HABERSHAM ELECTRIC MEMBERSHIP CORPORATION
BOARD OF DIRECTORS
REGULAR BOARD MEETING
October 30, 2018

The Board of Directors of the Habersham Electric Membership Corporation met at the office of the corporation in Clarkesville, Georgia, October 30, 2018. The meeting was called to order by Chairman Jeff Ferguson at 3:03 pm.

The invocation was given by Jeff Herrin.

Those present were:

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

Also, present were Bradley Hicks, President/CEO; Janney Sanders, Attorney; and Carolyn Helton, Executive Assistant.

Dustin Hulsey requested that Vegetation Management be added to the Agenda.

Prior to the meeting, Dan Thurmond provided Chairman, Jeff Ferguson, a list of concerns he wished the board to discuss in his absence and stated that he would like to be recused from the agenda item discussion regarding the Board Resolutions and policy changes that affect benefits.

Jerry Meaders and Rob Mulligan requested to appear before the Board to discuss the Ground to Sky Vegetation Management Program and it was the consensus to allow them 15 minutes.

Mr. Mulligan discussed the following:

1) Mr. Mulligan stated that a cooperative is based on a democratic principal and he did not agree that the procedure of cutting trees from ground to sky was a democratic procedure.
2) Mr. Mulligan did not agree with cutting low growing vegetation and removing privacy barrier that is created by certain types of trees and will not consent to cutting trees in this manner.
3) Mr. Mulligan stated a memorial tree had been cut down on Webster Lake Road, some trees create a habitat for barn owls and asked for Brad Hicks to reconsider this program.

Mr. Meaders discussed the following:

1) Mr. Meaders emphasized similar concerns as Mr. Mulligan.
2) Mr. Meaders stated that he planted Leyland Cypress Trees in front of his property to serve as a privacy barrier and asked for consideration in cutting of those trees.
3) Mr. Meaders requested permission to trim the trees on his property; and if allowed to do this, would sign a contract to maintain them.

Mr. Mulligan and Mr. Meaders thanked the Board for allowing them to present their case.

Chairman, Jeff Ferguson, stated the Board would consider their request.

Mr. Mulligan and Mr. Meaders left at this time.

Jeff Ferguson stated a Windstream employee was confronted with a threat last week and this is a concern because anything power related is considered Homeland Security. Attorney Sanders stated that the policy is not very strong and does not specify 15 feet right/way, but the Service Rules and Regulations does have specific language about members granting easements.

Brad Hicks stated that members are being notified by robo calls from the cooperative, door hangers, Georgia Magazine and a personal visit. He further stated that this was brought before the board in November of 2017 as part of the 2018 Budget and it was communicated that Board Members would receive calls because of the necessary vegetation management practices. Hicks also emphasized the liability the cooperative assumes when vegetation management best practices are not followed, such as public contact, forest fires and safety incidents resulting from poor access to our facilities. Hicks also referenced the Rural Utilities Service, Operations and Maintenance Survey that was conducted earlier this year where HEMC did not receive a favorable rating because proper maintenance had not been performed on the assets and easements for many years. The ground to sky approach was a necessary component to ensure the crews are able to access all facilities during outage situations in a safe and efficient manner.

The following Cooperative Updates were provided:

1) Gail Welborn, Director Human Resources, entered the meeting at this time to review the Board Resolutions and Policy updates necessary to implement the changes in benefits that were approved by the Board in the meeting on September 25, 2018

   Dan Thurmond, as requested in advanced, asked to be recused from this presentation and left at this time. Ms. Welborn continued with her presentation:

   Welborn reviewed the compensation adjustments that were made based on the study results and the process shared with employees following Mrs. Arnold's presentation in September.

   a. NRECA Retirement Plan Resolution - This resolution is drafted by NRECA and is required in order to implement changes approved at the Board Meeting on September 25, 2018 as presented in the One Workforce initiative. The board resolution summarizes the changes approved last month and allows the President and CEO to sign the final adoption agreement to implement the changes.
   b. Insurance Programs Policy Updates – removes language about different allowances, reference to excess allowances being paid to employee, language about continuation coverage that is required by law anyway and that allowances being provided are through a HR and that HEMC requires advance notice of retirement and removes details so that references are plan documents.

      Dustin Hulsey had the following concerns:

      i. The language in the NRECA Board Resolution for the Retirement and Security Plan. His questions was about the board accepting responsibility. This language is referring to the fact that when plans change with a decreased benefit, certain notices have to be provided to all employees and also is referring to plan document revisions, etc.
      ii. Impact of retirement on an employee having 25 years of service.

      Brad Hicks made the following comments:

      i. If compliance testing was done on the current plan, HEMC might not be in compliance or eventually would have issues.
      ii. Hicks asked Welborn what she could share regarding benefits of Emeritus Director. Welborn stated that she took the phrase in the policy out because this is an employee policy and not a board policy and found that it had no impact on the policy at all. Emeritus Director definitions are found in the by-laws and she was under the impression that he board had discussed insurance allowances in the past.
      iii. A qualified retiree's insurance allowance is based on their eligibility for coverage. Effective January 1, 2019, employee only will receive allowances and those will not be based on eligible dependents – but, the retiree themselves.
   c. Mr. Hicks' desire is to focus on employee benefits more and to get the benefits equitable across all employees. All employees should be treated fairly when it comes to their benefits and in many cases individuals performing the exact same role have received very different insurance and retirement benefits. Hicks further stated that the Board eliminated the insurance allowance prior to his arrival at HEMC and since that was approved by the Board, any Emeritus Directors in the future would not be eligible for the insurance allowance since the Board Members are not eligible for it now. Attorney Sanders agreed that future Emeritus Board Member would not be eligible for an insurance allowance.
   d. At this time, Mr. Hulsey asked how it has been communicated to employees. Mr. Hicks replied that meetings had been conducted with each and every employee through small groups limited in size to about

10 employees. Only 4 or 5 employees did not attend due to them not being at work the days of these meetings.

e. Mr. Hulsey stated he does not agree with some of the language in the Board Resolution and the HEMC Insurance Programs Policy. His concern involved reference to the President and CEO's authority.

Welborn concluded her presentation and review of the board resolutions and policy changes and answered additional questions.

Mr. Ferguson stated that the Board was concerned about the possibility of some of the older employees being forced to retire early in order to qualify for full benefits.

Kenneth McEntire entered the meeting at this time.

2) Brad Hicks, President/CEO, asked Gail Welborn, HR Director, to discuss Emeritus Director and qualifications associated with it. She stated that she was certain that the bylaws outlined the qualifications of Emeritus director and nothing in the Personnel policies really outlined this as it pertains to Directors, not employees. That is the reason for the removal of the one sentence in the Insurance Programs Policy that refers to directors. There was no place in this policy for this as it was referring to retired employees. Mr. Sanders referred to the by-laws to clarify those qualifications. Mrs. Welborn stated that she was unsure if anything had changed regarding the by-laws or board policies and inquired about the changes in the Board insurance allowances. Mr. Hicks and Mrs. Welborn both understood the allowances had been discussed in the past and directors were no longer receiving allowances. Welborn answered other miscellaneous questions regarding the changes and reiterated that all employees had received detailed communications regarding upcoming changes.
   Ms. Welborn left at this time.

3) At this time, Chairman Ferguson read Mr. Thurmond's comments that had been presented in writing earlier in the meeting.
   a. Mr. Thurmond's relationship with Mark Jarrard and the explanation of an Emeritus Director.
   b. Mr. Thurmond's opinion on the health benefits would be to not implement the reduction of health benefits immediately but give some time for those that are eligible to retire and not 59 ½ years old.
   c. Mr. Thurmond stated he desires to get the Emeritus Director benefit if he resigns from the Board.
   d. Mr. Thurmond requested the Board be provided a summary of benefit changes before making this big decision.
   e. Mr. Thurmond presented the following concerns on the retirement medical insurance allowances:
      i. Does removing language about Board of Director Emeritus Director exclude all Directors from insurance allowance?
      ii. If an employee does not give a 30-day notice before retiring, what are the consequences?
      iii. If a retired employee dies, what is the insurance situation for the surviving spouse and dependents?
      iv. Does the Board desire to be removed from the policy about termination of medical insurance? This will give all authority to one person, in lieu of nine people.

CEO Hicks explained that the Board had made a previous decision to eliminate their insurance allowance and doing so would also mean they would not be eligible for the insurance allowance as an Emeritus Director. CEO Hicks asked for confirmation from the Attorney Sanders.

Mr. Thurmond, reentered the meeting at this time.

Kelly Wilkins joined the meeting at this time by conference call to discuss the following:

4) Operations
   a. SAIDI – 5.00 for September resulting in 133 outages affecting 2,118 members with year-to-date at 124.60 resulting in 1,199 outages.
   b. New construction requests for September were 20 for a year-to-date of 212.

c. No lost time accidents were reported for September.

5) Financial Ratios (YTD)
   a. TIER 5.65
   b. OTIER 4.91
   c. Equity 42.8%
   d. Net margins were $1,055,152 for month of September resulting in 18.2% margins as % of operating revenue.
   e. Accounts billed to date are 34,822.

6) Trailwave Update
   a. Contractors have completed their on-site work.
   b. All feeders are complete and all add-ons have been constructed.
   c. All Drops have been completed for a total of 2,159.
   d. Homes install are over 2,122.
   e. Mapping – all design and maps have been completed for this phase.
   f. Network – Calix equipment is installed, powered and configured in both substations.
   g. Material – material reconciliations are occurring, with HEMC and Conexon reviewing Ervin and Prince documentation.
   h. Current take-rates – 43.7%

7) Fiber Long-Term Loan Recommendation
   a. Fiber PON Project – Board approved Fiber PON Project July 2016 with an estimated completion date of January 2018. Construction was completed October 2018 for an estimated completion cost between $12.5-$13 million dollars.
   b. Ms. Wilkins' recommendation was to convert fiber project to long-term loan with a 20-year term with CoBank and CFC. They were chosen based on lower interest rate of 4.75%. Loan will require PSC approval. Fiber will see a loss for a few years but customers are still requesting fiber in the project areas and will work with them on costs. Mr. Hicks stated a consultant will have a plan available by end of November.

8) Year-to-date Margins
   a. September 2018 year to date margins are $9,705,385 which is $8 million over budget. Weather, purchased power costs lower than anticipated and distribution costs under budget are reasons for the excess margins.
   b. Ms. Wilkins made the following suggestions: Increase right-of-way contractors and other needed maintenance items, reduce rates in November and December and defer excess for Plant Vogtle.
      i. Mr. Wood stated that deferred revenue still has to be retired and he was concerned with customers' perception if it is just changed in November and December.
      ii. Ms. Wilkins recommended a wholesale power cost adjustment of a negative -.028 per kilowatt. This would leave a $2.5 million by end of year.

9) Capital Credit Allocation and Retirement – Ms. Wilkins discussed margins and bylaws requirements. Capital credit allocation for 2017 is $1,684,004.00. Capital credit retirement strategy is to retire on a 30 year or less cycle, use the FIFO method and maintain equity at greater than 35%. Ms. Wilkins recommended to maintain 30 year or less retirement and retire the budgeted amount of $1,500,000. Checks to the members will be issued late November with plans for future years to apply as a credit to active members on the power bill and send checks to inactive members.

10) Financial Audit Schedule – Ms. Wilkins reviewed the Audit Policy. Currently, HEMC is on an audit year end of April 30 and Fiscal year end of December 31. She suggested moving audit date to match fiscal year end of December 30 with a one-time cost of $40,000 to audit May 1-December 31, 2018.

Ms. Wilkins left the meeting at this time and conference call was discontinued.

11) Mr. Hicks, President/CEO discussed the Cleveland Office Relocation. Based on Board feedback from the September meeting, he will proceed with plans to maintain a Cleveland office and relocate to another location that will meet ADA compliance standards and meets the needs of the cooperative and the membership.

12) Mr. Hicks discussed Vegetation Management – McAllister Tree continues cutting trees in the HEMC right-of-way and are doing a good job. Mr. Hicks shared some pictures of the areas that have been completed and the schedule for the next several months.

a. Dustin Hulsey stated that common sense needs to be used with the tree cutting and that DOT policy allows some discretion in the field.
b. Jeff Ferguson stated that he had received calls from members that their trees had been cut and stated if HEMC changes policy now that a Watch Group will protest the action.
c. Mr. Hicks stated if any easement is not signed, they are referred to Bylaws and Service Rules and Regulations.
d. Mr. Hulsey recommended a HEMC policy and Attorney Sanders noted that it is in the Service Rules and Regulations.
e. David Wall asked the procedure when the lines go across a stream – Mr. Hicks will verify the procedure and contact Mr. Wall.

13) Jeff Herrin discussed HEMC rates as compared to other Georgia coops and requested Kelly Wilkins provide a GEC comparison.

14) Mr. Hicks provided a quarterly KPI Update – he stated that the Key Accounts Meetings conducted section of the KPIs has been adjusted because of the resignation of the employee that was in charge of it. Currently, the projected payout to each employee is 3.24% of base salary.

Motion was made by Rick Wood and seconded by Frank McCrackin 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 – September 25, 2018
4) Directors/Attorney's Per Diem Report
5) Calendars – November, December 2018; January 2019

Motion carried.

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

1) HEMC Advisory Board – the last meeting was October 9, 2018. At the request of this Board to have more frequent meetings, another meeting was scheduled for November 13, 2018.
2) HEMC 2019 Director Election – Mr. Hicks discussed the concerns he had regarding the handling of absentee ballots by staff. He suggested sending a ballot to all members by a third party; thus, eliminating the absentee balloting and removed HEMC staff from the process. It was the consensus of the Board that staff research this process and report back at the November Board Meeting.

The following items were presented for Board Action:

1) Resolution Fiber Loan – A motion was made by Kenneth McEntire and seconded by Dan Thurmond to approve the resolution which recommends moving the fiber project costs now estimated at $12.5-13 million to a 20-year loan with CFC. Motion carried.
2) Resolution CFC Loan – A motion was made by Kenneth McEntire and seconded by Jeff Herrin to approve the CFC Certification of Resolutions and Incumbency for the CFC Loan not to exceed $13,000,000.00 as set forth in the loan agreement with CFC. Motion carried.
3) Resolution Capital Credit Allocation – A motion was made by Frank McCrackin and seconded by Billy Cantrell to approve the Capital Credit 2017 Allocation of $1,684,004. Motion carried.
4) Resolution Capital Credit Retirement – A motion was made by Frank McCrackin and seconded by Rick Wood to approve Capital Credit Retirement of $1,500,000 from the years of 1987 and 1988. Motion carried.
5) Resolution Retirement Plan Amendments – A motion was made by Frank McCrackin and seconded by Rick Wood to approve the amendments as presented. Motion carried with one nay vote by Dustin Hulsey.
6) Resolution Insurance Programs Policy – A motion was made by David Wall and seconded by Kenneth McEntire to approve as proposed. Motion carried with one nay vote by Dustin Hulsey.
7) Resolution – HRA Recurring Claim – A motion was made by Kenneth McEntire and seconded by Dustin Hulsey to approve the amendment to Retiree Health

Reimbursement Arrangement to include Recurring Premium Claims Reimbursement Feature. Motion carried.

8) Resolution Cleveland Office Relocation – A motion was made by Frank McCrackin and seconded by Kenneth McEntire to proceed with relocation plans for the Cleveland Office. Motion carried.

The Board went into Executive Session at this time to discuss legal issues, the CEO Summary, the NGN Special Board Meeting, and personnel.

Information items were presented per the agenda.

There were no reports from Directors.

The meeting was adjourned at 8:00 pm.

Chairman

Secretary