REGULAR MEETING
BOARD OF TRUSTEES
LEE COUNTY ELECTRIC COOPERATIVE, INC.
NORTH FORT MYERS, FLORIDA
APRIL 20, 2023

1. Call to Order
2. Roll Call

The regular meeting was called to order at 9:32 a.m. by President Russell Priddy. All Trustees were present. 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; Tom Hornby, Manager, Information Technology Security; Myron Martin, Manager, Procurement & Supply Chain; Ellen Nichols, Manager, Risk; Bill Piland, Manager, Design & Engineering; Bianca Preston, Manager, Member Programs; Gary Richardson, Manager, Substation, Communications, & Meter Services; Frank Sherkus, Manager, Construction & Maintenance (LCEC); Rusty Snider, Manager, Construction & Maintenance (Contractors); Ben Strohman, Manager, Enterprise Risk & Compliance; Matt Valentine, Manager, Customer Care Center; Trish Lassiter, Key Account Executive; Shannon Williamson, Public Relations Media Specialist; Madison Obrochta, Assistant to the Director, Public Relations; and Julie Vaughn, Assistant to the Executive Vice President and Chief Executive Officer. Members in attendance were Ms. Heather Manypenny and Ms. Jeannette Wollet. Guest representing Cape Coral was Ms. Natalie Enrico, Assistant Accounting Manager.

3. Election of Officers

President Priddy called for nominations for officers.

MOTION APPROVED

MOTION was made by Trustee Ayasun to nominate Russell Priddy, President; Michael Powell, Vice President; Craig Woodward, Secretary, and Richard Pritchett, Treasurer; to retain Henderson, Franklin Starnes, & Holt, P.A. as General Counsel; and to retain all current Representatives to External Organizations. The motion was seconded by Trustee Turbeville and, there being no other nominations, unanimously approved.

President Priddy announced that there would be no changes to Committee chairs and members.

4. Consent Items
   a. Approval of March Board Minutes
   b. Approval of New Members/Bad Debt Write-Off

The March Board minutes were presented for approval. Trustee Woodward noted a correction to a motion coming out of Executive Session, which has been updated and made available by staff.

The bad debt write-off for the month of March was $75,187.68. New members for the month of March were 1,997 beginning with Scott A. Kuhn, Equity Membership Number ending in 0418, and ending with Carl T. Work, Equity Membership Number ending in 8669.

MOTION APPROVED

MOTION was made by Trustee Beam to approve the Consent Items to include the March Board minutes as corrected and the March New Members/Bad Debt Write-Offs. Seconded by Trustee Powell and unanimously approved.

5. Customer Reports

Ms. Ryan welcomed guests Ms. Heather Manypenny, Ms. Jeannette Wollet, and Ms. Natalie Enrico, who also attended the Annual Meeting just prior to this meeting. Guests who left after the Annual Meeting were Steve Kraus and Jim Dorsey.

Ms. Vidal shared correspondence from two customers. The first was concerned with power outages in the Burnt Store Marina area during the rainy season. Another customer represented a development district and had concerns with the pace of repairs to streetlights. Both of these customers were provided with updated information regarding their concerns, and the lights have since been repaired.

6. Executive Vice President's Report

Ms. Vidal reported on the status of Florida legislative activity this session. Many bills did not move forward.

Ms. Vidal reminded the Board that LCEC had joined a non-partisan Coalition for the Advancement of Reliable Electric Systems (CARES), initiated by cooperatives and the statewide group in Virginia, Maryland, and Delaware; some of the coops are also ALDC members. The Coalition is focused on reliability-centric advocacy to aid in the present supply chain crisis.

CARES is moving forward a bill to study the supply chain situation for both short-term solutions that can be implemented within 6 months, and long-term preventative solutions to mitigate the risk of current challenges continuing. CARES also has meetings scheduled with representatives in Washington, D.C., to specifically escalate the assistance with supply chain issues being experienced.

A National Rural Electric Cooperative Association (NRECA) event recently took place where various statewide groups and their member cooperatives annually meet with their respective U.S. Congressmen to discuss industry issues. The FECA members attended and met with various Florida U.S. Representatives and Senators on three primary areas of concern: 1) Supply chain, 2) Federal Emergency Management Agency (FEMA) reforms that include reducing the time to receive reimbursements, and 3) Allowing permit modernization to lower costs and eliminate extended delays by requiring firm time limits for environmental reviews, greater applicant involvement in the process, more efficient reviews for recurring small projects with minimal environmental impacts, and limit lengthy and costly litigation that can delay projects. LCEC is not an NRECA member and thus not included in the information and prep sessions; however, participation may be available with members of Congress through FECA in the future.

Ms. Vidal recently shared a Power Cost Adjustment (PCA) update with Cape Coral City Council. She reviewed the status of the rate, updated information, and relayed the timing of PCA consideration being post-June after reviewing the FPL generation true-up. Mr. Avin attended and commended Ms. Vidal for her solid presentation.

7. Director Reports

Ms. Ryan announced that a pre-storm briefing will be held on June 1 for area legislators and their staff that will include a demonstration of what restoration entails.

Mr. Avin shared that the Customer Experience Index has improved, currently meeting the Target of 776. The J.D. Power and post-call surveys have both improved significantly. High-bill and storm seasons begin in June and could have an effect on this metric.

Mr. Avin introduced Matt Valentine, the new Manager, Call Center. Mr. Valentine will be focusing on service levels and new hires.

The Touchstone Energy Kick-Off will be held in the Hub to inform employees of the relationship with Touchstone.

Ms. Smelker noted that the Trustees likely became aware of the many facilities projects in progress as they approached and entered the building, and she will be sharing updates regularly. There are about $12.5 million of in-progress or pending projects for 2023. The garage construction is nearly complete with remaining work expected by the end of May. The first-floor renovation bid is being presented for consideration in Executive Session, and if approved, work will start immediately. Completion of the maintenance floor at the top of the building, formerly known as the penthouse, has been delayed to July due to material issues. The landscaping contract is awaiting an additional bid before coming to the Board for approval. Staff is still working with the city on the design of the Sanibel warehouse. Design and engineering work is complete on the West Cape Service Center. Demolition is nearly complete on the homes on the main campus, making way for a future multi-purpose facility for which there is a pending FEMA grant proposal.

Ms. Bullock reported that supply and demand continues to be a challenge, and the Supply Chain department is strategically implementing alliance agreements with multiple suppliers for material inventory items that have long lead times such as power transformers and pole-line hardware. In the future, formalized alliance agreements will be more common until supply chain issues normalize.

A reimbursement of $9.6 million was received from the Florida Division of Emergency Management (FDEM) for Hurricane Irma. There is still $13 million outstanding. For Ian, to date, $187.5 million has been submitted for reimbursement; $135.1 million has been received. A pending reimbursement of $52.4 million has been submitted.

Mr. Hawkins briefed the Board on Reliability with a month-end actual SAIDI above Target but within Threshold. April month-to-date is trending at Target but will remain over the year-to-date goal. He does expect to meet the year-end Target.

Growth was nearly unprecedented with over 500 new services installed for each month January through March and over 450 so far for April. This has all been done within the 95 percent service standard.

Year to date, 152 FEMA trailers have been connected in addition to 63 Florida Department of Emergency Management (FDEM) trailers. There remain some trailers pending connection, some waiting for inspections, and some were referred back to the provider for needed upgrades before connection.

Progress continues on the Kismet Substation in northwest Cape Coral and will support the Burnt Store area. It is on target to be energized by the end of the year. Construction on the Corbett-to-Kismet transmission line will begin within the next couple of months and aligns with the Kismet Substation construction project schedule. — 7. Director Reports (cont.)

Mr. Nagy announced that the Board of Trustee SharePoint site now used by Trustees to access documents and information is being replaced with a purpose-built and feature-rich Board management platform. The current software required upgrading, making a look at some new functionality a viable option. Several months were spent assessing a number of options, and OnBoard was selected. The schedule will include acquiring the product in April, configuration and data migration in May, and training and initial use of the product in June/July.

8. First Three Months' Financials

Ms. Bullock highlighted March 2023 financial results. March kilowatt-hour sales were 1.2 percent under budget for the month and 2.2 percent under the prior year. Revenues net of purchased power were under budget 7.2 percent and 3.6 percent over last year's results. Net margins were over budget by 25.0 percent and 31.2 percent under last year's results. The customer count for the month of March increased by 1,378, with a residential gain of 1,113 and a commercial gain of 265.

Demand was 2.1 percent over budget and 2.1 percent over last year. Kilowatt-hour purchases came in under budget by 2.7 percent, and 2.7 percent under last year. In March there was an over-recovery of approximately $13.8 million, leaving a total under-recovery balance of approximately $8.9 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.

Three of the four Key Performance Indicators (KPIs) met the March Targets. The Reliability Index met the Threshold.

With regard to replacement of vehicles lost in the storm, Ms. Smelker informed the Board that vehicles and equipment were rented during restoration, and those rentals were purchased as replacements. The location of equipment during storms is being re-evaluated.

9. Early Discounted Estate Retirement Approval

Ms. Bullock reminded the Board that heirs are eligible to apply for an Early Discounted Estate Retirement. In March the Board approved the discount rate of 6.34 percent. The total amount requested from heirs for 2023 is $74,000, with $38,000 returned to heirs and $35,000 remaining in equity.

MOTION was made by Trustee Pritchett to approve the Early Discounted Estate Retirements at a discounted rate of 6.34 percent, estimated up to $74,000. Seconded by Trustee Joyce and unanimously approved.

MOTION APPROVED

Ms. Bullock reviewed the $53 million collected and remitted to various governmental entities in 2022. These include franchise fees, gross receipts tax, sales tax, surtaxes, and Public Service Taxes. Of these fees, 41.73 percent is collected for Cape Coral, 41.18 percent for the State of Florida, 15.76 percent for Lee County, 1.09 percent for the City of Sanibel, and 0.24 percent for Everglades City. There are no fees collected for Collier County or Marco Island. These collections are audited at the discretion of the recipients. Software systems and automation minimize the cost of collection for LCEC, allowing staff to do regular internal audits to ensure the rates are applied correctly. Property taxes were not considered here since all members share in those costs in the normal course of business and not as a tax collected and passed through; however, staff will include those in the report in the future.

10. <u>2022 Franchise Fees and Taxes Collected Report</u>

Ms. Lassiter recently attended a Market Trends event where the theme was "The future ain't what it used to be." The Southwest Florida market has changed since COVID. It is no longer about "location, location, location" but about availability, price, and higher ground. Hurricane Ian reinvigorated coastal markets despite destroying so many properties. There is an infusion of high-paying cash buyers. There is also a shift to building homes to rent long-term since they offer the ease of renting and the perks of living in a single-family home. Southwest Florida has become one big real estate market that seems to be outpacing the rest of the country. The first $1 million home was recently built in Lehigh Acres, and Fort Myers Beach will likely no longer be "t-shirt shops."

11. <u>Key Accounts Update – North System</u>

Ms. Lassiter went on to share that 44,000 residential permits were pulled during the boom in 2005 for all of Lee, Collier, and Charlotte Counties, compared to 2021, where over 25,000 permits were pulled, the highest since 2009. If interest rates go back down to 5 percent, another boom may be triggered; however, current supply chain issues could create challenges.

Cape Coral is experiencing steady population growth and is now the 7th largest city in Florida with an influx of residents from the Chicago area. Half of the top ten fastest growing metro areas are in Florida thought to be due to weather and no State income tax. At build-out, projected in 50 years, the population of Cape Coral is expected to double to about 430,000 residents.

Ms. Lassiter shared information on many residential, retail, utility, and healthcare projects. She closed her presentation with a review of long-range transportation studies and plans, and a long list of additional multi-family developments with over 10,000 units in Cape Coral, North Fort Myers, and Lehigh Acres.

Mr. Avin informed the Board that from 2018 to 2022, electric vehicles (EVs) have grown to about 5.3 percent, or about 3,600, of the 68,000 cars sold in 2022 in Southwest Florida. Also in 2022, the Federal Highway Administration approved the Florida Department of Transportation's (FDOT) Electric Vehicle Infrastructure Plan granting an estimated $198 million over five years to address EV charging infrastructure issues. Florida's Electric Vehicle Master Plan will support both short-range and long-range EV travel, encourage the expansion of EV use in the state, and serve evacuation routes in the state.

12. <u>Electric Vehicle Market and Infrastructure Update</u>

Staff from Customer Care and Electric Operations recently attended an FDOT Electric Vehicle Utility Workshop. At the workshop, 15 gaps were identified on Florida's Interstate system, of which only one, on Bayshore and Interstate 75, affects LCEC. The role of the utilities will be to work closely with those who wish to provide the service to ensure that appropriate infrastructure can be put in place. This will be done through LCEC's normal application process for new service.

12. Electric Vehicle Market and Infrastructure Update (cont.)

Mr. Avin reviewed types of chargers and their effect on the customer's service requirements and on the grid. Level 3 charger is equivalent to 15 air-conditioning units and will require upgrades to the grid and existing service, to which a "contribution in aid of construction" (CIAC) charge will be applied. For new construction, needs will be evaluated through the application process, and CIAC will apply. Staff will continue to monitor EV charger load growth through the planning cycle. Any forecasted overload conditions will be addressed in the long-range plan.

As for the installation of charging stations, the commercial market should make the investment and accept the business risks. LCEC will stay informed and conduct business as usual, making any adjustments needed. For public Level 2 charging, LCEC currently services 6 locations with a total of 19 ports. For Level 3-4, LCEC serves one location with 12 ports.

13. 2023-2026 Strategy Update

Ms. Smelker stated that the LCEC strategy represents the path forward as a trusted provider of electric service to the LCEC community. Whether a Cat 5 hurricane or a three-year pandemic, LCEC's long-standing history as an organization of 82 years serves as a foundation to move forward with resiliency.

In 2022 the leadership team worked on developing a common vision for the next several years, including challenges that might be faced. Out of this work, four strategic priorities were created to extend through 2026. Sustain to Serve encompasses everything needed to build and maintain the infrastructure and distribute electricity to members and will focus on planning, reliability, affordable rates, and safe operations. Member Experience will encompass an excellent member experience and include emphasis on the benefits of membership in an electric distribution cooperative and a focus on the Customer Experience Index (CEI). Community Partner will encompass upholding the cooperative principle of community partnership by not only continuing with the community involvement members know but expanding it where it makes sense to reach even more customers and involve even more employees. High-Performing Workforce will encompass a workforce that will lead into the future and focus on competitive pay and benefits, engaging work, and lasting relationships. These strategies and their components will be evaluated annually. Each priority has specific planned initiatives that will move the priority forward. Examples include a plan for improving the CEI by providing members with optimal service levels and reduced wait times during high-call-volume months; developing and implementing an Employee Community-Volunteer Program resulting in 320 Volunteer Time Off (VTO) hours completed by year-end 2023; and implementation of a new Human Resources system that will improve the employee experience from hiring to management of performance and development, improve the employee voice, and provide a centralized solution for workforce management.

14. First-Floor Construction Contract Consideration

This item was taken up in Executive Session.

15. Bayshore Substation Underground Contract Consideration

This item was taken up in Executive Session.

There was no other business — 16. Other Business

The Board went into Executive Session. — 17. Executive Session

The Board returned to Regular Session and took the following actions. — 18. Return to Regular Session

MOTION was made by Trustee Turbeville to authorize the CEO to award the contract for renovation and construction of the first-floor main building to Compass Construction as presented. Seconded by Trustee Pritchett and unanimously approved. — MOTION APPROVED

MOTION was made by Trustee Woodward to authorize the CEO to award Bayshore Substation Underground Contract 2023-SS-01 to The L.E. Myers Co. as presented. Seconded by Trustee Flannery and unanimously approved. — MOTION APPROVED

MOTION was made by Trustee Beam to authorize the CEO to finalize the settlement with Tarpon Point as presented. Seconded by Trustee Woodward and unanimously approved. — MOTION APPROVED

MOTION was made by Trustee Beam at 11:42 a.m. to adjourn the meeting. Seconded by Trustee Flannery and unanimously approved. — 19. Adjournment

The next Board meeting will be May 18, 2023. — 20. Next Board Meeting, May 18, 2023

____

Craig Woodward, Secretary