,614

Phone calls
answered

Member satisfaction

As of Jan. 12, 2017



173,339

Active SmartHub
registrations

79,111

Monthly active users
desktop + mobile

71,297

Members enrolled in
paperless billing

105,861

Members enrolled
in Auto Pay

64,512

Members using SmartHub
usage tool per month

56,819

Payments per month
desktop + mobile

2017 Looking forward



Member Services



Member Services

Increased phone system capabilities
(Cisco Unified Contact Center Express)

- Real time reporting and dashboards
- Call back convenience
- Web chat, instant messaging and social media integration
- Work force management

New accessible retail
payment options

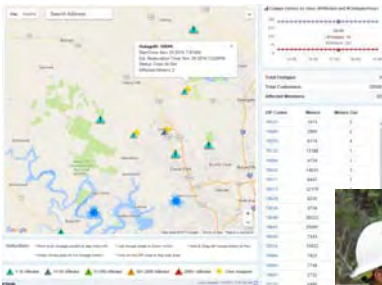
Enhanced board software (Granicus)

- More interactive platform
- Streamlined board meeting process
- Enhanced agenda and video repository and search function
- Improved online viewing experience
- February launch



Member Services

Enhanced outage management system



Will launch to members in Q1

Enhanced ability to determine
member outages

Can handle larger volumes of outage data

Rapid outage restoration mobilization –
getting power on more quickly for our
members

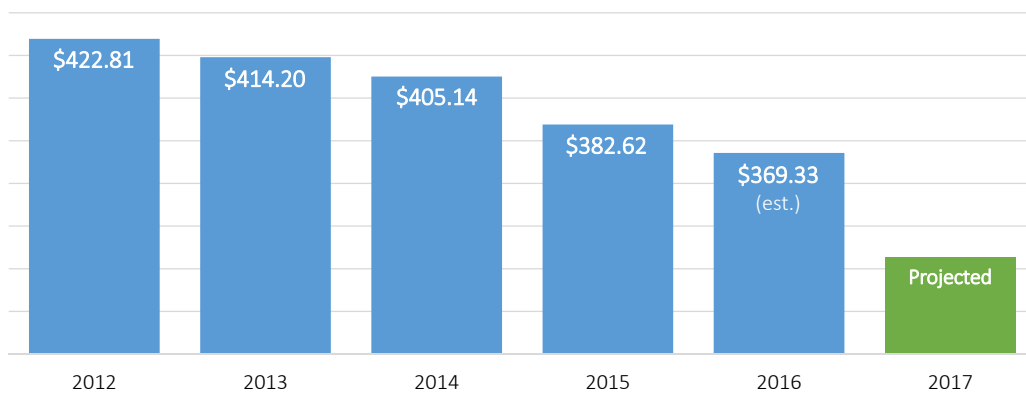


Financial Health and Growth



Financial Health and Growth

Controllable expenses per average consumer



Financial Health and Growth

Low-interest, long-term financing

Strategic procurement alliances

Technology innovations and process improvements

More rate options

- eRates
- Time-of-Use
- Community solar



Financial Health and Growth

Growth and investment

PEC is positioned to exceed

298,000

accounts in 2017

\$165M

Capital improvements in 2017

10-year trend*

50% growth Hays & Williamson Counties

30% growth Travis County

10% growth in most other PEC counties

*CAPCOG





Grid modernization

Capital improvements

- Increased substation capacity
- Expanded T&D systems

New technology

- Distribution automation
- Metering technology
- Advanced voltage control



Reliability



Reliability

Right of way work and aerial inspection

Precise and predictive maintenance

Mobile command center



Strong reliability

67 min

Average outage time
per consumer in 2016



Community Engagement



Community Engagement



Youth Tour winners

10



Many Hands
program



Scholarship allocation

\$100k



Community Engagement

New and continued initiatives

Membership in
33 chambers
of commerce

Enhanced Key
Account program

Economic
Development
Discount Rate





Community Engagement

Promoting the Power of Change

\$22,000+ in contributions
from over 6,800 participants

Heart to Heart campaign
launches Feb. 1



2017 and beyond

Four-year Strategic Plan

Two-year Business Plan (Q1)



The secret of getting ahead
is getting started.

-Mark Twain



pec.coop



PEDERNALES ELECTRIC COOPERATIVE

Power Supply, Rates and Pricing, and Energy Services Report

Ingmar Sterzing

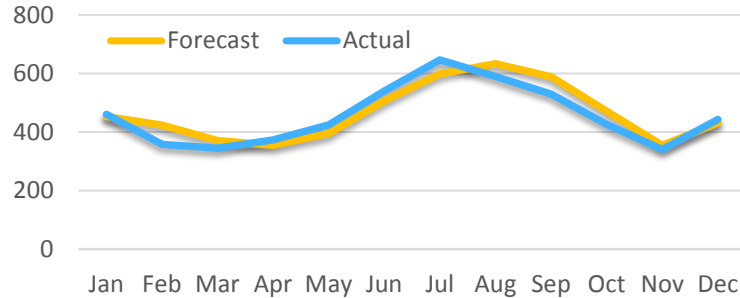
Transmission Cost of Service (TCOS) Update for December 2016

- TCOS is the cost incurred for using the state ERCOT transmission system to deliver power to members
- PEC's share of total ERCOT TCOS is based on the average of PEC's 4 Summer Months Coincident Peak Demands (4CP)
- PEC's official 2016 ERCOT 4CP is 1,303.55 MW (1.92%)
 - PEC 2016 measures reduced this amount by ~21.5 MWs
- TCOS charges in 2017 will be approximately \$69-73 M
- A 7-13% increase compared with 2016 costs of \$64.4 M
- PEC passes the ERCOT TCOS cost directly to members through PEC's TCOS rate currently set at \$0.01158 per kWh

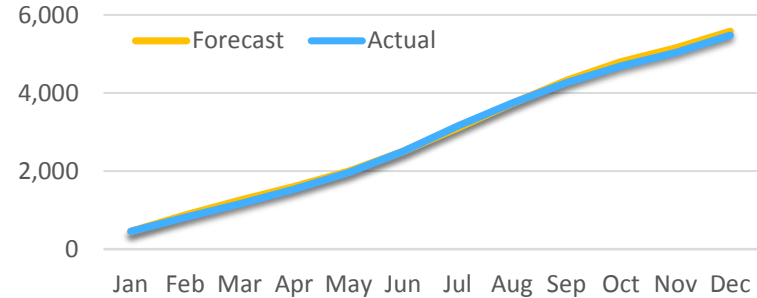


PEC Energy Sales Summary for December 2016

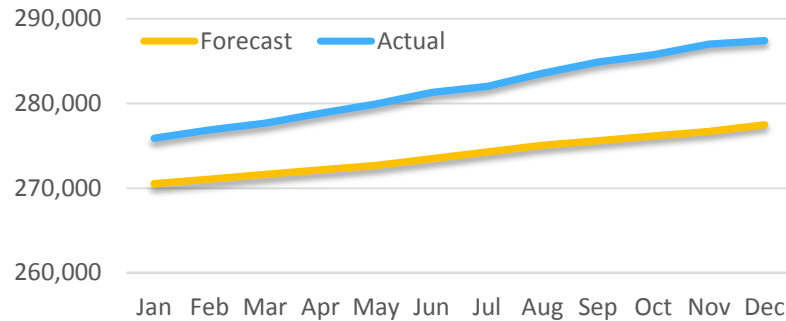
Energy Sales (GWh)



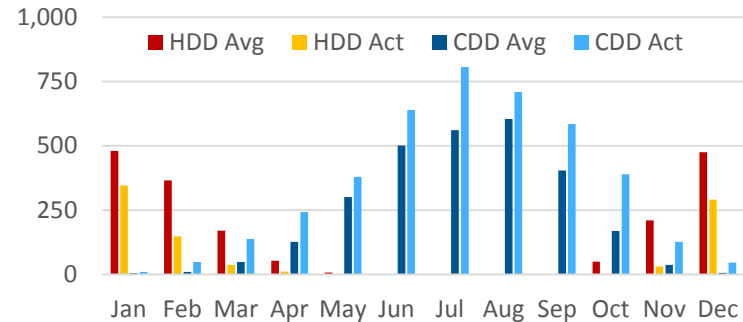
Cumulative Energy Sales (GWh)



Total Meter Count



HDD* and CDD* Average vs Actual



* HDD- Heating Degree Days and CDD-Cooling Degree Days – An indication of the need for heating or cooling.



Energy Services Update for December 2016

	2015	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Energy Audits Performed	514	26	36	28	13	22	21	36	33	19	22	13	12	281
Interconnections Complete	375	15	18	24	24	26	23	17	37	55	39	38	38	354
Residential HVAC Units Installed	1254	12	23	52	133	124	136	238	225	131	125	57	56	1312
Residential Rebates Monthly (\$k)	\$400	\$4.0	\$7.3	\$17.0	\$43.0	\$40.0	\$43.3	\$76.0	\$72.0	\$41.0	\$40.0	\$19.0	\$18.1	\$420.7
Comm. Rebate Applications Approved	16	0	1	1	0	0	2	1	3	2	3	3	2	18
Comm. Rebates Monthly (\$k)	\$219	0	\$.855	\$3.6	0	0	\$7.5	\$35.	\$23.0	\$16.	\$7.2	\$9.	\$41.	\$143.2
Empower Loan Applications Received	N/A	0	1	1	9	4	4	0	0	3	3	1	3	29
* Empower Loans Final Approval Monthly	N/A	0	0	0	0	0	0	1	1	1	1	2	4	10

* The Empower Loan Final approval is contingent upon approval of the interconnection and installation

Rates and Pricing Update for December 2016

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PEC Residential Bill at 1,000 kWh Usage	\$112.20	\$112.20	\$112.20	\$109.70	\$109.70	\$107.20	\$107.20	\$105.20	\$105.20	\$105.20	\$105.20	\$ 89.59
Texas Coop Average Bill at 1,000 kWh	\$112.24	\$112.24	\$112.24	\$112.24	\$112.24	\$112.76	\$112.76	\$112.76	\$112.76	\$112.76	\$112.76	\$112.76
Texas Residential Average Bill at 1,000 kWh	\$109.50	\$110.60	\$112.50	\$112.80	\$111.10	\$111.00	\$108.60	\$109.40	\$111.30	\$110.00	Not available	Not available
National Residential Average Bill at 1,000 kWh	\$120.00	\$121.40	\$125.70	\$124.30	\$128.00	\$127.30	\$126.80	\$129.00	\$128.70	\$124.50	Not available	Not Available
Residential Rate Options (Number of Participants)												
Conventional	263,236	264,030	266,468	266,536	267,792	208,291	206,296	205,395	174,382	176,493	176,793	177,549
ESaver	0	0	0	0	0	14,407	16,633	17,515	17,817	18,357	18,823	19,062
EBilling	0	0	0	0	0	47,367	48,299	49,440	49,521	50,087	50,632	51,192
EDraft	0	0	0	0	0	0	0	0	26,945	27,062	27,329	27,606
Water Wells	2,003	2,007	2,012	2,002	2,006	2,014	2,009	2,005	2,007	1,999	2,003	1,999

Attachment: BOD PS RP ES Monthly Report 01-17-2017 FINAL

Project Status

Project or Initiative	Status
Time of Use (TOU) Rates	<ul style="list-style-type: none"> NISC upgrades complete and pilot project initiated Member and staff supporting tools under development Go live date effective April 1, 2017
Distributed Solar Project	<ul style="list-style-type: none"> 2 sites under lease (02 MWs) 7 sites in lease negotiation (09 MWs) Construction planning to begin January 2017
Community Solar Program	<ul style="list-style-type: none"> Preparing policy and technical requirements Implementation planned for 2017
Time of Use (TOU) for Interconnected Members	<ul style="list-style-type: none"> Preparing policy and technical requirements Target implementation in 2017
Electric Vehicle (EV) Charging Pilot	<ul style="list-style-type: none"> 4 RFI's responses received 01/03/2017 under evaluation Pilot program installations to begin in 2017
Bring Your Own Thermostat (BYOT) Program	<ul style="list-style-type: none"> RFP submittal extended to Dec 21st, 2016, responses with procurement Proposed program may be implemented by Summer 2017
Large Power TCOS Demand Response Program	<ul style="list-style-type: none"> Preparing policy and technical requirements
Economic Development Rider	<ul style="list-style-type: none"> Conducting member engagement and developing draft tariff

January 2017 Corporate Services Board Report

Safety Department

DEPARTMENT ACTIVITIES

The ***SWORD Committee** continued its trek into structuring a safety improvement plan as required by RESAP. The goal for the group was to formally identify and assign three areas identified by the RESAP Team for improvements in 2017. The three areas are

1. Operating Procedures: crew observations, inspections
2. Security: Personnel, lobbies, property, Cyber, Substations
3. Hazard Communication: signage, decals, markings, tags, information

**SWORD – Safe Work Operations Research & Development*

The **Department** continues to update and implement the required OSHA written safety plans. The programs currently being updated include the First Aid and Hearing Conservation.

Over Forty topics are being scheduled for 2017. These topics are requirements for PEC employees and include different levels of focus such as; initial or refresher training, assessments, certifications or post incident re-qualification.

SAFETY PERFORMANCE METRICS

The Safety Department monitors trends and responds to potential safety hazards in the workplace. The two industry standards utilized to measure safety performance include the DART and TCIR:

Use of the TCIR to report workplace injuries allow comparison of accident and injury statistics across industries, among industry segments, and from one year to the next. The DART rate is based only on those injuries and illnesses severe enough to warrant "Days Away, Restrictions and Transfers".

**As a general rule of thumb, you want to have a lower DART rate than the TCIR rate.*

TCIR = The Total Case Incident Rate calculated as:

Total number of recordable injuries/illnesses x 200,000 / man-hours worked

DART = Days Away Restricted Time calculated as:

Total number of injuries/illnesses that result in Lost Time or Restricted Duty x 200,000 / man-hours worked

Total Man-hours worked YTD (01/01/2016 – 12/31/2016): **1,316,437.96**

Total Man-hours worked in December: **141,168.12**

ALL Recordable injuries/illnesses YTD (01/01/2016 – 12/31/2016): **16**

**All Lost Time, Recordable Injuries, & Restricted Duty cases*

January 2017 Corporate Services Board Report

Safety Department

TCIR	TCIR ending 12/31/2015	TCIR ending 12/31/2016	2016 KPI TCIR Goal
Total OSHA-recordable injuries/illnesses	1.31	2.43	Platinum < 1.0 Gold < 1.2 Silver < 1.5

DART	DART ending 12/31/2015	DART ending 12/31/2016	2016 KPI DART Goal
Total lost time and restricted duty injuries/illnesses	.73	1.52	Platinum < 0.30 Gold < 0.59 Silver < 0.89

December Statistics		2015 Thru December 31	2016 Thru December 31
OSHA Days Away, Restricted or Transfer Incidents	Month	0	2
	<i>Year to Date</i>	5	10
OSHA Recordable Injury Incidents	Month	1	2
	<i>Year to Date</i>	9	16
Number of Non-Recordable First Aid Incidents	Month	1	0
	<i>Year to Date</i>	8	4
Vehicle Accidents	Month	3	3
	<i>Year to Date</i>	13	22

December Incidents

Lost Time:

- Employee slipped while stepping down from bucket truck platform bucket breaking ribs in the process.

Recordable Injury:

- Employee tripped over edge of wheelchair ramp straining back, right foot and shoulder.

Non-Recordable First Aid:

- None (0)

Vehicle:

- Two incidents of deer crossing in front of PEC vehicles. Minor damage to vehicles. Employees not injured.
- Employee misjudged clearance of tree limb, struck and damaged bucket on his vehicle.

**Board of Directors**

PO Box 1
Johnson City, TX 78636

Meeting: 01/17/17 09:00 AM

RESOLUTION 2017-2

DOC ID: 3819

Subject: 2017-2020 Strategic Plan - E Pataki, J Hewa, P Muhoro

Submitted By: John Hewa

Department: Chief Executive Office

Background:

Financial Impact and Cost/Benefit Considerations:

ATTACHMENTS:

- 6A 01_2017 Strategic Plan Presentation 2perpgg (PDF)
- PEC-StrategicPlan-2017_2020_FINAL_digital(PDF)

**Pedernales Electric Cooperative, Inc.
Regular Meeting
January 17, 2017**

RESOLUTION 2017-2

2017-2020 Strategic Plan - E Pataki, J Hewa, P Muhoro

BE IT RESOLVED BY THE BOARD OF DIRECTORS that the 2017-2020 Strategic Plan as presented to the Board this day, with such additional revisions thereto as the Board agreed upon, is hereby adopted as the Strategic Plan of the Cooperative for 2017-2020; and

BE IT FURTHER RESOLVED, the Chief Executive Officer or his designee is authorized to take any and all action necessary to implement the Cooperative's Strategic Plan and this resolution.

RESULT:	ADOPTED [UNANIMOUS]
MOVER:	James Oakley, District 5 Director
SECONDER:	Paul Graf, District 6 Director
AYES:	Clement, Scanlon, Powers, Oakley, Graf, SJ Akers, Pataki



Strategic Plan Overview

2017 - 2020

January 17, 2017

Mission

We are committed to delivering low-cost, reliable and safe energy solutions for the benefit of our members.

Vision

PEC is recognized as a high performance organization, providing exceptional value to our members and communities through safe, reliable and innovative service.

Values

Our values serve as the organizational foundation that guides our decisions and direction.

Our core values are:

Safety
Accountability
Integrity
Service
Engagement
Innovation

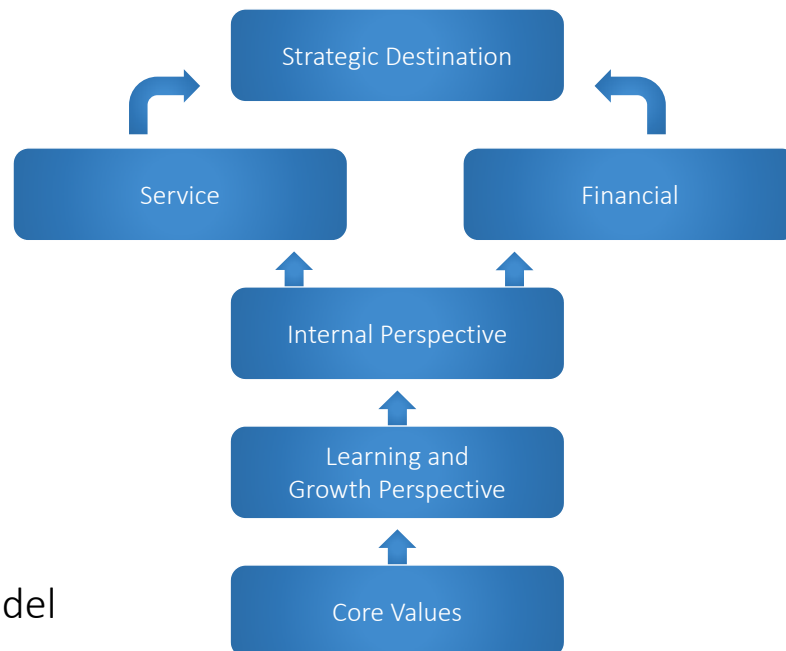


Strategic Destination

Over the next four years, PEC will be recognized as an industry leader by earning high member satisfaction.



Strategic Map
Framework Model



Thematic Strategy Map



Strategic Themes and Initiatives



Strategic Themes and Initiatives

Optimized Operations and Grid Modernization

Initiative 1: Technology Planning

Initiative 2: Demand Side Management

Initiative 3: Power Supply Planning and Diversity

Initiative 4: Distributed Energy Resources

Initiative 5: Enhanced System Planning

Initiative 6: Process Excellence (Business Planning)



Strategic Themes and Initiatives

Member Engagement and Strategic Load Growth Planning

Initiative 7: Member Engagement Opportunities

Initiative 8: Commercial and Industrial Member Initiatives

Initiative 9: Strategic Energy Sales



Strategic Themes and Initiatives

Service Innovation

Initiative 10: Broadband Opportunities

Initiative 11: Revenue Generating Services



Strategic Themes and Initiatives

Corporate Citizenship

Initiative 12: Facilities Management and Planning

Initiative 13: Workforce Planning

Initiative 14: Emergency and Catastrophic Planning

Initiative 15: Community Involvement



Success Measurement

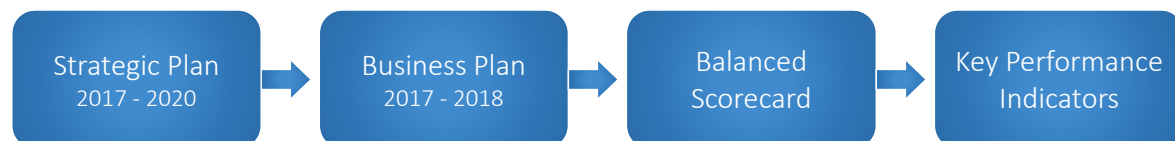
Operational Effectiveness

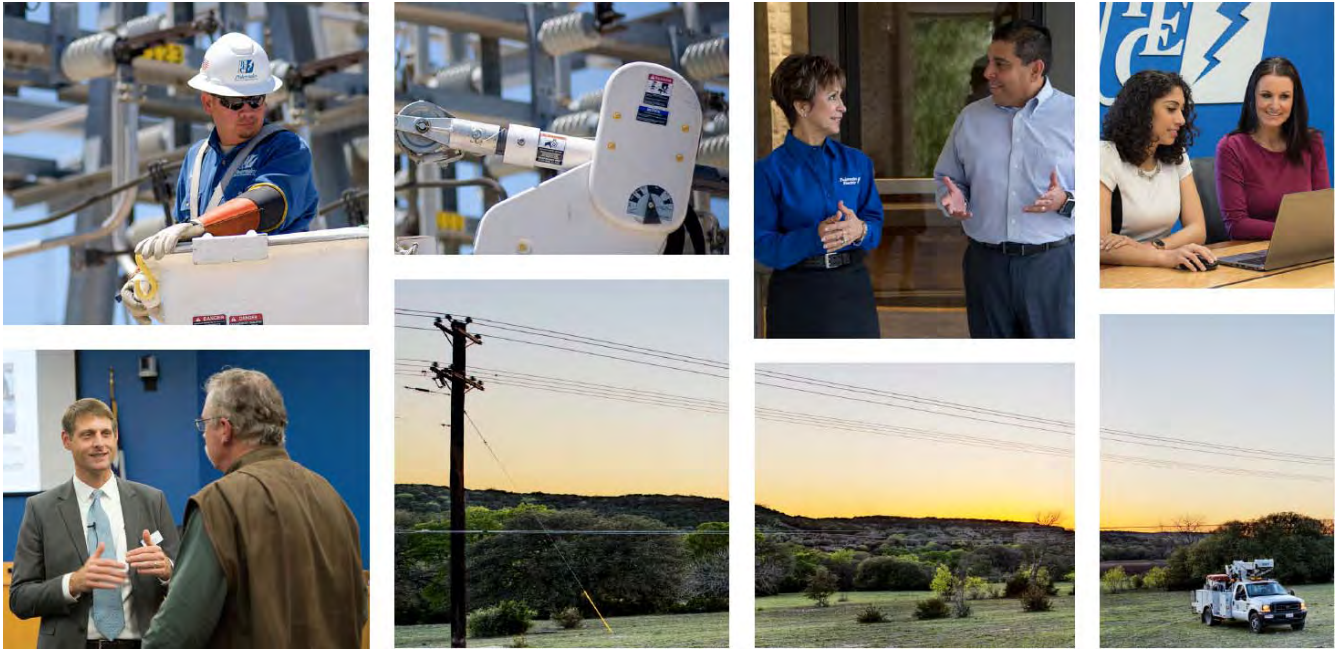
Financial Impact

Risk Management

Member Value

Strategy Execution







Strategic Plan

2017 - 2020

TABLE OF CONTENTS

- Letter from Board President
- Executive Summary: Thinking Long Term
- Organization and History
- Mission, Vision and Values
- Strategic Destination
- Strategic Map
- Strategic Themes and Initiatives
- Conclusion

LETTER FROM THE BOARD PRESIDENT



For nearly 80 years, PEC has proudly served the Texas Hill Country with safe, reliable electricity at an affordable cost to our members. Our commitment to our core principles remains as steadfast today as it was decades ago, even as our industry faces tremendous change. That change is being driven by such factors as increased natural gas dependency, renewable energy growth, consumer-centric technologies, and state and federal regulation.

The accompanying strategic plan builds upon PEC's strong foundation by positioning the cooperative for continued success within an evolving industry. In this plan, set in place through 2020, I am confident that our members can clearly identify the steps we are taking to ensure that we maintain the exceptional service they have come to expect. As the industry adjusts, this strategic plan will serve as a guide to help keep our cooperative operating at the highest possible level.

As a board, it is our duty to guide our dedicated and professional staff, positioned across all of our business units, towards the execution of this strategic plan, so that we can meet our members needs in the midst of the challenges presented by an ever-changing electrical grid.

A handwritten signature in black ink that reads "Emily Pataki".

Emily Pataki

District 2 Director/President

EXECUTIVE SUMMARY

The purpose of this strategic plan is to establish the direction of the organization and create a foundational strategy that balances long-term objectives, operational priorities and financial discipline. The four-year strategic plan outlines the cooperative's mission, vision, values, strategic destination, strategic map and key strategic initiatives.

Traditionally, the electric industry has experienced a stable environment with minimal competition and changes. Investments in large, centralized infrastructure, such as power plants, coupled with market growth guaranteed reduced costs. In the last several years, however, electric utilities have faced obstacles to reducing costs due to necessary infrastructure upgrades and prolonged economic downturn and recovery. In addition, the future will introduce challenges that include the accelerated spread of distributed energy resources and decreased electricity demand.

Building on the previous strategic plan, with input from employees and the members, the board identified a strategic destination to help drive the organization: over the next four years, PEC will be recognized as an industry leader by earning high member satisfaction. Reaching the strategic destination will require great effort and dedication from all employees.

PEC will accomplish the goals set forth in this strategic plan by equipping our dedicated staff with the right tools and technology to achieve superior results in a driven and engaged employee culture. Accomplishing these goals will require initiatives found in the following categories, which meet the member value proposition and are financially consistent, sustainable and defensible:

- Optimized Operations
- Member Engagement
- Service Innovation
- Corporate Citizenship

The strategic plan will help identify organizational priorities and will be fully integrated into the budgeting process through the business plan. The board will receive quarterly reporting on the progress and financial impact of its initiatives.

While PEC has done significantly well in meeting members needs over the years, the cooperative strives for continued excellence. It is important to note that conducting business as usual may not adequately meet the changing needs of members or new business demands of the future.

This strategic plan is intended to build upon the cooperative's already strong foundation in order to prepare for future needs and challenges.

STRATEGIC DIRECTION

Over the next four years, PEC will be recognized as an industry leader by earning high member satisfaction

VISION, MISSION AND VALUES

Mission Statement

We are committed to delivering low-cost, reliable and safe energy solutions for the benefit of our members.

Vision Statement

PEC is recognized as a high performance organization, providing exceptional value to our members and communities through safe, reliable and innovative service.

Values Statement

Our values serve as the organizational foundation that guides our decisions and direction. Our core values are Safety, Accountability, Integrity, Service, Engagement and Innovation.

Safety | Accountability | Integrity | Service | Engagement | Innovation

Above all else, we are committed to ensuring the personal and information safety and security of our members and employees.

Safety | **Accountability** | Integrity | Service | Engagement | Innovation

We strive to be good and responsible managers of the cooperative's resources for the benefit of our membership.

Safety | Accountability | **Integrity** | Service | Engagement | Innovation

Through transparent business and operational practices, we are dedicated to earning and maintaining the trust of our membership.

Safety | Accountability | Integrity | **Service** | Engagement | Innovation

We are committed to delivering safe, reliable energy solutions and services to our membership.

Safety | Accountability | Integrity | Service | **Engagement** | Innovation

We pledge to provide our membership with the high level of responsiveness they expect and deserve.

Safety | Accountability | Integrity | Service | Engagement | **Innovation**

We employ a creative and measured approach that fosters the development of systems and solutions that will benefit our membership.

STRATEGIC DESTINATION

Over the next four years, PEC will be recognized as an industry leader by earning high member satisfaction.

STRATEGIC DESTINATION

In order to successfully execute the strategic plan, PEC will achieve the member value proposition, while maintaining a strong financial model, by ensuring enablers (talent and technology) are in place to drive the initiatives in the strategic themes.

The members' value proposition includes:

- Reliability
- Cost
- Communication
- Innovation

Success in the financial model will be measured by:

- Equity Percentage*
- Revenue
- Cost
- Load Factor**

PEC has established a strategic change agenda that will transform traditional strategic planning into an active, actionable and nimble process that maps a customized path for positive change. The change agenda emphasizes the changing context and the capacity of PEC to focus on the future, maintain direction and act strategically.

Each dimension shows a strategic vision of moving from where the dimension currently is to where it will be by the end of the four years, as set by the strategic destination.

*Measures the extent to which the cooperative's consumers have financed plant and other assets with their own funds, as distinguished from assets that were financed with borrowed capital. Equity represents the percent of total assets the member actually owns. It is an indicator to the member of his/her ability to recover principal investment should the utility system default on its loans.

**Ratio of actual kilowatt-hours used in a given period, divided by the total possible kilowatt-hours that could have been used in the same period, at the peak kilowatt level established by the member during the billing period. A high load factor is considered beneficial and efficient as it makes the best use of existing investment and infrastructure.

From:	Performance Elements	To:
A strong performer in national customer satisfaction, actively working to increase member participation	Member Engagement	Achieving and maintaining a high ranking in the J.D. Power scores on customer satisfaction with strong member feedback, convenient engagement systems, and a thriving co-op democracy
Primarily residential with advancing commercial wave	Member Mix	Strategic mix of residential, commercial and industrial load with increased economy sales enabling optimization of co-op assets
Generous employee giving coupled with varying rate-funded programs and participation inadequately recognized	Corporate Citizenship	Business problem-solver enhanced by a balanced approach to voluntary and corporate contributions and participation, connecting more precisely with the communities we serve and advancing the cooperative difference
Portfolio characterized by basic source and supplier diversity	Power Supply Diversity	Fully balanced low-cost energy management portfolio diversified by source, supplier and term meeting regulatory requirements
Basic rates with limited options	Rates and Options	Advanced rate options leading to energy savings and co-op cost reductions
Baseline programs with growing member interest in energy analysis and DER opportunities	Energy Efficiency	Comprehensive programs encompassing grid and member efficiency, energy management objectives, and DER opportunities
Emerging platforms for expanded options	Services Offered	Service options enabling member participation and partnership
Known for top reliability and responsiveness	Reliability	Top reliability with refined cost, implementing automation and the best of predictive and bulk maintenance
Establishing fundamental enterprise systems, closing gaps on technology platforms to enable the future	Technology	Methodically driving advanced technologies bringing improvements in costs, safety, efficiency, engagement, and innovation
Array of new leaders making great strides and producing beneficial results	Leadership	Harmonized, stable leadership with proactive development and succession, leveraging the team's full potential
Maturing organization with individuals driven by a challenge and an ability to endure change	Staff Skills	Result driven, high performance learning organization developed through on-the-job experience, education, training, and industry participation
A departmentally-focused organization with growing collaboration through cross-functional teams	Departmental Coordination	A fully collaborative organization architected to produce integrated results, strong engagement and operational awareness
Foundational policy management with varying processes influenced by geography, tenure and individual experience	Process Improvement	Policy, process and procedure in a well-managed control environment delivering consistency and quality with standards certification
Decentralized, specific risk management varying by department and function	Risk Management	Enterprise risk management program and culture that detects, quantifies and mitigates risk efficiently
Numerous aged facilities with deficiencies in productivity, security, energy and space	Facilities Management	Consolidated and consistent regional approach with productive, efficient, secure facilities supporting PEC operations, engagement and brand

STRATEGIC MAP FRAMEWORK MODEL

PEC's strategic goals will be met by an underlying framework of strategic perspectives arranged in a cause and effect relationship. This is outlined in Figure 1.

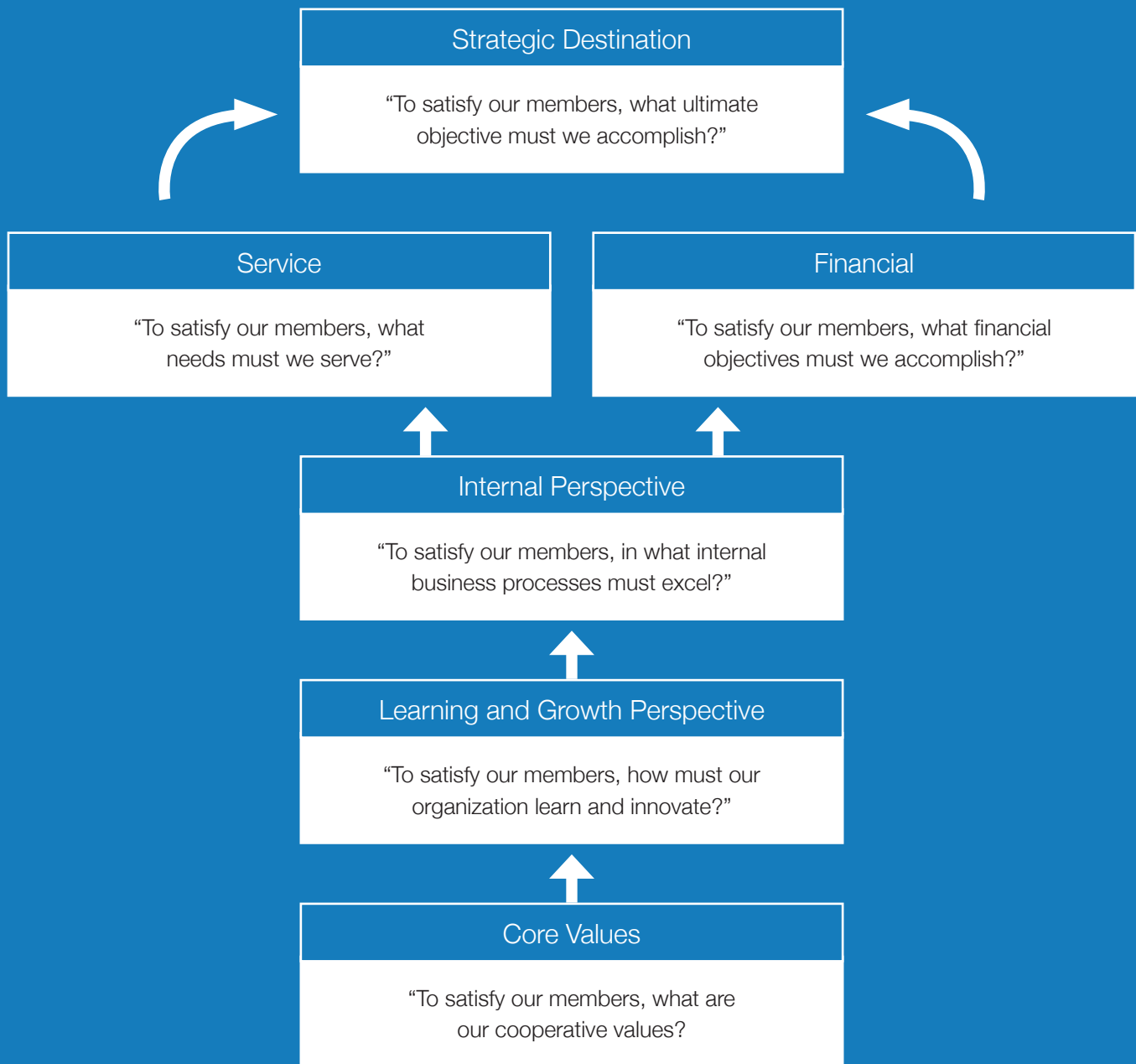


Figure 1

THEMATIC STRATEGY MAP

Figure 2 shows the thematic strategy map and how it connects with the cooperative's mission, vision and values, in order to achieve the goals set forth.

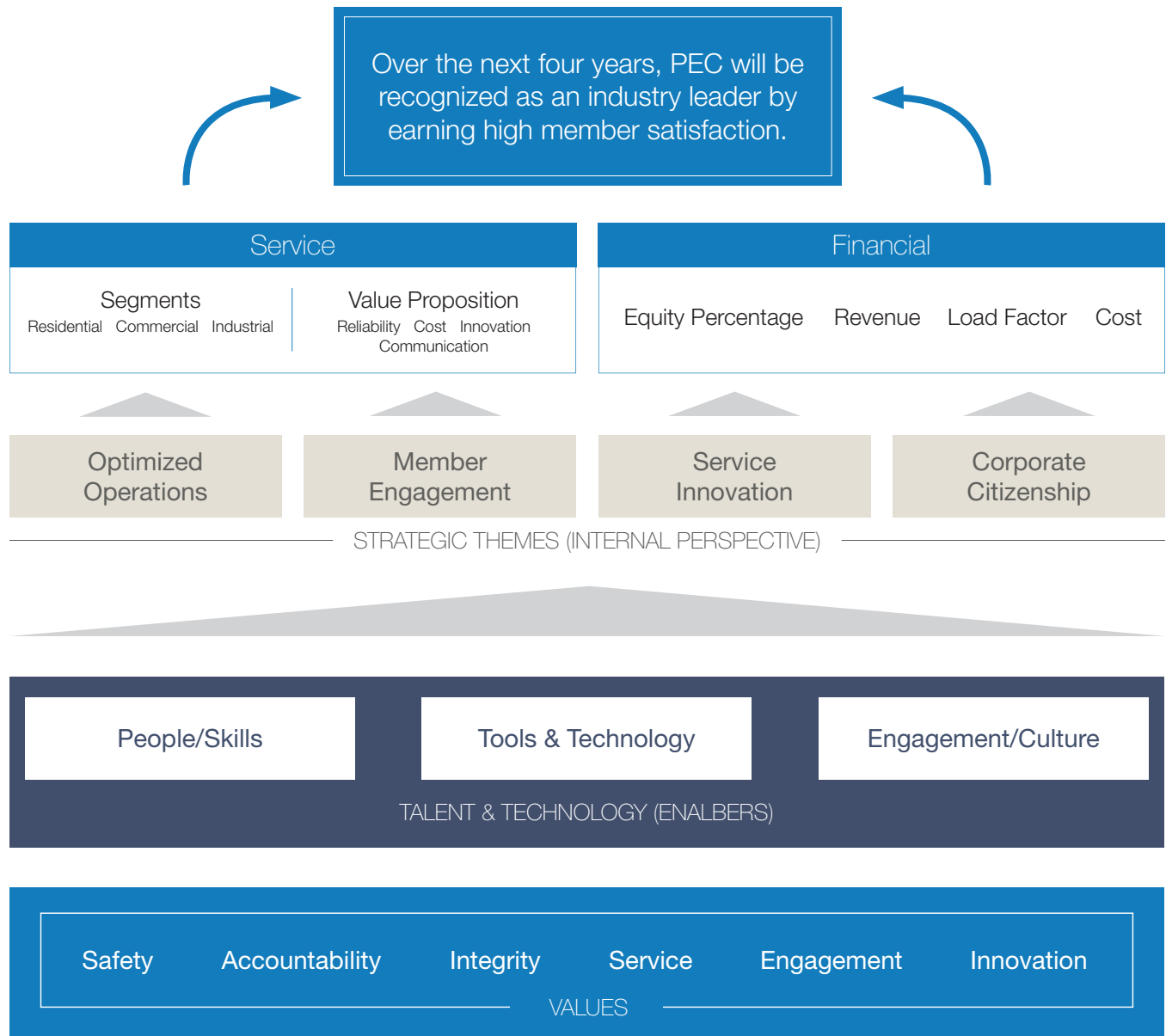


Figure 2

STRATEGIC THEMES AND INITIATIVES

PEC's core business will always be our priority. We must provide excellent quality in power, keep rates low, and meet member needs through exceptional service. The strategic initiatives build on these core business areas and increase member value while concurrently advancing the cooperative as an industry leader.

OPTIMIZED OPERATIONS AND GRID MODERNIZATION

Effective operations that align people, business units and resources are key to achieving success at PEC. Emerging technologies continue to demonstrate potential sophistication and innovation that can enhance operations at the cooperative. Additionally, the challenges we face from aging grid infrastructure require PEC to upgrade equipment and systems to meet member electricity needs.

As technologies advance in an environment of regulatory changes, the role of traditional central-station delivery continues to shift as distributed energy resources (DER) advance. Despite industry uncertainties, the cooperative will be required to make informed decisions in order to manage assets in a flexible manner, invest in system upgrades and pursue advanced technologies that proved benefits to members.

There are six strategic initiatives that comprise the Optimized Operations strategic theme that the cooperative should consider:

Initiative 1: Technology Planning

Develop a technology plan that outlines the cooperative's existing technologies and integrates emerging technologies to streamline system planning and coincide with PEC's energy/power planning.

As a member-owned cooperative, we must diligently manage the members' resources while factoring in member needs, changing technologies, different market opportunities and unplanned events. The objective of this strategic initiative is to establish a plan that will allow the cooperative to invest in technologies and systems that advance the grid while meeting member needs. The initiative will identify areas that require upgrades that will optimize operations and increase efficiencies. Any identified areas of improvement will be considered carefully to ensure the costs are justifiable and avoid or mitigate negative impacts on rates.

Initiative 2: Demand Side Management

Develop demand-side management programs, allowing for energy efficiency and conservation measures that provide savings to the cooperative.

With variable energy costs and increasing costs of transmission, the cooperative should consider programs that will provide long-term sustainable savings through the conservation of energy. The key objective of this strategic initiative will be the consideration of programs such as voltage optimization, voluntary thermostat-control demand response, building energy management systems, and weatherization. The initiative should also consider financing mechanisms that can provide revenue contribution to replace margins eroded due to reduced energy sales.

Initiative 3: Power Supply Planning and Diversity

Expand the energy management program to show long-term planning in power supply that includes options for pursuing cost-beneficial renewable energy.

Existing and emerging technologies continue to provide opportunities to make power planning more flexible, resilient and agile. The objective of this initiative is to expand the energy management program to provide long-term planning for the cooperative and strategies to create a diverse, balanced power portfolio by both energy resource and power provider.

Initiative 4: Distributed Energy Resources (DER)

Pursue DER opportunities that align with the technology plan developed, and provide system benefits that are cost-beneficial and yield member-centric solutions.

Distributed energy resources (DER) are smaller sources of power that when aggregated can provide power necessary to meet a certain demand. As the electric grid continues to modernize, DER -- such as energy storage, microgrid technologies, and stand-alone systems -- can help facilitate the transition to a smarter grid. The objective of this initiative will be to evaluate DER that can provide benefits to the system, save the cooperative costs by deferring distribution and transmission asset upgrades and help shape the load for the most efficient operation of the grid. In addition, programs that are member-driven should be considered to provide solutions for those members who have interest in installing their own DER.

Initiative 5: Enhanced System Planning

Develop enhanced system planning that provides a long-term outlook and considers continued cooperative growth.

With legacy systems, the cooperative has historically relied on traditional methods of system planning. The objective of this initiative will be to provide a plan that shows how PEC systems will meet the needs of a rapidly growing membership, including distribution and transmission asset additions and upgrades. Further, this initiative will tie in with other initiatives that include energy/power, technologies, workforce and facilities, and we will place an emphasis on pursuing joint planning efforts with local jurisdictions.

Initiative 6: Process Excellence (Business Planning)

Develop an enterprise-wide business process improvement function to increase productivity and reduce costs, encompassed by a risk-management framework.

Implementation of the strategic initiatives outlined will require transformation of the organization to meet the challenges faced in implementation of new technologies, new service offerings and earning high member satisfaction. This initiative will focus on the creation of a business plan that will consider risk management to ensure that risks remain neutral or reduced.

MEMBER ENGAGEMENT AND STRATEGIC LOAD GROWTH PLANNING

PEC members continue to grow in energy consumption sophistication. Driving this evolution are new available technologies that provide members greater control over energy use, reduce their energy costs, and boost power resiliency and sustainability. Understanding shifting member needs will be critical in this strategic theme.

There are three initiatives that comprise the Member Engagement strategic theme that the cooperative should consider:

Initiative 7: Member Engagement Opportunities

Develop and execute a plan that shows how the cooperative will engage with the members and emphasizes opportunities to learn about their needs and satisfaction level. The cooperative will additionally provide programs that help members achieve their energy goals.

PEC understands that members have varying motivations for exploring a wide range of energy goals. This initiative will outline and execute member engagement opportunities such as surveys, focus groups, and member events. The initiative will also develop and/or expand on programs that educate members on energy management, energy efficiency and self-generation.

Initiative 8: Commercial and Industrial Member Initiatives

Develop programs that interact with and help meet the needs of commercial and industrial members.

Commercial and industrial (C&I) members have different energy requirements than residential members, and those with the highest energy consumption stand to benefit most from agile energy consumption. The objective of this initiative will be to develop programs that help C&I members achieve their energy goals with through the use of stand-alone systems, increased reliability measures, demand reduction features, notification systems and, in some cases, unique energy purchasing.

Initiative 9: Strategic Energy Sales

Pursue cooperative strategic energy sales that help increase PEC's load factor, thereby maximizing the potential of cooperative assets.

The objective of this initiative is to position the cooperative as the premier resource for entities considering locating within the PEC service territory. This strategy includes partnerships with counties and cities the cooperative serves, chambers of commerce and economic development entities. By pursuing opportunities that increase energy sales, with minimal capital investment, the cooperative's load factor will increase, ultimately creating a healthier entity that derives revenues and margins from diverse sources.

SERVICE INNOVATION

Increasingly, business and homes will have “smart” technologies that consider energy consumption based on market variable pricing and demand management. All this, enabled by the Internet of Things (IoT) and a more connected smarter grid. To remain relevant in the future, the cooperative must consider technologies and services beyond kilowatt-hour sales, as the members’ needs will continue to evolve.

There are two initiatives that comprise the Service Innovation strategic theme that the cooperative should consider:

Initiative 10: Broadband Opportunities

Conduct a feasibility study to assess the opportunity that could exist in a fiber and/or wireless network (broadband) throughout the service territory that enables a smart grid and could provide affordable data access services to the members.

Mobile network services have been a challenge in rural areas due to the large infrastructure required to cover low density populations. This challenge is analogous to the early days of rural electrification when electric cooperatives stepped in to power up areas that Investor Owned Utilities deemed unprofitable to serve. PEC might find a similar opportunity to secure the economic future of the Texas Hill Country by connecting its rural members to the Broadband Internet that has yet to penetrate much of its territory. Healthcare, education, commerce and life quality have become highly dependent upon having high-speed Internet. The objective of this initiative is to assess the feasibility of a broadband network throughout the PEC territory, determine the various business models possible, and advise the cooperative on a direction to take. This study will also assess the needs of the future grid and how it might intersect with a broadband network.

Initiative 11: Revenue Generating Services

Pursue revenue generating services that enhance PEC’s operations and capabilities by leveraging its resources and reducing costs.

The objective of this initiative is to consider, under the direction of the board of directors, any further revenue generating opportunities in which the cooperative should engage that will provide economic benefit to the electric members. For example, the use of PEC’s billing software for other entities could provide some financial incentive with a system that is already in place.

CORPORATE CITIZENSHIP

Electricity delivery is essential to provide quality of life throughout our territory. PEC must be positioned and ready to serve the needs of the community by meeting the continuous growth and maintaining existing infrastructure. In addition, the cooperative must recognize the role of advanced technologies in changing the dynamics of how members conduct business. PEC's physical presence, the workforce (most of who are member-owners), and the engagement with local community provide standing ground for many of the cooperative principles.

There are five initiatives that comprise the Corporate Citizenship strategic theme that the cooperative should consider:

Initiative 12: Facilities Management and Planning

Develop and execute a facilities plan that will meet the future needs of the cooperative.

PEC continues to experience high-growth throughout its operating regions. In addition, significant upgrades and regular maintenance of existing facilities remain necessary. This objective will layout a forward-looking facilities plan that includes infrastructure that can be repurposed through advanced technologies as well as new structures. The plan will show a regional impact to ensure member needs are met throughout the service territory.

Initiative 13: Workforce Planning

Develop a strategic workforce plan that ensures PEC can attract, retain and develop employees with skills and competencies that achieve PEC's goals.

PEC employees are our most important resource. With the complexity of its core functions and the changing nature of the industry, the cooperative will continue to need highly-skilled employees. This initiative will identify gaps in skills and competencies and determine capabilities that can be developed internally, as well as those that require external services to fill. This initiative will improve competitiveness in attracting, retaining and developing employees.

Initiative 14: Emergency and Catastrophic Planning

Develop/update a robust emergency and catastrophic plan that encompasses areas beyond grid infrastructure and simultaneously incorporates areas that impact exceptional services to the members.

Various threats, such as weather, physical impact, and cyber attacks, are realities that affect the operations of most businesses. PEC works hard to restore systems efficiently and in a timely manner. This initiative will identify risks associated with natural and man-made disasters and create an action plan should disaster strike. By keeping these plans updated, we can ensure that members will continue to receive the exceptional service they enjoy today.

Initiative 15: Community Involvement

Develop and execute a community engagement and corporate presence plan that provides value to the members

The purpose of a cooperative is to power communities and empower members to improve the quality of their lives. This initiative will identify areas that the cooperative should engage in the community and identify the value to the membership.

CONCLUSION

The changes in the energy industry continue to be evident with every day operations of the cooperative. These changes are likely to accelerate not only due to technological innovation, but also market changes that empower members to control their energy consumption. This strategic plan provides a guide for the cooperative to assess those changes and adapt effectively.

We plan to measure successful delivery of our mission, vision, values and strategic themes with the following strategic measures:

- Operational Effectiveness: Innovative grid operations and data utilization will provide a direct pathway to an efficient and reliable operating organization.
- Financial Impact: PEC will continue to maintain exceptional service at a low-cost and maintain a reputation for stability and prudence in managing financial assets. Benefit-cost analysis will be considered with every initiative.
- Risk Management: The cooperative will evaluate all initiatives to ensure that they are in line with member needs and address longevity of the cooperative.
- Member Value: PEC, over the years, has continued to expand its various service offerings. Ultimately, our members' satisfaction levels will be the key measurement of success of the services we deliver.

The strategic destination, “over the next four years, PEC will be recognized as an industry leader by earning high member satisfaction,” will continue to be the driving force to execute this strategic plan. PEC, with its strength and resources, is positioned to successfully execute this strategic plan and provide a leadership role in the energy industry.

ORGANIZATION AND HISTORY

Founded in 1938, PEC is a non-profit, member-owned electric distribution cooperative furnishing the energy needs of its members in the hill country of Central Texas. Currently, the cooperative serves nearly 290,000 active accounts, covering an area of roughly 8,100 square miles with 21,000 miles of line across 24 counties. In more than 75 percent of the geographic service territory, PEC provides electric service to an average of only six electric meters per mile or less.

The cooperative has experienced tremendous growth throughout its history, serving some of the fastest growing regions in the U.S. In 2016, the cooperative distributed nearly 5.6 billion kWh of electricity and added over 12,000 meters. From the foundational era, when the main focus was bringing electricity to the rural areas of central Texas, to the present, where the cooperative sees nearly 250+ subdivisions in development at any given time, the cooperative continues to focus on ensuring member satisfaction.

PEC is rooted in, and guided by, the seven cooperative principles listed below, and is one of the over 900 members of the National Rural Electric Cooperative Association as well as one of the 75 members of Texas Electric Cooperatives. The cooperative takes pride in its open and transparent method of governance, led by the board, and continues to establish leadership in the energy industry.

Seven Cooperative Principles	Voluntary & Open Membership Democratic Member Control Members' Economic Participation Autonomy & Independence Education, Training & Information Cooperation Among Cooperatives Concern for Community
------------------------------------	--

The more than seven hundred employees at PEC are led by CEO John D. Hewa, a seasoned utility leader and engineer, who has brought technical knowledge, leadership experience and a spirit of innovation and enthusiasm to the cooperative. The organization is led successfully through ten collaborative business units:

- Communications and Business Services
- Corporate Services
- Engineering and Energy Innovations
- Financial Services
- Information Technology
- Legal Services
- Member Services
- Operations
- Power Supply and Energy Services
- Strategy and Research

These results-driven business units successfully execute the strategic plan through a business plan approved by the board that carries metrics to ensure the board's goals are met.

BY THE NUMBERS

287,422
Active Accounts

8,100
Square Miles

21,100
Miles of Line

24
Counties
As of Dec. 31, 2016

PEC BOARD OF DIRECTORS



Cristi Clement
District 1 Director

In 2006, Cristi Clement retired as a U.S. Air Force civilian employee after serving 24 years as a contracting officer. Ms. Clement held unlimited dollar authority to bind the U.S. government while negotiating and managing complex, multimillion-dollar contracts.



Emily Pataki
District 2 Director
President

Emily Pataki is a seventh generation Texan and has lived in Cedar Park since 2008. Ms. Pataki is a contract writing consultant for individuals and corporations. She serves on the Board of the Association of Women in Energy as well as Atec, Inc.



Kathryn Scanlon
District 3 Director

District 3 Director Kathryn Scanlon was elected to the PEC Board of Directors in 2008. She previously served as president of the board and currently works at Bearing Financial Advisors, LLC in Austin, TX as a Financial Advisor.



Jim Powers
District 4 Director

Judge Jim Powers is a successful entrepreneur, with experience in the public and private sectors. Powers started his private business enterprise with one grocery store in Dripping Springs, which he quickly grew to a diversified food corporation.



James Oakley
District 5 Director
Vice President

James Oakley is a fifth-generation Texas native from Burnet. He graduated with a Bachelor of Business Administration degree from Southwest Texas State University. He is a former Burnet County Commissioner and current County Judge.



Paul Graf
District 6 Director
Secretary-Treasurer

Paul Graf is a management, energy and engineering consultant, using his skills and experience to represent electric utilities, water utilities and businesses of all types. Graf has over 30 years of electric power industry experience, retiring as a senior executive at an international power company.



Amy Lea SJ Akers
District 7 Director

Amy Lea SJ Akers is an attorney in private practice at the Akers Law Firm. She has professional training in renewable energy law, a background in construction project management, and currently serves on the Edwards Aquifer Authority Board.

PEC EXECUTIVE LEADERSHIP TEAM



John D. Hewa
Chief Executive Officer

Chief Executive Officer John D. Hewa brings a high level of technical knowledge, leadership experience and a spirit of innovation and enthusiasm to the top executive management position at the cooperative, setting the tone and culture for all levels of employees.



Tracy Golden, CPA
Chief Financial Officer

Chief Financial Officer Tracy Golden oversees the cooperative's accounting and financial initiatives. He is a certified cooperative financial professional, fraud examiner and public accountant.



Don Ballard
General Counsel

General Counsel Don Ballard oversees the cooperative's legal matters, including governance, litigation, risk mitigation and policy. He is responsible for managing ethics and compliance as well as open records administration.



Julie Beggs
Vice President,
Corporate Services

Vice President of Corporate Services Julie Beggs leads all aspects of employee support, including safety, human resources, organizational development and facilities management.



Alyssa Clemsen-Roberts
Vice President,
Communications and
Business Services

Vice President of Communications and Business Services Alyssa Clemsen-Roberts oversees the cooperative's communications, marketing, community engagement and business growth and development.



Eddie Dauterive
Vice President,
Member Services

Vice President of Member Services Eddie Dauterive accounts for the cooperative's member services division, which includes billing, collections, contact center operations, local business offices and revenue recovery.



Lawanda Parnell
Chief Information Officer

Chief Information Officer
Lawanda Parnell is responsible for the cooperative's information technology infrastructure, including application development and support, hardware, network, telecommunications, technical support, records management and cybersecurity.



Peter Muhoro, Ph.D.
Chief Strategy Officer

Chief Strategy Officer Peter Muhoro works with the leadership team to develop, implement and monitor the cooperative's overall vision and mission as well as evaluate and shape strategy with respect to advanced research, energy policy, business intelligence and technology.



Brad Hicks, P.E.
Vice President,
Engineering and
Energy Innovations

Vice President of Engineering and Energy Innovations
Brad Hicks leads our engineering staff in identifying and evaluating emerging technologies that position PEC as an industry leader in complex energy.



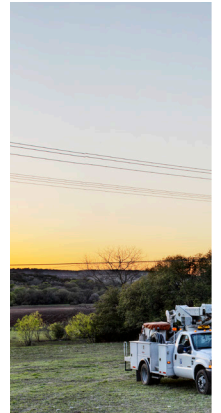
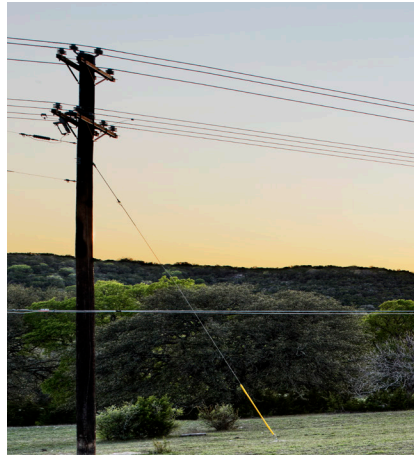
Wayne McKee
Vice President,
Operations

Vice President of Operations
Wayne McKee oversees the cooperative's six operational regions. He is responsible for system construction, maintenance, emergency restoration efforts and warehousing.



Ingmar Sterzing
Vice President,
Power Supply and
Energy Services

Vice President of Power Supply and Energy Services
Ingmar Sterzing leads energy management strategies as well as the planning, direction and execution of the cooperative's power supply, energy programs and new energy projects. He also manages energy regulatory affairs within the Electric Reliability Council of Texas.



Pedernales Electric Cooperative, Inc.
P.O. Box 1
Johnson City, TX 78636-0001

pec.coop

**Board of Directors**

PO Box 1
Johnson City, TX 78636

Meeting: 01/17/17 09:00 AM

RESOLUTION 2017-3

DOC ID: 3868 A

Subject: Complaint Regarding Director James Oakley - Complaint Comm. Rept & Findings

Submitted By: Don Ballard

Department: Legal Services

Background:

The Board may now consider the Complaint Committee's report, recommendations, and findings.

Financial Impact and Cost/Benefit Considerations:

Expenditure of Cooperative funds estimated in the amount of \$0 included in the Cooperative's 2017 operating budget; expenditures of staff time estimated in amount of 0 hours (other than ordinary processing requirements).

ATTACHMENTS:

- Resolution ID 3835-1012-M17193 (PDF)
- PEC ComplaintCom Report-SIGNED 2017-01-06 (PDF)
- Cristi Clement Substitute Amendment (PDF)

**Pedernales Electric Cooperative, Inc.
Regular Meeting
January 17, 2017**

RESOLUTION 2017-3

Complaint Regarding Director James Oakley - Director Removal and Discipline – Complaint Committee Report and Recommendations – Response from Director Oakley (Bylaws Article III, Section 5) - Director E Pataki

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, that the Board approves the Report and Recommendations of the Board Committee as presented and attached herein (and adopts the Report, including any Findings and Recommendations, as that of the Board of Directors under Article III, Section 5 of the Cooperative's Bylaws); and

BE IT FURTHER RESOLVED that the Board President or designee is authorized to take such actions as needed to implement this resolution.

RESULT:	ADOPTED [UNANIMOUS]
MOVER:	Paul Graf, District 6 Director
SECONDER:	Emily Pataki, District 2 Director
AYES:	Clement, Scanlon, Powers, Oakley, Graf, SJ Akers, Pataki

**Board of Directors**

PO Box 1
Johnson City, TX 78636

Meeting: 01/06/17 09:30 AM

RESOLUTION (ID # 3835)

DOC ID: 3835

Subject: Complaint Regarding Director James Oakley - Findings and Recommendations

Submitted By: Don Ballard

Department: Legal Services

Background:

Financial Impact and Cost/Benefit Considerations:

Expenditure of Cooperative funds estimated in the amount of \$0.

Attachment: Resolution ID 3835-1012-M17193 (RES-2017-3 : Complaint Regarding Director James Oakley - Complaint Comm. Rept & Findings)

**Pedernales Electric Cooperative, Inc.
Committee Meeting
January 6, 2017**

RESOLUTION (ID # 3835)

Complaint Regarding Director James Oakley - Findings and Recommendations

BE IT RESOLVED BY THE BOARD OF DIRECTORS COMPLAINT COMMITTEE that the Complaint Committee considered the formal written complaint regarding Director James Oakley's social media comments made on or about November 21, 2016; and

RESOLVED that pursuant to Article III, Section 5 of the Bylaws, the Board of Directors directed the Complaint Committee to provide Findings and Recommendations to the Board of Directors by December 9, 2016 after review of Pedernales Electric Cooperative, Inc.'s Bylaws, Director Policies, Duties and Responsibilities; and

RESOLVED that the Complaint Committee hereby adopts the Findings and Recommendations attached herein; and

RESOLVED that the Complaint Committee provide the findings and recommendations to the Board of Directors for consideration; and

BE IT FURTHER RESOLVED that the President of the Board of Directors is authorized to take all such actions to implement this resolution.

RESULT: RECOMMENDED

Next: 1/17/2017 9:00 AM

Mover: Paul Graf
Seconder: Emily Pataki
Ayes: Graf, Pataki
Nays: Scanlon

Director Kathy Scanlon's reason(s) concerning her nay will be outlined in the report.

Confidential: January 6, 2017

**Pedernales Electric Cooperative, Inc.
Complaint Committee of the Board of Directors
Report and Recommendation
Regarding Director James Oakley
January 6, 2017**

Pursuant to Article III, Section 5 of the Pedernales Electric Cooperative, Inc. Bylaws, the Complaint Committee, established by Resolution No. 2016-119 of the Board of Directors, adopts the following Findings and Recommendations:

1. FINDINGS:

- 1.1 James Oakley, a member of the PEC Board of Directors, posted a social media internet comment on his personal Facebook account on or about November 21, 2016.
- 1.2 The Facebook comment related to the arrest of a person for the shooting of a law enforcement officer in San Antonio, Texas.
- 1.3 The comment made no reference to Pedernales Electric Cooperative, Inc. or Director Oakley's service as a Pedernales Electric Cooperative, Inc. Director.
- 1.4 In his post, Director Oakley shared a picture and accompanying statement from the San Antonio Police Department of the African-American suspect and commented: "time for a tree and a rope."
- 1.5 Director Oakley has stated that he deleted the post on November 22, 2016, and he has apologized for the comment.
- 1.6 Director Oakley's internet posting was reported by local, state, national, and international media. The media coverage included specific references to Director Oakley's current service as a PEC Director.
- 1.7 Pedernales Electric Cooperative Members and employees have, both publicly and privately, addressed to their supervisors, the Board, and the Complaint Committee their concerns, and shared their support, about both Director Oakley's posted comments and Director Oakley's overall service as a Director.
- 1.8 A formal complaint regarding Director Oakley's comment was filed by Director Cristi Clement, and the Pedernales Electric Cooperative's Board of Directors in a special meeting on November 30, 2016, adopted a Resolution establishing the Complaint Committee to review the merits of the matter and report back to the Board of Directors its Findings and Recommendations:
 - a. The Committee was composed of Directors Emily Pataki, Paul Graf, and Kathryn Scanlon.

- b. The Committee met December 7 and 8, 2016 and January 6, 2017, at which time it heard from several cooperative members and interviewed a number of individuals including Director Oakley as well as most members of PEC's senior management. The committee received information regarding the perceived impact of the situation on PEC employees in various classifications and divisions within the Cooperative; and also reviewed relevant documentation, including media reports, staff reports, and complaints made regarding human resource aspects of the Cooperative.
 - c. The Committee considered facts, documents, testimony of interested persons, legal opinions, relevant case law, and advice of counsel. The Committee also reviewed the PEC Articles of Incorporation, the PEC Bylaws, the PEC Code of Conduct, the PEC Code of Ethics, and principles of common-law fiduciary duties of directors,
- 1.9 At its meeting on November 30, 2016, PEC's Board of Directors adopted a public statement about the comment and PEC's commitment to operations of an electric utility.
- 1.10 Director Oakley's Internet posted comment, while unfortunate in its choice of words and in the judgment of initially posting it, was apparently made by the Director as a spontaneous response to the violent death of a Texas law enforcement officer.
- 1.11 While Director Oakley's comment does not appear to have been made maliciously, nor with intentional hate or racist overtones; and does not appear to be a representation of Director Oakley's historical personality trait in his work in behalf of PEC; it nonetheless has caused unnecessary disruption to the efficiency of PEC's management, operations, administration, regulation of the business affairs and governance functions, and has cast certain unfavorable light to PEC's goodwill and brand, and has apparently caused negative impact to PEC's otherwise high employee morale.
- 1.12 The Committee recognizes Director Oakley has, and retains, his First Amendment rights of expression. However, PEC directors, because of their public profiles on the elected board of the nation's largest electric cooperative, must have a heightened sense of awareness regarding their personal and public activities. PEC Directors, as leaders and policy makers, not only have a duty to the Cooperative's membership, but also have certain responsibilities to PEC's work force. As such, PEC directors, even when acting in their otherwise private capacities, should always be aware of the far-reaching potential of their private actions and the resulting impact that such actions could have on their roles as PEC Directors, and the public perception of those roles.
- 1.13 The Committee found the following regarding PEC employees:
 - a. PEC's workforce, which is in excess of more than 700 employees, is composed of a diverse group of talented, trained and highly motivated individuals, covering a wide variety of ages, training, educational levels, races, and ethnicities. The diversity of its work force is a proud heritage within the Cooperative, is a great asset to PEC, and is directly related to the overall financial success, modern innovations, high employee morale, and the proven overall efficiencies of PEC's operations.

- b. The internet comments by Director Oakley, and the resulting public coverage, had a negative, albeit indirect and unintended, impact on the daily operations and morale among PEC's diverse work force.
 - c. In some cases, the impact of the overall situation resulted in the observations of certain racial tensions and morale challenges within PEC's diverse work force.
- 1.14 The fallout from the Internet postings generally disrupted PEC's operations, not only in the day-to-day utility service matters, but also in the administrative and management aspects, as well as its direct and public impact to efficient overall operations of the Cooperative and its Board of Directors governance duties.

2. RECOMMENDATION

Based on the findings herein, and after lengthy investigation and deliberation by the Complaint Committee, the following is recommended regarding the complaint filed against Director Oakley:

- 2.1 Director Oakley should be issued a warning, contained herein by the PEC Board of Directors as follows:
- a. PEC Directors, because of their public profiles in such capacities, must have a heightened awareness of the perceptions of their actions, including in their personal and private lives. As such, PEC does not condone any type of offensive language or actions, directly or indirectly, intended or unintended, that is inconsistent with the Cooperative's values. PEC proudly welcomes all employees, and respects all Members.
 - b. Director Oakley's Internet posting on November 21, 2016, and the resulting media coverage, was perceived by many PEC employees and Members as being highly inappropriate and insensitive. While Director Oakley apparently did not intend the perception his comments received, an elected Director of the nation's largest electric cooperative must always remain diligent and use a high level of judgment that his/her actions and activities, even in a private context, may have an impact on the operations and business affairs of the Cooperative.
 - c. Because of the negative impact to PEC that Director Oakley's November 21, 2016, Internet posting caused, the Board of Directors of PEC provides this warning to Director Oakley: that, as long as he remains on the PEC Board, to carefully and thoughtfully guard his public and personal actions. Because of the high profiles of PEC Directors, Board Members must diligently use their best judgment, not only for their actions directly regarding the Cooperative's business but also in their personal and private activities, as those matters might impact the Cooperative.
 - d. During the course of the Cooperative's review of this matter, a number of PEC Members and employees, on both sides of the issues, courageously stepped forward to relate and discuss the perception and impact Director's Oakley's posted comment had on the Cooperative. The vibrant discussions, while healthy in engaging a complete review of all issues did in some cases result in heated debate, both verbal and written. PEC strongly encourages both Member and employee

involvement and input. However, no Member or employee should be subject to any actual, or perceived, act of retaliation for their individual input into the Cooperative's review of this matter. Retaliation is strictly prohibited under PEC policy; and the Board authorizes and encourages PEC Management to act swiftly under current PEC policy and procedures with the reporting and immediate addressing of any action of retaliation.

- e. In the best interests of the Cooperative moving forward, and due to the distraction associated with and stemming from this incident, the Board of Directors should replace Director Oakley as Vice President of the Board, effective immediately, thereby removing him from a leadership position on the Board.

APPROVED, this the 6th day of January, 2017

APPROVED:


Emily Pataki, Board President

NOT APPROVED:

Emily Pataki, Board President

APPROVED:


Paul Graf, Board Secretary/Treasurer

NOT APPROVED:

Paul Graf, Board Secretary/Treasurer

APPROVED:

Kathy Scanlon, Board Director

NOT APPROVED:


Kathy Scanlon, Board Director
Recommend Removal

**Pedernales Electric Cooperative, Inc.
Regular Meeting January 17, 2017**

Director Cristi Clement Substitute Amendment to Resolution ID #3868

RESOLUTION TO REMOVE DIRECTOR JAMES OAKLEY

Whereas James Oakley is presently serving as Director, District 5, of Pedemales Electric Cooperative ("PEC", "co-op"), and

Whereas, Director Oakley has engaged in conduct unbecoming a director of PEC and has by his actions brought the reputation of PEC into disrepute and disrespect; caused disruption for and to the managers of PEC; created turmoil and fear within the employee workforce of the co-op; caused an outcry of protest from many member/owners of the co-op; and attracted negative publicity and public notice to the co-op, and

Whereas, the offending conduct of Director Oakley was a November 21, 2016, Facebook post commenting on the arrest of a suspect in the fatal shooting of Det. Marconi of the SAPD on November 20, 2016, the post consisting of a photo of the suspect, an African American male, and the following comment from Mr. Oakley: "Time for a tree and a rope." That statement is racially charged in light of the deplorable history in the State of Texas of the crime of lynching, the principal victims of which were African American males, and

Whereas, PEC has a diverse workforce that includes African American employees and has more than 200,000 member/owners, many of whom are African Americans, and

Whereas, Director Oakley's call for the lynching of the accused, Mr. McKane, is clearly a call for the extra-judicial execution of a man as yet presumed under the law as innocent, and

Whereas, Director Oakley's Facebook post and the views expressed render him unfit to serve as a Director of the co-op, and his continued presence on the board of directors will lead to continued disruption to the business of the co-op and degrade the morale of the employees,

**Pedernales Electric Cooperative, Inc.
Regular Meeting January 17, 2017**

Director Cristi Clement Substitute Amendment to Resolution ID #3868

The board of directors therefore resolve as follows:

- James Oakley is hereby removed from the position of Director of District 5 of PEC, effective immediately;
- The position of Director of District 5 of PEC is hereby declared vacant; and
- The vacancy in the position of Director of District 5 of PEC be filled in strict accordance with the relevant provisions of the PEC By-laws.

RESULT:	MOTION FAILED, 2 to 4
MOVER:	Cristi Clement, District 1 Director
SECONDER:	Kathryn Scanlon, District 3 Director
AYES:	Clement, Scanlon
NAYS:	Powers, Graf, SJ Akers, Pataki



Board of Directors

PO Box 1
Johnson City, TX 78636

Meeting: 01/17/17 09:00 AM

RESOLUTION 2017-4

DOC ID: 3530 A

Subject: Employee Compensation Policy (Approval)

Submitted By: Julie Beggs

Department: Corporate Services

Background:

Pursuant to the Board's Policy on Policies, the Board routinely reviews all policies as part of its policy management. Under the Board's approved review schedule, the Board may now consider review of the Employee Compensation Policy.

The purpose of the Pedernales Electric Cooperative ("PEC") Employee Compensation Policy is to establish guidelines for managing PEC's employee pay and compensation practices; maintain equitable and competitive salary ranges consistent with PEC's economic requirements; attract and retain qualified employees by maintaining a compensation structure that is competitive with the external job market; and, promote internal equity and consistency across diverse PEC functions.

HISTORY:

12/19/16

Board of Directors

RECOMMENDED

Next: 01/17/17

Financial Impact and Cost/Benefit Considerations:

No financial impact.

ATTACHMENTS:

- Employee Compensation Policy (PDF)

**Pedernales Electric Cooperative, Inc.
Regular Meeting
January 17, 2017**

RESOLUTION 2017-4

Employee Compensation Policy (Approval) - J Beggs

BE IT RESOLVED BY THE BOARD OF DIRECTORS that pursuant to its regular review of Board policies, the Board has reviewed and adopts the Employee Compensation Policy presented to and discussed by the Board this day, with such changes, if any, as were discussed and approved by the Board; and

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

RESULT:	ADOPTED [UNANIMOUS]
MOVER:	Amy Lea SJ Akers, District 7 Director
SECONDER:	Paul Graf, District 6 Director
AYES:	Clement, Scanlon, Powers, Oakley, Graf, SJ Akers, Pataki

Employee Compensation Policy

PEDERNALES ELECTRIC COOPERATIVE, INC.

1. Purpose:

- 1.1. The purpose of the Pedernales Electric Cooperative ("PEC") Employee Compensation Policy is to:
 - 1.1.1. Establish guidelines for managing PEC's employee pay and compensation practices;
 - 1.1.2. Maintain equitable and competitive salary ranges consistent with PEC's economic requirements;
 - 1.1.3. Attract and retain qualified employees by maintaining a compensation structure that is competitive with the external job market; and,
 - 1.1.4. Promote internal equity and consistency across diverse PEC functions.

2. Scope:

- 2.1. This Policy applies to all PEC Employees. This Policy does not apply to the CEO and the General Counsel.

3. Definitions:

- 3.1. Market Value - Current value conditions for compensation as established by objective assessments and comparisons for attracting desired talent including competition, supply and demand of skill.

4. Policy Statement and Implementation:

- 4.1. Under to the Board's Delegation of Authority and pursuant to this Policy, the CEO shall hire PEC employees and provide compensation and benefits. The CEO shall establish defined performance metrics and a performance evaluation process for all employees.
- 4.2. PEC compensates employees according to the nature of the job, required qualifications, training, experience, individual performance, the financial resources of the organization, or any other relevant factors. PEC offers compensation and benefits that may include, but are not limited to the following:
 - 4.2.1. Employee base salary;
 - 4.2.2. Merit pay and merit pay adjustments;
 - 4.2.3. Overtime and compensatory time or pay;
 - 4.2.4. Stipend pay for language proficiency or interim job assignments;
 - 4.2.5. Bonus pay for performance, hiring, and retention;
 - 4.2.6. Paid time off such as Holiday Pay, Bereavement Leave, or other approved types of paid or unpaid leave;

Employee Compensation Policy

PEDERNALES ELECTRIC COOPERATIVE, INC.

4.2.7. Other employee benefits, such as health insurance, life insurance, disability insurance, retirement, optional coverages, and vehicle allowance.

4.3. PEC pays competitive wages based on the Market Value of similar jobs, while maintaining fiscal control of salary growth.

4.4. PEC pays employees at the 75th percentile of the Market Value of job positions.

4.5. It is PEC's policy to maintain a compensation structure consistent with its Equal Employment Opportunity/Affirmative Action program and other PEC requirements.

5. Procedure Responsibilities

5.1. The Chief Executive Officer, as delegated by the Board of Directors, is responsible for implementation and application of this Policy.

5.2. The CEO shall conduct periodic reviews of PEC employee pay ranges compared to those in comparable and competitive industries. The CEO shall evaluate economic factors affecting PEC and its employees and adjust compensation when warranted.

5.3. The CEO may engage independent outside consultants and experts to provide objective assessments and comparisons to industry-wide compensation trends and surveys. The CEO should benchmark to appropriate groups of other cooperatives, public utilities, and privately-owned or investor-owned utilities, taking into consideration the size and complexity of PEC, as well as the significant challenges in managing a significant growth-oriented business whose primary obligation is to serve Members with electricity.

6. Enforcement

6.1. The Chief Executive Officer, as delegated by the Board of Directors, is responsible for implementation and application of this Policy. Violations of this Policy may result in disciplinary, up to and including, termination.

7. Superseding Effect

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

8. References and Related Documents:

- 8.1. Authorities and Responsibilities and Delegation of Authority Policy
- 8.2. Chief Executive Officer Performance Evaluation Policy
- 8.3. General Counsel Performance Evaluation Policy
- 8.4. Individual Safety Achievement Award Policy
- 8.5. Defined Benefit Plan Funding Policy
- 8.6. Holiday Policy
- 8.7. Wage and Salary Policy

Employee Compensation Policy

PEDERNALES ELECTRIC COOPERATIVE, INC.

Policy Title:	Employee Compensation Policy
Review Frequency:	Triennially
Last Reviewed:	January 17, 2017
Date Adopted:	January 17, 2017
Effective Date:	January 17, 2017
Amendment Dates:	N/A
Approver:	PEC Board of Directors
Applies to:	All PEC employees
Administrator:	PEC 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.

**Board of Directors**

PO Box 1
Johnson City, TX 78636

Meeting: 01/17/17 09:00 AM

RESOLUTION 2017-5

DOC ID: 3815 D

Subject: Appointment of Member to the Plan Administration Committee

Submitted By: Julie Beggs

Department: Corporate Services

Background:

As Plan Sponsor, the Board may now consider the appointment of Regina Leal-Vandervort, Employee Representative, to the Cooperative's Plan Administration Committee whose term expires as described in resolution.

Financial Impact and Cost/Benefit Considerations:

Expenditure of Cooperative funds estimated in the amount of \$0: staff time required for attendance at quarterly Committee meetings or more frequent meetings.

ATTACHMENTS:

- Certified Resolution Signed 2017-02-01 (PDF)

**Pedernales Electric Cooperative, Inc.
Regular Meeting
January 17, 2017**

RESOLUTION 2017-5

Appointment of Member to the Plan Administration Committee - J Beggs

WHEREAS, effective January 1, 1964, Pedernales Electric Cooperative, Inc. ("Plan Sponsor" or "PEC"), established, for the exclusive benefit of its employees and their beneficiaries, the *Pedernales Electric Cooperative, Inc. Employees Defined Benefit Retirement Plan*, a defined benefit pension plan intended to qualify under Sections 401(a) and 501(a) of the Internal Revenue Code ("DB Plan");

WHEREAS, effective January 1, 1968, Pedernales Electric Cooperative, Inc. ("Plan Sponsor"), established, for the exclusive benefit of its employees and their beneficiaries, the *Pedernales Electric Cooperative, Inc. Employees Defined Contribution Savings Plan*, a money purchase pension plan intended to qualify under Sections 401(a) and 501(a) of the Internal Revenue Code, and now known as the *Pedernales Electric Cooperative, Inc. Employees' 401(k) Savings Plan* ("401(k) Plan");

WHEREAS, under the terms of the DB Plan and of the 401(k) Plan, the Plan Sponsor has the authority to appoint a person or committee to serve in the capacity of Plan Administrator, and appointed persons to serve as members of the *Pedernales Electric Cooperative, Inc. Plan Administration Committee* ("Committee");

WHEREAS, the term of one member of the Committee has expired, thus creating a vacancy on the Committee; and

WHEREAS, the Plan Sponsor wishes to appoint a replacement member to the Committee and to fix his/her term of service; and

WHEREAS, the Plan Sponsor has determined that any person appointed to the Committee shall signify acceptance of such duties by filing a written acceptance with the Plan Sponsor;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE that the following individual is appointed as a regular member of the Committee and is hereby appointed, effective immediately, to serve as a regular member of the *Pedernales Electric Cooperative, Inc. Plan Administration Committee* for the following term or until the person's resignation, removal by the Board of Directors, or termination of the person's employment (for whatever reason) with PEC:

Regina Leal-Vandervort, Procurement Manager, Term Ending December 31, 2019;

BE IT FURTHER RESOLVED that the employee named above shall, beginning after completion of any initial term, serve a three-year term.

RESULT:	ADOPTED [UNANIMOUS]
MOVER:	Amy Lea SJ Akers, District 7 Director
SECONDER:	Jim Powers, District 4 Director
AYES:	Clement, Scanlon, Powers, Oakley, Graf, SJ Akers, Pataki

**PEDERNALES ELECTRIC COOPERATIVE, INC.
CERTIFIED RESOLUTIONS**

I, **Paul Graf**, do hereby certify that I am the Secretary of Pedernales Electric Cooperative, Inc. ("the Cooperative"), an electric cooperative corporation organized under the law of the State of Texas; that I am keeper of the records and proceedings of the Board of Directors of the Cooperative; that on the 17 day of January, 2017, the Board of Directors of the Cooperative duly and regularly adopted and passed the following resolutions; and that such resolutions are still in force and effect and have not been repealed:

WHEREAS, effective January 1, 1964, Pedernales Electric Cooperative, Inc. ("Plan Sponsor" or "PEC"), established, for the exclusive benefit of its employees and their beneficiaries, the *Pedernales Electric Cooperative, Inc. Employees Defined Benefit Retirement Plan*, a defined benefit pension plan intended to qualify under Sections 401(a) and 501(a) of the Internal Revenue Code ("DB Plan");

WHEREAS, effective January 1, 1968, Pedernales Electric Cooperative, Inc. ("Plan Sponsor"), established, for the exclusive benefit of its employees and their beneficiaries, the *Pedernales Electric Cooperative, Inc. Employees Defined Contribution Savings Plan*, a money purchase pension plan intended to qualify under Sections 401(a) and 501(a) of the Internal Revenue Code, and now known as the *Pedernales Electric Cooperative, Inc. Employees' 401(k) Savings Plan* ("401(k) Plan");

WHEREAS, under the terms of the DB Plan and of the 401(k) Plan, the Plan Sponsor has the authority to appoint a person or committee to serve in the capacity of Plan Administrator, and appointed persons to serve as members of the *Pedernales Electric Cooperative, Inc. Plan Administration Committee* ("Committee");

WHEREAS, the term of one member of the Committee has expired, thus creating a vacancy on the Committee; and

WHEREAS, the Plan Sponsor wishes to appoint a replacement member to the Committee and to fix his/her term of service; and

WHEREAS, the Plan Sponsor has determined that any person appointed to the Committee shall signify acceptance of such duties by filing a written acceptance with the Plan Sponsor;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE that the following individual is appointed as a regular member of the Committee and is hereby appointed, effective immediately, to serve as a regular member of the *Pedernales Electric Cooperative, Inc. Plan Administration Committee* for the following term or until the person's resignation, removal by the Board of Directors, or termination of the person's employment (for whatever reason) with PEC:

Regina Leal-Vandervort, Procurement Manager, Term Ending December 31, 2019;

BE IT FURTHER RESOLVED that the employee named above shall, beginning after completion of any initial term, serve a three-year term.



Paul Graf, Secretary

ACCEPTANCE OF APPOINTMENT:



Regina Leal-Vandervort,

Term Ending December 31, 2019

Date: 2/1/17

Attachment: Certified Resolution Signed 2017-02-01 (RES-2017-5 : Appointment of Member to the Plan Administration Committee)

**Board of Directors**

PO Box 1
Johnson City, TX 78636

Meeting: 01/17/17 09:00 AM

RESOLUTION (ID # 3834)

DOC ID: 3834 B

Subject: Combined Tariff and Business Rules - N Mack

Submitted By: Ingmar Sterzing

Department: Power Supply & Energy Services

Background:

As part of PEC's efforts to ensure consistency and clarity pertaining to its policies, PEC has added and combined existing provisions from the Business Rules to applicable sections of the Tariff for Electric Service and attempted to minimize policy changes. The goals were (1) to eliminate duplications and any inconsistencies; and (2) consider current practices and state of operations.

The following sections, among others, were clarified or added to the Tariff and Business Rules for Electric Service: (1) the applicability of the College Discount Rider rate for state or non-profit institutions, (2) adding a discount rate for service to military bases; (3) line extension completion deadline; (4) Large Power's 12-month average requirement; (5) timing for connection of electric service; (6) expressing the Cooperative's preference for individual metering for residential units; (7) expressly referencing the Cooperative's ability to file criminal charges for tampering with meters or theft of electric service; and (8) clarifying the contribution in aid of construction formula applicability to commercial accounts.

These changes will be effective February 1, 2017.

Financial Impact and Cost/Benefit Considerations:

These changes are not expected to have a financial impact on the Cooperative.

**Pedernales Electric Cooperative, Inc.
Regular Meeting
January 17, 2017**

RESOLUTION (ID # 3834)

Combined Tariff and Business Rules - N Mack

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF PEDERNALES ELECTRIC COOPERATIVE, INC. that the Cooperative approve these amendments to the Tariff for Electric Service as attached hereto to become effective as of February 1, 2017.

BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, the Business Rules as a separate governing document will no longer be effective as of the effective date of the newly combined document Tariff and Business Rules for Electric Service; and

BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, that the Chief Executive Officer, or designee, is hereby authorized to take all such other actions as necessary to implement this resolution.

RESULT: RECOMMENDED

Next: 2/20/2017 9:00 AM



Board of Directors

PO Box 1
Johnson City, TX 78636

Meeting: 01/17/17 09:00 AM

RESOLUTION 2017-6

DOC ID: 3666 A

Subject: Investment Policy (Approval) - T Golden

Submitted By: Tracy Golden

Department: Financial Services

Background:

Pursuant to the Board's Policy on Policies, the Board routinely reviews all policies as part of its policy management. The Board may now consider adoption of the Investment Policy. The purpose of this policy is to establish objectives and guidelines for investing Pedernales Electric Cooperative, Inc. ("PEC") funds and defines the types of investments in which PEC may invest.

HISTORY:

12/19/16

Board of Directors

RECOMMENDED

Next: 01/17/17

Financial Impact and Cost/Benefit Considerations:

No Financial Impact

ATTACHMENTS:

- Investment Policy (PDF)

**Pedernales Electric Cooperative, Inc.
Regular Meeting
January 17, 2017**

RESOLUTION 2017-6

Investment Policy (Approval) - T Golden

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

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

RESULT:	ADOPTED [UNANIMOUS]
MOVER:	Kathryn Scanlon, District 3 Director
SECONDER:	Paul Graf, District 6 Director
AYES:	Clement, Scanlon, Powers, Oakley, Graf, SJ Akers, Pataki

INVESTMENT POLICY

PEDERNALES ELECTRIC COOPERATIVE, INC.

1. Purpose:

1.1. This Policy states the objectives and guidelines for investing Pedernales Electric Cooperative, Inc. ("PEC") funds and defines the types of investments in which PEC may invest. The Policy also applies to activity involving PEC funds whose investment is subject to the provisions of PEC's Master Indenture of Trust dated January 1, 1993, as amended or supplemented by Supplemental Indentures from time to time (collectively, the "Master Indenture") or other Credit Agreements (as defined in the Master Indenture) and PEC monies in accounts not established or governed by the Master Indenture.

2. Scope:

2.1. This Policy applies to the Chief Executive Officer, Chief Financial Officer, the Board of Directors, the Investment Committee, and any other employee or party authorized under this Policy to act on behalf of PEC in use of PEC resources.

2.2. This Policy does not apply to the Pedernales Electric Cooperative, Inc. Employees Defined Benefit Retirement Plan or the Pedernales Electric Cooperative, Inc. Employees' 401(k) Savings Plan which are each managed separately by Plan Administrators appointed by the Plan Sponsors.

3. Definitions:

3.1. Investment Advisor – The Board of Directors may choose an investment advisor to provide services including, among other things, development of investment benchmarks for performance, maturity horizon review, assistance in broker/dealer selection, etc.

3.2. Investment Committee – An Investment Committee composed of at least three management employees. The Investment Committee will meet at least semi-annually to review the Policy, investment objectives and guidelines, to evaluate investment advisors, and recommend changes to guidelines, objectives and advisors where appropriate.

4. Policy Statement and Implementation:

4.1. PEC's investments will be made in accordance with applicable laws, Board policies, the PEC Master Indenture, any applicable Credit Agreements (as defined in the Master Indenture), and other agreements and arrangements with third parties that may be applicable from time to time. Effective cash management is recognized as a foundation of this policy with protection of principal the paramount objective.

5. Procedure Responsibilities

5.1. The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of the Cooperative, or their designee, is responsible for implementing this Policy and preparing reports to the Board of Directors regularly and as requested. Management will maintain safekeeping procedures to protect against potential loss or misapplication of investments.

INVESTMENT POLICY

PEDERNALES ELECTRIC COOPERATIVE, INC.

5.2. Investment Objectives – The PEC investment portfolio will be managed primarily to be consistent with state law, the Articles and the Bylaws and to take advantage of investment interest as a source of income for all funds. When investing PEC funds, the CEO and CFO, or designees, shall utilize the following objectives.

5.2.1. Suitability - PEC will ensure the suitability of the investment to PEC's financial requirements.

5.2.2. Safety - PEC will give priority to ensuring the preservation and safety of principal.

5.2.3. Liquidity - PEC will maintain sufficient liquidity to provide adequate and timely availability of funds necessary to pay obligations as they become due.

5.2.4. Marketability - PEC will consider its ability to liquidate an investment prior to maturity.

5.2.5. Diversification - PEC will diversify its investments on the basis of maturity, type of instruments, financial institutions, and securities firms.

5.2.6. Return on investment - PEC will optimize return on investments within the constraints of safety and liquidity.

5.2.7. Maturity - PEC will invest its funds in maturities sufficiently diverse and, in consideration of maximum maturity limits, to achieve safety of principal and adequate liquidity.

5.3. Standard of Care – The prudent investor rule will be applied to all investment decision processes. All persons involved in the investment of PEC funds shall act responsibly as stewards of PEC resources. PEC investments decisions will be made using the exercise of judgment and care under the circumstances then prevailing, that persons of prudence, discretion and the intelligent exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital.

5.4. Authorized Instruments – PEC shall purchase only those investment instruments authorized under this Policy. For corporate funds not governed by the Master Indenture, the investment instruments shall include:

5.4.1. Obligations of the United States or its agencies and instrumentalities

5.4.2. No load equity mutual funds rated four-star or better by Morningstar Rating Services

5.4.3. Corporate bonds, notes or other evidence of indebtedness rated at least "AA" by Standard & Poor's or Moody's Investor Service.

5.4.4. JPMorgan Prime Money Market Fund, Class: Capital Share Class, Ticker: CJPXX

5.4.5. Equity investments in other cooperatives.

INVESTMENT POLICY

PEDERNALES ELECTRIC COOPERATIVE, INC.

5.4.6. Investment in the RUS Cushion of Credit Program.

* For funds subject to the Master Indenture, such obligations as permitted under the Master Indenture.

5.5. Disclosure - The Chief Executive Officer, Chief Financial Officer, the Board of Directors, the Investment Committee and any other party authorized under this Policy to act on behalf of PEC shall file any report disclosing a personal business interest or relationship with any Investment Adviser or as may be otherwise necessary in accordance with the Conflict of Interest Policy.

6. Enforcement

6.1. The Board, CEO, and CFO shall enforce this Policy. Violations of this Policy may result in disciplinary or corrective action, up to and including termination.

7. Superseding Effect

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

8. References and Related Documents:

- 8.1. Chapter 161, Texas Utilities Code
- 8.2. Bylaws
- 8.3. Articles of Incorporation
- 8.4. Board Responsibilities and Delegation of Authority Policy
- 8.5. Conflict of Interest Policy
- 8.6. Defined Benefit Plan Funding Policy

Policy Title:	Investment Policy
Review Frequency:	Triennial
Last Reviewed:	January 17, 2017
Date Adopted:	March 20, 2006
Effective Date:	March 20, 2006
Amendment Dates:	January 17, 2017
Approver:	Board of Directors
Applies to:	Investment Committee, Chief Executive Officer, Chief Financial Officer or their designee
Administrator:	Financial Services
Superseding Effect	This Policy supersedes all previous policies and memoranda concerning the subject matter. Only the Approver may authorize exceptions to this policy.

**Board of Directors**

PO Box 1
Johnson City, TX 78636

Meeting: 01/17/17 09:00 AM

RESOLUTION 2017-7

DOC ID: 3839

Subject: 2017 NRECA Annual Membership Dues

Submitted By: Sylvia A. Romero

Department: Legal Services

Background:

Membership in NRECA (National Rural Electric Cooperative Association) provides the ability for members to take legislative action, stay informed with technology, industry, and politics, and collaboration between other cooperatives. Membership also provides opportunities to participate in international and youth programs.

Below is a historic table of membership dues paid to NRECA which is based on statistical data for the number of consumers at Pedernales Electric:

2014 - \$151,165.00

2015 - \$158,100.00

2016 - \$161,427.00

Financial Impact and Cost/Benefit Considerations:

Expenditure of Cooperative funds estimated in the amount of \$163,829 currently included in the Cooperative's 2017 operating budget; No expenditures of staff time other than ordinary processing requirements.

**Pedernales Electric Cooperative, Inc.
Regular Meeting
January 17, 2017**

RESOLUTION 2017-7

NRECA 2017 Annual Membership Dues - J Hewa

RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, that the Membership dues to the National Rural Electric Cooperative Association for 2017 in the amount of \$163,829 are hereby approved, and the Chief Executive Officer of the Cooperative, or his designee, is hereby authorized and directed to pay those dues pursuant to the invoice duly presented to the Cooperative.

RESULT:	ADOPTED [UNANIMOUS]
MOVER:	Kathryn Scanlon, District 3 Director
SECONDER:	Cristi Clement, District 1 Director
AYES:	Clement, Scanlon, Powers, Oakley, Graf, SJ Akers, Pataki

**Board of Directors**

PO Box 1
Johnson City, TX 78636

Meeting: 01/17/17 09:00 AM

RESOLUTION (ID # 3869)

DOC ID: 3869

Subject: Rescind Bylaws Amendment to Article III, Section 5 (Director Removal and Discipline)

Submitted By: Don Ballard

Department: Legal Services

Background:

The Board amended the Bylaws in November 2016 to add new Sections 5(a), (b), and (c) of Article III regarding Director Removal and Discipline by the Board of Directors. The Board of Directors may consider rescinding the amendments adding new Article III, Sections 5(a), (b) and (c) of the Cooperative's Bylaws.

Financial Impact and Cost/Benefit Considerations:

Expenditure of Cooperative funds estimated in the amount of \$0 included in the Cooperative's 2017 operating budget; expenditures of staff time estimated in amount of 0 hours (other than ordinary processing requirements).

**Pedernales Electric Cooperative, Inc.
Regular Meeting
January 17, 2017**

RESOLUTION (ID # 3869)

Rescind Bylaws Amendment to Article III, Section 5 (Director Removal and Discipline) 5 (a), (b), and (c) from Resolution #2016-120, Bylaw Amendments Effective November 14, 2016 - Director J Oakley

NOW THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE that the Cooperative rescind and delete the November 2016 amendments to the Bylaws that added new Sections 5 (a), (b) and (c) to Article III and that Article III, Section be renamed "Director Removal by Members" and renumbered in the form discussed as attached with changes, if any, made this day; and

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

RESULT:	TABLED [4 TO 2]	Next: 2/20/2017 9:00 AM
MOVER:	Kathryn Scanlon, District 3 Director	
SECONDER:	Cristi Clement, District 1 Director	
AYES:	Cristi Clement, Kathryn Scanlon, Paul Graf, Amy Lea SJ Akers	
NAYS:	Jim Powers, James Oakley	
ABSTAIN:	Emily Pataki	



Board of Directors

PO Box 1
Johnson City, TX 78636

Meeting: 01/17/17 09:00 AM

RESOLUTION 2017-8

DOC ID: 3826 A

Subject: 2017 Appointment of Qualifications and Elections Committee (Approval) - D Ballard

Submitted By: Don Ballard

Department: Legal Services

Background:

PEC's Election Policy and Procedures Section 6.2.1.6 provides the following:

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 Board Recording Secretary 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.

PEC's Bylaws Article 3 Section 3 provides the following:

Qualifications and Elections Review Committee.

- (a) At least ninety (90) days before any Member Meeting where an election will be held, the Board of Directors shall, appoint, by resolution, a qualifications and election review committee ("Qualifications and Elections Committee") consisting of no less than three (3) nor more than seven (7) members who are not existing Cooperative officers, employees, Directors or known candidates for Directors, or close relatives or members of the same household thereof. The Qualifications and Elections Committee shall elect its own chairman and secretary, and shall be dissolved without further action required at the conclusion of the fifth day following the Member Meeting for which the Qualifications and Elections Committee was appointed, or upon the conclusion of any business before the Qualifications and Elections Committee, whichever is later. The Board may set compensation, reimbursement, allowances for telephonic meetings, and any other terms for the Qualifications and Elections Committee not otherwise specified by these Bylaws.
- (b) It shall be the responsibility of the Qualifications and Elections Committee to verify the qualifications of Director Nominees.
- (c) In the exercise of its responsibility, the Qualifications and Elections Committee shall have available to it the assistance of staff and the advice of legal counsel provided by the Cooperative, and shall be subject to the limits of Article III, Sec. 2 (p) of these Bylaws.

- (d) The Qualifications and Elections Committee's decisions (as reflected by a majority of those actually present and voting) on all matters covered by this Section shall be final.
- (e) In all matters, the Qualifications and Elections Committee shall assume the truth of matters asserted by Director Nominees, and act accordingly, unless the Committee has identified a reasonable and specific basis for acting otherwise.

HISTORY:

12/19/16

Board of Directors

RECOMMENDED

Next: 01/17/17

Financial Impact and Cost/Benefit Considerations:

Expenditure of Cooperative funds estimated in the amount of \$2,000 currently included in the Cooperative's 2017 operating budget; expenditures of staff time estimated in amount of 0 hours (other than ordinary processing requirements).

**Pedernales Electric Cooperative, Inc.
Regular Meeting
January 17, 2017**

RESOLUTION 2017-8

2017 Appointment of Qualifications and Elections Committee (Approval) - D Ballard

WHEREAS, the Bylaws of the Cooperative require the Board to appoint a Qualifications and Elections Committee ("the Committee") to review and determine the qualifications of applicants who wish to be candidates for election to the Board, and in accordance with the Cooperative's Election Policy and Procedures;

NOW, THEREFORE, BE IT RESOLVED, that the following individuals are appointed to serve on the Qualifications and Elections Committee for the 2017 Election:

1. Mary Ann Raesener
2. Cliff Hahn
3. Christina Lewis
4. Pete Slover
5. Joe Bain
6. Larry Hull
7. Peggy Jones; and

BE IT FURTHER RESOLVED, that the Committee will elect its own officers, and will have access to information gathered from various sources, including the Candidates themselves, public records, and the Cooperative; and

BE IT FURTHER RESOLVED, that the Cooperative will provide legal counsel and staff support; and

BE IT FURTHER RESOLVED, that the Committee should conduct Meetings as often as the Committee determines that they are needed to perform the review of Candidate applications, and these meetings may be conducted by phone or at a place of the Committee's choosing; and

BE IT FURTHER RESOLVED, that Committee members are paid \$100 for each telephonic or live meeting lasting more than one hour; the Cooperative will reimburse mileage and reasonable meal expenses incurred by Committee members in the course of their service; and provide indemnification and protection from liability for Committee Members serving in that capacity as provided for in the PEC Bylaws; and

BE IT FURTHER RESOLVED, that the General Counsel, or designee, is authorized and directed to take all actions necessary to implement this resolution.

RESULT:	ADOPTED [UNANIMOUS]
MOVER:	Amy Lea SJ Akers, District 7 Director
SECONDER:	Cristi Clement, District 1 Director
AYES:	Clement, Scanlon, Powers, Oakley, Graf, SJ Akers, Pataki



Board of Directors

PO Box 1
Johnson City, TX 78636

Meeting: 01/17/17 09:00 AM

RESOLUTION (ID # 3611)

DOC ID: 3611 A

Subject: Board Responsibilities and Delegation of Authority Policy (Approval) - J Hewa & D Ballard

Submitted By: Cheryl Forte

Department: Chief Executive Office

Background:

Pursuant to the Board's Policy on Policies, the Board routinely reviews all policies as part of its policy management. Under the Board's approved review schedule, the Board may now consider review of Authorities and Responsibilities and Board Delegation of Authority Policy. The purpose of this policy is to define the relationship between the Board of Directors and the management of PEC through the description of responsibilities and expectations and through the establishment of guidelines for the delegation of certain powers and duties.

HISTORY:

12/19/16

Board of Directors

RECOMMENDED

Next: 01/17/17

Financial Impact and Cost/Benefit Considerations:

Expenditure of Cooperative funds estimated in the amount of \$0 included in the Cooperative's 2017 operating budget; expenditures of staff time estimated in amount of 0 hours (other than ordinary processing requirements).

**Pedernales Electric Cooperative, Inc.
Regular Meeting
January 17, 2017**

RESOLUTION (ID # 3611)

**Board Responsibilities and Delegation of Authority Policy (Approval) -
J Hewa & D Ballard**

BE IT RESOLVED BY THE BOARD OF DIRECTORS that pursuant to its regular review of Board policies, the Board has reviewed and adopts the Board Responsibilities and Delegation of Authority Policy presented to and discussed by the Board this day, with such changes, if any, as were discussed and approved by the Board; and

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

RESULT: DEFERRED

Next: 2/20/2017 9:00 AM

2017 Election Timeline

#	Item	Section	Party	Due Date	2016-2017 Deadline**
1	Annual Decision (Election Services Contract)	4.1	GC/BOD	At or before the August Regular Board Meeting	8/15/2016
2	Establish Annual Meeting Date and Location	3.1	BOD	At or before the August Regular Board Meeting	8/15/2016
3	Present Draft Election Timeline	3.2	GC	At least 6 months prior to Annual Meeting	11/14/2016
4	Communications Plan overview presented to the Board of Directors	7.3	Communications Department	At or before the January Regular Board Meeting	11/14/2016
5	Approve Election Timeline	3.2	BOD	At least 5 months prior to Annual Meeting	12/19/2016
6	Final Communications Plan to be approved by the Board of Directors	7.3	Communications Department	At or before the January Regular Board Meeting	12/19/2016
7	Director will submit to the Board Recording Secretary 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/BRS	At least a week before the Regular Board meeting 4 months prior to an election	1/10/2017
8	Conduct Internal Coordination Meeting and Establish PEC Election Team	3.3	GC/Communications/IT/Board Recording Secretary/Legal/Member Services/SBS	Upon approval of the Election Timeline (meeting set after approval of election timeline)	1/17/2017
9	Retain Background Verifier	6.2.1.7	GC	None specified	1/17/2017
10	Post and make available Nomination Application and Ballot Materials	6.2.1.1.1	BRS/Communications/Member Services	At least 5 months prior to Annual Meeting	1/17/2017
11	Direct the General Counsel to prepare proposed Non-Director Election items	6.1	BOD	No later than the Regular Board Meeting 5 months prior to an election	1/17/2017
12	Board will appoint the Qualifications and Elections Committee	6.2.1.6	BOD/QC	At the Regular Board meeting 4 months before an election	1/17/2017
13	Send Quality Control steps to the General Counsel	7.13	SBS/GC	Before the February Regular Board Meeting	2/20/2017
14	Candidate Application to be delivered to the Board Recording Secretary at PEC Headquarters in Johnson City	6.2.1.4	Candidate Applicants/BRS	At or before 5 p.m. on the last business day falling 82 days or more before the date of the Annual Meeting	3/27/2017
15	Qualifications and Elections Committee Meeting Date		QEC/OGC/BRS		4/10/2017 (and 4/11/2017 if needed)
16	Candidate Orientation and Candidate photographs	7.1, 7.6	Candidate Applicants/PEC staff	The week preceding the April Regular Meeting of the Board	4/12/2017
17	Election withdrawal deadline for removal from Ballot	7.2	Candidate Applicants	Before Board approval of Ballot	4/17/2017
18	Presentation and approval of Candidate slate, Ballot, and any Non-Director Election items	6.2.1.9, 6.2.1.10	Qualifications and Elections Committee /GC	At least 2 months prior to an election	4/17/2017
19	Candidate Video Recording Make-up Opportunity	7.5	Candidate Applicants/PEC staff	Within 7 business days prior to the public forum	4/11/2017 - 4/19/2017

Attachment: 2017 Election Timeline final w next steps highlighted 2017-01-03 (3854 : 2017 Election Update - D Ballard)

2017 Election Timeline

#	Item	Section	Party	Due Date	2016-2017 Deadline**
20	Candidate Forum (Candidates video recording)	7.5	Candidate Applicants/PEC staff	On the Thursday after the Ballot is approved by the Board	4/20/2017
21	Mailing of Ballots	7.4.1	SBS	Delivered between 25 and 30 days before the Annual Meeting*	5/18/2017
22	Online voting site goes live	7.4.2	SBS	30 days before the Annual Meeting	5/18/2017
23	Electronic voting devices available to membership at PEC offices		Elections Committee/GC		5/18/2017
24	Initial voting email notifications	7.4.3	SBS	Between 25 and 30 days before the Annual Meeting	5/18/2017
25	PEC Corporate Fact Sheet emailed to all PEC Members	7.3	Communications Department	As approved in the Communications plan	5/18/2017
26	Supplemental mailing of ballots to Members since previous mailing	7.4.1	SBS/IT	As specified in this timeline	5/25/2017
27	Update on voter turnout	7.12	GC	Once weekly after ballots are initially mailed	5/25/2017
28	Update on voter turnout	7.12	GC	Once weekly after Ballots are initially mailed	6/1/2017
29	Supplemental mailing of ballots to Members since previous mailing	7.4.1	SBS/IT	As specified in this timeline	6/1/2017
30	Reminder voting emails	7.4.3	SBS	Dates to be determined each year when timeline presented to the Board of Directors	5/25/2017 6/1/2017
31	PEC Corporate Fact Sheet emailed to all PEC Members	7.3	Communications Department	As approved in the Communications plan	6/1/2017
32	Update on Voter Turnout	7.12	GC	Once weekly after ballots are initially mailed	6/8/2017
33	Deadline for mailing or casting online ballots	8.4 & Bylaws	SBS	Eight days before Annual Meeting	6/9/2017
34	Record Date for Casting Ballot at Annual Meeting, transmittal by PEC of Members eligible to vote to SBS	5.2	IT	Close of business four business days before Annual Meeting	6/13/2017
35	Pre-Annual Meeting Quality Control	7.14	SBS	At the close of the final business day before the Annual Meeting	6/16/2017
36	Post-Tabulation, Pre-Announcement Quality Control	8.8	SBS	On the date of Annual Meeting after the results are tabulated	6/17/2017
37	Announcement and Certification of Election Results	8.9	SBS	On the date of Annual Meeting after the results are tabulated	6/17/2017
38	Post-Election Director Acknowledgments	8.10	BOD	On the date of Annual Meeting after the meeting has concluded	6/17/2017
39	Final Election Results - District-by-District Results	9.1	SBS	Within five business days of the Annual Meeting	6/23/2017
40	Post-Election Analysis	9.2	GC	Within two months after the Annual Meeting	8/17/2017
*Ballots are mailed for intended delivery to Members on the first day of voting period. It is anticipated that U.S. addresses will be mailed 3 days in advance and international addresses 10-15 days in advance of the first day of voting.					
**Dates listed here are subject to change due to aligning dates of the Board of Directors Meetings					

Attachment: 2017 Election Timeline final w next steps highlighted 2017-01-03 (3854 : 2017 Election Update - D Ballard)

**Board of Directors**

PO Box 1
Johnson City, TX 78636

Meeting: 01/17/17 09:00 AM

RESOLUTION 2017-9

DOC ID: 3840 A

Subject: Regional Vendor Alliance Procurement Pilot - T Golden

Submitted By: Tracy Golden

Department: Financial Services

Background:

PEC has conducted a pilot procurement program ("Alliance") with two wholesale materials suppliers ("Suppliers") at two of PEC's inventory facilities since February 2016. PEC added an additional two inventory facilities, for a total of four PEC facilities, to the Alliance in July 2016.

The Alliance requires Suppliers to conduct competitive sourcing events to ensure PEC obtains competitive pricing for line construction materials. The Alliance also requires Suppliers to retain documentation used to support competitive pricing and allow PEC to audit the documentation. Suppliers must provide emergency storm preparation and storm response within a limited delivery time.

The results of the pilot Alliance leads to a recommendation of entering into two alliance agreements with two wholesale material suppliers to provide materials to all PEC inventory facilities.

PEC now wishes to extend the Alliance locations to all of PEC's inventory facilities by entering into an agreement with up to a five-year term for each of the two Alliance Suppliers. PEC will retain the contractual right to cancel the Alliance with either or both Suppliers at any time;

The Board may now consider authorizing the execution and negotiation of these agreements.

Financial Impact and Cost/Benefit Considerations:

Expenditure of Cooperative funds estimated in the savings amount in excess of approximately \$3,000,000 per year.

**Pedernales Electric Cooperative, Inc.
Regular Meeting
January 17, 2017**

RESOLUTION 2017-9

Regional Vendor Alliance Procurement Pilot - T Golden

WHEREAS, Pedernales Electric Cooperative, Inc. ("PEC") has conducted a pilot procurement program ("Alliance") with two wholesale materials suppliers ("Suppliers") at two of PEC's inventory facilities since February 2016 and two (2) additional inventory facilities since July 2016; and

WHEREAS, PEC now wishes to extend the Alliance locations to all of PEC's inventory facilities and execute Supplier agreements; and

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE that Board approves the execution of agreements with the Suppliers for up to a five (5) term, subject to negotiation and approval of the final terms of such agreements as discussed this day; 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.

RESULT:	ADOPTED [UNANIMOUS]
MOVER:	Cristi Clement, District 1 Director
SECONDER:	Jim Powers, District 4 Director
AYES:	Clement, Scanlon, Powers, Oakley, Graf, SJ Akers, Pataki