



Board of Directors

PO Box 1
Johnson City, TX 78636

Meeting: 03/17/15 10:00 AM

Sponsors:

DOC ID: 3006

RESOLUTION 2015-26

Subject: Legislative Position on H.B. 3451 and H.B. 3391(Regular Session 2015)

Submitted By: Renee Oelschleger

Department: Legal Services

Background:

House Bills 3451 and 3391 have been introduced in the 84th Regular Session of the Texas Legislature. Pursuant to the Cooperatives Legislative Policy, the Board may now discuss taking a position on these bills.

Financial Impact and Cost/Benefit Considerations:

Expenditure of Cooperative funds to be determined by the Board of Directors and not currently included in the Cooperative's 2015 operating budget and; expenditures of staff time is unknown at this time (other than ordinary processing requirements).

**Pedernales Electric Cooperative, Inc.
Regular Meeting
March 17, 2015**

RESOLUTION 2015-26

Legislative Position on H.B. 3451 and H.B. 3391(Regular Session 2015)

WHEREAS PEC through its cooperative principles is a democratic organization controlled by its Members who actively participate in setting policies and making decisions;

WHEREAS Pedernales Electric Cooperative's (PEC's) Articles of Incorporation contain a Member Bill of Rights to establish and maintain open and fair elections;

WHEREAS on October 20, 2014, the Board affirmed the decision of voters by referenda to maintain the all At-Large Voting system for director elections;

WHEREAS PEC views H.B. 3451 and H.B. 3391 in the 84th Regular Session of the Texas Legislature ("Bills") to constitute an unprecedented, undemocratic and unwarranted governmental interference and overreach into the free and independent governance of a private member-owned cooperative corporation;

NOW THEREFORE BE IT RESOLVED by the Pedernales Electric Cooperative, Inc. Board of Directors, that pursuant to PEC's Legislative Policy, the Board adopts the following Position on H.B. 3451 and H.B. 3391 in the 84th Regular Session of the Texas Legislature; and the Board strongly opposes both Bills for the following reasons:

1. These Bills constitute an unprecedented, undemocratic and unwarranted governmental interference and overreach into the governance and operation of a private, independent Member-owned cooperative Corporation.
2. These Bills unfairly discriminate against the Members of PEC because they "bracket" and thus, singularly target only one electric cooperative in the State of Texas.
3. These Bills usurp PEC's democratic Member rights and control, self-governance, Articles of Incorporation, Bylaws and Member Bill of Rights. With nearly 225,000 members, PEC governs

consistent with the widely-recognized Rochdale Cooperative Principles, including democratic Member control (which forms the legal basis for the principles on which cooperatives around the nation and the world operate).

4. PEC conducted and administered two well-publicized Member referenda on changing the governance methods-in 2011 and 2014. On both occasions the Members' preference, in a democratic Member vote, was to maintain the At-Large electoral process. On June 22, 2014, PEC Members voted to affirm At-Large voting by a vote of 9,219 (53.7%) for the At-Large system and 7,957 (46.3%) for Single-Member District voting.
5. These Bills constitute a potentially adverse action on a financially stable, \$1.4 billion AA- rated corporation that is a local and member-owned not-for-profit corporation. The adverse action could cause destabilizing and downgrading of the PEC within financial markets; could cause damage to Member-owner investment; and could harm PEC's business reputation.
6. These Bills are unwarranted. PEC's financial position has never been stronger and the Cooperative's reforms have been hailed as a model. PEC has distributed over \$65 million in capital credits to its Members since 2009. PEC recently reduced rates. It has attained a milestone goal of 36% Member equity as a percent of assets. PEC adopted term limits for all board members.

THE BOARD OPPOSES any legislation that interferes with the free, independent and democratic governance of PEC or the election of its Board of Directors; that

THE BOARD OPPOSES any legislation that mandates or otherwise interferes in the Members' preference in the method of electing PEC's Board of Directors; that

THE BOARD OPPOSES legislation that would undermine the democratic voice of our Members by excluding Members from voting for board positions that are entrusted with the fiduciary responsibility of the entire Cooperative and all of its Member-Owned assets; and

BE IT FURTHER RESOLVED that the Chief Executive Officer (“CEO”), or his designees, is directed to take any and all actions necessary to oppose any legislation that interferes with the free, independent and democratic governance of PEC or the election of its Board of Directors;

THE CEO IS DIRECTED to make the Board’s Position known to Texas legislators and the Texas Electric Cooperatives (“TEC”), and to work with TEC to raise this opposition, the Board Position and concerns at the Legislature, and to take all such other actions as needed to implement this resolution; and

THE CEO IS FURTHER DIRECTED to utilize media and other communication means to inform and advise the Cooperative Membership about the Board’s adopted Position; and

BE IT FURTHER RESOLVED that any Director on the Board of Directors, the CEO or his designees may share this Position as that of the Board’s Position.

RESULT:	ADOPTED [5 TO 2]
MOVER:	Larry Landaker, District 6 Director
SECONDER:	Cristi Clement, Board Sec./ Treasurer, District 1 Director
AYES:	Clement, Scanlon, Perry, Landaker, Cox
NAYS:	Emily Pataki, James Oakley