

The Senate of The State of Texas



TROY FRASER

April 18, 2008

The Honorable John Dietz
250th Judicial District
1000 Guadalupe
Austin, Texas 78704

re: PEC Settlement Objection D-1-GN-07-002234 / 353rd Judicial District

Dear Judge Dietz:

As you know, I am a Pedernales Electric Cooperative (PEC) member and a sitting state senator representing Bell, Blanco, Burnet, Gillespie, Kerr, Kimble, Llano, Lampasas, Mason, Menard and San Saba Counties. Part or all of these counties are served by PEC. Over the past year, I have been contacted by both constituents and non-constituents regarding the actions of the PEC Board of Directors and former General Manager.

As someone who has never supported the concept of cooperative members having to sue themselves, I am relieved that we are nearing a conclusion in this civil matter and its huge legal bills. But I believe that by accepting the current draft of the settlement agreement, you have failed to do all that you could have done as presiding judge to ensure that the governing body of PEC will truly and fully represent the membership. I do not believe that this settlement agreement is in the best interest of the members. Unfortunately, this settlement only addresses one issue raised by the civil suit - the payment of capital credits.

You have failed to address any of the governance issues raised by the original civil suit. While some changes have been made by the PEC Directors, I do not believe that they made these changes because they thought they were wrong. I believe they made these changes because of pressure from the media and the Texas Legislature. Once the settlement agreement is in effect, what assurances do the members have that the Directors will not revert to their old habits?

I am concerned that we have not fully uncovered all the misdeeds of the PEC Board of Directors. I believe that the true extent of their actions will likely be exposed through the Navigant and criminal investigations. If this settlement is finalized and the class is certified, the Board has no reason to allow members to continue to search for all the problems at PEC. In fact, the Board could revert to the old practice of putting up roadblocks to prevent members from fully participating in the cooperative that they own, including limiting open meetings and open records.



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Last, I am concerned that PEC's insurer refused to pay \$1.4 million of the settlement. This refusal to pay for the entire amount sends a message that the insurer found sufficient wrongdoing to deny paying part of the claim. The PEC Directors were quick to agree to pay the \$1.4 million with money belonging to the members of the cooperative. None of the settlement is coming out of the directors' pockets - pockets that were lined with millions of dollars taken from PEC members. Why should cooperative members have to pay for any part of this settlement? I strongly encourage you to require the board of directors - including Judge Bud Burnett - and former General Manager Bennie Fuelberg to be personally responsible for paying most, if not all, of the settlement award.

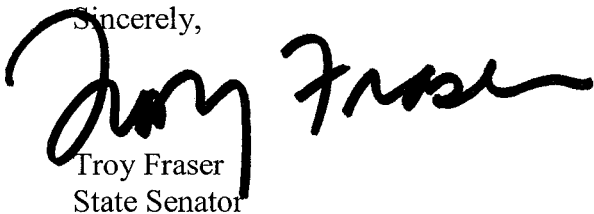
My perception is that this settlement agreement only benefits the Board of Directors, the former General Manager and the attorneys in the case. It allows their actions to go unpunished and rewards their wrongdoing. The purpose of the civil suit was to correct the wrongdoings of a self-perpetuating board of directors. The settlement agreement not only leaves the current Board of Directors in place, but it also allows each of them to run for reelection.

You should reconsider finalizing this agreement. Please allow this letter to serve as my official objection to the settlement and my request to stay final action. With the ongoing investigation by Navigant and the Public Utility Commission plus the criminal investigation, why is there such a huge rush to impose a settlement in the civil matter? At the very least, you should wait until the three new voting Board members have a chance to review all the evidence and then decide whether the PEC should agree to the proposed settlement. By settling this lawsuit now, you are letting the wrongdoers make a decision that may not be in the best interest of the cooperative members.

Cooperative members did not do anything wrong, but they are the ones being penalized for a Board of Directors that is attempting to indemnify themselves for potential wrongdoing.

This settlement is a rotten deal for cooperative members.

Sincerely,

A handwritten signature in black ink that reads "Troy Fraser". The signature is written in a cursive, flowing style. The first name "Troy" is written in a larger, more prominent script, and "Fraser" follows in a similar but slightly smaller script. The signature is positioned to the right of the word "Sincerely,".

Troy Fraser
State Senator

cc: Amailia Rodriguez-Mendoza
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