

RAPPAHANNOCK ELECTRIC COOPERATIVE  
BOARD OF DIRECTORS MEETING

**MINUTES**

WEDNESDAY, JULY 17, 2024

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, with a virtual option, on Wednesday, July 17, 2024, 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 (via video), Sanford Reaves, Jr., Christopher G. Shipe, Randy Thomas, and J. Mark Wood (via video).*

*Also present were:*

*President & Chief Executive Officer, John D. Hewa  
Chief Administrative & Finance Officer, Lawrence (Larry) G. Andrews  
Chief Engagement & Consumer Officer, Tracey Steiner  
Chief Strategy, Technology & Innovation Officer, Peter Muhoro  
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 – Operational Support Services, John Crawford  
Managing Director – Regulatory Affairs and Compliance, Brian Doherty  
Managing Director – Engineering and Power Supply, Chris Stoia  
Director – Fiber and Broadband Services, Mark Ponton  
Director – Operational and Construction Services, Arthur Wholey  
System Operations Supervisor - Anthony Childress*

*Chairman Shipe called the meeting to order at 11:10 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 July 17, 2024 meeting.**

### **Introductions & Announcements**

Mr. Hewa shared with the board that REC has received an ACSI Member Satisfaction Award for 2023 and Q1 2024, a distinction that notes Top 25% performance for utilities. He also shared that REC received recognition from NRECA for Cyber Goals Achievement. Doug King represented REC for this engagement.

### **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 approve the Consent Agenda containing the May 2024 Operating Report, Triennial Policy Review including the Delegation of Contract Signature Authority, ERM Governance, Member Open Comment Sessions, and Responsible Energy Utilization and Management Policies, and an informational presentation from CEEUS.**

## **Unfinished Business**

### **Board Evaluation**

Mr. Shipe shared an update on the board self-evaluation process, noting that Great Co-ops will be facilitating this, and the process will run through the end of 2024, early 2025 as schedules permit. He provided biographical and scope of work information to the board.

## **New Business**

### **July 1 Disconnect for Non-Payment (DNP) Process Update**

Kris Sieber, Managing Director – Member Services, joined the meeting to provide an overview of process changes and impacts REC is addressing with the July 1 implementation of HB906. Passed in 2024 by the General Assembly, and effective on July 1, the law prohibits residential disconnection on Fridays, State Holidays and the day before a holiday, the account to be 60 days in arrears and allows for a 10-day notice; and the utility must provide 2 forms of reminders, such as email and a phone call. Utilities cannot disconnect if the forecasted local temperature is over 92 degrees or under 32 degrees within the 24 hours following the scheduled disconnect. Disconnection notices are required to be in both English and Spanish and must include any fees associated with the disconnection. Lastly, if the customer has received support from Social Services in the last 12 months, customers may only be required to pay 25% of the past due account to reconnect.

With these changes, REC's disconnection process goes from the current 56 days to an 82-day process, and there are an additional 72 more days annually on which disconnections are prohibited. Ms. Sieber shared sample bills that include the required language and additional mandatory information. This includes bill pay assistance information, payment plan options, and more. She provided other updates that the co-op is making to be compliant such as updated door tags, new email formats and website updates.

Ms. Sieber closed the presentation by discussing the potential financial impacts of this law, estimating that REC could see an additional approximately \$700,000 per month in arrears. Staff will continue to monitor this and provide updates.

### **Operations Mobile Application (OMA) Presentation**

Arthur Wholey, Director of Operational and Construction Services, Anthony Childress, System Operations Supervisor, and John Crawford, Managing Director – Operational Support Services joined the meeting for the OMA presentation. Mr. Wholey and Mr. Childress walked the board through the Network Management System (NMS) and OMA application and how they integrate with each other for day-to-day operations of the cooperative. The OMA implementation project has been a major project for the department with significant improvements for field employees working on the grid. Mr. Wholey shared the project timeline and financials, as well as the remaining timeline for full rollout. The board enjoyed a live demonstration and got to see how the systems work in real time. They closed the presentation with next steps in the coming years.

### **Update on State Corporation Commission (SCC) Application for Hyperscale Energy Services**

Brian Doherty, Managing Director – Regulatory Affairs and Compliance joined the meeting and shared an update on the status of REC's application to the SCC for Hyperscale Energy. There has been no ruling in the case at this time. Mr. Doherty recapped the oral arguments that Mr. Hewa provided on behalf of REC on June 18. REC awaits a reply following the oral arguments. Staff is continuing to work on executing the necessary steps to serve large loads regardless of the SCC outcome.

### **Rate Change Alternatives 2024-2026**

Mr. Doherty then detailed the necessity of a rate increase. Staff is recommending a streamlined rate increase to be implemented in October 2024. The primary drivers for the need for an increase are growth in rate base as well as depreciation and interest expenses. He shared forecasted revenue and TIER impact by year from 2024-2026. The recommendation includes continued cost saving measures previously implemented in 2024 to maximize achieving loan covenants and other financial benchmarks. The proposed streamlined rate increase, which is capped at 4% of total revenue would go into effect October 1, 2024. The next general rate increase is forecasted for January 1, 2027, and would consider broad changes to rate structures, tariff classes, and Terms and

Conditions. Following discussion, the **board voted to approve the application for a streamlined rate increase.**

Resolution # 2024-07-01

## **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 2023 year-end TIER was 1.5; and

**WHEREAS,** Cooperative management has implemented necessary and appropriate cost control efforts, while the Cooperative's financial forecasts as well as the local and global economic environment indicates 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 2024, seeking approval for increased distribution rates (without modification to its rate structures), with a proposed effective date of October 1, 2024;

**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, 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 March 27, 2024, 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 July 17, 2024, as reflected in Rappahannock Electric Cooperative's minute book and that the same has not been rescinded or modified in any way.

This 17<sup>th</sup> day of July 2024.

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Linda R. Gray  
*Secretary*

### **Line Extension Update & Revisions**

Chris Stoia, Managing Director – Engineering and Power Supply joined the meeting. Mr. Hewa and Mr. Stoia provided the board with a summary of recent engagements with area homebuilders and developers. These discussions culminated at a June 24<sup>th</sup> lunch meeting sponsored by the Fredericksburg Area Builders Association, during which REC learned details of frustrations that builders and developers are experiencing related to REC's requirement for conduit in system design, as well as costs that have risen dramatically over the past few years. In follow up to this meeting and in response to other requests received by REC's design department, management presented the board with a proposal to amend the current construction standards. These changes are classified into three areas for improvement, including initial cost, conduit requirements, and estimation and design timeframe. The proposal includes a revision to the \$2500 line extension credit that moves \$1500 to the party responsible for the transformer, it relaxes the conduit requirements for secondary and services (except where site specifics dictate), provides itemized estimates of labor and materials – and does so in a 30-day turnaround for individuals and 60-day turnaround for subdivision estimates. REC will also be hiring a Director of Distribution Design this year to better align regions in design standards and processes as well as work with members on design issues that need additional support. The board and staff had a dialogue on this topic. Staff will bring a resolution memorializing these changes to the next meeting for board approval.

### **Key Performance Indicators Update**

Staff provided KPI results for the first period of 2024, which is January 1 through June 30. Safety and security show strong results with only one category not meeting goal. Reliability struggled during this period, missing goals in all categories. Expenses, billing, sustainability, public relations, and member satisfaction did well, only missing goal in 5 categories collectively and excelling to platinum in 4 areas, with the remainder achieving silver and gold. Given the current situation, the CEO made a recommendation to the board that they consider a first period payout for employees, excluding leadership, with an emphasized notice not to expect a period 2 payout for 2024. This exception from the board is needed due to the program's MTIER requirement for payout. Following discussion, **the board voted to waive the MTIER requirement for a 2024 Performance Period 1 payout, excluding leadership.**

### **Fleet 2025 Pre-Budget Request**

Mr. Satterwhite provided a preview of anticipated fleet needs for 2025. Since the pandemic, the board has approved an early order of necessary vehicles based on supply chain shortages. This approval was made ahead of the normal budget timeline to allow the work orders to be placed to 'get in line' and hopefully take timely delivery of ordered vehicles. For 2025, the situation remains the same for REC's largest trucks, as multiple manufacturers are experiencing long lead times. For this reason, staff requested the board pre-approve the fleet component of the 2025 capital budget. It does not increase the budgetary request for vehicle replacements and does not represent a 2024 capital expense item. **The board then voted to pre-approve the suggested budgetary request for \$2.2M.**

## **Reports**

### **June 2024 Safety Report**

Jason Satterwhite reviewed the June 2024 safety report, which included a vehicle accident involving a REC digger derrick line truck. Mr. Satterwhite reviewed the incident with the board and detailed the follow ups that have occurred since the incident. The board complimented REC's driver on defensive driving and preventing further injury to any other

parties. Mr. Satterwhite reassured the board that management takes safety seriously and will remain diligent in adherence to safety policies and procedures.

### **Report of the President**

Mr. Hewa provided an update on Cooperative business over the past month. He discussed Virginia's recent designation as the Top State for Business in 2024 as ranked by CNBC. Mr. Hewa noted that REC continues to work with Dominion Energy on the corridor upgrades on which the board was previously briefed. There has been no real change at this time, but staff remains committed to resolution. Mr. Hewa turned to Mr. Andrews for an update on the Blue Ridge property. Mr. Andrews shared an image of a site plan with potential building layouts and future plans. Lastly, Mr. Hewa shared with the board that REC will be joining CEEUS, as presented in the consent agenda information. Staff will begin processing the necessary paperwork in the coming weeks.

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

**The board voted to enter executive session for the attorney's report and executive session agenda items at 3:38 p.m. and after proper motion, voted to exit executive session at 4:13 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.

### **Board Travel and Training**

**The board voted to donate \$6,000 to the Virginia Maryland Delaware Association of Electric Cooperative's Scholarship Fund. This year the Association is celebrating 80 years and is promoting the scholarship fund as a way to give back.**

Ms. Watts provided travel details for the upcoming VMD/ODEC Annual Meeting.

Ms. Watts also provided an update on Annual Meeting logistics. The Annual Meeting is set for August 7 at 7:00pm and will be held virtually.

### **August Member Communications Review**

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

Chairman Shipe called for any further business. Mr. Reaves thanked the board and staff for their kindness in his recent surgery and the passing of his father.

There being no further business, **the board voted to adjourn at 4:37 p.m.**

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Linda R. Gray, Secretary

Attest:

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Christopher G. Shipe, Chairman