

Meeting Minutes Summary

October 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 conference, to-wit:

Joseph H. Spalding	J. Kevin Preston
	Bill Peyton
Jason E. Todd	Allen Goggin

Mr. Preston made a motion to approve Board Member Louis Kerrick's participation by telephone conference from home, as he is recovering from a medical procedure. The motion was seconded by Mr. Todd and the motion passed unanimously. Also present and participating were President and CEO Jerry Carter and Board Attorney J. Hadden Dean.

I. PRAYER

Mr. Carter opened the meeting with prayer.

II. SAFETY MOMENT

Mr. Carter advised it was critical to travel with your car lights on during early morning or late afternoon driving, as it is difficult to see some vehicles, especially in urban areas.

III. ADOPTION OF AGENDA

Chairman Spalding presented the agenda for review. Mr. Todd 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 September 27, 2022, Board Meeting. Mr. Goggin made a motion to approve the minutes. Mr. Preston made a second to the motion and the motion passed unanimously.

V. SEPTEMBER 2022 SUMMARY MINUTES

September 2022 summary minutes were reviewed. Mr. Peyton made a motion to approve the summary minutes of the September 27, 2022, board meeting. 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 October 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 noted there were 147 checks and 27 bank/draft wire payments made totaling just over \$7,174,725.00 for the month. She confirmed for the month the Cooperative had negative margins of \$287,000.00 and had budgeted positive margins of \$116,000.00 for the month. She noted OTIER for September of 2022 was negative 1.07 and TIER was negative .97. However, she confirmed year-to-date OTIER was 2.16 and TIER was 3.25.

Ms. Kurtz then explained that for the month ending September of 2022, the kWh purchase was down 15.8% from the prior month and the total charges were down 9.4% respectively. She then discussed the distribution plant and said the total services in place increased by 2.31% and the miles increased by .57%.

A chart comparing FFB loans and the respective maturities and interest rate for each maturity was presented and discussed. The FFB rates as of October 24, 2022, increased across all time categories [from three months out to 30 years] relative to the same categories in September 2022. That discussion led to Ms. Kurtz giving an update on the short-term investments of the Coop relative to the prevailing interest rates from the FFB.

The Board considered a report from KREC regarding the health insurance plan and its costs to the Coop. A spread sheet was presented that gave a comparison of contributions paid versus benefits received for the Cooperative. As of September, there were 70 participants and the Coop thru that date had a shortfall of contributions. As a result of the shortfall the Coop would either have a 10% surcharge or could make a lumpsum payment to satisfy the shortfall. Ms. Kurtz advised that she would be making the lump sum payment to avoid the shortfall.

The Form 7 Financial Report was reviewed along with the confidential working capital status report and forecast for 2022.

Ms. Kurtz advised there would be an audit required as a result of receiving reimbursements from FEMA for the 2021 ice storm. This would be in addition to the other audits which had been secured by the Cooperative. The estimate of the costs of the audit are between \$6,000.00 - \$8,000.00. That audit should be completed by the end of 2023. FEMA requires audits for all entities to which it pays in excess of \$700,000.00.

Ms. Kurtz advised that a fraudulent check was caught by the bank. That check was to be drawn on the capital credit account for the Cooperative. She noted the check was denied by the

bank and upon the bank staff advice she closed the existing capital credit account and opened a new one.

B. Office Services – Ms. Stocker advised there were 34 accounts for bills older than June 1, 2022, that totaled \$10,732.50 which she recommended to be declared as bad debt and sent to collections pursuant to PSC regulations. 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.

C. Operations – Mr. Phelps opened his report with comments regarding the plant account. That included starting 133 new work orders in September with new construction costs totaling just over \$1,048,000.00. He also advised that new purchases totaled just over \$132,000.00. A review of the engineering activities included the staking that was underway, as well as work on field inventory data.

The Board heard a report on current construction throughout the territory and an update on the work being done by contract crews, as well as the cooperative's crews.

The operations portion of the report began with a graph of the status of the right-of-way clearing program for 2022. The graph revealed that the miles of line cleared is just barely below the number of projected miles for the year-to-date. The year-to-date cycle costs total just over \$1,245,000.00 for an approximate 308 miles which translates to approximately \$4,033.00 per mile.

The year-to-date maintenance cutting was just over \$165,000.00 and the year-to-date spraying costs was just over \$263,000.00. He advised the total right-of-way clearing to date totals \$1,670,513.00. Miscellaneous items reported on included an update on the CPCN which has been filed with the Public Service Commission regarding the AMI program. The current lead times for AMI network equipment is approximately 40 weeks and the meters are not expected for delivery for approximately 52 weeks.

Last, Mr. Phelps discussed the outage that occurred in Loretto, Kentucky and the efforts to restore power to that area of the service territory.

D. Member Services – Mr. Hitchcock presented a detailed list of the activities which were conducted throughout the service territory for the month. He then reviewed the key account chart for September of 2022. He noted as of October there was just over \$1,666,000.00 in billing compared to \$1,777,542.00 for September. He then reviewed the pie chart for the top 5 key accounts which was dominated by Diageo (at 66% of the top 5 accounts). The revenue for those key accounts totaled over \$12,632,000.00 for the year. He reviewed sponsorships and donations for the year and advised those are starting to pick up again as more requests have been made over the past few months. He then presented pictures of the Perryville Battlefield landscaping

project. As part of the 160th anniversary of the Battlefield of Perryville, the Cooperative has assisted in the beautification of some of the signage throughout the park area. He then concluded his report with a picture of the glow from the Kentucky Fresh Harvest in Lincoln County. He noted the picture was taken around 11:45 p.m. on October 20, 2022, and a substantial amount of the horizon had an amber glow to it as a result of the lights used to grow plants at that location.

E. Executive – Mr. Carter reviewed the construction project summary with the board. That was followed by a review the strategic plan and the progress that has been made on the plan. He then recognized service anniversaries for several of the employees. That included himself, having been involved with cooperatives for 21 years, and Mr. McGuffey for 18 years.

He then asked the Board and staff to review their calendars for setting the November and December board meetings. After discussion, Mr. Goggin made a motion to reschedule the November board meeting for November 30 at 8:30 a.m. and the December board meeting for December 28, 2022, at 8:30 a.m. A second was made by Mr. Preston and the motion passed unanimously.

1. Safety/Loss Prevention Summary – Bo McGuffey gave his report and advised there were two reportable incidents, but there was no loss time. He also reported that one of the trucks carrying a pole was struck by a garbage truck. This was not the direct fault or responsibility of any Cooperative employee, but rather neglect on behalf of the Republic trash truck driver. Republic had an employee come out and inspect the damage and advise they would pay for the minor repairs to the truck of the Cooperative. He concluded it had been an excellent year overall for safety with a DART rate of zero and a severity rate of zero.

He then reviewed the crew visits along with the Safety Day activities including images of what was performed at the event. He presented demonstration images of a local school district, as well as the state trooper academy in Frankfort.

2. Cyber Security Update – Chris Bach advised there is continued and ongoing cyber threats, but the existing cyber security infrastructure is proving to be robust. He did advise he had continued the phishing reports and presented a chart regarding the Cooperative's scores. He was pleased to advise the entirety of the Cooperative scored better than the industry standards. He also attributes a lot of the improvement in any type of accessibility to outside hacking, to the use of Microsoft Teams, as well as ongoing education.

X. LEGAL /REGULATORY/POLICY

Mr. Carter presented four policies for review, including Policy 212, Policy 213, Policy 222, and Policy 320. Each of the policies included some recommended staff changes, as well as other changes as discussed during the meeting, with the exception of Policy 222 for which there was a

review with no changes. After discussion, Mr. Kerrick made a motion to approve the policies with the recommended changes and denoted Policy 222 with no changes as being reviewed as of October 28, 2022. Mr. Preston made a second to the motion. After discussion, the motion passed unanimously.

XI. BOARD/CEO SESSION

A. Mr. Carter presented the Annual Calendar and reminded the Board it had an action item to preform the Board Attorney review. He delivered his CEO self-evaluation. Board Attorney also advised he would be circulating the CEO performance evaluation forms and stated those would need to be returned to him by the third week in November so they can be summarized for purposes of conducting the board evaluation of the CEO during the November 2022 board meeting. Mr. Carter then advised he would also be requesting a return of the Board Attorney review forms so that review could likewise be conducted in November.

He then presented and reviewed the dashboard and all of the metrics. He discussed another opportunity that may be coming within the service territory but at the time of the meeting, the details were all confidential.

XII. COMMITTEE REPORTS

A. Audit Committee Report

Mr. Peyton presented the report for the committee. He and Mr. Carter discussed Board Policy 405 (Attachment A). They had made some recommended changes. Mr. Peyton made a motion to approve the amendments to Policy 405 (Attachment A). Mr. Todd made a second to the motion. After a review and discussion on the policy and suggested changes, the motion passed unanimously.

B. Governance

Mr. Carter advised the Board Self-Assessment matter had come up on the Annual Calendar. He delivered the CFC forms for that self-assessment to be completed. Those forms should be completed and returned to the Cooperative before the November meeting if at all possible.

Chairman Spalding distributed the board assessment for the board attorney. That assessment should be completed and returned to him before the November board meeting.

XIII. EKPC

Chairman Spalding was pleased to advise the Board had approved just over \$20,000,000.00 in a general retirement of capital credits. The amount the Cooperative would be receiving is approximately \$926,889.00. He advised September revenues were \$6,000,000.00 above budget and year-to-date they are \$17,000,000.00 above budget. He also advised that a

review of one of the retirement programs had been undertaken. One of the purposes was to add a ROTH benefit as an option to be included for the employees of EKPC.

XIV. KEC/UUS

Mr. Todd advised there is an ongoing discussion about the Washington Youth Tour program. He also discussed some staff changes. He advised in the near future, the Board will have to decide on how to proceed with the number of students it recommends due to the increased cost.

XV. NRECA

A. Board Governance Video

Chairman Spalding played a video regarding the Board's role in the audit process.

B. Winter School for Directors

Chairman Spalding advised the Winter School for Directors is set to occur in Nashville, Tennessee on December 9 through 13th of 2022. At the current time Mr. Goggin has been approved to attend the meeting. The cutoff for anyone wishing to attend is November 9, 2022.

XVI. FEDERATED RURAL ELECTRIC INSURANCE / BOARD LETGAL UPDATE

No report given.

XVII. RUS-CFC-COBANK NEWS/UPDATES

Chairman Spalding advised the CFC statewide workshop for directors is scheduled to take place in Lexington at the Marriott Griffin Gate January 23-24, 2023. He advised there was a virtual option and any of board member wishing to attend and participate need to give Ms. Coleman notice as soon as possible.

XVIII. CAPITAL CREDIT DISBURSEMENTS

For September 2022 there were \$13,024.26 in capital credit disbursements. Mr. Peyton made a motion to approve the capital credit disbursements as stated. Mr. Goggin made a second to the motion and the motion passed unanimously.

XIX. WORK ORDERS FOR SEPTEMBER 2022

A. Work Order #2053 - \$449,810.76

Mr. Todd made a motion to approve the work orders as stated. Mr. Peyton made a second to the motion. After discussion, the motion passed unanimously.

XX. APPROVE NEW MEMBERS FOR SEPTEMBER 2022

A. 157 New Members

B. \$7,810 Membership Fees

Mr. Carter noted there was an account transfer from a deceased member to his widow and that the odd number for the membership fees was a result of that transfer. Mr. Goggin made

a motion to approve the 157 new member applications for membership and the fees as stated. Mr. Peyton made a second to the motion. 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 November 30, 2022, 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

No additional business was discussed.