

Meeting Minutes Summary

January 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	Bill Peyton
Jason E. Todd	Allen Goggin

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

I. PRAYER

Mr. Preston opened the meeting with prayer.

II. SAFETY MOMENT

Mr. Preston gave a safety moment. He advised in light of the recent inclement weather which included tornado warnings, the warnings should be heeded as soon as they are announced, and shelter needs to be taken. He advised he was in a remote area and the recent tornados came within a few hundred feet of his location.

III. ADOPTION OF AGENDA

Chairman Spalding presented the agenda for review. Mr. Carter requested an executive session occur during his portion of the department reports. With that amendment, Mr. Goggin made a motion to approve the agenda. Mr. Peyton seconded the motion and the motion passed unanimously.

IV. REVIEW OF MINUTES

The Board reviewed the minutes of the December 28, 2022, Board Meeting. Mr. Kerrick made a motion to approve the minutes with the semantical changes identified. Mr. Preston made a second to the motion and the motion passed unanimously.

V. DECEMBER 2022 SUMMARY MINUTES

December 2022 summary minutes were reviewed. Mr. Todd made a motion to approve the summary minutes of the December 28, 2022, board meeting with semantical changes identified. 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 27, 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 the December operating revenues were up \$3.1 million over last year and the purchase power was likewise up \$1.3 million from the same time frame. The operations resulted in positive margins of \$741,000.00. She did note there were budgeted margins for \$858,000.00. TIER for December of 2022 was 5.4 and OTIER was 5.7. She also advised for the year ending 2022, that OTIER was at 2.74 with TIER at 2.84. Overall net margins calculated at this time were just over \$2 million dollars. She and Mr. Carter noted the G & T Capital Credits of her report is likely substantially understated as a result of the fact that EKPC did not make an estimate of its patronage capital. Ms. Kurtz advised that her best estimate of what that number might be is around \$1.2 million. As a result of the significant cold weather in December, there was a 25.4% increase in the monthly kilowatt hours purchased. There was approximately 13,700,000 kilowatt hours purchased.

She then discussed the distribution plan and advised that the services increased by 1.18% for the year. The miles of line increased by .61%. A comparison of the quarterly FFB rates was made. Across the board, those rates increased in every term category or in the 3-month, 6-month and 1-year time frames. However, for the maturity from 2 years and longer, all of those rates were down marginally. She also gave an update on the investments and advised that approximately \$5 million of the debt was put into a fix position which leaves a variable amount of debt of just under \$5 million with a maturity to take place shortly before the next rate period. There is approximately \$3 million to reinvest into commercial paper with a return of approximately 3.72%. The Cooperative still has over \$5 million it can draw down on the work plan.

B. Office Services – Ms. Stocker advised there were 26 accounts totaling \$6,355.40 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 September 1, 2022. A motion was made by Mr. Preston to approve those accounts being assigned to bad debt and sent to collection. Mr. Peyton made a second to the motion and the motion passed unanimously. The Cooperative now has 549 active prepay accounts. Seventy-six (76) members are currently

utilizing the debt repayment program. The balance for those 76 accounts totals approximately \$44,000.00. Of those accounts, 35 have a balance greater than \$500.00.

Community Action contributed approximately \$101,000.00 under the existing programs to assist members with their high electricity bills.

Ms. Stocker then presented an outline of the recent tax law that involves the collection of sales tax which went into effect as of January 1, 2023. The legislation allows for primary domiciles to be exempted from paying sales tax on the utility bills. That law has created a deluge of exemption forms to be delivered to her office for processing. She advises there has been a cooperative-wide effort to get information out to request the membership to consider completing a form to be exempt from the tax. The efforts to educate the membership includes presenting the exemption form on the backside of the last bills, Facebook posts, website postings and information published in *Kentucky Living* magazine.

C. Operations – Mr. Phelps gave an update of the ongoing work with the plant. That included starting 118 new work orders in December. New construction totaled \$648,714.00 and purchases were just over \$228,000.00.

Staking is being performed for the Makers Mark chiller along with three phase lines around the Lebanon bypass. Mr. Phelps advised that the joint pole use change outs for Windstream and Charter were in process. The Cooperative received a payment for 6,500 feet of three phase line for the Kentucky helium producers on Boones Creek. That total was approximately \$135,000.00. The relocation of the Loretto Lebanon tie line for the Pernod Ricard plant was in process. Field inventory was also underway at Shelby City, Highland, Broughtontown, Perryville, Gooch, Garrard, Peyton and Lancaster.

A report on the construction and contract crews was made. Both Mr. Carter and Mr. Phelps gave an update on the year-end of the right-of-way clearing and were very pleased with the manner in which the approach to this task was undertaken for 2022. It appears the amount budgeted from 2022 was \$2,370,000.00 and to the best of their knowledge the year-to-date right-of-way costs totaled \$2,340,444.00. Mr. Carter gave credit to Mr. Phelps and his department for the manner in which they have negotiated the contracts and the oversight that is being done during the clearing throughout the year. He acknowledged the bids for the projects, as a whole, came in with some being over \$3 million. The contracts were ultimately set based on time and materials. The manner in which the right-of-way was undertaken likely saved the Cooperative \$600,000.00.

In his report, Mr. Phelps gave an update on the PSC approval of the AMI CPCN, the joint use tariff and other PSC related matters.

D. Member Services – Mr. Hitchcock presented his report and gave an overview of the activity of his office during the month, along with a summary of the member services activity over the past year. He also gave an update on the record number of attacks on utility substations that are being experienced throughout the United States. He then gave an update on the total sales of electric vehicles and hybrids from 2014 through 2020. The key account chart for 2022 Annual Summary was then reviewed. A bar chart, which reflected a distinct change in the amount of the monthly summaries was displayed. In May of 2022, that bar chart showed just over \$1,164,000.00 in billing when compared to the bar chart in July which totaled just over \$1,785,000.00. The primary change in those metrics was use of electricity by Diageo. A comparison of 2022 top 5 key accounts. Again, Diaego dominated that chart with nearly 67% of the total amount of energy compared to the other largest industrial consumers. The next largest consumer of power throughout the territory was Makers Mark at 12%. He noted the 2022 year-to-date total was \$17,498,330.00. Of that, the top 5 industrial consumers represented over \$14,000,000.00. He then presented a review of the 2024 RAM Rev Concept Truck and gave a representation of several of the images and talked about some of the details. That included a “shadow mode” which would allow the vehicle to follow someone in the field, a third row jump seat that would fold down and the ability to use the “frunk” and carry poles or material of 18’ in length. The ‘frunk’ would allow for materials to be loaded from the front of the truck and go all the way to the passenger compartment to the rear of the truck. He also advised there is a future option offering a “Roomba” type charger that would move under the truck and perform a charge while it is parked. Other images and some information regarding challenges EVs are experiencing during cold weather was discussed. One example referenced a Tesla Model 3 that was attempting to charge at -14 degrees Fahrenheit. He also identified there were other EV’s that were incapable of being charged during that type of cold weather. He ended his report with an update on the Makers Mark Solar Partnership.

1. 2023 Annual Meeting – Mr. Carter and Mr. Hitchcock discussed the options and time ranges for conducting the 2023 meeting. After a lengthy discussion about those options, Mr. Goggin made a motion that the 2023 Annual Meeting occur on Friday, July 21, 2023 at 4:30 p.m.

Mr. Peyton made a second to the motion and the motion passed unanimously. Due to this date conflicting with the July Monthly Board Meeting, the same be reset for Tuesday, July 25, 2023, at 8:30 a.m. It was agreed the annual meeting will occur at the Cooperative headquarters in Danville, Kentucky. Additional discussion about member appreciation was held, but a decision on dates, times or other topics that might be considered were tabled.

2. 2023 Washington Youth Tour – Mr. Hitchcock discussed some of the challenges with regard to the program including participation, choosing participants throughout the service territory, costs structure and other matters. A lengthy discussion ensued. At the conclusion, Mr. Kerrick made a motion that the Cooperative sponsor three students to participate in the 2023 Washington Youth Tour. This will be available to any three students through the service territory with the caveat that there shall be no more than one student selected from any particular Cooperative District. Mr. Goggin made a second to the motion and the motion passed unanimously.

E. Executive – Mr. Carter presented a spreadsheet of the construction project summary from 2013 through 2022. He noted the total construction costs for 2022 was just under \$6,864,000.00.

He then presented a slide of the service anniversaries for January 2023. Collectively those individuals total 70 years of service to the Cooperative. Those included Danny Collier having served for 34 years and Chris Carman having been involved with the Cooperative for 4 years. He also noted this is the 13th year of service by Board Attorney, J. Hadden Dean.

1. 2022 Outage Presentation. Mr. Carter attached a copy of the outage summary which consisted of 7 pages and discussed it with the Board.

2. Safety/Loss Prevention Summary – Bo McGuffey discussed his report which included an accident with one of the trucks of the Cooperative. Luckily no one was hurt and there was minimal property damage. However, due to the weather conditions, road conditions and nature of the truck itself being somewhat top heavy, resulted in the truck tipping over after leaving the roadway on Alum Springs Road in Boyle County, Kentucky. The truck will need repairs and be back in service in the near future. He then discussed a second incident wherein one of the employees was driving a small bucket truck on Hwy 127 in Casey County. As the employee slowed down to turn off the roadway, he was hit in the rear by an SUV. After investigation, the agents of the Cooperative were told it is suspected the person had fallen asleep after a 12-hour shift at the hospital. The condition of that driver was not known at the time, but it is understood the individual sustained substantial injuries. He then ended his report with a review of the recordable incident rate, DART rate and severity rate. All of those were zero for the December of 2022. He noted for the year ending 2022, the recordable incident rate was 7.08 with the DART rate and severity rate both being zero. He and Mr. Carter were very pleased that it appears that the work force at the Cooperative have safety as a primary concern during the work day and that has resulted in a fantastic year for safety for the Cooperative and its employees. Mr. McGuffey then gave an update on crew visits and the safety meeting which occurred in January.

The safety meeting included recertification of CPR, First aid, AED. He noted the safety meeting in February would be conducted by Kentucky State Police in discussing vehicle and driving safety.

3. Cyber Security Update – Chris Bach advised that the system is still performing at a very high level. He presented a graph that showed the Cooperative’s system is more vibrant and has had less security issues than its peers. He then went on to present an image of a sample “phishing email.” He noted as the cursor is hovered over some of the links in the email, the website address that an individual might be sent to, was not in fact that of the intended target. In this instance, the “phishing email” was allegedly from Netflix. However, the links carried individuals to links that were not Netflix. He did note there were one or two links that included the word Netflix but ultimately advised great caution should be used whenever being asked to present credit card information, account, or password information, as most providers will not request this through an email or phone call.

4. ACRE Renewal – Mr. Carter discussed the ACRE renewal and submitted the forms to the directors. He advised the entity had changed its name to AEC. That stands for America’s Electric Cooperative. This is a lobbying group on behalf of NRECA’s political action committee.

5. Regional Opportunity Summit Update – Mr. Carter presented an outline of the agenda and the attendees for the summit. He advised this was set to occur on March 17, 2023. Further details on the agenda and exact start time will be discussed. As new elected officials and other individuals are identified, he and others will make an effort to have a personal contact with each individual to encourage their attendance and participation.

6. Executive Session – Mr. Carter called on the Board to go into Executive Session about pending/possible litigation. Mr. Goggin made a motion to go into executive session. Mr. Peyton made a second to the motion and the motion passed unanimously.

At conclusion of the executive session, Mr. Todd made a motion to come out of executive session and Mr. Goggin made a second to the motion and the motion passed unanimously. Mr. Carter and Mr. Dean announced a review of potential and threatened litigation was made and there were no recommendations or instructions to the board attorney as a result of that meeting.

VIII. LEGAL /REGULATORY/POLICY

Mr. Carter presented Policy 215 (Holidays) with some redline changes, Policy 309 (Procurement Conflict of Interest) and Policy 310 (Ethics and Conflicts of Interest in Outside Business and Related Activities). He noted Policy 215 was the only policy with changes which involved increasing holiday pay from 1.5 to 2.0 times their normal hourly pay for those employees

that are called upon during the holidays to perform work for the Cooperative. He advised Policy 309 and 310 did not have any changes recommended. After review, Mr. Kerrick made a motion to approve Policy 309 and 310 as reviewed without changes and that Policy 215 be approved as drafted. Mr. Goggin made a second to the motion and the motion passed unanimously.

X. BOARD/CEO SESSION

A. Annual Calendar Review - Mr. Carter presented the annual calendar and discussed upcoming events and tasks slated for February 2023 and a review of the months for the remainder of the calendar year.

B. Dashboard Review - The dashboard including the safety indicators, financial indicators, operational indicators, and customer indicators were displayed. Several graphs for TIER, OTIER and equity were also presented. The Cooperative established a year-to-date distribution equity of 20.88%. Mr. Carter would like to keep the Cooperative at that level or maybe above but did say the Board should expect for that equity to go down in light of upcoming expenses, including the initiation of the new work plan and the debt to support it.

C. Capital Credit Allocation – Mr. Carter advised there was a question from staff regarding the capital credit allocation. He and Mr. Dean clarified the new policy regarding capital credits that were from Inter-County are to be allocated, including EKPC, would not be allocated to the membership starting the date and time in which the bylaw was passed.

D. Board Policy Review – Mr. Carter presented Board Policy 402 (delegation to the Board from President/CEO), Board Policy 403 (Board – CEO/President relationship), Board Policy 409 (Service of Consultants) and Policy 410 (Services and Compensation of Legal Counsel). Each of the policies were in BoardPaq and reviewed by the Board and staff. There were no requested changes. Mr. Todd made a motion to approve these policies as having been reviewed with no changes. Mr. Goggin made a second to the motion and the motion passed unanimously.

XI. COMMITTEE REPORTS

A. Review of Governance Committee Charter. Policy 405, Attachment B, (Board Governance Committee Charter) were circulated. Mr. Kerrick led with a reminder that this policy had been worked on for several months and was the culmination of all the work between he, committee, and staff, as well as other Board members. He then called upon the Board for a motion and a second to discuss and approve the policy as presented. Mr. Goggin made a motion to approve the policy as drafted. Mr. Todd made a second to the motion. After discussion, the Board voted unanimously to approve it as drafted.

B. Review Board Assessment Data. Mr. Carter reviewed the director's assessments and identified several areas of interest to discuss. After discussion of each of those, he and Chairman Spalding noted the consistency of the responses from the Board. Mr. Carter will review and address the issues noted from the data and update the Board on the status of the work at the February Board meeting.

XII. EKPC

Chairman Spalding announced there was no meeting in January but gave an update on a special board meeting that resulted from the extraordinary cold weather in December. In short, there are several items being reviewed by EKPC at the Board level and with the staff regarding some of the events that occurred. Those include, but are not limited to, the fact that some of the CT Units that are in the generation portfolio of EKPC were non-functional. Other challenges that were experienced throughout the service territory were also discussed. The manner in which any penalties were going to be assessed is still the subject matter of ongoing work, but those could be substantial. He did note there is insurance that is available which may cover a significant portion, if not a majority, of those expenses.

XIII. KEC/UUS

Mr. Todd reviewed the key points from the January 2023 Board Meeting. The legislative reception is scheduled for February 23, 2023 at "The Foundry on Broadway" in Frankfort, Kentucky. The event will begin at 6:00 p.m. Mr. Kerrick made a motion that all Board members that desire to attend be approved for the travel and to attend the event. Mr. Goggin made a second to the motion and the motion passed unanimously.

XIV. NRECA

A. Board Governance Video - Due to the length of the meeting, Chairman Spalding advised that the Board Governance video would be not be reviewed at the meeting.

B. Directors Conference – The conference is currently scheduled for February 4 -7, 2023 in Kansas City, Missouri. There is an on-line version available which can be attended February 6-7, 2023. Chairman Spalding noted he would be attending that conference.

C. NRECA PowerXChange and Tech Advantage – The meeting is currently scheduled to be held March 5 – 8, 2023 in Nashville, Tennessee. There are pre-conference workshops scheduled March 3 – 5. At this time, no board members are planning to attend. Any wishing to do so, need to bring it to the attention of the Board at the February Board Meeting.

D. Legislative Conference – The conference is scheduled to take place April 17 – 19, 2023 in Washington, D.C. The event is scheduled to occur at the Marriott Marquis.

XV. FEDERATED RURAL ELECTRIC INSURANCE / BOARD LETGAL UPDATE

A. Cyber Insurance Update – Mr. Carter advised a recent meeting was held at the Cooperative with Tony Hermesch of Federated Insurance. At this time, Mr. Hermesch said the cyber security insurance is still in place, but there is a consideration that Tokio Marine, the current insurer, may drop the maximum limits from \$5 million to \$3 million. He also noted that Inter-County Energy Cooperative was one of the few cooperatives that have selected the maximum amount of insurance that could be obtained through Federated. Mr. Hermesch was asked to keep the Cooperative on notice of any changes as well as any opportunities for reinsurers or others to provide additional coverage if the maximum limit is reduced to \$3 million.

XVI. RUS-CFC-COBANK NEWS/UPDATES

A. Notice of CoBank 2023 Director Election Request for Director Candidates - Chairman Spalding announced that the 2023 director election is upcoming for CoBank. Anyone interested in applying to become a director of CoBank needs to get with Mr. Carter for further action.

XVII. CAPITAL CREDIT DISBURSEMENTS

For December 2022 there was \$17,981.21 in capital credit disbursements. Mr. Todd made a motion to approve the capital credit disbursements. Mr. Goggin 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 #2056 – \$571,128.43
- B. Work Order #2057 - \$6,806.01

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

XVIII. APPROVE NEW MEMBERS FOR DECEMBER 2022

- A. 197 New Members
- B. \$9,850.00 Membership Fees

Mr. Goggin made a motion to approve the new members and the amount of fees stated, which was seconded by Mr. Kerrick. 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, February 24, 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. OTHER BUSINESS

None.

XXIII. ADJOURN

A motion to adjourn was made by Mr. Goggin. Mr. Todd seconded the motion and the motion passed unanimously, and the Board adjourned at 1:15 p.m.