

Meeting Minutes Summary

September 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
Louis A. 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. Goggin opened the meeting with prayer.

II. SAFETY MOMENT

Mr. Kerrick presented the safety moment by sharing an outline of why senior adults seem to fall. He gave several practice tips for reducing the number of falls for individuals in that age group.

III. ADOPTION OF AGENDA

Chairman Spalding presented the agenda for review. Mr. Goggin 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 26, 2022, Board Meeting. Mr. Todd made a motion to approve the minutes with a minor semantical change. Mr. Preston made a second to the motion and the motion passed unanimously.

V. AUGUST 2022 SUMMARY MINUTES

August 2022 summary minutes were reviewed. Mr. Kerrick made a motion to approve the summary minutes of the August 26, 2022, board meeting minutes. 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 September

27, 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 positive margins just over \$109,000.00 for the month. She noted that was compared to a budget of only a \$9,000.00 margin. She advised for the month of August 2022, OTIER was 1.33 and TIER was 1.74. On year-to-date she noted OTIER was 2.59 and TIER was 2.79. Comparatively speaking, the Cooperative is having a much better year through August of 2022 than August of 2021. She also gave an update on the comparison of the purchase power bill and noted overall there was a decrease of 5.4% from the previous month. She then went through and reviewed the distribution plan and noted total services increased by 2.28% and the miles of line increased by .57%. She then reviewed the current FFB rates and compared those for the month ending September 22 to August 22. Across all time frames referenced, the interest rates were up approximately .30%.

She then reviewed the commercial paper investments and the rates for the timeframes referenced 30-45 days, 46-89 days and 90 to 119 days effective as of September 22. Those rates were 3.28%, 3.5% and 3.73% respectively. She then presented a review of Form 7 and discussed several items including questions about line item 27 “other capital credit and patronage dividends”.

She and Mr. Carter advised of the possibility that due to the positive economic year that there would be an advancement of some operating expenses to be incurred in 2022 as opposed to 2023. They gave an outline of items including the advancing right-of-way clearing, community room improvements/upgrades, improving access through an electronic gate and review and updating equipment in the exercise room. Other items are still being considered and Ms. Kurtz and Mr. Carter will advise the Board of their decisions and/or recommendations in the upcoming meetings.

B. Office Services – Ms. Stocker advised there were 25 accounts for bills older than May 1, 2022, that totaled \$9,519.19 which she recommended to be declared as bad debt and sent to collections pursuant to PSC regulations. A motion was made by Mr. Preston to approve those accounts being assigned to bad debt and sent to collection. Mr. Todd made a second to the motion and the motion passed unanimously.

She then reviewed the amount of contract loans and said there is only approximately \$3,414.00 in outstanding bills for contract loans. That has greatly been reduced as a result of the practices of the Cooperative changing to require deposits. She then gave an update on prepay accounts and advised there are 528 active accounts. She advised that 97 of those had debt

management. The total debt accounts and debt management with prepay sums to approximately \$59,555.00.

She also gave an update on the funds received from Community Action in August and September. She expects there will be an increase in assistance from Community Action and other groups but the bulk of those run low on funds this time of the year.

She advised Jadelyn Lewis had received her MBA from Campbellsville University in August of 2022. She noted the Cooperative had assisted Ms. Lewis by providing some financial assistance during the timeframe in which she acquired her degree.

C. Operations – Mr. Phelps reviewed the plan account engineering and construction activities for his department. He also gave an update and reviewed the right-of-way clearing. He noted the number of lines cleared through August of 2022 were just below the benchmark. A significant portion of that problem surrounds the fact that one of the contractors have had persistent and ongoing equipment issues. He noted the spray cycle was complete for the year and he was awaiting their final billing. He noted year-to-date the cycle cost for clearing right-of-way was just under \$1,095,000.00 which accounted for approximately 253 miles of clearing. On an average, that cost runs just over \$4,300.00 per mile. The maintenance cutting for year-to-date was just over \$151,000.00 and the year-to-date total spraying cost is estimated to be approximately \$258,540.00. Mr. Phelps went on to give an update on receipt of one of three of the pickup trucks ordered in December of 2021. He also advised the department heads were going to start reviewing their preliminary budgets for 2023. He also confirmed that the Cooperative is going to start additional work to assist with inspections throughout the Cooperative territory. He confirmed the three small Altec buckets were scheduled to have arrived in the summer but have yet to be delivered. He advised Engineering is still receiving several net metering requests, many with battery backup. At the current time 26 of the 137 installation requests are equipped with batteries. He confirmed with closing on his report, there is still a significant supply chain issue with materials, which include poles, extension lengths, arrestors, underground equipment, etc.

D. Member Services – Mr. Hitchcock presented his report and reviewed the member service activities, along with the community activities. He gave highlights of the 2022 Honor Flight, including images of Lou Walker of Boyle County and William Tungate of Marion County.

He presented the key account chart for 2022. The bar chart confirmed for the entirety of August, the key accounts included just over \$1,785,000.00 of revenues. He then presented the top five (5) key accounts. Diageo dwarfed all other accounts with its usage being 65% of the gross total.

Mr. Hitchcock presented several images of the United Way Day and the participation of many of the Cooperative's employees in that event. Their project surrounded the upgrading of a ramp for a community member. Multiple images of the ramp were presented, as it existed before, as well as after the renovations were complete. Mr. Carter added the voluntary participation of the program through the Cooperative to financially support the United Way, included 54 of 60 employees or 90% of the entire work force, giving at least one hour of wages per month towards United Way.

E. Executive – Mr. Carter led with a request that the Board approve one additional day of vacation in 2023 for each employee that would donate at least one hour of pay per month to the United Way. As he references some of the materials and images presented by Mr. Hitchcock, he outlined the immediate impact this has on the communities which are served by the Cooperative. After discussion, Mr. Preston made a motion to approve the additional day of vacation for those participating. Mr. Kerrick made second to the motion and the motion passed unanimously.

Mr. Carter then presented the construction project summary. That was a detailed analysis running from 2013 – 2022. He also gave an update on the BD8 and BE47 work plans. He confirmed there is just under \$29,100.00 of work plans available for projects identified in the BD8 work plan.

Mr. Carter presented a series of service anniversaries and gave thanks to several employees who have significant tenure with the Cooperative. He noted Ms. Stocker had been employed for 29 years, followed by Mr. Hitchcock at 28 years. The service anniversaries for this month also included those with 2 years of service. Mr. Carter discussed the HR staffing levels and how that has balanced out with utilizing contract crews. He also noted there is the possibility of upcoming retirements in key areas in 2023 and advised he is working with other staff members to begin the process of considering how to address the loss of that institutional knowledge and bringing on new employees during the timeframe in which they can learn from these key employees.

1. Safety/Loss Prevention Summary – Bo McGuffey advised there was one reportable incident that included a significant contact with poison ivy which required a shot. He also advised that the DART rate and severity rate all continue to be at zero. He confirmed Federated came in and made an inspection of the Cooperative's physical property and warehouse area. They found no immediate issue to address. He and Mr. Carter did add there was a recommendation that select employees of the Cooperative be provided voltage regulation

training. Mr. Carter and Mr. McGuffey advised that is going to be scheduled. Mr. McGuffey closed in saying that the Safety Day has been scheduled for October 10.

2. Cyber Security Update – Mr. Bach and Mr. Carter confirmed the overall insurance needs of the Cooperative included a review of the cyber security policy. They were happy to advise that the Cooperative performed very well through that review and there was no change in the amount of premium for cyber security. Mr. Bach confirmed his communication with other cooperatives included that several of them could not provide a similar response to the inquiry and at least one of those cooperatives could only affirmatively answer one question regarding the survey required by Federated before they would issue a cyber security endorsement.

3. 2022-2023 Federated Insurance Proposal – Mr. Carter circulated the proposal from Federated Insurance and reviewed the various policy endorsements. He noted the total premium went up to \$225,347.00. He advised the premium cost for the coverage year of 2021 through 2022 was just over \$214,650.00. He and Mr. Hermesch were pleasantly surprised there was not a material increase in the overall premium for the Cooperative. Mr. Carter gave thanks to the staff and all of those involved in trying to minimize any operational errors while using the computer systems. He and Mr. Bach noted following those protocols, greatly limit the exposure for a cyber security breach and also are material in keeping the policy premium at the same amount for the prior year.

X. LEGAL /REGULATORY/POLICY

Mr. Carter presented several policies. Some of those had minor semantical changes and others were simply for review. Those included policy 202, 226, 228, 303, 308 and 316. Mr. Kerrick made a motion to approve the policies with the recommended changes and denote those with no changes as being reviewed as of September 27, 2022. Mr. Goggin made a second to the motion. After discussion, the motion passed unanimously.

XI. BOARD/CEO SESSION

A. Wage and Salary Presentation

Mr. Carter invited Ms. Kurtz to be present during the wage and salary presentation. He went through several worksheets with the Board, noting this is a very unique season in the life of the Cooperative as well as across every industry as a result of unprecedented inflation. Ultimately, he concluded it was his recommendation that the salaries be increased by 4% across the board and to give an initial \$500.00 inflation fighter bonus. He said he would consider additional funds for the staff in the upcoming months, along with the potential for a bonus at Christmas. Mr. Todd made a motion to approve the 4% across the board, effective November

1st, with an additional \$500.00 per employee. After significant discussion and review of the materials presented, along with discussion on the different philosophies of how to address unprecedented inflation, the Board voted unanimously to approve the 4% raise with the additional \$500.00 deflection bonus.

B. Retirement/401k Proposal – Mr. Carter and Ms. Kurtz presented three different documents provided by NRECA for the retirement program for the Cooperative employees. Mr. Carter and Ms. Kurtz recommended the Board execute the documents as drafted, which included several changes. With regard to the RS Program, the rate on page 4 of that document was recommended to go from 1.6 to 1.8 and be effective on January 1, 2023. Next, was a modification of the 401(k) document to confirm that employees would now be available to participate starting three months after their official hire. That was also combined with a reduction as required by the PSC in the last rate case that the Cooperative not contribute to separate and distinct retirement plans. With that in mind, the staff recommended the Board approve the Cooperative no longer contribute any funds to the 401(k) of any employee as of January 1, 2023. With those changes in mind and after a lengthy discussion, Mr. Todd made a motion to approve those modifications. Mr. Preston made a second to the motion and the motion passed unanimously. The documents regarding those respective changes were reviewed by the Board and Mr. Carter, Mr. Preston and other staff signed those as required. The original documents will be returned to NRECA on or before December 1, 2022.

C. Annual Calendar – Mr. Carter reviewed the Annual Calendar and the upcoming events. For October those included consideration of required capital retirements pursuant to the bylaws, to review equity management, audit committee's report, and CEO evaluation, as well as the board attorney evaluation. He recommended a review of employee policies 201, 212, 213, 222, 315 and 320.

D. Dashboard – Mr. Carter reviewed all of the metrics of the dashboard and of note he advised the previous discussion about the financial indicators all suggested it had been a remarkable year with TIER and OTIER at 2.79 and 2.95 respectively. He did say that there were some concerns about the operational indicators due to a series of storms in the month of July. Unfortunately, the SAIDI was up to 1.89. He noted the benchmark is 1.75. He also confirmed he and staff are reviewing the system inspection process. Hopefully, that will also assist in identifying problem areas.

E. KRTA – Mr. Carter presented a series of slides from the 2021-Inter-County Energy CFC – Key Ratio Trends Report. He reviewed approximately 17 pages of those indexes and graph charts.

F. Broadband – Mr. Carter circulated a feasibility study report from NRTC. The best estimate presented by that study included a investment estimate for infrastructure only totaling over \$117 million dollars. That report was discussed extensively, as well as identifying that that cost was still not a turnkey project and that there were multiple other costs that would have to be included. He also gave a specific estimate of one area of the membership served by a substation in a more rural area of the service territory. That territory had the lowest density in the entire service territory and it was estimated the cost per member totaling over \$17,760.00 or approximately \$11.3 million for that one area of the service territory. Mr. Carter advised he will continue to monitor that issue as it develops, however, in light of the magnitude of the investment and the lack of funds that the project at this time presents an exposure, he is not willing to recommend to the Board. However, other relationships might change that exposure.

XII. COMMITTEE REPORTS

A. 2023 Board Budgeting – Mr. Carter reiterated the requests of Ms. Kurtz for the directors to provide an outline of their plans for travel for the 2023 calendar year. Mr. Carter asked Ms. Kurtz to present a copy of last year's report to each board member before they left the meeting for points of reference.

XIII. EKPC

Chairman Spalding gave an update on the discussion that occurred at the last board meeting in Winchester, Kentucky. The majority of that discussion surrounded EKPC retiring various levels of capital credits. There were six different scenarios that were presented. Mr. Carter and Chairman Spalding seemed to believe that option number 3 would end up resulting in approximately \$926,000.00 being retired payable to the Cooperative and leaving EKPC equity at approximately 21.98%. Chairman Spalding and Mr. Carter then gave an update on some of the ash pond remediation efforts and potential uses for some of that material and other industries. Chairman Spalding noted, at the current rate, EKPC's generation includes a large production of dry ash on an annual basis. He noted due to closure of other coal fired plants that the demand for ash pond material for other construction purposes has increased significantly. He has identified one if not more different entities that would be interested in trying to use that raw material.

He also advised that the CFC/Board Governance would be meeting in January of 2023 at the Lexington Marriott Griffin Gate.

XIV. KEC/UUS

Mr. Todd gave an update on the recent meeting and noted the key points from the September Board Meeting were included in the board packet.

XV. NRECA

A. Board Governance Video

Chairman Spalding asked that the board governance video be postponed for the month in light of the other activities during today's meeting.

B. Winter School for Directors

Chairman Spalding noted that the Winter School for Directors is set to occur in Nashville, Tennessee on December 9 through 13th of 2022. Mr. Todd made a motion to approve all directors to attend the sessions. Mr. Kerrick made a second to the motion and the motion passed unanimously. Any directors intending on participating need to advise Ms. Coleman before the November 9, 2022, deadline.

XVI. FEDERATED RURAL ELECTRIC INSURANCE

Mr. Carter advised he had discussed the insurance update. He advised he will review the coverage amounts and get back with the Board on that coverage. Ultimately, he advised he is going to see that the quoted premiums are paid on a timely basis to lock in the coverage identified in the quote.

XVII. RUS-CFC-COBANK NEWS/UPDATES

Mr. Carter advised that the CFC Solutions Market Watch Report was in the board packet. There was no additional discussion.

XVIII. CAPITAL CREDIT DISBURSEMENTS

For August 2022 there were \$24,093.42 in capital credit disbursements. Mr. Kerrick 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 AUGUST 2022

A. Work Order #2051 - \$449,517.79

B. Work Order #2052 - \$0

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

XX. APPROVE NEW MEMBERS FOR AUGUST 2022

A. 182 New Members

B. \$9,100.00 Membership Fees

Mr. Goggin made a motion to approve the 182 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 Friday, October 28, 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.

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 1:26 p.m.