



Meeting Minutes - Final

Board of Directors

Friday, December 13, 2019

9:00 AM

PEC Headquarters Auditorium

Open Session of this Regular Meeting is held in the PEC Auditorium and will be video recorded in accordance with Board Meetings Policy.

Call to Order and Roll Call

This meeting was called to order at 9:11 am on December 13, 2019, at the PEC Headquarters Auditorium, 201 South Avenue F, Johnson City, Texas.

President Graf recognized Directors Randy Klaus and Milton Rister for their recent certification from NRECA as a Credentialed Cooperative Director (CCD).

Present: 6 - Director Milton Rister, Director Randy Klaus, Director Emily Pataki, Director James Oakley, Director Amy Akers, and President Paul Graf

Adoption of Agenda

The agenda was adopted as posted and without objection.

Consent Items

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

1. [2019-383](#) **Friday, November 22, 2019 - Regular Meeting Minutes**

Attachments: [2019 11 22 Meeting Minutes - Draft v3](#)

Cooperative Monthly Reports

2. [2019-384](#) **Cooperative Update - J Parsley**

Attachments: [2 - 2019-12-13 Year in Review - FINAL](#)

CEO Julie Parsley reviewed the Cooperative Update PowerPoint presentation which included 2019 year in review and covered the following areas: growth, safety, financial stability, affordable power, system reliability, community involvement, giving back through volunteer time, employee enhancements to benefits, 2019 cooperative achievements, and looking forward to 2020.

Director Emily Pataki recognized Julie Parsley for Best CEO Award. President Graf recognized the Executive Team and employees for their work with accomplishing these achievements.

At 9:25 am Director Amy Akers joined the meeting.

3. [2019-385](#) Financial Services Report - J Davis

Attachments: [2019-12-13 October 2019 Financial Report to the Board - J Davis](#)
[2019-12-13 October 2019 Financial Statements - J Davis](#)

CFO John Davis reviewed the October 2019 Financial Services Report PowerPoint presentation. His update highlighted the following items:

- a.) monthly revenues - trending lower than budget and one of the major drivers is the cost of purchase power which in October was better than budget;
- b.) net margin - trending at about 144% of budget and this is a reflection of managing the operating expenses;
- c.) member accounts - we are expecting about 330,000 accounts by end of year 2019;
- d.) CIP budget - is estimated to be about about \$150 to \$159 million by year end and under the proposed budget.

President Paul Graf expressed his appreciation for the capital credits on his recent electric bill.

4. [2019-386](#) Operations Report - E Dauterive

Attachments: [2019-12-13 Operations Report Final](#)

COO Eddie Dauterive reviewed highlights from the Operations Report PowerPoint presentation in the Board package materials. He recognized Tim Nance and the Member Relations team for significant improvements in 2019. Director Emily Pataki recognized the improvements made in Safety. COO Eddie Dauterive wished all employees a Merry Christmas and Happy New Year.

He informed the Board that employees will be released at noon on New Year's Eve and reminded everyone to stay safe throughout the holiday season.

Member Comments (3 minute limitation or as otherwise directed by Board)

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

5. [2019-387](#) Member Comments

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

Kathy Thomas - PEC member mentioned she had reviewed the proposed Bylaws amendments and suggested PEC replace Annual Meeting with Member Meeting throughout the entire document. She asked for clarification of the amendment related to patronage capital in Article VII, section 2. She also

encouraged the Board to reconsider the Friday date set for the Annual Meeting and would like to see a "members' first consideration" cooperative.

General Counsel Don Ballard - clarified the partonage capital amendment reconciles the language within the Capital Credits Policy and specifies the credits are a result with furnishing electric services to members as it is the primary purpose of the cooperative. He mentioned energy state law requires the reference to the Annual Meeting and this term is a subset of Member Meeting. He also reported the Board has voted for the 2020 Annual Meeting date, information will be heard today regarding the 2020 election process, 2020 election timeline, and the District 4 special election will follow the same process as other districts. Nomination petition applications will be available on the PEC website January 15, 2020.

Action Items / Other Items

6. [2019-400](#) **Resolution - Approval to Purchase Darden Hills Substation Property - B Gedrich**
- Body:** **NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE**, that the Cooperative approve the purchase of real property, subject to receipt of a satisfactory environmental assessment and satisfaction of any other terms as discussed by the Board during Executive Session of this meeting, with certain details of any such purchase to be publicly available upon public filing of instruments memorializing the transfer; 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 Akers, seconded by Director Rister, that this item be adopted. The motion carried by the following vote:**
- Yes:** 6 - Rister, Klaus, Pataki, Oakley, Akers, and Graf
7. [2019-406](#) **Resolution - Approval To Purchase Property, Williamson County, Texas, Hero Way Substation Property - B Gedrich**
- Body:** **NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE**, that the Cooperative approve the purchase of real property, subject to receipt of a satisfactory environmental assessment and satisfaction of any other terms as discussed by the Board during Executive Session of this meeting, with certain details of any such purchase to be publicly available upon public filing of instruments memorializing the transfer; 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 Pataki, that this item be adopted. The motion carried by the following vote:**
- Yes:** 6 - Rister, Klaus, Pataki, Oakley, Akers, and Graf
8. [2019-401](#) **Resolution - Approval of Contract Extension for Dahill/Xerox Support and Service - L Parnell**

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS** that the Board approve a 5-year extension to the Dahill/Xerox agreement through 2025; 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 Oakley, seconded by Director Akers, that this item be adopted. The motion carried by the following vote:

Yes: 6 - Rister, Klaus, Pataki, Oakley, Akers, and Graf

9. [2019-402](#) **Resolution - Approval of Contract Extension for Guadalupe Valley Communications Systems (GVCS) for Ethernet and Communication Services - L Parnell**

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS** that the Board approve a Guadalupe Valley Communications Systems contract extension through December 2024; 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 Oakley, seconded by Director Akers, that this item be adopted. The motion carried by the following vote:

Yes: 6 - Rister, Klaus, Pataki, Oakley, Akers, and Graf

10. [2019-403](#) **Resolution - Approval of Contract Extension for CenturyLink Communications for Network and Communications Services - L Parnell**

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS** that the Board approve a CenturyLink Communications contract extension through December 2024; 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 Rister, seconded by Director Oakley, that this item be adopted. The motion carried by the following vote:

Yes: 6 - Rister, Klaus, Pataki, Oakley, Akers, and Graf

11. [2019-416](#) **Resolution - Approval of Contract Extension for Masergy Communications Inc - L Parnell**

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS** that the Board approve a 1-year extension to the Masergy Communications agreement through December 2020; 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 Oakley, seconded by Director Pataki, that this item be adopted. The motion carried by the following vote:

Yes: 6 - Rister, Klaus, Pataki, Oakley, Akers, and Graf

12. [2019-417](#) **Resolution - Approval of Contract Extension for Oracle - L Parnell**

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS** that the Board approve a 5-year extension to the Oracle agreement through 2025; 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 Akers, seconded by Director Rister, that this item be adopted. The motion carried by the following vote:

Yes: 6 - Rister, Klaus, Pataki, Oakley, Akers, and Graf

13. [2019-418](#) **Resolution - Approval of Contract Extension for Castra Systems LLC - L Parnell**

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS** that the Board approve a 2-year extension to the Castra Systems LLC agreement through 2022; 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 Oakley, seconded by Director Akers, that this item be adopted. The motion carried by the following vote:

Yes: 6 - Rister, Klaus, Pataki, Oakley, Akers, and Graf

14. [2019-388](#) **Resolution - Approval of Revisions to the Capitalization Policy - J Davis**

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS** that pursuant to its regular review of Board policies, the Board has reviewed and adopts the Capitalization Policy presented to and discussed by the Board this day, with any amendments, as were discussed and approved by the Board; and

BE IT FURTHER RESOLVED that the Chief Executive Officer, or designees, are hereby authorized to take all such action necessary to implement this resolution.

Attachments: [2019-12-13 Capitalization Policy \(Clean\) - J Davis](#)
[2019-12-13 Capitalization Policy \(Redline\) - J Davis](#)

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

Yes: 6 - Rister, Klaus, Pataki, Oakley, Akers, and Graf

15. [2019-389](#) **Resolution - Review and Approval of Budget Policy Amendments - J Davis**

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS** that pursuant to its regular review of Board policies, the Board has reviewed and adopts the Budget Policy, with such changes, if any, as were approved by the Board; and

BE IT FURTHER RESOLVED that the Chief Executive Officer, or designees, are hereby authorized to take all such action as may be necessary to implement this resolution.

Attachments: [2019-12-13 Budget Policy \(Clean\) - J Davis](#)
[2019-12-13 Budget Policy \(Redline\) - J Davis](#)

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

Yes: 6 - Rister, Klaus, Pataki, Oakley, Akers, and Graf

16. [2019-390](#) Resolution - Approval of 2020 Operating Budget and Capital Improvement Plan (CIP) Budget - J Davis

Body: BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE that the Cooperative adopt the Operating Budget and Capital Improvement Plan (CIP) Budget as presented this day for calendar year 2020; 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.

Attachments: [2019-12-13 2020 Operational Budget and Capital Improvement Plan Presentation - J Davis](#)

CFO John Davis presented the 2020 Operational Budget and Capital Improvement Plan Presentation PowerPoint presentation and the resolution for Board consideration. CFO John Davis recognized staff for their work on the budget.

Director Randy Klaus recognized the Budget Team and CFO John Davis for their work and made the following statement regarding the budgets' approval and process.

"At the beginning of the day, and at the end of the day, it's all about cash flow.

The 2020 operating budget is a Watershed Event with many moving parts.

For example, the budget includes accounting changes, capitalization changes, a depreciation study update, big-ticket items, and a much improved Capital Credit Retirement Policy.

These matters are designed to minimize the amount of cash flowing from both, member rates and debt over the long term.

However, these matters are NOT insignificant, and they are NOT free.

The financial implications of these matters will Negatively affect, both, Net Margins and the Controllable Costs per Average Meter.

But hopefully, NOT jeopardize, or adversely affect the existing, healthy, respectable, 60/40 debt-equity ratio going forward.

IT is imperative that the existing debt-equity ratio NOT deteriorate.

My due-diligence-based appraisal of the operating budget, including its impact on net margins, assets and liabilities indicates that, overall,

This budget appears to be in the best interest of the membership PROVIDED we don't go over-budget on Controllable Costs, and that we only pay for what we need.

The take-away for the membership is this: The Run-Rate for Electricity Rates, specifically, the existing overall amount of cash flowing from BASE Rates today, should NOT increase as far as the eye can see."

Directors Oakley, Pataki, and Rister also recognized the work completed by staff and CFO John Davis. All directors agreed the budget is impacted by growth and forecasting and planning are important. President Graf indicated that everyone realizes budgeting is hard work, an evolution process, PEC is making great strides, thanked all employees, and this speaks volume of PEC leadership.

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

Yes: 6 - Rister, Klaus, Pataki, Oakley, Akers, and Graf

17. [2019-405](#) Resolution - Approval of 2020 Rate Plan - N Mack | D Thompson

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS** that pursuant to the Rate Policy, the Board has reviewed and approves the 2020 Rate Plan, with such changes, if any, as were discussed by the Board; and

BE IT FURTHER RESOLVED that the Chief Executive Officer, or designees, are authorized to take all such action as may be necessary to implement this resolution.

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

Yes: 6 - Rister, Klaus, Pataki, Oakley, Akers, and Graf

18. [2019-392](#) Resolution - Approval of Amendments to PEC Bylaws - R Fischer

Body: **NOW THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE** that the Cooperative approve these amendments to the Bylaws in the form attached with any modifications as were discussed and made this day by the Board; and

BE IT FURTHER RESOLVED that the Chief Executive Officer, or designee, is hereby authorized and directed to take all such action as may be necessary to implement this resolution.

Attachments: [2019 12 13 Bylaws Amendment - REDLINE v5](#)
[2019 12 13 Bylaws Amendment - CLEAN v5](#)

Board Counsel Ross Fischer presented resolution for approval of amendments to PEC Bylaws. He highlighted the elimination of in-person voting at the Annual Meeting since member participation with voting has declined over the past 3 years.

During the discussion, Director Amy Akers made reference to the record date, Article II Section 9, and the date related to ballots in Article II section 8, in which ballots must be must be filed no later than 7 days. General Counsel Don Ballard indicated the record date is 8 days before the date of the Member Meeting and the date to file a ballot is 7 days. This allows new members an opportunity to vote just before the deadline for casting a ballot.

Director Amy Akers mentioned she would also like to further discuss this issue on the next agenda item related to the Election Policy and Procedures.

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

Yes: 6 - Rister, Klaus, Pataki, Oakley, Akers, and Graf

19. [2019-393](#) **Resolution - Approval of Amendments to Election Policy and Procedures - D Ballard**

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS** that the Board adopts amendments to the Election Policy & Procedures presented to and discussed by the Board this day, with any modifications, including revising "business days" to "days" where appropriate, as approved by the Board, and;

BE IT FURTHER RESOLVED that the General Counsel, or designee, is authorized to take all such action as may be necessary to implement this resolution.

Attachments: [2019-12-13 Election Policy and Procedures - REDLINE v3](#)
[2019-12-13 Election Policy and Procedures - CLEAN v3](#)

General Counsel Don Ballard presented the resolution to approve the amendments to the Election Policy and Procedures. Director Amy Akers asked for clarification on page 6, section 5.2 of the policy. The number of days to cast a ballot indicates "8 business days" instead of 8 days. General Counsel Don Ballard indicated it should be "8 days" and reference to "business" would be eliminated. He asked Director Akers to amend her motion to include correction to this section and any other sections within the policy where "business" needed to be deleted.

Director Amy Akers amended her motion to accept removal of reference to "business" days within the policy.

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 - Rister, Klaus, Pataki, Oakley, Akers, and Graf

20. [2019-394](#) **Resolution - Approval of 2020 Election Timeline - S Romero**

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS** that, pursuant to Section 3.2 of the Election Procedures of Pedernales Electric Cooperative, Inc., the Election Timeline, in the form presented to the Board, with such changes approved by the Board, is adopted as the 2020 Election Timeline for the election

to be held before the Annual Meeting of Members.

BE IT FURTHER RESOLVED that the General Counsel, or designee, is hereby authorized to take all such action as may be necessary to implement this resolution.

Attachments: [2019 12 13 - 2020 Election Timeline - Draft v3](#)

Governance Manager Sylvia Romero presented a resolution for consideration of approval for the 2020 Election Timeline.

Director Emily Pataki asked if the proposed timeline was reflective of the Friday Board meetings schedule and if there might be any targets that needed to be highlighted.

Governance Manager Sylvia Romero mentioned the timeline dates are reconciled with the deadlines in the Election Policy and Procedures as well as the Bylaws. Some of the deadlines were impacted and she presented the example of the date change with the Candidate Forum. She also mentioned the nominations petition material for the 2020 election will be available on the cooperative's website on January 15.

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

Yes: 6 - Rister, Klaus, Pataki, Oakley, Akers, and Graf

21. [2019-391](#) Resolution - Approval of 2020 Elections Communications Plan - M Smith

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS** that, pursuant to Section 7.3 of the Election Policy and Procedures of Pedernales Electric Cooperative, Inc., the 2020 Election Communication Plan presented, or as modified by the Board this day, is approved; and

BE IT FURTHER RESOLVED that the Chief Executive Officer, or designee, is authorized to take all such action as may be necessary to implement this resolution.

Attachments: [28 - 2019-11-22_2020 PEC Election Communications Planv2](#)

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

Yes: 6 - Rister, Klaus, Pataki, Oakley, Akers, and Graf

22. [2019-408](#) Non-Commercial Line Extension Review - J Daniel/ L Lanier, GDS & Associates

Attachments: [2019-12-13 Non-Commercial Line Extension Review - J Daniel and L Lanier GDS & Associates](#)

Vice President of Markets David Thompson introduced Lynn Lanier from GDS Associates to review the Line Extension PowerPoint presentation.

During the update, several directors asked for clarification of the definition and impact to secondary residences. After much discussion, it was determined that Vice President David Thompson would take a closer look at this and will bring back draft language next month.

23. [2019-419](#) **2020 NRECA Proposed Resolutions Update - M Viesca**

Attachments: [2019-12-13 Compendium of Proposed Resolutions for consideration by NRECA Member Standing Committees](#)
[2019-12-13 2020 NRECA Proposed Resolutions Update](#)

Executive Vice President Mike Viesca provided a PowerPoint overview of the NRECA proposed resolutions and voting delegates for the upcoming Annual Meeting.

24. [2019-412](#) **Community Relations Update - C Tinsley Porter**

Attachments: [24 - 2019-12-13 Community Relations Update](#)

Caroline Tinsley Porter reviewed the Community Relations PowerPoint presentation which highlighted community service, community grants, youth tour, and employee volunteering. President Paul Graf thanked the employees and leadership for their community involvement and mentioned the Board is proud to be associated with these programs.

Proposed Future Items / Meetings (subject to final posting)

25. [2019-356](#) **Resolution - Approval of Proposed Future Meetings**

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS** that the Cooperative adopt the 2020 List of Proposed Future Meetings, that was presented to and discussed by the Board this day; and

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

Attachments: [2020 Board Proposed Meetings - Draft v1](#)
[2019 - 2020 Board Approved Meetings](#)

Chief Operations Officer Eddie Dauterive presented an update to the location of the February 2020 meeting. He recommended the meeting be held at the PEC Headquarters instead of the Bertram Office. The Bertram Office poses office logistics and parking challenges. There was general consent from the Board that the meeting be moved to PEC Headquarters. The Bertram meeting will be held in conjunction with the Marble Falls meeting in September 2020.

During the discussion, Directors Akers and Oakley suggested the meeting be moved to February 21, from February 13, to keep in line with the 3rd Friday meeting schedule.

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 - Rister, Klaus, Pataki, Oakley, Akers, and Graf

26. [2019-396](#) Board Planning Calendar (Written Report in Materials)

Attachments: [2019-12-13 Board Planning Calendar-](#)

President Paul Graf stated that the proposed Board Meeting Planning Calendar was included in the meeting materials.

Recess to Executive Session

President Paul Graf announced the items to be discussed in Executive Session and at 10:57 am stated the Board would go into Executive Session.

Executive Session - Legal Matters

27. [2019-395](#) Litigation and Related Legal Matters

28. [2019-397](#) Matters in Which the Board Seeks the Advice of Its Attorney as Privileged Communications in the Rendition of Professional Legal Services

Executive Session - Contract and Competitive Matters

29. [2019-398](#) Markets Monthly Report - D Thompson

30. [2019-407](#) Discussion of Operating Budget and Capital Improvement Plan (CIP), Including Items Concerning Competitive Matters, Personnel, Contracts, and Real Estate (Draft) - J Davis

Executive Session - Real Estate Matters

[2019-404](#) Resolution - Determination and Approval of Necessity and Public Use for Acquisition of Easements for the Whitestone to Leander Project Transmission Line Rebuild and Upgrade; and Authorization of the Cooperative to Use Eminent Domain to Acquire Property for the Whitestone to Leander Project Transmission Line Rebuild and Upgrade - B Gedrich

Executive Session - Safety and Security Matters

32. [2019-343](#) Cyber Security Update - S Stoppelmoor

Executive Session - Personnel Matters

33. [2019-399](#) Personnel Matters

34. [2019-409](#) Annual Chief Executive Officer (CEO) Performance Evaluation - E Pataki

Reconvene to Open Session

At 2:35 pm the Board reconvened to the open session meeting.

Items from Executive Session

The following agenda items were discussed in executive session and set for approval in open session.

31. [2019-404](#) **Resolution - Determination and Approval of Necessity and Public Use for Acquisition of Easements for the Whitestone to Leander Project Transmission Line Rebuild and Upgrade; and Authorization of the Cooperative to Use Eminent Domain to Acquire Property for the Whitestone to Leander Project Transmission Line Rebuild and Upgrade - B Gedrich**

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

Yes: 6 - Rister, Klaus, Pataki, Oakley, Akers, and Graf

Adjournment

President Graf thanked employees and wished everyone a safe Merry Christmas and New Year. There being no further business to come before the Board of the Directors, the meeting was adjourned at 2:27 pm.

Approved:

Milton Rister, Secretary

Paul Graf, President