



BOARD OF DIRECTORS TRAVEL AND EXPENSE REIMBURSEMENT POLICY

Effective Date: November 20, 2020

1. PURPOSE

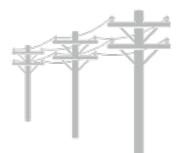
- 1.1. This Board of Directors' Travel and Expense Reimbursement Policy ("Policy") addresses how and when members of the Board of Directors ("Directors") of Pedernales Electric Cooperative, Inc. ("PEC" or "Cooperative") are reimbursed with PEC funds for travel and other Expenses related to PEC business and meetings. PEC requires certain qualifications related to educational and training certifications for Directors. The Board of Directors ("Board") is committed to Director education by seeking appropriate opportunities to advance individual Director knowledge and skills in the electric industry, risk management, and corporate oversight through participation and service in related professional organizations, advanced training, attending state and national association meetings, and gaining certifications or other accreditations.

2. SCOPE

- 2.1. This Policy applies to Directors. This Policy addresses Director business travel and Expense Reimbursement. Directors are not provided cash advances for travel or conferences. This Policy does not address Director compensation, which is found in the Board of Directors Compensation Policy.

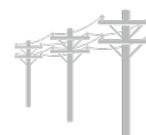
3. DEFINITIONS

- 3.1. **Approving Directors** – Means any two of the following: the Chair of the Audit Committee; the Board President; the Board Vice-President; and the Board Secretary/Treasurer.
- 3.2. **Budget Allocation** – Means the amount approved each calendar year for Directors to attend Cooperative-related conferences, seminars, training, and education.
- 3.3. **Expenses** – Means costs incurred by a Director in connection with Cooperative business and approved under this Policy.
- 3.4. **Incidental Expenses** – Means fees and tips given to porters, baggage carriers, hotel staff, and other wait staff.
- 3.5. **Per Diem** – Means a set amount paid for meals and Incidental Expenses when travelling based on a location.
- 3.6. **Reimbursement** – Means the method by which PEC pays a Director for out-of-pocket Expenses incurred for Board-approved business Expenses, including travel.



4. POLICY AND IMPLEMENTATION

- 4.1. Directors who use personal, out-of-pocket funds for PEC business travel or other business-related Expenses shall be reimbursed in accordance with this Policy.
- 4.2. Director Budget Allocation for Training or Conferences.
 - 4.2.1. Budget Allocation. Each calendar year, Directors are budgeted \$5,000 for the purposes of attending Cooperative-related conferences, seminars, training, and education that are appropriate for service as a Director of PEC. The Budget Allocation includes costs for registration, courses, travel, Per Diem, and all reasonable and necessary costs associated with the event or training.
 - 4.2.2. Reimbursement. Yearly Budget Allocations must be submitted for Reimbursement under this Policy. Reimbursement shall be provided only for Expenses related to service as a Director and for the Board's business purpose. Advance approval is not required for use of the budgeted funds, but, when requested by the Director, may be sought.
 - 4.2.3. Additional Budget Allocation. When a Director may or wishes to exceed their yearly Budget Allocation, the Director shall seek advance approval from the Board before incurring any travel or Expense. The Director's request for additional Budget Allocation will be considered and voted on by the entire Board.
 - 4.2.4. Exclusions. The yearly Budget Allocation does not include Reimbursement related to PEC meetings or events within PEC's service territory. The yearly Director Budget Allocation does not apply to costs related to the Credentialed Cooperative Director ("CCD") designation that is required under PEC Bylaws Article III, Section 2(n).
- 4.3. Criteria For Reimbursement Approval. The Approving Directors, or the full Board when necessary, shall consider and decide whether to approve any Director's Reimbursement. Advance approval is not required, but, when requested by the Director, may be sought. When considering approval of a request, the following factors may be considered.
 - 4.3.1. Business purpose of the Expense or travel is valid and directly related to official Cooperative business and service as a Director of PEC; and does not include unrelated business, personal travel, or companion travel expenses;
 - 4.3.2. Expenses are in accordance with this Policy, reasonable and necessary and conform to any requirements imposed by the IRS and other regulatory agencies as applicable; and
 - 4.3.3. All required accompanying documents are complete and accurate.
- 4.4. Request, Review, and Approval of Director Reimbursement. The following process shall be followed for Reimbursement.
 - 4.4.1. A director seeking Reimbursement for business Expenses shall submit a Director Payment Voucher, and any other forms and required receipts within 30 days of the expense, final invoice, or completion of travel.
 - 4.4.2. All Director Payment Vouchers shall be reviewed for approval by both Approving Directors, with no Director permitted to review or approve their own request. When any two Approving Directors approve the Expenses, Reimbursement shall be paid through PEC Accounts Payable.
 - 4.4.3. If the Approving Directors are unwilling to approve a Reimbursement request, or if the Approving Directors reject all or part of a request for a Reimbursement, those



Approving Directors must provide the requesting Director with written justification for their action within three business days after receipt of the request for Reimbursement. If the requesting Director does not agree with the Approving Directors, then the requesting Director may submit the request for Reimbursement to the entire Board for review or withdraw the Reimbursement request. The entire Board will consider and vote on whether to approve or disapprove the Reimbursement request.

4.4.4. Reimbursement requests with a Director Payment Voucher shall identify the following information for each Expense:

4.4.4.1. Date the Expense was incurred.

4.4.4.2. The location where the Expense was incurred (e.g., name of the hotel, restaurant, city, business).

4.4.4.3. The business purpose for the Expense or travel Expense, including the purpose related to service as a Director; and the specific business reason for any Expense to which the business purpose does not apply.

4.4.4.4. The starting and ending points of travel for any automobile mileage Reimbursement.

4.4.4.5. The names of all other people whose Expenses are covered by the request for a Reimbursement, including their relationship to the Cooperative.

4.4.5. Any Director seeking Reimbursement shall obtain and provide an itemized receipt for every Expense for which a receipt is made available. If a receipt is not issued or is lost, in lieu of the receipt, the Director shall affirm the expenditure and provide a detailed explanation of the Expense.

4.5. Other Reasonable and Necessary Expenses.

4.5.1. Reasonable and necessary Expenses meeting the “Criteria for Reimbursement Approval” but not otherwise described by this Policy may be reimbursed when documented and explained to the Board. The Board grants the Approving Directors authority to approve any such Reimbursement to cover reasonable and necessary Expenses.

4.5.2. Any Director may request the entire Board to consider and review any decision regarding a Reimbursement. The Board may affirm or reject the decision of the Approving Directors.

4.5.3. In measuring the reasonableness of Expenses, the Board may consult the per diem and hotel rates by location, updated each fiscal year by the U.S. General Services Administration and available at <https://www.gsa.gov/travel-resources>.

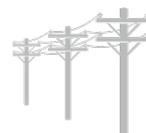
4.6. Specific Guidance for Travel.

4.6.1. Lodging. Directors shall seek reasonable lodging based on the location to which they may be traveling. Directors are encouraged to use the Sales/Use Exemption form for lodging and other Expenses within the State of Texas.

4.6.1.1. When traveling to a conference, a Director shall generally stay at the hotel hosting the conference. Exceptions may be considered for the following:

4.6.1.1.1. Location (regional rates);

4.6.1.1.2. Lack of available rooms;

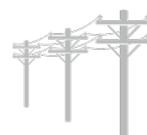


the Cooperative for the PEC-unrelated portion of the Expense. Weekends, holidays, or other necessary diversions or layovers shall be eligible for Reimbursement when required for business or will result in safer or more reliable or cost efficient travel.

- 4.7.** Expenses that are Not Reimbursable. The following expenses are presumed not to be reasonable or necessary. These expenses are not eligible for Reimbursement unless the Board makes and enters into the minutes an affirmative determination that such an Expense is reasonable and necessary, including a description of the circumstances and justification for that determination:
- 4.7.1.** Alcohol;
 - 4.7.2.** Child care;
 - 4.7.3.** Dues in private clubs;
 - 4.7.4.** Golfing or green fees;
 - 4.7.5.** Gym and recreational fees, including massages and saunas;
 - 4.7.6.** In-room movies and mini-bar charges;
 - 4.7.7.** Life insurance, flight insurance, personal automobile insurance, and baggage insurance;
 - 4.7.8.** Loss/theft of cash, airline tickets, personal funds or property;
 - 4.7.9.** Lost baggage or excess baggage charge for personal items;
 - 4.7.10.** "No-show" charges or penalties for flights, hotel, and car service if incurred due to non-business related changes in schedules;
 - 4.7.11.** Parking or traffic fines;
 - 4.7.12.** Personal automobile repairs, grooming services, shoe shines;
 - 4.7.13.** Personal credit card annual fees or interest charges;
 - 4.7.14.** Charges for personal telephone calls in excess of reasonable calls;
 - 4.7.15.** Personal travel portion of a business trip;
 - 4.7.16.** Pet care;
 - 4.7.17.** Tips or service gratuities in excess of 20%;
 - 4.7.18.** Unauthorized car rentals, registration fees, etc.;
 - 4.7.19.** Discretionary upgrades (air, hotel, car, etc.); and
 - 4.7.20.** Expenses of any person other than the Director, any other Director, employee of the Cooperative, or other person when for a documented and prudent business purpose.

5. PROCEDURE RESPONSIBILITIES

- 5.1.** The Board implements this Policy.
- 5.2.** The Board and Approving Directors shall utilize a Director Payment Voucher to document Reimbursements.



- 5.3. The Approving Directors, General Counsel or designee, and Finance shall assist the Board in Reimbursement responsibilities. Finance shall make payments through regular Accounts Payable procedures.
- 5.4. Each calendar year, the General Counsel and Finance shall report to the Board on Director Reimbursements.

6. POLICY ENFORCEMENT

- 6.1. The Board of Directors enforces this Policy.

7. REFERENCES AND RELATED DOCUMENTS

[Director Compensation Policy](#)

Business Expense and Travel Policy

U.S. General Services Administration federal travel rates and policies available at <https://www.gsa.gov/travel-resources>

Date adopted:	May 19, 2008
Last reviewed:	November 20, 2020
Review frequency:	Every Five Years
Amendment dates:	December 8, 2008; November 21, 2011; May 21, 2012; June 18, 2012; August 19, 2013; June 21, 2014; November 20, 2020
Effective date:	November 20, 2020
Approver:	Board of Directors
Applies to:	Board of Directors
Administrator:	Board of Directors, General Counsel, Chief Financial Officer
Superseding effect:	This Policy supersedes all previous policies and memoranda concerning the subject matter. Only the Approver may authorize exceptions to this Policy.

