

INTER-COUNTY ENERGY COOPERATIVE CORPORATION

April 2021

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

Mr. Carter opened the meeting with prayer.

II. SAFETY MOMENT

Mr. Kerrick gave the safety moment and distributed an article on safe driving practices entitled "9 Ways to Become a Safer Driver". He and others confirmed each of those specific items and continued to urge safe driving practices including but not limited to avoiding distractions such as cell phones and other tasks not associated with safe driving practices.

III. ADOPTION OF AGENDA

Chairman Spalding presented an amended agenda which was reviewed. Mr. Goggin made a motion to approve the amended agenda. Mr. Todd made a second to the motion and the motion passed unanimously.

IV. REVIEW OF MINUTES

The Board reviewed the minutes of the March 19, 2021 Board Meeting. Following a review of the minutes and with a revision to the financial report, Mr. Todd made a motion to approve the minutes. Mr. Kerrick made a second to the motion and the motion passed unanimously.

V. MARCH SUMMARY MINUTES

March summary minutes were reviewed. A motion was made by Mr. Goggin to approve the summary minutes with the same revision to the financial report, for the March 19, 2021 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 April 16, 2021 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.

B. Finance and Administration – Ms. Kurtz gave a detailed report of the financials of the Cooperative for February and reported there were negative margins. Those margins were primarily driven into the negative category because of the February storm expenses which are estimated to be between \$800,000 and \$1,000,000.

She confirmed the original budgeted margins for the month of March was for approximately \$150,000.00. She again confirmed but for the unexpected February storm expense the margins would have been much better. She confirmed year-to-date operating revenues were up \$1.3 million dollars over last year's amount and \$1.2 million dollars over the budgeted amount. Likewise, purchase power cost is \$1.1 million dollars higher than last year at the same time and is approximately \$365,000.00 over the budgeted amount. She again noted that operating expenses were \$983,000.00 more than last year and over budget by \$675,000.00 primarily due to the February storms. Ms. Kurtz then presented an analysis of the 2020 and 2021 operating in net margins. She confirmed for 2020 operating margins for the end of February were \$1,435,324.00 when compared to \$656,550.00 for year-to-date in 2021. That reflected a change in the present year of -\$778,774.00. Overall, operating margins were a positive \$213,738.00. She noted the net margins were \$21,489.00.

Ms. Kurtz then discussed the distribution plant and noted the total services in place increased by 1.38% and the miles of line increased by .49%.

She then gave an update on the current FNB interest rates noting the changes from March 12 to April 5 of 2021.

Ms. Kurtz provided an update to the Board regarding the monthly payroll expenses for February of 2021. She noted the dramatic increase was almost exclusively due to the February ice storm overtime hours.

She then presented the financial and statistical report that was submitted to the USDA-RUS for the period ending February 28, 2021.

She advised that the financial ratios for margins and equities as a percent of assets was 36.49. She noted February TIER was .58 and OTIER was .59 with year-to-date ratios respectively at 3.31 for both categories. She then reviewed the budget for the finance and accounting department and noted the current year-to-date amounts exceeded budget because of having an extra employee for the month of January.

Ms. Kurtz and Mr. Carter confirmed they are working with Mike McNally to help develop the Board strategy for improvement in the equity ratios. She and Mr. Carter also confirmed the auditors were in this month and should have a report in the next few months.

C. Office Services – Ms. Stocker advised the Board there were 45 accounts older than December 15, 2020 totaling \$20,094.94. She requested those be deemed as bad debt and, if eligible, sent to collection. Mr. Todd made a motion to declare the unpaid accounts as bad debt in the amount stated and to send the same for collection subject to the PSC and other regulations. Mr. Kerrick made a second to the motion and the motion passed unanimously.

She confirmed the lobby has been opened for activity and advises the members who have come inside to do business are very happy to be able to do so. It is much easier for the member to transact business, including the establishment of new services while not waiting in the drive thru.

She gave an update on her personnel report and several meetings she had attended. She confirmed that for the month ending February 2021, that the expenses for Office Services were approximately \$44,000.00 under budget.

She also gave an update on the strategies to reduce over-due accounts. She confirmed there was just under \$40,000.00 of deposits being held. She attributes this to a change in the deposit structure that was recently approved by the Public Service Commission. This should greatly assist in the long-term reduction in the amount of uncollected debt.

C. Operations – Mr. Phelps advised that 68 new work orders were started in February, which include new construction totaling just over \$236,000.00. Purchases were just over \$99,000.00. He gave an outline of the engineering and construction that was on-going including the primary focus of the work being new construction and pole changes. He then gave an update on the right-of-way clearing and confirmed that Kendall had one crew working on the Alum Springs circuit and another in the Lebanon circuit.

Mr. Phelps then gave an update on the Diageo project and advised the system was thoroughly tested and powered up to 27 megawatts. He advised the test went well and was pleased with the involvement and performance of the systems of the Cooperative. He advised no additional requests had been made from Kentucky Fresh, at this time. The next step will be the installation of another transformer on site. He additionally confirmed the Komatsu project is

proceeding with conduit having been recently installed and the electrical contractor doing a “make ready” for their service entrance. The Cooperative is awaiting the primary metering assembly with an anticipation of energizing the service during the month of May.

Mr. Phelps then gave an update on the joint use attachments which were billed in January. He confirmed year-to-date the Cooperative received over \$565,000.00 of approximately \$569,000.00 billed. The outstanding payment is due from Lingo Communications.

He advised there were two staff members in his department who would be retiring this year. He expected Kenny Gribbins to retire on June 1st and Rick Condor to retire in early July. Their combined experience is just short of 60 years and stated they will be difficult to replace. He then gave an update on the February 2021 operations budget. He confirmed the actual year-to-date expenses were approximately \$750,000.00 over budget, and noted the primary cause was a result of the multiple storms which caused moderate to severe damage and multiple outages in February throughout part of the service territory.

D. Member Services – Mr. Hitchcock was happy to advise that the member service activity report for March 2021 included several visits and a return to some programs for the membership including Button-Ups, TSE Homes, DSM inquiries, audits, and high bill complaints. The bulk of these had not been conducted for almost a year due to the pandemic.

He then gave a summary of the member service department activity and presented a picture of the Campbellsville University Chiropractic School. He went over the key account chart for February 2021 which included a comparison of the calendar years of 2020 and 2021. He noted the pandemic had not come into full force as of the end of February 2020 but noted the January numbers for 2020 were greater than 2021.

Mr. Hitchcock then gave an example of a high bill complaint and showed a graph relating to the same. The high bill was due to the use of a “hotel type heating unit” used in a dog kennel. He noted the comparison and the consumption chart and urged the member to be sensitive about using these types of heating units with little or no insulation.

He then presented an image of a floating solar farm. He noted this is a unique design in that these solar panels also have a panel that faces downward toward the water. This design takes advantage of reflected sunlight from the surface of the water.

Mr. Hitchcock then gave an update on an article regarding electric vehicles including a comparison of the Ford Mach-E Cross Country to the Tesla and images of futuristic Rivian car hauler.

He then discussed some of the possible developments for the Maker’s Mark campus.

He advised the Board the budget for member services for February of 2021 reflected expenses were approximately \$37,000.00 under budget.

Last, Mr. Hitchcock presented a pie chart of the 2021 key account breakdown for the top commercial accounts.

E. Executive - Mr. Carter reviewed his executive and summary budget with the Board. He outlined several work anniversaries of the Board and employees. Those included Mr. Todd having served on the Board for 16 years all the way down to the newest employee, Jason Murphy, who had been with the Cooperative for three years.

Mr. Carter then reviewed the details of the upcoming Annual Meeting with the Board. He asked for the Board to confirm the Annual Meeting date of August 27, 2021. Mr. Kerrick made a motion to approve the Annual Meeting to be set on that date. Mr. Goggin made a second to the motion. After discussion, the motion passed unanimously. He and the Board then discussed setting the Lebanon Member Appreciation Day. It was previously discussed to have that on August 26, 2021 but considering the Annual Meeting date, Mr. Carter recommended the Lebanon Membership Appreciation Day be held sometime within the timeframe that would coincide with a member's right to cast an absentee ballot. He will follow up with the Board regarding that date at next month's board meeting.

He and Chairman Spalding then presented the current district composition for the Board's review. The Board reviewed the composition and after a motion by Mr. Preston and second by Mr. Peyton, the Board noted there did not appear to be any reason to recompose the districts. Mr. Carter reminded the Board that while the district composition was not changed, the directors are elected at large and not just within their own district. The motion to confirm the review without changes passed unanimously.

Mr. Carter then confirmed that the upcoming election process will include elections for the Lincoln and Mercer districts. Mr. Carter then requested each of the directors that were not in the election cycle to give him their appointees for the Credentials and Elections Committee and to nominate an officer. Those were as follows: Casey District – Stanley Burris; Marion District – Janet Cornish; Boyle District – Todd Tiller and Garrard District – David Duncan. Mr. Peyton nominated Mr. Preston to serve as the officer on behalf of the Board. Mr. Goggin made a second to the motion and the motion passed unanimously. Mr. Carter then advised he will work with counsel and each of the designees to set a Credentials and Elections Committee meeting. He noted the last date to meet would be June 18, 2021.

1. Safety/Loss Prevention Summary - Mr. McGuffey gave an update on the injuries sustained by an employee of the Cooperative during the ice storm. He noted the employee was

able to return to work very shortly after the accident and is doing very well. He advised there were no incidences or near misses to report to the Board since the last board meeting. He also confirmed he conducted crew visits and addressed issues of overhead services, installing primary underground wire, building a pole tap on and running new services. He confirmed that the recordable incident rate for February 2021 was 2.79. DART rate and severity rate were both 1.40. He also confirmed there will be an upcoming Safety Meeting scheduled for April 27, 2021 and the topic will be traffic flagging and work zone safety. He also confirmed the RESAP audit is scheduled to take place in 2021 and the three initiatives to be reviewed include an organizational safety cultural, employee safety leadership and safety communication/awareness activity. He gave an outline of each of those categories and discussed those with the Board.

Mr. Carter then gave an update on KAEC's recent publication outlining the CEO statewide safety goal commitment. He presented that document as an attachment to the board packet which included statewide goals and specific objectives and was dated July 9, 2020. He noted specifically it was acknowledged of other goals and a reference to reduce OSHA recordable incidents by 25%. He noted that while that is a good goal and objective, he was not as concerned about that rate as it included treatment for poison ivy, tick bites and other minor incidences. Overall, Mr. Carter and Mr. McGuffey advised the cultural of safety that has been fostered by the Board is trickling down to the department heads and staff of the Cooperative.

2. Cyber-Security – Chris Bach gave an update on the recent hack resulting from a Microsoft Exchange software glitch. To the best of Mr. Bach's knowledge, no vital information was lost or compromised. He, in working with the cyber insurer, its designees including technical experts and lawyers have determined no vital information was lost and stated proactive measures have been taken to address the vulnerability that could permit some unwanted access or information to be compromised. Mr. Carter noted it was very important the Board decided some time ago to secure cyber-security insurance. He was happy to advise to date there does not appear to be any deductible owed and the expenses for the forensic examination and outside legal expenses have been covered under the cyber-security insurance policy.

Mr. Carter next addressed some of the upcoming retirements and advised the Board of some of the reasons why the retirements are being selected. This includes the fact that with interest rates as low as they have been in years it is more attractive to take a lump sum buyout from the Cooperative's plan at this time. He further discussed that some employees have discussed taking a quasi-retirement which means they can elect to convert some of their retirements into a lump sum but can continue to work.

VII. LEGAL/REGULATORY/POLICY

A. Policy 315 – Safety-Occupational Health (Review)

Mr. Carter reviewed Policy 315 with the Board. He further acknowledged this policy is being reviewed by Bo McGuffey as it relates to safety and occupational health. Currently, Mr. Carter does not recommend any changes and the Board did not request any.

VIII. BOARD/CEO SESSION

A. Annual Calendar – Mr. Carter reviewed the Annual Calendar with the Board and continues to advise that many of the in-person meetings that had been previously anticipate have been canceled because of the COVID-19 pandemic. He also went through the agenda items for April of 2021 which included appointment a representative and an alternative representative for EKPC for the annual meeting, policy review, district composition review, upcoming election process review, appointment of Elections and Credentials Committee and officer, and setting an Elections and Credentials Committee meeting date. He also confirmed the auditors were at the Cooperative and anticipates the annual report will be available sometime in June.

B. Dashboard – He then displayed the dashboard and went through the safety, financial, operational and customer indicators. He confirmed TIER was 3.31 year-to-date with a rolling 12-month TIER of 2.32. OTIER was also 3.31 year-to-date but the rolling 12-month average was 1.58. He confirmed the total equity year-to-date was 36.49 with distribution equity at 14.52%. He noted this is almost into the “yellow category”. He indicated the yellow category run from 15-25%. He also confirmed he, staff and consultants are working to formulate a plan to address the equity for the Cooperative. Ultimately, the Board will have to establish the goal for equity.

IX. COMMITTEE REPORTS

A. There was no report given.

X. EKPC

Chairman Spalding gave an update on the financial operations of EKPC for the month and confirmed negative margins for the month. He also advised there is political pressure to return to addressing the alleged global warming with a carbon tax. He also gave an update on the rate case being presented by EKPC.

Chairman Spalding then called for the Board to appoint a voting delegate and an alternative delegate for the upcoming Annual Meeting which is scheduled to be held on June 8, 2021. Mr. Todd nominated Mr. Preston to serve as the voting delegate and Mr. Kerrick serve as

the alternative delegate. Mr. Goggin made a second to the motion and the motion passed unanimously.

Chairman Spalding confirmed the meeting will be conducted virtually and anyone wishing to attend may do so at the Cooperative headquarters.

XI. KEC/UUS

Mr. Todd gave an update on the meeting that was held in early April. He is exploring the process for returning to in-person meetings. He did confirm that several of the upcoming meetings that were in-person prior to the pandemic are still not going to be conducted for the calendar year 2021. That would include the lineman's rodeo and other general meetings. At this time, he advised that the strategic planning meeting is scheduled to occur in-person, but it will be on a limited basis. That is likely to take place at the Marriott on the east end of Louisville. He estimates there will be 10-15 participants plus any staff that attends.

Chairman Spalding advised that the NRECA is looking to replace its board member and he suggested Mr. Todd consider that position. Currently Kentucky appointees have a 6-year term limit. While that seems like a long time, it is not long enough for any Kentucky Representative to get into a leadership position at that level. Mr. Todd responded that he would consider the position and look at the requirements for time and other demands.

XII. NRECA

Mr. Carter played the Board Governance video from the NRECA entitled Director Nomination. Todd Thompson was the guest speaker and gave several important insights to the process.

Chairman Spalding then identified that the legislative conference was set to be done on a virtual basis from April 19 – 23. He gave an outline for the timeframes for each of the respective meetings and advised the Board if they wished to attend, they could do so by participating at the Cooperative headquarters.

XIII. FEDERATED RURAL ELECTRIC INSURANCE

No report given.

XIV. RUS-CFC-COBANK NEWS/UPDATES

Mr. Carter gave an update on the benefits and ownership statement circulated from CFC. Chairman Spalding then advised that the CFC Summit is set to occur in-person June 14 -16, 2021 in San Antonio, Texas. He advised the limitations included there could be only one representative per cooperative. At the current time, Mr. Carter is set to attend. Mr. Preston made

a motion to approve the travel and associated expenses for the same for Mr. Carter. Mr. Kerrick made a second to the motion and after discussion the motion passed unanimously. The Board encourages Mr. Carter to seek and broaden his knowledge basis and build up an infrastructure of other professionals and staff for purposes of networking.

XV. CAPITAL CREDIT DISBURSEMENTS

Mr. Preston advised there were estates retirements for February of 2021 totaling \$4,708.63. 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 February 2021 were \$14,439,230.00.

XVI. WORK ORDERS

Mr. Preston identified Work Order #2012 in the amount of \$367,089.38 and Work Order #2013 in the amount of \$3,917.90 for approval. After a discussion regarding the content of those work orders, Mr. Todd 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 March of 2021 the Cooperative added 207 new members totaling \$10,350.00. 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

Chairman Spalding requested the Board submit their expense sheets by providing those to Farrah Coleman. Chairman Spalding reminded that the next regular board meeting is scheduled for Friday, May 28, 2021 at 8:30 a.m. He noted this was a change from the normal timeframe, due to a conflict with one of the director's schedule.

XIX. OTHER BUSINESS

Chairman Spalding suggested that anyone wishing to have an item placed on the agenda for upcoming board meetings do so by providing the same to Ms. Coleman.

XX. EXECUTIVE SESSION

Chairman Spalding called for a motion to go into Executive Session for purposes of a review of the Executive Director – Performance Evaluation. Mr. Kerrick made the motion and a second was made by Mr. Goggin and the motion passed unanimously.

Following the Executive Session, a motion was made by Mr. Goggin to come out of Executive Session. A second was made by Mr. Peyton and the motion passed unanimously.

The Board confirmed Mr. Carter is doing an excellent job and affirmed the review that was done in-person in December, as well as the salary adjustment made at that time.

Chairman Spalding then suggested the evaluation process begin sooner than in the past. He recommended the evaluation forms be distributed to the Board in November, with Mr. Carter receiving a self-evaluation in October. The Board will be encouraged to complete those forms and get those to the board counsel so they can be summarized and presented during the December Board Meeting. Chairman Spalding then asked Mr. Carter to include an update regarding the same within the Annual Calendar.

XXI. ADJOURN

Hearing no further business, Chairman Spalding called for a motion to adjourn the meeting. Mr. Preston made the motion to adjourn at approximately 2:10 p.m. Mr. Todd made a second, and the motion passed unanimously.