

Meeting Minutes
RAPPAHANNOCK ELECTRIC COOPERATIVE
ANNUAL MEETING OF MEMBERS

Thursday, August 22, 2019

The Annual Meeting of the members of Rappahannock Electric Cooperative (REC or Cooperative) was held on Thursday, August 22, 2019 at the Fredericksburg Expo & Conference Center, 2371 Carl D. Silver Parkway, Fredericksburg, Virginia. The meeting was recorded and livestreamed for members who could not attend. At 7:00 p.m., Chairman Christopher G. Shipe called the meeting to order and welcomed Cooperative members and invited guests.

Chairman Shipe called on Region IV Director, Sanford Reaves, Jr., who led a memorial of silence in honor of those in our cooperative family that had passed away within the past year followed by the meeting invocation. REC Youth Tour Students then led the Pledge of Allegiance.

Chairman Shipe then called upon REC Attorney Charles W. Payne, Jr. to act as moderator and parliamentarian for the remainder of the meeting. Mr. Payne reviewed the meeting agenda, which is derived from the Bylaws, and the parliamentary processes that are followed. He then introduced the Board of Directors and Officers of the Cooperative.

Attorney Payne called upon Secretary J. Mark Wood for the Secretary's Report. Mr. Wood stated that Proxies were mailed to one hundred thirty nine thousand, four hundred and thirty-five (139,435) active accounts beginning on July 1, 2019, and whereas 89 members present, and 6,946 members represented by their proxies, the quorum requirement of the Bylaws that two and one-half (2 ½) percent, three thousand four hundred and eighty-six (3,486) of the members be present in person or by proxy, had been satisfied.

Mr. Wood then read the Official Notice of the Meeting and advised that the notice of the Annual Meeting had been included in the mailing of the registration and proxy cards to all members in July, via the *Cooperative Living* magazine. Additional announcements were included with the electric service bills.

A motion from the floor was received to waive the reading of the Minutes of the 2018 Annual Meeting, and to adopt them as written. The motion was duly seconded, and passed by unanimous voice vote. Mr. Wood noted that copies of the 2018 Minutes were available from staff should members wish to have a copy.

President & CEO Kent D. Farmer then welcomed members to the 2019 Annual Meeting and again thanked them for attending the Cooperative's Business Meeting. Mr. Farmer then acknowledged invited guests who attended the business meeting including the members volunteering to serve on the Tellers Committee.

Chairman Shipe gave opening remarks stating the Cooperative exists to serve the member owners. The members and the organization's mission is important – to provide homes and businesses and our communities with safe, reliable, and affordable electric power and to do so in an environmentally sensitive and equitable manner. He acknowledged that the entire REC team takes great pride in working to fulfill this mission. He expressed that the Board of Directors is honored to represent members in guiding the Cooperative.

He stated the Annual Meeting is very important and is just one aspect of your Cooperative's democracy in action. He added, to help ensure your interests are represented, your cooperative has worked very hard through the use of multiple channels of communications including mailings, emails, and social media encouraging participation by all members. Chairman Shipe reported that thousands of cooperative owners chose to participate by returning their completed proxy. He noted that the REC proxy voting process is identical to that used by almost every for-profit corporation and it is well accepted by corporate governance standards, and used by many other cooperatives. He again thanked the members in attendance and then called on the Cooperative's General Counsel, Mr. Charles W. Payne, Jr., to facilitate the election and business portion of the 2019 Annual Meeting.

Mr. Payne then proceeded with the election of directors and reviewed the Bylaws that govern the elections. There are currently nine (9) directors serving on the Board, one member from each of the Cooperative's geographic regions. These regions exist to ensure that members in all geographic areas of the cooperative are equally represented on the Board. Directors are elected by the entire membership and members vote for all open director positions on the ballot, which are Regions I (1), VI (6), and VII (7) in 2019.

The candidates in the 2019 Board of Director Elections were then introduced by Mr. Payne:

Region I	Michael J. Biniek Incumbent, Michael W. Lindsay
Region VI	Incumbent, Linda R. Gray Andrea R. Miller David A. Rababy
Region VII	John A. Manzari, M.D. Incumbent, J. Mark Wood

Mr. Payne stated that Mr. Farmer had previously introduced the Tellers Committee and then reviewed the role of the committee overseeing the election process and certifying the election is conducted fairly and impartially. He noted that REC's auditing firm, Adams, Jenkins, and Cheatham, was onsite auditing the elections.

Mr. Payne stated each candidate provided a written statement about themselves and their platform, and each made a video prior to the meeting which were placed on REC's website and were showing in advance of the meeting. He then reminded members that registration

closed at 6:45 p.m. and those registered received their member voting ballots. Mr. Payne then distributed Proxy Ballots to persons appointed to vote on behalf of members who could not be present at the meeting. After all proxy ballots were distributed, he stated as specified in the Bylaws, these elections are conducted by Robert's Rules of Order. Next, under the oversight of the Tellers Committee, member and proxy ballots were then marked, collected, and taken to be tallied. Mr. Payne advised that election results, once finalized, would be announced at the conclusion of the meeting and on REC's Web page at www.myrec.coop. Mr. Payne called on Mr. Shipe for the Chairman's report.

Chairman Shipe began by thanking the membership for allowing him to serve them. He noted that the entire board works tirelessly to ensure that REC provides a quality product at an affordable rate. He reviewed some of the benefits of the cooperative model including Capital Credits, Board members who are committed to their communities and the cooperative business model, and the various opportunities that customer-owners have to participate.

He then thanked the staff and executive leadership team for their commitment to excellence. He thanked Kent for his continued leadership of the Cooperative, noting that the culture of outstanding service from caring people starts at the top. He also reminded the members that REC is one of the largest electric cooperatives in Virginia, and is a leader in the electric cooperative space across the country. Many times other cooperatives are looking to REC for guidance.

Chairman Shipe stated another cooperative difference is that we exist to serve. He talked about being vested in the community and how directors and employees are active throughout the service area. He specifically mentioned the board and CEO being accessible to the membership. In 2019, this included multiple telephone town halls, a Get Connected event, and multiple other community outreach opportunities. He again thanked the REC workforce for their dedication, especially in members time of need.

Chairman Shipe then addressed some areas of member feedback that the board has worked to bring to resolution. Specifically, he discussed the unusual weather patterns over the past year, and the impact they have had on the electric system. He noted that the board had approved additional funding for preventative work to assist in reliability. He then highlighted the addition of the Governance and Document Center to REC's website. This provides important membership information readily and maintains transparency for the organization. He reminded the membership that rural broadband connectivity remains an issue that REC follows closely. While REC cannot solve this issue solely, we are actively working on a Fiber Utility Network project and monitor industry developments regularly. Lastly, he updated the membership on efforts in the renewable and sustainable area. He encouraged members to get involved in the programs REC is currently offering including Cooperative Sunshare.

Mr. Shipe closed by thanking the Board for their dedication and commitment to staying current with the challenges of our industry. He assured the membership that the Cooperative remains in good hands and that the Board and employees are taking great

care to make decisions that are best for the future of the cooperative. He closed stating everyone, from the Board of Directors, to the leadership team and dedicated employees of REC, are focused on delivering the members the best service and experiences possible.

Next, a pre-recorded Treasurer's Report was played, when the Cooperative's Treasurer, Mr. Jesse R. Thomas stated REC continued its tradition of strong financial performance in 2018. He reviewed charts and graphs to report revenue, expenses, and margins for 2018. Revenue in 2018 was 447 million dollars, up 73 million YOY. The main reasons for the increase in revenue were higher energy rates and greater energy usage. 67 percent of revenue came from residential members; the remainder came from commercial members and a small amount from public buildings. Total expenses were 431 million dollars, up YOY primarily due to the increase in Cost of Power. Total Margins are composed of Operating and Non-Operating Margins. Operating Margins in 2018 were 15.3 million dollars, up 152 percent from 2017. Non-Operating Margins were 6.0 million dollars. Most of the non-operating margins are patronage capital from Old Dominion Electric Cooperative. Total Margins in 2018 were approximately 21 million dollars.

The presentation depicted sources of revenue, expense allocations, margins, and the allocation of capital credits. He concluded his report informing the membership that the 2018 general retirement and retirements to estates totaled \$7.9 million. Since its formation in 1980, the Cooperative has returned nearly 105 million dollars to its members.

Rappahannock Electric Cooperative completed 2018 in a strong financial position. For members wanting more information, he directed them to the website where audited financial statements can be found.

REC President & CEO, Kent D. Farmer began his report stating that 2018 was another successful and progressive year for the cooperative. He talked about REC's impact in the community, noting that employees participated in over 300 events this year. REC uses events like this to educate member owners and the community at large on energy efficiency, electric safety, and new technology in the industry such as electric vehicles and renewable resources. Also, the member owners impacted the community through the Power of Change program. In 2018 those donations totaled \$90,000. He reminded the membership that together, the board, staff and communities, we are REC. While REC is a locally managed and member owned utility, it is also billion dollar corporation. He assured the membership that all decisions are made with their best interest in mind.

Mr. Farmer then addressed the reliability challenges REC has dealt with over the last 18 months. Specifically he addressed the back to back weather events that have had a major impact on the electric system. These unusual events, including record rainfall, have weakened tree roots, and their ability to withstand wind. It has also caused trees and other vegetation to grow at record rates. REC recognizes these challenges and has embarked on unprecedented efforts to proactively minimize these outage causing hazards.

He then talked about some of the more notable projects that took place over the year - computer systems software deployment, technology implementation that helped improve reliability, as well as member and community engagement activities and functions. He added that new service connections continued to grow and nearly 5,000 new services were connected during the year.

Mr. Farmer then discussed how REC is continually monitoring the connectivity issues that our rural communities have with lack of access to broadband. REC has committed to a six year project of building an 800 mile network of fiber optic cable connecting our offices, substations, and communications facilities. Not only will this improve operations but with partnerships with third parties REC will bridge the “middle mile” challenge.

He then talked about a few major milestone events in the last year. ODEC, REC’s wholesale power supplier, completed its new combined cycle generation facility, Wildcat Point, which will provide affordable and reliable, base load power for years to come, and it will replace more expensive, purchase power contracts that will start to expire in 2020.

Mr. Farmer said financial strength and affordable rates, enhanced member services, improved reliability, and community engagement are all objectives of the Cooperative’s Strategic Plan. All of these combined achieve the ultimate objective which is member satisfaction. 2018 was a great year for REC and he is looking forward to continuing the great work of the Cooperative.

Mr. Payne then called for unfinished business. There being none, the floor was opened for questions from Cooperative members. Chairman Shipe and President Farmer responded to questions and comments from members present.

After the question and answer portion concluded, the door prizes were awarded. Mr. Payne then announced the results of the elections, which were certified by the Tellers Committee and the audit firm. The elected members are as follows: Region I Michael W. Lindsay with 2,070 member designated votes, 2,807 member non designated votes, and 48 votes of members in person totaling 4,925 votes. Region VI Linda R. Gray with 1,810 member designated, 2,777 member non-designated, and 54 votes of members in person totaling 4,641 votes. Region VII J. Mark Wood with 1,893 member designated votes, 2,769 member non designated, and 46 votes from members voting in person totaling 4,708 votes.

Mr. Payne called for a motion to adjourn the meeting. There was a motion made, properly seconded, and passed by unanimous voice vote. Thus, the meeting adjourned at 9:01 p.m.

J. Mark Wood, Secretary

Attest:

Christopher G. Shipe, Chairman