

## Meeting Minutes Summary

December 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/phone conference, to-wit:

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

Bill Peyton provided notice of a COVID exposure and in light of the same, requested he participate by telephone. A motion was made by Mr. Kerrick to allow Mr. Peyton to participate by telephone. A second was made by Mr. Goggin and the motion passed unanimously. 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**

Mr. Kerrick gave a safety moment and advised of the care which needs to be used when operating a motor vehicle in parking lots. Those risks and hazards include small children, pedestrians walking with dark clothing and/or in blind spots that make them hard to see, other cars simultaneously backing out at the same time, just to name a few.

### **III. ADOPTION OF AGENDA**

Chairman Spalding presented the agenda for review. Mr. Preston made a motion to approve the agenda. Mr. Goggin made a second to the motion and the motion passed unanimously.

### **IV. REVIEW OF MINUTES**

The Board reviewed the minutes of the November 30, 2022, Board Meeting. Minor changes were noted. Mr. Goggin made a motion to approve the minutes with the semantical changes identified. Mr. Kerrick made a second to the motion and the motion passed unanimously.

### **V. NOVEMBER 2022 SUMMARY MINUTES**

November 2022 summary minutes were reviewed. Mr. Kerrick made a motion to approve the summary minutes of the November 30, 2022, board meeting with semantical changes identified. Mr. Todd 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 December 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.

A. Finance and Administration – Ms. Kurtz advised there were 165 checks issued and 26 bank draft wire payments which totaled just over \$6,916,000.00 for the month. She advised for the month of November 2022 there were net margins were \$602,234. Projected budget was for negative margins of \$225,000.00. November of 2022 ended with OTIER at 5.04 and TIER at 4.88. The operating revenues were up almost \$16,000,000 over the same timeframe as last year and were over budget \$13,000,000. Operating expenses are \$514,000.00 lower than last year but are still over budget year-to-date of approximately \$127,000.00. The budget for year-to-date net margins was \$324,963 and the Cooperative is exceeding the budget by \$2,000,000.00 for net margins through the end of November 2022 totaled \$2,445,419. Year-to-date OTIER was 2.42 and TIER was 2.57. KWH purchase had increased 19.5% from the prior month and the total plant services increased by 1.29% and the miles of line increased by .66%.

The FFB interest rates across all maturity timeframes actually dropped [from three months all the way to 30 years.] The 30-year note was 3.81% as compared to 3.92% for the same maturity date ending November 22, 2022.

Form 7 was attached to the board packet report. She reviewed the November 2022 analysis of the comparison of budgeted items to the actual expenses. That included 28 different line items.

B. Office Services – Ms. Stocker advised there were 18 accounts totaling \$5,386.66 which she recommended to be declared as bad debt and sent to collections pursuant to PSC regulations. She noted all of those accounts were for debts older than August 1, 2022. A motion was made by Mr. Todd to approve those accounts being assigned to bad debt and sent to collection. Mr. Goggin made a second to the motion and the motion passed unanimously.

A spreadsheet for a comparison of the write-off of accounts from 2022 back through 2017 was included in board materials. Ms. Stocker noted not only did the total amount written off dramatically decrease but also the average bill outstanding also decreased. She attributes that to recommendations by staff and board approval to allow for the pre-paid program, to increase deposits and the change in the way the Cooperative was submitting bills to members. As of the December 2022 Board Meeting, there were approximately 325 accounts that were overdue totaling

\$99,581.00 with an average bill of \$306.40. She compared that to the prior year which had 476 accounts with a total balance owed over \$265,000.00 with the average bill being approximately \$557.00.

Ms. Stocker discussed the sale tax exemption forms for residential members that she is beginning to receive. She already has a large stack of those, and they will be processed as quickly as possible. Currently there is a lack of guidance from the Kentucky Revenue Department on several topics and the law is to go into effect on January 1, 2023. One major concern is, due to the date the new law goes into effect, it is impossible to process and have all the exemptions in place as of that date. She and her staff will work with the Kentucky Revenue Department and other Cooperatives to better understand how to collect the tax and process the exemption forms.

C. Operations – Mr. Phelps advised there were 136 new work orders begun in November and new construction costs were just over \$921,000.00. Purchases of materials totaled over \$107,000.00.

He discussed the ongoing engineering including staking that is underway and field inventory. Ongoing construction work with Inter-County staff and the contractor crews were discussed. With regard to operations, an update on the right-of-way clearing was displayed in a graph. As of the meeting in December 2022 the completed right-of-way clearing is very close to matching the number of projected miles to be cleared to that point in the year. Year-to-date cycle costs was just over \$1,680,000.00 for approximately 403 miles of lines [averaging about \$4,164.00 per mile]. The maintenance crew costs year-to-date was just over \$207,000.00 with year-to-date spray costs being approximately \$263,000.00. The total for year-to-date right-of-way costs was just over \$2,148,000.00.

With regard to miscellaneous items, Mr. Phelps advised the AMI CPCN has been submitted to the PSC and response to the data request has been filed. He also gave an update on the Pole Attachment Tariff pending before the PSC.

Mr. Phelps ended his report with a review of the 2022 activities in the Operations Department. That consisted of 37 items that were undertaken or completed for the year. Some of the challenges the Cooperative and its members faced included the tornado in February and the recent bomb cyclone, high winds, and freezing temperatures.

D. Member Services – Mr. Hitchcock reviewed the member service and community activity for December of 2022, along with a summary of the member service department activity. He presented several images which depicted the good work of the Cooperative and its employees in providing treat bags to approximately 115 children on December 9 when they met with Santa.

He also presented images of the work of Christmas Blessings and some of the houses and families that were served through that initiative.

He presented a copy of the key account chart for 2022 and noted the significant increases late in the year which are primarily impacted by Diageo. He then presented a pie chart of the top five key accounts which is clearly dominated by Diageo at 66%, therein followed by Markers Mark at 12%.

E. Executive – Mr. Carter reviewed the construction project summary. That chart reflected a comparison from 2022 all the way back to 2013. He then presented images of employees celebrating the anniversary of their respective month of beginning employment with Inter-County. Those employees had approximately 86 years of combined experience and included Tim Gill with 35 years of experience, to Melanie McGuffey, having served at Inter-County for 11 years.

Mr. Carter asked for nominations for the NRTC Voting and Alternate Voting Delegate. Mr. Todd made a motion to approve Mr. Preston as the voting delegate, should he choose to attend. No alternate delegate was nominated. Mr. Kerrick made a second to the motion and the motion passed unanimously.

1. Safety/Loss Prevention Summary – Bo McGuffey gave his report and advised there was a single incident that involved an icy condition with a small bucket truck that was stopped at a red light. This accident was caused by another motorist who slid and caused a chain reaction collision wherein very little damage, if any, was done to the Cooperative's vehicle.

Mr. McGuffey was happy to report the Recordable Incident Rate, DART Rate and Severity Rate were all zero for November 2022. He advised for the year of 2022 the Recordable Incident Rate was 7.67. The DART Rate and Severity Rate were both still a zero for the year.

He then reviewed his visit with the crews and the safety meeting subject matter which was covered in December. In January all employees will receive a recertification in CPR and AED use.

2. Cyber Security Update – Chris Bach was on vacation and Mr. Carter provided a general update on the current status of cyber security measures at the Cooperative. He also gave an update that he was happy to announce that there was no increase in the insurance premium to Federated Insurance Company. He noted there was a claim that was made as a result of the Microsoft Exchange breach and notwithstanding that claim, there is no change in the policy premium.

### **VIII. APPROVAL 2023 BUDGET PRESENTATION**

Ms. Kurtz presented the final version of the 2023 budget. A copy was presented to all staff present, along with the directors. Mr. Todd made a motion to approve the budget as presented. Mr. Preston made a second to the motion. The discussion that followed included Ms. Kurtz reviewing each of the individual sections listed in the table of contents. The budget contained subsections that gave more detail and displayed the items that resulted in the sums of each respective category listed in the table of contents. Mr. Carter commented that the format of the new budget was more streamlined and easier to read and comprehend. This new budget format was suggested by Ms. Kurtz and her staff. Chairman Spalding called for a vote and the Board unanimously approved the 2023 budget.

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

Mr. Carter presented Policy 201, Policy 205, Policy 207, Policy 211, and Policy 315. He noted there were redline changes to all of the policies. Mr. Kerrick made a motion to approve policies 201, 205, 207 and 315. Mr. Peyton made a second to the motion and after discussion, the motion passed unanimously. Mr. Carter advised that after further review of Policy 211 and discussion about changes and issues referencing some of the names of the military and armed services, that he and staff would review that policy and bring it back for future consideration.

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

A. Annual Calendar Review - Mr. Carter presented his annual calendar and gave an extension update. He discussed the Economic Symposium which has been scheduled to occur on March 17, 2023, at the new Performing Arts Center at the Boyle County Schools. A discussion was held regarding those to which an invitation should be extended.

B. Dashboard Review - Mr. Carter then reviewed the dashboard with the Board specifically some of the gauges which represented red, yellow, and green areas and the Cooperative performance within each of those segments of the gauge. The year-to-date TIER and 12-month rolling TIER were both well into the green section of the gauge. Likewise, OTIER was well into the green category for both TIER year-to-date OTIER at 12-month operating TIER. The gauge for year-to-date total equity and year-to-date distribution equity are in the green category. Mr. Carter noted that one of his goals was to get the distribution equity into the green category and it did so with that 20.56%. He forecasted the distribution equity is likely to decrease as a result of the new work plan and other financial constraints, but that it is a good sign that the Cooperative was able to get into the target for distribution equity in light of the volatile market and economic conditions.

C. RUS Loan – Ms. Kurtz and Mr. Dean advised the Board of the new RUS loan resolution and presented the forms for the resolution. Mr. Kerrick made a motion to approve the forms as drafted. Mr. Peyton made a second to the motion. After discussion, the motion passed unanimously. The Board authorized those required to execute those documents subject to loan closings, subject to the work of Mr. Dean and his law firm.

**XI. COMMITTEE REPORTS**

No report given.

**XII. EKPC**

Mr. Carter presented certain segments of the 2022 Residential Appliance Saturation Survey Report. The results of the survey addressed multiple topics. Interestingly, the survey noted that very few members responded that they would consider obtaining an electric vehicle in the next few months.

Chairman Spalding advised the year-to-date actual margins for EKPC were approximately \$57.5 million. He noted that negative margins were budgeted for October of 2022. EKPC is consistently two months behind in publishing the approved financial reporting due to billing and timing issues, as well as report preparation and Board approval.

Chairman Spalding and Mr. Carter gave an update on the impacts to the EKPC system as a result of the bomb cyclone of December 2022. As a result of this winter event and the extremely cold temperatures certain CT units [gas fired combustion turbines] were rendered inoperable. One of the intended uses of these CT units was for just this purpose and type of event. Further, these CT units were supposed to be part of the generation portfolio that was assigned and managed by PJM. As a result of the inoperability of these units it is likely that significant financial penalties will be levied against EKPC.

**XIII. KEC/UUS**

Mr. Todd advised the last meeting included a significant number of agenda items. A presentation on electric vehicles was made to those present. It revealed multiple issues that the industry and consumers will be facing over the next few years. He also advised that recent profits and consistent growth in sales, primarily from residential and commercial construction, necessitated the development of a short-term investment policy.

Last, he noted that responses to CEO surveys was more vibrant than prior years. The recent survey was sent to twenty-six (26) CEOs. KEC received responses from twenty-four (24) CEO's.

#### **XIV. NRECA**

Chairman Spalding advised that the Director's Conference for NRECA is scheduled to occur in Kansas City, Missouri February 4-7, 2023. He noted there is an on-line version of that conference on February 6 and 7. The cutoff for participation in that conference will be January 13, 2023. Mr. Kerrick made a motion to approve any director wishing to attend the conference. Mr. Goggin made a second to the motion and the motion passed unanimously.

Chairman Spalding announced the NRECA PowerXChange and Tech Advantage is scheduled to occur in Nashville, Tennessee March 5-8. There are preconference workshops March 3-5. Mr. Todd made a motion to approve any director wishing to attend. Mr. Goggin made a second to the motion and the motion passed unanimously.

Chairman Spalding then advised there is a need to appoint a Voting and Alternate Voting Delegate for the NRECA 2023 Annual and Regional Meetings. Chairman Spalding will be attending as a delegate of EPKC. Mr. Peyton made a motion to nominate Chairman Spalding as the voting Delegate and Mr. Preston as the Alternate Delegate. Mr. Todd made a second to that motion and the motion carried.

Last, Chairman Spalding noted the Legislative Conference is set to occur in Washington, D.C., April 17 – 19, 2023. There is no cutoff reflected in the agenda. Any director wishing to attend the conference should contact Mr. Carter and/or Ms. Coleman for more details.

Mr. Carter discussed the upcoming CEO Close-Up scheduled to occur January 9-10, 2023, in Marco Island, Florida. He advised he would be attending and would provide an update when he returned. The Board encourage him to participate in this and other such opportunities as they arise and are relevant to the work of the Cooperatives.

#### **XV. FEDERATED RURAL ELECTRIC INSURANCE / BOARD LETGAL UPDATE**

No report given.

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

Mr. Carter advised that the CFC statewide workshop for directors is scheduled to occur January 23-24, 2023, at the Marriott Griffin Gate Resort in Lexington, Kentucky. There will be a virtual option. Currently Chairman Spalding and Mr. Preston are set to attend in person, with virtual attendance by Mr. Todd, Mr. Kerrick, Mr. Peyton, and Mr. Goggin.

#### **XVII. CAPITAL CREDIT DISBURSEMENTS**

In November 2022 \$36,396.65 capital credits were disbursed. Mr. Preston noted this is double the normal amount due to the check fraud issue which caused the Cooperative to have to close their account and issue a new one. Mr. Peyton made a motion to approve the capital credit

disbursements. Mr. Kerrick made a second to the motion and after discussion and confirmation of the amounts, the motion passed unanimously.

**XVII. WORK ORDERS FOR DECEMBER 2022**

A. Work Order #2055 – \$548,481.68

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

**XVIII. APPROVE NEW MEMBERS FOR DECEMBER 2022**

A. 160 New Members

B. \$8,000.00 Membership Fees

Mr. Todd made a motion to approve, which was seconded by Mr. Peyton. 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, January 27, 2023, 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. EXECUTIVE SESSION**

Chairman Spalding called for a motion to go into Executive Session for purposes of discussing personnel and review of the Board Attorney. Mr. Kerrick made a motion to go into Executive Session. Mr. Preston made a second to the motion and the motion passed unanimously.

At the conclusion of the Execution Session Mr. Kerrick made a motion to come out of Executive Session. Mr. Goggin made a second to the motion and the motion passed unanimously.

At the conclusion of the Executive Session, Chairman Spalding presented J. Hadden Dean, Board Attorney with reviews from the Board. He and the Board thanked Mr. Dean for the work he has done for the Cooperative throughout the year.

**XXIII. OTHER BUSINESS**

None.

**XXIV. ADJOURN**

A motion to adjourn was made by Mr. Kerrick. Mr. Goggin seconded the motion and the motion passed unanimously, and the Board adjourned at 2:25 p.m.