



Pedernales Electric Cooperative

PO Box 1
Johnson City, TX 78636

Meeting Minutes - Draft

Board of Directors

Monday, April 17, 2017

9:00 AM

PEC Headquarters Auditorium

Open Session of this Regular Meeting was held in the PEC Auditorium and was video recorded in accordance with Board Meetings Policy. Members were able to watch this meeting by livestream from the PEC website at <http://www.pec.coop/boardvideos>

Call to Order and Roll Call

This meeting was called to order at 9:06 am on April 17, 2017 at the PEC Headquarters Auditorium, 201 South Avenue F, Johnson City, Texas.

Present: 7 - Director Cristi Clement, Director Kathy Scanlon, Director Jim Powers, Director James Oakley, Director Paul Graf, Director Amy Akers, and President Emily Pataki

Adoption of Agenda

The agenda was adopted as posted and without objection.

Consent Items

Without objection the items listed under Approval of the Consent Agenda were approved by general consent.

1. 2017-110 Monday, March 20, 2017 Regular Meeting Minutes

Attachments: [2017-03-20 Regular Meeting Minutes - final](#)

Consent Item approved.

Cooperative Monthly Reports (open session presentations)

2. 2017-111 Cooperative Update - J Hewa

Attachments: [PEC_BOD_CEO_04202017-FINAL](#)

CEO John Hewa reviewed the Cooperative Update PowerPoint presentation. Director Cristi Clement reported that linemen Andy Ridge and Danny Sanders were highlighted in a local news story, and President Emily Pataki acknowledged staff's work on the recent Candidate Orientation event.

3. 2017-112 Financial Services Report - T Golden

Attachments: [March 2017 Financial Statements - Revised 04-15-2017](#)

[March 2017 - Financial Presentation - Board Meeting 04-17-2017 \(002\)](#)

CFO Tracy Golden reviewed the Financial Services Report PowerPoint presentation and answered questions regarding changes in administrative and general expenses.

4. 2017-117 Power Supply and Energy Services Report - I Sterzing

Attachments: [2017-04-17 Power Supply and Energy Services Report I Sterzing 2](#)

VP of Power Supply and Energy Services Ingmar Sterzing reviewed the Power Supply and Energy Services PowerPoint presentation.

Cooperative Monthly Reports (written report in materials)**5. 2017-113 Communications and Business Services Report**

Attachments: [2017-04-17 Communications and Business Services Report](#)

The written materials for Community and Business Services Report were included in the Board package. In response to a director inquiry, VP of Communications and Business Services Alyssa Clemsen-Roberts stated that the scholarship recipients had been notified that they were winners, and the amount of their scholarship would be announced at the April 27th reception.

6. 2017-114 Corporate Services Report

Attachments: [2017-04-17 Corporate Service Report](#)

The written materials for Corporate Services Report were included in the Board package.

7. 2017-059 Engineering and Energy Innovations Report

Attachments: [2017-04-17 Engineering and Energy Innovations Board Report for Month of March](#)

The written materials for Engineering and Energy Innovations Report were included in the Board package.

8. 2017-101 Information Technology Report

Attachments: [2017-03-20 Information Technology Report - Final](#)

The written materials for Information Technology Report were included in the Board package.

9. 2017-116 Member Services Report

Attachments: [2017-04-17 Member Services April CEO Rpt_Final](#)

The written materials for Member Services Report were included in the Board package.

10. 2017-062 Operations Report

Attachments: [2017-04-17 Operations Update March Data - Final](#)

The written materials for Operations Report were included in the Board package.

Member Comments (3 minute limitation or as otherwise directed by Board)**11. 2017-118 Member Comments**

Attachments: [2015-09-21 Decorum Policy \(reference material\)](#)

President Emily Pataki reminded all present of the Decorum Policy and the three minute time limit. The following members spoke on topics including but not limited to:

Ernest Altgelt - financial audit and management letter, fraud risk assessment report, complaint resolution, and 2017 PEC election.

Mark Axford - long term power purchase agreements, expansion of member loan programs, and disclosure of power agreements.

Action Items / Other Items

12. 2017-140 Report from Audit Committee - K Scanlon

Audit Committee Chairperson Kathy Scanlon reported that the Audit Committee met approximately two weeks ago, had a very detailed review of the audit and financial statements, and received a clean opinion. The Audit Committee recommended acceptance of the financial statements as presented to the committee.

13. 2017-120 Resolution - Acceptance of 2016 Financial Audit and Management Letter by Bolinger, Segars, Gilbert & Moss (BSGM) - Robert Cobb, BSGM

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE** that the Board of Directors receives and accepts the draft Independent Auditor's Report and Financial Statements for the fiscal year ending December 31, 2016, in the form attached hereto, as the final Independent Auditor's Report and Financial Statements ("Financial Statements"); and

BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE that the Chief Financial Officer of the Cooperative, or designee, and the Cooperative's accountants are authorized to publish the Financial Statements as the final and official Financial Statements of the Cooperative for fiscal year ending December 31, 2016.

Attachments: [2016 Final Report Letter](#)
[2016 Final Issued Audit Report](#)
[BSGM 2016 Audit Report to Board](#)

CFO Tracy Golden introduced Mr. Robert Cobb, Managing Partner of Bolinger, Segars, Gilbert and Moss, LLP. Mr. Cobb reported on the 2016 Financial Audit and Management Letter as presented to the Audit Committee. Mr. Cobb reviewed the schedule of work, key events and transactions; reported that the firm issued an unmodified opinion, also known as a clean audit opinion, on the Cooperative's 2016 financial statements for year ended December 31, 2016; and reviewed highlights of the financial statements. President Pataki stated that the Board would consider this resolution after discussions in Executive Session. CEO John Hewa added that the materials would be posted on line and included in the meeting minutes.

14. 2017-121 2017 Election Update - D Ballard

Attachments: [2017-03-23 2017 Election Timeline Final - with next steps highlighted](#)

General Counsel Don Ballard reviewed the 2017 Election Timeline including those items to be presented to and considered by the Board today, as well as the upcoming Candidate Forum to be held at 5:30 pm on April 20 in the PEC Auditorium.

15. 2017-123 Qualifications and Elections Committee Recommendation

Attachments: [QEC Recommendation - all members](#)

As a member of the Qualifications and Elections Committee, Mayor Mary Ann Raesener reported that six of the seven committee members carefully reviewed the candidate applicants and all were verified as qualified candidates. The QEC recommended District 2 Candidates - William D. (Bill) Boggs, Emily Pataki; District 3 Candidates - Randy R. Klaus, Judy Lawler Pokorny, Eric Stratton, Matthew S. Weldon.

16. 2017-124 Resolution - Approval of Director Candidates for 2017 Pedernales Electric Cooperative Board of Director's Election Ballot - D Ballard

Body: **WHEREAS**, the Pedernales Electric Cooperative's (the "Cooperative") Qualifications and Elections Committee met and verified the qualifications of Director Nominees on April 10, 2017 and presented those certified Nominees to the Board of Directors of the Cooperative on this day;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE that the following individuals are Qualified Candidates and are approved for inclusion on the 2017 election ballot in the order previously determined by random drawing of the Nominees:

District 2 Candidates

Emily Pataki
William D. (Bill) Boggs

District 3 Candidates

Eric Stratton
Randy R. Klaus
Matthew S. Weldon
Judy Lawler Pokorny

BE IT FURTHER RESOLVED that the Chief Executive Officer, or designee, is authorized to take such actions as needed to implement this resolution.

President Emily Pataki recused herself from this item due to her candidacy in the 2017 PEC Election.

A motion was made by Director Oakley, seconded by Director Powers, that this item be adopted. The motion carried by the following vote:

Yes: 6 - Clement, Scanlon, Powers, Oakley, Graf, and Akers

Abstain: 1 - Pataki

17. 2017-148 Resolution - Approval and Certification of 2017 Ballot - D Ballard

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE** that the 2017 Election Ballots are approved and certified as presented this day, including the Qualified Candidates for Director Election in their respective Director Districts; and

BE IT FURTHER RESOLVED that the Board approves the following Non-Director Election item to be included on the 2017 Election Ballots:

Members' option to voluntarily participate in PEC Power of Change program

Please mark the circle if you wish to participate:

Yes, I want to enroll in PEC Power of Change and round up my electric bills for all accounts to the nearest whole dollar to support local non-profit organizations and the educational support program. Participation is voluntary, and I can withdraw at any time. Learn more at www.pec.coop/powerofchange.

BE IT FURTHER RESOLVED that the General Counsel is directed to take all necessary actions to implement this resolution and prepare the 2017 Election Ballots with the Election Services Provider.

President Emily Pataki recused herself from this item since she is a candidate in the 2017 PEC Election. General Counsel Don Ballard reviewed the resolution for approval and certification of the 2017 ballot. In response to director inquiries, Mr. Ballard stated that beginning May 18th members in District 2 & 3 can vote online, by mail, or visit the PEC Cedar Park or Liberty Hill office to vote on an iPad.

A motion was made by Director Powers, seconded by Director Akers, that this item be adopted. The motion carried by the following vote:

Yes: 6 - Clement, Scanlon, Powers, Oakley, Graf, and Akers

Abstain: 1 - Pataki

18. 2017-149 **Resolution - Approval of 2017 Annual Meeting Agenda - D Ballard**

Body: **BE IT RESOLVED BY THE BOARD** that the Board approves the agenda for the 2017 Annual Meeting as submitted to and discussed by the Board at its regular meeting held on April 17, 2017, with such changes as were discussed and approved by the Board;

BE IT FURTHER RESOLVED BY THE BOARD that the Chief Executive Officer, or designee, is hereby authorized to publish the approved agenda to all members, and the President of the Board is authorized and directed to conduct the order of business at the Annual Meeting in accordance with the approved agenda.

Attachments: [2017 Annual Meeting Agenda - Draft #2](#)

General Counsel Don Ballard introduced the resolution for the Approval of the 2017 Annual Meeting Agenda. Director Cristi Clement asked that the Board consider holding the June Regular Board Meeting prior to the election and only the organizational meeting after the Annual Membership Meeting. The Board and staff discussed the timing and preparations for the June Regular Meeting. Mr. Ballard stated that if the Board decided to change the June Regular Meeting date, it would be corrected on the Annual Meeting Agenda. Following discussion, the Board voted to approve the 2017 Annual Meeting agenda.

A motion was made by Director Akers, seconded by Director Oakley, that this item be adopted. The motion carried by the following vote:

Yes: 6 - Scanlon, Powers, Oakley, Graf, Akers, and Pataki

No: 1 - Clement

19. 2017-122 **2017 Board Candidate Forum, Thursday, April 20, 2017, 5:30 PM - D Ballard**

General Counsel Don Ballard announced that the April 21st Candidate Forum was open to all members of the Cooperative and would be held at 5:30 pm in the PEC Auditorium.

Future Action Items / Other Items

20. 2017-143 Draft Resolution - Tariff Amendment for Critical Care - E Dauterive

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS OF PEDERNALES ELECTRIC COOPERATIVE, INC.** that the Cooperative approve these amendments to the Tariff and Business Rules for Electric Service as attached hereto to become effective as of June 1, 2017.

BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, that the Chief Executive Officer, or designee, is authorized to take such other actions necessary to implement the purposes of this resolution.

Attachments: [2017-04-17 Critical Care Form_Final](#)
[2017-04-17 Critical Care Registry_Final](#)
[2017-04-17 Critical Care Tariff_Final](#)

VP of Member Services Eddie Dauterive reviewed draft resolution regarding the Tariff Amendment for Critical Care as summarized in the PowerPoint presentation included in the package materials. In response to a director comment regarding a missing "if" on the critical care form, Mr. Dauterive stated that the form included in the materials was only an example and would include that correction in the clean up. Mr. Dauterive also answered questions regarding the communications plan.

A motion was made by Director Oakley, seconded by Director Akers, that this item be adopted. The motion carried by the following vote:

Yes: 7 - Clement, Scanlon, Powers, Oakley, Graf, Akers, and Pataki

21. [2017-142](#) **Draft Resolution - Cooperative Solar Rate Option Tariff Amendment - I Sterzing**

Body: **NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF PEDERNALES ELECTRIC COOPERATIVE, INC.** that the Cooperative approve these amendments to the Tariff and Business Rules for Electric Service as attached hereto to become effective as of September 1, 2017.

BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, that the Chief Executive Officer, or designee, is authorized take all such other actions necessary to implement the purposes of this resolution.

Attachments: [2017-04-17 Draft Resolution - Cooperative Solar Rate Option Draft Tariff Amendment I Sterzing](#)
[2017-04-17 Cooperative Solar Rate Option Tariff Amendment- DRAFT](#)

VP of Power Supply and Energy Services Ingmar Sterzing reviewed the PowerPoint presentation which summarized the draft resolution for the Cooperative Solar Rate Option Tariff Amendment as included in package materials. Mr. Sterzing answered questions regarding share subscription percentage, share allocation by rate class, ERCOT's interest in distributed generation, impact of capacity factors, and property tax evaluations. Mr. Sterzing stated that staff hoped to present the final recommendation to the Board next month for consideration. Mr. Sterzing stated that the final tariff amendment would help staff to continue work on member engagements and system configurations.

Proposed Future Items / Meetings (subject to final posting)

22. [2017-126](#) **List of Proposed Future Meetings**

Attachments: [2017-04-01 Proposed Future Meetings - v1](#)

President Emily Pataki stated that the proposed Board Meeting dates were included in the materials. The Board discussed advantages and disadvantages of holding the June Regular Board Meeting on the same day as the Annual Membership Meeting. President Emily Pataki stated that no change would be made to the current schedule, but the Board could still adjust the date at the May Board meeting. Director Cristi Clement stated that she may have a future discussion item for the agenda and President Pataki acknowledged that directors have the ability to add items to the agenda.

23. [2017-127](#) **Board Meeting Planning Calendar (written report in materials)**

Attachments: [2017-04-17 Board Planning Calendar v1](#)

President Emily Pataki stated that the Board Meeting Planning Calendar was included in package materials.

Recess to Executive Session

President Emily Pataki provided an overview of the types of items to be discussed in Executive Session. At 10:48 am President Pataki stated that the Board would go into Executive Session.

Executive Session - Legal Matters

- 24. [2017-128](#) Update on Litigation and Related Legal Matters
- 25. [2017-129](#) Matters in Which the Board Seeks the Advice of its Attorney as Privileged Communications in the Rendition of Professional Legal Services
- 26. [2017-125](#) Report on Liability, Property and Casualty Insurance - D Ballard
- 27. [2017-082](#) Ethics and Compliance Quarterly Update - J Christiansen
- 28. [2017-138](#) Fraud Risk Assessment Continuation - T Golden / R Ballard
- 29. [2017-151](#) Review of 2016 Financial Audit and Management Letter by Bolinger, Segars, Gilbert & Moss (BSGM) - Robert Cobb, BSGM
- 30. [2017-097](#) Draft Resolution - Draft Risk Management Planning and Initiative
- 31. [2017-150](#) Legislative Matters Update

Executive Session - Contract and Competitive Matters

- 32. [2017-144](#) Draft Resolution - 2017-2018 Business Plan - P Muhoro

33. 2017-090 Resolution - Approval of RUS Construction Work Plan - B Hicks

Body: **WHEREAS**, The 2017-2018 PEC Construction Work Plan creates a comprehensive plan for the construction of transmission, substation, and distribution facilities during the next two years; and

WHEREAS, PEC is currently working towards becoming approved to receive RUS financing; and

WHEREAS, for PEC to become RUS compliant, a Construction Work Plan is required; and

NOW THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, that approval be granted of the attached PEC 2017-2018 PEC Construction Work Plan.

Attachments: [2017-04-17 PEC 2017 - 2018 Construction Work Plan Version 2 - FINAL](#)

34. 2017-147 Resolution - Approval to Obtain a Certificate of Convenience and Necessity for the Highway 32 to Wimberley Transmission Line Rebuild and Upgrade Project - D Curry

Body: **NOW THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE**, that the Cooperative file a Certificate of Convenience and Necessity (CCN) application at the Public Utility Commission of Texas for its Highway 32 to Wimberley transmission line rebuild and upgrade project in Hays County, Texas as discussed in Executive Session; and

BE IT FURTHER RESOLVED that the Chief Executive Officer or his designee is authorized to take all such actions as needed to implement this resolution.

35. 2017-136 Resolution - Consideration of Service Area Exception with City of Lampasas - J Cox**36. 2017-137 Resolution - Approval of Service Area Exception Consideration with New Braunfels Utilities - J Cox**

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE**, that the Cooperative seek a Certificate of Convenience and Necessity (CCN) Service Territory Boundary Exception at the Public Utility Commission based request on the request from New Braunfels Utilities, as discussed in Executive Session; and

BE IT FURTHER RESOLVED, that the Chief Executive Officer, or designee, is authorized to take all such actions as needed to implement this resolution.

37. 2017-130 Power Supply and Energy Management Policy and Supply Options - I Sterzing

Executive Session - Real Estate Matters

38. [2017-132](#) Facilities and Real Estate Update and Review - J Beggs

Executive Session - Safety and Security Matters

39. [2017-134](#) Safety and Security Matters

Executive Session - Personnel Matters

40. [2017-135](#) Personnel Matters Update

41. [2017-006](#) Resolution - Approval of 2016 Employee Compensation Study - J Beggs

Body: **WHEREAS**, the AON Hewitt Group performed a comprehensive Compensation Study that reviewed job descriptions at the Cooperative, benchmarked the compensation of a majority of those jobs against comparable jobs at other companies, and proposed a revised Wage Scale to accompany the job descriptions; and

WHEREAS, the Board of Directors of the Cooperative (the "Board") has reviewed the proposed new Wage Scale, and desires to approve and adopt the Wage Scale which is designed to ultimately target the Cooperative's base salary for all job classifications at the 75th percentile of the marketplace; and

NOW, THEREFORE BE IT RESOLVED, by the Board that the Compensation Study and Wage Scale presented to the Board this day is adopted and approved as discussed by the Board for all Cooperative employees; and

BE IT FURTHER RESOLVED, that the Chief Executive Officer, or designee, is authorized to take all such actions necessary to implement this resolution including, but not limited to, making adjustments for individual employee's base pay so that each employee is at least at the minimum of the employee's new grade for their position in the Wage Scale.

42. [2017-139](#) Annual Chief Executive Officer (CEO) Performance Evaluation - P Graf

Reconvene to Open Session at 5:58 pm

Items from Executive Session

2017-090 **Resolution - Approval of RUS Construction Work Plan - B Hicks**

Body: **WHEREAS**, The 2017-2018 PEC Construction Work Plan creates a comprehensive plan for the construction of transmission, substation, and distribution facilities during the next two years; and

WHEREAS, PEC is currently working towards becoming approved to receive RUS financing; and

WHEREAS, for PEC to become RUS compliant, a Construction Work Plan is required; and

NOW THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, that approval be granted of the attached PEC 2017-2018 PEC Construction Work Plan.

Attachments: [2017-04-17 PEC 2017 - 2018 Construction Work Plan Version 2 - FINAL](#)

A motion was made by Director Powers, seconded by Director Clement, that this item be adopted. The motion carried by the following vote:

Yes: 6 - Clement, Powers, Oakley, Graf, Akers, and Pataki

Absent: 1 - Scanlon

2017-147 **Resolution - Approval to Obtain a Certificate of Convenience and Necessity for the Highway 32 to Wimberley Transmission Line Rebuild and Upgrade Project - D Curry**

Body: **NOW THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE**, that the Cooperative file a Certificate of Convenience and Necessity (CCN) application at the Public Utility Commission of Texas for its Highway 32 to Wimberley transmission line rebuild and upgrade project in Hays County, Texas as discussed in Executive Session; and

BE IT FURTHER RESOLVED that the Chief Executive Officer or his designee is authorized to take all such actions as needed to implement this resolution.

A motion was made by Director Oakley, seconded by Director Powers, that this item be adopted. The motion carried by the following vote:

Yes: 6 - Clement, Powers, Oakley, Graf, Akers, and Pataki

Absent: 1 - Scanlon

2017-137 **Resolution - Approval of Service Area Exception Consideration with New Braunfels Utilities - J Cox**

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE**, that the Cooperative seek a Certificate of Convenience and Necessity (CCN) Service Territory Boundary Exception at the Public Utility Commission based request on the request from New Braunfels Utilities, as discussed in Executive Session; and

BE IT FURTHER RESOLVED, that the Chief Executive Officer, or designee, is authorized to take all such actions as needed to implement this resolution.

A motion was made by Director Graf, seconded by Director Oakley, that this item be adopted. The motion carried by the following vote:

Yes: 6 - Clement, Powers, Oakley, Graf, Akers, and Pataki

Absent: 1 - Scanlon

2017-006 **Resolution - Approval of 2016 Employee Compensation Study - J Beggs**

Body: **WHEREAS**, the AON Hewitt Group performed a comprehensive Compensation Study that reviewed job descriptions at the Cooperative, benchmarked the compensation of a majority of those jobs against comparable jobs at other companies, and proposed a revised Wage Scale to accompany the job descriptions; and

WHEREAS, the Board of Directors of the Cooperative (the "Board") has reviewed the proposed new Wage Scale, and desires to approve and adopt the Wage Scale which is designed to ultimately target the Cooperative's base salary for all job classifications at the 75th percentile of the marketplace; and

NOW, THEREFORE BE IT RESOLVED, by the Board that the Compensation Study and Wage Scale presented to the Board this day is adopted and approved as discussed by the Board for all Cooperative employees; and

BE IT FURTHER RESOLVED, that the Chief Executive Officer, or designee, is authorized to take all such actions necessary to implement this resolution including, but not limited to, making adjustments for individual employee's base pay so that each employee is at least at the minimum of the employee's new grade for their position in the Wage Scale.

Director Amy Akers moved to approve the resolution for the 2016 Employee Compensation Study with option one as discussed in Executive Session.

A motion was made by Director Akers, seconded by Director Clement, that this item be adopted. The motion carried by the following vote:

Yes: 6 - Clement, Powers, Oakley, Graf, Akers, and Pataki

Absent: 1 - Scanlon

2017-120

**Resolution - Acceptance of 2016 Financial Audit and Management Letter
by Bolinger, Segars, Gilbert & Moss (BSGM) - Robert Cobb, BSGM**

**Body: BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE
COOPERATIVE** that the Board of Directors receives and accepts the draft
Independent Auditor's Report and Financial Statements for the fiscal year
ending December 31, 2016, in the form attached hereto, as the final
Independent Auditor's Report and Financial Statements ("Financial
Statements"); and

**BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE
COOPERATIVE** that the Chief Financial Officer of the Cooperative, or
designee, and the Cooperative's accountants are authorized to publish the
Financial Statements as the final and official Financial Statements of the
Cooperative for fiscal year ending December 31, 2016.

Attachments: [2016 Final Report Letter](#)

[2016 Final Issued Audit Report](#)

[BSGM 2016 Audit Report to Board](#)

**A motion was made by Director Graf, seconded by Director Oakley, that this item
be approved. The motion carried by the following vote:**

Yes: 6 - Clement, Powers, Oakley, Graf, Akers, and Pataki

Absent: 1 - Scanlon

Adjournment

There being no further business to come before the Board of Directors, the
meeting was adjourned at 6:01 pm.

APPROVED:

Amy Akers, Secretary

Emily Pataki, President