

**HABERSHAM ELECTRIC MEMBERSHIP CORPORATION  
BOARD OF DIRECTORS  
REGULAR BOARD MEETING  
December 27, 2018**

The Board of Directors of the Habersham Electric Membership Corporation met at the office of the corporation in Clarkesville, Georgia, December 27, 2018. The meeting was called to order by Chairman Jeff Ferguson at 3:15 pm.

The invocation was given by Billy Cantrell.

Those present were:

Billy Cantrell	Jeff Ferguson	Jeff Herrin
Dustin Hulsey	Frank McCrackin	Kenneth McEntire
Dan Thurmond	David Wall	Rick Wood

Also, present were Bradley Hicks, President/CEO; Janney Sanders, Attorney; Kelly Wilkins, VP Finance and Administration; Glenn Purcell, VP Technology and Services; and Carolyn Helton, Executive Assistant.

There were two additions to the Agenda, Chairman Ferguson advised the Board that Dustin Hulsey desires to resign his position as Secretary of the Board. Mr. Hulsey confirmed that decision. A motion was made by Kenneth McEntire to accept the resignation and to appoint Billy Cantrell as Secretary, seconded by Frank McCrackin, motion carried. Immediately following such action Rick Wood advised the board he would like to resign as the Board representative with GEC and recommended that Dustin Hulsey be appointed to such position. A motion was made by Dan Thurmond to appoint Dustin Hulsey, seconded by Frank McCrackin, motion carried.

The following Cooperative Updates were provided:

1) Kelly Wilkins, VP Finance and Administration, provided the following updates:

A. Operations

- a. SAIDI – 8.75 for November resulting in 123 outages affecting 2,936 members with year-to-date at 147.40 resulting in 1,461 outages.
- b. New construction requests for November were 15 for a year-to-date of 245.
- c. No lost time accidents were reported for November.

B. Financial Ratios (YTD)

- a. TIER 4.25
- b. OTIER 3.43
- c. Equity 41.1%
- d. Net margins were (\$2,072,160) for month of November resulting in 13.5% margins as % of operating revenue for YTD. YTD margins at 8.490 million.
- e. Accounts billed to date are 34,840.

C. 2019 HEMC Budget – Ms. Wilkins reviewed the changes recommended in the final budget from the proposed budget that was presented at the November meeting including such things as pole rental decrease, inclusion of all employee positions to be filled for full year, actuarial study to be done, rate study increase, ROW contractor reductions - prior budget and updated operating budget comparison provided - compared OTIER and TIER. Dan and Dustin had some questions. Resolution to approve 2019 Operating and Capital Budget presented and motion to approve made by Frank McCrackin, seconded by Dan Thurmond, motion carried.

D. Ms. Wilkins next discussed Deferred Revenue presentation, reviewed refund to members approximately 2 to 3 million dollars which will still leave significant revenue from margins. Deferred Revenue is used to offset future power costs such as increases from Plant Vogtle. Estimated to have about 3 million for 2018 because of high margins. Two Resolutions to approve with RUS resolution including a range 1 to 5 million dollars which will allow Management to determine actual amount within that range once final year end financials are

completed. A motion was made by Rick Wood, seconded by David Wall to approve both resolutions, motion carried.

- 2) Brad Hicks discussed the need for additional space. Options include building out space at a cost of approximately \$185,000 or use space now used by NGN. NGN and NGN Connect have been discussing vacating the space they lease in HEMC's main building. The recommendation was to give NGN and NGN Connect notice the lease with them would terminate June 30, 2019 and a resolution to that effect was presented for Board consideration. After discussion, a motion was made by Frank McCrackin and seconded by Dan Thurmond to adopt the resolution giving such notice to NGN and NGN Connect. Motion carried.
- 3) Brad Hicks next discussed additional information regarding the Board election process and methods to provide for greater member participation. The Board members discussed and directed CEO and staff to continue to look at the process and possible solutions along the lines of those presented by the CEO including potential by-law changes which CEO and counsel will begin to review.
- 4) Brad Hicks next discussed the Vegetation Management plan in view of board member and member concerns expressed over the last several months including the presentation to the board by two members at an earlier meeting. Mr. Hicks discussed the various options including the current Ground to Sky initiative and presented statistical data from various sources concerning the different options including recent data from winter storm Diego and the difference in outages and duration of outages in areas where vegetation management had already occurred to those areas that had not been worked. Information and data from industry sources were provided and discussed. Comments from members many of which have been positive, along with some negative feedback, were presented. A tree replacement program was also discussed. Board members had some questions about other coops, whether some areas are being or will be skipped (Mr. Hicks advised all areas will be treated similarly), that data regarding how this program is affecting outages should be presented to members and Brad said staff is working on communicating this. After discussion, a motion was made by Kenneth McEntire and seconded by Jeff Herrin to continue with the current vegetation management plan. Motion carried.
- 5) Brad Hicks next discussed the Key Performance Program for employee compensation and bonuses and the Key Performance Indicators (KPI) adopted for 2019. The purpose of Key Performance Indicators (KPIs) is to provide an objective method for evaluating the degree of success with which HEMC achieves organizational performance targets. A performance-based financial distribution is calculated for eligible employees who contribute to the advancement of these goals and initiatives. The goals and initiatives emphasize the main areas of focus of HEMC which are:

Member Satisfaction • Financial Performance • Operating Excellence • Team Effectiveness • Technology Planning & Implementation.

Employees are involved in the development of the KPI's. No action was needed or taken on this topic.

- 6) Brad Hicks next presented for approval a request from GEC for HEMC, as a member of GEC, to consent to implementation of the Stay Protocol of the Purchase Power Agreement in order to allow GEC to utilize such action if necessary in existing contracts. A motion was made by Rick Wood and seconded by Dustin Hulsey to approve consent to GEC. Motion carried.
- 7) Brad Hicks next sought suggestions from Board members concerning the entertainment for the annual meeting. Carolyn Helton provided information obtained regarding different groups and availability. The consensus of the board was to try Triumphant first then the Perry's.

Motion was made by David Wall and seconded by Jeff Herrin to approve the following consent items:

- 1) Inventory of Work Orders and Special Equipment.
- 2) Consumer Accounting-Applications for Memberships and Withdrawals of Memberships; Delinquent Report
- 3) Draft of Minutes – November 27, 2018
- 4) Directors/Attorney's Per Diem Report
- 5) Calendars –January, February and March 2019

Motion carried.

The following CEO Report was provided by Brad Hicks, President/CEO:

- 1) Discussed member relations including reference to positive news articles and letters to the papers. Reported on meeting with Sky Lake development. Working on year- end review report and message to members with Nicole.

The following items were presented for Board Action:

A motion was made by Jeff Herrin and seconded by David Wall to designate Dustin Hulsey as primary representative and Billy Cantrell as secondary for the NRECA and NRTC meetings, and Billy Cantrell as primary representative and Dustin Hulsey as secondary for the CFC and Federated meetings. Motion carried.

The Board went into Executive Session at 5:45 pm to discuss legal issues, the CEO Report, and personnel. Executive Session ended at 6:30 pm.

Information items were presented per the agenda.

Director's Reports:

Rick Wood reported that his son has gone to work for McAllister's Tree Service as a crew member, not in management and he wanted to be transparent pursuant to the board policies. The Board discussed and agreed that such situation does not at this time rise to a conflict of interest or ethics issue that requires any action at this time. Any contracts with McAllister's have already previously been entered into by management and did not require board approval.

Rick Wood gave a report on the recent NGN meeting. Rick is no longer chairman of the NGN board.

The meeting was adjourned at 7:00 pm.

  
Secretary

  
Chairman