

Minutes of the regular meeting of the Clark County REMC
Board of Directors held at the headquarters,
7810 State Road 60, Sellersburg, Indiana on
February 6, 2018 at 5:30 pm (EST)

Those present were: President Steven G. Dieterlen, Vice-President Paul Graf, Secretary/Treasurer Candace S. Meyer, and Directors: Derrick Vogt and John Biesel

Districts 4 and 5 have vacant Board seats at this time.

Others Present: General Manager David A. Vince, System Attorney David Lewis, Assistant Secretary/Administrative Assistant Cindy Hockensmith, Assistant Treasurer/Finance & Administration Manager Jeremy Miller, Operations and Engineering Manager Dave Barton, and Member Services & Marketing Manager Brian Omerso

Guests present: Steve Smith, President/CEO with Hoosier Energy REC, Inc.; and Donna Walker, Senior Vice President and CFO with Hoosier Energy REC, Inc.

Call to Order

President Dieterlen called the meeting to order at 5:15 p.m.

Additions or Deletions to the Agenda

President Dieterlen called for any changes, additions or deletions to the February 6, 2018 meeting agenda. Director Graf requested that "Director Vacancy" be added to the agenda as Item E under Other Business. It was moved by Director Biesel and seconded by Vice President Graf to approve the agenda with the requested additional item included. The motion carried.

Review of Draft Minutes

President Dieterlen called for any changes to the draft minutes of the Board of Directors' meeting held on January 9, 2018. Hearing no changes President Dieterlen declared the minutes of the January 9th Board Meeting approved as written.

Member Session

No members attended this month's meeting.

General Manager's Report to the Board

The following General Manager's Report to the Board is in addition to the report found in attachment A.

Financial Report: Assistant Treasurer/Finance & Administration Manager Jeremy Miller reviewed the quarterly Financial Report. The Financial Report is included in attachment A.

Manager Miller reported that as more information has been received, the following revisions have been made to the financial statements to ensure that all transactions were properly recorded as of December 31, 2017:

49 1. The amount originally reflected in the financial statements for unbilled revenue as of 12/31/17
50 included estimations for certain billing cycles in January of 2018 that included usage from
51 December 2017. After receiving the actual billing information for these cycles, it was determined
52 that an adjustment of \$10,530 was needed to increase our unbilled revenue balance to a more
53 accurate level.

54
55 2. Adjustments totaling \$9,236 were made to reflect allocations of patronage income from Indiana
56 Electric Cooperatives for 2017.

57
58 As can be seen in the following schedule, these adjustments increased net margins by
59 \$19,766 for the year ended December 31, 2017:

60

61 Net Margins 12/31/17 - Originally reported	\$4,301,650
62 Adjust unbilled revenue to actual	10,530
63 Record patronage income from IEC	<u>9,236</u>
64 Net Margins 12/31/17 - Revised	\$4,321,416

65

66 **Statement of Operations**

67 The REMC had a good year financially in 2017 posting total margins of \$4.3m. These
68 margins well exceeded the both the budgeted mark of \$3.4m for the year, as well as prior
69 YTD margins of \$3.8m. Total operating margins of \$2.2m also came in higher than the
70 budgeted mark of \$2.1m and the prior year total of \$1.5m. Total operating revenues of
71 \$56.3m came in approximately \$1.7m, or 3.0%, less than budget, while purchased power of
72 \$37.8m came in approximately \$1.6m, or 4.2%, less than budget for the year. Total O&M
73 expenses, excluding purchased power, of \$9.3m were approximately \$221k, or 2.3%, less
74 than budget for the year. The total cost of electric service, excluding purchased power, was
75 \$273k, or 1.7%, less than budget for the year.

76
77 **Balance Sheet**

78 Total assets, as well as total liabilities and equities, for the year ended December 31, 2017
79 were \$136.0m. This represents a \$3.1m increase from last year's total of \$132.9m. For the
80 three months ended December 31, 2017, total assets, as well as total liabilities and equities,
81 increased by approximately \$2.7m. The increase in total assets can be attributed primarily to
82 net utility plant, which increased \$614k, investments, which increased \$1.7m due primarily to
83 our estimated patronage allocation from Hoosier for 2017, and other current and accrued
84 assets, which increased \$796k for the quarter. These increases were partially offset by a
85 \$205k decrease in accounts receivable – electric, and a \$258k decrease in deferred debits for
86 the quarter. The increase in total liabilities and equities can be attributed to equity, which
87 increased by a net effect of \$1.8m due to margins for the quarter less patronage retired to our
88 members, long-term debt, which reflects our \$1.5m advance of new long-term funds from
89 CFC less the principal portion of the debt service payment in October of \$464k, and accounts
90 payable, which increased \$622k for the quarter. These increases were partially offset by notes
91 payable, which reflects the \$750k pay off of the CFC line of credit during the quarter.

92
93 Equity as a % of total assets ended the year at approximately 52%. Equity as a % of total
94 capitalization is approximately 56% at year-end.

95
96 **Statement of Cash Flows**

97 Cash and cash equivalents totaled \$1.1m at December 31, 2017, which represents a \$77k
98 decrease from the September 30, 2017 balance of \$1.2m. During the current quarter, cash

99 provided from operating activities \$2.5m. The REMC invested \$1.6m in utility plant,
100 advanced \$1.5m in new long-term loan funds from CFC, repaid \$464k in principal to CFC,
101 repaid \$750k on the line of credit, and returned \$1.0m of patronage capital to our members
102 during the quarter.

103
104 YTD cash provided from operating activities was \$7.1m. The REMC invested approximately
105 \$5.7m in utility plant, advanced \$1.5m in new long-term loan funds from CFC, made total
106 principal repayments of \$2.0m to CFC, and returned \$1.1m of patronage capital to members
107 during the year.

108
109 **Operating Statistics**

110 YTD kWh sales were 459.1m, a decrease of 11.5m kWh, or 2.45%, from last year's total of
111 470.6m kWh. YTD kWh purchases of 481.6m represent a 14.7m kWh, or 2.97%, decrease
112 from last year's total of 496.3m kWh. The REMC ended the year with a line loss percentage
113 of 4.54%. Member growth was good in 2017 with 517, or 2.2%, additional active accounts at
114 year-end. Active accounts in December 2017 and 2016 were 24,277 and 23,760, respectively.
115

116 **Operating Statement – Last 12 Months**

117 As stated above, total margins for the 12-month period ending December 31, 2017 were
118 \$4.3m. The MDSC ratio ended the year at 2.13, well above CFC's performance discount
119 criteria of 1.35. TIER ended the year at 2.90.
120

121 **Safety Report:** Operations & Engineering Manager Dave Barton presented the following Safety
122 Report as part of attachment A.

123
124 **Damage Report:**

125 On November 22, 2017, Dave Casey was driving unit #6 on Henryville-Blue Lick Road
126 when he came in contact with a mailbox damaging the bin doors on the right side of the
127 vehicle. At the time of the incident Casey was meeting another one of our vehicles on the
128 very narrow road. Repairs to the mailbox have been taken care of and unit #6 will be
129 repaired.
130

131 **Vehicle Accident Report:** None
132 **Minor Accident Report:** None
133 **Public Contact:** None
134 **Major Accident Report:** None
135 **Near Miss:** None
136 **Employee Injury Report** None
137

138 **Statistical Report:**

139 56,938 Hours worked without a minor injury
140 23,220 Hours worked without a major injury.
141 477 Days worked without a vehicle accident
142

143 **Safety Training:**

144 Roger Wenning was here on January 4th to do Basic Life Support training. Make up day
145 for this training will be February 16th and Chuck Tiemann will be on site then also to do a
146 safety meeting for the linemen. Chuck will be addressing how not to become complacent
147 with safety. On January 18th, Don Mecky with Townsend was here to do training on Tree
148 Trimming. He noted that Townsend practices Positive Control so that they know exactly

149 where a tree will fall. Townsend puts ropes in every tree they cut/trim no matter the
150 location. This was great classroom training and hands on tree cutting training will be held
151 in the spring. We are working on purchasing the necessary ropes for the training. It was
152 noted that it would be good to video the tree cutting training when it takes place. On
153 February 6th John Bullock with Hoosier Energy will be here for Skill Improvement
154 training.

155
156 **Suggestion Committee Report:** The Suggestion Committee had nothing new to report
157 this month.

158
159 Manager Barton encouraged the directors to read the Communications section of the Safety Report, which
160 was emailed with their Board meeting information. Secretary/Treas. Meyer said that our Culture of
161 Safety is impressive and Manager Barton thanked the Directors for their support.

162 **Hoosier Energy Presentation**

163 Steve Smith, President/CEO with Hoosier Energy REC, Inc., presented a capital credit check to Board
164 President Steve Dieterlen in the amount of \$439,222. The board thanked Mr. Smith for the check.

165
166 An informational brochure (attachment B) was handed out highlighting how Hoosier Energy is; 1)
167 Striving to serve long-term best interests of members; 2) Always seeking the right balance; and 3)
168 Constantly trying to improve and be open to new ideas. Mr. Smith noted that in the long-term best
169 interest of the members Hoosier's wholesale rates are competitive as shown on the graph on the brochure.
170 He pointed out that Hoosier Energy is on the low end of the graph. Hoosier reached a 20% equity level
171 goal in 2017.

172
173 Mr. Smith said that Hoosier Energy also focuses on Economic Development and assists members in
174 locating new/expanded business facilities that add new jobs, load and investment.

175
176 Mr. Smith stated that Beneficial Electrification is environmentally friendly and looks very promising for
177 the future.

178
179 Hoosier Energy is continuously seeking the right balance and a good example of this is the collaboration
180 with member CEO's on the realignment of rates for 2019.

181
182 Mr. Smith reported that there was group consensus reached to rebalance demand and energy production.

183
184 2017 was a good year on generation fleet performance. A deal has been signed for the largest solar farm
185 east of the Mississippi, but the deal is contingent on unknown solar tariffs. Mr. Smith added that Hoosier
186 Energy is working toward having 10% renewables in its portfolio by 2025. 2017 was a good year in
187 reliability.

188
189 Mr. Smith noted that Hoosier Energy builds a Member Services element into its cost structure and
190 Hoosier is very active in Member Services. A cost comparison was done with third party providers,
191 which showed that Hoosier can provide member services at one third the cost.

192
193 Mr. Smith stated that Hoosier Energy is always trying to improve their operations and be open to new
194 ideas. The lost power sales to Wabash Valley resulted in lost revenues to Hoosier that helped to support
195 lower rates. Hoosier was able to reduce operating costs by \$79 million. Mr. Smith reviewed the graph
196 showing key drivers of change in 2018 Rate Outlook noting that Hoosier was able to renegotiate coal

197 pricing due to the Peabody bankruptcy; Merom sale - lease back was also a factor; along with reducing
198 operating margins to 3%; and making changes to employee benefits. He mentioned that Hoosier Energy
199 wages are lean compared to other G&Ts.

200
201 Mr. Smith announced that Hoosier Energy had competitively bid on MISO transmission line construction
202 and got the job.

203
204 Mr. Smith asked if anyone had any questions. Director Meyer stated that she was amazed at the \$79
205 million reduction in operating costs. Donna Walker talked in further detail about how Hoosier Energy's
206 cost reduction offset some of the Wabash Valley revenue loss. In response to a question Ms. Walker
207 explained how the Merom sale - lease back works noting that the lease can be renewed for five years at a
208 much lower rate. Mr. Smith added that member co-ops have seen a benefit of over \$600 million due to
209 leases Hoosier Energy has done over the years starting in the 1980's.

210
211 Director Meyer mentioned Steve Stumler's resignation from our board, which also caused a vacancy on
212 the Hoosier Board. Mr. Smith said that Hoosier Energy relies on member systems to send the right
213 director to serve on the Hoosier board.

214
215 Member Services & Marketing Manager Brian Omerso left the meeting at this time.

216
217 President Dieterlen called for a dinner break at 6:20 p.m.

218 President Dieterlen called the meeting back to order at 7:05 p.m.

219
220 Steve Smith, President/CEO with Hoosier Energy REC, Inc.; and Donna Walker, Senior Vice President
221 and CFO with Hoosier Energy REC, Inc. left the meeting at this time.

222
223 **Questions on Reports:** General Manager Vince asked the directors if they had any questions about the
224 department reports that were emailed prior to the meeting. There were no questions.

225
226 Assistant Treasurer/Finance & Administration Manager Jeremy Miller, and Operations and Engineering
227 Manager Dave Barton left the meeting at this time.

228
229 **Member Concerns:** There were no member concerns reported.

230
231 **Policy Review:** Policies CV-501, CV-502 and CV-503 were presented for review. System Attorney
232 Lewis suggested that the last sentence on CV-502 be removed. Even though the budget guides the
233 monetary contributions and donations made by the co-op, there is no written "*procedure providing details*
234 *for specific activities/events/requests*" as stated. Following discussion it was moved by Secretary/Treas.
235 Meyer and seconded by Director Vogt to approve Policies CV-501 and CV-503 as presented and to
236 approve Policy CV-502 with the changes suggested above by System Attorney Lewis. The motion
237 carried.

238
239 **Annual Meeting Grand Prize:** General Manager Vince announced that the grand prize for this year's
240 Annual Meeting will be a John Deere X350 Tractor with a 42-inch deck and a 7 cubic ft. cart. The tractor
241 has a 4 year warranty. We are getting the prize from Ray's Lawn and Garden.

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Standing Reports

Hoosier Energy Report: It was noted that the Hoosier Energy Board had not met since our last Board Meeting and there was nothing new to report.

Indiana Electric Cooperatives Annual Meeting: Secretary/Treas. Meyer stated that the IEC Board had not met since our last Board Meeting and there was nothing new to report.

Legal Report: System Attorney Lewis stated that he was contacted by Clark County Attorney Scott Lewis regarding the Bethany Road contract that we signed at last month's board meeting. The contract was given to us by Clark Dietz Engineering Group. There is a percentage charge applied if payment is late. Clark County Attorney Scott Lewis contacted David Lewis letting him know that there was a one word error on the contract. System Attorney Lewis agreed that the change could be made and the contract re-signed by the county. The contract would then be given to System Attorney Lewis to secure the cop's signatures/initials acknowledging the change.

Calendar Update: The calendar was reviewed and updated.

Other Business

Credentials and Election Committee Update: President Dieterlen gave an update on the January 18, 2018 meeting of the Credentials and Election committee. He stated that Teresa Kemp was appointed secretary, Loren Christman was appointed Chairman and Charles Wolford was appointed as Vice-Chairman. President Dieterlen said that the committee would like campaign materials that have a candidate's name on them to be left outside the voting gym doors. They requested that a trash can be placed there so that the items can be discarded. President Dieterlen explained the disqualification of two of the candidates. One candidate did not fill out the petition completely and another candidate did not turn in all the required paperwork. There was a discussion at this time about how to keep questions/suspensions from coming up if documents are missing from the packets when they are opened. It was suggested that the Committee Secretary and possibly the Chairman come in and be here when the Administrative Assistant opens the envelopes. All three could initial a check list indicating that all documents are returned completed or that documents/data are missing. This will be addressed and possibly changed before the 2019 election process begins.

Hoosier Energy Meeting Delegate and Director: It was moved by Secretary/Treas. Meyer and seconded by Vice President Graf to appoint President Steve Dieterlen as Clark County REMC's representative on the Hoosier Energy Board of Directors. It was moved by Director Biesel and seconded by Vice President Graf to close nominations. The motion carried and Steve Dieterlen was named as Clark County REMC's representative on the Hoosier Energy Board of Directors.

It was the consensus of the board to appoint Sec./Treas. Candace Meyer as voting delegate for Hoosier Energy's Annual Meeting.

CFC Voting Delegate: It was the consensus of the Board to appoint President Steve Dieterlen as voting delegate and Director John Biesel as Alternate for the CFC 2018 Annual Meeting.

FORE/ACRE: Forms were distributed to the Directors for renewing their FORE/ACRE memberships.

At 7:42 General Manager Vince and Administrative Assistant Hockensmith voluntarily excused themselves from the remainder of the meeting.

295 **Director Benefits Discussion:** President Dieterlen initiated a discussion of Director benefits, reminding
296 the Board that Secretary-Treasurer Meyer asked at the end of the January Board meeting to have the topic
297 on the agenda for discussion at this meeting. In the interim Directors Stumler and Sanders submitted
298 written retirement letters, stepping down from the Board effective prior to this Board meeting. Director
299 Meyer expressed her desire to renew her motion from January to stop paying benefits for eligible
300 Directors who were seated on the Board as of January 1, 2018. System Attorney Lewis advised that
301 former Directors Stumler and Sanders “retired” at a time when the applicable past director benefits policy
302 gave them the right to co-op paid health insurance. He stated that their rights to receive the benefits were
303 covered under the existing policy. This entitles them to the benefit, and also puts them in the same
304 category as other past directors who receive co-op paid benefits. A retroactive termination of Stumler’s
305 and Sanders’s rights could also give rise to a discrimination claim by creating two classes of past directors
306 both covered under the same policy – one that continues to receive health insurance at co-op expense and
307 another that is being deprived of the health insurance. Lewis advised that the co-op would be “buying
308 itself a lawsuit” if the change in benefits is made to have retroactive effect.

309
310 Lewis also reminded the Board that it adopted a rule in June 2015 that requires a “super-majority” vote of
311 two-thirds of the Board to amend the policy pertaining to health insurance for eligible past directors.
312 Lewis stated his opinion that this self-imposed rule is valid and that if it isn’t revoked any change in the
313 policy will require a two-thirds vote. Lewis stated that the self-imposed rule can be revoked by a simple
314 majority vote. Secretary-Treasurer Meyer made a motion to rescind and overturn the rule requiring a
315 two-thirds vote of the Board to amend the director benefits policy. The motion was seconded by Vice
316 President Graf. After discussion the motion carried by a 4 to 1 vote and the rule requiring a two-thirds
317 vote to amend the director benefits policy was terminated.

318
319 Director Meyer expressed her opinion that former Directors Stumler and Sanders took advantage of the
320 co-op by resigning before an impending policy change was about to be brought to a vote. The sole reason
321 for the resignations was to vest their rights to the health insurance benefits. She feels as though they have
322 “gamed the system”. She made a motion to stop paying past director health insurance benefits to eligible
323 directors who were seated on the Board as of January 1, 2018. She stated her intent was to disqualify
324 herself and former Directors Stumler and Sanders from receiving past director benefits. The motion was
325 seconded by Vice President Graf. A discussion ensued about the inevitability of a lawsuit and the
326 likelihood of a successful defense of such a lawsuit. Attorney Lewis gave his opinion that Directors
327 Stumler and Sanders would have valid grounds for a lawsuit and it would be more likely than not that
328 REMC would lose. Director Biesel stated that the entire past director benefits policy needs to be
329 restructured but it is not in the best interests of the co-op to get involved in litigation. The vote on the
330 motion resulted in 2 votes in favor, 2 votes opposed and one abstention. The motion failed.

331
332 Director Meyer made a motion to amend the existing policy such that eligible directors seated on the
333 Board as of February 6, 2018 no longer have the right to have co-op paid health insurance benefits when
334 they become past directors. She acknowledged that the only Director effected by this change is herself as
335 the other sitting directors are not eligible for past director benefits under the policy. The motion was
336 seconded by Director Biesel. After discussion the motion carried unanimously by a 5-0 vote.

337
338 Director Biesel stated that he would like to discuss a complete restructuring of past director benefits after
339 the election at the annual meeting.

340
341 **Director Vacancy:** Vice President Graf suggested that the Board appoint Joe Basham to the vacancy
342 created by Jimmie Sanders’ resignation. He pointed out that Mr. Basham is the only candidate in that
343 District in the upcoming election. Since it’s a foregone conclusion that he will be elected it is not
344 favoritism or unfairness to anyone if Mr. Basham is seated immediately by Board appointment. The

345 Bylaws allow the Board to fill vacancies. Mr. Lewis observed that the last time a vacancy was filled by
346 the Board, the Board solicited applications and reviewed them before making a decision. President
347 Dieterlen pointed out that there was a previous occasion when a vacancy was filled without applications.
348 Mr. Lewis agreed and stated that the Bylaws don't require an application process. Director Graf made a
349 motion to appoint Joe Basham to fill the vacancy created by Jimmie Sanders' retirement. The motion was
350 seconded by Director Biesel and was unanimously approved 5-0. President Dieterlen will make
351 arrangements to notify Mr. Basham.

352
353 **Adjournment**
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355 There being no further business the meeting was adjourned at 8:10 p.m.
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363 _____
364 Candace Meyer,
365 Secretary/Treasurer

365 Attachment A: General Manager's Report
366 Attachment B: Hoosier Energy Brochure