

RAPPAHANNOCK ELECTRIC COOPERATIVE  
BOARD OF DIRECTORS MEETING

**MINUTES**

WEDNESDAY, MAY 18, 2022

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, May 18, 2022, 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 team members joined the meeting for various presentations:*

Managing Director – External Affairs, Brian Doherty  
Managing Director – Member Services, Kris Sieber  
Director – Member Services – David Johnson

Chairman Shipe called the meeting to order at 10:20 a.m. Thereafter, with Mr. Shipe presiding, and with these minutes being transcribed under the direction of Secretary Sanford Reaves, Jr., 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).

Gene Campbell 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 May 18, 2022 meeting.**

### **Introductions & Announcements**

Chairman Shipe recognized fellow board members on their recently earned NRECA director credentials. Eric Paulson earned his Credentialed Cooperative Director (CCD), Gene Campbell earned the Board Leadership Certificate (BLC), and Mark Wood achieved Director Gold. He thanked them for their ongoing commitment to learning and development of the cooperative.

Mr. Hewa then recognized the Culpeper office for one year without a lost time accident. The board specifically praised this achievement and expressed sincere thanks to the employees for their commitment to safety.

Mr. Hewa then informed the board that Jeff Henry has been promoted to Director of Member Services and Community Relations in the Culpeper office. Mr. Henry succeeds Oliver Price, who retired earlier in the month following a distinguished 40+ year career. Mr. Hewa also recognized Peter Muhoro who was awarded the Chairman's award from UTC.

He closed the announcement portion by congratulating the entire REC team for their recent performance in the Gaff N Go rodeo, held May 13-14. The board thanked Mr. Campbell for his leadership on the Gaff N Go committee.

Chairman Shipe called for a recess at 10:35am for purposes of conducting candidate interviews for the 2022 director elections. The following interviews were held:  
Region VI: Milton Bush, Joy Carter Minor, Mack A. Wright, Jr., and Linda R. Gray

Following the recess, Chairman Shipe reconvened the meeting at 2:21 pm.

### **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 April 14, 2022, regular Board meeting, the April 2022 Safety Report, the March 2022 Operating Report, and the Q1 2022 Capital Expenditure Report.

### **Unfinished Business**

There was no unfinished business to come before the board.

### **Reports**

#### **HR Committee Report**

The Human Resources Committee met prior to the Board meeting. Mr. Reaves reported that the HR Committee reviewed market research on wages, which was initially presented at the April HR Committee meeting, and also discussed the proposed market adjustment. The staff recommendation for 2022 is an approximate 7% increase for line workers and other technical field workers, and an approximate average increase of 4% for other positions. This would be effective July 1. After discussion, **the board voted to approve the committee's market adjustment recommendation of an approximate 7.00% increase for line worker and technical field staff, and 4.00% approximate average increase for other positions.**

#### **Report of the President**

Mr. Hewa provided an update on Cooperative business over the past month. He began by providing an update on the director election timeline, noting everything is on track and following the published schedule. He then updated the board on several supply chain related efforts that REC is working on alongside the VMD. Lead times, price, and availability of purchases continues to be a major challenge. REC will quickly be faced with decisions relating to work plan, new connections, and other projects. Staff is continuing to develop mitigation strategies and will continue to update the board on this. As part of this discussion, Mr. Hewa shared a recent letter from the VMDAEC CEO group to NRECA on their advocacy efforts, as well as NRECA's response. He also noted that he is leading a taskforce with VMD to bring attention to this issue with elected officials.

He then turned to Ms. Steiner to provide a briefing on the upcoming Get Connected event, to be held on June 2.

After a short discussion, Mr. Hewa concluded his report.

#### **Attorney's Report & Executive Session**

**The Board voted to enter executive session for the attorney's report and executive session items at 2:52 p.m. and after proper motion, voted to exit executive session at 4:08 p.m.** The board entered executive session for purposes of discussing legal, employment, negotiations with third parties, or other items of business controlled by NDA or other confidential requirements.

No action was taken during executive session.

### **New Business**

#### **Streamline Rate Case**

Brian Doherty joined the meeting to give an update on the need for a streamlined rate

case. He reviewed the factors affecting rates and focused on areas that have changed since the ten year rate forecast was given in the fall of 2021. Following discussion, the **board voted unanimously to approve the Resolution to Approve Application for a Streamlined Rate Case.**

Resolution # 2022-05-01

## **Approve Application for a Streamlined Rate Increase**

**WHEREAS,** positive financial performance is essential to properly serve Rappahannock Electric Cooperative (“REC” or “Cooperative”) members, including but not limited to, providing member services, performing routine maintenance, ensuring adequate delivery system capacity, acquiring needed loan funds at favorable terms, and meeting credit obligations; and

**WHEREAS,** the Virginia Administrative Code provides that the Cooperative may file an application for streamlined rate relief to the Virginia State Corporation Commission wherein the Cooperative may request additional revenue equal to or less than four percent (4%) of total operating revenue such that the Cooperative’s times interest earned ratio does not exceed two and a half (2.5) without changes to the Cooperative’s rate structure; and

**WHEREAS,** the Cooperative’s 2021 year-end TIER was 2.0; and

**WHEREAS,** Cooperative management has implemented necessary and appropriate cost control efforts, yet the Cooperative’s financial forecasts as well as the global macroeconomic environment indicate that without additional distribution revenue there will be further erosion of financial metrics in future years; and

**WHEREAS,** Cooperative staff has determined that it is now necessary and appropriate to seek, through a streamlined rate application conducted in accordance with the applicable statutes of Title 56 of the Code of Virginia (including Chapter 10, Article 2: “Services, Rates, Charges, Etc..”) and Title 20 of the Virginia Administrative Code (“Streamlined rate proceedings and general rate proceedings for electric cooperatives subject to the State Corporation Commission’s rate jurisdiction.”); and

**WHEREAS,** such additional distribution rate revenue should be adequate to ensure the Cooperative exceeds the requirements of its mortgage obligations, meets the goals of its Equity Management Plan, and timely retires capital credits to its members; and

**WHEREAS,** the rates of the Cooperative should, to the degree possible and appropriate: adhere to the generally accepted rate design practice of cost causation; provide for equitable rates of return among the revenue classes; recover the full and actual costs of providing electricity supply service; and

**WHEREAS,** the Cooperative intends to file a streamlined rate application with the Virginia State Corporation Commission in the third quarter of 2022, seeking approval for increased distribution rates (without modification to its rate structures), with a proposed effective date of January 1, 2023;

**NOW, THEREFORE, BE IT RESOLVED,** that the Board of Directors of Rappahannock Electric Cooperative does hereby approve filing with the Virginia State Corporation Commission an Application for a Streamlined Rate Proceeding and such other modifications to the Cooperative’s Tariff and Terms and Conditions that may be necessary; and

**BE IT FURTHER RESOLVED,** that the Board of Directors of Rappahannock Electric Cooperative hereby authorizes and directs the President and CEO of the Cooperative to promptly prepare and file such Application and any and all testimony and evidence in support of the Application.

### **Certificate of Secretary**

I, Sanford Reaves, Jr., 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 of Directors at a meeting held May 18, 2022, as reflected in Rappahannock Electric Cooperative’s minute book and that the same has not been rescinded or modified in any way.

This 18<sup>th</sup> day of May, 2022.

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Sanford Reaves, Jr.  
Secretary

### **Repurpose of 2022 Capital Budget Item**

Larry Andrews shared with the board a recommendation to repurpose an approved capital project in the 2022 budget. Previously there was a garage door project approved for the Culpeper facility. Facilities is recommending that project be postponed until 2024, and the dollars allocated for it be used instead for repaving of the facilities at 247 and 249 in the Fredericksburg location. This will make a significant improvement to the safety of the parking lots at the headquarters location. The board supported this repurposing of funds.

### **Debt Charge Off Presentation**

REC's Director of Member Services, David Johnson, and Managing Director of Member Services, Kris Sieber, joined the meeting to present the annual charge-off report. Ms. Sieber provided the 2020 Annual Charge-off Report presentation. This was delayed from the normal schedule due to the COVID 19 pandemic and related disconnect moratorium. The billing and collection timeline, deposit process, as well as annual charge-off statistics and comparisons were reviewed with the Board. Ms. Sieber indicated that REC's practices in reducing bad debt is helping REC outperform industry standards. After questions and discussion, the Board approved charging off a total of \$300,446 – (\$230,153 electric service accounts, and product and service accounts, and \$70,293 of non-electric service accounts).

### **Capital Credits Presentation**

Larry Andrews reviewed staff's recommendations for 2022 Capital Credit retirements, which were provided to the board in advance. Staff provided an itemization of capital credit retirements and current statistics. **After detailed discussion, the Board voted to approve the estate retirement amount for 2022-2023 of up to \$3,000,000 and the Board voted to approve a REC general retirement for 2022 of up to \$7,000,000. Additionally, the board approved an ODEC retirement of up to \$2,500,000. The total 2022 retirements in all categories totals \$12,500,000.** These retirements are effective July 2022.

### **CoBank Bylaws Amendment Voting Delegate**

CoBank has proposed bylaws amendments which require REC to have a voting delegate. **The board voted to appoint Eric Paulson as the CoBank voting delegate.**

### **Board Policy Consideration**

The Board was presented with the Construction Contracts and Purchasing of Materials Policy for their consideration. The Board reviewed the policy and **voted to adopt the policy.**

### **June Member Communications Review**

The board received a preview of the June member communications and summary of communication reach for April.

Chairman Shipe called for any further business.

There being no further business, **the Board voted to adjourn at 5:11 p.m.**

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Sanford Reaves, Jr., Secretary

Attest:

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Christopher G. Shipe, Chairman