



Pedernales Electric Cooperative

PO Box 1
Johnson City, TX 78636

Meeting Minutes - Draft

Board of Directors

Friday, January 20, 2023

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 9:07 a.m. on January 20, 2023 at the PEC Headquarters Auditorium, 201 South Avenue F, Johnson City, Texas.

Present: 7 - Vice President Milton Rister, Director Emily Pataki, President Mark Ekrut, Director Travis Cox, Director James Oakley, Secretary/Treasurer 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. [2023-001](#) Friday, December 16, 2022 - Regular Meeting Minutes

Attachments: [2022-12-16 OS Meeting Minutes draft v3](#)

Cooperative Monthly Reports

2. [2023-002](#) Cooperative Update - J Parsley

Attachments: [CEO Jan Update 2023-002 - FINAL](#)

Ms. Julie Parsley, Chief Executive Officer (CEO), provided an annual legislative update, the regulatory update, an update of member payment options, for which Mr. J.P. Urban, Vice President of External Relations, provided additional details. Ms. Parsley further discussed the 2023 Board election and timeline, a recent employment recruiting event for apprentice line workers, PEC scholarship applications, which open February 1, 2023 for high school seniors and adults pursuing higher education opportunities, and employee kudo messages.

3. [2023-003](#) Cooperative Financial Update - R Kruger

Attachments: [CFO Update Flash Report-2023-003-Final](#)

Mr. Randy Kruger, Chief Financial Officer (CFO), provided the December financial report. Additional details of the financial report may be found in the attached documents. Mr. Kruger discussed the cold weather in late December, gas storage, forward natural gas prices, forward power prices, market heat rates, the impact of inflation and commodity costs, and interest rates.

4. [2023-004](#) Cooperative Operations Update - E Dauterive

Attachments: [Operations Report 2023-004 Final](#)

Mr. Eddie Dauterive, Chief Operations Officer (COO), discussed safety and technical training, system growth, preparing for growth, reliability and operational impacts, and manufacturing supply chain constraints affecting new meter installations.

Member Comments (3 minute limitation or as otherwise directed by Board)**5. [2023-005](#) Member Comments**

Attachments: [Decorum Policy](#)

Ms. Monique Ragsdale was present and commented on member payments.

Action Items / Other Items**6. [2023-006](#) Resolution - Approval to Amend Tariff and Business Rules - Industrial Rate - 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: [PPT - Approval to Amend Tariff and Business Rules - Industrial Rate - 2023-006-FINAL](#)
[Tariff language Clean - Tariff and Business Rules Industrial Rate Update - 2023-006-FINAL](#)
[Tariff language Redline - Tariff and Business Rules Industrial Rate Update - 2023-006-FINAL](#)

Industrial Rate

The Cooperative's Rate Policy requires a Cost-of-Service Study to be conducted at regular intervals to guide rate design and as an input to the Rate Plan. The Rate Plan defines how the Cooperative anticipates recovering its costs from members for services provided during the upcoming year. The

proposed 2023 Rate Plan references review of the Industrial Power Service Rate.

As a component of the Industrial Power Service Rate, the Capacity Demand Charge generally recovers the cost associated with the maintenance and operations of the distribution infrastructure and other related costs. The Industrial Rate's Capacity Demand Charge is reviewed annually to ensure the rate closely aligns with the cost to provide service. After review, the recommendation is to adjust the Tariff and Business Rules (the "Tariff") as to "Industrial Power Service" Section 500.2.2.3 by decreasing the Capacity Demand Charge from: \$0.580000 kW to \$0.490000 per kW.

Tariff amendment and effective date is shown below:

Industrial Power Service, Section 500.2.2.3 - Effective for all bills issued on and after March 1, 2023.

Ms. Natalia Mack, Rates Manager, 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: 7 - Rister, Pataki, Ekrut, Cox, Oakley, Graf, and Akers

7. [2023-007](#) **Resolution - Approval to Amend Tariff and Business Rules - Annual Interconnect Rate Update - 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: [PPT - Approval to Amend Tariff and Business Rules - Annual Interconnect Rate Update - 2023-007-FINAL](#)
[Tariff Language Clean - Tariff and Business Rules - Annual Interconnect Rate Update - 2023-007-FINAL](#)
[Tariff Language Redline - Tariff and Business Rules - Annual Interconnect Rate Update - 2023-007-FINAL](#)

Annual Interconnect Rate Update

The Cooperative's Rate Policy requires a Cost-of-Service Study to be conducted at regular intervals to guide rate design and as an input to the Rate Plan. The Rate Plan defines how the Cooperative anticipates recovering its costs from members for services provided during the upcoming year. The proposed 2023 Rate Plan references review of the Sustainable Power Credit - Interconnect Rate.

As a component of the Interconnect Rate, the Sustainable Power Credit is designed to pay solar members for their excess power at the market value of power plus any system benefit. The Sustainable Power Credit is updated annually to ensure that this credit that compensates Members, with an active interconnect agreement and not on the Interconnect Wholesale Energy Rate, for received energy, closely aligns with the benefit to the Cooperative. After

review, the recommendation is to adjust the Tariff and Business Rules (the "Tariff") as to "Sustainable Power Credit" Section 500.1.12 by increasing the Sustainable Power Credit from: - \$0.053770 to - \$0.060005 per kWh.

Tariff amendment and effective date is shown below:

Sustainable Power Credit, Section 500.1.12 - Effective for all bills issued on and after March 1, 2023.

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

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

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

8. [2023-008](#) Resolution - Approval to Amend Tariff and Business Rules - Dual Feed Rider - 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: [PPT - Approval to Amend Tariff and Business Rules - Dual Feed Rider - 2023-008-FINAL](#)
[Tariff language Clean - Tariff and Business Rules Dual Feed Rider - 2023-008-FINAL](#)
[Tariff language Redline - Tariff and Business Rules Dual Feed Rider - 2023-008-FINAL](#)

Dual Feed Rider

In February 2021, the Cooperative approved removal from the Tariff and Business Rule of the Facilities Rental Rider. The Facilities Rental Rider supported non-residential Member requests for non-standard equipment allowing payment over an extended timeframe for this equipment. These changes were needed to ensure equitable treatment of members in the line extension construction process and to ensure standardization for maintenance and tracking of non-standard equipment across the Cooperative.

To address the remaining cost alignment for non-standard equipment, the Cooperative now recommends adoption of a Dual Feed Rider. A subset of Members requesting the non-standard equipment require that the Cooperative reserve standby capacity on a secondary distribution line.

The proposed new charge ensures those Members requiring reserve capacity pay an equitable share of PEC distribution system costs. In addition, Members are responsible for all costs associated with engineering, installation, maintenance, and material costs required to provide and maintain the non-standard equipment.

The Dual Feed Rider will be based on the Member's highest annual non-coincident peak demand, measured on an hourly basis. The demand will

be updated each year according to the Member's required capacity. The monthly charge will be \$5.20 per kW reserved.

Tariff and Business Rules amendments and effective dates are shown below:
Section Dual Feed Rider, 500.1.21 - Effective for all bills issued on and after June 1, 2023.

Ms. Natalia Mack, Rates Manager, 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: 7 - Rister, Pataki, Ekrut, Cox, Oakley, Graf, and Akers

9. [2023-009](#) **Resolution - Approval of 2023 Key Performance Indicators Plan Methodology - E Dauterive**

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS** that the 2023 Key Performance Indicator Plan Methodology presented to the Board this day is approved; and

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

Attachments: [2023 KPI Plan Revisions Presentation](#)
[2023 KPI Plan FINAL](#)

2023 KPI Plan Year

The Board of Directors may consider approving the 2023 KPI Plan for implementation in the periods for the 2023 KPI Plan Year.

Mr. Eddie Dauterive, Chief Operations Officer (COO), presented the resolution and asked the Board 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: 7 - Rister, Pataki, Ekrut, Cox, Oakley, Graf, and Akers

10. [2023-010](#) **Resolution - Approval of Construction Contract for Hero Way Substation - J Treviño**

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE**, that the Cooperative approve an agreement to construct the Hero Way Substation as described herein; 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.

Hero Way Substation

Recommendation to approve the contract for substation construction services for the Hero Way Substation in Williamson County, Texas. The new substation is needed to off load the existing substations and feeders in the area and to improve reliability and contingency options.

Mr. Eddie Dauterive, Chief Operations Officer (COO), 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: 7 - Rister, Pataki, Ekrut, Cox, Oakley, Graf, and Akers

11. [2023-012](#) **Resolution - Approval of 2023 NRECA Annual Membership Dues - J Parsley**

Body: BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, that the Membership dues to the National Rural Electric Cooperative Association for 2023 in the amount of \$226,412.00 are approved; and the Chief Executive Officer of the Cooperative, or designee, is authorized to pay those dues pursuant to the invoice duly presented to the Cooperative.

Attachments: [NRECA Distribution Membership Dues Invoice for 2023](#)

NRECA Membership Dues

Membership in NRECA (National Rural Electric Cooperative Association) provides the ability for members to take legislative action, stay informed with technology, industry, and politics, and collaboration between other cooperatives. Membership also provides opportunities to participate in international and youth programs.

Below is a historic table of membership dues paid to NRECA, which is based on statistical data for the number of consumers at Pedernales Electric:

2016 - \$161,427.00
2017 - \$163,820.00
2018 - \$171,025.00
2019 - \$174,316.00
2020 - \$182,228.00
2021 - \$186,295.00
2022 - \$198,000.00
2023 - \$226,412.00

Ms. Julie Parsley, Chief Executive Officer (CEO), 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: 7 - Rister, Pataki, Ekrut, Cox, Oakley, Graf, and Akers

12. [2023-013](#) **Resolution - Approval of TEC 2023 Annual Membership Dues - J Parsley**

Body: RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE that Texas Electric Cooperatives (TEC) membership dues (in the amount of \$186,723.46) and associated dues, including ERCOT and Legal, for 2023 are approved, and the Chief Executive Officer of the Cooperative, or designee, is authorized to pay those dues pursuant to the invoices duly presented to the Cooperative.

Attachments: [TEC Membership Dues Invoice for 2023](#)

TEC Membership Dues

Each calendar year the Board considers approval of Texas Electric Cooperatives (TEC) membership. Membership contributes to overall

effectiveness by providing a clearinghouse for ongoing training, developments in the utility industry, best practices, and other legislative education or efforts provided. With membership, PEC is also able to access aggregated competitive pricing for certain utility materials. The statewide association also returns patronage capital to its cooperative members. Below is a 3-year history of PEC dues and patronage capital.

Year	Membership Dues	Patronage Capital
2020	\$167,686	\$115,538
2021	\$174,426	\$688,181
2022	\$186,723	\$406,986

Ms. Julie Parsley, Chief Executive Officer (CEO), presented the resolution and asked the Board for approval.

A motion was made by Director Cox, 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

13. [2023-014](#) Draft Resolution - Approval of 2023 NRECA Annual Meeting Voting Delegates, 2023 CFC District Voting Delegates, and 2023 NRTC Voting Delegates - M Ekrut

Body: BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, that the following persons are appointed as voting delegate and alternate delegate to act as designated and authorized representatives of the Cooperative at the 2023 NRECA PowerXchange (Annual Meeting) until successors are duly appointed and designated: _____, Voting Delegate; and _____, Alternate Delegate; and

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, that the following persons are appointed as voting delegate and alternate delegate to act as designated and authorized representatives of the Cooperative at the 2023 NRTC Annual Meeting, until successors are duly appointed and designated: _____, Voting Delegate; and _____, Alternate Delegate; and

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, that the following persons are hereby appointed as voting delegate and alternate delegate to act as designated and authorized representatives of the Cooperative at the 2023 District 10 Meeting of CFC, until successors are duly appointed and designated: _____, Voting Delegate; and _____, Alternate Delegate; and

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

The Board deliberated on the matter and President Mark Ekrut said the Board will confirm the Voting Delegate and Alternate Voting Delegate in time for the February Board meeting.

14. [2023-015](#) Draft Resolution - Approval for Directing the General Counsel to Prepare 2023 Proposed Non-Director Election Ballot Item(s) - D Ballard

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE** that the General Counsel, or designee, of the Cooperative is directed to prepare proposed ballot wording for consideration by the Board of Directors on the following Non-Director Election matter(s) (as defined in the Cooperative's Election Procedures):

- A.) _____;
B.) _____;
C.) _____; and

BE IT FURTHER RESOLVED that in accordance with Section 6.1 of the Election Procedures, the ballot wording will be presented in a way to maximize Members' understanding of the Non-Director Election matter, including any Board recommendation or position concerning the matter; and

BE IT FURTHER RESOLVED that the Board votes to [support/oppose] the proposed Non-Director Election matter, and the General Counsel is directed to draft proposed ballot language that reflects the Board's position; and

BE IT FURTHER RESOLVED that this proposed Non-Director Election matter shall not be included on the ballot unless and until a majority of the Directors votes to affirmatively place the matter on the ballot and approves the ballot wording.

Mr. Don Ballard, General Counsel, presented the draft resolution and said the Board may consider any 2023 Non-Director Election items for the ballot.

15. [2023-016](#)

Draft Resolution - Approval of Appointments to 2023 Qualifications and Elections Committee - D Ballard

Body: **WHEREAS** the Bylaws of the Cooperative require the Board to appoint a Qualifications and Elections Committee (the "Committee") to review and determine the qualifications of applicants who wish to be candidates for election to the Board, and in accordance with the Cooperative's Election Policy and Procedures;

NOW, THEREFORE, BE IT RESOLVED that the following individuals are appointed to serve on the Qualifications and Elections Committee for the 2023 Election:

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____; and

BE IT FURTHER RESOLVED that the following individuals are appointed as alternates to serve on the Qualifications and Elections Committee for the 2023 Election should an appointed member be unable to serve:

1. _____
2. _____
3. _____

4. _____
5. _____
6. _____
7. _____; and

BE IT FURTHER RESOLVED that the Committee will elect its own officers (Chair and Secretary), and will have access to information gathered from various sources, including the Candidates themselves, public records, and the Cooperative; and

BE IT FURTHER RESOLVED that the Cooperative will provide legal counsel and staff support; and

BE IT FURTHER RESOLVED that the Committee should conduct Meetings as often as the Committee determines that they are needed to perform the review of Candidate applications, and these meetings may be conducted by phone or at a place of the Committee's choosing; and

BE IT FURTHER RESOLVED that Committee members are paid \$150 for each telephonic or live meeting lasting more than one hour; the Cooperative will reimburse mileage and reasonable meal expenses incurred by Committee members in the course of their service; and provide indemnification and protection from liability for Committee members serving in that capacity as provided for in the PEC Bylaws; and

BE IT FURTHER RESOLVED that the General Counsel, or designee, is authorized and directed to take all actions necessary to implement this resolution.

Mr. Don Ballard, General Counsel, presented the draft resolution requesting the Board to provide names of eligible individuals willing to serve on the Qualifications Elections Committee (QEC) by the February 10, 2023 deadline.

16. [2023-017](#) 2023 Election Timeline Update - D Ballard (Written Report in Materials)

Attachments: [2023 Election Timeline FINAL BOD Approved 121622 2023-017](#)

Mr. Don Ballard, General Counsel, said the 2023 Annual Director Election Candidate Application and Petition Form is available online. All nomination materials must be received at PEC Headquarters no later than 5:00 p.m. on March 27, 2023.

Proposed Future Items / Meetings (subject to final posting)

17. [2023-018](#) List of Board Approved Future Meetings

Attachments: [2023 Board Meeting Calendar](#)

President Mark Ekrut said the list of Board approved future meetings is included in the meeting materials.

18. [2023-019](#) Board Planning Calendar (Written Report in Materials)

Attachments: [3 Month Outlook Calendar](#)
[PEC Annual Board Planning Calendar](#)

President Mark Ekrut stated that the proposed Board Planning Calendar is included in the meeting materials.

Recess to Executive Session

President Mark Ekrut announced the items to be discussed in Executive Session and at 10:10 a.m., stated the Board would go into Executive Session.

Executive Session - Legal Matters

- 19. [2023-020](#) Matters in Which the Board Seeks the Advice of Its Attorney as Privileged Communications in the Rendition of Professional Legal Services
- 20. [2023-021](#) Litigation and Related Legal Matters - D Ballard
- 21. [2023-031](#) Legislative Update - J Urban
- 22. [2023-022](#) Resolution - Approval of Authorization for Initiation, Settlement, or Disposition of Litigation Matter(s) - D Ballard

Executive Session - Contract and Competitive Matters

- 23. [2023-030](#) Discussion of Power Supply Contractual Resources - D Thompson
- 24. [2023-023](#) Markets Monthly Report - D Thompson
- 25. [2023-024](#) Transmission Operations and Control Center Update - C Moos/J Warren/J Treviño

Executive Session - Real Estate Matters

- [2023-025](#) Resolution(s) - Approval of Real Property Acquisitions or Real Property Dispositions - E Dauterive/C Moos
- 27. [2023-026](#) Resolution(s) - Approval of Capital Improvement Plan Budget Amendments for Real Property Acquisitions - E Dauterive/C Moos

Executive Session - Safety and Security Matters

- 28. [2023-027](#) Safety and Security Matters

Executive Session - Personnel Matters

- 29. [2023-028](#) Personnel Matters

30. [2023-032](#) Review of 2023 CEO Action Items - J Parsley**Reconvene to Open Session**

At 2:32 p.m., the Board reconvened to the open session meeting.

Items from Executive Session**26. [2023-025](#) Resolution - Approval of Purchase of Land in Kimble County - E Dauterive**

Body: **NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE** that the Cooperative approve the purchase of real property, subject to satisfaction of any terms as discussed by the Board during Executive Session of this meeting, with certain details of any such purchase to be publicly available upon public filing of instruments memorializing the transfer; and

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

Kimble County Property

The Cooperative will consider authorizing the purchase of real property located in Kimble County, Texas on such terms and conditions as further described in Schedule 1 as provided in Executive Session.

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, 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 2:33 p.m.

Approved:

Paul Graf, Secretary

Mark Ekrut, President