



# Cooperative Update

John D. Hewa, CEO

March 20, 2017

# A healthy, cooperative model

Safe, reliable, financially sound

Responsive to membership

Recognized for member satisfaction

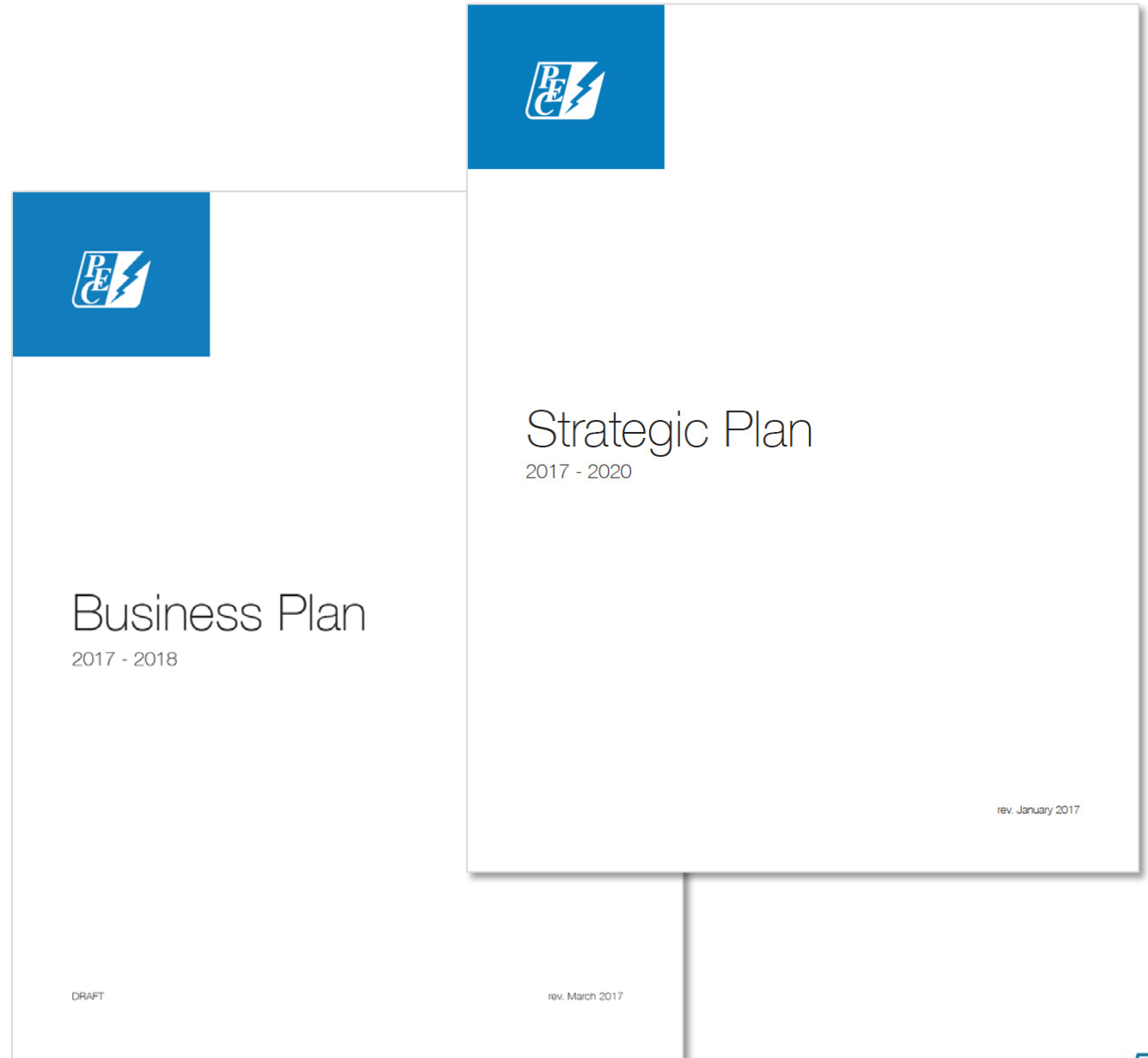
Keeps costs low and member satisfaction high

# Setting PEC's strategic direction

Strategic Plan

Business Plan

Balance Scorecard



# A healthy PEC

Consistency in  
performance

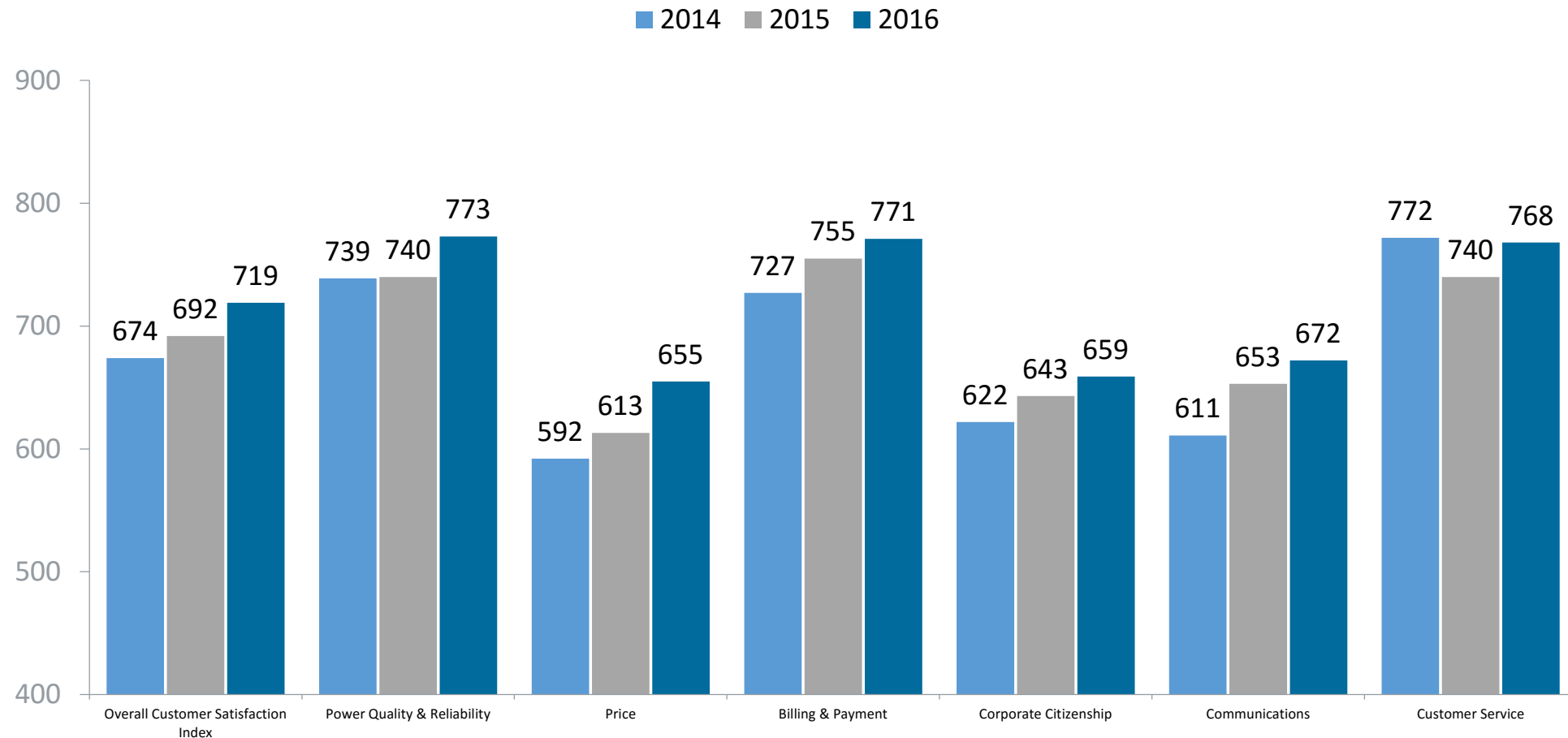
Employee support  
and growth of talent

Increased service and  
responsiveness



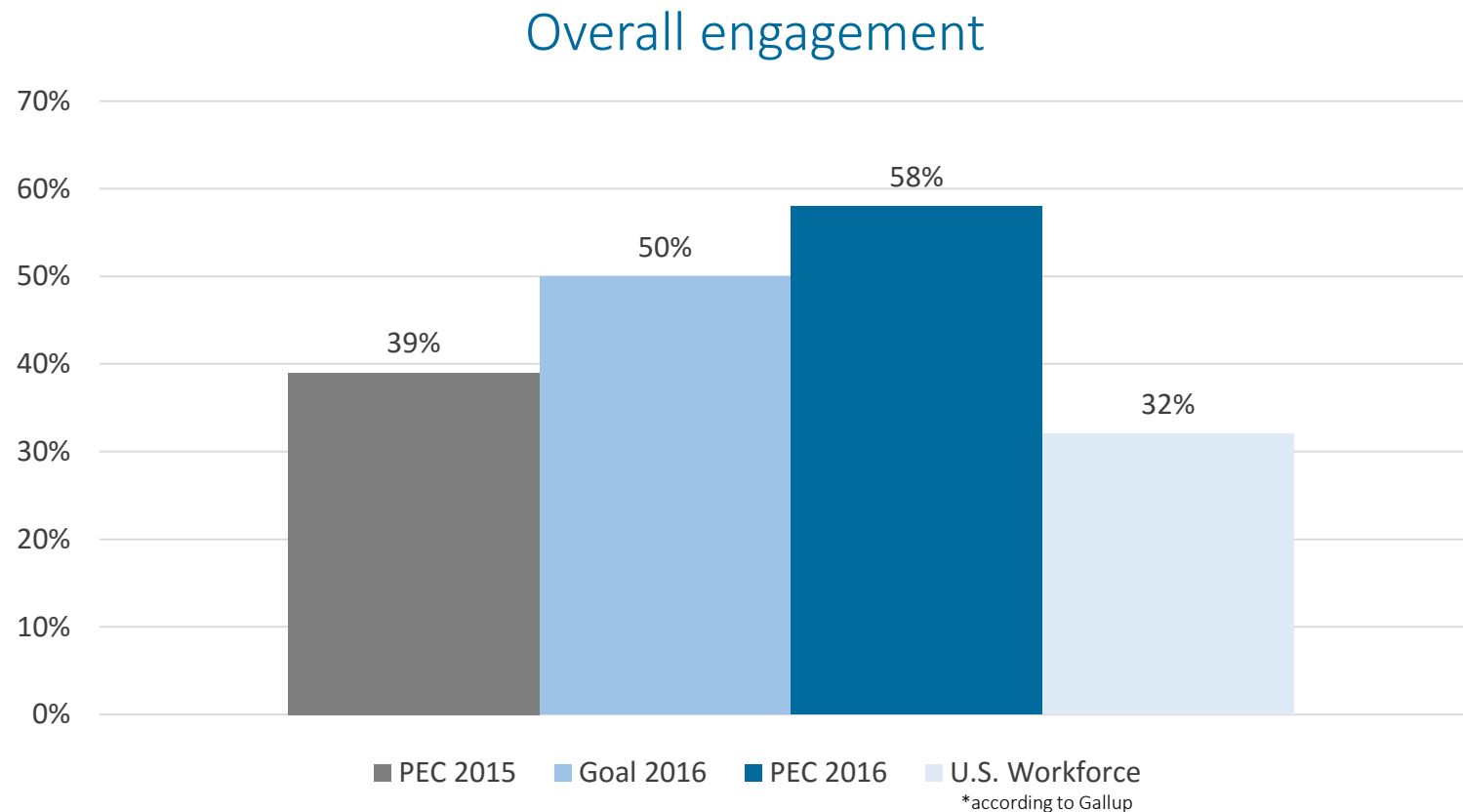
# A healthy PEC

## 2016 Residential Satisfaction Overall CSI and Factor Performance



# A healthy PEC

## Employee engagement



# Member satisfaction



# Member satisfaction

## Member Services

Increased conveniences and options for our members

Mobile member portal and web portal

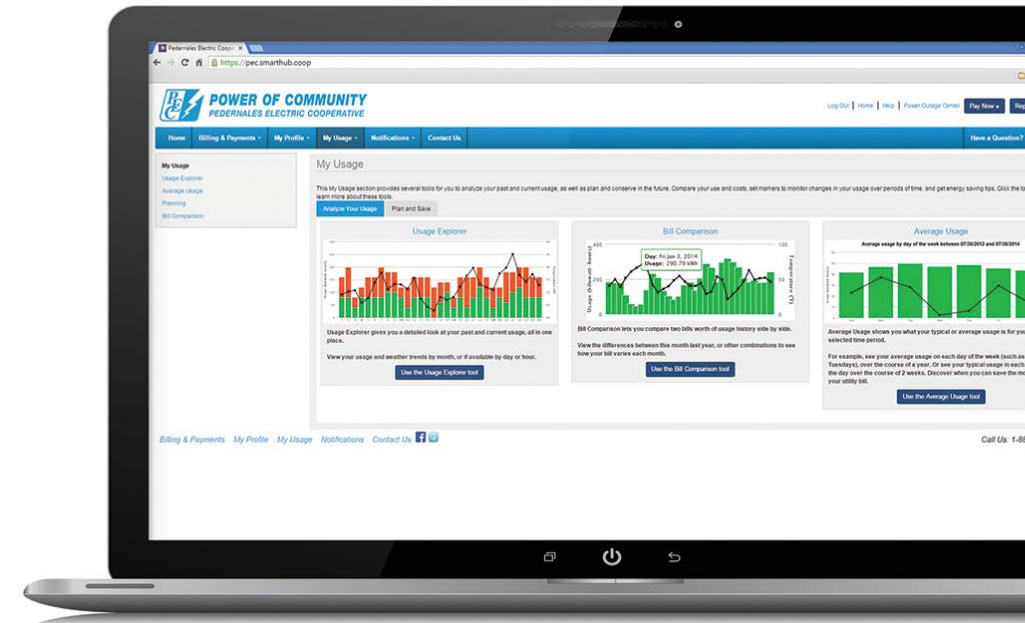
More flexible billing

Secure payment IVR

Increased member satisfaction

92% service level in February, which is an all-time record high

Fourth quarter of 2016 is highest quarter on record (back to 2010)



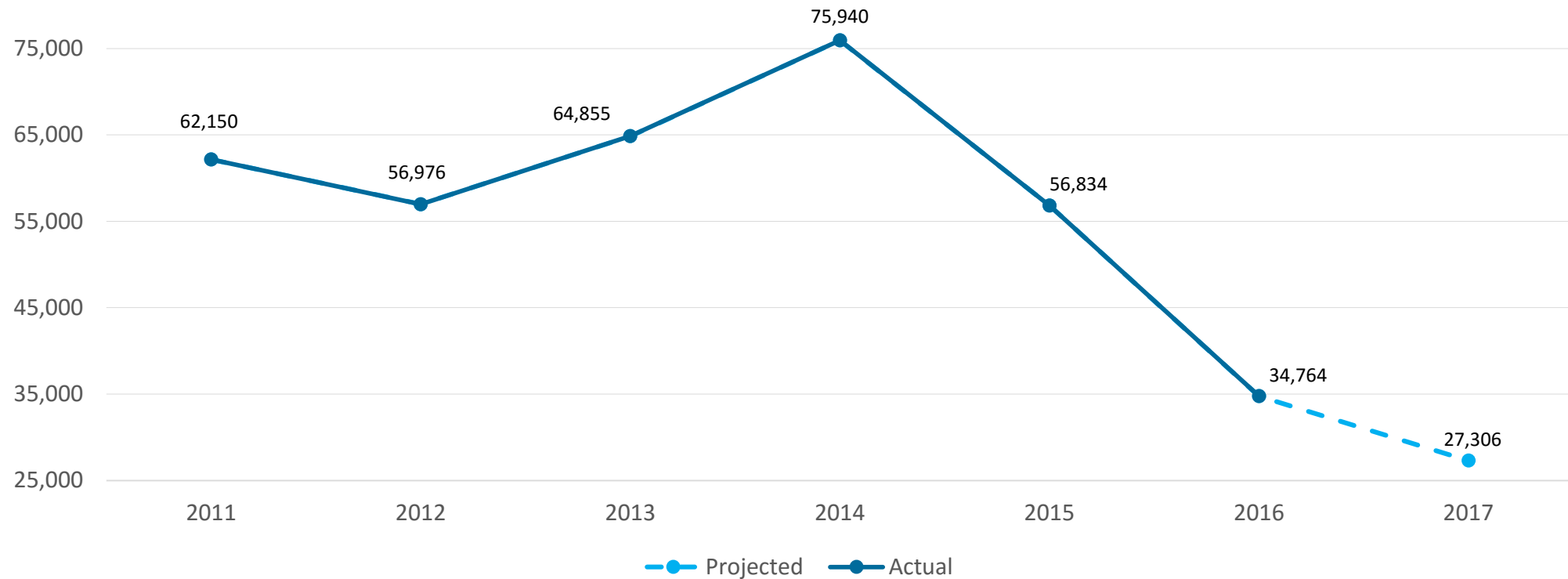


# Member satisfaction

## Member Services

Average monthly calls directed at live agents

60% call volume decrease forecasted  
Member satisfaction increase



# Member satisfaction

Member Services – 2015 vs 2016

Service Level

↑ 34%

Staffing Level

↓ 9%

Agent Utilization

↓ 7%

*Closer to goal*

Self Service Payments

↑ 45%

*Web, Mobile, IVR, Kiosk, Pay Now*

Web Requests

↑ 28%

Agent Payments

↓ 34%

Agent Calls

↓ 39%

# Member satisfaction

Award-winning line workers

Strong reliability

67 minutes was the average  
outage time in 2016

National KRTA median  
is 99.8 min (2015)



# Member satisfaction

## Rate options

Consistently lowering rates, making PEC competitive

## Increased rate options

More than 95,000 accounts enrolled in eBilling, eDraft or eSaver

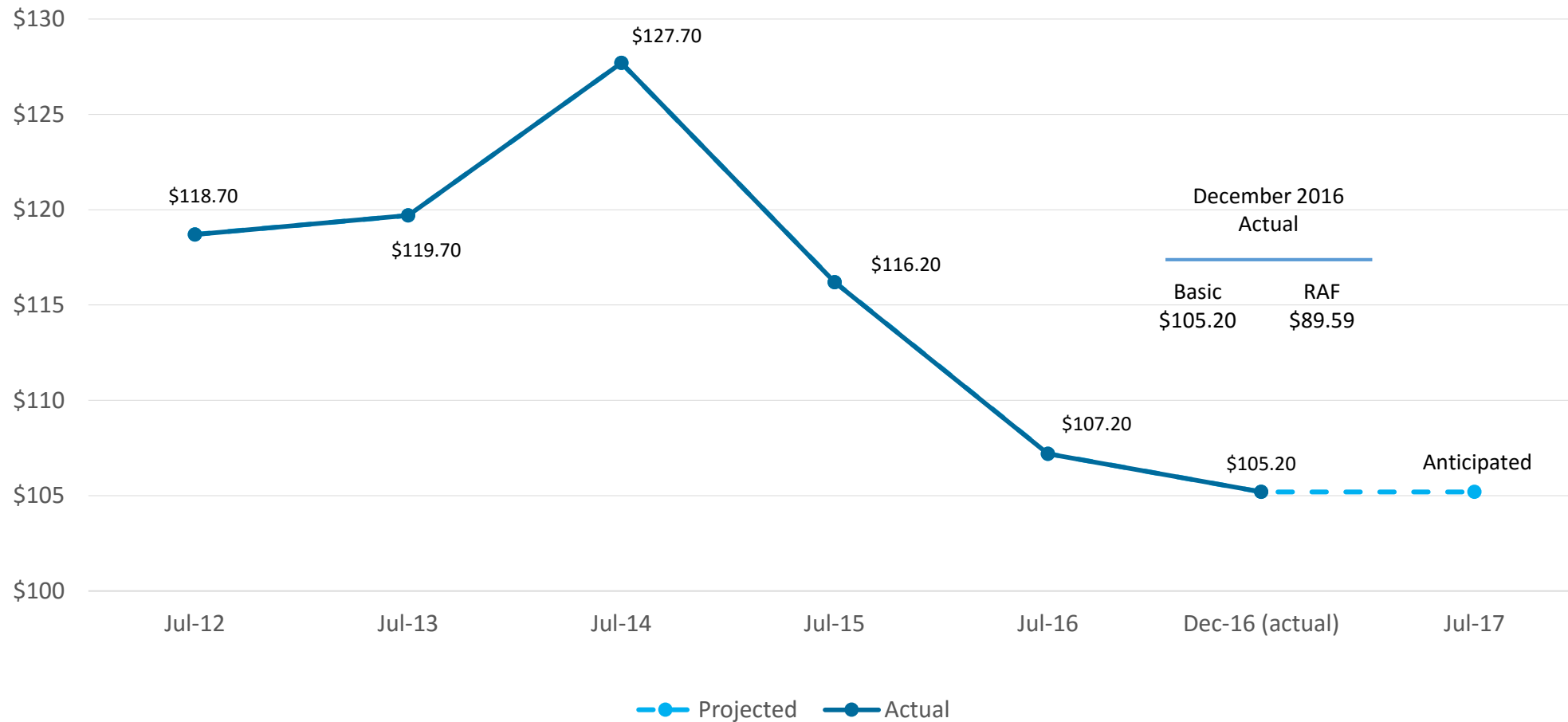
On average, 800 accounts per month are selecting to convert to one of our rate options



# Member satisfaction

## PEC rate history and forecast

Standard retail rate –  
residential 1,000 kWh





PEC is safely  
and timely  
managing  
record growth



Line extensions in 2016

**13,700+**

2017 Pace is Exceeding





Upgraded or replaced  
key systems and tools

Supporting Staff  
& Saving members  
**millions each year**

# System upgrades

# System upgrades

NISC

Financial information system

Customer care and billing

Work order system

IVR gateway

Inventory management

Barcoding system

SmartHub

Others



# System upgrades

New budgeting software

Supports Cost Control

Prophix

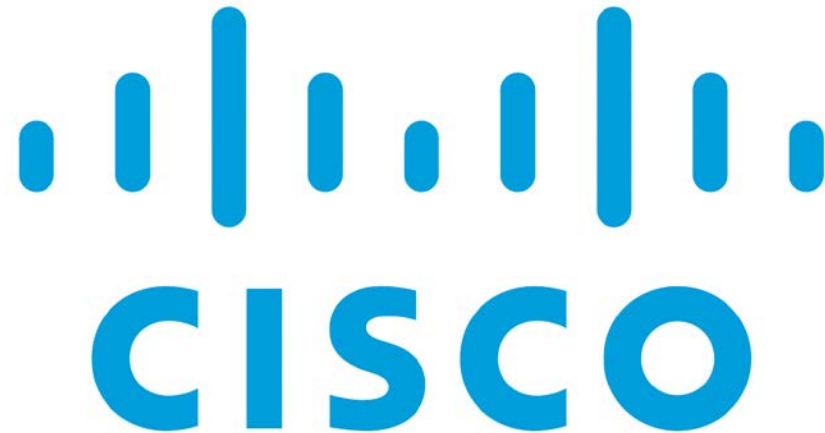


# System upgrades

New telephony system

Supports Member Care

Cisco



# System upgrades

Human Resources information system

Supports Performance Goals

SuccessFactors

**SAP SuccessFactors** 

# System upgrades

SCADA upgrade

Constantly Monitoring  
PEC's Grid



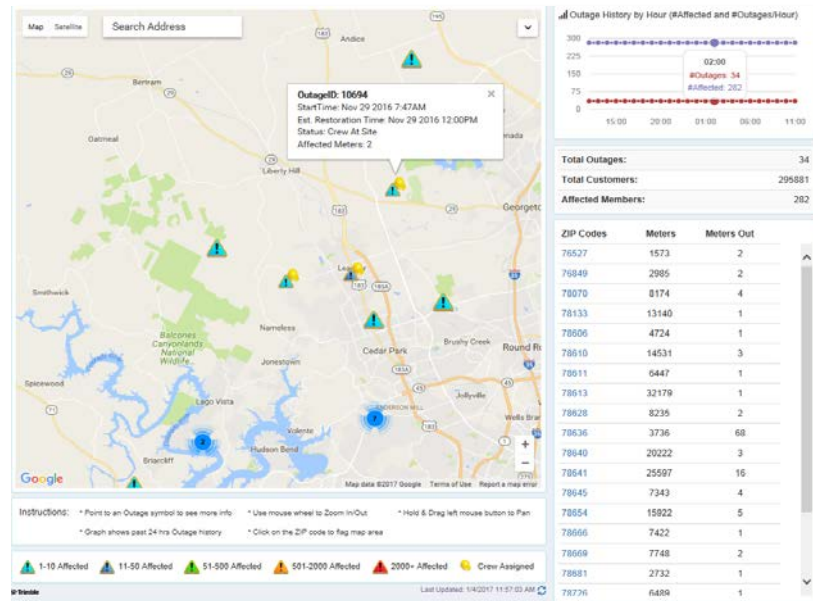


# System upgrades

Outage management system

Provides Precise System Control

Provides Member Information



# System upgrades

New Board meeting software

Enhances Member Engagement

Granicus



# Optimizing operations

# Optimizing operations

## Standardization of Essentials:

- Fleet
- Fleet maintenance
- Mobile fueling
- Tools and equipment
- Uniforms and PPE
- Safety practices (RESAP)
- Material handling - alliances
- Vegetation Management
- Dispatch Operations
- System Maintenance
- Others...

# Top Cost-saving Initiatives

# Cost-saving initiatives

NISC platform

# \$5M

estimated  
each year

# Cost-saving initiatives

Meter Data Management system

**\$400k**

each year



# Cost-saving initiatives

Refinancing of debt

# \$15.3M

Nov. 2015 - 2020

# Cost-saving initiatives

Power Supply negotiations

**~\$7-8M**

each year

# Cost-saving initiatives

Power Supply contracting

**\$2.5M**

in 2017

# Cost-saving initiatives

Mobile refueling and fleet maintenance

**\$600k**

in 2016

# Cost-saving initiatives

Voltage optimization

**\$500k**

each year

# Cost-saving initiatives

Transformers & Poles

**\$3M+**

in 2016

# Cost-saving initiatives

Metering inspection and corrections

# \$2.6M

annual revenue  
recovery



# Cost-saving initiatives

Credit card transaction fees

**\$1M**

reduction  
in 2016

# Cost-saving initiatives

Postage and printing

**\$685k**

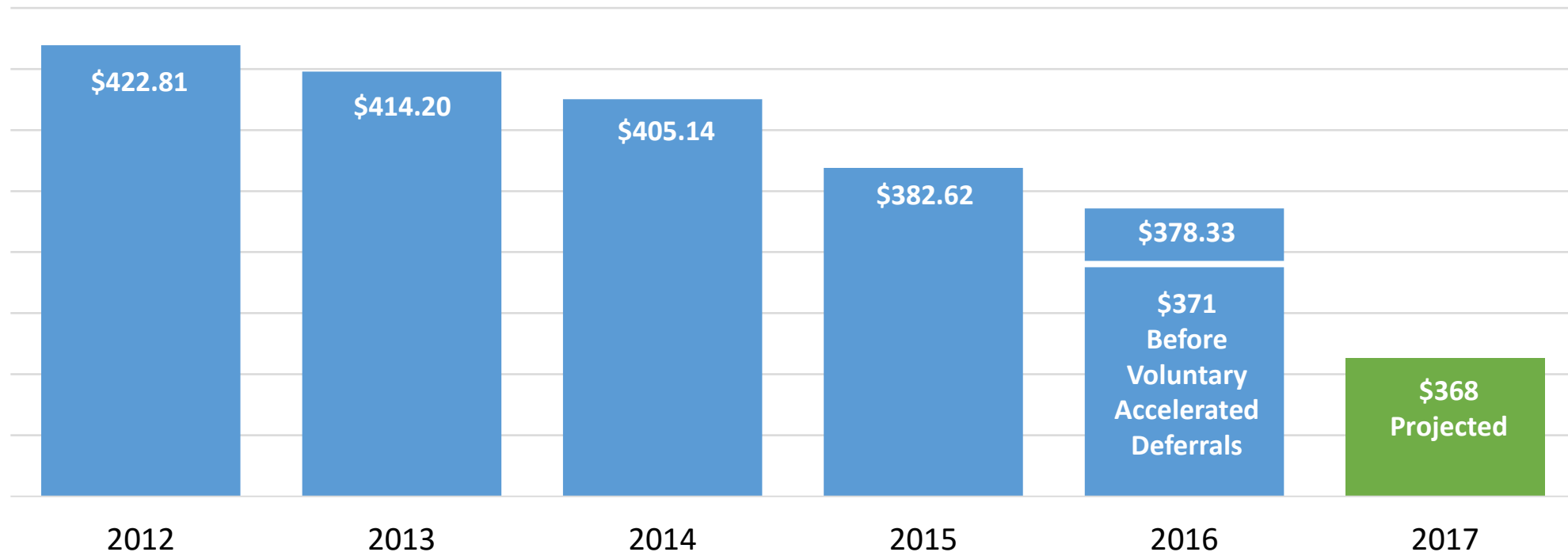
in 2016

# Financial health

# Financial health

Controllable costs per consumer have dropped four consecutive years

## Controllable expenses per average consumer



# Financial health

Introduced and improved multi-year financial forecasting capabilities

Improved reporting abilities through NISC

Optimized budgeting platform

Introduced multi-year construction work plan

New lending facilities including RUS

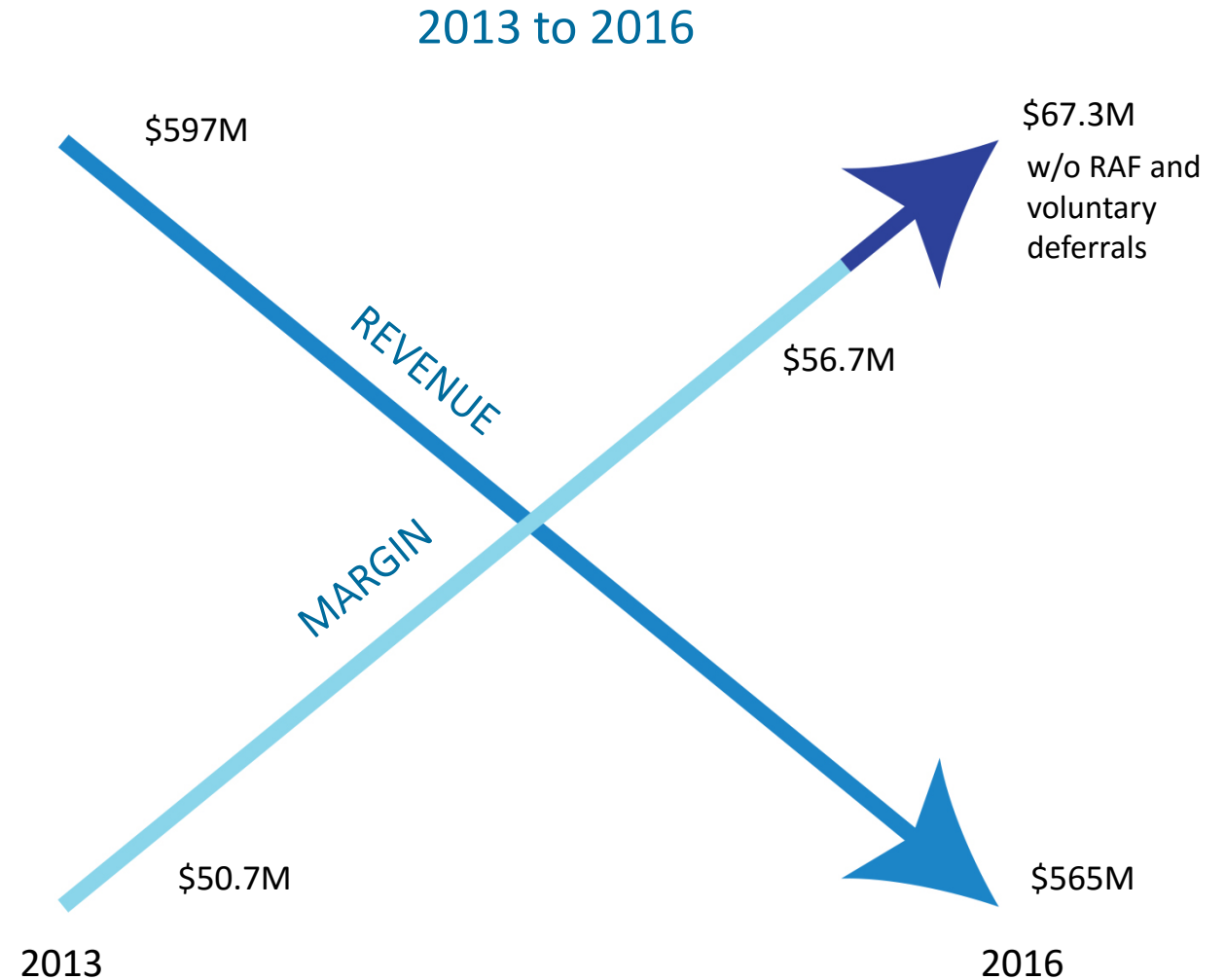


# Financial health

Equity climbing year-over-year in predictable, gradual manner

Achieved highest margin as % of revenue in the **past decade** \*

*\* Exclusive of the RAF and voluntary accelerated deferrals*



# Looking ahead

# Ongoing Challenges

Accelerated Growth

Rising Transmission Costs in ERCOT

Wholesale Power Costs

Rising Interest Rates

Cost of Labor, Healthcare Benefits, & Contract Services

Infrastructure & Facilities needs for the decades ahead



# Looking ahead

Implement 2017-2018 Business Plan

Focus on Balanced Scorecard & Processes

Time-of-use rates – April 1

Solar generation Project / Subscriptions

Metering Infrastructure Pilot

