

SHELBY ENERGY COOPERATIVE, INC.
Shelbyville, Kentucky
Board of Directors' Meeting-April 21, 2017

Regular Meeting

The following persons were present at 9:00 a.m. at Shelby Energy's headquarters on April 21, 2017:

Directors:

Ashley Chilton	Chairman
Randy Stevens	Vice Chairman
Roger Taylor, Jr.	Secretary-Treasurer
Wayne Stratton	Director
Diana Arnold	Director
Pat Hargadon	Director

Also Present:

Debra Maitin	President & CEO
Mary Federle	Manager, Billing & Customer Service
Jason Ginn	VP, Operations & Engineering
Lauren Gutermuth	Executive Assistant
Jared Routh	SVP, Finance & Cooperative Services
Paul Shovlin	Manager, Engineering
Candi Waford	Manager, Member Services
Donald Prather	Attorney

April Board Information

Copies of the following were provided to Board Members on April 13, 2017:

1. Agenda;
2. Shelby Energy March, 2017 Newsletter;
3. March 23, 2017 Minutes;
4. Memorandum Announcing Randy Stevens' Selection as Sr. Vice President of Power Deliver Services;
5. Shelby Energy USDA RUS Financial & Statistical Report for February, 2017;
6. Actual v. Budget Repmt for February, 2017;
7. 2017 vs. 2016 Operating Variance Repmt;
8. Overtime Payroll Report Year-to-Date 7-year summary through February, 2017;
9. Exceptions Repmt for Expenses for February, 2017 Year-to-Date;
10. Cashflow Statement for February, 2017;
11. 12-month Rolling Statement of Operations through February, 2017;
12. Fuel Cost & Environmental Surcharge Repmt through February, 2017;
13. Check Register for March, 2017;
14. Monthly Expense Statement for Directors and Attorneys;
15. Year-to-Date Director, Attorney and CEO Expense Repmts;
16. Propane Plus March Financial Statements;
17. 2016 IRS Form 990 Non-Profit Organization Tax Return;
18. Kentucky Cooperative Solar Farm One Information Packet;

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19. Operations Report for March, 2017;
20. Safety Report for March, 2017;
21. Workers' Compensation Experience Modification Summary Rep01t;
22. Year-to-Date System Inspection Tracking Report;
23. Engineering Report for March, 2017;
24. Outage Report for March, 2017;
25. Member Services Report for March, 2017;
26. New Member Survey Rep01t for February, 2017;
27. Annual Member Meeting Update;
28. Billing and Customer Service Rep01t for March, 2017;
29. Uncollectible Accounts from January, 2017 Disconnect Dates;
30. Detail on Write-Offs Greater than \$500;
31. Summary of Write-Offs - Prior Years Comparison Summary;
32. Capital Credit Estate Refunds for March, 2017;
33. PSC Inquiry Log, January through March, 2017;
34. Member Inquiry Log, January through March, 2017;
35. Adjustment Rep01t, January through March, 2017;
36. Board Policy No. 101 - Policy Development, Approval and Administration;
37. Board Policy No. 103 - Board of Directors -President and CEO Relationship;
38. Board Policy No. 104 -Authority Given by the Board of Directors to the CEO;
39. Board Policy No.106 - Director and Attorney Benefits;
40. Board Policy No. 107 -Attendance of Directors and Attorney at Meetings;
41. Board Policy No. 403 - Inspection of Distribution System, Buildings and Equipment;
42. Board Resolution to Re-Adopt 457(b) Plan;
43. 2017 Nominating Committee;
44. EK.PC April 11, 2017 Board Meeting Agenda; and
45. EK.PC Financial Review as of February, 2017.

- can To Order** The regular Board meeting was called to order by Chairman Chilton.
- Stevens' Resignation** Director Stevens presented a letter of resignation, effective at the end of today's meeting, due to his employment, effective May 15, 2017, as Shelby Energy's Senior Vice-President of Power Delivery Services.
- Executive Session** The Directors, Maitin, and the Attorney entered into an executive session. After discussion concluded, upon motion duly seconded, the Board emerged from executive session. Upon emerging from executive session, no action was taken.
- Safety Moment** Ginn presented the Safety Moment. This is the time of the year when outside activities increase for most people. It is also a time of increasing temperatures and humidity. It is especially important to drink plenty of fluids to stay hydrated.
- Minutes** The minutes of the March 23, 2017 Board of Directors meeting were approved.

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Finance & Cooperative Services Report Routh gave the Finance & Cooperative Services report for February. Shelby Energy had negative margins of \$124,799 in February.

Shelby Energy's modified TIER in February was 0.579 and its operating TIER was 0.501, both below the RUS requirement of 1.10. Shelby Energy had 39.23% of its assets in equity. Its Power Cost to Revenue Ratio was 75.85%, its current ratio was 0.80%, and its line loss was a negative 1.43%.

The environmental surcharge and fuel cost adjustments are in an over-recovery stage. Overtime payroll in February was only \$8,036, which is substantially less than normal. However, the March and April overtime expenses are expected to be up significantly due to the storm damage. The amount of premiums paid by Shelby Energy into its self-funded medical plan was less than the amount of benefits paid for the first three months of this year.

Probate Plus Report Routh presented the Shelby Propane Plus report for March, 2017. It had positive net income of \$19,099 for March, up from \$438 of net income during March of 2016.

Form 990 Routh presented Shelby Energy's 2016 Form 990, Federal Return of Organization Exempt from Income Tax. After discussion concluded, upon motion duly seconded the Form 990 was approved by the Board for filing with the IRS and posting to the website.

Solar Energy Cooperative Project Routh discussed the Cooperative solar project. Any Cooperative member on EKPC's power system may license a solar panel for 25 years for a one-time cost of \$460. EKPC will maintain the panel and the purchasing member will receive a bill credit for the actual market price of the energy produced by the solar panel, the capacity value of that solar power in the PJM network, and probably the federal renewable energy credits. A license can be sold or gifted to another member. Three Shelby Energy members have already purchased four licenses. Seventy licenses have been purchased across Kentucky.

Each panel is anticipated to contribute approximately 460 kWh per year to the electric grid. The panels will be located in the solar farm to be built on land EKPC already owns in Clark County, Kentucky. Commercial operation is projected to begin in November 1, 2017 with the first anticipated credit to be issued January 8, 2018.

Operations inspections Report Ginn presented the Operations report for March, 2017. There have been 72 ditch inspections thus far this year, compared to only 45 last year. Ginn considers this an excellent indicator of the level of growth on the system. Right-of-way clearing continues to move forward at an aggressive pace. Forty-four miles of right-of-way were cleared in the month of March, compared to a total of 44 miles cleared during the months of January through March of last year. A total of 125 miles have been cleared this year. The pace of right-of-way clearing will slow down later this year when one of the two crews operating on Shelby Energy's system begins working elsewhere.

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Safety Report	<p>Ginn presented the Safety report for March, 2017. Two safety inspections of Shelby Energy contractor crews occurred in March with no safety violations. There have been 15 inspections thus far this year of Shelby Energy and contractor crews with no safety violations.</p> <p>Shelby Energy construction crews had worked 69,568 hours since June 1, 2016, Elliott construction crews had worked 224,561 hours since September 1, 2008, Phillips Tree Service crews had worked 70,409 hours since September 22, 2013, and Wright's Tree Service had worked 74,332 hours since July 6, 2015, all without a lost-time accident.</p>
Workers' Compensation Report	<p>Ginn presented the Workers' Compensation Experience Modification Factor for Shelby Energy from its insurer, Federated Rural Electric Insurance Exchange. The typical average experience modification factor for a cooperative in Kentucky is 1.00. Shelby Energy's factor has declined from last year is 1.24 to 1.08 this year.</p>
OSHA Report	<p>Ginn reviewed the 2016 OSHA 300A information on work-related injuries. Shelby Energy's 2016 recordable incident rate of 2.39 was lower than its 9.90 rate in 2014, its 4.04 three-year average rate, its 3.70 six-year average rate, and its 3.80 eight-year average rate. Only the exceptional 0.00 rate in 2015 was lower. Its 2016 recordable incident rate is less than the statewide system average, the national system average, the regional system average, and the average of 39 similar-sized cooperatives.</p>
System Inspection	<p>Ginn reviewed the quarterly results from the 2017 System Inspection report. Approximately 51 % of the system has been inspected thus far this year. It is normal for the bulk of the system to be inspected in the first and fourth quarters of the year.</p>
Engineering & Outage Report	<p>Ginn gave the Engineering report for March, 2017, including the Outage report. Approximately 9,000 of Shelby Energy's members were out of power as a result of the severe March 1 storm, which broke 12 poles and downed transmission lines to four substations. The March outages were so widespread that they constitute 92% of the 2017 year-to-date member outage minutes.</p>
Member Services Report	<p>Waford presented the Member Services report for March, 2017. The recent member telephone contact program has resulted in 66 new simple saver participants thus far this year, as compared to 6 during the same time frame in 2016.</p>
New Member Survey	<p>Waford presented the New Member Survey report for February, 2017. Of the new members who returned the survey, 100% were either satisfied or very satisfied with their experience.</p>
Annual Member Meeting Update	<p>Waford brought the Board up to date on the annual member meeting. It will occur on June 22, 2017 at the Henry County High School in New Castle, Kentucky beginning at 4:30 p.m. with the business meeting to begin at 6:30 p.m. Ten booths are scheduled to be present. There will be a conservation clubhouse for the children and this year's entertainment will be the Piano Doctor & Friend.</p>

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Billing and Customer Service Report	Federle presented the Billing and Customer Service report for March, 2017. There have been 510 connects/reconnects thus far in 2017, up from 380 at this point in 2016, which Federle believes is indicative of the positive growth in Shelby Energy's service area. Incentives of \$830 have been paid thus far in 2017 to members who have signed up to pay their bill through the bank draft service.
Write-Offs	Federle reported there were uncollectible accounts totaling \$3,529.98 from January, 2017 disconnect dates. Upon motion duly seconded, these write-offs were written off for accounting purposes. The total write-offs thus far in 2017 are \$11,707, down from the \$13,119 in write-offs during the same time frame in 2016.
Capital Credits	Federle reported \$2,324.24 in capital credits were paid to 5 estates during March.
Executive Session	The Directors, Martin, and the Attorney entered into an executive session. After discussion concluded, upon motion duly seconded, the Board emerged from executive session. Upon emerging from executive session, no action was taken.
457(b) Plan	Martin advised the Directors NRECA cannot find a copy of the original resolution creating Shelby Energy's 457(b) Plan, which allows certain employees to elect to defer portions of their current compensation. Accordingly, upon motion, duly seconded, the Board adopted a Resolution which re-adopts that Plan. Stevens abstained from discussing and voting on this matter.
Nominating Committee Report	Martin gave the report of the 2017 Nominating Committee. The Committee voted to nominate Wayne Stratton as its Director candidate from District 1 and Ashley Chilton as its Director candidate from District 2.
CRC & N s c s Delegates	Chairman Chilton appointed Stratton as Shelby Energy's voting delegate to the Cooperative Response Center and National Cooperative Services Corporation upcoming annual membership meetings. Routh will serve as the alternate voting delegate.
EKPC Delegates Appointment	Chairman Chilton appointed Arnold as Shelby Energy's voting delegate to the East Kentucky Power Cooperative upcoming annual meeting. Taylor will serve as the alternate voting delegate.
KAEC Director Report	Stevens presented the KAEC Director report for March. This was his last report as Director on the Kentucky Association of Electric Cooperatives Board of Directors. After discussion, Hargadon was elected as Shelby Energy's new Director on the KAEC Board.
EKPC Director Report	Stratton presented the EKPC Director report for March. EKPC is projecting a \$20 million profit through February of this year. The Trump administration's re-examination of existing environmental policies, including the Clean Power Plant, might make EKPC able to resume using its coal-fired power generating units until their economic life is exhausted rather than discontinuing use of them prematurely with the resulting economic loss.

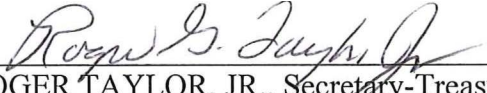
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**President
& CEO's
Report**

Maiiin presented the President & CEO's report for March.

There being no further business, the meeting was adjourned. The next regular Board meeting will be held on May 25, 2017 at 9:00 a.m.

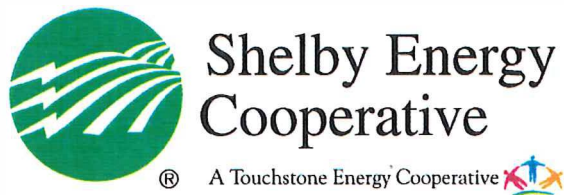


ROGER TAYLOR, JR., Secretary-Treasurer

Approved:



ASHLEY CHILTON, Chairman



Board Resolution to Re-adopt 457 (b) Plan

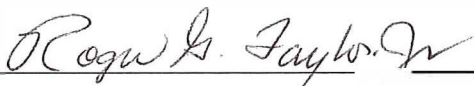
EMPLOYER ID#: 18030

Resolved, that Shelby Energy Cooperative, Inc. (the "Employer") hereby re-adopts the 457 (b) Plan in the form presented, to replace and supersede the existing deferred compensation plan implemented through a series of documents deferring compensation for certain employees, to be effective on the 21st day of April, 2017; and resolved, that the officers of the Employer are authorized to execute any documents necessary to adopt this 457 (b) Plan and to continue the investment of assets in the Homestead Funds.

CERTIFICATE OF SECRETARY

I, Roger Taylor, Secretary-Treasurer of the Board of Shelby Energy Cooperative, Inc. do hereby certify that the above is a true and correct excerpt from the minutes of the meeting of the Board held on the 21st day of April 2017 at which meeting a quorum was present, and that the above portion of the minutes has not been modified or rescinded.

In witness whereof, I have set my hand and affixed the seal of Shelby Energy Cooperative, Inc. this 21st day of April, 2017.



Signature of the Secretary-Treas



Shelby Energy Cooperative

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RESOLUTION

WHEREAS, the current Shelby Energy Cooperative, Inc. Director-Director, Randy K. Stevens, will no longer be serving on the Board of Directors for Shelby Energy, effective April 21, 2017 and;

WHEREAS, this will leave a vacancy on the KAEC Board for Shelby Energy,

RESOLVED, that Pat Hargadon be appointed to represent Shelby Energy on the KAEC Board in the Director-Director position.

I, Roger Taylor, Secretary of Shelby Energy Cooperative, Inc., do hereby certify on this 21st day of April, 2017 that the above Resolution was duly adopted at the April 21, 2017 meeting of the Board of Directors at Shelby Energy Cooperative, Inc.



Roger Taylor, Secretary-Treasurer