

Board of Directors Travel & Expense Reimbursement Policy

PEDERNALES ELECTRIC COOPERATIVE, INC.

Policy

1. Purpose:

This Board of Directors' Travel and Expense Reimbursement Policy addresses how and when members of the Board of Directors ("Directors") 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 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:

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.

3. Definitions:

Approving Directors – means any 2 of the following, the Chair of the Audit Committee; the Board President; the Board Vice-President; and the Board Secretary/Treasurer.

Reimbursement – means the method by which PEC pays a Director for personal, out-of-pocket expenses incurred for Board-approved business expenses, including travel.

Incidental expenses - Fees and tips given to porters, baggage carriers, hotel staff, and staff on ships

4. Policy Statement and Implementation:

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.

a) Director Budget Allocation for Training or Conferences

- i) Budget Allocation. Each calendar year, Directors are budgeted \$5,000 for the purposes of attending business-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.
- ii) 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.

- iii) 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 any travel or expense. The Director's request for additional Budget Allocation will be considered and voted on by the entire Board.
- iv) 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, § 2(m).

b) 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.

- i) Business purpose of the expense or travel is valid and directly related to official company business and service as a Director of PEC; and does not include unrelated business, personal travel or companion travel expenses;
- ii) 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
- iii) All required accompanying documents are complete and accurate.

c) Request, Review and Approval of Director Reimbursement

The following process shall be followed for Reimbursement

- i) 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
- ii) All Director Payment Vouchers shall be reviewed for approval by any two of the following Directors, with no director permitted to review or approve their own request: the Chair of the Audit Committee; the Board President; the Board Vice-President; and the Board Secretary/Treasurer ("Approving Directors"). When any two Approving Directors approve the expenses, Reimbursement shall be paid through PEC Accounts Payable.
- iii) 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.

- iv) Reimbursement requests with a Director Payment Voucher shall identify the following information for each expense:
 - 1. Date the expense was incurred.
 - 2. The location where the expense was incurred (e.g., name of the hotel, restaurant, city, business,).
 - 3. The business purpose for the expense or travel, 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. The starting and ending points of travel for any automobile mileage Reimbursement.
 - 5. The names of all other people whose expenses are covered by the request for a Reimbursement, including their relationship to the Cooperative.
- v) 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.

d) Other Reasonable and Necessary Expenses

- i) 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.
- ii) 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.
- iii) 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 <http://www.gsa.gov/portal/category/21287>.
- iv) Specific Guidance for Travel
 - A. 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.

- B. When traveling to a conference, a director shall generally stay at the hotel hosting the conference. Exceptions may be considered for the following:
- Location (regional rates)
 - Lack of available rooms
 - Seasonal rate variations
 - Unexpected, last-minute reservations
- C. A lodging receipt shall include the name and location of the lodging establishment, dates of stay, and separate amounts for charges such as lodging, telephone calls, meals and incidentals. Meals and incidentals on lodging receipts must be itemized.
- D. Directors shall be reimbursed for reasonable and actual expenses for laundry services that are necessary due to an absence from home for 4 or more days or when unforeseen circumstances occur and are explained in the trip documentation.
- E. Directors shall be reimbursed for telephone, fax, and computer connection costs that are reasonable and necessary for conducting company business.
- F. Air Travel. Directors shall purchase reasonably-priced tickets available using a commercial discount airfare or customary standard (coach or equivalent) airfare. Directors shall make timely reservations to secure advance-purchase pricing. Other expenses such as upgrades, priority boarding, preferred seating, or excess baggage are the responsibility of the Director and are not eligible for reimbursement.
- G. Rental Cars. Vehicle rental is authorized when it is more practical or less expensive than the use of other transportation. Car-rental company mileage charges are reimbursable, but Directors are not otherwise provided a mileage allowance for distances driven in a rental car. The cost of gas for a rental car is reimbursable. Directors shall accept the insurance coverage offered by the rental car company. The director shall follow the accident notification requirements of the rental car company. If an accident occurs, the director shall notify the Legal Services Department as soon as practicable, but no later than the following business day.
- H. Private Automobiles. PEC shall Reimburse Directors the standard mileage allowance defined by the IRS for use of a private automobile, based on the actual driving distance by the most direct route. Such Reimbursement is made in lieu of any payment of actual automobile expenses.
- I. Meals and Incidentals. Either of the two options below may be selected on a per trip basis for Reimbursement.

1. Actual Cost Option. Reasonable and necessary meal and incidental expenses shall be reimbursed at actual cost.
2. Per Diem Option. *Per Diem* rate when traveling to cover all meals and incidentals on a daily basis. The *Per Diem* rate is based on the US General Services Administration published *Per Diem* rates. *Per Diem* rate covers breakfast, lunch, dinner, and incidental costs. To cover meals and incidental costs incurred during travel days, the specific travel day *Per Diem* rate will be applied. Travel *Per Diem* rate will be determined by the published travel day rates of the U.S. General Services Administration and available at <http://www.gsa.gov/portal/category/21287>.

J. Combining Company and Personal Travel

If a Director takes an indirect route or interrupts a direct route for any reason other than company business, the Cooperative shall reimburse only for the portion required for business purposes. When the Cooperative prepaid the airfare or rental car, the Director shall reimburse 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.

e) **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:

- i. Alcohol
- ii. Child care
- iii. Dues in private clubs
- iv. Golfing or green fees
- v. Gym and recreational fees, including massages and saunas
- vi. In-room movies and mini-bar charges
- vii. Life insurance, flight insurance, personal automobile insurance and baggage insurance
- viii. Loss/theft of cash, airline tickets, personal funds or property
- ix. Lost baggage or excess baggage charge for personal items
- x. "No-show" charges or penalties for flights, hotel and car service if incurred due to non-business related changes in schedules
- xi. Parking or traffic fines
- xii. Personal automobile repairs, grooming services, shoe shines
- xiii. Personal credit card annual fees or interest charges
- xiv. Charges for personal telephone calls in excess of reasonable calls
- xv. Personal travel portion of a business trip

- xvi. Pet care
- xvii. Tips or service gratuities in excess of 20%
- xviii. Unauthorized car rentals, registration fees, etc.
- xix. Discretionary upgrades (air, hotel, car, etc.)
- xx. 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

The Board implements this Policy. The Board and Approving Directors shall utilize a Director Payment Voucher to document Reimbursements. The Approving Directors, Legal Services, and Finance shall assist the Board in Reimbursement responsibilities. Finance shall make payments through regular Accounts Payable procedures.

Each calendar year, Legal Services and Finance shall report to the Board on Director Reimbursements.

6. Enforcement

The Board of Directors enforces this Policy.

7. Superseding Effect

This Policy supersedes all previous policies and memoranda concerning the subject matter. Only the Approver may authorize exceptions to this policy.

8. References and Related Documents:

Director Compensation Policy

Employee Expense Reimbursement & Travel Policy

Travel Policy

U.S. General Services Administration federal travel rates and policies *available* at <http://www.gsa.gov/portal/category/21287> (visited January 11, 2016)

Policy Title:	Director Expense & Travel Reimbursement Policy
Policy Number:	
Review Frequency:	Every 3 years
Last Reviewed:	January 19, 2016
Date Adopted:	May 19, 2008
Effective Date:	March 1, 2016
Amendment Dates:	December 8, 2008, November 21, 2011, May 21, 2012, June 18, 2012, August 19, 2013, June 21, 2014
Approver:	Board of Directors
Applies to:	Board of Directors
Administrator:	Board of Directors, Legal Services, Finance
Superseding Effect	This Policy supersedes all previous policies and memoranda concerning the subject matter. Only the Approver may authorize exceptions to this policy.