

**SHELBY ENERGY COOPERATIVE, INC.**  
**Shelbyville, Kentucky**  
**Board of Directors' Meeting – March 22, 2018**

**Regular Meeting** The following persons were present at 9:00 a.m. at Shelby Energy's headquarters on March 22, 2018.

Directors:

Ashley Chilton	Chairman
Pat Hargadon	Vice Chairman
Roger Taylor	Secretary/Treasurer
Wayne Stratton	Director
Diana Arnold	Director
Jeffrey Joyce	Director

Also Present:

Ruth H. Baxter	Attorney
Alan M. Zumstein	Certified Public Accountant

**January Board Information** Copies of the following were provided to Board Members on March 14, 2018:

1. Shelby Energy March 2018 Newsletter;
2. Audited Financial Statements from December 31, 2017 and 2016 by Alan M. Zumstein, Certified Public Accountant;
3. Agenda;
4. February 22, 2018, Minutes;
5. Rebate Report, February 2018;
6. Credit Card and Fleet Card Summary Report;
7. Status Report - Self-Funded Medical Insurance Plan Update;
8. Comparison Report, Medical Insurance;
9. 2017 Year End Key Performance Indicators Report;
10. CFC Certificate of Compliance Worksheet and Certification for 2017;
11. Certificate of Resolutions and Incumbency;
12. Letter dated March 13, 2018, from Attorney Nathan T. Riggs;
13. CFC Instructions for Unsecured Line of Credit;
14. Revolving Line of Credit Agreement;
15. As-Offered Uncommitted Line of Credit Agreement;
16. Financial and Statistical Report for January 2018;
17. Actual vs. Budget, January 2018 report;
18. 2017 vs 2016, January report;
19. Overtime Payroll Report;
20. Exceptions report for Expenses, January 2018, report;
21. Cash Flows Statement for Month Ending January 31, 2018, report;
22. 12-Month Statement of Operations Report;
23. Environmental Surcharge/Fuel Cost Report;

24. 5 year - January Sales Report;
25. 12-Month Kwh Sales Report;
26. Check Register for February 2018;
27. Propane Financials for January 2018 report;
28. January - December 2017 KPI'S Report;
29. Billing and Customer Service Report for February 2018;
30. Write-Off of Uncollectible Accounts December 2017 report;
31. Details on Write-Offs > \$500.00, December 2017 report;
32. Summary of Write-Offs;
33. Estate capital credit refunds for February 2018 report;
34. New Member Survey Report for January 2018;
35. January-December 2017 KPI's Billing and Customer Service report;
36. Safety & ROW Report, February 2018;
37. KPI's Operations & Engineering, January-December 2017 report;
38. Engineering Board Report for February 2018;
39. Operations Report, February 2018;
40. Resolution to appoint representative to EKPC Board;
41. 2018 Annual Meeting Schedule;
42. Proxy for the Annual Meeting;
43. 2017 Credentials & Election Committee;
44. 2017 Nominating Committee
45. EKPC Agenda.
46. EKPC Board Summary for March 2018;
47. EKPC Financial Review, March 13, 2018;
48. KAEC Agenda;
49. KAEC Financial Review, 2017 Year End; and,
50. 2017 Employee Development report.

**Call to Order**

The regular Board meeting was called to order by Chairman Chilton.

**Executive Session**

Upon motion, duly seconded, the Board went into Executive Session to meet separately with Alan Zumstein, CPA, and Roy Palk, New Horizons Consulting. CEO Martin joined the session at the request of the Directors.

Following Executive Session, upon Motion, duly seconded, the Board exited Executive Session. No action was taken.

The following staff members then joined the Directors' Meeting:

Debra Martin	President & CEO
Mary Federle	Manager, Billing & Customer Service
Jason Ginn	Manager, Operations
Lauren Gutermuth	Executive Assistant

Jared Routh	SVP, Finance & Cooperative Services
Randy Stevens	SVP, Power Delivery Services
Sergie Cole	Manager, Accounting & Payroll

**Safety Moment** The Safety Moment was presented by Roger Taylor who discussed tire ‘safety’ and reminded all to check tires for proper inflation and condition so that you can ‘Drive and Ride’ safely.

**Minutes** The Minutes of the February 22, 2018, Board of Directors meeting were unanimously approved.

**Finance & Cooperative Services Report** Routh presented Shelby’s Rebate Report for February 2018. He noted that two energy audits were conducted, and seven solar panels purchased during the month.

The annual listing of company credit cards and fleet card summary was presented, and a status report on costs and benefits from Shelby’s medical insurance updated. The 2017 year- end KPI’s were discussed and Routh advised he had sufficient LED bulbs purchased for this year’s Annual Meeting. New shirts for the Annual Meeting will only be provided to the new director as a cost-saving measure

Three students were selected for the Frankfort Youth Tour: Abraham Collum of Waddy, Shelby County; Veneda Burgess of Smithfield, Henry County, and Will Kunselman of Pendleton, Trimble County. Seventeen applications have been received for the six \$1,000.00 scholarships available to high school graduates.

Routh reported that the staff will be evaluating the Annual Meeting site at Henry County High School and discuss alternatives going forward. The said musical entertainment will be provided prior to the business meeting this year while the members are gathering.

**CFC Officer’s Certificate of Compliance** Routh reviewed the annual Officer’s Certificate of Compliance for CFC covering the 12-month period ending December 31, 2017. The certificate covered the areas of organization, operations, transactions, financial and additional questions as provided by CFC. There were no outstanding or material issues and the Board had no questions regarding the certificate.

**CFC Lines of Credit Renewals** Routh then presented a Resolution for Shelby to renew its line of credit with CFC in the total amount of \$6 million with a revolving line of credit of \$3 million and \$3 million in an “As Offered” line of credit. He explained that Shelby’s line of credit had been paid off on March 13, 2018, and that the interest rates would vary on each line of credit with the revolving line set at 2.75% and the “As Offered” line at 2.35%. As the credit line was for less than 24 months, Public Service

Commission approval is not required. Upon Motion by Stratton, seconded by Joyce, and unanimously carried the Resolution was approved.

**Accounting &  
Payroll**

Cole presented the Finance & Cooperative Services report. He pointed out a new chart prepared to show Shelby Energy's residential sales. Shelby had positive margins for the period ending January 2018. He reported new services year-to-date of 22. Cost per KWH in January was 0.6687 and total KWH sold was 53,530,874. Shelby Energy's year-to-date modified TIER was 4.470 and its OTIER was 3.405 for the month of January. Shelby Energy had 38.98% of its assets in equity, its Power Cost to Revenue Ratio was 73.20%, and its current ratio was 0.90%. The Payroll Analysis indicated that Shelby Energy's overtime payroll for January 2018 was \$14,239.53.

The February 2018 check registers were available for review.

The 2018 January total operations and maintenance expense were \$ 4,298,676 which were up from \$ 3,892,081 at the same point in 2017, representing a 10.4% increase. The January 2018 operating revenues were \$5,128,596 which were up from \$4,143,067 at the same point in 2017, representing a 23.8% increase.

The January through December 2017 KPIs were reviewed with the Board by category. The Directors did not have any questions.

**Billing and  
Customer  
service**

Federle reviewed the Billing and Customer Service Report for February 2018. She noted that bank drafts and prepay billing accounts had increased from the previous time last year. There are 694 members utilizing prepay services as of February.

Write offs of Uncollectable Accounts through December 2017 totaled \$2,872.07. A summary of write-offs for the Board's review was also given.

Fourteen (14) estates received capital credit refunds totaling \$10,878.22.

The compilation of the New Member Surveys for the month showed 17 very satisfied and 2 satisfied with Shelby Energy's services of the 19 surveys returned from 67 members surveyed. This represented a 28% monthly return rate.

Billing and Customer Service KPI's for January through December 2017 were discussed.

**2017 Audit**

The Directors had before them the 2017 Financial Audit as submitted by Alan Zumstein, CPA, for consideration. Upon Motion by Arnold, seconded by Stratton and unanimously carried, the Audit was approved .

<b>Safety &amp; ROW Report</b>	<p>Stevens presented the safety report for February 2018. There were six (6) inspections of Shelby and contractor crews for the month, with no findings. He reviewed the safety training and meetings for the month. Stevens reported that there was 1 recordable workplace incident of a knee strain for the month. The three (3) contractors working at Shelby had no lost time accidents for the month. Bad weather affected right-of-way work.</p> <p>The KPI's for 2017 were discussed. The focus has been on lost time basically due to slips and falls. Productivity is at 43% and he is working on reducing it with the help of a new engineering consultant.</p>
<b>Engineering Report and Outage Report</b>	<p>Wilson gave the Engineering and Outage report for February. There were no major outages during the month of February 2018. The majority of outages in February were due to downed trees as a result of inclement weather.</p> <p>Ginn presented the operations report for February 2018. The work orders for February 2018 totaled 456. Ginn advised that the wet weather being experienced slowed progress at the Top-Flight Subdivision, Windhurst Development, Six-Mile Distillery project, Hwy 55 3-phase conversion project and Gest Road reconnector project. However, all of these projects are progressing despite the weather.</p> <p>Ginn told the Board that Shelby assisted KAEC with 5 serviceworkers on March 2<sup>nd</sup> who traveled to Virginia to restore power there, and Shelby sent 4 employees to Clark Energy for 5 days and three to Salt River for two days to assist in restoring power there on March 12<sup>th</sup>.</p> <p>On March 21, 2018, Shelby had over 530 outages as result of the snow storm. Despite efforts to make repairs, Shelby averaged 300 outages throughout the day. Owen Electric sent four two-person crews to help. Power was restored late in the evening, with some lines being damaged multiple times throughout the day due to heavy snow on power lines and trees.</p>
<b>EKPC Board</b>	<p>The representative to EKPC Board being up for election, upon motion by Hargadon, unanimously approved, Wayne Stratton was re-elected as the Shelby Energy representative to the EKPC Board.</p>
<b>2018 Annual Meeting Schedule</b>	<p>The Annual Meeting schedule with required action and the dates of that action were reviewed with the Directors by Routh and Martin.</p>
<b>2018 Nominating Committee</b>	<p>The members of the 2017 Nominating Committee were discussed by Martin with potential names for the 2018 Nominating Committee solicited from the Directors. All 2017 members were recommended to serve again this year with one change to</p>

a member for District II. Chairman Chilton made the appointments of members to serve on the 2018 Nominating Committee.

**2018  
Credentials  
& Election  
Committee**

The members of the 2018 Credentials & Election Committee were discussed by Martin with member names provided by the Directors. Chairman Chilton made the appointments of members to serve on the 2018 Credentials & Election Committee.

**EKPC  
Director  
Report**

Stratton reported on the EKPC Board meeting held March 13, 2018, in accordance with the agenda given to the Directors. He said that financials had improved in January. A legislative update was given to the Board. A presentation on natural gas discussed pricing and the impact on the LNG plants being built.

Approximately \$3 million from the VW settlement will be coming and it has been suggested that the money be used for the construction of charging stations.

Stratton reported that he also attended a special meeting of the Board Risk Oversight Committee (BROC) for dual fuels at Bluegrass. The risk analysis for the \$60 million investment was discussed.

Tony Campbell's evaluation was considered good and would be reviewed with him by the Executive Committee.

**KAEC  
Director  
Report**

Hargadon reported the KAEC Board meeting was held on March 20, 2018, at the new headquarters off Hurstbourne Lane on Lyndon Farm Court. Financials were reviewed, and it was noted that the inventory process was being streamlined. 911 billing was discussed for future issues facing the Cooperatives. It was noted that two counties recently implemented charges for 911 fees on property tax bills. Nine of the cooperatives are no longer having night annual meetings so he suggested that Shelby Energy may want to consider alternative meeting times. Broadband coverage for the future was also discussed.

The Board recessed at approximately 12:15 pm.

The Board returned from recess at approximately 12:30 p.m. for an executive session with Attorney James M. Crawford. Upon motion, the Board exited executive session.


Upon Motion by Joyce, seconded and unanimously carried, the Board authorized a waiver of the Amendment 3 clause that required an 18-month notice to EKPC by South Kentucky under the MOU in regard to the pending PSC case.

**New Attorney selection** Baxter discussed qualifications and attributes of prospective attorney applicants for the attorney position with Shelby Energy. She encouraged the Directors to rank these qualities as to their priorities for legal counsel as they begin interviews for the position.

**Adjourn** There being no further business, the meeting was adjourned. The next regular Board meeting will be held on April 26, 2018, at 9:00 a.m.

  
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ROGER TAYLOR, JR., Secretary-Treasurer

Approved:

  
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ASHLEY CHILTON, Chairman