



Meeting Minutes - Draft

Board of Directors

Friday, October 18, 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

This meeting was called to order at 9:05 a.m. on October 18, 2019, at the PEC Headquarters Auditorium, 201 South Avenue F, Johnson City, Texas.

President Graf reminded everyone in attendance that 12 line workers were competing at the International Lineman Rodeo in Overland Park, Kansas and wished them the best.

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

Adoption of Agenda

The agenda was adopted as posted and without objection.

1. [2019-289](#) Discussion and Acceptance of Board of Director Resignation, District 4

Attachments: [Powers-Resignation-Letter 09 20 19](#)
[Resignation letter acceptance JLP](#)

President Paul Graf accepted the resignation letter from Jim Powers on behalf of the Board.

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

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

2. [2019-330](#) Resolution - Approval of Board Director Vacancy Method, Director District 4

Body: **Option #1:**

WHEREAS, there exists a vacancy on the Cooperative's Board of Directors ("Board"), Director District 4.

NOW, THEREFORE, BE IT RESOLVED, by the Board that such vacancy shall remain unfilled until the 2020 Annual Membership Meeting; and

BE IT FURTHER RESOLVED, that at the 2020 Annual Membership Meeting, Members within the vacant Director District will elect a Director to fill the

unexpired term of the Director whose departure created the vacancy; and

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

Option #2:

WHEREAS, there exists a vacancy on the Cooperative's Board of Directors ("Board"), Director District 4.

NOW, THEREFORE, BE IT RESOLVED, that the Board calls and authorizes a Special Membership Meeting to conduct a Director Election to fill the unexpired term created by the vacancy;

BE IT FURTHER RESOLVED, that the Special Membership Meeting shall be held on _____; and

BE IT FURTHER RESOLVED, that the Director Election be conducted, the extent feasible, pursuant to the Election Policy and Procedures, including with an Election Timeline and Communications Plan; and

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

Option #3:

WHEREAS, there exists a vacancy on the Cooperative's Board of Directors ("Board"), Director District 4.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors wishes to appoint a Nominee or Committee Nominee to fill the vacancy until the next Annual Membership Meeting, at which time the Members in that Director District shall elect a Director to serve the unexpired term of the Director whose departure created the vacancy; and

BE IT FURTHER RESOLVED, that the following individuals are appointed to serve on the Search Committee to accept Director Nomination Petitions, review all Nominee Director Qualifications, including primary residence, and present to the Board of Directors a list of those persons qualified for appointment to fill the vacancy;

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____; and

BE IT FURTHER RESOLVED, that Director Nominee Petitions be accepted at PEC Headquarters in Johnson City, Texas until 5 p.m. on _____; and

BE IT FURTHER RESOLVED, that to be eligible for appointment Director Nominee Petitions must contain at least _____ signatures of Members eligible to vote in Director District 4; and

BE IT FURTHER RESOLVED, that Director Nominee Petitions, Applications, and the process of review be conducted, the extent feasible, pursuant to the Election Policy and Procedures, including contact information for Members who have questions about the nomination process; and

BE IT FURTHER RESOLVED, that the Cooperative will, to the extent reasonably feasible, employee communication efforts that inform PEC members of the vacancy, Search Committee, Director Nominee Petitions, application, timing, and process, and contact information for Members who have questions about the election process; and

BE IT FURTHER RESOLVED, that the Search Committee present to the Board a list of those persons qualified for appointment to fill each vacancy no later than the Board's _____ Regular Meeting; and

BE IT FURTHER RESOLVED, that if no Director Nominee Petitions are received, or if no Nominee submitting a petition meets the Director Qualifications, the Search Committee shall attempt to identify at least one (1), and preferably more than one (1), individual who is qualified and willing to fill the vacancy ("Committee Nominee"), and who is not also member of the Search Committee; and

BE IT FURTHER RESOLVED, that the Search Committee may elect its own officers (Chair and Secretary), and will have access to information gathered from various sources, including the Nominees themselves, public records, and the Cooperative; and

BE IT FURTHER RESOLVED, that the Cooperative will provide legal counsel and staff support; and

BE IT FURTHER RESOLVED, that the Search Committee should conduct Meetings as often as the Search Committee determines that they are needed to perform the review of petition applications, and these meetings may be conducted by phone or at a place of the Committee's choosing; and

BE IT FURTHER RESOLVED, that Search Committee members are paid \$100 for each telephonic or live meeting lasting more than one hour; the Cooperative will reimburse mileage and reasonable meal expenses incurred by Search Committee members in the course of their service; and provide indemnification and protection from liability for Search Committee Members serving in that capacity as provided for in the PEC Bylaws; and

BE IT FURTHER RESOLVED, that at the 2020 Annual Membership Meeting, Members within the vacant Director District will elect a Director to fill the unexpired term of the Director whose departure created the vacancy; and

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

Board Counsel Ross Fischer reviewed three options for director vacancy as found in the Cooperative's bylaws. During his presentation he stated the Conflict of Interest rule and policy proved it worked as it should. After much discussion, the Board agreed that option #1 provided in the resolution should be approved.

The Board discussed options for filling a Director vacancy. The Board considered different reasons for holding an election to replace the vacancy at the next Annual Membership Meeting.

A motion was made by Director Oakley, seconded by Director Akers, that the Cooperative fill the district 4 Director seat with an election at the Annual Membership Meeting in 2020. The motion carried by the following vote:

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

Consent Items

3. [2019-305](#) **Friday, September 13, 2019 - Regular Meeting Minutes**

Attachments: [MeetingMinutes - September 2019 - Draft v3](#)

Without objection the items listed under Consent Items were approved by general consent.

Cooperative Monthly Reports

4. [2019-306](#) **Cooperative Update - J Parsley**

CEO Julie Parsley reviewed the Cooperative Update PowerPoint presentation and highlighted, but not limited to the following: the Leander substation upgrade, member relations and linemen recognitions, PEC named to top 100 co-ops by National Cooperative Bank. In addition, everyone wished much success to the PEC Linemen Team for their participation at the International Linemen Rodeo.

5. [2019-307](#) **Financial Services Monthly Report - J Davis**

Attachments: [2019-10-18 August 2019 Financial Report to the Board - J Davis](#)
[2019-10-18 August 2019 Financial Statements - J Davis](#)

CFO John Davis reviewed the Financial Services Monthly Report PowerPoint presentation. He provided a financial status as of August 2019. Director Randy Klaus mentioned he had suggestions and would provide them off-line.

6. [2019-308](#) **Operations Report - E Dauterive (Written Report in Materials)**

Attachments: [2019-10-18 Operations Report Final](#)

COO Eddie Dauterive reviewed highlights from the Operations Report PowerPoint presentation including improved SAIDI, drone program, correction to slide 11 should read Burent to Bertram to Andice transmission project, congratulated the lineman team, recognized the member relations team, noted last week was Customer Services week, and update on the holiday lights project.

COO Dauterive recognized CEO Julie Parsley for Austin Business Journal's 2019 Best CEO and her award as Powerful Women in Energy. President Graf mentioned that he was honored to work with CEO Parsley.

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

7. [2019-309](#) Member Comments

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

During member comments several members spoke regarding the following:

1. Linda Kapral who lives in district 4 spoke regarding the current vacancy for district 4 and also expressed she supports Kathi Thomas for this position. Ms. Thomas was a Board candidate in the 2019 PEC election.

2. Susan Purly Gates urged the Board to change its decision regarding the earlier vote on the district 4 vacancy. She felt the district was denied representation and have no voice since the Board did not hear comments prior to making the decision. She suggested the Board read a book by David Wallace Wells, "The Uninhabitable Earth." She also expressed that she would like to see more renewables with energy.

General Counsel Don Ballard mentioned that directors represent all members, while directors are elected from each district they still represent the members as a whole.

3. Kathi Thomas would like member comments before any decisions are made. She is concerned with leaving the district 4 seat vacant for months. She also expressed interest with broadband and would like to see a report by end of the year.

President Graf mentioned the Board had received approximately 40 emails regarding the Director vacancy and the Board was provided a fair amount of input. Directors Akers and Oakley expressed their advocacy for broadband.

Action Items / Other Items

8. [2019-284](#) Resolution - Approval of Distribution Contract Services Agreements - R Peterson

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS** that the Board approves contracting for distribution contractor services with terms through

December 31, 2024, and in amounts approved in the annual Capital and Operating Budgets in the categories and accounts referenced, as discussed this day;

BE IT FURTHER RESOLVED that the Chief Executive Officer, or designee, is authorized to execute and deliver contracts from time to time for distribution contractor services on behalf of the Cooperative as described herein; and

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

Robert Peterson reviewed the distribution contract services agreements resolution and asked the Board for their approval.

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

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

9. [2019-310](#)

Resolution - Approval to Amend Tariff and Business Rules as to Line Extension Tariff - D Thompson

Body:

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE that the Cooperative approves the amendments to the Tariff and Business Rules as attached hereto with any modifications approved by the Board this day to become effective as of January 1, 2020, unless otherwise specified in the Tariff and Business Rules; and

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

Attachments: [2019-10-18 Tariff and Business Rules with Line Extension amendment \(clean\) - D Thompson](#)
[2019-10-18 Tariff and Business Rules with Line Extension amendment \(redlined\) - D Thompson](#)
[2019-10-18 - Tariff Amendments for Commercial Line Extension Policy - D Thompson](#)

VP of Markets David Thompson reviewed the amended tariff and business rules related to the line extension tariff. He presented a resolution and asked for the Board's consideration to approve the tariff and business rules as presented today.

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

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

10. [2019-312](#)

Resolution - Approval of Election Policy and Procedures Amendments - 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 & 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 Chief Executive Officer, or designee, is hereby authorized and directed to take all such action as may be necessary to implement this resolution.

Attachments: [2019-09-13 Election Policy and Procedures - Redline - Draft v5](#)
[2019-09-13 Election Policy and Procedures - Clean - Draft v5](#)

General Counsel Don Ballard reviewed the EPP amendments resolution including changes made since the last submittal to Board at the September Board meeting. See the attachment which describes each amendment.

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

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

11. [2019-313](#) 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 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: [Board ReDist 2019 Final East](#)
[Board ReDist 2019 Final West](#)

Board Counsel Ross Fischer reviewed the rebalance and equitable consideration of director district boundaries and provided maps of the eastern and western areas of the PEC service territory. He acknowledged Director Rister and PEC team member John Tillery for their assistance with the project. The proposed boundaries will bring number of members in each district into acceptable ranges. After much discussion, the Board voted on the proposed maps which provides an equitable distribution of members and geographic growth.

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

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

12. [2019-257](#) Draft Resolution - Review and Approval of Capital Credits Policy - J Davis

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS OF PEDERNALES ELECTRIC COOPERATIVE, INC.** that pursuant to its regular review of Board policies, the Board has reviewed and adopts the amendments to the Capital

Credits Policy presented and discussed this day, with modifications, if any, as were approved by the Board; and

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

Attachments: [2019-10-18 Capital Credits Policy Draft \(Clean\)- J Davis](#)
[2019-10-18 Capital Credits Policy Draft \(Redline\) - J Davis](#)

CFO John Davis reviewed the draft resolution for approval of the capital credits policy and will bring back a final resolution in November. The board appreciated the work on this policy and agreed with the proposed amendments.

13. [2019-324](#) Draft Resolution - Review and Approval of Defined Benefit Plan Funding Policy Amendments - J Davis / W Burns

Body: **BE IT RESOLVED BY THE BOARD OF DIRECTORS OF PEDERNALES ELECTRIC COOPERATIVE, INC.** that pursuant to its regular review of Board policies, the Board has reviewed and adopts the amendments to the Defined Benefit Plan Funding Policy presented and discussed this day, with modifications, if any, as were approved by the Board; and

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

Attachments: [2019-10-18 Defined Benefit Plan Funding Policy \(Clean\)](#)
[2019-10-18 Defined Benefit Plan Funding Policy \(Redline\)](#)

CFO John Davis and VP of Human Resources Wes Burns reviewed the DB funding policy amendments. The changes offer more flexibility to co-op employees and improves the plan.

Director Klaus inquired on delegation of authority within the policy regarding this item and CFO John Davis mentioned he would make recommendations to the CEO for final approval.

14. [2019-226](#) Community Relations Update - C Tinsley Porter

Attachments: [2019-10-18 Community Relations Update](#)

Caroline Tinsley Porter reviewed the Community Relations Update PowerPoint presentation.

Proposed Future Items / Meetings (subject to final posting)

15. [2019-314](#) List of Board Approved Future Meetings

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

President Graf mentioned the meetings were set through July 17, 2020 and we will need to discuss Annual Meeting for next year and plan for future meetings in the districts.

16. [2019-315](#) Board Planning Calendar (Written Report in Materials)

Attachments: [2019-10-18 Three Month Outlook - v2](#)
[2019-10-18 Board Planning Calendar - v2](#)

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

Recess to Executive Session

President Graf thanked everyone for their attendance at the meeting and briefly mentioned the workshop planned next week, October 25. The Board will be discussing capital credits and broadband.

President Graf then announced the items to be discussed in Executive Session and at 10:05 am stated the Board would go into Executive Session.

Executive Session - Legal Matters

- 17. [2019-316](#) Litigation and Related Legal Matters**
- 18. [2019-317](#) Matters in Which the Board Seeks the Advice of Its Attorney as Privileged Communications in the Rendition of Professional Legal Services**
- 19. [2019-227](#) Enterprise Risk Management (ERM) Program Update - E Dauterive / B Headrick / Chris Humphreys, Anfield Group**
- 20. [2019-288](#) Annual Review of Strategic Plan**
- 21. [2019-322](#) Ethics and Compliance Quarterly Update - J Burns**

Executive Session - Contract and Competitive Matters

[2019-299](#) Resolution - Approval of 2018 IRS Form 990 - J Davis

Attachments: [Audit Committee Resolution 2019-09-16](#)

- 23. [2019-300](#) Financial Planning Scenarios, Including Capital Credits - J Davis**
- 24. [2019-325](#) Introduction Discussion of Operating Budget and Capital Improvement Plan (CIP), Including Items Concerning Competitive Matters, Personnel,**

Contracts and Real Estate - J Davis

[2019-321](#) Resolution - Approval of 2020 Power Supply Plan and 2020 Power Supply Plan Delegation of Authority - D Thompson / L Cunningham

26. [2019-318](#) Markets Monthly Report - D Thompson

Executive Session - Real Estate Matters

27. [2019-323](#) Real Estate Facilities Update - R Arellano

28. [2019-326](#) Draft Resolution - Purchase of Property in Spanish Oaks Substation, PEC Portion - B Gedrich

29. [2019-331](#) Draft Resolution - Purchase of Property in Ridgmar Substation, PEC Portion - B Gedrich

30. [2019-332](#) Draft Resolution - Purchase of Property in Esperanza Substation, PEC Portion - B Gedrich

31. [2019-333](#) Draft Resolution - Purchase of Property in Williamson County, Florence, Texas Property, PEC Portion - B Gedrich

Executive Session - Safety and Security Matters

32. [2019-319](#) Safety and Security Matters

33. [2019-291](#) Cyber Security Update - S Stoppelmoor

Executive Session - Personnel Matters

34. [2019-236](#) Draft Resolution - Approval of Amendments and Restatement of Employees' 401(K) Savings Plan - W Burns / Doug Conkel, Milliman

35. [2019-327](#) Draft Resolution - Approval of Amendments and Restatement of Employees' Defined Benefit Retirement Plan - W Burns / Bill Fischer, Outside Benefits Counsel

36. [2019-320](#) Personnel Matters

Reconvene to Open Session

The Board reconvened to open session at 3:48 pm.

Items from Executive Session

22. [2019-299](#) Resolution - Approval of 2018 IRS Form 990 - J Davis

Attachments: [Audit Committee Resolution 2019-09-16](#)

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

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

25. [2019-321](#) **Resolution - Approval of 2020 Power Supply Plan and 2020 Power Supply Plan Delegation of Authority - D Thompson / L Cunningham**

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

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

Adjournment

President Graf reminded everyone about the linemen participating at the International Linemen Rodeo this weekend. There being no further business to come before the Board of the Directors, the meeting was adjourned at 3:51 pm.

Approved:

Milton Rister, Secretary

Paul Graf, President