

INTER-COUNTY ENERGY COOPERATIVE CORPORATION
Meeting Minutes Summary

Date: March 31, 2020 @ 8:30am

Chairman of the Board, Joseph H. Spalding, called the meeting to order and Allen Goggin opened the meeting with prayer.

J. Kevin Preston acted as Secretary of the meeting. After confirming attendance, the Secretary announced the following directors were teleconferenced due to COVID-19 restrictions, to-wit:

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, and President and CEO Jerry Carter

SAFETY MOMENT

All directors and staff confirmed, that considering COVID-19, everyone needs to be diligent about washing hands, maintaining proper social distancing and staying home unless travel is required for necessities.

ADOPTION OF AGENDA

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

REVIEW OF MINUTES

The Board reviewed the minutes of the February 19, 2020 Board Meeting. Following review of the minutes, Mr. Goggin made a motion to approve the minutes. Mr. Kerrick made a second to the motion and the motion passed unanimously.

JANUARY AND FEBRUARY SUMMARY MINUTES

Action on January and February summary minutes was discussed. A motion was made by Mr. Preston to approve the summary minutes for January and February board meetings. Several corrections and clarifications were noted and made. Mr. Todd made a second to the motion and the motion passed unanimously.

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 March 31, 2020 meeting, as a result of COVID-19, Mr. Carter requested that only Ms. Gilliam attend the telephonic board meeting and advised the Board of the same. He stated he had spoken with each of the respective departments heads and would provide any additional input as necessary on their report. In addition, a proposed budget was circulated by each and reviewed 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 the January income statement reflected positive margins just over \$1,066,000.00 for the month. The budgeted margins were just over \$903,000.00. She confirmed tier for January was 7.64 compared to 6.45 in January 2019. O-Tier for January was 7.63 and for the prior year was 6.39. She also confirmed that operation and management expenses for January 2020 were under budget \$54,000.00. She also noted the total costs of electric service was just under \$80,000.00 less than budgeted in the previous year.

Ms. Gilliam confirmed under part B of the “financial and statistical report” for period ending January of 2020, that there was an effort by the operations department to more accurately reflect the number of miles of line throughout the cooperative territory. She confirmed that part B of that report outlines the changes that were made. Ultimately, the total miles of energized line are approximately 3929.13 miles of which 3668.14 were overhead and 260.99 were underground.

Ms. Gilliam then noted the FFB loan rate for a three-month average is near zero. She assumed the rate will be unlikely changed and as of April 1, 2020, the variable rate loans will be approximately 1.21%. She and Mr. Carter also confirmed that approximately \$4,000,000.00 was drawn down on the current BDA workplan loan. The logic was the need for security and additional liquidity, as a result of the COVID-19 virus.

Ms. Gilliam also went through an analysis regarding a change in the Kentucky Rural Cooperative Benefit Plan (KREC) for health insurance for the Cooperative. She noted that both in 2019 and 2020 year-to-date numbers that the amount of contributions paid, were out paced significantly by the claims and demands for benefits. She noted there was a modest increase in the amount of benefits to be paid on an ongoing basis. She noted there are protocols which will identify surcharges to the extent that member cooperatives continue to have an excess of benefits received over contributions paid. A chart was attached in board packet to reflect this discussion.

Ms. Gilliam did note employees were contributing 15% of the premium and that to the extent the surcharge will still not be covered by the 15% that in the short run the Cooperative will

cover the difference. However, this issue will be reviewed, and adjustments made in the upcoming months.

Ms. Gilliam next addressed director's expenses and identified an item that was included on the overall budget but was not originally included for budgeting purposes for the directors. This includes a Federated Insurance payment that is made to cover director's liability insurance and other expense exposure. Mr. Carter confirmed that that cost is approximately \$7,000.00 for the annual premium charged. Mr. Carter and the Board will review and amend the budget to confirm this added expense. Mr. Carter and Ms. Gilliam will review the overall director expense category and make sure there are no other one time or unique expenses that have not been included in this portion of the budgeting process.

Ms. Gilliam then drew attention to all directors for the loan compliance requirements. She listed in board packet some of the parameters for CFC line of credit, RUS mortgage dated June 1, 2005 and supplemental mortgages to CFC and CoBank dated July 19, 2010 and September 30, 2010, RUS loan contract dated September 30, 2010, CFC loan agreement, dated March 2, 1998 and the CoBank Master Loan Agreement dated July 19, 2010. She wanted to make sure the directors had a grasp on the key financial indicators to stay in compliance with each of the respective lenders and the loans identified hereinabove.

Mr. Carter went on to discuss the benefit plans and the federal requirements under "Family First" legislation. This included, but is not limited, providing up to 80 hours of paid time off, on top of and in addition to any other identified employee benefit, including vacation, paid time off, sick leave, holiday or other leave granted under the existing cooperative's employees for employee/staff. Mr. Carter also advised that during a recent phone conversation with CEO's for members of NRECA, that a discussion and request was made by representatives of the NRECA to RUS and other lenders to consider revising loans, even including fixed loans, as a result of COVID-19 and other market and interest rate pressure.

1. Cyber Security Update

Mr. Carter gave an update on the great efforts Chris Bach is making to allow as many employees as possible to remotely log into work for the Cooperative. He also confirmed different strategies that were employed to meet and/or exceed the social distancing guidelines as outlined by state and federal authorities. He noted the only links to being PCI complaint included, the fact that there is some physical handling of credit cards by staff. He understood that the exposure to direct contact with membership or other individuals is limited.

Last, Mr. Carter did note that of the approximate 204 accounts on prepay, approximately 60 of those are currently not paying. He and Ms. Gilliam acknowledged that at the current time,

due to COVID-19 declaration of emergency status by federal and state officials, the Cooperative could not terminate electric service.

B. Office Services – Mr. Carter provided an update and referenced the materials as provided by Ms. Stocker in board packet. He then called for a motion to approve 59 accounts totaling \$15,410.31 to be deemed as overdue and that the same would be assigned to collections. Mr. Goggin made the motion. Mr. Preston made the second to the motion and the motion passed unanimously.

C. Operations – Mr. Carter provided an update of the operations and reviewed images and gave some references to the materials provided by Mr. Phelps in the board packet report for March of 2020.

D. Member Services – Mr. Carter reviewed the key account analysis and pie charts. He advised the Honor Flight is currently scheduled for August 29, 2020 but is in jeopardy of being cancelled as a result of COVID-19. He also advised at the current time, he is not proceeding with getting parent consent forms signed for the Washington Youth Tour, as the same is currently scheduled for the third week of June and it too is in jeopardy of being cancelled due to COVID-19.

E. Executive – Mr. Carter gave an update on his Executive Summary Budget. He was glad to know that the revenues were \$86,025.00 over budget and that expenses were \$83,657.00 under budget. He also identified several anniversaries for employees of the Cooperative ranging from 28 years to 2 years.

He then reviewed the Safety and Loss Prevention Summary from Bo McGuffey, as well as the summary of March 2020 and the minutes from the February 17, 2020 Safety Meeting.

Mr. Carter then reviewed and discussed the contents of the 2020 Emergency Response Plan (ERP). He noted different functions of the plan and asked each director to confirm contact information for their local officials. Mr. Peyton noted a change in the sheriff's designation noting that the Casey County Sheriff is Chad Weddell. Mr. Carter will see that that change is made. Mr. Kerrick made a motion to approve the ERP for 2020. Mr. Peyton made a second to the motion. Following discussion, the Board unanimously approved the plan.

Last, Mr. Carter gave an update on the Diageo project. He understands the two entities are currently in a position of having a principle understanding on the contract.

I. LEGAL/REGULATORY/POLICY

Mr. Carter brought forth Policy 105 (Non-Discrimination), Policy 111 (Nepotism), Policy 204 (Meals), Policy 205 (Insurance Retirement Savings Plan) and Policy 206 (Retirement Program) for review. Mr. Todd made a motion to approve and acknowledged the review of the

above stated policies and note there were no recommended changes. Mr. Kerrick made a second to the motion and the motion passed unanimously.

Mr. Carter then identified Policy 217 (Payment of Telephone Bills/Expenses. He noted the basis for the suggested changes surrounded the ERP reference. He suggested that since the ERP will be reviewed and approved on an annual basis, that making changes to Policy 217 at this time seemed to be efficient or make sense. He stated the need to change surrounded the fact that several of the phones issued to employees of the Cooperative were being utilized by some employees in a very nominal way. The policy changes would reflect the offer for those employees to retain their office phone for only work-related purposes or to turn in the office phone and be given a \$25.00 monthly stipend. They would also be required to provide a written acknowledgment that they would allow their private phones to be utilized for work calls and texts messages. He confirmed the costs for phones not being utilized to reasonable extent and the costs for associated plans, as well as the replacement of the physical phone from time to time, dictated the policy be reviewed for purposes of reducing expenses. After discussion as presented by Mr. Carter, Mr. Goggin made a motion to approve the changes to Policy 217. Mr. Peyton made a second to the motion. Following a discussion pertaining to the change, a vote was called, and the motion passed unanimously.

II. BOARD/CEO SESSION

A. Annual Calendar Review

Mr. Carter conducted a review of the annual calendar and noted COVID-19 may very well impact some of the events as identified in the annual calendar. At the current time, the audit is ongoing by Alan Zumstein and his firm and is moving forward but there are several challenges to completing the audit as a result of the need for in-person visits for some potential questions. Otherwise, staff and auditor will strive to have everything prepared and ready for the report at the May Board Meeting.

B. Dashboard Review

Mr. Carter then made a review of the dashboard and confirmed that tier was very good for January of 2020 and reviewed other metrics including O-tier, modified debt service and answered other questions posed regarding the dashboard. He noted the summary budget reflected revenues of \$86,000.00 above budget and expenses of \$84,000.00 below budget. He feels this will change over time, but does believe the basis was a result of the rate increase, as well as higher than budgeted revenue and lower than budgeted expenses.

C. Policy Review

Mr. Carter requested a review of the following policies:

- 406 – Nepotism
- 423 – Standards of Conduct
- 424 – Conflict of Interest
- 425 – Code of Ethics
- 428 – Management Succession Plan (Update)

Mr. Carter made a request for change to Policy 428 (Management Succession Plan). He designated that within that policy, there was a reference to the ERP and he noted that since it will be changed on an annual basis, that there did not seem to be a valid reason to change the management succession plan on an annual basis. After review of this information, Mr. Goggin made a motion to approve the revisions to Policy 428. Mr. Peyton made a second to the motion. Following further discussion and questions answered by Mr. Carter, the motion passed unanimously.

Mr. Todd then made a motion approve the review of the balance of above stated policies and noted there were no additional revisions made. Mr. Kerrick made a second to the motion. The motion passed unanimously.

D. Mr. Carter noted he had participated in a conference call with other CEO's and the primary focus of that was the managerial and operational challenges that faced the industry as it relates to the COVID-19 virus. Some margin requirements for lenders may be suspended for the calendar year of 2020 and there had been additional requests for the RUS portfolios to be reviewed and revised, due to low interest rates and the strain for cash flows during this time. He also confirmed there was some additional discussion about broadband and how it stands regarding state legislation.

III. COMMITTEE REPORTS

There were no committee reports presented at this time.

IV. EKPC

Chairperson Spalding gave a review of current discussions at the March 2020 Board Meeting. A major subject of conversation was COVID-19 and the management and staff's efforts to meet the challenges posed by this pandemic. He confirmed ongoing governance issues will include discussions of environmental, social and governmental issues. Those will be hereinafter referred to as ESG. Chairperson Spalding noted margins were 4.3 million under budget and noted the explanation was primarily a result of mild temperatures during the period in question. He confirmed an executive session was conducted for review of CEO, Tony Campbell.

Chairperson Spalding and Mr. Carter noted a primary focus of concern was the need to meet any sequestration requirements of federal or local governments and how EKPC and the

Cooperative were striving to meet those challenges. Those included providing places for people to sleep and food requirements for any key or essential employees for the needs of the G & T and the distribution cooperatives. Chairperson Spalding and Mr. Carter noted all involved seemed to believe the challenges would be met and there would be no disruption of power being provided through EKPC throughout the distribution cooperatives.

Mr. Carter then noted that approximately 5 cooperatives had scheduled to file for a rate increase. He noted those are anticipated to be done under the “streamline” process. It was noted this is terrible timing but unfortunately it is a necessary step towards maintaining loan requirements and other metrics for the health of their cooperative.

A. Election of ICE Board Member to EKPC Board

Chairperson Spalding opened the floor for nominations to serve on the EKPC Board. Mr. Todd made a motion for Chairperson Spalding to be re-nominated for that service. Mr. Preston made a second to the motion and the motion passed unanimously. It was noted by all directors and staff present, that Chairperson Spalding has done an excellent job at the Cooperative and at EKPC and wished him luck in the upcoming year. Any additional documentation which may be required regarding Chairperson Spalding’s nomination, will be presented to the Board for review and execution.

Mr. Carter then noted he had a conversation with Mike McNalley, the CFO at EKPC regarding the negative impacts that could be experienced with the margins of the distribution cooperatives and that Mr. McNalley and staff at EKPC are considering another capital credit cash retirement. Mr. Carter noted the Board had brought on for review and revision the G & T capital credit policies and processes. Those will be noted for review on the agenda for the April 2020 meeting.

V. KEC/UUS

Mr. Todd gave an update from the March 17, 2020 meeting and noted that positive margins were experienced for the January and February 2020 timeframes compared to those in 2019. He also confirmed several questions surrounded UUS supply chain concerns. He assured the Board that this issue had been very carefully reviewed and at the current time, more than enough.

VI. ANNUAL MEETING

Chairperson Spalding noted with the current situation as it relates to COVID-19, the annual meeting as scheduled will not be held. Even if there was a discussion to reschedule and move forward, the timing would not be appropriate as to not being able to get the proper notice into Kentucky Living Magazine and other mailing options are costly

and did not seem prudent to consider. He noted other cooperatives are cancelling their annual meetings all together and he asked the Board to give some thought on how the Cooperative may choose to proceed. Mr. Kerrick made a motion to further review the issue and consider postponing the annual meeting, with the same to be revisited as an agenda item during the upcoming May 2020 Board Meeting. Mr. Goggin made a second to the motion. After further discussion the motion was approved. The Board hopes to have additional information available at that time regarding the current pandemic situation and they will then decide whether to further postpone or cancel the annual meeting all together.

VII. NRECA

Chairperson Spalding gave an update of the Annual Meeting held in New Orleans, as well as the March 2020 Board Meeting report. He confirmed that all additional meetings scheduled for March and April had been cancelled.

IX. FEDERATED RURAL ELECTRIC INSURANCE

Chairperson Spalding noted the Federated Rural Electric Insurance report for the Board was included in the board packet.

X. RUS-CFC-COBANK NEWS/UPDATES

A. CFC Financial Workshop Summary

Chairperson Spalding stated the CFC Forum was set to be conducted in Salt Lake City, UT on June 15 – 17, 2020. He said he is currently planning to attend, as a representative of EKPC. He advised if anyone else wanted to attend, they would need to request and be approved for the travel. At this time, no one else had an interest on attending. Mr. Carter stated he may attend but is uncertain as to scheduling and other travel restrictions and health issues relating to COVID-19.

XI. CAPITAL CREDIT DISBURSEMENTS

Mr. Preston advised there were estates retirements for January of 2020 totaling \$10,314.00. Mr. Todd made a motion to approve the disbursements as stated by Mr. Preston. Mr. Goggin made a second to the motion and the motion passed unanimously. Mr. Preston also noted the total patronage capital retirements as of December 2019 were \$13,835,682.00.

XII. WORK ORDERS

Mr. Preston identified Work Order #1984 in the amount of \$421,160.93 and Work Order #1985 in the amount of \$572.34. Mr. Peyton made a motion to approve the work orders as stated. Mr. Kerrick made a second to the motion and the motion passed unanimously.

XIII. NEW MEMBERS

Mr. Preston advised for February of 2020 the Cooperative added 128 new members totaling \$6,400.00. Mr. Kerrick made a motion to approve the new members and the fees collected. Mr. Goggin made a second to that motion and the motion passed unanimously.

XIV. MISCELLANEOUS

Chairperson Spalding requested the Board submit their expense sheets and 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 is scheduled to be held on Friday, April 17, 2020 at 8:30 a.m. It is expected this April Board Meeting will likewise be conducted telephonically or by other electronic means. Mr. Kerrick stated there may be a need to review the drug policy considering pending state legislation and other related issues. Mr. Dean and Mr. Carter will follow up and keep the Board apprised as to how other cooperatives across the nation are doing.

Chairperson Spalding 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 addressed on the agenda other than those mentioned above. Seeing no additional comments in that regard, Mr. Goggin then called for a motion to adjourn the meeting at 11:09 a.m. Mr. Todd made a second to the motion, and the motion passed unanimously.