

**. INTER-COUNTY ENERGY COOPERATIVE CORPORATION**

**Meeting Minutes Summary**

**November 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

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

**I. PRAYER**

Mr. Kerrick opened the meeting with prayer.

**II. SAFETY MOMENT**

Mr. Kerrick presented the safety moment and reminded everyone they should check their personal residence for issues which need to be addressed when entertaining small children and adolescents over the holidays. Hazards such as chemicals, prescriptions, sharp table edges and other areas should be checked, along with outlet covers, extension cords and cooking equipment which should be properly secured so no one is injured.

**III. ADOPTION OF AGENDA**

Chairman Spalding presented the agenda which was reviewed. 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 October 22, 2021, Board Meeting. Following a review of the minutes, Mr. Goggin made a motion to approve the minutes. Mr. Kerrick made a second to the motion and the motion passed unanimously.

**V. OCTOBER SUMMARY MINUTES**

October summary minutes were reviewed. Mr. Todd made a motion to approve the summary minutes of the October 22, 2021, board meeting minutes. 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, November 23, 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 noted there were positive margins of approximately \$1,199.00 for this period even though negative margins of \$202,000.00 had been budgeted. She also noted operating revenue was more than \$77,000.00 over budget and that cost of electric service was approximately \$122,000.00 under budget for the year, with net margins overall being a negative \$240,605.00 and over budget \$423,059.00 for the year. She also gave an estimate of OTIER and TIER being .68 and .83, respectively. She also gave an estimate of what OTIER, and TIER would be with FEMA reimbursements for the ice storm. Those were 1.39 and 1.54, respectively. She reviewed the distribution plant and noted the total services in place increased by 1.37% while the miles increased .48%. She reviewed the current FFB rates and noted from October to November of 2021, short term rates remained stable with only marginal increases in the one year – 10-year term. The 30-year term only increased .03%.

She advised they were planning to do a draw down from the work plan loan of \$5 million and would do so under the variable rate option for the first quarter and review each quarter thereafter. She also gave an update on the PPP loan and the Farmers National Bank of Danville, Kentucky had advised they did not have a timeframe for which the first payments were to begin. Originally this was expected to start on November 1, but it has been delayed and she expected the first payment may be due on December 1 but is waiting to hear from Farmers National Bank to advise on specifics. She did confirm the loan term will be two years from the first payment due at 1%. Additionally, she confirmed FEMA appeared to have added an additional cost of the project and it is now in a final review stage. After their review is complete, it will go to the Cooperative's project manager for her to review and obligate the project under FEMA regulations. At that stage, the actual reimbursement amount will be reflected in the financial statement.

She then reviewed the financial and statistical report (Form 7), the interest income report and the confidential working capital status report and forecast for the 2021 budget. She also reviewed the budget for the Finance and Accounting Department for October of 2021 and advised her department was just over budget by \$1,000.00 for the month. Her department is

\$45,000.00 over budget year-to-date. This includes additional wages for office staff and retirees for the calendar year 2021.

B. Office Services – Ms. Stocker advised the Board there were 28 accounts to be sent to collections totaling just over \$9,135.40. Each of these accounts were for bills older than July 15, 2021. She requested those be deemed as bad debt and sent to collection. Mr. Preston 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. Todd made a second to the motion and the motion passed unanimously.

Ms. Stocker went on to identify the number of accounts for year-to-date are 452 through November 5, 2021, and the gross amount owed is \$252,594.06. She also confirmed there are 8 accounts which resulted in collections of just over \$2,400.00 with a commission of approximately \$850.00 for payment on the same. Year-to-date there was just under \$46,000.00 collected with a little over \$16,000.00 in commissions paid.

She completed her first quarter PSC meter report for 2021. She also discussed multiple personnel meetings and activities for the month. She presented her budget which reflected she was approximately \$14,000.00 under budget for the month on payroll and other expenses and year-to-date she was just under \$146,000.00 under budget.

She also advised that Community Action has paid over \$67,000.00 for the year for members who were struggling to pay the utility bills.

C. Operations – Mr. Phelps presented his report and started by identifying there were 115 new work orders in October, along with new construction just over \$567,000.00. New purchases were just under \$124,000.00. He outlined the different engineering that was going on throughout the Cooperative territory, including staking at Crab Orchard Road in Garrard County, Wolfe Trail in Garrard County, and a new sewer pump station in Moreland. There were over 300 new fiber attachment requests from Charter/Spectrum in Marion County. He also advised there were 106 engineering service orders of which 45 accounted for new service inquiries for the month of September. He then identified the work of the construction crews and company crews throughout the service territory. Next, he presented a chart that reflects the amount of right-of-way cleared for 2021. He was happy to advise that the amount expected to be performed by this time of the year was consistent with the actual miles cleared. As of the time of the report, there were 411 miles of right-of-way cleared with an estimated cost of approximately \$1,584,000.00. The total right-of-way cost for clearing for the year was just under \$2,030,000.00 which includes spraying and hot spot cutting.

Mr. Phelps then gave updates on retirements and hires for his department and then outlined miscellaneous items as identified in his board packet information. He closed by identifying that his operations department had budgeted to spend almost \$583,000.00 for the month but had only spent approximately \$448,000.00. He also noted for the year he is approximately \$6,000.00 under budget. He also went over the construction department budget and noted it was substantially under budget for the month and for the year.

He then presented a spreadsheet identifying the expenses for transportation which were likewise under budget for the month but over budget for year-to-date.

D. Member Services – Mr. Hitchcock went over the items identified in his board materials including the member service and community activity reports for October 2021. He also gave a highlight of the member services department activity throughout the Cooperative territory. He then explained to the Board how the website was built and stated the Cooperative is using “Webbuilder.” He then discussed the key account chart for September 2021 and noted for September of 2021, the key account revenue totaled just over \$501,000.00 and in 2020 it was just over \$426,000.00.

He then presented a spreadsheet on Solar Farm No. 1 and discussed the credits and how they work. He also confirmed that one of the members had purchased 330 panels at a cost of just under \$152,000.00. Each panel cost is approximately \$460.00.

Mr. Hitchcock then gave an update on a new program where Walmart is using driverless trucks. In one instance, he described such a truck completing a seven-mile delivery loop.

He went on to give a breakdown of the top 10 key accounts for the month of November. That included Maker Mark at 21% and the Marion and Garrard County Boards of Education, each having 3% respectively.

He concluded his report with a review of his members service budget and announced his actual operating expenses were approximately \$8,000.00 under budget for the month and just over \$103,000.00 under budget for the year. He also attached to his report a copy of a letter from a scholarship recipient. This particular student is attending Centre College and wanted to extend her sincere appreciation and wrote a two-page letter to the Cooperative acknowledging her gratitude. A copy of the letter was included in the board packet.

E. Executive - Mr. Carter gave additional commentary to the summary of the Financial Report as previously presented by Ms. Kurtz. He then went on to acknowledge service anniversaries including board member Bill Peyton, having accumulated 26 years of

service, Chris Bach and Mark Taylor had 24 and 22 respective years of service. He also acknowledged and thanked Alan Goggin for his service on the board for the last 7 years.

#### 1. Safety/Loss Prevention Summary

Mr. Bo McGuffey then made a report of his activity for the month of October 2021. That included conducting crew visits on five separate occasions. He acknowledged for October 2021, the recordable incident DART rate and severity rate were all zero. He noted for the year the recordable rate was 8.38, DART was 4.19 and severity rate was 90.13. He also confirmed that on November 17, 2021, the Cooperative and its employees completed the Bucket Rescue Training with all of its line personnel. The purpose was to demonstrate how any employee can effectively lower a bucket to the ground using lower controls on the bucket truck. He acknowledged this was the annual training and he further acknowledged each year any Cooperative employee working on the line also has pole top rescue training on an annual basis. He confirmed he would be holding the Safety Meeting with the employees on November 30 in the community room.

He then presented an image of an incident that occurred on October 28. A fertilizer truck was spreading lime and backed into a utility pole owned by the Cooperative. The pole was snapped off at the base and the image reflected the pole was actually up in the hopper of the fertilizer truck. No injuries were sustained. Mr. McGuffey commended the individual for immediately making contact and from refraining from getting out of the truck as he was not certain as to whether or not the line was energized.

He also gave a series of images regarding excavation that resulted in displacing underground utilities. He noted that there was no location request made prior to the excavation. Luckily, no one was injured but considerable damage was done to the infrastructure buried underground and up to and including the junction box where the underground line terminated to the structure.

#### 2. Cyber-Security

Mr. Carter gave an update on Mr. Bach's activity, as he was on vacation. He reported that ransomware seems to be proliferating and was advised by Mr. Bach that this will only continue to increase in the future. He advised Mr. Bach has in place the most current software and is implementing other changes to the manner in which emails are stored to better improve the Cooperative's ability to defend a cyberattack.

Mr. Carter then presented a three-page printout for the feasibility study for the introduction to broadband throughout the service territory to the Cooperative's membership and possibly others. He reviewed the technical data with the Board and staff and further advised

this is only an estimate but in light of the initial calculations, it is apparent that the amount of money allocated or discussed by the Kentucky legislature and/or even the proposals at the federal level are going to be woefully insufficient to build out to the last customer “within the subject territory of the Cooperative”. He, the Board, and the staff spent over an hour discussing not only this feasibility study but all aspects of the broadband issue. There are still several prospects to consider. Mr. Carter ultimately concluded at this time he is not in a position to recommend any action on the Board other than continuing to allow he and the staff to perform its due diligence in discussing these other possibilities with experts in the industry.

#### **VIII. PRELIMINARY 2022 BUDGET PRESENTATIONS**

Ms. Kurtz and Mr. Carter presented the 2022 preliminary budget. The format of the budget is substantially different from years' past. Ms. Kurtz along with Mr. Carter and the other department heads, have revamped the manner in which the budget is going to be presented. This is for the purpose of having a single budget that will address all of the operations of the Cooperative. Ms. Kurtz provided an index with 20 items. For each item, a separate page or pages were represented that will outline the manner in which those revenues and/or expenses have been calculated. Input from all of the department heads and staff members were considered in the preparation of this budget. Further the timing of the expenses is also considered in the manner in which the budget was created, so as to reduce and/or nearly tailor the timeframe in which the cash will be needed for the items listed in the budget. After a lengthy discussion and explanations by Mr. Carter, Ms. Kurtz and questions from the Board and staff, Chairman Spalding and Mr. Carter advised all present to review the preliminary budget and to come prepared at the December Board Meeting to make any recommended changes to the budget. There is an expectation that the budget will be finalized and voted on at that time.

#### **IX. LEGAL/REGULATORY/POLICY**

No report given.

#### **X. BOARD/CEO SESSION**

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

Mr. Carter reviewed the Annual Calendar with the Board and confirmed the CFC Workshop was scheduled to be conducted on January 24 – 25, 2022. He discussed additional items on the calendar and continued to advise as the COVID-19 pandemic becomes more stable, he expected to have in-person visits as outlined in the Annual Calendar. Until then, he did not believe many of the federal agencies would be willing to allow its employees or others working for them to have in-person meetings with the Cooperative.

B. Dashboard

Mr. Carter reviewed the Dashboard and the graphs associated therewith. These included TIER, OTIER and equity. He advised in light of the pending draw down of the \$5 million from the work plan, that the equity is likely to be negatively impacted. However, he advised he and the staff have utilized all of the capital resources to the best of their ability, and they are finally at a point and time where they believe it is necessary to draw down on the work plan to subsidize and/or replenish the case that has been used to pay for the ongoing work orders through the operations department.

**XI. COMMITTEE REPORTS**

A. Discussion on Audit Committee Charter

Mr. Peyton discussed the audit committee's charter that has been circulated. He and other members of the Board ask that that be placed back on the agenda for future meetings so that additional review and modifications can be made.

B. Discussion on Governance Committee Charter

Mr. Kerrick also advised that he and the members on this committee are expecting to make additional updates and changes to the draft language of the governance charter. He advised he hopes to be able to present a final version of the recommended changes from he and his committee at the January 2022 meeting. As a preliminary report, he advised he and his committee members did not believe there is going to be any increase in the meeting per diems and/or retention payments to the Board at this time. However, he did recommend the officers of the Board of Director's for the Cooperative should receive additional compensation for the work done each month. He recommended \$200.00 for the Chairman, Vice-Chairman and Treasurer. These funds will be paid in lieu of any per diem that would have otherwise been incurred as each of these members, come to and from the Cooperative to execute their duties throughout the month. However, he did advise there may be times when additional payments could be required to be paid to either a board member and/or one of the officers of the Board. If any such additional compensation is indicated, any such Board Member and/or officer of the Board, will need to bring that issue to the Board for consideration and approval. With those comments in mind, Mr. Kerrick made a motion to approve the increase for the officers of the Board of Directors of the Cooperative for an additional \$200.00 per month for the activities and demand of time on these individuals. Mr. Preston made a second to the motion and the motion passed unanimously. Mr. Kerrick asked that those changes be effective January 1, 2022.

## **XII. EKPC**

Chairman Spalding gave an update on the financial report from EKPC. He advised for the month of October EKPC had \$31,500,000.00 in margins and that was approximately \$28,500,000.00 above budget. He also gave an outline of the safety issues which were continually discussed at the board level and staff. He also reminded the Board that the NRECA Power Xchange is set for early in 2022 and will be relatively close to the Cooperative. Chairman Spalding suggested each director review their calendar and discuss at the next meeting whether they would be able to personally attend the meeting or alternatively to do so on a virtual basis at the Cooperative headquarters in Danville.

Mr. Carter and Chairman Spalding then gave an update on a territorial battle that was occurring with a sister cooperative in Elizabethtown, Kentucky. The battle is being fought between that cooperative and KU/LGE in an industrial area. It appears the industrial area is divided by the territorial boundary which would leave this territory dispute with Nolin Cooperative having 81% of the physical territory, while KU/LGE having only 19% of the territory. The dispute is rumored being close to a settlement and any such terms, while not being finalized, are still confidential.

## **XIII. KEC/UUS**

A. Mr. Todd gave an update on the key points from the KEC fall meeting. He and Mr. Carter advised the primary discussion included the broadband issue that is being seriously considered throughout the entire Cooperative territory in Kentucky.

## **XIV. NRECA**

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

Chairman Spalding requested the video be delayed for the month of November due to the lengthy discussions that came prior to this section of today's meeting.

### **B. Winter School for Directors – December 10-14, 2021 (Nashville, TN)**

Chairman Spalding reiterated the Winter School for Directors is scheduled to be held in Nashville, Tennessee on December 10 – 14, 2021. Mr. Todd advised he will be attending on Saturday, December 11, and Sunday December 12.

### **C. NRECA PowerXchange – March 6-9, 2022 (Nashville, TN)**

Opportunities will be available for preconference education on March 4 – 6, 2022. Early Bird Registration cutoff and hotel reservation cutoff were set for January 26, 2022.

## **XV. FEDERATED RURAL ELECTRIC INSURANCE**

No report given.



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

A. Mr. Carter advised that the CFC Workshop would be conducted January 24 – 25, 2022. He highly recommended the Board do the best they can to attend, all or some of that session. He also circulated a CFC Solutions publication and advised the Board to read the same.

## **XVII. CAPITAL CREDIT DISBURSEMENTS**

Mr. Preston advised there were estate retirements for October of 2021 totaling \$21,509.86. Mr. Todd made a motion to approve the disbursements as stated by Mr. Preston. Mr. Kerrick made a second to the motion and the motion passed unanimously. Mr. Preston also noted the total patronage capital retirements as of October 2021 were \$14,107,775.00.

## **XVIII. WORK ORDERS**

Mr. Preston presented Work Order #2029 in the amount of \$416,143.23 and Work Order #2030 in the amount of \$3,484.40 for October 2021 for approval. Mr. Peyton made a motion to approve the work orders as stated. Mr. Goggin made a second to the motion and the motion passed unanimously.

## **XIX. NEW MEMBERS**

Mr. Preston advised for October of 2021 the Cooperative added 177 new members who paid fees totaling \$8,850.00. Mr. Goggin 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.

## **XX. 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 Friday, December 17, 2021, 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.

## **XXI. OTHER BUSINESS**

Chairman Spalding called for any other business to be brought before the Board. None was provided.

## **XXII. EXECUTIVE SESSION**

Chairman Spalding solicited a motion to enter into Executive Session for the purpose of performance review of the CEO, Jerry Carter and for the performance review of Board Attorney, J. Hadden Dean. Mr. Kerrick made a motion to approve going into Executive Session. Bill Peyton made a second motion and the motion passed unanimously. After each of the reviews were conducted and the matters discussed pertaining to each of the respective individuals, Mr.

Kerrick made a motion to come out of Executive Session and the second was made by Mr. Todd. The motion passed unanimously. It was noted that action taken was reported in the personnel report of Mr. Carter and a summary provided to the Board Attorney. Salary adjustments for the CEO and Board Attorney shall be effective as of the 1<sup>st</sup> day of January, 2022.

**XXIII. ADJOURN**

Hearing no further business, Chairman Spalding called for a motion to adjourn the meeting. Mr. Kerrick made the motion to adjourn at approximately 1:32 p.m. Mr. Goggin made a second to the motion, and the motion passed unanimously.