

SHELBY ENERGY COOPERATIVE, INC.
Shelbyville, Kentucky
Board of Directors' Meeting – December 21, 2017

Regular Meeting

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

Directors:

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

Also Present:

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

Guest:

J. Michael Ray, Henry County Economic Development Council

Absent:

Donald Prather	Attorney
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December Board Information

Copies of the following were provided to Board Members on December 14, 2017:

1. Shelby Energy December 2017 Newsletter;
2. Agenda;
3. November 16, 2017 Minutes;
4. Shelby Energy USDA RUS Financial & Statistical Report for October, 2017;
5. Actual v. Budget Report for October, 2017;
6. Overtime Payroll Report Year-to-Date 7-year summary through October, 2017;
7. Exceptions Report for Expenses for October, 2017 Year-to-Date;
8. Cashflow Statement for October, 2017;
9. 12-month Rolling Statement of Operations through October, 2017;
10. Fuel Cost & Environmental Surcharge Report through October, 2017;
11. Check Register for November, 2017;
12. Cooperative Services Report for November, 2017;
13. Shelby Energy ACSI Score History;
14. 2017 ASCI Annual Survey Comments;
15. 2017 Inventory;

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16. Self-Funded Medical Plan Cost and Benefits Status Report;
17. Shelby Energy Propane Plus November, 2017 Financial Statements;
18. Billing and Customer Service Report for November, 2017;
19. Uncollectible Accounts from September, 2017 Disconnect Dates;
20. Details on Write-Offs Greater than \$500 for September, 2017;
21. Summary of Write-Offs – Prior Years Comparison Summary;
22. Capital Credit Estate Refunds for November, 2017;
23. New Member Survey Report for January through October, 2017;
24. Safety and Right-of-Way Report for November, 2017;
25. Elliott Quarterly Shelby Energy Safety Report;
26. Engineering Report for November, 2017;
27. Outage Report for November, 2017;
28. Operations Report for November, 2017;
29. Shelby Energy Services Corporation December 5, 2017 Board Meeting Agenda;
30. Shelby Energy Services Corporation December 5, 2017 Board Meeting Minutes;
31. Shelby Energy Services Corporation Articles of Dissolution;
32. Shelby Energy Services Corporation Resolution Recommending Dissolution;
33. Board Policy Review Schedule for 2018;
34. EKPC December 12, 2017 Board Meeting Agenda;
35. EKPC December Board Summary;
36. EKPC Financial Review as of October, 2017;
37. KAEC November 20, 2017 Board Meeting Key Points;
38. KAEC November 20, 2017 Board Meeting Minutes;
39. KAEC Kentucky Strong 71st Annual Meeting Minutes; and
40. KAEC December 19, 2017 Annual Meeting Notice and Agenda.

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

Safety Moment The Safety Moment was presented by Routh. Routh commented on being aware of your surroundings in your personal and business life. He shared a personal experience of cutting into the circuit from a nearby electric plug when placing a screw into his wall at home. Had the breaker not tripped, this could have resulted in him and his wife being hurt or causing a dangerous situation of an electrical fire within the walls of the house at a later time.

HC ED Council Ray presented a review of 2017 activities for the Henry County Economic Development Council (“Council”). The Council placed significant focus on the Henry County Work Ready project throughout the year working with personnel from the KY Economic Development Workforce Development to visit Whitney H. Young Job Corps located in Simpsonville and Eminence Speaker Corporation. Various reviews were held by the Council regarding hemp production, distilleries and other prospects in the area. Ray ended with comments on updating the website for the Council. Shelby Energy will work with Ray on providing links to economic development sites sponsored by East Kentucky Power.

Minutes The minutes of the November 16, 2017 Board of Directors meeting were approved.

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Finance & Cooperative Services Report Routh presented the Finance & Cooperative Services report. He pointed out Shelby Energy had negative margins of \$168,059 for October. Shelby Energy's year-to-date modified TIER was 0.316 and its OTIER was 0.305 for the month of October, both very low and well below the RUS minimum requirements of 1.10. Shelby Energy had 38.90% of its assets in equity, its Power Cost to Revenue Ratio was 74.29%, and its current ratio was 0.84. Shelby Energy's October line loss was 2.51%, its rolling TIER for November 2016 through October 2017 was 1.57, and its rolling OTIER for the same period of time was 0.201.

October year-to-date total operations and maintenance expense was \$32,623,056, down from \$33,694,561 at the same point in 2016, showing Shelby Energy is minimizing expenses where possible.

The Directors did not have any questions regarding the year-to-date Exceptions report.

There was a negative change in cash for October due payment of notes payable and growth in plant funded from general cash funds.

Overtime payroll was up slightly from September. Environmental surcharge and fuel adjustments are in an over-recovery stage.

The Directors did not have any questions regarding the check registers for October.

Shelby Propane Plus Report Routh presented the Shelby Propane Plus report for November. It had positive net income of \$20,655 for November, and year-to-date positive margins of \$55,620.

Energy Efficiency Programs Routh reported on the status of Shelby Energy's energy efficiency programs and energy audits. Solar panels purchased for 2017 remains at 25 through November. Participation remains strong in the Energy Star dishwasher and refrigerator programs. There were three button-up homes and three energy audits in November.

ACSI and Annual Survey Routh provided the ACSI scores for 2012-2017. The score went from 86% in 2016 to 85% in 2017 but is very acceptable since there was no major decline. The lowest score was in 2013 at 81% with 2015 and 2016 having a score of 86%. Routh reviewed the detailed comments from members. Service orders were created for any member concerns regarding ROW, safety or reliability issues. For the future, Shelby Energy will perform more direct contact with members that express concern about high bills and provide educational materials and comparisons to other local utilities. The Board expressed an interest in any materials and communications that will be shared, so they may stay better informed along with the membership that share questions or concerns.

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Materials Inventory Report Routh presented the 2017 Materials Inventory report. The percentage measures the combined total by which the amount of counted inventory items is greater than and less than booked inventory records compared to the total materials used for maintenance and construction. The net difference of \$16,313 between the over and under on inventory items will result in an adjustment to the material records for the year.

Medical Insurance Routh presented a status report on the cost and benefits paid under Shelby Energy's self-funded medical plan. Benefits continue exceeding plan contributions.

2018 Operating Budget Routh presented the proposed 2018 operating budget for consideration. After discussion concluded, upon motion duly seconded, the recommended budget was approved with a projected OTIER of 1.36 and TIER of 1.50 for 2018.

Billing and Customer Service Report Federle presented the Billing and Customer Service report for November. The number of members paying their monthly bills through the bank draft service continues to increase with 31 members signing up in November. There are 688 members utilizing the prepay service as of November. The use of credit card and e-checks to make payment continues to have increased usage. The RPS at Poppy's General Store had more than 600 payments for the month of November compared to 340 at Riverside and 222 at Henry County Supply.

Write-Offs Federle reported there were uncollectible accounts totaling \$3,160.24 from September 2017 disconnect dates. The year-to-date write-offs through October total \$25,433.57. However, due to delinquent account collections and general retirement recovery, the year-to-date net write-offs of accounts receivable through October is \$6,241.28.

After discussion concluded, upon motion duly seconded, the \$3,160.24 September disconnect date uncollectible accounts were written off for accounting purposes.

Capital Credits Federle reported \$2,480.57 in capital credits were paid to 5 estates during November. A total of \$67,508.29 in capital credits have been paid to estates thus far this year.

New Member Survey Federle presented the New Member Survey report for January through October 2017. One hundred percent of the 22 new members who returned the survey were either satisfied or very satisfied with their experience.

Safety Report Stevens presented the Safety report for October. There were 9 inspections of Shelby Energy and its contractor crews, with no safety violations.

Shelby Energy construction crews had worked 123,915 hours since June 1, 2016, Elliott construction crews had worked 240,589 hours since September 1, 2008, and Phillips Tree Service crews had worked 75,911 hours since September 22, 2013, and Wright's Tree Service had worked 102,288 hours since July 6, 2015, all without a lost-time accident.

Shelby had one recordable injury occur in November but no time from work was missed.

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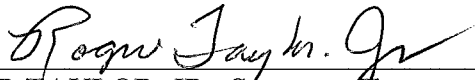
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- Engineering & Outage Report** Stevens gave the Engineering and Outage report for November. Seventy-three work orders were completed. There were two outages involving more than 500 members. The dates were November 10th and November 18th, both were transmission related with 1,991 and 1,144 members affected, and a duration of .6 hours and 3.07 hours, respectively.
- Operations Report** Ginn presented the Operations reports for November. The installation of LED lights was up by 70 compared to last year. Ditch inspections were up 86 from the same time last year. The Windhurst Apartment construction is moving forward. The first apartment was energized on December 1st, and Shelby is currently working on underground for the next 5 buildings. The 6-Mile Distillery project is on track with work required by Shelby. The first ¾ mile of new 3-phase conductor is complete and energized with the last ¾ mile being switched over in preparation for energizing.
- Executive Session** The Board entered into executive session with Martin present. After emerging from executive session, no action was taken.
- Dissolution of Shelby Energy Services Corp** The Board reviewed the minutes from the December 5, 2017 meeting of Shelby Energy Services Corporation, the Articles of Dissolution and the Resolution Recommending Dissolution that was adopted at that meeting of the Board of Directors. Following discussion, the Board of Directors of Shelby Energy Cooperative accepted the recommendation and authorized by motion and Resolution, which is included and made a part of these minutes, the dissolution of Shelby Energy Services Corporation effective December 31, 2017.
- Policy Review Schedule** Martin presented the schedule for review of board policies in 2018. There were no revisions recommended to the schedule.
- 2018 NRECA Annual Meeting Voting Delegates** Chilton appointed Stratton to serve as Shelby Energy's voting delegate for the Cooperative Finance Corporation and Federated Insurance annual meeting at the 2018 NRECA Annual meeting with Martin to serve as alternate. He also appointed Joyce as Shelby Energy's voting delegate for the National Rural Electric Cooperative Association and National Rural Telecommunications Cooperative annual meeting, with Martin to serve as the alternate.
- EKPC Director Report** Stratton presented the EKPC Director report for November.
- KAEC Director Report** Hargadon presented the KAEC Director report for November.
- President & CEO's Report** Martin presented the President & CEO's report for November.

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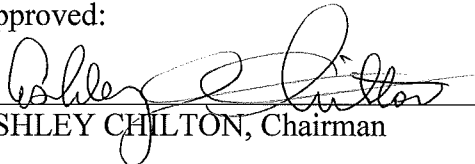
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There being no further business, the meeting was adjourned. The next regular Board meeting will be held on January 25, 2018 at 9:00 a.m.



ROGER TAYLOR, JR., Secretary/Treasurer

Approved:



ASHLEY CHILTON, Chairman