

## Meeting Minutes Summary

August 2023

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/phone conference, to-wit:

Joseph H. Spalding	J. Kevin Preston
Lou Kerrick	Allen Goggin
Jason E. Todd	

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

### I. PRAYER

Mr. Dean opened the meeting with prayer.

### II. SAFETY MOMENT

Several directors noted that return to school included several concerns about traffic and motorists not paying proper attention.

### III. ADOPTION OF AGENDA

Chairman Spalding presented the agenda for review. Mr. Goggin made a motion to approve the agenda with the only exception being that there is an executive session to be called before the Board CEO meeting. Mr. Todd seconded the motion and the motion passed unanimously.

### IV. REVIEW OF JULY 25, 2023 MINUTES

The Board reviewed the minutes of the July 25, 2023, Board Meeting. Mr. Goggin made a motion to approve the minutes. Mr. Kerrick made a second to the motion and the motion passed unanimously.

### V. REVIEW OF JULY 2023 SUMMARY MINUTES

The July 2023 summary minutes were reviewed. Mr. Preston made a motion to approve the summary minutes of the July 25, 2023, board meeting. Mr. Peyton made a second to the motion and the motion passed unanimously.

### VI. ANNUAL MEETING MINUTES (NO ACTION – REVIEW ONLY)

Chairman Spalding discussed the annual meeting and reviewed the draft minutes from the meeting. These minutes will be reviewed and presented for approval at the 2024 Annual Meeting

## VII. DEPARTMENT 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 August 18, 2023, 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.

A. Finance and Administration – Ms. Kurtz advised that the Farmers National Bank checking account for the Cooperative was subjected to an on-line cyber-attack. The cyber-attack was conducted by utilizing several mobile deposits of varying small amounts which accumulated between \$9,000.00 and \$10,000.00. Once the unauthorized transfers were discovered, those were reversed, and the Cooperative sustained no losses as a result thereof. A discussion was had with the staff at the bank who ultimately concluded closing the account was not necessary, as careful monitoring of these issues will be ongoing. It was also advised to Ms. Kurtz that these types of illegal transfers/attacks usually immediately stop upon the discovery and the would-be thief simply moves on to the next victim.

Ms. Kurtz noted that the monthly budget for margins for July was \$155,000.00. Margins actually totaled \$745,000.00. For the month of July 2023 OTIER was 5.76 and TIER was 5.79. Year-to-date net margins were \$1,000,000.00. Year-to-date OTIER was 2.27 and TIER was 2.34. A review of the kilowatt hours purchased revealed there was an increase of 18% from the prior month. Total services in place increased by 1.14% year-to-date and miles of line increased .56%.

The Board then reviewed the FFB quarterly rates as of August 16, 2023. These are a series of maturities ranging from three months up to 30 years. Ms. Kurtz advised there was a need to go ahead and draw down the balance of the work plan and she asked the Board to give her authority on which maturity date to lock in those loans. After discussion, Mr. Todd motioned that the funds to be drawn down be locked in at a 10-year maturity at 4.21%. Mr. Preston made a second to the motion. After additional discussion, the motion passed unanimously.

The finance report ended with a review of the July monthly budget. Ms. Kurtz noted that the total cost of service less purchase power was \$1,656,727.00. This sum was \$40,531.00 over budget. She reminded the Board of the cost sought to be reimbursed from FEMA has yet to be received and after that reimbursement issuance those funds will have a positive impact to the bottom line.

B. Office Services – Ms. Stocker advised that 30 accounts were overdue and older than April 1, 2023 and that total was \$8,465.06. Mr. Goggin made a motion to approve those accounts to be assigned to bad debt and sent to collections pursuant to the PSC regulations. Mr. Peyton made a second to the motion and the motion passed unanimously. There were 602 accounts on prepay account service. The staff continue to work with NISC to complete the software transition and closing out the old system. It is expected the new software system will be in place and working on August 28, 2023.

Ms. Stocker noted the filing of the annual report to the PSC for Nonpayment Terminations 807 KAR 5:006, Section 4 (5) for July 1, 2022, through July 30, 2023 had been completed along with the 2<sup>nd</sup> Quarter PSC Meter Test Report for 2023.

C. Operations – Mr. Phelps gave an update on the Makers Mark voltage conversion process. He advised that the process is going to be delayed due to hardware and mechanical issues. He expects the conversion will likely be completed sometime next year. He also confirmed that the Visitors Center overhead service was going to be placed underground and the solar panel project was likewise on going. Mr. Phelps and other staff met with Charter Cable staff to discuss the ongoing pole replacement project. He advised there were approximately 20 poles that were scheduled to be changed out next week with many more to follow with employees or contractors qualified to do that type of work.

Due to the death of an employee of Pike (a contractor), that entity has been blacklisted from work with KU/LGE. Mr. Carter also advised that due to the death on the system by another sub-contractor that they too were removed from any work on the system pending further investigation. Mr. Phelps noted that the limiting of Pike as a contractor for work in the electric generation and transmission industry will more than likely create an increase in demand for contractors and/or employees qualified to do that type of work.

A chart displaying the progress of the right-of-way clearing was displayed. Mr. Phelps was happy to advise the Board that it appears that that project is ahead of schedule. He did note that the display on the screen was likely a bit skewed due to billing cycle issues.

He reviewed the staking projects underway. He also described the field inventory work that is being done throughout the service territory.

He ended his report with miscellaneous discussions including the status of the Pernod Ricard project and he displayed some images of the work underway. The date has not been set for the Cooperative to start installing lines and other structures.

D. Member Services – Mr. Hitchcock reviewed the summary of the member service department activity, as well as the member service activity report. Honor flight activities and dates for the event were discussed. NISC training was discussed and updated.

The key account chart was displayed to the Board. Diageo still consumes the majority of that pie chart and represents 73% of the industrial customers' power usage.

Mr. Hitchcock discussed electric vehicles and other renewable resources for energy. He also displayed an EV density comparison. This comparison drew contrasts between the number of gas stations per mile and electric chargers per mile. It is clear that the disparity between gasoline stations and electric chargers is going to have to close before EV's are a practical reality for the motoring public.

The member services report was closed with pictures of participation of the Cooperative's employees working with those at Ronald McDonald House.

E. Executive - Mr. Carter reviewed the construction project summary spreadsheet along with a discussion of the August 2023 service anniversaries for four employees. Three of the five had only worked at the Cooperative for one year. He discussed the significant increase in construction costs and advised growth is good for the community. However, that growth is very costly to the membership.

1. Inter-County Retirement Plan –Mr. Carter discussed the retirement plan spreadsheet that displayed several different metrics including the cost of the defined benefit plan over the past few years. He noted the significant increase in the cost for the defined benefit plan surrounded the requirement by the PSC to choose a defined benefit plan or a 401(k) plan. Under the recent rate increases, the PSC would not allow the Cooperative to contribute to both types of retirement benefits. The Cooperative ultimately decided to fund the actual benefit plan (pension) for all employees. The employees may continue to contribute to their 401(k) but the Cooperative will no longer match their contribution.

2. Corporate Services – Mr. McGuffey gave an update on a recent recordable incident. He also discussed the property damage that occurred to a pickup owned by the Cooperative. The incident was not as a result of any fault from any employee of the Cooperative. A Cooperative employee was driving a vehicle owned by the Cooperative and a motorist rear-ended another car, causing it to collide with the truck he was driving.

Mr. McGuffey then advised that the door leading into the community room needs repair and that caution tape has been placed across the doorway and that ingress and egress should be used in the interim. He also gave an update on the fleet vehicles and new equipment ordered.

3. Information Technology/Cyber Security Update – Mr. Bach gave an update and advised that there were new and more frequent ‘phishing’ tests that were sent to the Cooperative employees. He noted the failures had actually increased but sophistication of these test emails appears to be more authentic and more frequent. He advised anyone clicking on a phishing email has been notified and remedial training is underway.

Last, he advised there is a new form of cyber threat. He called this new threat “juice jacking.” This is a method of attack wherein an unsuspecting individual takes a charger cord to a cellular device and inserts it into a USB port. The other side of the USB port is a device used by the hacker to gain access to the phone that is attempting to be charged. Mr. Bach advised that the best practice would be to use a blocking device or utilize mobile charging devices.

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

A. Policy 201 – Work week, Workday, On-Call, Call-Outs and Overtime Compensation.

Mr. Carter presented Policy 201, which dealt with the work week, workday, on-call, call-outs, and overtime compensation. The suggested changes were reviewed. After discussion, Mr. Carter asked that he and Mr. Dean revise the language for the policy and noted the matter would be put back on the agenda at a later date for review and approval.

#### **X. EXECUTIVE SESSION**

Following a motion made by Mr. Kerrick and seconded by Mr. Goggin, the Board voted to enter into Executive Session to discuss issues of the threatened and/or pending litigation. The motion unanimously passed, and the Board then entered Executive Session.

Following the Executive Session, Mr. Todd made a motion to exit the Executive Session and for the Board to return to the regular monthly board meeting. A second was made by Mr. Peyton. The motion passed unanimously. No action was taken.

#### **XI. BOARD/CEO SESSION**

Mr. Carter gave an update on the status of the annual calendar and listed the schedule of upcoming months.

Mr. Carter and Mr. Phelps discussed industry staffing issues and the recent ban of contractor(s) from doing work. As a result of these and general growth in the industry, Mr. Carter and Mr. Phelps expect a significant increase in the market price per hour for linemen. Mr. Carter advised he expected to review these issues and address any market changes to linemen and will come back to the board to reveal his suggestions on how to address this matter.

Mr. Carter advised Diageo had approached him about the excessive number of kilowatt hours under the existing contract that are being unused. He explained that he anticipates there

will be a request to review and revise the contract. Mr. Carter went over the amount of their average use, as well as peak use and the number of kilowatt hours that are being paid for but not used. He also explained the extraordinary cost that was incurred at the direction of Diaego and its leadership in constructing a complete and separate substation for their exclusive use. He also identified there are some other uses for some of the infrastructure at the location. He and Chairman Spalding are going to discuss the matter with the staff at EKPC and come back to the Board at the next meeting to give an update on this development.

Mr. Carter then reviewed the dashboard and went over the metrics outlined therein, including safety, financial, operational and customer indicators.

In review of the financial indicators, he discussed the OTIER, TIER and equity as described in the report provided by Ms. Kurtz.

#### **XI. COMMITTEE REPORTS**

Chairman Spalding advised he would appoint Mr. Kerrick to serve on the Audit Committee and Mr. Goggin to serve on the Governance Committee. All other board member committee assignments will remain the same.

#### **XII. EKPC**

Chairman Spalding gave an update on the current financial status of EKPC, and it was \$4.8 million under budget for the month of July 2023. This was primarily driven by infrastructure costs. A discussion on two (2) solar projects is now official as acquisitions by EKPC. One may be purchased and the other is under lease.

#### **XIII. KEC/UUS**

Mr. Todd reviewed the minutes from the last meeting and gave highlights from those minutes.

He also confirmed he was elected as president for the upcoming year.

Chairman Spalding noted the classes and topics at the Annual Convention were timely and that the speakers at the annual convention were excellent.

#### **XIV. NRECA**

**A.** Board Governance video on the business judgment rule was played for the Board.

**B.** Region 2 & 3 Meeting is scheduled to occur in Louisville, Kentucky on October 11-13, 2023. Registration must be made by September 8, 2023. Mr. Preston moved to allow all directors to attend should they desire. Mr. Goggin made second to the motion and the motion passed unanimously.

**XV. FEDERATED RURAL ELECTRIC INSURANCE / BOARD LEGAL UPDATE**

Mr. Carter read a letter regarding the cyber insurance issues with increased premiums and/or loss of the ability to secure coverage.

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

No report.

**XVII. CAPITAL CREDIT DISBURSEMENTS**

For July 2023 there was \$30,999.46 in estate retirements. As of July 2023, the Cooperative has retired over \$14,493,104.00 in capital credits. Mr. Goggin made a motion to approve the capital credit disbursements in the amount listed above. Mr. Peyton made a second to the motion and the motion passed unanimously.

**XVIII. WORK ORDERS FOR AUGUST**

A. Work Order #202307 - \$621,018.78

Mr. Todd made a motion to approve the work order as stated. Mr. Kerrick made a second to the motion. The motion passed unanimously.

**XIX. APPROVE NEW MEMBERS FOR June 2023**

A. 166 New Members

B. \$8,300.00 in membership fees were paid.

Mr. Peyton made a motion to approve the new members in the amount of fees stated, which was seconded by Mr. Todd. 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 September 22, 2023, at 8:30 a.m.

Chairman Spalding suggested 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**

None.

**XXII. ADJOURN**

A motion to adjourn was made by Mr. Kerrick and Mr. Goggin made a second to the motion. The motion passed unanimously, and the Board adjourned at 1:02 p.m.