

**Tri-County Electric Cooperative**  
**Regular Meeting of the Board of Directors**

**Monday, November 25, 2024**

1. **Invocation:** Director Lord gave the invocation.
2. **Member Comment:** There were no members present to comment.
3. **Call to Order:** Chairman Pohl called the regular board meeting of the Board of Directors of Tri-County Electric Cooperative to order at 8:56 a.m. on November 25, 2024, at the office of the Cooperative, Blanchard, Michigan.

**Attendance:** Board members in attendance were Luke Pohl, John Lord, Shirley Sprague, Jim Stebbins, Jake Borton, Theresa Sopocy, and David Livermore. Staff in attendance in person were President/CEO Chris O'Neill, Angel McCliggott, Pat Simmer, Samantha Campbell, Michelle Huhn, Matt Stambaugh, Chris Jensen, Brandon Trierweiler, Neal Swain, Kacey Thelen, and Corporate Counsel Dan Templin. Staff members attending via Zoom were Tom Manting and Missy Robson.

4. **Review and Approval of Agenda:** Chairman Pohl reviewed the proposed agenda. Moved by Director Stebbins, and duly supported, to accept the agenda as presented. Motion carried.
5. **Upcoming Meetings and Events:** The upcoming meetings and events were provided on the agenda. Director Stebbins was selected as the guest director to the Wolverine Board Meeting in January.
6. **Consent Items:** Chairman Pohl asked whether there were any changes to, or discussion of, the Consent Items. Moved by Director Lord, and duly supported, to accept the October 2024 Consent Items as presented and discussed. Motion carried.
7. **Safety and Cyber Security Report:**

**7.1 Safety Report:** Directors and staff reviewed the written report for October, listing public and employee incidents, along with safety training programs.

**7.2 Physical and Cybersecurity Report:** Regarding physical security, Mr. O'Neill commented that there were no incidents to report for the month.

On the cybersecurity side, Mr. O'Neill noted that one employee clicked a test phishing email and was enrolled in remedial training, while 37 employees correctly identified and reported the phishing test as unsafe. He also noted that the vendor has been selected for the network penetration test that will happen this year.

8. **Board Governance:**

**8.1 Policy Review:** Mr. O'Neill stated that Policy 315 is on track and will be brought to the board at the December meeting.

**8.2 CRC Voting Delegates\*:** Mr. O’Neill commented that a voting delegate is needed for CRC. Moved by Director Borton, and duly supported, to nominate Director Sprague as the CRC Voting Delegate. Motion carried.

**8.3 BIA CFC Integrity Fund Application\*:** Mr. O’Neill mentioned that in order to recoup some of the funds paid out for the BIA cease and desist order, an application will be submitted to the CFC Integrity Fund. Moved by Director Lord, and duly supported, to complete and submit the application for the CFC Integrity Fund. Motion carried.

**8.4 Redistricting:** Mr. O’Neill stated that best practice is for districts to be properly distributed. Chairman Pohl would like to move into redistricting slowly, as it will be time-consuming and costly, and he would like all board members to be involved. He plans to send an email after Christmas so the entire board can talk it through. Motioned by Director Sprague, and duly supported, to start the process of redistricting with the consent of corporate counsel and support of Chris O’Neill. Motion carried.

**8.5 2025 Annual Meeting Location\*:** Moved by Director Sprague, and duly supported, to book the Soaring Eagle Casino and Resort for the 2025 Annual Meeting on August 16. Motion carried.

9. **Annual Accounts Receivable Write-Off\*:** Mr. O’Neill presented the 2024 recommended write-off of accounts receivable. The write-off amount being requested is \$110,898, which is the uncollectible balance as of December 31, 2023. Continuing efforts are made throughout the year to collect on delinquencies. It was noted that bad debt as a percent of revenue is in line with cooperatives in the US, the state of Michigan, and co-ops similar in consumer size. It was also discussed that meter deposits are increased due to the deposit guidelines that were adjusted two years ago. Chairman Pohl complimented Ms. Robson and her team for their outstanding efforts throughout the year in collecting. Moved by Director Sopocy, and duly supported, to adopt Resolution 2024-31 - Annual Accounts Receivable Write-Offs, as read. Motion carried.

10. **Financial Report:**

**11.1 TCEC October 2024 Financials:** Ms. Campbell reviewed the October 2024 year-to-date TCEC statements and operating statistics. Gross margins are unfavorable to budget due to decreased sales, which are 3.8% unfavorable to budget. Operating and Maintenance expense was favorable to budget due to mutual aid expense recovery from hurricane restoration efforts that resulted in a reduction of expense for the cooperative, resulting in an Operating Margin of \$477,800, which is \$165,400 unfavorable to budget. Non-Operating Margins were unfavorable to budget due to a lower-than-budgeted 2024 capital credit allocation from CFC; this is being slightly offset by a larger-than-budgeted capital credit allocation from RESCO. This resulted in Total Margins unfavorable to budget by \$169,500. TIER is forecasted to be 1.86 for 2024, which is lower than budget, but still within the goal range of 1.70 – 1.90.

**11.2 New Truck Request:** Mr. Simmer sought board approval to order a 2-man bucket truck that is due for replacement in 2030. With lead times currently at 5 years, orders need to be placed in advance in order to receive the new vehicles around typical replacement time. Mr. Simmer stated that typical replacement of 2-man trucks is every 10 years. Moved by Director Borton, and duly supported, to adopt Resolution 2024-32,

authorizing staff to order a 2-man bucket truck that is due to be replaced in 2030. Motion carried.

Chairman Pohl called for a recess at 9:58 a.m. The meeting resumed at 10:08 a.m.

**11. Fiber to the Home Update:**

**11.1 October 2024 Connect Financials:** Ms. Campbell presented the HomeWorks Connect October statements and operating statistics. She noted the fiber business is currently 98 fiber subscribers favorable to budget and phone subscribers are 43 unfavorable to budget year to date. Overall, we are showing a Net Loss of \$79,300, which is \$271,500 favorable to budget. This is driven by a favorable Gross Profit, interest, and depreciation expense. HomeWorks Connect is forecasting to be \$339,700 favorable to budget for 2024.

**11.2 Monthly Progress Update:** Staff provided an update on the fiber business, commenting on legal and regulatory issues, engineering and construction, marketing, and billing software. Ms. Robson noted the new charts decipher what types of calls have been received and include drops that are “in the hopper”.

Ms. Thelen commented that her new charts combine her and Mr. Simmer’s graphs with trends for the last few weeks. She stated the goal is to be at 81% by the end of the year.

Mr. O’Neill mentioned that the new board packet will consist of more dashboards going forward, as opposed to as many words.

**12. 2025 Annual Budgets:**

**12.1 2025 Tri-County Budget\*:** Ms. Campbell presented the proposed 2025 capital and operating budget for the Tri-County Electric business. The 2025 proposed capital budget was \$10,439,800. This includes roughly \$3,800,000 for workplan projects, \$4,800,000 for the Sensus meter project, \$1,000,000 for the Blanchard garage extension, and roughly \$800,000 for general plant purchases. The 2025 proposed operating budget resulted in a net margin of \$4,566,383 and a TIER of 2.31, which is above the goal range of 1.70-1.90. This is due to the Board-approved electric distribution rate increase scheduled to take effect Jan. 1, 2025. Overall, the 2025 budget is conservative and covers inflationary concerns.

**12.2 2025 HomeWorks Connect Budget\*:** Ms. Campbell presented the proposed 2025 capital and operating budget for HomeWorks Connect. The 2025 proposed capital budget is \$10,749,825 and includes construction of Danby Township and the remaining construction of RDOF. The 2025 proposed operating budget showed a loss of \$(393,515), which is higher than forecasted 2024 by \$275,980. This is due to increased revenue generated by subscriber growth and a full year of the package increase. Increased revenue is offset by increased operating expenses and growing fixed costs. Cash flow included \$9,500,000 of additional long-term borrowing. The combined 2025 electric and fiber budgets resulted in equity of 33.2%, which is above CFC’s target of 32.0% for 2025. Modified debt service coverage for 2025 is 1.62, which is greater than the target of 1.35.

The Cooperative will meet all loan covenants with CFC for 2025. Moved by Director Sprague, and duly supported, to approve the proposed 2025 Tri-County and HomeWorks Connect Budgets. Motion carried.

13. **President's Report:**

**13.1 Monthly Review:** Mr. O'Neill stated that the Federated Rural Electric Insurance quote came in at a 17% increase over last year, however, neither the Workers' Compensation quote nor the Cybersecurity quote have been received yet.

Mr. O'Neill noted that MEAP was voted out of the house in lame duck and has by-partisan supporters.

14. **Other Business:**

**14.1 Meetings Attended:**

**MECA:** Mr. O'Neill mentioned that most cooperatives are seeing 20-25% increases in their Federated Insurance policies this year. The main reasons are that the number of claims has increased and the cost of claims has also risen. Mr. O'Neill stated other co-ops have used The Hartford; however, they are leaving the cooperative business, which leaves Federated as the only insurer for the electric utility companies.

Mr. O'Neill stated the search is on for the MECA CEO candidate to replace Craig Borr. There have been 31 applicants, and the hiring committee is looking to narrow it down to 10, with hopes to fill the position in quarter one of 2025.

Mr. O'Neill commented that a proposal is being sent to Cloverland to rejoin MECA.

Director Stebbins noted the next MECA meeting is the Annual Meeting on Nov. 20 in Bay City, with the April meeting in Boyne City and the June meeting in the UP. It has been over 10 years since a MECA meeting was held in the UP.

Director Stebbins mentioned that none of the CEO candidates are in house, however there are some Michigan candidates.

**Wolverine:** There was no meeting held.

**Spartan Renewable Energy:** There was no meeting held.

**Other:** There were no other meetings held.

15. **Executive Session:** Chairman Pohl asked if an executive session was needed. There was none needed.

16. **Adjournment:** There being no further business to come before the board, Chairman Pohl adjourned the meeting at 12:09 p.m.

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Shirley Sprague, Secretary