

INTER-COUNTY ENERGY COOPERATIVE CORPORATION

Meeting Minutes Summary

June 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

Board Member Bill Peyton participated by telephone. Also present and participating were President and CEO Jerry Carter and Board Attorney J. Hadden Dean.

I. PRAYER

Chairman Spalding opened the meeting with prayer.

II. SAFETY MOMENT

Mr. Kerrick gave an outline of several things for motorists in Kentucky to remember regarding road safety. Also Mr. Dean presented an image of a melted extension cord. He indicated the cord became hot due to the use of an individual space heater under the desk of a staff member at his office. It is noted space heaters of that nature should be plugged directly into the wall and that extension cords should be utilized only for appropriate devices and appliances.

III. ADOPTION OF AGENDA

Chairman Spalding presented the agenda which was reviewed. Mr. Goggin 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 May 28, 2021, Board Meeting. Following a review, Mr. Todd made a motion to approve the minutes. Mr. Kerrick made a second to the motion and the motion passed unanimously.

V. MAY SUMMARY MINUTES

May summary minutes were reviewed. A motion was made by Mr. Goggin to approve the summary minutes of the May 28, 2021, board meeting. Mr. Peyton made a second to the motion and the motion passed unanimously.

VII. MARK DAVIS – NRTC

Mark Davis from the National Rural Tele-Communication Cooperative was in attendance to discuss broadband. He presented a PowerPoint which outlined several steps that would need to be taken. He also gave information to the Board regarding a feasibility study and the timeframes in which it could be conducted. Mr. Davis' presentation lasted a little over an hour during which the Board posed many questions. Mr. Davis concluded his presentation with providing information and many steps for consideration. After Mr. Davis's departure, the Board discussed the cost of conducting a feasibility study with NRTC. That cost would be approximately \$25,000.00. Mr. Todd made a motion to proceed with the feasibility study. Mr. Preston made a second to the motion and after a lengthy discussion, the motion passed.

VIII. 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 24, 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 report and gave some of the following highlights: April operating revenues were up \$450,000.00 from last year and purchase power is \$288,000.00 higher. Operating expenses were likewise \$131,000.00 higher and within \$20,000.00 of the amount budgeted. There were negative margins for April of approximately \$40,000.00. However, the Cooperative had budgeted for a much worse month, with projected negative margins of \$184,000.00. Year-to-date operating revenues were up \$1.9 million and exceeded budget by \$277,000.00. Likewise, purchase power was \$1.9 million higher than last year and over budget by \$884,000.00. Due to extraordinary expenses resulting from the successive winter storms, the year-to-date net margin budget was \$1.3 million, but the Cooperative only listed positive margins of \$123,000.00. Ms. Kurtz reminded the Board the losses were going to be subject to reimbursement by FEMA and that should close the gap from the current margins and with that change the Cooperative would be close to the budgeted net margin.

Ms. Kurtz then discussed the comparison of the Purchase Power Bill along with the plant distribution, as presented in her report. She also gave an update on the current FFE interest rates. Shorter term rates were marginally lower with 20- and 30-year rates being marginally higher. Ms. Kurtz also provided an update on the billing date "true up". She advised

the changes made will begin in September with four regular billing cycles and she will be able to present the financials for September at the October board meeting. She also reviewed the financial and statistical report, along with the construction project summary and working capital status report and forecast with the Board.

Ms. Kurtz concluded her report with a review of the Finance and Accounting Department budget. She noted for the month of April, her expenses were just under \$5,000.00 under budget for the month but over approximately \$56,000.00 for the year. She again noted the over-time hours for the ice storm and some early payments for a retiring staff member accounted for that difference.

B. Office Services – Ms. Stocker advised the Board there were 29 accounts older than February 15, 2021, totaling \$14,240.92. She requested those be deemed as bad debt and, if eligible, sent to collection. Mr. Goggin made a motion to declare the unpaid accounts as bad debt in the amount stated and to send the same for collection subject to the PSC and other regulations. Mr. Kerrick made a second to the motion and the motion passed unanimously.

She also confirmed there were 223 accounts that were overdue with a year-to-date total of just over \$109,000.00 as of June 3, 2021. She confirmed there were 75 members that had an overdue balance that exceeded \$500.00.

She concluded her report with the Office Services budget and noted for the month of April she was approximately \$17,000.00 under budget and for the year, she is approximately \$80,000.00 under budget.

C. Operations – Mr. Phelps gave an update on the plant account and noted there were 147 new work orders started in May. With that came new construction costs just over \$350,000.00 and purchases just under \$98,000.00. He also confirmed there were staking projects underway for subdivision expansion in Marion County, a conductor change in Perryville, line relocation because of washout on Kentucky Highway 49 and double circuit spacer cables installed at the Lancaster substation. He also gave an outline of the activities of the contracting company crews regarding pole change outs, conductor changes, highway projects and new construction.

Mr. Phelps then presented a chart of the right-of-way progress and noted there was a slow period at the start of the year due to inclement weather but by the end of April, the trend was nearly to the miles which were projected to have been cleared. He gave an outline of the different contractors and their process. To date the cycle crews have billed over \$597,000.00 for clearing of approximately 148 miles of line. He also confirmed ProTec Terra completed spraying on the seven circuits including approximately 509 miles. A separate company, Sage, started this month on the four circuits which included approximately 398 miles of line. Mr. Phelps then gave a

general update on the Komatsu project, Pittman Creek Distribution project completion and other work being completed in the area. He also advised he is looking into an engineering model for the 2022 through 2025 work plan, as well as attending preliminary meetings to look at a new AMI system. He is also evaluating other outage management software systems. He ended his report by presenting the Operations Department budget and noted his department was approximately \$70,000.00 over budget for the month of April and just over \$1 million for year-to-date. He reminded the Board that a lot of the costs were associated with the three excessive winter storms which occurred earlier in the year and as the federal government reimbursements are received, he hopes the actual numbers will be more consistent with his original budget.

D. Member Services – Mr. Hitchcock gave an outline of the member services and communication activity for May of 2021, as well as a summary of the member services activity. He noted membership services and communication activities, along with other activities are becoming more normalized, because of vaccinations and changes in state and federal policies regarding the COVID-19 pandemic. He also discussed a recent high bill complaint and assisted the member in discovering the problem. It was a defective air conditioning unit which caused the high bill.

He next gave an extensive update on electric powered vehicles. He noted on a global basis, the US currently has about 115,000 gas stations but only 1,000 charging stations across the entire country. He noted as many manufacturers are ramping up their production and some even making predictions on completely discontinuing the production of internal combustion engines, the expansion of charging stations will have to match the available gas stations.

He then presented a Tesla charging map and noted that there are 12,000 charging stations worldwide with only 47 located in Kentucky.

He then presented a ChargePointMap which reflected there were just 57,000 chargers in the United States. All ChargePoint stations are Level 2 (240 volt). He noted Bob Allen Motor Mall and Wilderness Trace Solar have Level 2 chargers available.

He then presented an image of a 1,000 multi-rotator wind catcher that is alleged to be able to power 80,000 European homes and be online for 2026. The image presented was a contrast between this structure, the Eiffel Tower, 747 jets, a large cruise liner and the Statue of Liberty. He then advised that Lordstown Motors warns that it may end up going out of business. The stock plunged after both the CEO and the CFO resigned. It did announce that it had to reverse claims about binding orders for its electric pickup truck.

Mr. Hitchcock then presented the 2021 key account pie chart for the top ten accounts. It referenced Markers Mark was the single largest of the top ten accounts, with an approximate 19% share of that pie chart. Next was EPC Columbia at 16% and Walmart at 13%.

Mr. Hitchcock ended by presenting his April 2021 department budget and noted he was approximately \$10,000.00 under budget for April and approximately \$60,000.00 under budget for the year.

E. Executive

Mr. Carter referenced a small number of items from the financial report by Ms. Kurtz. He then noted service awards including Mr. Phelps had 21 years of service as of June of 2021.

1. Annual Meeting Updates

Mr. Carter gave an update on the Annual Meeting for 2021 including a list of key deadlines and dates. He discussed a few of the details including the decision to have six \$50.00 prizes and six \$100.00 prizes for those in attendance. This will be drawn from a Cooperative-wide basis rather than based upon each district. He also advised the buckets will be available but the idea of giving some type of enhanced bucket became impractical.

Mr. Carter then gave an update on a group called Kentuckians for the Commonwealth. This is a group which is very interested in green energy and Mr. Carter expected to return a contact recently made.

2. C & E Committee Meeting

Mr. Carter and Mr. Dean presented their committee report during a later segment of today's board meeting.

3. Safety/Loss Prevention Summary

Mr. McGuffey gave an update of the Safety/Loss Prevention report in the board packet. He described an accident that resulted in no injuries and very little property damage. He outlined the cause of the accident and the steps staff have taken to address this as a learning experience for those involved.

4. Cyber-Security

Chris Bach gave an update on cyber security and Mr. Dean discussed some follow up with Kroll and their staff. A status letter was sent to them by Mr. Dean with collaboration from Mr. Carter. The primary concerns involve some timing issues about the date and notice of the potential cyber security concern and when actual steps were taken to detect and eradicate any virus or other compromise of the Cooperative computer systems.

5. Northern Bobwhite Solar

Mr. Carter gave an update on the project and advised it was approved with the PSC and construction would be starting shortly. He advised it was approximately a 96 megawatts solar farm consisting of 1,200 acres.

VI. LEGAL/REGULATORY/POLICY

- A. Policy 109 – Employee and Temporary Personnel Classifications (Review)
- B. Policy 209 – Annual Leave (Review)
- C. Policy 223 – Deductions from Salaries of FLSA – Exempt Employees (Review)
- D. Policy 225 – Service Awards (Review)
- E. Policy 302 – Work Rules and Termination of Personnel (Action on Proposed Revisions)
- F. Policy 314 – Workplace Use of Tobacco (Review)
- G. Policy 315 Attachment E – De-energizing Work/Grounds (Action on Proposed Revisions)

Mr. Carter presented the above policies for review and review with revisions. The policies made for review were 109, 209, 223, 225 and 314. Each of those policies were reviewed with no changes. Mr. Carter then presented two policies for review with changes. Those were policies 302 and 315. Mr. Kerrick made a motion to approve the review of policies and the revisions to those as presented. Mr. Preston made a second to the motion and after discussion regarding each of the policies and suggested revisions, the motion passed unanimously.

VII. BOARD/CEO SESSION

A. Annual Calendar – Mr. Carter reviewed the Annual Calendar with the Board and advised of upcoming events and activities.

B. Dashboard Review – Mr. Carter reviewed the Dashboard with the Board and again reiterated the same points as made by Mr. Phelps and Ms. Kurtz regarding the extraordinary costs incurred during the winter storms in early 2021. He believes the dashboard will reflect much better numbers when the FEMA reimbursements get presented. He also went on to discuss a miscalculation which had been previously made regarding the equity ratio. He had Ms. Kurtz to return to the meeting to discuss the ratio, and explain how it is calculated, and the revisions made. He stated the current distribution cooperative equity (without capital credits) was approximately 18.49%.

VIV. EXECUTIVE SESSION

Chairman Spalding then called for an executive session to discuss an item of acquisition of property. Mr. Goggin made a motion to go into executive session. The motion was seconded by Mr. Preston and the motion passed unanimously.

Following the executive session meeting, Mr. Todd made a motion to come out of executive session and a second was made by Mr. Preston. The motion passed unanimously. Chairman Spalding announced there was no action taken on the issue of potential property acquisition.

VIII. COMMITTEE REPORTS

Mr. Carter and Mr. Dean gave an update on the Elections and Credentials Committee Meeting they had recently. It was noted both candidates were invited to come, and a copy of the updated bylaws were provided and confirmation of the timeframes for conducting the elections were presented. They also presented the draft ballot for voting and asked each candidate to confirm the exact spelling of their name to make certain it was accurately reflected on the ballot. Additionally, they confirmed the rules for campaigning on Cooperative property and each candidate agreed on those terms. The most important part to the Elections and Credentials Committee was there be no electioneering with banners or tables inside the voting area of the Cooperative or just outside the doors where the membership will be entering for voting.

IX. EKPC

Chairman Spalding gave an update on the election process and the new officers for EKPC. He confirmed that Alan Arman was elected as the new President, with Jody Hughes being the Vice-President.

X. KEC/UUS

Mr. Todd gave an update on the recent Zoom Meeting that was conducted. He confirmed there was going to be a likely increase to cooperatives for the costs of the Kentucky Living Magazine. Apparently, the cost of paper and other materials has significantly increased recently. He also confirmed there was an upcoming election for the NRECA director position on July 20, 2021. Mr. Carter ended the discussion, confirming that UUS had performed extraordinarily well recently, and it should have a good profit margin for 2021.

XI. NRECA

A. Board Governance Video

Mr. Carter played a video from NRECA entitled "Transparency". After the video, the Board discussed the issues presented.

B. Summer School for Directors Online – July 19-23, 2021 (registration Deadline: July 18, 2021).

Mr. Carter then identified that the online Summer School was scheduled to occur in July and noted anyone wanting to sign up for the sessions needs to be aware of the upcoming registration deadline of July 18.

C. Safety Leadership Summit – August 9 – 11, 2021 (Orlando, FL) or August 10-11, 2021 Online

1. Hotel: Hilton Orlando Bonnet Creek – Reservation Deadline is July 19, 2021
2. Online Registration Deadline is August 9, 2021.

Bo McGuffey will attend the Safety Leadership Summit on behalf of Inter-County.

D. CEO Close-Up – August 18-21, 2021 (Amelia Island, FL)

Mr. Carter identified the above referenced leadership summit and advised that he may be attending the CEO Close-up in Amelia Island, Florida on August 18-21. Considering the upcoming board elections, he may defer attending that conference until next year.

XII. FEDERATED RURAL ELECTRIC INSURANCE

Mr. Carter advised that Tony Hermes is going to be at the Cooperative on July 21, 2021 to review the insurance policies in place and make recommendations.

XIII. RUS-CFC-COBANK NEWS/UPDATES

Mr. Carter advised he attended the CFC meeting recently and the focus of the same surrounded the generation of electricity and the costs. He advised former Vice-President Mike Pence was one of the key-note speakers. He also noted he had an impromptu conversation with an executive from the Obama administration who is also now back serving in the Biden administration. There is a renewed interest in nuclear power.

XIV. CAPITAL CREDIT DISBURSEMENTS

Mr. Preston advised there were estates retirements for April of 2021 totaling \$10,049.92. Mr. Todd 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 April 2021 were \$14,464,290.00.

XV. WORK ORDERS

Mr. Preston presented Work Order #2016 in the amount of \$478,979.80 and Work Order #2017 in the amount of \$2,592.51 for approval. After a discussion regarding the content of those work orders, Mr. Goggin made a motion to approve the work orders as stated. Mr. Kerrick made a second to the motion and the motion passed unanimously.

XVI. NEW MEMBERS

Mr. Preston advised for May of 2021 the Cooperative added 182 new members totaling \$9,100.00. Mr. Todd made a motion to approve the new members and the fees collected. Mr. Kerrick made a second to that motion and the motion passed unanimously.

XVII. MISCELLANEOUS

Chairman Spalding requested the Board submit their expense sheets by providing those to Farrah Coleman. Chairman Spalding noted the next regular board meeting was originally scheduled for Friday, July 23, 2021, at 8:30 a.m. however due to some conflicts, the July meeting needs to be rescheduled. Due to the change in some upcoming processes for the presentation of the financial reports, Chairman Spalding, Mr. Carter and the Board reviewed dates for the upcoming board meetings for the remainder of the 2021 calendar year and set them out as follows, subject to change:

Tuesday, July 27, 2021

Monday, August 23, 2021.

Friday, September 17, 2021

Friday, October 22, 2021

Tuesday, November 23, 2021

Friday, December 17, 2021

Mr. Kerrick made a motion to approve the rescheduled July board meeting date, as well as the proposed dates for the remainder of the year. Mr. Goggin made a second to the motion and the motion passed unanimously.

XVIII. OTHER BUSINESS

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.

XIX. ADJOURN

Hearing no further business, Chairman Spalding called for a motion to adjourn the meeting. Mr. Preston made the motion to adjourn at approximately 3:14 p.m. Mr. Todd made a second, and the motion passed unanimously.