

SHELBY ENERGY COOPERATIVE, INC.
Shelbyville, Kentucky
Board of Directors' Meeting – April 26, 2018

Regular Meeting

The following persons were present at 9:00 a.m. at Shelby Energy's headquarters on April 26, 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
Sergie Cole	Manager, Accounting & Payroll
Rachel Wilson	Manager, Engineering & IT
James M. Crawford	Attorney

April Board Information

Copies of the following were provided to Board Members on April 19, 2018:

1. Thank you letter from Chris Brewer, President/CEO of Clark Energy;
2. Shelby Energy April 2018 Newsletter;
3. Agenda;
4. March 22, 2018, Minutes;
5. Rebate Report, March 2018;
6. Energy Audits Report, March 2018;
7. Status Report - Self-Funded Medical Insurance Plan Update;
8. Comparison Report, Medical Insurance;
9. 2018 Scholarship Awards Night;
10. 2017 IRS Form 990;
11. RUS loan audit report dated March 9, 2017 (8?);
12. Financial and Statistical Report for February 2018;
13. Actual vs. Budget, February 2018 report;
14. 2018 vs 2017, February report;
15. Overtime Payroll Report;
16. Exceptions report for Expenses, February 2018, report;
17. Cash Flows Statement for Month Ending February 28, 2018, report;
18. 12-Month Statement of Operations Report;

19. Environmental Surcharge/Fuel Cost Report;
20. Check Register for March 2018;
21. Propane Financials for February 2018 report;
22. Billing and Customer Service Report for March 2018;
23. Write-Off of Uncollectible Accounts January 2018 report;
24. Details on Write-Offs > \$500.00, January 2018 report;
25. Summary of Write-Offs;
26. Estate capital credit refunds for March 2018 report;
27. New Member Survey Report for February 2018;
28. Quarterly Member Inquiry Log, January - March 2018;
29. Quarterly PSC Inquiry Log, January - March, 2018;
30. Quarterly Adjustment Report, January - March, 2018;
31. Safety & ROW Report, March 2018;
32. Crew Inspections Report, March 2018;
33. Davis H. Elliot Company Quarterly Safety Report;
34. Operations Report, March 2018;
35. 2018 System Inspection Tracking Report;
36. Engineering Board Report, March 2018;
37. 2017 PSC Reliability Report;
38. Board Policy 102 - Functions of the Board of Directors;
39. Board Policy 105 - Reporting to Board on Key Performance Areas;
40. Board Policy 108 - Qualifications, Standards of Conduct & Conflict of Interest for Board, Officers & Key Employees
41. Board Policy 301 - Annual Work Plan and Budget;
42. Board Policy 306 - Audit Committee;
43. Board Policy 910 - Drugs and Alcohol;
44. Board Policy 922 - Use of Electronic Communications;
45. CRC 2018 Voting Delegate Registration Form;
46. EKPC Annual Meeting Representative/Alternate Representative Registration Form;
47. PSC Order, 2018-00093;
48. EKPC Agenda;
49. EKPC Financial Review, April 3, 2018;
50. Law Firm Interview Schedule;
51. Questions for Attorney Candidate;
52. Characteristics of a Cooperate Attorney Checklist;
53. Letter dated February 8, 2018, with attachment from William H. Brammell, Sr., Esq.
54. Letter dated January 17, 2018, from John C. Robinson, Esq.
55. Letter dated February 15, 2018, with attachments from Alan Q. Zaring, Esq.; and,
56. Letter dated January 31, 2018, with attachment from Nathan T. Riggs, Esq.

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

Safety Moment The Safety Moment was presented by Jared Routh who discussed ladder safety around the home and the need to use sun screen for protection against the sun this time of the year.

Minutes The Minutes of the March 22, 2018, Board of Directors meeting were unanimously approved.

Finance & Cooperative Routh presented Shelby's Rebate Report for March 2018. He noted that four (4) energy audits were conducted in March and eight (8) year-to-date.

Self-Funded Medical Plan Routh discussed the status on the costs and benefits of the Cooperative's self-funded medical insurance plan year-to-date.

2018 Scholarships Routh reviewed the 2018 scholarship award winners in Districts 1, 2 and 3.

2017 IRS Form 990 Routh reviewed with the Board the 2017 IRS Form 990.

RUS Loan Audit Routh discussed the January 1, 2014, to January 31, 2018, RUS loan fund accounting and audit review which over-all went well with only minor findings.

Accounting & Payroll Cole presented the Finance & Cooperative Services report.

Shelby had positive margins for the period ending February 2018. He reported new services year-to-date of 110. Cost per KWH in February was .07198 and total KWH sold was 39,672,685. Shelby Energy's year-to-date TIER was 2.485 and its OTIER was 1.662 for the month of February. Shelby Energy had 39.01% of its assets in equity, its Power Cost to Revenue Ratio was 75.42% and its current ratio was 0.78. The Payroll Analysis indicated that Shelby Energy's overtime payroll for February 2018 was \$15,481.67.

The March 2018 check registers were available for review.

The 2018 February total operations and maintenance expenses were \$564,971. The February 2018 operating revenues were \$3,859,041.

Propane Financials Cole reported that Propane Plus has net income of \$298,870.80 year-to-date.

Billing and Customer service Federle reviewed the Billing and Customer Service Report for March 2018. She noted that bank drafts and prepay billing accounts had increased from previous time last year. There are 698 members utilizing prepay services as of March.

Write offs of Uncollectable Accounts for January 2018 totaled \$4,902.61. A summary of write-offs for the Board's review was also given. On motion by Hargadon, unanimously approved, \$4,902.61 in write-offs of uncollectable accounts through January 2018.

Eleven (11) estates for March 2018 received capital credit refunds totaling \$18,254.19.

The compilation of the New Member Surveys for the month showed 16 very satisfied and 3 satisfied with Shelby Energy's services of the 19 surveys returned from 66 members surveyed. This represented a 29% monthly return rate.

PSC/Member concerns through March 2018 were discussed.

The billing adjustments report through March 2018 was discussed.

Power Delivery Svs Report Ginn presented the safety report for March 2018. There were no accidents or injuries for the month. There were 10 inspections of Shelby and contractor crews for the month, with no findings. He reviewed the safety training and meetings for the month.

Engineering Report Wilson gave the Engineering and Outage report for March. There were 23 outages during the month of March 2018, none of which were major. Wilson presented the 2017 annual PSC reliability report.

Operations Report Ginn presented the operations report for March 2018. The work orders for March 2018 totaled 51. The new member and construction work orders year-to-date total 126. Ginn updated the Board on work that continues at: Top Flight subdivision, Windhurst apartments, 6 Mile Distillery, Hwy 55 conversion project and the Gest Road reconductor project.

SK PSC Case No. 2018-00050 Attorney Crawford discussed at length with the Board the status of South Kentucky's Application with the PSC for approval of a PPA with Morgan Stanley Group Inc for purchase of a block of energy (7 x 24 x 365) and corresponding financial capacity hedge for 68 MWs at a price of \$125 per MW day.

Board Policy Approval Martin presented for consideration and approval revised Board Policy 102- Functions of the Board of Directors; Board Policy 105 - Reporting to Board on Key Performance Areas; Board Policy 108 - Qualifications, Standards of Conduct & Conflict of Interest for Board, Officers & Key Employees; Board Policy 301 - Annual Work Plan and Budget; Board Policy 306 - Audit Committee; Board Policy 910 - Drugs and Alcohol; and, Board Policy 922 - Use of Electronic Communications. On motion by Arnold, the Board voted unanimously to approve revised Board Policies 102, 105, 108, 301, 306, 910 and 922 as recommended by management.

CWP Loan PSC Case No. 2018-00093 Attorney Crawford reviewed with the Board the PSC Order authorizing the execution of the Restated Mortgage and UCC Financing Agreement in favor of RUS and CFC.

NCSC/CRC Delegates & Alternates Wayne Stratton was appointed as the 2018 voting delegate for the CFC Forum in the affairs of the National Cooperative Services Corporation (NSCS) with Jared Routh to serve as the alternate. Jared Routh was appointed as the 2018 voting delegate for the Cooperative Response Center, Inc. (CRC) with Wayne Stratton as the alternate.

EKPC Representative Roger Taylor was appointed for Shelby at the 2018 Annual Meeting of EKPC Jeffrey Joyce as alternate representative.

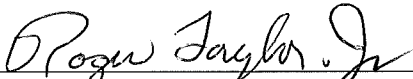
EKPC Report Stratton reported on the EKPC Board meeting held April 3, 2018, in accordance with the agenda given to the Directors. He advised that margins year-to-date for EKPC are generally good.

KAEC Report Hargadon reported there was no KAEC Board meeting for the month.

Executive Session The Board went into Executive Session with Consultant Roy Palk to discuss their continued efforts regarding a CEO search.


Board Attorney The Board interviewed four (4) potential Board attorney candidates and ultimately selected the Hon. Alan Zaring of Zaring & Sullivan Law Office to represent the Board and the Cooperative.

Adjourn There being no further business, the meeting was adjourned. The next regular Board meeting will be held on May 24, 2018, at 9:00 a.m.



ROGER TAYLOR, JR., Secretary-Treasurer

Approved:



ASHLEY CHILTON, Chairman