



Meeting Minutes - Final

Board of Directors

Friday, April 17, 2020

9:00 AM

PEC Headquarters Board Room

201 S. Ave F, Johnson City, TX 78636

Open Session of this Regular Meeting is held in the PEC Board Room and will be recorded in accordance with Board Meetings Policy. On March 16, PEC offices were closed to member and public interactions to address safety and health concerns and in compliance with federal, state, and local mandates. Consequently, this Regular Meeting is not open to member attendance. Members may provide comments by sending the input to PECBoard@peci.com.

All Board meeting comments will be provided to all Board directors and listed in the minutes of the meeting. Board meeting dates, agendas and supporting materials are available online at <https://pec.legistar.com/>.

Call to Order and Roll Call

The meeting was called to order at 9:10 a.m. President Graf provided brief comments regarding the current circumstances related to COVID-19. At 9:12 a.m., General Counsel (GC) Don Ballard took Roll Call, all directors were present.

Present: 5 - Director Milton Rister, Director Emily Pataki, Director James Oakley, Director Amy Akers, and President Paul Graf

Adoption of Agenda

The agenda was adopted as presented and without objection.

Consent Items

The items under consent were approved with typographical corrections to the March 13, 2020 minutes, which are non-substantive.

1. [2020-093](#) **Friday, March 13, 2020 - Regular Meeting Minutes**

Attachments: [03-13-2020 - Meeting Minutes - Draft v3 - Open Session](#)

2. [2020-157](#) **Wednesday, March 25, 2020 - Emergency Special Board Meeting**

Attachments: [03-25-2020 - Meeting Minutes - Draft v3 - Open Session](#)

Cooperative Monthly Reports

3. [2020-094](#) **Cooperative Update - J Parsley**

Attachments: [3 - 2020-04-17 Cooperative Update - FINAL](#)

Chief Executive Officer (CEO) Julie Parsley provided an overview on the following matters: 1) COVID-19 measures; 2) Thank you notes from Members; 3) April 18, 2020 is National Lineman Appreciation Day; 4) May is National Electrical Safety Month; 5) Youth Tour Washington, D.C., trip cancelled; 6) Scholarship awards are moving forward.

Director Oakley mentioned that some parks and lakes are now open. Director Pataki thanked everyone for the changes made regarding social distancing. President Graf said there are lots of sacrifices being made.

4. [2020-095](#) Financial Services Report - R Kruger

Attachments: [2020-04-17 February 2020 Financial Report to the Board - R Kruger](#)
[2020-04-17 February 2020 Financial Statements - R Kruger](#)

CEO Parsley introduced Mr. Randy Krueger as the Interim Chief Financial Officer. Mr. Krueger provided the February 2020 financial report. He reported on weather patterns and also mentioned that commodity prices are coming down, which impacts revenue.

5. [2020-096](#) Operations Report - E Dauterive

Attachments: [2020-4-17 Operations Report Final](#)

Chief Operating Officer (COO) Eddie Dauterive asked everyone to stay safe and focused. New member applications continue to come in which means that growth continues. He reported on utility operations, safety, engineering projects, and procurement best practices. President Graf asked whether the Lineman Rodeo is still planned. COO Dauterive stated that it is suspended, and we may have an internal rodeo sometime in August or September. He said he will keep the Board apprised on this matter. President Graf thanked COO Dauterive and his teams for what they are doing.

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

6. [2020-099](#) Member Comments

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

President Graf reported that Member Comments have been received, and will be listed in the minutes. He also stated that PEC employees had already reached out to those members.

Member Comments Submitted for April 17, 2020 Board Meeting

Member Name: Topic

1. David Wiley: COVID-19 - possible assistance with bills
2. Robert Albrechts: COVID-19 - possible assistance with bills
3. Brian Owens: COVID-19 - suggest offering energy discount
4. Emilylou Reading: Payments during COVID-19
5. Randy E. Jones: Support in a critical time
6. Jim Horton: COVID-19 - suggest lower rates temporarily

7. Chris Reighley: Deposits - release deposits to apply to bills
8. Brandon Ade: PEC payment relief and deferment plans
9. Louis Garcia: COVID-19- consider discounting bills
10. Angelica Lopez: COVID-19 and board - not live streaming
11. L. Cuco: COVID19 - payment assistance inquiry
12. Michael Kemp: Rates - is PEC lowering rates due to crisis & lower oil prices?
13. Armando Cantu: price break
14. Kevin Slater: What is PEC doing to help the less fortunate businesses?
15. Lane Riedel: Suggestion to lower charges
16. Omar Cisneros: COVID-19 - allow payment arrangements
17. Alejandro Perales: Suggest waive late fees and lower rates to provide customer relief
18. C. Cates: COVID-19 Response - compliment PEC on reliability and actions
19. Justin Gentile: Suspend Fees and COVID-19 Economic Relief
20. Curtis Scott: Thorium and nuclear energy
21. Stephanie Flores: Waive late fees - single income low income homes
22. Edward Asberry: Unable to pay bill because of COVID-19, senior citizen
23. Richard Seiler: 5G placement
24. Lauren McAndrews: Additional assistance for agencies
25. Amanda Wischkaemper: Increased usage during COVID-19 - possible PEC relief
26. Randy Klaus: QEC process and his qualifications
27. Ian England: TX Open meetings law - watch meeting live remotely

Action Items / Other Items

7. [2020-133](#) **Presentation of 2019 Financial Audit and Management Letter by Bolinger, Segars, Gilbert & Moss (BSGM) - Kacey Gast, CPA**

Ms. Gast introduced herself and provided highlights of the 2019 audit report. She reported that PEC received a clean audit. Equity to assets is about 40%, and is a very strong and stable number. PEC handled growth with internal cash flow. Liquidity is about \$278 million, and is sufficient when cash needs arise. Loan covenants are good as well. Director Pataki commented that BSGM did a great job with reporting during the Audit Committee meeting, and is happy that we continue to remain stable. Director Rister thanked Ms. Gast for the great job on the audit, and said it is good for the members and PEC. Director Rister indicated that he had no questions for Executive Session, and was pleased with the outcome of the financial audit. President Graf mentioned we borrowed only \$19 million for construction, and he inquired about last year. Controller Freddy Wolff said the fuel recovery alleviated the borrowing, and stated the Capital Improvement Plan (CIP) budget is about \$150 million. Controller Freddy Wolff asked for approval.
20. [2020-100](#) **Resolution - Acceptance of 2019 Financial Audit and Management Letter by Bolinger, Segars, Gilbert & Moss (BSGM) - Kacey Gast, CPA**

Body: BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE that the Board of Directors hereby receives, accepts and approves the draft Independent Auditor's Report and Financial Statements for

the fiscal year ending December 31, 2019, in the form attached, as the Independent Auditor's Report and Financial Statements ("Financial Statements"); and

BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE that the Chief Financial Officer, or designee, and the Cooperative's accountants are authorized to publish the Financial Statements as the official Financial Statements of the Cooperative for fiscal year ending December 31, 2019.

After discussion with Ms. Gast, the Board decided to move forward and vote on the resolution in Open Session. No additional discussion was needed.

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

Yes: 5 - Rister, Pataki, Oakley, Akers, and Graf

8. [2020-106](#) **Resolution - Approval of Authorization for Supplemental Indenture to Amend Terms of Master Indenture - F Wolff**

Body: WHEREAS, to effect an amendment under the Indenture; waivers and consents from at least 50% of the aggregate in principal amount of holders of Outstanding Obligations are required; and

WHEREAS, to further evidence such waivers and consents, a supplemental indenture by and between the Cooperative and the Trustee shall be executed and delivered;

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, that the Cooperative requests the removal of the requirement for a Consulting Engineer's Certificate of Section 2.2(a) of the Indenture;

BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, that the execution and delivery by the Cooperative of the Ninth Supplemental Indenture of Trust dated as of the date therein ("Supplement") and the performance by the Cooperative of the transactions contemplated thereby are hereby approved and confirmed in all respects; and

BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, that the form, terms, and provisions of the Supplement between the Cooperative and the Trustee, a substantially final form of which has been presented to the Board of Directors, hereby is approved in all respects.

BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, that the Chief Executive Officer of the Cooperative or any person designated in writing for such purpose, be, and each hereby is, authorized as a duly authorized officer or agent of the Cooperative, for and in the name and on behalf of the Cooperative, to execute and deliver the Supplement, any other agreements, certificates, consents, affidavits, opinions, and other instruments of any nature necessary or appropriate to give effect to

such Supplement, in each case in such form and containing such terms and conditions as such officer or agent may in her or his reasonable discretion deem necessary, appropriate, or desirable.

BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, that the Chief Executive Officer of the Cooperative or any person designated in writing for such purpose, be and each of them hereby is, authorized as a duly authorized officer or agent of the Cooperative, for and in the name and on behalf of the Cooperative, to do any and all acts deemed by such officer in such officer's judgment to be necessary or appropriate in the best interests of the Cooperative to give effect to the foregoing resolutions.

BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, that all actions taken prior to the effective date hereof by the officers and duly authorized agents of the Cooperative in connection with the subject of the foregoing resolutions be and are hereby ratified, confirmed, and approved and that any other previous resolutions referencing the issuance of a Ninth Supplemental Indenture are hereby superseded.

Controller Wolff said there were no changes from the previous meeting, and asked for approval.

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

Yes: 5 - Rister, Pataki, Oakley, Akers, and Graf

9. [2020-112](#) **Qualifications and Elections Committee (QEC) Recommendation of Qualified Candidates - QEC Representative**

Attachments: [2020 Qualifications and Elections Committee Written Recommendation - Final](#)

Mr. Charles Carter made the presentation on behalf of the Qualifications and Elections Committee. Mr. Carter thanked GC Ballard, Governance Manager, Sylvia Romero, and Board Counsel Ross Fischer for their help during the three days the committee met. Mr. Carter read the report of the committee as presented in the Board packet, and asked to approve the slate of qualified candidates. Director Graf thanked Mr. Carter.

10. [2020-156](#) **Resolution - Approval of Director Candidates for 2020 Pedernales Electric Cooperative Board of Director's Election Ballot - D Ballard**

Body: **WHEREAS**, the Pedernales Electric Cooperative's (the "Cooperative") Qualifications and Elections Committee met and verified the qualifications of Director Nominees on March 30, 2020 and presented those certified Nominees to the Board of Directors of the Cooperative on this day;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE that the following individuals are Qualified Candidates and are approved for inclusion on the 2020 election ballot in the order previously determined by random drawing of the Nominees:

District 2:

Emily Pataki

District 3:

Mark Ekrut
Kari French

District 4:

Kip Averitt
Travis Cox
Lee Leffingwell
Joe Pool
Dan Strack
Kathi Thomas

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

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

Yes: 5 - Rister, Pataki, Oakley, Akers, and Graf

11. [2020-120](#) Resolution - Approval and Certification of 2020 Election Ballot - D Ballard

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE** that the 2020 Election Ballots are approved and certified as presented this day, including the Qualified Candidates for Director Election in their respective Director Districts; and

BE IT FURTHER RESOLVED that the Board approves the following Non-Director Election item to be included on the 2020 Election Ballots:

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

Please mark the circle if you wish to participate:

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

BE IT FURTHER RESOLVED that the General Counsel is directed to take all necessary actions to implement this resolution and prepare the 2020 Election Ballots with the Election Services Provider.

GC Ballard stated that with the approved list of Qualified Candidates and the Power of Change language, the proposed 2020 Election ballot was before the Board for approval.

A motion was made by Director Oakley, seconded by Director Rister, that this

item be approved. The motion carried by the following vote:

Yes: 5 - Rister, Pataki, Oakley, Akers, and Graf

12. [2020-102](#) Resolution - Approval of 2020 Annual Meeting Agenda - S Romero

Body: **BE IT RESOLVED BY THE BOARD** that the Board approves the agenda for the 2020 Annual Meeting as submitted to and discussed by the Board at its regular meeting for April 2020, with such changes as were discussed and approved by the Board;

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

Attachments: [2020 04 17 Annual Meeting Agenda - June 2020 - Draft v3](#)

Ms. Romero stated that the Annual Meeting agenda was unchanged from the draft reviewed in March.

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

Yes: 5 - Rister, Pataki, Oakley, Akers, and Graf

13. [2020-122](#) Resolution - Approval of 2020 Cooperative Response Center (CRC) Voting Delegates - E Dauterive

Body: **RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE**, that the following persons are hereby appointed and designated as authorized representatives of the Cooperative to serve as a voting delegate and alternate delegate to act at meetings of the 2020 Cooperative Response Center (CRC), or until successors are duly appointed and designated: voting delegate Amy Akers, and alternate voting delegate Eddie Dauterive.

Attachments: [2020-01-27 CRC 2020 Letter and Voting Delegate Form](#)
[CRC 2020 Voting Delegate Form Signed 2020-04-17](#)

COO Dauterive confirmed that he and Director Akers are currently the CRC voting delegates. After discussion, the Board agreed that Director Akers and Eddie Dauterive, Chief Operations Officer could be delegates.

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

Yes: 5 - Rister, Pataki, Oakley, Akers, and Graf

14. [2020-057](#) Draft Resolution - Approval to Amend Tariff and Business Rules - Primary Service Adjustment (PSA) 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 on June 1, 2020 as 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: [2020-04-17 - Tariff Amendments for Primary Service - N Mack D Thompson](#)
[2020-04-17 Tariff and Business Rules - Primary Service Redline](#)
[2020-04-17 Tariff and Business Rules - Primary Service Clean](#)

Natalia Mack, Rates Manager highlighted the revised Tariff language stating that it generally affects primary level charges to members on the Large Power Service Rate. There are a few exceptions where members receive primary level service in other rate classes (e.g., Small Power, Residential). Ms. Mack said the cost differential between the primary and secondary level is 2% that accounts for transformation losses. The proposed changes are to reduce applicable charges by 2%, extend the new rate to all Member rate classes on primary service, and to introduce a requirement for execution of a primary service level agreement. The resolution would be brought back for approval next month.

15. [2020-110](#) 2020 Election Timeline Update - D Ballard

Attachments: [2020 Election Timeline - Board Appvd 2019 12 13 - Update for 2020-04-17](#)

GC Ballard gave a brief report on the election timeline. Director Oakley asked if May 20, 2020 is when ballots hit mailboxes, GC Ballard confirmed it is.

Proposed Future Items / Meetings (subject to final posting)

16. [2020-155](#) 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 04 17 Board Proposed Meetings - Draft v1](#)

The Board discussed that the May 17, 2020 Board meeting is being moved back to Johnson City, Headquarters.

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

Yes: 5 - Rister, Pataki, Oakley, Akers, and Graf

17. [2020-068](#) Board Planning Calendar (Written Report in Materials)

Attachments: [2020-04-17 Board Planning Calendar v4](#)

Recess to Executive Session

President Graf announced the matters for Executive Session, and the Board moved into Executive Session at 10:06 a.m. The Board took a break from 10:06 a.m. to 10:22 a.m.

Executive Session - Legal Matters

- 18. [2020-117](#) **Matters in Which the Board Seeks the Advice of Its Attorney as Privileged Communications in the Rendition of Professional Legal Services**

- 19. [2020-118](#) **Litigation and Related Legal Matters - D Ballard**

- [2020-100](#) **Resolution - Acceptance of 2019 Financial Audit and Management Letter by Bolinger, Segars, Gilbert & Moss (BSGM) - Kacey Gast, CPA**

- [2020-126](#) **Resolution - Approval of Delegation of Authority to Chief Executive Officer to Implement Measures in Response to COVID-19 - J Parsley**

- 22. [2020-154](#) **Resolution - Approval of Authorization for Settlement of Litigation Matter(s) - D Ballard**

- 23. [2020-114](#) **Report on Property and Liability Insurance Policies - P Brown, The Nitsche Group**

- 24. [2020-119](#) **Enterprise Risk Management (ERM) Update - B Headrick**

- 25. [2020-115](#) **Ethics and Compliance Quarterly Update - J Burns**

Executive Session - Contract and Competitive Matters

- [2020-103](#) **Resolution - Approval of Pole Attachment Fee Structure - R Arellano**

- [2020-107](#) **Resolution - Approval for Authority to Negotiate and Execute Power Purchase Agreement (PPA) - D Thompson**

- 28. [2020-113](#) **Markets Monthly Report - D Thompson**

- [2020-142](#) **Resolution - Approval for Renewal of 2020-2021 Medical Insurance Benefits - W Burns**

Executive Session - Real Estate Matters

- 30. [2020-104](#) **Resolution(s) - Approval of Real Property Acquisitions or Real Property Dispositions - R Arellano**

- 31. [2020-105](#) **Resolution(s) - Approval of Capital Improvement Plan Budget**

Amendments for Real Property Acquisitions - R Arellano**32. [2020-111](#) Real Estate Update - R Arellano****Executive Session - Safety and Security Matters****Executive Session - Personnel Matters****33. [2020-116](#) Personnel Matters****Reconvene to Open Session**

At 2:45 p.m., the Board reconvened to Open Session.

Items from Executive Session

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

21. [2020-126](#)**Resolution - Approval of Delegation of Authority to Chief Executive Officer to Implement 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 given the Texas disaster declaration across its service territory, the federal declaration of a national emergency and the major disaster declaration, and the activation of the Cooperative's Emergency Operations Plan, the Cooperative delegates authority to the Chief Executive Officer to implement such measures as described herein in her reasonable discretion in response to COVID-19, subject to consideration of the financial health of the Cooperative;

BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, that all actions taken prior to the effective date hereof in connection with the subject of the foregoing resolution, be and are hereby ratified, confirmed, and approved; and

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.

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

Yes: 5 - Rister, Pataki, Oakley, Akers, and Graf

26. [2020-103](#) Resolution - Approval of Pole Attachment Fee Structure - R Arellano**Body:**

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF PEDERNALES ELECTRIC COOPERATIVE, INC. that the Cooperative update its fee structure and additional charges for attachment to PEC's

facilities, as discussed by the Board during Executive Session of this meeting;
and

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.

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

Yes: 5 - Rister, Pataki, Oakley, Akers, and Graf

27. [2020-107](#) Resolution - Approval for Authority to Negotiate and Execute Power Purchase Agreement (PPA) - D Thompson

Body: **NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF PEDERNALES ELECTRIC COOPERATIVE, INC.** that the Cooperative authorizes the Chief Executive Officer, or designee, to negotiate, execute and deliver, such agreements, confirmations or certificates necessary or appropriate to acquire electric capacity, energy and other related products, as discussed by the Board during Executive Session of this meeting, and subject to the conditions as discussed by the Board during Executive Session of this meeting, and to deliver such notices as may be required by any wholesale power agreement of the Cooperative; and

BE IT FURTHER RESOLVED, that the Secretary of the Board is authorized as a duly authorized officer of the Cooperative, for and in the name and on behalf of the Cooperative, to execute, acknowledge as appropriate, and deliver any officer's certificates in such officer's reasonable discretion as necessary, appropriate, or desirable.

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

BE IT FURTHER RESOLVED, that any other previous resolutions as discussed by the Board during Executive Session of this meeting referencing the negotiation or execution of a power purchase agreement previously approved are hereby superseded.

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

Yes: 5 - Rister, Pataki, Oakley, Akers, and Graf

29. [2020-142](#) Resolution - Approval for Renewal of 2020-2021 Medical Insurance Benefits - W Burns

Body: **NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE** that the Board approve renewal of the employee health insurance contract of the Cooperative for an additional period based upon the terms and conditions with insurance provider(s) presented to the Board this day during executive session; and

BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, 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 approved. The motion carried by the following vote:

Yes: 5 - Rister, Pataki, Oakley, Akers, and Graf

Adjournment

President Graf thanked all PEC employees for their help with the meeting. He also recognized National Lineman's Day, which is on April 18, 2020.

There being no further business to come before the Board of the Directors, the meeting was adjourned at 2:47 p.m.

Approved:

Milton Rister, Secretary

Paul Graf, President