

RAPPAHANNOCK ELECTRIC COOPERATIVE
BOARD OF DIRECTORS MEETING

MINUTES

WEDNESDAY, APRIL 21, 2021

The regular meeting of the Board of Directors of Rappahannock Electric Cooperative (“REC”) was held remotely via video conference, on Wednesday, April 21, 2021, pursuant to a five-day prior notice, all in accordance with REC’s Bylaws. The following directors were present:

Eugene L. Campbell, Jr., Darlene H. Carpenter, Linda R. Gray, Michael W. Lindsay, Sanford Reaves, Jr., Christopher G. Shipe, Randy Thomas, J. Mark Wood, and William C. Frazier.

Also present were:

President & Chief Executive Officer, John D. Hewa
Senior Vice President Member Services & External Affairs, David F. Koogler
Vice President of Corporate Services, Lawrence (Larry) G. Andrews
Vice President of Strategy & Technology, Peter Muhoro
Vice President of Engineering, Operations & Power Supply, John Arp
Assistant Secretary & Executive Assistant, Whitney S. Watts
Associate Counsel, Kristin Shields

The following team members joined the meeting for various presentations:

Manager of Member Services, S. Kris Sieber
Manager of Administrative Services & Controller, Tosh Bowe
Director of Regulatory Affairs, Tom Handley
Director of Strategy Execution and Enterprise Risk Management, Justin Cruise

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

Mark Wood 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 21, 2021 meeting.**

Introductions & Announcements

Mr. Hewa updated the board on two recent retirements, noting that Eddie Cullop, Director of Operations and Construction in Culpeper as well as Manager of External Affairs, Matt Faulconer, had retired. Both had long tenure and made significant contributions to REC. He then informed the board that Kevin Pories has been promoted to Director of Operations and Construction in Culpeper. Additionally, Joyce Bodoh has been selected as Director of Energy Solutions and Clean Energy. At the tactical level, Casey Hollins has been promoted to Managing Director of Communications and PR.

Mr. Hewa then congratulated Senior Vice President David Koogler on his 10 year service anniversary with REC and Vice President Larry Andrews on his 20 year service anniversary. Lastly, Mr. Hewa congratulated the communications department on their recent recognition by NRECA with a Spotlight Award for both Internal Publications and Best Ad.

CEO's Update

Mr. Hewa briefly updated the board on the Return to Office plan, noting that employees who have been working remotely will begin to transition back to the offices in the June timeframe. He then transitioned into a discussion on long term system integrity strategies. Mr. Hewa highlighted the relationship between REC's line extension policy, strength of construction standards, and pole replacement process. When reviewed strategically, the inter-relation of these core business items reveal key areas that are critical to long term health of the system. Mr. Hewa informed the board that these areas will be focal points in further discussions and presentations over the coming months.

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 February 17, 2021, regular Board meeting, the February 2021 Safety Report, the March 2021 Safety Report, the February 2021 Operating Report, the March 2021 Operating Report, the 2020 Form 7, and 2020 Year End Capital Expenditure Report. There being no modifications to the consent agenda, the board **voted to approve the consent agenda as presented.**

Unfinished Business

Board Policy Final Consideration

Chairman Shipe asked for any changes or corrections to the Board Policies presented at the February 2021 meeting, Responsibilities of the President & CEO Policy and the Employee Compensation Policy. These policies were amended to include up to date formatting and contained minimal material change. After review and discussion, the **Board voted to approve the Responsibilities of the President & CEO and Employee Compensation Policies as presented.**

Resolution # 2021-04-01

Exemplary Service Resolution

Resolution to Honor the Exemplary Service to REC Members in Winter 2020-2021

- WHEREAS,** the employees of Rappahannock Electric Cooperative stand prepared and ready to face challenges to the electric system, both manmade and natural, during an ongoing global pandemic; and
- WHEREAS,** weather patterns over the REC territory have caused a treacherous winter storm season, producing Winter Storm Gail, an ice storm in December 2020, and Winter Storm Tabitha, an ice storm in February 2021; and
- WHEREAS,** during these two named storms, Rappahannock Electric Cooperative's system sustained significant combined damages resulting in over 40,000 outages and more than 1,000 individual outage events, including downed trees, broken poles and cross arms; and
- WHEREAS,** Rappahannock Electric Cooperative's dedicated employees, lineworkers to contact center, dispatch to warehouse, storm preparation teams to communications, and everyone in between, worked to restore power in a safe, timely, and caring manner; and
- WHEREAS,** the membership of Rappahannock Electric Cooperative expressed their appreciation for the employees and their efforts, both in person and through social media; and

WHEREAS, Upon total restoration of Rappahannock Electric Cooperative's system, several departments of the Cooperative lent a hand to the co-op network; and

NOW, THEREFORE, BE IT RESOLVED, the Board of Directors of Rappahannock Electric Cooperative hereby honors the service and dedication, and extend their gratitude to the employees who embody the cooperative spirit and demonstrate the core values of caring, integrity, service and respect.

Certificate of Secretary

I, J. Mark Wood, 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 of REC at a meeting held on April 21, 2021, as reflected in Rappahannock Electric Cooperative's minute book and that the same has not been rescinded or modified in any way.

This 21st day of April, 2021.

J. Mark Wood
Secretary

Resolution # 2021-04-02

Recognition of Appreciation

Resolution to Honor Recognize the Caroline County School Board in Collaboration with Rappahannock Electric Cooperative Ice Storm Restoration

WHEREAS, Winter Storm Tabitha caused extensive damage to Rappahannock Electric Cooperative (REC) infrastructure, and caused more than 22,000 member power outages; and

WHEREAS, Rappahannock Electric Cooperative requested mutual aid assistance from neighboring Cooperatives, contractor crews and resources to assist with power restoration; and

WHEREAS, Storm restoration supplies and crews needed to be staged off site due to the abundance of necessary supplies and availability of space and storage at the local Cooperative yard; and

WHEREAS, upon contacting the Caroline County School Board, Rappahannock Electric Cooperative was granted permission to utilize Caroline County School parking facilities for use of storm restoration staging areas; and

WHEREAS, In appreciation for the timely collaboration and partnership with the Caroline County School Board, Rappahannock Electric Cooperative was able to satisfy timely restoration during Winter Storm Tabitha; and

NOW, THEREFORE, BE IT RESOLVED, the Board of Directors of Rappahannock Electric Cooperative hereby recognizes the service and dedication, and extend their gratitude to the Caroline County School Board for contributions to the Cooperative, mutual aid crews, membership, employees, and community during Winter Storm Tabitha.

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This 21st day of April, 2021.

J. Mark Wood

Authorization to exit disconnect moratorium

Mr. Hewa called on Mr. Koogler and Mr. Andrews to provide an update on the CARES funding closeout. Mr. Koogler indicated that nearly all of the \$4.8 million that was allotted to REC through the attestation process had been claimed and subsequently applied to member accounts. While the CARES process is completed, the arrears continue to grow. The outlook on additional federal and state funds remains unclear. While it is likely that some additional funding may be made available, the timetable, and manner in which it would be distributed is uncertain. Staff shared updated arrearage data with the board.

Resolution # 2021-04-03

Disconnect Moratorium Relief

Resolution to Seek Relief from the Moratorium on Residential Disconnections for Nonpayment

WHEREAS, the Board of Directors of Rappahannock Electric Cooperative has reviewed the current state of accounts in arrears in light of the COVID-19 pandemic and heard from the Cooperative's management regarding the same; and

WHEREAS, the Board of Directors, after appropriate discussion, examination of local economic conditions,, the membership's large and increasing debt burden resulting from the legislatively-mandated moratorium, review of the cooperative's current financial conditions and member's rising arrearage balances, and the general and equitable impacts of COVID-19 on the Cooperative and its members, has determined, after advice from management and counsel, that a return to normal operations for purposes of disconnections for nonpayment is in the best interests of the Cooperative and its members;

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of Rappahannock Electric Cooperative, shall seek relief from any moratorium imposed by law and directs management to take such action as may be necessary and prudent to obtain such relief. With compassion and concern for those members whose health or economic well-being has been adversely impacted by the pandemic, the Board further directs management to make available payment arrangements to affected members. Specifically, the Board directs management and counsel to make an informational letter notice filing at the State Corporation Commission ("Commission"), as contemplated by Enactment Clause 7(e) of Item 4-14 of House Bill 5005, and to take such further action as may be necessary or appropriate to carry out the purposes of this Resolution.

CERTIFICATE OF SECRETARY

I, J. Mark Wood do hereby certify that: I am the Board Secretary of the Rappahannock Electric Cooperative (hereinafter called the "Cooperative"); the foregoing resolution is a true and correct copy of the resolution entered in the original minutes of the Minute Book of the Cooperative at a regular monthly meeting of the Board of Directors held on the 21st day of April, 2021; the meeting was properly noticed; a quorum was present and acted throughout; and, that none of the wording contained in the above copy has been rescinded or modified.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Cooperative this 21st day of April, 2021.

J. Mark Wood
Secretary

Reports

Finance Committee Report

The Finance Committee met prior to the Board meeting to receive the 2020 audits for Rappahannock Electric Cooperative and C.A.R.E. Charity, Inc. All REC Directors attended the Finance Committee meeting. Each Board member was provided a copy of the December 31, 2020 Financial Statements for years ended 2020, 2019 and 2018, as well as the C.A.R.E. Charity, Inc. audited 2020 Financial Report.

REC's Manager of Administrative Services/Controller, Tosh Bowe; Supervisor of Accounting, Rebecca Messerle, and the Adams, Jenkins & Cheatham (AJC) partner overseeing the 2020 audit, Steve Gilliam, 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 recommended adjusting entries. He stated the Cooperative ended 2020 in a strong financial position, despite the global pandemic. Mr. Gilliam then reviewed AJC opinion letters. He included a review of the 2020 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 2020 Audit Reports as presented.**

Resolution # 2021-04-04

Approve 2020 Patronage Allocations

Resolution to Approve 2020 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) 2020 financial statements ("Statements"); and
- WHEREAS,** the Board of Directors has accepted and approved the Financial Audit of the 2020 Financial Statements; and
- WHEREAS,** the 2020 net margins have further been confirmed and determined in accordance with the Capital Credits Board Policy; and
- WHEREAS,** in 2020, Rappahannock Electric Cooperative recorded a total of \$17,780,761 net margins including \$3,754,668 from ODEC patronage and \$14,026,093 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 \$17,780,761 net margins to Rappahannock Electric Cooperative members' Capital Credit accounts, as provided therein.

Certificate of Secretary

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Directors received a copy of the Resolution to approve the 2020 Patronage Capital Allocation along with the Assignment of 2020 Net Margins Report that show the breakdown of patronage by rate class. After review and discussion, **the Board voted to approve the Resolution to Approve 2020 Patronage Allocation as presented.**

2020 KPI Results Presentation

Justin Cruise joined the meeting and reviewed the 2020 Final KPI results. The results for the year resulted in an overall 3.72%. While not as high as some years, this represents a strong and valiant effort amid a global pandemic and remote operations.

Report of the President

Mr. Hewa provided a review of the business meetings involving the Cooperative and the operational activities that took place over the previous month. He also shared updates from his CEO meetings with the Boards of Supervisors from four REC localities.

Mr. Hewa provided an update on REC's workforce and the COVID-19 pandemic. REC's remote workforce will begin staggered returns in the June timeframe with most employees on a rotational basis in July.

Mr. Hewa reminded the board of recent progress with partnerships related to broadband. He noted that Mark Ponton, Director of Broadband and Fiber Services continues to receive calls weekly for potential partnerships. REC is committed to working diligently on efforts related to broadband deployment.

Mr. Hewa informed the board that staff continues to work on FEMA reimbursements. A check was received last month for Tropical Storm Michael in 2018. Additionally, four REC counties have been declared from the recent ice events. Staff is optimistic that additional localities will also be declared.

Mr. Hewa updated the board that Human Resources is currently in the process of filing the Managing Director of External Affairs position, vacated by Mr. Faulconer's retirement. He also informed the board, that as of May 1, all Managers at the Tactical level will become Managing Directors. This title change, which is not associated with a pay increase, is to bring REC's titles more in line with industry standards.

Mr. Hewa concluded his report by sharing that Ms. Dolores Aylor, member of the C.A.R.E. Charity Board has indicated she will retire at the end of current term. The board had a discussion on Ms. Aylor's many contributions over the years. Mr. Shipe asked the board to be mindful of potential candidates to nominate to fill the open board seat. Following the discussion, the board unanimously and enthusiastically approved the resolution seen below.

Resolution # 2021-04-05

Honorary Service Resolution

Resolution to Honor the Service of L. Dolores Aylor

- WHEREAS,** L. Dolores Aylor has served on the Community Awareness of Rappahannock Electric Charity, Inc. (C.A.R.E. Charity, Inc.) Board of Directors which distributes grants primarily funded by voluntary contributions from Rappahannock Electric Cooperative (REC) members and from other funds donated for charitable purposes; and
- WHEREAS,** Ms. Aylor has served as a Charter Board Member representing Region I, which is comprised of Fauquier, Rappahannock, Culpeper and Madison counties since its inception; and
- WHEREAS,** Serving as Secretary/Treasurer since her first day on the C.A.R.E. Board of Directors until just a few years ago; and
- WHEREAS,** Ms. Aylor has served as a tremendous asset and advocate for C.A.R.E. Charity, Inc. and Rappahannock Electric Cooperative, consistently demonstrating integrity and sound judgment; and
- WHEREAS,** Knowledge of the membership and counties she represents has always been evident in her discussions with her fellow Board members in reviewing applications for grants and to use the funding available to determine reward recipients; and

NOW, THEREFORE, BE IT RESOLVED, the Board of Directors of Rappahannock Electric Cooperative hereby honors the service and dedication, and extend their gratitude to L. Dolores Aylor for her contributions to the C.A.R.E. Charity Inc., Board of Directors, Rappahannock Electric Cooperative, membership, employees, and community throughout her many years of Board service, and wish her well in her future endeavors.

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J. Mark Wood
Secretary

New Business

Long Term System Integrity Strategies

As Mr. Hewa introduced in the CEO update at the start of the meeting, there are three critical areas that staff has been evaluating over the last several months. Mr. Hewa reminded the board of the earlier discussion, and then called on Mr. Handley and Mr. Arp to present on the topics.

Line Extension Policy

Mr. Handley presented on the current line extension policy and highlighted suggested areas for changes. As the policy exists today, growth and the associated carrying costs related to each new account is reaching a point where it is no longer fiscally responsible to continue with the current calculation. REC's growth has been substantial over the

last five years and is forecasted to remain strong. The existing line extension policy, coupled with continued growth, is putting pressure on rates and should be evaluated. On commercial line extensions, suggested efforts include modifying the existing policy to safeguard REC from stranded costs should a business close prior to the predicted lifecycle of the asset.

System Design Standards

Mr. Arp presented on REC's current system design standards as well as recommendations to enhance the lifecycle and durability of the system. He shared detailed images and graphs depicting pole height and class and the cost differences associated with each.

Pole Inspection and Replacements

Mr. Arp then discussed a Pole Aging Study that has been completed. He shared an overview of the findings and a sample timeline of a replacement program that could be used to address aging infrastructure. Mr. Hewa then asked the board to consider these three areas over the next few months as we address policies and standards related to each.

Capital Credits Retirement Update

Ms. Kris Sieber and Mr. Tosh Bowe joined the meeting for the Capital Credits Retirement update. Ms. Sieber presented the board an update on the estate process and proposed changes to the methodology. The board will take this under consideration and review at a future time.

JD Power Quarterly Update

Eugene Hamrick joined the meeting and gave a Q1 2021 JD Power update. He shared insights with the board and noted that the data becomes more meaningful as the year progresses.

Attorney's Report

The Board voted to enter executive session for the attorney's report at 3:43 p.m. and after proper motion, voted to exit executive session at 4:14 p.m. No action was taken during executive session.

Executive Session

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.

Darlene Carpenter provided the Power Supply report during executive session.

No action was taken during executive session.

Board Policy Consideration

The Board was presented with the Operating & Capital Budgets and Financial Statements Policies for their consideration. The Board reviewed the policy briefly, and will consider adoption at the May 2021 board meeting.

Board Training and Education

The Board discussed REC's voting delegates for five upcoming Annual Meetings. The Board voted to appoint the following:

CFC Annual Meeting-Larry Andrews voting delegate

NCSC Annual Meeting-John Hewa voting delegate

CRC Annual Meeting-John Hewa voting delegate

VMDAEC Annual Meeting – Sanford Reaves, Jr. , voting delegate and John Hewa, alternate voting delegate

ODEC Annual Meeting – Darlene Carpenter, voting delegate and John Hewa, alternate voting delegate

Annually, the Board must submit nominees to participate on both the VMDAEC and ODEC Boards. It is understood the CEO, by virtue of the position, will be one of the nominees. The Board held elections in accordance with Robert's Rules that resulted in the following nominations:

John Hewa and Darlene Carpenter were nominated to be members of the Board of Directors of the Old Dominion Electric Cooperative for the term 2021-2022.

John Hewa and Sanford Reaves, Jr. were nominated to be members of the Board of Directors of the VA, MD & DE Association of Electric Cooperatives for the term 2021-2022.

May Member Communications Review

The board received a preview of the May member communications.

Chairman Shipe called for any further business.

There being no further business, **the Board voted to adjourn at 4:55 p.m.**

J. Mark Wood, Secretary

Attest:

Christopher G. Shipe, Chairman