

SHELBY ENERGY COOPERATIVE, INC.
Shelbyville, Kentucky
Board of Directors' Meeting-January 25, 2018

Regular Meeting

The following persons were present at 9:00 a.m. at Shelby Energy's headquarters on January 25, 2018.

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
Sergie Cole	Director of Finance
Rachel Wilson	Director of Engineering
James M. Crawford	Attorney

January Board Information

Copies of the following were provided to Board Members on January 18, 2018:

1. Shelby Energy January 2018 Newsletter;
2. Condolence letter from Attorney Mark David Goss;
3. Agenda;
4. December 21, 2017 Minutes;
5. Strategic Goal Summary;
6. Shelby Energy USDA RUS Financial & Statistical Report for November, 2017;
7. Actual v. Budget Report for November, 2017;
8. Overtime Payroll Report Year-to-Date 6-year summary through November, 2017;
9. Exceptions Report for Expenses for November, 2017 Year-to-Date;
10. Cashflow Statement for November, 2017;
11. 12-month Rolling Statement of Operations through November, 2017;
12. Fuel Cost & Environmental Surcharge Report through November, 2017;

13. Check Register for December, 2017;
14. Property Tax Summary Report;
15. Shelby Energy Loan Portfolio Report through December 31, 2017;
16. Cooperative Services Rebates for December, 2017;
17. Self-Funded Medical Plan Cost and Benefits Status Report;
18. Shelby Energy Propane Plus December, 2017 Financial Statements;
19. Billing and Customer Service Report for December, 2017;
20. Uncollectible Accounts from October, 2017 Disconnect Dates;
21. Summary of Write-Offs - Prior Years Comparison Summary;
22. Capital Credit Estate Refunds for December, 2017;
23. New Member Survey Report for January through November, 2017;
24. Member Inquiry Log, October through December 2017;
25. PSC Inquiry Log, October through December 2017;
26. Adjustment Report, October through December 2017;
27. Safety and Right-of-Way Report for December, 2017;
28. 2017 Safety Improvement Plan;
29. Engineering Report for December, 2017;
30. Outage Report for December, 2017;
31. Operations Report for December, 2017;
32. 2017 Shelby Energy System Inspection Tracking Report;
33. Board Policy No. 106 - Director and Attorney Benefits;
34. Board Policy No. 920 - Medical Insurance for Active Employees Elected, Appointed or Hired before July 1, 1996;
35. Board Policy No. 203 - Functions of Shelby Energy Attorney;
36. Letter dated January 2, 2014, from Mathis, Riggs & Prather, P.S.C., Client Engagement Letter;
37. Attorney List;
38. Letter dated January 17, 2018, from Robinson Salyers PLLC;
39. Board Policy No. 403 - Inspection of Distribution System, Buildings and Equipment;
40. NCSC December 18, 2017, Board Meeting Key Points;
41. Shelby Energy Services Corporation Resolution Recommending Dissolution; and,
42. Shelby Energy Services Articles of Dissolution.

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

Safety Moment The Safety Moment was presented by Randy Stevens. Stevens cautioned about the cold weather and the dangers of black ice on the road and sidewalk surfaces.

Minutes The minutes of the December 21, 2017, Board of Directors meeting were unanimously approved.

Strategic Plan Quarterly Review	Martin and other staff members reviewed with the Board the status of the Coop's strategic plan goals as of December 2017. Board members had numerous questions that were answered by Martin.
Finance & Cooperative Services Report	<p>Routh presented the Finance & Cooperative Services report. He pointed out Shelby Energy had positive margins of \$54,785 for November. The total services in place as of November 2017 was 17,638 with total miles energized of approximately 2138. Average residential KWH usage went from 1116 in November 2016 to 1255 in November 2017. Shelby Energy's year-to-date modified TIER was 0.422 and its OTIER was 0.410 for the month of November. Shelby Energy had 38.82% of its assets in equity, its Power Cost to Revenue Ratio was 74.31 %, and its current ratio was 0.84. Shelby Energy's November line loss was 3.23%, its rolling TIER for November 2016 through November 2017 was 1.72, and its rolling OTIER for the same period of time was 0.313.</p> <p>November year-to-date total operations and maintenance expense was \$35,741,756, down from \$36,840,316 at the same point in 2016, showing Shelby Energy is minimizing expenses where possible.</p> <p>The Directors did not have any questions regarding the year-to-date Exceptions report.</p> <p>Overtime payroll as of November was \$22,091.66. Environmental surcharge and fuel adjustments are in an over-recovery stage.</p>
Check Register	The Directors did not have any questions regarding the check registers for December 2017.
Cash Flows Statement	Routh explained that as of November 30, 2017, the change in cash was a negative \$37,998.
5-Year Property tax comparison	Routh reviewed with the Board the 5 year summary of property tax.
2017 Loan Portfolio/Advances	Routh reviewed the coop loan portfolio as of December 31, 2017, with total of all loans being \$56,632,642.35.

Energy Efficiency Programs Audits	Routh reported on the status of the Coop's energy efficiency programs and energy audits. Solar panels purchased through December remain at 25. Participation in the Energy Star dishwasher and refrigerator programs remains strong. There were two button-up homes and one energy audit in December.
Medical Insurance	Routh presented a status report on the cost and benefit paid under the Coop's self-funded medical plan. The coop's end of the year contribution or assessment was \$5,928.87.
Propane Financials	Routh presented the Coop's Propane Plus report for November. It had a net income of \$66,264.34 for November and year-to-date margins of \$121,884.67.
Billing and Customer Service Report	Federle presented the Billing and Customer Service report for December. The number of members paying their monthly bills through the bank draft service continues to increase with 22 members signing up in December. There are 692 members utilizing the prepay service as of December. The use of credit card and e-checks to make payment continues to have increased usage. The RPS at Poppy's General Store for the year were 2,412 compared to 2838 at Riverside and 2543 at Henry County Supply.
Write-Offs	Federle reported there were uncollectible accounts totaling \$2,701.42 for October 2017. The year-to-date write-offs through December total \$32,950.98. However, due to delinquent account collections and general retirement recovery, the year-to-date net write-offs of account receivables through November 2017 is in a negative amount of \$13,187.07. After discussion concluded, upon motion by Roger Taylor, the Board voted unanimously to write off for accounting purposes the \$2,701.41 in uncollectible accounts.
Capital Credits	Federle reported \$1,341.38 in capital credits were paid to four deceased members' estates during December. A total of \$68,123.95 in capital credits were paid to deceased member's estates in 2017.
New Member Survey	Federle presented the New Member Survey report for January through November 2017. The nineteen (19) new members who returned the survey were either satisfied or very satisfied with their experience.

PSC/ Member Quarterly Concerns	Federle discussed with the Board several member concerns through December 2017.
Quarterly Revenue Adjustments	Federle reviewed the quarterly revenue adjustments through December 2017 totaling \$23,848.90 which includes the buyout for two service agreements.
Safety & ROW Report	Stevens presented the safety report for December 2017. There were seven (7) inspections of Coop and contractor crews for the month, with only one (1) finding. He reviewed the coop's safety training and meetings for the month. He reported that the coop had one recordable accident for the month; however, the employee lost no time from work. Stevens reported that the emergency restoration plan has been reviewed and updated and manuals redistributed. The three (3) contractors working at the coop had no lost time accidents for the month.
Safety Improvement Plan	Stevens reviewed with the Board the 2017 and 2018 Safety Improvement Plan for the coop.
Engineering Report and Outage Report	Stevens gave the Engineering and Outage report for December. There was no major outage during the month of December 2017. Both SAIDI and CAIDI were down for December.
Operations Report	Ginn presented the operations report for December 2017. The work orders for December 2017 totaled eighteen (18) with service orders for the year of 506 compared to 505 in 2016. The reclosers changed (OCRs) for the year were 78 down from 193 in 2016. Right of way work orders for 2017 were 522 compared to 418 in 2016 due primarily to the continued ash tree problems.
Annual System Inspection Report	Ginn reviewed with the Board the 2017 coop system inspection tracking report.
Executive Session	The Board entered into executive session with Martin and Crawford present initially. Martin departed executive session at one point. After emerging from executive session, no action was taken.

Dissolution of Shelby Energy Services Corporation Following discussion of a revised Resolution to dissolve Shelby Energy Services Corporation and transfer its assets to the Coop, on motion by Diana Arnold, the Board voted unanimously to adopt the Resolution dissolving Shelby Energy Services Corporation, a copy of which is attached hereto and made a part of these Minutes.


Board Policy Approval Martin presented for consideration and approval revised Board Policy 403 - Inspection of Distribution System. On motion by Wayne Stratton, the Board voted unanimously to approve revised Board Policy 403 as recommended by management.

EKPC Director Report Stratton reported there was no meeting of the EKPC Board for December.

KAEC Director Report Hargadon reported there was no meeting of the KAEC Board for December.

President & CEO's Report Martin presented the President & CEO's report for December.

Adjourn There being no further business, the meeting was adjourned. The next regular Board meeting will be held on February 22, 2018, at 1:00 p.m.



ROGER TAYLOR, JR., Secretary/Treasurer

Approved:


ASHLEY HILTON, Chairman

SHELBY ENERGY COOPERATIVE, INC.
Shelbyville, Kentucky
Special Board of Directors' Meeting-January 31, 2018

Regular Meeting

The following persons were present at 1:00 p.m. at Shelby Energy's headquarters on January 31, 2018.

Directors:

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

Also Present:

Debra Martin	President & CEO
James M. Crawford	Attorney
Elaine Johns	President & CEO of EnerVision participated by phone in a portion of the meeting

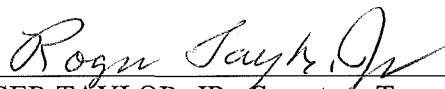
Call to Order The special Board meeting was called to order by Chairman Chilton.

Safety Moment Debbie Martin gave safety moment on the dangers of deer in the roadway.

Executive Session The Board entered into executive session with Martin, Crawford and Johns present initially.


The Board voted unanimously to approve the Resolution, a copy of which is attached hereto and made a part of these Minutes.

Adjourn There being no further business, the meeting was adjourned. The next regular Board meeting will be held on February 22, 2018, at 1:00 p.m.



ROGER TAYLOR, JR., Secretary-Treasurer

Approved:



ASHLEY CHILTON, Chairman

SECRETARY'S CERTIFICATE

I, Roger G Taylor, Jr., do hereby certify that: I am the secretary of Shelby Energy Cooperative, Inc. (hereinafter called the "Corporation"), the following are true and correct copies of resolutions duly adopted by the Board of Directors of the Corporation at the regular meeting held February 22, 2018, and entered in the minute book of the Corporation and none of the following resolutions has been rescinded or modified:

RESOLUTIONS

1. RESOLVED that the Corporation borrow from the Federal Financing Bank ("FFB") an amount not to exceed \$22,319,000.00, to be guaranteed by the United States of America (the "Government"), acting through the Administrator of the Rural Utilities Service ("RUS"); and
2. RESOLVED that the Corporation accept the terms and conditions which the Administrator of RUS has established for obtaining its guarantee of the FFB loan, as such terms and conditions are set forth; and
3. RESOLVED that the Chairman is authorized on behalf of the Corporation to execute and deliver under its corporate seal, which the secretary is directed to affix and attest:
 - (a) as many counterparts respectively as shall be deemed advisable of an agreement with the Government, in the form of the RUS Loan Contract submitted to this meeting; and
 - (b) a note payable to FFB and guaranteed by RUS in the principal amount of \$22,319,000.00, substantially in the form of the FFB note submitted to this meeting; and
 - (c) the note payable to the Government, acting through the Administrator of RUS, substantially in the form of the Reimbursement Note submitted to this meeting; and
 - (d) as many counterparts as shall be deemed advisable of a Restated Mortgage and Security Agreement by and among the Borrower, the Government, National Rural Utilities Cooperative Finance Corporation, which, among other things, pledges all of the Corporation's property to secure notes payable to the Government in the aggregate principal amount not to exceed \$200,000,000.00 at any one time, and a financing statement, substantially in the form of the security instruments presented to this meeting; and
4. RESOLVED that the officers of the Corporation be, and each of them is authorized in the name and on behalf of the Corporation, to execute all such instruments, make all such payments and do all such other acts as in




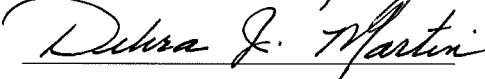
the opinion of the officer or officers acting may be necessary or appropriate in order to carry out the purposes and intent of the foregoing resolutions; and

5. RESOLVED, that Ashley Chilton, Chairman, Roger G. Taylor, Jr., Secretary/Treasurer and Debra J. Martin, President & CEO and any official(s) authorized to act in such corporate position(s) and to perform the functions of such position(s) are authorized on behalf of the Borrower (a) to execute and deliver from time to time advance requests, maturity extension election notices, prepayment election notices and refinancing election notices, in the form of such instruments attached to the note payable to FFB, and (b) to specify information and select options as provided in such instruments.

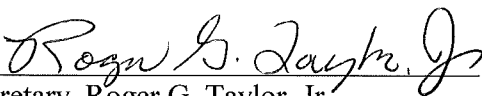
I FURTHER CERTIFY THAT each member of the Board of Directors of the Corporation was furnished with notice of said meeting in compliance with the bylaws of the Corporation.

I FURTHER CERTIFY THAT the date of actual execution of the documents referred to above is February 22, 2018.

I FURTHER CERTIFY THAT the following are the names and signatures, respectively, of the officers of the Corporation identified below who validly held and occupied their respective positions on said date of actual execution of the documents.

<u>Office</u>	<u>Name</u>	<u>Signature</u>
Chairman	Ashley Chilton	
Vice Chairman	Pat Hargadon	
Secretary/Treasurer	Roger G. Taylor, Jr.	
President & CEO	Debra J. Martin	

IN WITNESS WHEREOF I have hereunto set my hand and affixed the seal of the Corporation this 22nd day of February 2018.


Secretary, Roger G. Taylor, Jr.

(Corporate Seal)



RESOLUTION

APPROVAL OF POWER SUPPLY REQUEST FOR PROPOSALS

WHEREAS, East Kentucky Power Cooperative ("EKPC") has implemented Amendment 3 and the corresponding Memorandum of Understanding ("MOU") to allow the EKPC members flexibility in pursuing wholesale power supply options; and

WHEREAS, South Kentucky RECC ("SKRECC") has already noticed EKPC of their intent to implement its 15% flexibility allotment as defined by Amendment 3 and the MOU which results in cost shifting to Shelby Energy Cooperative, Inc. ("Shelby");

WHEREAS, Owen Electric Cooperative, Salt River Electric, Jackson Energy Cooperative and Blue Grass Energy have an informal alliance ("the Kentucky Group") and issued a Request for Proposals ("RFP") for power supply following Amendment 3 and the MOU; and further, have invited Shelby Energy to participate in their existing RFP that could possibly dilute SKRECC cost shifting; and

WHEREAS, with SKRECC's notice, the remaining EKPC members are only allowed 5% flexibility allotment as defined by Amendment 3 and the MOU until EKPC's total allotment pool is taken (at which time, no other allotments will be allowed); and

WHEREAS, the President and CEO has recommended to the Board of Directors of Shelby Energy that in order for Shelby Energy to receive any flexibility allotment, Shelby Energy be allowed to participate with the Kentucky Group, contract with the Kentucky Group's consultant (EnerVision), and share in the transactional costs of the RFP and subsequent contractual negotiations, if any; and

WHEREAS, the Board of Directors has determined that it is in the best interest of the Shelby Energy to participate with the Kentucky Group.

www.shelbyenergy.com

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Shelby Energy is an equal opportunity provider and employer.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors hereby authorizes and approves this recommendation by staff to participate with the Kentucky Group in its power supply RFP.

RESOLVED FURTHER that the President and CEO of Shelby Energy is hereby authorized, empowered and directed for and on behalf of Shelby Energy to negotiate any resulting agreements as she determines is in the best interest of Shelby Energy,

RESOLVED FURTHER that the President and CEO of Shelby Energy is hereby authorized, empowered and directed in her discretion to give East Kentucky Power Cooperative the election notice required by Amendment 3 and the Memorandum of Understanding of the amount of the cooperative's power load to be served by alternate power source.

CERTIFICATE

I, Roger Taylor, Jr., Secretary/Treasurer of Shelby Energy Cooperative, Inc., do hereby certify that the above is a true and correct copy of a certain resolution of the Board of Directors of Shelby Energy Cooperative, Inc., duly adopted at a regular meeting of said Board after due and proper notice held on the 31st day of January, 2018.

This 31st day of January, 2018.



A handwritten signature in cursive script, reading "Roger Taylor, Jr.", is written over a horizontal line.

Roger Taylor, Secretary/Treasurer

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