



Pedernales Electric Cooperative

PO Box 1
Johnson City, TX 78636

Meeting Minutes - Draft

Board of Directors

Friday, October 21, 2022

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

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. [2022-333](#) **Friday, September 16, 2022 - Regular Meeting Minutes**

Attachments: [2022-09-16 OS Meeting Minutes draft 2](#)

Cooperative Recognitions

2. [2022-362](#) **Recognition of PEC Linemen Participation at Annual International Lineman's Rodeo - E Dauterive/B Maggot**

Mr. Brian Maggot, Director, Safety and Technical Training, announced the PEC award recipients who participated in the 2022 Annual International Lineman's Rodeo, and also presented a short video from the event. The Board took a break from 9:19 a.m. to 9:32 a.m for a photo opportunity with the Rodeo Team.

Cooperative Monthly Reports

3. [2022-334](#) **Cooperative Update - J Parsley**

Attachments: [CEO Oct Update 2022-334 - FINAL](#)

Ms. Julie Parsley, Chief Executive Officer (CEO), announced that PEC was named a 2022 Top Workplace by the San Antonio Express-News, and PEC

also received national recognition as a Top Workplace for Cultural Excellence by a Woman-Led Business. Ms. Parsley also discussed the Regulatory Update Market Redesign, the legislative update, the Stronger Together employee podcast celebrating the cooperative business model, Customer Service Week (October 3-7, 2022), Cyber Security Awareness Month, the November 2, 2022 Community Shred Day at the Marble Falls District office, Employee Facility Security Training, and employee thank you messages.

4. [2022-335](#) **Cooperative Financial Update - R Kruger**

Attachments: [CFO Update -2022-335-Final](#)
[Financial Statements-2022-335-Final](#)

Mr. Randy Kruger, Chief Financial Officer (CFO), provided the September financial results including the Capital Improvement Projects (CIP) multi-year project budget. More details regarding the financial results may be found in the attached reports. Mr. Kruger discussed the increasing natural gas price levels and volatility, the monthly liquefied natural gas (LNG) exports and production capacity, the decline of U.S. crude oil production levels and the Strategic Petroleum Reserve (SPR) levels, price volatility in the ERCOT market, gas storage, forward natural gas prices, forward power prices, market heat rates, the impact of inflation and commodity costs, and interest rates. Director Pataki congratulated employees for managing the CIP multi-year project within the projected budget.

5. [2022-336](#) **Cooperative Operations Update - E Dauterive**

Attachments: [Operations Report 2022-336 Final](#)

Mr. Eddie Dauterive, Chief Operations Officer (COO), discussed safety and technical training, system growth, reliability, distribution maintenance, and member relations activity.

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

6. [2022-337](#) **Member Comments**

Attachments: [Decorum Policy](#)

President Mark Ekrut reminded all present of the Decorum Policy and the time limit of up to three minutes. Mr. Brad Holt was present and commented on a service bill issue.

Action Items / Other Items

7. [2022-349](#) **Resolution - Approval of Election Policy and Procedures Amendments Related to 2022 Annual Director Post-Election Analysis - S Romero/D Ballard**

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS** that pursuant to the Election Policy and Procedures and its regular review of Board policies, the Board has reviewed and adopts the Election Policy and Procedures presented

to and discussed by the Board this day, with any amendments, as were discussed and approved by the Board; and

BE IT FURTHER RESOLVED that the General Counsel, or designee, is authorized to take all such action as may be necessary to implement this resolution.

Attachments: [Election Policy and Procedures 2022-349 – REDLINE](#)
[Election Policy and Procedures 2022-349 – CLEAN](#)

Post-Election Analysis

Pursuant to the Board's Election Policy and Procedures Section 9.2, "within two months after the Annual Meeting at which Election Results are announced, the General Counsel will conduct a review of all facets of the PEC Elections and will present to the Board any recommended modification to PEC Bylaws or Election Policy or Procedures."

Additionally, pursuant to its Policy on Policies, the Board routinely reviews all policies as part of its policy management.

The Board may now review and consider amendments to the Election Policy & Procedures. The purpose of the Election Policy is to ensure that PEC Elections are conducted in a fashion that maximizes and exemplifies Democratic Member Control.

Mr. Don Ballard, General Counsel, 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. [2022-350](#) Resolution - Approval to Establish 2023 Annual Meeting Date and Location - D Ballard

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS** that the 2023 Annual Membership Meeting of the Pedernales Electric Cooperative, Inc. ("PEC") be held within the PEC service territory at the Cooperative's E. Babe Smith Headquarters in Johnson City, Texas, on Friday, June 16, 2023, at 9:00 a.m.; 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 other actions necessary to implement this resolution.

Annual Meeting

Pursuant to the Cooperative's Bylaws, the Board designates the date and location of PEC's Annual Membership Meeting. Generally, the date is on a Saturday in the second quarter of the calendar year, or such date and time each year, as may be designated by the Board. The Annual Membership Meeting may be in any county in which the Cooperative provides service. The Cooperative shall designate the date and location no later than the last quarter of the calendar year preceding the annual meeting ("Annual Meeting").

Following the 2020 Annual Meeting, the Board of Directors expressed interest in

continuing to have the Annual Meeting in Johnson City and the third Friday in June. Staff recommends hosting the 2023 Annual Meeting at the cooperative's E. Babe Smith Headquarters prior to the regularly scheduled June 16, 2023 Board meeting.

Bylaws, Article II, Section 1. Annual Meeting. The annual meeting of the Members shall be held on a Saturday in the second quarter of the calendar year, or such date and time each year, as may be designated by the Board of Directors of the Cooperative, at such place in any county in which the Cooperative provides service as is designated by the Board of Directors of the Cooperative no later than the last quarter of the calendar year preceding the annual meeting ("Annual Meeting"). The purposes of the Annual Meeting are to elect Directors and transact such other business as listed in the notice of the Annual Meeting. If the election of Directors shall not be held on the day designated by the Board of Directors for any Annual Meeting, or at any adjournment thereof, the Board of Directors of the Cooperative shall cause the election to be held at a Special Member Meeting (as defined herein) as soon thereafter as may be convenient. Failure to hold the Annual Meeting as designated herein shall not result in forfeiture or dissolution of the Cooperative. At the Annual Meeting, a report shall be provided regarding the activities of the Cooperative during the past year, and audit reports of the accounts, books and financial condition presented to the Board shall be submitted to the Members.

Mr. Don Ballard, General Counsel, presented the resolution and asked the Board for approval.

A motion was made by Director 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

9. [2022-352](#) **Resolution - Approval of Rebalance and Equitable Consideration of Director District Boundaries - R Fischer**

Body: **NOW, THEREFORE, BE IT RESOLVED BY THE BOARD**, that the Board hereby adopts the Director District boundary revisions as presented this day, to be effective for future Director elections; and

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

Attachments: [PPT - District Rebalancing October 2022 v2 - 2022-352-Final](#)[Current All Districts](#)[Proposed All Districts](#)[Current District 1](#)[Proposed District 1](#)[Current District 2](#)[Proposed District 2](#)[Current District 3](#)[Proposed District 3](#)[Current District 4](#)[Proposed District 4](#)[Current District 5](#)[Proposed District 5](#)[Current District 6](#)[Proposed District 6](#)[Current District 7](#)[Proposed District 7](#)**District Boundaries**

The Cooperative's Bylaws Article III, Section 1, requires seven (7) Director Districts, which "equitably represent the Members." The Board may revise Director Districts boundaries "based upon equitable considerations determined by the Board of Directors"; e.g., Number of Members, Investment, Geography, etc.

PEC Bylaws Article III, Section 1

"General Powers and Director Districts. General Powers. The business and affairs of the Cooperative shall be managed by a Board (the "Board of Directors"), consisting of a director (a "Director") from each of the Cooperative's seven (7) Director Districts (as defined herein), except for such vacancies as are allowed by law or these Bylaws. The Board of Directors shall exercise all of the powers of the Cooperative except such as by law, by the Articles of Incorporation of the Cooperative, or by these Bylaws are conferred upon or reserved to the Members or otherwise delegated to the Chief Executive Officer. The Board of Directors shall have the ability to appoint member advisory Committees.

Director Districts. Based upon Memberships, Cooperative growth or other equitable considerations determined by the Board of Directors, the Board of Directors shall divide the general area in which the Cooperative provides Electric Service (the "Service Area") into seven (7) districts that equitably represent the Members (the "Director Districts"). As necessary, based upon equitable considerations determined by the Board of Directors, the Board of Directors may revise the Director District boundaries."

Mr. Ross Fischer, Board Counsel, presented the resolution and asked the Board for approval.

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

10. [2022-351](#) **Resolution - Approval of Review and Amendments to Rate Policy - N Mack/D Thompson**

Body:

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF PEDERNALES ELECTRIC COOPERATIVE, INC. that the Cooperative authorizes the adoption of the attached amended Rate Policy which supersedes such policies as referred to therein; an

BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, the Cooperative reserves the right to re-consider the adoption and implementation of any of these federal standards if it deems it beneficial and in alignment with the Cooperative's objectives, its Rate Policy or any other Board-approved Policy; and

BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, that the CEO, or designee, is authorized to take all such other actions necessary to implement this resolution.

Attachments: [PPT - Approval of Rate Policy - 2022-351-FINAL](#)
[Rate Policy-Clean - 2022-351-FINAL](#)
[Rate Policy-Redline - 2022-351-FINAL](#)

Rate Policy Review

Pursuant to the Board's Policy on Policies, the current Rate Policy is to be reviewed this year by August 2022. The PEC Board of Directors last approved changes to the Rate Policy in July 2019 (prior to July 2019, the PEC Board of Directors previously approved a Rate Policy in July 2011). Those 2019 changes included clearly assigning responsibilities regarding rate design, and rate recovery processes as well as monitoring of rate recovery. Requirement for an Annual Rate Plan was established as well as codifying that a Cost-of-Service Study is required at least every three years. The Rates Committee was established as well and was tasked with monitoring and providing recommendations to the Board.

The recommended updates to the Rate Policy for 2022 include formatting the Policy to align with the latest policy format; changing the review cycle to every 5 years to align with other policy review periods; and updating Rates Committee members

The PEC Board of Directors has exclusive jurisdiction to set all terms of access, conditions, and rates applicable to the services provided by the Cooperative other than as provided by Texas state law. The federal Public Utility Regulatory Policies Act of 1978 (PURPA) as amended in 2005 and in 2007 also dictates that nonregulated entities, which includes PEC, consider and determine whether to implement ratemaking standards as described in PURPA (16 USC Section 2621) including:

- (1) Cost of service;
- (2) Declining block rates;

- (3) Time-of-day rates;
- (4) Seasonal rates;
- (5) Interruptible rates;
- (6) Load management techniques;
- (7) Integrated resource planning;
- (8) Investment in conservation and demand management;
- (9) Energy efficiency investment in power generation and supply;
- (10) Consideration of effects of wholesale power purchases on utility cost of capital; effects of leveraged capital structures on the reliability of wholesale power suppliers; and assurance of adequate fuel supplies.

2005 amendments:

- (11) Net metering;
- (12) Fuel sources;
- (13) Fossil fuel generation efficiency;
- (14) Time-based metering and communications;
- (15) Interconnection

2007 amendments:

- (16) Integrated resource planning
- (17) Rate design modifications to promote energy efficiency investments;
- (18) Consideration of smart grid investments; and
- (19) Smart grid information.

PEC adopted various Board resolutions in 2007, 2008 and 2009 as to requirements found within Section 2621 of PURPA.

In July 2007, the Board considered certain PURPA standards and determined PEC would not adopt PURPA standards pertaining to the following: 1) Net Metering Standard, 2) Fuel Sources Standard, 3) Fossil Fuel Generation Technology Standard, 4) Time-Based Metering and Communications Standard, and 5) the Interconnection Standard.

In October 2008, the Board required a public hearing to consider and determine whether to implement additional ratemaking standards addressing energy efficiency, integrated resource planning, rate design modifications to promote energy efficiency investments, consideration of smart grid investments, and access to smart grid information.

In March 2009, the Board adopted modified PURPA standards as to: 1) integrating energy efficiency resources into resource planning and making cost-effective energy efficiency a priority resource; 2) modifying rate designs to promote energy efficiency investments; 3) assessing investments in smart grid technologies before investing in non-advanced technologies; and 4) making smart grid information available to members.

Although the Cooperative adopted its Rate Policy in 2011, which included reference to the following concepts found in the PURPA standards: 1) cost of service requirements, 2) load management techniques, 3) investment in conservation and demand planning, 4) energy efficiency investment in power generation and supply and in 2010 the Cooperative referenced in its Resource Planning Policy the following concepts found in the PURPA standards: 1) Integrated resource planning and 2) consideration of effects of wholesale power purchases on utility cost of capital; effects of leveraged capital structures on the reliability of wholesale power suppliers and assurance of adequate fuel

supplies, the Cooperative never formally declared its positions on the following PURPA standards:

- (1) Cost of service;
- (2) Declining block rates;
- (3) Time-of-day rates;
- (4) Seasonal rates;
- (5) Interruptible rates;
- (6) Load management techniques;
- (7) Integrated resource planning;
- (8) Investment in conservation and demand management;
- (9) Energy efficiency investment in power generation and supply;
- (10) Consideration of effects of wholesale power purchases on utility cost of capital; effects of leveraged capital structures on the reliability of wholesale power suppliers; and assurance of adequate fuel supplies.

Cooperative staff has performed cost of service studies and publicly reported its findings for test years 2007, 2015 and 2017 during which the aforementioned PURPA rate standards were evaluated as possible rate recovery options.

Additionally, the Cooperative held numerous open Board Meetings and Member Forums events throughout the Cooperative's service territory to gather member feedback related to rate preferences, rate options, and the cost of service study process and their findings.

October 20th, 2008 - Member Forum Event

March 2009 - Open Board Meeting

April 6th and 16th, 2009 - Member Forum Events

May 11, 2009 - Member Forum Event

February 2015 - Membership survey and Member Forum Events in Kyle, Junction, Cedar Park, and Johnson City.

In addition to Member Forum Events, the Cooperative provides members the opportunity to express their views in person at open meetings held each month. Furthermore, members are encouraged to submit comments on all rate related matters to staff or the Board of Directors.

The 2019 Resolution of the Board adopting its Rate Policy made the following determinations:

- (1) The Cooperative acknowledged that it considered all components of PURPA (16 USC Section 2621), as amended;
- (2) that the Cooperative previously considered and adopted resolutions in 2007 and in 2009 as to PURPA standards 16 USC Section 2621(d)(11), (d)(12), (d)(13), (d)(14), (d)(15), (d)(16), (d)(17), (d)(18) and (d)(19);
- (3) after provision of notice and consideration at an open meeting, consistent with the requirements of 16 USC Section 2621, 2622, and 2631, based on findings from cost of service analysis, the Cooperative has considered and determined it is appropriate to implement or not implement the following PURPA standards:
 - The Cooperative considered and determined it is appropriate to implement the **cost of service** standard established in PURPA 16 USC Section 2621 (d) (1) as it is in alignment with the Cooperative's objectives of equitable rates, accurate price signals, stability, and cost recovery.

- The Cooperative considered and determined it is appropriate not to implement the **declining block rates** standard established in PURPA 16 USC Section 2621 (d) (2) as it is not in alignment with Cooperative's objectives of equitable rates, accurate price signals, stability, and cost recovery.
- The Cooperative considered and determined it is appropriate to implement the **time of day rates** standard established in PURPA 16 USC Section 2621 (d) (3) as it is in alignment with Cooperative's objectives of equitable rates, accurate price signals, stability, and cost recovery. The Cooperative implemented Time of Use Rates in February of 2018.
- The Cooperative considered and determined it is appropriate to implement the **seasonal rates** standard established in PURPA 16 USC Section 2621 (d) (4) as it is in alignment with Cooperative's objectives of equitable rates, accurate price signals, stability, and cost recovery. Seasonal Rates were implemented through the Time of Use Rates; The Cooperative implemented Time of Use Rates in February of 2018.
- The Cooperative considered and determined it is appropriate not to implement the **interruptible rates** standard established in PURPA 16 USC Section 2621 (d) (5) as it is not in alignment with Cooperative's objectives of equitable rates, accurate price signals, stability, and cost recovery.
- The Cooperative considered and determined it is appropriate not to implement the **load management techniques** standard established in PURPA 16 USC Section 2621 (d) (6) as it is not in alignment with Cooperative's objectives of equitable rates, accurate price signals, stability, and cost recovery.
- The Cooperative considered and determined it is appropriate not to implement the **integrated resource planning** standard established in PURPA 16 USC Section 2621 (d) (7) as it is not in alignment with Cooperative's objectives of equitable rates, accurate price signals, stability, and cost recovery.
- The Cooperative considered and determined it is appropriate not to implement the **investment in conservation and demand management** standard established in PURPA 16 USC Section 2621 (d) (8) as it is not in alignment with Cooperative's objectives of equitable rates, accurate price signals, stability, and cost recovery.
- The Cooperative considered and determined it is appropriate not to implement the **energy efficiency investment in power generation and supply** standard established in PURPA 16 USC Section 2621 (d) (9) as it is not in alignment with Cooperative's objectives of equitable rates, accurate price signals, stability, and cost recovery.
- The Cooperative considered and determined it is appropriate not to implement the **consideration of effects of wholesale**

power purchases on utility cost of capital; effects of leveraged capital structures on the reliability of wholesale power suppliers and assurance of adequate fuel supplies standard established in PURPA 16 USC Section 2621 (d) (10) as it is not in alignment with Cooperative's objectives of equitable rates, accurate price signals, stability, and cost recovery.

PURPA was amended in 2021 and requires a utility to consider the following:

- (20) Demand-response practices; and
- (21) Electric vehicle charging programs.

The Board has not yet reviewed or considered these amendments; the Board anticipates review in Fall 2023 prior to the November 2023 deadline for consideration.

Ms. Natalia Mack, Rates Manager, presented the resolution and asked the Board for approval. President Ekrut asked if the review cycle is changing to every 5 years, as opposed to every three (3) years. Ms. Mack confirmed that the proposed change of the review cycle is every five (5) years, which aligns with other policy review periods.

A motion was made by Director Cox, 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

11. [2022-353](#) Resolution - Approval of Filing of Interim Transmission Cost of Service with Public Utility Commission of Texas - C Powell

Body: NOW THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, that the Cooperative file an interim transmission cost of service rate filing pursuant to 16 TAC § 25.192(h) at the Public Utility Commission of Texas as 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 needed to implement this resolution.

Interim Transmission Cost of Service

Pedernales Electric Cooperative, Inc. ("PEC") is a noninvestor-owned transmission service provider and allowed to file an interim transmission cost of service rate filing pursuant 16 Texas Administrative Code ("TAC") § 25.192(h) as established by the Public Utility Commission of Texas ("PUCT"). 16 TAC § 25.192(h) provides that a transmission service provider may apply to update its transmission rate on an interim basis not more than twice per calendar year to reflect changes in its invested capital and other designated items.

PEC's transmission cost of service rates were established through a final order issued by the PUCT in Docket No. 22533 on March 5, 2001 and updated through interim rate updates in Docket No. 49584 approved on July 30, 2019, Docket No. 51375 approved on November 10, 2020, and Docket 52884 approved on January 19, 2022. PEC's transmission cost of service rates established in Docket No. 52884 reflect invested capital through the end of August 2021.

PEC desires to file for an interim update of its transmission cost of service rates to reflect the addition and retirement of transmission facilities from

September 1, 2021 through July 31, 2022, with appropriate depreciation, associated taxes, and the PUCT-authorized rate of return on such facilities, as well as changes in loads, included pursuant to 16 TAC § 25.192(h).

Mr. Christian Powell, Vice President, Compliance and Regulatory, presented the resolution and asked the Board for approval.

A motion was made by Director Pataki, 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. [2022-357](#) Resolution - Approval of 2021 IRS Form 990 - S Houghton

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE** that the I.R.S. Form 990, as submitted to the Board this day, is approved, with such changes, if any, as were discussed and approved by the Board;

BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE that the Chief Financial Officer, or designee, is hereby authorized and directed to file the Form 990 with the Internal Revenue Service as the official filing of the Cooperative and make it publicly available once filed.

Attachments: [Audit Committee Resolution - Recommendation - 2022-330-Final](#)

IRS Form 990

The Audit Committee presents to the Board for approval the Form 990 for the Cooperative for calendar year 2021 ("Form 990") to be filed with the Internal Revenue Service and made publicly available.

Ms. Sharon Houghton, Tax and Regulatory Manager, 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

13. [2022-354](#) Draft Resolution - Approval of 2023 Rate Plan - N Mack/D Thompson

Body: **NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF PEDERNALES ELECTRIC COOPERATIVE, INC.** that the Cooperative approves the 2023 Rate Plan that was presented to and discussed by the Board this day, with such changes thereto, if any, as were discussed and approved by the Board; and

BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, that the Chief Executive Officer, or designee, is hereby authorized to take such other actions necessary to implement this resolution.

Attachments: [PPT - Approval of 2023 Rate Plan - 2022-354-FINAL](#)

Ms. Mack, Rates Manager, presented a summary presentation of the 2023 Rate Plan, the 2023 Cost-of-Service Study, the 2023 Annual Rate Updates, and 2023 Rate Items for Consideration. She said the Sustainable Power Credit Rate, and

the Industrial Distribution Cost Recovery will be presented to the Board for approval in December 2022. Ms. Mack said the 2023 Rate Items for Consideration include: the Cost Recovery for Non-Standard Facilities Requiring Reserved Capacity, and the Introduction of a Solar Renewable Energy Rider Program to be presented to the Board as draft resolutions in December 2022, and as final resolutions for approval by the Board in January 2023.

Director Pataki commented on the renewable energy credits, sources, and who would request a program of this type. Mr. David Thompson, Vice President of Markets, said he received inquiries from vertical farms and data centers seeking solar renewable energy credits that they cannot purchase efficiently by themselves.

14. [2022-356](#) Draft Resolution - Review and Approval of the Enterprise Risk Management Policy - K Krueger

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: [Draft Resolution - Enterprise Risk Management Governance Policy - 2022-356 - Draft Redline](#)
[Draft Resolution - Enterprise Risk Management Governance Policy - 2022-356 - Draft Clean](#)

Mr. Ken Krueger, Risk and Insurance Program Manager, presented a summary of the draft resolution and said a final resolution will be presented next month to the Board for approval.

15. [2022-321](#) Plan Administration Committee (PAC) Update - Michael Hansen, Drew McCorkle, CAPTRUST Advisors

Attachments: [PAC Board Report- 2022-321 - Final](#)
[Board Fid Education - 2022-321 - Final](#)

Mr. Michael Hansen, Director, Regional Operations, Oak Hill District Office, and member of the Plan Administration Committee (PAC) introduced Mr. Drew McCorkle, Senior Vice President and Financial Advisor, CAPTRUST Advisors. Mr. McCorkle presented the annual activity report.

Proposed Future Items / Meetings (subject to final posting)

16. [2022-338](#) List of Board Approved Future Meetings

Attachments: [2022 Board Meeting Calendar](#)

President Mark Ekrut stated that the proposed Board meeting dates were included in the meeting materials.

17. [2022-339](#) Board Planning Calendar (Written Report in Materials)

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

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

Recess to Executive Session

President Mark Ekrut announced the items to be discussed in Executive Session and at 10:50 a.m., stated the Board would go into Executive Session.

Executive Session - Legal Matters

- 18. [2022-340](#) Matters in Which the Board Seeks the Advice of Its Attorney as Privileged Communications in the Rendition of Professional Legal Services**
- 19. [2022-341](#) Litigation and Related Legal Matters - D Ballard**
- 20. [2022-342](#) Resolution - Approval of Authorization for Initiation, Settlement, or Disposition of Litigation Matter(s) - D Ballard**
- 21. [2022-358](#) Annual Review of Strategic Plan - M Ekrut**
- 22. [2022-361](#) Enterprise Risk Management (ERM) Update - K Krueger**

Executive Session - Contract and Competitive Matters

[2022-365](#) Resolution - Approval of Filing of Application as to its Certificate of Convenience and Necessity (CCN) with Public Utility Commission of Texas for Service Territory Boundary Change - A Hagen/C Powell

[2022-364](#) Resolution - Approval of Acceptance of the Selection of Independent Auditor and Tax Services - K Jones

Attachments: [Signature Report - Auditor Recommendation - 2022-326-Final](#)

- 25. [2022-359](#) Draft Resolution - Approval of 2023 Operating Budget and 2023 Capital Improvement Plan (CIP), Including Items Concerning Competitive Matters, Personnel, Contracts and Real Estate - J Smith/K Jones**
- 26. [2022-343](#) Transmission Operations and Control Center Update - C Moos/J Warren/J Louis/J Treviño**
- 27. [2022-360](#) Draft Resolution - Approval of Power Supply Contractual Resources - D Thompson**
- 28. [2022-344](#) Markets Monthly Report - D Thompson**

Executive Session - Real Estate Matters

29. [2022-345](#) **Resolution(s) - Approval of Real Property Acquisitions or Real Property Dispositions - E Dauterive/C Moos**
30. [2022-346](#) **Resolution(s) - Approval of Capital Improvement Plan Budget Amendments for Real Property Acquisitions - E Dauterive/C Moos**

Executive Session - Safety and Security Matters

31. [2022-347](#) **Safety and Security Matters**

Executive Session - Personnel Matters

32. [2022-348](#) **Personnel Matters**

Reconvene to Open Session

At 2:30 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.

23. [2022-365](#) **Resolution - Approval of Filing of Application as to its Certificate of Convenience and Necessity (CCN) with Public Utility Commission of Texas for Service Territory Boundary Change - A Hagen/C Powell**
- Body:** **NOW THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE**, that the Cooperative file an appropriate application to its Certificate of Convenience and Necessity with the Public Utility Commission of Texas as discussed in Executive Session; and

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

CCN

Pursuant to Chapter 37 of the Texas Utilities Code, the Public Utility Commission of Texas ("PUC") requires a certificate of convenience and necessity for an electric cooperative (and other utilities) to serve the public in its service territory. Pedernales Electric Cooperative, Inc. (the "Cooperative") holds a certificate of convenience and necessity ("CCN") for its service territory. To amend its CCN or provide service exceptions, the Cooperative must submit an application to the Commission. The preservation of such certificate in its current form is no longer desirable in the conduct of the business of the Cooperative.

A motion was made by Secretary/Treasurer Graf, 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

24. [2022-364](#) **Resolution - Approval of Acceptance of the Selection of Independent Auditor and Tax Services - K Jones**

Body: **NOW, THEREFORE, BE IT RESOLVED BY THE PEC BOARD OF DIRECTORS ("Board")** that the Board of Directors hereby accepts and approves the selection and retain Bolinger, Segars, Gilbert & Moss, L.L.P. as the Cooperative's independent auditor and tax professional for the fiscal year 2022 audit.

BE IT FURTHER RESOLVED that the audit partner of the current audit firm selected serve for up to a five (5) year term, and

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

Executive Session

Attachments: [Signature Report - Auditor Recommendation - 2022-326-Final](#)

Independent Auditor and Tax Services

The Cooperative maintains an independent auditor for the examination of financial records and tax services. PEC has utilized the current audit firm, Bolinger, Segars, Gilbert & Moss, L.L.P., since the 2013 fiscal year audit; the audit partner of the current audit firm has been in place for four (4) years since the 2018 fiscal year audit.

The Audit Committee discussed this selection during their meeting in September 2022 and recommended the acceptance of BSGM for 2022 fiscal year.

The Board may now consider to accept the selection and retain the current audit firm for the solicitation of these professional services for the fiscal year 2022 audit and tax services.

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 2:31 p.m.

Approved:

Paul Graf, Secretary

Mark Ekrut, President