

RAPPAHANNOCK ELECTRIC COOPERATIVE  
BOARD OF DIRECTORS MEETING

**MINUTES**

WEDNESDAY, JUNE 28, 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, June 28, 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 – Information Technology & Cybersecurity, Bret Elliott  
Director of Cyber & Information Security Officer, Doug King  
Director of Strategy Execution & Enterprise Risk Management, Justin Cruise

Chairman Shipe called the meeting to order at 10:55 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 June 28, 2023 meeting.**

### **Introductions & Announcements**

Mr. Hewa began the introductions by welcoming Jason Satterwhite, REC's newly appointed Chief Grid Operations Officer to the meeting. In Jason's role he will oversee operations and construction across all of REC's territory. Mr. Hewa then shared several external board appointments and elections including: John Arp's role as Chair of the E&O workgroup for the Association of Large Distribution Cooperatives (ALDC), Peter Muhoro's election to Secretary of the Smart Energy Power Alliance (SEPA) board, Tracey Steiner's appointment to the Center for Energy Workforce Development (CEWD) board and Casey Hollins' role as Chair of the Louisa Chamber of Commerce for the coming year.

### **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 February 15, 2023 regular meeting, the April 20, 2023 regular meeting, April 2023 Operating Report, and the May 2023 Safety Report.**

### **CEO Update**

Mr. Hewa opened with a simple word of thanks to the board for their ongoing support as

REC leans forward into the rapidly moving future of the co-op. He detailed the great expanse that REC is currently and will continue to experience, with major focus areas including but not limited to fiber builds, Vividly Brighter program launches, and grant pursuits that will improve reliability for members.

## **Unfinished Business**

### **Administrative & General (A&G) Expenses Follow-up**

As follow-up to the May meeting, at the Board's request, staff prepared a detailed recap and current look at the Cooperative's A&G expenses. A member made an inquiry earlier this spring, and this report is to ensure the board has specifically addressed the member's request. Mr. Andrews provided a six-year comparison to the board. While the board reviewed the numbers, the discussion was around the 'drivers' for these numbers. As the board is keenly aware, the co-op continues to evolve and mature to handle doing business in the current environment. Major drivers for the A&G increases in recent years include REC investments in fiber, security measures, both physical and cyber, economic development, and government affairs positions. Additionally, REC is seeing impacts from cybersecurity spending, software as a service as the new model for many vendors, both of which are out of REC's control. Expenses as a percent of overall revenue remain healthy. The board expressed its appreciation for the due diligence review and will contact the inquiring member.

### **Strategic Plan**

Justin Cruise, Director of Strategy Execution and Enterprise Risk Management joined the meeting to present the final proposed version of the Strategic Plan for 2024-2028, which was shared in advance of the meeting with all directors. The board voiced its confidence in the plan and thanked employees, and senior staff for their input and desire to build a strong future for the Cooperative. Chairman Shipe noted that he looks forward to when the board will interact with the business plan to achieve the goals the strategic plan puts forward. **The Board voted to approve the 2024-2028 Strategic Plan as presented.**

## **Reports**

### **Bylaws Committee Report**

Eric Paulson provided the bylaws committee report. Mr. Paulson noted that after more than six months of consideration the committee was ready to bring proposed bylaws changes to the board. Mr. Paulson reviewed highlights of the changes, which were also provided to the board in advance. The changes were largely language updates, but also addressed suspension and termination of membership, standardizing quorums for meetings and special meetings at 2.5%, updates to director qualifications, giving the board the option to add at-large directors (not to exceed 4), and other clarifying items. **The Board voted to adopt the Committee's recommendation for Bylaw updates restated June 28, 2023.**

### **Finance Committee Report**

Mike Lindsay provided the finance committee report. The committee met prior to the board meeting to discuss the audit firm RFP results for FY 2023-2025. The committee recommendation is to continue with the current auditors, Adams, Jenkins and Cheatham. The board expressed their appreciation to staff for their diligence in good financial controls. **The Board voted to adopt the Committee's recommendation.**

### **May 2023 Operating Report**

Mr. Andrews presented the May 2023 Operating Report. The mild weather has continued to impact REC's kilowatt hours sales for 2023. Mr. Andrews explained that management is monitoring this very closely and is beginning to seek cost control measures. Operating Margins were \$767,453 and Non-Operating Margins were \$2.4M with Net Margins totaling \$3.2M. Following the presentation, **the board voted to accept the May 2023 Operating Report.**

### Report of the President

Mr. Hewa provided an update on Cooperative business over the past month. Mr. Hewa informed the Board that staff had received an “encouraged to proceed” with full applications on two of the grant concept papers previously submitted. He remains very hopeful that REC will be awarded a grant in the near future.

Mr. Hewa then provided an update on the upcoming distribution of REC’s recently restructured KPI performance incentive program. The payout, which will occur in late July, will be for the period of January through June of 2023. Safety and reliability have been strong in the first part of the year and the leadership team looks forward to rewarding employees for their efforts. All KPI payouts remain subject to REC’s financial performance, and the kilowatt hour sales slump is being closely monitored for how it may impact the second half of 2023.

Mr. Hewa briefly mentioned that CEEUS is coming to Virginia, and REC will seek to diversify its supply chain with this vendor.

He then discussed briefly with the board, the governor’s decision to remove Virginia from RGGI, the Regional Greenhouse Gas Initiative. He indicated there will be more to come on this in the future and how it will affect ODEC and therefore REC.

Mr. Hewa closed his remarks by informing the board that REC’s private rating from Fitch has been reaffirmed in the last month. He also mentioned that CFC senior leadership, including CEO Andrew Don, recently visited REC for an idea sharing session with a focus on cybersecurity and information technology.

### Intern Visit

Four REC interns visited with the board for lunch. These interns are working primarily in cyber and information technology roles. They each shared their highlights and a few learning moments with the board. The board thanked them for their interest in REC and wished them well in their future career endeavors.

### New Business

#### Fleet Request for 2024

Mr. Hewa then called on Mr. Arp and Mr. Satterwhite for a 2024 fleet update. 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 2024 delivery of ordered vehicles. For 2024, the situation remains the same, as multiple manufacturers are experiencing long lead times. For this reason, Mr. Arp has asked for the full fleet budget to be pre-approved. It does not increase the budgetary request for vehicle replacements and does not represent a 2023 capital expense item. **The board then voted to pre-approve the suggested budgetary request for \$4.3M.**

### Resolution for Authorization to Execute Certain Documents

Due to staffing and title changes, the Resolution for Authorization to Execute Certain Documents needed to be updated. The board voted to adopt the resolution for Authorization to Execute Certain Documents.



Resolution # 2023-06-01

## Authorization to Execute Certain Documents

**WHEREAS,** it is necessary from time to time for Rappahannock Electric Cooperative (“Cooperative”) to release easements and execute drain field encroachments, Agreements for Purchase of Power, Eight-Year Contracts, and other similar documents; and

**WHEREAS,** in an effort to increase efficiency and excellent service to the customers of Rappahannock Electric Cooperative; and

**WHEREAS,** the Staff recommends that the Managing Directors of the Cooperative and the Principal Engineering Manager, as listed below by name and title, be authorized to execute such documents as hereinafter described,

**NOW, THEREFORE, BE IT RESOLVED** that the Board of Directors hereby authorizes that in addition to the Officers of the Corporation, the Managing Directors of the Cooperative and Principal Engineering Manager, as listed below by name and title, are authorized to execute distribution right-of-way easements, drain field encroachment agreements, easement exchange, replacement and abandonment including, but not limited to, property owner requests on the behalf of Rappahannock Electric Cooperative; and

**BE IT FURTHER RESOLVED** that the Managing Director of Engineering and Power Supply and the Principal Engineering Manager – Energy Projects, as identified by name and title below, shall also have the authority to execute Agreements for Purchase of Power and Agreements for Electric Line Extension on behalf of Rappahannock Electric Cooperative.

**MANAGERS OF THE COOPERATIVE AS LISTED BY NAME AND TITLE**

Christopher Stoia, Managing Director of Engineering and Power Supply

Leesetta Jean “Lee” Brock, Principal Engineering Manager – Energy Projects

**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 June 28, 2023 as reflected in Rappahannock Electric Cooperative’s minute book and that the same has not been rescinded or modified in any way.

This 28<sup>th</sup> day of June, 2023.

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**Linda R. Gray**  
*Secretary*

**Term Limits**

The board continued its discussion on term limits and board evaluation. After discussion, the board decided to continue its consideration at the next meeting.

**Attorney’s Report & Executive Session**

**The Board voted to enter executive session for the attorney’s report and executive session agenda items at 1:37 p.m. and after proper motion, voted to exit executive session at 3:28 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

Due to the length of the CFC Forum and its west coast location, **the Board voted to make an adjustment to the CFC Forum per diem by adding one day for a total of four (4) days.**

Ms. Watts reminded the board of the dinner on Sunday evening, July 23 ahead of the Virginia, Maryland, and Delaware Association and ODEC Annual Meeting in Lansdowne.

She then informed the board of the workshop coming up on July 31, to be focused on serving large loads.

Ms. Watts then presented the board with two proposed schedule changes for the fall meetings due to various conflicts. After **discussion the Board voted to make the following schedule changes:**

**The September 20 meeting will be rescheduled to September 27, 2023.**

**The December 6 meeting will be rescheduled to November 29, 2023.**

## July Member Communications Review

The Board received a preview of the planned July 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 3:35 p.m.**

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Linda R. Gray, Secretary

Attest:

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Christopher G. Shipe, Chairman