



Meeting Minutes - Draft

Board of Directors

Friday, May 17, 2019

9:00 AM

PEC Headquarters Auditorium

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

The meeting was called to order 9:05 am on May 17, 2019 at the PEC Headquarters, 201 S. Avenue F, Johnson City, Texas. All directors were present and Director Pataki was present via telephone conference.

Present: 7 - Director Milton Rister, Director Randy Klaus, Director Emily Pataki, Director Jim Powers, 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. [2019-142](#) Friday, April 12, 2019 - Regular Meeting Minutes

Attachments: [2019-04-12 Regular Minutes - Draft v4](#)

President Graf stated the March 15, 2019 minutes were amended as recognized by Director Randy Klaus, item #4.

The April 12, 2019 meeting minutes were then voted upon and included the amendment to the March 15 minutes as item #1.

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

Yes: 7 - Rister, Klaus, Pataki, Powers, Oakley, Akers, and Graf

2. [2019-124](#) Resolution - Approval of Board Meetings 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 Board Meetings Policy, with such changes, if any, as were approved by the Board; and

BE IT FURTHER RESOLVED that the Chief Executive Officer, or his designees, are hereby authorized to take all such action as may be necessary to implement this resolution

Attachments: [2019 05 17 Board Meetings Policy - DRAFT REDLINE](#)
[2019 05 17 Board Meetings Policy - DRAFT CLEAN](#)

Consent item approved.

3. [2019-125](#) Resolution - Approval of Board Committee Guidelines - 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 Board Committee Guidelines, with such changes, if any, as were approved by the Board; and

BE IT FURTHER RESOLVED that the Chief Executive Officer, or designees, are hereby authorized to take all such action as may be necessary to implement this resolution.

Attachments: [2019 05 17 Board Committee Guidelines DRAFT REDLINE](#)
[2019 05 17 Board Committee Guidelines DRAFT CLEAN](#)

Consent item approved.

Cooperative Recognitions**4. [2019-127](#) Moment of Silence in Commemoration of Memorial Day**

President Graf asked those in attendance to take a moment of silence in commemoration of Memorial Day.

Cooperative Monthly Reports**5. [2019-143](#) Cooperative Update - J Parsley**

Attachments: [2019-05-17 Cooperative Update-FINAL](#)

CEO Julie Parsley reviewed the Cooperative Update presentation which included: recent storms, employee recognitions, awards, legislative session update, Chamber breakfast, and Bertram office renovations.

6. [2019-144](#) Financial Services Monthly Report - J Davis

Attachments: [2019-05-17 - March 2019 Financial Report to the Board](#)
[2019-05-17 - March 2019 Financial Statements](#)

CFO John Davis reviewed the March 2019 financials with the Board. His account of the financials included updates on: growth statistics, gross margins, net margin year to date, cost of service, summary of plant additions, and equity as a percentage of assets. During his report, Director Klaus inquired about the distribution expense per average meter and asked if we eliminated the expense due to the 2018 accelerated amortization of the remaining GIS deferred asset, what impact would it have? CFO John Davis mentioned that removing the accelerated expense would have an impact of about \$15 less per meter.

7. [2019-145](#) Operations Report - E Dauterive

Attachments: [2019-5-17 Operations Report](#)

COO Eddie Dauterive reviewed the monthly Operations presentation. He mentioned growth continues, service levels are strong, engineering projects are on schedule, responding to weather related events and many improvements in the control center and coordination with the districts. During his presentation, Director Rister recognized Wayne McKee, all the district directors, lineworkers, and support staff who ensure a reliable system. COO Dauterive expressed his appreciation and also recognized several non-field directors. COO Dauterive also reported he will highlight system maintenance in July 2019.

8. [2019-153](#) Information Technology Report (written report in materials)

Attachments: [2019-05-17 Information Technology Report.pdf](#)

CIO Lawanda Parnell introduced, Seth Stoppelmoor Security Manager and highlighted recent Information Technology events including the kickoff of the broadband feasibility study. The first report of the study will be provided to PEC in July 2019. Director Klaus asked if financial projections would be included in the report. CIO Lawanda Parnell responded that financial projections will be taken into consideration and included in the update.

Member Comments (3 minute limitation or as otherwise directed by Board)**9. [2019-146](#) Member Comments**

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

President Paul Graf reminded all present of the Decorum Policy and three minute time limit. There were no members wanting to address the Board.

Action Items / Other Items

10. [2019-154](#) **Resolution - Approval of 3 Year Contract Extension Agreement with SME Solutions Group, Inc - L Parnell**

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS** that the Board approve an SME Solutions Group, Inc. contract extension through July 2022; 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.

CIO Lawanda Parnell reviewed the proposed resolution for approval of 3 year contract extension agreement with SME Solutions Group.

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

Yes: 7 - Rister, Klaus, Pataki, Powers, Oakley, Akers, and Graf

11. [2019-133](#) **Resolution - Approval of Capital Budget Amendment Related to Johnson City Facilities Improvements - R Arellano**

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE**, that the Board approve a reallocation of \$950,000 to the Cooperative's 2019 Capital Improvement Plan for renovations to Johnson City Headquarters, Annex, Haley Road offices, and other PEC offices; 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.

VP of Support Services Richard Arellano reviewed the proposed resolution for approval of capital budget amendment related to improvements for Johnson City facilities. During the discussion of this item, Director Klaus asked if these budget funds were included in the original budget. VP of Support Services Richard Arellano responded that this request is a reallocation of capital improvement funds with no impact for additional dollars.

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

Yes: 7 - Rister, Klaus, Pataki, Powers, Oakley, Akers, and Graf

12. [2019-165](#) **Resolution - Approval of Activu Contract - R Peterson**

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE** that the Cooperative approve the Activu contract, for a period of five years, effective January 1, 2020.

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

COO Eddie Dauterive reviewed the Activue Contract resolution.

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

Yes: 7 - Rister, Klaus, Pataki, Powers, Oakley, Akers, and Graf

13. [2019-132](#) **Resolution - Approval of Possible PEC Positions or Resolution(s) and Consideration of 2019 NRECA Proposed Resolutions - M Viesca**

Body: **RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE,** that PEC follows and adopts the Board's directive regarding positions or proposed NRECA resolutions as discussed by the Board this day.

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

Attachments: [2019-05-17 NRECA Resolutions Process FINAL](#)
[2019-05-17 2019 NRECA Member Resolutions](#)

Executive Vice President of Public Affairs Mike Viesca reviewed the proposed resolution for approval of possible PEC positions or resolutions consideration of 2019 NRECA Proposed resolutions. General Counsel Don Ballard noted there is no action required today unless Board wanted to consider putting forward resolutions, and the Board also mentioned they did not have any resolutions for submittal to NRECA. President Graf currently serves as the voting delegate with Executive Vice President Mike Viesca as alternate delegate. They will keep the Board apprised of the resolution process status and of any resolutions that may impact PEC.

14. [2019-163](#) **Draft Resolution - Tariff Amendments Regarding Credit Card Payments and Other Payments - T Nance**

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE** that the Cooperative approves the amendments to the Tariff and Business Rules attached hereto with any modifications approved by the Board this day to become effective as of July 1, 2019; and

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

Attachments: [2019-05-17 Tariff - Redline 2](#)
[2019-05-17 Tariff - Draft v2](#)

VP of Member Relations Tim Nance reviewed the draft resolution for approval of tariff amendments regarding credit card payments. A final resolution will be brought forth in June 2019 for approval.

15. [2019-152](#) Community Relations Update - C Tinsley Porter

Attachments: [2019-05-17 Community Relations Update](#)

Community Relations Coordinator Caroline Porter reviewed the Community Relations Update PowerPoint presentation which included 5 - \$5,000 donations to local organizations through the Community Grants Program. Director Klaus asked if the donations were coming from Power of Change. Ms. Porter responded that this round of community grants were 100% covered through Power of Change.

16. [2019-012](#) Annual Meeting Preparation Update - C Tinsley Porter

Body: .

Attachments: [05-17-2019 Annual Meeting Preparation Update](#)

Community Relations Coordinator Caroline Porter reviewed the 2019 Annual Meeting Update PowerPoint presentation. Her update covered the logistics which included a schedule of events, activities and door prizes.

17. [2019-149](#) 2019 Election Timeline Update - S Romero

Attachments: [2019 05 17 Election Update - Final](#)
 [2019 Election Timeline - Board Approved - Highlighted May Package](#)
 [2019-05-17](#)

Governance Manager Sylvia Romero reviewed the 2019 Election Timeline Update and PowerPoint presentation as included in the board packet. She highlighted election activities including: candidate collateral on PEC website, ballots, bio booklets, and Annual Meeting notices were mailed on May 20. She also mentioned that voting begins on May 24, 12:01am and will close on June 14, 11:59 pm.

Proposed Future Items / Meetings (subject to final posting)**18. [2019-155](#) List of Proposed Future Meetings**

Attachments: [2019-05-01 Proposed Future Meetings - v3](#)

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

19. [2019-156](#) Board Planning Calendar (written report in materials)

Attachments: [2019-05-17 Board Planning Calendar v2](#)

President Paul Graf stated the Board Planning calendar is included in the meeting materials.

Recess to Executive Session

President Paul Graf announced the items to be discussed in Executive Session and at 9:56 am stated the Board would go into Executive Session.

Executive Session - Legal Matters

- 20. [2019-157](#) Litigation and Related Legal Matters
- 21. [2019-158](#) Matters in Which the Board Seeks the Advice of Its Attorney as Privileged Communications in the Rendition of Professional Legal Services
- 22. [2019-129](#) Resolution - Approval of Authorization to Settle Litigation Matters - D Ballard
- 23. [2019-176](#) Resolution - Approval of Authorization to Settle Litigation Matters - D Ballard
- 24. [2019-131](#) Resolution - Approval of Filing of Interim Transmission Cost of Service with Public Utility Commission of Texas - B Headrick / Coffin, Renner, LLP / A Hagen
- 25. [2019-159](#) Legislative Update - J Parsley / M Viesca

Executive Session - Contract and Competitive Matters

- 26. [2019-069](#) Enterprise Risk Management (ERM) Program Update - E Dauterive
- 27. [2019-128](#) Draft Resolution - Approval of Construction Contract for Hwy 32 to Wimberley Project - B Gedrich
- 28. [2019-073](#) Draft Resolution - Approval of Engineering Master Services Agreement - B Gedrich
- 29. [2019-160](#) Markets Monthly Report - D Thompson

Executive Session - Real Estate Matters

- 30. [2019-118](#) Facilities and Real Estate Update - C Moos / R Arellano

Executive Session - Safety and Security Matters

- 31. [2019-161](#) Safety and Security Matters

32. [2019-167](#) Cyber Security Update - T Shaheed**Executive Session - Personnel Matters****33. [2019-166](#) Personnel Matters****Reconvene to Open Session**

President Paul Graf announced the Board has reconvened to Open Session at 2:19 pm.

Items from Executive Session

The Board voted on the following resolutions after Executive Session.

22. [2019-129](#) Resolution - Approval of Authorization to Settle Litigation Matters - 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 Powers, seconded by Director Akers, that this item be adopted. The motion carried by the following vote:

Yes: 7 - Rister, Klaus, Pataki, Powers, Oakley, Akers, and Graf

23. [2019-176](#) Resolution - Approval of Authorization to Settle Litigation Matters - 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 Klaus, that this item be adopted. The motion carried by the following vote:

Yes: 7 - Rister, Klaus, Pataki, Powers, Oakley, Akers, and Graf

24. [2019-131](#) **Resolution - Approval of Filing of Interim Transmission Cost of Service with Public Utility Commission of Texas - B Headrick / Coffin, Renner, LLP / A Hagen**

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 Rule 25.192(h) at 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.

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

Yes: 7 - Rister, Klaus, Pataki, Powers, Oakley, Akers, and Graf

Adjournment

President Paul Graf announced the upcoming Annual Membership Meeting and the June Board Meeting to be held on June 22, 2019, at Horseshoe Bay Resort Marriott.

There being no further business to come before the Board of the Directors, the meeting was adjourned at 2:21 pm.

Approved:

Emily Pataki, Secretary

Paul Graf, President