



## Meeting Minutes - Final

### Board of Directors

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Monday, October 16, 2017

9:00 AM

PEC Headquarters Auditorium

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Open Session of this Regular Meeting was held in the PEC Auditorium and was 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

President Emily Pataki asked for a moment of silence to remember a member of the Cooperative's family, PEC employee Dena Kolb. At 9:11 am the meeting was called to order.

**Present:** 7 - Director Cristi Clement, Director Randy Klaus, Director Jim Powers, Director James Oakley, Director Paul Graf, 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. [2017-310](#) **Wednesday, September 6, 2017 Special Meeting Minutes**

**Attachments:** [2017-09-06 Minutes September Special - v3](#)

Consent item approved.

2. [2017-391](#) **Monday, September 18, 2017 Regular Meeting Minutes**

**Attachments:** [2017-09-18 Regular Minutes - draft v2](#)

Consent item approved.

#### Cooperative Monthly Reports

**3. [2017-392](#) Cooperative Update - T Golden**

**Attachments:** [2017-392 Cooperative Update - T Golden](#)

CFO Tracy Golden reviewed the Cooperative Update PowerPoint presentation and answered questions regarding PEC's rank on the National Cooperative Bank Co-op Top 100 List for 2017, the amount of employees moving into the Circle C facility, the decrease of e-billing subscriptions, the decrease of member bill amounts from last month, the locations of villages in Bolivia, and the voltage conversion in Lakeway.

**4. [2017-393](#) Financial Services Report - F Wolff**

**Attachments:** [2017-10-16 September 2017 Financial Statements to the Board](#)  
[2017-10-16 September 2017 - Financial Presentation - Board Meeting 10-16-2017](#)

Controller Freddy Wolff reviewed the Financial Services Report PowerPoint presentation and answered questions regarding the revenue adjustment factor update slide.

**Cooperative Quarterly Reports (written report in materials)**

President Emily Pataki stated several other departmental reports were included in meeting materials. There were no questions from the directors on these materials.

**5. [2017-346](#) Corporate Services Report**

**Attachments:** [2017-10-16 Corporate Services Report](#)

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

**6. [2017-351](#) Power Supply & Energy Services Report**

**Attachments:** [2017-10-16 Power Supply and Energy Services Report I Sterzing](#)

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

**Member Comments (3 minute limitation or as otherwise directed by Board)****7. [2017-394](#) Member Comments**

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

There were no members present wanting to address the Board.

**Action Items / Other Items****8.        [2017-389](#)        Resolution - Approval of Review 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 to take all such action as may be necessary to implement this resolution.

**Attachments:**   [2017-10-16 Election Policy and Procedures - Redline Copy - Draft v4](#)  
[2016-11-14 Election Policy and Procedures Current - v1](#)  
[2017-10-16 Election Policy and Procedures - FINAL](#)

General Counsel Don Ballard stated that the draft amendments to the Election Policy and Procedures were presented at last month's meeting and the only additional change was a typographical clarification on page 17 of the document. Mr. Ballard answered questions regarding section 7.12.

**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 -    Clement, Klaus, Powers, Oakley, Graf, Akers, and Pataki

9. [2017-395](#) **Resolution - Approval of Review of Ethics and Compliance Reporting 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 Ethics and Compliance Reporting 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:** [2017-09-18 Ethics and Reporting Policy Redline Draft - v1](#)  
[2016-09-19 Ethics and Compliance Reporting Policy Current - v1](#)  
[2017-10-16 Ethics and Compliance Reporting Policy \(Final\)](#)

General Counsel Don Ballard stated that there were no amendments to the policy, but suggested changing the review frequency from annual to every two or three years. Mr. Ballard answered questions about Section 7 and the Grievance Procedure. Mr. Ballard reviewed the reporting options available and the process for each. A motion was made and seconded to approve the policy as amended with a review process of 3 years instead of an annual review. Mr. Ballard announced that staff would be celebrating Ethics and Compliance week November 6-10 and reviewed the education campaign plans.

**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 - Clement, Klaus, Powers, Oakley, Graf, Akers, and Pataki

10. [2017-396](#) **Resolution - Approval of Review of Policy on Policies - 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 Policy on Policies Policy, with changes, if any, as were approved by the Board; and

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

**Attachments:** [2017-09-18 Policy on Policies Redline Draft - v1](#)  
[2015-08-15 Policy on Policies Current - v1](#)  
[2017-10-16 Policy on Policies \(Final\)](#)

General Counsel Don Ballard reviewed the proposed changes to the Policy on Policies and answered questions regarding the deletion of "Assignment of Identification Numbers to Policies & Procedures". Following discussion, Director Clement suggested the policy retain the identification process and moved to affirm the policy as currently written.

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

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

**11.     [2017-397](#)     **Resolution - Approval of Review of Enterprise Risk Management Policy - I Sterzing****

**Body:** **BE IT RESOLVED BY THE BOARD OF DIRECTORS** that the Cooperative adopt the Enterprise Risk Management (ERM) Policy, that was presented to and discussed by the Board this day, with such changes, if any, as were discussed and 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:** [2017-10-16 Resolution - Approval of Review of Enterprise Risk Management Policy - Redline I Sterzing HB](#)  
[2017-10-16 Resolution - Approval of Review of Enterprise Risk Management Policy H Baca](#)  
[2017-10-16 Resolution- Approval of Review of Enterprise Risk Management Policy- Presentation- I Sterzing](#)  
[2017-10-16 Enterprise Risk Management Policy - 10-27-17 \(Final\)](#)

VP of Power Supply and Energy Services Ingmar Sterzing and Strategy Execution Architect Heather Baca reported that the draft Enterprise Risk Management Policy was updated to include changes as discussed last month and was included in the package materials for the Board's consideration. The Board and staff discussed removal of "Risk Tolerance" from section 4.2.3. and 4.4.1., and the threshold within sections 5.3.3.2 and 5.3.3.3. Director Amy Akers moved to approve the policy with removal of "Risk Tolerance" from section 4.2.3. and 4.4.1.

**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 - Clement, Klaus, Powers, Oakley, Graf, Akers, and Pataki

**12.     [2017-384](#)     **Resolution - Amendment to Extend Goff Services Contract - J Beggs****

**Body:** **BE IT FURTHER RESOLVED**, by the Board of Directors of the Cooperative that the contract for Goff Services be amended to extend the contract for nine (9) additional months; and

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

CFO Tracy Golden stated that this resolution was not necessary since this item went for bid and a new master service agreement was secured. President Emily Pataki stated that this resolution would not be considered.

**This resolution was not considered.**

13. [2017-409](#)      **Resolution - Approval of Capital Credits Distribution and Payment - T Golden**

**Body:**

**NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE**, that the Board of Directors after its review, discussion and evaluation of the Capital Credits Policy, with input from the Cooperative's Chief Financial Officer, has determined that capital credit retirements will not result in any adverse impact to the Cooperative; and

**BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE**, that the Cooperative distribute and pay out an amount not to exceed \$8,600,000.00 on or prior to December 31, 2017 to its eligible members as credits on electric bills, and to any former members who are entitled to a distribution of at least \$10 by check, as may be most effective and in the best interest of the Cooperative; and

**BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE**, that the retirements and distribution and payment of capital credits to eligible members and to former members be in accordance with the Cooperative's Articles of Incorporation and Bylaws, state and federal law, any lender requirements, and the Cooperative's Capital Credits Policy, which includes the order and manner of retirements, distribution and payments of capital credits and permits the discounting of such capital credits, which the Board hereby directs; and

**BE IT FURTHER RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE**, that the Chief Financial Officer of the Cooperative, or any person designated by him for such purpose, is authorized as a duly authorized officer or agent of the Cooperative, for and in the name and on behalf of the Cooperative, to take actions necessary or appropriate in the best interests of the Cooperative to implement these resolutions.

**Attachments:** [2017-10-16 Capital Credit Distribution and Payment - BOD Meeting 10-16-2017](#)

Controller Freddy Wolff reviewed the Capital Credits Distribution and Payment PowerPoint presentation, and answered questions regarding the discount rate and distribution amount for 2016.

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

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

14. [2017-358](#) **Draft Resolution - Review of Community Support - Member Assistance Program (MAP) Policy - E Dauterive**

**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 Community Support - Member Assistance Program (MAP) 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:** [2017-10-16-Community Support REDLINE - Member Assistance Program \(MAP\)](#)  
[2017-10-16-Community Support - Member Assistance Program \(MAP\) Policy -Final Draft](#)  
[2017-10-16-MAP Policy Update-Final](#)

VP of Member Services Eddie Dauterive reviewed the draft resolution and Community Support Member Assistance Program PowerPoint presentation. Mr. Dauterive answered questions regarding the community support agencies' distribution of funds and PEC staff's work with the community support groups.

15. [2017-345](#) **Consideration of Positions and Update on NRECA Resolution Process - G Carter-Thomas**

**Attachments:** [2017-09-29 2017 Compendium of Proposed Resolutions v1](#)

Legislative Affairs Director Gili Carter-Thomas reported that there were no significant changes to the proposed resolutions at the last NRECA Regional meeting. Ms. Carter-Thomas stated that another regional meeting would begin tomorrow in Denver and changes to the proposed resolutions were anticipated. President Emily Pataki stated that PEC's appointed delegates would receive an update of changes prior to their attendance at the NRECA Regional Meeting in Scottsdale, Arizona.

**Proposed Future Items / Meetings (subject to final posting)**

16. [2017-399](#) **List of Proposed Future Meetings**

**Attachments:** [2017-10-01 Proposed Future Meetings - v1](#)

President Emily Pataki stated that the proposed Board meeting dates were included in the meeting materials and reported the next meeting would be held on November 15, 2017.

17. [2017-400](#) **Board Meeting Planning Calendar (written report in materials)**

**Attachments:** [2017-10-01 Board Planning Calendar - v1](#)

President Emily Pataki stated that the Board Meeting Planning Calendar was included in the meeting materials.

**Recess to Executive Session**

President Emily Pataki announced the items to be discussed in Executive Session and at 10:26 am stated the Board would go into Executive Session.

**Executive Session - Legal Matters**

- 18.     [2017-401](#)     Update on Litigation and Related Legal Matters
- 19.     [2017-412](#)     Ethics and Compliance Quarterly Update - D Ballard
- 20.     [2017-402](#)     Matters in Which the Board Seeks the Advice of its Attorney as Privileged Communications in the Rendition of Professional Legal Services

**Executive Session - Contract and Competitive Matters**

- 21.     [2017-408](#)     Discussion Regarding Possible Business Opportunities Between PEC and Guadalupe Valley Telephone Cooperative (GVTC) - E Pataki
- 22.     [2017-387](#)     Resolution - Approval of Advancement in Budget to Purchase 2018 Fleet - P Lochte

**Body:** BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, that the Cooperative approve the advance purchase of \$4,520,800 of the 2018 Fleet Acquisitions based on established replacement criteria.

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

- 23.     [2017-390](#)     Resolution - Approval of Sun Coast Resources Fuel Supplier Contract for 2018 - 2022 - P Lochte

**Body:** BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, that the mobile refueling services be performed through a Master Services Agreement with Sun Coast Resources, Inc.; and

BE IT RESOLVED, that the contract for services performed by Sun Coast Resources, Inc. will not exceed \$6,000,000 or a five-year term; 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.

- 24.     [2017-398](#)     Discussion Regarding Review of Power Supply and Energy Management Policy and Planning - I Sterzing

**Body:**



25.     [2017-388](#)     Introduction Discussion of 2018 Operating Budget and Capital Improvement Plan (CIP), Including Items Concerning Competitive Matters, Personnel, Contracts and Real Estate - T Golden

**Executive Session - Real Estate Matters**

26.     [2017-386](#)     Resolution - Approval of Authorization of Funds to Negotiate and Purchase Real Property for Substation Expansion in Williamson County - P Lochte
27.     [2017-410](#)     Resolution - Approval of Authorization of Funds to Negotiate and Purchase Real Property for a New Substation in Williamson County - P Lochte

**Body:**

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE**, that the Cooperative approve the purchase of real property, subject to receipt of a satisfactory environmental assessment and satisfaction of any other terms as discussed by the Board during Executive Session of this meeting, with certain details of any such purchase to be publicly available upon public filing of instruments memorializing the transfer; 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.

28.     [2017-411](#)     Resolution - Approval of Authorization of Funds to Negotiate and Purchase Real Property for a New Substation in Burnet County - P Lochte

**Body:**

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE**, that the Cooperative approve the purchase of real property, subject to receipt of a satisfactory environmental assessment and satisfaction of any other terms as discussed by the Board during Executive Session of this meeting, with certain details of any such purchase to be publicly available upon public filing of instruments memorializing the transfer; 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.

29.     [2017-403](#)     Facilities and Real Estate Update - J Beggs

**Executive Session - Safety and Security Matters**

30.     [2017-404](#)     Safety and Security Matters - J Beggs

**Executive Session - Personnel Matters**

31. [2017-405](#) Personnel Matters Update - J Beggs
32. [2017-406](#) Discussion and Possible Action Regarding CEO Search - P Graf

Reconvene to Open Session at 3:37 pm

Items from Executive Session

[2017-387](#) Resolution - Approval of Advancement in Budget to Purchase 2018 Fleet  
- P Lochte

**Body:** BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, that the Cooperative approve the advance purchase of \$4,520,800 of the 2018 Fleet Acquisitions based on established replacement criteria.

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

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

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

[2017-390](#) Resolution - Approval of Sun Coast Resources Fuel Supplier Contract  
for 2018 - 2022 - P Lochte

**Body:** BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, that the mobile refueling services be performed through a Master Services Agreement with Sun Coast Resources, Inc.; and

BE IT RESOLVED, that the contract for services performed by Sun Coast Resources, Inc. will not exceed \$6,000,000 or a five-year term; 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 Oakley, seconded by Director Graf, that this item be approved. The motion carried by the following vote:

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

[2017-410](#)**Resolution - Approval of Authorization of Funds to Negotiate and Purchase Real Property for a New Substation in Williamson County - P Lochte****Body:**

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE**, that the Cooperative approve the purchase of real property, subject to receipt of a satisfactory environmental assessment and satisfaction of any other terms as discussed by the Board during Executive Session of this meeting, with certain details of any such purchase to be publicly available upon public filing of instruments memorializing the transfer; 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 Oakley, seconded by Director Graf, that this item be approved. The motion carried by the following vote:**

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

[2017-411](#)**Resolution - Approval of Authorization of Funds to Negotiate and Purchase Real Property for a New Substation in Burnet County - P Lochte****Body:**

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE**, that the Cooperative approve the purchase of real property, subject to receipt of a satisfactory environmental assessment and satisfaction of any other terms as discussed by the Board during Executive Session of this meeting, with certain details of any such purchase to be publicly available upon public filing of instruments memorializing the transfer; 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 Oakley, seconded by Director Graf, that this item be approved. The motion carried by the following vote:**

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

**Adjournment**

There being no further business to come before the Board of Directors, the meeting was adjourned at 3:39 pm.

APPROVED:

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Amy Akers, Secretary

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Emily Pataki, President