

## **Ric's Report on PEC as of 6/18/06**

Below is the summary of my contacts with PEC prior to the Annual Meeting of 6-17-06. For the addendum or "**What I Learned at the Annual Meeting**", scroll down to the bottom of this document.

I began my research back in January with looking into their "Green Power" option. We were also considering putting a PV (photovoltaic) array on our roof and installing a grid tie-in so we could feed any excess power we generated back through our meter. It took me a couple of phone calls to even find someone who could give me any info on these two options. This is problem #1.

### **Green Power**

Contrary to the way the City of Austin's program works, they will not lock you in to lower rates if green power is cheaper to generate. Rather, if you want to get green power from them, they will lock you in to higher rates. The way it is worded in Texas Coop Power magazine is "Electricity is billed at a \$0.02 per kwh premium, plus any cost recovery factor charges". Cost recovery factor means an extra charge (elsewhere sometimes called a "fuel charge") which is a weasel way to charge more without actually adding it to the basic rate. So, if you want green power, you pay the normal rate based on "the member's current rate class" plus 2 cents extra. The way it is set up you will always pay more, even if green power becomes way cheaper to produce than fossil power. Rates for green power will vary with the cost of fossil fuels. This has been corroborated by my phone conversations with PEC representatives.

### **On-Site Generation**

Now if you want to generate your own power and tie back into the grid, PEC will charge you \$0.0822 per kwh for the difference between what you download and upload "plus any power cost recovery factor charges". In other words, the cost is the same as anyone else pays for any electricity you need to download from them. But don't dream about setting up your own little cottage industry of selling power to the PEC by generating more than you use because, as far as I can tell, it's a one way deal. Not only won't they pay you for excess power you might feed up to the grid, they will actually charge you a \$30/month minimum. Without the grid tie-in our base charge (meaning if we use no electricity) is \$19/month. When I asked their people why, I was told it was because of the "extra bookkeeping" required. That's a bunch of bunk, ain't it? They also have some rules that make it daunting to even consider building an on-site system.

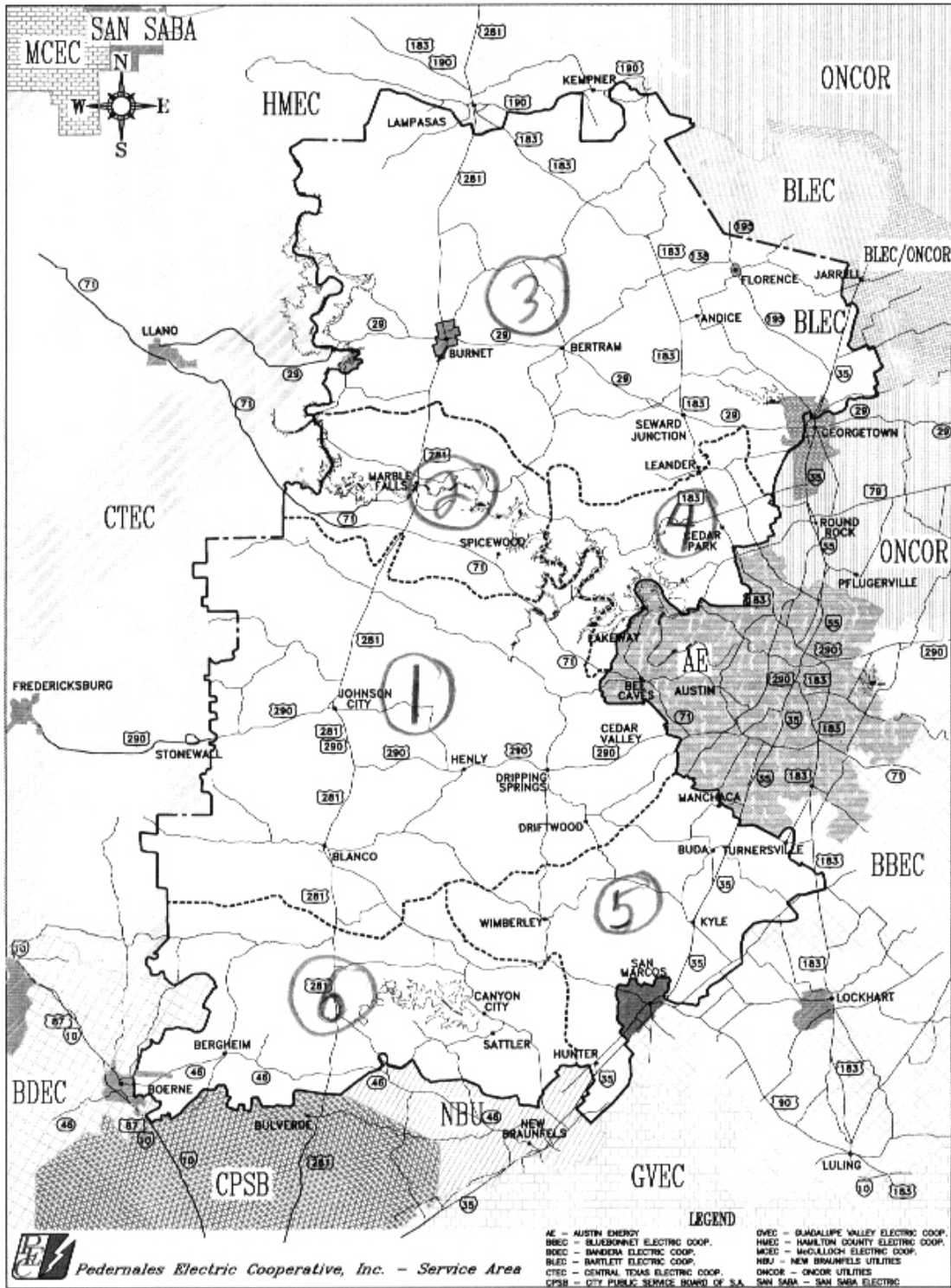
### **Further Info Gathering**

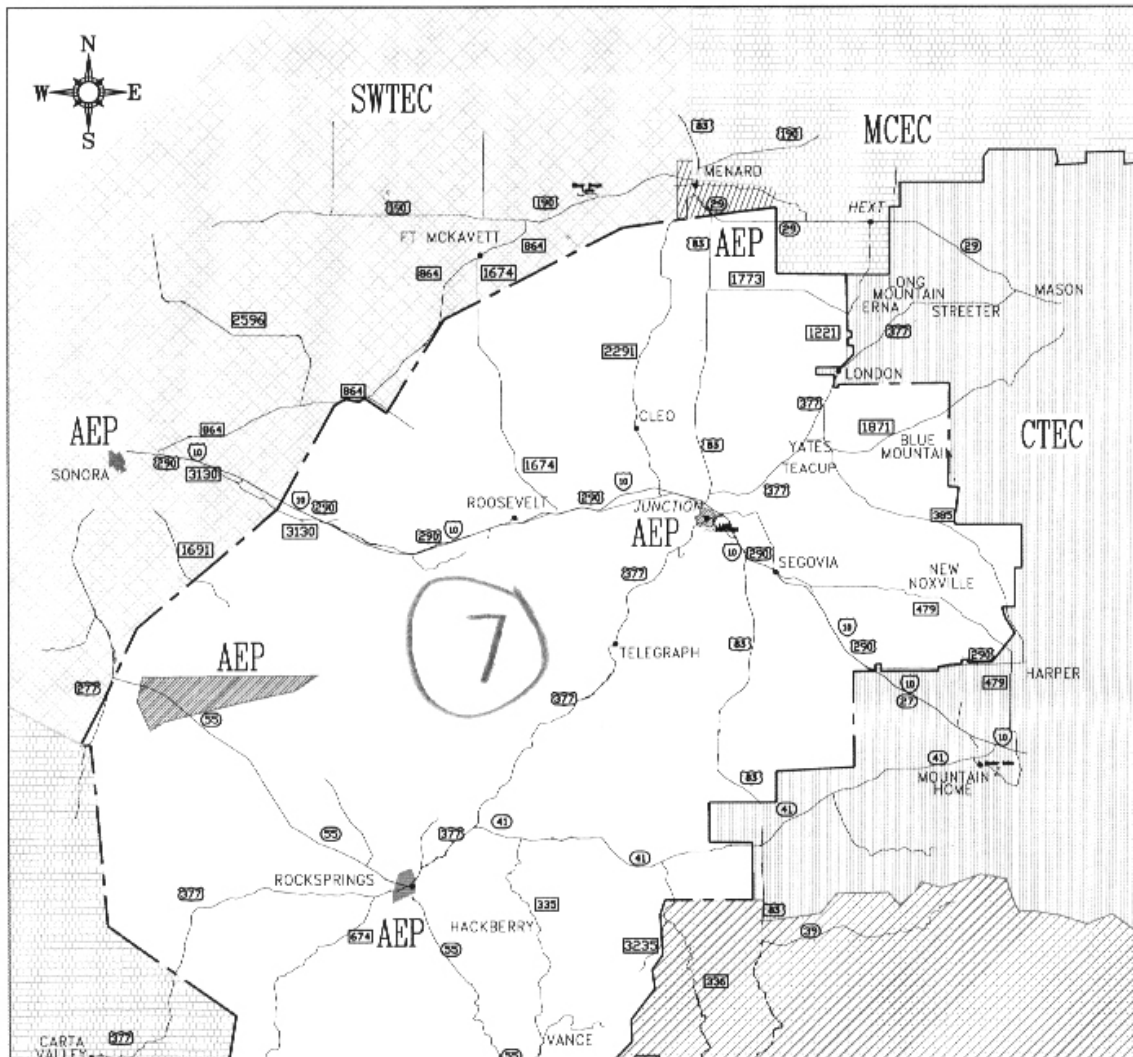
OK, so I took a look at those options and decided not to partake at present. But I thought there had to be a better approach - incentives, not obstacles to these things. So I decided to take a look at the composition of the Board to try to understand their biases and find out how we can replace them with more simpatico souls. First stop, their website ([www.pec.coop](http://www.pec.coop)). There, I found zilch about the board, not even a list of their names. I noticed on the proxy card I got in the mail that the directors seemed to represent different districts. At least each nominee's name had a district next to it. So I thought "Aha, all we need to find out is how those districts are delineated, then we can run our own candidates against them!"

So I called, and called, and called. Two times I called to get info and nobody could tell me anything about the board at all. On the third call, I was escalated to a person who seemed to know a little something. She told me that the board had 17 members, with voting and advisory members elected from 7 districts. When I asked how they got the number 17 from seven districts she said she wasn't sure. I floated the idea that maybe 3 were at-large members and she said that was probably right. When I pressed her for a more definitive answer, she took down my list of questions and promised to have someone more knowledgeable call me back. Some time later, I finally got that call from Account Services Supervisor Patti Larrabee (phone # 830-868-5109).

### **Summary of Info from Patti**

Patti said that the board consisted of 14 people, 2 from each district with one being a voting member and the other being "advisory". I asked for a map of those districts' boundaries and she sent me a map of their service area, which is divided up into 7 service area districts. Those districts are defined on the map but not identified by numbers. I do not understand why this map does not have those service area districts labeled. And why the map is not on their website is also a mystery to me. To make this all more complicated, Patti told me that though there are 7 "service districts" and 7 "board districts" the board districts do not coincide with the service districts. This, according to Patti, is done to more fairly represent concentrations of population. She also told me that there are no clear maps or even descriptions of the board districts. Below are the service area maps that she sent. The numbers of those districts were filled in by me according to info given to me by Patti:





The board members serve for 3 year terms and may run for unlimited terms if they wish. All 6 of the current nominees are sitting board members. Nowhere though, in the mailings or Texas Coop Power magazine do they say anything about how long the candidates have served, etc. One would think they would be proud of their tenures on the board and tout their accomplishments as long-standing members. However, by their omissions of this info, it seems as though they are implying that these are all people new to the board. This is one of many examples of the lack of transparency in the coop's dealings with their members.

According to the bylaws, the board, each year, between 30 and 120 days prior to the election (annual meeting), selects a nominating committee. This committee (currently 7 members) theoretically represents the entire service area. Each voting board member appoints a nominating committee member from his or her board district. The committee puts up the slate of nominees for election (actually ratification) by the coop membership. Consequently, if an incumbent wants to stay on the board there is never a challenger. Members do, supposedly, get to write in candidates if they vote on a standard ballot at the annual meeting but there is no provision for it on the proxy card.

Patti at first neglected to mention the "at large" members but, when I spoke with her again, I brought them up. The bylaws specify that 4 advisory members from no specific area should be appointed by the board. At present, there seem to be only 3.

### Escalating Up

Since Patti was unable to clarify the board district boundaries for me and, in fact, told me that there was no map of them, I asked her if there was someone there who did have the answers I needed. She suggested Melinda Armbruster, the manager for my area, and said she would have Melinda call me.

The next day, Melinda did call and we spent quite a bit of time on the phone. Some questions she was able to answer, some she wasn't. I mainly wanted to understand the boundaries of the board districts. She agreed to go over the service area map with me and help me create an overlay showing the board districts. Then, when she looked for her map she said she couldn't find it then and promised to call the next day. She didn't but I called her and she again spoke with me at length.

This time she did have the map in front of her and started trying to describe the boundaries by referring to various towns on the map. I quickly noticed that many of the places she was mentioning were not on my map. I asked if we were both looking at the same map, the service area map. She said no, she had the board area map (the very same map that Patti had told me did not exist). So I said we could save a lot of time if she would just send me the map. She said that they can't distribute the map to every member - that it would be too costly or some such nonsense. I said "why not just fax it to me?" to which she replied that she couldn't. I said "why, is it bigger than 8.5x11?" she said "no, it is small enough". When I pressed further, she said that giving this information to members would lead to members passing the stuff among themselves, thereby perpetuating "misinformation." I countered that by NOT making the map, etc. available they were beginning the chain of misinformation. Anyway, bottom line - they are not allowed to give or show this board district map to members.

They are, however, allowed to verbally describe the boundaries and she again tried to do this but the lines are sometimes vague and it is definitely difficult to describe verbally. The fact that Melinda often inadvertently confused east and west didn't help either. To make matters worse, I am navigationally challenged too and many of the landmarks and towns to which she referred were not on my map. Oy! In the end, I asked her to tell me what she could about the lines and also to tell me the names of towns in each district. Below are the borders and towns I think she told me which I wrote as quickly as I could, district by district. If someone more comfortable with maps could draw this as an overlay on the above service area maps I'd be mighty grateful. Me, I'm confused.

Board District #	North Boundary	East Boundary	South Boundary	West Boundary	Included Towns
1	Northwest border of service area, beginning north of Lampasas	281 corridor through Burnet to lakes on the south	Marble Falls to west edge of territory	Western edge of territory	Lampasas to Marble Falls
2	North border east of district 1	Oddly shaped - river, north thru Jonestown to 29	Lakes	Eastern boundary of 1	Bertram, Seward Junction, Andice, Florence, Burnet?
3	Northeastern most border of territory	Eastern boundary of territory	Hwy 29 and northern border of Georgetown	Eastern boundary of 2	Jonestown, Leander and Cedar Park
4	South boundary of 2	Territory border south to 290	290 west to Henly	Just east of Blanco-Hays-Travis intersection	Dripping Springs, Lakeway, Briarcliff, Some of Hamilton Pool Rd. & some of Cypress Mill
5	Not sure	West boundary of 4	Not Sure	Western edge of territory	Round Mountain, Henly, Blanco, Spring Branch, Johnson City?
6	Blanco, 165	Between Canyon City and Wimberley	Southern edge of territory	Eastern boundary of 4	Fisher, Canyon City and Canyon Lake, Sattler, Startzville
7	Southern edge of 4?	Eastern edge of territory	Southern edge of territory	Eastern boundary of 6	Driftwood, Wimberley, Buda, Turnersville, Kyle

To help organize the board member info, I have made up the following table of board members, the board districts they represent, the towns they live in (if I know), when they are up for re-election and their professions (again, if known). Question marks signify info that has not been found out for me yet (and may never be).

Board District Represented (Voting or Advisory)	Name	Residence	Up for Re-Election	Profession
1 - voting	Vi Cloud	Marble Falls	06	Real estate
1 - advisory	Stuart Nunnally	Marble Falls	06	Dentist
2 - voting	E.B. Price	Joppa	08	Dir Farm Bureau Council
2 - advisory	Rusty Allen	LagoVista	07	Real estate
3 - voting	Barry Adair	Cedar Park	08	Morgan Stanley Exec. Dir
3 - advisory	Barbara Shaffer	Cedar Park	07	Banking
4 - voting	O.C. Harmon	Drippin'	07	Retired rancher
4 - advisory	Robert Reed	Drippin'	06	Public transportation
5 - voting	R.B. Phelps	Johnson City	07	Retired rancher
5 - advisory	D.L. Ruff	Menard	08	Rancher & Farm Home Admin
6 - voting	Val Smith	Blanco	06	Gasoline distributor
6 - advisory	Ola Armstrong	Canyon Lake	08	VP Guad Val. Tel Coop
7 - voting	W.W. Burnett	Wimberley	06	Hays Co. judge
7 - advisory	Blas Tenorio	Kyle	06	Retired bus owner & Farm Home Admin
At Large Advisory	Kenneth Kennedy	?	?	?
At Large Advisory	Libby Linebarger	?	?	?
At Large Advisory	Lamont Ramage	?	?	?

Some may live outside the districts they represent.. I can't tell for sure without a more complete map and with the way I was stonewalled on getting the map, I may never know. Note also that 5 out of the 17 only use initials, no first names. I don't know what that means. I'm trying to find out professions as well as residences and re-appointment years for the at-larges.

#### Other Information Gleaned from Melinda & Other Sources

Board meetings are not announced nor are they open to outsiders such as us members. We may request an audience with the board in writing but they may also turn us down.

Board members are not paid however they do receive a per diem for days they are doing coop business. Melinda could not tell me how much that is. She said it is "privileged" or "proprietary" or something along those lines.

An announcement was made in Texas Coop Power magazine that, at the annual meeting, the voting would include an amendment to the Articles of Incorporation. It was not mentioned there what that amendment would be. It was printed on the "Official Notice" card but I missed it. On the phone, Melinda told me it would be a requirement that 2/3 of the membership approve a decision to "sell the coop". Seems pretty outrageous that they could sell the org. at all but, apparently, without the amendment, they could have more easily done just that. When I asked Melinda where I could find something about this in the Articles, she referred to the By Laws, saying that they were one and the same. This I didn't believe. However, after searching through those bylaws, the best she could come up with was that they were adding the above-mentioned provision to Bylaws Article 8. I let it go, figuring that I'd learn more at the meeting and find out whether that was correct.

I don't know about yours but our power is very fragile. We lose power to frequent blackouts (2 over the past couple of weeks) as well as numerous brownouts (generally weekly, anyway). I'd be happy if we just could depend on our service. Underground lines would certainly help.

## **Conclusions**

- Possibly weird geographic representation with members living outside districts they represent
- Little diversity on board - business interests well represented but not women or minorities (3 women out of 14, 1 Hispanic out of 14)
- Very secretive organization - all info should be pushed to the membership. Instead it is made difficult for the curious to obtain. Dumb excuses given for why this is
- Telephone answerers, either by design or omission, are in the dark about practically everything except how to tell people that a technician is on the way. They know nothing about alternative energy, board structure, corporate operations, etc.
- Board is totally self-perpetuating - closed system - no provision for member nominations (at least not in time to get on ballots)
- Only lip service paid to renewables and on-site generation
- Almost nothing done to encourage conservation

## **Recommendations**

I would recommend:

- Pushing for more incentive for members to select renewables and on-site generation,
- Announcement of board meetings and making them open to the public
- Letting the members nominate candidates for the board (that's a big one)
- Board term limits
- Rebates for compact fluorescent light bulbs as well as all energy saving appliances?
- Far more transparency. The board election process, board member bios, etc., green power options and lots more could easily be posted on their website but are not.

Also, the 2 people I spoke to about renewables both said that the organization's hands were tied by their exclusive contract with LCRA. This is more bunk if you ask me. As LCRA's biggest wholesale customer, they should have the clout to demand a more reasonable payment scheme for green power. And why do they have to have an exclusive, sole source contract anyway? The City of Austin doesn't and I'll bet others don't either.

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### **What I Learned at the Annual Meeting**

1. The meeting room was not full. There were 297 members in attendance.
2. They received 32,252 proxies, for a total of 32,549 voters.
3. The current total membership of PEC is 205,942. They are adding a staggering 10,500 meters per year.
4. A cursory reading of Article 2 Section 4 of the Bylaws had me believing that a quorum is defined as "twenty percent of total number of all members of the Cooperative present in person or represented by proxy..." With that assumption I quickly calculated that they would need 41,188 for a quorum and seemed to be falling short by 8,639 members. I immediately sought out someone to report that to and found Walter Demond, a lawyer who consults for PEC on just that sort of issue. Boy was I wrong. Walter pointed out to me that further down in that paragraph says "...so long as the total number of members does not exceed three hundred (300), then and in such case, seventy five (75) members present or represented by proxy shall constitute a quorum..." So, with over 200,000 members, a quorum is 75???? This is something that even their lawyer said needs to be changed.
5. Both Patti and Melinda had told me that there is a place on the ballot for write in votes. Melinda also said that there would be a call for nominations from the floor. Neither of these things turned out to be true. Apparently they were standard procedure in the past but have been dropped. No wonder. They were a sham anyway. With the proxies already in, rubber stamping the slate of nominees (as well as the propositions), what's the point of going for a dozen votes or so? Clearly, if the organization is going to get away from what smells like cronyism and become truly democratic, there needs to be provision for serious outside candidates to be put on a legitimate ballot for a vote. The all-powerful proxy designation is a standard tool of for-profit companies but has no place in the affairs of a coop.
6. I learned that Chairman of the Board W.W. Burnett is actually called "Bud". He and the other good 'ol boy, General Manager Bennie Fuelberg, seem to rule with an iron fist. They are both very slick but folksy. And they had the audience (of mostly people older than me) eating out of their hands. At one point Karen Huber stood to make a well reasoned point about using less unsightly power poles in the scenic areas. Ol' "Bud" did his best to belittle what she said. His put-down speech evoked what is probably the heartiest round of applause that this elderly group was capable of.
7. There were a few other reasonable people who brought up well thought out points. Everything was fielded but very little was answered to my satisfaction.
8. Well, I take that back. I stood to gripe about the lack of transparency, the weakness of the website and my inability to get information easily. I was assured that changes (such as listing Board members' info on the website) would be undertaken quickly. That was good to hear. Now we'll see how quickly, and how much.
9. I had been told that Circle C received underground utilities at the PEC's expense. I asked about that and was told that it was just plain not true. "Bud" said that Gary Bradley paid the entire cost of their installation underground as would any subdivision or municipality who wanted their cables buried.
10. I learned that the managers of PEC hate the LCRA almost as much as I do.
11. Sadly, the PEC's contract to buy all or almost all their power from the LCRA will last until 2016.
12. I also learned though that efforts are underway to work, along with a coalition comprising about 75% of LCRA's customer base, to set up sources of power that are alternatives to the big bad LCRA.
13. In response to a couple of people's inquiries about renewable energy they said that they are looking into additional sources of green power. They also said that they buy more green power than they sell, meaning that they do not have enough members signed up for the green power option. Perhaps if they'd stop penalizing those who select green and start charging appropriately for it they'd get lots more people signed up. But that is not what they want. One of the things I think I heard "Bud" say was that they wouldn't want green power to be so attractive that everyone wants it. He also said that the premium paid by those who opt for renewables is funding such things as conservation reimbursements. In other words, you go green and you subsidize everyone else.
14. On the subject of on-site generation (with PV, etc.) for a grid tie-in system, they said that they have removed some obstacles that people had complained about and are trying to make it easier for folks to do. In response to Annie's query, they said that they are not and would not be offering rebates for solar installations.
15. "Bud" thinks that someone would have to be crazy or out of it or something to have never visited Cabelas.
15. Both Walter Demond, the lawyer,, and Robert Peterson, the Account Services Manager, said that they would be happy to meet with me to hear my suggestions. I intend to take them both up on that.