

**SHELBY ENERGY COOPERATIVE, INC.**  
**Shelbyville, Kentucky**  
**Board of Directors' Meeting – October 20, 2016**

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**Regular Meeting** The following persons were present at 9:00 a.m. at Shelby Energy's headquarters on October 20, 2016:

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 Martin	President & CEO
Mary Federle	Manager, Billing & Customer Service
Jason Ginn	VP, Operations & Engineering
Lauren Gutermuth	Executive Assistant
Denise Hume	Manager, Accounting & Finance
Jared Routh	Assistant Manager, Accounting & Finance
Candi Waford	Manager, Member Services
Donald Prather	Attorney

Guest:

Jim Adkins  
Nancye Combs, HR Enterprise, Inc.

**October Board Information** Copies of the following were provided to Board Members on October 13, 2016:

1. Expense Statement for Directors and Attorney;
2. Thank you letter from Jerry and Judy Arnold;
3. Shelby Energy September, 2016 Newsletter;
4. Agenda;
5. September 14, 2016 Minutes;
6. Shelby Energy USDA RUS Financial & Statistical Report for August, 2016;
7. Actual v. Budget Report for August, 2016;
8. Overtime Payroll Report Year-to-Date 7-year summary through August, 2016;
9. Exceptions Report for Expenses for August, 2016 Year-to-Date;
10. Cashflow Statement for August, 2016;
11. 12-month Rolling Statement of Operations through August, 2016;
12. Fuel Cost & Environmental Surcharge Report through August, 2016;
13. Check Register for September, 2016;
14. Shelby Energy Propane Plus Financial Statements through September, 2016;

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15. Economical Development Loan Report through September, 2016;
16. Operations Report for September, 2016;
17. Safety Report for September, 2016;
18. Shelby Energy System Inspection Tracking Report Year-to-Date;
19. Engineering Report for September, 2016;
20. Outage Report for September, 2016;
21. Member Services Report for September, 2016;
22. New Member Survey Report for August, 2016;
23. 2016 Annual Meeting Expense Report;
24. Billing and Customer Service Report for September, 2016;
25. Uncollectible Accounts from July, 2016 Disconnect Dates;
26. Summary of Write-Offs – Prior Years Comparison Summary;
27. Capital Credit Estate Refunds for September, 2016;
28. Adjustment Report, July through September, 2016;
29. Member Inquiry Log, July through September, 2016;
30. PSC Inquiry Log, July through September, 2016;
31. Resolution Regarding NRECA 401(k) Pension Plan Amendment;
32. EKPC October 11, 2016 Board Meeting Agenda;
33. EKPC Financial Review as of August, 2016;
34. Self-Funded Medical Plan Status Report;
35. Shelby Energy Employee Development Report as of June 30, 2016;
36. NCSC September 30, 2016 Report from the Boardroom;
37. CFC October 6, 2016 Report from the Boardroom.

- Call To Order** The regular Board meeting was called to order by Chairman Chilton.
- Executive Session** The Board, Martin, Prather, and Adkins entered into executive session. After emerging from executive session, no action was taken and Adkins departed the meeting.
- Safety Moment** Federle presented the Safety Moment. She reminded those present at the meeting that this is harvest season in our area and that many deaths and injuries are caused every year by vehicle collisions with slow-moving farm equipment on roads and highways. She urged everyone to slow down and be extra vigilant for slow-moving road traffic, especially in areas of limited visibility.
- Minutes** The minutes of the September 14, 2016 Board of Directors meeting were approved.

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**Accounting & Finance Report** Hume presented the Accounting & Finance report for August, 2016. Shelby Energy's modified TIER for August was 0.814, and its OTIER was 0.79 both below the RUS requirement of 1.10. Shelby Energy had 40.61% of its assets in equity and its current ratio was 1.13. Shelby Energy's rolling 12-month average line loss was 3.73%, its rolling TIER was 1.97, and its rolling OTIER was 0.60. Shelby Energy had negative margins during the month of \$40,522.

The environmental surcharge and fuel cost adjustments are in an over-recovery stage.

Year-to-date overtime payroll is up about \$4,000 over last year.

Hume noted Shelby Energy has invested \$4,676,970 in new electrical distribution equipment and facilities thus far this year.

**Shelby Propane Plus Report** Hume presented the Shelby Propane Plus report for September. Shelby Propane Plus had positive net income of \$8,219 for September, down from the \$14,463 earned in September, 2015. Net income year-to-date is \$71,771, down from \$165,408 as of this same time last year.

**Economic Development Loan Fund** Hume gave a report on the current status of Shelby Energy's Economic Development Loan Fund program. This fund provides low interest loans to worthy economic development projects using money originally provided as a grant from the federal government. The total amount of all outstanding loans at this time is \$179,240. Shelby Energy has over \$400,000 available to loan under this program. Any information on potentially qualifying economic development projects in the area is welcome.

**Office Construction Update** Routh provided an update for the office basement area construction which, among other things, will add several additional work stations and an updated emergency generator. This is going to be an excellent cost effective alternative to the building addition project which was rejected by the Directors as being too costly.

**Operations Report** Ginn presented the Operations reports for September, 2016. There have been 161 ditch inspections thus far in 2016, up from 120 as of this same time in 2015. Ginn stated when ditch inspections increase, it is a direct indication that new installations are in process. Underground locates continue to increase dramatically. He and Prather are working on a contract to outsource this in order to free up Shelby Energy employees for other work. The sectionalizing study recommended the replacement of re-closures (OCRs) on Shelby Energy's system, and this project should be finished by the end of the year. Right-of-way crews have cleared a total of 257 miles as of the end of September, up sharply from the 110 miles in 2015. Spray crews have sprayed 404 miles of right-of-way. Spraying herbicide after right-of-way has been cleared has proven very effective in controlling regrowth after trimming and should significantly reduce future right-of-way clearing costs.

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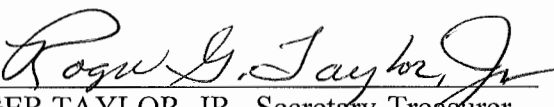
<b>Lineman's Rodeo</b>	Ginn and Waford reported on the 2016 Kentucky Lineman's Rodeo hosted by Shelby Energy in September. It was a great success and the employees enjoyed the opportunity so much they would love to host it again next year. However; the hosting of the event is shared on a rotation basis among the Kentucky cooperatives.
<b>Safety Report</b>	<p>Ginn presented the Safety report. There were 7 inspections of Shelby Energy and its contractor crews, with no violations being discovered.</p> <p>Shelby Energy construction crews had worked 27,529 hours since June 1, 2016, Elliott construction crews had worked 208,354 hours since September 1, 2008, and Phillips Tree Service crews had worked 63,817 hours since September 22, 2013, and Wright's Tree Service had worked 50,886 hours since July 6, 2015, all without a lost-time accident.</p> <p>Ginn recognized the safety record of these contractors by pointing out Elliott has been working on Shelby Energy's system for over 8 years without a lost-time accident, Phillips Tree Service over 3 years without a lost-time accident, and Wright's Tree Service over 15 months without a lost-time accident.</p>
<b>System Inspection</b>	Ginn discussed the 2016 Shelby Energy System Inspection Tracking report. The goal is to inspect 1,042 miles of the system. Seventy-seven percent has been inspected thus far this year, and Ginn expects no problem in finishing by the end of the year. Ginn explained that Shelby Energy has a dual system inspection procedure. One-half of the system is inspected from the ground every year. The other half of the system is inspected by helicopter during the same year. Thus, after two years, all of Shelby Energy's system has been inspected from both the ground and the air. Aerial inspection allows detection of problems that are not visible from the ground and vice versa. This alternating inspection system is therefore much more comprehensive.
<b>Engineering Report</b>	Ginn gave the Engineering report for September, 2016. The monthly CAIDI was within the target range, as was the year-to-date CAIDI.
<b>Outage Report</b>	Ginn gave the Outage report for September, 2016. There were no outages which affected more than 500 members. The largest cause of outages in August was equipment failure, followed by other and trees.
<b>Member Services Report</b>	Waford presented the Member Services report for September, 2016. Waford noted that member participation in the Energy Star appliance rebate programs has basically doubled since last year. Participation in the commercial lighting rebate program is also up with three more participants only waiting on completion of their paperwork to receive their rebates.
<b>New Member Survey</b>	Waford presented the New Member Survey report for August, 2016. Ninety-four percent of the new members who returned the survey in August were either satisfied or very satisfied with their experience.

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- Billing and Customer Service Report** Federle presented the Billing and Customer Service report for September, 2016. A total of 3,597 members were participating in the bank draft program at the end of September. Incentives totaling \$4,350 have been paid thus far in 2016 for new members to sign up for this program. There were only 9 billing adjustments from July through September of this year. There have been 3 member inquiries during that same time frame, but no PSC complaints.
- Write-Offs** Federle reported there were uncollectible accounts totaling \$1,157.33 from July, 2016 disconnect dates. As far as she can determine, this is a record low for Shelby Energy, dating back decades. After discussion concluded, upon motion duly seconded, these uncollectible accounts were written off for accounting purposes.
- Capital Credits** Federle reported \$4,816.91 in capital credits were paid to 9 estates during September.
- 401(k) Plan Amendment** Martin presented for consideration a Resolution authorizing the amendment of Shelby Energy's participation agreement in the NRECA 401(k) Pension Plan Adoption Agreement "A" for plans 18030-001, 18030-002, and 18030-003. After discussion concluded, upon motion duly seconded, the Resolution was adopted. A copy of the Resolution is attached to these minutes.
- Executive Session** The Board entered into executive session with Martin, Prather and Combs present. After emerging from executive session, no action was taken.

There being no further business, the meeting was adjourned. The next regular Board meeting will be held on November 17, 2016 at 9:00 a.m.

  
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ROGER TAYLOR, JR., Secretary-Treasurer

Approved:

  
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ASHLEY CHILTON, Chairman

**RESOLUTION  
AUTHORIZING THE AMENDMENT OF THE  
NRECA 401(k) PENSION PLAN  
Adoption Agreement "A"  
18030-001, 18030-002, and 18030-003**

**WHEREAS**, Shelby Energy Cooperative, Inc. is participating in the NRECA sponsored defined contribution plan, the 401(k) Pension Plan (the "401(k) Plan"), and;

**WHEREAS**, The Board of Directors of Shelby Energy Cooperative, Inc. ("the Board") now desires to amend these plans pursuant to Section 18.2 of the 401(k) Plan document and does hereby authorize the amendment effective December 1, 2016, by executing the appropriate Adoption Agreements;

**BE IT RESOLVED**, that the amendment to the 401(k) Plan is as follows:

Eligibility Requirements

The Eligibility period for Employees to become Participants and begin making Employee Elective Contributions shall be changed from the completion of a Year of Eligibility Service to the completion of one Full Month of Employment.

The Eligibility period for Employees to receive Employer Contributions shall remain a Year of Eligibility Service.

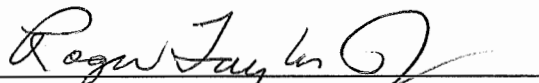
**BE IT FURTHER RESOLVED**, that the Board does hereby authorize and direct Debra J. Martin, President & CEO, to execute all necessary documents and to take any and all further actions necessary to carry out the intentions of the Board as indicated in this resolution.

**CERTIFICATE OF SECRETARY**

I, Roger Taylor, Jr. certify that I am Secretary-Treasurer of the Shelby Energy Cooperative, Inc. Board of Directors and that the above is a true excerpt from the minutes of a regular board meeting of the Board of Directors of Shelby Energy Cooperative, Inc. held on the 20<sup>th</sup> day of October, 2016 at which a quorum was present and that the above portion of the minutes has not been modified nor rescinded.

**IN WITNESS WHEREOF**, I have set my hand and affixed the seal of Shelby Energy Cooperative this 20<sup>th</sup> day of October, 2016.

(SEAL)

  
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Roger Taylor Jr., Secretary-Treasurer