



Meeting Minutes - Final

Board of Directors

Friday, July 16, 2021

9:00 AM

PEC Headquarters Auditorium

201 S. Ave F, Johnson City, TX 78636

Open Session of this Regular Meeting will be held in the PEC Auditorium and will be recorded in accordance with Board Meetings Policy. Members are able to watch this meeting by livestream from the PEC website at <https://pec.legistar.com/Calendar.aspx>.

Call to Order and Roll Call

This meeting was called to order at 9:09 a.m. on July 16, 2021 at the PEC Headquarters Auditorium, 201 South Avenue F, Johnson City, Texas.

Present: 6 - Vice President Milton Rister, President Emily Pataki, Secretary/Treasurer Mark Ekrut, Director Travis Cox, Director James Oakley, and Director Paul Graf

Absent: 1 - Director Amy Akers

Consent Items

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

1. [2021-279](#) **Friday, June 18, 2021 - Regular Meeting Minutes**

Attachments: [2021-06-18 OS Minutes draft v3.pdf](#)

Cooperative Monthly Reports

2. [2021-280](#) **Cooperative Update - J Parsley**

Attachments: [2021-07-16 Cooperative Update - FINAL.pdf](#)

Ms. Julie Parsley, Chief Executive Officer (CEO) stated operations are returning to pre-COVID-19 practices, and employees will return to the office on September 1, 2021. CEO Parsley said Governor Abbott wrote a letter directing the Public Utility Commission (PUC) to take immediate action to improve electric reliability. The letter identified streamlined incentives for the market to develop adequate, reliable power, including: to allocate reliability costs to intermittent generation; to instruct the Electric Reliability Council of Texas (ERCOT) to establish a maintenance schedule for generation; and ordered ERCOT to accelerate the development of transmission projects for existing, or new dispatchable generation. She said during the recent election, members in districts 1, 6, and 7 were given the opportunity to enroll in the "Power of Change" program. She said 2,673 members enrolled. The Power of Change

program funds the Community Grants program and annual education foundation. CEO Parsley said the Community Relations and Vegetation Maintenance teams are developing a comprehensive education program for local city managers. The goal of the program is to inform local cities on PEC's vegetation maintenance programs. The teams are focused on public safety and building strong relationships with community leaders. She said 200 students enrolled in the virtual Camp Save-a-Watt summer camp. CEO Parsley said employees will donate school supplies to local school districts for teachers and students. She also mentioned employee thank you messages.

3. [2021-281](#) **Financial Services Report - R Kruger**

Attachments: [2021-07-16 May 2021 Financial Report to the Board with Storm Action Details](#)
[2021-07-16 May 2021 Financial Report to the Board](#)
[2021-07-16 May 2021 Financial Statements - R Kruger](#)

Mr. Randy Kruger, Chief Financial Officer (CFO) discussed the financial results for the month of May 2021. He stated the measure of heating degree days and cooling degree days is a metric used to show the severity of the weather. Mr. Kruger said the month of May was milder than normal and the electricity deliveries and margins have a high degree of correlation to weather. The kilowatt hours sold were under budget, as a result, gross margins were also under budget. Net margins were above budget because expenses were lower. Liquidity was \$328 million. CFO Kruger said we received additional capital credit distributions from Texas Electric Cooperative (TEC). He said we are spending about \$150 to \$170 million per year in new capital, because of the growth in our service territory.

He said in May, that PEC's \$20 million share of the ERCOT billings dispute was granted to the Lower Colorado River Authority (LCRA), which lowered the impact of the winter storm cost to \$160 million. CFO Kruger said the winter storm cost includes overtime for direct labor associated with repairing the system and materials. He said one of the contributing factors of the impact of the winter storm is that PEC buys a significant portion of power from LCRA, and we are dependent on their fleets for availability. During parts of the storm, the LCRA fleet was not fully available, and they were down during parts of the storm, exposing PEC to the higher price of power. Another contributing factor is that there were some issues with LCRA's gas supply, which caused them to procure more expensive natural gas during the storm. CFO Kruger continued the discussion on the cost of the winter storm, sharing a comparison chart impacting the 19 Texas utilities, which are rated by the Fitch Ratings agency, an international credit rating agency. He discussed the Fitch rating of PEC and the borrowing cost differences between the various grades of credit. He said one of the metrics rating agencies evaluate for companies is the leverage ratio, which is debt over operating cash flow. CFO Kruger said Fitch Ratings indicated that the leverage ratio PEC had in the past will not be adequate to maintain the current credit rating. For cost savings, we will reduce operating expenses, and defer or cancel some capital improvement programs. In addition, we can claim funds from the Federal Emergency Management Agency (FEMA) for the winter storm damage. CFO Kruger said there were not enough other levers available to not consider a rate increase. He mentioned the resolution to be discussed

later today is a temporary, 24-month rate increase of 7/10 of a penny to members' power bills. He said there is a small rate increase of 1/10 of a penny on the distribution cost, which is an increase in materials costs and inflation. CFO Kruger shared a comparison chart of other utilities' rates in the surrounding area. Director Oakley asked Mr. Kruger to explain why he cannot name the utilities on the chart. Mr. Kruger stated that the information is not from public sources or otherwise publicly available. CFO Kruger discussed a PEC average monthly bill of 1250 kilowatt hours is about \$126. He said when the temporary rate increase is in place, it will add about \$10 per month to members' bills, which is a temporary rate increase for only 24-months, as we get our leverage ratio down. He said he talked to our rating agency and our banks concerning what the other utilities are doing. Mr. Kruger said the magnitude of the rate increase we are proposing is very similar to what other utilities are contemplating. He said most of the other utilities are increasing rates for 5 to 30 years. President Pataki said it is our duty is to ensure the health of the cooperative is maintained long-term. President Pataki thanked CFO Kruger.

4. [2021-282](#) **Operations Report - E Dauterive**

Attachments: [2021-07-16 Operations Report.pdf](#)

Mr. Eddie Dauterive, Chief Operations Officer (COO) reported there were no injuries and no preventable accidents in the month of June 2021. He said the system reliability is at 63 minutes, which includes the impact of the winter storm. The system reliability excluding the winter storm is at 50 minutes. COO Dauterive said we added 72 miles of line, we processed more than 4400 applications, and added almost 2100 new members. He said the growth metrics demonstrate the strength and reliability of our system. COO Dauterive thanked the staff for their hard work. Mr. Dauterive indicated that member relations have managed lengthy telephone calls processing new applications. He said PEC is evaluating how to automate part of the application process for efficiency and cost management. He said we exchanged more than 40,000 meters in the Liberty Hill area with the AMI meter deployment. President Pataki thanked COO Dauterive and commended the staff for keeping up with the tremendous growth and the high level of service.

Member Comments - 3-minute limitation, or as otherwise directed by Board.

5. [2021-283](#) **Member Comments**

Attachments: [Decorum Policy 10 2020.pdf](#)
[2021-07-16 Member Comments.pdf](#)

Ms. Norma Laird was present at the meeting and commented on Interconnection Rates.

Mr. Robert Golla was present at the meeting and commented on Interconnection Rates.

Mr. Jeff Haynes was present at the meeting and commented on Interconnection Rates.

Mr. Jefferson Cheshier was present at the meeting and commented on Interconnection Rates.

Mr. Ray Moore was present at the meeting and commented on Interconnection Rates.

Mr. John Hoopingarner was present at the meeting and commented on Interconnection Rates.

Ms. Margaret Neale was present at the meeting and commented on Interconnection Rates.

Mr. Herb Mills was present at the meeting and commented on Interconnection Rates.

Mr. Phillip Zanco was present at the meeting and commented on Interconnection Rates.

Mr. Jerry Von Gruenigen was present at the meeting and commented on Interconnection Rates.

Mr. Charles E. Robinson was present at the meeting and commented on Interconnection Rates.

Mr. John Mallows was present at the meeting and commented on Interconnection Rates.

Mr. Larry Read was present at the meeting and commented on Interconnection Rates.

Mr. James Parker was present at the meeting and commented on Interconnection Rates.

Mr. Bryant See was present at the meeting and commented on Interconnection Rates.

Mr. Bernard Mollberg was present at the meeting and commented on Interconnection Rates.

Ms. Janet Scudda was present at the meeting and commented on Interconnection Rates.

Ms. Anne Boyd was present at the meeting and commented on Interconnection Rates.

Mr. Chris Oroshibe was present at the meeting and commented on Interconnection Rates.

Mr. Patrick Shaub was present at the meeting and commented on Interconnection Rates.

Mr. Gregory Squires was present at the meeting and commented on Interconnection Rates.

Mr. Don Bomer was present at the meeting and commented on Interconnection Rates.

President Pataki indicated member comments were submitted ahead of time, and stated the Board received and reviewed the comments.

Entry Date - Name - Topic - Status

1. 6/17/21; 4:59PM - Richard Hrabik - Interconnection Rates - Completed 6/25/21

2. 6/17/21; 8:58PM - Tara Axley - Interconnection Rates - Completed 6/25/21

3. 6/18/21; 3:27PM - Naguib Ktiri - Member sent his notes from the 6/18/21 Annual Board Meeting - Completed 6/18/21

4. 6/21/21; 10:23AM - Christopher Cackle - Interconnection Rates - Completed

- 6/25/21
5. 6/21/21; 10:52AM - Sara Loftin - Line upgrade - Completed 7/7/21
 6. 6/23/21; 11:05AM - John Richter - Interconnection Rates - Completed 6/23/21
 7. 6/26/21; 11:41AM - Juan Gneau - Interconnection Rates - Completed 7/2/21
 8. 6/26/21; 2:41PM - Ernest and Barbara Manchin - Interconnection Rates - Completed 7/2/21
 9. 6/29/21; 3:53PM - Kurt T. Hull - Interconnection Rates - Completed 7/2/21
 10. 7/3/21; 7:56PM - Christel Erickson - Collins - Interconnection Rates - Completed 7/12/21
 11. 7/5/21; 1:42PM - Chris Oroshiba - Clarification on DG Rates - Markets scheduled call
 12. 7/6/21; 6:53AM - Ron Taylor - Interconnection Rates - Completed 7/7/21
 13. 7/6/21; 2:23PM - Ken McCraw - Interconnection Rates - Completed 7/7/21
 14. 7/6/21; 4:47PM - Mark Martin - Interconnection Rates - Completed 7/12/21
 15. 7/7/21; 7:42AM - Bob Odorizzi - Interconnection Rates - Completed 7/7/21
 16. 7/8/21; 12:56PM - Donald Bomer - Interconnection Rates - Completed 7/8/21
 17. 7/8/21; 1:50PM - Ursula Klocke - Interconnection Rates - Completed 7/8/21
 18. 7/9/21; 9:19AM - Bill Harrison - Interconnection Rates - Completed 7/9/21
 19. 7/9/21; 10:02AM - Dan Strack - Interconnection Rates - Completed 7/9/21
 20. 7/9/21; 10:53AM - Shana Ravensborg - Interconnection Rates - Completed 7/9/21
 21. 7/9/21; 8:18PM - Craig Campbell - Interconnection Rates - Completed 7/13/21
 22. 7/10/21; 8:41AM - Valerie Bachman - Interconnection Rates - Completed 7/13/21
 23. 7/11/21; 2:51PM - Craig & Tina Timmerman - Interconnection Rates - Completed 7/11/21
 24. 7/12/21; 6:57PM - Mark Martin - Interconnection Rates - Completed 7/13/21
 25. 7/12/21; 10:00PM - Bob Odorizzi - Interconnection Rates - member forwarded a study - Completed 7/12/21
 26. 7/12/21; 4:27PM - Larry Robards/Laura and Randy Prince/Otis Raring/Craig and Tina Timmerman/Christel Erickson - Collins - Interconnection Rates - Completed 7/12/21
 27. 7/13/21; 1:41PM - Kurt T. Hull - Interconnection Rates - Completed 7/13/21
 28. 7/13/21; 1:54PM - Carl and Sandra Spriegel - Interconnection Rates - Completed 7/13/21
 29. 7/13/21; 2:46PM - Scott Boutte - Interconnection Rates - Completed 7/13/21
 30. 7/12/21; 11:30PM - Amy Lea SJ Akers - Interconnection Rates
 31. 7/13/21; 9:50AM - Don and Dee Ann Sollenbarger - Interconnection Rates - Completed 7/13/21
 32. 7/13/21; 3:14PM - Mike Ferguson - Interconnection Rates - Completed 7/13/21
 33. 7/13/21; 5:10PM - Jeff Vasgaard and Karen Boden - Interconnection Rates - Completed 7/14/21
 34. 7/13/21; 7:13PM - Dave Campbell - Interconnection Rates - Completed 7/14/21
 35. 7/14/21; 9:10AM - Aleks Rybchinskiy - Interconnection Rates - Completed 7/14/21
 36. 7/14/21; 9:14AM - Antonio J. Valdes - Interconnection Rates - Completed 7/14/21

37. 7/14/21; 9:15AM - Charles Goforth - Interconnection Rates - Completed 7/14/21
38. 7/14/21; 9:15AM - Arthur Hastings - Interconnection Rates - Completed 7/14/21
39. 7/14/21; 9:18AM - Robert Plexico - Interconnection Rates - Completed 7/14/21
40. 7/14/21; 9:19AM - Mark McLaurin - Interconnection Rates - Completed 7/14/21
41. 7/14/21; 9:24AM - Jason Rivers - Interconnection Rates - Completed 7/14/21
42. 7/14/21; 9:28AM - Rip Miller - Interconnection Rates - Completed 7/14/21
43. 7/14/21; 9:31AM - Chris Frechette - Interconnection Rates - Completed 7/14/21
44. 7/14/21; 9:32AM - Christine Allen - Interconnection Rates - Completed 7/14/21
45. 7/14/21; 9:33AM - Timothy S. McCoy - Interconnection Rates - Completed 7/14/21
46. 7/14/21; 9:36AM - Ernest Plasencia - Interconnection Rates - Completed 7/14/21
47. 7/14/21; 9:40AM - Murray C. Patton - Interconnection Rates - Completed 7/14/21
48. 7/14/21; 9:46AM - Steve Espy - Interconnection Rates - Completed 7/14/21
49. 7/14/21; 9:46AM - Tom Martinec - Interconnection Rates - Completed 7/14/21
50. 7/14/21; 9:49AM - Rich Heller - Interconnection Rates - Completed 7/14/21
51. 7/14/21; 9:51AM - Jason Beasley - Interconnection Rates - Completed 7/14/21
52. 7/14/21; 9:55AM - Jeremy Hansche - Interconnection Rates - Completed 7/14/21
53. 7/14/21; 9:59AM - Diane DeMartino - Interconnection Rates - Completed 7/14/21
54. 7/14/21; 10:12AM - Susan Mueller MD - Interconnection Rates - Completed 7/14/21
55. 7/14/21; 10:18AM - Mark Jacob - Interconnection Rates - Completed 7/14/21
56. 7/14/21; 10:21AM - Bret Zieman - Interconnection Rates - Completed 7/14/21
57. 7/14/21; 10:24AM - Bret and Cyndi Zieman - Interconnection Rates - Completed 7/14/21
58. 7/14/21; 10:31AM - Brandon Lechner - Interconnection Rates - Completed 7/14/21
59. 7/14/21; 10:38AM - Aaron Hudelson - Interconnection Rates - Completed 7/14/21
60. 7/14/21; 10:45AM - Rama Anem - Interconnection Rates - Completed 7/14/21
61. 7/14/21; 10:50AM - Dennis Gans - Interconnection Rates - Completed 7/14/21
62. 7/14/21; 10:57AM - George Schock - Interconnection Rates - Completed 7/14/21
63. 7/14/21; 11:04AM - Liesbeth Demaer - Interconnection Rates - Completed 7/14/21
64. 7/14/21; 11:25AM - Galen Kaufman - Interconnection Rates - Completed

- 7/14/21
 65. 7/14/21; 11:42AM - Brian Wenger - Interconnection Rates - Completed
 7/14/21
 66. 7/14/21; 11:42AM - Seth P. Model - Interconnection Rates - Completed
 7/14/21
 67. 7/14/21; 11:43AM - Heather Long- Interconnection Rates - Completed
 7/14/21
 68. 7/14/21; 11:47AM - Patrick Shaub - Interconnection Rates - Completed
 7/14/21
 69. 7/14/21; 12:57PM - Bryant See - Interconnection Rates - Completed 7/14/21
 70. 7/14/21; 12:59PM - Wesley & Glenda Sherman - Interconnection Rates -
 Completed 7/14/21
 71. 7/14/21; 1:14PM - Nate and Sheila Stark - Interconnection Rates -
 Completed 7/14/21
 72. 7/14/21; 1:30PM - Lana Harris - Interconnection Rates - Completed 7/14/21
 73. 7/14/21; 2:25PM - Dennis - Interconnection Rates - Completed 7/14/21
 74. 7/14/21; 3:02PM - Bethany Morrison - Interconnection Rates - Completed
 7/14/21
 75. 7/14/21; 3:17PM - Cherrie & Matt Kinsey - Interconnection Rates -
 Completed 7/14/21
 76. 7/14/21; 3:29PM - Logan Dunne - Interconnection Rates - Completed
 7/14/21
 77. 7/14/21; 3:47PM - David Feldt - Interconnection Rates - Completed 7/14/21
 78. 7/14/21; 3:51PM - Heidi Gonzales - Interconnection Rates - Completed
 7/14/21
 79. 7/14/21; 4:00PM - David and Victoria Glass - Interconnection Rates -
 Completed 7/14/21
 80. 7/14/21; 4:06PM - Brian Schewe - Interconnection Rates - Completed
 7/14/21
 81. 7/14/21; 4:39PM - Jerry Von Gruenigen - Interconnection Rates - Completed
 7/14/21
 82. 7/14/21; 4:43PM - Tate Donovan - Interconnection Rates - Completed
 7/14/21

President Pataki thanked the members who attended the meeting, and those who submitted comments. The Board took a break from 12:02 p.m. to 12:19 p.m.

Action Items / Other Items

6. [2021-284](#) **Resolution - Review and Approval of Community Support - Member Assistance Programs (MAP) Policy - C Porter**

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 Community Support - Member Assistance Programs (MAP) Policy, with such changes, if any, as were approved by the Board; 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: [2021-07-16 Member Assistance Programs Policy \(Redline\)](#)
[2021-07-16 Member Assistance Programs Policy \(Clean\)](#)

Ms. Caroline Tinsley Porter, Manager, Community Relations presented the resolution and asked the Board for approval.

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

Yes: 6 - Rister, Pataki, Ekrut, Cox, Oakley, and Graf

Absent: 1 - Akers

7. [2021-285](#) **Resolution - Review and Approval to Rescind Community Support Power of Change Program Policy and incorporate into Community Support and Power of Change Program Policy - C Porter**

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS** that by adopting a new Community Support and Power of Change Program Policy, presented to and discussed by the Board this day, that incorporates both the Community Support Policy and the former Community Support - Power of Change Program Policy; and

BE IT RESOLVED, that the Board rescinds the Community Support - Power of Change Program Policy; and

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

Attachments: [2021-07-16 Community Support Power of Change Policy 2016 \(Rescinding\)](#)

Ms. Caroline Tinsley Porter, Manager, Community Relations presented the resolution and asked the Board for approval.

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 - Rister, Pataki, Ekrut, Cox, Oakley, and Graf

Absent: 1 - Akers

8. [2021-286](#) **Resolution - Review and Approval of Community Support and Power of Change Program Policy - C Porter**

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 Community Support and Power of Change Program Policy, with such changes, if any, as were approved by the Board; 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: [2021-07-16 Community Support and Power of Change Policy \(Redline\)](#)
[2021-07-16 Community Support and Power of Change Policy \(Clean\)](#)

Ms. Caroline Tinsley Porter, Manager, Community Relations presented the resolution and asked the Board for approval.

A motion was made by Secretary/Treasurer Ekrut, seconded by Director Graf, that this item be approved. The motion carried by the following vote:

Yes: 6 - Rister, Pataki, Ekrut, Cox, Oakley, and Graf

Absent: 1 - Akers

9. [2021-288](#) **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 2021 Election; and

BE IT FURTHER RESOLVED that the General Counsel, or designee, is authorized to enter the official election results into the minutes of the Cooperative and to take any other actions to implement this resolution.

Attachments: [21-PEC Final Report Certified-REDACTEDr.pdf](#)

Mr. Don Ballard, General Counsel, reviewed the proposed resolution for the written certification of the 2021 election results and asked the Board for approval.

A motion was made by Secretary/Treasurer Ekrut, seconded by Director Oakley, that this item be approved. The motion carried by the following vote:

Yes: 6 - Rister, Pataki, Ekrut, Cox, Oakley, and Graf

Absent: 1 - Akers

10. [2021-306](#) **Resolution - Approval to Appoint CFC Voting Delegates for CFC District Meeting - D Ballard**

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE**, that the following Directors are appointed and designated as authorized representatives of the Cooperative to serve as the voting delegates of the Cooperative and to cast the vote of the Cooperative for matters pertaining to the 2021 District 10 Meeting of the National Rural Utilities Cooperative Finance Corporation: Amy Akers as Voting Delegate and Mark Ekrut as Alternate Delegate.

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

Attachments: [2021 Meeting Dates - NRECA and CFC](#)

Mr. Don Ballard, General Counsel, asked the Board for reaffirmation of the voting delegates because the CFC voting form is delayed. Director Ekrut agreed

to serve as the alternate voting delegate, but asked for clarification of the dates, as he may have potential conflict. He asked if he could attend virtually. Mr. Ballard stated Director Ekrut may participate virtually.

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

Yes: 6 - Rister, Pataki, Ekrut, Cox, Oakley, and Graf

Absent: 1 - Akers

11. [2021-308](#) Resolution - Proposal for Approval for Allocation of 2020 Net Margins to Capital Credits - R Kruger

Body: BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE that net margins shown in the Cooperative's Audited Financial Statements for the year ended December 31, 2020, in the amount of \$33,800,592 adjusted for an unbilled revenue amount of (\$4,014,949) and adjusted for non-operating margins not related to providing electric services of \$817,083 be approved for member allocation. This amount of \$36,998,458 shall be allocated first to revenue class on the basis on contribution to gross margin and then second on the basis of total gross electric billings for the calendar year 2020 to those patrons having positive billing amounts during the year within each class. The allocation factors calculated for 2020 are Residential 0.0622219741, Small Power 0.0597313457, Large Power 0.0390847328, Industrial 0.0046073492, Public Authorities 0.0307977696, and Transmission Light and Power 0.0020271800.

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

Mr. Randy Kruger, Chief Financial Officer (CFO) presented the resolution and asked the Board for approval.

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

Yes: 6 - Rister, Pataki, Ekrut, Cox, Oakley, and Graf

Absent: 1 - Akers

12. [2021-287](#) Resolution - Approval to Amend Tariff and Business Rules - Section 400, Line Extension Policy - N Mack/D Thompson

Body: BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE that the Cooperative approves the amendments to the Tariff and Business Rules as attached hereto with such changes, if any, as were approved by the Board, to become effective upon Board approval, unless otherwise specified in the Tariff and Business Rules; 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: [2021-07-16 Approval to Amend Tariff and Business Rules - Line Extension Policy - N Mack D Thompson - \(Clean\)](#)
[2021-07-16 Approval to Amend Tariff and Business Rules - Line Extension Policy - N Mack D Thompson \(Redline\)](#)
[2021-07-16 Approval to Amend Tariff and Business Rules - Line Extension Policy - N Mack D Thompson](#)
[2021-07-16 Line Extension Allowance report - GDS](#)

Ms. Natalia Mack, Rates Manager presented the resolution and asked the Board for approval.

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

Yes: 6 - Rister, Pataki, Ekrut, Cox, Oakley, and Graf

Absent: 1 - Akers

13. [2021-312](#) Resolution - Approval to Amend Tariff and Business Rules - Interconnected Generation and Other Direction as to 2022 Rate Plan - N Mack | D Thompson

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE** that PEC amend the Tariff and Business Rules as to its interconnection rates, fees, and processes; and

Resolution 1

BE IT FURTHER RESOLVED that the Distributed Generation Fee Schedule be updated to revise the names of certain fees as described herein and include a reduction of the Interconnect Agreement and Inspection Fee from \$400 to \$250 as described herein; and

Resolution 2

BE IT FURTHER RESOLVED that portions of the Interconnection Net Metering and Net Energy Credit rates will be revised to reflect language effective as before the December 2020 Board Meeting; and

BE IT FURTHER RESOLVED that as part of the 2022 Rate Plan scheduled to be presented to the Board in October 2021, recommendations for the Interconnect Net Metering Rate are to be included; and

Resolution 3

BE IT FURTHER RESOLVED that the Cooperative approves the amendments to the Tariff and Business Rules to facilitate and clarify the implementation of the Large Power Service rate changes; and

BE IT FURTHER RESOLVED, that the Cooperative approve all amendments to the Tariff and Business Rules as reflected in Resolutions 1, 2, and 3, as attached hereto with such changes, if any, as were approved by the Board, to become effective upon Board approval, unless otherwise specified in the Tariff

and Business Rules; 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: [2021-07-16 Approval to Amend Tariff and Business Rules - Interconnected Generation - N Mack D Thompson.pdf](#)

Director Oakley suggested to take up agenda item number 13 on the Interconnected Generation, for the benefit of the membership, and for the members who have member comments today. Mr. Don Ballard, General Counsel, advised President Pataki to take up items 13. Resolution 2021-312, Approval to Amend the Tariff and Business Rules - Interconnected Generation, in conjunction with Agenda Item 5, Member Comments. The Board was in agreement to consider item 13, then to hear the Member Comments related to item 13, and finally, return to item 13.

Ms. Julie Parsley, Chief Executive Officer (CEO) discussed the history and background of the rate policy. CEO Parsley said there was no formal rate policy before 2019. In 2019, the Board adopted a rate policy, which is a transparent process for the rate review and changes the Board engages in yearly. She said the rate policy provides a cost of service study conducted every three years, at a minimum. PEC's Rate Policy defines the objectives for rates as established by the Tariff. Rates are to: be equitable, just and reasonable, and non-discriminatory; provide accurate price signals; provide stability; and allow for sufficient cost recovery of system and operational costs. A Rate Plan is presented for approval by the Board the 4th quarter of each year containing rate recommendations for the upcoming year informed by the policy objectives and current cost of service study. Tariff changes to support the approved yearly Rate Plan are presented to the Board by draft resolution for discussion in Open Session. Final approval of the tariff changes are discussed in Open Session at the following monthly Board Meeting. President Pataki asked for clarification on how often we discuss the rate changes, publicly. Ms. Parsley responded that the rate changes are publicly discussed at least twice. President Pataki mentioned members inquired about the time of use rate, which was approved in December 2020. She continued stating that in 2014, the Board had conversations with members, many of which asked if we would ever offer a time of use rate for their solar installations. She said it seems that may not be what everyone wants today. President Pataki said perhaps there could be flexibility for that to be optional instead of mandatory. CEO Parsley responded that there may be a misunderstanding that PEC is forcing members into a time of use rate. She clarified the matter, stating that if a member has a time of use rate for the buyback, then, the member must have a time of use rate for the purchase of power.

Mr. Randy Kruger, Chief Financial Officer (CFO) presented a chart of the differences between a cooperative not-for-profit financial model, in comparison to a for-profit financial model. He stated that cooperatives are: member owned, not-for-profit organizations; all margins ultimately must be returned to the members; and members own the cooperative's equity. CFO Kruger said what drives value for an electric cooperative is rate stability, low cost, and reliability. He continued stating that electric cooperatives are capital and labor intensive businesses and can only fund needs through margins (rates), and debt. Allowing subsidies creates higher rates on non-subsidized members or more

debt. Director Ekrut commented that members in his district asked him why PEC does not offer rebates or incentivize solar, as other entities do. Director Ekrut said he explained to the members that PEC does not qualify for federal subsidies to rebate solar. Director Oakley commented on the form letter messages he received from members, which listed inaccurate information regarding fees.

Mr. David Thompson, Vice President of Markets discussed the Interconnection Distributed Generation (DG) rates and fees. He said the 2020 cost of service study identified two areas of concern regarding cost recovery: the costs of interconnecting DG to PEC's distribution system collected through fees, and, recovery of costs of PEC's distribution system. The study further identified that PEC was under-recovering its costs through existing interconnected DG fees and rates, causing non-interconnected members to subsidize interconnected members. Consistent with the principles underlying PEC's not-for-profit corporate structure and the policy objectives of developing equitable, non-discriminatory rates that sufficiently collect system costs, the 2021 Rate Plan proposed new DG Interconnection fees and rates to eliminate the subsidies. The 2021 Rate Plan recommended that these issues be addressed. At the November 20, 2020 Board meeting, the plan was adopted by the Board in Open Session. Tariff amendments containing revised DG Interconnection fees and rates were presented to the Board by Draft Resolution at the November 20, 2020 Board Meeting and were discussed in Open Session, and all of the materials were public. The final tariffed DG Interconnection fees and rates were adopted by the Board in Open Session at the December 18, 2020 Board Meeting, and the fee changes were effective upon Board adoption of the Resolution. The rate changes would be effective January 1, 2022, and is to be provided in public documentation for more than 1-year for the membership to view. President Pataki mentioned that she heard from concerned members that they were not aware of the changes, and that they thought it was more recent than December 2020, that the Board voted. She said having 1-year from adoption to implementation is because PEC thought there may be member feedback, and it was never an intent to try to run something quickly past the membership, in any way.

Mr. Thompson continued, and stated there was communication and outreach to interconnected members regarding the new rate. PEC staff received feedback on refining the rate structure. After further study and consultation with the cost-of-study experts, PEC staff brought a draft resolution to the Open Session at the March 2021 Board Meeting, which revised the new DG Interconnection rate adopted in December 2020. The revised rate structure would review data in hour intervals, rather than 15-minute intervals. This was an improvement in the rate structure to benefit the interconnected members. When the final resolution was presented at the April 2021 Board Meeting, the Board voted to postpone consideration of the resolution until July 2021. At the Board's direction, PEC held 3 virtual town hall meetings, and the rate consultant researched other possible rate changes, to review other ways to recover the under-collection. Mr. Thompson said that the consultant completed that work. He said the Board also received feedback and had discussions with members as laid out in the presentation.

Mr. Thompson said fees approved in December 2020 were the \$250 application and \$400 interconnect agreement, for a total of \$650. The \$250 Application Fee

recovers the interconnection engineering study, mapping the proposed DG system into the PEC engineering model, and costs to process the application. The \$400 Interconnection Fee recovers expediting an on-site meter replacement to allow interconnection (a standard \$150 meter fee for all members), performance of an on-site inspection of the system by trained interconnection personnel (includes a truck roll, and requires visual disconnect and proper signage), and placement of the DG system in the PEC GIS distribution system, so linemen can see the interconnect at a service location. Director Rister commented on the costs associated with the interconnection fee and the truck roll. Mr. Thompson discussed the proposal for the DG Interconnection Fees. He said the \$250 application fee should remain in place, and for clarity, change the name to, "Application and Engineering Study Fee." At this time, the \$400 Interconnect Fee may be reduced from \$400 to \$250 going forward because PEC is now performing mass meter change-outs system-wide in the AMI project. The \$150 meter charge is no longer appropriate because of these new efficiencies. For clarity, change the name to, "Interconnect Agreement and Inspection Fee." Director Oakley mentioned to be clear that if the member is not able to move forward, the \$250 Application and Engineering Study Fee is refundable. Director Cox asked for clarification of the total fees is reduced from \$650 \$500. Mr. Thompson confirmed.

Mr. Thomson also said the 2020 Cost of Service Study identified that PEC is under recovering through the historic solar rate by approximately \$650,000 per year that results in a subsidy from interconnected members to non-interconnected members. The primary issue identified is interconnect members' usage of the PEC system not being fully recovered due to rate design. He said the data used was the test year of 2019; growth in the interconnect member class since 2019 has increased the under recovered amount to ~\$950,000 per year. Mr. Thompson said the rate plan states that we need to do a cost of service study at least every three years. The current cost of service study was done by Burns and McDonnell. If we see a reason to do a cost of service rate study prior to three years, we will do so. Mr. Thompson discussed PEC distribution system costs providing information on the average PEC Residential, Farm and Ranch Member and an Average PEC Residential, Interconnect member. Director Rister requested to clarify what is in the resolution. The proposal would return tariffed rate language affecting Interconnected DG less than 50 kW members to the pre-December 2020 Board approval. Staff will provide a proposal as part of the 2022 Rate Plan for the Interconnected DG Rates with the goal of: ensuring that the PEC distribution systems costs are paid for in a manner that is equitable to all members; and ensuring the Interconnect (Solar) energy buy-back is equitable, properly values the solar generation, and is transparent for all members. The fees will be lowered, and the AMI meter fee will be removed.

Mr. Thompson mentioned that the Board received summaries of the member email messages and the responses to the Member Forum questionnaire. Mr. Thompson thanked the members for their feedback and recognized their unique perspectives. President Pataki thanked the PEC management for their presentation. The Board took up agenda item 5. Member Comments.

After the conclusion of agenda item 5, the Board considered Resolution 2021-312. Mr. Don Ballard, General Counsel, indicated the amended resolution is to allow for the refundable Application and Inspection Fee. He said the

resolution is in three parts: 1) to amend the Interconnected Distributed Generation (DG) Application and Inspection Fee from \$400 to \$250, as described in the discussion of the resolution; 2) to approve the portions of the interconnection net metering and net energy credit rates are to reflect the language effective before December 2020, to take those changes back to the pre-December 2020 language, for the effective date of January 1, 2022; 3) to approve amendments to the tariff and business rules to facilitate and clarify the implementation of large power service rate changes, which are also included in the red-lines in the tariff. President Pataki said it was not the intention to punish one group of the membership with a particular type of rate that is hard to understand and not very usable. She said we will have a workable solution that considers the good of the entire membership. President Pataki thanked the members who took the time to provide feedback.

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

Yes: 6 - Rister, Pataki, Ekrut, Cox, Oakley, and Graf

Absent: 1 - Akers

14. [2021-248](#) Draft Resolution - Approval to Amend Tariff and Business Rules - Winter Storm Costs Recovery, Section 500, Rates - N Mack/D Thompson

Attachments: [2021-07-16 Approval to Amend Tariff and Business Rules - Winter Storm Cost Recovery - Mack-Thompson.pdf](#)
[2021-07-16 Resolution - Approval to Amend Tariff and Business Rules - Winter Storm Cost Recovery.pdf](#)

Ms. Natalia Mack, Rates Manager presented a summary of the resolution and stated she would be back next month to present a final resolution to the Board.

15. [2021-311](#) Draft 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 General Counsel, or designee, is authorized to take all such actions as may be necessary to implement this resolution.

Attachments: [2021-07-16 Bylaws Amendments DRAFT v2-REDLINE.PDF](#)
[2021-07-16 Bylaws Amendments DRAFT v2-CLEAN.PDF](#)

President Pataki stated the Board would address action item number 15, from earlier in the day that was skipped over, which was taken up after executive session. Mr. Ross Fischer, Board Counsel, said that Mr. Don Ballard, General Counsel, and he had one more proposed revision to the draft resolution that did not make it in the red-line document. Mr. Fischer discussed proposed changes to the bylaws as stated: Article I has updated language regarding the cooperative's treatment of joint memberships; Article II specifies that the Annual Membership Meeting need not be held on a Saturday, which is currently in the

bylaws; Article III removes Director term limits, but maintains officer term limits; clarifying that the nomination forms for candidates will be available online and at headquarters. Also, if a member has two residences, or two meter accounts, the member may designate one residence/meter account for voting purposes, and the member may only do this once every three years; Article IV, giving the Board flexibility in setting the monthly Board meeting, at your convenience and not being overly restrictive. President Pataki thanked Mr. Fischer.

16. [2021-289](#) **Election Update - Annual Voter Turnout - S Romero**

Attachments: [2021 Director Election - v2.pdf](#)

Ms. Sylvia Romero, Governance Manager said there were 130,304 eligible voters, of which, 16,993 participated in the annual director election. She said voter turnout was 12.99%, an increase over the 2018 election. The Cooperative maintains a three-year average turnout of 14.12%. The turnout ratio is based on a year-to-year election. She said over the last five years, there is a downward trend of mail-in ballots. She mentioned last year, there was a 168.91% increase in online voting. She provided historical data turnout ratio from 2018 to 2021 among districts 1, 6, and 7. Ms. Romero said member satisfaction was at 96.2% for those who participated in the online survey. She said that there were 39 dissatisfied comments. Director Oakley inquired if there were reasons as to why members were dissatisfied. Ms. Romero stated that there were dissatisfied comments stating that it was complicated to vote online. Director Oakley mentioned that members received a mail-in ballot, which they could have used. Ms. Romero confirmed that all members receive a mail-in ballot. She added that there were comments concerning SmartHub that the "vote now" button should be more prominent; and there were comments stating members could not find a mobile app. She said with SmartHub, presently, we do not have a mobile app, which is still under study, and perhaps it may be a future enhancement. President Pataki thanked Ms. Romero for the report.

17. [2021-290](#) **Key Performance Indicator (KPI) Update of 2021 Period 1 Results - E Dauterive**

Attachments: [2021-07-16 KPI 2021 P1 Performance Update.pdf](#)

Mr. Eddie Dauterive, Chief Operations Officer (COO) presented the Key Performance Indicators (KPI) Update of 2021 Period 1 (P1). The P1 KPI payout is 7.91%. The Board voted to exclude data related to the winter storm from the calculation of two KPI metrics; SAIDI and Expenses. Because including storm data in these metrics did not reflect actual employee performance, which was exceptional despite extraordinary circumstances, the Board excluded the storm data from those metrics. The payout will be distributed on July 30, 2021 to all employees. There were no injuries in May or June, and no vehicle accidents in June. The categories of Billing and Payment, Communications, and Customer Service remained strong, reaching platinum in most metrics. The Corporate Citizenship category improved to all platinum scores. Community Engagement found new ways to engage with our members despite continued safety restrictions due to the COVID-19 pandemic.

Proposed Future Items / Meetings (subject to final posting)

18. [2021-291](#) List of Board Approved Future Meetings

Attachments: [Approved 2021 Board Meeting Calendar - Revised 041521.pdf](#)

President Pataki stated the list of proposed meetings is in the materials packet.

19. [2021-292](#) Board Planning Calendar (Written Report in Materials)

Attachments: [3-Month Outlook Planning Calendar.pdf](#)
[PEC Annual Planning Calendar.pdf](#)

President Pataki said the board planning calendar is a list of items planned for discussion at Board meetings throughout the year.

Recess to Executive Session

President Emily Pataki announced the items to be discussed in Executive Session and at 12:49 p.m. stated the Board would go into Executive Session.

Executive Session - Legal Matters**20. [2021-293](#) Matters in Which the Board Seeks the Advice of Its Attorney as Privileged Communications in the Rendition of Professional Legal Services****21. [2021-294](#) Litigation and Related Legal Matters - D Ballard****22. [2021-295](#) Resolution - Approval of Authorization for Initiation, Settlement, or Disposition of Litigation Matter(s) - D Ballard****[2021-296](#) Resolution - Approval of Modification to Delegation of Authority to Chief Executive Officer and Removal of Measures in Response to COVID-19 - J Parsley****24. [2021-297](#) Review of Operations, Financials, and Market Conditions on Extreme Cold Weather Event February 2021 - D Ballard****Executive Session - Contract and Competitive Matters****25. [2021-307](#) Update on Extreme Cold Weather Event February 2021 After-Action Review - E Dauterive****26. [2021-310](#) Draft Resolution - Review and Approval of Election Services Provider Contract - S Romero****27. [2021-298](#) Markets Monthly Report - D Thompson****28. [2021-299](#) Transmission Operations and Control Center Update - J Parsley/C Moos**

Executive Session - Real Estate Matters

29. [2021-300](#) Resolution(s) - Approval of Real Property Acquisitions or Real Property Dispositions - E Dauterive/C Moos
30. [2021-301](#) Resolution(s) - Approval of Capital Improvement Plan Budget Amendments for Real Property Acquisitions - E Dauterive/C Moos

Executive Session - Safety and Security Matters

31. [2021-302](#) Safety and Security Matters

Executive Session - Personnel Matters

32. [2021-303](#) Personnel Matters
33. [2021-304](#) CEO Action Plan Quarterly Update - J Parsley

Reconvene to Open Session

At 3:51 p.m., 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.

[2021-290](#) **Key Performance Indicator (KPI) Update of 2021 Period 1 Results - E Dauterive**

Attachments: [2021-07-16 KPI 2021 P1 Performance Update.pdf](#)

[2021-347](#) **Resolution - Approval of Key Performance Indicators Plan 2021 Period 1 Results Payout - E Dauterive**

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS** that the 2021 Key Performance Indicator Plan for Period 1 is modified to exclude 2021 Extreme Winter Storm impacts and associated considerations as presented; and

BE IT RESOLVED BY THE BOARD OF DIRECTORS that the 2021 Key Performance Indicator Plan Period 1 Results Payout are 7.91% as provided by the 2021 Key Performance Indicators Plan approved on January 15, 2021 and as modified by this resolution; and

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

A motion was made by Director Oakley, seconded by Secretary/Treasurer Ekrut, that this item be approved. The motion carried by the following vote:

Yes: 6 - Rister, Pataki, Ekrut, Cox, Oakley, and Graf

Absent: 1 - Akers

23. [2021-296](#) Resolution - Approval of Modification to Delegation of Authority to Chief Executive Officer and Removal of Measures in Response to COVID-19 - J Parsley

Body: NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF PEDERNALES ELECTRIC COOPERATIVE, INC. that the Cooperative modify its delegation of authority to the CEO in response to COVID-19 to conclude such measures as described in these resolutions related to COVID-19, subject to final expenditure of COVID-19 donated funds;

BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, that all other COVID-19 measures taken prior to the effective date hereof in connection with the subject of the foregoing resolution, are ended; and

BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, that the CEO, or designee, is authorized to take such actions as needed to implement this resolution.

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

Yes: 6 - Rister, Pataki, Ekrut, Cox, Oakley, and Graf

Absent: 1 - Akers

Adjournment

There being no further business to come before the Board of the Directors, the meeting was adjourned at 3:55 p.m.

Approved:

Mark Ekrut, Secretary

Emily Pataki, President