

INTER-COUNTY ENERGY COOPERATIVE CORPORATION

Meeting Minutes Summary

September 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. Goggin opened the meeting with prayer.

II. SAFETY MOMENT

Mr. Goggin presented the safety moment as it pertains to the fall harvest season and the precautions that should be taken when approaching large agricultural equipment on the roadways.

III. ADOPTION OF AGENDA

Chairman Spalding presented the agenda which was reviewed. Mr. Kerrick 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 August 23, 2021, Board Meeting. Following a review of the minutes, Mr. Preston made a motion to approve the minutes with minor semantical changes. Mr. Peyton made a second to the motion with the suggested changes and the motion passed unanimously.

V. AUGUST SUMMARY MINUTES

August summary minutes were reviewed. A motion was made by Mr. Todd to approve the summary minutes of the August 23, 2021, board meeting, with the same minor changes. Mr. Preston made a second to the motion and the motion passed unanimously.

VII. REVIEW OF AUGUST 27th ANNUAL MEETING MINUTES

Mr. Carter presented the draft minutes from the August 27th Annual Meeting. Those were reviewed and the same will be subject to the submittal of the full membership at the 2022 Annual Meeting. There were no suggested changes requested by the Board at this time.

VIII. ELECTION OF BOARD OFFICERS

Mr. Dean was asked to conduct the election of the board officers. He solicited nominations and one was received by Mr. Kerrick. He made a motion that the current slate of officers be adopted including Mr. Spalding to serve as Chairman, Mr. Todd to serve as Vice-Chairman and Mr. Preston to serve as Secretary Treasurer. A second to the motion was made by Mr. Peyton. After discussion, the motion passed unanimously.

IX. 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 September 17, 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 advised there were two sets of calculations for the finance department, including the months of July and August of 2021. She advised this was the one time in which both months would be discussed in order for the staff to be able to adjust to giving the most current financials in future board meetings. For October 2021 and thereafter, financial reports should be reflective of the month prior to each board meeting. Mr. Carter and Mr. Spalding thanked Ms. Stocker, Ms. Kurtz, and other members of the Cooperative for producing this solution to help provide the Board with more current financial information.

Ms. Kurtz advised the operating revenues YTD thru July were \$2.4 million higher than this time last year and under budget by \$1.6 million. The operating expenses were \$1.6 million higher than last year and over budget by nearly \$813,000.00. She advised these numbers were due to the successive storms which are still subject to being reimbursed in whole, or part, by FEMA. The YTD net margins budgeted was \$382,000.00 but the actual margins are negative \$171,000.00. She advised that year-to-date OTIER was .69 and TIER was .83. She also estimated that with FEMA money TIER would be at 1.84 and with PPP and FEMA funds, the TIER would be approximately 3.15.

Ms. Kurtz noted in July of 2021, there were 27,736 services in place which grew from 27,371 in place in 2020. She included that the miles of line for July 2021 totaled just over 3,954 miles compared to 3,936 miles in 2020.

She also gave a review of the financial and statistical reports. Ms. Kurtz also confirmed that the finance and accounting department budget for July of 2021 had a year-to-date total of \$388,880.00 which was greater than the budgeted amount of \$340,742.00.

Ms. Kurtz advised the operating revenues YTD thru August were \$2.7 million higher than this time last year and under budget by \$1.8 million. The operating expenses were \$1.6 million higher than last year and over budget by nearly \$800,000.00. The YTD net margins budgeted was \$458,000.00 but the actual margins are negative \$155,000.00. She advised that year-to-date OTIER was .80 and TIER was .86. She also estimated that with FEMA money TIER would be at 1.74 and with PPP and FEMA funds, the TIER would be approximately 2.94.

Ms. Kurtz noted in August of 2021, there were 27,776 services in place which grew from 27,398 in place in 2020. She included that the miles of line for August 2021 totaled just over 3,956 miles compared to 3,937 miles in 2020.

She also gave a review of the financial and statistical reports. Ms. Kurtz also confirmed that the finance and accounting department budget for August of 2021 had a year-to-date total of \$441,880.00 which was greater than the budgeted amount of \$389,420.00.

Ms. Kurtz also gave an update on the PPP Loan. She advised that only a portion of that was going to be forgiven. She estimates that of the approximate \$1,880,000.00 that was loaned that about \$1.3 would be forgiven. She attributed the other \$580,000.00 to be repaid will be subject to a 1% interest rate. She is trying to get the SBA to confirm what the terms will be and will report back to the Board when that information becomes available. She advised the Cooperative could easily pay that amount or may choose to extend that amount due to the low interest rates, but that decision will depend on the maturity date for the loan.

B. Office Services – Ms. Stocker advised the Board there were 40 accounts to be sent to collections totaling just over \$19,073.11. 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. Preston made a second to the motion and the motion passed unanimously. Ms. Stocker went on to advise there were approximately 67 Prepay accounts currently on debt management that have greater than \$500.00 as their outstanding balance. She also outlined the prepay process and for those accounts with balances, she stated that 30% of the payment went to pay past debt and 70% went to the current account.

Ms. Stocker provided the Board with her budget, along with the Lebanon Office budget. Both were under budget with the overall year-to-date being \$835,857.00 of a budgeted amount of \$965,231.00.

C. Operations – Mr. Phelps gave an update to the Board regarding the 113 new work orders in August with new construction totaling \$431,120.00. New purchases were at \$179,186.00. He also outlined new engineering staking jobs that are under way at Makers Mark, Raley Road, Ethan Jones grain bins and a new sewer pumping station in Moreland. He confirmed there were 165 service orders of which 57 were for new service inquiries in the month of August.

He gave an update on contract crews and the company crews. He identified where each of those were working and the scope of work.

Mr. Phelps then gave an update on the right-of-way clearing by Kendall and other independent contractors. That includes cycle clearing, as well as spraying. He anticipated that of the 306 miles subject to cycle clearing, that cost totaled \$1,201,671.00 year-to-date. He indicated the total right-of-way clearing costs year-to-date was just over \$1,531,200.00. This included spraying and hot spot cutting. He presented a graph showing the miles for right-of-way cleared in 2021 with the blue line representing miles cleared which was just below the red line showing projected miles to be cleared.

He also gave an update of on-going projects as well as the search for a new engineer and lineman, the work plan and budget, and the AMI replacement projects. He confirmed there is still ongoing work with the field inventory and the new Broughtontown substation. He presented his operations budget for July and August which both represented year-to-date amounts in excess of the budgeted amount. He and Ms. Kurtz confirmed the budgeted amounts did not anticipate the successive ice storms in March of this year and are subject to FEMA reimbursement.

D. Member Services – Mr. Hitchcock gave an update and reported on the activities for the month of August 2021. He presented graphics regarding sponsorships and donations for 2021. He also confirmed that Boyle County's EDP money commitment is classified as a donation which totaled \$10,000.00. He noted the other counties had very minimal activity as represented in each of the respective bar graphs as presented to the Board.

He then presented the key account chart for July of 2021 which represented there was more electricity sold in 2021 than in the corresponding timeframe through the end of July 2020. The total in 2021 exceeded 2020 by approximately \$21,000.00. He then gave an update on the Kendall and Friends Foundation activities which took place in support of the work done in Anderson Dean Park in Harrodsburg and other activities for special needs children. He presented pictures of the Mercer County Teacher Appreciation Day and of the activities, materials and

supplies the Cooperative provided. He then displayed budgets for the Member Service Department for July and August of 2021. He confirmed each of those budgets year-to-date amount were lower than the amounts budgeted with his department being approximately \$83,000.00 under budget for July and \$84,000.00 under budget for year-to-date for August.

The 2021 Key Account breakdown for the top ten accounts was reviewed. He displayed the year-to-date totals in 2021 were \$3,464,768.00.

He and Mr. Carter gave an update on the Diageo Project. He advised that Diageo had some technology issues that have delayed some of the startup. That included the changing of software vendors, along with the expectation that they will go on to full production, as of January 1, 2022, if not earlier.

Mr. Carter also updated the Board regarding the deposit that would be paid by Diageo. He gave the options that were presented and ultimately, they plan to secure a secondary credit insurer to cover any losses for the Cooperative should there be a default by Diageo on its payment of the power bill.

Mr. Hitchcock then gave a recap of the Annual Meeting. He advised in 2019 there were 400 members registered, 696 registered for 2020 and 671 registered for 2021. He and the other members of the Board along with the staff discussed the format and process of the Annual Meeting. At this time, the Board decided they will go on a year-by-year basis until there is some return to normalcy in light of the COVID19 pandemic regarding choice and location of any future annual meeting and the scope of how it would be implemented.

E. Executive

1. Safety/Loss Prevention Summary

Mr. McGuffey advised of the recent RESAP visit and stated it went very well. Mr. Carter also advised the Board and other staff present, that he is the only person at the Cooperative that works with KEC to schedule the RESAP inspection and he does not advise his staff of the visit until the day before. He believes that safety is a priority and its one that should not have to be prepared for. He also confirmed that while Federated Rural Insurance was on site, additional inspections were given which included 10-12 questions each year. He confirmed some of the questions and issues identified in prior years were reviewed to see if the changes had continued to be made and/or if there were any other deficits. None were found. Mr. McGuffey and Mr. Carter then reviewed the safety features of the dashboard for July and August, as well as year-to-date. Each explained the respective calculations and that overall safety will continue to be a focus both for Mr. Carter, Mr. McGuffey, the staff, and Board.

2. Cyber-Security

Chris Bach and Mr. Dean gave an update on a security incident and reviewed the final report presented by Kroll and the Wilson Elser Law Firm. In the end, the Wilson Elser Law Firm confirmed there is no personal information that was relayed, and the membership was safe from any delivery of their protected information.

Mr. Bach then presented a request to the Board to approve the Microsoft 365 proposal. This proposal included migration of emails from the server to a cloud-based system. After discussion, Mr. Preston made a motion to approve the request by Mr. Bach. Mr. Goggin made a second to the motion. Discussion ensued and the Board inquired as to the cost of the upgrade. Mr. Bach advised it would be an additional cost of approximately \$22,000.00 annually. After other discussion, the motion was entertained by Chairman Spalding and the motion passed unanimously.

3. United Way Day Proposal

Mr. Carter requested the Board consider granting one extra vacation day in 2021 for employees who donated at least one hour of pay per month to United Way. Mr. Todd made a motion to approve that request. Mr. Peyton made a second to the motion and the motion passed unanimously.

4. 2020 Inter-County Energy Cooperative KRTA Presentation

Mr. Carter then presented the 2020 Inter-County Energy Cooperative KRTA documentation. The Board reviewed the same in detail and Mr. Carter presented multiple key slides showing different calculations and measures that reflect on the Cooperative's performance. Notably those included density, tier, interest rates (including blended rates) and controllable expenses.

X. LEGAL/REGULATORY/POLICY

A. Policy 218 – Travel Expenses (Action on Proposed Revisions)

Mr. Carter then presented a review of Policy 218 regarding travel expenses (action on proposed revisions). That proposed policy was presented to the Board in BoardPaq, as well as presented on an overhead screen. After reviewing the proposed policy, additional discussion ensued, and additional changes were suggested. Mr. Kerrick made a motion to approve the revisions with the information presented to Mr. Carter. Mr. Preston made a second to the motion and the motion passed unanimously.

XI. BOARD/CEO SESSION

A. Wage and Salary Presentation

Mr. Carter presented a wage and salary study which included a COL increase, along with other adjustments for individuals or positions. Mr. Carter gave a breakdown of more than one recommendation for the cost-of-living increase and thereafter Mr. Preston made a motion to approve the wage and salary increase at the 3.5% COLA rate, along with any other adjustments that were noted for specific positions. Mr. Kerrick made a second to the motion and the motion passed unanimously.

B. Annual Calendar Review

Mr. Carter then presented the Annual Calendar Review and gave an update on some of the previous scheduled meetings, as well as those that are scheduled in the future. Due to the pandemic, several of those had to be modified. The Board asked Mr. Carter to keep them updated on the Annual Calendar and to identify when some of the engagements could be rescheduled.

C. Dashboard

Mr. Carter gave an update on the dashboard and simply confirmed a lot of the information presented by Ms. Kurtz. He again, applauded his staff for the creativity in getting through a change of the billing cycle so the Board can have the most current financial information available to them at each of the Board meetings. He also reviewed the “multiplier” used for purposes of calculating retirement. He gave additional data to give support and background to what had been done in the past and discussed what potential changes may be recommended in the future. He did not ask the Board for any approval at that time but advised he would be coming to the Board later with a recommendation on revisions to the multiplier. He confirmed the Cooperative has one of the lowest multipliers among the coops contacted.

D. Director Election Discussion

Mr. Carter and Chairman Spalding discussed the process that was recently engaged and requested suggestions and recommendations on how to improve the process. Those included the current voting format, the absentee ballot voting format, the campaigning rules and/or regulations regarding the same, as well as the annual meeting itself. Suggestions were made, and Chairman Spalding and Mr. Carter are going to review those for potential implementation in upcoming bylaw changes and/or policy changes. No further action was taken at this time.

XII. COMMITTEE REPORTS

A. Compensation and Governance Committee

Chairman Spalding recommended there be a revision to the format of these committees. He suggested there be a charter for the audit committee and a separate charter for the governance committee and that those be reduced to writing. At this time, Chairman Spalding recommended the Governance Committee include Mr. Kerrick, Mr. Todd and himself and that the Audit Committee include Mr. Goggin, Mr. Peyton and Mr. Preston. Mr. Carter, Chairman Spalding and staff will work with creating a draft charter for each of those committees and present the same for further consideration at an upcoming meeting.

XIII. EKPC

Chairman Spalding gave an update and confirmed long time board member Mr. Martin, from Grayson, recently passed away as a result of COVID. He advised the new director from Grayson was introduced, which will be filling Mr. Martin's seat. He confirmed positive margins for the month and the discussions about seeking alternative power sources continues. One of the most recent updates in that regard include the possibility of small nuclear power formats. He also discussed the upcoming remediation of removal of the 67-acre ash pond at Spurlock. He anticipated the cost to do so would be between 40 and 50 million dollars and would take several months if not more than a year to complete.

XIV. KEC/UUS

Mr. Todd gave an update regarding the upcoming KEC Annual Meeting set for November 15 and 16 of 2021. Chairman Spalding then solicited a nomination for board members for KEC for 2022. Mr. Goggin made a motion to nominate Mr. Todd and Mr. Carter serve the Cooperative in those roles. Mr. Peyton made a second to the motion and the motion passed unanimously. Chairman Spalding called on a nomination of a voting delegate and an alternate voting delegate for the upcoming Annual Meeting. Mr. Kerrick made a motion that Chairman Spalding be the voting delegate and Mr. Preston be the alternate voting delegate. The motion was seconded by Mr. Goggin and unanimously passed. Mr. Preston advised he would likely be attending virtually but would like to do so from the Cooperative headquarters in Danville, Kentucky.

XV. NRECA

A. Board Governance Video

Chairman Spalding played a Board Governance Video from the NRECA that deals with director elections. Thereafter, he gave an update of the NRECA board monthly update for

August of 2021. He confirmed the Region 2 & 3 Meeting is to be held virtually on October 6-7, 2021. Mr. Preston is planning on attending the meeting virtually.

XVI. FEDERATED RURAL ELECTRIC INSURANCE

Mr. Carter referenced the Federated report of August 2021. He reviewed a policy summary sheet for the coverages in place for the Cooperative through the Federated Rural Electric Insurance exchange. He noted the overall increase was 6.42% with the total premium coming in at \$214,650.00. He did give some notice that the cybersecurity insurance increased by 25%. However, that total premium went up to \$18,200.00 and is not a significant percentage of the overall premium.

XVII. RUS-CFC-COBANK NEWS/UPDATES

Mr. Carter advised that the upcoming CFC District 3 mail-in ballot was available. He and the Board discussed the individuals on the ballot and Mr. Preston was nominated and approved for serving as the voting delegate. The mail-in ballot was then reviewed and the same was designated for the individual the Board selected to be in the election. Mr. Carter confirmed he would see that the ballot is timely mailed.

Mr. Carter then gave an update on the upcoming strategic plan scheduled for September 23 and 24 at the Cooperative headquarters in Danville.

XVIII. CAPITAL CREDIT DISBURSEMENTS

Mr. Preston advised there were estate retirements for July of 2021 totaling \$24,838.16 and for August of 2021 totaled \$17,975.19. Mr. Todd made a motion to approve the disbursements as stated by Mr. Preston. Mr. Peyton made a second to the motion and the motion passed unanimously. Mr. Preston also noted the total patronage capital retirements as of August 2021 were \$14,541,870.00.

XIX. WORK ORDERS

Mr. Preston presented Work Order #2023 in the amount of \$488,376.57 and Work Order #2024 in the amount of \$13,561.01 for July 2021 for approval. A motion was made by Mr. Goggin to approve the work orders as stated. Mr. Todd made a second to the motion and the motion passed unanimously.

Mr. Preston next presented Work Order #2025 in the amount of \$424,549.76 and Work Order #2026 in the amount of \$223.46 for August 2021 for approval. A motion was made by Mr. Goggin to approve the work orders as stated. Mr. Kerrick made a second to the motion and the motion passed unanimously.

XX. NEW MEMBERS

Mr. Preston advised for August of 2021 the Cooperative added 177 new members who paid fees totaling \$8,850.00. Mr. Preston made a motion to approve the new members and the fees collected. Mr. Todd made a second to that motion and the motion passed unanimously.

XXI. 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, October 22, 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.

XXII. OTHER BUSINESS

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

XXIII. ADJOURN

Hearing no further business, Chairman Spalding called for a motion to adjourn the meeting. Mr. Todd made the motion to adjourn at approximately 1:56 p.m. Mr. Goggin made a second to the motion, and the motion passed unanimously.