



2018 Nueces Electric Cooperative
ANNUAL REPORT
2017 financial health review

**Annual Membership Meeting
Thursday, October 11, 2018
Richard Borchard Fairgrounds
Robstown, TX**

Employees

In 2017, 78 NEC employees worked a total of 147,676 regular hours plus 13,831 hours of overtime. Total wages equaled \$5.5 million.

ROSIE AVALOS	43	VICKY GARCIA	10	TYLER BUNCH	2
WARREN HOELSCHER	43	LIANE PADILLA	10	JOANNA PRADO	2
MARY PAVELKA	39	ROXANNE PINA	9	DANIEL CANONGE	1
LARAE MARTIN	36	CYNTHIA GARZA	9	CHRISTIE MELENDEZ	1
AL PENA	35	RICHARD PADILLA	9	ANDREW VILLARREAL	1
CHRIS KNETIG	33	JESUS OLIVAREZ	9	MANUEL CASTILLO	1
TYRON HEFLIN	30	CHRIS CARRION	8	ANNALISA DEL ALTO*	1
ALBERT PENA	29	JOE HUERTA	8	MARGARITA VELASQUEZ*	1
PETE RAMIREZ	29	BENNY TORRES	8	ALBERT GARZA*	1
MANUEL MAYORGA	28	KENNETH KRUEGER*	7	CHRIS TINER	1
FRANK WILSON*	25	ISABEL CAVAZOS	6	CHRISTOPHER JOHNSTON	1
ALBERT GOMEZ	23	ERIC HERMAN	6	APRIL RODRIGUEZ	1
SARAH FISHER	21	BEATRICE REYES*	5	CORA ALVARADO	1
ROBERT BRIONES	20	ROBERT HOLLOWAY	5	CHRIS KAPCHINSKIE	
ADRIANA PENA	20	CHRISTINE GRISSOM	5	JARED BRACKIN	
ROLAND TREVINO	18	VELMA VASQUEZ*	5	JONATHAN ESPINOZA	
RHONDA BELL	17	VLADIMIR LOBANOV	4	MARK MILLEGAN	
JOE RIVERA	16	BILL GUNN	4	JIMMY HERNANDEZ	
AVAN IRANI	15	JOHN GUZMAN	4	MICHAEL GLASS	
RAYMUND PINA	15	DOM CORTEZ	3	JOEL RUIZ	
PAULA SHADLE	13	ALAN SANDERS	3	ALEXA SCHAEFER	
DOUG WILSON	12	TATE PRIEST	3		
SERGEY SERYOGIN	12	LARRY RAHMES	3		
MANUEL PINA	11	ROLAND RAMIREZ	3		
CLAY DENNIS	11	TRACE MCCUAN	3		
SONIA STOUT	11	SUSAN BRIDGES	3		
HILDA AYALA	11	DAVID TIVIS	3		
ROXANE FLORES	10	MADELINE CHALK	2		

*NEC Co-op Energy Employee

Success =



Pre-Meeting Activities

5:30 - 7:00 p.m. Registration & Entertainment

Vote for your Board of Directors
Dinner catered by Howard's BBQ
Children's Entertainment by Cuddles & Critters
Energy Efficiency & Safety Booths
Meet a Lineman Booth
Scholarship & Youth Leadership Tour Booth

7:00 p.m. Voting Polls Close

Business Meeting

7:00 p.m. Business Meeting Call to Order

Brian Menking, NEC Board President

Invocation

Pastor Adrienne Lynn Zermeno, First
United Methodist Church of Three Rivers

Presentation of Colors & National Anthem

U.S. Navy & NEC Youth Tour
Delegate Gracie Wernig

Pledge of Allegiance

Brian Menking, NEC Board President

Recognition of Board Members, Committee Members,
Special Guests, NEC CEO & NEC Employees

Brian Menking, NEC Board President

Recognition of Youth Tour & Ramiro De La Paz
Scholarship Winners

District #1 Director, Dr. Rumaldo Juarez

Minutes of 2017 Annual Meeting &
Treasurer's Report

Brian Menking, NEC Board President

Annual Report Video

Brian Menking & Trace McCuan

Election Tabulation Results

David Rosse, Secretary/Treasurer

NEC Co-op Energy Member Referral Program Winners
\$500 Electric Bill Credit
\$250 Electric Bill Credit

Frank Wilson, NEC Chief Retail Officer

Prize Drawings (must be present to win)
Prizes include: \$500 Electric Bill Credit, \$150 Electric Bill Credit & more

Adjournment

Brian Menking, NEC Board President

Please complete the annual membership meeting SURVEY INSERTED INTO THIS BOOKLET.

Please place completed surveys in the box provided near the exit when you leave the meeting.

The parking lot has exits to the northeast and northwest.



Nueces Electric Cooperative

A Touchstone Energy® Cooperative 

President's Message

Brian Menking



With our 2017 year in the books, as the President of NEC's Board of Directors, I am pleased to bring you a recap of our accomplishments. Each year we use our Annual Membership Meeting as our opportunity to come together to share our progress and show members how your investment in the Co-op can help benefit you and your family. Nueces Electric Cooperative has implemented new programs and reached members in more ways this year than ever before.

As a Cooperative, NEC strives to keep up with current technology, and 2017 saw the implementation of the Advanced Metering Infrastructure (AMI) system to members. This was especially helpful following Hurricane Harvey when more than 8,000 members lost power due to the storms.

When thousands of people are without power, there are typically many factors that contribute to the problem. To face this challenge during Harvey relief efforts, NEC prioritized the outages affecting the largest number of people first, then focused on the nested outages that impacted individual members. This ensured efficiency as our staff worked hard to safely restore electricity to the entire service area.

In the past, members with nested outages would have to call the office to let us know their power was still

out after most homes and businesses around them had been restored.

Fortunately, thanks to our newly implemented AMI solution, we were able to monitor real-time outages down to each specific meter. Crews were then dispatched to the problem areas to address each outage proactively, a dramatic improvement in overall customer service.

This was a well-timed accomplishment of 2017 that by the time Hurricane Harvey hit, we had deployed a majority of our AMI meters to our membership. Another benefit of the AMI system is that it allows our members to see their electric usage in real time through the SmartHub app. This feature helps members estimate their monthly bill and find usage spikes.

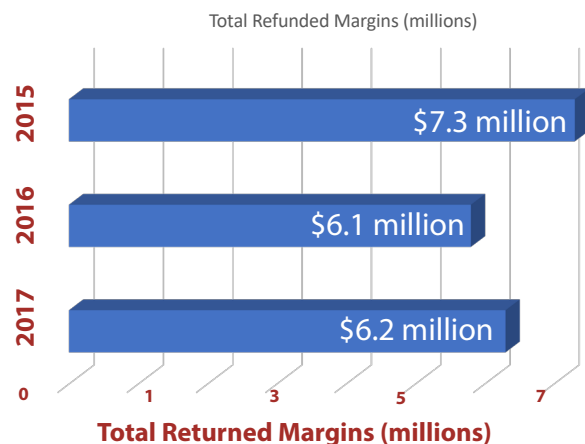
With each project we take on, we evaluate the assignment against the Cooperative's strategic goals. Each project we begin and each improvement we make throughout the year must assist us in meeting these goals. The Strategic Planning Committee was created to monitor the progress of the cooperative to meet our goals established in 2014. Since its inception, our team at NEC is doing an excellent job at keeping our

NEC 2017 Margins Returned to Members

As a not-for-profit cooperative, your Board of Directors is proud to return our margins to our members. Each year, the Board is diligent to maintain a healthy financial balance while ensuring members profit from their equity investment.

In 2017, \$6.2 million averaged out to \$208 per consumer* via Capital Credits or PowerPerks Adjustment Credits. It is our duty to work for you, the member-owners of the Co-op.

*Individual returns vary and are based on longevity with the co-op and overall usage. Longer membership and usage yield higher individual returns.



"Since 1997, Nueces Electric Charities has distributed more than \$1.5 million in charitable giving to local community organizations in need."

- Brian Menking

five strategic goals a main focus. These five goals consist of Safety & Health, Member Satisfaction, Growth & Efficiency, Work Environment, and Key Message Communication. We measure these goals with 20 key performance indicators to ensure that our business priorities continue to show improvement.

In 2017, \$141,442 was distributed to 21 local non-profits to support our mission to improve members' quality of life. This includes an annual \$24,000 donation to our signature project, HALO-Flight. Other 2017 recipients include Rise School of Corpus Christi, YWCA, South Texas Lighthouse for the Blind, Driscoll Children's Hospital and many more. Nueces Electric Charities is funded through Operation Round Up, a program which allows all NEC members the ability to choose to round up their electric bills to the next dollar in donation.

Since 1997, Nueces Electric Charities has distributed more than \$1.5 million in charitable giving to local community organizations in need. This community resource is available to those in need thanks to you, our loyal members. Thank you to the members who support Nueces Electric Charities through this program.

As a fellow member, it is a privilege to return Cooperative margins back to the members we serve. We work for you, the members, and with each decision that we make, we always keep each of our loyal NEC members in mind. In total, with Capital Credits and the NEC Co-op Energy PowerPerks Adjustment, your Nueces Electric Board of Directors approved the return of more than \$6.2 million in patronage back to its members in 2017.

On behalf of the NEC Board of Directors, I would like to commend our CEO, Trace McCuan for his dedication to the cooperative. And while our CEO is a very important part of our layout, as a member you are the foundation of NEC's existence. As a democratically run organization, each member is able to select the 10 member-elected Board of Directors to represent your voice through the Cooperative. You have selected us to make sound decisions for you, our member-owners of the co-op as well as our neighbors, friends, and community. We value the feedback that you, as member-owners of Nueces Electric Cooperative, are able to provide to us.

This December, Nueces Electric Cooperative will celebrate 80 years in this South Texas community. In this time, we remember why our co-op was started so many years ago, and we strive to maintain a relationship with every one of our members from every generation. We value upholding the founding principles that NEC began with and we will continue to work towards providing each member the best value and reliability of service as possible.



C.E.O. Message

Trace McCuan



Nueces Electric Cooperative's service area saw some major changes in 2017 due to the effects of Hurricane Harvey, the implementation of the new Advanced Metering Infrastructure (AMI) system, and overall improvements to the day-to-day operations at the co-op. I am pleased to report that 2017 was a healthy year for NEC and the positive effects of the year will continue to help us grow in the future.

Our Year in Review

Each day, NEC employees and your Board of Directors work towards supporting our mission of continually improving the quality of life for all of our members by providing reliable and cost effective electric service. In everything we do, we work to benefit our nearly 30,000 NEC members, every day. Across our service area in 2017, an average of 77 employees worked a total of 157,826 hours and drove more than 806,066 miles. We maintained more than 85,099 poles and 3,454 miles of power line to deliver the most efficient and reliable service possible. The average outage time throughout the system for NEC delivery service members in 2017 was 2 hours and 48 minutes. This is a slight increase over 2016 mostly due to some of the damage and outages associated with strong spring storms, Hurricane Harvey, and a particularly icy winter.

Safety is our number one priority in everything we do, including the 42 weekly operations safety meetings and eight all-employee safety trainings that we conduct to ensure that each employee has a good focus on safety. In 2017, NEC's recordable and lost time accidents decreased by 33% from 2016. Each year, we work to decrease any safety incidents to ensure that our employees and members are as safe as possible. NEC continues to train and provide hazard recognition training to encourage employees to always maintain safe practices and to report an incident, no matter how small so that preventative measures may be taken.

In addition to training and awareness, we have made some procedural changes and updated some of the tools that are used every day including the new ElectriFlex high voltage gloves which provides a more comfortable experience that puts less strain on the arms and hands of our linemen while keeping them safe across all voltages on our system. This efficiency eliminates the need to switch gloves out in the field and ensures that they will always have the best rated personal protective equipment (PPE).

For NEC, 2017 also saw the effects of the first major hurricane to hit the United States in over a decade. Hurricane Harvey hit the Texas Gulf Coast as a category four storm with winds up to 130 miles per hour late in the evening on Friday, August 25th. Our system took a hit from the hurricane with approximately 45 percent of members experiencing outages—leaving approximately 8,200 homes and businesses in the dark. Storm damage included the loss of 24 poles, eight substation feeders and one entire substation.

However, this was largely a learning experience for us as a cooperative. We were able to restore power to approximately 95 percent of members in our service area within 24 hours. Power was completely restored to 100 percent of the membership within 48 hours. Many of our neighboring co-ops and areas further north along the gulf coast suffered complete devastation as a result of the storm. NEC was proud to send multiple crews to these neighboring electric cooperatives to assist them in rebuilding after the storm. We were able to send aid to other areas because of how quickly we were able to restore power to our own members.

One of the largest initiatives we undertook last year was the implementation of a new information computer backup system to maximize the reliability and security of the members' data. These backups are now performed multiple times a day with high level of encryption to ensure overall cyber security. Additionally, we have supplemented these processes with new cyber security training initiatives for our employees to minimize the risk of cyber-attacks while greatly improving the security of our IT infrastructure and systems.

NEC Co-op Energy

As a division of the Cooperative, NEC Co-op Energy is a not-for-profit electricity provider and passes through the electric charges at the cost of service. As the co-op's competitive retail electricity affiliate, NEC Co-op Energy works to better manage the costs of the cooperative which are ultimately reflected in our members' bills. In early 2017, our Retail Division, formerly known as NEC Retail, was rebranded as NEC Co-op Energy and rolled out a new advertising campaign featuring real members. In 2017, NEC Co-op Energy was able to decrease members' overall rates to NEC wires member by roughly seven tenths of a cent and for all other NEC Co-op Energy members, we had to increase our rates by roughly seven tenths of a cent from the year before.

However, NEC Co-op Energy saw a -1.17% growth in accounts which is mostly due to homes lost during Hur-

"It is every employee's and director's desire to provide great service, keep your lights on and do so as efficiently as possible."

- Trace McCuan



Nueces Electric Cooperative

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ricane Harvey, but sold more than 1.24 billion kilowatt-hours (kWh) to member homes and businesses with 10% growth. NEC Co-op Energy has chosen to display energy and power line charges separately as to not misinform consumers. NEC is dedicated to never mislead its members, though others in the market do use gimmicks to entice consumers only to lock them into surprise fees and higher rates. I am optimistic that NEC Co-op Energy can continue to compete in the high stakes retail electricity market and maintain our integrity with our member-owners.

For NEC Co-op Energy members, throughout the year there are many opportunities to experience many of the benefits of membership. Participation in our Military Appreciation Credit grew to more than 2,600 members for a total of nearly \$65,000 back to members in honor of their service. Last year, NEC Co-op Energy's \$50/\$50 new member referral program had 1,074 member participants. Thank you for spreading the good word to your friends and family throughout the State of Texas. Your endorsement is the best form of advertising.

Through the support of NEC Co-op Energy members who donate to the Member-To-Member assistance program, NEC Co-op Energy was able to distribute more than \$10,000 to area agencies in 2017 to help members pay their electric bills.

Cooperative Financials

The largest expense for the Cooperative as a whole was our purchased power and generation cost, which has been steadily increasing over the last few years. Thankfully, our power agreement with South Texas Electric Cooperative (STEC) guarantees NEC members a reliable source of generated power. In total, NEC purchased 1,291,069,483 kWh and sold 1,243,013,774 kWh. This represents a 10% increase over 2016 due to the continued expansion of NET Mexico Pipeline Partners, an affiliate of NET Midstream, which has increased operations over the last few years.

The average use of residential members was 1,432 kWh per month which is a 17% increase over 2016. This is mostly due to the particularly hot summer and very cold winter that prompted a higher usage from members in these peak times. Total revenue for the Co-op was up in 2017 by 12% due to the rate adjustment that took place near the end of 2016 as well as a particularly cold winter that encouraged higher consumption from members.

NEC saw a 6% increase in total assets and other debits. Of the \$186.8 million, our cash in bank totaled \$1.9 mil-

lion –an increase due to the rate adjustment as well borrowing money for capital expenditures. Total property and investments increased by 11%, totaling \$57 million due to the purchasing of additional treasury strips representing members' equity.

New technology, rising costs of materials and supplies, regulatory pressures, a more mature competitive retail market, and keeping up with the competitive pay and benefits requirements in a competitive labor market, all contribute to our rising cost of doing business. Despite these cost pressures, our Operating Margins in 2017 totaled \$7.5 million and Non-Operating Margins totaled \$5.7 million.

From these margins, one of the benefits of being a member-owner of a cooperative are capital credits. Many consider capital credit refunds a gift back to the members, but it is not. These credits are your equity and patronage in the cooperative. Similarly, at the end of 2017, for NEC Co-op Energy members, there was a PowerPerks Adjustment credit itemized on your December bill. This is also money that is paid back to you if it is not used to help offset unseasonably high rates during the hot summer months. In 2017, NEC Co-op Energy gave back a combined \$5.7 million in Capital Credits and PowerPerks Adjustment Credits and NEC wires services returned \$655,000 in the form of patronage. While for-profit companies pocket these extra margins, as a cooperative, we return them to you. These benefits are what being a member-owner of your electric cooperative is all about: it is the cooperative difference.

The Privilege of Membership

As you can see, the past year has brought many positive changes to our cooperative. We at Nueces Electric Cooperative work each day keeping you, the member-owners of the co-op, in mind. It is every employee's and director's desire to provide great service, keep your lights on and do so as efficiently as possible. We are consistently working to increase the value of your cooperative membership and we are excited to continue to find new efficiencies and technologies to assist in meeting your needs. I am honored to be working with NEC employees, leadership and your Board of Directors as they should be commended for their work in effecting new processes to support the co-op's mission for years to come.



Financial Report

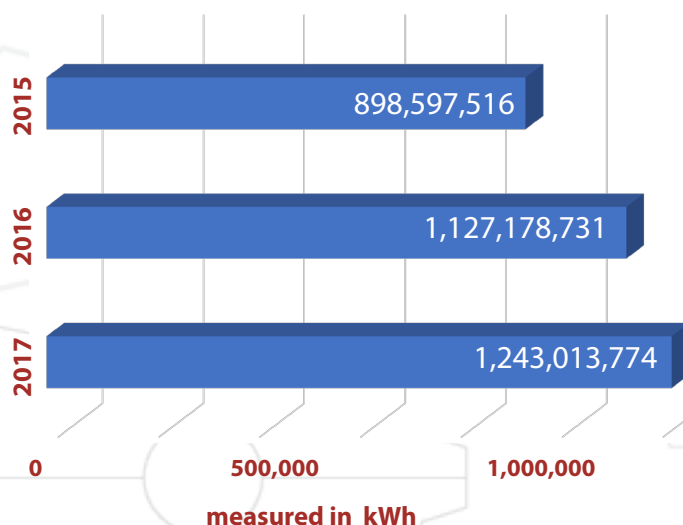


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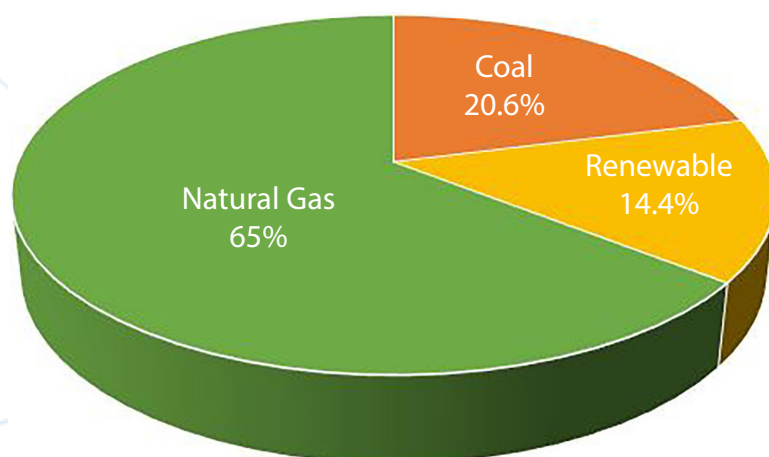
Total Power Sold

Total Power Sold KWh



NEC Co-op Energy 2017 Power Resources

Total Power Purchase = 1,243,013,774



Number of Members
29,671

Number of Accounts
41,193

Number of Facilities
6

Total Miles of Line
3,454

Number of Poles
85,099

Number of Transformers
16,515

Number of Employees
78

Executive: 6

Business Office: 20

Operations: 25

IT / Metering: 9

Engineering: 8

Compliance: 4

Retail: 4

Facilities: 2

Annual Miles Driven
806,066

Competitive Retailers
in the NEC Territory
15

Balance Sheet

Assets: What We Own

Net Utility Plant	\$113,561,486
Cash in Bank	\$1,949,980
Investments	\$57,430,537
Accounts Receivables	\$4,390,705
Materials and Supplies	\$2,276,501
Prepayments	\$274,146
Other Current & Accrued Assets	\$5,614,474
Deferred Charges and Other Assets	\$1,339,459
TOTAL ASSETS	\$186,837,288

Liabilities: What We Owe

Membership Fees & Consumer Deposits ..	\$2,558,788
Long-Term Debt	\$64,583,374
Current and Accrued Liabilities	\$19,541,628
Patronage Capital and Equities	\$92,037,572
Deferred Credits	\$8,115,926
TOTAL LIABILITIES	\$186,837,288

Full audited report available at
www.nueceselectric.org

Operating Statistics

Revenues: What We Took In

Operating Revenue	\$105,815,767
Nonoperating Revenue	\$1,787,073
Associated Cooperative Capital Credits	\$3,976,054
TOTAL REVENUES	\$111,578,894

Expenses: What We Paid Out

Purchased Power	\$74,267,927
Operations and Maintenance	\$5,675,020
Consumers Account Expenses	\$4,652,199
Administrative and General Expenses	\$5,402,717
Depreciation	\$3,948,323
Interest	\$2,877,262
Tax Expense	\$1,270,196
Other Deductions	\$178,811
Nonoperating Expenses	\$64,599
TOTAL EXPENSES	\$98,337,054

Margins: What We Had Left

Operating Margins	\$7,543,312
Nonoperating Margins	\$5,698,528
TOTAL MARGINS	\$13,241,840

How Your Dollar Was Spent in 2017

75.5¢: Cost of Purchased Power

5.5¢: Admin & General
 5.5¢: Distribution Operations & Maintenance
 5¢: Member Services & Information
 1.5¢: Taxes
 3¢: Net Interest
 4¢: Depreciation



Special 80th Anniversary Year

Ramiro De La Paz Memorial **SCHOLARSHIP**

Each year, Nueces Electric Cooperative awards college scholarships to high school seniors of cooperative members.

In honor of NEC's 80th Anniversary, this year an additional \$80,000 will be distributed in scholarship funds.

There are three different types of applications will be available for these scholarship funds: Students planning to attend a 4-year college or university in Texas can win one of (22) \$4,000 scholarships, students planning to attend a two-year or vocational college in Texas can win one of (10) \$2,000 scholarships, and students planning to attend an accredited Texas lineman's college can win one of (2) \$5,000 scholarships.

All applicants must reside in the home with a parent or legal guardian who has been an NEC member for a minimum of six months as of the application deadline date.

Two \$5,000 scholarships
and
Twenty-two \$4,000 scholarships
and
Ten \$2,000 scholarships

For Applications & Details:
www.nueceselectric.org &
www.neccoopenergy.com



2019 Youth Leadership Tour

Win the trip of a lifetime!

The Government-in-Action Youth Leadership Tour 2019 is an all-expense-paid trip for high school **juniors** to learn about different aspects of the government, meet their members of Congress and visit historical sites.

Each year, NEC sends four delegates from the cooperative to participate. This year's trip will begin in Austin, Texas on Wednesday, June 12 and continue on to tour sites in Washington D.C. before the trip concludes on Friday, June 21.

The travel package, valued at more than \$3,000, includes air transportation to and from Washington D.C., hotel stay, meals, admission fees, and \$250 cash for extra expenses. PLUS: Each winner will also receive a **\$1,000 scholarship**, should they attend an accredited Texas college or University.



Essay Topic: *You are in charge of the energy efficiency program at your school. Describe ways you would recommend for your school to use electricity more efficiently.*

Application Deadline:
January 14, 2019

How to apply:

Complete the 2019 Nueces Electric Cooperative Youth Leadership Tour Application form which can be found on both nueceselectric.org and neccoopenenergy.com.

Submit a 400-600 word essay on the topic "You are in charge of the energy efficiency program at your school. Describe ways you would recommend for your school to use electricity more efficiently."

Finalists will interview to determine the final four winners that will take this Youth Leadership Tour trip of a lifetime.

Applicants must have consent of and reside in the home with a parent or legal guardian who is a current Nueces Electric Cooperative member.

**Juniors - Apply
Today!**

MINUTES OF THE 2016 ANNUAL MEETING

October 12, 2017

Call to Order

The 78th annual meeting of the members of Nueces Electric Cooperative, Inc., was held on Thursday, October 12, 2017, at the Richard M. Borchard Regional Fairgrounds in Robstown, Texas. The number of members present was 931 with 255 ballots issued at the meeting. There were 6,733 represented by mail-in ballot, for a total of 6,988 voting members (Exhibit "A"). Upon determining that a quorum was present, the meeting was called to order by President Brian Menking at 7:03 p.m.

The United States Navy presented the colors and Texas A & M Kingsville Jazz Combo led the audience in the National Anthem. Pastor Dale Brynestad, Messiah Lutheran Church, delivered the invocation.

Recognition of Board Members, Committee Members, Special Guests, Youth Tour Delegates, Ramiro De La Pas Scholarship winners & NEC Employees

President Menking introduced the Cooperative's Board of Directors and members of the Community Involvement Committee. Recognition was given to special guests in attendance, youth tour delegates, Ramiro De La Paz scholarship winners, Halo Flight Program and employees of the Cooperative.

Reading of Notice of Meeting & Proof of Mailing of Notice

President Menking read the "Proof of Mailing of the Notice of the Annual Meeting." After the reading, the document was submitted to Executive Secretary, Liane Padilla for attachment to the official minutes of the meeting.

Minutes of 2016 Annual Meeting

President Menking stated that the minutes of the 2016 annual meeting had been provided in the October 2017 issue of the Texas Co-op Power Magazine and the Annual Report booklet. Upon calling for corrections or additions to the minutes, a Motion was made, seconded and duly carried that the minutes of the 2016 Annual Membership Meeting be adopted as published.

Treasurer's Report

President Menking stated the Treasurer's Report had been provided in the October 2017 issue of the Texas Co-op Power Magazine and the Annual Report booklet. A Motion was made, seconded, and duly carried to approve the report as printed.

President & CEO Reports

Overall, 2016 was a good year for NEC and many of our accomplishments will ensure a strong and member-focused co-op for years to come. Last year, NEC employees worked a total of 157,826 hours and drove 836,130 miles across our service area. We maintained 23,386 service connections and 3,603 miles of power lines to deliver the most efficient and dependable service possible.

In regard to safety, 2016 was a challenging year for NEC with an increase in our recordable and lost time accidents. NEC has implemented procedural changes, increased safety trainings for employees, and updated field tools to better equip our employees with the latest safety gear.

In Early 2017, the Retail Division, formerly known as NEC Retail, was rebranded as NEC Co-op Energy. In 2016, NEC Co-op Energy was able to decrease members' overall rate by roughly half a cent from the year before. However, NEC Co-op Energy saw only a 0.3% growth in accounts, but sold more than 1.13 billion kilowatt-hours (kWh) to member homes and businesses. Participation in NEC Co-op Energy's Military Appreciation Credit grew to more than 2,800 members for a total of nearly \$70,000 back to members in honor of their service.

In 2015, the Board approved NEC Co-op Energy to move forward with a new renewable project with Clean Energy Collective. June of 2016, the panels began power production. NEC Co-op Energy members that have purchased panels began seeing the generated power from the panels as credit on each month's bill. We are proud to provide renewable energy options to our members through this new program.

Another perk of being a member-owner of a cooperative are capital credits. In 2016, NEC Co-op Energy gave back a combined \$5.5 million in capital credits and power perks adjustment credits and NEC wires services returned \$650,000 in capital credits. Many consider capital credit refunds as a gift back to the members, but it is not. As a cooperative, we return them back to you. These benefits are what being a member-owner of your electric cooperative is all about.

And in 2016, NEC's operating margins totaled a favorable 8.2 million dollars and non-operating margin totaled 1.2 million. However, the Co-op experienced a 10.8% increase in consumer accounts, operations and maintenance, and administrative and general expenses over those in 2015.

It became clear in 2015 that NEC Co-op Energy had been increasingly subsidizing members who live on NEC wires but have power supply services with another company, not NEC Co-op Energy. Therefore, in 2016, the NEC Board of Directors approved an adjustment in the wires rate structure to end the subsidy from NEC Co-op Energy, the power supply business unit. The new rates for delivery services took effect in December of 2016. The cost of providing wires services is composed largely of costs which don't change with energy use. As a result, NEC made the decision with its 2008 rate adjustment to begin to move more of its expenses into the monthly "customer charge" component of our rates. NEC has continued this process within this 2016 adjustment. The rate adjustment overall had minimal impact on most NEC members and NEC Co-op Energy was able to lower their rates to offset the overall cost of electricity.

Recently, NEC members participated in the annual membership survey. We are honored

that our membership gave NEC an 87% overall customer satisfaction approval rating. This is ten points above the national co-op average of 77%, and 15 points above the investor-owned rating of 72%. We greatly appreciate your feedback as we strive to continually make improvement to the cooperative.

Many members of the co-op, from both NEC Co-op Energy and our traditional wires side, help us contribute to Nueces Electric Charities. In 2016, more than 143 thousand dollars were distributed to 31 area charities to improve members' quality of life. This includes our \$24 thousand dollar donation to our signature project, Halo Flight. Thank you to the more than 20,000 who support Nueces Electric Charities through Operation Round-up.

As a cooperative, we are owned by you, our members, to serve your electricity needs. We come to the close of another successful year at NEC, I would like to thank you, the members, for your participation in and support of your electric cooperative. Each year we feel the impact of new challenges, but NEC is proud to continue to rise to the occasion to meet your needs. We care about service and care about you, that's the cooperative difference.

Member Voting

Survey and Ballot Systems (SBS) supervised the collection and counting of the ballots. Upon completion of the counting of the ballots, the following results certified by Dick Berg, a representative of SBS, and Board Secretary/Treasurer David Rosse announced the results:

District 1 Director:

Rumaldo Juarez
6,534 Votes

District 2 Director:

Gregg Truesdale
6,345 Votes

District 4 Director:

Donald W. Herrmann
6,382 Votes

It was declared that those elected as Directors for Districts 1, 2 and 4 are: Rumaldo Juarez District #1; Gregg Truesdale District #2 and Donald W. Herrmann District #4, all for three-year terms.

NEC Co-op Energy Member Referral Program Winners and Prize Drawings

NEC Co-op Energy Chief Retail Officer, Frank Wilson, announced the Referral Program winners who received \$500 electric bill credit for first place and the runner up received a \$250 electric bill credit and held the prize drawings.

Adjournment

There being no further business, the meeting was adjourned at 7:47 p.m.

Nominees For Director

2018 Election



District 3
David Rosse

David Rosse grew up as a member of an NEC family. He, himself, has been a member of NEC for 42 years. His grandfather was an NEC director for 32 years. Mr. Rosse was elected as an NEC director in 1988 and has served as director for the past 30 years. As an NEC director, Mr. Rosse currently serves as secretary-treasurer for NEC and as director for San Miguel Electric Cooperative - one of NEC's power suppliers. He additionally serves as the chair of each of the following committees: Government Affairs, Director Screening and Governance. Mr. Rosse is the Kleberg County Commissioner for Precinct 1. Mr. Rosse believes that the most important role NEC directors have is to ensure affordable, reliable energy to our membership and to represent the membership in the decision making processes of the Co-op. Mr. Rosse believes that he qualifies for service as an NEC director because of his Certified Electric Cooperative Director training, his experience serving NEC members as a director that helps him understand how the process works and his willingness to listen to all ideas and concerns that will help the co-op grow. Mr. Rosse resides in Kingsville and is the father of five children - Oscar David, Charles William (wife, Sarah), Maranie May, Morgan Marie, and April Nicole - and the grandfather of four - Mason, Landon, Maysie, and Isabel.



District 5
Maxine Stewart

Maxine Stewart has been an NEC member for 54 years and an NEC director for the last 23 years. She was appointed in August 1995 to the Nueces Electric Cooperative Board of Directors, where she completed the term begun by her late husband, Raymond Stewart. Ms. Stewart has been awarded Certificates of Achievement for successfully completing the Board of Leadership and Director Gold Programs after taking several courses from the National Rural Electric Cooperative Association, and is a fully Certified Electric Cooperative Director. Ms. Stewart has previously served on the Nueces Electric Charities and Finance Committees which guides and manages the funds raised through Nueces Electric Cooperative's Operation Round-Up program and the overall financial health of the co-op respectively. In addition, Ms. Stewart currently serves on the Capital Credit and District Boundary Committees. Ms. Stewart believes the NEC directors make very important decisions for the co-op and its members. Ms. Stewart believes she is qualified because she genuinely cares about the co-op and the members it serves- those who also own it. She will care and listen to the concerns and ideas of other co-op members, taking them into consideration while performing her duties as a director. Ms. Stewart earned a nursing degree from James Daughtery School of Nursing in Corpus Christi and worked as a nurse at the Freer, TX hospital for 15 years. She is a lifelong resident of McMullen County. Ms. Stewart currently runs her family ranch in Tilden and has one daughter - Susan Stewart (Lloyd) - and one grandson - Jess Stewart.



District 9
Juan Alvarado

Juan Alvarado is a life-time member of NEC. He was appointed to the NEC Board of Directors in February 2004. Currently, Mr. Alvarado serves as chairperson of the annual meeting planning committee. Mr. Alvarado is active in the community as a eucharistic minister and bingo chairman of his church (Our Lady of Consolation and Vattman), he is a member of the Knights of Columbus, and a member of the Historical Society of Texas A&M Kingsville and the Riviera Beautification Committee. Mr. Alvarado believes the most important role of an NEC director is to do what is best for the cooperative and its members. Mr. Alvarado has completed all courses required to be a Certified Electric Cooperative Director and feels this is an important qualification for a NEC director. He also believes his membership in the Rural Friends/Acre program, past electrical coursework at Austin Community College and his 11 years of experience as an NEC director are valuable qualifications as well. Mr. Alvarado currently is a rancher in Riviera where he resides with his wife, Edna. They are the parents of six children - Maria Berry, Ada Eskeets, Johnny Alvarado, Jr., Anita Jefferson, Delfino Alvarado and Edna Mae Larson. Mr. and Mrs. Alvarado have eleven grandchildren, and have just added four new great grandchildren, Alissa, Avalon, Alyssa and Daniel.

Nueces Electric Charities, Inc.

Thanks to the generosity of NEC members who round up their electric bill, over **\$1.5 MILLION** has been given to community organizations to improve members quality of life.

In 2017, **\$141,442** was distributed to 21 area 501(c)3 organizations. That is a lot of pennies rounded up to a lot of good!

Grant Applications
can be found at
www.nuecescharities.org

**Grant Deadlines:
January 1 & July 1**

 Nueces Electric
Charities, Inc.



2017 Grant Recipients

CASA of Coastal Bend
CASA of Kleberg County
Calallen Education Foundation
Christus Spohn Health System
Foundation
Coastal Bend Community Foundation
Communities in School
Corpus Christi Education Foundation
Corpus Christi Hope House
Corpus Christi Pregnancy Resource
Center
Corpus Christi Safe Place house

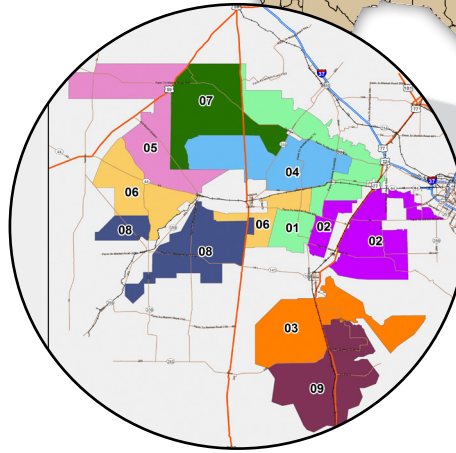
Driscoll's Children Hospital Foundation
Education Service Center, Region 2
FOCUS Foundation
Good Samaritan Rescue Mission
HALO-Flight
Mission of Mercy Texas Mobile
Medical- Program
Presbyterian Pan-American School
South Texas Lighthouse for the Blind
The Rise School of Corpus Christi
YMCA of the Coastal Bend
Youth Odyssey Inc.

NEC District Map

Which District Are You In?

Director FAQ's

- All members vote on all directors regardless of what district you reside.
- Directors serve three year terms.
- Election packets are available each June for the districts slated for election.
- Your elected district director represents and votes for your community's best interests at monthly board meetings.
- Directors receive training and represent the Co-op at conferences and annual trainings.



Districts 1-9 are shown above.
District 10 (Retail) includes
all areas outside of 1-9

1.800.NEC.WATT
www.nueceselectric.org



Nueces Electric Mission Statement

The mission of Nueces Electric Cooperative, Inc, a member-owned cooperative, is to help our members continually improve their quality of life by providing reliable and cost effective electric service.

Over **\$6.2 million** returned to members in 2017!
How? Why? ***We work for YOUR street.*** Not Wall Street.

Cost
Effective
Service

Integrity

Members
First. Always.



Reliable
Service

Honesty

Compassion



ENERGY

We know money doesn't grow on trees.



Make the most of your dollar by practicing energy efficiency!

1. **Heating up an oven** everyday causes the air conditioning system to work harder and longer. Consider using less energy by microwaving or grilling outside. This saves you energy and money!

Refrigerators are the **third largest energy consumer** in most homes, usually between 6 and 16 percent of a home's total energy cost! Open your refrigerator as little as possible. Keeping your refrigerator or freezer full allows them to operate efficiently.

2.



3. We all love taking **hot showers**, but they may cost more money and energy than you realize. Consider lowering the temperature and duration time to help save energy.



Don't leave cell phones **charging overnight**. Most devices only take a few hours to charge. Leaving them overnight wastes electricity and will waste the battery's capacity!

4.

5. A **hand iron** consumes as much energy as a ten 100-watt light bulbs! Eliminate ironing by buying no iron sheets and clothing. This saves time and energy!

EFFICIENCY

- 6.** We all love taking **hot showers**, but they may cost more money and energy than you realize. Consider lowering the temperature and duration time to help save energy.

Leaving your **computer on 24 hours a day** can cost you around \$270 dollars per year! Think efficiently. Turn devices off and unplug them when you're not using them.



7.

- 8.** If you reside in a home that is was built **over 20 years ago**, it may be time to invest in a more energy efficient air conditioner. Buying an air conditioner that has energy approved standards will make your home more efficient and cost you less over time.

Use your **dishwasher wisely**. Use the "no-heat dry" option, then open the door and let the dishes dry rather than allowing the electric heating element to come on. Also, try to only run your dishwasher when it has a full load. This saves energy!



9. **Service your air conditioner.** Make sure your air filters are changed at least once a year or according to the manufacturer's directions. A properly working air conditioning unit cuts back on your electricity bill!

For more energy efficiency tips, visit
<https://nueceselectric.org/content/together-we-save>

SAFETY

5 STEPS FOR SAFE DIGGING

Working on an outdoor project? Careless digging poses a threat to people, pipelines and underground facilities. Always call 8-1-1 first. Here are five easy steps for safe digging:



1. NOTIFY

Call 8-1-1 or make a request online two to three days before your work begins. The operator will notify the utilities affected by your project.

2. WAIT

Wait two to three days for affected utilities to respond to your request. They will send a locator to mark any underground utility lines.

2-3

3. CONFIRM

Confirm that all affected utilities have responded to your request by comparing the marks to the list of utilities the 8-1-1 call center notified.



4. RESPECT

Respect the markers provided by the affected utilities. The markers are your guide for the duration of your project.



5. DIG CAREFULLY

If you can't avoid digging near the markers (within 18-24 inches on all sides, depending on state laws), consider moving your project location.



After an outage: keeping food safe

Power outages do occur from time to time, so it is important to know what to do to keep your food safe!

Before power outage



Keep refrigerator at **40° or below**. Freeze items like fresh meat and poultry that you won't use immediately. Keep freezer set to **0° or below**. Group frozen foods to help items stay colder longer.



If you anticipate an extended power outage, buy dry or block ice to keep the fridge and/or freezer cold.

During power outage

Keep the refrigerator and freezer doors closed!

If the doors stay closed during the length of the outage:



A full freezer will hold its temperature for **48 hours**.



A refrigerator will keep food safe for **four hours**.

After power outage



Check the temperature inside your refrigerator and/or freezer.



If the temperatures are safe, the food should be safe to eat.

To keep up to date with safety tips, visit our website at <https://nueceselectric.org/content/safety>

or find us on Facebook at NuecesElectric

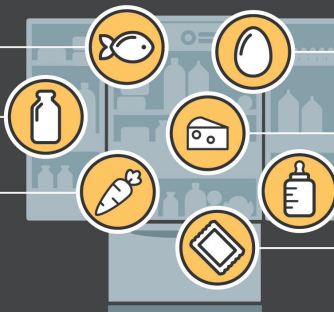


Foods that should be thrown out after an extended power outage:

Meat, poultry or seafood products

Milk, yogurt and other dairy products

Cooked or sliced produce



Eggs and egg products

Soft and shredded cheese

Opened baby formula

Dough and cooked pasta

Source: USDA



Saturday, November 3

9 a.m. - 12 p.m.

NEC Headquarters Building

14353 Cooperative Avenue Robstown, TX

NEC will be giving away **FREE** trees to all members in honor of Texas Arbor Day.

Bring a copy of your latest bill and receive either a Bur Oak or Lacebark Elm two-year old seedling.

TEXAS ARBOR DAY TREE GIVEAWAY

Plant the right tree in the right place

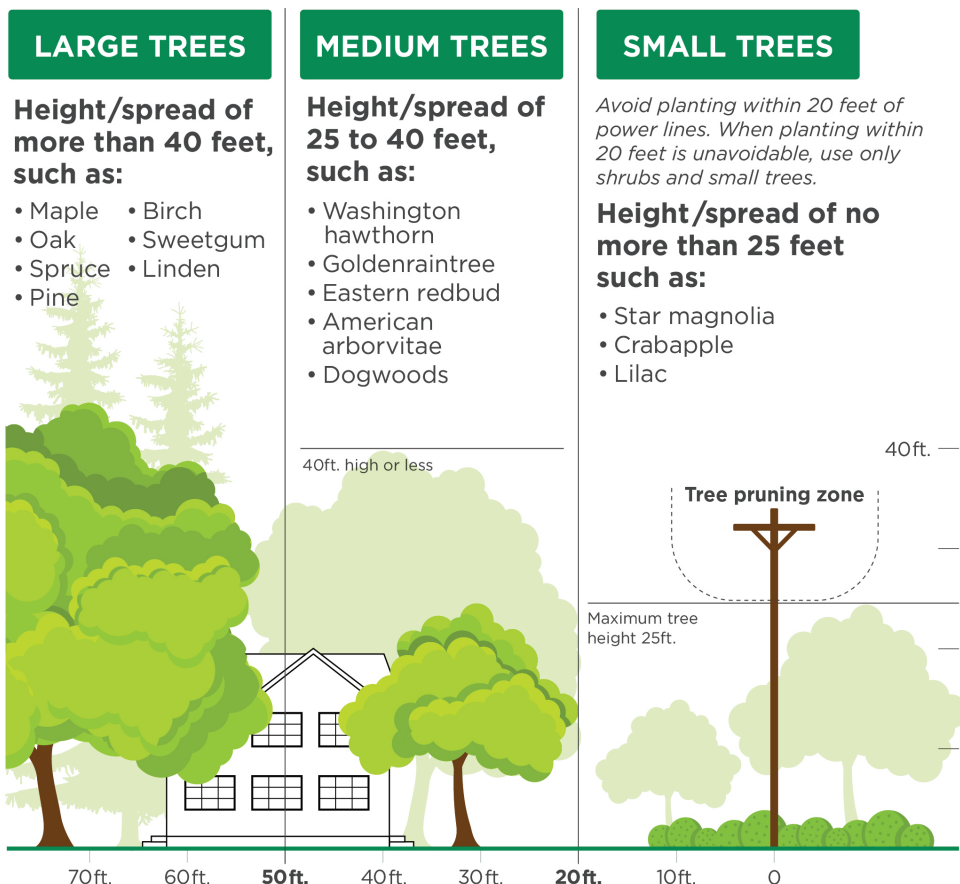
Trees beautify our neighborhoods, and when planted in the right spot, can even help lower your electric bill. But the wrong tree in the wrong place can be a hazard... especially to power lines!

Remember to be safe:

Always call 811 before you dig to locate any buried utility lines.

The right time to plant:

The best time to plant trees and shrubs here in South Texas is typically between Halloween and Valentine's Day. Don't forget to join us on Saturday, November 3 at the NEC Headquarters Building to get your **FREE** tree for Texas Arbor Day!



 **Atec**

#ThankALinememan



www.nueceselectric.org
1.800.632.9288

