

INTER-COUNTY ENERGY COOPERATIVE CORPORATION

Meeting Minutes Summary

October 2021

Chairman of the Board, Joseph H. Spalding, called the meeting to order.

After roll call, it was noted that the following directors were present either in person or via video conference, to-wit:

Joseph H. Spalding	J. Kevin Preston
William H. Peyton	Louis A. Kerrick
Jason E. Todd	Allen Goggin

Also present and participating were President and CEO Jerry Carter and Board Attorney J. Hadden Dean.

I. PRAYER

Mr. Goggin opened the meeting with prayer.

II. SAFETY MOMENT

Mr. Kerrick presented the safety moment. He read an article from AARP that dealt with food safety. It gave several informative tips on how to best practice food safety and concluded over 3,000 die each year because of being hospitalized with food poisoning. He noted 51% of those were 65 or older.

III. ADOPTION OF AGENDA

Chairman Spalding presented the agenda which was reviewed. Mr. Peyton made a motion to approve the agenda. Mr. Preston made a second to the motion and the motion passed unanimously.

IV. REVIEW OF MINUTES

The Board reviewed the minutes of the September 19, 2021, Board Meeting. Following a review of the minutes, Mr. Todd made a motion to approve the minutes with minor semantical changes. Mr. Goggin made a second to the motion with the suggested changes and the motion passed unanimously.

V. SEPTEMBER SUMMARY MINUTES

September summary minutes were reviewed. A motion was made by Mr. Goggin to approve the summary minutes of the September 19, 2021, board meeting. Mr. Kerrick made a second to the motion and the motion passed unanimously.

VII. REPORTS

Departments

The minutes will reflect that each of the respective department heads have in the past and will continue to provide summaries of monthly activities, budgets, and other commentary, October 22, 2021, meeting, each of the respective departments did in fact present a summary of their activities included in the board packet of each of the Directors of the Cooperative. In addition, each circulated proposed budget and reviewed each of the line items.

A. Finance and Administration – Ms. Kurtz presented her monthly report for the month ending September 20, 2021. She noted the September operating revenues were higher by \$261,000.00, along with purchase power being \$301,000.00 higher from 2020. She noted operating expenses were \$79,000.00 higher than the prior year but \$14,000.00 under budget. She confirmed there were negative margins of -\$86,000.00 for the month and noted the Cooperative had budgeted to incur negative margins of -\$72,000.00.

As expected, the KWH purchased decreased 18% from the prior month with August being just over 43,311,000 and September being a little over 35,303,000. She also noted the total services in place increased by .89% while the miles of line increased by .46% from the prior year.

She then gave an update of the FFB interest rates and noted the short-term rates went down marginally while the long term 30-year rate went up marginally to 1.87.

She then gave an update on the work plan loan and advised there is likely going to be a draw down from the work plan and that fortunately to date the bulk of the financial needs of the Cooperative have been met by utilization of current cash. She advised she would report back to the Board on the amount and whether it would be drawn down on the variable rate or fixed rate. She did note that any draw down of the funds, up to \$10,000,000.00, would likely have a reduction in the amount of the overall equity of the Cooperative. She gave a forecast that when taking out \$10,000,000.00 of the work plan funds, that would reduce the equity by about approximately 2% and the Cooperative equity, without EKPC capital credits, would amount to approximately 16.5%.

She also gave an update on the PPP loan forgiveness and any residual debt that would be remaining. At the conclusion of the process, she advised she expects there will be approximately \$500,000.00 that will be considered debt. She did advise it is still not clear as to the term of when that debt will be required to be repaid. She confirmed the rate of interest on that loan is 1%. She advised if there is a short term for repayment, this debt may be satisfied from the draw down from the work plan.

She then presented her Form 7 Working Capital Status Report and forecast for 2021 and her finance and accounting department budget.

She concluded the presentation by giving an update on the FEMA reimbursement. She expects that reimbursement may come quicker than initially anticipated and the estimated total she thinks will be reimbursed is just under \$1,100,000.00.

B. Office Services – Ms. Stocker advised the Board there were 34 accounts to be sent to collections totaling \$8,185.22. She requested those be deemed as bad debt and sent to collection. Mr. Kerrick made a motion to declare the unpaid accounts as bad debt in the amount stated and to send the same for collection. Mr. Todd made a second to the motion and the motion passed unanimously.

She then gave an update on the online utility exchange. In that report, she noted the collection summary included 15 accounts totaling \$7,374.96 subject to collection with \$2,581.16 in commissions paid. She noted the year-to-date, the amount of past due bills collected was just over \$43,500.00 with commissions just over \$15,200.00.

She and Mr. Carter gave an update on the net metering issues that were impacting the Cooperative. Mr. Carter confirmed the PSC will need to set forth some rule to address this.

Ms. Stocker also confirmed the recent rate increase from EKPC will begin to impact members starting October 1 for the billing cycles that exist with the new rate involved. She and the staff will create a formula to make sure the appropriate amount is charged to members whose bill will include some of the old and new rate structure. She also confirmed the new customer charge is in place and that charge per member is \$15.67.

C. Operations – Mr. Phelps presented his report and started by identifying there were 118 new work orders in September, along with new construction just over \$558,000.00. New purchases were just over \$155,000.00. He also confirmed the staking was underway at Maxey Valley Road, Siloam Road, and a new pump station in Moreland. There were 102 new engineering service orders for the month and 36 of those were for new service inquiries.

He then gave an update on the construction crews and the locations each of those were currently working in. He advised of the status of the right-of-way clearing and that Kendall was currently working on the Peyton Store substation and noted they planned to begin the Perryville circuit. He confirmed 365 miles of right-of-way cycle clearing were completed and year-to-date those costs were \$1,416,292.00. When considering spraying and hot spot cutting, the total right-of-way costs for the year is just over \$1,822,000.00. He presented a graphic of the miles of right-of-way cleared for 2021 and was pleased to say that the graphic confirms that the clearing is on schedule.

He presented the budget for the department and concluded by giving a few miscellaneous comments about the upcoming month which included visiting several other

Cooperatives regarding the update to the AMI system, finalizing the 2022-2025 work plan, reviewing the bids from the 2022 right-of-way clearing and finalizing budgets. He was also happy to advise that a new apprentice lineman has been hired, subject to background and drug testing. The new employee is Aaron Moore, and he was previously a foreman for Asplundh Tree Services and has considerable experience on the Cooperative's system.

D. Member Services – Mr. Hitchcock gave an update to his activity report for the month of September and a summary of the member services department activity for the month. He also presented an image of a series of electric cars being charged in 1917. He displayed the key account chart for August of 2021 and noted the sales for 2021 in August were \$495,000.00 which was approximately \$6,000.00 more than the same time in 2020. He then presented images of some electric trucks to be utilized in the industry. He outlined the costs for the truck and chargers. Then Mr. Hitchcock gave an update on the Campbellsville University of Harrodsburg opening the first chiropractic school in the state. He presented several images and an update of the program. He also gave an update on the Pitman Creek warehouse in Stanford.

He then presented images illustrating how uninsulated ducts could damage a home. He noted in this particular set of photos how wood panel siding had begun to show signs of mold because of uninsulated duct work. He also noted that without those images, it is likely that the interior damage including possible mold may not have been discovered.

Mr. Hitchcock then presented his budget for member services and confirmed all expenses year-to-date were well below the forecasted amounts. He concluded by giving the 2021 key account breakdown for the top 10 accounts and noted that Makers Mark was still the largest consumer, followed by EPC-Columbia, Walmart, Toyota, BOSHOKU and then Montebello.

E. Executive - Mr. Carter provided some additional commentary to the financial report presented by Ms. Kurtz. He presented the Executive Department Budget, along with the Summary Budget. He also presented a list of work anniversaries which included an acknowledgement that he had been with the cooperative system for 20 years, Mr. McGuffey with 17 years and Ms. Kurtz with 13 years.

Mr. Carter gave an update on the work that is being done among the cooperatives throughout the state to update and devise a new rate for pole attachments, as well as a more uniform process of entering into agreements for those attachments.

1. Safety/Loss Prevention Summary

Mr. Bo McGuffey presented his report and discussed the recordable incident rate, DART rate and severity rate for September and then collectively for the year of 2021. He confirmed there was some safety demonstrations that were going to be performed at

Mercer County Middle School, Garrard County Middle School and Boyle County Farm City Festival. He advised the safety meeting was held on October 11th. Some of the topics included pole top rescue, tree trimming and safety, bucket and digger truck training, substance abuse awareness for supervisors and employees, among other topics.

2. Cyber-Security

Chris Bach advised that the Cooperative network remains resilient although the number of attempts of cyber-attacks continue to increase. He confirmed the Cooperative has completed the migration of its email accounts to “the cloud”.

VIII. LEGAL/REGULATORY/POLICY

A. Policy 212 – Excused Absences for Jury Duty (Review)

Mr. Carter then presented for review of Policy 212. He acknowledged he did not make any recommendations for changes to that policy.

B. Policy 213 – Excused Absences for Court Appearances (Action on proposed revision)

Mr. Carter then presented Policy 213 and noted there were slight changes therein. The Board discussed the changes and reviewed the policy. A motion was made by Mr. Todd to accept the recommended changes to Policy 213. Mr. Kerrick made a second to the motion and the motion passed unanimously.

VIV. BOARD/CEO SESSION

A. Annual Calendar Review

The Board reviewed the Annual Calendar which included the Board review of the CEO. Mr. Carter and Mr. Dean advised the Board that they will be provided a copy of the CEO evaluation documentation and that needed to be presented to Mr. Dean within two weeks of the November Board Meeting. Mr. Dean will then summarize those and have it in a format for the Board to review in an executive session in November.

B. Dashboard

Jerry Carter presented an overhead view of the Cooperative’s key indicator’s dashboard numbers ending September 20, 2021. He again reiterated Ms. Kurtz had done an excellent job describing the financial outlook. He continued to point out the highlights of the report and the graphics displayed therein and including the TIER Dashboard, OTIER Dashboard, and Equity Dashboard. He noted the equity for the distribution cooperative without any consideration of the EKPC capital credits, was just short of 19%. He reminded the Board that in the event the work plan is called upon that that equity number will likely reduce as a result of increasing the debt – which is a component of that calculation.

C. Board Attorney Review

Mr. Carter then presented a form that was presented to Board Counsel for purposes of a review of his work with the Board and Cooperative. Mr. Dean welcomed the idea of the review process and looks forward to any suggestions the Board may have to improve the way he represents the Board. That review will also be conducted at the November Board meeting.

X. COMMITTEE REPORTS

A. Audit Committee Report

Mr. Peyton reported they are still looking for an internal auditor, as a result of the sudden death of Graham Johns. Mr. Peyton and his committee will reach out to other cooperatives to see who they are using for their internal audit. Lastly, he confirmed that the estimated cost of the financial audit was approximately \$13,600.00 as quoted by Alan Zumstein. He reminded the Board Mr. Zumstein is now with a new firm. After discussion, a motion was made by Mr. Kerrick to approve Mr. Zumstein and his firm to perform the financial audit for the fee stated as requested by Mr. Peyton. A second was made by Mr. Todd and the motion passed unanimously.

B. Discussion on Audit Committee Charter

Mr. Peyton presented a draft of the Audit Committee charter. He, Mr. Carter, and Chairman Spalding discussed the charter and the need for the Board to review the same. After discussion, it was agreed that the Board would continue to review and make any suggested changes later.

C. Discussion on Governance Committee Charter

Mr. Carter and Chairman Spalding advised the Board of the existence of the current Governance charter and advised they desire to have the Board consolidate the Compensation Committee within the duties of the Governance Committee. The charter should reflect those amendments and Chairman Spalding suggested the Board continue to review that policy and the recommended merger of the obligations of the existing Board Compensation Committee as a part of the function of the Governance Committee.

XI. EKPC

Chairman Spalding gave an update on the October meeting and advised that margins were good for the month of August. He estimated those were \$10.9 million for August and year-to-date margins were \$32.5 million. The budgeted margins for 2021, was only \$3.25 million. He continued with providing an update on the PJM relationship and advised the Cooper Power Plant had been running as requested by PJM.

XII. KEC/UUS

A. KEC Annual Meeting – November 15-16, 2021

Mr. Todd gave an update on the upcoming annual meeting scheduled for November 15 and 16, 2021 in Louisville. He also outlined a series of key points from the September 21, 2021, meeting. He and Mr. Carter also gave an update on a territorial dispute between Nolin Electric Cooperative in Elizabethtown and KU/LG&E. They advised this involved the location of the Ford Plant and a battery plant in the ancillary services that will be in Elizabethtown. Approximately 81% of the physical space is within the territory of Nolin, while 19% of the space is serviced by Kentucky Utilities. A lengthy discussion ensued, and the Board requested board attorney send a letter to John Scott and to show the Board and Cooperative strongly supports a vigorous defense.

Mr. Carter then gave an update on a committee he is serving on at EKPC regarding economic development. He went through several examples and advised one of the strategic planning items which EKPC is pursuing is to expand its current economic development plan.

XIII. NRECA

A. Board Governance Video

Chairman Spalding asked that the video be delayed for a later meeting.

B. Winter School for Directors – December 10-14, 2021 (Nashville, TN)

Chairman Spalding announced the Winter School for Directors is scheduled to be held in Nashville, Tennessee on December 10 – 14, 2021. Mr. Goggin made a motion to approve that all board members be allowed to attend the meeting, subject to their schedules. A second was made by Mr. Kerrick and the motion passed unanimously. It was noted the deadline for reservations is Thursday, November 11, 2021.

C. NRECA Board Meeting Report – Fall 2021

Mr. Carter gave an update on the board meeting report. A copy of the same was included in the board packet. The same was generated for the September 20 and 21 of the NRECA Board of Directors. The report highlighted the CEO's comments and key issues, along with the financial report.

XIV. FEDERATED RURAL ELECTRIC INSURANCE

No report given.

XV. RUS-CFC-COBANK NEWS/UPDATES

A. CFC September 2021 Board Minutes

Mr. Carter advised that the CFC September board meeting minutes were included in board packet. The Board generally discussed those minutes.

XVI. CAPITAL CREDIT DISBURSEMENTS

Mr. Preston advised there were estate retirements for September of 2021 totaling \$10,548.20. Mr. Peyton made a motion to approve the disbursements as stated by Mr. Preston. Mr. Goggin made a second to the motion and the motion passed unanimously. Mr. Preston also noted the total patronage capital retirements as of September 2021 were \$14,552,418.00.

XVII. WORK ORDERS

Mr. Preston presented Work Order #2027 in the amount of \$305,712.20 and Work Order #2028 in the amount of \$7,324.94 for September 2021 for approval. A motion was made by Mr. Todd to approve the work orders as stated. Mr. Peyton made a second to the motion and the motion passed unanimously.

XVIII. NEW MEMBERS

Mr. Preston advised for September of 2021 the Cooperative added 176 new members who paid fees totaling \$8,800.00. Mr. Kerrick made a motion to approve the new members and the fees collected. Mr. Goggin made a second to that motion and the motion passed unanimously.

XIX. MISCELLANEOUS

Chairman Spalding requested the Board submit their expense sheets by providing those to Farrah Coleman. Chairman Spalding noted the next regular board meeting is scheduled for Tuesday, November 23, 2021, at 8:30 a.m.

Chairman Spalding suggested that anyone wishing to have an item placed on the agenda for upcoming board meetings do so by providing the same to Ms. Coleman.

XX. OTHER BUSINESS

Chairman Spalding called for any other business to be brought before the Board. None was provided. Chairman Spalding reminded the Board and staff of the upcoming Strategic Planning Session set for November 18 and November 19, 2021, at the Cooperative headquarters in Danville.

XXI. ADJOURN

Hearing no further business, Chairman Spalding called for a motion to adjourn the meeting. Mr. Kerrick made the motion to adjourn at approximately 1:32 p.m. Mr. Goggin made a second to the motion, and the motion passed unanimously.