

RAPPAHANNOCK ELECTRIC COOPERATIVE
BOARD OF DIRECTORS MEETING

MINUTES

WEDNESDAY, FEBRUARY 15, 2023

The regular meeting of the Board of Directors of Rappahannock Electric Cooperative (“REC”) was held at REC’s headquarters office, located at 247 Industrial Court, Fredericksburg, VA 22408, on Wednesday, February 15, 2023, pursuant to a five-day prior notice, all in accordance with REC’s Bylaws. The following directors were present:

Eugene L. Campbell, Jr., Darlene Carpenter, Linda R. Gray, Eric T. Paulson, Sanford Reaves, Jr., Christopher G. Shipe, Randy Thomas, and J. Mark Wood. Michael W. Lindsay via video conference.

Also present were:

*President & Chief Executive Officer, John D. Hewa
Chief Engagement & Consumer Officer, Tracey Steiner
Chief Administrative & Finance Officer, Lawrence (Larry) G. Andrews
Chief Strategy, Technology & Innovation Officer, Peter Muhoro
Chief Engineering and Grid Operations Officer, John Arp
Assistant Secretary & Executive Assistant, Whitney S. Watts
General Counsel, Charles W. Payne, Jr.*

The following REC staff joined the meeting for various presentations:

Managing Director – Regulatory Affairs and Compliance, Brian Doherty
Managing Director – Member Services, Kris Sieber
Director – Economic Development, Felicia Ainsa
Director – Government Affairs, Lindsey Watson
Director – Member Services, Joanie Griffiths
Director – Strategy Execution & Enterprise Risk Management, Justin Cruise

Chairman Shipe called the meeting to order at 10:00 a.m. Thereafter, with Mr. Shipe presiding, and with these minutes being transcribed under the direction of Secretary Linda R. Gray, the following proceedings took place (all action being first duly moved and seconded, and all action taken being upon the unanimous vote of the board, or without dissenting vote or abstention, unless otherwise stated).

Linda Gray gave the meeting invocation.

Approval of Agenda

Chairman Shipe called for any changes, edits, or additions to the agenda. Hearing none, the **board voted to approve the agenda for the February 15, 2023 meeting.**

Introductions & Announcements

Chairman Shipe began the announcements by recognizing director Sanford Reaves, Jr. for earning the Director Gold Certification from NRECA. He then announced that REC was once again the top contributing campaign for ACRE in 2022, as recognized by the VMD Association.

Mr. Hewa then updated the board on the retirement of Marc Seay, Managing Director – Information Technology and Cybersecurity, which will occur on April 1. He was pleased to report that REC has selected Bret Elliott, current Director – IT Infrastructure and Networking to fill this role upon Marc’s retirement. He then reminded the board that the director nomination period is open until March 1.

Approval of the Consent Agenda

Chairman Shipe asked if there were any changes or corrections to the Meeting Minutes. After review and discussion of the Consent Agenda, the Board **voted to accept the Consent Agenda containing the Minutes of the January 18, 2023, regular Board meeting, the January 2023 Safety Report, and the triennial policy review of the**

following policies: Origin, Approval and Distribution Policy, Retention of Legal Counsel Policy, Interrelationship Between the Board and CEO Policy, Assistance to Other Electric Cooperatives and Utilities in Emergencies Policy, Monetary Support Policy, and the Independent Audit of Accounting & Financial Records Policy.

CEO Update

Mr. Hewa provided remarks on two important factors impacting utilities on a daily basis: EVs and natural gas markets. He shared an article from the Wall Street Journal highlighting the necessary spending that will need to take place by distribution utilities for a successful transition to electric transportation. He noted that estimates show investments needed of up to \$5,900 per EV by the year 2030. This would equate to roughly \$530M for REC, if in fact it is realized. While REC has been proactive in studying this for some time, the article is the first detailed mainstream news article specifically calling out challenges to local utilities.

He then addressed the gas markets, which were largely responsible for the significant increase in power supply costs across the US, and therefore to REC members last year. Current indications are that markets are settling, and relief could come later this year. REC, along with ODEC, continues to watch this trend and will pass along any available rate relief as soon as it is available.

Unfinished Business

There was no unfinished business to come before the board.

Reports

Preliminary December 2022 Operating Report

Larry Andrews presented the preliminary December 2022 Operating Report. He reviewed significant variances that impacted the budget. He noted that revenues are higher primarily due to the cost of power. Year-to-date Operating Margins ended at \$452,429, Non-Operating Income was \$7.6M, and Net Margins were \$8M. After questions and discussion concluded, **the Board voted to receive the preliminary 2022 Operating Report as presented.**

Report of the President

Mr. Hewa provided an update on Cooperative business over the past month. Mr. Hewa shared an update on the status of the strategic plan process and timeline. The board will have a workshop in March with the goal of voting to approve the plan in June, for an August delivery to the membership. Lindsey Watson, Director – Government Affairs joined the meeting for a legislative update. She provided summary comments on the General Assembly session and highlighted areas of interest to the Cooperative. Mr. Hewa commented on the ongoing supply chain constraints, specifically around pole availability. Staff continues to seek alternative suppliers and resources to maximize available materials.

Mr. Hewa then shared several opportunities of collaboration with other co-ops, including several site visits and idea sharing sessions. Lastly, he shared an update on REC's grant applications, including that REC received an "encouraged to apply" response to its Smart Grid concept paper.

Attorney's Report & Executive Session

The Board voted to enter executive session for the attorney's report and executive session agenda items at 11:21 a.m. The Board recessed the executive session at 12:30 p.m. and resumed at 1:05 p.m. and after proper motion, voted to exit executive session at 2:00 p.m. The board entered executive session for purposes of discussing legal, employment, negotiations with third parties, or other items of business controlled by non-disclosure agreements or other confidentiality requirements.

No action was taken during executive session.

New Business

Project Big Heart Annual Update

Joanie Griffiths, Director – Member Services and Community Relations and Project Big Heart (PBH) Chair, and Kris Sieber, Managing Director, Member Services joined the meeting. Ms. Griffiths provided the 2022 PBH report, which showed strong participation from employees. Ms. Griffiths shared that some traditional events have started to return following the pandemic, and PBH donations through payroll deduction have remained strong. She looks forward to more events returning in 2023 for PBH and REC employees. Following a discussion, the board voted to donate \$12,000 to Project Big Heart to be evenly divided amongst the chapters. The board also supported this donation be used for CoBank’s matching grant program. Staff will follow up on the CoBank application for 2023.

ERM Update

Justin Cruise, Director - Strategy Execution and Enterprise Risk Management joined the meeting for the ERM update. He provided updates on REC’s risk maturity, as well as shared risk dashboards and other insights. He then discussed business continuity planning and associated activities that are ongoing. He shared a snapshot of various insurance policies and details. He closed with discussion of the risk register and the mitigation strategies REC is deploying for each risk. The board had a discussion with staff on various risk related items.

Governance Discussion

Chairman Shipe asked the board to consider a few governance items for future discussion. This included director term limits, director self-assessments, and board evaluations.

March Member Communications Review

The board received a preview of the planned March member communications.

Chairman Shipe called for any further business.

There being no further business, **the Board voted to adjourn at 4:11 p.m.**

Linda R. Gray, Secretary

Attest:

Christopher G. Shipe, Chairman