

State will review PEC audit

By Jodi Lehman

The class action lawsuit filed against the Pedernales Electric Cooperative is near settlement and calls for the PEC to hire Navigant Consulting Inc. of Chicago to perform an independent, comprehensive review of the business, financial and management practices at the PEC for the past 10 years. The review will look at corporate governance, compensation, expenses and investments at the cooperative.

However, last Thursday at the Senate Business and Commerce Committee hearing, senators and representatives were united in their belief that a review of the PEC books and business practices by the State Auditor's Office was needed to ensure public confidence in the process.

Because the State Auditor's Office schedule is booked until fall with other projects, an SAO review could not be undertaken quickly. Senator Troy Fraser said that the PEC has agreed that he can give parameters for the Navigant audit and specify areas that he wants included in the project.

The PEC has also agreed to an SAO review of the Navigant audit report. In a March 31 letter to PEC General Manager and Board of Directors, Fraser said, "I now formally request that upon the completion of the Navigant audit you will file both the audit and the working papers with the State Auditor's office for its review and comment."

Fraser's letter advised, "Please know that if the State Auditor raises any concerns with the final report, I will seek a legislative remedy to allow for additional review of the cooperative by the State Auditor."

While the legislature is out of session, the only avenue for Fraser to obtain a state audit of the PEC is if the PEC invites the SAO to perform an audit. However, once the legislature is in session, Fraser said he could introduce legislation would lead to an SAO audit, such as placing the PEC under the regulation of the Public Utility Commission.

Fraser described the current audit plan as "the best of all worlds" since Navigant will perform the audit, the State Auditor will review Navigant's reports, and if needed, the legislature can require a full state review later.

At the senate hearing, PEC General Manager Juan Garza estimated the Navigant audit would cost \$250,000 to \$450,000. Garza said the Navigant work is already underway and he expects a complete financial audit by the June membership meeting, with the management part of the review due 3 to 4 months later.

Garza testified that the PEC board has given him complete control of the Navigant audit in order to distance themselves from the process. Garza has agreed to file the audit with the Public Utility Commission as well as the State Auditor's Office.

In anticipation of being asked at the hearing to allow the State Auditor to have input on how the Navigant audit is done, Garza said he raised this issue with Navigant prior to executing the contract to hire their services, and the company said it had no problem with State Auditor input.

Fraser has long been critical of a private audit since the auditors would be responsible to the PEC board, which he characterized as having "the fox guarding the henhouse." But now that scheduling at the State Auditor's Office precludes a timely start of a public audit, the PEC has agreed to substitute Garza into the role of the guard "fox."

Senator Leticia Van de Putte said at Thursday's hearing, "The only thing keeping the PEC in good light is Garza."