

Meeting Minutes Summary

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

J. Kevin Preston was in attendance shortly after the Call to Order after securing a negative COVID test. Also present and participating was Board Attorney J. Hadden Dean. President and CEO Jerry Carter participated virtually and was isolating per CDC guidelines.

I. PRAYER

Mr. Preston opened the meeting with prayer.

II. SAFETY MOMENT

Mr. Kerrick presented the safety moment and circulated an article on fire hazards and cell phone usage. One of the critical points made is for individuals with cell phones to refrain from using their phones while around flammable gases or material including filling stations.

III. ELECTION OF OFFICERS

Mr. Dean, board attorney, conducted the election of the board officers. He noted the Annual Meeting included the election of Mr. Peyton to serve the Casey District and Chairman Spalding to continue serving the Marion District. Mr. Goggin made a motion to nominate the existing slate of officers including Mr. Spalding to serve as Chairman, Mr. Todd to serve as Vice-Chairman and Mr. Preston to continue as treasurer for the upcoming year. Mr. Kerrick made a second to the motion and the motion passed unanimously.

IV. ADOPTION OF AGENDA

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

V. REVIEW OF MINUTES

The Board reviewed the minutes of the June 27, 2022, Board Meeting. Mr. Todd made a motion to approve the minutes. Mr. Goggin made a second to the motion and the motion passed unanimously.

VI. JUNE 2022 SUMMARY MINUTES

June 2022 summary minutes were reviewed. Mr. Goggin made a motion to approve the summary minutes of the June 27, 2022, board meeting. 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 June 27, 2022, meeting, each of the respective departments did in fact present a summary of their activities included in the board packet to each of the Directors of the Cooperative.

A. Finance and Administration – Ms. Kurtz advised the month ending date of June 2022 resulted with negative margins of \$35,000.00. She further noted the budgeted margins for the month of June were for negative margins of \$206,000.00. She confirmed June operating revenues were up \$1.6 million over last year and purchase power is \$1.4 million higher with operating expenses being \$12,000.00 lower than last year. She advised OTIER for June of 2022 was .74 and TIER was .74. She also confirmed year-to-date OTIER was 2.67 while TIER was 2.85. Both of those numbers are significantly above the year-to-date for 2021. She then discussed the distribution plant and the comparison from 2021 to 2022. Ms. Kurtz presented the FFB interest rates and a comparison of the same as of June 22, 2022, to July 26, 2022. Notable, the three-month interest rate as of July was 2.62 when compared to 1.70 for June. The 10-year for July was 2.82% compared to the 10 years in June of 3.31%. The 30-year for July was 3.11% when compared to that in June of 3.39%. She also gave an update on the investments at CFC and the interest rates based on three different short-term time periods. She then reviewed the KREC insurance comparison report for contributions paid versus benefits received for the 2022 year-to-date. She noted June ending benefits exceeded contributions by just over \$102,000.00.

Ms. Kurtz reviewed Form 7 with the Board, along with the working capital report and forecast for 2022. She ended her report with the June 22, 20220 budget for actual comparison.

B. Office Services – Ms. Stocker completed her report and confirmed there were 17 accounts to be sent to collections totaling \$9,314.51. She requested those be deemed as bad debt and sent to collection. Mr. Goggin made a motion to deem the unpaid accounts as bad debt in the amount stated and to send the same for collection. Mr. Preston made a second to the motion and the motion passed unanimously.

She explained the on-line utility exchange collection summary and noted the identity verification process. The Board posed questions about the red flag rules and she and Mr. Carter further explained that process. They also discussed the prepay program and how it is having a positive impact on reducing the number of write-offs.

Ms. Stocker then gave a bar chart comparison from portal payments compared to payments made in the respective business offices. She concluded the bar chart clearly reflects there is a steady increase in the number of payments made through the internet, which resulted in a steady decline to in-office transactions.

C. Operations – Mr. Phelps presented his report and discussed the plant account including various works which had started along with new construction and purchases. He then went in to outlining the engineering that was underway with staking, field inventory and other work.

Mr. Phelps gave an update on the construction for the contract crews and company crews. Those included pole replacements, new feeders for the Highland Substation, and new construction to serve members.

He then presented the graph for the right-of-way clearing. He again was pleased to advise the work being done by Kendall and Asplundh is proceeding according to the plan with it possibly being marginally ahead of schedule. He confirmed the spraying for herbicide control is complete for the year and that year-to-date total costs of right-of-way clearing was just over \$1,085,000. He concluded his report by discussing the contract with 5-Star and that Quality Resources has been engaged to review and inspect the 5-Star crews. He advised that 15 lineman interviews were conducted in the last week. He and other staff are compiling results and confirmed it is not entirely clear how many linemen will be added. He ended his report confirming that the CPCN submittal to the PSC is being reviewed and will be completed by Hon. Allison Honaker for submission on the AMI System.

Mr. Phelps and Mr. Carter reviewed the outage data for the 5-year SAIDI (without major event dates). This comparison was across all participating cooperatives in the state of Kentucky. He noted the Cooperative scored 98.54 with an admitted benchmark of 100. He advised the Cooperative scored within the top 6 distribution cooperatives within the state.

D. Member Services – Mr. Hitchcock gave his report and reviewed the recent activity of the member service department for the month of June. Additionally, he reviewed the COOP Connection Prescription Card totals from January through June of 2022 and noted there were savings of 49% experienced by those using the prescription cards. He then presented a bar chart on the key accounts for June of 2022, along with a pie chart of the top 5 key accounts. That chart reflected that Diageo is by far the largest of the key accounts, consuming 61% of the total pie chart

displayed. Mr. Hitchcock also went over the Google analytics and noted the Board summary minutes had been reviewed 47 times since January 1 through July 21. The highest month was April with 13 views, followed by May and June with 9 views, respectively. He then displayed the bar charts for sponsorships and donations for 2020 year-to-date.

He then discussed his recent attendance at a chamber meeting held at Campbellsville University's Harrodsburg campus. He noted there are industrial classes for welding, plumbing, heating, and cooling and that there are currently 37 students enrolled, with an expectation of 20% increase in enrollment as the deadline approaches. He stated the speaker indicated there are 37 academic and certificate programs available at the Harrodsburg campus location.

He then discussed the 2022 Member Appreciation Day in Lebanon and displayed a view of the American Flag being raised over the driveway by two of the Cooperative's bucket trucks. He presented images of Chairman Spalding visiting with some of the members in the drive-thru line where members received their bucket of bulbs and registered for the annual meeting. He also displayed images of Mr. Carter helping fill buckets for the event. Notwithstanding the intense heat, 2022 Member Appreciation Day was deemed a success.

Mr. Hitchcock then advised of the proposed solar project at Makers Mark. He confirmed EKPC will be involved in the project. He said that the project will help power the visitor center, gift shop, Starhill Provisions Restaurant, and the new tasting room. It is anticipated that this would generate approximately one-half MW (500kW). The cost is being estimated by EKPC. He confirmed EKPC would be primarily involved in the bidding process and the Cooperative's role would involve the logistics of both the solar installation and the building aspect of the project. He and Mr. Carter concluded that if this project moves forward and is successful, that this would be a good platform for other industrial members who may be interested in providing renewable energy resources to their operations within the service territory.

E. Executive

1. Annual Meeting Recap - Mr. Carter presented his report and began with the construction project summary spreadsheet that was included in today's board packet. He then went through a summarization of the Annual Meeting. He included a list of the Cooperative's members who registered to attend the meeting and advised that totaled approximately 884 members. He then discussed the costs and also some concerns about the low attendance at the actual meeting. He noted the cost issues, along with the attendance will be the subject matter of upcoming meetings and advise his contact with the Boyle County School system has confirmed they would be willing to allow the Cooperative to use the school facilities in the event the Cooperative decides to conduct its annual meeting at that location in 2023.

2. 5-Year Growth by County – Mr. Carter reviewed the 5-year growth chart within the respective service territories. It was apparent the largest growth occurred in Marion County where 450 members have been added, that was followed by Lincoln County adding over 200 members. However, he noted every service territory had growth and overall, the Cooperative’s service territory has grown at a pace at the top of all cooperatives throughout the state.

3. Safety/Loss Prevention Summary - Bo McGuffey advised there were no incidents to report for the month of June 2022. He advised the recordable incident rate was 1.68 with a zero rate for DART and severity in June. Year-to-date he noted the recordable incident rate at 3.47 but again was happy to report that both the DART rate and severity rate were zero. He then confirmed his activity with crew visits and recent safety meetings.

4. Executive Session – Chairman Spalding requested an executive session. Mr. Kerrick made a motion to go into executive session. Mr. Goggin seconded the motion and the motion passed unanimously for potential or threatened litigation.

The Board and staff were invited and did attend the executive session. Mr. Kerrick made a motion to exit the executive session. Mr. Goggin seconded the motion and the motion passed unanimously. Chairman Spalding was happy to advise at this time no action was taken.

5. Cyber Security Update – Chris Bach discussed the recent annual meeting and how technology is advancing the ability to conduct the meeting effectively and efficiently. He gave an update on how ‘phishing’ scams are becoming more advanced and frequent. Members of the Cooperative and their families should exercise extreme diligence in opening emails and/or responding to emails to avoid a cyber-attack and/or malware or viruses on their devices or computers. He cautioned it will be extremely rare that financial data, personal identifying information, or other data should ever be transmitted over the internet.

VIII. LEGAL /REGULATORY/POLICY

Mr. Carter reviewed several policies, some of which had semantical changes and others were presented for review. Those were Policy 109, 209, 218 , 225, 302 and 314. It was also noted that Policy 315 – Attachment G needed to be reviewed. With that acknowledgement, Mr. Goggin made a motion to approve the recommended changes to the policies presented. Mr. Preston made a second to the motion and the motion passed unanimously.

IX. BOARD/CEO SESSION

A. Annual Calendar Review

Mr. Carter reviewed the Annual Calendar. The discussion followed each action item 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 2.67 while the rolling 12-month OTIER was at 1.50. 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 36.55% while year-to-date distribution equity is at 19.05%. He noted this is the first time in years that the Cooperative was within 1% of its target equity.

X. COMMITTEE REPORTS

A. Governance Committee – Mr. Kerrick circulated an updated version of the governance report. The Board spent a significant amount of time to review the respective changes to Policy 405 and Policy 408. Following discussion, Chairman Spalding noted it would take an additional month to carefully review the items discussed and the proposed changes. He asked that this matter be placed back on the agenda for the August 2022 board meeting date.

XI. EKPC

Chairman Spalding gave an update on the financial status of EKPC. He advised year-to-date EKPC was \$6.5 million above budget. He noted there were several serious concerns about the drastically increasing prices for different fuel sources used at the various generation plants that were available to EKPC. He noted natural gas had gone up 400% and coal, which had been previously purchased at \$40.00 a ton, had gone up to \$130.00 a ton. Some spot purchases for coal were made at the cost of \$200.00 per ton.

XII. KEC/UUS

Mr. Todd advised the Annual Meeting is set to occur on August 15 and 16 in Louisville, Kentucky. He discussed the agenda for the Annual Meeting. Chairman Spalding noted those scheduled to attend all or some of the sessions included Mr. Todd, Mr. Kerrick, Mr. Preston, Mr. Carter, and Mr. Dean.

He also noted the KEC director orientation program was scheduled to occur on September 9, 2022, and he also referenced the agenda for that Board orientation.

XIII. NRECA

A. Board Governance Video

Chairman Spalding and Mr. Carter played a Board Governance Video which dealt with executive sessions. Chairman Spalding then noted there were two Cooperative employees who were scheduled to attend the Safety Leadership Summit in Austin, Texas on August 17 – 19. He

also identified the upcoming Leadership experience in Gettysburg was scheduled to occur on October 5 through the 7th. He advised the date cutoff was September 2, 2022. Next, he noted the Region 2 and 3 meeting was scheduled to occur in Hollywood, Florida on October 10th through the 12th and that the cutoff date for registration was September 2, 2022. A note was added that the NRECA had confirmed the hotel was completely booked for the nights of October 8th and 9th. He then identified that the regional meeting voting delegates were previously designated as himself to be the delegate and Mr. Preston to serve as the alternate delegate.

XIV. FEDERATED RURAL ELECTRIC INSURANCE

Mr. Carter noted a newsletter for the second quarter reporting was included in the board packet. He also confirmed the annual review and renewal for the Federated policies is scheduled for August 11, 2022.

XV. RUS-CFC-COBANK NEWS/UPDATES

Chairman Spalding advised there was nothing to report.

XVI. CAPITAL CREDIT DISBURSEMENTS

For June 2022 there was \$19,019.85 in capital credit disbursements. Mr. Peyton made a motion to approve the capital credit disbursements as stated. Mr. Todd made a second to the motion and the motion passed unanimously.

XVII. WORK ORDERS FOR JUNE 2022

- A. Work Order #2046 - Retirement without Replacement
- B. Work Order #2047 - \$555,503.49
- C. Work Order #2048 - \$0

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

XVIII. APPROVE NEW MEMBERS FOR JUNE 2022

- A. 174 New Members
- B. \$8,700.00 Membership Fees

Mr. Peyton made a motion to approve the 174 new member applications for membership and the fees as stated. Mr. Goggin 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 August 26, 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

No additional business was discussed.

XXI. ADJOURN

A motion to adjourn was made by Mr. Preston. Mr. Goggin seconded the motion and the motion passed unanimously, and the Board adjourned at 1:45 p.m.