

INTER-COUNTY ENERGY COOPERATIVE CORPORATION

Meeting Minutes Summary

Date: January 17 @ 8:30am

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

Also present was Board Attorney J. Hadden Dean.

Location: Office of the Corporation in Danville, Kentucky

Prayer: J. Kevin Preston

Safety Moment: Mr. Kerrick

Topic: Mr. Kerrick gave the safety moment. He presented an article discussing the dangers posed with running traffic signals.

ADOPTION OF AGENDA

Mr. Goggin made a motion to approve the agenda. Mr. Kerrick made a second to the motion and the motion passed unanimously.

REVIEW OF MINUTES

The Board reviewed the minutes of the December 18, 2019 Board Meeting. Following review of the minutes, Mr. Peyton made a motion to approve the minutes. Mr. Preston made a second to the motion and the motion passed unanimously. Mr. Carter presented a draft summary of board meeting minutes for consideration in publishing to the Cooperative website. Chairperson Spalding indicated that there will be a vote on publishing the summary board minutes on the Inter-County website at the February Board Meeting

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 17, 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 budgets and reviewed each of the line items.

A. Finance and Administration – Ms. Gilliam gave her report for the month of November and advised she was happy to report positive margins for November. She did say the unbilled revenue had some impact on the positive margins. She also noted the budget reflected a projection of negative margins of \$256,000.00. She also looked forward to the December month and thought there would also be negative margins in that month due to a low load factor billing.

Ms. Gilliam reviewed a column on Form 7 and noted the same date through the end of November 2019 represented a \$1.5 million positive margin, whereas the same timeframe in 2018 reflected a negative margin of \$424,000.00.

Ms. Gilliam provided an update on the FFB Loan. She stated the loan was locked in at 2.06%. She also gave a display of all debt, the principle balances and respective interest rates. It was unclear if there would or would not be a prepayment penalty if some loans were refinanced. Ms. Gilliam advised she would contact CFC and CoBank to confirm.

Ms. Gilliam presented a district composition comparison and noted as of December 2019, the numbers of meters for the respective districts are as follows: Garrard District – 4919; Lincoln District – 7433; Boyle District – 3625; Marion District – 6258; Mercer District – 2266 and Casey District – 2039. The total number of meters is 26,540. Mr. Kerrick made a motion for the Cooperative not to redistrict or change the location of the district maps. Mr. Preston added it is important to note for purposes of voting, the membership votes at large for each respective district. Mr. Goggin made a second to Mr. Kerrick's motion and the motion passed unanimously.

1. Cyber Security Report

. Chris Bach gave an update and advised he continues to send out phishing test on a weekly basis. He said they had very poor results recently from a phishing test and ultimately it was determined that the cause of the false positives were the result of some of the newly installed protection software. Overall the exercise has been very enlightening to him and the staff. Additionally, he confirmed all Windows 7 PC's are being removed from use due to the end of Microsoft Support as of January 2020.

Chairperson Spalding also added that the Cooperative now has an "outage app" which provides real time notice of outages throughout the Cooperative territory. Each department head and board member should review and consider installing the app on their phone as it pertains to outages.

B. Office Services – Lori Stocker identified 59 accounts overdue and requested the same be sent to collections. Mr. Goggin made a motion to approve the accounts overdue in the amount stated and send the same to collections. Mr. Todd made a second to the motion and the motion passed unanimously. She also discussed the Windstream bankruptcy debt as a part of

the overall outstanding balances owed to the Cooperative. She responded to a question posed by Mr. Kerrick regarding the call log. She made note of the immense volume of telephone calls being received by the Cooperative at this time. She advised there is some progress in attempting to get the membership to utilize the automated services such as bill pay, also other questions that could be easily answered through that process.

Mr. Kerrick inquired if the benchmark for the Cooperative for its receivables was comparable to other Cooperatives. Ms. Gilliam and Ms. Stocker advise the Cooperative has one of the highest losses in this regard and primarily based on the low deposits and the timing of the billing. Ms. Gilliam explained in detail the problems with the current billing and the proposals for change in the billing cycle. The proposed change would cut down the lag-time between the date a member's reading is pulled for billing and the date a 30-day bill is actually processed and mailed to the member. The current process, dating back to the early 1990's, results in a 19-day lag between the time a reading was received from the member and the date the bill is mailed to the member. This lag results in delays in collecting current revenue and reading dates fall in two-weeks of any given month to the following 2-weeks of the next month. Processes will be implemented whereby bills can be mailed in as little as 3-4 days from the date the meter reading is pulled resulting in more current usage data for members and a much quicker recovery of that revenue. One of the biggest factors to be considered in this change will be realignment of the end-users payment due date. PSC rules, regulation and requirement must be incorporated into this process and an aggressive campaign to notify members of this change will begin mid-year with the projected completion of the process being October 2020. Updates during the year will be presented to the board as plans and decisions are made.

C. Operation – David Phelps was unable to attend the meeting. Mr. Carter provided an update in his absence as it pertained to information in the board packet. This included the fact that the 2019 right-of-way cycle was completed, and the 2020 cycle had begun.

Mr. Carter also gave an update on the Diageo project. He advised that issues regarding transmission and substation easements had been worked out in principle and all that was left to do was to set a closing to confirm the location of the easements and additional properties involved. He noted the Lebanon Enterprise unfortunately misstated the cost that was involved in Diageo purchasing the nearly 209 acres. The newspaper advised Diageo purchased 18 acres for \$1.5 million dollars when in reality they purchased 209 acres which consisted of one 18 acre tract and one 190 acre tract. A retraction is said to be being prepared by the newspaper.

D. Member Services – Mr. Hitchcock gave an update regarding some of the possibilities for educational opportunities with Campbellsville University in Harrodsburg which may be tailored

to individuals going through lineman schools. He advised the exam is very difficult and Campbellsville is interested in assisting in this regard. He also provided images of the gymnasium at the university and highlighted pictures which included Mr. Kerrick and his wife Jo, being present at the grand opening ceremony.

Mr. Hitchcock also presented an image that was in The Kentucky Living magazine of Bo McGuffey. He was very appreciative of the staff attending and taking the pictures to accompany the article including the Cooperative and its employees. He gave an update on the thermostat program which went into effect on January 13, 2020. He gave an outline on how it works and the credits and discounts which may be available to the membership should they engage in the program. He also gave an update of the Diageo project and presented several images of overhead views of the grounds and progress.

Mr. Hitchcock presented a pie chart of the key accounts and a comparison was made from 2018 to 2019. He confirmed there was an ongoing LED project at Wilbert and noted they are planning to switch to LED lamps. He said the savings would be approximately 30.3 kilowatts saved.

Mr. Hitchcock discussed the analysis of temperature days for comparison over the last several years. Additionally, he reviewed the data form for a comparison of the temperature of 2012 to 2016 and also from 2017 to 2019.

Mr. Hitchcock presented two thank you acknowledgements received as a result of the 2019 Christmas Blessings program. He said the program is continuing to be a great success. Mr. Carter said due to the event's continued growing success, there will be a need for additional oversight so there is no blending of that separate 501(c)(3) organization with the Cooperative. This includes confirming there is no cross-referencing the use of the Cooperative's credit card for purchases of Christmas Blessing items.

E. Executive – Mr. Carter presented his Executive Budget and was very proud to note the actual expenses were less than those budgeted. He outlined the summary budget and noted the comparison for the electric revenue in November to past years.

Mr. Carter next presented a graph identifying the year-end outage map based on the number of minutes per each member. The goal was to have 100 minutes or less outage for each member. The actual number ended up being 98 minutes for the 2019 calendar year. Mr. Carter gave great praise to the lineman and staff for helping achieve this goal. He also noted a lot of the comparisons can be skewed due to the frequency of severe storms. He noted the 100 minute goal basically meant that each member would have no more than a total of 1.63 hours of outage for the calendar year 2019.

Mr. Carter presented a series of work anniversaries which ranged from 31 years all the way down to one year. It was noted board attorney, J. Hadden Dean had been with the Cooperative for 10 years as of December 2019.

1. Safety/Loss Prevention. Mr. McGuffey gave an update on an injury that occurred during the recent windstorm. He advised of the basic facts which led to one employee having two tendons cut. The surgery went well however this will be a reportable incident and that there would be some modest to significant loss time. He advised the incident is being studied very carefully and all aspects relating to this injury is being reviewed by the Operations Staff and Safety Coordinator, along with Mr. Carter.

He noted the 2019 calendar year was an excellent year as there were no recordable incidents. The year ended with a severity of zero and recordables of 3.75. It is noted that recordables could include issues such as tick bites or poison ivy.

I. STRATEGIC PLAN UPDATE

Mr. Carter presented the strategic plan worksheet and had each of the specific action items discussed by the respective members of the department heads and/or staff involved. He continues to applaud the staff and employees for their work in trying to achieve each respective action item. Those items are as follows: Safety, System Reliability, Technology, Communications/Member Engagement, Commitment to Communities, Leadership and Employee Development and Financial Integrity.

II. LEGAL/REGULATORY/POLICY

Policy 309 and Policy 310.

The policies were reviewed, and it is noted the Board had no requested changes and the policies should be confirmed as having been reviewed in January 2020.

III. BOARD/CEO SESSION

A. Annual Calendar Review

Mr. Carter reviewed the same with the Board and there were no changes recommended.

B. Dashboard Review

Mr. Carter went over the dashboard indexes and discussed again the distinction between TIER and OTIER. He confirmed Ms. Gilliam will be retiring at the end of 2020 and that he expects he will begin a search on both a national and local level and hopes to have the candidate in place

for cross-training by October 1, 2020. That date could vary depending on the individual hire's level of expertise and the time that may be needed to work with Ms. Gilliam in this transition.

C. Policy Review

Policies 402, 403, 409 and 410 were all reviewed by the Board. The Board following their review, recommended changes. It was also noted that Policy 428 (Succession Plan) would be on the agenda for review. Mr. Dean also suggested that under Policy 410, the Board Attorney be included in the same performance review. He noted the rate for his services had not been reviewed for some time. Chairperson Spalding suggested that the Board Attorney performance review, along with the rate for legal services, would likewise now be reviewed at the same time and that the review at EKPC was performed by the Board Chairman and CEO.

IV. COMMITTEE REPORTS

A. Board Self-Assessment

Chairperson Spalding collected all of the forms and for those board members who did not have their form yet completed, directed them submit those to Mr. Carter. Mr. Carter will compile a summary and the same will be reviewed at the February Board Meeting.

B. Valley Electric Discussion

Chairperson Spalding and the Board commented on the excellent article that was in the RE Magazine relating to the challenges which Board of Directors face and the changes they have made. A lengthy review was made of the "Four S's" regarding management and also on the eight (8) action items that were addressed by that board. Mr. Carter and Chairperson Spalding confirmed many of those items have been already addressed in detail by this Board. However, striving for continued excellence is something that Mr. Carter and Chairperson Spalding plan to continue.

X. RUS-CFC-COBANK NEWS/UPDATES

Chairperson Spalding identified the CFC Financial Workshop was upcoming and he, along with Mr. Todd, Mr. Preston, Mr. Peyton and Mr. Kerrick were planning to attend. Travel arrangements will be discussed leading up to the meeting.

XI. CAPITAL CREDIT DISBURSEMENTS

Mr. Preston advised there were estates retirements for November of 2019 totaling \$9,841.00. Mr. Peyton made a motion to approve the disbursements as stated by Mr. Preston.

Mr. Todd made a second to the motion and the motion passed unanimously. Mr. Kerrick also noted the total patronage capital retirements as of November 2019 were \$13,820,839.00.

XII. WORK ORDERS

Mr. Preston identified Work Order #1979 in the amount of \$435,212.70 and Work Order #1980 in the amount of \$1,425.95. 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.

XIII. NEW MEMBERS

Mr. Preston advised for December of 2019 the Cooperative added 131 new members totaling \$6,550.00. Mr. Goggin made a motion to approve the new members and the fees collected. Mr. Kerrick made a second to that motion and the motion passed unanimously.

XIV. MISCELLANEOUS

Board Attorney, Mr. Dean advised he had conflicts with his schedule in regards to upcoming the February and March board meetings. After review, it was agreed that rescheduling the February meeting to February 19, 2020 at 8:30 a.m. would work for the Board and staff. The March Board meeting was rescheduled to March 27, 2019 at 8:30 a.m. Mr. Kerrick made a motion to approve the changes to the February and March 2020 board meeting dates as stated. Mr. Peyton made a second to the motion and the motion passed unanimously.

Chairperson Spalding requested the Board submit their expense sheets and provide those to Ms. Gilliam prior to the end of the Board meeting. He reminded the Board that the next regular board meeting was going to be held on Wednesday, February 19, 2020 at 8:30 a.m. and suggested that anyone wishing to have an item placed on the agenda do so by providing the same to Farrah Coleman.

Chairperson Spalding then asked if there are any additional issues that need to be placed on the agenda other than those mentioned above. Seeing no additional comments in that regard, Mr. Preston then made a motion to adjourn the meeting at 1:29 p.m. Mr. Todd made a second and the motion passed unanimously.