

**REGULAR MEETING  
BOARD OF TRUSTEES  
LEE COUNTY ELECTRIC COOPERATIVE, INC.  
NORTH FORT MYERS, FLORIDA  
FEBRUARY 16, 2023**

The regular meeting was called to order at 9:30 a.m. by President Russell Priddy. All Trustees were present with the exception of Trustee Roepstorff who attended via Zoom. Also present were Denise Vidal, Executive Vice President and Chief Executive Officer; Richard Akin, General Counsel; Gary Avin, Director, Customer Care Operations; Sarah Bullock, Director, Finance & Supply Chain and Chief Financial Officer; Clark Hawkins, Director, Electric Operations; Ed Nagy, Director, Information Technology and Chief Information Officer; Karen Ryan, Director, Public Relations; Amanda Smelker, Interim Director, Administrative Services and Chief Administrative Officer; Sandy Thompson, Director, Human Resources; Paul Ackerman, Manager, Information Technology Operations and Information Security Officer; Ray Boss, Manager, Facilities & Security; Sue Crisafulli, Manager, Finance & Accounting; Skye Honas, Manager, Customer Billing & Field Services; Myron Martin, Manager Procurement & Supply Chain; Bill Piland, Manager, Design & Engineering; Bianca Preston, Manager, Member Programs; Rob Puchacz, Manager, Construction & Maintenance (Contractors); Gary Richardson, Manager, Substation, Communications & Meter Services; Allan Ruth, Manager, Operations Business Support; Ben Strohman, Manager, Enterprise Risk & Compliance; Trish Lassiter, Key Account Executive; Cindy Littrell, Supervisor, Continuous Improvement; Rusty Snider, Supervisor III, Construction & Maintenance (Contractors); Greg Allen, Human Resources Business Partner; Kelsey Townsend, Claims Analyst; Kirsten Jansen, Assistant to Director, Administrative Services and Chief Administrative Officer; Julie Vaughn, Assistant to the Executive Vice President and Chief Executive Officer.

1. Call to Order
2. Roll Call

The January Board minutes were presented for approval.

The bad debt write-off for the month of December 2022 was \$21,965. New members for the month of December 2022 were 1,500 beginning with Stephanie Tonti, Equity Membership Number ending in 0746, and ending with AnnMarie Yanta, Equity Membership Number ending in 2180.

The bad debt write-off for the month of January 2023 was \$37,499. New members for the month of January 2023 were 1,549 beginning with Amanda Mihailik, Equity Membership Number ending in 0874, and ending with Julio Brito, Equity Membership Number ending in 4183.

3. Consent Items
  - a. Approval of 2022 December Board Minutes
  - b. Approval of New Members/Bad Debt Write-Off for December 2022 and January 2023

**MOTION** was made by Trustee Turbeville to approve the Consent Items to include the January Board minutes and the December 2022 and January 2023 New Members/Bad Debt Write-Offs. Seconded by Trustee Powell and unanimously approved.

MOTION APPROVED

Ms. Vidal relayed correspondence the Board received since January's meeting. 1) A customer was concerned about the cost of his electric bill. Customer Care left him a detailed message regarding the PCA increases and LCEC efforts to maintain affordable and reliable electricity. 2) Two customers from condo complexes on Sanibel complained of a delay in connection. Once required work was completed by their electrician, they were reconnected. 3) A customer

4. Customer Reports

complained of being denied reconnection due to a past unpaid balance. Customer Care gave her the option to pay the required deposit up front with the past unpaid balance to be billed. She indicated she would reach out for agency assistance before finalizing the reconnect. 4) A builder complained of a delay in start of a new service. The required locates were received the same day of the complaint, and the service was connected.

4. Customer Reports (cont.)

Ms. Vidal congratulated Mr. Akin and Henderson, Franklin, Starnes & Holt, P.A., for their Industry Appreciation Award of Lee County's 2022 Large Business of the Year.

5. Executive Vice President's Report

LCEC was recently officially and unanimously voted in as a reinstated member of the Florida Electric Cooperatives Association (FECA).

The 2023 Legislative Session begins in March. Several items could have an impact on the cooperative industry. The House Select Committee on Hurricane Resiliency & Recovery requested FECA to provide a presentation on the responses to both Hurricanes Ian and Nicole. They will include the LCEC response to Hurricane Ian. Senate Bill (SB) 626, Rural Electric Cooperatives, adds communication services to FL Chapter 425, which impacts cooperatives offering broadband. House Bill (HB) 645, Unmanned Aircraft Systems Act, removes the FAA application requirement for a person or government entity that is seeking to restrict the use of drones in close proximity to owned infrastructure. SB 108/HB 55, Trees and Other Vegetation within Rights-of-Way, removes prohibition against cutting vegetation within rights-of-way of state highway system if the Department of Transportation (DOT) suspends the prohibition due to a declared state of emergency. SB 284, Energy, requires Department of Management Services, before January 1, 2024, to make recommendations to all state agencies, universities, community colleges, and local governments regarding the procurement of and best practices for electric and natural gas fuel vehicles in existing fleets.

HB 293/SB 680, Energy Equity Task Force, creates this task force to provide recommendations to Florida Department of Agriculture and Consumer Services for fair and equitable transition of the state's energy infrastructure to renewable technologies within minority, underserved, rural, and low-income communities. The report will be presented to the Governor, Commissioner of Agriculture, the President of the Senate, and the Speaker of the House by September 30, 2024. HB 821, Renewable Energy Cost Recovery, allows public utilities (IOUs) to get PSC approval for renewable natural gas and hydrogen fuel infrastructure project costs through normal PSC processes, and once approval is received, it cannot be challenged again except for fraud, perjury, or intentional withholding of information. The impact to LCEC is that we have to pay our fair share of those investments through the formula rates, which is not any different than any other generating assets of our power supplier. SB 304, United States, Produced Iron and Steel in Public Works Projects, states that any iron or steel product used in or purchased for the project must be produced in the US. There are some exemptions related to small amounts of iron or steel, prohibitive costs, and compliance inconsistent with public interest. The bill specifically mentions electrical transmission, substation, and distribution infrastructure, but it's limited to governmental organizations.

Ms. Ryan reviewed the updated handout, Service Center Roadmap. She referenced the fluidity of this Roadmap due to the many factors that will impact when and how future service centers are constructed. The Sanibel Service Center

6. Director Reports

was in the permitting process and moving along well when it was flooded by Hurricane Ian. That project has been expedited to maintain service to Sanibel. The West Cape Service Center is on existing property; however, the property for the Lehigh Service Center still needs to be acquired.

6. Director Reports  
(cont.)

The Edison Festival of Light Parade is on Saturday. LCEC will be among the honored as Hurricane Heroes and will participate with a transmission truck, the lightbulb helium balloon, about 75 employees and family, and four contractors and their vehicles. The lightbulb is popular with the community.

Mr. Hawkins acknowledges Rob Puchacz, Manager, Construction & Maintenance (Contractors), who will be retiring Friday. He will be sorely missed. Rusty Snider, current supervisor in Construction & Maintenance, will be filling the vacancy left by Mr. Puchacz. Mr. Snider has over 40 years in the cooperative and municipal field and 17 years with LCEC in multiple leadership roles. Mr. Hawkins also announced that Gary Richardson, the current Manager, System Operations, will be assuming the role of Manager, Substation, Communication, & Meter Services in addition to System Operations. Mr. Richardson will be key in preparing team members for future management positions.

January month-end SAIDI came in at 3.34 minutes against a target of 4, and month-to-date for February, 2.76 minutes were incurred against a target of 5.

Ms. Bullock reported that the Energy Information Administration recently lowered its forecast significantly on 2023 Henry Hub Natural Gas Spot Prices due to warmer-than-expected January and higher inventories of natural gas. Prices are expected to average around \$3.40 per Million British Thermal Units (MMBTU) in 2023, staying below \$4 until December. This is down from the January forecast of \$5. The agency has warned that natural gas prices remain volatile. Henry Hub trends similarly with Natural Gas Intelligence's Florida Gas Zone 3, used by FPL in its forecast.

To date, LCEC has submitted \$126.8 million to the Florida Division of Emergency Management, and \$56 million has been received. Payments of \$17 million and \$20 million are expected in the next few weeks.

LCEC recently participated in the Lee County Local Mitigation Strategy, presenting on projects seeking Federal Emergency Management Agency (FEMA) mitigation grant funding. This was a collaborative effort between Electric Operations, Facilities, and Finance. The projects submitted include Looping and Redundancy Upgrades to Transmission & Distribution Systems; shelters or safe rooms for essential LCEC staff that must remain in the event of a hurricane; substation tie-ins for distribution electrical systems; upgrades, hardening, and elevation of critical distribution infrastructure; and generators for critical facilities. The purpose and objectives of the LCEC projects are to increase system reliability and redundancy, protecting LCEC and first responders during a storm, to enhance infrastructure resiliency, and continuity of operations. It is likely LCEC will be receiving funds. Ms. Bullock gave a shout out to the team for making this presentation possible.

Ms. Smelker's team facilitates strategy planning, which kicked off in 2022. The Executive Steering Committee and leadership team developed a strategy focused on four key areas. Operational Excellence includes continuing to evolve and excel in providing safe, reliable service at competitive rates. Member

Experience focuses on the customer understanding their role as a member of a cooperative. Community Partnership tells the story of how LCEC is engaged in the community it serves. The Employee builds a high-performing workforce to support all areas. Key items already in progress are the energization of the Kismet Substation, implementation of a new HR technology solution to help support the employee experience, the long-term facilities roadmap, and recent memberships in Touchstone and FECA.

6. Director Reports (cont.)

Ms. Bullock commended her team for dealing with unanticipated roadblocks in finalizing the January financials.

7. Year-End 2022 and January 2023 Financial Report

For the 2022 year-end recap, the revenues net of purchased power came in at \$156.7 million against a budget of \$151.5 million. The total operating and maintenance expense came in at \$70.1 million against a budget of \$74.8 million. Depreciation, interest, taxes, and others came in at \$65.8 million against a budget of \$61.4 million. All resulting in an operating margin of \$20.8 million against a budget of \$15.1 million. Non-operating margins and capital credits were at \$3.7 million against a budget of \$2.7 million. Net margins came in at \$24.5 million compared to a budget of \$17.8 million. The accumulated Purchased Power Cost (PCA) came in at \$33.8 million against a budget of \$51.4 million.

2022 Financial Ratios, the Debt Service Coverage actual was 2.04 against a budget of 2.08. Equity as a Percent of Assets was 34.72 percent, just under the target of 35 and under the budget of 45.35. Total Debt to EBIDA actual was 7.97 compared to a budget of 5.7.

Ms. Bullock does not expect any issues or changes with the year-end audit.

Ms. Bullock continued with financial highlights for January 2023 financial results. January kilowatt-hour sales were 5.4 percent under budget for the month and 5.2 percent under the prior year. Revenues net of purchased power were under budget 8.4 percent and 2.0 percent under last year's results. Net margins were over budget by 137.8 percent and 73.6 percent under last year's results. The customer count for the month of January decreased by 2,089, with residential losses of 2,049 and commercial losses of 40.

Demand was 21.7 percent under budget and 21.7 percent under last year. Kilowatt-hour purchases came in under budget by 5.6 percent, and 5.4 percent under last year. In January there was an over-recovery of approximately \$2.9 million, leaving a total under-recovery balance of approximately \$31 million.

Ms. Bullock reviewed the variances to budget for net margins and operating and maintenance expense. She also presented a summary of bad debt write-offs, transmission and distribution capital expenditures, and a statement of cash flow. Financial ratios for Times Interest Earned Ratio (TIER), Equity, Debt Service Coverage (DSC), and Total Debt to Earnings Before Interest, Depreciation, and Amortization (EBIDA) all met expectations.

Two of the four Key Performance Indicators (KPIs) met the January targets. The Customer Experience Index (CEI) met the threshold, and the program associated with the Training Index has not yet started.

Ms. Bullock presented an updated resolution for the yearly Truist Line of Credit Renewal. The new resolution was needed due to new information received regarding December's final numbers.

- 10. [Truist Line of Credit Renewal Revision Consideration](#)

**MOTION** was made by Trustee Pritchett to adopt a Resolution authorizing the execution and delivery of the Third Amendment to Amended and Restated Revolving Line of Credit Note Series 2012 (01730422-2) Agreement with Truist Bank, extending the current \$20,000,000.00 Line of Credit with the Bank ("Line of Credit"). This Amendment consists of a renewal and amendment of the Revolving Line of Credit Note, Series 2012 with Commitment No. 50354412-34 (the "Commitment") last renewed as of February 17, 2022. This Amendment extends the final maturity date from February 16, 2023 to February 15, 2024. Seconded by Trustee Flannery and unanimously approved.

MOTION APPROVED

Ms. Bullock shared the 7 Cooperative Principles and focused on Principle 6: Cooperation Among Cooperatives. LCEC partners with many types of cooperatives. They include statewide and national trade associations that represent the electric cooperative business model and have influence over cooperative issues. Purchasing cooperatives can aggregate demand to get lower prices from selected suppliers. Neighboring cooperatives can align to benefit mutual interests in the community. Service cooperatives help fill a shared need by allowing consumers to gain bargaining power and share earnings. LCEC is a member of several of these cooperatives in which equity is earned in addition to other benefits such as borrowing capacity, education and training, and special pricing and discounts. Staff will ensure that full advantage is taken of the membership benefits offered by FECA, LCEC's newest partner cooperative.

- 8. [Memberships in External Organizations Report](#)

Ms. Bullock explained that LCEC participates in CFC's Key Ratio Trend Analysis to gain insight of LCEC performance against its peers. It gives insight into trends and variances, benchmarks results of operations, and identified areas of strength and opportunities for improvement. Ms. Bullock discussed several of the ratios in detail. LCEC compares well in all categories.

- 9. [Key Ratio Trend Analysis Benchmarking Update](#)

Mr. Hawkins defined the term "hardening" as changes to infrastructure to make it less susceptible to damage. LCEC performs and maintains industry-standard hardening activities that include flood protection, wind protection, and modernization of the system. Mr. Hawkins reviewed several specific hardening activities LCEC is performing. Although it seems to be common knowledge that neighboring electric utilities are heavily involved in storm hardening, LCEC, by the nature of its not-for-profit cooperative status, is more quietly but equally active in comparable programs.

- 11. [LCEC Storm Hardening Report](#)

This item was taken up in Executive Session.

- 12. [Substation Physical Security Update](#)

This item was taken up in Executive Session.

- 13. [Collective Bargaining Agreement between LCEC and IBEW Local 1933 Consideration – System Operations](#)

There was no other business

14. Other Business

The Board went into Executive Session.

15. Executive Session

The Board returned to Regular Session and took the following action.

16. Return to Regular Session

**MOTION** was made by Trustee Powell authorizing the CEO to sign the Collective Bargaining Agreement between LCEC and IBEW Local 1933 for the System Operations workgroup, effective February 18, 2023, through March 2028. Seconded by Trustee Flannery and unanimously approved.

MOTION APPROVED

**MOTION** was made by Trustee Woodward at 12:45 p.m. to adjourn the meeting. Seconded by Trustee Pritchett and unanimously approved.

17 Adjournment

The next Board meeting will be March 16, 2023.

18. Next Board Meeting, March 16, 2023

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Michael Powell, Secretary