

SHELBY ENERGY COOPERATIVE, INC.
Shelbyville, Kentucky
Board of Directors' Meeting — October 18, 2018

Regular Meeting

The following persons were present at 9:00 a.m. at Shelby Energy's headquarters:

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
Carolyn Cutshaw	Executive Assistant
Jared Routh	SVP, Finance & Cooperative Services
Randy Stevens	SVP, Power Delivery Services
Sergio Cole	Manager, Accounting & Payroll
Mary Federle	Manager, Billing & Customer Service
Jason Ginn	Manager, Operations
Zach Mischler	Manager, Engineering
David Sullivan	Attorney
Jack Bragg	Incoming President & CEO

Board Information

Copies of the following were provided to Board Members:

1. Agenda
2. Retirement plan projections
3. Shelby Energy Cooperative News Wire - October 2018
4. Proposed Minutes - September 2018
5. Report for HR, Cooperative Services and IT
6. Energy Efficient Rebate Report - September 2018
7. Self-funded Medical Plan Report
8. 2018 Semi-annual employee development
9. 2012-2018 ACSI scores
10. 2018 Annual survey data
11. Check register - September 2018
12. Quarterly CEO and Board Expenses
13. Financials for September 2018
14. Propane financials for September 2018
15. Billing & Customer Service Report - September 2018
16. Write-off accounts for July 2018
17. Estate Capital Credit refunds for September 2018

18. New member survey results for August 2018
19. Quarterly billing adjustments-September 2018
20. Quarterly Member/PSC concerns-September 2018
21. Safety & ROW Report September 2018
22. Engineering Report September 2018
23. Monthly Operations Report September 2018
24. Quarterly system inspections September 2018
25. Board Policy 926-Employee Code of Ethics
26. Board Policy 930-Identity Theft Prevention Program
27. Board Policy 931-Social Media
28. 2019 proposed Board meeting schedule
29. EKPC October 2018 Board Meeting Report
30. KAEC Meeting Notice and Report

Call to Order	The regular Board meeting was called to order by Chairman Chilton.
Executive Session	The Board entered into Executive Session with Martin, Bragg, and Routh present.
Safety Moment	The Safety Moment was presented by Jared Routh, who discussed safe driving and paying attention on the road.
Minutes	The Minutes of the September 27, 2018, Board of Directors meeting were unanimously approved.
Strategic Plan	The quarterly review of the Strategic Plan goals was conducted. Martin led a brief discussion of the Strategic Goals summary.
Finance & Cooperative Services	<p>Jared Routh presented the report for HR, Cooperative Services, and IT. Also, he presented Shelby's Rebate and energy audits Report for September 2018. He noted that two energy audits were conducted in September and 29 YTD.</p> <p>Routh reviewed the 2018 semi-annual employee development report. Martin noted that the cost of same was down compared to prior years. Various certifications and specialized training scheduled will trend costs upward for employee development for future years.</p> <p>There was some discussion about the group insurance plan and how the drug reimbursement program is working well for employees. Routh shared for 2019 that premiums are expected to increase 5-10%. Due to the plan deficit for Shelby, an additional 10% surcharge will apply to premiums.</p> <p>Routh also discussed IT and social media activity for SEC.</p> <p>Routh discussed the possibility of a new antenna to improve communications for SEC and working with EKPC related to that.</p>

In addition, Routh reviewed the 2012-2018 ACSI scores, noting that the current score is 86%. This is an increase over 85% in 2017.

Finally, Routh reviewed the 2018 Annual Survey data. It was noted that 1,375 surveys were returned of the 12,838 surveys sent, for a return rate of 10.7%. The majority of the comments were positive, with most negative ones relating to high bills and third-party service fees for online payments. Each negative comment was addressed by a personal phone call to the member, resulting in 163 service orders to address various concerns and requests.

**Accounting &
Payroll**

Sergio Cole presented the Accounting & Payroll report for September 2018. Shelby Energy's YTD TIER was 2.18, and its OTIER was 1.83 as of September.

Cole noted that it was an unseasonably warm September, resulting in more residential usage than average.

The September 2018 check register was available for review. Cole did note that the ACH total was over \$500 thousand with total cash disbursements of \$1.5 million.

Quarterly expenses through September 2018 for the Board, CEO, and legal services were reviewed.

Propane financials for September 2018 were provided. YTD net income reflected \$284,631 compared to \$14,289 in 2017.

The September 2018 total operations and maintenance expenses were unavailable as of the meeting date. This information will be supplemented.

**Billing and
Customer
Service**

Federle reviewed the Billing and Customer Service report for September 2018.

Write offs of uncollectable accounts totaling \$1,849.30 were reported from July 2018 disconnect dates. A summary of write-offs for the Board's review was also given. On a motion by Hargadon, \$1,849.30 in write-offs of uncollectable accounts disconnected July 2018 were unanimously approved by the Board.

Federle also reviewed the collection summary report through September 2018.

Three estates received capital credit refunds totaling \$1,362.62. The YTD total is \$41,537.77, which is lower than average.

The compilation of New Member Surveys for the month showed 25 very satisfied and 3 satisfied with Shelby Energy's services of the 28 surveys returned. This represented a 22% monthly return rate from the 130 members surveyed.

Federle reported no Member Concerns or PSC Concerns were logged for the quarter ending September 2018.

**Safety &
ROW Report**

Randy Stevens presented the safety report for September 2018. There were no accidents or injuries for the month. There were eight inspections of Shelby and contractor crews, with no findings. He reviewed the safety training and meetings for the month and noted a great performance by SEC at the Kentucky Lineman's Rodeo.

**Engineering
Report**

Zach Mischler gave the Engineering report for September. There were 66 outages during the month, with 4,054 members impacted. One of the outages, on September 4, 2018, affected 678 members and lasted 7 minutes. This outage was due to a transmission line issue at the Milton substation. Mischler provided graphs reflecting total outages through September 2018 and the corresponding percent and consumer hours related to Shelby's power supplier.

**Operations
Report**

Jason Ginn presented the Operations report for September 2018. The work orders for September totaled 58. The new member and construction work orders YTD total 576. Ginn updated the Board on work that continues at Windhurst Apartments, 6 Mile Distillery, Highway 55, and Gest Road. He also noted that right-of-way and service orders are down significantly, which is positive for SEC. Ginn reported that 90% of the annual system inspection of 1,069 miles has been completed through September 2018.

**Executive
Session**

The Board entered into Executive Session with Martin and Bragg present.

**Board
Policies**

Martin presented for consideration and approval the following Board policies, which were reviewed by legal counsel:

Board Policy 926-Employee Code of Ethics

Board Policy 930-Identity Theft Prevention Program

Board Policy 931-Social Media

Upon motion by Arnold, these policy changes were approved.

**Appointment of
KAEC
Delegates**

Chilton appointed Pat Hargadon as the KAEC delegate and Debra Martin as the alternate for the 2018 Annual Meeting.

Scheduling

Martin presented the 2019 Board Meeting Schedule for review. It was approved.

**EKPC
Director
Report**

Wayne Stratton reported on the EKPC Board meeting held October 2, 2018, in accordance with the Agenda given to the Directors. This included discussion of the South Kentucky case decision and amendments to same.

**KAEC
Report**

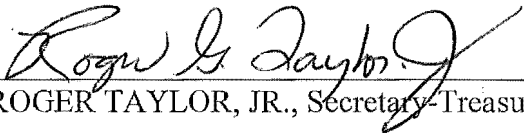
Hargadon advised that the KAEC has not met since the last SEC Board meeting.

**President &
CEO Report**

Martin presented the President & CEO's Report for September.

Adjourn

There being no further business, the meeting was adjourned. The next regular Board meeting will be held Thursday, November 29, 2018, at 9:00 a.m.



ROGER TAYLOR, JR., Secretary-Treasurer

Approved:



ASHLEY CHILTON, Chairman