

RAPPAHANNOCK ELECTRIC COOPERATIVE  
BOARD OF DIRECTORS MEETING

**MINUTES**

WEDNESDAY, DECEMBER 14, 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, December 14, 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 REC staff joined the meeting for various presentations:*

Managing Director – External Affairs, Brian Doherty  
Managing Director – Administrative Services, Tosh Bowe  
Managing Director- Regional Operations, Jason Satterwhite  
Managing Director- Regional Operations, Shawn McDonough  
Sr. Managing Director- Engineering and Power Supply, Lee Brock  
Managing Director- Information Technology and Cybersecurity, Marc Seay  
Managing Director – Member Services, Kris Sieber  
Managing Director- Safety, Physical Security, & Operational Support Svcs, John Crawford  
Managing Director- Human Resources and Employee Development, Patricia Hatcher  
Managing Director- Communications & Public Relations, Casey Hollins  
Director – Member Services, David Johnson  
Budget Analyst – Courtney Gandy

Chairman Shipe called the meeting to order at 10:25 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, Jr. 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 December 14, 2022 meeting.**

### **Introductions & Announcements**

Mr. Hewa recognized several staff members for various professional accomplishments, including Managing Director of Member Services, Kris Sieber's completion of Lead Virginia, and Director of Government Affairs, Lindsey Watson's appointment to the Virginia Agribusiness Council's board of directors. He then updated the board on changes in the engineering department, including Gary Durdock's, Director of System Planning & Engineering Design, upcoming retirement, and that John Fincher has been promoted to that role. Also, as REC prepares for Sr. Managing Director Lee Brock's retirement in the year ahead, Chris Stoia has been hired as Managing Director of Engineering and Power Supply to succeed Lee Brock. Mr. Stoia will work with Ms. Brock throughout 2023 to ensure a seamless transition.

Mr. Hewa then shared details on a CFC staff visit to REC that was coordinated by Tracey Steiner. CFC benefited from knowledge sharing and hands on activities during their visit. Mr. Hewa then noted that REC will host several retired leaders for a holiday lunch on December 15. He looks forward to this time with those who continue to support the coop so faithfully. He closed by sharing several upcoming speaking engagements he will be leading over the coming weeks including presentations to the South Carolina, Indiana, and Kentucky statewide associations, as well as the United Utility Supply board. These presentations are focused on supply chain and, aging infrastructure and how these factors coincide with growing transportation electrification.

### **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 October 19, 2022, regular Board meeting, the September 2022 Operating Report, the October 2022 Safety Report, and the November 2022 Safety Report.**

### **Unfinished Business**

There was no unfinished business.

## **Reports**

### **October 2022 Operating Report**

Mr. Andrews presented the October 2022 operating report. He noted that financials continue to be impacted by Winter Storm Frida as well as milder weather in shoulder months. He noted that beginning with the January 2023 operating report presentation, Operating TIER or "OTIER" will be added to the board monthly presentation. There being no questions, the **board voted to accept the October 2022 Operating Report.**

### **Q3 2022 Capital Expenditure Report**

Mr. Arp reviewed the Q3 2022 capital expenditure report. The ongoing supply chain and labor challenges have the year coming in significantly under budget. He noted that supply chain is impacting everything from wire and poles to vehicles. He noted that this will likely continue well into 2023 and perhaps beyond.

### **Finance Committee Report**

Mr. Lindsay gave the Finance Committee report. He noted that auditors Adams, Jenkins, and Cheatham were onsite for the committee meeting and reported their preliminary work on the 2022 audit. Mr. Lindsay and the committee were pleased with the initial report. The committee also instructed staff to issue an RFP for the next audit period. Staff will report back to the committee when the RFP window has closed and bids are received.

### **Bylaws Committee Report**

Mr. Paulson gave the Bylaws Committee report. He noted that the committee has been reviewing bylaw proposals for several months and are very close to sharing a final draft for consideration. The draft will be shared with the board allowing for several months of consideration, with action anticipated later in 2023.

### **Report of the President**

Mr. Hewa provided an update on Cooperative business over the past month. He noted that REC has received a memo of completeness for the pending streamlined rate case, and anticipates it being approved soon. He also shared with the board two federal infrastructure grant pursuits that REC is working on, noting both support projects aimed at improving reliability and member satisfaction. Mr. Hewa asked Ms. Steiner to provide a brief on the cooperative scorecard that was released. Ms. Steiner noted that REC fared well among cooperatives both in Virginia and regionally and highlighted several areas of strength as well as future opportunities for REC to consider improving.

Mr. Hewa then shared with the board that REC along with two other cooperatives issued a letter to President Biden seeking an increase of the FEMA reimbursement level for storms, as was done in 2021. Storms in 2022, when coupled with supply chain woes and inflation

impacts, have drastically impacted cooperatives and other utilities. Lastly, Mr. Hewa mentioned the growth of the CARES coalition, noting they now have 26 members, including two statewide associations representing approximately 100 utilities.

## **New Business**

### **Economic Development Rider**

The Economic Development Rider (EDR) is a voluntary tariff rider that will allow REC to ensure that qualified members can take advantage of ODEC's Market-Based Rates for New and Expanding Load policy. REC is authorized to establish this voluntary tariff pursuant to Va. Code § 56-585.3. Mr. Doherty made a presentation to the board explaining the need and implementation steps for this rider. Following the presentation, the **board voted to adopt the resolution to establish the Economic Development Rider.**

Resolution # 2022-12-01

## **New Voluntary Tariff Rider – Schedule Economic Development Rider (EDR)**

### **Resolution to Approve and Adopt a New Voluntary Rider “EDR”**

**WHEREAS**, the Board of Directors of Rappahannock Electric Cooperative was briefed by staff at the December 14, 2022 Board meeting regarding the Old Dominion Electric Cooperative's policy regarding Market Based Rates for New and Expanding Loads, including Old Dominion Electric Cooperative's Economic Development Rate, and

**WHEREAS**, the Old Dominion Electric Cooperative Board of Directors Policy Manual, in the section entitled “Market Based Rates for New and Expanding Loads,” requires that 100% of the benefit of the economic development rate will be passed through REC to its qualifying member, and

**WHEREAS**, the Board of Directors of Rappahannock Electric Cooperative desires to establish a tariff rider that allows Rappahannock Electric Cooperative to pass through 100% of the benefits that it receives related to the economic development rider to its qualifying member, and

**WHEREAS**, in accordance with the Board's authority, pursuant to Virginia Code § 56-585.3.A.8., which generally states in part that each cooperative may upon an affirmative resolution of its board of directors and without the Virginia State Corporation Commission (the Commission) approval approve any voluntary tariff, and cost recovery therefor, and shall promptly file any such tariff with the Commission for informational purposes only; and

**NOW, THEREFORE, BE IT RESOLVED** that the Board of Directors of Rappahannock Electric Cooperative does hereby approve and establish the Voluntary Economic Development Rate EDR Rider as attached hereto as Attachment 1 which codifies the Board's decision to implement a new voluntary EDR Rider tariff.

### **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 December 14, 2022, as reflected in Rappahannock Electric Cooperative's minute book and that the same has not been rescinded or modified in any way.

This 14<sup>th</sup> day of December 2022.

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Linda R. Gray  
Secretary

### **C.A.R.E. Charity Board Appointment**

Mr. Paulson recommended Mr. Greg Worley for the open seat in Region IV vacated by Donna Douglas upon her retirement in March 2023. The board reviewed Mr. Worley's resume and heard Mr. Paulson's recommendation. Following discussion, **the board voted to appoint Mr. Greg Worley to the C.A.R.E. Charity Board for Region IV.**

The board then spent time reflecting on the many contributions of retiring C.A.R.E. board members Donna Douglas and Thomas Reed. Ms. Douglas is the last remaining founding board member, and has been a tremendous ambassador for the program and spent many years of dedication to it. Mr. Reed has also served for many years, and most recently as chairman. Both of these leaders will be greatly missed. **The board voted to adopt two resolutions honoring the service of both Donna Douglas and Thomas Reed.**

Resolution # 2022-12-02

## **Honorary Service Resolution**

### **Resolution to Honor the Service of Donna T. Douglas**

**WHEREAS,** Donna T. Douglas 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. Douglas has served as a Founding Board Member representing Region IV, which is comprised of Louisa, Hanover, and Goochland counties since its inception in June 2005; and

**WHEREAS,** Serving as a leader of the Board through her service as Chairman; and

**WHEREAS,** Ms. Douglas 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 award recipients; and

**NOW, THEREFORE, BE IT RESOLVED** that the Board of Directors of Rappahannock Electric Cooperative hereby honors the service and dedication and extend their gratitude to Donna T. Douglas 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.

### **Certificate of Secretary**

I, Linda R. Gray, 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 December 14, 2022, as reflected in Rappahannock Electric Cooperative's minute book and that the same has not been rescinded or modified in any way.

This 14<sup>th</sup> day of December, 2022.

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Linda R. Gray  
Secretary

## **Honorary Service Resolution**

### **Resolution to Honor the Service of Thomas P. Reed**

- WHEREAS,** Thomas P. Reed 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,** Mr. Reed has served as a Board Member representing Region VI, which is comprised of Clarke, Frederick, Page, Rockingham, Shenandoah, and Warren counties since September 2014; and
- WHEREAS,** Serving as a leader of the Board through his service as Chairman; and
- WHEREAS,** Mr. Reed 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 he represents has always been evident in his discussions with his fellow Board members in reviewing applications for grants and to use the funding available to determine award recipients; and
- NOW, THEREFORE, BE IT RESOLVED** that the Board of Directors of Rappahannock Electric Cooperative hereby honors the service and dedication and extend their gratitude to Thomas P. Reed for his contributions to the C.A.R.E. Charity Inc. Board of Directors, Rappahannock Electric Cooperative, membership, employees, and community throughout his many years of Board service, and wish him well in his future endeavors.

#### **Certificate of Secretary**

I, Linda R. Gray, 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 December 14, 2022, as reflected in Rappahannock Electric Cooperative's minute book and that the same has not been rescinded or modified in any way.

This 14<sup>th</sup> day of December, 2022.

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Linda R. Gray  
*Secretary*

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

**The Board voted to enter executive session for the attorney's report and executive session agenda items at 11:45 a.m. and after proper motion, voted to exit executive session at 12:14 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.

The board then paused the meeting to have lunch with the C.A.R.E. Charity Board. Following the lunch, the meeting resumed at 1:15pm.

## **New Business Continued**

### **2023 Annual Operating Plan Presentation**

Chairman Shipe called on Mr. Hewa for the 2023 Annual Operating Plan. Prior to the meeting, an executive summary and detailed budget was provided to all directors and posted in BoardPaq. Mr. Hewa provided an overview of the budget and highlighted some major focus areas. Following his overview, Mr. Andrews presented details of the plan and the projects and initiatives it supports. Tosh Bowe then presented the Operating and Capital budgets. The operating budget plans for net margins of \$22.1M with approximately 3.92 billion kWh sales. Mr. Bowe showed three-year comparisons for operating statements, balance sheets, financial ratios, and cash flow.

The 2023 proposed capital plan includes \$91.87M for transmission and distribution projects and \$38.63M for general plant, which includes facility improvements, maintaining the fleet of vehicles and technology improvements.

Mr. Andrews and Mr. Bowe facilitated a discussion with the board and answered any questions that arose. There being no further questions or edits, **the board voted to approve the 2023 Operating Plan as presented.**

### **2023 Key Performance Indicators**

Mr. Muhoro shared the 2023 Key Performance Indicators with the board. The measures have been adjusted by management to meet the cooperative's needs. The payout methodology has been adjusted to put the performance period closer to the incentive payment.

### **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 2021 Annual Charge-off Report presentation. 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 are helping REC outperform industry standards. After questions and discussion, **the Board approved charging off a total of \$911,553 – (\$849,106 electric service accounts, and product and service accounts, and \$62,447 of non-electric service accounts).**

### **Executive Session**

**The Board voted to enter executive session for another attorney's report and additional executive session agenda items at 3:52 p.m. and after proper motion, voted to exit executive session at 4:46 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**

**The board voted to appoint Gene Campbell as voting delegate for the 2023 NRECA PowerXChange meeting.** Ms. Watts reviewed the upcoming travel for early 2023 including the Legislative Days in Richmond as well as the Agribusiness Dinner. She will follow up with directors who plan to attend.

### **January Member Communications Review**

The board received a preview of the planned January member communications.

Chairman Shipe called for any further business.

There being no further business, **the Board voted to adjourn at 5:13 p.m.**

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Linda R. Gray, Secretary

Attest:

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Christopher G. Shipe, Chairman