

REGULAR MEETING OF THE BOARD
CLOVERLAND ELECTRIC COOPERATIVE
SAULT STE MARIE, MI | CITY HALL CHAMBERS
SEPTEMBER 25, 2018

Call to Order

A regular meeting of the board of directors of Cloverland Electric Cooperative was held on Tuesday, September 25, 2018, at the City Hall Chambers, Sault Ste Marie, Michigan.

Chairperson St. Onge called the meeting to order at 9:30 a.m. and led the board in the Pledge of Allegiance.

The board recited the Mission Statement.

Roll Call

Roll Call was taken and the following directors were present: Chairperson St. Onge, Vice Chairperson Sawruk, Secretary/Treasurer Bonacci, Directors Monroe, Legault, Provo, Nettleton, Oberle and LaLonde. Interim CEO Aaron Wallin, Directors of Generation, Operations, Engineering, Information Technology were also present. Manager of Human Resources Becky Mills was also in attendance.

Agenda

Chairperson St. Onge informed the board that Dr. Mitchell will address the board during the President and CEO report.

A motion was made by Director LaLonde, supported by Secretary/Treasurer Bonacci to approve the agenda. All directors voted in favor and the motion passed unanimously.

Approval of the Minutes

Director Provo asked that going forward, the minutes show what time the meeting starts, as well as the adjournment time. There was a discussion regarding the agreement with LSSU.

A motion was made by Director Oberle, supported by Vice Chairperson Sawruk to approve the minutes as presented to the board. All directors voted in favor and the motion passed unanimously.

Public Comment

Ms. Witucki thanked the board for holding these open meetings of the board. A suggestion for next month would be to advertise in the keeping posted section of the newspaper.

Director Oberle discussed his draft of policy 104 which was previously presented to the board of directors.

A motion was made by Director Oberle, supported by Secretary/Treasurer Bonacci to amend policy 104, allowing the Chairperson to be able to appoint and designate committees of the board. A roll call vote was taken; directors Bonacci, LaLonde, Oberle, Sawruk and St. Onge voted in favor, directors Legault, Monroe, Nettleton, and Provo voted against. The motion passed with a 5/4 vote.

Chairperson Sawruk brought a member concern to the attention of the Director of Operations. Director Provo asked that Dr. Mitchell's schedule be distributed to the board of directors.

Executive Session

Chairperson St. Onge asked that Dr. Mitchell make his presentation to the board before going into executive session. Dr. Mitchell discussed his plans for the CEO Executive search.

A motion was made by Director LaLonde, supported by Director Monroe to enter into executive session at 10:00a.m.

The board returned to regular session at 11:00a.m.

Attorney Interview

Erin Evashevski entered the board meeting to interview for the board attorney position. Ms. Evashevski answered a number of questions presented by the board of directors.

Consent Agenda

A motion was made by Director Provo, supported by Director Monroe to accept the consent agendas as presented. A roll call vote was taken, all directors voted in favor and the motion passed unanimously.

Interim President and CEO Report

Aaron Wallin, Interim President and CEO discussed a number of points with the board of directors.

Mr. Wallin discussed the recent outage. Mr. Wallin thanked everyone who worked during the weekend hours away from their families. Director Provo asked why the Detour diesels were not run, Mr. Wallin informed him they don't have the black start capability.

Mr. Wallin will be attending the MECA meeting in October, along with Director Provo and Vice Chairperson Sawruk. Mr. Wallin discussed the cost involved and benefits of joining MECA.

Mr. Wallin discussed the PIPP, SSR payment issues. Mr. Wallin discussed the RUS plans as they were presented to him by an RUS representative. Director Oberle asked that Mr. Wallin present the rules to the programs to the directors as soon as possible. The loan extension request has been approved. The AV8 loan for the next work plan has also been approved.

Mr. Wallin discussed having a cooperative assessment done. Mr. Wallin suggested that once the new CEO starts, to allow that person to run with a new assessment.

Mr. Wallin informed the directors that there is a group of staff working to finalize the purchasing policy. Director Provo discussed the donation process.

Mr. Wallin informed the board that we were able to join membership to MISO at no cost. We have not been MISO members in the past. Chairperson St. Onge suggested that we may need to get back into some of these organizations, but it may be better discussed in Executive Session.

Mr. Wallin discussed our current Cloverland Safety program CSI. We will be looking at a new program for the 2019 year.

Attorney Interview

Ms. Leanne Deuman entered the meeting to interview for the board attorney position. Ms. Deuman answered a number of questions provided by the board of directors.

Financials

Mr. Wallin discussed the Financials, Power Supply and PSCR as previously presented to the board of directors.

Mr. Wallin discussed the check register with the board of directors. There could be several invoices attached to each check. Mr. Wallin can start publishing the detailed report to the board going forward.

Chairperson of the Board Report

There was no report from the Chairperson of the Board.

Old Business

There was no old business.

New Business

The board discussed the United Way donation presented in the Member Services and Key account report.

A motion was made by Director Oberle to not donate to United Way, clarifying that he is opposed to all community donations. After receiving no support, the motion died for lack of support.

A motion was made by Director Monroe, supported by Director LaLonde to table the United Way donation until the next board meeting and further information can be found for other districts within the service area. Directors Bonacci, LaLonde, Legault, Monroe, Nettleton, Provo, Sawruk and St. Onge voted in favor of the motion. Director Oberle voted against. The motion passed.

A motion was made by Director Provo, supported by Vice Chairperson Sawruk to approve the estate retirements in the amount of \$2,542.13. A roll call vote was taken, all directors voted in favor, and the motion passed unanimously.

A motion was made by Director Provo, supported by Director Monroe to approve the capital credit resolution as presented to the board. A roll call vote was taken, all directors voted in favor and the motion passed unanimously.

A motion was made by Director Oberle, supported by Secretary/Treasurer Bonacci that the board seat an audit committee as described in Policy 105. Policy 105 was read to the board of directors:

I. OBJECTIVE

The Cooperative will establish a policy outlining the functions of the Audit Committee of the Board. The Audit Committee assists the Board in fulfilling its responsibility for oversight of the quality and the integrity of the accounting, auditing, and reporting practices of the Cooperative and such other duties as assigned by the Board.

II. POLICY

A. The Audit Committee shall be comprised of three or more Directors determined by the Board, with each satisfying the independence requirements of the Board.

To be considered independent for purposes of this policy, a member of the Audit Committee of the Cooperative may not, other than his/her capacity as a member of the Audit Committee, the Board of Directors, or any other Board committee:

1. accept any consulting, advisory, or other compensatory fee from the Cooperative, or
2. be an affiliated person of the Cooperative or any subsidiary thereof.

The Board shall appoint the Chairperson and other members to the committee.

If the committee Chairperson is not present, the committee, by majority vote, may designate a substitute Chairperson.

A majority of the members of the Audit Committee shall constitute a quorum of the committee. The vote of a majority of the members of the full committee shall be the act of the committee. Except as expressly provided in the by-laws of the Cooperative, or as required by law, the Audit Committee shall establish and revise its own rules of procedure.

- B. The Audit Committee is responsible for reviewing audit proposals for the annual financial review of the Cooperative.

After review, the committee will recommend to the Board or Director the hiring of audit accountants.

At the time of the review of audit proposals, the committee will determine the independence of the audit accountants. For purposes of this policy, auditor independence is construed to mean:

They, as a registered accounting firm (or an associated person thereof, as applicable) may not prepare or issue any audit report with respect to the Cooperative if the firm or associated person engages in any activity with respect to the Cooperative prohibited by any of Subsections (G) through (I) of Section 10 A of the Securities and Exchange Act of 1934, as added by this title, or any rule or regulation of the Commission or of the Board issued hereunder.

- C. The Audit Committee is expected to maintain free and open communication with the independent accountants, management, and employees of the Cooperative. In its oversight role, the Audit Committee is empowered to investigate any matter brought to its attention.
- D. The Audit Committee is empowered to retain, at their discretion, independent counsel, as they deem necessary.
- E. The Audit Committee shall review its activities with the Board in a timely fashion.

III. RESPONSIBILITY

While the Audit Committee has the authority and responsibility set forth in this policy, the Audit Committee's function is one of oversight. The Cooperative's management is responsible for preparing the Cooperative's financial statements and for developing and maintaining systems of internal accounting and financial controls, while the independent accountants will assist the Audit Committee and the Board in fulfilling their responsibilities for their review of financial documents and internal controls.

Directors Bonacci, Oberle, and Sawruk voted for the motion, Directors LaLonde, Legault, Monroe, Nettleton, Provo and St. Onge voted against the motion. The motion failed.

A motion was made by Director Monroe, supported by Director Nettleton to engage Harris Group as Cloverland's audit firm. A roll call vote was taken, all directors voted in favor and the motion passed unanimously.

The December board meeting will be on Tuesday, December 11 in Sault Ste Marie, MI at 9:30 a.m.

Mr. Wallin will have the budget presented to the board at the next regular meeting of the board.

Chairperson St. Onge asked when the last time we looked at the district map. Chairperson St. Onge would like to have staff look at those numbers and determine if new lines should be marked.

Francis Esselman, Vice President of Proven Compliance Solutions, presented the NERC Internal Compliance Program to the board of directors.

Executive Session

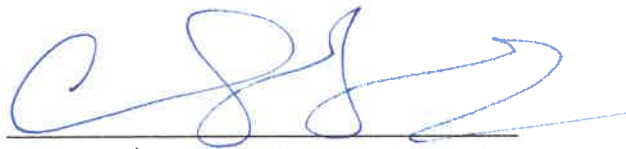
A motion was made by Director LaLonde, supported by Secretary/Treasurer Bonacci to enter into executive session at 2:27p.m.

The board returned to regular session at 3:23p.m.

A motion was made by Director LaLonde, supported by Director Provo to hire Ms. Erin Evashevski as board attorney. Directors Oberle, Provo, St. Onge, LaLonde, Legault, Monroe and Nettleton voted for the motion. Directors Sawruk and Bonacci voted against the motion, to show support for Attorney Leanne Barnes Deuman. The motion passed.

Adjournment

A motion was made by Director Provo, supported by Director Legault to adjourn the meeting of the board at 3:24p.m. All directors voted in favor and the motion passed unanimously.



Secretary/Treasurer Carmine Bonacci