

INTER-COUNTY ENERGY COOPERATIVE CORPORATION
Meeting Minutes Summary

June 19, 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 or via telephonically, to-wit:

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

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

I. PRAYER

Chairperson Spalding gave the prayer.

II. SAFETY MOMENT

Mr. Preston advised the Board to be very aware of work or other activities that require repetitive motion. He confirmed his own employment involves performing repetitive work for several hours each day and noted the damage that is or may have occurred as a result thereof. Understanding the work environment, any braces that may assist and avoiding repetitive motions are all key to maintaining good health.

III. ADOPTION OF AGENDA

Mr. Kerrick 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 May 15, 2020 Board Meeting. Following a review of the minutes there were some changes acknowledged and discussed. Mr. Kerrick made a motion to approve the minutes with the identified changes. Mr. Goggin made a second to the motion and the motion passed unanimously.

V. MAY SUMMARY MINUTES

May summary minutes were discussed, and a motion was made by Mr. Todd to approve the summary minutes for May 2020 board meeting. Mr. Preston 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 June 19, 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 advised that the April income statement yielded positive margins for the year. This was approximately \$325,000.00 more than the amount budgeted year-to-date and approximately \$47,000.00 than year-to-date margins last year. Tier was at 3.39 with OTIER of 3.33. She advised the Cooperative had negative margins for the month of April but was pleased to advise that the budgeted amount for the month of April was just under \$119,000.00. She reminded the Board that this is considered a “shoulder month” and confirmed that due to the membership being mostly residential, that the need for heating and/or cooling was typically minimal for the month of April each year.

Ms. Gilliam also provided an update on the interest rate fluctuations and confirmed interest rates had dropped to a substantial low as it approached the beginning of the third quarter for the year. She advised the Board should consider locking in some of the interest rates and provided a list of FFB fixed and variable rate loans existing as of the meeting. Next, she presented the proposition of moving ten variable rate loans to a fixed rate loan. She confirmed those loans varied in the amounts and maturities but ultimately, those loans totaled just under \$40,000,000.00. After a lengthy discussion of the interest rate structure, Mr. Todd made a motion to approve the refinancing of the loans as presented by Ms. Gilliam. Mr. Preston made a second to the motion and the motion passed unanimously. It was confirmed that the refinancing would be near the same terms of the prior loan in terms of the maturity date of the loans but each interest rate would be fixed at the rates stated as of the third quarter.

Ms. Gilliam confirmed the revisions to the rate structure as the environmental surcharge issues have now been identified and rectified with the Public Service Commission. She explained further that under the existing rate structure, there was some inaccuracies that ultimately allowed some of the largest industrial customers to be subsidized in part by the other members of the cooperative. With that issue being identified and each industrial member that is going to be affected being contacted, she further advised they understood and noted that the bulk of those entities confirmed they did not want to be subsidized by the balance of the membership and wanted to “pay their own way”.

1. Cyber Security Update

Mr. Bach gave an update and confirmed there is still an amazing amount of attacks and threats in the system. He confirmed that the RC3 Program started back up in March and that there were serious delays experienced in utilizing that program during the month of March and thereafter, due to the COVID-19 pandemic. He also confirmed the Lebanon Office now has its computer room completed and the equipment to allow the system in Lebanon to run remotely will soon be installed.

2. Audit Committee

The Audit Committee presented its report because of Alan Zumstein's scheduling issues. Mr. Zumstein presented a copy of the report and appeared via ZOOM, along with his associate, Michael Moriarty. He went over all aspects of the audit, including the cover letters and confirmed there were no material findings that would negatively impact the balance sheet or other statements of the Cooperative. He stated he felt the financial statements were a fair and accurate representation of the financial condition within the terms and scope of the audit performed. He advised there were only minor changes made with the report and noted there were no material internal control findings. The physical report was made a part of the board packet and the Board had access to the same at and leading up to today's meeting.

Last, Mr. Zumstein confirmed from the financial report and other documents reviewed, that the Cooperative has continued to meet all of the lending requirements and all the other tax aspects as qualifying for a tax exempt entity under 501C(12). After a few questions were presented by the Board and staff, a motion was made by Mr. Kerrick to approve and accept the audit. Mr. Preston seconded the motion and with there being no further discussion, the motion passed unanimously.

B. Office Services – Ms. Stocker provided an update on her budget and confirmed the same was within limits of which she had forecasted. She asked for 45 accounts for bills older than February 15, 2020 be sent to bad debts for collection. She advised those accounts totaled \$19,396.51. A motion was made by Mr. Goggin to assign the accounts in the amounts stated as bad debts and send to collection. A second was made by Mr. Kerrick and the motion passed unanimously.

Ms. Stocker explained the current environment due to the COVID-19 pandemic, that those who have not paid their full bill or have not paid at all are not being cut-off because of PSC rulings. She advised the Cooperative was not going to be entitled to collect or charge any late fees during this time, as per the PSC rulings. She confirmed the estimated amount of late fees accrued to date was over \$200,000.00 and that she anticipates this amount to continue to grow. She further

advised she and David Phelps have worked together to coordinate the staff and resources of the Cooperative once cut-offs are being permitted and for a vibrant program for debt management for members to participate. Mr. Phelps also confirmed in the event any member is cut-off that process is permitted by the PSC, that each line worker will provide additional documentation to the membership impacted to avail themselves of the debt management program and/or other governmental or local resources that may be able to assist with satisfying the bill.

Ms. Stocker confirmed she and the staff are very pleased with the esthetics of the plexiglass installed at the front counter at the Danville and Lebanon Offices. She is receiving positive comments from the staff working in those areas. It is anticipated that improvements will be maintained even after the COVID-19 pandemic requirements are lifted.

Last, she confirmed a new hire for the office in Lebanon, Kentucky and advised at some point within the next few months she will introduce Brittany Mattingly, as the newest member accounts representative to assist the membership in Lebanon. She confirmed Ms. Mattingly began work on June 15 and is currently in training.

C. Operations – Mr. Phelps provided an update on the work orders in April which included 131 new work orders. He confirmed new construction costs were just over \$532,000.00 and purchases were just over \$73,000.00. He also updated the Board and staff that new staking was underway for Campbellsville University in the Harrodsburg expansion, Hwy 27 expansion in Stanford and Wilderness Trail (new Phase III line to barrel houses). He gave an update on the construction crews and their work areas, as well as the right-of-way clearing that is ongoing. He confirmed due to the COVID-19 pandemic, the right-of-way clearing is behind and spraying likewise is not on par with the schedule. He identified charts as included in the board packet, including the 2020 Cycle Right-of-Way Report, Miles of Right-of-Way cleared in 2019 and other charts.

Mr. Phelps gave an update on a large industrial member that was close to announcing its formal location and business opening in Lebanon, Kentucky. He expects this will be done at any time and confirmed that ongoing work is being performed for delivery and installation of transformers for that project.

Mr. Phelps gave an update on the Kentucky Fresh Harvest member in Stanford, Kentucky. He acknowledged their request to seek a change in lighting that will inevitably result in a much larger power consumption.

Mr. Phelps acknowledged the April 2020 operations' budget and the accounting for the construction and transportation department for the same month.

Last, he provided an update on the need to purchase another vehicle for transporting the new track machine. He confirmed the specifications, dimensions and weight of the new machine are simply more than the current truck can safely transport. He requested authority to amend his budget. After discussion, Mr. Preston made a motion to approve an amendment in the budget to allow for Mr. Phelps to have up to \$40,000.00 for the purchase of a used vehicle. Mr. Todd made a second to the motion and the motion passed unanimously.

D. Member Services – Mr. Hitchcock acknowledged it is the 83-year anniversary of the formation of the Cooperative during the month of June 2020. He then gave an update on the member service activity report for the month of May. That included 49 member visits, 8 key account contacts and 11 Button-Up TSE efficiency exercises. He also outlined the summary of member service department activity for the month of April.

Mr. Hitchcock presented bar charts for sponsorships and donations for the calendar year 2020 YTD. Mr. Hitchcock then gave a key account monthly chart comparison from 2019 to 2020. He confirmed for the 2020 calendar year, each of the bar charts represented substantial deviations downward for charged and/or paid for industrial customers comprised of key accounts.

He also provided an update on the solar energy newsletters and the confirmation of the faster going utility scale solar areas in the country, was in the South Atlantic, including North Carolina, South Carolina, and Georgia. He noted North Carolina is the second fastest growing market in the nation, after California. He also said the current annual energy consumption from renewable sources has now exceeded the coal consumption for the first time in the industrial era. A big part of that consumption consumes the renewable natural gas (RNG), as transportation and fuel has increased over 291% over the last 5 years. This displaced about 7.5 million tons of CO2 equivalent. He also gave an update on the Nicola Badger electric vehicle, some of the specifications and potential use of a hydrogen fuel cell. Images were provided along with performance statistics and other information.

Mr. Hitchcock then gave an update on inquiries of the board meeting summary minutes and analytics from the Cooperative's website. It should be noted there has been very minimal interest and/or activity in viewing the documents. He noted that of the 4 hits on this page, that likely 2 of those were from him simply testing to see if the data was present. He also presented an image of the local girl scout troop 2069. That troop had donated 21 boxes of girl scout cookies to essential workers at the Cooperative.

He next presented an accounting of his April 2020 budget, and a breakdown of the pie chart of the 2020 key accounts for the top ten accounts.

E. Executive – Mr. Carter began with a review of the Executive Budget, as well as the summary budget. He confirmed within the summary budget, department expenses were noted as \$76,594.00 under budget for the month and \$453,000.00 under budget for the year. He also confirmed revenue was \$661,338.00 under budget for the month and just over \$1,340,000.00 under budget for the year. The bulk of that has been identified as COVID-19 related, along with the extremely mild weather. He noted the power costs was approximately \$623,000.00 under budget for the month and \$1,213,000.00 under budget for the year.

He gave an update of service anniversaries including employees from 21 years down to one year. He did note that Mr. Phelps was enjoying his 15th year of being with the Cooperative.

Mr. Carter then invited Bo McGuffey to give an update on the Safety and Loss Prevention Summary, as well as the Safety Meeting. Mr. McGuffey gave an update on three recent incidents and outlined each, some of which included images and how he and the staff addressed each incident. All staff was ultimately updated on best practices and Mr. Carter and the Board thanked Mr. McGuffey for his extremely well thought out process in handling these issues along with the overall emphasis that he and the staff, along with the Board, continue to place on safety.

Mr. Carter then discussed the 2020 Annual Meeting. He gave an outline of those Cooperatives that have either cancelled or postponed their meetings. Additionally, he confirmed that the Cooperative would not be able to utilize the Boyle County High School for the Annual Meeting due to the logistic issues and the fact that the meeting would have to occur at a time when the school would be back in session with students and/or staff present. After that discussion was complete, Mr. Preston made a motion to cancel the 2020 Annual Meeting. Mr. Kerrick made a second to the motion and the motion passed unanimously. Mr. Carter advised he would work with Mr. Preston and Chairperson Spalding for preparing the statement from the Board Chair, the Treasurer and Mr. Carter would prepare a separate CEO/Manager statement. Those will be published within various formats, including the Cooperative's website and Kentucky Living Magazine. Links to the same will be included on various social media outlets, including Facebook and Twitter.

VII. LEGAL/REGULATORY/POLICY

Mr. Carter gave the Board an opportunity to review Policy 228 with changes and policies 209, 225 and 314 without changes. The Board acknowledged the change in Policy 228 and that policies 209, 225 and 314 had no changes. Mr. Kerrick made a motion to approve the change to

Policy 228 and the review of policies 209, 225 and 314 as of June 2020 with no changes. Mr. Peyton 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 continued to acknowledge that many, if not all of the in-person or other type of speaker or informational conversations that were scheduled with the Board have been postponed indefinitely due to the pandemic. He also confirmed he did not believe he would be reopening the office until demand increased for access to the office area by the membership. He confirmed the staffing present and those which can work from home, has been refined and is working very well at this stage. Due to the possibility of additional spread and/or another signification outbreak of the COVID-19 pandemic, he believed this is the best process for maintaining the stability in the work force at the Cooperative.

B. Dashboard Review

Mr. Carter gave an update on the safety, financial, operational and customer indicators. When asked as to what a reasonable goal would be to establish a date to shoot for having equity at 20%, Mr. Carter advised it would be a minimum for three years to get to 20%. He went on to explain the phase in of several of the operational functions of the Cooperative and also acknowledged he had a recent call in to CFC to get a better idea of how to compromise a plan for establishing a equity of 20% or greater. He will follow up with the Board more, as that process is being developed.

Mr. Carter ended his report with an explanation of a recent employment issue that arose with one of the employees. He confirmed that upon receipt the information was immediately provided to J. Hadden Dean, Board counsel and ultimately, Pat Pelfrey from Dinsmore & Shohl was contacted regarding the issue. Mr. Carter confirmed he suspended the employee and after further investigation and consultation with Mr. Pelfrey, that employee was dismissed because of voluntarily tendering his resignation.

IX. COMMITTEE REPORTS

A. Audit Committee Report

Mr. Peyton acknowledged the conversations with the Board and staff from Alan Zumstein early in the meeting.

B. Board Governance

Chairperson Spalding then identified the Board Governance item and advised the NRECA Board Governance videos will be the topic of future agendas for the

Cooperative and that due to time constraints, the video would not be played during the regular board meeting. He identified that a table of contents for these videos will be circulated among the Board, and at each meeting, a specific Governance video will be identified, so that the Board may review the video prior to the meeting and be prepared to pose any questions or concerns. Chairperson Spalding requested Mr. Carter add an agenda item for this at upcoming Board meetings.

X. EKPC

Chairperson Spalding stated the recent meeting was conducted via ZOOM and stated it was a long meeting, as they tried to catch up on several reports that were previously not provided due to the COVID-19 pandemic. He also gave an update on the completion of the conversion of one of the generation units from a wet to a dry unit. He confirmed surprisingly this project was on schedule and below budget, even considering the COVID-19 pandemic. He confirmed another generation unit at the same unit was going to undergo the same renovations but stated that had not begun at this time.

XI. KEC/UUS

Mr. Todd gave an update on the status of the interviews for the Director position at CFC. He confirmed all interviews were recently completed and that voting would be on June 30th.

Mr. Spalding also provided an outline of his interview and the process that was involved with it and stated he was very pleased with the manner and format of it and was also very hopeful he would be selected to fill the available board position.

Mr. Todd gave a report on the KEC Board Meeting that he attended via Zoom video conference on May 27th. He noted that both KEC and UUS received loans through the Payroll Protection Program. He added that there was a discussion on broadband during the meeting, noting that the PSC is in favor of cooperatives looking into rural broadband. Mr. Todd also advised that the Lineman's Rodeo has been cancelled for this year and plans for the KEC Annual Meeting in November are still being discussed.

XII. NRECA

Chairperson Spalding advised that a copy of the NRECA May Board Notes has been posted in BoardPaq for review.

XIII. FEDERATED RURAL ELECTRIC INSURANCE

Chairperson Spalding noted that Federated's May Report from the Board is attached in BoardPaq for review.

XIV. RUS-CFC-COBANK NEWS/UPDATES

XV. CAPITAL CREDIT DISBURSEMENTS

Mr. Preston advised there were estates retirements for April of 2020 totaling \$3,567.00.00. Mr. Goggin made a motion to approve the disbursements as stated by Mr. Preston. Mr. Kerrick made a second to the motion and the motion passed unanimously. Mr. Preston also noted the total patronage capital retirements as of March 2020 were \$13,866,928.00.

XVI. WORK ORDERS

Mr. Preston identified Work Order #1990 in the amount of \$434,967.25 and Work Order #1991 in the amount of \$3,457.34. Mr. Peyton made a motion to approve the work orders as stated. Mr. Todd made a second to the motion and the motion passed unanimously.

XVII. NEW MEMBERS

Mr. Preston advised for May of 2020 the Cooperative added 143 new members totaling \$7,150.00. Mr. Goggin made a motion to approve the new members and the fees collected. Mr. Peyton made a second to that motion and the motion passed unanimously.

XVIII. MISCELLANEOUS

Chairperson Spalding requested the Board submit their expense sheets following today's meeting or provide 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 was scheduled to be held on Friday, July 17, 2020 at 8:30 a.m. Due to a conflict with board counsel, J. Hadden Dean's schedule, it was suggested the meeting be moved to Friday, July 24, 2020 at 8:30 a.m. Upon motion by Mr. Todd and seconded by Mr. Kerrick, the Board unanimously approved the July board meeting to be held on July 24, 2020 at 8:30 a.m.

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. Preston made a motion to adjourn the meeting. Mr. Peyton made a second to the motion, and the motion passed unanimously.