

# INTER-COUNTY ENERGY COOPERATIVE CORPORATION

## Meeting Minutes Summary

April 2022

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	Allen Goggin
Jason E. Todd	Bill Peyton

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

### **I. PRAYER**

Mr. Carter opened the meeting with prayer.

### **II. SAFETY MOMENT**

Mr. Preston presented the safety moment. The subject matter included care when setting up ladders and/or scaffolding.

### **III. ADOPTION OF AGENDA**

Chairman Spalding presented the agenda for review. Mr. Preston made a motion to approve the agenda. Mr. Peyton made a second to the motion and the motion passed unanimously.

### **IV. REVIEW OF MINUTES**

The Board reviewed the minutes of the March 25, 2022, Board Meeting. Mr. Goggin made a motion to approve the minutes with minor changes. Mr. Todd made a second to the motion and the motion passed unanimously.

### **V. MARCH 2022 SUMMARY MINUTES**

March 2022 summary minutes were reviewed. Mr. Preston made a motion to approve the summary minutes of the March 25, 2022, board meeting minutes with minor changes. Mr. Peyton 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, all to be included in a packet distributed to each of the Directors prior to the meeting. For the April 22, 2022, 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.

A. Finance and Administration – Ms. Kurtz advised that 182 checks and 32 bank/draft wire payments were made in the last month totaling over \$7,445,000.00. She confirmed for the month ending March OTIER was .02 with TIER being .73. She noted the month ended up with negative margins of \$35,000.00 and noted the budget was for positive margins of \$285,000.00. However, she did add there was a positive \$475,000.00 shift in the operating margins from 2021 to 2022 for the month of March. She attributed the primary reason for the negative margins were to include the cost of purchase power which was \$3.8 million higher than last year and over budget by \$2.9 million. She then went on to note that for year-to-date OTIER was 6.22 and TIER was 6.45 and the Cooperative had net margins just under \$2,150,000.00.

She then advised the distribution plant had total services in place increase by 2.45% with miles of line increased by .5%. She reviewed the statistics for 2021 and 2022, along with the changes in each of the respective years.

She then advised she had drawn down five (5) \$1 million loans at an interest rate of .562% which matured June 30, 2022. She also reinvested in CFC select notes for 1.09% that mature on July 12. She then reviewed the quarterly rates from FFB for the months ending April 19 and March 23 of 2022. She noted the interest rates had increased across every maturity date.

She advised the FEMA reimbursement looks to exceed the amount that originally budgeted. She stated the federal government was going to pay 90% of the cost with the state adding 4.8%. Ultimately the Cooperative was going to end up incurring about 5.2% of those expenses.

She then discussed the EKP Heat Pump Marketing Loan Program. She noted some statistical abnormalities and concluded not all mortgages which were paid off early included the remittance of the principal balance of those payoffs as against the overall principal balance. With that, she went through an analysis of the expenses for each mortgage, the fact the Cooperative is the last of the cooperatives to engage in the program and then answered multiple questions from the Board and staff. After review of the program and the insight gained by Ms. Kurtz, the Board

ultimately concluded it wanted to continue the program for the benefit of the membership at this time and suggested it should be reviewed on a consistent basis to determine it is still serving the membership at no significant out of pocket costs for the Cooperative. At least one member of the Board noted a significantly increasing interest rate environment and the ability to obtain a low-cost loan on an expedited basis, could be a significant benefit to the membership over the next few quarters.

Ms. Kurtz reviewed with the Board the Form 7 included in the board packet along with the March 22, 2022, budget analysis.

Last, Ms. Kurtz went over the working capital status report and forecast for 2022.

B. Office Services – Ms. Stocker advised the Board there were 35 accounts to be sent to collections totaling \$10,852.94. She requested those be deemed as bad debt and sent to collection. Mr. Preston made a motion to deem the unpaid accounts as bad debt in the amount stated and to send the same for collection. Mr. Kerrick made a second to the motion and the motion passed unanimously.

Ms. Stocker noted there were 92 accounts using the prepay system which total \$76,540.00. Those accounts utilize prepay as an alternative to going into collections. She stated there were 476 members on prepay accounts. Additionally, she confirmed the contract loans for overdue bills total just over \$27,300.00.

Ms. Stocker gave an update on the Online Utility Exchange, which included the fact there had been just over \$4,180.00 collected year-to-date with commissions being paid to date just over \$1,172.00. She further stated there was approximately \$406.00 paid to verify 130 accounts under the red flag rules. She then went over her personnel report and her activities for the month.

C. Operations – Mr. Phelps began his report by reviewing the plant account. He noted there were 145 new work orders started in March and the new construction costs for the month totaled approximately just under \$623,000.00. He also noted that purchases for the plant account was just over \$64,400.00.

He then reviewed the engineering activities ongoing for the month of March. He reviewed nine (9) different staking projects and an outline of the status of each of those projects. He also included a review of the field inventory and gave an update on the OMS simulation setup, as well as sample meter testing.

He gave an update on the company crews working on new service orders.

Mr. Phelps then reviewed the right-of-way clearing chart which was presented to the Board. That chart displayed the work proceeding on a month-to-month basis on the number

of miles cleared. He was happy to advise that through the March timeframe, that the miles cleared was a mirror image of the projected miles to be cleared under the existing right-of-way contracts. He confirmed year-to-date just over \$341,540.00 had been spent to maintain the rights-of-way.

D. Member Services – Mr. Hitchcock gave an update on the Member Service Committee Report for the month of March, along with a summary of the Member Service Department activities.

He then went through a graphical history of the energy cost from the early winter of 1937 on the first 250 miles of line scheduled for completion in July of 1938. He noted a minimum bill was \$2.75 with costs of power which exceeded 200 kilowatts, costing 1.5 cents per kilowatt hour.

He next reviewed the key accounts chart through the end of February 2022 noting the chart represented blue columns for 2022 and those in red for 2021. He attributes the bulk of the dramatic change to be associated with Diageo coming online. He then reviewed the top five (5) key accounts for 2022 which included Diageo (58%), Makers Mark (14%), EPC – Columbia (10%), Walmart (3 stores – 10%) and Toyota Boshoku (8%).

He presented images of the Pitman Creek Wholesale Warehouse and gave an update on its distribution line and noted the entirety of this business was exclusive with the fishing industry.

He concluded his report by discussing the electric vehicle usage in Kentucky. That comparison was for the last five (5) years. He noted in 2017 there was 563 electric vehicles (EV's), and 31,000 hybrids. For 2021, the state had increased to 3621 electric vehicles licensed in the state with 45,000 hybrids. Mr. Hitchcock presented a 9-page PowerPoint giving the breakdown of the statistics regarding electric vehicles used in Kentucky through December of 2021.

He then gave an update on the scholarship drawings and noted those seniors selected would receive \$1,000.00 towards their education. He and Mr. Bach then employed a digital wheel that would spin and randomly select an individual from each of the six (6) service districts. Each of those individuals were selected and Mr. Hitchcock will correspond with each of those students and their families to advise of the receipt of the scholarship.

E. Executive - Mr. Carter began by acknowledging service anniversaries for several staff members and two board members. He noted Mr. Todd has 17 years of service to the Board, while Mr. Kerrick was serving his 12<sup>th</sup> year on the Board. He also noted Ms. Coleman

had been serving at the Cooperative for over 17 years with the youngest member, Jason Murphy, being with the Cooperative for 4 years.

Mr. Carter then gave an update on the strategic plan.

1. Safety/Loss Prevention Summary

Mr. Carter gave the report, as prepared by Bo McGuffey, who was unable to attend. He was happy to report there were no safety incidences in the prior month.

2. Cyber-Security

Mr. Bach gave an update and advised there continues to be high activity in the phishing aspects of cyber-security. However, he advised there had been no breaches of the computer hardware or software of the Cooperative to report. He and Mr. Todd did note there was an ongoing scam targeting the elderly. The scam involved tricking the elderly into getting gift cards from local Walmart locations and providing the gift card numbers to the person perpetrating the fraud.

3. Annual Meeting

Mr. Carter next provided an update on the upcoming Annual Meeting. He confirmed the Credentials and Election Committee would be meeting on Wednesday, May 11, 2022, at 11:00 a.m. for purposes of reviewing each candidate's application and other requirements under the policies and bylaws.

**VIII. LEGAL /REGULATORY/POLICY**

Mr. Carter presented three policies for review. Under Policy 208 - Excused Absences for Funeral (action on proposed revisions). After review of his recommended changes, the Board had a discussion on the matter. Mr. Todd made a motion to approve the changes and Mr. Preston made a second to the motion. After a review of the issues identified for change by Mr. Carter, the Board accepted the changes and approved the motion unanimously.

Mr. Carter presented Policy 223 - Deductions from Salaries of FLSA Exempt Employees (action on proposed deletion of the policy). Mr. Carter had reviewed the policy with staff and ultimately recommended to remove this policy in its entirety. He advised at the time of the drafting of the policy it was used for the purposes of identifying existing Federal Law. He noted at this time some of the policy language may in fact be antiquated relative to changes in existing state and/or federal law. Mr. Preston made a motion to approve the removal of the policy. Mr. Goggin made a second to the motion. After discussion about the reasons for deleting the policy, subject to complying with state and federal law, the Board voted unanimously to accept the deletion of the policy.

Next, Mr. Carter presented Policy 304 – HIPPA Privacy Policy for Health Benefits Plan (Action on proposed revisions). He presented an overhead display of the policy and noted only minor changes. After review of the recommended changes, Mr. Kerrick made a motion to approve the changes as presented. Mr. Peyton made a second to the motion. After discussion, the Board voted unanimously to accept the changes recommended by Mr. Carter.

## **IX. BOARD/CEO SESSION**

### **A. Annual Calendar Review**

Mr. Carter began with a review of the annual calendar. He advised there would be an upcoming meeting with Tony Campbell and other staff of EKPC. He strongly suggested the Board and any staff which may attend the meeting, prepare a list of questions for Mr. Campbell in advance. He will submit those questions to Mr. Campbell and the staff at EKPC. Mr. Carter requested those be received on or before May 20, 2022.

**B. Dashboard –** Mr. Carter reviewed the dashboard with the Board and reviewed the safety indicators. He noted it had been a particularly good year to date. He then reviewed the financial indicators and noted that not only was there a modest increase in equity both with and without EKPC capital credits. He also noted TIER was at 6.45 and OTIER was at 6.22 for the year. He then reviewed operational indicators and again reviewed each of those indexes with the Board.

Next, he presented the ongoing revisions he and counsel had previously recommended to the Board pertaining to Policy 413A (Equity Management). Mr. Preston made a motion to approve the modifications to Policy 413A. Mr. Todd made a second to the motion. Following an extensive discussion, the motion was unanimously approved.

## **X. COMMITTEE REPORTS**

**A. Governance Committee Charter –** Mr. Kerrick recommended the Board review Policy 405 and Policy 408. He also noted the NRECA had a director toolbox that would be available for additional recommendations. Mr. Kerrick did not recommend a motion to approve the changes proposed at this time and that the item should be placed back on the agenda for further discussion between the committee and the Board.

**B. Director Expense Accounting Summary –** Mr. Carter reviewed the summary and encouraged the Board to do the same as found in their board packet. He also advised there is no action recommended at this time, other than the Board continuing to consider this element of board governance for continued review and any action that may come therefrom.

## **XI. EKPC**

Chairman Spalding advised of the upcoming Annual Meeting at EKPC and solicited nominations for a representative and alternate representative for the meeting. Mr. Peyton made a motion to nominate Mr. Preston as the representative and Mr. Kerrick as the alternate. Mr. Todd made a second to the motion. After discussion, the motion passed unanimously.

Chairman Spalding advised there will be a virtual option, and due to the fears of possible COVID exposure there will be limitations on the number of people being able to attend the meeting in person.

Chairman Spalding next discussed the ongoing solar programs throughout the service territory of EKPC. He advised year-to-date EKPC is \$13.7 million under budget. He continued with an outline of ongoing importance the directors and staff are placing on safety at EKPC. He also advised of how the war in Ukraine, as well as other issues pertaining to supply issues, may be potentially impacting EKPC and others in the energy industry. He advised that the Board and staff are very attentive to supply issues, as well as keeping a current analysis on existing inventory to meet the needs of EKPC and its members.

## **XII. KEC/UUS**

Mr. Todd gave an update and reviewed some of the content of the April 7, 2022, key points from KEC's board meeting. That included the legislative's discussion of House Bill 315. He noted CFC presented two checks. One for \$3,200.00 which was designated to underwrite some of the cost of the Washington Youth Tour and the other was for education in the amount of \$14,800.00 to support director training at the annual meeting.

He reviewed other topics and content of the five (5) page summary from the meeting. He concluded by confirming the legislation, which is pending, acknowledged there would be no Public Service Commission governance over broadband should any of the distribution cooperatives choose to engage in any such project. He also advised there is ongoing litigation between EKPC and the Public Service Commission over net metering.

## **XIII. NRECA**

Chairman Spalding asked the Board if they would be willing to pass the playing of the Board Governance Video due to the time consumed to this point in the meeting. He confirmed summer school for the directors is set to occur in Charleston, South Carolina June 3 -7, 2022. Any directors wishing to attend needs to contact Ms. Coleman about scheduling, as the reservation cutoff will end on May 13, 2022. Mr. Todd made a motion to approve that any board member desiring to attend may do so. Mr. Kerrick made a second to the motion and the motion passed unanimously.

#### **XIV. FEDERATED RURAL ELECTRIC INSURANCE**

A. Legal Seminar - Board Counsel Mr. Dean has expressed an interest in attending an ECBA Seminar which was going to be held on two different dates at two different venues in 2022. He circulated a copy of the agenda which included several issues germane to the Cooperative. Mr. Preston made a motion to approve the travel and expenses associated therewith for Mr. Dean to attend one of the two seminars offered. Mr. Peyton made a second to the motion. During the discussion timeframe, Chairman Spalding added he had encouraged Mr. Dean to continue to seek out educational opportunities to better serve the Cooperative. The motion passed unanimously.

#### **XV. RUS-CFC-COBANK NEWS/UPDATES**

Chairman Spalding advised the CoBank Energy Director's Conference was scheduled to occur in Chicago, Illinois from July 12 – 14, 2022. Mr. Kerrick made a motion to approve the travel for Mr. Preston should he choose to attend. Mr. Goggin made a second to the motion. The motion passed unanimously.

#### **XVI. CAPITAL CREDIT DISBURSEMENTS**

For March 2022 there was \$17,658.26 in capital credit disbursements. Mr. Goggin made a motion to approve the capital credit disbursements which was seconded by Mr. Preston. The motion passed unanimously.

#### **XVII. WORK ORDERS FOR MARCH 2022**

- A. Work Order #2040 - \$628,733.41
- B. Work Order #2041 - \$0

Mr. Peyton made a motion to approve the work orders as stated. Mr. Todd made a second to the motion. After discussion, the motion passed unanimously.

#### **XVIII. APPROVE NEW MEMBERS FOR MARCH 2022**

- A. 162 New Members
- B. \$8,100.00 Membership Fees

Mr. Peyton made a motion to approve the 162 new member applications for membership and the fees as stated and Mr. Kerrick made a second to the motion. 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 Friday, May 27, 2022, 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**

1. EXECUTIVE SESSION – The Board had an executive session from authorized agents of the Cooperative to pursue the potential acquisition. Mr. Goggin made a motion to enter into executive session for the purpose of considering property acquisition. Mr. Kerrick made a second to the motion and the motion passed unanimously.

Mr. Kerrick made a motion to come out of executive session. Mr. Goggin made a second to the motion. The motion passed unanimously.

Chairman Spalding called for any other business to be brought before the Board. None was provided.

**XXI. ADJOURN**

A motion to adjourn was made by Mr. Todd. Mr. Preston seconded the motion, the motion passed unanimously, and the Board adjourned at 2:04 p.m.