

CHOCTAW ELECTRIC COOPERATIVE, INC.
P. O. Box 758 – Hugo, Oklahoma 74743 Regular

Meeting Minutes of the Board of Trustees

The regular meeting of the Board of Trustees of Choctaw Electric Cooperative (CEC) was held in the Board Room of the Cooperative in Hugo, Oklahoma on June 27, 2017.

1. CALL TO ORDER by President, Invocation and Pledge of Allegiance

The following Trustees were present:

| | |
|--------------------------|---------------------------|
| Brent Franks, District G | Stacy Nichols, District C |
| Joe M. Silk, District B | Bill Woolsey, District D |
| Mike Brewer, District H | Norman Ranger, District F |
| George Burns, District A | Ken Autry, District I |
| | Becky Franks, District E |

There being a quorum present, President Brent Franks presided and called the meeting to order at 9:06 a.m.

Co-op Attorney, Frank Wolf, with Rabon, Wolf and Rabon law firm, was present.

Staff present: CEO Kooney Duncan, Chief Financial Officer, Tiffany Hempsted and Executive Assistant Jennifer Boling.

President Brent Franks led the pledge of allegiance. Joe Silk gave the invocation.

2. Introduction of Guests

Jia Johnson introduced the Youth Tour students who gave an account of their experiences while on their tour in Washington D. C. June 9 – 15. Each student thanked the Board of Trustees for giving them the opportunity of a lifetime. The extraordinary sites, and tours they each experienced are unforgettable. The tour gave each student a new perspective as to how America is governed.

McKinley Payne, Antlers High School
Bailey Woods, Antlers High School
Lanny Smith, Broken Bow High School

Also, present:

Dean Stapleton, Retired CEC Employee
Sherry Stapleton
Patty Burns
Don Thomas

Dean Stapleton attended the meeting to address health insurance concerns for retired CEC

employees. Mr. Stapleton read a written statement about his retirement and the health insurance revision issue. Mr. Stapleton voiced concerns over health coverage for his wife. He was a CEC employee for 30 years and explained that at the time he retired, assurance was given to him that medical insurance would be paid 100% for he and his wife, Sherry, until the age of 65.

The current revision to the health insurance plan was of concern to he and Mrs. Stapleton since spouses would no longer have medical coverage when retired employees reached age 65, nor would they have the supplemental insurance option any longer. Mrs. Stapleton will not be age 65 for another 5 years. Mr. Stapleton asked that the board reconsider the revision and allow Mrs. Stapleton health insurance coverage until age 65.

There were a few board members who addressed Mr. Stapleton's concerns and explained why the revisions to the health insurance coverage had to be made. After which time President Brent Franks expressed that this issue would be discussed during Executive Session. Mr. Stapleton left his written statement and asked that it be signed as being received. After making this request Mr. and Mrs. Stapleton left the meeting.

Mr. Don Thomas was then called upon to address the Board of Trustees. Mr. Thomas stated that he has had various issues with CEC for 25 years ranging from Right of Way trimming, clean up and damage to the current problem of obtaining electrical service at a cabin in Hochatown. The meter had been installed in accordance to the original property staking map. After purchasing the property, Mr. Thomas requested the meter be relocated on the cabin property. He was given a couple options, by CEC Staking Engineers to have the meter relocated but felt these options would cause problems. After considerable discussion on the meter relocation in addition to other CEC customer service concerns, Mr. Thomas informed the board the issue has been resolved, and he suggested that CEC needs to develop a "Culture of Service". He also inquired as to a written policy concerning supplying electrical service to our members. Mr. Duncan explained that CEC has Terms and Conditions in place that are followed as to electrical service.

Mr. Silk pointed out, in the Hochatown area multiple cabins are owned by one property owner and it is not uncommon for meters to not be attached to separate cabins. This is not an isolated occurrence. Mr. Franks and Mr. Woolsey advised Mr. Thomas the board is working on correcting issues and problems from the past.

3. Consent Items

Mr. Burns made a motion to approve the following consent items:

- May 30, 2017 Regular Board Meeting minutes
- May 2016 Write-Off for uncollected accounts.

Mr. Woolsey seconded the motion. Affirmatively voted upon by all except Mrs. Franks, who cast a “No” vote for the May 2016 Write-Off for uncollected accounts.

Discussion concerning uncollected account write-off followed the motion.

Mr. Ranger wanted to know what the statute of limitation was as to collections. Co-op attorney, Mr. Wolf, advised it is five years from the last account activity.

Mr. Brewer expressed that actively seeking collections on uncollected accounts sends an important message. Members need to pay their bills.

Mr. Duncan informed the board that uncollected dollar amounts are considered in relation to filing fees to determine if accounts are collectable. In addition, when an Estate Capital Credit is filed and an account is determined to be uncollectable, those dollars will be deducted and the remaining amounts will be issued the applicant.

4. Department Reports

The following Department report was given by Choctaw Electric Cooperative CEO and General Manager, Kooney Duncan:

Member Services

- A tour of the CEC facility in Hugo took place with the Antlers summer school program. Approximately 100 students participated grades K – 4th.
- Three high school students, McKinley Payne, Antlers High School, Bailey Woods, Antlers High School, and Lanny Smith, Broken Bow High School traveled to Washington D. C. as part of the Electric Cooperative Youth Tour Program.
- Kilowatt Kids Camp was held June 20th in Hugo and June 22 in Idabel. Ages 7 to 10 years. The camp makes learning about electricity fun. There were 34 campers that participated.

Operations

- Lee Pole inspection complete 1100 inspections, there were 112 bad poles 1 severe.
- The outage in Hochatown was caused by a tree that fell and damaged 6 poles.
- Patriot Solutions is continuing work at Timber Creek Trails South. Primary wire is complete, in the process of setting transformer pads and junction. MDR line contractors is beginning the

CenterPoint conversion.

Right-of-Way and Staking

- d) Purchase of the Right of Way spray equipment is complete. The target date to begin spraying is July 3.
- e) Cutting hot spots and brush chipping is taking place in Hochatown, Crews finished clearing the right-of-way for the relocation project on Craig Road near Broken Bow.
- f) Staked Eagle Mt. Phase II project, a 90-lot development. Contractor bids were sent out. The bids will be discussed in New Business.
- g) Working with the Forest Service to resolve the easement for Terry Jeanes job.
- h) Outage management system is being worked on.
- i) A 3-phase project south of Hugo is in progress. It is a new radio tower site for Will Payne.

Customer Service and Billing

- j) There is an increase in kiosk payments. Arranging for a payment kiosk placement at the Choctaw Nation Grocery Store in Clayton. Looking for a location in the Smithville area for a kiosk that has viable connectivity to the internet.

5. Financial Report

Before beginning the presentation, Mr. Duncan requested that he have permission to present d) Cash Management, Line of Credit and Long Term Loan portion of the Financial Report. Permission was granted.

Choctaw Electric Cooperative CEO and General Manager, Kooney Duncan gave the monthly financial presentation using the CFC Form 7.

Mr. Duncan began the Cash Management, Line of Credit and Long Term Loan report. CEC finances were discussed in detail. One of the principle concerns was the current financial and cash position due to unbudgeted expenditures, mild weather, a considerable amount of Capital Credit Retirement, change in management and discrepancies on expenditures. Mr. Duncan provided the Board with the following recommendations to the current cash position to meet financial obligations:

- Review all expenditures and processes determining where additional savings can be found
- Borrow funds from CFC
 - \$10,000,000 line of credit available

- \$5,000,000 PowerVision long-term loan
- With both options funds are available to CEC within 24 hours.
- Borrow funds from CoBank
 - \$10,000,000 Line of Credit available.
 - Funds are available to CEC within 24 hours.

Funds needed to cover current and future expenditures is \$2,138,437.37.

In view of the present financial position, Mr. Duncan proposed the following for consideration:

- Allow the CEO authorization to advance on LOC on an as needed basis for the expenses presented.
- Before advancing funds, management will consult with both lenders on fees and rates.
 - We will borrow funds from the lender with the lowest cost to the cooperative upon

Mr. Duncan recommended borrowing funds to meet the present financial position of the co-op, otherwise it would be necessary for the co-op to raise rates to pay for expenditures and projects or eliminating them which would reduce service quality over time.

In conclusion Mr. Duncan stressed that the co-op is taking steps to ensure this financial position is avoided in the future. Policies, and procedures are being improved for accuracy and efficiency.

Improvements include:

- Budget process
- Cash management
- Debt management
- Internal controls
- Benefit alternative cost studies

After considerable discussion following the presentation Board members agreed with the concept and goals of the proposal.

The proposal will be brought to the table for a motion during New Business

In a Power Point presentation Mr. Duncan gave a Year to Date comparable for electrical sales, purchased power, revenue, customers, equity ratio, and Modified Debt Service Coverage ratio.

Mr. Ranger made a motion to approve the Western Farmers Electric Cooperative power bill and the check register. Mr. Silk seconded the motion. Motion carried.

6. Attorney's Report

Mr. Wolf advised this report needed to be discussed during Executive Session.

7. CEO's Report

Mr. Duncan provided answers to questions from last month's board meeting.

- Mileage calculations for company vehicles uses the IRS Commuting Rule 15-B. There are 3 supervisor vehicles and 1 for the CEO. In addition, the CEO vehicle will report and Annual Lease Value to re-evaluate taxes.
- Form 7 is a standard form; however, any additional financial information can be calculated and presented to the Board.
- Capital Credit is based on kWh sales. The factor is a result of each members' usage in relation to the whole while on membership.

Current activities:

- Attended WFEC committee meeting and OAEC board meeting in June
- The capital credit list was updated on our website in addition to multiple website posts.
- A new director of Finance and Accounting is in place: Tiffany Hempsted. And a Distribution Engineer, Jacob Johnson who was hired in-house. Jacob will be introduced to the board next month.
- There are 12 uncollectable accounts filed as a Small Claim Action. Court will take place the first Thursday in July.
- A schedule for department visits is in progress. The purpose is for Board members to see the function and operational aspects of each department.
- Large Power and Key account visits took place at Martin Marietta, McLeod Honor Farm, RK Hall, Tysons and Huber Pan Pacific, Payne Radio Group, and Broken Bow PWA.
- Right-of-Way Equipment has been purchased and Applicator training completed.
- New employee retirement plans are being reviewed as well as savings on health plans.
- All area media was invited to attend a CEC Focus Group. Only 1 media representative attended.

8. Executive Session –Legal Matters and Contract Negotiation

At 12:50 pm, Mr. Burns made a motion to enter executive session.

Mr. Ranger seconded the motion.

The Motion was carried.

At 1:42 pm, Mr. Autry made a motion to exit executive session.
Mr. Burns seconded the motion.
The motion was carried.

9. Action Items

a) Broken Bow PWA Contract – This action item was Tabled.

b) Contribution in Aid, Eagle Mtn. Phase II –

Patriot Solutions submitted the winning project proposal for the Eagle Mtn. Phase II, 90-lot construction project.

Mr. Ranger made a motion to approve Patriot Solutions as the contractor for Eagle Mtn. Phase II project Contribution in Aid.

Mr. Woolsey seconded the motion.

The motion was carried

c) Purple Wave – Equipment Auction

Purple Wave Auction is an internet auction service that sells used equipment to the highest bidder. It is a no reserve auction, commission is 4% and equipment does not have to be moved. Photos, video and equipment description will be posted on their website.

Equipment to be auction:

2011 Dodge 5500 bucket truck with 200,000 miles

2005 W-W 20 ft. enclosed cargo trailer.

Mr. Woolsey made a motion to use Purple Wave Auction to sell the equipment.

Mrs. Franks seconded the motion.

The motion was carried.

10. OAEC Report

Mr. Silk reported:

- “Shoot for the Nation”, a clay target fund raiser for the Energy Trails Electrification project in Guatemala.
- Nothing to report on legislative issues.
- The Washington D. C. Youth Tour had a good report.

11. WFEK Report

Mr. Burns reported:

- Peak time will be for 2 hours from 4:00 pm to 6:00 pm. These hours will be better for our

members.

- How peak alerts affect Choctaw Electric's cost of service was discussed.
- A request was made from the floor Mr. Burns give a PCA cost presentation at a board meeting.

12 Old. New Business

Old Business

a.) Bylaw/Policy Committee

Mr. Autry presented Bylaw amendments drafted by the Bylaw Committee along with verified signatures of 25 CEC members. Per Article XV Section 15.01 proposed amendments are to be examined by an attorney selected by the co-op to determine if there are violations of state or federal laws.

Mr. Brewer made a motion to provide Mr. Wolf with the proposed bylaw amendments for examination.

Mr. Autry seconded the motion.

The motion carried.

- Mr. Brewer indicated that a policy meeting be scheduled in July. The date is to be announced.

b.) Annual Meeting

Jia Johnson gave a brief report on the progress of the Annual Meeting. The McCurtain County Fairgrounds has been secured. The business meeting, concession stand and e-ballot will be in the Larry Brinley Event Center. Vendors will be in a covered area adjacent to the event center. There are walkways and easy access between these areas. To date 20 vendors are expected, and 18 are new vendors. Annual Meeting announcements in the newsletter and Facebook posts will continue to encourage vendors and members to attend.

New Business

c.) Election, Board of Trustees Dist. B, C. & G

Mr. Franks questioned the term limits for board members elected last year to complete a vacant seat. It was determined per By Law Article IV Section 4.09 the newly elected trustee will serve the remainder of the unexpired term.

Action taken on New Business that was not an Agenda item.

d.) Line of Credit

Mr. Brewer made a motion to borrow money against the line of credit in Mr. Duncan's financial report to fund the proposed amount in the presentation.

Mr. Autry seconded the motion.

The motion carried.

e.) Hochatown Development Construction in Aid.

Dennis and Diane Jordan have Lost Creek West, a 46-lot development. Construction in Aid has been paid. Since Construction in Aid has been paid Mr. Duncan requested the Board give permission that CEC be allowed to approve the low and qualified bid for construction.

Mrs. Franks made a motion to approve the lowest and qualified bid for construction of Lost Creek West since Construction in Aid has been paid.

Mr. Woolsey seconded the motion.

The motion carried.

f.) The Board of Trustees recommended that Mr. Wolf compose a letter on CEC letterhead and mail to the Governor voicing their dissatisfaction about the criminal charges and sentencing for Terry Matlock.

Board Expenses Reported May 1, 2017 to May 31, 2017

| | |
|---------------|------------|
| Mike Brewer | \$600.00 |
| George Burns | \$128.40 |
| Joe Silk | \$728.40 |
| Norman Ranger | \$715.56 |
| Bill Woolsey | \$839.10 |
| Ken Autry | \$907.60 |
| Stacy Nichols | \$1,272.48 |
| Brent Franks | \$1,042.60 |

CEO/General Manager Board Expenses

| | |
|---------------|----------|
| Kenneth Gates | \$700.00 |
|---------------|----------|

Board Expenses Reported June 1, 2017 to June 30, 2017

| | |
|---------------|------------|
| Mike Brewer | \$550.00 |
| George Burns | \$64.20 |
| Joe Silk | \$978.49 |
| Norman Ranger | \$607.78 |
| Bill Woolsey | \$807.00 |
| Ken Autry | \$958.42 |
| Stacy Nichols | \$582.10 |
| Brent Franks | \$1,334.83 |

13. Adjourn

At 2:43 pm, Mr. Brewer made a motion to adjourn. Mr. Ranger seconded the motion. The motion carried.

President

Date

Secretary/Treasurer

Date