

**CLOVERLAND ELECTRIC COOPERATIVE**

**MINUTES OF SPECIAL MEETING OF  
BOARD OF DIRECTORS**

OCTOBER 24, 2016

ST. IGNACE, MICHIGAN

Call to Order

A special session of the Board of Directors was held on Monday, October 24, 2016, in the St. Ignace Middle School auditorium in St. Ignace, Michigan.

Roll Call

Roll Call was taken and the following were present: Chairperson, Virgil Monroe, Vice-Chairperson, Charles Litzner and Secretary/Treasurer, Jerry Nettleton; Directors: Pete Legault, Ron Provo, Richard Newland, John Sawruk, Jason St. Onge and Carmine Bonacci. President and CEO, Dan Dasho, and Cooperative Attorney, Charles Palmer, were also present.

Additions and Modifications to Agenda

A Motion was made by Director Bonacci, seconded by Director Nettleton to approve the Agenda, as provided and that Motion passed unanimously.

Chairperson Monroe welcomed all members of the Board, members of the public and employees to the meeting. The purpose of the meeting was to present information regarding a proposed rate change, as well as changes to service charges and PSCR factors.

President and CEO, Dan Dasho, introduced all the employees present.

Bob Malaski then addressed the members present and indicated the process used to determine the proposed rate changes. Mr. Malaski presented information regarding the Cost of Service Study and the various methods used to determine an appropriate cost allocation. He also provided information regarding revenue requirements, as well as the proposed rate design. The goal of these items would be to bring the rates between the former Edison Sault Electric and Cloverland Electric Cooperative together.

Mr. Malaski also spoke with the members regarding the TIER Benchmark and the various proposals the Board had considered regarding the TIER.

Mr. Malaski then presented some examples of various types of billing classes and how the bills would be impacted by the proposed changes.

President Dasho provided information comparing the proposed rates of Cloverland Electric Cooperative with other cooperatives across the state. A discussion was held regarding the special service charges which had not been modified in many years and how the Cooperative was intending to bring those charges in line with the actual costs.

Mr. Dasho and Mr. Malaski presented information regarding the PSCR and the fact that that is a contingency fee used, if there are unexpected costs, which the cooperative could not anticipate. If those charges were not necessary, they would not be added to the bill.

The public was allowed to provide comment regarding the proposed modifications of the rates and charges. Various members of the Cooperative addressed the Board and asked questions about the various rate structures, the difference between residential, commercial and industrial rates. Some members indicated concerns regarding the economic situation of the area and suggested that other options could be explored, such as cutting costs, creating new generation, etc. The Board addressed these issues by indicating that the budget had already been greatly reduced in recent years. Specifically, cuts have been made to tree trimming and right-of-way budget and to salaries. The Board indicates that they do not feel any additional cuts could be made without affecting services to the members.

Members asked questions regarding the FERC cost, as well as the potential to make SSR payments related to the Presque Isle Power Plant and how that may affect rates. There were questions presented regarding the ability of the mines to opt out of local service, as well as the potential to have other members leave the Cooperative.

Members also expressed their consideration for the fact that minutes of the Board Meetings will now be published on the Cloverland webpage, as well as a "Thank You" to the linemen for the excellent service they provided over the years.

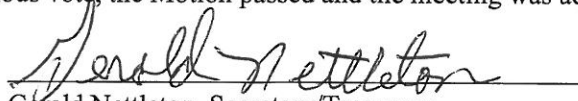
The Board then considered the resolutions before it. Resolution #1 was a resolution regarding the basic rate change. A Motion was made by Director Provo, seconded by Director Nettleton to approve the resolution authorizing a change in rates. Discussion was held regarding the timing of the vote, the fiduciary duty of the Board to the Cooperative, the issue of member regulation, as it relates to the rate changes, and the notice that was give to the members regarding the special meeting. After discussion of the Resolution, a roll call vote was taken. Directors voting "yes" were Directors Provo, Legault, Litzner, Nettleton, Newland, and Chairperson Monroe. Directors voting "no" were Directors St. Onge, Bonacci and Sawruk. The Motion passed on a 6 to 3 vote.

Directors then considered Resolution #2, which would modify its service charges. A Motion was made by Director Litzner, seconded by Director St. Onge to adopt Resolution #2. Discussion was held regarding the Resolution and a vote was taken and that Resolution passed unanimously.

The Board then considered Resolution #3 regarding PSCR factors for 2017. A Motion was made by Director Litzner, seconded by Director Legault to adopt the Resolution. Discussion was held regarding the Resolution and the Motion passed unanimously.

A Motion was made by Director Sawruk, seconded by Director Legault to adjourn the meeting. Upon unanimous vote, the Motion passed and the meeting was adjourned.

By:

  
Gerald Nettleton, Secretary/Treasurer