

Unclaimed Property Policy

PEDERNALES ELECTRIC COOPERATIVE, INC.

1. Purpose:

1.1. This Policy addresses the use of Unclaimed Property funds returned by the State and retained at the Cooperative under Texas Property Code, Chapter 74. This Policy directs Unclaimed Property funds at PEC so that they would not sit idle, but be allocated fairly and consistently among eligible PEC funds and programs.

2. Scope:

2.1. Unclaimed property retained by PEC generally consists of unclaimed and retired capital credits of Members and former Members. This Policy applies to PEC Members and former Members who have unclaimed, retired capital credits; employees; and vendors who have unclaimed property. PEC Board of Directors ("Board"), PEC employees administering unclaimed property funds, PEC Scholarship Fund, PEC's Economic Development Program, and PEC's Energy Efficiency Program.

2.2. Any claim for unclaimed property retained by PEC must be filed with the PEC Finance-Controller for a good-faith determination that the claim is valid. After determination of a valid claim, PEC shall pay the claim and report the claim to the State Comptroller.

3. Definitions:

3.1. Capital Credits – Any margins or revenues remaining after all expenses have been paid, are returned to the members in proportion to their usage of the co-op's services through capital credits allocations and retirements.

3.2. Economic Development Program – PEC's support to sustainable development of the communities within the service area. PEC provides technical support, demographic details and projections to assist in business recruitment and works to promote sites for commercial development.

3.3. Energy Efficiency Program – PEC's efforts that generally give Members choices for the improvements in the use of electricity that are achieved through Member facility or Member equipment improvements, devices, processes, or behavioral or operational changes that produce reductions in demand or energy consumption.

3.4. Scholarship Fund – Texas non-profit organization qualified as an exempt organization under Section 501(c)(3) of the Internal Revenue Code and as a private foundation under Section 509(a) of the Internal Revenue Code established for the purpose of making scholarship grants for the purpose of enabling students from rural areas of Texas to attend college, technical school, or other postsecondary educational institutions to (a) individuals or (b) organizations that are organized and operated exclusively for charitable, religious, educational, scientific, and literary purposes within the meaning of Internal Revenue Code Section 501(c)(3), and as described in Sections 170(c), 2055(a), and 2522(a) of the Internal Revenue Code.

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3.5. Unclaimed Funds – The percentage amount of yearly Unclaimed Property that PEC retains from the state of property that is presumed abandon. Unclaimed funds retained by PEC generally consist of unclaimed, retired capital credits of Members and former Members.

3.6. Unclaimed Property – property that is presumed abandon under Texas law and that is reverted to the state Comptroller.

4. Policy Statement and Implementation:

4.1. Eligible uses of PEC Unclaimed Funds, pursuant to the Texas Property Code, are for PEC's Scholarship Fund, Economic Development Program, and Energy Efficiency Program.

4.2. It is the policy of the Board that all Unclaimed Funds are efficiently and effectively utilized for each Budget Year for eligible uses.

4.3. PEC's Board of Directors shall determine how Unclaimed Funds are allocated among eligible uses pursuant to state law.

4.4. Unclaimed Funds shall be allocated yearly in the following order:

Scholarship Fund – No less than \$100,000.

Economic Development Program – 10% of Unclaimed Funds

Energy Efficiency Fund – Remaining available Unclaimed Funds

5. Procedure Responsibilities

5.1. The PEC Board of Directors, pursuant to Texas Property Code, is responsible for allocation and use of Unclaimed Funds. The Board establishes the following responsibilities for eligible uses under the direction of the Chief Executive Officer. The Board shall have final approval of allocations and budget.

5.1.1. The PEC Scholarship Fund Board of Directors shall annually establish a budget plan and baseline use of funds for Scholarship Fund's allocated Unclaimed Funds.

5.1.2. Communications and Business Services shall annually establish a budget plan and baseline use of funds for the Economic Development Program's allocated Unclaimed Funds.

5.1.3. Power Supply and Energy Services shall annually establish a budget plan and baseline use of funds for the Energy Efficiency Program's allocated Unclaimed Funds.

5.1.4. The Finance Department shall ensure the accounting and documentation of all Unclaimed Property and allocation of Unclaimed Funds.

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5.2. Reporting on Use of Unclaimed Funds

- 5.2.1. The CEO shall regularly report to the Board actual expenditures of Unclaimed Funds and the budget of eligible uses of Unclaimed Funds under this Policy.
- 5.2.2 The CEO shall regularly report to the Board the uses, take-a-ways, status and accomplishments of Programs utilizing Unclaimed Funds.

6. Enforcement

- 6.1. The Board shall enforce this Policy. Violations of this Policy may result in disciplinary or corrective action, up to and including termination.

7. Superseding Effect

- 7.1. 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:

Texas Property Code, Chapter 74 and Section 74.3013
 Public Utility Commission Subst. R. 25.181(c) (12), Energy Efficiency
 The Pedernales Electric Cooperative Scholarship Fund, Articles of Incorporation
 Budget Policy
 Capital Credits Policy
 Community Support Policy

Policy Title:	Unclaimed Property Policy
Review Frequency:	Every 3 Years
Last Reviewed:	November 14, 2016
Date Adopted:	November 14, 2016
Effective Date:	November 14, 2016
Amendment Dates:	
Approver:	Board of Directors
Applies to:	All PEC Members, Employees, and Board of Directors
Administrator:	Finance - Controller
Superseding Effect	This Policy supersedes all previous policies and memoranda concerning the subject matter. Only the Approver may authorize exceptions to this policy.