

MEETING OF BOARD OF DIRECTORS

The regular meeting of directors of Pontotoc Electric Power Association was held at the office of the Association in Pontotoc on Wednesday, October 7, 2020 at 9:00 a.m. Directors present for this meeting included Larry Parker, Terry Oaks, Nicky Moore, Allen Simmons, Nickey Browning, Bobby Duke, Jeff Washington, and Richard Watkins.

The invocation was given by Secretary Mark Patterson. The President served as Chairman and minutes were kept by the Secretary.

President Larry Parker recognized members present and asked if any member wanted to address the Board. Member David Tranberg addressed the board concerning what he deemed as missed opportunities for broadband. Mr. Tranberg said he had read that Mississippi was recently rated as one of the five worst in the country for broadband service. He also noted an article in the October edition of the Today in Mississippi magazine written by Lieutenant Governor Delbert Hosemann explaining that the state legislators set aside Coronavirus Relief Funds to fund broadband projects. According to that article, 19 broadband projects had been funded, including 15 from electric cooperatives. Mr. Tranberg expressed his aggravation that PEPA had not pursued this funding. Mr. Tranberg also noted that he is seeing several fiber projects going up in areas along the Lee County line by Tombigbee EPA and other fiber companies such as Delta Directional and C-Spire in the areas of Faulkner Road and Natchez Trace State Park. Mr. Tranberg reiterated his concern that fiber is being installed all around our area while PEPA does not take any action. President Larry Parker thanked Mr. Tranberg for his interest in Pontotoc County and surrounding areas.

Minutes of the September 9, 2020 Board Meeting and the September 15, 2020 Special Called Board Meeting were approved as read.

General Manager Frankie Moorman then introduced John M. Lauderdale, Certified Public Accountant, to the Board. John M. Lauderdale presented the June 30, 2020 Independent Auditor's Report and related audited financial statements of the Association. Mr. Lauderdale issued an unmodified report (clean opinion) noting the financial statements presented fairly, in all material respects, the financial position of Pontotoc Electric Power Association and that financials were in conformity with generally accepted accounting principles of the United States of America. He discussed footnote changes due to a change in the GAAP standards which caused a difference in presentation of some information. He also noted there was no material weakness in internal controls of the Association. Mr. Lauderdale thanked the staff for their cooperation and congratulated Mark Patterson on his upcoming retirement. Board President Larry Parker thanked John M. Lauderdale for his work and his service to PEPA as an independent auditor.

New consumers connected since the September meeting were accepted as members of the Association.

Vouchers Payable for the month of September were approved for payment, including routine expenses not yet received as of the meeting date.

The Manager distributed an updated list of sick employees and family members. He also noted that Tom Hill's father-in-law and Nathan White's grandfather-in-law Elvin Flake had passed away earlier that morning on October 7, 2020.

The Manager then notified the Board that the last PEPA crew assisting Beauregard Electric in Deridder, Louisiana had arrived back home safely on September 29th.

General Manager Frankie Moorman presented the September Safety Report reporting no accidents and two customer property damage claims. There was no regular monthly Safety Meeting during September due to social distancing requirements as prescribed by the CDC. There were four full time employees quarantined during the month due to close contact with a suspected COVID-19 case.

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The Manager informed the Board that employee temperatures were no longer being taken as of October 6, 2020, but employees continue to sign in each morning. He also stated that employees clean and sanitize frequently and are following social distancing guidelines.

The Manager next presented a Right-of-Way Report for the month of September noting some power outages due to right-of-way issues. Routine maintenance right-of-way had cut 16.5 total miles during the month. Terry Oaks commented that he had heard many compliments on the right of way since the crew had been brought in house. Allen Simmons stated that a member on Harmony Loop had told him our crew left debris in the creek near a new culvert. Mr. Simmons requested that this debris be removed. Frankie Moorman stated that it should have been cleared and he would follow up with R-O-W Manager Johnny Wilder to be sure this debris gets removed.

The Manager then presented the Employee Training Report for September 2020.

At the Manager's request, Mark Patterson presented the monthly financial report along with the annual TVA report for fiscal year 2020.

Upon a motion duly made, seconded, and approved, a Bad Debt Write-Off for the month of September in the amount of \$16,198.62 was approved by the Board. This consisted of \$10,866.98 in Pontotoc accounts, including two bankruptcies, and \$5,331.64 in Bruce accounts, including an old bill COVID19 contract.

The Manager reported that both the Pontotoc Sheriff's Department and the Pontotoc County School District greatly appreciated the recent donations of old unit #17 and old unit #30.

The Manager next reported that the ECM Group Health Plan will have a 1.5 % premium increase for medical coverage in 2021 which would increase the PEPA monthly premium by approximately \$2,460.76. There would be no changes to dental and vision rates for 2021.

Next, there was a discussion about PEPA's current website which is out of data space and is out of date. The Manager noted that a more modern web design could be utilized for providing members more information such as meeting minutes and for other possible future endeavors such as AMI metering. The Manager stated that Steve Temple, Director of Social Media for the Statewide office, had recommended ProVis Solutions out of Ridgeland, Mississippi to design a more modern and user-friendly website. After an online meeting with Stephen Edmonson of ProVis, it was noted there would be a \$1500 charge to start the Discovery process, and a new website would cost between \$5,000 and \$10,000 dollars. The General Manager stated a definite quote could be given upon completion of the Discovery process. Upon a motion by Terry Oaks and a second by Jeff Washington, the Board unanimously granted permission to start the Discovery process at a cost of \$1500.

The General Manager then updated the Board on the prospect of AMI metering. The Manager stated he had recently met with Toby Mask, Manager of Engineering at Tombigbee EPA in Tupelo, to gain knowledge of Landis and Gear mesh metering system. He had also met with Brian Moak of Stuart Irby about AMI equipment pricing and a topography study for the layout of the AMI system. The total AMI metering project cost is roughly estimated at \$4.5 million which includes about \$2.9 million for the purchase of the actual meters. A contractor would perform all meter changeouts at a quote of \$194,760. An AMI metering system would have the capability to take real time readings in 30-minute intervals as well as the availability of a customer pre-pay option. There was some discussion about the positives and negatives of moving to AMI metering. The Manager informed the Board that System Engineer Jenna Kentner would present more detail on AMI metering at the November Board meeting.

Next, the Manager reported that this meeting would likely be Mark Patterson's last one to attend as Mark will begin taking his unused personal time. The Manager recommended that Jeanna Sorto be named along with Mark as Secretary/Treasurer until Mark's official retirement date which looks to be the end of February 2021. Upon a motion duly made by Jeff Washington and seconded by Nickey

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Browning, the Board unanimously approved this recommendation. Several Board members then expressed their appreciation of the valuable asset that Mark had brought to the association over the years with his expertise, knowledge, hard work, and dedication. Mark Patterson also thanked the Board for the opportunity to serve and for their confidence in him for almost 35 years.

Upon a motion duly made by Nicky Moore and seconded by Allen Simmons, the Board unanimously adopted Resolutions to name Frankie Moorman and Jeanna Sorto as Trustees of the Pension Plan and 401K plan and to remove Chuck Howell and Mark Patterson.

The Manager informed the Board of an email received from Michael Clayborn, President of CREATE Foundation, stating they had met the TVA match requirements and appreciated the partnership of TVA and PEPA on the COVID19 grant money.

Next, the Manager discussed the need to replace bucket truck #41 and digger truck #3. Unit 41, a 2010 model with multiple issues, had cost PEPA over \$46,000 on repair bills over the last 4 years. The Manager presented a proposal from Altec to build a new model AA55E bucket truck identical to our existing unit 34 at a total price of \$224,945. The buildout would take around 10 months and payment would be upon delivery of the truck. Mark Patterson informed the Board that we currently have \$977,000 in the Equipment reserve account and would have more funds available upon delivery of the truck. Manager Frankie Moorman also told the Board that digger truck #3, a 2006 model, has motor and suspension issues that have cost PEPA \$40,645 on repair bills over the last 4 years. Moorman presented two quotes from Altec for a digger truck as follows: 1) 2021 Freightliner Altec DC47 – 47 Foot Hydraulic Derrick with Grounding Reel at a total price of \$223,279 with a 3 to 4-month buildout. The earliest delivery date for this truck would be February 2021; OR 2) a used 2020 Freightliner Altec DC47 – 47 Foot Hydraulic Derrick with Grounding Reel, currently being used by PEPA as a demo, at a total price of \$204,825. If purchased, the remainder of the factory warranty would be applied to the truck and the engine. The Manager also informed the Board that he would prefer auctioning the existing units 41 and 3 if the Board decided to purchase new ones. After some discussion, a motion duly made by Nicky Moore and seconded by Jeff Washington was approved unanimously to replace unit 41 with the purchase of a new AA55E bucket truck and to replace unit 3 with the purchase of the used 2020 Altec DC47 demo digger truck.

During the discussion about the trucks, some Board members stated they would like to see our proposed new website design incorporate space to list used equipment up for sale or auction in the future.

At this point in the meeting, Board President Larry Parker declared a recess so the Board and members in attendance could attend the Association's Annual Meeting of Members at Noon at the Pontotoc County Agri-Center. Mr. Parker stated the regular session would reconvene back in the PEPA conference room at 2 PM.

The regular meeting of directors of Pontotoc Electric Power Association reconvened at 2 PM at the Pontotoc office conference room. Board President Larry Parker called the meeting to order. Director Jeff Washington was not in attendance for the reconvened session.

General Manager Frankie Moorman then introduced Kevin Fitzgibbons, Rodney Pugh, and Jason Champion of NRTC. The Manager reported that the RDOF auction would be opening at the end of October and a decision would be needed on how to proceed.

Kevin Fitzgibbons of NRTC thanked the Board for the opportunity to work with PEPA. He gave a brief history of the working relationship between NRTC and PEPA and discussed various points in time that NRTC and PEPA have spoken as circumstances changed. Mr. Fitzgibbons stated that his goal today was to present the most recent information so that the Board could make an informed decision on how to proceed.

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Kevin Fitzgibbons then discussed an overview of RDOF and stated it was a 10-year, \$20.6 billion program which targets census blocks that currently lack 25 Mbps download/3 Mbps upload service. He informed the Board that the reverse bidding auction would begin on October 29th. During the presentation, a PEPA service territory map was shown and Kevin Fitzgibbons of NRTC pointed out that there were 16 census block groups comprised mostly of PEPA members. He also stated there was a total 10-Year Reserve of \$7,944,750 for those 16 census block groups. No specific census block groups were discussed.

Next, Mr. Fitzgibbons reviewed the PEPA business model and estimated a 46.9% take rate at the 5-year mark. He also showed an average revenue of \$71.44 per user based on a two-tier service option. The two-tier option could offer 1 Gbps up/down at \$79.95 or 100 Mbps up/down at \$59.95. Other dimensions of service including voice over IP telephone and managed Wi-Fi options were discussed.

Kevin Fitzgibbons presented an updated version of the NRTC feasibility study and stated the total cost would be approximately \$50.4 million with incurred debt of \$53.4 million over the course of five years. He discussed the aspects of cost that had caused this increase from the previous presentation and noted the potential for some savings on estimated numbers. He discussed the 5-year breakdown of capital expenditures per year, debt projected from year to year, and estimated revenue and operating expenses each year. There was also general discussion about how a possible \$4.7 million in RDOF funds could affect the outcome of the PEPA feasibility study versus not receiving any RDOF funds. The study calculated a simple loan principal payback of 18.2 years with borrowing up to the 6th year and a projected internal rate of return of 3.9% with no RDOF grant money versus a simple loan principal payback of 17 years and projected internal rate of return of 4.6% if \$4.7 million in RDOF funds could be obtained. Kevin Fitzgibbons noted that the PEPA model is more expensive due to the pole rental expense and the average span length of 219 feet. He commented that the number of poles and the expense of the pole rental in this model makes the broadband project appear to be very challenging and looks like a project that not many would do.

There was also discussion about the need for connectivity in today's world for education, rural healthcare, the corporate world, employment opportunities, and that fiber infrastructure is becoming more critical. Board President Larry Parker asked how the technology of low orbiting satellites might impact broadband fiber. Kevin Fitzgibbons responded that he thought the satellites would go after the transportation industry first and that the price point of low orbiting satellites was unknown. He also did not believe the satellites could address the infrastructure need as well as fiber. Mr. Parker also stated that the Board not only has reservations about competition but also the ability to pay back that amount of long-term debt. Then, Mr. Parker asked if NRTC could see the broadband project moving forward as a stand-alone investment. Kevin Fitzgibbons commented that the biggest issue with the feasibility of this model is the pole rental expense to the broadband subsidiary and that the model would look more feasible if the pole rent were removed. Next, there was a discussion of how many employees would be required to run a broadband subsidiary. If the Board were to pursue a broadband project, Kevin Fitzgibbons suggested a quick buildout with the fiber backbone and related services being built in phases. Kevin Fitzgibbons stated that it would be best if the Board could make a decision about broadband independent of any possible RDOF money. However, if the Board felt that RDOF were necessary, then the upcoming timeframe would be a quick turnaround.

Kevin Fitzgibbons told the Board that NRTC needed to know if PEPA were going to remain a part of the consortium and therefore choose to participate in the upcoming RDOF auction within the next week as the deadline was quickly approaching. The General Manager and the Board President thanked the NRTC group for their work and their presentation.

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Board President Larry Parker then recognized David Tranberg who had asked to speak. Mr. Tranberg gave his opinion that the Annual Meeting of Members held earlier that day should have adjourned after the quorum report. Mr. Parker thanked Mr. Tranberg and stated that his comments would be taken under advisement.

The General Manager then presented the list of recently completed construction projects and the present construction projects.

Upon a motion duly made by Allen Simmons, seconded by Nickey Browning, and unanimously approved, contributions of \$200 to United Way of NE Mississippi, \$200 to the Dog Lovers League of Bruce, \$200 to the Calhoun County Community Choir, and \$200 to the Pontotoc Community Theater were approved by the Board.

The Manager told the Board they had copies of recent thank you notes in their Board packets.

The Manager reminded the Board that the director election ballots would be mailed out by October 31st, and ballots would need to be returned postmarked by November 15th. The ballot count would be conducted by an independent third party on November 19th in the PEPA conference room.

The Board's next regular meeting was scheduled for Wednesday, November 4, 2020 at 9 AM at the Association's Pontotoc office.

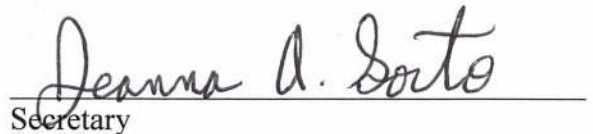
At this point, at the Manager's request and upon a motion duly made by Nicky Moore, seconded by Bobby Duke, and approved unanimously, the Board voted to go into Executive Session for the purpose of the reading of the minutes of the Board's September 9, 2020 Executive Session and a discussion of personnel matters. Later, upon a motion duly made by Allen Simmons, seconded by Richard Watkins, and approved unanimously, the Board voted to adjourn the Executive Session and return to Regular Session.

After some discussion of possible meeting times, Board President Larry Parker called a Special Meeting to be held on Friday, October 9, 2020 at 4 PM at the Association's Pontotoc office to discuss Broadband internet and the pursuit of RDOF grant money by application.

There being no further business, and upon a motion duly made by Nicky Moore, seconded by Richard Watkins, and unanimously approved, the meeting was adjourned.

Approved:


President


Secretary