



Meeting Minutes - Final

Board of Directors

Monday, July 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 9:08 am on Monday, July 17, 2017 at the PEC Headquarters Auditorium, 201 South Avenue F, Johnson City, Texas.

Present: 6 - Director Cristi Clement, Director Randy Klaus, Director Jim Powers, Director James Oakley, Director Paul Graf, and President Emily Pataki

Absent: 1 - Director Amy Akers

Board Organizational Matters

President Emily Pataki stated that the Board would consider the outstanding matter of Board organizational structure for this year, and General Counsel Don Ballard provided advice regarding voting methods for the election of officers.

1. [2017-236](#) **Appointment of Presiding Officer for Board Reorganization**

This item was not discussed.

2. [2017-162](#) **Election - Office of President**

3. [2017-163](#) **Election - Office of Vice-President**

4. [2017-164](#) **Election - Office of Secretary-Treasurer**

[2017-289](#) **Motion for Election of Officers**

Body: BE IT RESOLVED BY THE BOARD OF DIRECTORS that the Board continue with the current officers President Emily Pataki, Vice-President Paul Graf, and Secretary/Treasurer Amy Akers for another year.

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

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

Absent: 1 - Akers

Adoption of Agenda

The agenda was adopted as posted and without objection.

Consent Items

President Emily Pataki introduced the consent items listed on the agenda and stated since there were questions on the form 990 it would be considered after the monthly reports.

Without objection the items listed under Consent Items were approved by general consent.

5. [2017-189](#) **Thursday, May 25, 2017 Emergency Special Meeting**

Attachments: [Minutes Emergency Meeting 2017-05-25 draft2](#)

Consent item approved.

6. [2017-192](#) **Saturday, June 17, 2017 Regular Meeting Minutes**

Attachments: [Minutes 2017-06-17 draft4](#)

Consent item approved.

7. [2017-277](#) **Resolution - Approval of 2016 IRS Form 990 - T Golden**

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE** that the Form 990 as submitted to the Board at its regular meeting held on July 17, 2017, is approved, with such changes thereto, if any, as were discussed and approved by the Board;

BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE that the Chief Financial Officer, or his designee, is hereby authorized and directed to file the Form 990 with the Internal Revenue Service as the official filing of the Cooperative and make it publicly available.

Attachments: [PEC - 2016 FORM 990 - REVISED DRAFT](#)
 [PEC - 2016 Form 990 - Second Revised Draft](#)
 [PEC - 2016 Form 990 - Second Revision DRAFT part b](#)
 [PEC - 2016 FORM 990 - FOURTH REVISED DRAFT - HIGHLIGHTED CHANGES](#)
 [2017-08-21 PEC - 2016 Form 990 signed](#)

Due to questions, this item was removed from the consent to be considered following the monthly reports.

Cooperative Recognitions

8. [2017-165](#) Recognition of Kathryn Scanlon, Director District 3 - E Pataki

Body:

*The State of Texas
County of Blanco*

Whereas, the Members, Employees, and the Board of Directors of Pedernales Electric Cooperative, Inc. of Johnson City, Texas, celebrate the contribution of their friend, former Director **Kathryn Scanlon**; and,

Whereas, Pedernales Electric Cooperative, Inc. is organized to provide reliable electricity to its members; and,

Whereas, **Kathryn Scanlon** faithfully and competently served as Director from District 3 for Pedernales Electric Cooperative, Inc. beginning in June 2008 and continued as a dedicated voting member through June 2017; and,

Whereas, **Kathryn Scanlon** gave strong support to the Employees of Pedernales Electric Cooperative, Inc.; and,

Whereas, **Kathryn Scanlon** gave liberally of her time, energy, and knowledge to her friends, neighbors, and fellow members of Pedernales Electric Cooperative, Inc.; and,

Whereas, **Kathryn Scanlon's** experience and willingness to serve will be sorely missed by the Members, Employees, and Board of Directors of Pedernales Electric Cooperative, Inc.; and,

Whereas, the Board of Directors of Pedernales Electric Cooperative, Inc. thought it fit and proper that a Resolution be passed and be affixed to the minutes of the meeting on July 17, 2017, recognizing the contributions made by **Kathryn Scanlon**;

Now, Therefore, be it resolved by the Board of Directors of Pedernales Electric Cooperative, Inc. that all Members, Employees, Officers, and Directors of Pedernales Electric Cooperative, Inc. hereby express their gratitude for the incalculable services rendered by **Kathryn Scanlon** to her fellow members, directors, and friends of Pedernales Electric Cooperative, Inc.; and,

Be It Further Resolved that the original of this resolution be delivered to **Kathryn Scanlon**.

Director Cristi Clement read the resolution recognizing Kathryn Scanlon for her service on the PEC Board of Directors. Ms. Scanlon expressed appreciation for the resolution and gift. President Emily Pataki thanked Ms. Scanlon for all her hard work and wished her well in all future endeavors.

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

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

Absent: 1 - Akers

Cooperative Monthly Reports

9. [2017-248](#) Cooperative Update - T Golden

Attachments: [2017-07-14 Cooperative Update - T Golden](#)

CFO Tracy Golden reviewed the Cooperative Update PowerPoint presentation.

10. [2017-207](#) Financial Services Report - T Golden

Attachments: [June 2017 Financial Statements - BOD 07-17-2017](#)
[June 2017 - Financial Presentation - Board Meeting 07-17-2017 \(002\)](#)

CFO Tracy Golden reviewed the Financial Services PowerPoint presentation and answered questions regarding the use of the revenue adjustment factor later in the year.

11. [2017-263](#) Power Supply & Energy Services Report - I Sterzing

Attachments: [2017-07-17 Power Supply and Energy Services Report I Sterzing v2](#)

VP of Power Supply and Energy Services Ingmar Sterzing reviewed the Power Supply and Energy Services PowerPoint presentation and answered questions regarding members' utilization of the time of use rate and HVAC rebates.

Cooperative Monthly Reports (written report in materials)

12. [2017-216](#) Communications and Business Services Report

Attachments: [2017-07-17 Communications and Business Services Board Report](#)

The written materials for Communications and Business Services Report were included in the Board package.

13. [2017-257](#) Corporate Services Report

Attachments: [2017 July CS Safety Report](#)

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

14. [2017-259](#) Engineering and Energy Innovations Report

Attachments: [2017-07-17 Engineering and Energy Innovation Report](#)

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

15. [2017-260](#) Information Technology Report

Attachments: [2017-07-17 Information Technology Report](#)

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

16. [2017-261](#) Member Services Report

Attachments: [2017-07-17 Member Services CEO Rpt July 2017 -Final](#)

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

17. [2017-262](#) Operations Report

Attachments: [2017-07-17 Operations Update June Data - Final](#)
 [2017-07-17 Operations Update June Data - Updated \(002\)](#)

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

2017-277 Resolution - Approval of 2016 IRS Form 990 - T Golden

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE** that the Form 990 as submitted to the Board at its regular meeting held on July 17, 2017, is approved, with such changes thereto, if any, as were discussed and approved by the Board;

BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE that the Chief Financial Officer, or his designee, is hereby authorized and directed to file the Form 990 with the Internal Revenue Service as the official filing of the Cooperative and make it publicly available.

Attachments: [PEC - 2016 FORM 990 - REVISED DRAFT](#)
[PEC - 2016 Form 990 - Second Revised Draft](#)
[PEC - 2016 Form 990 - Second Revision DRAFT part b](#)
[PEC - 2016 FORM 990 - FOURTH REVISED DRAFT - HIGHLIGHTED CHANGES](#)
[2017-08-21 PEC - 2016 Form 990 signed](#)

Mr. Bill Miller, Tax Partner with Bolinger, Segars, Gilbert & Moss, LLP joined the meeting by phone. Director Cristi Clement reviewed typo and bylaw statement corrections identified on pages 28 and 30. President Emily Pataki requested corrections to the vision statement and requested the number of years for the cooling off period be verified in the bylaws statement. Mr. Bill Miller stated that the form 990 would be revisited and applicable changes would be made. Following a verification of the November 15th filing deadline, President Emily Pataki stated that an updated Form 990 would be presented at the August Board meeting for consideration.

This Action Item/Other Items was referred to the Board of Directors due back on 8/21/2017.

Member Comments (3 minute limitation or as otherwise directed by Board)**18. 2017-264 Member Comments**

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

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

Richard Golladay - Hewa's departure, key Engineering staffs' departure; the need for smart grid evolution; impediment of employee recruitment, and the perception of making the Cooperative a wires only company by customer choice.

Roger Lachele - provided news article regarding internet service for rural areas, requested consideration of this service and a response to the report.

Action Items / Other Items

19. [2017-287](#) **Resolution - Approval of Budget Amendment for Audio Visual Upgrades at 3 District Offices - L Parnell**
- Body:** **BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE**, that the audio/ visual upgrades and amounts discussed by the Board this day, be added to the Cooperative's 2017 Operational Budget; and
- BE IT FURTHER RESOLVED**, that the Chief Financial Officer or designee is authorized to take such actions as needed to implement this resolution.
- President Emily Pataki stated that this item would not be considered at today's meeting.
20. [2017-281](#) **Resolution - Approval of Written Certification of the Election Results - D Ballard**
- Body:** **BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE** that the election results, as certified by Survey & Ballot Systems and presented to the Board this day, are hereby accepted as the official results of the Cooperative's 2017 Election; and
- BE IT FURTHER RESOLVED** that the Chief Executive Officer, or designee, is hereby authorized to enter the official election results into the minutes of the Cooperative and to take any other actions as necessary to implement this resolution.
- Attachments:** [FinalReportWithAuxNoAnalytics Certified-SIGNED WITHOUT COMMENTS](#)
- General Counsel Don Ballard reported that the certified election results for 2017 election as provided by Survey and Ballot Systems and announced at Annual Meeting were provided in the Board package. In response to a director question, Mr. Ballard stated that the member survey summary was provided at the end of the certification and the individual comments could be provided separately. The Board discussed asking for candidate feedback on possible improvements to the candidate portion of the election process.
- A motion was made by Director Oakley, seconded by Director Clement, that this item be adopted. The motion carried by the following vote:**
- Yes:** 6 - Clement, Klaus, Powers, Oakley, Graf, and Pataki
- Absent:** 1 - Akers

21. [2017-282](#) **Resolution - Approval of Election Services Provider Contract Renewal - D Ballard**

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS** that the General Counsel or designee is authorized to negotiate and execute an additional one-year renewal on the Survey & Ballot Systems Election Services Provider contract on behalf of the Cooperative and to take any further actions as may be necessary to implement this resolution.

General Counsel Don Ballard stated that under the Election Policy and Procedures the Board annually approves the contract for election services provider. Mr. Ballard reported the Cooperative has a one year contract with Survey and Ballot Systems (SBS) with two potential one year extensions of the contract, and this would be third year on the contract. Staff recommended maintaining the contract with Survey and Ballot Systems for the 2018 election cycle. Director Cristi Clement requested that with the change to single member district voting, the approach to the election be reviewed to recognize cost savings and to be more user friendly. Mr. Ballard reported onsite voting was costliest part per vote and postage was a large expense. Mr. Ballard reviewed optional voting methods to reduce costs.

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

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

Absent: 1 - Akers

22. [2017-284](#) **Elections and Annual Membership Meeting Updates - S Romero & T Fugate**

Attachments: [2017-07-17 Director Election](#)
[2017-07-17 Annual Membership Meeting Update](#)

Governance and Policy Manager Sylvia Romero reviewed the 2017 Annual Director Board Election PowerPoint presentation and answered questions regarding district averages. Connections and Community Engagement Director Trista Fugate reviewed the 2017 Annual Meeting PowerPoint presentation and reported that next month staff would present possible recommendations for the 2018 Annual Meeting. Ms. Fugate reported the Dripping Springs Performing Arts Center was available June 14, 15 & 16, 2018 and centrally located to the director districts up for election. Ms. Fugate answered questions regarding the number of facilities contacted last year, the date selection process, and the variance of the on-site attendance totals. Director Jim Powers recommended if possible, the Annual Meeting should be held in one of the director districts up for election.

At 10:23 am President Emily Pataki announced a short break and at 10:40 am the meeting reconvened.

23. [2017-265](#) **Directive for Delegates Regarding Upcoming State and National Meetings - E Pataki**

Attachments: [2017-06-28 Notice of NRECA Director Election 2017](#)

[2017-07-17 2017 Email with Resolutions Committee Report and Compendium of Proposed Resolutions](#)

President Emily Pataki stated that this item was to help facilitate Board conversation regarding directives for TEC and NRECA delegates representation at the upcoming TEC and NRECA meetings. With no resolutions to be presented at the TEC Annual Meeting, President Emily Pataki stated that the Board would review the package of resolutions provided and at the August Board meeting discuss how to direct the Cooperative's delegates at upcoming meetings.

24. [2017-274](#) **Annual Review of Conflicts of Interest Certification and Disclosure Forms from Directors - D Ballard**

Attachments: [Conflict of Interest Policy](#)

[Director Affirmation - Powers 2017-07-03](#)

[Conflict of Interest - Oakley 2017-07-17](#)

[Conflict of Interest Form - Akers 2017-06-17](#)

General Counsel Don Ballard stated that at the June meeting all the directors signed their Director Affirmations and Conflict of Interest statements, and those would be reflected in the minutes, except for Director Jim Powers' forms which would be reflected in the July minutes. Mr. Ballard also stated that several Board members were asked to print their name and date their forms so they could be properly attached to the minutes.

25. [2017-276](#) **Annual Review of Directors' Code of Conduct by General Counsel - D Ballard**

Attachments: [2017-07-17 Code of Conduct-ROMERO EDITS](#)

General Counsel Don Ballard reviewed the 2017 Annual Review of Directors Code of Conduct PowerPoint presentation which completed the annual review requirement.

26. [2017-280](#) **Draft Resolution - Public Electric Vehicle Charging Station Rate - Tariff and Business Rules 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 July 17, 2017.

BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, that the Chief Executive Officer, or his designee, is hereby authorized and directed to do any and all such other things, and take such other actions, as the Chief Executive Officer, or his designee, deems necessary or desirable to effectuate the purposes of this resolution.

Attachments: [2017-07-17 Draft Resolution - Public Electric Vehicle Charging Station Rate - Tariff Amendment - I Sterzing](#)
[2017-07-17 Public Electric Vehicle Charging Station Rate Tariff Amendment - I Sterzing v2](#)

VP of Power Supply and Energy Services Ingmar Sterzing reviewed the Draft Resolution Public Electric Vehicle Charging Station Rate Tariff and Business Rules Amendment PowerPoint presentation and answered questions regarding charging voltage and public charging stations.

27. [2017-210](#) **Results of Key Performance Indicator (KPI) Period 1 - H Baca**

Attachments: [2017-07-13 KPI-P1 Results Update V2](#)

Strategy Execution Architect Heather Baca reviewed 2017 Key Performance Indicators P1 Results PowerPoint presentation.

28. [2017-200](#) **Plan Administration Committee (PAC) Investment Advisor Update - Drew McCorkle (CAPTRUST Advisors) & B Dawson, PAC Chair**

Attachments: [2017-200-Plan Administration Committee \(PAC\) Investment Advisor Update](#)

Plan Administration Committee (PAC) Chairperson Bernie Dawson reviewed the committee's purpose and reported the Employees' 401(k) Savings Plan Employees' Defined Benefit Retirement Plan Activity Report of PEC Plan Administration Committee was in the Board package. Drew McCorkle Senior Vice President with CAPTRUST Advisors reviewed his co-fiduciary role on the plan, reviewed the Board's fiduciary duties, and reported fiduciary training for the Board would be held every two years. Mr. McCorkle stated this report would include 18 months, but going forward these annual reports would return to the one year cycle. General Counsel Don Ballard stated that it is important who the Board appoints as members to the committee, since the employees serving on the PAC take on great responsibility on behalf of the plans. Mr. Ballard added that the Board should have confidence in those employees' ability to serve in that capacity. Mr. McCorkle reviewed the types of items discussed at the quarterly meetings and the investment changes in each of the plans, including the change from risk based funds to age based target date funds, and the establishment of the target date funds as the plan's qualified default investment alternative.

Proposed Future Items / Meetings (subject to final posting)

29. [2017-266](#) **List of Proposed Future Meetings**

Attachments: [2017-07-01 Proposed Future Meetings - v1](#)

President Emily Pataki stated that the proposed Board meeting dates were included in the meeting materials.

30. [2017-267](#) **Board Meeting Planning Calendar (written report in materials)**

Attachments: [2017-06-27 Board Planning Calendar v1](#)

President Emily Pataki stated that the Board Meeting Planning Calendar was included in the meeting materials and a review of the NRECA resolutions as discussed earlier today would be on the August agenda.

Recess to Executive Session

President Emily Pataki welcomed the newest Board member, Director Randy Klaus representing Director District 3 and announced the items to be discussed in Executive Session. At 11:23 am President Pataki stated that the Board would go into Executive Session.

Executive Session - Legal Matters

31. [2017-268](#) Update on Litigation and Related Legal Matters
32. [2017-269](#) Matters in Which the Board Seeks the Advice of its Attorney as Privileged Communications in the Rendition of Professional Legal Services
33. [2017-131](#) Ethics and Compliance Quarterly Update - J Christiansen
34. [2017-097](#) Draft Resolution - Draft Risk Management Planning and Initiative - I Sterzing

Executive Session - Contract and Competitive Matters

35. [2017-195](#) Resolution - Approval of Grid Modernization: Distribution Automation / Advanced Metering Infrastructure Contracts - P Lochte / J Donley
36. [2017-250](#) Resolution - Approval of Budget Amendment for Redistribution of Capital Projects - P Lochte

Body:

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, that the Cooperative approve the transfer of capital funds from the delayed transmission projects to be used for additional projects adding up to \$6.2M; and

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

37. [2017-286](#) Resolution - Approval of Contract Extension of Backup Data Center - L Parnell

Body:

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, that the contract for the backup data center be amended to extend the contract for an additional 3 year(s); and

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

38. [2017-279](#) Power Supply and Energy Management Policy and Planning - I Sterzing
39. [2017-227](#) Electric Market and Transmission Regulatory Policy Planning - D Thompson

Executive Session - Real Estate Matters

40. [2017-270](#) Facilities and Real Estate Update and Review - J Beggs

Executive Session - Safety and Security Matters

41. [2017-271](#) Safety and Security Matters

Executive Session - Personnel Matters

42. [2017-288](#) Plan Administration Committee (PAC) Update - B Dawson, PAC Chair
43. [2017-272](#) Personnel Matters Update - J Beggs
44. [2017-273](#) Consideration of CEO Search - Process and Criteria - P Graf

Reconvene to Open Session at 4:07 pm

Items from Executive Session

- [2017-286](#) Resolution - Approval of Contract Extension of Backup Data Center - L Parnell

Body: BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, that the contract for the backup data center be amended to extend the contract for an additional 3 year(s); and

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

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

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

Absent: 1 - Akers

- [2017-250](#) Resolution - Approval of Budget Amendment for Redistribution of Capital Projects - P Lochte

Body: BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, that the Cooperative approve the transfer of capital funds from the delayed transmission projects to be used for additional projects adding up to \$6.2M; and

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

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

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

Absent: 1 - Akers

Adjournment

President Emily Pataki stated that in regards to agenda item #44 - Consideration of CEO Search, the Board would continue to make progress with research on the process and criteria for the search of a CEO. The Board anticipates to have more specific information on how it will go about that search in September. There being no further business to come before the Board of Directors, the meeting was adjourned at 4:09 pm.

APPROVED:

Amy Akers, Secretary

Emily Pataki, President