

INTER-COUNTY ENERGY COOPERATIVE CORPORATION
Meeting Minutes Summary

November 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 either in person or via video conference, 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

Louis Kerrick opened the meeting with prayer.

II. SAFETY MOMENT

Mr. Kerrick gave the safety moment. He noted with the upcoming holiday season the use of the extension cords for holiday lighting can be very dangerous. All cords should be inspected thoroughly and noted they can be a trip hazard. He also acknowledged the amount of electrical demand placed on the cord should be consistent with the capacity for each to carry the power to each device or appliance for which the electricity is being used.

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 October 23, 2020 Board Meeting. Following a review of the minutes Mr. Preston made a motion to approve the minutes. Mr. Kerrick made a second to the motion and the motion passed unanimously.

V. OCTOBER SUMMARY MINUTES

October summary minutes were discussed, and a motion was made by Mr. Goggin to approve the summary minutes for the October 2020 board meeting. Mr. Todd 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 November 19, 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.

A. Finance and Administration – Ms. Gilliam gave an update on the margins and announced that the September margins were slightly negative. Year to Date margins however were positive. She followed with additional information regarding an analysis of all fixed loans with FFB and discussed further the interest rate environment within the industry. She confirmed all her data for the September budget for her department was in line with projections and year-to-date, they were all below budget. She gave an update on the Cushion of Credit and advised there was still approximately \$261,000.00 left in an account which was drawing approximately 4% interest. Once that account is depleted there will no longer be any opportunity for the Cooperative to participate in depositing funds there at that interest rate. She reviewed her budget summary and responded to questions regarding the same.

1. Cyber Security Update

Mr. Bach advised he would be conducting disaster recovery testing in the Lebanon Office. This will be for the purpose of establishing whether the Lebanon Office would be capable of running the server that has been located there in the event of a complete loss of power or destruction of the Cooperative headquarters in Danville. He further discussed system integrity and the additional aid that will be gained in the event of an emergency or problem by having this server in Lebanon. He noted previously there was only one server for the Cooperative territories located at the headquarters but did acknowledge there was a cloud backup service that was in place in the event of the emergencies envisioned regarding the threats known to the Cooperative.

B. Office Services – Ms. Stocker advised there were 33 unpaid accounts totaling \$12,952.35 to be sent to bad debts and turned over for collection. It was her understanding that those accounts could be declared as uncollectable but at this time they cannot be submitted for collection due to PSC rules and approvals. She and Mr. Carter confirmed there is some discussion about treating these as a regulatory asset and/or how the cooperatives are going to be treated regarding substantial losses not only in the collection on accounts, but the penalties in place and

had previously been approved by the PSC. A motion was made by Mr. Kerrick to declare the unpaid accounts as bad debt in the amount stated. Mr. Goggin made a second to the motion and the motion unanimously passed. She confirmed the debts had to be written off but the same would be sent to collections until further direction from the PSC.

Mr. Carter also discussed a public hearing regarding overdue accounts with another cooperative. He and Ms. Stocker are going to keep their attention on the outcome of that hearing. Ms. Stocker also discussed the prepaid accounts and advised that the cutoff of services did begin on Tuesday, November 17, 2020. She confirmed there will be multiple notices in multiple different formats given to each member prior to the cutoffs. She also advised that efforts had been made to move the underlying debt in to a debt management category with these individuals. She advised the prepaid debt management balance for all accounts is approximately \$97,010.00 accumulating from approximately 142 accounts. The average for each account is about \$663.00. Ms. Stocker then reviewed her preliminary budget and discussed its structure and answered questions on behalf of the Board.

C. Operations – Mr. Phelps gave an update on the right-of-way bidding status. He confirmed that requests for proposals were to be turned in in December and he would be reviewing those and advising the Board of his decision on issuing contracts for the calendar year 2021 for right-of-way clearing.

Mr. Phelps gave an update on the Diageo project and advised there is going to be a testing of the boiler for the power to the boilers and switchgear sometime around December 7, 2020. There will be a test with the power consumption demand up to 30 megawatts. He also gave an update on Kentucky Fresh Harvest and advised the next stage of that development is scheduled to be taken around the first of the year. At this time, they are waiting for a pad to be poured for the installation of the equipment to be installed.

Mr. Phelps then gave an update on the right-of-way clearings and advised that he thought the weather and other factors have delayed the completion of this cycle and hopes the same will be completed in February of 2021. Mr. Phelps and Mr. Carter also gave an update on the overall right-of-way clearing process for the Cooperative.

Last, Mr. Phelps presented his preliminary budget and discussed its contents and issues with the Board.

D. Member Services – Mr. Hitchcock advised that the COVID-19 pandemic has been very detrimental to the number of in person visits and other activities that would normally have gone on during this period. However, he was very happy that the Christmas Blessings Program generated approximately \$3,300.00 from the auction. He also noted that the Marion County

Walmart donated \$2,000.00 to the program. He advised that the bulk of that money will be utilized to purchase gifts for the children benefiting from the program from the Marion County Walmart.

He then gave an update on the key accounts and noted for 2020 the key accounts total to date were \$425,000 when compared to \$502,000 for the preceding year. He advised that many of the key accounts are unable to run full shifts due to the COVID-19 pandemic.

He also gave an update on the bourbon barrel record for Kentucky. He said the record was recently broken where the estimates show there are now 9.8 million barrels of bourbon in Kentucky. He then presented his preliminary budget and noted that he, and other department heads have made significant efforts to decrease the amount of the budget for the upcoming year and his preliminary budget shows a decrease of approximately \$130,000.00.

He and Mr. Carter also discussed the upcoming 2021 Annual Meeting and advised that the Member Appreciation Day for 2020 seemed to work well. It is unlikely that the Boyle County High School is going to allow the venue to be held for the typical timeframe of the Annual Meeting which typically occurs in the first part of May. He advised that the Member Appreciation Day that coincided with the Annual Meeting in this year's format, was as much of a success as it could be. As there were no elections this year, further discussions were ensuing regarding how that process would work for the 2021 Annual Meeting, assuming the COVID-19 pandemic is still impacting the way any type event can be held. This issue will be brought on for further discussion in the new year.

Last, Mr. Hitchcock discussed the 2021 Scholarship awards from the Cooperative to the high school students in the service territory. The format and process were discussed but ultimately there was no consensus on how to proceed at this time for the upcoming year. Mr. Hitchcock will bring back additional ideas and thoughts at upcoming board meetings.

E. Executive - Mr. Carter presented his Executive department budget and discussed the same. He noted it was approximately 16% lower than budget. He also reviewed the summary budget for all departments and confirmed that revenue was down approximately \$3.4 million dollars. He attributed the bulk of that loss in sales to the COVID-19 pandemic, as electrical consumption and sales were down and the inability of the Cooperative to collect late fees and/or past due accounts. He did advise in the summary budget there was still a lot of "green" in numbers. He attributes that to the hard work of the staff and each department head to contain costs. However, the overall budget has been substantially impacted in a negative way because of the simple reduction in the number of sales.

Mr. Carter then presented a display of employees with work anniversaries. The high note included Sheree Gilliam having served 42 years as of the month of November 2020. He also noted that Mr. Peyton has served the board as a member for 25 years.

In concluding his report, Mr. Carter then presented his executive budget and discussed the changes and responded to any questions the Board had regarding the same.

1. Safety/Loss Prevention Summary - Mr. Carter discussed the report provided by Bo McGuffey. He further advised that the Cooperative staff continues to buy into the development of safety as being a top priority. He notes there have been several admissions of “close calls” and while it may be somewhat concerning to the staff to do this, it is raising the awareness of the importance of best safety.

2. 2020 Load Forecast Study Resolution – Mr. Carter gave an update of the documentation from EKPC. Chairperson Spalding and Mr. Carter further explained the load forecast and presented member diagrams and other predictions. After review, Chairperson Spalding called for a motion to approve the resolution from EKPC. Mr. Kerrick made a motion to approve the resolution as presented. Mr. Preston made a second to the motion and the motion passed unanimously.

VII. LEGAL/REGULATORY/POLICY

Mr. Carter presented several documents to approve signors for various bank accounts at Farmers National Bank in Danville, Kentucky. This is to allow the new CFO, Alyssa Kurtz to be included as an authorized signor on each account. Mr. Kerrick made a motion to approve the execution of documents to allow Ms. Kurtz to have access to the bank accounts of the Cooperative. Mr. Goggin made a second to the motion and the motion passed unanimously.

Mr. Carter then circulated several resolutions for approval as requested by CFC and RUS. The resolutions were circulated to the Board and the same were explained by Mr. Carter. After review and discussion, Mr. Peyton made a motion to approve the CFC Resolution. Mr. Goggin made a second to the motion and the motion passed unanimously. Next, Mr. Goggin made a motion to approve the resolution as it related to RUS. Mr. Kerrick made a second to the motion and the motion passed unanimously.

VIII. BOARD/CEO SESSION

A. Annual Calendar – Mr. Carter reviewed the Annual Calendar with the Board and discussed the budget, his evaluation, and the fact there would be no Board Self Evaluation for the upcoming year. He further explained that many of the invitations for individuals to come and present for the calendar year of 2020 were on hold due to the COVID-19 pandemic. He hoped this would be remedied sometime in the early part of 2021 but acknowledged that until

conditions change, much of the activity as it relates to the Annual Calendar, any outside individuals visiting with the Board would likely be curtailed.

B. Dashboard Review - Mr. Carter then displayed the dashboard and discussed each relative metric. He was happy to see that OTIER was 1.94/1.57.

C. Capital Credits Discussion

The Board next reviewed Policy 402 and the recommended changes that had been discussed for some time. Modifications to the existing policy were highlighted by redline. The Board discussed the way the Cooperative would move forward with any capital credits being allocated or retired by EKPC and addressed allocations of other patronage capital from entities for which it does business. After a lengthy discussion and a review of the multiple changes, Mr. Preston made a motion to approve Policy 402. Mr. Peyton made a second to the motion and the motion passed unanimously.

D. Equity Management Discussion

The Board reviewed the current Equity Management Policy and anticipated the formal Equity Management Plan will be modified and approved at a later meeting. This deals with the review of the existing policy, located in 413A of the board policies.

IX. COMMITTEE REPORTS

None provided.

X. EKPC

Chairperson Spalding gave an update for staffing issues going on at EKPC. The announcement of the retirement of Mike McNally was made. He will serve up to and including 1215 January 15, 2021. A nationwide search for his replacement is underway. Chairperson Spalding further identified that margins were approximately \$8 million over budget for the year but there are some concerning issues with EKPC including discussions about a rate increase. He expects there will be additional information provided around December 20 regarding any desire for EKPC to seek a rate increase.

XI. KEC/UUS

Mr. Todd advised that rural broadband continues to be a topic of discussion. There is upcoming legislative, as well as other issues being reviewed by the PSC regarding this matter. Mr. Todd will keep the Board advised to any additional steps taken at KEC, along with any other information he receives from other entities.

XII. NRECA

Mr. Carter presented a video from the NRECA website concerning board governance. The speaker in the video was Monica Schmidt and the subject matter discussed was director pier assessments. After the video was played, the Board discussed the content along with the merits and concerns that can be brought about from proper and improper use of pier assessments. The Board has discussed and will consider those reviews in upcoming evaluations.

XIII. FEDERATED RURAL ELECTRIC INSURANCE

No report was provided.

XIV. RUS-CFC-COBANK NEWS/UPDATES

No report was provided.

XV. CAPITAL CREDIT DISBURSEMENTS

Mr. Preston advised there were estates retirements for November of 2020 totaling \$7,349.00. Mr. Peyton 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 November of 2020 were \$13,899,315.00.

XVI. WORK ORDERS

Mr. Preston identified Work Order #2001 in the amount of \$347,995.04 and Work Order #2002 in the amount of \$0 for approval. After a discussion regarding the content of those work orders, 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 October of 2020 the Cooperative added 167 new members totaling \$8,350.00. Mr. Peyton 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.

XVIII. MISCELLANEOUS

Chairman Spalding requested the Board submit their expense sheets by providing those to Ms. Coleman. Chairperson Spalding reminded that the next regular board meeting has been scheduled to be held on Friday, December 18, 2020 at 8:30 a.m.

XIX. OTHER BUSINESS

Chairman Spalding mentioned there had been some discussion about moving the January Board Meeting. The proposed date for moving the meeting is January 12, 2021 at 8:30. Mr. Kerrick made a motion to approve the change of the meeting date of January as stated. Mr. Goggin made a second to the motion and the motion passed unanimously.

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 for upcoming board meetings do so by providing the same to Farrah Coleman.

XX. ADJOURN

Hearing no further business, Chairman Spalding called for a motion to adjourn the meeting. Mr. Goggin made the motion to adjourn at 2:27 p.m. Mr. Preston made a second to the motion, and the motion passed unanimously.