

Unofficial Minutes until Board approval

April 14, 2011

MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS OF THE TOMBIGBEE ELECTRIC POWER ASSOCIATION HELD MARCH 10, 2011

The Board of Directors of the Tombigbee Electric Power Association met at the Fulton Branch Office, Fulton, MS, on Thursday, March 10, 2011 at 5:00 p. m. and there were present the following directors:

Class of 2011

Tommy Estes
Jamie Franks
Tommy David Franks
Guy Harris
F. G. Wiygul, Jr.

Class of 2012

Steve Holland (A)
Don Knight
Steve Sheffield
Don Spradling
Cecil Weeks (A)

Class of 2013

Pat Carr
Jimmy Gray
Larry Harris (A)
Jack Johnson (A)
Buddy Palmer

(A)—Not present

Also present were: William W. Long, General Manager; Rudolph Franks, Auditor; Scott Hendrix, Attorney; Bruce Williams, Tupelo Office Manager; Barry Thrasher, Fulton Branch Manager; David Riley, Tupelo Operations Manager and David Kelso, Member Services Director, Tim Phipps, Energy Services Technician; Rud Robison and William Dexter, Pryor & Morrow Architects and Engineers

Pat Carr called the meeting to order and called on Steve Sheffield to open the meeting with prayer.

Mr. Carr then opened the floor for consideration of the January 13, 2011 Board Meeting Minutes. **Tommy Estes made a motion that the January 2011 Minutes be approved as prepared and mailed to Directors for review.** Don Knight seconded the motion and upon vote taken duly carried.

Mr. Carr pointed out that the regular Board meeting scheduled for February 10, 2011 had been called off by the executive committee due to icy road conditions following the snowfall the night before.

Auditor's Report: Mr. Carr then called on Mr. Rudolph Franks to present the Auditor's Report. Mr. Franks provided the Board with a copy of his TEPA Monthly Highlights Report for January 2011 and explained details of the report (for further information and review, a copy of the report is filed at the headquarters office). Directors had no questions for Mr. Franks concerning his report.

Manager's Report: Mr. Carr then called on Bill Long to give the Manager's Report. Long reported and provided details on the following topics:

- Updated the Board on several details of meetings being held with employees encouraging medical plan users to utilize activities provided by the plan. One of the goals established by the health insurance board is to improve user health and hopefully result in improved quality of life of workers and long term savings to the health care plan. A series of information sessions will be incorporated into monthly safety meetings to achieve user response. Further information will be provided as the effort develops. Medical plan premiums cover the cost of the special effort and there is no individual cost assessment to members of the plan.
- Provided the Board with the status of Kentucky Data Link's (KDL) request to attach to TEPA pole lines in multiple service territory areas surrounding the City of Tupelo. A contract stipulating provisions for attachment and associated cost has been provided to KDL. Special consideration is being given to initial make ready costs to TEPA and bond coverage to be provided for TEPA member protection should the communication apparatus have to be removed at TEPA's expense.
- Long called on David Kelso to give report on TEPA's participation in the EPA of MS 2011 Youth Leadership program. One child was chosen by an independent panel of Statewide employees between two (2) applicants from each of seven (7) county high schools served by TEPA. The seven youngsters will travel to Jackson, MS and to Washington DC as a part of the program activities to learn of the cooperative way of doing business.
- Provided an update for the planned expansion of General Atomics manufacturing and test facility in Lee County. The newest expansion is to include a 20 MW test load expected to be energized in 2012. A later expansion is planned for the company's next phase and according to company representative should not add appreciably to the total load. TEPA's substation power supply has been evaluated and is expected to be adequate; however, the feeder circuit serving only the test load will have to be upgraded at the customer's cost before testing can be conducted.
- Long briefly mentioned the upcoming TVA Wholesale and Retail rate changes and that further information showing affects to TEPA and member users would be provided to the Board later in the meeting.

Attorney's Report: Mr. Carr then called on Scott Hendrix to give the attorney's report. Mr. Hendrix reported that since the last meeting, that the Oakes suit had been tried in the County Court of Lee County resulting in a verdict in favor of David Carr and the Association. Mr. Hendrix also reported as to the status of the Schmidt matter (alleged electric shock) and the Grissom matter (right of way and tree cutting matter). Mr. Hendrix responded to questions regarding the same and concluded his report.

Committee Reports: Mr. Carr then called on those committee chairmen having information to present to the Board.

Insurance: Buddy Palmer, Chairman, reported information studied by the Insurance Committee. As directed by the Board, the committee studied information gathered by the TEPA staff to compare our present medical insurance plan coverage and monthly

premium to a compatible plan offering and coverage through NRECA's medical plan. Mr. Palmer provided Directors with a written summary of the results of the committee study. The study showed that, for the same basic plan as provided by NRECA, premium cost would increase by approximately \$213,000 per year, plan pharmacy benefits for retirees would be replaced by Medicare Part D and the medical provider network would be significantly reduced. After explanation, **Mr. Palmer made a motion on behalf of the Insurance Committee that TEPA continues with the EPA of MS Group Benefit Trust which is the present coverage provider.** Discussion ensued among Directors. After discussion and vote taken the motion passed.

After the Board's vote on Mr. Palmer's motion expressing the committee's direction, the Board discussed other service and benefits features provided by the plan including personal experiences for services provided. After that discussion, **F. G. Wiygul made a motion that the following activities be carried out: 1.) that Long, as a member of the EPAM Insurance Board, and on behalf of the TEPA Board present a motion to the EPAM Insurance Board that the third party actuator, Cooperative Benefit Administrators, Inc., (CBA) be utilized to administer the EPAM Insurance plan; 2.) that Michael Callahan be requested to attend and meet with the TEPA Board to discuss insurance matters and that; 3.) the EPAM vision plan utilize a different provider other than Davis Vision.** After brief discussion, Jimmy Gray seconded the motion and upon vote taken duly carried.

Public Relations and Bylaws: Cecil Weeks, Chairman: (Long reporting due to Week's absence). Committee business matters are postponed until a later date.

Buildings and Grounds: Don Knight, Chairman. Bill Long reported that Pryor-Morrow had requested that certain information be provided to finalize the new headquarters building bid process. Long called on Rud Robison to give a report to the Board before a decision was made on this matter.

Mr. Robison provided a handout to Directors and explained the information. Items discussed included a review of the steps already completed in the new headquarter building and a calendar for completion of remaining steps for project completion.

Mr. Robison also identified the need to determine the Board's preference for receiving bids for construction and if that process would restrict bids from a list of general contractors by invitation only or; if the bid process would be opened to the public and bids submitted by anyone meeting the bid qualification requirements. Mr. Robison provided, for consideration by the Board, a grouping of general contractors doing business in the north Mississippi region. **F. G. Wiygul made a motion that bids be taken by invitation only and that the pool of general contractors be sufficient to cover all area qualified bidders.** Don Knight seconded the motion. During discussion, **Jamie Franks offered a substitute motion that bids be publicly advertised and any bidder meeting the bid qualifications and criteria would be considered.** Buddy Palmer seconded the motion. Discussion ensued to the merits of the two motions. After final discussion, and vote taken, the substitute motion failed. Vote was then taken on the original motion and upon vote count, duly carried.

After further discussion, it was determined that the Buildings and Grounds Committee would study the bidding issue further and provide a general contractor list for further consideration by the Board before the April 15 date requested by Pryor & Morrow.

Rates: Tommy Estes, Chairman. Long presented an overview of TVA's wholesale rate change to be in force April 2011. Long also presented the Board with options for retail rate changes as allowed and approved by TVA as part of the TVA Rate Change process to transition from End Use Wholesale billing to power distributors to initial versions of Seasonal and Time of Day wholesale rates. The rate change also includes an opportunity for power distributors to transition to retail seasonal and time of use rates if chosen. TVA's reason and goal for making the rate changes were summarized and presented to the Board. TVA's primary reason for moving to a time of use wholesale rates is to give power users opportunity to reduce load at critical and high power supply costs for TVA while at the same time reduce cost to users. The major points of the rate change presented included:

- Distributor wholesale bills will be determined from TVA meter readings as distributor substations
- Distributors have multiple of choice for determining their new retail rate structure including continuing their existing rate structure and unit costs or moving to other choices such as the Nearly Flat Seasonal Demand and Energy structure (NFSDE), Time Differentiated Hours Use of Demand, or other rates evaluated and approved by TVA
- As a part of the wholesale and retail rate change activity, TVA developed "default rate choices" for TEPA and other power distributors that would result in essentially no additional net revenue to TEPA from the different customer classes served (i.e., a transition to new rate calculations with no change in revenue from customers). The TEPA staff along with assistance from TVA determined that the NFSDE retail rate would be the best choice for TEPA and its members
- Due to its customer load mix, and during a normal year, TEPA will realize a net positive improvement in total retail sales less whole power cost estimated to be in the 7% range (approximately \$1 Million per year).
- TEPA member rate classes, as a group, will experience modest rate changes ranging from -0.04% to 0.10% depending on their respective rate class (hence the nearly flat designation).
- TEPA revenue less power cost will be more volatile and may require initial use of the line of credit, even though the total revenue for the entire year will increase
- TEPA wholesale power cost will be reduced and will generate the bulk of the revenue less power cost improvement
- The new retail rate structure will serve as the base to allow TEPA members to utilize more rate choices in the future that can result in savings

After Long's presentation of details of the rate change and questions from Directors, **Tommy Estes made a motion that TEPA implement and utilize the default rate option as presented by Long.** Don Knight seconded the motion and upon vote taken duly carried.

Matters of Mutual Concern: Jimmy Gray presented details of further identified improvements at the Fulton Branch Office. As a part of other improvements being made, **Mr. Gray made a motion that further improvements be made to the crew quarters area (was part of the warehouse and materials storage area) by installing a drop ceiling to include new lighting fixtures, added partitions for area to be enclosed and to provide any needed heating, ventilation and air-conditioning for the area.** F. G. Wiygul seconded the motion and upon vote taken duly carried.

They're being no further business; **Tommy Estes made a motion that the April 2011 Board meeting be held at Tupelo headquarters office.** Guy Harris seconded the motion and upon vote taken duly carried.

Pat Carr, President

F. G. Wiygul Jr., Secretary-Treasurer