



***PROVIDING QUALITY SERVICE TO EMPOWER  
COMMUNITIES AND IMPROVE LIVES.***

**2023  
ANNUAL  
REPORT**

# Report of the President and General Manager



GENERAL  
MANAGER

ERIC  
HALFMANN



PRESIDENT

PAUL T.  
BRYSCH JR.

## Power to Serve

**THE BOARD OF DIRECTORS** and employees of Karnes Electric Cooperative would like to personally invite you to our 86th annual meeting. The annual meeting provides an excellent opportunity to participate in the cooperative's business through the election of directors. Additionally, the annual meeting provides a forum for members to come together, meet your dedicated cooperative team, and learn about the activities of the cooperative and our goals.

As we reflect back on 2023, we sincerely thank you for the opportunity to serve you. The cooperative team is passionate about serving the needs of our members and is committed to the mission of providing quality service to empower communities and improve lives. Last year was a successful year that brought new opportunities from the transitioning electric industry landscape.

In 2023, supply chain disruptions from the pandemic-induced downturn started to improve, but shortages of raw materials and increased costs still presented challenges. The cooperative worked hard to maintain efficient

operations despite these disruptions by identifying alternative suppliers, increasing material inventories and adjusting operations to align with material availability. Moving into 2024, while supply chain conditions continue to improve, some transformers, meters, utility vehicles and substation equipment are still experiencing lead times as long as one to two years.

Regulatory and market reform issues impacting the grid's power supply and costs continued to be dynamic in 2023. At the federal level, multiple new regulations were proposed that could significantly force the transition of power generation away from dispatchable power plants, like natural gas and coal. If this regulatory-driven transition is not done in a reasonable manner that prioritizes reliability and affordability while aligning with the reality of available technology, then it will further magnify today's reliability challenges and could result in unacceptable costs to our members when the wind doesn't blow and the sun doesn't shine.

This past summer brought new peak loads onto the grid from the hot temperatures and continued economic growth throughout the state. The Electric Reliability Council of Texas grid now depends on renewable resources to meet demand. As a result, the afternoon solar generation down ramp pushed tighter conditions later in the evening, times of low wind output led to conservation appeals and energy storage resources played a meaningful role in meeting energy needs. The increased demand on the ERCOT grid also continues to strain the transmission system, driving investments in transmission infrastructure.

Our board of directors and staff are actively engaged in regulatory affairs and work closely with other cooperatives and the statewide and national electric cooperative associations to monitor and provide

constructive input to legislators, regulatory agencies and ERCOT concerning policies that impact electric cooperatives. Exemplifying the cooperative principle of Cooperation Among Cooperatives, we have been successful in working together through local, national and regional structures to effectively influence these complex issues.

## Empower Communities

The cooperative maintained steady growth in 2023, with annual sales totaling 1,358,753,499 kilowatt-hours, a 4.3% increase over 2022 sales. The system grew by 441 services and 37 miles of energized line, all contributing to the economic development of our communities. Additionally, progress continues on the Loxley substation in north Atascosa County to meet the demand for power in that area and is expected to be completed in 2025.

The cooperative's financials show a reduction in total expenses primarily due to the lower price of natural gas contributing to lower power costs. The lower cost of purchased power is passed through to our members through the power cost recovery factor.

In 2023, the average residential rate members paid for power, based on monthly usage of 1,000 kWh, was 11.1 cents per kWh, as compared to 11.4 cents per kWh in 2022. To achieve the best possible costs for our members, we work together with South Texas Electric Cooperative, the generation and transmission cooperative that supplies our wholesale power, to manage generation resources and transmission infrastructure.

The continued growth of the cooperative has helped us to overcome increases in materials and operating and maintenance expenses. As such, Karnes Electric Cooperative has not increased its base rates in 15 years, since its 2009 cost-of-service study. In 2023, a new cost-of-service study was completed, which did not identify the immediate need for a cost increase to provide additional revenue for operations. The board and staff will continue to evaluate the cost of service to determine if and when additional revenues will be needed in future years.

As you will see in the financial report, the cooperative performed well in 2023 and continues to maintain a strong financial posture for serving the future needs of our members. Based on this financial position, in September 2023, the board of directors authorized a total of \$1,707,279.59 in capital credits to be returned to our members. A capital credits return is a benefit you receive for being a member of the electric cooperative. Since 1989, Karnes EC has returned a total of \$23,422,181.95 in capital credits.

## Quality Service

Achieving a high level of safety and system reliability performance are core components of the quality service that the cooperative is dedicated to delivering. We are extremely proud of our team's safety performance in achieving a year with no lost-time accidents. Additionally, numerous safety and training initiatives were completed to continually improve the team's expertise. This included the implementation of a lineman apprentice progression program and completing the construction of field training facilities at both office locations.

To improve system reliability, we continue to regularly inspect and complete preventative maintenance and system

improvements. In 2023, this included clearing and trimming over 252 miles of line, inspecting over 6,300 poles, sectionalizing to reduce outage impacts, and investing \$12,960,000 in work plan system improvements.

Additional strategic investments that improve the co-op's quality of service while reducing expenses are the upgrades to the advanced metering infrastructure and growth of the geographic information system (GIS) mapping.

Effective GIS mapping is a foundational technology for improving the intelligence of system operations and collecting critical information to manage assets and outages. GIS links asset data with meter information to streamline the response to system issues. We are excited about the value already realized from GIS technology as well as the growth planned in this area, including pole audits in 2024. The team's dedication to system reliability contributed to a 53% reduction in interruption minutes experienced by our members in 2023.

To support the increasing reliance on technology to serve our members, improvements were made to our network infrastructure. This included the upgrade of data center servers, field communication equipment and the protection of backup data from ransomware. In 2023, the team completed the milestones established by the NRECA's Co-op Cyber Goals program, which outlines initiatives aimed at achieving high-priority security measures and improved response to cyber threats.

Providing excellent member service that meets the changing needs of our members is always a focus for the cooperative. To improve outage communication, service descriptions were added to outage notifications to clarify which accounts are experiencing an outage. Additionally, outage descriptions were added to SmartHub reporting, providing more information to our service personnel to assist with efficient troubleshooting and restoration.

In 2023, the cooperative began offering digital signatures on membership applications as a secure and efficient method of capturing signatures. In the fourth quarter of 2023, 65% of our membership applications were completed digitally. Looking forward to 2024, we plan to update the membership application to further streamline this process and increase participation in text message notifications.

To gather valuable member feedback, a member interaction-based survey was launched in 2023. In 2024, two key initiatives are planned to increase feedback from members. The interaction-based survey will be expanded to collect feedback following additional service activities, and an American Consumer Satisfaction Index survey will be completed to collect in-depth information to guide strategies that improve service to our members. We appreciate our members' feedback from these surveys and are excited about continuing to improve how we serve your needs.

## Improve Lives

Access to reliable and affordable electricity is a critical component to empowering a community's economic growth and improving the quality of life. After the establishment of the Rural Electrification Administration in the 1930s, farmers and ranchers created rural electric cooperatives to secure electricity to better their lives. The program was very successful, and the quality of life for those living in rural areas was forever changed.

As a result of the success in electrifying rural America, NRECA International was established to share this model with rural areas in developing countries. Through partnering with NRECA International, electric cooperatives can donate their time, talent and resources to empower communities around the world.

In 2023, Karnes Electric Cooperative had the opportunity to

participate in an NRECA International project located in Matasanos, Zacapa, in Guatemala. Two Karnes EC lineworkers traveled to the project and helped construct an electrical distribution system that provided electricity to rural villagers for the first time.

This was an extremely rewarding experience for those lineworkers and for the entire co-op team to share in this experience that fundamentally exemplifies the value of our purpose and the service we began providing to our members 86 years ago.

## Concern for Community

As a part of our commitment to support our local community, we award scholarships to graduating students pursuing higher education.

We are proud to announce that in 2023, we awarded scholarships of \$1,500 each to 10 students from across our service area. Eight scholarships were awarded to students attending a qualifying four-year university, and two scholarships were awarded to students attending a two-year or vocational college. Including 2024, the cooperative is proud to have provided 288 scholarships totaling \$322,200 through the years.

We also partnered with CoBank, one of our financial lenders, through their Sharing Success program to support not-for-profit agencies. In 2023, KEC proudly awarded donations to three organizations with CoBank generously matching each donation for a combined total of \$20,000 in support. The recipients were Courage Ranch, Cowboys Ranch and NRECA International.

Courage Ranch is a nonprofit dedicated to supporting trauma patients through equine-assisted therapy for individuals of all ages. Established in 2019, the organization has delivered therapy services to more than 250 families spanning from Wilson to Karnes counties. Cowboys Ranch is a nonprofit organization committed to offering animal-assisted therapy and educational programs for youth and women in Atascosa County. The organization's mission encompasses fostering compassion, problem-solving abilities, leadership skills and self-confidence.

NRECA International brings a longstanding history and proven track record to empowering developing nations through electrification. With this mission, the organization illuminates not just homes, but also hope, resilience and a brighter future. We look forward to sustaining this partnership with CoBank to continue to empower our communities.

Our dedicated board of directors and employees work hard to provide for the needs of the cooperative and will continue to strive to improve all aspects of our business—from the safety of our employees to electric reliability, member service, technology and financial performance.

We hope you will join us at this year's annual meeting. Once again, we will offer our members a choice between attending a walk-through or traditional in-person meeting. Whichever choice you make, we look forward to seeing you.



**Paul T. Brysch Jr.**  
President



**Eric Halfmann**  
General Manager

# Statement of Income and Patronage Capital

AS OF DECEMBER 31	2023	2022
<b>OPERATING REVENUES</b>		
Residential	\$ 24,660,536	\$ 25,690,499
Irrigation	3,816,565	4,537,820
Commercial and Industrial	92,635,403	93,818,226
Rent From Electric Property and Other Electric Revenue	19,849	37,349
Other	643,606	595,776
Unbilled Revenue	(2,417,000)	2,550,000
<b>Total Operating Revenue</b>	<b>\$119,358,959</b>	<b>\$127,229,670</b>
<b>OPERATING EXPENSES</b>		
Purchased Power	\$ 91,949,247	\$ 99,851,468
Distribution—Operation	2,825,350	2,585,202
Distribution—Maintenance	3,922,338	3,210,704
Consumer Accounts	1,803,113	1,678,673
Administrative and General	5,137,536	4,404,082
Depreciation and Amortization	9,923,554	9,283,543
Taxes	314,624	308,062
Other Interest Expenses	65,889	26,450
<b>Total Operating Expenses</b>	<b>\$115,941,651</b>	<b>\$121,348,184</b>
<b>OPERATING MARGINS</b>		
Before Fixed Charges	\$ 3,417,308	\$ 5,881,486
Interest on Long-Term Debt	(800,525)	(686,508)
After Fixed Charges	\$ 2,616,783	\$ 5,194,978
Capital Credits—G&T	7,467,329	2,870,355
Capital Credits—Other	757,863	183,022
<b>Net Operating Margins</b>	<b>\$ 10,841,975</b>	<b>\$ 8,248,355</b>
<b>NONOPERATING MARGINS</b>		
Interest Income	\$ 448,241	\$ 140,604
Other Nonoperating Income	(83,672)	1,400,238
<b>Net Nonoperating Income (Loss)</b>	<b>\$ 364,569</b>	<b>\$ 1,540,842</b>
<b>Net Margins</b>	<b>\$ 11,206,544</b>	<b>\$ 9,789,197</b>
<b>NET MARGINS</b>		
Patronage Capital—Beginning of Year	\$157,777,141	\$152,013,829
Unbilled Revenue Transferred to Other Equities	2,417,000	(2,550,000)
Patronage Capital Retired	(1,734,177)	(1,475,885)
<b>Patronage Capital—End of Year</b>	<b>\$169,666,508</b>	<b>\$157,777,141</b>



MESSAGE  
FROM  
SECRETARY-  
TREASURER

LARRY R.  
SCHENDEL

To the members of  
Karnes Electric Cooperative,  
Karnes City:

The accounting firm of Bolinger,  
Segars, Gilbert & Moss LLP  
performed an audit of our  
financial statements for the  
year ended December 31, 2023.

We received a clean opinion on  
that audit. The complete audit  
report is on file at the  
headquarters office of Karnes  
Electric Cooperative.

**Larry R. Schendel**  
Secretary-Treasurer  
Karnes Electric Cooperative

# Balance Sheet

YEARS ENDED DECEMBER 31

2023

2022

## ASSETS

### UTILITY PLANT AT COST

Electric Plant in Service	\$346,402,675	\$323,442,323
Construction Work in Progress	2,438,780	3,202,817
Aid to Construction	(183,889,933)	(171,209,095)
	<b>\$164,951,522</b>	<b>\$155,436,045</b>
Less: Accumulated Provision for Depreciation	41,950,068	33,986,315
	<b>\$123,001,454</b>	<b>\$121,449,730</b>

### OTHER PROPERTY AND INVESTMENTS AT COST OR STATED VALUE

Investments in Associated Organizations	\$ 61,528,092	\$ 53,567,478
Other Investments	375,457	346,753
	<b>\$ 61,903,549</b>	<b>\$ 53,914,231</b>

### CURRENT ASSETS

Cash—General	\$ 11,487,890	\$ 14,084,647
Short-Term Investments	3,000,000	3,000,000
Accounts and Notes Receivable (Less Allowance for Uncollectibles of \$118,106 in 2023 and \$139,159 in 2022)	6,916,718	8,243,458
Unbilled Revenue	8,683,000	11,100,000
Materials and Supplies at Average Cost	8,518,215	6,716,212
Other Current and Accrued Assets	230,493	221,029
	<b>\$ 38,836,316</b>	<b>\$ 43,365,346</b>
<b>Total Assets</b>	<b>\$223,741,319</b>	<b>\$218,729,307</b>

## EQUITIES AND LIABILITIES

### EQUITIES

Memberships	\$ 91,615	\$ 90,530
Patronage Capital	169,666,508	157,777,141
Other Equities	9,014,044	11,414,541
	<b>\$178,772,167</b>	<b>\$169,282,212</b>

### LONG-TERM DEBT

RUS Mortgage Notes Less Current Maturities	\$ 415,883	\$ 471,626
FFB Mortgage Notes Less Current Maturities	9,506,108	9,916,897
CFC Mortgage Notes Less Current Maturities	5,210,513	5,362,689
CoBank Mortgage Notes Less Current Maturities	4,110,382	4,662,016
	<b>\$ 19,242,886</b>	<b>\$ 20,413,228</b>

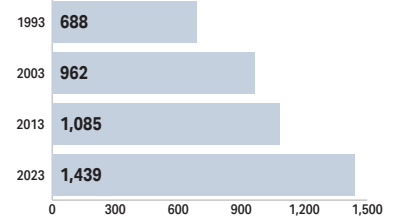
### OTHER LONG-TERM LIABILITIES

Deferred Compensation	\$ 81,700	\$ 53,782
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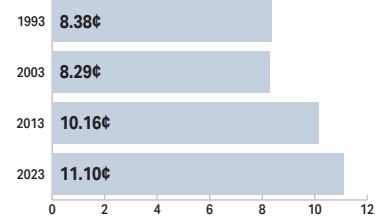
### CURRENT LIABILITIES

Current Maturities of Long-Term Debt	\$ 1,164,000	\$ 1,295,000
Accounts Payable	295,334	207,729
Accounts Payable—Purchased Power	6,500,709	8,826,112
Consumer Deposits and Prepayments	4,554,010	5,097,057
Accrued Taxes	744,906	872,903
Other Current and Accrued Liabilities	894,461	740,967
	<b>\$ 14,153,520</b>	<b>\$ 17,039,768</b>
Deferred Credits	\$ 11,491,146	\$ 11,940,317
<b>Total Equities and Liabilities</b>	<b>\$223,741,319</b>	<b>\$218,729,307</b>

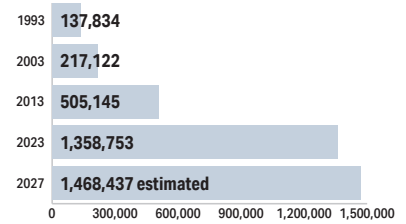
## Average Monthly KWh Usage per Consumer (Residential Classification)



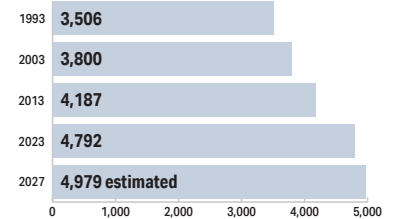
## Average Monthly KWh Cost per Consumer (Residential Classification)



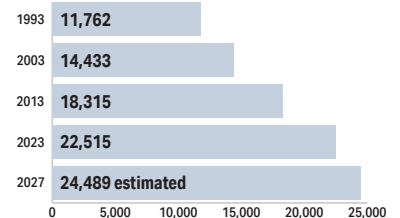
## Annual KWh Sales (In Thousands)



## Miles of Line



## Number of Meters



# Where Your Dollar Went



YEAR	PURCHASED POWER	OPERATIONS AND MAINTAINING SYSTEMS	DEPRECIATION	INTEREST	TAXES AND INSURANCE	MEMBERS' CAPITAL CREDITS AND MARGINS
2001	66.7¢	16.0¢	7.5¢	4.9¢	2.0¢	2.9¢
2002	63.8¢	14.8¢	7.3¢	4.0¢	2.4¢	7.7¢
2003	65.0¢	15.8¢	7.4¢	3.7¢	2.4¢	5.7¢
2004	69.0¢	15.5¢	7.3¢	3.7¢	2.4¢	2.1¢
2005	70.5¢	13.3¢	6.4¢	4.1¢	2.1¢	3.6¢
2006	70.8¢	13.4¢	6.0¢	4.4¢	2.0¢	3.4¢
2007	70.6¢	14.8¢	6.5¢	5.1¢	1.8¢	1.2¢
2008	76.4¢	12.2¢	5.5¢	4.3¢	1.5¢	0.1¢
2009	70.7¢	12.2¢	5.3¢	4.4¢	1.4¢	6.0¢
2010	67.9¢	13.0¢	5.4¢	4.3¢	1.4¢	8.0¢
2011	67.2¢	14.1¢	5.3¢	4.0¢	1.4¢	8.0¢
2012	66.2¢	14.6¢	5.2¢	3.7¢	1.4¢	8.9¢
2013	69.4¢	12.7¢	4.3¢	2.6¢	1.1¢	9.9¢
2014	70.5¢	10.8¢	3.1¢	1.8¢	1.0¢	12.8¢
2015	67.6¢	9.4¢	4.0¢	1.6¢	1.1¢	16.3¢
2016	68.3¢	9.3¢	5.2¢	1.3¢	1.1¢	14.8¢
2017	68.8¢	9.4¢	5.3¢	1.1¢	1.1¢	14.3¢
2018	69.8¢	9.0¢	5.2¢	1.0¢	1.0¢	14.0¢
2019	69.1¢	9.8¢	5.5¢	1.0¢	1.0¢	13.6¢
2020	72.5¢	11.4¢	6.5¢	1.0¢	1.5¢	7.1¢
2021	74.0¢	14.9¢	8.2¢	0.7¢	1.4¢	0.8¢
2022	78.0¢	9.3¢	7.0¢	0.6¢	1.1¢	4.0¢
2023	76.3¢	11.4¢	8.3¢	0.7¢	1.2¢	2.1¢

# Where Your Revenue Came From

	2016	2017	2018	2019	2020	2021	2022	2023
Farms and Ranches	15.2%	14.3%	14.4%	14.2%	15.2%	14.5%	12.4%	12.1%
Towns and Subdivisions	8.3%	7.7%	8.0%	7.9%	8.5%	8.5%	8.2%	8.1%
Irrigation	2.2%	2.6%	2.5%	2.5%	3.2%	2.5%	3.6%	3.1%
Small Commercial	8.0%	7.6%	7.6%	7.8%	7.5%	7.2%	9.3%	9.3%
Large Commercial	40.8%	42.5%	41.5%	41.2%	41.9%	41.9%	42.9%	42.5%
Public Buildings	0.1%	0.1%	0.2%	0.2%	0.1%	0.2%	0.1%	0.2%
Oil Wells	24.7%	24.7%	25.3%	25.7%	23.3%	24.7%	23.0%	24.2%
Other Revenue	0.7%	0.5%	0.5%	0.5%	0.3%	0.5%	0.5%	0.5%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

# Employees

NAME	TITLE	YEARS OF SERVICE
Jacob Asebedo	First-Class Lineman	6
Sonny Barrientez	Serviceman	28
Robert Bazan	Warehouse/Work Order Coordinator	37
Jesse Benavides	Operations Manager	8
Jennifer Berger	Member Service Representative II	3
Madelyn Braudaway	Assistant Staking Coordinator	Less than 1
Leroy Castillo	Warehouse Coordinator	5
Esperanza Cumpian	Member Service Representative II	15
Fredrick Currie	Line Locate Coordinator	17
Adolfo De La Garza	Warehouse Materials Handler	31
George De Los Santos	Apprentice Lineman II	2
Jessica De Los Santos	Member Service Representative I	1
Peter Dragon	Staking Technician III	46
Cory Ebrom	Purchasing Agent	21
Joe Escandon	Construction Foreman	25
Michael Espinoza	First-Class Lineman	2
Rebecca Frazier	GIS Technician	9
Suzanne Friesenhahn	Consumer Accounting Representative	12
Pedro Garcia	Operations Supervisor	20
Richard Garcia	Staking Technician III	13
Alejandro Gonzales	Warehouse Materials Handler	2
Daniel Gonzales	Groundman	Less than 1
Leslie Gonzales	Member Service Representative II	2
Justin Gray	Serviceman	14
Eric Halfmann	General Manager	1
Kole Hamilton	Apprentice Lineman II	2
Clifton Henke	Technology Manager	7
Bart Homeyer	Equipment Operator	2
Troy Hughey	Apprentice Lineman II	2
Emelia Janysek	Executive Assistant	22
Patrick Janysek	Construction Manager	37
Cody Jarzombek	Mechanic II	2
Justin Jarzombek	Staking Technician II	5
Steve Jonas	Apparatus and Maintenance Technician	24
Hunter Jurgajtis	Operations Supervisor	9
Teren Jurgajtis	Maintenance Foreman	18
Glenn Kelley	Aerial Bucket Operator	14
Christopher Knight	Distribution Services Manager	10
Russell Korzekwa	Engineering Manager	23
Barbara Kotzur	AMI Support Specialist	17
Thomas Kowalik	Building/Grounds Maintenance Technician	3
Nathan Krudwig	Apprentice Lineman II	2
Tammy Labus	Finance and Accounting Manager	39
Jesse Ledesma	Apprentice Lineman I	Less than 1

NAME	TITLE	YEARS OF SERVICE
Alfredo Lopez	Serviceman	9
Hector Lopez	Assistant Fleet Shop Foreman	22
Charles Luttrell	Second-Class Lineman I	5
Rebecca Mueller	Lead Member Service Representative	28
Randy Ortiz	Serviceman	12
Stephanie Ortiz	Member Service Representative II	6
Ernest Pacheco	Serviceman	36
Kevin Palermo	First-Class Lineman	13
Ryan Pate	Second-Class Lineman I	1
Donna Pawelek	Staking Coordinator	38
Gary Pawelek	First-Class Lineman	33
Tosha Pennington	Dispatcher	3
Irma Pesqueda	Member Service Representative II	3
Jonathon Puga	Groundman	Less than 1
Brenda Quintanilla	Operations Coordinator	22
Nicolas Quintanilla	Accountant I	2
Candace Reynolds	Accountant II	7
Xavier Ribble	IT Technician II	4
Paul Rodriguez	Serviceman	13
Andrew Rojas	Apprentice Lineman I	2
Clint Royal	Serviceman	26
Susanne Ruple	Member Service Manager	6
Cody Salas	Aerial Bucket Operator	9
Raul Salinas	Meter Technician	10
Jacob Sanchez	GIS Field Technician	7
Kimberly Sanchez	Member Communications Coordinator	4
Alicia Sandoval	Work Order Clerk	9
John Saucedo	Second-Class Lineman I	4
Tommy Shoemake	Staking Technician I	3
Sonya Sizemore	Dispatcher	14
Christopher Smith	Apprentice Lineman I	1
Steve Stanley	Aerial Bucket Operator	8
Zachary Swierc	GIS Administrator	1
Megan Thompson	Business Development Coordinator	2
Rudolfo Torres	Construction Foreman	18
Amanda Turner	Billing Coordinator	9
Christopher Vajdos	Meter Technician	12
Vanessa Villanueva	Lead Member Service Representative	3
Jason Vyvlecka	Fleet Shop Foreman	Less than 1
Austin Walker	Groundman	Less than 1
Bonnie Wiatrek	Human Resources Coordinator	40
Darlene Woelfel	Senior Accountant	40
Robert Zuniga	Safety Coordinator	8

# Service Awards

NAME	TITLE	YEARS OF SERVICE
Bonnie Wiatrek	Human Resources Coordinator	40
Darlene Woelfel	Senior Accountant	40
Pedro Garcia	Operations Supervisor	20
Christopher Knight	Distribution Services Manager	10
Raul Salinas	Meter Technician	10
Leroy Castillo	Warehouse Coordinator	5
Justin Jarzombek	Staking Technician II	5
Charles Luttrell	Second-Class Lineman I	5

## Annual Meeting Program

Tuesday, June 11 • 7 p.m. • In-Person Meeting

1. Call Meeting to Order
2. Invocation
3. Welcome Address
4. Introduction of Guests
5. Secretary's Report of Number Present/Reading of Official Notice
6. Approval of 2023 Annual Meeting Minutes
7. Election of Directors
8. Naming of Canvassing Committee
9. Treasurer's Report
10. Annual Management Report
11. Unfinished Business
12. New Business
13. Report of Election
14. Adjournment of Meeting
15. Drawing of Attendance Prizes

# 2023 Minutes

## Karnes Electric Cooperative, Inc., Annual Membership Meeting Karnes City, Texas • June 13, 2023

**THE ANNUAL MEMBERSHIP** Meeting of Karnes Electric Cooperative, Inc. (KEC) was held at the Karnes City ISD Performing Arts Center in Karnes City, Texas, on Tuesday, June 13, 2023. KEC Board President Paul T. Brysch, Jr. Called to Order the Annual Meeting at 5:30 p.m. and announced that the walkthrough phase of the meeting would now begin. Members present during this phase of the meeting were allowed to cast their vote in the Director Election and view a prerecorded President's Welcome Address, Treasurer's Report and Annual Management Report.

At 7:00 p.m. Mr. Brysch announced the continuation of the Annual Meeting with the invocation and Pledge of Allegiance. He then called on Minister James Schendel to give the invocation. Mr. Brysch then led the Membership in the Pledge of Allegiance.

Mr. Brysch then introduced the prerecorded President's Welcome Address. In his address he welcomed all in attendance, introduced the Board of Directors and thanked them for their leadership and dedicated service to the Cooperative. He commented on the Texas 88th Legislative session touching on market reform issues, grid stability and the rising cost of transmission rates in the aftermath of Winter Storm Uri. He mentioned the unprecedented disruptions in the supply chain for critical electrical equipment and how KEC's cost to provide service has increased as a result.

He then explained that 2022 wholesale power costs were greater than expected primarily due to the increase in the market price of natural gas, used for power generation, resulting in an increase in the cost per kilowatt hour. He commented on how we continue to work closely with our wholesale power supplier, South Texas Electric Cooperative, to manage generation resources and ensure that we get the best possible savings for our members. He concluded his message by thanking the membership for their attendance and support.

Mr. Brysch then called on General Manager Brad Bierstedt for the Introduction of Guests. Mr. Bierstedt recognized all past and present military personnel in attendance and introduced special guests.

Secretary-Treasurer Larry R. Schendel was now given the floor to present the Secretary's Report on Number Present and announced that 192 members were present at the Annual Meeting as indicated by registrations submitted at check-in and that a quorum was present. He then turned the floor back over to Mr. Brysch.

Mr. Brysch asked those in attendance if they wished to dispense with the Reading of Official Notice of the Annual Meeting that was published in the June 2023 issue of Texas Co-op Power magazine, which was mailed to the membership on May 26, 2023, or have it read now. A motion was made and seconded to dispense with the Reading of Official Notice of the Annual Meeting. Motion carried.

Mr. Brysch then asked those in attendance if they wished to dispense with the reading of the minutes from the June 6, 2022, Annual Meeting, published in the June 2023 issue of Texas Co-op Power magazine or have them read. A motion was made and seconded to dispense with the reading of the minutes and approve them as published. Motion carried.

Counsel for the Cooperative, Melissa Sykes, with the law firm of McGinnis Lochridge LLP was then given the floor to conduct the Election of Directors. She summarized Article IV Section 5 of the Bylaws explaining the nomination process for directors.

She recognized the Nominating Committee who met on Wednesday, April 5, 2023, and nominated the candidates for districts 3 and 7. Mrs. Sykes then informed the Members that the incumbent directors were nominated for election by the Committee for District No. 3 and District No. 7 and there were no nominations by petition.

Mrs. Sykes then named the members appointed to serve on the 2023 Canvassing Committee and instructed all the voting members to mark their ballots.

The ballots were collected by the Canvassing Committee, who then retired to count the votes.

Mr. Brysch then introduced the prerecorded 2022 Treasurer's Report presented by the Secretary Treasurer Larry R. Schendel. Mr. Schendel reported that the Cooperative remains financially sound, ending the year with a very strong equity ratio and total net margins of \$5,108,327 and finished the year with total assets of \$218,729,309. He shared that the Cooperative refunded capital credits totaling \$1,454,099 increasing the total amount of capital credits returned to members to date to \$21,714,902. He concluded by reporting that the Cooperative is in excellent financial condition.

Mr. Brysch then called on General Manager Brad Bierstedt to give the Annual Management Report. Mr. Bierstedt expressed his appreciation to the Board and Employees for their hard work and dedicated service.

He then introduced the prerecorded Annual Management Report. In his report he discussed the impacts of inflation and supply chain issues. He then called on Purchasing Agent Cory Ebrom to expand on these issues. Mr. Ebrom provided an update on the challenges of acquiring the necessary materials to build new lines and maintain existing lines for the membership. He commented on lead times over the past year for utility poles, transformers, wire, metering equipment and the rising cost of the materials. He explained how the larger warehouses have facilitated in the process of storing inventory to stay ahead of the ever-changing supply chain issues.

Mr. Bierstedt then discussed various system improvement projects throughout the KEC service territory including new service line extensions, distribution line installations, voltage conversion, service capacity increases, pole replacements, wire replacements and right-of-way clearing.

He stated that the Cooperative finished 2022 with no lost time accidents and successfully completed the Rural Electric Safety Achievement Program (RESAP) which utilizes a framework for continuous improvement in the Cooperative's safety program.

Mr. Bierstedt then introduced Technology Manager Clifton Henke to discuss Cybersecurity and the Cooperative's strategy in mitigating cyber threats. Mr. Henke reported on the Cooperative's practice of protecting networks, devices, applications and data from damage, loss or unauthorized access in order to keep members' information safe and secure.

Mr. Bierstedt then introduced Member Service Manager, Susanne Ruple, to discuss the upcoming developments of the Member Service Department. Mrs. Ruple reported that the Cooperative has created an event-driven survey as a way to obtain feedback as soon as a service request is completed to better serve our members. She informed

the membership that the Cooperative has developed and implemented an emergency response communication plan which includes pre-drafted notifications for various types of emergencies. She concluded by explaining how the Cooperative has made an impact in the communities by partnering with local schools and organizations.

Mr. Bierstedt then introduced Kimberly Sanchez, Member Communications Coordinator. Mrs. Sanchez then reported on KEC's concern for the communities it serves and stated that the Cooperative partnered with CoBank Sharing Success Program. She announced that the Cooperative awarded three local nonprofit organizations with \$2,500 donations with CoBank generously matching each donation for a combined total of \$15,000 in community support. The recipients included the Children's Alliance of South Texas (CAST), Kenedy ISD Education Foundation and McMullen County ISD Partners for the Accelerated Learning of Students (PALS).

Mrs. Sanchez then mentioned that over the past 25 years the Cooperative has awarded a total of 268 scholarships, totaling \$272,200. She then recognized the following 10 2023 winners of \$1,500 scholarships:

<b>Brynn Harris</b>	Poth ISD
<b>Cali Hinds</b>	Jourdanton ISD
<b>Cecilia Korzekwa</b>	Poth ISD
<b>Jace Ruiz</b>	Three Rivers ISD
<b>Emery Gillespie</b>	Pleasanton ISD
<b>Kirby McNeill</b>	Jourdanton ISD
<b>Ricardo Marquez</b>	Pleasanton ISD
<b>Riley Huser</b>	Karnes City ISD
<b>Sydney Blair</b>	Jourdanton ISD
<b>Zane Raabe</b>	Poth ISD

Mrs. Sanchez concluded her presentation by announcing the 2023 Government-In-Action Youth Tour winner, Shelby Dambek from Pleasanton ISD.

Mr. Bierstedt then recognized the linemen that competed in the Annual Coastal Bend Lineman Rodeo.

<b>Randy Ortiz</b>	Journeyman Lineman Division
<b>Paul Rodriguez</b>	Journeyman Lineman Division
<b>Hunter Jurgajtis</b>	Apprentice Lineman Division
<b>Kole Hamilton</b>	Apprentice Lineman Division
<b>Ryan Luttrell</b>	Apprentice Lineman Division
<b>John David Saucedo</b>	Apprentice Lineman Division

Mr. Bierstedt then recognized the following employees and directors for their dedicated service to Karnes Electric Cooperative:

<b>Jacob Asebedo</b>	Second-Class Lineman II	5 Years
<b>Stephanie Ortiz</b>	Member Service Representative II	5 Years
<b>Susanne Ruple</b>	Member Service Manager	5 Years
<b>Cory Ebrom</b>	Purchasing Agent	20 Years
<b>Clint Royal</b>	Serviceman	25 Years
<b>Adolfo De La Garza</b>	Warehouse Materials Handler	30 Years
<b>Ernest Pacheco</b>	Serviceman	35 Years
<b>Peter Dragon</b>	Staking Technician	45 Years

Mr. Bierstedt concluded his report by thanking all the Cooperative employees for their hard work and dedication, the Board for their service, and the Members for the opportunity to serve them.

Mr. Brysch then opened the meeting up for Member comments. Members were asked to limit their comments to five minutes or less. There were no comments from the Members.

Mr. Brysch then asked if there was any Unfinished Business to come before the meeting. There being none, Mr. Brysch asked if there was any New Business. Mr. Brysch then announced that General Manager Brad Bierstedt will be retiring at the end of the year and the process the Board of Directors will undertake for his replacement. Mr. Brysch called on Mr. Bierstedt to comment on his pending retirement. Mr. Bierstedt thanked the Board, employees and the membership for the opportunity to serve as the General Manager for the past eight years and the trust they placed in him to lead the Cooperative.

Mr. Brysch then called upon Mrs. Sykes for the Report of Election. She reported the official election results:

<b>District No. 3</b>	Frank A. Geyer Jr.	150
<b>District No. 7</b>	David R. Nieschwitz	158

There being no further business, upon motion made, seconded and carried, the meeting adjourned.

Mrs. Sanchez then conducted the drawing for door prizes, which included a combination of thirty (30) gift cards, twenty (20) \$100 bill credits, three (3) RTIC Coolers, and a \$250 bill credit for those registrants that brought in their preprinted registration card and a Grand Prize of a Pit Boss Grill.



**Paul T. Brysch Jr.**  
President



**Larry R. Schendel**  
Secretary-Treasurer