

..Title

Resolution - Approval of Activities to Consider Broadband Business Opportunities- M Rister

..Other Info

Submitted By: M Rister

Department: Board Director

Financial Impact and Cost/Benefit Considerations: As discussed in Executive Session.

..Discussion

For more than 80 years, Pedernales Electric Cooperative ("PEC") has provided low-cost, reliable electric service to the Texas Hill Country when for-profit electric utilities would not. The reason PEC was able to transform lives throughout the Hill Country by bringing its Members badly needed electric service was that PEC was (1) a not-for-profit electric utility (as a cooperative), and (2) the Federal Government awarded PEC approximately \$1.3 million in loans to build its electric lines (about \$25 million today).

Because PEC is a cooperative, we have been able to provide excellent service to our Members while keeping rates among the lowest in Texas. The Cooperative and the Board are committed to continuing to provide personalized customer service and reliable electricity that fuels the beautiful Texas Hill Country where our members live and work. The fundamental reason the Cooperative is able to do this is by focusing on its original purpose of providing electricity to rural Texas and our Members and by listening to our Members and their needs.

Some of the Cooperative's Members have requested that the Cooperative become more involved in broadband accessibility or connectivity. Broadband technology is an entirely different line of business than as outlined in the Cooperative's mission which emphasizes the Cooperative's commitment to delivering safe, reliable, and low-cost energy solutions for the benefit of its members.

Because Members have asked, the Cooperative has regularly reviewed strategies and data regarding Members' access to broadband connectivity. In October 2015, the Board began hearing presentations and reports on what financial, operational, and regulatory impact broadband services would have on the Cooperative and its Members. Then, in May and June of 2016, the Board discussed the need for broadband in Texas' rural areas and referenced this issue during the Annual Meeting presentation and the Board President's remarks. Later that year, the Board was notified regarding broadband topics discussed at the National Rural Electric Cooperative Association (NRECA) regional meeting. In January 2017, the review of a broadband business opportunity was originally included within the Cooperative's Strategic Plan under possible service innovations. That Plan called for a "feasibility study to assess the opportunity that could exist in a fiber and/ or wireless network (broadband) throughout the service territory that enables a smart grid and could provide affordable data access services to the members." In September 2018, the Cooperative again discussed broadband implementation in its territory. At that time, various models for broadband services offered by other cooperatives were reviewed. In February 2019, the Board discussed legislative initiatives in Texas and the possible impact to broadband for rural Texas. In June 2019, at the Annual Meeting the Board President's remarks noted that a broadband feasibility study had commenced.

Later in 2019 at the Board's October workshop, the Board reviewed the broadband feasibility study. Since the details of study and its findings are sensitive, proprietary and competitive

information, the Cooperative is not releasing these materials. In January 2020, however, the Board approved directing its Board delegates at NRECA meetings to vote in favor of resolutions that would affirmatively request NRECA to assist with efforts that remove state statutory or regulatory barriers for cooperatives that wish to provide broadband services.

From the initial evaluation of information presented, it is evident the Cooperative's members have varying levels of need for the different types of connectivity or broadband services. The Cooperative's service territory is spread over 8,100 square miles across 24 counties in Central Texas with over 340,000 meters. To provide broadband services, the Cooperative must carefully evaluate its financing and corporate structures along with all legal and regulatory constraints. At this point in the Cooperative's examination, no readily apparent pathway has been found for PEC's size.

The Cooperative continues to gather information, explore participation in partnerships, serve as a resource, and share expertise in electric service in facilitating community efforts. This includes looking into different funding methods, both state and federal, as well as possible private and public partnerships. For example, the Cooperative has engaged experts in rural broadband program implementation to examine and report on our territory's demographics, cost hurdles, financing constraints and telecommunications and regulatory issues.

Nevertheless, in whatever way the Cooperative may assist, the Board is focused on options that are both fiscally and operationally responsible for the Cooperative and Membership. While the Cooperative is exploring options for the provision of broadband, whatever steps taken in the future must not negatively affect our original purpose - providing low-cost electric service to our Members. Further, the Cooperative will not subsidize broadband services with electric service or allow the provision of broadband to increase our Members' electric bills with any unnecessary, unapproved additional debt, nor will the Cooperative undertake the provision of broadband with added federal regulations. These factors will control any decision made by the Board and will give PEC staff parameters for creating possible viable broadband business plan options for consideration.

The Board intends, as next steps, to discuss the financial, corporate, legal, and regulatory considerations in the provision of any broadband services. This discussion will continue at a Board workshop to occur in October 2020. In preparation and looking to future efforts, the Board now wishes to articulate the activities expected to support the Cooperative's analysis of the provision of broadband services. The Cooperative anticipates further findings by the Board in early 2021.

..Body

WHEREAS, the Board of Directors of PEC, regularly reviews strategies and data regarding members' access to broadband connectivity;

WHEREAS, the Board of Directors focuses on planning that is both fiscally and operationally responsible for the Cooperative and membership;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, that the Cooperative authorizes the following activities with respect to exploring broadband in its service territory: the review of business plans for the provision of broadband services, the preparation and analysis of opportunities for funding of such plans, and the preparation and review of corporate, legal, and regulatory constraints in regard to provision of broadband services; and

BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE that the Cooperative analyze, and report to the Board, any legal, corporate, financial, or regulatory impacts to business plans for the provision of broadband services at a Board workshop to occur in October 2020; and

BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE that the Chief Executive Officer of the Cooperative, or designee, is authorized, to engage any legal, financial, or regulatory consultant, as needed, to perform professional services in connection with the creation and analysis of business plans for the provision of broadband services; and

BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, that any activities not specified herein are to be discontinued and terminated along with any other analysis or plan not currently authorized or resolved as adequate by the Board; and

BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, that the Chief Executive Officer, or designee, is authorized to take all such actions as needed to implement this resolution.