



Meeting Minutes - Draft

Board of Directors

Monday, August 20, 2018

9:00 AM

PEC Marble Falls Office

Open Session of this Regular Meeting was held in the PEC Marble Falls Office and was recorded in accordance with Board Meetings Policy.

Call to Order and Roll Call

President Emily Pataki expressed appreciation for the opportunity to serve as Board President for the last two years and support to the leadership of the next Board President.

Present: 7 - Director Milton Rister, Director Randy Klaus, Director Jim Powers, Director James Oakley, Director Paul Graf, Director Amy Akers, and President Emily Pataki

Board Organizational Matter

1. [2018-285](#) **Appointment of Presiding Officer for Board Reorganization**

President Emily Pataki stated that the Board would consider the pending Board Organizational Matter and General Counsel Don Ballard reviewed the process of electing by secret and blind ballot.

2. [2018-240](#) **Election - Office of President**

General Counsel Don Ballard asked if any directors desired to remove themselves from consideration for the office of President, and in response Directors Amy Akers, James Oakley, Emily Pataki and Milton Rister asked that their names be removed. Mr. Ballard asked the directors to write their choice for President on the distributed ballots. Following the collection and counting of votes, General Counsel Don Ballard announced that Paul Graf had been elected as President of the Board.

3. [2018-241](#) **Election - Office of Vice-President**

General Counsel Don Ballard asked if any directors desired to remove themselves from consideration for the office of President, and in response Directors Paul Graf, James Oakley, Emily Pataki and Milton Rister asked that their names be removed. Mr. Ballard asked the directors to write their choice for Vice President on the distributed ballots. Following the collection and counting of votes, General Counsel Don Ballard announced that Jim Powers had been elected as Vice President of the Board.

4. [2018-242](#) Election - Office of Secretary-Treasurer

General Counsel Don Ballard asked if any directors desired to remove themselves from consideration for the office of Secretary-Treasurer, and in response Directors Paul Graf, Jim Powers, Milton Rister and Amy Akers asked for their names be removed. Mr. Ballard asked the directors to write their choice for Secretary-Treasurer on the distributed ballots. Following the collection and counting of votes, General Counsel Don Ballard announced that Emily Pataki had been elected as Secretary-Treasurer of the Board.

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.

5. [2018-193](#) Monday, July 16, 2018 - Regular Meeting Minutes

Attachments: [2018-07-16 Regular Minutes - draft5](#)

Consent item approved.

Cooperative Recognitions**6. [2018-284](#) Recognition of PEC Participants at Annual Texas Lineman's Rodeo - J Lockhart**

Attachments: [2018-08-20 Rodeo Update](#)

VP of Operations Wayne McKee reported that the Texas Lineman Rodeo was a good training tool for developing safe practices and skills. Mr. McKee reported on Texas Lineman Rodeo Committee (TLRC) members, recognized Regional Operations Manager Joe Lockhart's 35 years of industry experience, and Supervisors Andy Ridge and Eric Bitzko for developing new training techniques. A video of PEC's participation at the event was shown. Mr. Lockhart recognized the PEC Rodeo Teams' work to win 11 trophies at the event, placing 2nd overall in the journeyman event cooperative division, and 1st overall in the apprentice division. Mr. Lockhart announced the team members advancing to the International Lineman's Rodeo in Kansas as: Apprentice Team - Nick Morris, Neil Dodson, Darren Donhauser, and Caleb Brodock; Two Journeyman Teams - AJ Mann, Clayton Riedel, Michael Thyberg, Chris Gerchman, Thomas Logan, and Randy Williams. Staff expressed their appreciation to the Texas Lineman Rodeo Committee members for their hard work, and thanked the Board and Executive Team for their support.

Cooperative Monthly Reports**7. [2018-253](#) Cooperative Update - J Parsley**

Attachments: [2018-08-20 Cooperative Update-FINAL](#)

CEO Julie Parsley welcomed everyone to the new Marble Falls facility and reviewed the Cooperative Update PowerPoint presentation, which included a visit from Congressman Roger Williams and the proposed schedule of Board meeting locations in the districts.

8. [2018-256](#) Financial Services Report - J Davis / F Wolff

Attachments: [2018-08-20 - July 2018 Financial Statements - John Davis](#)
[2018-08-20 July 2018 Financial Presentation to the Board - John Davis](#)

CFO John Davis reviewed the Financial Services Report PowerPoint presentation.

9. [2018-257](#) Operations Report (written report in materials)

Attachments: [2018-08-20 Operations Report Final](#)

COO Eddie Dauterive reviewed the Operations Report PowerPoint presentation highlighting the Member Relations information and answered questions regarding underground to overhead ratios.

10. [2018-191](#) Information Technology Report (written report in materials)

Attachments: [2018-08-20 Information Technology Report](#)

CIO Lawanda Parnell reviewed the Information Technology Report PowerPoint presentation highlighting the Test Automation information.

Member Comments (3 minute limitation or as otherwise directed by Board)**11. [2018-258](#) Member Comments**

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

There were no members wanting to address the Board.

Action Items / Other Items

12. [2018-210](#) **Resolution - Approval to Review and Reaffirm/Amend Audit Committee Charter - P Graf**

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS** that the Board has reviewed the charter of the Audit Committee and adopts amendments to the charter of the Audit Committee as presented to and discussed by the Board this day, with such changes, if any, as were discussed and approved by the Board; and

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

Attachments: [Audit Charter 2017-06-17 final approved 2](#)
[Audit Charter 2017-06-17 DB2 redline](#)
[Audit Charter Final approved 2018-08-20](#)

General Counsel Don Ballard reviewed the proposed changes to the Audit Committee Charter.

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

Yes: 7 - Rister, Klaus, Powers, Oakley, Graf, Akers, and Pataki

13. [2018-211](#) **Resolution - Approval of the Appointment of Audit Committee and Audit Committee Chairperson**

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS** that Directors Amy Akers, Randy Klaus, and Milton Rister are hereby appointed/reappointed and affirmed as members of the Audit Committee, effective as of August 20, 2018.

BE IT RESOLVED BY THE BOARD OF DIRECTORS that Director Amy Akers is hereby appointed and affirmed as the chairperson of the Audit Committee, effective as of August 20, 2018.

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

Yes: 7 - Rister, Klaus, Powers, Oakley, Graf, Akers, and Pataki

14. [2018-281](#) **Resolution -Tariff & Business Rules Amendments for Critical Care Registry and Pre-paid Payment Option - E Dauterive**

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE** that the Cooperative approve the amendment(s) to the Tariff and Business Rules, as attached, with any modifications approved by the Board this day to become effective as of September 1, 2018; 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: [2018-07-16 Critical Care Registry Clean Final](#)
[2018-07-16 Critical Care Registry Redline Final](#)

COO Eddie Dauterive reviewed the proposed amendment to the Tariff and Business Rules which included clarifying language for the Critical Care registry.

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

Yes: 7 - Rister, Klaus, Powers, Oakley, Graf, Akers, and Pataki

15. [2018-282](#) **Resolution - Capping Empower Loan Program and Discontinuing On Bill-Financing Program Tariff - T Nance**

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE** that the Cooperative approve the amendment(s) to the Tariff and Business Rules as attached, with any modifications approved by the Board this day to become effective as of August 31, 2018 while continuing the management of existing Empower Loans until loan completion in accordance with its loan guidelines; and

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

Attachments: [2018-07-16 Capping of Empower Loan Program Redline Final](#)
[2018-07-16 Capping of Empower Loan Program Clean Final](#)

COO Eddie Dauterive reviewed the proposed resolution to cap the Empower Loan Program to new participants and to continue to serve the on-bill financing for approximately 27 existing loans.

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

Yes: 7 - Rister, Klaus, Powers, Oakley, Graf, Akers, and Pataki

16. [2018-286](#) Resolution - Approval of Directors Compensation Policy - D Ballard

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 Directors Compensation 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: [2018-08-20 Director Compensation Policy - DRAFT Clean v2](#)
[2018-08-20 Director Compensation Policy - DRAFT Redline v2](#)

General Counsel Don Ballard reviewed amendments to the Directors Compensation Policy which included clarification of section 3.6 regarding optional insurance coverage. The Board chose to continue discussions regarding specific rate or costs of plans as a competitive matter in Executive Session prior to taking action on the policy.

17. [2018-287](#) Resolution - Consideration of Election Services Provider for 2019 PEC Elections - D Ballard

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS** that the General Counsel, or designee, is authorized to negotiate and execute an additional one-year contract with Survey & Ballot Systems for Election Services Provider on behalf of the Cooperative.

General Counsel Don Ballard reviewed the proposed resolution for election services provider for 2019 PEC elections and staff's recommendation to extend the contract with Survey and Ballot Systems for one additional year.

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

Yes: 7 - Rister, Klaus, Powers, Oakley, Graf, Akers, and Pataki

18. [2018-270](#) Resolution - Approval of 2019 Annual Meeting Planning - M Viesca

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS** that the 2019 Annual Meeting of the Pedernales Electric Cooperative, Inc. (PEC) be held within the PEC service territory at PEC Headquarters grounds in Johnson City, Texas;

BE IT RESOLVED BY THE BOARD OF DIRECTORS that the date for the 2019 Annual Meeting of the Pedernales Electric Cooperative, Inc. (PEC) be held Saturday, June 22, 2019; and

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

Attachments: [2018-08-20 Approval of Annual Meeting Planning 2019](#)

Executive Vice President Public Affairs Mike Viesca reviewed the 2019 Annual Member Meeting PowerPoint presentation and the proposed options for date and location. Director James Oakley moved to have the 2019 Annual Meeting on Saturday, June 22, 2019. Director Jim Powers seconded the motion. Following additional discussion regarding location, Director James Oakley amended his motion to include Johnson City as the location for the meeting and Director Jim Powers seconded the amended motion. President Paul Graf asked staff to report additional Annual Meeting plans at the next meeting.

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

Yes: 7 - Rister, Klaus, Powers, Oakley, Graf, Akers, and Pataki

19. [2018-288](#) Resolution - Approval of Contract Extension with Modis, Inc. - L Parnell

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS** that the Board approve a 2 year extension to the Modis, Inc. staffing contract through August 2020; and

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

CIO Lawanda Parnell reviewed the proposed resolution for a contract extension with Modis through 2020.

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

Yes: 7 - Rister, Klaus, Powers, Oakley, Graf, Akers, and Pataki

20. [2018-267](#) **Draft Resolution - Review and Approval of Capital Credits Policy - J Davis**

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

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

Attachments: [2018-08-20 Capital Credits Policy Draft \(clean\)](#)
[2018-08-20 Capital Credits Policy Draft \(redline\)](#)

CFO John Davis reviewed the draft resolution for approval of the Capital Credits Policy, which included only grammatical edits. This item would be considered at the next meeting.

21. [2018-278](#) **Draft Resolution - Approval of Monarch Upgrade (SCADA System) - W McKee / R Peterson**

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE**, that the Board approves the upgrade amendment of the Monarch SCADA System contract; and

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

Attachments: [2018-08-20 Approve OSII Monarch Upgrade Presentation](#)

VP of Operations Wayne McKee and Principal Design and Field Engineer Robert Peterson reviewed the draft resolution for the approval of OSII Monarch upgrade. Mr. Peterson explained the difference between OSII EPILOG software approved last month and the OSII Monarch, which is an overall system upgrade. Mr. Peterson stated approximately \$600,000 would be included in the 2019 budget and staff was asking for approval now to be able to complete pre-implementation work prior to January 2019.

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

Yes: 7 - Rister, Klaus, Powers, Oakley, Graf, Akers, and Pataki

22. [2018-274](#) Annual Review of Election Policy and Procedures - D Ballard

Attachments: [2018-08-20 Annual Review of Election - Draft v5](#)

General Counsel Don Ballard stated the the Election Policy and Procedures (EPP) requires that each year staff report any feedback or enhancements for the election. Mr. Ballard reported that input was sought from candidates, the Board, and others regarding suggested improvements. The Board and staff discussed the list of EPP Review Considerations as included in the meeting materials and the Board provided input on items to be drafted for their review at the September Board Meeting.

At 10:50 am President Paul Graf announced a break and at 11:04 am the meeting reconvened.

23. [2018-215](#) Update on Board District Rebalance

Attachments: [2018-08-20 Director District Revision Timeline](#)
[2018-07-16 Director District Revision and Member Balance](#)

Daniel Gibson, with Richards, Elder & Gibson, PLLC, reviewed the Director District Revision Timeline PowerPoint presentation, including a review of bylaws, policy, and equitable considerations. The Board discussed and agreed to wait until a full single member district voting rotation had been completed before rebalancing the director districts, which would also provide time for member input.

24. [2018-272](#) Plan Administration Committee (PAC) Investment Advisor Update - Drew McCorkle (CAPTRUST Advisors)

Attachments: [2018-08-20 PAC Annual Report](#)

Controller Freddy Wolff introduced Drew McCorkle, Senior Vice President Financial Advisor with CAPTRUST Financial Advisors and reviewed his background. Mr. Wolff reported that the Plan Administration Committee (PAC) meets quarterly to review pension and 401(k) investments, and Mr. McCorkle participates in those meetings in a co-fiduciary role. Mr. McCorkle reviewed the PAC's duties and the Board's fiduciary duties, and reported fiduciary training for the Board would be held August 2019. Mr. McCorkle reviewed the annual PAC Investor Update report as included in the meeting materials. In response to a director inquiry, the PAC members were announced as Bernie Dawson (PAC Chairperson), Freddy Wolff, Regina Leal- Vandervort, Cindy Armstrong, Robert Peterson, Tim Nance and Richard Arellano.

Proposed Future Items / Meetings (subject to final posting)

25. [2018-259](#) List of Proposed Future Meetings

Attachments: [2018-08-01 Proposed Future Meetings - v1](#)

President Paul Graf stated that the List of Proposed Future Meetings included in the meeting materials did not reflect the proposed future locations presented earlier in the meeting. In response to a director request, CEO Julie Parsley stated the proposed Board Meeting locations schedule would be sent to the Board. President Paul Graf announced the September Board Meeting would be held at the Kyle Office.

26. [2018-260](#) Board Planning Calendar (written report in materials)

Attachments: [2018-08-01 Board Planning Calendar v2](#)

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

Recess to Executive Session at 11:22 am

President Paul Graf announced the items to be discussed in Executive Session and at 11:22 am stated the Board would go into Executive Session.

Executive Session - Legal Matters**27. [2018-261](#) Litigation and Related Legal Matters****28. [2018-262](#) Matters in Which the Board Seeks the Advice of its Attorney as Privileged Communications in the Rendition of Professional Legal Services****29. [2018-127](#) Conflict of Interest Training - D Ballard****Executive Session - Contract and Competitive Matters****30. [2018-277](#) Draft Resolution - Approval of Wirtz-Mountain Top T-Line Pole Order - E Dauterive****31. [2018-205](#) Monthly Markets Report - D Thompson****32. [2018-280](#) Line Extension Tariff Review Update - E Dauterive****Executive Session - Real Estate Matters****33. [2018-264](#) Facilities and Real Estate Update - R Arellano**

Executive Session - Safety and Security Matters

- 34. [2018-265](#) Safety and Security Matters

Executive Session - Personnel Matters

- 35. [2018-273](#) Plan Administration Committee (PAC) Update - F Wolff, PAC Member / D McCorkle
- 36. [2018-266](#) Personnel Matters Update

Reconvene to Open Session 4:08 pm

Items from Executive Session

There were no items to report from Executive Session.

Adjournment

There being no further business to come before the Board of the Directors, the meeting was adjourned at 4:09 pm.

Approved:

Emily Pataki, Secretary

Paul Graf, President