

INTER-COUNTY ENERGY COOPERATIVE CORPORATION
Meeting Minutes Summary

Date: February 19, 2020 @ 8:30am

Chairman of the Board, Joseph H. Spalding, called the meeting to order and J. Hadden Dean opened the meeting with prayer.

J. Kevin Preston acted as Secretary of the meeting. After confirming attendance, the Secretary announced the following directors were present, 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.

SAFETY MOMENT

Mr. Kerrick gave the safety moment. He discussed tips for driving in cold weather which included watching for black ice, clearing windshields and mirrors from any frost and/or ice, in addition to utilizing proper driving techniques in allowing additional distance for stopping during inclement weather.

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.

REVIEW OF MINUTES

The Board reviewed the minutes of the January 17, 2020 Board Meeting. Following review of the minutes, Mr. Preston made a motion to approve the minutes. Mr. Todd made a second to the motion and the motion passed unanimously.

JANUARY BOARD MEETING MEMO

Mr. Carter presented a draft memo from the January board meeting for consideration in publishing to the Cooperative website. Additional discussions were held regarding the scope, content and language of the memo. After discussion, Mr. Preston made a motion to begin publishing to the membership a summary following each board meeting beginning as of January 2020. A second was made by Mr. Todd. The motion passed with three directors voting for the publishing and two against.

REPORTS

Departments

The minutes will reflect 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 February 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 a proposed budget and reviewed each of the line items.

A. Finance and Administration – Ms. Gilliam gave her report for the month of December and noted it showed a loss of \$236,219.00. She confirmed that the warmer than normal weather for the month of December drove down the number of kilowatt hours that were consumed across the distribution cooperative territory – which is primarily residential. She noted there were nearly two million fewer kilowatt hours sold in December of 2019, in comparison to 2018.

She then reviewed the FFB rates and directed the Board to look at the quarterly rates as of February 14, 2020, compared to the quarterly rates of January 14, 2020. She noted the 30-year rate had dropped to 1.88% compared to 2.14% the month prior. She also confirmed she had locked in approximately \$12,000,000.00 of long-term debt on to a fixed basis at 2.06%. She then gave a review of other debt and discussed whether converting that to a fixed loan versus a variable. She confirmed there were several “made whole” payments that would be required to be satisfied with some of the debt that currently is at a much higher interest rate.

Ms. Gilliam reviewed the new corporate credit card and the processes which are in place. The purpose of obtaining a new corporate credit card through one of the current lenders would be for the advantage of getting “cash back” for the use of the card. This requires guarantees by the entities involved that in the event of default, any unpaid balance on the card would be added to the underlying debt, as a sort of “overdraft” prevention. She reviewed the resolution that would need to be signed. The same was discussed by the Board and staff. The Board then entertained a motion by Mr. Todd to approve the resolution for the incorporation of the new corporate credit card program. The motion was seconded by Mr. Goggin and passed unanimously.

The Board requested Ms. Gilliam, Mr. Dean and Mr. Carter to review the spending policies to ensure they were consistent with the limits of the new corporate credit card program.

Ms. Gilliam noted she had been asked to chaperone the Washington Youth Tour. Considering her pending retirement, this was an opportunity she had never been able to

participate in before. The Board unanimously supported her desire to go on the tour, which is being held June 19-25, 2020.

Mr. Carter noted that when reviewing the income statement, there was only a marginal increase in revenue and that without the rate case (increase), the financial status of the Cooperative would have been much more challenged through this warmer than normal period of time. Cyber Security Update

Chris Bach gave an update and advised there was no breach since his last report. He continues to be hopeful that the “Carbon Black Program” be one of the robust parts of the cyber security defense initiatives for the Cooperative.

B. Office Services – Ms. Stocker gave an update noting there were 37 accounts which are overdue with a total of approximately \$11,295.92. She asked the Board to declare those as bad debts and to allow her to transfer those to collections. Mr. Kerrick made a motion to deem the 37 accounts as overdue and send them to debt collection. Mr. Preston made a second to that motion and the motion passed unanimously. Ms. Stocker otherwise advised that her report covered all the noteworthy aspects of her department. There were no additional questions for Ms. Stocker.

C. Operations – Mr. Phelps gave an updated on the 84 new work orders that were engaged in December of 2019. New construction cost totaled \$476,862.00 and purchases were \$63,262.00 per the current work plan. He also advised staking was underway for new projects for the chiropractic center at the Campbellsville University located in Harrodsburg, a three-phase line location for a 5 Star gas station in Harrodsburg, Highway 27 expansion in Stanford, CFR 304 Wolf Trail (5.5 miles of voltage conversion) and Hunter Drive line extension for load balancing and reliability.

He also presented an image of a malfunctioning insulator. He described how those occurred time due to simple deterioration of the materials that compose the insulator. Any time the insulators take high voltage from lightning; they will overtime fail. Mr. Phelps stated the costs for operations and general plant were all below budget.

D. Member Services – Mr. Hitchcock presented his year-end report of all activities. He confirmed that a strong part of his work surrounds educating students and confirmed over 1,500 had attended the Conservation Tree House Program, 1,200 attended safety programs, which include the use of the KEC Safety Trailer. He was very thankful that KEC continues to allow the trailer to be located at the Cooperative’s headquarters in Danville. The trailer is utilized by all cooperatives throughout the service territory but primarily those that are adjacent to the Cooperative’s service territory. He then discussed the BYOT Program. This program offers the

opportunity for members to bring in their thermostats. He gave statistics showing 494 of the customers that participated were accepted; however, 748 were rejected as a result of wrong primary account name or the thermostat. He also confirmed they cannot have a smart thermostat and an AC switch.

He then gave an update of the demand load control switch summary, along with a key account chart comparing monthly summaries for 2018 to 2019.

He identified several of the key accounts of industrial members for comparison sake in 2018 and 2019. To date, the yearly totals for 2018 were just over \$6.2 million. For 2019 that same statistic revealed a yearly total of approximately \$6,044,000.00. Mr. Hitchcock also gave an update on the sponsorships and donations. He displayed a bar chart identifying each of the service territory counties that provided sponsorships for 2019. He concluded his report by giving the statistics and displaying of the 2024 Mustang Mach – E. This included the timeframe to charge from 10% to 80% could be as short as 38 minutes, while charging on a DC fast charging station. The peak charging rate was a 150 kilowatt. He noted the base model would go zero to 60 miles per hour in 5-6 seconds, while the GT Model, would go 60 miles per hour in 3 seconds. That model had a rating of 459 horsepower.

Mr. Hitchcock ended his report with presenting an old newspaper article, referencing comments made in 1957. Some of those included, “If they think I’ll pay \$.50 for a haircut, forget it”; “If they raise the minimum wage to \$1.00, nobody will be able to hire outside help at the store”; and last, “No one can afford to be sick anymore; \$35.00 a day in the hospital is too rich for my blood”.

E. Executive – Mr. Carter presented his Executive Summary and started with the executive budget for the year ending 2019. He advised that by year-end, the overall executive budget was approximately \$48,160.00 under budget. He then discussed the summary budget and confirmed that the departmental expenses were just \$100,000.00 over budget for December but almost \$687,000.00 under budget for the year. He also confirmed that electric revenues were \$95,781.00 under budget for December and \$1,3867,000.00 under budget for the year. He and Ms. Gilliam again noted the allocation of non-operating margins had a huge impact on the overall margin for the Cooperative for the calendar year 2019.

Mr. Carter presented a list of employees celebrating work anniversaries at the Cooperative. Those ranged from 32 years of service down to just one year.

1. Safety/Loss Prevention. Mr. McGuffey gave summary and discussed the Safety Meeting Minutes from January 28, 2020 and the Safety Committee Meeting Minutes of February 2020. The discussion included candid comments about “near misses”

and how staff can improve safety. He also noted there were only two recordable events for the entire year of 2019 and those included a tick bite and poison ivy. He was glad to note there was over 200,000 hours worked with a dart rate of zero and a severity rate of zero. He presented a recordable incident trend analysis. The analysis included the Cooperative to the Kentucky average and the national average. He noted that for the 2018 calendar year, there were two serious injuries that negatively impacted that trend for the Cooperative. He also noted that one could see that the Cooperative was well below the Kentucky and/or national average for 2019. He also confirmed that a recent speaker at one of the safety meetings was Tony Dempsey. He noted he was an excellent speaker on the subject matter.

Last, Mr. Carter noted the CRC 2020 Voting Delegate registration process had begun.

I. LEGAL/REGULATORY/POLICY

A. Policy 101 (Employment-At-Will), Policy 203 (Supplemental Compensation for Salaried Employees and Policy 321 (Code of Ethics) were all submitted to the Board for review. The Board confirmed they did not request any changes nor did the staff. Mr. Goggin made a motion to approve the acknowledgement of the review of those policies. Mr. Todd made a second to the motion and the motion passed unanimously.

II. BOARD/CEO SESSION

A. Annual Calendar Review

Mr. Carter presented an overhead projection of the annual calendar for review. Mr. Dean requested that when there is a review of the Board and CEO, he would like to include a review of his role as Board Attorney in that review. He, Mr. Carter and Chairperson Spalding would work on a format. Chairperson Spalding confirmed there was a review of in-house counsel at EKPC.

B. Dashboard Review

Mr. Carter gave a review of the dashboard and confirmed the Cooperative ended up with a 2.46 Tier with EKPC Capital Credits Allocated and 1.50 Operating Tier when not considering EKPC's Capital Credit allocations. He noted that the weather is plaguing the numbers. One way to address this is to make revenue neutral changes to the rate charged to the Cooperative. He noted the modified debt service coverage was 1.37 and that he was going to work on that. He is concerned there continues to be a significant portion of the work plan which needs to be reviewed. All items are necessary and have been previously approved by the Public Service Commission during the process of compiling the work plan. However, the return on some of those investments may be the

source of the review of the work plan is created for the future. It appears the amount of debt is increasing while the amount of revenues is staying flat. This could place the Cooperative in a challenging condition down the road should the rates not increase and/or the revenue stay flat relative to the increasing amount of debt. He also discussed the equity ratios for the Cooperative.

C. Policy Review

Mr. Carter presented Policies 413 (Financial Management), 413A (Equity Management Plan with proposed revisions), 420 (Member Request), 421 (Attendance at Meetings or Appearance by Members) for review by the Board.

The Board acknowledged review of Policy 413 without any changes. Next, the Board reviewed 413A and had several changes. Those changes were discussed, and Mr. Carter and Mr. Dean will make the same and bring back the revised policy for further consideration and review.

Next Policy 420 was reviewed, and no changes were suggested at that time. However, the Board advised there was a continued effort to make sure the membership is apprised of the activities of the staff and Board which include the distribution of a memo from each meeting.

Policy 421 was discussed in the same context as above. Mr. Carter and others acknowledged the Cooperative is presenting a lot of information to its members through social media, Kentucky Living Magazine, at the Annual Meeting. These opportunities allow for its members to engage the Board directly through the policies identified for review in February of 2020. The Board continues to strive to look at new and additional ways to keep the membership apprised of issues impacting not only the Cooperative but the state, federal and global energy industry.

D. Policy 428 – Management Succession Planning - Delayed to March meeting

III. COMMITTEE REPORTS

A. Grayson Management Audit Discussion

Mr. Carter discussed the Grayson Management Audit and some of its issues. He gave a brief overview and suggested for the Board to carefully review that audit and be prepared to discuss any questions or concerns they have at the March Board Meeting.

B. Board Self-Assessment

Mr. Carter reviewed and discussed the Board Self-Assessment and the results of that exercise. Overall, he was very happy the exercise reflected a score of 21.14 which fell in the “minimum” risk of the scale presented.

IV. EKPC

Chairperson Spalding gave an update of the activity at EKPC for the month of December. He confirmed it was a terrible month, as the revenue was approximately \$9.3 million dollars below budget. He confirmed there were much lower sales due to mild weather. He also gave an update on a recent court decision that is negatively impacting the entire energy industry. He confirmed Dennis Forrester had given a recent update to EKPC. Mr. Forrester is involved with PJM in relations on behalf of EKPC. In short, this decision impacts the process in which the bids and compacity issues are addressed. He also gave an update on the sustainability initiatives at EKPC which included a study of environmental, social and governances' issues. Mr. Carter also gave an update on the Smith One Plant Retirement. He noted EKPC is paying down a million dollars a month towards the retirement of the stranded asset. Chairperson Spalding, Mr. Carter and Mr. Dean all noted this seems to be an excellent opportunity to utilize some of the advantages gained by the PJM market access and reminded the Board that EKPC could have deemed that regulatory asset is one that simply needed to be passed on down to each of the 16 distribution cooperatives. Chairperson Spalding noted that as a part of the order that allowed for EKPC to engage in the PJM market that EKPC had to report to its owners how it was going to address the costs savings when engaging with that market the primary focus has been to improve equity at EKPC, along with addressing the over \$150 million dollars regulatory asset as a result of cessation of Smith One Plant expansion. Chairperson Spalding and Mr. Dean noted that as the retirement of that plan is complete, there will need to be a continual review as how those costs savings are utilized at the generation and transmission level and how it addresses the order of the PSC to account for those savings and advise its membership.

Chairperson Spalding then noted that the pending medical marijuana bill is likely to pass. Mr. Carter and Mr. Dean has been tasked to review the drug testing policies. There is an ongoing debate about the potential for a positive test for CBD oil, as well.

Chairperson Spalding then gave an update on the broadband initiative. He advised that Kentucky Farm Bureau has undertaken to really promote that opportunity for rural areas. It seems that they are going to suggest that the cooperatives aid in that initiative.

V. KEC/UUS

Mr. Todd gave an update from the February 3, 2020 meeting. That included the attachment to the board packet which identified key points from the January 29, 2020 board meeting. There continues to be additional strategies to discuss Senate Bill 100 (net metering).

Mr. Todd also discussed the electric generation and CO2. He provided an update on the new CFC director position. There were several applicants interested in that position, including Chairperson Spalding. He outlined the process that was identified for the interviews. The interviews will be conducted before the voters and board at the Embassy Suites in Louisville.

VI. ANNUAL MEETING

Chairperson Spalding gave a brief outline of the upcoming Annual Meeting and the dates for the same.

VII. NRECA

A. NRECA Annual Meeting

Chairperson Spalding advised the annual meeting was being held in New Orleans, LA on February 27 through March 4, 2020. He will be attending.

B. Directors Conference

The conference is set to be held April 4 – 7, 2020 in Kansas City, Missouri. Chairperson Spalding confirmed he would be attending for EKPC. Mr. Preston asked to be approved for travel. Chairperson Spalding noted that the cutoff for making reservations is March 6.

C. Legislative Conference

Chairperson Spalding advised the legislative conference is scheduled to be conducted in Washington, D.C. from April 26 – 28, 2020. Those interested need to seek board approval and should make travel arrangements with Farrah Coleman.

IX. FEDERATED RURAL ELECTRIC INSURANCE

No report was given during the February 2020 Board Meeting.

X. RUS-CFC-COBANK NEWS/UPDATES

A. CFC Financial Workshop Summary

Chairperson Spalding gave an update on the upcoming workshop that was conducted in Louisville, KY.

B. CFC Forum

Chairperson Spalding confirmed that the forum is scheduled to take place in Salt Lake City, UT on June 15 – 17, 2020.

C. Notice of CoBank 2020 Director Election

Chairperson Spalding gave notice of 2020 director election request. Those interested should review the materials supplied and take further steps towards their nomination.

XI. CAPITAL CREDIT DISBURSEMENTS

Mr. Preston advised there were estates retirements for December of 2019 totaling \$4,529.00. 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 November 2019 were \$13,825,368.00.

XII. WORK ORDERS

Mr. Preston identified Work Order #1981 in the amount of \$425,621.91, Work Order #1982 in the amount of \$1,668.00 and Work Order #1983 (retirement without replacement). 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.

XIII. NEW MEMBERS

Mr. Preston advised for January of 2020 the Cooperative added 151 new members totaling \$7,550.00. 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.

XIV. MISCELLANEOUS

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 had been rescheduled and was going to be held on Friday, March 27, 2020 at 8:30 a.m. however there were additional conflicts and that meeting was now going to be held on Tuesday, March 31, 2020 at 8:30 a.m. Mr. Todd made a motion to approve the rescheduling of the March Board Meeting. Mr. Preston seconded the motion and the motion passed unanimously. 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 placed 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 3:17 p.m. Mr. Kerrick made a second to the motion, and the motion passed unanimously.