

## Meeting Minutes Summary

August 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
Louis A. Kerrick	Bill Peyton
Jason E. Todd	Allen Goggin

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

### I. PRAYER

Mr. Dean opened the meeting with prayer.

### II. SAFETY MOMENT

Bo McGuffey presented the safety moment who advised that while it seems to be a minor task, failure to keep your windshield clean could result in reduction in vision, especially in early mornings when heading in to direct sunlight.

### III. KEC GUESTS

Mr. Carter announced guests from KEC would be attending today's meeting. He anticipated they would arrive around 10:30 a.m. at which time they will be introduced and provide a brief update on KEC and other key points. It is also anticipated that shortly after that the members from KEC, along with the Board and staff will leave to attend the dedication of the Danville Fire Department building at the new location in downtown.

### IV. ADOPTION OF AGENDA

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

### V. REVIEW OF MINUTES

The Board reviewed the minutes of the July 29, 2022, Board Meeting. Mr. Todd made a motion to approve the minutes with a minor semantical change. Mr. Goggin made a second to the motion and the motion passed unanimously.

### VI. JULY 2022 SUMMARY MINUTES

July 2022 summary minutes were reviewed. Mr. Peyton made a motion to approve the summary minutes of the July 29, 2022, board meeting minutes. Mr. Preston made a second to the motion and the motion passed unanimously.

## **VII. COMMITTEE APPOINTMENTS**

Chairman Spalding announced he wanted to designate the committee appointments for the Audit Committee, Governance Committee, Finance Committee and Credentials and Elections Committee. He advised he would renominate the existing members on the Audit and Governance Committee. He did identify that the Credentials and Elections Committee would have to be updated this year and noted Mr. Preston will be running for Director position and he will not be able to serve in that capacity. We will nominate someone to serve in that capacity during an upcoming board meeting.

## **IX. 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 August 26, 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 the Cooperative ended with net margins of approximately \$347,000.00 and had budgeted negative margins of \$116,000.00 for an ending OTIER for July 2022 of 3.44 and a TIER of 3.53. She advised for the year OTIER was at 2.78 and TIER was 2.95. She noted there was a 17.2% increase in kWh purchased from June of 2022 until July of 2022 with total charges going up 16.4% respectively. She reviewed the distribution plant and noted that total services in place increased by 2.27% while miles of line increased by .58%.

She then compared the current FFB interest rates and noted the rates had increased marginally from the three-month short-term rate all the way to the 30-year rate.

She then gave an update on the three CFC short-term interest rates for investments. She advised the Board and staff that the investments on short terms are still outpacing the interest on the same time frames from the prior month.

She then gave an update on capital credits that had accrued from 1991 to 2001 and then gave an analysis of the current distribution equity and proposed impacts on equity should the Board consider three different possibilities for a general capital credit retirement. Mr. Carter advised the Board may wish to undertake an analysis to decide whether or not to make any capital

credit retirements as required under the Board policies. Ms. Kurtz then advised the Form 7 was included in a report and presented an analysis of the working capital status credit report and finance for the 2022 budget timeframe. She ended her report with a comparison of 28 different accounts with listing the amount budgeted in the actual expenditures and then a column referencing whether those accounts were over or under budget.

She and Mr. Carter then distributed a National Rural Electric Cooperative Association resolution dealing with Adoption Agreement A - 401(k)- Pension Plan and Adoption Agreement Retirement Security Plan. These documents were related to updates on the ongoing operations of the retirement plan. Mr. Goggin made a motion to approve the 2022 Board Resolution Reinstatement for Adoption Agreement A – 401(k)- Pension Plan and Adoption Agreement Retirement Security Plan. Mr. Preston made a second to the motion and the motion passed unanimously.

B. Office Services – Ms. Stocker advised she had 39 accounts with outstanding balances for bills older than April 1, 2022, that totaled to \$12,446.71. She recommended those accounts be declared as bad debt and sent out for collections pursuant to PSC regulations. Mr. Goggin made a motion to approve the write-offs and to refer those accounts to collection. Mr. Preston made a second to the motion and the motion passed unanimously.

She then gave an update on the on-line utility exchange. She also acknowledged she filed the Annual Report to the PSC of the non-payment terminations pursuant to the Kentucky Administrative Regulations that dictate the requirements for those filings.

She then gave an update on the personnel activities over the month.

C. Operations – Mr. Phelps gave an update on the Plant Account with regard to new work orders, new construction and advised that purchases were just over \$150,000.00. He then reviewed the engineering that was ongoing regarding staking, field inventory and other activities.

He then discussed the contractor crew and company crews participating in construction throughout the service territory. Those included new pole replacements, installing new services and pole replacements at the Highland Substation and a three-phase extension to a new sewer lift on Highway 127. He advised the company crews are all working on new service work.

He then went through a new graph regarding the progress of the right-of-way clearing. He advised for the first time in the year, the crews are marginally behind the expectations listed in the graph. He confirmed the year-to-date cycle trim is just over \$919,000.00 and included clearing of 235.79 miles. He advised that equates to approximately \$3,900.00 per mile for the

clearing. He advised the maintenance crew cost was just over \$126,000.00 and the year-to-date spray cost was just over \$219,000.00. He advised for the total operations for right-of-way clearing and maintenance, the Cooperative has spent just over \$1,264,750.00. He advised the spray activity is complete for the year and he is waiting for their final bill. He then reviewed several miscellaneous items, including the CPCN which is waiting to be filed with the Public Service Commission by Allyson Honaker, for the AMI system. He confirmed there were three lineman positions that were posted and there was a multitude of applicants and interviews that were ongoing. He confirmed the three pickup trucks that were purchased were schedule to arrive in August. He also confirmed that the Prebid meeting for the ROW cycle cutting had been issued and will be held on September 2.

D. Member Services – Mr. Hitchcock gave a summary of the member services department activity for the month, along with the members service activity report for August of 2022. He also gave an analysis of the top 5 most severe weather events between 1980 to present in the U.S. He measured this by using a metric of the number of poles that needed to be replaced. Topping that list was “Ida” in 2021 with over 30,000 poles, followed by “Katrina” with 17,000, and “Laura” with 14,000.

He also gave a startling update that it is estimated that ¼ of all public EV chargers in the United States are broken or do not work.

He then presented the key account chart for July of 2022 which increased \$400,000.00 since June to total \$1,784,687.00. The bulk of that was attributed to Diageo. He then presented the 2022 top five key accounts. He noted 63% of the top five accounts was attributed to consumption by Diageo. That was followed by Maker’s Mark at 14%. He and Mr. Carter noted that the bourbon and spirits industry accounted for almost 80% of the top 5 key accounts for the entire service territory of the Cooperative. Mr. Hitchcock noted the year-to-date totals for the key 1398

accounts was just over \$8,920,000.00. He then presented images of the Honor Flight candidates for 2022. That included William Tungate of Lebanon, Kentucky who was a member of the Army from 1955 to 1963 and served as an infantry squad leader, along with Louis Walker of Danville, Kentucky who served in the Air Force from 1954 to 1958 as a finance clerk. Mr. Walker was stationed in Spain.

Mr. Hitchcock then presented images of the Death Valley Bowl program ad, along with the Pioneer Days Festival sponsorship. Mr. Hitchcock then presented images of a rendering of the 2022 Ford Lightning Platinum all electric pickup truck. Also presented were images of the interior and exterior, along with some of the vital specifications and statistics

regarding price performance and fuel economy. He noted the “Observed MPGe” was 54 miles. At 75 mph highway range was approximately 230 miles. He said the EPA fuel economy for combined/city/highway were 66, 73 and 60, respectively. He noted this particular model had the extended range battery and had a driving range of 300 miles. He then presented a pricing chart which listed the lowest model in the lineup, as the “Pro” to the “Platinum Extended Range.” The price ranged from \$41,769.00 to \$92,669.00.

E. Executive

1. Construction Project Summary - Mr. Carter reviewed the construction project summary and spreadsheet that was included with the board packet. He is happy to announce that it appears that the membership and the service territory is growing. He also presented a comparison of the BD8 and BE47 work plans.

2. Service Anniversaries – Mr. Carter noted there were two service anniversaries, each for 6 respective years.

3. Safety/Loss Prevention Summary – Bo McGuffey advised there were no incidents to report for the month of July 2022. He confirmed the recordable incident rate, DART rate and severity rate were all zero. Additionally, he confirmed for the year the recordable incident rate was 3.00, DART rate zero and severity rate zero.

He then gave a review of the crew visits he had. He advised the safety meeting scheduled for August 25, 2022, would cover substation lock out/tag out procedures and will be hosted by EKPC.

He discussed the Safety Summit, he and Construction Superintendent, Brian Blandford, attended. He gave updates on some of the keynote speakers and the subject matter of each of their presentations.

4. Cyber Security – Chris Bach gave an update that included a recent report of a Russian hack on Microsoft. He advised the Cooperative did not have the software that appeared to be the target of the hack. He then gave a graphic display of a safety metric pertaining to cyber security ranking the Cooperative. He was happy to advise the Cooperative ranked ahead of the industry standards.

**X. LEGAL /REGULATORY/POLICY**

Mr. Dean gave a report on the NRECA ECBA Annual Update that he was permitted to attend. He advised there were several very informal sessions and several updates which he will present to Mr. Carter and Mr. Phelps. He again thanked the Board and staff for allowing him to attend.

The Board then took a brief adjournment to attend the Danville Fire Department dedication. Upon return from the fire station dedication, Mr. Carter finished the Legal/Regulatory/Policy update by acknowledging Policy No. 228 and Policy No. 303 which were set for review, Policy 228 had semantical and some substantive changes while Policy 303 had only minor amendments.

Mr. Carter advised each of these items will be presented for approval at the next board meeting.

KEC guests Chris Perry, Gary Burnett, and Joe Arnold gave updates on their respective activities. The updates included discussing supply chain issues, employment demand issues, growth opportunities and outstanding lead times for materials needed for the Cooperative. He advised the Cooperative was being given first priority over all other demands for those materials and equipment. Mr. Perry continued to advise there is low inventory, and that he may actually reserve some of that inventory, rather than selling it to other entities outside the Cooperative platform. Mr. Carter thanked each of them for attending and did announce that Gary Burnett was going to be retiring and the Board celebrated his tenure with UUS, along with acknowledging his birthday. Ms. Coleman made a retirement cake and Mr. Carter presented a token of his appreciation to Mr. Burnett for his service to the Cooperative industry.

## **XI. BOARD/CEO SESSION**

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

Mr. Carter reviewed the Annual Calendar. The discussion followed each action items from July 2022 through June 2023. The Board, nor Mr. Carter, had any additional suggested changes to the calendar.

**B. Dashboard –** Mr. Carter reviewed and presented the dashboard and several graphical displays. He acknowledged the safety, financial, operational and customer indicators and their respective benchmarks were presented in the report. A discussion followed on each of those topics. He noted in the other graphical displays that the year-to-date and 12-month rolling tier were both well above the benchmark. He also noted the year-to-date OTIER was at 2.78 while the rolling 12-month OTIER was at 1.66. He then reviewed the equity dashboard for year-to-date total equity and year-to-date distribution equity. He confirmed year-to-date total equity is 36.58% while year-to-date distribution equity is at 19.22%. He noted this is the first time in years that the Cooperative was within 1% of its target equity.

## **XII. COMMITTEE REPORTS**

**A. Governance Committee –** Mr. Kerrick presented the recommended update for both Policy 405 and Policy 408. Those updates were presented with the “redline” changes

and those were discussed extensively. After several other changes were made to those policies, Mr. Preston made a motion to approve the changes presented and discussed. Mr. Goggin made a second to the motion and the motion passed unanimously.

### **XIII. EKPC**

Chairman Spalding gave an update on activities at EKPC including the fact they had \$4.1 million dollars greater than budget for the month. For the year, margins were \$5.2 million greater than the amount budgeted. He also advised there is some consideration and discussion about another general retirement of capital credits from EKPC. He gave an update on the ash pond remediation project and some of the strategic plan items including resources for fueling the different generation opportunities that exist with EKPC. He then presented the load forecast study resolution and that was discussed by Mr. Carter and the Board.

### **XIV. KEC/UUS**

Mr. Todd and staff from KEC/UUS were present and discussed the status of the operations with each of those entities earlier in the meeting.

### **XV. NRECA**

#### **A. Board Governance Video**

Chairman Spalding asked that the board governance video be postponed for the month in light of the other activities during today's meeting.

#### **B. Region 2 & 3 Meeting**

Chairman Spalding advised the Region 2 & 3 Meetings were set to occur in Hollywood, Florida on October 10-12, 2022. He noted the early bird registration deadline will be September 2, 2022, and anyone wishing to attend needs to seek approval and provide Ms. Coleman the necessary information for registration.

### **XVI. FEDERATED RURAL ELECTRIC INSURANCE**

Mr. Carter and Mr. Dean provided an update earlier in the meeting regarding matters of information pertaining to Federated. Of note Mr. Dean and Mr. Carter are going to further discuss the claims process for cyber security. Mr. Dean drafted a letter for review by Chairman Spalding and Mr. Carter. Mr. Dean will provide an update at the September Board Meeting regarding these matters.

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

Mr. Carter confirmed that the CFC Solutions Economic & Market Watch information were all contained within the board packet. The Board having acknowledged receiving that material.

**XVIII. CAPITAL CREDIT DISBURSEMENTS**

For July 2022 there were \$14,329.05 in capital credit disbursements. Mr. Peyton made a motion to approve the capital credit disbursements as stated. Mr. Goggin made a second to the motion and the motion passed unanimously.

**XIX. WORK ORDERS FOR JULY 2022**

- A. Work Order #2049 - \$302,939.23
- B. Work Order #2050 - \$0

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

**XX. APPROVE NEW MEMBERS FOR JULY 2022**

- A. 183 New Members
- B. \$9,150.00 Membership Fees

Mr. Goggin made a motion to approve the 183 new member applications for membership and the fees as stated. Mr. Kerrick made a second to the motion. The motion passed unanimously.

**XXI. 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, September 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.

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**XXII. OTHER BUSINESS**

No additional business was discussed.

**XXIII. ADJOURN**

A motion to adjourn was made by Mr. Preston. Mr. Peyton seconded the motion and the motion passed unanimously, and the Board adjourned at 3:24 p.m.