

INTER-COUNTY ENERGY COOPERATIVE CORPORATION
Meeting Minutes Summary

July 24, 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

Kevin Preston gave the prayer.

II. SAFETY MOMENT

Chairman Spalding reminded everyone that wearing masks seems to be one of the most logical ways that society is dealing with the pandemic at this time.

III. ADOPTION OF AGENDA

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

IV. REVIEW OF MINUTES

The Board reviewed the minutes of the June 19, 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. JUNE SUMMARY MINUTES

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

VI. REPORTS

Departments

The minutes will reflect each of the respective department heads have in the past and 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 July 24, 2020 meeting, Mr. Carter stated he had spoken with each of the respective departments heads

and would provide additional input as necessary on their report. In addition, a proposed budget was circulated by each and a review of each of the line items as presented with the summary of their activities, which was included in the board packet for each Director of the Cooperative.

A. Finance and Administration – Ms. Gilliam confirmed income for the Cooperative reflected year-to-date positive margins of \$1,419,596.00 which was \$439,570.00 ahead of the year-to-date budget and \$37,428.00 more than the year-to-date margins through May of 2019. The Cooperative budgeted a loss of \$104,564.00 for the month of May. She noted that TIER for May was 3.00.

Ms. Gilliam also gave an update pertaining to several FFB loans locked into fixed rates. She presented a summary of those ten accounts and confirmed the new rate for each. She also gave an update on CoBank and other CFC loans. There was a question about what the overall blended rate was, and Ms. Gilliam stated she would advise at the next meeting regarding that inquiry. Ms. Gilliam also advised that Federated had sent a worker's comp check for just over \$12,000.00 as a part of a worker's comp retention program that started in the 1990s. This has also been part of the relationship that was created between Federated and the cooperatives that belonged to KEC. The criteria for getting the refund surrounds the safety record and Ms. Gilliam confirmed there were no losses to report in 2019.

Ms. Gilliam indicated her department expenses were mostly in line with her budget. Overtime for employees has skewed her budgeted amount for that category due to COVID related issues.

1. Cyber Security Update

Mr. Bach gave an update on the RC3 Program. He went over 15 of the 134 questions with the staff. He advised it was a great exercise and it made the staff consider possible scenarios where the Cooperative could be vulnerable.

B. Office Services – Ms. Stocker advised the Board there were 46 accounts totaling \$19,171.31 to be sent to bad debts and turned over for collection. Mr. Todd made a motion to approve the accounts in the amounts stated. Mr. Peyton made a second to the motion and the motion passed unanimously.

Ms. Stocker confirmed that her expenses were in-line overall. She also gave an update regarding the continued closure of the Cooperative's interior office in Danville. She noted one complaint regarding an individual having to go through the drive-thru to discuss cooperative business. There was also additional discussion about the existing PSC Order and how it affects shutoffs, penalties and how the Cooperative will address those issues once the order is modified to allow the Cooperative to address delinquent accounts.

C. Operations – Mr. Phelps gave an update on the work orders for May including new construction. He also identified that staking was underway at Campbellsville University, Kentucky Fresh Harvest, Diageo and two of the voltage conversions. He further advised there is ongoing work with the installation of certain systems at Diageo and there are contracts being reviewed by Mr. David Samford and Mr. Dean. The relationship between Inter-County Diageo continues to be very positive and they are very appreciative of the work and assistance as provided by the Cooperative and its operation staff.

Mr. Phelps also identified that the contract crews were engaged, as well as new construction, pole changes and other transformers and cutout work performed on highway 208. He noted there were three underground primary jobs ready for installation.

Mr. Phelps gave an update on the right-of-way clearing and the total miles cut for year-to-date was approximately 206 miles cleared for the calendar year. He noted year-to-date costs for the 2020 cycle and hot spot maintenance was just over \$913,000.00. He outlined and presented a 2020 cycle right-of-way report to the Board confirming work from January through June. He also presented a bar graph to confirm the miles of right-of-way cleared in 2020.

Mr. Phelps gave an update on the Diageo project and schedule, the Kentucky Fresh Harvest Project and also work done with the Cooperative's staff and EKPC engineers in preparation for the new Lancaster substation that is scheduled to be installed in the fall of 2020. He also presented a picture of the new semi-tractor that was purchased for purposes of moving the track machine. He had additional maintenance done on the truck to make sure it is road worthy. He advised the semi-tractor does a much better job pulling the track machine than the prior vehicle.

Last Mr. Phelps went over the budget for his department and answered questions posed from the Directors.

C. Member Services – Mr. Hitchcock gave an update on the thermostat program complaints and noted there were a small number of members that requested a removal from the program. He attributes this to the recent spike and demands in air conditioning due to high temperatures and members noticing that their air conditioning units were not cooling during times in which the Cooperative had control over power to those units. Mr. Hitchcock referred to his report confirming member service activity for June as well as the summary of the member service department.

Mr. Hitchcock then outlined the key account monthly chart for comparisons of 2019 to 2020. For May of 2019, he noted the key accounts totaled \$505,894 in gross billing whereas, in 2020 that sum totaled over \$428,432. Mr. Hitchcock then gave a summary of the contacts with

the Cooperative's website regarding the data relating to views of the board meeting minutes summary from June 22 to July 19. At maximum there had been five (5) views and the average time for viewing is approximately 31 seconds.

Mr. Hitchcock then presented images of the Diageo project and the infrastructure that is being installed on that site. He also presented a press release pdf document which confirmed several facsimiles. The project is powered by 100% renewable electricity, zero fossil fuels, use of electric boilers, the avoidance of adding additional greenhouse gas to the environment, design for minimal water usage. He also noted Diego had made calculations that the use of the renewable electricity was comparable to saving approximately 117 metric tons of carbon emissions or the equivalent of taking more than 25,000 cars off the road for an entire year. Mr. Hitchcock also presented pictures and discussed the UK Ag extension outdoor pavilion that was being built, as well as the BCTC new advanced manufacturer building project. He then reviewed his budget and advised there were not any items concerning to him through May of 2020.

D. Executive

Mr. Carter presented his executive budget and confirmed some of the payroll numbers were a bit inflated due to the COVID pandemic and the additional work required to sanitize the office.

He also brought to the Board's attention that the vast number of "green" numbers in his budget and he is happy to state most of his expenses for the departments were under budget. He did note that the electric revenue was also under budget because of the pandemic and the decrease need or demand for power. He was happy to advise that the total margins year-to-date were approximately \$440,000.00 above budget. He also presented a series of six (6) employees ranging in anniversaries for working with the Cooperative from 32 years all the way down to 3 years.

1. Safety/Loss Prevention Summary - Mr. Carter and Mr. McGuffey discussed the safety meeting minutes of June 2020 and the work that is being done by Mr. McGuffey and the staff regarding several areas of concern. Primarily he thanked Mr. McGuffey and the staff for understanding the recent process which has been instituted to streamline the safe at work protocols.

2. Windstream Update – Mr. Carter gave an update on the Windstream Bankruptcy. He confirmed receipt of some funds and identified the outstanding balance of other billing that has yet to be collected. He did confirm the outside law firm had advised the pole attachment contracts had been accepted and there had been no attempt to renegotiate those.

3. Solar Farms in Service Territory – Mr. Carter gave an update on solar farms being installed in service territory both for the Cooperative and Kentucky Utilities in the counties that are served by the Cooperative. He presented images of the Turkey Creek Project in Garrard County, as well as the Northern Bobwhite Project in Marion County. Each of these are primarily on the Cooperative’s territory and may be utilizing the Cooperative and/or EKPC’s infra-structure to get the power generated into the market. Apparently, the access to the PJM market through the Cooperative and/or EKPC’s transmissions lines produces a significant benefit for achieving a closer to market rate return, as opposed to the compensation that would be offered by Kentucky Utilities. Mr. Carter then gave an update on Diageo and specifically referenced the EKPC G rate for Diageo. A copy of those rate plans was included in the board pack. He also added additional contexts and presented an image regarding the installation of some of the infra structure and power and transmission lines that were going to be buried underground. He presented a diagram that had to be taken due to the private ownership of land between the substation and the Diageo facility.

Mr. Carter also gave a basic outline of how the compensation would ultimately flow to the Cooperative. Additionally, he confirmed this is not an interruptible rate and that the load factor has a floor of 60%. The contract with Diageo will have a term of 15 years.

VII. LEGAL/REGULATORY/POLICY

Mr. Carter presented Policy 303 and 218 to the Board for review. The Board discussed each of those policies and Mr. Carter did not recommend any changes. The Board, after review of those policies, likewise did not recommend any changes to those policies. For purposes of review, Mr. Kerrick made a motion to acknowledge for the minutes that those policies were reviewed with no changes recommended by staff or Board. Mr. Goggin made a second to the motion and the motion passed unanimously.

ZOOM MEETING WITH MARK DAVID GOSS

At this time Chairman Spalding entertained a video Zoom conference with attorney Mark David Goss. Mr. Goss gave an update on his work, along with board counsel regarding the capital credit issues, as well as the equity management plan and modifications of associated bylaws and policies. Draft copies of the proposed amendments were circulated to the Board. After a lengthy discussion about the options for the Board, Mr. Preston made a motion to table the modification of the bylaw and policy for consideration at the next board meeting. Mr. Todd made a second to the motion and the motion passed unanimously.

VIII. BOARD/CEO SESSION

A. Annual Calendar Review - Mr. Carter made a review of the Annual Calendar and discussed the modifications that were made due to the pandemic.

B. Dashboard Review - Mr. Carter presented the dashboard and went through the safety indicators, financial indicators, and operational indicators. He also presented the dashboard and went through the safety indicators, financial indicators, operational indicators, and customer indicators. He then went through the view at a glance graphic displays (red, yellow, and green) for each of the metrics within the dashboard. Those included Tier, OTier, MDSC Dashboard and equity. He did confirm the equity is still moving in the right direction and will take time to bill to the levels the board and he set as goals. Although the Equity Management Plan is still under review and amendment, he is recommending to the Board to set a floor of 20% equity (without EKPC patronage capital).

Mr. Carter then gave an update on the PPP Loan and advised he expected the loan will be converted to a grant and will not be repayable. He also discussed information he received from EKPC and others in the federal government that there will be a safe harbor for entities receiving funds below \$2,000,000.00. He noted the Cooperative did in fact receive less than \$2,000,000.00 in PPP funding.

IX. COMMITTEE REPORTS - None

X. EKPC

Chairperson Spalding noted the meeting of July 14, 2020 and stated EKPC had margins of greater than 2.7 million dollars above budget and overall was functioning very well for year-to-date. He advised all the staff and management were very pleased with where EKPC was for that time of the year considering the pandemic and the shut down of non-essential businesses. He also continued to report there is very positive economic developments still ongoing throughout the state. He confirmed the update to the Cooper Plant has continued to demonstrate substantial cost savings. He advised due to the recent heat wave; the Cooper Plant was running at the request of PJM. Apparently, the heatwave in the upper northeast required additional power and he and those at EKPC are always pleased to hear that the Cooper Plant is running and generating power for that area of the country.

Chairperson Spalding advised that EKPC is considering another retirement of capital credits. He assumes there will be approximately \$5.9 million paid to the distribution cooperatives throughout the state. He estimates the amount of the check the Cooperative will receive will be \$345,745.00. He noted this will be the second time in the history that EKPC has been able to retire capital credits to its members. He also advised there may be another consideration for

allocating margins to the members if EKPC is able to refinance its high interest RUS debt. It is estimated that in the event it is permitted, it will save EKPC over \$50 million in the first year in reduction in interest expense. Chairperson Spalding also gave an update on the upcoming EKPC Annual Meeting and noted it will more than likely be conducted by Zoom or other electronic means. Chairperson Spalding, Mr. Carter and staff will be making plans to set up the board room at the Cooperative to accommodate some of the members of EKPC in Danville for purposes of that meeting.

XI. KEC/UUS

Mr. Todd gave an update and advised he was happy Chairperson Spalding made it deep into the running for the CFC Board. He confirmed that Tim Eldridge was ultimately chosen, and Chairperson Spalding did commend Mr. Eldridge and those voting for him. Chairperson stated Mr. Eldridge was a fine choice and feels he will do an excellent job in that position.

Mr. Todd then gave an update noting that UUS had recently reported that most states had seen an increase in construction and that estimate is about 18% over last year's data. He also confirmed that UUS was reporting that the unemployment rates were now returning to levels experienced in 2019. Mr. Carter added due to the recent spike in COVID cases and its impact on local businesses had shutdown as a result. He also mentioned a local restaurant that shut down because one of its employees tested positive for the COVID-19 virus.

Mr. Todd then went over the KEC Board Meeting key points from July of 2020 and the same included COVID updates within the president's report, the PPP program, PSC data requests, ERMCO Capital Credits, Kentucky Electric Cooperative Annual Meeting which is to be held November 16, and 17 in a virtual format and other updates.

XII. NRECA

The agenda addressed the upcoming Gettysburg Leadership Experience scheduled in September and October. Chairperson Spalding mentioned the same and due to the pandemic, anyone interest in attending will need to note the cutoffs for August 21 and September 18 respectively for those two events.

XIII. FEDERATED RURAL ELECTRIC INSURANCE

No report.

XIV. RUS-CFC-COBANK NEWS/UPDATES

Chairperson Spalding commented on the CFC's special membership meeting that will be held by remote format on August 14, 2020. He also noted the NCSC Annual Membership Meeting which will also be conducted remotely on August 6, 2020.

Mr. Goggin made a motion to appoint Jerry Carter as the voting delegate for each of the respective meetings for CFC Special Membership and the NCSC Annual Membership Meeting. Mr. Kerrick made a second to the motion and the motion passed unanimously.

XV. CAPITAL CREDIT DISBURSEMENTS

Mr. Preston advised there were estates retirements for May of 2020 totaling \$2,984.00. 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. Preston also noted the total patronage capital retirements as of April 2020 were \$13,869,912.00.

XVI. WORK ORDERS

Mr. Preston identified Work Order #1992 in the amount of \$543,160.18 and Work Order #1993 in the amount of \$23,100.64. Mr. Goggin made a motion to approve the work orders as stated. Mr. Kerrick made a second to the motion and the motion passed unanimously.

XVII. NEW MEMBERS

Mr. Preston advised for June of 2020 the Cooperative added 207 new members totaling \$10,310.00. Ms. Stocker confirmed the odd number for membership fees was due to a clerical error in a previous application. With that mention of clarification, Mr. Todd made a motion to approve the new members and the fees collected. Mr. Preston made a second to that motion and the motion passed unanimously.

XVIII. MISCELLANEOUS

Chairperson 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. A discussion then followed regarding the need to move the August Board Meeting from August 21. Mr. Todd made a motion to approve the August Board Meeting to be moved to Friday, August 28, 2020 at 8:30 a.m. Mr. Kerrick made a second to the motion and the motion passed unanimously.

XIX. OTHER BUSINESS

Chairperson 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. Goggin called for a motion to adjourn the meeting at 11:27 a.m. Mr. Peyton made a second to the motion, and the motion passed unanimously.