

INTER-COUNTY ENERGY COOPERATIVE CORPORATION
Meeting Minutes Summary

December 15, 2020

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

Chairman Spalding opened the meeting with prayer.

II. SAFETY MOMENT

Chairman Spalding gave the safety moment. He stated motorists needed to make sure that before driving a vehicle that has been sitting outside, which has accumulated frost on any of the windshield or other glass surfaces, that they allow appropriate time for clearing of those surfaces. Driving with limited view presents a significant hazard, especially in the early morning or dark hours.

III. ADOPTION OF AGENDA

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 November 19, 2020 Board Meeting. Following a review of the minutes, including several semantical changes, Mr. Preston made a motion to approve the minutes. Mr. Peyton made a second to the motion and the motion passed unanimously.

V. NOVEMBER SUMMARY MINUTES

November summary minutes were discussed, and a motion was made by Mr. Goggin to approve the summary minutes for the November 2020 board meeting. Mr. Peyton made a second to the motion and the motion passed unanimously.

VI. 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 December 18, 2020 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. Gilliam presented her final report of her career to the Board. It was with great emotion and appreciation from her to the Board and the Cooperative for the opportunity she was afforded to have a career with the Cooperative. She recalled several experiences which occurred during her career and was most appreciative for the opportunity to have worked for such an incredible organization for the entirety of her work life. She was happy to say there were positive margins for October. Additionally, she confirmed her department budget was within or below budgeted items except for some computer services which were needed to address the changing needs for the membership and changes to allow for remote work for staff. She has been pleased with Alyssa Kurtz and has been working with her and plans to continue in the future, should any questions arise.

1. Cyber Security Update

Mr. Bach advised he had a good experience with the remote test of the Lebanon Offices redundant server. The test was done over Thanksgiving and was very successful. He did identify some issues and said the exercise was extremely valuable. The Board asked if he intended to do that type of testing more frequently to which Mr. Bach advised he intended to complete this type of testing annually, if not more. The Board also asked if he found any attempts had been made to hack into the system to which Mr. Bach responded he had not identified any threats and noted the firewall had been working extremely well. The Board also asked about the government computer hack and how it might affect the Cooperative. He said the nature and extent of that intrusion has yet to be determined but he did expect the United States Defense Department and other large corporations to have repercussions.

B. Office Services – Ms. Stocker asked the Board to send to collections, subject to their right to collect, accounts totaling \$8,663.60. A motion was made by Mr. Goggin to declare

the unpaid accounts as bad debt in the amount stated. Mr. Preston made a second to the motion and the motion unanimously passed. She confirmed the balance of work done in her department was within budget and she had not experienced any other problems or difficulties.

C. Operations – Mr. Phelps gave an update on some of the ongoing 126 work orders. He also gave a presentation of some images regarding the continued progress of Diageo. He advised there was a new substation in Lancaster and that should help with reliability in that area. He provided an update on the progress of the Kentucky Fresh Harvest project and confirmed he is ready to move forward with any additional work that needs to be done by the Cooperative and that the owners and/or operators of that entity have still not poured the concrete pad mount for the transformer that is necessary to supply power to that section of the development. Mr. Phelps confirmed that his department expenses were within budget. He gave an update on the right-of-way clearing and advised it was still on-going. Chairperson Spalding noted he was impressed by the ROW clearing in his community.

Mr. Phelps confirmed bids were awarded for the 2021 Vegetation Management Plan.

D. Member Services – Mr. Hitchcock gave an overview of his report as reflected in the board packet. He confirmed that due to the COVID-19 pandemic his visits have been very limited. There were four visits he made in November. He further identified the activity of the key accounts by graph and discussed the status of each of those industrial members and their relative work in the prior year. He then presented images of electric vehicles and the continued development of those.

Mr. Hitchcock and Chairperson Spalding discussed the upcoming 2021 Annual Meeting. As previously mentioned, the Boyle County High School would not be available to use due to the COVID-19 pandemic. Mr. Carter also advised the Board that he expected there may be another opportunity to combine the Member Appreciation Day with the Annual Meeting and that in doing so he intended the date to be sometime later than the first Friday in May. He confirmed that so long as the meeting is conducted in accordance with the current bylaws, which dictate the annual meeting occur prior to a date in September of each year and that he expected there would be no problem in meeting that deadline. Mr. Carter advised he would meet with staff members and discuss a proposal for the 2021 Annual Meeting to bring that proposal to the Board for its consideration at the January 2021 meeting.

E. Executive

Mr. Carter displayed the executive and summary budgets and confirmed many of the “red numbers” in the report reflect the substantial decrease in the sale of the number of kilowatt hours due to the COVID-19 pandemic. He advised he was pleased with the performance of the staff and each of the department heads for keeping expenses below budget.

Mr. Carter then identified service anniversaries, three of which included 33, 23 and 17 years respectfully. He continues to be thankful that the Cooperative is a workplace that not only attracts great talent but retains that talent within its work force.

1. Safety/Loss Prevention Summary –

Mr. McGuffey gave a report and advised it was a good month for safety at the Cooperative. He noted the COVID-19 pandemic timeline and discussed how that has impacted the work force. He also advised the Cooperative continues to develop and maintain safe practices for employees. He and Mr. Carter also discussed some of the efficiencies that have been learned by having gone through the pandemic in relation to the timing of the work force arriving and leaving from the Cooperative each day. Mr. Carter and Mr. McGuffey designed the plan whereby the crews come in on a staggered basis which has proved to be a very efficient process, as the loading of trucks, poles and other equipment can be done more efficiently on a per crew basis rather than having all crews in at one time.

He further advised that the Cooperative staff continues to buy into the development of safety as being a top priority. He notes there have been several admissions of “close calls” and while it may be somewhat concerning to the staff to do this, it is raising the awareness of the importance of best safety practices.

2. 2020 Load Forecast Study Resolution

Mr. Carter gave an update of the documentation from EKPC. Chairperson Spalding and Mr. Carter further explained the load forecast and presented member diagrams and other predictions. After review, Chairperson Spalding called for a motion to approve the resolution from EKPC. Mr. Kerrick made a motion to approve the resolution as presented. Mr. Preston made a second to the motion and the motion passed unanimously.

VII. 2021 BUDGT PRESENTATION AND APPROVAL

Mr. Carter presented the final budget for the 2021 calendar year. He noted there were only minor adjustments from the previously presented budgets. There was a discussion about the PSC assessment of \$75,000.00. He noted of that the PSC only gets a portion of the total and the remainder goes into the General Fund of the State of Kentucky. Ms. Gilliam added the check is payable to the general fund of the Department of Revenue and not directly to the PSC. Mr. Carter then asked for a motion to amend the budget to include an approximate

\$132,000.00 decrease in the work plan for the budget from Operations. After discussion, Mr. Todd made a motion to approve the 2021 budget presentation with the amendment made by Mr. Carter. Mr. Kerrick made a second to the motion and after discussion, the motion passed unanimously.

VIII. LEGAL/REGULATORY/POLICY

Board attorney, J. Hadden Dean reported on member complaints about ROW clearing that have not risen to a lawsuit but have been made by members regarding complaints against third party independent contractors. He, along with Mr. Carter and Mr. Phelps have responded to each member. Mr. Dean reported that most members have been very pleasant after the initial discussion and explanation of the process was presented to them. However, it is still unknown as to whether they will proceed with litigation over alleged damages to their property. Mr. Dean and Mr. Phelps have been assured that the third-party contractors have been notified and have advised the member of their position regarding the incident. Mr. Dean has assured each member that the Cooperative will assist where it can, but ultimately this work and/or insurance claims and/or litigation should be directed at the third-party independent contractor.

IX. BOARD/CEO SESSION

A. Annual Calendar – Mr. Carter reviewed the Annual Calendar with the Board and discussed the delay in bringing the staff from EKPC to a board meeting. He did advise with the upcoming retirement of Michael McNalley, posed challenges for rescheduling prior to his departure.

B. Dashboard Review - Mr. Carter discussed the financial operations and other customer indicators. He was pleased to say equity continues to move gradually in a positive direction and that TIER was meeting and/or exceeding the lending requirements of the creditors of the Cooperative. He ended this part of his dashboard review with advising he is going to come up with a plan on trying to meet the Board's directive to have a minimum floor of equity being 20% or greater. He advised he has several ideas and is considering either using Mr. McNalley and/or other resources to develop the plan. He and Mr. Dean confirmed that the equity management plan will be reviewed early in the new year.

Mr. Carter then advised that due to the efforts of the employees and the positive margins experienced for the 2020 calendar year, he is recommending giving every employee a bonus of \$500.00. He advised he thought that total would sum to approximately \$31,500.00. He went on to explain the staff's extraordinary efforts, the lack of any complaints on utilizing work at home strategies and/or other tactics to meet or exceed the governor's requirements for COVID Safe at Work protocols. Ultimately, he also advised there were other

efficiencies discussed prior to this portion of the meeting and others that the Cooperative will experience continued savings and efficiencies in the future because of having gone through the pandemic. Mr. Preston made a motion to approve the \$500.00 employee bonus expenditure as requested by Mr. Carter. Mr. Kerrick made a second to the motion. After discussion, the motion passed unanimously.

C. Capital Credit Bylaws Revision

Mr. Dean and Mr. Carter presented an amended bylaw regarding capital credit review, as requested by the Board. A version of the bylaw with the changes were presented with denoted red "track changes" to the Board prior to the meeting. After a review of those changes, Mr. Goggin made a motion to approve the changes to the Capital Credit Bylaw. Mr. Preston made a second to the motion. After discussion, the motion passed unanimously.

X. COMMITTEE REPORTS

Mr. Kerrick gave an update on the director compensation committee report. Chairperson Spalding had requested a revised version of that report and subject to that a revision of the report was reviewed and accepted by the Board.

XI. EKPC

Chairperson Spalding gave an update on the rate increase. He also gave an update on the lobby firm which was working for EKPC and others and a presentation made by the members from that firm. He included one was a Democrat and one is a Republican.

Chairperson Spalding also added at the current time the staff from EKPC advised that the budget as presented will not meet the loan covenants for 2021 and that is the primary focus for the need for a rate increase. He did advise that in the event Congress passes a resolution allowing for the refinancing of RUS debt of EKPC that the need for a rate increase would immediately be extinguished. He advised there is still ongoing work on trying to get that included and some of the COVID relief legislation.

Mr. Carter advised he is very interested in having input on the rate structure should a rate increase be required. Mr. Carter fears that the rate increase as proposed, would unduly place a burden on cooperatives with similar memberships as Inter-County Energy Cooperative Corporation. He advised a simple revision to the manner of the rate design would more equally distribute the rate increase among the cooperatives.

Chairperson Spalding did confirm there were negative margins for October but for the year there were over \$14 million dollars in positive margins for EKPC. Chairperson Spalding advised the Board that he is slated to continue to serve as the Chairperson for EKPC until June

of 2021, subject to any extensions to that should the successor not be put in place until a later date.

XII. KEC/UUS

Mr. Carter gave an update on the KEC Annual Meeting which was held virtually with some of the Board attending. That virtual meeting was viewed at the Cooperative headquarters in Danville.

Mr. Todd gave an update on several of the committees he serves and confirmed that most political races where KEC made contributions resulted in the candidate, they supported, winning.

Mr. Carter and Mr. Todd provided additional information on the KEC administrative case filed regarding pole attachments. In short, this is the case involving the expansion of internet availability throughout the Commonwealth of Kentucky. There has been no final action on that case to the best knowledge of Mr. Carter or Mr. Todd and they advised they will keep the Board updated on any new changes.

XIII. NRECA

Mr. Carter played a key ratio trend analysis video for the Board. The video was produced by NRECA as part of their board governance and education program. Mr. Carter also gave an update on upcoming training sessions being provided by NRECA and assumes most of those will be conducted on a virtual basis. The Board continues to encourage Mr. Carter to seek out areas of professional development. Mr. Carter advised he will do so however noted the virtual training sessions are proving not to be as valuable as the in-person training sessions, because of the camaraderie that is experienced by in person attendance including the before and after interaction after each session.

XIV. FEDERATED RURAL ELECTRIC INSURANCE

Mr. Carter advised the report was enclosed in the board packet and there were no further discussions regarding the same.

XV. RUS-CFC-COBANK NEWS/UPDATES

Mr. Carter provided an update on the financial workshop scheduled for January 21, 2021. He did advise the program would include certificates for all attending. He confirmed any board member wanting to attend the session, needs to let Ms. Coleman know so she can get them registered to attend.

XVI. CAPITAL CREDIT DISBURSEMENTS

Mr. Preston advised there were estates retirements for October of 2020 totaling \$8,454.00. 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 October 2020 were \$13,906,769.00.

XVII. WORK ORDERS

Mr. Preston identified Work Order #2003 in the amount of \$404,427.16 and Work Order #2004 in the amount of \$10,300.20 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.

XVIII. NEW MEMBERS

Mr. Preston advised for October of 2020 the Cooperative added 146 new members totaling \$7,300.00. Mr. Kerrick made a motion to approve the new members and the fees collected. Mr. Peyton 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 Ms. Coleman. Chairperson Spalding reminded that the next regular board meeting has been scheduled to be held on Friday, January 15, 2021 at 8:30 a.m.

XX. OTHER BUSINESS

Chairperson Spalding then asked if there are any additional issues that need to be addressed on the agenda other than those mentioned above. Mr. Carter suggested that anyone wishing to have an item placed on the agenda for upcoming board meetings do so by providing the same to Farrah Coleman.

XXI. EXECUTIVE SESSION

Mr. Preston made a motion for the Board to enter Executive Session for purposes of evaluating the President and CEO of the Cooperative. The motion was seconded by Mr. Goggin and the motion passed unanimously.

Following the execution session, Mr. Preston made a motion to come out of Executive Session. The motion was seconded by Mr. Peyton and the motion passed unanimously.

The purpose of the Executive Session was to present the appraisal for the President/CEO which was completed in an hour and 45 minutes. A review of the President/CEO self-appraisal, metrics provided regarding pay scale by EKPC and other vendors were considered.

XXII. ADJOURN

Hearing no further business, Chairman Spalding called for a motion to adjourn the meeting. Mr. Todd made the motion to adjourn at 3:25 p.m. Mr. Kerrick made a second to the motion, and the motion passed unanimously.

SECRETARY, JAMES KEVIN PRESTON

APPROVED:

CHAIRMAN, JOSEPH H. SPALDING