



# Cooperative Update: 2018 End-of-Year Review

Julie Parsley, Chief Executive Officer

Dec. 17, 2018

Board Meeting | Open Session

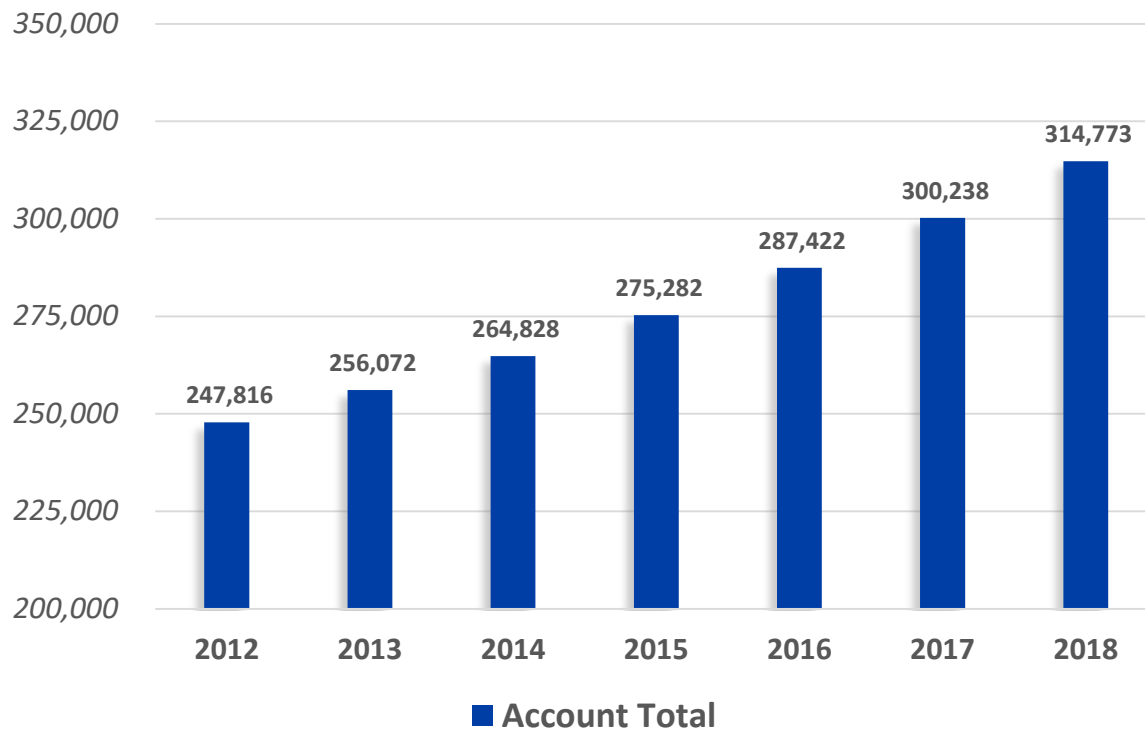
# 2018 has been a busy year!

- We celebrated the cooperative's 80<sup>th</sup> anniversary
- Had record growth of over 4% for the third consecutive year
- Improved reliability over 25% during that same three-year period
- Provided members with rates that are less than the average residential cost of electricity in areas of retail choice in Texas
- Received recognition as:
  - 10<sup>th</sup> electric utility in the nation for member satisfaction from J.D. Power
  - Best Electric Company in the Austin American-Statesman's Best of the Best
  - No. 89 in the Top 100 Co-ops from National Cooperative Bank

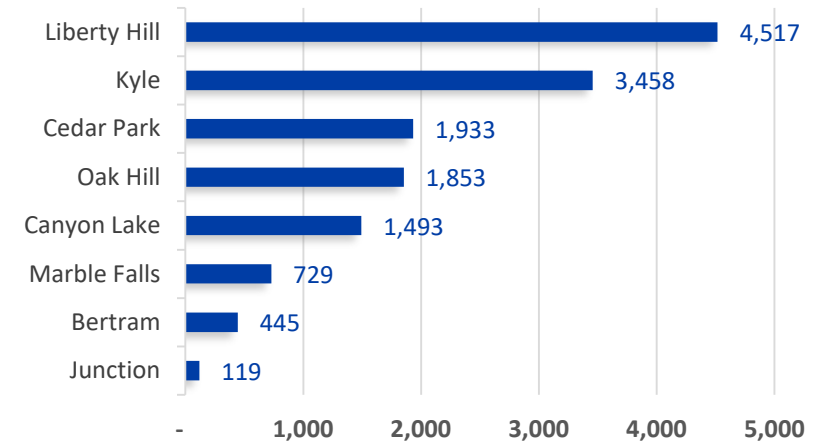


# Record Growth in Membership

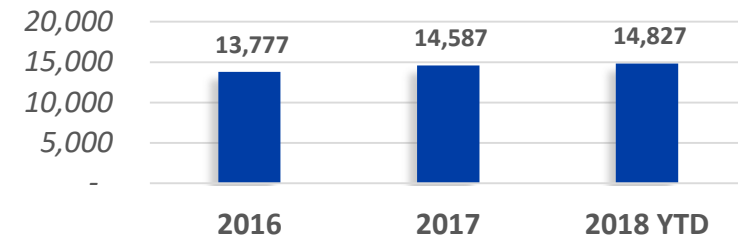
## Account Totals



## Growth by District (2018 YTD)



## Line Extension Totals



\* 2018 data is YTD as of December 1

# Robust Investment in Infrastructure

323.87 new miles of distribution line

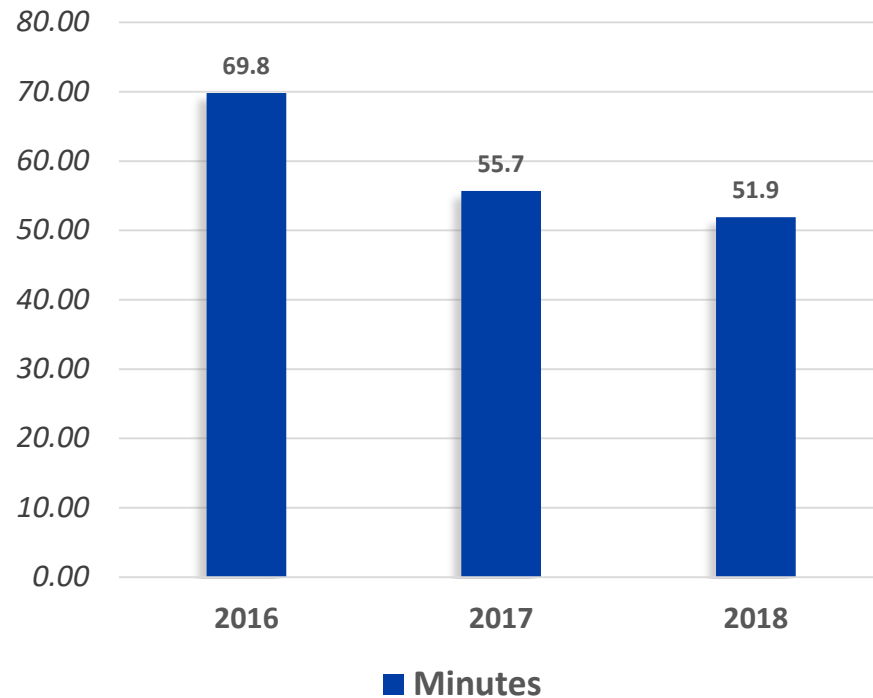
Invested **\$114M** in capital improvements

- **\$95M** in distribution system
  - \$31M in new and tie lines
  - \$9M in conversions
  - \$12M in substation maintenance and upgrades
  - \$44M in equipment and other distribution items
- **\$6M** in transmission system
- **\$13M** in general plant

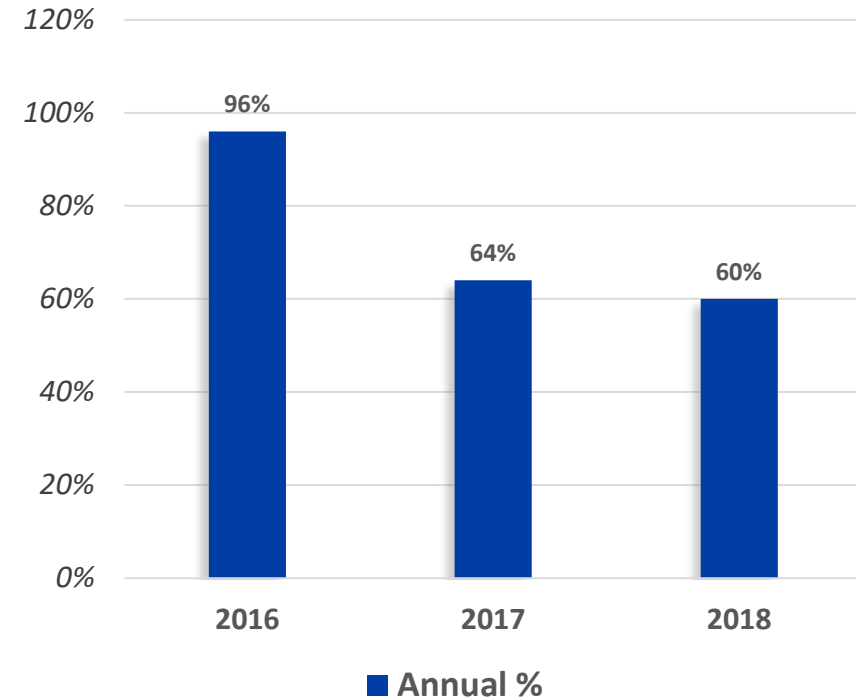


# Strengthened Reliability

**SAIDI**



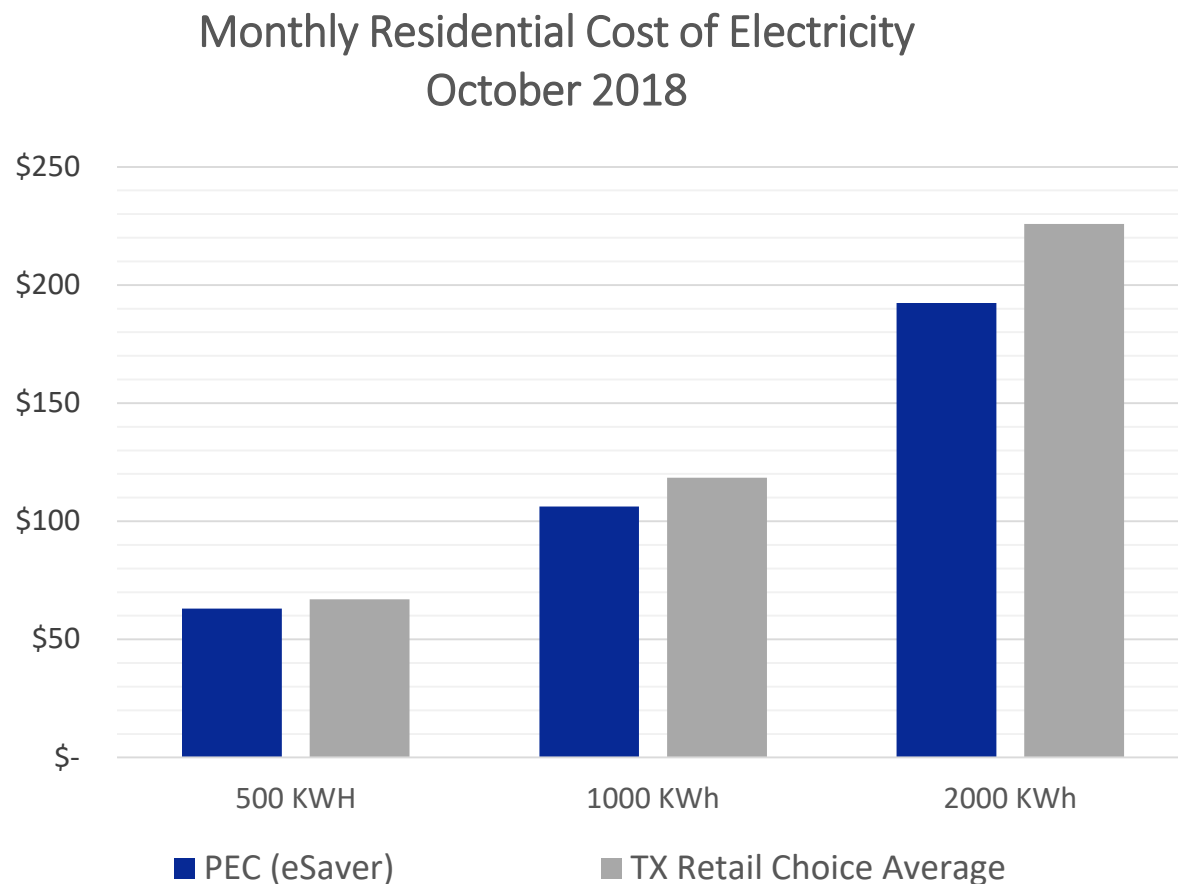
**SAIFI**



- Data is a rolling 12-months for each year
- SAIDI improved 7% from last year and 25% from 2016
- SAIFI improved 6% from last year and 36% from 2016

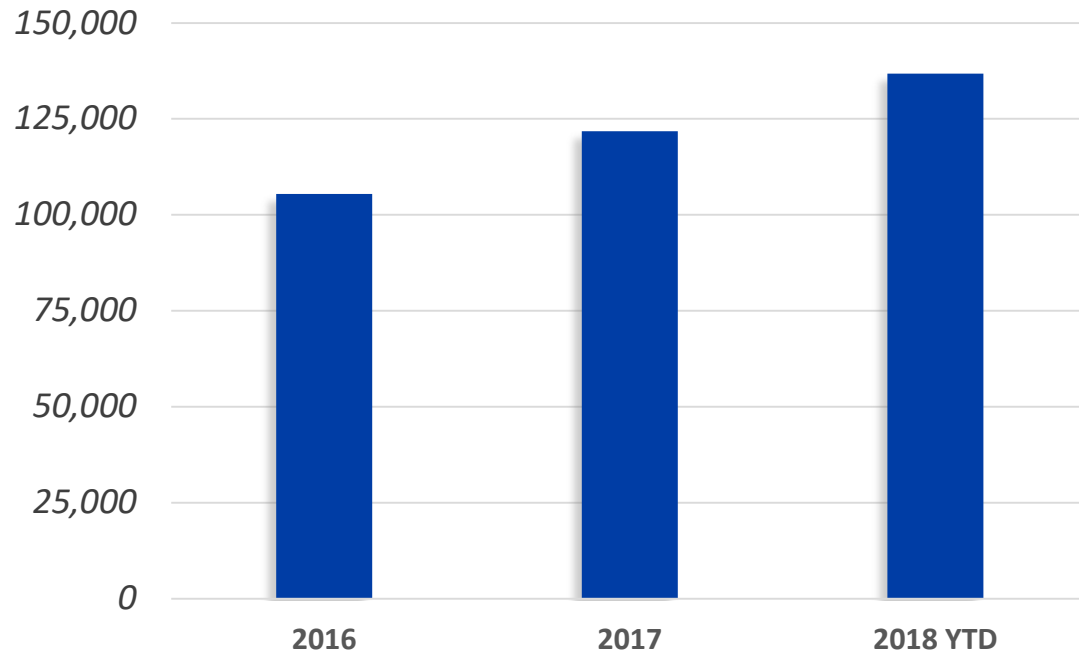
# Competitive Rates

PEC's rates are competitive with the average residential cost of electricity in areas of retail choice in Texas

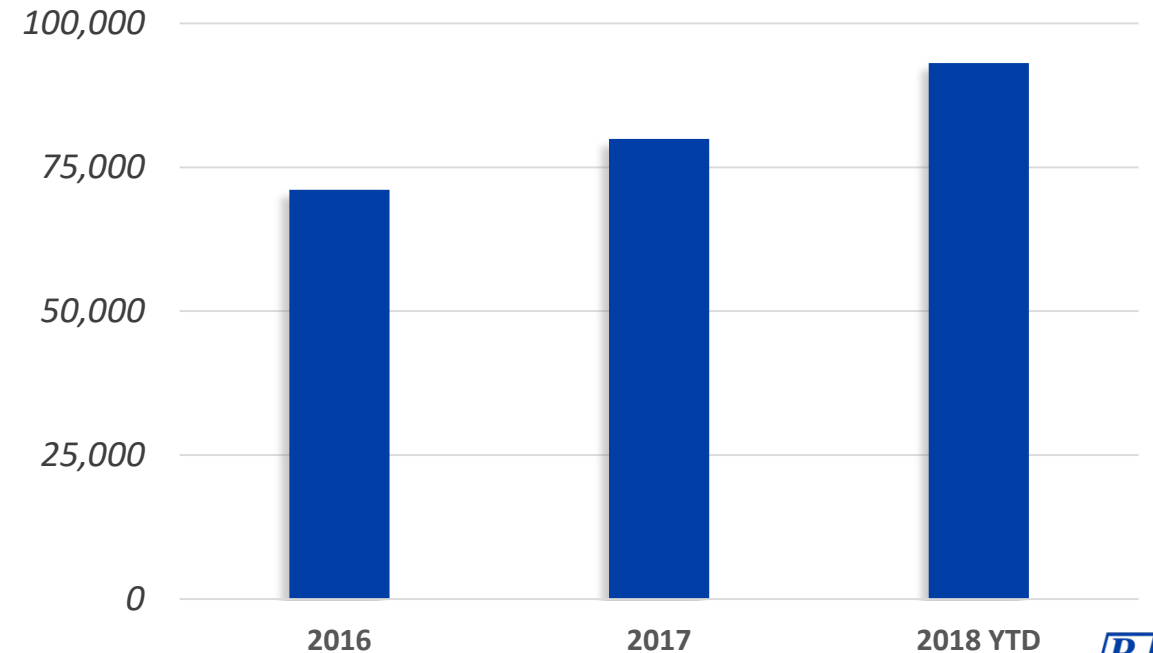


# Increased Enrollments—Autopay & Paperless

**Autopay Accounts**  
*(Annual Totals)*



**Paperless Accounts**  
*(Annual Totals)*



# New and Upgraded Office Spaces

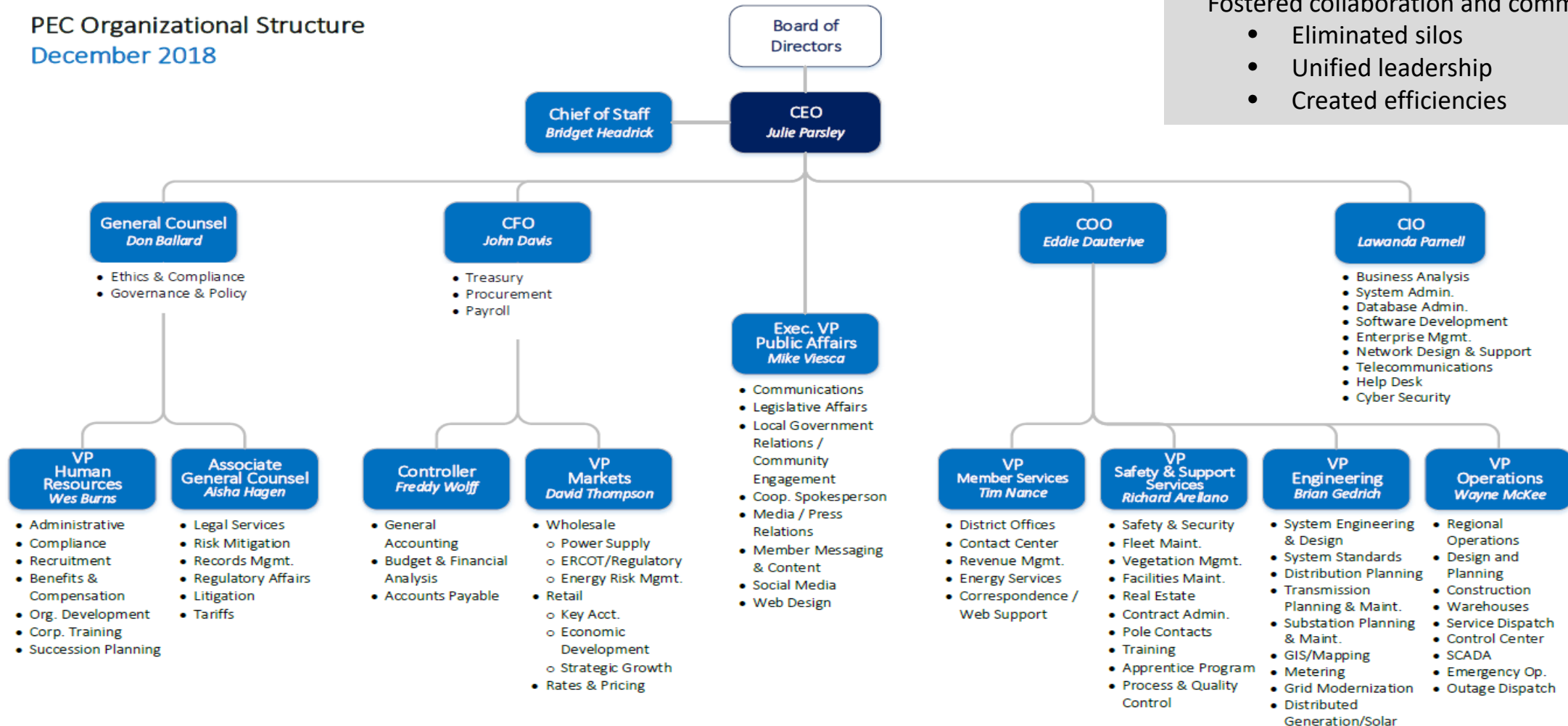


- Opened Marble Falls District Office
- Completed HQ remodel, which provided a more effective use of space
- Began upgrades to district facilities for security, usability, and employee and member safety



# Restructured Organization

## PEC Organizational Structure December 2018



Fostered collaboration and communication

- Eliminated silos
- Unified leadership
- Created efficiencies

# Supporting our Community

## Volunteerism

- Read Across America
- LCRA's Steps Forward Day
- Summer lunch programs
- Central Texas Food Bank
- Johnson City Lights Spectacular
- Meals on Wheels

## Community Support

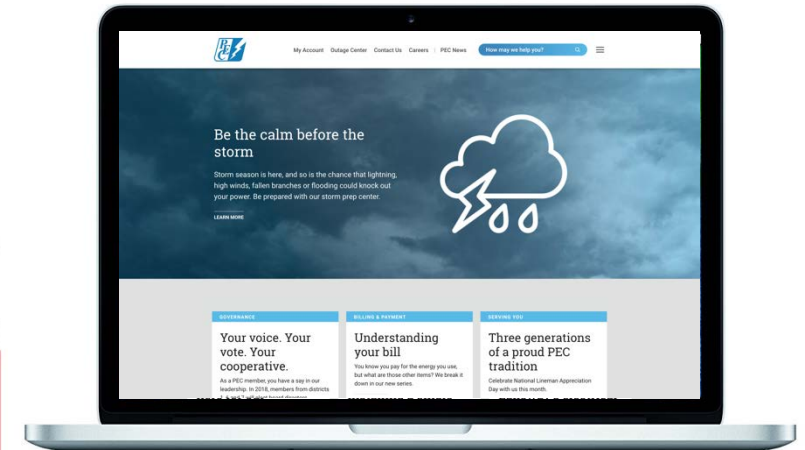
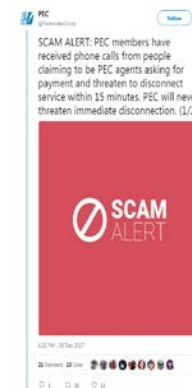
- Power of Change
- Community Grants programs
- United Charities
- Youth programs: scholarships and annual Youth Tour trip



# January

- Hit 300,000 **Active Accounts** in December 2017, and began year with **300,238**
- Responded to a payment/disconnect Scam
- Emergency Operations Plan (EOP) activated due to freezing rain event; experienced only 16 outages with minimal impact
- Launched new website at pec.coop

# 300K



# February

- Successful Community Partnership Dinner, celebrating partnerships with local government officials
- Attended NRECA Annual Meeting and Expo in Tennessee
- Scholarship applications open for 2018 awards





# March



- PUCT approved the Wimberley Upgrade (3.9 mile line with ~\$6.6M investment)
- Met with PUCT and other industry participants to discuss concerns about tight summer generation capacity
- Read Across America Volunteer Day
- Junction RS60 voltage conversion: **71** transformers, **80** meters



# April



- Hosted the Scholarship banquet, honoring 28 students awarded **\$100K** in scholarships
- ERCOT anticipates record demand and tight generation reserves for the summer
- Power Rush Hour campaign commenced
- PEC volunteers participate in LCRA's Steps Forward Day



# May



- Senate Business & Commerce Committee hearing on interim charges related to Free Market Electricity
- Met with ERCOT to discuss coordinated communication efforts for summer
- Junction FE6045 voltage conversion: **85** transformers, **86** meters
- Voting opens for the 2018 election of three Board members

# June

- CEO and COO visits to district offices
- Annual Meeting in Spring Branch
  - More than 600 attendees (largest Annual Meeting)
- Celebrate Marble Falls District Office opening with a ribbon cutting ceremony
- Ranked No. 10 by **J.D. POWER**
- AA- rating affirmed by Fitch Ratings





# July

- Strong finish at the Texas Lineman's Rodeo in Seguin
- Highest KPI performance in PEC history
  - Employee payout of 10.29% (2% additional due to J.D. Power top 10 placement)
- Oak Hill BC40 voltage conversion: **400** transformers, **1,020** meters
- ERCOT sets new peak demand record at 73,375 MWs



# August



- TEC Annual Meeting in San Antonio
- Visit from Congressman Roger Williams to the new Marble Falls office
- Hosted PEC Board of Directors meeting in the new Marble Falls office
- Board of Directors elected new officers



# September

- Hosted the monthly PEC Board of Directors meeting in Kyle
- Employees began moving back into headquarters after extensive renovations
- Junction member appreciation dinner
- PEC voted the Best Electrical Company in Austin American-Statesman's Best of the Best
- End of ERCOT 4CP period
  - PEC's voltage control efforts saved an estimated 13.1 MW over 4CP peak



# October



- **Historic Flooding in Junction**
  - EOP activated
  - Crews assisted from Bertram, Marble Falls, Technical Services' Drone Pilots, and contractors; used helicopter on contract to LCRA
  - PEC employees donate \$5,321 to flood recovery efforts



# October (continued)

- **Historic Flooding in Highland Lakes**
  - More than 12 inches of rain fell into the Llano River north of Kingsland, causing widespread damage
  - Nearly 500 forced disconnects due to flooded premises
  - Field personnel were staged adjacent to flood-prone areas
  - Member Relations provided 24-hour phone support
- Employees volunteer for the Johnson City Lights Spectacular
- Incredible finish at the International Lineman's Rodeo



# November

- Employees volunteer at Central Texas Food Bank
- Named 2018 Top 100 Co-ops by National Cooperative Bank
- Hosted the Board meeting in Canyon Lake
- PUCT adopts TCOS rate rule
- Adopted three revised rate options:
  - Transmission
  - Cooperative Solar
  - Electronic Vehicle Charger





# December



- Distributed \$12.M in capital credits
- Report from the Senate Business & Commerce Committee on Interim Charge related to Free Market Electricity released
- PEC's holiday lights illuminated through the end of the year

# Highlights by Department





- Restructure resulted in annual savings of ~\$400K and will help support a more flexible range of HR services to PEC's growing needs while eliminating costs and redundancies
- Transition of retirees to Medicare supplement (including stronger coverage), saves ~\$1M per year. Benefits vendor negotiations resulted in a 3% renewal, which is considerably better than the 20% renewal received the past two years
- Success of Wellness Program and Incentives: 40% of employees saved 15% on medical premiums by completing required tasks
- Successful planning of holiday party with 42% of employees registered to attend
- 57% employee participation in the preventive screenings, along with flu shots and other health-related resources during biometric screening days
- Time to fill job posting (per employee) year-to-date is 53.98 days, compared to 90.40 days in 2017, a 40% improvement

# Human Resources

# Legal Services

- Along with Finance, challenged Comptroller's property tax assessment report for the cooperative's assets, saving ~\$3M
- Served as a daily resource for all PEC employees to address questions and provide efficient and consistent responses
- Assisted with more than 200 contracts for goods and services in 2018 for consistency and efficiency across PEC
- Ethics & Compliance hosted a successful week of employee ethical standards training, engagement activities, and helpful tools to help employees reach PEC's ethical goals

- Along with IT, hosted PEC Shred Day resulting in 1,200 lbs. of materials from more than 20 members and employees, up from 200 lbs. in 2017 from only six members
- Assisted departments across PEC with importing and updating ~18K documents while applying retention standards to more than 40K documents

## Records

# Finance

- Fitch Ratings affirmed PEC's AA- Rating
- Received unqualified audit opinion
- Continued efforts to aggressively protest property tax valuation, reducing taxes paid in 2018 by ~\$900K over what was budgeted
- Experienced strong financial results including a reduction of operating expenses per meter for the sixth straight year
- \$12.1M in capital credits distribution
- Updated Business Expense Policy, saving PEC up to \$100K per year

- Created department for strategic growth function:
  - Attracted new commercial businesses that will receive the economic development discount for the first time since rate was adopted
  - Attracted large customer to the Junction district
  - Created and launched PEC Business Development web page and created new marketing packets with Engineering and Communications
- Developed new rates (new Transmission Rate, Coop Solar Rate update, EV Charger Rate) for continued rate enhancements to better align with cost causation
- Grew the Emergency Response Program more than 100% (program incentivizes members to be responsive with their load during peak events)
- Entered into favorable contracts for renewable wind energy, which will put downward pressure on PEC rates
- Have new counterparties working on master power agreements with PEC to provide more options when contracting for energy

# Markets

- Cross functional team of Markets, Communications, and Operations managed the PEC peak load used to calculate PEC transmission costs:
  - Peak day forecast sent to participating Large Power members to allow them to effectively manage their load
  - Power Rush Hour program broadcast with local ABC affiliate, and sent messages to members and employees asking for conservation during peak periods
  - SCADA desk continued to improve in using Voltage Control to reduce PEC load during peak events

## Operations/ Markets

# Operations

- Added new specialized positions (Distribution Operations Technician and Region Service Order Technicians) to increase efficiencies, succession planning, responsiveness, and maintain the integrity of mapping data
- Improved grid resiliency by adding S&C Intellirupters in critical areas on the distribution system that minimize customer outage times by allowing automatic restoration following a fault, as well as offer additional protection to crews and equipment from destructive fault currents
- Planning departments implemented a system for integrated mapping geolocation of assets that provide increased accuracy for mapping, improve easement adherence, and provide civil engineers and architects with more effective means of communicating proposed designs
- Reorganized Control Center operations (SCADA) with process efficiencies by retaining centralized outage dispatch while moving service order work back into districts for improved communication and responsiveness

# Operations (continued)

- Two Emergency Operations Plan (EOP) events in 2018, both handled with zero accidents or injuries
  - January (freezing rain) — 16 outages with minimal impact
  - Junction flooding — 2,696 members affected at peak; used drones and helicopters for reconnaissance and restoration
- Critical operations during Highland Lakes flooding event
  - 31 outages overall, affecting 4,190 members
  - Nearly 500 forced disconnects due to flooded premises; Field personnel staged adjacent to flood-prone areas and Member Relations provided 24-hour phone support
- Voltage conversions:
  - Junction RS60: **71** Transformers, **80** Meters
  - Junction FE6045: **85** Transformers, **86** Meters
  - Oak Hill BC 40: **400** Transformers, **1,020** Meters
- Meters/accounts added YTD – 13,124/14,543
- Line extensions completed YTD – 14,827



## Mission Statement

*Protecting the health and safety of our employees, families, and members is the primary concern of the Safety and Training Team. This goal will be met through the development of comprehensive and effective safety training that aims to eliminate unsafe conditions and to reduce the impact of hazardous situations.*

- Completed new PEC safety manual
- Developed efficiencies through increased in-house training
- Mobile trailer with functioning regulator and capacitor equipment allows training in the districts on live equipment
- Implemented SOS Learning Management System for system operators, utilizing classroom and online courses accompanied by sophisticated computer simulation
- Oversaw CPR training for all PEC employees
- Certified PEC Safety team in CPR/First Aid so that they may now train others to be CPR/First Aid-certified
- Hired nationally recognized safety consultancy group to work with the Safety Team regarding OSHA policies and safety-professional standard operating practices

# Safety

- Added two new safety training professionals to help teach apprentice linemen and provide continuing education for journey workers
- Developed online safety forms
- Developed a new step-by-step Incident Reporting Form for employees, supervisors, and management
- Built an arcing machine out of spare parts
  - Safely demonstrates what line workers could potentially encounter in the event they have a fault/flash
  - Tool can also be used for training other employees and putting on demos for first responders or other groups to show the hazards of coming in contact with power lines
- Completing CUSP (Certified Utility Safety Professional) certification for all safety-training professionals
- Creating specific procedures for responding to a fatality/serious injury

# Safety (continued)

# Support Services

- PTT Program
  - Implemented cost savings, with active contract monitoring and efficiencies that reduced projected 2019 CIP budget by ~\$6M
  - Added 3,668 new third party attachments to the system
  - Completed 636 pole attachment permit inspections
- Employed the UAS (drone) program to inspect more than 2,500 miles of distributed assets and to assist with multiple storm responses throughout our service territory
- Developed a new job briefing form
- Received and rolled out 58 replacement fleet assets (trucks, sedans, trailers)
- Removed two underground fuel storage tanks from the Cedar Park yard

- Strategically restructured department with key focus being the member experience, encouraging member outreach and feedback
- Streamlined and enhanced IVR prompts and routing to drive members to normal business hours and removed duplicate interactions
- Revitalized work areas including a new training area and contact center
- Developed staffing plan to address long-term needs and alignments to better meet the needs of the membership
- Boosted member and employee engagement by creating member surveys and an employee newsletter to improve communications
- On pace to answer 293K phone calls and host 143K office visits
- Processed 3.75M payments and recovered \$300K in bad debt
- Expanded autopay enrollments by 12% and paperless enrollments by 16%
- Placed over 7K RCC meters and performed 322 energy audits and 850 interconnection inspections

# Member Relations

# Engineering

- Began ROW acquisition for the Wimberley Upgrade (3.9 mile line with ~\$6.6 M investment)
- Based on a recently completed 20 year load study, developing five-year, 10-year, and 15-year assessments to identify, by district, where new substations and transmission lines will be needed
- Upgraded transformers in five existing substations with an increase of 170 MVA to serve growing load

# IT

- Delivered solutions for 375 software requests through November
- Deployed enterprise dashboards for Budgeting, KPI, and Outage/SCADA
- Increased efficiencies and time savings with Repetitive Task Automation
  - Automated Remittance — Saves approximately four hours each day (process is run every calendar day including weekends and holidays)
  - Accounts Payable — Saves 20 hours each month by automatically rolling the GL post date for unposted invoices to the next GL period
  - Plant Accounting — Saves six hours during the critical month-end close process
  - Member Relations — Saves up to 40 hours every time a large apartment complex changes occupancy (several times a year)
- Computer Security Incident Response Team conducted three tabletop exercises for cyber security events

- Created an IT Mentoring program
  - Peer-based, six-month program that provides support and encouragement in a collaborative environment
- Bandwidth increased to 100MB, 1GB or 5GB between substations, district offices, HQ, and business offices
- Equipment, employee, and application deployments and moves:
  - 500+ GIS mapping client upgrades
  - 300+ employees moved
  - 220+ PCs deployed
  - 300+ monitors deployed
- Recovered ~\$12K from equipment recycling
- Business/District Office upgrades: storage, wireless, and network enhancements
- Contact Center Phase Three launched, including screen pops, IVR Spanish queue, enhanced Call Center reporting, and pause/resume (security measure)
- Implemented and improved development and management processes for prioritization/selection of work requests, management and monitoring of work requests in progress, and overall improved service delivery that reduced rate of reported defects/bugs by 79% since beginning of the year

# IT (continued)

# Public Affairs

## Reorganization

- Creation of Office of Public Affairs
  - Communications & Marketing, Community Engagement, Legislative Affairs
- Created Community Relations Coordinator position to oversee all major PEC events (including Annual Meeting) and to oversee all of PEC's volunteer programs
- Restructured Community Engagement team to better focus on local government relations



# Public Affairs (continued)

## Social Media/Web site

- Created outage notification program using social media/web site
- Increased use of social media to better communicate with the membership (expansion into such platforms as NextDoor)
- Launched a new PEC web site in January to make it more user friendly (with additional tweaks underway before the end of the year to improve user experience)
- Redesigned employee Intranet site

## Membership Meetings

- Largest attendance for Annual Meeting (600+ in Spring Branch in June)
- Largest attendance for Junction Membership Dinner (120+)

- Sponsored monetary relief for Junction area following October floods
- PEC-wide volunteer opportunity for the Johnson City Lights Spectacular and Central Texas Food Bank, processing nearly 21,000 meals for the community
- Distributed \$25,000 in Community Grants to local nonprofits
- United Charities
  - Board pledged \$100,000 while employees donated \$169,980
- Distributed \$24,000 in Educational Foundation grants
- Awarded \$100K in scholarships

# Community Giving

# Governmental Relations

- Actively participated in projects at the Public Utility Commission of Texas (PUCT) and in the ERCOT stakeholder process to protect and enhance PEC's business interests
- Testified before the Senate Business and Commerce Committee, arguing that the decision to move to electric competition should remain with the Board of Directors
- Became a member of the Texas Reliability Entity (TRE) and attended quarterly meetings
- Joined the Texas Public Power Association (TPPA) and attended functions
- Obtained a voting seat in the ERCOT stakeholder process

