



Meeting Minutes - Final

Board of Directors

Friday, February 21, 2020

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 Auditorium and will be video recorded in accordance with Board Meetings Policy.

Call to Order and Roll Call

This meeting was called to order at 9:04 am on February 21, 2020, at the PEC Headquarters Auditorium, 201 South Avenue F, Johnson City, Texas.

President Graf welcomed members and employees in attendance. He also thanked all staff helping with today's Board meeting.

Present: 6 - Director Milton Rister, Director Randy Klaus, Director Emily Pataki, Director James Oakley, Director Amy Akers, and President Paul Graf

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. [2020-035](#) **Friday, January 17, 2020 - Regular Meeting Minutes**

Attachments: [2020 01 17 Meeting Minutes - Draft v1](#)

Cooperative Monthly Reports

2. [2020-036](#) **Cooperative Update - J Parsley**

Attachments: [2020-2-21 Cooperative Update - FINAL](#)

Chief Executive Officer (CEO) Julie Parsley presented the Cooperative Update PowerPoint presentation highlighting the following:

1. Fitch - Reaffirmation of the Cooperative's AA- rating. CEO Parsley thanked Chief Financial Officer (CFO) John Davis and Controller Freddy Wolff for their efforts. The driving factors were the PEC's improved operating costs, affordable rates, and the restructured capital credits process, which benefits the

cooperative and the members. It demonstrates publicly and objectively the financial responsibility to the membership.

2. The 2019 accounting changes improved our financial forecast. We have lower total debt in the 2020 forecast than the 2018 forecast. This is an objectively positive effect of the 2019 accounting changes.

3. The Annual Distribution Spend per Meter metric will be used to demonstrate the total Capital Improvement Plan (CIP) and expenses per meter. The trend is going down and provides insight into cooperative spend per meter.

4. Helping the community to preserve wildlife with the monarch butterfly preservation campaign distributing 9,000 pollinator seed packets.

5. Spot Scams/Stop Scams - Bringing awareness to the members through media and website.

6. Power of Change - high enrollment numbers in December 2019 and January 2020.

7. New commercial website - designed to promote commercial development, aid in site selection, and illustrates new economic development professionals the advantages of partnering with PEC as their power provider.

8. New Hire Employees - We also refreshed our employment website. It is easier to see new posted jobs and what kind of future to have as a potential employee of the PEC.

9. CEO Parsley recognized the following employees for their notable service they provided to PEC members: David Mead, John Ramon, Chance Runnels, and D'Ann Ross.

10. The Canyon Lake Office will reopen to members on March 2.

President Graf thanked CEO Parsley for the great report, and thanked the members for their contribution to the power of change.

Director Emily Pataki arrived at 9:13 am.

3. [2020-037](#) Financial Services Report - J Davis

Attachments: [2020-02-21 December 2019 Financial Report to the Board - J Davis](#)
[2020-02-21 December 2019 Financial Statements - J Davis](#)

Chief Financial Officer (CFO) John Davis reviewed the December 2019 year end results. He highlighted financial information as follows:

1. Cost of power is lower than we anticipated.
2. Gross margins at 103% YTD and net margin is at 106% YTD.
3. 330,000 accounts at 12/31/19
4. Surpassed 331,000 accounts as of Jan 2020.

5. YTD December 2019 the Capital Expenditure Rate is at 160.6 million, which was better than the budget of 185.6 million.
6. Mr. Davis congratulated the board and employees for a successful year in 2019.

4. [2020-038](#) **Operations Report - E Dauterive**

Attachments: [2020-2-21 Operations Report v2](#)

Chief Operations Officer (COO) Eddie Dauterive mentioned PEC had recently experienced a backing up incident. The cooperative employees and leadership remain focused on safety.

1. Growth continues in Liberty Hill.
2. 1,453 line applications.
3. Member relations service to members is doing well.
4. Canyon Lake office to reopen on March 2.
5. Completion of the training facility in Marble Falls.
6. Procurement information - more analysis in 2020 and moving forward he will provide more detailed information and clarity on CIP projects.

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

5. [2020-040](#) **Member Comments**

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

President Graf reminded all present of the Decorum Policy and the three minute time limit. The following member spoke on the following topics including but not limited to:

Kathi Thomas - Ms. Thomas asked the Board to reconsider the date and time for the Annual Membership Meeting so that the members who work during normal business hours are given the opportunity to attend and participate. Ms. Thomas discussed community solar programs, and encouraged the Board to utilize school parking lots, or other opportunities with solar farms.

Action Items / Other Items

6. [2020-041](#) **Resolution - Approval of Appointments to 2020 Qualifications and Elections Committee - S Romero**

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 2020 Election:

1. District 1 - Charles Carter
2. District 2 - Cliff Hahn
3. District 3 - Terry Jackson
4. District 4 - Pete Slover
5. District 5 - Dave Kithil
6. District 6 - Larry Hull
7. District 7 - Omar Baca; and

BE IT FURTHER RESOLVED, that the following individuals are appointed as alternates to serve on the Qualifications and Elections Committee for the 2020 Election should an appointed member be unable to serve:

1. District 7 - Peggy Jones; 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 \$100 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.

Governance and Policy Manager, Sylvia Romero presented the Resolution for Approval of Appointments to the 2020 Qualifications and Elections Committee. She indicated this committee is scheduled to meet on March 30 and March 31 to review all Board Candidate Applicants.

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

Yes: 6 - Rister, Klaus, Pataki, Oakley, Akers, and Graf

7. [2020-053](#) Key Performance Indicator (KPI) Update of 2019 Period 2 Results - E Dauterive

Attachments: [2020-2-21 KPI 2019 P2 Performance Update](#)

COO Eddie Dauterive thanked the employees for the great job they have done with the KPI for 2019 Period 2. The payout is 8.94%, which includes the 1% adder for achieving a SAIDI metric below 50 minutes. The payout will be distributed on Feb 26, 2020 to all employees.

He reported on areas of improvement from the previous period:

1. SAIDI metric is lowered by 9 minutes
2. Customer service level metric is up 27%
3. Reduced number of injuries causing restricted duty
4. J.D. Power Service Score is up 11 points
5. Percentage of autopay enrollments is up 50%

We will increase the weighting of the safety and security category and continue improvements with the safety program.

The schedule of potential adders in 2020 is changing as follows:

1. Achieving a SAIDI of 50 minutes will move to Period 1
2. Performing in the top 10 of J.D. Power's Overall Utilities will be available in Period 2

8. [2020-042](#) Resolution - Approval of 2020 Key Performance Indicators Plan Methodology - E Dauterive

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS** that the 2020 Key Performance Indicator Plan Methodology presented to the Board this day is approved and adopted; and

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

Attachments: [2020-042 2020 KPI Plan Revisions Presentation](#)
[2020-042 2020 KPI Plan Revisions Summary](#)

COO Eddie Dauterive discussed the 2020 KPI Indicators Plan, as follows:

1. KPI weighting for safety and compliance is 25%
2. Adders for P1 and P2 are the same with the exception of the schedule changing to align with the survey adder to JD Power's year-end results
3. Total distribution is spend per meter, which now includes Distribution CIP and Operations and Maintenance Expense (O&M)
4. 75% of all billing payments are on auto-pay
5. Updating goal for preventable vehicle accidents from 0 to 2

Directors Pataki and Oakley commented on the auto-pay process stating that members are satisfied. President Graf also thanked employees and asked this be passed onto employees.

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

Yes: 6 - Rister, Klaus, Pataki, Oakley, Akers, and Graf

9. [2020-043](#) **Resolution - Approval of Tariff and Business Rules - Restructure and Business Practices Amendments - N Mack | D Thompson**
- Body:** **BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE** that the Cooperative approves the restructure and 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 as of February 21, 2020, 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:** [2020-02-21 Tariff Amendments and Restructure Presentation - N Mack and D Thompson](#)
[2020-02-21 Tariff and Business Rules for Electric Service - Final](#)
[2020-02-21 Tariff and Business Rules for Electric Service - Redline between Draft and Final Versions](#)
- Rates Manager, Natalia Mack stated there are no changes to the resolutions and asked the Board for approval and consideration.
- A motion was made by Director Rister, seconded by Director Oakley, that this item be adopted. The motion carried by the following vote:**
- Yes:** 6 - Rister, Klaus, Pataki, Oakley, Akers, and Graf

10. [2020-044](#) **Resolution - Approval to Amend Tariff and Business Rules - Line Extension Policy - D Thompson / N Mack**
- 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 as of 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:** [2020-02-21 Tariff Amendments and Restructure Presentation - N Mack and D Thompson](#)
[2020-02-21 Tariff and Business Rules for Electric Service - Final](#)
[2020-02-21 Tariff and Business Rules for Electric Service - Redline between Draft and Final Versions](#)
- Rates Manager, Natalia Mack stated there are no changes to the resolutions and asked the Board for approval.
- A motion was made by Director Rister, seconded by Director Akers, that this item be adopted. The motion carried by the following vote:**
- Yes:** 6 - Rister, Klaus, Pataki, Oakley, Akers, and Graf

11. [2020-045](#) **Resolution - Approval to Amend Tariff and Business Rules - 2020 Rate Plan - 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 as of 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: [2020-02-21 Tariff Amendments and Restructure Presentation - N Mack and D Thompson](#)
[2020-02-21 Tariff and Business Rules for Electric Service - Final](#)
[2020-02-21 Tariff and Business Rules for Electric Service - Redline between Draft and Final Versions](#)

Rates Manager, Natalia Mack indicated there is a rate reduction.

Director Akers had comments concerning the rate schedules under the section 500.2.1 Residential, Farm and Ranch Service. The section titles need to be changed for clarity to include "Residential, Farm and Ranch Service" related to water well meters.

President Graf asked General Counsel (GC) Don Ballard if we need to make an adjustment for a motion to approve to make it consistent for staff to clarify titles consistent with the conversation this morning.

Director Pataki amended her motion to include the changes that Director Akers mentioned.

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

Yes: 6 - Rister, Klaus, Pataki, Oakley, Akers, and Graf

12. [2020-031](#) Community Relations Update - C Tinsley-Porter

Attachments: [022020_CR BOD Meeting Update_FINAL](#)

Community Relations Coordinator, Caroline Tinsley Porter provided Community Relations Update with the following items:

1. Monarch preservation - we distributed 9,000 pollinator seed packets.
2. PEC Scholarship and Community Grants programs
3. Read Across America
4. Project Hero - cycling event for injured veterans and law enforcement officers. Kyle office hosting Texas 2020 Challenge.
5. LCRA Steps Forward Day
6. Community Partnership Dinner
7. Hill Country Living Festival & Rainwater Revival at Dripping Springs Ranch Park
8. Tejas Rodeo Company - youth bike rodeo event for bike safety
9. Cooperative member appreciation to partner with community festivals and events

Director Akers thanked Ms. Tinsley Porter for coordinating these events.

13. [2020-046](#) 2020 Election Timeline Update (written report in materials)

Attachments: [2020 Election Timeline - Board Appvd 2019 12 13 - Update for 2020-02-21](#)

There were no comments or questions concerning the 2020 election timeline.

Proposed Future Items / Meetings (subject to final posting)

14. [2020-047](#) List of Board Approved Future Meetings

Attachments: [2020 Board Meetings - Board Approved 2019 12 13](#)

President Graf mentioned the March meeting will be held in Liberty Hill.

15. [2020-048](#) Board Planning Calendar (Written Report in Materials)

Attachments: [2020-02-21 Board Planning Calendar v2](#)

President Graf stated that the proposed Board meeting dates were included in the meeting minutes.

Recess to Executive Session

President Graf announced the items to be discussed in Executive Session and at 9:53 am stated the Board would go into Executive Session.

Executive Session - Legal Matters

16. [2020-049](#) Litigation and Related Legal Matters

17. [2020-050](#) Matters in Which the Board Seeks the Advice of Its Attorney as Privileged Communications in the Rendition of Professional Legal Services

[2020-059](#) Resolution - Approval of Authorization for Settlement of Litigation - D Ballard

Executive Session - Contract and Competitive Matters

19. [2020-051](#) Markets Monthly Report - D Thompson

Executive Session - Real Estate Matters

20. [2020-014](#) Draft Resolution - Approval to Purchase Andice Substation Property - B Gedrich

21. [2020-025](#) Draft Resolution - Approval of Transmission Project Summary (Eminent Domain), Burnet to Bertram to Andice, and Authorization of the

**Cooperative to Use Eminent Domain to Acquire Property for Burnet to
Bertram to Andice Transmission Project - B Gedrich**

[2020-054](#)

**Resolution - Approval of Purchase of Land and Improvements in
Williamson County - R Arellano**

Executive Session - Safety and Security Matters

Executive Session - Personnel Matters

23. [2020-052](#) Personnel Matters

24. [2020-060](#) Annual Performance Chief Executive Officer (CEO) Goals - E Pataki

Items from Executive Session

**18. [2020-059](#) Resolution - Approval of Authorization for Settlement of Litigation - D
Ballard**

**Body: NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS
OF THE COOPERATIVE** that the Cooperative is authorized to settle certain
litigation that involves the Cooperative on the terms discussed this day in
Executive Session, and

**BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE
COOPERATIVE** that the Chief Executive Officer, or designees, are hereby
authorized to negotiate any other terms as necessary for disposition of the
litigation and execute, acknowledge and deliver any such documents, and
otherwise take any actions as needed to implement this resolution.

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

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

**22. [2020-054](#) Resolution - Approval of Purchase of Land and Improvements in
Williamson County - R Arellano**

**Body: NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS
OF THE COOPERATIVE**, that the Cooperative approve the purchase of real
property and improvements, and satisfaction of any other 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.

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

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

Adjournment

There being no further business to come before the Board of the Directors, the meeting was adjourned at 1:09 pm.

Approved:

Milton Rister, Secretary

Paul Graf, President