

MINUTES
FEBRUARY 13, 2025
REGULAR BOARD MEETING
SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE
CORPORATION

The Regular Board Meeting of the Board of Directors of South Kentucky Rural Electric Cooperative Corporation (SKRECC) was held on Thursday, February 13, 2025, beginning at 5:00 p.m., in the Boardroom at the Headquarters Office located in Somerset, Kentucky.

- 1) Call to Order – Cathy Epperson, Chairperson, called the meeting to order.
- 2) Invocation – Cathy Epperson gave the invocation.
- 3) Roll Call/Declaration of Quorum - Present at the meeting were Board Directors, Cathy Epperson, Chairperson; Brent Tackett, Vice Chair; Boris Haynes, Secretary/Treasurer; directors William Allen, Jr., Charles “CV” Hansford, Tommy Nelson, Jr., and Greg Redmon. Also, present were Kevin Newton, President and Chief Executive Officer, Carrie Bessinger, Chief Financial Officer; Joy Turpin, Executive Administrator to the President/CEO and Board of Directors, and Frank Phillips, Board Counsel.
- 4) Reading of the Mission Statement – Cathy Epperson
- 5) Safety Moment – Mr. Newton discussed some of the contributing factors and preventive measures for heart disease since February is National Heart Disease Awareness month.
- 6) Adoption of Consent Agenda – Upon a motion duly made, seconded, and unanimously carried, the consent agenda was adopted as presented.
- 7) Adoption of Discussion Agenda – Upon a motion duly made, seconded, and unanimously carried, the discussion agenda was adopted as presented.

CONSENT AGENDA

- 1) Approval of Regular Board Meeting Minutes of January 9, 2025 – Cathy Epperson.
- 2) Approval of Regular Board Meeting Summary for January 9, 2025 – Cathy Epperson.
- 3) Recurring Monthly Approvals – Cathy Epperson.
 - A. Electric Write-offs for December 2024 in the amount of \$16,942.
 - B. Nineteen Capital Credit Refunds for Deceased Estates for January 2025 in the amount of \$6,178.50.
 - C. SKRECC New Members for January 2025: 330.

D. Claims for January 2025.

E. CEO, Attorney, and Directors Expenses for December 2024.

DISCUSSION AGENDA

1) Executive Report – Kevin Newton, CEO

A. CEO's Report – Mr. Newton provided a written report included in the meeting materials which were distributed to the directors prior to the meeting. Mr. Newton provided additional information and answered inquiries related to the following topics.

- Mr. Newton recognized William Allen with a certificate awarded by NRECA in recognition of his completion of the Credentialed Cooperative Director Certification.
- Staffing Update – Mr. Newton updated the directors on the following staff changes. We currently have four open positions. One lineman spot in Somerset is posted following an employee's retirement and interviews will be scheduled soon. The Clinton/Russell Construction Manager position and the Director of Operations are open and posted. Mr. Newton stated that he delayed the posting since he was considering the need for a Chief Operating Officer. He based his decision to post the Director of Operations position on the fact that the co-op currently has a younger workforce and felt the position should be filled from a safety standpoint. The Energy Advisor position was recently filled by one of our dispatchers, which has opened up a position in the dispatch center.

Mr. Redmon questioned the effectiveness of the Regional Construction Manager position compared to a Construction Manager in each district office. Mr. Newton stated that it is advantageous, especially since the union contract terms do not allow a manager to participate in the construction process, thus making the job more administrative in nature. One manager can direct two crews fairly easily. Mr. Nelson voiced concern that jobs may be delayed. Mr. Newton reported that outstanding work orders are being monitored and that newly enacted 811 requirements along with relatively new personnel in the staking department have caused some of the delays.

- Rate Case Update – Mr. Newton informed directors that the rate case was filed with the Public Service Commission on February 3rd, and an informal conference has been scheduled by the PSC for February 26th at 2:00 pm. Mr. Newton, Mrs. Bessinger, Allyson Honaker, and John Wolfram will attend on our behalf.

Mr. Nelson asked if staff could provide the Board with usage numbers for residential accounts. Mr. Newton stated that he and Mrs. Bessinger should

have access to that information and would compile and email it to the directors.

- Call To Order Discussion – Mr. Newton stated that all directors have detailed instructions in their meeting information which should help them navigate signing in to the new program. Mrs. Turpin will email the Call To Order link each month within the notification sent to announce that the meeting documents are posted for viewing.
- 2025 SKRECC Annual Business Meeting Date & Format Discussion – Mr. Newton requested that directors approve the date and time for the annual business meeting which is tentatively scheduled for June 12th at 7:30 pm. Mr. Newton further commented that Membership Days and in-person voting for the director election will take place in Clinton and Wayne counties on June 10th, McCreary and Russell counties on June 11th, and Pulaski county on June 12th. All local times have been set as 7:30 to 6:00 pm.

Upon a motion duly made, seconded, and unanimously carried, the directors approved 7:30 pm EDT on June 12th as the date and time of the Annual Business Meeting. The regular monthly meeting for June will be held at 5:00 pm EDT and the livestreamed business meeting will follow with the winner of the vehicle announced at the conclusion of the meeting.

- B. CFO's Report – Mrs. Bessinger and the Finance Team provided a written report included in the meeting materials which were distributed to the directors prior to the meeting. Mrs. Bessinger provided additional information and answered inquiries related to the following topics.

- December Financial Report – Mrs. Bessinger reminded directors that December numbers are preliminary, and the auditors may make some final adjustments. She reported that net margins for December show a gain of \$2.1 million compared to a budgeted gain of \$2.44 million. This amount is lower than the \$2.4 million gain which was included in the financial report sent out prior to receiving the actual allocation amount from East Ky Power.

Power cost for December was up and the co-op purchased 14.7 million more kWh than budgeted, increasing costs by \$1.23 million combined with purchasing power at a higher rate than budgeted. This further increased costs by another \$230,000.

Mrs. Bessinger stated that the 14% increase in power cost providing \$569,000 less in gross margins than expected was the largest difference in the budget for December. She also noted some large year-end adjustments which were included in December; additional joint use pole rental providing an increased income of \$230,000 over the prior year, a FEMA receivable of \$1,289,024 which consists of expense account reductions totaling \$548,000, an unbilled

revenue increase over the previous year of \$803,000, a contracted right-of-way expense reduction of \$715,000 from over-accrual of expense in the first 11 months of 2024, and EKPC's allocation of margins estimated at \$1,045,000.

Mrs. Bessinger further reported that four of our six projects in the FEMA application have been awarded. She stated that we have not received the cash yet but do have an award letter. The unbilled revenue adjustment of \$803,000 was much larger than the \$100,000 estimate which Mrs. Bessinger originally reported. The auditors have given tentative approval for the manual calculation which resulted in the final number, but they will go over the documentation when they are onsite next week and hopefully provide final approval along with any final adjustments to year-end numbers.

Mrs. Bessinger reported to directors that the variance to 2024 budget within the expense accounts are very good and the report shows that we are holding down expenses. She commented that we're placing dollars where they will benefit our membership the most.

Mrs. Bessinger stated that the adjusted TIER is 0.63 instead of the 0.69 shown in the report, after the actual EKPC allocation was plugged in. The average number remains the same since we are not using 2024 in our "best of three" year average. Mrs. Bessinger commented that we will need a 1.8 ratio in 2025 to meet OTIER for the best of three. OTIER will finish at 0.14, which is well below the RUS minimum requirement of 1.10, and Mrs. Bessinger emailed our new RUS representative to notify them. They have requested a letter with details of the rate case and stated that it should not be an issue going forward. Mrs. Bessinger also discussed our work plan loan and was told that RUS uses a 10-year forecast when considering work plan loans and that there should be no issues.

Mrs. Bessinger reported that our preliminary equity ratio for 2024 is 47% and without the impact from patronage from our G & T (EKPC) and other organizations it is 29%. Our policy has established a desired total equity range of 35%-45% and equity excluding patronage from associated organizations of 27%-30%. Year-end total equity is expected to be slightly above desired range and equity excluding patronage from associated organizations to be in the desired range.

Mrs. Bessinger informed directors that FFB available funding totals \$19 million and she executed a loan draw of \$5 million during the week to pay the power bill. The \$5 million will be placed in our investment fund with CFC and drawn out when needed. East Ky Power notified their member co-ops that they could use a one-week payment deferral due to the higher-than-normal power bills for January, and Mrs. Bessinger stated that we would be taking advantage of the extra week.

- Homestead Fund Discussion – Mrs. Bessinger informed directors she had requested information on a 457b tax deferral investment fund offered to co-ops through NRECA and provided them with a copy of the brochure. The co-op has a Homestead Fund already set up, but it was inactivated in the past. Mrs. Bessinger requested that the directors discuss whether they are interested in reinstating the fund.

Mrs. Bessinger further commented that active directors could contribute money from their co-op compensation only, up to an IRS maximum of \$23,500 annually. Directors who retire or rotate off the board must take a payout from the fund. Management can choose how to administer the payouts (monthly payments or lump sum). Mrs. Bessinger stated that the documents to reinstate the fund if desired and the new provisions can be put together and executed at a later date. Directors will discuss and let Mrs. Bessinger know their decision regarding reinstating the Homestead Fund prior to the next meeting.

- CoBank Line of Credit Discussion – Mrs. Bessinger informed directors that she's been discussing our line of credit availability and membership status with CoBank. We have been able to participate in their Sharing Success program the past couple of years without actually being members even though we have a loan with them (non-patronage, non-membership loan).

Mrs. Bessinger would like to open a line of credit with CoBank to allow her to "shop" interest rates when looking to borrow short-term funds. There would be no costs or fees involved, and traditionally, their interest rates were lower than CFC. The co-op would earn capital credits on any loan balance held.

Mrs. Bessinger stated that, if the Board agrees to pursue the additional line of credit with CoBank, the current board policy 401 (Strategic Financial and Equity Management) would need to be reviewed, as is annually recommended, and updated. Mrs. Bessinger recommended the policy be updated to reflect that the co-op not have unsecured debt greater than 15% of Net Utility Plant (line 5 of the Balance Sheet). The current line of credit with CFC is limited to \$15 million, and she stated we have the option of a \$5 million committed and/or \$10 million uncommitted line of credit with CoBank.

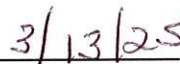
Mr. Nelson expressed concern that borrowing more money would change the co-op's debt service numbers. Mrs. Bessinger replied that the additional line of credit would only increase our total availability for borrowing and the debt service numbers would only be affected if we utilize the line of credit. She also stated that there could be timing issues with RUS when submitting and waiting on the finalization of our next workplan. In the past, this process has taken a year, and the line of credit could be utilized during the waiting period. Once the workplan is approved and we've secured funding, loan draws can be made from RUS to pay down or off any line of credit balances.

Upon a motion duly made, seconded, and carried by a majority, approval was granted to open an unsecured line of credit for \$5 million with CoBank. Mr. Nelson voted no.


- C. Chief Membership Officer's Report – Directors reviewed the written report provided by Mr. Hutton and included in the meeting materials which were distributed to the directors prior to the meeting. Directors had no further comments.
 - D. IT Team Report – Directors reviewed the written report provided by Mr. Johnson and included in the meeting materials which were distributed to the directors prior to the meeting. Directors had no further comments.
- 2) The group observed a recess for dinner at 6:27 pm. Following the break, the regular meeting resumed at 7:05 pm.
- 3) Attorney's Report – Mr. Phillips provided information and answered inquiries on the following topics.
- A. 2025 Director Election Update – Mr. Phillips stated that the Credentials & Elections Committee met on January 16th and verified candidate packets. Mr. Phillips reviewed and certified the candidate background check reports which were generated as the next step in the process. Mrs. Epperson and Rick Barker will face each other in District 1. Mr. Nelson is unopposed for the seat in District 5. Letters stating such were sent to all candidates from Mr. Jay Jones, Chair of the Credentials & Elections Committee.
- Mr. Phillips reported that the next phase of the process requires candidates for District 1 submit biographies and photos for publication on the SKRECC website and in the May issue of Ky Living Magazine. Mr. Phillips also stated that he worked with Mrs. Turpin and Morghan Blevins to edit and finalize an election Q & A article which will be published in an upcoming issue of Ky Living Magazine.
- B. NRECA Governance Talk Video Presentation – “Member Elections – Methods of Voting at Electric Cooperatives” – Directors watched the video and had no further comments.
- 4) Executive Session – Upon a motion duly made, seconded, and unanimously carried, the directors entered into executive session at 7:20 pm. Mrs. Bessinger and Mrs. Turpin were excused from the meeting. The executive session ended at 8:20 pm, Mrs. Turpin returned, and the regular meeting resumed.
- 5) Action Items
- A. 2025 SKRECC Annual Business Meeting Date & Format Approval – Action taken during CEO's Report portion of the meeting. *See Item 1 (A) under the Discussion Agenda.*

- 6) KEC Report – Mrs. Epperson reported that the KEC Board of Directors will meet the following week, and she will be unable to attend. Mr. Newton will attend and provide the KEC report at the March regular board meeting.
- 7) East Kentucky Power Report – Mr. Haynes reported that the EKPC Board of Directors met on February 11th and he and Mr. Newton attended the meeting. December's reported margin was \$19.7 million under budget and the preliminary year-to-date margin was \$22.5 million under budget. Energy demands during January were near record territory. Natural gas-fueled units had 100% starting reliability throughout January, and Bluegrass Station's generating units had their longest continuous operation since the plant began commercial operations in 2002. The Board authorized EKPC to apply to the PSC for approval to amend the co-op's environmental compliance plan, reflecting \$24 million in project costs associated with its coal plants. EKPC will seek recovery of the costs through the environmental surcharge. This surcharge increase will cost the average consumer \$.25 per month over the next 35 years.
- 8) Other Business – Mr. Allen reported that earlier in the day, he had attended a meeting held at The Center for Rural Development by EKPC to discuss the route of the natural gas line which is going to be crossing through Pulaski County to Cooper Station. Mr. Allen stated there will be several more "roll out" meetings at The Center in the future.
- 9) Board of Directors' Discussion Items –
- A. 2025 Director Self- and Peer-to-Peer Evaluation – Mrs. Epperson distributed the forms and requested that directors review and fill them out prior to the March board meeting when they will be turned into Mr. Phillips for compilation.
- 10) Future Agenda Items
- A. Quarterly Management Team Update – Eric Chumbley, Director of Safety and Facilities - March
- 11) Meeting Adjournment – Upon a motion duly made, seconded, and unanimously carried, the meeting was adjourned at 8:32 p.m.


Cathy Epperson, Chairperson of the Board


Date


Boris Haynes, Secretary/Treasurer


Date