Mission Statement

South Texas Electric Cooperative’s mission is to provide the infrastructure and services to deliver reliable and economical electric power to a diversified membership.
MANAGER’S MESSAGE

By Mike Kezar

“Core Values”

Incorporated into every STEC Board Meeting, Staff Meeting, Safety Meeting, HR Communications Meeting, Goal Setting Meeting, and other meetings, is the familiar gray four-sided pyramid that identifies STEC’s Core Values: Safety, Integrity, Teamwork, and Communication. Despite our familiarity with this rotating symbol, it is well worth our time to periodically review what each of those values embodies and how they should affect how we perform our duties as STEC employees.

Safety

The United States Army published the following statement in March 2018:

“Safety is a core value. It requires a personal commitment at all levels in the organization. There’s a big difference in how a company thinks and behaves when safety is a value, rather than a program or a priority. For a company with safety as a core value, safety has become a way of life.”

I noted with interest the last portion of the Army’s statement, as STEC’s Safety Logo includes the statement “Safety is our way of life.” When the Board of Directors identified the strategic priorities that STEC as an organization is to pursue, they specifically discussed whether to include Safety as a strategic priority. They ultimately chose to treat Safety in a special manner and stated formally that “Safety is fundamental to all that we do as an organization”, meaning that in the pursuit of any strategic priority, safety must be incorporated into every facet of that pursuit. Nothing is more important to the entire organization than the safety of STEC’s employees.

Integrity

When asked what the word “integrity” means to them, most people respond that integrity means “doing the right thing, even when no one is watching”. That is a great answer, but I also like the following:

“People who demonstrate integrity draw others to them because they are trustworthy and dependable. They are principled and you can count on them to behave in honorable ways even when no one is watching. They are principled enough that they perform even when no one even knows about their performance. They form the core of the people who you want to hire if you seek a superior, trustworthy workforce.”

I wholeheartedly agree that people with integrity are the people you want to hire if you want a “superior, trustworthy workforce”. In other words, STEC’s performance and trustworthiness of the organization can be determined as the sum of the integrity of each STEC employee. Greater focus on individual employee integrity leads to a stronger, more effective organization, and failure to focus on that integrity will have the opposite effect.

Teamwork

“[T]here’s no ‘I’ in team, but there is in win.” — Michael Jordan

Everyone who has ever played a team sport realizes that not every member of the team possesses the same talents, strengths, and capabilities, and it is that very diversity that provides a team with its unique capability. The statement, first coined by Aristotle, “the Whole is greater than the Sum of its Parts”, is supported by the “TEAM” acronym: Together, Everyone, Achieves, More.

Each STEC employee is a valued member of the STEC organization-wide team, and the strength of the STEC organization depends on each employee fulfilling his or her responsibilities as a team member.

Communication

Effective communication is a process of exchanging ideas, thoughts, knowledge and information such that the purpose or intention is fulfilled in the best possible manner. In simple words, it is nothing but the presentation of views by the sender in a way best understood by the receiver.

Sounds simple, right? In my opinion, effective communication is the most sought after, and yet most difficult to achieve, of the core values. Almost without exception, every employee I have visited with believes communication within the organization can improve, yet very few have any good recommendations for how to achieve that improvement.

My commitment to communication within STEC is to share within legal limits, the information I have that effects employees, as often and in as many forums as I can. Employees who attend Staff Meetings and Employee Standing Committee Meetings will receive the same information from me. An employee who stops me after a meeting, or who comes by my office (any employee is welcome), will also hear the same information. It is vitally important that every STEC employee understands the issues the organization is facing, the priorities that we are pursuing, the goals we have set, and the important role each employee has in ensuring STEC’s success.

Our “core” values define who we are and what we are constantly seeking to improve. Our annual performance evaluations, and corresponding pay recommendations, are directly tied to how well we exhibit these values, and the success of the organization is directly affected by our commitment to them.

*Donald Herrmann was nominated as the new Director representing NEC.*

*By Mike Kezar*

*Jane Krause presented Projected 2019 Year-End Financial results. Proposed rate reductions were approved by the Board.*

*The Board approved organizational changes for the Power Delivery Division.*

*The Board approved revisions to Planning Policies No. 341, 342, and 343.*

*A presentation of a Power Supply Benchmark Against Key Performance Indicators (KPI’s) was provided by John Packard.*

*The Board approved Duff & Phelps as the property tax consultant for 2020.*

*Mike Kezar presented the 2014-2018 KPI’s that compare all G&Ts, generation G&Ts, and A credit rated G&Ts to STEC.*

*The 2020 Training Calendar, presented by Leanne King, was approved by the Board.*

*A Power Delivery- Benchmark Against KPI’s II presentation was given by Cory Allen. The presentation compared STEC against NERC’s State of Reliability 2019 report in regard to transmission lines, substation equipment, and protective relay performance.*

*The Board approved a 2.94% incentive payment to eligible employees after the 2018-2019 Incentive Plan results were reviewed. The structure of the 2019-2020 Incentive Plan will mirror last year’s structure.*

*The proposed 2020 Wage Adjustment was presented by Leanne King.*

*Cliff Lange presented the 2020 SIPS Tariff Make-Whole Capacity Charge Calculation which was approved by the Board.*

*Josh Hoyt, with Clearspring Energy Advisors, presented the Load Forecast update which covered topics such as, background and scope, update process, forecast results, and other items/issues for discussion.*

*The Board approved both the 2020 Capital and Operating Budgets.*

*The second phase of Strategic Priority Key Initiatives were approved by the Board. They will be implemented and presented to the Board over the next two years.*

*John Packard discussed the ERCOT Capacity, Demand, and Reserves (CDR) report.*

*The Board approved the 2020 San Miguel Economy Energy Sales Agreement.*

*An amendment was approved by the Board for the Javelina II Wind PPA.*
HUMAN RESOURCES

Balance

Every year I take time to reflect and think forward, not for goal attainment (that comes later), but for what will cause me to change, expand and grow. I search for just one word that will guide me for the year. Call it mindfulness, call it foolish - it is a way for me to focus and ensure that I am being true to where I want to go and what I want to become. I’ve been doing this exercise for almost a decade.

Prior year words have included: reflection, grace and focus. This year, it’s balance. Finding balance in today’s “always on, always connected” environment will be a challenge. When I speak of balance, I think a little less work and a little more play. The issue with that is that I love my job! I love what I do! I actually love to work! I can thank my Dad for teaching his kids that good things happen when you work hard. I like to work smart and hard.

As I thought about ways to help introduce more balance, I thought, “structure, design, lists…” That’s it, make a list or two or three or four. These lists allow me to stay focused on what needs to happen and gives me permission to play.

1. **A list for now.** The now list includes those items that I hope to accomplish in the next year. This includes a class in watercolor painting. Always a dream, never a done.

2. **A list for later.** This is the list for the longer term. Things that may not take a lot of planning, but will take time to complete.

3. **A list for us.** This is the list of things, as a family, that we need to work on. We need to clean out the garage (knowing the sale will probably never happen) and finish the “green” bathroom. This list is long and has already been added to.

4. **A list for him.** Yup, a real honest to goodness (neatly and specifically written) honey do list. This is also the list that will be used to determine when to call the contractor.

The struggle is real – but I’m hopeful that fully engaging my organizational skills will help with the creation and/or practice of balance. Namaste.

ACCOUNTING & FINANCE

This time of the year marks an especially busy time for the Accounting and Finance Department. We are beginning the process to close out the 2019 books and prepare the year end reports. In regards to the FEMA process, while we have not received the final check for the damages caused from Hurricane Harvey to the G3 building, all of the projects have been obligated and final paperwork has been submitted. STEC has been issued $2,093,029 to date and should receive an additional $711,697 in reference to the G3 building and direct administrative costs. Accounting and Finance would like to thank all employees who had a part in the recover process and paperwork that followed. It was a tremendous effort by everyone.

Please welcome a new employee, Ashley Giboney, to the Accounting and Finance Division. Ashley acquired the warehouse clerk position and is part of the procurement team. She will be a great addition to the company.

COMPEITIVE RETAIL

Congress passed a spending package that contains the RURAL Act, the SECURE Act, and other key provisions for electric cooperatives and members. This is a major win not only for NEC Co-op Energy but electric cooperatives across the nation and the members which local electric cooperatives are dedicating to serving.

The package includes the following key provisions:

- The bipartisan RURAL Act, which ensures that co-ops that accept government grants for storm restoration or broadband are not at risk of losing their tax-exempt status.
- The SECURE Act, which will lower the premiums that electric co-ops in the RS Plan pay to the Pension Benefit Guaranty Corporation for low risk defined benefit pension plans. This provision alone will save electric co-ops over $30 million annually.
- Repeal of the “parking lot tax,” which would have assessed taxes on about one-third of electric co-ops.
- Repeal of the 40% “Cadillac tax” on employer health plans that will help protect health care benefits for all co-op employees.
Currently, the TCEQ is in the process of renewing the Texas Pollutant Discharge Elimination System Stormwater Multi-Sector General Permit (MSGP), TXR050000, which expires on August 14, 2021. The Sam Rayburn Power Plant has coverage under this permit for stormwater discharges. The TCEQ held a stakeholder meeting to discuss the renewal of the MSGP on October 18, 2019. The proposed changes to the existing permit will include: add NAICS codes to SIC code tables, change provisional coverage for paper applications to 48 hours, and allow for online delegation forms in STEERS. Other potential changes that may impact the permit is the EPA’s 2020 MSGP. EPA has been mandated to utilize National Academies of Sciences 2019 study for the new permit. The study indicated that EPA has been slow to adopt new knowledge and technology into MSGP Permits. Recommended improvements to EPA’s MSGP:

- Update benchmark monitoring requirements to incorporate new scientific information;
- Tiered approach to monitoring to improve quality of monitoring data & balance the burden to industry and permitting agencies.

TCEQ may or may not incorporate these changes into their state delegated MSGP and impact how Sam Rayburn Power Plant monitor’s their benchmark results.

**What is Hazard Recognition**

By definition, a hazard is anything that by condition or behavior has the potential to cause harm to people, damage to property or environment, or loss to process. Recognition is coming to understand something clearly and distinctly. A growing realization of the risk involved. A sudden recognition of the problems faced.

**Identifying Hazards**

- If you were going to loosen a bolt that was being difficult, you might put the wrench in position and use your leverage to pull it towards you.
- You know there is a possibility the wrench may slip.
- Do you think you can judge the direction, speed, and force of the wrench enough to avoid it?

To protect yourself from workplace hazards, you must identify and take reasonable steps to prevent potential to harm.

With STEC implementing Microsoft D365, came a simple and quick way to put you in control and keep your personal information safe. It’s called two-factor authentication. Two-factor authentication is far stronger than just using passwords by themselves. It works by requiring not one, but two different methods to prove you are who you say you are. A good example is your ATM card. When you withdraw money from an ATM machine, you are actually using two-factor authentication. To access your cash, you need two things: your ATM card (something you have) and your PIN number (something you know). If your ATM card is lost or stolen, others cannot withdraw your money without also knowing your PIN. A thief must have both your ATM card and pin to make a withdrawal. Two-factor authentication uses the same concept.

Two-factor authentication is widely available on most major banking, email, social networking, and other sites. In addition, most of these sites offer simple step-by-step instructions how to turn on two-factor authentication. Once you enable two-factor authentication, you can expect it to work like this. First, you log in to your account using your username and password, just as you always have. This is the first of the two factors—something you know. Then you will receive a unique code, often by text to your smartphone. You then enter that code into the login screen. This is the second of the two factors—you must have your phone to receive that code. Now your account is truly locked down. Even if a cybercriminal steals your password, they cannot access your account unless they also have your phone.
The Pearsall Power Plant was selected by Wartsila to host a 3-hour meeting and tour during the Wartsila Flexible Power Symposium (FPS) on October 30, 2019. FPS brings together professionals from the power industry to discuss the latest technologies, issues, and market trends. The theme for 2019 focused on the Path to 100% renewables. Sixty (60) professionals from the power industry along with Wartsila were in attendance. John Packard led the tour and answered questions in reference to the Plant.

Keeping solar fields maintained is vitally important. Grass and weeds can grow high to overlook the panels and blow debris onto them thus reducing electrical output. Regular grass cutting is an essential part of operations and maintenance on solar fields to prevent shading along the bottom edges of the panels which results in lower output. The Red Gate Power Plant performed mowing and weed abatement activities.

The Pearsall Power Plant continued with the 16K maintenance for Engines 13 and 15. The 16K maintenance is considered the first major overhaul for the Wartsila W345SG engine. STEC’s maintenance and operations personnel are working alongside with Wartsila technicians to complete the 16K maintenance.

The QSE has been motoring through another fall and winter season within ERCOT. Fall offered some colder than normal weather, but since then the weather has been relatively mild weather which creates lower ERCOT demand and thus lower ERCOT market prices. The natural gas market has had the same response to the mild winter season in the form of cheaper pricing. Since ERCOT is heavily reliant on natural gas as fuel for generation, the low natural gas prices have reduced ERCOT power prices also. Generally, ERCOT market prices for the month of December and through January thus far could be termed as cheap.

The STEC QSE did participate for the first time in the ERCOT Emergency Response Service via Karnes EC’s member loads. The ERCOT Emergency Response Service (ERS) are qualified and selected loads and generators which make themselves available for deployment in an electric grid emergency. ERS is an emergency service designed to decrease the likelihood of the need for firm load shedding (a.k.a, rolling blackouts.) By participating, an ERS provider can receive payment for the amount of capacity available to be interrupted should there be a need by ERCOT to do so. ERS providers can choose to be called upon in thirty minutes or ten minutes dependent upon their capabilities, and in STEC’s case, there was participation by loads in both response times. There are three four-month contract periods for ERS and smaller time periods to participate in within those. ERCOT allocates $50 million annually for participation in the ERS program with the allocation per contract term and time period based upon the statistical likelihood of deployment. Although this past summer contract period had two ERS deployments, there have been no deployments for the current contract period thus far.

The STEC QSE has also been involved with representing a commercial battery installation located within Victoria EC’s member territory. This is the first commercial battery energy storage installation located within the STEC member footprint and the learning curve has been steep for all parties involved. Battery energy storage devices, while not new, are a growing phenomenon in ERCOT as a result of declining technology prices. The lack of market rules to support battery energy storage resources has complicated the ability for this type of asset to quickly and efficiently interact within the market and has spurred numerous initiatives within ERCOT and the ERCOT stakeholder process. STEC QSE personnel have been engaged with these initiatives to not only help the owner of the battery energy storage asset realize the benefits of the market, but to learn and grow from the experiences afforded to us.
East Rio Hondo Substation
The North Rio Hondo 138kV line and the 138kV bus at East Rio Hondo were energized and the line to Palmas was put in service on December 3, 2019. Commissioning continues on the 138kV breaker to Paredes Switch Station.

System Operations reviewed, revised, and submitted the STEC Black Start Plan to ERCOT as required by NERC Standard EOP-005. The third quarter Vegetation-Related Outage Data Submittal form was presented to the STEC Compliance Officer for review and submitted to the Texas Reliability Entity (TRE) in accordance with Requirements 1 and 2 of NERC Reliability Standard FAC-003-4. In addition, the third quarter Transmission Availability Data System (TADS) equipment outage report to NERC was submitted.

Palmas Station Acciona Wind Farm Tie
Lambda has completed the installation of the ground grid, conduit and bus work. They will continue to install jumpers, station rock and the disconnect for the station service. Commissioning will begin in early February.

Cory Hernandez, Substation Inspector, is changing deadbolts and lock boxes at Batesville 138kV. The work is part of a project to further secure select substations as required by NERC cyber security regulations. New procedures have been put into place to gain access to these stations. System Operations must be contacted to obtain necessary access codes.

Dwain Garber, SCADA Technician, is wiring alarms into the substation remote terminal unit (RTU) at the new Gilfrina Substation which will serve Nueces Electric Cooperative load. The RTU sends load flow and breaker statuses to the STEC System Operator and NEC dispatcher and allows them to control feeder breakers remotely.

David Jaeger and Matt Farris are setting up to test and repair Cooper F6 controls. The controls are brought in from the field to troubleshoot and make necessary repairs. They then must pass testing before being released for use.

Dustin Novak, Relay Technician, is preparing a replacement 69kV bus differential relay (SEL 501) to be installed in the relay panels at Calallen. The output that was being used was shorted when the relay that was in service picked up for a bus fault causing the trip coil to open. Technicians rewired the circuit to another output until another relay was brought to the site and tested. Also a new trip coil was installed on the 86B-A lockout.

Joseph Martinez, Substation Tech, is working with a Siemens representative while changing out a mechanism and testing a GCB from Oaks 138kV Substation.

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The STEC Fiesta Christmas Party was held on December 7, 2019 at the Spring Creek Place Event Center. Thank you to VFW Post 4146 for donating their time to setup the cash bar. Las Palmas Catering provided the beef and chicken fajitas. Thank you to all the vendors that provided gift donations and the employees who made the party a success.

Elsa, Anna, and Olaf from Frozen set the scene as the children and grandchildren of STEC employees came together to celebrate the holiday season. In the end, it was the children’s excitement and smiling faces that melted our hearts. Thank you for sharing your families.

As we held tight to our loved ones this Christmas, STEC united to help brighten the lives of others around us. Thank you for giving toys, blankets, coats, and monetary donations. All of our facilities were able to reach out to organizations and individuals in their time of need.

Employees from the Donna facility volunteered their time ringing the bell for the Salvation Army. In addition, several employees within the Engineering Department volunteered their time building walls for Habitat for Humanity. “Alone we can do so little, together we can do so much.”

As of December 31, 2019 STEC has donated $51,300 to qualifying organizations in the areas that we serve through STEC’s Charitable Giving and Corporate Support Program. In addition, STEC employees used 27,437.5 days of paid release time giving back to our communities. The ESC continues to encourage employees to find qualifying organizations in the communities that we serve where you can give back by using your paid release time.

Remember all employees have 24 hours of paid release time to use for 2020.
SAFETY COMMITTEE

- Overall incident reporting has increased
  * 2019 - 56
  * 2018 - 11
  * 2017 - 5
- All incidents are investigated and corrective actions are implemented
- STEC completed a Safety Stand-Down in October to refocus on correcting unsafe behaviors and redirect our negative safety injury trend

2019 STEC Safety Pyramid

<table>
<thead>
<tr>
<th>Consequences</th>
<th>Fatalities</th>
<th>Lost Workdays</th>
<th>Recordable Injury</th>
<th>First Aid</th>
<th>Near Miss</th>
<th>Property Damage</th>
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<tbody>
<tr>
<td>Choice</td>
<td></td>
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<tr>
<td>Factors that Influence Choice</td>
<td>Knowledge</td>
<td>Desire</td>
<td>Ability</td>
<td></td>
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<tr>
<td>Values</td>
<td>Nothing we do is worth getting hurt</td>
<td>Safely can and must be managed</td>
<td>Working safety is a condition of employment</td>
<td>Every injury could and should have been prevented</td>
<td>Safety is everyone’s responsibility</td>
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StVEC employees are encouraged to discuss any safety concerns or suggestions with any Safety Committee Member, and the members will update their departments in a timely manner of what the Safety Committee discussed in the past meetings. All STEC employees can also use the suggestion boxes around each facility and email concerns and suggestions to safetycommittee@stec.org.

February 2020

- **Employee Standing Committee**
  - February 6, 2020

- **Safety Committee**
  - February 6, 2020

- **HR/Wellness (Administration & Power Plant)**
  - February 11, 2020

- **HR/Wellness (Red Gate Facility)**
  - February 12, 2020

- **HR/Wellness (Donna Facility)**
  - February 12, 2020

- **HR/Wellness (Pearsall Facility)**
  - February 13, 2020

- **HR/Wellness (Transmission & Tech Services)**
  - February 17, 2020

- **Supervisors & The Need to Know (Supervisors)**
  - February 18, 2020

- **Safety Meeting (Administration & Power Plant)**
  - February 18, 2020

- **Safety Meeting (Red Gate Facility)**
  - February 19, 2020

- **Safety Meeting (Donna Facility)**
  - February 19, 2020

- **Safety Meeting (Pearsall Facility)**
  - February 20, 2020

- **Safety Meeting (Transmission & Tech Services)**
  - February 24, 2020

- **Committee/Board Meeting**
  - February 26 - 27, 2020

March 2020

- **Employee Standing Committee**
  - March 5, 2020

- **Safety Committee**
  - March 5, 2020

- **HR/Wellness (Administration & Power Plant)**
  - March 10, 2020

- **HR/Wellness (Red Gate Facility)**
  - March 11, 2020

- **HR/Wellness (Donna Facility)**
  - March 11, 2020

- **HR/Wellness (Pearsall Facility)**
  - March 12, 2020

- **HR/Wellness (Transmission & Tech Services)**
  - March 16, 2020

- **Culture Collaboration (Select Invitees)**
  - March 17, 2020

- **Safety Meeting (Administration & Power Plant)**
  - March 17, 2020

- **Safety Meeting (Red Gate Facility)**
  - March 18, 2020

- **Safety Meeting (Donna Facility)**
  - March 18, 2020

- **Safety Meeting (Pearsall Facility)**
  - March 19, 2020

- **Safety Meeting (Transmission & Tech Services)**
  - March 23, 2020

- **Committee/Board Meeting (Pearsall)**
  - March 25-26, 2020