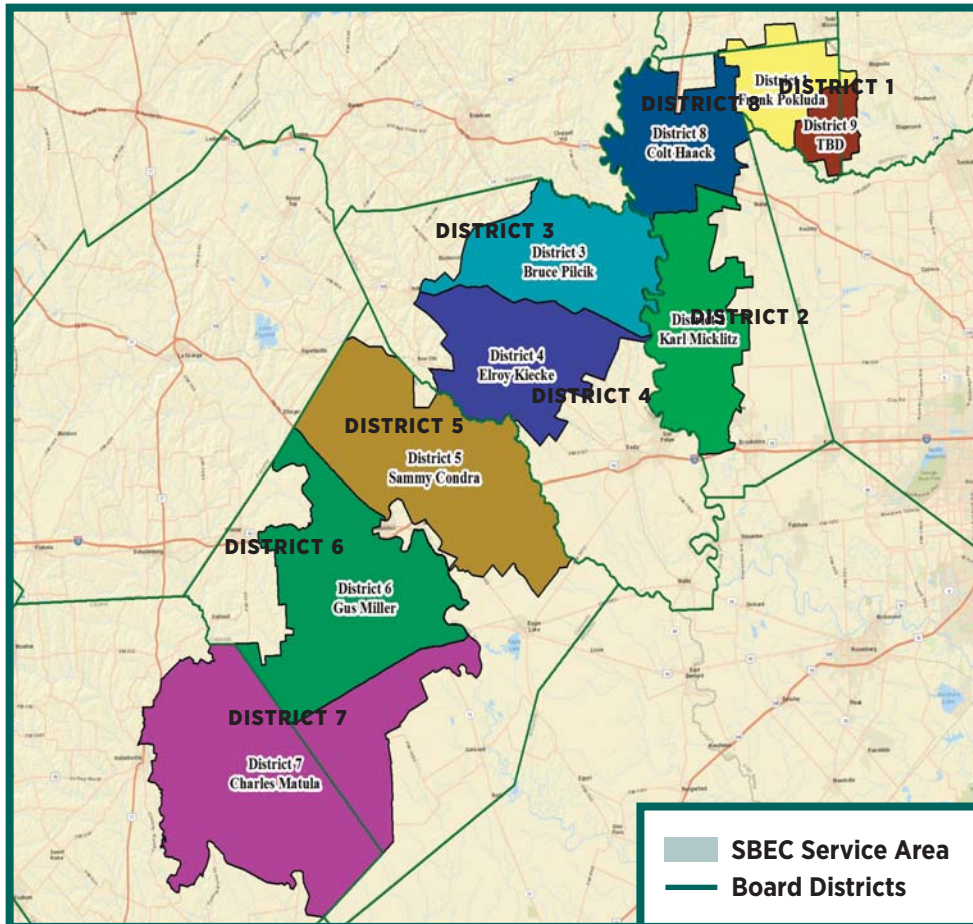




**75 YEARS OF SERVICE**



# 2013 ANNUAL REPORT

## AND OFFICIAL NOTICE OF ANNUAL MEETING

May 17, 2014 • Austin County Fair Convention and Expo Center • Bellville, Texas

## CHAIRMAN'S REPORT

**Looking back on 2013, I reflect on times of sadness and new direction. It was a tumultuous year for your cooperative. We faced board turnover, a continued impasse with the Lower Colorado River Authority lawsuit and the continued effort in a major transmission upgrade.**

Two of your SBEC directors passed away toward the end of 2013. Both were influential in the guidance of this cooperative. No one more so than S.E. Golsch, who helped guide this organization for more than 50 years. He literally saw this cooperative built from the ground up. He often attended board meetings as a young lad and eventually took his father's place on the co-op board. Milton Whiting served as a director for seven years and was well respected not only by his peers on the board, but also throughout the Prairie View community. Both will be missed. With their passing, we welcomed two new directors who will most assuredly help guide your cooperative through its next phase of growth.

We continue to have our disagreement with the LCRA with regard to our separate treatment. This process has been long brewing, and settlements eluded us throughout 2013. General Manager Billy Marricle will update you on this situation at our annual meeting.

We have continued to upgrade our transmission facilities in the Colorado County area. Clayton Stanford has overseen a very demanding, time-sensitive project to near completion. He has dedicated almost two years of his professional duties to see that this project is delivered on time. And so far, it has been on track. What makes this project significant is the fact that we have never before had an undertaking of this magnitude, both in scope and cost. The 29 miles of transmission line upgrade will run a projected cost of more than \$20 million once all is said and done. We salute employees like Clayton in keeping on top of his game to see this done. We also need to show appreciation to the employees who allowed Clayton to get this done by picking up extra job duties to facilitate this project.

As we celebrate our 75th year, let's remember the good people who have gotten us to this particular point. Their dedication and desire to provide a lasting service upon which our members can rely is remarkable. Can you imagine how hard it was for the first generation of workers, building a business like San Bernard Electric Cooperative from scratch? And how our first members had to wait patiently before it was their turn to get the magic we call electricity? Today's members and employees are only stewards for the next generations to come. Just try to imagine all the changes to come in another 75 years!

## IMPORTANT NOTICE

**This is your official notice that the Annual Membership Meeting of San Bernard Electric Cooperative, Inc., will be held May 17, 2014, at the Austin County Fair Association Convention and Expo Center, Highway 159 East in Bellville, beginning at 10 a.m.**

## BOARD OF DIRECTORS

San Bernard Electric Cooperative, Inc.



**FRANK POKLUDA**  
BOARD DISTRICT 1



**KARL MICKLITZ**  
BOARD DISTRICT 2  
2nd Vice Chairman



**BRUCE PILCIK**  
BOARD DISTRICT 3  
1st Vice Chairman



**ELROY KIECKE**  
BOARD DISTRICT 4  
Asst. Secretary-Treasurer



**SAMMY CONDRA**  
BOARD DISTRICT 5



**GUS MILLER**  
BOARD DISTRICT 6  
Chairman



**CHARLES MATULA**  
BOARD DISTRICT 7  
Secretary-Treasurer



**COLT HAACK**  
BOARD DISTRICT 8



**ROY H. COOK**  
Director Emeritus  
(inactive)



**BILLY MARRICLE**  
PRESIDENT/GENERAL MANAGER

# SUMMARY OF COOPERATIVE BYLAWS

## Pertaining to Membership, Annual Meetings, Board Representation, Nomination and Election Procedures

**MEMBERSHIP:** Any natural person, firm, association, corporation, business trust, partnership, Federal agency, State or political subdivision thereof, or any body politic (each hereinafter referred to as person or applicant) shall be eligible to become a member of and at one or more premises owned or directly occupied or used by the member, to receive electric service from SAN BERNARD ELECTRIC COOPERATIVE, INC. (hereinafter called the Cooperative). No person shall hold more than one membership in the Cooperative.

**ANNUAL MEETING:** For the purposes of electing directors, hearing and passing upon reports covering the previous fiscal year, and transacting such other business as may properly come before the meeting, the annual meeting of the members shall be held on the third Saturday of the month of May each year, at such place in one of the counties in Texas within which the Cooperative serves, and beginning at such hour, as the Board of Directors shall from year to year fix ... Written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting or an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) days nor more than thirty (30) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary ... If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at the member's address as it appears on the records of the Cooperative. ... At all meetings of the members, all questions shall be decided by a majority of the members voting thereon, except as otherwise provided by law or by the Cooperative's Articles of Incorporation or these By-laws. Members may not cumulate their votes.

**DIRECTORS:** The business and affairs of the Cooperative shall be managed by a Board of nine (9) Directors. The Board shall exercise all of the powers of the Cooperative except such as are by law or by the Cooperative's Articles of Incorporation or By-laws conferred upon or reserved to the members. No person shall be eligible to become or remain a director of the Cooperative who is a close relative of an incumbent director or of an employee of the Cooperative, or is not a member in good standing of the Cooperative and receiving service therefrom in the district that he/she is elected to represent. No person shall be eligible to become or remain a director of, or to hold any other position of trust in, the Cooperative who is not at least twenty-one (21) years of age or is in any way employed by or financially interested in a competing enterprise, or a business selling electric energy or supplies to the Cooperative, or a business primarily engaged in selling electrical or plumbing appliances, fixtures or supplies to, among others, the members of the Cooperative. At each annual meeting of the members, directors shall be elected by secret written ballot by the members ...

**NOMINATIONS:** It shall be the duty of the Board of Directors to appoint not less than eighty (80) days, nor more than one hundred thirty (130) days before the date of an annual meeting of the members, a committee of nominations for each district from which a director is to be elected consisting of three members and two alternates, all of whom shall be members in good standing of the Cooperative and shall reside within the district.

Each committee shall nominate at least one but not more than two members from their respective districts and shall prepare and

post at the principal office of the Cooperative at least thirty (30) days before the meeting a list of nominations for each directorship up for election. Any fifty or more members acting together may make other nominations by petition not less than thirty (30) days prior to the meeting and the Secretary shall post such nominations at the same place where the list of nominations made by the committee is posted. Any member making a nomination by petition shall be a member in good standing of the Cooperative and shall reside within the district for which the nomination is made. Each member shall mark the ballot and deposit same for counting by the credentials and election committee. The candidate from each district from which a director is to be elected receiving the majority of votes of those members at this meeting who cast ballots shall be declared elected as director. The credentials and election committee shall report the results thereof before the meeting adjourns ...

**Complete copies of the cooperative's bylaws are available from the headquarters upon request.**

## OFFICIAL NOTICE OF ANNUAL MEMBERSHIP MEETING

San Bernard Electric Cooperative, Inc. • Bellville, Texas

*To All Members:*

Pursuant to the bylaws of San Bernard Electric Cooperative Inc., the Annual Membership Meeting will be held at the Austin County Fair Convention and Expo Center, Highway 159 E., Bellville, Texas, on Saturday, May 17, 2014, to take action on the following:

1. Reports of directors, officers and committees.
2. Election of three (3) directors. In connection with the election of three (3) directors scheduled for this meeting, the following named members have been nominated by a Committee on Nominations appointed by the Board of Directors of the cooperative, pursuant to the bylaws:

### BOARD DISTRICT 1

#### FRANK POKLUDA

29503 FM 1488, Waller, TX 77484

### BOARD DISTRICT 8

#### COLT HAACK

24643 Nine Bar Road, Hempstead, TX 77445

### BOARD DISTRICT 9

#### JOHN ALLEN

21750 Murrell Road  
Hockley, TX 77447

#### BILL FENDLEY

29442 Hegar  
Hockley, TX 77447

3. Hear comments and questions.

Every member is urged to attend the annual membership meeting.

Respectfully,

#### CHARLES MATULA

*Secretary-Treasurer*

*San Bernard Electric Cooperative, Inc.*

*Dated this 18th Day of March 2014*

# 2014 NOMINEES FOR SBEC DIRECTOR

## BOARD DISTRICT 1



**FRANK POKLUDA.** The Pokluda family has owned land in the SBEC service area for over 60 years. In 1974, Frank Pokluda and his wife moved to the family property to raise their children.

Frank Pokluda was born and raised in Houston and graduated high school from St. Thomas.

He attended college in Nevada and returned to Texas to marry and raise a family.

For 30 years, Pokluda owned and operated Circle N Grocery. Recently, he sold the business in Fieldstore but still owns and operates a feed store in White Hall. Frank and his wife (deceased) have five children and 14 grandchildren. He is a member of St. Mary's Catholic Church in Plantersville.

Pokluda is involved in the Fieldstore community and Waller County. He is on the board for the Fieldstore Community Center. Pokluda supports all the local youth organizations and their fundraisers. He is a member of the Waller County Go Texan Committee, awarding scholarships to students in the area schools. Pokluda has been involved with county government since 1991, and he represents Waller County on the Houston-Galveston Area Council Board.

"Because of my experience as commissioner in county court, I understand the budget process," he said. "My tenure in county court and as a business owner I will sway toward a conservative and wise budget. I believe in recognizing employees for a job well done because employees make or break a company. SBEC is doing something right because its employees are always ready to assist the community and SBEC members with a friendly attitude.

"I would like the members in District 1 to know that Director Roy Cook was and will remain my mentor. During his tenure as a SBEC director, Mr. Cook looked after and protected the SBEC members in his district. And I will continue to protect the members of District 1. To all of the SBEC members, I will strive to keep SBEC a company you will be proud of."

## BOARD DISTRICT 8



**COLT HAACK** and his wife, Laney, have two children, Rowdy and Callie. Colt and his family are life-long residents of Hempstead in Waller County. Rowdy, 20, is a sophomore at the University of Texas. Callie, 8, attends Community Christian Academy in Hempstead.

After graduating from Hempstead ISD, Colt Haack attended Blinn College and then went on to Sam Houston State University, graduating with a degree in business finance. For 20 years, Colt has been the owner of and broker at Coldwell Bank Property Unlimited in Waller.

Haack is a member of the Waller County Board of Realtors.

In the community, he is involved with Waller Chamber of Commerce and Family Ties. In addition, he supports the Boys and Girls Country, Waller County Fair Association and the Waller County Little League.

Haack has served as District 8 director since November, filling the unexpired term of the late Milton Whiting.

"I think it is an honor to be selected to follow Milton Whiting's footsteps," he said. "I respected Milton as a person and his knowledge in business finance. I am a person who likes being involved and gives 100 percent in everything I do. Being on the (SBEC) board has been a rewarding experience. I have been continuing my education to better represent my district, and will continue to do so."

## BOARD DISTRICT 9



**WILLIAM "BILL" FENDLEY** and his wife, Pam, have resided in Hockley for more than 20 years. He is actively involved in serving the community as director for the Waller County Transportation Authority and with various economic development groups.

Fendley co-founded Cobb, Fendley & Associates, Inc., in 1980 with just three people, then grew the firm to more than 160 employees and eight office locations in three states. He has more than 40 years of experience involving civil engineering and land-surveying projects in Texas and is a proud graduate of the University of Houston 1971 class with a Bachelor of Science in civil engineering. He is a registered professional engineer in six states and a registered professional land surveyor in Texas.

Fendley has held leadership positions in professional engineering organizations at the national, state and local levels. He volunteers at the University of Houston Cullen College of Engineering School, sitting on the Engineering Leadership Dean's Board and the Civil Engineer Advisory Board.

In his free time, Fendley enjoys working on his property and spending time with his eight grandchildren.



**JOHN ALLEN.** My wife, Cathy, and I have lived and raised our family in rural Waller County since 1999. We have four children: Clayton (WHS Class of 2008 and Texas A&M Class of 2012), Gabrielle (WHS Class of 2014 and recently accepted into Texas A&M Class of 2018), Hannah and Cullen (WHS Class of 2016).

I have well over 20 years of experience in the field of education, currently serving with KIPP Houston Public Schools as deputy head of schools. Prior to coming to work for KIPP, I managed eight high schools as a school improvement officer for high schools for the Houston ISD. I have also served as a high school principal, associate principal and teacher in the same district. My formal education includes holding a Bachelor of Arts in political science from Stephen F. Austin State University and a master's degree in educational leadership from Prairie View A&M University. I am also a graduate of the Houston A+ Leadership Academy and Harvard University's Institute for Redesigning America's High Schools and Improving Schools: The Art of Leadership. One of my proudest professional accomplishments was being named Houston ISD West Region Secondary Principal of the Year in 2009.

## ANNUAL MEETING PROGRAM

Saturday, May 17 • Austin County Fair Convention and Expo Center, Bellville

**REGISTRATION OF MEMBERS** . . . . . 8:30 a.m.

Registration closes at 10:00 a.m.

**BUSINESS MEETING** . . . . . 10:00 a.m.

Call to Order  
Invocation  
Reading of Notice of Meeting  
Minutes of Previous Meeting

**ELECTION OF DIRECTORS**

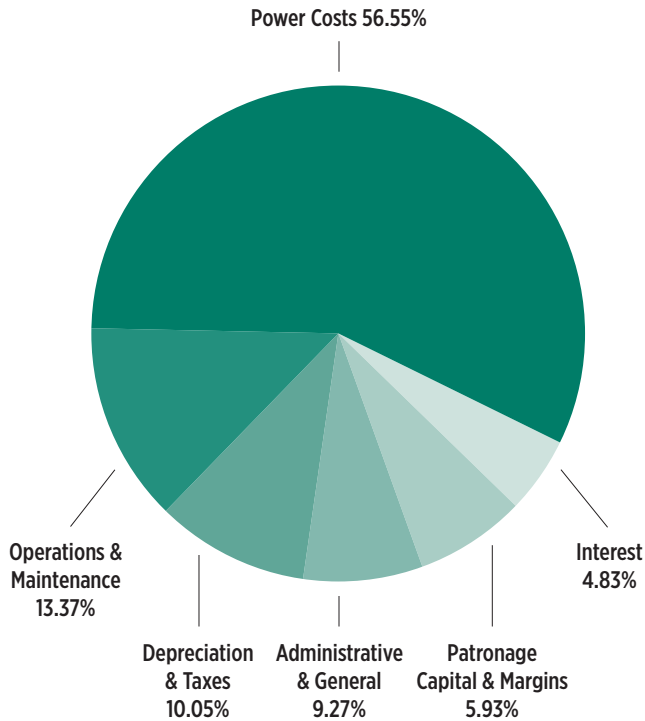
Report of Officers  
Questions and Answers  
Drawing for Attendance Prizes

**BARBECUE DINNER** . . . . . 11:30 a.m.

*One free ticket per member; additional tickets may be purchased.*

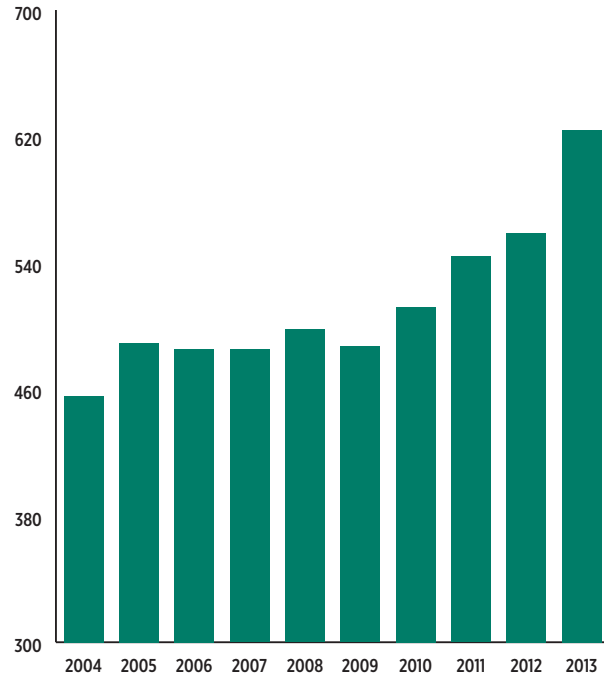
## USES OF REVENUE

2013 Revenue Allocation



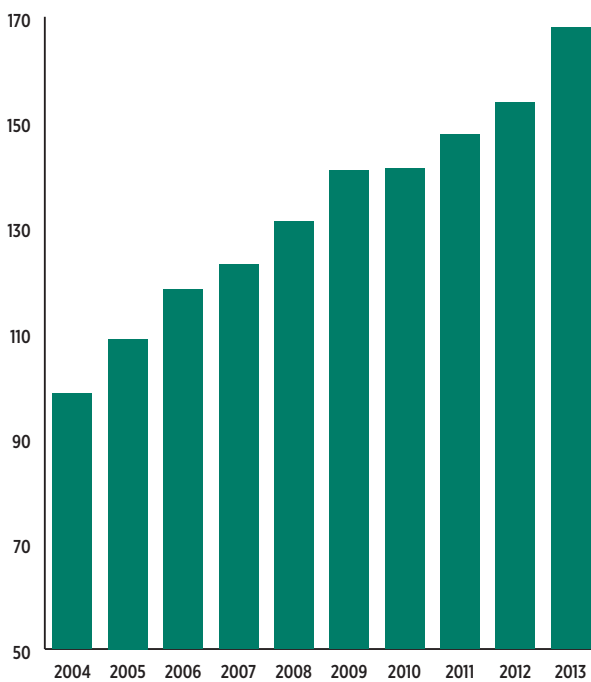
## KWH SALES

(Millions, Past 10 Years)



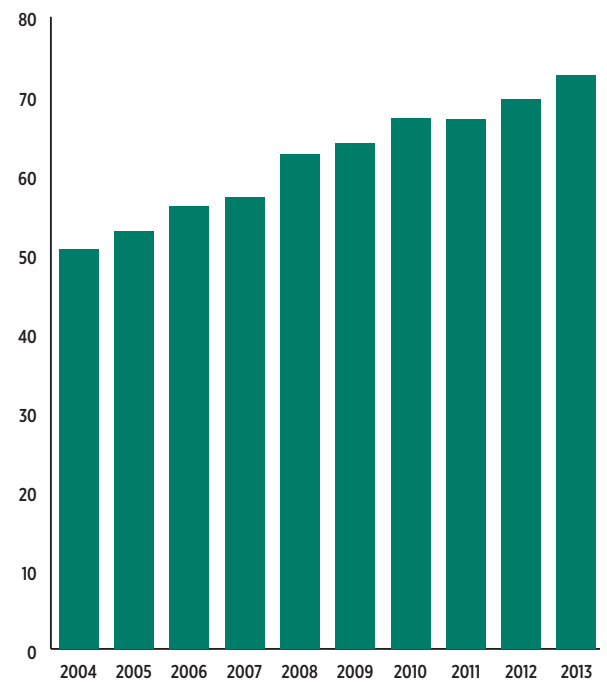
## ASSETS

(Millions of Dollars, Past 10 Years)



## EQUITY

(Millions of Dollars, Past 10 Years)



# OPERATING STATEMENT

2013 and 2012

	<b>2013</b>	<b>2012</b>
<b>REVENUES</b>		
Sales of Electric Power .....	\$61,365,991	\$59,047,394
Other Electric Revenue .....	874,923	1,658,608
<b>TOTAL REVENUE</b> .....	<b>\$62,240,914</b>	<b>\$60,706,002</b>
<b>EXPENSES</b>		
Purchased Power .....	\$35,195,381	\$34,834,949
Operations and Maintenance .....	8,322,813	8,106,566
Administrative and General .....	5,768,294	5,085,615
Depreciation .....	5,988,148	5,732,812
Taxes .....	265,791	273,259
Interest .....	3,008,903	2,710,958
<b>TOTAL EXPENSES</b> .....	<b>\$58,549,330</b>	<b>\$56,744,159</b>
<b>MARGINS</b>		
Operating Margins .....	\$ 3,691,584	\$ 3,961,843
Nonoperating Margins .....	609,304	388,721
<b>TOTAL MARGINS</b> .....	<b>\$ 4,300,888</b>	<b>\$ 4,350,564</b>

# BALANCE SHEET

As of December 31, 2013, and December 31, 2012

	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>		
Net Utility .....	\$150,482,893	\$139,172,205
Investments .....	4,996,724	4,830,755
Cash .....	1,044,626	1,795,750
Notes and Accounts Receivable .....	3,014,298	2,302,628
Materials and Supplies .....	3,414,949	3,640,032
Other Current and Accrued Assets .....	1,419,895	1,695,767
Deferred Charges .....	3,701,072	369,192
<b>TOTAL ASSETS</b> .....	<b>\$168,074,457</b>	<b>\$153,806,329</b>
<b>EQUITY</b>		
Memberships .....	\$ 71,425	\$ 74,225
Patronage Capital and Margins .....	72,510,911	69,468,309
<b>TOTAL EQUITY</b> .....	<b>\$ 72,582,336</b>	<b>\$ 69,542,534</b>
<b>LIABILITIES</b>		
Long-Term Debt .....	\$ 80,109,375	\$ 71,995,414
Accounts Payable .....	7,963,372	7,296,481
Other Current and Accrued Liabilities .....	5,158,499	2,885,050
Deferred Credits .....	2,260,875	2,086,850
<b>TOTAL LIABILITIES</b> .....	<b>\$ 95,492,121</b>	<b>\$ 84,263,795</b>
<b>TOTAL LIABILITIES and EQUITY</b> .....	<b>\$168,074,457</b>	<b>\$153,806,329</b>