



Meeting Minutes - Final

Board of Directors

Friday, May 21, 2021

9:00 AM

PEC Headquarters Auditorium

201 S. Ave F, Johnson City, TX 78636

Open Session of this Regular Meeting is held in the PEC Headquarters Auditorium, and will be recorded in accordance with Board Meetings Policy. To address COVID-19 safety and health concerns, PEC continues to operate in-person meetings pursuant to CDC guidelines, including spacing and social distancing. Consequently, dependent on spacing availability and number of persons attending the meeting, members may be asked to participate in-person for limited periods of time. This will allow members who want to attend in-person to do so.

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 9:04 a.m. on May 21, 2021 at the PEC Headquarters Auditorium, 201 South Avenue F, Johnson City, Texas.

Present: 7 - Vice President Milton Rister, President Emily Pataki, Secretary/Treasurer Mark Ekrut, Director Travis Cox, Director James Oakley, Director Paul Graf, and Director Amy Akers

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. [2021-197](#) **Friday, April 23, 2021 - Regular Meeting Minutes**

Attachments: [2021-04-23 OS Meeting Minutes draft v.5.pdf](#)

Cooperative Recognitions

2. [2021-198](#) **Moment of Silence in Commemoration of Memorial Day**

At 9:05 a.m., President Pataki recognized the upcoming Memorial Day Holiday on May 31, 2021 asking for a moment of silence in commemoration of the members of the armed services who gave the ultimate sacrifice, and those who are serving today.

Cooperative Monthly Reports**3. [2021-199](#) Cooperative Update - J Parsley**

Attachments: [2021-05-21 CEO Report.pdf](#)

Ms. Julie Parsley, Chief Executive Officer (CEO) discussed the Cooperative Update. She said we continue to operate under the Emergency Operation Plan (EOP) requiring social distancing and face coverings for employees, and all office lobbies are open with COVID-19 protocols in place. She said PEC is developing a return-to-office strategy and a remote working policy.

CEO Parsley provided an overview of the regulatory update, including: Electric Reliability Council of Texas (ERCOT) held a board meeting on April 27, 2021, Mr. Brad Jones was appointed as Interim CEO for one-year term. The Public Utility Commission (PUC) held an open meeting on May 6, 2021 and discussed the following: Project #51871 - review of the ERCOT Scarcity Pricing Mechanism; approved publication of proposal to modify the value of the low system-wide offer cap (LCAP) by eliminating a provision tying the value of LCAP to the natural gas price index; no other action taken related to the February storm. She said there was an ERCOT/PUC Summer Preparedness Workshop where PUC Chairman Peter Lake and Commissioner Will McAdams addressed stakeholders focusing on gas and electric coordination. Gas generation supply chain identification and outage mitigation is ongoing in the market, and at PEC. CEO Parsley noted that the ERCOT Summer 2021 Peak Demand Forecast anticipates there will be enough generation to meet the summer peak demand of 77,144 MW, and the Capacity, Demand, and Reserves Report projects a 15.7% reserve margin.

CEO Parsley provided a summary of the Texas Legislative Update including: HB 19: Commercial Vehicle Tort Reform has gone to the governor for signature. SB 3: Winter Storm "Omnibus" bill addressing oversight, communications, and coordination within and between the Texas electric regulatory agencies was voted out of House State Affairs on May 18, 2021, but has not been sent to calendars. SB 1580: Cooperative securitization has not gone back to the Senate. HB 4492 is the uplift securitization bill went from the House to the Senate. It does uplift all the costs relating to the winter storm, and includes a carve-out provision allowing for non-participation in the securitization.

She said the PEC board election is open from May 19, 2021 to June 11, 2021. Members in districts 1, 6 and 7 will elect their leadership. CEO Parsley said the Annual Membership Meeting is June 18, 2021 at PEC headquarters and encouraged members to participate by live streaming the meeting on our website, as there is limited seating for those who wish to attend in person. She congratulated 39 students for receiving a PEC Scholarship. She said we awarded PEC Community Grants to seven nonprofit organizations. She introduced Camp Save-a-Watt, our free, online summer camp available to students in kindergarten through second grade who want to learn about electrical safety and energy conservation. Registration is open until June 1, 2021 at <https://camp.pec.coop/save-a-watt>. She discussed employee thank you messages, and mentioned notes of appreciation for our May Texas Co-op

Power magazine spread on environmentally-friendly vegetation maintenance programs, and our planting and mowing practices. She said PEC offices are closed on Monday, May 31, 2021 for Memorial Day. President Pataki thanked CEO Parsley.

4. [2021-200](#) Financial Services Report - R Kruger

Attachments: [2021-05-21 March 2021 Financial Report to the Board](#)
[2021-05-21 March 2021 Financial Statements - R Kruger](#)

Mr. Randy Kruger, Chief Financial Officer (CFO) discussed financial impacts of the winter storm. He said we estimate the storm costs to be about \$180 million (of which, about \$10 million is storm restoration costs, crews, contractors, replacement equipment, and storm damage). He said PEC pays \$170 million for the Lower Colorado River Authority (LCRA) storm power bill in April, and liquidity is now about \$363 million. CFO Kruger indicated that we depend on LCRA for a significant amount of our power supply, and during the storm, the LCRA fleet was not fully available, which exposed us to have to buy power at \$9,000/megawatt hour. He said some LCRA costs have not come in yet, and there are also ongoing disputes at ERCOT. He said we have a commercial paper program in place that funded the LCRA storm power bill. CFO Kruger said we are working with the Board to put together a program to pay the debt off of the balance sheet over the next three years, allowing us to maintain our credit rating, and to have access to inexpensive capital. He mentioned the pending legislation, which would securitize a lot of the storm costs for a number of electric utilities throughout the state. He said that PEC likely will not participate, because we have access to an inexpensive cost of funding. Participation would put a long-term rate increase on members, at an overall higher funding cost than what PEC is able to get through our commercial paper program. CFO Kruger provided an overview of March monthly financials. Director Graf thanked CEO Kruger for the clarity and openness. President Pataki thanked Mr. Kruger for the detailed presentation and appreciated that transparency to the membership.

5. [2021-201](#) Operations Report - E Dauterive

Attachments: [2021-05-21 Operations Report](#)

Mr. Eddie Dauterive, Chief Operations Officer (COO) said there were two preventable vehicle incidents, and next month he will introduce the preventable vehicle incident metric used to track Key Performance Indicators (KPIs) relating to miles of line traveled by vehicle, and factor in the damage threshold. COO Dauterive said SAIDI is at 62 minutes. He mentioned to better reflect the performance of the workforce during the February winter storm, PEC's internal SAIDI is adjusted to classify the whole event from February 12-20, 2021, as a catastrophic event. This removes an additional four days of SAIDI minutes from the calculation, and lowers the February SAIDI by 12.42 minutes, and the rolling 12-month metric to 50. He said line extensions are at a record pace, and we had 3,600 applications. COO Dauterive said meter growth is more than 20,000 meters in a 12 month period. He said the member relations service performance levels were impacted with longer call times for applications and calls related to the winter storm. COO Dauterive said going forward, we will

review the service performance levels and track information more efficiently. He mentioned that a large percentage of members are self-serving through the Smart Hub for payments. COO Dauterive discussed the AMI Meter Distribution Project implementation, which is a new meter to improve our ability to communicate with members during outages and restore power faster. He said we will change out 350,000 meters over the course of 2.5 years. President Pataki thanked COO Dauterive for the information.

Member Comments - 3-minute limitation, or as otherwise directed by Board. Additionally, members may provide comments by sending their input to PECBoard@peci.com.

6. [2021-211](#) Member Comments

Attachments: [Decorum Policy 10 2020.pdf](#)

A member comment submitted by email from Mr. Lyle Grimes, in advance of the meeting is listed and was addressed. On 5/18/21, Member Relations responded by email to the member and President Pataki.

Mr. Dave Hindman was present at the meeting and commented on Broadband costs and PEC spending.

Mr. Doug Crosson was present at the meeting and discussed the relocation of a transmission line near his neighborhood.

Mrs. Trish Lebo was present at the meeting and discussed the relocation of a transmission line near her neighborhood.

Mr. Jim Lebo was present at the meeting and discussed the relocation of a transmission line near his neighborhood.

Mrs. Linda Crosson was present at the meeting and discussed the relocation of a transmission line near her neighborhood.

President Pataki thanked the members for their comments. Director Oakley addressed the comments about Broadband and clarified that the resolution the Board passed prior to the winter storm was the result of the extensive Broadband study, and not the result of the winter weather freeze. President Pataki asked for discussion from staff concerning the transmission line comments. Mr. Don Ballard, General Counsel said he appreciated the comments from the members. He said PEC has a pending complaint at the Public Utility Commission (PUC), and since the parties are represented by counsel, and PEC is represented by counsel, we have conversations through that counsel. Mr. Ballard said we appreciate any settlement negotiations and ongoing communications. He said we want to be certain that the parties have made the particular agreements they say they have. Mr. Ballard said we have not heard quite the same information that we heard today from our members, and we want to confirm that. He stated the burying of our electric utility infrastructure, this being transmission, presents a different kind of issue, because there is a statewide cost of service recovery associated with transmission lines. The facility costs and ongoing maintenance of it is recovered for the entire membership, through a statewide transmission cost of service. He said we will continue to talk about it to understand how we may

come to resolution in this case. President Pataki thanked Mr. Ballard for his comments. She thanked the members who came to the meeting today to present their side of the matter.

Action Items / Other Items

7. [2021-120](#) **Resolution - Approval of Purchase of Land in Hays County - B Gedrich**

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE**, that the Board approves the purchase of real property, subject to satisfaction of any terms as discussed by the Board, 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 designee is authorized to take all such actions as needed to implement this resolution.

Mr. Brian Gedrich, Vice President of Engineering presented the resolution and asked the Board for approval.

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

Yes: 7 - Rister, Pataki, Ekrut, Cox, Oakley, Graf, and Akers

8. [2021-164](#) **Resolution - Approval for Construction Contract, Wirtz to Flat Rock to Paleface - B Gedrich**

Body: **NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE**, that the Chief Executive Officer, or designee, is authorized and directed to negotiate, execute, and deliver a contract for construction services to upgrade the Wirtz to Flat Rock to Paleface transmission line; 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.

Mr. Brian Gedrich, Vice President of Engineering presented the resolution and asked the Board for approval.

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

Yes: 7 - Rister, Pataki, Ekrut, Cox, Oakley, Graf, and Akers

9. [2021-188](#) **Draft Resolution - Review and Approval of Enterprise Risk Management (ERM) Governance Policy - B Headrick**

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 Enterprise Risk Management (ERM) Governance 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: [2021-05-21 ERM Policy \(Clean\)](#)
[2021-05-21 ERM Policy \(Redline\)](#)

Ms. Bridget Headrick, Vice President, Compliance & Regulatory provided a summary of the draft resolution and indicated next month she will present a final resolution for approval by the Board.

10. [2021-212](#) 2021 Election Timeline Update - S Romero (Written Report in Materials)

Attachments: [2021 Election - Important Dates and Info.pdf](#)
[2021 Election Timeline-REVISED 03-26-2021-FINAL - 2021-05 BOD MTG.pdf](#)

President Pataki stated the 2021 Election Timeline is provided as information.

Proposed Future Items / Meetings (subject to final posting)

11. [2021-213](#) List of Board Approved Future Meetings

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

President Pataki said the list of Proposed Future Items is provided as information, and there are no changes to the future meetings.

12. [2021-214](#) 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 provided for informational purposes.

Recess to Executive Session

President Emily Pataki announced the items to be discussed in Executive Session and at 10:04 a.m. stated the Board would go into Executive Session.

Executive Session - Legal Matters

13. [2021-215](#) Matters in Which the Board Seeks the Advice of Its Attorney as Privileged Communications in the Rendition of Professional Legal Services

14. [2021-216](#) Litigation and Related Legal Matters - D Ballard

15. [2021-217](#) Resolution - Approval of Authorization for Initiation, Settlement, or Disposition of Litigation Matter(s) - D Ballard

16. [2021-218](#) Resolution - Approval of Delegation of Authority to Chief Executive Officer to Implement Measures in Response to COVID-19 - J Parsley

- 17. [2021-232](#) Review of Operations, Financials, and Market Conditions on Extreme Cold Weather Event February 2021 - D Ballard
- 18. [2021-226](#) Discussion of PEC's Municipal Franchise Agreements - D Ballard
- 19. [2021-234](#) Legislative Update - M Viesca/S Johnson
- 20. [2021-230](#) Enterprise Risk Management (ERM) Quarterly Update - B Headrick
- 21. [2021-227](#) Ethics and Compliance Quarterly Update - M Beyer

Executive Session - Contract and Competitive Matters

- [2021-196](#) Resolution - Determination and Approval of Necessity and Public Use for Acquisition of Easements for the Paleface to Flatrock to Wirtz Transmission Line Rebuild and Upgrade; and Authorization of the Cooperative to Use Eminent Domain to Acquire Property for the Paleface to Flatrock to Wirtz Transmission Line Rebuild and Upgrade - B Gedrich
- 23. [2021-219](#) Markets Monthly Report - D Thompson
- 24. [2021-220](#) Control Centers and Facilities Update - J Parsley/C Moos
- [2021-231](#) Resolution - Authorization to Amend Authority for Construction of Control Center - J Parsley

Executive Session - Real Estate Matters

- [2021-221](#) Resolution(s) - Approval of Real Property Acquisitions or Real Property Dispositions - E Dauterive/C Moos
- 27. [2021-222](#) Resolution(s) - Approval of Capital Improvement Plan Budget Amendments for Real Property Acquisitions - E Dauterive/C Moos

Executive Session - Safety and Security Matters

- 28. [2021-223](#) Safety and Security Matters
- 29. [2021-228](#) Cyber Security Update

Executive Session - Personnel Matters

- 30. [2021-224](#) Personnel Matters
- 31. [2021-229](#) CEO Action Plan Quarterly Update - J Parsley

Reconvene to Open Session

At 2:56 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.

22. [2021-196](#) **Resolution - Determination and Approval of Necessity and Public Use for Acquisition of Easements for the Paleface to Flatrock to Wirtz Transmission Line Rebuild and Upgrade; and Authorization of the Cooperative to Use Eminent Domain to Acquire Property for the Paleface to Flatrock to Wirtz Transmission Line Rebuild and Upgrade - B Gedrich**

Body: WHEREAS, the Board of Directors of PEC, pursuant to the Texas Constitution and Texas Utilities Code, Section 161.125 and other applicable law and Chapter 21 of the Texas Property Code, hereby finds that the Paleface to Flatrock to Wirtz Project is for public use and in the public interest to acquire the interests in the Property through eminent domain proceedings;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, that acquisition of the Property for installation, construction, operation and maintenance of a transmission line rebuild and upgrade and all necessary appurtenant facilities is for public use and in the public interest to ensure system reliability for its members and the electric grid for the State of Texas; and

BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE that the Chief Executive Officer of the Cooperative or any person designated by her 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 engage any title company, third-party surveyor, engineer, environmental engineers and appraisers, as needed, to perform professional services in connection with the Paleface to Flatrock to Wirtz Project, or any other service provider in connection with the Paleface to Flatrock to Wirtz Project; to negotiate, settle and agree on a purchase price for said Property or to determine the amount of damages and compensation to be paid to the owners of the Property as necessary, and to make official, written, bona fide offers to the owners for the appraised value of said Property, in each case in such form and containing such terms and conditions as such officer or agent may in his or her reasonable discretion deem necessary, appropriate, or desirable; and

BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE that if it is determined that an agreement as to the value of said Property, damages and/or compensation to be paid cannot be reached, then the General Counsel of the Cooperative or any attorney designated by him for such purpose, be and each of them hereby is authorized to file or cause to be filed, against the owners, lien holders and other holders of an interest in the Property, proceedings using the Cooperative's power of eminent domain to

acquire interests in and to the Property, in order to allow the Cooperative and/or its assigns to complete said Paleface to Flatrock to Wirtz Project, and to perform and undertake all other proceedings necessary to complete the acquisition of the Property; and

BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE that above recitals are true and correct and it is the intent of the Board of Directors of the Cooperative that this resolution authorizes all processes and procedures for the acquisition or the condemnation of all Property required to complete the Paleface to Flatrock to Wirtz Project; and if it is later determined that there are any errors in the property descriptions contained herein or if later surveys contain more accurate revised descriptions, the Cooperative's attorney is authorized to have such errors corrected or revisions made without the necessity of obtaining a new resolution from the Board of Directors authorizing the use of its power of eminent domain of the corrected or revised Property; and

BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, that the Chief Executive Officer of the Cooperative, the General Counsel or any persons designated by either of them 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 reasonable judgment to be necessary or appropriate in the best interests of the Cooperative to give effect to the foregoing resolution; and

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, including, but not limited to, the delivery of any relevant document in the name of and on behalf of the Cooperative relating to any bona fide offer to the owners are hereby confirmed, ratified and approved.

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

Yes: 7 - Rister, Pataki, Ekrut, Cox, Oakley, Graf, and Akers

25. [2021-231](#) Resolution - Authorization to Amend Authority for Construction of Control Center - J Parsley

Body: **NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF PEDERNALES ELECTRIC COOPERATIVE, INC.** that the Cooperative authorizes amendments to the limits of the Delegation of Authority as discussed in 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 such actions as needed to implement this resolution.

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

Yes: 7 - Rister, Pataki, Ekrut, Cox, Oakley, Graf, and Akers

26. [2021-221](#) **Resolution(s) - Approval of Real Property Acquisitions or Real Property Dispositions - E Dauterive/C Moos**

[2021-277](#) **Resolution - Reaffirmation of Authorization for Transfer of Land and Release from Lien in Hays County - E Dauterive**

Body: **NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE**, that the Cooperative hereby reaffirms the terms of the transfer of its Wimberley Property as authorized in its August 2019 resolution, as discussed this day in Executive Session, with details of any such transaction to be publicly available upon public filing of instruments;

BE IT FURTHER RESOLVED, that the Cooperative reaffirms its request as authorized in its August 2019 resolution that the Trustee release the Wimberley Property from the Lien under the Master Indenture pursuant to Section 1.9(a) of the Master Indenture and release the Wimberley Property from the Deed of Trust;

BE IT FURTHER RESOLVED, that the Chief Executive Officer 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 prepare, execute, acknowledge as appropriate, and deliver any deed, certificates and other instruments of any nature necessary or appropriate to give effect to such transfer of the Wimberley Property and release of the Wimberley Property from the Lien, in such form and containing such terms and conditions as such officer or agent may in his sole discretion deem necessary, appropriate, or desirable; 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 Vice President Akers, seconded by Director Oakley, that this item be approved. The motion carried by the following vote:

Yes: 7 - Rister, Pataki, Ekrut, Cox, Oakley, Graf, and Akers

Adjournment

There being no further business to come before the Board of the Directors, the meeting was adjourned at 2:58 p.m.

Approved:

Milton Rister, Secretary

Emily Pataki, President

