



BOARD MEETING SUMMARY

August 2025

Work Proceeding on Replacement Headquarters Building

On Thursday evening, August 14th, CEO Kevin Newton updated board members on the status of work which continues to progress on the replacement of the headquarters building destroyed by the May 16th tornado.

Mr. Newton and his staff are working with Federated Rural Electric Insurance Exchange and general contractor, D. W. Wilburn, on the plans in order to stay within the approved budget amount. The structure plan for a one-story facility to replace the two-story building lost during the storm is proceeding to the price quote phase and will hopefully be finalized during the next two weeks. Newton reported that the old building has been completely removed along with the concrete slab to get the site ready for construction.

Mr. Newton stated that South Ky RECC is currently reporting monthly expenditures on design work and construction to the Ky Public Service Commission and that a letter will be sent to them requesting approval to rebuild a one-story headquarters building instead of a two-story.

Preliminary estimates put the completion of the new facility between 18 and 24 months

Newton Discusses the Latest on the SKRECC Rate Case

Mr. Newton reported to directors that post-hearing briefs had been filed by both SKRECC and the attorney general's office and that beginning September 1st, members' bills will reflect our new rate and fee changes. Mrs. Bessinger added that co-op attorneys are filing notice with the PSC that we are planning to implement the rate increase in September.

The communications team is putting together some talking points which will be distributed to directors and employees so that they will be able to address members' questions with factual information.

Mild Temperatures in May Result in Less Than Favorable June Margin

Carrie Bessinger, Chief Financial Officer, reported net margins for the month were a loss of \$2.1 million. She commented that sales were down, June billings come from May usage, and May temperatures were mild. Cost of power was up in June because June temperatures were warmer. Even though Mrs. Bessinger conservatively estimated the cost which EKPC provided for cost of power, the costs were higher than what East Ky projected.

Operating expenses were close to budget, running only 2% higher even with tornado expenses factored in. The May tornado has been declared a federal disaster eligible for FEMA funding, and we will be requesting the maximum allowed 87% reimbursement for all eligible costs. Mrs. Bessinger commented that her initial estimate for FEMA eligible tornado cost is approximately \$2.9 million with the co-op being responsible for around 12% of that amount and the balance reimbursable.

Mrs. Bessinger reported that during the first half of 2025, capital spending was under budget by \$1.3 million and general plant spending was also less than budgeted. Actual cost through June of 2025 for system improvements was lower than budget because much of the work was pole replacements billable to communication providers requesting work for fiber attachments.

Board Approves Changes to Capitalization Policy

Directors voted unanimously to approve a revision to Board Policy 406 - Capitalization, increasing the spending threshold of an item which is to be capitalized and depreciated from \$1,000 to \$5,000, effective August 14, 2025.

The change, recommended by SKRECC's external auditors, is primarily due to increased costs of goods and the anticipation of added tracking tasks due to procurements for the new headquarters building.