

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE ELECTRONIC APPLICATION OF)	
FARMERS RURAL ELECTRIC)	CASE NO.
COOPERATIVE CORPORATION FOR A)	2023-00158
GENERAL ADJUSTMENT OF RATES)	
PURSUANT TO STREAMLINED PROCEDURE)	
PILOT PROGRAM ESTABLISHED)	
IN CASE NO. 2018-00407)	

FARMERS RURAL ELECTRIC COOPERATIVE
CORPORATION'S RESPONSE TO THE
ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION
DATED AUGUST 24, 2023

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION


In the Matter of:

THE ELECTRONIC APPLICATION OF)
FARMERS RURAL ELECTRIC) CASE NO.
COOPERATIVE CORPORATION FOR A) 2023-00158
GENERAL ADJUSTMENT OF RATES)
PURSUANT TO STREAMLINED PROCEDURE)
PILOT PROGRAM ESTABLISHED)
IN CASE NO. 2018-00407)

VERIFICATION OF TOBIAS MOSS

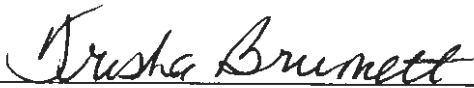
COMMONWEALTH OF KENTUCKY)
)
COUNTY OF BARREN)

Tobias Moss, President and Chief Executive Officer of Farmers Rural Electric Cooperative Corporation, being duly sworn, states that he has supervised the preparation of his Responses to OAG's First Request for Information in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.



Tobias Moss

The foregoing Verification was signed, acknowledged and sworn to before me this 6th day of September, 2023, by Tobias Moss.



Notary Commission No. KYNP8027

Commission expiration: 5/31/24

TRISHA BRUMETT
NOTARY PUBLIC
STATE OF KENTUCKY
COMMISSION # YNP8027
MY COMMISSION EXPIRES MAY 31, 2024

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE ELECTRONIC APPLICATION OF)
FARMERS RURAL ELECTRIC) CASE NO.
COOPERATIVE CORPORATION FOR A) 2023-00158
GENERAL ADJUSTMENT OF RATES)
PURSUANT TO STREAMLINED PROCEDURE)
PILOT PROGRAM ESTABLISHED)
IN CASE NO. 2018-00407)

VERIFICATION OF JENNIE GIBSON PHELPS

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF BARREN)

Jennie Gibson Phelps, Vice-President, Finance and Accounting Farmers Rural Electric Cooperative Corporation, being duly sworn, states that she has supervised the preparation of her Responses to OAG's First Request for Information in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.

Jennie G. Phelps
Jennie Gibson Phelps

The foregoing Verification was signed, acknowledged and sworn to before me this 6th day of September, 2023, by Jennie Gibson Phelps.

Trisha Brumett

Notary Commission No. KYNP8027

Commission expiration: 5/31/24

TRISHA BRUMETT
NOTARY PUBLIC
STATE AT LARGE KENTUCKY
COMM. # KYNP8027
MY COMMISSION EXPIRES MAY 31, 2024

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE ELECTRONIC APPLICATION OF)
FARMERS RURAL ELECTRIC)
COOPERATIVE CORPORATION)
FOR A GENERAL ADJUSTMENT OF)
RATES PURSUANT TO STREAMLINED)
PROCEDURE PILOT PROGRAM)
ESTABLISHED IN CASE NO. 2018-00407)

Case No. 2023-00158

VERIFICATION OF JOHN WOLFRAM

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

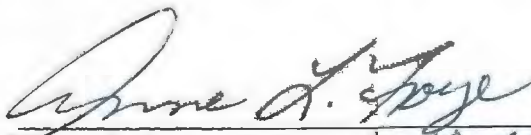
John Wolfram, Principal, Catalyst Consulting LLC, being duly sworn, states that he has supervised the preparation of certain responses to the Attorney General's First Request for Information in the above-referenced case, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.



John Wolfram

The foregoing Verification was signed, acknowledged and sworn to before me this 30 day of August, 2023, by John Wolfram.

ANNE L FOYE
Notary Public - State at Large
Kentucky
My Commission Expires June 12, 2025
Notary ID KYNP29156



Commission expiration: 6-12-2025



Farmers Rural Electric Cooperative Corporation
Case No. 2023-00158
Response To Request for Information
OAG's Request for Information Dated 08/24/2023

Request 1.

Refer to Application generally. Provide an organizational chart of Farmers RECC, including all positions. If a position is vacant, please designate as such.

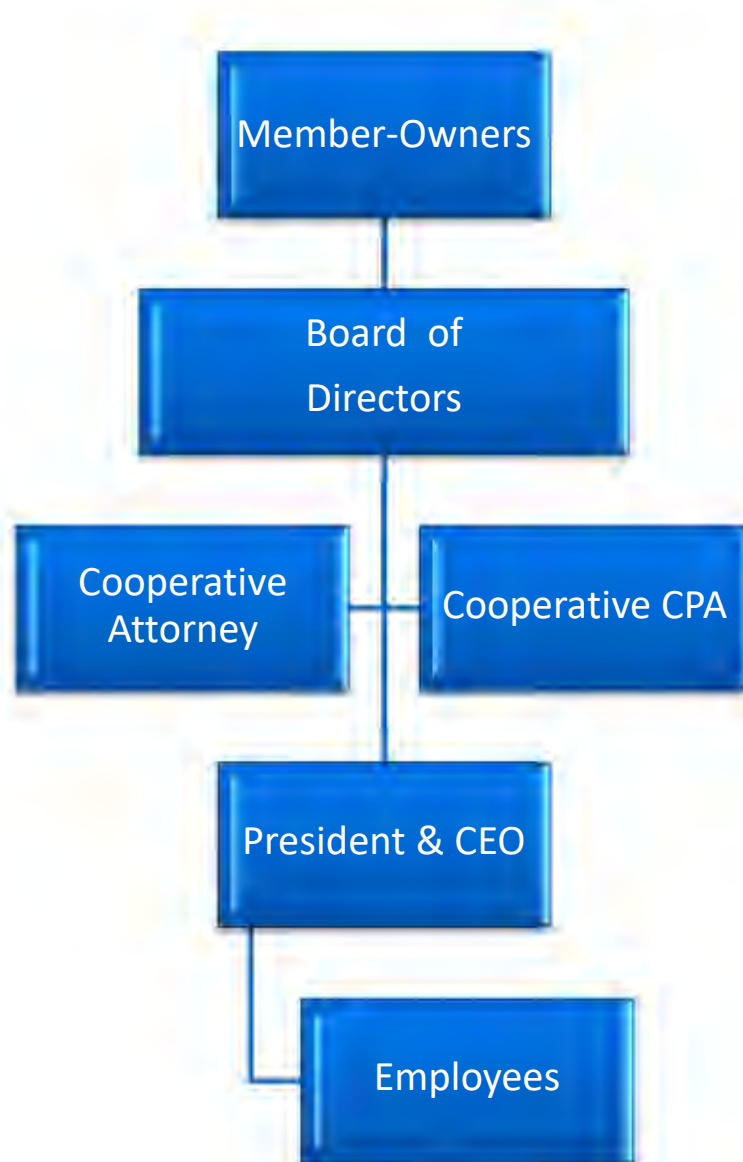
Response 1.

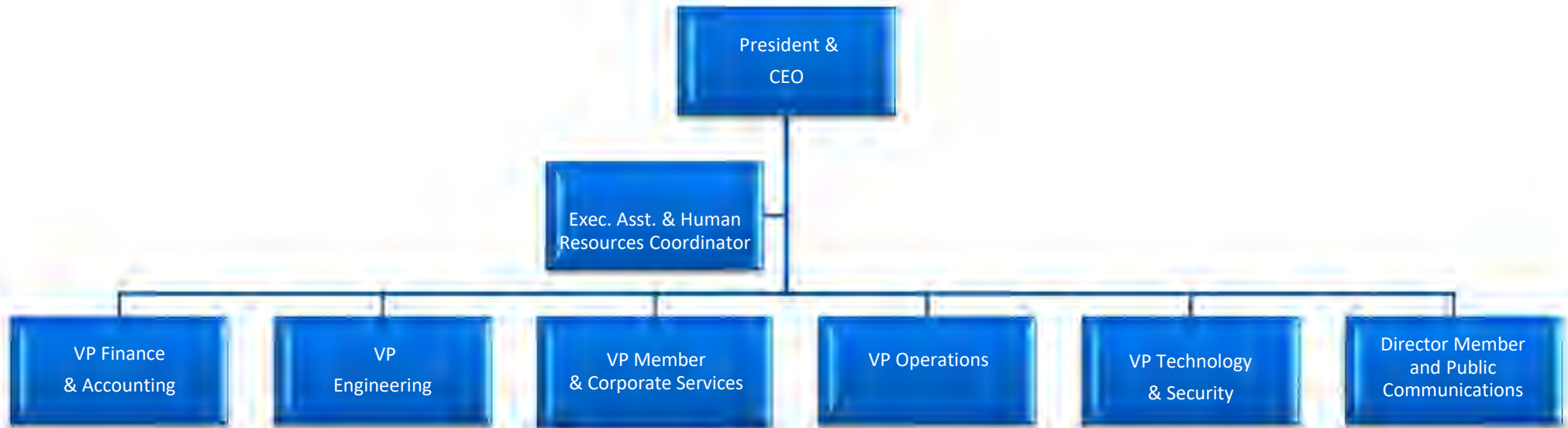
The organizational chart of Farmers RECC, including all positions, is attached hereto this response.

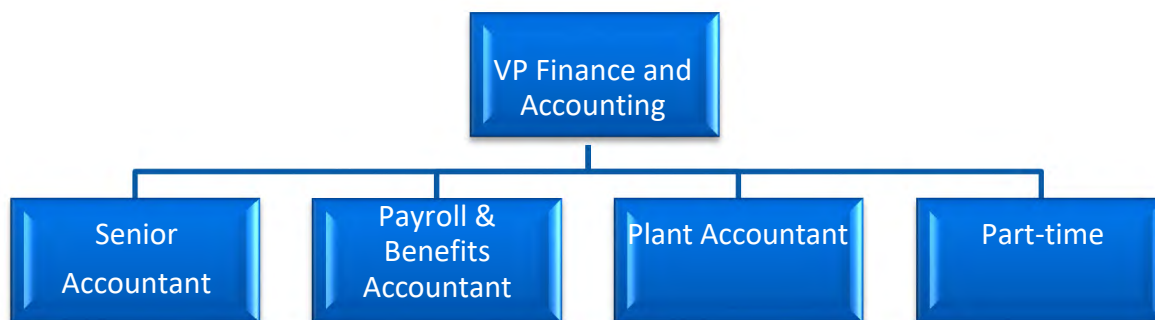


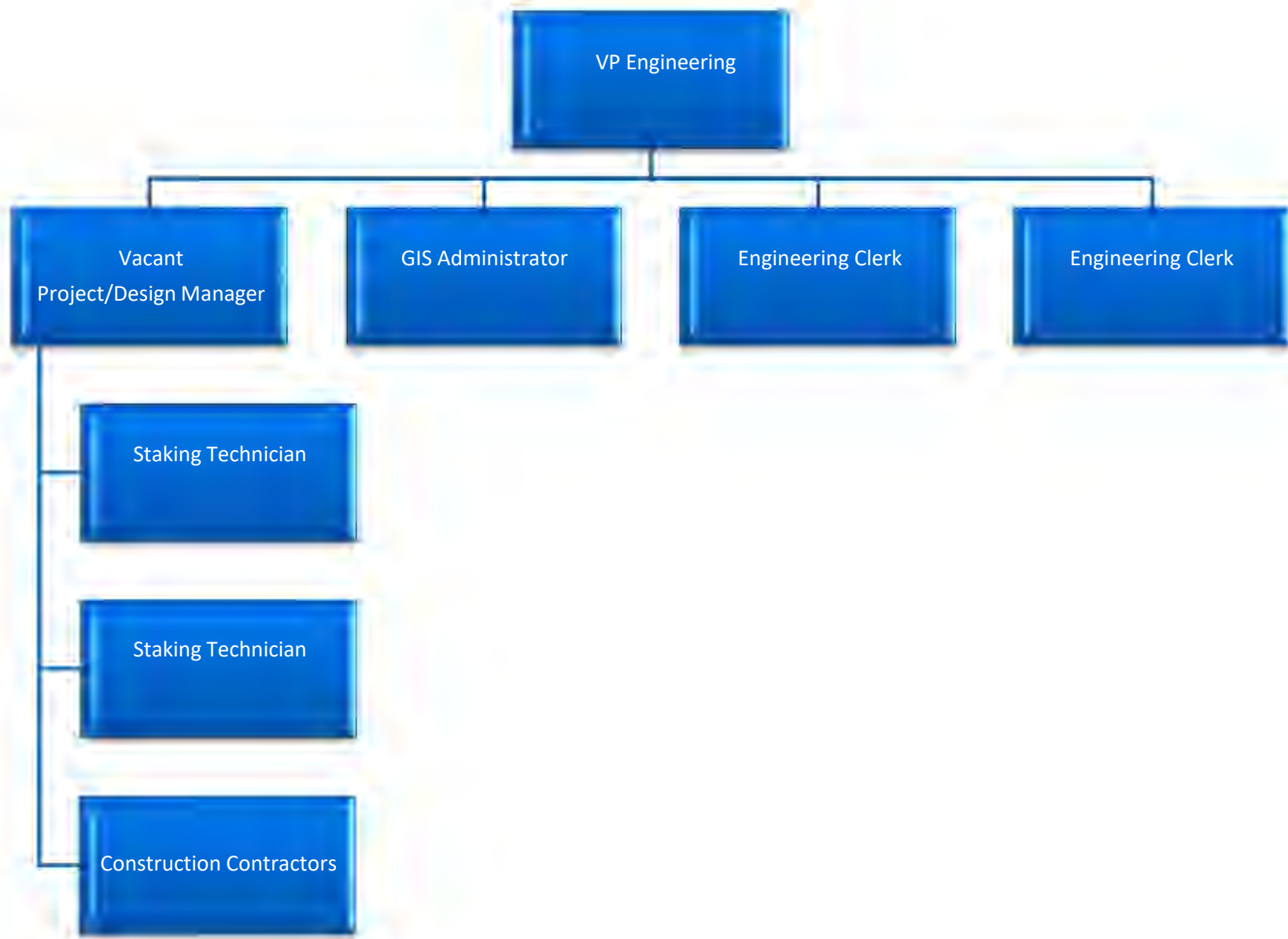
A Touchstone Energy® Cooperative 

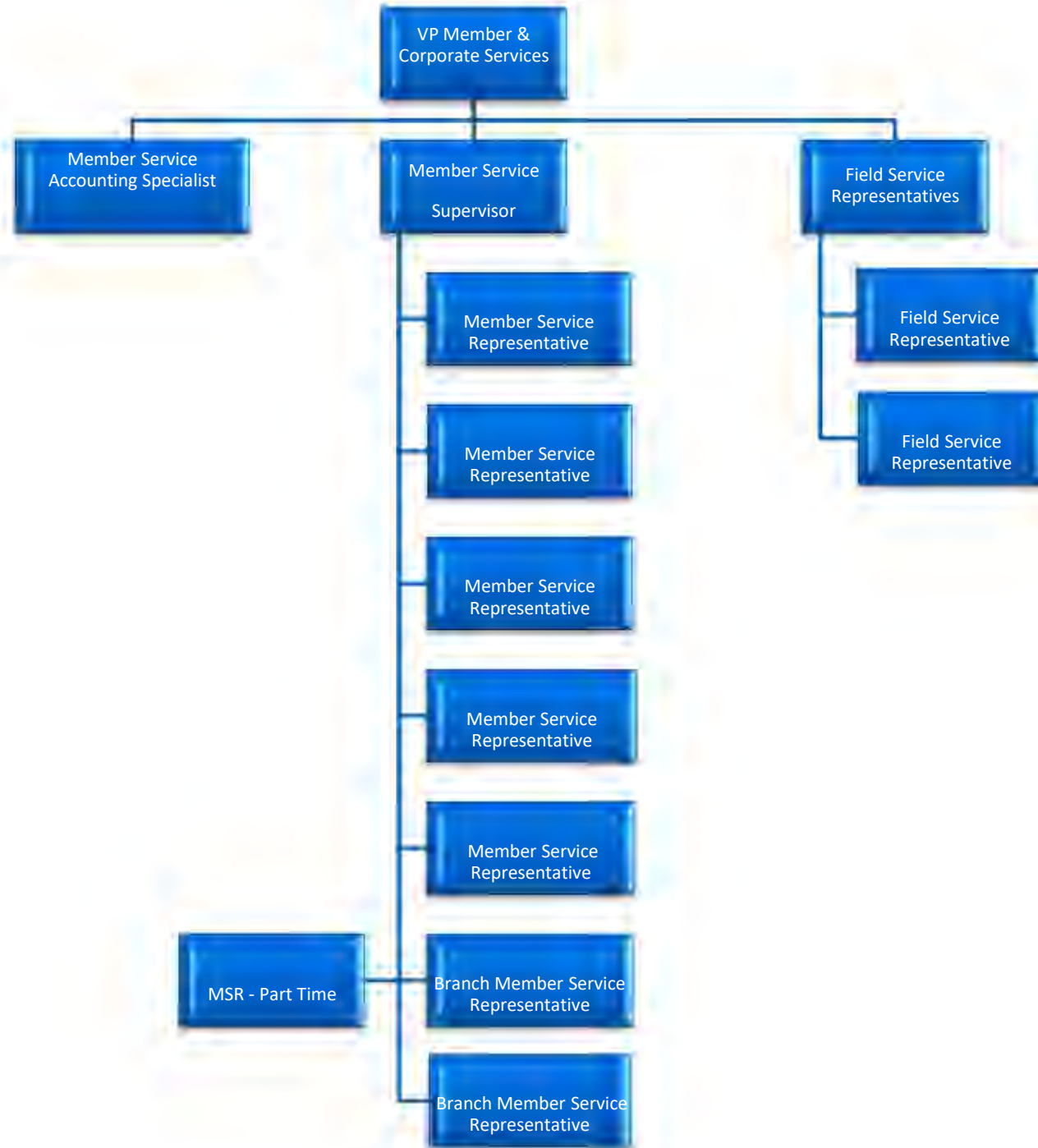
Organizational Chart July 31, 2023

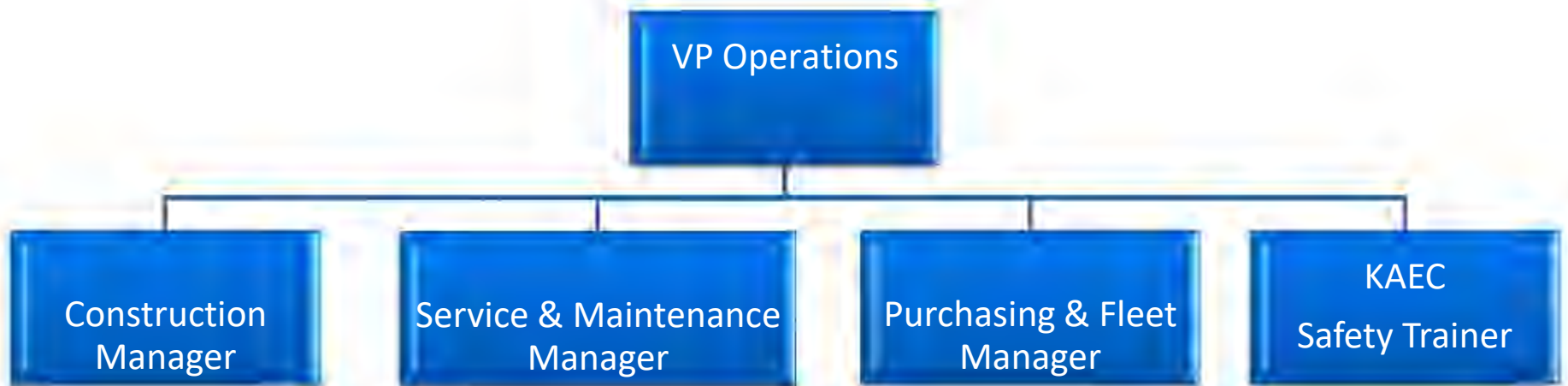


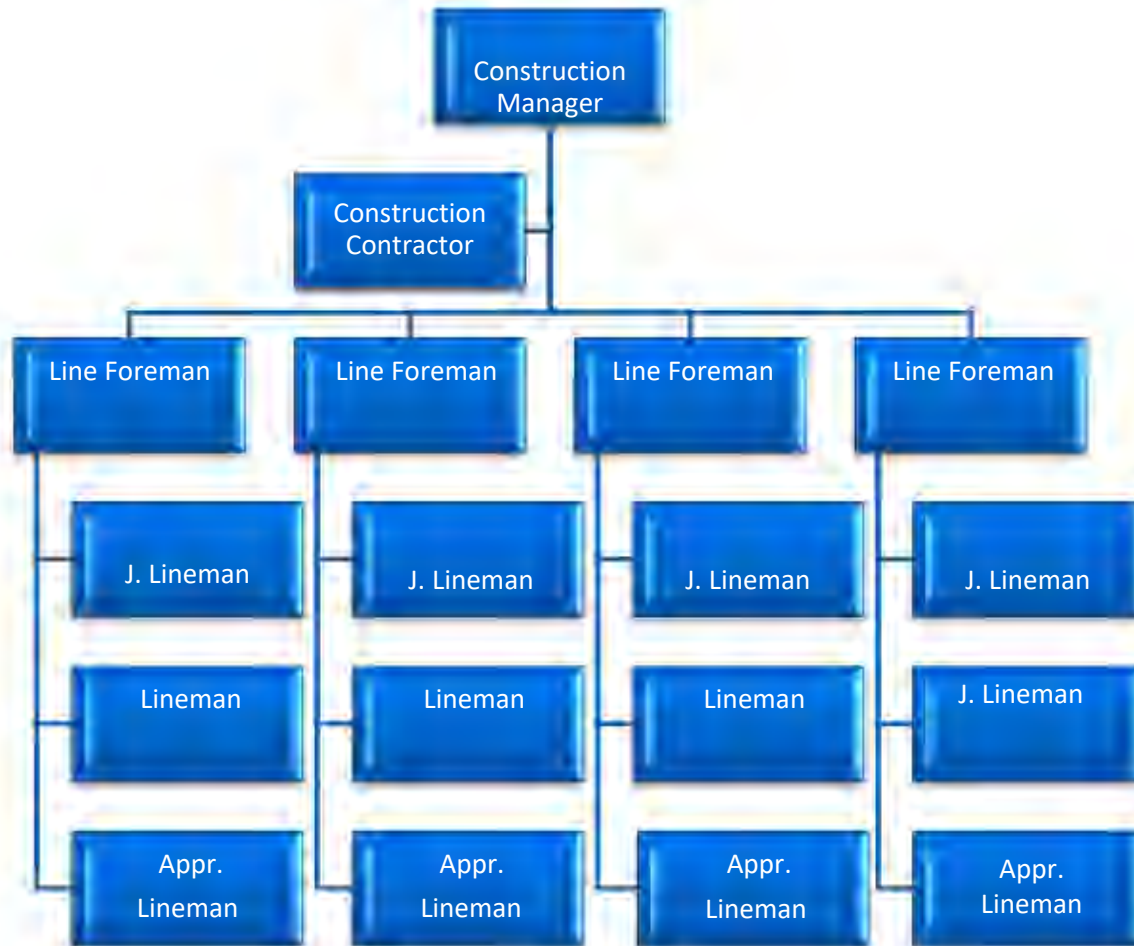


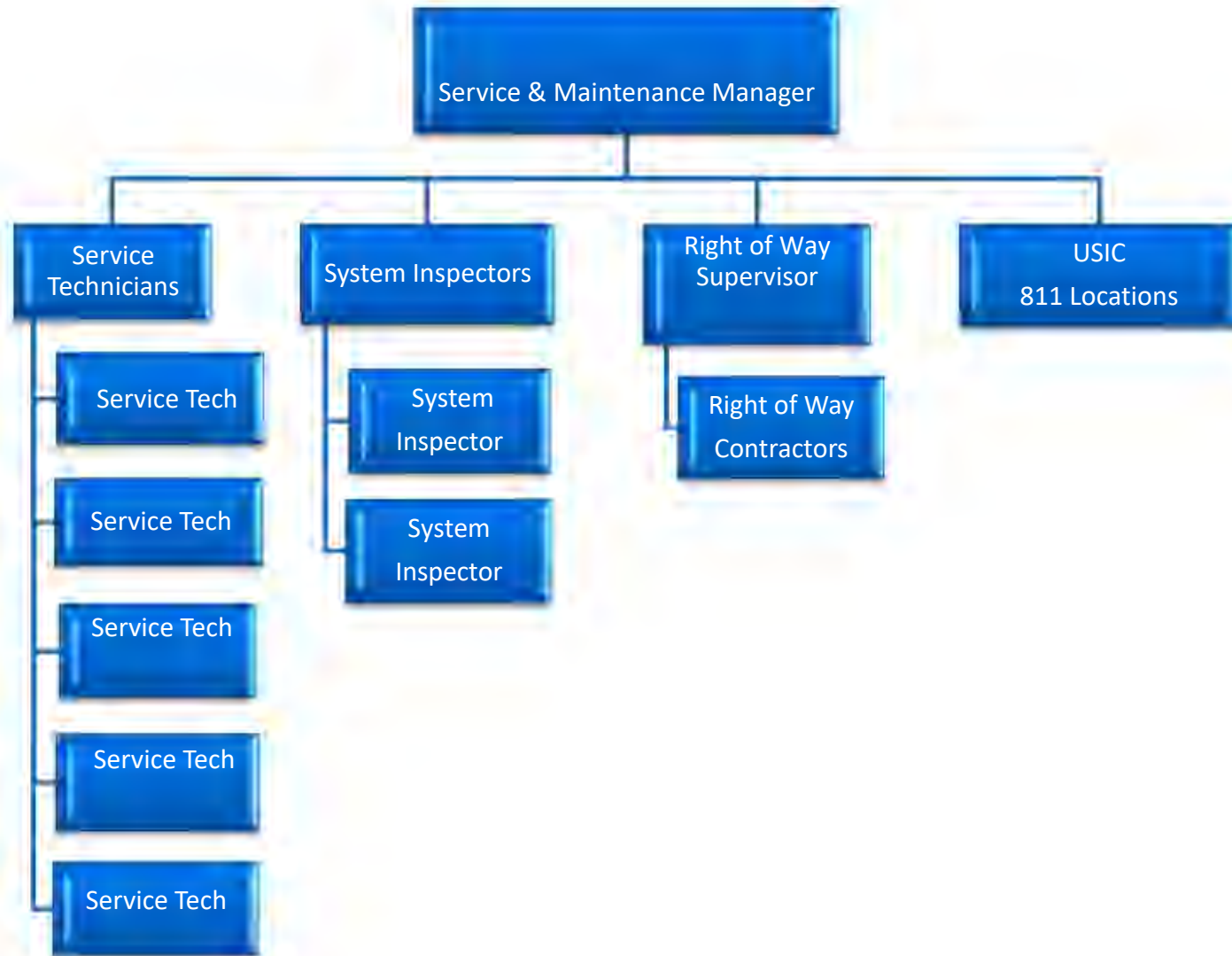


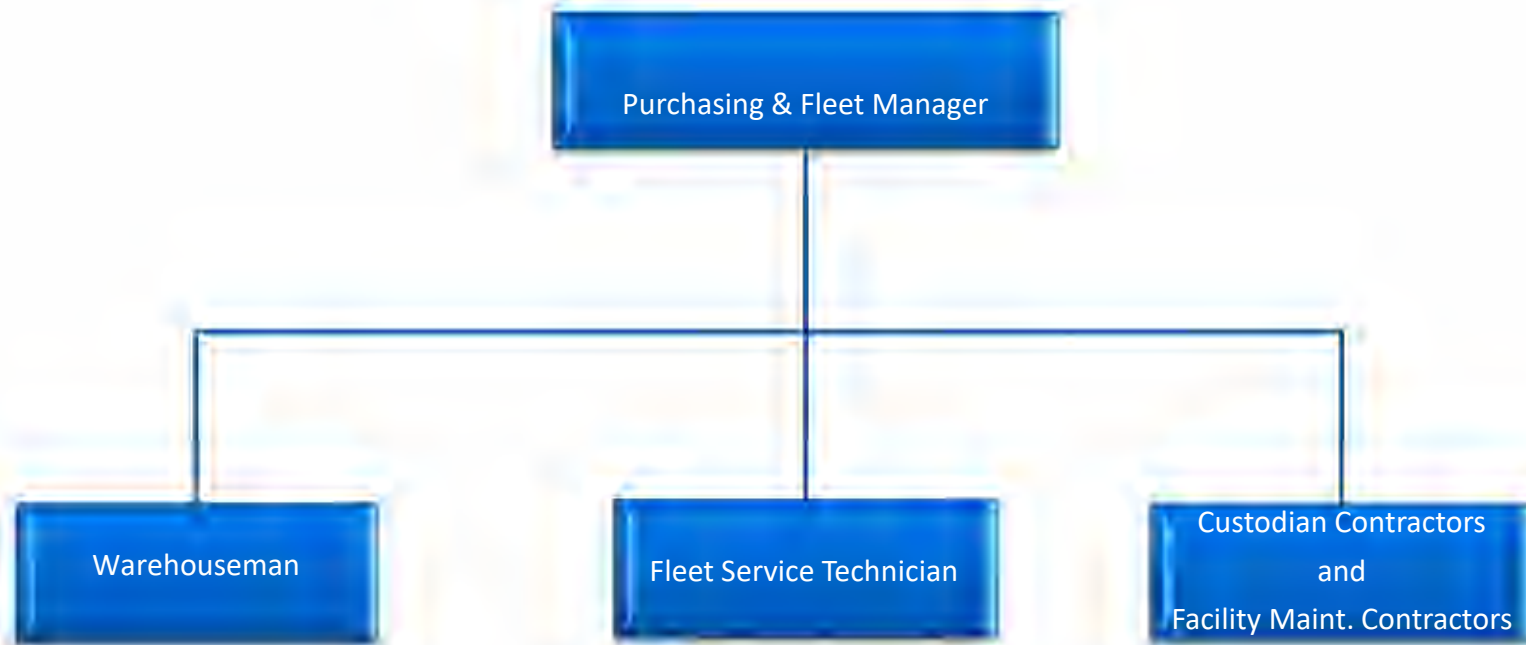


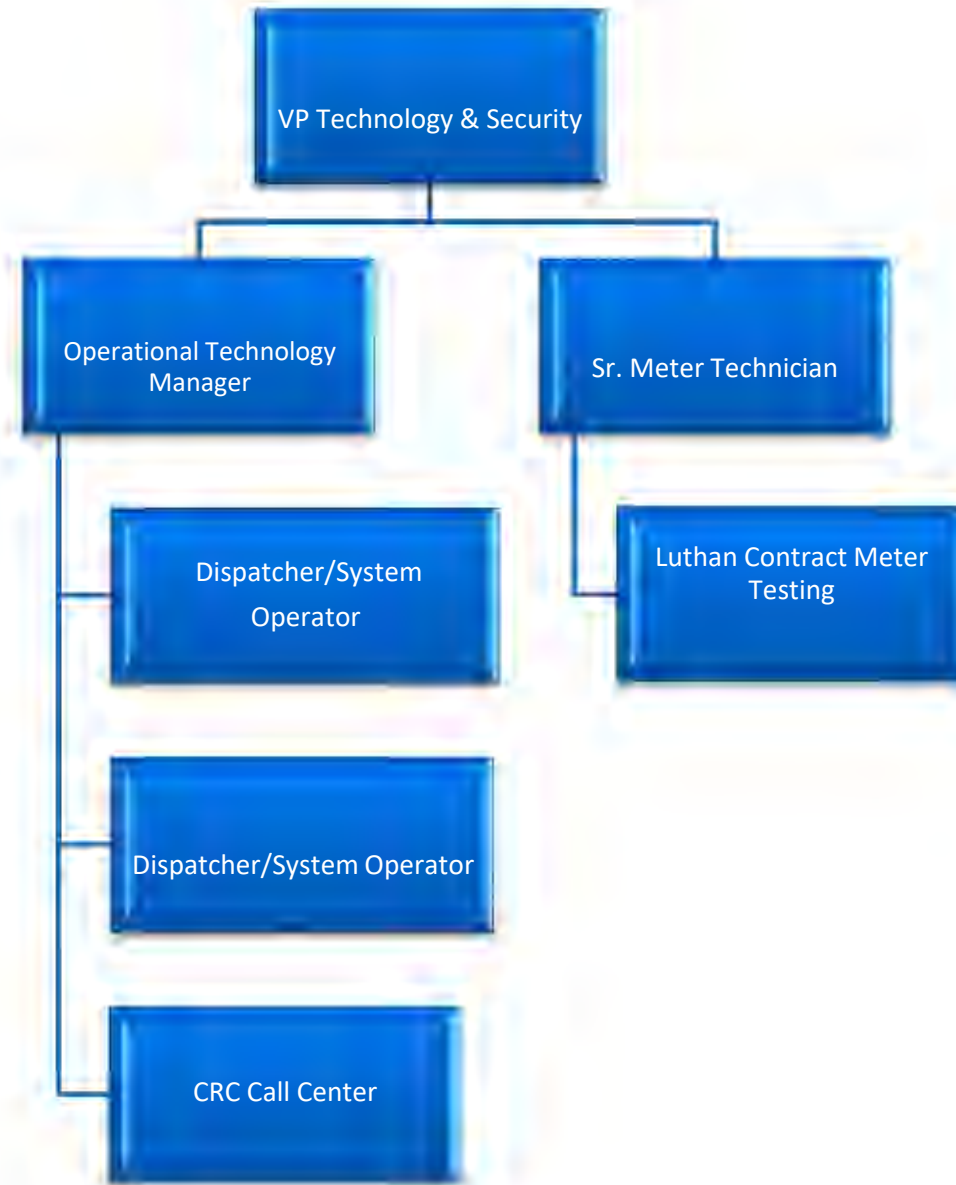












Farmers Rural Electric Cooperative Corporation
Case No. 2023-00158
Response To Request for Information
OAG's Request for Information Dated 08/24/2023

Request 2.

Refer to Application, paragraph 1, in which Farmers RECC states that it provides electric power to approximately 26,462 members in Kentucky counties of Adair, Barren, Edmonson, Grayson, Green, Hardin, Hart, Larue, Metcalfe, Monroe, and Warren.

Request 2a.

Provide a detailed account of all economic issues that the Company's customers in the above-referenced counties are combating at this present time.

Response 2a.

The rise of cost-of-living, tightening financial conditions and the lingering Covid-19 pandemic all weigh heavily on Farmers RECC's members.

Request 2b.

Provide Farmers RECC's actual number of customers for the years 2016 – 2023, using the most updated data.

Response 2b.

The total customer counts by class is an excel spreadsheet that is being uploaded into the Commission's electronic filing system separately. This data agrees to the annual Form 7s – Financial and Operating Report, Part O – Power Requirements Database, Annual Summary.

Request 2c.

Explain in detail whether Farmers RECC projects a future gain or loss of electric customers, and provide all projects concerning the same.

Response 2c.

Farmers RECC and its power supplier, East Kentucky Power Cooperative, work jointly to prepare a load forecast report (LFR). The last LFR was approved by the Farmers RECC Board of Directors on November 16, 2022. That report projects a 0.78% annual increase over a five-year period ending in 2027.

End of year	Accounts
2022 (actual)	26,452
2027 (projected)	27,497

$$26,452 (1 + i)^5 = 27,497$$

$i = 0.78\%$ annual increase

Farmers Rural Electric Cooperative Corporation
Case No. 2023-00158
Response To Request for Information
OAG's Request for Information Dated 08/24/2023

Request 2. (continued)

Request 2d.

Provide Farmers RECC's total annual energy sales for the years 2016 – 2023.

Response 2d.

The attached excel sheet includes the total annual energy sales by class. This data agrees to the annual Form 7s – Financial and Operating Report, Part O – Power Requirements Database, Annual Summary. The attachment is an excel spreadsheet that is being uploaded into the Commission's electronic filing system separately.

Request 2e.

Explain whether Farmers RECC expects annual energy sales to increase or decrease, and provide all projections concerning the same.

Response 2e.

Farmers RECC and its power supplier, East Kentucky Power Cooperative, work jointly to prepare a load forecast report (LFR). The last LFR was approved by the Farmers RECC Board of Directors on November 16, 2022. That report projects a 1.10% annual increase over a five-year period ending in 2027.

End of year	MWh
2022 (actual)	502,651
2027 (projected)	530,846

$$502,651 (1 + i)^5 = 530,846$$

$i = 1.10\%$ annual increase

Farmers Rural Electric Cooperative Corporation
Case No. 2023-00158
Response To Request for Information
OAG's Request for Information Dated 08/24/2023

Request 2. (continued)

Request 2f.

Taylor County Rural Electric Cooperative ("Taylor County RECC"), South Kentucky Rural Electric Cooperative Corporation ("south Kentucky RECC"), and Farmers RECC provides electricity to overlapping counties.

- i. Provide a map of Farmers RECC's electric service area.
- ii. Provide a map differentiating between the electric service areas of Taylor County RECC, South Kentucky RECC, and Farmers RECC.
- iii. Explain whether Farmers RECC has ever worked, or plans on working, with Taylor County RECC, South Kentucky RECC, or another similarly situated rural electric cooperative on any joint ventures to provide electricity to its customers.
- iv. Explain in detail whether Farmers RECC has ever discussed merger with Taylor County RECC, South Kentucky RECC, or another similarly situated rural electric cooperative in order to streamline operations and obtain economies of scale. If not, explain in detail why not.

Response 2f.

- i. A map of Farmers RECC's electric service area is attached to this response.
- ii. A map is attached to this response.
- iii. Farmers RECC has not worked with Taylor RECC or South Kentucky RECC on any joint ventures to provide electricity to its members.
- iv. Farmers RECC has not discussed merger with Taylor County RECC, South Kentucky RECC or a similarly situated rural electric cooperative because conditions do not warrant such discussions. Farmers RECC does not believe that a merger with another distribution cooperative is worth exploring at this juncture mainly due to system integration challenges and the absence of economic and operational efficiencies. Instead, Farmers RECC believes the best course is to continue with the type of robust cost containment philosophy. Farmers RECC has been and continues to be active in the Kentucky Electric Cooperative network, leveraging opportunities for mutual services and benefits as they may become available. Taylor County RECC expressed similar sentiments in its recent rate case.

Farmers Rural Electric Cooperative Corporation
Case No. 2023-00158
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Request 2. (continued)

Request 2g.

Based upon the most recent United States Census information, the poverty rates for Farmers RECC's electric service area are as follows:

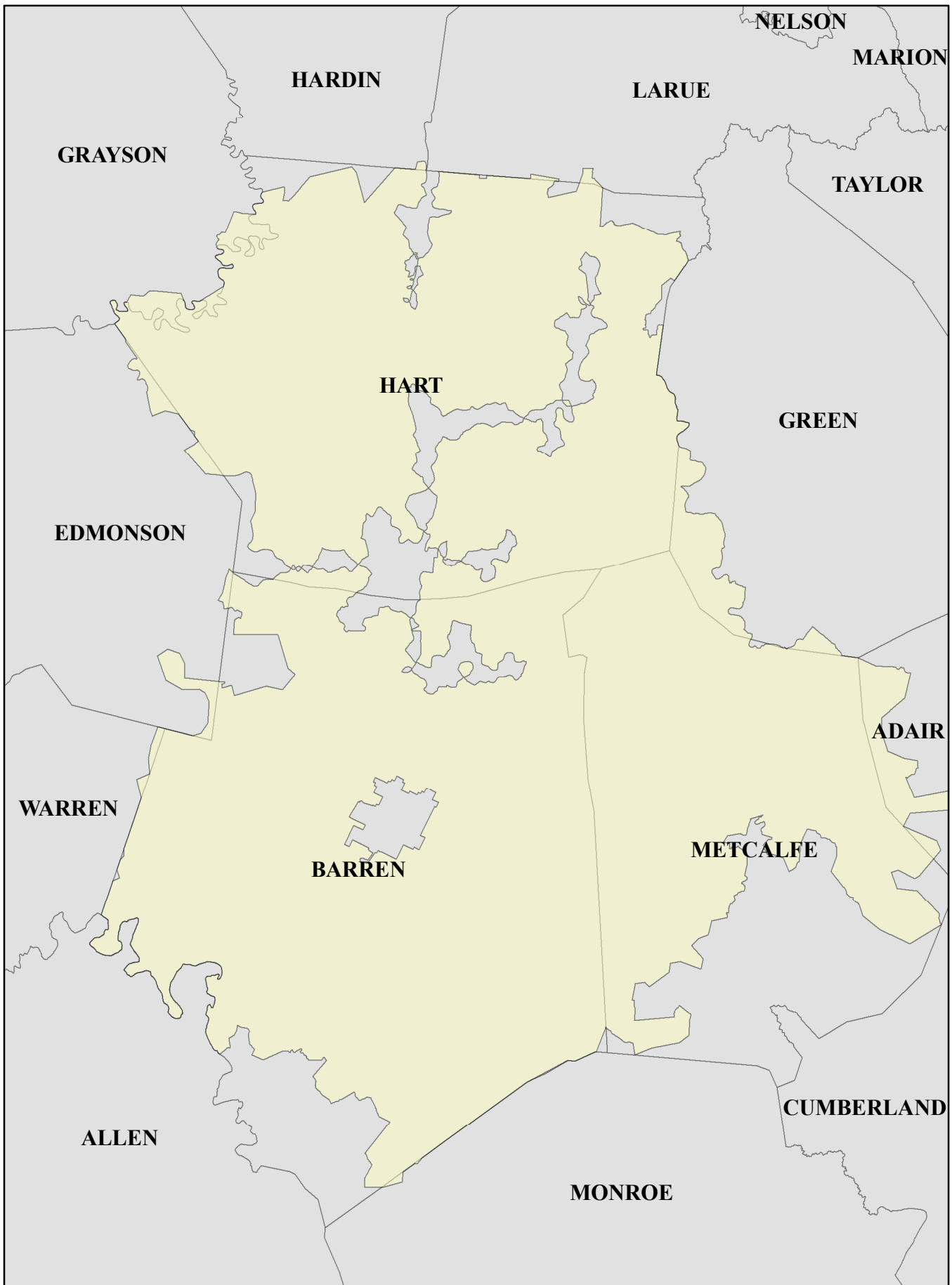
Adair County – 24.2%,
Barren County – 19.3%,
Edmonson County – 18.4%,
Grayson County – 18.2%,
Green County – 19.5%,
Hardin County – 11.7%,
Hart County – 20.4%,
Larue County – 15.5%,
Metcalfe County – 19.3%,
Monroe County – 22%, and,
Warren County – 14.8%.

Confirm that Farmers RECC is aware of the above percentages of its electric customers who live at or below the poverty line.

Response 2g.

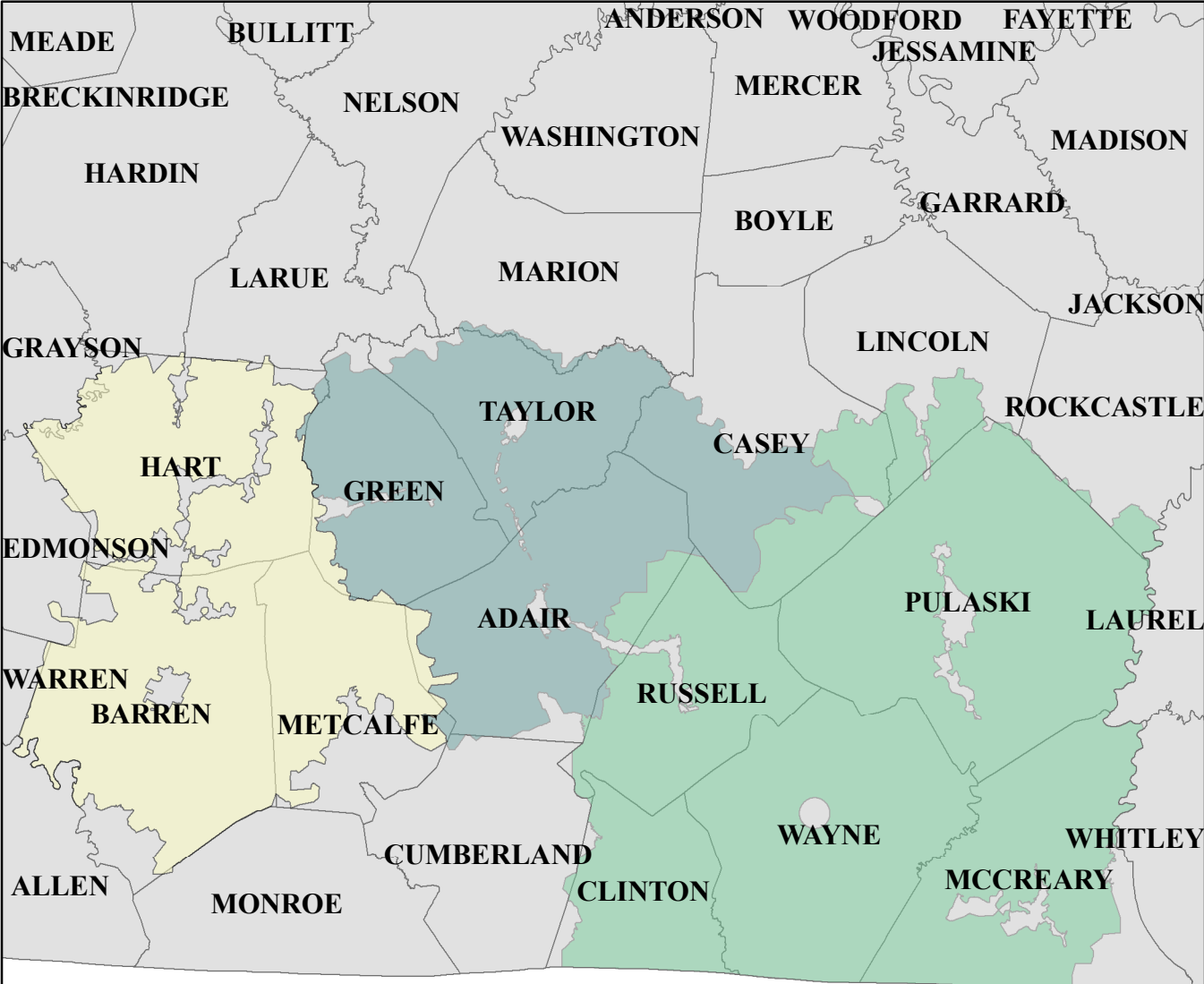
Farmers RECC is aware.

Farmers RECC Service Territory






Service Territory

Farmers RECC
South Kentucky RECC
Taylor County RECC



Legend

-  Farmers R.E.C.C.
-  South Kentucky R.E.C.C.
-  Taylor County R.E.C.C.

**ATTACHMENTS ARE
EXCEL SPREADHSEETS
AND UPLOADED
SEPARATELY**

Farmers Rural Electric Cooperative Corporation
Case No. 2023-00158
Response To Request for Information
OAG's Request for Information Dated 08/24/2023

Request 3.

Refer to the Application generally. Provide the following information for Farmers RECC's employees.

Request 3a.

Provide the position title and salary for each salaried employee for the years 2016-2023.

Response 3a.

This is being filed under seal pursuant to a Motion for Confidential Treatment. Please see attachment.

Request 3b.

Provide the average raise that the salaried employees received for the years 2016-2023. Ensure to explain whether the annual raise is directly connected to a performance review.

Response 3b.

This is being filed under seal pursuant to a Motion for Confidential Treatment. Please see attached schedule.

Request 3c.

Provide the average bonus that each salaried employee received for the years 2016-2023, and identify all amounts included in the pending revenue requirement.

Response 3c.

This is being filed under seal pursuant to a Motion for Confidential Treatment. Please see attachment.

Request 3d.

Provide all awards given to the salaried employees for years 2016-2023 and identify all amounts included in the pending revenue requirement.

Response 3d.

Awards are given to employees for every 5 years of service. The dollar amount, which has been the same annually for years 2016-2023 are: 5 years - \$50.00, 10 years - \$100.00, 15 years - \$150.00, 20 years - \$200.00, etc. This is being filed under seal pursuant to a Motion for Confidential Treatment. Please see attached schedule.

Farmers Rural Electric Cooperative Corporation
Case No. 2023-00158
Response To Request for Information
OAG's Request for Information Dated 08/24/2023

Request 3. (continued)

Request 3e.

Provide all vehicle allowances given to the salaried employees for years 2016-2023 and identify all amounts included in the pending revenue requirement.

Response 3e.

No vehicle allowances were given to the salaried employees for years 2016-2023.

Request 3f.

Provide all incentive compensation given to the salaried employees for years 2016-2023 and identify all amounts included in the pending revenue requirement.

Response 3f.

No incentive compensation was given to the salaried employees for years 2016-2023.

Request 3g.

Provide the average raise, if any, which will be given to salaried employees for 2024.

Response 3g.

The average raise to be budgeted for employees in 2024 has not been determined. Data for the 2024 budget will be gathered in the fall of 2023 and submitted for Board approval on December 21, 2023.

Request 3h.

Provide a detailed explanation of the insurance benefits provided to the Company's salaried employees, including but not limited to health, dental, vision, life insurance, etc. Ensure to include all premiums paid by the Company's salaried employees, premiums paid by the Company or parent company on the salaried employees' behalf, as well as the copays, deductibles, and maximum out of pocket amount.

Response 3h.

This is being filed under seal pursuant to a Motion for Confidential Treatment. Please see attached schedule. Please refer also to Response 44 and 45 of OAG's Request for Information.

Farmers Rural Electric Cooperative Corporation
Case No. 2023-00158
Response To Request for Information
OAG's Request for Information Dated 08/24/2023

Request 3. (continued)

Request 3i.

Provide a detailed explanation of the retirement benefits provided to the Company's salaried employees, including but not limited to, whether there is a defined benefit plan, 401(k) matching, etc.

Response 3i.

This is being filed under seal pursuant to a Motion for Confidential Treatment. Please see attached schedule. Please refer also to Response 31 of OAG's request for information.

Request 3j.

Explain whether any of the salaried employees are members of a union.

Response 3j.

No employees are members of a union.

**ATTACHMENTS ARE
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SEPARATELY**

ATTACHMENT
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PURSUANT TO A
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TREATMENT

Farmers Rural Electric Cooperative Corporation
Case No. 2023-00158
Response To Request for Information
OAG's Request for Information Dated 08/24/2023

Request 4.

Refer to the Application generally. Provide the following information for Farmers RECC's employees.

Request 4a.

Provide the position title and wage for each non-salaried employee for the years 2016-2023.

Response 4a.

This is being filed under seal pursuant to a Motion for Confidential Treatment. Please see attachment.

Request 4b.

Provide the average raise that the non-salaried employees received for the years 2016-2023. Ensure to explain whether the annual raise is directly connected to a performance review.

Response 4b.

This is being filed under seal pursuant to a Motion for Confidential Treatment. Please see attached schedule.

Request 4c.

Provide the average bonus to the non-salaried employees for the years 2016-2023, and identify all amounts included in the pending revenue requirement.

Response 4c.

This is being filed under seal pursuant to a Motion for Confidential Treatment. Please see attachment.

Request 4d.

Provide all awards given to the non-salaried employees for years 2016-2023 and identify all amounts included in the pending revenue requirement.

Response 4d.

Awards are given to employees for every 5 years of service. The dollar amount, which has been the same annually for years 2016-2023 are: 5 years - \$50.00, 10 years - \$100.00, 15 years - \$150.00, 20 years - \$200.00, etc. This is being filed under seal pursuant to a Motion for Confidential Treatment. Please see attached schedule.

Farmers Rural Electric Cooperative Corporation
Case No. 2023-00158
Response To Request for Information
OAG's Request for Information Dated 08/24/2023

Request 4. (continued)

Request 4e.

Provide all vehicle allowances given to the non-salaried employees for years 2016-2023 and identify all amounts included in the pending revenue requirement.

Response 4e.

No vehicle allowances were given to the non-salaried employees for years 2016-2023.

Request 4f.

Provide all incentive compensation given to the non-salaried employees for years 2016-2023 and identify all amounts included in the pending revenue requirement.

Response 4f.

No incentive compensation was given to the non-salaried employees for years 2016-2023.

Request 4g.

Provide the average raise, if any, which will be given to non-salaried employees for 2024.

Response 4g.

The average raise to be budgeted for employees in 2024 has not been determined. Data for the 2024 budget will be gathered in the fall of 2023 and submitted for Board approval on December 21, 2023.

Request 4h.

Provide a detailed explanation of the insurance benefits provided to the Company's non-salaried employees, including but not limited to health, dental, vision, life insurance, etc. Ensure to include all premiums paid by the Company's non-salaried employees, premiums paid by the Company or parent company on the salaried employees' behalf, as well as the copays, deductibles, and maximum out of pocket amount.

Response 4h.

This is being filed under seal pursuant to a Motion for Confidential Treatment. Please see attached schedule. Please refer also to Response 44 and 45 of OAG's Request for Information.

Farmers Rural Electric Cooperative Corporation
Case No. 2023-00158
Response To Request for Information
OAG's Request for Information Dated 08/24/2023

Request 4. (continued)

Request 4i.

Provide a detailed explanation of the retirement benefits provided to the Company's non-salaried employees, including but not limited to, whether there is a defined benefit plan, 401(k) matching, etc.

Response 4i.

This is being filed under seal pursuant to a Motion for Confidential Treatment. Please see attached schedule. Please refer also to Response 31 of OAG's request for information.

Request 4j.

Explain whether any of the non-salaried employees are members of a union.

Response 4j.

No employees are members of a union.

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ATTACHMENT
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Farmers Rural Electric Cooperative Corporation
Case No. 2023-00158
Response To Request for Information
OAG's Request for Information Dated 08/24/2023

Request 5.

Refer to the Application generally.

Request 5a.

Provide a detailed explanation of all salary and benefits provided to the members of the Board of Directors during the 2016 – 2023. Ensure to provide the salary amounts, and specific details regarding all benefit packages including but not limited to health, dental, vision, accidental death and disability, life insurance, bonuses, awards, vehicle allowances, and the like.

Response 5a.

Attached to this response is the Director's Compensation policy. This policy was established in 2010. Should a Director wish to participate in the dental or life insurance plan, as stated in the policy, the Director pays the full premium. The Board of Directors are not eligible to participate in the health or vision plans. The Board of Directors do not receive vehicle allowances. Each Directors receives a \$100 Christmas bonus each year.

Request 5b.

Provide the total amount of the Board of Directors fees included in the test year.

Response 5b.

The total amount of fees included for the test year are \$118,053.

Request 5c.

Provide a breakdown of the total amount of the Board of Directors fees for the test year.

Response 5c.

Exhibit 25 of the Application provides a breakdown of the total amount of the Board of Directors fees for the test year.

Request 5d.

Discuss if there will be any changes to the Board of Directors' salaries and/or benefit packages for 2024.

Response 5d.

There has been no discussion as to changes to the Board of Directors' salaries and/or benefit packages for 2024.

Farmers Rural Electric Cooperative Corporation
Case No. 2023-00158
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Request 5. (continued)

Request 5e.

When setting the Board of Directors' fees and benefits did Farmers RECC review other Kentucky rural electric cooperative Board of Directors' fees and benefits? If so, explain in detail the findings. If not, explain in detail why not.

Response 5e.

Strategically, I cannot speak to how the fees and benefits were established. Those conversations were conducted by my predecessor.

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION**POLICY NO. 152****DIRECTOR'S COMPENSATION****I. POLICY**

In order to encourage proper involvement in the governance of Farmers Rural Electric Cooperative Corporation ("Cooperative"), it shall be the practice of the Cooperative to adequately and fairly compensate directors for the time and effort they spend in considering and conducting the Cooperative's business.

II. PROVISIONS

A. Director's fees are set as follows for service on the board, attendance to the Cooperative's monthly board meetings and other board-authorized meetings specific to the organization:

1. The Chairman of the board shall receive a monthly stipend of \$1,100. All other directors shall receive a monthly stipend of \$800. plus:
2. \$300 per meeting for attendance at regular and special board meetings, committee meetings, training meetings, and all other authorized meetings. The Board of Directors, at its discretion, may reduce the amount of the fee paid for any meeting of shorter duration or limited agenda.
3. If a director is attending another authorized Cooperative meeting on the same day as the regular monthly board meeting (i.e. committee meeting), then the director shall be paid only one per diem fee for that day. The rate paid for that day shall be the normal board meeting per diem of \$300. Should other authorized meetings occur on a day different from the normal board meeting day, then the per diem of \$300 per day shall be paid.
4. In the event the board authorizes a director to participate in a normal, monthly board meeting by conference call or by virtual meeting via the internet, the per diem shall be \$300 unless otherwise determined by the board.

Should a director attend an authorized Cooperative meeting by conference call or by virtual meeting, and the duration is three (3) hours or less, then the meeting fee shall be \$150.00. If the meeting duration is one (1) hour or less, then attendance shall be covered under the regular monthly stipend with no additional meeting fee compensation. In both of these situations, it is assumed no travel is involved as they are virtual or conference call meetings.

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION**POLICY NO. 152****DIRECTOR'S COMPENSATION**

5. If the director misses a regular board meeting due to illness or death of an immediate family member, the per diem for that meeting shall be paid. Subsequent absences will be addressed by the Board on a case-by-case basis.
6. When a meeting is held at a distance requiring a Director to travel out of state on a day prior to and/or a day after the meeting, payment for such additional travel and expenses shall be limited to one additional day's compensation.

B. Compensation for Service on Associated Boards:

- a. Where directors serve on associated-organization boards, as board-designated and approved representatives for Farmers Rural Electric Cooperative, should the daily per diem paid for such representation from those organizations be less than \$300 per day, then the cooperative shall compensate the director for the difference to ensure that the normal daily per diem is received for service.

C. Expenses:

- a. Expenses shall be paid/reimbursed in accordance with Policy 102 – Travel and Expense Reimbursement – Directors.

D. Dental insurance coverage:

- a. Directors may elect to participate in the Cooperative's dental insurance program by paying the full cost of the monthly premium for either a single or family plan. Payment shall be made monthly.

E. Term and Travel Insurance:

- a. Directors may elect to participate in the Cooperative's NRECA Term Life and Travel insurance group policy by paying the full cost of the monthly premiums. Payment shall be made monthly. They will qualify for varying amounts of coverage based upon their age and any other terms as dictated by the Summary Plan Description.

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION

POLICY NO. 152

DIRECTOR'S COMPENSATION

III. RESPONSIBILITY

The Board of Directors and the President and CEO shall be responsible for the administration of this policy.

Farmers Rural Electric Cooperative Corporation
Case No. 2023-00158
Response To Request for Information
OAG's Request for Information Dated 08/24/2023

Request 6.

Refer to the Application generally. Provide a copy of all formal studies conducted that compare Farmers RECC's wage and benefit information to the local wage and benefit information for the geographic area in which Farmers RECC operates. If no study exists, explain why not.

Response 6.

Please refer to Responses 3 and 4 of OAG's request for information.

Annual raises are calculated based on market characteristics using criteria provided from the following sources:

National Average Change
Region III Average Change
Kentucky Average Change
Glasgow - ERI Average Change
Bureau of Labor - ECI - National Utility Change
Bureau of Labor - ECI - All Industries
US Employers' Budget Anticipations - Surveys

Additionally, Farmers RECC includes CPI Data from the US Dept of Labor - Bureau of Labor Statistics, averages reported by the Society for Human Resource Management ("SHRM") and an independent third-party consultant.

Farmers Rural Electric Cooperative Corporation
Case No. 2023-00158
Response To Request for Information
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Request 7.

Refer to Application generally.

Request 7a.

Provide the number and type of all meters that Farmers RECC currently has in its electric system (e.g. Automated Meter Reading (“AMR”), Advanced Metering Infrastructure (“AMI”), manual read meters, etc.).

Response 7a.

Farmers RECC is completely AMI with the exception of the few meters which are manual read (those off Edmonton Industrial Sub, Parkway 2 Sub, West Glasgow 2 Sub, etc.).

Request 7b.

If Farmers RECC has AMI, identify all associated savings that have been included in the pending rate case such as meter reading positions, expense associated with truck rolls, etc. If no savings were included, explain why not in detail.

Response 7b.

Farmers RECC performed a study to compare an AMI system to manual read meters around 2001. The study indicated migration to an AMI system was the most economical and efficient method of reading member meters. This system was included in the 2002 – 2006 Construction Work Plan approved by the Kentucky PSC. The system was fully implemented by 2008 and is still in use today. As such, all associated savings are imbedded in the normal course of business reflected in the test year. No additional savings were included in this rate case.

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Request 8.

Refer to the Application generally. Explain the current process of awarding wage/salary increases to salaried versus non-salaried and union versus non-union employees.

Response 8.

All Farmers RECC employees are non-union.

Salary and hourly employees are based upon market range and performance on the job. The wage study, performed by an outside consultant, utilizes data provided by NRECA.

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Request 9.

Refer to the Application generally. Has Farmers RECC obtained and/or is the Company seeking any funds/grants from federal, state, or local sources which have been or will be made available? If so, identify the source and amount of those funds/grants. If not, and funds/grants are available for which the Company is eligible, explain why the Company is foregoing those opportunities.

Response 9.

On April 15, 2020, Farmers obtained a Small Business Administration Payroll Protection Program loan in the amount of \$1,096,767.50 to help cover a portion of its labor costs during the 2020-2021 COVID pandemic. Forgiveness of the loan was awarded on February 2, 2021.

In December 2021, Farmers RECC's service area sustained damage from tornados. Farmers RECC filed an application with FEMA for the damages and a total of \$187,394.42 has been received to date.

On March 3, 2023, Farmers RECC's service area sustained damages from a windstorm. Farmers RECC has filed an application with FEMA for the damages with an estimated cost of \$1.435M.

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Request 10.

Refer to the Application generally. Provide a succinct list that identifies all proposed pro forma adjustments, the amount of each pro forma adjustment, along with a brief description of the necessity of each adjustment.

Response 10.

See Wolfram Direct, Table 2, Wolfram Direct, pages 10-15, and Exhibit JW-2, Page 2 of 27.

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Request 11.

Refer to the Application generally.

Request 11a.

Provide a list that identifies all miscellaneous costs for the test year, including but not limited to dinners (including all holiday dinners), gifts, donations, membership dues, annual meeting costs, etc.

Response 11a.

In regards to the miscellaneous costs, please refer to the Wolfram Direct Testimony, Exhibit JW-2, page 1.08 of the Application, Exhibit 27 of the Application and Response 7 of the Commission's Staff First Request for Information.

Request 11b.

For each cost indicate whether it was removed from or included in the requested revenue requirement, and the reason for the exclusion or inclusion.

Response 11b.

Refer to the Wolfram Direct Testimony, Exhibit JW-2, page 1.08 of the Application, Exhibit 27 of the Application and Response 7 of the Commission's Staff First Request for Information.

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Request 12.

Refer to the Application generally. Explain in detail whether there are any direct charges, allocated costs, surcharges, pass-through charges, etc., from East Kentucky Power Cooperative ("EKPC"), or any other entity, to Farmers RECC. If so, provide a detailed list of the same with explanations of each allocated charge.

Request 12.

All of the charges from EKPC are included on the purchased power invoices, which are booked to Account 555 and are reflected in the cost of service study in Wolfram Direct, Exhibit JW-8. No other such charges exist.

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Request 13.

Refer to the Application generally. Explain in detail whether Farmers RECC provides any assistance program(s) for customers experiencing difficulty paying their electric bills.

Response 13.

Farmers RECC, as a normal part of daily business, has always worked with its members in a sensitive and professional manner when they experience difficulty paying for their electric service. Farmers RECC works with its members in need to establish payment plans in an attempt to avoid disconnection for non-payment. Farmers RECC also readily advocates to its members who express a need to contact assistance programs run by certain agencies, such as community action agencies. Operation Warm Hearts is a program that assists members having difficulty paying their bills with Farmers RECC. Members can “round-up” their bill and the extra amount goes into the Warm Hearts account. The proceeds are distributed through community action agencies in the county where the donation was made to qualifying Farmers RECC residential members. Members within 150% of the poverty line are eligible to get these funds, which are distributed through community action agencies.

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Request 14.

Refer to the Application generally.

Request 14a.

Provide a detailed explanation of how Farmers RECC operates its capital credit program, and ensure to discuss how the Company accounts for capital credits that cannot be provided back to the member due to the member passing away, moving, etc.

Response 14a.

Article VII, Section 2 of Farmers RECC's Bylaws speaks to the capital credit process:

Section 2. Patronage Capital in Connection with Furnishing Electric Energy.

(a) In the furnishing of electric energy, the Cooperative's operations shall be so conducted that all patrons, members and non-members alike, will through their patronage furnish capital for the Cooperative.

In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all of its patrons, members and non-members alike, for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy.

All such amounts in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons, members and non-members alike, as capital.

(b) The Cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron.

All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital.

(c) In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members.

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Request 14. (continued)

If, at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or in part. The Board of Directors shall determine the method, basis, priority, and order of retirement for all amounts furnished as capital.

(d) Capital credited to the account of each patron shall be assignable only on the books of the Cooperative pursuant to written instruction from the assignor and only to successors in interest or successors in occupancy in all or a part of such patron's premises served by the Cooperative unless the Board of Directors, acting under policies of general application, shall determine otherwise.

In the event that a non-member patron shall elect to become a member of the Cooperative the capital credited to the account of such non-member patron may be applied by the Cooperative toward the payment of a membership fee on behalf of such non-member patron.

(e) Notwithstanding any other provision of these Bylaws, the Board of Directors, at its discretion, shall have the power at any time upon the death of any patron, who was a natural person, if the legal representatives of his or her estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of these Bylaws, to retire capital credited to any such patron immediately upon such terms and conditions as the Board of Directors, acting under policies of general application, and the legal representatives of such patron's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby.

(f) Before retiring any capital credits to any member's account, the Cooperative shall deduct any amount(s) owed to the Cooperative by such member.

(g) The members of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws shall constitute and be a contract between the Cooperative and each member, and both the Cooperative and the members are bound by such contract, as fully as though each member had individually signed a separate instrument containing such terms and provisions.

Request 14b.

Provide the monetary amount of capital credits that Farmers RECC currently has on the books, separated by year.

Response 14b.

See attachment.

YR	NO UN-DEL	GAINS AVAILABLE FOR REFUND	NO D-PAT	OPER MARGINS	ESTATE REFUND	AMOUNT REMAINING	PERM EQ
83	5949						
84	5729						
85	5593						
86	5680						
87	5528						
88	5437						
89	5437						
90	5452						
91	5451						
92	5378						
93	5302						
94	5305						
95	7269	164.81					
96	7098	182.49					
97	7140	308.82					
98	6935	167.80					
99	6922	343.10					
00	6372	392.13					
01	5786	517.04					
02	5904	592.81					
03	5349	343.57					
04	5532	719.31					
05	5087	313.32					
06	5265	596.85					
07	4980	135.54					
08	1841						
09	1631						
10	4782	242.84					
11	4686	6972.65					
12	4766	556.16					
13	4492	268.34					
14	5001	572.40					
15	4953	729.09					
16	4667	336.75					
17	4686	438.60					
18	4707	375.90					
19	5246	602.14					
20	4871	524.70					
21	5243	877.10					
22	4879	2652.60					
23	4879	8765.01-					
TOTALS							
	217210	11161.85					

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Request 15.

Refer to the Application, paragraph 4. Confirm that in Case No. 2021-00108, the Commission granted Farmers RECC a \$1,624,924 rate increase associated with EKPC's wholesale rate increase. If not confirmed, explain why not in detail.

Response 15.

Confirmed.

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Request 16.

Refer to the Application generally.

Request 16a.

Explain in detail whether Farmers RECC has participated in, or continues to participate in, the Rural Utilities Service's ("RUS") Cushion of Credit program.

Response 16a.

Farmers RECC has participated in the RUS Cushion of Credit program.

Request 16b.

Confirm that the RUS Cushion of Credit program allowed cooperatives utilities to deposit cash with RUS from funds available in excess of its debt service requirements and earn interest on those deposits at 5.0%. However, when changes were made to the RUS Cushion of Credit Program through the enactment of the 2018 Farm Bill, it modified the interest rate on those deposits from 5% to the 1-year variable treasury rate on October 1st of each year. The 2018 Farm Bill also allowed for cooperatives to apply the Cushion of Credit funds to outstanding RUS and Federal Financing Bank ("FFB") loans by September 30, 2020, without prepayment penalties. If not confirmed, explain why not.

Response 16b.

Farmers RECC confirms with the following exception: the cushion of credit balances earned 5% interest until October 1, 2020 and then, for one year, the cushion of credit balances earned a 4% interest rate. The 1-year variable treasury rate started October 1, 2021.

Request 16c.

Explain whether Farmers RECC is aware of any further updates to the RUS Cushion of Credit program since the 2018 Farm Bill was enacted.

Response 16c.

Farmers RECC is not aware of any further updates to the RUS Cushion of Credit program since the 2018 Farm Bill was enacted.

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Request 16. (continued)

Request 16d.

If Farmers RECC received interest income from the RUS Cushion of Credit program for the test year, explain whether this amount was included in the revenue requirement. If not, explain why not.

Response 16d.

Farmers RECC did not receive interest income from the RUS Cushion of Credit program for the test year.

Request 16e.

When changes were made to the Federal Farm Bill in 2018, explain whether Farmers RECC used its Cushion of Credit deposit amounts to prepay its RUS/FFB loans without penalty from the period of December 20, 2018 – September 30, 2020. If not, explain in detail why not.

Response 16e.

Farmers RECC used its Cushion of Credit deposit amounts to prepay certain FFB loans without penalty in October 2019 and July 2020. Attached to this response are the payoff statements from the USDA.

Request 16f.

Provide a detailed account of Farmers RECC's Cushion of Credit deposit amounts for the years 2016 – 2023.

Response 16f.

The attached spreadsheet details the Cushion of Credit account, showing deposits, interest earned, monthly/quarterly debt payment and the payoff of certain loans. Farmers RECC has not used the cushion of credit since October 2021, which is when the interest rate moved to the 1-year variable treasury rate. In 2022 and 2023, Farmers RECC has utilized National Rural Utilities Cooperative Finance Corporation's ("CFC") Commercial Paper, which offers competitive rates to short-term investments. Response 5 of the Commission Staff's First Request for Information provides additional detail.

The attachment is an excel spreadsheet that is being uploaded into the Commission's electronic filing system separately.



United States Department of Agriculture

Rural Development Business Center

Wednesday, 10/16/2019

Chief Financial Officer

Farmers RECC
P.O. Box 1298
Glasgow, KY 42142-1298

National Finance and Accounting Operations Center

4300 Goodfellow Boulevard
St. Louis, MO 63120

Ref: Final Payoff Due for FARMERSA / 21 (KY) 0034 on October 17, 2019

Jennie Phelps:

Attached is a detailed listing of accounts in support of the payoff amount shown below. This is the final quote from FFB on your prepayment amount due on October 17, 2019. We have also attached a spreadsheet calculation for your fees which are due for the accounts you're paying in full.

LOAN 07

Principal	\$	3,121,734.91	224.07
Interest		7,983.69	
Premiums Charged		0.00	} 237.11
Discounts Given		0.00	
Note Section 9 Fees		181.74	
Annual Fees		0.00	
Accounts Receivable Unpaid		0.00	
TOTAL PAYOFF DUE =		\$ 3,129,900.34	1,224.06
Less Cushion of Credit Applied:		3,129,900.34	
TOTAL AMOUNT to WIRE =		\$ 0.00	

For any questions, please contact us at rd.nfaoc.tesb@stl.usda.gov or 314-457-4049.

Thank You,

Telephone and Electric Services Branch
National Finance and Accounting Operations Center (NFAOC) - St. Louis, MO
USDA Rural Development

USDA is an equal opportunity provider and employer.

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form (PDF) found online at http://www.ascr.usda.gov/complaint_filing_cust.html or at any USDA office or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or e-mail at program.intake@usda.gov.

Paid H0010 note w/ Cushion of Credit on 10/17/19.



United States Department of Agriculture

Rural Development Business
Center

Chief Financial Officer

National Finance and
Accounting Operations Center

4300 Goodfellow
Boulevard
St. Louis, MO 63120

Wednesday, 7/22/2020

Farmers RECC
P.O. Box 1298
Glasgow, KY 42142-1298

Ref: Final Payoff Due for FARMERSA / 21 (KY) 0034 on July 23, 2020

Jennie Phelps:

Attached is a detailed listing of accounts in support of the payoff amount shown below. This is the final quote from FFB on your prepayment amount due on July 23, 2020. We have also attached a spreadsheet calculation for your fees which are due for the accounts you're paying in full.

Principal	\$	2,690,144.65
Interest		8,446.94
Premiums Charged		0.00
Discounts Given		0.00
Note Section 9 Fees		211.31
Annual Fees		0.00
Accounts Receivable Unpaid		0.00
TOTAL PAYOFF DUE =		\$ 2,698,802.90
Less Cushion of Credit Applied:		2,698,802.90
TOTAL AMOUNT to WIRE =		\$ 0.00

For any questions, please contact us at rd.nfaoc.tesb@stl.usda.gov or 314-457-4049.

Thank You,

Telephone and Electric Services Branch

National Finance and Accounting Operations Center (NFAOC) - St. Louis, MO

USDA Rural Development

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**ATTACHMENTS ARE
EXCEL SPREADHSEETS
AND UPLOADED
SEPERATELY**

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Request 17.

Refer to the Application, paragraph 5. Farmers RECC asserts that it is requesting a \$2,415,704 rate increase, or 3.99%, to achieve an Operating Times Interest Earned Ratio (“OTIER”) of 1.51.

Request 17a.

Provide Farmers RECC's OTIER for the years 2016 – 2023.

Response 17a.

Farmers RECC's OTIER and its formula for years 2017 – 2022 are also provided in Exhibit 31 of the Application. OTIER is also provided in OAG's Request 34.

	TIER	OTIER
2016	2.68	1.17
2017	2.00	1.25
2018	2.64	1.59
2019	2.33	1.14
2020	2.27	1.34
2021	2.63	1.47
2022	2.27	1.01
Jan - July 2023	0.67	0.35

Witness: Jennie Phelps and John Wolfram

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Request 17. (continued)

Request 17b.

Provide Farmers RECC's TIER for the years 2016 – 2023.

Response 17b.

Farmers RECC's TIER and its formula for years 2017 – 2022 are also provided in Exhibit 31 of the Application. TIER is also provided in OAG's Request 34.

	TIER	OTIER
2016	2.68	1.17
2017	2.00	1.25
2018	2.64	1.59
2019	2.33	1.14
2020	2.27	1.34
2021	2.63	1.47
2022	2.27	1.01
Jan - July 2023	0.67	0.35

Request 17c.

If the Commission were to grant Farmers RECC's full rate increase request in the pending case, provide the resulting TIER.

Response 17c.

The resulting TIER would be 1.86.

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Request 18.

Refer to the Application, Exhibit 1. Farmers RECC states that it is, “at risk of not satisfying key financial metrics contained in its loan covenants with lenders.”

Request 18a.

Explain in detail the various lender requirements.

Response 18a.

Please refer to Response 13 of the Commission Staff's First Request for Information.

Request 18b.

Provide Farmers RECC's rate structure in comparison to its lender requirements for the years 2016 – 2023.

Response 18b.

Please refer to Response 34 of this OAG's Request for Information.

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Request 19.

Refer to the Application, Exhibit 4, Customer Notice.

Request 19a.

Confirm that the average residential customer, using 1,102 kWh of electricity, will have an \$8.30 increase, or 5.93%, to the monthly electric bill if the Commission grants Farmers RECC's rate increase request.

Response 19a.

Confirmed.

Request 19b.

If the Commission grants Farmers RECC's rate increase request provide the total monthly electric bill for the average residential customer.

Response 19b.

On average and all else being equal, if the request is approved, the average residential customer bill will increase from \$139.98 to \$148.28.

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Request 20.

Refer to the Application, Exhibit 4, Customer Notice. Farmers RECC states that it is requesting an increase in the monthly residential customer charge from \$14.49 to \$19.50, to take effect immediately.

Request 20a.

Explain how seeking to increase the monthly residential customer charge from \$14.49 to \$19.50, which is an increase of approximately 34.5756%, is in line with the principle of gradualism.

Response 20a.

Please see Wolfram Direct Testimony, page 25. The proposed increase moves the customer charge approximately 46% of the way across the gap between the current customer charge and the cost-based customer charge (\$25.50) from the cost of service study. Farmers RECC notes that the increase to the total residential billings rather than one component of those billings is more relevant. The overall increase to residential billings is 5.93%.

Request 20b.

Explain whether Farmers RECC contemplated implementing the proposed higher customer charge in two phases instead of a 34.5756% increase at one time.

Response 20b.

Farmers RECC did not consider a phased increase, because addressing financial metrics and cash flow challenges is a high priority and doing so sooner than later is in the best interest of Farmers RECC's members. Furthermore, the more meaningful percentage metric is the overall increase, which is 5.93%.

Request 20c.

Identify all rate classes to which Farmers RECC provides electric service.

Response 20c.

See Wolfram Direct, page 6, Table 1.

Request 20d.

Compare and contrast the following rate classes: Residential Service, TOD Residential, and Net Metering.

Response 20 continued.

Response 20d.

The three classes are explained in Farmers RECC's tariffs. Residential Service is available to residents for all uses in the home and on the farm and for other consumers using single-phase service below 50 kW for ordinary merchandising establishments, repair shops, garages and service stations, schools, churches and community buildings, all subject to the established rules and regulations of the seller. Three-phase service may be provided to consumers located within 1,000 feet of existing three-phase line. TOD Residential is similar to Residential Service but has an on-peak and off-peak energy charge. Net Metering customers self supply some portion of their usage pursuant to the net metering tariff (rooftop solar, etc.). All of these classes are the same basic type of consumer compared to commercial and industrial members.

Request 20e.

Explain in detail why Farmers RECC is only requesting the rate increase to apply to the Residential Service, TOD Residential, and Net Metering rate classes.

Response 20e.

These classes are the only ones for which the cost of service study shows a negative return on rate base. See Wolfram Direct pages 21-23.

Request 20f.

Provide citations to precedent in which the Commission granted a rate increase only on the residential customers.

Response 20f.

See Response 4c. to PSC DR-1.

Request 20g.

Confirm that if the Commission grants Farmers RECC's requested rate increase on the residential rate class, the residential customers will be paying a monthly customer charge of \$19.50, and an energy charge per kWh of \$0.090673, while the commercial and industrial rate classes using less than 50 kWh per month will continue to pay a monthly customer charge of \$22.07, and an energy charge per kWh of \$0.082796.

Response 20g.

Confirmed.

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Request 20 continued.

Request 20h.

Explain in detail whether Farmers RECC has any special contracts in place, and if so, provide the corresponding case number in which the Commission approved of the same.

Response 20h.

Farmers RECC has none.

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Request 21.

Refer to the Direct Testimony of Tobias Moss ("Moss Testimony"), at 3, in which he states that Farmers has, "had several cost-saving initiatives" since the last rate case. Explain in detail the cost-saving initiatives that have been implemented since the last rate case.

Response 21.

Since Farmers RECC's last general rate increase, the cost of doing business and providing safe and reliable electric service has increased due to extraordinary inflationary pressures. However, Farmers RECC continues to focus on lowering or controlling expenses. Below is a list of cost-saving initiatives. Several of these examples are also include in Exhibit 20 of the Application.

Farmers has always strived to find a balance between maximizing savings on interest rates and maintaining stability to lessen the impact on electric rates. On November 20, 2017, Farmers refinanced its remaining Rural Utilities Services (RUS) debt with National Rural Utilities Cooperative Finance Corporation (CFC). Principal transferred to CFC totaled \$2,886,430. The debt was locked-in for 13 years at a fixed rate of 3.50%. It is estimated that the refinance will save Farmers \$502,393 in interest expense over the life of the loan. The Kentucky Public Service Commission reviewed the refinance under Case No. 2017-00357. The Order was approved on October 17, 2017.

Farmers RECC used its Cushion of Credit deposit amounts to prepay certain Federal Financing Bank ("FFB") loans without penalty on October 16, 2019 and July 22, 2020. It is estimated that the prepayment will save the cooperative, on average, \$176,502 annually, over what would have been the lives of those loans. Please refer to response 16 of OAG's request for information.

Farmers has consistently focused on lowering or controlling increases for payroll-related items. Farmers introduced a new lower cost employee defined contribution retirement plan, to replace the higher cost defined benefit plan, for all new hires after January 1, 2012. Please refer to response 31 of OAG's request for information.

In 2013, Farmers participated in a voluntarily prepay option to fund obligations to the National Rural Electric Cooperative Association ("NRECA") Retirement & Security ("RS") Plan. While the prepayment occurred ten years ago, it has still resulted in billing rate reductions and therefore, cost savings. For example, the prepayment reduced the RS billing rate from 31.37% to 23.57% in the 2022 test year. Please refer to response 38 of OAG's request for information.

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Response 21. (continued)

While employee headcount has remained flat, Farmers has reorganized and created certain positions to more efficiently manage the cooperative. In June 2019, Farmers began using a lockbox service via a local bank. By outsourcing this service, the cost/benefit analysis estimated an annual savings of \$7,100. On the other hand, In July 2019, Farmers moved away from a consulting service and hired a full-time employee to manage its right-of-way program. The cost/benefit analysis estimated an annual savings of \$13,200.

In December 2020, Farmers created a new position for a Purchasing Manager. Focusing exclusively on materials and inventory, the Purchasing Manager has implemented better strategies for competitively quoting bids, minimizing waste and improving the utilization of material work flow. A few examples include: A Kaizen & 5-S organization project for the warehouse allowed for min and max quantities to be established, saving the cooperative \$5,500 annually. Recently, the Purchasing Manager utilized a national program to reduce the cost of tires purchased by roughly 60%.

The Purchasing Manager also implemented a review process, between the engineering and operations departments, to assist in reducing cost associated with work plan job trailers. A reconciliation process occurs between the contractor and cooperative to better streamline the material flow and overall job efficiency. The Purchasing Manager also negotiated a return process with the vendor for any material overages. The average annual cost savings has been \$22,000.

As gas and diesel prices continue to fluctuate upward, the Purchasing Manager sends request for quotes ("RFQ") each week to local fuel suppliers. The average annual cost savings have been \$1,800. Please also refer to response 32 of OAG's request for information.

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Request 22.

Refer to the Moss Testimony at 2 and 4.

Request 22a.

Provide the salary, including all overtime pay, and all benefits that Farmers RECC’s prior Chief Executive Officer (“CEO”) received in 2021 and 2022.

Response 22a.

Please also refer to response 3 to this OAG’s request for information. Please note that this position is not eligible for overtime pay.

Year	Pay Rate as of 11/01/xx	Regular	Bonus	Sub-Total	Paid by Farmers RECC							Total Benefits	
					Medical Benefits	Dental Benefits	Life Insurance	AD&D	401k	Defined Benefit	BTA/EPA	Farmers	Employee
2021	\$ 102.10	217,868	310	\$ 218,178	13,362	234	1,053	1,581	2,107	47,627	55	\$ 284,197	\$ 9,767
2022	\$ 106.18	227,105	315	\$ 227,420	14,461	240	1,073	1,704	2,182	50,487	56	\$ 297,623	\$ 10,193

Request 22b.

Provide the salary, including all overtime pay, and all benefits that Farmers RECC’s new Chief Executive Officer (“CEO”) has received in 2023.

Response 22b.

The below schedule the projected wages for the current CEO for 2023. Actual January – July payroll & benefits are shown in response 3 to the OAG’s request for information. Please note that this position is not eligible for overtime pay.

Year	Pay Rate	Regular	Bonus	Sub-Total	Paid by Farmers RECC							Total Benefits	
					Medical Benefits	Dental Benefits	Life Insurance	AD&D	401k	Retirement Plan	BTA/EPA	Farmers	Employee
2023 - Projected	\$ 96.16	200,013	100	\$ 200,113	19,375	383	933	639	20,000	26,000	57	\$ 267,500	\$ 10,865

Request 22c.

If there are differences of salary and/or benefits between the prior and current CEO, identify the differences and include a detailed explanation as to why the differences exist.

Response 22c.

The current CEO is not eligible for the RS defined benefit plan, given that that plan closed to employees hired after January 1, 2012. Therefore, the current CEO’s retirement is funded by plans sponsored by Homestead. The current CEO is also eligible for the NRECA 401k plan for those employees hired after January 1, 2012.

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Request 23.

Refer to the Moss Testimony at 4-5.

Request 23a.

Specify the revenue increase the comprehensive cost of service study indicated was needed for Farmers RECC.

Response 23a.

The required increase is \$2,415,453.

Request 23b.

Provide a copy of the comprehensive cost of service study.

Response 23b.

See Wolfram Direct, Exhibits JW-3 through JW-8.

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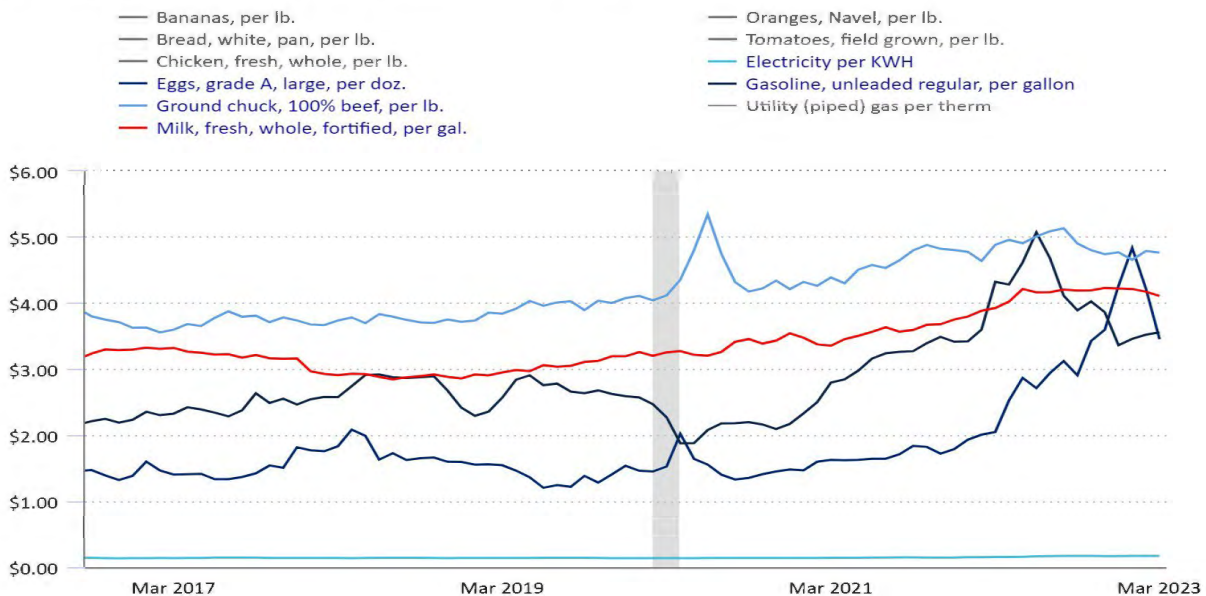
Request 24.

Refer to the Moss Testimony at 5, in which he admits that, “[s]ince Farmers’ last rate case, costs for other goods, including household staples like milk, gasoline and eggs have increased up to 145%.” Provide the supporting documentation and citations for this statement.

Response 24.

Information is from the U.S. Bureau of Labor Statistics.

Average price data (in U.S. dollars), selected items



Source: U.S. Bureau of Labor Statistics.



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Request 25.

Refer to the Moss Testimony at 6-7, in which he states that right-of-way ("ROW") maintenance costs have significantly increased.

Request 25a.

Provide the monetary amount of the increased ROW costs that are in the pending rate request.

Response 25a.

The amount of the increased ROW costs, pending in the rate request, are \$2,300,000.

Request 25b.

Explain in detail why the ROW costs have increased so drastically.

Response 25b.

Similar to other vendors, right of way contractors have experienced cost increases as inflation and market fluctuations continue to trend upward. The price per mile has risen by 32% since Farmers RECC's last rate case was finalized in 2017. Then, in 2017, Farmers RECC paid \$2,251 per mile and in test year 2022, the cost totaled \$2,982 per mile. As exhibited in response 2d of the Commission Staff's first request for information, the cost continues to increase.

Request 25c.

Explain whether Farmers RECC handles right of way internally or if it uses contractors.

Response 25c.

Farmers RECC uses contractors to perform the right of way work. Farmers RECC uses an internal ROW supervisor to oversee and audit the right of way process.

Request 25d.

Provide Farmers RECC's right of way maintenance plan, including the trimming cycle.

Response 25d.

Please refer to response 2 of the Commission Staff's first request for information.

Witness: Jennie Phelps and Tobias Moss

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Request 25. (continued)

Request 25e.

Explain whether Farmers RECC issues requests for proposal in order to secure the most economically favorable right of way contracts.

Response 25e.

Farmers RECC bids out right of way every two years. Starting in 2021, Lakeside Environmental Consultants, LLC ("ECI") secures the proposals for the clearing and herbicide process management.

Request 25f.

Explain whether Farmers RECC works with other regional electric utilities to develop regional bids for ROW management. If so, explain in detail. If not, explain why not.

Response 25f.

Farmers RECC does not work with other regional electric utilities to develop regional bids for ROW management. However, Farmers RECC does compare pricing with regional electric utilities to ensure that bids are competitive. During the bid process, ECI provides data by utilities, region and state for a CPI Adjusted Cost Per Mile Benchmark Comparison.

Request 25g.

Provide copies of all responses to the right of way requests for proposal for the last five years.

Response 25g.

This is being filed under seal pursuant to a Motion for Confidential Treatment. Please see attachment.

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Request 25. (continued)

Request 25h.

Explain in detail whether Farmers RECC coordinates its right of way program with the Kentucky Transportation Cabinet/Kentucky Department of Highways right of way program, in order to mitigate expense for Company's customers. If not, explain why not. Provide all related documentation regarding the same.

Response 25h.

Farmers does not coordinate its right of way program with the Kentucky Transportation Cabinet/Kentucky Department of Highways right of way program. Farmers RECC must maintain its circuits based upon its own prioritization. Certain specifications must be met underneath and around Farmers RECC's power lines. As a rural electric cooperative, Farmers RECC's lines cross farms, back yards and other rural terrain like hills, slopes, creeks, and rivers. Considering the current condition of Farmers RECC's vegetation management, its critical to schedule circuits that affect our customers without consideration to what state organization might be cutting alongside a state road.

Request 25i.

Provide the budgeted ROW maintenance expense for each of the years: 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, and the adjusted test year.

Response 25i.

Please see attached schedule. The attachment is an excel spreadsheet that is being uploaded into the Commission's electronic filing system separately.

Request 25j.

Provide the actual ROW maintenance expense for each of the years: 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, and the adjusted test year.

Response 25j.

Please see attached schedule. The attachment is an excel spreadsheet that is being uploaded into the Commission's electronic filing system separately.

Request 25k.

Provide the annual ROW maintenance expense approved in the last rate case.

Witness: Jennie Phelps and Tobias Moss

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Request 25. (continued)

Response 25k.

In its last rate case, Case No 2016-00365, Farmers RECC did not request a pro forma adjustment for its right of way maintenance expense.

Request 25l.

Provide the budgeted ROW maintenance trimmed for each of the years: 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, and the adjusted test year.

Response 25l.

Please see attached schedule. The attachment is an excel spreadsheet that is being uploaded into the Commission's electronic filing system separately.

Request 25m.

Provide the actual ROW maintenance trimmed for each of the years: 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, and the adjusted test year.

Response 25m.

Please see attached schedule. The attachment is an excel spreadsheet that is being uploaded into the Commission's electronic filing system separately.

Request 25n.

Provide justification for making a pro forma adjustment of \$2.3 million to the \$1,015,237 test year ROW expense.

Response 25n.

See Response 2 of the Commission Staff's First Request for Information.

Request 25o.

Explain in detail whether in the past Farmers RECC has intentionally reduced its ROW expenses in order to divert the funds elsewhere. Ensure to include the years that the intentional reduction occurred, and where the funds were diverted.

Response 25o.

See refer to Response 2 of the Commission Staff's First Request for Information.

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Request 26.

Refer to the Moss Testimony at 7, in which he states that the forgiveness of Covid-19 funds assisted in foregoing a draw of loan funds for its RUS work plan. Explain in detail the specific project(s) in the RUS work plan that were assisted with the forgiveness of the Covid-19 funds.

Response 26.

Covid-19 funds were used for the payment of Farmers RECC's payroll and benefits. Labor and benefits are charged to various general ledger accounts, including construction and retirement work-in-progress. The statement, in Moss Testimony, was intended to speak from a cash standpoint. Ultimately, the forgiveness of the Covid-19 funds aided in the cash flow of the cooperative. The funds were not used to pay any specific projects in the RUS work plan.

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Request 27.

Refer to the Direct Testimony of Jennie Gibson Phelps (“Phelps Testimony”), at 4 – 5, in which she states that Farmers RECC has experienced increases in its business, with the primary increases in costs occurring in ROW maintenance, interest rates, general labor costs, construction materials, and system maintenance costs. Provide a detailed discussion of why there have been significant increases in each of these referenced categories and provide examples for each category.

Response 27.

Please refer to the following:

ROW Maintenance – See Response 2 from Commission Staff’s First Request for Information and Response 29 from OAG’s Request for Information.

Interest Rates – See Response 6 from Commission Staff’s First Request for Information.

General Labor Costs – See Responses 3 and 4 from OAG’s Request for Information.

Inventory – The chart below is an example of increased cost of plant/inventory items since the Covid-19 pandemic. The source of this data is from various vendor invoices.

Item Description	2020 Cost	2022 Cost	% Increase
8" Expanding Anchor	\$ 18.66	\$ 39.39	111%
1/0 URD Primary Cable	\$2.49/FT	\$3.71/ft	49%
Dead end shoe	\$ 8.80	\$ 14.50	65%
SH 40 2 1/2" PVC Conduit	1.06/ft	5.72/ft	440%
15 KVA CON 7200 120/240 single bushing	\$ 885	\$ 1,095	24%
25 KVA PAD Mount 14400 120/240	\$ 1,331	\$ 1,828	37%
1500 KVA PAD Mount 14400 277/470	\$ 18,500	\$ 38,092	106%

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Response 27. (continued)

Construction Materials – Below an example of the change in cost and lead time on a typical new home extension with 200' primary overhead addition and 150' underground service. This data shows the difference between 2017, the year of Farmers RECC's last approved rate case, and the 2022, the current test year. The source of this data is from Farmers RECC work orders.

Category	2017	2022	% Change
Labor	\$2,337.59	\$3,225.88	38%
Material	\$2,359.32	\$4,262.33	81%
Equipment	\$419.35	\$553.54	32%
Total	\$5,116.26	\$8,041.75	57%
Lead Time	3 weeks	52 weeks	

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Request 28.

Refer to the Phelps Testimony at 5. Ms. Phelps discusses Farmers RECC's debt portfolio which includes the following lenders: Rural Utilities Service ("RUS") and the National Rural Utilities Cooperative Finance Corporation ("CFC").

Request 28a.

Provide the TIER and OTIER that are required by all of Farmers RECC's loan contracts.

Response 28a.

Please refer to Response 13 of the Commission Staff's First Request for Information.

Request 28b.

Confirm or deny that normally loans that an RECC enters into only require a TIER of 1.25X. If denied, explain in full detail what TIER is generally required.

Response 28b.

The Rural Utilities Service ("RUS") Loan contract requires a TIER of 1.25X. However, there are other loan covenants that must be met, including an Operating TIER ("OTIER") of 1.10X. In its test year of 2022, OTIER was 1.01.

Request 28c.

If (b) is confirmed, other than Commission precedent, provide the justification and reason a higher TIER than what is required by the loan contract terms is necessary.

Response 28c.

The loan covenants establish minimum requirements for financial metrics like TIER. Farmers RECC considers it prudent to establish rates that permit the achievement of financial metrics above these minimums, and the Commission has supported this view in every distribution cooperative rate case of which Farmers RECC is aware.

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Request 28. (continued)

Request 28d.

Explain how Farmers RECC utilizes the additional funds that the Commission awards that are above and beyond the required TIER and OTIER amounts per the loan contract terms, and how the company accounts for these funds.

Response 28d.

Farmers RECC does not accept the premise of the question that the amounts above the minimum lender-required TIER or OTIER are “additional funds” for which separate allocation or tracking is warranted. On the contrary, Farmers RECC uses TIER and OTIER in order to establish its total revenue requirement, consistent with standard Commission practices and traditional ratemaking methods for distribution cooperatives. The cooperative is entitled to a reasonable opportunity to recover its prudently incurred costs and is also entitled to earn a fair and reasonable rate of return on its capital investments. All of Farmers RECC’s rate revenue allows the cooperative to recover its costs, earn a reasonable return on its investment, and manage contingencies related to providing safe, reliable, and cost-effective electric service to its members. The Commission has found in repeated distribution cooperative rate filings in recent years that a TIER of 2.00 provides that reasonable return. The Commission also established the OTIER cap of 1.85 for cooperatives using the Streamlined Procedure Pilot Program, which indicates an expectation by this Commission that cooperatives like Farmers RECC should achieve financial metrics above the minimum thresholds established by the lenders. There are no “additional funds” and thus no special or separate “accounts for these funds” exist.

Request 28e.

If Farmers RECC were to ask for a 1.25X TIER, provide the rate increase that the Company would be seeking in the pending case, all else equal.

Response 28e.

If Farmers RECC were to ask for a 1.25X TIER, the resulting rate increase in this case, all else being equal, would be \$1,142,170, or 1.89% overall, and yielding an OTIER of 0.90X.

Request 28f.

If Farmers RECC were to ask for a 1.50X TIER, provide the rate increase that the Company would be seeking in the pending case, all else equal.

Response 28f.

If Farmers RECC were to ask for a 1.50X TIER, the resulting rate increase in this case, all else being equal, would be \$1,663,410, or 2.75% overall, and yielding an OTIER of 1.15X.

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Request 29.

Refer to the Phelps Testimony at 6, in which she states that Farmers RECC bid its ROW circuit work for a two-year period recently and the contracts were much higher than past per circuit-mile rates. Provide the prior versus the most updated per circuit-mile rate.

Response 29.

Please refer to Response 2 of the Commission Staff's First Request for Information. Also, please refer to Response 25 of OAG's Request for Information.

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Request 30.

Refer to the Phelps Testimony at 7, in which she asserts that Farmers RECC decided to lock-in several loans bringing its portfolio to 13% variable and 87% fixed by the end of the 2022 test year.

Request 30a.

Provide the current blended interest rate of the portfolio.

Response 30a.

As of December 31, 2022, the blended interest rate of the portfolio is 2.85%.

Request 30b.

Provide a list of all outstanding loans including the principal, interest rate, date of origination, loan terms, and maturity date.

Response 30b.

Please refer to Request 6 of the Commission Staff's First Request for Information.

Also, see attached schedule for all outstanding loans as of December 31, 2022. The attachment is an excel spreadsheet that is being uploaded into the Commission's electronic filing system separately.

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Request 31.

Refer to the Phelps Testimony at 7, in which she states that Farmers RECC introduced a new lower cost employee defined contribution retirement plan, to replace the higher cost defined benefit plan, for all new hires after January 1, 2012. As of December 31, 2022, 26 of its 60 full-time employees are on the lower cost employee defined contribution retirement plan.

Request 31a.

Compare and contrast the lower cost employee defined contribution retirement plan with the higher cost defined benefit plan. Ensure to include all contributions percentages from the employer and employee.

Response 31a.

Employees, hired before January 1, 2012, are eligible for a Retirement Security Plan ("RS") defined benefit plan and a 401k defined contribution retirement plan. All plans are administered by National Rural Electric Cooperative Association ("NRECA"). The annual billing rate for the RS plan is determined by NRECA. RS billing rates are 2021 – 23.10%, 2022 – 23.57% and 2023 – 24.28%. Please refer also to Response 38 of OAG's request for information. Participants do not make employee contributions to the RS Plan. Employees have the option to contribute to the 401k plan. Farmers RECC contributes an employer contribution equal to 100% of the employee elective contributions of 0.5% to 1.0% of the participant's compensation.

Employees, hired after January 1, 2012, are eligible for a 401k defined contribution retirement plan. The plan is administered by NRECA. Following one month of eligibility service, the employee may make employee contributions to the Plan. After an employee completes one year of eligibility service, Farmers RECC contributes to each Participant's account an employer contribution equal to 100% of employee elective contributions of 1.0% to 4.0% of the participant's compensation. After an Employee completes one year of eligibility service, Farmers RECC contributes to each participant's account an employer base contribution equal to 6.0% of the participant's compensation.

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Request 31. (continued)

Request 31b.

Provide an update as to the number of employees who are on the lowest cost retirement plan versus the higher cost retirement plan.

Response 31b.

	As of 12/31/2022	As of 7/31/2023
RS Plan and 401k Participants	35	31
401k Only Participants	26	30

Request 31c.

For the employees who are on the higher cost retirement plan explain whether Farmers RECC contributes to only the higher cost retirement plan, or if the Company also contributes to a secondary retirement plan. For example, does Farmers RECC contribute to a defined benefit plan and a 401(k) plan for certain employees? If so, explain all of the contributions in detail.

Response 31c.

Please refer to Response 31a.

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Request 31. (continued)

Request 31d.

If Farmers RECC does contribute to both a defined benefit plan and a 401(k) plan for certain employees, provide the monetary amount associated with the 401(k) plan that is included in the proposed revenue increase.

Response 31d.

The expense related to the 401(k) plan for employees that have both a defined benefit plan and a 401(k) plan has been removed from the rate case. Please refer to Exhibit JW-2, Schedule 1.11 of the Application.

Request 31e.

Explain in detail whether Farmers RECC considered moving toward a 401(k) based retirement plan for new hires. If not, explain why not.

Response 31e.

All new hires, hired after January 1, 2012, are on a 401(k) retirement plan.

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Request 32.

Refer to the Phelps Testimony at 8.

Request 32a.

Explain in detail why the creation of the Purchasing Manager position was necessary.

Response 32a.

The Purchasing Manager has centralized the purchasing of materials and inventory for the cooperative. This position allows for one person to focus full attention on purchasing competitively-priced items and has produced cost-savings, as illustrated in response 21 to the OAG's request for information.

Request 32b.

Which position handled the responsibilities of the Purchasing Manager prior to the position being created in December 2020?

Response 32b.

The responsibility was divided among Farmers RECC's management staff. While the staff still actively participates in this process, the Purchasing Manager has centralized this procedure and ultimately handles the purchasing of materials and inventory for Farmers RECC.

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Request 33.

Refer to the Phelps Testimony at 9.

Request 33a.

Farmers RECC asserts that it is requesting the rate case expense to be allowed recovery in the rates, and amortized over a three-year period.

- i. Provide the total rate case expense that has been accrued thus far. Consider this a continuing request.
- ii. Provide a breakdown of the total rate case expense that has been accrued thus far by category. Consider this a continuing request.
- iii. Provide copies of invoices supporting the level of incurred rate case costs to date and supply such new invoices as they become available.
- iv. Provide the estimated total rate case expense.
- v. Provide a breakdown of the estimated total rate case expense.
- vi. If Farmers RECC has not filed a general rate case in almost seven years, explain why the rate case expense should be amortized over only three years.
- vii. Explain whether Farmers RECC intends to include charges for its own employees to work on the rate case during regular business hours.

Response 33a.

- i. Total rate case expenses, along with invoices, are included in Exhibit 36 of the Application and Response 9 of the Commission Staff's First Request for Info. Farmers RECC will continue to update the Commission and OAG of the rate case expense total.
- ii. Total rate case expenses, along with invoices, are included in Exhibit 36 of the Application and Response 9 of the Commission Staff's First Request for Info. Farmers RECC will continue to update the Commission and OAG of the rate case expense total.
- iii. Total rate case expenses, along with invoices, are included in Exhibit 36 of the Application and Response 9 of the Commission Staff's First Request for Info.

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Response 33a. (continued)

- iv. The estimated total rate case expense is included in Exhibit 36 of the Application and Response 9 of the Commission Staff's First Request for Info.
- v. The breakdown of the total rate case expense is included in Exhibit 36 of the Application and Response 9 of the Commission Staff's First Request for Info.
- vi. The Commission should amortize the rate case expenses over a three-year period because that is the long-standing Commission practice. The practice encourages utilities to file rate cases about every three years. Also, it is reasonable to expect that Farmers RECC may file rate cases more frequently in the future than has been done in the past.
- vii. Farmers RECC does not include charges for its own employees in the rate case pro forma adjustment; see Wolfram Direct, Exhibit 2, Reference Schedule 1.13.

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Request 34.

Refer to the Phelps Testimony, Exhibit JP-1. Provide the exhibit including 2023 using the most updated data.

Response 34.

The exhibit has been updated to include financials for January – July 2023. Please note OTIER, TIER and MDSC and their formulas for years 2017 – 2022 are also provided in Exhibit 31 of the Application.

The attachment is an excel spreadsheet that is being uploaded into the Commission's electronic filing system separately.

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Request 35.

Refer to the Application generally.

Request 35a.

If Farmers RECC has union employees, provide a copy of the most recent union contract, including all amendments.

Response 35a.

Farmers RECC does not have union employees.

Request 35b.

Provide a copy of the Cooperative Finance Corporation's ("CFC") Key Ratio Trend Analysis ("KRTA").

Response 35b.

A copy of the CFC KRTA for 2022 is being filed under seal pursuant to a Motion for Confidential Treatment.

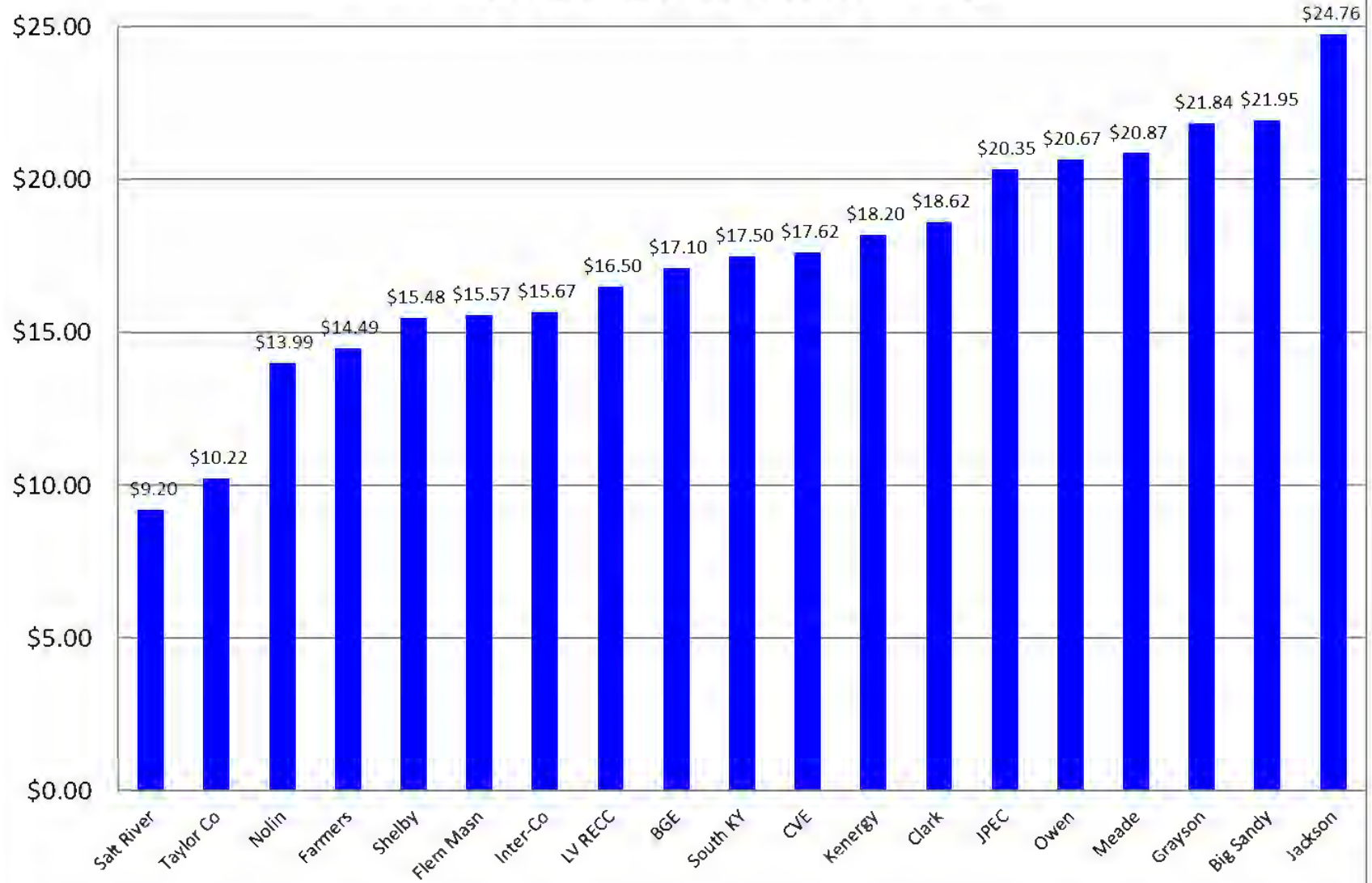
Request 35c.

Provide a list of all electric utilities in Kentucky, with the corresponding monthly residential customer charge, residential volumetric charge, average bill, and rank the utilities from lowest to highest average bill. Ensure to include Farmers RECC's proposed residential customer charge, residential volumetric charge, average bill, and rank based upon its proposed revenue requirement.

Response 35c.

Farmers RECC did not compile all the requested information during the development of this case. The relevant information that the cooperative did compile, which only includes the monthly residential customer charge for electric distribution cooperatives in Kentucky, from publicly available data on the Commission's website, is attached.

Monthly Residential Fixed Charges



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Request 36.

Refer to the Application generally.

Request 36a.

Provide the monetary amount that Farmers RECC has included in the revenue requirement for payment processing fees, with a breakdown between each payment type.

Response 36a.

Farmers RECC does not pass any payment processing fees on to its members.

Request 36b.

If Farmers RECC includes credit card fees in the revenue requirement then provide the Commission case number and Order that approved these specific fees to be included in rates.

Response 36b.

Farmers RECC does not any pass credit card fees on to its members.

Request 36c.

Provide all payment processing fees that Farmers RECC has paid for in the years 2016 – 2023, and provide a breakdown for each type of payment processing fee.

Response 36c.

Please see attached schedule. The attachment is an excel spreadsheet that is being uploaded into the Commission's electronic filing system separately.

Request 36d.

Identify the type of payments Farmers RECC accepts from a customer without assessing a fee.

Response 36d.

Farmers RECC accepts the following types of payments without assessing a fee: Check, Cash, Credit Card, and ACH.

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Request 36. (continued)

Request 36e.

Identify the type of payments Farmers RECC accepts only with a fee assessment.

Response 36e.

Farmers RECC does not assess a fee when accepting payments.

Request 36f.

Explain in full detail whether Farmers RECC requires a convenience fee to be added to all credit card transactions in order for other member customers to not subsidize the credit card payments. If not, explain in full detail why not.

Response 36f.

Farmers RECC does not require a convenience fee to be added to all credit card transactions to avoid negative customer sentiment.

Request 36g.

Provide the type of credit cards that Farmers RECC accepts as payment (e.g. Visa, MasterCard, American Express, etc.), the fee that the Company pays to process each type of credit card, and the associated fee to the member customer.

Response 36g.

Farmers RECC accepts the following credit cards: Visa, Mastercard, Discover and AMEX. Please see Response 36c for a listing of credit card fees paid by the company. Farmers RECC does not any pass credit card fees on to its members.

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Request 36. (continued)

Request 36h.

Provide all other forms of payment that Farmers RECC accepts from member customers to pay the utility bill, as well as the corresponding fees that the Company pays for each payment type, as well as all fees assessed to the member customers for each payment type.

Response 36h.

Farmers RECC accepts the following types of payments: Check, Cash, Credit Cards, and ACH. Please see Response 36c for a listing of fees paid by the company. Farmers RECC does not assess a fee to its members when accepting payments.

**ATTACHMENTS ARE
EXCEL SPREADHSEETS
AND UPLOADED
SEPERATELY**

Farmers Rural Electric Cooperative Corporation
Case No. 2023-00158
Response To Request for Information
OAG's Request for Information Dated 08/24/2023

Request 37.

Refer to the Application generally.

Request 37a.

Provide a copy of all formal studies conducted that compare Farmer RECC's health insurance premium and health savings account contributions to those of local employers for the geographic area in which Farmers RECC operates. If no formal study exists explain why not.

Response 37a.

Since 2016, Farmers RECC has been a member of the Kentucky Rural Electric Cooperative ("KREC") employers benefit group. Brown & Brown Insurance oversees the administration of this plan. Therefore, Farmers RECC relies on Brown & Brown Insurance's expertise and guidance in aspects of the plan's design, rules and regulations.

Request 37b.

Discuss any informal studies that compare Farmers RECC's health insurance premium and health savings account contributions to those of local employers for the geographic area in which Farmers RECC operates. If no informal study exists explain why not.

Response 37b.

Since 2016, Farmers RECC has been a member of the Kentucky Rural Electric Cooperative ("KREC") employers benefit group. Brown & Brown Insurance oversees the administration of this plan. Therefore, Farmers RECC relies on Brown & Brown Insurance's expertise and guidance in aspects of the plan's design, rules and regulations.

Request 37c.

Confirm that according to the most recent data from the Bureau of Labor Statistics, the average share of premiums paid by the employer for single coverage in private industry is 78%.

Response 37c.

Confirmed.

Request 37d.

Confirm that according to the most recent data from the Bureau of Labor Statistics, the average share of premiums paid by the employer for family coverage in private industry is 67%.

Response 37d.

Confirmed.

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Request 37. (continued)

Request 37e.

Explain whether Farmers RECC pays 100% of the insurance costs for retirees and their families. If not, provide the contribution amounts made by Farmers RECC and the retirees.

Response 37e.

Based on years of service, Farmers RECC will pay certain insurance costs for retirees and their families. Coverage is for retirees between the ages of 62 and 65. Benefits cease when the retiree turns age 65. Below is the policy:

Employees who elect to retire between the ages of 62 and 65, and who have completed 15 or more years of employment with the cooperative, may continue medical coverage and dental coverage through the Cooperative until they attain the age of 65 or are eligible for Medicare. At that point, the retired employee shall cease to be eligible for coverage under the Cooperative's medical and dental plans.

If the employee chooses to retire between the ages of 62 and 65, the Cooperative will pay a pro-rata portion of the eligible retiree's insurance premium, based upon the ratio that the employee's number of years of full-time employment has to 30 years (e.g. if an employee has completed 15 years of service, the Cooperative will pay one-half of the premium; if an employee has completed 20 years of service, the Cooperative will pay two-thirds of the premium, etc.) The remainder of the premium shall be paid for by the retired employee or medical coverage and/or dental coverage will cease.

A dependent (spouse or eligible children) may be covered if the retiring employee so desires, with the additional cost of the premium being the sole responsibility of the retiree. The dependent's coverage will be calculated at the same discounted rate as the retiree, until the retiree reaches the age of 65. When the retiree reaches the age of 65, dependent access to medical coverage and dental coverage with the cooperative ceases, except as provided for by law. If the dependent reaches the age of 65 and becomes eligible for Medicare, prior to the retiree, the dependent will no longer be eligible for cooperative medical and/or dental coverage.

There is no coverage for employees who choose early retirement prior to age 62 except as otherwise provided by law.

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Request 38.

Refer to the Application generally.

Request 38a.

Provide the defined benefit retirement contribution rates by the employer and employee.

Response 38a.

The contribution rates for the Retirement & Security (“RS”) Defined Benefit Plan, for those hired prior to January 1, 2012, is paid 100% by the employer.

Request 38b.

Discuss all changes that have been made to the defined benefit retirement plans in the past decade.

Response 38b.

Please also refer to Response 31 of the OAG’s request for information. The RS plan is not offered to all employees. Eligible employees are those hired prior to January 1, 2012. In 2013, Farmers participated in a voluntarily prepay option to fund obligations to the National Rural Electric Cooperative Association (“NRECA”) RS Defined Benefit Plan. Today, Farmers RECC still benefits from that investment with lower billing rates paid to the RS Plan. The far-right column shows the Farmers RECC rates:

Year	Total Billing Rate	
	Without reduction for prepayment	Reduced for prepayment
2016	26.78%	20.12%
2017	27.82%	20.91%
2018	28.50%	21.42%
2019	29.27%	21.99%
2020	29.85%	22.43%
2021	30.75%	23.10%
2022	31.37%	23.57%
2023	32.32%	24.28%

Source: NRECA Billing Rate Details for Prepaying Co-ops

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Request 38. (continued)

Request 38c.

Provide a copy of all studies that Farmers RECC conducted and/or relied upon concerning the employer and employee contribution rates. If no study exists, explain why not.

Response 38c.

NRECA administers the RS plan, along with the 401k plans. Their vast network includes over 800 electric cooperatives nationwide. Therefore, Farmers RECC relies on NRECA's expertise and guidance in aspects of the plans design, rules and regulations.

Request 38d.

Provide a copy of all formal studies conducted that compare Farmers RECC's defined benefit retirement contributions to that of local employers for the geographic area in which Farmers RECC operates. If no formal study exists, explain why not.

Response 38d.

No formal study exists. NRECA administers the RS plan, along with the 401k plans. Their vast network includes over 800 electric cooperatives nationwide. Therefore, Farmers RECC relies on NRECA's expertise and guidance in aspects of the plans design, rules and regulations.

Request 38e.

Discuss any informal studies that compare Farmers RECC's defined benefit retirement contributions to that of local employers for the geographic area in which Farmers RECC operates. If no informal study exists, explain why not.

Response 38e.

No informal study exists. NRECA administers the RS plan, along with the 401k plans. Their vast network includes over 800 electric cooperatives nationwide. Therefore, Farmers RECC relies on NRECA's expertise and guidance in aspects of the plans design, rules and regulations.

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Request 39.

Refer to the Application generally.

Request 39a.

Provide the 401(k) contribution rates by the employer and employee.

Response 39a.

Employees, hired before January 1, 2012, are eligible for a 401k defined contribution retirement plan. Employees have the option to contribute to the 401k plan. Farmers RECC contributes an employer contribution equal to 100% of the employee elective contributions of 0.5% to 1.0% of the participant's compensation.

Employees, hired after January 1, 2012, are eligible for a 401k defined contribution retirement plan. Following one month of eligibility service, the employee may make employee contributions to the Plan. After an employee completes one year of eligibility service, Farmers RECC contributes to each Participant's account an employer contribution equal to 100% of employee elective contributions of 1.0% to 4.0% of the participant's compensation. After an Employee completes one year of eligibility service, Farmers RECC contributes to each participant's account an employer base contribution equal to 6.0% of the participant's compensation.

All plans are administered by NRECA.

Request 39b.

Discuss all changes that have been made to the 401(k) plan in the past decade.

Response 39b.

Please refer to response 39a. Effective January 1, 2020, the 401k plans were modified to allow participants to make after-tax employee contributions, known as Roth contributions.

Request 39c.

Provide a copy of all studies that Farmers RECC conducted and/or relied upon concerning the employer and employee contribution rates. If no study exists, explain why not.

Response 39c.

NRECA administers the 401k plans, along with the RS plan. Their vast network includes over 800 electric cooperatives nationwide. Therefore, Farmers RECC relies on NRECA's expertise and guidance in aspects of the plans design, rules and regulations.

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Request 39. (continued)

Request 39d.

Provide a copy of all formal studies conducted that compare Farmers RECC's 401(k) contributions to that of local employers for the geographic area in which Farmers RECC operates. If no formal study exists, explain why not.

Response 39d.

No formal study exists. NRECA administers the 401k plans, along with the RS plan. Their vast network includes over 800 electric cooperatives nationwide. Therefore, Farmers RECC relies on NRECA's expertise and guidance in aspects of the plans design, rules and regulations.

Request 39e.

Discuss any informal studies that compare Farmers RECC's 401(k) retirement contributions to that of local employers for the geographic area in which Farmers RECC operates. If no informal study exists, explain why not.

Response 39e.

No informal study exists. NRECA administers the 401k plans, along with the RS plan. Their vast network includes over 800 electric cooperatives nationwide. Therefore, Farmers RECC relies on NRECA's expertise and guidance in aspects of the plans design, rules and regulations.

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Request 40.

Refer to the Direct Testimony of John Wolfram (“Wolfram Testimony”), at 7, in which he states that he made certain adjustments to the cooperative’s actual booked amounts as needed to perform the cost of service study. Identify all adjustments made and the reason for each adjustment.

Response 40.

The adjustments were:

1. Combine Residential Service and prepay amounts into a single residential account, because prepay constituted such a small portion of overall residential amounts that maintaining a separate rate class in the cost of service study was not meaningful.
2. Remove customer class LPE4 from the cost of service study. The only customer in this class switched to a different rate class during the test year, so the amounts were moved into the other class and the ‘vacant’ rate class was removed from the analysis.
3. Amounts related to lighting were shifted such that usage (kWh) was counted in the rate class for which the usage is metered (to ensure proper application of the \$/kWh charges) but lighting charges (per lamp or fixture) are counted in the lighting class.

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Request 41.

Refer to the Wolfram Testimony at 8. Mr. Wolfram states that based on the total revenue increase cap, the increase is limited to an overall increase of 4.09%, or \$2,415,453 but due to rate rounding, Farmers' request is for an increase of \$2,415,74, which yields an OTIER of 1.51. Explain what "rate rounding" occurred, and why Farmers should be allowed a rate increase higher than the Commission-imposed cap.

Response 41.

Rate rounding occurs because it is not possible to achieve the exact target increase due to the limited significant digits of the per-unit charges. The customer charge is limited to two decimal places and the energy charges are limited to six decimal places. The proposed increase represents an overall increase of 3.99% over test year revenues, which is below the cap of 4 percent. See Exhibit JW-9. (On Wolfram Testimony page 8, the text says 4.00%, not 4.09%.)

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Request 42.

Refer to the Wolfram Testimony at 13.

Request 42a.

Provide the amount of the FEMA credit that was added back in as an expense.

Response 42a.

The amount of the FEMA credit that was added back in as an expense totaled \$66,995. Refer to JW-2, Schedule 1.07 of the Application.

Request 42b.

Explain why a FEMA credit should not be reflected in the requested revenue requirement, which would be beneficial to the ratepayers.

Response 42b.

Items that are one-time, non-recurring events or out of the ordinary course of business are generally removed from the test year in a rate case.

Request 42c.

Provide a description of and monetary amount of all FEMA funds that have been applied for and received by Farmers RECC for the years 2016- 2023.

Response 42c.

Please refer to response 9 of the OAG's Request for Information.

Witness: Jennie Phelps and John Wolfram

Farmers Rural Electric Cooperative Corporation

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Request 43.

Refer to the Wolfram Testimony at 14, in which he states that an adjustment was made to remove the employer retirement plan contributions for the least generous of any multiple retirement packages, consistent with the requirements of the streamlined rate order. Employees hired prior to January 1, 2012 may participate in multiple retirement plans.

Request 43a.

Specify the amount that was removed for this specific adjustment.

Response 43a.

The amount removed for this specific adjustment totaled \$14,594. Refer to JW-2, Schedule 1.11 of the Application and Response 49 of the OAG's Request for Information.

Request 43b.

Explain why Farmers continues to offer multiple retirement plans to specific employees instead of attempting to rein in costs.

Response 43b.

Those hired prior to January 1, 2012 are eligible for the RS defined benefit plan and a 401k defined contribution retirement plan. In an effort to reduce costs, employees, hired after January 1, 2012, are eligible for a 401k defined contribution retirement plan only. As employees hired prior to January 1, 2012 continue to retire, the number of employees eligible for multiple plans decreases and therefore cost is reduced. Please refer to Response 31b to OAG's Request for Information.

Request 43c.

Explain in detail which employees have multiple retirement plans, and which do not.

Response 43c.

Employees, hired before January 1, 2012, are eligible for a RS defined benefit plan and a 401k defined contribution retirement plan. Employees, hired after January 1, 2012, are eligible for a 401k defined contribution retirement plan. All plans are administered by NRECA.

Request 43d.

Admit that generally employers in both the public and private sectors contribute to either a defined benefit plan or a 401(k), but not both.

Response 43d.

Farmers RECC will not speculate what other employers in both the public and private sectors contribute to their employees' defined benefit and/or 401(k) plan.

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Request 44.

Refer to the Wolfram Testimony at 14, in which he states that an adjustment to remove life insurance premiums for coverage above the lesser of an employee's annual salary or \$50,000 from the test period, pursuant to the requirements of the Streamlined Rate Order.

Request 44a.

Specify the amount that was removed for this specific adjustment.

Response 44a.

The specific amount for this adjustment is \$7,748. Refer to JW-2, Schedule 1.12 of the Application.

Request 44b.

Explain why Farmers continues to offer life insurance premium coverage above the lesser of an employee's annual salary or \$50,000, instead of attempting to rein in costs.

Response 44b.

Farmers RECC attempts to offer a competitive benefit package. Life insurance premium coverage is a typical benefit provided in our industry. NRECA administers the life insurance plan. Their vast network includes over 800 electric cooperatives nationwide. Therefore, Farmers RECC relies on NRECA's expertise and guidance in aspects of the plans design, rules and regulations.

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Request 45.

Refer to the Wolfram Testimony at 15, in which he states that no adjustment was made to adjust to national average contribution levels because Farmers' employee health insurance premium contribution is not zero.

Request 45a.

Explain in detail Farmers RECC's employer and employee health insurance contribution rates for all coverages (e.g. single, family, etc.)

Response 45a.

Farmers RECC employees paid 10% contribution rates for all coverages.

Request 45b.

Refer to the Commission's final Order in Case No. 2019-00053, in which the Commission asserted that, "as long as the employee contribution rate for health insurance is at least 12 percent, it will not make a further adjustment to the national average. If a utility's employees' health insurance contribution is less than 12 percent, the Commission will adjust all contributions to the national average." Explain whether Farmers RECC is in compliance with this Commission precedent.

Response 45b.

Case No. 2019-00053 was a full rate case, and thus, in the instant case, Farmers followed the requirements set forth in Case No. 2018-00407, the Streamlined Pilot docket, in the order dated December 20, 2019, Appendix A, pages 5 and 6, under "E. Items Excluded for Ratemaking Purposes", Item 2, which states "If employee health care insurance premium contribution is zero, for ratemaking purposes the pro forma income statement should reflect healthcare insurance premiums adjusted for employee contributions based on the national average for coverage type." Since Farmers RECC does not meet the stated criteria, no adjustment was proposed.

Request 45c.

Provide the necessary adjustment to reduce Farmers RECC's contribution to employee insurance premiums to the Bureau of Labor Statistics' average.

Response 45c.

Please refer to Response 11 of the Commission Staff's Request for Information.

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Request 46.

Refer to the Application generally. Provide a list of all open/vacant positions in the test year and adjusted test year including:

- a. Job title,
- b. Date the job was created,
- c. Length of time that the position has been open,
- d. Explanation as to why the position is still vacant,
- e. Planned hiring dates for each position,
- f. Hiring dates for any of these positions that have been filled, and
- g. Annual salary for unfilled positions.

Response 46.

There will no open/vacant positions in the test year and adjusted test year. The Engineering Manager terminated from his position on 06/23/23 and Farmers RECC is actively searching for a replacement.

Please note that Farmers RECC did not apply a vacancy adjustment to payroll expense; it is our understanding that this kind of adjustment is atypical for distribution cooperative rate filings.

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Request 47.

Refer to the Application generally. Provide a list of all new positions in the test year and adjusted test year including:

- a. Job title,
- b. Date the job was created,
- c. Length of time that the position has been open,
- d. Explanation as to why the position is still vacant,
- e. Planned hiring dates for each position,
- f. Hiring dates for any of these positions that have been filled, and
- g. Annual salary for unfilled positions.

Response 47.

There were no new positions added in the test year and adjusted test year.

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Request 48.

Refer to the Wolfram Testimony at 16-23. Explain whether the class cost of service study was performed in conformance with recent Commission precedent. If not, explain in detail why not.

Response 48.

The class cost of service study was performed in line with recent Commission precedent for traditional rate filings (those cited and/or other cases not listed in the footnote).

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Request 49.

Refer to the Application generally. Provide the 401(k) match expense for the test year, the adjusted test year, and each of the years 2018, 2019, 2020, 2021, 2022, and 2023, broken out by expensed and capitalized.

Response 49.

The 401(k) match breakdown is as follow:

Year	401k Employer Match			Grand Total	
	Hired Before to January 1, 2012	Hired After January 1, 2012	Grand Total	Expensed	Capitalized
2018	26,980.36	22,416.54	49,396.90	28,314.30	21,082.60
2019	28,747.49	26,011.98	54,759.47	31,388.13	23,371.34
2020	28,815.90	35,506.76	64,322.66	36,869.75	27,452.91
2021	27,519.05	39,611.74	67,130.79	38,479.37	28,651.42
2022	25,463.28	45,923.09	71,386.37	40,918.67	30,467.70
Jan - July 2023	12,906.90	36,708.47	49,615.37	28,439.53	21,175.84

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Request 50.

Refer to the Application, Exhibit 15.

Request 50a.

Explain in detail why Farmers RECC's propane income increased from \$191,288 in 2020, to \$207,272 in 2021, to \$480,012 in 2022.

Response 50a.

Several items have an effect on income; however, the primary reason for the increase is the additional sales for the propane company. The data below is included on the annual financial audit report for the propane company:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Propane Sales:			
Agricultural	\$ 217,689	\$ 182,074	\$ 176,700
Commercial	554,539	360,639	230,890
Residential/Domestic	2,632,588	2,225,196	1,566,648
Forklifts	246,359	209,884	186,619
Others	109,402	86,488	54,107
TOTAL	\$ 3,760,577	\$ 3,064,281	\$ 2,214,964

Request 50b.

Explain whether Farmers RECC included the \$480,012 of 2022 propane income in the pending rate case. If not, explain why not.

Response 50b.

The income is not included in the streamlined rate case. An explanation is located in Response 1 to the Commission Staff's First Request for Information.

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Request 51.

Refer to Application generally. Provide the Board of Director Meeting Minutes for 2021, 2022, and 2023 year-to-date.

Response 51.

The minutes are attached to this response.

A meeting of the Board of Directors of Farmers Rural Electric Cooperative Corporation was held on January 28, 2021. The meeting was held at the FRECC Operations Center boardroom with seating spread apart so as to comply with the Kentucky Governor's request for social distancing for the purpose of preventing a spread of the COVID-19 virus. Chairman Paul Hawkins called the meeting to order at 2:30 p.m. and Mr. Gardner gave the invocation.

In attendance were:

Ronnie Smith	William T. Prather, CEO
Paul Hawkins	Linda Foushee, H/R and E/A
Brandi Williams	Jennie Phelps, VP Accounting & Finance
Randy London	Caralyne Pennington, Director of Corp. Comm.
C. F. Martin, Jr.	Scott Lester, VP of Operations
Randy Sexton	Chuck Bishop, VP of Engineering
Woody Gardner, Attorney	Tony Wells, VP of Member & Corporate Svcs
	Jason Riggs, Director of IT and Security

Before the board began its agenda, Mr. John Austin, newly hired to fill the System Inspector position, was introduced to the directors. After his introduction and remarks, Mr. Austin left the meeting.

The first item of business was the review, adoption, and approval of the agenda. Mr. Sexton moved approval of the agenda as presented, with a second by Mr. Smith. There was no discussion. The agenda was approved unanimously.

The next item of business was the consent agenda matters which were presented for approval. There were no questions, concerns, or corrections related to the previous meeting minutes, new and refunded memberships, or unpaid accounts to be written off as uncollectible accounts. As such, a motion was made by Mr. Martin and seconded by Mr. Smith to accept the consent agenda items as presented. Motion carried unanimously.

The next item of business was a review of the Financial and Operating reports for December 2020 given by the management staff. Mrs. Phelps discussed the December 2020 financials noting that the year-end margins were based on unaudited results and subject to change. Also, the margins did not include the patronage allocation from East Kentucky Power. It was also noted that Campbell, Myers and Rutledge, PLLC, is currently working on the financial audit. Overall, as compared to last year, revenues decreased \$3.8M or 7.7% while purchased power cost declined \$3.9M or 11.2%. A more in-depth discussion on the 2020 financials will occur at the next Board meeting. Mrs. Phelps also gave an update of the SBA PPP loan.

Vice-President of Engineering, Chuck Bishop, gave the Engineering report. Mr. Bishop provided information pertaining to the construction work plan projects. He reported that the Knob-Lick Sulphur Well wire change project is nearing completion and they have moved into wrapping up changing out wire on the Highway 90-Dickerson Lumber project. Staking has begun on the wire change out from Hwy 90 towards Cave City. The new Futura products, which replaced the previously used Clevest system, seem to be working flawlessly.

Vice-President of Operations, Scott Lester, provided the board with the monthly Operations report. Mr. Lester reported they completed 395 pole changes in 2020 with Elliot Contractors handling the change out of eighty-two of those poles. There are 226 pole change outs left in the pole file. The new System Inspector, John Austin is busy learning the inspection process, and six of the Operations Department's youngest apprentices are cross training into System Inspections while John Austin is in his six-month training period. This will give the apprentices an opportunity to familiarize themselves with the inspection process, and to understand how it interacts with construction work. Two new bays have been added to the Donnelly Drive storage garage, allowing us to have all equipment at the pole yard under cover for protection from the weather. Jeremiah England and Dustin Johnson are transferring from the Apprenticeship program and entering into the Lineman's program. By this summer, if no personnel changes occur, there should only be two apprentices working in the Operations department. The OSHA 300 log has been completed and has been submitted to Federated Rural Cooperative Insurance Exchange. At the last staff meeting, the FRECC Emergency Response plan was reviewed and updated. Mr. Lester concluded his presentation with an overview of a recent outage and the continuous improvement review given to the event by the Operations staff.

Vice-President of Member and Corporate Services, Tony Wells, gave his departmental report. Mr. Wells reported that \$38,000,000 is available in Kentucky to be used for assisting people in paying their electric utility bills. The Barren River Area Development (BRADD) will handle the city and county disbursements that will be available to this area. There will be \$250.00 available per month for six consecutive months for those impacted by COVID and live in the city or county where the funds have been approved. The FRECC reliability numbers looked good for 2020 as the co-op experienced a good year, the lowest year recorded for SAIDI.

Director of Corporate Communications, Caralyne Pennington, provided her departmental report. Options were discussed relative to the 2021 FRECC Annual meeting and the COVID pandemic. Mrs. Pennington asked board members to think about the options presented, and give guidance at the February board of directors meeting.

Director of Technology and Security, Jason Riggs, provided his monthly report. It was noted that the technology penetration test will be completed by the last week of February.

Following a discussion, a motion was made by Mr. Smith and seconded by Mrs. Williams that the financial and operating reports be accepted as information presented. Motion carried unanimously.

The next item of business was a review of the cooperative's Safety and Loss Control report given by Mr. Lester. It was reported there were no accidents last month, and employees have worked 60,506 hours with no lost time accident. One lost time accident was reported for 2020, and two vehicle accidents were recorded. The TVPPA training is currently being scheduled for 2021.

The next item of business was a discussion on undeliverable capital credits and whether or not to apply a bill credit instead of mailing a check on future retirements, as it would save on labor of tracking checks, postage, and envelopes. The average capital credit check has been in the range of \$37-\$38 dollars. Tony Wells and Jennie Phelps will provide the board with more information to consider at the February board of directors meeting.

Following these presentations, Mrs. Phelps, Mr. Bishop, Mr. Lester, Mr. Wells, Mr. Riggs, and Mrs. Pennington left the meeting.

The next item of business was the EKPC monthly report given by EKPC Director Representative, Mr. Sexton. A summary of the EKPC special called board meeting on January 12th relating to the rate increase was discussed. A copy of this report is attached to these minutes and made an official part thereof.

The next item of business was the KAEC monthly report given by KAEC Director Representative, Mr. London. A virtual meeting was held on January 19th. An update was given pertaining to the Kentucky Public Service Commission reviewing pole attachment charges. Chase Crigler gave a legislative update. February 16th will be the next KAEC monthly virtual board meeting. A copy of this report is attached to these minutes and made an official part thereof.

Next, Mr. Prather gave a report of the President and CEO. Mr. Prather discussed the T. J. Samson Mission Foundation's near completion of the Hospice Home. The ribbon cutting was held on January 12th. T. J. Samson Regional Health began paying on the zero-interest \$2 million REDLG loan last September. Mr. Prather additionally discussed the positive impacts of the Methane Landfill Gas-to-Electric plant. The production of gas at the facility has been upgraded this past year, which has helped the plant operate closer to capacity, and has provided the City of Glasgow with increased revenue. The city has received a total of \$589,117 in revenues from gas sales since opening the generating plant in December 2015. The last item to be discussed was COVID Vaccinations. It was reported that utility workers are to be included in the upcoming group 1C for vaccinations. Only 24 of our 60 employees have signed up for the vaccine, a 40% rate. A copy of Mr. Prather's report is attached to these minutes and made an official part thereof.

For the next item of business, Mr. Woodford Gardner presented the Attorney's report. Mr. Gardner reported on the director position applications which have been received. At this time, four completed applications have been returned to his office.

The next item of discussion was a review and discussion of bids received for the FRECC warehouse expansion. Six bid packages were sent out and two bids were received. Scott, Murphy, and Danial's base bid was \$593,635 with a \$110,400 secondary project quote for a total of \$684,535. Alliance Corporation provided a base bid of \$576,000 with \$93,000 for the secondary project equaling a total bid of \$669,000. Alliance Corporation is the lowest bidder. Following discussion, a motion was made by Mr. London and seconded by Mr. Smith to authorize Mr. Prather to negotiate cost with Alliance Corporation to lower the bid, and to bring back to the board a cost estimate, and plans for financing. Motion carried unanimously.

The next item of business was to reaffirm the following staff recommended policies and to revise policies listed below:

REAFFIRM - no changes needed:

Policy #214 – FMLA
Policy #215 – Leave without Pay
Policy #218 – Drug and Alcohol
Policy #219 – Equal Opportunity
Policy #220 – Jury Duty

REVISE:

Policy #213 – Fringe Benefits
Policy #217 – Travel and Expense Reimbursement
Policy #407 – Purchasing

Following a review, a motion was made by Mr. Sexton, and seconded by Mrs. Williams to accept the affirmations and revisions as recommended by management listed above. Motion carried unanimously. A copy of the revised policies is attached to these minutes, and made an official part thereof.

The next item of business was review and approval of the director and CEO expenses for the fourth quarter of 2020. Following review, a motion was made by Mr. Sexton and seconded by Mr. Smith to accept the information as presented. Motion carried unanimously.

The next item of business was to name a delegate and alternate delegate to the 2021 NRECA Annual Meeting which will be held on March 4, 2021. Following discussion, Mr. Smith nominated Mr. Hawkins as the voting delegate, and Mr. London as the alternate voting delegate. This motion was seconded by Mr. Sexton and unanimously voted in the affirmative.

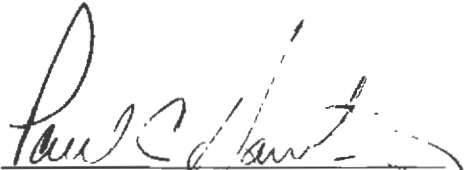
The next item of business was the reading of a resolution by Mr. London for honoring the years of service for Serviceman Jeff Bass. Mr. Bass retired January 4, 2021. Following the reading of the resolution, a motion was made by Mr. Martin, and seconded by Mr. Smith to accept the resolution as read. Motion carried unanimously.

No Other Business was discussed.

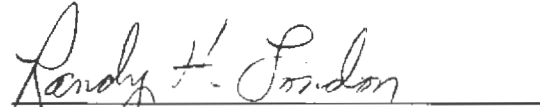
The next item of business was a motion by Mr. Smith and seconded by Mr. Sexton to go into Executive Session. Motion carried unanimously.

Upon return from Executive Session, Chairman Hawkins asked for any agenda items to be included for next month's meeting. Continued discussion for the FRECC Annual Meeting should be included on the agenda.

There being no further items on the agenda, Chairman Hawkins declared the meeting adjourned at 5:15 p.m.



Paul Hawkins, Chairman



Randy London, Secretary/Treasurer

A meeting of the Board of Directors of Farmers Rural Electric Cooperative Corporation was held on February 25, 2021. The meeting was held at the FRECC Operations Center boardroom with seating spread apart so as to comply with the Kentucky Governor's request for social distancing for the purpose of preventing a spread of the COVID-19 virus. Chairman Paul Hawkins called the meeting to order at 2:30 p.m. and Mr. Sexton gave the invocation.

In attendance were:

Ronnie Smith	William T. Prather, CEO
Paul Hawkins	Linda Foushee, H/R and E/A
Brandi Williams	Jennie Phelps, VP Accounting & Finance
Randy London	Caralyne Pennington, Director of Corp. Comm.
C. F. Martin, Jr.	Scott Lester, VP of Operations
Randy Sexton	Chuck Bishop, VP of Engineering
Woody Gardner, Attorney	Tony Wells, VP of Member & Corporate Svcs

The first item of business was the review, adoption, and approval of the agenda. Mr. Smith moved approval of the agenda as presented, with a second by Mr. London. There was no discussion. The agenda was approved unanimously.

The next item of business was the consent agenda matters which were presented for approval. There were no questions, concerns, or corrections related to the previous meeting minutes, new and refunded memberships, or unpaid accounts to be written off as uncollectible accounts. As such, a motion was made by Mr. Martin and seconded by Mr. Sexton to accept the consent agenda items as presented. Motion carried unanimously.

The next item of business was a review of the Financial and Operating reports given by the management staff. Mrs. Phelps first reviewed the December 2020 financial statements. Campbell, Myers & Rutledge, PLLC have completed their financial audit. Although the final report has not been issued, Mrs. Phelps does not anticipate any changes. 2020 operating margins totaled \$586,456 and an Operating TIER at 1.34. East Kentucky Power Cooperative's assignment of 2020 margins to Farmers totaled \$1,220,052. This EKPC assignment is based on unaudited results. Any adjustment to Farmers' 2020 assignment will be recorded in 2021. Mrs. Phelps discussed the Small Business Administration Paycheck Protection Program. The loan, in the amount of \$1,096,767.50, was forgiven on February 2, 2021. USDA issued its accounting guidance stating that when legal forgiveness is received, then non-operating income is recognized. Next, Mrs. Phelps presented the financials for January 2021. January resulted in net margins of \$473,909, a \$218k increase from the prior year. Revenues increased \$468k or 10.2% as compared to the prior year while purchased power costs increased \$300k or 9.5%.

Vice-President of Engineering, Chuck Bishop, gave the Engineering report. Mr. Bishop provided information pertaining to the Kentucky Public Service Commission's tentative regulation for joint use pole attachments with cable and broadband applications. Mr. Bishop reported on visiting Nolin RECC today for a meeting on this subject.

Vice-President of Operations, Scott Lester, provided the board with the monthly Operations report. Mr. Lester provided information on Greenwood Tree Service completing 90% of the work for which they were contracted to accomplish. There are some minor issues that they need to go back and remediate. Mr. Lester reported funds will be held until all issues have been properly addressed by the contractor. Tyler Bratcher and Hunter Scroggy have completed their first year of work, and are on the path towards completing their Apprenticeship program. Mr. Lester reported on the three quotes which were received to install a new roof at the Munfordville branch office. The roof needs a replacement and the work is scheduled to begin in mid-March. Bids to replace truck #112 – a 2010 Ford F550 flatbed truck, were solicited. Bids were received from Gillie Hyde Ford, Lincoln, Mercury - \$45k, Don Franklin - \$44.3k, and Hunt Ford - \$50k – all were for a 2021 Ram 5500. The low bid was accepted and scheduled delivery is sometime in May. Six FRECC linemen volunteered to assist Big Sandy RECC with major damage from the recent ice storm. Earlier in the month, our linemen assisted Clark Energy with storm restoration.

Vice-President of Member and Corporate Services, Tony Wells, gave his departmental report. Member electric bills are high due to the cold weather this past month, but we are working with members as usual to address any questions. Mr. Wells also commented that maintenance work performed within the last number of years certainly helped our system to withstand any major damage from the recent ice and snow storm events. We were spared a direct hit, but had some areas affected in northern Hart and eastern Metcalfe counties.

Director of Corporate Communications, Caralyne Pennington, provided her departmental report. There have been a plethora of member assistance programs and monies becoming available to assist folks with their electric bills. We have been advertising those programs to the membership and directing them to potential sources of help if they need it.

Following discussion, a motion was made by Mr. Sexton and seconded by Mr. Smith that the financial and operating reports be accepted as information to the board, with the financial reports subject to future audit. Motion carried unanimously.

The next item of business was a review of the cooperative's Safety and Loss Control report given by Mr. Lester. Internal audits for safety compliance will begin by the Safety Committee this year. Two small incidents occurred in the last month. A System Inspector's truck slid into a fence post on February 1st creating damage to the truck's front fender. The second incident occurred when the Vice-President of Operations slipped and fell on an ice-covered grate in the area between the Warehouse and the Operations building. He suffered some scrapes and bruises, but did not experience any lost time from the accident. A counter measure was added to the grate to prevent future falls. The Workman's Compensation rate for 2021 will remain at .76, which is a positive and money-saving reflection of the Cooperative's good safety record. The rate means we are paying 24% less than the average company in Kentucky for workman's compensation premiums. Employees have worked 72,000 hours now with no lost time accidents.

The next item of business was a review of the 2020 fourth quarter RUS Summary of Construction by Mrs. Phelps. After discussion, Mr. Martin moved that the report be approved and submitted to RUS for long-term borrowing, and Mr. Smith seconded. The motion carried unanimously.

The next item of business was information presented by Mrs. Phelps for the board to consider with refunding capital credits in 2021. Mrs. Phelps reviewed current equity statistics, along with historic capital credit retirements, and provided the board of directors with three suggested options to consider for refunds. Management's recommendation was to refund the balance of 1997 margins, and 10% of 1998 margins – for the 2021 capital credit refund. The total refund margins for this period are \$425,698. Management also recommended that refunds be returned as bill credits to existing member electric accounts, with a maximum credit of \$75.00. Refunds going over the \$75.00 maximum credit limit would be returned to members by a check mailed and distributed by USPS. By utilizing bill credits, a significant savings would result from postage and forms costs, along with the efforts associated with bank reconciliations for checks, etc. Also, there would be far fewer undelivered capital credit refunds by the postal service. After discussion and questions by the Board, Mr. Sexton made a motion to accept management's recommendation, seconded by Mr. Smith. There was no further discussion and the motion passed unanimously. The refund will occur in April.

The next item of business was consideration of the need to replace the current radio system. This discussion was led by Mr. Wells and Mr. Prather. The system has become technologically obsolete and repair parts are no longer available for the current system. The manufacturer is out of business. The purchase price of the current system when it was installed in 2009 was \$567,091.48, and currently has a depreciated book value of \$145,344.66. The system was anticipated to last fifteen years, but is presently twelve years into use. This is a critical component of day-to-day operations and if the system became unusable due to a component failure, Cooperative field operations could be badly hampered. For the past several months, staff and employees have investigated and tested options to replacing the current system. Management's recommendation is for the Cooperative to utilize a portion of the East Kentucky Power radio system as a replacement for the current system for an estimated cost of \$55,775. This is a significant savings over the alternative option of replacing the current system with a like system. There are several other distribution cooperatives that are utilizing this option. Future maintenance costs would also be less expensive and our current tower rental costs would eventually cease. Following an in-depth discussion, a motion was made by Mr. Smith, and seconded by Mr. Martin to approve management's recommendation to proceed with moving to the new system which will work in conjunction with EKPC, and to write off the balance of the undepreciated value of the old system during 2021.

The next item of business was a review of the construction work plan contractor annual price adjustment. Elliot Contractors has asked for a 2.8% inflationary adjustment for the upcoming year. Mr. Prather recommended accepting this request as it is in line with the U.S. Department of Labor cost statistics for the past year. Following discussion, a motion was made by Mr. Sexton, and seconded by Mrs. Williams to approve the 2.8% increase with Elliot. Motion carried unanimously.

Following these presentations, Mrs. Phelps, Mr. Bishop, Mr. Lester, Mr. Wells, and Mrs. Pennington left the meeting.

The next item of business was the EKPC monthly report given by EKPC Director Representative, Mr. Sexton. EKPC has decided to delay, by one month, its filing of a request to increase the rates it charges to its owner-member cooperatives. This will allow for a much-needed review and coordination with the member systems. In January, the Board authorized EKPC to file an application with the Kentucky Public Service Commission requesting a base rate increase of 5 percent or approximately \$43 million. If approved, EKPC has estimated it would amount to an average increase of approximately 3.8 percent for end-use cooperative members. The Cooperative will not know its exact adjustment until the flow-thru calculations are completed in mid-March. A copy of the EKPC board report summary is attached to these minutes and made an official part thereof.

The next item of business was the KAEC monthly report given by KAEC Director Representative, Mr. London. The KAEC board of directors did not have a meeting in February. On February 3rd, a Governance Committee meeting was held. Information discussed was pertaining to how to handle media discussions. Also discussed was document storage options and they have selected NISC and will present this recommendation to the full board for consideration. Board policies were reviewed and approved and will next go to the full board.

Next, Mr. Prather gave a report of the President and CEO. Mr. Prather discussed winter storm preparations, the retail rate filing to pass thru EKPC's wholesale power rate increase, and cyber security penetration testing of FRECC systems. Mr. Prather mentioned that a review of the CFC Key Ratio Trend Report will be done at a future board meeting. That report was distributed to the board last month. A copy of Mr. Prather's report is attached to these minutes and made an official part thereof.

For the next item of business, Mr. Woodford Gardner presented the Attorney's report. Mr. Gardner reported on working with the auditors to return requested annual report information. Additionally, he has worked with Chairman Hawkins with information pertaining to the director interview and appointment process.

The next item of business was to designate the 2021 Farmers Rural Electric Annual meeting date and location. Following discussion, a motion was made by Mr. Smith and seconded by Mr. Sexton to designate the 2021 annual meeting date as July 8, 2021 at the Cave City Convention Center. Management recommended that the board set a date, and work out the details as the pandemic allows. Motion carried unanimously.

The next item of business was the selection and designation of election provost for the FRECC's Annual Meeting. A motion was made by Mr. London to select Campbell, Myers, and Rutledge, PLLC, with Cindy Greer as Provost. This motion was seconded by Mr. Martin and was unanimously voted in the affirmative.

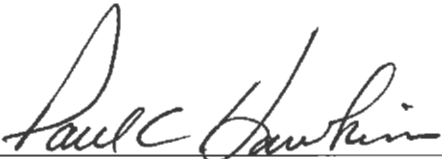
Other business discussed was a review of Chairman Hawkins participation in the virtual NRECA Annual Meeting, now referred to as the "Power Exchange". The 2022 Annual Meeting is slated for March 6-9, in Nashville, TN.

No Other Business was discussed.

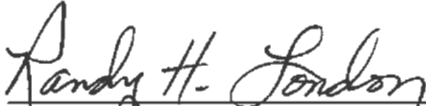
The next item of business was a motion by Mr. Sexton and seconded by Mrs. Williams to go into Executive Session. Motion carried unanimously.

Upon return from Executive Session, Chairman Hawkins asked for any agenda items to be included for next month's meeting. The board was reminded that the Nominating Committee will meet on May 4th, beginning at 6:00 p.m. Directors were asked to bring a name and contact number for a representative.

There being no further items on the agenda, Chairman Hawkins declared the meeting adjourned at 5:30 p.m.



Paul Hawkins, Chairman



Randy London, Secretary/Treasurer

A meeting of the Board of Directors of Farmers Rural Electric Cooperative Corporation was held on March 18, 2021. The meeting was held at the FRECC Operations Center boardroom with seating spread apart so as to comply with the Kentucky Governor's request for social distancing for the purpose of preventing a spread of the COVID-19 virus. Chairman Paul Hawkins called the meeting to order at 1:30 p.m. and Mr. Smith gave the invocation.

In attendance were:

Ronnie Smith
Paul Hawkins
Brandi Williams
Randy London
C. F. Martin, Jr.
Randy Sexton
Cornelius Faulkner
Woody Gardner, Attorney

The first item of business was the review, adoption, and approval of the agenda. Mr. Sexton moved approval of the agenda as presented, with a second by Mr. Martin. There was no discussion. The agenda was approved unanimously.

The next item of business was consideration to approve the seating of the new director appointee to fulfill the unexpired term of Neil Pendencygraft who represented Director District I. A motion was made by Mr. Smith, and seconded by Mrs. Williams to approve the seating of Mr. Cornelius Faulkner as a Farmers Rural Electric director representing District I. Motion carried unanimously.

The next item of business was a motion made by Mr. Sexton, and seconded by Mr. Faulkner to go into Executive Session for the purpose of considering the CEO's annual performance review. Motion carried unanimously.

Upon return from Executive Session at 2:25 p.m., a brief break, in-house, was given for a boxed meal. The meeting resumed at 2:45 p.m. with the following present:

Paul Hawkins
Cornelius Faulkner
Ronnie Smith
Randy London
C. F. Martin, Jr.
Brandi Williams
Randy Sexton
Woodford L. Gardner, Attorney

Bill Prather, President/CEO
Jennie Phelps, VP of Finance
Chuck Bishop, VP of Engineering
Caralyne Pennington, Director of Corporate Comm.
Tony Wells, VP of Member and Corporate Svcs.
Linda Foushee, HR/Executive Assistant
Scott Lester, VP of Operations
Jason Riggs, VP of Technology

The next item of business was the consent agenda matters which were presented for approval. There were no questions, concerns, or corrections related to the previous meeting minutes, new and refunded memberships, or unpaid accounts to be written off as uncollectible accounts. As such, a motion was made by Mr. Smith and seconded by Mr. Sexton to accept the consent agenda items as presented. Motion carried unanimously.

The next item of business was a review of the Financial and Operating reports for February 2021 given by the management staff. Mrs. Phelps presented the financials. Year-to-date margins totaled \$1,983,787, a \$1.4M increase from the prior year. One million dollars of the overall increase was the result of the forgiveness of the Small Business Administration Paycheck Protection Program loan. The loan, in the amount of \$1,096,767.50, was forgiven on February 2, 2021. Year-to-date operating margins totaled \$1,028,122, a \$487k increase from the prior year. Weather is the primary factor. At an average of 34.0 degrees, February 2021 was the coldest February in six years. Overall, year-to-date revenues increased \$1.2M while purchased power costs increased \$800k as compared to last year. In February, Farmers' linemen assisted Clark Energy and Big Sandy in storm restoration efforts. These linemen worked 957 hours, totaling \$55,757 in labor.

Vice-President of Engineering, Chuck Bishop, gave the Engineering report. Mr. Bishop provided information pertaining to the Kentucky Public Service Commission's tentative regulation for joint use pole attachments with cable and broadband applications. Mr. Bishop reported on visiting Nolin RECC today for a meeting on this subject.

Vice-President of Operations, Scott Lester, provided the board with the monthly Operations report. Mr. Lester provided information that two of the System Inspectors have been working on a project using thermal imaging looking for hot spots with regulators and step-down units. Currently, the Inspectors have viewed 348 locations, and found two minor issues to address which were lightning arrestors. Greenwood Tree Service was notified to return to complete the work they were contracted for, 3-4 days of clean up work, and they are presently finishing up the work. The Munfordville branch office will have a new roof installed sometime next week. FRECC truck #91, a fourteen-year-old 55-foot bucket truck, is being replaced and will be re-stationed at the Munfordville warehouse and pole yard for occasional use. Mr. Lester reported that a major sinkhole opened up at the McDonalds property in Cave City. The service pole for that facility lost a guide wire in the collapse, but the pole itself was spared. American Engineers has been core drilling to ascertain the extent of the sinkhole network and to identify where the pole can be relocated. FRECC Operations crews replaced fifty-two poles for the month.

Vice-President of Member and Corporate Services, Tony Wells, gave his departmental report. Mr. Wells discussed the FRECC debt collection process and the unusually high write offs due to the pandemic, and PSC order to not disconnect for non-payment for a period of approximately seven months.

Director of Corporate Communications, Caralyne Pennington, provided her departmental report. The Washington Youth Tour is canceled and plans are to replace the physical tour with a virtual tour in July. Applications will be given to the qualifying schools in our service area. The cooperative's member payment portal has been updated on the

website and will replace the current billing portal. The new portal will have the same functions and payment options as the old system, yet will be more user friendly.

Jason Riggs, Director of IT and Security presented the Technology report. Mr. Riggs reported that the system penetration audit and testing is ongoing and will soon be complete. Mr. Riggs will present their findings and mitigations at the May board of directors meeting.

Mrs. Foushee, Human Resources Coordinator, presented the HR report. It was noted that two FRECC employees are currently utilizing the Family and Medical Leave Act.

Following discussion, a motion was made by Mr. Faulkner and seconded by Mrs. Williams that the financial and operating reports be accepted as information to the board, with the financial reports subject to future audit. Motion carried unanimously.

The next item of business was a review of the cooperative's Safety and Loss Control report given by Mr. Lester. Employees have worked 82,172 hours with no lost time accidents. The FRECC Safety committee will be conducting a quarterly audit report in April. A two-hour flagging recertification training was held recently. A recap was given of the storm assistance provided to Big Sandy RECC and Clark Energy. The FRECC Workers Compensation Experience Modifier for the coming year is .76 which creates a \$14,422. reduction in the Federated Rural Electric Insurance Exchange premium. An additional reduction in the premium of \$2,283 was given as a result of FRECC participating in the Kentucky Drug Free Workplace program. For the year 2021, a total reduction in the annual Federated premium is \$16,705 due to the good safety performance of the cooperative.

The next item of business was a review of the wholesale power rate increase planned by East Kentucky Power which will result in a 5.221% or \$1,800,820 wholesale rate increase to Farmers. The resulting pass through to the cooperative's members will be an average of a 3.93% increase for all rate categories. The cooperative cannot absorb the increase and will need to pass it through in increased rates. EKPC intends to file its rate application on April 1 and FRECC would need to file a pass-through application in tandem. Following this discussion, the following resolution was read by Mr. London:

WHEREAS, Farmers R.E.C.C., is an Owner and Member of East Kentucky Power Cooperative, Inc. ("EKPC"); and

WHEREAS, EKPC HAS INFORMED THE MANAGEMENT OF Farmers R.E.C.C. that it intends to file an application for an adjustment of its base rates for electric power with the Kentucky Public Service Commission on or about April 1, 2021; and

WHEREAS, if approved by the Kentucky Public Service Commission, would result in a wholesale increase of 5.221% of \$1,800,820 in purchase power cost to Farmers R.E.C.C., and an average retail increase to Farmers R.E.C.C. member-owners of 3.93%; and

WHEREAS, Kentucky law (KRS 278.455) provides a procedure by which Farmers R.E.C.C. may also adjust its rates in order to pass-through to its member owners any increase in EKPC's rates in the manner set forth in statute; and

WHEREAS, after due deliberation and consideration of EKPC's proposed rate increase, the financial condition of Farmers R.E.C.C. and the recommendation of management;

NOW THEREFORE BE IT RESOLVED BY THE BOARD AS FOLLOWS:

1) The Board hereby accepts the recommendation of management to initiate a rate proceeding before the Kentucky Public Service Commission in accordance with KRS 278.455 and other relevant law;

2) Management is directed to take all necessary and advisable steps, including working with counsel and rate advisors, to prepare a suitable application and to tender same to the Commission on or after April 1, 2021;

3) Management is further directed to take all necessary and advisable steps to seek Commission approval of the pass-through rate case; and

4) Management shall report on the status of its efforts undertaken pursuant to this Resolution at least as frequently as each regularly scheduled Board meeting during the pendency of such proceeding.

Following the reading of the resolution, a motion was made by Mr. Sexton, and seconded by Mr. Faulkner to accept the resolution as presented. Motion carried unanimously. A copy of this resolution is attached to these minutes and made an official part thereof.

Following these presentations, Mrs. Phelps, Mrs. Pennington, Mr. Bishop, Mr. Lester, Mr. Wells, and Mr. Riggs left the meeting.

The next item of business was the EKPC monthly report given by EKPC Director Representative, Mr. Sexton. Mr. Sexton reported on the wholesale rate increase, along with recent events surrounding the polar vortex and market costs. A copy of the EKPC board report summary is attached to these minutes and made an official part thereof.

The next item of business was the KAEC monthly report given by KAEC Director Representative, Mr. London. The KAEC board of directors convened, virtually, on March 16th. A winter storm update was provided. The cooperative's annual meetings and Washington Youth tour were discussed. There will be no travel to Washington, DC this year due to pandemic conditions. The next meeting will be held on May 16th, and a Governance meeting on April 6th. A synopsis of this meeting is attached to these minutes and made an official part thereof.

Next, Mr. Prather gave a report of the President and CEO. Items discussed were cyber security penetration testing of systems, legislative activity, FRECC's diesel generators, and the United Utility Supply materials report. A copy of Mr. Prather's report is attached to these minutes and made an official part thereof.

For the next item of business, Mr. Woodford Gardner presented the Attorney's report. Mr. Gardner reported on working with Mrs. Phelps on cover letters to submit to the Kentucky Public Service Commission for recent filings.

The next item of business was a nomination and appointment of the 2021 Director Nomination Committee. The following names were submitted.

Mr. Hawkins nominates:

Marla Gardner
5950 Cub Run Highway
Munfordville, KY 42765
(270) 774-7231

Mrs. Williams nominates:

Dawn Crabtree
893 Steeplechase Road
Glasgow, KY 42141
(270) 646-6853

Mr. Smith nominates:

Chris Huffman
12 Junior Irwin Road
Center, KY 42214
(270) 590-8943

Mr. Faulkner nominates:

Jessica Miles
95 Boyds Creek Drive
Glasgow, KY 42141
(270) 590-4318

Mr. London nominates:

Leland Glass
1814 Hiseville Park Road
Cave City, KY 42127
(270) 576-5510

Mr. Sexton nominates:

Frank Gibson
P. O. Box 392
Edmonton, KY 42129
(270) 670-6706

Mr. Martin nominates:

Lola Bunnell
1367 Hammondsville Road
Munfordville, KY 42765
(270) 524-2283

Following discussion, a motion was made by Mr. Sexton and seconded by Mr. Faulkner to accept the individuals nominated above to serve on the 2021 Director Nomination Committee. Motion carried unanimously. The meeting will be held on May 4th beginning at 6:00 p.m., virtually by using "Zoom" conference calling due to pandemic restrictions.


The next item of business was a discussion and consideration of a Bylaw amendment in order to clarify residency, and membership requirement in Article IV, Section 4, (d). The amendment is intended to further clarify the existing Bylaw requirement that a member who wants to run for the board must have their primary residence served by the cooperative, and the membership/billing account for that residence be in the member's name. Following discussion, a motion was made by Mr. Smith to table this item until after the July board of directors meeting. This motion was seconded by Mr. Sexton and was unanimously voted in the affirmative.

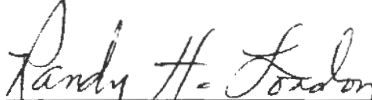
The next item of business was a review of literature presented by Mr. Prather regarding information that can be given out to members who inquire about information needed for running for a board of directors' seat. This would ensure that anyone, and everyone who inquired, would receive complete and consistent information. The board directed Mr. Prather to provide this information to any member inquiring about how to run for the board. A copy of this document is attached to these minutes and made an official part thereof. No action was necessary.

Other business discussed was a review of Chairman Hawkins' recent participation in the March 2nd NRECA Power Exchange. A discussion was also held relating to a Directors Conference to be held March 23-24. This is a two-day virtual meeting with a cost of \$550. Mr. Sexton, via EKPC, will participate on their behalf. The NRECA Legislative Conference will be virtual for this year, on April 19-23rd, at no cost to the Cooperatives.

It was stated that the auditors with Campbell, Myers, and Rutledge will present their report and findings at the April board of directors meeting, and that item should be included on the agenda.

With no further items to be placed on the April agenda, Chairman Hawkins declared the meeting adjourned at 6:10 p.m.


Paul Hawkins, Chairman


Randy London, Secretary/Treasurer

A meeting of the Board of Directors of Farmers Rural Electric Cooperative Corporation was held on April 15, 2021. The meeting was held at the FRECC Operations Center boardroom with seating spread apart so as to comply with the Kentucky Governor's request for social distancing for the purpose of preventing a spread of the COVID-19 virus. Chairman Paul Hawkins called the meeting to order at 1:45 p.m. and Mr. Hawkins gave the invocation.

In attendance were:

Paul Hawkins	Bill Prather, President/CEO
Cornelius Faulkner	Jennie Phelps, VP of Finance
Ronnie Smith	Chuck Bishop, VP of Engineering
Randy London	Caralyne Pennington, Dir. of Member/Public Comm.
C. F. Martin, Jr.	Tony Wells, VP of Member and Corporate Svcs.
Brandi Williams	Linda Foushee, HR/Executive Assistant
Randy Sexton	Scott Lester, VP of Operations
Woodford L. Gardner, Attorney	Jason Riggs, Director of Technology/Security

The first item of business was the review, adoption, and approval of the agenda. Mr. Smith moved approval of the agenda as presented, with a second by Mr. Martin. There was no discussion. The agenda was approved unanimously.

The next item of business was the consent agenda matters which were presented for approval. There were no questions, concerns, or corrections related to the previous meeting minutes, new and refunded memberships, or unpaid accounts to be written off as uncollectible accounts. As such, a motion was made by Mr. Smith and seconded by Mr. Martin to accept the consent agenda items as presented. Motion carried unanimously.

The next item of business was a video conferenced presentation of the cyber security audit results performed by security consultants "Rapid 7". Jason Riggs led this discussion and presentation. Information reviewed was the billing portal mitigation status, the internal outage viewer mitigation status (assessment of findings, risk, status, and details, and the external outage viewer mitigation status). The overall opinion of the consultants was positive concerning the cyber protection efforts to date. Questions from the directors were addressed. Following the presentation, a motion was made by Mr. Sexton, and seconded by Mr. Smith that the information submitted be approved as presented to the board of directors. Motion carried unanimously.

The next item of business was an in-depth presentation of the 2020 financial audit given by Cindy Greer and Brent Billingsley of Campbell, Myers, and Rutledge, PLLC. Prior to the board meeting, the directors received a copy of the report to review in advance of the presentation by the auditors at this month's meeting. The audit was reviewed at length allowing opportunities for the directors to ask questions. The CPAs reported that the Cooperative had received a clean audit report for the year. No significant issues with internal deficiencies were noted. Following discussion, a motion was made by Mr. Sexton and second by Mr. Faulkner that the annual audit report be approved as presented. Motion carried unanimously. Following this presentation, the auditors left the meeting.

The next item of business was a review of the decision to replace the Clevest software with the Futura Software. Mr. Bishop and Mr. Lester participated in discussion of this review. They reviewed the history of the project, the decision to initially employ Clevest, and the latter problems that led to the decision to leave them. Several positive processes came out of the Clevest project and the Cooperative is still utilizing their automatic vehicle location system. No action was necessary.

The next item of business was a review of the Financial and Operating reports for March 2020 given by the management staff. Mrs. Phelps presented the financials. Year-to-date operating margins totaled \$996,084, a \$406k increase from the previous year. Cold weather in January and February is the primary drivers. For the month of March, Farmers had an operating loss of \$32,039. A poor load factor in March contributed to the \$06.9188 per kWh purchased power cost. Mrs. Phelps reported on the first quarter debt and she reviewed the general plant budget to actual information. Mrs. Phelps also discussed the retirement of capital credits, noting there were 8,535 bill credits in the amount of \$168,223.

Vice-President of Operations, Scott Lester, provided the board with the monthly Operations report. Mr. Lester reported that 269 utility poles have been changed out year-to-date, and 88 poles have been changed out this month. The roof replacement at the Munfordville branch office is complete. The recloser maintenance project was discussed. A total of 90 reclosers will be changed out this year. Fifty-four reclosers have been currently replaced. On the right-of-way projects, Greenwood has completed the circuit work in Parkway-South Fork/Pritchardsville area. Townsend is working Beckton-Red Cross and is 45% complete, and they are about 95% complete on the Beckton-Merry Oaks circuit. A&G is working Bon Ayr-Merry Oaks, Bon Ayr – Park City, and West Glasgow. The bucket truck replacement for truck #91 has arrived and directors viewed the replacement prior to the start of the meeting. The switching to the EKPC radio system installation is scheduled to begin on May 3rd.

Following discussion, a motion was made by Mr. Martin and seconded by Mrs. Williams that the financial and operating reports be accepted as information presented to the board, with the financial reports subject to future audit. Motion carried unanimously.

The next item of business was a review of the cooperative's Safety and Loss Control report given by Mr. Lester. Employees have worked 92,508 hours with no lost time accidents. The Safety Committee performed a safety audit, and a few small deficiencies were found and addressed.

The next item of business to discuss was the Cooperative's annual meeting format for 2020. This discussion was led by Mrs. Pennington and Mr. Prather. Due to continued uncertainty with COVID-19 restrictions, a recommendation was made by the management staff to conduct a virtual annual meeting. Virtual meetings can be led by VidMonster out of Bowling Green and their proposal was reviewed and discussed. Information for the membership pertaining to a virtual meeting will be included in the June issue of Kentucky Living. The cost comparison for a virtual meeting is \$3,500 versus an in-person annual meeting which is typically around \$25,000. A stage will be set up at the Cave City Convention Center with a video presentation of the business meeting. Bucket and bulb giveaways will be given at the CCCC with a drive thru format the day of the meeting. Member prize drawings will still be held. Following an in-depth discussion, a motion was

made by Mr. Faulkner and seconded by Mr. Smith to conduct the 2021 FRECC Annual meeting virtually as presented by management. Motion carried unanimously.

Following these presentations, Mrs. Phelps, Mrs. Pennington, Mr. Bishop, Mr. Lester, Mr. Wells, and Mr. Riggs left the meeting.

The next item of business was the EKPC monthly report given by EKPC Director Representative, Mr. Sexton. Mr. Sexton provided an update on the wholesale rate increase. The EKPC annual meeting will be taking place virtually. A copy of the EKPC board report summary is attached to these minutes and made an official part thereof.

The next item of business was the KAEC monthly report given by KAEC Director Representative, Mr. London. No KAEC board meeting was held in April.

Next, Mr. Prather gave a report of the President and CEO. Items discussed were the EKPC rate increase filing, the Fox Hollow-161 kV Transmission line project, the potential solar generation at the Glasgow Landfill, the correction for counties served by FRECC, the upcoming load on a Span Tech, LLC. 100,000 square foot building, and a review of regulation on member requests to relocate power lines. A copy of Mr. Prather's report is attached to these minutes and made an official part thereof.

For the next item of business, Mr. Woodford Gardner presented the Attorney's report. Mr. Gardner reported on Nominating Committee procedures of which he will preside over. Governance pertaining to Executive Session minutes was discussed.

The next item of business was selection and designation of the EKPC Voting Delegate and Alternate Voting Delegate for the 2021 EKPC Annual Meeting. Following discussion, a motion was made by Mr. Martin, and seconded by Mr. London to select Mr. Hawkins at the Voting Delegate, and Mr. Smith as the Alternate Voting Delegate. Motion carried unanimously.

The next item of business was the appointment of the Cooperative director representative for the East Kentucky Power Cooperative board of directors for the term of July 2021-June 2022. Following discussion, a motion was made by Mr. Smith, and seconded by Mr. Martin to elect Mr. Sexton to the EKPC board of directors. Motion carried unanimously.

The next item of business was a review and approval of the director and CEO expenses for the first quarter of 2021. A motion was made by Mr. Sexton to approve the expenditures as presented. This motion was seconded by Mrs. Williams. Motion passed unanimously.

Other business discussed included a discussion led by Mr. Prather pertaining to the main office vault renovation. Mr. Prather discussed the need to renovate that workspace and repair water damage to the walls. He proposed diverting the \$12,000 originally placed in the capital budget to remove the warehouse fuel tanks to this project. The decision to remove the tanks has been shelved for now. Additional funds needed outside of the budget are \$2,650.00. Mr. Prather requested a total of \$14,650 be approved for the vault

renovation which would include a new HVAC unit, wall painting, door installation, and carpet. A motion was made by Mr. Faulkner and seconded by Mr. Smith to approve management's recommendation for renovating the vault. Motion carried unanimously.

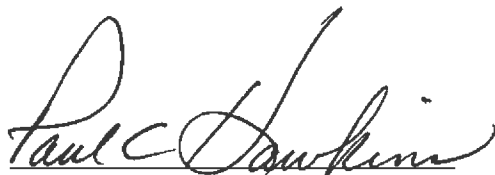
Other business discussed was a request made by Mr. Hawkins for Mr. Prather to look into the terms of the second PPP loan due to large write offs. Mr. Prather will report to the board his findings.

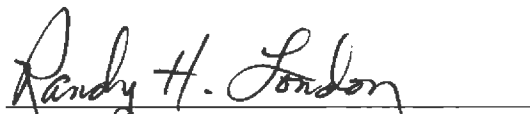
Other business discussed were procedural questions pertaining to board director elections.

Agenda items for next month should include a discussion on the CFC Key Ratio Trend Analysis.

The next item of business was a motion by Mr. Smith to go into Executive Session. The board of directors entered into Executive Session at 6:45 p.m. Mr. Prather, and Mrs. Foushee left the meeting.

Upon return from Executive Session, Chairman Hawkins declared the meeting adjourned at 7:15 p.m.


Paul Hawkins, Chairman


Randy London, Secretary/Treasurer

A meeting of the Board of Directors of Farmers Rural Electric Cooperative Corporation was held on May 20, 2021. The meeting was held at the FRECC Operations Center boardroom with seating spread apart so as to comply with the Kentucky Governor's request for social distancing for the purpose of preventing a spread of the COVID-19 virus. Chairman Paul Hawkins called the meeting to order at 2:30 p.m. and Mr. Smith gave the invocation.

In attendance were:

Paul Hawkins	Bill Prather, President/CEO
Cornelius Faulkner	Jennie Phelps, VP of Finance
Ronnie Smith	Chuck Bishop, VP of Engineering
Randy London	Caralyne Pennington, Director - Mbr./Public Comm.
C. F. Martin, Jr.	Tony Wells, VP of Member and Corporate Services
Brandi Williams	Linda Foushee, HR/Executive Assistant
Randy Sexton	Scott Lester, VP of Operations
Woodford L. Gardner, Attorney	

The first item of business was the review and adoption of the agenda. Mrs. Williams moved adoption of the agenda as presented, with a second by Mr. Faulkner. There was no discussion. The agenda was approved unanimously.

The next item of business was the consent agenda matters which were presented for approval. There were no questions, concerns, or corrections related to the previous meeting minutes, new and refunded memberships, or unpaid accounts to be written off as uncollectible accounts. As such, a motion was made by Mr. Martin and seconded by Mr. Smith to accept the consent agenda items as presented. Motion carried unanimously.

The next item of business was a review of the Financial and Operating reports for April 2021 given by the management staff. Vice President of Finance, Mrs. Phelps, presented the financials. Year-to-date operating margins totaled \$855,539, a \$184k increase from the prior year. Year-to-date margins totaled \$1,877,297. Revenues increased \$2.0M or 13.0% as compared to last year. Approximately \$804k of the increase is a result of deceased sales in the prior year due to the Covid-19 pandemic. In April, Farmers received \$18,367 in interest income from NRUCFC, relating to membership and loan certificates.

Vice-President of Engineering, Chuck Bishop, provided the board with the monthly Engineering report. Mr. Bishop shared with the board an update on the contractor's progress. Due to the good weather this spring, the Summer Shade project is coming along and nearing completion. The purpose and timing for a new four-year construction work plan was discussed. This process will begin soon. A current construction work plan project for the voltage conversion at Highway 90 and Burkesville Road is 60% complete.

Vice-President of Operations, Scott Lester, provided the board with the monthly Operations report. The completely self-protected transformer (CSP) change-out project is complete for this year. The fusing project has 50 fuses completed and 50 remaining. Recloser maintenance has 90 to complete this year, and 57 have been completed. FRECC Vehicle #112 (2010 Ford flatbed truck) is slated to be replaced and the new vehicle from

Don Franklin Dodge should arrive the first week in June. The new radio system installation is complete. For Operations department personnel, Garrett Crowe was promoted to Journeyman Lineman on May 1st, 2021, Tyler Bratcher and Hunter Scroggy attended Lab #3 of the TVPPA Apprentice Lineman Program, and Garrett Crowe will attend Lab #2 of the TVPPA Advance Lineman Training Program May 18-20. The current status of the lineworkers are: 16 Journeyman Linemen, 2 Lineman, and 3 Apprentices. On May 26th, Federated Rural Electric Insurance Exchange will conduct a safety audit/review of our properties. The annual fire extinguisher inspections are scheduled for June 2021.

Vice-President of Member and Corporate Services, Tony Wells, reviewed his departmental report. Mr. Wells also reviewed a historic SAIDI reliability report showing the improvement trend from 2011 to date – a reduction from over 300 minutes annually to approximately 100 minutes annually during that period. This is a result of the reliability improvement initiatives that began in 2011.

Director of Member and Public Communications, Caralyne Pennington, reported on the Co-Bank Sharing Success program that the cooperative participated in last year. Co-Bank will match donations made by the cooperative. Following discussion, a motion was made by Mr. Faulkner, and seconded by Mr. Smith to participate in the Co-Bank Sharing Success program with \$1,000 each for Barren, Hart, and Metcalfe counties, and \$500 for the Reads and Feeds program. Motion carried unanimously.

Mrs. Pennington additionally provided information that testing is being done from the FRECC smart app to enable members to have a better way of reporting a power outage which would be directly through the app. The July 8th FRECC virtual annual meeting was discussed and a recommendation was made to modify the agenda to read: Is there any new business? No action was necessary.

Following a discussion, a motion was made by Mr. Smith and seconded by Mr. Sexton that the financial and operating reports be accepted as information presented. Motion carried unanimously.

The next item of business was a review of the 2021 first quarter (January – March 2021) RUS Summary of Construction by Mrs. Phelps. Following review, a motion was made by Mr. London, and seconded by Mr. Faulkner that the report be approved and submitted to RUS for borrowing. The motion carried unanimously.

The next item of business was a review of the cooperative's Safety and Loss Control report given by Mr. Lester. Another safely-worked month has been achieved by the employees. There has been 102,207 hours without a lost time accident with June 5th being the upcoming anniversary for one year without a lost time accident. The Safety Committee is continuing with their quarterly audits. Safety documents, job briefings, and daily inspections will move to I-Pads, replacing paper copies. Two-way, handheld radios have been purchased for the Hart and Metcalfe county warehouses for better communications in highway flagging, etc. Flagger training has been completed. Caralyne Pennington has completed her term serving on the Safety Committee, and Shane Samson will be added.

Following these reports, Mrs. Pennington, Mr. Bishop, Mr. Wells, and Mr. Lester left the meeting.

The next item of business was a review of the 2020 IRS Form 990. Mrs. Phelps led the discussion. Farmers RECC is a tax-exempt corporation under 501(c)(12). The Form 990 is presented on a consolidated basis with Farmers RECC and its subsidiary, Farmers Energy Propane Plus. A cooperative that is exempt under 501(c)(12) must receive 85% or more of its income from its members. Mrs. Phelps reported that Farmers received 96.81% of its revenues from its members. Since Farmers Energy Service Corporation was dissolved in June 2018, Farmers RECC must now report and pay the federal taxes for Farmers Energy Propane Plus on the IRS Form 990-T. The tax liability for 2020 totaled \$27,345. Following a discussion, a motion was made by Mr. Sexton and second by Mr. Martin that the 2020 IRS Form 990 be approved for filing as submitted. Motion carried unanimously.

Following this, Mrs. Phelps left the meeting.

The next item of business was the EKPC monthly report given by EKPC Director Representative, Mr. Sexton. With government policies promoting renewables, PJM is seeing an increase in proposed renewable generation projects. Currently, new generation projects totaling about 145 gigawatts have been proposed in PJM's footprint. Most of those are renewables, especially solar and wind, while only 7 percent are natural gas projects. The shift towards renewables will require planning on the part of PJM and its members. PJM's top priority is maintaining grid reliability. As renewables are implemented, and as other goals are pursued, such as reducing carbon emissions and modernizing the grid, PJM will work with its members to address policy goals and protect reliability. A copy of the EKPC board report summary is attached to these minutes and made an official part thereof.

The next item of business was the KAEC monthly report given by KAEC Director Representative, Mr. London. A virtual KAEC meeting was held on Tuesday, and two new board members were seated from Gibson & Owen REC. A broadband and net metering report was given. Mr. London discussed the 911 fees and current lawsuits wanting electric companies to collect 911 fees. United Utility Supply's lead times on ordering and delivering products are growing. There has been a 43% cost increase on resins, 84% in raw steel, and lumber is up 126%. The July KAEC board of directors meeting will be an in-person meeting. ODIN was discussed (outage data initiative nationwide). A strategic planning session is scheduled for May 26-27, 2021. KAEC Annual meeting will be held November 15-16 at the Marriot Hotel in downtown Louisville. A copy of the KAEC board report summary is attached to these minutes and made an official part thereof.

Next, Mr. Prather gave a report of the President and CEO. Items discussed were the Fox Hollow – 161 kV transmission line, construction on TVA's substation, a planned review and update to the 2011 FRECC Reliability Plan, a Strategic Plan for Glasgow and Barren County, the Glasgow Electric Plant Board's new rate structure, the Kentucky Public Service Commission's actions on pole attachments and tariffs, and the Commission's recent action on establishing net metering rates for Kentucky Power. A copy of Mr. Prather's report is attached to these minutes and made an official part thereof.

For the next item of business, Mr. Woodford Gardner presented the Attorney's report. Mr. Gardner also reviewed a "HireRight" background check and credentials for Mr. Sexton. Following review, Mr. Gardner prepared and mailed to FRECC an attorney opinion letter stating Mr. Sexton meets the annual East Kentucky Power Cooperative's requirements to serve on the EKPC board of directors.

The next item of business from Mr. Gardner was a discussion of the Report of the Nominating Committee meeting, of which a copy was included in the board's monthly meeting information. Participating in the meeting were all Nominating Committee members, Mr. Gardner, Mr. Prather, Cindy Greer, and Mrs. Phelps. Cindy Greer, was serving as the Cooperative Election Provost. Some members of the Nominating Committee chose to participate via Zoom video conferencing, and others were in person and practicing social distancing due to the Covid-19 pandemic restrictions. The meeting was held on May 4th, 2021. Mr. Gardner reviewed the Nominating Committee's responsibilities and presided over the selection of the Committee Chairman and Secretary. Mr. Prather provided the committee with a review of the cooperative and the past year's operations. Following the meeting, Mr. Gardner reported that Mr. London, Mr. Martin, and Mr. Sexton were re-nominated to serve their respective districts, and the Report of the Nominating Committee will be posted in the FRECC lobby's. Mr. Smith moved that the Nominating Committee's report and action be approved, with a second by Mr. Faulkner. The motion carried unanimously.

The next item of business was a presentation and review, given by Mr. Prather, of the most recent CFC Key Ratio Trend Analysis (KRTA). Mr. Prather reviewed and discussed a cross section of the various ratios which compare the Cooperative to other cooperatives on a state and national basis. No action was necessary.

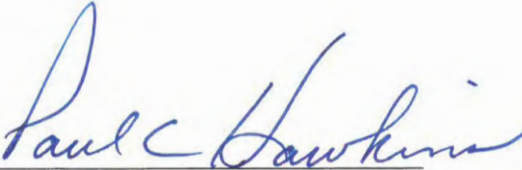
The next item of business was selection and designation of the NRECA Voting Delegate and Alternate Voting Delegate for the 2021 NRECA Director Election. Following discussion, a motion was made by Mr. Smith, and seconded by Mr. Martin to select Mr. London as the Voting Delegate, and Mr. Prather as the Alternate Voting Delegate. Motion carried unanimously.

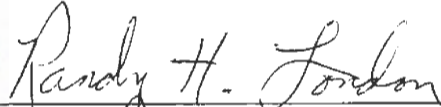
Next, a discussion was held pertaining to the formulation of participant lists for creating a Grassroots Committee. Mr. Prather was requested to send out a copy of the Grassroot policy adopted by the board last year. The board will further review the policy and participant criteria at the June board meeting. The goal will be to develop a list of potential members for discussion at the July board meeting.

Other business discussed was a report given by Mr. Faulkner of the NRECA New Director Orientation which he completed. Mrs. Williams additionally reported on the NRECA Director Responsibility and Liability program she completed as part of her Credentialed Cooperative Director (CCD) certification. On April 20th, Mr. Prather and Mr. Hawkins participated in the NRECA Legislative Conference virtually. On April 23rd, Mr. Smith, Mr. Hawkins, Mr. Prather, and Mrs. Phelps participated in the propane board meeting. It was reported that propane sales are up, and margins are ahead of budget.

Agenda items for next month should include Grassroots committee materials.

Next, Chairman Hawkins declared the meeting adjourned at 5:45 p.m.


Paul Hawkins, Chairman


Randy London, Secretary/Treasurer

A meeting of the Board of Directors of Farmers Rural Electric Cooperative Corporation was held on June 17, 2021. The meeting was held at the FRECC Operations Center boardroom. Chairman Paul Hawkins called the meeting to order at 2:30 p.m. and Mr. Faulkner gave the invocation.

In attendance were:

Paul Hawkins	Bill Prather, President/CEO
Cornelius Faulkner	Jennie Phelps, VP of Finance
Ronnie Smith	Chuck Bishop, VP of Engineering
Randy London	Caralyne Pennington, Director – Mbr./Public Comm.
C. F. Martin, Jr.	Tony Wells, VP of Member and Corporate Services
Brandi Williams	Linda Foushee, HR/Executive Assistant
Randy Sexton	Scott Lester, VP of Operations
Rich Alexander, Attorney	

Chairman Hawkins recognized Mrs. Williams as officially becoming certified as a NRECA Credentialed Certified Director (CCD) following her successful completion of the NRECA related courses.

The first item of business was the review and adoption of the agenda which was amended to include consideration and approval of a new large power rate, and consideration of a NRECA Board Governance analysis. Mr. Smith moved adoption of the amended agenda as presented and discussed, with a second motion given by Mr. Sexton. The agenda was approved unanimously.

The next item of business was the consent agenda matters which were presented for approval. There were no questions, concerns, or corrections related to the previous meeting minutes, new and refunded memberships, or unpaid accounts to be written off as uncollectible accounts. As such, a motion was made by Mrs. Williams and seconded by Mr. Faulkner to accept the consent agenda items as presented. Motion carried unanimously.

The next item of business was a review of the Financial and Operating reports for May 2021 given by the management staff. Mrs. Phelps presented the financials. May resulted in year-to-date operating margins of \$866,784, an \$238k increase from the prior year. Revenues increased \$2.3M or 12.8%, while purchased power costs increased \$2.0M or 16.7%, as compared to last year. Mrs. Phelps also gave a review on the KREC medical plan and Farmers Energy Propane Plus, LLC.

Vice-President of Operations, Scott Lester, provided the board with the monthly Operations report. The Sage herbicide crews are currently working onsite and spraying rights-of-way. FRECC truck #112 will have a replacement delivered to the cooperative this week. Personnel accomplishments are: Apprentice Lineworker, Kyle Coomer has completed the required training and has been promoted to Lineman status. Tyler Bratcher, and Hunter Scroggy have completed their third on-line TVPPA Apprentice Lineman class. Garrett Crowe has completed TVPPA lab #2 of the Advance Lineman Training program.

Shane Samson has successfully completed a six-month introductory period evaluation for his performance in the newly created position as a Purchasing and Facilities Manager for the cooperative.

Vice-President of Member and Corporate Services, Tony Wells, reviewed his departmental report. For cyber security reasons, beginning May 1, 2021, the cooperative's member service representatives stopped processing credit card payments over the telephone. Members are being referred to process their own payments either online with the cooperative's web site or app, or through the FRECC automated telephone payment system. It was reported, Kevin Mara with Hi-Line Consultants, visited and is assisting in evaluating the cooperative's reliability plan. It was noted that reliability of the FRECC utility system has improved greatly as a result of reliability initiatives and system upgrades. A discussion ensued pertaining to Milsoft's enhancement of the cooperative's on-line outage viewer. Milsoft has released modifications to its OMS system recently and some things have changed significantly from the prior version.

Director of Member and Public Communications, Caralyne Pennington, reported on finalizing plans for the cooperative's first virtual annual meeting slated for Thursday, July 8th. The on-line link for members to register for annual meeting scholarships and prizes is currently available.

Human Resources Coordinator, Linda Foushee, reported on the hiring and onboarding of Alyssa Reece as a Member Service Representative.

Following a discussion, a motion was made by Mr. Faulkner and seconded by Mr. Smith that the financial and operating reports be accepted as information presented. Motion carried unanimously.

The next item of business was an in-depth review given by Vice-President of Engineering, Chuck Bishop, of the new proposed four-year construction work plan. This work plan will guide the cooperative's construction plans for the period of 2021-2025. Following review, management recommended the approval of the \$15,920,000 work plan to be submitted to RUS for funding. A motion was made by Mr. Martin, and seconded by Mr. Sexton to approve managements recommendation as listed above.

The next item of business was a discussion led by Mrs. Phelps to increase the debt limit based on a ten-year financial forecast. Management presented the following resolution:

WHEREAS, the ten (10) year financial forecast for the period of 2021 through 2030 indicates that the debt limit may be exceeded during the forecast period:

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of Farmers Rural Electric Cooperative Corporation hereby increases the debt limit to \$200,000,000.

Mrs. Phelps noted that this action was requested by the RUS representative, Mike Norman. Following discussion, a motion was made by Mr. Sexton and seconded by Mr. Faulkner to accept management's recommendation as listed above. Motion carried unanimously. A copy of this resolution is attached to these minutes and made an official part thereof.

The next item of business was a review of the April 2021 RUS Summary of Construction by Mrs. Phelps. After discussion, Mr. Sexton moved that the report be approved and submitted to RUS for borrowing, and Mr. London seconded the motion. The motion carried unanimously. The work included on this summary will fully encumber the present RUS loan.

The next item of business was a review of the cooperative's Safety and Loss Control report given by Mr. Lester. It was noted that as of June 5th, employees have worked safely with no lost time accidents during a one-year period. Fire extinguisher maintenance will be conducted next week. Mr. Lester reported on a recent audit of our PCB records by a consultant and all was fine with just a few minor suggestions for improvement, which are being done.

The next item of business was a discussion led by Mr. Prather asking the board to consider and approve a new LPG-1 large power rate. The new rate has been developed in response to a recent site visit by a major industry. The new optional rate is based on East Kentucky Power's wholesale G rate and would be available to loads of a 10 mW or greater capacity, with a 70% or greater load factor. The following resolution was presented for consideration:

WHEREAS, Farmers Rural Electric Cooperative Corporation plans to file an application with the Kentucky Public Service Commission to seek approval for the addition of a new optional Large Power rate to the Cooperative's rates; and

WHEREAS, the following new tariff will be offered to the Cooperative's members subject to approval of the Kentucky Public Service Commission:

Schedule LPG-1 – Large Power

RESOLVED, that the Farmers Rural Electric Board of Directors do hereby support the addition of this new tariff to the Cooperative's available rate schedules.

Following discussion, a motion was made by Mr. Smith and seconded by Mr. Martin to accept the LPG-1 large power rate as presented by management. Motion carried unanimously. A copy of this resolution is attached to these minutes and made an official part thereof.

Following these presentations, Mrs. Phelps, Mr. Bishop, Mr. Lester, Mr. Wells, and Mrs. Pennington left the meeting.

The next item of business was the EKPC monthly report given by EKPC Director Representative, Mr. Sexton. The board congratulated Mr. Sexton on being elected as East Kentucky Power's Secretary of the board. A copy of the EKPC monthly report is attached to these minutes and made an official part thereof.

The next item of business was the KAEC monthly report given by KAEC Director Representative, Mr. London. KAEC did not have a meeting in June due to cooperative's annual meetings. The Governance committee meeting will meet on June 22nd.

Next, Mr. Prather gave a report of the President and CEO. Items discussed were the FRECC Reliability plan and a meeting with Kevin Mara of Hi-Line Engineering to discuss potential adjustments going forward, a bi-annual Kentucky Public Service Commission construction and safety inspection, a meeting with the Barren County Economic Authority, and the status of ending the cooperative's pandemic protocols. A copy of Mr. Prather's report is attached to these minutes and made an official part thereof.

For the next item of business, Mr. Rich Alexander presented the Attorney's report. Mr. Alexander reported that Mr. Gardner has been working on the FRECC Annual meeting with Mr. Prather and the staff in addition to working with the staff on the Rural Utilities Service loan.

Next, a discussion was held regarding the development of the Grassroots Committee and its' members. Farmers RECC's board has authorized the formation of a Member Grassroot Committee with the purpose and function of the Committee to assist the board and management in better understanding the desires of the membership and improving the service of the Cooperative. It is also a goal to build a strong support network of members who are knowledgeable about the Cooperative and willing to assist in actively promoting the Cooperative's interests at the local, state, and national level when asked to do so by the Cooperative's board of directors and management. The Committee will meet once or twice a year, in the evenings, for an hour or two. The meetings will typically consist of a meal, informational program, question/answer, and feedback sessions. A "Member(s) Agreement to Serve on the Cooperative's Grassroot Committee" signature sheet was reviewed, a potential qualifications/criteria sheet for new Member Grassroot Committee Members, and Policy No. 304 – Member Grassroot Committees which states the purpose, objectives, policy content, and responsibility. The recommended names to consider will be brought to the July board meeting from each director.

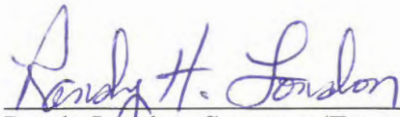
Other business discussed was led by Mr. Hawkins. Consideration of a NRECA Board Governance analysis whereby there would be a review of the cooperative's bylaws, policies, and compensation. No action was taken, but Mr. Hawkins will gather further information for the board to consider.

Agenda items for next month should include Grassroots committees, and report on the Governance Self-Assessment.

Next, Chairman Hawkins declared the meeting adjourned at 5:45 p.m.



Paul Hawkins, Chairman



Randy London, Secretary/Treasurer

A meeting of the Board of Directors of Farmers Rural Electric Cooperative Corporation was held on July 15, 2021. The meeting was held at the FRECC Operations Center boardroom. Chairman Paul Hawkins called the meeting to order at 2:30 p.m. and Mr. Gardner gave the invocation.

In attendance were:

Paul Hawkins	Bill Prather, President/CEO
Cornelius Faulkner	Jennie Phelps, VP of Finance
Ronnie Smith	Chuck Bishop, VP of Engineering
Randy London	Caralyne Pennington, Director – Mbr./Public Comm.
C. F. Martin, Jr.	Tony Wells, VP of Member and Corporate Services
Brandi Williams	Linda Foushee, HR/Executive Assistant
Randy Sexton	Scott Lester, VP of Operations
Woodford Gardner, Attorney	

Alysia Reece, a newly hired Member Service Representative was introduced to the board of directors, then left the meeting.

The first item of business was the review, adoption, and approval of the agenda. Mr. Sexton moved approval of the agenda as presented, with a second by Mr. Martin. There was no discussion. The agenda was approved unanimously.

The next item of business was the certification of the 2021 Director Election results. Chairman Hawkins requested that Attorney Woodford L. Gardner preside over the director election certification, seating of directors, and officer elections. Mr. Gardner reviewed a letter from Cindy L. Greer, Provost for the 2021 director election, in which she certified the results of said election. Mrs. Greer stated in her letter that Mr. London – District I – Barren and Edmonson Counties, Mr. C. F. Martin, Jr. – District II – Hart, Grayson, and Larue Counties, and Mr. Randy Sexton, District III – Metcalfe, Green, and Adair Counties were elected without opposition as directors of the Cooperative for the ensuing three years or until their successors have been chosen and duly qualified. Following which, a motion was made by Mr. Faulkner and seconded by Mr. Smith to accept the director election results as presented. Motion carried unanimously.

For the next item of business, a motion was made by Mr. Smith and seconded by Mr. Faulkner to approve the seating of Mr. Randy London as a Farmers Rural Electric director representing District I – Barren and Edmonson Counties, Mr. C. F. Martin, Jr. as a Farmers Rural Electric director representing District II – Metcalfe, Green, and Adair Counties, and Mr. Randy Sexton as a Farmers Rural Electric director representing District III – Metcalfe, Green, and Adair Counties. Motion carried unanimously.

The next item of business was a review of FRECC Policy #100 – Director Duties, Responsibilities, Standards of Conduct, and Professional Development, led by Mr. Gardner. Following the review, each director signed and submitted an annual affirmation of receipt, understanding of, and support for Policy #100.

For the next item of business, Mr. Gardner declared all offices of the board vacant.

Mr. Gardner declared the floor open for nominations for the position of Board Chairman. Mr. Smith moved to nominate Mr. Paul Hawkins for the position of Board Chairman. Mr. Gardner called for the submission of other nominees to consider. There being none, Mr. London moved that nominations cease and Mr. Paul Hawkins be re-elected as Board Chairman by acclamation. Motion carried unanimously.

Mr. Gardner declared the floor open for nominations for the position of Board Vice-Chairman. Mr. Sexton moved to nominate Mr. Smith for the position of Vice Chairman. Mr. Gardner called for the submission of names of other nominees to consider. There being none, Mrs. Williams moved that nominations cease and Mr. Ronnie Smith be re-elected as Vice-Chairman by acclamation. Motion carried.

Mr. Gardner declared the floor open for nominations for the position of Board Secretary/Treasurer. Mr. Smith moved to nominate Mr. London for the position of Secretary/Treasurer. Mr. Gardner called for the submission of names of other nominees to consider. There being none, Mr. Faulkner moved that nominations cease and Mr. Randy London be re-elected as Secretary/Treasurer by acclamation. Motion carried.

Following the above-mentioned elections, Mr. Hawkins assumed the position of Board Chairman and continued the meeting.

The next item of business were the consent agenda matters which were presented for approval. There were no questions, concerns, or corrections related to the previous meeting minutes, new and refunded memberships, or unpaid accounts to be written off as uncollectible accounts. As such, a motion was made by Mrs. Williams and seconded by Mr. Sexton to accept the consent agenda items as presented. Motion carried unanimously.

The next item of business was a review of the Financial and Operating reports for June 2021 given by the management staff. Mrs. Phelps presented the financials. The month of June resulted in a net loss of \$87,753. For the month of June, the average cost per kWh purchased totaled 7.03 cents and the environmental surcharge was over \$600k on the East Kentucky Power bill. Year-to-date operating margins totaled \$778,390, a \$172k increase from the prior year. Revenues increased \$2.7M or 12.5% as compared to last year. Approximately \$1.4M of the increase is a result of decreased sales in the prior year due to the COVID-19 pandemic. Purchased power costs increased \$2.5M or 17.1%. The average cost per kWh purchased totaled 6.55 cents, up 0.46 cents from the prior year. Mrs. Phelps reviewed the general plant budget to actual information and reported on the Cooperative's debt.

Vice-President of Operations, Scott Lester, provided the board with the monthly Operations report. The Sage herbicide crews are currently working onsite and spraying the right-of-way. John Austin has completed cross-training in construction and service and is now performing his responsibilities as a system inspector. The current apprentices will be cross training in the Engineering Department.

Director of Member and Public Communications, Caralyne Pennington, discussed the recent annual meeting, and asked the board for feedback on the first virtual annual meeting. A few minor improvements were mentioned. It was noted that there were 148 views on-line of the annual meeting live stream at its peak. The cooperative had 50 scholarship applicants with a small number applying from Hart County. The Honor Flight, to Washington, D.C., is scheduled for September 18th, if the pandemic has subsided. The Kentuckians for the Commonwealth have reached out to management with a series of questions about governance and transparency. Mr. Prather reported that he responded and answered the questions presented. All cooperatives across the state are being surveyed by this group. The survey results are not expected to be accurate or fairly presented given the past record of this group.

The next item of business was a report given by Vice-President of Engineering, Chuck Bishop. Mr. Bishop reported they are wrapping up the voltage conversion project on Highway 90, and are planning to perform work in Hart County in the Defries area. Plans are for the Davis H. Elliot contract crew to assist the Operations department with pole changes after they finish with this next project.

The next item of business was a review of the Safety and Loss Control Report given by Scott Lester. Mr. Lester reported that employees have worked 121,000 hours as of the end of June with no lost time accidents. Ten CDL license holders underwent medical certifications as part of their annual CDL license renewal. The FRECC Safety Committee met this morning and it was reported plans are to move the monthly vehicle inspections and job briefings to tablet computers as part of reducing paper flow and going paperless.

Following a discussion, a motion was made by Mr. Martin and seconded by Mrs. Williams that the financial and operating reports be accepted as information presented. Motion carried unanimously.

Following these presentations, Mrs. Phelps, Mr. Bishop, Mr. Lester, Mr. Wells, and Mrs. Pennington left the meeting.

The next item of business was the EKPC monthly report given by EKPC Director Representative, Mr. Sexton. Lower prices in PJM Interconnection's recent capacity auction were driven by a mix of factors. The auction for delivery in 2022-23 resulted in a drop in the clearing price to \$50 per megawatt-day from the current \$140. While analysts had expected clearing prices to drop, the final price was lower than most had projected. Among the factors driving clearing prices were lower-forecasted demand which drove a lower reserve requirement, and offer prices were generally lower than prior auctions. It was reported that EKPC's May margin was \$7.6 million over budget, largely due to lower-than-expected operating and maintenance expenses, partially offset by lower-than-expected net revenue. The year-to-date margin was \$18.6 million over budget, mostly due to lower-than-expected O&M expenses exceeding the decline in net revenue. Additionally, eighty-one solar projects totaling nearly 7,600 megawatts have requested interconnection to EKPC's high-voltage transmission system. Currently, only four projects have executed agreements with EKPC. A copy of the EKPC monthly report is attached to these minutes and made an official part thereof.

The next item of business was the KAEC monthly report given by KAEC Director Representative, Mr. London. The July KAEC monthly meeting will be held in person on July 20th.

Next, Mr. Prather gave a report of the President and CEO. Items discussed were the Federated Insurance annual Safety and Loss Prevention assessment, the development of a new large power rate LPG-1, a current remodeling project in the FRECC service bay and hallway area, and a solar installation at the Glasgow Landfill. Former Statewide CEO Ron Sheets has expressed a desire to visit one of the Farmers RECC board meetings. Mr. Prather will make the necessary arrangements for him to attend the upcoming August board meeting. A copy of Mr. Prather's report is attached to these minutes and made an official part thereof.

For the next item of business, Mr. Woodford Gardner presented the Attorney's report. Mr. Gardner reported that he participated in the FRECC Annual meeting which was held at the Cave City Convention Center. Additionally, he reported on working with Tony Wells on the past due account for the Gracie Puckett estate in Hart County. He has mailed a letter to recover the debt to Matt Roberts, who is the attorney for this estate. Mr. Gardner has also been working with Mr. Prather and Mr. Wells on developing contracts with Southern Kentucky Communications for the removal of all coax and antennas from three radio tower sites, as the analog equipment in the old FRECC radio system is obsolete. The buildings are to be removed off-site as well. The removal will cost \$10k, and Southern Kentucky Communications has agreed to pay \$10k for the retired equipment, so the net cost to the cooperative will be zero.

The next item of business was a review and approval of the quarterly CEO and Director Expense Report. Following a review, a motion was made by Mr. Smith, and seconded by Mr. Faulkner to approve the quarterly expenses as presented. Motion carried unanimously.


Next, a discussion was held regarding recommended names to consider for the Member Grassroots Committee. Each director submitted names for consideration, and potential meeting dates were discussed. A compiled list of the recommended members will be e-mailed to the directors, and copies brought to the August board of directors meeting.

The next item of business was led by Mr. Hawkins. Mr. Hawkins presented information related to a NRECA Board Self-Assessment program, an analysis of governance, a review of the cooperative's bylaws, policies, and compensation. Informational literature was distributed to the board members for review, and options for the evaluation were discussed. NRECA Consultant, Kim Christensen, provided the literature. A continued discussion will be deferred to the August board of directors meeting.

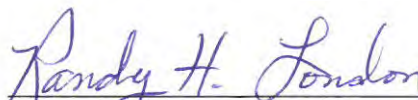
The next item of business was a consideration of attendance to the NRECA Region III meeting which will be held on October 5-7 in Birmingham, Alabama. Following discussion, a motion was made by Mr. Sexton, and seconded by Mr. Faulkner to name Paul Hawkins as the NRECA Region III director and Ronnie Smith as the alternate director. The directors will participate in the meeting virtually due to precautions of the Covid pandemic. Motion carried unanimously.

Other business discussed was a request to add to the August board meeting agenda a line item to review the FRECC Director Compensation policy, and a line item to review the Attorney's compensation policy. Discussion was held regarding a potential compensation adjustment needed for the FRECC Chairman of the Board due to extra duties required. These discussions will continue at the August board of directors meeting. Additional business decided was to review the Bylaws in regards to the director nomination and election process at the September board of directors meeting.

Next, Chairman Hawkins declared the meeting adjourned at 6:20 p.m.



Paul Hawkins, Chairman



Randy London, Secretary/Treasurer

A meeting of the Board of Directors of Farmers Rural Electric Cooperative Corporation was held on August 19, 2021. The meeting was held at the FRECC Operations Center boardroom. Chairman Paul Hawkins called the meeting to order at 2:30 p.m. and Mr. Prather gave the invocation.

In attendance were:

Paul Hawkins	Bill Prather, President/CEO
Cornelius Faulkner	Jennie Phelps, VP of Finance
Ronnie Smith	Chuck Bishop, VP of Engineering
Randy London	Scott Lester, VP of Operations
C. F. Martin, Jr.	Tony Wells, VP of Member and Corporate Services
Brandi Williams	Linda Foushee, HR/Executive Assistant
Randy Sexton	Jason Riggs, Dir. Tech & Security
Woodford Gardner, Attorney	

The first item of business was the review, adoption, and approval of the agenda. Mr. Smith moved approval of the agenda as presented, with a second by Mrs. Williams. There was no discussion. The agenda was approved unanimously.

The next item of business were the consent agenda matters which were presented for approval. There were no questions, concerns, or corrections related to the previous meeting minutes, new and refunded memberships, or unpaid accounts to be written off as uncollectible accounts. As such, a motion was made by Mr. Sexton and seconded by Mr. Faulkner to accept the consent agenda items as presented. Motion carried unanimously.

The next item of business was a review of the Financial and Operating reports for July 2021 given by the management staff. Mrs. Phelps reported that year-to-date operating margins totaled \$912,923, a \$190k increase from the prior year. Revenues increased \$2.8M or 10.5% while purchased power increased \$2.5M or 14.1% as compared to last year. The month of July resulted in net operating margins of \$134,534. Mrs. Phelps also gave an update on Farmers Energy Propane Plus. Additionally, it was noted that the Honor Flight program which sponsors selected veterans to travel to Washington, D.C. has been canceled due to the pandemic.

Vice-President of Operations, Scott Lester, provided the board with the monthly Operations report. Tyler Bratcher and Hunter Scroggy are completing the TVPPA Apprenticeship Lab 4 in Princeton this week. On July 21 and 22nd, Shane Samson attended a United Utility Supply orientation and introduction meeting to learn more about how the statewide supply business works.

The next item of business was a report given by Vice-President of Engineering, Chuck Bishop. Mr. Bishop reported on the progress of the new Construction Work Plan and the process necessary for a formal bid by the end of 2021. We will be having Hi-Line Engineering to manage the formal bidding process. Pole attachment guidelines were discussed, and the next process the PSC will likely undertake will be to examine at how rates are established.

The next item of business was a report given by the Vice-President of Member and Corporate Services, Tony Wells. Mr. Wells provided the board with a report on the undeliverable capital credit checks, and he discussed how the Member Service Representatives are working hard to transfer account names from a deceased member to the current member.

Vice-President of Technology, Jason Riggs, provided his departmental report. Mr. Riggs reported on a recent failure with the cooperative's computer servers. The systems were down for most of one day. Obtaining parts were hindered by the IVR vendors lack of supplies. Plans are to move some resources to the cloud.

The next item of business was a report given by the Human Resources Coordinator, Linda Foushee. Linda provided the board with information pertaining to the hiring of Corey Jackson who will join the Cooperative on August 30th, and will be replacing Tony Wells, as the Vice-President of Member and Corporate Services upon Tony's retirement at the end of 2021.

Following a discussion, a motion was made by Mr. Martin and seconded by Mr. Smith that the financial and operating reports be accepted as information presented. Motion carried unanimously.

The next item of business was the review and approval of the second quarter - May-June 2021 Summary of Construction. Mrs. Phelps reviewed the report, noting no extraordinary items for this period. The balance of loan funds available of \$5,451,000. A motion was made by Mr. Faulkner to submit the construction projects to RUS for financing. A second was made by Mr. Sexton. The motion passed unanimously.

The next item of business was a review of the Safety and Loss Control Report given by Mr. Lester. Mr. Lester noted and reviewed three minor incidents which occurred this month. All incidents have been discussed within the safety sub-committee meeting. Employees have worked 130,762 hours with no lost time accidents.

Following these presentations, Mrs. Phelps, Mr. Bishop, Mr. Lester, Mr. Riggs, and Mr. Wells left the meeting.

The next item of business was the EKPC monthly report given by EKPC Director Representative, Mr. Sexton. It was reported that the EKPC's rate case application is still pending final approval by the Kentucky Public Service Commission. In late November, EKPC reached a proposed settlement with the Kentucky Attorney General's Office, Nucor, and AppHarvest, the parties that intervened in the case. President and CEO Tony Campbell told the Board that effective Monday, EKPC implemented a new policy requiring masks at all locations to better protect EKPC employees and their families. The masking requirement was EKPC's initial effort to control the COVID virus and Delta variant, and more actions may be needed based upon changing conditions. A copy of the EKPC monthly report is attached to these minutes and made an official part thereof.

The next item of business was the KAEC monthly report given by KAEC Director Representative, Mr. London. Mr. London participated in this meeting virtually on July 20th. Marty Littrell, CEO of Meade County RECC, was elected as the NRECA board member representing Kentucky. Chris Perry, KEC President and CEO, discussed a broadband and pole attachment update. Discussion was held pertaining to the Kentuckians for the Commonwealth's survey which has been received by all of the state's co-ops. Mr. Prather distributed information on the same survey that was conducted in Tennessee last year. He also reviewed the questions we received and the responses given back. It is anticipated that the survey results will be published this fall. UUS supply chain lead times have been extended, prices are up, overseas shipping, and workforce problems are the result of the pandemic. The KAEC Annual Meeting will be held November 15-16 at the Marriot Hotel in downtown Louisville, KY. Mr. David Beck has been named the Outstanding Rural Kentuckian. A copy of the KEC monthly report is attached to these minutes and made an official part thereof.

Next, Mr. Prather gave a report of the President and CEO. Items discussed were the PSC approval of the new large power rate (LPG-1), the USDA-RUS Loan Commitment for the new work plan loan of \$15,920,000, a potential visitor attending the September 16th board meeting (Mr. Ron Sheets, former President and CEO of KAEC), a review of the Covid pandemic, a review of the CFC Key Ratio Trend Analysis for 2020, and upcoming organizational changes. A copy of Mr. Prather's report is attached to these minutes and made an official part thereof.

For the next item of business, Mr. Woodford Gardner presented the Attorney's report. Everything has been quiet on the legal front this month.

The next item of business was an annual review of FRECC Policy #151 – Functions and Compensation of Cooperative Attorney. Following discussion and review, a motion was made by Mr. Smith, and seconded by Mr. Martin to reaffirm Policy #151 as submitted. No changes are necessary. Motion carried unanimously.

The next item of business was an annual review of FRECC Policy #152 – Director's Compensation. Following an in-depth discussion and review of the average number of hours submitted by each director for the past five years, Mr. Smith suggested that based upon the historical data, that one day's per diem of \$300, appeared to be appropriate as extra compensation for anyone serving as chairman. The board agreed that based upon the extra time required each month of the chairman's position, that additional compensation was just and reasonable. Based upon the discussion, Mr. Sexton moved that the monthly stipend for the chairman's position be adjusted from \$800 to \$1,100 each month. The motion was seconded by Mrs. Williams and carried unanimously.

Discussion continued on Policy #152, with Chairman Hawkins pointing out that directors serving on other boards at the behest and benefit of the Cooperative should receive at least the normal per diem rate of \$300, if they were not compensated at that rate by the organization's board that they were serving on. After considerable discussion, the motion was made by Mr. Sexton, that in such situations, the Cooperative would pay the difference in per diem to the director serving in such a position, so that they would receive

the minimum of \$300 per day for their service. The motion was seconded by Mr. Faulkner. Motion carried unanimously.

Next, a discussion was held regarding the Member Grassroots Committee. The following dates were selected for the meetings: November 4th for District III, November 9th for District I, and November 11th for District II. Locations will be secured, a caterer obtained, and an invitation letter will be drafted and sent by Mr. Prather.

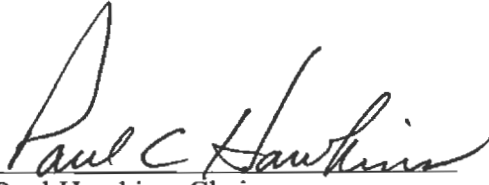
The next item of business was led by Mr. Hawkins. Mr. Hawkins discussed the NRECA Board Governance Self-Assessment program and the further discussion he had had with the NRECA consultant, Kim Christensen. The general consensus was dissatisfaction with the consultant's responses, and Chairman Hawkins was requested to research further resources that might be considered for the next board governance assessment.

For the next item of business, a motion was made by Mr. Sexton, and seconded by Mr. Smith to go into Executive Session. Motion carried unanimously.

Upon return from Executive Session, no other business was discussed.

Agenda items to be added to the September board of directors meeting agenda was a continued discussion on the Grassroots Committee meetings, and a discussion pertaining to Governance Assessment.

Next, Chairman Hawkins declared the meeting adjourned at 5:45 p.m.


Paul Hawkins, Chairman


Randy London, Secretary/Treasurer

A meeting of the Board of Directors of Farmers Rural Electric Cooperative Corporation was held on September 16, 2021. The meeting was held at the FRECC Operations Center boardroom. Chairman Paul Hawkins called the meeting to order at 2:30 p.m. and Mr. Smith gave the invocation.

In attendance were:

Paul Hawkins	William T. Prather, President/CEO
Cornelius Faulkner	Corey Jackson, VP of Member and Corporate Services
Ronnie Smith	Chuck Bishop, VP of Engineering
Randy London	Jason Riggs, VP Technology and Security
C. F. Martin, Jr.	Linda Foushee, HR/Executive Assistant
Brandi Williams	
Randy Sexton	
Woodford Gardner, Attorney	

Corey Jackson, the newly hired Vice-President of Member and Corporate Services was introduced and welcomed to the board meeting.

The first item of business was the review, adoption, and approval of the agenda. Mrs. Williams moved approval of the agenda as presented, with a second by Mr. Sexton. There was no discussion. The agenda was approved unanimously.

The next item of business were the consent agenda matters which were presented for approval. There were no questions, concerns, or corrections related to the previous meeting minutes, new and refunded memberships, or unpaid accounts to be written off as uncollectible accounts. As such, a motion was made by Mr. Smith and seconded by Mr. Martin to accept the consent agenda items as presented. Motion carried unanimously.

President/CEO, Bill Prather provided the board with the monthly Financial report. The year-to-date margins totaled \$1,021,303, a \$193k increase from the prior year. Year-to-date margins totaled a \$1.0M increase from the prior year. The majority of the increase is the result of the SBA PPP loan forgiveness. The operating revenues increased \$3.2M of 10.3% as compared to last year. Approximately \$1.7M of the current year increase over the prior year is a result of decreased sales in 2020 due to the Covid-19 pandemic. The cost of purchased power decreased \$2.8M or 13.5%. KWH purchased declined 6.5%. The average cost per kWh purchased totaled 6.63 cents, an increase of 0.41 cents from the prior year. The operation and maintenance expenses have increased \$279k from the prior year, and are \$44k more than budgeted. On August 11, 2021, Board Chairman Mr. Paul Hawkins signed the USDA Commitment Letter for the new \$15,920,000 work plan. The cooperative has recently gone over 26,000 meters being served. The aging summary is greatly improved over 2020 due to the moratorium on not collecting bills during the Covid-19 pandemic last year.

The next item of business was a report given by Vice-President of Engineering, Chuck Bishop. Mr. Bishop reported that one of the Elliot contract crews were infected by the Covid-19 virus while working on hurricane restoration in Louisiana. He reported on the recent Cave City substation outage which was the result of a transformer failure. The outage occurred late at night, which allowed for the load to be transferred to the Goodnight

station for a short time while East Kentucky Power personnel transferred the load to an extra transformer that is sited at the station. The failed transformer was replaced the next day.

The next item of business was a report given by the Human Resources Coordinator, Linda Foushee. Mrs. Foushee noted the upcoming September 30th retirement of Serviceman Donnie Jessie. A report was also given pertaining to the status of applications received, and interviews being conducted, for the newly created Operational Technology Manager job opening.

Following a discussion, a motion was made by Mr. Faulkner and seconded by Mr. Smith that the financial and operating reports be accepted as information presented. Motion carried unanimously.

The next item of business was a review of the Safety and Loss Control Report given by Mr. Prather. No incidents or accidents occurred during this time. East KY Power will be conducting lockout/tagout substation training on September 23rd. Employees are continuing to work safely.

Following these presentations, Mr. Bishop, Mr. Jackson, and Mr. Riggs left the meeting.

The next item of business was the EKPC monthly report given by EKPC Director Representative, Mr. Sexton. It was reported that the EKPC's July margin was \$2.7 million over budget and year-to-date margins were over budget by \$25.8 million, both primarily due to lower-than-expected operating and maintenance expenses, partially offset by lower-than-expected net revenue. The cost to member systems was above target for the month, but below target year-to-date. The board approved Ernst & Young LLP to conduct the independent audit of EKPC's 2021 financial statements. An update was given regarding the latest phase of the Spurlock Station CCR-ELG project. The water level of the plant's ash pond has been lowered and crews have begun removing coal combustion residuals from the impoundment. The EKPC board meeting summary is attached to these minutes and made an official part thereof.

The next item of business was the KAEC monthly report given by KAEC Director Representative, Mr. London. The board did not meet in the month of August. A Governance meeting was held on August 24th. It was noted that the KAEC Annual meeting will be held at the Marriot Hotel Downtown in Louisville, KY on November 15-16. The meeting agenda was discussed.

Next, Mr. Prather gave a report of the President and CEO. Items discussed were the Covid-19 pandemic, Grassroots Committee meetings, an Operations meeting with EKPC, the Cooperative's tentative annual meeting date of July 7, 2022, and the current Economic Development activity. A copy of Mr. Prather's report is attached to these minutes and made an official part thereof.

For the next item of business, Mr. Woodford Gardner presented the Attorney's report. Everything has been quiet on the legal front this month.

The next item of business was an annual review, led by Mr. Prather, of some of the major areas of risks, along with mitigation activities. Mr. Prather provided an annual report as required in Risk Management policy #120 – Enterprise Risk Management. A board executive summary update was provided to the board.

The next item of business was a review, led by Mr. Prather, of the recommended employee salary and payroll annual budget. Mr. Prather presented an overview of compensation data drawn from the U.S. Department of Labor, CPI, major compensation consulting firms, the NRECA annual compensation study, and information provided by Winston Tan, consultant. A merit budget of 3.3% was recommended. Following discussion, a motion was made by Mr. Sexton and seconded by Mr. Faulkner to accept managements recommendation. Motion carried unanimously.

The next item of business was a review of updated FRECC Policy #152 – Director’s Compensation. As was decided at the August board of directors meeting, the stipend for the chairman’s position has been adjusted from \$800 to \$1,100 each month, and this policy reflects that decision. Following review, a motion was made by Mr. Smith and seconded by Mrs. Williams to accept the policy as revised and presented. Motion carried unanimously.

The next item of business was designating the 2021 KAEC Annual meeting Voting Delegate and Alternate Voting Delegate. The KAEC Annual meeting will be held November 15-16. Following discussion, Mr. Ronnie Smith moved that Mr. Paul Hawkins serve as the KAEC Voting Delegate, and Mr. Randy Sexton as the KAEC Alternate Voting Delegate. No other nominations were made. This motion was seconded by Mrs. Williams, and was unanimously voted in the affirmative.

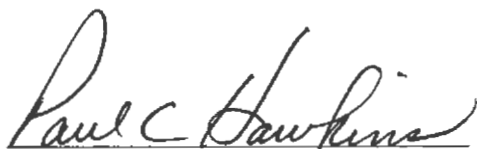
The next item of business was the designation of the 2022 KAEC Director and CEO Director representatives. Following discussion, a motion was made by Mr. Sexton to nominate Mr. Randy London as the 2022 KAEC Director, and Mr. Bill Prather, as the 2022 CEO Director representative. This motion was seconded by Mr. Smith, and was unanimously voted in the affirmative.

The next item of business was a continued discussion of interest in a board governance assessment process. The discussion was led by Mr. Hawkins. Mr. Hawkins provided the board with the follow-up information that he had discussed with Mr. Scott Luecal, of Luecal Consulting, concerning scheduling, etc. The recommended schedule for this would be right after the first of the year. Following deliberations, a motion was made by Mr. Faulkner to employ Luecal Consulting to handle the board’s governance assessment. This motion was seconded by Mr. Sexton and was unanimously voted in the affirmative. Woody Gardner was asked to draft a non-disclosure agreement to be implemented.

Other business discussed was a continued discussion on the Grassroots Committee meetings. Due to concerns about the Covid-19 pandemic letters will be mailed to members who have been approached and asked to serve, informing them that the initial meeting will be postponed until after the first of the year. Mr. Prather was asked to draft the correspondence and see that the mailings go out soon.

Agenda items to be added to the October board of directors meeting agenda was a report on the status of securing Luecal Consultants for the Board Governance Self-Assessment program.

Next, Chairman Hawkins declared the meeting adjourned at 5:00 p.m.


Paul Hawkins, Chairman


Randy London, Secretary/Treasurer

A meeting of the Board of Directors of Farmers Rural Electric Cooperative Corporation was held on October 21, 2021. The meeting was held at the FRECC Operations Center boardroom. Chairman Paul Hawkins called the meeting to order at 2:30 p.m. and Mrs. Williams gave the invocation.

In attendance were:

Paul Hawkins	William T. Prather, President/CEO
Cornelius Faulkner	Scott Lester, VP of Operations
Ronnie Smith	Chuck Bishop, VP of Engineering
Randy London	Jason Riggs, VP Technology and Security
C. F. Martin, Jr.	Jennie Phelps, VP of Finance
Brandi Williams	Tony Wells, VP of Member and Corporate Services
Randy Sexton	
Woodford Gardner, Attorney	

Rance Miller, the newly hired Operational Technology Manager, and Thomas Wilson, Apprentice Lineman, were introduced and welcomed. Following the introductions, they left the meeting.

The first item of business was the review, adoption, and approval of the agenda. Mr. Smith moved approval of the agenda as presented, with a second by Mr. Sexton. There was no discussion. The agenda was approved unanimously.

The next item of business were the consent agenda matters which were presented for approval. There were no questions, concerns, or corrections related to the previous meeting minutes, new and refunded memberships, or unpaid accounts to be written off as uncollectible accounts. As such, a motion was made by Mrs. Williams and seconded by Mr. Faulkner to accept the consent agenda items as presented. Motion carried unanimously.

VP of Finance, Jennie Phelps, provided the board with the monthly financial report. The year-to-date margins totaled \$961,019, a \$103k increase from the prior year. Revenues increased \$3.4M as compared to last year. Purchased power costs increased \$3.0M with the average cost per kwh purchased totaled 6.66 cents, an increase of 0.42 cents from the prior year. Mrs. Phelps gave an update on the FEPP subsidiary, noting net margins of \$118,991 as of September 30, 2021. Debt and capital items were also discussed.

The next item of business was a report given by Vice-President of Engineering, Chuck Bishop. Mr. Bishop reported that the Engineering projects are progressing along well. The highway relocates on Highway 90 Burkesville Road, and Highway 90 towards Cave City. Additionally, he provided the board with an update on Futura. The current implementations are:

- PSC inspection
- Asset field audit
- Job briefings
- DOT vehicle inspections
- Monthly vehicle inspections

- Maintenance ticket system
- Complete tickets by field personnel
- Document asset removal and changes

The next item of business was a report given by the Vice-President of Operations, Scott Lester. Mr. Lester provided the board with right-of-way and tree removal updates. In the past, there have typically been 320 miles of line to trim, and this year there are 450 miles of line to be cut. Right-of-way crews have been working in highly residential areas, and this has resulted in more trees being cut. There have been 2,414 trees cut out of yards with a greater than six-inch diameter.

Mr. Lester reviewed the Operations Board Report which showed the long, growing lead times for items from the Manufacturer to the Distributor. Pad Mount Transformers: 46-52 weeks; Pole Mount Transformers: 26-32 weeks; 3" Conduit: 26-32 weeks; 53" Rock Anchors: Off-set Pole Top Brackets: 10 weeks; Hendrix Insulators: 6 weeks; Pole Top covers: 5 weeks, ¾" x 12" Machine Bolts: 5 weeks, and Poles from Brown Wood: 3-Weeks, depending on sizes. The number one action that was taken by the Operations department to avoid operational disruption was to take a pre-emptive ordering approach when notified that lead times were growing.

Mrs. Phelps provided a "Lighting Up Christmas" report as part of the Member and Public Communications message. It was reported that this year the Lighting Up Christmas funds will go towards Temple Hill.

Following a discussion, a motion was made by Mr. Martin and seconded by Mr. Smith that the financial and operating reports be accepted as information presented. Motion carried unanimously.

The next item of business was consideration to approve the general insurance coverage and quote for 2022 submitted by Federated Insurance. The premium for coverage in 2022 will be a 4.79% increase over 2021 – with a total cost of \$184,818. From discussions with Federated, this increase is within the normal range. Most renewals have been around the 5% overall rate. Following discussion, a motion was made by Mr. Sexton and seconded by Mrs. Williams that the Federated Insurance quote, as presented and recommended by the management staff, be approved. Motion carried unanimously.

The next item of business was a review of the Safety and Loss Control Report given by Mr. Lester. An oil spill class occurred today and all went well. It was noted that the Kentucky Association of Electric Cooperatives sold a safety trailer to FRE for \$1.00, and the trailer can be used for future demonstrations as needed.

VP of Engineering, Chuck Bishop gave a presentation of the Futura system update as compared to the Clevest "old system" which was previously utilized. It is concluded that the Futura system allows Farmers' to customize more and is a better fit for the operations processes.

Following the Futura presentation, Mr. Riggs, Mr. Scott, Mr. Wells, and Mr. Bishop left the meeting.

The next item of business was the EKPC monthly report given by EKPC Director Representative, Mr. Sexton. He reported that Ann Bridges, the Chief Financial Officer and Executive Vice-President shared with the board EKPC's August margin of \$10.9 million was \$6.6 million over budget, mainly due to lower-than-expected operating and maintenance expenses, along with higher-than-expected net revenue. YTD margin was over budget by \$32.5M due largely to the lower-than-expected O&M expenses exceeding the decline in net revenues. The cost to member systems was over budget for the month, but remained below target for the year. An amount of \$36.4M was the amount approved by the Kentucky Public Service Commission for East Kentucky Power's rate increase. The EKPC board meeting summary is attached to these minutes and made an official part thereof.

The next item of business was the KAEC monthly report given by KAEC Director Representative, Mr. London. Key points reported were a CFC check presentation for two educational fund checks from CFC, one for the subsidization of Director Training (\$14,200.00) and one for the Washington Youth Tour (virtual summit \$3,800.00). Topics included in Chris Perry's President's report included: Covid-19, Strategic Planning session goals; the 911 fee update, and a pole attachment update. A broadband update as given, a report on the recent PSC orders and hearings, Hurricane Ida & mutual aid response, and the 75th KAEC Annual meeting update, as the meeting is scheduled for November 15-16 at the Marriott Downtown Louisville. The KAEC board meeting summary is attached to these minutes and made an official part thereof.

Next, Mr. Prather gave a report of the President and CEO. Items discussed were the Covid-19 Pandemic, Grassroots Committee meetings, contact made by a solar developer, the new Glasgow Electric Plant Board Superintendent, and the holiday events schedule. A copy of Mr. Prather's report is attached to these minutes and made an official part thereof.

For the next item of business, Mr. Woodford Gardner presented the Attorney's report. A non-disclosure agreement with Scott Luecal of Luecal Consulting has been completed as part of securing the board governance analysis and review process. No additional legal business to report.

The next item of business was a report given by Mr. Hawkins on the NRECA Regional meeting. Mr. Hawkins provided the board with updates from the General Session. The Voices for Cooperative Power is the new NRECA grassroots. The final presentation of the conference spoke about the challenges for rural America. Mr. Hawkins shared specific dates to be made aware of: March 6-9 NRECA Annual Meeting (Nashville, TN), April 11-12 – Directors Conference (Austin, Texas), May 1-4 Legislative Conference (Washington, DC), October 10-12 – NRECA Region III meeting (Hollywood, FL). The following dates were provided.

The next item of business was consideration to approve an update to appendix – Policy #120 – Risk Management. Following a review led by Mr. Prather, a motion was made by Mr. Sexton and seconded by Mr. Sexton to approve the updated appendix as presented and recommended by management. This motion was unanimously approved.

The next item of business was consideration to approve an update to appendix A – as part of Policy #150 - EKPC and KAEC Directors. This policy has been amended to update the director representative rotation schedule. Following discussion, a motion was made by Mr. Smith, and seconded by Mr. Faulkner to approve the updated appendix as presented. This motion was unanimously approved.

The next item of business was a continued discussion of the board governance assessment process. The discussion was led by Mr. Hawkins. Mr. Hawkins noted the non-disclosure and confidentiality agreement was implemented in late September. Consultant, Scott Luecal will attend the January 20th, 2022 board meeting via zoom. He will schedule interviews with each director. There will be an “in-person” presentation at the March board of directors meeting. During the weeks of January 17th – February 4th questionnaires will be submitted, and phone interviews conducted.

The next item of business was a review and approval of the quarterly director and CEO expenses. Following review, a motion was made by Mr. Faulkner and seconded by Mr. Smith to approve the quarterly director and CEO expenses as presented. Motion carried unanimously.

The next item of business was a resolution presented honoring Donnie Jessie’s twenty-five years of service with the cooperative. The following resolution was presented:

WHEREAS, Donnie Jessie has been a faithful employee of Farmers Rural Electric Cooperative Corporation for twenty-five years, and has served in the Operations department as a Journeyman Lineman/Serviceman; and

WHEREAS, Mr. Jessie’s knowledge, expertise, and dedication has contributed greatly to the success of the Cooperative; and

WHEREAS, Mr. Jessie has announced his retirement; now,

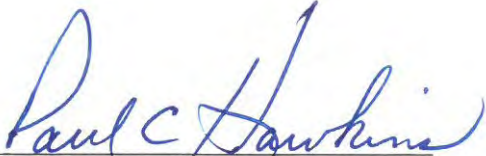
THEREFORE, BE IT RESOLVED, that the Board of Directors of Farmers Rural Electric Cooperative Corporation wish to express their gratitude and affection to Mr. Jessie and commend him for a “job well done.”

Following which, a motion was made by Mr. Martin, and seconded by Mr. Sexton to accept the resolution as presented. Motion carried unanimously. A copy of this resolution is attached to these minutes and made an official part thereof.

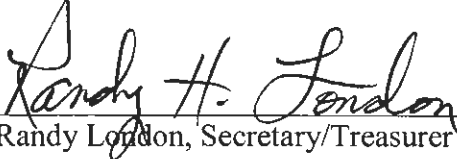
Other business reported was congratulations going out to Cornelius Faulkner for completing NRECA’s Credentialed Cooperative Director program.

No agenda items to be included for next month were noted.

Next, Chairman Hawkins declared the meeting adjourned at 5:05 p.m.



Paul Hawkins, Chairman



Randy London, Secretary/Treasurer

A meeting of the Board of Directors of Farmers Rural Electric Cooperative Corporation was held on November 18, 2021. The meeting was held at the FRECC Operations Center boardroom. Chairman Paul Hawkins called the meeting to order at 2:30 p.m. and Woody Gardner gave the invocation.

In attendance were:

Paul Hawkins	William T. Prather, President/CEO
Cornelius Faulkner	Linda Foushee, Human Resources Coordinator
Ronnie Smith	Chuck Bishop, VP Engineering
Randy London	Caralyne Pennington, Director Mbr Communications
C. F. Martin, Jr.	Jennie Phelps, VP Finance and Accounting
Brandi Williams	Corey Jackson, VP Member and Corporate Services
Randy Sexton	
Woodford Gardner, Attorney	

Isaac Jones, the newly hired Apprentice Lineman was introduced and welcomed. Following the introduction, he left the meeting.

The first item of business was the review, adoption, and approval of the agenda. Mr. Sexton moved approval of the agenda as presented, with a second by Mr. Smith. There was no discussion. The agenda was approved unanimously.

The next item of business was the consent agenda which was presented for approval. There were no questions, concerns, or corrections related to the previous meeting minutes, new and refunded memberships, or unpaid accounts to be written off as uncollectible accounts. As such, a motion was made by Mr. Martin and seconded by Mr. Faulkner to accept the consent agenda items as presented. Motion carried unanimously.

The next item of business was a review of the Financial and Operating reports for October 2021 given by the management staff. Mrs. Phelps reported year-to-date operating margins of \$803,904, a \$96k increase from the prior year. Revenues increased \$3.8M or 10.1% as compared to last year. Purchased power cost increased \$3.5M or 13.8% from last year. The average cost per kWh purchased totaled 6.70 cents, an increase of 0.50 cents from the prior year. October 2021 resulted in an operating loss of \$157,115. Due to typically mild weather, it is not unusual to have a loss for the month of October.

The next item of business was an Operations board report given by Mr. Prather. It was reported that most of the right-of-way work for 2021 has been completed and selected crews have been authorized to go ahead and begin some of the 2022 work plan. Reliability has been improving as a result of this work.

Mrs. Pennington provided the Member and Public Communications board report. As part of her report, it was noted that several net metering installations are coming in.

The next item of business was a Human Resources report given by Mrs. Foushee. It was reported that new employee onboarding and pre-employment drug testing has been recently conducted and completed.

Following a discussion, a motion was made by Mrs. Williams and seconded by Mr. Smith that the financial and operating reports be accepted as information presented. Motion carried unanimously.

The next item of business was a review by Mrs. Phelps of the third quarter RUS Summary of Construction, July-September 2021 in the amount of \$899,214.42. Mr. Smith moved that the report be approved and submitted to RUS for funding. Mr. Faulkner seconded this motion and it was unanimously approved.

The next item of business was consideration to approve a resolution allowing the cooperative to borrow funds from the Federal Finance Bank thru RUS to finance the new 2021-2025 Work Plan. The following resolution was presented:

RESOLVED that the Corporation borrow from the Federal Financing Bank (“FFB”) an amount not to exceed \$15,920,000.00, to be guaranteed by the United States of America (the “Government”), acting through the Administrator of the Rural Utilities Service (“RUS”); and

RESOLVED that the corporation accept the terms and conditions which the Administrator of RUS has established for obtaining its guarantee of the FFB loan, as such terms and conditions are set forth; and

RESOLVED that the Chairman is authorized on behalf of the corporation to execute and deliver under its corporate seal, which the secretary is directed to affix and attest:

- a. as many counterparts respectively as shall be deemed advisable of an agreement with the Government, in the form of the RUS Loan Contract submitted to this meeting; and
- b. a note payable to FFB and guaranteed by RUS in the principal amount of \$15,920,000.00, substantially in the form of the FFB note submitted to this meeting; and
- c. the note payable to the Government, acting through the Administrator of RUS, substantially in the form of the Reimbursement Note submitted to this meeting; and
- d. as many counterparts as shall be deemed advisable of a Restated Mortgage and Security Agreement by and among the Borrower, the Government and National Rural Utilities Cooperative Finance Corporation, which, among other things, pledges all of the Corporation’s property to secure notes payable to the Government in the aggregate principal amount not to exceed \$200,000,000.00 at any one time, and a financing statement, substantially in the form of the security instruments presented to this meeting; and

RESOLVED that the officers of the Corporation be, and each of them is authorized in the name and on behalf of the Corporation, to execute all such instruments, make all such payments and do all such other acts as in the opinion of the officer or officers acting may be necessary or appropriate in order to carry out the purposes and intent of the foregoing resolutions; and

RESOLVED that the President & CEO and any officials authorized to act in such corporate positions and to perform the functions of such positions are 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 options as provided in such instruments.

Following review, a motion was made by Mr. London and seconded by Mr. Martin to accept the above resolution as presented by management. The motion carried unanimously. A copy of this resolution is attached to these minutes and made an official part thereof.

The next item of business was a review of the 2021-2025 Construction Work Plan contractor labor bids along with a contract award recommendation made by management. Hi Line Engineering, of Marietta, Georgia, was employed to conduct the bidding process and evaluate the bids. Mr. Bishop led the presentation. Following the presentation and discussion, Mr. Bishop noted that the evaluated low bidder was Great Southwestern Construction Company, of Castle Rock, Colorado, and management recommended accepting their bid. A completed bid tabulation sheet is attached to these minutes and made an official part thereof. A motion was made by Mr. Sexton and was seconded by Mr. Martin to accept management's recommendation as listed above, and to award the FRECC 2021-2025 Construction Work Plan project to Great Southwestern Construction. This motion was unanimously voted in the affirmative.

The next item of business was a review and approval of the directors' expense budget for 2022, led by Mrs. Phelps. A 2022 Annual Budget Worksheet was presented and discussed. Following review, a motion was made by Mr. Smith and seconded by Mr. Sexton to increase the 2022 estimated directors' expense budget to \$140,000, to facilitate both a governance review and additional training for directors. Motion carried unanimously.

The next item of business was a review of the Safety and Loss Control Report given by Mr. Prather. In late October, Federated Rural Electric Insurance Exchange visited the cooperative for a safety inspection. Following the site visit, no deficiencies were noted. Farmers Rural Electric is considered by Federated to be one of their high performing cooperatives in safety.

Following the presentations, Mrs. Pennington, Mrs. Phelps, Mr. Jackson, and Mr. Bishop left the meeting.

The next item of business was the EKPC monthly report given by EKPC Director Representative, Mr. Sexton. The EKPC quarterly video was viewed. Strategic planning is in the works currently, with hopes to be fully adopted in February. An ACES conference

update was given. The EKPC board meeting summary is attached to these minutes and made an official part thereof.

The next item of business was the KAEC monthly report given by KAEC Director Representative, Mr. London. An upcoming board meeting will be held on December 14th. A summary was provided pertaining to the KAEC Annual meeting. The KAEC board meeting summary is attached to these minutes and made an official part thereof.

Next, Mr. Prather gave a report of the President and CEO. Items discussed were the Kentucky Power Partner award recently awarded to State Senator David Givens. He reviewed the recently-announced expansion by Nemark USA, Inc. Also, Span Tech is relocating to Hilltopper Way near the WKU campus with a 142,000 square foot headquarters building and manufacturing facility. Mr. Prather provided an update on large solar developments planned for the Cooperative's service territory. Currently, FRECC has eighteen solar projects which are in the varying stages of study and development in three counties, totaling 1,499 mW of potential output. The 2022 work plan and budget will be mailed to the directors within the next two weeks. A copy of Mr. Prather's report is attached to these minutes and made an official part thereof.

For the next item of business, Mr. Woodford Gardner presented the Attorney's report. Mr. Gardner has worked with management in filing and finalizing the RUS loan. A report was given relating to Mr. Gardner's recent attendance at the Kentucky Association of Electric Cooperative's Attorney sessions, as part of the KAEC Annual meeting. Items discussed were bankruptcies, pole attachments, broadband, OSHA regulations, COVID, 911 center charges, and a recent class action lawsuit filed against Owen REC.

The next item of business was consideration to approve a Christmas bonus for FRECC employees. Mr. Prather recommended the amount of \$11,340. for 61 employees, based on the historical formula used by the Cooperative – a \$100 base amount, plus \$5 per year of service. Following discussion, a motion was made by Mr. Smith, and seconded by Mr. Faulkner to approve an employee Christmas bonus as recommended by management. Motion carried unanimously.

The next item of business was the approval of a resolution honoring the retirement of James Guthrie. The following resolution was read by Mr. London:

WHEREAS, James Guthrie has been a faithful employee of Farmers Rural Electric Cooperative Corporation for twenty-five plus years, and has served in the Operations department as a Journeyman Lineman/Serviceman; and

WHEREAS, Mr. Guthrie's knowledge, expertise, and dedication has contributed greatly to the success of the Cooperative; and

WHEREAS, Mr. Guthrie has gained the confidence, respect, and trust of the Board of Directors, his coworkers, and the member-owners of the Cooperative; and

WHEREAS, Mr. Guthrie has announced his retirement; now,

THEREFORE, BE IT RESOLVED, that the Board of Directors of Farmers Rural Electric Cooperative Corporation wish to express their gratitude and affection to Mr. James Guthrie and commend him for a "job well done."

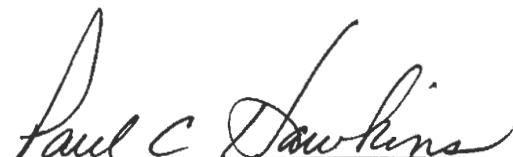
Following the reading of the resolution, a motion was made by Mr. Sexton and seconded by Mr. Martin to approve the resolution as read and presented. Motion carried unanimously.

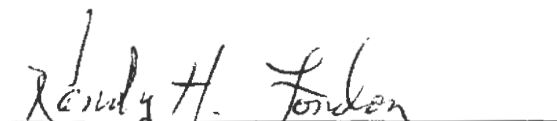
Other business discussed was a request by Mrs. Williams to change the start time of the December board of directors meeting to 3:30 on Thursday, December 16th due to a conflict in her schedule. It was unanimously agreed upon.

Chairman Hawkins, who serves on the propane board, noted that year-to-date profits for Farmers' Propane Plus are \$118,281.

An agenda item for December: A report from Mr. Faulkner, and Mrs. Williams on the NRECA Board Leadership Classes which were taken as part of the KAEC Annual meeting.

Next, Chairman Hawkins declared the meeting adjourned at 5:30 p.m.


Paul Hawkins, Chairman


Randy London, Secretary/Treasurer

A meeting of the Board of Directors of Farmers Rural Electric Cooperative Corporation was held on December 16, 2021. The meeting was held at the FRECC Operations Center boardroom. Chairman Paul Hawkins called the meeting to order at 3:45 p.m. and Randy London gave the invocation.

In attendance were:

Paul Hawkins	William T. Prather, President/CEO
Cornelius Faulkner	Tony Wells, Past VP Mbr and Corp Services
Ronnie Smith	Chuck Bishop, VP Engineering
Randy London	Caralyne Pennington, Director Mbr Communications
C. F. Martin, Jr.	Jennie Phelps, VP Finance and Accounting
Brandi Williams	Corey Jackson, VP Member and Corporate Services
Randy Sexton	Scott Lester, VP Operations
Woodford Gardner, Attorney	

The first item of business was the review, adoption, and approval of the agenda. Mr. Faulkner moved approval of the agenda as presented, with a second by Mr. Smith. There was no discussion. The agenda was approved unanimously.

The next item of business was the consent agenda which was presented for approval. There were no questions, concerns, or corrections related to the previous meeting minutes, new and refunded memberships, or unpaid accounts to be written off as uncollectible accounts. As such, a motion was made by Mr. Smith and seconded by Mr. Sexton to accept the consent agenda items as presented. Motion carried unanimously.

The next item of business was a review of the Financial and Operating reports for November 2021 given by the management staff. Mrs. Phelps reported that year-to-date operating margins totaled \$833,242, a \$264k increase from the prior year. Year-to-date margins totaled \$2,077,956. Revenues increased \$5.3M while the purchased power cost increased \$4.7M as compared to last year. The month of November resulted in total margins of \$38,845. Mrs. Phelps and Mr. Prather spoke in detail about the November power bill from East Kentucky Power. For November, the average cost per kWh purchased totaled 8.99 cents. This high cost was the result of a substantial fuel adjustment clause charge, which was due to several EKPC power plant outages – both planned and unplanned. These outages forced EKPC to purchase over 60% of its power needs from the market. The November power bill also had a high environmental surcharge. An in-depth discussion ensued relating to the fuel adjustment clause on the East Kentucky Power bill.

The next item of business was an Operations report given by Mr. Lester. It was reported that a three-year inspection of commercial pad mount transformers had been completed. All scheduled right-of-way clearing will be complete by the end of 2021. Two replacement pickup trucks will be arriving on Monday. Annual pole top rescue training has been completed.

Next, Mr. Bishop provided the board with the Engineering report. Mr. Bishop reported that they have begun transitioning from Elliot Contracting to Great Southwestern Construction Company due to the most recent contract award. Elliot will conclude their work with the FRECC system by the end of 2021. Staff recently met with management

representatives from Great Southwestern to discuss the contractor transition. The Kentucky project manager resides in Danville. The Highway 90-to-Cave City reconductoring project was discussed, and it was noted that it is very close to being completed.

Mrs. Pennington provided the Member and Public Communications report. She noted that social media posts during the recent storm were positive. The posts reached 5,300 folks and gained 81 followers on Facebook. Mrs. Pennington reported that she will be going off the Barren County Chamber of Commerce board, and will begin serving with the Hart County Chamber of Commerce board in January 2022.

Tony Wells thanked the board for his time at Farmers RECC. He noted that he has eight days of employment left prior to his retirement which is effective at the end of December. Mr. Prather offered his congratulations and commented positively about Tony's career and contributions to the Cooperative.

Corey Jackson provided the Member and Corporate Services report. He noted that the uncollectible accounts are continuing to go down. He will be contacting Nematik, in Glasgow, to see what their needs will be due to the recent announcement of their manufacturing expansion.

Mr. Prather provided a report on the recent devastating weekend storm. The first outage was reported at 1:13 am on Saturday morning, December 11th. At the conclusion of the storm restoration work on Sunday evening, the 12th, forty-two broken poles had been replaced, and 4,553 services had been affected thru 51 individual outages. Mr. Prather showed the U.S. Weather Service tornado track illustration in comparison to the outage management map. The comparison illustrated a clear path of damage to the distribution system in light of the track of the tornado. Owen Electric Cooperative sent one crew and Elliot Contractors sent two crews to assist with storm restoration. On Saturday morning, East Kentucky Power Cooperative was asked by TVA to provide power to the City of Glasgow due to TVA transmission problems. They served the city for about four days. Presently, it is estimated that Barren County had \$73,000 in damages and Hart County had \$87,000 in damages. It is anticipated that much of this cost will be reimbursed from FEMA.

Following a discussion, a motion was made by Mr. Martin and seconded by Mr. Sexton that the financial and operating reports be accepted as information presented. Motion carried unanimously.

The next item of business was the consideration of the 2022 Financial Budget and Work Plans, presented by Mrs. Phelps. Mrs. Phelps began the discussion with a presentation on projected energy sales and purchases, noting the difficulty in predicting these numbers. The question mark is with East Kentucky Power's pass thru rate adjustment, effective October 2021. The pass thru adjustment formula prescribed by the Kentucky Public Service Commission is an easy method to pass through wholesale rate adjustments, but it has the drawback of altering the retail rate design. This can have negative and unintentional results on revenue. Farmers experienced this in 2011 with an EKPC rate increase. Mrs. Phelps stated that the management team would monitor this closely in 2022. Total operating revenue is projected to be \$53.4M. Line loss is reported at 4.8%, which is based on the historical average. Labor and benefits of the cooperative

were discussed. Farmers has 61 full-time and 2 part-time employees. Mrs. Phelps discussed the pension plan, noting that the Cooperative still benefits from the RS prepayment made in April 2013. Healthcare costs were also discussed. Mrs. Phelps moved the discussion to the statement of operations, focusing on the controllable operation and maintenance expenses for 2022. The Operations department will continue to focus on improving service and reliability for the members. The right-of-way budget is set at \$1.3M. Depreciation expense is projected to increase 3.81%. The primary reason for the increase is the estimated growth for the new distribution plant (\$4.2M) and general plant (\$594k) in the 2022 budget. Interest on long-term debt is budgeted to increase by 4.75%. If inflation continues to escalate and price pressures increase, the Federal Reserve might raise interest rates multiple times in 2022. Patronage capital and operating margins is projected at \$800,200, which will result in an Operating TIER of 1.49. Overall patronage capital/margins are budgeted at \$2,606,200, resulting in a TIER of 2.59. Following a discussion, a motion was made by Mr. Faulkner and seconded by Mrs. Williams that the 2022 financial budget and work plans be approved as presented. Motion carried unanimously.

The next item of business was a review of the recent Depreciation study and today's filing of the study with the Kentucky Public Service Commission. The study indicated that the suggested rates were not far out of sync with the present rates being utilized. Mr. Prather reviewed a summary of the study results, showing the rates recommended by plant account. He also discussed the inclusion of future retirement costs in the rates to address the issue of net, negative salvage on retired plant. He also showed the estimated difference in depreciation expense if the new rates were adopted, which would amount to approximately \$161,000, or a 5% increase, annually. Management is not recommending any adjustment to the present rates at this time. The study was filed by Attorney David Samford as an addendum of the Farmers 2017 rate filing. This is compliant with the PSC's 2017 rate order, requiring that a depreciation study be completed within five years of the order or with the next rate case, whichever occurred first. Discussion took place with the board being comfortable with Mr. Prather's recommendation to not alter depreciation rates at this time. Changes in the rates might be recommended with the next rate case.

For the next item of business, Mr. Lester reviewed the monthly Safety and Loss Control report. It was reported that 168,363 hours have been worked with no lost time accidents. No incidents or accidents were reported throughout the recent storm. Red pole trailer lights have been installed which properly comply with the Department of Transportation regulations. They replaced the traditional yellow lights that were on the trailer. Mr. Lester reported that KAEC has a Safety Training program on-line that employees will be using in the coming year.

Following these reports, Mr. Bishop, Mr. Wells, Mr. Jackson, Mr. Lester, and Mrs. Pennington left the meeting. Mrs. Phelps remained to assist in keeping the meeting minutes.

The next item of business was the EKPC monthly report given by EKPC Director Representative, Mr. Sexton. Mr. Sexton gave an update on the financials and further discussed the fuel adjustment clause. EKPC is expected to end 2021 with \$22 million in margins. Mr. Sexton reviewed EKPC's recent strategic planning meeting. The EKPC board meeting summary is attached to these minutes and made an official part thereof.

The next item of business was the KAEC monthly report given by KAEC Director Representative, Mr. London. The monthly meeting was held December 14th, and storm damage discussions were held. Cyber security was discussed, and a pole attachment meeting was scheduled for today. It was reported that former KAEC CEO, Ron Sheets, has cancer, and is undergoing surgery. The KAEC board meeting summary is attached to these minutes and made an official part thereof.

Next, Mr. Prather gave a report of the President and CEO. Items discussed were the City of Glasgow branding study with several negative issues identified such as divided local government and the Glasgow Electric Plant Board controversies. The consultant recommended that the city employ a public affairs person to professionally manage all media and social messaging. The study indicated that most respondents rated the city as average in all areas – which is not what is desired. Mr. Prather discussed the Cooperative’s reliability plan and that he and the staff were currently working to update the plan. The plan was originally put in place in 2012 and good success has resulted, but he feels that some changes are now appropriate as the worst circuits have been addressed, right-of-way is in much better shape, and new technology may be available for implementation. A copy of Mr. Prather’s report is attached to these minutes and made an official part thereof.


For the next item of business, Mr. Woodford Gardner presented the Attorney’s report. Mr. Gardner has been working with Mrs. Phelps on the RUS loan, and filed the UCC with Kentucky’s Secretary of State. The RUS mortgage agreements have been filed with Barren, Hart, and Metcalfe counties.

The next item of business was the selection of delegates to attend the 2022 NRECA Power Exchange Annual meeting. Following discussion, a motion was made by Mr. Sexton, and seconded by Mr. Smith for Mr. Randy London to serve as the 2022 NRECA Power Exchange Voting Delegate, and Mrs. Brandi Williams to serve as the Alternate Voting Delegate. Motion carried unanimously.

Other business discussed was a poll as to which directors wished to participate in the upcoming CFC training. A report was given by Mrs. Williams, and Mr. Faulkner related to their recent NRECA director training. A Shanti Niketan Hospice House donation will be made as a Christmas gift from the directors to Mr. Prather. Mr. Prather expressed his deep appreciation and thanks for that gesture by the board.

Agenda items for January: Discussion on the book, *Governance in the Digital Age*.

Next, Chairman Hawkins declared the meeting adjourned at 6:50 p.m.



Paul Hawkins, Chairman



Randy London, Secretary/Treasurer

A meeting of the Board of Directors of Farmers Rural Electric Cooperative Corporation was held on January 20, 2022. The meeting was held at the FRECC Operations Center boardroom. Chairman Paul Hawkins called the meeting to order at 2:30 p.m. and Randy Sexton gave the invocation.

In attendance were:

Paul Hawkins	William T. Prather, President/CEO
Cornelius Faulkner	Scott Lester, VP Operations
Ronnie Smith	Chuck Bishop, VP Engineering
Randy London	Caralyne Pennington, Director Mbr Communications
C. F. Martin, Jr.	Corey Jackson, VP Member and Corporate Services
Brandi Williams	Scott Luecal, Consultant – via Zoom Virtual
Randy Sexton	
Woodford Gardner, Attorney	

Chairman Hawkins welcomed the virtual attendance of Scott Luecal, of Luecal Consulting, and introduced him to the staff and the directors. Mr. Luecal is assisting the board of directors with a board governance review.

The first item of business was the review, adoption, and approval of the agenda. Mr. Smith moved approval of the agenda as presented, with a second by Mrs. Williams. There was no discussion. The agenda was approved unanimously.

The next item of business was the consent agenda which was presented for approval. There were no questions, concerns, or corrections related to the previous meeting minutes, new and refunded memberships, or unpaid accounts to be written off as uncollectible accounts. As such, a motion was made by Mr. Martin and seconded by Mr. Smith to accept the consent agenda items as presented. Motion carried unanimously.

The next item of business was a review of the Financial and Operating reports for December 2021 given by the management staff. Due to Mrs. Phelps' absence, Mr. Prather provided a review of the December financials. He noted that the financials would be further modified by some costs associated with storm assistance and East Kentucky Power's 2021 margins.

Mr. Prather reviewed the recent impact to the purchase power bills from East Kentucky Power due to the very large fuel adjustment costs being passed through from their market purchases in October and November 2021. November's wholesale power cost was 8.99 cents per kWh and December's cost was 9.59 cents per kWh. The fuel cost will appear on the Cooperative's January and February 2022 member bills. January's fuel adjustment is a charge of 1.183 cents per kWh and February's will be even higher at a charge of 1.898 cents per kWh. Revenues increased for 2021 over 2020 by 12.8%, due to weather and some rebound economic improvement from the negative Covid impacts in 2020. Purchase Power costs increased 17.3% over 2020 due mainly to higher production and market costs. Mr. Prather reviewed the report on long-term debt, noting that the current blended interest rate is 2.75%, down from 5.31% in 2007. Currently the debt portfolio contains approximately 23.7% in variable rate debt. Mr. Prather then reviewed the historic graphical presentation of the main controllable expenses from 2007 thru 2021, noting good

control over the growth of costs during that long period. Lastly, Mr. Prather reviewed the reliability statistics for 2021 and the previous four years. The December tornadoes, which are considered major events, drove up the annual total SAIDI value for 2021 to 151.55 minutes, but when that event was removed from the statistics, 2021 proved to be another outstanding year coming in around an average of 90 minutes per member. The largest causes of outages during 2021 were weather-related at 45%, followed by off-right-of-way trees at 13.7%, and equipment failure at 10.2%.

Next, Mr. Bishop provided the board with the Engineering report. Mr. Bishop reported on the recent storm and tornado damage and discussed the process involved with recouping storm damage expenditures through FEMA. Most likely, and based on history, the cooperative will be reimbursed for approximately eighty-five percent of the damaged costs. Mr. Bishop recently met with local electricians to collect ideas of processes on their end which will assist and compliment more efficient cooperative operations. Topics discussed included electric vehicle (EV) charging stations, EV vehicles, and solar installations. Representatives from Great Southwestern Construction Company arrived on Monday and are in the process of hiring employees and are working on a few pole changes before the construction work plan begins. Mr. Bishop reported he has been participating, on behalf of the Cooperative, with KAEC in the development of a pole attachment tariff, with a goal of standardizing the tariff for all Kentucky cooperatives to utilize. This is a PSC-mandated tariff which is to be filed by February 28. The tariff does not concern attachment rates, but addresses the processes by which requests for attachments to the Cooperative's poles are to be handled.

The next item of business was an Operations report given by Mr. Lester. It was reported that system inspectors have been inspecting the Roseville substation circuits. Pad mount transformer inspections are fifty percent complete with 10-12 minor issues found. There were 478 utility poles replaced in 2021, with 93 of those being changed by Elliot Contracting. There are 305 poles currently remaining that need to be changed. All right-of-way circuits budgeted for 2021 have been completed. Two new trucks were delivered – truck #94, and truck #131 – F-150 pick-ups. A digger-derrick truck, truck #99, which was ordered fourteen months ago has been delivered. Tyler Bratcher and Hunter Scroggy have completed all TVPPA apprenticeship labs and online tests. Garrett Crowe has completed TVPPA Lab 5 this week and has been moved to Journeyman status. Crews from Farmers RECC who were sent to Cumberland Valley Electric, Inc., to assist in storm restoration, have completed their assigned work and have been released to return home.

The next item of business was a Member and Corporate Services report given by Mr. Jackson. Mr. Jackson noted that the Member Service Representatives have fielded many high bill complaints with questions about the fuel adjustment clause not being a credit on this bill, and questions about the environmental surcharge. Mr. Jackson reviewed the impact on a bill for 1,000 kWhs that would result from the high fuel adjustment in January and February. The January FAC impact would raise the bill by about \$16 and in February by about \$25. EKPC is predicting the FAC will go down significantly in March, but will still be a charge throughout 2022.

Mrs. Pennington provided the Member and Public Communications report. The Washington Youth tour applications deadline to apply is January 31st. Farmers Rural

Electric will be sponsoring and sending four students who qualify. The FRECC mobile app and the new Farmers RECC web site was discussed, while updates are currently being made. The bill statements beginning in January will include the member-owners' contact information on the bill in red ink – phone number, email, etc. We are encouraging members to keep this information up-to-date.

Mr. Prather, due to the absence of Mr. Riggs, provided the Technology and Security report. We have been dealing with issues related to the Bluegrass cellphone migration to Verizon, and have been working on cell phone routers in the substations. Included in this report were statistics concerning attempted cyber-attacks on the Cooperative's IT infrastructure. None of the attempted attacks have been successful.

Mr. Prather, due to the absence of Mrs. Foushee, provided a brief human resources report. The Cooperative's mechanic, Bob Eversole, has announced his retirement date as February 2, 2022. We will be recruiting his replacement very soon.

Following a discussion, a motion was made by Mr. Faulkner and seconded by Mr. Sexton that the financial and operating reports be accepted as information presented. Motion carried unanimously.

For the next item of business, Mr. Lester reviewed the monthly Safety and Loss Control report. It was reported that employees have worked 178,146 hours with no lost time accidents. The Operations department has received the red pole trailer lights for the digger trucks. This is a necessary legal requirement for transporting poles. No recordable incidents or accidents were reported in 2021. Mr. Lester, Mr. Bishop, and Mr. Samson attended the storm coordinators meeting facilitated by KAEC. The Safety Committee conducted a recent walk-through audit, similar to the one which is conducted by RESAP, with a few minor findings to be corrected. An accident occurred at the Metcalfe County facility recently, whereby a person ran through the service center fence and struck the pole rack. All repairs have been made and were covered by the driver's insurance.

Following these reports, Mr. Bishop, Mr. Jackson, and Mr. Lester left the meeting. Mrs. Pennington remained to assist in keeping the meeting minutes.

The next item of business was the EKPC monthly report given by EKPC Director Representative, Mr. Sexton. Mr. Sexton reported that the EKPC board did not meet in January and will substitute next week's CFC training in Louisville for the regular monthly meeting. A question was posed as to whether the EKPC board would consider what had happened in October and November that caused the high FAC costs, and take steps to address this risk. Mr. Sexton indicated that several board members had suggested that happen, and that the matter would likely be referred to the EKPC Board Risk Oversight Committee.

The next item of business was the KAEC monthly report given by KAEC Director Representative, Mr. London. The monthly summary was included in with the board reports and was reviewed. An update on former KAEC President Ron Sheets health situation was

given. A presentation was given to the KAEC board on the infrastructure bill funding. Annual sales were up 25%. Collaboration between ERMCO and UUS is going well in the supply of transformers. The 2022 budget was approved. An update was given on the KAEC Strategic goals. The KAEC Annual Meeting has been moved to August in 2022. The potential state tax reform and its effect on the cooperatives was discussed. KAEC President Chris Perry's annual evaluation will be held in February. The next KAEC board meeting will be March 22nd. The KAEC board meeting summary is attached to these minutes and made an official part thereof.

Next, Mr. Prather gave a report of the President and CEO. Items discussed were the most recent Covid variant – Omicron – its impact on FRECC employees, and its all-time infection rate in Kentucky. Employees have been encouraged to mask, utilize good sanitation practices, and watch for symptoms. A detailed report was given on the past six year's performance of the Glasgow Methane-to-Electric Plant. A copy of Mr. Prather's report is attached to these minutes and made an official part thereof.

For the next item of business, Mr. Woodford Gardner presented the Attorney's report. Mr. Gardner has been working with Mrs. Phelps on the \$16 million RUS loan. That work has been successfully consummated. Additionally, as recently requested, he had checked on a deceased member's account in Hart County and found that it is currently not an active probate case in Hart County.

The next item of business was review and approval of the director and CEO expenses for the fourth quarter of 2021. Following review, a motion was made by Mr. Faulkner and seconded by Mr. Sexton to accept the information as presented. Motion carried unanimously.

For the next item of business, confirmation of attendees was given for the CFC Statewide Workshop in Louisville, KY, and the NRECA Power Xchange Annual meeting. No action was necessary.

The next item of business was an in-depth discussion on EV Charging stations. Mr. Prather had assembled current pricing and other information, which was included in the board packet. The potential benefits of EV chargers and concerns were discussed at length. Management recommended to continue to monitor very closely, the developments in the subject area, particularly in funding assistance opportunities. The board will continue to actively monitor and discuss what involvement the Cooperative should have in this developing industry.


The next item of business was a review and discussion on the book "*Governance in the Digital Age*". All board members had read the book and offered their insights during the discussion. The book included topics such as - should the board have term limits, is the board structural or futuristic, is the board really engaged, is the board technologically capable, and does the board monitor cyber security risks.

The next item was a motion made by Mr. Smith and seconded by Mr. Sexton to go into Executive Session. Motion carried unanimously.

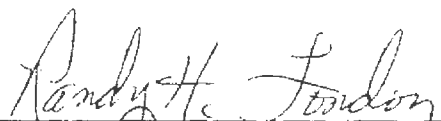
Upon return from Executive Session, and in Other Business, the request was made for Mr. Prather to report on the progress of the new Purchasing and Facilities Manager position at a future board meeting.

No additional agenda items were mentioned to include for February.

Next, Chairman Hawkins declared the meeting adjourned at 6:07 p.m.



Paul Hawkins, Chairman



Randy London, Secretary/Treasurer

A meeting of the Board of Directors of Farmers Rural Electric Cooperative Corporation was held on February 17, 2022. The meeting was held at the FRECC Operations Center Conference Room. Chairman Paul Hawkins called the meeting to order at 1:00 p.m. The purpose of this portion of the meeting was to discuss the President/CEO's annual performance appraisal.

In attendance were:

Paul Hawkins
Cornelius Faulkner
Ronnie Smith
Randy London
C. F. Martin, Jr.
Brandi Williams
Randy Sexton

The board completed the annual appraisal with Chairman Hawkins designated to deliver and discuss the results with Mr. Prather prior to the March board meeting, at which time, Mr. Prather would have the opportunity to discuss the appraisal and 2022 CEO objectives with the board.

Following the above-mentioned meeting, the regular monthly meeting of the Board of Directors of Farmers Rural Electric Cooperative was held on February 17, 2022, and Chairman Hawkins called the meeting to order beginning at 2:30 p.m. The invocation was given by Mrs. Williams.

In attendance were:

Paul Hawkins	William T. Prather, President/CEO
Cornelius Faulkner	Scott Lester, VP Operations
Ronnie Smith	Chuck Bishop, VP Engineering
Randy London	Caralyne Pennington, Director Mbr Communications
C. F. Martin, Jr.	Corey Jackson, VP Member and Corporate Services
Brandi Williams	Linda Foushee, Human Resources Coordinator/EA
Randy Sexton	Jason Riggs, VP Technology and Security
Woodford Gardner, Attorney	

The first item of business was the review, adoption, and approval of the agenda. Mr. Sexton moved approval of the agenda as presented, with a second by Mr. Smith. There was no discussion. The agenda was approved unanimously.

The next item of business was the consent agenda which was presented for approval. There were no questions, concerns, or corrections related to the previous meeting minutes, new and refunded memberships, or unpaid accounts to be written off as uncollectible accounts. As such, a motion was made by Mr. Faulkner and seconded by Mr. London to accept the consent agenda items as presented. Motion carried unanimously.

The next item of business was a review of the Financial and Operating reports for January 2022 given by the management staff. Mrs. Phelps reviewed the December 2021 financial statements. Campbell, Myers & Rutledge, PLLC have completed their financial audit. Although the final report has not been issued, Mrs. Phelps does not anticipate any changes. The 2021 operating margins totaled \$730,147, and an Operating TIER is at 1.47. East Kentucky Power Cooperative's assignment of 2021 margins to Farmers totaled \$456,825. This EKPC assignment is based on unaudited results. Any adjustment to Farmers' 2021 assignment will be recorded in 2022. The 2021 margins totaled \$2,534,898. Mrs. Phelps noted that the 2020 Small Business Administration Payroll Protection Program ("SBA PPP") loan in the amount of \$1,096,767.50 was forgiven on February 2, 2021, and thus was recorded as income on the 2021 financials. Due to a delay in receiving year-end information for EKPC, Mrs. Phelps stated that the January 2022 financials would be emailed to the Board next week. Discussion regarding the January 2022 financials would be held at the next Board meeting. Mrs. Phelps also gave an update on recouping December storm damage expenditures through FEMA.

Next, Mr. Bishop provided the board with the Engineering report. Mr. Bishop explained to the board the recent modifications which were made to the reliability reports in order to clarify the information. He reported on the recently-completed EKPC 161 kV transmission line from TVA to the Fox Hollow substation. This new transmission tie will provide a much more robust feed into Farmers service area, and provide much more flexibility for EKPC in back-feeding substations during maintenance or emergency situations.

The next item of business was an Operations report given by Mr. Lester. Currently, the Service Department is performing site visits to inactive accounts and retrieving idle meters and transformers. This is being done to better utilize existing asset items and reduce costs rather than purchasing new units for construction and maintenance. Thus far, thirty transformers have been returned from the field. They will go through maintenance and then be re-deployed on new services. Nathan Birge was named as the newest Service Technician, and Tyler Bratcher is being promoted to lineman status. All apprentices and linemen have been scheduled for TVPPA training, reviews, and labs.

The next item of business was the Member and Corporate Services report given by Mr. Jackson. Mr. Jackson noted that once again the Member Service Representatives have fielded many high bill complaints and questions about the extraordinarily-high EKPC fuel adjustment charge in January and February, along with questions about the environmental surcharge. In addition to the high surcharges, the weather has been very cold in January and the first part of February, which has driven up usage by members. March bills should be much lower as warm weather is being forecasted and EKPC's fuel adjustment charge will be much less.

Mrs. Pennington provided the Member and Public Communications report. In the next week or so, East Kentucky Power Cooperative will be placing advertisements in the county papers explaining what's driving the increased fuel adjustment costs on members' bills. The upcoming 2022 FRECC Annual Meeting was discussed, and is planned for July 7 at the Cave City Convention Center – pending the board's approval later in the meeting.

After discussion, the board indicated its desire and approval to live-stream the meeting on the Internet, and to have the musical group Rockland Road as the entertainment.

Mr. Riggs provided the Technology and Security report. Much work has recently had to occur to accommodate the acquisition of Bluegrass Cellular by Verizon. Routers and other communication devices in the trucks and some substations have had to be changed out and reconfigured. Verizon has been a challenge to work with. Mr. Riggs plans to provide to the board a quarterly report showing attempted security intrusions into the Cooperative's IT systems. We are also working on moving to a new software version for the SCADA system.

A Human Resources report was provided by Mrs. Foushee. It was reported that the deadline for submissions for the Fleet Mechanic position is tomorrow. Currently, fourteen applications have been received and reviewed.

Following a discussion, a motion was made by Mr. Martin and seconded by Mr. Smith that the financial and operating reports be accepted as information presented. Motion carried unanimously.

The next item of business was a review of bids received for the 2022 herbicide program. ProtecTerra, LLC, and SAGE Right-of-Way Management, both submitted bids. ProtecTerra, LLC submitted a bid which averaged \$285.00 per mile of line, and SAGE submitted a bid that averaged \$274.16 per mile of line. ProtecTerra is a new company with no experience on the Cooperative's system. They were invited to bid on six circuits for 182 miles as a potential trial for 2022. Their bid on the six circuits was higher than the bid submitted by SAGE for the same circuits. SAGE submitted a total herbicide bid for 613.32 miles of line for a total cost of \$168,149.34. Management recommended that the entire 2022 circuit work package be awarded to SAGE due to their lower price and previous good performance. Following discussion, a motion was made by Mr. Sexton, and seconded by Mr. Smith to accept the proposal as presented by SAGE. Motion carried unanimously.

The next item of business was consideration to sell digger derrick truck – a 2008 International 4x4 chassis Terex Commander C4045 at the JJ Kane auction on March 22, 2022 in Verona, Kentucky. The original cost of the truck in 2008 was \$205,529 and it is fully depreciated. JJ Kane specializes in selling large utility equipment. They have sold similar equipment in the past for the Cooperative. Following discussion, a motion was made by Mr. Martin and was seconded by Mr. London to approve selling the above-mentioned digger derrick truck at the JJ Kane auction on March 22, 2022. Motion carried unanimously.

The next item of business was a review of the 2021 fourth quarter (October-December 2021) RUS Summary of Construction by Mrs. Phelps. Following review, a motion was made by Mr. Sexton, and seconded by Mr. Smith that the report be approved and submitted to RUS for borrowing. The motion carried unanimously.

The next item of business was consideration of a general refund of capital credits in 2022. Mrs. Phelps provided the board with three suggested options to consider for refunds. The options considered various percentage refunds for the year of 1998.

Management recommended that the process be the same as the prior year with bill credits up to a maximum of \$75.00 for existing member electric accounts, and refunds over \$75.00 to be returned by a check. Refunds to prior members would be by check, with the minimum check being \$10.00. After discussion and questions by the Board, Mr. Smith made a motion to refund 85% of the balance of 1998 with the total operating margins to be refunded of \$558,271. The motion was seconded by Mr. Faulkner. There was no further discussion and the motion passed unanimously. The refund will occur in April.

The next item of business was a review of the Safety and Loss Control reports given by Mr. Lester. No incidents were reported during the month. Employees have now worked 187,740 hours with no lost time incidents as of the end of January. Only one recordable incident occurred during 2021. The low incident rate facilitated a decline in the workers compensation experience modifier value from .76 to .75 – which will result in a \$14,475 savings on the 2022 annual workers' compensation insurance premium. The Safety Demo trailer rehab is 90% complete and the first demonstration will be in Hart County on April 15. The Safety Committee is reviewing the updated APPA Safety Manual (version 16), and plans to adopt it soon. The newly-updated manual will be distributed to employees after being reviewed.

Following these reports, Mr. Bishop, Mr. Jackson, Mrs. Phelps, Mrs. Pennington, and Mr. Lester left the meeting. Mr. Faulkner left the meeting due to a prior commitment.

The next item of business was the EKPC monthly report given by EKPC Director Representative, Mr. Sexton. A cyber update was given, noting nationally that the cyber failure rate is 35%. A copy of the EKPC board summary is attached to these minutes and made an official part thereof.

The next item of business was the KAEC monthly report given by KAEC Director Representative, Mr. London. There was no meeting this past month. The Governance Committee will meet on February 23rd. The next board meeting will be March 22nd.

Next, Mr. Prather gave a report of the President and CEO. Items discussed were a new pole attachment tariffs, the state's plans for a fast-charging EV station network, a review of the recent meeting with the City of Glasgow and EKPC concerning the landfill methane operations, and the extremely high East Kentucky Power fuel adjustment for January and February 2022. A copy of the President's report is attached to these minutes and made an official part thereof.

For the next item of business, Mr. Woodford Gardner presented the Attorney's report. Mr. Gardner provided his attorney's opinion letter on litigation to the cooperative's auditors per request. Additionally, he reviewed with the board, FRECC Policy #160 - Conflict of Interest and Confidentiality. Following the review, each board member signed the acknowledgment of the policy form and submitted to management for filing. Mr. Gardner worked with Mrs. Phelps to prepare the filing letter for the new pole attachment tariff to send to the Kentucky Public Service Commission.

In the next item of business, the board designated that the 2022 Cooperative Annual Meeting would be held on July 7, 2022, at the Cave City Convention Center, with member registration beginning at 5:30 p.m. Following discussion, a motion was made by Mr. Smith, and seconded by Mr. Faulkner to conduct the annual meeting on the date and location listed above. This motion was unanimously voted in the affirmative.

Other business discussed: Scott Luecal, consultant, has requested two hours to present his governance report at the March 17th board meeting. Following discussion, a motion was made by Mr. Smith, and seconded by Mr. Sexton to start the March board meeting at 1:00, and to add Mr. Luecal's presentation as the first item on the agenda. Motion carried unanimously.

The 2022 NRECA Legislative Conference will be held in May. The House of Representatives and Senate have released their schedules for 2022. Although the Senate will be in session, the House will be out on recess over the convention dates. Kentucky does not plan on hosting any meetings in D.C. during the conference this year. KAEC will be coordinating meetings with House delegations locally in Kentucky the week of May 2nd. After discussion, the board declined to participate in this year's event.

The Kentucky Legislative reception is slated for March 16th in Frankfort. Following discussion, the board declined to participate in this year's event.

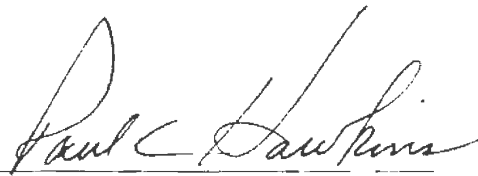
For the May 2022 board of directors meeting, Mrs. Williams indicated that she will be out of town, but will plan to participate virtually.

Chairman Hawkins provided the board with a brief Farmers Propane Plus update. The last propane board meeting was held on January 28th. He reported a year-to-date profit of \$329,240 – up \$148,000 from 2020. Campbell, Myers, and Rutledge were the auditors for 2021.

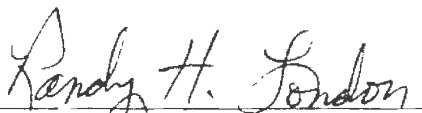
A recap of the CFC Financial training seminar which was held in Louisville January 24-25 was provided by those who attended – Mr. Sexton, Mr. London, Mr. Hawkins, and Mr. Prather.

Additional agenda items for the March meeting are to be an Executive Session and Mr. Luecal's presentation.

Next, Chairman Hawkins declared the meeting adjourned at 5:45 p.m.



Paul Hawkins, Chairman


Randy London, Secretary/Treasurer

A meeting of the Board of Directors of Farmers Rural Electric Cooperative Corporation was held on March 17, 2022. The meeting was held in the FRECC Operations Center Conference Room. Chairman Paul Hawkins called the meeting to order at 1:00 p.m.

In attendance were:

Paul Hawkins	Woodford Gardner, Jr., Attorney
Cornelius Faulkner	William T. Prather, CEO
Ronnie Smith	Scott Luecal, Consultant
Randy London	
C. F. Martin, Jr.	
Brandi Williams	
Randy Sexton	

An invocation was given by Mr. London.

The first item of business was the review, adoption, and approval of the agenda. Mr. Smith moved approval of the agenda as presented, with a second by Mrs. Williams. There was no discussion. The agenda was approved unanimously.

The next item of business was an in-depth presentation of a Board Governance Review provided by consultant, Scott Luecal.

Immediately following the above-mentioned presentation and discussion. Mr. Luecal left the meeting, and the following senior staff joined the meeting - Scott Lester, VP Operations; Chuck Bishop, VP Engineering; Caralyne Pennington, Director of Member and Public Communications; Corey Jackson, VP Member and Corporate Services; Linda Foushec, Human Resources Coordinator/EA; and Jason Riggs VP Technology and Security.

The next item of business was the review, adoption, and approval of the consent agenda which was presented for approval. There were no questions, concerns, or corrections related to the previous meeting minutes, new and refunded memberships, or unpaid accounts to be written off as uncollectible accounts. As such, a motion was made by Mr. Smith and seconded by Mr. Sexton to accept the consent agenda items as presented. Motion carried unanimously.

The next item of business was a review of the Financial and Operating reports for February 2022 given by the management staff.

Jennie Phelps presented the financials. Mrs. Phelps reported the year-to-date operating margins totaled \$989,912, a \$38k decrease from the prior year. Revenues increased \$1.6M or 15.9%, while purchased power costs increased \$1.5M or 23.3% as compared to last year, although revenues and purchased power costs are up, and kWh sales are actually down. Residential and small commercial kWh sales are lower due to a warmer February. Mrs. Phelps also gave an update of the recouping of funds through FEMA for the December storm damage expenditures.

Next, Mr. Bishop provided the Engineering report. Mr. Bishop reviewed the February 2022 monthly outage causes, the year-to-date outage causes, the cumulative SAIDI, and the cumulative SAIDI with no major event days. Additionally, reviewed was the rolling twelve-month SAIDI (the duration of outages an average member would expect to experience in one year), and the rolling twelve-month CAIDI (the average restoration time of an outage). Mr. Bishop discussed three Farmers RECC members whose homes are located near the Taylor County Rural Electric Cooperative's service area, and are actually served from Taylor County's distribution system. Discussion was held pertaining to transferring their facilities/services to Taylor County REC. The February Jonesville substation outage was discussed, and it was noted that a high side fuse had blown, and the voltage regulator failed. East Kentucky Power Cooperative was aware of an issue with the regulator in advance of its failure, and is looking at ways to prevent this type of outage from occurring in the future. In response to repeated requests from the Cooperative over the past decade, EKPC has hired two substation technicians which reside in the FRECC service area for the purpose of improving response and restoration time in the event of a substation outage. A recent meeting was held with the Barren County Judge Executive and subdivision developers to conduct a housing study in order to promote industry opportunities and potential new loads.

The next item of business was an Operations report given by Scott Lester. Reliability projects noted were the addition of fuses to fifty unfused taps this year, and the systematic maintenance of reclosers by changing out a total of 100 this year. The System Inspectors have completed 70% of a three-year inspection on all pad-mount transformers. The Operations Department has been reviewing all inactive services to identify any transformers or meters can be recovered and used elsewhere on the system. Currently, fifty transformers have been removed from inactive service, and forty were sent for repair.

A total of thirty-seven poles were replaced in February, leaving three-hundred and sixty poles remaining to be replaced. Digger Derrick truck #99 will be sold at auction by JJ Kane on March 22nd, and plans are to sell trucks #94 – a F150 pickup, #108 – F150 pickup, and #112 – F150 flatbed pick-up using sealed bids in April. These aforementioned trucks have been replaced. Mr. Lester commented on the Operations Department personnel accomplishments. Tyler Bratcher has been promoted to Lineman, Greg Coomer was named as the Fleet Service Technician, and Hunter Scroggy has completed two years of the four-year Apprenticeship program.

Next, Mr. Lester reviewed the 2021 Purchasing and Facilities manager activities, and gave a synopsis of some of the process improvements and cost savings that have been achieved thus far. A few of the highlights mentioned were a \$19,000 cost savings by improving recloser inventory. Thirty model 70 L transformers were sold to MSTN to reduce over stocking of this item, and in return, bought eight 15AMP, four 25 AMP, and thirteen 35 AMP breakers to allow the service group to complete the reliability project for 2021. There was an estimated cost savings of \$32,000 by reducing the work plan job trailer cost. A review process was implemented between the engineering, and Purchasing Manager prior to placing material orders to prevent "over ordering". Also, a material reconciliation process has been implemented between our contractor and the Purchasing Manager in order to better streamline the material flow during the project, as well as improve the overall job efficiency. A return process for material overages with the vendors is now being negotiated. It was noted that significant value had been gained by managing procurement of hard-to-obtain and long-lead time material items over the past year.

The next item of business was the Member and Corporate Services report given by Vice-President of Member and Corporate services, Corey Jackson. Mr. Jackson reported that the Member Service Representatives have addressed numerous high bill complaints from members for the last few months, being driven by the very cold weather and the extraordinary FAC charges relating back to EKPC's market transactions and generator outages in October and November of 2021. Bills for service have moderated due to warmer temperatures, and member complaints have been greatly reduced. Since January 2022, the vast majority of the \$250k in member-assisted money received came from Community Action and Bridge Kentucky. Our member-owners are still paying on a \$14k balance from their past Covid contracts dating back to 2020. Member Service Representative, Rendy Perkins, will be retiring from work on May 31, 2022.

Caralyne Pennington provided the Member and Public Communications report. Mrs. Pennington reported that the Frankfort Youth Tour and the Washington Youth Tour participants have been selected, and those tours will be held in person this year. Capital Credit refund notices are going out to member/owners. Mrs. Pennington showed a recent newspaper ad being run by EKPC in the area county papers, explaining the large increase in the fuel adjustment charge.

Jason Riggs provided the Technology and Security report. Mr. Riggs reported on a SCADA upgrade which will give access to the fault data recorder interface with after-hours dispatch, and will assist in locating trouble on the power line. He noted he has been communicating with the Cooperative Response Center about the Multi-speak application protocol, allowing pinging the AMR meters. In order to obtain more benefits and reliability of communications, we are beginning to migrate to the AT&T FirstNet, a network dedicated to public safety. Mr. Riggs shared with the board the different types of cyber attacks that have attempted to gain access to our computer systems, and how they are deflected.

A Human Resources report was provided by Linda Foushee. Mrs. Foushee further commented on a position for a Member Service Representative that will be opening soon, due to the retirement of Rendy Perkins. This position will first be posted internally for current employees to have the opportunity to apply, then will open up to the public, if no internal interest exists.

Following a discussion, a motion was made by Mr. Martin and seconded by Mr. Sexton that the financial and operating reports be accepted as information presented, subject to audit. Motion carried unanimously.

The next item of business was consideration to sell trucks #94, a 2007 Chevrolet ½ ton 4x4 truck with 190,675 miles, truck #108 – a 2010 Chevrolet ½ ton 4x4 with 255,295 miles, and #112, a 2010 F550 4x4 with 241,024 miles. The staff recommends advertising the sale of these trucks locally, through all media forms, and sold via sealed bids. The Kelley Blue Book and NADA book guidelines will be used to assess the proper value of the trucks. Following discussion, a motion was made by Mr. Smith and was seconded by Mrs. Williams to approve selling the above-mentioned trucks by sealed bids. Motion carried unanimously.

The next item of business was a review of the Safety and Loss Control reports given by Mr. Lester. No incidents were reported during the month. Employees have worked 196,994 hours with no lost time incidents as of the end of February. The Safety Committee will be distributing the recently reviewed and updated APPA Safety Manual (version 16), at the April Safety meeting. KAEC Safety Director, Randy Meredith, reviewed and approved the safety manual updates specific to the Cooperative. Employees have completed their CPR training. It was reported that the Department of Transportation is requiring flagger control technician training, and this will be forthcoming.

Following these reports, Mr. Bishop, Mr. Jackson, Mrs. Phelps, Mrs. Pennington, Mr. Riggs, and Mr. Lester left the meeting.

The next item of business was the EKPC monthly report given by EKPC Director Representative, Randy Sexton. Mr. Sexton reported that some members of the EKPC board met with Kentucky's Lieutenant Governor at the EKPC solar farm, along with representatives from the federal government. In-person board of director meetings will be held next month with a virtual option available. June 12 will be EKPC's Annual Meeting. The board approved a one-time exception to a policy requiring an annual performance evaluation of EKPC's general counsel, David Smart. Mr. Smart has plans to retire in May, 2022. CEO Tony Campbell extended congratulations to Ted Hampton, President and CEO of Cumberland Valley Electric, who recently became the longest tenured CEO of a U. S. electric cooperative who is still serving in the role. Mr. Hampton took the helm at Cumberland Valley Electric in 1964, and is on pace to become the longest-ever to serve as an electric cooperative CEO in just a few months. A copy of the EKPC board summary is attached to these minutes and made an official part thereof.

The next item of business was the KAEC monthly report given by KAEC Director Representative, Randy London. Mr. London reported the board will meet on March 22. There will be a Governance Committee election at the board meeting for the position of Secretary/Treasurer.

Next, Mr. Prather gave a report of the President and CEO. Items discussed were pole attachment tariffs, a tax reform update, and a Kentucky Public Service Commission update relating to Commissioner confirmations. A copy of the President's report is attached to these minutes and made an official part thereof.

For the next item of business, Mr. Woodford Gardner noted there was nothing new to report in relation to attorney/cooperative activity.

The next item of business was a nomination and appointment of the 2022 Director Nomination Committee. The following names were submitted.

Mr. Hawkins nominates:

Denise Brooks
2285 Lonoke Road
Horse Cave, KY 42749
270-524-9223

Mrs. Williams nominates:

Josh Morris
4414 Lick Branch Road
Glasgow, KY 42141
270-590-4725

Mr. Smith nominates:

Jamie Moss
293 Joe Acre Road
Edmonton, KY 42129
270-590-5735

Mr. Faulkner nominates:

Brandon Judd
650 Megan Lane
Glasgow, KY 42141
270-670-1320

Mr. London nominates:

Jon Keightly
450 Captain Redford Road
Cave City, KY 42127
270-646-8549

Mr. Sexton nominates:

Frank Gibson
P. O. Box 392
Edmonton, KY 42129
(270) 670-6706

Mr. Martin nominates:

Lola Bunnell
1367 Hammonsville Road
Munfordville, KY 42765
270-524-2283/270-528-6800

Following discussion, a motion was made by Mr. Faulkner and seconded by Mr. Sexton to accept the individuals nominated above to serve on the 2022 Director Nomination Committee. Motion carried unanimously. The meeting will be held on May 3rd beginning at 6:00 p.m. in the FRECC Operations Center Conference room.

The next item of business was to select/appoint the Voting Delegate and Alternate for the 2022 CRC Director election. Following discussion, a motion was made by Mr. Sexton, and seconded by Mr. Martin to appoint Mr. Prather as the Voting Delegate, and Mrs. Foushee as the Alternate Voting Delegate. Motion carried unanimously.

Next, reports were given by Mr. Faulkner and Mrs. Williams on their attendance at the NRECA PowerXChange pre-conference educational Board Leadership courses, and Mr. Prather, Mr. Smith, and Mr. London provided an overview of the conference.

The next item of business was a review of Policy #410 – Authorization of Check Signing and Electronic Funds Transfers. Mr. Prather presented the policy and discussed the staff recommended updates and edits. Following discussion, a motion was made by Mr. Smith and seconded by Mr. Faulkner to approve Policy #410 with updates and edits as recommended by the FRECC staff. Motion carried unanimously. A copy of this policy is attached to these minutes and made an official part thereof.

Next, Policy #418 – Rights-of-Way and Vegetation Management was presented with no changes being recommended by the staff. Following discussion, a motion was made by Mr. Martin, and seconded by Mr. Sexton to reaffirm Policy #418 as presented. Motion carried unanimously.

The next item of business was a review and discussion of staff recommended updates and edits for the following policies pertaining to the Cooperative's IT programs:

- Policy #420 – Information and Cyber Security Policy
- Policy #421 – IT Risk Management Policy
- Policy #422 – Accountability of Information Technology Assets
- Policy #423 – Outsources Information Processing
- Policy #433 – Third Party Access

Following discussion, a motion was made by Mr. Faulkner and seconded by Mr. Smith to approve the above-mentioned policies with updates and edits as recommended by the FRECC staff. Motion carried unanimously.


Next, a motion was made by Mr. Smith, and seconded by Mrs. Williams to go into Executive Session. Motion carried unanimously.

Upon return from Executive Session, Other Business discussed was a short discussion on the Governance Report issues and concerns and what actions should be taken.

Agenda items needed for the April meeting are:

- Consideration of a merit salary adjustment for Mr. Prather
- Discussion on Governance report issues, concerns, and actions
- Discussion with the Board Attorney about Governance issues

Chairman Hawkins declared the meeting adjourned at 7:25 p.m.


Paul Hawkins, Chairman


Randy London, Secretary/Treasurer

A regular monthly meeting of the Board of Directors of Farmers Rural Electric Cooperative Corporation was held on April 21, 2022. The meeting was held in the FRECC Operations Center Conference Room. Chairman Paul Hawkins called the meeting to order at 2:30 p.m.

In attendance were:

Paul Hawkins	William T. Prather, President & Chief Executive Officer
Cornelius Faulkner	Linda Foushee, Human Resources/Executive Assistant
Ronnie Smith	Jennie Phelps, Vice-President of Finance
Randy London	Jason Riggs, Vice-President of Technology & Security
C. F. Martin, Jr.	Corey Jackson, Vice-President of Member & Corp. Services
Brandi Williams	Chuck Bishop, Vice-President of Engineering
Randy Sexton	Scott Lester, Vice-President of Operations
	Caralyne Pennington, Director of Member Communications
	Woodford L. Gardner, Jr., Attorney-at-Law

Special guests were: Brent Billingsley, CPA, and Cindy Greer, CPA representing the firm of Campbell, Myers & Rutledge, PLLC.

An invocation was given by Mr. Smith.

The first item of business was the review, adoption, and approval of the agenda as amended to include a line item for designating an applicant's agent for the purpose of obtaining certain Federal financial assistance under the Disaster Relief Act or otherwise available from the Disaster Relief Fund. Mr. Sexton moved approval of the agenda as amended, with a second by Mr. Faulkner. There was no discussion. The agenda was approved unanimously.

The next item of business was an in-depth presentation of the 2021 financial audit given by Brent Billingsley, CPA, and Cindy Greer, CPA, of Campbell, Myers, and Rutledge, PLLC. Prior to the board meeting, the directors received a copy of the report to review in advance of the presentation by the auditors at this month's meeting. The audit was reviewed at length allowing opportunities for the directors to ask questions. The CPAs reported that the Cooperative had received a clean audit report for the year. No significant issues with internal deficiencies were noted. Following discussion, a motion was made by Mr. Smith and second by Mr. London that the annual audit report be approved as presented. Motion carried unanimously. Following this report, Mr. Billingsley and Mrs. Greer left the meeting.

The next item of business was the approval of the Consent Agenda containing the previous board meeting minutes, new and refunded memberships, and unpaid accounts to be written off as uncollectible. There were no questions, concerns, or corrections related. As such, a motion was made by Mr. Faulkner and seconded by Mr. Smith to accept the Consent Agenda items as presented. Motion carried unanimously.

The next item of business was a review of the Financial and Operating reports for March 2022 given by the management staff. Mrs. Phelps presented the financials. Year-to-date operating margins totaled \$811,674, a \$184k decrease from the previous year. Comparing the first quarter of 2021 and 2022, Farmers RECC's kWh sales and kWh purchased were flat. However, revenues increased \$2.0M, or 14.8%, and purchased power costs increased \$2.1M, or 22.3%, as compared to last year – driven primarily by EKPC's recent rate increase and the extraordinarily high fuel adjustment charges in January and February. The average cost per kWh purchased totaled 7.93 cents, a 1.48 cent or 22.9% increase from the prior year. For the month of March, Farmers had an operating loss of \$178,238. Monthly expenses were discussed. Also, Mrs. Phelps noted that the annual inflation rate for the United States was 8.5% for the twelve months ending March 31, 2022, and has impacted the cost of many items used by the cooperative.

Next, Mr. Bishop provided the Engineering report. Mr. Bishop reviewed the March 2022 monthly outage causes, the year-to-date outage causes, and the reliability reports. Mr. Bishop reported on the recent outage at the Galloway substation, which occurred due to a faulty transformer, and the effort to back feed the affected circuits from other sources. Mr. Bishop additionally reported that in order to remain compliant with state and federal environmental laws, the Donnelly Drive generators have to undergo testing for emissions every three years. They were tested earlier in the month and all seemed to go well. A final compliance report is forthcoming. An update was given regarding projects in place to improve reliability.

The next item of business was an Operations report given by Scott Lester. Mr. Lester noted that as a part of the reliability plan, we will be installing an additional fifty fuses on unfused taps this year. A total of one hundred reclosers will be changed out for maintenance this year. The System Inspectors are currently inspecting the circuits out of the Fox Hollow Substation. The right-of-way contractors, Townsend Tree Service are working on the Goodnight-Hiseville circuit and are 35% complete. A & G is working on the Munfordville-Cub Run circuit and is 65% complete. SAGE Right of Way Management, Inc., will begin herbicide application soon. Digger Derrick truck #99 was sold at auction by JJ Kane for \$34,200. Bids have been received on trucks #94, #108, and #112. All linemen have completed the pole top and bucket rescue. They have also completed changing from Version 14 to Version 16 in the APPA Safety manual.

The next item of business was a billing summary given by Vice-President of Member and Corporate services, Corey Jackson. Mr. Jackson reviewed the monthly Member Services Accounts Receivable report. He reiterated that Member Service Representative, Rendy Perkins, will be retiring from work on May 31, 2022.

Caralynne Pennington provided the Member and Public Communications report. Mrs. Pennington reported that the FRECC mobile app, which will enable outage reporting for the members, will be rolled out effective May 1. The FRECC Annual Meeting was discussed. Following discussion, it was decided that the bucket and bulb giveaway will be given to members who attend the meeting, in person, in appreciation for their attendance. A virtual option for members to watch the meeting will be made available for viewing only. Mrs. Pennington reported that she spoke with a 150-200 group of Amish members on the topic of safe tree trimming, and the dangers of planting trees near a power line.

Jason Riggs provided the Technology and Security report. Mr. Riggs reported on the Window Server 2016 Upgrade which will allow the various vendors software to support the migration over to Server 2016. The SmartApp migration with testing of outage notifications, and callback verification was successful and 100% complete. SCADA has been upgraded and released to dispatch for control. An upgrade to the Substation Serial Server was reported as being in discussion with EKPC regarding leveraging a master RTU as a replacement for our serial servers. This project is currently in the planning phase. Intrusion and Detection Response (IDE) is currently in the deployment phase; holding on Server/Workstation upgrade to complete the honeypot security deployment. We are currently in the configuration phase of deploying new Firewall equipment for Headquarters and the substations for security purposes.

A Human Resources report was provided by Linda Foushee. Mrs. Foushee reported that Misty Froggett has been named a Member Service Representative, and will begin working on May 2.

Following a discussion, a motion was made by Mr. Smith and seconded by Mr. Martin that the financial and operating reports be approved as information presented, subject to audit. Motion carried unanimously.

The next item of business was a resolution presented by Mrs. Phelps asking for the designation of Applicant's Agent for the purpose of obtaining certain Federal financial assistance under the Disaster Relief Act, or otherwise available from the President's Disaster Relief fund for reimbursement of damages related to area tornado destruction. Following the reading of the resolution by Mr. London, a motion was made by Mr. Martin, and seconded by Mr. Sexton to name Mrs. Phelps, the Vice-President of Finance and Accounting, as the authorized agent to execute for and on behalf of Farmers Rural Electric. Motion carried unanimously. A copy of this resolution is attached to these minutes and made an official part thereof.

The next item of business was consideration to approve and renew the CFC short-term Line-of-Credit. The following resolution was presented for consideration:

RESOLVED, that the Cooperative 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 \$5,000,000.00 (the "Line of Credit Amount") subject to the provisions of the Line of Credit Agreement substantially in the form submitted to this meeting (the "Line of Credit Agreement"); and.

RESOLVED, that the individuals listed below are hereby authorized to execute and to deliver to CFC the following documents: the Line of Credit Agreement.

RESOLVED, that each of the following individuals is hereby authorized in the name and on behalf of the Cooperative to execute and to deliver all such other documents and instruments as may be necessary or appropriate, 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: President and CEO: William T. Prather.

Following, a motion was made by Mr. Faulkner and seconded by Mr. Sexton to approve the resolution as presented. Motion carried unanimously. A copy of the resolution is attached to these minutes and made an official part thereof.

The next item of business was a review of the Safety and Loss Control reports given by Mr. Lester. No incidents were reported during the month. Employees have worked 208,100 hours with no lost time incidents as of the end of March. Renovations to the Safety Demo trailer have been completed and demonstrations by our linemen have been given in Hart County at the Fairgrounds for all Hart County Elementary students. and will be presented at Metcalfe County for middle school students next week.

The next item of business was the review and consideration of bids received for three trucks that had been declared as surplus and advertised for sale to the general public. Numerous sealed bids were received. The bids were opened prior to the board meeting and summarized by Mr. Lester, Mrs. Phelps, Leah Richardson, and Shane Samson. The bids were as shown below:

Truck #94 NADA Value Range \$2,500 - \$4,500		
	Name	Bid
1	David Jackson	\$5,500
2	Stacy Birge	\$4,700
3	Weston Inman	\$4,550
4	Claywell Auto Sales	\$3,806
5	Chris Matthews	\$3,800

Thirteen bids were received. Range of Bids Received - \$900. - \$5,500.

Truck #108 NADA Value Range \$3,800 - \$5,600		
	Name	Bid
1	Chris Matthews	\$4,850
2	Weston Inman	\$4,550
3	Joe D. Austin	\$4,511
4	Greg Coomer	\$4,010
5	Claywell Auto Sales	\$3,706

Eleven bids were received. Range of Bids Received - \$1,500. - \$4,850.

Truck #112 NADA Value Range \$5,000. - \$6,000.		
	Name	Bid
1	Brent Mays	\$14,000
2	Brent Mays	\$10,000
3	Weston Inman	\$ 6,650
4	Stacy Birge	\$ 5,500
5	Thomas Car Sales	\$ 3,500

Ten bids were received. Range of Bids Received - \$1,650. - \$14,000.

Following a review of the bids, a motion was made by Mr. London and seconded by Mr. Faulkner to sell the trucks listed above to the highest bidder, and/or to accept the

next highest bidder if the original one selected decline to purchase. Motion carried unanimously.

Following these reports, Mr. Bishop, Mr. Jackson, Mrs. Phelps, Mrs. Pennington, Mr. Riggs, and Mr. Lester left the meeting.

The next item of business was the EKPC monthly report given by EKPC Director Representative, Randy Sexton. Mr. Sexton reported that EKPC's Board of Directors approved an agreement to purchase the output of a 101-megawatt solar farm, with much of the power going to a distillery served by Inter-County Energy Cooperative. This agreement is the result of a solicitation EKPC issued for proposals to provide renewable power for a new Marion County distillery, owned by Diageo, which makes Bulleit bourbon among other leading brands of spirits. The power will come from a 101-MW solar farm planned for construction in Hardin County by Stonefield Solar, LLC. About half of the farm's output will be supplied to the distillery through Inter-County and EKPC, helping meet Diageo's goal of powering the facility with 100-percent renewable energy. Global events and domestic policies are creating volatility in America's energy industry. The Ukraine war is causing Russian energy sales to be diverted away from the West. Meanwhile U.S. policy-makers' continued push for renewables and decarbonization drives uncertainty for U.S. Natural gas and coal producers, who are exporting more fuel to take advantage of lucrative overseas markets. Supply chain disruptions, uncertainty about continued tax incentives and a lengthy backlog in PJM's study process is delaying the construction and startup of a significant amount of renewable resources. EKPC's February margin was \$8.4 million below budget, primarily due to lower-than-expected net revenue, partially offset by lower-than-expected O&M expenses. The board also approved a project to replace the Spurlock Unit #1 secondary superheater outlet pendant. A copy of the EKPC board summary is attached to these minutes and made an official part thereof.

The next item of business was the KAEC monthly report given by KAEC Director Representative, Randy London. Mr. London reported on the recent legislation whereby House Bill #315 – the Broadband Bill – was passed out of committee. Members of the House and Senate leadership have been meeting in conference committee to iron out a budget for the state. The Legislature will meet again on April 13 and 14, the final two days of the 2022 Kentucky General Assembly regular session. The KAEC President reported on their transformer inventory and materials, the pole attachment tariff, Broadband, a State Park Infrastructure Update, the Strategic Planning update, the 2022 Operations calendar, outlining the key items to discuss and plan for in 2022, and the Legislative Reception which was held on March 16th at Goodwood Brewing in Frankfort. Marty Littrel gave an update on the NRECA board noting the recent PowerXchange annual meeting held in Nashville with over 6,000 people being registered for the meeting. A Finance Committee report was presented. The annual audit is currently in progress. Dewayne McDonald reported from the Safety Committee. Items discussed were, pole attachments and broadband, mutual aid, safety goals and metrics, the new lineman apprentice program, best practices, the tornado disaster relief fund, 2022 safety workshops, and safety milestones. Reports were also given by the Governance Committee, the Member Outreach Committee, and the UUS Sales and Marketing report. A copy of this report is attached to these minutes and made an official part thereof.

Next, Mr. Prather gave a report of the President and CEO. Items discussed were a Kentucky Public Service Commission update, a solar project at the Glasgow Landfill, the

Landfill Generator which was taken offline on February 21 for a major overhaul, and EV Electric Rate Discussion with Est Kentucky Power Cooperative. A copy of the President's report is attached to these minutes and made an official part thereof.

For the next item of business, Mr. Woodford Gardner noted there was nothing new to report in relation to attorney/cooperative activity.

The next item of business was to select/appoint the Voting Delegate and Alternate for the 2022 East Kentucky Power Annual meeting which will be held on June 14th. No guests are allowed to attend the meeting due to the Covid pandemic restrictions. A virtual option will be available for participation. Following discussion, a motion was made by Mr. Smith, and seconded by Mr. Faulkner to name Mr. Martin as the Voting Delegate, and Mr. Hawkins as the Alternate Voting Delegate. Motion carried unanimously.

The next item of business was the appointment of a Director representative for the East Kentucky Power Cooperative's board of directors for the term of July 2022 – June 2023. Following discussion, a motion was made by Mr. Faulkner, and seconded by Mrs. Williams to name Mr. Sexton as the EKPC Director representative. Mr. Sexton was selected to complete another term, as he is in his fourth year of sitting on the EKPC board.

Next, the directors reviewed the quarterly director and CEO expenses. Following review, a motion was made by Mr. Faulkner and seconded by Mrs. Williams to approve the expenses as presented. Motion carried unanimously.

The next item of business was a discussion pertaining to the Grassroot Committee meetings which were postponed in 2021 due to the Covid pandemic and restrictions. Following discussion, the dates set forth for the meetings are: Barren County – June 2nd, Hart County – June 9th, and Metcalfe County – May 24th. Management will send out an invitation to the names originally submitted, coordinate with venues and food preparation, and will collect an RSVP number.

Next, a discussion was held on the process for moving forward with the recent results from the Governance Assessment for the FRECC board of directors. The board brainstormed ideas, and discussed taking one topic a month from Mr. Luecal's recommendations to begin addressing. At next month's meeting, the recommendations will be prioritized so that the most important recommendations are considered first.

The next item of business was a review and reaffirmation of the following policies with management recommended updates and edits: Policy #102 – Travel/Expense Reimbursement for Directors; Policy #217 – Travel/Expense Reimbursement for Employees; Policy #403 – Safety, and #411 – Temporary Investments. The policies with the recommended updates and edits are attached to these minutes. Following discussion, a motion was made by Mr. Faulkner and seconded by Mr. Sexton to approve the above listed policies with updates and edits as recommended by the FRECC management staff. Motion carried unanimously. Copies of these policies are attached to these minutes and made an official part thereof.

Next, Policy #404 - Records Management, and Policy #212 Holidays were presented with no changes being recommended by the management staff. Following

discussion, a motion was made by Mr. Sexton, and seconded by Mr. Martin to reaffirm the above-mentioned policies as presented. Motion carried unanimously.

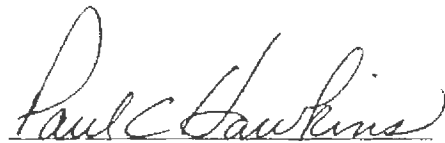
Other business discussed was a telephone call Mr. Smith had recently received from a member with concerns about an account transfer recently from his son's name into the name of his step-granddaughter. No other action was necessary.

Agenda items for next month:

- Governance recommendations to be prioritized
- Selection of the CFC Voting Delegate

Next, a motion was made by Mr. Sexton, and seconded by Mrs. Williams to go into Executive Session. Motion carried unanimously.

Upon return from Executive Session, Chairman Hawkins declared the meeting adjourned at 6:50 p.m.


Paul Hawkins, Chairman


Randy London, Secretary/Treasurer

A regular monthly meeting of the Board of Directors of Farmers Rural Electric Cooperative Corporation was held on May 19, 2022. The meeting was held in the FRECC Operations Center Conference Room. Chairman Paul Hawkins called the meeting to order at 2:30 p.m.

In attendance were:

Paul Hawkins	William T. Prather, President & Chief Executive Officer
Cornelius Faulkner	Linda Foushee, Human Resources/Executive Assistant
Ronnie Smith	Jennie Phelps, Vice-President of Finance
Randy London	Caralyne Pennington, Director of Member Communications
C. F. Martin, Jr.	Corey Jackson, Vice-President of Member & Corp. Services
Brandi Williams	Chuck Bishop, Vice-President of Engineering
Randy Sexton	Scott Lester, Vice-President of Operations
	Woodford L. Gardner, Jr., Attorney-at-Law

Mrs. Williams attended the board meeting virtually as she was on vacation in Hawaii.

An introduction was made by Corey Jackson of the newly named Member Service Representative, Misty Froggett. Following the introduction, Mrs. Froggett left the meeting.

An invocation was given by Mr. Sexton.

Chairman Hawkins requested Ronnie Smith, Vice-President of the board of directors, to preside over the meeting, as a health issue was affecting his speaking ability. Following which, Vice-President, Smith presided.

The first item of business was the review, adoption, and approval of the agenda. Mr. Faulkner moved approval of the agenda as presented, with a second by Mr. Martin. There was no discussion. The agenda was approved unanimously.

The next item of business was the approval of the Consent Agenda containing the previous board meeting minutes, new and refunded memberships, and unpaid accounts to be written off as uncollectible. There were no questions, concerns, or corrections related. As such, a motion was made by Mr. Sexton and seconded by Mrs. Williams to accept the Consent Agenda items as presented. Motion carried unanimously.

The next item of business was a review of the Financial and Operating reports for April 2022 given by the management staff. Mrs. Phelps presented the financials. The month of April resulted in an operating loss of \$108,035. It is not unusual for Farmers to have an operating loss in April. In fact, Farmers budgets for a loss and an operating loss of \$140,545 occurred in April 2021. Year-to-date operating margins totaled \$703,639, a \$152k decrease from the prior year. Farmers continues to see higher power bills, along with higher transportation costs. For January through April 2022, from Keystops LLC, Farmers purchased 21,094 gallons or \$81,004 of fuel. Last year, for the same period, Farmers purchased 21,593 gallons or \$50,781. In April, Farmers received payments for the sale of four surplus vehicles. The total gain on those trucks was \$58,550. Also, in

April, Farmers reported the first quarter earnings of \$455,494 for Farmers Energy Propane Plus, LLC. Also, Farmers received \$4,623 dividend on its investment in Envision.

Next, Mr. Bishop provided the Engineering report. Mr. Bishop reviewed the April 2022 monthly outage causes, the year-to-date outage causes, and the reliability reports. Mr. Bishop also discussed the Kentucky Public Service Commission's data requests pertaining to joint use pole attachment tariffs. The generator testing at the pole yard was completed by the Division of Air Quality, and the results have not yet been received, but no issues were noted during the test. Farmers is waiting to receive transformers which were ordered, and have been informed they should arrive in June. Supply chain issues were discussed.

The next item of business was an Operations report given by Scott Lester. Mr. Lester noted they will be changing out a total of 100 reclosers this year, and 42 thus far have been taken down, and sent off for maintenance. The System Inspectors are currently inspecting the circuits out of the Temple Hill substation. They have completed 70% of the three-year inspection of all pad-mount transformers. The Operations department recently started the process of visiting selected inactive accounts in order to verify if there are any transformers or meters which can be recovered. This is helping to clean up some old equipment and to recover and reuse good equipment. It was reported that fifty-five transformers have been brought in so far. Great Southwestern Construction has placed a full-time crew on changing out poles. It was reported that 145 poles have been changed out this year. Townsend Tree Service is working right-of-way in the Goodnight-Hiseville area. A&G is working in the Munfordville-Cub Run area, and is starting the Goodnight-Country Club area. Sage will start the annual herbicide spraying in mid-May. Safety demonstrations were completed on April 14th for Hart County, and on April 28th for Metcalfe County schools. Apprentice Linemen Thomas Wilson, and Isaac Jones have completed their six-month introductory period performance evaluations.

The next item of business was a billing summary given by Vice-President of Member and Corporate services, Corey Jackson. Mr. Jackson reviewed the monthly Member Services Accounts Receivable report. It was reported that the Community Action and Community Relief Programs are currently assisting residents having financial difficulties with payment of their utility bills. Farmers has received \$363,000 from Community Action to pay member-owners bills, with \$65,000 outstanding in account receivables. Community Action will pay up to \$200 on an account, and Community Relief will pay up to \$1,200 per year in utility assistance.

Caralyne Pennington provided the Member and Public Communications report. The 2022 FRECC Annual meeting is slated for July 7 at the Cave City Convention Center and she has been planning the program accordingly. Mrs. Pennington reported post cards have been mailed to member-owners pertaining to a voltage conversion which has been scheduled for next week. The Honor Flight program for veterans, which FRECC sponsors, will take place September 17, 2022. Due to the pandemic restrictions in 2020-21, the Honor Flight program was canceled. As a result, Farmers' will be sending last year's selected veterans. Mrs. Pennington reported on the Co-Bank Sharing Success program that the cooperative participated in last year. Co-Bank will match donations made by the cooperative. Following discussion, a motion was made by Mr. Faulkner, and seconded by Mr. Smith to participate in the Co-Bank Sharing Success program with \$1,000 each for

Barren, Hart, and Metcalfe counties, and \$500 for the Reads and Feeds program. Motion carried unanimously.

Following a discussion, a motion was made by Mr. Hawkins and seconded by Mr. C. F. Martin that the financial and operating reports be approved as information presented, subject to audit. Motion carried unanimously.

The next item of business was a review of the 2022 first quarter (January – March 2022) RUS Summary of Construction by Mrs. Phelps. The cooperative is requesting \$1,482,857.60 in construction costs to be submitted for reimbursement by loan funds from the Rural Utilities Service. Following review, a motion was made by Mr. Faulkner, and seconded by Mr. Sexton that the report be approved and submitted to RUS for borrowing. The motion carried unanimously.

The next item of business was a review of the Safety and Loss Control reports given by Mr. Lester. No incidents were reported during the month. If employees continue to work safely, as of June 4th they will have worked two years since the last lost-time incident. Currently, employees have worked 218,043.53 hours safely as of the end of April. A new, secure entry gate has been installed at the FRECC headquarters, as the previous gate was damaged by a vendor's truck which rolled forward unexpectedly. Safety Committee updates were given. They discussed the proper pole inspection procedure, and covered the KAEC best practices for proper towing and hauling of trailers.

Following these reports, Mr. Bishop, Mr. Jackson, Mrs. Pennington, and Mr. Lester left the meeting.

The next item of business was a review of the 2021 IRS Form 990. Mrs. Phelps led the discussion. Farmers RECC is a tax-exempt corporation under 501(c)(12). The Form 990 is presented on a consolidated basis with Farmers RECC and its subsidiary, Farmers Energy Propane Plus. A cooperative that is exempt under 501(c)(12) must receive 85% or more of its income from its members. Mrs. Phelps reported that Farmers received 97.03% of its revenues from its members. Mrs. Phelps also discussed the Compensation of Officers and Directors report. Since Farmers Energy Service Corporation was dissolved in June 2018, Farmers RECC must now report and pay the federal taxes for Farmers Energy Propane Plus on the IRS Form 990-T. The tax liability for 2021 totaled \$68,931. Following a discussion, a motion was made by Mr. Martin and second by Mr. Sexton that the 2021 IRS Form 990 be approved as submitted. Motion carried unanimously.

Following this report, Mrs. Phelps left the meeting.

The next item of business was a request from CFC for the Cooperative to participate to the Cooperative System Integrity Fund. Mr. Prather led the discussion. The Cooperative System Integrity Fund is a fund which is set aside for territorial fights, etc. Following discussion, a motion was made by Mr. Faulkner to participate in the CSIF at 5% of the 2022 patronage capital refund. This motion was seconded by Mrs. Williams and was unanimously voted in the affirmative.

The next item of business was a review and discussion led by Mr. Prather of the RUS Form 300 – System Operations and Maintenance Assessment. This assessment report is completed by Mike Norman, the RUS Field Representative. The review is performed every four years. All areas received a satisfactory rating this time with no additional action required, except for foreign structures on overhead distribution lines, and attachments. These areas were noted as acceptable; but could use some improvement. The explanatory notes on the report stated a program is underway to remove old poles left next to newly-replaced poles. Mr. Prather explained that cable television and broadband attachments require constant monitoring and follow-up to ensure code requirements are met, and it is very difficult to get some of the attaching companies to move their equipment to new poles in a timely manner. No action from the board was necessary.

The next item of business was the EKPC monthly report given by EKPC Director Representative, Randy Sexton. Mr. Sexton reported that EKPC's March margin of \$1.8 million was \$2.6 million over the budgeted margin, primarily due to lower-than-expected operating and maintenance expenses, partially offset by lower-than-expected net revenue. Year-to-date margins through March was \$11 million under budget largely due to lower-than-expected operating and maintenance expenses, offset by lower-than-expected net revenue. The cost to member systems for March was below target. The Standard and Poor's Rating Services affirmed EKPC's "A" credit rating with a stable outlook. The Director of Information Technology, Greg Justice, updated the Board on the various steps EKPC has taken to combat cyber-attacks, and prevent infiltration. They are using Rapid7 for cyber testing, which is the company Farmers has used. A copy of the EKPC board summary is attached to these minutes and made an official part thereof.

The next item of business was the KAEC monthly report given by KAEC Director Representative, Randy London. Mr. London reported the meeting was held on June 17 at KAEC headquarters in Louisville, KY. Jim Weichert, representing Power System Engineering, has been placed on retainer to assist in writing grants for cooperatives. Hydrogen projects were discussed as to how they can be used in the future as opposed to Natural Gas. It was announced at the meeting that Barry Myers, longtime CEO of Taylor County RECC, is retiring. Supply chain issues were discussed. The KAEC audit report received a clean opinion. A copy of the KAEC board summary is attached to these minutes and made an official part thereof.

Next, Mr. Prather gave a report of the President and CEO. Items discussed were the status of the landfill generator which is back on-line; but running at a diminished level due to problems with the landfill. The air permit testing with the State of Kentucky will take place on May 20th. Power plant tours at the Cooper Power Station and the landfill took place on May 10th, and May 26th. Nineteen employees, approximately 1/3 of the FRECC workforce participated in the tour. Invitations went out in the mail on May 2nd for potential member participants to the three Grassroots Committee groups. A good response has been received. PSE Engineering has been engaged by KAEC to understand the content of the recently passed Infrastructure Investment and Jobs Act. The Act has many aspects involving electric grid reliability and resiliency, electric vehicles, broadband, etc. The Annual Meeting of Members formats from various cooperatives was discussed. A copy of the President's report is attached to these minutes and made an official part thereof.

For the next item of business, Mr. Woodford Gardner presented the Attorney's report. Mr. Gardner reported that he presided at the FRECC Nominating Committee on May 3, 2022. Mr. Gardner also worked with East Kentucky Power Cooperative with an annual background check verification process with "HireRight" for Randy Sexton, allowing him continuance as an EKPC director. Mr. Gardner prepared and mailed to FRECC an attorney opinion letter stating Mr. Sexton meets the annual East Kentucky Power Cooperative's requirements to serve on the EKPC board of directors. Mr. Gardner additionally assisted management with some capital credit issues regarding a dispute with heirs, in addition to working with Vice-President of Member and Corporate Services on another estate issue involving four accounts.

The next item of business led by Mr. Gardner was a discussion of the Report of the Nominating Committee meeting, of which a copy was included in the board's monthly meeting information. The meeting was held at the Cooperative's office on May 3, 2022. Participating in the meeting were all Nominating Committee members, Mr. Gardner, Mr. Prather, Cindy Greer, and Mrs. Foushee. Cindy Greer, with Campbell, Myers, and Rutledge, PLLC, served as the Election Provost. As a part of the meeting, Mrs. Greer reported she received letters from the two incumbent directors, Cornelius Faulkner and Paul Hawkins, asking the Provost to forward and communicate their letters to the members of the Farmers Rural Electric Cooperative Corporation's Nominating Committee for consideration as nominees in District I and II for their expiring terms as a board member. The letters requested the Nominating Committee to consider qualifications and experience, and nominate each of them. Mr. Gardner reviewed the Nominating Committee's responsibilities and presided over the selection of the Committee Chairman and Secretary. Mr. Prather provided the committee with a review of the cooperative and the past year's operations. Both Mr. Faulkner and Mr. Hawkins were nominated to serve in District I and District II, respectively, and the Report of the Nominating Committee will be posted in the FRECC lobbies. Mr. Sexton moved that the Nominating Committee's report and action be approved, with a second by Mr. Martin. The motion carried unanimously. A copy of the Nominating Committee report is attached to these minutes and made an official part thereof.

The next item of business was to select/appoint the Voting Delegate and Alternate for the 2022 CFC Annual meeting. Following discussion, a motion was made by Mr. Faulkner, and seconded by Mr. Martin to nominate Mr. Randy Sexton as the CFC Voting Delegate, and Mr. Bill Prather as the Alternate Voting Delegate. Motion carried unanimously.

Next, a continued discussion was held regarding the process of the board of directors for moving forward with an individual item review of Mr. Luecal's Governance Assessment report. Recommendations were reviewed and prioritized, via poll of the directors, with the most important recommendations to be considered and studied first. After review, it will be noted in future board meeting minutes which recommendations have been studied and implemented.

Following are the eight governance assessment areas in the order ranked collectively by the board of directors to discuss at future board meetings:

1. Bylaws - a review of questions and suggestions

2. Board Election Process - fairness and member participation
3. Governance Policies - a review of questions and suggestions
4. Governance Transparency via the Cooperative's Web Site – governance related information and documents
5. Independent CPA Auditor - No policy exists
6. Board Training and Education - the pursuit of training and education
7. Diversity, Equity and Inclusion - launching and commitment to Grassroots Committee
8. Board Meetings, Board Agenda and Content - improved board decision making and oversight with changes to agenda and content.

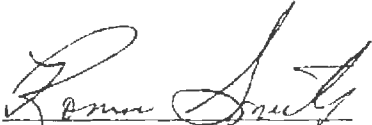
Other business discussed was a summary of the Farmers Propane meeting which was held on April 28, 2022. The 1st quarter Profit and Loss statement revealed a \$425,666 profit which was \$109,000 greater than in 2021. The Propane company has a 4,345 total customer count. Johnny Hatcher has retired, and a new branch manager will be named.

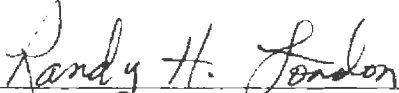
Other business discussed was former CEO of KAEC, Ron Sheets, has moved to an assisted living facility in Lexington and sends his greetings to the board.

Agenda items for next month:

- Executive Session
- Bylaw review

Vice Chairman Smith declared the meeting adjourned at 5:00 p.m.


Ronnie Smith, Vice Chairman


Randy London, Secretary/Treasurer

A regular monthly meeting of the Board of Directors of Farmers Rural Electric Cooperative Corporation was held on June 16, 2022. The meeting was held in the FRECC Operations Center Conference Room. Chairman Paul Hawkins called the meeting to order at 2:30 p.m.

In attendance were:

Paul Hawkins	William T. Prather, President & Chief Executive Officer
Cornelius Faulkner	Linda Foushee, Human Resources/Executive Assistant
Ronnie Smith	Jennie Phelps, Vice-President of Finance & Accounting
Randy London	Caralyne Pennington, Director of Member Communications
C. F. Martin, Jr.	Scott Lester, Vice-President of Operations
Brandi Williams	Chuck Bishop, Vice-President of Engineering
Randy Sexton	
Woodford L. Gardner, Jr., Attorney-at-Law	

Woodford L. Gardner, Jr., Attorney-at-Law participated in the board meeting by conference call due to an illness.

The invocation was given by Mr. London.

The first item of business was the review, adoption, and approval of the agenda. Mrs. Williams moved approval of the agenda as presented, with a second by Mr. Faulkner. There was no discussion. The agenda was approved unanimously.

The next item of business was the approval of the Consent Agenda containing the previous board meeting minutes, new and refunded memberships, and unpaid accounts to be written off as uncollectible. Discussion was held relative to the higher write offs noted for January and February, but was understandable due to the winter weather. Following discussion, a motion was made by Mr. Martin, and seconded by Mr. Smith to accept the Consent Agenda items as presented. Motion carried unanimously.

Next was a review of the Financial and Operating reports for May 2022 given by the management staff. Mrs. Phelps presented the financials. Year-to-date operating margins totaled \$632,148, a \$235k decrease from the prior year. Costs in purchased power and general expenses continue to rise due to increased generation fuel costs and inflation. Mrs. Phelps and Mr. Prather discussed Farmers debt portfolio and interest rates. Also, in May, Farmers received 41% or \$80,170.05 of its FEMA reimbursement for the December 2021 storm.

Next, Mr. Bishop provided the Engineering report. Mr. Bishop reviewed the May 2022 monthly reliability reports. Mr. Bishop also reviewed the monthly Engineering report which included the status on the Construction work plan projects (a wire change/voltage conversion on Highway 88), the status of Great Southwestern Construction crews, noting a single crew has been released for conducting assistance with storm work in Florida, and an update on the pole attachment tariff. Mr. Bishop reported that the official diesel generator testing report was received from Lemos Labs and the report has been filed with the State of Kentucky. This testing will meet compliance regulations for another three years. Starting June 1, 2022, FRECC will begin collecting documentation on asset installs/changes/removals via the FieldPro software product, eliminating the need for paper used for these tasks. The

Engineering department is working with East Kentucky Power Cooperative on a project to clean up feeder phase designations to help with SCADA information, OMS information, and to minimize operational issues. As part of the FRECC Reliability Plan, fifty potential new fuse locations sites have been identified and passed to Operations for completion in 2022.

The next item of business was an Operations report given by Scott Lester. Mr. Lester noted that Operations personnel will be adding fuses to fifty taps this year, and one hundred reclosers will be changed out for maintenance this year. Forty-two have already been completed. Regarding line maintenance projects, the System Inspectors are currently inspecting the circuits which originate out of the Temple Hill Substation. They have also completed 91% of the three-year inspection on all underground pad mount transformers. Forty-three poles have been replaced in the month of May with Great Southwestern changing out six of those. Year-to-date, 188 poles have been replaced. Townsend Tree Service is working on the Goodnight-Hiseville circuit clearing, and is 99% complete. A&G is working in the Munfordville-Cub Run area, and is 65% complete. Sage has started herbicide spraying on the Galloway circuit. Under the safety report, it was noted that flagger training was completed with six linemen on May 26, 2022. A safety demonstration was given to South Central Rural Telephone on May 19, 2022. Federated Rural Electric Insurance Exchange will visit the cooperative on June 21, 2022 for a safety audit. Annual fire extinguisher inspections will be completed on June 23, 2022. An Operations department personnel update was given. Thomas Wilson and Isaac Jones will attend the TVPPA Apprentice Lab #1 on June 20-24, 2022. All Farmers RECC CDL holders will have completed their Medical Certifications by June 17, 2022.

Caralyne Pennington provided the Member and Public Communications report. The 2022 FRECC Annual meeting is slated for July 7 at the Cave City Convention Center and she reported that twenty-six scholarship applicants have applied, and are currently registered. Cornelius Faulkner congratulated Mrs. Pennington on her recent presentation to the Rotary Club.

Linda Foushee gave the Human Resources/Executive Assistant report. Mrs. Foushee noted Member Service Representative, Jessica O'Banion submitted her resignation, and her last day of employment was today. Ms. O'Banion plans to move out of state. The FRECC hospitality room at the annual meeting was discussed. Plans are to continue maintaining the room for FRECC workers and guests as has been done in the past.

Following a discussion, a motion was made by Mr. Faulkner and seconded by Mr. Sexton that the financial and operating reports be approved as information presented subject to audit. Motion carried unanimously.

The next item of business was consideration to approve resolutions presented authorizing the amendment and restatement of the NRECA Retirement Security and 401(k) pension plans. The directors received these resolutions in their monthly board packet prior to the meeting. Following a discussion led by Mrs. Phelps, a motion was made by Mr. Sexton, and seconded by Mr. Smith to accept the resolutions as presented. Motion carried unanimously. A copy of these resolutions is attached to these minutes, and made an official part thereof.

The next item of business was a review of the Safety and Loss Control reports given by Mr. Lester. No incidents were reported during the month. Workers have continued to work safely, and as of June 4th they have worked two years since the last lost-time incident and have completed 228,048.03 work-hours thru the month of May. Safety Committee updates were given which included a report stating the eight safety committee members inspected the warehouse, fleet, pole yard, and office areas as part of an internal inspection. During this audit, some old slings were found without a rating label, which have since been discarded, and replacement slings have been ordered. The internal inspections are conducted every four months.

Following these reports, Mr. Bishop, Mrs. Phelps, Mrs. Pennington, and Mr. Lester left the meeting.

The next item of business was the EKPC monthly report given by EKPC Director Representative, Randy Sexton, and C. F. Martin, Jr. Mr. Martin and Mr. Sexton gave a review of their attendance at EKPC's Annual meeting. Mr. Sexton reported that EKPC's year-to-date margin in April was under budget by \$5.4 million largely due to lower-than-expected net revenue, partially offset by lower-than-expected operation and maintenance expenses. The cost to member systems was slightly above the target for the month, but remains below target for the year. It was additionally reported that Fitch Ratings affirmed EKPC's credit rating of "BBB+" in May. The fuel adjustment charge (FAC) for coal is \$12.93 per ton higher than one year ago. Foresight, a major coal supplier to EKPC, recently communicated that it did not intend to honor their coal contract past June 2022. EKPC attorneys have been working feverishly to see that the contract is honored. At this time, an agreement for full delivery has been reached and paperwork is being prepared to solidify the agreement. A new attorney, who will serve as Board and General Council, has been hired for EKPC, but the name has not been released at this time. A copy of the EKPC board summary is attached to these minutes and made an official part thereof.

The next item of business was the KAEC monthly report given by KAEC Director Representative, Randy London. Mr. London reported no meeting has occurred since the last FRECC board of directors meeting.

Next, Mr. Prather gave a report of the President and CEO. Items discussed were the status of researching the products available for electronic board books, the review and updating of the right-of-way contracts and policy, and a review of the recent Member Grassroots Committee meetings. A copy of the President's report is attached to these minutes and made an official part thereof.

For the next item of business, Mr. Woodford Gardner presented the Attorney's report. Mr. Gardner reported that he has worked with Mr. Prather and Attorney Park Priest pertaining to right-of-way contracts. Additionally, he has worked with Mrs. Phelps on Kentucky Public Service cases, and language on a subordination agreement pertaining to one of the HowSmartKy loans.

The next item of business was to select/appoint the Voting Delegate and Alternate for the 2022 KAEC Annual meeting which will be held August 15-16, 2022, at the Marriott Hotel in Louisville, KY. Following discussion, the board appointed and voted unanimously for Mr. Sexton to serve as the Voting Delegate, with Mr. Smith serving as the Alternate Voting Delegate.

Following which, the next item of business was to select the 2023-2024 KAEC Director representatives. Following discussion, a motion was made by Mr. Martin to nominate Ronnie Smith as the Director representative for KAEC for 2023-2024, and Mr. Prather as the CEO-Director representative. This motion was seconded by Mr. Faulkner and was unanimously voted in the affirmative.

The next item of business was a review of the Grassroots Committee meetings. Mr. Prather and the directors commented on the individual meetings, and reported the meetings were well attended and enjoyed by those invited. Further discussion will occur as to the content for future meetings.

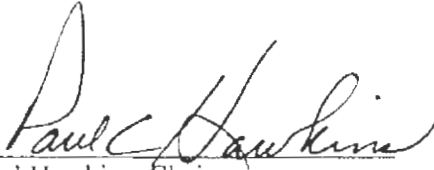
A review of the Cooperative Bylaws was initiated. As part of the review, Article 1 and 2 were reviewed with various items being discussed and noted for possible change. The Bylaw review will continue until all sections have been examined and updated where needed.

Agenda items for next month:

- Article III of the Bylaws
- Board Officer Elections next month
- Executive Session

The next item of business was a motion made by Mr. Smith to go into Executive Session. This motion was seconded by Mr. Sexton and was unanimously voted in the affirmative.

Upon return from Executive Session, Chairman Hawkins declared the meeting adjourned at 5:35 p.m.


Paul Hawkins, Chairman


Randy London, Secretary/Treasurer

A meeting of the Board of Directors of Farmers Rural Electric Cooperative Corporation was held on July 21, 2022. The meeting was held in the FRECC Operations Center Conference Room. Chairman Paul Hawkins called the meeting to order at 2:30 p.m. and Mr. Smith gave the invocation.

In attendance were:

Paul Hawkins	Bill Prather, President/CEO
Cornelius Faulkner	Jennie Phelps, VP of Finance
Ronnie Smith	Chuck Bishop, VP of Engineering
Randy London	Caralyne Pennington, Director – Mbr./Public Comm.
C. F. Martin, Jr.	Corey Jackson, VP of Member and Corporate Services
Brandi Williams	Linda Foushee, HR/Executive Assistant
Randy Sexton	Scott Lester, VP of Operations
Woodford Gardner, Attorney	Jason Riggs, VP of Technology & Security

The first item of business was the review, adoption, and approval of the agenda. Mr. Faulkner moved approval of the agenda as presented, with a second by Mr. Martin. There was no discussion. The agenda was approved unanimously.

The next item of business was the certification of the 2022 Director Election results. Chairman Hawkins requested that Attorney Woodford L. Gardner preside over the director election certification, seating of directors, and officer elections. Mr. Gardner reviewed a letter from Cindy L. Greer, CPA and Provost for the 2022 director election, in which she certified the results of said election. Mrs. Greer stated in her letter that since the following were unopposed in their bid for re-election, pursuant to the Cooperative's Bylaws, it was not necessary for ballots to be mailed, therefore, Mr. Faulkner, representing District I – Barren, Edmonson, and Warren Counties, and Mr. Paul Hawkins, representing District II – Hart, Grayson, Larue, and Hardin Counties were elected for the ensuing three years or until their successors have been chosen and duly qualified.

For the next item of business, a motion was made by Mr. Smith and seconded by Mr. Sexton to approve the seating of Mr. Cornelius Faulkner, representing District I, and Mr. Paul Hawkins, representing District II, as directors on the board of Farmers Rural Electric Cooperative Corporation. Motion carried unanimously.

The next item of business was the annual review of FRECC Policy #100 – Director Duties, Responsibilities, Standards of Conduct, and Professional Development, led by Mr. Gardner. Following the review, each director signed and submitted the annual affirmation of receipt, understanding of, and support for Policy #100.

For the next item of business, Mr. Gardner declared all offices of the board vacant and declared the floor open for nominations for the position of Board Chairman. Mr. Smith moved to nominate Mr. Paul Hawkins for the position of Board Chairman. Mr. Gardner called for the submission of other nominees to consider. There being none, Mr. London moved that nominations cease, and Mr. Paul Hawkins be re-elected as Board Chairman by acclamation. This motion was seconded by Mr. Sexton, and was carried unanimously.

Mr. Gardner declared the floor open for nominations for the position of Board Vice-Chairman. Mr. Sexton moved to nominate Mr. Smith for the position of Vice Chairman. Mr. Gardner called for the submission of names of other nominees to consider. There being none, Mr. Hawkins moved that nominations cease, and Mr. Ronnie Smith be re-elected as Vice-Chairman by acclamation. This motion was seconded by Mr. London, and was carried unanimously.

Mr. Gardner declared the floor open for nominations for the position of Board Secretary/Treasurer. Mr. Martin moved to nominate Mr. London for the position of Secretary/Treasurer. Mr. Gardner called for the submission of names of other nominees to consider. There being none, Mr. Sexton moved that nominations cease, and Mr. Randy London be re-elected as Secretary/Treasurer by acclamation. This motion was seconded by Mr. Faulkner, and was carried unanimously.

Following the above-mentioned elections, Mr. Hawkins assumed the position of Board Chairman and continued the meeting.

The next item of business were the consent agenda matters which were presented for approval. There were no questions, concerns, or corrections related to the previous meeting minutes, new and refunded memberships, or unpaid accounts to be written off as uncollectible accounts. As such, a motion was made by Mr. Smith and seconded by Mr. Martin to accept the consent agenda items as presented. Motion carried unanimously.

The next item of business was a review of the Financial and Operating reports for June 2022 given by the management staff. Mrs. Phelps presented the financials. The month of June resulted in an operating loss of \$48,807 and a year-to-date total margin of \$1,003,184. In June, Farmers recorded a \$206,797 reduction in its Farmers Energy Propane Plus equity, reflecting the typical 2nd quarter losses for the propane organization. However, year-to-date, Farmers Energy Propane Plus, LLC has net margins of \$255,420, an \$150k increase over the prior year. For Farmers, year-to-date operating margins totaled \$583,341, a \$195k decline from the prior year. Mrs. Phelps provided pie charts showing the cost percentage breakdown between 2021 and 2022. The cost of purchased power accounted for 72.8% of the cost breakdown for 2022. That is due to EKPC's October 2021 rate increase, but more prominent, the \$4M cost increase of the fuel adjustment clause. Mrs. Phelps also noted that operation and maintenance expenses have increased \$133k over the prior year. The cooperative has experienced increased costs from various vendors due to the 9.1% national inflation rate and supply shortages. On June 30, 2022, Farmers changed a portion of its variable rate loans, \$7.394M, to fixed rates due to recent Federal Reserve action in raising interest rates. Rates were locked in at 3.314% to 3.333% depending on their maturity date. The current debt portfolio stands at 14.2% variable. The variable rates, for the 3rd quarter, were 1.8%, which is the highest variable rate since 4th quarter 2019. Mrs. Phelps commented that 10 years ago the blended interest rate on debt was 4.60%. As of June 30, 2022, the blended interest is 2.62%. Mr. Phelps predicted that the blended portfolio rate will be closer to 3% by the end of the year.

Vice-President of Operations, Scott Lester, provided the board with the monthly Operations report. Under reliability projects, it was mentioned that FRECC Operations department personnel will be adding fuses to fifty unfused taps this year, and changing out a total of 100 reclosers for maintenance, in compliance with our maintenance and reliability plan. A power line crossing of Nolin Lake, near the Dog Creek area, was removed two

weeks ago. This lake crossing was the scene of a small aircraft crash approximately twenty years ago. The line had marker balls installed, but was difficult to maintain as the balls were frequently vandalized by gunfire and had to be replaced. The decision was made to reroute the line and put it underground on the opposite side of the lake to eliminate the crossing.

Under Line Maintenance projects, the System Inspectors have completed 95% of the periodic inspection on all pad mount underground transformers. Personnel have continued the review of inactive locations in order to recover equipment (transformers/meters) which can be used elsewhere on the system. As a result of this effort, 127 transformers have been recovered. A&G is working the Munfordville-Cub Run circuit, and is 65% complete. They have started the Goodnight-Country Club circuit, and are 30% complete. Sage has begun herbicide spraying, and is 30% complete. Federated Rural Electric Exchange has rescheduled their annual safety audit for August. The annual fire extinguisher inspections were completed on June 23, 2022. Thomas Wilson, and Isaac Jones have completed the Tennessee Valley Public Power Associations Apprentice Lab #1, and Jeremiah England, Dustin Johnson, and Kyle Coomer will be attending the TVPPA Advance Lineman Training program on July 27-29. Mr. Lester concluded his report with a review of last night's significant storm and power outages. As of this afternoon's board meeting, Farmers' is down to seven outages, after linemen worked through the night. There were two crews from Great Southwestern that assisted with restoration efforts. Mr. Lester reported that the linemen did a very good job during the storm with restoration time and efforts, while working safely.

Director of Member and Public Communications, Caralyne Pennington, discussed in review the positive results of the FRECC Annual meeting. A new Farmers Rural Electric Corporate website will be available beginning August 1st. Checks are being prepared for distribution to the schools for support of their backpack food programs, partially funded through the Co-Bank Sharing Success program.

Vice-President of Member and Corporate Services, Corey Jackson, reported that Patti Wilson, and Jennifer Hatcher who work at the Munfordville Service Center, have both submitted their resignation effective October 30, 2022. Plans are to immediately begin advertising to find replacement Member Service Representatives. All else had been proceeding fine in spite of the very hot summer weather and elevated electric bill amounts.

Vice-President of Technology and Security, Jason Riggs, presented the Technology report. Plans to implement more cyber security infrastructure were discussed. Information Technology projects were reviewed, which included, currently working with various vendors to upgrade their software to support migration to Server 2016, and discussions are being held with EKPC regarding the utilization of substation RTUs as replacements for existing serial servers. This project is currently in the planning phase. Seven Sierra Wireless RV55 devices with FirstNET service were deployed and will act as a pilot for FirstNET. FRECC dispatchers have moved to the new system control room, located in the previous meter lab area. One recent security project noted was the implementation of the enterprise password manager for use by employees. Implementation of Managed XDR (Extended Detection and Response) for additional security context is 40% complete. Work is also being done to implement a continuous data monitoring platform to specifically address security-related concerns with the Distributed Network Protocol (DNP3) and Multispeak protocol, in an attempt to identify and warn of possible breaches in real time.

This project is 30% complete. A Technology and Security board report was reviewed showing the daily security attacks on our system from June 1, 2022 – June 30, 2022. The attacks were shown by originating country, and severity.

The next item of business was consideration to update the authorized agents for the FRECC Special Construction bank account. The resolution below was presented to the directors for review prior to the board meeting:

BE IT RESOLVED, that the Board of Farmers Rural Electric Cooperative Corporation authorizes the removal of Freddie Button, and Neil Pendygraft as authorized agents for the Cooperative in regards to Edmonton State Bank Account Number 510769 – Special Construction Account.

BE IT RESOLVED, that the Board of Farmers Rural Electric Cooperative Corporation authorizes the approval of Brandi Williams and Cornelius Faulkner as authorized agents for the Cooperative in regards to Edmonton State Bank Account Number 510769 – Special Construction Account.

It was noted that former FRECC director Mr. Freddie Button is deceased, and Mr. Neil Pendygraft retired from serving as a director.

Following discussion, a motion was made by Mr. London, and seconded by Mr. Martin to approve the above resolution as submitted. Motion carried unanimously. A copy of this resolution is attached to these minutes, and is made an official part thereof.

The next item of business was a review of the sealed bid offers for Vehicle #98 – the 2007 Nissan Maxima automobile which was used as the CEO’s company vehicle. The NADA value for this vehicle is \$2,917.00. The bids submitted are as followed:

Suzie Endicott	\$3,502.00
Ben Greenwell	\$2,881.00
Telisha Logsdon	\$2,801.00
Garrett Crowe	\$2,550.00
Telisha Logsdon	\$1,851.00
Jeremiah England	\$1,500.00
Charles Williams	\$1,200.00

Following a discussion, a motion was made by Mr. Smith, and seconded by Mr. Faulkner to accept management’s recommendation for the high bidder, Suzie Endicott, in the amount of \$3,502.00. If Ms. Endicott declines the offer, the bid will go to the second Bidder, Ben Greenwell in the amount of \$2,881.00. Motion carried unanimously.

The next item of business was a review of the Safety and Loss Control Report given by Scott Lester. Mr. Lester reported that employees have worked 238,258 hours as of the end of June with no lost time accidents. If employees continue upon the path of working safely, by mid-August, they will have worked 250,000 hours with no lost time accidents, and will qualify to receive the Governors Health and Safety Award.

Following conversations, a motion was made by Mr. Sexton and seconded by Mr. Smith that the financial and operating reports be approved as information presented to the board. Motion carried unanimously.

Following these presentations, Mrs. Phelps, Mr. Bishop, Mr. Lester, Mr. Jackson, Mr. Riggs, and Mrs. Pennington left the meeting.

The next item of business was the EKPC monthly report given by EKPC Director Representative, Mr. Sexton. Mr. Sexton highlighted excerpts from the EKPC board summary. Persistent high market prices for power plant fuel and purchased power highlight the value of EKPC's generating fleet in helping to moderate energy costs for cooperative members. Some of the factors putting upward pressure on prices, including strong export markets for American coal and natural gas was discussed. Over the past year, EKPC has seen the price of natural gas rise from about \$2 per million BTU to about \$8 per million BTU. Coal prices have increased from around \$40 per ton to around \$130 per ton. Ann Bridges, the EKPC Chief Financial Officer, reported that May's margin was \$6.5 million over budget, mainly due to the higher-than-expected net revenue and lower-than-expected operating and maintenance expenses. Year-to-date margins through May were over budget by \$1.1 million. The cost to member systems was above target for the month; but remains below target year-to-date. The Board welcomed Jeff Williams, new Manager at Taylor County. Mr. Williams replaces long-time manager Barry Myers, who retired last month as Taylor County RECC's Manager. A copy of the EKPC monthly report is attached to these minutes and made an official part thereof.

The next item of business was the KAEC monthly report given by KAEC Director Representative, Mr. London. It was reported that a presentation was given by attorney and Kentucky State Senate Minority Leader Morgan Garvey, the Democratic nominee in the Third Congressional District. He acknowledged and discussed the likely differences on energy policy. Two new members were welcomed to the KAEC board of directors. The new members were Richard Basham of Kenergy, and Jeff Williams of Taylor County RECC. Marty Littrel reported that the NRECA board of directors met June 26-29 for their summer meeting. CEO Jim Matheson updated the board on significant issues NRECA has addressed on behalf of the membership: electric grid reliability, supply chain disruptions, Washington Youth Tour, Voices for Cooperative Power, and engaging new congressional members. A President's report and a finance report were reviewed. A copy of this report is attached to these minutes, and made an official part thereof.

Next, Mr. Prather gave a report of the President and CEO. Items discussed were the changes enacted by Ermco Transformer Manufacturing whereby they have entered into an exclusive marketing arrangement with nine cooperative-owned utility distribution companies, with UUS being one of those. Also discussed was a customer issue with the Glasgow Electric Plant Board which concerns the territorial boundary between the EPB and FRECC. The customer had the EPB disconnect and remove service to two houses on his property, under the guise of remodeling. Subsequently, he connected those houses by underground service to a garage building on the back of the property that is served by the cooperative. Details are included in the attached President/CEO report. A periodic update to the FRECC employee compensation plan was discussed. Every three years the compensation plan is reviewed and updated in order to maintain appropriate and competitive wages for our workforce. Winston Tan, with Intandem Consulting, is

performing the review and update. A copy of Mr. Prather's report is attached to these minutes and made an official part thereof.

For the next item of business, Mr. Woodford Gardner reported all has been calm this past month in the legal department. No report is necessary.

The next item of business was a review and approval of the second quarter CEO and Director Expense Report. Following a review, a motion was made by Mr. Sexton, and seconded by Mrs. Williams to approve the quarterly expenses as presented. Motion carried unanimously.

A review of the 2022 FRECC Annual meeting was discussed, and the board brainstormed with ideas of how to draw more in-person attendance. It was suggested to consider increasing the scholarship amounts. Mr. Prather was asked to see what scholarship amounts were being offered by other cooperatives. No action was taken at this time. The 2023 FRECC Annual Meeting is slated for July 13, 2023.

The next item of business was a discussion concerning the recent hiring of David Samford as EKPC's corporate counsel, and the dissolution of the law firm of Goss Samford. The cooperative has routinely used that firm for representation in rate cases and other significant regulatory issues before the Kentucky PSC. They have also served as the offsite custodian of the CEO personnel file. Mr. Goss has been hired as a full-time attorney for another distribution cooperative in the state. Allyson Honaker, attorney with the firm, is establishing her own private practice. Mrs. Honaker has participated in representing the cooperative in numerous regulatory actions handled by the firm, so it was management's recommendation that her firm be utilized for such purposes in the future. Considering that, it was recommended that a letter of engagement be approved for her representation and that all corporate files be transferred from Goss Samford to Honaker Law Office, PLLC. Following discussion, a motion was made by Mr. Faulkner, and seconded by Mr. Sexton to approve management's recommendation to do so. Motion carried unanimously.

The next item of business was a consideration of attendance to the NRECA Region III meeting which will be held on October 19-22, 2022 in Hollywood, Florida. No interest in attendance was expressed, so no one will attend this meeting.


The next item of business was a discussion concerning the use of electronic-based board information. Mr. Prather had been requested earlier in the year to research possible solutions for the board to consider. Recently, he and Mr. Hawkins had reviewed a product by Diligent, called Board Effect, and it was being recommended by Chairman Hawkins and Mr. Prather, that the directors consider it for corporate use. Diligent would charge \$6,000/yr. for 20 people to use. The product was also reviewed by Jason Riggs for cyber security and found to be very safe and acceptable. Following discussion, a motion was made by Mrs. Williams, and seconded by Mr. Faulkner to authorize Mr. Prather to accept the above-mentioned recommendation and purchase Diligent Board Effect Software. Motion carried unanimously. The product will be implemented in the next few months.

The next item on the agenda was the continued review of the Farmers Rural Electric Bylaws. Due to time constraints, the review of the Bylaws was deferred to the August board meeting.

Other business discussed was a report on the June 24, 2022 Farmers Energy Propane Plus board meeting.

The next item of business was a motion by Mr. Smith, and seconded by Mr. Faulkner to go into Executive Session. Motion carried unanimously.

Upon return from Executive Session, Chairman Hawkins declared the meeting adjourned.



Paul Hawkins, Chairman



Randy London, Secretary/Treasurer

A meeting of the Board of Directors of Farmers Rural Electric Cooperative Corporation was held on August 18, 2022. The meeting was held in the FRECC Operations Center Conference Room. Chairman Paul Hawkins called the meeting to order at 2:30 p.m. and Mrs. Williams gave the invocation.

In attendance were:

Paul Hawkins	Bill Prather, President/CEO
Cornelius Faulkner	Jennie Phelps, VP of Finance
Ronnie Smith	Chuck Bishop, VP of Engineering
Randy London	Caralyne Pennington, Director – Mbr./Public Comm.
C. F. Martin, Jr.	Corey Jackson, VP of Member and Corporate Services
Brandi Williams	Jason Riggs, VP of Technology & Security
Randy Sexton	
Woodford Gardner, Attorney	

The first item of business was the review, adoption, and approval of the agenda. Mr. Smith moved approval of the agenda as presented, with a second by Mrs. Williams. There was no discussion. The agenda was approved unanimously.

The next item of business were the consent agenda matters which were presented for approval. There were no questions, concerns, or corrections related to the previous meeting minutes, new and refunded memberships, or unpaid accounts to be written off as uncollectible accounts. As such, a motion was made by Mr. Faulkner and seconded by Mr. Sexton to accept the consent agenda items as presented. Motion carried unanimously.

The next item of business was a review of the Financial and Operating reports for July 2022 given by the management staff. Mrs. Phelps presented the financials. There was a margin of \$58,580 for July. Expenses are up this year primarily due to inflation, but are not too far out of line with the budget. The EKPC fuel adjustment continues to be extremely high with no relief in sight at this time. The year-to-date average cost of power was 8.31 cents per kWh thru July as compared to 6.6 cents for the same period last year. July's power bill was 9.2693 cents per kWh. Mrs. Phelps reported that NRECA had announced that it would be raising its annual dues in 2023 by 9%.

Vice-President of Technology and Security, Jason Riggs, reported that he had signed the contract with Diligent Corporation for the provision of Board Effect software. The implementation will likely be in the October to November timeframe. The board information will be transitioned to an electronic format at that time.

Director of Member and Public Communications, Caralyne Pennington, reported on the recent ACSI (American Consumer Satisfaction Index) rating received as a part of the EKPC End Use Energy Survey. The score received was 83, a decline from the previous score of 88. Mrs. Pennington pointed out that the survey results were gathered during the period of March 11th to May 20th, when the EKPC fuel adjustment had begun to ramp up significantly, and that likely affected the survey results in a negative manner. Mrs. Pennington also reported that the newly updated and revised cooperative website went live on August 1st with no reported issues since that time.

Mr. Jackson, VP of Member and Corporate Services, reported that currently the cooperative is recruiting for three positions of member service representative – one for the Glasgow office and two for the Munfordville office. Response has been reasonably good given the current tight labor market. Field Service Representatives are in the process of retrieving idle meters in the field that can be tested and redeployed to new services. Seventy meters have been retrieved so far, saving the cooperative about \$14,000 in new purchases.

Mr. Bishop, Vice President of Engineering, reported that the conductor change project on highway 88 in Hart County was nearing completion. This project is being done to improve capacity on the Cub Run circuit. Next, Mr. Bishop reviewed the reliability reports for the year, noting that this year had been one with a lot of storms and bad weather, leading to a large number of the outages falling into the major-event day category. Year-to-date, off right-of-way trees have been the biggest cause of outages, followed by weather-related issues such as lightning.

In the absence of Mr. Lester, Mr. Prather presented the Operations report. The A&G contractor crews are making slow progress on their right-of-way circuit work. They have been hampered by labor shortage issues. The Country Club circuit, north of Glasgow, is nearing completion. Sage Vegetation Company is approximately half done with their work and progressing well. Preparations for bidding the right-of-way work for the next two years is underway and the bid process will be managed by ECI Consulting. Mr. Prather commented that much higher bids were being anticipated for the next two years. Mr. Prather reported that two lineman positions would be advertised soon to replace one retirement and one resignation.

Upon conclusion of the senior staff reports, Mr. Martin moved that the reports be accepted as information to the board, with Mr. Smith seconding the motion. The motion passed unanimously.

The next item of business was a review of the second quarter Summary of Construction report. Mrs. Phelps commented on the work included in the summary and what had been previously submitted and drawn against the current loan. Mr. Sexton moved that the work orders be submitted to RUS for funding from the current loan, and Mr. Faulkner seconded the motion. The motion passed unanimously.

The next item of business was a presentation and recommendation from management to transition the cooperative's employer-sponsored long-term disability insurance coverage from NRECA to Hartford Insurance Company. The coverage was comparable with an annual savings of \$11,853.24. The quote was locked in for two years. After discussion, Mr. Faulkner moved that the policy coverage be secured through Hartford, and Mrs. Williams seconded the motion. Motion passed unanimously.

Mr. Prather presented the monthly safety program report, noting that all indices for the cooperative were well below the state and national benchmarks. No lost-time incidents occurred for the month. Mr. Prather noted that the employees had surpassed 250,000 hours of work during August, with no lost time incidents, thus earning another Governor's Health and Safety Award. The award will be formally received sometime in 2023. Mr. Prather noted the Federated report on savings from the low Workman's Compensation Mod Factor rating over the last eight years, with the cooperative's rating in 2022 being .75, which is

25% below the average peer rating. Mr. Prather also reported on the most recent Federated Insurance Annual Safety and Loss Prevention Assessment that occurred on July 26th. No recommendations for change were noted in the letter received from their representative.

Following these presentations, Mrs. Phelps, Mr. Bishop, Mr. Jackson, Mr. Riggs, and Mrs. Pennington left the meeting.

The next item of business was the EKPC monthly report given by EKPC Director Representative, Mr. Sexton. Mr. Sexton reported that fuel markets continue to be high which is resulting in the extraordinarily high fuel adjustments this year. The EKPC strategic planning meeting will be later this month. Mr. Sexton reported that he was ill the day of the board meeting and did not attend the full meeting. A copy of the EKPC monthly board meeting summary report is attached to these minutes and made an official part thereof.

The next item of business was the KAEC monthly report given by KAEC Director Representative, Mr. London. Mr. London reported on the recent KAEC annual meeting held in Louisville. The meeting was more lightly attended than in past years, but the agenda and content were very good. Mr. Prather and Mr. Sexton also commented positively about the change in format of the meeting and its content. Mr. Faulkner, Mr. Smith, and Mrs. Williams all commented about the training sessions they attended preceding the annual meeting. A copy of this report is attached to these minutes, and made an official part thereof.

Next, Mr. Prather gave a report of the President and CEO. Mr. Prather commented on the efforts of the cooperatives to work via KAEC on developing guidelines for complying with the revised sales tax provisions on residential accounts. They hope to establish a consistent set of guidelines that will be acceptable to the state revenue cabinet and prevent disagreement in future sales and use tax audits. Mr. Prather reported on a recent meeting he had with the CEO from South Kentucky RECC, concerning right-of-way issues, metering, and general operations. Mr. Prather reported on his recent efforts, in conjunction with Federated Insurance's Kentucky Attorney, Park Priest, to completely review and update all contracts, policies, and guidelines pertaining to vegetation management. Mr. Prather reported on a recent meeting he had attended, along with Paul Hawkins and Caralyne Pennington, concerning a large solar project being planned in Hart County. Lastly, Mr. Prather drew the board's attention to the most recent CFC Key Ratio report that he had distributed, along with his written comments on a number of the ratios. He invited the board to send him questions they might have after reviewing the information. A copy of Mr. Prather's report is attached to these minutes and made an official part thereof.

For the next item of business, Mr. Woodford Gardner reported that a subpoena had recently been received, but subsequently withdrawn after his inquiry, from the court in Hardin County. It had originally been issued requesting information on a past member. Mr. Gardner reported on the legal seminar he attended at the KAEC annual meeting, where Mark David Goss and David Samford discussed rate cases. The meeting also addressed pending topics such as the residential sales tax issue, trending claims in the insurance realm, the pole attachment issue, and an update on national legal issues.

The next item of business was the annual review of Policy Number 151 – Functions and Compensation of the Cooperative Attorney. After discussion, Mr. Smith moved that the policy be reaffirmed with no changes. Mr. Sexton seconded the motion. The motion passed unanimously.

The next item of business was the annual review of Policy Number 152 – Director's Compensation. Mr. Hawkins reported that he had reviewed the latest national director compensation report issued by NRECA this year and determined that the cooperative's directors were compensated at approximately the average level in Region III. Following discussion, Mr. London moved that the policy be reaffirmed with no changes. Mrs. Williams seconded the motion. The motion passed unanimously.

The next item of business was a review of Policy Number 418 – Rights-of-Way and Vegetation Management. Mr. Prather recommended changing the maintenance period to 7-8 years, which matches the current trim and spray cycle. No other changes were recommended. Following discussion, Mr. Faulkner moved that the policy be amended as recommended by management. Mr. Smith seconded the motion. The motion passed unanimously.

The next item of business was the consideration and approval of resolutions commending and thanking retired employees, Rendy Perkins and Tony Wells, for their years of service. Mr. Martin moved that the resolutions be approved. Mr. Sexton seconded the motion. The motion passed unanimously. Copies of the resolutions are attached to these minutes.

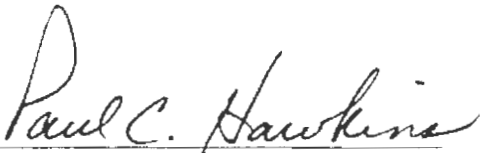
Next, the board continued its review and discussion pertaining to updates to the current Bylaws.

In Other Business, Mr. Hawkins reported briefly on items pertaining to the Propane Subsidiary, noting that profits were up \$61,700 over the budget for the year. Two new employees had recently been hired – one to replace a former employee and the other was to fill a new position. The propane management team has been instructed to begin including a regular safety report in the board meetings.

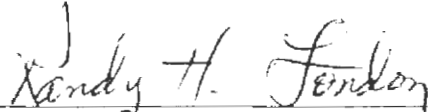
Agenda items for next month are to include a continuation of the Bylaw review and an Executive Session.

The next item of business was a motion by Mr. Smith, and seconded by Mr. Faulkner to go into Executive Session. Motion carried unanimously.

Upon return from Executive Session, Chairman Hawkins declared the meeting adjourned at 5:20 p.m.



Paul Hawkins, Chairman



Randy London, Secretary/Treasurer

A meeting of the Board of Directors of Farmers Rural Electric Cooperative Corporation was held on September 15, 2022. The meeting was held in the FRECC Operations Center Conference Room. Chairman Paul Hawkins called the meeting to order at 2:30 p.m. and Woodford Gardner gave the invocation.

In attendance were:

Paul Hawkins	Bill Prather, President/CEO
Cornelius Faulkner	Jennie Phelps, VP of Accounting/Finance
Ronnie Smith	Chuck Bishop, VP of Engineering
Randy London	Caralyne Pennington, Director – Mbr./Public Comm.
C. F. Martin, Jr.	Corey Jackson, VP of Member and Corporate Services
Brandi Williams	Jason Riggs, VP of Technology & Security
Randy Sexton	Linda Foushee, Human Resources Coordinator/EA
Woodford Gardner, Attorney	Scott Lester, VP of Operations

Prior to the beginning of the meeting, introductions were made by Corey Jackson, VP of Member and Corporate Services, for the newly named Member Service Representatives, Carissa Robinson, and Pamela Richardson. Following these introductions, Mrs. Robinson, and Mrs. Richardson left the meeting.

The first item of business was the review, adoption, and approval of the agenda. Mr. Faulkner moved approval of the agenda as presented, with a second by Mrs. Williams. There was no discussion. The agenda was approved unanimously.

The next item of business were the consent agenda matters which were presented for approval. There were no questions, concerns, or corrections related to the previous meeting minutes, new and refunded memberships, or unpaid accounts to be written off as uncollectible accounts. As such, a motion was made by Mr. Martin and seconded by Mr. Smith to accept the consent agenda items as presented. Motion carried unanimously.

The next item of business was a review of the Financial and Operating reports for August 2022 given by the management staff. Mrs. Phelps presented the financials. Mrs. Phelps reported that the month of August resulted in operating margins of \$23,199. Year-to-date operating margins totaled \$659,479, a \$362k decrease from the prior year; but \$12k over the budget. As compared to the prior year, Farmers RECC's kWh sales have increased 2.0%. Revenues have increased \$6.781M or 19.8% and purchased power costs have increased \$6.799M or 28.8% as compared to last year. The average cost per kWh purchased totaled 8.38 cents, a 1.75 cent or 26.5% surge from the prior year. For the month of August, the cost of purchased power averaged 8.87 cents. Although August 2022 temperatures were slightly milder, the Fuel Adjustment Charge (FAC), and Environmental Surcharge (ES), continue to be costly to our members. For example, in August 2022, members were charged 0.874 cents per kWh for FAC and in August 2021, the FAC was a credit to the bill of 0.445 cents per kWh. There were a few unbudgeted expenses for August. Heavy rains and severe lightning came through Farmers' service territory in late July. Nolin RECC and Great Southwestern were called to assist in restoration efforts. Although Farmers was able to capitalize a lot of the cost, total expenses incurred

were \$16,076. Also, recorded in August, were costs for removal of the old radio antennas from the three radio tower sites. This cost totaled \$20,500.

Vice-President of Technology and Security, Jason Riggs, reported on the electronic board books for the directors (I-Pads), and the Diligent Board Effect software. The hardware has been purchased, and due to lead time issues with the vendors, should be in within the next 35-40 days. The board information will be transitioned to an electronic format at that time.

Director of Member and Public Communications, Caralyne Pennington, reported that the entertainment group which has previously performed for the FRECC Annual Meetings, Rockland Road, is unavailable on Thursday, July 13, 2023 due to a previous scheduling conflict. Management presented an alternative date of Tuesday, July 11, 2023 as an option to consider as Rockland Road is available on that date. Following discussion, it was unanimously agreed upon to move the 2023 Farmers Rural Electric Annual Meeting to Tuesday, July 11, 2023. Also noted was Cumberland Energy Consultants will not be conducting future energy efficiency audits. Envision Energy Services will be providing this service going forward.

Mr. Jackson, Vice-President of Member and Corporate Services, reported that Ann Colvin has been named a Member Service Representative, and will begin working on Monday, September 19, 2022. She will be working in the Glasgow office. Mr. Jackson reported that the number of partial payment arrangements and disconnected accounts were up this month over a year ago, due primarily to the effects of the FAC and hot weather.

Mr. Bishop, Vice-President of Engineering, reported that Steve Kingsolver, Director of Inspections for the Kentucky Public Service Commission, completed a comprehensive inspection and audit of FRECC's operations, which included review of operational procedures and field audit. No deficiencies were noted. This inspection is required by the Kentucky Public Service Commission every 2-3 years. Mr. Bishop reported on re-routing a three-phase line which was located next to McDonalds restaurant in Cave City, KY, to an area near the Cracker Barrel restaurant. This move was necessary due to a recently-developed sink hole which threatened the main distribution line and the restaurant's service installation.

Mr. Lester, Vice-President of Operations presented the Operations report. Construction Manager, Brad Bell, has been managing reliability efforts with utility pole change-outs. Mr. Lester reported 368 utility poles have been changed-out during 2022, and 340 poles are remaining, yet to be changed. There were 52 poles changed in the month of August by the three FRECC Contractor crews from Great Southwestern. Mr. Lester reported that ECI is in the process of soliciting bids for the right-of-way work planned for the next two years, along with bids for herbicide spraying. Brian Caswell completed part one of the TVPPA Foreman's Academy. Thomas Wilson, and Issac Jones completed their second TVPPA lab. All of the foremen have completed the Kentucky DOT flagger training and are considered certified flagging technicians.

Mrs. Foushee, Human Resources Coordinator and Executive Assistant presented a Human Resources report. Twenty applications were received for the three linemen openings. Following the interviews of nine of the applicants, Zeak McIntyre, Cameron Day, and Austin Ford were selected. The three applicants are undergoing all pre-employment testing on Friday, and an announcement will be made to employees and directors when testing results have been successfully completed.

Upon conclusion of the senior staff reports, Mr. Smith moved that the reports be accepted as information to the board, with Mr. Martin seconding the motion. The motion passed unanimously.

Mr. Lester presented the monthly safety program report. No lost-time incidents occurred for the month. Mr. Lester noted that the employees had surpassed 258,344 hours of work since their last lost time accident. On Tuesday, FRECC linemen participated in East Kentucky Power Cooperative's substation restoration and lockout/tagout procedures. The Kentucky Association of Electric Cooperatives conducted pole top rescue with the linemen today. On October 3rd, all trucks and tool testing will be held. Thomas Wilson has replaced Dustin Johnson on the Safety committee

Following these presentations, Mrs. Phelps, Mr. Bishop, Mr. Lester, Mr. Jackson, Mr. Riggs, and Mrs. Pennington left the meeting.

The next item of business was the EKPC monthly report given by EKPC Director Representative, Mr. Sexton. Much discussion has taken place in the EKPC boardroom concerning EKPC's equity-to-assets ratio which has topped 22 percent. The target for equity has been 20 percent. In 2019, EKPC paid capital credits to its owner-member cooperatives for the first time ever. Management at EKPC has recommended a refund of approximately \$8 million, but the board is considering a more robust refund in the \$15-20 million range as EKPC has more than adequate financial resources to accommodate a larger refund, and to assist the cooperatives and their member-owners who have been so negatively impacted by the extraordinarily high FAC costs this year. The directors are expected to continue discussions at the October meeting and to decide at that time. Ann Bridges, CFO and Executive Vice-President of EKPC, reported that EKPC's July margin was \$5.9 million over budget. The year-to-date margin as of July was \$11.2 million over budget. The EKPC board discussed a possible opportunity for the Spurlock Station to market ash byproduct from its scrubbers for drywall production, which could divert thousands of tons of material from the plant's landfill. The technology used in Spurlock's scrubbers results in gypsum that requires substantially more processing than gypsum from other power plant scrubbers in the region, but there is a company in Cincinnati that has expressed interest in possibly using it. A copy of this report is attached to these minutes and made an official part thereof.

The next item of business was the KAEC monthly report given by KAEC Director Representative, Mr. London. No meeting has been held since last month.

Next, Mr. Prather gave a report of the President and CEO. Mr. Prather commented on the vegetation management bidding process with ECI Consulting. The current A&G Tree Company has not performed adequately and have used the excuse that they cannot obtain enough workers. Lastly, Mr. Prather reported in detail on a FRECC distribution line which is connected to Taylor County RECC's system back in the early 2000's. Negotiations are underway with Taylor County RECC to cede the line to them, along with one member. Details are included in Mr. Prather's President's report. A copy of Mr. Prather's report is attached to these minutes and made an official part thereof.

For the next item of business, Mr. Woodford Gardner reported things have been quiet on the cooperative's legal front this past month and that there was no news to report.

The next item of business was an annual review as required by cooperative policy number 120, Enterprise Risk Management, led by Mr. Prather, of some of the major areas of risks, along with mitigation activities. A board executive summary update was provided to the board.

The next item of business was a presentation and review, via ZOOM, by Mr. Winston Tan, of Intandem Consulting. Mr. Tan had recently completed the regular three-year update of the employee compensation plan. Mr. Tan provided a comprehensive review of the plan and the recommended changes to raise the base costing of the plan to 100% of the average of the cooperatives in Kentucky as reported in the 2022 NRECA National Compensation System survey. The plan had previously been base priced at 95% of the state average. The increasingly-competitive environment for labor has required the cooperative to increase its level of pay to attract and retain a quality workforce. After questions and discussion, a motion was made by Mr. Sexton, to approve the updated plan, and seconded by Mrs. Williams. The motion passed unanimously.

The next item of business was a review, led by Mr. Prather, of the recommended employee salary and payroll annual budget. Mr. Prather presented a comprehensive summary of relevant data for the past and current year, including the past twelve-month CPI, U.S. Department of Labor statistics, neighboring cooperatives, and the NRECA NCS annual survey. Mr. Prather discussed the challenges in keeping compensation levels under reasonable control given the past year's 8.3% inflation rate and the extraordinary increases in linemen pay over the past five years. Despite those challenges, Mr. Prather stressed the need to keep compensation competitive so as to be able to attract and retain an excellent workforce. Mr. Prather recommended a total budget increase of 6.1% which would provide for increases justified by economic, performance/merit, and competency changes in the workforce. Following discussion, a motion was made by Mr. Faulkner, and seconded by Mr. Smith to accept management's recommendation. Motion carried unanimously.

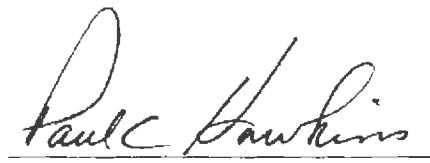
Next, the board continued its review and discussion pertaining to updates to the current Bylaws.

In Other Business, a motion was made by Mr. Smith, and seconded by Mrs. Williams to officially move the October board meeting date from October 20 to Thursday, October 27 and to begin at 1:00 p.m. The November board meeting date will be moved from Thursday, November 17, to Wednesday, November 16, beginning at 1:00 p.m. Motion carried unanimously.

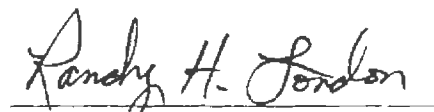
Agenda items for next month are to include a continuation of the Bylaw review and an Executive Session.

The next item of business was a motion by Mr. Faulkner, and seconded by Mr. Smith to go into Executive Session. Motion carried unanimously.

Upon return from Executive Session and having completed the agenda, Chairman Hawkins declared the meeting adjourned at 6:55 p.m.



Paul Hawkins, Chairman



Randy London, Secretary/Treasurer

A meeting of the Board of Directors of Farmers Rural Electric Cooperative Corporation was held on October 27, 2022. The meeting was held in the FRECC Operations Center Conference Room. Chairman Paul Hawkins called the meeting to order at 1:00 p.m. and Randy Sexton gave the invocation.

In attendance were directors:

Paul Hawkins	Cornelius Faulkner	Ronnie Smith
Randy London	C. F. Martin, Jr.	Brandi Williams
Randy Sexton		

Special Guest: Dean Harbry, Internal Innovations, Consultant

The first item of business was the review, adoption, and approval of the agenda. Mr. Smith moved approval of the agenda as presented, with a second by Mrs. Williams. There was no discussion. The agenda was approved unanimously.

Next, a motion was made by Mr. Faulkner, and seconded by Mr. Sexton to go into Executive Session. The motion carried unanimously.

Upon the conclusion of the Executive Session, at 4:00 p.m., the following staff members joined the meeting:

Bill Prather, President/CEO	Jason Riggs, VP of Technology & Security
Jennie Phelps, VP of Accounting/Finance	Scott Lester, VP of Operations
Chuck Bishop, VP of Engineering	Linda Foushee, H/R Coordinator/EA
Corey Jackson, VP of Member and Corporate Services	

Next, an introduction was made by Corey Jackson, VP of Member and Corporate Services, for the newly named Member Service Representative, Ann Colvin. Following the introduction, Mrs. Colvin left the meeting.

The next item of business were the consent agenda matters which were presented for approval. There were no questions, concerns, or corrections related to the previous meeting minutes, new and refunded memberships, or unpaid accounts to be written off as uncollectible accounts. As such, a motion was made by Mr. Martin and seconded by Mr. Smith to accept the consent agenda items as presented. Motion carried unanimously.

The next item of business was a review of the Financial and Operating reports for October 2022 given by the management staff. Mrs. Phelps presented the financials. Mrs. Phelps reported that year-to-date operating margins totaled \$456,437, a \$505k decline from the prior year. Contributing to the decline in margins for the year are the effects of the high inflation rate on costs and poor load factor. Mrs. Phelps and Mr. Prather led the discussion on the fuel adjustment clause (FAC). Mrs. Phelps also gave an update on Farmers Energy Propane Plus.

Vice-President of Technology and Security, Jason Riggs, reported on the electronic board books for the directors (I-Pads), and the Diligent BoardEffect software. He is currently working on changes to the cooperative's telephone system to include more capacity to handle inbound calls. A virtual solution will be used for handling inbound and outbound calls, which will remove the current limitations on call handling.

Mr. Jackson, Vice-President of Member and Corporate Services, reported that Member Service Representatives Patty Wilson and Jennifer Hatcher retirement will be effective October 31, 2022. Their replacements are finishing up with training and will be ready to assume their duties at the branch office. The LIHEAP energy assistance program will be available through Community Action in two-three weeks. Monies will be available to those who qualify needing help to pay their utility bill.

Mr. Bishop, Vice-President of Engineering, reported that FRECC has completed building a service for a newly developed Recreational Vehicle (RV) park in Hart County located in the Wax area. This service will provide power to approximately 25-30 sites. Material has also been ordered for phase one of a new subdivision development which is located off Highway 90 near Cave City. This construction will include both lots for houses and duplexes. Great Southwestern Contractors have completed construction work plan projects in the Cub Run area. They are currently working on the construction work plan project out of the West Glasgow substation on Donnelley Drive.

Mr. Lester, Vice-President of Operations presented the Operations report. Due to supply chain issues, we currently have eleven loads of utility poles on backorder. Larger diameter poles, class 1 and class 2 have long lead times due to the fact of early harvest by the pole companies. At its height in 2012, we originally had 1,700 poles to be replaced. The pole change-out backlog is currently down to 149 poles needing to be replaced. There are no hazardous or dangerous poles left to be replaced. The remaining poles need to be replaced due to bad pole tops. The annual recloser maintenance has been completed. SAGE has completed the 2022 herbicide spraying. The replacement truck for the small bucket truck #139 has arrived.

Mrs. Foushee, Human Resources Coordinator and Executive Assistant presented a Human Resources report. She reported that the BoardEffect thirty minute I-pad training needs to be conducted at the next board meeting – November 16th. Following discussion, the board agreed to begin their meeting at 12:30 p.m. in order to allow time for this training.

Upon conclusion of the senior staff reports, Mr. Faulkner moved that the reports be accepted as information presented to the board, with Mr. Sexton seconding the motion. The motion passed unanimously.

The next item of business was a review presented by Mr. Lester and Mr. Prather for consideration to approve the 2023-2024 Vegetation Management Contracts. ECI Consulting was employed to handle the entire bidding process. Eight companies received invitations to bid, and four companies responded. The bids were reviewed and evaluated by ECI. Both ECI and Management recommended the award of circuit bids based upon the lowest bid cost and capability to complete the work awarded. Following discussion, a motion was made by Mr. Sexton, and seconded by Mrs. Williams to accept the following management recommended bids:

2023 ROW Bid Awards			Cost	Bid Awarded
SUBSTATION	CIRCUIT	MILES	Total Cost	
Goodnight	01-02	69.87	\$215,865.00	TREE KO
Munfordville	02-03	95.13	\$340,384.00	TOWNSEND
Cave City	06-01	33.74	\$157,298.00	TOWNSEND
Cave City	06-03	33.33	\$141,339.00	TOWNSEND
Cave City	06-06	59.93	\$92,285.00	TREE KO
TOTAL	5 CIRCUITS	292	\$947,171.00	

2024 ROW Bid Awards			Cost	Bid Awarded
SUBSTATION	CIRCUIT	MILES	Total Cost	
Bonnieville	09-01	44.33	\$161,694.00	TOWNSEND
Bonnieville	09-02	50.74	\$333,552.00	TOWNSEND
Munfordville	02-01	8.18	\$17,985.00	TREE KO
Munfordville	02-02	79.03	\$304,449.00	TOWNSEND
Munfordville	02-05	10.48	\$28,950.00	TREE KO
Seymour	11-02	116.30	\$421,327.00	TOWNSEND
Seymour	11-03	12.50	\$26,585.00	TREE KO
Seymour	11-04	55.70	\$160,000.00	TREE KO
Jonesville	17-01	56.28	\$300,895.00	TREE KO
Jonesville	17-02	48.77	\$212,947.00	TREE KO
TOTAL	10 CIRCUITS	482.31	\$1,968,384.00	

2023 Herbicide Bid Awards			Cost	Bid Awarded
SUBSTATION	CIRCUIT	MILES	Total Cost	
Goodnight	01-01	76.9	\$20,686.10	Protec-Terra
Goodnight	01-03	19.4	\$5,344.70	Sage
Goodnight	01-05	11.1	\$3,058.05	Sage
Munfordville	02-06	175.4	\$47,182.60	Protec-Terra
Temple Hill	03-01	129.4	\$35,649.70	Sage
Knob Lick	04-01	101.1	\$27,195.90	Protec-Terra
Knob Lick	04-02	49.3	\$13,261.70	Protec-Terra
Knob Lick	04-03	21.9	\$5,891.10	Protec-Terra
Knob Lick	04-04	114.9	\$30,908.10	Protec-Terra
Beckton	05-02	107.5	\$30,100.00	Sage
Galloway	08-02	110.7	\$29,778.30	Protec-Terra
Galloway	08-03	0.93	\$250.17	Protec-Terra

Fox Hollow	12-03	76.8	\$21,158.40	Sage
TOTAL	13 CIRCUITS	995.33	\$270,464.82	

This motion was unanimously voted in the affirmative.

Mr. Lester presented the monthly safety program report. No lost-time incidents occurred for the month. Mr. Lester noted that employees surpassed 267,724.78 hours of work since their last lost time accident. Annual compliance testing was completed on all construction workers' rubber goods, sticks, cover-ups, etc. Di-electric structural and DOT testing was completed on all bucket trucks and digger derricks by Irby Mobile Testing. A farm safety day demonstration was completed on October 21 in Barren County. Safety demonstrations have been completed for Barren, Metcalfe, and Hart counties. Lineman Kyle Coomer has completed TVPPA Lab 4 – Advance Linemen training, and will complete Lab 5 in December, and is expected to become a Journeyman Lineman in June.

The next item of business was consideration to approve the general insurance coverage and quote for 2022-2023 submitted by Federated Insurance. Mrs. Phelps made this presentation. The premium for coverage in 2023 will be a 5.02% increase over 2022 from \$184,818 to \$194,104. Cyber security increased from \$12,000 to \$14,250, with a total premium of \$194,104 which includes fees and assessments. A discussion was held pertaining to the occurrence limit, and deductible amount for the Directors & Officers Liability insurance. Several options were given for consideration. Following discussion, a motion was made by Mr. Martin, and seconded by Mr. Smith to choose the Directors & Officers liability to a \$5,000,000 occurrence limit with a \$10,000 deductible. Motion carried unanimously. Next, a motion was made by Mr. Smith, and seconded by Mrs. Williams to accept management's recommendation for 2022-2023 from the Federated Insurance proposal, as presented, for a quotation of \$194,104. Motion carried unanimously.

Following these presentations, Mrs. Phelps, Mr. Bishop, Mr. Lester, Mr. Jackson, and Mr. Riggs left the meeting.

The next item of business was the EKPC monthly report given by EKPC Director Representative, Mr. Sexton. Mr. Sexton reported that the EKPC board of directors had approved retiring \$10.1 million in capital credits and paying that amount back to EKPC's 16 owner-member electric cooperatives. The co-ops and their members have faced rapidly rising costs over the past year due to strong inflationary pressures. East Kentucky Power must maintain an equity-to-assets ratio 20 percent. EKPC's capital credit retirement cannot exceed 35 percent of the cooperative's cumulative net margin since reaching the 20-percent equity threshold. EKPC's CFO, Ann Bridges, reported that EKPC's August margin was \$6 million over budget, largely due to the higher-than-expected net revenue and other income. Year-to-date margin through August was \$17 million over budget. The restatement of NRECA's security and 401(k) pension plan was reviewed for amendments, and other changes. A copy of this report is attached to these minutes, and made an official part thereof.

The next item of business was the KAEC monthly report given by KAEC Director Representative, Mr. London. Attorney General candidate, Russell Coleman spoke to the board on September 23rd. He is a pro-life, pro-family conservative who is running to be the next Attorney General. A CFC board report was given by Timothy Eldridge of Fleming Mason, who is a CFC District 3 director. He reported electric cooperatives have maintained strong financial metrics, and are experiencing growth across several measures, including consumers, sales, margins, and utility plant. Consumer growth exceeded 1 percent – the highest in more than a decade. It was also noted that CFC has returned nearly \$2 billion in capital credits since 1980. President of KEC, Chris Perry reported on House Bill 8 – a sales tax update, EV deployment response (looking at 44 sites served by cooperatives to have an EV charging station every 50 miles, the streamline rate making process, materials availability & supply chain issues and the substantial price increases being reported. A copy of this report is attached to these minutes, and made an official part thereof.

Next, Mr. Prather gave a report of the President and CEO. Mr. Prather reported on meeting with consultant, John Wolfram to begin discussing a number of issues that we would like to see addressed in the next FRECC rate case. He reviewed the Employee Meeting day and a Kentuckians for the Commonwealth Co-op Survey. Mr. Prather then presented an in-depth review of debt financing, reasons for utilizing long-term debt, and the historical use of debt by the cooperative. A copy of Mr. Prather's report is attached to these minutes and made an official part thereof.

For the next item of business, Mr. Woodford Gardner reported he held a discussion with Mr. Bishop, VP of Engineering, relating to what specific customer information can be released. Mr. Gardner reported on proxy voting as previously requested by the board as they consider potential changes to the current cooperative bylaws.

The next item of business was a review and approval of the director and CEO expenses for the third quarter of 2022. A motion was made by Mr. Smith to approve the expenditures as presented. This motion was seconded by Mr. Faulkner. Motion passed unanimously.

Next, the board tabled its review and discussion pertaining to updates to the current Bylaws due to time constraints. A special board meeting was set for November 28, 2022, to finalize the complete review of the Bylaws.

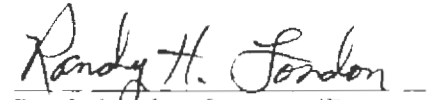
The next item of business was review and approval of retirement resolutions for Jennifer Hatcher, Billy Meredith, and Patty Wilson. Following which, a motion was made by Mr. Faulkner, and seconded by Mr. Sexton to approve the resolutions as presented. Motion carried unanimously. Copies of these resolutions are attached to these minutes and made an official part thereof.

No Other Business was discussed

An Agenda item to be included on the agenda for next month is an Executive Session.

The Chairman declared this meeting adjourned at 6:15 p.m.


Paul Hawkins, Chairman


Randy London, Secretary/Treasurer

A meeting of the Board of Directors of Farmers Rural Electric Cooperative Corporation was held on November 16, 2022. The meeting was held in the FRECC Operations Center Conference Room. Chairman Paul Hawkins called the meeting to order at 12:00 p.m. and Cornelius Faulkner gave the invocation.

In attendance were directors:

Paul Hawkins
Randy London
Randy Sexton

Cornelius Faulkner
C. F. Martin, Jr.

Ronnie Smith
Brandi Williams

Others present:

Linda Foushee, Human Resources Coordinator, Executive Assistant
Rance Miller, Operational Technology Manager
Caralyne Pennington, Director of Member Communications

The first item of business was the review, adoption, and approval of the agenda. Mr. Smith moved approval of the agenda as presented, with a second by Mr. Faulkner. There was no discussion. The agenda was approved unanimously.

The next item of business was a "Zoom" presentation, led by Pia Roper with Diligent, for a BoardEffect Software training session for the directors. I-Pads and log-in information was distributed to the directors prior to the presentation. The BoardEffect software had been pre-loaded on the directors I-Pads. This training was provided to assist in transitioning the director's monthly and periodic financial and operations information to an electronic format. Mrs. Foushee, Mr. Miller, and Mrs. Pennington assisted with the training of the directors. At the conclusion, Mr. Miller, Mrs. Pennington, and Mrs. Foushee left the meeting.

Following this training and a brief break, at 1:30 p.m., the following FRECC staff members joined the meeting:

Bill Prather, President/CEO

Jennie Phelps, VP of Accounting/Finance

Chuck Bishop, VP of Engineering

Corey Jackson, VP of Member and Corporate Services

Caralyne Pennington, Dir. Mem/Public Communications

Scott Lester, VP of Operations

Linda Foushee, H/R Coordinator/EA

The next item of business were the consent agenda matters which were presented for approval. There were no questions, concerns, or corrections related to the previous meeting minutes, new and refunded memberships, or unpaid accounts to be written off as uncollectible accounts. As such, a motion was made by Mr. Martin and seconded by Mr. Sexton to accept the consent agenda items as presented. Motion carried unanimously.

The next item of business was a review of the Financial and Operating reports for November 2022 given by the management staff. Mrs. Phelps presented the financials. Mrs. Phelps reported that year-to-date operating margins totaled \$234,475, a \$569k decline from the prior year. As a result of mild weather, higher purchased power cost, and other inflationary cost increases, the month of October resulted in a net operating loss of \$221,962. Mrs. Phelps gave an update on the recent East Kentucky Power capital credit retirement. Mrs. Phelps and Mr. Prather led the discussion on the fuel adjustment clause (FAC) and the recent case opened by the Kentucky Public Service Commission. No substantial relief from continuing impacts of inflation or the EKPC fuel adjustment are in sight.

Mr. Jackson, Vice-President of Member and Corporate Services, reported that training is ongoing for the Member Service Representatives on how to communicate with members who have received high energy bills due to the fuel adjustment increases and how to explain the reasons behind the unprecedented fuel adjustment increases. The continuing mild weather has provided some relief on member bills.

Mr. Bishop, Vice-President of Engineering, reported that the West Glasgow conductor upgrade on Donnelley Drive has begun, and the Jellystone Park project is scheduled to be completed early next year. He reported that the Kentucky Public Service Commission has not yet issued a final ruling in the pole attachment tariff case. EV Charging stations were discussed. The State of Kentucky has received federal grant funds of \$40 million to roll out EV stations near interstates and parkways in Kentucky. We've received service requests from Shell Corporation for a charging station at the Shell gas station in Munfordville, and another request from Tesla for a charging site in Cave City. The state plans call for thirty-two sites to be developed between now and 2024 with four charging ports at each site. They are projecting a cost of \$1.2M per site for, which is to include the electrical infrastructure.

Mr. Lester, Vice-President of Operations presented the Operations report. Pole replacements for the year are down to 130 poles. Sectionalizing and fusing taps in the Center area (Metcalfe County) are in progress. All right-of-way has been completed on the Goodnight/Country Club circuit. Signed contracts have been completed for all of the Right-of-Way contractors. Shane Samson and Joey Inman have completed the Underground Storage Tank re-certification. Thomas Wilson and Isaac Jones have completed one year in the TVPPA Apprentice program.

Mrs. Pennington, Director of Member and Public Communications presented her report. Mrs. Pennington discussed the sales tax issue and the domicile exempt letter which will need to be signed and returned by members who have more than one account in their name. Information will be distributed to the members in a letter mailed to their home, Facebook, and Kentucky Living Magazine.

Mrs. Foushee, Human Resources Coordinator and Executive Assistant presented a Human Resources report. She reported on the BoardEffect I-pad training, and that further training can happen as desired by the board. Six new employees are currently in various stages of training in their new positions with their performance being monitored and evaluated.

Upon conclusion of the senior staff reports Mr. Smith moved that the reports be accepted as information presented to the board, with Mr. Martin seconding the motion. The motion passed unanimously.

The next item of business was a review of the 2022 third quarter (July-September 2022) RUS Summary of Construction by Mrs. Phelps. Following review, a motion was made by Mr. Sexton, and seconded by Mr. Faulkner that the report be approved and submitted to RUS for borrowing funds. The motion carried unanimously.

The next item of business was a review and approval of the 2023 Board of Directors budget which had been sent out to the board in advance of the meeting. An annual total of \$70,800 for the monthly stipend was projected for 2023, \$25,200 for board meeting expenses, \$1,650 for mileage reimbursement, and \$43,300 for miscellaneous meetings and other expenses - with a total 2023 projected budget of \$140,950. Following the review, a motion was made by Mr. Smith, and seconded by Mrs. Williams to accept the 2023 annual budget worksheet as presented by management. Motion carried unanimously.

The next item of business was Mr. Lester presenting the monthly safety program report. No lost-time incidents occurred for the month. Mr. Lester noted that employees surpassed 277,770.53 hours of work since their last lost time accident. The Farmers RECC safety committee completed a quarterly safety walk-thru audit of the warehouse, fleet maintenance area, and the main office. Mr. Lester pointed out the Safety Commitment chart located in the boardroom, that all employees were being asked to sign, and requested that the board add their signatures to the chart to show their support.

The next item of business was an in-depth discussion and review given by Mr. Bishop of the 2022 FRECC/EKPC Load Forecast. Following the review, a resolution was read by Secretary London, and presented for consideration:

WHEREAS, the 2022 Load Forecast Report has been prepared by East Kentucky Power Cooperative using an end-use model, with full participation of Farmers Rural Electric Cooperative Corporation's President/CEO and staff;

NOW, THEREFORE BE IT RESOLVED, that the Board of Directors approves the 2022 Load Forecast Report for the use in its Construction Work Plan, Financial Forecast, and other studies, and as part of the East Kentucky Power Cooperative's Load Forecast Report.

Following the reading of the resolution, a motion was made by Mr. Sexton, and seconded by Mr. Faulkner to approve the resolution. Motion carried unanimously. A copy of this resolution is attached to these minutes, and made an official part thereof.

Following these presentations, Mrs. Phelps, Mr. Bishop, Mr. Lester, Mr. Jackson, and Mrs. Pennington left the meeting.

The next item of business was the EKPC monthly report given by EKPC Director Representative, Mr. Sexton. He reported that the EKPC board approved the purchase of a spare LMS100 supercore engine at a cost of \$15.4 million to be capitalized, and according to EKPC management, will pay for itself in about 4 ½ years. EKPC plans to rotate out supercores every few years, allowing time to inspect and conduct maintenance on the out-of-service engine. These turbine generating units have had a history of extremely high and frequent maintenance costs. The investment in replacement supercores is expected to be essentially paid for by a reduction in high unexpected and untimely maintenance issues. EKPC's September margin was \$3.4 million under budget and the year-to-date margin was \$13.7 million over budget. The FAC was \$67.3 million over budget. The January and February 2023 fuel adjustment charge prediction are \$20-\$30 dollars which is a 2½ or 3 percent increase. A copy of this report is attached to these minutes, and made an official part thereof.

The next item of business was the KAEC monthly report given by KAEC Director Representative, Mr. London. Mr. London reported that they KAEC board of directors have not had a meeting since the last Farmers Rural Electric board of directors meeting.

Next, Mr. Prather gave a report of the President and CEO. Mr. Prather reported on a Kentuckians for the Commonwealth Co-op Survey and suggested to the board of directors that if they are contacted by the media regarding the survey, to decline comment, and refer inquires to Caralyne Pennington or the President/CEO. Mr. Prather reported that the Kentucky Public Service Commission had opened a case to investigate the current fuel adjustment clause regulations, purchase power costs, and the related cost recovery mechanisms. Cooperatives under their rule will be responding to a number of questions that the commission wants by December 17. A copy of Mr. Prather's report is attached to these minutes and made an official part thereof.

For the next item of business, FRECC Attorney Woodford Gardner reported that he has worked with the FRECC board of directors developing a letter of employment to the new incoming President/CEO. He has also assisted the board of directors with questions relating to the bylaw amendments. Mr. Gardner additionally participated in the BoardEffect I-Pad training.

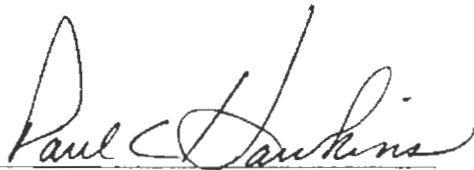
The next item of business was a review and consideration to approve a new Policy #412 – Issuance and Use of Cooperative Credit Cards. This policy serves to formalize existing practices concerning the use and management of credit cards for the board of directors, and employees. Following review, a motion was made by Mr. Faulkner, and seconded by Mr. Smith to approve Policy #412 as recommended by management. The motion passed unanimously. A copy of this policy is attached to these minutes and made an official part thereof.

The next item of business was consideration to approve a Christmas bonus for FRECC employees. Mr. Prather recommended the traditional formula of a base of \$100 for new employees, plus a \$5 per year of service addition for tenured employees. This amounted to a total of \$10,985 for all 61 employees. Following discussion, a motion was made by Mr. Smith, and seconded by Mr. Sexton to approve an employee Christmas bonus as recommended by management. Motion carried unanimously.

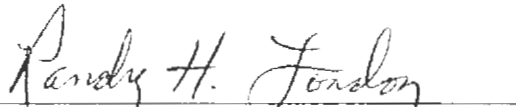
Under Other Business, Chairman Hawkins provided an update from the November 10th Farmers Propane meeting. A year-to-date review on the financial performance was provided. Mr. Hawkins reminded the board of their planned meeting on November 28th to finalize the updates to the FRECC Bylaws. The FRECC Christmas Dinner will be held on December 2nd, at 6:00 p.m. at the Cave City Convention Center.

The next item of business was a motion made by Mr. Sexton and seconded by Mr. Smith to go into Executive Session. Motion carried unanimously. Mr. Prather and Mrs. Foushee left the meeting.

Upon return from Executive Session, Chairman Hawkins declared this meeting adjourned at 3:40 p.m.



Paul Hawkins, Chairman



Randy Jordan, Secretary/Treasurer

A meeting of the Board of Directors of Farmers Rural Electric Cooperative Corporation was held on December 15, 2022. The meeting was held in the FRECC Operations Center Conference Room. Chairman Paul Hawkins called the meeting to order at 2:30 p.m. and as a tribute to Mr. Prather's years of service, former FRECC Director, Mr. Neil Pendygraft, gave the invocation. Mr. Pendygraft served as a FRECC Director during the majority of Mr. Prather's tenure at the Cooperative.

In attendance were directors:

Paul Hawkins	Comelius Faulkner	Ronnie Smith
Randy London	C. F. Martin, Jr.	Brandi Williams
Randy Sexton		

Woodford L. Gardner, Jr., Attorney-at-Law

Others present:

Tobias and Jennifer Moss, Incoming President/CEO and Spouse
Neil and Juanita Pendygraft, Former FRECC Director and Spouse

FRECC Senior Staff:

Scott Lester, Vice-President of Operations
Jason Riggs, Vice-President of Technology and Security
Rance Miller, Operational Technology Manager
Jennie Phelps, Vice-President of Finance and Accounting
Chuck Bishop, Vice-President of Engineering
Linda Foushee, Human Resources Coordinator, Executive Assistant
Caralyne Pennington, Director of Member and Public Communications

New Employees:

Zeak McIntyre, Apprentice Lineman
Austin Ford, Apprentice Lineman
Cameron Day, Apprentice Lineman

Following the invocation, a celebratory retirement video which was gifted to Mr. Prather, and produced by the Kentucky Association of Electric Cooperatives, was viewed and enjoyed by all.

After the viewing, Chairman Hawkins introduced and welcomed Mr. Moss and his wife Jennifer, and Mr. Lester introduced the newly hired Apprentice Linemen. Each provided the group with a brief biography of themselves. After the introductions, the Apprentices, Mrs. Moss, Mr. Miller, and Mr. and Mrs. Pendygraft left the meeting.

The first item of business was the review, adoption, and approval of the agenda. Mr. Martin moved approval of the agenda as presented, with a second by Mr. Sexton. There was no discussion. The agenda was approved unanimously.

The next item of business were the consent agenda matters which were presented for approval. There were no questions, concerns, or corrections related to the previous meeting minutes, new and refunded memberships, or unpaid accounts to be written off as uncollectible accounts. As such, a motion was made by Mrs. Williams and seconded by Mr. Faulkner to accept the consent agenda items as presented. Motion carried unanimously.

The next item of business was a review of the Financial and Operating reports for November 2022 given by the management staff. Mrs. Phelps presented the financials. Mrs. Phelps reported that year-to-date operating margins totaled \$55,903, a \$777,339 decline from the prior year. As compared to the prior year, Farmers RECC's kWh sales have increased 1.1%. However, revenues increased \$8.225M or 17.6% and purchased power costs increased \$8.441M or 25.9% as compared to last year. The average cost per kWh purchased totaled 8.61 cents, a 1.72 cent or 24.9% surge from the prior year. Mrs. Phelps also discussed the fuel adjustment clause, which has accounted for the increase in billed revenue and the corresponding cost of purchase power for the year.

Mr. Jackson, Vice-President of Member and Corporate Services, reported on the implementation process of the new Kentucky Department of Revenue's sales tax requirements relating to letters and the declaration of domicile forms which were mailed to members. The co-op has set January 31, 2023 as the deadline for forms to be returned. The agricultural exemption was discussed. The co-op has re-verified from the Revenue Cabinet that the purchase of electricity for agricultural purposes is not exempt from sales tax. Training is ongoing for the Member Service Representatives concerning the new sales and use tax requirements and how to explain the requirements to members.

Mr. Bishop, Vice-President of Engineering, reported that the West Glasgow conductor upgrade on Donnelley Drive, is nearing completion. From there, the contractors will move to the Jellystone Park project while working around inclement weather. The Kentucky Public Service Commission's pole attachment tariff was discussed. He reported that the Commission has not yet issued a final ruling in the pole attachment tariff case.

Mr. Riggs, Vice-President of Technology and Security gave his report. The cyber security penetration test went very well. No critical areas were identified.

Mr. Lester, Vice-President of Operations presented his departmental report. The reliability project involving the fusing of taps, has been completed for the year. The A&G 2022 right-of-way contract ends December 31, 2022, but A & G management has said it will complete the Cub Run circuit as originally bid. Kyle Coomer completed all TVPPA Advanced Lineman classes and is on course to become a Journeyman lineman in June 2023. Inventory was completed with a net \$600 adjustment and efforts will continue with linemen on reducing the over/under inventory discrepancies. Supply chain issues – pad mount transformers are hard to obtain, but customer requests for new services are being met. Current poles designated for replacement are down to 130 poles.

Mrs. Pennington, Director of Member and Public Communications presented her report. Mrs. Pennington discussed the sales tax issue and the domicile exempt letter which will need to be signed and returned by members who have more than one account in their name. The form will be mailed to members, and will be placed on the Farmers RECC website for downloading and printing. We are currently accepting applications for participation in the Washington Youth Tour. The deadline to apply in January 31, 2023. Linda Foushee, Scott Lester, and Caralyne Pennington visited the Ronald McDonald House in Louisville, Kentucky to assist in decorating the facility for the Christmas season.

Mrs. Foushee, Human Resources Coordinator and Executive Assistant presented a Human Resources report. She reported that Sheryl England has been hired as a Member Service Representative, and has completed pre-employment testing. Her first day of work will be on January 3rd. Mrs. Foushee surveyed the directors about participation in several upcoming conferences. The February 4-7, 2023 Directors Conference in Kansas City, Missouri at the Lowes Kansas City Hotel, the NRECA PowerXChange Conference, March 5-8, 2023 in Nashville, TN, and the CFC Workshop to be held January 23-24, 2023 at the Lexington Marriott in Lexington, Kentucky. The Board Leadership Certification courses are being offered as part of the NRECA PowerXChange Conference in 2023 in Nashville, Tennessee. A summary sheet of each directors completed CCD and BLC courses was distributed.

Upon conclusion of the senior staff reports Mr. Smith moved that the reports be accepted as information presented to the board, with Mr. Martin seconding the motion. The motion passed unanimously.

The next item of business was the consideration of the 2023 Financial Budget and Work Plans, presented by Mrs. Phelps. Mrs. Phelps stated that the 2023 budget is what is considered to be a guide for next year, under the current revenue environment. Next year will be challenging due to the continuing economic issues of high inflation, tight supply chain issues, increasing interest rates, and high purchased power costs. Mrs. Phelps began the discussion with a presentation on projected energy sales and purchases, noting the difficulty in predicting these numbers. Member growth is projected to be minimal again and kWh sales are projected to increase 2.1% based on a slight upturn in energy use and more normalized weather. The question mark remains for the fuel adjustment clause and environmental surcharge rate on East Kentucky's power bill. Labor and benefits of the cooperative were discussed. Farmers has 61 full-time and 2 part-time employees. Mrs. Phelps discussed the pension plan, noting that the Cooperative still benefits from the RS prepayment made in April 2013. Healthcare costs were also discussed. Mrs. Phelps moved the discussion to the statement of operations, focusing on the controllable operation and maintenance expenses for 2023. The operations department will continue to focus on improving service and reliability for the members. Depreciation expense is projected to increase 4.74%. The primary reason for the increase is the estimated growth for new distribution plant (\$5.5M) and general plant (\$715k) in the 2023 budget. Interest of long-term debt is budgeted to increase by 13.92%; however, Mrs. Phelps believes the increase could be even larger given the Federal reports this week. Mrs. Phelps stated that the Commission has calculated the interest rate for customer deposits to be 4.34% for 2023. In 2021 and 2022, the rate was 0.12%. This is a prime example of the challenging interest rate market the cooperative is facing in 2023. Following a discussion, a motion was made by Mr. Sexton and seconded by Mr. Faulkner that the 2023 financial budget and work plans

be approved as presented. Motion carried unanimously. A fifteen-minute break from the meeting was instituted.

Upon return from the break, Mrs. Phelps reviewed resolutions for RUS Forms 674 and 675. Following a discussion and review, a motion was made by Mr. Smith, and seconded by Mr. Sexton to accept the resolutions as presented. Copies of these resolutions are attached to these minutes and made an official part thereof. Motion carried unanimously.

The next item of business was a review and approval, led by Mr. Prather, of a new cost of service study and rate design completed by John Wolfram of Catalyst Consulting, LLC. Mr. Prather recommended going ahead with the cost of service study now, to facilitate a likely rate case in 2023. Based on an anticipated streamlined rate case filing, the entire cost of service and rate case costs are estimated by Catalyst Consulting to be \$20,000. Mr. Prather recommended the use of Mr. Wolfram due to his experience with both Farmers and the Commission. Following an in-depth review and discussion of the Cost of Service Study and Rate Design proposal submitted by Catalyst Consulting, LLC., a motion was made by Mr. Faulkner, and seconded by Mr. London to approve managements recommendation to enlist Catalyst Consulting in a cost of service study. Motion carried unanimously.

The next item of business was Mr. Lester presenting the monthly safety program report. No lost-time incidents occurred during the month. Mr. Lester noted that employees surpassed 287,000 hours of work since their last lost time accident. Overall, Farmers' has a 1.68 recordable incident rate. The Farmers RECC safety committee completed a quarterly safety walk-thru audit of the warehouse, and a formal RESAP certification will be conducted in 2023. The 2022 NESC update recommended that job briefings include the address of where the work is being performed in case help is needed. Every worker needs to know the location of where they are working in order to provide the information to first responders if necessary. A second vehicle incident occurred whereby a lineman was changing out a roadway light, and backed into a semi-truck. The quote to repair the FRECC truck is \$2,700. This incident was turned over to Federated Rural Electric Insurance Exchange.

Following these presentations, Mrs. Phelps, Mr. Bishop, Mr. Riggs, Mr. Lester, Mr. Jackson, and Mrs. Pennington left the meeting.

The next item of business was the EKPC monthly report given by EKPC Director Representative, Mr. Sexton. Mr. Prather was recognized at the board meeting for his upcoming retirement and years of service. It was reported that East Kentucky Power Cooperative is searching to hire a Chief Financial Officer due to the retirement of the current CFO. The 2023 budget was reviewed and approved at this meeting. The year-to-date margins for October were \$13M over budget, and the fuel adjustment clause was \$72M over budget. Supply change issues with a barge company was discussed. The statewide Legislative Reception will be held on February 23, 2023 on the Foundry on Broadway in Frankfort, KY. A summary of this report is attached to these minutes, and made an official part thereof.

The next item of business was the KAEC monthly report given by KAEC Director Representative, Mr. London. Mr. London reported that the KAEC board of directors

meeting will be held on December 20th. He reported on the recent Governance meeting which identified Distinguished Rural Kentuckian nominees to consider for voting purposes.

Next, Mr. Prather gave a report of the President and CEO. Mr. Prather reported on the releasing of data on November 16, 2022, from the Kentuckians for the Commonwealth Co-op Governance Assessment. Farmers RECC has not been contacted about this survey. On November 30th, RUS Field Representative, Mike Norman visited to review updated work order coding requirements. Mr. Prather reported on being the opening speaker at the KAEC statewide Safety Conference in Lexington which was held on December 1st, 2022. The presentation was on a CEO's perspective on Safety. Lastly, Mr. Prather reported on a Cooperative working group meeting with the Kentucky Public Service Commission on December 2nd in Frankfort, KY. The Commission has the intention to make the streamlined rate case permanent, and discussion was held on what improvements might be considered. Also, briefly discussed were depreciation studies and electric vehicle charging stations. A copy of the President's report is attached to these minutes, and made an official part thereof.

For the next item of business, FRECC Attorney Woodford Gardner reported that he has assisted the board of directors in completing and revising the FRECC bylaw amendments. He has worked with Mrs. Phelps in preparing a Co-Bank loan for Farmers Propane. Mr. Gardner expressed his gratitude for his invitation to attend and be a part of the Farmers Rural Electric Christmas Dinner.

The next item of business was a report given by Mr. Faulkner relating to his participation in the NRECA Winter School for Directors at Opryland Hotel in Nashville, Tennessee. Mr. Faulkner completed Board Leadership Courses: #914.1 – Cooperative Communications & Public Opinion – the Directors Perspective, #955.1 – Your Board's Culture – It's Impact on Effectiveness, and #921.1 – Risk Oversight – Boards Role in Risk Management.

The next item of business was consideration to approve the recent updates to the Cooperative Bylaws. A copy of the revisions had been sent out to the board members for review prior to this board meeting. Following discussion, a motion was made by Mr. Smith and seconded by Mr. London to approve the updates to the Cooperative's bylaws as presented. The vote was Yeas – 6, Nays – 1. The motion carried.

The next item of business was consideration to approve a resolution to adopt a 457(f) Performance Incentive Deferred Compensation plan. The 457(f) plan is being established for the purpose of providing retirement funding for the new CEO. Following discussion, Mrs. Williams made a motion to approve the resolution adopting a 457(f) Performance Incentive Deferred Compensation plan. This motion was seconded by Mr. Faulkner, and was unanimously voted in the affirmative. A copy of this resolution is attached to these minutes and made an official part thereof.

Under Other Business, a motion was made by Mr. Sexton, and seconded by Mr. Smith to approve the November 28, 2022 Special Called Board Meeting Minutes as presented. Motion carried unanimously.

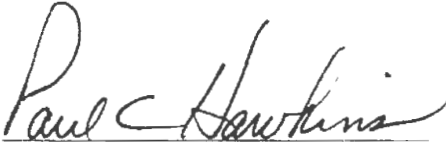
Attendance at the NRECA Power XChange meeting was further discussed. Mr. London has agreed to attend the conference on behalf of the Cooperative. He will accompany Mr. Hawkins and the new CEO, Toby Moss.

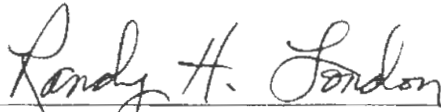
At the conclusion of this meeting, Mr. Prather expressed his sincere appreciation in being hired as the Farmers Rural Electric President/CEO in 2007. He deemed it has been "the most satisfying 15 plus years of my career." He expressed appreciation to all employees who have been the ones who "made things happen." "My wife and I discovered a community where we want to spend the rest of our lives, as we were welcomed and embraced, and it's a wonderful place to be. It's been a privilege and opportunity that you've given me, and I thank you."

Agenda items for next month:

1. Appoint Mr. Tobias Moss as a director representative on the Kentucky Electric Cooperatives board of directors, East Kentucky Power Cooperative, and notify both organizations of his appointment.
2. Bylaws – Governance Topic 2 – Fairness and Member participation. The board has rated eight items to address.
3. Select the NRECA Voting and Alternate Voting Delegate for the NRECA PowerXChange Conference
4. Grassroots Committee Meetings

Chairman Hawkins declared this meeting adjourned at 6:35 p.m.


Paul Hawkins, Chairman


Randy London, Secretary/Treasurer

A meeting of the Board of Directors of Farmers Rural Electric Cooperative Corporation was held on January 19, 2023. The meeting was held in the FRECC Operations Center Conference Room. Chairman Paul Hawkins called the meeting to order at 2:30 p.m. and Mrs. Williams gave the invocation.

In attendance were directors:

Paul Hawkins	Cornelius Faulkner	Ronnie Smith
Randy London	C. F. Martin, Jr.	Brandi Williams
Randy Sexton		

Woodford L. Gardner, Jr., Attorney-at-Law

Farmers Rural Electric staff:

Toby Moss, President/CEO of Farmers Rural Electric
Scott Lester, Vice-President of Operations
Jennie Phelps, Vice-President of Finance and Accounting
Corey Jackson, Vice-President of Member and Corporate Services
Chuck Bishop, Vice-President of Engineering
Linda Foushee, Human Resources Coordinator, Executive Assistant
Caralyne Pennington, Director of Member and Public Communications
Rance Miller, Operational Technology Manager

Following Mr. Miller assisting the directors with logging into and accessing board literature on their I-Pads, he left the meeting.

The first item of business was the review, adoption, and approval of the agenda. Mr. Smith moved approval of the agenda as presented, with a second by Mr. Faulkner. There was no discussion. The agenda was approved unanimously.

The next item of business was a resolution which was emailed to the directors for review prior to meeting naming Tobias B. Moss of Melrose, Florida as the President/CEO of Farmers Rural Electric Cooperative Corporation effective January 9, 2023. A copy of this resolution is attached to these minutes and made an official part thereof.

The next item of business were the consent agenda matters which were presented for approval. There were no questions, concerns, or corrections related to the previous meeting minutes, new and refunded memberships, or unpaid accounts for September 2022 to be written off as uncollectible accounts. As such, a motion was made by Mr. Sexton and seconded by Mr. Smith to accept the consent agenda items as presented. Motion carried unanimously.

The next item of business was a review of the Financial and Operating reports for December 2022 given by the management staff. Mrs. Phelps presented the financials. Mrs. Phelps discussed the December 2022 financials noting that the year-end margins were based on unaudited results and subject to change. Also, the margins did not include the patronage allocation from East Kentucky Power. It was additionally noted that Campbell, Myers and Rutledge, PLLC will conduct its financial audit next week. Year-to-

date operating margins totaled \$20,243. Operating TIER is 1.01, which is below the minimum RUS requirement of 1.10. However, Farmers will meet its obligation by achieving a 1.56 OTIER for the 2 of 3-year high average. Revenues increased \$9.2M or 17.8% as compared to last year. The weather contributed to part of the increase as January, March, and December produced colder temperatures. However, the largest swing is the fuel adjustment clause ("FAC"). In 2021, members' bills were credited \$1.862M for the FAC. For 2022, members paid \$6.747M in charges. Pass-through rates from East Kentucky Power went in effect for services rendered on or after October 1, 2021. Therefore, 2022 saw a full year of the new rates. Purchased power costs increased \$9.4M or 25.8%. The average cost per kWh purchased totaled 8.20 cents, which is 1.58 cents higher than last year. The fuel adjustment clause is reviewed every two years by the Kentucky Public Service Commission.

Mr. Jackson, Vice-President of Member and Corporate Services, reported on the Kentucky Department of Revenue's sales tax requirements relating to letters and the declaration of domicile forms which were mailed to members. Currently 54% of the affected members completed and returned the declaration of domicile form. The target is to obtain 75-80% of the completed forms prior to the March 1 deadline. Another text and email reminder will be sent to members next week.

Mr. Bishop, Vice-President of Engineering provided the monthly Engineering report. He reported that the Jellystone Park project is currently 70% complete moving from a single-phase line to a three-phase line, helping to balance the load. Great Southwestern Construction Company will be working the Glover Road project around the first of March. Mr. Bishop reported the FRECC Purchasing and Facilities Manager is experiencing a three month+ lag time for obtaining materials for construction projects. He is working with vendors to expedite material requests whenever possible. The joint use pole attachment briefs were reviewed and ruled upon by the Kentucky Public Service Commission, and the rulings showed primary favor toward the cooperatives position. As a result of the December 23-24 polar vortex, a large number of power outages were reported in the Cub Run area due to loading issues. Mr. Bishop reported that the post storm analysis revealed FRECC needs to provide more end-loading to the Cub Run circuit. The existing substation in Munfordville, which provides power for the Cub Run circuit, had one feeder using 9.5 MW, and the substation is designed to withstand a 12 MW maximum. The analysis showed the only way to correct the issue is for EKPC to build a 10-12-mile transmission line at the cost of approximately \$2M per mile of line, or to build 10 miles of distribution line a cost of \$200,000 per mile of line. Mr. Bishop is working with East Kentucky Power Cooperative to adopt the best possible, and most cost-effective solution. A post cold weather review of the power grid showed penalties were assessed due to purchasing power from the PJM market. Mr. Bishop additionally reported on the FRECC diesel generator issues which occurred during the December storm.

Mr. Lester, Vice-President of Operations presented his departmental report. Mr. Lester reported that forty-nine utility poles were replaced in December with Great Southwestern Construction Company changing out thirty-two of those poles. A total of 621 poles have been changed out with 108 on file remaining to be changed out. The Service department is checking all capacitor stations and changing out those with blown fuses, and/or bad capacitors. Retro reflective tags have been placed on cross arms allowing personnel to see them when troubleshooting during the nighttime. A&G is 70% complete

in working the Munfordville-Cub Run right-of-way, and will finish soon. Tree KO and Townsend is clearing right-of-way on three different circuits in Cave City.

Mrs. Pennington, Director of Member and Public Communications presented her departmental report. Mrs. Pennington reported that she is working with area high school counselors with students from the FRECC service area in order to secure applicants for the Washington Youth Tour. Applications will be accepted through January 31. An article has been placed in Kentucky Living Magazine's local section informing members and displaying dates where right-of-way crews are working. The 2023 Farmers Rural Electric Annual meeting is scheduled for Tuesday, July 11th.

Due to Mr. Riggs absence, President/CEO Toby Moss reported that updates were being made to the IVR system whereby the vehicle locators are being tweaked. The security systems have been updated, and are almost completely operational.

Mrs. Foushee, Human Resources Coordinator and Executive Assistant presented a Human Resources report. She reported that ACRE, NRECA's political action committee, has announced they are rebranding and changing their visual identity in order to align more closely to the people and organizations it represents. Though the name "ACRE" was effective when it was first established, today's policymakers who, as federal candidates were supported by ACRE, do not make the connection between ACRE support and the eligible employees, directors, and consumer-members of electric cooperatives that fund the PAC. NRECA is working to maximize the network's political and advocacy efforts. The newly branded name will be: America's Electric Cooperatives PAC. The Dispatcher/System Operator position was discussed, noting the one internal candidate that applied had withdrawn his application. Plans are to open this position for external applicants.

Upon conclusion of the senior staff reports Mr. Faulkner moved that the reports be accepted as information presented to the board with Mr. Martin seconding the motion. The motion carried unanimously.

The next item of business was a review and approval of resolutions for Limestone Bank, and Edmonton State Bank authorizing the removal of William T. Prather from all duties, including check signing, treasury management privileges, and website access, and authorizing Tobias Moss to act as an authorized agent for the Cooperative. Mr. Moss shall have access to all transactions, including check signing, treasury management privileges, and website access. Following discussion and review, a motion was made by Mr. Sexton, and seconded by Mrs. Williams that the Limestone Bank, and Edmonton State Bank resolutions be approved as presented. Motion carried unanimously. A copy of these resolutions is attached to the minutes, and made an official part thereof.

The next item of business was to review and adopt resolutions naming Tobias B. Moss as the CEO Representative to the Kentucky Electric Cooperatives, Farmers Energy Propane Plus, and the East Kentucky Power Cooperative board of directors. Following review and discussion, a motion was made by Mr. Smith, and seconded by Mr. Faulkner to accept the three resolutions as mentioned. Motion carried unanimously. A copy of these resolutions is attached to the minutes, and made an official part thereof.

The next item of business was Mr. Lester presenting the monthly safety program report. No lost-time incidents, accidents, recordables, or reportables occurred during the month. Mr. Lester noted that employees surpassed 296,577 hours of work since their last lost time accident. Overall, Farmers' has a 1.70 recordable incident rate. FRECC small bucket Truck #120 had its' wheel studs come off a tire while the truck was moving along on the public square in Glasgow, and the tire rolled into a Chevrolet Impala. This claim has been submitted and will be handled by Federal Rural Electric Insurance Exchange. The safety RESAP audit for 2023 was discussed. This morning daily truck inspections were conducted, and a full check was made with the linemen's belts. Due to the cooperative's outstanding safety record, FRECC has applied for, and is eligible to receive, the Kentucky's Governors Safety award.

Following these presentations, Mrs. Phelps, Mr. Bishop, Mr. Lester, Mr. Jackson, and Mrs. Pennington left the meeting.

The next item of business was the EKPC monthly report given by EKPC Director Representative, Mr. Sexton. No regular board meeting was held this month. A special board meeting was held this morning in Executive Session.

The next item of business was the KAEC monthly report given by Kentucky Electric Cooperative's Director Representatives, Mr. London, and Mr. Smith. Mr. London reported on the December 20th board of directors meeting, and Mr. Smith, who was attending his first KEC board meeting as a director, reported on the January 17 meeting. The Distinguished Rural Kentuckian has been selected, Mr. Tim Farmer. A summary of these meetings is attached to these minutes and made an official part thereof.

Next, Mr. Moss provided the board with the President's report. Mr. Moss reported on his first few weeks as the newly named President/CEO, and actions which were taken to generate familiarity with employees. In keeping the board informed with changes to FRECC Guidelines, Mr. Moss reviewed Guideline #500 – Employee Dress Code, and shared the staff's input, and recommended updates. Changes to FRECC Guidelines only warrants the staff's approval for updates, changes, or modifications. Mr. Moss, and Mr. Smith provided a summary of the January 16-17 KEC meeting, and it was noted that Mr. Moss was voted on, and approved onto the KEC board as the CEO representative from Farmers Rural Electric. Rate case plans were discussed, along with the President/CEO's upcoming schedule of calls and meetings. A copy of the President's report is attached to these minutes, and made an official part thereof.

For the next item of business, FRECC Attorney Woodford Gardner reported that Mr. Edward "Tipp" Depp, Attorney at Law with Dinsmore & Shohl, LLP in Louisville, KY, represented the cooperative in developing the pole attachment tariff, and Mr. Gardner provided the cover letter. This tariff will be filed on January 27th. Additionally, Mr. Gardner reviewed with the board, FRECC Policy #160 – Conflict of Interest and Confidentiality. Following the review, each board member signed the acknowledgment of the policy form, and submitted to management for filing.

The next item of business was a review and approval of revisions to FRECC Policy #410 – Check Signing, and Wire Transfers. This policy was recommended by the staff to be updated and amended to reflect the cooperative's current procedures. Following review, a motion was made by Mr. Smith, and seconded by Mrs. Williams to amend the policy as

recommended and presented by the staff. Motion carried unanimously. A copy of this policy is attached to these minutes, and made an official part thereof.

The next item of business was review and approval of the director and CEO expenses for the fourth quarter of 2022. Following review, a motion was made by Mr. Faulkner and seconded by Mr. Smith to accept the information as presented. Motion carried unanimously.

The next item of business was a discussion on the director education options and certifications. Staying abreast of related educational opportunities was discussed.

For the next item of business, the following confirmed attendance to the 2023 NRECA PowerXchange March 3-8, and the CFC Financial Workshop January 23-24. Mr. Faulkner, (Board Leadership Classes only) Mrs. Williams (Board Leadership Classes only), Mr. Moss, and Mr. London will attend the PowerXchange related meetings in Nashville, TN. Mr. Faulkner, Mr. Hawkins, Mr. Moss, Mr. London, Mr. Sexton, and Mrs. Williams will attend the CFC Financial Workshop at the Lexington Marriott Griffin Gate hotel on January 23-24. Chairman Hawkins withdrew his name to attend the NRECA PowerXChange meetings, due to adequate representation for the cooperative being in place.

The next item of business was the selection of a Delegate and Alternate Voting Delegate to the 2023 NRECA PowerXchange meeting. Following discussion, a motion was made by Mr. Smith for Mr. Randy London to serve as the Voting Delegate, and Mr. Toby Moss to serve as the Alternate Voting Delegate. This motion was seconded by Mr. Faulkner, and was unanimously voted in the affirmative. Motion carried.

For the next item of business, discussion was held relative to the confirmation of attendees to the 2023 Legislative Reception to be held at the Foundry in Frankfort, Kentucky on February 23rd. Following discussion, Mr. Moss confirmed his attendance, along with Mr. Smith. Chairman Hawkins offered as an alternate attendee, in the event one of the representatives cannot attend.

Next, the board entered into a discussion relating to re-engaging the Grassroots Committee meetings which were put on hold due to the Covid-19 outbreak, and to develop steps which need to be taken moving forward. The functions of the committee, and the duration of terms were discussed. Potential topics of discussion for the meetings: fuel adjustment charge, and the cold weather experienced by members in the month of December due to the polar vortex.

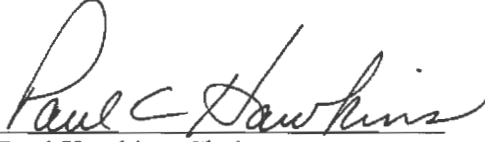
The next item of business was a discussion of the Board Governance Assessment #2 – Board Election Process – Fairness and Member Participation. Embracing a culture for transparency and fairness in the election is the beacon light. A recommendation was to post on the Farmers Rural Electric website and other local mediums recognizing which directors are up for re-election, and to provide biographical information on each.

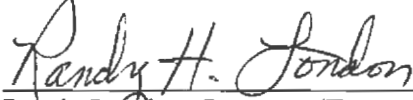
No information was presented under “Other Business”.

Agenda items for next month:

1. Grassroots Committee continued discussion
2. Board election process – how do we become more transparent
3. CFC Financial Workshop review
4. CEO Evaluation – procedure and timeline
5. Nominating Committee Names

Chairman Hawkins declared this meeting adjourned at 5:55 p.m.


Paul Hawkins, Chairman


Randy London, Secretary/Treasurer

A meeting of the Board of Directors of Farmers Rural Electric Cooperative Corporation was held on February 16, 2023. The meeting was held in the FRECC Operations Center Conference Room. Chairman Paul Hawkins called the meeting to order at 2:30 p.m. and Woodford L. Gardner, Jr. gave the invocation.

In attendance were directors:

Paul Hawkins
Randy London
Randy Sexton

Cornelius Faulkner
C. F. Martin, Jr.

Ronnie Smith
Brandi Williams

Woodford L. Gardner, Jr., Attorney-at-Law

Farmers Rural Electric staff:

Toby Moss, President/CEO of Farmers Rural Electric
Scott Lester, Vice-President of Operations
Jennie Phelps, Vice-President of Finance and Accounting
Corey Jackson, Vice-President of Member and Corporate Services
Chuck Bishop, Vice-President of Engineering
Linda Foushee, Human Resources Coordinator, Executive Assistant
Caralyne Pennington, Director of Member and Public Communications

The first item of business was an introduction of the newly hired Member Service Representative, Heather Keeney. Following the introduction and conversation, Mrs. Keeney left the meeting.

The next item of business was the review, adoption, and approval of the agenda. Mr. Smith moved approval of the agenda requesting the Discussion on the Grassroots Committee meetings line item be moved up on the agenda, and placed following the review of the Safety and Loss Control report, for the purpose of discussing the meeting details with the Senior Staff present. This motion was seconded by Mr. Faulkner, and was unanimously voted on in the affirmative.

The next item of business were the consent agenda matters which were presented for approval. There were no questions, concerns, or corrections related to the previous meeting minutes, new and refunded memberships, or unpaid accounts for October 2022 to be written off as uncollectible accounts. As such, a motion was made by Mr. Martin and seconded by Mr. Smith to accept the consent agenda items as presented. Motion carried unanimously.

The next item of business was a review of the Financial and Operating reports given by the management staff. Mrs. Phelps reviewed the December 2022 financial statements. Campbell, Myers & Rutledge, PLLC have completed their financial audit. Although the final report has not been issued, Mrs. Phelps does not anticipate any changes. The 2022 operating margins totaled \$14,696 and an Operating TIER at 1.01. East Kentucky Power Cooperative's assignment of 2022 margins, based on unaudited results, is calculated at \$1,510,000. Adjustments to Farmers' 2022 assignment will be recorded in 2023. The 2022 margins totaled \$2,281,606. For January 2023, the margins totaled

\$4,213, a \$501k decrease from the prior year. Purchased power costs decreased \$75k or 1.7% as compared to January 2022. However, kWh purchases declined 21.1%. The average cost per kWh purchased totaled 9.56 cents, a 1.89 cent increase from the prior year and 0.45 cent higher than budgeted. Mrs. Phelps also gave an update of Farmers Energy Propane Plus. A discussion was also held about the fuel adjustment clause.

Mr. Jackson, Vice-President of Member and Corporate Services, reported on the Kentucky Department of Revenue's sales tax issue. He reported that 35-40% of cooperative members have not returned their declaration of domicile forms declaring their exempt or non-exempt tax status. At the beginning of next week, telephone calls will be going out as a reminder to 190 members who failed to sign, or check boxes on their declaration of domicile form. Beginning March 1, a tax code will be included, and charged if necessary, on the members monthly utility bill. Mr. Jackson additionally reported that he and Chuck Bishop will be meeting with Rodney Hitch, from East Kentucky Power Cooperative, for a strategic planning meeting at the Chamber of Commerce with the Barren County Economic Authority.

Mr. Bishop, Vice-President of Engineering provided the monthly Engineering report. He reported that the Construction Work Plan crews with Great Southwestern Construction Company have finished the Jellystone Park project, and are currently working on smaller jobs. The Glover Creek wire change job will be forthcoming. Great Southwestern Construction Company had won the bid for the Construction Work Plan, yet due to higher than normal inflation, they asked for a price adjustment as the bids on the job were under bid. The work plan is set up on a two-year fixed rate. Farmers has agreed to review the price on the third. A virtual meeting was held today, with all cooperatives thru the Kentucky Electric Cooperative relating to the Kentucky Public Service Commission's case on joint use pole attachments and issues which have arisen.

Mr. Lester, Vice-President of Operations presented his departmental report. He reported that the Service department is currently working on recloser maintenance. Plans are to replace around 100 reclosers per year. To date, ninety-two poles are left in the file to be changed out. Thomas Wilson and Isaac Jones completed their second blended online TVPPA exam. Brian Caswell is currently participating in the Track 2 Foreman's Academy in Louisville.

Mrs. Pennington, Director of Member and Public Communications presented her departmental report. Mrs. Pennington reported that she has received fifteen Washington Youth Tour applicants, and applications will be sent off-site for scoring. She reported that the Honor Flight for 2023 is tentatively set for September 16th. Honor Flight is sponsored by Kentucky's Touchstone Energy Cooperatives with a mission to show gratitude on behalf of the community for service of our veterans. The veterans will spend a memorable day in the nation's capital. Mrs. Pennington reported that the Best in Kentucky nominations are currently being received.

Due to Mr. Riggs absence, President/CEO Toby Moss reported that the IVR Milsoft system is offsite ready. The multi-speak protocol is 80% complete. Rance Miller has been participating in SCADA training.

Mrs. Foushee, Human Resources Coordinator and Executive Assistant presented a Human Resources report. The Dispatcher/System Operator job opening was discussed.

The interviews have been delayed and will be rescheduled upon Mr. Rigg's return to the office. Employees scheduled to conduct the interview are: Vice-President of Technology and Security, Mr. Jason Riggs, the Operational Technology Manager, Mr. Rance Miller, and the Human Resources Coordinator, Mrs. Linda Foushee.

Upon conclusion of the senior staff reports Mr. Faulkner moved that the reports be accepted as information presented to the board. The motion was seconded by Mr. Smith and was unanimously voted in the affirmative.

The next item of business was a review of the 2022 fourth quarter (October-December 2022) RUS Summary of Construction by Mrs. Phelps. Following review, a motion was made by Mr. Sexton, and seconded by Mr. Martin that the report be approved and submitted to RUS for borrowing. The motion carried unanimously.

The next item of business was information presented by Mrs. Phelps for the Board to consider with refunding capital credits in 2023. Mrs. Phelps provided the board of directors with three suggested scenarios to consider for refunds. The suggestions were for the year 1982 (EKPC) with the total amount of checks & bill credits of \$435,550, or the remaining balance of 1998 (FRECC) with the total amount of checks and bill credits of \$66,940, or year 1982 (EKPC) and the remaining balance of 1998 (FRECC) in the total amount of checks and bill credits of \$502,369. NOTE: EKPC retired years 1976 through 1982 on November 4, 2022. Management recommended that the process be the same as the prior year. Refunds will be bill credits for existing member electric accounts, with a maximum credit of \$75.00. Refunds over \$75.00 maximum credit would be returned to members by a check mailed and distributed by USPS. After discussion and questions by the Board of Directors, a motion was made by Mr. Smith to pay out in Capital Credits the remaining balance of 1998 (FRECC) in the amount of \$66,940. There was no further discussion. This motion was seconded by Mrs. Williams and was unanimously voted in the affirmative. The refund will occur in April.

The next item of business was consideration to designate Tobias Moss as an Authorized Signatory for Co-Bank. This discussion was led by Mrs. Phelps. The Co Bank Incumbency Certificate states that Mr. Tobias (Toby) Moss is the current, duly elected and/or appointed Authorized Signatories and that by his signature, it replaces all previous incumbency certificates. Following discussion, a motion was made by Mrs. Williams, and seconded by Mr. Faulkner to designate Tobias Moss as an Authorized Signatory for Co-Bank. Motion carried unanimously.

The next item of business was Mr. Lester presenting the monthly safety program report. No lost-time incidents, accidents, recordables, or reportables occurred during the month. Mr. Lester noted that employees surpassed 306,540 hours of work since their last lost time accident. Due to the cooperative's good safety record with Federated Rural Electric Energy Exchange, \$10,691 was saved off of the annual insurance premium. The Environmental Protection Agency has completed FRECC's underground tank inspection and a clean report was given.

The following item of business was a discussion on the Grassroots Committee meeting plans and scheduling recommendations. Mrs. Pennington provided information to consider. Following discussion, it was determined Mrs. Pennington will secure dates, locations, and details, and will forward this information to the directors and management

team for approval, prior to communicating this information with the current Grassroots members.

Following these presentations, Mrs. Phelps, Mr. Bishop, Mr. Lester, Mr. Jackson, and Mrs. Pennington left the meeting.

The next item of business was the EKPC monthly report given by EKPC Director Representatives, Mr. Sexton and Mr. Moss. It was reported on Tuesday that margins for EKPC were 26.8 million over budget year-to-date. Due to fuel delivery and mechanical issues caused by the extreme cold, EKPC incurred capacity performance penalties during Winter Storm Elliott, which caused temperatures to plummet to sub-zero while winds were gusting to 30 miles per hour. The extreme weather strained mechanical equipment at power plants and natural gas pipelines. Gas pipeline companies cut supplies to two of EKPC's plants for extended periods causing EKPC to switch to on-site backup fuel at both plants, burning 2.2 million gallons of fuel oil to keep the power flowing. Due to this, EKPC incurred capacity performance penalties during the storm. EKPC has filed an outage insurance claim for \$4.1 million, and they estimate its' capacity performance penalties will be \$18.9 million, with an estimated \$13.4 million of that recovered in insurance. PJM stated on December 24, 2022, the total forced outages reached nearly 46 gigawatts, or about 23 percent of the total generating capacity in PJM. The RTO is still calculating nonperformance penalties for the event, but estimates the final total will range between \$1billion, and \$2billion. Mike McNalley, EKPC's interim Chief Financial Officer, reported EKPC's preliminary year-to-date margin through December is \$3 million above budget due primarily to lower-than-expected net revenue, and operating and maintenance expenses, and higher-than-expected fixed costs. After costs are finalized from Winter Storm Elliott, EKPC's final 2022 financial performance could change significantly. A copy of the EKPC board meeting summary is attached to these minutes, and made an official part thereof.

The next item of business was the KEC monthly report given by Kentucky Electric Cooperative's Director Representatives, Mr. Smith, and Mr. Moss. Mr. Smith reported no monthly meeting has been held this month.

Next, Mr. Moss provided the board with the President's report. Mr. Moss reported on fostering familiarity and understanding amongst employees, discussed particulars from the Farmers Propane Board Meeting, gave a report on his recent attendance at the CFC Statewide Financial Workshop, provided information from the East Kentucky Power Cooperative meeting, provided the directors with his community engagement efforts, and discussed rate case plans. He concluded his report by sharing with the group some multiple options of shaving costs prior to an anticipated rate case approval. Cost shaving examples were discussed; but were not recommended by management or staff due to the long-term negative effects they would cause. His upcoming schedule was reviewed. A more detailed copy of the President's report is attached to these minutes and made an official part thereof.

For the next item of business, FRECC Attorney Woodford Gardner reported that he counseled with Vice-President of Member and Corporate Services, Corey Jackson, relating to approximately 300-member accounts which were recorded in the FRECC computer system as seasonal homes, consequently those accounts were being charged a sales tax on their bill. Mr. Gardner reported, if a member was charged a sales tax on their bill inadvertently, the member can only go back four years when applying for a refund.

Mr. Jackson plans to review the remaining member accounts mentioned in order to regulate if the accounts are a primary residence or a vacation/seasonal home. Appropriate adjustments will be made.

In the next item of business, the board designated that the 2023 Cooperative Annual Meeting would be held on Tuesday July 11, 2023, at the Cave City Convention Center, with member registration beginning at 5:30 p.m. Following discussion, a motion was made by Mr. Sexton, and seconded by Mr. Martin to conduct the annual meeting on the date and location listed above. This motion was unanimously voted in the affirmative.

Next, discussion was held relating to the selection and designation of the election Provost for the 2023 FRECC director nomination/election process. Following the discussion, a motion was made by Mr. Smith to select Cindy Greer, CPA, of the firm Campbell, Myers, and Rutledge to serve as the 2023 FRECC Provost. This motion was seconded by Mr. London, and was unanimously voted in the affirmative.

Next, Chairman Hawkins requested board members to be thinking about inviting a representative to serve on the 2023 Director Nominating Committee, and to bring that person's name and contact information to the March board of directors meeting.

For the next item of business, a recap of the CFC Financial training seminar which was held in Lexington January 23-24 was provided by those who attended.

The next item of business was a discussion to determine interest in attendance at the NRECA Legislative Conference, April 16-19 in Washington, D.C. Currently, no directors plan to attend.

Next, Mr. Moss asked the board to consider rescheduling the May 18th board of directors meeting due to a NRECA New CEO Orientation being held out of state at that time. Following discussion, a motion was made by Mr. Smith, and seconded by Mr. Faulkner to reschedule the May 18th board of directors meeting to Thursday, May 25th, beginning at 2:30 p.m. Motion carried unanimously.

The next item of business was a discussion led by Chairman Hawkins relating to the CEO evaluation timeline. Following discussion, it was agreed upon for Chairman Hawkins to contact Mr. Dean Harbry to obtain ideas and pricing.

Next, Chairman Hawkins led the discussion on the Board Governance Assessment #2 – Board Election Process – Fairness and Member Participation Action Plan. Ideas were communicated on how to make the election process more transparent. Transparency on the FRECC website was discussed. Mr. Moss will direct Mrs. Pennington to develop a profile of the directors up for re-election to be placed on the FRECC web site. Directors Brandi Williams and Ronnie Smith will be up for re-election this year. Beginning at the March board of directors meeting, the board will review its policies per Scott Luecal's recommendations. There will be a twenty-minute limit on discussions.

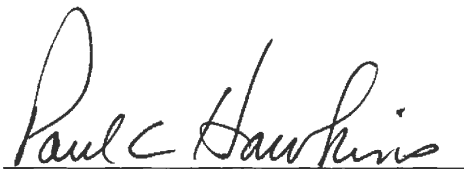
The next item of business was a motion made by Mr. Smith to go into Executive Session. This motion was seconded by Mrs. Williams and was unanimously voted in the affirmative.

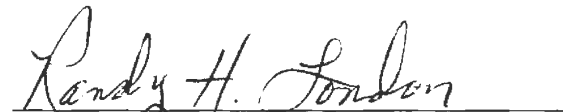
Upon return from Executive Session, Other Business discussed was to select/appoint the Voting Delegate and Alternate for the 2023 CRC Director election. Following discussion, a motion was made by Mr. Sexton, and seconded by Mr. Smith to appoint Mr. Moss as the Voting Delegate, and Mr. Hawkins as the Alternate Voting Delegate. Motion carried unanimously.

Agenda items for next month:

1. Discussion on board policies
2. Chuck Bishop to report on Electric Cooperatives 101 on recurring basis
3. Nominating Committee Names and Contact Information
4. CEO Evaluation – procedure and timeline

Chairman Hawkins declared this meeting adjourned at 5:20 p.m.


Paul Hawkins, Chairman


Randy London, Secretary/Treasurer

A meeting of the Board of Directors of Farmers Rural Electric Cooperative Corporation was held on February 16, 2023. The meeting was held in the FRECC Operations Center Conference Room. Chairman Paul Hawkins called the meeting to order at 2:30 p.m. and Woodford L. Gardner, Jr. gave the invocation.

In attendance were directors:

Paul Hawkins
Randy London
Randy Sexton

Cornelius Faulkner
C. F. Martin, Jr.

Ronnie Smith
Brandi Williams

Woodford L. Gardner, Jr., Attorney-at-Law

Farmers Rural Electric staff:

Toby Moss, President/CEO of Farmers Rural Electric
Scott Lester, Vice-President of Operations
Jennie Phelps, Vice-President of Finance and Accounting
Corey Jackson, Vice-President of Member and Corporate Services
Chuck Bishop, Vice-President of Engineering
Linda Foushee, Human Resources Coordinator, Executive Assistant
Caralyne Pennington, Director of Member and Public Communications

The first item of business was an introduction of the newly hired Member Service Representative, Heather Keeney. Following the introduction and conversation, Mrs. Keeney left the meeting.

The next item of business was the review, adoption, and approval of the agenda. Mr. Smith moved approval of the agenda requesting the Discussion on the Grassroots Committee meetings line item be moved up on the agenda, and placed following the review of the Safety and Loss Control report, for the purpose of discussing the meeting details with the Senior Staff present. This motion was seconded by Mr. Faulkner, and was unanimously voted on in the affirmative.

The next item of business were the consent agenda matters which were presented for approval. There were no questions, concerns, or corrections related to the previous meeting minutes, new and refunded memberships, or unpaid accounts for October 2022 to be written off as uncollectible accounts. As such, a motion was made by Mr. Martin and seconded by Mr. Smith to accept the consent agenda items as presented. Motion carried unanimously.

The next item of business was a review of the Financial and Operating reports given by the management staff. Mrs. Phelps reviewed the December 2022 financial statements. Campbell, Myers & Rutledge, PLLC have completed their financial audit. Although the final report has not been issued, Mrs. Phelps does not anticipate any changes. The 2022 operating margins totaled \$14,696 and an Operating TIER at 1.01. East Kentucky Power Cooperative's assignment of 2022 margins, based on unaudited results, is calculated at \$1,510,000. Adjustments to Farmers' 2022 assignment will be recorded in 2023. The 2022 margins totaled \$2,281,606. For January 2023, the margins totaled

\$4,213, a \$501k decrease from the prior year. Purchased power costs decreased \$75k or 1.7% as compared to January 2022. However, kWh purchases declined 21.1%. The average cost per kWh purchased totaled 9.56 cents, a 1.89 cent increase from the prior year and 0.45 cent higher than budgeted. Mrs. Phelps also gave an update of Farmers Energy Propane Plus. A discussion was also held about the fuel adjustment clause.

Mr. Jackson, Vice-President of Member and Corporate Services, reported on the Kentucky Department of Revenue's sales tax issue. He reported that 35-40% of cooperative members have not returned their declaration of domicile forms declaring their exempt or non-exempt tax status. At the beginning of next week, telephone calls will be going out as a reminder to 190 members who failed to sign, or check boxes on their declaration of domicile form. Beginning March 1, a tax code will be included, and charged if necessary, on the members monthly utility bill. Mr. Jackson additionally reported that he and Chuck Bishop will be meeting with Rodney Hitch, from East Kentucky Power Cooperative, for a strategic planning meeting at the Chamber of Commerce with the Barren County Economic Authority.

Mr. Bishop, Vice-President of Engineering provided the monthly Engineering report. He reported that the Construction Work Plan crews with Great Southwestern Construction Company have finished the Jellystone Park project, and are currently working on smaller jobs. The Glover Creek wire change job will be forthcoming. Great Southwestern Construction Company had won the bid for the Construction Work Plan, yet due to higher than normal inflation, they asked for a price adjustment as the bids on the job were under bid. The work plan is set up on a two-year fixed rate. Farmers has agreed to review the price on the third. A virtual meeting was held today, with all cooperatives thru the Kentucky Electric Cooperative relating to the Kentucky Public Service Commission's case on joint use pole attachments and issues which have arisen.

Mr. Lester, Vice-President of Operations presented his departmental report. He reported that the Service department is currently working on recloser maintenance. Plans are to replace around 100 reclosers per year. To date, ninety-two poles are left in the file to be changed out. Thomas Wilson and Isaac Jones completed their second blended online TVPPA exam. Brian Caswell is currently participating in the Track 2 Foreman's Academy in Louisville.

Mrs. Pennington, Director of Member and Public Communications presented her departmental report. Mrs. Pennington reported that she has received fifteen Washington Youth Tour applicants, and applications will be sent off-site for scoring. She reported that the Honor Flight for 2023 is tentatively set for September 16th. Honor Flight is sponsored by Kentucky's Touchstone Energy Cooperatives with a mission to show gratitude on behalf of the community for service of our veterans. The veterans will spend a memorable day in the nation's capital. Mrs. Pennington reported that the Best in Kentucky nominations are currently being received.

Due to Mr. Riggs absence, President/CEO Toby Moss reported that the IVR Milsoft system is offsite ready. The multi-speak protocol is 80% complete. Rance Miller has been participating in SCADA training.

Mrs. Foushee, Human Resources Coordinator and Executive Assistant presented a Human Resources report. The Dispatcher/System Operator job opening was discussed.

The interviews have been delayed and will be rescheduled upon Mr. Rigg's return to the office. Employees scheduled to conduct the interview are: Vice-President of Technology and Security, Mr. Jason Riggs, the Operational Technology Manager, Mr. Rance Miller, and the Human Resources Coordinator, Mrs. Linda Foushee.

Upon conclusion of the senior staff reports Mr. Faulkner moved that the reports be accepted as information presented to the board. The motion was seconded by Mr. Smith and was unanimously voted in the affirmative.

The next item of business was a review of the 2022 fourth quarter (October-December 2022) RUS Summary of Construction by Mrs. Phelps. Following review, a motion was made by Mr. Sexton, and seconded by Mr. Martin that the report be approved and submitted to RUS for borrowing. The motion carried unanimously.

The next item of business was information presented by Mrs. Phelps for the Board to consider with refunding capital credits in 2023. Mrs. Phelps provided the board of directors with three suggested scenarios to consider for refunds. The suggestions were for the year 1982 (EKPC) with the total amount of checks & bill credits of \$435,550, or the remaining balance of 1998 (FRECC) with the total amount of checks and bill credits of \$66,940, or year 1982 (EKPC) and the remaining balance of 1998 (FRECC) in the total amount of checks and bill credits of \$502,369. NOTE: EKPC retired years 1976 through 1982 on November 4, 2022. Management recommended that the process be the same as the prior year. Refunds will be bill credits for existing member electric accounts, with a maximum credit of \$75.00. Refunds over \$75.00 maximum credit would be returned to members by a check mailed and distributed by USPS. After discussion and questions by the Board of Directors, a motion was made by Mr. Smith to pay out in Capital Credits the remaining balance of 1998 (FRECC) in the amount of \$66,940. There was no further discussion. This motion was seconded by Mrs. Williams and was unanimously voted in the affirmative. The refund will occur in April.

The next item of business was consideration to designate Tobias Moss as an Authorized Signatory for Co-Bank. This discussion was led by Mrs. Phelps. The Co Bank Incumbency Certificate states that Mr. Tobias (Toby) Moss is the current, duly elected and/or appointed Authorized Signatories and that by his signature, it replaces all previous incumbency certificates. Following discussion, a motion was made by Mrs. Williams, and seconded by Mr. Faulkner to designate Tobias Moss as an Authorized Signatory for Co-Bank. Motion carried unanimously.

The next item of business was Mr. Lester presenting the monthly safety program report. No lost-time incidents, accidents, recordables, or reportables occurred during the month. Mr. Lester noted that employees surpassed 306,540 hours of work since their last lost time accident. Due to the cooperative's good safety record with Federated Rural Electric Energy Exchange, \$10,691 was saved off of the annual insurance premium. The Environmental Protection Agency has completed FRECC's underground tank inspection and a clean report was given.

The following item of business was a discussion on the Grassroots Committee meeting plans and scheduling recommendations. Mrs. Pennington provided information to consider. Following discussion, it was determined Mrs. Pennington will secure dates, locations, and details, and will forward this information to the directors and management

team for approval, prior to communicating this information with the current Grassroots members.

Following these presentations, Mrs. Phelps, Mr. Bishop, Mr. Lester, Mr. Jackson, and Mrs. Pennington left the meeting.

The next item of business was the EKPC monthly report given by EKPC Director Representatives, Mr. Sexton and Mr. Moss. It was reported on Tuesday that margins for EKPC were 26.8 million over budget year-to-date. Due to fuel delivery and mechanical issues caused by the extreme cold, EKPC incurred capacity performance penalties during Winter Storm Elliott, which caused temperatures to plummet to sub-zero while winds were gusting to 30 miles per hour. The extreme weather strained mechanical equipment at power plants and natural gas pipelines. Gas pipeline companies cut supplies to two of EKPC's plants for extended periods causing EKPC to switch to on-site backup fuel at both plants, burning 2.2 million gallons of fuel oil to keep the power flowing. Due to this, EKPC incurred capacity performance penalties during the storm. EKPC has filed an outage insurance claim for \$4.1 million, and they estimate its' capacity performance penalties will be \$18.9 million, with an estimated \$13.4 million of that recovered in insurance. PJM stated on December 24, 2022, the total forced outages reached nearly 46 gigawatts, or about 23 percent of the total generating capacity in PJM. The RTO is still calculating nonperformance penalties for the event, but estimates the final total will range between \$1 billion, and \$2 billion. Mike McNalley, EKPC's interim Chief Financial Officer, reported EKPC's preliminary year-to-date margin through December is \$3 million above budget due primarily to lower-than-expected net revenue, and operating and maintenance expenses, and higher-than-expected fixed costs. After costs are finalized from Winter Storm Elliott, EKPC's final 2022 financial performance could change significantly. A copy of the EKPC board meeting summary is attached to these minutes, and made an official part thereof.

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Mr. Jackson plans to review the remaining member accounts mentioned in order to regulate if the accounts are a primary residence or a vacation/seasonal home. Appropriate adjustments will be made.

In the next item of business, the board designated that the 2023 Cooperative Annual Meeting would be held on Tuesday July 11, 2023, at the Cave City Convention Center, with member registration beginning at 5:30 p.m. Following discussion, a motion was made by Mr. Sexton, and seconded by Mr. Martin to conduct the annual meeting on the date and location listed above. This motion was unanimously voted in the affirmative.

Next, discussion was held relating to the selection and designation of the election Provost for the 2023 FRECC director nomination/election process. Following the discussion, a motion was made by Mr. Smith to select Cindy Greer, CPA, of the firm Campbell, Myers, and Rutledge to serve as the 2023 FRECC Provost. This motion was seconded by Mr. London, and was unanimously voted in the affirmative.

Next, Chairman Hawkins requested board members to be thinking about inviting a representative to serve on the 2023 Director Nominating Committee, and to bring that person's name and contact information to the March board of directors meeting.

For the next item of business, a recap of the CFC Financial training seminar which was held in Lexington January 23-24 was provided by those who attended.

The next item of business was a discussion to determine interest in attendance at the NRECA Legislative Conference, April 16-19 in Washington, D.C. Currently, no directors plan to attend.

Next, Mr. Moss asked the board to consider rescheduling the May 18th board of directors meeting due to a NRECA New CEO Orientation being held out of state at that time. Following discussion, a motion was made by Mr. Smith, and seconded by Mr. Faulkner to reschedule the May 18th board of directors meeting to Thursday, May 25th, beginning at 2:30 p.m. Motion carried unanimously.

The next item of business was a discussion led by Chairman Hawkins relating to the CEO evaluation timeline. Following discussion, it was agreed upon for Chairman Hawkins to contact Mr. Dean Harbry to obtain ideas and pricing.

Next, Chairman Hawkins led the discussion on the Board Governance Assessment #2 – Board Election Process – Fairness and Member Participation Action Plan. Ideas were communicated on how to make the election process more transparent. Transparency on the FRECC website was discussed. Mr. Moss will direct Mrs. Pennington to develop a profile of the directors up for re-election to be placed on the FRECC web site. Directors Brandi Williams and Ronnie Smith will be up for re-election this year. Beginning at the March board of directors meeting, the board will review its policies per Scott Luecal's recommendations. There will be a twenty-minute limit on discussions.

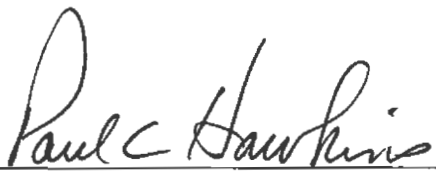
The next item of business was a motion made by Mr. Smith to go into Executive Session. This motion was seconded by Mrs. Williams and was unanimously voted in the affirmative.

Upon return from Executive Session, Other Business discussed was to select/appoint the Voting Delegate and Alternate for the 2023 CRC Director election. Following discussion, a motion was made by Mr. Sexton, and seconded by Mr. Smith to appoint Mr. Moss as the Voting Delegate, and Mr. Hawkins as the Alternate Voting Delegate. Motion carried unanimously.

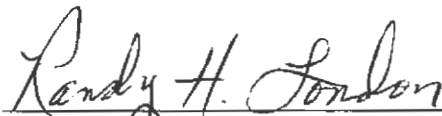
Agenda items for next month:

1. Discussion on board policies
2. Chuck Bishop to report on Electric Cooperatives 101 on recurring basis
3. Nominating Committee Names and Contact Information
4. CEO Evaluation – procedure and timeline

Chairman Hawkins declared this meeting adjourned at 5:20 p.m.



Paul Hawkins, Chairman



Randy London, Secretary/Treasurer

A regular monthly meeting of the Board of Directors of Farmers Rural Electric Cooperative Corporation was held on April 20, 2023. The meeting was held in the FRECC Operations Center Conference Room. Chairman Paul Hawkins called the meeting to order at 2:30 p.m.

In attendance were:

Paul Hawkins	Toby Moss, President & Chief Executive Officer
Cornelius Faulkner	Jennie Phelps, Vice-President of Finance
Ronnie Smith	Woodford L. Gardner, Jr., Attorney-at-Law
Randy London	
C. F. Martin, Jr.	
Brandi Williams	
Randy Sexton	

Special guest: Brent Billingsley, CPA representing the firm of Campbell, Myers, & Rutledge, PLLC.

An invocation was given by Mr. Smith.

The first item of business was the review, adoption, and approval of the agenda. Mr. Sexton moved approval of the agenda as presented, with a second by Mr. Smith. There was no discussion. The agenda was approved unanimously.

The next item of business was an in-depth presentation of the 2022 financial audit given by Brent Billingsley, CPA of Campbell, Myers, and Rutledge, PLLC. Prior to the board meeting, the directors were provided an electronic copy of the audit report for review. The audit was reviewed at length during the meeting allowing opportunities for the directors to ask questions. The CPAs reported that the Cooperative had received a clean audit report for the year. No significant issues with internal deficiencies were noted. Following discussion, a motion was made by Mr. Smith and second by Mr. Faulkner that the annual audit report be approved as presented. Motion carried unanimously. Following this report, Mr. Billingsley left the meeting.

At 2:55 p.m., the following joined the meeting in person:

Farmers Rural Electric Senior Staff:

Scott Lester, Vice-President of Operations
Jennie Phelps, Vice-President of Finance and Accounting
Corey Jackson, Vice-President of Member and Corporate Services
Chuck Bishop, Vice-President of Engineering
Linda Foushee, Human Resources Coordinator, Executive Assistant
Jason Riggs, Vice-President of Technical Services and Security

Guest: Grant Edwards, Newly hired FRECC dispatcher

Following an introduction of Grant Edwards, he left the meeting.

The next item of business was the approval of the Consent Agenda containing the previous board meeting minutes, new and refunded memberships, and unpaid accounts to be written off as uncollectible. There were no questions, concerns, or corrections related. As such, a motion was made by Mr. Faulkner and seconded by Mr. Smith to accept the Consent Agenda items as presented. Motion carried unanimously.

The next item of business was a review of the Financial and Operating reports for March 2023 given by the management staff. Mrs. Phelps presented the financials. For operating revenue and purchased power, revenues decreased \$1.3M or 8.1% as compared to last year. Purchased power costs declined \$542k or 4.7% as compared to last year. The average cost per kWh purchased totaled 8.73 cents, a 0.80 cent or 10.2% increase from the prior year. Invoices are still being received and a better projection will be established after April's financial close. The storm costs are being held in work orders on the balance sheet and Line 7 – Distribution Expense – Maintenance on the income statement. As of March 31st, the income statement expense is \$579,334. We continue to estimate the damage from the March 3, 2023 windstorm to be \$1.3M. The statistical report contains data on employee hours worked by county during the storm. In mid-April, Leah Richardson and Jennie Phelps will attend a briefing from Kentucky Emergency Management. As of this report date (4/07), the windstorm has not been declared a FEMA disaster.

Mr. Jackson, Vice-President of Member and Corporate Services, reported on the cooperative's account receivables, and elaborated on noteworthy accounts.

Mr. Bishop, Vice-President of Engineering, reported that his department has made good progress in the Glover Road project, as it is 30% complete. The SAIDI chart and information was reviewed in depth, as it was noted that the numbers on the chart were affected from the recent windstorm.

Mr. Lester, Vice-President of Operations presented the Operations report. A reliability project performed was replacement of reclosers, and Mr. Lester reported that thirty out of one hundred have been completed. Great Southwestern has continued to replace poles in the month of April. Townsend Tree Service has completed the cutting of right-of-way for Cave City and Mammoth Cave, and the audit by Brandon Myers, Supervisor of Right-of-Way, was completed. Mr. Lester gave the following training report: Tyler Bratcher, Lineman, completed the TVPPA Lab 1 Advance Lineman course. Cameron Day, Austin Ford, and Zeak McIntyre completed their six-month introductory period performance evaluation successfully.

Mr. Riggs, Vice-President of Technology and Security presented his departmental report. Current and ongoing security projects were reviewed.

Mrs. Foushee, Human Resources Coordinator and Executive Assistant presented a Human Resources report. A report was provided on Mrs. Foushee's recent attendance at the KEC Human Resources Conference in Louisville, KY. As a portion of this meeting, a Kentucky Senate bill legalizing medical marijuana was conversed.

Due to Mrs. Pennington's absence, Mr. Moss provided the Member and Public Relations report. The upcoming Spring 2023 Grassroots Committee meeting dates were noted. Plans are

continuing for the FRECC Annual Meeting. The virtual portion of the meeting will be a streaming channel only, with no interactive elements. Registration is open for Farmers RECC Scholarship pre-registration. We continue to be part of the Holiday World Fun Club for employees and directors. This is provided for our employees at no cost to the cooperative. We have asked our local emergency management partners to identify where their county outdoor warning sirens are so they can be marked appropriately in the UPN system. Several initiatives are being worked through the Hart County Chamber of Commerce Board of Directors. In addition, there are several other community activities we are participating in including the Metcalfe County Senior Celebrity Banquet, Conservation Clubhouses, Tree Giveaways, Touch-a-Truck events, a STEAM event at Memorial Elementary, Barren Inc. events, BRADD meeting, and Horse Cave Rotary. We are still searching for our 2023 Honor Flight veterans, although several applications have been mailed. Honor Flight is tentatively scheduled for September 16, 2023.

Upon conclusion of the senior staff reports Mr. London moved that the reports be accepted as information presented to the board, with Mr. Smith seconding the motion. The motion passed unanimously.

The next item of business was a fifteen-minute segment on Electricity 101, given by Mr. Bishop. Mr. Bishop covered the process of getting power from generation sites to distribution sites.

The next item of business was Mr. Lester presenting the monthly safety program report. No lost-time incidents, accidents, recordables, or reportables occurred during the month. Mr. Lester noted that employees surpassed 329,852.43 hours of work since their last lost time accident. For personnel compliance, all outside personnel have been certified in forklift training. The Safety Committee performed an internal RESAP audit, and have found twenty-five issues that need to be corrected prior to Federated Rural Electric Insurance Exchange's official audit. Some of the FRECC Dodge Ram small bucket trucks have experienced broken wheel stud bolts creating wheel separation which impact vehicle operation.

Following these presentations, Mrs. Phelps, Mr. Bishop, Mr. Lester, Mr. Jackson, and Mr. Riggs left the meeting.

The next item of business was the EKPC monthly report given by EKPC Director Representative, Mr. Sexton and CEO Mr. Moss. Mr. Sexton reported that EKPC's February margin was \$10.2 million under budget, primarily due to lower-than-expected net revenue driven by mild weather and the fuel adjustment clause, partially offset by higher-than-expected other income and lower-than-expected operating and maintenance expenses. The year-to-date margin was under budget by \$31.9 million. The Governor of Kentucky, Andy Beshear, announced two appointments to the Kentucky Public Service Commission – Mary Pat Regan, and Angie Hatton, Attorney. A legislative update was given. A copy of this report is attached to these minutes, and made an official part thereof.

The next item of business was a motion by Mr. Smith, and seconded by Mr. Faulkner to go into Executive Session. The motion carried unanimously.

Upon return from Executive Session, the next item of business was the March 21 KEC monthly report given by KEC Director and Manager Representative, Mr. Smith, and Mr. Moss. Alan Keck, a republican candidate running for Kentucky Governor, presented to the group, sharing his personal dedication to finding financial resources to support the community's people. Tim Lindahl, Kenergy's CEO, was seated on the KEC Board of Directors succeeding Jeff Hohn, who retired in March. Chris Perry presented the President's report which included a material update, a legislative update, a discussion on pole attachments, recent Kentucky Public Service Commission and Attorney General's inquiries and developments, IT/Cyber Security, and a tentative schedule for the NRECA Legislative Conference. Key Points from this meeting are attached to these minutes and made an official part thereof.

Next, Mr. Moss gave a report of the President and CEO. Mr. Moss reported on the KEC reception and board of directors meeting, the senior staff's work plan reviews, his continuing field days with employees, for the purpose of developing employee familiarity, and a medical plan review that he participated in with Pat Morrison, our medical plan administrator. Mr. Moss met with Chairman Hawkins and collaborated on a list of proposed goals as part of the CEO evaluation process. Mr. Moss additionally met with Barren Inc.'s director, Maureen Carpenter, for the purpose of initiating further involvement from FRECC on economic development efforts. Mr. Moss discussed the ongoing efforts with Catalyst Consulting, LLC relating to the rate case plans. Additional items were conversed. A complete copy of Mr. Moss's report is attached to these minutes and made an official part thereof.

Following this report, Mr. Moss conducted a post mortem of the recent windstorm and shared with the board of directors a list of "lessons learned" by the senior staff. These items will be addressed and items will be updated in the FRECC Emergency Response Plan.

For the next item of business, FRECC Attorney Woodford Gardner reported that he has been monitoring threatening litigation from a FRECC member, Wes Collins, from a property Mr. Collins owns in Hart County. Federated Rural Electric Insurance Exchange has hired Attorney Park Priest with ELPO in Bowling Green, Kentucky, to adjudicate the matter for FRECC.

The next item of business was to select/appoint the Voting Delegate and Alternate Voting Delegate for the 2023 East Kentucky Power Annual meeting which will be held on June 13th. Following discussion, a motion was made by Mr. Smith, and seconded by Mr. Faulkner to name Mr. Hawkins as the Voting Delegate, and Mr. Martin as the Alternate Voting Delegate. Motion carried unanimously.

The next item of business was the appointment of a Director representative for the East Kentucky Power Cooperative's board of directors for the term of July 2023 – June 2024. Following discussion, a motion was made by Mr. Martin, and seconded by Mr. Faulkner to name Mr. Sexton as the EKPC Director representative. Mr. Sexton was selected to complete another term, as he is in his fifth year of sitting on the EKPC board.

Plans have been made, and dates have been set for the upcoming spring FRECC Grassroots meetings. Directors will attend the meetings.

Discussion on the Governance Assessment Project report by Luecal Consulting – Items #3 & 4 – Governance Policies questions and suggestions was deferred to the May board of directors meeting.

For the next item of business, Chairman Hawkins asked all board members to provide Caralyne Pennington with a biography of themselves, for transparency purposes with members, to be placed on the FRECC website.

Next, an in-depth discussion was held relating to the evaluation and timeline by the board of directors for the annual CEO evaluation. The development of goals and initiatives was discussed. Chairman Hawkins shared with the board that the process generally takes an estimation of 25-30 hours to develop a set of initiatives and goals, distribute to board members, collect, compile, distribute to the CEO, and summarize for discussion. Outside consultant costs were discussed. Following the discussion, it was decided to add this item to the May board agenda for continued discussion, and review FRECC Policy No. 100 for updating purposes, if necessary.

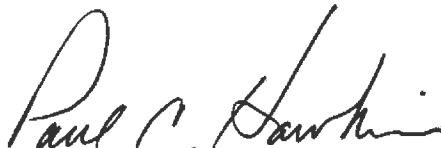
Under Other Business, Chairman Hawkins informed the board that per the President/CEO's employment agreement, Toby and Jennifer Moss obtained three quotes from moving companies to move their current house located in Florida to Glasgow, KY. The quotes were: North American Moving Services - \$11,773.04, Coleman - \$11,554.61, and Mayflower - \$11,026.34. The lowest bidder, Mayflower, was selected. The final invoice totaled \$11,125.19. Mr. Moss paid Mayflower directly, and Farmers RECC reimbursed Mr. Moss on April 11, 2023.

Other Business was a reminder to the directors that the May board of directors meeting has been rescheduled to be held on Thursday, May 25th.

A Zoom meeting pertaining to the rate care will be held on May 11th at 12:00 noon. Directors are asked to participate.

Agenda items to include for the May board meeting are: 1) Revisiting Policy #100 to ascertain who is responsible for spearheading the annual CEO evaluation, 2) Update on the Grassroot Committee Meetings, and the Governance Assessment Project report by Luecal Consulting.

Chairman Hawkins declared this meeting adjourned at 6:30 p.m.


Paul Hawkins, Chairman


Randy London, Secretary/Treasurer

FARMERS RURAL ELECTIC SPECIAL CALLED BOARD MEETING MINUTES

A Special called FRECC Board of Directors meeting was held, virtually, on May 11, 2023 after due and proper notice of such meeting, via email, was provided to the board members, along with a copy of the presentation. The meeting was made available to participants by either a “Zoom” call, or in person in the Farmers Rural Electric Operations Center Conference room. The meeting began at 12:00 noon central time.

Participating in the meeting were FRECC board members Brandi Williams, Cornelius Faulkner, Ronnie Smith, Randy London, C. F. Martin, Jr., Randy Sexton, Chairman Paul Hawkins, and Attorney Woodford L. Gardner, Jr. Farmers Rural Electric, CEO Toby Moss, and FRECC Staff Members: Executive Assistant/Human Resources Coordinator, Linda Foushee, Jennie Phelps, VP of Finance and Accounting, Corey Jackson, VP of Member and Corporate Services, Scott Lester, VP of Operations, Chuck Bishop, VP of Engineering, and Caralyne Pennington, Director of Communications.

A virtual presentation was made by John Wolfram of Catalyst Consulting relating to the filing of a rate application under the streamlined procedures with the Kentucky Public Service Commission and all other necessary filings in relation to the rate application.

Presenting in the meeting were John Wolfram, Catalyst Consulting, LLC, and Allyson Honaker and Brittany Koeing with Honaker Law Office. The following resolution was presented:

WHEREAS, Farmers is owned by the members it serves, and its purpose is to provide safe, efficient, and reliable electric service at rates and terms that are fair, just and reasonable; and,

WHEREAS, the leadership and management of Farmers have thoroughly reviewed the Cooperative’s financial condition and it has become apparent to Farmers’ Board that it is the prudent decision to request an increase in its revenues through its rates by filing an Application with the Kentucky Public Service Commission under the streamline procedures, for a rate proceeding; and,

WHEREAS, the Board has retained the services of a respected rate consultant, John Wolfram of Catalyst Consulting, LLC, who has completed a comprehensive COSS, which indicates that Farmers needs an increase in its annual revenue to maintain an adequate financial position for the company; and,

WHEREAS, Famers intends to file a rate adjustment application with the Commission using a historical 12-month test period, under the streamlined rate procedure established by the Commission, beginning on January 1, 2022 and ending on December 31, 2022; and

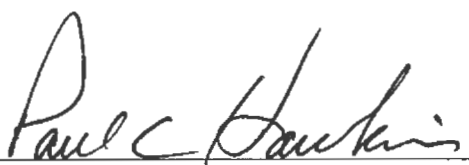
NOW, THEREFORE BE IT RESOLVED by the Farmers Board of Directors that the Board of Directors hereby grants approval for the management of Farmers to take all necessary and advisable actions in connection with the Application for a rate adjustment to be filed using the streamline procedures, with the Kentucky Public Service Commission.

NOW, THEREFORE BE IT FURTHER RESOLVED by the Farmers Board of Directors that the Board of Directors grants approval for the Application to be filed with the Kentucky Public Service Commission for an adjustment of rates, using the streamlined procedures, will be for an increase not to exceed 4% of Farmers' electric revenue.

Following the presentation, and a review and discussion, a motion was made by Ronnie Smith, and seconded by Cornelius Faulkner to accept the aforementioned resolution as presented. Motion carried unanimously.

A copy of this resolution is attached to these minutes and made an official part thereof.

The meeting concluded at 12:50 p.m.



Paul Hawkins, Chairman



Randy London, Secretary/Treasurer

A regular monthly meeting of the Board of Directors of Farmers Rural Electric Cooperative Corporation was held on May 25, 2023. The meeting was held in the FRECC Operations Center Conference Room. Chairman Paul Hawkins called the meeting to order at 2:30 p.m.

In attendance were:

Paul Hawkins	Toby Moss, President & Chief Executive Officer
Cornelius Faulkner	Jennie Phelps, Vice-President of Finance
Ronnie Smith	Corey Jackson, Vice-President of Member and Corporate Services
Randy London	Caralyne Pennington, Member and Public Communications Dir.
C. F. Martin, Jr.	Chuck Bishop, Vice-President of Engineering
Brandi Williams	Linda Foushee, H/R Coordinator and Executive Assistant
Randy Sexton	
Woodford L. Gardner, Jr., Attorney-at-Law	

An invocation was given by Mr. London.

The first item of business was the review, adoption, and approval of the agenda. Mr. Smith moved approval of the agenda as presented, with a second by Mrs. Williams. There was no discussion. The agenda was approved unanimously.

The next item of business was the approval of the Consent Agenda containing the previous board meeting minutes, new and refunded memberships, and unpaid accounts to be written off for January 2023 as uncollectible. There were no questions, concerns, or corrections related. As such, a motion was made by Mr. Sexton and seconded by Mrs. Williams to accept the Consent Agenda items as presented. Motion carried unanimously.

The next item of business was a review of the Financial and Operating reports for April 2023 given by the management staff. Mrs. Phelps presented the financials. Year-to-date operating loss totaled \$248,963, a \$953k decrease from the prior year. Revenues decreased \$1.4M or 7.0% as compared to last year. Weather is the primary driver. Purchased power costs declined \$620k or 4.3% as compared to last year. The average cost per kWh purchased totaled 8.65 cents, a 0.71 cent or 8.9% increase from the prior year. Mrs. Phelps gave an update on the March 3rd windstorm, which was declared a FEMA disaster on April 10th. Farmers estimates the damage to be \$1.366M. The breakdown by county is Barren - \$593k, Hart - \$510k and Metcalfe - \$263k. Mrs. Phelps also provided an update on the rate case. Farmers gave notice to the Kentucky Public Service Commission on May 15, 2023. The application must be filed between 30 and 60 days of that May 15th date. The public notice to members will be in the June Kentucky Living.

Mr. Jackson, Vice-President of Member and Corporate Services, reported on the cooperative's account receivables, and elaborated on noteworthy accounts. He reported meeting with members of FRECC Commercial and Industrial accounts. Mr. Jackson reported working with the local Chamber of Commerce on ten potential new projects looking at the cooperative's Industrial Park. An announcement may be forthcoming in July.

Mr. Bishop, Vice-President of Engineering, reported that the Glover Road project is nearing completion. Material is arriving for a wire change in Glasgow.

Due to the absence of Mr. Lester, Vice-President of Operations, Mrs. Foushee, Human Resources Coordinator, presented the Operations report. Mrs. Foushee reported on the Operations department's reliability projects, noting that another fifty unfused taps will be reviewed this year and linemen will either drop the tap, or change transformers from CSP to Conventional. Fifty-three reclosers have been changed out this year with a goal of changing out one hundred reclosers. Under Line Maintenance Projects, the System Inspectors are currently inspecting the circuits out of the Goodnight substation. The confirming and marking of phasing at three-phase recloser stations is approximately seventy percent complete. Federated Rural Electric Insurance completed an audit on April 30, and no issues were found. Relating to right-of-way, A&G is working on the Munfordville-Cub Run Circuit and are seventy percent complete. Tree KO is working on the Cave City-Bearwallow circuit and is twenty percent complete. Townsend Tree Service is fifty percent complete working on the Cave City-Norhttown circuit. Under compliance, the annual Medical Certification renewals for CDL drivers were obtained and were electronically submitted to the State of Kentucky. Sixteen drivers received medical certifications. United Power Services will be on site May 18 and 19 to complete the annual Dissolved Gas Analysis on 30 Industrial Pad Mount Transformers. TVPPA labs were completed and Apprentice Lineman Isaac Jones has successfully completed a 1.5-year performance evaluation.

Due to the absence of Mr. Riggs, Vice-President of Technology and Security, Mr. Moss, President/CEO, presented the Technology and Security report. Mr. Moss provided information on the Milsoft IVR system, Twilio IVR, AVL expansion, and the Essence cloud services security platform. Additionally, he reported on Dmarc, an open email authentication protocol that provides domain-level protection of the email channel. Demarc authentication detects and prevents email spoofing techniques that are used in phishing.

Mrs. Pennington, Director of Member and Public Communications provided the Member and Public Relations report. The Spring 2023 Grassroots Committee meetings were reviewed and successful reports were given. The upcoming FRECC rate increase was discussed at length at the meetings, and members understood the last increase was implemented in 2017, and the cost of materials have skyrocketed since that time. A report was given on the Co-Bank Sharing Success program, and the Backpack program. The Ronald McDonald House is currently accepting donations. The Honor Flight (veterans' trip to Washington, D.C.) and T. J. Samson's Groove 'N Glow are both scheduled for September 16, 2023.

Upon conclusion of the senior staff reports Mr. Faulkner moved that the reports be accepted as information presented to the board, with Mr. Smith seconding the motion. The motion passed unanimously.

The next item of business was a review of the 2023 first quarter (January – March 2023) RUS Summary of Construction by Mrs. Phelps. The cooperative is requesting \$688,254.41 in construction costs to be submitted for reimbursement by loan funds from the Rural Utilities

Service. Following review, a motion was made by Mr. Smith, and seconded by Mr. Sexton that the report be approved and submitted to RUS for borrowing. The motion carried unanimously.

The next item of business was a fifteen-minute segment on Electricity 101, given by Mr. Bishop. The presentation reviewed discussion on the power lines owned by EKPC that go into the substations, and how the distribution is provided to the member.

The next item of business was a review of the 2022 IRS Form 990. Mrs. Phelps led the discussion. Farmers RECC is a tax-exempt corporation under 501(c)(12). The Form 990 is presented on a consolidated basis with Farmers RECC and its subsidiary, Farmers Energy Propane Plus. A cooperative that is exempt under 501(c)(12) must receive 85% or more of its income from its members. Mrs. Phelps reported that Farmers received 97.12% of its revenues from its members. Mrs. Phelps also discussed the Compensation of Officers and Directors report. Since Farmers Energy Service Corporation was dissolved in June 2018, Farmers RECC must now report and pay the federal taxes for Farmers Energy Propane Plus on the IRS Form 990-T. The tax liability for 2021 totaled \$118,482. Following a discussion, a motion was made by Mr. Martin and seconded by Mr. Smith that the 2022 IRS Form 990 be approved as submitted. Motion carried unanimously.

The next item of business was Mrs. Foushee presenting the monthly safety program report. No lost-time incidents, accidents, recordables, or reportables occurred during the month. Mrs. Foushee noted that employees surpassed 339,556 hours of work since their last lost time accident.

Following these presentations, Mrs. Phelps, Mr. Bishop, Mr. Lester, Mr. Jackson, and Mrs. Pennington left the meeting.

The next item of business was the EKPC monthly report given by EKPC Director Representative, Mr. Sexton. The meeting was held on May 16th, and President/CEO Mr. Moss was in Washington, DC attending a NRECA sponsored New CEO Conference. Mr. Sexton reported that Cliff Scott has been named as EKPC's new Chief Financial Officer and Senior Vice-President replacing Mike McNalley. Mr. Scott reviewed the March financial performance stating the margin was \$8.5 million over budget due to higher-than-expected other income, and lower-than-expected operating and maintenance expense. The year-to-date margin through March was \$23.4 million under budget due largely to lower-than-expected O&M expenses, and higher-than-expected other income. Member sales were down \$30.5M and TIER is 1.77. The budget for TIER is 2.5. A review was provided of a future power supply presentation which was given. The Cooper power station is slated to retire around the year 2030. A copy of this report is attached to these minutes, and made an official part thereof.

The next item of business was the KEC monthly report given by KEC Director Ronnie Smith, and President/CEO Toby Moss. The meeting was held on May 16 at the Kentucky Electric Cooperatives office. At the meeting, Timothy Eldridge reported that CFC is awarding the statewide checks for a total of \$21,700 for education, training, and the Youth Tour program. Chris Perry's President's Report included a potential UUS investment, a Spring CEO Meeting review, a discussion relating to the KEC Statewide Annual Meeting August 7-8, and the related Board Leadership Classes which will be offered. Additionally, he provided the board with a State Park

update relating to the legislature on upgrades, repairs, and potential transfers of those assets to the cooperatives for the future. A summary was given from the Finance, Executive, Safety, Governance, Member Outreach, and Legislative committee meetings. New EPA rules, 911 fees, and pole attachments were discussed. A copy of this report is attached to these minutes, and made an official part thereof.

At 4:00 p.m., the next item of business was a motion by Mrs. Williams, and seconded by Mr. Faulkner to go into Executive Session. The motion carried unanimously.

Upon return from Executive Session, the next item of business was a Human Resources report given by Mrs. Foushee.

Next, Mr. Moss gave a report of the President and CEO. Mr. Moss reported on the Grassroots meetings that were held in each district, FRECC Workplan reviews, a Medical Plan review, a Summary of the Barren Inc. Coffee and Commerce breakfast, the Barren Inc. Achievement in Business Luncheon, a report on the FRECC Nominating Committee meeting, and an update on the progress of the FRECC rate case. A review of the May 9 EKPC board meeting was given, a review of the Farmers Energy Propane Plus Quarterly board meeting was given, a summary of the NRECA New Orientation, a potential lawsuit discussion, and Mr. Moss provided the directors with his anticipated upcoming schedule. A complete copy of Mr. Moss's report is attached to these minutes and made an official part thereof.

The next item of business was a discussion relating to the planning of the next Grassroots Committee meetings. Following the discussion, it was agreed upon to schedule the meetings in the 4th quarter of 2023.

For the next item of business, FRECC Attorney Woodford Gardner reported that he met with the FRECC Nominating Committee on Monday, May 1st and two nomination letters were received for the committee to consider – incumbents Mrs. Brandi Williams, and Mr. Ronnie Smith. Both incumbents were re-nominated to serve on the FRECC board of directors. Additionally, Mr. Gardner reported that he participated in the May 11 rate case meeting via Zoom. Mr. Gardner is working with FRECC management relating to the selling of a 1.4-acre triangular shaped parcel of land owned by the cooperative on the Franks Mill Road. An appraisal will be obtained. Mr. Gardner reported on the Wes Collins case in Hart County whereby FRECC/Federated Rural Electric Insurance Exchange's Attorney Park Priest with English, Lucas, Priest, and Owsley in Bowling Green, adjudicated the matter for a \$25k settlement.

The next item of business was a review of the minutes, and Report of the Nominating Committee meeting, of which a copy was included in the board's monthly meeting information. The meeting was held at the Cooperative's office on May 1, 2023. Participating in the meeting were all Nominating Committee members, Mr. Gardner, Mr. Moss, Cindy Greer, and Mrs. Foushee. Cindy Greer, with Campbell, Myers, and Rutledge, PLLC, served as the Election Provost. As a part of the meeting, Mrs. Greer reported she received letters from the two incumbent directors, Mrs. Brandi Williams – District I, and Mr. Ronnie Smith – District III, asking the Provost

to forward and communicate their letters to the members of the Farmers Rural Electric Cooperative Corporation's Nominating Committee for consideration as nominees in District I and III for their expiring terms as a board member. The letters requested the Nominating Committee to consider qualifications and experience, and a request for nomination consideration. Mr. Gardner reviewed the Nominating Committee's responsibilities and presided over the selection of the Committee Chairman and Secretary. Mr. Moss provided the committee with a review of the cooperative's operations. Both Mrs. Williams and Mr. Smith were nominated to serve in District I and District III, respectively, and the Report of the Nominating Committee has been posted in the FRECC lobbies. Mr. Sexton moved that the Nominating Committee's minutes, and report be approved, with a second by Mr. Faulkner. The motion carried unanimously. A copy of the Nominating Committee report and minutes is attached to these minutes and made an official part thereof.

The next item of business was to select/appoint the CFC Voting Delegate and Alternate Voting Delegate for the meeting which will be held June 19, 2023 in Seattle, Washington. Following discussion, a motion was made by Mr. Smith to nominate Mr. Randy Sexton as the CFC Voting Delegate. This motion was seconded by Mr. Martin, and was officially voted in the affirmative. No Alternate Voting Delegate was named, as Mr. Smith will be the only representative attending the meeting from Farmers RECC.

The next item of business was to select/appoint the NCSC Voting Delegate and Alternate Voting Delegate for the meeting which will be held June 19, 2023 in Seattle, Washington. Following discussion, a motion was made by Mr. Smith to nominate Mr. Randy Sexton as the NCSC Voting Delegate. This motion was seconded by Mrs. Williams, and was officially voted in the affirmative. No Alternate Voting Delegate was named, as Mr. Sexton will be the only representative attending the meeting from Farmers RECC

The next item of business was a recognition/presentation, given by Chairman Hawkins on behalf of the FRECC board of directors, awarding Mr. Cornelius Faulkner with a NRECA Board Leadership Certification. Mr. Faulkner has completed the necessary courses to obtain the certification, and the FRECC board of directors extends their exemplary congratulations for this achievement.

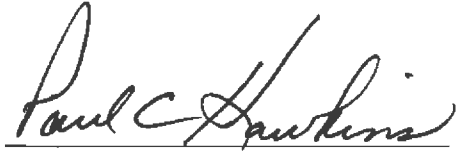
Discussion on the Governance Assessment Project report by Luecal Consulting – Items #3 & 4 – Governance Policy #100 Directors Duties, and Responsibilities was reviewed and discussed. Following the discussion on Policy #100, it was agreed upon to update, and amend the policy to appropriate that whoever sits in as the FRECC Chairman to lead, oversee, facilitate, and spearhead the annual CEO evaluation.

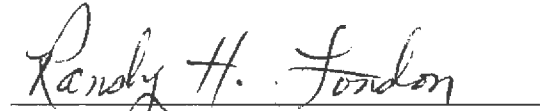
The next item of business was a motion by Mr. Sexton and seconded by Mr. Smith to name Mr. Cornelius Faulkner as the Voting Delegate and Mrs. Brandi Williams as the Alternate Voting Delegate at the KEC Annual Meeting. Motion carried unanimously.

No "Other Business" was discussed.

Agenda items to include for the ^{June 24} May board meeting are: Policy #102 – Travel and Expense reimbursement of Directors.

Chairman Hawkins declared this meeting adjourned at 5:15 p.m.


Paul Hawkins, Chairman


Randy London, Secretary/Treasurer

A regular monthly meeting of the Board of Directors of Farmers Rural Electric Cooperative Corporation was held on June 15, 2023. The meeting was held in the FRECC Operations Center Conference Room. Chairman Paul Hawkins called the meeting to order at 2:30 p.m.

In attendance were:

Paul Hawkins	Toby Moss, President & Chief Executive Officer
Cornelius Faulkner	Jennie Phelps, Vice-President of Finance and Accounting
Ronnie Smith	Linda Foushee, H/R Coordinator and Executive Assistant
Randy London	Caralyne Pennington, Dir. Of Member and Public Communications
C. F. Martin, Jr.	Chuck Bishop, Vice-President of Engineering
Brandi Williams	Scott Lester, Vice-President of Operations
Randy Sexton	Jason Riggs, Vice-President of Technology and Security
Woodford L. Gardner, Jr., Attorney-at-Law	

An invocation was given by Mr. Faulkner.

The first item of business was the review, adoption, and approval of the agenda. Mr. Smith moved approval of the agenda as presented, with a second by Mrs. Williams. There was no discussion. The agenda was approved unanimously.

The next item of business was the approval of the Consent Agenda containing the previous board meeting minutes, new and refunded memberships, and unpaid accounts to be written off for February 2023 as uncollectible. There were no questions, concerns, or corrections related. As such, a motion was made by Mr. Martin and seconded by Mr. Faulkner to accept the Consent Agenda items as presented. Motion carried unanimously.

The next item of business was a review of the Financial and Operating reports for May 2023 given by the management staff. Mrs. Phelps presented the financials. Relating to the March 3, 2023 windstorm, a phone call with Kentucky Emergency Management is scheduled for Tuesday, June 13th. This will start the series of timelines to work with FEMA for reimbursement. Leah Richardson, Accountant, is leading this project. We estimate the damage to be \$1.366M. The breakdown by county is Barren - \$593k, Hart - \$510k and Metcalfe - \$263k. Relating to the FRECC General Rate Case – Kentucky Public Service Commission #2023-00158, on May 26, 2023, the Attorney General's office intervened in Farmers RECC's rate case. The AG's office is allowed only one data request in a streamline rate case. The notice of filing was published in the June edition of the Kentucky Living magazine. Jennie Phelps continues to work with the attorneys and consultant. The application can be filed with the Commission as early as June 15th but no later than June 30th. The Farmers Rural Electric year-to-date operating loss totaled \$400,068, which was a \$1M decrease from the prior year. Revenues decreased \$1.4M, or 5.7% as compared to last year. Weather, along with lower kWh sales, are the primary drivers. Purchased power costs declined \$664k or 3.8% as compared to last year. The average cost per kWh purchased totaled 8.65 cents, a 0.63 cent or 7.9% increase from the prior year.

Overview of Income Statement: January - May 2023

Description	Last Year	This Year	Budget
Operating Revenue	\$ 24,223,721	\$ 22,849,208	\$ 26,813,498
Purchased Power Cost	(17,545,910)	(16,881,677)	(20,151,912)
Operation & Maintenance Expense	(3,518,907)	(3,469,691)	(3,619,347)
Interest, Deprecation & Tax Cost	(2,526,756)	(2,897,908)	(2,832,057)
Other Operating Margins	<u>624,256</u>	<u>412,417</u>	<u>288,250</u>
TOTAL MARGINS	\$ 1,889,179	\$ 12,349	\$ 498,432

The operation & maintenance expenses have decreased \$49k from the prior year and are \$150k less than budgeted. Through May 31, 2023, the rate case expenses totaled \$25k. Interest, depreciation & tax cost has increased \$371k from the prior year, and is \$66k more than budgeted.

Due to Mr. Jackson's absence, CEO Toby Moss reported on the cooperative's account receivables, and elaborated on noteworthy accounts. He additionally reported on a recent Economic Development team meeting held at East Kentucky Power Cooperative. A prospective industry had originally considered the Barren County area as a potential location for an 80 MW load; yet, ultimately decided to locate in the Nolin RECC service area.

Mr. Bishop, Vice-President of Engineering, provided the Engineering report. He reported that the Glover Road project is finishing up this week, and the wire change project in Hart County is being finalized. Mr. Bishop provided the directors with a detailed workload report.

Mr. Lester, Vice-President of Operations, reported on the department's reliability projects, noting that another fifty unfused taps will be reviewed this year. Upon review, the decision will be made to either fuse, drop the tap, or change transformers from CSP to Conventional. Fifty-three reclosers have been changed out this year with a goal of changing out one hundred reclosers. Under Line Maintenance Projects, it was noted that the System Inspectors are now inspecting the circuits out of the Goodnight substation. A total of 184 utility poles have been replaced in May. The confirming and marking phasing at three-phase recloser stations is 70% complete. A&G is working on the Munfordville-Cub Run Circuit and are seventy percent complete. Tree KO is working on the Cave City-Bearwallow circuit and is twenty-five percent complete. Townsend Tree Service is ninety-five percent complete working on the Cave City-Northtown circuit. ProtecTerra has completed 475 miles of herbicide spraying with 100 miles left to spray in 2023. SAGE has begun herbicide spraying and has 400 miles to complete in 2023. Fifty percent of FRECC employees have completed First Aid/CPR training. The replacement for truck #141 will be delivered at the end of June. FRECC will be advertising and accepting bids on three FRECC pickup trucks #104, 131, and 132 in July, and will bring the bids to the July board of directors meeting for approval to sell. United Power Services completed the annual Dissolved Gas Analysis on thirty industrial pad mount transformers. FRECC employees Thomas Wilson, and Isaac Jones have completed Lab #4 of the TVPPA Apprentice Lineman Program. Kyle Coomer will be promoted to a Journeyman Lineman position on June 19, 2023. East Kentucky Power Cooperative

will be onsite on June 22 in order to complete the required FERC training on lock-out tag-out and substation restoration.

Mr. Riggs, Vice-President of Technology and Security, presented his departmental report. He reported on instituting a proactive process for a SCADA automatic verification on circuit outages. An additional report was provided on the AVL (automatic vehicle locator) expansion for monitoring in the field.

Mrs. Pennington, Director of Member and Public Communications provided her departmental report. She provided a report on the upcoming Farmers Rural Electric Annual meeting, scheduled for Tuesday, July 11th. Additionally, she reported that the Washington Youth Tour Students have completed their trip to Washington D.C., are returning home to Kentucky, and it was noted that one of the FRECC sponsored youth was chosen, and had the distinguished honor, to lay the wreath at the Tomb of the Unknown Soldier.

The “Electricity 101” Engineering presentation, originally scheduled to be presented by Mr. Bishop, was deferred, due to the resignation of the Engineering Project Design Manager, Chris Childress, and the temporary transferring of his responsibilities to Mr. Bishop until a replacement has been hired.

For the next item of business, Mr. Lester presented the Safety and Loss Control report. As of the end of May, no lost-time incidents, accidents, recordables, or reportables occurred. Mr Lester noted that as of June 5th, employees surpassed three years, 349,818.68 hours of work, since a lost time accident. A safety luncheon was held for the employees. The fire extinguisher annual audit is scheduled for June 20th. The Annual FERC training with lockout/tagout will be held one week from today. Lineman Kyle Coomer will move up to a Journeyman Lineman status on Monday. Thomas Wilson, and Isaac Jones have completed TVPPA Lab 4.

Following these presentations, Mrs. Phelps, Mr. Bishop, Mr. Lester, Mr. Riggs, and Mrs. Pennington left the meeting.

The next item of business was the EKPC monthly report given by EKPC Director Representative, Mr. Sexton. He reported that on Monday, Cliff Scott was officially appointed by the board of directors to serve as EKPC’s Chief Financial Officer, and Executive Vice-President. He reported that East Kentucky Power Cooperatives year-to-date margins are \$8.7M above budget, down \$23M from the same time in 2022. The majority of this decrease was weather related. The year-to-date margin through April was \$14.7 million below budget, largely due to lower-than-expected net revenue, partially offset by higher-than-expected other income, and lower-than-expected operating and maintenance expenses. The cost to the member systems remained below target. It was additionally reported that Fitch Ratings recently affirmed EKPC’s BBB+ credit rating with a stable outlook. Eleven new or updated environmental rules proposed by the United States Environmental Protection Agency were discussed. The proposals feature relatively short windows between being proposed and being finalized, hampering Congress’s opportunity to review them before they go into effect. A copy of the EKPC Board summary is attached to these minutes, and made an official part thereof.

The next item of business was a review led by Mr. Moss, Mr. Sexton, and Mr. Hawkins, relating to their attendance at the EKPC Annual meeting. No action was necessary.

The next item of business was the KEC monthly report given by KEC Director Ronnie Smith, and President/CEO Toby Moss. No meetings have taken place during this time, and committee meetings will be held next week.

Next, a Human Resources Report was given by Mrs. Foushee. Mrs. Foushee reported on the status of current and upcoming FRECC job openings. No action was necessary.

Next, Mr. Moss gave a report of the President and CEO. Mr. Moss reported on:

1. The ACES Conference in Indianapolis
2. Federal Funding Opportunities
3. East Kentucky Power Cooperative's CFO meeting
4. Meridian Systems site visit
5. East Kentucky Power Cooperative's CEO meeting
6. Discussion on a Technology work plan with NRTC
7. A summary from the East Kentucky Power Cooperative's Board of Director's meeting
8. A summary from the East Kentucky Power Cooperative's Annual Meeting
9. FRECC CPR and First Aid training
10. FRECC's rate case submission

Additionally, Mr. Moss shared his current upcoming scheduled meeting dates. A detailed copy of the President/CEO's report is attached to these minutes, and made an official part thereof.

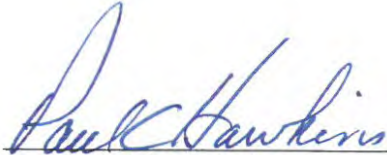
For the next item of business, FRECC Attorney Woodford Gardner reported that there was no new information to present to the board of directors at this time.

Next, a discussion was held pertaining to the Governance Assessment Project report written by Luecal Consulting. FRECC Policies #102, #103, #104, #120, and #150 were reviewed. Various changes and updates were recommended by the directors, and Mr. Moss captured the verbiage to update the existing policies. Following a complete review of all Governance related policies, the policies will all be presented to the board of directors for a vote to approve.

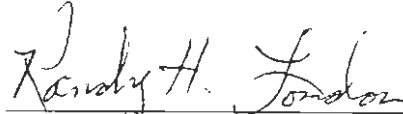
Other business discussed was to select/appoint the NRECA Region 3 Voting Delegate and Alternate Voting Delegate for the meeting which will be held October 11-13, 2023, in Louisville, KY. Following discussion, a motion was made by Mr. Randy Sexton to nominate Mr. Randy London as the NRECA Region 3 Voting Delegate, and Mr. Ronnie Smith as the NRECA Region 3 Alternate Voting Delegate. This motion was seconded by Mrs. Williams and was unanimously voted in the affirmative.

No "Other Business" was discussed.

Agenda items to include for the July board meeting are: Board Officer Elections, Vehicle Bid Authorizations, and the continuation of Luecal Consulting's Governance Assessment. Chairman Hawkins declared this meeting adjourned at 4:45 p.m.



Paul Hawkins, Chairman



Randy London, Secretary/Treasurer

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Request 52.

Refer to the Application generally. Provide the total amount of contributions and donations included for recovery in the test year and the adjusted test year by separate payee, along with a description of and the purpose for each payee. Also identify the customer benefit associated with each cost.

Response 52.

Please refer to Response 7 included with the Commission Staff's First Request for Information.

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Request 53.

Refer to the Application. Provide the amount of country club and golf club dues expenses included in the test year and for recovery in the adjusted test year.

Response 53.

There are no expenses related to country club and golf club dues included in the test year. Farmers RECC does not incur cost for country club and golf club dues.

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Request 54.

Refer to the Application generally.

Request 54a.

Provide a breakdown of all dues that Farmers RECC pays by organization for 2016 – 2023, and the adjusted test year.

Response 54a.

Please see attached schedule. The attachment is an excel spreadsheet that is being uploaded into the Commission's electronic filing system separately.

Request 54b.

Explain whether any of these dues are included in the revenue requirement in the pending rate case.

Response 54b.

Dues are excluded in the revenue requirement for the pending rate case.

Request 54c.

State the purpose and objective of each organization listed.

Response 54c.

The National Rural Electric Cooperatives Association ("NRECA") helps cooperatives develop comprehensive benefit packages through their 401(K) Pension Plan, Group Benefits Program, and associated resources. Kentucky Electric Cooperative ("KEC") is a statewide organization that provides legislative, communications, and training services for the 24 local, consumer-owned electric distribution cooperatives. Touchstone Energy is a national network of electric coops across 46 states providing research, communication resources, and employee training programs that help its member cooperatives better engage and serve its members. The various Chamber of Commerce work in close partnership with local businesses, industries, schools, government, and community leaders for the benefit of all.

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Request 54. (continued)

Request 54d.

For each organization, identify the benefits provided to customers.

Response 54d.

Please see response 54c above.

Request 54e.

State whether any of the organizations listed engage in lobbying or advocacy activities, attempts to influence public opinion, institutional or image-building advertising. If so, identify the amount and whether Farmers RECC has included the portions of dues related to such activities in the test year and adjusted test year.

Response 54e.

Farmers RECC is unable to determine the portion of dues, if any, that the above organizations may use for lobbying or advocacy activities, attempts to influence public opinion, institutional or image-building advertising.

**ATTACHMENTS ARE
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SEPARATELY**

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Request 55.

Refer to the Application generally.

Request 55a.

Identify all gains and losses on sales of utility property for each year since the last rate case.

Response 55a.

Please see attached schedule. The attachment is an excel spreadsheet that is being uploaded into the Commission's electronic filing system separately.

Request 55b.

For each transaction, provide a description of the property, the original cost, sale price, date acquired, date sold, and whether the asset is included in the test year and adjusted test year rate base.

Response 55b.

Please see attached schedule. The attachment is an excel spreadsheet that is being uploaded into the Commission's electronic filing system separately.

Request 55c.

Identify the amount of gains and losses that have been reflected in the revenue requirement in the test year and the adjusted test year and the schedule where they are reflected. If none are reflected in the revenue requirement, explain why not.

Response 55c.

The gains and losses, attached within this response, are included on Line 25 – Non-Operating Margins - Other. The streamlined case is based upon an Operating Times Interest Earned Ratio (“OTIER”) of 1.51xx. Line 25 of the Statement of Operations is not included in the formula for OTIER and therefore, not reflected in the revenue requirements.

Request 55d.

If gains and losses occur in between rate cases, explain how they are treated for ratemaking purposes.

Response 55d.

Any gains or losses incurred between rate cases and outside of the test period would not be included for ratemaking purposes. Please also see response 55c.

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Request 56.

Refer to the Application generally.

Request 56a.

Itemize the amount of outside legal expense, by vendor, included in the test year, the adjusted test year, and each of the calendar years 2018, 2019, 2020, 2021, 2022, and 2023.

Response 56a.

Please see attached schedule. The attachment is an excel spreadsheet that is being uploaded into the Commission's electronic filing system separately.

Request 56b.

Provide a brief description for the legal expense, by vendor, included in the test year, adjusted test year, and for each of the years 2018, 2019, 2020, 2021, 2022, and 2023.

Response 56b.

Please see attached schedule. The attachment is an excel spreadsheet that is being uploaded into the Commission's electronic filing system separately.

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Farmers Rural Electric Cooperative Corporation

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Request 57.

Refer to the Wolfram Testimony, Exhibit JW-2, page 1, line 3. Provide an itemization of other electric revenue by type for each year 2018, 2019, 2020, 2021, 2022, 2023, the test year, and the adjusted test year.

Response 57.

Please see attached schedule. The attachment is an excel spreadsheet that is being uploaded into the Commission's electronic filing system separately.

**ATTACHMENTS ARE
EXCEL SPREADHSEETS
AND UPLOADED
SEPERATELY**

Farmers Rural Electric Cooperative Corporation
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Request 58.

Refer to the Application generally. State when Farmers RECC anticipates it will file its next rate case.

Response 58.

Should inflationary pressures continue, Farmers RECC anticipates that it will file rate cases on a higher frequency than it has done in the past decades. Farmers RECC will have a strategic planning session in April 2024 and rate case filings will be a topic of discussion.

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Request 59.

Refer to the Application generally.

Request 59a.

Provide the amount of Supplemental Executive Retirement Plan (“SERP”) included in the test year, the adjusted test year, and each of the years 2018, 2019, 2020, 2021, and 2022.

Response 59a.

Farmers RECC offers an Executive Compensation Plan 457(b) for a select group of management. For years 2018–2022, the cost of the 457(b)-plan to Farmers RECC was the annual administration fee:

2018: \$1,000.00 2020: \$1,000.00 2022: \$1,000.00
2019: \$1,000.00 2021: \$1,000.00

Request 59b.

Describe the benefits provided by Farmers RECC's SERP plan.

Response 59b.

The 457(b) offers a select group of management the option to make employee contributions to a tax-deferred plan, subject to IRS rules and regulations. For years 2018-2022, Farmers RECC did not make employer contributions to the Plan. Famers RECC pays for the 457(b)-plan administration fee, which is \$1,000.00 annually.

Request 59c.

Identify both the number of employees eligible for SERP and the number of employees ineligible for SERP for each of the years 2018, 2019, 2020, 2021, and 2022.

Response 59c.

The number of employees eligible for the 457(b) plan include the senior management staff. All other employees are not ineligible for this Executive Retirement Plan.

Year	Eligible	Ineligible
2018	5	55
2019	5	55
2020	5	55
2021	6	55
2022	6	54

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Request 59. (continued)

Request 59d.

Explain how eligibility for SERP is determined.

Response 59d.

The eligibility for the 457(b) plan is set by rules and regulations determined by the IRS.

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Request 60.

Refer to the Application generally. Identify all surcharges, trackers and mechanisms approved by the Commission and utilized by the utility. Identify the Docket Number in which the surcharge/tracker/balancing account was initially approved, and a description of the costs/revenues being recovered via the surcharge/tracker/mechanism.

Response 60.

Farmers RECC did not perform the requested review, but can state that two of the mechanisms approved by the Commission and used by Farmers RECC include the Fuel Adjustment Clause ("FAC") and Environmental Surcharge ("ES"). Both the FAC and ES are included in the tariffs of Farmers RECC and the wholesale provider EKPC.

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Request 61.

Refer to the Application generally. Did the Company apply a vacancy adjustment to its adjusted test year payroll expense? If so, provide the amount and all supporting calculations. If not, explain why not.

Response 61.

Farmers RECC did not apply a vacancy adjustment to payroll expense; it is our understanding that this kind of adjustment is atypical for distribution cooperative rate filings.

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Request 62.

Refer to the Application generally.

Request 62a.

Provide the names, positions, salaries, and date of hire for all employees of Farmers RECC who are related to executive staff, such as the CEO, or any member of the Board of Directors, if any.

Response 62a.

Todd Stephens, Service Manager (hire date 11/24/1992), is the son-in-law to Board of Director Randy London (start date 07/11/2006).

There are no other relationships to disclose.

Request 62b.

Provide the names of all members of the Farmers RECC Board of Directors who are related to the executive staff, such as the CEO, if any.

Response 62b.

There are no such relationships to disclose.

Request 62c.

Explain whether Farmers RECC has a Nepotism Policy. If so, provide a copy of the policy. If not, explain why a Nepotism Policy is not in place, and whether Farmers RECC is agreeable to implementing one.

Response 62c.

Attached to this response is a copy of Farmers RECC's Nepotism Policy, established in 2017.

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION

POLICY NO. 163

NEPOTISM

I. OBJECTIVE

To establish an understanding between management, directors and employees in regard to the employment of members of their immediate family with the Cooperative.

II. POLICY CONTENT

A. The following definitions apply when used in this policy:

1. “Immediate family” shall mean any person who is a close relative. A “close relative” is defined as follows: spouse; parent, grandparent or great-grandparent; parent, grandparent or great-grandparent of a spouse; child, grandchild or great-grandchild; child, grandchild or great-grandchild of a spouse; son-in-law or daughter-in-law; brother or sister; brother-in-law or sister-in-law; uncle or aunt; uncle or aunt of a spouse; nephew or niece; nephew or niece of a spouse. The relationships referred to herein include blood relationships of either the whole or half blood without regard to legitimacy, relationship of parent and child by adoption, and relationship of step-parent and step-child.

“Immediate Family” shall also include persons cohabitating in the same dwelling, regardless of their marriage or blood relationships or are otherwise involved in a dating or other non-platonic relationship.

2. “Policy position” shall mean the positions of President and Chief Executive Officer, Vice-President and Department Manager.
3. “Supervisory relationship” shall mean the relationship that exists between any management or supervisory position and any position for which that management or supervisory position is responsible.
4. “Undue hardship” shall mean any circumstances that would negatively affect the financial, efficient operation of or other day-to-day concerns of the Cooperative.

B. No member of the immediate family of: 1) a director or 2) an employee holding a policy position, shall be eligible to be newly hired by the Cooperative after the date of the initial adoption of this policy of January 19, 2017.

While employment of members of the immediate family of employees who are not in policy positions is not prohibited, it shall be discouraged.

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION**POLICY NO. 163****NEPOTISM**

- C. In the event that two Cooperative employees become immediate family (as defined in “A” above), they shall not 1) work in a position that has a supervisory relationship to each other, or that is within the chain-of-command of that position, or 2) be in positions that might compromise the normal accountability and confidentiality that is required in conducting the on-going business of the Cooperative.

Employees have the burden of responsibility to resolve potential problems in this area with management, prior to the establishment of a relationship that would constitute an immediate family member as that term is defined in “A”. Should such a relationship exist, an effort will be made to re-assign employees to eliminate such supervisory relationship, in so far as the reassignment does not impose an undue hardship on the Cooperative. If an acceptable solution cannot be implemented, then one of the affected employees may have to terminate employment. In the event that termination is the only solution, and the affected employees cannot decide which of them will terminate, then the employee with the least seniority shall have employment terminated.

- E. If a member of an employee’s immediate family is also a Cooperative employee, then only one of them can hold a policy position.

If two employees in policy positions become so related, as members of the immediate family, an effort will be made to re-assign one or both of them provided the reassignment does not impose undue hardship on the Cooperative. If no suitable resolution can be accomplished, then one of the affected employees may be required to terminate employment. If the affected employees cannot decide which of them will terminate, the employee with the least seniority shall have employment terminated.

III. RESPONSIBILITY

It is the responsibility of each Policy Position Employee involved in the hiring process to determine any potential policy conflicts with prospective applicants, and to comply with the provisions of this policy. All employees are responsible for informing their department head if they are in relationship that might be contrary to this Policy.