

RAPPAHANNOCK ELECTRIC COOPERATIVE
BOARD OF DIRECTORS MEETING

MINUTES

WEDNESDAY, AUGUST 09, 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, August 09, 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 Grid Engineering Officer, John Arp
Chief Grid Operations Officer, Jason Satterwhite
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 – Member Services, Kris Sieber
Managing Director – Regulatory Affairs & Compliance, Brian Doherty
Director of Member Services, David Johnson
Director of Cyber & Information Security Officer, Doug King
Director of Strategy Execution & Enterprise Risk Management, Justin Cruise
Director of Enterprise Analytics & Innovation, Eugene Hamrick
Data Analyst, Ayla Choudhery

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).

Sanford Reaves 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 August 9, 2023 meeting.**

Introductions & Announcements

Mr. Hewa shared with the board that John Medved – Director of Safety & Security Officer, has earned his Certified Loss Control Professional designation. He also shared that Tracey Steiner will be speaking at two upcoming events, the EUCI Women's Leadership webinar as well as CoBank's Water & Energy Executive Forum. He also noted that Doug King has been invited to the Virginia Cybersecurity Partnership. He closed by noting that Luca Tondin, Electrical Engineer, has been selected for the Leadership Fredericksburg Class of 2024.

Approval of the Consent Agenda

Chairman Shipe asked if there were any changes or corrections to the Consent Agenda. After review and discussion of the Consent Agenda, the Board **voted to accept the Consent Agenda containing the Minutes of the May 17, 2023 regular meeting, the June 28, 2023 regular meeting, the June 2023 Safety Report, the July 2023 Safety Report, the June 2023 Operating Report, the Q2 2023 Capital Report, the 2022 IRS**

Form 990 for REC, and the 2022 Form 990 for CARE Charity.

Unfinished Business

There was no unfinished business to come before the board.

New Business

CEO Annual Performance Evaluation

Chairman Shipe called for an executive session for the annual performance review of the CEO. The Board voted to go into executive session at 10:25am. Following the review, the **Board voted to exit executive session at 11:20am.**

No action was taken during executive session.

Following the executive session, the **Board voted to adjust CEO John Hewa's salary to the midpoint of the Korn Ferry compensation study.** For the board awarded portion of the CEO bonus potential, **the Board voted to award 95% of the eligible 15% of base salary.**

Term Limits

The Board continued its ongoing discussion on term limits. Following the discussion, **the Board voted to dissolve Board Policy #36 Director Term Limits and replace it with a Board Evaluation Process Policy.**

Electric Vehicle (EV) Pilot Program Presentation

Brian Doherty, Managing Director – Regulatory Affairs and Compliance, joined the meeting to review the Electric Vehicle Pilot Program. Mr. Doherty reviewed the program history, design, SCC directives and upcoming submissions, the preliminary results of the pilot, as well as recommendations for moving forward. Initial pilot program outcomes indicate that participants' charging behavior aligns with the stated goal of the EV pilot, is effective at shifting EV charging away from periods of high demand on REC's grid, and conservative estimates of the wholesale power cost savings directly attributable to the EV pilot supports the order of magnitude of the current bill credit. Recommendations moving forward are to continue the pilot for a third year, beginning May 2024, keeping the current \$7/month credit, and using the current participant cap of 400. Staff will then analyze year 2 and 3 program results with similar or greater scrutiny to determine the appropriate size of the bill credit and affirm charging behavior alignment.

Following the presentation, **the Board voted to adopt a Resolution to Approve Modifications to a Pilot Program to Incentivize Electric Vehicle Smart Charging.**

To Approve Modifications to a Pilot Program to Incentivize Electric Vehicle Smart Charging

Resolution to Approve and Adopt Modifications to the Cooperative's Tariff and Terms and Conditions for the EV Pilot Program

WHEREAS, on October 16, 2019, the Board passed a Resolution which, authorized the President and CEO of the Cooperative to seek such Virginia State Corporation Commission approvals as were necessary or convenient to conduct an Electric Vehicle Smart Charging pilot, and to take any and all other actions necessary to fulfill the intent of the Resolution, and

WHEREAS, on December 17, 2021, the State Corporation Commission issued a Final Order that, among other things, authorized REC to begin offering the Electric Vehicle Smart Charging pilot, and

WHEREAS, deployment of electric vehicles and associated load for charging such electric vehicles is forecasted to increase significantly throughout Rappahannock Electric Cooperative's service territory; and

WHEREAS, the Cooperative has undertaken an evaluation and determined that on-peak electric vehicle charging has the potential to significantly increase the Cooperative's capacity obligations, resulting in increased demand-related wholesale power costs; and

WHEREAS, the Cooperative has determined that an economic incentive in the form of a credit for off-peak charging may increase member engagement and positively influence member behavior relative to electric vehicle charging patterns; and

WHEREAS, such an economic incentive can also encourage member deployment of electric vehicles in support of beneficial electrification; and

WHEREAS, the Cooperative now desires to extend and expand for one additional year, beginning May 11, 2024, the pilot program to further evaluate the potential for a permanent Electric Vehicle Smart Charging program; and

WHEREAS, Cooperative staff, on August 9, 2023, has briefed the Board and executive management regarding the ongoing operation, performance, and extension of the Electric Vehicle Smart Charging pilot program, and

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of Rappahannock Electric Cooperative does hereby authorize the President and CEO of the Cooperative or his designee to seek such Virginia State Corporation Commission approvals as are necessary or convenient to extend the Smart Electric Vehicle Charging pilot program, and to take any and all other actions necessary to fulfill the intent of this resolution, including without limitation preparing, collecting, and providing for any and all testimony and evidence in support of the application described herein, and retaining necessary consultants and counsel to assist with the same.

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 August 9, 2023, as reflected in Rappahannock Electric Cooperative's minute book and that the same has not been rescinded or modified in any way.

This 9th day of August 2023.

Linda R. Gray
Secretary

NACD Cyber Oversight Report

Director of Strategy Execution and Enterprise Risk Management, Justin Cruise, and Director of Cyber and Information Security Officer, Doug King, joined the meeting to share insights from the National Association of Corporate Directors (NACD) recently issued Cyber-Risk Oversight Report. Key highlights from the report include governance insights, proven efficacy, crucial risk management, the board's understanding, collaboration and proactive engagement in cyber-risk discussion, and that guidance is adaptable for all organizations. Mr. King and Mr. Cruise addressed each of the principles in the report and closed the presentation by sharing REC's alignment as well as future recommendations. REC is well aligned and the Board is following industry best practices; of note is REC's board adopting Board Policy #38, which established and formalized the Information

Security and Cybersecurity Program, as well as the recent addition of the Board Risk Committee. Recommendations include continuing the Boards practice of having cyber review as a standing agenda item, evaluating and allocating necessary resources and staying up-to-date on cybersecurity trends.

Executive Benefit Restoration Plan Update

Due to recent internal organizational changes, the **Board voted to adopt a Resolution for the Third Amendment to the Benefit Restoration Plan.**

Resolution # 2023-08-02

RESOLUTION

Third Amendment to the Executive Benefit Restoration Plan REA#: Virginia 054 (47054-001)

WHEREAS, Rappahannock Electric Cooperative (the "Cooperative") is a participating employer in the Retirement Security Plan (the "Qualified Pension Plan") sponsored by the National Rural Electric Cooperative Association; and

WHEREAS, the Board of Directors of the Cooperative (the "Board") adopted the Executive Benefit Restoration Plan (the "EBR"), an unfunded nonqualified plan, for the benefit of certain key management and highly compensated employees whose benefits under the Qualified Pension Plan are restricted because of maximum limits on benefits that may be provided by the Qualified Pension Plan, effective January 1, 2018; and

WHEREAS, the Board desires to designate one new Participant in the EBR and to amend the EBR accordingly, in accordance with Sections 2 and 6 thereof; and

NOW, THEREFORE, IT IS RESOLVED, that the Board hereby designates Jason E. Satterwhite as a Participant in the EBR, effective as of August 1, 2023; and

BE IT FURTHER RESOLVED, that the Board hereby amends the EBR by replacing the existing Addendum to the EBR in its entirety with the Addendum attached hereto as Exhibit I; and

BE IT FURTHER RESOLVED, that the President and Chief Executive Officer of the Cooperative are authorized to take any actions deemed necessary or desirable to implement the foregoing resolutions.

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 August 9, 2023, as reflected in Rappahannock Electric Cooperative's minute book and that the same has not been rescinded or modified in any way.

This 9th day of August 2023.

Linda R. Gray
Secretary

Corporate Officer Titles

Following recent internal restructuring, the **Board voted to adopt a Resolution to Update Corporate Officer Titles.**

Resolution # 2023-08-03

Corporate Officer Titles Resolution

Resolution to Update the Title of Corporate Officers

WHEREAS, pursuant to the applicable Virginia law and Article VI of the Bylaws (as amended and restated May 20, 2020) of the Rappahannock Electric Cooperative (“Bylaws”), the Board of Directors of Rappahannock Electric Cooperative (“Cooperative”) has the authority to from time to time to establish officers of the Cooperative; and

WHEREAS, the Cooperative's Board of Directors, after appropriate and diligent discussion, desires to create the following new Vice President positions:

- Chief Grid Operations Officer
- Chief Grid Engineering Officer

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of Rappahannock Electric Cooperative, under its authority pursuant to applicable Virginia Code and its Bylaws, does hereby establish and approve the aforesaid Vice President positions, and that such positions shall include the full powers granted to them under the Bylaws and the Board of Directors or their designee, and shall continue until the Board of Directors terminates the same, and further the creation of these new positions does not negate or terminate current vice president or other officer positions.

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 August 9, 2023, as reflected in Rappahannock Electric Cooperative's minute book and that the same has not been rescinded or modified in any way.

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Linda R. Gray
Secretary

JD Power Mid-Point Results

Eugene Hamrick, Director- Enterprise Analytics & Innovation, and Ayla Choudhery, Data Analyst, joined the meeting to present the JD Power Mid-point results. Mr. Hamrick noted that REC has an ACSI score for 2023 Q2 of 80. REC and the industry as a whole have struggled with member satisfaction in 2023. One major factor impacting member satisfaction is price. REC's power cost adjustments in 2022 and 2023 have been substantial, and this, coupled with inflation and members' financial struggles, and the co-op is seeing the impact in member satisfaction. Mr. Hamrick highlighted some action items the staff is currently working on to address and improve member satisfaction.

Annual Meeting Review

Ms. Kris Sieber, Managing Director of Member Services and Mr. David Johnson, Director of Member Services joined the meeting to recap the Annual Meeting election process. They detailed the live voting portion for members who registered as well as the flow for the virtual annual meeting. The board thanked them for their work on the Annual Meeting.

Reports

Report of the President

Mr. Hewa provided an update on Cooperative business over the past month. He reported that REC has received partial payments from FEMA for Winter Storms Tabitha and Frida. He also updated the Board on a governance discussion that he and Chairman Shipe participated in at the VMD Annual Meeting for all of CEO's and Board Chairs in the VMD Association. As a result of this discussion, he shared REC's New Member Packet for Board awareness. Lastly, he updated the Board that the HVAC unit in the Culpeper office is unable to be repaired and a replacement unit is on order. This item was unbudgeted and has a long lead time due to supply chain.

Attorney's Report & Executive Session

The Board voted to enter executive session for the attorney's report and executive session agenda items at 1:53 p.m. and after proper motion, voted to exit executive session at 3:16 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.

Following the executive session, the **Board voted to authorize the President & CEO, or his designee(s) to execute all needs of the Cooperative in support of major energy projects, subject to written agreements and payment in advance for various project components.**

Board Travel and Training

The **Board voted to appoint Randy Thomas as voting delegate for the NRECA Region 1 & 4 meeting on September 4-6 in Richmond, VA.**

September Member Communications Review

The Board received a preview of the planned September member communications and report of the prior month's digital engagement statistics.

Chairman Shipe called for any further business.

There being no further business, **the Board voted to adjourn at 3:41 p.m.**

Linda R. Gray, Secretary

Attest:

Christopher G. Shipe, Chairman