

On January 13, 2014 at 9:00 a.m. a Director's Retreat was held at Super 8 Hotel in Grayson, Kentucky called by the Chairman, to discuss Cooperative business. Chairman Trent called the meeting. Directors present were Donnie Crum, Vice-Chairman, Director Eddie Martin, Secretary-Treasurer, Director Harold Dupuy, Director Jimmy Whitt and Director Kenneth Arrington.

INVOCATION	Director Dupuy gave the invocation.
AMENDMENT 3	Amendment 3 issues were discussed and how it will benefit the members.
PRESIDENT AND CEO APPRAISAL	Salary increase for the President and CEO were discussed.
ADJOURN	Chairman Trent adjourned the meeting at 11:55 a.m.

Roger L. Trent, Chairman

Billy E. (Eddie) Martin, Secretary/Treasurer

On January 24, 2014 at 9:25 a.m. Grayson Rural Electric Cooperative Corporation held a regular board meeting at its office in Grayson, Kentucky called by the Chairman, for the transaction of such business as outlined in the letter of call. Chairman Trent called the meeting to order pursuant to the Waiver of Notice signed by the Directors and all were present. Others present included: Carol Hall Fraley, President and CEO; W. Jeffrey Scott, Legal Counsel; and Priscilla Sparks, Executive Assistant.

INVOCATION

Director Dupuy gave the invocation.

APPROVAL OF MINUTES

Motion was made by Director Martin, seconded by Director Dupuy and unanimously agreed to approve the minutes from the December Board Meeting for informational purposes only.

MANAGER OF
TECHINCAL SERVICES

Brian Poling, Manger of Technical Services reported on the following:

The Coop took a preventive maintenance outage on Smithfield, as a result of the associated analysis studies conducted at the plant. More work will be scheduled after their 'busy season'.

Andrea McCleese and Brian have been working on finding and closing cyber security holes in hopes of avoiding intrusions and / or data theft. Dell SecureWorks identified 3 high severity, 4, 818 medium severity and 36,606 low severity events in the past 30 days.

Andrea McCleese is working on year end reports and documents, with the biggest items being outage analysis and SEDC reports and database cleanups.

Nancy Madden is working on our RESAP (Rural Electric Safety Achievement Program, formerly Safety Accreditation) due by March 1st, with a walk through scheduled at a later date. Director Trent asked where the inspectors are from. Brian and Carol explained a certified group is put together by KAEC from different Cooperatives. Chris Mosier has been invited to help conduct a safety school at EKPC.

Mazie Substation – Brian had to install equipment to ward off sabotage attacks by someone in China. This seems to have corrected the situation.

OFFICE & MEMBER
SERVICES REPORT

Don Combs, Manager of Finance and Accounting, and Bradley Cherry, Purchasing / Accounting, presented the Financial and Statistical Report for November 2013. Mr. Combs reported on the following:

FINANCIAL &
STATISTICAL REPORT
FOR NOVEMBER

Kilowatt hour sales for the month of November (11/20-12/20) were 9.17% over budget. Purchases for the time period of 11/1-11/30 were 9.77% under budget. Line loss for the last twelve months was 4.04%. Year to date margins were (\$563,794) compared to the budgeted amount of (\$232,507).

Director Dupuy asked what the T.I.E.R. should be. Mr. Combs said we have to have 1.5 T.I.E.R. two out of three years. 2.0 is what we like to maintain.

DEGREE DAY

Don and Bradley gave a presentation showing the heating degree day comparison from November 21 – December 20, 2013 on sales and purchases and compared them to the 2012 year. Mr. Combs explained how to calculate the heating degree days for a particular day. Cooling degree days are also based on the day's average minus 65.

CAPITAL CREDITS

Capital Credit applications applied for prior to 2013 will be paid next week and those that applied in 2013 will most probably be paid in March this year.

PINNACLE BANK
RESOLUTION

Legal Counsel Scott read the Pinnacle Bank, Inc. Corporate Banking Resolution to the Board, allowing designated personnel to sign checks. The bank in Lewis County has changed hands.

Motion was made by Director Martin, seconded by Director Whitt and unanimously agreed upon to adopt the Pinnacle Bank, Inc. Resolution as read.

SEE PINNACLE BANK RESOLUTION ON THE NEXT PAGE.

CONTINUE TO PAGE 3

VANCEBURG MUNICIPAL President Fraley reported that GRECC received a check from Vanceburg Municipal in the amount of \$668.85, compared to the check we received in 2013 for \$748.57, for the power line that is in our service territory. Director Dupuy and President Fraley briefly discussed the dynamite plant, Nelson Brothers Inc. that went in Lewis County, and Mr. Combs is to call and make sure we will be receiving payment for GRECC's portion of the territory.

APPROVAL OF FINANCIAL & STATISTICAL REPORT FOR NOVEMBER 2013 Motion was made by Director Dupuy, seconded by Director Martin and unanimously agreed to approve the Financial and Statistical report for November 2013 as presented for informational purposes only.

RUS WORK ORDERS Motion was made by Director Dupuy seconded by Director Martin and unanimously agreed to approve the following 219 RUS Work Orders for the months of July, August and September 2013 in the amount of \$520,324.50:

July 2013	Work Order No. 1176	\$154,385.74
	Work Order No. 1177	\$3,020.53
August 2013	Work Order No. 1178	\$169,471.54
	Work Order No. 1179	\$8,964.08
September 2013	Work Order No. 1180	\$168,462.11
	Work Order No. 1181	\$16,020.50
	Total	\$520,324.50

MANAGER OF MARKETING AND MEMBER SERVICES Kim Bush, Manager of Marketing and Member Services, gave her report:

Member Services received several calls concerning high bill. Tina will do Energy Audits if the member will allow.

Pre-Pay has 101 enrolled with 2 inactive. The average daily balance is \$48.57 credit. Total payments collected in the past thirty (30) days was \$21,810.58.

Debt Management has 22 active participants. Ten have paid in full since we started DM. Total in Debt Management is \$5,408.99.

LIHEAP – GRECC has received a total of \$350,487.42 to date since November 1, 2013.

There were 23 Winter Hardship Reconnects and 34 30-day extensions.

Tina scheduled 13 Energy Audits.

President Fraley said her upcoming magazine column will address bills and how the electric bills list a lot of information. Next month she will be writing on right-of-way and spraying.

PROVOST - JOHN B DEAN - ENGAGEMENT LETTER President Fraley presented an Engagement Letter from John B. Dean's firm, to serve as Provost at \$30 per hour for the upcoming Director's Election.



(606) 474-9391
(606) 474-6861

Certified Public Accountant

*333 South Carol Malone Boulevard
PO Box 486 - Grayson, Ky 41143*

January 10, 2014

Engagement Letter

Grayson Rural Electric Cooperative Corporation
Carol Hall Fraley, President and C.E.O
109 Bagby Park
Grayson, KY 41143

Dear Ms. Fraley,

This letter is to confirm our understanding of the terms and objectives of our engagement and the nature of the services we will provide.

As our provost, our firm has the responsibility of being in charge of the director's election.

The provost has the responsibility of seeing that the ballots are printed correctly, containing the names of the persons duly nominated either by the committee on nominations or by petition.

The duty of the provost is to see that the official ballots are mailed in accordance with the cooperative bylaws to each active and qualified member at his or her last address shown on the Cooperative records, not less than fourteen (14) days prior to the annual meeting which time the results of the election are to be announced.

The provost has the responsibility to see that the official ballot shall be inscribed with instructions as to how many candidates may be voted for on each official ballot by the members and with instructions that all official ballots must be returned to the Cooperative no later than 9 a.m. on the morning three (3) days prior to the annual meeting.


It is the responsibility of the provost to take charge of the director elections and shall count the ballots as expeditiously as may be possible following the placement in his hands of said ballots.

The provost shall promptly upon completion of the counting of the membership votes certify in writing to the secretary if the Cooperative the names of the candidates and the votes received by each and shall also certify the names of the candidates receiving the highest number of votes taking into account the number of vacancies to be filled and the fact that no more than two (2) directors may be residents of the same county.

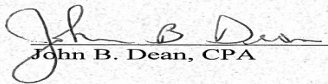
The fees to be charged by the provost for the above-mentioned services are as follows:

\$30. Per Hour – Flat Rate
Plus Postage Deposits

If the foregoing is in accordance with your understanding and agreement, please sign and date both copies of the engagement letter in the space provided and return one copy to the provost.



Carol Hall Fraley Date
President & C.E.O.



John B. Dean, CPA Date
1/10/14

Motion was made by Director Martin, seconded by Director Whitt and unanimously agreed upon to accept John B. Dean, CPA, as Provost.

NOMINATING COMMITTEE

The Bylaws concerning Director Retirement have been studied by Legal Counsel Scott and President Fraley as Director Crum is retiring from the Board. President Fraley explained the Bylaws for running for a director seat. A Nominating Committee will be meeting February 19th at 3:30 p.m. The last day to run by petition was January 15th. The President and CEO Carol Fraley, suggested the appointment of Willie Patton, Doug Moore, and possibly Loma Robinson, as members of the nominating committee, assuming Ms. Robinson was able to attend, there being considerations concerning her availability. The Board upon said suggestion and after thorough discussion ratified the appointment of those three individuals or a substitute for Loma Robinson as would be suggested by President and CEO Carol Fraley, said appointments being ratified by the Board.

2014 ANNUAL MEETING

President Fraley announced that our 2014 Annual Meeting will be on Thursday, May 8th, and that there will be a director's election this year for Carter County. Five candidates are running for the Carter County Board seat: J.D. McGlone, Kenny Adkins, Herbie Suttles, Tracy Brown and Jim Bentley. Directors Trent and Rice will be re-elected without opposition.

OPERATIONS REPORT	Kyle Clevenger, Manager of Operations gave the Operations Report. He reported on the following:
EMPLOYEE/LOST TIME ACCIDENT	There were no lost time accidents to report this month.
SAFETY REPORT	<p>The following safety meetings were held during December 2013:</p> <p>December 05 - Don Combs, Mgr. of Finance & Accounting, handed out employee benefit forms and discussed health insurance. Kim Bush had the United Way program. Brian Poling discussed an issue on a large power account.</p> <p>December 09 - Mike Martin, Asst. Mgr. of Operations, tuned the meeting over to Nancy Madden who read the Blood-Borne Pathogens exposure control plan and had everyone sign a form stating if they wanted the HBV vaccine, had previously taken the vaccine, or did not want the vaccine.</p> <p>December 16 - Andrea McCleese, Technical Services Supervisor, tuned the meeting over to David White from KAEC for the monthly safety meeting. He addressed vehicle operations/inspections, distracted driving, and hot work procedures. He reviewed truck accidents and had a video on distracted driving. Carol Fraley presented Joe Sargent with a certificate for completing a 2013 Engineering & Operations Conference.</p> <p>December 23 - Brian Poling, Mgr. of Technical Services, was in charge of the meeting and Andrea McCleese read from the Safety Manual pages 172 & 173, Metering. Kyle reminded everyone to work safe.</p> <p>December 30 - Priscilla Sparks, Executive Assistant, was in charge of the meeting. Kyle Clevenger and Mike Martin went over steps for trouble shooting blinking lights and maintenance problems.</p>
CONSTRUCTION	Construction built eighty-seven (87) new work orders for the month of December and worked zero (0) hour of overtime.
OVERTIME HOURS	The Maintenance Department worked four hundred forty-four (444) hours of overtime during the month of December. The Engineering Department worked two (2) hours overtime.
DELINQUENT NOTICES	The Maintenance & Construction Departments collected on one hundred forty-seven (147) delinquent accounts and disconnected forty-two (42) accounts in January.
CONTRACT CREWS	<p>There are three (3) Pike crews working in the following areas:</p> <p>Tony Seagraves – Middle Fork, unit job – COMPLETED Zack Clevenger – HWY 7 – Elliott County – COMPLETED Lewis Maynard – MT Rural Telephone – Elliott County – COMPLETED and new construction</p>

- RIGHT-OF-WAY CREWS We have nine (9) W A Kendall right-of-way crews working on random jobs and work orders at this time. Crew's trimmed 620 trees, cut 831 trees, cut 31,895 feet of brush/line and sprayed 67 spans of line. The crews are working in the following areas:
- 1 cutting crew in Carter, Lewis and Greenup Counties
 - 3 cutting crews in Elliott, Rowan and Lawrence Counties
 - 2 bucket truck crews in Lawrence, Elliott and Rowan Counties
- RIGHT-OF-WAY CREWS (CONTINUED)
- 1 tractor crew in Rowan County
 - 1 spray crew in Greenup County
 - 1 bucket crew in Carter, Lewis and Greenup Counties
- ENGINEERING REPORT The Engineering Department released ninety-six (96) prints consisting of 1,820 feet of primary line and 1,840 feet of service wire. They currently have two (2) new services to be staked, two (2) to be drawn and twelve (12) miscellaneous jobs to be staked or drawn.
- WORKPLAN EXTENSION Pike Electric has been working on a 4-Year Workplan, that has been extended 2 years with no increase. They asked for 3% increase for the Workplan extension for the 7th year, 2014. In October 2014 GRECC will be bidding a new 4-Year Workplan. Pike has done an excellent job and has been available for storm assistance.
- A motion was made by Director Martin, seconded by Director Crum to accept proposal from Pike Electric as presented and unanimously agreed upon. The new contract will commence in January.
- SAFETY KAEC's Mr. Greene, informed President Fraley that Grayson is the only Cooperative who has completed the RESAP to date and recognized Nancy Madden. Willis Barker, Priscilla Sparks, Kyle Clevenger, Mike Martin, Don Combs and President Fraley all assisted Nancy. Tony Hermish shared with President Fraley the much improved workers comp experience that has taken place over the past four years and that our modification record and end of year was as good as he had ever seen.
- APPROVAL OF NEW MEMBERSHIPS & RETIREMENT OF EXISTING MEMBERSHIPS Motion was made by Director Dupuy, seconded by Director Whitt and unanimously agreed to approve sixty-three (63) new memberships and retirement of eighty-seven (87) existing memberships for December 2013.
- BAD DEBT WRITE-OFFS Motion was made by Director Martin, seconded by Director Dupuy and unanimously agreed to charge off \$5,234.89 worth of bad debts and turn them over for collection.
- APPROVAL OF CEO'S, DIRECTOR'S & ATTORNEY BUSINESS EXPENSES Motion was made by Director Martin, seconded by Director Whitt and unanimously agreed to approve the President's business expense of \$327.85, Director's business expenses of \$11,483.09 and Attorney's business expense of \$1,749.04.
- PRESIDENT'S REPORT President Fraley reported on the following:
- MILEAGE RATE Retroactive January 1, 2014, mileage rate decreased to .56 cents per mile from .565, as posted on IRS website. Motion was made to accept the

MILEAGE RATE (CONTINUED)	decreased mileage rate by Director Martin, seconded by Director Crum and unanimously agreed upon.
CFC'S DELEGATES FOR 2014 ANNUAL MEETING	Director Whitt will serve as the voting delegate to CFC's National Meeting in March and Director Dupuy will serve as the alternate delegate.
TIME WARNER CABLE	We received a check from Time Warner Cable in the amount of \$6.08 for combined dividend payment.
LEGAL COUNSEL'S REPORT	Motion was made by Director Martin to go into executive session at 11:14 a.m. and seconded by Director Crum. Motion was made by Director Martin to come out of executive session at 12:30 p.m. and seconded by Director Dupuy. Legal Counsel Scott discussed his report during executive session.
KAEC DIRECTOR'S REPORT	Director Whitt reported he attended the KAEC Board Meeting this month. Ted Hampton is the new Chairman for KAEC. Tony Campbell is the Chair of the Search Committee to replace Bill Corum. They are Larry Elder, Eston Glover Tony Campbell, Mike Williams and Mr. Hampton. There was no financial report this month. The February Board Meeting is in Frankfort on the 18 th at 3:30 p.m. with the Legislative Reception from 6:00 p.m. - 8:00 p.m.
EKPC DIRECTOR'S REPORT	Director Arrington said his report had been covered in Executive Session.
THANK YOU NOTES	GRECC received thank you notes from: Jessica Reed, Washington Youth Tour Youth Leadership McDonald House
DONATIONS	President Fraley presented to the Board for their consideration the following donation requests: Megan Boggs – UK 2 nd year Doctor of Physical Therapy- Shoulder to Shoulder Global (STSG) travel to Santo Domingo, Ecuador –to provide healthcare to people- donation - \$200 Motion was made by Director Whitt, seconded by Director Dupuy and unanimously agreed to approve the donations as presented.
MEETING ATTENDANCE	Directors Trent, Martin, Whitt, Dupuy will be attending the February 18 th KAEC Board Meeting in Frankfort, KY. Directors Trent, Whitt, Rice, and Dupuy along with President Fraley and some staff will be attending the NRECA Annual Meeting in Nashville, TN from March 2-5, 2014.

NO CONFLICT OF INTEREST STATEMENT	The No Conflict of Interest Statement will be handed out to each Director at the February 2014 Board Meeting.
BOARD MEETING DATE	The next board meeting will be held on Friday, February 28, 2014.
ADDITIONAL BUSINESS	President Fraley's contract will be expiring February 24, 2014, and will be placed on February 2014's agenda.
ADJOURN	Chairman Trent adjourned the meeting at 12:58 p.m.

Roger L. Trent, Chairman

Billy E. (Eddie) Martin, Secretary/Treasurer

W. Jeffrey Scott, Legal Counsel

Minutes of the Executive Session of the January 24, 2014 GRECC Board Meeting

On January 24, 2014 Grayson Rural Electric Cooperative Corporation held an executive session during its regular board meeting.

EXECUTIVE SESSION

Director Martin made a motion, seconded by Director Crum, to go into Executive Session at 11:14 a.m. and unanimously agreed upon.

Matters concerning East Kentucky Power Cooperative were thoroughly discussed.

Motion was made by Director Martin, seconded by Director Dupuy and unanimously voted to come out of Executive Session at 12:30 p.m.

Roger L. Trent, Chairman

Billy E. (Eddie) Martin, Secretary/Treasurer

W. Jeffrey Scott, Legal Counsel

On February 19, 2014 Legal Counsel Scott called the Nominating Committee Meeting to order at 3:34 p.m. at the Grayson Rural Electric Cooperative Corporation, Grayson, Kentucky. The Nominating Committee Meeting consisted of Vicki Gilbert, Doug Moore and Willie Patton. Others present were Carol Hall Fraley, President and CEO; and Priscilla Sparks, Executive Assistant.

The Grayson Rural Electric Cooperative Bylaws in regards to Directors Election was read by Legal Counsel Scott.

President Fraley stated the petition turned in by the January 15, 2014 were J. D. McGlone of Carter City, Herbie Suttles of Pactolus, Kenny Adkins of Olive Hill, Tracy Brown of Grayson, and Jim Bentley of Grayson. The Bylaws state they have to be a member in good standing.

Legal Counsel Scott read from the Bylaws the qualifications to be eligible to run for a Director's seat.

By unanimously decision the Nominating Committee elected to add all five members to the Ballot for the Carter County Director Seat.

Willie Patton

Doug Moore

Vicki Gilbert

Meeting was adjourned at _____ p.m.

W. Jeffrey Scott, Legal Counsel

On February 28, 2014 at 9:00 a.m. Grayson Rural Electric Cooperative Corporation held a regular board meeting at its office in Grayson, Kentucky called by the Chairman, for the transaction of such business as outlined in the letter of call. Chairman Trent called the meeting to order pursuant to the Waiver of Notice signed by the Directors and all were present. Others present included: Carol Hall Fraley, President and CEO; W. Jeffrey Scott, Legal Counsel; and Priscilla Sparks, Executive Assistant.

INVOCATION	Director Dupuy gave the invocation.
APPROVAL OF MINUTES	Motion was made by Director Dupuy, seconded by Director Martin and unanimously agreed to approve the minutes from the January 2014 Board Meeting.
APPROVAL OF MINUTES DIRECTOR'S RETREAT	Motion was made by Director Martin, seconded by Director Rice and unanimously agreed to approve the Director's Retreat minutes from the January 2014 Retreat.
MANAGER OF TECHNICAL SERVICES	<p>Brian Poling, Manager of Technical Services reported on the following:</p> <p>The Public Service Commission has mandated t a "Cyber Security Policy" to be structured and enforced by all electric utilities to stop the possible threat of cyber-attacks on the power grid. All the cooperatives in the state met in an effort to develop standards that will keep the PSC from forcing their own protection policies on each utility. A subgroup of cooperatives, that had been audited by the PSC last quarter, have agreed to develop the recommendations since they knew what areas the PSC was particularly interested in and the timeframe for compliance</p> <p>Brian is exploring the possibility of upgrading our phone system. This will depend in part on Windstream and the compatibility with Milsoft and our IVR. The current phone system was installed in 1988.</p> <p>Mr. Poling showed a slideshow of Joe Sargent and Scott Speaks with broken poles found during the recent snow and ice storm. It also showed how accurate staking with the handheld device is. The picture was retrieved from Goggle.</p> <p>Directors Whitt and Dupuy questioned the locating of individual outages. Our mapping system is not to the point of pinpointing every single outage. President Fraley explained that as the mapping system gets more advanced, pinpointing will become more accurate.</p>
OFFICE & MEMBER SERVICES REPORT	Don Combs, Manager of Finance and Accounting presented the Financial & Statistical Report for December 2014. Mr. Combs reported on the following:
FINANCIAL & STATISTICAL REPORT FOR DECEMBER	<p>Kilowatt hour sales for the month of December (12/20-1/20) were 7.61% over budget. Purchases for the time period of (12/1-12/31) were 9.77% under budget. Line loss for the last twelve months was 4.43%. Year to date margins were \$1,337,035 compared to the budgeted amount of \$756,594.</p> <p>EKPC's margins were \$1,646,121.07.</p>

4TH QUARTER FINANCIALS

Mr. Combs reviewed the fourth quarter financial reports with the board and pointed out that T.I.E.R. had increased gradually. Written off accounts were better than anticipated; margins were more than anticipated. The 219 analysis for December was read by Mr. Combs and rest of the report was a recap of the year, including the work plan to date.

Legal Counsel Scott suggested that we file with PSC and ask them to enforce an order that ordered EKPC to return money to the distribution cooperatives and open up a rate case when they reached a certain margin. Mr. Combs will research this matter and make sure we understand the order correctly.

Director Dupuy asked what the storm cost GRECC. Mr. Combs said that all charges have not been received to date, but projected cost is approximately \$500,000.

President Fraley told the Board the first quote we have received on the new sign was approximately \$13,000. We will check with other vendors.

Director Martin asked if Mr. Combs could put a report together for the March Board Meeting in regards to the debt to equity ratio.

APPROVAL OF FINANCIAL & STATISTICAL REPORT FOR DECEMBER 2013

Motion was made by Director Rice, seconded by Director Dupuy and unanimously agreed to approve the Financial and Statistical report for December 2013 as presented for informational purposes only.

BUSINESS INSURANCE

Following discussion, motion was made by Director Dupuy, seconded by Director Martin and unanimously agreed to award our business insurance coverage for 2014 to Federated Rural Electric Insurance Exchange at a cost of \$99,134. This coverage is for property, general liability claims, auto liability and physical damages, crime protection, directors, officers and managers liability protection. This does not include our workers compensation policy.

WORKERS COMPENSATION

Mr. Combs presented the proposed worker's compensation at a cost of \$75,594, with a savings in the amount of \$13,089 due to a lower incident factor. Mr. Tony Hermes said our workers compensation experience was as good as he had ever seen.

Motion was made by Director Martin, seconded by Director Dupuy and unanimously agreed to award the workers compensation insurance carrier to Federated Rural Electric Insurance Exchange.

President Fraley asked if there was interest in increasing coverage for Director's Liability. Legal Counsel Scott reviewed the proposal for the increase and advised the Board that he did not feel it was necessary. After discussing this matter with Legal Counsel Scott and all Directors, the increase was declined.

Based on Board Policy 509, Safety Incentive, President Fraley, Kyle Clevenger and Don Combs recommended we give the employees each \$50 due to the savings of \$13,089 for workers comp coverage.

Motion was made by Director Dupuy, seconded by Director Rice and unanimously agreed to approve to pay the Workers Comp incentive of fifty dollar each employees.

MANAGER OF MARKETING
& MEMBER SERVICES

Kim Bush, Manager of Marketing & Member Services, report was given by President Fraley and Mrs. Bush.

Pre-pay enrollment is 102. Three accounts are inactive. We have received 399 payments totaling \$24,836.53; and the average payment was \$62.25. There are 21 active accounts in Debt Management totaling \$5,284.78.

We received \$12,288.42 from LIHEAP in February. The total amount received in LIHEAP since November 1, 2013 is \$231,180.54.

There were 28 winter hardship reconnects and 51 thirty day extensions through LIHEAP.

Tina Preece conducted 8 energy audits, 4 heat pump retrofit incentives and 2 HowSmartKY Audit.

GRECC received 25 scholarship applications that will be judged March 4th.

The Frankfort Youth Tour for junior high school students will be April 22nd. Applications were passed out and are available.

ANNUAL MEETING

A handout of the 2014 proposed Annual Meeting Budget of \$37,150 was presented by Mrs. Bush. The Annual Meeting will be Thursday, May 8th. Registration begins at 8 a.m. and runs through 6:00 p.m. with the business meeting starting at 6:00 p.m. We will be giving away buckets with bulbs, walking/yard sticks and possibly a LED lantern/flashlight with our logo. Bulbs will cost more this year, but we bought extra buckets last year.

We may set up a tent since the trees are gone. Kim is checking on the price. For the Director election; Reese Printing is doing the ballots, and EKPC is printing the envelopes.

\$10,000 in scholarships will be given. Scholarship winners will have lunch with the Board in March.

Motion was made by Director Crum, seconded by Director Rice and unanimously agreed to approve the 2014 Annual Meeting Budget as presented.

Candidates for Director from Carter County will be in the April magazine. A Timeline for the Annual Meeting and Election was passed out. The role of the Director will be President Fraley's topic in the magazine

OPERATIONS REPORT

Kyle Clevenger, Manager of Operations, gave the Operations Report. He reported on the following:

EMPLOYEE/LOST TIME
ACCIDENT

There were no lost time accidents to report this month.

SAFETY REPORT

The following safety meetings were held during February 2014:

January 06 —Sherry Buckler, General Accounting Supervisor, topic was on the dangers of frost bite and hypothermia during cold weather. Carol Fraley talked about the cost and training of an apprentice lineman.

January 15 —Kim Bush, Mgr. of Marketing & Member Services turned the meeting over to David White for the monthly KAEC safety meeting. A power point on grounding was presented, an update on proper grounding procedures discussed and grounds were tested. He reminded everyone to check the batteries in their testers.

SAFETY REPORT
(CONTINUED)

January 20 —Bradley Cherry, Purchasing Agent, did a power point on HSA and Health Equity, and gave an update on the ordered flame retardant clothing. Nancy Madden discussed the on line safety classes that can now be started for this year. Kyle reminded everyone to have a safe day.

January 27 —Kyle Clevenger, Manager of Operations, let Nancy Madden talked about Re-Sap (Safety Achievement Program) and the Emergency Response Plan. Kyle went over a recent safety investigation.

Kyle Clevenger, Manager of Operations continues to mention the necessity and importance of hard hats and rubber gloves. He reminded everyone of the importance of using ground chains. A line is not dead until it is grounded.

CONSTRUCTION

Construction built eighty-five (85) new work orders for the month of January and worked zero (0) hours of overtime.

OVERTIME HOURS

The Maintenance Department worked two hundred sixty-six (266) hours of overtime during the month of January 2014. Engineering Department worked two (2) hours of overtime during the month of January 2014.

DELINQUENT NOTICES

The Maintenance & Construction Departments collected on eighty-six (86) delinquent accounts and disconnected thirty (30) accounts in February.

CONTRACT CREWS

We gave two (2) Pike crews have been working in the following areas:

Tony Seagraves – Jordan Fork, Carter County
Zach Clevenger – HWY 7, Elliott County and new construction

RIGHT-OF-WAY CREWS

We have nine (9) W A Kendall right-of-way crews working on random jobs and work orders at this time. Crew's trimmed 612 trees, cut 1,341 trees, and cut 26,165 feet of brush/line. The crews are working in the following areas:

- 1 cutting crew in Carter, Lewis and Greenup Counties
- 4 cutting crews in Elliott, Rowan and Lawrence Counties
- 2 bucket truck crews in Lawrence, Elliott and Rowan Counties
- 1 tractor crew in Rowan County
- 1 bucket truck crew in Carter, Lewis and Greenup Counties

ENGINEERING REPORT

The Engineering Department released one hundred twenty-one (121) prints consisting of 15,060 feet of primary line and 1,325 feet of service wire. They currently have four (4) new services to be staked and four (4) to be drawn. They have approximately twenty-two (22) miscellaneous jobs to be staked or drawn.

APPROVAL OF NEW
MEMBERSHIPS &
RETIREMENT OF
EXISTING MEMBERSHIPS

Motion was made by Director Rice, seconded by Director Dupuy and unanimously agreed to approve seventy-seven (77) new memberships and retirement of ninety-one (91) existing memberships for January 2014.

BAD DEBT WRITE-OFFS

Motion was made by Director Martin, seconded by Director Whitt and unanimously agreed to charge off \$6,532.93 worth of bad debts and turn them over for collection.

APPROVAL OF CEO'S,
DIRECTOR'S & ATTORNEY
BUSINESS EXPENSES

Motion was made by Director Martin, seconded by Director Rice and unanimously agreed to approve the President's business expense of \$652.70, Director's business expenses of \$19,170.87 and Attorney's business expense of \$80.41.

PRESIDENT'S REPORT

President Fraley reported on the following:

MIKE REYNOLDS

Mike Reynolds has been promoted to first class lineman and completed the required program.

2014 WINTER STORM

President Fraley recognized Mike Martin and Kyle Clevenger for their organizational skills during the February 5th storm, and getting the men fed and crews out early daily. Priscilla and Nancy handled the lodging for all out of town crews. Kim and the Member Representatives cooked and answered the phones. Kippy kept the warehouse supplied with needed supplies to restore lines. Bradley and Don worked with all Departments.

YEAR END REPORT

President Fraley gave her year-end report.

Extended construction Work Plan for a second year, to be completed at the end of 2014. Completed Middle Fork, State Project – Highway 7, and Mountain Telephone in Elliott County and Three Prong in Greenup County. Successfully completed the extension of a new IBEW Labor Contract for five years.

Eliminated the Elliott County garbage billing.

Negotiated a new health insurance policy that saved the Cooperative over \$600,000 over 5 years.

Successfully negotiated a rate case that resulted in an 8% increase.

Held Annual Meeting at Cooperative Headquarters with over 600 members in attendance.

Accepted the resignation of Jonathan Moreland and hired First Class Lineman, Shane McDavid.

Negotiated the pre-payment of the RS&I Plan for an 8% savings and refinanced it at 2%.

Removed all the evergreen trees from the front of the building.

Repaired tree damage to the parking garage.

Cut 206.55 miles of right-of-way, trimmed 7,207 trees, and cut 6,019 trees.

Began winter right-of-way spraying.

Accepted 1,108 new members and lost 1,137 members.

Initiated the Pay Pal program to allow members to pre-pay their bills. This included a successful debt management program to collect off service bills.

Reviewed and updated several board policies.

No lost time accidents. Lowest workers compensation rate in years.

Connected the Kinder Morgan Gas Plant to be able to use electric energy instead of gas.

Caught up the deceased estates Capital Credits to be able to pay on monthly basis for properly presented applications.

Worked with member Scott Menix under the net metering tariff on his installation of a small solar project at his home.

Received an excellent report from Steve Kingsolver of the KY PSC on our system inspection.

Donated 5% of our CFC Patronage Capital to the system integrity fund.

Participated in the Honors Flight Program for WWII Veterans.

Re-worded the security deposit form.

YEAR END REPORT (CONTINUED)	Participated in the statewide effort to adopt measures and policies to prevent and minimize cyber-attacks. Started a program to correct NESC violations and septic system violations. Planned a budget for 2014. Implemented the MACED program. Implemented the Frontier Housing Loan Program.
PSC LETTER	GRECC received a letter from PSC encouraging us to work with our consumers on upcoming bills.
GREENUP COUNTY SAWMILL	Director Dupuy asked about the progress of the sawmill in Greenup County. President Fraley told him he is on the Work Plan first in 2014. The new Work Plan will commence January 1, 2015.
CRC	We received a check from CRC in the amount of \$600.
CFC	Director Whitt will be the official delegate to vote at the CFC 2014 Annual Meeting and Director Trent will be the alternate delegate.
NOMINATING COMMITTEE	The Nominating Committee met on February 19 th , 2014 and agreed to nominate all five candidates who had filed their Official Declaration of Intention to Run for Election to the Board of Directors to President Fraley. The names of J. D. McGlone, Herbie Suttles, Kenny Adkins, Tracy Brown and Jim Bentley will be placed on the official ballot as nominated by the Nominating Committee.
LEGAL COUNSEL'S REPORT	Legal Counsel Scott reported on the following:
CHARLESTON BOTTOM	The judge has set a status conference, March 21, 2014, for an update at Legal Counsel Scott's office. Legal Counsel Scott has a couple of depositions to take from EKPC yet.
PSC/AMENDMENT 3 CASE	Greg Shepler was deposed by EKPC on Tuesday, Feb 25. He did an excellent job. He will assist us as we work toward a contract with Duke. Greg Shepler stated that there are many other companies besides Duke. Mike of Rolling Stone magazine (January or February), wrote a good article on how banks and investment were involved in utilities.
KAEC DIRECTOR'S REPORT	Director Whitt reported that he and Directors Trent and Dupuy attended this month's Board Meeting, and the Legislative Reception. Director Whitt reported to the Board the following: UUS showed a profit. Discussed appointed versus elected members of the PSC. Bill Corum reported on the law suit filed by a few union employees; TVA cable attachment issue; sales tax issue; meeting on Cyber Security scheduled February 26th, and the upcoming NRECA Annual Meeting. Roby Foree talked about annual meetings and showed a video of Kelsey K, a proposed entertainer for annual meetings. Chairman Hampton reported the CEO Search Committee has selected NRECA's Executive Search Services to assist in the search for Bill Corum's replacement.

EKPC DIRECTOR'S REPORT Director Arrington reported that he and President Fraley had attended the EKPC Board of Directors Meeting and that most items had already been covered during other segments of this meeting.

Randy Blevins is going to be electrical inspector in Lawrence County.
President and CEO Tony Campbell was sick and not at the meeting.
Paul Hawkins was elected secretary of ACES.
EKPC replacements: Robin Hayes replaces Gary Stansberry and Susan Brooks replaced Frank Oliva.
Monica Schmidt of NRECA was a guest at the Board meeting.
Taylor County RECC's Director, Don Shuffett's daughter, Shannon, passed away.
Bob Wade, former Nolin RECC board chairman passed away.
The T.I.E.R. was discussed.
Mike McNalley reported the preliminary 2013 margin of \$70.1 MM was \$19.7MM above budget.

DONATIONS President Fraley presented to the Board for their consideration the following donation requests:

MSUCORPS - Morehead Build a Bed Sponsor - donation	\$150
Grayson Area Chamber of Commerce – Anna Robinson Memorial Art in the Part – donation	\$150
Greenup County Fire Fighters - donation	\$100
Boy Scout Troop - donation	\$100
Rowan County High School – Project Prom – donation	\$50
Rudy Fest – half page ad	\$250

Motion was made by Director Martin, seconded by Director Crum and unanimously agreed to approve the donations as presented.

MEETING ATTENDANCE The following upcoming meetings were presented:

Robert Brown and Richard Easton attended the 2014 KAEC Superintendent & Foreman Conference in Bowling Green at the Corvette Museum a week before it collapsed.

DIRECTORS CONFLICT OF INTEREST DISCLOSURE Conflict of Interest Disclosures were handed out and signed by all Directors.

BOARD MEETING DATE The next board meeting will be held on Friday, March 28, 2014 at 9:00 a.m.

ADDITIONAL BUSINESS There was no additional business brought before the board.

GOALS FOR 2014 President Fraley presented the goals for 2014:

To successfully complete a new 4 Year Work Plan and to gain approval from the Board, KY PSC and RUS.
To update the Wage and Salary Plan for another seven years.
To bid out the new 4 Year Work Plan and to have a contractor in place by January 1, 2015.
To move our right-of-way toward more per mile pricing and complete circuit cutting.
To work within our budget and to adapt for storms or unusual occurrences.

GOALS FOR 2014
(CONTINUED)

To maintain our record of no lost time accidents.
To keep our workforce drug and alcohol free.
To plan for the succession of two first class lineman and the CFO.
To successfully complete a Cyber Security Plan.
To successfully complete an Off-System Power Supply Contract.
To successfully conclude the Charleston Bottoms issue.
To gain KY PSC approval for both of these issues.
To keep our rates as low as possible while maintaining sound business practices and to serve our members in the best way we can.

EXECUTIVE SESSION

Chairman Trent called for an executive session and staff was excused at 11:49 a.m.

Motion was made by Director Martin, seconded by Director Dupuy, to go into executive session. Motion carried.

Motion was made by Director Martin, seconded by Director Whitt, to come out of Executive Session. Motion carried

ADJOURN

Chairman Trent adjourned the meeting at 12:00 p.m.

Roger L. Trent, Chairman

Billy E. (Eddie) Martin, Secretary/Treasurer

W. Jeffrey Scott, Legal Counsel

On March 28, 2014 at 9:05 a.m. Grayson Rural Electric Cooperative Corporation held a regular board meeting at its office in Grayson, Kentucky called by the Chairman, for the transaction of such business as outlined in the letter of call. Chairman Trent called the meeting to order pursuant to the Waiver of Notice signed by the Directors and all were present. Others present included: W. Jeffrey Scott, Legal Counsel, Carol Hall Fraley, President and CEO and Priscilla Sparks, Executive Assistant.

INVOCATION	Director Rice gave the invocation.
APPROVAL OF MINUTES	Motion was made by Director Martin, seconded by Director Rice and unanimously agreed to approve the minutes from the February 2014 Board Meeting.
MANAGER OF TECHNICAL SERVICES	<p>Brian Poling reported on the following:</p> <p>The phone system we talked about last month was not compatible with Milsoft on our IVR system and with Verizon. We will keep looking at what's available and keep testing.</p> <p>The new construction work plan schedule is completed and we have started gathering historical data in preparation for the kick-off meeting on April 17th. It will take about 6 months to complete the analysis. The final draft will be ready for review and appropriate action at the October board meeting. The bid packets will be sent out a few days later and we will have them ready for selection of a contractor at the November board meeting. This will give adequate transition time should we award the contract to a new contractor. The official start date for the new work plan will be January 5, 2015.</p>
OFFICE & MEMBER SERVICES REPORT	Don Combs, Manager of Finance and Accounting presented the Financial & Statistical Report for January 2014, with Bradley Cherry, Purchasing Agent /Accounting. Mr. Combs reported on the following:
FINANCIAL & STATISTICAL REPORT FOR JANUARY	<p>Kilowatt hour sales for the month of January (01/21-02/20) were 11.55%</p> <p>Line loss for the last twelve months was 5.24%. Year to date margins were \$428,469 compared to the budgeted amount of \$580,617.</p>
PSC UPDATES	Application to adjust certain rates granted in the last Rate Case has been filed with PSC. Some of the rates were incorrect.
SOLAR PROJECT	On Monday, March 31, the contractor will be here to look at starting the solar project. The quotes submitted were \$33,000 and \$35,000. We will get the \$10,000 grant from MACED and plans to have it installed by end of April.
MARGINS	Mr. Combs and Mr. Cherry explained two ways to increase margins. One is by raising the kWh rate and the other is by raising the service charge. The service charge may be a little more fair, because it is spread over every account and not on the KWh and individual building uses.
EQUITY MANAGEMENT	Mr. Combs gave a presentation on Equity in answer to a question from last month. Appropriate equity-levels vary from system to system. CFC looks at equity plus debt. Margins & Equities divided by 72 will give you base equity. Director Whitt asked if depreciation brings down equity and it does.

CAPITAL CREDITS Capital Credits have been paid in the amount of \$52,236.94 on March 13, 2014. This completes the 2013 applications.

ICE STORM The ice storm of February 5, 2014 cost approximately \$495,507.07 with the breakdown to date of:

Expenses –contractors, meals, etc.	\$275,316.33
Work Orders – Pike	\$ 120,235.66
GRECC labor	\$ 99,955.08

President Fraley has sent a final report to the Ky. PSC, showing replacement of 65 poles to date and expenses of \$495,507.07.

T.I.E.R. January 2014’s monthly T.I.E.R. was 2.57.

APPROVAL OF FINANCIAL & STATISTICAL REPORT FOR JANUARY 2014 Motion was made by Director Martin, seconded by Director Dupuy and unanimously agreed to approve the Financial and Statistical report for January 2014, as presented, for informational purposes only.

RUS WORK ORDERS RUS work orders for the months of October, November and December 2013 were presented to the board of directors for approval:

October 2013	Work Order No. 1182	\$146,912.93
	Work Order No. 1183	\$7,899.28
November 2013	Work Order No. 1184	\$48,324.86
	Work Order No. 1185	\$9,760.49
December 2013	Work Order No. 1186	\$104,104.48
	Work Order No. 1187	\$14,658.68
	Total	\$431,660.72

Motion was made by Director Rice, seconded by Director Martin and unanimously agreed to approve said work orders as presented and submit them to RUS.

MANAGER OF MARKETING AND MEMBER SERVICES President Fraley gave the Manager of Marketing and Member Services Report:

There were no changes in LIHEAP funding. We have not received any payments in March. A final total will be reported in April.

Energy Audits performed in March were: 14 energy audits, 1 HowSmartKY audit, 2 Touchstone Energy Audits, and 1 Commercial Lighting Audit.

ANNOUNCEMENTS The Annual Meeting will be May 8th, commencing at 7:30 a.m. and with the business meeting at 6:00 p.m.

Frankfort Youth Tour, Tuesday April 22nd.

Members at close of business on April 8 will be eligible to vote in the Carter County director's election.

Ballots for Carter County will enter the mail no later than April 24th.

Ballots must be received by May 5, 9:00 a.m.

OPERATIONS REPORT

Kyle Clevenger, Manager of Operations gave the Operations Report with Mike Martin, Assistant Manager of Operations. Mr. Clevenger reported on the following:

EMPLOYEE/LOST TIME ACCIDENT

There were no lost time accidents to report this month.

SAFETY REPORT

The following safety meetings were held during February 2014:

February 06—Don Combs, Mgr. of Finance of Accounting, was in charge of the meeting. The KAEC monthly meeting was scheduled, but canceled due to the ice storm and outages. Kyle reminded the crews to work safe and wear their PPE.

February 10—Carol Fraley, Manager & CEO, was in charge of the meeting. The meeting was canceled due to the ice storm and outages. Kyle reminded the crews to work safe and wear their PPE.

February 17—Mike Martin, Asst. Manager of Operations, read an article written by Michael J. Getman entitled "Improving Safety Through Communication". Carol Fraley talked about the safety program and handed out safety incentive checks for 2013. Kyle Clevenger reminded everyone to be careful during collections.

February 24—Andrea McCleese, Technical Services Supervisor, discussed data safety – viruses, malware, and spyware. Carol Fraley gave out certificates to Richard Easton and Robert Brown for completion of Superintendents & Foremen's conference. Kyle Clevenger went over the safety investigation reports on 4 accidents.

CONSTRUCTION

The Construction Department built one hundred twenty (120) new work orders for the month of February and worked eight (8) hours of overtime.

OVERTIME HOURS

The Maintenance Department worked one thousand seven hundred fifty-one (1,751) hours of overtime during the month of February 2014 due to the ice storm, and the Engineering Department worked fifty-three (53) hours of overtime.

DELINQUENT NOTICES

The Maintenance and Construction Departments collected on two hundred five (205) delinquent accounts and disconnected seventy-three (73) accounts in March.

CONTRACT CREWS

Pike Electric has been doing storm work and new construction.

RIGHT-OF-WAY CREWS

We have nine (9) W A Kendall right-of-way crews working on random jobs and work orders at this time. Crew's trimmed 351 trees, cut 674 trees, and cut 19,380 feet of brush/line. The crews are working in the following areas:

1 tractor crew in Elliott County
1 bucket truck crew in Lawrence and Elliott Counties
1 bucket truck crew in Rowan County
1 bucket truck crew in Carter, Lewis and Greenup Counties
1 cutting crew in Carter, Lewis and Greenup Counties
2 cutting crews in Rowan County
2 cutting crews in Elliott and Lawrence Counties

Mike Martin stated Kendall started a bucket truck crew and a spraying crew last week.

ENGINEERING REPORT The Engineering Department released one hundred one (101) prints consisting of 1,460 feet of primary line and 1,430 feet of service wire. They currently have two (2) new services to be staked and four (4) to be drawn. They have approximately eight (8) miscellaneous jobs to be staked or drawn.

APPROVAL OF NEW MEMBERSHIPS & RETIREMENT OF EXISTING MEMBERSHIPS Motion was made by Director Dupuy, seconded by Director Rice and unanimously agreed to approve ninety-one (91) new memberships and retirement of ninety-one (91) existing memberships for February 2014.

BAD DEBT WRITE-OFFS Motion was made by Director Dupuy, seconded by Director Martin and unanimously agreed to charge off \$4,740.52 worth of bad debts and turn them over for collection.

APPROVAL OF CEO'S, DIRECTOR'S & ATTORNEY BUSINESS EXPENSES Motion was made by Director Rice seconded by Director Crum and unanimously agreed to approve the President's business expense of \$52.61, Director's business expenses of \$10,650.36 and Attorney's business expense of \$393.43.

PRESIDENT'S REPORT President Fraley reported on the following:

2014 NO-LOST TIME GRECC was recognized as a 2014 NO-Lost Time Award Recipient with 350,234 hours worked since the last lost time date of December 20, 2009.

ADA ROSE STURGILL Ada Rose Sturgill was sent a letter due to a violation of the NESC where her service wire was laying on the ground.

COBANK PATRONAGE GRECC received from CoBank a Statement of Qualified Patronage Distribution for 2013. There was \$107,293.77 booked with \$80,470.33 directly deposited and \$26,823.44 of capital credits held.

CFC GRECC received from NRUCFC (CFC) the Report of Annual Benefits of Ownership Statement as of 12/31/13 for KY061. The Patronage Capital balance was \$160,960 and the Capital Certificate Investments was \$630,279.

GRECC SIGN We received quotes from Caudill's of Morehead for two signs. One is a new cover for the sign at Sparks Funeral Home and one will be on the lawn at the top of the circle drive at a cost of \$5,482.

PRESIDENT & CEO President Fraley's new contract was signed today.

VANCEBURG We received a check from Vanceburg, but it did not include the new factory and we feel like it is in our service territory. Joe Sargent will GPS the territory and if the factory is in our territory we will notify them.

DEPOSIT We will refigure our deposit amounts when all substations are read and reclassified. New deposits will have to be justified and submitted to the KY P.S.C. for their approval.

DONNA WHITT We received a nice call thanking us for the donation we made to the churches who helped feed our employees and contractors during the storm.

BLACK EXPLORER The black explorer bid will be opened today if anyone is interested.

TRAILER Roger Kitchen bid \$4,500 on the trailer and was the only one to submit a bid.

COBANK PATRONAGE We received a check from CoBank for patronage distribution for the fiscal year ending 12/31/2012 in the amount of \$82,434.06

LEGAL COUNSEL'S REPORT Legal Counsel Scott reported on the following:

President Fraley talked to Duke representatives this morning and they will not sign a contract over a year long. She talked to Greg Shepler for advice for the Board.

We are waiting on the commission to set a status conference date for GRECC and EKPC. PSC is overwhelmed with BIG RIVER case. Legal Counsel Scott will call the Ky. PSC and leave message for Richard Rath.

EKPC always mentions that we do not have a written contract with Duke. Legal Counsel Scott thinks we need to have something in place before we pursue.

Legal Counsel Scott asked suggested that we put it on the April agenda as "Consideration of Alternate sources for Amendment 3".

The judge in this case would like to see all discovery completed by April 18th. Legal Counsel Scott has scheduled Smart and Mosier, McNally and possibly Jefferson on April 14th. East Kentucky Attorneys have agreed that Jeffrey can take some short depositions over the phone. They will be meeting at the Hampton Inn in Winchester. Frank Oliva works for Inter County since retiring from EKPC and he should be deposed.

EKPC had over \$70m in margins in 2013. Legal Counsel Scott emailed all directors yesterday. Legal Counsel Scott notified PSC of blank page (5) and they were to put it back on the website. This rate is in the best interest of its members to be signed by its members within 10 days. Nothing was ever filed by any coop. A lot of things in this order were never directed to the member Cooperatives and were never finished.

Case 2010-449 outlines the procedure to be used and what must come back before the PSC. EKPC is now at 70.1 mil.

The Directors had a thorough discussion concerning this matter. It was also noted that the Gallatin contract has expired.

A motion was made by Director Martin, seconded by Director Crum for Legal Counsel to file an order with the PSC.

Following discussion, motion was made by Director Martin, seconded by Director Crum and unanimously agreed upon to adopt Mr. Scott's contract as presented and unanimously agreed upon.

The Board Came out of Executive session at 11:23a.m. Mr. Scott will prepare a new contract and bring two copies to the next Board Meeting to have them signed. The contract becomes effective with the April Board Meeting.

KAEC DIRECTOR'S REPORT

Director Whitt reported the following on the KAEC Board Meeting this month:

UUS reports pole sales are down.

Under legislative issues, we are watching bills that would allow the PSC Commissioners to be elected instead of appointed and another that would prohibit utilities from disconnecting service from November through March. KY Living is still considering an online version of the magazine.

Bill Corum plans to retire in August.

EKPC DIRECTOR'S REPORT

Director Arrington said that most of his report had been covered under related Board issues. He plans to attend an ACES Conference May 29 and 30th in Indianapolis. Directors Trent, Dupuy and Whitt will also attend, along with Don Combs and Bradley Cherry.

President Fraley said she would check and see when Mr. Arrington's credentials need to be presented to EKPC.

THANK YOUS AND ANNOUNCEMENTS

Rowan County High School for Project Prom 2014 sent a thank you letter. We support the Cary Willis Memorial Leadership Award and this year it was won by Austin Blevins, son of Mike and Glenda Blevins and the first to win from Greenup County.

DONATIONS

President Fraley presented to the Board for their consideration the following donation requests:

Meals on Wheel	\$100
Elliott Co. 4-H Camping Program – reg. & transp. fees	\$195
Sarah's Place – extravaganza auction	\$50
Horton Flats Baptist Church –Edwards Cancer Center Fund	\$200
Community Service project	\$200
First Baptist Church KAH Fund –kids against hunger donate on	\$100
Greenup County Genealogy & Historical Society – donation	\$50
Grayson Meals on Wheels – donation	\$100

Carter County Public Library – donation	\$250
Elliott Co. AAU Basketball Traveling Team for youth – donation	\$100
Miss Grayson Scholarship Pageant – donation	\$50

Motion was made by Director Dupuy, seconded by Director Rice and unanimously agreed to approve the donations as presented.

MEETING ATTENDANCE

Upcoming employee meeting attendance requests were for:

ACES Meeting for Directors and couple employees
2014 Milsoft User's Conference in Nashville, TN – June 9-12, 2014 –
Brain Poling and Andrea McCleese
NRECA Connect Conference, Kim Bush

Director Trent said Stuart Varney was a good speaker at the NRECA meeting in Nashville, TN.

BOARD MEETING DATE

The April Board Meeting is scheduled for Tuesday, April 29, 2014 at 9:00 a.m.
The May Board Meeting is scheduled for Friday, May 23, 2014 at 9:00 a.m.

ADDITIONAL BUSINESS

There was no additional business.

ADJOURN

Chairman Trent adjourned the meeting at 11:23 a.m.

Roger L. Trent, Chairman

Billy E. (Eddie) Martin, Secretary/Treasurer

W. Jeffrey Scott

On April 29, 2014 at 9:46 a.m. Grayson Rural Electric Cooperative Corporation held a regular board meeting at its office in Grayson, Kentucky called by the Chairman, for the transaction of such business as outlined in the letter of call. Chairman Trent called the meeting to order pursuant to the Waiver of Notice signed by the Directors and all were present. Others present included: Carol Hall Fraley, President and CEO; W. Jeffrey Scott, Legal Counsel; and Priscilla Sparks, Executive Assistant.

INVOCATION	Director Rice gave the invocation.
APPROVAL OF MINUTES	Motion was made by Director Dupuy, seconded by Director Martin and unanimously agreed to approve the minutes from the March 2014 Board Meeting.
OFFICE & MEMBER SERVICES REPORT	Don Combs, Manager of Finance and Accounting and Bradley Cherry, Purchasing Agent / Accounting, gave the Financial & Statistical Report for February 2014. The following was reported:
FINANCIAL & STATISTICAL REPORT FOR FEBRUARY 2014	Kilowatt hour sales for the month of February (02/21-03/20) were 8.84% over budget. Purchases for the time period of (2/1-28) were 1.41 % over budget. Line loss for the last twelve months was 5.42%. Year to date margins were \$241,000 less than anticipated. The ice storm contributed to some of these margin issues. We are currently running below budget at this time. January was under budget \$152,000 and February was under budget \$241,000.
FEBRUARY ANALYSIS 2014	Mr. Combs handed out the February 2014 219 Analysis. This shows we completed and closed some major projects including Three Prong. Middle Fork is complete unless Mt. Telephone has more work. There were 84 pole replacements with 27 poles paid for by Mt. Telephone and the majority of the remaining poles were ice storm related.
FORM 990	<p>A copy of the Form 990, basic tax return for non-profit, was handed out for review. The Form 990 was prepared by Alan Zumstein, CPA, along with our 2013 Tax Return.</p> <p>Form 990 and the 2013 Tax filing should be reviewed by all Directors and will be put on the Organizational Meeting Agenda that will follow the Annual Meeting on May 8, 2014.</p>
NRECA EMPLOYEE BENEFITS AUDIT	<p>NRECA did an employee benefits 401K audit. It was discovered that the Cooperative had inadvertently over contributed to the employee's 401K accounts when we changed the way LTD was paid in 1997. An employee would have had to pay tax on disability if the premium was paid by the Cooperative. The employees elected to pay their LTD, and to compensate the employees, an equivalent percentage was paid by the Cooperative into a 401K account in the employee's name. In 2014 the premium went to \$.06676. We had been increasing by percentage and some prepaid vacation and sick leave had been included which caused the percentage to be higher. Since NRECA had not audited the account for 18 years, they agree to settle for a \$6,200 contribution. A new adoption agreement was sent to us at 1% to correct this error. Starting immediately, this issue will be reviewed each year at budgeting time.</p> <p>Motion was made by Director Rice, seconded by Director Dupuy and unanimously agreed upon to correct the NRECA Employee Benefits 401K Audit as presented.</p>

APPROVAL OF FINANCIAL & STATISTICAL REPORT FOR FEBRUARY 2014	Motion was made by Director Crum, seconded by Director Dupuy and unanimously agreed to approve the Financial and Statistical report for February 2014 as presented for informational purposes only.
CAPITAL CREDITS	Bradley Cherry reported that twenty one capital credits will be paid after Legal Counsel Scott reviews the capital credit applications. These applications are through March 2014.
MANAGER OF MARKETING AND MEMBER SERVICES	Kim Bush, Manager of Marketing and Member Services, reported on the following:
LIHEAP	LIHEAP total received was \$231,384, which was down compared to the 2012/2013 year. There were 40 winter hardship reconnects and 58 thirty day extensions. We have fewer due to good faith payment on the 30-day extensions and a contract is set up through October 15 th .
ENERGY AUDITS	Tina Preece completed the following audits: 1 How\$martKY Test Out audit; 9 Energy audits; 1 Heat Pump Retrofit and 2 with EKPC on Commercial Lighting Program.
SCHOOL PROGRAMS	Career Day was held in Elliott County and Prichard Elementary School.
FRANKFORT YOUTH TOUR	Eight high school juniors attended the Frankfort Youth Tour on Tuesday, April 22 nd and 3 of those students are employee's children. Callie Adkins, Greenup County and Emily Johnson, Elliott County are delegates that will be attending the Washington Youth Tour for GRECC in 2014.
SIMPLE\$AVERS	Tomorrow Kim Bush will be interview by WSAZ and three other commercials will air before end of the year. This is made possible with the \$10,000 set aside by EKPC for Simple\$avers advertisements.
ANNUAL MEETING	Mrs. Bush reported the following information in regards to the Annual Meeting on May 8, 2014: Registration begins 7:30 a.m. and concludes 6:00 p.m. Business Meeting commences at 6:00 p.m.. The same format as the last two years will be used. Tent and chairs have been purchased for the meeting instead of renting, as we can have them for future meetings. Buckets will have bulbs, lantern, caulking, walking stick/yardstick, ink pen and the annual report. There will be handouts and door prizes at different tables. Several nice door prizes will be given away after the buiness meeting. Members do not have to be present to win the door prizes.
GRECC BOARD ELECTION	We have received 17% of the ballots mailed in the Carter County Director's Election. Votes will be counted on Monday, May 5, 2014 at 10:00 a.m. under the direction of John B. Dean, Provost.

EKPC MARKETING /
ACCOUNTING MEETINGS

Don Combs asked Mrs. Bush how often EKPC has meetings with Member Services / Marketing. She replied usually at least 4 per year and every other month her, Tina or Julie attend some type of meeting. Mr. Combs was pointing out the difference EKPC makes in meetings for Member Services as compared to Accounting, which has none.

OPERATIONS REPORT

Kyle Clevenger, Manager of Operations gave the Operations Report. He reported on the following:

KAEC 2014 RESAP

President Fraley informed the Board of the Rural Electric Safety Achievement Program (RSAP) walk-thru inspection that was observed unannounced on April 10, 2014. There was minimal write up and Clarence Green, KAEC Director Safety and Loss Prevention, wrote that it was a very good unannounced On Site Observation welcomed by all employees who were very helpful and courteous. Those that participated in the inspection were Walt Stephens, Clark RECC, Tony Dempsey, Owens Electric, Robert Thornton, David White and Clarence Green from KAEC. She read to the Board the letter and their findings in detail.

GRECC submitted to Mr. Greene three proposed 2014 Safety Improvement Plan and read to the Board her proposal which is:

- (1) Warehouse, Maintenance and Covered Storage;
- (2) Miscellaneous Vehicle (Trailers, Backhoes and Etc.; and
- (3) Head, Eye, Face, Hearing, Foot, Hand, Etc., PPE.

President Fraley asked that these reports be made a part of and attached to these minutes.

EMPLOYEE/LOST TIME
ACCIDENT

There were no lost time accidents to report this month.

SAFETY REPORT

The following safety meetings were held during March 2014:

March 06—Brian Poling, Mgr. of Technical Services, turned the meeting over to Scott Speaks who showed and talked about a new form for construction and engineering. Carol Fraley went over the rules for line extensions and talked about consumers filing insurance claims. She also talked about collections and helping consumers when possible. She reminded everyone to be careful during collections.

March 12—Priscilla Sparks, Executive Assistant, turned the meeting over to David White, KAEC Safety Director. A safety quiz on various topics in the 15th edition of the APPA safety manual was given and he distributed information about the Fallen Lineman organization. Carol Fraley, President & CEO, addressed safety hours and awarded everyone a safety bonus check for the year 2013 and the monthly safety give-a-way money.

March 17—Sherry Buckler, General Accounting Supervisor, read from the Safety Manual, 115.7-- 115.9 pages 43 & 44: Bucket Truck/Aerial Lift Rescue, After Rescue, & Training in Resuscitation and Rescue. Carol went over an accident investigation.

SAFETY MEETING
(CONTINUED)

March 24—Kim Bush, Mgr. of Marketing & Member Services, read from the Safety Manual, page 45 – 47: Health & Environmental Control (201) Confined or Enclosed Spaces. Carol Fraley, President & CEO, presented Mike Reynolds with a certificate for the completion of apprenticeship for the occupation of 1st Class Lineman. She reminded everyone to be careful about slips, trips, and falls.

March 31 – Bradley Cherry, Purchasing Agent, read an article on Spring Driving Tips. Kyle told everyone to work safe today and everyday.

Kyle continues to mention the necessity and importance of hard hats, rubber gloves and the importance of using ground chains. A line is not dead until it is grounded.

CONSTRUCTION

The Construction Department built one hundred four (104) work orders – 7 services added and 11 services retired, for the month of March and worked zero (0) hours of overtime.

OVERTIME HOURS

The Maintenance Department worked two hundred thirteen (213) hours of overtime and the Engineering Department worked two (2) hour overtime during the month of March 2013.

DELINQUENT NOTICES

The Maintenance & Construction Departments collected on two hundred eighteen (218) delinquent accounts and disconnected seventy-one (71) accounts in April.

ENGINEERING REPORT

The Engineering Department released one hundred (100) prints consisting of 3,705 feet primary line, 2,005 feet of service wire and 595 feet of underground service. They currently have two (2) new services to be staked and two (2) to be drawn. They have approximately eight (8) miscellaneous jobs to be staked or drawn.

CONTRACT CREWS

We have one Pike crew, Tony Seagraves working on Jordan Fork, Carter County and on new construction.

RIGHT-OF-WAY CREWS

We have ten (10) W A Kendall right-of-way crews working on random jobs and work orders at this time. Crew's trimmed 671 trees, cut 1,036 trees, cut 41,461 feet of brush/line and sprayed 30 spans of line. The crews are working in the following areas:

- 2 cutting crews in Elliott and Lawrence Counties
- 1 cutting crew in Rowan County
- 1 cutting crew in Carter, Lewis and Greenup Counties
- 1 bucket truck crews in Lawrence and Elliott Counties
- 1 bucket truck crew in Rowan County
- 1 bucket truck crew in Carter, Lewis and Greenup Counties
- 1 tractor crew in Elliott County
- 1 dormant spray crew in Lawrence County
- 1 circuit crew in Carter County

RUS OPERATIONS
INSPECTION

Mike Norman, RUS Field Representative, reviewed and evaluated electric system facilities, system operations and maintenance, on April 16, 2014. His

RUS OPERATIONS
INSPECTION (CONTINUED)

findings were that GRECC is being adequately operated and maintained and we have an effective Operations and Maintenance program supported by proper records. He did note that some right-of-way problems involving yard trees and a more aggressive right-of-way clearing program was recommended. He mentioned the telephone needs to move their attachments on to our new poles suggested reconciling our idle services report. A copy of the letter from Mr. Norman and the RUS Review Rating Summary was given to all Directors and Legal Counsel.

Mr. Norman encouraged the Board to adopt a mapping program and finance it through the upcoming work plan. Serious consideration and study will be given to including the mapping program.

Motion was made by Director Rice, seconded by Director Dupuy that the RESAP Report, and the Rating Summary and Maintenance Survey be accepted as presented and made a part of these minutes.

KAEC LINEMAN'S RODEO

Motion was made by Director Rice to sponsor the 2014 KAEC Lineman's Rodeo, seconded by Director Crum and unanimously agreed upon.

RIGHT-OF-WAY CONTRACT

Upon recommendation of President Fraley, the Board decided to take competitive bids for our Right of Way clearing for a 3 to 4 year contract.

Motion was made by Director Martin, seconded by Director Crum and unanimously agreed upon to mail bid packages on a new right of way contract.

APPROVAL OF NEW
MEMBERSHIPS &
RETIREMENT OF
EXISTING MEMBERSHIPS

Motion was made by Director Dupuy, seconded by Director Martin and unanimously agreed to approve eighty-six (86) new memberships and retire one hundred fifteen (115) existing memberships for March 2014.

BAD DEBT WRITE-OFFS

Motion was made by Director Whitt, seconded by Director Rice and unanimously agreed to charge off \$13,369.03 worth of bad debts and turn them over for collection.

APPROVAL OF CEO'S,
DIRECTOR'S & ATTORNEY
BUSINESS EXPENSES

Motion was made by Director Dupuy, seconded by Director Whitt and unanimously agreed to approve the President's business expense of \$120.32, Director's business expenses of \$12,575.76 and Attorney's business expense of \$50.77.

PRESIDENT'S REPORT

President Fraley reported on the following:

LEGAL COUNSEL
CONTRACT

Legal Counsel Scott's contract was presented to the Board and became effective January 1, 2014 and will be retroactive.

SPRING MANAGER'S
MEETING

President Fraley reported on the KAEC Spring Manger's Meeting held in Bowling Green, KY April 22-23, 2014.

The Administrator of RUS has \$250 million dollars for Energy Efficiency Funding to give to our members through a loan program. A report on cyber security was given and is getting to be more and more important.

GRECC ENTRANCE SIGN	The new entrance sign to be placed at the top of the circle will not be ready for annual meeting as planned.
STEVEN BURTON	Steven Burton has completed his 3 rd year of the apprenticeship program and is now ready to move into the 4 th year of the apprenticeship program effective April 2, 2014.
LINEMAN SCHOOL	The lineman school will be having its second round this year.
FALL MANAGERS	The KAEC Fall Managers Meeting will be held in Lexington this year in conjunction with Federated Safety Training for all departments.
CUMBERLAND VALLEY	They are seeking a rate increase.
SOLAR PROJECT	Don Combs said the installation of the solar project is ready to commence.
RAILROAD CROSSINGS	There is an issue with railroads and cooperatives concerning underground service. Engineers will look into this to see if it affects us.
GRECC MEMBERS - JANICE PREZIOSO AND TONIA ADKINS	President Fraley received a phone call from Janice Prezioso, a member about her meter sending rays through her bedroom wall and waking her up at night. Tonia Adkins called concerning right of way spray and her honey bees. Mike Martin said it used to be an issue with her well water and we have not sprayed around her farm for 10 years. She has asked to come to a board meeting and President Fraley has sent her the form to complete and return.
EKPC ANNUAL MEETING VOTING DELEGATES	The upcoming EKPC Annual Meeting is scheduled for Tuesday, June 3, 2014 at EKPC Headquarters, in Winchester, Kentucky. Director Dupuy will serve as the Representative and Director Trent will serve as the Alternative Representative for GRECC.
LEGAL COUNSEL'S REPORT	Legal Counsel Scott reported on the following:
AEP / SAND GAP	PSC ruled against us in the Sand Gap Issue. We will appeal.
DUKE ENERGY	President Fraley reported last month that Duke Energy could not have a contract that extended beyond one year. Greg Shepler has contacted Morgan Stanley Capital, a power broker. WE have signed and submitted a Confidentiality Agreement.
MAGNUM DRILLING	Director Arrington reported that Magnum Drilling spent seven million dollars to drill gas in Lawrence County. They hit one well that is producing twenty barrels per hour.
MARK DAVID LETTER	Mark David Goss sent Legal Counsel Scott a letter with a footnote insinuating that Grayson has released confidential information, and asked the Board how they wanted to respond to it. Legal Counsel suggested replying that Grayson Rural Electric looks at information every month to determine its effect on our Cooperative.
KAEC DIRECTOR'S REPORT	Director Whitt reported there was no meeting this month due to the Manager's Spring Meeting.

EKPC DIRECTOR’S REPORT Director Arrington said that most of his report had been covered under related Board issues.

Director Arrington shared his East Kentucky Power evaluation and gas prices. Gas price update is:

Gas prices today are \$4.40; yesterday it was \$4.74;
There was a shortage when the cold spell hit;
In February East Kentucky paid \$9.50 at one point. They projected the cost will be \$5.00 in 2015.

Coal was trading at New York Stock at \$58 per ton and it will probably increase to \$60 per ton in 2015, as gas prices go up.

DECLARATION OF BOARD SEAT President Fraley called Shannon last month on board meeting date in regard to Director Arrington’s background check and GRECC not receiving the necessary paperwork. Shannon checked with Michelle Carpenter and it was to be sent out in a couple of weeks. At this time GRECC hasn’t heard back. President Fraley will call Michelle Carpenter again.

Nomination was made by Director Martin, seconded by Director Dupuy to send Director Arrington as GRECC’s Director for the EKPC’s Board.

Director Arrington reported:

They have changed qualifications for directors two times since he has been there.
Fleming Mason’s Lonnie Vice and Mr. Rosenberger from Nolin are retiring from the EKPC Board. Mr. Rosenberger is EKPC Board Secretary.

THANK YOU NOTES We received thank you notes from the Carter County Public Library, Mindy Woods and Jenny L. Knipp. Alexandria Knipp, GRECC Scholarship recipient, also sent a thank you note.

DONATIONS President Fraley presented to the Board for their consideration the following donation requests:

King’s Daughters Health Foundation – 2014 Rocky Adkins	
Golf tournament – one hole sponsor	\$250
Elliott County Little League – Field Sponsorship	\$175
JROTC Award – plaque to Cadet Brock A. Murphy – WCHS	
American Cancer Society – Elliott Co. Relay for Life – donation in memory of Juanita Rice	\$250
Elliott County Tobacco Festival (formerly Ell. Co. Heritage Festival)	\$150
Greenup Co. Football Annual Golf Scramble – donation	\$50
Lewis County Extension Service – KY Youth Seminar	\$125
Greenup Old Fashion Days – donation	\$100
East Carter Baseball Dugout Club – Braiden Mara, sponsor	\$100
West Carter High School Baseball – sign	\$100
Project Mary Christmas of Carter Co. – 2014 Christmas	\$200
Elliott County Conservation District – 4 th Grade Field Day	\$50
Greenup County High School PTSA – prom donation	\$50
South Shore Baseball and Softball Little League Program	\$100
Load Fire Department – Director Martin will be purchasing an item for the Cooperative and will be reimbursed	

DONATIONS
(CONTINUED)

Motion was made by Director Martin, seconded by Director Dupuy and unanimously agreed to approve the donations as presented.

MEETING ATTENDANCE

Kippy James will attend the PCB update in Lexington on July 22-23, 2014. Brian Poling and Andrea McCleese will be attending the Landis+Gyr Meeting in Nashville, TN June 9-14, 2014.

GRECC ORGANIZATIONAL
& BOARD MEETING

The Organizational Meeting of the Board of Directors will be held on Friday, May 8th following the business meeting at GRECC. The regular monthly May Board Meeting will be held May 23rd.

ADDITIONAL BUSINESS

Director Trent gave Director Crum a card and retirement gift and thanked him for his years of service to the Cooperative.

ADJOURN

There being no additional business to come before the Board, Chairman Trent adjourned the meeting at 12:09 p.m.

Roger L. Trent, Chairman

Billy E. (Eddie) Martin, Secretary/Treasurer

W. Jeffrey Scott, Legal Counsel

On May 8, 2014, at 6: 57 p.m., the Directors of Grayson Rural Electric Cooperative Corporation held a special Board Meeting at its office in Grayson, Kentucky, for the purpose of electing officers for the coming year and approving the 2013 tax filing.

Chairman Trent called the meeting to order pursuant to the Waiver of Notice signed by the Directors including newly elected Board Member from Carter County, Jim Bentley. All were present. Others present included: Carol Hall Fraley, President and CEO; W. Jeffrey Scott, Legal Counsel; and Priscilla Sparks, Executive Assistant.

INVOCATION

Director Dupuy gave the invocation.

FORM 990
2013 TAX FILING

The Form 990, basic tax return for non-profit, was voted on for approval. Form 990 is public record and was prepared by Alan Zumstein.

Director Martin made a motion to approve the 2013 Tax Filing as presented, seconded by Director Dupuy with Directors Trent, Rice, Arrington and Whitt voting for approval. Director Bentley abstained.

ELECTION OF OFFICERS

Chairman Trent announced that the next order of business was the election of officers for the ensuing year. He then turned the meeting over to Legal Counsel Scott to conduct the election of officers.

CHAIRMAN

Legal Counsel Scott explained the purpose of the Organization Meeting to our newly elected Carter County Director. He said that the Board elected Director Arrington to serve as the East Kentucky Power Director at the April 29, 2014 Board Meeting, due to EKPC's Director's confirmation requirement.

Motion was made by Director Arrington to elect Roger Trent, Chairman; Harold Dupuy, Vice Chairman; Billy E. "Eddie" Martin, Secretary-Treasurer; and Jimmy Whitt, KAEC Director, by acclamation. Motion was seconded by Director Dupuy. Motion carried. Thereupon, Legal Counsel Scott turned the meeting back over to Chairman Trent.

ADJOURNMENT

Chairman Trent asked if there was any further business and there being none the meeting was adjourned at 7:02 p.m.

Roger L. Trent, Chairman

Billy E. (Eddie) Martin, Secretary/Treasurer

W. Jeffrey Scott, Legal Counsel

On May 23, 2014 at 8:52 a.m. Grayson Rural Electric Cooperative Corporation held a regular board meeting at its office in Grayson, Kentucky called by the Chairman, for the transaction of such business as outlined in the letter of call. Chairman Trent called the meeting to order pursuant to the Waiver of Notice signed by the Directors and all were present. Others present included: Carol Hall Fraley, President and CEO; W. Jeffrey Scott, Legal Counsel; and Priscilla Sparks, Executive Assistant.

INVOCATION New Director Jim Bentley was welcomed. Director Whitt gave the invocation.

APPROVAL OF MINUTES Motion was made by Director Whitt, seconded by Director Dupuy and unanimously agreed to approve the minutes from the April 2014 Board Meeting for informational purposes only.

MANAGER OF TECHNICAL SERVICES Brian Poling, Manager of Technical Services reported on the following:

Nearly all Windows XP computers have been changed to Windows 7 due to Microsoft ending support and security updates for the XP operating system. We were able to utilize our virtual environment for many of the upgraded computers, lowering hardware costs significantly.

The new 2nd floor copier has been installed. Komax is assisting with the programming of its functionality, which will eliminate some of the need for a scheduled software purchase.

SEDC has announced that their server platform is changing to Linux and a change will have to be made next year. We are exploring the options of upgrading our current server (short-term) or migrating to a new Linux server which has the option for virtualization.

Brian and Andrea will be attending the Milsoft Users' Conference in Nashville, June 10-12. We utilize Milsoft's IVR, DisSPatch (outage management), and WindMil (engineering analysis) systems.

Director Whitt asked about Mr. Smith's non-functioning meter and his appearance at the annual meeting. President Fraley and Ms. McCleese explained the exception report.

The Leon substation readings are finished and will be keyed in soon. We plan to read Pelfrey, Carter City and Pactolus.

OFFICE & MEMBER SERVICE REPORT Bradley Cherry, Purchasing Agent and Accounting presented the Financial & Statistical Report for March 2014. Mr. Cherry reported on the following:

FINANCIAL & STATISTICAL REPORT FOR MARCH Kilowatt hour sales for the month of March (03/21-04/20) were .29 % over budget. Purchases for the time period of (3/1-31) were 9.37% over budget. Line loss for the last twelve months was 5.60 %. Year to date margins were \$29,397 compared to the budgeted negative amount of 374,627.

Mr. Cherry went over the job analysis in detail.

Director Whitt questioned why the T.I.E.R. dropped and Bradley pointed out it was due to the February storm expense of over \$400,000.

FINANCIAL & STATISTICAL
REPORT FOR MARCH
(CONTINUED)

The current work plan is in the sixth year and was discussed in detail. We are starting on Brushy in Greenup County. Two small buckets and a spare service truck are budgeted to be replaced this year. We have replaced the 2nd floor copier. Additional cameras have been installed. Three computers have been replaced, extra pages in the magazine are being utilized; the sidewalk outside has been replaced and a new sign erected.

We will be at \$1.5 million in margins. Demand on one day in May will affect the cost rest of the month. Our billing cycle runs from the 20th to the 20th of the month and the billing from EKPC runs from the first to the last day of the month. GRECC is billed by substations (13) and we are billed on the high peak demand. We worked with EKPC and the other Member systems for over a year and EKPC dropped the consideration of realigning rates. Director Martin and Director Trent questioned the way our billing is set up. President Fraley said it was set up for the members, and considers when they get their government checks and payroll checks.

Our Solar system project is being installed and will be fully functioning in June.

NRECA has announced that their medical insurance will no longer cover retired employees after this year. By July they will be mailing info to the retired employees. NRECA says a company called One Exchange can offer an alternative.

APPROVAL OF FINANCIAL
& STATISTICAL REPORT
FOR MARCH 2014

Motion was made by Director Martin, seconded by Director Whitt and unanimously agreed to approve the Financial and Statistical report for March 2014 as presented for informational purposes only.

PROVOST

John Dean, Provost for the director's election, gave recommendations for the next Director's Election including some suggestions for changes to the Bylaws and pushing back the vote tabulation to 1:00 p.m.

YEAR END AUDITOR

Alan Zumstein submitted a price of \$9,300 for this year's financial audit. Motion was made by Director Martin, seconded by Director Bentley to hire Alan Zumstein for the 2013/2014 audit and was unanimously agreed upon.

MANAGER OF MARKETNG
& MEMBER SERVICES

Kim Bush, Manager of Marketing & Member Services will have a summary of the annual meeting at the June Board Meeting. Annual Meeting was a HUGE success. Plans are already underway for next years' Annual Meeting. The Director's election ran very smoothly, with Jim Bentley being elected to serve as director for Carter County.

GRECC has 141 enrolled in prepaid and 4 are inactive. The average payment is \$42.30, and several are enrolled in debt management. This means 30 percent of their payments go to their off service bills.

Additional deposit letters will be mailed in June and will include information on the Prepaid program. There has not been any direct marketing.

Tina has been busy working with EKPC on the tariff for Energy Star homes. She has worked with Brown's Mobile Homes locally. She did 4 Energy audits and 1 Commercial audit – working with Elliott County School.

MANAGER OF MARKETING
& MEMBER SERVICES
(CONTINUED)

School and community programs – Julie is going to Greenup Tuesday; Peggy Wells and Julie assisted in the West Carter Middle School 4-H program in April; Kim and Julie judged Clark and Fleming-Mason’s scholarships. Kim was invited to the “Moms Everyday” segment on WSAZ to talk about our Simple\$avers Program. Three more segments will be done by the end of the year.

OPERATIONS REPORT

Kyle Clevenger, Manager of Operations gave the Operations Report. He reported on the following:

EMPLOYEE/LOST TIME
ACCIDENT

There were no lost time accidents to report this month.

SAFETY REPORT

The following safety meetings were held during April 2014:

Director Trent said that Darrell Hitch of Morehead appreciated the promptness of Herbie Steagall meeting him and working with him this month in the Carter Caves Road area.

April 07—Kyle Clevenger, Mgr. of Operations, was in charge of the meeting. Kippy reminded everyone to check their gloves. Carol Fraley talked about meter readings, meter classifications and the new work plan and construction contract.

April 10 —Kyle Clevenger, Manager of Operations, turned the meeting over to David White, KAEC Safety Director. He mentioned the new OSHA 269 rule book and went over Flagger/Work Zone Refresher Training, gave a 2014 Work Zone/Flagger Refresher Training Quiz and new cards will be issued. RESAP inspection followed the safety meeting. Carol Fraley announced Steven Burton had finished his 3rd class apprentice training.

April 14—Don Combs, Mgr. of Finance & Accounting, addressed insurance questions about prescriptions and co-pays. His topic was “Dealing with Potential Dangers”. He went over communicating the threat of tornados and what to do when this happens. Carol Fraley talked about RESAP and reminded everyone to make sure they had new hard hats and gloves.

April 22—Mike Martin, Assistant Mgr. of Operations, was in charge of the meeting. Kyle reminded everyone to continue working on their on-line classes and asked for any safety suggestions that needed to be documented. Brian Poling talked about the new construction work plan, changing out porcelain cut outs and correct codes for work orders.

April 28--Carol Fraley, President and CEO, talked about the RESAP inspection and went over some minor problems that were found. There were no major issues. She went over the 2014 Safety Improvement Plan and reminded everyone how important it is to take care of the “little things”. Kyle went over a safety investigation and the importance of testing and grounding.

Kyle Clevenger, Manager of Operations, continues to mention the necessity and importance of hard hats and rubber gloves. He reminded everyone of the importance of using ground chains. A line is not dead until it is grounded.

CONSTRUCTION The Construction Department built one hundred twenty-three (123) new work orders for the month of April and worked nineteen (19) hours of overtime.

OVERTIME HOURS The Maintenance Department worked two hundred forty-six (246) hours of overtime during the month of April 2014.

DELINQUENT NOTICES The Maintenance & Construction Departments collected on one hundred seventy-five (175) delinquent accounts and disconnected sixty-two (62) accounts in May.

CONTRACT CREWS We have one Pike crew working on Brushy. Jordan Fork is completed. We have put on another Pike crew to complete a number of 3 phase pole changes.

RIGHT-OF-WAY CREWS We have ten (10) W A Kendall right-of-way crews working on random jobs and work orders at this time. Crew's trimmed 333 trees, 894 cut trees, and cut 30,870 feet of brush/line. The crews are working in the following areas:

- 1 tractor crew in Elliott County
- 2 bucket truck crews in Lawrence, Elliott and Rowan Counties
- 1 bucket truck crew in Carter, Lewis, and Greenup Counties
- 1 dormant spray crew in Lawrence County
- 1 circuit crew in Carter County
- 1 cutting crew in Rowan County
- 1 cutting crew in Carter, Lewis and Greenup Counties
- 2 cutting crews in Elliott and Lawrence Counties

ENGINEERING REPORT The Engineering Department released ninety-six (96) prints consisting of 4,555 feet of primary line and 1,940 feet of service wire. They currently have two (2) new services to be staked and two (2) to be drawn. They have approximately ten (10) miscellaneous jobs to be staked or drawn.

President Fraley addressed two calls from consumers. One from Tonia Adkins from Olive Hill concerned our right of way spraying in regard to her honey bees. The other was from Janice Prezioso and she was concerned about what she believed were emissions from her TS1 electric meter. She thinks rays from her meter wake her up at night. President Fraley sent them both information on their issues and her column in June will address TS2 meters and July's will address consumer's responsibility.

APPROVAL OF NEW MEMBERSHIPS & RETIREMENT OF EXISTING MEMBERSHIPS Motion was made by Director Dupuy, seconded by Director Rice and unanimously agreed to approve ninety-nine (99) new memberships and the retirement of one hundred fourteen (114) existing memberships for April 2014.

BAD DEBT WRITE-OFFS Motion was made by Director Martin, seconded by Director Bentley and unanimously agreed to charge off \$ 18,296.62 worth of bad debts and turn them over for collection.

APPROVAL OF CEO'S, DIRECTOR'S & ATTORNEY BUSINESS EXPENSES Motion was made by Director Rice, seconded by Director Martin and unanimously agreed to approve the President's business expense of \$204.65, Director's business expenses of \$9,888.72 and Attorney's business expense of \$944.20.

PRESIDENT'S REPORT President Fraley reported on the following:

PIKE ELECTRIC GRECC released Pike Electric to go to Jackson Electric for storm work on Wednesday.

NO LOSS TIME ACCIDENT GRECC received a certificate for no loss time accidents for 2013. This is the fourth year without a lost time accident with 350,234 safety hours.

DOUG SHIDLER Doug Shidler of Federated Rural Electric Insurance Exchange reviewed Grayson's loss records and was very pleased. He said GRECC's worker's comp was very, very low. We possibly had the lowest worker's comp rate in the state. Mr. Shidler will be retiring this year.

EKPC DIRECTOR SEAT Legal Counsel Scott mailed the requirements for Director Arrington's nomination to be on the EKPC Board. President Fraley telephoned Michelle Carpenter and she said everything looked okay.

EKPC ANNUAL MEETING The East Kentucky Power Cooperative's Annual meeting will be held Tuesday, June 3, 2014, 10:00 a.m. at their headquarters in Winchester, Kentucky.

Roger Trent, Harold Dupuy, voting delegate, Kenneth Arrington, EKPC Board Member, Billy T. Rice and Jimmy Whitt will attend. Wives of Directors are invited to attend.

CFC GRECC has paid a Promissory Note to CFC that was dated 1978 in the amount of \$230,000.

DONNIE CRUM President Fraley recommended a Resolution of Respect for Donnie Crum. The Board agreed and Executive Assistant Priscilla Sparks will have it ready to sign next month.

KAEC LINEMAN'S RODEO We are sponsoring the Linemen's Rodeo this year and will have a team. It will be at Inter-County RECC, Danville, KY on July 24-25. The Directors attending will be Roger and Wilma Trent and Harold & Christine Dupuy.

LEGAL COUNSEL'S REPORT Legal Counsel Scott reported on the following:

Replied to EKPC's response to motion filed.

Responded to rate case regarding metering changes.

In the Charleston Bottoms case, GRECC filed a motion for summary judgment and will be briefed in a week – 10 days. EKPC also filed a motion for summary judgment

Our memorandum is due June 8; this will go before the judge. Legal Counsel Scott has not heard anything from PSC.

In the AEP/Sand Gap issue, President Fraley asked Legal Counsel Scott to request someone to come up and look at the GRECC and AEP / Sand Gap territory. Legal Counsel Scott suggested we follow up on the Valley View area and negotiate a deal with AEP over the two territories. GRECC has an easement from Addington before the 1st house was built. President Fraley

LEGAL COUNSEL'S REPORT
(CONTINUED)

pointed out that we are now at the break-even point. Director Dupuy pointed out that the consumers aren't complaining and PSC needs to consider that.

AMENDMENT 3

Greg Shepler emailed this morning and looks like the saving is not as great as originally thought. It appears that over a three year period it would be approximately \$300,000 savings.

January 8, 2014 was the informal conference date on this and we have not heard from them. Legal Counsel Scott asked Director Arrington if this has been addressed at EKPC Board Meetings. Director Arrington said this is addressed in the Strategic Issues or Board Risk Oversight Committees. Legal Counsel Scott told Director Arrington he is allowed to set in on these meetings in regards to the January 8th order that was filed. Director Arrington says the agenda for EKPC states that GRECC vs EKPC shall be discussed in Executive Session. Legal Counsel Scott said a response was filed prior to EKPC Board Meeting by Mark David Goss and should not have been filed.

Buddy Rosenburger is going to stay on the EKPC board, but will resign as secretary. Lonnie Vice is going off the EKPC Board but staying on the Fleming Mason Board. Tim Eldridge, CPA, will replace him.

Director Arrington explained the e-source board meeting agenda. Legal Counsel Scott asked Director Arrington if he had recollection of a November 29, 2010 meeting with Mr. Goss telling the Board of a rate case. Director Arrington said he received pay for that conference call meeting. No agreement was ever handed out for the Board Members to read.

KAEC DIRECTOR'S REPORT

Director Whitt and President Fraley attended KAEC's Board Meeting this week in Louisville, KY. Director Whitt reported on the following:

Director Whitt explained to Director Bentley the function of KAEC / UUS and their meetings.

The UUS was better in January but has lost \$350,000 and KY Living Magazine has lost money for the first time since he was on board.

A gun company in Bardstown asked to advertise and Ky. Living and was refused.

Ky Living won't accept ads for alcohol but will for the distillery.

Clarence Greene handed out awards for lost time accident free coops.

Grayson accepted an award for 4 years accident free.

Our yearly dues to KAEC are \$38,123.17.

EKPC DIRECTOR'S REPORT

Director Arrington reported:

Voted approve to stop coal fired generation at Dale.

They are going have to remove the ash and this will be removed at night.

THANK YOU NOTES

President Fraley mentioned GRECC had received thank you cards from:

Sarah's Place Women's Resource Center

Build-a-Bed – built 125 beds for kids that didn't anywhere to sleep

Hunnewell United Baptist Church – restoring church lot

Grayson Meals on Wheels - donation

Director Trent asked about Chester White and the storm.

DONATIONS

President Fraley presented to the Board for their consideration the following donation requests:

For Jesus Christ (4-J-C) fireworks donations (Hopewell and Crane Creek Baptist Churches)	\$100
Carter County Thunder 2014 fireworks donation (co-sponsor with EKPC)	\$250
Carter Co. Extension for 4-H Youth – Forest Leadership Program	\$100

It was reported that Tyler Bush and Donald Franklin Damron raised four thousand dollars to purchase tables for the Cabell Huntington Hospital Pediatric Cancer Unit. This was part of their Rogers Scholars program requirements to have a project to benefit the community. We donated last month.

Motion was made by Director Whitt, seconded by Director Rice and unanimously agreed to approve the donations as presented.

MEETING ATTENDANCE

President Fraley and some of the staff will be attending EKPC's Annual Meeting on June 3, 2014.

Director Whitt will be attending the June Summer School at Savannah, GA,

BOARD MEETING DATE

The Regular Board Meeting in June will be held Friday, June 27, 2014.

ADDITIONAL BUSINESS

There was no additional business.

RIGHT OF WAY BIDS

We are putting together a list of questions to that must be answered by Right of Way Companies in order to be considered a qualified bidder.

ADJOURN

Chairman Trent adjourned the meeting at 11:45 a.m.

Roger L. Trent, Chairman

Billy E. (Eddie) Martin, Secretary/Treasurer

W. Jeffrey Scott, Legal Counsel

On June 27, 2014, at 8:57 a.m. Grayson Rural Electric Cooperative Corporation held a regular board meeting at its office in Grayson, Kentucky called by the Chairman, for the transaction of such business as outlined in the letter of call. Chairman Trent called the meeting to order pursuant to the Waiver of Notice signed by the Directors and all were present. Others present included: Carol Hall Fraley, President and CEO; W. Jeffrey Scott, Legal Counsel; and Priscilla Sparks, Executive Assistant.

INVOCATION	Director Rice gave the invocation.
APPROVAL OF MINUTES	Motion was made by Director Rice, seconded by Director Bentley and unanimously agreed to approve the minutes from the May Board Meeting.
RESOLUTION OF APPRECIATION FOR DIRECTOR CRUM	President Fraley read a Resolution of Appreciation for Donnie Crum. Motion was made by Director Martin, seconded by Director Rice to present past Director Donnie Crum with a Resolution of Appreciation, signed by all directors and President Fraley. (COPY ATTACHED AT END OF MINUTES.)
MANAGER OF FINANCE AND ACCOUNTING	Don Combs, Manager of Finance and Accounting, and Bradley Cherry, Purchasing Agent / Accounting, presented the Financial & Statistical Report for April 2014.
FINANCIAL & STATISTICAL REPORT FOR APRIL	<p>Kilowatt hour sales for the month of April (4/21-5/20) were 3.35% under budget. Purchases for the time period of (4/01-4/30) were 5.03% under budget. Line loss for the last twelve months was 5.34%. Year to date margins were a deficit of \$269,862 compared to the budgeted amount of an \$86,594.</p> <p>Mr. Combs reported on the progress being made on the new solar installation.</p> <p>He also reported that we have asked the PSC to modify the ETS tariff, two industrial rates, and an environmental surcharge review to recalculate the way we recover charges for these from our customers.</p>
RETIRED EMPLOYEES INSURANCE	Bradley Cherry said that NRECA is getting out of the post 65 retirement insurance business. They are going to offer One Health, a brokered system that has a menu of choices, and the employee can call in and discuss their individual situations. One Health will suggest what plan to go with. In August we will hold a meeting for the retired employees.
APRIL T.I.E.R.	The T.I.E.R. for April was a negative 2.704.
CFC RESOLUTION	Mr. Combs addressed the CFC Resolution and Incumbency which authorizes President Fraley and Director Trent to sign documents to act on behalf of the Cooperative. This resolution is an extension of the existing contract for 23 months.

CFC RESOLUTION
(CONTINUED)

CERTIFICATE OF RESOLUTIONS AND INCUMBENCY

I, Eddie Martin, do hereby certify that (i) I am the Secretary of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION (hereinafter called the "Cooperative"); (ii) the following are true and correct copies of resolutions duly adopted by the board of directors of the Cooperative at a meeting held on June 27, 2014; (iii) the meeting was duly and regularly called and held in accordance with the articles and bylaws of the Cooperative; (iv) the Cooperative is duly incorporated, validly existing and in good standing under the laws of the state of its incorporation and there is no pending or contemplated proceeding for the merger, consolidation, sale of assets or business or dissolution of the Cooperative; (v) none of the following resolutions has been rescinded or modified as of this date; and (vi) the persons authorized below have been duly elected or appointed to their respective positions:

RESOLVED, that the Cooperative apply to establish a line of credit and authorize borrowing from National Rural Utilities Cooperative Finance Corporation ("CFC") in an amount which shall not at any one time exceed \$4,200,000.00 (the "Line of Credit Amount"), subject to the provisions of a Line of Credit Agreement, in such form as the persons authorized herein may negotiate with CFC (the "Line of Credit Agreement"); and,

RESOLVED, that if such application is approved by CFC the individuals listed below are hereby authorized to negotiate, to execute and to deliver to CFC the Line of Credit Agreement with CFC.

RESOLVED, that each of the following individuals is hereby authorized in the name and on behalf of the Cooperative to negotiate, to execute and to deliver all such other documents and instruments as may be necessary or appropriate, to make all payments, to execute any future amendments to said Line of Credit Agreement as such individual may deem appropriate within the Line of Credit Amount so authorized, and to do all such other acts as in the opinion of such authorized individual acting may be necessary or appropriate in order to carry out the purposes and intent of the foregoing resolutions:

<u>Office or Title</u>	<u>Name (typed or printed)</u>
<u>President & CEO</u>	<u>Carol Hall Fraley</u>
<u>Chairman</u>	<u>Roger Trent</u>
_____	_____

IN WITNESS WHEREOF I have hereunto set my hand and affixed the seal of the Cooperative this 27th day of June, 2014.


Secretary

(SEAL)

CFC INCUMB
KY061-R-5109(SIGMUNK)
190575-1

CFC RESOLUTION
(CONTINUED)

President Fraley read the above resolution and Director Rice made a motion to accept the resolution as read, seconded by Director Dupuy and unanimously agreed upon.

APPROVAL OF FINANCIAL
& STATISTICAL REPORT
FOR APRIL 2014

Motion was made by Director Martin, seconded by Director Whitt and unanimously agreed to approve the Financial and Statistical report for April 2014, as presented, for informational purposes only.

OPERATIONS REPORT

Kyle Clevenger, Manager of Operations, gave the Operations Report, along with Mike Martin, Assistant Manager of Operations. Mr. Clevenger reported on the following:

EMPLOYEE/LOST TIME
ACCIDENT

There were no lost time accidents to report this month.

SAFETY REPORT

The following safety meetings were held during May:

May 06 —Andrea McCleese, Technical Services Supervisor, read from the Safety Manual: Section 207.1 Fire Protection & Emergency Plans. Section 207.2 Fire Extinguishers. Kim Bush discussed the Annual Meeting work list. Kyle handed out a V Watch to the guys. Carol Ann talked about idle services and accounts with zero readings.

May 12 —Brian Poling, Manager of Technical Services, turned the meeting over to David White for the KAEC monthly safety meeting. Carol Fraley discussed the Annual Meeting and GRECC's new director, Jim Bentley. Mike Martin read an article written by Jim Vaught, "Bighorn Sheep vs Lineworkers; What's the Difference?" We had the monthly safety giveaway. Kyle talked about the visit from Doug Shidler from Federated Insurance and reminded everyone to be careful about slips, trips and falls.

May 19 —Priscilla Sparks, Executive Assistant, turned the meeting over to Robert Brown who presented a slide show on Heat Stress, what you can do to prevent this, and simple ways to monitor the heat. Carol Ann reminded everyone to watch for snakes and ticks. Kyle discussed what to do in a mayday situation and a practice mayday was acted out later on that morning.

May 27 —Sherry Buckler, General Accounting Supervisor, turned the meeting over to Carol Fraley, who discussed the meter reading program and what needed to be done while taking these readings. She reminded everyone to look for idle services, service classifications, safety violations, and night lights and to turn information in to her daily. Steven Burton was awarded a certificate of completion of Basic Skills Workshop.

Kyle continues to mention the necessity and importance of hard hats, rubber gloves and the importance of using ground chains. A line is not dead until it is grounded.

CONSTRUCTION

Construction built one hundred seven (107) new work orders for the month of May and worked zero (0) hours of overtime.

OVERTIME HOURS

Maintenance Department worked three hundred seven (307) hours of overtime during the month of May.

DELINQUENT NOTICES

The Maintenance & Construction Departments collected on one hundred eighty-eight (188) delinquent accounts and disconnected twenty-nine (29) accounts in June.

CONTRACT CREWS

We have two Pike crews have been working in the following areas:

- ◆ Tony Seagraves – Jordan Fork, Carter County Brushy, Greenup County and New Construction
- ◆ Jody Smallwood – Maintenance and New Construction as of 5-19-14

RIGHT-OF-WAY CREWS

We have ten (10) W A Kendall right-of-way crews working on random jobs and work orders at this time. Crews trimmed 688 trees, cut 1,048 trees, cut 36,488 feet of brush/line and sprayed 156 spans of line. The crews are working in the following areas:

- 1 bucket truck crew in Rowan County
- 1 bucket truck crew in Lawrence and Elliott Counties
- 1 bucket truck crew in Carter, Lewis and Greenup Counties
- 2 cutting crews in Elliott and Lawrence Counties
- 1 cutting crew in Rowan County
- 1 cutting crew in Carter, Lewis and Greenup Counties
- 1 tractor crew in Elliott County
- 1 circuit crew in Carter County
- 1 dormant spray crew in Lawrence County

ENGINEERING REPORT

The Engineering Department released one hundred sixty (160) prints consisting of 1,640 feet of primary line and 3,200 feet of service wire. We currently have four (4) new service to be staked and two (2) to be drawn. We have approximately sixteen (16) miscellaneous jobs to be staked or drawn.

Seven right of way bid packages were mailed out and we have received three back. One declined because they are too small. President Fraley expects to receive at least three good bid packages.

Plans are to mail construction work plan bid packages soon. They need to back in the office in September.

METER READING PROGRAMS

There was 765 meters read on the Leon Substation on May 23-24, 2014. Approximately 20 letters were mailed out for violations found including six meters inside the homes. All notes were entered on the system and several NESC violation letters mailed. In addition, a number of classification changes were made, such as from camper to mobile home, etc.

The Carter City Substation was read on June 23-24, 2014, with 1,009 meters checked. One hundred two service orders were opened compared to an average of forty-two. President Fraley mailed over 75 NESC violation letters.

Steve Bush and Roger Kitchen will concentrate on larger services whose readings are not consistent. A total of 600 meters have been checked from the Exception Report and corrected.

Mikaela Buckler entered all the meter readings and Caitlin Hutchinson did all the meter comparisons.

METER READING
PROGRAMS
(CONTINUED)

President Fraley mailed Billy Dixon a form requesting permission to attend a Board meeting. Mr. Dixon has service to an old house with no sewer or water. We changed his account to general service, an increase of approximately \$7 per month. He has not replied to date.

Call-Em-All is being used to notify members when there is a planned outage. It works well if the Cooperative has the member's correct phone number on file.

President Fraley said the pictures of the three con artists who were trying to get into our member's home pretending to be the electric company employees was in the paper last week.

The next substation to be read is Pelfrey in July.

APPROVAL OF NEW
MEMBERSHIPS &
RETIREMENT OF
EXISTING MEMBERSHIPS

Motion was made by Director Rice, seconded by Director Martin and unanimously agreed to approve one hundred twenty-five (125) new memberships and retirement of one hundred (100) existing memberships for May 2014.

BAD DEBT WRITE-OFFS

Motion was made by Director Martin, seconded by Director Dupuy and unanimously agreed to charge off \$17,022.65, worth of bad debts and turn them over for collection.

APPROVAL OF CEO'S,
DIRECTOR'S & ATTORNEY
BUSINESS EXPENSES

Motion was made by Director Whitt, seconded by Director Bentley and unanimously agreed to approve the President's business expense of \$274.79, Director's business expenses of \$6,459.96 and Attorney's business expense of \$3,160.71.

PRESIDENT'S REPORT

President Fraley reported on the following:

VANCEBURG FACTORY

The factory in Vanceburg is clearly in our territory. Legal Counsel Scott will need to notify them of such.

VALLEY VIEW SUBSTATION

There are fifteen houses in the Valley View Subdivision within our territory being served by AEP.

BOARD POLICIES

Directors were asked to review the following Board Policies that are to be reaffirmed or revised:

- 101 Policy Formulation and Approval – to be reaffirmed
- 102 Functions of the Board of Director – to be revised
- 103 Qualifications for Directorship – to be revised
- 104 Delegation of Authority From the Board of Directors to the President and CEO – to be revised
- 105 Board of Directors – President and CEO Interrelationship-to be reaffirmed
- 106 Committees of the Board of Directors – to be reaffirmed
- 107 Statement of the Functions of the Negotiating Committee – to be revised
- 108 Statement of Functions of the Planning and Review Committee – to be revised
- 109 Anti-Nepotism – to be reaffirmed

Cooperative Bylaws, Article IV, Section 4 – to be revised

NRECA 2014 REGIONAL The NRECA Voting Delegate for the 2014 Regional Meeting is Harold Dupuy and the Alternate Delegate is Roger Trent. The Regions 2 & 3 Meeting will be held in Jacksonville, Florida, September 23-25, 2014.

PSC STORM LETTER President Fraley wrote a letter to Steve Kingsolver with the Public Service Commission informing of the approximate cost of the June 10, 2014 storm damages in the amount of \$86,302. A second letter will be mailed at a later date informing of the actual storm damage cost.

WAGE & SALARY REVIEW We are in the middle in comparison of wages for the lineman and our wages and salary review, according to the KAEC Wage and Salary Survey.

KY LIVING INSERT President Fraley told the Board her July Straight Talk From the CEO was “What is a TS2 Meter” and the August article would be “Member Responsibility – What Does a Member Do?”

LEGAL COUNSEL’S REPORT Legal Counsel Scott reported on the following:

May 19, 2014 filed motion for summary judgment in the Charleston Bottoms case, saying that the dissolution was improper and that we were a member.

EKPC filed a memorandum on the May19 and we filed one as well. They sent one proposed judgment and we sent two.

Prepared and sent to Greg Shepler documents concerning purchase of power under Amendment 3. We believe we have the right to purchase 9.3 MWs.

Filed an Appeal with the Franklin Circuit Court on the AEP/Sand Gap case. We have 60 days to respond. The GRECC Engineering Department checked on Valley View and there are approximately 15 buildings in our service territory that AEP is serving.

Legal Counsel Scott reviewed documents resulting from the Smart Grid collaborative conference/meeting that involved all electric utilities in Kentucky. One of those documents was a joint report to be submitted to the PSC and the attorney general. Isaac Scott of EKPC wanted it by noon this past Monday, but since Mr. Scott had no prior knowledge of the meeting or the document and didn’t feel comfortable about signing off on it until he had a chance to discuss it with our Board.

Smart Grid is a policy of different topics; data from meters; question whether consumer can opt out; consumer education; time of use rate and different rates available and possibly making those mandatory. Cyber security and cost recovery is a large issue, including with national gas companies, etc. This is all about efficiency and cost effectiveness of the electric grid.

Mr. Scott reported that attorney general did not like part of the proposal. Don said this has been in the making five and half years. It is generally hard for the average member to understand.

Motion was made by Director Arrington and seconded by Director Dupuy to accept the Smart Grid as explained, and sign and submit it. Motion carried unanimously.

LEGAL COUNSEL'S REPORT
(CONTINUED)

We had a meeting scheduled with the PSC on January 9th that they canceled. The Commission has never called to re-set the meeting.

Legal Counsel Scott prepared the Response on Grayson's last answers to the environmental surcharge and mailed it out.

KAEC DIRECTOR'S REPORT

Director Whitt reported the KAEC Board of Directors met June 17, 2014.

Sales continue to be a struggle. Dennis Cannon is trying to find ways to save money. The only thing growing is the sale of LED lighting with over \$6,500 in sales last month.

Joe B. Hall will be the Distinguished Rural Kentuckian.

Dan Yates services will no longer be contracted, as of June 30, 2014. Burns Mercer is now Chairman of the Operations Committee. A special Board Meeting has been called so that the Operations Committee can introduce their choice of candidates for the position of President of KAEC. The Board can then agree or disagree.

President Fraley and Kyle Clevenger discussed the LED lights and 2 trailers that will be put up for sale. Directors Martin and Whitt will pay \$500 each for the trailers.

President Fraley and Kyle Clevenger talked about the new CDL rules and requirements. People on insulin will automatically be denied. Other issues include sleep apnea, neck size, and any medicine that is deemed to be "narcotic" even with a prescription.

EKPC DIRECTOR'S REPORT

Director Arrington gave the EKPC Board Report:

Paul Hawkins was re-elected Chairman. Wade May was in the hospital undergoing surgery, but his Board sent a letter that he was their representative to the EKPC Board and Mr. May sent a letter that he was willing to serve and to take an office.

Committee assignments have been changed. Director Arrington will serve on the SI Committee. After the Board Meeting, the Board Officers selected the Chairmen of all committees. Vice Chairmen and Secretary will be elected by each respective Committee.

The new EPA Standards are out. We are still trying to see how they will affect EKPC and the Member Systems.

Margins year to date are \$43.4 million. The budgeted amount was \$28 million as of the end of April.

THANK YOU LETTERS

GRECC received a thank you note from Tyler Ballard – scholarship winner, Greenup County; Mary Jane Suttles –Kids Against Hunger; Greenup County 4H & FFA Livestock Show and Sale; Carter County Library Summer Reading Program; and Scholarship applicant Robin McBryer.

DONATION REQUEST President Fraley presented to the board for their consideration the following donation requests:

Lewis Co. Educational Foundation – Back to School Fair	\$100
Elliott Co. Family Resource & Youth Service Center – Annual Back to School Redi-Fest	\$100
Garrison Fire Department – 4 th July Fireworks	\$50
Elliott County Archery Teams – world competition	\$200
East Carter Tennis Boosters – donation	\$50

Motion was made by Director Dupuy, seconded by Director Whitt and unanimously agreed to approve the donations as presented.

MEETING ATTENDANCE The Regions 2 & 3 Meeting is scheduled to be in Jacksonville, Florida on September 23-25, 2014. Directors Trent, Dupuy, Rice, Bentley, Whitt and Arrington will attend.
Kyle Clevenger, Carol Fraley, Mark Hutchinson and Nancy Madden will attend the Federated Safety Training in Lexington, August 18-21, 2014.

EKPC will not have a July Board Meeting and instead will be holding training classes.

ADDITIONAL BUSINESS Director Dupuy told the Board that the ACES Meeting was a watch dog type of meeting and very informative. They only buy and sell electric. By the year 2020 coal furnaces could be abandoned.

President Fraley will be utilizing an employee loan.

BOARD MEETING DATE The next board meeting will be held on Wednesday, July 23, 2014.

ADJOURN Chairman Trent adjourned the meeting at 11:53 a.m.

Roger L. Trent, Chairman

Billy E. (Eddie) Martin, Secretary/Treasurer

W. Jeffrey Scott, Legal Counsel

Grayson Rural Electric Cooperative Corporation

109 Bagby Park • Grayson, KY 41143-1292
Telephone 606-474-5136 • 1-800-562-3532 • Fax 606-474-5862

Resolution of Appreciation

WHEREAS, Donnie Crum has served with distinction as a director of Grayson Rural Electric Cooperative Corporation from May 18, 2000, through May 8, 2014, and as Vice-Chairman from June 22, 2007 to May 8, 2014, and

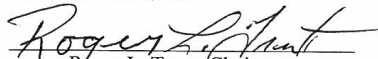
WHEREAS, through his untiring efforts and personal sacrifice, Donnie Crum advanced the cause of rural electrification and helped bring a better standard of living to his friends, neighbors and the entire service area of Grayson Rural Electric Cooperative Corporation, and

WHEREAS, the Board of Directors has unanimously voted to honor his years of service and thank Donnie Crum for his time and effort in such service,

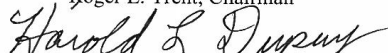
NOW, THEREFORE, BE IT resolved that the Board of Directors, Chief Executive Officer, and employees of Grayson Rural Electric Cooperative Corporation, in recognition of these achievements and contributions by Donnie Crum, do hereby adopt this resolution of appreciation and thanks; and

BE IT FUTHER RESOLVED that a copy of this resolution be spread upon the official minutes of the Cooperative and be presented to Donnie Crum.

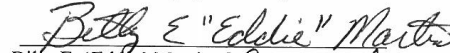
WITNESS OUR HANDS, this 27th June, 2014.



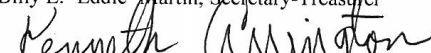
Roger L. Trent, Chairman




Harold L. Dupuy, Vice-Chairman



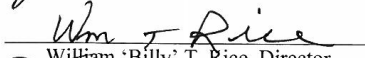
Billy E. 'Eddie' Martin, Secretary-Treasurer



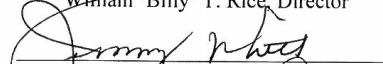
Kenneth Arrington, Director



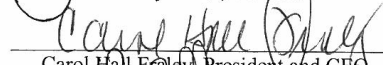
Jim Bentley, Director



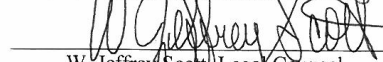
William 'Billy' T. Rice, Director



Jimmy Whitt, Director



Carol Hall Fraley, President and CEO



W. Jeffrey Scott, Legal Counsel

On July 23, 2014 at 9:05 a.m. Grayson Rural Electric Cooperative Corporation held a regular board meeting at its office in Grayson, Kentucky called by the Chairman, for the transaction of such business as outlined in the letter of call. Chairman Trent called the meeting to order pursuant to the Waiver of Notice signed by the Directors and all were present. Others present included: Carol Hall Fraley, President and CEO; W. Jeffrey Scott, Legal Counsel; and Priscilla Sparks, Executive Assistant.

- INVOCATION Director Dupuy they gave the invocation.
- APPROVAL OF MINUTES Motion was made by Director Martin, seconded by Director Bentley and unanimously agreed to approve the minutes from the June board Meeting for informational purposes only.
- MANAGER OF TECHNICAL SERVICES Brian Poling, Manger of Technical Services reported on the following:
- SUBSTATION COORDINATION Brian had mentioned some time ago that we were experiencing problems with substation coordination and the high side fuses had blown on 2 or 3 substations. That was corrected but our system was affected in 2 or 3 other places. It has taken this long to complete, but the coordination study for the power system is finished. The completed data based on timing allows modification to be entered and used in the new construction work plan for next year.
- 2015-2018 WORK PLAN We are completing analysis on the new work plan. We plan to meet with Mike Norman, NRECA Field Representative, around the first of September to review the proposed work plan and get his approval. Carol Ann, Brian, Kyle, Mike and the maintenance men will go over the final proposal.
- At the October 20th Board Meeting Mr. Poling will present the final work plan document and, upon Board approval, the bid packets will be mailed by October 27th. The due date for bids will be November 15th. After reviewing and analyzing all bids, President Fraley and Staff will present their analysis to the Board at the November 24th Board Meeting. At that time, the Board will review all bids and take appropriate action
- President Fraley wanted to disclose to the Board and Legal Counsel that Kyle Clevenger's sons and Mike Martin's son, are all employed by Pike Electric. Pike Electric will most likely bid on the upcoming contract and the employment of these three men will not be a factor in the selection process.
- SUBSTATION READINGS President Fraley informed the Board that we are reading every substation and checking for any discrepancies such as safety violations, reclassifications, right of way, night lights, and malfunctioning meters. To date we have read Leon and Carter City. On the Leon Substation, we read 765 meters and went back to read 35 missed meters. 106 service orders were created, 20 services were retired, and 30 accounts were reclassified.
- On the Carter City Substation, 1,009 meters were read and we went back on 100 meters missed. 83 Service orders were created, 44 services were retired (21 in Carter County and 23 in Greenup County), and 31 accounts were reclassified.
- We also mailed notices of violations to over 100 members on these two stations and asked Legal Counsel Scott to contact six members who have not responded to our notification of violations.

PSC BIENNIAL
INSPECTION

Jeff Moore of the Kentucky PSC is presently at GRECC in the Metering department for our Biannual Inspection.

Legal Counsel Scott asked if GRECC still reads all employees and directors meters and President Fraley said we do read these meters twice a year.

MILSOFT UPDATE

Brian said a Milsoft Update is going to be installed soon. The new version is an automatic daily update instead of weekly, as we do with the current software. Currently if a service order is opened on a meter, the member rep that opens the service order will be required to close it, initial and date it, and state what action was taken or what correction was made.

President Fraley asked Legal Counsel Scott what we should do about residences that members have moved in to without a final inspection. He said we should insist on a final inspection.

OFFICE & MEMBER
SERVICES REPORT

Don Combs, Manager of Finance and Accounting, presented the Financial & Statistical Report for May 2014. Mr. Combs reported on the following:

FINANCIAL & STATISTICAL
REPORT FOR MAY 2014

Kilowatt hour sales for the month of May (5/20-6/20) were .61 % under budget. Purchases for the time period of 5/1-31/14 were .51% under budget. Line Loss for the last twelve months was 5.36%. Year to date margins are a (\$151,064) compared to the budgeted amount of \$130,085.

Don went over the Combs report in detail. Maintenance expense was higher due to right of way. Our sales and purchases for the year was \$4,000 less than anticipated. Operating tier rolling 12 months margins are increasing; 3.38 TIER level (good shape). February maintenance expense was \$400,000 higher due to the February storm. 2.57 to 2.17 tier drop. Director Dupuy asked what TIER should be and Mr. Combs stated two. 1.5 million dollars would have been our margins if it had not been for the February storm.

SOLAR PROJECT

We have partnered with MACED on a Solar Project and it is almost completed. MACED is interested in having an open house to promote this project. The open house will be August 22 following the regular Board Meeting at 1:00 p.m.

EKPC – ETS UNITS

EKPC is dropping their ETS program. They feel it does not fit with PJM. Our winter load is not as valuable as it used to be due to PJM.

ENVIRONMENTAL
SURCHARGE

The Environmental Surcharge was exceptionally high in January and EKPC is determined to recoup the cost from our members. They have approached the Public Service Commission to allow them to add it to all bills, over a twelve month period, through an increase in the fuel charge. Legal Counsel Scott asked Mr. Combs about the calculation of this surcharge. Some Cooperatives believe this will affect their TIER but it has not affected us like that.

President Fraley said even though EKPC had high fuel bills in January, margins and equity were also high. We plan to intervene in any action filed with the Commission concerning this issue.

WAGE & SALARY
STRUCTURE

We are working on the next phase of the 7 year Wage & Salary Structure.

POLE ATTACHMENTS Several Coops have been contacted regarding pole attachment rates. It is time for our contracts to be re-negotiated.

INSURANCE Insurance for retired employees 65 and over will be changing. NRECA will no longer carry this type of coverage but will be helping the Cooperatives to set up new programs. HUMANA is offering another type of plan that is similar. We have 28 or 30 that falls in this age bracket.

AMENDMENT 3 The latest on Amendment 3 is a proposal sent by Greg Shepler from Morgan Stanley Capital Project. At this point, the current prices would save us \$400,000 over the next 3 years. Don will talk to Alan Zumstein about how we can pass the savings through to our consumers

Legal Counsel Scott said we cannot proceed with the PSC until we have something to proceed with. He will craft something for the August Board Meeting after talking with Mr. Shepler.

MAY T.I.E.R. The operating T.I.E.R. for May was 2.38.

APPROVAL OF FINANCIAL & STATISTICAL REPORT FOR MAY 2014 Motion was made by Director Dupuy, seconded by Director Bentley and unanimously agreed to approve the Financial and Statistical report for May 2014 as presented, for informational purposes only.

MANAGER OF MARKETING & MEMBER SERVICES Kim Bush, Manager of Marketing and Member Services, gave her report.

ENERGY AUDITS Tina completed 6 energy audits; 4 How\$martKY audits; 1 commercial audit; 1 load research meter; 1 Button-Up; 1 heat pump incentive; had infrared tests performed on Smithfield, per consumer request; and scheduled infrared inspections on large power accounts. Two days of inspections are complete; large power audits for the Sandy Hook sewer plant and prison plant are scheduled, and we are waiting on the results of a recording meter for sewer lift station at Laurel Gorge.

We participated in two Career Days toward the end of the school year at East Carter High (400 students) on May 1 and Prichard Elementary (370 students) on May 27.

We helped sponsor the Shriners Olive Hill Horse Show on June 13th with 20 kids and 500 in attendances.

HONOR'S FLIGHT The Honor Flight will be October 2nd and GRECC is sending Jack Nuchols, a Marine in World War II. Kim and her husband, Brian, will be guardians.

ANNOUNCEMENTS The OLBH Mammography Unit will be at GRECC on August 18th from 9:00 a.m. until 11:00 a.m.
Greenup County Fair Kids in the Race will be August 29th.
Carter County Fair had 20 kids in the Kids in the Race.
We are planning a Company picnic.
We are hosting safety training for fire departments and first responders on October 6. KAEC will participate.
Kim reminded Directors that there will be no election in the 2015 annual meeting.

OPERATIONS REPORT	Kyle Clevenger, Manager of Operations gave the Operations Report. He reported on the following:
EMPLOYEE/LOST TIME ACCIDENT	There were no lost time accidents to report this month.
SAFETY REPORT	<p>The following safety meetings were held during June:</p> <p>June 05—Kim Bush, Mgr. of Marketing & Member Services, turned the meeting over to Carol Fraley. Updates on the meter reading program and how to charge time was discussed. Mr. Layman was at the Coop checking fire extinguishers.</p> <p>June 09 —Bradley Cherry, Purchasing Agent, discussed “Risk—What to Expect / How to Manage” followed by discussing the recent inventory. Monthly safety give-away was handed out.</p> <p>June 16—Kyle Clevenger, Manager of Operations, discussed two accidents involving Bryan Rogers and Mike Blevins that the Safety Committee had reviewed. Nancy discussed CDL certifications. Carol Ann discussed the Leon Substation meter reading program, right-of-way bids and concerns over near misses.</p> <p>June 26—Don Combs, Mgr. of Finance & Accounting, turned the meeting over to Kendall Bush, KAEC’s monthly safety meeting. Kendall talked about fall arrest safety, other safety rules and how attitude can make a difference in the work place and in life.</p> <p>June 30—Carol Ann Fraley, Manager and CEO, discussed service order and mailing out letters due to issues found on the meter reading program. Nancy Madden announced dates for CPR & First Aid classes and about the new requirements for CDL physicals.</p> <p>Kyle continues to mention the necessity and importance of hard hats, rubber gloves and using ground chains. A line is not dead until it is grounded.</p>
CONSTRUCTION	Construction built one hundred two (102) new work orders for the month of June and worked zero (0) hours of overtime.
OVERTIME HOURS	The Maintenance Department worked nine hundred seventy-nine (979) hours of overtime in June. Engineering Department worked twenty-two (22) overtime hours in June.
DELINQUENT NOTICES	The Maintenance & Construction Departments collected on one hundred sixty-two (162) delinquent accounts and disconnected forty-six (46) accounts in July.
CONTRACT CREWS	<p>The two Pike crews have been working in the following areas:</p> <p>Tony Seagraves – Brushy, Greenup County and New Construction Jody Smallwood – Maintenance and New Construction</p>

RIGHT-OF-WAY CREWS

We have ten (10) W A Kendall right-of-way crews working on random jobs and work orders at this time. Crew's trimmed 322 trees, cut 1,120 trees, and cut 23,255 feet of brush/line and sprayed 281 spans of line. The crews are working in the following areas:

- 1 tractor crew in Elliott County
- 1 bucket truck crews in Lawrence and Elliott Counties
- 1 bucket truck crew in Rowan County
- 1 bucket truck crew in Carter, Lewis and Greenup Counties
- 1 cutting crews in Rowan County
- 1 cutting crew in Elliott and Lawrence Counties
- 1 cutting crew in Carter, Lewis and Greenup Counties
- 3 spraying crews in Lawrence County
- 1 circuit crew in Carter County

ENGINEERING REPORT

The Engineering Department released one hundred twenty-seven (127) prints consisting of 1,890 feet of primary line and 2,515 feet of service wire. We currently have four (4) new services to be staked and three (3) to be drawn. There are one hundred ten (110) miscellaneous jobs to be staked or drawn.

APPROVAL OF NEW MEMBERSHIPS & RETIREMENT OF EXISTING MEMBERSHIPS

Motion was made by Director Rice, seconded by Director Whitt and unanimously agreed to approve one hundred twenty-seven (127) new memberships and retirement of one hundred eighteen (118) existing memberships for June 2014.

BAD DEBT WRITE-OFFS

Motion was made by Director Rice, seconded by Director Bentley and unanimously agreed to charge off \$30,675.59 worth of bad debts and turn them over for collection.

APPROVAL OF CEO'S, DIRECTOR'S & ATTORNEY'S BUSINESS EXPENSES

Motion was made by Director Whitt, seconded by Director Bentley and unanimously agreed to approve the President's business expense of (\$197.61), Director's business expenses of \$7,749.80 and Attorney's business expense of \$705.75.

PRESIDENT'S REPORT

President Fraley reported on the following:

PSC LETTER

A letter will be mailed to Steve Kingsolver with the Public Service Commission with the final cost of storm damage.

BANK PAYMENTS

We are looking at stopping payments at local banks. \$193,000 in payments was taken at the banks last month. We would like to phase in automatic checking account or credit card debits, Pre Pay and other forms of automatic payments. With the Board's approval, we hope to have this accomplished by March 2015.

Some of the other payment methods we received were:
Credit cards and e-check \$747,000
Lockbox \$45,000
Mail \$1,370,000

No opposition was expressed.

President Fraley told the Board she plans to exercise Administrative Guidelines to help with Andrea Mc Cleese's mother's funeral expenses.

SURE / ACRE	Contribution of \$100 toward the SURE / ACRE are due in August for those who choose to participate.
FEDERATED RURAL ELECTRIC INSURANCE	GRECC received from Federated Rural Electric Insurance a check for \$788. A recent audit found an error in the increased limits factor used in the rating of GRECC's 2013 Worker's Compensation policy.
COOPERATIVE FINANCE CORPORATION	GRECC's loan with CFC matured and it has dropped our rate to .1100%.
BILLY DIXON	<p>Billy Dixon would like to attend the next Board Meeting to discuss his service classification and a way for the Cooperative to save money and a rate change. The Board agreed to have Mr. Dixon express his concerns at the August Board Meeting,</p> <p>Clean up letters mailed to oil well members and several responses have been received.</p>
LINEMAN'S RODEO	The KY Lineman Rodeo is July 24-25 on the Inter-County Energy grounds.
LEGAL COUNSEL'S REPORT LEGAL CASES	<p>Legal Counsel Scott reported on the following:</p> <p>He is working on three cases and has assisted in sending out information on surcharges.</p> <p>He has filed Pass thru case and is waiting to hear from the judge on the Charleston Bottom case, and a motion for summary judgment was filed.</p> <p>Several collection letters were mailed out.</p>
BOARD POLICIES TO BE REAFFIRMED OR REVISED	President Fraley presented to the Board of Directors for their consideration to reaffirm Board Policies 101, 105, 106 and 109; and for their consideration to revise Board Policies 102, 103, 104 107 and 108; and GRECC Bylaws Article 4.

REAFFIRMED BOARD POLICIES:

GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION

BOARD POLICY NO. 101

SUBJECT: POLICY FORMULATION AND APPROVAL

I. OBJECTIVE

To establish the basis for the formulation and distribution of Board policies to effectively achieve the objectives, goals, plans, and programs of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION and to provide for the periodic review of such policies.

II. POLICY

- A. The President and CEO, in consultation with his/her staff or the full board as appropriate shall develop policy recommendations to be presented to the Board.
- B. The Board of Directors shall consider the recommendations and adopt the policies necessary to ensure the effective operation of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION.

BOARD POLICIES TO BE
REAFFIRMED OR REVISED (CONTINUED)

- C. Individual Directors can propose areas where policies are needed, but such policies shall be formulated and considered as described in (A) and (B) above.
- D. Each policy should be reviewed at least bi-annually by the President and CEO and he/she should recommend to the appropriate Committee or the full Board any revisions or changes to meet current operating conditions.
- E. The President and CEO shall be accountable to the Board of Directors for carrying out these policies and ensuring that all pertinent policies are explained to the employees, making every reasonable effort to see that they are understood, accepted, and complied with.
- F. The employees, as appropriate through the President and CEO, will be given the opportunity to make suggestions for and to contribute to the formulation of new policies or modification of existing policies.

III. APPLICABILITY

- A. In the event there is conflict between any policy and the law, or the Bylaws, or the Articles of Incorporation, or the rules and regulations of a lending or regulatory agency, the applicable law, or the Bylaws, or the Articles of Incorporation, or such rules and regulations will prevail over the policy.

IV. RESPONSIBILITY

- A. The Chairman shall make every reasonable effort to ensure that this policy is adhered to.
- B. The President and CEO will provide each director with a manual containing the Articles of Incorporation, the Bylaws, Board Policies, and any revisions to the Bylaws and Board Policies.

GRECC BOARD POLICY 101

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- C. The President and CEO, in consultation with the General Counsel, shall ensure that all proposed policies or revisions to existing policies meet the requirements of the Rural Utilities Service (RUS), bond trustees, other lending, regulatory, and administrative agencies, as well as all state and federal legal requirements.

Roger L. Trent, Chairman

Billy E. "Eddie" Martin, Secretary/Treasurer

Board Approved: 02/21/86
Minute Book Page: 1554-1555
Board Revised: 01/27/95
Minute Book Page: 2527 - 2529
Date Reaffirmed: 10/25/96
Minute Book Page: 2767-2768
Date Revised: 05/26/04
Minute Book Page: 3612
Date Revised: 04/19/10
Minute Book Page: 4313
Date Reaffirmed: 07/23/14
Minute Book Page: _____

BOARD POLICIES TO BE
REAFFIRMED OR REVISED (CONTINUED)

GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION

BOARD POLICY NO. 105

SUBJECT: BOARD OF DIRECTORS - PRESIDENT & CEO INTERRELATIONSHIP

I. OBJECTIVE

To establish the policy governing the basic relationship between the Board of Directors and the President and CEO, including the principles involving the delegation of authority.

II. POLICY

Be it resolved that the Board of Directors of the GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION establishes and maintains the following guidelines in their relationship with the President and CEO.

- A. It is recognized that good management is the most important factor to the success of the COOPERATIVE CORPORATION. In exercising such management, the Board of Directors reserves its responsibility to establish policy, approve plans and programs, and delegate authority to its President and CEO, except those that are by law, the Articles of Incorporation and Bylaws of the COOPERATIVE CORPORATION conferred upon or reserved to its members.
- B. The Board of Directors recognizes its responsibility and its need to establish policies, approve plans and programs, and delegate authority to the President and CEO to execute and carry out its plans, programs and policies. The President and CEO, shall, among other things, have authority to hire capable personnel within the approved wage and salary plan and policy and the established schedules, train and supervise, and when necessary, replace them.
- C. All policies of the Board of Directors shall be promulgated at regular and special meetings, acting collectively as a Board, and said policies shall be given to the President and CEO by the Chairman. It further recognizes that, should any Director undertake in private conversation with others to make commitments for the Board of Directors, the Director becomes involved in a serious breach of policy which might disrupt the entire organization. THEREFORE, THE BOARD OF DIRECTORS SHALL ADHERE TO THE TIME-HONORED CUSTOM THAT ITS CHAIRMAN OF THE BOARD, OR, IN HIS/HER ABSENCE, THE VICE CHAIRMAN SHALL BE THE SPOKESMAN FOR THE BOARD EXCEPT IN CASES PREVIOUSLY AUTHORIZED BY THE BOARD.
- D. It shall be the policy of the Board of Directors to refrain as individuals from discussing management problems with the personnel of the Membership Corporation, except in cases where the Board of Directors may deem it necessary to confer with personnel at regular or special meetings of the Board.
- E. It shall be distinctly understood that the 'flow' of authority for the management of the Membership Corporation shall pass through the President and CEO, and the President and CEO shall be the connecting link between the Board of Directors and the employed personnel. The Board of Directors shall require full and complete information from the President and CEO concerning all matters in connection with the management of the Membership Corporation as set forth in Board Policies.

BOARD POLICIES TO BE
REAFFIRMED OR REVISED (CONTINUED)

- F. Primarily, the purpose of this policy is to define the relationship that shall exist between the Board of Directors, who are the elected representatives of the Membership Corporation Members, and the President and CEO, who is employed by the Board of Directors. The Board of Directors recognizes that efficient management of the Membership Corporation can exist only through mutual understanding and complete

GRECC BOARD POLICY 105
PAGE 2

cooperation between the Board of Directors and the President and CEO. The President and CEO is expected to produce results and give an account to the Board of Directors for his/her stewardship. His/her performance cannot be of the best unless he/she is given latitude to exercise independent judgment in executing policies of the Board of Directors. The Board of Directors acknowledges that obligation and gives the President and CEO that latitude of judgment and discretion, and expects faithful performance, in carrying out all of the policies of the Board of Directors.

- G. The Board of Directors recognizes its responsibility for the employment of a President and CEO, and further recognizes the additional responsibility for a systematic appraisal of the President and CEO's performance or responsibilities in order that growth, development, and effective improvements are encouraged. The Board may, at its discretion, enter into a contract for the services of a President and CEO.

III. RESPONSIBILITY

- A. The Chairman of the Board of Directors shall be responsible for inviting the attention of Board Members to non-adherence to this policy.
- B. The Board of Director's Legal Counsel will be responsible for the systematic appraisal of the performance of the President and CEO and the submission of that report to the full Board and the President and CEO.
- C. The Board of Directors will be guided by the results of the most recent performance appraisal report and any changes in performance prior to approving the President and CEO's salary adjustment within the approved wage and salary plan and the corresponding schedule of rates.
- D. The Chairman shall be responsible for seeing that the performance of the President and CEO is appraised each year and the results discussed with the President and CEO.

Roger L. Trent, Chairman

Billy E. "Eddie" Martin, Secretary/Treasurer

Date Adopted: 03/26/65
Date Revised: 02/21/86
Minute Book Page: 1554-1555
Date Revised: 03/24/95
Minute Book Page: 2562-2564
Date Reaffirmed: 10/25/96
Minute Book Page: 2781 - 2783
Date Revised: 05/26/04
Minute Book Page: 3612
Date Reaffirmed: 01/21/11
Minute Book Page: 4396

BOARD POLICES TO BE
REAFFIRMED OR REVISED (CONTINUED)

Date Reaffirmed: 07/23/14
Minute Book Page: _____

GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION

BOARD POLICY NO. 106

SUBJECT: COMMITTEES OF THE BOARD OF DIRECTORS

I. OBJECTIVE

To provide for the establishment of committees and to ensure that their functions are clearly defined and reviewed periodically.

II. CONTENT

- A. The Board of Directors may establish or abolish such standing or special committees, as it deems desirable.
- B. Each committee shall have such powers and duties as may be delegated to it by the Board of Directors. Functions of the committees shall be defined in a written Statement of Functions that shall be reviewed annually by the Planning and Review Committee to determine if revisions are needed or if the committee is still required, and any appropriate recommendation shall be made to the Board.
- C. The President and CEO, or his/her designee, shall attend each committee meeting to provide staff advice and assistance.

III. RESPONSIBILITY

- A. It shall be the responsibility of the Board of Directors to establish or abolish committees, approve changes in committee functions and receive and act upon their reports or recommendations.
- B. The Chairman and the President and CEO, shall appoint the members of committees, taking into consideration the preference of the Directors and their experience and expertise. Except for the special or Ad Hoc Committees, every effort will be made so that no Director may serve on more than one Board Committee.
- C. The Chairman of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION is an ex officio member of all Board Committees, but only votes on the committee to which he may be appointed.
- D. The Chairman of such committees shall be appointed by the Chairman of the Board. The Vice Chairman shall be elected by the Committee members.
- E. Board Committees shall only meet as needed. The President and CEO, in consultation with the committee chairman, or the committee chairman, in consultation with the President and CEO, may convene a meeting of the committee. Dates of all committee meetings shall be coordinated with the President and CEO or his/her designee, to avoid conflict and assure completion of any required staff study or support. A majority of the committee may call a meeting of the committee.
- F. A preliminary agenda shall be prepared for each committee meeting by the President and CEO in consultation with the Chairman of the committee, and mailed to each committee member at least five days in advance of the committee meeting. This requirement may be waived by a majority of the committee in an emergency.

BOARD POLICIES TO BE
REAFFIRMED OR REVISED (CONTINUED)

GRECC BOARD POLICY 106
PAGE 2

- G. Minutes shall be kept of each committee meeting. Minutes of the committee meetings shall be sent to the Board of Directors. A report shall be made by the committee chairman to the Board at its next meeting.

Roger L. Trent, Chairman

Billy E. "Eddie" Martin, Secretary/Treasurer

Date Adopted: 02/21/86
Minute Book Page: 1554-1555
Date Revised: 03-24-95
Minute Book Page: 2564-2565
Date Revised: 10/25/96
Minute Book Page: 2783-2784
Date Revised: 07/22/97
Minute Book Page: 2922 - 2923
Date Reviewed: 05/26/04
Minute Book Page: 3612
Date Reaffirmed: 07/22/11
Minute Book Page: 4445
Date Reaffirmed: 07/23/14
Minute Book Page: _____

GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION

BOARD POLICY NO. 109

SUBJECT: ANTI-NEPOTISM

I. OBJECTIVE

To set forth a policy with regard to the employment of close relatives of the Board of Directors and employees of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION. To prohibit the possible undesirable influences of family relationships and to make employment available to as many different families as possible in view of the public nature of the COOPERATIVE'S business.

II. POLICY

- A. The usual practice of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION is not to hire an employee's or Director's immediate family either on a temporary or full time basis. The term "immediate family" shall include, but is not limited to children, foster children, grandchildren, brother or sister, husband, wife, parents, foster parents, grandparents, aunts, uncles, nieces, nephews, in-laws, or any relative living in the employee's or Director's household. However, exception can be made, pending management or Board approval.
- B. When any two employees become "immediate family" by marriage or otherwise, one of them will be required to terminate his/her employment with the COOPERATIVE. The determination as to which employee shall terminate will be made by the affected employees.
- C. When a Director and another Director or employee become "immediate family: as defined in paragraph A, the provisions outlined in The Cooperative Bylaws, Article IV, Section 3, shall prevail.

BOARD POLICIES TO BE
REAFFIRMED OR REVISED (CONTINUED)

III. RESPONSIBILITY

- A. This policy shall be enforced by the President and CEO.
- B. The President and CEO shall be responsible for making Directors and employees aware of this policy.

Roger L. Trent, Chairman

Billy E. "Eddie" Martin, Secretary/Treasurer

Board Approved: 09/27/79
Formerly Board Policy No. 14
Policy Revised: 07/25/86
Minute Book Page: 1578-1579
Policy Revised: 10/25/96
Minute Book Page: 2788 – 2789
Date Reaffirmed: 04/24/03
Minute Book Page: 3495

BOARD POLICY 109
PAGE 2

Policy Revised: 07/22/11
Minute Book Page: 4456-4457
Policy Rescinded: 07/22/11
Minutes Book Page: 4457
Policy Adopted: 02/24/12
Minute Book Page: 4524-4525
Date Reaffirmed: 07/23/14
Minute Book Page: _____

REVISED BOARD POLICIES:

GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION

BOARD POLICY NO. 102

SUBJECT: FUNCTIONS OF THE BOARD OF DIRECTORS

I. OBJECTIVE

- A. To describe the major functions of the Board of Directors of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION, to develop an increased understanding of their responsibilities and authorities, and to define the Board's accountability.
- B. To clarify and/or elaborate upon the powers and duties set forth in the Articles of Incorporation and Bylaws for the Board of Directors of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION.
- C. To provide guidance in a more detailed form on the legal entity, trusteeship, planning, operating requirements, and provisions for control functions of each individual member of the Board of Directors.

BOARD POLICIES TO BE
REAFFIRMED OR REVISED (CONTINUED)

- D. To provide guidance to member-owners who elect Board Members to represent their interests, in a business where each member has a vital interest in how well the elected representatives on the Board of Directors accept and take action in connection with their responsibilities and authorities as Directors.

II. POLICY

- A. To establish and maintain a legal entity with respect to:
 1. Ensuring that the legal requirements, as set forth in the Articles of Incorporation, the Bylaws, and other regulations applying to GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION, are complied with regularly, including, but not necessarily limited to:
 - a. All federal, state and local statutes and ordinances.
 - b. Rural Utility Service (RUS), and other lending agencies.
 - c. Federal and state tax and regulatory agencies and commissions.
 - d. The rules and regulations of the Kentucky Public Service Commission.
 2. Selecting and appointing the General Counsel, in consultation with the President and CEO.
 3. Studying, considering, and approving revisions and other changes in the Bylaws, as necessary or required.
 4. Reviewing and approving major contracts such as: loan agreements, wholesale power contracts, and construction contracts.
 5. Approving applications for membership in GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION. Reviews with the President and CEO and appropriate staff all service rules and regulations and conditions of service.

GRECC BPARD POLICY 102
PAGE 2

6. Ensuring that complete and accurate minutes of the Board, Board Committees, and the annual Membership Meeting are prepared, maintained, and approved. Minutes of the Board Meeting, Board Committee Meetings, and Membership Meetings will be taken by a Recording Secretary, who will prepare a draft for the President and CEO and Cooperative Legal Counsel to review before distribution to the Directors.
 7. Authorizing eminent domain proceedings by GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION as required.
- B. To act as Trustees of Membership Interests with respect to:
 1. Conducting well-planned membership meetings to adequately inform its' members, obtain their ideas and suggestions, and to promote understanding of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION'S objectives, goals, policies, plans, and programs.

BOARD POLICIES TO BE
REAFFIRMED OR REVISED (CONTINUED)

2. Keeping well informed about changing members needs and how GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION might assist in meeting these needs.
3. Ensuring that the members are informed of the results of the operations through periodic newsletters and other publications, annual reports, and membership meetings.
4. Complying with Board policies and the Bylaws.
5. Keeping informed and growing in their own skills and understanding as Board Members.
6. Arranging periodically for an appraisal of Board Performance and for a systematic program to keep the Board growing in its abilities.
7. Assisting new Board members to develop a greater understanding of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION and their basic responsibilities and authorities. An orientation will be arranged for new Board Members on GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION'S objectives, plans, policies, and programs.
8. Keeping the Members informed of problems faced by GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION which require their support. Every reasonable effort shall be made to keep the Members advised of the long-range outlook on power costs, and as far in advance as possible, on the need for adjustments in retail electric rates.
9. Protecting the assets of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION through appropriate insurance policies and coverages by making sure that the policies, regulations and mortgages of RUS, and other lending agencies are complied with.
10. Selecting and appointing an independent financial auditor based on the recommendations of the President & CEO and Manager of Finance & Accounting. Reviews corporate accounting and internal auditing programs with the President and CEO and the Manager of Finance and Accounting. Reviews risk management of the Cooperative to ensure that the assets of Grayson Rural Electric Cooperative Corporation are protected and makes appropriate recommendations to the full Board.
11. Ensuring that the Officers, President and CEO, and other employees are bonded through our Employee Crime insurance coverage in accordance with the bonding requirements as prescribed by the Board of Directors.

GRECC BOARD POLICY 102
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12. Directors of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION shall designate those authorized to sign checks, drafts, notes, contracts, deeds, mortgages, and other instruments on behalf of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION.
13. Holding well planned and effectively conducted Board Meetings monthly, or more often if required. The preliminary agenda for such meetings shall be developed by the President and CEO in consultation with the Chairman, and the agenda will be mailed in advance of the Board Meeting with appropriate supporting information as outlined in the Cooperative Bylaws, Article V, Section 3, Notice of Board Meeting.
14. Reviews policies governing the investment of funds of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION Board Policy 203, Cash Management. Reviews the long range financial plans and forecasts to determine the needs of the Cooperative.

BOARD POLICIES TO BE
REAFFIRMED OR REVISED (CONTINUED)

15. Establishing policies governing the payment of travel, out of pocket, and other expenses of directors.
 16. Approving the appointment of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION'S principal consultants and contracts and agreements for their services.
 17. Approving purchases, transfers, leases and/or sales of all real estate.
 18. Fills vacancies on the Board for any unexpired term of office in accordance with Cooperative Bylaws, Article IV, Section 6, Vacancies.
 19. Reviews recommendations of the President and CEO on the program for the Annual Membership Meeting, the results of this meeting, and makes appropriate recommendations to the President and CEO on any improvements which might be made to make such meetings more effective.
 20. Considers the needs of Cooperative Members when planning and carrying out programs which affect them.
- C. To consider and adopt short and long range plans with respect to:
1. Ensuring an adequate and reliable supply of power at the most reasonable cost for the members consistent with sound economic and business practices.
 2. Reviewing and approving the ideals, objectives, and major goals of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION, as developed and recommended by the President and CEO.
 3. Reviewing, in consultation with the President and CEO, proposed policies, adopting such policies as appropriate, and ensuring that these policies are reviewed periodically.
 4. Reviewing and approving broad operating programs, services, and activities developed and recommended by the President & CEO; taking into account the feasibility of such recommendations, and the financial ability of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATIONS to provide these programs and services.
 5. Reviewing and approving the annual work plans and budgets in terms of achieving the desired results in the operation of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION while providing the best possible service to the members. Reviews any major budget revisions and requests for major non-budgeted items to determine the impact on the consolidated budget and the Cooperative's financial structure. Studies staff recommendations of financial management policies and, as appropriate, reviews

GRECC BOARD POLICY 102
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- the investment of such funds to assure the principal is safe and the rate of return is reasonable. Discusses with the CEO and the Manager of Finance and Accounting any action required.
6. Considering and adopting broad personnel and wage and salary policies essential to provide opportunities for growth and development of employees as recommended by the Planning and Review Committee. The Wage and Salary Plan shall be assessed and updated every seven years.

BOARD POLICIES TO BE
REAFFIRMED OR REVISED (CONTINUED)

7. Considering and approving the labor contract as recommended by the President and CEO.
8. Considering and adopting financial plans and policies essential to maintaining a sound financial structure for GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION.
9. Adopting, in consultation with the President and CEO, policies for maintaining good member, public, and governmental relations, programs for community and economic development, load management and energy conservation.

D. To provide operating requirements with respect to:

1. Authorizing the monies and expenditures of such monies through the adoption of the revenue, expense, and capital budgets necessary to carry out the objectives of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION.
2. Establishing committees, when necessary, and receiving reports and recommendations from special or standing committees, and taking appropriate action as a result of such reports. The functions of such committees should be in writing and reviewed annually by the Planning and Review Committee to determine if any revisions should be made in the functions of the committee and, if so, the Planning and Review Committee will make appropriate recommendation to the Board.
3. Interviewing candidates (with the advice of a professional consultant, if necessary) and selecting and employing a competent President and CEO. The President and CEO is delegated the complete responsibility and authority to select and employ personnel and terminate their employment, if such action becomes necessary, within the limitations of Board Policy. The President and CEO is also delegated the complete responsibility to direct such employees.
4. Delegating to the President and CEO the authorities and responsibilities as described in Policy No. 104 (Delegation of Authority from the Board of Directors to the President and CEO) or by appropriate resolution.
5. Advising the President and CEO, upon his/her request, in regard to specific managerial decisions which are his/her designated responsibility to make and for which results he/she is to be held responsible. The Board of Directors shall avoid making management decisions or giving instructions to the President and CEO when it is giving advice.
6. Determining major state, regional, or national organizations in which GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION shall become a member.
7. Authorizing the construction of major facilities necessary for the efficient operations of the Cooperative.

GRECC BOARD POLICY 102
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- E. To ensure that controls are established which can be used in appraising the effectiveness of the operations by:
1. Reviewing periodic reports from the President and CEO to ensure conformity to the Board's approved viewpoints, objectives, policies, major goals, plans and programs. These reports should be of sufficient scope to enable the Board of Directors to:

BOARD POLICIES TO BE
REAFFIRMED OR REVISED (CONTINUED)

- a. Prevent unauthorized action.
 - b. Predict trends and forecast results.
 - c. Determine where remedial or corrective action may be required.
 - d. Measure results against work plans.
 - e. Measure performance against plans and policies.
2. Reviewing the annual financial audit and the management letter, with the auditor present, and ensuring that any necessary action is taken. The audit and the management letter shall be sent to the directors prior to the meeting when they are to review it.
 3. Reviewing the independent management audit if such audit is undertaken and ensuring that the Board approved recommendations are carried out by receiving and reviewing regular progress reports from the President and CEO.
 4. Seeing that, annually, a performance appraisal of the President and CEO is carried out, with or without outside consulting assistance, and counseling with him/her on his/her growth and development. Such appraisal shall be conducted by Cooperative Legal Counsel, reporting to the full Board on the results of the appraisal and any ensuing salary adjustment.
 5. Hold regular discussions on the growth and development of the Board of Directors and how they can more effectively carry out their major functions.

III. SUPPORTING RELATIONSHIPS

As members of the Board of Directors, each individual Board Member recognizes and develops the following supportive relationships for purposes of more effective Board functioning effective relations with operating management and effective communications with the Members.

A. Internal

1. The Chairman
 - a. To inform on any matters which the Chairman should consider in the preparation of a well-planned agenda for each regular or special meeting of the Directors.
 - b. To assume the role of Chairman and discussion leader during regular or special meetings of the Directors, contributing ideas, factual information, issues and decisions in a manner consistent with parliamentary procedure.
2. President & CEO
 - a. To inform and advise on matters concerning the members interests which may be brought to the attention of the Directors.

GRECC BOARD POLICY 102

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- b. To be recognized as the operating official through whom all complaints, problems and other matters should be communicated when concerned with the Cooperative or its employees.
3. Directors of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION

BOARD POLICIES TO BE
REAFFIRMED OR REVISED (CONTINUED)

- a. To assist and work with through attention to effective discussion during regular or special meetings.
 - b. To encourage effective appraisals of Board functions that will ensure continuing and systematic attention to responsibilities concerning the present and future problems of the Cooperative.
 - c. To accept and work with or on any committee or other special assignments.
- B. External
1. Member-Owners
 - a. To inform, advise, and enlist the continuing support and understanding on all problems affecting member interest as consumers and owners.
 - b. To accept information which should be relayed to operating management.
 2. General Public

To work at all times and at every opportunity in maintaining a favorable image of the Cooperative as a business citizen and its role in the social and economic well-being in the service area which it is located.

GRECC BOARD POLICY 102PAGE 7

IV. RESPONSIBILITY

- A. The Board may delegate any or all of these responsibilities to a Committee of the Board or President & CEO, as long as such action is consistent with the Bylaws or other legal requirements.
- B. It shall be the responsibility of the Chairman to see that the foregoing functions are carried out.

Roger L. Trent, Chairman

Billy E. "Eddie" Martin, Secretary/Treasurer

Date Adopted: 03/25/65
Board Reaffirmed: 11/16/79
Board Revised: 02/21/86
Minute Book Page: 1554-1555
Board Revised: 01/27/95
Minute Book Page: 2529-2536
Board Revised: 10/25/96
Minute Book Page: 2768-2774

GRECC BOARD POLICY 102
PAGE 7

BOARD POLICIES TO BE
REAFFIRMED OR REVISED (CONTINUED)

Date Revised: 05/26/04
Minute Book Page: 3612
Date Reaffirmed: 07/22/11
Minute Book Page: 4446-4450
Date Revised: 07/23/14
Minute Book Page: _____

GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION

POLICY NO. 103

SUBJECT: QUALIFICATIONS FOR DIRECTORSHIP

I. OBEJCTIVE

To assure the membership that those members nominated to be voted on for service on the Board of Directors of the Cooperative, (a voluntary service group, acting as trustees for and representatives of the membership) are qualified to carry out the viewpoints, and objectives of the Cooperative, formulate policy, develop plans, and insure their execution, at the Cooperative.

II. POLICY

Be it resolved that the following is hereby adopted by the Board of Directors of Grayson R.E.C.C. as the policy on qualifications for Directorship.

- A. The Nominating Committee, or individual member or group of members who nominate an individual to be considered for election to the Board of Directors of the GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION should be aware of and should carefully and seriously consider the following legal requirements and personal qualifications before such a nomination is entered.
1. Must be a Member of the Cooperative, a natural person, and must reside on Grayson RECC lines in the county from which he or she is seeking election and must have been a resident of that county as of January 1 of the year in which he or she is seeking election (in accordance with Cooperative Bylaws Article IV, Section 3 (a)).
 2. Must promote and safeguard the interests of the COOPERATIVE among the Members and the general public. Must sign the Cooperative's Confidentiality and Non-Disclosure Agreement.
 3. Will be required to and therefore, able to represent the membership on an impartial basis for the good of and in the best interests of the entire COOPERATIVE. Must meet the standards set forth in the Cooperative's Administrative Guidelines regarding good credit; having no more than two (2) delinquent payments during the past year, not on the delinquent list at all, and no returned checks.
 4. Must not in any way be employed by or have a controlling financial interest in any enterprise primarily engaged in selling electrical energy, supplies, appliances or other items as provided by the Bylaws of the GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION.

BOARD POLICIES TO BE
REAFFIRMED OR REVISED (CONTINUED)

5. Must be willing to attend regular monthly meetings and any special meetings of the Board. Will be encouraged to receive Director Certification through NRECA as soon as practical.

Must attend local, state, and national meetings as deemed necessary by the Board in order to aid him/her in making good decisions on behalf of the Cooperative.

6. Should be aware that Members of the Board of Directors serve without salary, on a per diem for time given to regularly scheduled and approved affairs of the Membership Corporation and in addition they will be reimbursed for all reasonable expenses in connection with such scheduled activities.

GRECC BOARD POLICY 103
PAGE 2

7. Should agree to serve the term of office for which elected or appointed until a successor has been appointed or elected.
 8. Shall not use or cause to be used his/her position as Director to further his/her political ambitions.
 9. Any member who intends to become a candidate for the Board of Directors of GRECC shall make a written declaration on such forms as are supplied by the Cooperative, of his or her intention to seek a seat on the Board of Directors. Said forms shall be obtained by the member from the office of the President and CEO of GRECC and shall be completed and given to the Cooperative by February 15 of the year in which said person seeks election to the Board. Upon completion of said declaration form, the candidate shall receive from the office of the President and CEO a packet of information containing board policies, copy of the Cooperative Bylaws, timeline for the election procedure deadlines, and official nominating petition. The only nominating petition authorized to be used by a potential candidate is the petition issued by the office of the President and CEO. This board policy shall be effective with the election year of 2009.
- B. Director Responsibilities: Service as a Director shall include the following responsibilities for growth and development in keeping the Director and others informed, and participating in the functions of the Board at all scheduled regular and special meetings. A Director is expected to:
1. Make every effort to become familiar with the working of the Cooperative, and to exercise sound judgment in making decisions under constantly changing circumstances that have a direct and indirect effect upon the COOPERATIVE.
 2. To support all decisions and actions made or taken by the majority of the Board.
 3. To conscientiously study the information contained in reports submitted to the Board.
 4. To contribute to the development of Bylaws, Board policies and responsibilities of the Board and thereafter to become familiar with and strive to improve such policies.
 5. To objectively evaluate and consider the questions and problems with which the COOPERATIVE is faced.
 6. To help formulate the aims and objectives of the COOPERATIVE and to further study and analyze the policies, plans and problems which result from efforts to achieve such aims and objectives.

BOARD POLICIES TO BE
REAFFIRMED OR REVISED (CONTINUED)

7. To be aware of the attitudes of the members and general public toward the Cooperative's objectives and policies and to help foster the Cooperative's positive image.
 8. To inform all interested persons about the Cooperative's viewpoints, objectives and policies.
 9. To attend all regular Board meetings. If a Director, due to illness or other reasons, should miss six out of twelve meetings, the full Board should review the circumstances and make a decision as to whether said Director should remain on the Board.
- C. Commitment: A candidate for election (or re-election) to the Board of Directors shall be considered on the basis of his/her willingness and ability to carry out the functions of a Director as outlined in this policy.

GRECC BOARD POLICY 103
PAGE 3

- D. Personal Qualifications of Potential Candidates: The Nominating Committee, individual Member, or group of Members of the COOPERATIVE who nominates an individual to be voted upon for election to the Board of Directors of the COOPERATIVE shall consider the following questions when reviewing the personal qualifications of the nominee:
1. What is the business record of the individual and what does the management of the particular individual's own affairs indicate as to the possession of sound business judgment?
 2. What is the judgment of the proposed nominee's neighbors as to his/her demonstrated capacity for leadership and the neighbor's confidence for honesty and integrity?
 3. What has the proposed nominee done that would demonstrate his/her capacity for working with groups rather than as an individualist?
 4. What are the ideas and objectives of the proposed nominee as they relate to COOPERATIVE principles and philosophy?
 5. What are the problem areas which the proposed nominee might encounter as an individual when helping his fellow Members obtain a more complete understanding of the COOPERATIVE and its activities and problems?
- E. Non-Discrimination: Grayson Rural Electric Cooperative Corporation is an equal opportunity provider and employer.
- F. Supplement to Articles of Incorporation and Bylaws: This policy shall be in addition to existing provisions of the Articles of Incorporation and approved Bylaws, and is intended to serve as a guide in keeping Nominating Committee Members and bona fide Members informed on the nominating and voting obligations.

III. RESPONSIBILITY

- A. The Chairman and the full Board should insure that a copy of the provisions of this policy is in the hands of each member of the Nominating Committee and further will cause such policy to be published periodically in the news media of the Membership Corporation.

BOARD POLICIES TO BE
REAFFIRMED OR REVISED (CONTINUED)

- B. The President is the chief executive officer of the Membership Corporation and is responsible for determining that this policy is adhered to and made known to interested persons at all times.

Roger L. Trent, Chairman

Billy E. "Eddie" Martin, Secretary/Treasurer

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PAGE 4

Board Approved: 03/26/65
Board Reaffirmed: 11/16/79
Board Revised: 02/21/86
Minute Book Page: 1554-1555
Board Revised: 01/27/95
Minute Book Page: 2536-2539
Board Revised: 02/23/96
Minute Book Page: 2679-2681
Date Revised: 08/22/97
Minute Book Page: 2931-2933
Date Reviewed: 05/26/04
Minute Book Page: 3611
Date Revised: 02/20/08
Minute Book Page: 4068-4070
Date Reaffirmed: 01/21/11
Minute Book Page: 4396
Date Revised: 07/22/11
Minute Book Page: 4450-4453
Board Revised: 07/23/14
Minute Book Page: _____

GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION

BOARD POLICY NO. 104

SUBJECT: DELEGATION OF AUTHORITY FROM THE BOARD OF DIRECTORS TO THE PRESIDENT
AND CEO

I. OBJECTIVE

To define the delegations of authority from the Board of Directors to the President and CEO to enable him/her to adequately direct the operations of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION and to report to the Board on the results achieved.

II. POLICY

- A. Planning: To formulate, with the staff, as appropriate, the policies of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION to be recommended by the President & CEO to the Board of Directors for their consideration. Such policies shall be reviewed by the President and CEO at least once a year and a recommendation made to the appropriate committee or the full board on any revisions required.

BOARD POLICIES TO BE
REAFFIRMED OR REVISED (CONTINUED)

- B. Objectives: To develop, with the staff, the viewpoints, objectives, and goals of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION and to review periodically these objectives and goals, as well as the results achieved, with the Board or a Committee of the Board.
- C. Long and Short Range Plans: To conduct studies with the staff and outside consultants, if necessary, and recommend to the Board short and long range plans, including plans in such areas as system studies, engineering work plans, power requirements and load forecasts, financial forecasts, energy management, member and public relations, facilities, etc., and to report to the Board on results compared to such plans.
- D. Membership Meetings: To develop, with the staff, plans for Annual and other Membership Meetings of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION and to make appropriate recommendations to the Board, or a Committee of the Board.
- E. Work Plans and Budgets: To formulate, with the staff, annual work plans and budgets for GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION and recommend them to the Board or Committee of the Board for their consideration, and to provide detailed monthly reports on revenue, expenses, and other results compared to such plans.
- F. Legislation: To analyze and determine, with the staff, and in cooperation with Organizations such as the Kentucky Association of Electric Cooperatives, and the National Rural Electric Association (N.R.E.C.A), state and federal legislative and regulatory matters to be proposed, supported, or opposed consistent with established policy.
- G. Retail Rates and Service Rules and Regulations: To periodically study and analyze the Cooperative's rates and service rules and regulations to make sure they meet current operating requirements and to make appropriate recommendations to the Board of Directors.

GRECC BOARD POLICY 104
PAGE 2

ORGANIZATION

- A. Organization Structure
 - 1. To periodically review activities of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION and to determine, with the staff as appropriate, the organization structure best suited to carry out the overall objectives of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION within the limitations of the budget.
 - 2. To determine, with the appropriate staff members, the need for additional positions; the transfer, reassignment, or elimination of present positions; and to effect such changes, provided they are within the limitations of the personnel costs of the approved budget.
- B. Selection of Personnel

BOARD POLICIES TO BE
REAFFIRMED OR REVISED (CONTINUED)

1. To develop or approve standards and qualifications for use in recruitment, transfer, and promotions of personnel. Such standards and qualifications should meet all federal and state legal requirements.
 2. To select, appoint, transfer, promote, and terminate personnel.
- C. Training
1. To ensure that the staff members are trained in accordance with the qualifications and requirements of their positions.
 2. To initiate and promote, through appropriate staff, training programs for all personnel within the limitations of the approved budget, including sending personnel to training programs outside the organization.
- D. Performance Appraisals
1. To appraise, at least annually, the performance of immediate staff members and to counsel with them and assist them to develop and improve.
 2. To ensure that a performance appraisal program is established and carried out for all personnel and that adjustments for those outside the bargaining unit are based on merit.
- E. Position Descriptions
1. To ensure that written position descriptions and job specifications are prepared and reviewed as necessary for all personnel. Such completed descriptions will not require Board approval.
- F. Fringe Benefits
1. To administer or approve activities and actions with respect to vacations, holidays, sick leave, and other fringe benefit programs for the personnel within established policies and within the limitations of the budget.

GRECC BOARD POLICY 104
PAGE 3

- G. Consultants
1. To recommend to the appropriate committee of the Board the employment of principal consultants, and contracts and agreements for their services with the committee making an appropriate recommendation to the Board. The awarding of all contracts with consultants should comply with RUS policies and procedures. The selection of any consultants working in areas which affect the functions of the Board requires the approval of the Board.
 2. To select and appoint other outside specialized consultants, and to negotiate contracts or agreements for services of such specialized consultants, within the limitations of the work plan and budget, and to advise the Board of actions taken.
 3. To report to the Board periodically on services provided and the fees received by principal consultants.

BOARD POLICIES TO BE
REAFFIRMED OR REVISED (CONTINUED)

H. Wage and Salary Administration

1. To develop a systematic wage and salary plan and present it to the appropriate Board Committee for review and recommendation to the Board. The Wage and Salary Plan shall be reviewed, and adjusted as necessary every seven years. Internal wages and salaries shall be reviewed and adjusted as necessary each year. The Union contract shall control wages for the Bargaining Unit.
2. To determine all salary adjustments, except the President and CEO within the Board approved wage and salary plan and policy and within the limitations of the budget. Salary adjustments for the President and CEO shall be determined by the Board with an appraisal conducted by the Legal Counsel annually, each January.
3. To evaluate new positions and reevaluate existing positions, if their responsibilities and authorities substantially change, and as a result of such evaluation or reevaluation, place these positions in the Board approved wage and salary PLAN.
4. To conduct labor surveys as necessary to determine salaries paid for comparable jobs in the area in which the Cooperative recruits personnel and make appropriate recommendations to the Board of Directors on any revisions required in the approved wage and salary plan.

I. Labor Relations

1. To assist the Negotiating Committee in negotiating labor contracts and make appropriate recommendations to the Board, as outlined in Board Policy No. 102.
2. To administer the approved labor contract and see that the appropriate supervisors understand the provisions of the contract and its administration.

OPERATIONS

A. Overall Administration

1. To direct the day to day operations and activities of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION except as specified otherwise by the Bylaws or the Board; to delegate authority to immediate staff; to authorize further delegation of authority to any level

GRECC BOARD POLICY 104
PAGE 4

of management with full recognition that the President and CEO cannot be relieved of overall responsibility or accountability.

2. To manage operations of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION in accordance with the policies and procedures of the Board and in accordance with policies and procedures of RUS and other lending institutions; as well as applicable federal, state and local laws.

BOARD POLICIES TO BE
REAFFIRMED OR REVISED (CONTINUED)

3. To designate an appropriate person to serve as Acting President and CEO in an extended absence of the President and CEO. In case the President and CEO becomes incapacitated, the designated person shall serve temporarily as Acting President and CEO until the Board of Directors takes appropriate action, at a meeting to be convened as soon as possible.
4. To ensure that staff advice and assistance is provided to the Board and its committees, and to participate in the deliberations of these committees as requested or required.
5. To accept invitations to participate in or designate other staff members to participate in national, regional, state, and local meetings which further the best interests of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION, within the limitations of Board Policy and the approved budget. Participation by the President and CEO in such activities which require considerable time over a sustained period requires the approval of the Board. The President and CEO serving on the Board of other organizations shall be reported to the Board.
6. To serve as the authorized spokesperson for GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION on major issues and to keep the Board up to date and well informed on such issues.

B. Membership Services

1. To direct membership services in such areas as, but not necessarily confined to, public and member relations, load management, energy conservation, marketing, communications, and research as authorized by the Board.

C. Legislation

1. To develop and carry out, in coordination with organizations such as the Kentucky Association of Electric Cooperatives and N.R.E.C.A., and within Board policy, a legislative program furthering GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION'S objectives and policies. Such a program will include, but not be limited to, research, preparation, and presentation of testimony before appropriate committees, consultation with members of Congress, the State Legislature, and state and federal administrative and regulatory agencies.
2. To participate with allied groups to obtain their increased understanding and support of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION'S legislative and regulatory objectives and programs.

GRECC BOARD POLICY 104
PAGE 5

D. Financial

1. To make expenditures in accordance with the approved budget, including approval of non-budgeted items up to \$50,000 or all non-budgeted items, which, in his/her judgment, are vital to effect unanticipated emergency maintenance or repairs. Non-budgeted items exceeding \$50,000 which are not items vital to effect unanticipated emergency maintenance or repairs, must be presented to the Board for approval.

BOARD POLICIES TO BE
REAFFIRMED OR REVISED (CONTINUED)

2. To supervise the investment or reinvestment of funds, to cash investments when due, and when and if necessary to protect GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION'S cash position and carry out an effective cash management program. Investments will generally be made in CFC securities, in federal government insured or guaranteed securities, or in other securities approved by the lending agencies.
3. To authorize and approve the travel expenses of personnel except the President and CEO on company business within the limitations of the budget and within established policy. Such expenses shall be supported by itemized expense accounts with receipts attached, as appropriate. Expenses of the President and CEO will be reviewed by the Board.
4. To approve accounting systems, procedures, statistics, and types of reports necessary for sound financial management and to meet the requirements of lending and regulatory agencies and for necessary control information required by the Board.
5. To purchase or lease all equipment, vehicles, hardware, furniture, materials, and supplies within the guidelines of the budget. All purchases shall comply with RUS policies or procedures. All purchases of major equipment or large quantities of materials for distribution lines, and associated facilities shall be done with competitive bids when appropriate.
6. To negotiate contracts for construction in accordance with RUS procedures, with such contracts to be submitted to the Board for approval. Once approved, the contracts will be awarded in accordance with RUS procedures so construction completed can be reimbursed from loan funds without delay.
7. To execute and deliver purchase orders or contracts for projects previously approved by the Board.
8. To approve and sign change orders under contracts previously approved by the Board and RUS if less than \$100,000.
9. Those in excess of \$50,000 are to be reported to the Board at the next Board meeting and all changes are to be approved by RUS if appropriate.
10. After authorizing the purchase of prime insurance by the Board, to see that the documentation necessary is prepared, to achieve the lowest cost financing and to obtain approvals as are necessary.
11. To determine insurance coverage's required for effective risk management and to negotiate purchase of such coverage.

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PAGE 6

12. To authorize individual memberships in civic clubs and organizations and company memberships in local organizations in which he/she thinks membership of him/herself or staff members would be beneficial and to authorize payment of dues by GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION within the limitations of the budget. Professional registration fees will only be paid for if registration in such organization is deemed to be desirable or required by the President and CEO.

BOARD POLICIES TO BE
REAFFIRMED OR REVISED (CONTINUED)

13. To execute and deliver on behalf of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION agreements essential to the management of the Cooperative, such as affidavits, agreements, and leases.
14. To negotiate franchises and execute all petitions and documents in relation thereto; to acquire by purchase or lease any easements and execute, deliver and accept all documents relating thereto; to execute and deliver all environmental studies and reports; to make application for all permits relating to the operations of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION; to design, route, and determine the site for all facilities.
15. To perform all acts necessary or incidental to the management of the operations of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION, unless such acts are specifically reserved to the Board pursuant to law, the Articles of Incorporation, the Bylaws, or policies.

E. Controls

1. Operations: To submit periodic and special reports to the Board on conformity of operations with approved policies and programs; to recommend any revision requiring Board approval and to direct any remedial action required.
2. Finances: To submit periodic and specific financial reports to the Board to keep them informed of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION'S financial position and conformance to financial plans and forecasts, and to see that all persons having access to cash or responsible for purchasing of materials are properly insured in accordance with all requirements of the lending agencies.
3. Budgets: To report monthly to the Board on the revenues and expenditures compared to budget. To recommend any revisions required, and to direct any necessary remedial action.
4. Annual Financial Audit: To participate with the Board in review, with the auditor present, of the annual financial audit and management letter and to direct any remedial action required and to ensure that the management letter, along with the Audit Report, is sent to each Board Member prior to the meeting at which they are to be discussed.
5. Materials Management: To determine the amount of and establish proper control of all physical inventories to minimize investment in inventories needed to meet operating and construction needs. To ensure that a system is established to accurately account for all materials used.
6. Member Complaints: To submit periodically to the Board an analysis of member complaints and to take any corrective action required or to recommend appropriate revisions in Board Policy.

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PAGE 7

7. Member Meetings: To report to the Board an analysis by the President and CEO and his/her staff of effectiveness of annual and other Member meetings with recommendations on any improvements which can be made.

BOARD POLICIES TO BE
REAFFIRMED OR REVISED (CONTINUED)

8. Reliability of Service: To submit annually to the Board a report on service reliability and any remedial action taken.
9. Bylaws: To report to the Board, or a committee of the Board, an annual review with the Cooperative's Attorney of the Bylaws and to recommend any revisions required.
10. Availability of Power Supply: To report periodically to the Board on load growth compared to the power requirements studies and to recommend plans to meet anticipated growth to ensure an adequate and reliable supply for the members at the lowest possible cost consistent with sound business and management practices.
11. Rates: To continually study power and other costs compared to projections and to recommend to the Board, as far in advance as possible, any changes in retail electric rates necessary to maintain financial strength and stability and to meet all requirements of lending and regulatory agencies.
12. Construction: To review construction practices with appropriate staff to make sure projects are being constructed in accordance with RUS policies and procedures so that reimbursement for completed construction can be obtained promptly.
13. Internal Auditing: To independently assess the adequacy, effectiveness, and efficiency of the systems of control within the organization and the quality of ongoing operations against policies and procedures established by management and/or the Board, and laws of RUS and other lending institutions; as well as applicable federal, state and local laws.

III. RESPONSIBILITY

- A. The President and CEO shall report to the Board periodically on how these delegations are being carried out. The President and CEO may make further delegations to his/her staff as required.
- B. The Board is responsible for approving any changes in the delegations to the President and CEO.
- C. The Chairman shall be responsible for seeing that performance of the President and CEO is appraised each year by the full Board and that a report is made to the full Board by the Legal Counsel on the results of such appraisal, and that the results of such appraisal are discussed with the President and CEO.

Roger L. Trent, Chairman

Billy E. "Eddie" Martin, Secretary/Treasurer

GRECC BOARD POLICY 104
PAGE 8

Date Adopted: 02/21/86
Minute Book Page: 1554-1555
Revised: 01/27/95
Minute Book Page: 2539 - 2547

BOARD POLICIES TO BE
REAFFIRMED OR REVISED (CONTINUED)

Date Reaffirmed: 10/25/96
Minute Book Page: 2774 – 2781
Date Revised: 05/26/04
Minute Book Page: 3611
Date Reaffirmed: 07/22/11
Minute Book Page: 4445
Date Revised: 07/23/14
Minute Book Page: _____

GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION

BOARD POLICY NO. 107

SUBJECT: STATEMENT OF FUNCTIONS OF THE NEGOTIATING COMMITTEE

I. OBJECTIVE

To monitor the process, study, advise, and make recommendations to the Board of Directors and President and CEO on matters relating to the negotiation of union labor contracts and agreements and/or settlements reached between the GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION and the union employees.

II. RESPONSIBILITIES

- A. The Negotiating Committee is empowered by the GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION to engage outside legal counsel, as it deems appropriate.
- B. The Committee, on behalf of the Cooperative, shall oversee the negotiation process for all labor union contracts.
- C. The Negotiating Committee and the President and CEO shall serve as the Cooperative's representatives on any committee formed to address a formal complaint, grievance, or dispute arising from the application or performance of the Union Agreement with representatives of the bargaining unit.
- D. The President and CEO and/or his/her designee shall attend all meetings of the Negotiating Committee and shall, if the Committee so desires, act as spokesperson for the Committee.

III. ORGANIZATIONAL RELATIONSHIPS

- A. The Negotiating Committee is appointed by the Chairman of the Board of Directors. The number of members serving on this Committee shall be at the discretion of the Board.
- B. The Committee shall report to the Board of Directors and make recommendations pertaining to the ratification of contracts and/or agreements or settlements reached between the Cooperative and union employees.

Roger L. Trent, Chairman

Billy E. "Eddie" Martin, Secretary/Treasurer

BOARD POLICIES TO BE
REAFFIRMED OR REVISED (CONTINUED)

Adopted: 2/21/86
Date Revised: 2/28/92
Minute Book Page: 2100
Date Revised: 10/25/96
Minute Book Page: 2784 - 2785
Date Revised: 12/20/96
Minute Book Page: 2828
Date Reaffirmed: 03/24/03
Minute Book Page: 3477
Date Revised: 07/23/14
Minute Book Page: _____

GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION

BOARD POLICY NO. 108

SUBJECT: STATEMENT OF FUNCTIONS OF THE PLANNING AND REVIEW COMMITTEE

I. BASIC FUNCTION

To actively provide, an in-depth review of financial and cash management and controls, and to provide assurance to the Board that effective end results are being achieved and that matters on which they must act have been thoroughly studied and considered before they are asked to take action.

II. DUTIES AND RESPONSIBILITIES

The Planning and Review Committee shall meet as called, to perform any and/or all of the following duties:

Reviews, with the President and CEO, firms available to conduct the independent financial audit and makes an appropriate recommendation to the Board. Recommends to the Board of Directors the selection of the auditor and the scope of any special emphasis desired in the audit.

Studies staff recommendations on financial management policies and makes appropriate recommendations to the Board.

Reviews capital credits policies and practices and makes appropriate recommendations to the Board.

Reviews, as necessary, in consultation with the President & CEO, power requirement studies and load projections to make sure they are realistic and are reflected in GRAYSON RURAL ELECTRIC COOPERATIVE's planning for additional distribution, transmission, requests for additional substation facilities, communication facilities and system improvement. Considers their impact on financial forecasts, budgets, rates, need for loan funds, etc., and makes appropriate recommendations to the Board of Directors.

Compares forecasts to actual load projections and discusses with the President and CEO any remedial action required.

Reviews major contracts, agreements, and bids requiring Board approval, within the responsibility of this committee, and makes an appropriate recommendation to the Board.

BOARD POLICIES TO BE
REAFFIRMED OR REVISED (CONTINUED)

Reviews the long-range financial plans and forecasts to determine the financial needs of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION and how they will be met and makes appropriate recommendations to the Board of Directors.

Reviews financial and other operating statements including, with the auditor present, the annual financial audit and the management letter to determine if any action is required and discusses such action with the President and CEO and makes appropriate recommendations to the Board.

Reviews corporate accounting and internal auditing programs and makes appropriate recommendations to the President and CEO or Board of Directors.

Reviews objectives and goals in areas assigned to this committee and makes appropriate recommendations to the Board.

GRECC BOARD POLICY 108
PAGE 2

Reviews recommendations of the President and CEO on the selection of principal consultants within areas this committee is responsible for, and makes appropriate recommendations to the Board.

Reviews the long range objectives and goals of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION as recommended by the President and CEO and makes an appropriate recommendation to the Board.

Reviews the consolidated operating and capital budgets as recommended by the President and CEO and makes appropriate recommendations to the Board.

Reviews proposed risk management policies and coverage's as recommended by the President and CEO to ensure that the assets of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION are protected and makes appropriate recommendations to the Board.

Reviews proposed policies or revisions to policies as recommended by the President and CEO in area assigned to the committee and makes an appropriate recommendation to the Board.

Reviews, in consultation with the President and CEO, system and other engineering studies and engineering work plans, and the impact this will have on future financing, rates, and system operations, and makes appropriate recommendations to the Board of Directors.

Reviews and acts upon recommendations of the President and CEO on service rules and regulations and conditions of service and makes appropriate recommendations to the Board.

III. ORGANIZATIONAL RELATIONSHIPS

- A. Reports to the Board of Directors and serves the Board in such other capacities as may be assigned
- B. The Committee shall be appointed by the Chairman of the Board and comprised of not more than four directors, including the Secretary and/or Treasurer.
- C. The Chairman of such committees shall be appointed by the Chairman of the Board. Any other necessary officers shall be elected by the Committee members.

BOARD POLICIES TO BE
REAFFIRMED OR REVISED (CONTINUED)

- D. Normally, the entire Board of Directors at a regular board meeting shall participate in all of the duties contained herein, and the Committee shall meet only when it is impossible or impractical for the Board, as a whole, to address these responsibilities. The President and CEO in consultation with the Committee Chairman, or the Committee Chairman in consultation with the President and CEO, or the Chairman of the Board may convene a meeting of the Committee. Dates of all committee meetings shall be coordinated with the President and CEO or his/her designee to avoid conflict and to assure completion of any required staff study or support. A majority of the Committee may call a meeting of the Committee.
- E. The Chairman may appoint subcommittees from the Committee's membership to study specific areas. Written statements of the functions of such subcommittees should be prepared and reviewed periodically.
- F. Staff Assistant: President and CEO or his/her designee.

GRECC BOARD POLICY 108
PAGE 3

IV. TERMS OF OFFICE

- A. The Committee is a continuing one.
- B. The term of each member shall be determined by the Chairman of the Board.

V. RESPONSIBILITY

It shall be the responsibility of the Chairman of the Board of Directors to see that this policy is adhered to.

Roger L. Trent, Chairman

Billy E. "Eddie Martin" Secretary/Treasurer

Date Adopted: 02/21/86
Minute Book Page: 1554-1555
Date Revised: 08/27/93
Minute Book Page: 2307 - 2311
Dated Revised: 11/23/94
Minute Book Page: 2499 - 2502
Date Revised: 03/24/95
Minute Book Page: 2566-2569
Date Reaffirmed: 10/25/96
Minute Book Page: 2785 - 2788
Date Reviewed: 05/26/04
Minute Book Page: 3612
Date Revised: 07/22/11
Minute Book Page: 4453 – 4456
Revised: 07/23/14
Minute Book Page: _____

BOARD POLICIES TO BE
REAFFIRMED OR REVISED (CONTINUED)

Motion was made by Director Whitt, seconded by Director Martin and unanimously agreed to accept the above Board Policies as presented.

Motion was made by Director Martin, seconded by Director Dupuy and voted unanimously to table the consideration of wording on the GRECC Bylaws Article 4 until the August 22, 2014 Board Meeting. Legal Counsel Scott will compare that language with the Annual Meeting Timeline.

KAEC DIRECTOR'S REPORT

Director Whitt reported a Special KAEC Board Meeting was held July 15 to introduce the new CEO, Chris Perry. There was no regular Board Meeting in July.

Bob Berry was seated on the Board as the new CEO at Big Rivers, replacing Mark Bailey who retired.

EKPC DIRECTOR'S REPORT

Director Arrington stated that most of his report had been covered under related Board issues.

There was no EKPC Board Meeting in July, but a training was held on how to handle crucial conversation called "The Stakes are High".

There will be an EKPC Strategic Planning Meeting July 30-31 in Lexington.

THANK YOU LETTER

GRECC received thank you letters from Lewis County Back to School, Elliott County Relay for Life, and Horton Flats Baptist Church.

DONATIONS

President Fraley presented to the board for their consideration the following donation requests:

Olive Hill Armory reunion invite for veterans	\$150
Gerad Maggard Memorial Children Inc. – bike ride for needy kids	\$50
Greenup County Soccer Team	\$100
Raceland Touch Down Club	\$250

Motion was made by Director Rice, seconded by Director Bentley unanimously agreed to approve the donations as presented.

MEETING ATTENDANCE

Legal Counsel Scott would like to attend the 2014 G & T Legal Seminar in Hilton Head, South Carolina on November 6-7, 2014 at the Omni Hilton Head Oceanfront Resort. On November 5, 2014 there will be a pre-conference.

Joe Sargent and Kippy James will be attending a PCB Management & PCB Record-Keeping Training on July 22-24, 2014 in Lexington, KY.

BOARD MEETING DATE

The August Board Meeting will be held on Friday, the 22nd.

BOARD POLICIES TO BE
REVIEWED

The following board policies were presented to the Board to be reviewed or revised:

110	Compensation, Expenses and Travel of Directors
111	President & CEO Search and Selection

BOARD POLICIES TO BE REVIEWED (CONTINUED)	112	Service of Consultants
	113	Conflict of Interest
	114	Nominations and Elections of Officers & Representatives of the Board of Directors
	115	Member Requests for Cooperative Information
	116	Attendance by Members or Others at Meetings of the Board of Directors
	118	Operational Policy
	119	Organizational Policy
	120	Education, Training and Development of New and Existing Directors of GRECC
	121	The Cooperative's Use of Non-Owned Vehicles
	122	Transportation Policy
	123	Lines, Re-location by Request of Consumer
	124	Ethics & Conflict of Interest Policy
	126	Directors and Employees Confidentiality and Non-Disclosure Agreement

The Administrative Guideline will be reviewed soon.

ADDITIONAL BUSINESS There was no additional business to bring before the board of directors.

ADJOURN Chairman Trent adjourned the meeting at 12:20 p.m.

Roger L. Trent, Chairman

Billy E. (Eddie) Martin, Secretary/Treasurer

W. Jeffrey Scott, Legal Counsel

On August 22, 2014 at 9:17 a.m. Grayson Rural Electric Cooperative Corporation held a regular board meeting at its office in Grayson, Kentucky called by the Chairman, for the transaction of such business as outlined in the letter of call. Chairman Trent called the meeting to order pursuant to the Waiver of Notice signed by the Directors and all were present. Others present included: Carol Hall Fraley, President and CEO; W. Jeffrey Scott, Legal Counsel; and Priscilla Sparks, Executive Assistant.

INVOCATION

Director Whitt gave the invocation.

APPROVAL OF MINUTES

Motion was made by Director Dupuy, seconded by Director Martin and unanimously agreed to approve the minutes from the July Board Meeting for informational purposes only.

BILLY DIXON

GRECC member Billy Dixon, Carlisle, KY., had requested permission to address the Board concerning the classification of his account. Mr. Dixon thanked the Board and explained that he had a cabin on Carter Caves Road that did not have a septic system and only a spring for water. He asked the Board if they would consider changing his classification back to residential at \$15 per month. President Fraley explained to him that his service was general and did not qualify for residential, according to our tariffs on file with the Kentucky Public Service Commission. President Fraley told Mr. Dixon that she and the Board would examine the situation and advise him in writing of the Board's decision.

The Board asked President Fraley to advise Mr. Dixon that his account would remain in the general service category.

MANAGER OF
TECHINCAL SERVICES

Brian Poling, Manger of Technical Services reported on the following:

PSC INSPECTION OF THE
METERING DEPARTMENT

The PSC inspection of the metering department ended on July 23, 2014 with a final report to President Fraley on the results of the inspection. No violations were reported. Mr. Jeff Moore was impressed with the substation reading program we have undertaken. He was especially pleased with the amount of information gathered on each meter, including right of way, safety issues, consumer issues such as antennas and night lights on our poles, retirements and reclassifications. He asked permission to use our substation reading forms with other utilities.

AMERICAN ELECTRIC
POWER (AEP)

American Electric Power visited GRECC concerning the new photovoltaic (solar) panels and approved the interconnection between our system and their lines. While here they took issue with a secondary meter (three-phase 240 volt Delta connection) that provided power to an old test board in the metering department for over 40 years, but is no longer used. AEP doesn't allow a primary metered customer to have a secondary meter, so the meter and service was removed the next day.

CONSTRUCTION LONG
RANGE WORKPLAN

Mike Norman, Keith Mullen, President Fraley and Brian Poling plan to meet Friday, August 29th to review the final draft of the new Construction Work Plan.

Letters have been mailed to contractors with a list of requirements necessary to be eligible for the approved bidder's list and are due in the office by September 12th.

CONSTRUCTION LONG RANGE WORKPLAN (CONTINUED)	Staff will have a recommendation on our Right of Way Contractor ready for the September Board Meeting. A presentation of the 2015 to 2018 Construction Work Plan will be presented to the Board at the October Board Meeting for their consideration. Staff will make a recommendation on a contractor to perform the work in the new work plan at the November Board Meeting. The new work plan will commence on January 2, 2015 and loan funds are expected to be approved by June or July 2015.
EKPC LOAD FORECAST	We met with Sally Witt and Tyson France with EKPC to review the draft of the load forecast. They project load growth by using formulas that utilize our historical data for the past 20 years and HIS Global Insight which sets economic growth indices. The trend for Grayson shows a slight growth upturn after several years of being in the negative.
STATE HIGHWAY LINE RELOCATION ON RT 519	President Fraley said the State is going to expand RT 519 which we rebuilt 5 years ago. This starts at the bottom of Pretty Ridge and goes to Rt. 801 in Rowan County. President Fraley asked Legal Counsel Scott to look at the encroachment permit.
FINANCIAL AND STATISTICAL REPORT FOR JUNE 2014	Don Combs, Manager of Finance and Accounting, presented the Financial and Statistical Report for May 20 to June 20, 2014. Kilowatt hour sales the month were 3% under budget. Purchases for the time period of (6/1-30) were 1.10 % over budget. Line loss for the last twelve months was 5.82%. Year to date margins are (\$156,563) compared to the budgeted amount of \$258,348.
JUNE 2014 T.I.E.R	The June T.I.E.R. was .931.
QUARTERLY REPORTS	Mr. Combs reviewed the 2 nd quarter financials with the Board. He went over the report in detail and answered questions. Other items discussed were the solar project; PSC's modifications to Schedules 3 & 14(b) and ESC review; pole attachments rates by telephone coops review; and NRECA post 65 medical plans.
TAX EXEMPT STATUS	We will send another letter requesting tax ID numbers from churches and other members who may be eligible for tax exemption. If they do not respond, they will pay as usual.
ELECTRONIC AND BANK PAYMENTS	Electronic payments are continuing to grow. Director Bentley asked if we are accepting payments at the banks. President Fraley said we are in the process of phasing them out and would like to have this completed by the first of the year. It could take a while longer, due to the work plan, re-bidding processes and other issues that have deadlines.
SOLAR PROJECT	The solar project is finished and an open house will be held directly following this meeting.
APPROVAL OF FINANCIAL & STATISTICAL REPORT FOR JUNE 2014	Motion was made by Director Rice, seconded by Director Dupuy and unanimously agreed to approve the Financial and Statistical report for June 2014 as presented, for informational purposes only.
WAGE & SALARY PLAN	Consideration of the 2015-2021 Wage & Salary Adjustment for Non-Union Employees will be on the September 2014 Agenda.

WAGE & SALARY PLAN
(CONTINUED)

Director Martin discussed the Planning & Review Committee Meeting held earlier this morning and turned it over to Bradley Cherry to make the proposal to the Board.

Mr. Cherry stated the Wage and Salary Plan is updated every seven years. Grades I & II stayed the same. Cashiers were moved from Grade II to Grade IV with title changed to CSR/Cashier, due to increased job responsibilities.

Customer Service Representatives stayed at Grade IV.

One position not on the 2007-2014 Wage Salary Structure, Info Tech Clerk, will be added to Grade IV.

Energy Advisor, Payroll Bookkeeper, Division Secretary, Plant Account, and Member Services Secretary were all promoted from Grade IV to Grade V.

Executive Assistant, Grade VI, no change.

Manager of Marketing & Member Services, Purchasing / Finance, and General Accounting Supervisor were promoted from Grade VI to Grade VII.

Assistant Manager of Operations, Grade VIII.

Manager of Finance & Accounting, Manager of Operations, and Manager of Technical Service, Grade IX.

Mr. Cherry stated that minimum is entry level; mid-point is 3 year full competency, and the maximum is 20 years' experience with full competency.

Following Mr. Cherry's presentation Director Martin read the Planning Review Committee Meeting minutes.

SEE PLANNING AND REVIEW MINUTES ON THE NEXT PAGE

CONTINUE TO PAGE 4

PLANNING & REVIEW
COMMITTEE MINUTES
(CONTINUED)

Planning & Review Committee Meeting

August 22, 2014

The Planning and Review Committee of the Board of Directors of Grayson Rural Electric Cooperative Corporation met on Monday, August 22, 2014, at 8:15 a.m... Those present included Board Chairman, Roger Trent; Committee Chairman, Eddie Martin; Director Harold Dupuy; Director William Rice; President & CEO, Carol Fraley; Manager of Finance and Accounting, Don Combs; Bradley Combs; Purchasing / Accounting; and Executive Assistant, Priscilla Sparks.

Director Martin opened the meeting and asked Director Dupuy to give the innovation.

President Fraley reviewed with the Board the Cooperative's current Wage and Salary plan for 2007 to 2014. The plan was to be review and upgraded every 7 years. Our goal this month is to recommend to the committee the new Wage and Salary Plan for the next seven years, starting with a three year lead in plan.

Bradley discussed the current 2007-2014 with nine grades and the three midpoints. Eleven employees are past the current maximum level.

Carol Ann she plans on eliminating the Purchasing Agent as a staff position and leaving it union. This would eliminate a staff position. Don said in the future \$10.25 will most likely be the starting wage position. Director Dupuy pointed out that the any one starting will be at minimum wage.

Director Martin asked how much more this would cost us a year. No cost is associated with the upgrade to the Wage and Salary Plan.

Director Dupuy made a motion to recommend the new Wage and Salary Plan to the Board, seconded by Director Rice, and unanimously agreed upon.

Chairman Martin adjourned the meeting at 8:45 a.m.



Billy E. "Eddie" Martin
Planning and Review Committee Chairman

Director Martin made a motion, seconded by Director Rice and unanimously agreed upon to accept the recommendation of the Planning and Review Committee as presented.

POST 65 AND OVER
INSURANCE COVERAGE

NRECA is dropping coverage on retired employees age 65 and over. They will offer a list of providers to them and offer some assistance in choosing their own plan. However, several of our retired employees are hesitant to do this. Don, Bradley and President Fraley have studied the situation and recommend that the Cooperative offer a plan provided by Humana that is very similar to what we have now. It is also very compatible with Medicare and our retirees would not have to deal with filing with both Medicare and health insurance.

For \$300 per month, Humana offers a very good plan that is accepted at a wide range of hospitals. It also covers prescriptions, hospitalization, and well care visits.

This plan saves the Cooperative around \$70 per person per month. There are 42 eligible retired employees and dependents. Enrollment would be annual.

Motion was made by Director Martin, seconded by Director Bentley and unanimously agreed upon to accept the new insurance plan for retired employees over 65 and dependents, as presented.

PLANNING AND REVIEW
COMMITTEE

A Planning and Review Committee will meet in September to review the 2014-15 Wage Adjustment.

FUEL ADJUSTMENT

A fuel adjustment informal conference is coming up to review how Cooperatives recover the fuel adjustment charged by EKPC. The fuel adjustment for January 2014 was unusually high and we have questions regarding how those charges were incurred.

Don thinks it would be beneficial to intervene in the formal case because we might have additional questions. The order EKPC got last week on this case already has asked about the high fuel cost in January and if their involvement in PJM had any effect on the high fuel adjustment. We have questions on how EKPC will recover those high costs and whether it is fair for our members to have to pay them

ENERVISION

Legal Counsel Scott, Don Combs, Bradley Cherry and Carol Fraley participated in a conference call Monday with a Morgan Stanley representative and Mr. Shepler of EnerVision. They believe we should intervene. A February 18th letter was sent from EKPC to PSC summarizing an EKPC meeting about January's PJM cost and how it affected them financially.

CASE NO. 2014-00226

Motion was made by Director Martin, seconded by Director Dupuy and unanimously agreed upon to intervene in the filing on Case No. 2014-00226, fuel adjustment.

Legal Counsel Scott asked Director Arrington to address the Cooper ash field being moved to Dale Station. Director Arrington said he is asked to leave Executive Session if it pertains to EKPC and GRECC issues. Legal Counsel Scott said that Mr. Arrington should only leave the Executive Session of the EKPC Board when they are specifically discussing (1) Charleston Bottoms, and (2) Amendment 3 matters. Mr. Arrington should participate in all other aspects of the Executive session.

FAILED METERS

Kim Bush, Roger Kitchen and Steve Bush addressed the Board on how meters can go for a long period of time without being tested and how zero readings go without being checked. We have a new plan to prevent this in the future.

The following report is for 2014 and what we have done.

1. Large reports are unmanageable. We have broken our reports into segments of 0 to 50, 51 to 500 and 500 and over difference in kWh usage.
2. Making sure a meter is checked within the month.
3. Watch for meters that are “stopping and starting” or “slowing down.”
4. Watch for “flags.” These include small commercial accounts that exceed the maximum in the rate table, days of service over 60 days, if a bill doubles, usage compared to last month or year over 50% more or less.
5. All coop employees will be expected to read any and all meters when they are on the property for any reason.
6. The exception report will be checked by Kim Bush, Peggy Skaggs, Tina Preece and Caitlin Hutchinson. These reading will be compared to the reading on the command center and will be investigated if they appear inaccurate.
7. The visit will be documented. These reading will be saved on UPN under the Meter Notes section.

We have found 49 meters not working over 6 months this year. We will continue to use the Exception Report and other reports to identify suspicious usage. We will read a different substation every other month over the next two years and then will start reading 3 to 4 substations per year on a rotating basis. Meters that are set each month will be checked after 30 days to make sure they are reporting properly. Meter readings on collection cards will be compared to readings on the command center.

President Fraley wants Andrea McCleese to look at all reports generated and get rid of the unneeded one and keep the ones that are needed.

OPERATIONS REPORT

Kyle Clevenger, Manager of Operations, gave the Operations Report and the Safety Report. He reported on the following:

EMPLOYEE/LOST TIME ACCIDENT

There were no lost time accidents to report this month.

SAFETY REPORT

The following safety meetings were held during July:

July 08—Mike Martin, Asst. Manager of Operations, turned the meeting over to Carol Fraley who talked about CDL’S and showed a video about: The People at the End of the Lines”. She also read an article about members struggling with poverty and unemployment.

July 14—Andrea McCleese, Technical Services Supervisor, turned the meeting over to Nancy Madden who read from the safety manual 401 Personal Protective Equipment and 402 Eye and Face Protection. Carol Fraley discussed the meter reading program, the workplan for next year and bid letters for right of way and construction. Monthly safety give-a-way was today. Kyle discussed plans for rodeo practice.

SAFETY REPORT
(CONTINUED)

July 21—Brian Poling, Manager of Technical Services, discussed System Coordination, the basics plus some. Carol Fraley gave totals on meter reading service orders and reminded everyone to watch out for slips, trips, and falls. Kyle talked about Rodeo practice.

July 28—Priscilla Sparks, Executive Assistant, talked about GRECC facts and she had a documentary entitled ‘Singing Wires’. Carol Fraley presented Tina Preece a certificate of completion of Building Science Professional Training. Mrs. Fraley discussed the Rodeo results and reminded everyone to be careful and check for ticks.

Kyle continues to mention the necessity and importance of hard hats, rubber gloves and the importance of using ground chains. A line is not dead until it is grounded.

CONSTRUCTION

Construction built one hundred twenty-five (125) new work orders for the month of July and worked three (3) hours of overtime.

DELINQUENT NOTICES

The Maintenance & Construction Departments collected one hundred ninety-eight (198) delinquent accounts and disconnected fifty-nine (59) accounts in August.

OVERTIME HOURS

The Maintenance Department worked three hundred fifty-eight (358) hours of overtime. The Engineering Department worked six (6) hours of overtime.

CONTRACT CREWS

We have two (2) Pike crews working in the following areas:

Tony Seagraves – Brushy, Greenup County and New Construction
Jody Smallwood – Maintenance and New Construction

RIGHT-OF-WAY CREWS

We have eleven (11) W A Kendall right-of-way crews working on random jobs and work orders at this time. Crew’s trimmed 410 trees, cut 872 trees, cut 24,110 feet of brush/line and sprayed 338 spans of line. The crews are working in the following areas:

- 1 cutting crew in Carter, Lewis and Greenup Counties
- 1 cutting crew in Elliott and Lawrence Counties
- 1 cutting crew in Rowan County
- 1 bucket truck crew in Lawrence and Elliott Counties
- 1 bucket truck crew in Rowan County
- 1 bucket crew in Carter, Lewis and Greenup Counties
- 1 tractor crew in Carter County
- 1 spray crew in Lawrence County
- 1 spray crew in Carter County
- 1 spray crew in Rowan County
- 1 circuit crew in Carter County, Airport Road

ENGINEERING REPORT

The Engineering Department released one hundred fifty (150) prints consisting of 13,985 feet of primary line and 2,895 feet of service wire.

They currently have four (4) new services to be staked and three (3) to be drawn. There are ninety-eight (98) miscellaneous jobs to be staked or drawn, largely due to the substation readings.

H M HOLBROOK

President Fraley mentioned that Steven Burton read two meters at Carter City that were inactive and need to be retired. There were three houses in that area. Scott Speaks thought all three services were to be retired. The owner of the third house, Mr. Holbrook, had two freezers of fruit and both were ruined when the service was retired. The grocery store value of the loss was \$1,400 and he asked for \$700 compensation. Our insurance deductible is \$1,000, so we paid Mr. Holbrook \$700 for the mistake.

BRENDA SEXTON

We retired a service to a night light, as reported on the meter reading program. It was not close to a house or mobile home and was thought to have been left on by mistake when the mobile home was moved. However, it was billed to another account that was farther away. We retired the pole and light.

Brenda Sexton insists that a meter base and conduit were on the pole. Kyle Clevenger, Roger Kitchen and Chris Mosier said there was nothing on the pole. Since it was our word against hers, we reset the pole and night light, gave her one stick of conduit, a meter base and a weatherhead to resolve this issue.

APPROVAL OF NEW MEMBERSHIPS & RETIREMENT OF EXISTING MEMBERSHIPS

Motion was made by Director Rice, seconded by Director Dupuy and unanimously agreed to approve one hundred twelve (112) new memberships and retirement of one hundred twenty (120) existing memberships for July 2014.

BAD DEBT WRITE-OFFS

Motion was made by Director Martin, seconded by Director Whitt and unanimously agreed to charge off \$17,303.11 worth of bad debts and turn them over for collection.

APPROVAL OF CEO'S, DIRECTOR'S & ATTORNEY'S BUSINESS EXPENSES

Motion was made by Director Dupuy seconded, by Director Rice and unanimously agreed to approve the President's business expense of \$393.62, Director's business expenses of \$14,711.45, and Attorney's business expense of \$1,943.83.

RUS WORK ORDERS

Motion was made by Director Dupuy, seconded by Director Rice and unanimously agreed to approve the following 219 RUS Work Orders for the months of January, February and March 2014 in the amount of \$1,107,532.31:

January 2014	Work Order No. 1188	\$147,364.70
	Work Order No. 1189	\$36,402.39
February 2014	Work Order No. 1190	\$555,428.43
	Work Order No. 1191	\$14,439.75
March 2014	Work Order No. 1192	\$344,444.38
	Work Order No. 1193	\$9,452.66
	Total	\$1,107,532.31

PRESIDENT'S REPORT	President Fraley reported on the following:
UNIFORMS	It is time to order new FR clothing for the men. This will cost approximately \$30,000.
COLUMBUS DAY / ANNUAL CLEANING	President Fraley asked the Board to approve closing the office on Columbus Day, October 13, 2014 for the annual clean-up day. Motion was made by Director Dupuy, seconded by Director Martin and unanimously agreed upon. All employees will be working at headquarters, but the office will be closed and phones will be answered by CRC. There will be no field work.
COOP CALENDARS	The 2014 GRECC calendars will be passed out during October, Coop month.
UNDERGROUND / OVERHEAD PRICES	Don Combs is working to develop upgraded pricing for overhead versus underground service. The consumer must dig the ditch and lay the pipe and it appears there is very little difference in the price.
PRE-PAID	Pre-paid is bringing in a lot of money on off service accounts. One third of each pre-payment goes to the off-service account. The remainder goes on the current account.
BLAINE BANK	Director Arrington said Blaine Bank will be changing names.
JIM BENTLEY	Board Policy 525, Ethics and Conflict of Interest Policy – establishes a procedure governing ethics and conflict of interest as they affect Grayson RECC. President Fraley pointed out for the record that Director Bentley owns Grayson Automotive Supplies, where GRECC has an account.
FEDERATED REIE KAEC WORKERS' COMP GROUP INSURANCE	The KAEC Worker's Compensation Group Retention Fund for the year 2012, 2013, and 2014 has earned dividends totaling \$660,789, with a 20.3% savings this reporting period on the group's workers' compensation premium. Grayson received \$14,042 for 2012 and \$18,528 for 2013 making the check total \$32,570. Statewide received a check for \$175,000.
CFC VOTING DELEGATE	Director Whitt will serve as the Voting Delegate and Director Trent as Alternate to CFC's 2014 District Meeting in Jacksonville, Florida on September 24, 2014.
EMPLOYEES AND DIRECTORS METERS	All the employees and directors meters have been read. We do this twice a year.
COMPANY PICNIC	We hope to have a company picnic in September.
MANAGERS QUARTERLY MEETING	President Fraley attended the Managers Quarterly Meeting last week in Lexington.
FEDERATED SAFETY LAB	President Fraley attended a Federated Safety Lab in Lexington last week and the results of the meeting should be known in October.
RANDY BAILEY	Consumer Randy Bailey on Cascade Road called Jim Bentley about an issue he has with his leach line and electric. President Fraley said she would check into it on Monday.

LEGAL COUNSEL'S REPORT Legal Counsel Scott reported on the following:

Response was mailed to PSC on environmental surcharge matters.

Mr. Scott participated in a conference call Monday with Greg Shepler, Morgan Stanley Capital Markets rep, Don Combs, Bradley Cherry and Carol Fraley. They sell power and we told them we need 9.3 megawatts of power under Amendment 3 to our Wholesale Power Contract with EKPC. Mr. Scott had questions on how the Commission would approve this and how EKP would go along with it. Mr. Scott will create a draft contract for the amount of power we would like to purchase from them. The pricing would be effective January 1, 2015. The previous pricing will have a savings of over \$400,000. Morgan Stanley thinks PJM will not be a problem to deal with.

Legal documents were received on a William Howard Adkins and Marrian A. Adkins suit against CMH Homes.

Letters were written for non-compliance electric safety from the substation readings. A letter to Mt. Outreach Church in Willard regarding the meter inside of building was written and they are to have corrected by August 25th. The last complied date was August 20th. He mailed a note to CFC approving opinion of counsel.

KAEC DIRECTOR'S REPORT Director Whitt reported KAEC did not meet during the month of August due to the Fall Manager's Meeting.

EKPC DIRECTOR'S REPORT Director Arrington said most of his report was discussed during the meeting. During the Strategic Initiative EKPC said they are talking with Big River. Mark Bailey, retiring Manager, talked about losing the smelters, about 70% of their load. EKPC has put out an RFP for 300 megawatts.

Taylor County has a new director seated on the EKPC Board. Raymond Rucker replaces Greg Bardin, who was defeated in the Cooperative election.

DONATIONS

We received a thank you from the Carter County 4-H Council for the Forest Leadership Scholarship.

President Fraley presented to the Board for their consideration the following donation requests:

Lewis County Band Boosters	\$100
8 th Annual Golf Scramble –Pathways	\$100
Grayson Area Chamber – golf scramble sponsor	\$200
Greenup County Cheerleaders – golf tournament	\$100
Carter City Elementary – fall festival	\$50
Elliott Co. Christian Community Center	\$100
Elliott County Fair – donation	\$500
Greenup Country Golf – golf team – Mike Blevins's son plays	\$100
Greenup County Youth Livestock –Greenup Co. Fair	\$500
Community Hospice – fundraiser	\$125
Grayson Tourism and Convention Commission – KY ST Fair	- donated
crazy bands for kids, blanket and handkerchief	

DONATIONS
(CONTINUED)

Smithfield wants to sponsor a community service event at Halloween with First National Bank, at the Convention Center for United Way

Motion was made by Director Martin, seconded by Director Dupuy and unanimously agreed to approve the donations as presented.

MEETING ATTENDANCE

The following upcoming meetings presented for attendance this month.

2014 KMMA Annual Conference, September 17-18 – Louisville, - Kippy James and Bradley Cherry

2014 Fall KMSA Workshop – October 16-17, Cumberland Falls State Resort Park – Kim Bush and Tina Preece

Touchstone Energy Service Excellence – Part 1 – CS Representatives.

KAEC / KRUS Environmental Workshop, Nolin RECC, Elizabethtown – September 11-12, Kippy James

Hot Line Skills Workshop, Danville, KY October 1-3 – Shane McDavid and Bryan Rogers

2014 PowerUp, Savannah GA – September 21-24 – Priscilla Sparks (possibly)

EKPC energy advisor / communicators – marketing training in Nashville, TN – November 11-12, Kim Bush, Tina Preece and Julie Lewis

BOARD POLICIES

President Fraley suggested, due to lack of time, to present revised and reaffirmed Board Policies and the GRECC Bylaws Article 4, to the Board at the September Board Meeting.

Motion was made by Director Martin, seconded by Director Dupuy and unanimously agreed upon to table all board policies and GRECC Bylaws Article 4.

BOARD MEETING DATE

The September Board Meeting will be held on Monday, September 29 at 9:00 a.m.

ADDITIONAL BUSINESS

There was no additional business to bring before the Board of Directors.

ADJOURN

Chairman Trent adjourned the meeting at 1:00 p.m. and went outside to the open house for GRECC's solar project.

Roger L. Trent, Chairman

Billy E. (Eddie) Martin, Secretary/Treasurer

W. Jeffrey Scott, Legal Counsel

On September 29, 2014 at 9:00 a.m. Grayson Rural Electric Cooperative Corporation held a regular board meeting at its office in Grayson, Kentucky called by the Chairman, for the transaction of such business as outlined in the letter of call. Chairman Trent called the meeting to order pursuant to the Waiver of Notice signed by the Directors and all were present. Others present included: Carol Hall Fraley, President and CEO; W. Jeffrey Scott, Legal Counsel; and Priscilla Sparks, Executive Assistant.

INVOCATION	Director Rice gave the invocation.
APPROVAL OF MINUTES	Motion was made by Director Rice, seconded by Director Dupuy and unanimously agreed to approve the minutes from the August Board Meeting for informational purposes only.
FINANCIAL REPORT	Don Combs, Manager of Finance and Accounting presented the Financial & Statistical Report for July 2014. Mr. Combs reported on the following:
FINANCIAL & STATISTICAL REPORT FOR JULY 2014	Kilowatt hour sales for the month of July (7/20-8/20) were 14.27% under budget. Purchases for the time period of 7/1-31 were 8.81% under budget. Line loss for the last twelve months was 5.49%. Year to date margins were (\$229,491) compared to the budgeted amount of \$465,380.
SALES	Bradley Cherry prepared a graph on sales for 2005-2014. The graph showed July 2005 with high sales of 17 million kWh, July 2010 with 18 million in kWh sales, and July 2014 sales were less than 12 million kWh. The cooling degree days for this July were lower than July 2013.
SOLAR PROJECT	Our Solar Project is just about finished and the weather station is connected. Jackson Energy would like to come up and look at it. Director Dupuy requested a monthly report on the Solar installation.
PSC	GRECC had an informal teleconference with PSC concerning ETS's. We are providing information to the PSC on the environmental surcharge for the last 6 months.
POST 65 INSURANCE PLAN	Bradley Cherry reported Humana would be here October 13 th to talk to retirees who are 65 and over.
APPROVAL OF FINANCIAL & STATISTICAL REPORT FOR JULY 2014	Motion was made by Director Dupuy, seconded by Director Martin and unanimously agreed to approve the Financial and Statistical report for July 2014, as presented for informational purposes only.
AUDIT REPORT	Alan Zumstein, CPA, presented the Management Letter concerning the Fiscal Audit for June 1, 2013 through May 31, 2014. He stated the following: No difficulties were encountered, all information was provided as requested, and no audit adjustments were made, which was a good reflection on the staff. T.I.E.R. was 2.2, compared to last year's less than 1, so the rate increase did what it was designed to do. Our equity ratio is less than 30% of our assets. Motion was made by Director Rice, seconded by Director Bentley and unanimously agreed to approve the financial audit as presented, for informational purposes only.

TECHINICAL SERVICES
SUPERVISOR

Brian Poling, Technical Services Supervisor, reported on the following:

President Fraley stated GRECC participated with EKPC on the Load Forecast, which is normally done every two years. Starting in 2017, load forecasts will be done every three years. We explained to EKPC that Grayson has no residential growth and that we do not expect any increase in kWh sales.

EKPC LOAD FORECAST

President Fraley and Brian Poling presented the 2014 EKPC Load Forecast and read the following Resolution:

CONTINUE TO PAGE 3

Grayson Rural Electric Cooperative Corporation

109 Bagby Park • Grayson, KY 41143-1292
Telephone 606-474-5136 • 1-800-562-3532 • Fax 606-474-5862

GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION


RESOLUTION

WHEREAS, the 2014 Load Forecast Study has been prepared by East Kentucky Power Cooperative (EKPC) using an end-use model, with full participation of Grayson Rural Electric Cooperative's President and Staff;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors approves the 2014 Load Forecast Study for use in the Four Year Work Plan, Financial Forecast and other studies, and as part of the EKPC Load Forecast Study.


Roger L. Trent, Board Chairman

September 24, 2014
Date

A Touchstone Energy Cooperative 

Motion was made by Director Martin, seconded by Director Rice and unanimously agreed to approve said resolution as presented.

2015-2018 CONSTRUCTION
PLAN

President Fraley handed out the proposed 2015-2018 Construction Work Plan and reviewed it with the Directors and Staff. Consideration of adoption and approval will come at the October Board meeting. President Fraley anticipates five years to complete the proposed work plan and noted we are in the sixth year of our current work plan. Everything in the work plan is based on the following criteria:

1. number of outages
2. voltage
3. amperage
4. fluctuation and blinks
5. safety
6. age and condition of line

Brian Poling explained when a work plan is done RUS requires us to “grow the system”. Those numbers come from the Load Forecast and Mike Norman, RUS Field Representative’s opinion. This year we will stretch the system to 85 megawatts. We include a 5% per year adder to the work plan prices for inflation.

Don Combs is working on overhead and underground differential in this work plan. The Consumer is required to dig the ditch, lay the pipe and pull the wire. We do not think there will be a large increase in price.

Director Dupuy asked Brian to explain ‘sectionalized’. Brian said it locates faults during outages. This allows us to upgrade line sections and most importantly, saves outage time and wider spread damage.

The total of the workplan is \$20,000,000 and the last one was \$16,900,000 for 2009 – 2014. The construction contract will correspond to the workplan and will be for the scope of work in the contract, not for the length of time.

Twelve bid qualification packets were mailed and we received nine back. Out of the nine, four were denied and five accepted. The five accepted were Pike Electric, B & B, Southern, Elliott, and Bluegrass. Plans are to mail the bids out the week of October 21st and bring a recommendation from the Staff back to the November Board Meeting for approval. A Certificate of Public Convenience and of Necessity will be filed with PSC after board approval in November. We would like to have the contractor ready to work January 2, 2015.

RT 519 – STATE HIGHWAY
PROJECT

President Fraley reported that the Transportation Cabinet has a project on Rt. 519 and we are working on preliminary plans now. She asked for the State to pay for a contracted surveyor in the approximate amount of \$25,676 and a letter has been mailed to the state in regard to this and estimated cost of the work in the amount of \$178,202. This would also be paid by the state. Expected start date for the State is March 2016 and we have to have our work completed before they are ready.

GENESIS RECOVERY
CENTER

Genesis Recovery Center is going to be built this side of K-Mart on C. W. Stevens Blvd. and will require some 3 phase change out. They are aware of the situation and that it will be at their cost.

CFC COMPASS 3
FINANCIAL FORECAST

Don Combs and Bradley Cherry presented a financial forecast program showing how the twenty million dollar work plan impacts our financials works. Bradley explained how our forecast works and projected the annual debt.

MANAGER OF MARKETING
& MEMBERS SERVICES

Kim Bush, Manager of Marketing and Member Services, said the Editor of the company that prints our calendars sent Julie a letter commending her on the calendar. Julie has just received her Associates and was on the dean's list. Calendars will be handed out in October during Cooperative Month.

The Greenup County Fair "Day at the Races" had a record number (38) of kids participate.

Bellfonte mammogram for coop employees was held in August at the Coop. Kim Bush and Tina have been invited to appear on two different segments of the WSAZ morning show.

Kim will be doing the honors flight. Kelly Nuchols will be our guest on the fourth annual Honors Flight program.

PACTOLUS SUBSTATION

The Pactolus Substation meter reading program resulted in 41 retirements, 95 letters, 21 engineering service orders, 42 rate and class changes and 28 service orders to date.

IVR

We are encouraging our members to use the IVR system to make payments. We did a survey and the girls took 1,378 payments and IVR took 1,314 payments. Director Whitt asked if prepay can be done the same way and it can.

PREPAY

There are 241 active prepay accounts. We are trying to get consumers with bad credit to use prepay. We mailed 1200-1500 post cards to consumers targeting them for Prepay. Consumers get a text or email every day in regards to their prepay status. We do not allow it to disconnect on weekends or holidays. Prepay consumers don't like the fact that they can't call in and complain and they can't get an extension.

President Fraley said we are catching malfunctioning meters early. Two meters malfunctioned and new bills were submitted and the consumer never realized there was an issue.

GRECC WEBSITE

Our current website is on Apogee and we pay for it. Julie is working with a company through Touchstone Energy and this has to be completed by October and does not cost us anything.

FALL OUTING

On Saturday, October 18th, GRECC plans on a fall outing at the Grayson Bowling Alley, from 5:00 p.m.-10:00 p.m. for employees, directors, and family. Bowling and shoe rentals are, but tennis shoes are allowed. Pizza, soft drinks and snacks will be served.

Motion was made to contribute \$500 to the fall company outing by Director Martin, seconded by Director Dupuy, and unanimously agreed upon.

SOLAR UNITS

We now have three solar accounts. Members cannot sell power to us at a profit. They could get a credit, but these do not produce enough. We keep all employees informed about where they are, but they are supposed to have an automatic disconnect on each unit. This can be a safety hazard.

GEOTHERMAL REBATE	Tina said there would be a \$300 rebate on geothermal purchases made October 15 th and after.
FLU SHOTS	Flu shots will be given Monday, October 13, 2014 from 7:30 a.m. – 9:30 a.m. at GRECC for employees, family, retirees, and directors.
ANNUAL YEARS OF SERVICE / CHRISTMAS DINNER	Kim stated the Years of Service Awards Dinner will be at a new location. It will be at the Olive Hill Historical Society, (former Olive Hill High School; up on the hill) on December 12 th . Texas Road House will cater and Easterling Photography will take family photos.
OPERATIONS REPORT	Kyle Clevenger, Manager of Operations gave the Operations Report. He reported on the following:
EMPLOYEE/LOST TIME ACCIDENT	There were no lost time accidents to report this month.
SAFETY REPORT	<p>The following safety meetings were held during August:</p> <p>August 04—Sherry Buckler, General Accounting Supervisor turned the meeting over to Steve Stiles & Homer Wells with EKPC. Steve’s topics were: A Safety Moment, Sabotage Awareness, System Restoration, and Lock Out/Tag Out.</p> <p>August 11—Kim Bush’s, Mgr. of Marketing & Member Services, topic was “Tips for Reading Dial Meters” and she discussed what to look for during meter reading programs. The monthly safety give-a-way was today.</p> <p>August 20—Bradley Cherry, Purchasing Agent, turned the meeting over to David White for KAEC’s monthly safety meeting. He did an accident review, a fatality on a Mississippi crew, and safety manual references 507.1L, 507.8B, and 507.13(E2). He gave an update of Federated lab exercises and also stressed the importance of upcoming CPR classes.</p> <p>August 25th & 26th—Kyle Clevenger, Manager of Operations, turned the meeting over to Vernon Shearer from EKPC. Vernon attended for two days of First Aid and CPR training and certification.</p> <p>Kyle continues to mention the necessity and importance of hard hats, rubber gloves and the importance of using ground chains. A line is not dead until it is grounded.</p>
CONSTRUCTION	Construction built one hundred forty-eight (148) new work orders for the month of August and worked zero (0) hours of overtime.
OVERTIME HOURS	The Maintenance Department worked three hundred fifty-eight (358) hours of overtime during the month of August.
DELINQUENT NOTICES	The Maintenance & Construction Departments collected on one hundred thirty-four (134) delinquent accounts and disconnected twenty-six (26) accounts in September.
CONTRACT CREWS	<p>Our Pike crews have been working in the following areas:</p> <p style="padding-left: 40px;">Tony Seagraves – Brushy, Greenup County and New Construction</p>

Jody Smallwood – Maintenance and New Construction

RIGHT-OF-WAY CREWS

We have eleven (11) W A Kendall right-of-way crews working on random jobs and work orders at this time. Crew's trimmed 792 trees, cut 1,116 trees, cut 28,675 feet of brush/line and sprayed 348 spans of line. The crews are working in the following areas:

- 1 cutting crew in Carter, Lewis and Greenup Counties
- 1 cutting crews in Elliott and Lawrence Counties
- 1 cutting crews in Rowan County
- 1 bucket truck crew in Lawrence and Elliott Counties
- 1 bucket truck crew in Rowan County
- 1 tractor crew in Carter County
- 1 bucket crew in Carter, Lewis and Greenup Counties
- 1 spray crew in Lawrence County
- 1 spray crew in Carter County
- 1 spray crew in Rowan County
- 1 circuit crew in Carter County

Summer spraying is over and we only have one crew doing dormant spraying.

ENGINEERING REPORT

The Engineering Department released one hundred eighty-two (182) prints consisting of 3,220 feet of primary line and 2,325 feet of service wire. We currently have four (4) new services to be staked, two (2) to be drawn and twenty-four (24) miscellaneous jobs to be staked or drawn.

RIGHT OF WAY

Mike Martin reported we received bids back from Townsend, Asplundh, Kendall and Merciers. W A Kendall was the low bidder. All five bids were compared in the board meeting. Work will run concurrently with the workplan, a minimum of four years.

Motion to accept W A Kendall's contract for the right-of-way bid, was made by Director Rice, seconded by Director Bentley, and unanimously agreed upon.

WAGE AND SALARY

Director Martin read the minutes from the September 19, 2014 Planning and Review Committee, which recommended a 4.12% raise for non-union employees. This is equivalent to the Union increase this year. The Committee also suggested an additional \$300 per month for Mike Martin and \$5,000 reserved for merits at the discretion of President Fraley.

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Planning & Review Minutes
September 19, 2014

The Planning and Review Committee of Grayson R.E.C.C. met September 19, 2014 at G.R.E.C.C. Headquarters, Grayson, Kentucky for the purpose of reviewing the 2014-2015 Wage and Salary Plan.

Board Chairman Trent called the meeting to order at 8:29 a.m. Those in attendance were Director Eddie Martin, Committee Chairman; Director Harold Dupuy, Director William T. Rice; and Ex-officio Roger Trent, Board Chairman. Others present included Carol Hall Fraley, President & CEO; Bradley Cherry, Purchasing Agent / Finance; and Priscilla Sparks, Executive Assistant.

Director Martin asked Director Dupuy to give the invocation.

President Fraley reminded the Committee that this is the first wage adjustment consideration under the new wage and salary structure that was adopted in August. As she does with the union, she looked at KAEC's 2013 (2012 wages, the latest one we have) wage survey for comparison. GRECC's wages are solidly in the middle. She compared staff and some hourly jobs. President Fraley spent \$3,300 of her reserve merit money this year. She had not used the merit money for the last 2 to 3 years.

President Fraley asked Bradley Cherry to calculate current wages on 2%; 3%; 3.5%; and 4.12% which is equivalent to the Union increase this year.

2%	\$33,760.45
3%	\$50,640.67
3.5%	\$59,080.79
4.12%	\$69,546.52

Director Dupuy pointed out that PSC raked us over for rate increases. He says we need to be consistent in what we do.

Bradley gave each Director a handout of the proposed wages and salary increase for 2014-2015.

President Fraley said she would like to reserve the \$5,000 merit and give Mike Martin an extra \$300 in addition.

Director Martin asked how soon Don planned to retire. President Fraley said he had given her a date of March 6, 2015. However, due to illness in his family, that has been put on hold for the present time.

Mr. Cherry told Director Dupuy the union contract was an increase of \$1.25 per hour. Director Martin said he also felt the Union and inside wage increases should be

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Planning and Review Committee
Page 2

consistent. Since we are late in setting the increase for 2014-15, those employees with September appraisal dates would be retroactive to that date.

Motion was made by Director Dupuy, seconded by Director Rice and unanimously agreed upon to give GRECC Employees the same as the GRECC Union Employees, a 4.12% increase on wage and salary, \$300 per month extra for Mike Martin, plus \$5,000 reserve for merit.

Director Martin adjourned the meeting at 9:14 a.m.



Billy E. 'Eddie' Martin
Planning and Review Committee Chairman

Director Whitt made a motion to accept the 2014-2015 Wage and Salary as presented, seconded by Director Arrington, and unanimously agreed upon.

APPROVAL OF NEW MEMBERSHIPS & RETIREMENT OF EXISTING MEMBERSHIPS

Motion was made by Director Dupuy, seconded by Director Martin and unanimously agreed to approve one hundred twenty-seven (127) new memberships and retirement of one hundred one (101) existing memberships for August 2014.

BAD DEBT WRITE-OFFS

Motion was made by Director Martin, seconded by Director Whitt and unanimously agreed to charge off \$5,783.27 worth of bad debts and turn them over for collection.

APPROVAL OF CEO'S, DIRECTOR'S & ATTORNEY BUSINESS EXPENSES

Motion was made by Director Martin, seconded by Director Dupuy and unanimously agreed to approve the President's business expense of \$773.77, Director's business expenses of \$8,745.25 and Attorney's business expense of \$30.03.

RUS WORK ORDERS

Motion was made by Director Martin, seconded by Director Whitt and unanimously agreed to approve the following 219 RUS Work Orders for the months of April, May, and June 2014 in the amount of \$538,511.69:

March 2014	Work Order No. 1194	\$171,423.95
	Work Order No. 1195	\$9,690.97
April 2014	Work Order No. 1196	\$158,068.83
	Work Order No. 1197	\$7,251.46
May 2014	Work Order No. 1198	\$182,979.13
	Work Order No. 1199	\$9,097.35
	Total	\$538,511.69

PRESIDENT'S REPORT

President Fraley reported on the following:

She has been working on the Right of Way Bids, plans for budget and the new work plan. She has started a blog, at the suggestion of Legal Counsel, and would be glad to hear of any issues the Board would like to have addressed.

DAVID HOLBROOK

David Holbrook will go off on disability in December following his surgery. He will draw long term disability until he is 65.

NEW EMPLOYEE

We will be hiring a second year apprentice, Tony Brewer from Wolf County and he will be moving to this area. He worked Friday with our crews and comes highly recommended by Jim Speaks.

ANNUAL CLEANING

The office will be closed October 13, 2014 for annual clean up.

KENTUCKIANS FOR THE COMMONWEALTH

We received a copy of the Kentuckians for the Commonwealth letter that was to be mailed. President Fraley asked them to remove our name and not send out literature on our behalf.

142.40 ACCOUNTS

The following 142.40 accounts (rent accounts) to be charged to reserved totaling \$3,070.83 was presented to the Board:

Kevin Gose, \$1,183.98 and
Greg Steele, \$1,886.85

2013 KAEC PATRONAGE DIVIDENDS	KAEC submitted a check to GRECC in the amount of \$121.41 for the 2013 patronage dividend allocation. The dividend allocation is \$607.07 (booked).
UNITED UTILITY SUPPLY COOPERATIVE PATRONAGE DIVIDENDS	UUSC submitted a check to GRECC in the amount of \$471.66 to represent 20 % of the patronage dividend allocation of \$2,358.29 (booked).
POLE ATTACHMENTS	All of the telephone companies have paid for their 2013 attachments, as of August 25, 2014. They are AT&T, Foothills, Kentucky Data Link, Mountain Rural, and Windstream.
CRC PATRONAGE REFUND	CRC submitted a check to GRECC in the amount of \$408.00 for the Member Patronage Refund for CFC's Fiscal Year 2013. The pro-rate portion of this allocation is \$2,038.00 (booked).
KAEC VOTING DELEGATES	Voting delegates to the 2014 KAEC Annual Meeting and Board of Directors will be Harold Dupuy and alternate Roger Trent. Jimmy Whitt and Carol Fraley will be the KAEC Director and Alternate Director, respectively.
LEGAL COUNSEL'S REPORT	Legal Counsel Scott reported on the following:
CHARLESTON BOTTOMS	The judge has ruled in the Charleston Bottoms Case that there will be no summary judgment for us or East Kentucky Power and he will recommend a jury trial. Legal Counsel explained what happens in a jury trial to the Directors.
KAEC DIRECTOR'S REPORT	Director Whitt reported on the following: This was Chris Perry's first meeting as CEO and Ted Hampton as President. No staff reported to the Board except Eric King. President Fraley pointed out they use an outside firm for their legal matters. Joni Hazelrigg was seated on the board as Manager of Fleming-Mason Energy. Eston Glover encouraged everyone to attend the Regions 2 & 3 Meeting.
EKPC DIRECTOR'S REPORT	Director Arrington reported that most of his report had been covered during the discussion of issues pertaining to EKPC. Mike McNalley stated margins were \$1.5 million less than budgeted due to lower than anticipated revenue and related purchased power expenses due to mild weather conditions. July year to date margins exceeded budget, largely due to high first quarter sales resulting from abnormally cold weather, partially offset by higher than expected purchases and fuel cost. Equity is 14.4%. There was a fuel spill at Spurlock 4 and 1600 gallons of fuel was released into the Ohio River. EPA inspected the cleanup. Director Whitt asked if we are going to get billed for the fly ash and yes, we will. CEO Campbell plans to visit each Member System CEO before the end of the year.

THANK YOU LETTERS We received thank you notes from the Gerad Maggard Memorial Children's Charities annual bike rally in August; Elliott County Christian Community Center Inc. for aiding relocation expenses; Community Hospice –Gathering at the Barn event; and the Elliott County Tobacco Festival.

DONATIONS President Fraley presented to the Board for their consideration the following donation requests:

Star Elementary - Book Fair gift certificate for students	\$50
West Carter High School – volleyball team	\$50
ECHS Boys & Girls Golf Team – hole sponsor	\$50
NYN Foundation – 4 th Annual Memory Walk	\$100
Hope's Place – golf scramble – hole sponsorship	\$100
Tygart Creek Elementary – 2014 Tiger Run 5K sponsor	\$50
Elliott Co. Extension for Family & Consumer Science – storytelling festival at elementary schools	\$100
Unity Baptist Church – Blaine Fall Festival	\$100
Blaine High School Reunion – Blaine Alumni Scholarship	\$125
Grayson Area Chamber of Commerce –Funtober Fest	\$100
Ashland Alliance Foundation -Youth Leadership –tuition	\$80

Motion was made by Director Arrington, seconded by Director Martin and unanimously agreed to approve the donations as presented.

MEETING ATTENDANCE Meetings presented for attendance this month:

KAEC Annual Meeting, Louisville, KY, November 17-18, 2014: Roger Trent, William Rice, Harold Dupuy, Jimmy Whitt, Eddie Martin, Kenneth Arrington, Jim Bentley, Carol Hall Fraley and some staff members.
NRECA Director's Winter School, December 2014, Nashville, TN

BOARD MEETING DATES The October Board Meeting will be Monday, October 20, 2014.

ADDITIONAL BUSINESS There was no additional business to come before the board of directors.

ADJOURN Chairman Trent adjourned the meeting at 1:04 p.m.

Roger L. Trent, Chairman

Billy E. (Eddie) Martin, Secretary/Treasurer

W. Jeffrey Scott, Legal Counsel

On October 15, 2014 at 9:00 a.m. Grayson Rural Electric Cooperative Corporation held a special board meeting at its office in Grayson, Kentucky called by the Chairman, for the transaction of such business as outlined in the letter of call. Chairman Trent called the meeting to order pursuant to the Waiver of Notice signed by the Directors and all were present. Others present included: Carol Hall Fraley, President and CEO; and Priscilla Sparks, Executive Assistant.

INVOCATION Director Dupuy gave the invocation.

CHARLESTON BOTTOMS President Fraley stated the special meeting was called in regards to East Kentucky Power's request to meet with Grayson Rural Electric's Board of Directors, as requested at EKPC's October 2014 Board Meeting.

EXECUTIVE SESSION Director Martin made a motion to go into Executive Session, seconded by Director Whitt. Motion carried unanimously. President Fraley and Director Arrington attended the October 7th East Kentucky Power monthly board meeting. They were asked not to leave during Executive Session. Mr. Campbell asked if Tony Campbell, Paul Hawkins and a few others could meet with GRECC representatives on Case 2012-0270. EKPC specified that no attorneys would be present. Grayson agreed to try to set up the meeting for the following week on October 16.

The Grayson RECC Board and Staff thoroughly discussed what would be acceptable and necessary to cause us to drop proceedings in the Charleston Bottoms case. The Board agreed to meet with EKPC representatives on October 16, 2014.

Motion was made by Director Martin, seconded by Director Whitt and unanimously voted to come out of Executive Session at 11:55 a.m.

ADJOURN Chairman Trent adjourned the meeting at 11:56 a.m.

Roger L. Trent, Chairman

Billy E. (Eddie) Martin, Secretary/Treasurer

On October 24, 2014 at 8.38 a.m. Grayson Rural Electric Cooperative Corporation held a special board meeting at its office in Grayson, Kentucky called by the Chairman, for the transaction of such business as outlined in the letter of call. Chairman Trent called the meeting to order pursuant to the Waiver of Notice signed by the Directors and all were present. Others present included: Carol Hall Fraley, President and CEO; W. Jeffrey Scott, Legal Counsel; and Priscilla Sparks, Executive Assistant.

INVOCATION

Director Whitt gave the invocation.

CHARLESTON BOTTOMS

President Fraley asked the Board to consider crafting a response to East Kentucky Power's request for Grayson Rural Electric's Board of Directors, to submit a proposal for a settlement to the Charleston Bottoms case.

Director Martin made a motion to go into Executive Session at 8:40 a.m., seconded by Director Whitt. Motion carried unanimously.

The Grayson RECC Board and Staff thoroughly discussed what would be acceptable and necessary to cause us to stop proceedings in the Charleston Bottoms case.

Motion was made by Director Martin, seconded by Director Dupuy and unanimously voted to come out of Executive Session at 9:52a.m.

CHARLESTON BOTTOMS
CASE PROPOSAL TO EKPC

Motion was made by Director Dupuy, seconded by Director Rice and unanimously agreed upon, to have Legal Counsel Scott to prepare two alternate proposals to settle the Charleston Bottoms case and send them to East Kentucky Power Cooperative and all Member Systems Legal Counsels.

ADJOURN

Chairman Trent adjourned the meeting at 10:05 a.m.

Roger L. Trent, Chairman

Billy E. (Eddie) Martin, Secretary/Treasurer

W. Jeffrey Scott, Legal Counsel

On October 20, 2014 at 9:05 a.m. Grayson Rural Electric Cooperative Corporation held a regular board meeting at its office in Grayson, Kentucky called by the Chairman, for the transaction of such business as outlined in the letter of call. Chairman Trent called the meeting to order pursuant to the Waiver of Notice signed by the Directors and all were present. Others present included: Carol Hall Fraley, President and CEO; W. Jeffrey Scott, Legal Counsel; and Priscilla Sparks, Executive Assistant.

INVOCATION

Director Dupuy gave the invocation.

APPROVAL OF MINUTES

Motion was made by Director Rice, seconded by Director Bentley and unanimously agreed to approve the minutes from the September Board Meeting for informational purposes only.

MANAGER OF TECHNICAL SERVICES

Brian Poling, Manager of Technical Services reported on the following:

There have been daily attempts to infiltrate our Information Technology Systems, but we have been able to block them. Last week our network switch went out and it cost \$3,600 to repair.

Our telephone system also experienced problems last week. The existing phone system is seven years old and the technology no longer valid. Brian planned to budget for a new phone system in the next budget.

2015-2018 WORK PLAN

President Fraley addressed the work plan for 2015-2018 and asked if there were any questions as it presented at the September 29, 2014 Board Meeting. No additional questions were forthcoming and she then read "The Resolution for the Four-Year Construction Work Plan" dated for 2015-2018 in the amount of \$20,705,201.00, prepared by Leidos, Inc. and Brian Poling.

Director Martin made a motion to accept the 2015-2018 Work Plan as presented, seconded by Director Dupuy and unanimously agreed upon by the Board.

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Grayson Rural Electric Cooperative Corporation

109 Bagby Park • Grayson, KY 41143-1292
Telephone 606-474-5136 • 1-800-562-3532 • Fax 606-474-5862

RESOLUTION

WHEREAS, a Four-Year Construction Work Plan dated 2015-2018 in the amount of \$20,705,201.00 has been prepared by Leidos, Inc. and Brian Poling, Grayson Rural Electric Cooperative Corporation's Manager of Technical Services.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of Grayson Rural Electric Cooperative Corporation hereby approves the 2015-2018 Work Plan as a plan of action, to be followed, or until amended with the approval of RUS.

I, Billy E. (Eddie) Martin, Secretary of Grayson Rural Electric Cooperative Corporation hereby certify that the foregoing is a true and correct copy of an excerpt taken from the minutes of a regular meeting of the Board of Directors held on October 20, 2014.


Billy E. (Eddie) Martin, Secretary/Treasurer

2015-2018 WORK PLAN
(CONTINUED)

The construction work plan packets will be mailed this week. The five contractors eligible to bid are Southern Electric, Pike Electric, Davis H. Elliott, Bluegrass Central, and Service Electric. When the bids are received, Staff will evaluate and compare them and make a recommendation to the Board at the November Board Meeting. Director Dupuy suggested that time be allotted to thoroughly review the bids. A special board meeting will be on Thursday, November 20th, at 9:00 a.m.

Director Martin asked if a performance bond was required and President Fraley said that Mike Norman had checked on this and it was not required.

FINANCIAL REPORT

Don Combs, Manager of Finance and Accounting, presented the Financial & Statistical Report for August 2014. Mr. Combs reported on the following:

FINANCIAL & STATISTICAL
REPORT FOR AUGUST

Kilowatt hour sales for the month of August (8/21-9/20) were -.54% under budget. Purchases for the time period of 8/1-31 were -6.70% under budget. Line loss for the last twelve months was 5.60%. Year to date margins were (\$330,743) compared to the budgeted amount of \$272,960. Maintenance was \$71,000 more than anticipated due to right of way circuit work and a 5 week month.

PSC CASES

Other things we are involved with are cases with the Public Service Commission; ETS Case; Schedule 3; Environmental Fuel Surcharge review, and the Fuel Adjustment Clause intervention with EKPC.

Current capital credit checks for member estates have been paid and are up to date.

APPROVAL OF FINANCIAL
& STATISTICAL REPORT
FOR AUGUST 2014

Motion was made by Director Dupuy, seconded by Director Rice and unanimously agreed to approve the Financial and Statistical report for August 2014 as presented, for informational purposes only.

OPERATIONS REPORT

Kyle Clevenger, Manager of Operations, gave the Operations Report & Safety Report with Mike Martin, Assistant Manager of Operations. Mr. Clevenger reported on the following:

LOST TIME ACCIDENT

There were no lost time accidents to report this month.

SAFETY REPORT

The following safety meetings were held during September:

September 02 —Don Combs, Manager of Finance & Accounting, discussed retirement updates, monthly annuities, cost of living annuities, changes in NRECA insurance for age 65 plus and new 401K fund for 2050 retirees. President Fraley addressed the meter reading program and gave an update on capital credit rebates.

September 09 —Carol Fraley, President and CEO, turned the meeting over to David White for the KAEC monthly safety meeting discussing Capacitor Training with Safety Manual reference 507.10. He discussed capacitor safety, PPT, and had a demonstration with the units. Other items covered: Bradley Cherry – FR clothing reordering; monthly safety give-a-way; and Kyle reminding everyone, “If a line is not grounded it is not dead”.

SAFETY REPORT
(CONTINUED)

September 15 —Mike Martin, Assistant Manager of Operations, read a piece entitled “Are You Your Brother’s Keeper” written by Steve Hedden, consultant for Safety Home Utility Training Services. The article stated that every crew member has a responsibility for safety on the job. Kippy reminded everyone to watch for the old black transformers and have them changed out. Don and Carol Ann talked about idle services. Bradley reminded everyone to order their FR clothing.

September 22 —Andrea McCleese, Technical Services Supervisor, turned the meeting over to Nancy Madden, who read the Bloodborne Pathogens Exposure Control Plan, passed out form for anyone requesting the Hepatitis B vaccine. Carol Fraley presented Joe Sargent a Certificate of Training for the completion of 8 hour Hazardous Waste Site worker refresher course. Kyle asks everyone to check for washed out poles that may need attention.

September 30 —Brian Poling, Mgr. of Technical Services, topic was on Staphylococcus Aureus (a common bacteria in the body), staph infections and MRSA. He talked about how these infections were contagious and how to avoid them.

Kyle continues to mention the necessity and importance of hard hats, rubber gloves and the use of ground chains. A line is not dead until it is grounded.

CONSTRUCTION

Construction built one hundred fifty-eight (158) new work orders for the month of September and worked zero (0) hour of overtime.

OVERTIME HOURS

The Maintenance Department worked two hundred thirty-five (235) hours of overtime during the month of September. The Engineering Department worked zero (0) hours of overtime.

DELINQUENT NOTICES

The Maintenance & Construction Departments collected on ninety-eight (98) delinquent accounts and disconnected twenty-nine (29) accounts in October.

CONTRACT CREWS

We have two (2) Pike crews working in the following areas:

Tony Seagraves--- Brushy, Greenup County and New Construction
Jody Smallwood—Maintenance and New Construction

RIGHT-OF-WAY CREWS

We have eleven (11) W A Kendall right-of-way crews working on random jobs and work orders at this time. Crew’s trimmed 641 trees, cut 1,059 trees, and cut 31,665 feet of brush/line and sprayed 162 spans of line. The crews are working in the following areas:

- 1 cutting crew in Carter, Lewis, and Greenup Counties
- 1 cutting crews in Elliott and Lawrence Counties
- 1 cutting crews in Rowan County
- 1 bucket truck crew in Lawrence and Elliott Counties
- 1 bucket truck crew in Rowan County
- 1 tractor crew in Carter County
- 1 bucket crew in Carter, Lewis, and Greenup Counties
- 1 spray crews in Lawrence County
- 1 spray crew in Carter County
- 1 spray crew in Rowan County

RIGHT-OF-WAY CREWS (CONTINUED)	<p>1 circuit crew in Carter County</p> <p>We have one (1) Bobby Smith crew cutting in Carter County.</p>
ENGINEERING REPORT	<p>The Engineering Department released eighty-one (81) prints consisting of 4,540 feet of primary line and 1,150 feet of service wire. We currently have three (3) new services to be staked and three (3) to be drawn. There are approximately sixteen (16) miscellaneous jobs to be staked or drawn.</p>
ANTHONY 'TONY' BREWER	<p>New employee, Tony Brewer is doing a good job and will be moving to our area soon.</p>
APPROVAL OF NEW MEMBERSHIPS & RETIREMENT OF EXISTING MEMBERSHIPS	<p>Motion was made by Director Rice, seconded by Director Martin and unanimously agreed to approve eighty-seven (87) new memberships and retirement of eighty-four (84) existing memberships for September 2014.</p>
BAD DEBT WRITE-OFFS	<p>Motion was made by Director Dupuy, seconded by Director Bentley and unanimously agreed to charge off \$5,489.44 worth of bad debts and turn them over for collection.</p> <p>Director Arrington questioned the Alvin Gilliam charged off account. This was a house fire and Mr. Gillum is deceased. We will seek capital credits to resolve this account.</p>
APPROVAL OF CEO'S, DIRECTOR'S & ATTORNEY BUSINESS EXPENSES	<p>Motion was made by Director Rice, seconded by Director Dupuy and unanimously agreed to approve the President's business expense of \$166.07, Director's business expenses of \$8,128.04 and Attorney's business expense of \$168.27.</p>
PRESIDENT'S REPORT	<p>President Fraley reported on the following:</p>
CLEAN UP DATE	<p>The designated cleanup day, October 13, 2014 was very successful.</p>
FALL OUTING	<p>The fall outing was a success and everyone had a good time.</p>
SUBSTATION READINGS	<p>The four substations read will be double checked before moving onto the next substation. Those consumers who have not corrected problems with their services will be turned over to Mr. Scott.</p>
GRECC BLOG	<p>President Fraley has been posting on blog and writing the newsletter about various issues affecting the Cooperative.</p>
WORK PLAN	<p>President Fraley said she, Brian and Jeffrey had been thoroughly checking the wording on the new work plan contract. The packages are to be mailed this week.</p>
FIRST RESPONDER	<p>The First Responder Meeting was a success with a big attendance. President Fraley sent a note to Chris Perry commending David White on a job well done.</p>
KAEC TRAINING	<p>Construction and Maintenance men were in training at Licking Valley R.E.C.C. with other cooperatives.</p>

COBANK The new 4-year term representative for the South Region for CoBank is David L. Reinders.

BROWNSTOWN LUNCH Brownstown will be having lunch for the Cooperative today, employees and directors.

LEGAL COUNSEL'S REPORT Legal Counsel Scott reported on the following:

PUBLIC SERVICE COMMISSION His filing with the Public Service Commission was on the environmental surcharge response to commission staff case, fuel adjustment clause request, and he received from EKPC their response to the Commission's request.

Greg Shepler has been working with Mr. Scott on a contract, but he hasn't heard back from him.

Motion was made by Director Martin, seconded by Director Bentley and unanimously voted to go into Executive Session at 10:00 a.m. Executive Session ended at 10:37 a.m. upon motion by Director Martin, with a second by Director Whitt and a unanimous vote.

KAEC DIRECTOR'S REPORT Director Whitt reported the KAEC Board Meeting would be held tomorrow and he would be leaving this afternoon to attend.

EKPC DIRECTOR'S REPORT Director Arrington said that his report the following:

Mr. McNalley reported an August margin of \$4.9 million - \$21 million less than budget –due to milder weather lowering revenues and the related purchased power.

Mr. McNalley reported the year-to-date margin through August of \$57.9 million was \$6.1 million more than the same point in 2013; largely due to last winter's extreme cold weather combined with lower than expected production and operating cost. Year-to-date margin for August was \$18.2 million over budget and is projected to be about \$62 million by year's end.

THANK YOU We received thank you letters from Isaac Harris, for purchasing his 4-H lamb and Gatlin Griffith for the purchase of his 4-H lamb. We also received a thank you note from Tygart Creek Elementary for \$100 sponsorship.

DONATIONS President Fraley presented to the Board for their consideration the following donation requests:

Elliott County High School – Spanish Club trip to Puerto Rico	\$500
Girl Scouts of KY Wilderness Road – donation	\$ 50
Isonville Elementary School PTO – fall festival	\$ 50
Football parents – ad for 5K run/walk (Kippy and Willis's sons)	\$ 25
Sandy Hook First Baptist Church of Sandy Hook shoe box and Thanksgiving Meals	\$150
Elliott Co. Christian Community Center – crisis donation	\$100

Motion was made by Director Rice, seconded by Director Bentley and unanimously agreed to approve the donations as presented.

VETERANS DAY Program for the Veterans is November 11th at 7:30 a.m. and our honor flight's veteran will be here.

MEETING ATTENDANCE The upcoming meetings will be attended by:

Legal Counsel Scott - G & T Legal Seminar, Hilton Head, South Carolina

Directors Trent, Whitt, Dupuy and Bentley – Director’s Winter School in Nashville in December 12-17, 2014 at the Gaylord Resort, Nashville, TN

Directors Trent, Whitt, Dupuy, Rice, Bentley and Arrington along with Legal Counsel Scott, President Fraley and two or three staff – KAEC Board Meeting, November 17-18, 2014 at the Louisville Marriott Downtown, Jefferson Street, Louisville, KY

ADDITIONAL BUSINESS There was no additional business.

BOARD MEETING DATES The November Board Meeting will be on Monday, November 24th.

ADJOURN Chairman Trent adjourned the meeting at 11:45 a.m.

Roger L. Trent, Chairman

Billy E. (Eddie) Martin, Secretary/Treasurer

W. Jeffrey Scott, Legal Counsel

Minutes of the Executive Session of the October 20, 2014 GRECC Board Meeting

On October 20, 2014 Grayson Rural Electric Cooperative Corporation held an executive session during its regular board meeting.

EXECUTIVE SESSION	Director Martin made a motion, seconded by Director Bentley to go into Executive Session at 10:00 a.m. and unanimously agreed upon.
CHARLESTON BOTTOMS	Matters concerning East Kentucky Power Cooperative and Charleston Bottoms were thoroughly discussed.
ADJOURN	Motion was made by Director Martin, seconded by Director Whitt and unanimously voted to come out of Executive Session at 11:37 a.m.

Roger L. Trent, Chairman

Billy E. (Eddie) Martin, Secretary/Treasurer

W. Jeffrey Scott, Legal Counsel

On November 24, 2014 at 9:00 a.m. Grayson Rural Electric Cooperative Corporation held a regular board meeting at its office in Grayson, Kentucky called by the Chairman, for the transaction of such business as outlined in the letter of call. Chairman Trent called the meeting to order pursuant to the Waiver of Notice signed by the Directors and all were present. Others present included: Carol Hall Fraley, President and CEO; W. Jeffrey Scott, Legal Counsel; and Priscilla Sparks, Executive Assistant.

INVOCATION	Director Whitt gave the invocation.
APPROVAL OF MINUTES - SPECIAL BOARD MEETING OCTOBER 15, 2014	Motion was made by Director Rice, seconded by Director Martin and unanimously agreed to approve the minutes from the October 15 Special Board Meeting, for informational purposes only.
APPROVAL OF MINUTES - REGULAR BOARD MEETING	Motion was made by Director Bentley, seconded by Director Martin and unanimously agreed to approve the minutes from the October Board Meeting, for informational purposes only.
APPROVAL OF MINUTES - SPECIAL BOARD MEETING OCTOBER 24, 2014	Motion was made by Director Martin, seconded by Director Rice and unanimously agreed to approve the minutes from the October 24 Special Board Meeting, for informational purposes only.
FINANCIAL & STATISTICAL REPORT FOR SEPTEMBER	Sales for the month of September (9/21-10/20) were 6.58% under budget. Purchases for the month of September (9/1-9/30) were 2.3% under budget. Line loss for the last 12 months was 5.48%. Year to date margins were a deficit of (\$615,580) compared to the budgeted amount of (\$61,866).
T.I.E.R	The monthly O.T.I.E.R was a negative -2.66% and the rolling 12 month O.T.I.E.R was 2.21%.
QUARTERLY FINANCIALS	<p>Mr. Combs reviewed the third quarter financial reports. We are still a little over budget, but the weather should catch us up. Sales are declining. Sales and purchases gross margins are lower, due to a decrease in sales and inflation. Six substations have been reclassified and we have six more to be done.</p> <p>Residential sales are about 1% less than anticipated. Small commercial sales are 2% better and large power sales are -2% less than anticipated. Industrial power sales are 1% greater. January and February residential usage was a little higher. Heating and cooling days were about the same. Rolling T.I.E.R. is 2.21.</p> <p>Form 7's year-to-date numbers are about the same with the exception of storm related expenses in the amount of \$688,000.</p> <p>Total number of services to customers decreased by 15% due to rate class changes made. There was an increase in camps and barns due to the rate class change.</p> <p>Mr. Combs suggested we start budgeting for storm allowance.</p>
PSC CASES	We are waiting on an order in the ETS case from the Commission. A phone conference on the environmental surcharge is scheduled for December.

PSC AND EKPC

Mr. Combs said the EKPC hearing on the fuel charge was interesting. All Kentucky utilities were involved and talked about fuel pricing, fuel contracts, etc. The primary issue was how PJM was involved and he felt that the PSC wasn't impressed with how EKPC handled these issues.

Jeb Penny was the attorney for PSC. EKPC wants to pass all extra fuel costs to the members. At an EKPC Board Meeting, Mr. Campbell indicated they are operating on a 'wink and a nod' from the Commission and therefore have billed the Member Systems from January through November of this year for the additional amount. Don felt the PSC asked good questions of EKPC about PJM and how it works.

APPROVAL OF FINANCIAL
& STATISTICAL REPORT
FOR SEPTEMBER 2014

Motion was made by Director Dupuy, seconded by Director Whitt and unanimously agreed to approve the Financial and Statistical report for September 2014 as presented, for informational purposes only.

RESOLUTION OF THE BOARD
ADOPTING THE AMENDMENT
AND RESTATEMENT OF THE
125PLAN

Don Combs read the resolution on our health limited use plan and offering a debit card. The Amendment and restatement of the 125 Plan, flex and health spending account will be effective January 1, 2015.

GO TO PAGE 3

RESOLUTION OF THE BOARD OF DIRECTORS ADOPTING THE
AMENDMENT AND RESTATEMENT OF THE 125 PLAN

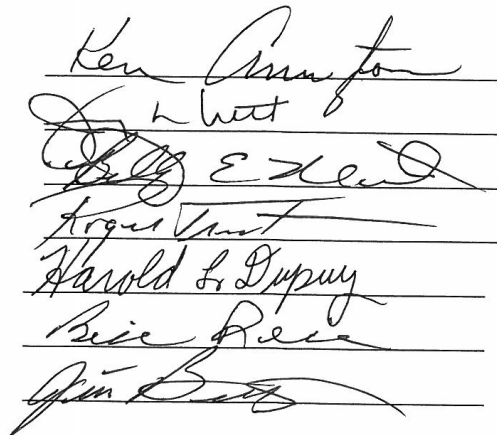
WHEREAS, Grayson Rural Electric (the "Employer") sponsors the 125 Plan, which is a cafeteria plan under Section 125 of the Internal Revenue Code of 1986, as amended ("Code"), that provides one or more of the following benefits: a premium-only plan that allows employees to pay for insurance premiums on a pre-tax basis, a health flexible spending account under Section 105 of the Code, a limited-use health flexible spending account under Section 105 of the Code; and/or a health savings account benefit plan that allows employees to fund HSA contributions on a pre-tax basis;

WHEREAS, the 125 Plan is administered by Cooperative Benefit Administrators, Inc. ("CBA"), a subsidiary of the National Rural Electric Cooperative Association ("NRECA");

WHEREAS, NRECA determined that the 125 Plan, as previously amended and restated January 1, 2010, as administered by CBA, shall be amended and restated, effective as of January 1, 2015; and

NOW, THEREFORE, BE IT RESOLVED, that the officers of the Employer hereby are authorized and directed to take any and all actions required to implement and administer the 125 Plan, including but not limited to, execution of a plan document or plan amendment, as applicable, in the form attached hereto, and the submission of reimbursement requests.

IN WITNESS WHEREOF, the undersigned, being all the members of the Board of Directors of the Employer, have executed this Resolution of the Board of Directors on this 24th day of November, 2014.



Ken Arrington
John West
Dale E. Hendon
Roger Vest
Harold L. Dupuy
Bice Rice
Jim Batts

Motion was made by Director Bentley to accept the Resolution of the Board of Directors adopting the Amendment and Restatement of the 125 Plan, as read, seconded by Director Rice, and unanimously agreed upon.

401K PLAN RESOLUTION

Don Combs presented the 401K Plan Resolution and read it to the Board for their approval.

**RESOLUTION
AUTHORIZING THE AMENDMENT OF THE
NRECA 401(k) PENSION PLAN
Adoption Agreement "A"
18061-001 and 18061-002**

WHEREAS, Grayson Rural Electric Cooperative Corporation is participating in the NRECA sponsored defined contribution plan, the 401(k) Pension Plan (the "401(k) Plan"), and;

WHEREAS, The Board of Directors of Grayson Rural Electric Cooperative Corporation ("the Board") now desires to amend the 401(k) Plan pursuant to Section 18.2 of the pension plan document, and does hereby authorize the amendment effective January 1, 2015, by executing the appropriate Adoption Agreement;

BE IT RESOLVED, that the amendment to the 401(k) Plan is as follows:

Effective January 1, 2015, the Employer Base Contribution not condition on Employee Contributions shall decrease from 1.0% to 0.4115% of the Participant's Base Compensation.

BE IT FURTHER RESOLVED, that the Board is aware that the amendment may cause certain employees to experience a reduction in benefits and accepts the responsibility for taking such action.

BE IT FURTHER RESOLVED, that employees of Grayson Rural Electric Cooperative Corporation who will experience a reduction in benefits due to this amendment will receive the proper notification under §204(h) of the Employee Retirement Income Security Act no later than 15 days prior to the effective date of the new plan provision.

BE IT FURTHER RESOLVED, that the Board does hereby authorize and direct Carol Hall Fraley, the President and CEO, to execute all necessary documents and to take any and all further actions necessary to carry out the intentions of the Board as indicated in this resolution.

CERTIFICATE OF SECRETARY

I, Billy E. Martin, certify that I am Secretary of the Grayson Rural Electric Cooperative Corporation Board of Directors and that the above is a true excerpt from the minutes of a regular board meeting of the Board of Directors of Grayson Rural Electric Cooperative Corporation, held on the 24th day of November 2014 at which a quorum was present and that the above portion of the minutes has not been modified nor rescinded.

IN WITNESS WHEREOF, I have set my hand and affixed the seal of Grayson Rural Electric Cooperative Corporation this 24th day of November, 2014.

(Seal)


(Signature of Secretary)

Motion was made by Director Whitt to adopt the Resolution Authorizing The Amendment of the NRECA 401K Pension Plan Adoption Agreement "A" 18061-001 and 18061-002 as read, seconded by Director Rice and unanimously agreed upon.

OPERATIONS REPORT	Kyle Clevenger, Manger of Operations gave the Operations Report. He reported on the following:
EMPLOYEE/LOST TIME ACCIDENT	There were no lost time accidents to report this month.
SAFETY REPORT	<p>The following safety meetings were held during October:</p> <p>October 09—Priscilla Sparks, Executive Assistant, turned the meeting over to Sue Roberts who read from the safety manual, pages 86-94, head protection, hearing conservation, wearing apparel, and clothing. Kyle Clevenger reviewed two accidents, one involving Mark Hutchinson and one involving Robert Brown and Steven Burton. Carol Ann talked about upcoming events including flu shots and office clean-up day.</p> <p>October 13—Sherry Buckler, General Accounting Supervisor, turned the meeting over to Dr. Gupta’s nurse, who gave flu shots to all active and retired employee’s that wanted to have the shot. Carol Ann gave out the work list for clean-up day.</p> <p>October 20—Kim Bush, Mgr. of Marketing & Member Services, turned the meeting over to Don Combs who showed a video about “The Story of the Butterfly Effect” by Andy Andrews. Carol Ann gave certificates to Bryan Rogers and Shane McDavid for completion of Hot Line Skills Workshop, and to Kippy James for completion of KRUS Environmental Workshop. She also reminded everyone to watch out for slips, trips, and falls. Kyle asks everyone to be careful.</p> <p>October 27 & 28—Bradley Cherry, Purchasing Agent, turned the meeting over to Our Lady of Bellefonte Hospital’s representative for the Health Fair screening; cholesterol, blood sugar, blood pressure, bone density, and strength tests.</p> <p>Mr. Clevenger continues to mention the necessity of ground chains and that a line is not dead until it is grounded.</p>
CONSTRUCTION	Construction built one hundred fifty-three (153) new work orders for the month of October and worked zero (0) hours of overtime. Engineering worked eight (8) hours of overtime.
OVERTIME HOURS	The Maintenance Department worked three hundred six (306) hours of overtime during the month of October. The Engineering Department worked eight (8) hours of overtime during the month of October.
DELINQUENT NOTICES	The Maintenance & Construction Departments collected on one hundred forty (140) delinquent accounts and disconnected forty-one (41) accounts in November.
CONTRACT CREWS	<p>Our two (2) crews Pike have been working in the following areas:</p> <p>Tony Seagraves – Airport Road to Corey Ridge, Carter County and New Construction Jody Smallwood – Maintenance and New Construction</p>

RIGHT-OF-WAY CREWS

We have ten (10) W A Kendall right-of-way crews working on random jobs and work orders at this time. Crew's trimmed 577 trees, cut 1,159 trees, cut 38,245 feet of brush/line and sprayed 71 spans of line. The crews are working in the following areas:

- 1 tractor crew in Carter County
- 1 bucket truck crew in Carter County
- 2 cutting crews in Carter, Lewis and Greenup Counties
- 1 bucket truck crews in Lawrence and Elliott Counties
- 2 cutting crews in Elliott and Lawrence Counties
- 1 spray crew in Carter County
- 1 circuit crew in Carter County
- 1 bucket crew in Lewis and Greenup Counties

Smith Tree Service has one circuit crew in Carter County and on State Route 1 in Greenup County.

Director Dupuy questioned the 46 retirements, how many are paying consumers that actually moved. President Fraley said several of these were idle services that have been there for years. The Form 7 Report reflects how the number of idle services are dropping. This is directly related to reading each substation individually. Our goal is to get the number of idle services down to those that may actually be reused at some point. Retiring these services saves on property taxes and lowers our liability by making the system safer.

A gas cleaning plant applied last week and came in to talk to President Fraley. They will be charged from pole to pole, due to the fact that the plant is on skids and could be easily moved out.

Ricky Winkleman on Devil Fork has requested a three phase. Scott Speaks came and talked to President Fraley about this. He is helping Mr. Winkleman check for the most cost-effective way to receive the service he needs.

ENGINEERING REPORT

The Engineering Department released one hundred forty-eight (148) prints consisting of 3,900 primary line and 2,390 feet of service wire. They currently have three (3) new services to be staked, three (3) to be drawn and fourteen (14) miscellaneous jobs to be staked or drawn.

CONTRACTOR BIDS

Nine packages were mailed out for the Qualified Bidders List for our new Construction Work Plan. Five of the nine qualified. Bid packages for the Work Plan were sent to those five. We received back two bids; Blue Grass Central and Pike Electric. The other three were unable to bid due to various circumstances.

Brian Poling presented a comparison of the bids. There was an 11% overall difference in the costs between Pike Electric and Blue Grass Central. The Pike Contract is a 15% increase over the last contract we had with them.

Director Martin made a motion to accept Pike Electric as the contractor on the new 2015-2018 Construction Work Plan, seconded by Director Rice and unanimously agreed upon.

APPROVAL OF NEW
MEMBERSHIPS &
RETIREMENT OF
EXISTING MEMBERSHIPS

Motion was made by Director Rice, seconded by Director Bentley and unanimously agreed to approve one hundred seventeen (117) new memberships and retirement of one hundred thirty-nine (139) existing memberships for October 2014.

BAD DEBT WRITE-OFFS

Motion was made by Director Dupuy, seconded by Director Whitt and unanimously agreed to charge off \$6,936.32 worth of bad debts and turn them over for collection.

APPROVAL OF CEO'S,
DIRECTOR'S & ATTORNEY
BUSINESS EXPENSES

Motion was made by Director Rice, seconded by Director Bentley and unanimously agreed to approve the President's business expense of \$498.49, Director's business expenses of \$12,500.12 and Attorney's business expense of \$125.00. Motion carried.

PRESIDENT'S REPORT

President Fraley reported on the following:

2015 PROPOSED BUDGET

She presented a preliminary overview of the 2015 Budget. She stressed that the budget is flat and based on zero growth. There was no anticipation of any additional revenue. The major issue is the upgrades necessary for the phone system and information technology system. These items will cost approximately \$225,000 over the coming year. They include: IP Upgrade - HP 9000, Virtual Server and MicroSoft Server 2003, Subnet and Phone System. Andrea McCleese presented the 2015 IT Upgrade in power point detail.

Brian Poling explained we have an aged and failing system. We are running out of addresses to use to run the system. The Network Layout Existing and the Network Layout Proposed for 2015 was displayed. Mr. Poling explained the division and routing of the lines.

Net Gain Tech knows our system security, and our phone company, Windstream, is providing the current system. AT&T provides us with long distance. SEDC is also involved in this changeover. This overhaul in the phone system has to be completed by June 2015.

Another key item was \$400,000 budgeted for storms. We have not done this before, but think it would be prudent to do so. This amount would not have a detrimental effect on our T.I.E.R.

President Fraley pointed out that Right of Way, Maintenance and other Departments have no increase. It was decided that we would not have a Planning and Review Committee, due to the information presented today.

President Fraley reported that we had excellent attendance at our fall outing at the Bowling Alley. She thanked the Board on behalf of the employees for their donation of \$500. The Union and the inside employees funds each contributed \$250, so we only used \$378.75 of the Board's donation.

David Holbrook is leaving on Long Term Disability after 38 years of service and a luncheon will be held in his honor following the Board Meeting.

She reported that Park Priest, attorney for Federated Insurance, is dealing with a law suit filed by Lee McKenzie.

2015 PROPOSED BUDGET
(CONTINUED)

The Public Service Commission had two questions about the 2015-2018 Construction Work Plan we filed with them last month. We replied that we did use the same Load Forecast Data as EKPC and that a decision had been made to curtail our meter change out program until newer technology is in place. This reduces our metering expense to new line extensions and routine replacements.

CHRISTMAS 2014

We have seventeen employees on the service awards list.

The proposed Christmas budget is \$19,700 for 2014.

Director Martin made a motion to accept the Christmas budget as presented, seconded by Director Rice, and unanimously agreed upon.

VOTING DELEGATES
NRECA 2015

The NRECA 2015 Annual and Regional Meeting Voting Delegate Certification and Credentialing Process Voting delegates will be Director Harold Dupuy, Voting Delegate and Chairman Roger Trent, Alternate Delegate.

Greg Grissom, formerly of Hickman Fulton Electric Cooperative, will be the new President / CEO of Pennyryle Electric, effective March 2, 2015.

Chris Brewer has accepted the position as President and Chief Executive Officer at Clark Energy Cooperative.

Kelly Nuckols will be retiring as President and CEO from Jackson Purchase Energy Corporation (JPEC) on April 30, 2015.

Kentucky Utilities and Louisville Gas and Electric Co. say they expect to seek increases in their base rates later this month.

We are looking at increased security with our consumers in regards to account numbers, social security numbers, and cyber security and hope to move it more to IVR. Andrea McCleese, Brian Poling, Bradley Cherry and Don Combs are looking at creating a policy.

Employees have chosen 3 families to sponsor for Thanksgiving; a family who lost their home and belongings in a fire in Elliott County; a family on Horn Hollow in Carter County who has a child with brain cancer; and another family on McGlone Creek in Carter County

LEGAL COUNSEL'S REPORT

Legal Counsel Scott reported on the following:

The PSC held a hearing on the fuel clause matter; and a brief will be filed by mid-December.

Mr. Scott has mailed several letters to members in regards to night lights and satellites on poles.

Collection letters have been mailed.

He has reviewed the bidder's contracts.

He has also talked to Park Priest in regards to the Lawrence County consumer that filed suit against us.

Mr. Scott attended a legal seminar in Hilton Head.

LEGAL COUNSEL'S REPORT
(CONTINUED)

The Commission has entered into an order sustaining our motion to intervene in East Kentucky's proceedings to request a certificate of public convenience and necessity for their fly ash removal project.

At the request of the Board, he put together a Charleston Bottoms proposal and mailed it to all lawyers involved.

He attended the KAEC legal seminar.

Morgan Stanley Capital Group has sent a proposed contract on the Amendment 3 issue. Legal Counsel Scott stated what we needed to see was not in it.

EKPC stated the filing in 2000 to dissolve Charleston Bottoms is laying on a desk at RUS.

McNally talked to President Fraley at the KAEC Annual Meeting and EKPC felt the Board didn't know what was in the letter Legal Counsel Scott wrote on behalf of the Grayson Board. They didn't think we would ask our attorney to craft our reply. President Fraley explained to him that EKPC had asked for a proposal and we had complied. We feel the next logical step would be a counter proposal from EKPC, or an acceptance of one of our two proposals.

Director Arrington said at the EKPC Board Meeting it was tabled until President Fraley was able to attend.

A conference call will be scheduled with Greg Shepler before the December Board Meeting.

Motion was made by Director Martin, seconded by Director Whitt and unanimously voted to end Executive Session.

KAEC DIRECTOR'S REPORT

Director Whitt reported KAEC's Annual Meeting was very good and he was glad to see most of our board in attendance.

EKPC DIRECTOR'S REPORT

Director Arrington said that most of his report was covered during other parts of the meeting.

THANK YOU LETTERS

GRECC received thank you notes or cards from Hope's Place, East Carter High School Golf team, and Girl Scout of Kentucky's Wilderness Road.

DONATIONS

President Fraley presented to the Board for their consideration the following donation requests:

West Carter Boys Basketball – Jack Fultz Classic	\$100
East Carter Boys Basketball – sponsorship for Heart of the Parks Tip-Off Classic	\$250
Grahn School Community Center – Christmas Store dist.	\$100
Rowan County Christmas – gift and food drive	\$100
Rowan County High School – Project Prom 2015	\$50
Project Merry Christmas	\$100
Ronald McDonald House	\$100

DONATIONS (CONTINUED)

Motion was made by Director Whitt, seconded by Director Bentley and unanimously agreed to approve the donations as presented.

NRECA ANNUAL MEETING	The NRECA Annual Meeting will be in Orlando, Florida.
BOARD MEETING DATES	The December Board Meeting will be on Friday, December 19, 2014 and we will have our annual Christmas dinner following the adjournment of the board meeting.
ADDITIONAL BUSINESS	There was no additional business to address.
ADJOURN	Chairman Trent adjourned the meeting at 11:59 a.m.

Roger L. Trent, Chairman

Billy E. (Eddie) Martin, Secretary/Treasurer

W. Jeffrey Scott, Legal Counsel

On December 19, 2014 at 9:09 a.m. Grayson Rural Electric Cooperative Corporation held a regular board meeting at its office in Grayson, Kentucky called by the Chairman, for the transaction of such business as outlined in the letter of call. Chairman Trent called the meeting to order pursuant to the Waiver of Notice signed by the Directors and all were present. Others present included: Carol Hall Fraley, President and CEO; W. Jeffrey Scott, Legal Counsel; and Priscilla Sparks, Executive Assistant.

INVOCATION

Director Rice gave the invocation.

APPROVAL OF MINUTES

Motion was made by Director Bentley, seconded by Director Martin and unanimously agreed to approve the minutes from the November Board Meeting for informational purposes only.

TECHNICAL SERVICES

Brian Poling, reported on the following:

The replacement of the phone system was addressed at the November Board Meeting. During a major outage on three substations, half of the incoming lines did not function. Replacement of the phone systems as soon as possible is essential. It will take 6 to 8 weeks to have a new system in place. Windstream is helping us look for compatible equipment for our MilSoft equipment. It is necessary to work closely with MilSoft to manage their system modification at the same time as the new telephone system. NetGain will be contracted to install and configure the network equipment the first week of January, with 3 to 4 days to complete and test.

The Command Center was upgraded and some alternations were made December 3rd. This runs our metering software.

Brian explained that the upfront fee of \$100 on the prepaid meters represents an administrative fee of \$10 and roughly 900-1000 kWh covered by \$90. If the member has an off-service bill, approximately 30% of any payment made goes to debt management.

President Fraley stated that NEKADC has not received the first phase of the LHEAP money yet, so we do not have a total to report. The emergency phase should start in January.

President Fraley said she and Mr. Combs have discussed placing a charge on credit card usage. Some utilities are putting convenience charges on credit card payments.

OFFICE & MEMBER
SERVICES REPORT

Don Combs, Manager of Finance and Accounting presented the Financial Statistical Report for October 2014. Mr. Combs reported on the following:

FINANCIAL & STATISTICAL
REPORT FOR OCTOBER

Kilowatt hour sales for the month of October (10/21-11/20) were .85% under budget. Purchases for the time period of 10/1-31 were 6.90 % under budget. Line loss for the last twelve months was less than 4.98%. Year to date margins were (\$234,283) compared to the budgeted amount of \$417,274.

Right of Way was \$52,000 over budget due to the way we were billed for the month; Informational Advertising was \$7,100 over; and Administrative and General was \$21,000 over budget, due mainly to labor charges for to our cleaning day in October.

APPROVAL OF FINANCIAL
& STATISTICAL REPORT
FOR OCTOBER 2014

Motion was made by Director Rice, seconded by Director Dupuy and unanimously agreed to approve the Financial and Statistical report for October 2014 as presented, for informational purposes only.

2015 PROPOSED BUDGET

Don Combs, Manager of Finance & Accounting reviewed the proposed 2015 Budget Highlights with the Board of Directors:

Work Plan Investment:

222 New Line Extensions	\$ 756,810
1920 Meters (new and replacements)	\$ 249,600
297 Transformers (new & replacement)	\$ 523,222
Line Conversions	\$1,483,775
Miscellaneous Distribution Items	\$ 851,474
Pole Replacements	\$1,409,480
Security Lights	<u>\$ 130,758</u>
Total	\$5,405,119

Vehicles:

Construction Bucket (Robert Brown) (trading in #140 for \$10,000)	\$ 190,000
Energy Audit (Tina Preece) (transfer #172 (Tina) to Kippy, sell #157)	\$ 35,000

Projects/Items for 2015:

Capital		
2015 IP Upgrades	replace	\$ 225,000
	<i>capitalize over 5 years</i>	\$ 45,000
<i>HP900</i>		
<i>Virtual Server and MS Server 2003</i>		
<i>Subnet</i>		
<i>Phone System</i>		

Metering:

Field Tablet	\$ 3,750 expense
OptoWand +	\$ 750 expense

IT:

Computers	replace	\$ 5,000 expense
Printer (accounting) carryover	replace	\$ 4,000 expense
Outage Mgmt. System Server	update	\$ 1,500 expense

Construction:

Air Compressor	\$ 4,500
	<i>capitalized over 5 years</i> \$ 900

Building:

Key Card Software update	\$ 1,100 expense
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Employee Training:

Management Internship Program (2-3 employees)	\$36,000 <u>expense</u>
	<u>\$45,900</u>

Significant Changes in Operations in 2015:

New Right of Way Clearing Contract	5% increase
New Construction Contract	

2015 PROPOSED BUDGET
(CONTINUED)

Storm expense – plan for	\$400,000
Change in Retiree Medical Plan	21% decrease
Grayson Wages	\$117,555 increase

Cash Flows:

From Operating Activities – Margins	\$1,365,419
Depreciation	<u>\$3,382,428</u>
	\$4,747,846

From Investing Activities – Construction of Plant (Dist.)	\$5,405,119
General Plant	\$ 454,500
Receipts from investments, net	<u>\$ 160,950</u>

Net Cash Flows from Financing Activities	
Retirement of Capital Credits	(\$ 100,000)
Additional Long Term Borrowings	0
Payments on Long Term Debt	(\$1,723,484)
Short Term Borrowings	<u>\$3,096,207</u>
	\$1,272,723

Net increase in cash balances 0

The new Four Year Plan cost was estimated to be \$20,705,201. The proposed 2015 budget T.I.E.R. is 2.43. Our goal is to stay within the same dollar range every year, as anticipated for 2015.

President Fraley received a letter from the PSC and the plan regarding changing our meters through staging and moving up the mapping plan was approved.

A motion was made by Director Martin, seconded by Director Dupuy to accept the 2015 Budget as presented, and unanimously agreed upon.

Mike Norman, RUS Field Representative, discussed the loan applications in detail. The loan application is for \$20,000,000 should last GRECC 5-6 years even though it is a four years plan. Mr. Norman handed out a Financial Forecast for 2013-2023 as shown on RUS Form 325A-Ratios and RUS Form 325B-PRO FORMA Balance Sheet.

It is predicted that EKPC has increases coming up in the next ten years at a cumulative average of 32%. The increase from EKP is an average of 3% per year.

GO TO PAGE 4

RESOLUTION FOR APPROVAL Mike Norman presented the Resolution for Approval of Ten Year Financial
OF TEN YEAR FINANCIAL Forecast to the Board, as required by the loan:
FORECAST

Grayson Rural Electric Cooperative Corporation

109 Bagby Park • Grayson, KY 41143-1292
Telephone 606-474-5136 • 1-800-562-3532 • Fax 606-474-5862

RESOLUTION

APPROVAL OF TEN YEAR FINANCIAL FORECAST

WHEREAS, The Ten (10) Year Financial Forecast for the period of 2014 through 2023 as prepared and included with this loan application is an acceptable projection of the financial trend and conditions of GRAYSON RECC; and

WHEREAS, the Board of Directors of GRAYSON RECC has reviewed the attached Long Range Financial Forecast prepared by the Cooperative's staff; and

WHEREAS, the Financial Forecast includes estimates taken from a previously Board-approved Power Requirement Study and Four-Year Construction Work Plan, both of which have been approved by the Rural Utilities Service (RUS); and


WHEREAS, the Long Range Financial Forecast is based upon Board-approved policies, operating rules and plans and sets forth appropriate management goals, all of which are acceptable to the Board of Directors as an overall plan of operations;

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of GRAYSON RECC hereby approves and accepts the Ten Year Long Range Financial Forecast, as proposed, as a plan of operations, and has reviewed the projected rates which are included in the Forecast and is committed to take whatever action may be necessary to implement such rate changes as may be required, on a timely basis to achieve the goals outlined therein.

CERTIFICATION OF SECRETARY

I, Billy E. Martin, Secretary-Treasurer of Grayson Rural Electric Cooperative Corporation do hereby certify that the above is a true and correct excerpt from the minutes of the meeting of the Board of Directors of the Grayson Rural Electric Cooperative Corporation, held on the 19th day of December, 2014, at which meeting a quorum was present.



A Touchstone Energy Cooperative 

Director Rice made a motion to accept the Resolution for Approval of Ten Year Financial Forecast as presented, seconded by Director Bentley and unanimously agreed upon.

RESOLUTION REQUESTING
GUARANTEED FEDERAL
FINANCING BANK (BBK)
LOAN

Mr. Norman presented the Resolution Requesting a Guaranteed Federal Financing Bank (FFB) Loan for \$20,000,000. The ninety day rate is close to zero. Maturity is actually 34 years.

Grayson Rural Electric Cooperative Corporation

109 Bagby Park • Grayson, KY 41143-1292
Telephone 606-474-5136 • 1-800-562-3532 • Fax 606-474-5862

RESOLUTION

REQUESTING GUARANTEED FEDERAL FINANCING BANK (FFB) LOAN

WHEREAS, it has been determined on the basis of the current Construction Work Plan that financing is needed for electric facilities as shown on Rural Utilities Service (RUS) Form 740c, Cost Estimates and Loan Budget for Electric Borrowers, as follows:

RUS Guaranteed Federal Financing Bank (FFB) Loan Requested for Facilities \$20,000,000

NOW THEREFORE BE IT RESOLVED, that Grayson Rural Electric Cooperative Corporation, Grayson, Kentucky, makes application to the RUS pursuant to 7 CFR Part 1710 for a guaranteed FFB loan in the approximate amount of \$20,000,000 to be used in accordance with the provisions of 7 CFR Part 1710 to finance the above mentioned facilities.

BE IT ALSO RESOLVED, that the RUS guaranteed FFB loan shall bear a maturity date to cover an approximate period of 34 years.

BE IT ALSO RESOLVED, that the Board of Directors of Grayson Rural Electric Cooperative Corporation authorizes its officers to execute and attest all necessary papers, documents, and applications related to the foregoing.

BE IT FURTHER RESOLVED, that the President & CEO is authorized on behalf of the Borrower (a) to execute and deliver from time to time advance requests, maturity extension election notices, prepayment election notices and refinancing election notices, in the form of such instruments attached to the note payable to FFB, and (b) to specify information and select option as provided in such instruments.


BE IT FURTHER RESOLVED, that the Grayson Rural Electric Cooperative Corporation hereby authorizes the RUS to release appropriate information and data relating to the application to the FFB and any existing supplemental lenders.

CERTIFICATION

I, Billy E. Martin, Secretary-Treasurer of Grayson Rural Electric Cooperative Corporation, do hereby certify that the above is a true and correct excerpt taken from the minutes of the meeting of the Board of Directors of Grayson Rural Electric Cooperative Corporation, on the 19th day of December 2014 at which meeting a quorum was present.

SEAL


Billy E. Martin, Secretary-Treasurer

A Touchstone Energy Cooperative 

Director Whitt made a motion, seconded by Director Dupuy to accept the Loan Resolution Requesting Guaranteed Federal Financing Bank (FFB) Loan as presented by Mr. Mike Norman, and unanimously agreed upon.

OPERATIONS REPORT Kyle Clevenger, Manager of Operations gave the Operations Report. He reported on the following:

EMPLOYEE/LOST TIME ACCIDENT There were no lost time accidents to report this month.

SAFETY REPORT The following safety meetings were held during November:

November 07—Kyle Clevenger, Manager of Operations, turned the meeting over to David White, KAEC Safety Director, who addressed “Ergonomics for Linemen”, and stretching exercises. He briefly mentioned a Kenergy contact. We had the monthly safety give-a-way.

November 10—Don Combs, Mgr. of Finance & Accounting, started with a breakfast honoring veterans. Cheyenne led the pledge to the American flag. Jack Nuckolls, a World War II veteran, told about his experience with the honor flight this year. Don and Bradley talked about insurance changes and open enrollment changes to be made this month.

November 17—Carol Fraley, Manager and CEO, was in charge of the meeting and Nancy Madden read from the Safety Manuel, pages 122-124, Vehicle Maintenance. Kyle Clevenger talked about an accident involving Bryan Rogers falling from a truck. He also reminded everyone to work on their line inspections.

Kyle continues to mention the necessity of ground chains and that a line is not dead until it is grounded.

David Holbrook went on disability December 12th to have shoulder surgery and the surgery had to be rescheduled. The Maintenance Leadman position in Rowan County was awarded to Richard Easton. Mike Reynolds and Jamey Withrow signed the posting for Construction Leadman. The job was awarded to Mike Reynolds who is the senior man.

Mike Blevins is off with elbow surgery and will be back in 3 weeks.

Joe Sargent will be having knee replacement in February.

CONSTRUCTION Construction built was one hundred thirty-five (135) new work orders for the month of November and worked zero (0) hours of overtime.

OVERTIME HOURS The Maintenance Department worked forty-eight (48) hours of overtime during the month of November. Engineering worked three (3) hours overtime during the month of November.

DELINQUENT NOTICES The Maintenance & Construction Departments collected on one hundred two (102) delinquent accounts and disconnected eighteen (18) accounts in December.

CONTRACT CREWS Our Pike crews have been working in the following areas:

Tony Seagraves--- Airport Road to Corey Ridge, Carter County and New Construction
Jody Smallwood—Maintenance and New Construction; laid off
November 13, 2014

RIGHT-OF-WAY CREWS

We have ten (10) W A Kendall right-of-way crews working on random jobs and work orders at this time. Crew's trimmed 768 trees, cut 1,429 trees, and cut 48,130 feet of brush/line and sprayed 92 spans of line. The crews are working in the following areas:

- 2 cutting crews in Carter, Lewis and Greenup Counties
- 2 cutting crews in Elliott and Lawrence Counties
- 1 bucket truck crew in Lawrence and Elliott Counties
- 1 bucket truck crew in Carter County
- 1 tractor crew in Carter County
- 1 bucket crew in Lewis and Greenup Counties
- 1 spray crew in Carter County
- 1 circuit crew in Carter County

Smith Tree Service has been working in Carter County and now working in Greenup County.

ENGINEERING REPORT

The Engineering Department released one hundred five (105) prints consisting of 24,810 feet of primary line and 2,900 feet of service wire. They currently have two (2) new services to be staked, two (2) to be drawn and twelve (12) miscellaneous jobs to be staked or drawn.

APPROVAL OF NEW MEMBERSHIPS & RETIREMENT OF EXISTING MEMBERSHIPS

Motion was made by Director Rice, seconded by Director Dupuy and unanimously agreed to approve one hundred fourteen (114) new memberships and retirement of one hundred two (102) existing memberships for November 2014.

BAD DEBT WRITE-OFFS

Motion was made by Director Dupuy, seconded by Director Whitt and unanimously agreed to charge off \$2,154.84 worth of bad debts and turn them over for collection.

APPROVAL OF CEO'S, DIRECTOR'S & ATTORNEY BUSINESS EXPENSES

Motion was made by Director Rice, seconded by Director Whitt and unanimously agreed to approve the President's business expense of \$91.59, Director's business expenses of \$17,797.82 and Attorney's business expense of \$58.21.

PRESIDENT'S REPORT

President Fraley reported on the following:

RUS WORK ORDERS

Motion was made by Director Martin, seconded by Director Dupuy and unanimously agreed to approve the following 219 RUS Work Orders for the months of July, August and September 2014 in the amount of \$679,900.85:

July 2014	Work Order No. 1200	\$204,542.14
	Work Order No. 1201	\$ 8,782.49
August 2014	Work Order No. 1202	\$237,259.04
	Work Order No. 1203	\$ 13,074.48
September 2014	Work Order No. 1204	\$201,241.30
	Work Order No. 1205	\$ 15,001.40
	Total	\$679,900.85

PRESIDENT'S REPORT

President Fraley announced that Paul Embs has retired from Clark R.E. C.C. His successor is Chris Brewer who was the Engineer for Bluegrass. Greg Grissom will replace Eston Glover at Pennyrile and Kelly Nuckols has announced his retirement at Jackson Purchase. They are currently involved in a Manager search.

AEP RATE INCREASE

We are watching the AEP rate increase in the amount of 12 %, or \$22 per month on an average bill of 1320 kWh. This is supposed to be used to convert the Big Sandy Plant to gas. Our average bill is 1150 kWh per month. Representative Rocky Adkins has filed in Frankfort to intervene on the AEP rate increase. He believes the increase is more like 16%. GRECC's bill with AEP increased 22-23% last month with a rider expense due to Big Sandy plant gas switch over and right of way expense.

EMERGENCY RESPONSE PLAN

We had a review of our Emergency Response Plan yesterday, as required by RUS once a year. Several changes and updates were made. Director Whitt advised us that the Elliott County Fiscal Court met Wednesday night and someone made a motion to close the ambulance service, but no one seconded.

ADMINISTRATIVE GUIDELINES, BOARD POLICIES AND CAPITAL CREDITS

We have been working on Administrative Guidelines. In January we will be working on the Board Policies and Capital Credits. The Bylaws provides for a spouse putting an account in their name, but Capital Credits are not necessarily as simple and a court order may be required. The Capital Credit package tells us step by step how to complete. Directors Dupuy and Trent attended workshop entitled Current Issues in Policy Development and recommended that President Fraley and her staff might want to attend.

MAC ASPHALT PLANT

We have an issue with an MAC, an asphalt plant that applied for service in 2013. Joe Sargent staked and engineered for ¾ mile three-phase line, invoiced them for \$55,000, which they paid in advance. They also signed a five year Large Power Contract. They were advised that they would be billed for any additional construction costs or receive a refund if the actual cost was less than what they paid. The final cost of the job was approximately \$94,000, due to extra right of way costs of over \$12,000 and construction costs at an additional \$27,000 due to rock and other factors. The work was completed in September 2013 and they were never invoiced for the difference.

In July 2014, MAC notified us they were shutting down the plant, but would continue to pay the Large Power Contract. This issue came to President Fraley about two weeks ago when MAC called to see if we would release them from the Large Power Contract because they had sold the property. The remainder of the Large Power Contract payments is \$13,500. When President Fraley told them about the additional \$39,000 in construction charges, they took it to their legal department. President Fraley asked them \$25,000 and a release on the Large Power Contract. They called back with an offer of \$19,000 plus a forfeit of the security deposit we hold in the amount of \$6,000 and a release of the Large Power Contract. President Fraley informed the Board that she had agreed with this amount and asked Legal Counsel Scott to prepare the proper documents to finalize this issue. We will also retrieve over \$10,000 worth of 167 KV transformers at the site.

LARGE POWER CONTRACTS On Large Power Contracts, there are two estimates; one figured by the Engineer and one by computer. In the future, all Large Power Contracts that must be paid in advance by the member will be reviewed and approved by President Fraley before an invoice is issued. At least 20% will be added to the computer generated total and a refund will be given if necessary. All invoices must be paid in full before the job commences.

Director Dupuy has a new grandson. Steven Burton and Tony Brewer and their spouses are expecting babies in 2015.

MODULAR HOMES We had an issue with a modular home service that one inspector would pass and one would not. The issue was whether the mobile home service could be mounted on the outside wall of the mobile (or what the member called modular) home or if it had to be mounted on a service pole. We called the Department of Housing and Construction, Electrical Division and were advised that we should not have hooked it up mounted on the outside wall, but since it had an inspection to let it pass and not to do again. According to them, there is no such thing as a modular home. They are either mobile or manufactured homes. Only homes that are designated by HUD can have a service mounted on the outside wall. Proof of that will be available in the mobile home and must be presented to the Cooperative in order to deviate from a pole service. Our policy will have to be changed to reflect this directive.

LEGAL COUNSEL'S REPORT Legal Counsel Scott reported on the following:

GREG SHEPLER / ENERVISION He received a sample purchased power agreement for 9.3 megawatts from Morgan Stanley through Greg Shepler at EnerVision. Morgan Stanley requires confidential treatment of the agreement and would like for us to ask the Commission if they will also agree to confidential treatment. Legal Counsel dictated a request for confidential treatment from the Commission yesterday and sent it to Mr. Shepler. He asked Mr. Shepler to review it with Morgan Stanley for their comments. He suggested an attorney with expertise in purchased power agreements should be consulted at some time in the future.

**EAST KENTUCKY POWER
FUEL ADJUSTMENT CLAUSE** He has reviewed East Kentucky's case on the Fuel Adjustment Clause for November 2013 – April 2014 and has written a brief in reply. Our inquiry focused on PJM and specifically where do the charges come from. Mike McNally and others met with the Commission on February 17. The cost of the additional fuel was high and East Kentucky wanted to pass all of it through in the fuel charge. He should receive the Commission's and East Kentucky's briefs today. Legal Counsel Scott said they basically treated every PJM charge as a fuel adjustment charge.

**EAST KENTUCKY POWER
/ PJM / DALE 3 AND 4** He reported the following: In 2012-13 East Kentucky made decision to idle and winterize Dale 3 and 4. In June 2013 they entered a contract with PJM. In December 2013 they repeated their decision to winterize Dale 3 and 4. It takes 5 days to re-start the plant. On January 6, 2014, a new winter peak was established and no other plans were adopted. On January 24, 2014 another peak is set. East Kentucky argues our available generation was utilized, but he doesn't believe it was. When PJM completed their analysis

EAST KENTUCKY POWER
/ PJM / DALE 3 AND 4
(CONTINUED)

Dale, would have been the lowest cost of power production in the country. East Kentucky argues that all available power was utilized and Legal Counsel Scott feels it wasn't.

Director Arrington said they were going to try and hedge 200 megawatts this winter for insurance only. PJM has asked them to keep Dale 3 and 4 going for another year. President Fraley feels they are not serving native load with the lowest cost power.

Legal Counsel Scott said we have not received a counter proposal from East Kentucky Power.

EAST KENTUCKY POWER
ATTORNEY FEES IN LAW
SUIT

It appears that East Kentucky Power's attorney fees are being paid by their insurance company. The best that Legal Counsel can tell, under directors and officers insurance they are defending this under 'reservations of rights'. Reservation of rights is when company says we are not certain that this type of policy covers this issue, but we will defend you. They are not necessarily saying that we agree with the settlement Grayson may receive. Director Martin pointed out that the insurance company could come after us. He thinks it would be better if insurance company did get involved.

KAEC DIRECTOR'S REPORT

Director Whitt reported he attended KAEC's Board Meeting this past Tuesday. Hickman-Fulton announced plans to pursue a merger with Gibson R.E.C.C. in Tennessee for better efficiencies. They have a very small number of members and about 70% of their load is irrigation. They are not seeking a new manager as Greg Grissom moves to Pennyrile.

KENTUCKY LIVING
MAGAZINE

Kentucky Living Magazine lost their tourism contract in 2014, but regained it in 2015. President Fraley said the committee met and talked about the best way to reach members age 20-40. An electronic format is being discussed.

EKPC DIRECTOR

Director Arrington reported that most of his report was covered in other areas. EKPC is selling excess land around substations. They are trying to buy some ROW around Newfoundland, Skaggs, and Mazie.

THANK YOU NOTES

Thank you notes were received from Rowan County Senior High School Prom 2015, Elliott County High School Spanish 3 and Math classes, Carter County Community Fund, the Ronald McDonald House and Taylor Madden.

DONATIONS

President Fraley presented to the Board for their consideration the following donation request:

KSPPA Post 8 - Shop with a Cop –Elliott Co. & Rowan Co.	\$200
Sandy Hook Chamber of Commerce	\$100
Oldtown Food Pantry c/o Nancy Claxon	\$250
East Carter Youth Service – Christmas Asst. program	\$100
Girl Scout Troop #7409 –formation assistance	\$50
East Carter High School Archery Team	\$100

Motion was made by Director Rice, seconded by Director Bentley and unanimously agreed to approve the donations as presented.

The Grayson R.E.C.C. employees donated to four families for Christmas. Carol Ann noted her thanks to Andrea McCleese for heading up this and the Thanksgiving project.

MEETING ATTENDANCE Directors Trent, Bentley and Dupuy will be attending the NRECA Annual Meeting in Orlando, Florida February 22-25.

VOTING DELEGATES NRECA NATIONAL MEETING Chairman Trent said Director Dupuy would serve as the Voting Delegate to NRECA's National Meeting and that he would serve as the Alternate Delegate.

VOTING DELEGATE NRTC ANNUAL MEETING The 2015 Annual Meeting Voting Delegate will be Director Jimmy Whitt and Alternate Voting Delegate, Chairman, Roger Trent.

BOARD MEETING DATE The next board meeting will be held on Friday, January 23, 2015.

ADDITIONAL BUSINESS President Fraley reported that Donnie Crum was very appreciative of the Resolution of Respect adopted by the Board in his honor.

ADJOURN Chairman Trent adjourned the meeting at 11:51 a.m.

Roger L. Trent, Chairman

Billy E. (Eddie) Martin, Secretary/Treasurer

W. Jeffrey Scott, Legal Counsel