

MINUTES
MARCH 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, March 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 – The group traveled to building B and the warehouse area for a safety trailer demonstration conducted by Mr. Eric Chumbley, Director of Safety and Facilities. Mr. Brandon Wesley, Safety & Loss Control Manager and Mr. Eric Bumgardner, Somerset Line Technician, assisted with the presentation. Following the presentation, the group returned to the boardroom and the regular meeting continued.
- 6) Adoption of Consent Agenda –Mr. Nelson requested that the wording under the Rate Case Update portion of Mr. Newton’s CEO Report contained in the February 13, 2025, meeting minutes be changed prior to approval. Mrs. Turpin agreed to review the minutes, edit the section accordingly, and present it later in the meeting for approval. The Adoption of Consent Agenda was held over to a later point in the meeting.
- 7) Adoption of Discussion Agenda – Upon a motion duly made, seconded, and unanimously carried, the discussion agenda was adopted as amended with Mr. Newton adding a topic under the CEO’s Report for 2025 Employee Outing Discussion.

CONSENT AGENDA

- 1) Approval of Regular Board Meeting Minutes of February 13, 2025 – Cathy Epperson.
- 2) Approval of Regular Board Meeting Summary for February 13, 2025 – Cathy Epperson.

3) Recurring Monthly Approvals – Cathy Epperson.

- A. Electric Write-offs for January 2025 in the amount of \$7,854.
- B. Thirty-four Credit Refunds for Deceased Estates for February 2025 in the amount of \$16,201.71.
- C. SKRECC New Members for February 2025: 333.
- D. Claims for February 2025.
- E. CEO, Attorney, and Directors Expenses for January 2025.

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.
 - Staffing Update – Mr. Newton updated the directors on the following staff changes. The Director of Operations position has been filled with the internal promotion of Roy Bray. Mr. Newton added that Mr. Bray, a former crew foreman, is a 30-year employee for the co-op and was chosen from among four internal applicants who applied.

First-round interviews have been conducted with the five internal candidates for the Regional Construction Manager position for Clinton and Russell. A second round of interviews will be scheduled in order to determine the knowledge of three of the five applicants. Mr. Newton commented that he and Mr. Nelson discussed that one of the job requirements in the past was that the manager live within 30 minutes of one of the district offices (Russell/Clinton) in order to be in the on-call rotation. The stipulations within the newly ratified union contract prevent the Regional Managers from participating in on-call rotation, so the 30-minute requirement will not apply moving forward.

Mr. Newton commented that once the Regional Construction Manager position is filled, it will more than likely result in a lineman vacancy which will then be posted and filled. Mr. Newton also reported that a lineman in our Clinton district resigned this week to take a job with a contractor who "chases storms." We have lost three linemen to this scenario in the past couple of years.

- Rate Case Update – Mr. Newton informed directors that an informal conference with PSC's and Attorney General's office staff members took

place on February 26th. Questions were asked and answered, and it went well. Mr. Newton commented that Mrs. Bessinger and Mrs. Bennett, Director of HR, compiled and contributed most of the data for the response to the PSC's first data request which was filed on March 3rd. We are currently waiting for the first data request from the AG's office.

- 500,000 Hour Safety Milestone Recognition – Mr. Newton stated that this is a tremendous accomplishment, and we have applied for a Governor's Award. It will be presented to us in person and someone from the governor's office in Frankfort will come here to present it. We are also eligible for a reward from Federated, our insurance carrier.
- Employee Outing Discussion – Mr. Newton reported that a recent survey was conducted among employees to determine interest in the annual outing/picnic. The employee responses included a Lexington Legends game, Virginia Theatre Movie Event, and Christmas Party with the Legends game getting the majority of the votes. The Legends game would include admission, a special designated area, and a buffet dinner for the group. The last Saturday of the season is available, which is Saturday, September 6th with a 7:00 pm game time with fireworks following the game. Mr. Newton commented that the price is \$5 per person more than the cost of the picnic at Bear Wallow. Directors were agreeable to the Legends game and suggested that attendance be limited to employees and their immediate family.

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 January Financial Report.

- January Financial Report – Mrs. Bessinger reported that January's revenue from the record cold was \$18 million and higher than the budgeted total. Unfortunately, a 28% increase in power cost during the month resulted in \$2.8 million less in gross margins than expected. This variance is due to substantially more kWh purchased than budgeted; roughly 46 million more. All the other totals for January were pretty close to budget with only overtime figures being slightly higher than expected. Mrs. Bessinger commented that operating expenses were better than budgeted, and the loss of \$2.4 million for January can largely be attributed to power cost.

Mrs. Bessinger provided some adjusted financial results for January in her written report which was sent out prior to the meeting, and she explained that the adjusted net margins allow for a true comparison of revenue and cost of power during the same time period. The timing adjustment results in a \$554,000 profit. Mrs. Bessinger stated that she intends to look into moving or decreasing some of the billing cycles to adjust revenue timing issues.

Mrs. Bessinger reported that next month's numbers which she expected to be favorable considering January's increased billings mostly received in February, will be offset by an extremely high Fuel Adjustment Charge (FAC) from EKPC. Mrs. Bessinger commented that she is still waiting for an explanation from East Ky Power regarding the increased FAC. Mr. Newton commented that this increased FAC could result in a sizeable increase on the average member's bill and that he and Mr. Haynes will find out more when they attend the EKPC board meeting next week. Mr. Newton agreed to email the directors following the meeting with any information.

Mr. Nelson suggested that a semi-annual budget review might be beneficial for the Board and could be a valuable tool to determine if budget adjustments are needed. Mr. Newton commented that right-of-way maintenance expense is probably the only area where an adjustment large enough to affect margins and ratios could be made.

- 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 made 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 made no further comments.
- 2) The group observed a recess for dinner at 6:52 pm. Following the break, Mrs. Bessinger was excused from the regular meeting which resumed at 7:18 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 he and Mr. Jones, Chair of the Credentials & Elections Committee, reviewed and approved the bios for the candidates for the District 1 director's seat; Cathy Epperson and Rick Barker. They will be placed on the website and in the next issue of Ky Living Magazine. Mrs. Epperson complimented Mr. Phillips on his recent article in the March Ky Living Magazine on the 2025 election process.
 - B. 2025 Director Self- and Peer-to-Peer Evaluation – Mr. Phillips collected the completed evaluations from the directors and stated that he would review and compile the information.
 - 4) Executive Session – Upon a motion duly made, seconded, and unanimously carried, the directors entered into executive session at 7:22 pm. Mrs. Turpin was excused from the meeting. The executive session ended at 8:29 pm, Mrs. Turpin returned, and the regular meeting resumed.

Following the Board's exit from the Executive Session, directors requested that Mrs. Turpin review the edited February 13, 2025, board meeting minutes with them. The previously noted wording under the Rate Case Update portion of Mr. Newton's CEO Report was changed from "Mr. Nelson questioned the ability for staff to break down usage numbers for residential accounts." to "Mr. Nelson asked if staff could provide the Board with usage numbers for residential accounts." Directors accepted the change and upon a motion duly made, seconded, and unanimously carried, the consent agenda was adopted as amended.

Mrs. Epperson requested that Mr. Newton inform the Board about changes to the administrative policies or the addition of new administrative policies during monthly board meetings as part of the CEO Report. Directors would also like updated copies of the administrative policies provided to them.

Mrs. Epperson stated that the Board discussed some potential cost-saving items which they would like Mr. Newton to report back on. The following items were listed: Are we required by the PSC to mail out statements to all members? Can multiple paper statements under the same member's number be combined in one envelope to save postage? Can statements be emailed to members? Can the number of billing cycles be reduced or combined so that members with multiple accounts get their bills at one time? Can we change the way we manage credit card fees, or does this need PSC approval prior to implementation?

- 5) KEC Report – Mrs. Epperson reported that the KEC Board of Directors met virtually on February 19th. A Ky Living article which focused on the America's Electric Cooperative PAC and the cooperative caucus was highlighted. The 2025 Legislative Guide, pole attachments and the subsequent regulation changes, and Kentucky dam easements were also discussed. Mr. Newton commented that South Kentucky does not have easements on the dam located in our service area (Russell County). CEO Chris Perry gave an update on facilities and reported that KEC will be using some space given up by a tenant for added office space and a small training center. The CEO evaluation is due on February 21st and will be discussed at the March 25th board meeting. KEC is considering hosting a training session on PSC regulation and processes. The KEC Annual Meeting will be held August 25th through 26th in Louisville. 8/25 & 8/26. The relationship between UUS and KEC was discussed and how the announced trade tariffs will directly affect electrical cooperatives. The annual NRECA Legislative Conference will be held in April in Washington DC. Committee reports were given and Fred Noe was announced as the top vote getter for the 2025 Distinguished Rural Kentuckian. The Member Outreach Committee discussed and agreed that advertising by marijuana dispensaries will not be allowed at this time.
- 6) East Kentucky Power Report – Mr. Haynes reported that the EKPC Board of Directors will meet Tuesday, March 18th.
- 7) Other Business – None noted.

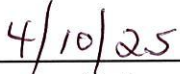
8) Board of Directors' Discussion Items – Mrs. Epperson suggested that the directors consider taking turns with staff in providing a monthly safety moment at each board meeting. Directors agreed to discuss the idea further.

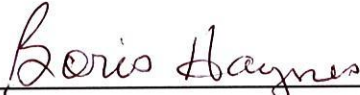
9) Future Agenda Items

- A. Approval of Resolution and Revised Board Policy 401 for CoBank Line of Credit
- B. Presentation and Approval of 2024 Independent Audit Report
- C. Appointment of SKRECC Representative to Serve as Director on the EKPC Board of Directors
- D. Approval of EKPC Annual Meeting Representative and Alternate Representative
- E. Form 990 Review

10) Meeting Adjournment – Upon a motion duly made, seconded, and unanimously carried, the meeting was adjourned at 8:51 p.m.


Cathy Epperson, Chairperson of the Board


Date


Boris Haynes, Secretary/Treasurer


Date