



## **Meeting Minutes - Draft**

### **Board of Directors**

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**Monday, February 20, 2017**

**9:00 AM**

**PEC Headquarters Auditorium**

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**Open Session of this Regular Meeting was held in the PEC Auditorium and video recorded in accordance with Board Meetings Policy. Members were able to watch this meeting by livestream from the PEC website at <http://www.pec.coop/boardvideos>**

#### **Call to Order and Roll Call**

This meeting was called to order at 9:04 am on February 20, 2017 at the PEC Headquarters Auditorium, 201 South Avenue F, Johnson City, Texas.

**Present:** 7 - Director Cristi Clement, Director Kathy Scanlon, Director Jim Powers, Director James Oakley, Director Paul Graf, Director Amy Akers, and President Emily Pataki

#### **Adoption of Agenda**

**This agenda was adopted as posted and without objection.**

#### **Consent Items**

##### **Approval of the Consent Agenda**

**A motion was made to approve the Consent Agenda. The motion carried by the following vote:**

**Yes:** 7 - Clement, Scanlon, Powers, Oakley, Graf, Akers, and Pataki

**1. [2017-045](#) Friday, January 6, 2017 Complaint Committee Meeting Minutes**

**Attachments:** [2017-01-07 Complaint Committee Minutes draft v3](#)

**Consent Item approved.**

**2. [2017-046](#) Tuesday, January 17, 2017 Regular Meeting Minutes**

**Attachments:** [2017-01-17 Minutes Regular Meeting - draft v4](#)

**Consent Item approved.**

#### **Cooperative Monthly Reports**

**3. [2017-047](#) Cooperative Update - J Hewa**

**Attachments:** [PEC\\_BOD\\_CEO\\_02202017\\_FINAL.pdf](#)  
[2017-02-20 PEC BOD CEO Cooperative Update FINAL PowerPoint 2perpg](#)

CEO John Hewa reviewed the Cooperative Update PowerPoint presentation. Mr. Hewa gave a demonstration of the Cooperative's outage map and stated that the map was active for the whole territory with additional layering of maps to be added. President Emily Pataki thanked employees for their service to the membership.

**4. [2017-024](#) Financial Services Report - T Golden**

**Attachments:** [2017-02-20 February 2017 Financial Presentation \(December 2016\) 2perpg](#)  
[2017-02-20 December 2016 Financial Statements to the BOD](#)

CFO Tracy Golden reviewed the Financial Services Report PowerPoint presentation and answered a question regarding the Cooperative's Times Interest Earned (TIER).

**5. [2017-004](#) Communications & Business Services Report (written report in materials)**

**Attachments:** [2017-02 Communications and Business Services Report](#)

The written materials for Communications and Business Services Report were included in the Board package.

**6. [2017-007](#) Corporate Services Report (written report in materials)**

**Attachments:** [2017 February CS Safety Report](#)

The written materials for Corporate Services Report were included in the Board package.

**7. [2017-010](#) Engineering and Energy Innovations Report (written report in materials)**

**Attachments:** [2017-02-20 Engineering and Energy Innovations Report - FINAL](#)

The written materials for Engineering and Energy Innovations Report were included in the Board package.

**8. [2017-014](#) Power Supply and Energy Services Report (written report in materials)**

**Attachments:** [2017-02-20 Power Supply and Energy Services Report VF](#)

The written materials for Power Supply and Energy Services Report were included in the Board package.

**9.        [2017-023](#)        Information Technology Report (written report in materials)**

**Attachments:**    [IT Report February 2017 Board Meeting](#)

The written materials for Information Technology Report were included in the Board package.

**10.       [2017-032](#)       Operations Report (written report in materials)**

**Attachments:**    [2017-02-20 Operations Update January Data - Final](#)

The written materials for Operations Report were included in the Board package.

**11.       [2017-044](#)       Member Services Report (written report in materials)**

**Attachments:**    [February 2017 Mtg Member Services CEO Report](#)

The written materials for Member Services Report were included in the Board package.

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

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

Ernest Altgelt - Representative Workman's bill regarding service territory, and the recent electrical contact involving a contractor at PEC headquarters.

George Pangborn - delivered a complaint resolution to the Board signed by 19 members.

In response to a member comment, CEO John Hewa reported on the electric contact made by a contractor's equipment.

**12.       [2017-033](#)       Decorum Policy (reference material)**

**Attachments:**    [2015-09-21 Decorum Policy](#)

**Action Items / Other Items**

**13.     [2017-034](#)     Election of Board Officers - Director E Pataki**

General Counsel Don Ballard asked if any directors desired to remove themselves from consideration for the office of Vice President. 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 Paul Graf had been elected as Vice President of the Board.

General Counsel Don Ballard asked if any directors desired to remove themselves from consideration for the office of Secretary / Treasurer and Director Jim Powers asked that his name 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 Amy Akers had been elected as Secretary / Treasurer of the Board.

**14.     [2017-051](#)     TEC 2017 Annual Membership Dues - J Hewa**

**Body:** **RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE,** that Texas Electric Cooperatives (TEC) membership and associated membership dues for 2017 in the amount of \$162,309.14 are approved, and the Chief Executive Officer of the Cooperative, or his designee, is authorized to pay those dues pursuant to the invoice duly presented to the Cooperative.

**Attachments:** [TEC 2017 Annual Membership Dues.pdf](#)

CEO John Hewa reported on the TEC 2017 Annual Membership Dues as included in the package.

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

**Yes:** 7 - Clement, Scanlon, Powers, Oakley, Graf, Akers, and Pataki

**15.     [2017-020](#)     Amendment to Dahill/Xerox Support and Service Contract - L Parnell**

**Body:** **BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE,** that the contract for the Dahill printer lease and support services be amended to extend the contract; and

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

CEO Lawanda Parnell reviewed the amendment to the Dahill / Xerox Support and Service Contract as included in the package. Following the vote and at 9:55 am President Emily Pataki announced a break; at 10:05 am the meeting reconvened.

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

**Yes:** 7 - Clement, Scanlon, Powers, Oakley, Graf, Akers, and Pataki

**16.     [2017-001](#)     2017 - 2018 Key Performance Indicators Plan Methodology - P Muhoro**

**Body:** **BE IT RESOLVED BY THE BOARD OF DIRECTORS** that the 2017- 2018 Key Performance Indicator Plan Methodology presented to the Board this day is hereby approved and adopted; and

**BE IT FURTHER RESOLVED** that the Chief Executive Officer, or his designees, are authorized to take all actions necessary to implement this resolution.

**Attachments:** [2017-02-20 2016 KPI P2 Results PowerPoint 2perpg](#)

[2017-02-20 2017 - 2018 Key Performance Indicators Plan - Final PowerPoint 2perpg](#)  
[2017-02-27 PEC 2017 KPI](#)

Chief Strategy Officer Peter Muhoro reviewed the 2016 Key Performance Indicators - Period 2 Results PowerPoint presentation and answered questions regarding the employees per meter formula. Dr. Muhoro also reviewed the 2017-2018 Key Performance Indicators Plan (KPI) Methodology PowerPoint presentation and staff answered questions regarding System Average Interruption Duration Index (SAIDI) numbers, centralized dispatch, cost and price goal, customer service weighting, preventable vehicle accidents, employee security training, and maximum payout amounts. Following discussion, CEO John Hewa stated that staff would change the 2017-2018 methodology to reflect the 2016 SAIDI trigger points of 54, 60 and 66 minutes.

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

**Yes:**   7 -   Clement, Scanlon, Powers, Oakley, Graf, Akers, and Pataki

17.     [2017-002](#)     **Approval to Accept Microgrid Pilot Grant from the U.S. Department of Energy as Host Utility - P Muhoro**

**Body:** **BE IT RESOLVED BY THE BOARD OF DIRECTORS** that the Board approves and accepts the microgrid grant from the U.S. Department of Energy as the host utility as presented to the Board this day; and

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

**Attachments:** [2017-02-20 ENERGISE Grant Overview - February 2018 Board Meeting 2perpg](#)

Chief Strategy Officer Peter Muhoro reviewed the resolution for accepting Microgrid Pilot Grant from the U.S. Department of Energy as Host Utility and provided an overview of the grant, the project setup and the proposed Northwest Operations Center location. Staff reported that the Cooperative would be negotiating between entities before making final commitments, and the Cooperative could pass on the grant if it does not meet the needs of the members. Staff answered questions regarding distributive resources, testing of the microgrid, staff allocations, impact on planned facility site layout, project partner access to site, and administrative costs after the third year. President Emily Pataki asked that staff follow-up with the Board prior to moving forward.

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

**Yes:**   7 -   Clement, Scanlon, Powers, Oakley, Graf, Akers, and Pataki

18. [2017-003](#) **Approval to Accept Energy Storage Grant from Texas Commission on Environmental Quality - P Muhoro**

**Body:** **BE IT RESOLVED BY THE BOARD OF DIRECTORS** that the Board approves and accepts the energy storage grant from the Texas Commission on Environmental Quality as presented to the Board this day; and  
**BE IT FURTHER RESOLVED** that the Chief Executive Officer, or designee, is authorized to take all actions necessary to implement the project and otherwise implement this resolution.

**Attachments:** [2017-02-20 TCEQ Grant Overview - February 2018 Board Meeting PowerPoint 2perpg](#)

Chief Strategy Officer Peter Muhoro reviewed the resolution to accept Energy Storage Grant from Texas Commission on Environmental Quality and reviewed the Battery Storage Grant Overview PowerPoint presentation. Dr. Muhoro answered questions regarding the differences between battery storage and microgrid, and the plans for changing technologies. Staff reported that they would return to the Board with additional information prior to installation and if a battery could not be found to meet our economic needs, the Cooperative would not go through with the project.

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

**Yes:** 7 - Clement, Scanlon, Powers, Oakley, Graf, Akers, and Pataki

19. [2017-005](#) **Economic Development Rate for New Commercial and Industrial Electric Load (Pass Through) - N Mack**

**Body:** **NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF PEDERNALES ELECTRIC COOPERATIVE, INC.** that the Cooperative approve these amendments to the Tariff for Electric Service as attached hereto to become effective as of April 1, 2017.

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

**Attachments:** [2017-02-20 Economic Development Rate for New Commercial & Industrial Electric Load- Pass Through Rate \(Draft\)](#)  
[2017-02-20 Economic Development Rate for New Commercial & Industrial Electric Load- Pass Through Rate - Tariff CLEAN DRAFT v2](#)

Rates and Pricing Manager Natalia Mack reviewed the draft Economic Development Rate for New Commercial and industrial Electric Load (Pass Through). This item would be placed on the March Board Meeting agenda for consideration.

**20.     [2017-016](#)     Combined Tariff and Business Rules - N Mack**

**Body:** **NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF PEDERNALES ELECTRIC COOPERATIVE, INC.** that the Cooperative approve these amendments to the Tariff for Electric Service as attached and become effective as of March 1, 2017.

**BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE**, the Business Rules as a separate governing document will no longer be effective as of the effective date of the Tariff and Business Rules for Electric Service; and

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

**Attachments:** [2017-02-20 Combined Tariff and Business Rules Presentation](#)  
[2017-02-20 Combined Tariff and Business Rules - Clean 02062017](#)  
[2017-02-20 Combined Tariff and Business Rules - Redline 02062017](#)

Rates and Pricing Manager Natalia Mack reviewed the Combined Tariff and Business Rules PowerPoint presentation and reported that comments received following last month's presentation of the Tariff and Business rules have been incorporated. Director Amy Akers stated that additional changes to the Tariff and Business Rules were expected to be presented to the Board in the future and she would like to work with staff again on fine tuning some of the language.

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

**Yes:** 7 - Clement, Scanlon, Powers, Oakley, Graf, Akers, and Pataki

**21.     [2017-017](#)     Small and Large Power Solar Interconnection Tariff Amendment for Systems Greater than 50kW (Draft) - I Sterzing**

**Attachments:** [2017-02-20 Small and Large Power Solar Interconnection Tariff Amendment for Systems Greater than 50 kW- DRAFT v1](#)

VP of Power Supply and Energy Services Ingmar Sterzing reviewed the Small and Large Power Interconnection Tariff Amendment for System Greater than 50kW PowerPoint presentation.

**22.     [2017-029](#)     2017 Election Update - D Ballard**

**Attachments:** [2017-02-07 2017 Election Timeline Final - with next steps highlighted](#)

General Counsel Don Ballard reviewed the upcoming items on the 2017 Election Timeline. Mr. Ballard stated that at the April Board meeting, the Board would consider the 2017 ballot language, along with optional Power of Change opt-in language for inclusion with the ballot material distribution.



**Proposed Future Items / Meetings (subject to final posting)****23.     [2017-027](#)     List of Proposed Future Meetings**

**Attachments:**   [2017-02-07 Proposed Future Meetings - v1](#)

President Emily Pataki reviewed the proposed Board meeting dates. Following discussion, the Board moved the June Regular Board Meeting to convene following the conclusion of the Annual Membership Meeting scheduled on Saturday, June 17, 2017. VP of Communications and Business Services Alyssa Clemens-Roberts stated that staff would notify the facility and secure space needed for the Executive Session portion of the meeting.

**24.     [2017-041](#)     Board Meeting Planning Calendar (written report in materials)**

**Attachments:**   [Board Planning - Mar 2017 thru May 2017](#)

President Emily Pataki provided an overview of the types of items to be discussed in Executive Session. At 11:35 am President Emily Pataki stated that the Board would go into Executive Session.

**Executive Session - Safety and Security Matters****25.     [2017-018](#)     Cyber Security Update - T Shaheed****26.     [2017-035](#)     Safety and Security Matters****Executive Session - Legal Matters****27.     [2017-036](#)     Update on Litigation and Related Legal Matters****28.     [2017-037](#)     Matters in Which the Board Seeks the Advice of its Attorney as Privileged Communications in the Rendition of Professional Legal Services****29.     [2017-038](#)     Ethics and Compliance Reports****[2017-052](#)     Approval of Settlement Agreement with Vendor Filed in Blanco County District Court (CV 07897) - D Ballard**

**Body:** **BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE**, that the Cooperative approve a settlement of its complaint filed in Blanco County District Court (CV 07897) against a vendor on the terms discussed this day; and

**BE IT FURTHER RESOLVED**, that the Chief Executive Officer, or designee, is authorized to take all such actions, including negotiation and execution of a disposition of the matter, as needed to implement this resolution.

**Executive Session - Contract and Competitive Matters****30.     [2017-012](#)     Power Transformer 5-Year Purchase Plan - B Hicks**

**Body:** **BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE** that the transformer alliance, as discussed in Executive Session, be approved for 2018 at the February 20, 2017 Board Meeting under Resolution 2017-012; and

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

**31.     [2017-019](#)     Power Supply and Energy Management Policy and Supply Options - I Sterzing****32.     [2017-021](#)     Cost Beneficial - Distributed and Community Solar Project Power Purchase Agreements - I Sterzing****33.     [2017-022](#)     Energy Regulatory Affairs Strategies, Power Analyses and Risk Strategies Review - D Thompson****34.     [2017-050](#)     Draft 2017-2018 Business Plan**

35.     [2017-011](#)     **Approval of Sale and Release of Property, Improvements and Lease - J Beggs**

**Body:**

**WHEREAS**, the Cooperative's Board of Directors hereby concludes that the Improvements are no longer necessary or advantageous in the business of the Cooperative and that the sale price represents the fair market value for the Improvements; and

**WHEREAS**, the Improvements constitutes less than substantially all of the property in the Cooperative's possession constituting part of the Trust Estate (as defined in the Master Indenture); and

**WHEREAS**, the Cooperative's Board of Directors desires to obtain a release of the Lien (as defined in the Master Indenture) from the Trustee under the Master Indenture pursuant to Section 1.9(a) and a release from the Deed of Trust in order to sell the Improvements; and

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE**, that the Cooperative hereby requests that the Trustee release the Improvements from the Lien under the Master Indenture pursuant to Section 1.9(a) of the Master Indenture and release from the Deed of Trust so that the Cooperative may sell the Improvements for the amount as discussed this day;

**BE IT FURTHER RESOLVED**, that the Cooperative terminate the lease of the real property as described this day in Executive Session, with details of any such transaction to be publicly available upon public filing of instruments;

**BE IT FURTHER RESOLVED**, that the Chief Executive Officer or designee is authorized as a duly authorized officer or agent of the Cooperative, for and in the name and on behalf of the Cooperative, to prepare, execute, acknowledge as appropriate, and deliver any certificates, bill of sale, lease termination, and other instruments of any nature necessary or appropriate to give effect to such sale of Improvements and release of Lien and termination of Lease, in each case in such form and containing such terms and conditions as such officer or agent deems necessary; 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.

**Executive Session - Real Estate Matters**

36.     [2017-039](#)     **Facilities and Real Estate Update and Review - J Beggs**

**Executive Session - Personnel Matters**

37.     [2017-040](#)     **Personnel Matters Update**

**38.     [2017-048](#)     Annual Chief Executive Officer (CEO) Performance Evaluation - J Hewa****Reconvene to Open Session at 3:13 pm**

In President Emily Pataki's absence, Vice President Paul Graf reconvened the meeting.

**Items from Executive Session****[2017-052](#)     Approval of Settlement Agreement with Vendor Filed in Blanco County District Court (CV 07897) - D Ballard**

**Body:** **BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE**, that the Cooperative approve a settlement of its complaint filed in Blanco County District Court (CV 07897) against a vendor on the terms discussed this day; and

**BE IT FURTHER RESOLVED**, that the Chief Executive Officer, or designee, is authorized to take all such actions, including negotiation and execution of a disposition of the matter, as needed to implement this resolution.

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

**Yes:** 6 - Clement, Scanlon, Powers, Oakley, Graf, and Akers

**Absent:** 1 - Pataki

**[2017-012](#)     Power Transformer 5-Year Purchase Plan - B Hicks**

**Body:** **BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE** that the transformer alliance, as discussed in Executive Session, be approved for 2018 at the February 20, 2017 Board Meeting under Resolution 2017-012; and

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

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

**Yes:** 6 - Clement, Scanlon, Powers, Oakley, Graf, and Akers

**Absent:** 1 - Pataki

[2017-011](#)**Approval of Sale and Release of Property, Improvements and Lease - J Beggs****Body:**

**WHEREAS**, the Cooperative's Board of Directors hereby concludes that the Improvements are no longer necessary or advantageous in the business of the Cooperative and that the sale price represents the fair market value for the Improvements; and

**WHEREAS**, the Improvements constitutes less than substantially all of the property in the Cooperative's possession constituting part of the Trust Estate (as defined in the Master Indenture); and

**WHEREAS**, the Cooperative's Board of Directors desires to obtain a release of the Lien (as defined in the Master Indenture) from the Trustee under the Master Indenture pursuant to Section 1.9(a) and a release from the Deed of Trust in order to sell the Improvements; and

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE**, that the Cooperative hereby requests that the Trustee release the Improvements from the Lien under the Master Indenture pursuant to Section 1.9(a) of the Master Indenture and release from the Deed of Trust so that the Cooperative may sell the Improvements for the amount as discussed this day;

**BE IT FURTHER RESOLVED**, that the Cooperative terminate the lease of the real property as described this day in Executive Session, with details of any such transaction to be publicly available upon public filing of instruments;

**BE IT FURTHER RESOLVED**, that the Chief Executive Officer or designee is authorized as a duly authorized officer or agent of the Cooperative, for and in the name and on behalf of the Cooperative, to prepare, execute, acknowledge as appropriate, and deliver any certificates, bill of sale, lease termination, and other instruments of any nature necessary or appropriate to give effect to such sale of Improvements and release of Lien and termination of Lease, in each case in such form and containing such terms and conditions as such officer or agent deems necessary; 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 Clement, seconded by Director Scanlon, that this item be approved. The motion carried by the following vote:**

**Yes:** 6 - Clement, Scanlon, Powers, Oakley, Graf, and Akers

**Absent:** 1 - Pataki

**Adjournment**

There being no further business to come before the Board of Directors, the meeting was adjourned at 4:15 pm.

APPROVED:

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Amy Akers, Secretary

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Emily Pataki, President