

RAPPAHANNOCK ELECTRIC COOPERATIVE
BOARD OF DIRECTORS MEETING

MINUTES

THURSDAY, APRIL 20, 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 Thursday, April 20, 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, Michael W. Lindsay, Eric T. Paulson, Sanford Reaves, Jr., Christopher G. Shipe, Randy Thomas, and J. Mark Wood.

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
Director – Energy Solutions and Clean Energy, Joyce Bodoh

Chairman Shipe called the meeting to order at 10:42 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).

Darlene Carpenter 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 April 20, 2023 meeting.**

Introductions & Announcements

Mr. Hewa introduced Eliza Obenchain as Administrative Assistant to Executive Management. She fills a vacancy left as Chelsea Wright transitioned to working on special projects in economic development. He also shared that Felicia Ainsa, Director – Economic Development earned her Certified Key Account Executive Designation from NRECA. Tracey Steiner then shared that the Communications Department received two Spotlight on Excellence Awards from NRECA; a gold for PowerLines, and a silver for a safety video. Mr. Hewa then shared that Tracey Steiner will replace Peter Muhoro on the Virginia Renewable Energy Alliance Board at the end of April. John Arp will be presenting to Department of Energy in the coming weeks on transformer material standards and their impact on supply chain.

Mr. Hewa highlighted a press release on the Better Future Farms announcement, which is a large economic development project that REC has been working on for some time. Lastly, he reminded the board that there is a member comment session coming up in May, as well as meetings with board candidates for this year's director elections.

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 26, 2023, special called Board meeting, the March 2023 Safety Report, the 2022 RUS Form 7, and the Q4 2022 Capital Budget.**

CEO Update

Mr. Hewa discussed the recently released Energy Transition in PJM report. He focused on both policy and growth and how they are affecting the market. He noted that there are real inconsistencies in the messaging and this report is the first true look at how policy decisions for supply will impact PJM, and therefore its customers, in the years to come.

Unfinished Business

There was no unfinished business to come before the board.

Reports

December 2022 Final Operating Report

Larry Andrews presented the final operating report for 2022. He focused on variances to the December 2022 preliminary report that was given previously as well as variances to the 2022 annual budget. Final net margins are \$5.8M, with operating margins of -\$2.2M. Following discussion, the board voted to accept the **December 2022 Final Operating Report**.

Finance Committee Report

The Finance Committee met prior to the Board meeting to receive the 2022 REC consolidated financial statements and the C.A.R.E. Charity, Inc financial statements. All REC Directors attended the Finance Committee meeting. Each Board member was provided a copy of the REC consolidated financial statements for years ended 2022 and 2021, as well as the C.A.R.E. Charity, Inc. audited 2022 and 2021 financial statements.

REC's Managing Director - Administrative Services/Controller, Tosh Bowe; Director of Accounting and Internal Controls, Rebecca Messerle; the Adams, Jenkins & Cheatham (AJC) partner overseeing the 2022 audit, Steve Gilliam; and Tim Davenport of AJC joined the Finance Committee meeting. During the Finance Committee meeting, Mr. Gilliam reviewed the audit processes and offered an executive session independently with the Board. Mr. Gilliam acknowledged the strength of REC's accounting staff noting there were no adjusting entries booked after the audit. He stated the Cooperative ended 2022 in a strong financial position, despite the major storm (Winter Storm Frida) that impacted REC on January 3, 2022. Mr. Gilliam then reviewed the AJC opinion letters. He included a review of the 2022 audited financials for C.A.R.E. Charity, Inc. There were questions and discussion throughout the report. After discussion concluded, **the Board voted to approve the 2022 Audit Reports as presented.**

February 2023 Operating Report

Mr. Andrews presented the February 2023 Operating Report. Of note, REC sold 95.8M fewer kilowatt hours YTD than budgeted due to a mild January and February. He informed the board that staff was aware and was being ever mindful of cost control. Operating Margins were \$3.63M and Non-Operating Margins were \$974,841 with Net Margins totaling \$4.6M. Finally, Mr. Andrews informed the board that REC received approval from the State Corporation Commission on the depreciation study rates. Following the presentation, the **board voted to accept the February 2023 Operating Report.**

Report of the President

Mr. Hewa provided an update on Cooperative business over the past month. He shared highlights from the Cooperative's Safety Days, which occurred in all four offices this month. He and Ms. Steiner provided details on the upcoming Get Connected event on May 4 at Graves Mountain Lodge. He then shared that REC has funded a scholarship at the Southeast Lineworker's school to provide housing support to those attending the program. Mr. Hewa shared an update on a recent meeting with Secretary Caren Merrick from Governor Youngkin's office. She is interested in supporting infrastructure needs across the state. He then shared several upcoming engagements including a data center panel with the Fredericksburg Regional Alliance, a presentation to the Virginia Chamber of Commerce Board, and a visit from the CFC senior staff. Work continues in supply chain

advocacy, and to that end, REC is collaborating with the Small Business Administration, Department of Energy, and the CARES Coalition.

The C&I Meter Audit is nearing completion, with no significant findings at this time. Dr. Muhoro and the team working on grant applications submitted two additional concept papers in the last month, totaling \$120M in possible funding.

REC is co-hosting the spring ALDC meeting April 30-May 3. Mr. Hewa thanked Ms. Watts for her work on this project. There are 200+ attendees registered to attend with a strong agenda and speaker lineup planned. He closed the report by sharing a draft copy of the Annual Report. Final edits are being made by staff and a final report will be available for distribution next month.

Attorney's Report & Executive Session

The board voted to enter executive session for the attorney's report and executive session agenda items at 12:08 p.m. and after proper motion, voted to exit executive session at 1:32 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

Summer Savings Program

Joyce Bodoh, Director – Clean Energy and Energy Solutions, and Brian Doherty, Managing Director – Regulatory Affairs and Compliance, joined the meeting to present the Summer Savings Program. The program, formerly known as Peak Time Rebate, is transitioning from a pilot program to a permanent offering, and would include modifications to capture additional wholesale power cost savings through reduced peak demand. Ms. Bodoh shared several examples of program success over the past few years. Following the presentation, the **board voted to adopt the resolution to approve implementation of a voluntary peak time rebate program.**

Resolution # 2023-04-01

RESOLUTION

To Approve Implementation of a Voluntary Peak Time Rebate Program

WHEREAS, the costs of wholesale capacity obligations set by member demand for energy during peak hours determine a significant portion of the Cooperative's wholesale power costs; and

WHEREAS, engaging members to help reduce demand to manage wholesale power costs has the potential to benefit the Cooperative's membership by providing ongoing operational, financial, and environmental benefits; and

WHEREAS, providing a direct economic benefit to those members who voluntarily and actively provide measurable load reduction during peak demand periods is appropriate and encourages greater member engagement and participation; and

WHEREAS, the Cooperative has undertaken an extensive evaluation of the existing Peak Time Rebate pilot program and found it to be an economically viable option for reducing wholesale power costs, particularly relative to the Regional Transmission Organization's 5 (five) Coincident Peak Hours; and

WHEREAS, the proposed voluntary Peak Time Rebate program (developed from the Peak Time Rebate pilot program) encourages eligible residential and small commercial members to voluntarily reduce their electric usage during peak periods, upon notification

from the Cooperative, in exchange for an incentive-based rebate that will be reflected on participating members' bills, with no penalty for nonparticipation; and **WHEREAS**, in accordance with the Board's authority, pursuant to Virginia Code § 56-585.3.A.8., which generally states in part that each cooperative may upon an affirmative resolution of its board of directors and without the Virginia State Corporation Commission (the Commission) approval approve any voluntary tariff, and cost recovery therefor, and shall promptly file any such tariff with the Commission for informational purposes only; and

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of Rappahannock Electric Cooperative does hereby approve and establish the voluntary Peak Time Rebate (PTR) Schedule as attached hereto as Attachment 1 (as hereafter may be reasonably modified by the staff or counsel of the Cooperative) which codifies the Board's decision to implement the voluntary PTR tariff.

Certificate of Secretary

I, Linda R. Gray, Secretary of the Board of Directors of Rappahannock Electric Cooperative, acting pursuant to Article VI, Section 7 of REC's bylaws as amended and restated on May 20, 2020, do hereby certify that the above is a true and correct copy of a resolution adopted by the Board of Directors of REC at a meeting held on April 20, 2023, as reflected in Rappahannock Electric Cooperative's minute book and that the same has not been rescinded or modified in any way.

This, 20th day of April, 2023

Linda R. Gray, Secretary

Approve 2022 Assignment of Margins and Patronage Allocation

Directors received a copy of the Resolution to approve the 2022 Patronage Capital Allocation along with the Assignment of 2022 Net Margins Report that shows the breakdown of patronage by rate class. After review and discussion, **the Board voted to**

approve the Resolution to Approve 2022 Patronage Allocation as presented.

Resolution # 2023-04-02

Approve 2022 Patronage Allocations

Resolution to Approve 2022 Patronage Allocations

- WHEREAS,** the auditors of Adams, Jenkins and Cheatham, certified public accountants and business consultants, have completed the annual independent audit of Rappahannock Electric Cooperative's (REC) 2022 financial statements ("Statements"); and
- WHEREAS,** the Board of Directors has accepted and approved the Financial Audit of the 2022 Financial Statements; and
- WHEREAS,** the 2022 net margins have further been confirmed and determined in accordance with the Capital Credits Board Policy; and
- WHEREAS,** in 2022, Rappahannock Electric Cooperative recorded a total of \$5,806,123 net margins including \$3,489,530 from ODEC patronage and \$2,316,593 from REC operations; and
- NOW, THEREFORE, BE IT RESOLVED** the Board of Directors of Rappahannock Electric Cooperative hereby approves, in accordance with the foregoing and the Statements, the allocation of \$5,806,123 net margins to Rappahannock Electric Cooperative members' Capital Credit accounts, as provided therein.

Certificate of Secretary

I, Linda R. Gray, Secretary of the Board of Directors of Rappahannock Electric Cooperative, do hereby certify that the above is a true and correct copy of a resolution adopted by the Board at a meeting held on April 20, 2023.

This 20th day of April, 2023.

Linda R. Gray
Secretary

Board Travel & Training

The board voted to approve the following voting delegates and alternates:
CFC Voting Delegate: Sanford Reaves, Jr. Alternate: Peter Muhoro
CRC Voting Delegate: Sanford Reaves, Jr. Alternate: Peter Muhoro

May Member Communications Review

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

Chairman Shipe called for any further business. Ms. Gray shared that the scholarship committee of VMDEAC had met, and that nine scholarships were being awarded in REC's territory. Mr. Campbell reminded the board of the upcoming Gaff N Go Lineworker's Rodeo, May 19-20 at the Meadow Event Park. He noted there were 37 teams and over 100 participants registered.

There being no further business, **the Board voted to adjourn at 2:25 p.m.**

Linda R. Gray, Secretary

Attest:

Christopher G. Shipe, Chairman