



Meeting Minutes - Draft

Board of Directors

Monday, July 16, 2018

9:00 AM

PEC Headquarters Auditorium

Open Session of this Regular Meeting was held in the PEC Auditorium and was video recorded in accordance with Board Meetings Policy.

Call to Order and Roll Call

Vice President Paul Graf welcomed new director Milton Rister. Vice President Paul Graf stated that President Emily Pataki and Director Amy Akers were not able to attend in person, but may join by teleconference during the meeting.

This meeting was called to order at 9:02 am on July 16, 2018 at the PEC Headquarters Auditorium, 201 South Avenue F, Johnson City, Texas.

Present: 5 - Director Milton Rister, Director Randy Klaus, Director Jim Powers, Director James Oakley, and Director Paul Graf

Absent: 2 - Director Amy Akers, and President Emily Pataki

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. [2018-245](#) **Saturday, June 23, 2018 - Regular Meeting Minutes**

Attachments: [2018-06-23 Regular Minutes - draft 2](#)

Consent item approved.

Cooperative Monthly Reports

2. [2018-223](#) **Cooperative Update - J Parsley**

Attachments: [2018-07-16 Cooperative Update](#)

CEO Julie Parsley reviewed the Cooperative Update PowerPoint presentation. At 9:06 am the Board took at break to address live-streaming technical issues and the meeting reconvened at 9:12 am.

3. [2018-224](#) Financial Services Report - F Wolff

Attachments: [2018-07-16 June 2018 Financial Presentation to the Board - F Wolff](#)
 [2018-07-16 June 2018 Financial Statements - F Wolff.pptx](#)

Acting CFO Freddy Wolff reviewed the Financial Services Report PowerPoint presentation.

4. [2018-225](#) Operations Report (written report in materials)

Attachments: [2018-07-16 Operations Report Final](#)

Vice President Paul Graf stated the Operations Report was included in the package materials and acknowledged the outstanding work being done by the team, the SAIFI and SAIDI numbers, and the summer peak report.

Member Comments (3 minute limitation or as otherwise directed by Board)**5. [2018-194](#) Member Comments**

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

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

Robert Ham - line extension policy and request for PEC to complete line infrastructure in Wolf Creek located outside of Burnet, Texas.

Andrew Cable - consideration of less densely populated municipalities when reviewing director district rebalance.

Roger Lachele - request for PEC to provide internet service.

Action Items / Other Items

6. [2018-232](#) **Resolution - Approval of 2018 NRECA Regional Meeting Voting Delegates and 2018 CFC District Voting Delegates - E Pataki**

Body: **RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE**, that the following Directors are hereby appointed and designated as authorized representatives of the Cooperative to serve as a voting delegate and alternate delegate to act at meetings of the 2018 National Rural Electric Cooperative Association Regional Meeting, to be held in Oklahoma City, Oklahoma, on October 17-18 2018 until successors are duly appointed and designated: Paul Graf, Voting Delegate; and Gili Carter-Thomas, Alternate Delegate.

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, that the following Directors are appointed and designated as authorized representatives of the Cooperative to serve as the voting delegates of the Cooperative and to cast the vote of the Cooperative for matters pertaining to the 2018 District 10 Meeting of the National Rural Utilities Cooperative Finance Corporation: Paul Graf as Voting Delegate and Gili Carter-Thomas as Alternate Voting Delegate.

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

Attachments: [2018-06-26 NRECA Voting Delegate Form](#)
[2018-07-16 NRECA Voting Delegate Certification signed](#)

The Board discussed the directors and staff available to serve as voting delegates.

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

Yes: 5 - Rister, Klaus, Powers, Oakley, and Graf

Absent: 2 - Akers, and Pataki

7. [2018-226](#) **Resolution - Approval to Extend the SafePoint Agreement Contract - F Wolff**

Body: **NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE**, that the Cooperative authorizes negotiations and entering into an extended agreement with SafePoint for a service contract term up to three (3) years; and

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

Acting CFO Freddy Wolff reviewed the proposed resolution for the approval to extend the SafePoint agreement as presented at last month's meeting.

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

Yes: 5 - Rister, Klaus, Powers, Oakley, and Graf

8. [2018-192](#) **Resolution - Approval of Contract Extension for Microsoft Software Maintenance Support - L Parnell**

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE**, that the software maintenance contract for Microsoft be amended to extend for an additional 3 years; and

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

CIO Lawanda Parnell reviewed the proposed resolution for a contract extension for Microsoft Enterprise License Agreement through 2021.

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

Yes: 5 - Rister, Klaus, Powers, Oakley, and Graf

9. [2018-246](#) **Resolution - Approval of OSII EPILOG Software Purchase - W McKee**

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE** that the Board approves the purchase of the EPILOG software with a term concurrent with the OSII Monarch SCADA System; and

BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS that the Chief Executive Officer, or designee, is authorized to execute and take all such actions as needed to implement this resolution.

COO Eddie Dauterive reviewed the proposed resolution for the OSII EPILOG Software purchase as an enhancement to the SCADA platform.

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

Yes: 5 - Rister, Klaus, Powers, Oakley, and Graf

10. [2018-234](#) **Resolution - Approval of Written Certification of the Election Results - D Ballard**

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE** that the election results, as certified by Survey & Ballot Systems and presented to the Board this day, are hereby accepted as the official results of the Cooperative's 2018 Election; and

BE IT FURTHER RESOLVED that the Chief Executive Officer, or designee, is hereby authorized to enter the official election results into the minutes of the Cooperative and to take any other actions as necessary to implement this resolution.

Attachments: [2018-06-23 SBS PEC Final Report Certified](#)

General Counsel Don Ballard reviewed the proposed resolution for the written certification of 2018 election results. Vice-President Paul Graf congratulated the team for all the positive comments received. General Counsel Don Ballard stated that next month staff would present feedback and potential election enhancements for consideration.

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

Yes: 5 - Rister, Klaus, Powers, Oakley, and Graf

11. [2018-243](#) **Annual Review of Conflicts of Interest Certification and Disclosure Forms from Directors - D Ballard**

Attachments: [2016-12-16 Conflict of Interest Policy](#)
[Conflict of Interest - Oakley 2018-07-16](#)

General Counsel Don Ballard stated that all directors had signed the Annual Conflicts of Interest Certification and Disclosure Forms and these were included in the June 23, 2018 minutes.

12. [2018-239](#) **Annual Review of Directors' Code of Conduct by General Counsel - D Ballard**

Attachments: [2018-07-16 Code of Conduct](#)

General Counsel Don Ballard reviewed the Directors' Code of Conduct PowerPoint presentation which completed the required annual review.

13. [2018-244](#) **Elections and Annual Membership Meeting Updates - S Romero & T Fugate**

Attachments: [2018-07-16 Director Election - v4](#)
[2018-07 Annual Membership Meeting Update](#)

Governance and Policy Manager Sylvia Romero reviewed the 2018 Annual Director Election PowerPoint presentation, which included election summary, voting by districts, historical information, member satisfaction, and survey results. Ms. Romero highlighted the 2018 voter turnout of 11.26% which exceeded the 10% goal. CIO Lawanda Parnell stated that SmartHub's single sign-on login through the website was able to distinguish eligible voters, however SmartHub's mobile application was unable to make that distinction this year so that only the eligible voters would see the vote button.

Community Engagement Director Trista Fugate reviewed the 2018 Annual Membership Meeting PowerPoint presentation. Executive Vice President of Public Affairs Mike Viesca stated that next month staff would present two 2019 Annual Meeting proposals. One option format would be similar to this year's meeting, and the other option would be an annual membership meeting and member appreciation event. With either format, staff recommended that a regular board meeting not be held on the same day.

14. [2018-237](#) **Draft Resolution - Consideration of Election Services Provider for 2019
PEC Elections - D Ballard**

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

OR

BE IT RESOLVED BY THE BOARD OF DIRECTORS that the General Counsel initiate a competitive solicitation to procure the services of an independent election services provider and recommend such provider for the 2019 Cooperative election; and

BE IT FURTHER RESOLVED, that the Board authorizes the General Counsel, or designee, to take all such actions to implement this resolution.

General Counsel Don Ballard reviewed the draft resolution for consideration of the election services provider for the 2019 PEC Elections. Mr. Ballard reported on the options and staff's recommendation to extend the contract for one additional year to complete a three year cycle of single member director elections under the single member district voting methodology, and to complete the integration of the enterprise software system using single sign-on SmartHub. Director James Oakley requested that there be a review of all technical aspects of the election process to confirm all happened as it should. Mr. Ballard stated that educational opportunities around that Marble Falls voting circumstance had been identified. Mr. Ballard added that if a contract extension was granted, staff would negotiate the contract and did not expect the cost to vary more than five percent. This item would be considered at the next meeting.

15. [2018-213](#) Draft Resolution - Approval of Directors Compensation Policy - D Ballard

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

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

Attachments: [2018-06-01 Director Compensation Policy - DRAFT Redline v2](#)
 [2018-06-01 Director Compensation Policy - DRAFT Clean v2](#)

General Counsel Don Ballard stated that as per the Policy on Policies, the Directors Compensation Policy was scheduled for review, clarification, and/or revision. Mr. Ballard reviewed the proposed draft revisions including changes to a review period every three years, and changes in section 3c for director's optional insurance coverage. Mr. Ballard advised the Board that any rates or costs discussion would need to occur in Executive Session under competitive matters. This item would be considered at next month's meeting.

16. [2018-247](#) Draft Resolution -Tariff & Business Rules Amendments for Critical Care Registry and Pre-paid Payment Option - E Dauterive

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE** that the Cooperative approve the amendment(s) to the Tariff and Business Rules as attached hereto to become effective as of September 1, 2018; and

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

Attachments: [2018-07-16 Critical Care Registry Clean Final](#)
 [2018-07-16 Critical Care Registry Redline Final](#)

COO Eddie Dauterive reviewed the proposed draft resolution for tariff and business rules amendments with minor changes to the critical care registry and pre-paid payment option.

17. [2018-248](#) **Draft Resolution - Capping Empower Loan Program and Discontinuing On Bill-Financing Program Tariff**

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

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

Attachments: [2018-07-16 Capping Empower Loan Program and Discontinuing On Bill-Financ...](#)
[2018-07-16 Capping of Empower Loan Program Redline Final](#)
[2018-07-16 Capping of Empower Loan Program Clean Final](#)

VP of Member Relations Tim Nance reviewed the Empower Loan Program PowerPoint presentation along with the draft resolution for capping Empower Loan Program and discontinuing on-bill financing program. The Board discussed the origination of the on-bill financing program and other financing options available from installers. This item would be considered at the next meeting.

At 10:28 am Vice President Paul Graf announced a short break and at 10:42 am the meeting reconvened.

18. [2018-115](#) **Draft Resolution - Approval of National Rural Utilities Cooperative Finance Corporation (CFC) - Cooperative System Integrity Fund - F Wolff & D Ballard**

Body: **NOW THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF PEDERNALES ELECTRIC COOPERATIVE**, that the Cooperative apply to the National Rural Utilities Cooperative Finance Corporation - Cooperative System Integrity Fund for assistance in its efforts resisting an attempt by a non-rural electric cooperative system to over-build electric distribution facilities as well as serve electricity load in the Cooperative's singly-certified service area in violation of Texas state law;

BE IT FURTHER RESOLVED, that the Board seeks assistance in efforts to protect and strengthen the territorial integrity and rights of rural electric systems to provide electric energy services to consumers by seeking regulatory, judicial, or legal resolution that may serve as a state-wide precedent for other rural electric systems serving similar facilities;

BE IT FURTHER RESOLVED, that the Cooperative has expended \$211,217.00 in its regulatory litigation, and the Cooperative therefore requests assistance from the Cooperative System Integrity Fund in the amount of \$105,608 or amounts that may otherwise be eligible;

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

Controller Freddy Wolff reported on the list of cooperative efforts supported by the rural electric program through the CFC Cooperative System Integrity Fund and PEC's contribution to the fund over the years. Staff reviewed the draft resolution for approval to submit a reimbursement request to the Fund for eligible expenses of \$105,608 for regulatory litigation.

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

Yes: 5 - Rister, Klaus, Powers, Oakley, and Graf

19. [2018-250](#) **Key Performance Indicator (KPI) Update of 2018 Period 1 Results - H Baca & F Wolff**

Attachments: [2018 KPI-P1 Results](#)
[2018 KPI-P1 Final Performance](#)

Organizational Performance, Process and Risk Manager Heather Baca and Acting CFO Freddy Wolff reviewed the 2018 Key Performance Indicators P1 Results PowerPoint presentation and announced the KPI - P1 payout of 10.29% scheduled for distribution Friday, July 20, 2018. Ms. Baca and Mr. Wolff thanked the Board and executives for their support, and the employees for their engagement with our members and in the program.

20. [2018-254](#) Update on Board District Rebalance - D Richards

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

Daniel Gibson, with Richards, Elder & Gibson, PLLC, reviewed the Director District Revision and Member Balance PowerPoint presentation which included the considerations for the 2015 rebalance, variances, considerations for 2018 rebalance, and the proposed director district changes. The Board discussed the proposed changes, the voting impact to members who experience a district change, and considerations to rebalance after a full three years of single member elections. Director James Oakley requested a map showing meter density. In response to an inquiry from Director Milton Rister, CIO Lawanda Parnell stated staff would provide an explanation of the difference between May and current numbers.

21. [2018-251](#) Enterprise Risk Management (ERM) Program Quarterly Report - H Baca

Attachments: [2018-07-16 Enterprise Risk Management Update Q22018](#)

Organizational Performance, Process and Risk Manager Heather Baca reviewed the Enterprise Risk Management Update PowerPoint presentation. Ms. Baca stated the results of initial risk identification and analysis would be presented to the Board at the October meeting.

Proposed Future Items / Meetings (subject to final posting)**22. [2018-227](#) List of Proposed Future Meetings**

Attachments: [2018-07-01 Proposed Future Meetings - v1](#)

Vice President Paul Graf stated that the proposed Board meeting dates were included in the meeting materials.

23. [2018-218](#) Board Planning Calendar (written report in materials)

Attachments: [2018-07-01 Board Planning Calendar v1](#)

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

Recess to Executive Session

Vice President Paul Graf announced the items to be discussed in Executive Session and at 11:34 am stated the Board would go into Executive Session.

Executive Session - Legal Matters**24. [2018-233](#) Litigation and Related Legal Matters**

25. [2018-228](#) Matters in Which the Board Seeks the Advice of its Attorney as Privileged Communications in the Rendition of Professional Legal Services

26. [2018-219](#) Discussion of Biennial Board Assessment Review - S Romero

Executive Session - Contract and Competitive Matters

27. [2018-124](#) Markets Monthly Report - D Thompson

28. [2018-214](#) Line Extension Policy Review - E Dauterive

29. [2018-187](#) Pole Attachment Update - R Arellano

Executive Session - Real Estate Matters

30. [2018-229](#) Facilities and Real Estate Update - R Arellano

Executive Session - Safety and Security Matters

31. [2018-230](#) Safety and Security Matters

Executive Session - Personnel Matters

32. [2018-231](#) Personnel Matters Update

Reconvene to Open Session 2:50 pm

Items from Executive Session

There were no items to report from Executive Session.

Adjournment

There being no further business to come before the Board of the Directors, the meeting was adjourned at 2:51 pm.

Approved:

Amy Akers, Secretary

Paul Graf, Vice-President

Emily Pataki, President