

**INTER-COUNTY ENERGY COOPERATIVE CORPORATION**  
**Meeting Minutes Summary**

August 28, 2020, 2020

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 telephone, to-wit:

Joseph H. Spalding	J. Kevin Preston
William H. Peyton	Louis A. Kerrick
Jason E. Todd	Allen Goggin

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

**I. PRAYER**

J. Hadden Dean gave the prayer.

**II. SAFETY MOMENT**

Mr. Kerrick gave a summary of summer safety tips including use and cleaning of barbecue grills, swimming pool and gates and a reminder to take proper precautions for the sun which could coincide with skin cancer.

**III. ADOPTION OF AGENDA**

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 28, 2020 Board Meeting. Following a review of the minutes Mr. Todd made a motion to approve the minutes. Mr. Goggin made a second to the motion and the motion passed unanimously.

**V. AUGUST SUMMARY MINUTES**

August summary minutes were discussed, and a motion was made by Mr. Preston to approve the summary minutes for August 2020 board meeting. Mr. Peyton made a second to the motion and the motion passed unanimously.

**VI. 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 August 28,

2020 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. In addition, each circulated proposed budget and reviewed each of the line items.

Finance and Administration – Ms. Gilliam noted the June income statement reflects year-to-date positive margins of \$1,342,991.00, which is just over \$429,000.00 more than 2020 budget. However, the Cooperative had budgeted to show a loss for June totaling just under \$173,000.00 but the Cooperative only sustained an approximate \$76,000.00 loss.

Ms. Gilliam next reviewed the FFB quarterly rates as of July 22 and August 25 of 2020. She also went over the payroll numbers and the KREC Insurance Comparison Report for the contribution made versus the benefits received for the Cooperative year-to-date. She was happy to note there had now been approximately \$84,000.00 contributed over the benefits received by the Cooperative.

Ms. Gilliam went through a review of the district composition. A chart was presented that included miles of line, the average number of members billed, average minimum bills, the total kWh billed, and the revenue billed for each district. The Board discussed the GEO political boundaries, as well as the composition of each district. The Board also noted at the current time and from the outset of the creation of the Cooperative, all board members have been elected by the total membership – not just the members of each district. After review of this information and data, Mr. Preston made a motion to confirm the district composition was reviewed and that there were no changes to be made. Mr. Kerrick made a second to the motion and the motion passed unanimously. She also reviewed the financial and statistical report for the period ending June of 2020 and the balance sheet attached therewith.

Additionally, financial data was included in Ms. Gilliam's summary report for the Board to review. She took further questions from the Board and discussed the overall financial condition of the Cooperative.

#### Cyber Security Update

Mr. Bach gave an update and confirmed that the Lebanon Office upgrades have been completed now. In the event of a catastrophe or loss of access to the computer hardware and/or software at the Cooperative headquarters in Danville, that he and his staff could temporarily run through the Lebanon office. He also confirmed the RCT Program is moving forward and the self-assessment is being analyzed. That assessment consists of approximately 134 questions and he and his staff continue to utilize that program to better equip them to handle the security of the Cooperative and other needs.

A. Office Services – Ms. Stocker advised the Board there were 18 unpaid accounts totaling \$7,232.86 to be sent to bad debts and turned over for collection. These accounts represented unpaid bills that were older than April 15 of 2020. She requested those accounts be sent out for collection. A motion was made by Mr. Todd to approve the accounts in the amounts stated. Mr. Goggin made a second to the motion and the motion passed unanimously.

Ms. Stocker confirmed her budget may have some items of payroll that are inflated due to the COVID pandemic. This includes overtime for additional cleaning and/or other tasks that simply required more time than normal. She expected payroll will begin to normalize within the upcoming months.

Ms. Stocker gave an analysis of the overdue or past due accounts. She noted all late fees are going to be required to be waived by the governor and/or the PSC. Those late fees to date total approximately \$375,000.00. She noted again this is just the late fees – not the underlying account balance.

B. Operations – Mr. Phelps gave an update on the construction crews and purchases. He also confirmed the staking that was underway and several different projects throughout the territory, including Campbellsville University, Kentucky Fresh Harvest, Raleigh Road to Burks Springs System Improvement and conductor changes at Spice Ridge and Lexington Road.

He next discussed the right-of-way clearing and talked about the number of miles cleared and referred to a 2020 cycle – right-of-way report that was included in the board packet, along with a chart. He confirmed there still seems to be a deficit of miles cleared versus the projected miles cleared as of year-to-date. He acknowledged there were additional crews that had been brought on to try to complete the cycle as budgeted within the timeframe.

Mr. Phelps gave an update on the Diageo Phase 1 work that included the installation of equipment from the substation to the property. That was going to be completed by using an underground conduit. He also gave an update on the Kentucky Harvest Project and confirmed conduit and concrete pads had been installed. He advised that installation for the new Lancaster Substation is underway.

Mr. Phelps stated his budget seemed to be in line with the forecast and ended by advising that lineman interviews had been conducted and noted he expected to make an announcement regarding new employees soon.

C. Member Services – Mr. Hitchcock began his report with the member service activity for July of 2020 followed with a summary of the member service activity throughout

the service territory. He confirmed the loan for the heat pump program currently consists of 41 loans with a total of approximately \$156,000.00 outstanding. He did confirm there were 8 delinquent loans totaling approximately \$21,600.00. He is working with board counsel to address those outstanding balances. He also noted that all the outstanding balances were subject to promissory notes and mortgages on the properties within the counties where the homes were located.

Mr. Hitchcock gave an update on the global pandemic, as it is impacting the electric industry. He noted that the US electricity demand was down in May approximately 7 ½ % as compared to May of 2019. He noted that residential loads are up about 8% higher than normal but that commercial and industrial demand was down approximately 10-15% depending on locations. He noted that demand for natural gas has been resilient and oddly without any significant changes in demand, one way or the other. As an antidote, he noted one of the biggest microgrids in the United States exist on the island of Alcatraz off the coast of San Francisco. He included an image in the board pack and noted that the system at Alcatraz consisted of a 305 kilowatt solar array setting on top of the main building hidden from the public view so as to preserve the historical integrity of the facility. The article reflected the project costs approximately \$7.1 million dollars and was funded by the American Recovery and Reinvestment Act. The array has resulted in the reduction of the island's fuel consumption by 45% since 2012. It is estimated that the array saves more than 25,000 gallons of diesel fuel per year and still can preserve the historical aesthetics and view of the property.

Mr. Hitchcock then outlined his key account monthly chart and noted comparison of 2019 power costs for key accounts totaling approximately \$481,000.00 compared to 2020 totaling \$533,000.00 for the month of June in each respective year. He also noted the expansion of the Wilderness Trail Distillery by comparing usage for May of 2018 versus 2020. In 2018, usage was 61,898 kWh and in 2020 that soared to 237,030 kWh. The distinction for the bills for the same respective timeframe was \$7,045.00 for 2018 compared to \$22,112.00 in 2020.

Mr. Hitchcock concluded with an update on demand for electric trucks throughout the United States and presented a color-coded map identifying which model is in demand in each respective state. He gave images of each respective models in his board packet. Chairman Spalding and Mr. Carter also acknowledged that the Member Appreciation Day is going to be set potentially in October and indicated they were going to try and coincide the October board meeting with that event.

D. Executive

Mr. Carter presented his executive department budget, as well as the summary budget. He confirmed his overall budget year-to-date was approximately \$123,000.00 below the projections. He also confirmed the summary budget listed the year-to-date margins of \$429,409.00 for the month ending June of 2020. He then made notice of work anniversaries for three employees – two of which came to the Cooperative on the same day.

1. Safety/Loss Prevention Summary - Mr. Carter discussed the safety meeting minutes of July 2020 and the work that is being done by Mr. McGuffey and the staff regarding several areas of concern. Mr. McGuffey was unable to attend this month's meeting. He went over the August 24 Safety/Loss Control Board Summary which included a near miss, crew visits and other data. Of note, Mr. Carter confirmed the report reflected the recordable incident rate as of June 2020 was zero, DART was zero and the severity rate was zero. He did note for the year the recordable incident rate was 6.61, DART ratio was at 3.30 and severity rate was 237.81. He noted that of the injuries that drive these rates, only a couple are responsible for the significance of those types of data points.

2. Windstream Update – Mr. Carter gave an update on the Windstream Bankruptcy and noted the Cooperative will be paid all money it is due for the prepetition amounts that had not been previously paid. He then confirmed that water heater and other associated systems at the Cooperative in Danville had to be recently replaced. He noted efforts to obtain bids, as well as comparisons of equipment to be replaced, was made to do so in a like manner as that which was originally installed on site. Mr. Carter reviewed the distinctions within the bids and advised to whom and why the contract was awarded.

3. Policy 305 – Drug and Alcohol Policy. Mr. Carter confirmed the drug and alcohol policy is being reviewed and there are going to be some revisions proposed. A copy of the policy was provided to the Board and they were requested to review the same for the upcoming Board meeting for discussion purposes.

**VII. LEGAL/REGULATORY/POLICY**

**VIII. BOARD/CEO SESSION**

A. Annual Calendar Review - Mr. Carter made a review of the Annual Calendar and again confirmed that during the current pandemic, it has been very difficult to justify bringing in outside members for purposes of updating the Board on the various subject matters that have been originally placed within the annual calendar. Mr. Carter did however provide an update on the interview process and the receipt of resumes for the forthcoming position to replace Ms. Gilliam, as the Chief Financial Officer of the Cooperative. It noted the applicant pool appeared

to be very talented and pleased with the interest displayed. He commended Ms. Gilliam on her professionalism, work and diligence throughout her career and the impeccable dedication displayed to the Cooperative and its staff and members.

B. Dashboard Review - Mr. Carter reviewed the dashboard with the Board and went over each of the safety, financial, operational and customer indicators. He was happy to advise the Board there were no new injuries or accident in the month of June. Additionally, he reviewed the benchmark and year-to-date numbers. As it related to financial data, he confirmed tier was at 2.64, OTIER was a 2.49 and the modified debt service coverage was at 1.77. He advised equity was at 14.08 % and when considering allocations for G & T Capital Credits, the Cooperative had an equity ratio of 35.74%. Regarding operational indicators, he noted the bulk of those were near or exceeded the benchmark numbers. Last, he confirmed the customer indicators continued to show modest growth for the members served, as well as a continued modest increase in the total utility and plant.

Mr. Carter next discussed an economic development initiative. He advised he had considered doing this for some time. This is a different program that had normally been considered when discussing these opportunities. In short, his plan is to consider a feasibility study to be performed when looking at the opportunity to introduce various industrial or commercial clients throughout the service territory. This would not be a process where any money would be spent to develop the areas but rather to identify the ones that had favorable access to infrastructure, including water and other utilities. A lengthy discussion ensued, and Mr. Carter noted he would continue with developing his strategy and keep the Board advised.

**IX. COMMITTEE REPORTS - None**

**X. EKPC**

Chairman Spalding gave an update on the issues addressed at EKPC's Annual Meeting. He was happy to advise that the year-to-date margins at EKPC were positive and above budget. He also confirmed there is some concern that future stimulus may not include the right for EKPC to refinance some of its long-term debt. If this occurs, there may be an opportunity for additional patronage capital retirements by EKPC to its members.

Last he confirmed he was reelected to serve as the Chairman for the EKPC Board and confirmed this was the last year he would be able to serve in that role. He noted he greatly appreciated the trust and support received by the Cooperative's board to spend time and serve the Cooperative not only at EKPC but to serve as it Chairman of its Board of Directors.

#### **XI. KEC/UUS**

Mr. Todd confirmed that the annual meeting will be held on November 16, 2020. He plans on attending virtually and will participate from the Cooperative headquarters in Danville. Chairman Spalding called for a nomination for voting delegates and alternate delegate. Mr. Goggin made a motion to approve Mr. Preston as the voting delegate and Mr. Kerrick as the alternative delegate. Mr. Kerrick made a second to the motion and the motion passed unanimously. Chairman Spalding also called for a nomination for the Board's representative at KEC. Mr. Goggin made a motion to approve Mr. Todd and Mr. Carter to serve as members of KEC Board. Mr. Kerrick made a second to the motion and the motion unanimously passed.

#### **XII. NRECA**

Chairman Spalding gave an update on the Region 3 Virtual Meeting – General Session which is set to occur in mid-October. He solicited a nomination for the Voting and Alternate Delegate. Mr. Kerrick made a motion to nominate Mr. Todd as the voting delegate and Mr. Preston as the alternate delegate. Mr. Goggin made a second to the motion and the motion passed unanimously.

Chairman Spalding then asked the Board to watch an approximate 10 minutes video on board governance. The subject matter of the video was the board's role in safety. After the conclusion of the video, the Board had an additional discussion about its role in promoting and acknowledging safe business practices.

#### **XIII. FEDERATED RURAL ELECTRIC INSURANCE**

Mr. Carter discussed the Federated 2020 renewal cost comparison. He also displayed information and data from 2016.

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

Chairman Spalding solicited a nomination for the voting delegate for CoBank's direction elections. Mr. Kerrick made a motion to nominate Mr. Carter to serve in this capacity. Mr. Goggin seconded the motion and the motion passed unanimously.

#### **XV. CAPITAL CREDIT DISBURSEMENTS**

Mr. Preston advised there were estates retirements for June of 2020 totaling \$2,316.00. Mr. Todd made a motion to approve the disbursements as stated by Mr. Preston. Mr. Peyton made a second to the motion and the motion passed unanimously. Mr. Preston also noted the total patronage capital retirements as of May 2020 were \$13,872,228.00.

#### **XVI. WORK ORDERS**

Mr. Preston identified Work Order #1994 (retirement without replacement), Word Order #1995 in the amount of \$441,640.03, and Work Order #1996 in the amount of \$3,063.97

for approval. Mr. Peyton made a motion to approve the work orders as stated. Mr. Goggin made a second to the motion and the motion passed unanimously.

**XVII. NEW MEMBERS**

Mr. Preston advised for July of 2020 the Cooperative added 210 new members totaling \$10,500.00. Mr. Kerrick made a motion to approve the new members and the fees collected. Mr. Todd made a second to that motion and the motion passed unanimously.

**XVIII. MISCELLANEOUS**

Chairman Spalding requested the Board submit their expense sheets by providing those to Ms. Coleman via email and/or by dropping the same off through the drive-up window at the Cooperative. He reminded the Board that the next regular board meeting is scheduled to be held on Friday, September 18, 2020 at 8:30 a.m.

**XIX. OTHER BUSINESS**

Chairman Spalding then asked if there are any additional issues that need to be addressed on the agenda other than those mentioned above. Mr. Carter suggested that anyone wishing to have an item placed on the agenda do so by providing the same to Farrah Coleman.

**XX. ADJOURN**

Hearing no further business, Mr. Kerrick called for a motion to adjourn the meeting at 2:40 p.m. Mr. Todd made a second, and the motion passed unanimously.