

INTER-COUNTY ENERGY COOPERATIVE CORPORATION

Meeting Minutes Summary

January 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	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

Jerry Carter opened the meeting with prayer.

II. SAFETY MOMENT

Mr. Kerrick presented the safety moment. He read from an article outlining best practices when approaching school zones and safety patrol officers.

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 December 17, 2021, Board Meeting and one correction was identified. Mr. Kerrick made a motion to approve the minutes with the noted change to correct a typographical error. Mr. Peyton made a second to the motion and the motion passed unanimously.

V. DECEMBER 2021 SUMMARY MINUTES

December 2021 summary minutes were reviewed. Mr. Preston made a motion to approve the summary minutes of the December 17, 2021, board meeting with the noted changes. Mr. Goggin 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 January 28, 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. In addition, each circulated proposed budget and reviewed each of the line items.

A. Finance and Administration – Ms. Kurtz gave an update on the FEMA and PPP issues as they affect finances at the Cooperative. She did confirm that FEMA payments from the early ice storm as well as the PPP forgiveness adjustments will all be booked in December of 2021. She advised there is a significant amount of costs that will have been booked in 2021 but will not be subject to recoupment until 2022 per the current PSC rules. Those costs involve the fuel adjustment and environmental surcharge. She and Mr. Carter advised they are seeking further advice from the auditors in order to determine when those revenues will be booked. Ms. Kurtz estimates the amount of the environmental surcharge and fuel adjustment numbers could total \$2.2 million and would obviously have a significant and potentially material impact on either 2021 or 2022. She and Mr. Carter gave extensive details, and the Board extensively discussed this matter. Ms. Kurtz and Mr. Carter advised they would keep the Board up to date on the ultimate outcome of the decision and recommendations of the auditor.

She advised OTIER for the year without any accounting adjustment was .46 and TIER was 1.38. She also confirmed the PPP loan forgiveness came through at just under \$1,350,000.00. She later confirmed the information from Farmers National Bank about the loan being able to extend out to 2024 was inaccurate. As a result of that, the balance of that loan was paid off in December 2021, thus saving the Cooperative \$1,200.00 and possibly more in interest.

Ms. Kurtz then reviewed the power bill and noted there was a 7% increase in the cost per kilowatt hour.

She presented the interest rates from the FFB and noted since the last quarter, long term rates have increased but short-term rates are still exceptionally low. She advised one of the loans from RUS will be repriced in March of 2022 and the Board will have to decide whether to convert the loan to a fixed loan or to keep the loan on a variable basis. She described the differences between short term and long-term loans and further discussed the current loan portfolio of the Cooperative.

Ms. Kurtz notified the Board the FEMA reimbursement for the recent tornado damage would include Marion County as it has been declared eligible for FEMA benefits. At this time, she

estimated those benefits would be approximately \$180,000.00 and expects that the Cooperative will be able to collect most of those funds.

She then presented a detailed analysis of the health insurance program and noted for the calendar year 2021, the Cooperative had an approximate balance of -\$8,500.00. She said due to prior surcharges expiring, the overall cost for the Cooperative and employees eligible for insurance actually went down. She did confirm overall, there was a 5% increase, but with a 20% surcharge being removed the employees eligible for insurance will see a nice reduction in their premiums for 2022.

B. Office Services – Ms. Stocker advised the Board there were 28 accounts to be sent to collections totaling \$5,163.17. She requested those be deemed as bad debt and sent to collection. Mr. Todd made a motion to declare the unpaid accounts as bad debt in the amount stated and to send the same for collection. Mr. Peyton made a second to the motion and the motion passed unanimously. She then went on to review some historical analysis of the write-offs over the last four (4) years and the associated balances as well as the number of members being involved. She noted that from 2018 to 2021 there was a significant drop in the number of members that had outstanding balances, but unfortunately the overall outstanding balance remained roughly the same. She also noted that not long after the pandemic started, until February 2021, the Cooperative was not allowed to collect late charges or penalties on overdue bills. She and her staff are doing everything they can to utilize the PrePay plan as well as debt management services available to the membership.

She then advised there was approximately \$75,600.00 currently in debt management, which consists of 90 accounts. Of those 90 accounts, 46 were greater than \$500.00. She advised the average balance per account was approximately \$840.00. She also confirmed that Community Action was beginning their LIHEAP program for the winter. She advised to date, a little over \$88,000.00 has been paid towards members' bills.

C. Operations – Mr. Phelps began his report discussing labor shortages in the entire market.

He referred to his Board report and discussed the plan and the work orders started in December along with the new construction and purchase costs. He then discussed the engineering that was underway and outlined the staking projects, field inventory, and other matters including OMS simulation for training being set up for his staff.

He then discussed the activities of the contract crews and outlined the work being performed by independent contract crews throughout the service territory.

Mr. Phelps then presented a diagram of the right-of-way clearing for the year 2021. The chart reflected that the amount projected to be cleared was met in the month of December. He advised the total right-of-way costs for the calendar year 2021 totaled just over \$2,508,000.00. He did advise this sum did include hot spot cutting and spraying.

He then discussed items under the miscellaneous category of his Board report including the following:

The 2022 through 2025 work plan, preparing contracts for upcoming construction contract bids, and the 2022 vegetation spray contracts were awarded and assigned to two separate companies totaling approximately 1,110 miles. He confirmed he is still waiting for invoices to complete the FEMA application for reimbursement for the December tornado. Mr. Phelps budget was also attached and noted the total operating expense was approximately \$60,000.00 over the original budget of \$5,550,000.00. He confirmed a lot of that was related to the ice storm damage and that some of those expenses would be subject to reimbursement under FEMA.

He then gave an update on bidding for the new metering systems and advised several quotes have come in, and he is still waiting for additional responses to his requests for proposals or quotes.

D. Member Services – Mr. Hitchcock reviewed his community activity report with the Board and gave a summary of those activities. He then went to the key account chart for November of 2021. Most notably he pointed out that Diageo had come online and for purposes of the graph, he displayed that for that month all the Key Accounts energy consumption was just over \$934,000.00.

He then reviewed the business spotlight section of the Kentucky Living magazine and said to expect a spotlight to be written about the Wilderness Trail Distillery in Boyle County, Kentucky. At that time, he had not been told of a timeframe of when to expect the article to be published. He then presented a copy of a business spotlight article on the Pitman Creek warehouse. It was a nice article and there were kind words about the Cooperative by the president and owner of Pitman Creek, Mr. James Coffey.

Mr. Hitchcock went on to discuss a study regarding the bourbon industry and its impact on Kentucky. That discussion included a multitude of different statistics, notably of which Kentucky has over 22,500 jobs related to this industry. This is up 83% in the last 20 years. The payroll related to this industry in the past 20 years has been \$1.23 billion – an increase of 250% during that timeframe. He noted corn production had tripled and at the time of the article there was an all-time record of 10.3 million aging barrels of bourbon in Kentucky. This is the first time there has ever been over 10 million barrels of bourbon in this state. He also cited that Kentucky distillers

had filled a record 2.4 million barrels in 2020. In terms of capital expenditure, he noted the \$5.2 billion in additional capital projects are scheduled to be started and/or completed by 2025. Those investments are likely to create almost 4,600 jobs and over \$258 million in payroll, as well as \$29 million in tax revenues during that period. He highlighted these statistics noting that distilling production and consumption generates over \$287 million in local and state tax revenue annually and that is approximately \$179 million more than 12 years ago.

He then reviewed the member services budget and confirmed it was approximately \$131,000.00 under budget for the year.

Mr. Hitchcock presented a pie chart of the 2021 top five key accounts, which included Diageo. Of the top five key accounts, those included Makers Mark (26%), Diageo (24%), EPC – Columbia (19%), Walmart (16%) and Toyota Boshoku (15%). He noted the pie chart as it relates to Diageo will only increase as the amount of power consumed by that member is based on only a partial usage of the facility's capabilities.

He and the Board then discussed the annual meeting and the Board arrived at some tentative dates with the possibility of having the annual meeting on July 20, 2022. Mr. Carter then presented all the scheduled dates under the bylaws for deadlines and other parts of the election process. As a part of that review, a motion from Mr. Preston and a second by Mr. Todd was made to move the monthly July Board Meeting from July 22 to July 29, 2022 (Friday). The motion passed unanimously.

Mr. Hitchcock then discussed the Washington Youth Tour and advised it is still uncertain how many candidates from Kentucky will be permitted among all the distribution cooperatives. He advised of some estimates from other cooperatives of how many students they will send, but ultimately, he did not encourage the Board to set any certain number until he was given more information about the number of attendees that could come from Kentucky and divided between the cooperative territories. He did advise it is likely there will be two separate weeks for the Washington tour to keep the number of participants lower for each week of the session.

E. Executive - Mr. Carter presented the Executive Department report and summary budget. He and Ms. Kurtz confirmed this is expected to be the last time these budgets will be broken out separately. Mr. Carter was happy to advise his overall year-to-date budget for his expenses came approximately \$137,000.00 under budget. He did note the summary budget reflected there was a grand total of approximately \$641,000.00 in net margins. He and Ms. Kurtz reminded the Board that all of this could be subject to reallocation based on the auditor's recommendations on the fuel charge and the environmental surcharge analysis. He also confirmed the capital credits from Eastern Kentucky Power Cooperative may not be available until

next month and at that time a decision will be made about how to book those capital credits. He then presented a list of anniversaries which included Danny Collier having served for 35 years, Board counsel J. Hadden Dean having served for 12 years, and the newest employee anniversaries were for individuals who have been with the Cooperative for three years.

1. Safety/Loss Prevention Summary

Mr. Bo McGuffey gave an overall summary of the activities through December 2021. He was glad to announce that there were only two injuries of any significance during 2021, and both of these were as a result of slip and falls. One involved an elbow injury and the other a leg injury while crossing a tree in the service territory. He then went over his crew visits and gave a general explanation for what he did while he was on those visits and that the discussion of each of the items with the staff at those sites were very productive and he believes this process is valuable to the linemen and our membership. He then went on to discuss his observations while appearing on job sites. He gave a listing of some items he mentioned for correction during those visits.

2. Cyber-Security

Mr. Bach was present and advised the Board that there seems to be a significant increase in cyber-security breaches. He expects some of those may be a result of the unrest regarding Russia and Ukraine. He gave examples of several phishing scams that involve some cellular devices. Some of those involved securing personal information as well as banking information by the cyber-criminal who then deletes all the data on the phone and depletes any money in the bank account of the end user.

3. Employee Survey Results – Mr. Carter reviewed the responses provided to confidential employee questionnaires with the Board and went over each of those line items. He advised this is only one tool of many that he utilizes in managing the Cooperative staff. This, along with the strategic planning, will be key in assisting the long-range planning for how he and the other Executive Staff manage employees, to improve the Cooperative work environment.

VIII. LEGAL /REGULATORY/POLICY

The Board reviewed Policies 309, 310, and 214 and noted that there were no changes. Mr. Kerrick made a motion to approve and acknowledge that those policies had been reviewed without change. Mr. Todd made a second to the motion and the motion passed unanimously. With regard to Policy 219, Mr. Carter recommended some semantical changes and updates. The Board reviewed those changes and updates, and Mr. Kerrick made a motion to approve Policy 219 with the changes as presented. Mr. Goggin made a second to the motion after discussion and the motion passed unanimously.

IX. BOARD/CEO SESSION

A. Annual Calendar – Mr. Carter reviewed the annual calendar with the Board and again, in light of the pandemic and the new variant of the virus, he did not recommend bringing anyone into the Cooperative for any of the action items on the annual calendar at this time.

B. Dashboard – Mr. Carter discussed the dashboard and advised there are certain expenses and recoupment which are simply beyond his control and the control of the Cooperative with the FEMA related expenses from the ice storm and now the tornado. The budget and actual expenses are understandably not reflective of a normal budget. He advised over time he expected reimbursement of some, if not all, from FEMA which would help normalize those expenses. He did say he was pleased overall with the amount of time in which the Cooperative members were restored power and only lost power for a limited amount of time. This goes on to support and confirm the excellent work being done by the Cooperative with regard to keeping lines clear, spraying, and hot spot cutting. He went on to advise TIER was ok but noted he did have concerns over the OTIER. He again advised of the ramification of the auditor placing the fuel adjustment charges in 2021 or 2022 will have a significant impact on that data.

C. Board Policies 402, 403, 409, and 410 – Mr. Peyton made a motion to approve and confirm that all of those policies were reviewed with no changes. Mr. Kerrick made a second to the motion and after discussion the motion passed unanimously.

X. COMMITTEE REPORTS

A. Governance Committee Charter – Mr. Kerrick requested this item be placed on another month's agenda due to the absence of two of the board members. Chairman Spalding and Mr. Carter agreed, and this will be placed on the calendar for review at a later date.

XI. EKPC

Chairman Spalding advised there is no meeting scheduled in January 2022. Mr. Carter did give an update and advised and thanked the Board for attending the CFC financial training that occurred on Monday and Tuesday the week of the Board meeting. He did ask and that request the Board to fill out their surveys so they could be sent to CFC.

Mr. Carter then discussed the territorial dispute between Nolin and KU. He advised that has now been resolved and accepted by the Public Service Commission.

XII. KEC/UUS

Mr. Todd reported on the recent meeting and gave the highlights of one of the presentations made by Energy and Environmental Cabinet Secretary Rebecca Goodman. She outlined the governor's recommendation for the substantial investment towards infrastructure as well as several other areas.

XIII. NRECA

Chairman Spalding advised due to time and the absence of two of the Board members that the Board governance video would be played at a later meeting. He then went on to discuss the upcoming "PowerXchange" scheduled for March 6-9, 2022, in Nashville, Tennessee. Mr. Carter confirmed those attending by virtual means were Chairman Spalding, Mr. Todd, Mr. Kerrick, Mr. Preston, Mr. Goggin, Mr. Peyton, and Mr. Carter himself.

Chairman Spalding then solicited the Board to appoint a voting delegate and an alternate delegate. Mr. Kerrick moved that Mr. Spalding serve as the voting delegate and Mr. Preston as the alternate delegate. Mr. Carter did confirm that these delegates will serve not only at the annual convention but also at the regional meeting later in the year. Mr. Todd seconded the motion. After discussion, the motion passed unanimously.

XIV. FEDERATED RURAL ELECTRIC INSURANCE - no report given.

XV. RUS-CFC-COBANK NEWS/UPDATES

Mr. Carter again appreciated the Board attending the CFC financial workshop and again reminded the Board to submit their surveys back to CFC. He also requested each of the Board members make sure they have their access credentials to get onto Cooperative.com. The upcoming meetings all will be detailed in the director's section under Cooperative.com and any materials or classes can be viewed in advance and during the meeting by using their credentials to log onto the website.

XVI. CAPITAL CREDIT DISBURSEMENTS

For December 2021 there was \$16,474.00 in capital credit disbursements. Mr. Goggin made a motion to approve the capital credit disbursements which was seconded by Mr. Peyton. The motion passed unanimously.

XVII. WORK ORDERS FOR DECEMBER 2021

- A. Work Order #2033 – Retirement without Replacement.
- B. Work Order #2034 - \$483,580.82
- C. Work Order #2035 - \$0.00

Mr. Peyton made a motion to approve the work orders, which was seconded by Mr. Kerrick. The motion passed unanimously.

XVIII. APPROVE NEW MEMBERS FOR DECEMBER 2021

- A. 149 New Members
- B. \$7,450.00 Membership Fees

Mr. Goggin made a motion to approve, which was seconded by Mr. Peyton. The motion passed unanimously.

XIX. MISCELLANEOUS

- A. Expense Sheets
- B. Next Board Meeting – Friday, February 25, 2022, at 8:30 a.m.
 - 1. Any Items to Be Placed on Next Month's Agenda

XX. OTHER BUSINESS – no report given.

XXI. ADJOURN

A motion to adjourn was made by Mr. Kerrick and seconded by Mr. Peyton. The motion passed unanimously, and the Board adjourned at 12:59 p.m.