

MINUTES
APRIL 10, 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, April 10, 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 who joined the meeting late due to a prior engagement. Mr. Dewayne Johnson, Director of IT, addressed the Board and exited the meeting following his presentation.
- 4) Reading of the Mission Statement – Cathy Epperson
- 5) Safety Moment – Mrs. Bessinger discussed the USDA Food Safety and Inspection Service guidelines concerning expiration dates on everyday food items.
- 6) Quarterly Management Team Update – Dewayne Johnson, Director of IT, discussed Regroup Mass Notification software recently acquired by the co-op and how it will be used to ramp up communication with the employees by using text messaging. Mr. Johnson added that the initial set-up was quick, the program is an excellent value, and it will be a great way to reach all employees and directors quickly, especially outside employees who don’t always have access to computers and emails. The directors liked the text option and the fact that it is a quick and uncomplicated way to reach employees when safety is a priority, such as during weather events.
- 7) Adoption of Consent Agenda – Upon a motion duly made, seconded, and unanimously carried, the consent agenda was adopted as presented.
- 8) 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 March 13, 2025 – Cathy Epperson.
- 2) Approval of Regular Board Meeting Summary for March 13, 2025 – Cathy Epperson.
- 3) Recurring Monthly Approvals – Cathy Epperson.
 - A. Electric Write-offs for February 2025 in the amount of \$14,186.
 - B. Thirty-one Credit Refunds for Deceased Estates for March 2025 in the amount of \$17,858.34.
 - C. SKRECC New Members for March 2025: 422.
 - D. Claims for March 2025.
 - E. CEO, Attorney, and Directors Expenses for February 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. There are currently four open positions; our Contractor Coordinator, whose main responsibility is working with Davis H. Elliot crews, has chosen to move back to a lead lineman position. The position is supervised by Roy Bray and is based out of the Somerset office. There are two open lineman positions; one in Somerset and one in Albany. The Albany position may be difficult to fill since up to this point, we have not had anyone apply who has enough experience. The final open position is for a Call Center Representative.
 - Rate Case Update – Mr. Newton informed directors that the PSC has contacted us regarding potential dates in July for the rate case hearing. Mrs. Bessinger and her staff have been working diligently to compile the responses to the first request issued by the Ky Attorney General's office. The data is in the review stage now and will be submitted on Friday, April 11th. The second data request by the PSC has been completed, and we anticipate a second request from the attorney general's office. Mr. Newton stated that both parties will be able to file statements after the hearing and the co-op is allowed to implement the rate increase in August if we choose to. Mrs. Bessinger plans to discuss reimbursement options with Member Services before the August implementation is finalized.

- Cost Saving Measures – Mr. Newton discussed his research into the cost savings measures which were part of his written report sent out in the board meeting packet. Directors suggested a promotion to encourage members to sign up for automatic payment drafts. Mrs. Bessinger commented on the need to review how we can incentivize automatic drafts to members with the PSC prior to implementation. Discussion was had regarding credit card payment fees, and Mr. Newton agreed to compile additional data on what percentage of our automatic payments have card fees.
- Administrative Policy Update – Vehicle/Accident Drug Testing – Mr. Newton reported to directors that he and Mrs. Bennett are reviewing the policy specifically on accident drug testing. The policy is vague enough that the need for drug testing has been questioned in minor accidents such as bumping a mailbox. Most Kentucky co-ops rely on the Federal Motor Carrier Safety Administration (FMCSA) guidelines for their testing guidelines. An injury accident with citation, towing with citation, or a fatality all warrant drug testing; any more than that may not be best practice. Mr. Newton stated that his current intention is to use the FMCSA guideline as the standard for our industry, citing that it can be adjusted in the future if necessary. Mr. Newton assured directors that random and pre-employment drug testing will continue as routine practice, and the co-op will remain a Drug Free Workplace.
- Power Supply and Territorial Boundaries – Mr. Newton shared some information at the request of Mr. Allen. Mr. Newton offered the following information regarding how boundaries between service territories came to be. There are multiple power companies around the area and most of the service boundaries were put into place in 1972 between South Kentucky RECC and Kentucky Utilities. The Kentucky state legislature put laws in place to govern how these boundaries are recognized, and today, if a power load comes close to a territorial boundary, we will meet with KU representatives onsite and discuss where the metering location is or will be. We want our equipment in our service area and other service providers do too.

Regarding power supply, Mr. Newton stated that EKPC sells all their power onto the market and then buys it back at the price they're selling it in to run their units. If a unit does not operate due to no need or equipment failure, they don't get the best price. Mr. Haynes stated that Cooper Station currently will only run if the temperature is extremely cold or extremely hot. Once the combined cycle unit is installed and operational, it will run continuously. Mr. Newton stated that if the directors would like someone from EKPC to attend a board meeting and give a more detailed explanation, they would be glad to.

- 2) The group observed a recess for dinner at 6:30 pm. Following the break, the regular meeting resumed at 7:03 pm and Mr. Phillips joined 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.

- February Financial Report – Mrs. Bessinger reported that February's numbers are more favorable than last month's with the gross margin for the month totaling \$6.2 million compared to a budgeted total of \$5 million. Net margins for February were a gain of \$2.3 million compared to a budgeted gain of \$947,000. Although favorable, the margins for the same month in the prior year were a gain of \$3.1 million. Mrs. Bessinger stated that the main reason for the variance noted with 2024 is the high fuel cost. Mrs. Bessinger commented that without the large fuel cost increase included in the February power bill, February's margins combined with January's loss would result in a year-to-date gain instead of a loss. Because of the delay from when the fuel costs are invoiced to when the cost is passed through on member bills, the co-op will recoup approximately half the fuel costs in April and the rest when "true-up" calculations are done. She further explained that the PSC completes a "true-up" adjustment every two years, and one is expected to take place during 2025. The FAC (fuel adjustment charge) for February was \$1.9 million and January was shown as a small credit. The estimated FAC increase per member will be \$16.91 on an average April bill.

Mr. Nelson questioned why kWh sold to large commercial accounts is down by approximately 2 million from the previous year but revenue for large commercial accounts is showing an increase of just over \$300,000 for 2025. Mrs. Bessinger agreed to look into it and report back to Mr. Nelson.

Mrs. Bessinger reported that right-of-way circuit costs are tracking right at budget with 17% of the contract miles completed as of the end of February. During January, contractors finished the circuits which were postponed at the end of 2024, and for the month of March, 22% of the miles under the 2025 contracts have been completed.

Mrs. Bessinger commented that our ratios are still tracking below minimum requirements, and the hope is that we can close the gap over time after the rate increase is implemented.

We received reimbursement from FEMA for last year's storms for all but two counties, and Mrs. Bessinger reported that she received notification that FEMA approved they will cover Wayne County for the storms experienced during February.

Mrs. Bessinger reported that a workplan loan draw was taken in February for \$5 million. The interest rate for the loan is 4.6%, the term is 35 years, and payments are made quarterly.

- Board Policy 401 Revision – Mrs. Bessinger discussed changes she recommends after an annual review of the policy. Her plans are to review the changes this month with the directors, provide a redlined version of the policy in next month’s meeting packet for review, and if acceptable, act on the policy during the May board meeting.

Mrs. Bessinger also reported that the paperwork on the lines of credit with CFC (National Rural Utilities Cooperative Finance Corporation) must be renewed next month and approved by the Board. CFC will send the paperwork soon. Mrs. Bessinger also commented that execution of the paperwork on the CoBank \$5 million line of credit, approved during last month’s board meeting, will be on the agenda soon.

- 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.

3) Attorney’s Report – Frank Phillips

- A. NRECA Governance Talk Video Presentation – “Hearing All Points of View.” Directors watched the video and made no further comments.
- B. 2025 Director Self- and Peer-to-Peer Evaluation – Mr. Phillips informed directors that he had compiled the data he received from them during the March board meeting and would report on it during the executive session.

- 4) Executive Session – Upon a motion duly made, seconded, and unanimously carried, the directors entered into executive session at 8:17 pm. Mrs. Turpin and Mrs. Bessinger were excused from the meeting. The executive session ended at 9:02 pm, Mrs. Turpin returned, and the regular meeting resumed.

5) Action Items

- A. Appointment of SKRECC Representative to Serve as Director on the EKPC Board of Directors July 2025 through June 2026 – Upon a motion duly made, seconded, and unanimously carried, the directors appointed Boris Haynes to serve the 2025 – 2026 term.

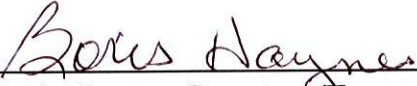
- B. Approval of EKPC Annual Meeting (June 10th) Representative and Alternate Representative – Upon a motion duly made, seconded, and unanimously carried, the directors appointed William Allen as representative and CV Hansford as the alternate representative for the 2025 EKPC Annual Meeting.
- 6) KEC Report – Mrs. Epperson reported that the KEC Board of Directors met on March 25th. Some of the items presented and discussed included a report from CFC, Meade County RECC CEO, Marty Littrell, voted in as Secretary Treasurer on NRECA’s Board of Directors, and CEO Chris Perry’s report on the 2025 legislative session. Financial reports were positive with UUS doing well and \$100,000 approved during the meeting for an agreement on the purchase of a Virginia warehouse. Joe Arnold reported on the “Rural Power Coalition” ramping up efforts to infiltrate electric co-ops. Upcoming meetings announced included a joint spring CEO meeting with Missouri Electric Cooperatives during early April in Lexington, PSC Regulations and Processes training on May 21st in Frankfort, the KEC Annual Meeting in August (which includes some free director training courses), and the NRECA Legislative Conference in Washington in late April which Mr. Newton is attending.
- 7) East Kentucky Power Report – Mr. Haynes reported that the EKPC Board of Directors met on Tuesday, April 8th and CEO, Tony Campbell was not in attendance because he was in Washington DC meeting with President Trump at NRECA’s request. Some of the items discussed were January’s financial summary which included a margin of \$5.9 million above budget, approval to file an integrated resource plan (IRP) with the Kentucky PSC, several projects currently under review by the PSC, development of a policy to safeguard employees’ use of AI, and studies to determine the need for modifications to the transmission grid. Mr. Newton stated that he learned at the spring CEO meeting hosted by KEC, that there is uncertainty in how the proposed coal-fired plant modifications will proceed due to the length of presidential terms and possible policy reversals which could affect funding and regulations.
- 8) Other Business – Mrs. Epperson stated that the directors would like Mr. Newton to revisit the credit card fee options and report back at the next meeting and to create a plan of action timeline on the promotion of electronic member billing. The Board also requested that they receive more timely financial data. Mr. Newton stated that the month-end closing is done on the 20th of the month following the month end, making it difficult to provide the Board with more timely data during the board meetings, which sometimes fall as early as the 8th of the month. Mr. Newton agreed to discuss the Board’s request with Mrs. Bessinger.
- 9) Board of Directors’ Discussion Items – Mrs. Epperson requested consideration for an alternative date for the May board meeting. After some discussion, Mr. Newton commented that he will check with Mrs. Bessinger to determine if financial statements will be available on May 6th for a board meeting and report back to the directors.
- 10) Future Agenda Items

- A. Approval of Revised Board Policy 401 "Strategic Financial and Equity Management"
- B. Approval of Board Resolution(s) for 23 Month Renewal of Lines of Credit with CFC – May.
- C. Approval of Resolution for CoBank Line of Credit.
- D. Presentation and Approval of 2024 Independent Audit Report – May
- E. Form 990 Review

11) Meeting Adjournment – Upon a motion duly made, seconded, and unanimously carried, the meeting was adjourned at 9:27 p.m.


Cathy Epperson, Chairperson of the Board

5/6/25
Date


Boris Haynes, Secretary/Treasurer

5/6/25
Date